

Make your idea a reality

A guide to writing a business plan

Writing a business plan is an important exercise that allows you to think more clearly about what you're doing and where you're going.

Throughout this guide, you'll have the opportunity to really think about your ideas, your target markets, your revenue and profit goals, and other core assumptions. If you need to know more about your industry or market, go online and find the answers you need. When you're done, you'll be more knowledgeable about your market and industry, increasing your chances of success. You can then use your business plan to help raise money, attract cofounders and make initial decisions about setting up your business. Later, once you get some customer feedback, you might want to revise your initial assumptions and rework your business plan in light of the data you've gathered.

The following pages will guide you to ask important questions that will help get your business off to a successful start.



Using this guide can help you determine whether you really want to pursue your idea. It can also help ensure that everyone on your team is aligned with your business goals.

Title page

Make sure your title page includes an address, phone number and professional email address (as well as a business name and your logo if you have one). Otherwise, how will investors get in touch with you to say they want to invest?

Table of contents

Some readers might want to find specific information quickly. Help them out by creating a table of contents.

Executive summary

The executive summary should be one or two pages. It should provide a snapshot of the mission and objectives of the company and briefly summarize the sections that follow in greater detail: management, marketing, operations and financials (more on that to follow). The executive summary is what an investor will likely read first. If it's fascinating enough, the investor will be eager to read further. In this section, you should address:

Mission

- What is your company's mission statement? Write one or two sentences that define the identity and goal of your company.

Example: The mission of the American Red Cross is to improve the quality of human life, to enhance self-reliance and concern for others, and to help people avoid, prepare for and cope with emergencies.

Concept

- What is your product or service? Write a short description that explains your idea clearly and plainly.

Objectives

- What are your company's objectives? What do you hope to achieve, and by when? Do you plan to run the company for one summer, repay loans and make \$1,000 for yourself? Get profitable in three years? Generate lots of cash and repay loans in 12 months? Sell the company? Go public? Be acquired? Acquire other companies?
- How will you know your business is successful? What does success mean to you? Does it mean fame? Hundreds of employees? Cash? High return to investors? Independence? How will your success make a difference? How will it change your community? Your state? The environment? Your employees? Society? The world?

Company description

The most important thing is to explain what product or service your company will provide and how customers will benefit (how their lives will improve). For example, Instagram is a "fast, beautiful and fun way to share your life with friends and family." Some face-wash creams promise acne-free lives, no skin irritation and the fact that no animals were tortured in their production. What are the benefits of the product or service your company will provide?

As you know from surfing the Web and watching commercials, companies offer many subtle and intangible benefits to get us to purchase a product or service. However, the more direct and detailed you can make your user benefits, the better. After all, in the early days, you may not be able to afford mass advertising to convince your users your product will make them skinnier, happier or more desirable. One of the most compelling benefits is cost— for instance, a product or service that saves customers money.

So ask yourself, what is your competitive advantage? Will your product or service save your customers time, money or simply offer them higher quality than your competition? Does it help them earn more? Of course, that depends on what your product or service is. Spend some time answering the following questions:

What exactly is the company selling? Does your target market really need or want it? Why?

What are the benefits to the end user of buying your product or service? Can you measure the benefits in time or money saved? Are there benefits to others?

Are there any parts of your product or service that are patentable or proprietary (protected by trademarks or copyright)?

Is your product or service better than that of your competitors? Why?

Leadership and organization

Here you get to talk about you and your team and why you're the ones to make this happen. Who'll do what in your company? You don't need to have all of the roles filled by different people, and it's possible to combine roles. For example, in some businesses, the same person runs marketing and sales, or engineering and operations. In many startups, a single founder does it all. Here are some typical key roles and responsibilities to use as a starting point.

Vice President—Marketing

- Manages market planning, advertising, public relations, sales promotion and merchandising, and facilitates staff services

- Identifies new markets (including foreign markets) and conducts market research

Vice President—Sales

- Manages sales people, sales areas and quotas
- Manages sales office activities, including customer service and product support services

Vice President—Finance

- Manages company finances, including accounts receivable, accounts payable, inventory, payroll and cash

Vice President—Engineering

- Oversees product development, including quality control, physical distribution, product and packaging design, new product development improvement, and product improvement
- Manages ongoing research and development

Vice President—Operations

- Oversees service manufacturing functions
- Responsible for quality control
- Manages materials

Vice President—Technology

- Responsible for overseeing all technical aspects of the company (including Web presence)
- Consults with other department heads regarding technologies that may improve their efficiency/effectiveness
- Conducts research and case studies on leading edge technology
- Responsible for securing company and customer data

Who are your team members, and what roles will they fill? What are the skills or qualities that make them suitable for these roles? Are they reliable? Are they good with numbers? Are they Web developers? Do they have experience selling something? Make sure you match the skills required with what the job needs.

Name:

Role/title:

Responsibilities:

Personal experiences/skills/qualities that make him/her suitable for the role:

Name:

Role/title:

Responsibilities:

Personal experiences/skills/qualities that make him/her suitable for the role:

Name:

Role/title:

Responsibilities:

Personal experiences/skills/qualities that make him/her suitable for the role:

Name:

Role/title:

Responsibilities:

Personal experiences/skills/qualities that make him/her suitable for the role:

Name:

Role/title:

Responsibilities:

Personal experiences/skills/qualities that make him/her suitable for the role:

Board of advisors

It's not necessary to have a board of advisors, but think of them as your own business coaching panel. Typically, they're people you may already have a relationship with who are prepared to answer your questions (either by email/text or in person) and can help you solve business problems. They don't have to be your elders; they can be people your own age whose opinions and insights you trust.

Name	Current Role.	Area of Expertise
<i>Jan Smith</i>	<i>Accountant</i>	<i>Accounting</i>

Your product line or service

In this section, describe what your product or service is and who's going to buy it, how large that group is, how you're going to let them know about your product or service and get them to buy it and how it stands apart from the competition.

Customers

Who needs your product or service? Describe your typical customers (in terms of sex, age, economic class, where they live and what they do). What motivates them? What are their dreams? How do they want to be perceived? What problems might keep them up at night?

How big is the market? How many potential customers could you have?

How do you know your customers need your product or service? Do you have any evidence that customers are interested, such as interviews, online comments or emails from prospective customers, or experiences from pilot customers? How will your product or service make their lives easier, better, happier, or save them money or time?

Once you have your customers, how are you going to turn them into loyal returning customers?

Competitive analysis

This is where you discuss what the competition is like out there. You'll want to research the competition online, including how they position and market themselves, pricing, special offers, etc. What are your competitors doing to differentiate themselves? If they have a physical store presence, you should plan on visiting to explore the typical customer experience, to gather any marketing materials, etc.

Who, besides you, will be out there selling the product or service?

What makes your product or service better than what your competitors offer?

Marketing plan

In this section, talk about how you plan to enter your market and gain customers.

Advertising, promotion, public relations

- How will you attract new customers? Will you use social media, word of mouth, events, direct mail, TV or online (Google AdWords) advertising?
- What are the ways you plan to advertise and promote your business?
- Attach any sample brochures, fliers, logos or business cards if you have them. And if you don't, make some.

<input type="checkbox"/> Facebook	<input type="checkbox"/> Online ads	<input type="checkbox"/> Word of mouth
<input type="checkbox"/> Instagram	<input type="checkbox"/> Websites	<input type="checkbox"/> Networking events
<input type="checkbox"/> X	<input type="checkbox"/> Blogs	<input type="checkbox"/> Trade shows
<input type="checkbox"/> LinkedIn	<input type="checkbox"/> Email	<input type="checkbox"/> Press releases
<input type="checkbox"/> Yelp	<input type="checkbox"/> Direct mail	<input type="checkbox"/> Television/Radio ads
<input type="checkbox"/> Google AdWords	<input type="checkbox"/> Fliers	<input type="checkbox"/> Newspaper/Magazine ads

How much will advertising and promotions cost per month?

Type of collateral	Quantity	Cost per unit	Cost per month
<i>Fliers</i>	<i>1,000</i>	<i>500 fliers at \$0.15 each</i>	<i>500 x \$0.15 = \$75</i>
			\$
			\$
			\$
			\$
Total			\$

Pricing and profitability

What will you charge for your product or service? (See Step E worksheet in the Finance Worksheets section.) How did you come up with those numbers?

What makes you think that your customers will pay that price? How does your pricing compare to that of your competitors?

Selling tactics

How do you plan to get your product or service into your customers' hands? Online, in stores, catalogs, trade shows or events, telephone sales, distributors, door to door, own sales force, other?

Operations

This is the nuts-and-bolts section. Now that you have a great product or service to sell and customers who you expect will buy in great quantities, how do you plan to make that happen?

Where will you work? In your bedroom, at an office, at school or your parent's garage?

What permits or licenses will you need to operate your business? Will you have to let the city or state know what you're doing?

Will you make your product or perform your services yourself, or will you outsource the work domestically or internationally?

How will the business fit into your schedule so you can meet your customers' needs and still get your own work/schoolwork done? How many hours per week will you spend on your business?

Will transportation or shipping be part of your business? How will you handle it?

How will you make sure that the product or service is as good as you dreamed it would be? What kinds of quality control procedures will you have?

What kinds of problems might come up, and what might you do to avoid them?

What technology needs (hardware, software) will you have?

Financial projections and funding requests

There's no way to escape the dollars. In fact, you should embrace this section, because running a business without planning where the dollars are coming from and going to is like driving a car without a steering wheel. In this section, you should address:

- How much revenue (sales) you'll generate in the first and second years
- What equipment you'll need to get your business running and what your startup costs will be
- How much you'll pay yourself and your employees
- What other fixed costs you'll have in the first year
- How much profit you'll earn
- Where you'll get the money to start your business, such as savings, a bank loan or an investment from a relative

What to include and where to start

Start with the income statement. With the income statement, you're trying to get to the net profit (or bottom line). Here's a simple version of the income statement formula:

Income statement summary	
\$	Revenues (sales)
\$	– Variable costs
\$	= Gross profit
\$	– Fixed costs
\$	– Taxes
\$	= Net profit (your bottom line)

How you get to the bottom line

Follow this process to work out an income statement for your business:

Step A: List all your costs.

Step B: Calculate your startup costs.

Step C: Calculate your variable costs.

Step D: Calculate your fixed costs for one month.

Step E: Forecast the per-unit selling price of your product or service.

Step F: Forecast the number of units you plan to sell.

Step G: Calculate revenue (sales) for one month.

Step H: Calculate gross profit for one month.

Step I: Calculate your net profit. Put it all together into your income statement.

Step J: Determine your financing plan (where to get your startup costs).

Finally, check to see it all makes sense!

Finance worksheets

Now you're ready to write your plan. Here are some blank worksheets to help you pull the finances together.

Step A: List all your costs.

Brainstorm everything you can imagine needing for your business that will cost something. Make sure you think of materials (for example, aprons or a cash register) and payments you'll need to make (like rent), as well as people you'll need to hire. This should be a pretty long list.

When the list is done, you'll need to go through it and put an "S" next to your startup costs, a "V" next to your variable costs and an "F" next to your fixed costs.

Remember these definitions:

- **Startup costs:** Costs for things that you only have to buy once to start your business
- **Variable costs:** Costs that change according to the number of units of product you make or units of service you deliver
- **Fixed costs:** Costs that remain the same no matter how many units of product you make or units of service you deliver

List your costs

Step B: Calculate your startup costs.

Startup item	Cost
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total cost	\$

Step C: Calculate your variable costs.

Cost type	Notes on calculations	Cost
		\$
		\$
		\$
		\$
		\$
		\$
		\$
Total cost		\$

Step D: Calculate your fixed costs.

1. What are the fixed costs of your business for a month?

	Notes/Calculations	Total for one month
Marketing		\$
Salaries		\$
Utilities		\$
Rent		\$
Insurance		\$
Interest		\$
Other		\$

2. How much are the total fixed costs for one month?
(Add all the costs per month from No.1.)

_____	+	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=
Marketing		Salaries		Utilities		Rent		Insurance		Interest		Other	

Step E: Calculate your selling price for one unit of your product or service.

1. Describe one unit of your product or service.

2. Use the worksheet below to determine a recommended selling price. You need to:
 - a. Guess four or five prices you think people might pay and list them in the first column of your worksheet. Put the highest price (\$1.25 in this example) at the top of this list.

 - b. Interview potential customers and ask the following question: “If you needed (my product or service), what’s the most you would pay for (describe one unit)?” For example: “If you were to buy a delicious double-chocolate-chip brownie, what’s the most you would pay for one brownie?” Add up the votes and put them in the second column. Remember that what people say they’ll pay doesn’t necessarily reflect what they would actually pay — for that you need to conduct a market test and sell your product. For more on conducting a market test, see page 14.

- a. The next step is a little tricky. In the “Total people” column, you’re trying to determine how many people would pay the price per unit (the selling price) you’re suggesting. From your interviewing, you worked out that four people would pay \$1.25. Write 4 under “Total people.” For how many people would pay \$1.00, the answer is the five people who voted for \$1.00 PLUS the four people who voted for \$1.25. That’s because those who’d pay \$1.25 for a brownie would certainly be happy to pay \$1.00.
- b. The last step is to multiply the price per unit by the total people.
- c. Now look at your numbers in the last column. Which is the biggest? Here it’s \$9.75. You would make the most money selling my brownies at \$0.75 per unit. So that’s your recommended selling price.

c. “Total people” equals the number of people who would pay the price per unit suggested. It starts with 4 people who would pay \$1.25. To get the number of people who would pay \$1.00, you need to add the votes for \$1.00 (5) plus the votes for \$1.25 (4), which equals 9. To get the number of people who would pay \$0.75, add the above number (9), which is the people who would pay \$1.00 or \$1.25, to those who would pay \$0.75. This equals 13.

e. The biggest number in your last column tells you what price to use. At this price, the most people will buy your product! So in this case, it’s \$0.75.

Price per unit	No. of votes	Total people	Price per unit x total people
\$1.25	4	4	\$5.00
\$1.00	5	9	\$9.00
\$0.75	4	13	\$9.75
\$0.25	4	17	\$4.25

a. Enter example prices here

b. Enter votes for each price

d. Multiply price per unit x total people (e.g., \$0.75 x 17 = \$4.25)

Blank worksheet table

Use this table to determine the selling price for your own product or service.

Price per unit	No. of votes	Total people	Price per unit x total people
			\$
			\$
			\$
			\$

Step F: Forecast the number of units you plan to sell.

1. How many units do you think you can sell in one hour? _____

2. How many hours per day will you sell your product/service?

Monday: _____

Tuesday: _____

Wednesday: _____

Thursday: _____

Friday: _____

Saturday: _____

Sunday: _____

3. How many hours per week will you sell your product/service? Add the above.

_____	+	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=
Mon		Tue		Wed		Thu		Fri		Sat		Sun	

4. How many units of your product/service will you sell in one week?
(multiply No. 1 x No. 3)

_____ x _____ = _____

5. How many units of your product/service will you sell in one month (four weeks)?
(multiply 4 x No. 4)

4x _____ = _____

Step G: Calculate revenue (sales) for one month.

1. How much will you charge for one unit of product? _____ (selling price)
2. How many units will you sell in one month? _____
3. What is your revenue for one month? _____ (multiply No. 1 x No. 2)

Step H: Calculate your gross profit.

(Remember: Gross profit per month = revenue per month – variable costs per month)

1. How many units will you sell in one month? _____
2. What is your variable cost to make one unit of product? _____ (variable cost)
3. What is your variable cost per month? _____ (multiply No. 1 x No. 2)

_____ x _____ = _____

4. What is your revenue for one month? _____ (see No. 3 from Step G worksheet)

5. What is your gross profit for one month? (subtract No. 4 – No. 3)

_____ - _____ = _____

Now you can fill in the first part of your income statement.

Income statement summary (month)	
Revenues (sales)	\$
– Variable costs	\$
= Gross profit	\$
– Fixed costs	\$
– Taxes	\$
= Net profit	\$

Step I: Calculate net profit. (Remember: Net profit = gross profit – fixed costs)

1. What are the total fixed costs for one month? (see Step D, No. 1. fixed costs)

2. What are your gross profits for one month? (see Step H, No. 5. gross profit)

3. What is your net profit before taxes for one month? (subtract No. 2 – No. 1)
_____ – _____ = _____
4. What are your taxes for one month? (estimate at 20%) (multiply 0.20 x No. 4)
0.20 x _____ = _____
5. What is your net profit for one month? (subtract No. 3 – No. 4)
_____ – _____ = _____

Now you have your total income statement for one month.

Income statement summary (month)	
Revenues (sales)	\$ _____
– Variable costs	\$ _____
= Gross profit	\$ _____
– Fixed costs	\$ _____
– Taxes	\$ _____
= Net profit	\$ _____

To get the income statement for the first year, multiply everything by 12, assuming that you sell the same amount every month.

Income statement summary (year)	
Revenues (sales)	\$ _____
– Variable costs	\$ _____
= Gross profit	\$ _____
– Fixed costs	\$ _____
– Taxes	\$ _____
= Net profit	\$ _____

Step J: Determine your financing plan.

1. How much startup capital do you need? \$ _____
2. The sources of your startup will be:
 - Savings \$ _____
 - Loan from family/friend (_____% interest) \$ _____
 - Loan from bank (_____% interest) \$ _____
 - Equity (_____% of business) \$ _____
 - Other (business grant, competition winnings) \$ _____

Total financing (should match No. 1 at top) \$ _____

What to do with your business plan draft

Get two or three people whose opinions you respect and trust to review the plan for you. Ask them to tell you if and why they would or would not invest if they had the money. (If they say they would and they have the money, don't forget to ask them for a check.)

Try to figure out if there are any no-cost ways to start your business or help you strengthen your claims. For example:

- **Interview prospective customers.** Ask them if they would buy your product/service. If so, how much would they pay? Where would they most likely buy them? Who do they think will be your closest competitor?
- **Do a test market.** Do a test market. Conduct a test where you sell your product or service to your market at different prices. If it's impossible to sell the finished version of your product, you can sell what's called a "minimum viable product" (MVP). The MVP should deliver the same benefit but can be less polished than the final version of your product/service. If you're wondering who will want your MVP, the answer is people who have the most to gain from what you're offering. These "early adopters" will want your product/service so much they'll accept it in its early form without all the bugs worked out. Early adopters provide you with revenue so you can invest capital back into your business. Your priority will most likely be funding product development so you have a viable product/service not only for early adopters but also for your larger target market. Early adopters also provide important customer feedback so you know what features of your product/ service are important to your market and which aren't. This information will help you perfect the final product for your larger market.

Creating a business is great fun — and a lot of work. But with a good partner or a team of smart friends, you can start a successful business of your own!