

How to Write a Business Plan

Market (3 pages)

- Define exactly what the market for your product or service is. How large is it? How much opportunity exists? Much of the rest of the plan will be dedicated to how you will penetrate the market and how much of the market you can realistically expect to capture.
- Information is easily accessible on the web (e.g. Google, www.exports.gov, and, by subscription, www.dnb.com). Competitors websites and annual reports may also be a useful source of information. Finally, see David Cromwell's Lectures 4 and 4B on the Resources section of the website.
- Surveys are also a good, albeit rough, way to help gauge a market opportunity.
- Be careful to avoid overstating your market. Narrow down your market as far as you can. If you are manufacturing a medical device that will assist in kidney dialysis, your market is not realistically the entire medical device market, but rather the market for dialysis devices.

Customer (2 pages)

- You will not succeed if you do not understand your customer. Who *exactly* are you selling to? Why will they want or need your product more than any other one? Are you solving a problem they have or are you providing them a service or product they don't know they need?
- You may also want to think about how many customers you have. Will they come back for more?

Product/Service (2-4 pages)

- Explain thoroughly what your product/service is. What is its value? How will you deliver it?
- [YES Note: While it may seem obvious, don't forget to explain to the average Joe what your product is, how it works, and what it is used for. If you are manufacturing advanced-technotronic-thingamabobs, it may be helpful to write a part of your summary in the style of "Advanced-technotronic-thingamabobs for Dummies." Due to the nature of the competition, there is no guarantee that your judges will have the relevant technical experience to truly appreciate your product without explanation. That said, don't completely eliminate the science of your product since 1) you may have a judge who does appreciate it and 2) it's obviously extremely important]
- If you are manufacturing a product, how and where will it be manufactured? It is always surprising how some teams totally misunderstand the infrastructure and channels by which they plan to produce and distribute their good. Understand this fully, and explain it in your plan.
- If you are delivering a service, how will it be delivered and by whom?

Competition (2 pages)

- No matter what you may think, **YOU HAVE COMPETITION!** In an environment where firms with greater resources or people with as much or greater intellectual capital can and will try to put you out of business, it is vital you know them and why you'll succeed.
- Who are going to be your largest and fiercest competitors? An existing firm? Someone who may enter the market after discovering your product? If you are making soft-drinks, Coca-Cola will be a big hurdle – explain why it will be overcome and how you will establish **AND DEFEND** your position in the market.
- What is going to be your position and what is its defensibility? How will defensibility be established? Intellectual Property? First-mover advantage? Better resources to do the job? Small market? Brand name?
- More specific information on your competitors can be found on their websites or perusing through their annual reports (if available).

Marketing (1-3 pages)

- You have this great new business, but now what? How are you going to get the word out? How do you plan to sell your stuff?
- Direct mailing? Door-to-door? Media advertisements? Other?
- Some businesses may require heavy investments in marketing and advertising to sell, while others may not need as much. For instance, many medical device companies don't market to the population at large. Door-to-door may be best. Soft-drinks may need to be more heavily marketed. Perhaps media would be best.
- Many teams want to rely on "buzz" only. **THIS ALMOST NEVER WORKS!** Yes, your product is great, wonderful, cool, unique – but no one will care unless you make them care!

Operations/Production (1-4 pages)

- As mentioned above, you must understand how you will make/deliver your product/service.
- Property, plant, equipment investments necessary?
- If you're manufacturing widgets in China, explain why and how they are manufactured there.
- If you have a service business, how do you plan to implement your strategy to deliver your service? What sort of human/intellectual capital required?

Growth (1-2 pages)

- Try to outline expansion plans here. As revenue streams start coming in, how will you continue to grow the top and bottom lines.
- How scalable is your business? Can you handle growth easily? If it will be a challenging task, explain how it will be accomplished.
- Where will you start and where do you plan to be in several years down the road? How much growth potential is there in the first place?

Profit (1-2 pages – optional)

- This optional section may highlight how the company will become profitable and “enter the black.”

Management (2 pages)

- Venture Capitalists, etc. continually remind us that the team is the most critical element of success. Most VCs would rather invest in a wonderful management team with a mediocre product than a great product with awful management.
- Highlight the different aspects of the management team and how each member will contribute to the success of the business.
- What are management’s strengths and weaknesses? How will weaknesses be handled? How will strengths be leveraged?
- Do you plan to hire more experienced management in the future (e.g. a CEO for your company)?

Financial Assumptions (1-2 pages)

- What metrics are used to develop your pro forma income, balance, and cash flow statements?
- Quantity sold? Percentage of Market Captured?
- Develop your revenue projections and expense structure understand how your businesses finances will function – for instance, do you have high fixed costs, a variable cost structure, low or high overhead, etc?
- Some may include an exit strategy (IPO, acquisition)

Financial Statements (3 pages, one for each statement)

- Develop pro forma income, cash flow and balance sheet statements for your business.
- For a good article on this, see <http://www.entrepreneur.com/article/0,4621,322756,00.html>
- Make sure your assumptions and projections are realistic. Don’t expect to capture 30% of the market in your third year – it probably won’t happen.
- For non-profits, be sure to understand how the venture will be financed and sustained. Simply because you don’t intend to make money, do not skip the financial statements.