

"How to Write a Successful Business Plan"

Entrepreneurship 101 Workshop Series

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Presented by

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Overview of Session

- Introductory concepts: Coming Up With the Idea, Overview of the Business Plan
- A Closer Look: Thinking Through the Market Opportunity and Business Model.
- Working Session and Discussion

What is a Business Plan?

- A business plan is the story of where your business is going, how it will get there and what it will look like.
- 25-30 pages plus appendices.

A Business Plan...

- Is optimistic, but realistic
- Truthfully evaluates the market opportunity
- Is flexible and ever-changing
- Recognizes potential risks and outlines strategies for mitigation
- Demonstrates an understanding of the entire entrepreneurial process, from start-up to maturity
- Builds consensus and commitment from other stakeholders

Business Plan Outline

- I. Executive Summary
- II. The Market Opportunity
- III. Business Model
- IV. Business Operations
- V. Management and Stakeholders
- VII. Financials
- VIII. Appendices

Getting Started: Where Does the Idea Come From?

- Evolutionary vs. Revolutionary Ideas
- Do you perceive a need in the market?
- Can you produce something better, cheaper, faster?

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Foundations of a Business Plan: The Market Opportunity and Business Model

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Defining the Market Opportunity

Purpose: To put your business in a larger context and make a case about why it's needed and by whom

Components:

1. External and industry context of the business
2. Market description, including size, growth rate and level of demand for your product offering
3. Customers, including target segments, demographics, purchasing power and decision factors
4. Competition at the local, regional and national levels

Defining the Market Opportunity: External and Industry Context

Macro view of your business

- What industry are you in?
 - Defined by federal classification systems: NAICS or SIC code.
- What is happening in your industry in terms of trends, technology advances, and regulatory environment?
 - Look at your industry at the local, regional and national level.
 - How will these trends affect your business opportunity?

Defining the Market Opportunity: External and Industry Context

Helpful hints:

- Be realistic about what is happening in the industry and how your business will operate within the industry.
- Downward trends or an economic recession are not necessarily reasons to cancel your business plans.
- Recognizing the conditions and convincing the reader that the opportunity exists is the purpose of the section.

Defining the Market Opportunity: Market Description

Demonstrate that you know what the universe of potential customers is for your product or service

- Look at the size and demographics of your total potential customer base
- Evaluate market trends
- Determine demand for your product offering

Defining the Market Opportunity: Customers

- Segment the universe of potential customers
- Define these characteristics using demographic and psychographic information
- Evaluate the purchasing power of the target segments

Defining the Market Opportunity: Competition

Explain how customers needs/wants are currently being met by the competition

- Who are your direct competitors?
- Who are your indirect competitors?
- What are the strengths and weaknesses of your competitors?
- What market share do they currently have? Are sales growing? How long have they been in business?

Defining the Market Opportunity: Common Traps

- There is no competition for my product/service
- I just need to capture 1% of the total market
- Demand clearly exists because several potential customers have contacted me about this product/service.

Defining the Market Opportunity: Finding the Information

- Libraries, (NYPL Science, Industry and Business Library, 34th and Madison)
- Government Sources (Census Bureau, Dept. of Labor, etc.)
- Trade Associations
- Securities Firms (Multex)
- Colleges and Universities
- Direct Industry Contacts
- Survey Instruments and Focus Groups
- “Grandma” research

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Constructing the Business Model

Purpose: To explain what you are offering given the market opportunity

Components:

- Description of product or service
- Description of the competitive advantage
- Pricing analysis
- Revenue model

Constructing the Business Model: Competitive Advantage

Explain the reasons that you will succeed in the marketplace with your product or service.

- How will you produce your product or service faster, cheaper or more effectively than others?
- Examples include: low cost leader, highest quality provider, first mover advantage, or patented technology.

Constructing the Business Model: Competitive Advantage

- Why will you be successful?
 - *Think about all sides of your business from your customer base to your suppliers as well as internal capacities*
- How strong is your advantage?
 - *How long can it last?*
 - *What will you have to do to maintain it?*

Competitive Advantage: Common Traps

- My product/service will be priced below market rate.
- Our location is ideal – we are the only store of our kind in the neighborhood.

Constructing the Business Model: Pricing

Articulate how much you are going to charge and how much it will cost to produce.

- Pricing is developed from three factors:
 1. *Costs*
 2. *Competition*
 3. *Customers*
- The price derived will be an **assumption** to use in the financial section of the business plan and to test for the viability of your business.

Pricing Analysis: What to Charge

1. **Costs:** How much does it cost to produce this ice cream cone? What are the factors that contribute to the cost?



Pricing Analysis: What to Charge

2. **Competitors:** What do your competitors charge for a “regular scoop of ice cream in a waffle cone”?

- *Haagen Dazs Super Premium: \$3.29*
- *Ben & Jerry's: \$3.35*
- *Baskin Robbins: \$2.75*
- *Hershey's: \$2.55*



Pricing Analysis: What to Charge

3. **Customers:** How much are customers willing to spend? What are the attributes of these brands of ice cream? Why do customers buy them?

- Haagen Dazs
- Ben & Jerry's
- Baskin Robbins
- Hershey's



Where Do You Go From Here: Next Steps

- Develop Financial assumptions on cost and revenue side— need to show multi-year financial projections 3-5 years.
- Important to recognize that businesses won't break-even for several years.
- Think through Operations processes, assemble, Management team.

Resources

Seedco Resources

- www.seedco.org/nvn
- “A Toolkit for Developing a Social Purpose Business Plan.”
- Sarah Eisinger, seisinger@seedco.org

Other Resources

- Columbia Business and Economics Library
- New York Public Library, SIBL
- **The Fast Forward MBA in Finance, Second Edition, [John A. Tracy](#)**
- Social Enterprise Alliance, www.se-alliance.org