

Generic Business Plan

This generic plan is included because I am frequently asked for an example of a good plan, and am restricted from handing out any that have been given to me.

There are plenty of good books on how to write a plan, along with actual software that makes it easy. These are actually pretty good.

However, this will get you started.

Executive Summary:

Brief description of the business, including the **Compelling Reasons** why this is a great opportunity. It should briefly outline

- Product or service being offered
- Who the customers are, and why they would care
- How large the market is
- Who, and how significant is the competition
- What the vision is for the future (e.g. +5yr position)
- Why should anyone invest
- Who is the team, especially the driver.

It should not exceed 2 pages

Font should be 12 minimum. 14 is better if you want it read .

Contents of the Business Plan:

This is an example of the sections of a reasonable plan. Other information may be provided, but you should have a reason why to include it.

1. Background and context of the opportunity
2. Description of the product or service
3. Vision for the future
4. Overall market and customers
5. Competitive advantage and product pricing
6. Competition
7. Sales and marketing plan
8. Product or service development plan
9. Financials
10. The team; who and background
11. Measurables and control
12. Exit strategy
13. The deal for the investors
14. Project plan for collecting additional information

Appendix:

Detailed financial statements and assumptions
Detailed Market Assumptions if necessary
Sources of information
Background interviews
Proof of concept, or business history to date
Other

1. Background and Context of the Opportunity:

A quick overview of this context is important. You should explain what is unique about the current market that allows this (product, service) to be hot right now.

Absolutely clear should be the **PAIN** of the customers that will be assuaged by this business. What are the forces in the market, and how are they likely to change in the near future.

You should make clear the business being proposed. Precisely what is the service or product. Who are the customers (Generically). How will you acquire contracts and sales revenue

Are you planning any major partnering. With whom and why

2. Description of the Product or service

You should describe the product or service in enough detail that a reader can understand it. Describe it as if you were talking to a 12 yr. old. NO BUZZWORDS or Jargon, unless absolutely necessary, and even then, take the time to explain it. Don't make the reader feel stupid.

3. Vision for the future

Here you let the reader know what the business will look like at the time of the exit strategy. A vision at other times may be included if there is a reason to do so. (like, we bail in 5 yrs., but growth would continue for 15; vs. we get out in 5 yrs. just as we saturate the market)

4. Overall Market and Customers

Here is where you have to show that you know the market. You can be reasonably brief, but you should be ready to defend it vigorously. Collect backup info into an appendix, in case you need it.

You should be able to state how large the market is, and what share you should be able to acquire, and why. You might as well address why the competition will let you have this market share. DO NOT assume the competition is asleep or stupid.

You should be able to identify the top 10 important customers for your product, and demonstrate that acquiring these customers would give you a reasonable chance of meeting your plan.

If you need thousands of small customers (like the public), then you have to address the cost of acquiring these customers. B-C business models need a LOT of \$\$ in marketing. (An exception is if you have a compelling viral component to your business plan).

5. Competitive advantage and product pricing

You should address your competitive advantage, and how you will price your product. You might as well address what you will do when the competition comes in and drops their price. Your competitive advantage has to be able to withstand a price drop from the competition.

It is great if you can quantify (in \$\$) the value of the problem the customer has that you will be solving.

6. Competition

You have to have a clear table that addresses the competition. A **competitive grid is mandatory**. This should list your competitors, the key features on which you are competing (that the customer cares about) and how you all stack up. Do not include minor/ insignificant features just because you have them, if the market doesn't value them

7. Sales and marketing Plan

You have to address how you will extract an order or a sale from an actual customer. This can get tricky, if your customers are widely distributed. Will you use a direct sales force (feet on the street), reps (they usually don't work well), partnering (why would they sell your product), etc.

Be careful not to confuse marketing with sales. Marketing is how you get your service and product known, sales is getting the order. Remember, no one got fired for deciding to stick with Microsoft.

8. Product or service development plan

Chances are your product is not completely developed. How will you complete the development. When will it be ready for sale. **DO NOT FORGET** to include quality control and hardening (debugging).

If you have a customer who is helping fund the development, this is **GREAT**. If you don't, how will the investor know you are in tune with the market, instead of just fantasizing.

9. Financials

You should include a **BRIEF** summary of the financials. Try to use GAAP, because the investors generally speak this language, i.e. include a

- Income statement,
- Balance sheet,
- Sources and uses of cash.

If you have a 5-yr. Plan, annual finances are fine. If cash in the first year is extremely critical, include a monthly breakdown **IN THE APPENDIX**. Beware of spreadsheet-itis. It can show you are unsophisticated.

The financials should be real. They should correctly reflect your expenditures in development, sales and marketing, etc. They should match your sales forecast. Reasonable delays between sales expenses and revenue should be clear. Review your financials carefully. You investor wants to know you have the financial side of the business under control

10. The Team

This is usually the section that gets read second (after the executive summary), and is the most important. You do not have to have a complete team, however, you should be clear about the missing members, and who (generically) you would recruit. (e.g. we will recruit a marketing executive from IBM internet systems)

The Leader/ Driver should be clear. It is unlikely you will get funded without a strong leader, unless your technology is so compelling that an investor would want to get involved in fixing your problems.

Be sure that your team has relevant experience in the market and with the product. This is a great place to "Partner" to shore up weaknesses.

This section should also address the Board of Directors, and governance, if applicable. Some companies have advisory boards, in addition to directors. This is useful when you need to have high level help (like getting FDA approval, opening a particular customer, etc)

A good Board of directors will have a balance between investors, the operating team, and a few "outside" experts or executives. The importance of outside perspective on the board cannot be overemphasized.

A good hiring plan is a big plus. How will you recruit , hire, and train fast enough. Where will you find your people. Are you locating the business in the right place for the right reasons. (Being next door to your investor is not usually a good reason).

11. Measurables and control

Any good business has a set of measurables that track the performance, and provide a set of control limits. These should be simple and relevant, and include a LEADING INDICATOR on the business. (Big existing businesses track how they have done, startups have to be tracking 2 yrs in the future how they will do, so they can anticipate and correct)

12. Exit strategy

You have to address how the investor will get his money out. When is important. Who would buy the company, and why. Don't assume that you will "go IPO". Even in this crazy market, most companies do not exit this way.

If no one would buy it for strategic reasons, the income stream has to be pretty good in order to interest a financial buyer.

13. The Deal for the investors

You should be clear about what you are looking for from your investors. A financing plan that goes beyond the first round, with a good set of measurables and checks in place will really help.

You do not want to present a "deal" per se. However, you should separately from the business plan have a clear outline the deal. This should include all option effects, preference rights, etc. This is so you and everyone else can understand what you are getting for your respective contribution. You should be able to look at the business from the perspective of a team member you are trying to attract, so you can understand if you can attract him/her.

In a good deal, you would be struggling over whether you would rather be the investor, or the team. Be aware of industry "hurdle rates". If your plan does not meet a reasonable risk-adjusted return, you won't get funded.

14. Project Plan for collecting additional information

Often, you do not have all the information you really need. If you take the time to find out everything, it takes too long, or you might starve to death. It is OK. However, you should make clear what additional information you need, how and when you will get it, what you expect it to be (which allows the plan to go forward), and what you will do if the information is not what you expect.

Appendix:

The appendixes your opportunity to show how much you know. It will probably not be read, but its existence shows reasonable diligence. I usually recommend that all detailed, technical information goes into an appendix, and that you then do an appendectomy. However examples of possible appendixes include

A. Detailed financial statements and assumptions

B. Detailed Market Assumptions if necessary

C. Detailed technology description

D. Sources of information

E. Background interviews

F. Proof of concept, or business history to date

G. Other