

**PitchThenPlan™**



## Instruction Book for the Pitch-Then-Plan Business Planning Process

The Business Planning Technique That Quickly  
Translates Business Ideas Into Business Plans

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# THE PITCH-THEN-PLAN BUSINESS PLANNING PROCESS

(Inspired by Guy Kawasaki's, *The Art of the Start*)

## INTRODUCTION

Welcome to Pitch-Then-Plan—the business planning technique that quickly translates business ideas into business plans.

The beauty of the system lies in its simplicity. The process starts with a straight-forward ten-slide business “pitch” which covers the essentials of the business and how it operates. The next step is to complete the “plan.” The plan essentially takes each slide of the ten-step pitch and drills down to the next layer of detail. Finally, the process is completed by taking the money assumptions from each of the slides and creating a financial projection for the business.

The point of the Pitch-Then-Process is clarity. It seeks to bring clarity to the founder's thoughts about the few things that matter most. It doesn't try to address everything, just the most important things, for not everything can be known from the beginning. By limiting the discussion about the business, the process forces the founders to be clear, concise, and concrete about what they know and what they will do.

The underlying spirit of the technique is to make sure you get moving as quickly as possible—after all, *doing* is the essence of entrepreneurship. Remember: No one ever got rich “planning” for gold.

The hardest thing about getting started is just getting started. As an (emerging) entrepreneur, you should always be selling—not strategizing about selling. That's what this process is about.

## Why Pitch-Then-Plan?

Many entrepreneurs try to perfect their business plans and then pull PowerPoint slides out of it. This is backwards thinking. A good business plan is a detailed version of a pitch—as opposed to a pitch being a distilled version of a business plan. If you get the pitch right, you'll get the plan right. The converse is not always true.

## Why Is This The Right Approach?

Your pitch is more important than your business plan, as it will determine whether you're rejected or generate further interest. Few sophisticated investors will read a business plan as the first step. A pitch is easier to fix than a business plan because it contains less text. You won't get feedback on your business plan. Frankly, it may not even be read. You will, however, get immediate reactions to your pitch.

## Who Should Create The Pitch?

All the research shows that the key predictor of a business's long-term survival is that it

- 1) hire a few key employees,
- 2) start with at least one other co-founder, or
- 3) form of a board of directors—whether it's governing or advisory in nature.

History loves the story of the sole innovator and renegade entrepreneur—Thomas Edison (light bulb), Steve Jobs (Macintosh), Henry Ford (Model T), Richard Branson (Virgin Airlines). But history is wrong. Successful companies are started and made successful, by at least two, and usually more, partners.

No matter how big or small a business is, three areas of activity need to be taken care of:

- The technical skills necessary to produce the goods or services one wishes to sell,
- The ability to market one's goods and services, and
- The ability to financially manage one's affairs.

If any one of the above is missing, the business is not a business, it shouldn't be called one, and it will never succeed. Nobody on earth is equally passionate about producing a product, marketing it, and keeping good financial records.

This false belief in a "team-of-one" could be the cause for the massive failure rate of small businesses in the first five years. If you want to maximize the chances of success in starting a business there is probably only one significant factor to leverage: the person who is most capable of enlisting the support of others, the team-builder, is the most likely to succeed.

An entrepreneur is not supposed to be well-rounded, rather they are supposed to become more of who they already are—that is intentionally imbalanced. It's the team that should be well-rounded and, paradoxically, the best way for a team to be smart is for each person in it to think and act as independently as possible.

If you don't have any other founding partners, you should create an advisory board as early as you can in the process—preferably before you create your pitch. This group won't govern or manage your business, but they will provide valuable expertise and connections for you from the very beginning. In short, you need people with two kinds of expertise: company-building and deep market knowledge.

You should never outsource the writing of your business plan to an outsider. In fact, the most important reason to create a business plan in the first place is that it forces the founding team to work together. With any luck, this will help generate a strong, cohesive team. You might even figure out whom you don't want to work with. Finally, the writing of a plan uncovers holes in the founding team. If you look around the room and realize that no one can implement key elements of the plan, you know that someone is missing.

### **The Proper Process**

1. Throw together a pitch that contains the ten slides presented in this template.
2. Try it out on some mentors, colleagues, relatives, angels, and investors. Do this about ten times.
3. Get the team together in a room and discuss what you have learned.
4. Fix the pitch.
5. Start creating the plan.

### **Observe the 10/20/30 Rule**

Here is a good guideline to follow for the content, length, and font of a good pitch. It's called the 10/20/30 rule...

- Ten slides
- Twenty minutes
- Thirty-point font text

If you're using a word processor this would be equal to about 600 to 700 words in total.

For a good pitch, you want to communicate "enough," not everything. And "enough" means enough to get you to the next step—whatever that next step may be. Thus, the recommended number of slides for a pitch is small—ten or so. This seemingly impossibly low number forces you to concentrate on the absolute essentials. The fewer slides you need, the more compelling your idea.

### **THE PITCH**

Your business plan pitch should contain no more than ten PowerPoint slides. If you use the following framework of titles for your ten slides or sections then you should cover most of the essentials:

- 1) The Idea
- 2) The Business Model

- 3) The Customer
- 4) The Competition
- 5) The Message
- 6) The Sales Approach
- 7) The Inner Workings
- 8) The Management Team
- 9) The Money Forecast
- 10) The Next Steps

Let's look at each of the ten slides or sections, one at a time:

### **The Idea**

The purpose of this slide or section is to explain the business opportunity or big idea you have discovered at its highest level.

All good ideas share at least one of three goals:

- 1) They make life for the customer easier. (efficiency)
- 2) They make life for the customer better. (effectiveness)
- 3) They allow the customer to do new things. (innovation)

And among the outcomes of all great ideas are to...

- Make the world a better place.
- Increase the quality of life.
- Right a terrible wrong.
- Prevent the end of something good.

Sometimes an idea for a business is simply a recognized opportunity the founders have discovered. Entrepreneurship is always opportunity-focused—never risk-focused. It constantly seeks opportunities to leverage and exploit. These opportunities may include very simple things like: a location with cheap rent, the absence of an ethnic restaurant in your town, a contract opportunity with a large company, the arrival of something new which creates additional opportunities, or the bringing together of several existing things which may result in something new and more valuable.

Sometimes the idea for a company can be best summed up as the “one big thing” the company knows or the company does. For instance, the high-concept idea for the following businesses could be summed up like:

- Sam Walton, Wal-Mart: Serving small, out-of-the-way, rural towns.
- Michael Dell, Dell Computer: Sell computer, then build computer.
- Howard Schultz, Starbucks: The concept of the *third place*—it's not work, it's not home. It's somewhere in between serving everyday pleasures.
- Steve Jobs, Apple Computer: The computer for the rest of us.
- Jack Welch, GE: Be Number 1 or Number 2 in every market we serve or get out.
- Herb Kelleher, Southwest Airlines: Democratizing the skies by being THE low-cost airline.

For this section, plainly and concretely talk about the opportunity you have discovered and the big idea that your business will bring to life. Use simple language and avoid business jargon like “solutions,” “shareholders,” “best,” or “quality.” These are all abstract concepts to the senses. Instead, talk about your idea of people actually doing things to take advantage of your discovered opportunity.

Examples:

- If you go to five travel sites, you will be presented with five completely different offers. Traveling to each site is time-consuming and confusing. We are a discount travel

- website. We have written software that searches all the other travel sites and collates their price quotas into one report.
- Finding nice, affordable apartments in Columbus, Indiana is challenging, especially on a student's budget. Our plan is to provide apartments for college students, with retail space on the bottom floor. Our residents will experience the best of campus life, in a safe and stimulating environment.
  - More than 20 percent of all residents in Southern Michigan are over the age of 65 years. In the next decade, that number will explode to over 35%. Our plan is to offer medical telemedicine health screenings and medic alert monitoring to this growing population.
  - The idea for Chipotle (pronounced chi-POAT-lay) is simple: Offer a simple menu of great food prepared fresh each day, using many of the same cooking techniques as gourmet restaurants. Then serve the food quickly, in a cool atmosphere.
  - FlexPetz is a unique shared dog ownership concept for dog lovers who are unable to own a full-time doggy pal, but miss spending time with a canine friend.

### **The Business Model**

A business model describes the purpose of the business and how it makes money.

While "The Idea" described the opportunity you discovered, the business model answers the question, "So what?" It responds by addressing the question, "What will we do to exploit this opportunity and how will we make money?"

It's imperative that you answer the question, *What does this organization do?* at this point in your pitch. Once the audience has learned what you do, they can listen to everything else with a more focused perspective. Clear the air at the start of your pitch and don't let anyone have to guess what you do. Make it short:

- We sell software.
- We sell hardware.
- We sell premium sushi.
- We sell consulting hours.
- We teach underprivileged kids.
- We prevent child abuse

To describe your business model, it's useful to complete the following sentence, "The purpose of our business is to...(our core purpose or timeless reason for existing beyond just making money) and we make money by...(selling or charging for...)."

Remember, business language does not make a business model. Avoid whatever business jargon is currently hip such as strategic, mission-critical, synergistic, scalable, etc. Think of eBay—"Our purpose is to provide a global trading platform where practically anyone can trade practically anything. We charge a listing fee plus a commission." End of story.

If you think about it, there are only a few things that a business can really sell such as products, services, time, and so forth. Your job here is to describe those basic things and possibly even talk about average price levels, product costs, and estimated margins (what's left over). If you sell a number of products and services, group them into categories—no more than three or four categories are recommended.

Examples:

- Apple iTunes: The purpose of Apple iTunes is to let people enjoy music anywhere, anytime. We sell popular music downloads over the internet for \$.99 per song. We pay music labels \$.82 per download leaving us with a margin of \$.17 per song.
- Microsoft: The purpose of Microsoft is to put a computer on every desk and in every pocket. We sell computer operating systems and application programs by charging a software license fee on each copy.

- ING Direct: The purpose of ING Direct is to help people save money. We offer customers higher rates on their savings and lower rates on their mortgages by keeping our costs low. We have no bankers, no ATMs, and no branches, and only do business through the internet and the mail.
- Chipotle: The purpose of Chipotle is to offer fast-casual Mexican cuisine by presenting a few things, a thousand ways. We only serve burritos, burrito bols (a burrito without the tortilla), tacos and salads each costing about five bucks.
- Google: The purpose of Google is to organize the world's information and make it universally accessible and useful. We charge advertisers for our Google *AdWords* program which promotes their products and services on the web with targeted advertising. We also charge web site managers for our Google *AdSense* program which delivers ads relevant to the content on their sites, improving their ability to generate revenue and enhancing the experience for their users.

### **The Customer**

For this section, talk about the groups of customers that you will target and that will be attracted to your idea.

Ask yourself, "Who has my money in their pockets?"

Keep it simple. The more precisely you can describe your customer, the better. Many entrepreneurs are afraid of being "niched" or "pigeon-holed" and then not achieving ubiquity. However, most successful companies started off targeting specific markets and grew (often unexpectedly) to great size by addressing other segments. Few started off with grandiose goals and achieved them.

At this stage, you don't have to get down to the level of numbers. This will come later when you construct your plan. But this is no excuse for not being as concrete and specific as you can in describing your customers.

It's important to remember that all customers use two basic systems of decision-making. The first model involves calculating consequences. This is called self-interest. This is the standard model used in all classical economics. It says that people are self-interested and rational. The rational person asks, "Which sofa will provide me with the greatest comfort and aesthetics for the price?"

The second model, known as self-image, is quite different. It assumes that people make decisions based on identity. They ask themselves, "Who am I? and what do people like me do in this kind of situation?" They ask, "Which sofa would someone like me buy?"

Customers use both models of decision-making simultaneously. There is not much evidence that public opinion can be predicted by narrow self-interest. Principles such as equality, individualism, and human rights may matter to us even when they violate our immediate self-interest. Therefore, it's not always a safe argument to simply say, "Our customers will flock to us because we are the low cost provider and it's in their self-interest." Both kinds of customer decision-making models should be considered.

Be sure and talk about what you know about the targeted customers considering both their self-interest and their self-image. Ask yourself, "Are they rebels, leaders, iconoclasts, socialites, loners, intellectuals, idealists, naturalists, purists, etc.?"

Examples:

- Our customers are busy executives and sales persons who frequently travel more than 20 weeks a year. They are road warriors who seek products that express their positions of status and achievement.

- Our customers are high-school students who need additional teaching help outside the traditional classroom. They seek products that increase their self-confidence relative to the performance of their peers.
- We reduce the risk of fraud for regional commercial banks in their online transactions. Our customers seek partners with strong reputations.
- The primary customer for Chipotle's is between the ages of 25 and 54. The customer is slightly older than the typical fast-food customer mainly due to their desire for a more healthy menu without sacrificing speed. These customers desire a...
  - Focus on freshness, with products made to order, and excluding the use of frozen ingredients and microwaves
  - Focus on innovative flavors, including condiments that fuse elements from distinct cuisines
  - Focus on consumer choice, sometimes provided through extensive selection of condiments, but frequently extended to complete control of product content
  - Focus on health, including whole-grain, and organic, as well as trans-fat and MSG free ingredients

### **The Competition**

For this section, your job is to essentially talk about who is out there trying to win your customers and what stories they are telling.

Different competitors tell different stories in the marketplace. The business model that they have selected to exploit their discovered opportunity, the customers they have chosen to target, and the message they deliver, all combine to create a competitor's story. It's your job to talk about the story each competitor tells and then talk about how your story is either different or more important. By doing this, you demonstrate your understanding of what's going on in the market.

Start out by identifying (by name) your three to four most significant competitors and the story that they are trying to tell in a few words or phrases. Then describe precisely how you are different.

Most companies use the same terms to describe their product or service such as "high-quality," "easy-to-use," "fast," or "safe." Instead, try applying the Opposite Test: Do you describe your offering in a way that is opposite to that of your competition? If you do, then you're saying something different. If you don't then your descriptions are ineffective.

For example, it would be fine to describe your products as "intuitive, secure, fast, and scalable." if your competition describes its products as "hard-to-use, vulnerable, slow, and limited." However, this probably isn't the case, so you're saying nothing.

Many entrepreneurs believe that investors want to hear that the venture has no competition. Unfortunately, sophisticated investors reach one or both of the following conclusions if entrepreneurs make such claims:

- A) There's no competition because there is no market. If there were a market, there would be others trying to win it, or
- B) The founders are so naive that they can't even use Google to figure out that ten other companies are doing the same thing.

It's your job to show how you are superior to the competition, not that it doesn't exist. You should also list the things that you can't do and the competition can because this builds credibility, showing that:

- You can realistically appraise the competition.
- You can communicate your knowledge clearly and succinctly.
- You are willing to present facts that don't always make you look good.

Also, if you're competing against a large, established competitor, build a case for these kinds of alternatives:

- Partnering with the competition,
- Flying under its radar, or
- Addressing a niche that it can't or won't address.

Remember: You cannot succeed if you try to tell your competition's story better than they can. The problem is that once a consumer has bought someone else's story and believes it, persuading the consumer to switch is the same as persuading him to admit that he was wrong. And people hate admitting that they are wrong.

Instead, you must tell a different story and persuade those listening that your story is more important than the story they currently believe. If your competition is faster, you must be cheaper. If they sell the story of health, you must sell the story of convenience.

Think about the story that each competitor below is telling:

- Think Amazon.com (Earth's Biggest Selection) versus Woot.com (Which sells only one product each day but at a deep discount).
- Think Coke (classic) versus Pepsi (youth).
- PC (reliable business applications) versus Mac (digital lifestyle)
- Think Italian racing bikes (speed) versus Trek bikes (comfort).
- Little Miss Matched selling three mismatched socks versus a pair.
- Goodyear has a blimp. But just because everyone knows your name doesn't mean everyone knows your story. Michelin has a brand that tells a story—safety.

Examples:

- Minute Clinic has three primary competitors:
  - The emergency room of Columbus Regional Hospital. It is always available and can diagnose and treat any number of illnesses. It is, however, extremely expensive and slow.
  - Local primary care physicians who treat a large number of illnesses but are only available during normal business hours.
  - Off-the-shelf, self-diagnostic tests which are inexpensive but can only diagnose one medical condition per test.
- Minute Clinic is fast and conveniently located within a pharmacy, can treat twelve of the most common ailments, and uses nurse practitioners instead of doctors, making it extremely low-cost when compared to other competitors.
- Pret a Manger has three primary competitors:
  - Zingerman's is an authentic family-owned deli which sells made-to-order sandwiches. It leverages its appeal to "locals" since it has been in the community nearly fifty-years.
  - Subway tells the story of freshness by selling submarine sandwiches that are made-to-order served on fresh-baked bread. It is one of the country's largest food chains and convincingly tells the story of consistency across its locations.
  - Quizno's Subs are also chain stores. They specialize in toasted, made-to-order, sub sandwiches.
- Pret a Manger creates handmade natural food avoiding the chemicals and preservatives common to fast food. We offer only 30 different "just made" sandwiches each day and make nothing to order meaning there are no lines to wait in. A customer selects a sandwich, a bottled drink, and is out in less than 90 seconds.

### **The Message**

Once you have identified the various competitors out there trying to win your customers and the stories they are telling, it's time to talk about the message you will deliver to the customer.



A great message is like a great story only in miniature. And a great story is true not because it's factual, but true because it's consistent and authentic.

Most of all great messages agree with our worldview. The best messages don't teach people anything new. Instead, the best messages agree with what the audience already believes and makes the members of the audience feel smart and secure when reminded how right they were in the first place.

The bottom line is this: Don't try to change someone's worldview, instead, identify a population with a certain worldview and frame your message in terms of that worldview.

Most often you're charged with competing with someone who has already succeeded with a message that's taken hold. The best alternative strategy is to find a different community, with a different worldview that wants to hear a different message.

If you can build your entire organization around delivering a particular story, you've dramatically increased the chances that this story will actually get told.

Messages that are made to stick in the customer's mind are simple, unexpected, concrete, credible, emotional, stories. We must explain our ideas in terms of human actions, in terms of sensory information. This is where so much business communication goes awry.

Naturally sticky ideas are full of concrete images because our brains are wired to remember concrete data. Language is often abstract, but life is not.

Contrast the "maximize shareholder value" idea of most businesses with John F. Kennedy's famous call to "put a man on the moon and return him home safely before the end of the decade." It's a story in miniature. Had JFK been CEO, he would have said, "Our mission is to become the international leader in the space industry through maximum team-centered innovation and strategically targeted aerospace initiatives."

Examples:

- Reidel Glassware: "The delivery of a wine's taste depends on the form of the glass. The secret to Reidel glasses is that there is a perfect shape for every beverage. Through ten generations of glassblowers we have discovered the timeless forms of glass to convey the wine's message in the best manner to the human senses. Reidel—A Passion for Glass."
- LifeLock: "My name is Todd Davis. This is my social security number 457-55-5462. Yes, that really is my social security number. No I'm not crazy. I'm just sure our system works. Just like we have with mine, LifeLock helps protect your personal information. And it's GUARANTEED."
- Subway: "Meet Jared. He used to weigh 425 pounds, but today he weighs only 180 thanks to what he calls the "Subway diet." Eating only two Subway Sandwiches a day combined with an exercise program worked for Jared. We're not saying it will work for you. But it worked for Jared. Subway—Eat Fresh."
- "The Nature Conservatory helps protect precious landscapes by buying them." (Instead of buying faceless, statistical acres it talks about "landscapes." Five landscapes per year sounds more realistic than 2 million acres and it's more concrete.)

### **The Sales Approach**

Your sales approach is how you will deliver your message to the customer. There are obviously a number of ways and kinds of media in which to do this. The point of this section is not to simply list all of the types of media that are available, but those that make sense for your business and your budget. Your goal is to try and convince the audience that you have an effective go-to-market approach that won't break the bank.

A general rule of thumb in marketing is that you shouldn't use a sales approach unless you can master it. And you can't master more than a few kinds of selling approaches or types of media. To "master" a sales approach means you can implement in a world-class, state-of-the-art way, and afford to do it right.

You should also think in terms of contact spheres. Contact spheres are hubs or gatekeepers who could provide you direct access to groups of your customers who have already self-organized for a purpose. They are businesses that are symbiotic and noncompetitive to you. For example: a lawyer, an accountant, a financial planner and a banker. All of them have clients with overlapping similar needs. They can all work with and refer each other easily. Another good example is the wedding contact sphere: a florist, a photographer, a travel agent and a jeweler. A referral for one of them becomes a referral for all of them. You should immediately determine what professions fit within your contact spheres and start developing relationships with them.

Entrepreneurs should usually start with publicity and promotions and master that first. Things such as press releases, publicity events, and public relations tactics tend to generate the most return-on-investment early on—then, and only then, should you venture into advertising. Advertising may maintain and expand brands, but it's publicity that establishes them.

Promotional tactics might include such things as:

- Public Relations
- Media Relations
- Press Kits
- Press Releases
- Newsletters
- Special Events
- Speaking Engagements
- Sponsorships
- Community Relations and Philanthropy

Your sales approach may also include using a sales force to sell your product. If this is the case, then you should describe how many sales representatives you require and how they will be compensated.

Other tools may include sales promotions such as:

- Consumer sales promotions: coupons, demonstrations, frequent-user incentives, point-of-purchase displays, free samples, money refunds or rebates, or contests or sweepstakes
- Industrial sales promotions: industrial sales promotions, quantity discounts, free merchandise, cooperative merchandise, dealer listings, buy-back allowances

Finally, there are a number of advertising tools that are available including:

- Websites
- Email Advertising
- Direct Mail
- Trade Shows
- Yellow Pages
- Newspaper
- Magazines
- Radio
- Television and Cable
- Outdoor Advertising
- Specialty Advertising

At this stage, don't worry about how many ads you will purchase or any associated costs. This will come later when you construct your plan. Your task here is to simply decide what leverage points and contact spheres exist for talking with your customers and to identify what types of media you can master and are best suited for your message and for your customer.

Examples:

- SmallBizU: "A majority of the customers for our educational software can be reached through our website, the direct mailing of promotional kits, and through two national trade shows and four primary regional shows."
- K9 Fashions: "K9 Fashions will educate our customer about our custom-made pet fashions through five primary contact spheres (all of which will be paid affiliates): dog groomers, local veterinarian offices, AKC pet clubs, kennels, and breeders. We will also use direct mail catalogs sent using purchased mailing lists for our targeted market regions."
- Dream Dinners: "Dream Dinners will reach our customers (defined as working women between the ages of 28 and 45) through monthly "Girls Night Out" Parties, customer hosted parties (ranging from 6 to 12 women), referral and frequent-user programs, cooking classes conducted by regional top chefs, cookbook signings with major chefs, and quarterly community relations events where we will partner with local food shelters to donate food prepared by volunteers from our store. We will also advertise heavily in the local newspaper, *The Guardian*, in their Sunday Food and Entertaining section.

### **The Inner Workings**

For this section, you talk about the work you do and how you make things. It's a discussion about the internal operations of your business.

You shouldn't overcomplicate what you do, but you should consider talking about the:

- People: How many people do you require? What skills must they have? Are they full-time or part-time? Salaried or hourly? What pay ranges? What roles and responsibilities will they have?
- Places: What kinds of facilities or locations do you require to get your work done? How does the product get to the customer and where do they receive or purchase it?
- Things: What kinds of machinery, equipment, furniture, or fixtures do you need to do your work? Who supplies it? How much is it? How long does it last?
- Time: How long does it take to complete an order from start to finish? What are your hours of operation? How long does it take to get products or materials from your suppliers?

Examples:

- Bistro On The Green will be located at 34th Street and Delmar Avenue and will be open from the hours of 11:00am to 11:00pm Tuesday through Sunday. The location requires the addition of a full commercial kitchen. We require 2 chefs, 3 sous-chefs, 2 cooks, 2 hostesses, 1 front-house manager and 16 part-time waiters and waitresses each working about 35 hours on average per week.
- Tortillas Supremas will be located in a leased building in Indianapolis, Indiana. Two tortilla making machines and two vehicles for delivery will be leased. Two full time employees will work the tortilla making machine. Two employees, working 20 hours per week at \$9.00 per hour, will deliver the finished product.
- Tele-Health Services will require a 24x7x365 operations center based in Columbus to serve Southern Indiana cities. In order to deal with the demand of securing 2,000 new customer accounts each year, we will require 5 Service Technicians for installation (8AM-5PM), 6 Maintenance & Training Staff to support the central facility (in 3 shifts), 1 Administrative Support Staff, and an IT Staff person. All remote monitoring equipment will be leased on a month basis from Teleproducts USA for \$17.50 per month.

## The Management Team

For this section, talk about the key players who will manage the business. For each management team member, you should briefly mention their credentials (why they are qualified to run this business) and mention their roles and responsibilities. Make sure that your team completes the “management trinity”:

- Who will oversee the work—management expertise,
- Who will oversee sales—marketing expertise, and
- Who will take care of the money—financial expertise.

If it’s just you as the sole founder of the business, you should “round-out” your management team by also talking about any board of directors, advisory boards, consultants, or major investors that you may use, as well as, any professionals like lawyers, accountants, bankers, or insurance agents that will assist you in running the business. As was discussed earlier, no investor wants to hear that the founder is the only one in which the success of the business is dependent upon. Business is too complicated today for any one to master all facets equally.

Examples:

- Jack Handy, Founder  
Mr. Handy graduated cum laude from Ball State University with a degree in the Award-Winning "Entrepreneurship and Small Business Administration Program." He has founded two previous ventures, both of which he sold to larger companies. He will oversee the day-to-day management responsibilities for the organization.  
Advisory Board Members  
As Mr. Handy has no direct experience in marketing, he will be forming a management advisory board which contains both deep market experience and functional management expertise. The five person advisory board, which will meet quarterly, will include...  
Professional Service Providers  
The firm has engaged the services of the following professionals:
  - Joe Darlage, First National Bank
  - Johnny Books, Books & Company CPAs
  - Judy Tort, Senior Partner, of Tort and Writ Attorneys at Law
- Jack Smith, Location Manager  
Mr. Smith will oversee the day-to-day operations and management of the location. He has over 14 years of experience in retail fast food and is one of the founding members of Chipotle.  
Loretta Johnson, Assistant Manager  
Ms. Johnson is an experienced chef with over 12 years of commercial cooking knowledge. She will oversee the all ingredient purchasing and grill staffing according to the philosophies of Chipotle as presented within this business plan.
- Steve Thomas, President and CEO  
Mr. Thomas will manage the day-to-day operations of the business. He over 20 years of experience in the telecommunications industry and has managed three companies from inception through to their initial public offerings.  
Judy Stanwicki, Vice President of Marketing  
Ms. Stanwicki has managed the marketing functions for two Fortune 1000 companies. She will oversee all strategic marketing and partner development for the company.  
Steve Charles, Vice President of Operations  
Mr. Charles has been the general manager of a major healthcare provider for more than 10 years. He has a wealth of experience in operating international businesses and will oversee the operations and human resource functions for the business.

## The Money Forecast

For this section, talk about how much money you need to get started. At this stage, list the major categories of start-up costs and estimate their amount.

Talk about the money you expect to take in during the first year. Show how you came up with that number (units times prices).

Talk about the money you expect to spend out during the first year. Think about people, product costs, space, equipment, etc.

Finally, discuss how much you project might be left over. You will be constructing a full set of financial projections later when you construct your plan, so for now, just provide a broad set of well-documented assumptions that shows you have thought about the sales potential and cost structure of your business.

Don't use a top-down model. No bootstrapper in his right mind would do a top-down forecast. Here's a typical top-down model:

- There are 1.3 billion people.
- 1 percent want internet access.
- We'll get 10 percent of that potential audience.
- Each account will yield \$240 per year.
- 1.3 billion people X 1% of the market X 10% success rate X \$240/customer = \$312 million. (And as an added bonus, look at how conservative these percentages are!)

Instead, use a bottom-up model. Here's an example:

- Each salesperson can make ten phone sales a day that get through to a prospect.
- There are 240 working days per year.
- Five percent of the sales calls will convert within six months.
- Each successful sale will bring in \$240 worth of business.
- We can bring on board five sales people.
- Ten calls/day X 240 days/year X 5% success rate X \$240/sale X 5 salespeople = \$144,000 in sales in the first year.

Examples:

- Premier Uniforms requires \$150,000 in initial start-up funds roughly broken down into \$20K for working capital, \$100K in inventory, and \$30K in equipment and leasehold improvements.  
We are anticipating acquiring 120 accounts in the first year (10 per month) with an average annual contract amount of \$15,000 per account resulting in \$180,000 in annual sales.  
Our expenses are primarily payroll (50%), rent and facilities (30%), and administrative expenses (20%) which should total approximately \$120,000. We are projecting a first year profit of \$60,000.
- Doughboys Gourmet Doughnuts anticipates start-up costs of \$300K.  
First year sales are projected at \$700K as broken down as follows:
  - 450-620 doughnuts/day at \$1.25 each
  - 400-450 drinks/day at \$2.75 each
  - \$100-130/day in other merchandiseCost of goods sold is assumed to be 35% of sales or \$245K.  
All other fixed expenses are estimated at \$375K (\$280K payroll, \$50K rent, \$45K administrative expense).  
Loan payments will be roughly \$40K each year for five years.  
The net profit for the first year is therefore projected to be \$40K.

### **The Next Steps**

All plans must translate into action or they are forever just dreams. All good plans should always end with the next action steps to be taken. While every business is unique in the next actions that must be undertaken, there are obviously some general tasks that every business must complete.

These tasks could be to:

- Raise investment capital
- Acquire a few initial customers
- Complete design specifications
- Form the business legally
- Purchase insurance policies
- File licenses
- Secure initial accounts
- Find a location and sign a lease
- Finish a prototype
- Ship a test product to customers
- Ship a final product
- Open for business
- Achieve breakeven
- Rent office space
- Find key suppliers
- Setting up accounting and payroll systems

You should also think about the two or three big things that you want to accomplish in the next 2-3 years. Such things might include:

- Expanding the management team
- Expanding geographically
- Expanding into new markets
- Creating new products
- Entering into new partnerships

## **THE PLAN**

Once you've completed your Pitch, you should immediately perform the following steps:

- Try your Pitch out on some mentors, colleagues, relatives, angels, and investors. Do this about ten times.
- Get the founding team together in a room and discuss what you have learned.
- Fix the Pitch.

Once the Pitch has been road-tested and refined, it's time to complete "The Plan." While your Pitch is about framing your idea, the Plan is about doing your homework. The goal here is to add another 1 to 2 slides of research and supporting detail for each one of your Pitch slides or sections.

The research should tell a coherent and persuasive story. A story that tells how you will leverage the promising trends and overcome the negative ones is, in essence, your strategy.

For each of your Plan slides, there is a simple rule of thumb to let you know if you are on the right track or not. If you find yourself doing any of the following:

- Picking up the phone to call a professional, sales representative, expert, agent, supplier, or other specialist
- Conducting an internet search
- Discussing potential legal structures with an attorney and accountant
- Searching a database of industry related articles
- Talking with investors or lenders about criteria and constraints
- Negotiating on ad rates with media
- Going to the library
- Visiting potential locations in person
- Identifying mentors

- Visiting competing businesses
- Talking with and watching customers
- Summarizing market data into a table or chart
- Building a prototype
- Debating with other founding team partners

Then you know that you are on the right track.

If you find yourself starting a word processor or PowerPoint and beginning to type before doing any of the above, then you are not on the right track. In fact, there is probably very little substance to your plan and therefore your success.

If you use the following framework of titles for your Plan then you should cover most of the essentials:

- The Industry
- The Product
- The Market
  - Target Market Descriptions
  - Target Market Strategies
- The Competitor Matrix (or Value Curve)
- The Marketing Schedule
- The Location
- The Legal Structure
- Risk Management
- The Core Scores
- Required Start-Up Funds
- Capital Strategy

Let's look at each of the sections, one at a time:

### **The Industry**

The opportunity you identified in your Pitch most likely resides in an already existing industry (as most new ventures don't create a new industry from scratch), therefore, it's important to understand what's going on in this realm.

For this section, you are taking your Idea section from your Pitch and taking it to one more level of detail by:

- Naming and describing the market or industry that you will work within—in other words, the chosen “sandbox” where you will play.
- Talking about any trends and changes in the industry.
- Talking about whether the industry is growing and, if so, by how much.

When you are done with this section, it should contain numbers—and quite a few of them. There should also be references. If either of these conditions is not met, then you probably have more research to conduct.

For market or industry descriptions see the North American Industry Classification System (NAICS) at [www.census.gov/naics](http://www.census.gov/naics) or industries at a glance at <http://www.bls.gov/bls/industry.htm>

Example:

- Chipotle competes in a category of dining called “fast-casual”—the fastest growing segment of the restaurant industry. The fast-casual market pulls together the finer qualities of multiple restaurant sectors. It takes the fast from fast-food, the quality and ambience of casual dining, and adds a focus on health and freshness, all at an average

- ticket price below \$10. Because of these appealing characteristics, sales for the market have grown at an average of 12.5% per year since 2001.
- Tortillas Supremas competes in the “Bakeries and Tortilla Manufacturing” category, which is a part of the “Food Manufacturing” industry. There is a huge and growing demand for fresh and authentic tortillas in the targeted market fueled by rapid growth in Mexican population—the regional Hispanic population grew by 117% to 215,000 (150,000 Mexicans) from 1990 to 2000. Nationally, tortilla sales have grown at an annual rate of 12% since 1996.
  - In 2006, there were about 48,000 advertising and public relations services establishments in the United States. About 4 out of 10 write copy and prepare artwork, graphics, and other creative work, and then place the resulting ads on television, radio, or the Internet or in periodicals, newspapers, or other advertising media. About 1 in 6 were public relations firms. Many of the largest agencies are international, with a substantial proportion of their revenue coming from abroad. Most advertising firms specialize in a particular market niche. Employment in the advertising and public relations services industry is projected to grow 14 percent over the 2006-16 period, compared with 11 percent for all industries combined. Overall, revenues are projected to grow at or about 6 percent.

### **The Product**

In the Business Model section of your Pitch, you talked about selling products and how you were going to make money. For this section, you will be taking it to one more level of detail by:

- Talking about the product or service that you will sell in greater detail.
- Talking about what sets the product or service apart from what is currently being sold to customers.
- Talking about any ways you can protect the product or service from being easily copied by the competition.
- Presenting any product pictures, drawings, or renderings you might have (on additional slides if necessary).

Example:

- The two most significant elements in achieving an optimum movement of a golf ball across a putting green, and the distance it travels, are: 1) the ability of the golf ball to reach a state of “true roll” as quickly as possible, and 2) the amount of energy that the ball retains, from the impact with the putter head, after the ball achieves the state of true roll. Q-Roll Golf’s Radius Face™ Putters are the result of an extensive research and development project. Our patented putters are designed to strike the golf ball above its equator, producing immediate top-spin and a true, forward roll for improved control and accuracy. Q-Roll putters automatically deliver a “true roll” that leading Tour Professionals practice for hours to achieve. Players of all abilities will sink more putts in fewer strokes with Q-Roll putters.

### **The Market**

In the Customer section of your Pitch, you talked about the customers that you will serve. For this section, you will be taking it to one more level of detail by telling the “story of the market” in numbers starting with the big picture and then narrowing down the data to a more detailed view. (Use as many slides as you need and don’t clutter the information.)

Talk specifically about where your customers are located. Are they within a city, county, state, region, nation, or international place? Maps are good to use here if it makes sense.

Talk about the numbers of customers in the market and possibly even what they spend on your kind of products and services.

Thematic maps are a great tool to use here along with charts, tables, and graphs.



Present any community profiles for these places. The Census Bureau is a great place to find such information at [www.census.gov](http://www.census.gov)

If you are targeting business customers look at the Economic Census at <http://www.census.gov/econ/census02/> for help.

Example:

- The Market
  - Demographics: Columbus, Indiana has a Population of 40,000 people. The County in which it resides, Bartholomew, has a population of 70,000. Manufacturing is the main industry. Two Fortune 500 companies—Cummins Engine Co. (diesel engines) and ArvinMeritor (auto parts) are present. Also, it is a regional hub for retail, educational and medical services. In 1994, Columbus was one of ten cities in the United States awarded “All American City” status. The Columbus community is a growing community. It has grown 7% on average each year for the last 6 years. It also possesses an educated customer base with more than 32% of its population possessing a Bachelors degree or higher. This translates into a market of wealth. Columbus is the fourth ranked city in Indiana for per capita personal income and median home value.
  - Commuting Patterns: More than 16% of Bartholomew County’s workforce commutes into Columbus on a daily basis—that’s almost 9,000 worker’s. This commuting inflow surges the daily workforce to over 39,000 employees.
  - Business Climate: Columbus has the best business climate in Indiana. It is ranked #1 of any city under 50,000 in population in Indiana (Site Selection Magazine) and is the 30th best small community business climate in the United States based on a February 2002 ranking by BizDemographics of 496 small U.S. cities.
  - Customer Ring Studies: The proposed location for Chipotle is 500 Franklin Street in Columbus. Within a 7 mile radius of this location the market contains...

Description	7 Miles
Population	58,600
Households	20,000
Average Household Income	\$54,000

- Size of the Market: According to the 2002 Economic Census for Bartholomew County:

Full Service Restaurants:	104
Total Restaurant Sales ‘02:	\$78 million
Average Sales Per Rest:	\$750,000
- Target Market Size in Dollars: According to the Consumer Expenditure Survey in 2003, consumers spent an estimated \$885 on “Food away from home.” This would predict the 7 mile market radius to be worth approximately \$52 million in restaurant and meal preparation services. (\$885 times 58,600 consumers) and could support about 70 establishments.

## Target Market Descriptions

A business usually cannot afford to be all things to all people. To get the biggest return on their money, businesses target specific groups of customers that have shared wants or needs. You can segment customers by type, buying behavior, location, and so on. The idea here is to name the one to three customer groups that you will sell to.

Each target market you define should be:

- Measurable
- Accessible by communication and distribution channels
- Different in response to a marketing mix (product, place, price, or promotion)
- Durable and not changing too quickly
- Substantial enough to be profitable

For each target market that you have, describe who they are by discussing some of the following things:

- Demographics (characteristics they share in common)
- Buying Behavior (how and why they buy the product)
- Size (numbers of them / dollars they spend)
- Projected Sales
- Trends (growth / opportunities)

The following chart is an example of what this description might look like...

Description	Target Market #1	Target Market #2	Target Market #3
<b>Name</b>	Local Market	Commuting Workers & Tourists	Commercial Events
<b>Description</b>	People and households within 7 miles of the restaurant	People migrating into Bartholomew County for work or tourism	Commercial business in Bartholomew County that need catering event services
<b>Demographics</b>	Consumers ages 25 to 54 / \$54,000 average household income	Workers and Tourists ages 21 to 54	Businesses from 20 to 300 employees
<b>Buying Behavior</b>	Frequent but small purchases (5 times per year at about \$9.00 per patron)	Infrequent but larger purchases (1 time but spends upward of \$12.00 per patron)	Infrequent but very large purchases (2 events per year spending \$600.00 per event)
<b>Size (numbers/dollars)</b>	58,600 residents / 20,000 households / \$58 million local market for restaurant sales	9,000 daily commuters / 28,000 annual tourists	400 businesses
<b>Projected Sales</b>	\$400,000	\$150,000	\$100,000
<b>Trends</b>	Slow to moderate growth / spending less on meals away from home on average	Good growth / new arts theatre nearby should improve traffic	Excellent growth in company numbers and employment trends

## Target Market Strategies

For each target market you have, talk about how you will customize your marketing efforts to fit their needs. Remember, if this group of customers is really unique then something about your strategy must be different.

Some of unique strategies you may talk about for each target market might include ...

- The Message: What slogan or positioning statement will you use for this target market?
- The Pricing: Will the pricing have to be different for this type of customer? If so, what price will you charge?

- Product Customization: Will the product or service have to be customized for this customer?
- Distribution: How will the product get to this customer?

### The Competitor Matrix (or Value Curve)

In the Competition section of your Pitch, you talked about the competitors trying to win your customers and the story that they are telling in the marketplace. For this section, you will be taking it to one more level of detail by differentiating your offerings and relative value.

There are two approaches that you may use, but you only need to select and use one. The first approach is to use a simple matrix such as this:

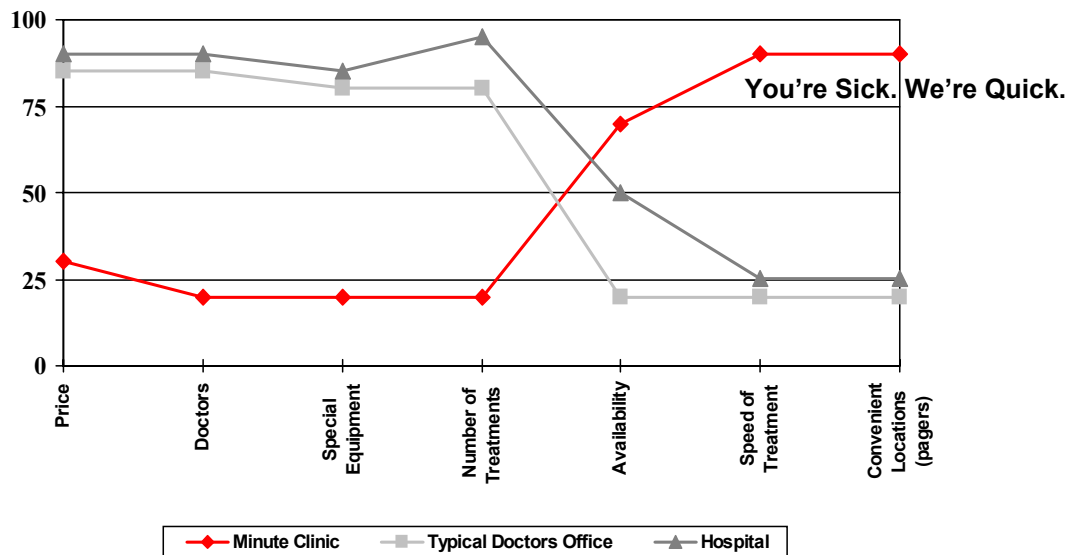
Company	We Can Do, They Can't	We Can't Do, They Can
X		
Y		
Z		

The second approach is a little more sophisticated and it highlights exactly how you create value differently from your competition. The approach is called a value curve. A value curve is simply how you and your founding team perceive the competitive factors in the marketplace and how each competitor ranks on each attribute.

A value curve allows you to capture the current state of play in the known market space. This allows you to understand where the competition is currently investing, the factors the industry currently competes on in products, service, and delivery, and what customers receive from the existing competitive offerings on the market. The value curve is the graphic depiction of a company's relative performance across its industry factors of competition.

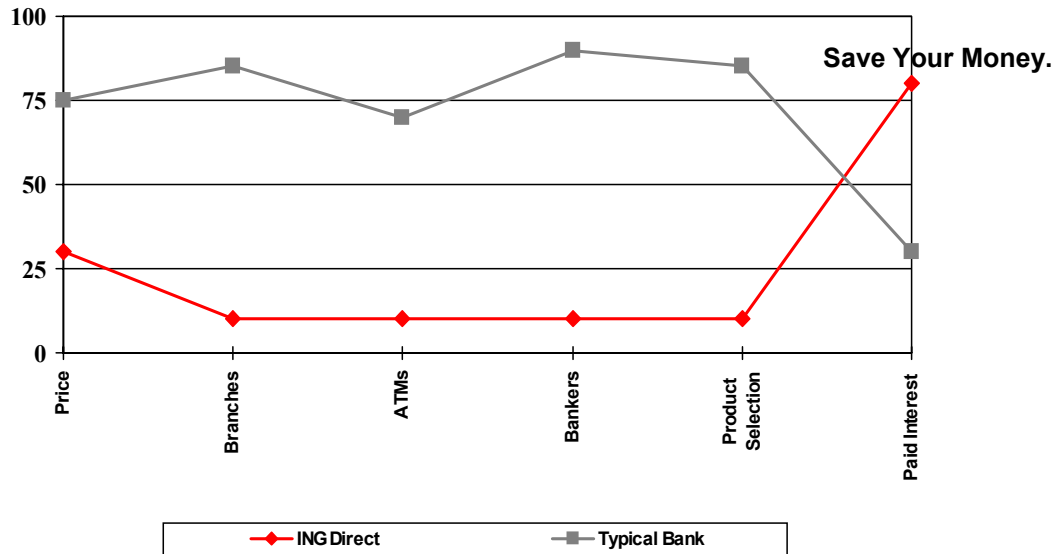
The value curve diagram below shows the business, Minute Clinic, and how they create value relative to two different kinds of competitors.

### Minute Clinic Strategy Canvas



In the next example, you can see how ING Direct's (a financial institution) value curve differs from that of its competition.

## ING Direct Strategy Canvas



To create a value curve for your business, begin by selecting five to six factors that you believe the industry competes on and add any new factors that you might create that are new or unique.

Then ask these four questions:

1. Which factors should be reduced well below the industry standard?
2. Which of the factors that the industry takes for granted should be eliminated?
3. Which factors should be raised well above the industry's standard?
4. Which factors should be created that the industry has never offered?

The first two questions help you to gain insight into how to drop your cost structure. The second two questions, by contrast, provide you with insight into how to lift buyer value and create new demand.

Notice that both the value curves for Minute Clinic and ING Direct both share the same three characteristics of a good strategy in that they embody...

- Focus: The company does not diffuse its efforts across all key factors of competition.
- Divergence: The shape of the value curve diverges from the other players, a result of not looking at competitors but instead of looking across alternatives.
- A Compelling Tagline

When a company's value curve lacks focus, its cost structure will tend to be high and its business model complex in its implementation and execution. When it lacks divergence, a company's strategy is a me-too, with no reason to stand apart in the market. When it lacks a compelling tagline that speaks to the customer it's likely a classic example of innovation for innovation's sake with no great commercial potential.

For this section, choose one of the two methods illustrated above (the competitive matrix or the value curve) and use the tools to further refine your understanding of what differentiates you from the competition and creates new value in the market.

## The Marketing Schedule

In the Sales Approach section of your Pitch, you talked about the tactics and media that you will use in delivering your message to your customer. For this section, you will be taking it to one more level of detail by creating a detailed media and marketing schedule.

To create your marketing schedule, review the specific media you said that you would use on your Sales Approach section of your Pitch and begin making phone calls to the appropriate sales offices.

Be sure to include circulation numbers, ad costs, number of spots, ad sizes, and any design and development costs. The goal is to arrive at a total marketing and advertising budget for the year—a number which will be carried over to your financial projections later on. The chart below provides an example of what your schedule might look like...

<b>Media</b>	<b>Annual Cost</b>
<b>Yellow Pages (South Central Edition)</b>	
Category: Restaurants, Restaurant Guide	\$3,600.00
<b>Newspaper (The Republic: Circulation 28,000)</b>	
Ad Design Costs	\$800.00
Media Costs (24 ads @ \$328)	\$7800.00
<b>Direct Mail (Brochures and Special Occasions)</b>	
Distribution (5,000 @ \$.50 per piece @ \$.27 postage)	\$3,850.00
<b>Radio (QMIX 103 / Adult Contemporary &amp; WTIU/NPR)</b>	
Media Costs (600 :30 second ads @ \$6.20 per spot)	\$3,720.00
<b>Total Annual Advertising and Media Costs</b>	<b>\$19,770.00</b>

One thing that is always surprising about creating a marketing schedule is how fast money gets spent. Advertising is expensive and should always be seen as an investment and not an expense. But it requires discipline when moving from your sales approach (where you listed out all of the tools you wanted to use) to actually budgeting an amount that makes sense for your business. Remember, it's better to master a few types of media than to be spread out over a number of ineffective ad strategies. If you need to refine your sales approach, this is the time to do it and it's what this exercise is all about.

## The Location

In the Inner Workings section of your Pitch, you talked about the places you required to do your work. For this section, you will be taking it to one more level of detail by creating a detailed description of your location.

If you are a home-based business or if a location is secondary to your business—say in the case of a service that is conducted at a client's location—then there is no reason to complete this section as it adds little useful detail to your plan.

If, however, location is important to your business—say in the case of a retail-based venture, then...

- Talk about where you will be located. If you are a retailer or a service business where access and visibility is important to the customer, talk about your proposed location. Provide the address and talk about the accessibility, the visibility, and the costs.
- Talk about the numbers and types of customers that are located near your location. These numbers are called "ring studies" because they detail the number of customers in 1,3 and 5 mile rings from your location. See [www.easidemographics.com](http://www.easidemographics.com) for free ring

reports of your location. Also, most real estate firms have demographics packages already created for the locations that they market.

- Talk about any commuting and traffic patterns around the location. Check with your state's department of transportation for these statistics.

Example:

- Doughboys will be located at 472 East 86th Street in Indianapolis, Indiana. The location provides excellent visibility and access and is surrounded by 500 additional retail stores and outlets making it a major destination shopping center. The monthly rent for the location is \$2,125 per month (1,500 sq @ \$17/sq ft). Within a five mile radius of the location resides more than 148,000 residents and average household income hovers at \$83,000. Average retail sales in that area are \$586 per square foot, that's \$879,000 for a 1,500 sq. ft. store. This location is on the main retail thoroughfare where more than 45,000 commuters pass each and every day.

### **The Legal Structure**

In the Management Team section of your Pitch, you talked about the people who would oversee the operations of the business. For this section, you will be taking it to one more level of detail by providing the details of your legal structure.

Your first step in legally setting up your business is to determine what type of structure to have. You should be aware that your business may be legally structured in a number of different ways and that there are certain advantages and disadvantages to each of them. You will want to select the one that is most suitable for you.

The five structures that you have to choose from are: the sole proprietorship, the partnership, the "c" or "s" corporation, the limited liability company, and the limited liability partnership.

Do not take this decision lightly. Your choice of structure will determine many things including: how much personal responsibility you will have for the debts and liabilities of the business, how much in taxes you will pay and how you pay them, how simple your business is to set-up and operate and what long term succession planning issues you will experience after you decide to get out of business.

Some of these structures pay their own income tax. Some do not. Some of these structures may cost you everything you have personally if there are any financial or legal problems. Some structures will limit your responsibility in these same areas.

If you need help in selecting a structure for your business, please call the Small Business Development Center nearest you or contact a lawyer and/or accountant.

For this section, you will want to...

- Talk about the legal structure you have chosen for the business.
- Talk about why the structure was chosen—in other words, what advantages does the structure provide?
- Talk about the ownership structure of the business—in others words, who owns what percent of the business.

Example:

- Chipotle will be legally formed as an "s" corporation. This structure was selected for its pass through tax advantages, limited liability protection, and freedom from having to pay corporate income taxes. Ownership of shares will be broken down as follows:

<u>Owner</u>	<u>Shares</u>	<u>Percent Owned</u>
Jack Smith	1,000	50%
Loretta Johnson	500	25%
Equity Investors	500	25%

## **Risk Management**

As part of the management of any business, the management team needs to always be aware of risk. In addition to describing your chosen legal structure for the business, you should also discuss what other kinds of risk management strategies you will employ. The most basic and obvious is insurance.

In general there are three basic categories of insurance:

- Property: covers building and content losses
- Liability: gives you legal protection
- People: provides health, worker's comp, and lost income protection

For this section, you should talk about the different kinds of insurance you will need, how much coverage it provides, and what the cost of such coverage will be. You may also want to address other critical risks that the business might experience and what contingency plans there are to address these risks.

Example:

- Natural Foods will require the following types of insurance in its efforts to manage risk:
  - General Liability (up to \$2 million in coverage) at an annual premium of \$8,000
  - Worker's Compensation Policy at a cost of \$.12 per \$1,000 of payroll
  - Property Insurance (building & contents) at an annual cost of \$6,500
  - In addition, it will also provide health care for its two member management team estimated at about \$1,000 per month.

## **The Core Scores**

Your core scores are metrics that you will use to go beyond just measuring your results strictly in financial terms. Every industry has a set of metrics which if carefully measured and improved upon will lead to greater performance.

For this section, talk about those things you need to measure to be successful. Pick just a handful, maybe four or less. These measures might be leading indicators of such things as customers, growth, innovation, internal operations, or financial performance.

Examples:

- The Chamber of Commerce will measure five metrics in determining our success: annual member engagement, member retention, net member growth, market penetration, and employee engagement.
- For our restaurant to be successful, we must closely measure four activities: reservations and table turns, food costs, staff turn-over rates, and total staffing costs.

## **Required Start-Up Funds**

In the Money Forecast section of your Pitch, you talked about the amount of money that was required to get the business started or to get the plan rolling. For this section, you will be taking it to one more level of detail by creating a detailed listing of your start-up funds.

Your listing of funds should be broken into two separate categories: fixed assets and working capital. Fixed assets normally include items such as land and buildings, motor vehicles, furniture, office equipment, computers, fixtures, and plant and machinery. These items are what lenders and creditors like to finance since there is some collateral value to these assets.

Working capital, on the other hand, are those monies that once spent, are gone. Needless to say, most bankers don't like to make loans against such expenses. Working capital then is usually provided by the owners or investors of a business since they are difficult to finance.

A sample Required Start-Up Funds chart might look something like this...

<b>Item</b>	<b>Amount</b>
<b>Fixed Assets</b>	
-Building	\$0
-Land	\$0
-Initial Inventory	\$75,000
-Equipment	\$6,000
-Furniture and Fixtures	\$5,000
-Vehicles	\$0
<b>Working Capital</b>	
-Salaries and Wages	\$2,000
-Insurance Premiums	\$5,000
-Leasehold Improvements	\$35,000
-Rent and Utility Deposits	\$1,750
-Advertising and Promotions	\$2,000
-Legal and Accounting Fees	\$1,000
-Supplies	\$1,000
-Cash on Hand	\$2,000
<b>Totals</b>	<b>\$135,750</b>

### Capital Strategy

After you complete your Required Start-Up Funds table, you'll be ready to finish your plan by presenting your capital strategy. Your plan's capital strategy simply takes the total amount of start-up funding you need and breaks it down as to who will be providing the money. There are essentially only three broad categories where you can get money: from yourself and other owners (the owner's injection), from outside investors (equity), or from lenders (debt).

Your capital strategy might be something as simple as...

<b>Total Amount Required</b>	<b>\$907,900</b>
-4 Investors (\$50,000 each will get 25% share of company)	\$200,000
-Commercial Bank Loan (Real Estate & 80% Building)	\$684,000
-Owners	\$23,900

<b>Loan Payment Amounts</b>	
-Principal Amount Borrowed	\$684,000
-Projected Interest Rate	7.25%
-Term In Months	240
<b>Total Monthly Loan Payment</b>	<b>\$5,406.17</b>



## **THE NUMBERS**

Once you have framed your idea with your Pitch, and you have done your homework with your Plan, it's time to bring it all together and create your Numbers.

Your Numbers will be presented in a financial projection. To create this projection, you will need to begin by reviewing each slide or section of your final pitch and plan. Your goal is to pull out the numerical details of each slide such as prices, forecasts, marketing costs, personnel and operating expenses. You will want to take each of the assumptions and create a financial projection for the business over the next 1 to 3 years.

If you think back to your Pitch and Plan, you'll see that a number of the sections contain financial related information such as...

- The Business Model: prices, product costs, and margins
- Market Research: sales forecasts for each target market
- The Marketing Schedule: marketing and advertising expenses
- The Inner Workings and The Location: salary, wage, and occupancy expenses
- Risk Management: insurance costs
- Capital Strategy: loan payments and dividends

Essentially, what you are doing here is taking the high-level financial overview presented in The Money Forecast found in your Pitch and just adding one more layer of detail.

A financial projection model has been provided for your convenience (although you may want to create your own model). There are five categories of assumptions that the model collects...

- Required Start-Up Funds
- Salaries and Wages
- Fixed Operating Expenses
- Projected Sales Forecast
- Cash Receipts Assumptions

From there, it creates a projected income statement, cash flow statement, and balance sheet for a three year period.

## **FINSHING THE PLAN**

To finish your final plan, you will need to integrate the Pitch, the Plan, and the Numbers into one final document. For your Pitch and Plan it's best to use either a word processor or PowerPoint. For your numbers, is best to use a spreadsheet program such as Microsoft Excel.

For the best flow of your business plan, you should combine together the slides or sections of your Pitch and your Plan into the following order:

- The Idea
- The Industry
- The Business Model
- The Product
- The Customer
- The Market
  - Target Market Descriptions
  - Target Market Strategies
- The Competition
- The Competitor Matrix (or Value Curve)
- The Message
- The Sales Approach
- The Marketing Schedule
- The Inner Workings

- The Location
- The Management Team
- The Legal Structure
- Risk Management
- The Money Forecast
- The Core Scores
- Required Start-Up Funds
- Capital Strategy
- The Next Steps

Your Pitch and Plan steps combine to form what is called your plan “Narrative.” Immediately following your plan narrative you should insert your Numbers—in other words, your completed financial projections. It should be ordered something like this...

- The Assumptions
  - Required Start-Up Funds
  - Salaries and Wages
  - Fixed Operating Expenses
  - Projected Sales Forecast
  - Cash Receipts Assumptions
- Income Statement Year One
- Cash Flow Statement Year One
- Balance Sheet Year One
- Three Year Summary
- Remaining years Two and Three...

Once these sections are put into place, you should bind the plan together and it’s ready for presentation.