Writing a Successful Business Plan

John W. Rollins

Founder, GW New Venture Competition
Entrepreneurship Professor, Retired
Entrepreneurship

- **#1** fastest growing field of study at U.S. universities
- **72%** of American adults have considered starting a business
- Small Businesses generate over **50%** of U.S. private GDP
- Engine of job creation – over **70%** of all U.S. job growth
- Source of innovation – **13X** more per employee than big business
The Business Plan

- A written document that carefully explains every aspect of a new business venture
- **Inside the firm:** the business plan is used to develop a road map
- **Outside the firm:** the business plan introduces potential investors and other stakeholders to the business opportunities
Structure of Plan

- 10 pages in length plus up to 5 pages of Appendices
- Cover page
- Table of Contents
- 8 required sections per Judges’ Evaluation Criteria
- Look sharp but not too flashy
Red Flags

- Founders with none of their own money at risk
- A poorly researched plan built on guesswork
- Defining the market size too broadly
- Overly aggressive financials
- Hiding or avoiding weakness
- Sloppiness in any area
Market Research

- **Primary research**
  - Original research performed by you and your team, e.g. customer interviews, surveys and focus groups

- **Secondary research**
  - Probes data already collected, e.g. library or internet research
Excellent Source of Secondary Research

- Contact Shmuel Ben-Gad, GW’s entrepreneurship/small business librarian in Gelman Library, shmuelb@gwu.edu
- www.libguides.gwu.edu/entrepreneurship
- GW has tremendous resources including a subscription to the multiple databases: www.MarketResearch.com
- Quantify your market size
- Gather information on competitors
1. Executive Summary (also 20-word)
2. Product/Service-Market Fit
3. Customer Development
4. Strategy and Value Proposition
5. Marketing, Customer Relationships & Channels
6. Operations
7. Management Team & Venture Structure
8. Financial Projections
1. Executive Summary

- Overview of venture, its innovations, its space, and the entire business plan
- Is interesting and conveys passion & energy of founders
- Be sure to include required 20-word description of venture
2. Product/Service-Market Fit

- Detailed description of your product or service
- Define customer segments and their need
- How well is need met?
How far along is the product or service in its development?

- Describe the present state of the development of your product or service
  - Product conception
  - Budget for remaining design & development work
  - Initial production and full production
Industry Information

- Description of Industry or Space
- Display multi-year industry financial information
- Show graphically if possible
- Report honestly on both positive and negative information about your industry
Size, Growth Rate & Projections

- Displayed in dollars over a 3- to 5-year period
Industry Structure

- Concentrated or fragmented
  - Concentrated industries are dominated by a few large firms
  - Fragmented industries include a large number of smaller companies
- General attractiveness
  - A structurally attractive industry has high barriers to entry, no good substitutes for the product, limited power of supplier, and limited power of buyers (per Michael Porter)
3. Customer Development

- Present the evidence that your team has validated its business model with adequate customer interviews
- Describe any pivots made based on information gleaned from your customer interviews
- Explain how your venture is now structured for success
4. Strategy and Value Proposition (Competitive Advantage)

- Firm’s target market
- Its customers
- Its competitors
- How it will compete in the marketplace
- Any barriers to entry?
Three Most Successful Strategies

- Low Cost Strategy (e.g. Walmart or McDonalds)
- Product Differentiation Strategy (e.g. Apple or Urban Outfitters)
- Market Focus Strategy (e.g. Netflix or Ping Golf Clubs)
Segmenting the Market

Market analysis

Breaks the industry into segments and specifies a segment or target market that the firm will tackle
Selecting a Target Market

- Once a firm segments its market, it selects a segment within the market to target
- Focus on a single niche market
- Estimate size of market
- Become familiar with niche market and its unique needs & trends
Value Proposition

- **Clear** benefits to customer of your product or service that
  - are memorable and distinct
  - make your product different and superior to existing products.
- Articulates your “sales pitch”
- Repeat this value proposition in all advertising and PR
Competitor Analysis

- Detailed analysis of a firm’s competition
- Understand positions of major competitors and the opportunities that are available to gain a competitive advantage in one or more areas
Direct, Indirect, and Future Competitors

- **Direct competitors**
  - Businesses that offer a product similar to yours

- **Indirect competitors**
  - Businesses that offer close substitutes to your product

- **Future competitors**
  - Businesses that could move into direct or indirect competitor roles
Intellectual Property as a Barrier To Entry for Your Competitors

- Patents
- Trademarks
- Copyrights
- Trade Secrets
5. Marketing, Customer Relationships & Channels

- Positioning strategy
- Pricing strategy
- Advertising v. PR
- Sales channel & cycle
- Distribution channel
Positioning Strategy

Positioning is how a firm is situated relative to its rivals
Pricing Strategy

How to price your product or service

- Cost based – may be too cheap
- Value based – reflects customer’s view
Promotions Mix

Advertising

- Raises product awareness
- Could have low credibility
- Often expensive

Public Relations

- No charge
- Press releases
- Media coverage
- Articles in local newspapers
- Blogging
- Monthly newsletter

What everybody in advertising, marketing and media should know about the technologies that are reshaping their business.

By Paul Beelen, February 2006
Sales Channel & Cycle

The steps a firm goes through to establish relationships with customers and close sales using either a direct sales team or intermediaries:

1. Prospecting
2. Initial contact
3. Qualifying the lead
4. Sales presentation
5. Meeting objections
6. Closing the sale
7. Follow up
Distribution Channel

Distribution encompasses all the activities that move a firm’s product from its place of origin to the consumer.

- Where people in your target market congregate or shop
6. Operations

- Discuss these “Key” parts of your business plan *without copying* information from your canvas
  - Activities
  - Resources
  - Partners

- Describe the importance of the role each plays in the execution of your plan
For example, Your Business Location

- **Geographic location of business**
  - Proximity to customers
  - Access to labor force
  - Closeness to suppliers
  - Access to transportation
  - Proximity to international shipping alternatives
  - Access to favorable state and local tax rates
  - Availability of economic incentives
  - Proximity to high-quality community
7. Management Team & Venture Structure

- Management team
- Board of directors
- Board of advisors
- Other professionals
- Organization Chart
Management Team Personnel

- Brief profile of each member of the management team
  - Duties and responsibilities
  - Previous industry and related experience
  - Previous successes
  - Education background
Board of Advisors and Other Professionals

- Board of advisors
  - Panel of experts who are asked by a firm’s managers to provide counsel and advice on an ongoing basis

- Other professionals
  - Attorneys and accountants
8. Financial Projections

- Income statements
  - Minimum of 3 years

- Cash flow statements
  - Minimum of 3 years

- Capital required
  - Sources of capital
## Income Statement Projection

**XYZ Corporation**

<table>
<thead>
<tr>
<th></th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<td>16,000</td>
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<tr>
<td>Goods Sold (50% sales)</td>
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<tr>
<td>Salaries &amp; Wages</td>
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<td>32,000</td>
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<td><strong>Total Expenses</strong></td>
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<td>13,250</td>
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<td><strong>Profit (Loss)</strong></td>
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<td>(250)</td>
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<td>(6,000)</td>
<td>57,000</td>
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# Cash Flow Projections

**XYZ Corporation**

## Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td><strong>Sales Cash Collections (60-day ave.)</strong></td>
<td>0</td>
<td>0</td>
<td>2,000</td>
<td>4,000</td>
<td>6,000</td>
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<td>10,000</td>
<td>12,000</td>
<td>42,000</td>
<td>250,000</td>
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<tr>
<td><strong>Cash Disbursements:</strong></td>
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<td></td>
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<tr>
<td><strong>Costs of Goods Sold (net 30)</strong></td>
<td>0</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
<td>4,000</td>
<td>5,000</td>
<td>6,000</td>
<td>7,000</td>
<td>28,000</td>
<td>130,000</td>
<td>220,000</td>
</tr>
<tr>
<td><strong>Fixed Costs (Rent, etc.)</strong></td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
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<tr>
<td><strong>Depreciation</strong></td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Salaries &amp; Wages</strong></td>
<td>4,000</td>
<td>4,000</td>
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<td>4,000</td>
<td>4,000</td>
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<td>32,000</td>
<td>78,000</td>
</tr>
<tr>
<td><strong>Total Cash Disbursements</strong></td>
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<td>8,000</td>
<td>9,000</td>
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<td>12,000</td>
<td>68,000</td>
<td>220,000</td>
<td>370,000</td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td>(5,000)</td>
<td>(6,000)</td>
<td>(5,000)</td>
<td>(4,000)</td>
<td>(3,000)</td>
<td>(2,000)</td>
<td>(1,000)</td>
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<td>(26,000)</td>
<td>30,000</td>
<td>60,000</td>
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## Investing Activities

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</thead>
<tbody>
<tr>
<td><strong>Purchase of furniture, phones, etc</strong></td>
<td>(3,000)</td>
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<td></td>
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<tr>
<td><strong>Purchase of PC network &amp; systems</strong></td>
<td>(6,000)</td>
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## Financing Activities

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<tbody>
<tr>
<td><strong>Winnings from GW Biz Plan Comp</strong></td>
<td></td>
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<tr>
<td><strong>Capital Stock - Founders</strong></td>
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<tr>
<td><strong>Capital Stock - Investors</strong></td>
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<tr>
<td><strong>Net Cash Flow - Cum.</strong></td>
<td>(14,000)</td>
<td>(20,000)</td>
<td>(25,000)</td>
<td>(29,000)</td>
<td>(32,000)</td>
<td>(34,000)</td>
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<td>(35,000)</td>
<td>(35,000)</td>
<td>(5,000)</td>
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# Cash Flow Projections - Revised

## XYZ Corporation

### Operating Activities

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<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
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<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Sales Cash Collections (60-day ave.)</td>
<td>0</td>
<td>0</td>
<td>2,000</td>
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<td>10,000</td>
<td>12,000</td>
<td>42,000</td>
<td>250,000</td>
<td>430,000</td>
</tr>
<tr>
<td>Cash Disbursements:</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Costs of Goods Sold (net 30)</td>
<td>0</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
<td>4,000</td>
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<td>6,000</td>
<td>7,000</td>
<td>28,000</td>
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<tr>
<td>Fixed Costs (Rent, etc.)</td>
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<tr>
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<td>32,000</td>
<td>78,000</td>
<td>132,000</td>
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<tr>
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<td>7,000</td>
<td>8,000</td>
<td>9,000</td>
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<td>11,000</td>
<td>12,000</td>
<td>68,000</td>
<td>220,000</td>
<td>370,000</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>(5,000)</td>
<td>(6,000)</td>
<td>(5,000)</td>
<td>(4,000)</td>
<td>(3,000)</td>
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<td>(1,000)</td>
<td>0</td>
<td>(26,000)</td>
<td>30,000</td>
<td>60,000</td>
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### Investing Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of furniture, phones, etc</td>
<td>(3,000)</td>
</tr>
<tr>
<td>Purchase of PC network &amp; systems</td>
<td>(6,000)</td>
</tr>
</tbody>
</table>

### Financing Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Winnings from GW Biz Plan Comp</td>
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<tr>
<td>Capital Stock - Founders (67%)</td>
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<tr>
<td>Capital Stock - Investors (33%)</td>
<td>20,000</td>
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<td>Bank Loan Secured by Receivables</td>
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<tr>
<td></td>
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### Net Cash Flow - Cum.

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<th>Amount</th>
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<td>2017</td>
<td>40,000</td>
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<td>2018</td>
<td>35,000</td>
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<tr>
<td>Total</td>
<td>115,000</td>
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# Balance Sheet

## Assets
- Current assets
- Fixed assets

## Liabilities
- Current liabilities
- Long-term liabilities
- Owner’s equity

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<thead>
<tr>
<th></th>
<th>Starting</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Current</strong></td>
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<td></td>
</tr>
<tr>
<td>Cash</td>
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<td>$1,891</td>
<td>$787</td>
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<td>$5,225</td>
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<td>Other Current Assets</td>
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<td>$1,850</td>
<td>$1,850</td>
<td>$1,850</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>$6,850</td>
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<td>$27,708</td>
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<td><strong>Long-term</strong></td>
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<tr>
<td>Long-term Assets</td>
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<td>$11,000</td>
<td>$11,000</td>
<td>$11,000</td>
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<td>Less depreciation</td>
<td>$0</td>
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<td>$367</td>
<td>$550</td>
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<td>$10,817</td>
<td>$10,633</td>
<td>$10,450</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$17,850</td>
<td>$27,615</td>
<td>$37,166</td>
<td>$38,158</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
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<tr>
<td>Accounts payable</td>
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<td>$9,202</td>
<td>$7,610</td>
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<td>Current Borrowing</td>
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<td>Other Current Liabilities</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
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<td><strong>Long-term Liabilities</strong></td>
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<tr>
<td><strong>Capital</strong></td>
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<tr>
<td>Paid-in Capital</td>
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<tr>
<td>Earnings</td>
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<td>Retained Earnings</td>
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<tr>
<td><strong>Total Capital</strong></td>
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<td>$8,550</td>
<td>$9,326</td>
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<tr>
<td><strong>Total Liabilities and Capital</strong></td>
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<td>$27,615</td>
<td>$39,666</td>
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<tr>
<td><strong>Net Worth</strong></td>
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<td>$6,826</td>
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</table>
Capital Required & Sources of Funds

- Total amount of capital needed to start the business
- Amount the founders will contribute
- Amount needed from other sources and how much from each
Good Luck with Your Plan!

- Written plans due by 12:00 Noon on March 1 at the latest.
- Don’t forget font type, size & margin requirements. Those not in compliance will be rejected.
- Winners notified on March 15
- Email for slides: jrollins@gwu.edu