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How to Write a

Business Plan

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July 2016

Executive Summary

- The purpose of this paragraph is to summarize the entire business plan into two pages max.

- This paragraph should be written **last** after completing all the other sections of the business plan in the following order: (**i**) Market Analysis; (**ii**) Competitors analysis; (**iii**) Product Description; (**iv**) Business Model; (**v**) Marketing Plan; (**vi**) Intellectual Property; (**vii**) Financial Plan

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The Vision

The Vision

- ✓ What is my vision regarding the company?

- ✓ Where do I see the company in several years?

For example, the vision of a company that develops a unique shopping cart is to "*improve and ease the shopping experience*"

Mission Statements

- ✓ How am I going to achieve the company's vision?

For example, to achieve its goal, the company mission is to develop an easy-to-use cart that relieves the shopper from ever lifting groceries

Team

Questions that need to be answered in this paragraph:

- ✓ Who is the team and what is the role of each member?

- ✓ What makes them unique?

- ✓ What skills, education or experience do they possess that enable them to execute this business plan

The team is the most important aspect of the venture. Statistically speaking, the chances of raising funds when the team consists of a sole member are dramatically lower than with a solid team.

Team

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The Product

Questions that need to be answered in this paragraph:

- ✓ What is the product or service?

- ✓ How does it work?

- ✓ What makes it unique?

- ✓ What is the added value of the product to the consumer?

- ✓ What problems does the product solve? Why would consumers buy this product?

- ✓ What is the status of the product (Idea, prototype, proof of concept, ready-to-market)

- ✓ How the product will be protected? Patent? Trademark?

Try focusing less on the product's features and more on the concept which gives the product its competitive edge. Nobody cares what the product do but rather how the product addresses one's needs.

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Market Analysis

Questions that need to be answered in this paragraph:

✓ Who is my target market (e.g. age, gender, geographical location, education)?

    ⚜ If the product is a website or a mobile app, tools like Alexa and Similarweb can provide insight about who visit competitors' website or download their app

✓ In what industry does my product operates?

✓ What's the size of the market and is it growing or declining?

    ⚜ Websites like Statista, Euromonitor and Gartner provide statistics and reports regarding almost any market.

✓ What trends characterize the market?

    ⚜ Google Trends provides insight about how popular certain keywords on the Web. The keyword "Snapchat" for example has been growing exponentially since 2013:
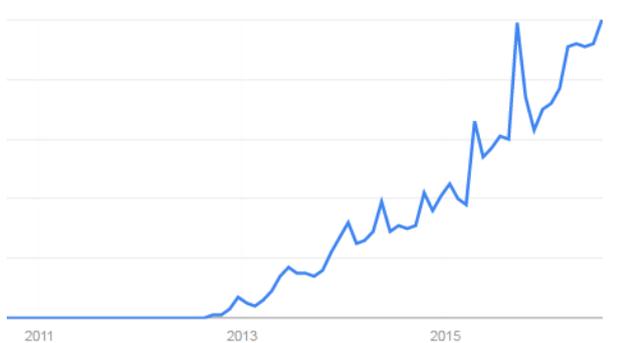
    ⚜ Google Trends can also be helpful to knowing when to launch a product. A startup that develops a sensor for planters can learn from the graph below that the best timing would be launching the product on April and May since it has the highest number of searches online in these months:
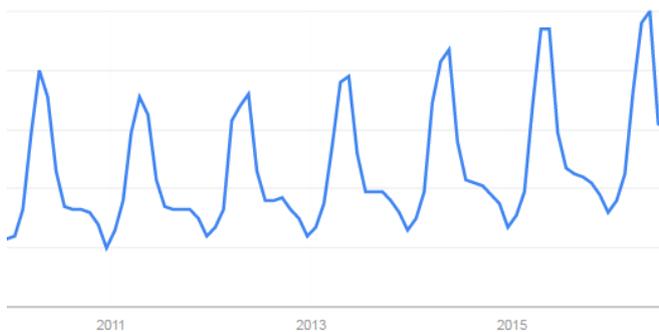
Competitors Analysis

Questions that need to be answered in this paragraph:

- ✓ Who are my competitors?

  - 🞣 There is no such thing as "no competitors". Even though Banana is different from an Orange, they are competitors because if I eat a Banana I will not be interested in an Orange afterwards and vice versa

- ✓ What is their product?

- ✓ What is their market share?

  - 🞣 SimilarWeb and Alexa provide crucial information about competitors – how many monthly visits they have, how many times their app was downloaded, ect.
  - 🞣 If the competitor is a publicly traded company, their reports (which can be found usually on their websites) shed light about their activity and financials

- ✓ How their product is different from ours?

  - 🞣 It's important to point out differences in the **concept** and not features. Features can be copied easily
  - 🞣 Your competitive edge is one of the most important aspects for investors. If your product's added value for the customer is minor, it is unlikely it will have an impact on the market

Try to find competitors that offer products with similar values as possible to present a true picture of the competitor landscape and more importantly to understand your product's real advantage and emphasize it.

Revenue Model

Questions that need to be answered in this paragraph:

- ✓ How will you make money?

- ✓ How much will the product cost?

  - Learn the competitive landscape and understand how competitors price their products
  - Know your target market. If your potential consumers have above average income you can price your product accordingly

- ✓ How much it costs to manufacture one unit (COGS)?

  - Healthy profit margins are essential for a business. Understand how much it will cost to produce the product before you continue with the business plan since it will have implications on almost every aspect

- ✓ What is the Value Chain?

  - Will you sell the product directly to the consumer (e.g software, e-commerce stores) or will you use distributors to reach him/her
  - The more hands the product goes through, the lower your margins are.

- ✓ Which markets does the company plans to penetrate first and which markets will be penetrated at a later stage?

  - Going on a global scale is costly. Sometimes it's easier to launch a pilot at the home country and to learn consumers' reaction, bugs and overall satisfaction

- ✓ Are there any entities that can benefit from our product and cooperate with us to boost sales?

  - For example, cooperation between Mobileye and an insurance company that results in giving lower premium for clients who install Mobileye is likely to give a huge boosts to its sales.

A popular go-to-market strategy for consumer products nowadays is taking the product to crowd funding sites like Kickstarter and Indiegogo which not only helps startups raise funds but also give a huge exposure.

Go To Market

Questions that need to be answered in this paragraph:

✓ What is the launch strategy?

- Crowdfunding platforms such as Kickstarter and Indiegogo are a great way to launch a new consumer product
- For apps, there are many useful launch strategies such as trial periods (e.g 30-days free), free credit (e.g Paypal granted $20 to users who opened new accounts)
- Some startups require a critical mass of content before launch such as how-to video platform, websites like Yad2, and social networks like WhatsApp that are useless if your friends don't have the app installed. It's important to plan an effective strategy that will bring that critical mass before the launch, otherwise users will delete the app soon after downloading it due to lack of activity

Marketing Plan

✓ What is the message to the consumer?

✓ Through what media channels the consumer will be reached?

- SimilarWeb and Alexa help us understand where the competitors get their traffic from. For example, the graph below indicates that 33.34% of the traffic comes from search engines, which means SEO is essential. 16.94% of the traffic comes from social channels which also means marketing should be focused on social networks

Traffic Sources ⓘ

Direct	Referrals	Search	Social	Mail	Display
31.77%	14.19%	33.34%	16.94%	3.76%	0.00%

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Financial Plan

Questions that need to be answered in this paragraph:

✓ How much money do I need to get my product into the market?

  ✦ This includes development costs, tooling (in case it's a physical product), personnel, OPEX (operational expenses),CAPEX (capital expenses) and marketing expenses

  Example for a Personnel sheet:

| | | Development | | Launch | | | | |
	Q1	Q2	Q3	Q4	Year 1	Year 2	Year 3	Year 4
CEO	-	18,000	18,000	18,000	54,000	72,000	72,000	72,000
VP Marketing	-	-	15,000	15,000	30,000	120,000	300,000	420,000
COO	-	-	15,000	15,000	30,000	120,000	180,000	180,000
IT	-	-	12,000	12,000	24,000	96,000	144,000	144,000
CFO	-	-	10,500	10,500	21,000	42,000	42,000	42,000
Help Desk	-	-	9,000	9,000	18,000	72,000	108,000	108,000
Total		$18,000	$79,500	$79,500	$177,000	$522,000	$846,000	$966,000

✓ How much money the company is expected to generate in the next 5 years?

  ✦ Building revenue projections to a startup is tough since there are no past revenues that we can take into consideration and there is still a lot of risk involved, both technological risk and market risk (will the market adopt my product?).

  ✦ Many careful assumptions need to be made. These assumptions derive from the business plan. For example, through the competitors' analysis we can find out how much money competitors make and use them as a bench mark. Through the market analysis we can find out the average CPC (cost per click), CPM (cost per thousand impressions), CTR (Click through rate), the average value of a user/consumer and other important aspects that are essential for making reliable projections

CASE STUDY - Building projections for a realtor website that connects realtors, home sellers and home buyers which generates revenues by charging a 2% commission fee from each sale.

Assumptions for Year 1 (all based on the market analysis):

✓ Average Home Selling Price - $356,200

✓ Commission – 2%

✓ (**A**) Total Revenue per House Sold - $356,200*2% = **$7,124**

✓ (**B**) Average Number of Houses Sold per Agent per Year – 10

✓ (**C**) Number of Agents on the First Year - 75

Total Revenue on Year 1: A*B*C = $5,343,000

On the second year, we can assume that the number of agents in the site grew by X1.2 due to: (a) growing popularity, and (b) increased marketing expenses

CASE STUDY – Building projections to a mobile app which generates revenues through ads.

Assumptions for Year 1:

✓ First, we need to calculate the number of total active users

  ♣ (**A**) CPI (Cost Per Install which means how much money the company needs to invest on average to gain one user) - $2

  ♣ (**B**) Marketing Budget - $250,000

  ♣ (**C**) Retention Rate (the percentage of retained users) – 20%

  ♣ **Total Users: B/A*C = 25,000**

✓ Second, we need to calculate how many ads were exposed to users

  ♣ (**A**) Number of entrees to the app per day per month – 90

  ♣ (**B**) Ads shown per session – 5

  ♣ Total ads exposures on Year 1 – A*B*12*25,000 = 135,000,000

✓ CPC (how much money the company makes for each click on an ad) - $ 1.58

✓ CTR (the ratio of users who clicked an ad after being exposed to it) - 0.8%

Total Revenue on Year 1: 135,000,000 * 0.8% * $1.58 = **$1,706,400**

On year 2 we can assume that more users joined due to word of mouth, public relations, increased marketing budget, ect. We can also assume that: (a) the retention rate grew since the app became more attractive; (b) lower CPI due to better targeted ads; (c) Number of monthly entrees to the app grew.