

# Creating a Business Plan

Parsons ELab Workshop 2015

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# Background

- Strategic Design & Management Alumn
- Parsons ELab fellow working on a startup in NYDesigns
- Launching a professional fine arts platform - Art Tap Exchange
- Worked as a freelance designer and art director in fine art & publishing industries.

Clients include: *Muse Magazine, Flare, Elle Canada, One Kings Lane, & Standard Life Bank.*

*I have a billion dollar idea that's waiting to be launched. Why should I waste my time creating business plan?*

# Reasons

- **Help define your unique value proposition**  
(Peter Drucker's age-old questions: "*Who is the customer? And what does the customer value?*")
- **Find a product-market fit**  
How do we make money in this business?  
Is it financially sustainable?
- **Understand competitive landscape**
- **Define course of action**  
Timeline & goals of business
- **To interest investors**

Take a step back

## ***What's your unique Value Proposition?***

- What are you doing that everyone else is not?
- Can customers more effectively, conveniently, and/or affordably do a something they've been trying to do?
- Why should I care?

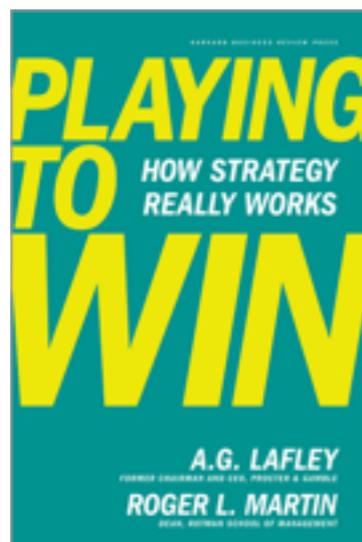
# Who's Your Audience?

- How are you identifying & satisfying your customer's need?
- Who's evaluating your Business Plan?
- What do you think the ELab wants to see in your application?

# A.G. Lafley

President & CEO of Procter & Gamble

- What is your winning aspiration?
- Where will you play?
- How will you win?
- What capabilities must be in place?
- What management systems are required?



*Playing to Win:  
How Strategy Really Works*

*I've thought about my value prop,  
customers, market, etc. Now what?*

Create a  
Business Model Canvas!

# The Business Model Canvas in 2 minutes:



<http://www.businessmodelgeneration.com/canvas/bmc>

# What is the BMC?

- The Business Model Canvas is a strategic management and entrepreneurial tool. It allows you to describe, design, challenge, invent, and pivot your business model.
- **Iteration** is key to building a successful business. No business model is set in stone.

# What is this

- A business model is really a **set of assumptions** or **hypotheses**.
- Alex Osterwalder, who has developed a comprehensive template on which to construct those hypotheses.
- His nine-part “business model canvas” is essentially an **organized way to lay out your assumptions** about not only the **key resources** and **key activities** of your value chain, but also your **value proposition**, **customer relationships**, **channels**, **customer segments**, **cost structures**, and **revenue streams** — to see if you’ve missed anything important and to compare your model to others.



**Key Partners**



**Key Activities**



**Value Propositions**



**Customer Relationships**



**Customer Segments**



**Key Resources**



**Channels**



**Cost Structure**



**Revenue Streams**

# **Case Study**

## Warby Parker



## Key Partners

- 1. Alliances between non-competitors and charities to further social mission**
  - Several non-profits and charities including VisionSpring and 826 National
- 2. Suppliers of raw materials for eyewear**
  - everything from hinges to screws from Germany, Italy, and Japan
  - Purchased a German company that manufactures their blades
  - WP has 3 distribution centers in the US alone.
- 3. Outsourced / partnered tech:**
  - NFC Technology integrated into the apps. - Predictive Technology- to determine segment height based on your individual prescription, as well as your desired frame, shape and size.
  - Lucidchart-offered a cost-effective diagramming solution that keeps pace with their website traffic and growing team size.
  - To design their retail networks, they had to create a scalable and robust WAN architecture for their retail expansion. They chose GETVPN because of lower costs and technical advantages.
- 4.Mentorships and board members**
  - Acquisition of Particular Resources Mickey Drexler, CEO of J. Crew and a board member at Apple, joined the board last year.
- 5. Supplier Distributuion**
  - FedEx and UPS
  - WP has fewer key partners than other eyewear companies since they own most of the supply and distribution channels



## Key Activities

- 1. Retail sales of glasses**
  - to generate revenue
- 2. Supporting Platform / Network**
  - Design, Develop and maintain website, social media channels. Encourage co-creation - ex. open source platform
- 3. Customer service**
  - Reaching customers & establish/maintain customer relationships through social and web platforms
- 4. Production** (to make glasses to sell; production enables cost reduction & "revolutionary price point")
  - Manage most of supply chain & distribution channels
  - Streamlined operations
- 5. Charitable collaboration with non-profits** - give glasses to underprivileged



## Key Resources

- 1. Physical - Logistics Infrastructure + Manufacturing Facilities + Distribution Networks**
  - Manufacturing of entire supply chain
- 2.Intellectual Resources**
  - Brand, Proprietary Knowledge, Patents, Copyrights, Partnerships, and Databases
  - Customer built mobile point of sale.
  - proprietary retail system that allows Warby Parker to collect payment, manage eye exams, check inventory, a whole lot more from Ipad minis.
- 3. Human**
  - Retail sales associates (in-store, phone, online chat)
  - Non profit workers
- 4. Financial**
  - Investors include: Tiger Global + The Menlo Talent Fund + Lerer Ventures, American Express & others



## Value Propositions

- 1. Cost Reduction**
  - “To create boutique- high quality, classically crafted eyewear at a revolutionary price point..”
  - Offers prescription glasses for \$95 that would normally sell for \$500 - \$600 by creating their own vertically integrated brand.
- 2. Customer-Centric - Convenience / Usability + Customization**
  - Virtual try on service: allows customers to try on 5 different pairs of glasses for 5 days, select the best models and return the others for free.
- 3. Community and co-creation**
  - User-generated content through social
  - Ex. “The Oculists”: the company’s open source engineering platform advances WB’s innovative approach to e-commerce, retail, and customer service.
- 4. Socially Consicous - B-corporation**
  - Addresses new needs of customer segment: positive social and environmental impact
  - Charity-driven model that makes customers feel good about their purchases (by fulfilling social mission of giving away a pair of glasses for each one sold)



## Customer Relationships

- Customer - Centric Customized Service**
- Warby Parker offers outstanding customer service + customer engagement. Increase awareness through word-of-mouth. They offer the following:
    - Home Try-On: You can order 5 glasses to be sent to your home.
    - Donations to eyewear non-profits.
    - Support Communities + Co-Creation through social platforms: Facebook, Twitter, Instagram and Pinterest.
    - Ex. Includes Virtual try-on option so you can try on your glasses without going into the showroom or customers can get feedback through social platforms by uploading photos.



## Customer Segments

- “Hipsters + young, fashion-conscious, digital natives with a strong social conscience and independent spirit with a hint of rebellion.
- Millennials (17-34-year-olds)
- Living in large US and some Canadian cities
- Tech-savvy
- Educated
- Socially conscious



## Channels

- Omni channel strategy**
- Streamlines a user’s experience across online and physical stores. They are the first eyewear company to deliver a seamless, mobile, tablet, and desktop experience.
  - Sales are primarily through their online platform ([www.warbyparker.com](http://www.warbyparker.com))



## Cost Structure

Economies of scale:  
-Cost advantages as output expands:  
lower bulk purchase rates for materials and production

- 1.Fixed Costs**
  - Rent - 10 Brick & Mortar stores with showrooms, utilities, equipment leases and depreciation
  - Insurance
  - Payment on Loans
  - Labor Cost - Management, retail staff, and other employees
  - Physical Manufacturing Facilities

- 2.Variable Costs**
  - Retail Construction Costs
  - Building E-Commerce + Mobile + Digital Capabilities
  - Other labor costs including sales commissions
  - Hiring and training sales staff
  - Purchasing raw materials and Inventory
  - Marketing and social
  - Donations to VisionSprings

- Distribution costs: Delivery/shipping charges, packaging supplies
- Travel expenses
- Promotional expenses
- Operation Costs



## Revenue Streams

- Gross margin of sales on glasses
- Design own frames (no licensing fees for brand names) and making own progressive lenses
- More control over the costs across their supply chain makes WP able to reduce the sales price of glasses and profit from sales margin.
- Different from current glasses market where customers must pay a preimum on frames ans lenses to support the company’s rent on optical shops, license fees, and manufacturing costs
- Because WP is a b-corp, their goal is both economic and social.
- Charity work and global social impact are as important as profit.

*I've iterated on my BMC and I have a pretty good understanding of my business landscape. Now what?*

# Full Business Plan

# Cover Page & TOC

- **Cover Page**

- Company Name
- Title of Document “Business Plan”
- Date
- Contact Information

- **Table of Contents (TOC)**

- Do this last
- Helps to outline all sections of the plan

# Executive Summary

- Very important!!!
- Catches audience's interest!
- Delivers message and sets tone of business plan.
- Elevator pitch of company in 1-2 pages or 5 minute pitch. This is your business in a nutshell.
- Write last after you've done all the thinking.

# Executive Summary

- Why will your idea be successful?
- What needs are you fulfilling?
- How are you setting yourself apart?
- What financial rewards can be obtained?
- Who is the audience? Looking for stability, market growth, or sales?

# Company

- What problem are you trying to solve?
- How are you solving it?
- What is your unique value proposition?

# Management Team

- A small business is usually a bet on the entrepreneur if there's no track record
- Show advisors, board members, employees in key roles (C-suite or special expertise)
- Understanding and addressing gaps
- Investors want to know what makes you and your team uniquely qualified to write a business plan. They are looking for:
  - Skill sets related to the industry you're in (What is your "T")
  - Show "skin in the game." Current amount invested.
  - Show that you understand the business and the necessary tasks you need to execute
  - Complementary skills of others on your team (checks & balances).  
Ex. if a tech startup. CTO or Co-Founder in Tech is very important.
  - Past startup experience
  - If you got hit by a bus, how will the company survive?
- Include resumes in appendix of management team

# Other sections

- **Mission Statement**
- **Keys to Success**
  - Think about what overarching factors will contribute to the success of your company. Can be technology, community, trust. These should link back to mission and goals.
- **Location and Facilities**
  - Address
  - Resources at your workspace (people, IT, etc.)
  - If you're at an incubator or plan on applying to other workspaces in the future.  
Location and Facilities
- **Technical Requirements**

# Product

- How are you capturing revenue?
- What product or service are you offering? Who are you offering it to and why?
- What is your distribution model?
- What are your goals and rollout plan?

# Marketing

- How will you generate revenue?
- Show that you understand the market. Numbers, trends, competitors?
- Make sales forecast believable
- Take out the magic. Need it to be logical and actionable.

# Competitive Analysis

- What does the existing landscape look like?
- What customers are your competitors targeting and what is their value proposition?
- How are you differentiating yourself from each one?

# Target Market

- Target Market Demographic
  - Overview of the market you're operating in
- Growth
  - Explain how the market in that area is transforming or growing
  - How does your product/service fit in?
- Segmentation
  - What customers are you targeting and what are their unique needs

# Data backing

- Benchmark against industry norms
- Often completely theoretical
- It's not the numbers, it's the thinking.
- Is this a good investment based on the time, energy, and resources I'll need to make this work?
- Cost per customer?
- Learn about financial modeling in Excel. It's your new best friend.

# Strategy & Implementation

- Positioning
- Pricing
- Promotion
- Distribution

# Goals & Milestones

- List 3-5 goals / objectives
- What are your Critical Success Factors?  
SMART goals (Specific, measurable, action-oriented, realistic, time-bound)
- How are you going to execute these?
- Think about long- and short-term goals
- Exit strategy important to investors. Cashing out or growing big?

# Financial Plan

- Creating Revenue Forecast
- Personnel/Salaries
- Budget/ operating expenses
  - Customer acquisition costs
  - Office, technology, etc.
- P&L statements
- Revenue forecast

# Helpful Tips

- Just start writing stuff down. It's never perfect and that's ok.
- It's a document AND a process.
- Spelling is important.
- Keep audience in mind.
- Read and learn as much as you can about the industry.
- Every plan is different. Follow what's right for you.

# Full Business Plan

- Palo Alto Software:  
[http://www.liveplan.com/features/easy\\_financials](http://www.liveplan.com/features/easy_financials)
- <https://www.score.org/resources/secrets-writing-successful-business-plan>
- <http://www.entrepreneur.com/article/247574>
- Small Business Administration: [www.sba.gov](http://www.sba.gov)
- [amazon.com](http://amazon.com) books
- GOOGLE!!!