

Creating a Business Plan

Parsons ELab Workshop 2015

Robyn Asquini
ELab Fellow & Founder of Art Tap Exchange

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?

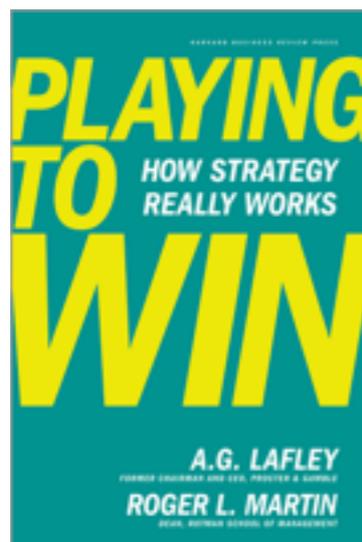
Who's Your Audience?

- 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)



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
- <https://www.score.org/resources/secrets-writing-successful-business-plan>
- <http://www.entrepreneur.com/article/247574>
- Small Business Administration: www.sba.gov
- amazon.com books
- GOOGLE!!!