

Business plan bloopers

Today we'll have some fun with business plan bloopers. I call this "**7 important things you forgot to put in your business plan!**"

We remember that Kevin's definition of an entrepreneur is "**someone with paying customers.**" A business plan is a great step towards having paying customers. Once you understand how you will serve those paying customers, you need to start working on a business plan.

Unfortunately, this process often gets rushed. Why? Because startups are always in a big hurry! In all that haste and false urgency, people forget to include really important information.

Here are the top 7 things people forgot in the thousand or so business plans I've personally read.

1. **A little bit about you.** For example, your vision of success and the qualifications you bring to this market. "Why are you doing this?" is one of the most common plan reader questions!
2. **The *observable* pain, need or gap you will serve.** Not something you think would be a great idea, something ***the market*** will think is a great idea. Something people are talking about, something you can research and report.

Two versions of waking up in the morning:

A soon-to-be entrepreneur: I want to fill a need that brings me lots of paying customers

The soon-to-be-out-of-business: I've always wanted to start my favorite business idea...

3. **The attractive market that drives your financial projections.** Who is your target market? Why did you choose this group of consumers? Describe your primary research. What do I mean by primary research? Why is this important?

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Primary research means information you have collected yourself, in the market you wish to serve. Primary research puts a specific focus on trends identified in secondary research, which is stuff you look up. Primary research adds two important things to your plan.

- A. First, you gain specific market data. A few weeks ago I mentioned that there were about 10,000 single family homes in Port Angeles, which was something I looked up; secondary research. If I surveyed 370 of those homeowners about a product or service, I would have statistically significant sample size evidence; primary research.
 - B. Second, primary research clearly demonstrates you are a business person to be taken seriously. You have differentiated yourself from armchair entrepreneurs, startups who download generic, national market data and use this to nudge along unsupported assumptions. Competitor visits, location headcount, intercepts, and polls are just a few examples.
4. **The marketing plan you will use to achieve your projections.** Most marketing plans are dreadful. This dreadfulness is punctuated with comments like “We will use social media to connect with customers at low cost” or “we will focus on a direct mail campaign at startup.” These statements tell us readers that you have given exactly zero thought to this vital part of your plan.

Effective plans start with the target market, then spell out where these consumers get information. Next the startup describes how these consumers will be engaged and how the effectiveness of these efforts will be measured. Included are timelines, deadlines and deliverables.

5. **Your financial projections.** Yes, it’s time to open a spreadsheet. The good news is that your audiences want the simplest possible version of your financial projections. No one wants the 36 tab, linked formulas workbook with 8 point type. If that’s your jam, party on; but for heaven’s

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sake, produce a version for mere mortals while you're at it. Your audiences would be very impressed if you used your primary market research to support the assumptions driving your projections.

We will be even more impressed if your simple projections are presented three scenarios:

- A. Typical; the outcome supported by your primary market research
- B. Model maximum; the business at scale (massage vs apps)
- C. Survival; what is your lowest sustainable sales volume

6. **Your team.** As you have moved forward toward your vision of success, you will have built that personal business network we've talked so much about here on Business Bits.

A few of those good people have probably coached and mentored you in your startup journey. You might have also identified potential market partners, professional service providers and maybe even prospective employees (HINT HINT - if you haven't, you'd better!).

It's time to tell that story! Who rose up in your network? What did you learn? How will you apply this new understanding? Readers of business plans are impressed mightily when this rarely-shared information is included in your plan. Learning about your network will help us better assess your potential for success.

7. **Your exit plan.** A comprehensive exit plan provides business owners with a clear strategy to help them exit their business. Ideally, the owner will exit when and how they choose. The idea is to maximize both personal and business objectives.

It seems odd to plan ending your relationship with your business before you start, but this is an important part of beginning with the end in mind. Knowing how you will leave your business will strongly influence your decisions as you grow. Your exit plan shows your plan readers you are

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taking the long view of business ownership. Asking about your exit plan is a common question from early stage investors.

There is one more unwritten rule of business plans that startups consistently violate; the keep it short rule. A well-written business plan supports every assumption with data. Each supported assumption leads the reader to a clear conclusion about your vision of success. The more you write, the more you must support and then connect to the logic of your plan. Shorter is clearly better.

A business plan is not a brainstorming session, your readers aren't interested in "could be." Your plan should be the most concise expression of the minimum amount of information needed to express your core business model, and that's it!

Todd, you might be asking "Why?" Why do people forget to put things like this in their business plan? When we discuss these seven often forgotten items, these ideas seem perfectly logical. Why on Earth are people forgetting these things? Are they not smart?

And the answer is really quite simple. People writing business plans forget that a plan is a journey, not a destination. Writing a business plan is not like "set up business bank account" or "hire bookkeeper."

Unfortunately, most startups treat writing a business plan like a homework assignment. As soon as the idea of drafting a business plan is brought to the startups attention, these people immediately start searching for a template or an outline or a software application or an app that they can use to quickly address this issue. Too many people see writing the plan as something they need to get out of the way. The plan is seen as a task that must be done as quickly as possible so the business can get started.

This is unfortunate for three reasons. First of all, there's no point in being in a hurry. You're going to be running a successful business for a long time. There's no need to rush to get your business started yesterday.

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Second, this is going to be a very important project. You really want to put some time into thinking about it. Thinking about your business from your perspective, not someone else's. **What you get in all those templates is someone else's perspective, not yours.**

And because this is somebody else's perspective, it's going to take you completely off the track. Instead of thinking about your vision of success, you find yourself doing something that feels like a test; essay questions, fill in the blank questions, true/false questions, and percentages. To do what, exactly?

All of these products were created to help you get this done quickly and in a uniform manner. That's the worst possible thing you could do. You don't want it to be quick, you want to be well thought out. You don't want it to be uniform. This is about your business, not 200 other businesses.

So, what's the solution?

First and most important, let's slow it down. Forget the templates, outlines, handbooks and software. Just tell the story of your business. When we are telling a story, we are reminded to write to our audience.

Your business plan will serve three audiences

1. Your business plan serves as a communications tool for lenders, investors, vendors and team members
2. Your business plan serves you, as a road map to reaching your goal
3. Your business plan is your accountability partner, reminding you of what you need to do, in what order and when you need to do it

What do your readers want to know about you?

Next time, I'll provide a helpful solution to the business plan conundrum. **Kevin's 7 question business plan guidance.** It's a way to get started on your plan in a way that focuses on you!