$200K Entrepreneurs Challenge

Tips for Writing Your Startup Plan

(A guide for all competitions)

NYU STERN
Berkley Center for Entrepreneurship and Innovation

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Overview

Congratulations!

You've made it to the semi-finals of the NYU $200K Entrepreneurs Challenge! So, what's next?

Well, now it's time to continue refining your concept, obtain market validation for your idea, devise a launch strategy and write an airtight Startup Plan that concisely articulates your vision. This guide will help you do just that. In it, we've identified many of the issues your team must consider. However, please remember the following:

1. The questions on these pages are not meant to be all-encompassing, but they're a good start. Some will be more applicable to your venture than others, and undoubtedly you'll come up with additional questions which are unique to your concept that must be answered.
2. Whatever you do, don't make writing the Startup Plan an academic exercise by simply mechanically answering the questions in this guide. These questions are designed to provoke thought. Use them to develop a Startup Plan that tells a riveting story of how you're going to execute your vision.
3. The boot camps, workshops, coaching sessions and other resources offered will expose you to strategies that will help you come up with the answers you'll need. Be sure to take advantage of them.

We're excited to have this opportunity to assist you with more fully developing your venture!

All the best,

The Berkley Center Team

Executive Summary

The Executive Summary is arguably the most important section of your Startup Plan. It's not an introduction to your Startup Plan or a preface. It's essentially your Startup Plan in miniature. It must tell your venture's entire "story" in a clear and compelling way. When done correctly, it should:

After reviewing this section, readers should:

- Be hungry to learn more about your venture.
- Have a pretty good grasp of the potential opportunity and your strategy for delivering value.

- Read as a stand-alone document. Very often the executive summary is the *only* section read by investors.
- Provide a snapshot of the overall plan by providing highlights from each section.
- Follow the structure and order of the plan on a section-by-section basis.
- Be a maximum of 2 pages.
- Be written and rewritten during the planning process.
- Be the last section completed.

Tip: Do not write your Executive Summary by simply cutting and pasting sections from the plan.

The Opportunity

The Need/Want/Desire

- State the delight your product/service will deliver, convey the pain you will relieve and/or problem you plan to solve,
- Why does this gap (i.e., need, want, problem or pain) persist?
- What's the market size in dollars and # of customers or users? How big is this need, desire or problem? What data is this based on?
- How intense is the need, desire or problem? Is it a "must-have" or a "nice to have"?

After reviewing this section, readers should:

- Be salivating because they're so excited about the "big idea" behind your venture.
- Believe your idea is timely.
- Think it's a sizeable opportunity.
- Be convinced you've gotten sufficient positive third party feedback on your idea.

Tip: You should be able to demonstrate that you've "gotten out of the building" and have done extensive customer discovery, i.e., third party validation. Remember, this is an on-going process and should continue even well after you begin writing your Startup Plan.

The Solution

Value Proposition

- Describe your products/services.
- How will your products/services create gain or relieve pain for your customers?
- What benefits will customers derive from your products/services?
- What need or want does the product/service fill?
- How will it change the status quo for the better? How will it enhance the way people live, work, do business or play?
- Why will they prefer your product to existing alternatives?

After reviewing this section, readers should:

- Believe you've clearly identified and sharply-defined your target group(s).
- Understand why you chose this target group(s).

Customer Segments

- Who are your potential customers? Describe your *initial* target segments using relevant demographic, psychographic and/or behavioral characteristics. What needs, desires, or traits do they have in common? Is there an archetype?
- Describe the serviceable addressable market and serviceable obtainable market.
- Describe why the segments identified are attractive. Are they growing? If so, what trends are driving that growth? How fast is this growth?
- Is yours a multi-sided market, with two or more interdependent customer segments?
- Are users and buyers one and the same?

The Solution

Product/Market Fit

After reviewing this section, readers should:

- Agree that product/market fit has been validated.
- Be convinced that you've identified a real business opportunity and not simply developed a product or feature.

- How passionate or excited will customers be about your product/solution? Why?
- What evidence do you have that your product will drive customers wild with desire for it?
- Have early adopters raised their hands and said, "I must-have this product?
- What pass/fail experiments did you conduct to validate conclusively that customers would crawl over broken glass to get what you're offering?
- Explain your confidence. Recap how your customer discovery efforts lead you to this conclusion.

Technology & Intellectual Property

- Describe the technology at the venture's core. What is the background of the invention? Who are the principal investigators/developers?
- What IP protection exists (patents, copyright, etc.)? Who owns the IP?
- What is the state of the technology (in research, proof of concept, working prototype, product in development, in trials, etc.)?
- What are the key technical hurdles/milestones that must be overcome to bring your product/service to market? What regulatory approvals are required

Tip: Be sure to clearly indicate who owns the rights to technology vital to your product/service. Discuss how you will legally protect your product/service.

Marketing & Sales Plan

Positioning/Branding

- Discuss the competitive landscape. What are the strengths and weaknesses of your competitors?
- What are your customers' key buying motivations and criteria?
- How well does your offering meet these criteria?
- How well do your competitors meet these criteria?
- What marketplace position will you claim vis à vis your competitors?

After reviewing this section, readers should:

- Understand the "gap" you intend to fill in the marketplace.
- Grasp how your company will use your product mix, pricing and distribution channels to be nimble and competitive.

Pricing

- What price will you charge for your products/services?
- How will your prices compare to your competition or to alternatives?
- Describe your pricing strategy. What will be the basis for prices set? Fixed pricing? Volume pricing? Auction? Will you charge different prices to different customers?

Distribution Channels

- How will you get your product/service to customers?
- What distribution methods will you use? (Web? Physical? Direct? Distributors? OEM?)
- What are the financial and operational implications of the channels selected?

Marketing & Sales Plan

Communications Strategy & Channels

- What methods will you use to reach your customers? Online? Print? Broadcast? Events?
- How will you create awareness and demand for your product?

Sales Plan & Revenue Forecasts

- Do you have a target list of potential customers? Can you actually name them?
- Are some segments more profitable than others?
- How long will it take to make a sale? Are there several decision-makers involved with making a purchasing decision?
- How will the sales process be handled? Who will be responsible for sales? In-house? Outsourced?
- How will you generate sales leads? How many leads will you generate?
- What will be the average sale?
- What will be your average conversion rate?
- How much will it cost to acquire a customer?
- What will you do to build customer loyalty? How often will customers buy from you in a year? In 2 years? In 3 years?
- Can you estimate what the lifetime value of a customer will be?

After reviewing this section, readers should:

- Grasp how you will bring your products to market and stimulate awareness and demand.
- Understand how you will get your first sale, your first 10, your first 100 and so on.

Operations Plan

Status & Traction

- Describe milestones achieved so far, e.g., product development deadlines, beta tests, minimum viable products, users/customers acquired, letters of intent received, orders placed, etc.
- Describe metrics such as activation rates, referral rates, conversion rates, sales booked, etc.
- Describe implementation timetables.
- What's your current status?

After reviewing this section, readers should:

- See clear evidence of progress made.
- Feel team has sufficiently identified and planned for critical risks.
- Believe that the team is cautiously optimistic rather than dangerously naive about the potential challenges ahead.

Key Activities

- What critical actions must your company perform to operate successfully? What key activities are required to deliver on your value proposition?
- How will you insure quality control?

Key Partners

- Who are your key suppliers?
- What partnerships must you forge to insure success? What strategic alliances, if formed, could help you reduce risks?
- What joint ventures or coopetition arrangements will enable you to acquire necessary resources/inputs?

Operations Plan

Key Resources

- What physical, intellectual or human resources must you have to make your business model work? *(Financial resources are covered in a later section.)*
- What are the most important assets required to deliver your proposed value proposition?
- Will you be able to reasonably acquire the resources needed?

Critical Risks

Describe how you plan to mitigate the various risks you'll face, for example:

- Will there be sufficient demand for your product/service at the price you've set? Was your customer discovery and customer validation process thorough? Is it on-going? (market risk)
- What will be the response from competitors to your marketplace entry? (competitor risk)
- How can you insure your product will work as planned? Will you be able to deliver the desired quality? What additional R&D is required? (technological risk)
- Will you be able to manufacture your product? What key resources and partnerships must be in place? What happens if you can't get a distribution deal? What activities must you master? Can you scale? (operational risk)
- How will the venture operate if revenues do not meet expectations or outside funding is not secured? What happens if costs are higher than expected? (financial risk)
- What legal or regulatory issues could adversely impact the business?
- What happens if a key member of your team leaves the company? Will you be able to attract the talent needed to start and grow the venture? (people risk)
- What other potential risks must you be mindful of?

Team

Management

- Briefly describe the relevant experience, skills and qualifications of each team member. Highlight prior startup experience or related industry expertise.
- Explain the primary role each person will play.
- Indicate whether or not this team has worked together before.

After reviewing this section, readers should:

- Feel that this is a crackerjack team capable of executing masterfully the plan outlined.

Advisors

- List key advisors who are lending their expertise to the management team. This may include an advisory board, board of directors or professional service providers, e.g., lawyer, accountant, consultants, etc.

Key Hires

- Describe whose missing from the team. What skill sets does the team lack and will need to acquire/hire?
- What are your hiring plans? What's the timetable for adding new hires?

Social Impact Measurement

This section applies to teams in the Social Venture Competition only.

Assessing Your Effectiveness

- How will you assess your effectiveness in achieving your stated social mission?
- What 3-4 indicators will link back to your theory of change and strategy?
- How will you measure these indicators to determine your social impact?

Consider the following:

Once the 3-4 indicators have been named, these indicators can then be tracked over time. An example might be:

> Solar Panel Retailer that believes that deriving energy from solar power is cleaner and less harmful for the environment may define its social indicators as:
>
> - # of solar panels installed per fiscal year;
> - % of panels installed that replace other forms of energy; and
> - Savings in air emissions related to non-solar power energy generation/sale.

In measuring your social impact from your social indicators, there is a great resource to use (since every social venture is unique in how it captures and delivers its social impact). This resource is called **TRASI – Tools and Resources for Assessing Social Impact**. TRASI is an interactive database that provides tools and resources for measuring social value creation.

Social Impact Measurement

This section applies to teams in the Social Venture Competition only.

The user-friendly website provides approaches to assessing social impact, strategies for creating and conducting an assessment and ready-to-use tools for measuring social impact (trasi.foundationcenter.org). The database is managed by the Foundation Center, which works in partnership with McKinsey and Company and NYU Stern School of Business to address the growing interest in the field of measuring social value creation.

The database consists of more than 150 distinct evaluation approaches from a range of organizations such as social entrepreneurs, social investors, foundations, and NGOs. Before a measurement technique is uploaded on the database, it is reviewed by a team of experts who use a four-step process to assess its appropriateness. In order to do so, they determine the scope of the tool / resource and determine the staff and stakeholder involvement that would be required for its use. The TRASI website also has a "Terms Defined" section in which it defines in detail each of the terms it employs that may be unfamiliar to users. It has a series of videos that include discussions on social impact assessment by thought leaders in the field which serve to provide the user with a broader idea of social value creation and measurement before getting into the specifics of the database. New tools and assessment methodologies are continuously added and such updates are sent out to the TRASI community through a variety of methods like email and the social media.

Financial Plan

Startup Expenses

Prepare a budget detailing your projected costs for launching your venture.

After reviewing this section, readers should:

- Understand the estimated cost to launch.
- Be able to asses the finaical potential & viability of the venture.
- Have confidence that the team has carefully thought through operating cash needs.
- Understand the key assumptions used to develop the financial plan.

- What are your anticipated startup expenses? How much cash will you need to get to "day one"?
- Consider the expenses you will incur. Common expenses include: staff, equipment, leases, inventory, utility deposits, professional services (legal, accounting), supplies, licenses, web development & design services, advertising, etc.
- How much cash will you need to reach important milestones, e.g., prototype, beta test, etc.?
- How will you fund the venture? Personal savings? Credit cards? Friends & family? Trust fund? Lottery winnings?

Prepare a budget detailing your projected startup expenses.

In addition to the financial workshops and coaching sessions offered as part of the $200K Entrepreneurs Challenge, we strongly encourage you to seek out and use other resources, if needed, to develop your financial projections.

One resource is SCORE's **Financial Templates Gallery,** accessible here. Although you'll need to modify these templates to suit your particular business model, they might be useful for jumpstarting the process.

Profit & Loss Statement

The P&L or Income Statement summarizes the revenue, cost of goods or services and expenses generated by the company as well as records any interest payments on debt and taxes owed to the government. Factors to consider:

- What are your projected sales?
- What are your anticipated costs and operating expenses?
- Which costs are variable and which are fixed?
- Are your margins sufficient enough to cover operations?
- The P&L reflects profitability. However, it says nothing about *when* the company receives cash and how much cash is on hand.
- Prepare a monthly P&L for year 1 and quarterly for years 2 & 3.
- How much working capital do you need for year 1-3?

Prepare a monthly profit & loss statement for year 1. Prepare a quarterly profit & loss statement for years 2-3. Be sure to include your assumptions in your spreadsheet.

Breakeven Analysis

At the breakeven point, total costs equal total revenue. It's the point at which a venture becomes profitable as expressed in volume of sales, in units and dollars. Your analysis should reflect:

- Fixed versus variable costs
- Cost of goods sold
- Channel costs and margins
- Customer acquisition costs (CAC)

Include a table or chart that reflects a unit level cost analysis, i.e., indicating at what point the venture will breakeven.

Financial Plan

Cash Flow Projections

The cash flow statement tracks the movement of physical dollars through the business over time. Factors to consider:

- What is your revenue model? How will you make money?
- Will you have multiple revenue streams?
- What will be the timing of cash receipts coming into the business? For example, will clients pay you in 30 days or 60 days? Will you receive a deposit when work begins or when the order is placed?
- Is your business cyclical or seasonal?
- What will be the timing of cash disbursements flowing out of the business? For example, will you need to pay suppliers in advance or will they extend credit? Will you pay workers biweekly or monthly? When will you need to pay back money borrowed for the business?
- What monthly expenses will the venture have? What costs will be associated with producing your goods or services?
- Will you have enough cash to remain operational? How long is your "runway"? How long before lift-off?
- What is your burn rate?
- How long before the venture is cash flow positive?

Prepare a monthly cash flow statement for year 1. Prepare a quarterly cash flow statement for years 2-3. Be sure to include key assumptions that explain how you arrived at key figures.

Appendix

Sample Items to Include

Place supporting documents including financial statements into a well-organized appendix. (No more than 5 pages, please.) Resist the temptation to fill this section with fluff or to burden your reader with too much information. Items in the appendix should be referenced in the body of the Startup Plan. Appendices typically include:

- Product sheets
- Price lists
- Patent, trademark, copyright and/or license agreements
- Technical diagrams or drawings
- Client lists
- Contracts
- Letters of support
- Letters of intent
- Joint venture or strategic alliance agreements
- Market research data
- Press clippings
- Maps & photos of business locations

Submission Instructions

Please follow these instructions EXACTLY as described. No exceptions. Failure to do so may result in your startup plan not being evaluated.

Format

Your submission must not exceed 23 pages, as described below.

- **Maximum** of 15 pages of text.
- **Up to 5 pages** of financials containing (1) startup expenses (2) profit & loss statement-3 years (3) breakeven analysis, and (4) cash flow projections-3 years.
- **Optional appendix:** Plan may contain up to 3 additional pages of supporting documents, excluding financial statements.
- Document should be on letter-sized paper with 12-point type and 1" margins on all sides.

3-minute Explainer Video or Audio-Enhanced Slide Presentation

In addition to your written Startup Plan, please submit a 3-minute video or audio-enhanced slide presentation that describes the status quo; explains how your product or service will enhance how people live, work, do business or play; and depicts how your venture will create value. Please see the following tips for creating your explainer video:

- Maximum 3 minutes in length. Be comprehensive and concise.
- Use interesting visuals to keep viewers focused.
- Show your product or service in action (a use case scenario) so that viewers can understand how it works.
- A little humor can be a great way to make an impression.
- Make sure the end product is professional and well represents your venture.

Examples of Explainer Videos

Animated Examples

Read It For Me
http://readitfor.me/

Mint
http://vimeo.com/22764410

PadMapper
https://www.youtube.com/watch?v=eN8nDVGfdZM#t=37

Crazy Egg
http://vimeo.com/38858205

Groupon
http://vimeo.com/12825301

Litmus Email Previews
https://www.youtube.com/watch?v=0ORBHcjfkIs#t=21

Task Rabbit
https://www.youtube.com/watch?v=WzcCxGvvShI

Non-Animated Examples

Airbnb
https://www.youtube.com/watch?v=SaOFuW011G8#t=29

DollarShaveClub.com
https://www.youtube.com/watch?v=ZUG9qYTJMsI

Meet Julep
http://www.youtube.com/watch?v=1qrCAmQCogg
Younity
http://www.youtube.com/watch?v=OilkzJ0QPAE#t=24

Submission Deadlines

Draft Startup Plan – Due March 24 by 3:00PM

Upload a draft of your Startup Plan to Gust.com no later than 3:00PM on March 24. You will be provided coaching based on your draft submission. The further along you are by this stage, the more meaningful the coaching.

Final Startup Plan – Due April 1 by 3:00PM

Upload the final version of your Startup Plan and your explainer video to Gust.com no later than 3:00PM on April 1. These submissions will be sent to the semi-final round judges so that they can begin the evaluation process.

In addition, please deliver 5 hard copies of your Startup Plan to the Berkley Center on April 1 no later than 3:00PM.