



BUSINESS PLAN SAMPLE

Introduction

The business plan is a detailed road map to your venture and how you plan to grow it into a successful business. It's a crucial document for anyone seeking capital, and is typically developed with two audiences in mind: 1) *angel investors* – wealthy individuals who personally invest their money, expertise and experience in your venture; or 2) *venture capitalists (VCs)* – partnerships with funds of pooled investment capital with which to invest in a number of companies.

The importance of a well-thought out, comprehensive business plan can't be overstated. VCs, in particular, review an average of 200 business plans each month. Of the total number of plans submitted, just 0.3 percent ultimately receive VC funding. So to even be considered, your plan needs to be thorough and engaging.

The main elements you should have in your business plan include:

- Executive Summary
- Company Description
- Product or Service
- Market Analysis and Competition
- Marketing Plan
- Management and Organization
- Financial Projections
- Fundraising and Use of Funds



Keep in mind that potential investors will judge you not just on your ideas, but also on the way they're presented. The more time you spend researching your ideas and mapping out your operations, the better off you'll be. It typically takes several weeks to complete a good, solid plan. You won't regret the effort because it will also help you to determine how to allocate your resources properly, address problems, and make informed business decisions as you move forward. So take your time and write a thoughtful, comprehensive business plan that will serve you and your investors well as your business progresses.



COVER PAGE

Your company name and logo go on this page, along with the date and confidentiality information.

Example:

iWidget, Inc.

BUSINESS PLAN

June 15, 2006

Privileged and Confidential.

This business plan is the property of iWidget, Inc. and is confidential. Reproduction or release of this document or any of its contents is not permitted without written consent of the company.

Contact:
J. Smith: 555-555-5555, jsmith@iwidget.net
100 Maple Street, Cambridge, MA 55555



Executive Summary

The executive summary is by far the most important section of your business plan because it's the first thing the busy VC or prospective investor will look for and read to get an idea of your investment opportunity. If your executive summary is compelling enough, the VC will read further, contact you for more information, and/or ask you to come in for a meeting to present your ideas. If your executive summary fails to strike a chord of interest, the reader will quickly move on to the next business plan in the stack.

The executive summary – really just a compact version of your business plan – should concisely address the following:

- what your company does;
- why your product or service is unique and what opportunity you're presenting;
- how your management team is well qualified to execute your business plan;
- how much capital you need and how it will be used.

Keep your summary brief – ideally, two pages or less. Think of it as everything you'd say to a prospective investor in a five-minute interview. There are some who advise that you write your executive summary last, to capture the crucial points you've written into your plan. Others advise that you write the executive summary first and use it as a road map to keep your business plan on track. Both approaches have merit. In either case, make sure your executive summary is professional, comprehensive, and concise.



Example:

iWidget, Inc. designs, manufactures and markets software solutions for the online gaming and desktop publishing industry. The company's flagship product, iWidget Pro, is the leading software package for entrepreneurs seeking to start up a web business in the fast growing online gaming industry. iWidgetPro allows a user without any HTML skills to quickly set up an online gaming web site bundled with quick loading graphics and gaming technology. The company's two accompanying software packages, iWidgetNext and iWidgetWorld, provide advanced design elements and technologies that allow users to customize their web sites. While the market is flooded with desktop publishing software, there is no other desktop publishing software company focused exclusively on the online gaming industry.

The Market

iWidget's target market is the rapidly expanding online gaming industry and entrepreneurs seeking to set up gaming websites. Since its inception, the online gaming industry has experienced tremendous growth. Estimated at just over \$1 billion in 2003, In-Stat/MDR expects the online gaming market to grow to nearly \$4 billion by the end of 2008.



iWidget's Competitive Advantage

As the only desktop publishing software maker focused exclusively on the online gaming industry with proprietary software that allows individuals to easily set up their own web businesses, iWidget is uniquely positioned to grow along with the industry and adapt to new industry developments quickly. Unlike other software makers' products, iWidget's products offer advanced and continuously updated technologies exclusive to online gaming. Software products offered by other software makers do not include these specialized technologies and do not offer the same ease of use or gaming graphics capabilities.

The expertise needed to design gaming industry-specific software is a significant barrier to market entry; iWidget's management team includes desktop publishing industry pioneers with extensive knowledge and understanding of the online gaming industry and market.

Management Team

This is the second software venture for iWidget founders and co-owners J. Smith and R. Jones. Former classmates at M.I.T., the two teamed up to co-found iStudy, an online study system for college students that was acquired by BIG Textbooks Co. in 2002 for \$8 million. Smith and Jones were among the pioneers of the desktop publishing software industry, and used their extensive knowledge and expertise to develop gaming-



specific software that would allow individuals to set up lucrative online gaming web businesses. As the online gaming industry grows and develops, Smith and Jones are at the forefront of adaptive software that continues to evolve into a greater array of business options for online gaming industry entrepreneurs.

Investment

The capital sought in this proposal is iWidget's third round of financing. Proceeds of the first round of \$2.6 million in funding and second round of \$3.5 million in funding have been used to expand the company's highly knowledgeable team, develop new software products, and execute the company's first software licensing agreement.

iWidget intends to raise an additional \$3.5 million to develop additional software products, build out its marketing function, and successfully bring new products to the market.

Conclusion

First mover advantages have allowed iWidget to gain a dominant position in development and delivery of online gaming software. This early mover status, coupled with several years of desktop publishing management experience and technological expertise, will allow iWidget to continue to lead the field with cutting edge products in the fast growing online gaming industry.



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I. The Company

This section of your business plan should briefly sum up your company's history and how you got to where you are now. Explain how your management team and your business evolved, how much has been invested in the business to date and by whom, and what the ownership and legal structures are. You may also include your mission statement and value proposition here.

i. Company Description

This is your chance to impress potential investors with your important ideas and business savvy. Explain how your venture progressed from start-up to viable company with a bright future, using relevant numbers and facts to support your story. Make sure your description is credible – most businesses run into challenges along the way, so explain yours and how you overcame them.

Example:

iWidget was formed in 2003 and has grown rapidly along with the online gaming industry. The company's first software product, iWidget Pro, is the only desktop publishing software focused exclusively on the online gaming industries. iWidget was introduced to the market in June 2004 and was met with great enthusiasm. First year sales were \$19.7 million, and rose 32% in 2005 to \$26 million.



Two additional software products – iWidget Next and iWidget World – followed in December 2004 and March 2005, respectively, and have also experienced impressive sales growth. A fourth software product is now in testing and scheduled for market debut in December 2006.

iWidget received its first round of \$2.6 million in funding in early 2003 from Blum Partners LLC, a Boston-based private investment firm specializing in new software ventures. In late 2004, iWidget received its second round of \$3.5 million in funding from Morningside Partners LLC of New York, NY. Both rounds were given in exchange for a one percent ownership stake in the company.

iWidget Inc. is a Massachusetts “C” corporation, incorporated on January 1, 2003. Headquarters are located at 100 Maple Street, Cambridge, Massachusetts 55555. The company may be contacted by phone: (555) 555-5555, fax: (555) 555-7777, or web: www.iwidget.net or email info@iwidget.net. Legal counsel for the firm is Big Law Firm, LLC. The company presently has nineteen full-time employees.

ii. Mission Statement

This is a brief statement, usually in one sentence, that explains your company’s purpose and business principles.



Example:

iWidget is committed to ensuring customers' success in their online gaming ventures by providing them with the most innovative and industry-adaptive desktop publishing software products.

iii. Value Proposition

Your value proposition explains exactly what your product or service does for the customer. What problem do you solve for customers? What service do you provide them that your competitors don't? The more clear and direct your value proposition, the better.

Example:

iWidget allows entrepreneurs to successfully integrate their gaming ideas with advanced, gaming-specific desktop publishing technologies. iWidget customers can create new games quickly and offer their customers an ever-changing variety of games with sophisticated graphic features.



II. Products and Services

Put yourself in the place of potential investors when determining how to describe your product or service. An investor would want to know what you offer and why it's better than what's already available on the market. How is your product or service new and different? If the product or service is not yet on the market, has it been tested and what were the results? Explain costs, pricing, and future plans for the business. You may also discuss barriers to entry and why a competitor won't be able to easily duplicate your product or service more cheaply.

Example:

iWidget Pro allows individuals to easily set up web businesses in the fast growing online gaming industry. The revolutionary product quickly energized commerce in the online gaming industry, while frequent updates to the software continue to improve ease of use.

Once a customer's business venture is established, iWidget Next and iWidget World allow him or her to significantly enhance the venture's game offerings, and can be tailored to meet entrepreneurs' specific business objectives.

The iWidget products are priced to match current and projected future demand with supply and production costs. Currently, each package costs \$35 to produce and is offered at \$56.



Unlike other desktop publishing software products, iWidget's products are the only software products available that are tailored to meet the specific needs of online gaming industry entrepreneurs. Other software makers have products that can be adapted to the online gaming industry, but they lack the advanced technologies that allow gaming websites to operate smoothly and quickly add new games. Because of the specialized online gaming industry knowledge needed to develop software products for this market and the length of time needed for product development and testing (3 to 5 years), no competing products are anticipated in the near or medium term.

III. Market Analysis and Competition

Use this section to demonstrate to prospective investors that you've thoroughly researched the market you're serving. Discuss projected growth of the industry, the profile of the typical customer, technological, regulatory, and operational issues, and what the competition is doing now and may be likely to do in the future. In sum, you want to show your knowledge about the industry and give investors confidence that you really know what you're talking about. Solid research really counts in this section.



i. Industry Analysis

This subsection should discuss the current state of your market and future growth prospects. It should also include analysis and description of the dominant industry players and the typical customer.

Example:

iWidget's target market is the rapidly expanding online gaming industry and entrepreneurs seeking to set up gaming websites. Because of the advanced graphic cards and faster processors that are now installed in most new computers, online gaming is becoming one of the most popular hobbies among adults and teenagers. To capitalize on this opportunity, a growing number of entrepreneurs have been setting up web sites to provide online gaming services.

The typical iWidget customer is a highly Internet-savvy entrepreneur in his or her mid-twenties to early forties with roughly \$20,000 to \$100,000 to invest in a new online venture.

ii. Market Figures

Include numbers that would be important for your investors to know, such as the current size of the market and projected growth, number of customers, current and projected future market share, etc.



Example:

The online gaming industry is experiencing strong growth. The Interactive Digital Software Association estimates that the number of users of online gaming sites is growing 12 to 15 percent per month. In-Stat/MDR estimates that the total online gaming market will grow from just over \$1 billion in 2003 to nearly \$4 billion by the end of 2008.

iii. Competition

Discuss your competitors in terms of number, type of company, market share, size, reputation, and whether they're direct or indirect. Talk about how your product or service meets a need in the market that competitors do not serve. Discuss barriers to entry into this market.

Example:

There are currently no other companies designing and manufacturing desktop publishing software exclusively for the online gaming industry. BIG Software and other software makers have products that can be customized for the online gaming industry, but the software does not give their users the advanced technologies iWidget offers, technologies that allow gaming websites to run more efficiently and offer new games more quickly. Given the industry expertise and time needed for product development and testing (3 to 5 years), no competing products from BIG or other software makers are anticipated in the near or medium term.



iv. SWOT Analysis

SWOT analysis is an excellent way to assess your business opportunities and position you venture take advantage of them. It also allows you to consider and anticipate problems that may arise in your venture, so that you're better prepared to handle them when problems do arise. A successful SWOT analysis can help you compete more effectively and operate your business more successfully.

SWOT analysis takes into account factors that are both internal and external to the company. Internal factors are labeled 'strengths' and 'weaknesses', and may include things like a company's reputation with customers, patents, proprietary knowledge, cost structure, or distribution channels. External factors are labeled 'opportunities' and 'threats', and may include items such as previously unserved customer needs, changes in industry regulations, changes in consumer taste and new technology.

1. Strengths

You should think about strengths both from your perspective and from the customer's perspective. List factors that *distinguish* your firm from the competition, not just positive attributes like 'cost-effective product' - your competitors may have these attributes too.



Example:

- a. iWidget's staff and management are among the online gaming and desktop publishing industry pioneers and innovators, and have unique expertise that would be difficult to match.
- b. iWidget products were first to the market and can be quickly adapted to changes in the industry and evolving customer and entrepreneur behavior.
- c. iWidget products have unique features that serve customers well and are not matched by rival software makers. The products of other software makers are more cumbersome to use and not as specialized for use in developing online gaming websites.
- d. A licensing agreement was obtained for iWidget Pro in 2005. iWidget is currently pursuing licensing agreements for iWidget Next and iWidget World.
- e. iWidget has a strong positive reputation among customers.

2. Weaknesses

Again, think about weaknesses from both your perspective and your customer's. Are there aspects of the business you could improve? What do customers see as your weaknesses? Be honest – most businesses have some shortcomings.



Example:

- a. iWidget lacks extensive distribution channels and reputable retail stores to market its software.
- b. As a new and young company, iWidget does not have strong brand recognition in the marketplace.

3. Opportunities

Opportunities can come in a variety of forms. For example, they may include changes in laws, customer lifestyles, or technology that your business is well positioned to take advantage of.

Example:

- a. The number of entrepreneurs looking to set up an online business has been growing, as documented in a recent study by the Small Business Administration (SBA). The SBA notes that 23 percent of new entrepreneurs in 2005 were setting up businesses online, up from 13 percent in 2003.
- b. Awareness of and interest in online gaming has grown dramatically since its inception and is expected to continue. The Interactive Digital Software Association estimates that the number of users of online gaming sites is growing 12 to 15 percent per month.



- c. The potential opportunity for a broad and ever-changing array of new games is possible, as the industry grows and entrepreneurs continue to expand their creativity in setting up and enhancing online gaming businesses.

4. Threats

These are the challenges that may threaten your operation down the road.

Example:

- a. Unforeseen changes in customer behavior could impact the online gaming industry and, in turn, iWidget sales. However, based on current industry data and research, iWidget is confident about future prospects for the industry and the company in the next three to five years.
- b. Changes in government regulation of the gaming (online gaming in particular) industry could inhibit future sales growth.

The four categories of SWOT analysis may be combined in various ways to determine a company's best options for future growth. For example, a company may look at the combination of weaknesses and threats to determine how best to change course, correct weaknesses, and defend against future threats to the company. Or a



company may consider the combination of weaknesses and opportunities, in order to eliminate weaknesses and better position itself to take advantage of future opportunities.

SWOT analysis is a simple exercise, yet it yields very valuable results; it allows you to weigh the pluses and minuses of your business from a variety of perspectives and gives you a clearer picture of where your venture stands and how things are likely to progress.

IV. Marketing Plan

This section tells your potential investors exactly how you make your product or service available to customers and how you plan to get the word out about your product or service. Here, you should discuss your marketing channels and provide sales targets. It's best to give a number of different marketing strategies, possibly beginning with the least expensive and then progressing to the most costly. Be sure to include the cost and other details of your overall marketing plan.

i. Marketing Channels

Where are your products distributed? How do potential customers learn about your product or service? Through word of mouth? Through internet advertising? Direct



marketing? Print, TV or radio advertisements? Be specific about your current and future plans for marketing channels.

Example:

iWidget markets its products through a number of online distributors, with plans to increase those channels in the near term. The company uses viral marketing strategy and has received significant business through word-of-mouth referrals from satisfied customers.

iWidget plans to roll out a more aggressive online advertising campaign next year. Long-range plans include the use of television and radio advertising.

ii. Sales Target

Your business plan should include achievable sales targets for the next three to five years to give investors a realistic picture of how your venture will progress in the near and medium term.

Example:

iWidget Pro was introduced to the market in June 2004 and produced first year sales of \$19.7 million. Sales rose 32% in 2005 to \$26 million, and are projected to grow to \$38 million in 2006 and \$52 million in 2007.

iWidget Next and iWidget World followed in December 2004 and March 2005, respectively. iWidget Next first year sales were \$12.8 million and are projected to rise to



\$18 million in 2006. iWidget World first year sales are projected at \$13 million and are also expected to rise to \$18 million in the second year.

iWidget Sales Projections:

	2006	2007	2008
iWidget Pro	\$38 million	\$52 million	\$66 million
iWidget Next	\$18 million	\$24 million	\$34 million
iWidget World	\$18 million	\$24 million	\$38 million
New product	NA	\$22 million	\$42 million

V. Management and Organization

This section should include the names, backgrounds, and qualifications of key management and what their respective responsibilities are in your venture. Discuss why the management team is well qualified to make this business successful. If any of your management team, board, or advisors have had prior success as an entrepreneur, note this – it will boost the confidence level of your prospective investors.

A strong management team is extremely important to investors, often even more important than the business idea itself. Take the time to explain exactly what your management team brings to the table.



Example:

iWidget's management team includes desktop publishing and online gaming industry pioneers and innovators. They are highly specialized and talented individuals who helped to launch the industry and continue to help shape its present and future course. The company's principals have had previous success as entrepreneurs. The core team is well qualified to continue iWidget's operations and expand upon its current success.

J. Smith, Chief Executive Officer

Mr. Smith received his BS in engineering at Massachusetts Institute of Technology in May, 1995 and co-founded his first business, iStudy, while a student at MIT. The venture was acquired by BIG Textbooks Co. in 2002 for \$8 million. Smith worked as a senior software developer at BIG Software from 1996 to 2002 and helped to develop the company's leading BIG-Pub desktop publishing software. He co-founded iWidget, Inc. with R. Jones in 2002 and together, they successfully launched iWidget Pro in 2004.

R. Jones, Chief Operating Officer

Mr. Jones received his BS in engineering at Massachusetts Institute of Technology in May, 1995 and co-founded iStudy with Mr. Smith while a student at MIT. Mr. Jones helped to develop some of the online gaming industry's first software while as an associate at Ace Online Game Co. of Las Vegas, Nevada. He then joined J. Smith to co-found iWidget, Inc. in 2002.



Jane Doe, Chief Financial Officer

Ms. Doe received a BS in Statistics and Finance from Massachusetts Institute of Technology and holds an MBA from MIT's Sloan School of Management. Prior to joining iWidget, Ms. Do served as Chief Financial Officer of iTarget Software and Senior Vice President in charge of Finance at New Angle Software.

VI. Financials

This is one of the most important sections of your business plan because it lays out the viability of your venture. You should have at least a basic understanding of the numbers you're presenting – sales forecasts, profit-and loss statements, balance sheets, and cash flow projections, etc. – before you speak with any prospective investor, because you will be asked to respond to questions about these financial numbers.

i. P&L

This is a snapshot of your business, laying out revenues, expenses, and profit for a particular period (monthly or quarterly, for example). It shows whether or not your business is profitable during the given period. If you're laying out *projected* P&L, you should project numbers going out one year. Be careful not too be too conservative in



your estimates, or you'll lose your investor audience. On the other hand, an overly aggressive P&L suggests you have unrealistic expectations and won't be able to meet them. Use your best judgment on these projections.

ii. Capitalization and Financial Projection

This is your plan for how much capital you want to raise. A couple of things you should keep in mind as you plan:

- Be realistic. Don't try to plan for an amount you think you can raise; plan for the amount of capital you think you'll *need*. You will appear more credible to your investors.
- Plan your capital requirements in stages, and try to figure out how much you'll need for each stage. If you raise too much money too quickly, there's a greater chance you'll burn through it less efficiently. If you raise less than you need, you'll have to adjust your growth and expansion plans.

Your business plan should list your revenue and income projections for the next three to five years.

Example:

(\$M)	FY2006E	FY2007E	FY2008E
Total Revenues	80	130	200
Net Income	(3)	30	105



VII. Fundraising and Use of Funds

Explain why you need the funds, sources of your funds, and what the funds will be used for. Give as much detail as you can for how the money will be used. Most common uses for funding include R&D, working capital, and purchase of equipment.

Example:

iWidget intends to raise \$3.5 million in this third round of financing. This round of finance will address a number of needs, including development of additional software products, expansion of the company's marketing function, and introduction of new products to the marketplace.

VIII. Appendix A

The appendix contains any additional information you think would be helpful to share with potential investors. This may include resumes of your management team, additional charts, graphs, and/or financial information, any articles or other press coverage of your company, and a glossary of company- or industry-specific terms that may be helpful to define.



Example:

- i. IWidget Management Resumes
- ii. Additional financial information
- iii. Press coverage
- iv. Glossary of Terms

IX. Refining the Plan

You should consider your business plan to be a work in progress; the work does not end with the first draft. Show your completed draft to experts in various fields such as marketing, accounting, and finance, and use your readers' feedback to revise and polish your plan.

You should also be reviewing your plan and, in particular, your data periodically. Update your plan as the industry competitive landscape changes. Additionally, if you're finding that your actual results don't match up with your projections, you will have the opportunity to correct discrepancies and adjust business strategies. A business plan should be a blueprint for your company. Over time, continuous revisions to your business plan will make it a valuable tool to help you guide your business venture.