

PLANNING: DISCOVERY DRIVEN PLANNING WORKSHEET

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DDP is powerful, but can seem confusing at first

- We will continue working through the example from before, but this time using the Excel spreadsheet for the “Better Desk” case
- Please download and look at the example before going forward
- Four tabs:

The Digital Desk Story

Reverse Income Statement

Assumptions

Milestones

Assumptions-Milestones

The Reverse Income Statement

- We started with Step 1, the goal:

Table 1: Reverse income statement generation		
Mr. & Mrs. Smith current income (salary & benefits)	\$	120,000
Entrepreneurial markup: Required % increase in Smiths' income		115%
Digital Desk total required profits	\$	138,000
Digital Desk required ROS		10%
Digital Desk required revenues		\$ 1,380,000
Digital Desk total allowable costs		\$ 1,242,000

- We then built out the rest of the reverse income statement working backwards from the goal, thinking about key activities in the business (Steps 2-3)

The Reverse Income Statement: Key questions

- Pause the video! (Really)
- Take 15 minutes to go through the model and consider the following:
 - What are the key assumptions?
 - Are there any obvious missing costs or lines?

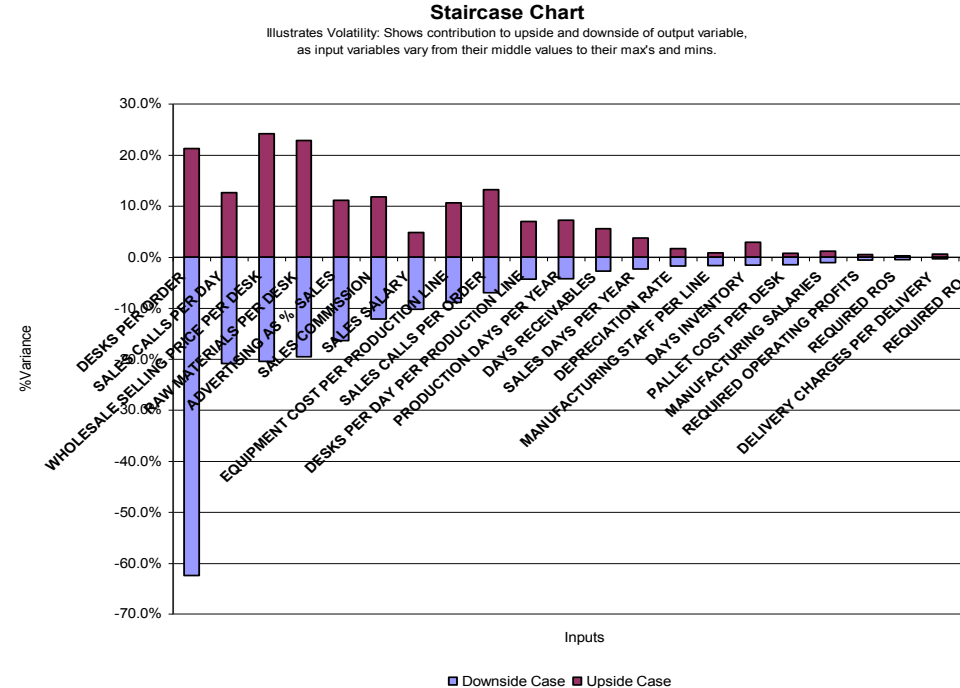
What was missing?

- Rent?
- Taxes?
- Marketing?
- Website?
- Administration?
- Is the sales model realistic?

What were the key assumptions?

- How do you know?
 - Move the numbers in ranges
 - Consider what Jon and Joanne actually know (more about manufacturing, less about sales)
 - Look at the quality of the sources

Staircase chart showing ROA sensitivities



Match key assumptions to milestones

Assumption / Milestone	Market study	Trial production batch	Mock-up of sample desk for focus groups	Simulation of sales and marketing	Trials by limited number of outside users	Recruit manufacturing staff	Recruit sales & advertising staff	Major marketing campaign for launch				
Entrepreneurial markup: Required % increase in S												
Direct sales price (per desk)												
Number of business days per year												
Raw material per desk												
Delivery cost for materials per desk												
Desk per day per production line												
Equipment costs per production line												

Match key assumptions to milestones

- Which milestones test the most assumptions?
- When are we testing key assumptions?
- Perhaps we need to figure out sales earlier and reorder milestones?

Using the Better Desk example, build your own..

- Even a basic model will be helpful
- A few hours of time could save you thousands of dollars or more!
- Recognize a model is just a model, however...



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