## How to write a Business Plan

A business plan is a road-map/plan that enables a business to analyse its past record and trends in the industry, look ahead into the future, allocate resources, focus on key points, and prepare for challenges and opportunities that the business may face in the future.

Business plans is not just a "fund-raising" document but is far beyond that. They are vital for running the business, whether or not the business needs investments or not. A business plan helps you think well in advance to be able to mitigate any risk anticipated by the business in the future. Businesses need plans to optimize growth and development according to priorities.

## What should a business plan have?

The structure of the business plan should vary based on where you want to use it. A business plan being created for fund raising should highlight a more detailed coverage of your current strengths and achievements, which may not be required for a plan being made for internal planning.  Make your plan match its purpose.

## What all should you prepare when you are writing a business plan?

If you are preparing a business plan you should ideally aim at preparing the following set of documents before you start raising funds or planning a business.

* **Business Summary** –Even before you start writing a detailed business plan, you should create a first-cut business summary which should crisply define the problem that you are wanting to solve, who your customer is, how you will make money, why would the customer pay and do a quick calculation on what you need to do to break-even. This kind of summary helps you decide quickly whether it is an opportunity worth pursuing. Once you have completed writing a business plan, the business summary should be revised to reflect the insights you may have received.
* **Elevator Pitch** – Remember the old saying that "First Impression is the Last Impression"! It's very important to convince the investor in the first meeting itself. The attention span of investors is limited so you probably won't get more than 2 minutes to pitch your idea to him. If you are lucky you might get called to make a longer elevator pitch summarizing your business plan in less than 6-7 slides allowing you to finish the presentation in less than 10 minutes. Remember always, the investor's time is as important as yours!
* **Business Plan** 
  + **Master Document** – It is much easier to create a detailed business plan in a document format - as it allows you to create a free-flowing document with complete sentences. Ideally you should aim at writing all aspects of your business plan in less than 35-40 pages in any standard format. This document is most useful when you are writing the business plan from a non-fund-raising perspective.
  + **B-Plan Presentation** – This is a detailed presentation to be made when an investor gets interested on listening to your elevator pitch and calls you for a detailed discussion with his/her team. This b-plan presentation should ideally pick important aspects from your Master Business Plan document and reflect them in a well-formatted bullet-point presentation of not more than 20-25 slides. You typically won't have more than 25-30 minutes to convince the team.
* **Business Modelling/Financials** – You should ideally be able to model your entire business through a spreadsheet/excel model. Building a detailed spreadsheet model helps you plan your operational and financial decisions better - product development cost, expenses and business development plans, projections, working capital issues, cash flow issues etc get reflected best in a spread sheet model.

## Business Summary

It is quite important to think through your idea well enough before you decide to pitch to an investor. A first-draft business summary helps you think through the idea well enough, before you actually discuss it with anyone else. Some of the things to cover include - crisply defining the problem that you want to solve, who your customer is, how you will make money, why would the customer pay and do a quick calculation on what you need to do to break-even. Please make sure you've thought through the idea well.

## Elevator Pitch Format

You should be well prepared to present your idea to the investor in less than 2 minutes – because that may be all you get to convince the investor. Here is what you need to prepare for –

<http://www.youtube.com/watch?v=Tq0tan49rmc&feature=player_embedded>

The Elevator Pitch should very succinctly summarize your value proposition and business model in not more than 5-10 sentences.

If the investor gets interested he would probably ask you more questions and invite you for a meeting.

## Business Plan presentation

If you are lucky enough to be called for a board room meeting, be prepared to present your idea within 20 minutes using a crisp presentation.

We love Guy Kawasaki's [10/20/30 rule](http://blog.guykawasaki.com/2005/12/the_102030_rule.html#axzz0q9pVTGZT) for making business plan presentation. Not more than 10 slides, not more than 20 minutes of presentation and no font less than 30 in the presentation.

Sequoia recommends what we feel is probably the simplest and easiest format for putting together a business plan. Obviously being the investors behind the Googles of this world, they know what they like best!

We recommend mixing the Sequoia Template with Guy's 10/20/30 rule for making the presentation -

**Slide 1 – Company Purpose**

* Name and Contact Details of the Company
* Define the company/business in a single declarative sentence.

**Slide 2 - Problem**

* Describe the pain of the customer (or the customer's customer).
* Outline how the customer addresses the issue today.

**Slide 3 - Solution**

* Demonstrate your company's value proposition to make the customer's life better.
* Show where your product physically sits.
* Provide use cases.

**Slide 4 - Why Now**

* Set-up the historical evolution of your category.
* Define recent trends that make your solution possible.

**Slide 5 - Market Size**

* Identify/profile the customer you cater to.
* Calculate the TAM (top down), SAM (bottoms up) and SOM.

**Slide 6 - Competition**

* List competitors
* List competitive advantages

**Slide 7 - Product**

* Product line-up (form factor, functionality, features, architecture, intellectual property).
* Development roadmap.

**Slide 8 - Business Model**

* Revenue model
* Pricing
* Average account size and/or lifetime value
* Sales & distribution model
* Customer/pipeline list

**Slide 9 - Team**

* Founders & Management
* Board of Directors/Board of Advisors

**Slide 10 - Financials**

* P&L
* Balance sheet
* Cash flow
* Cap table
* The deal

It is very important to rehearse the presentation very well before you make a presentation. This video should help you understand what not to do in a powerpoint presentation –