Assignment #1
Executive Summary (version 1.0)
Submit by 1st July

Executive Summary
Many books assert that this is the last part of the business plan you should write. However, we would like you to write a first draft of this part (knowing that it will change greatly over time) to help you outline the plan and to guide you through the semester. What you write here is not set in stone and will most likely change by the time you submit your final plan. It should include a concise (1,500-word) summary of what you think you will have in your business plan. This should NOT be a slide deck.

It will include a very high-level description of:
- Market opportunity
- Sales and marketing strategy
- Product description
- Financial projections
- Financing needed and planned exit
- Team biographies

Again, this is not the final version, but rather just to get you to think through the whole process and see the full magnitude of what needs to be done in the semester so you can pace yourself. It also can point out potential weaknesses in your plan from the start.
Assignment #2  
Description of Target Customer  
Submit by 1st July

Prepare a 1-2 page description of the target customer. Paint the customer’s persona and describe them in all dimensions. Key elements include:

1. Did the student team go through a process to focus on one manageable beachhead market to get the new venture started and deselect the others for the time being? Was it thoughtful?

2. Did the student team vividly describe the target customer profile with enough specificity and knowledge? (i.e. from primary market research)

3. Does the target customer have a well-defined “pain” or offer an excellent unexploited opportunity?

4. Was a persona developed of the end user?

5. Was the persona credible and valuable?

6. Were additional secondary personas required and were they developed?

7. Was the target customer profile and persona then effectively extrapolated to a larger market?

8. Were 10 specific target customers named consistent with the profile/persona?

9. Was it demonstrated that the target customer has the money to buy the solution?

10. Was there a discussion of the DMU (Decision Making Unit) to make the purchase happen?

11. Was there a discussion of the DMP (Decision Making Process) required to buy a solution?

12. Was a credible TAM (Total Addressable Market) calculation made for the initial market? The larger market?

There might be other considerations that you want to include (e.g. geographic concentration) that could be relevant. Use this framework as a guide but not a straitjacket if you feel the story can be more effectively told with other information.

We understand that your Description of Your Target Customer will be incomplete at this time and you will fill it out and refine it over time, but make a first draft of all sections so you realize what work needs to be done in the near future and it will keep you focused on the customer and not your technology or product – which is the right orientation.
Assignment #3
Market Definition Section (version 1.0)
Submit by 3rd July

Use both your extensive primary market research ("bottom-up") as well as “top-down” sources -- the Internet, trade magazines, trade shows, Dewey library resources, etc. to figure out what the current market is for your product/service, and what options they have with regard to your solution.

Even if there is no existing market for your product/service, talk about how your target customer is currently spending his/her money, time and resources, and how you intend to take an increasing slice of that money, time and resources. Remember: There are always competitors, even for seemingly innovative products. And many times for customers, an appealing alternative to your solution is the option of doing nothing.

For the section on market segmentation, you might want to answer questions like:

- What is the total being spent on the entire class of products/services of which mine is a part?
- What portion of that total is spent on my segment?
- How are these numbers changing over time?
- On what does market growth depend (lumber sales as a function of new home sales as a function of interest rates)?
- Is your opportunity a function of the overall market growing, or of a shift from one type of product to another?
- How is the market segmented? Choose one or more ways of slicing it. Examples you might consider are:
  - by industry: "x% is sold to financial services companies"
  - by finer definition of product type: "x% of tire sales are high-performance tires, y% snow tires"
  - by technology risk takers: "x% is sold to innovative early adopters"
  - by geography: "x% is sold to U.S. markets, y% of that is on the East Coast"
  - by features: "x% of customers identify fast service as the top reason for buying"
  - by existing competitor: "x% buy Coke, y% buy Pepsi"
  - by type of competitor: "x% of the market is served by mom-and-pop companies"

At the end of this section, you should now have a logical flow from your target customer profile and persona to a highly credible initial TAM and then a larger TAM for markets that you may address later. You will also generally have yourself positioned as the most attractive solution and this will be solidified in the Competitive Advantage Section which will follow shortly. Again, it is important that you do all the steps on schedule and then refine further over the remainder of the semester.
Assignment #4
Competitive Advantage Section (version 1.0)
Submit by 8th July

Now that the target customer, value proposition, market opportunity and product are clear, success appears to be on the horizon, but it would be a shame to create a great opportunity and then have someone else swoop in and realize the financial and other rewards of all of this hard work. A strategy needs to be formulated to ensure that your team’s competitive advantage will allow you to reap the fruits of your hard and smart labor. In the Competitive Advantage section you will want to cover things like:

1. Did the student team describe what makes their offering unique? What is their USP (Unique Selling Proposition)?
2. What are the options for the target customer?
3. Were the current and future competitors named?
4. Were the competitors analyzed? (see more info below)
5. Was it clear how your student team will be different from these existing and future competitors?
6. Did the team identify and talk about what their “core” was? This is your time now to describe your technology and why it is so great if that is part of your core. Do not get too deep into technology as this is a business class and not a science project.
7. Did the team discuss how they are going to grow it and why it is sustainable vis-à-vis others?
8. Was it clear which elements of the solution were non-core and how the company would deal with them so as to provide a 100% solution for the target customer?
9. If appropriate, did the team describe an Intellectual Property strategy? Was it appropriate and credible?
10. Did the team think creatively about how to create other areas of competitive advantage or significant barriers to future competitors who will want to enter the market?
11. Were the team’s investment and human resources plans consistent with this strategy to develop and protect the “core”?

When analyzing competitors (#4 above), look at all the other companies serving the market now and those who you anticipate might enter in the future if you are successful. You might want to answer questions like:

- How long have they been in business?
- What is their stated vision and mission?
- What are their revenues?
- What is their annual growth?
- Who do they have key partnerships with?
- How are they financed? Who are their investors?
- What is their target market? What geographic locations are they targeting?
- What are the advantages of their product?
- What are the disadvantages of their product?
- What do customers think of them?
- What is the web traffic on their web site?
- What patents do they hold?
- What is their key competitive advantage?
The competitive advantage section is a very important section. We urge you to capitalize on any great technology you have that will produce competitive advantage, but always remember two things. First, you win in the marketplace and not in the lab. You win when customers buy your product over the alternatives. Second, customers buy benefits and not technology or features.
Assignment #5  
Go To Market Section (Sales, Marketing, Pricing—version 1.0)  
Submit by July 15th

So far you have determined the target customer, the value proposition, the market opportunity, the product and the competitive advantage. We are now ready to start to determine and finalize your business model to capture value and also your marketing and sales strategy. Specifically we will focus on determining the Life Time Value of an Acquired Customer (LTV) and then the Cost of Customer Acquisition (COCA) so as to determine the fundamental profitability of this business.

Here are the guidelines for the Business Model, Pricing and LTV part of the “Go to Market Section”:

1. Did the student team present a well researched and credible DMU and DMP?
2. Was this used as the foundation for the rest of the analysis that followed?
3. Did the student team creatively think about a business model that fit well with the interests of their customer, themselves and their partners before they settled on their initial business model?
4. Were the competitors considered in this process too?
5. Was the student team business model to capture value clear? Was it appropriate? Will the customer accept it?
6. Was the pricing of the product clear and well-thought through?
7. Were the initial programs/discounts needed to acquire the first strategic customers considered?
8. Did the team build a convincing source for recurring revenue if possible?
9. Was all of this done in alignment and consideration of optimizing the COCA vs. LTV ratio?
10. Did the team include an analysis of the customer retention rate? Is it reasonable?
11. Was the profitability of the different revenue streams considered? Over time?
12. Are all of the assumptions in the LTV clear?
13. Was a proper calculation of LTV done that is comprehensive? (e.g. it only includes NPV of the profit and not revenue, reasonable assumption made on life time of customer, retention rates, etc.)
14. Did the team show how LTV would evolve over time and why?

Guidelines for Marketing, Sales and COCA part of the “Go to Market” Section:

1. Again, did the student team have a clear understanding of the target customer’s DMU and DMP?
2. Was this validated by demonstrated primary market research?
3. Did everything else done in this section build of this foundation and that of the persona?
4. Did the team clearly state how it intended to generate leads? Was inbound marketing considered?
5. Did the team clearly state how it intended to close the leads and the reasons the sales model was chosen? (i.e., sales model options – direct, indirect, online, Avon model, etc.)
6. Was there a map of the sales process with the different parties involved and their roles from lead generation to collection of money?
7. Was there a realistic timeline presented for the full sales cycle? (thru to collection)
8. Did the team clearly state its assumptions on closure rates as prospects move through the sales funnel?
9. Did the team do a credible analysis of the full costs along the sales cycle?
10. Was there a COCA calculation done? Was it comprehensive? (e.g. includes only Marketing and Sales costs and not COGS & Fixed Costs, makes reasonable assumptions on sales closure rates, etc.)
11. Did it include the costs of customers who were not closed as well? (full allocation of M&S costs)
12. Did the team take into consideration the power of Word of Mouth (WOM)?
13. Did the team show how COCA would evolve over time?

To help you answer these specific questions you also might think of your “Go to Market” strategy at a higher level as well with considerations such as:

Overall Marketing Strategy
- Describe the specific marketing philosophy of the company, given the value chain and channels of distribution in the market niches you are pursuing.
- Describe which geographic areas you will initially target, how will you expand geographically, and why this makes sense.
- Describe any seasonality to your business and what can be done to promote sales off-season.

Pricing
- Discuss pricing strategy vs. competition.
- Analyze gross margin per product sale and show that you can cover other expenses to reach your desired profit margin on a cost accounting basis.
- Justify the difference in price between you and the competition.

Sales Tactics
- Describe the method (direct, distributors, sales representatives, etc.) that will be used to make sales and distribute the product or service and both the initial plans and longer-range plans for the sales force. Include any special requirements (e.g. refrigeration).
- Discuss the value chain and resulting margins to be given to retailers, distributors, wholesalers, and salespeople.
- Describe special policies, e.g. discounts, regional exclusivity, etc.
- Describe how your sales force and sales efforts will grow and scale over time and how you will shape its growth.

Include a sales schedule with a budget including sales, advertising and service expenses. Include what you expect the volume of each salesperson/distributor to be and how that will grow. This schedule will help you calculate customer acquisition cost (COCA).

Advertising and Promotion
- Describe appropriate methods you will employ to drive customers toward your product. Consider different tactics depending on whether you are selling through channels, direct sales, OEMs. Are you going to buy “keywords”? If so, what is your budget? How will you measure success? Failure?

Distribution
- Describe methods and channels of distribution you will use.
- Describe shipping costs if applicable.

Customer Acquisition Analysis
Assignment #6

Executive Summary Re-write
Submit by 15th July

Re-write your original Executive Summary to incorporate what you’ve learned up to this point in the course. There’s no doubt—at this stage, your team’s idea has evolved and you’ve learned a great deal of new things about your market through both primary and secondary research. Take this opportunity to update your Executive Summary with this information.

Assignment #7

Financial Section (version 1.0) and Human Resources Section (version 1.0)
Submit by 17th July

Financial Section:
The financial plan is the glue that holds the entire thing together. It is the basic evaluation of investment opportunity and needs to represent your best estimates of financial requirements. The purpose of the financial plan is to indicate the venture’s potential and present timetable for financial viability. It can also serve as an operating plan for financial management using financial benchmarks. This section unites the assumptions from all other sections in the plan (sales forecasts, gross margin assumptions, technology development, etc.).

Refer back to the Product section. How does your product development timeline relate that to your need for capital? What are you going to need money for and when? How will you generate/raise/borrow this money? Start with a cash flow analysis, by quarter, taking into account all your major expenses – people, manufacturing costs, etc. – and then use a spreadsheet to determine what your quarterly burn rate will be. Show when your firm will reach cash flow break even. All great technologies must be effectively built, and then produced and serviced at a level such that the company can react to growth, as well as service requests that the industry demands.

Your financial analysis should include:

Financial Summary: Annual income statement and cash flow statements for years 1-3. Remember, cash flow is the most important and you must track it relentlessly in a startup. Make a special emphasis to show how you generate your top line revenue and what assumptions you are making in this. It merits its own chart and section because everything depends on top line growth and that is the first thing we will look at.

Pro Forma Income Statements: (monthly for year 1, quarterly for years 2-3, annually for subsequent years)
• Using sales forecasts and accompanying production or operations costs, prepare pro forma income statements for at least three years
• Start off with a detailed but concise explanation of your top line revenue and what is driving it. Explicitly state all assumptions in this (and all other) financial projection. Discuss sensitivities to your sales numbers. Give a worst, best and likely scenario for the sales projections.
• Fully discussed assumptions (e.g. the amount allowed for bad debts and discounts, were any assumptions made with respect to sales expenses, were general and administrative costs a fixed percentage of cost or sales) made in preparing the pro forma income statement and document them.

• But always remember that Income Statement does not equal Cash Flow and while it is important, Cash is king.

Pro Forma Cash Flow Analysis: (monthly for year 1, quarterly for years 2-3, annually for subsequent years)

• Project cash flows monthly for the first year of operation and quarterly for at least the next two years, detailing the amount and timing of expected cash inflows and outflows; determine the need for and timing of additional financing and indicate the requirements for working capital; and indicate how well-needed additional financing is to be obtained, such as through equity financing, bank loans, and short-term lines of credit from banks, on what terms and how it is to be repaid. Remember to use cash-based, not accrual-based, accounting.

• Discuss assumptions, such as those made on the timing of collection of receivables, trade discounts given, terms of payment to vendors, salary and wage increases, and anticipated increases in operating expenses, seasonality or cyclical business implications for inventory requirements, inventory turnovers per year, capital equipment purchases, and so forth. Again, these are real-time (i.e. cash), not accrual.

• Discuss cash flow sensitivity to a variety of assumptions about business factors (e.g. possible changes in such crucial assumptions as receivables collection or sales levels relative to forecasts).

Breakeven Chart:
• Calculate breakeven and prepare a chart that shows when breakeven will be reached, and any stepwise changes in breakeven that may occur.

• Discuss the breakeven for your venture and whether it will be easy or difficult to obtain, including a discussion of the size of breakeven sales volume relative to objective total sales, the size of gross margins and price sensitivity, and how the breakeven point might be reduced in case the venture falls short of sales projections.

Ownership: Which of the founders get how much of the pie? Talk about the investment sought, but do not allude to how much you are willing to give up. In real life, this is the part you negotiate with the VC (valuation).

Cost Control: Describe how you will obtain information about report costs and how often, who will be responsible for the control of various cost elements, and how you will take action on budget overruns.

Financial Conclusions: Highlight the important conclusions, such as what the maximum amount of cash required is and when it will be required. State how much money you will need and what the possible sources of it are and your current decision on where to get this needed capital from. Note how much you will need at each expected milestone and what exactly the money will be used for. If you get investment in equity or debt, state how and when you expect to return it to the investors and what their expected return will be, if it is equity.

Addendum: Capitalization Table: Compile a capitalization table indicating ownership percentages of the founders, VCs and option pool assuming you get the financing requested when you request it. Include important key hires specifically and then the general employee stock option pool as well.
Show the valuation multiples for your company and changes in the value of ownership stakes on a year-by-year basis. **Note:** This would never appear in a real business plan, but it is a useful exercise to understand who benefits from value creation over time, and we ask you to include it for purposes of this exercise.

**Human Resources Section:**
In tandem with the Financial Section, you will also have to do a Human Resources or Team Section. This will likely be a key driver of your financial plan as salaries are often the number one expense for start up companies. This section should cover the following points:

1. **Who is on the founding team?** What are each of their roles? What qualifications to they have for these roles? How committed are they?
2. **Who are your advisors?** How committed are they?
3. **What additional skills do you need to add to the team to be successful and when?** Where do you intend to look to source them from? Make sure the hires are aligned with milestones in your over all plan and are consistent with your financial plan.
4. **Show how your organization will evolved over the next three years (organizational charts can be effective to convey this info)?** What do you anticipate it will look like in 5 years?
5. **A discussion of the capital stock table here with regard to key employees and the employees in general is appropriate here as well.**

**Assignment #8**
**Business Plan**
**Submit by 19th July**

This is an amalgamation of your market analysis/segmentation and competition, your product and manufacturing plan, your sales plan, your financial plan, and your marketing plan. It takes from Assignments 1-9, with a special emphasis of tying all the revenue/expenses to a timeline. It is a refinement of all the assignments in the course and all that has been learned otherwise over the semester, woven into one consistent and compelling plan for an innovation-based new venture. The business plan should be no more than 20 pages single-spaced with half-inch margins, including all appendices, charts, graphs, exhibits, etc.

As you pull your final plan together a few things you should consider:

1. **Does it have a logical flow?**
2. **Have we shown how this business can scale to merit the commitment of multiple MIT graduates?**
3. **Have you added something about the risk and a risk mitigation strategy for each?**
4. **Does the potential magnitude of this opportunity make it particularly exciting and merit external investment or is this a smaller opportunity that is more aligned with more conservative funding sources?** Make sure your funding strategy is aligned with the type of opportunity you are presenting.
5. **Is the timing of this opportunity right for this new venture?**

Have you presented it in a way that is easy for the reader to understand? (i.e., used a lot of graphics and packaged everything very well)