



STARTING A BUSINESS

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CHAPTER 1

Your Big Idea

fig. 1

IDEA	OPPORTUNITY
Concept	Actionable
Notion	Provides value
Impression	Can be commercially validated
Seed	Can be executed

fig. 2

Active Search <ul style="list-style-type: none">Engaged, structured, and disciplined search will yield better results than a passive process	Information <ul style="list-style-type: none">Different people have access to different information. This creates opportunities
Change <ul style="list-style-type: none">Changes that make it possible to do things that have not been done before, or possible to do them in a more valuable way create opportunities	Effectuation <ul style="list-style-type: none">The opposite of starting with a goal in mind, effectuation is the process of fitting the resources at hand to develop or uncover an opportunity

CHAPTER 2

What Are You Afraid Of?

fig. 3

WHAT PEOPLE **THINK** THE PATH TO SUCCESS LOOKS LIKE:



WHAT THE PATH TO SUCCESS **ACTUALLY** LOOKS LIKE:



CHAPTER 3

Reaching Success

fig. 4



fig. 5

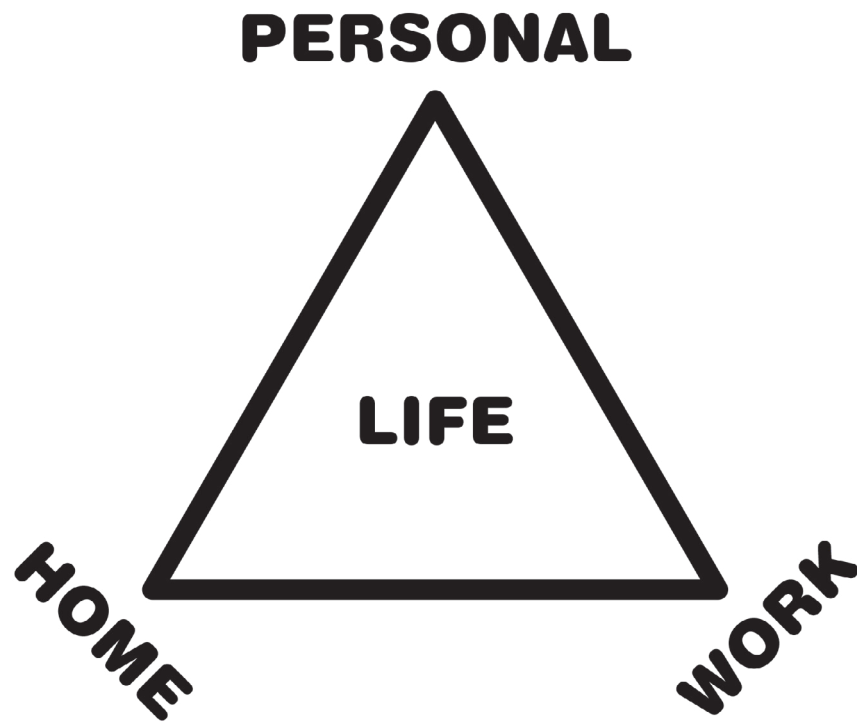
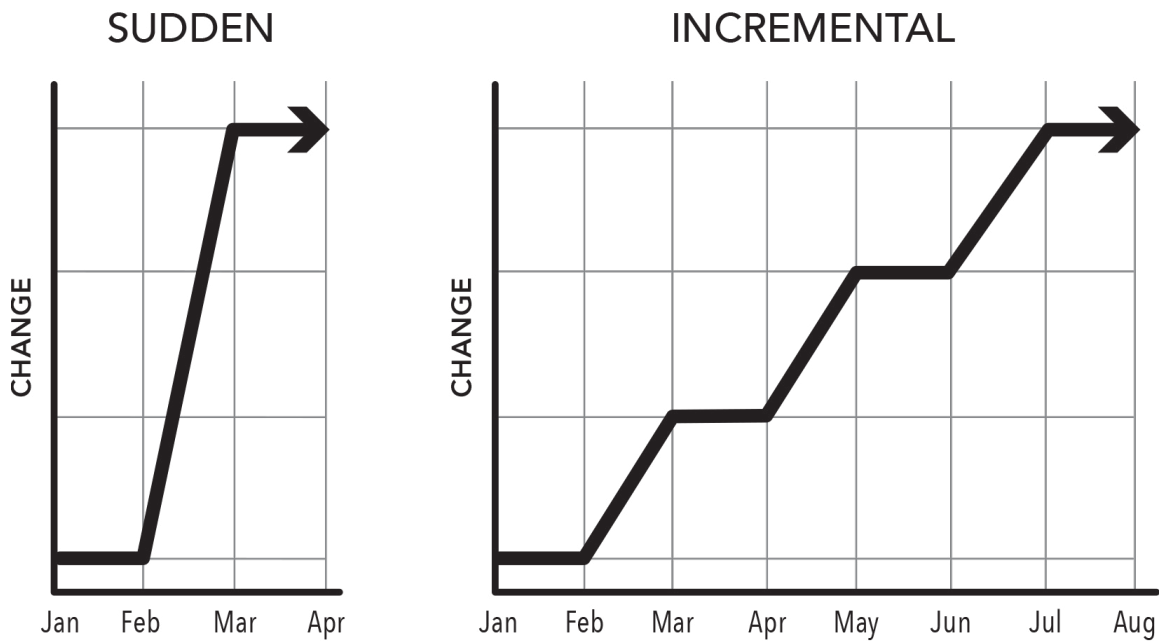


fig. 6

Sudden vs. Incremental Change



CHAPTER 4

Your Company

fig. 7

LLCs <ul style="list-style-type: none">• Limited liability• Pass-through entity• Can have multiple member classes and a flexible corporate structure	S CORPORATIONS <ul style="list-style-type: none">• Limited liability• Pass-through entity• Can issue stock to a maximum of 100 shareholders
C CORPORATIONS <ul style="list-style-type: none">• Taxed separately from personal income (double taxation)• No limit to number of shareholders• Complex stucture for larger entities	SOLE PROPRIETORSHIPS <ul style="list-style-type: none">• No liability protection• Owner is the business• Income is reported on personal taxes

fig. 8

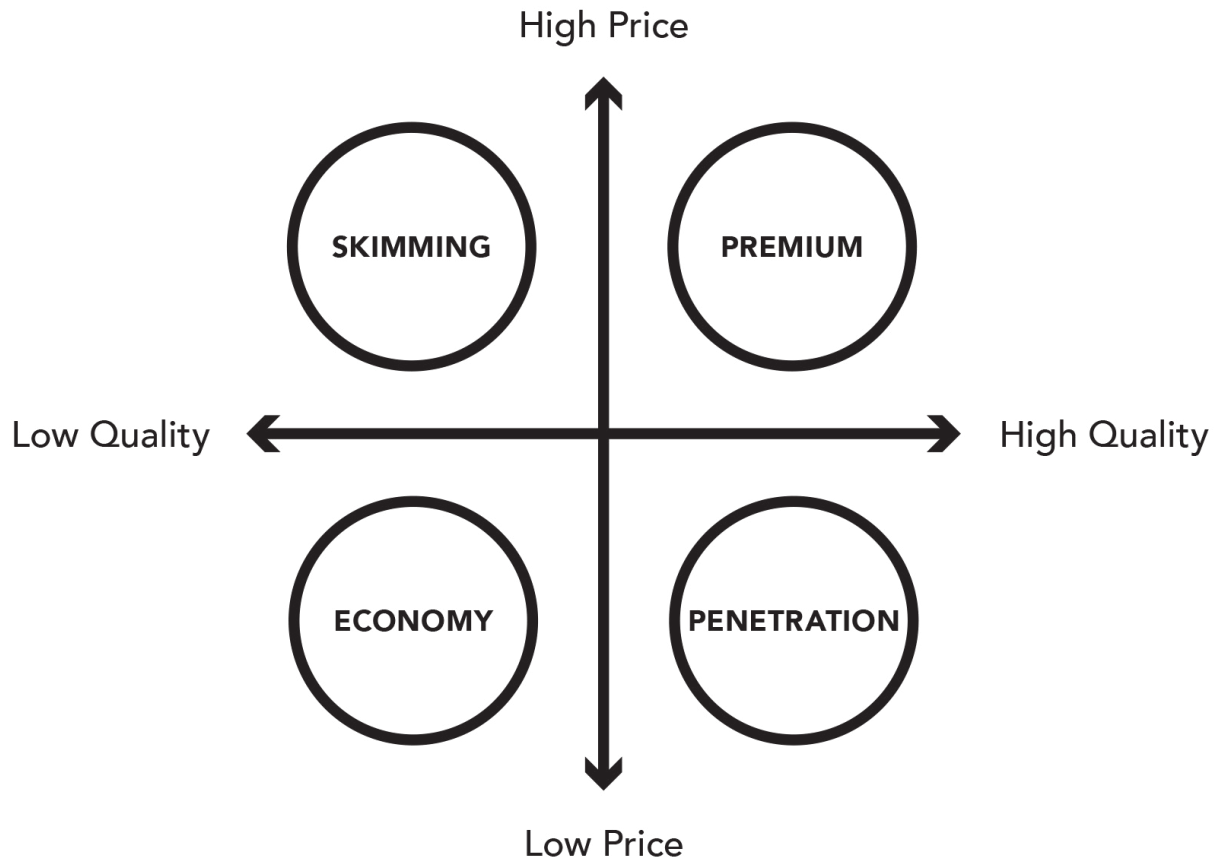
Your Brand's Graphic Identity

LOGO <p>Memorable but not trendy</p> <p>Makes an impression but isn't too complicated</p> <p>Consider your target demographic</p>	COLORS <p>No more than four main colors</p> <p>Use complimentary palettes</p> <p>Keep color scheme consistent</p>	FONTS <p>Stay away from trends</p> <p>Prioritize readability and cohesion</p> <p>Don't use too many fonts; limit yourself to three</p>	VISUALS <p>Photos, images, graphics, etc.</p> <p>Used on your site, in marketing materials, on packaging, etc.</p> <p>Emulate your brand and persona when possible</p>
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CHAPTER 5

What Are You Selling?

fig. 9



CHAPTER 6

Markets and Customers

fig. 10

Behavioral Segmentation <ul style="list-style-type: none"> Segmentation by customer behavior 	Demographic Segmentation <ul style="list-style-type: none"> Segmentation by shared personal characteristics such as age or gender
Psychographic Segmentation <ul style="list-style-type: none"> Segmentation based on emotions, values, and lifestyle characteristics 	Geographic Segmentation <ul style="list-style-type: none"> Segmentation based on geographical differences

fig. 11

Methods of B2C Customer Segmentation

BEHAVIORAL	DEMOGRAPHIC	PSYCHOGRAPHIC	GEOGRAPHIC
Segments customers based on behavioral traits	Segments customers based on shared characteristics	Segments customers based on values and lifestyles	Segments customers based on physical location
Helps firms understand how, when, why, and how often customers purchase	Uses information such as age, gender, ethnicity, and annual income	Uses key personality factors	Broad segmentation for seasonality or regional restrictions
Insight is used to reach customers when they are most likely to purchase	Inexpensive to gather and easy to implement	Accurate, detailed, and much more predictive/effective	Best used in conjunction with other methods of segmentation
Can be costly to gather, and not everyone who purchases does so for the same reasons	Assumes that people who are all the same age, gender, etc. think or feel the same way	Data is costly and difficult to gather and interpret	Everyone in the same region does not have the same needs

fig. 12

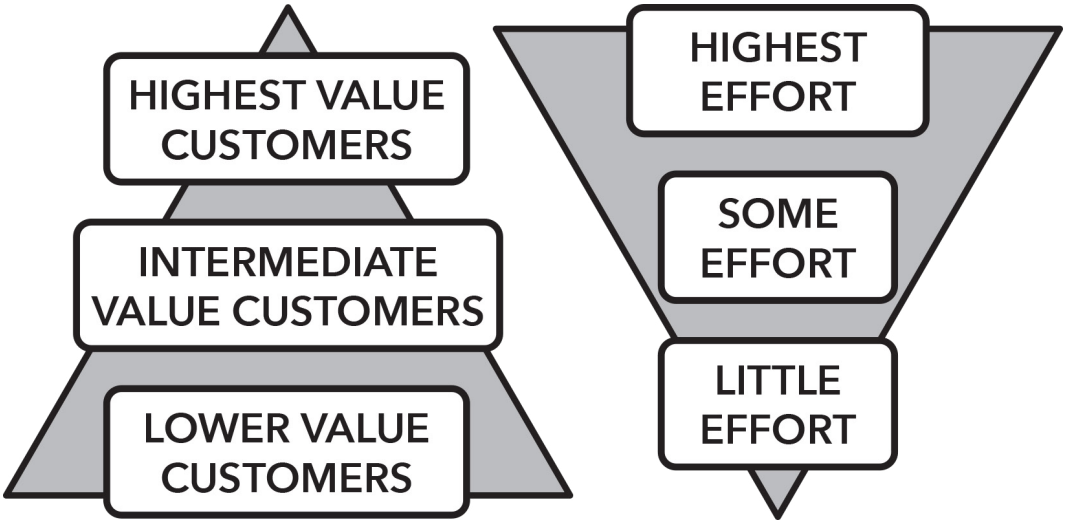


fig. 13

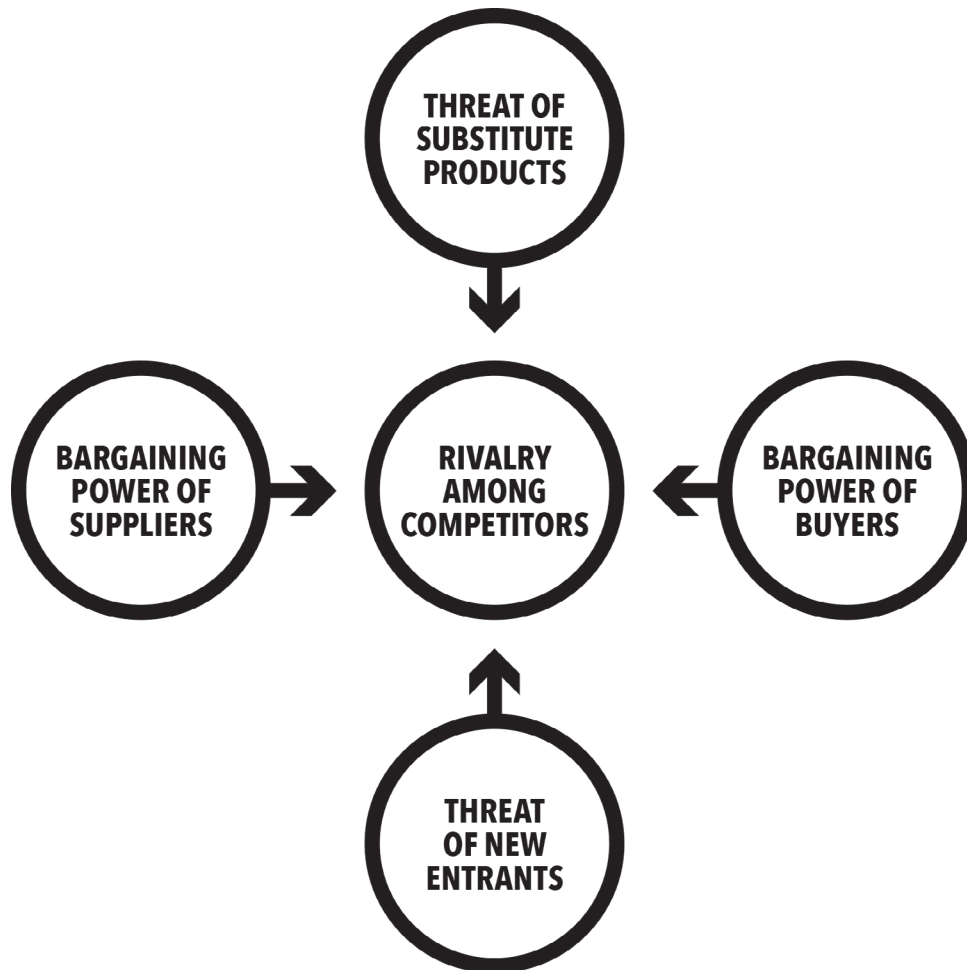
Methods of B2B Customer Segmentation

FIRMOGRAPHIC	TIERING	NEEDS-BASED
Segments companies based on shared characteristics	Segments companies based on value to the company's strategic plan	Segments customers based on needs
Uses information such as number of employees, revenue, industry, etc.	Best when used with firmographic data to identify high-value customers	Allows for better match between product/service and customer
Inexpensive to gather and easy to implement	Focuses effort on highest-yield customers	Accurate, detailed, and much more predictive/effective
Assumes that all companies who share characteristics have the same needs	Not all businesses that have strategic value need what you are selling	Can be costly to gather and manage data

CHAPTER 7

Industries and Competitors

fig. 14



CHAPTER 8

Your Value Proposition

fig. 15

Competitive Advantage		
Scope	LOW-COST LEADERSHIP	DIFFERENTIATION
	Cost Leadership	Differentiation
	Focused Cost Leadership	Focused Differentiation

CHAPTER 9

Operations

fig. 16

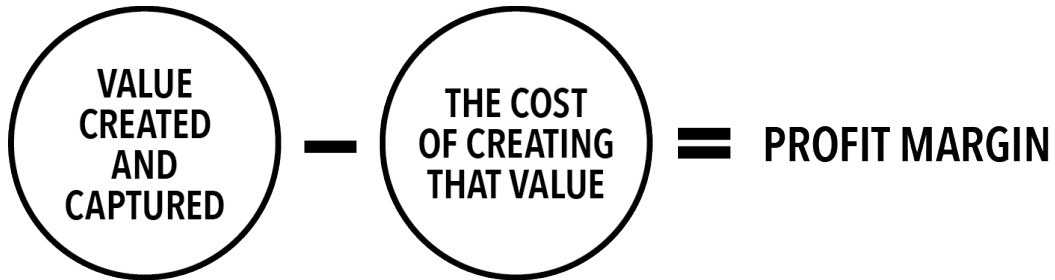


fig. 17

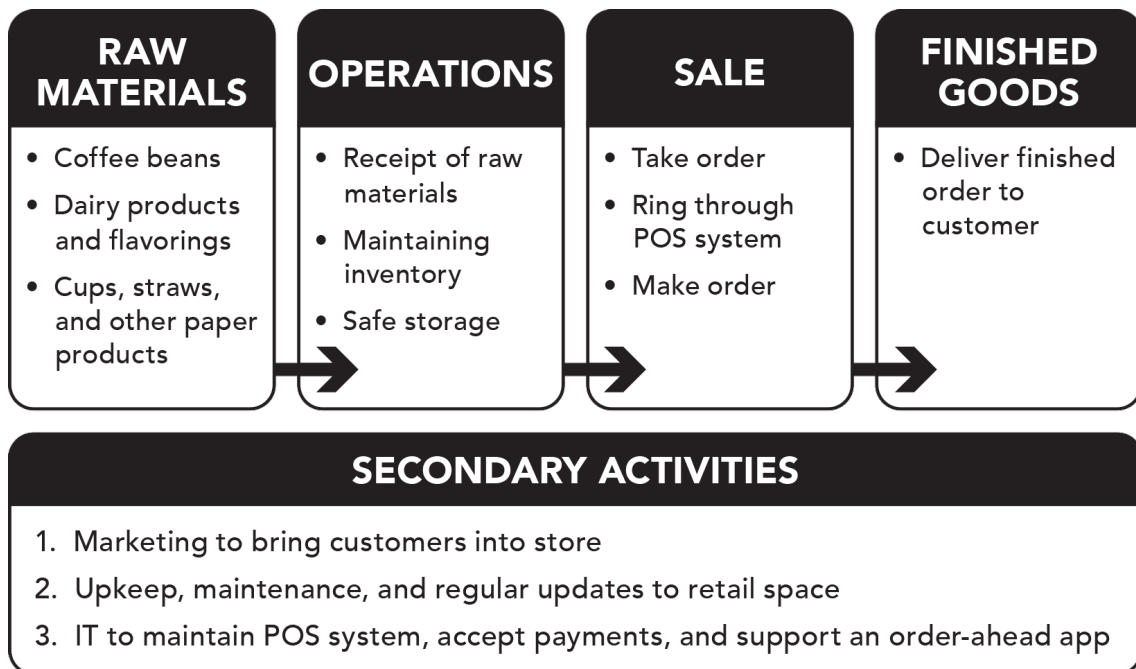
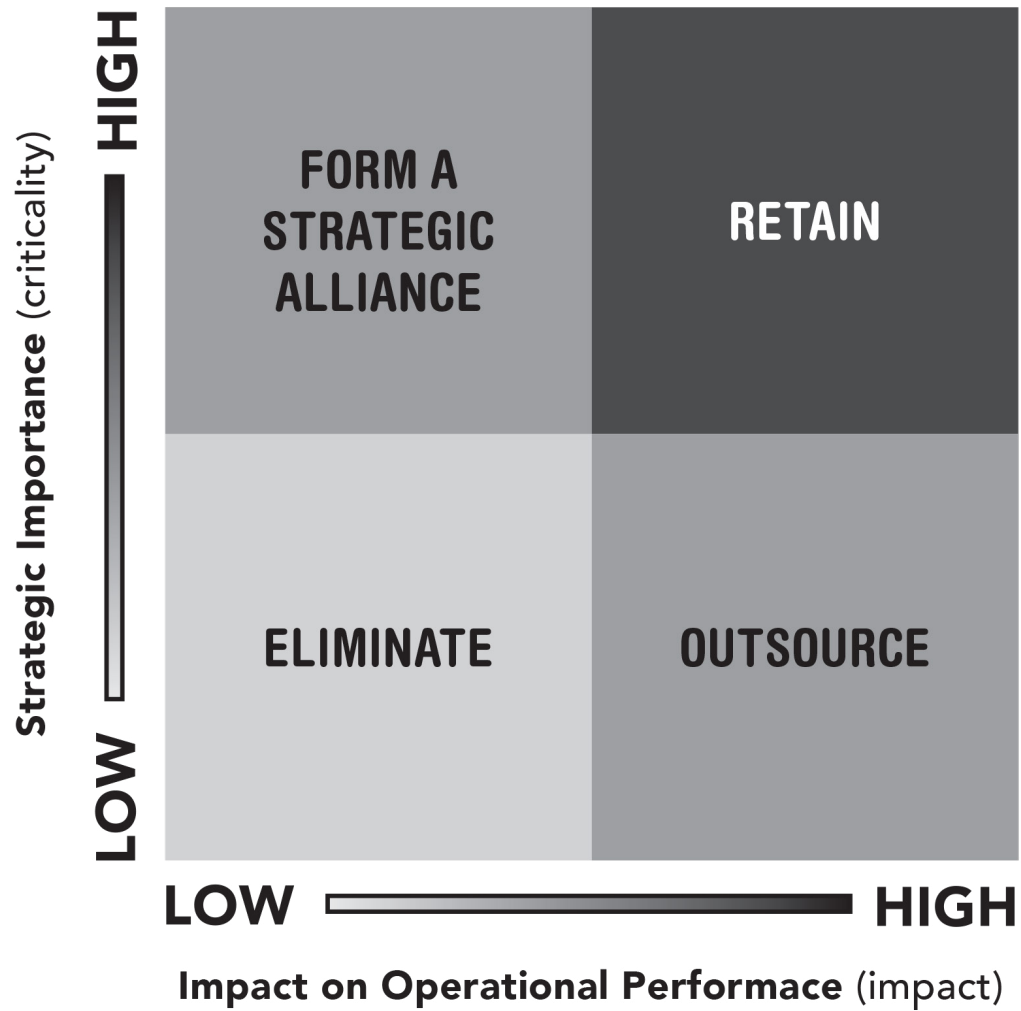


fig. 18

Criticality vs. Impact



CHAPTER 10

Marketing

fig. 19

The 4 Ps of Marketing

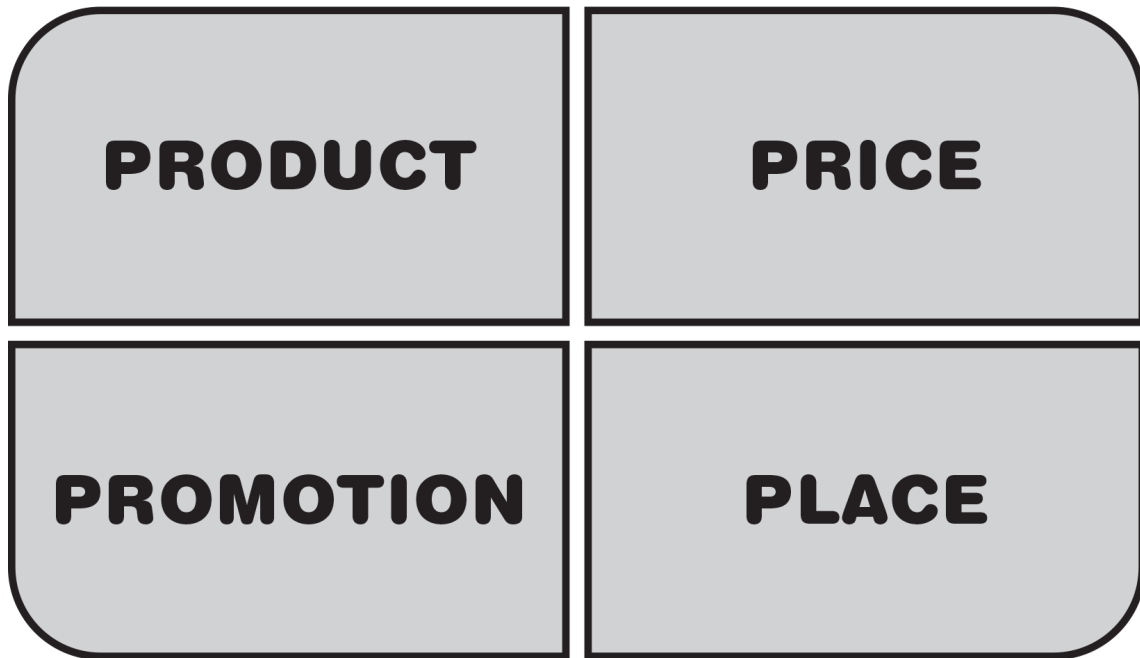


fig. 20

PRODUCT —————> **CUSTOMER SOLUTION**
PRICE —————> **CUSTOMER COST**
PROMOTION ———> **CUSTOMER COMMUNICATION**
PLACE —————> **CUSTOMER CONVENIENCE**

fig. 21

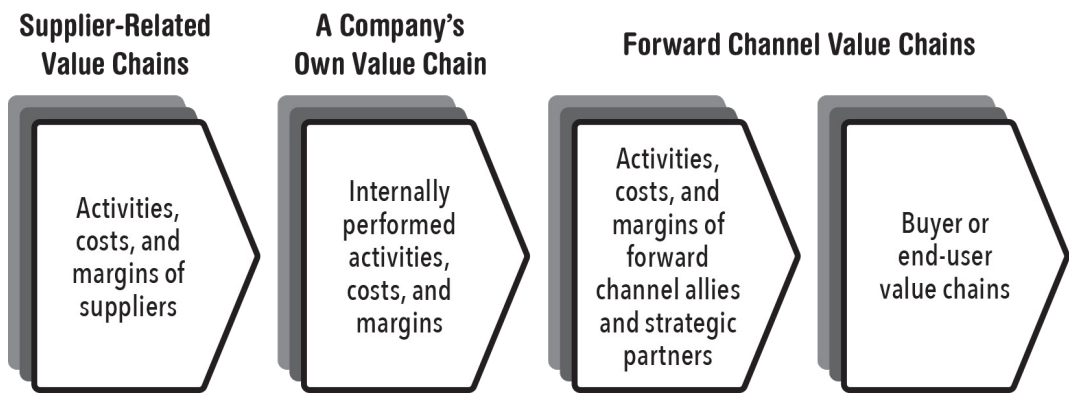
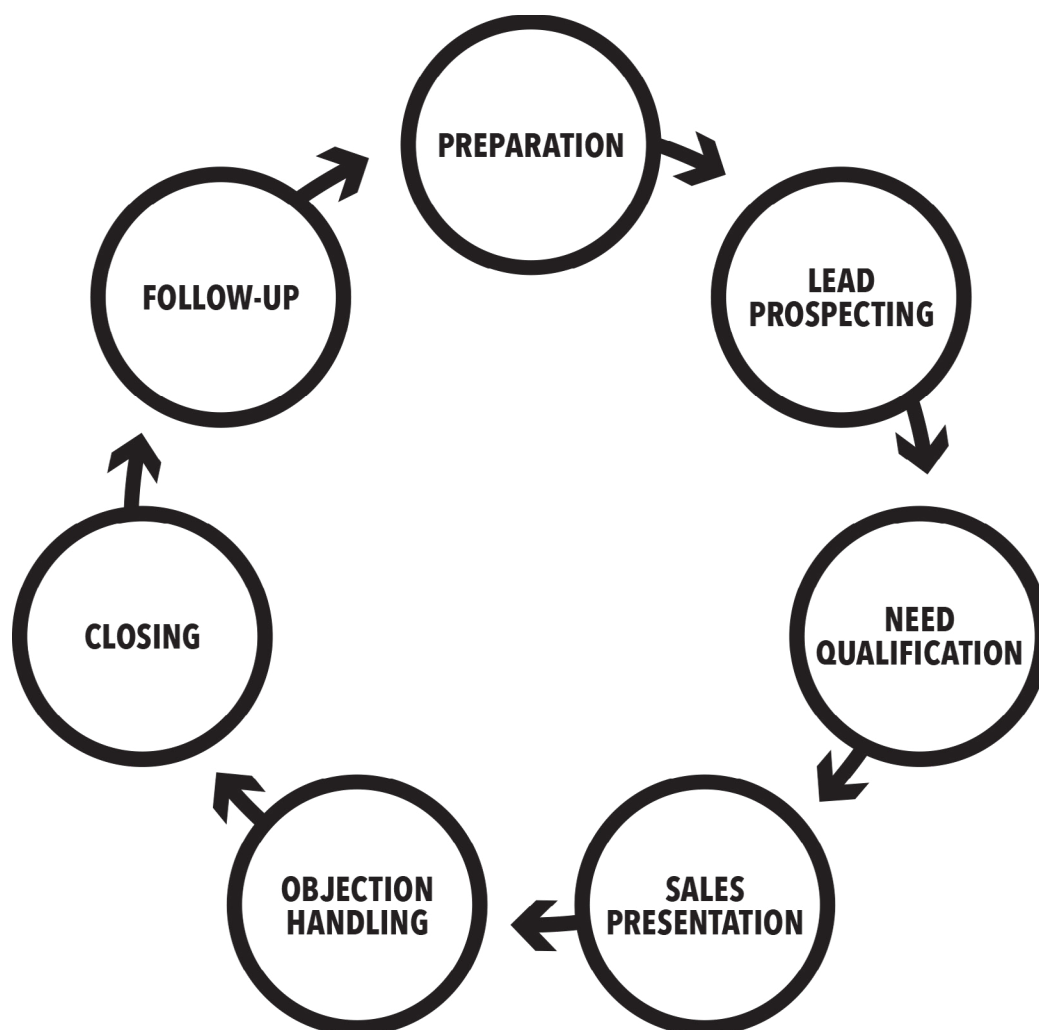


fig. 22

DIRECT SALES		INDIRECT SALES	
INTERNAL SALES TEAM	SALES AGENTS/ MANUFACTURERS' REPS	WHOLESALE	DEALERS & VARs
High level of control over final price and margins (no middleman)	Require minimal amounts of training	Require wholesale pricing	Require wholesale pricing
Produces a high level of control over communication and promotion	Already have an established network of contacts	Can often sell quickly and in higher volume than direct sales	Often require individual contracts instead of a single point of contact
Sales teams can require training and may require time to develop contacts	Require competitive compensation packages to incentivize preferential sales effort	Already have established network of contacts	Purchase smaller amounts of inventory at a time
Sales teams can jeopardize other distribution contracts by undercutting distribution partners	Do not carry inventory: sales are commission based	Reduced level of interaction and feedback that comes from selling directly to the customer or working with the end user	Higher risk of volume inconsistency
Online direct sales sell around the clock and scale affordably			

fig. 23



CHAPTER 11

Planning for Growth and Change

fig. 24

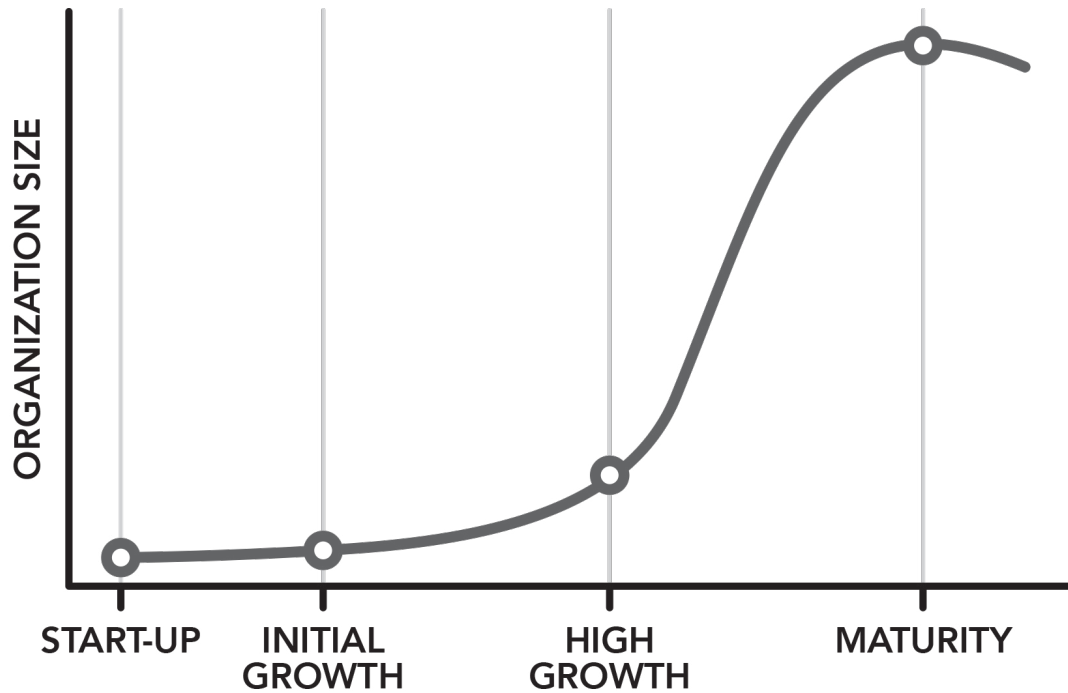
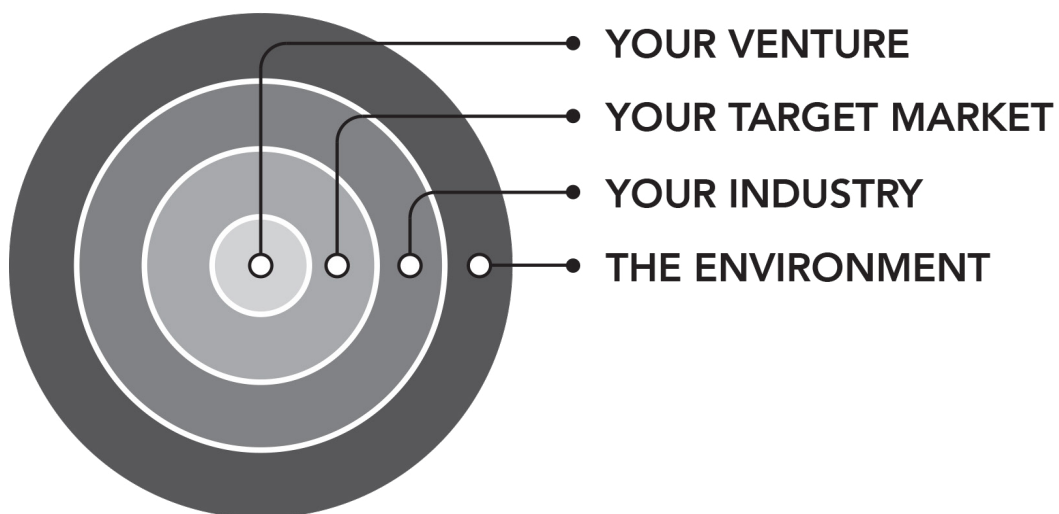


fig. 25



CHAPTER 13

Where Does the Money Come From?

fig. 26

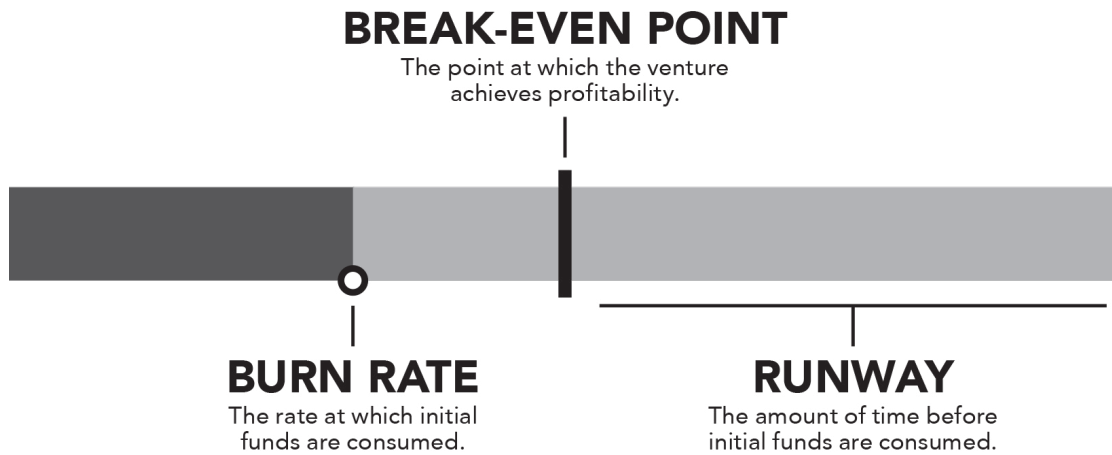
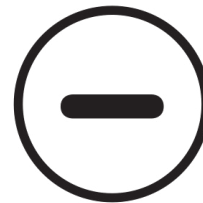


fig. 27



Bootstrapping **ADVANTAGES**

- No loss of control
- Organic growth - the venture will not outgrow its resources



Bootstrapping **DISADVANTAGES**

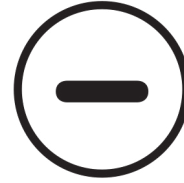
- Pool of funds are only as large as your bank account
- Chronic lack of funds can stymie growth and create a risk-averse culture

fig. 28



Friends, Family, Fools
ADVANTAGES

- Fewest barriers
- Easy access to funds; your friends and family *want* to help



Friends, Family, Fools
DISADVANTAGES

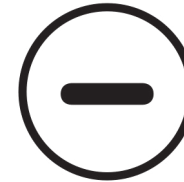
- Financing often comes from nonprofessional investors with little to no connections
- Loss of principal could damage relationships

fig. 29



Debt Financing
ADVANTAGES

- No loss of control
- Lump sum deposit; funds can be used right away



Debt Financing
DISADVANTAGES

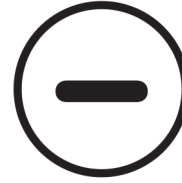
- Minimum operating history required to qualify
- Servicing debt can damage healthy cash flow

fig. 30



Angel Equity Funding **ADVANTAGES**

- Encourage organic growth
- Allow entrepreneurs to retain control while offering guidance



Angel Equity Funding **DISADVANTAGES**

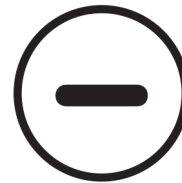
- Angel investment may not always constitute as “smart money”
- Experience, track record, and connections can vary from one angel to the next

fig. 31



Corp. Partner Equity Financing **ADVANTAGES**

- Corporate has deep pockets and lots of resources to set you up for success
- Often low pressure to achieve profitability right out of the gate



Corp. Partner Equity Financing **DISADVANTAGES**

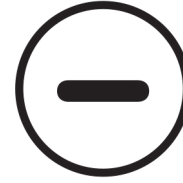
- Working out these deals can be a resource of strain on startups
- Corporate partners will often require large amounts of control

fig. 32



Venture Capital Equity Funding **ADVANTAGES**

- Venture capital represents “smart money”
- Venture capital firms offer connections, guidance, and resources.



Venture Capital Equity Funding **DISADVANTAGES**

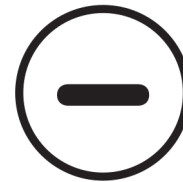
- Extremely restrictive—VC firms deny many more startups than they choose to work with
- Often requires ceding large amounts of control

fig. 33



Crowdfunding **ADVANTAGES**

- Funding does not come with debt or equity strings
- Crowdfunding campaigns can serve as barometers of customer sentiment



Crowdfunding **DISADVANTAGES**

- Not all businesses and products are a good fit for crowdfunding
- Fundraising campaigns can take time and must meet their goal to receive funding

CHAPTER 15

Introducing Your Ven

fig. 34



fig. 35

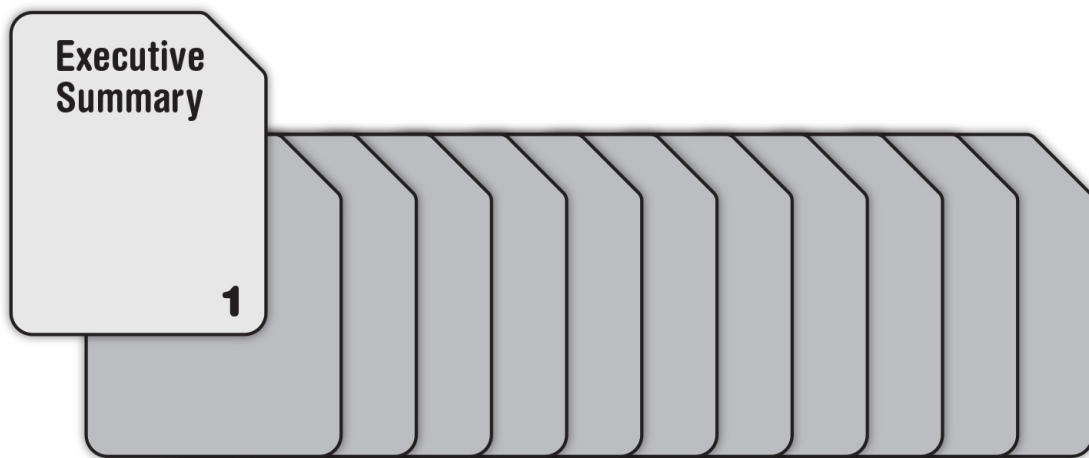


fig. 36

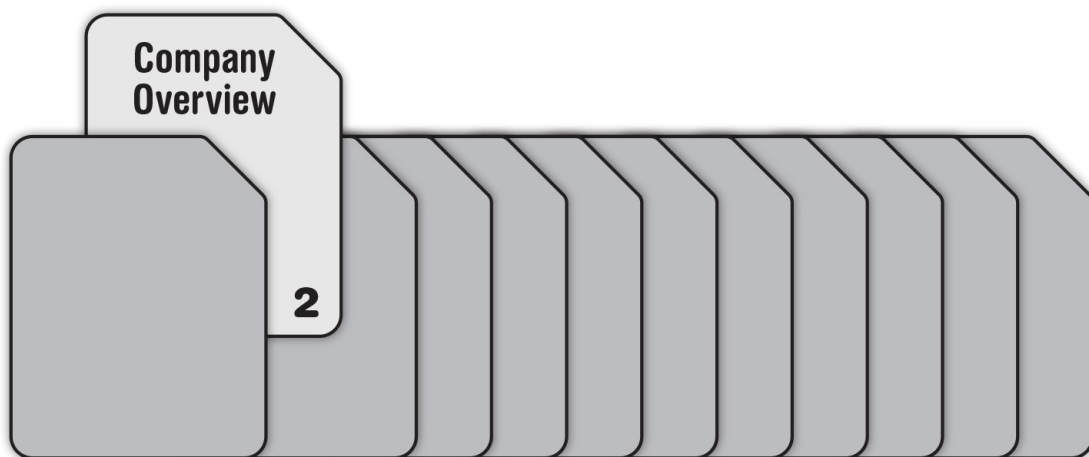
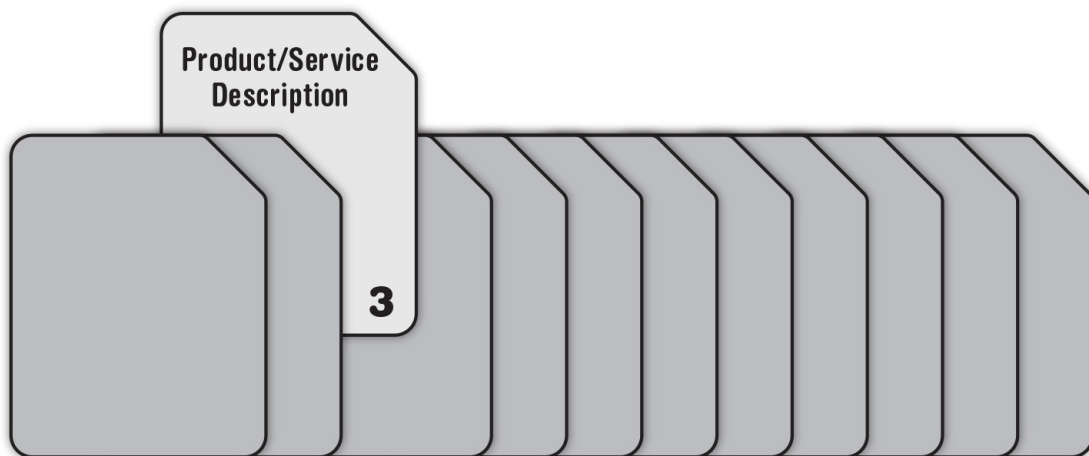


fig. 37



CHAPTER 16

Writing Your Value Proposition

fig. 38

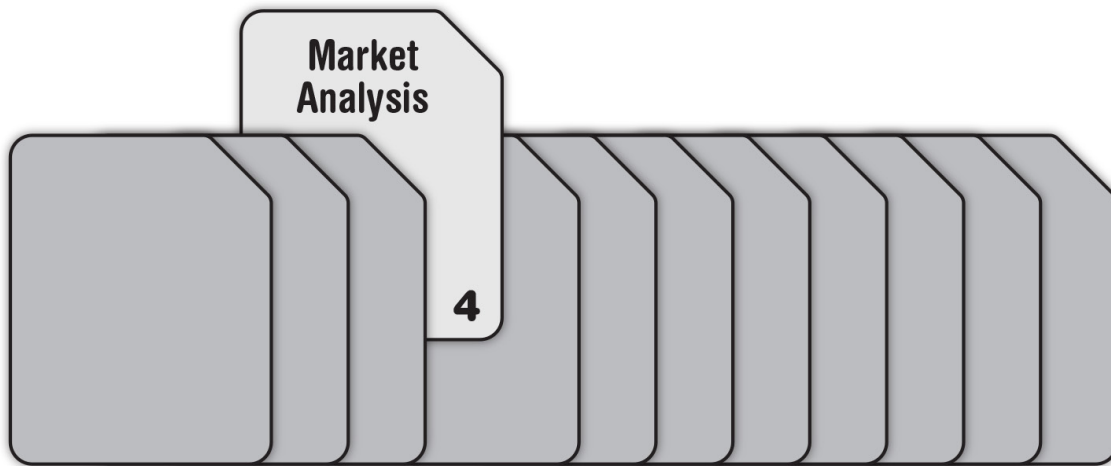


fig. 39

Sources of Customer Information

HISTORICAL DATA	SURVEYS & QUESTIONNAIRES	INTERVIEWS
Good starting point	Ability to target specific people	Best source of information
May not represent trends	Lots of quantitative data	Time-consuming
Not as helpful as surveys or interviews	Not good at capturing new insight or nuanced opinion/emotion	Real time and very current source of information

fig. 40

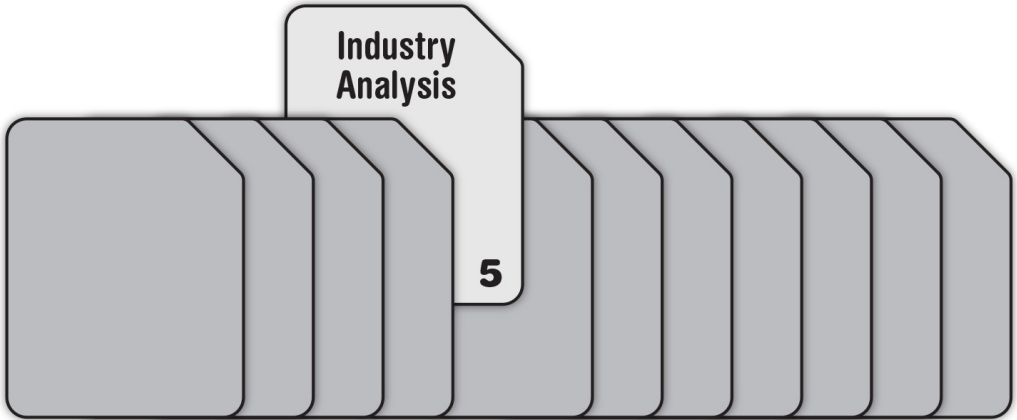


fig. 41

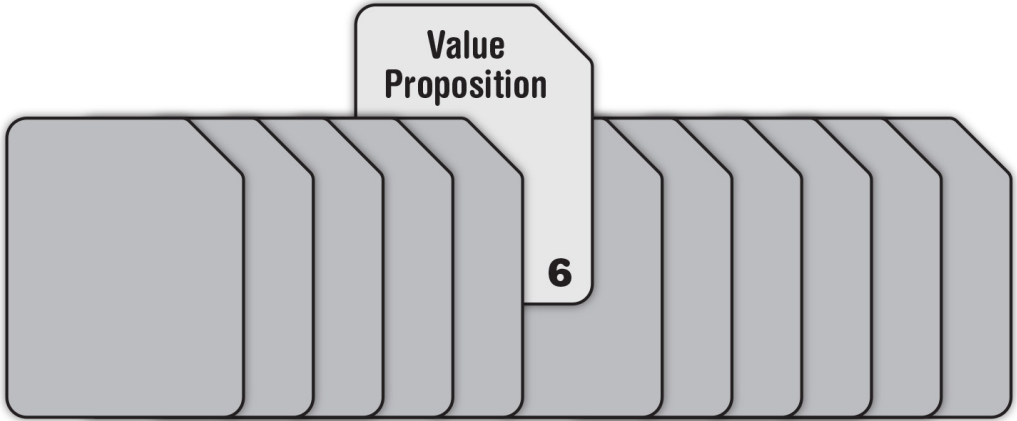


fig. 42

Introduction	Who are you? What do you do?	This comes from your: Company Description
Market Definition	Who is your target customer? What problems are you solving for them?	This comes from your: Market Analysis
Competitor Differentiation	Who are your competitors? How are you different from them?	This comes from your: Industry Analysis

CHAPTER 17

Your Business Model

fig. 43

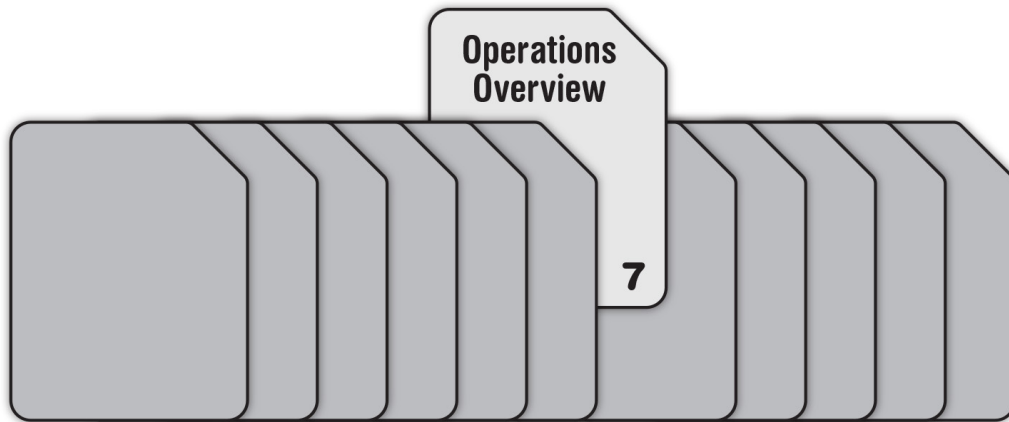


fig. 44

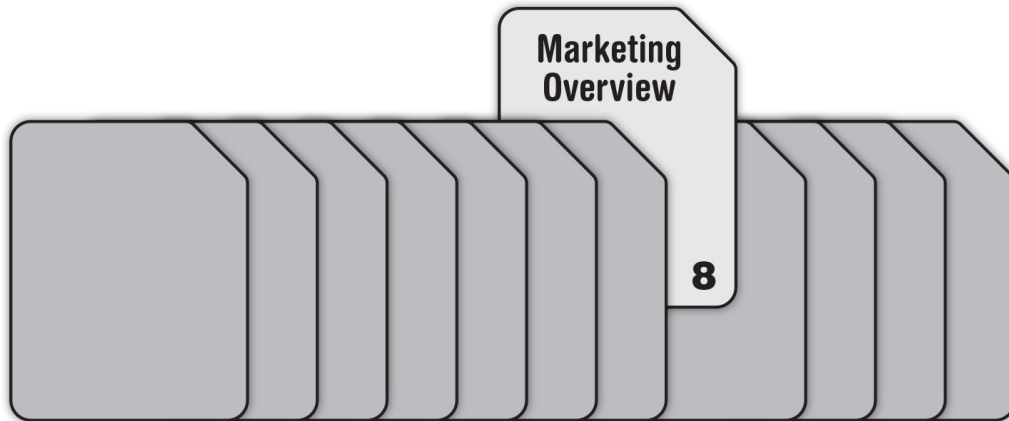


fig. 45

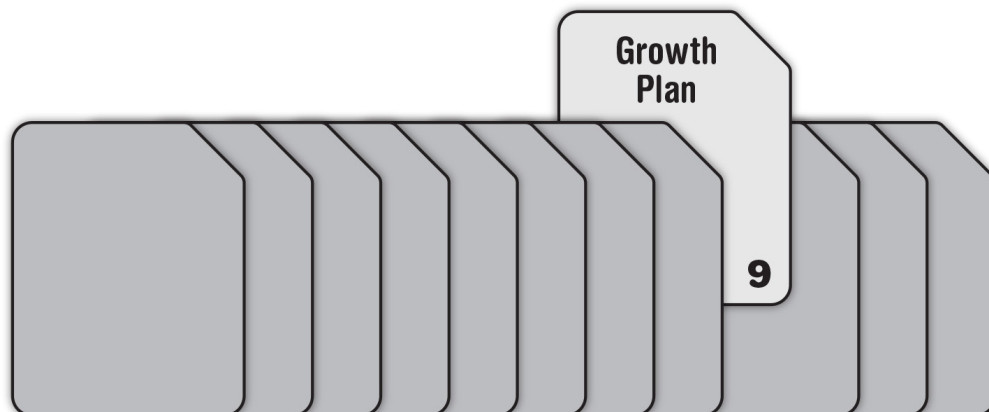


fig. 46

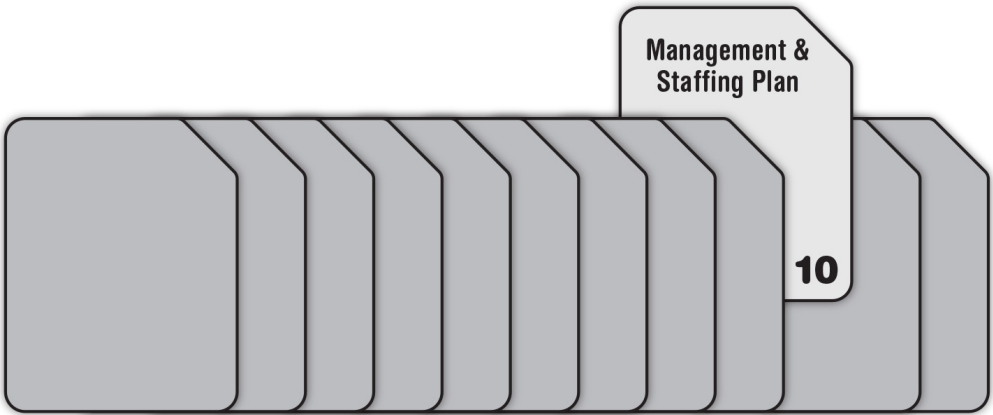


fig. 47

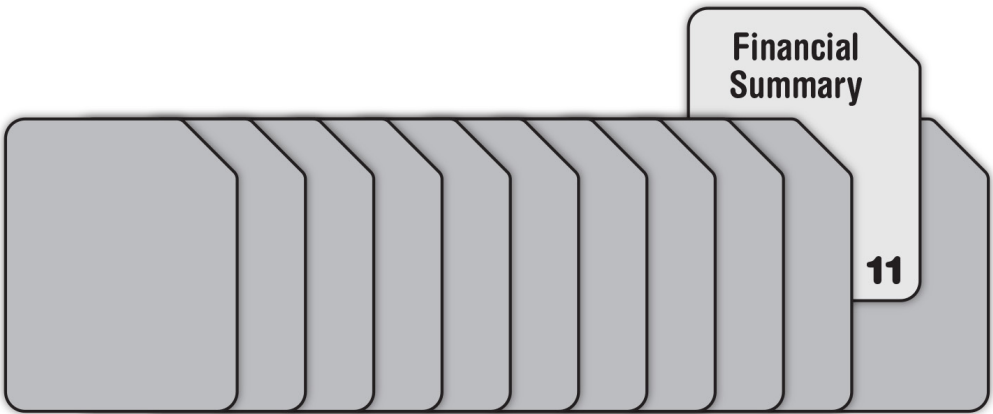
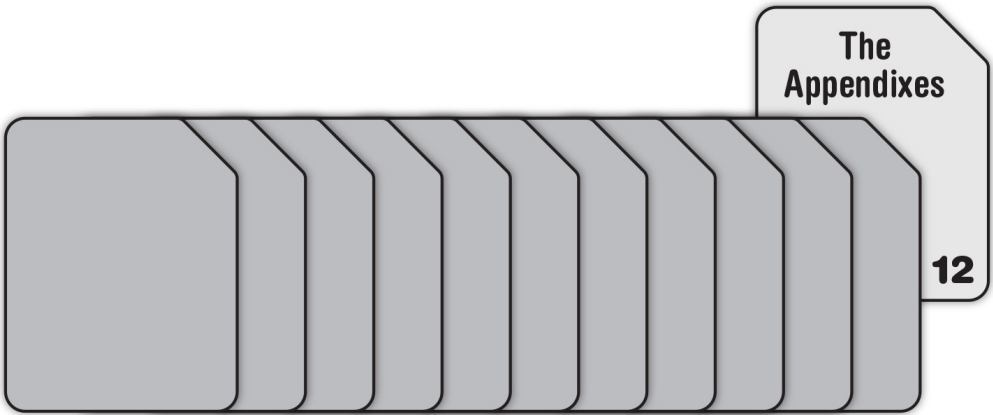


fig. 48



GLOSSARY

4 Cs Model

A service-focused alternative to the 4 Ps of Marketing model. The four Cs represent the marketing mix for service businesses. Product translates to Customer Solution, Price to Customer Cost, Promotion to Customer Communication, and Place to Customer Convenience.

4 Ps of Marketing

The standard marketing mix. Together, Product, Price, Promotion, and Place form a high-level overview of the considerations that marketers must make when crafting a marketing plan. Different products have a different mix of spending and focus on each of the four Ps.

Barriers to Entry

Obstacles that prevent new ventures from entering and participating in an industry. These obstacles could include prohibitively expensive initial costs, pressure from entrenched firms within the industry, or restrictive government regulation.

Brand Collateral

The various digital and physical elements that make up your brand. These include a company's logo, brand color palette, website, business cards, and other branded elements.

Break-Even Point

The point at which costs equal revenue. At this point, a business can begin to turn a profit.

Burn Rate

The negative cash flow that a startup experiences while covering startup expenses before the venture becomes profitable, or at least produces enough revenue to sustain itself.

Business Model

A strategic design that outlines the method by which a business profitably solves a problem for specific customers. A successful business model acts as a template that includes considerations for operational, technical, and financial aspects of the business.

Competitive Advantage

The sum of conditions that put one business in a superior or favorable position over another. Competitive advantage stems from resources, competencies, or capabilities that are valuable to the customer, rare, not easily imitated, and not easily substituted.

Customer Avatar

A fictional profile that represents the qualities that your perfect customer would exhibit. This customer persona is designed to guide efforts to identify the target market for a product or service, as well as to refine marketing efforts.

Dilution

The devaluation of every member of a founding team's equity when a new member joins the team. Because total ownership of equity in a venture cannot exceed 100 percent, when a new equity-sharing member claims a portion, every other portion becomes smaller.

Direct Competitors

Competitors who compete in a one-to-one capacity. These firms offer the same solution to a customer's problem, for example, two pizza shops in the same neighborhood. The customer problem is hunger—a problem for which there are many solutions—and two pizza shops offer the same solution.

Distinctive Competencies

The source of competitive advantage. Distinctive competencies are a combination of best practices and technical skills that come together in a valuable and creative way that is difficult to beat by competitors.

Due Diligence

The comprehensive, specific, and often technical questions that investors ask entrepreneurs regarding the nature of their startup. It is important that these questions be answered truthfully and as accurately as possible, as the answers are material to investor decisions about whether to invest in a venture or not.

Effectuation

The opposite of causation. Instead of starting with a goal and gathering resources to accomplish that goal, effectuation is the process of developing a goal based on the resources at hand.

Foreign Qualification

The practice of registering a business in a state where it is not physically based.

Entity Classification

The legal form of a business. Different legal forms offer different advantages in the form of personal liability protection, tax liability advantages, and methods of acquiring capital.

Entrepreneurial Thumbprint

The unique blend of background, talent, insight, and perspective that positions an entrepreneur to turn an idea into an opportunity.

Flow

A state of elevated focus and elation that stems from a match of competency and challenge for a particular task. Learning and productivity are maximized when a flow state is achieved, along with a feeling of accomplishment.

Gantt Chart

A visual representation of a project or series of milestones. This type of chart is especially useful to demonstrate a sequence of dependent tasks.

Graphic Identity

The sum of a business's visual elements such as logos, business cards, visual messaging elements, color palette, and visual themes.

Indirect Competitors

Competitors who offer a different solution to the same customer problem. For example, a pizza shop and a sandwich shop both solve the problem of hunger, but they offer different solutions. Both establishments indirectly compete with grocery stores and other restaurants as well—other businesses that help customers solve the same problem but offer different solutions.

Kaizen

A philosophy of continuous improvement. Kaizen favors constant incremental change that can be implemented immediately and with minimum disruption over large sweeping changes that can often cause disruption. In addition to being an engine for improvement, the philosophy of kaizen teaches practitioners to embrace change—a critical mentality for entrepreneurs.

Liquidity Event

An exit strategy that transforms equity into cash. Common liquidity events include acquisitions, mergers, and initial public offerings (IPOs).

Marketing Collateral

All the sales sheets, brochures, articles, and case studies that are used to promote a brand, product, or service.

Marketing Mix

Elements of the exchange that exists between a brand and its customers. Traditionally, the marketing mix is made up of four key elements collectively referred to as the “4 Ps”: product, price, promotion, and place.

Outsourcing

The process of relying on third-party firms to carry out processes that do not directly contribute to a venture's value chain. Outsourcing plays a critical role in the development of many startups and is cheaper and easier than ever before.

Porter's Five Forces

A conceptual framework designed to help business decision makers better understand the ways in which the pressures of competition influence an industry or industrial sector. The five forces are the intensity of competition within an industry, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and the threat of new industry entrants.

Price Ceiling

The highest price a firm can charge for its product or, effectively, the highest price the market will bear.

Price Floor

The lowest price a firm can charge for its product while maintaining a profitable margin.

Price Sensitivity

The degree to which price factors into the buying decisions of a market segment. A high sensitivity to price means that low or affordable prices are very important. Low price sensitivity means that other product features are more important than price.

Primary Activities

The operational activities in a value chain that contribute directly to the creation of value for customers. In a value chain analysis, these activities include inputs, operations, distribution, marketing, and service.

Promotional Mix

The combination of various forms of promotion that are particular to a product or service. The promotional mix consists of advertising, public relations, personal selling, and sales promotion.

Runway

The amount of time a venture can stay in business before its burn rate surpasses the amount of cash it has raised.

Sales Cycle

The process that a firm undergoes from the initiation of a sale to the close of that sale.

Sensitivity Analysis

An exploration of the impact particular variables have on a forecasted outcome. These analyses are used to gauge how reliable a plan is and what vulnerabilities it may have.

Shiny Object Syndrome

The practice of adjusting focus and shifting a plan to accommodate the newest, flashiest tools. It is important to be ready to pivot when the situation calls for it, but constantly adopting new systems results in wasted energy and spinning wheels.

SMART

An acronym that stands for specific, measurable, achievable, relevant, and time-bound. These qualities represent a best practice for effective goal setting. Vague, unrealistic, or open-ended goals are not only unlikely to be accomplished but represent a lack of focus and strategy.

Support Activities

Activities within a value chain that indirectly add value. These include areas of a firm such as financial and legal, human resources, development, and procurement.

Top-Level Domain

The suffix of a web address. Common top-level domains include .com, .org, .info, .edu, and .gov.

Value Chain

The journey that a firm's inputs take through operational processes. This journey transforms them from raw materials into outputs that have value for the firm's customers. All firms have a value chain, but the specifics will vary from firm to firm (even within the same industry).

Value Proposition

The why of a venture. It is the answer to two key questions: who is your target customer and how are you different from your competition? A venture's value proposition is at the heart of its success.

WAG

An acronym for the phrase “wild-ass guess.” Your business plan should have as few of these as possible, although your audience will understand that certain elements of your plan will be an educated guess out of necessity.