

Writing your business plan

Business plans are essential for securing startup funding and planning for a successful business. Potential investors will feel more encouraged to fund your business if you present a strong business plan. And a good business plan provides you with an outline for each stage of starting and managing your business. The ideal business plan will help you develop a roadmap for how to structure, run, and grow your new business and how to make it successful.

Most business plans can be separated into two common categories: traditional and lean business plans. The former is the most common of the two and entails a lot of detail. Its standard structure requires more work upfront and can be dozens of pages long, but once you've gotten through it, it can be quite helpful. The latter is less commonly used but can be helpful if you need to whip something up quickly or if you'd like an outline to follow for creating the fuller traditional plan. It merely summarizes the most important points of your plan's key elements.

Traditional Business Plan

I. Executive Summary

Begin with an executive summary, a place to give your reader a concise description of your business, what it will do, and why it will be successful. Include your mission statement and, if as is the case with many ESD businesses, what makes your business a social enterprise (a business that, in addition to creating profit is also helping to make the world a better place). Also provide information about your company's leadership team, employees, and location. If you are partnering with someone, explain that and what they bring to the table. Investors, lenders, and even other types of potential partners will want to see your financial information and plans for growth, so include a summary of that as well.

II. Business Description

This is where you can provide detailed information about your new business. We recommend including the mission statement, a vision statement, a description of business activities and who your business plans to serve (i.e., the various classifications of people who might take your classes and come to your business for other services you offer). It would also be helpful to clearly define your class structure and methods of teaching so that your prospective trainees/clients/customers know exactly what you are offering.

This is the place to boast about the strengths of your business and talk about its value to future clientele and to the community. You can also discuss what sets your business apart.

III. Partnerships & Stakeholders

It's a good idea to list the people, businesses, and other stakeholders with whom you might work and for those that aren't self-evident, briefly describe the nature of those relationships, such as:

- Employees
- Independent Contractors
- Suppliers and Manufacturers

- Investors
- Other Strategic Partners
- Community Members
- Schools
- Businesses
- Violence-Prevention or Other Organizations

IV. Organization and Management

This section is for letting potential investors and lenders know who runs your business and how it is structured. Even if you are not going to have investors or lenders, and even if some of this is pretty obvious, it is still a good idea to get this down on paper as it can help you organize and manage your business going forward. We recommend you lay out who is in charge (with an organizational chart if you expect to start with a staff of more than one or two) and describe how each member of the team will contribute to your business. And this is where you can explain your company's corporate/tax/business structure, for instance you can form it as a limited liability company (LLC), a corporation (most likely an S-corporation as they protect you from "double taxation"), a partnership, or a sole proprietorship. This would also be a good place to list any licenses and permits you may need to secure in order to open your ESD practice.

This section is a good place to mention any potential partnerships as well as businesses and other entities with whom you might be working. For instance:

- Employees
- Independent Contractors
- Suppliers and Manufacturers
- Investors
- Other Strategic Partners
- Community Members
- Schools
- Businesses
- Violence-Prevention or Other Organizations

V. Venue

This section doesn't have to be long, but it is helpful to get down on paper where you will operate your business. For instance, you might own a building in which you'll open up a studio or maybe you will lease a space for a studio. Or, perhaps you are going to visit various locations to teach classes (i.e., shelters, community centers, schools) and won't have a brick & mortar location. Maybe you will teach all your classes and operate your entire business online or maybe online classes will be just one "location" you use.

VI. Market Analysis & Market Audience

In order to successfully start your business, it will help to understand the current state of the market. The best way to do so is to conduct market research. This can be done inexpensively (via Internet searches and do-it-yourself surveys (i.e., Google surveys, Survey Monkey to your contacts) or at greater expense (i.e., hiring a marketing firm to conduct broad, more sophisticated surveys and crunch the numbers).

A good first step is to identify your market audience (in other words, future trainees/clients/customers for your ESD classes and other offerings). For instance, we suggest doing research into domestic violence shelters and programs in your area, learning how many people participate and how quickly they move through those systems. Similarly, you could talk to counselors in your area, including any counselors working at local colleges and universities. You could contact any violence-prevention organizations that operate in your area and see if they can help you gather data about potential trainees/clients/customers. And if you want to teach youths, it would be a good idea to talk to local school leaders as well as parent groups and sports coaches.

We also suggest looking at your competitors or industry predecessors (such as self-defense and martial arts studios, even if they don't practice ESD) to see the level of interaction they have had with potential ESD students and clients/customers. You might want to do some research into how many participants take self-defense courses at local self-defense studios and organizations and how many have at least shown an interest? What is the level of interest? How likely are they to act on their interest? Do you think interest in ESD courses is dependent upon the geographical location of your business? Are any of those factors seasonal or temporary? Are there other factors that could affect interest?

And after you've gotten some idea of potential participants for your ESD and related programs, try to determine whether you will need to persuade any of them to participate in ESD. This is important to consider when designing your marketing plan and creating your estimated budget and timelines.

Conducting research with questions like these in mind can help you identify the size of your market audience (potential trainees/clients/customers) and gauge interest in your ESD business (in other words, help you determine how many potential students are out there). Understanding your market audience is crucial for determining how best to attract trainees/clients/customers to your business and how to project revenue. Research will also help you identify trends so that you are prepared to make the right adjustments depending upon (somewhat) predictable changes.

VII. Marketing Plan

This section is an opportunity for you to describe how your business will attract your target clientele (trainees/clients/customers). Your marketing plan is important for growing your business and for developing your financial plan and projections and therefore should be well thought-out. Lookout for our toolkit about how to create a marketing plan, but in the meanwhile here are just a few tips.

There are several elements to a marketing plan¹ depending upon who you ask, but they basically boil down to 1) market research, 2) market analysis/defining target market, 3) what makes your business different or special, 4) analysis of your competitors, 5) marketing message, 6) marketing budget, and 7) analytics to measure the success of your marketing plan.

With regard to developing your message, we suggest that start thinking about how best to explain what empowerment self-defense is in a way that is easy to convey (your message). We also recommend creating a detailed description of what you will be offering (i.e., type, number, and length of classes, what completing a program will do for participants, and what next steps for participants might entail (i.e., further coursework, a mentoring program, credentialing with the Association)).

And, of course, you always have to think about your target market.

VIII. Communication Channels

- This is where you can explain how your business will communicate and interact with its target audience. The usefulness of different channels fluctuates over time, so it may be wise to use a handful of channels to optimize effectiveness.
- Examples of channels: social media pages (Facebook, Instagram, YouTube, Twitter, LinkedIn, etc.), website (including various content, potentially webinars, online classes, blog, and more), social media posts, podcast, press interviews and stories (newspapers, magazines, radio, TV), email, calls, texts, postings on community board, physical postings at community centers and shelters.

IX. Benefit to Target Markets

Here you can explain how your service (i.e., ESD classes, wellness classes, and/or martial arts classes) and products (if you will also be selling products) will benefit each of your target markets.

X. Funding Request

Your goal in this section is to briefly summarize your business plan for the next three to five years and to present financial information in order to persuade your family, friends, bank, or

¹ Also, "10 Key Components of a Marketing Plan," Business Know-How, Michael Fleischner (3-31-2020) <https://www.businessknowhow.com/marketing/marketing-plan.htm>; "Five Essential Elements of a Marketing Plan for Small Businesses," Forbes, Rhett Buttle (1/12/2021) <https://www.forbes.com/sites/rhettbuttle/2021/01/12/five-essential-elements-of-a-marketing-plan-for-a-small-businesses/?sh=4c5e2b83259c>; "Elements of the Marketing Plan," Elements of Marketing, Lumen Learning, <https://courses.lumenlearning.com/suny-marketing-spring2016/chapter/reading-elements-of-the-marketing-plan/>; "6 Key Components of a Modern Marketing Plan," Marketing Evolution (11/12/2020) <https://www.marketingevolution.com/knowledge-center/6-key-components-of-a-modern-marketing-plan>

other financier to give you or loan you startup money for your new practice. We recommend that you lay out exactly how much seed money you need (startup funding and perhaps funding to carry you before you begin to turn a profit). In addition, we recommend that you demonstrate the purpose for the funding and how much revenue you think you will generate each year (projected revenue). For startup costs, specify any equipment and materials you will need to purchase, how much you will need to spend on salaries, and overhead costs (i.e., rent, utilities, phone). It would be helpful to lay out whether you are seeking debt or equity financing. If you are seeking a loan, it's good to explain how long the requested loan is expected to cover your expenses (taking into account projected revenue) and how you plan to pay it off.

We mentioned two types of financing, above—debt and equity financing. We'd like to dive into that a little more. Debt financing is pretty straight forward – you borrow money with which to start and operate your business. With debt financing, you usually borrow a lump sum and arrange to pay it back, at some regular interval (often monthly) with interest. There are various ways to structure a business loan—the things to take into consideration are how much of the money you will want or need to have in hand. This, in addition to your credit rating and the lender's operating procedure, will determine how big or small your repayments are. If you want to keep more money in hand, you'll want smaller payments that might only cover the interest or interest plus a small amount of the principal (the amount you borrowed). If you want to save money over the long term and you can afford to operate with less money in hand, you will want your payments to be a bit larger so that they cover interest plus a larger chunk of the principal.

Sometimes you will have some say in how the loan is structured and other times you will have less choice, but it is always good to understand what you are getting and what you are giving up in order to borrow the funds. You will probably have to start making payments very soon after you secure the loan. Another thing to be aware of is that if you decide to form an LLC or a corporation, that structure protects your personal finances from your business creditors. However, there are two big caveats: 1) if you co-mingle your funds and don't keep careful books of all your business expenses, that protection could disappear, and 2) some loans (for your debt financing) require personal guarantees, something that also eliminates your corporate or LLC protection with respect to paying back the loan. On the bright side, your interest payments on debt financing are tax deductible.

Equity financing² is very different. With equity financing, an investor would invest in your business. This is how it works: an investor provides you with the seed money you need to start your business and keep it running until you start to turn a profit; in return the investor own a portion of your business (maybe 10%, maybe 45%); and if your business makes a profit, the investor gets a cut proportionate to their share of the business; but the best part is that if you do not make a profit, you do not have to pay back the investor. With equity financing, the investor takes the risk and you get the capital (funds) you need to start and run your business, but you recoup a little less profit.

² <https://www.investopedia.com/ask/answers/042215/what-are-benefits-company-using-equity-financing-vs-debt-financing.asp>

Many companies use a combination of equity and debt financing. Depending on the type of ESD Business you plan on running, it could be more or less difficult to find investors and raise equity financing. For very small, new businesses, especially those with low revenue projections, securing a loan may be a more doable, realistic option (debt financing). But if you have access to equity financing, it is definitely a smart thing to consider for all or some of your startup capital.³

XI. Financial projections

Even if your prospective investors do not ask for a more formal business plan that requires financial projections, it is still a good idea to calculate these of your own planning. Financial projections may also be required on various tax forms. Your goal is to convince the reader of your business's likelihood for financial success. You should include a financial outlook for the next three to five years, with an emphasis on detailing your first year using quarterly projections (this could be handy for financing requests and pitches). Will your business focus on reducing costs or maximizing value? Explain your financial strategy, your revenue sources (startup and future profits), and outline the most significant costs facing your business.

We recommend supplementing your five-year plan with the following information:

- Forecasted income statements or projected revenue statement
- Estimated first-year budget
- Estimated second- and third-year budgets (helpful for potential investors or lenders and also for your own planning)
- Statement or list of collateral you can put against a loan

If you have already launched your business and are looking for additional funding to continue it or grow it, we recommend including the following information:

- Current and past income statements
- Balance sheets
- Cash flow statements (from the last three to five years)

XII. Appendix

Use this section to provide any supporting documents not previously discussed. These can be documents such as:

- credit history and FICO score (this will likely be run electronically by potential lenders and landlords, but it's good to check on it to make sure everything is in order)
- resumes

³ <https://www.investopedia.com/terms/e/equity.asp>

- letters of reference
- licenses
- permits
- legal documents
- contracts

Lean Business Plan

Lean business plan formats are typically only one page long and require about an hour's worth of time. We recommend this format if you plan on regularly redefining your business plan or if you want to start your business quickly. This format uses a small handful of resources to describe your company's structure, finances, and potential trainees/clients/customers. Here is an example outline for a lean business plan format:

I. Business Purpose

- At the top, we recommend that you begin with a concise description of your business, what it's mission and purpose is, and why it will be successful.

II. Key Business Activities

- This is where you can elaborate a bit on what your business will do by describing that in a little more detail and talking about how the business will accomplish its goals.
- What will your business do? Perhaps teach ESD classes, teach an ESD program that entails a series of classes, teach martial arts, as well, offer wellness classes or sessions of some type? Sell any products?
- If you are partnering with someone, this is a good place to explain that and what they bring to the table.

III. Potential Partnerships & Stakeholders

It's a good idea to briefly outline the people, businesses, and other stakeholders with whom you might work, such as:

- Employees
- Independent Contractors
- Suppliers and Manufacturers
- Investors
- Other Strategic Partners

- Community Members
- Schools
- Businesses
- Violence-Prevention or Other Organizations

IV. Value Proposition

- This is a good spot to explain what sets your business apart and how it will be valuable to prospective trainees/clients/customers.
- Also a good spot to discuss your marketing and outreach plans, briefly and in broad terms.

V. Venue

- Where will your business operate? Are you going to use a physical space to teach students, will it be a shared space or your own, do you own it or will you be leasing the space, will your meeting place be online?

VI. Target Clientele (Trainees/Clients/Customers)

- We recommend that you clearly outline which segments of the public your business will target (target audience or clientele). Your ESD business will provide a service that is attractive to a certain type of person (maybe defined by circumstances or maybe defined more broadly), so it is very helpful to get a clear sense of whom you will serve.

VII. Communication Channels

- This is where you can explain how your business will communicate and interact with its target audience. The usefulness of different channels fluctuates over time, so it may be wise to use a handful of channels to optimize effectiveness.
- Examples of channels: social media pages (Facebook, Instagram, YouTube, Twitter, LinkedIn, etc.), website (including various content, potentially webinars, online classes, blog, and more), social media posts, podcast, press interviews and stories (newspapers, magazines, radio, TV), email, calls, texts, postings on community board, physical postings at community centers and shelters.

VIII. Resources

- This is where you summarize the funding and any assets with which you'll be starting your practice. This can help create value in the eyes of your potential trainees/clients/customers.

IX. Costs

- This is where you can explain your financial strategy and outline the most significant costs facing your business. One thing to consider is whether your business will focus on reducing costs or maximizing value.

X. Revenue

- Your ESD business may be the kind that can be classified as a social enterprise. That is to say, a for-profit business that has two parallel goals: 1) contribute a social good to the world, and 2) make a profit. On the profit side of things, this is where you can explain how your company will generate revenue.

XI. Social Enterprise

- On the social enterprise side of things, describe the social good your business is contributing to your community and perhaps a larger area, maybe even the world. This is where you can discuss how ESD helps prevent violence and that research has shown it to be very effective.