



Business Planning Like a Pro

With Jennifer Henczel



What is a Business Plan and Why Do You Need One?

When most people think of writing a business plan, they envision a long, extensively detailed document with reams of data and financial forecasts. While that may be the requirement for people seeking outside funding, a business plan doesn't have to be all that complicated to be effective. It provides the blueprint for how you intend to build your business, so the plan only has to be as long as you need, depending on the size of your business. Use your own business plan to map out yours goals, action plans and financials while significantly increasing your chances for success.

Who needs a business plan?

The most common use for a business plan is to get funding from a bank or loan organization for a new or existing business. This is where you'll end up needing that long document that supports all aspects of your plans and why you believe they'll succeed. Writing a business plan of this nature can be an ordeal and can slow down the start of your business, but it's a necessity if you need someone else to loan you money.

Both online and offline business owners often create a business plan on a yearly basis to get themselves organized for the next year. It's a way of taking stock of their progress, examining what's working, and laying out goals and plans for the year to come. Almost all of the very successful business owners will tell you that they create business goals and action plans on a regular basis, sometimes as often as once a month.

In addition, if you have been struggling in your business or are considering something new, the entire process of creating a business plan will help you see where you can be most profitable. It will also tell you where you are going wrong and need to change.



What are the key components of an online business plan?

Most business plans are comprised of the following parts. If you are creating a proposal for a business loan, you'll be given more precise requirements. But for your own online business, these components should be plenty sufficient.

1. Description of your business model and target market. What kind of business are you implementing and who are your target customers?
2. Unique selling proposition. What do you have to offer that makes you different from everyone else?
3. Business goals. What are your specific, measureable goals that you want to achieve and when?
4. Marketing Plan. What marketing strategies will you put in place and what is their timeline?
5. Action Plan. What are the tasks you need to complete and when?
6. Financial forecast and budget. How much is all of this going to cost on a monthly basis, and what kind of revenue do you expect? How long will it take to break even and make a profit?

When should you create a business plan?

A business plan is a living, breathing document that will grow and change along with your business. When first starting a new business, it helps determine if you have a good, financially viable idea. At the beginning of each year, it helps you to plan out your goals and strategies. Of course, if you need to raise money, people will want to see a detailed plan.

However, remember that you need to revisit your business plan regularly. As market conditions change, laws or regulations change, or you aren't seeing the results you expected, then it's time to adjust your plans. Use it as your guide and refer to it often as you plan each week, but don't let it restrict you either.

Your business plan serves as your blueprint for success, and everyone running a business can benefit from creating one – whether you are working online or offline. It doesn't have to be the long, formal document that many business organizations prescribe. Instead, let the level of detail be determined by how complicated your business is and whether you need outside funding.



How to Pick Your Online Business Model

This is the year that you plan to really succeed in your online business and make it a full time income. However, in order to build a successful online business, you need to first identify the primary business model you want to follow. There are millions out there, and you may already have one in mind or have one you have committed to. If not, or if you have decided you need to change your focus, here are 7 of the most popular online business models.

1. AdSense Site

AdSense sites are very popular with people that want a business model that is relatively simple and easy to implement. These sites usually consist of a blog or other type of website with many pages of content that is added to consistently. In order to be successful with an AdSense site, it's important to rank well in the search engines for many long-tail keywords and to drive a lot of traffic to the site. These sites were extremely popular in the early days of the internet.

2. Affiliate Marketing

Affiliate marketers sell other people's products and then take a commission on the sale. Business models for affiliate marketers might consist of an ecommerce site, mini-sites on a small niche, one-page sites for a specific product. You can even sell affiliate products on Facebook pages and by using YouTube to drive traffic to an affiliate offer. Most affiliate marketers also focus on building a list they can sell other products to over and over.

3. Infoproducts

Many internet marketers have made their fortunes creating and selling their own digital infoproducts. These might include writing ebooks and guides, creating software, designing graphics, shooting informational videos, delivering ecourses, or writing private label rights products to sell. Most infoproduct sellers expand their income by recruiting affiliates to help.

4. Ecommerce Sites

An ecommerce site is an online store where you sell either your own products, drop-ship products from other vendors, or sell products as an affiliate. They can be a little more difficult to rank in search engines due to the lack of consistent, fresh content. However, good keyword research, SEO, and an active blog can make up for that.

5. Provide Services

One of the quickest ways to make money online is to offer your services through freelance sites. You can write articles and ebooks, design graphics, sell your programming skills, or charge for virtual assistant services. If you have a great deal of experience in one area, you can also sell coaching services.

6. Membership Sites

A membership site requires customers to sign up for a recurring payment in exchange for regularly provided content. Membership sites can be ongoing or a specified length of time. They might involve regular newsletters, new private label rights content each month, or even your own coaching services. It's certainly attractive to know you'll earn a regular income each month.

7. Flip Sites

Some marketers love the process of building sites, so they just focus on buying or building sites, then selling them. There are auction sites that specialize in this type of model.

Where to Find More Ideas

The Warrior Forum has many, many types of business models that are sold through Warrior Special Offers (WSOs) which you'll get ideas from. You can join their Warrior Room to get even more advice and ideas. You can also visit other internet marketing

forums and websites where you can interact with successful internet marketers to get ideas and feedback.

How to Pick Your Business Model

With so many internet business models to choose from, it's a challenge to pick just one to start with. Try looking first at what appeals to you straight away. What stands out? Then think about whether you already have the skills or whether you will need to learn them. Is there anyone you can easily outsource to if you don't have the skills yourself? How much will it cost to implement this business model? Do you have the funds? Once you've answered these questions, just pick a model and run with it.

While you may need to do some more research to get a good grasp of the details and understand what's involved in each model, you need to make a decision sooner rather than later. You'll never make any money online if you don't just dive in and get moving. So pick an online business model that appeals to you, put the blinders on and move ahead.



How to Conduct Market Research for Your Online Business

One of the biggest mistakes any internet marketer can make is to fail to understand their market. Before you start spending all your time and money dedicated to one target niche or product, you need to do some thorough market research. Don't even begin to create a business plan until you've done the following:

1. Keyword Research

Keyword research is the first step for most online marketers. It helps you understand what people are searching for online and what words they are using. There are numerous tools that can help you do this research, including Google's own AdWords keyword tool, a free and paid tool from Wordtracker, and a popular software program called Market Samurai. It takes a little practice to learn to do keyword research well, but knowing the most commonly searched terms will help you target the problems that

people are facing. It also means you can optimize any content you create, helping it rank in the search engines.

2. Problems People Are Facing

When you know the problems people are facing in your target market, you can create solutions. Solutions sell. Look at the questions people are asking and why they are asking them. Look for the places your target market hangs out, like forums or Facebook groups, and lurk there. Watch the discussions that take place and the questions asked. If there are problems that people consistently talk about, you've just found a great opportunity to provide a solution.

3. Paint a Portrait of Your Customers

It helps to paint a portrait of your ideal customer in as much detail as possible. This isn't necessarily a visual picture, though some people do that, but one that describes little details about them. What are their demographics, such as age, gender, occupation, where they live, etc? What is some of the lingo they use? Do they tend to have similar interests or hobbies? Write it all down. Some marketers even keep this list in front of them whenever they write anything for or to their customers.

4. Who Are Your Competitors?

Know your enemy! Well, they aren't really your enemy, but you need to have a full understanding of who your competitors are so you know just what you need to do to be successful. Identify your biggest competitors by looking at who else is selling solutions when you search for answers to the problems your market has. What are they selling? Where are they selling it? What kind of language do they use in their sales copy? How does one competitor differentiate themselves from another? What are the prices of their products and what kind of backend sales do they do? You can become a customer of some of your biggest competitors and literally "stalk" them by learning their sales process and the types of emails and follow up they do. This will give you ideas on what you can do to compete with them.

While it can take what seems like a lot of time, market research can save you from sinking a fortune in time and money in a doomed venture. The more market research you do from the start to understand your market, the less risk you face.



How to Define Your Unique Selling Proposition

It will be extraordinarily difficult to succeed if you don't have something that sets you apart. This is referred to as your unique selling proposition (USP), also called your unique value proposition. Why should someone buy from you vs. anyone else? What extra value can you offer? Look closely at what you want to offer to people as part of your business model. Then, you'll need to answer the following questions from the very start of your online business.

1. What are you offering?

Lay out the details of your product or service you plan to sell. What are the features? What does it do and what does it look like? For example, is it a 7 day course on how to set up a Wordpress blog? Is it a 6 month coaching program that gives people direct access via email to you personally? Be very specific.

2. How does it solve customers' problems?

How does your product offering solve your customers' problems? State the problems your customer is facing, from doing your market research. Then describe how each feature of your product or service solves those problems. Think about how your customer would see your solution, not knowing you at all. If you can answer the question "What's in it for me?" from the customer's view, you're already halfway there.

3. What is different about it?

You have to create a product or service that is distinct from your competitors. While it is possible to be successful by creating a "me-too" site, it will be much more difficult. How is your solution different from other people's? Are you offering something extra, such as training or additional services? Do you offer your product in multiple formats, such as audio and video? Do you provide extra tools to make your solution easier to use? If you can't identify any features that are different about your product, now is the time to go back and create something.

4. Why should someone buy from you vs. your competitors?

This is by far the toughest part of creating your USP. It will also be one of the most important parts of your sales copy. Tie together the problems your potential customers are facing, the features of your product, and how they solve their problems. Then pull in your extra “proof” of why people should buy from you. You could have social proof through testimonials of how well your solution works. You might have a track record of experience in your industry. You could also have great examples of your solution in action. Which of these are most important to your market? Pick one or use them all depending on what you think your prospects need to hear.

If you have already done extensive market research, then you know what problems your customers are facing. Make sure you thoroughly understand what your target customers want and what your competitors are already offering. Then you will be able to identify exactly what you can do differently or where you can add something more. Put all of that together and you have your Unique Selling Proposition.



How to Write Your Elevator Speech for Your USP

Say that you meet someone in the hallway at a business conference and they ask you what you do. What will you say? They don’t want to hear a 15 minute speech on your business. They don’t even want to hear more than a couple minutes. Everyone needs to have a 1 minute speech prepared that explains exactly what their business is all about and why people should even listen to them. This is commonly referred to as an “elevator speech” since you should be able to say it in the space of a short elevator ride. After that, you will hopefully get into a deeper discussion.

Here are the main steps to creating your elevator speech:

1. Outline your USP

What are the key points of your unique selling proposition? What's different about you compared to your competitors? Write these down in a simple bullet point format. Then cut out irrelevant words and explanations. Pare your USP down to the bare minimum, the most basic essence of what you are offering people.

2. Write your problem/solution statement


Now put your USP description into one sentence. It helps to put it in terms of a solution to a problem, since this is the most important part of anything you are selling. It's why people buy. For example, "I provide ready-made solutions for people that don't have time to write or just hate it". This doesn't tell someone exactly what you do, but it intrigues them to want to learn more.

3. Write your features/benefits statement

Now write another sentence that explains the key points of how you deliver that solution. Your statement should be a very brief summary of the key features and benefits of what you are selling. For example, "By writing the articles for them, I free up their time to focus on other parts of their business". This isn't a sales pitch, which would just turn off someone that you met in an elevator. It's a summary of why your solution actually works. It shouldn't give a person all the details of your business. Instead, it should create an opening for more questions from the other person. In other words, it's a way to get a discussion going.

4. Put it all together

Now that you've written the basics of your elevator speech, it's time to put it all together. Practice saying it out loud and add other details to make your speech sound natural. Try it out on someone else and get their feedback and reaction. Make sure to time yourself to make sure your little speech doesn't take more than about a minute. Finally, take the time to revise and revisit your elevator speech frequently, especially as your business changes.



Creating your own individual elevator speech is far more important than most people realize. You never know when you will meet someone that can be a help in your business, or who is a potential customer. This is the one liner you can use with friends who have no idea what you do or with business colleagues you meet at a conference "in the elevator". It is your ticket to opening the door to a potential relationship.



How to Set Your Short and Long Term Business Goals

You've probably heard the old adage many times before: "He who doesn't plan, plans to fail". For any business to succeed, you need to have very specific plans and goals that you want to achieve. They can and will be revised over time as things change, but you need to start somewhere. In addition, your goals need to contain a few different elements to be effective and you need several types of goals that are SMART.

What's a SMART goal?

A truly effective goal meets the SMART criteria, as follows:

Specific. Make sure you are very specific about what you want to achieve in your goal. Saying you want to create more infoproducts is vague. Instead, you might set the goal of writing 3 new infoproducts, including 1 ebook and 2 courses with video.

Measurable. How will you know whether you have achieved your goal? Say you want to grow your email list. One way of measuring it is to look at the number of subscribers you have and specify that you want to grow that number by 50%. If you want to increase your conversion rate of prospects to customers, make sure you can track each part of your sales process so you know exactly when and where the prospect becomes a customer.

Action-Oriented. Your goals need to be something you can attach specific actions to. Can you create a step-by-step plan for achieving the goals? Is it something under your control? For example, setting a goal of moving up to the first page of search results in Google is highly desirable. However, there are no actions involved and it's not under your direct control. Instead, you could say that you will implement 3 new SEO tactics over the course of the next 3 months to move up in the search engines. Then list out the detailed goals for each tactic, such as submitting 1 article per day to 5 article directories. You'll be able to measure the results and then determine your next actions.

Realistic. Don't set yourself up for failure by setting goals that are unrealistic or impossible to achieve. For example, if you are a complete newbie in internet marketing, it's probably unrealistic to think that you can build a network of 100

minisites in the space of 3 months. People in internet marketing often think they can achieve a promised \$10,000 in 3 days. That's just not realistic. Also, make sure you have access to the resources you need to achieve your goals in the first place.

Time-based. As with any of your plans, put a timeframe around your goals. You could set a goal of doubling your traffic in the next 6 months, or writing 1 infoproduct per month for the next year. You will then be able to set up specific tasks to make sure this happens, and you'll be able to measure the results.

Types of goals to set

- **Long term goals:** It's easiest to start with your biggest goals and work backwards to figure out what you will need. Long-term could mean a 10 year goal and you should definitely dream big. Maybe you want to be a millionaire, or live and work in New Zealand. Now is the time to put that dream down on paper as a real goal, not just a vague dream. You can also break this down into 5 year goals.
- **Short term goals:** Create goals that are 1 year out, 6 months out, and monthly. Your 1 year goals should be based on your ultimate 5 and 10 year ones. The monthly ones will then be based on what it will take to achieve your 1 year goal. For example, you might know you want to be able to live and work from anywhere in the world in 5 years, when your kids are out of college. What does that mean you need to be able to do by the end of 3 years, 1 year, 6 months? How much will you need to earn and what will you need to have learned? Break it down as much as possible.
- **Immediate goals:** These are the goals that you set for yourself every week and every day. You can have a goal that is the same each week, such as posting to your blog 3 times per week. Then you will also need to sit down once per week to set goals for every day of that week to come. These will likely change from week to week based on what else is going on, but it will ensure that you make progress towards your longer term success.

Your goals are your roadmap to your online success. Every successful business person, online or offline, sits down and goes through the process of defining their goals not only yearly, but monthly and weekly as well. Setting and meeting goals will show you just how much you are achieving and will keep you motivated along your path to success



How to Develop Your Sales and Marketing Plan for Your Online Business

There's a well-known internet marketer whose favorite quote is "Hope is not a marketing plan". You can't just pick a marketing strategy and "hope" that it will work. Instead, you need to put together a detailed marketing plan where you lay out your arsenal of strategies for meeting your business goals. This isn't a comprehensive list of daily tasks. It's a breakdown of each tactic you want to use and the process you'll put in place for its implementation.

Start With Your Business Model

Not all marketing strategies work with every business model. You'll hear all sorts of wild ideas and "proven" tactics, but that doesn't mean they're the ones for you. Look at your own business model first and outline some of the characteristics of that model and your market, including:

- A description of the key features of your target customers
- Where customers will come from, such as organic search, paid search, joint ventures, offline sources, affiliates, etc.
- What are prospects' buying triggers? In other words, where or when do they usually make a purchase decision? For example, it could be from a product review, a personal recommendation from an expert they trust, through surfing content sites, through email suggestions, etc.

What Are The Most Popular Marketing Strategies?

Now, look again at your business model and the most popular marketing tactics used by your competitors. How do they convert from prospect to customer? For example,

- Individual sales pages that lead to freebies that put prospects into an email series
- Regular free teleseminars that include a special offer at the end
- Straight SEO and traffic generation, such as might be used for AdSense sites
- Multiple joint ventures and recruiting of affiliates

Which marketing strategies will you focus on?

If you try to do several marketing campaigns at once, you may just fail at all of them. You'll need to focus on one to start with. Test it out, see if it's working, and then add more strategies. There are endless methods to pick from.

Try selecting the easiest marketing strategy so you can put it in place and get moving straight away. You should always have at least one easy tactic you can use that doesn't require a lot of thought and planning. For example, you can create an autoresponder series that starts every time a person signs up for that list. It's a passive form of marketing that requires almost no attention. Then you can start planning out more campaigns.

Start at the end and work backwards

In order to put your marketing plan down on paper (or computer), start by looking at all the steps involved. What are the activities you need to complete in order to implement and maintain each strategy?

Now put those steps into a priority order and process you can follow. Which steps are dependent on others? Which ones need to be completed first? You can even use a mindmap to lay out a visual of the process, which makes it easy to move things around. Freemind is a great, free tool for creating mindmaps on PCs. iThoughts HD is another one that works really well on iPads. You can export any of the mindmaps to a pdf so that you can print them and post them by your computer.

Make sure you set deadlines for achieving each step in your marketing plan. The success of some strategies is dependent on a specific timeframe, such as the length of time between emails or follow-ups. Put it on your calendar and set those dates in stone.

Your marketing plan dictates what actual tasks you'll need to do from day to day. For example, if you know that your emails need to be set up in daily intervals, then you'll need to put the outlining and writing of those emails down on your to-do list every day. Just don't make the mistake that many impatient, ambitious marketers make by trying to do everything at once. Focus on one strategy at a time, set deadlines, and implement it to success.

Determine the Obstacles to Face and Resources You Need to Meet Your Business Goals

It's all very nice to set goals, but how will you meet them? As part of your business success blueprint, you have to figure out exactly what resources you need to meet your goals. An effective way to do this is to first look at what obstacles you face. Then think about what you need to overcome those obstacles. Get that right and you'll be prepared for at least some of the potential challenges you'll face along the road.



Step 1: Identify Potential Obstacles to Success

No matter where you are in your career, there will always be obstacles waiting to challenge your best thought-out plans. The key to dealing with these challenges is to anticipate them as much as possible and make sure you have the resources to push them out of the way.

The most common obstacles that people face from a business and marketing plan stance are:

- Lack of skills and knowledge.

Are there elements to your marketing plan that you just don't know how to do? For example, perhaps you've never segmented a mailing list before or don't know how to set up a squeeze page. Maybe you aren't a member of your own target market, so you can't naturally relate to their problems. For some marketing strategies, you may not even know the right questions to ask in the first place.

- Not enough time in the day

There is never enough time in the day to do everything you want to do, especially for internet marketers who have a million ideas running around in their heads. The question is just how much time you need to devote for your

business plan to succeed. If you don't have that time available, that's just another obstacle to work around if you still want to move ahead with your plan.

- Insufficient funds

It's a rare person indeed who has all the funds they want to implement any scheme they've dreamed up. Figure out just how much you need for your ideal plan. Then look at how much you can actually afford to spend. The difference is the obstacle you need to figure out.

- No support network

In the internet marketing world or any business where you don't interact with real, live people very often, lack of a support network can be a big problem. Do you have people to go to when you're stuck or need a boost?

Step 2: Identify Resources for Overcoming Your Obstacles

Now that you've anticipated your challenges you can start identifying and putting in place the resources you need. You may find you have to adjust your goals and plans a little if you can't get the resources, but it's better to do that sooner rather than later. You don't want to have all your great plans derailed 6 months down the line just because you failed to learn something critical.

Here are a few examples of solutions and resources that could overcome the most common obstacles:

- Focus on the skills you need

There is certainly no shortage of experts who will want to teach you "everything you need to know to be successful". However, you need to focus on just the skills or knowledge that is relevant to your business model. Get recommendations in trusted business forums for courses, advice or other resources for learning what you need. Be careful not to get sidetracked by other great things you could learn. If it's not useful right now, block it out. You will probably have to set a certain amount of time each week just for learning, so that you don't let it take up all your time.

- Manage your time and delegate

Unfortunately, you can't make time slow down or expand just yet, so you'll have to be a little more creative. Depending on how much time and funds are available, you really have only three choices. You can budget your own time very tightly, you can adjust your goals and plans, or you can outsource some of the tasks. If you have the funds, outsourcing is usually your best bet so that you can grow your business faster. Just make sure you know exactly what you want to outsource so you can pick the right people.

- Budget wisely

If you are working on a very small budget, you'll also have to be very creative with where you spend and where you save. Put your money into the places that will have the greatest impact on your success and think twice about the rest. For example, you might want to try out a hot new article submission service, but your returns on investment can be much higher spending the money on list building.

- Build your support network

For some, building a network of friends and colleagues comes naturally. For others, it has to be a planned, scheduled activity. Check out the top forums in your niche and find at least one where there are people you can relate to. Participate and become known by helping others. Also, try to get your friends and family on board with your plans so that they can be supportive when you're feeling down – even if they have no clue what you do!

The best way to make sure your plans stay on the course for success is to anticipate the obstacles ahead. There's no point in setting a goal to create a bunch of minisites if you don't know how to do it. Instead, take a good, hard look at what might happen to upset your plans and what resources you need to make sure that doesn't happen. Then put those resources in place or adjust your plans accordingly.

How to Implement Your Business Plan for Ultimate Success

All the plans in the world won't help you if you don't actually implement them. You need to lay out all your tasks into a clear action plan. Then, it's just a matter of getting straight to work and plowing right through to success. The hardest part is done. Now it's time to take action.



Set Up Your Business Model

Since you already know what you want to achieve and how it will be done, you can begin by setting up the basics. Write down each of the tasks you need to do to be ready to market your website or product.

For example, if you are creating an ebook, what exactly needs to be done to get it created? You'll probably need to start with some research, then outline your main topics and do further research for each, write the book, compile everything, and get any graphics created. Each of those steps needs to have a timeframe and deadline attached to it, as well as who will be responsible for each (if you are outsourcing anything).

Once you have your tasks and deadlines laid out, just do them. Set aside a section of time each day or week and make sure you complete your tasks. If this means setting up a blog on Monday, and then writing an article per day the rest of the week, then commit to getting that done.

Implement Your First Marketing Campaign

If you have your site or product set up and ready to promote, it's time to start marketing it and getting the word out about your great offer. Even if you don't think your product or site is perfect, don't worry about it. You'll probably be tweaking and editing it over time anyway.

Just as you would with a product, lay out each of the steps you need to do to instigate your first marketing campaign. Be specific about the tasks, responsibilities and

deadlines. For example, if you want to promote your infoproduct, you might need to create a free offer, connect with joint venture partners, write your sales page copy, get the word out in relevant forums, or any other tasks that are crucial to the marketing strategy you're focusing on first.

Don't forget to also put your measures in place. Hopefully, you identified how you'll measure your campaign's success when you created your marketing plan. If not, figure them out now and keep track on a regular basis so you can tweak your tactics as needed. For example, if you have more than one giveaway you're offering to get people on a list, check the sign-ups and conversion rates on each one on a daily basis. If one is converting higher than the other, try to figure out why. Then rinse and repeat.

Add Additional Marketing Strategies

When do you know it's time to add more marketing strategies to the mix? That's going to depend on the results you are already achieving, along with your time and budget constraints. If you are already having great success with one strategy, such as joint ventures, you may want to just stick with that. If you have extra time on your hands, then go right ahead and start implementing another promotional effort in your arsenal.

You should have already identified about 3 strategies when you created your marketing plan. Once you are ready to implement another strategy, go through the exact same steps you did for the first one. That means laying out the steps, responsibilities and timeline. It also means putting additional measurements in place to track results.

The broader the mix of marketing strategies you have, the more complicated your business will become. Make sure you map out each of your strategies step by step so that you can keep track of them and, if feasible, outsource as much as possible. If you want to keep your business simple, you'll have to focus on whichever strategy produces the best results. Leave the rest for marketers who don't mind a little extra complication in their lives.

You can almost guarantee the success of your business and marketing plans by putting in place and following detailed action plans. This is where many people fail. They don't get success immediately and decide to try something else. Stick with your plan, reap the rewards, rinse and repeat for ultimate success.



How to Determine If Your Business Plan Will Be Profitable

Only the foolhardy and reckless forge ahead with a business idea before estimating if it will really be profitable. Once you have looked at what all the details involved in implementing your business idea, you need to do an estimate of your break even point and return on investment (ROI). The breakeven point tells you how much income you need to cover your expenses, while the ROI can give you an estimate the actual profits you can expect to make for all the money and time you are investing.

Step 1: Estimate your costs

Start by estimating all the costs that will be involved in your business. These can be broken down into both fixed and variable costs. Some costs may be spread across more than one project, in which case you can either divide the total cost by the

number of projects you have or ignore them, since you'd have those costs in your business whether you implement your idea or not.

Fixed costs are those expenses that you have on a regular basis, whether weekly, monthly, or yearly. This might include your autoresponder, virtual assistant salaries, memberships to online forums or marketing tools, and your domain and hosting services.

Variable costs are any expenses that are one-off or only occur periodically. Examples include the price you pay to have a product written, a budget for purchasing PLR, or the amount you will pay to a graphic designer for headers and ebook covers.

Step 2: Estimate your revenue

There are different types of revenue or cash that you can estimate will come into your bank accounts. This includes any income you have been getting in the past and expect to continue receiving, as well as how much that income might increase. Obviously, any increases in income will depend on additional marketing you are doing or changes you expect in the market. For example, if you are planning some new joint ventures for one of your existing ebooks, you'll have to estimate how much income you expect to receive from those partnerships.

The other revenue to estimate is the amount you'll earn from new business ideas. This is the most difficult and will be a very rough guess if you don't have any historical examples to base it on. You can gather information from people that have done these types of ventures before as a starting point. You can also look at the estimated size of your market and the average conversion rate for your business model.

For example, affiliate marketing usually has a conversion rate of 0.5% to 1%. If your competition is weak and you think you can get X number of visitors to your sales page, then you would calculate that you could receive the commission on your product times the number of visitors times your conversion rate. If you think you can get a higher conversion rate, the number goes up. It's difficult to do, but this kind of estimate can tell you whether it's worth putting in your time and money to get that number of visitors.

Step 3: Estimate your own time investment

How many hours a day or week do you think you will have to spend on your business? For past projects, you can look at how much time you've put in compared to the profit you made. This shows you exactly what your return was for your time. For future projects, look at how much time you think you'll have to spend each month.

You can calculate your time as an actual expense if you want to put a specific number value on your time. For example, do you value your time at \$50 per hour? Is that how much you have earned per hour from your past projects? If so, then multiply that number times the number of hours you expect to put into your new project and add that to your total expenses.

Step 4: Calculate your breakeven point and ROI

The final step in figuring out whether your business will be profitable is to compare your estimated revenue and expenses. This is just the simple math of subtracting expenses from income.

Look at your expenses each month compared to what you expect the income to be each month. How many weeks or months will it take for your revenue to cover your expenses? That's your breakeven point.

When will you start earning a profit on your business idea? What will your total profit be at the end of the year (total year's revenue minus expenses)? Divide your total profit by total expenses and you'll have your return on investment. For example, if you earned a total of \$20,000 in sales in one year for one project and spent \$5,000 (including your time), then your profit was \$15,000. Your ROI was \$15,000 divided by \$5,000, which equals 3. Multiply that number by 100 to get the percentage. That's a 300% ROI! Pretty darn good.

Even a rough estimate of how profitable a business idea will be can help you avoid a major investment mistake. Many entrepreneurs get so excited about their great idea that they rush in and can lose a huge amount of money. By estimating your breakeven point and ROI, you can determine whether your business goals and plans are worth the effort and expense you will invest, and whether you should even move ahead with them.



The Essentials You Need to Know for Estimating Your Future Revenue

Estimating the revenue you will make in your business is probably one of the most difficult parts of creating any type of business plan. For any projects you have that already earn money, you can just look at the past to help predict the future. But for new projects, you'll need to look at a number of different factors.

Before looking at tips for doing your estimates, you first need to understand a few

basic terms:

- **Revenue.** Your revenue is the amount of money you earn before any expenses.
- **Average Sale.** Calculate your average sale by taking your total revenue divided by the number of sales. So, if you have received a total of \$1,000 for 50 sales, your average sale is \$20. It doesn't matter if one sale was for \$100 and another for \$10. You have to take the average of all of them for estimating the future.

It doesn't matter what business model you are using, you can still calculate an average sale amount. For example, if you make money from Amazon affiliate sales, just look at the total number of commissions (your revenue) and divide by the number of sales made that earned you those commissions.

- **Average Revenue.** Your average revenue is the average amount you get paid for each sale times the number of sales. For predicting future revenue, you can take the average amount per sale as your standard. Then estimate how many sales you think you can make each week and month. Multiply your estimated number of sales by your average revenue per sale to get the average revenue each month.

For example, say your average sale is \$20 and you think you can make 10 sales your first month, 30 the second month, and 50 the third month. That means your average revenue for each of your first 3 months is \$200, \$600, and \$1,000 respectively.

- **Target Market Size.** The size of your target market is the number of people who would be interested in buying what you are selling. If you are selling training programs for owners of Yorkshire terriers, then your target market size is probably the number of people who have recently purchased a Yorkshire terrier and need help with training, not all owners.
- **Market Share.** Your market share is the percentage of your total target market who buy from you rather than your competitors. For example, say there are about 1,000 sales per month of the type of product you are selling or something similar. If you think you can get 100 of those people to buy from you, you will have 10% of that market.
- **Conversion Rate.** Conversion rate is the number of sales that are completed compared to the number of people who see your offer. For example, imagine you have a sales page where you are encouraging people to buy your weight loss product. If you get 500 people to visit that page and 5 people buy the product, then your conversion rate is 1%.

You can also look at conversion rates for other actions you want people to take. For example, you can look at the number of people who sign up for your email list out of the number who actually visit your site. If you are doing offline marketing, you could look at the conversion rate for people who receive your direct mailing vs. the number who respond to that mailing.

Tips for Estimating Your Revenue

When you get down to the nitty gritty of estimating your future revenue, here are three tips to help guide you:

1. Don't go with your gut

With many things in life, people will tell you to go with your instincts. However, when it comes to business, you need to get as many facts and figures as possible before sinking funds into a project or venture. Thinking you can sell 1,000 widgets is all very well, but you'd better make sure there are that many people who actually want them.

2. Take a history lesson

Find out as much as possible about how much people have earned in the past from the type of business or project you want to start. If you are starting a project similar to one you've done in the past, then you already have some of that information. If not, then you'll have to research data online and ask people who are already in that business. Find out how long it took to start really earning anything and what problems they had along the way. You'd be surprised at how many people will be willing to help you and give advice.

3. Don't worry about precision

An estimate is a rough guess based on whatever facts you can gather. If you don't have much to base your estimate on, go with your best guess and move on. Unless you are applying for a small business loan, you don't have to spend hours coming up with precise numbers. Just make sure you know there are people who are making money from your proposed business or product in the past. Then make sure you have the funds to invest.

Putting It All Together

In order to do your actual revenue estimate, you just need to multiply your average estimated revenue per sale times the number of sales you think you can make each month. Depending on your marketing plans, that number would hopefully go up each month. Plot out your estimated revenue each month for each project and you'll have your estimate for the year.

As you put together your revenue estimate and other parts of your business plan, remember that it will grow and change over time. You may find that your market share is much larger than you thought and your revenue estimate can go up. With good marketing, you might also raise your conversion rate and increase sales. Go back to your estimates and periodically update them, but don't obsess over being completely accurate. These figures are for your own planning, not for your accountant.

Need help? Call me:

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