

PRE-PLANNING PROCESS WORKBOOK

**The No-Nonsense Guide
to Mastering Startup &
Operating Costs**

businessplan.com

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You've made it to the final step in your pre-planning journey, and it's time to get real about the financial side of your business. This workbook is the culmination of all the hard work you've put into understanding your business model, from Key Activities and Resources to Key Partners.

But before we dive in, let's make sure you've laid the groundwork:

- **Competitor Customer Analysis:** Identifying your competition and target audience with our [Competitor Customer Analysis Workbook](#).
- **Core Cost Analysis:** Digging into your COGS and development costs with our [Core Cost Analysis Workbook](#).
- **Business Model Development:** Crafting your value proposition and business foundation with our [Business Model Development Workbook](#).
- **Operational Foundation:** Ensuring your resources and partners are in place with our [Building a Robust Operational Foundation Workbook](#).

If you haven't completed these steps, go back and do them. Trust us, it's worth it.

Understanding your startup and operating costs is about connecting the details of your Core Cost Analysis with the bigger financial picture of your operations.

This workbook is designed to give you the skills to assess and plan your financial outlays effectively. We're here to make sure you have a comprehensive understanding of your financial landscape so you can make informed decisions and drive your business forward with clarity and confidence.

If you're going to launch a successful company, thoroughly researching and detailing your startup and operating costs is non-negotiable. It's not always glamorous, but it's essential. By the end of this workbook, you'll have the tools and knowledge you need to set your business up right.

Are you ready? Let's get started.

Bridging the Gap Between Business Operations and Finance

Let's take a step back and appreciate the ground you've covered in your Pre-Planning Process. You've developed a detailed understanding of your business's framework, highlighting the Key Activities, Resources, and Partners that form the backbone of your operations. Now, it's time to extend this foundation into the realm of financial planning.

Key Terms

Before we dive into the nitty-gritty of financial planning, let's make sure you're familiar with these essential terms. While brief definitions are provided here, you're encouraged to click the links for a deeper understanding:

- **Fixed Costs:** Expenses that remain constant regardless of production levels, such as rent and salaries. [Explore Fixed Costs](#)
- **Variable Costs:** Expenses that vary in direct proportion to production or sales levels, like raw materials and marketing costs. [Explore Variable Costs](#)
- **Startup Expenses:** One-time costs needed to start your business, including legal fees and initial market research. [Explore Startup Expenses](#)
- **Startup Assets:** Essential resources your business requires before it can start operating, such as equipment and initial inventory. [Explore Startup Assets](#)

Take the time to explore these terms in depth using the provided links to the Businessplan.com glossary. A solid understanding of these concepts will be invaluable as we move forward.

Example: Cost Journal

Let's make things concrete with a practical example. Consider our mobile coffee app startup example from previous workbooks. Here's how you might categorize various costs:

Cost Category	Specific Costs	Type	Source	Cost Category
Startup Asset	Laptop for development	One-Off	Tech Gear Solutions	\$1,200.00
Startup Asset	Mobile devices for testing	One-Off	Mobile Test World	\$800.00
Startup Expense	Legal fees for business setup	One-Off	Startup Legal Co.	\$3,000.00
Startup Expense	Brand design fees	One-Off	BrandCrafters Agency	\$2,500.00
Startup Expense	Market analysis report	One-Off	Market Insight Consultants	\$1,500.00
Fixed Expense	Office rent	Monthly	City Office Rentals	\$2,000.00
Fixed Expense	Internet service	Monthly	FastNet Providers	\$100.00
Fixed Expense	Insurance	Monthly	SecureBiz Insurance	\$500.00
Variable Expense	Cloud service usage (AWS)	Monthly	Amazon Web Services	\$0.208 per data hour
Variable Expense	Credit card transaction fees	Daily	PayGate Solutions	2.3% per transaction
Fixed Expense	Advertising (Social Media)	Monthly	SocialBoost Media	\$1,000.00
Mixed (Semi-Variable) Expenses	Software subscriptions (SaaS)	Monthly	SaaS Innovations	\$100.00 per user
Startup Asset	Desk and office chairs	One-Off	Office Furnish Co.	\$500.00
Startup Asset	External monitors	One-Off	ScreenTech Plus	\$300.00

Cost Category	Specific Costs	Type	Source	Cost Category
Startup Expense	Website hosting	Annually	HostWorld	\$100.00
Startup Expense	Patent and trademark fees	One-Off	IP RightLawyers	\$2,000.00

Mapping your costs in this way lets you think outside the confines of a financial projection so that you think through all costs thoroughly.

In the coming sections, we'll explore strategies for identifying and categorizing these costs. We'll leverage the solid understanding of your business model and operational framework that you've established through the earlier workbooks.

Self-Assessment

First, let's get real about your expertise in the different operational areas of your business. This self-assessment isn't about making you feel inadequate; it's about empowering you to identify where you might need to call in some reinforcements to make your cost analysis as accurate and in-depth as possible.

Why This Matters

Starting a business is a wild ride, and one of the most common pitfalls is getting hit with unexpected costs after you launch because you overlooked or underestimated certain operational areas. By doing this self-assessment early on, you're proactively addressing any knowledge gaps and setting yourself up for a more comprehensive and realistic financial plan. The goal here is to protect your business from any financial curveballs that could knock it off course in its earliest, most vulnerable days.

Skills and Knowledge Inventory

First things first: make a list of all the key areas in your operations plan. Then, next to each one, rate your expertise level honestly. Are you a beginner, intermediate, or expert? This candid evaluation is the foundation for understanding where you might need some extra insight or support.

Pro-Tip: Unless you've marked yourself as intermediate or expert, take any advice from sales staff at potential target vendors with a grain of salt. They're often motivated to upsell you on features or services that your startup might not need right out of the gate. Remember, every dollar saved is a dollar you can invest elsewhere in your business.

Your Expertise Inventory Table

Fill out the table below to start your self-assessment. For any areas where your expertise level is beginner or intermediate, think about the experts who could help fill in those cost-consideration knowledge gaps. If you don't have someone in mind, no worries—that's your next step.

Area of Operations	My Expertise Level	Potential Expert Needed

Bonus Downloads: You probably need more room than this workbook allows. Before you dive into your self-assessment, make sure to download the Expertise Inventory spreadsheet. I recommend using the Google Sheet version because it's easier to edit on your phone, and trust me, this work will take some time and you'll want to keep it with you. But if you prefer Excel, we've got you covered there too.

Once you have the spreadsheet, head over to the "Expertise Inventory" tab to fill out the table. It's where you'll be listing all the key areas of your operations plan and rating your expertise level in each one.

[Download the Google Sheet](#)

[Download the Excel File](#)

Finding the Right Expert

If you've identified areas where you need external expertise but don't have a specific expert in mind, here are some strategies to connect with the right people:

- **LinkedIn Networking:** Use LinkedIn to search for professionals with the expertise you're lacking. Don't be shy about reaching out with a well-crafted message explaining your situation and asking for advice or a consultation.
- **Startup Groups:** Local or online startup groups and forums can be a goldmine for connecting with mentors and peers who have navigated similar challenges.
- **Mentorship:** Look for mentorship programs in your industry. Experienced mentors can provide not just specific operational insights, but also broader strategic guidance.
- **Industry Conferences:** These can be great places to meet potential advisors and experts who are willing to share their knowledge or even partner with promising startups.

Brent's Note: The Power of Patience in Gestation/Pre-Planning

If you've been working through our other workbooks, you've probably heard me go on and on about the importance of the gestation/pre-planning phase. But guess what? I'm going to say it again because it's just that crucial. I know, I know, you're super excited about your idea and can't wait to open your doors and start making things happen. But trust me, patience and diligence are your best friends here.

Here's the thing: the most successful companies in the world? They spent a solid 6 to 12 months in gestation/pre-planning. That's right, from the moment they committed to their idea to the point where they felt ready to start developing a business plan. And then, they spent another three months actually crafting that business plan. I know it sounds like a long time, but here's the deal: entrepreneurs who try to rush through this process often miss something critical, or a bunch of minor things that add up to big problems down the line.

The number one killer of businesses is early cash flow problems. Why? Because they didn't raise enough capital to cover all their real startup costs or give themselves the cushion of cash they need to support operations in the early days. And then what happens? They start robbing Peter to pay Paul, and everything unravels.

So, here's my advice: take your time, and be meticulous. If there are areas where you're feeling a little fuzzy, hit the pause button. Find a mentor or join a startup group. Make sure you have a handle on all the elements that will impact your startup and operational costs. Trust me, it's worth the extra time and effort to get it right from the start. Your future self (and your business) will thank you for it.

Thinking Through Your Startup Costs

Alright, it's time to start segmenting out your startup expenses and assets. This is where you'll need to leave no stone unturned. The best way to approach this is to use

a worksheet with fillable categories, but I recommend keeping these for reference and updating everything in your Cost Journal.

Below, I'll provide the link to the Google Sheet download (which I prefer because it's easier to update on the go) and the Excel download. The tables below will show Startup Expenses first, followed by Startup Asset categories and subcategories.

Startup Expenses

These are the common categories and subcategories for your startup expenses:

Licenses & Permits	
Business Licenses	
Incorporation Fees	
State Registration	
Municipal Fees	
Business Permits	
Construction Permits	
Regulatory & Compliance Fees	
Name & Trademark Fees	
Domain Registration	
Other Licenses & Permits	

Professional Fees	
Legal Fees	
Accounting/Bookkeeping Fees	

Consultants	
Other Professional Services	

Rent, Utility, & Insurance Deposits	
Lease Deposit	
Security Deposit	
Utilities Deposits	
Insurance Deposits	
Other Location Setup	

Marketing & Promotion	
Traditional Advertising	
Online Advertising	
Website Development	
Logo & Branding	
PR & Promotions	
Marketing Agency Fee	
Grand Opening Party	
Other Marketing & Promotion	

Research & Development	
Prototyping	

Design & Engineering	
Product & Process Development	
Testing & Quality Assurance	
Trademark & Patent Filing Fees	
Other R&D	

Human Resources	
Recruiting & Hiring	
Training	
Pre-Revenue Compensation	
HR Infrastructure & Systems	
Other HR	

Supplies	
Office & Stationery	
Operations Consumables	
Cleaning & Maintenance	
Safety & First Aid	
Other Supplies	

Misc./Other	
Other Expense 1	

Other Expense 2	
Other Expense 3	
Other Expense 4	
Other Expense 5	

Startup Assets

Next up, we have the categories and subcategories for your Startup Assets:

Capital Expenditures	
Business Acquisition	
Land Acquisition	
Capital Construction	
Construction Contingency	

Buildout	
Demo & Removal	
Structural Improvements	
Walls & Partitions	
Electrical, Plumbing & HVAC	
Flooring	
Painting	
Architectural & Design Services	

Furniture & Furnishings	
Desks & Workstations	
Tables & Chairs	
Storage & Cabinets	
Decorative	
Other Furniture	

Fixtures	
Lighting	
Plumbing (Sinks, Faucets, Etc.)	
Security Systems	
Signage (Interior & Exterior)	
Window Treatments	
Other Fixtures	

Equipment	
Office Computers & Hardware	
Manufacturing	
Appliances	
Point of Sale	
Audio & Visual	
Specialty	

Other Equipment	
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Landscaping & Exterior	
Planting	
Irrigation	
Patios & Decks	
Driveways & Parking	
Outdoor Lighting	
Outdoor Furniture	
Landscape Design & Architecture	

Starting Inventory	
Finished Goods	
Raw Materials	
Packaging	
Inbound Freight	
Other Inventory	

Again, you can use the tables in this worksheet, or use this to start organizing your Cost Journal, or both. These tables are also included on the “Startup Expenses & Startup Assets” tab of the file downloads below:

Spreadsheet Downloads

We encourage you to use the Google Sheet or Excel download, so you can fully edit and expand the tables to fit your needs.

- [Download the Google Sheet](#)
- [Download the Excel File](#)

Remember, the key here is to be as thorough as possible. Don't worry if you don't have everything figured out right away. This is a process, and you can always come back and update your Cost Journal as you go. The important thing is to start thinking through all the potential costs and expenses associated with getting your business up and running.

Understanding Your Operating Expenses

Now that you've tackled your startup costs and expenses, it's time to dive into the ongoing operating expenses and costs of your business. In this section, we'll introduce a new term: "Semi-Variable Expense."

What are Semi-Variable Expenses?

Semi-variable expenses are those that have both fixed and variable components. The fixed component is a base cost that doesn't change with the level of activity, while the variable component changes with the volume of usage.

Let's use AWS (Amazon Web Services) cloud services costs as an example:

1. **Fixed Component:** Some AWS services may have a base monthly fee, regardless of usage. This could include reserved instance costs, where you commit to a certain level of compute capacity at a fixed cost.
2. **Variable Component:** Many AWS services are pay-as-you-go, where costs increase with more usage. For example, costs associated with compute (EC2), storage (S3), and data transfer can vary significantly based on how much you use them.

This makes AWS costs semi-variable because there's often a minimum cost associated with keeping services available (fixed component), but the total cost fluctuates based on the amount of resources consumed (variable component). Planning and managing AWS costs requires understanding both these components and how they contribute to overall expenses.

Tables in this Section

In this section of the workbook, you'll find three tables to help you categorize and track your operating expenses:

- **Fixed Expenses:** These are expenses that remain constant regardless of your sales volume or production level.
- **Variable Expenses:** These expenses fluctuate directly with your sales or production volume.
- **Semi-Variable Expenses:** As explained earlier, these expenses have both fixed and variable components.

Fixed Expenses		
Expense Item	Monthly (\$)	Notes
Rent		
Utilities		
Insurance		
Internet & Communications		
Licensing & Fees		
Subscriptions		

Travel & Entertainment		
Supplies		
Professional Fees		

Variable Expenses			
Expense Item	% of Sales	Min. Annual Spend (\$)	Notes
Marketing			
Merchant Fees			
Freight & Shipping			
Outsourced Labor			

Semi-Variable Expenses			
Expense Item	Monthly Fixed (\$)	Variable (\$)	Notes
Cloud Computing			
Vehicle Leasing			

We've pre-filled some common categories in each table to help you get started, but keep in mind that you may have different or additional categories specific to your business.

As you fill out these tables, be as thorough as possible. This exercise will give you a clearer picture of your ongoing operating expenses and help you plan for the financial management of your business.

Spreadsheet Downloads

We encourage you to use the Google Sheet or Excel download, so you can fully edit and expand the tables to fit your needs.

- [Download the Google Sheet](#)
- [Download the Excel File](#)

Understanding Personnel Expenses

You're probably thinking, "Hey, you forgot a pretty big expense for most businesses: staff!" Well, rest assured, we haven't. We've given personnel its own section because you'll want to be extra thorough here.

In the tables below, we break down hourly and salaried employees separately. This is where you'll want to take some extra time and care to ensure you have the staff necessary to deliver on your value proposition. Make sure to consider all the roles you need to fill, from front-line customer service to behind-the-scenes support.

Hourly Employees

Use this table to list out all your hourly staff positions, their hourly wage, estimated hours per week, and any additional notes.

Hourly Employees			
Position Title	Wage (\$)	Hours	Notes

Salaried Employees

In this table, list out all your salaried positions, their annual salary, any additional compensation (like bonuses or equity), and notes.

Salaried Employees			
Position Title	Salary (\$)	Add. Compensation	Notes

Direct Labor Costs

We've included one additional table here for Direct Labor Costs. These are costs directly associated with the production of your goods or services. For example, in a manufacturing business, the wages of workers directly involved in assembling products would be considered direct labor costs.

Most businesses don't utilize direct labor costs as part of their Cost of Goods Sold (COGS), but there are industries such as manufacturing or consulting where you do want to categorize labor this way. The reason is that many employees do more than just produce the product or do consulting work, but in some instances, you do want to map it that way. So in the spirit of leaving no stone unturned, we've put that into this worksheet.

Direct Labor Costs				
Position Title	Wage (\$)	Hours	% of Sales	Notes

Remember, your staff is your most valuable asset. They're the ones who will help you turn your vision into reality. So take the time to really think through your staffing needs and make sure you're allocating enough resources to recruit and retain top talent.

As with the other sections, we highly recommend using the Google Sheet or Excel download so you can customize these tables to fit your specific business needs. These table can be found under the "Personnel Expenses" tab.

Spreadsheet Downloads

We encourage you to use the Google Sheet or Excel download, so you can fully edit and expand the tables to fit your needs.

- [Download the Google Sheet](#)
- [Download the Excel File](#)

Reflecting on Your Pre-Planning Journey

Wow, we've covered a lot of ground throughout these five workbooks! Remember, the purpose of the Pre-Planning Process is to provide a structured framework for your gestation period. Most companies don't do this, and that fact contributes to the high failure rate of new businesses. It's directly correlated with the three leading reasons businesses fail: cash flow problems (not accounting for all needed expenses and assets and failing to properly capitalize the company to see it through to break-even), product-market fit issues, and management failures.

Each step in the Pre-Planning Process is designed for you to do the necessary detective work to come up with an objective paradigm. Given the new information you've gathered, ask yourself: Is your original idea validated? Does it require some adjustments or a pivot? Or should you abandon it altogether to avoid sunk costs or future failures?

This last workbook is no different. You should be starting to assemble in your mind (and in your copious notes) whether or not you are going to forge ahead and how. Your business should be starting to take shape.

If you're moving forward, you need to start considering the type of financing you might need and what those audiences might need to see from you. Check out our [Understanding Audiences](#) page on Businessplan.com for more insights.

In most cases, you'll want to start putting together a business plan, a pitch deck, or financial projections. We detail all the information you need to consider in the [Plan & Pitch](#) section of Businessplan.com.

Remember, community is everything. We encourage you to sign up for our [On the Right Foot](#) newsletter, or engage with us directly on [X \(formerly Twitter\)](#) or [LinkedIn](#).

If you've diligently worked through this workbook series, you've done more than 90% of new businesses. If you're still committed, we can't wait to see your business grow. As they say, "Luck favors the prepared."

Thank you for joining us on this journey. We're here to support you every step of the way as you turn your vision into reality. Here's to your success!

Cheers,

The Businessplan.com Team