

Business Plan Guide



Overview

This guide contains the critical elements that must be addressed within any business plan. Generally, these are the same elements that must be addressed (albeit not the same level of detail) in both executive summaries and PowerPoint presentations. The content herein is based on the key elements we use to evaluate investment opportunities. This information will be initially reviewed to determine our level of interest and proceed to the next stage of review.

While the content presented here is comprehensive across a broad range of businesses – the challenge for the entrepreneur is addressing this information as it relates specifically to his/her own business. Throughout this guide, you will find several questions addressing essentially the same concept – the intent is not for you to be redundant in the response but to make certain the issue is addressed thoroughly.

The greatest challenge for the entrepreneur is to be succinct in the communication of the business opportunity. The ideal business plan will comprise 20 pages of well written, concise, and compelling text, addressing the topics represented below. Summary financials and other relevant exhibits should be attached. Where appropriate, use charts and diagrams to convey ideas about the market, business model and growth strategy.

There is no need to use fancy paper, color printing or binders. Black and white copies, professionally bound, (spiral preferred) will suffice. In addition to a hard copy of the business plan, email an electronic copy (2 attached files maximum).

One point of advice for entrepreneurs, relating to the challenge of actually having your plan read by any venture capital firm; do not send in your business plan cold but rather, get an introduction to a specific individual at the firm through a trusted advisor in their own network. How do you find those trusted business colleagues? That's part of the challenge and a key component to doing your homework before contacting the venture capitalist.

Finally, new ventures are only as credible as the people involved. Firmly establish your credibility and believability, and build the venture capitalist's confidence in your team as a group of professionals. All aspects of your business plan – from the description of the market, to the explanation of competitive advantages, competitor analysis, and overall physical presentation – impact credibility.

The overriding goal of your business plan is to prove that you can successfully build a company around defensible products that a large number of people will, in fact, buy. Address the concepts within this guide thoughtfully and thoroughly with a focus on being concise. And most importantly, be compelling.

Outline

- Company Information
- Business Concept
- Background
- Technology and Products
- Product Development
- Manufacturing & Production
- Market Analysis
- Competitive Analysis
- Value Proposition
- Marketing Plan
- Growth Strategy
- Strategic Partners
- Management Team
- Milestone Analysis
- Financial Plan

Company Information

- Company: name, address, phone number and website
- Principal Contact: name, address, phone number and e-mail

Business Concept

- One-sentence and one-paragraph overview of the concept, technology and business model.
- Describe the overall nature, industry, sector and type of business in consideration.
- Describe the business in broad or high-level terms that the audience can relate to, and provide graphics and diagrams to illustrate.
- Discuss the economics that drive the business and demonstrate how the company makes money.
- List the core competencies of the business.

Background

- Give a brief overview of how and why this venture came into existence.
- How did the principals become involved in the venture?
- Who are the key participants in the business going forward? What are their qualifications?
- Briefly discuss steps taken in forming the Company.
- Again, quick overview, highlight the key events and developments only - no minutia.
- Generally how and why this venture came to be...

Technology & Products

Technology

- Describe the technology in terms the audience will understand - avoid technical jargon.
- Is the technology (product) new or is it an improvement over existing technology (products)?
- List the technology risks.
- Compare the company's technology to similar technologies. What other institutions or companies are developing similar technology?
- Validate the technology and prove that it works. Provide credible technology references that may be contacted.
- Discuss the intellectual property (patents, trademarks, trade secrets) protecting the technology.
 - Identify who did the patent work.
 - When were the patents filed and /or issued?
 - Who owns the intellectual property – individual, company, university, etc.?

Products

- List the products (if several, list major ones) and discuss the features and benefits of each product. Use pictures, diagrams or actual models if available.
- Describe what makes the products unique.
- Typical product questions: What is it? How does it work? What does it do? What need does it fill? What problems does it solve? What is unique about it? And most importantly, Why will your customers buy it?
- Discuss the costs and average selling price of each product.

Product Development

- Describe all major product categories and product lines under development.
- Describe the product development plan. Describe where the company currently is in the process.
- Provide a timeline for each stage of product development: i.e., testing, beta, initial production and volume production for each major product.
- List the critical elements and risk factors at each stage of product development.
- Identify the most likely problem areas and concerns that could delay or prevent the launch of the product line.
- Describe how much has been accomplished to date. Has any of the development taken place at or for a university or other companies?
- What are the remaining critical steps in the initial phase of the development or production plan?
- Identify similar efforts being pursued to produce or develop similar products or products that perform similar functions.

Manufacturing & Production

- Discuss the manufacturing process.
- Describe the steps, machinery, labor and raw materials involved. Does it require new equipment or process technology?
- Describe the availability of key materials and key vendors.
- Which of the raw materials is in least supply and/or has the least number of suppliers?
- List analogous manufacturing processes.
- Identify key elements of the manufacturing process that will be internal or outsourced. If outsourced, identify supplier. How many potential suppliers?
- Describe major capital items, critical skills and lead times.

Market Analysis

- Describe the overall industry and market. Who are the major players in each sector?
- Discuss industry and market trends that will impact the business.
- Who, exactly, is your customer? Define and segment the customer universe.
- Why will customers buy your products?
- Provide credible statistics (referenced): Industry and market size, number of customers, price points and growth trends.
- If you were to sell every possible customer in the world, how much would that add up to?
- Demonstrate user validation: i.e. focus groups, alpha/beta site.
- Describe and support the need and demand for your product. Is this product alleviating “pain” or offering additional value?

Competitive Analysis

- List and describe all direct competitors. Include size and history of company; describe products and markets, list prices and volumes of shipments.
- List and describe indirect competitors and substitute products.
- Discuss level of competition within industry and show where you fit in the big picture.
- What are your competitors doing to stay ahead in the marketplace? Who are their key strategic partners? Are they venture capital funded? Are they Public?
- Who will be most affected (negatively) by the company’s success?
- What existing product(s) will your product(s) replace?
- Describe key, sustainable competitive advantages/barriers to entry: patented technology, trademarks, exclusive contracts, etc. List your “unfair” advantage (cannot be replicated).
- Highlight additional competitive strengths: barriers to entry, strategic partnerships (suppliers/customers), R&D capabilities, first mover advantage, fast time-to-market capabilities, solid financial backing or knowledgeable, experienced management team.
- Highlight the key differences between you and your competitors: products (benefits, features, performance and price), positioning, capabilities, and strategy.
- How or why is your product an improvement over status quo?
- Do not ignore, belittle or underestimate your competition.

Value Proposition

- Describe the value chain for this industry/sector. Describe the company's value proposition to all participants in the value chain.
- What is the value proposition to the end customer? To partners?
- Who are all the possible entities that will be positively affected by your success?

Marketing Plan

- Describe the overall marketing strategy and describe your marketing and sales organization.
- Describe target market, why they'll buy and expected market share. Who makes buying decision? What do they value? What is required to make a sale? Support assertions with data.
- Discuss how and when you will reach your customer; through advertising, promotion, point-of-sales and distribution. (Can you utilize the Internet?)
- Do you sell directly to customers or through partners (i.e., channel strategy)?
- Discuss your brand and how it will be developed.
- Explain your pricing theory and compare to the current market.

Growth Strategy

- Taking into consideration operations, manufacturing, suppliers, personnel and management - what is needed for growth and what challenges will you face in order to reach the targeted revenue goal.
- In broad terms describe your strategy for sustaining high growth rates. This may include the following topics: technology development, product line extension, aggressive marketing and branding, strategic partnerships, mergers and acquisitions, and adequate financing.
- Discuss unit volume growth and the aspects of the business that must be in place to accommodate such growth.
- To whom will the first orders be shipped and what is the expected volume?
- Identify the risk factors that may prevent you from reaching your goals (or worse case, cause the business to fail).

Milestone Analysis

- Identify all the major and minor milestones for the next 3 months, 6 months, 1- year and 3 years.
- Identify the key R&D, Technology, Prototyping, B-test, Production, Marketing, Revenue, Profitability and Management milestones that must be met over the growth of the company.
- List the priority milestones to be accomplished with the funds from the current round of funding.

Strategic Partners

- List all key suppliers and vendors for the business.
- List all professional services firms involved in the business: Legal (corporate and intellectual property), Accounting, Banking, etc.
- List and describe any large corporate partners or beta customers.
- Who are some key partners that could assist in the rapid growth or competitive strength of the firm?

Management Team

- Identify the founders of the company. Discuss their equity interest, compensation and roles in the organization going forward.
- List and describe the new members of management.
- Describe the relevant background, experience and expertise of the Officers: CEO, President, COO, CFO, VP of Engineering (R&D), VP of Marketing/Sales, etc. Provide detailed track records.
- Describe the companies the CEO has run before.
- Identify weaknesses in management, positions that need to be filled and how/when you will secure the right people.
- List board of directors and their relevant experience. Describe their incentives and compensation.
- List the board of advisors and their relevant experience. Describe their incentives and compensation.

Financial Plan

- Summarize 5-year pro-formas (reasonable expectations).
- Show unit sales, revenue, gross margins, SG&A, EBITDA, EBIT and NI.
 - Include cash flow analysis and capital expenditures.
 - Include current balance sheet.
 - List all outstanding debt, notes and large payables.
- Provide detailed financial statements as attachments.
- Highlight Breakeven and profitability points.
- Provide per unit cost and pricing analysis.
- How has the venture been capitalized to date?
- Provide a current and expected capitalization table for the company. List all sources, amounts, shares and valuations.
- Describe compensation for management (pre- and post funding).
- Identify amount and timing of capital needed to fund growth. Tie to milestones.
- Identify and discuss the Use of Proceeds
 - Equipment, R&D, Working Capital, Payroll, Marketing Costs, Inventory, Startup Expenses, Acquisitions, etc.
- Identify the options for an Exit (Acquisition/IPO) etc.