

Housekeeping

Lecture 6
GSL Peru 2014

Demo Day Deliverables

- Executive Summary
- Presentation for
 - 2 min English Elevator Pitch
 - 5 min Spanish Elevator Pitch
- Demonstration - Prototype

Business Plan

Lecture 6
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Why write a business plan?

“Plans are worthless, but planning is everything.”

- Dwight D Eisenhower



Key Benefits of a Business Plan

- Scope your Market
- Competitors and Key Players
- Benefits and Potential Costs
- Risks and Mitigation Plans
- Resource Planning
- Key elements needed for success and a clear definition of what success is
- Who is your team?
- Time frame

Practical Reasons

- Need funding
- Strategic Partnership
- Explain business to customers and partners
- Attract key people important to your business

People Don't Plan To Fail, They Fail To Plan

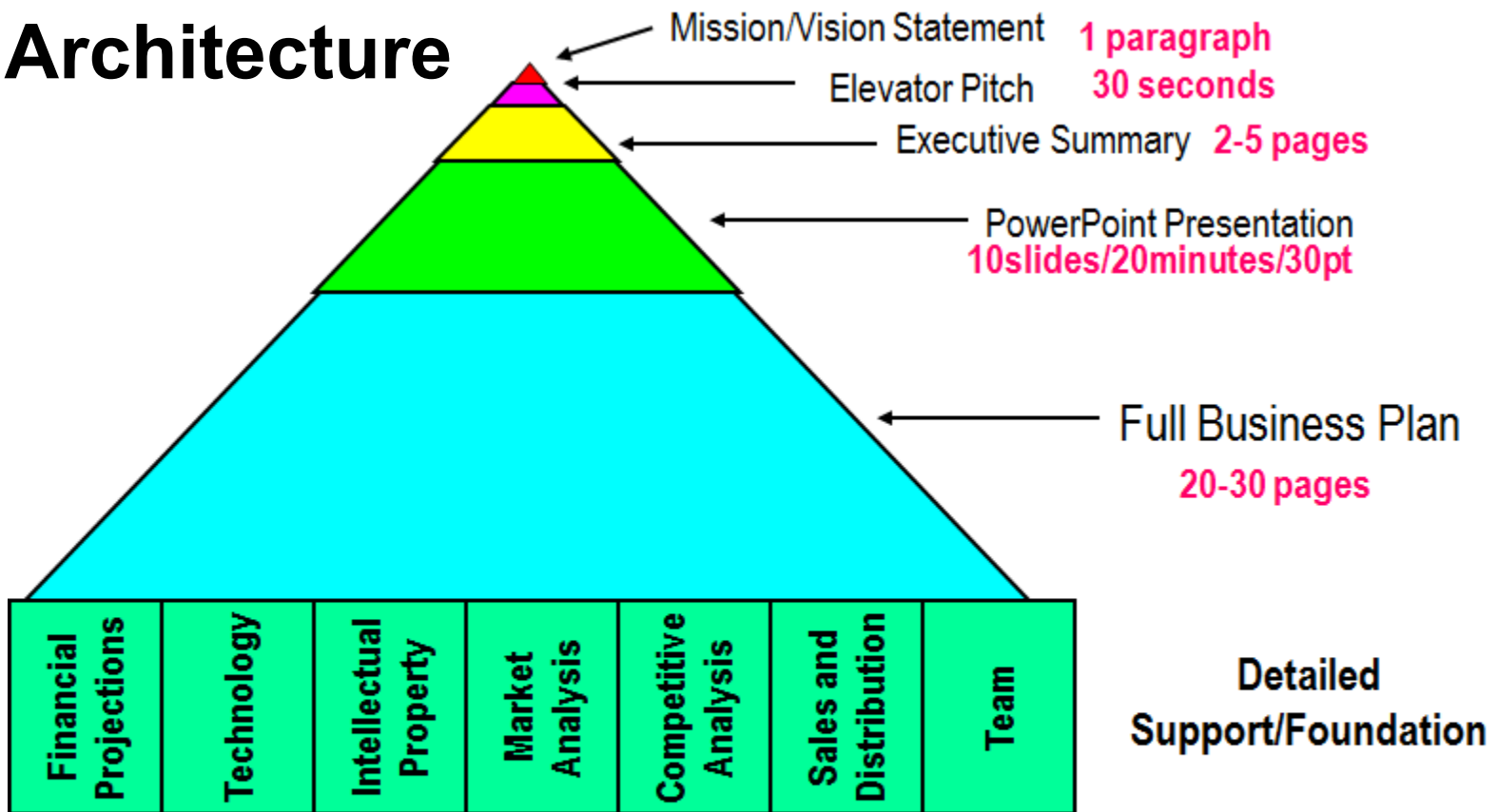
- Understand your business inside out.
- Plan for Success!

Basic Business Plan

- Create Value
- Capture Created Value

- Concept is easy, but defining it is not!

Business Plan Architecture



The Nuts and Bolts of Business Plans
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Elements of a Business Plan

- Executive Summary
- The Opportunity and the Company and its Services/Products
- Market Research/Analysis
- Competition
- Economics of the Business
- Marketing Plan
- Design and Development Plan
- Manufacturing and Operations Plan
- Management Team
- Schedule
- Critical Risks, Problems and Assumptions
- The Financial Plan
- Appendices

Do not forget!

- Name of Venture
- Contact Info
 - Address
 - Telephone
 - Fax
 - Email
 - Confidentiality
 - Other legal notice if necessary

Investor Perspective

What are the first things they look for???



Executive Summary

- Resume of the business
- Interview = Pitch
- Job = Funding

The Three Why's + Why

- Why this?
 - Why now?
 - Why this team?
-
- Why would this fail?

Executive Summary

- 2-5 pages
- Logical, Clear, Interesting/Exciting, Compelling
- Who you are
- What your strategy/vision is
- What you are doing and/or propose to do
- What is the market
- How many \$\$\$ do you need and what will you do with them
- What your **SUSTAINABLE COMPETITIVE ADVANTAGE** is

Opportunity

- What is the Market / Opportunity?
 - How big is it now?
 - What are the trends- how fast is it growing or grow?
- Why Is This Time The Right Time For Your Product/Service?
 - Convergence of Opportunity and Solution

Market Analysis

- Existing and planned products in marketplace
- Market segments
- Market players/competition
 - Competitive Advantages
- Estimated Market Shares
 - Current Players
 - You
 - “Who Loses If You Win and What Will Be Their Response?”

Competition Section

- Describe the incumbents competitors - current
 - Size and market share of each
 - Product and company position
 - Technology and likely product roadmap

Competition Section

- Describe emerging or potential competitors - new
 - What stage are they and who is backing them
 - Product and company position
 - Technology and likely product roadmap

Competition Section

- Position your venture relative to these competitors
 - How you will chose to compete - price, technology, customer, etc.
 - Short term and long term strategy
 - Projection on who will win in the scenarios and potential alliances

How do we stack up?

- Core Competency
- Short Term Competition
- Long Term Competition
- Market Share
- Top 5 Customers
- Core Features

Competition

- Who do we compete with?
- How do we compete?
 - Know where they are strong/weak
 - Know where you are strong/weak
- Why will some set of customers choose us?

Look at Competitor Through Customers' Eyes

- Where are they located?
- What is their sales force look like?
- Who are their key customers?
- How happy are their customers?
- Where are they perceived strong? Weak?
- What is their product? Strengths and weaknesses?
- What is their marketing message?

Look at Competitor Through Customers' Eyes

- What are their financial resources?
- How have they responded in the past to competition?
- What is their ownership structure?
- What is their management?
- How do they like to compete?
- What significant changes have there been?
- What is their core competency? Real and perceived?

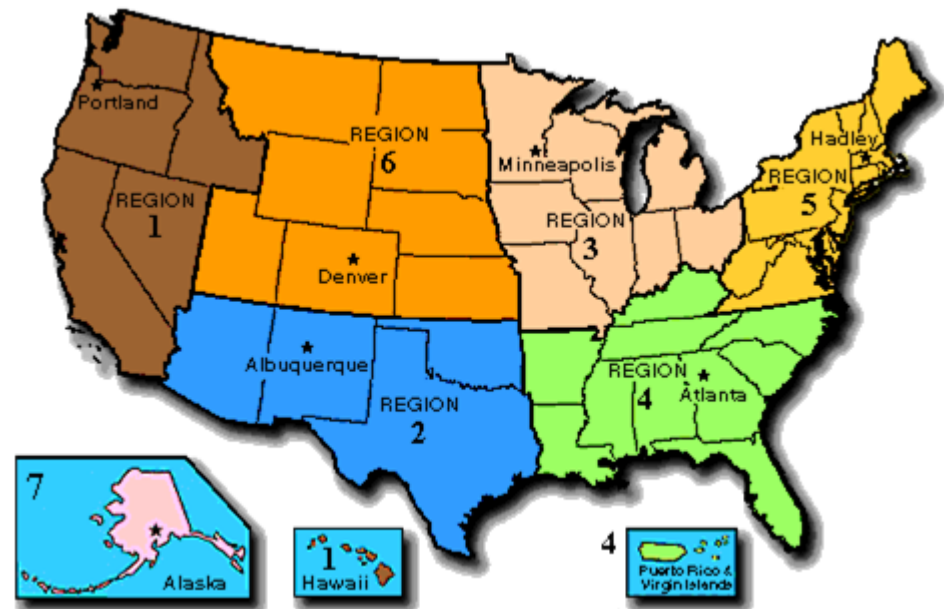
Look at Competitor Through Customers' Eyes

- Where are they, and proximity of their sales force
- Who are their customers, and are they happy
- Strong/weak?
 - Consider financial position, management, products
- What are their perceived core competencies?

Then Group the Competitors Together

- Determine Appropriate Groups
- Geographic?
- Size?
- Focus?

- Required
- Time Frame
- How they Compete
- Vulnerable vs. Weak



Marketing Plan

- What is your Marketing Strategy?
- Pricing and Distribution
- Pricing and margin erosion
- Distribution must match strategy/pricing
- Sales Tactics
- Who will be the first customer, second customer etc.?
- How will you reach the customer?
- “Will the Dogs Eat the Dog Food?”
- Advertising and Promotion

Development Plan

- Where is development today- product status
- What development is needed?
- Time and resources needed for development
- Do you have to produce a complete product to get going? Avoid “Nuclear Fusion”
- Difficulty and Risks
- Product Pipeline Plans

Action Plan

- What Will You Do and When?
 - Identification of “Credibility Testers”
 - Sequencing to build VALUE
 - Eliminate or Reduce Dependencies
 - Coordination of Schedule, Value Recognition Events and Financing Requirements

Appendices

- Separately Bound Volume
- Resumes of Principals
- Product Literature
- Trade Press/Business Press
- Patents (front page)
- Testimonials Letters
- Technical Information
- Confidentiality
- Technical person to technical person discussion

Investor's Perspective

Financing Document

1. Resume
2. Investment Justification
3. Implementation Plan

First Cut

- An Idea Too Good To Ignore
- A Financial Promise Too Good To Turn Down
- A Team Good Enough To Believe In
- An Action Plan That is
 - Credible
 - Focused
- Details That Give Assurance of Insight, Commitment and Follow Through
- Format and Style That Show
 - Passion
 - Sanity

First Cut Failures

- Insufficient Market
- Non-Credible Technology
 - Too Wild
 - Too Blue-Sky (Unproven)
 - Not Protectible
 - Too Mundane
- Investment Too Large For The Promise
- Failure to Understand The Market

First Cut Failures

- Action Plan Not Credible
 - Too Optimistic
 - Naïve About The Hurdles
 - Runs Off In All Directions
 - Not Ambitious Enough
 - Regulatory Barriers Insufficiently Addressed
 - Gaps Filled By Handwaving
 - No Promises At All
- Team Not Credible

First Cut Failures - Poor Reason

- I Can't Understand It.
- Filled With Market Or Technology-Specific Jargon
- i.e., WHAT IS THE BUSINESS?
- Naïve Projections
- Sloppy: Misspellings, Poor Grammar, Poor Quality Printing
- Too Damn Long
- Ignores The Basics
- “Forget Marketing, My Technology Is Best”
- Naïve (or Terrible) Writing

References

- **New Enterprises - Bill Aulet**
- **MIT Nuts And Bolts - <http://nutsandbolts.mit.edu>**
- **Bill Lecture 4 new/11/14 old**