The Business Plan

HST.921 Tutorial
March 5, 2009
Agenda

• What is a Business Plan?
• Elements of a Business Plan
• Investor Presentation
WHAT IS A BUSINESS PLAN?
The Foundation Of Your New Venture

- Marketing Plan
- Product Plan
- Mfg Plan
- Financial Plan
- Other Plans

- 30-60 seconds
- Elevator Pitch
- 1-2 pages
- Executive Summary
- 15-30 minutes
- Presentation
- 20-40 pages
- Business Plan

Developed by The CONTeXO Group for HST.921
Why Does One Need A Business Plan?

• To serve as a disciplined focal thinking point for building the business
• To raise financing
• To attract talent and management team
• To pursue strategic partners

• After (each) financing, it becomes the operational plan, constantly updated
ELEMENTS OF A BUSINESS PLAN
Business Plan Outline
(Not all Business Plans will contain all elements...)

- Executive Summary
- Company description
- Management Team
- Products
- Market
- Competition
- Marketing Program
- Business Model
- Manufacturing
- Service
- Facilities
- Staffing
- Board/Advisory Board
- Ownership
- Milestones
- Capital required/use of proceeds
- Financial data/forecasts
- Risks/Risk Management
- Appendices
Executive Summary

Short summary of the business plan, including:

• The company
• Management team
• Target market
• Principal products or services
• Marketing plan
• Financing requirements
Company Description

• History and status
• Background and industry
• Company's objectives
• Company's strategies
• What makes the company different from others
Management Team

- Founders and key employees
- Entrepreneurial Experience
- Industry Experience
- Functional/Operational Experience
Products

• Product description and comparisons
• Innovative features/IP (patent coverage)
• Applications
• Technology
• Product development and R&D effort
• Product introduction schedule and major milestones
• Future products (product evolution)
Market

• Market summary and industry overview
• Market analysis and forecasts
• Industry trends
• Initial product(s) / Total Available Market
Competition

- Similar Products
- Product Comparisons
- Company Comparisons
- Market Share
- Outlook
Marketing Program

• Objectives
• Marketing strategy
• Communications and PR/Analysts
• Strategic Alliances
• Sales and distribution channels
• Customers
Business Model

• Your company’s plan to make money
  – How can you transform your technology or scientific idea into economic value?
  – Who will pay? How much? How often?

• Some possible business models
  – Licenses (perpetual or term)
  – Subscriptions (annual, monthly) - SaaS
  – Pay-per-use - SaaS
  – “Razor/Razorblade”
  – Auctions
  – Software + services bundles
Manufacturing

• Process
• Costs
• Life Cycle
• Manufacturing Engineering
• Supply Chain
Service

- Customer Service/Call Center
- Field Service
- Service Policy/Contracts/SLAs
- Service Lifecycle
- Field Engineering
- Spare Parts & Distribution
- Organization
Facilities

• Office Space
• Manufacturing Space
• Remote Offices
• Telecomms/Networking
Staffing

• Founder and key employees
• Organizational structure
• Headcount growth
• By job function/department
• Recruiting sources
• Geographic labor pool (local v. relo)
Board/Advisory Board

• Board members (typical)
  – Smaller is better
  – CEO/Founder(s)
  – 2 Investors
  – 2 industry experienced veterans (optional)

• Advisory Board
  – Credibility, customer access
  – Industry experienced veterans
  – Luminaries
Ownership

- Founders/employees
- Outside investors
- Incentive plan (stock options/stock purchase)
- Cash investments to date
Milestones

- Major events that increase valuation; e.g.
  - Working Beta/Beta customers
  - Complete commercial product
  - First n paying customers
  - First major strategic partner/reseller
  - Follow-on product
  - P&L/cash flow breakeven
  - Etc.
Capital Required/Use of Proceeds

- By Milestone
- By “Uses” for each milestone
- “Rule of thumb” is 50% more than plan
- Make sure Cash Flow works
Financial Data/Forecasts

• Give Assumptions Used

• By month for first 6 months
• By quarter for following 6 quarters
• By year for another 3 years (total 5 years)

• Revenue
• Expenses
• Cash Flow
Risks/Risk Management

• Product Risks
• Market Risks
• Team Risks
• Other Critical Success Factors
Appendices

• Detailed management profiles
• References
• Product descriptions, sketches, photos
• Recent literature on product, market, etc.
• Analyst reports
• ...
Overview

• Objective: Get another meeting/initiate Due Diligence
• A summary of key points, not the whole Business Plan
• Not selling product - selling stock
• Typical initial meeting is one hour
• Begin by asking about the investor firm
• Presentation - no more than 20-30 minutes
• Leave ample time for discussion
Presentation Content

• What an investor wants to know
  – Who you are
  – What you have accomplished
  – What you plan to do

• Focus on the “Big Four”
  – Management Team
  – Market
  – Product (keep light, demo OPTIONAL)
  – Finance
THANK YOU