

### Why a business plan?

- It's more for you than anybody else
- It allows you to organize your thoughts
- It allows you to see what you are missing
- It shows others that you have a rational organized process
- It becomes a historical document to let you see what you were thinking at the time
- It is a money raising document
- It is a recruiting tool
- It keeps you honest
- It is a starting point for a tactical operating plan

### What do I need to write a business plan?

- Research, research, research
- Honesty, honesty, honesty
- Guts
- Determination that if it does not hold together, change the model or kill the plan
- Recognition that it is cheaper to kill a marginal idea than to try to make it work
- Do your financial homework
- Talk to your customers; Talk to your competitors
- Realize you can never do enough work on your plan
- Remember that it is a living document

### What are the parts of a business plan?

- Executive summary/use of funds
- The problem/the market
- The solution (your business proposition)
- Market and trends
- Sales strategy and distribution
- Proprietary protection (patents, trade secrets, unfair competitive advantage)
- Government regulation
- Exit/liquidity
- People (key employees, advisors)
- Financials (Capitalization chart, 5 years of income statements, balance sheets, cash flows)

### Executive summary

- 1 or 2 pages
- Summary of business plan with all sections
- Your one chance to grab the reader
- Avoid hyperbole
- The more quantitative you are, the better
- Cite your sources

### The problem

- Describe what the customers' itch is
- Current solutions
- Current costs/size of market opportunity
- Who cares?

### The solution

- What can you do?
- How much does it cost?
- Who says it is important?
- Is it a marginal improvement or revolutionary?
- Will competitors get to it if you don't?
- What makes your solution unique?
- Is it a must have or a nice to have?
- Does it allow my customer to do it better/faster/cheaper?
- How do you keep from getting pulverized?
- What makes you so smart?
- Developmental milestones, timelines and costs, uses of cash
- Strategy & tactics

## The Market

- How big?
- How is it divided?
- Who owns what?
- Who are your customers?
- How are they organized?
- What are the politics of their organization?
- Who are your early adopters?
- What are their motivations?
- Why should they buy from a new supplier and not a trusted brand?
- What influences their buying decision?
- Where is your niche?
- Total vs. Addressable vs. other
- Growth
- Changes due to technology or other reasons

## Sales Strategy & Distribution

- How am I going to sell, direct or through distributors?
- Can I support my own sales staff?
- Can I access my customers? How much will it cost? Alternatives?
- How much profit will I have to give to the channel?
- How much will each salesman have to sell?
- What prevents my distributor from competing with me?
- What are their incentives?
- What prevents them from selling competitive products?

## Proprietary position

- Patents
- Trade secrets
- Know-how
- Contract/agreements
- Unfair competitive advantage

## Government Regulation

- FDA, FCC, others

## Exit/Liquidity

- Going public
- Selling your company/merging/getting acquired

## People

- Key employees (CEO, CFO, VPs, Sr. technical people, inventors)
- Board members/investors
- Scientific Advisory Board
- Business Advisory Board
- Lawyers
- Accountants

## Financials

- Should tell you how much money you need to reach your milestones
- Should justify why this is a good business/investment
- Should allow you to do sensitivity analysis and ask “what if I am a quarter ahead or behind?”
- Capitalization chart, 5 years of income statements, balance sheets, cash flows
- Should be able to show why each round of financing is a good investment