

Professional Issues in IT



Startup

Why Capital is Needed

- ❑ Startup Expenses
- ❑ Capital Investment – Infrastructure
- ❑ Operations
- ❑ Living Expenses
- ❑ Receivables Time period

The Business Plan

- ❑ Why you need a business plan?
- ❑ The primary value of your business plan will be to create a written outline that evaluates all aspects of the economic viability of your business venture
- ❑ Your business plan will become your roadmap to chart the course of your business

What is included in a Business Plan

- ❑ Executive Summary
- ❑ Opportunity
- ❑ Execution
- ❑ Team and Company
- ❑ Financial Plan
- ❑ Appendix

Business Plan

- Executive Summary
 - Introduce your business
 - What is your value proposition
 - Should be clear and concise

Business Plan

□ Opportunity

- The Problem
- Your Solution
- Target market
 - TAM: Your Total Available or Addressable Market
 - SAM: Your Segmented Addressable Market
 - SOM: Your Share Of the Market
- Key Customers
- Competition
- Future Products and Services

Business Plan

□ Execution

■ Marketing and Sales

■ Positioning

- Low price offering vs Premium/luxury brand?

■ Pricing – three models

- Cost plus, Market based and Value pricing

■ Promotion

- How do you plan to communicate with your customers

■ Operations

- Sourcing and fulfillment

Business Plan

□ Team and Company

- Investors don't invest in ideas, they invest in people
- Running a successful business all comes down to execution
- Company Overview
 - Mission Statement
 - Intellectual Property
 - Patents
 - Technology licensed from other providers

Business Plan

□ Financial Plan

- Sales forecast
- Personnel plan
- Income Statement (Profit and Loss Statement)
 - Sales / Income / Revenue (Top Line)
 - Cost of Goods Sold (COGS)
 - Gross Margin
 - Operating Expenses
 - Operating Income
 - Interest, taxes, depreciation
 - Total Expenses
 - Net Profit (Bottom Line)

Business Plan

□ Financial Plan – contd.

■ Cash-flow Statement

- how much cash (money in the bank) that you have at any given point

■ Balance Sheet

- financial health of your business
- Lists assets, liabilities and equity

■ Exit strategy

- Sell-off
- IPO

Funding

□ Grants

- Usually from governments – often partial

□ Loans

- Includes interest
- Require security

□ Equity

- Business Angels
- Venture Capitalist

□ Crowd Sourcing

- Kickstarter

Angel Investors

□ Angel investor:

- An affluent individual who provides initial
 - capital for a business start-up.
 - amount is generally smallish
 - gets company off the ground to prototype stage
 - often decided quickly and on a fairly informal proposal
- Angels are compensated with:
 - ownership equity (a percentage of ownership of the company)
 - convertible debt (options to buy stock in the company later)

Venture Capitalist

- ❑ Venture Capitalist ("VC"):
 - Financial resources given at early-stage
 - VC firm gets % of profits or equity (stock)
- ❑ Stages of VC financing:
 - seed funding: initial minimal funds; often given by angels
 - start-up: early funds from VC firm for marketing/dev
 - growth ("series A"): large investment (\$1-2M) for preferred stock
 - second round: company is successful, but not profiting

Reference

- ▣ Frank Bott - Professional Issues in Information Technology – Chapter 5
- ▣ <https://articles.bplans.com/how-to-write-a-business-plan/>