

Writing a Business Plan

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Key Elements of a successful company



Elements of Sustainable Companies - 1

Start-ups with these characteristics have the best chance of becoming stable companies:

❑ **The business**

Clarity and purpose – be able to summarize the company's business on the back of a business card, pitch the idea in a convincing manner in 5 minutes and so on.

❑ **The Market**

Address existing markets poised for rapid growth or change. A large market allows for error and time for real margins to develop.

❑ **Customers who can afford it**

Target customers who will move fast and pay a premium for a unique offering.



Elements of Sustainable Companies - 2

☐ **Focus - Answer a clear need**

Customers will only buy a product with a clear value proposition.

☐ **Be innovative**

Constantly challenge conventional wisdom. Take the contrarian route.
Create novel solutions. Outwit the competition.

☐ **Team Establishment**

Choose your team wisely – social skills, charismatic, clever, innovative, experienced, managerial skills and so on.



Elements of Sustainable Companies - 3

□ **Agility**

Speed will usually help beat-out large companies.

□ **Cost -conscious**

Focus spending on what's critical. Control Spending. Focus only on the priorities and maximize profitability.



The Importance of the - “Unfair advantage”

- Potential investors are looking for that special ingredient that will give them confidence that a startup company will have an advantage over its competitors
- You will need a very accurate answer to the question: “what do you do better than any other company”?
- The advantage will survive copying, reverse engineering and attacks by giants with money...and advantage that can produce enough products to make the IPO dream thinkable.



The Investor Looks For

- A large, rapidly expanding market
- People/management that can get the job done
- A brilliant idea or technology that can be commercialized
- A strategy that has a strong "unfair advantage"
- A reasonable price per share



Why Write a Business Plan?

- Because I Need to Understand My Business
- Because I Need to Attract Investors
- Because I Need to Attract Excellent People
- The Business plan is a result of a PLANNING PROCESS
- Requires to: Think, Reach Consensus, Put all in Writing
- People don't Plan to Fail; they Fail to Plan

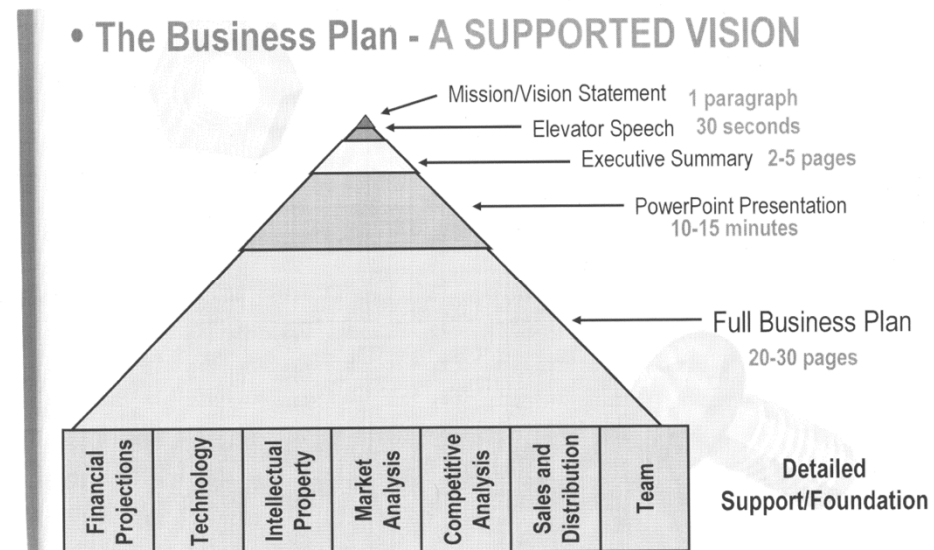


Why Write a Business Plan? cont

Few (of many) basic questions to be answered:

- Large and growing market?
- Who are your customers?
- Why will they buy your service or product?
- What will they pay?
- How will you make and deliver the service/product
- What resources (people, money, technology) will you need?
- Can you make money/create value?

The Business Plan Model





A Business Plan Includes:

- Executive Summary
 - The Opportunity
 - The Service/ The Products
 - The Market
 - Competitive Landscape
 - Marketing Plan (+ Sales Plan , if applicable)
 - Work Plan (R&D, Manufacturing, Operation, Go to Market, etc.)
 - The Company (Background, location, Management Team, etc.)
 - The Financial Plan
-
- Appendices: CVs, Tech Plans, Patent app, Legal docs

SWOT Analysis -1

<div>External</div> <div>Internal</div>	Opportunities	Threats
	SO	ST
Strengths	WO	WT
Weakness		

SWOT Analysis

Examples:

Advantages of proposition?
Capabilities?
Competitive advantages?
USP's (unique selling points)?
Resources, Assets, People?
Experience, knowledge, data?
Financial reserves, likely returns?
Marketing - reach, distribution, awareness?
Innovative aspects?
Location and geographical?
Price, value, quality?
Accreditations, qualifications, certifications?
Processes, systems, IT, communications?
Cultural, attitudinal, behavioural?
Management cover, succession?
Philosophy and values?

strengths

SWOT Analysis

weaknesses

Examples:

Disadvantages of proposition?
Gaps in capabilities?
Lack of competitive strength?
Reputation, presence and reach?
Financials?
Own known vulnerabilities?
Timescales, deadlines and pressures?
Cashflow, start-up cash-drain?
Continuity, supply chain robustness?
Effects on core activities, distraction?
Reliability of data, plan predictability?
Morale, commitment, leadership?
Accreditations, etc?
Processes and systems, etc?
Management cover, succession?

SWOT Analysis

threats

Examples:

Political effects?
Legislative effects?
Environmental effects?
IT developments?
Competitor intentions - various?
Market demand?
New technologies, services, ideas?
Vital contracts and partners?
Sustaining internal capabilities?
Obstacles faced?
Insurmountable weaknesses?
Loss of key staff?
Sustainable financial backing?
Economy - home, abroad?
Seasonality, weather effects?

SWOT Analysis

Examples:

Market developments?
Competitors' vulnerabilities?
Industry or lifestyle trends?
Technology development and innovation?
Global influences?
New markets, vertical, horizontal?
Niche target markets?
Geographical, export, import?
New USP's?
Tactics: eg, surprise, major contracts?
Business and product development?
Information and research?
Partnerships, agencies, distribution?
Volumes, production, economies?
Seasonal, weather, fashion influences?

opportunities

Business Plan Sample



[Company Name]

Business Plan



Mission Statement

A clear statement of your company's long-term mission. Try to use words that will help direct the growth of your company, but be as concise as possible.



Executive Summary

- **Business Opportunity**
- **Business Model**
- **Market**
- **Product/Service**
- **Technology**
- **Management**
- **Five-Year Income Statement**
- **Head Count and Capital requirements**



Management and Key Personnel

- **Organization**
- **List CEO and key management by name**
- **Include previous accomplishments to show these are people with a record of success**
- **Summarize number of years of experience in this field**
- **List Board Members**

מהו שיווק (Marketing) ?

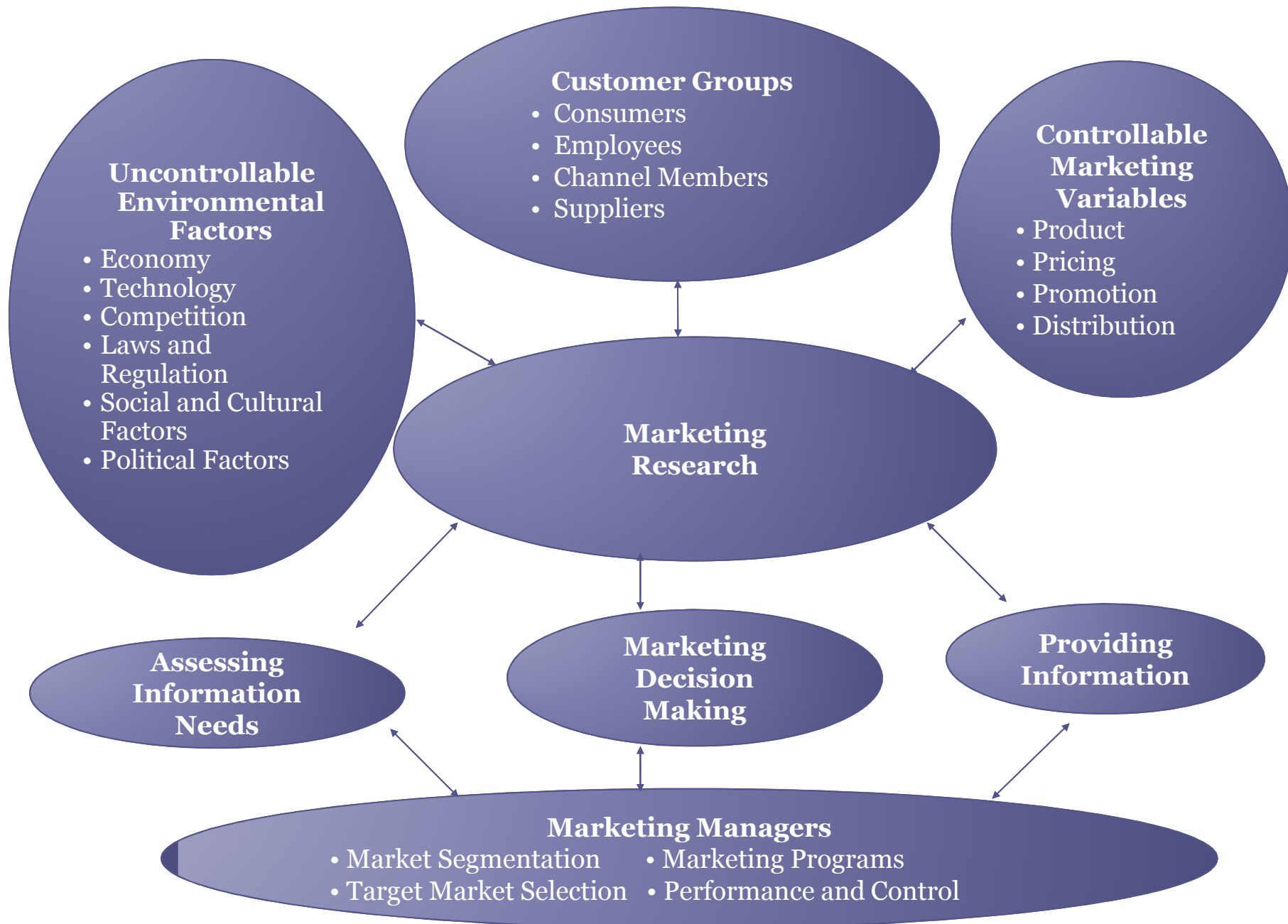
- השיווק הינו תהליך שנועד להשיג את רווחת הלקוח בתנאי רווחיות של החברה
- ניהול השיווק הנו תהליך ניהולי בחברה הכרוך בניתוח, תכנון, ארגון, יישום ובקרה אשר נועד ליצור מערכת חליפין רווחית עם קוני המטרה, על מנת להשיג את יעדי החברה



מהי המערכת השיווקית?

- איתור צרכים
- בחינת הצרכים והחלופות
- פיתוח מוצרים ושירותים
- הצגת התועלות לפני הלקוחות
- שכנוע הלקוחות לצריכת המוצרים
- הפצת המוצרים בזמן ובמקום המתאים

The Role of Marketing Research in Marketing Decision Making





תמהיל השיווק – 4P's

Product .1

איכות, תפקוד, דגמים, מותגים, אריזה, גודל, שרות, אחריות והחזרות.

Price .2

מחיר קטלוגי, הנחות, הטבות, תנאי אשראי, תקופת תשלומים.

Place .3

צינורות הפצה, כיסוי שוק, מלאי, תובלה, אחסנה.

Promotion .4

פרסום, מכירה אישית, קידום מכירות, יחסי ציבור



Marketing and Opportunity Analysis

- **Market segments/customers**
- **Market players/competition**
- **Competitive Advantages**
- **The opportunity**
- **Estimated Market Share**



The Opportunity

Questions About the Business Every Business Plan should answer

- Large and growing market?
- Who are the major customers?
- Are they easy to reach?
- What are their decision processes?
- How much can you charge?
- How much does it cost to produce and deliver the product?
- Is the product "off the shelf" or highly customized?
- How much does it cost to acquire, to support, to retain a customer?

Stages of Marketing Plan

**Phase one -
Goal Setting**

1. Mission

2. Corporate objectives

**Phase Two –
Situation Review**

3. Marketing audit

4. SWOT analysis

5. Assumptions

**Phase
Three-
Strategy
Formulation**

6. Marketing objective and strategies

7. Estimate expected result

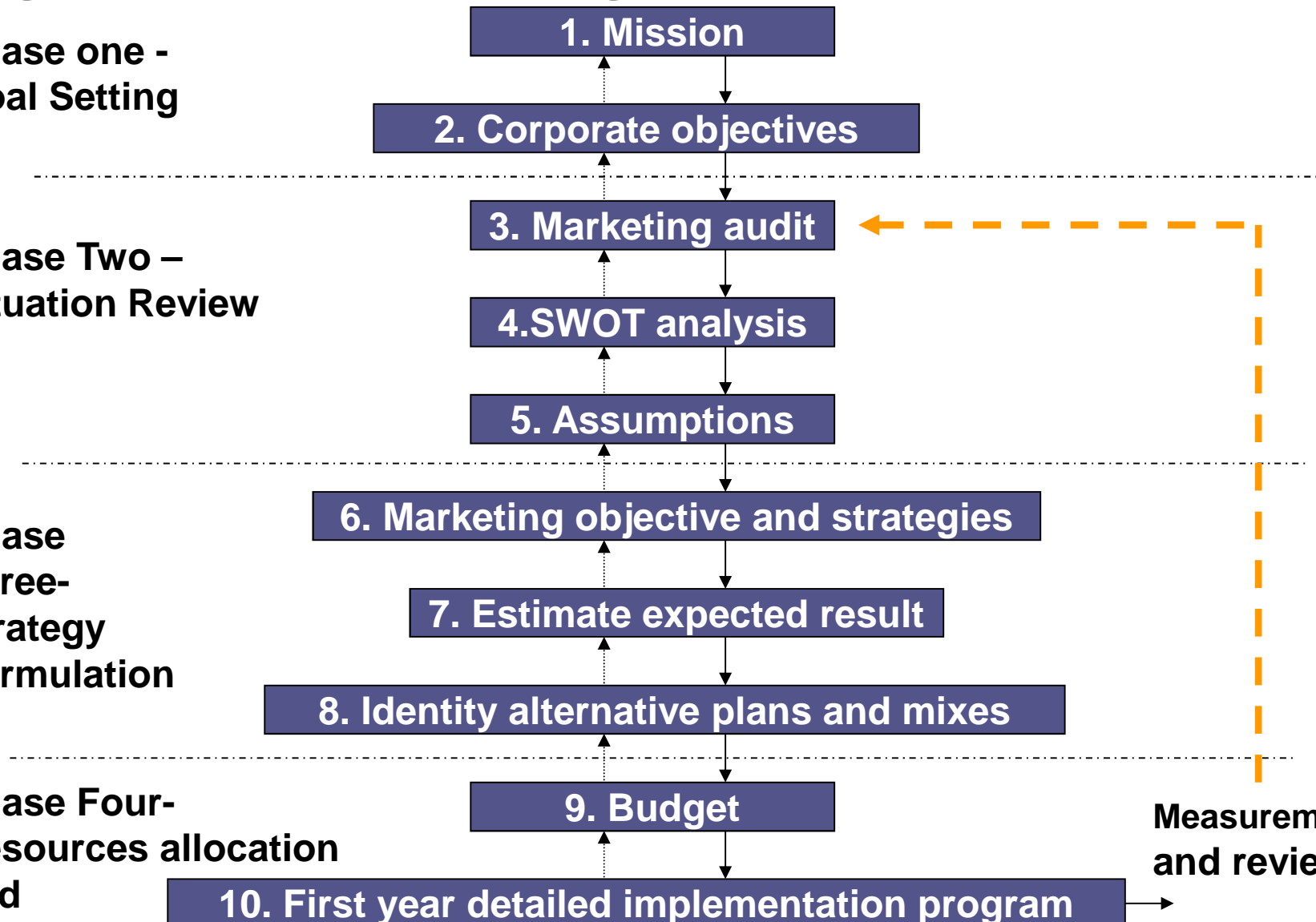
8. Identity alternative plans and mixes

**Phase Four-
Resources allocation
and
monitoring**

9. Budget

10. First year detailed implementation program

**Measurement
and review**





Marketing Plan

- **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?**
- **Advertising and Promotion**



Operational Plans

- **Design and Development Plan**
- **Manufacturing Plan**
- **Personnel requirements**
- **Resources requirements**
- **Make or Buy Decisions**
- **Schedules, Milestones**



Operational Plans Cont.

- Feasibility checks
- Development milestones
- Resources planning
- IP protection – Patents etc.
- DFM –Design for Manufacturability
- Second Source protection
- Configuration Management
- Maintainability;



Operational Plans Cont.

- Customer support
- QA, ISO, CE, FCC, FDA
- Team work from day one – research results
- Periodical checks/meetings
- Design Reviews: **P**reliminary**DR**, **C**ritical**DR**
- Alpha Site
- Beta Site
- Communication/verification/documentation
- Outsourcing



Five-Year Goals & Objectives

- **State specific measurable objectives**
- **State market share objectives**
- **State revenue/profitability objectives**



Financial Plan

- **High-level financial plan that defines financial model, pricing assumptions, and reviews yearly expected sales and profits for the next three to five years.**
- **Income Statement and Cash-flow Analysis are essential**
- **Use several slides to cover this material appropriately.**



Financial Plan Cont.

- **1st year Monthly figures**
- **2nd year Quarterly figures**
- **Years 3-5 Annually figures**

- **Build the Excels bottom-up:**
 - Number of products produced/sold**
 - Costs and price per unit**
 - Number of employees in all departments**
 - Employees' salaries**
 - Costs of Communication, Travel, Rent, Legal etc.**
- **Check for reasonability top-down**



Financial Plan Cont.

- Use graphic presentations for analyzing processes and discovering errors and incontinuities
- Calculate Break-Even Point and Funds Needed
- Run Sensitivity Analysis of various scenarios and be ready with explanations for ways out



Risks Analysis

- **Risks**
 - **Summarize potential risks**
- **Addressing risk**
 - **Summarize how risks will be addressed**



5 year P&L forecast for a “typical” company

□ First 1-2 years -

- Company establishment, Product Development, Marketing activities.
- Usually with no real revenues during this period. For Internet companies – a shorter period, bio-technology company – much longer.



5 year P&L forecast for a “typical” company

- ❑ Next 3 years – start and increase sales. A realistic/promising work plan formulated at this stage should aim at increasing revenues exponentially.
- At this point the company–
 - Will increase quantities due to growing demand
 - Will decrease gradually price per unit due to competition
 - Will decrease gradually COGS due to economy of scale
 - Will need a second round of financing to support growth

5 year P&L forecast for a “typical” company

- **Cost of sales** – typical COGS should be ~15%-60% of Revenues, decreasing with increase of quantities. Larger % in hardware companies compared to software companies
- **Gross Profit** – ~40%-85% of Revenues, used for financing company's operations (R&D, MKT, G&A). The extra is the Profit



5 year P&L forecast for a “typical” company

- **Development expenses** – Larger % during the first 2 years which will stabilize toward ~10%-25% of Revenues in the following years. Development costs varies across industries, products and technologies: software, hardware, bio-tech.



5 year P&L forecast for a “typical” company

- **Marketing and sales expenses** – Starts from day one. Grows incrementally and stabilize at ~10%-25% of company’s Revenue. Varies across industries, products and channels. Internet – fast response, OEM – small number of customers. Consumer – large number of clients. Institutions, Distribution Channels, Chains...



5 year P&L forecast for a typical company

- **Management and Administration expenses –** management salaries, rent, communications etc. Initially relatively high at ~30% to stabilize at 7%-10% at a later stage.
- **Operating Profit – 5%-25% of company's Revenues.** Varies across industries, technologies, and performance of management.



"סיפורי" יזמים:

- אנחנו שמרנים: חילקנו את המכירות ב-2 האמת: הכפלנו ב-2
- 90% מהמוצר גמור
- האמת: 10% יקחו כפול מהזמן והכסף שנדרשו עד כה
- אין לנו תחרות אמיתית
- האמת: רק IBM, CISCO, MICROSOFT נכנסות לתחום
- מספר משקיעים שוקלים את ההשקעה בחברה
- האמת: שלחנו את התכנית העיסקית ל- 50 קרנות
- אנחנו מחפשים משקיע עם ערך מוסף
- האמת: אנחנו מחפשים משקיע פסיבי וטיפש



WHY PLANS FAIL THE FIRST CUT

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



WHY PLANS FAIL THE FIRST CUT (cont.)

- **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**



COSMETIC REASONS FOR FAILING THE FIRST CUT

- **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**



The Investment Process

- Closing of an investment may take around 6 months
- Numerous meetings:
 - Managing Partners**
 - Investor advisors:**
 - CTOs and CEOs of portfolio companies
 - Business Development contacts
 - Limited investors in the fund
- Numerous negotiating sessions on:
 - Valuation
 - Milestones
 - Other requirements



The Investment Process cont.

- The entrepreneur can help by:
 - Providing requested information immediately
 - Providing references easily
 - Being cooperative regarding various meetings
 - Being truthful
- Remembering that you will have to live with the investor for long time...

A vibrant, high-angle photograph of a meticulously maintained garden. A light-colored, winding gravel path leads from the foreground into the distance, flanked by lush green lawns and colorful flower beds. The flower beds are filled with a variety of flowers, including yellow, purple, and red blooms. In the background, a dense forest of tall, green trees rises up a hillside. The overall scene is bright and sunny, with a clear blue sky visible in the upper right corner.

A Goal is a dream
with a deadline

Zig Zaglar