



Mind Shaker Meeting Reconsider your business plan

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Our mindshaker meeting



Team building

Reconsider your business plan

Basic assumptions, top line & P&L

Financial Needs and valuation

Operations & milestones

Lean start up

Market strategy

Investors: corporate governance & Shareholders agreement

Reconsider your start up strategy

Elevator pitch with investors

Reconsider your business plan

- Writing a business plan with a professional approach
- Qualitative and quantitative part of the business plan
- Focus on the important issues and mistakes to avoid
- How investors read your business plan and what they want from you
- all documents required by investors :
 - one page presentation,
 - elevator pitch,
 - business model

From your idea to your start up



Before starting...what you need to launch a start up and what investors want:

1. Passion
2. Knowledge
3. Determination
4. Curiosity
5. Deal that are realistic and fair.
6. Deals that are well projected and do not blow apart if actual differs slightly from plan.
7. Deals that are value creative
8. Idea that can turn into a real company, and not just into an app
9. Business plan that are well written, consistent and detailed

BUSINESS PLAN

- **Why** you are writing the plan
- Who are the **readers** and how to write for them
- List of contents, **important issues** and mistakes to avoid
- How to present yourself to **investors**

Business plan , is it really important ?

- **Improves the understanding** of clients and customer needs
- Increases the focus on the **competitive environment**
- Increases the focus on the **cash flow and the profitability**
- Helps to **solves problems**
- Helps to develop the **road map** for the execution of your business idea
- Improves the **corporate governance** and the relationship with other stakeholders

.... **Yes, it is !!!**

Business plan , **who are the readers ?**

- **new partners / industrial networks**
- **financial investors**
- **Banks**
- **Commitees** for funding

What you need to write in order to talk and deal with professional investors (your readers):

1. **One-page summary**

1. Short presentation to introduce your business idea
2. It must be simple and clear; it must stimulate curiosity and interest on your company..... Business plan will be more precise and in depth

2. **Elevator pitch**

1. More detailed document (in power point) of your business idea; it is usually used to support founders presentation
2. It is the best way to personally present your business idea focusing on clients, needs, team and future prospects

3. **Business plan**

1. Very detailed presentation of the business idea: max 30 pages
2. Focus on both qualitative (3 domains) and quantitative sides (forecasts)

One-page summary

- Many institutional investors require you to send them this **one-page summary**, before deciding to further analyze your idea or asking for an oral presentation
- It's the **key to open** the entry barriers of professional investor
- It's the brief and accurate way to **stimulate curiosity**
- It's only the **first step**, elevator pitch and business plan will go in further details

Business plan



Italian **Angels**
FOR GROWTH

BRIEF DESCRIPTION OF THE IDEA AND OF THE COMPANY ACTIVITY

COMPANY INFORMATION

ADDRESS :

WEBSITE:

FOUNDING YEAR :

NUMBER OF EMPLOYEES :

INVESTED CAPITAL SO FAR :

CAPITAL NEEDS AND USE FOR

COMPANY VALUATION (ESTIMATED)
OF THE ROUND OF FINANCING:

EXPECTED REVENUES IN 3 YEARS :

TEAM'S KNOWLEDGE AND EXPERIENCE (SHORT CV)

MILESTONES : NEXT FUNDAMENTAL STEPS

INNOVATION/ TECHNOLOGY/ PRODUCT

SUSTAINABILITY/ ENTRY BARRIERS

MARKET SIZE AND COMPETITION

BUSINESS MODEL

Business plan : the elevator pitch



What it is: a combination of an oral presentation, and a set of slides to support your pitch. The duration is 15 minutes + Q&A.

Elevator pitch will be performed by your group in the last course session.

main topics:

1. **Idea:** brief description of you idea and its innovativeness
2. **Needs and clients:** which are the customer needs your idea can satisfy and who are the clients
3. **Market,** size, growth and positioning
4. **Industry:** competitive environment and strategies to protect your idea
5. **Team:** people, organization and knowledge
6. **Operations and Milestones:** how you will be in 1, 3, 5 years
7. **Economics and financials:** future forecasts and capital needs

Business plan: typical structure



- **Executive summary**
 - Company description (business idea)
 - Industry analysis and trends (size of the market)
 - Target Market (Customer needs)
 - The competition (competitors analysis)
 - Strategic position (Competitive advantage)
 - Marketing plan and sales strategy (business model)
 - Operations (business model)
 - Technology plan (business model)
 - Management & organization (people and competences)
 - Development, milestones (road map)
 - The financials (econ. and financial forecasts)
- ...and for start up companies
- Financial needs and use of funds
 - Investment conclusions

The most important part of your business plan

- **Length: 2 pages max**
- **Style: clear and concise**
- **Goal: It has to be the best part of the plan: solid, convincing and interesting**
- As you can imagine, the contents are
 - Business idea
 - Target market
 - Competitive advantage
 - Management team
 - Economics & financial forecasts (key figures P&L and CF)
 - Financial needs & use of funds
 - Valuation and return for the investor

the **qualitative** side of the Business plan

1. Team domain (or your team)

your dreams, idea, ability to execute and connections

2. Market domain (or the buyers)

clients, customer needs and market trends

3. Industry domain (or the sellers)

Competitors and competitive sustainability

1. Team domain: your entrepreneurial dreams



Vision

- Where does your idea come from and where you want to go?

Mission

- To serve a market or to change an industry or to sell a particular product?

Aspiration

- To work for yourself or to build something or to create and manage it?

Propensity at risk

- Would you lose your job and salary? would your risk to lose your money?

1. Team domain: your entrepreneurial dreams

The management team : vision, mission and aspiration

- How committed are you to this venture?
- Where does your idea come from?
- What's your mission?
- To serve a market or to change an industry or to sell a particular product?
- What's your aspiration?
- To work for yourself or to build something or to create and manage it? or to change the world?
- What sorts of risk are you ready to take?

1. Team domain : ability to execute and connections



knowledge,

- Education, skills and abilities of the founders (CVs)
- Knowledge and experience relevant to the market , the industry and the competitors

organization

- Infrastructure and connections of the founders in all directions of the value chain: suppliers, distributors, customers and competitors
- Knowledge and flexibility to respond to market changes

ability to execute

- industry's Critical Success Factor
- Founders with respect to the CSFs

1. Team domain : ability to execute and connections



The management team : knowledge and ability to execute

- Where you and other founders are from? where have you been educated?
- Have you and other management worked together before?
- What skills, abilities, and knowledge do you have?
- What experience do you have that is directly relevant to the opportunity you are pursuing?
- How your team knows the market and the industry and their players?
- Has your team worked in the industry and already have entrepreneurial connections with supplier or with competitors?
- who do you know among suppliers, customers and competitors?
- define the industry's Critical Success Factors
- demonstrate you or your team can execute and control the CSFs
- Is your management team complete?
- Who else needs to be on the team?

1. Team domain what investors want: people, people, people



- "I invest in people, not ideas."
- "If you can find good people, if they're wrong about the product, they'll make a switch, so what good is it to understand the product that they're talking about in the first place?"
- "Business plan writers should keep this in mind : talk about the people - exhaustively."
- "If there is nothing solid about their experience and abilities, then the entrepreneurial team should think again about launching the venture."

1. Your domain: business idea, product / service



- Clear and adequate **description**
- **Where we are now**: stage of the development
- **technology** feasibility
- **Innovation** brought with the idea: first to market? Intellectual property position?
- **unique attributes** to the product/services which provide market differentiation

1. Your domain: business idea, product / service



The Idea : Products/Services

- Which is the final goal of your idea ?
- Is the overall content understandable and well presented?
- Are the company product/services adequately described?
- Is the ownership well understood?
- Is it clear that the company owns or has licensed all relevant technology?
- Do the product/services solve a current market issue?
- Are there unique attributes to the product/services which provide market differentiation?
- Is this a single product/service company or a suite of potential products/services applicable to more than one market?

1. Your domain: business idea, product / service



Technology assessment

- Does the technology has market requirements and functional specifications?
- At what stage is the development? Concept, alpha, beta, shipping?
- Does the company have any usability studies?
- Does the company have adequate intellectual-property protection? Does it need it?
- Has the company properly set up relationships and documentation to ensure ownership of all intellectual property?
- Does the company own all necessary intellectual property through internal development or licenses?

1. Your domain: Operating structure and milestones



Operating structure, Selling and distribution

- What is the selling strategy? Are there any selling incentives?
- how are you going to sell your product/service?
- What are the channels of distribution?
- how does it work the communication of products/services?
- Does the company have a well-thought-out sales and marketing plan?
- Does the company have key relationships in place, or is it working on the same, with marketing and/or sales partners?
- Does the company have or need key joint venture relationships?
- Is the company focused on the appropriate market development?
- Has the company established all necessary partnerships, whether service providers, distributors, or third-party developers?
- Is there a well-defined marketing plan, including distribution? Customer care? Advertising ?

1. Your domain: Operating structure and milestones



Operations and milestones

- Does the company have an operating plan or outline of the same if early stage?
- Has the company considered all aspects of operation to successfully launch a product or service?
- Does each division of the company have an operating plan, and are they compatible?
- Will the management meet regularly to ensure compliance with plan or make needed adjustments?
- Does the plan take into consideration all cash needs and anticipated cash flow?
- What happens if the company will not be able to stay on plan?
- Does the company have an alternative plan if assumptions do not hold?

2. Market domain : target market, clients and customer needs



what customer need ?

- Which is the final goal and how you want to satisfy the needs

What differentiated benefits does your solution offers?

- customer 's decisions about buying this product or service

what evidence do you have that your customers will buy it?

- Solving a market issue or compelling purchase for the customer

who are and where are the customers?

- in demographic and geographical terms

2. Market domain : target market, clients and customer needs



Customer needs

- Which is the customer needs you are looking at and how you want to satisfy it?
- Who is the company's customer and how does he make decisions about buying this product or service?
- How does the customer make decisions about buying this product or service?
- To what degree is the product or service a compelling purchase for the customer?
- Does your product/services solve a current market issue?
- What differentiated benefits does your solution offers?
- what evidence do you have that your customers will buy it?

2. Market domain : market analysis, size and attractiveness



Size of the market:

- how you measure it: internal or external sources ?

Trend in the recent past:

- historical data focusing on growth rates

Current trend :

- what you expect in the near future and why

Future trend :

- Expectation in the medium/long term focusing on external trends (economic, technological, etc) that will affect the market

2. Market domain : market analysis, size and attractiveness



Market analysis

- Who is the company's customer?
- Who are the company's customers in demographic and geographical terms ?
- Is this a single product/service company or a suite of potential products/services applicable to more than one segment market?
- What is the size and scope of the market?
- how fast is it growing?
- how fast will it grow in the medium/long term?
- how do you measure it? make use of external sources!
- is it new or is it an existing market?
- What is the length of its sales cycle?
- what external trend (economic, technological, cultural, ...) you can identify that will affect your market?

3. Industry domain : environment and attractiveness



define carefully the industry focusing on **competitors**

- **Who are competitors** and the substitutes of the product
- **strengths and weaknesses** of competitors
- **Size** and financial stability of competitors
- Level of competition and **market shares**
- supplier or customers power to set terms and conditions

..... Don't forget **Michael Potter's 5 forces** : Threat of Entry, Supplier Power, Buyer Power, Threat of substitute, Competitive rivalry

Explain why your idea can last for long

Competitive sustainability :

- patent protection
- trade secrets
- superior organizational processes
- Capability

Economic sustainability

- revenues and margins must be adequate to capital invested
- contribution margins must be adequate to fixed costs in the long term

3. Industry domain : competitive and economic sustainability



Your industry

- Do you recognize products/service similar to yours?
- What is the company's market differentiator?
- Why your idea is innovative and where is the difference with other similar product?
- Are there unique attributes to your product/services which provide market differentiation?
- Do you have all necessary intellectual property or intellectual property protection?
- Do you have patent protection or superior organization/capabilities?
- How will the competitors respond to your decision to enter the business?
- Is the contribution margins adequate to fixed costs in the long term?
- Are the revenues and margins adequate to capital invested?

3. Industry domain : competitive and economic sustainability



The Competitors:

- Who are the new venture's current competitors?
- What is the company's market differentiator?
- Is this enough to make them superior to competition from the customer's perspective?
- What is the financial stability of competitors?
- What are their strengths and weaknesses?
- What does the market share look like?
- Who else might be able to observe and exploit the same opportunity?
- Are there ways to co-opt potential or actual competitors by forming alliances?
- Are you aware of other players in the market that the company has not identified?

The quantitative side of the business plan

Numbers It's all about numbers !

- Estimating the future outcome in economic and financial statements means forecasting revenue, sales, expenses and investments.
- This skill requires knowledge of finance and accounting principles together with a profound understanding of industry specifics and, of course, of the company .
- Valuation is the result of your forecast !

These are the fundamental steps for start up companies in writing estimates and forecasts

1. Basic assumptions and top line growth: **project your revenues**
2. Costs structure and operating profitability from your business model: identify the **operating costs**
3. **Investments**: identify the capital spending required to launch and develop your company
4. Derive a **Profit&loss** statement
5. Draw a **balance sheet** focusing on net financial position
6. Write a **Cash flow statement** focusing on cash generation
7. Find your **Capital needs**, use of funds and source of financing

This skill requires knowledge of finance and accounting principles together with a profound understanding of industry specifics and, of course, of your company .

The **quantitative** side of the Business Plan

- ❖ Basic assumptions and sales forecasts
- ❖ Profit and loss account
- ❖ Balance sheet
- ❖ Cash flow
- ❖ Capital needs
- ❖ Valuation

Business plan - economics and financials



Good business plans contain historical, current and , most of all, future economic and financial figures:

- **Historical figures (not for startup)**
 - recent past: max 3 years back, historical data from your annual reports
- **Current Estimates**
 - current year, usually split in months or quarters (better)
- **Forecasts**
 - Future periods: your predictions for the forthcoming years (in our case, 5 years)

Financial needs

- Has the company articulated the use of raised funds?
- Will the company be fully financed for the next two years ?
- Is the company using the funds to pay off debts?
- How the company will receive funding ?
- What are the follow-on funding requirements and sources?
- Has the company properly anticipated future needs, and is it already working on those?
- What is the company's debt carry? What are the ratios?
- Have the founders contributed their own capital into the company?

.....remember: new investment should be used for advancing the company, not for paying old obligations

Valuation , corporate governance and exit strategy

- Don't be greedy and look for real partners for the long term and not just financial investor. Risks and potential returns have to be shared in a correct way
- Is the company's current valuation aligned with its current stage of development and market potential?
- What are pre-money valuation and terms?
- Is the company's current valuation aligned with its peers, based on recent IPOs , M&A, recent companies funded in this space
- Has the company considered a reasonable exit strategy?
- Watch out for un realistic valuation ; it could affect percentage ownership and possible subsequent rounds.
- What is the company's corporate structure?
- Does this model allow for a return on investment?
- Does the corporate structure fit with the business model?

Is your Business plan complete ? ... check list :

1. Presentation of the business plan
2. Product / service idea
3. Market
4. competitors
5. Management team
6. Operating structure
7. Road map and milestones
8. Economics and financials
9. Financial needs, sources and use of funds
10. Valuation and corporate governance