

Business plan outline

Cover page and table of contents

- Company name
- Product name
- Confidentiality statement
- Disclaimer

Do not include a non-disclosure agreement (NDA) as most investors will not sign an NDA at this stage.

Executive summary

Summarize all key points in your business plan. This may be all the investor will ever read. It should be 1-3 pages long. Your executive summary should include:

- Value proposition and innovation
- Market identification and analysis
- Marketing and sales strategy
- Sustainable competitive advantage
- Company products and services
- Team
- Operational plan
- Expansion plan
- Financials

Value proposition and innovation

- Value proposition - What problem are you solving for customers? Quantify benefit if possible
- Innovation - What is new about your product?

Market identification and analysis

Establish that there is a fast growing market for your product. Show that you understand your competition. Include in this section:

Market and industry

- Define the market or industry.
- How large is it and how fast is it growing? - Total market size in dollar volume / Market growth rate.
- What trends are important in the industry or marketplace?
- How is market and industry segmented (e.g. product/ buyer/ channel/ geographic)?

Targeting segment

- Define and describe the target segment.
- Calculate total market size / total addressable market/ target segment/ market share

Competition

- Direct competitors
- Indirect competitors

Customers

- Who are the traditional customers in this market?
- What motivates buying decisions?
- In what ways are customers dissatisfied with current offerings in the marketplace?
- What customer needs are currently unmet by the market?

Marketing and sales strategy

Explain how you are going to capture your market.

Marketing strategy

- Differentiation - Product differentiation/ Cost leadership (Including comparison matrix)
- Positioning - including positioning map or strategy canvas
- Tagline – clear, strong, authentic
- Marketing execution 4Ps
 - Product (Elements of the marketing strategy directly related to the product)
 - Price (Take into account channel)
 - Place (Channels)
 - Promotion (Focusing on sales strategy)
- Initial sales strategy - How to make the first sale?

Sustainable competitive advantage

Explain how you will compete when others enter your market, especially larger, better-funded established companies. Try to include as much SCA as possible.

- Proprietary intellectual property and IP strategy
- Competitive strategies - entry barrier/ network effects and externalities/ switching cost

Company products and services

- Products/ services key features
- How the product works?
- Product illustration

Explain clearly but do not go into too much technical detail.

Team

Explain why the members of the management team are the best people to execute your business plan. Emphasize their relevant strengths and experience. Include an experienced Board of Advisors to enhance credibility

- A short paragraph on each team member, full name, picture, position, relevant strengths and experience
- Board of advisors, with names and biographical data
- Strategic Alliances

Operational plan

- How to execute on the business plan? (Detailed descriptions of year one activities)
- Distribution, service provision, support, production, operating methods, procedure
- A timeline of operational milestones

Expansion plan

- Product expansion plan with a timeline
- Geographical expansion with a timeline and strategy

Financials

Business model

- How will the business make money? Include a diagram showing the flow of money and the exchange of goods and services among the various stakeholders.
- Sources of revenue/cost drivers
- Investment required
- Critical success factors

Financial projections

- 5 years of projected balance sheet, income statement and cash flow statements in charts or tables

To attract VC investment you should be generating a minimum of \$50MM in revenue within 5 years.

Valuation

- How much is the business worth today?

Valuation methods can include: Discounted Cash Flow (DCF), comparables, or VC method

For DCF valuations, use an 80% discount rate.

Make sure that you can explain your assumptions and how you arrived at the valuation.

For seed stage companies, should generally be in the range of \$2-4 MM.

Funding required and equity offered

- How much money do you need to raise?
- How much equity will the investor receive?

You should generally be raising around \$0.6MM to \$1.5MM at this stage.

If you are raising less than \$1MM, you will likely be seeking investment from Angel investors rather than from VCs. Seed stage equity offered should usually be in the range of 15-30%

Uses of proceeds

- How are you going to use the money you are raising

Remember that you will need to use it to fuel growth in the company

Exit Strategy and ROI

How will your investors make money and how much will they make?

- Calculate the investor's projected return on investment (ROI)
- IPOs (sell to the public)
- Trade sale (sell to another company)

Choose the most likely strategy for the company

Investor ROI should be at least 10-30 times, preferably 50-100 times over 5 years.

Remember that investor IRR is an annual return

Present the ROI as a multiple of the original investment

Appendixes - Include supporting material in the appendices. Examples:

- Detailed team backgrounds and resumes
- Patent information
- Detailed market research and publicity
- Detailed financial entries
- Customer testimonials and endorsements
- Dilution schedule

Business plan writing, structure and design

- Include a title page, table of contents and page numbers on each page
- Use good grammar, sentence structure and avoid spelling or punctuation errors
- Use a clean, simple and legible document design
- The business plan should be a maximum of 25 pages long, excluding appendices.

Business plan questions

Innovation and value proposition

1. What is your product and what is innovative about it?
2. What is the painful problem you are solving for customers?
3. What are the shortfalls of the current solutions?
4. How do you solve this problem and can you quantify your benefit?
5. How does it enable you to accomplish this?

Market identification and analysis

1. Who is your customer?
2. How big is your market and how fast is it growing?
 - a. Top-down approach
 - b. Bottom-up approach
3. What are trends in your market are favourable for you?
 - a. Technological, social, demographic, regulatory
4. Who are your direct and indirect competitors?
5. How is your market segmented?

Marketing strategy

1. How is your product differentiated from your competitors' product? Use a comparison matrix to illustrate.
2. What is your position in the market? Use a positioning map or Blue Ocean Strategy canvas to illustrate
3. What are your price, place, product, promotion and initial sales plans
4. What is your tagline?

Sustainable competitive advantage

1. How will you compete with small followers?
2. How will you compete with large companies who decide to move into your space?
3. What is your IP strategy?
4. What are your competitive strategies to create barriers to entry?

Business model and financial plan

1. Business model
 - a. Revenue sources
 - b. Cost drivers
 - c. Investment required
 - d. Critical success factors
2. Financial projections
3. Valuation
4. Funding required and equity offered
5. Use of Proceeds
6. Exit Strategy and ROI