



## **Growththink's 2009 Business Plan Guide**

*Growththink's 2009 Business Plan Guide shows how to prove the feasibility of your venture, layout your business strategy, and how to prepare your plan to convince investors that your company is right for them.*

*The Guide highlights each of the key sections of the business plan and how to complete them. It identifies key factors to include in your business plan such as highlighting past accomplishments, proving barriers to entry and showing a clear understanding of customer needs.*

## About Growththink

Who We Are.....	1
Representative Clients.....	2

## Table of Contents

Introduction .....	6
Executive Summary .....	8
Concise Explanation of the Business.....	8
Market Size and Market Need .....	8
Company's Unique Qualifications.....	9
Company Analysis .....	10
Company Profile.....	10
Past Accomplishments .....	10
Unique Qualifications.....	10
Industry Analysis.....	11
Market Size .....	11
Trends.....	11
Customers & Competition.....	12
Data Sources .....	12
Multiple Industries .....	12
Customer Analysis .....	13
Customer Identification/Definition .....	13
Customer Demographics, Needs Assessment and Decision-Making.....	13
Multiple Customer Targets & Partners.....	14
The Customers' Customer.....	14
Competitive Analysis.....	15
Defining Competition .....	15
The Competition Dilemma .....	15
Solving the Dilemma.....	10
Which Competitors to Include in the Analysis .....	11
Describing Competitors and Showing Competitive Advantages.....	16

Marketing Plan .....	17
Products and/or Services .....	17
Promotions .....	17
Price .....	18
Place .....	18
Customer Retention .....	18
Partnerships .....	19
Operations Plan .....	20
Everyday Processes (Short-Term Processes) .....	20
Business Milestones (Long-Term Processes).....	20
Management Team.....	22
Description of Key Team Members.....	22
Management Team Gaps.....	22
Description of Board Members .....	22
Financial Plan .....	23
Detailed Revenue Streams.....	23
The Pro-Forma Financial Statements .....	23
Validating Assumptions and Projections.....	24
Sources and Uses of Funds .....	24
Exit Strategy.....	24
Business Plan Appendix .....	25
Other Key Business Plan Issues.....	26
NDAs.....	26
Outsourcing the Business Plan Development.....	26
Plan Length.....	27
Plan Formatting, Charts and Graphics.....	27
Incorporating Investor Feedback .....	28

## About Growththink

Growththink is the premier business plan consulting firm. Since 1999, we have developed hundreds of business plans for clients who have collectively raised more than \$1 billion dollars in growth capital.

Growththink is the business planning firm of choice for growing companies based on the following factors:

**Methodology:** We have developed proprietary processes to create high-quality, fully customized business plans that result in superior client satisfaction and success.

**Industry Expertise:** Our business plan consultants have completed projects and developed expertise in nearly every industry.

**Client Breadth:** We have worked with clients ranging from entrepreneurs, small businesses, middle market companies and Fortune 500 firms. We understand the needs of organizations at their various stages of growth.

**Understanding of Investors' Needs:** We regularly meet with and present our clients to investors including banks, venture capitalists and private equity funds, corporate investors and individual investors.

**Functional Expertise:** Our team includes experts in every functional area related to strategic business planning - including market research, financial modeling and communications strategy among others.

**Team Excellence:** Growththink's business plan consultants have deep professional backgrounds and experiences that are brought to bear on each client engagement. Among other accomplishments, Growththink team members have launched and grown companies, raised investment capital, attained advanced degrees from top universities, and served in senior management and operating executive positions.

**Deliverables:** We understand and prepare each of the core deliverables that investors and other constituents need including business plans, executive summaries, financial models, and investor presentations.

**Consultative Approach:** When developing business plans with our clients, we do not simply document your business idea. We question, challenge, and vet your idea, to make sure that you, your partners, and your investors are pursuing a feasible opportunity. Each and every Growththink business plan is 100% customized based on your specific needs and objectives.

## Representative Clients



### **Cleaner By Nature**

Growththink developed the business and marketing plan for Santa Monica-based environmentally-friendly dry cleaning and laundry business. Worked with company ownership to strategize competitive differentiation, pricing, and financial model.



### **Cryoport**

Cryoport Systems is a leading manufacturer and distributor of temperature-sensitive, frozen packaging containers for the shipping of biological items. Growththink developed business plan and financial projections.



### **Dakim, Inc.**

Growththink assisted Dakim in the drafting of their business plan and in assessing the market for non-drug Alzheimer's-related products and services via a combination of primary and secondary research.



### **DCIP**

Growththink assisted in the development of the strategic business plan for DCIP, a joint venture owned by exhibition industry leaders AMC Entertainment Inc., Cinemark USA, INC., and Regal Entertainment Group, representing more than 14,000 movie screens across the U.S. and Canada.



#### **Hooters**

Growththink assisted in the development of Hooters franchise expansion plan for the island of Guam. Conducted market research, surveyed competitive landscape and developed detailed use of funds statements.



#### **Integreon**

Growththink developed business plan for Integreon, a business process outsourcing (BPO) firm. Integreon was successful in raising first round of venture capital. Since working with Growththink, Integreon has grown from 12 to 2,000 employees and is now one of the largest BPOs firms in the world.



#### **McKesson**

Growththink assisted McKesson's (NYSE: MCK) specialty marketing division in evaluating the target market and competitive landscape for an existing (10-year old) service platform via a combination of primary and secondary research.



#### **Metrocities Mortgage**

Metrocities Mortgage is the largest independent privately held retail residential mortgage banker in the country. Growththink developed business expansion plan and financial projections model.

### MyPublicInfo

MyPublicInfo

Designer, developer, and marketer of the premier suite of identity theft protection and management products tools and products. Growththink developed business plan and financial projections to secure venture capital for leading background check/public information profile service provider.

### Porsche

PORSCHE DESIGN

Growththink designed and drafted a business plan to extend the Porsche unique male luxury brand positioning into the retail arena -- specifically sunglasses, leather goods, golf, and electronic products. The business plan and findings were presented directly to the Porsche family.

### RaiseCapital.com

RaiseCapital.com

RaiseCapital.com is the premiere online destination for entrepreneurs and small business to showcase their business ideas and capital needs directly to investors. Growththink helped develop the firm's business plan and strategic offering memorandum.

### Sandel Medical Industries



Sandel Medical Industries collaborates with healthcare professionals to identify issues leading to the design, development, manufacturing and selling of a variety of innovative, cost-effective medical products and services. Growththink developed business plan and financial projections.



### **Semantic Research**



Semantica - the groundbreaking knowledge representation software from Semantic Research, Inc., is the only software product that enables experts and learners to graph their knowledge in a way that truly represents all of the complex interconnections required for real domain mastery.



### **Webscreen Technology**

Growththink revised and edited business plan for England-based network security development company for the purposes of raising the firm's second venture capital round.



### **XCOM Wireless**

Growththink developed the strategic business plan for XCOM, a Long Beach, CA-based high-technology start-up. Growththink drafted the XCOM Wireless business plan and introduced XCOM to Ardesta Venture Capital of Ann Arbor, MI, with whom they completed their Series A financing round.

To speak with a Growththink professional, please call us at **1-800-506-5728** or write us at [info@growththink.com](mailto:info@growththink.com). For more information, please visit <http://www.growththink.com>.



## Growththink's 2009 Business Plan Guide

### Introduction

A business plan is a roadmap for a growing company. It also serves to communicate the company's value proposition to employees, advisors, partners, customers and investors. Business plans are the vehicle by which companies "get in the door," and are the documents most heavily scrutinized by investors, particularly in today's financing environment.

To establish credibility it is critical that a business plan does not overestimate market sizes, underestimate competition, or project results over-aggressively. Rather, they must present realistic game plans for achieving success, including:

- *Highlighting past accomplishments:* The best indicator of future success is a company's past track record. The business plans of previously funded companies must show what milestones they have achieved with those funds. New companies must show how the past successes of the management team will enable the company to overcome expected challenges.
- *Understanding and defining the "relevant market":* Improper sizing of a company's target market is a telltale sign of a poorly reasoned business plan. For example, though the U.S. healthcare market is a trillion dollar market, there is no company that could reap \$1 trillion in healthcare sales. Rather, a more meaningful metric is the *relevant market size*, which equals the company's sales if it were to capture 100% of its specific niche of the market. Defining and communicating a credible relevant market size is far more powerful than presenting generic industry figures.
- *Understanding and catering to customer needs:* Investors have a laser sharp focus on the relationship between a company and its customers. In its business plan, a company must clearly communicate how its products and services meet specific customers' wants and needs, and identify which target markets most exemplify these needs. The business plan must also outline an easy to follow and credible roadmap of how the company plans to penetrate its customers.
- *Proving barriers to entry:* A business plan must include strategies that demonstrate that the company can and will build long-term barriers around its

customers. Claiming a first mover advantage is simply not compelling in today's funding environment.

- *Developing realistic financial assumptions:* Many investors skip straight to the financial section of the business plan. It is critical that the assumptions and projections in this section be realistic. Plans that show penetration, operating margin and revenues per employee figures that are poorly reasoned, internally inconsistent or simply unrealistic greatly damage the credibility of the entire business plan. In contrast, sober, well-reasoned financial assumptions and projections communicate operational maturity and credibility.

It is more crucial than ever to present investors with a realistic, credible and compelling business plan. Such a business plan distinguishes a company from the thousands of other companies seeking to raise capital, and signals to investors that the company is soberly managed and poised for success.

## Executive Summary

Most investors are inundated with business plans, and often give them no more than a cursory review. Accordingly, it is critical that the first page of the Executive Summary stimulates and motivates the investor to learn more about the company.

The first page of the Executive Summary must include the following:

- A concise explanation of the business
- A description of the market size and market need for the business
- A discussion of how the company is uniquely qualified to fulfill this need

### ***Concise Explanation of the Business***

Believe it or not, after reading the first page of most business plans, investors often do not understand the business in which the company is operating! This is particularly true when a company is involved in a complex, highly technical business. It may seem obvious, but it is critical to remember that investors cannot invest in what they do not understand. The Executive Summary must simplify the definition of the business to develop interest and promote a clear understanding. The rest of the plan can tell the full, complex story.

*"It is important to show investors that there is a clear and compelling need for the product."*

Clearly defining a business often requires simplification. For instance, an "online book seller" could also be presented as "a firm involved in the procurement and distribution of written materials across a wide geographic spectrum." Obviously the former description is more effective in setting the stage for the investor to learn what is unique about the company.

### ***Market Size and Market Need***

It is critical to show investors that the company is positioned in a large and growing market and that there is a clear and compelling need for the product or service. As such, it is important to define the market by referencing credible sources as to its size and projected growth. In 2007, it is especially critical that the plan prove the customers' ability and willingness to pay for this need.

### ***Company's Unique Qualifications***

Once the investor understands the business and agrees there is a need for the company's products and services, the final step is demonstrating that the company has an "unfair competitive advantage" in the market. Examples of unfair advantages could include a world-class management team, proprietary technology, proven operational systems, key partnerships, long-term contracts with major customers, as well as other successes-to-date. The plan must document and detail these compelling advantages.

Investors have varied opinions regarding the best length of an Executive Summary. Some prefer a one-page summary, while others feel that a three to four page summary is more appropriate. Including these critical elements in the **first page** of the business plan satisfies the needs of virtually all investors. After reading this page, investors can finish reading the Executive Summary or jump straight to the other sections.

Growththink believes that an Executive Summary should include one to three additional pages that boil down the essential elements of the business plan. This includes paragraphs addressing each of the following:

- *Customer Analysis*: What specific customer segments the company is targeting and their demographic profiles
- *Competition*: Who the company's direct competitors are and the company's key competitive advantages
- *Marketing Plan*: How the company will effectively penetrate its target market
- *Financial Plan*: Summarizing the financial projections of the company
- *Management Team*: Biographies of key management team and Board members

## **Company Analysis**

The Executive Summary entices the investor to learn more about the company. The Company Analysis in turn educates the reader regarding the company's history.

### ***Company Profile***

This section should start with a detailed profile of the company including its:

- Date of formation
- Legal structure (LLC vs. C-Corp., etc.)
- Office location(s)
- Business stage (start-up vs. undergoing R&D vs. serving customers, etc.)

### ***Past Accomplishments***

The next section of the Company Analysis should include a chart of the company's past accomplishments, including descriptions and dates when:

- Prior funding rounds were received
- Products and services were launched
- Revenue milestones were reached (e.g., date when sales surpassed the million dollar mark)
- Key partnerships were executed
- Key customer contracts were secured
- Key employees were hired

This information is critical to investors as it indicates the company's ability to execute upon a previous game plan. Attaining milestones is an excellent indicator for potential investors that their money will be used to create value and lead to a liquidity event.

### ***Unique Qualifications***

Finally, the Company Analysis should detail why the company is uniquely qualified to succeed. This is often referred to as the company's "unfair competitive advantage." This advantage could include a world-class management team, proprietary technology, proven operational systems, key partnerships, long-term contracts with major customers, as well as other successes-to-date.

## Industry Analysis

The Industry Analysis describes the landscape in which a company is/will be operating. It serves to prove to the reader that there is a genuine need in the market for the company's products and services, that the market is large enough to support substantial sales by the company, and that the industry parameters support the company's strategy.

### Market Size

A good starting point is to discuss the marketplace in which the company's products and services are offered and the size of this marketplace. Critical to this analysis is determining the *relevant market size*. The relevant market size equals a company's sales if it were to capture 100% of its specific niche of the market.

For instance, if a company develops Internet appliances for doctors, the relevant market size clearly is not the trillion dollar healthcare market. Rather it is the size (in units and dollars) of computer and Internet appliance sales to doctors, since it is these products against which the company competes. Arriving at the relevant market size is rarely easy, and often requires peeling many layers off a huge total industry size.

*"The relevant market size equals a company's sales if it were to capture 100% of its specific niche of the market."*

### Trends

Once the plan has defined the relevant market size, it should discuss industry trends and how those trends relate to the company. Questions to answer include:

- How has the relevant market size changed over the past one to five years?
- What is the projected growth of the relevant market?
- What factors will affect this growth? General economic factors? Changing regulatory conditions? Changing consumer needs? Etc.

It is important to remember that the Industry Analysis is not merely a research report – each fact, figure and projection should support the company's prospects for success. For example, consider a market research firm that relies exclusively on opt-in (i.e., the consumer chooses to participate) responses. This company's business plan would not only explain new and proposed privacy regulations, but how this supports the company's long-term competitive position. In addition, the plan should explain how the company would overcome trends that do not support the company. For example, showing how the company will succeed in an uncertain economic climate relieves investor concern and will enhance the success of the business plan.

While the facts and figures in the Industry Analysis should be presented to support the company, it is critical that the data presented be believable and verifiable as investors (if interested in proceeding) will conduct extensive due diligence on the business plan.

### ***Customers & Competition***

Even though the business plan includes specific sections for Customer and Competitive Analysis, an overview of these two parameters should also be included in the Industry Analysis.

Regarding customers, the Industry Analysis should discuss who the key customer groups are and the size of each. The specific needs, wants and demographic profiles of the customers in which the company will target will be detailed in the Customer Analysis.

Regarding competition, the Industry Analysis should discuss the key categories of competitors and the general competitive landscape. The Competitive Analysis section will detail the key competitors.

### ***Data Sources***

The Industry Analysis contains many facts, figures and future projections. For this data to be credible, it should be sourced through an independent research firm whenever possible. The opinions of the company's management are simply inadequate to convince a sophisticated investor, and reliance on "anecdotal" data can greatly detract from the overall credibility of the plan.

For general market sizes and trends, Growththink suggests citing **at least two** independent research firms.

### ***Multiple Industries***

Most companies compete in multiple industries. The company that manufactures and markets Internet appliances for doctors, as mentioned above, competes within the healthcare industry, the Internet appliance industry and the Internet connectivity industry (includes computer manufacturers, ISPs, etc.). In addition to focusing on defining and assessing the relevant market as detailed above, the Industry Analysis should include descriptions of all of the markets in which the company competes.



## Customer Analysis

The Customer Analysis assesses the customer segment(s) that the company serves. In this section, the company must convey the *needs* of its target customers. It must then show how its products and services satisfy these needs to an extent that the customer will pay for them.

### ***Customer Identification/Definition***

The first step of the Customer Analysis is to define exactly which customers the company is serving. This requires specificity. It is not adequate to say the company is targeting small businesses, for example, because there are several million of these types of customers. Rather, the plan must identify precisely the customers it is serving, such as small businesses with 10 to 50 employees based in large metropolitan cities on the West Coast.

### ***Customer Demographics, Needs Assessment and Decision-Making***

Once the plan has clearly identified and defined the company's target customers, it is necessary to explain the demographics of these customers. Questions to be answered include:

- How many potential customers fit the given definition? Is this customer base growing or decreasing?
- What is the average revenues/income of these customers?
- Where are these customers geographically based?

After explaining the customers' demographics, the plan must then detail the needs of these customers. Conveying customer needs could take the form of past actions (X% have purchased a similar product in the past), future projections (when interviewed, X% said that they would purchase product/service Y) and/or implications (because X% use a product/service which our product/service enhances, then X% need our product/service).

The business plan must also detail the drivers of the customers' decision-making. Sample questions to answer include:

- Do customers find price to be more important than the quality of the product or service?
- Are customers looking for the highest level of reliability? Or will they have their own support and just seek a basic level of service?

There is one last critical step in the Customer Analysis -- showing an understanding of the actual decision-making process. Examples of questions to be answered here include:

- Will the customer consult others in their organization before making a decision?
- Will the customer seek multiple bids?
- Will the product/service require significant operational changes (e.g., will the client have to invest time to learn new technologies? Will the product/service cause other members within the organization to lose their jobs? etc.)

It is essential to truly understand customers to develop a successful marketing strategy. As such, sophisticated investors require comprehensive profiles of a company's target customers.

### ***Multiple Customer Targets & Partners***

Most businesses target multiple customer types or segments. Each customer segment that is critical to the business model must be detailed in this section. In addition, if partners are critical to the company's marketing success, the plan must detail the specific partners the company seeks, the wants and needs of these partners, and how the partners' decision-making process works.

### ***The Customers' Customer***

Many companies must include an assessment of their customers' customer in their business plan. Consider web development companies that primarily served online marketplaces. When end-customers did not purchase the projected amounts from these marketplaces, many went out of business. As a result, the web development businesses lost customers and inherited significant financial difficulties.

In cases like these, it is important to show an understanding of the end-customers who ultimately drive the business' success. While a comprehensive needs assessment of end-customers is not critical, the plan must show how a business' customers are well positioned to meet their customers' needs now and in the future.

## Competitive Analysis

### ***Defining Competition***

The Competitive Analysis section is the most misunderstood section of the business plan, mainly because companies and investors often define the term “competitor” differently. Companies frequently define “competitors” as firms offering similar products and services. Since every product or service is unique in some ways, many companies convey in their business plans that they have few or no competitors.

Investors use a far more discerning definition of competition, defining it as any service or product that a customer can use to fulfill the same need(s) as the company fulfills. This includes firms that offer similar products, substitute products and other customer options (such as performing the service or building the product themselves). Under this broad definition, any business plan that claims there are no competitors greatly undermines the credibility of the management team.

### ***The Competition Dilemma***

In identifying competitors, companies often find themselves in a difficult position. On one hand, they want to show that they are unique (even under the investors’ broad definition) and list no or few competitors. However, this has a negative connotation. If no or few companies are in a market space, it implies that there may not be a large enough customer need to support the company’s products and/or services. On the other hand, should there be too many competitors, then the market may be too saturated to support the profitability of a new entrant.

### ***Solving the Dilemma***

Solving the competition dilemma is relatively simple if the Customer Analysis is completed properly. That section reveals the customer wants and needs that the company is fulfilling. Any company (or self-action) that also serves these needs is a competitor.

There are typically categories of competitors that compete in varying degrees with a company’s product/service offerings. As such, the competition section should include sections for *direct* and *indirect* competitors. Direct competitors are those that serve the *same* target market with *similar* products and services. Indirect competitors are those that serve the *same* target market with *different* products and services, or a *different* target market with *similar* products and services.

### ***Which Competitors to Include in the Analysis***

As mentioned above, sophisticated investors will conduct substantial due diligence, including conducting their own competitive analysis, before infusing capital into a company. As such, it is critical not to omit or downplay a competitor simply because it may reflect poorly on the company's opportunity.

There are often few direct competitors and many indirect competitors. As such, as a general rule, the plan should describe each direct competitor and sub-categorize the indirect competitors (and describe the sub-category as a whole).

A final point to keep in mind in listing competitors is that listing public companies in a competitive space is often a good sign. A public company implies that the market size is big and also gives the investor the assurance that if management executes well, the company has substantial profit and liquidity potential.

### ***Describing Competitors and Showing Competitive Advantages***

The next step is to describe competitors, particularly direct competitors. In doing so, it is important not to simply mention information about the competitor and its customers, products and/or services. Rather, the plan must also explain each competitor's strengths and weaknesses and the key drivers of competitive differentiation in the marketplace.

In explaining competitors' weaknesses, be sure to use objective information. Growththink has reviewed business plans that assert that the competition "does not know what it is doing" or "is not as smart as us." This obviously positions the company's management as immature and naïve, particularly if the competitors have strong track records. On the other hand, it is incredibly powerful to offer market research results that prove the competition fails to satisfy customer needs.

*"Any business plan that claims there are no competitors greatly undermines the credibility of the management team."*

Note that serving a customer need or segment that the competition is not is often a valid area of competitive differentiation. If this is the case, the Customer Analysis section must thoroughly detail these needs and segments.

Finally, in describing competitive advantages, it is important to demonstrate how the company's business model creates barriers to entry. "Barriers to entry" are reasons why customers will not leave once acquired.

## **Marketing Plan**

The Marketing Plan demonstrates how a company will penetrate the market with its products and services. The Marketing Plan should include “the four P’s” – Product, Promotions, Price, and Place.

### ***Products and/or Services***

The first “P” stands for Product, but includes all products and services that the company offers. This section of the business plan should detail all the features of the products and services, how they work, their unique/proprietary attributes, etc. For products that are patented and/or technical in nature, drawings and backup materials should be presented in the Appendix.

Most growing companies offer certain products and services today but expect to offer more in the future. It is important to mention both current and future products/services here, but to focus primarily on the short-to-intermediate term horizon.

### ***Promotions***

Promotions include each of the activities that induce a customer to buy the company’s products and services. Promotional activities could include advertising, public relations (PR), free samples, discounts, direct mail, telemarketing, partnerships, etc.

This section of the business plan discusses which promotions will be used and how they will be used. For instance, if partnerships will be used to secure new customers, the plan must explain which companies are partners, how they will be able to provide new customers, how the partnership will work (from operational/ financial standpoints), etc.

This section must be as specific as possible, particularly as it relates to discussing future promotions. To say that a company is going to generate PR in trade magazines is simply too vague. Rather, the plan must explain the type of article/feature that may be written about the firm and why, which specific trade journals that will be targeted and/or the projected publication dates.

In discussing how the company will promote itself, it is important to discuss how the company will *position* itself. This positioning statement details the attributes that customers will assign to the company, its products and services. The choice of promotional activities must support this positioning. For example, discounts might not be consistent with a desire to be considered an upscale brand.

### ***Price***

This section of the plan should detail the price point(s) at which the company's products and services will be sold. If the products/ services are sold as bundles, these should be detailed in this section. Rationale for the pricing should be given when applicable (e.g., why the company has chosen an initiation fee plus monthly membership fees versus a one-time lifetime membership fee).

### ***Place***

The final "P" refers to "Place" or "Distribution" and explains how a company's products and/or services will be delivered to customers. This section is crucial because if customers cannot access products and services, they cannot purchase them.

This section is especially critical for high-growth, capital-constrained companies. Attaining profit-effective distribution channels is often the most vexing challenge for these businesses.

Examples of distribution methods include:

- Retail location
- Website
- Another website host (e.g., products/services sold through/hosted by another website -- application service provider/private label model)
- Another retail location (e.g., products/services sold through a third-party's retail location)
- Another website location (e.g., products/services sold through another website)
- Direct mail catalogs

Many companies have multiple distribution methods to deliver their products and services to customers and each should be detailed here.

### ***Customer Retention***

The four P's mostly discuss attracting customers. Marketing departments must also develop long-term, revenue-generating relationships with customers. The methods through which the marketing department plans to retain customers should also be detailed in the Marketing Plan. Such methods could include implementing customer relationship management (CRM) tools, building network externalities (e.g., the more people that use the product or service the harder it is for a competitor to penetrate the market), ongoing value-added services, etc.



## **Partnerships**

Forging partnerships to improve market penetration has become commonplace.

The fact is that, regardless of whom the partnership is with, partnerships by themselves are meaningless. What are meaningful are the terms of the partnership. For instance, while it sounds great to have a partnership with a major search engine, the details of the partnership are what investors find important. For instance, investors will look poorly upon a partnership in which the search engine earns 40% commissions on customers it refers. On the other hand, investors would look favorably upon a more equitable partnership.

*“Partnerships by themselves are meaningless... What are meaningful are the terms of the partnership.”*

As such, if partnerships are a key part of the marketing plan, be sure to detail the specifics of the partnerships. This includes how the partnership will work, the type of customer leads expected from each partner, etc.

The next section, the Operations Plan, details the resources needed, the processes employed, and the milestones for executing the Marketing Plan.



## Operations Plan

Up until this point, the business plan has defined and scoped the company's vision, described the company's history, assessed the industry, customers and competition and mapped out a marketing plan to attract customers. The Operations Plan presents the Company's action plan for executing this vision.

The Operations Plan details 1) the processes that must be performed to serve customers every day (short-term processes) and 2) the overall business milestones that the company must attain to be successful (long-term processes).

### ***Everyday Processes (Short-Term Processes)***

Every company has processes to provide its customers with products and services. For instance, Wal Mart has a unique distribution system to effectively move products from its warehouses, to its stores, and finally to its customers' homes. Technology products manufacturers have processes to convert raw materials into finished products. And service-oriented businesses have processes to identify new areas of customer interest, to continually update service features, etc.

The processes that a company uses to serve its customers are what transform a business plan from concept to reality. Anyone can have a concept. And more importantly, investors do not invest in concepts -- they invest in reality. Reality is **proving** that the management team can execute the concept better than anyone else, and the Operations Plan is where the plan proves this.

While the Marketing Plan lays out the plan for *attracting* customers, the Operations Plan should lay out the key operational processes for *serving* them. Charts supplemented with text are often the best way to explain the key relationships between the parties involved in ultimately serving the customers. These parties could include departments within an organization, partners, suppliers, distributors/resellers, etc.

### ***Business Milestones (Long-Term Processes)***

The second piece of the Operations Plan is proving that the team will execute the long-term company vision. This is best presented as a chart. On the left side, list the key milestones that the Company must reach and on the right, the target date for achieving

them. Like the chart in the Company Analysis (detailing past accomplishments) these new milestones should include expected dates when:

- New products and services will be introduced to the marketplace
- Revenue milestones will be attained (e.g., date when sales will surpass million dollar mark)
- Key partnerships will be executed
- Key customer contracts will be secured
- Key financial events will occur (future funding rounds, IPO, etc.)
- Key employees will be hired

Additional text should be used, where necessary, to support the projections laid out in the chart.

The milestone projections presented in the Operations Plan must be consistent with the projections in the Financial Plan. In both areas, it is important to be aggressive but credible. Presenting a plan in which the company grows too quickly will show the naiveté of the management team, while presenting too conservative a growth plan will often fail to excite the potential investor (who will require a high rate of return over a relatively short time period).

## Management Team

Even the best new concept or existing plan will fail if executed poorly. The Management Team section of the business plan must prove to the investor why the key company personnel are “eminently qualified” to execute on the business model.

### ***Description of Key Team Members***

The Management Team section should include biographies of key team members and detail their responsibilities. Biographies should include the past positions that the individuals have held and specific successes in each. These successes could include launching and growing new businesses or managing divisions of established companies. Biographies should also include educational backgrounds and other pertinent information.

*“Team member biographies should be tailored to the company’s growth stage.”*

Team member biographies should be tailored to the company’s growth stage. For instance, a start-up company should emphasize its management’s success launching and growing companies. A more mature company should emphasize how team members have successfully operated within the framework of larger enterprises.

### ***Management Team Gaps***

Depending upon the stage of the company, key functional areas may be missing from the team. This is acceptable provided that the plan clearly defines the roles that these individuals will play and identifies the key characteristics of the individuals that will be hired. However, it is generally not favorable if personnel are missing for ultra-critical roles. For example, a plan that is fundamentally a marketing play should not seek financing without a stellar marketing team.

### ***Description of Board Members***

The Management Team section should also include biographies of the company’s Advisory Board and/or Board of Directors. While having well-known advisors/board members adds credibility, it is highly effective to explain how these advisors will directly impact the company through strategic advice and/or providing conduits to key clients, partners, suppliers, etc.

## Financial Plan

The Financial Plan explains how the execution of the company's vision will reap great financial rewards for the investor. As such, it is the section that investors often spend the most time scrutinizing.

### *Detailed Revenue Streams*

The Financial Plan should verbally present the revenue model of the company including each area in which the company derives revenue. These revenue streams could include, among others:

- Sales of products/services
- Referral revenues
- Advertising sales
- Licensing/royalty/commission fees
- Data sales

The relative importance and timeliness of each revenue stream should be noted to help investors better judge the company. For instance, the investor may not believe in the company's ability to immediately generate significant sales of its data. This would be a problem if this were the company's core revenue stream. However, by noting in the plan that data sales will only comprise 2% of total revenue and will not commence until Year 3, the investor's concerns would be alleviated.

### *The Pro-Forma Financial Statements*

The Financial Plan must numerically detail the revenue model through past (if applicable) and pro-forma (projected) Income Statements, Balance Sheets and Cash Flow Statements. It is critical that the figures used in these statement flow from the analyses in **every other section of the business plan**. For instance, the relevant market size (Industry Analysis) should be reflected, as should competitors' operating margins (Competitive Analysis), customer acquisition costs (Marketing Plan), employee requirements (Operations Plan), etc.

A **summary** of the financial projections should be presented in the text portion of the plan, while full projections should appear in the Appendix. For existing companies, the Financial Plan should note any significant deviations (e.g., increases in margins) between past and projected results.

### ***Validating Assumptions and Projections***

The Financial Plan must also detail the key assumptions such as penetration rates, operating margins, headcount, etc. It is critical that these assumptions are feasible. For instance, if the company is categorized as a networking infrastructure firm, and the business plan projects 80% operating margins, investors will raise a red flag. This is because investors can readily access the operating margins of publicly-traded networking infrastructure firms and find that none have operating margins this high.

As mentioned in the Competitive Analysis section, while every company is unique, each bears similarities to other companies. Accessing and basing financial projections on those of similar firms will greatly validate the realism and maturity of the financial projections.

### ***Sources and Uses of Funds***

The Financial Plan should detail the sources and uses of funds. The sources of funds primarily include outside investments (e.g., equity investments, bank loans, etc.) and operating revenues. Uses of funds could include expenses involved with marketing, staffing, technology development, office space, etc.

### ***Exit Strategy***

All investors greatly desire and are motivated by a clear picture of the company's exit strategy, or the timing and method through which they can "cash in" on their investment. This picture best comes into focus when the key valuation and liquidity drivers of the company are clearly delineated. An excellent method to accomplish this is through descriptions of comparable firms that have had successful liquidity events, either through acquisition, merger or public offerings.

*"All investors are motivated by a clear picture of the company's exit strategy."*

The most common exit strategies in business plans are IPOs or acquisitions. While the method of exit is not always crucial, the investor often wants to see the decision to better understand the management team's motivation and commitment to building long-term value.

## **Business Plan Appendix**

The Appendix is used to support the rest of the business plan. Every business plan should have a full set of financial projections in the Appendix, with the summary of these financials in the Executive Summary and the Financial Plan.

Other documentation that could appear in the Appendix include:

- Technology: Technical drawings, patent information, etc.
- Partnership and/or Customer Letters: Letters from partners and/or customers stating their interest in working with the company can add enormous credibility and validation.
- Expanded Competitor Reviews: Most companies have several direct and/or indirect competitors. While the Competitive Analysis section of the plan reviews the most direct competitors, adding a more thorough list and description in the Appendix shows that management truly understands the players in the market.
- Customer Lists: Including a list of key customers that the company is serving in addition to their status and/or type or quantity of product/service being offered.

## Other Key Business Plan Issues

Five topics which are often discussed in the business plan development and capital raising process are 1) Nondisclosure Agreements (NDAs) and/or Confidentiality Agreements, 2) outsourcing the business plan development, 3) the length of the business plan, 4) plan formatting, charts and graphics and 5) how to incorporate investor feedback.

### NDAs

Most investors will not sign NDAs. This is because a business' *strategy* and/or *concept* are typically not confidential. It is possible that a key partnership is confidential, for example, but for the most part the *execution* of the strategy and concept is what will make the company successful.

In addition, if the concept and/or strategy are confidential, this often implies that there are no barriers to competitive entry. If after launch, a competitor or host of competitors can quickly copy the concept, then the business model is probably not sustainable.

On the other hand, *proprietary technology* is confidential. However, the business plan should **not** discuss the confidential aspects of the technology. Rather, the business plan should discuss the **benefits** of the technology and how these benefits fulfill a large customer need. An interested investor will review the actual technology during the due diligence process. At this point, a discussion regarding signing an NDA would be appropriate.

*"A business' strategy and/or concept are typically not confidential."*

### Outsourcing the Business Plan Development

The business plan is a very "personal" document in that it explains the intimate details of a business. On one hand, many companies prefer to complete the business plan themselves. On the other hand, most companies fail to present the company in a way that outsiders can understand. This is because the management team is so "close" to the company that they have trouble explaining it in terms that outsiders can quickly grasp.

An independent business plan development team serves the same purpose as an outside PR or advertising agency typically does – it expertly determines the company's value proposition and conveys it most concisely and compellingly to the target audience.



An independent business plan development team also provides advantages including:

- Allowing the management team to focus on growing the business rather than spending the hundreds of hours it takes to develop an investor-quality business plan.
- Providing a “reality check” regarding how investors might respond.
- Making sure the business plan includes all of the key elements the investor seeks.
- Improving the market research and strategy development presented in the business plan.

### ***Plan Length***

How long should the business plan be? A business plan needs to be whatever length is required to excite the investor, prove that management truly understands the market, and details the execution strategy. Growththink has found that 15 to 25 pages of text are sufficient to accomplish this. Any more and the time-constrained investor will be forced to skim certain sections of the plan, even if they are generally interested, which could lead them to miss essential elements. Any less and the investor will think that the business has not been fully thought through, or will simply not have enough information to make an investment decision.

Many management teams feel that their company is too complex to describe in 15 to 25 pages. While this is sometimes true, the business plan is not meant to tell the whole story. Rather, the company must be “boiled down” into its essential elements. If the investor is interested, there will be plenty of additional time to tell the whole story.

### ***Plan Formatting, Charts and Graphics***

Business plans, like other marketing communications documents, should be visually appealing and easy-to-read. This can be accomplished by using charts and graphics and by formatting the plan for readability. These techniques will enable the investor to more quickly and easily understand the company’s value proposition.

### ***Incorporating Investor Feedback***

Investors, like the rest of us, have different tastes. One investor may love a concept and/or business plan while the next may hate both. It is important to understand this as business plans are working documents and are always undergoing iterations.

Management teams must not rush to incorporate each potential investor's comments. Instead, have several investors, partners and other business colleagues review the plan and provide feedback. Then incorporate common concerns and probe other comments to determine if they are valid.





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