



Developing a Business Plan

Marketing Models
Funding the Business

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Business Plan Structure

- Executive Summary
 - Company Objectives
 - Brief Statement of the Idea
 - Uniqueness of Opportunity
- Main Business Plan
- Appendices



Main Business Plan

- Complete Statement of the Idea
- Market Analysis
 - Target Market
 - Marketing Methods
 - Sales Strategy
 - Product Introduction
 - Pricing Strategy
 - Strategic Alliances



Main Plan

- Competitive Analysis
 - Comparison with competing products
 - Description of competitors with analysis
- Management
 - Bios of founders and staff
 - Management support (accountant, lawyer, etc.)




Financial Plan

- Sources of funds
- Five years of sales projections, two years of detail
- Five years of expense projections, two years detailed and three extrapolated



Technical Business Plan

1. Executive Summary
2. Company & Technology Description
3. Customers
4. Market
5. Industry Analysis
6. Competitors
7. Marketing/Sales Plan
8. R&D Plan
9. Manufacturing/Engineering Plan
10. Management Team Short Biographies
11. Human Resource Plan
12. Contingencies
13. Financials (Cash Flow, P & L Statement, Balance Sheet)
14. Appendices
15. References



Purpose of the plan

- Two Plans
 - Present the enterprise to investors
 - The Optimistic Plan
 - Blueprint for running a business
 - The Paranoid Plan



Funding the Business

- Venture Capital
- Angels, Friends, and Relatives
- Grants SBIR etc.
- Customers
- Employees
- Suppliers
- Banks, SBA, and SBIC's



Venture Capital

- Less than 10% of businesses are funded by Venture Capital
- Venture Capitalists want to get back at least 30% per year and generally expect to get more.
- Getting venture capital is selling part of your business.



Venture Capital cont.

- Ownership by venture capitalists can often exceed 50%.
- Venture capitalists can and occasionally do fire the founders.
- They own the business.
- Venture capitalists generally only invest in deals presented by friends and colleagues.



Venture Capital cont. 2

- Venture Capitalists generally invest in people, people who have founded and run a business.
- The venture capitalists need an exit strategy from the beginning.
 - Selling the business
 - Taking the business public
 - Three to seven years
- Usually not a realistic option



Private Equity

- Strategic Investors
 - Companies with strategic goals
 - Potential customers
- Wealthy Individual Investors
- Private Equity Funds
- Relatives and Friends
- Personal assets
- Angel Investors



Bootstrapping

- Starting small, becoming successful, and plowing the money back into the business.
- Advantage: total ownership
- Disadvantage: slow growth
- Home equity loans
 - There are limits on what banks can do to you.
- Personal borrowing




Alternative Sources of Funds

- Employees (working for stock or just working part time.)
- Customers paying in advance for products or services, often making partial payments.
- Suppliers providing goods or services on extended credit.
- Company you work for pays you as you start a new business.



SBIR Programs

- Grants to Researchers in Small Businesses
- Usually in Biotech or Military applications
- Initial Phase I is for \$100,000
- Phase II is for \$700,000
- Requires well defined business plan and carefully prepared research plan.



Origin of SBIR

- Congress wanted a set-aside for small businesses.
- Currently it is at 5%.
- Each agency that funds research sets aside part of their budget for SBIR research.
- Congress likes it because it is "pork."
- Agencies do not like it because they think they can make better use of the money.



How to get an SBIR

- Check the solicitations online or in print.
- Team up with a scientist or inventor.
- Have a scientist as advisor.
- Keep applying.



Problems with SBIR

- There has to be a fit with your company.
- Some companies exist just to get SBIRs. They often win them and are called SBIR mills.



Other Programs

- State funded research programs
- MI Biotech Corridor
- Joint ventures with universities
- MEP program for auto parts suppliers
- ATP program for larger businesses.



Banks

- Lending on collateral
 - Receivables
 - Real estate
 - Tangible assets
- Lending on personal reputation
- Lending to friends
- Banks are very conservative



S.B.A. Programs

- S.B.A. Guaranteed Loans
 - Not a give-away
 - Requires collateral
 - Prime plus 2.25%



SBIC programs

- Small Business Investment Companies
- Usually a combination of debt and equity.
- Michigan subsidizes SBICs



Marketing

- The purposes of marketing
 - to get attention
 - to find out what the customer wants
- Marketing and sales
 - Very different activities
 - Small businesses need sales more
- Marketing is essential to any company
 - companies have to be market driven
- Marketing in small businesses is different
- Crossing the chasm
 - High tech marketing



Marketing

- The importance of design
 - A consistent theme in all marketing collateral
 - Advertising
 - Direct mail pieces
 - Trade show displays and signs
 - Stationery
 - Packaging
 - Choosing a company/product name.
 - Trademark searching
- Creating and promoting a company image
- Getting leads and following up



Marketing Without Money

- Public Relations
 - Planting stories
 - News releases
 - New product releases
- Attending trade shows
- Giving papers
- Networking



Thank you
Any Questions?