

WAYNE BROWN INSTITUTE



# BUSINESS

planning guidelines & submission guidelines

The business plan should tell the potential investor why your venture will succeed.

The criteria weights (located in parentheses), developed by venture capitalists from around the country, indicate the emphasis investors place on various parts of the plan.

For example, on a 100-point scale, financial information is worth 10 points, while marketing is worth 35. A typical business plan is approximately 25 to 35 pages in length and may have additional appendices to support the plan.

**The marketing strategy and the management team are the most important elements.** At a minimum, the plan should include: *A cover page with name, address, phone and fax numbers, email and website addresses and contact person.*

Use a font size **NO** smaller than 12pt. and standard letter margins. The opening paragraph should be a 25- to 50-word description of your business.

### EXECUTIVE SUMMARY

*Initially very important! If it doesn't get an investor's attention, all is lost.*

- Length: 1-3 pages
- Business purpose summary
- The compelling reasons that lead to an opportunity (markets, business growth potential, etc.)
- Products/Services
- Management ability
- Unique attributes and strengths of the company
- How much money you need
- A simple statement of revenue growth

- Summarize, but do not provide detail on the most compelling parts of the business plan.
- Use specific information. A name of a current investor or strategic partner can speak volumes. The same is true when you speak of management background.
- Create an appetite – make an investor want to read more.

### THE COMPANY

*(15% Weight)*

- Business purpose: Explain what business you are in and why (what market opportunity to exploit). An investor should be able to ascertain quickly what your venture does, what market(s) it “plays” in and in what stage of development your venture is
- Give a brief summary of your company's history and current status. Include whether the company is publicly or privately held, or a start-up
- List what has been accomplished
- State your company's overall strategy and objective's (i.e., go public in 7 years; command 10% market share after 10 years; reach \$100 million in sales after 5 years)
- If you are currently in business, describe revenue growth, approximate time to profitability and accomplishments
- Diagram, if possible, the business model and where you fit in the industry “food chain.” Show how much value you add to the chain

## PRODUCTS OR SERVICES

(15% Weight)

- Discuss the development and the important attributes of your technology and identify and compare the technology with competing technologies. What does your product/technology do? How is it better? Who will use it? Do not include proprietary information.
- Is it evolutionary or revolutionary and why?
- What performance characteristics must it demonstrate in order to be accepted in the market?
- Describe important features and user benefits - relate features of the products and services to market needs and to the competition.
- Discuss pricing and margins for both your products and your competitors' products.
- Explain proprietary position - trademarks, patents, trade secrets, special production skills, proprietary processes, etc.
- Describe specific products and projects planned, their status, expected product life and potential revenues.
- Articulate any applicable regulatory or environmental issues and how they will be addressed.
- *For Biotech companies*, proprietary technology is extremely important. Compare it with competing technologies. Is the technology evolutionary, revolutionary or commonplace? Does it need enabling technology or is it enabling technology? FDA issues are

extremely important and must be addressed.

## MARKETING STRATEGY

(35% Weight)

- Discuss the issues that create the market (market drivers -- or what compels people to buy)
- Describe the market size, anticipated growth and key changes
- Uniqueness - what makes you different? What gives you an advantage?
- Discuss barriers to entry
- *Biotech companies* must discuss strategic alliances
- **Market penetration** – What is your marketing strategy; i.e., channels of distribution, promotion, pricing and the cost of the marketing program? Outline proposed, pending or ongoing strategic alliances or agreements
- **Competition** - Who? Size of their market? Their strategy? (IMPORTANT NOTE: “No competition” to an investor translates to: “no market” and “no management.”)
- Communicate and demonstrate that your plan is based on “market pull” rather than “technology push.”
- **Operations** - If your company is ready for a major round of venture capital, or ready for clinical trials or ramping up sales from \$2 million to \$15 million: *being able to demonstrate that you can execute the tasks at hand is vital.*  
What does the venture need to support pending rapid growth. What is your growth strategy?

How, when and where will you get the human, physical and technical resource you need to expand?

What are the critical milestones and barriers to overcome to ramp up the venture?

## MANAGEMENT

(25% Weight)

- Backgrounds of key individuals - why they can do this job, specific value they add to the company, their past successes and achievements, relevant work experiences
- History of working together as a team
- Identification of immediate personnel needs and anticipated initial organizational structure
- Include Boards of Directors and Advisors with their backgrounds and responsibilities

## FINANCIAL SUMMARY

(10% Weight)

- Funds required - how much you want to raise, both initially and subsequently
- History and detail of past investments. Include description of current corporate structure.
- Describe funding needs at each stage of development, with each stage's benchmarks or milestones. Use only value-added benchmarks such as development, product and market testing and sales milestones
- Simple projection of sales, revenues, income and expenses over a 3-5 year period (also balance sheet). State and

justify your financial assumptions. Also include income statement (showing cash flow) and balance by month for the first year, by quarter for year two. Do a sensitivity analysis on year one and two.

- Include a past financial history, if applicable.
- Best estimate when the investor will get a return on investment. Describe the exit strategy (mergers, acquisitions or initial public offerings). Describe, if possible, similar businesses and what their returns to investors were.
- Demonstrate sales growth and backlog if applicable.

## IMPORTANT NOTES

Do not include any statement valuing the current round of financing. Such statements will never work in your favor with a professional investor.

The plan should be current, neatly presented, typed and error free. Use of elaborate bindings, or overuse of color will only cause your plan to be viewed as form with no substance and it will not be taken seriously. Carefully edit the plan for grammar and understandability.

Remember that each section of the business plan reflects on the competence of each team member.

While investors are sophisticated people, don't abuse their time by using complicated, technical jargon or acronyms. **Remember, time is a venture investor's most important resource — don't waste it!**

Venture capitalists look for reasons not to do a deal. They assume nothing, and neither should you.

Put detailed vital sheets, extensive financials, lengthy technical discussions, operations plans and manuals and detailed marketing lists and reports on separate unattached appendices.

The plan should be no more than 25 pages long; but your appendices may be lengthy and numerous.

A business plan is like a contract. It is what the investor is “buying” and it is what his/her expectations will be based on.

**Never submit a plan to an investor without an introduction.** Unsolicited plans are inherently not credible.

## **SUBMITTING YOUR BUSINESS PLAN**

Via Internet: [info@venturecapital.org](mailto:info@venturecapital.org)

Subjectline should read: “**Business Plan for Review**”

## **CONTACT INFO**

Wayne Brown Institute  
P.O. Box 2135  
Salt Lake City, UT 84110-2135

Phone: 801.595.1141  
Fax: 801.595.1181

[www.venturecapital.org](http://www.venturecapital.org)