



2010 Rochester Regional
BUSINESS PLAN CONTEST
& CELEBRATION OF ENTREPRENEURSHIP

Welcome: Jim Senall
February 17, 2010

Planning Committee

- Digital Rochester
- Greater Rochester Enterprise
- High Tech Rochester
- Nazareth College, School of Management
- Rochester Institute of Technology
- University of Rochester Simon Graduate School of Business

Contest Sponsors

Gold Sponsors



Silver Sponsor



Design Sponsor



Media Sponsor



Printing Sponsor



Bronze Sponsors



Certified Public Accountants



19th Century Boom Town



rpf00035.jpg Rochester Public Library Local History Division

20th Century: Company Town



XEROX®

21st Century: Innovation Town



.....Your company ??



 2009 Rochester Regional
BUSINESS PLAN CONTEST
& CELEBRATION OF ENTREPRENEURSHIP

May 15, 2009

\$25,000

Pay to the order of GENERONIX

In the amount of Twenty-five thousand Dollars

Memo 2009 Business Plan Contest Winner James S. Senall

123456 789 00008765: 00045678" 1234

Business Plan Workshops

1. Planning your Business/Planning the Plan
Wednesday, February 17, 2010
2. Communicating Your Plan & Obtaining Capital
Wednesday, February 24, 2010
3. Writing the Plan
Wednesday, March 3, 2010
4. Presentation Practice & Feedback
Wednesday, March 10, 2010

Contest Highlights

- Contest Registration Deadline 3/5, 4:00
- Executive summary due 3/15, 12:00
- 8 Semi-finalists notified 3/25, 5:00
- Business plans due 3/29, 12:00
- Presentations 4/5-7, TBA
- 5 Finalists notified (private) 4/9, 5:00
- Finalist feedback 4/16
- Finalist rehearsal 4/26 – 4/29
- Judging/Celebration Luncheon 4/30



2010 Rochester Regional
BUSINESS PLAN CONTEST
& CELEBRATION OF ENTREPRENEURSHIP

Workshop One:
Planning your Business/Planning the Plan
February 17, 2010

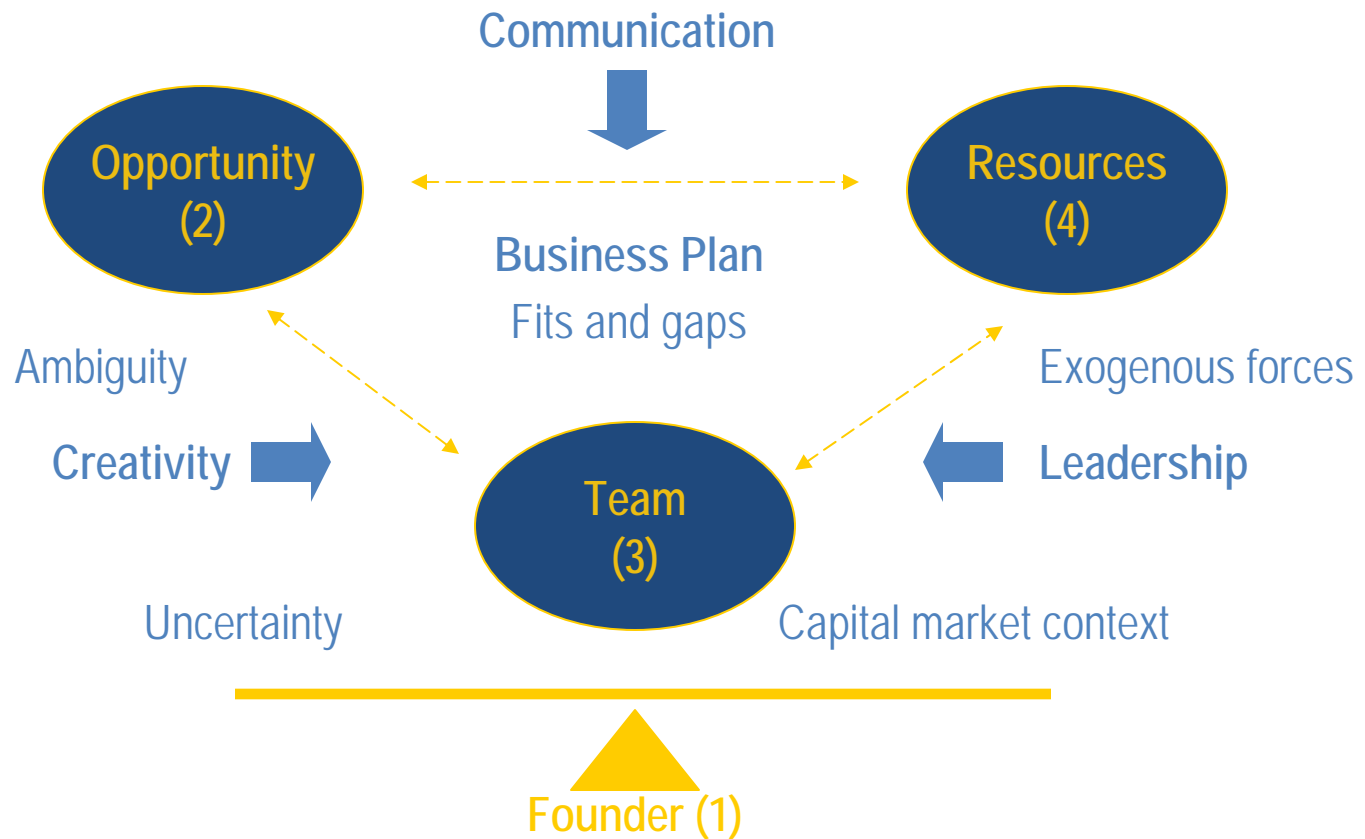
Business Plan Outline

1. Executive Summary
2. General Company Description
3. Products and Services
4. Marketing Plan
5. Operational Plan
6. Management and Organization
7. Personal Financial Statement
8. Startup Expenses and Capitalization
9. Financial Plan
10. Appendices
11. Refining the Plan

Tonight

- Assessing Your Opportunity
 - Idea vs. Opportunity
 - Competition and Markets
 - Business Models
 - Management Teams

Entrepreneurial Process



Why You Need A Business Plan

- It forces you to identify your company's strengths and weaknesses
- It helps you figure how much money you'll need
- It gives you clear direction, which can eliminate stress
- It will serve as a resume when you seek lenders, investors or partners
- It makes you evaluate the market for your product or service and size up the competition

Products and Services

- Describe in depth your products and services.
- What factors or elements give you competitive advantages or disadvantages? Describe quality or proprietary features.
- What are the pricing, fee, and leasing structures of your products and services?
- Note: Technical specifications, drawings, photos, sales brochures, or other miscellanea should not be included here. They belong in the appendices.

Opportunity Assessment

Ideas vs. Opportunities

- A good idea is the first step....
- Most new businesses don't emerge from a FLASH of brilliance
- Most take many iterations and revisions
 - What does the customers want....
- Most business don't make what they initially set out to make...
 - Polaroid Corporation: started out making products with polarizing light waves....

Ideas vs. Opportunities

- Misunderstanding of what it takes to be successful in a business
- Inventors seem prone to the fallacy
- Psychological ownership to the invention and not the business
- Narrowness of focus
- The focus needs to be on building the business—not just one aspect—the idea

What Drives Opportunities

- Significant opportunities spawned by changes in the circumstances, chaos, confusion, inconsistencies, lags, knowledge and information gaps, etc.
- Solves a problem
- Provides value to the customer

What Drives Significant Opportunities: some examples

- Regulatory Changes (US government)
- Dramatic changes in microprocessor /telecommunications technology
- Fragmented Mom & Pop Industries with little expertise in finance or SOP
- Growth in Service Industries
 - Focus on Customer Service
- Many other examples
- Underserved/Unknown Niche Markets
- Increase in Niche Markets due to Globalization

Helpful Concepts Associated with Solidifying the Business Concept

Three Big Ideas

- Company Vision
- Value Proposition
- Business Model

Some Confusing Terms

- Value Proposition
- Business Model
- Value Extraction Model
- Value Chain Analysis
- Strategic Competitive Options (how do we compete!?!)
- Core Competencies

Value Proposition

- Customer Value Proposition

- Answers – why I should do business with you and not the competition
- Value = customer benefit – cost
- Important
- Credible
- Sustainable

- Usually applies to the overall enterprise – but..

- Can be product / platform specific
- Can be industry segment specific
- How about customer specific?

Value Proposition Components

- The Who (target market) Question
- The Benefits Question
 - What are the benefits
 - Not Value, but benefits: which is price/performance related
- The Price Question
 - Price relative to the competition

At its core, this is a marketing concept....

Marketing Plan: Preparation

- There are two types of marketing research: primary and secondary.
 - Secondary research includes published information, typically available at the library, industry associations, chambers of commerce, government agencies, etc.
 - Primary research entails gathering your own data. Some examples include traffic counts, identifying competitors by hand, or surveying individuals.
- Be specific as possible. Give statistics, numbers, and sources.
- Your marketing plan will eventually be the basis of your sales projection.

Critical Customer Questions

- Who will be your customers?
- Why do they do business with you?
- Why don't they do business with competition?
- What benefits do they enjoy?
- What do they tell others about you?
- What is the probability that they will continue to do business with you?

Defining a Business Model

- Answers the question: *“Who are the customers and how do you plan to make money by providing them with value”*
 - Value Proposition plus...
 - Sustained Profit
- According to McKinsey Consultant Joan Magretta, compelling business models pass two tests:

Defining a Business Model

● Test I

- The narrative test: Can a story be told which describes who your customers are, what they value, and how you will make money providing them value
 - Making something that satisfies an unmet need
 - Selling something in an innovative way

● Test II

- The numbers test: Does the business model's story and assumptions hold up when you put numbers to it.

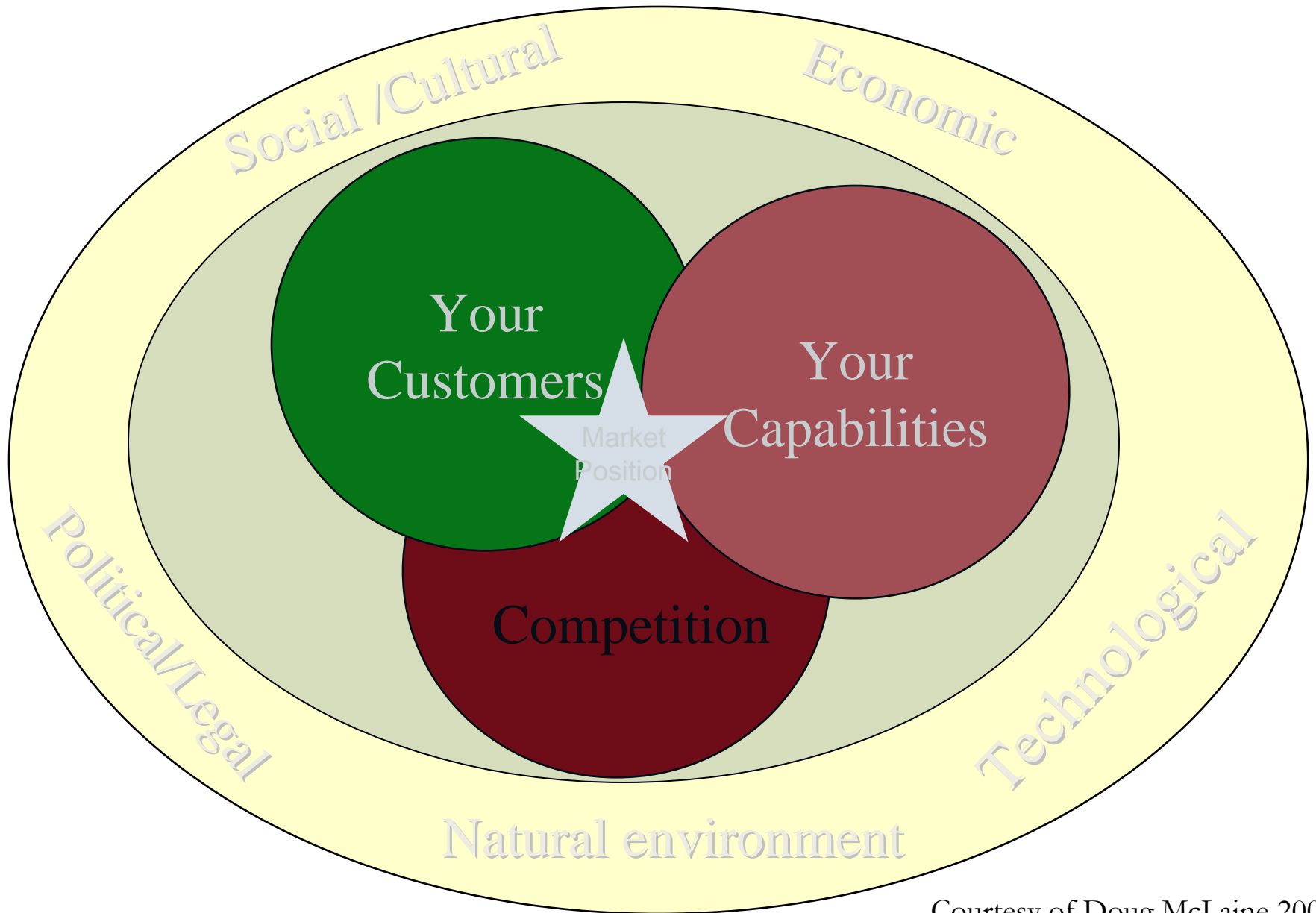
Strategic Options

- Product/service differentiation
- Cost/value
- Focus (Differentiation or Cost Leadership)
 - Niche Markets
- Hybrid

Core Competencies

- The unique skills and capabilities of a company
 - What you do well
 - Customer Focus?
 - Differentiated products/services?
 - Operational efficiency?
 - Is it institutionalized?
 - Plans in place for continuous improvement?

Strategic Framework



Screening Opportunities

Market and Personal Implications

Screening Opportunities

- Personal Factors
 - Fit between the forces
 - Is this what the lead entrepreneur wants to do?
 - What is the downside? Can the entrepreneur weather failure?
 - What is the entrepreneurs passion?

Marketing Plan: Background Information

- *Facts to include about your industry:* size, demand, trends, growth potential, barriers to entry, overcoming the barriers, changes' influence on your company (e.g. technology, government regulations, the economy)
- *Explain your products and services from a features and benefits perspective*—describe them to your customers.
- You should also *identify your targeted customers and their demographic information.*
- *List your major competitors*, how they compete (products, geographically, certain customers), and how your products and services compare to their competitors.

Screening Opportunities

- Industry and Market Issues
 - Market
 - Identifies a customer need
 - Customers are reachable
 - A niche market
 - Something that provides value to the customer
 - Something that can be defined
 - Lower Potential Items
 - Not a focused/defined market
 - Failure to move beyond—one produce is also a poor indication of market success

Screening Opportunities

- Industry and Market Issues
 - Market Structure
 - Number of sellers
 - Product differentiation (is the product a commodity)
 - Conditions of Entry and Exit
 - Number of buyers

Screening Opportunities

- Industry and Market Issues
 - Market Size
 - Large but not too large
 - At least \$100 million for high growth potential businesses
 - Do not want the market to be too large or mature—competition from Fortune 500 companies is unwanted

Screening Opportunities

- Industry and Market Issues
 - Market Capacity
 - Under supply is good
 - Market Share Attainable
 - Would like to attain a 20% market share
 - Cost Structure

Screening Opportunities

- Economics/Finance
 - Profits after tax
 - Time to breakeven and a positive cash flow
 - ROI potential
 - 25%+ a year is attractive for investors
 - Capital Requirements
 - Depends on the Industry/Market
 - Internal Rate of Return for Entrepreneurs
 - 5X to 10X initial investment

Screening Opportunities

- Competitive Advantage Issues
 - Variable and fixed costs
 - Degree of control
 - Are suppliers powerful
 - Is a competitor dominant
- Entry Barriers



Workshop One: Break

February 17, 2010

Competitive Assessment

Marketing Plan: Strategy

- *Define your niche* (your unique corner of the market).
- *Outline your marketing strategy.*
 - How will you get the word out?
 - Advertising: media types, frequency of ads, and why you have selected the types that you have.
 - Have you identified low-cost methods to get the most out of your marketing budget?
 - Will you use alternative methods of advertising (e.g. trade shows, catalogs, partner incentives, word of mouth, networks of friends and professionals)?
 - What image do you want to project? Why?
 - What plans do you have for graphic image support?

Marketing Plan: Logistics

- *Determine your promotional budget and expenditures plan.*
- *Pricing strategy.* Explain your methods of setting prices. Compare your prices to the competition.
- What will be your *customer service and credit policies?*
- Contemplate your location (though it need not be specific here). *Analyze your location criteria.*
- *Identify your distribution channels:* How will you sell your products and services?
- *Create a sales forecast* based on historical sales, marketing strategies, market research, and industry data.

Competitive Advantage

- Distinctive factors that give a firm a favorable position in relation to its competitors.
- Sustainable competitive advantage is a competitive advantage that can be maintained over a period of time – hopefully, measured in years.

Sources of Competitive Advantage

Source

- Efficiency - Low Costs
- Product Innovation
- Quality - Reliability
- Customer Responsiveness
- Manufacturing Innovation

Example

Alcoa
Intel
Mercedes
Dell
Toyota

Barriers to Entry

- Economies of Scale
- Cost Advantages Independent of Scale
- Product Differentiation
- Contrived Deterrence
- Government Regulation
- Switching Costs

SWOT Analysis

Strengths	Opportunities
Weaknesses	Threats

Organizational

Environmental

SWOT Example

Strengths

Highly productive pilots, ground and flight crews.
Low costs.

Weaknesses

Inability to provide non-stop long distance travel.

Opportunities

Ability to add scheduled flights to new cities.
Low prices enable market share growth.

Threats

Inability to secure new gates at airports.
Competition from a low cost rival such as JetBlue.



Identify & Profile Competitors

- Based on your business concept and target market
- Direct and indirect competitors
 - Who
 - Where



Competitive Profile con't.

- **Company information**
 - Revenue and financial strength
 - Product/ service offering
 - Management expertise
- **Market information**
 - Market share
 - Segments served & relative profitability
 - Customer types and numbers
 - Sales channels
 - Moving which way?
 - Anticipated strike points (weaknesses)



Zero In On Benchmarks

- Select a few benchmark Competitors
 - Be ready to articulate your rationale
- Select a few typical or exemplary customers
- Be ready to include these profiles in your Plan

Information Sources

- **Public Companies**
 - Annual Reports
 - Hoover's Online (etc.)
- **Private Companies**
 - News stories
 - Industry research / reports
 - Company Websites / Product Info
 - Personal investigation & research
- **Internet Searches**
 - "Googling with care"
- **See hand-out with web links and RIT library**

Business Model

A Most Important Topic!

- So, in your plan you have explained:
 - What your product/service does
 - Why it is better than competition
 - Who is the target market
- *But...have you told the reader how your company will make money?*

How Do You Make Money?

- Many entrepreneurs miss this step
 - “It’s obvious”
 - “Not my problem, I plan to hire a marketing VP and a CFO...”
- Saddest of all...they don’t know
- You must understand your business and profit model...and it should not take Excel to explain it

Business Model Elements

Customer Selection	Who is the customer? Is our offering relevant?
Value Proposition	What are the unique benefits?
Differentiation & Control	How do we protect our cash flow and relationships? Do we have a sustainable competitive advantage?
Scope of Product & Activities	What is the scope of our product? What activities do we do vs. outsource?
Organizational Design	What is the organizational architecture of the firm?
Value Capture for Profit	How does the firm capture some of the total value for profit? How does the firm protect profitability?
Value for Talent	Why will good people choose to work here? How will we leverage their talent?

Business Model Summarized in Profit Model

- High level and intuitive
- Easy to describe...at least in general
- Two approaches
 - Single Unit
 - Company View

Single Unit

“We plan to sell the Model XYZ Widget at an average end user price of \$3,000.

The distribution channel we’ve chosen typically requires a 30% margin, so our revenue will be \$2,100/unit.

With our estimated manufacturing cost of \$1,000, we expect over 50% gross profit.

Our operating expenses will be \$100,000 annually so we need to sell about 100 units to break-even.”

Company View

- “Our total startup costs before we generate customer sales will be \$1 million.
- We will have on-going operating expenses of about \$200,000 per year.
- We expect revenue to be \$200,000 in the first year after launch and grow by \$200,000 per year with a 50% gross margin.
- So, we will be at breakeven annually in the second year, and on a cumulative basis by year seven.”

Financial Analysis More Detailed

- Time Horizon: 3 to 5 years
- Statements: Income, Cash Flow, Balance Sheet
- Level of Detail
- Assumption driven



Building Your Team to Build Your Business

Operational Plan

Explain the business' daily operations, location, equipment, people, processes, and surrounding environment.

- **How and where are your products or services produced?**
- **What qualities do you need in a location?**
- **What are your legal requirements or regulations?**
- **Describe your personnel in detail.**
- **What kind of inventory will you keep?**
- **Identify key supplies?**
- **What are your credit policies?**

Management and Organization

- **Who will manage the business on a day-to-day basis? What experience does that person bring?**
- **Create an organizational chart displaying management hierarchy if you intend for more than 10 employees.**
- **Include position descriptions for key employees.**
- **List board of directors, management advisory board, attorney, accountant, insurance agent, banker, consultant(s), and mentors and key advisers.**



Numerous Tasks...Few Resources

The Nitty Gritty of Running a Business

- Manufacturing
- Quality
- Inventory
- Shipping
- Purchasing
- Receiving
- Maintenance
- Cleaning
- Research
- Applications Development
- Product Development
- Protecting IP – Patents, Trademarks, Trade Secrets
- Sales
- Service
- Distribution
- Marketing
- Market Research
- Customer Relations
- Promotion
- Advertising
- Trade Shows
- Payables Management
- Receivables Collecting
- Bookkeeping
- Financial Statements
- Cash Flow Management
- Banking
- Reviews and Audits
- Hiring
- Training
- Payroll
- Benefits
- Payroll Taxes
- Labor Regulations
- Corporate Legal
- Contracts and Licenses
- Agreements – NDAs, Options, Employment...
- Insurance – Liability, Property, Life, Health, Disability...



You & Who?

- As your business grows you will fill your team with capable, experienced people
- BUT, at the beginning you (the founders) will have to do it all
- So, don't be bashful, get help
 - How?
 - Network
- Bootstrap with experienced advisors
 - Paid and unpaid mentors
 - Informal and formal boards
 - Where necessary, part-time employees or consultants

Professional Resources

- Legal
- Accounting
- Banking
- Other
 - Payroll
 - Insurance
 - Consultants of all types

Banking

- Unimportant or critical at start-up...depending on your business
- But, almost always critical eventually
- Understand their success measures
- Understand where they can help



Technical & Industry

- Consider an Advisory Board
 - Formal and Informal Relationships with People who Understand Your Field, Your Technology and Its Applications
 - Customers
 - Potential Customers
 - Industry and Academic Scientists
 - Industry Consultants
 - Entrepreneurs Who've Already Done It



Board of Directors

- No Choice?
 - Lead Investors - so choose them wisely
- First Choice - people who've done it
 - Experienced Entrepreneurs - they know the rights and wrongs
 - Experienced Angel Investors - ditto
- Next - people who've helped others do it
 - Industry Consultants
 - Attorneys
 - Accountants
- Bottom line: Select people whose counsel you respect and whose help you'll expect and accept !

Resources: Non-profit, Government

- Economic development: city, county, state, and private sector
- Chambers of Commerce
- SBA, SBDC, SCORE
- Incubators
- Financial: Grants, Tax Breaks, Equity

Why Business Plans DON'T Deliver

- Here I am, never mind the problem
- A Coke for every kid in China
- Just look at our (paper) profits
- Our team walks on water
- Everything is wonderful

Is your business idea a winner?

Or do you have a few gaps to close first?

Contest Sponsors

Gold Sponsors



Silver Sponsor



Design Sponsor



Media Sponsor



Printing Sponsor



Bronze Sponsors



Certified Public Accountants



Presenter Contacts

- David Hessler, W. 585-214-2445, C. 585-233-2143
david.hessler@htr.org
Entrepreneur-in-Residence, High Tech Rochester
- Jerry Mahone, 585-239-6014 jtmvc@rit.edu
Executive Director, RIT Venture Creations
- Bob Tobin, 585-276-3411 bob.tobin@rochester.edu
Lecturer in Entrepreneurship, University of Rochester Simon
Graduate School of Business