



By G.A. "Andy" Marken

About the Author

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The Business Plan

Selling the Entrepreneurial Idea

With an estimated \$50 billion in funding available for the entrepreneur annually, you may think that venture capital and R&D partnership firms are falling over each other to fund the latest way of the new technological integration and reseller proposals.

Wrong.

Venture capital companies such as Trinity Capital, R&D Funding Corp., Early Stages Co., Mayfield Fund, Asset Management and others receive an average of 100 technology and service/support proposals each month.

Researchers at these firms must dig into each proposal at great length to examine the market, competition, technology and people to determine its merits, or lack of them.

Unfortunately, instead of paving the way for funding, the VAR and OEM proposals themselves often are more detrimental than helpful. In fact, the sad truth is that the majority of the integration and reseller business plans presented are not just badly written, but very badly written, making the evaluation all the more difficult.

Some experts believe that the reason so many of these business plans are poorly presented is because most of the new ventures are started either by engineers or salespeople with great ideas, rather than business people who know how to present ideas and make them happen. But that doesn't have to be the case.

Pyramid Your Plan

The business plan should be presented to your potential investor in the same manner that products and services are presented to potential customers—quickly and effectively. A simple way to accomplish this is with a pyramid-style presentation. This type of proposal includes a summary at the top and expanded sections toward the base.

After you get through the legalities and disclaimers, the most important part of your plan should be given to the executive summary. This one- to two-page summary clearly states what the

company is going to do, what the market potential is, how the company plans to achieve market penetration, the time period involved, the product/service plans, the amount of money needed and how that money will be used.

Anyone reading those first pages should be able to quickly determine whether or not it is a concept, program or product or service that the firm wants to support.

The second most important section of the business plan is the business summary. This part of the proposal includes corporate objectives and strategy; a market summary with product/service objectives; unique technology involved; a plan of operation/action; a financial summary and investment requirements.

The executive and business summaries are the most important part of your proposal because few senior funding officials will read beyond these areas. If the proposal is rejected at this point, it will be returned to you. If it is accepted for consideration, the project will be turned over to a junior member of the firm for further evaluation and diligent research.

The Product

The next section of a complete business plan is the product or service description. This includes the product's system or service features and capabilities as well as initial and future plans. Since many people feel that marketing is as important as technology (if not more so), include an aggressive marketing and promotional program. The product/service section should clearly show the firm's intentions to be bold and dramatic in its efforts to achieve marketshare.

Few people would say that IBM's products are technologically superior.

However, everyone acknowledges that IBM still has a strong, seasoned, well-oiled marketing organization and plan, which keep the company very competitive. The same could be said for many other well-established companies and products. In short, marketing is where it's at.

Market Analysis

The fourth section is the market analysis which should discuss the market or markets, the trends and the need your products/services will fill.

Depending upon the potential market, there are numerous information sources for this section. Start with the publications that target your specific market area. Editors and publication research staffs spend considerable time monitoring the market, products, trends and needs. By knowing who and what to ask, you usually can find a significant amount of valuable information at no cost.

Over the last decade, an entire market research industry that covers every aspect of the computer and electronics market has emerged. Research reports can be purchased from companies such as IDC, CAP International, Gardner Group, Santa Clara Group, Creative Strategies, Yankee Group, Data Quest and many others.

The Competition

The fifth section of the business plan is the competitive analysis. This includes a discussion of the participants in the market as well as potential market players, the number of years they've been in business, their size, sales volume, product niche markets and product plans.

Don't try to bluff your way through this section. If your company and products or services are of interest to the investors, you can be certain that they will have more than a passing knowledge of the industry and its participants. In addition, the funding industry is closely knit, and it only takes a few phone calls to check out all of the details. This means you will have to do a lot of digging to make certain that your facts are flawless.

Background

After evaluating the competition, include a section presenting yourself. The background section is a historical discussion of the company and its founders. It includes a discussion of the current management team, as well as any additional people you will need and when you expect to add them.

Keep in mind that funding people look at the total picture and evaluate every portion in detail. At times, part of their contingency plan will include replacing certain members of your team with individuals of greater strength.

These strings are not attached out of malice. The people putting out the hard cash just want to do everything possible to ensure that the company will succeed so that they can get the return on investment they need.

After all, some people have great ideas but can't execute them. Others are outstanding when the firm grows from \$5 million to \$10 million, but can't take the company to the next plateau of \$15 million. Realize that the recommendations are being made for the good of all concerned including you.

The Whole Plan

Finally, a complete business plan includes a section on financial projections where all of the pieces come together on a cold, hard ledger sheet. For the first two years of operation, lay out the program's cash flow in monthly detail. The third year should be outlined by quarters and the fourth and fifth years in six-month increments.

No one is foolish enough to believe that your crystal ball is so clear that you can see what is going to happen month by month in the third, fourth and fifth years. But you should at least show that you have planned that far ahead.

By following this outline, you can develop a clear, logical business plan that attracts investment interest. Great ideas need help to make them happen. A well-written business plan will help you prepare for success. **WQP**

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