

The Business Plan

HST.921 Tutorial

March 5, 2009

Agenda

- What is a Business Plan?
- Elements of a Business Plan
- Investor Presentation

Monthly Sales Forecast (in thousands)

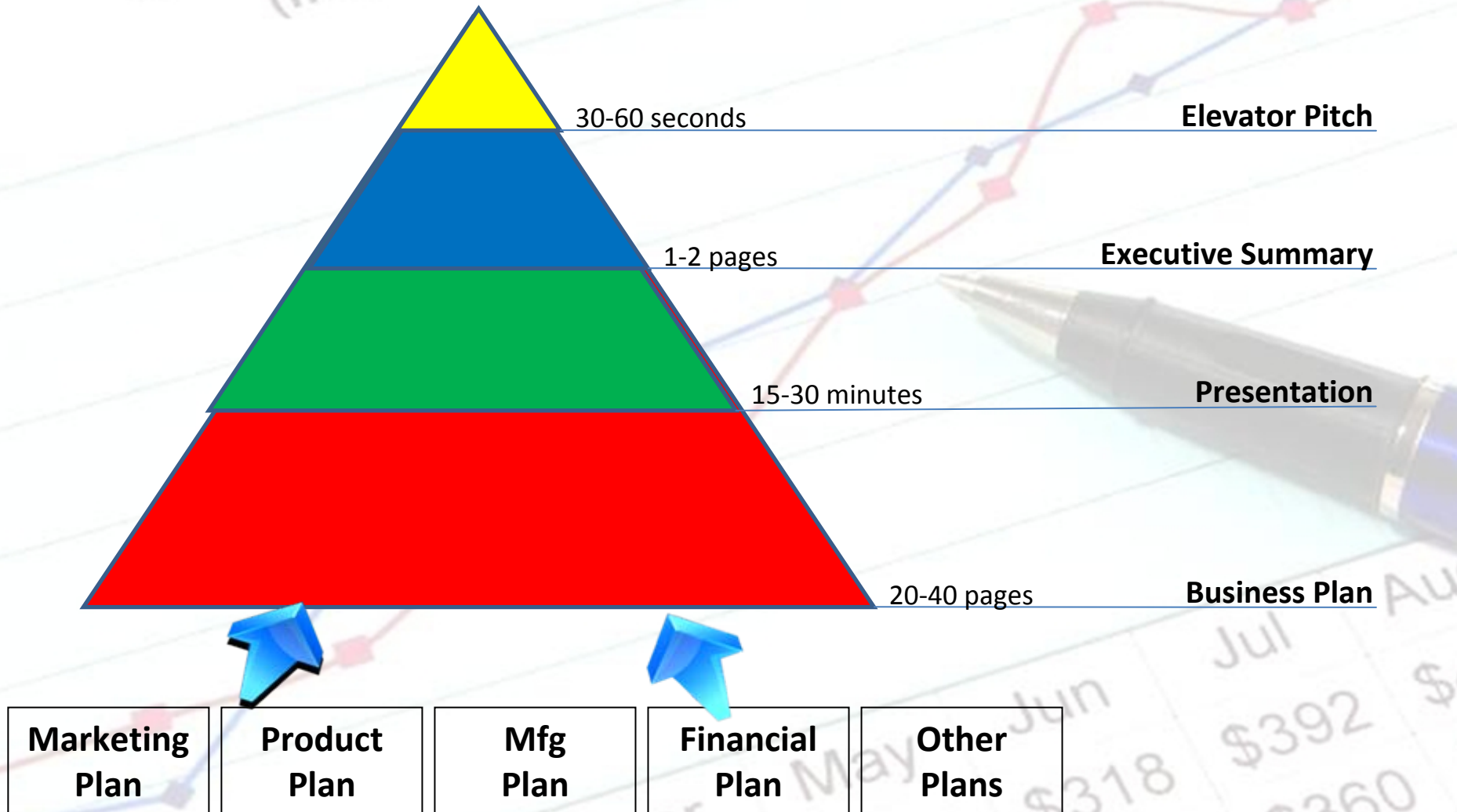
WHAT IS A BUSINESS PLAN?

3/5/2009

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Month	Actual	Forecast
Mar		
Apr		
May	\$301	\$310
Jun	\$318	\$392
Jul	\$360	
Aug		

The Foundation Of Your New Venture



Why Does One Need A Business Plan?

- To serve as a disciplined focal thinking point for building the business
- To raise financing
- To attract talent and management team
- To pursue strategic partners
- After (each) financing, it becomes the operational plan, constantly updated

Monthly Sales Forecast
(in thousands)

ELEMENTS OF A BUSINESS PLAN

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Business Plan Outline

(Not all Business Plans will contain all elements...)

- Executive Summary
- Company description
- Management Team
- Products
- Market
- Competition
- Marketing Program
- Business Model
- Manufacturing
- Service
- Facilities
- Staffing
- Board/Advisory Board
- Ownership
- Milestones
- Capital required/use of proceeds
- Financial data/forecasts
- Risks/Risk Management
- Appendices

Executive Summary

Short summary of the business plan, including:

- The company
- Management team
- Target market
- Principal products or services
- Marketing plan
- Financing requirements

Company Description

- History and status
- Background and industry
- Company's objectives
- Company's strategies
- What makes the company different from others

Management Team

- Founders and key employees
- Entrepreneurial Experience
- Industry Experience
- Functional/Operational Experience

Products

- Product description and comparisons
- Innovative features/IP (patent coverage)
- Applications
- Technology
- Product development and R&D effort
- Product introduction schedule and major milestones
- Future products (product evolution)

Market

- Market summary and industry overview
- Market analysis and forecasts
- Industry trends
- Initial product(s) / Total Available Market

Competition

- Similar Products
- Product Comparisons
- Company Comparisons
- Market Share
- Outlook

Marketing Program

- Objectives
- Marketing strategy
- Communications and PR/Analysts
- Strategic Alliances
- Sales and distribution channels
- Customers

Business Model

- Your company's plan to make money
 - How can you transform your technology or scientific idea into economic value?
 - Who will pay? How much? How often?
- Some possible business models
 - Licenses (perpetual or term)
 - Subscriptions (annual, monthly) - SaaS
 - Pay-per-use - SaaS
 - “Razor/Razorblade”
 - Auctions
 - Software + services bundles

Manufacturing

- Process
- Costs
- Life Cycle
- Manufacturing Engineering
- Supply Chain

Service

- Customer Service/Call Center
- Field Service
- Service Policy/Contracts/SLAs
- Service Lifecycle
- Field Engineering
- Spare Parts & Distribution
- Organization

Facilities

- Office Space
- Manufacturing Space
- Remote Offices
- Telecomms/Networking

Staffing

- Founder and key employees
- Organizational structure
- Headcount growth
- By job function/department
- Recruiting sources
- Geographic labor pool (local v. relo)

Board/Advisory Board

- Board members (typical)
 - Smaller is better
 - CEO/Founder(s)
 - 2 Investors
 - 2 industry experienced veterans (optional)
- Advisory Board
 - Credibility, customer access
 - Industry experienced veterans
 - Luminaries

Ownership

- Founders/employees
- Outside investors
- Incentive plan (stock options/stock purchase)
- Cash investments to date

Milestones

- Major events that increase valuation; e.g.
 - Working Beta/Beta customers
 - Complete commercial product
 - First n paying customers
 - First major strategic partner/reseller
 - Follow-on product
 - P&L/cash flow breakeven
 - Etc.

Capital Required/Use of Proceeds

- By Milestone
- By “Uses” for each milestone
- “Rule of thumb” is 50% more than plan
- Make sure Cash Flow works

Financial Data/Forecasts

- Give Assumptions Used
- By month for first 6 months
- By quarter for following 6 quarters
- By year for another 3 years (total 5 years)
- Revenue
- Expenses
- Cash Flow

Risks/Risk Management

- Product Risks
- Market Risks
- Team Risks
- Other Critical Success Factors

Appendices

- Detailed management profiles
- References
- Product descriptions, sketches, photos
- Recent literature on product, market, etc.
- Analyst reports
- ...

Monthly Sales Forecast
(in thousands)

INVESTOR PRESENTATION

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Overview

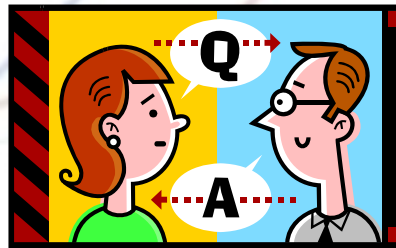
- Objective: Get another meeting/initiate Due Diligence
- A summary of key points, not the whole Business Plan
- Not selling product - selling stock
- Typical initial meeting is one hour
- Begin by asking about the investor firm
- Presentation - no more than 20-30 minutes
- Leave ample time for discussion

Presentation Content

- What an investor wants to know
 - Who you are
 - What you have accomplished
 - What you plan to do
- Focus on the “Big Four”
 - Management Team
 - Market
 - Product (keep light, demo OPTIONAL)
 - Finance

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THANK YOU



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