

Ten Questions Your Business Plan Should Answer

1. Where is your company now?

At the outset investors need to know whether your company has...

- been incorporated; if 'yes' when and by whom
- completed a design or developed a prototype
- developed or launched its first product/service
- secured customer commitment or orders
- generated any revenue; if so, how much, where from, etc
- secured finance from any source

Start by providing an engaging snapshot of where you've got to.

Underpin this with a compelling statement of who's involved; you and the team – experience, track record, commitment etc.

2. What is your product or service

Begin with a succinct description of the product/service proposition, then move on to set out:

- how the proposition is anchored in a real market opportunity
- the specific benefits and value that a customer will derive from using your product
- the way in which these benefits can be demonstrated and measured
- why the customer will purchase on an ongoing basis
- the distinctive advantages of your product and why it is a potential winner

At the outset it's essential to establish the link between the market opportunity and your product/service

3. What is your market?

Having understood your core proposition the reader wants a clear picture of your market in terms of

- market size
- market segmentation and niches
- actual and projected growth rates in target market
- geographic breadth and variation
- market context – relevant environmental, regulatory, technological, demographic/social changes

4. How will you reach the market?

Every new venture has to build a bridge to its market. How is your bridge to be constructed?

To answer this you'll need to define your strategy in respect of:

- marketing and promotions
- selling
- distribution

5. Who will you be competing against?

Basic competitor analysis tells us about competitors'

- identity, size, financial results, etc.
- product range and performance
- market reputation – quality, service, image
- market positioning – price, support, selling methods

But this is only a photograph: what you (and everyone else) can see

6. How will your product be produced?

The operational part of the plan should set out.....

- what's involved in producing the product or delivering the service?
- resources required to do this: labour, material, facilities, etc.
- capital expenditure – amount and phasing
- which activities will be controlled in- house (e.g. design or assembly) and which you'll subcontract
- what it will take to gear up production post start-up
- status of any agreement with suppliers.

7. Who are the people?

The question with which most investors start. In describing yourself and your team you need to focus on...

- directly relevant industry, market experience and skills
- accomplishments and track record; viz. P&L responsibility
- range depth and quality of relevant contacts: customers, suppliers, key personnel
- experience that the team has had in working together
- status and nature of commitment of both yourself and the team
- key recruits still to be found

8. What are your financial projections?

This part of the plan should focus on...

- core assumptions behind the financial model
- the link between these assumptions and your market data
- key financial indicators – projected cash flow,
- maximum cash requirements, summary P&L, balance sheet
- your expected base case and the rationale for it the potential downside (what happens if everything goes wrong) and upside

9. How much money do you need?

Your summary financial projections will drive the funding requirement. For an investor the key issues are:

- how much money is needed
- what it's needed for: staff, premises, capex, R&D market testing etc
- when and in what stages it's required
- the key milestones against which funds will be drawn down
- the form in which finance is required

10. What are the risks

Risk is inherent in starting a business. Your aim is to identify and minimise all potential risks.....

- list all risks relevant to key aspects of the business: product/service, market, technology, management team
- identify those risks that are more/less critical
- work out precisely what you can do to ameliorate key risks
- keep refining the list – and your intended actions – until you're left with a clear summary of the core risks; i.e. those that present the greatest threat but where you can do least to mitigate them, at least before start-up

Good Luck with your Fund Raising!
