



CUE: fun evening

Preparing a business plan



UNIVERSITY OF
CAMBRIDGE
Judge Business School

Purpose

Two different objectives:

- 1. How to write a business plan to win CUE**
- 2. How to write a business plan to build a great business**

1. Winning CUE

Its easy:

READ THE EXAM QUESTION

Look on CUE website and identify the judging criteria for the competition

Make sure you have great answers for each of the questions

2. Writing a real business plan

- **You need to think hard about your new business idea?**
- **You need to work out why you need a business plan?**
- **What do investors want?**
- **Why you need different versions?**
- **Why you will never finish refining it?**

The Business Plan

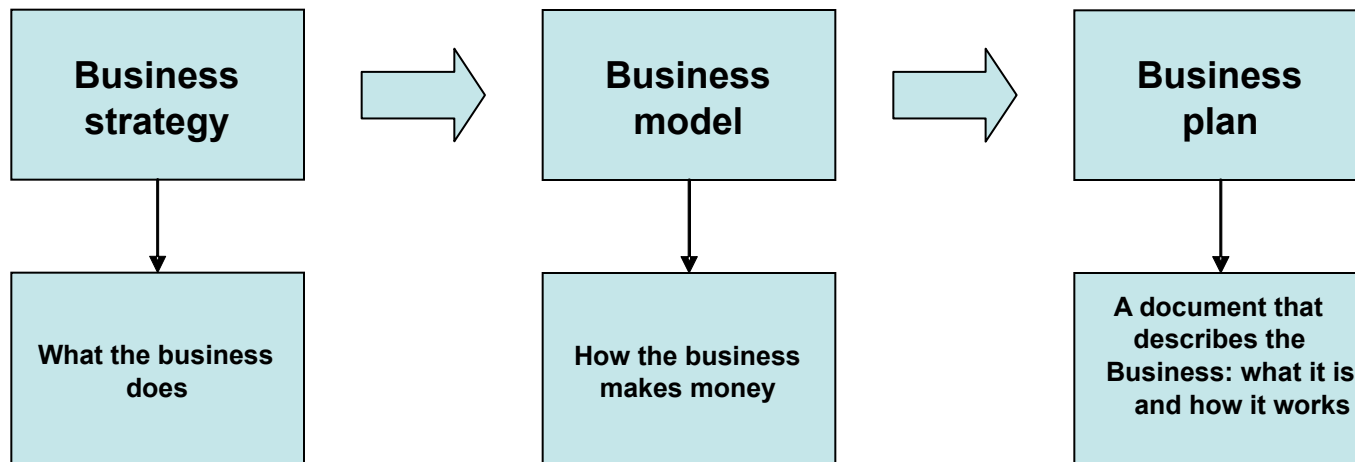
A team has a business idea – they need to develop a business plan

Three outcomes

1. Captures (and clarifies) the ideas
2. ‘Sells’ the ideas to others
3. A reference document / action plan

What is a business plan

A Business Plan is the document that describes your new business and presents a plan



Business plan success factors

Important benefits for customer/fit with needs

Significant market; structure and segmentation understood

Commercial potential; customers prepared to pay for benefits; sustainable

Growth and global potential

Entry strategy and/or partners

For whom?



Me and my team

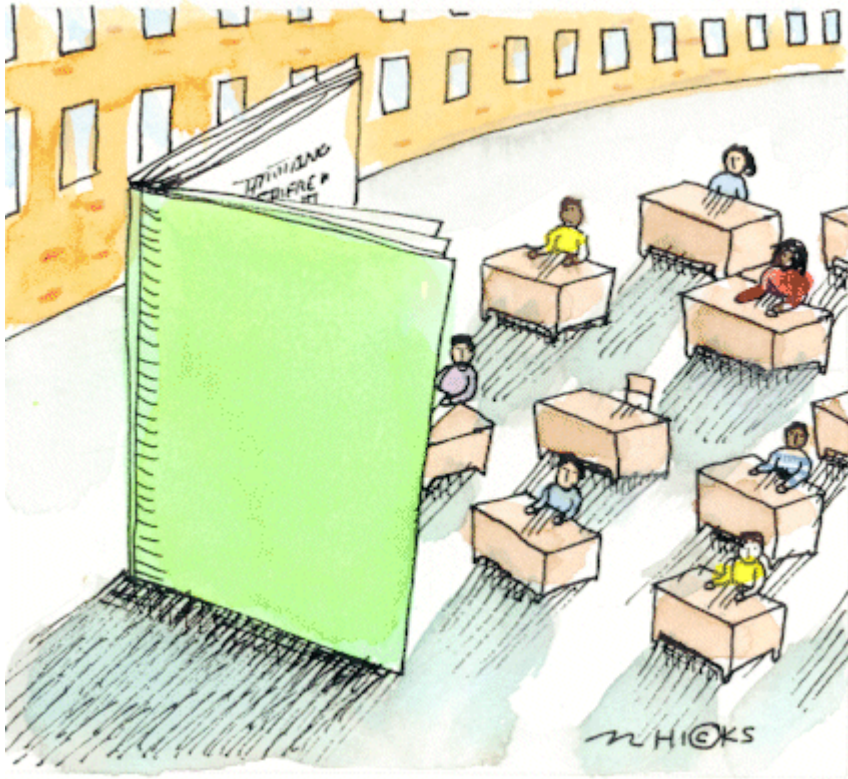


New recruits



Funders

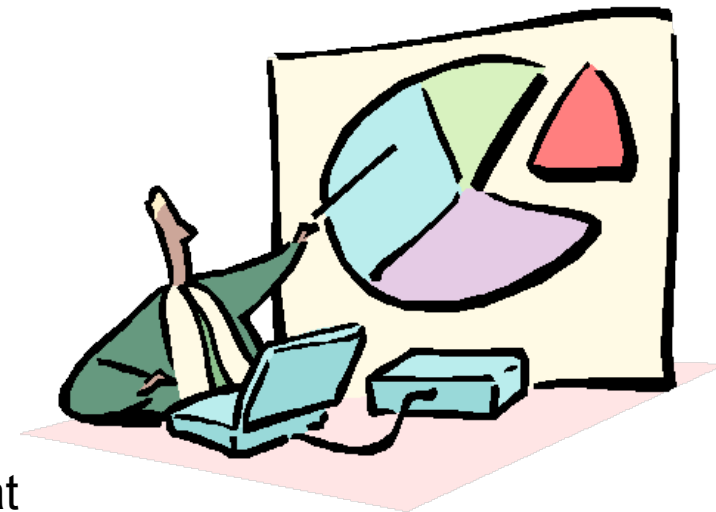
Different purpose; different contents



Big version for the team



Concise version for investors



And a great presentation

When do You Need to Write it

Not right at the beginning.....but start soon afterwards

Business Plans get better from being worked-on

You should use your plan to check trajectory/progress

You may need to change/re-write from time to time

Its not 'how long should it be': its 'what describes the business'

Process: How to do it

Your Business Plan is a ‘TEAM THING’ – sort of a longitudinal ‘hackathon’

It helps you understand the business better – and make it better

Don’t start-out ‘trying to write the plan’ – start by discussing the ‘business’

When you are all clear on what the business is and how it will work, THEN you will find writing the plan easy

What Investors want

- 1. Their money back**
- 2. A lot more money in addition**
- 3. A clear understanding of WHEN they will get their money back**
- 4. An understanding of the risks involved**
- 5. An understanding that YOU know what the risks are and have plans to reduce the risks**
- 6. An understanding that you know how to get your product to the market**

What investors want (2)

Clarity on how much money you want

Clarity on what you are going to use the money for

Comfort that you have enough money

Mechanisms to report on progress

Mechanisms to intervene (if things go horribly wrong)

Content of a Business Plan

A business plan is an important document for your company.

Sections to be addressed within a business plan include;

- The team
- Executive Review
- Description of product or service
- Market/environmental/economic /company analysis
- Analysis of the competition
- Marketing strategy
- Capital Requirements
- Financials

Content of a Business Plan



Tips for creating a successful business plan:

- Write it from the audiences perspective
- Make sure you research the market thoroughly
- Recognise the competition
- Pay attention to detail
- Ensure all key areas are covered
- Do the calculations
- Make sure the capital requirements cover all costs
- Include Executive summary
- Implement the plan

Common problems for new business ventures

Customers won't buy our product/service

We don't know where to find our customers

We don't know how many customers there are who want our product

We don't know how much to charge – what price

We don't understand why the competitors keep beating us

There are so many things we could do, we don't know what to do next

Build a team

Your team is the single most important determinant of success

VC firms specialise in selecting new ventures that will be successful

...they will tell you that the team is the most important matter

..and the leader

Experience is also important....have you been successful before

Understanding customer needs

Core to any new business

...but, a gap in many business plans

Many new ventures don't understand their customers

Your job is going to be to help them



How are you going to help them?

Well planned, thorough market analysis

- How big is the market: volumes, values, trends

Market segmentation analysis

Competition analysis

- Identify
- Products
- Capabilities
- USPs

...possibly business model analysis

Market analysis truisms

There is no exact answer to market size, etc

- Identify the 'range'
- Analyse market for segmentation

You will never find one source that gives you all the answers

- Keep looking
- You are like a detective piecing together the evidence

Customer wants and needs

These are different

Customers can tell you their 'wants'

Most customers don't know their 'needs'

You need to understand how a product adds value to a customer to get to their needs

Market segmentation

Most markets are segmented

You need to understand the segmentation

You need to analyse (volumes, values, etc) the target segments



Strategy

Does the business have a clearly defined strategy?

How does the market analysis link to the business strategy?

Is it the right strategy?



Business models

How we make money from the idea

License, collaborate, distribution agreements

The market and industry structure may determine our strategy



Value proposition

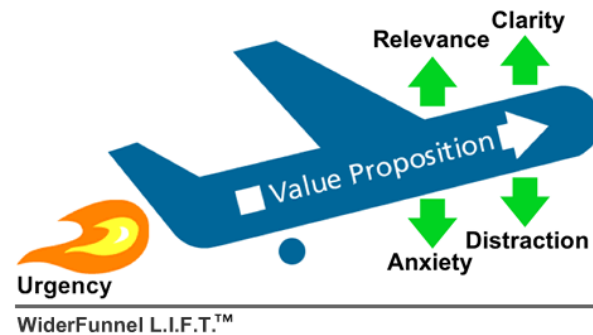
How does the product align with customers needs?

Where does it fit in the value chain?

What does it offer that competitors don't?



What's your **value proposition?**

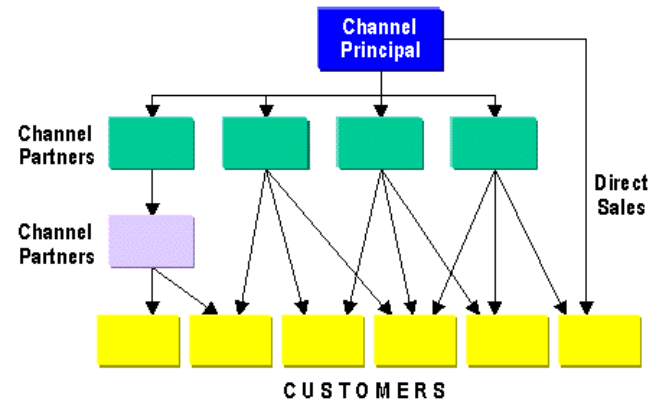


Channels to market

How will the business access customers?

What is the best channel?

Has the business considered other options?



The Financials - Forecasting

Forecasting is a key element in any business plan and should be based on research and data rather than guesswork.

Financial data must include:

- Sales forecast**
- Forecasted P&L Account**
- Cash flow forecast**
- A balance sheet forecast**
- Assumptions behind forecasts**



The Financials - Assumptions

- ✓ **Assumptions need to be REALISTIC**
- ✓ **Explain the techniques you came up with when arriving at your financial statements**
- ✓ **Need to be well reasoned and must communicate operational maturity and credibility**
- ✓ **If assumptions are realistic, this can boost your business's chances of winning investor confidence**
- ✓ **On the other hand, if assumptions are inconsistent, they can damage the credibility of your business plan.**

Risk Analysis

Lets investors and lenders know that you have a clear knowledge about what risks surround your business

Show investors you have the ability to cope with these risks.

Helps you in risk planning and in communicating risk information

The higher level of risk within a business, the more the investor will want in return

You need to be able to identify risks within your business and a risk management process can help you.

In your business plan suggest ways in which you can minimise any risks whilst maximising the opportunity

FAQ's

Where can I find information on the markets

How should I present the finances

Where will I find a team

What pricing strategy should I use

Who should I work with as partners

What is an appropriate value for my business

What share should I expect to own/sell/etc



UNIVERSITY OF
CAMBRIDGE
Judge Business School