



# TCVN Forum

“Business Plans Don’t Raise Money...  
What Does?”

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## Why are you here?

- Who is currently in the process of raising money?
- Who is in the process of laying out a “plan” for their early stage company?
- Anyone have a current business plan they are actively using?



## ***Wikipedia: What is a “business plan”:***

A **business plan** is a summary of how a [business](#) owner, manager, or [entrepreneur](#) intends to organize an [entrepreneurial](#) endeavor and implement activities necessary and sufficient for the venture to succeed. It is a written explanation of the company's [business model](#).

Business plans are used internally for [management](#) and [planning](#) and are also used to convince outsiders such as [banks](#) or [venture capitalists](#) to invest money into a [venture](#).

Sounds good....

***So...let's spend the next few hours covering the following in detail....***

**1.0 Executive Summary**

- 1.1 Objectives
- 1.2 Mission
- 1.3 Keys to Success

**2.0 Company Summary**

- 2.1 Company Ownership
- 2.2 Company History (for ongoing companies) or Start-up Plan (for new companies).
- 2.3 Company Locations and Facilities

**3.0 Products and Services**

- 3.1 Product and Service Description
- 3.2 Competitive Comparison
- 3.3 Sales Literature
- 3.4 Sourcing and Fulfillment
- 3.5 Technology
- 3.6 Future Products and Services

**4.0 Market Analysis Summary**

- 4.1 Market Segmentation
- 4.2 Target Market Segment Strategy
  - 4.2.1 Market Needs
  - 4.2.2 Market Trends
  - 4.2.3 Market Growth
- 4.3 Industry Analysis
  - 4.3.1 Industry Participants
  - 4.3.2 Distribution Patterns
  - 4.3.3 Competition and Buying Patterns
  - 4.3.4 Main Competitors

**5.0 Strategy and Implementation Summary**

- 5.1 Strategy Pyramids
- 5.2 Value Proposition
- 5.3 Competitive Edge
- 5.4 Marketing Strategy
  - 5.4.1 Positioning Statements
  - 5.4.2 Pricing Strategy
  - 5.4.3 Promotion Strategy
  - 5.4.4 Distribution Patterns
  - 5.4.5 Marketing Programs
- 5.5 Sales Strategy
  - 5.5.1 Sales Forecast
  - 5.5.2 Sales Programs
- 5.6 Strategic Alliances
- 5.7 Milestones

**6.0 Web Plan Summary**

- 6.1 Website Marketing Strategy
- 6.2 Development Requirements

**7.0 Management Summary**

- 7.1 Organizational Structure
- 7.2 Management Team
- 7.3 Management Team Gaps
- 7.4 Personnel Plan

**8.0 Financial Plan**

- 8.1 Important Assumptions
- 8.2 Key Financial Indicators
- 8.3 Break-even Analysis
- 8.4 Projected Profit and Loss
- 8.5 Projected Cash Flow
- 8.6 Projected Balance Sheet
- 8.7 Business Ratios
- 8.8 Long-term Plan



## ***So, what's wrong with a business plan?***

For planning purposes:

- Will take too long and too many resources to create (you won't get much else done)
- Will be out of date even as you type it
- Because this is “early stage” it will be more wrong than right (you would have to revise each week)
- No one will really refer to it / use it as a working tool later
- “Important” is lost in the context of “comprehensive”

For fundraising purposes:

- No one will read it (even if they ask for it). In fact, if they ask for it, you are probably not positioned right
- Gives them a lot to disagree with – and doesn't drive focus to the key messages



## ***Raising Money***

### ***Step #1: Self Assess, Target the Right Investor, Understand Their Needs***

- Realistically, where are you in your company lifecycle? Don't waste time chasing the wrong investor.
- Tailor the approach and the materials to the audience: Friends and family? Angels? VCs?

## ***Step 1: Raising Money: Investor Targets***

### **Angel**

- Fit with personal portfolio and timing
- Personal referral
- Personal interest in the product
- Compelling pitch
- Momentum – “who else is in already”
- **Excitement Factor**

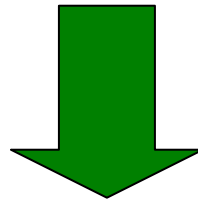
### **VC or Angel Organization**

- Fit with charter AND fund timing
- Fit with return profile and size appetite
- Lie in area of expertise and / or interest
- What else is in portfolio (conflict? compliment?)
- In the hands of right sponsor
- And, in today’s environment, “wrapped up in a bow”
  - Clear market opportunity
  - Defensible technology
  - Well articulated “business plan”
  - Complete team
  - Working technology and revenue traction

## ***Step 1: Raising Money: Understand the Audience***

There is a fundamental disconnect between the perspective of a professional investor and the expectation of an entrepreneur:

- ❖ The only rational way to behave as an investor is to figure out any reason to say “no” as quickly as possible.
- ❖ So many entrepreneurs are incredulous that they cannot get financing because they believe they’ve provided so many reasons to say “yes”.



***It is not about how many reasons you gave them to say “yes”. It is about whether and when you gave them a reason to say “no”.***





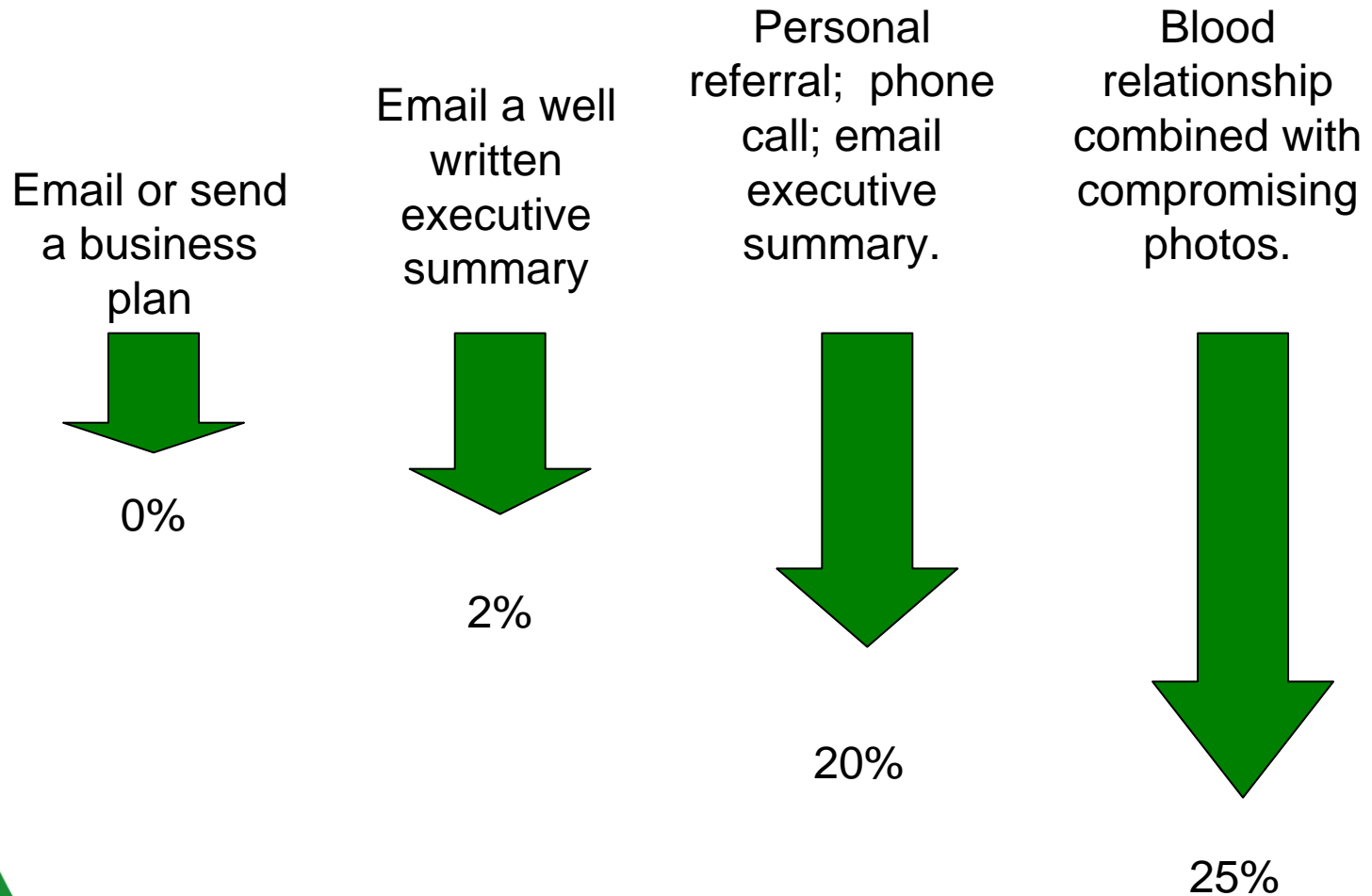
## ***Step #2: Make the right first impression.***

What is the goal of the first communication with a potential investor?

***Get a meeting.***

A meeting is the only way to establish rapport and overcome instant objections to anything you write.

**Step 2: How to increase probability of getting a meeting:**





## ***Step 2: Key tools for the process***

- Hopefully, get a personal introduction to the right partner in VC (or sponsor with Angel organization)
- Call before you send an email (your message among average of 300 emails a day)
- “Elevator email” – reference the phone call. Provide a pithy summary of what is attached
- Executive summary – 2 – 5 pages that covers all the key points
  - Establish credibility – If you are Steve Jobs, just send a few bullets on your new idea. Otherwise, figure out how to answer the question “why us”
  - Set the hook
- Follow up to set a meeting

## “Elevator Email”

To...	Big VC
Cc...	
Bcc...	
Subject:	FastGrow Company

Bob,

I appreciate you taking my call the other day. Tom Wilson has suggested that FastGrow may be a good fit for Big VC based on what he knows of us and your portfolio.

I have attached a quick 2 page primer on our company. This summary outlines the following:

- Why the \$2B industry for XX has 3 critical problems
- How FastGrow solves these problems with its unique technology
- Our plan to penetrate the market over the next 18 months

I'd like to ask for 30 minutes of your time next week. I will call to follow up on this note in the next 48 hours.

Best,



## Executive Summary





## ***Step #3: Enter the process.***

- Ask them what they want to talk about in the meeting before you go.
- PowerPoint can hurt as much as help:
  - They probably already know what they need to hear – You get roughly 1.5 pages before they begin to get impatient
  - Distracts you from sensing what they “care” about – and diving deep
- Recommend:
  - “5 killer slides” – concise, compelling
  - Another 20 slides that you can refer to in order to answer questions
  - A rational, simple model that does not hockey stick and does not assume anything about exits or IRRs



## ***Example “Meeting Presentation” First Slide***

### **Agenda:**

- Introduction to team: 5 Minutes
- 5 Key Slides: 10 Minutes
  - Summary of Market and Pain Points we Address
  - Summary of Technology
  - Summary of Competitive Dynamics and Uniqueness
  - Summary of Business Model & Traction to Date
  - Financial Forecast Overview
- Q&A: Detailed Information On Issues of Interest



## ***Key early stage management documents***

- Fundamental understanding of what is special about your company and how you expect to leverage this.
- Description of what you want your company to accomplish in 6 months, 1 year, 3 years
- 3 to 5 key “accretion point” quarterly goals in line with this set of goals – review every other week
- Scorecard of key metrics to keep track of progress and people’s commitments – review once per week