

## **The Right Information for a Great Business Plan**

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What is wrong with most business plans? Often, our E Solutions advisors at the Entrepreneur Center see plans that waste too much space on technology descriptions and numbers and provide too little of the information that matters to savvy angel and venture investors. The focus needs to be on the key drivers of the business' future success or failure. A simple, truthful story about what the business does is powerful. Strip away complexity, boilerplate, and padding – a good rule of thumb is to cut the tech description in half and to do a summary instead of full-blown financial projections. You don't want every reader of the plan in on all your secrets, but be prepared to answer detailed questions.

Here is a “what investors want” checklist that can be applied to most first draft business plans.

### **Management**

Smart investors read the team resumes first. Without the right team, the rest of the plan does not matter. Most venture funds have learned the hard way that good ideas are a dime a dozen, and that only execution skills count. Provide full business experience for each team member (successes and failures), and be honest about where the holes are – which positions need to be filled. Describe motivations and commitment to the venture. What skin does management have in the game?

### **Business**

Describe the compelling, large problem that the business will solve with its product or service. Give a brief description of the technology or service and identify any barriers to entry (patents, licenses, other IP) that you have or need to acquire. Address how the business will sustain its advantage in the marketplace (especially if no patents). How much does it cost to produce and deliver the product or service?

### **The Market**

Describe the total market for the venture's product or service. How fast is it growing? It is easier for a new business to obtain share in a growing market than for it to fight entrenched competitors in a mature or stagnant market. Does the market allow high margins or is it high volume, low margins?

## **Marketing Strategy**

Outline how the business will build and launch its product or service. Is the market segmented, and if so, which verticals will you go after first? Identify the new venture's customers, describe how they make buying decisions and why your product or service is a compelling purchase for them. Will the business reach its customer segments by direct sales or channel sales? Who will be your marketing partners?

## **Customer Acquisition**

Delineate the cost (in time and resources) to acquire a customer. How much does it cost to support a customer and how easy is it to retain him? Describe the sales cycle and estimate how long before the customer sends you a check.

## **Business Model**

Describe how the product or service will be priced. Address the costs of producing and marketing your product. When do you have to buy supplies, inventory and people, and when do you have to pay for them? How does the venture scale as sales grow and how much capital equipment is needed to support increased sales? What are your margins?

## **Competition**

Do not say that there is none – find analogous products or services. What are competitors' strengths and weaknesses? Describe their anticipated response to your entry into their market and how you will respond to their response. Who else is waiting in the wings to exploit your identified opportunity and how big are their resources? It may be possible to co-opt potential competitors by forming alliances early.

## **Financial Projections**

Estimate how much money the business will need to accomplish its objectives and the timing of financing tranches. Clearly state your assumptions in notes at the end – be reasonable. Estimate the monthly burn rate and face up to the break-even issue. When does cash flow realistically turn positive? Avoid pages and pages of detailed spreadsheets without clearly stated, realistic assumptions.

## **Endgame**

Describe how the investor will get a return and demonstrate a wide range of exit options. If the venture turns out not to be a sustainable stand alone business, you should describe back up plans to create an exit. Give the investor a roadmap as to how management plans to preserve and enhance exit options. Most investors have no interest in a "lifestyle" business that provides a nice long-term work environment for founders and employees.

## **Executive Summary**

This one or two paragraphs is all anyone needs to read after the resumes and market sections (no one really believes projections). Please, no more than one page at most. The first three sentences really have to grab the reader's interest. This is your "elevator pitch" and you should have memorized a 30 second and a 2 minute version.

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