

# Verge FUND

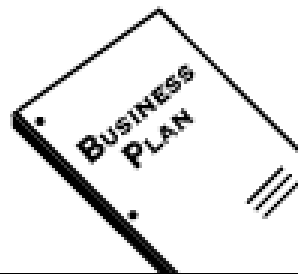
## *The Business Plan*

Presented by:

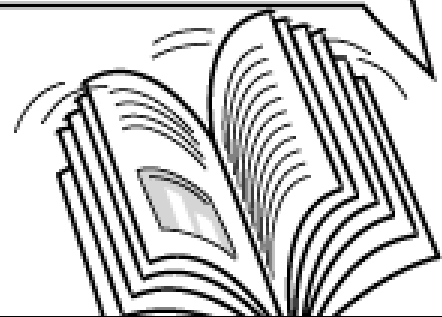
**Paul Short**  
*Venture Partner*

**The  
VC  
11.0**  
by Robert von Goeben  
& Kathryn Siegler

A new business plan.  
Looks like a lot of  
work went into this.



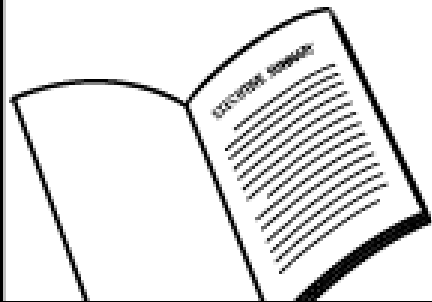
A complete product  
development schedule,  
in-depth market research,  
detailed financials.  
This must have taken  
weeks to write.



Knock!  
Knock!

Wanna go  
to lunch?

This will require a  
thorough reading.

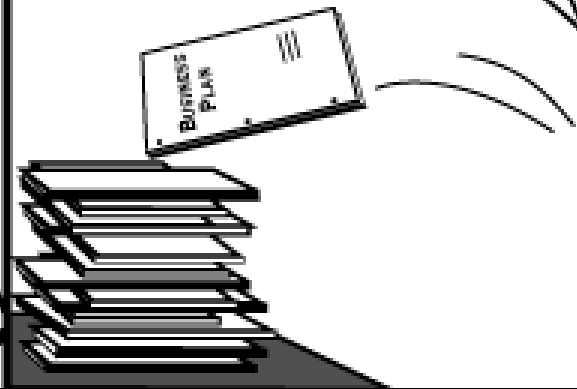


Just...  
one...  
second...  
Ok.  
Let's go.



New plan?

Yeah. I gave it  
a good scrub.  
Nothing there.



# NVCA Regional Growth Data

## Fastest Growing Venture Regions<sup>2</sup>

	Number of Companies		
	2007	1997	% Change
New Mexico	<b>21</b>	3	<b>600%</b>
Pittsburgh	44	12	<b>267%</b>
Seattle	132	65	<b>103%</b>
Los Angeles	124	72	<b>72%</b>
Washington Metroplex	180	105	<b>71%</b>

Verge investments represent 38% of the 2007 NM figure

1/3 of all NM VC-backed deals are Verge deals

56% of NM "Seed" Dollars from Verge (2005-2007)

## *Verge Fund: A Strong Portfolio*

- **13 of 16 investments active**
  - 9 companies generating revenue
  - 7 companies resident in “Verge Building”
- **A Focus on Revenue**
  - 2010 over 2009 growth of over 50%
  - 895% Total fund revenue growth since inception

# Purpose of the Business Plan

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*Make TVC Happy*

*Plans are useless, but planning is  
indispensable*

*Dwight Eisenhower*

# Fatal Flaws

- “The Market is more than \$1B”
- “With only 0.1% of the market, revenue is....”
- “There is no competition”
- An early, large sales force
- Huge Net Profit

# *Why Prepare a Business Plan?*

- Check your assumptions
- Develop ‘What If?’ scenarios
- Force clear thinking
- Communicate to others
  - Internal
  - Funding Sources

# Checking Your Assumptions

- Much of the following material comes from:
  - *The Four Steps to the Epiphany* by Steven Gary Blank. Buy it.
  - Ralph Grabowski, *Who Is Going to Buy The Darn Thing?, 11 Steps to Heaven™*
  - Lynne Galligan of Hilltop Innovation via Stephanie Spong of Epic Ventures.
  - Bill Bice, Ron McPhee, Bill Hartman, Stephanie Spong

# Opportunity Assessment

- Prior to starting a business, you must answer 4 crucial questions:
  - Is there an unmet need?
  - Do you have a solution?
  - Can you make money?
  - Do you have the right team?

They cannot be answered behind a computer. 95% of the effort is **TALKING TO CUSTOMERS**

The work must be done by the founding team

This should be done before writing a business plan

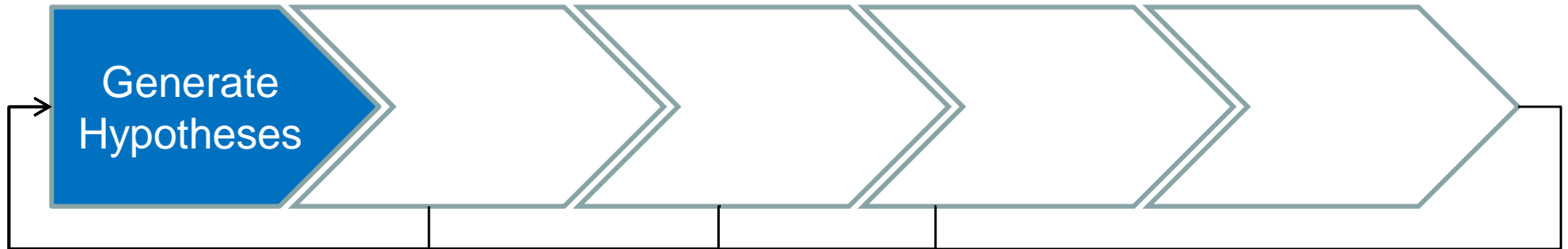
This should be completed before doing any product development

# An opportunity assessment process



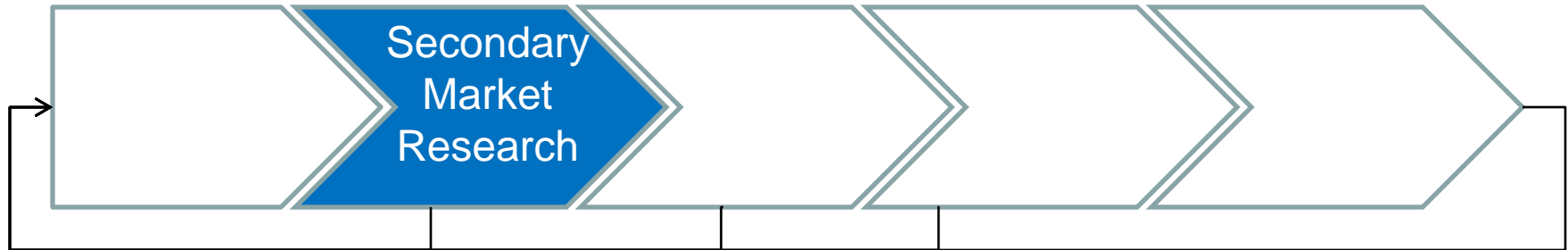
- ✦ Use a scientific approach to answering the 4 questions
  - ✦ You know nothing: start with ***Hypotheses***
- ✦ Emphasis is on Primary Market Research – i.e. Talking to Customers
  - ✦ Iterate, iterate, iterate – not a linear process
- ✦ **I will do this when evaluating your company**

# Hypotheses



- Document Hypotheses in a simple, disprovable style
- Take a cut at all areas of the market analysis but focus on:
  - Problem & unmet need – if there’s no unmet need, there’s no business
  - Customer – who is the customer, how do they buy, who makes the decisions?
  - Competition – what are customers doing now?
  - Product – how does your product solve the problem? What does the customer have to change in order to use it?

# Secondary Research



- Use any and all resources
  - Public Company Presentations & Reports
  - Analyst Reports
  - Research Reports (\$\$)
  - Industry Groups
  - Conferences
  - Competitor Websites & Advertisements
  - Government Reports
- Use the phone and get out of the office – call analysts, researchers, & groups.

# Primary market research



The Founding Team Must Perform This;  
It Cannot be Delegated

# Primary Market Research



- Design to Prove / Disprove Hypotheses

- Include Customers, Competitors, Analysts, VCs, Suppliers, & more Customers
- >15-20 total interviews

- Conduct in pairs
- Document results to be reviewed during analysis

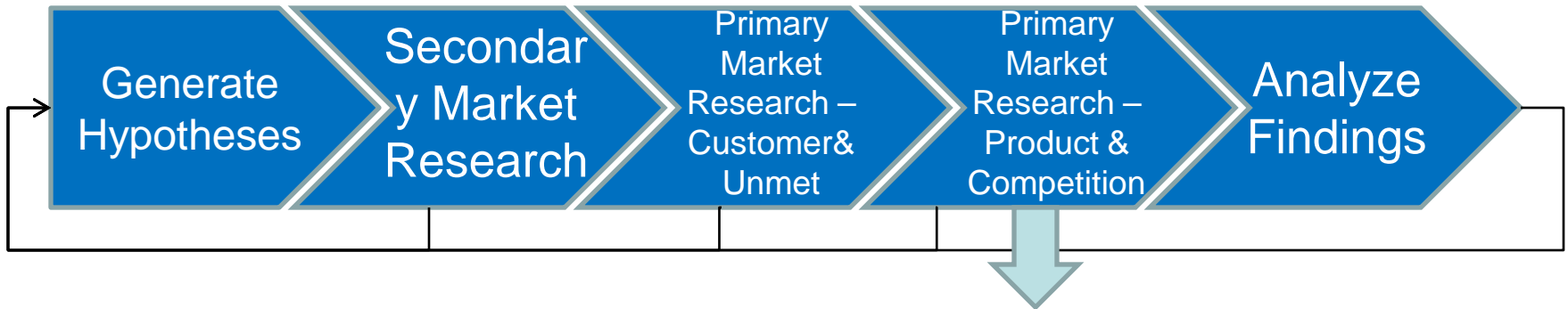
# Iterating



## ✕ Stop and Analyze:

- + How are the answers matching your hypotheses?
  - + Is there a problem? Will customers pay to solve it?
- + If yes, go on to Product & Competition Research
  - + If Maybe, iterate
- + If no, totally rethink

# Iterating



## ✘ Stop and Analyze:

- + How are the answers matching your hypotheses?
- + Does your product solve the problem? Will customers change what they do?
- + If yes, go on to Analyze
  - + If Maybe, iterate
- + If no, totally rethink

# Analysis

- Concisely state the following:
  - The unmet market need
  - Product Definition that meets the need
  - Competitive Advantage
  - Target Market – the exact definition of your customer
  - How you make money
  - Supporting Trends

If you cannot, iterate until you can  
OR – kill it and move on

( )

Verge  
FUND

# Last – but not least



- Is the team ready for this?
  - Can you handle uncertainty?
  - Can you deal with stress?
  - Can you manage financial uncertainty?
  - Is your team on the same page?
  - Where are you weak?

**Now you're ready to write a  
business plan**

# Writing the Business Plan

- The Story
- The Elevator Pitch
- Executive Summary
- The Long Pitch
- THEN ... all the other blather

# The Story and The Pitch

# The Story

- What are you going to do?
- What problem does it solve?
- Why is it compelling?
- Would a Freshman understand it in 30 seconds?



*The Story Drives The Plan*

# Story examples

- Southwest Airlines
  - “30 Years, One Mission: Low Fares”
  - “We don’t compete with other airlines, we compete with ground transportation”
- Dell Computers
  - Sell direct (you cannot get more direct than the web)
  - Sell cheap
- BMW
  - Cede engineering to Mercedes, cede comfort to Lexus, but nobody beats them on performance
  - “The Ultimate Driving Machine”
- Whole Foods
  - “Whole Foods – Whole People – Whole Planet”

## *What is a Pitch?*

- Three flavors:
  - The elevator pitch (2 or 3 sentences, max.)
  - The 10 minute pitch
  - The 30 minute pitch
- Work on the first two, and the last one will take care of itself (there is always more to say).

## *The Elevator Pitch*

- You walk into an elevator at the top of 30 story building, and a top-tier VC is in the elevator. You have until the elevator hits the ground to convince her to take your business plan. What do you do?
- Must be <30 seconds

## *The 10 minute Pitch*

- You have a 30 minute meeting with a VC. He has not read your plan, nor even heard of you, but you know his mother, and she told him to take the meeting. What do you do?
- The pitch should be 10 minutes without questions. If he does not ask questions, you are dead anyway.

# *Elements of the Pitch*

- Value Proposition
  - Do you increase customers revenues or decrease their costs
- Business Model
  - VCs love analogies. Your business should not be like anyone else's, but your business model should.
  - Have examples of successful implementations of this model in similar industries
- Management Team
  - Remember that it is about the people
- Overall Market
  - Be sure to have this segmented properly
- Financial Projections
  - Show cash flow break-even and profitability timelines, as well as Revenues and NI
  - And...

# Do Not Forget to Ask for the Money!!

List your overall financing requirements

## *Tips for a Good Pitch I*

- Make it short
  - 20 slides, max.
- Make it clear
  - Do not make your slides too busy
  - Use graphics and colors carefully
  - Use large fonts
- Make it simple
  - Even smart people only get so much the first time around

## *Tips for a Good Pitch II*

- **Act right**
  - Be professional
  - Be P.C.
  - Be careful what you say
  - Smile!
- **Dress right**
  - Do not forget that you are asking for a lot of money
- **Know your Audience**
  - Individual background
  - Industry or deal preferences
  - Do homework first, not at the meeting (if possible)
  - Who is the decision maker in the group?
- **Honor their time**

## *Tips for a Good Pitch III*

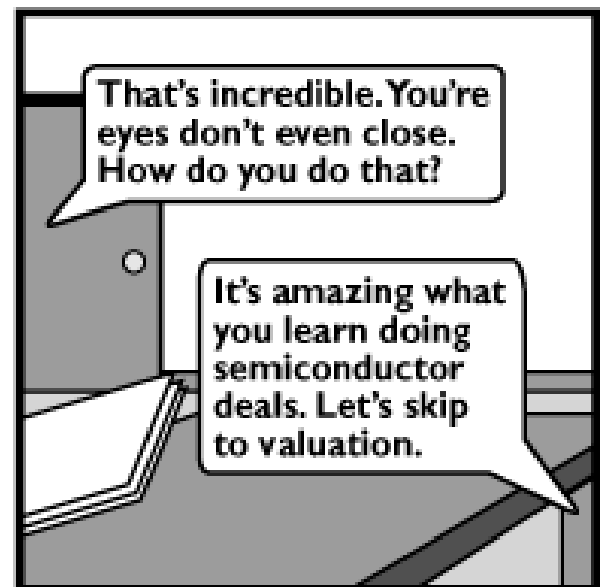
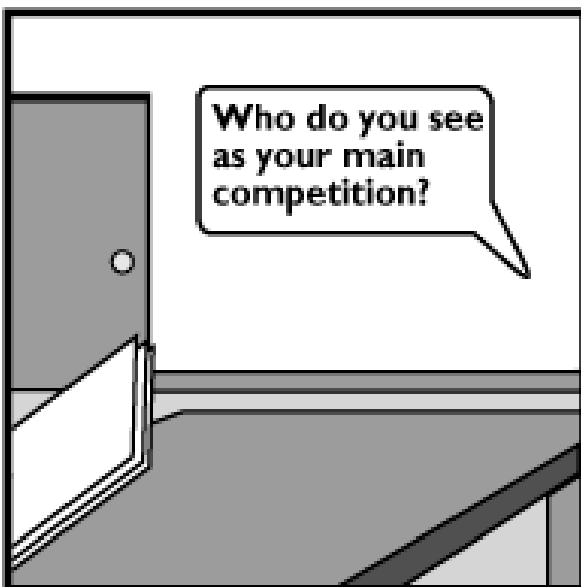
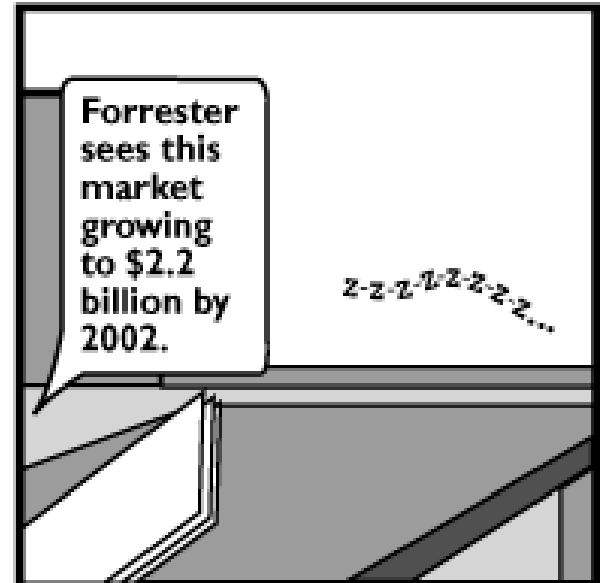
- Speak clearly
- DO NOT READ YOUR SLIDES!
- Make eye contact with everyone in the room (except your partners)
- Pay attention when others are talking
- Match your presentation to your style
  - But be sure to have a take away

## *And the Most Important Tip...*

- Practice
  - Practice!
  - Practice!!
- 
- Americans list as their #1 fear:
    - Public speaking
    - *And it is ahead of dying!*

## What I REALLY Look for in the Plan

<b>Executive Summary</b>	Is it clear and concise ( <u>2-3 pages</u> )? Can it stand on its own?
<b>Management Team</b>	Are experiences relevant to the positions?
<b>Product Description</b>	Should be <i>non-technical</i> and to the point. Have the in-depth, technical discussions in appendix, not the plan
<b>Market Overview</b>	How has the market been segmented? How proven is the business <i>model</i> ?
<b>Funding Needs</b>	Are any of the funds going to retire <i>existing</i> debt or pay back salaries?
<b>Financial Projections</b>	This is the sanity “check.” Operating income, founders’ salaries, time to break-even.



# Contact Information

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