

daventryhouse

consultancy in technology management and communication from Neil Rathbone

Technology, innovation and business

Day Four

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How do you plan and
finance a technology-
based business?

Presenting your proposition

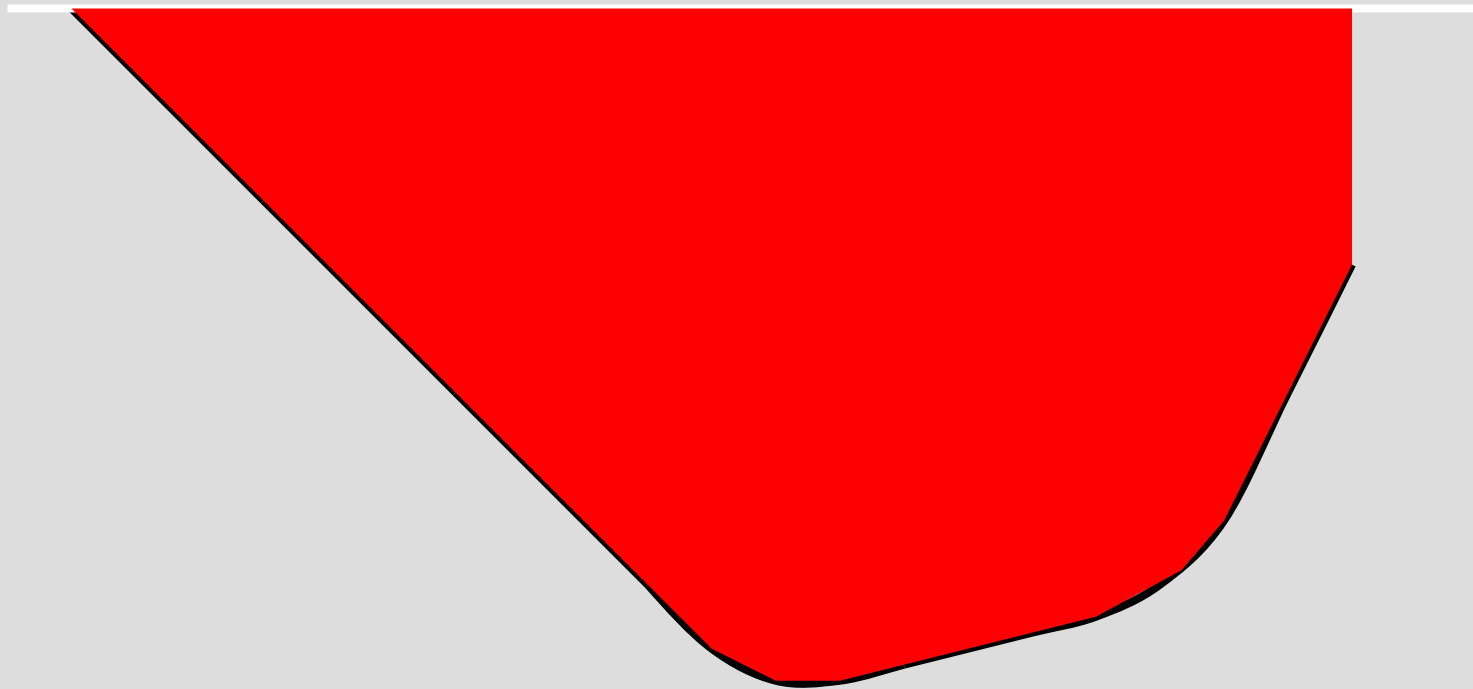
- Outline the need or problem
- Describe your answer in brief
- Point out advantages/potential
- Analyse risks/requirements
- Business concept
 - o Operational plan (marketing, sales, production, delivery, after sales)
 - o Financial plan (Profit/Loss, balance sheet, cash flow)

The 'elevator pitch'

You are in a lift and Stelios Haji-Ioannou, who you were hoping to interest in your idea, gets in on the 1st floor and presses the button for the 6th floor. Now is your chance.....

The 'death valley' curve

Profit



The business platform model

Eight factors

- Idea
- Product
- Definition of market
- Organisational development
- Core expertise
- Commitment
- Customer relations
- Business relations

The business platform model

- Idea

Weak	Intermediate	Strong
Vague	Clear	Business concept

The business platform model

- Product

Weak	Intermediate	Strong
Not developed	Prototype, bets, early stage	Available with customer acceptance

The business platform model

- Definition of market

Weak	Intermediate	Strong
Undefined	Defined	Mapped, prioritised, route to market known

The business platform model

- Organisational development

Weak	Intermediate	Strong
No structure	Defined	Operational

The business platform model

- Core business/technical expertise

Weak	Intermediate	Strong
Gaps	Available	Operational

The business platform model

- Commitment

Weak	Intermediate	Strong
No evidence; one person's hobby	Small scale commitment	Highly committed core group

The business platform model

- Customer relations

Weak	Intermediate	Strong
No contact	Pilot selling or market research	Market acceptance

The business platform model

- Business relations

Weak	Intermediate	Strong
None	Limited one or two	Network sufficient for all needs

Financing

- Many types – money is not just money
- Important to get the right type
- You can go bankrupt through
 - o The wrong type
 - o Not enough, even if you are profitable

Grant

- **Best of all**
 - o Not a liability
 - o 'Free' money, no interest
 - o No ownership loss

Equity

- **Seed**
- **Early**
- **Development**

- **Business angels**
- **Venture capital/‘Vulture’ capital**

Debt

- **Short term (overdraft)**
- **Long term**
- **Mezzanine**
- **Soft loans**

Asset financing

- **Renting/hiring**
- **Leasing**
 - **fixed contract possibly with purchase element or option**
- **Factoring**

Financing

Old business saying:

Never buy what you can rent

Never rent what you can borrow

Never borrow what you can beg

Business plans – who for?

- You
- Your partners
- Your investors
- Your bank
- Your staff

Business plans - overall

- Reasonable length 10 – 40 pages
- Appearance professional but plain simple and clear
- Content structure 3 parts
 - o Summary (that gives complete picture)
 - o Main part
 - o Appendices
- Perhaps a few graphics and images

Business plans - content

- **Executive summary**
 - o Summarise whole plan, especially the main part, in one page maximum
 - o Make it easy to read
 - o Keep it simple and stupid (KISS)

Business plans - content

- Main part
 - o Need
 - o Product
 - o Business concept
 - o Marketing
 - o Production
 - o Finance
 - o Administration

Business plans - content

- **Appendices** (Might be separate 'annex' if exceed 40 pages)
 - o Market research
 - o Marketing projections
 - o Financial predictions (P&L, Balance sheet, Cashflow – into profitability)
 - o Financing
 - o Product technical details
 - o Staff profiles
 - o Any other 'bulky' information

Using the power of the internet

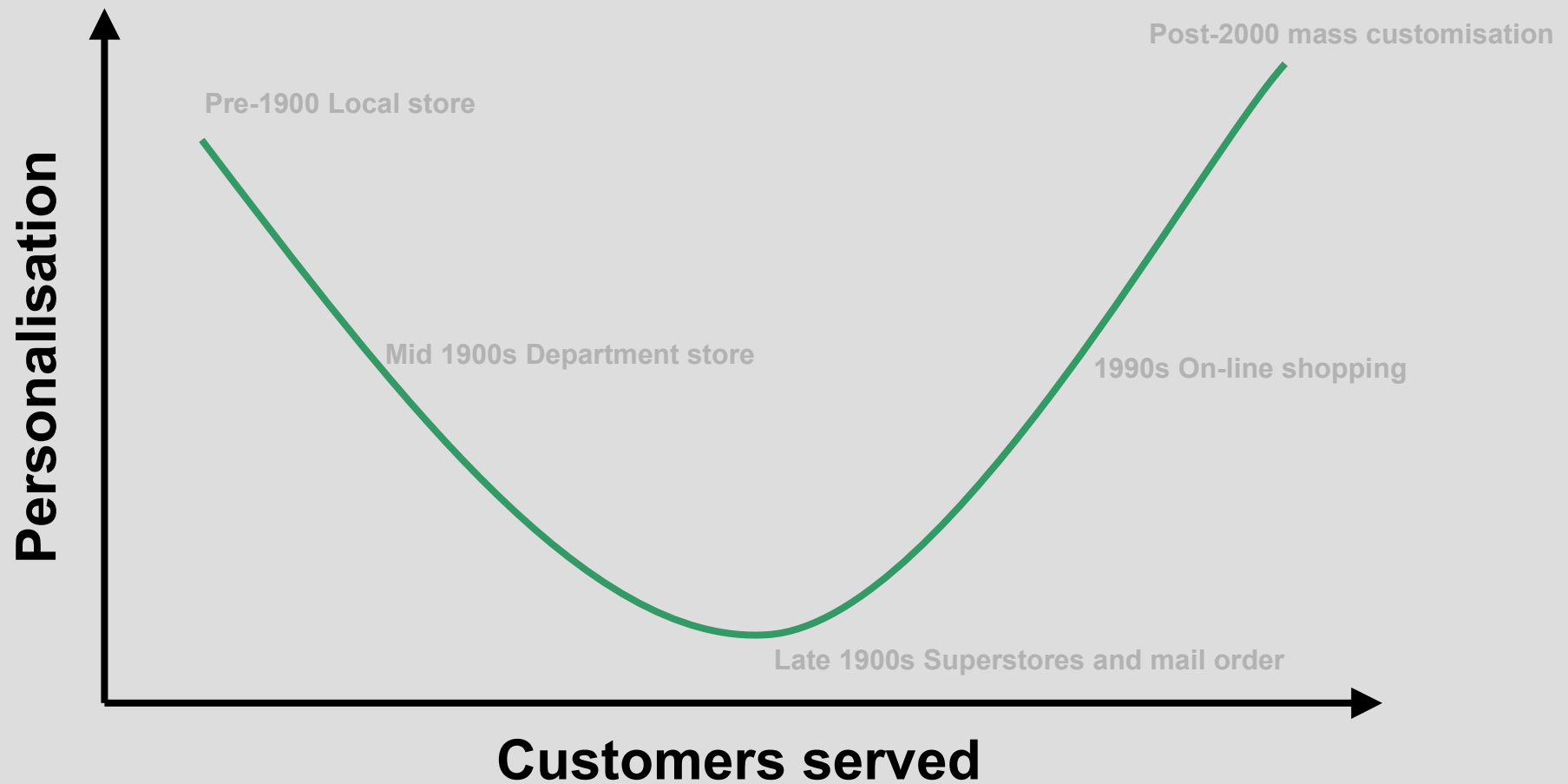
- Information and communication
 - Market research
 - Funding
 - Staff
 - Network contacts
- Customer relations
 - Promotion
 - Information
 - Sales including payment
 - Product delivery
 - Support

Using the power of the internet

In dealing with customers:

- Cost is less
- Cost is moved to the user with the perception of increased user control
- Speed is increased
- Functionality is increased

Using the power of the internet



Evaluation and selection of an invention

Five CORDIS criteria

1. Impact – social, economic, competitive
2. Effect on employment
3. Closeness to market
4. Marketability – how likely to succeed
5. Other factors – eg. public profile, early indicators of success

Conducting feasibility studies

- **Why? – remove risk**
 - Prove that all aspects of the business model can be made to work
 - Save you and investors a lot of effort and money
- **What? – whatever is unproven**
 - Practical tests of product
 - Key production techniques
 - Customer tests of product (Usability trials)

Conducting feasibility studies

- Make proof of principle version
- Show to potential customers
- Make prototype/beta test version
- Watch/record customers usage
- Make pre-production prototype
- Sell to customers and get feedback
- **Go/no-go decision**

Emerging applications

Looking for the big
opportunities that our future
holds

Environmental observation and protection

- Increasing world population
- Increasing industrial 'development'
- Increasing understanding of ecosystem

Healthy living and the ageing population

More people x living longer x higher expectations
x more sophisticated medical technology

=

Higher **cost** of pensions+higher **cost** of healthcare

Cost/proportionally less young people in work

=

major problem (=need=market)

The information divide and educational revolution

- Information rich/information poor
- Reducing cost of information
- Reducing cost of education

Globalisation

- 'World class' excellence goes local
- Deregulation
- Standardisation
- Jihad v McWorld

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Preparation for group practical exercise

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