

Business Plans and Planning a Business



DRAGON'S DEN

Series in which budding entrepreneurs get three minutes to pitch their business ideas to five multi-millionaires willing to invest their own cash.

OMEGA DRAGON'S DEN

Day 10: Friday 15 April 14.00-17.00

Do you have what it takes?



Your job ...

In your groups:

1. to think of a business idea likely to succeed (today)
2. to develop your business idea and prepare a business plan over the course of the week (by day 8)
3. to prepare a 2-minute 'elevator pitch' (by day 9)
4. to present your idea to a panel of 'dragons' looking to invest (day 10 afternoon)

Friday (day 10): presentations

10am at the Pocket Theatre on Yasar campus

Available equipment: powerpoint, stage, microphone

Tasks

- 1 to present a 2-minute elevator pitch
- 1 to present an analysis of the market
- 1 to present your product and/or service
- 2 nominees for Dragon's Den

Each country group: to present at least 5 arts organisations from your country that you could approach as part of your work experience requirement.

Real-life start-ups and entrepreneurs

Spotlight Events **music agency**

Sebastian Schneider & Barry Mangan

CSM graduates

Rubicon Centre (CIT Incubation Hub) New
Frontiers programme

www.spotlightevents.ie

**Quarter Block Party
music festival**

**____Quarter
Block Party.**

Voiceworks Studio

music education



Voiceworks
STUDIO
4 South Terrace, Cork
St. Michael's, Bandon

NOW ENROLLING!
Register Online Today
www.voiceworksstudio.ie

Available on the
App Store

ANDROID APP ON
Google play

Early Years Music Cork

music education for children and toddlers



Irish Fiddle App

mobile music education

Marion Roche-Martin, MBA, former Apple employee in iPad division at head office in Cupertino CA.

<https://www.youtube.com/watch?v=k8R3hi5fbWM>

Crash Ensemble

**ensemble specialising in contemporary
music**



Unique business model for the
furniture industry

MADE⁺



Task: business ideas

Complete the following tasks and present your results to the class

- Compile a list of business ideas.
- With the help of an internet search, research and present examples of arts businesses from your own country.
- Choose a fictitious business for which you would like to develop and present a business plan. Present this business idea to the class and be prepared to present it to a Dragon's Den at the end of the course.



The Business Plan

What is a business plan?

- A document that ...
- .. sets out important matters relating to a business.

Why have a business plan?

- To raise finance
- Sales pitch to potential investors

BUT ...

the business plan is much more
than a fund-raising mechanism

Why *else* have a business plan?

- Useful & effective tool in planning the business.
- Clarifies what the business is all about and where you want to take it.
- Sets goals and objectives.
- Helps monitor targets.
- Forces you to think deeply about core aspects of the business.
- Displays all the important financial information.

What's in a Business Plan?

- History of the business
- Vision and mission of the business
- Goals and objectives
- Products/services offered
- Team/individual running the business
- Market & competition
- Target customers
- Research & Development (R&D)
- Operational matters
- Financial information

Business Plan layout

- *Executive Summary*. At the beginning of the business plan. Summary of important facts & statements.
- *Company Overview*. Focuses on the nature of the business.
- *Business Environment*. Customers, market and marketing.
- *Company & Product/Service Description*. In-depth info incl. management, products, services.
- *Marketing & Operations*. Promotion/marketing of product/service & day-to-day running of the business.
- *Financial Review*. Describes the current financial status as well as projections for the future.

Section 2: Company Overview



Company Overview

Focuses on the nature of the business and includes discussions on the industry, customers and products/services.

Key planning documents for this section:

- Vision Statement
- Mission Statement
- Goals and Objectives
- Values Statement

Vision



The importance of vision ...

*“To be a successful entrepreneur one needs a vision of **greatness** for one’s work. If we **dream extravagantly** we will be **inspired to forge** a reality beyond the straight jacket of practicalities.”*

... vision ... greatness ... dreams ...
extravagance ... inspiration ...



Vision Statement

- Simple and concise.
- One of two sentences long.
- Should deliver a strong and clear message.
- It should represent the aspirations, hopes & dreams of the company.
- Should be relevant to as many stakeholders as possible.
- Stakeholders: individuals/organisations with an interest in the business.

Stakeholders

Task: in your groups, compile a list of stakeholders for the pharmaceutical industry.

Stakeholders

Industry: pharmaceuticals

Stakeholders include:

- Employees
- Patients
- Health care professionals
- Customers
- Investors
- Business partners
- Governments/regulators

Examples of vision statements

- Pfizer: *to strive to achieve and sustain its leading place as the world's premier research-based pharmaceutical company.*
- Microsoft (1990): *a computer in every home.*
- Apple: *to make things that make an impact.*
- Ocado (online grocer): *to offer busy people an alternative to going to the supermarket every week.*
- Unilever: *to make sustainable living commonplace.*
- Karl Marx: *Workers of the world, unite! You have nothing to lose but your chains!*

Drafting your vision statement

1. Forge **your own** vision, one that captures the company's unique identity, direction & aspirations.
2. Ensure that your vision captures the **imagination** and **loyalty** of all key stakeholders.
3. Be open to **change**.
4. Keep your vision **uncomplicated & easy to remember**.
5. Balance what is **realistic** for you to achieve with what will **inspire people to strive** for ever-better results.

Task: vision statements

- List the stakeholders who will be relevant to our business. Try to be as wide and as inclusive as possible in considering who might interact with or have dealings with your company.
- Create a vision statement for your company. Remember, this should be clear, simple and concise and should be aspirational, representing the hopes and dreams of the company.

Mission



Mission Statements

Vision statement: deals with aspirations.

Mission statement: describes the purpose of the business and what the company actually does.

Mission statements should be:

- concise (guide: 50 words or less)
- clear
- informative
- interesting

What do you think Twitter would put in their mission statement?



Twitter's Mission Statement

'to give everyone the power to create and share ideas and information instantly, without barriers'

Twitter

‘to give everyone the power to create and share ideas and information instantly, without barriers’

“Our mission statement puts our users first and defines our clear purpose — to give everyone the ability to be heard, seen and share their thoughts and experiences as they happen. It is our compass when we’re building the platform and developing new products and policies. We want to empower individuals and be a force for good in the world.”

Brian Schipper, VP of HR at Twitter

Mission statements – examples I

- **Tesco:** We go the extra mile for customers making shopping better, simpler, cheaper in every store, in every country in which we operate. Every little helps.
- **Otis Elevator:** Our mission is to provide any customer a means of moving people and things up, down and sideways over short distances with higher reliability than any similar enterprise in the world.
- **IBM:** At IBM we strive to lead the world in the creation, development and manufacture of the industry's most advanced information technologies, including computer systems, software, networking systems, storage devices and microelectronics. We translate these advanced technologies into value for our customers through our professional solutions and business services worldwide.

Mission statements – examples II

- **International Red Cross:** The mission of the Red Cross is to improve the quality of human life; to enhance self-reliance and concern for others; and to help people avoid, prepare for, and cope with emergencies.
- **Walt Disney:** The mission of The Walt Disney Company is to be one of the world's leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world.

Mission statements – examples III

- **Microsoft:** At Microsoft, we work to help people and businesses throughout the world realize their full potential. This is our mission. Everything we do reflects this mission and the values that make it possible.
- **TED:** Spreading Ideas.
- **Nike:** To bring inspiration and innovation to every athlete in the world.

Mission statements – examples IV

- **Make-A-Wish:** We grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength and joy.
- **Doctors without Borders (Médecins Sans Frontières)** works in nearly 70 countries providing medical aid to those most in need regardless of their race, religion, or political affiliation.
- **NPR (National Public Radio):** To work in partnership with member stations to create a more informed public – one challenged and invigorated by a deeper understanding and appreciation of events, ideas and cultures.

Task: mission statements

Task 1:

Within your group, select one or two good mission statements from those listed in the presentation. Present your chosen statement(s) to the class explaining why you think it is particularly good.

Task 2:

Draft a mission statement for your chosen enterprise. Remember, unlike the vision statement which is mainly an aspirational statement and vision of the future, the mission statement describes the purpose the business and what the company actually does.

Section 3: Business Environment a k a The Market



Business Environment

This section provides an in-depth look at the market, i.e.:

the **CUSTOMER**

the **COMPETITION**

- Opportunity to develop your knowledge of the target market.
- Gives stakeholders/investors confidence that you understand your market.
- Demonstrates that your market is big enough and has sufficient potential to justify investing in the business.

Market research

- Internet
- Newspapers
- Industry-specific publications
- Personal knowledge and observations
- Knowledge of other people involved in the market

Considerations

- *Market size.*
- *Market trends.* Demonstrate future challenges and opportunities. Changing technology, regulations, demographics influence all markets. Entrepreneurial opportunities.
- *Market segments.* Location, size of market, customer characteristics, customer needs.
- *Customer.* Identify/develop customer profile.
- *Competition.* SWOT analysis; competitive profile matrix

Task: market research

- What resources/methods could you use to conduct your market research?
- Estimate the size of your potential market. Think about the geographical area which you intend to target.
- Can you identify any trends that will affect your market?
- What are the market segments relevant for your business?

The Customer ...



Task: target customer

- Make a list of the customer **needs** which you intend to meet.
- Based on these needs create a profile of your target customer.

The more varied your customer profile, the more likely you are to succeed.

The competition ...



Task: competitors

- Analyse potential competitors using the SWOT analysis listing their **strengths**, **weaknesses** as well as **opportunities** and **threats**.
- List important features of your product or service. Prepare a Competitive Profile Matrix comparing your business with that of your competitors. Present your findings to the class.

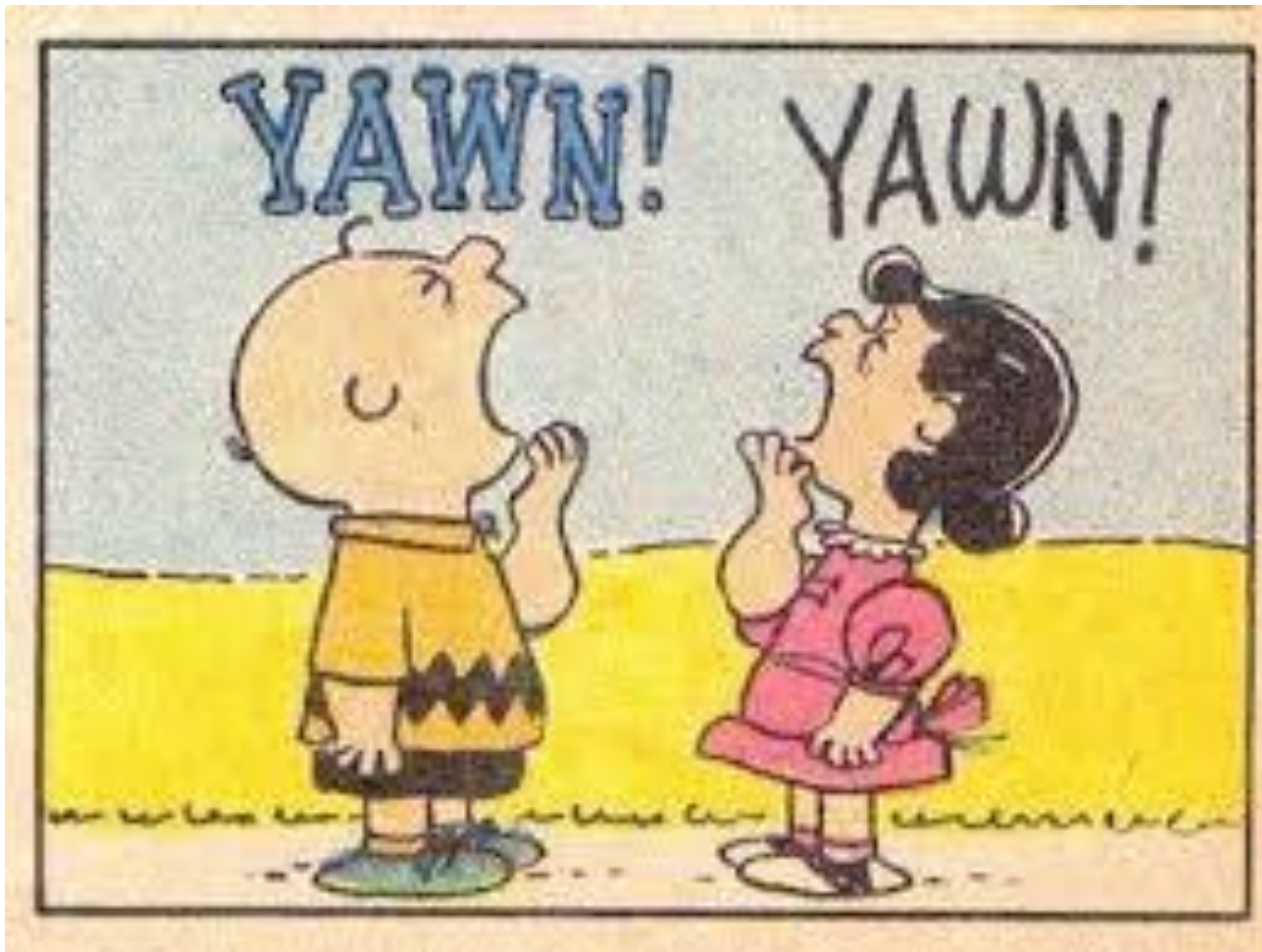
Section 4: Company & Product/Service Description



Company and Product Description

- Business name, address, contact details etc.
- Historical information on the company.
- Details of management team including each member's individual educational background, experience, achievements etc.
- Management roles and responsibilities.
- Professional advisers (lawyers, accountants, patent agents).
- Description of legal structure of the business.
- Product/Service description.
- Summary of financial results and achievements, future projections.

Legal structures ...



Legal Structure

Chosen structure depends on factors such as:

1. size of business,
2. amount of tax payable to revenue,
3. legal liability in the event of being sued.

Three legal structures:

1. Sole Trader: business owned and operated by one person.
2. Partnership: business owned and operated by two or more people.
3. Company: business owned by shareholders and operated by directors who may or may not be the same people.

Sole Trader

- The simplest form of a business e.g. self-employed individual.
- The business is owned by a single individual.
- Offers the least personal protection.
- Unlimited liability.
- Risk: business debt payable from personal wealth.
- Profit from business considered income and taxed accordingly.
- Higher tax rate BUT can deduct some expenses and claim capital allowances (wear & tear).
- Motor, light, heat, phone costs can be apportioned between business and private use.
- Unused losses can be carried forward.

Partnership: advantages

- Risk spread across more people
- Partners bring more money and resources to the business
- Partners bring other skills and ideas to the business
- Increases credibility with potential customers and suppliers

Partnership: disadvantages

- Having to share the profits.
- Less control of the business for the individual.
- Disputes over workload.
- Problems if partners disagree over the direction of the business.
- Liability of partners (& sole traders): unlimited [BUT risk is spread among partners].
- Creditors can sue the partnership with partners jointly and severally liable.
- Each partner has implied authority to bind the partnership in contract.

Limited Company

- A business owned by shareholders.
- Run by directors.

ADVANTAGES

- Liability is limited.
- Registered company is a legal person independent of its shareholders.
- Investors can only lose money invested.
- Creditors have no right of action against the shareholders.
- Directors can decide level of salary received under PAYE system.
- Companies can make generous pension contributions to retirement fund and have these offset against its taxable profits.
- Lower rate of tax
 - Italy: 31.4%; Greece: 29%; Spain: 28%; Turkey: 20%; Ireland: 12.5%.
 - Start-ups in Ireland: 0% tax if amount payable does not exceed €40,000

Limited companies: disadvantages

- Must prepare statutory accounts – more expensive and onerous than preparing accounts as a sole trader.
- Accounts are publically available.

Task: legal structure

- List the 3 legal structures used by businesses.
- List the main advantages/disadvantages of each structure.
- Which structure would you recommend using for your chosen business? What factors helped you make this choice?

Websites for lecture 3:

- <http://www.made.com/about-us/>
- <http://www.rubiconcentre.ie/centre-overview/>
- Images of Donna Karan v Dunnes Stores garments
- Also open both financial statements in word documents in case the students don't have their text books

Business Plans and Planning a Business – Lecture 3

- Continuation of section 4 of the business plan: company and product description
 - Product/service description
 - Intellectual property
- Operations
- Financial Review
- Executive Summary
- Raising Finance

Reminder for Friday:

Thursday: lecturers available on-campus to help.

My email: michael.joyce@cit.ie;

10am at the Pocket Theatre on Yasar campus

Available equipment: powerpoint, stage, microphone

Country group task:

- to present at least 5 arts organisations from your country that you could approach as part of your work experience requirement.

International group tasks

- 1 to present a 2-minute elevator pitch
- 1 to present an analysis of the market
- 1 to present your product and/or service
- 2 nominees for Dragon's Den

Products & Services



Product/service: description

- Be as specific, clear and complete as possible.
- Keep it simple, avoid jargon and waffle.
- Include images, photos, diagrams if helpful.
- List key features and benefits.
- Explain why customers will choose you over the competition.
- Consider customer needs.
- Already operating, ready to launch, at R&D stage?

Product/service: competition

- Provide a direct comparison of your offering with that of your main competitors.
- Explain why your product will compete.
- List competitive advantages.
- List unique ideas that give a competitive edge.
- Consider protecting/registering Intellectual Property rights.

MADE⁺

‘We think the high street and expensive designer brands give consumers a raw deal. That's because everyone along the way takes a cut, from agents to landlords. And you - our discerning customer - pay for that cut. So we're making a stand: taking on the high street to offer you original furniture design at affordable prices.’

Here's how we do it differently:

- Cut costs to deliver good quality beautifully-designed furniture at a fraction of the high street cost.
- Internet business so no rental costs.
- Direct from manufacturers.
- Grouping orders for the same piece every 7 days.
- Only manufacturing what's ordered.
- Competitive pricing (cuts out the middleman; up to 70% off retail prices).
- Uncompromised quality.
- Fresh design talent to create a unique collection.
- Source experienced craftsmen who make products for top high street brands.
- Attractive returns policy.
- Backing from investors including Venture Capital funds and Business Angels.

Task: product/service description

In your groups, prepare a description of your product or service to be presented to the class. Remember to consider the following:

- Is your description clear and does it sufficiently explain the offering?
- Avoid jargon and waffle.
- Are there any photos or diagrams that could be included? Check Google images if you do not have any to hand.

Is your product/service ready to launch or do you still need time to finalise it?

Intellectual Property



Intellectual Property

Property =

- ❖ real property (land & premises)
- ❖ personal property (all other property)

- Intellectual property:
- **Copyright ©**
- **Patents**
- **Trade marks**
- **Design**

Protection of Intellectual Property

Creativity, ingenuity and inventiveness are protected by the law BUT protection is limited.

Balancing conflicting interests:

- Inventiveness warrants protection.
- Endeavour & achievement should be rewarded.
- New ideas/inventions should be encouraged.

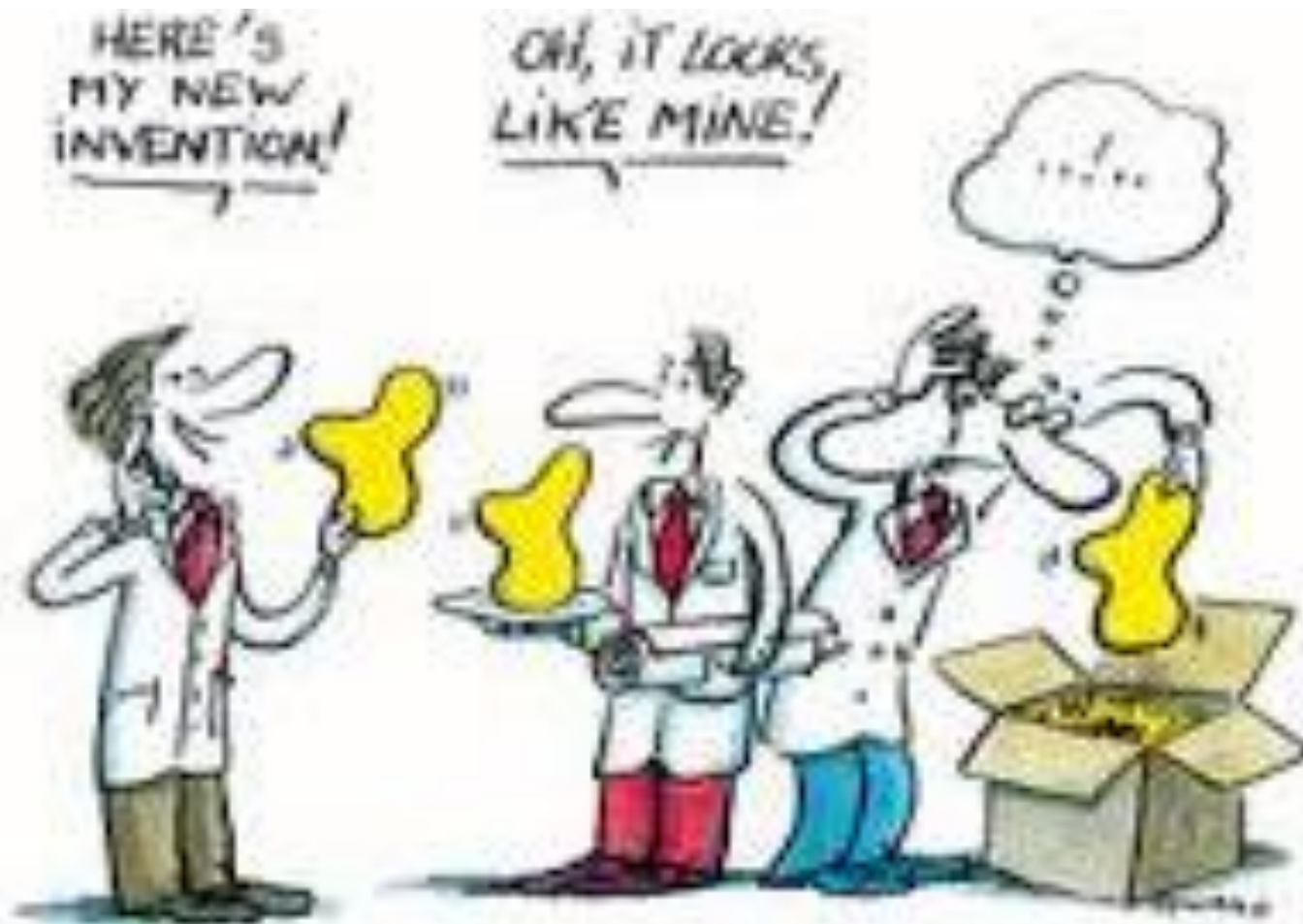
- *versus* -

- Inventiveness should benefit mankind and add to the store of human knowledge.

IP for start-ups

- For some start-ups, particularly in the technology sector, **the main asset** on which capital may be raised is the IP of the company and, for these companies, IP protection should be considered from the very start. Often investors expect, or demand, that critical IP is adequately protected before they will invest.
- It can sometimes be even more important to check that you are not **inadvertently infringing** third party IP rights, which could spell an early end to a new enterprise.

Patents



Patent

- Patent: a set of exclusive rights to an inventor for a limited period of time in exchange for detailed public disclosure of an invention.
- Invention: a solution to a specific technological problem and is a product or a process.
- Duration: 20 years (UK patent).
- Filed by Patent Attorneys
- **Confidentiality!** Non-confidential disclosure can destroy an invention's novelty and therefore its patentability.

Copyright



Copyright



What is copyright?

... an **exclusive property right** which allows the creators of original works to **control** how their work is used and to **benefit financially** from its use e.g.

- reproducing it in any form
- publishing it
- performing it in public
- broadcasting it
- making an adaptation of it

These rights can be licensed, transferred or assigned.

Copyright - control

Licence

Owner retains copyright ownership (but consents to the publication of the work)

Transfer

Owner retains some rights.

Assignment

Owner transfers the entire copyright.

Subjects of Copyright I

Copyright subsists in every **original**

- **literary work**
- **dramatic work**
- **musical work**
- **artistic work**

recorded in writing with author's consent.

Original: originated from the author and not copied.

De minimis standard: standard of originality required is low.

Material Form: does not exist over thoughts or ideas. Only the [tangible/permanent] **form** is protected.

Subjects of copyright II

- **Literary works:** novels, instruction manuals, computer programs, song lyrics, newspaper articles, databases.
- **Dramatic works:** plays, choreographic work, mime, recitation.
- **Musical works:** recordings & scores; includes adaptations (arrangements, transcriptions); does not include words (or actions) to be performed with music i.e. lyrics are separate, literary works.
- **Artistic works:** paintings, photographs, sculptures, artistic craftsmanship, architecture, technical drawings, maps, logos.

[secondary/derivative works:]

- Layouts or **typographical arrangements**
- **Recordings** of a work, including sound recordings and film.
- **Broadcasts** of a work.

Copyright problem

A copyright protected work can have more than one copyright connected to it. How many separate copyrights can you think of that an album would have?

Remember, the different subjects of copyright are:

- Literary works
- Dramatic works
- Musical works
- Secondary/derivative works (typographical arrangements, recordings, broadcasts)

Solution

An album will have copyrights in the following:

1. the individual songs (musical work)
2. the lyrics (literary work)
3. the sound recording (derivative copyright: recording)
4. the artwork (artistic work)
5. layout of the booklet (derivative copyright: typographical arrangement)

Copyright ownership & duration

Authorship and ownership of copyright

- The author/person who created the work is the first owner of the copyright.
- Exception: employee in the course of employment.

Duration of copyright

- Literary, dramatic, musical or artistic work: **70 years** after the death of the author.
- Film: **70 years** after the last of the following dies: principal director, author or composer.
- Sound recording: **50 years** after the work was created; if the work is released within that time, 50 years after it was first released.
- Broadcast: **50 years** after the first broadcast.

Once copyright has expired the work enters the public domain;

Work may be used, modified or republished by any person, without fear of copyright infringement.

Moral & performers' rights

Moral Rights

- Author's right to claim **authorship** of the work and to be identified as such (paternity right).
- Right to object to any distortion, mutilation, modification or other **derogatory** action of a work which would be prejudicial to the author's **honour & reputation** (integrity right).
- Right not to have a work **falsely attributed**.

Performer's rights

Performers may authorise or prohibit the making of a recording or the broadcasting of a live performance.

Infringement of copyright

When a party who, without the copyright owner's consent, does anything with the work where the sole right to do such act is conferred on the copyright owner.

- **Copying:** unauthorised recording by any method will infringe; includes reproduction, performance, translation, adaptation or recording.
- **Altered copying:** more difficult to prove infringement. Defendant's work must incorporate a substantial part of the skill and labour of claimant's work.
- **Authorisation:** includes encouraging or turning a blind eye to infringement.

Remedies

- Injunction e.g. order to stop making copies.
- Damages. Compensate for actual damage suffered e.g. royalty or lost sales
- Account of profits (innocent infringement).
- Additional damages (flagrant infringement).
- Delivery up/destruction orders
- 10 years imprisonment for criminal offences

Lawful uses – when it is ok to copy

- **Fair dealing:** private study, **non-commercial** research, criticism, review, newspaper summary.
- Literary/dramatic work: reading or reciting in public or broadcast of a reasonable extract, provided the work is sufficiently acknowledged.
- Instruction or examination
- Librarians; lending by a school
- Public playing of sound recordings provided licence fee is paid
- Licence granted by owner of the copyright

How to protect copyright?

Establishing evidence of ownership:

- Copyright symbol followed by the year.
- Applying metadata or watermark to a digital work (e.g. an image).
- Recording the work e.g. make a CD or write it out in manuscript form and lodge it in a safe place e.g. a solicitor/bank manager.
- Post the work by registered mail to him/herself. In the event of a dispute the date stamp proves existence of work at a particular time.

Design



Design

Unregistered design

- Unregistered Design Right (UK);
- Unregistered European Right (Europe)
- Protected 10 years from date of sale or 15 years from date of creation.
- Limited protection, harder to enforce, shorter protection.
- Criminal sanction unavailable.

Registered designs

- Criminal act if infringement is intentional
- Designs registered with the Intellectual Property Office
- Need to be registered every 5 years and last for 25 years.

IP Registration



Advantages of IP registration

IP is a valuable asset to buy, sell and licence.

Registration allows the entrepreneur to take commercial advantage of these interests as follows:

- Sell the rights outright,
- Assign the rights to produce and to receive royalties for items sold,
- Sell a licence to manufacture and market the product while maintaining the rights.

IP Infringement



IP Infringement

- Copying, passing off, counterfeiting, piracy.
- Loss of potential earnings.
- Damage to reputation and brand particularly if products are substandard/unsafe.
- Protecting your creations is hugely important as your intellectual property is arguably the single, most important, and potentially valuable aspect of your business.
- With your new product/service make sure you are not infringing existing IP rights.
- Sanctions: civil (being sued) & criminal (fines, imprisonment) [most infringement cases are resolved using civil law]

The limits of IP Protection



Task: intellectual property

List the 4 categories under which intellectual property is divided giving examples of each:

Consider the following:

- Is your product/service unique?
- Will you be able to protect your Intellectual Property by registration?
- What are the advantages of registration?

Section 5: Marketing and Operations



Operations

- The day-to-day running of the business.
- Often makes sense to outsource processes which do not require control/expertise of the entrepreneur or that are confidential.
- Minimum standard: reduce cost and increase efficiency.
- High standard: can provide a competitive advantage; perception of added value; luxury; enhances customer experience, develops customer loyalty; helps win over/cultivate new customers.

Operations: enhancing customer experience

- Providing a distinctively designed interior.
- Increased accessibility or availability.
- Products beautifully finished, presented, packaged.
- User-friendly and intuitive website.
- Cutting edge technologies.
- Consistently maintaining a higher than expected level of quality control.
- Excellent customer care and after-sales service.
- Training staff to be knowledgeable about the product/service.
- Holding larger stock so you don't ever run out.

Section 6: Financial Review



Financial Review

It is important to adopt good accounting practices.

The the basic book-keeping ledgers are:

1. Sales ledger.
2. Purchase ledger.
3. General ledger.

Business accounting software: Sage Intuit, Pegasus etc.

Financial statements

Financial Statements are ...

... general purpose, external financial statements prepared according to generally accepted accounting principles (GAAP).

Main statements:

1. Profit and Loss Statements (P&L)
2. Balance Sheets
3. Cash Flow Statements

P&L

- List the company's total income and total costs.
- Subtracts costs from income to calculate net profit giving the 'bottom line'.
- Prepared at regular intervals e.g. monthly, quarterly, annually.
- Provide a good picture of financial health of the company.

P&L: Main items (pg. 222)

- Sales.
- Cost of sales.
- Gross profit.
- Profit margin.
- Operating expenses.
- Depreciation.
- Operating profit.
- Income.
- Net profit before tax.
- Net margin.
- Tax.
- Dividends.
- Net profit.

Balance Sheet

- Presents the company's financial situation at a specific point in time – like a snapshot.
- Analyses 2 main things: assets and liabilities.

Assets: what the company owns.

Liabilities: what the company owes.

Equity: what the company is worth (assets – liabilities).

Balance Sheet: Assets (pg 223)

Fixed assets. Long term assets; more difficult to convert into cash.

- Land.
- Buildings, equipment, machinery.
- Intangibles e.g. copyright, patents, goodwill.

Current assets. Can be 'liquidated' or turned into cash within a year.

- Cash e.g. petty cash, current & deposit account balances.
- Temporary/short-term investments.
- Debtors.
- Stock.

Balance Sheet: Liabilities

- Current liabilities. Short-term liabilities to be paid off within a year.
 - Creditors e.g. suppliers, professionals, utility bills etc.
 - Accrued liabilities e.g. salaries & wages, unpaid expenses (products and services), interest on bank loans, insurance premiums.
 - Unpaid taxes.
- Long-term liabilities. Liabilities not repayable within a year.
 - Long term borrowings.
 - Bonds issued to investors.

Balance Sheet: Owner's Equity

Owner's equity = the net value of the company.

Owner's equity = Assets – Liabilities.

Owner's equity = share capital (money invested by shareholders) and retained profit or loss.

Forecasting the future: Financial Projections

Financial projections are based on:

- Historical information
- Accurate data
- Market analysis
- Assumptions
- Your own estimation
- Gut feelings

Section 1: The Executive Summary



Executive Summary

- Summary of all the important points in the plan.
- Appears first, written last.
- Short, concise, to the point.
- 1-2 pages long.
- Should capture the reader's attention.
- Functions like a sales pitch.
- End on a positive note.

Executive Summary contents

- Important figures included;
- Size of the business;
- Market and customer base;
- Where the business is heading;
- Likely profit and investment return;
- What you are offering;
- Who is running the business;
- Why your project will succeed;
- The risks and how you will minimise these;
- What funding you are looking for;
- The rewards for the business and the investors.

Task: executive summary

Now that you have looked at all the components of the business plan in detail, draft an executive summary to go at the beginning of your plan.

Points to remember:

- What you are offering;
- Who (individual or management team) is running the business;
- Why your project will succeed;
- The risks and how you will minimise these;
- If the target of the plan is an investor/bank, outline what funding you are looking for;
- What are the rewards for the business and the investors?
- An outline of the important numbers and figures.

And now to raise some cash ...



Raising Finance

Three different types of capital available:

1. Founders, family, friends.
2. Debt (borrowings).
3. Equity.

Family, friends, founders

‘Bootstrapping’. Informal source. Demonstrates commitment to the business; can strengthen bargaining position with financiers.

- Sweat equity: your time.
- Sales
- Equipment
- Intellectual property
- Money

Debt

- Credit card debt. Expensive but very flexible and anonymous; no explanation required to the lender.
- Overdraft facility. Used mainly for funding everyday trading activities.
- Secured borrowing. Loans secured typically against a property.
- Hire purchase. Asset owned at the end of the agreement.

Equity

Shares in the company are offered in exchange for finance.

Advantage: Return on the investment depends on the profitability of the company.

Disadvantage: Owners/directors relinquish part ownership in the business.

Capital investment typically provided by business angels or venture capitalists.

Equity: business angels

- Private individuals, typically successful & wealthy entrepreneurs.
- Invest in early stage of development.
- Contribute their know-how or experience in company management; offer valuable expertise and guidance.
- Usually seek active participation in the company.
- Average initial investment: between €50k and €250 individually or €500k as a syndicate.

Equity: Venture Capital

- Full-time, professional firms.
- Invest in ambitious, fast-growing companies.
- Usually invest in companies that are raising €500k or more in equity.
- Typically look to realise their investment in 5 years through floatation, trade sale or being bought out by the company.

mentoring & support: Incubator Hubs



Incubator/Entreprise/Innovation Hubs

- Centres which support and encourage entrepreneurs at the early stages of business development.
- Provide office space, facilities, training, stipends, mentoring, exposure to funding.
- Environment where creative entrepreneurs can flourish.

Enterprise Hubs

- Rubicon, CIT's own enterprise hub

<http://www.rubiconcentre.ie/centre-overview/>

- Spotlight events [Sebastian Schneider & Barry Mangan]
- Irish Fiddler App [Marion Roche-Martin]