CREATE A PERSUASIVE BUSINESS PLAN
IMPORTANT DATES

March 5, 5:30-7:30 p.m. at the Law School
Lawyers from Gunderson Dettmer firm will discuss how to represent a startup including how to create a company and other important legal tasks

March 22 at 11:59 p.m.
Business Plans Due with Two-Minute Video
Overall purpose: How to write a persuasive plan for this competition

1. General concepts about a business plan
2. Specific ideas to assist you in making the business plan persuasive
3. Consider a Slide-deck?
4. Required video submission
BUSINESS PLAN: CONCEPTS
Good reaction:
Gee, that’s an Interesting Idea.
Better reaction: I want to learn more. Tell me more!
Best reaction:

How can I invest?
I want to write a check!
A BUSINESS PLAN IS NOT
A BUSINESS PLAN IS NOT
WHAT IS A BUSINESS PLAN?
- Identifies/defines a **Problem** worth solving
- Identifies a **Solution** to the **Problem**
- Identifies the **Team** that can **Execute the Solution**
- Explains why the **Solution is Superior** to other solutions
- Explains why the **Solution is Viable** financially, legally, and socially
IDENTIFY THE **PROBLEM** YOU ARE TRYING TO SOLVE
WHAT IS A PROBLEM WORTH SOLVING?
WHAT IS A PROBLEM WORTH SOLVING?
You Need To Explain Why The Problem Is Worth Solving

- Surprisingly, it is usually not obvious
- **Size** - it affects many people, not just the entrepreneur
- **Persistence** - the problem persists and maybe gets worse over a period of time
- **Relatable** - even if the reader has not encountered the problem, the reader can understand how others are affected by it
MAKE THE PROBLEM VIVID FOR THE READER
Parking = 40% of US City Real Estate

Zoning Law require off-street parking

In cities with little parking, 30% of traffic consists of people looking for parking

Parking requirements make some parcels impossible to develop

Rest of world has same automobile ownership as US did in 1920

Auto ownership in the rest of world is growing rapidly

Foreign cities are densely built, so existing structures may be destroyed
MAKE IT VIVID WITH DRAMA
MAKE IT VIVID WITH HUMOR
(very hard to do well!)
IDENTIFY THE PROBLEM AND THEN DEFINE AND REFINE IT

AIR POLLUTION

POLLUTION CAUSED BY TRANSPORTATION

CO\textsuperscript{2} CREATED BY CITY BUSSSES
Corollary to Identifying the Problem: Identifying the Market for a Solution

Identify/quantify the market that is seeking a solution to the problem
Who needs a solution to the problem?
What are they currently doing now about the problem?
Corollary to Identifying the Problem: Identifying the Market for a Solution

What has been the history of this market? What is its future?

Are there material challenges or impediments to accessing this market?
IDENTIFY THE SOLUTION TO THE PROBLEM
SOLUTION CHARACTERISTICS

- No matter how complex, you need to be able to explain your solution in three sentences or less in the executive summary.
- Your solution must actually solve the problem.
- Your solution must be presented as an “elegant solution” (even if it is not.)
SELF-OPERATING NAPKIN
Your solution must demonstrate a **value proposition** for your customers. Tie the value proposition to the problem.
WHAT IS THE PROBLEM WITH TRADITIONAL TAXI SERVICE?

- Often hard to find a taxi; have to flag the taxi down on the street or call a dispatcher and wait and wait and wait
- Taxi driver may not know the city well so you have to give directions; of course, you may not know the city; get lost, etc.
- Need cash to pay the driver; little flexibility in payment options
UBER’S VALUE PROPOSITION

- One tap and a car comes directly to you
- Your driver knows exactly where to go
- Payment is completely cashless
SOLUTION CHARACTERISTICS

Your solution must be manifestly better than the competition

Identify your competitive advantage
COMPETITIVE ADVANTAGE

- We can deliver the same (or better) product or service for **less money** than our competitors (Uber v. taxi cabs)
- We can deliver a **better product or service** than our competitors at an equivalent price point (Amazon v. traditional book store)
- Our product fills a **niche** that the competition ignores (Lefty’s store)
WE KNOW OUR SOLUTION WORKS!

Do you have proof of concept?

- Lead User - testing the product/concept with a lead user
- Market Research - testing consumer receptivity to a business concept
- Proof of Technology - demonstrating that an algorithm works
- Throwaway prototype - low cost prototype to explore the viability of the design
- Mockup - prototype without functionality (to test design)
- Minimum Viable Product - initial version of the product that is “good enough” to put in front of certain customers as a trial
INPUTS: ARE THERE ISSUES IN MAKING YOUR PRODUCT?

▸ Supply chain?
▸ Operations?
▸ Manufacturing?
▸ Necessary Third Parties
OUTPUTS: HOW ARE WE GOING TO SELL THE PRODUCT?
DEMONSTRATE THE TEAM CAN EXECUTE THE SOLUTION
OUR TEAM CAN EXECUTE THIS SOLUTION!

Who are the members of the team?
What are their relevant credentials? For this competition (and most things in life), the connection to UCLA is relevant!
What will they do on the team? How do they connect to the solution
Who is the leader?
What demonstrates that the team can execute?
CREATE A FAVORABLE IMPRESSION!
QUESTIONS ABOUT THE TEAM

- Experience?
- Motivation?
- Flexibility?
- Grit?
- Intellectually curious?
- Connections to others?
OUR SOLUTION IS SUPERIOR TO OTHER SOLUTIONS TO THE PROBLEM
COMPETITORS!

- Who are they?
- Direct and Indirect
- Are they successful? Why or why not?
- Why do you believe your venture can compete?
- How will the competitors react to your entry into the market?
- What prevents the competitors from taking your advantage
**OUR SOLUTION IS SUPERIOR TO OTHER SOLUTIONS**

![Online Form Builder Comparison Chart](chart.png)

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OUR SOLUTION IS SUPERIOR TO OTHER SOLUTIONS

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NO COMPETITORS?

- There is not really a problem worth solving
- The problem cannot be solved (yet)
- The problem cannot be solved in a manner that is self-sustaining
- Others have tried and failed. Why?
THE SOLUTION IS VIABLE
FINANCIAL VIABILITY

- If company is already in business, expect to see financial statements of results.
- Whether company is in business or just an idea, expect to see a set of *pro forma* statements for a reasonable number of years (3 to 5).
FINANCIAL VIABILITY

► What are our anticipated revenues?
► What are our anticipated expenses?
► What is my burn rate for cash?
► How long before we have positive cash flow?
► How long before we have profits?
FINANCIAL VIABILITY

- What are the industry metrics and how do we measure up?
- How much does it cost to acquire a customer?
- How much does it cost to keep a customer?
- What is the anticipated growth plan?
- How do we plan to finance the business? How much? From whom?
- How do we plan to finance growth of the business?
LEGAL VIABILITY

Is there IP? Who owns it? Can the company use it?
LEGAL VIABILITY

Are there obvious legal issues?
EXAMPLES OF LEGAL ISSUES

- The nature of the business is likely to generate law suits. How do we minimize the risk?
- The nature of the business is likely to require significant legal services to protect IP. How do we minimize associated costs?
- The nature of the business requires the use of legal forms (e.g., lease agreements). How do we implement them effectively?
- The nature of the business implicates legal policies (e.g., privacy laws). How do we comply with them?
REGULATORY VIABILITY

- Many businesses must comply with federal, state and local regulatory rules
- Look to see what competitors do
- Can you rely upon ignoring regulatory requirements as a strategy
SOCIAL VIABILITY
BUSINESS PLAN: EXECUTION TIPS
WHAT IS THE MOST IMPORTANT SECTION OF THE BUSINESS PLAN?

THE EXECUTIVE SUMMARY
THINK ABOUT

► Your Audience
► Organization of the Plan
► Graphics
► Readability
► Financials
ORGANIZATION

Problem  Solution  Execution
Best reaction:
How can I invest?
I want to write a check!
ARC OF THE ARGUMENT: EMOTION AND CREDIBILITY

There is a big problem.

We have the best solution!

We can solve it!
GRAPHICS ARE IMPORTANT

- What does the product look like?
- How do we compare with our competitors?
- What differentiates us?
READABILITY

► Short clear sentences
► Simple writing style
► Short paragraphs
► Well organized
► Active headings
BUSINESS PLAN ALTERNATIVES

- No Slide Deck
  - 6000 Words

- Slide Deck (up to 10 slides)
  - 4,000 Words
MAKE A VIDEO IN SUPPORT OF YOUR BUSINESS PLAN
YOU NEED TO SUBMIT A VIDEO WITH YOUR BUSINESS PLAN

Why does Lowell Milken Institute want you to submit a video?

Why do you want to submit a video?
WHY DO YOU WANT TO SUBMIT A VIDEO?

- Create a strong first impression
- Create interest knowing more about the venture
- Highlight a strength that is better captured on a video than on paper