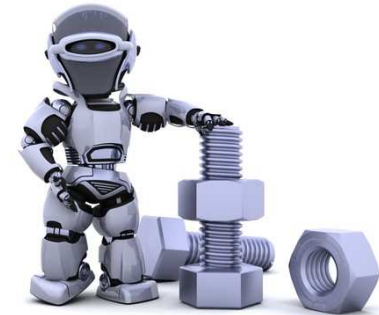
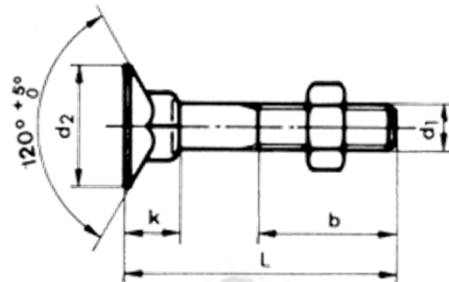


The 25th Annual The Nuts and Bolts of New Ventures/Business Plans MIT Course 15.S21



Joe Hadzima

(MIT S.B., M.S. in Management; Harvard Law)
Senior Lecturer, MIT Sloan School
Managing Director, Main Street Partners LLC
jgh@mit.edu

Joost Bonsen

Lecturer, MIT Media Laboratory
Former Lead Organizer, MIT \$100K Competition
jpbonsen@mit.edu

TA:

Gino Korolev

Sloan MBA Student
(nutsandbolts-ta@mit.edu)

nutsandbolts.mit.edu

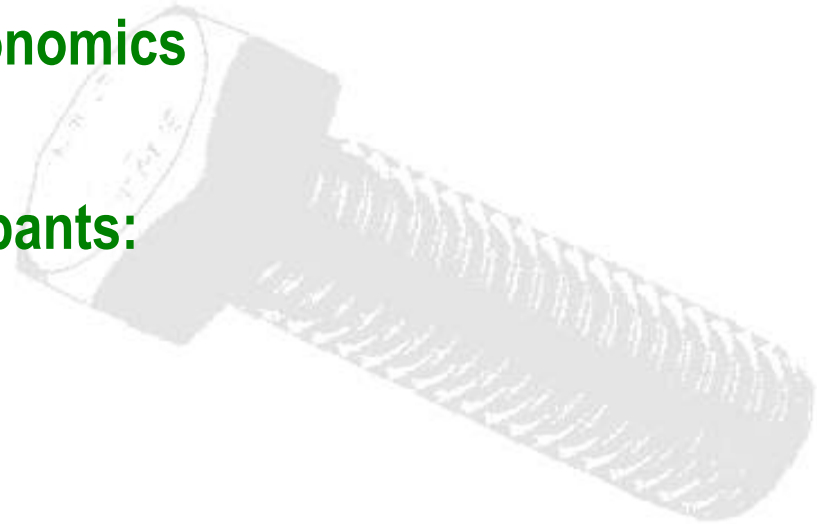
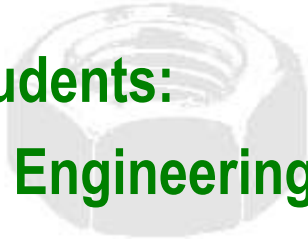
Tonight's Plan

- Who are You?
- Introduce our Teaching Team
- Introduce our Case Study
- Business Plan Basics - Overview
- **Break – Team Building**
- Steve Pearse – How To Make a Pitch



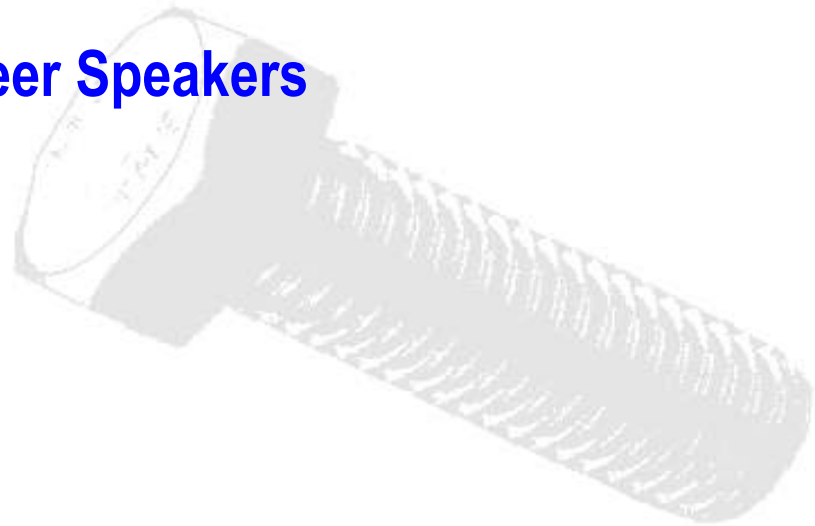
Who Are You?

- **Students:**
 - Engineering
 - Science
 - Architecture/Planning
 - Management/Economics
 - Other
- **Non-Student Participants:**
 - Alums
 - Staff
 - Others



Who Are We?

- Joe Hadzima
- Joost Bonsen
- Gino Korolev
- Yonald Chery
- Highly Paid Volunteer Speakers



Who Are We?



- **Joe Hadzima**

- Senior Lecturer MIT Sloan School
- Former Law Partner, Sullivan & Worcester LLP
- Founding Judge, MIT \$100K Competition
- Former Global Chairman, MIT Enterprise Forum, Inc.
- Managing Director, Main Street Partners, LLC
- Co-Founder and President, IPVision, Inc.

- jgh@mit.edu

Who Are We?



• Joost Bensen

- Lecturer, MIT Media Laboratory
- Former Lead Organizer, MIT \$100K Competition
- MIT Founders Study
- MIT Enterprise Forum
 - Cambridge Chapter
 - Global Board
- Co-Founder, Howtoons
- Maximizing Progress Blog www.maximizingprogress.org/
- jpbensen@alum.mit.edu

Who Are We?

• Gino Korolev

- Sloan MBA Student
- Director of Technology at Medullan
- Founder, AppsMeter – data analytics
- B.S. Computer Science– Northeastern
- 4 U.S. Patents
- Sports Interest: Skiing and Soccer

• nutsandbolts-ta@mit.edu



Tonight's Plan

- Introduce our Teaching Team
- **Introduce our Case Study**
- **Business Plan Basics - Overview**
- **Break – Team Building**
- **Steve Pearse: How to Make a Pitch**





= **Virtual Ink**

Virtual Ink Corporation is a computer peripherals company whose lead product automatically transcribes what users write on existing chalk or whiteboards, thus enabling, inexpensive, error-free, real-time transcription of handwriting and sketching.

*e*pen is a labor-saving, productivity and communications enhancement tool that could enable automatic capture of valuable shared thoughts communicated daily between millions of office and academic user.*

[YouTubeLink](#)

Why Virtual Ink?

- **Why We Include It**

- **Concept Easy to Understand**
- **\$50K Entrant**
- **Interesting Story of the Times and Company**
- **Entrepreneur Yonald Chery provides unusually candid insight. He will be here for the last class**
- **References to Virtual Ink from time to time**
- **Full Plan in Course Reader (available on Stellar)**



Tonight's Plan

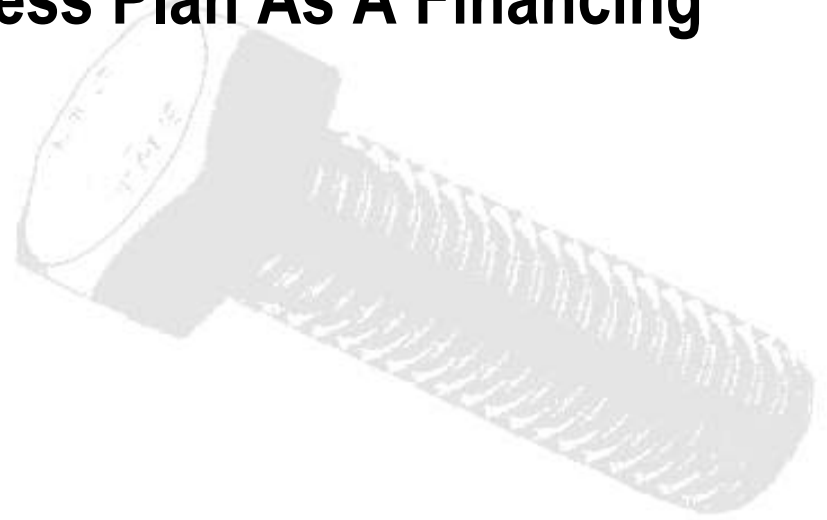
- Introduce our Teaching Team
- Introduce our Case Study
- **Business Plan Basics - Overview**
- **Break – Team Building**
- **Steve Pearse: How to Make a Pitch**



SESSION 1: BUSINESS PLAN BASICS

What We Will Discuss Today:

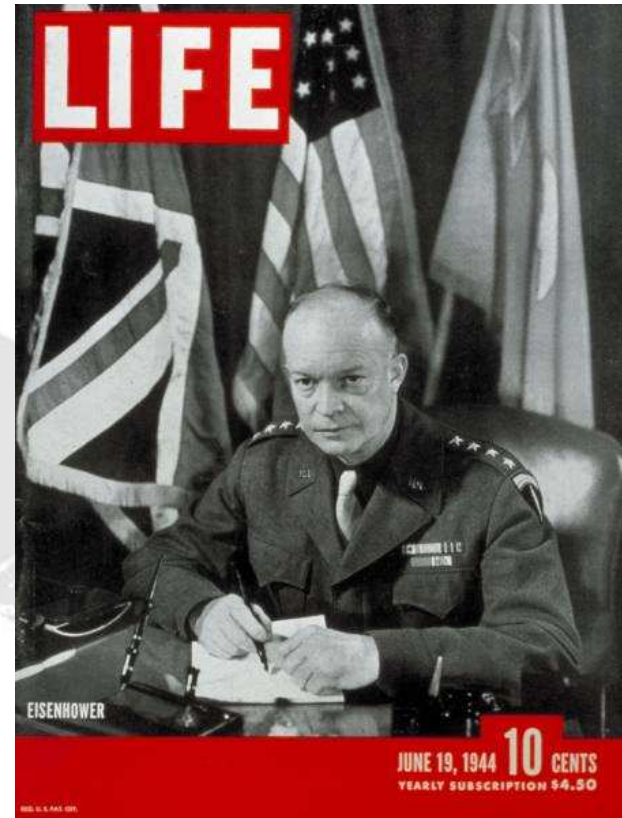
- Why Write A Business Plan?
- What Should Be In A Business Plan?
- The Business Plan As A Financing Document



SESSION 1: BUSINESS PLAN BASICS

Why Write a Business Plan?

**Plans are Worthless
*but Planning is Everything***



Dwight D. Eisenhower
Supreme Commander, Allied Forces Europe
34th President of the United States

SESSION 1: BUSINESS PLAN BASICS

Why Write a Business Plan?

THE WALL STREET JOURNAL. Tuesday, January 9, 2007 B9

SMALL BUSINESS

ENTERPRISE | By Kelly K. Spors

Do Start-Ups Really Need Formal Business Plans?

Studies Find Often Time Wasted Gathering Data With No Link to Success

Business schools and consultants have long preached that writing a formal business plan greatly improves a start-up's odds of success. But a growing number of academics are questioning whether that's really the case.

Budding entrepreneurs can spend months, sometimes years, polishing elaborate 50- to 100-page business plans that include financial projections, market research, and intricate details on day-to-day planning and organization. But skeptics say there's little concrete evidence that extensive planning is highly correlated to success.

A more practical approach, they say, for entrepreneurs who aren't seeking external start-up financing from venture capitalists or angel investors, is to write a "back-of-the-envelope" plan with basic financial projections, such as cash flow, and fine-tune the business model after launching the business.

'Just Do It'

"What we really don't want to do is literally spend a year or more essentially writing a business plan without knowing we have actual customers," says William Bygrave, an entrepreneur-

inal idea and developed outsourcing-management software geared toward companies with annual revenue of more than \$1 million. While the planning helped him learn about the industry, it didn't point out the fundamental flaw of his original idea.

"We were handed one or two prospects in the planning stage, but it was a lot harder going after a broader base of customers after we launched," Mr. Gupta says.

The critics of formal planning contend that it runs counter to what's at the heart of the entrepreneurial spirit: the ability to learn and adapt through experience. And there's a growing body of research supporting the notion that formal planning may not make much difference.

a full business plan "the opportunity will be gone."

Knowing Customer Base

Benson Honig, a professor at Wilfrid Laurier University in Ontario, Canada, says his research of 396 nascent entrepreneurs in Sweden from the late 1990s also found no correlation between business planning and profitability. Instead, his study found the biggest predictor of success to be knowing customers in advance. Mr. Honig says he teaches "contingency planning" to his students—or thinking about a business as constantly progressing, changing and making decisions based on the market climate—in

stead of traditional business planning. Business-planning advocates counter that plans, while not always perfect, can help nascent entrepreneurs nail down important aspects of their concept, and sometimes prevent costly mistakes.

Bill Evans, a counselor for Score, a group of retired business executives who counsel entrepreneurs, says one client wanted to start a business designing custom scrapbooks. But it wasn't until she started formally planning that it became clear she would only make \$3 an hour for her labor.

Untold Failures

Scott Shane, a professor at Case Western Reserve University, says most studies that discount business-plan

Planning Debate

The News: Some academics doubt the conventional wisdom that formal written business plans do much to help start-ups succeed.

The Background: Some recent studies suggest there's little correlation between having a business plan and profitability. Advocates of business plans counter that the plans give entrepreneurs focus and prevent costly mistakes.

The Bottom Line: There are questions whether entrepreneurs may be spending months fine-tuning 50-page

Planning Debate

The News: Some academics doubt the conventional wisdom that formal written business plans do much to help start-ups succeed.

The Background: Some recent studies suggest there's little correlation between having a business plan and profitability. Advocates of business plans counter that the plans give entrepreneurs focus and prevent costly mistakes.

The Bottom Line: There are questions whether entrepreneurs may be spending months fine-tuning 50-page

Planning Debate

The News: Some academics doubt the conventional wisdom that formal written business plans do much to help start-ups succeed.

The Background: Some recent studies suggest there's little correlation between having a business plan and profitability. Advocates of business plans counter that the plans give entrepreneurs focus and prevent costly mistakes.

The Bottom Line: There are questions whether entrepreneurs may be spending months fine-tuning 50-page

SESSION 1: BUSINESS PLAN BASICS

Why Write a Business Plan?

- Because I have to...
 - Needed for financing
 - Strategic partnering
 - To explain business to customers/suppliers
 - To attract key people

SESSION 1: BUSINESS PLAN BASICS

Why Write a Business Plan?

- Because **I Need to Understand My Business**
 - The Business Plan is a result of a **PLANNING PROCESS**
 - People don't **Plan to Fail**; they **Fail to Plan**
 - Who are your customers/users?
 - Will they buy or use your service or product?
 - What will they pay?
 - » Or how will you capture value for your efforts
 - How will you make and deliver the service/product
 - What resources (people, money, technology) will you need?

SESSION 1: BUSINESS PLAN BASICS

It is a Really Simple Concept (whether you are doing a Web 2.0 company, a biotech company or a non-profit social developmental company):

- **Create Value**
- **Capture/Harvest the Value Created**

SESSION 1: BUSINESS PLAN BASICS

The Concept is Simple – the Answers are NOT

Scene from *The Social Network*:

Eduardo: It's time to monetize the site

Mark: What does that mean?

Eduardo: It means it's time for the website to generate revenue

Mark: No, I know what the word means. I'm asking how you want to do it.

Eduardo: Advertising

Mark: No

Eduardo: We've got 4000 members

Mark: 'Cause theFacebook is cool. If we start installing pop-ups for Mountain Dew it's not gonna --

Eduardo: Well I wasn't thinking Mountain Dew but at some point -- and I'm talking as the business end of the company -- the site --

Mark: We don't even know what it is yet. We don't know what it is, we don't know what it can be, we don't know what it will be. We know that it's cool, that is a priceless asset I'm not giving it up.

Eduardo: When will it be finished?

Mark: It won't be finished, that's the point. The way fashion's never finished.



SESSION 1: BUSINESS PLAN BASICS

The Concept is Simple – the Answers are NOT

Facebook Annual Report on Form 10-K 12/31/2012

Part I

Item 1. Business

Overview



Our mission is to make the world more open and connected

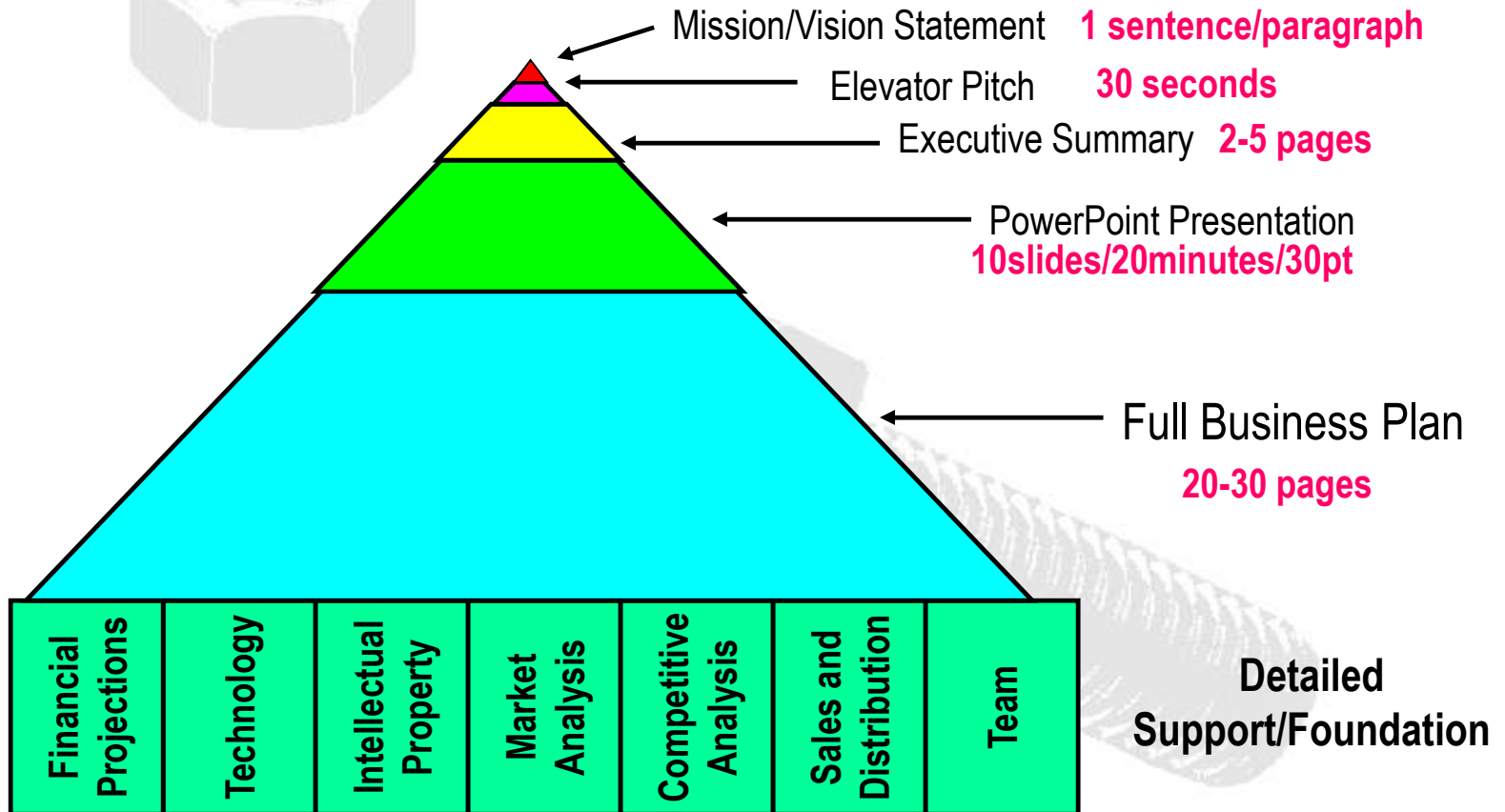
How We Create Value for Users

How We Create Value for Developers Through the Facebook Platform

How We Create Value for Marketers

SESSION 1: BUSINESS PLAN BASICS

• The Business Plan - A SUPPORTED VISION



SESSION 1: BUSINESS PLAN BASICS

- **Who should write the Plan?**
 - Founder alone?
 - The team?
 - A hired writer/consultant?

You need to OWN the Plan

SESSION 1: BUSINESS PLAN BASICS

- **What Should Be In A Business Plan?**
- **Size/Packaging Of The Plan**
 - Avoid the 3" thick binder
 - Separate binding of Executive Summary?
 - How to bind?
 - staple
 - spiral
 - Velabind
 - Accubinder
 - Appearance should be professional but not overly slick

SESSION 1: BUSINESS PLAN BASICS

• What Should Be In A Business Plan?

- The Plan is a **SELLING DOCUMENT**
 - Don't lose sight of the vision
 - The excitement must come through
 - The Plan should project your image
- **BUT: The Plan Must Be Defensible**

SESSION 1: BUSINESS PLAN BASICS

• What Should Be In A Business Plan?

– Elements of a Plan

- Executive Summary
- The Opportunity and the Company and its Services/Products
- Market Research/Analysis
- Economics of the Business
- Marketing Plan
- Design and Development Plan
- Manufacturing and Operations Plan
- Management Team
- Schedule
- Critical Risks, Problems and Assumptions
- The Financial Plan
- Appendices

Notice That “Technology” Is NOT Automatically a Section

SESSION 1: BUSINESS PLAN BASICS

• What Should Be In A Business Plan?

– Cover Page

- Name of Venture
- Address
- Telephone/fax/email
- Confidentiality legend
- Securities law legend
 - Control numbering of copies



**Business Plan
August 1997**

**Virtual Ink Corporation
Kendall Square
Post Office Box #369
Cambridge, MA 02142-0003**

617 225 9806 (24 hr. messages)

**<http://www.virtual-ink.com>
e-pen@virtual-ink.com**

CONFIDENTIAL



This confidential Business Plan is the property of Virtual Ink Corporation and contains proprietary information belonging to Virtual Ink. It is submitted for the sole and confidential use of the person named below. No part hereof may be reproduced, distributed or used for any other purpose. This copy must be returned to Virtual Ink upon request. This confidential Business Plan does not constitute an offer of securities for any purpose.

Copy No. _____ For: _____

Business Plan
August 1997

Virtual Ink Corporation
Kendall Square
Post Office Box #369
Cambridge, MA 02142-0003

617 225 9806 (24 hr. messages)

<http://www.virtual-ink.com>
e-pen@virtual-ink.com

CONFIDENTIAL



This Business Plan has been prepared by Virtual Ink, a Delaware Corporation. It is being delivered, subject to prior execution of a Confidential Disclosure Agreement, to a limited number of parties who may be interested in investing in Virtual Ink Corporation. The sole purpose of this Business Plan is to assist the recipient in deciding whether to proceed with a further investigation of Virtual Ink, Corporation.

While Virtual Ink Corporation believes that the financial and other information contained herein is accurate, Virtual Ink Corporation expressly disclaims any and all liability for express or implied representations or warranties contained in, or for omission from, this Business Plan, or any other written or oral representations and warranties which may be made to the investor in a Stock Purchase Agreement when, as and if one is executed, and subject to such limitations and restrictions as may be specified in such Stock Purchase Agreement, shall have any legal effect.

This Business Plan shall not be photocopied, reproduced or distributed to others at any time without prior consent of Virtual Ink Corporation. It has been prepared for informational purposes related to this investment opportunity only and upon the express understanding that it will be used only for the purposes set forth above. Upon request, this recipient will promptly return all material received from Virtual Ink Corporation (including this Business Plan) without retaining any copies thereof. In furnishing this Business Plan, Virtual Ink Corporation undertakes no obligation to provide the recipient with access to any additional

Business Plan
August 1997

Virtual Ink Corporation
Kendall Square
Post Office Box #369
Cambridge, MA 02142-0003

617 225 9806 (24 hr. messages)

<http://www.virtual-ink.com>
e-pen@virtual-ink.com

SESSION 1: BUSINESS PLAN BASICS

- **What Should Be In A Business Plan?**

- **Table of Contents**

- Put one in
- Include page numbers

- **Q: What Do Investors Read First?**

- **Q: What Do Investors Read Second?**

What is an Executive Summary?

- It is the First Thing Investors Read
- It is a “Resume” for your Full Plan
 - Goal is to get the “Interview” to Give the Pitch
- What Do Investors Really Look For?
 - The “3 Whys”
 - *Why This?*
 - *Why Now?*
 - *Why This Team?*
 - The 4th Why:
 - *Why Won't This Work/Succeed?*

SESSION 1: BUSINESS PLAN BASICS

• What Should Be In A Business Plan?

-Executive Summary (continued)

- **Size**
 - Two pages (preferable) to five pages (max)
- **The Executive Summary must be**
 - Logical
 - Clear
 - Interesting/Exciting
- **The Executive Summary is like a RESUME**
 - If it gets the reader's attention, the rest gets read
 - The Elevator Speech is to the Exec Summary as the Exec Summary is to the Full Plan

SESSION 1: BUSINESS PLAN BASICS

• What Should Be In A Business Plan?

-Executive Summary (continued)

- **The Executive Summary tells**
 - Who you are
 - What your strategy/vision is
 - What you are doing and/or propose to do
 - What is the market
 - How many \$\$\$\$ do you need and what will you do with them *(NO TERMS HOWEVER)*
 - What your **SUSTAINABLE COMPETITIVE ADVANTAGE** is
- When the reader is finished he or she should be able to tell someone what you are up to.

SESSION 1: BUSINESS PLAN BASICS

- What Should Be In A Business Plan?

- Executive Summary (continued)

- The Executive Summary Should Contain:
 - Description of the Business Concept and the Business
 - The Opportunity and Strategy
 - The Target Market and Projections
 - The Competitive Advantages
 - The Economics, Profitability and Harvest Potential
 - The Team

EXECUTIVE SUMMARY: PEOPLE EXPRESS

The Eastern seaboard of the United States is ripe for the entry of a new, superefficient, low-cost air carrier to provide quick, reliable inter-city air transportation. Such an entity would bring to the Northeast the same benefits that have accrued to other areas of the United States. Chief among these are:

- Frequent jet commuter service between major cities
- Prices competitive with private automobiles
- Fulfillment of the congressional goals in enacting the Airline Deregulation Act of 1978 to have better service at lower fares.

The new company will be able to achieve these goals for the following reasons:

- Aggressive, innovative management that has been tested in the field and been on the leading edge of innovation in air transportation marketing and systems
- Equipment and facilities designed specifically for the low-cost production of air transportation
- Manpower selected, trained, and motivated to be efficient and profit oriented
- New systems to be applied to the entire business of air transportation to minimize investment in manpower and machines

All of these, when applied to the new entity, will result in considerable economies vis-à-vis existing air carriers.

- 40 years of regulation have created an industry heavily unionized with tremendous inefficiencies
- The economics of a new entity should be at least 30%-40% better per seat mile than the current trunks.
- Other new carriers such as Southwest or Air Florida have shown a consistent ability to compete on a price basis and earn extraordinary returns
- The current political, economic, and regulatory climate is ideal for the proposal herein envisioned.
- The Northeast is waiting for someone to bring it what the rest of the nation already has: low air fares.

Excerpted from: Gumpert, David E., How to Really Create A Successful Business Plan, INC Publishing, 1990

EXECUTIVE SUMMARY: ELECTRONIC COMPONENTS, INC.

Electronic Components, Inc. is a start up company that will make a variety of electronic components, beginning with a new type of aluminum-based capacitor. This unique product, coupled with excessive demand for capacitor devices, will provide us with an ample share of the capacitor market and numerous opportunities for expansion into related electronic components.

The founders are dedicated and determined to make the venture a successful and profitable entity. Technical expertise is provided by James F. Lynch, who has been involved in designing capacitors for 11 years. He obtained a Bachelor of Science degree in electronic engineering from the Massachusetts Institute of Technology.

Technology for capacitors is changing rapidly. Electronic Components, Inc. has an opportunity to capitalize on a major technological change by getting off to a quick start and expanding quickly.

This proposal pertains to two additional phases of required financing. The first phase, consisting of about \$150,000 for pilot plant start-up, has been completed from the personal funds of the principals. The remaining financing is for the following:

Phase Two: Obtain \$750,000 capital for:

- Hiring and training production personnel;
- Purchasing additional equipment necessary for appropriate productivity;
- Develop the market;
- Complete the sales rep network;
- Explore new markets.

Phase Three: Increase Production and Sales

- Computerize manufacturing to triple output with minimal increase in labor;
- Begin exporting;
- Expand new marketing activity.

Financing will be used to purchase manufacturing equipment, hire the necessary employees, and develop new markets. In addition, management intends to spend between 10% and 20% of revenues on research and development of new products.

The electronic component field offers attractive opportunities for fast sales and profit growth. Already, demand exceeds supply in the capacitor area as well in other related areas.

EXECUTIVE SUMMARY: ELECTRONIC COMPONENTS, INC.

Electronic Components, Inc. is a start up company that will make a variety of electronic components, beginning with a new type of aluminum-based capacitor. This unique product, coupled with excessive demand for capacitor devices, will provide us with an ample share of the capacitor market and numerous opportunities for expansion into related electronic components.

The founders are dedicated and determined to make the venture a successful and profitable entity. Technical expertise is provided by James F. Lynch, who has been involved in designing capacitors for 11 years. He obtained a Bachelor of Science degree in electronic engineering from the Massachusetts Institute of Technology.

Technology for capacitors is changing rapidly. Electronic Components, Inc. has an opportunity to capitalize on a major technological change by getting off to a quick start and expanding quickly.

This proposal pertains to two additional phases of required financing. The first phase, consisting of about \$150,000 for pilot plant start-up, has been completed from the personal funds of the principals. The remaining financing is for the following:

Phase Two: Obtain \$750,000 capital for:

- Hiring and training production personnel;
- Purchasing additional equipment necessary for appropriate productivity;
- Develop the market;
- Complete the sales rep network;
- Explore new markets.

Phase Three: Increase Production and Sales

- Computerize manufacturing to triple output with minimal increase in labor;

EXECUTIVE SUMMARY: PEOPLE EXPRESS

The Eastern seaboard of the United States is ripe for the entry of a new, superefficient, low-cost air carrier to provide quick, reliable inter-city air transportation. Such an entity would bring to the Northeast the same benefits that have accrued to other areas of the United States. Chief among these are:

- Frequent jet commuter service between major cities
- Prices competitive with private automobiles
- Fulfillment of the congressional goals in enacting the Airline Deregulation Act of 1978 to have better service at lower fares.

The new company will be able to achieve these goals for the following reasons:

- Aggressive, innovative management that has been tested in the field and been on the leading edge of innovation in air transportation marketing and systems
- Equipment and facilities designed specifically for the low-cost production of air transportation
- Manpower selected, trained, and motivated to be efficient and profit oriented
- New systems to be applied to the entire business of air transportation to minimize investment in manpower and machines

All of these, when applied to the new entity, will result in considerable economies vis-à-vis existing air carriers.

EXECUTIVE SUMMARY: PEOPLE EXPRESS

The Eastern seaboard of the United States is ripe for the entry of a new, superefficient, low-cost air carrier to provide quick, reliable inter-city air transportation. Such an entity would bring to the Northeast the same benefits that have accrued to other areas of the United States. Chief among these are:

- Frequent jet commuter service between major cities
- Prices competitive with private automobiles
- Fulfillment of the congressional goals in enacting the Airline Deregulation Act of 1978 to have better service at lower fares.

The new company will be able to achieve these goals for the following reasons:

- Aggressive, innovative management that has been tested in the field and been on the leading edge of innovation in air transportation marketing and systems
- Equipment and facilities designed specifically for the low-cost production of air transportation
- Manpower selected, trained, and motivated to be efficient and profit oriented
- New systems to be applied to the entire business of air transportation to minimize investment in manpower and machines

All of these, when applied to the new entity, will result in considerable economies vis-à-vis existing air carriers.

- 40 years of regulation have created an industry heavily unionized with tremendous inefficiencies
- The economics of a new entity should be at least 30%-40% better per seat mile than the current trunks.
- Other new carriers such as Southwest or Air Florida have shown a consistent ability to compete on a price basis and earn extraordinary returns
- The current political, economic, and regulatory climate is ideal for the proposal herein envisioned.
- The Northeast is waiting for someone to bring it what the rest of the nation already has: low air fares.

Excerpted from: Gumpert, David E., How to Really Create A Successful Business Plan, INC Publishing, 1990

EXECUTIVE SUMMARY: ELECTRONIC COMPONENTS, INC.

Electronic Components, Inc. is a start up company that will make a variety of electronic components, beginning with a new type of aluminum-based capacitor. This unique product, coupled with excessive demand for capacitor devices, will provide us with an ample share of the capacitor market and numerous opportunities for expansion into related electronic components.

The founders are dedicated and determined to make the venture a successful and profitable entity. Technical expertise is provided by James F. Lynch, who has been involved in designing capacitors for 11 years. He obtained a Bachelor of Science degree in electronic engineering from the Massachusetts Institute of Technology.

Technology for capacitors is changing rapidly. Electronic Components, Inc. has an opportunity to capitalize on a major technological change by getting off to a quick start and expanding quickly.

This proposal pertains to two additional phases of required financing. The first phase, consisting of about \$150,000 for pilot plant start-up, has been completed from the personal funds of the principals. The remaining financing is for the following:

Phase Two: Obtain \$750,000 capital for:

- Hiring and training production personnel;
- Purchasing additional equipment necessary for appropriate productivity;
- Develop the market;
- Complete the sales rep network;
- Explore new markets.

Phase Three: Increase Production and Sales

- Computerize manufacturing to triple output with minimal increase in labor;
- Begin exporting;
- Expand new marketing activity.

Financing will be used to purchase manufacturing equipment, hire the necessary employees, and develop new markets. In addition, management intends to spend between 10% and 20% of revenues on research and development of new products.

The electronic component field offers attractive opportunities for fast sales and profit growth. Already, demand exceeds supply in the capacitor area as well in other related areas.

The Virtual Ink Executive Summary

Virtual Ink Corporation is a computer peripherals company whose lead product automatically transcribes what users write on existing chalk or whiteboards, thus enabling automatic, inexpensive, error-free, real-time transcription of handwriting and sketching. Virtual Ink was the first place runner-up in the 1997 MIT Entrepreneurship and Business Plan Competition for its primary product, the e•pen™. e•pen™ is a labor-saving, productivity and communication enhancement tool that could enable the automatic capture of valuable shared thoughts communicated daily between millions of office and academic users.

EXECUTIVE SUMMARY

**What is the product ?*

e•pen™ is a patentable human-computer interface tool that converts any common writing surface as large as 10 meters x 16 meters into an electronic transcription device. e•pen™ links the writing instrument wirelessly to a personal computer replacing the need for subsequent manual transcription. Hand sketches and notes can be captured accurately, rapidly, and automatically during brainstorming sessions and incorporated directly into documents.

**What is the market size ?*

The estimated 50 million white-collar offices world-wide with both a personal computer and either a chalk or whiteboard are potential e•pen™ sales candidates. We anticipate initial adoption by several hundred thousand team-oriented professionals such as management consultants, design engineers, academics, and industrial designers. Over time, the direct electronic capture of written group meeting notes will be as indispensable as a common conference call or document photocopying.

**What are the startup costs ?*

Virtual Ink anticipates initially requiring \$320,000 to complete the beta prototype of the e•pen™, provide for legal and infrastructure expenses related to startup and to cultivate potential customers. To finance start-up we intend to seek initial capital from venture capitalists and corporate partners. Further investment of \$2.0 million is needed for finalizing the product, further setting up company infrastructure, lining up lead vendor-channel relationships, landing significant corporate accounts, and accelerating global marketing efforts.

**What is the payoff ?*

Virtual Ink anticipates break-even within 2 years. In addition to our product sales, we expect royalty revenue from licensing our position sensing and software technology. Within 3 to 5 years, Virtual Ink anticipates an IPO or sale of the company to fuel further growth and to offer liquidity to investors.

** Management Team*

The technology component of the management team consists of MIT-trained engineers: Yonald Chery (product conceiver and Chief Technology Officer), William Moyne (Software Development Lead), Andrew Kelley (Manufacturing Development Lead), and Matthew Verminski (Hardware Development Lead). The business component of the management team currently consists of MIT Sloan-trained finance and marketing members: Michael Dixon (Chief Financial Officer) and Rosaline Gulati (Marketing Director). We are currently recruiting a chief executive officer and directors for our corporate board.

The Virtual Ink

Executive Summary

Virtual Ink Corporation is a computer peripherals company whose lead product automatically transcribes what users write on existing chalk or whiteboards, thus enabling automatic, inexpensive, error-free, real-time transcription of handwriting and sketching. Virtual Ink was the first place runner-up in the 1997 MIT Entrepreneurship and Business Plan Competition for its primary product, the e•pen™. e•pen™ is a labor-saving, productivity and communication enhancement tool that could enable the automatic capture of valuable shared thoughts communicated daily between millions of office and academic users.

EXECUTIVE SUMMARY

**What is the product ?*

e•pen™ is a patentable human-computer interface tool that converts any common writing surface as large as 10 meters x 16 meters into an electronic transcription device. e•pen™ links the writing instrument wirelessly to a personal computer replacing the need for subsequent manual transcription. Hand sketches and notes can be captured accurately, rapidly, and automatically during brainstorming sessions and incorporated directly into documents.

**What is the market size ?*

The estimated 50 million white-collar offices world-wide with both a personal computer and either a chalk or whiteboard are potential e•pen™ sales candidates. We anticipate initial adoption by several hundred thousand team-oriented professionals such as management consultants, design engineers, academics, and industrial designers. Over time, the direct electronic capture of written group meeting notes will be as indispensable as a common conference call or document photocopying.

**What are the startup costs ?*

Virtual Ink anticipates initially requiring \$320,000 to complete the beta prototype of the e•pen™, provide for legal and infrastructure expenses related to startup and to cultivate potential customers. To finance start-up we intend to seek initial capital from venture capitalists and corporate partners. Further investment of \$2.0 million is needed for finalizing the product, further setting up company infrastructure, lining up lead vendor-channel relationships, landing significant corporate accounts, and accelerating global marketing efforts.

**What is the payoff ?*

SESSION 1: BUSINESS PLAN BASICS

- What Should Be In A Business Plan?

- The Body of the Plan-

- The Opportunity

- What is the Market / Opportunity?

- » How big is it now?

- » What are the trends- how fast is it growing or grow?

- Why Is This Time The Right Time For Your Product/Service?

- » Convergence of Opportunity and Solution

SESSION 1: BUSINESS PLAN BASICS

- What Should Be In A Business Plan?

- The Body of the Plan

- **Market Analysis**

- Existing and planned products in marketplace
 - Market segments
 - Market players/competition
 - » Competitive Advantages
 - Estimated Market Shares
 - » Current Players
 - » You
 - » “Who Loses If You Win and What Will Be Their Response?”

SESSION 1: BUSINESS PLAN BASICS

- What Should Be In A Business Plan?

- The Body of the Plan

- Marketing Plan

- What is your Marketing Strategy?
 - Pricing and Distribution
 - » Pricing and margin erosion
 - » Distribution must match strategy/pricing
 - Sales Tactics
 - » Who will be the first customer, second customer etc.?
 - » How will you reach the customer?
 - » “Will the Dogs Eat the Dog Food?”
 - Advertising and Promotion

SESSION 1: BUSINESS PLAN BASICS

- What Should Be In A Business Plan?

- The Body of the Plan

- **Development Plan**

- Where is development today- product status
 - What development is needed?
 - » Time and resources needed for development
 - » Do you have to produce a complete product to get going? Avoid “Nuclear Fusion”
 - Difficulty and Risks
 - Product Pipeline Plans

SESSION 1: BUSINESS PLAN BASICS

- What Should Be In A Business Plan?

- The Body of the Plan

- Action Plan

- What Will You Do and When?

- » Identification of “Credibility Testers”

- » Sequencing to build VALUE

- » Eliminate or Reduce Dependencies

- » Coordination of Schedule, Value Recognition Events and Financing Requirements

SESSION 1: BUSINESS PLAN BASICS

• What Should Be In A Business Plan?

– Appendices

- Separately Bound Volume
- Resumes of Principals
- Product Literature
- Trade Press/Business Press
- Patents (front page)
- Testimonials Letters
- Technical Information
- Confidentiality
- Technical person to technical person discussion

SESSION 1: BUSINESS PLAN BASICS

• Fine Tuning/Targeting the Plan

- **Have an Independent Reader Review the Plan**
 - One or more independent readers for feedback:
 - » Retired industry pro?
 - » Customer(?)
 - » Consultant?
 - » Professor?
 - » Accountant- yes definitely
 - » Lawyer- yes definitely

SESSION 1: BUSINESS PLAN BASICS

The Business Plan As A Financing Document

(Excerpts From Materials Prepared By Lita Nelsen, Director of MIT Technology Licensing Office)

- **A. First Reading: Like a Resume**
 - Make The Cut, So That You Get An Opportunity To Tell Your Story
- **B. Second Reading: Justify The Investment**
- **C. Third Reading: Commit To A Plan**
 - That You And The Investors Can Live With.
- **REMEMBER: If you don't make the FIRST CUT, B and C never happen.**

SESSION 1: BUSINESS PLAN BASICS

The Business Plan As A Financing Document

– MAKING THE FIRST CUT

- An Idea Too Good To Ignore
- A Financial Promise Too Good To Turn Down
- A Team Good Enough To Believe In
- An Action Plan That's
 - » Credible
 - » Focused
- Details That Give Assurance of Insight, Commitment and Follow Through
- Format and Style That Show
 - » Passion
 - » Sanity

SESSION 1: BUSINESS PLAN BASICS

The Business Plan As A Financing Document

- WHY PLANS **FAIL** THE FIRST CUT
 - Insufficient Market
 - Non-Credible Technology
 - » Too Wild
 - » Too Blue-Sky (Unproven)
 - » Not Protectible
 - » Too Mundane
 - Investment Too Large For The Promise
 - Failure to Understand The Market

SESSION 1: BUSINESS PLAN BASICS

The Business Plan As A Financing Document

- WHY PLANS **FAIL** THE FIRST CUT (cont.)
 - Action Plan Not Credible
 - » Too Optimistic
 - » Naïve About The Hurdles
 - » Runs Off In All Directions
 - » Not Ambitious Enough
 - » Regulatory Barriers Insufficiently Addressed
 - » Gaps Filled By Handwaving
 - » No Promises At All
 - Team Not Credible

SESSION 1: BUSINESS PLAN BASICS

The Business Plan As A Financing Document

- **“COSMETIC” REASONS FOR FAILING THE FIRST CUT**
 - I Can't Understand It.
 - Filled With Market Or Technology-Specific Jargon
 - » i.e., WHAT IS THE BUSINESS?
 - Naïve Projections
 - Sloppy: Misspellings, Poor Grammar, Poor Quality Printing
 - Too Damn Long
 - Ignores The Basics
 - “Forget Marketing, My Technology Is Best”
 - Naïve (or Terrible) Writing

SESSION 1: BUSINESS PLAN BASICS

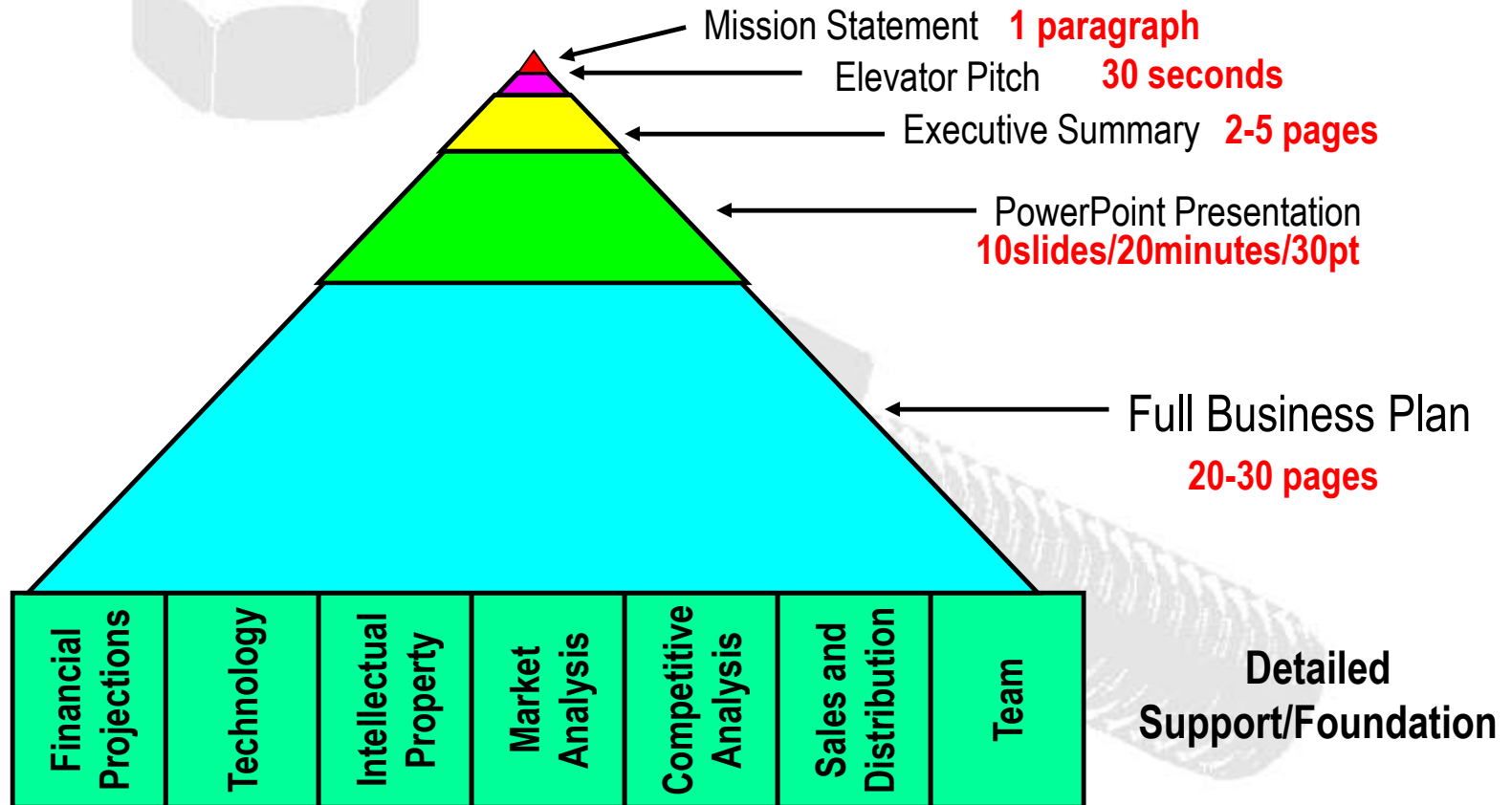
- **SUMMARY**

- **We Have Covered**

- **Why Write A Business Plan?**
 - **What Should Be In A Business Plan?**
 - **The Business Plan As A Financing Document**

SESSION 1: BUSINESS PLAN BASICS

• The Business Plan - **A SUPPORTED VISION**



Tonight's Plan

- Introduce our Teaching Team
- Introduce our Case Study
- Business Plan Basics - Overview
- **Break – Team Building**
- **Steve Pearse – How to Make a Pitch**



BREAK Time

- **10 Minute Break**
 - **Introduce Yourself to the People Around You**
- **When We Come Back**
 - **Course Logistics**
 - **Steve Pearse – How to Make a Pitch**



The Nuts and Bolts of Business Plans

Course Information

MIT Course 15.S21 (formerly 15.975)

<http://nutsandbolts.mit.edu> (link to Stellar on bottom of main page)

3 Credits Pass/Fail

Class Attendance Required – Please Sign Sheets

Written Requirement

- Executive Summary or Pitch Deck
 - Of an Idea you are thinking about
- Team Efforts Encouraged**
- Email by Saturday with Team/Idea to:

nutsandbolts-ta@mit.edu

Tonight's Plan

- Introduce our Teaching Team
- Introduce our Case Study
- Business Plan Basics - Overview
- Break – Team Building
- **Steve Pearse – How to Make a Pitch**

