Creating a Compelling Feasibility Summary

Global New Venture Challenge 2015-2016

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Agenda

- Review GNVC Timeline
- Feasibility Summary: Key Elements
- Dos & Don’ts
- Q&A
GNVC 2016 Timeline

November

11/1 Feasibility summary due
11/16 Class teams announced

December

12/1, 2 and 3 Webinar – Business plans and presentations
12/26-12/29 XP Teams Skype with instructor
12/30 XP First draft of plan due via email

January

1/8 XP GNVC class begins
1/22 XP Final business plans due
1/24 XP Final presentations
1/25-1/29 EXP and AXP Teams Skype with instructor

2/1 EXP First draft of plan due via email
2/7 EXP GNVC class begins
2/10 EXP Final business plans due
2/12 EXP Final presentations

2/15 AXP First draft of plan due via email
2/21 AXP GNVC class begins
2/24 AXP Final business plans due
2/26 AXP Final presentations

March

3/17 GNVC Finals
Global NVC

OVERVIEW:
The Global New Venture Challenge (GNVC) is a unique platform designed to expand the Edward L. Kaplan, '71, New Venture Challenge business competition to Chicago Booth Executive MBA students and alumni worldwide. A benefit of the GNVC is the participation of our alumni and members of the business community in the coaching and judging portions of the competition. Over 80 coaches, judges, panelists, and guest speakers participate on our Chicago, London, and Hong Kong campuses.

ELIGIBILITY REQUIREMENTS:
All currently enrolled Executive MBA students at the University of Chicago are eligible to apply to the GNVC as an individual or as a team. It is highly encouraged to submit an application to the GNVC as a team with cross-functional expertise. Alumni of the university and individuals not affiliated with the university are not eligible to apply to the GNVC.

SCHEDULE/TIMELINE:
Most other business schools and graduate entrepreneurship programs host a single day or weekend business plan competition for their students interested in entrepreneurship. The Chicago Booth GNVC is different. It is not just a competition. Instead, it is a year-long launch program that features three distinct phases:

- Phase I: Team Formation & Business Idea Validation
- Phase II: Classroom Mentoring & Business Plan Development
Feasibility Summary

Key Elements

- Value Proposition
- Customer Segments
- Competition
- Intellectual Property
- Customer Engagement
- Revenue Model
- Operations
- Management Team
- Progress to Date
- Business Risks
- Business Analogues
The company's objective is to develop non-invasive medical diagnostic tests. The first application is for using a proprietary saliva collection device to measure glucose levels in diabetics.

Example 1

The company has developed the SalivaSac™, a proprietary semi-permeable membrane that enables the collection in saliva of biochemical markers below 12 kilodaltons. The company will focus on finding those applications which meet this criteria and where there is an advantage to collecting a non-invasive sample.

Example 2

The company's objective is to develop non-invasive medical diagnostic tests. The first application is for using a proprietary saliva collection device to measure glucose levels in diabetics.
Who are your customers?

- Who are the different groups of people or organizations you aim to reach and serve?
- How do you define your market?
- What is the potential market size?

**Market Size Estimate**

- $2.8B Art supply industry
- Paint
- Brushes
- Frames
- $558M (21%) Surfaces
- 75% market is price sensitive
- $147M (25%) Prof artists

29 years old
City dweller
$60-80K Income
Single
How will you win?

☐ Who are current players in the market?

☐ Who could be your competition in the future?

☐ What are your competitive (dis)advantages?

☐ How are you positioned with respect to competition?

☐ What barriers to entry will protect you?

☐ IP, customer development process, etc.?
Are there key differentiators/elements of your business worth protecting?

☐ Is it proprietary? Are there patents?

☐ Are there key milestones in terms of development or product testing?

☐ What are the technology risks?
How do you communicate and get the solution to your customers?

☐ How does the product get from my company to the customer (physical, web, mobile)?

How do you get, keep, and grow customers?

☐ Acquisition through retention
How do you make money from each customer segment?

- What will the customer pay? How do you know?

\[
\text{Costs to make, sell, and service} \leq \text{Price} \leq \text{Perceived Value}
\]
What are the most important actions you take to create and deliver your value proposition?

☐ Production, problem solving, platform/network?

What assets are required by the business to deliver your value proposition?

☐ Physical, intellectual property, team, financial?

What are the costs incurred by creating and delivering value, maintaining relationships, and generating revenue?

☐ Fixed and variable costs, economies of scale, etc.
Who makes up your management team? Advisors? Partners?

- Who are they?
- Why are they relevant for the business?
- How do you plan on filling gaps?

Who are the vendors, strategic alliances, and joint ventures involved in executing your business?

Example 1

Frank Smith, our CTO, has extensive experience in managing and building data warehouses. He previously served as vice president in charge of Thompson Financial’s database management systems and worked as a consulting manager with IBM for organizations building data warehouses. Frank received a BS in computer science from MIT and an MBA from Chicago Booth with a concentration in operations.

Example 2

We currently are looking for a director of sales. We have identified several individuals in data/information companies also selling to the Fortune 500 companies, consulting firms, and investment firms that would be interested once we have secured our financing.
What have you done so far? How have you tested your assumptions?

- Customers interviewed
- Patents, trademarks, etc.
- Prototypes
- Minimal Viable Products (MVPs)
- Sales
- Partnerships
What are you worried about?

☐ What do you plan to do about it?
Business Analogues

*Social NVC*

Customers vs. Beneficiaries

Are there analogues in the industry or other industries that validate your business model?

☐ **Who** are they, and have they been successful?

☐ How are they **valued**, and how did they get **funded**?

☐ Have there been successful **exits**? Multiples?

☐ Have similar businesses **failed**? Why? (Look for “corpses”)

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CHICAGO BOOTH Polsky Center for Entrepreneurship and Innovation
Peter Thiel’s 7 Questions Every Business Must Answer

- Can you create breakthrough technology?
- Is now the right time to start your business?
- Are you starting with a big share of a small market?
- Do you have the right team?
- Do you have a way not just to create but to deliver your product?
- Will your market position be defensible in 10 or 20 years?
- Have you identified a secret opportunity that others don’t see?
What do VCs actually consider?

Studied VC deal memoranda for 67 investments by 11 VCs.

◆ Top five reasons to invest:
  • Market 69%
  • Management 60%
  • Strategy 54%
  • Competition 33%
  • Product and technology 30%

◆ Top five risks:
  • Management 61%
  • Strategy 51%
  • Competition 40%
  • Market 31%
  • Product and technology 31%
Feasibility Summary

Dos and Don’ts
Avoid Clichés

- “We have no competition.”
- “We are the low-cost provider.”
- “We only need a 5% market share.”
- “Our numbers are conservative.”

Avoid Acronyms

- Don’t assume everyone reading your plan has your knowledge base.
- When you use an acronym, explain it the first time (TFT).

No Autopilot

Make sure the car has a driver. Someone should be the current CEO. OK to say you will find a permanent/better one later.
Be Clear and Concise

YES: Middleware for wireless networks

NO: Develops and delivers an integrated suite of packaged applications for web and wireless deployment. Global enterprises use these applications to become more competitive and profitable by establishing and sustaining high-yield interactions and transactions with customers, suppliers, and employees.

Capture Attention

- Typical VC will not read past the first page
- Answer the following questions in the first page
  - What is the opportunity?
  - Why does anyone care?
  - How will it be achieved?
  - What is your unique differentiator?
Q&A