



Case Study – Shweiger & Associates Investor Business Plan .



Case Study:

Making an Investor Business Plan

Challenges facing the client

Our client, an entrepreneur and venture capitalist, was passionate about a new business concept, had done some secondary research and had prepared a draft business plan. He envisioned that China and US could largely benefit from his business service and hence several investors will back it up once they are presented with a solid business plan. He believed that his research was thorough and that he needed a professional company to translate his thoughts, ideas, and research into an executable business plan that could be presented to investors for funding. Thus, he was referred to the Schweiger & Associates (S&A) team to help him overcome his challenge.

Our Initial Assessment

In a situation like this where entrepreneurs are involved, it is important for the Schweiger & Associates (S&A) team to understand the vision and passion of the entrepreneur on venturing into this business. Other than having a good business idea, it is important that the entrepreneur believes in his own idea and is committed to it. Also, it was important for the S&A team to be convinced about the concept to write a convincing plan for investors.

We brainstormed with the entrepreneur and his team to answer some basic business related questions. Some of them are mentioned below.

- What is the most compelling value proposition of this business concept?
- What value (tangible and intangible) will this service bring to customers and promoters alike?
- What are the sources of his research and how current is the information?
- Why target China first? Why not any other country?
- Have they discussed with any prospective customer if they would be interested in this service and how much will they be willing to pay for it?
- What are some of the personal and professional reasons that the entrepreneur is passionate about the business?
- What in his opinion should be the market entry strategy and why?
- Are there any investors that he has in mind that he wants to approach first and why?

It is important for S&A to understand the vision and passion of the entrepreneur and be convinced about the concept to write a compelling business plan for the investor.

After spending several hours together over two sessions, the client and the S&A team concluded that:

- The business concept was innovative enough that it's worth everybody's time to pursue this further. It was important for the S&A team to believe in the business concept to deliver a good quality product. Our intent was not to just make a business plan; we wanted to make this business happen!
- The existing research material was dated. We needed to get current information. Hence, it was important to conduct secondary and primary research and get direct customer feedback. There is nothing more convincing than the customer saying that they would like to have this service and that they will pay for it.
- It was required to research on investment firms that will be interested in supporting a business venture like this one and get their relevant contacts.

Deliverables Finalized

One of our key tasks at Schweiger & Associates is to help businesses understand what they need to make their business grow profitably.

What are the kinds of information, tools, and processes that they need to be armed with to succeed?

Finalizing the deliverables is the most critical aspect of any project so that the expectations between each team are set appropriately to ensure complete satisfaction of our customer.

Project Scope:

- Validate draft business plan through secondary and primary research
- Prepare a concise and actionable business plan and 5 year financial plan
- Advise on appropriate market entry strategies
- Present a financial package proposal for investors
- Research and profile key investment firms to target

Market Validation

Since the S&A team believed in the viability of the business concept, we dived into understanding the market further to validate the below information:

- Market size, revenue, profitability, key players, growth drivers, key success factors, and more
- Market pain areas and challenges that could justify the need for this business service
- Estimate the tangible and intangible benefits that the value chain will gain by the business service

Since the initial target market was China, there were several challenges that we had to overcome.

- Information about the current dynamics of the Chinese market was not openly written about or readily available. Also, a lot of information was in Chinese which made the task even more difficult.

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- Being a new concept, there was no market precedent of anybody trying this concept and hence there were "technically" no competitors. We had to think and brainstorm about who could become a potential competitor once the business concept was proven and was viable.
- Since the business concept was a more efficient way of achieving the same result, the challenge that we had to answer was will the people in China change their way of working to be more efficient or there were any specific reasons why they would want to stick to their old processes.

With so many issues at hand, the best way to answer the above questions was to conduct primary research into the Chinese market and get the answers ourselves.

- We researched on obtaining contact information of prospective interviewees who could possibly answer our questions and help us understand the market better. Interviewees included industry participants, authors of related books and articles, and people at industry forums.
- We hired a bi-lingual resource that could translate our questionnaire into Chinese and also conduct interviews in Chinese where people were not comfortable to talk in English.
- We tried to connect with relevant people in the US who had connections in China. "Guanxi", which means "connections" or "relationships", is very important in China and it helped us open a lot of doors.

Even though the interview process increased our estimated timeline for this project, the client understood the rationale for our actions and realized the efforts that were being made to do a thorough job. It is always better to do the job right first time around instead of doing patch work later!

The primary research helped the business plan drastically since it specifically addressed the areas that were most critical to the success of this business concept:

- 64% of the respondents confirmed that they face the same issues which we had pre-empted.
- 56% of the respondents were open to try the new business service.
- Respondents further confirmed the existing business model and a few of them even proposed a new business model that could be more efficient for the industry.

With a solid backing of secondary and primary researched information we were able to write a solid business plan for our client. A typical format of our business plan is highlighted in our blog "Writing a Solid Business Plan".

The Financial Plan

One of the biggest challenges with this business plan was that there was no precedence of a similar business or concept in any industry. Everything had to be estimated and rationalized to make this business successful.

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Some of the areas that we worked on extensively included:

Business Model

Given the business concept, we created the business model that would be most efficient for the customer and the business. It is important to understand how and when the cash will flow through the business and who will be the stakeholders at each stage.

Sales Methodology

This is an important piece of any business. Especially in a service-oriented business, the sales price is not so easy to determine as it is for a product-based business.

Additionally, if the service is openly priced, it is easy for any customer to understand the cost structure and then bargain on the price paid.

Service-oriented businesses need to be compensated based on the value gained by the customer and it should not be based on the traditional model of cost plus profit. Value-based model is also difficult to comprehend and hence it gives businesses a solid competitive advantage. Along with the entrepreneur, the S&A team innovated a pricing mechanism which was simple enough to justify the value to the customer and at the same time it was difficult enough for competition to duplicate our business model anytime soon.

Expenses

This was an interesting piece of the financial plan. We formed a panel of industry experts and brainstormed with them on all possible expenses that one would need to make to run the business cost-effectively. Every expense was estimated that the business would make in the near term and long term and still make a

justified profit, if it grew as planned.

The financial plan was completed with short-term and long-term cash flows, P&L statements, Balance sheets, customer ROIs, and Investor ROIs up to the satisfaction of industry experts and the entrepreneur's team.

Investor Research

Based on the probability of success we focused our research on identifying investors from three groups of firms – private/public companies that could benefit the most from the business service, venture capitalist and banks that fund new businesses in that industry. Other than identifying the right set of investors, we also ensured that our client understood their deal process and history and the key players within each firm. For each prospective investor, our team provided insights on the approach and strategy specific to each investor.

Final Results

Our client, an entrepreneur and a venture capitalist was happy to receive a comprehensive and professional set of documents that included a thorough and actionable business plan, financial plan, and other relevant presentation materials for prospective investors. We continue to advice and guide our client as they actively seek funding. The aim of the Schweiger and Associates team is to always ensure that our clients succeed in achieving their goals which gives us the most satisfaction than anything else.

About Schweiger & Associates

We are a team of experienced consultants with both applied and academic strategic management and organizational expertise who are committed to helping executives and their managers and employees build sustainable profitable organizations.

*We accomplish this by providing life-cycle strategy solutions across the Ideation, Validation and Execution phases. There are **five** key areas in which we offer solutions:*

- *Strategy Development Solutions*
- *Strategy Execution Solutions*
- *Strategy Leadership Solutions*
- *Market Research Solutions*
- *Mergers & Acquisition Solutions*

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Thank You

