

Elements of a Concept Plan

No single outline is appropriate for every new venture. The following outline covers most of the areas that are appropriate for the Henry R. Kravis Concept Plan Competition:

- Cover Sheet
- Table of Contents
- Executive Summary (Limited to 10 pages single-spaced maximum, but appendices are permitted)

Please focus your work for the Executive Summary with Steps I through VI (described below), especially if you are in the earliest stages of your concept plan. If your concept is more developed, please address Steps VII through IX as appropriate to your concept.

Begin by identifying your audience (e.g. investors, partners, end-users, customers, suppliers, management team candidates, etc.). Write to your audience, focusing on their anticipated needs and interests.

I. Background and Purpose of the Venture

Describes the history and current status of the venture.

- Describe very succinctly the concept and the objectives of the venture.
- Tell a short but compelling story about how you came up with this idea. Did the issue arise out of a personal or professional experience? Keep your story extremely brief and to the point.
- What is the current status of the venture?

II. Market Analysis

Describes the market for your product/service/solution.

- What industry are you competing in? What is the overall market and its potential size?
- What is your beachhead market?
- Provide the TAM for the beachhead.
- Who is your customer? Provide a high-level customer profile/persona.
- Who are the key competitors? Position your concept, along with product features, against key competitors. Identify the top 2 priorities of your customer and position your concept/product against the competitors. What are the advantages and disadvantages of your proposed product/service to the customer?
- What is your value proposition for the target customer?
- How will you reach the customer, i.e. your distribution channel strategy?
- What are critical market and market-related risks?
- Uses all the above factors to develop a very high-level sales forecast for the venture for one to three years. You may include high-level estimates for costs as well. (See Section IX).

III. Products and Services

Describes the product/service, providing a product overview, detailed description of features/advantages/benefits) along with sources of competitive advantage and product-related risks.

- Provide a product overview. Very often this is an image.
- Provide a detailed product description that includes features, advantages, and benefits.
- Describes where you are in the life cycle of product development, intellectual property issues, and status of development efforts.
- Identifies any sources of competitive advantage or disadvantage related to the product or service.
- Identifies critical product-related risks.

IV. End-User/Customer Analysis

Developed after the beachhead market is selected. This is related to/connected with the market section.

- Identify the individual (a real person!) who will use your product. Often described as a customer profile and/or customer persona, provide a detailed description of a real person, including:
 - fact sheet about person's life and personal information,
 - job and career choices,
 - overall environment,
 - geographical location,
 - purchasing criteria, and
 - top priority for targeted service/product usage.
- The end-user is typically the person that uses the product/service. The customer may be the distributor or company that purchases the product/service in a B2B environment.

V. Value Proposition and Core

The value proposition converts the benefits your Persona gets from your product into a tangible metric that aligns with the Persona's top priority. Focuses on what potential customers want to gain rather than going into detail on technology, features, and functions.

- Provide the value proposition for the customer. Describe how this describes the product-market fit.

The core describes the single aspect that allows you to deliver the benefits your customers value with much greater effectiveness than any other competitor; that will make it very difficult for the next company that tries to do what you do. Some examples include network effect, customer service, lowest cost, or user experience.

- Provide the core for your concept and solution.

VI. Business Model and Pricing Framework

The business model describes the framework by which you share the value your product creates for customers, and how you will make money. It addresses four key factors: customer (what they are willing to do); value creation and capture (how much value your product provides to your customer and when), competition (what your competition is doing), and distribution (right incentives for your channel to sell your product).

The pricing framework uses the business model and quantified value proposition to determine an appropriate pricing framework. Sets price based on the value the customer gets from your product, rather than on your cost. Examples: one-time upfront charge plus maintenance; consumables; hourly rates, advertising, licensing, etc.

- Identify the business model and pricing framework for your concept.

VII. Development, Production and Operations

Describes the status of research and development efforts and what remains to be done to achieve marketable product. Sets out a timeline for reaching start-up. Describes the status of production efforts, including production processes, production requirements, delivery capabilities, and quality control.

- Identify the R&D, production, and operations strategy for your concept.
- Identify any competitive advantages or disadvantages related to development or operations.
- Identify critical risks of development and operations.

VIII. Ownership and Control

Describes legal and control structure of the venture. Gives details of managerial ownership, proposed ownership by outside investors, and the composition of the board of directors.

- Provide the ownership and control structure for the venture.

IX. Financial Information

Reports the current and historical financial status of the venture, estimates total funding requirements over time, with pro forma financial statements for an appropriate period. Identifies assumptions underlying the financial projections, with support for the assumptions.

- Provide a high-level spreadsheet for revenues and costs. This only needs to be a SWAG, estimated for either one year or three years in time.
- Provide high-level assumptions that underlie your financial projects.
- We do NOT want to see any detailed income statement, cash flow, or balance sheet as part of this presentation. Your concept is meant to be early stage; this information would only “clutter” your message, even if it is developed.

Sources:

- 1) Entrepreneurial Finance, Richard Smith & Janet Kiholm Smith (Wiley: New York, 2000) p.78-9.
- 2) Disciplined Entrepreneurship, Bill Aulet (Wiley: New York, 2013) Steps 5, 8, 10, 15, & 16.