

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 an appendix is 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

Includes the history and current status of the venture; describes the concept, and sets out the objectives of the venture.

II. Market Analysis

Describes the market: market size, trends and key customer groups. Elaborates on the characteristics of the target market. Presents clear statements describing advantages that new product/service provides to customers. Describes the competitive environment, including any regulatory restrictions. Identifies distribution and marketing strategy and any source of competitive advantage or disadvantage related to marketing. Uses all of the above factors to develop a sales forecast for the venture. Identifies critical market and market-related risks.

III. Products and Services

Contains a detailed product description, including life cycle, intellectual property issues, status of development efforts and distribution methods. 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. Identifies the individual (a real person!) who will use your product. Often described as a customer profile and/or customer persona, which 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, 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

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.

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.

VI. Business Model and Pricing Framework

Business Model: Describes the framework by which you share the value your product creates for customers (and how you will make money). Address 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). Examples: one-time upfront charge plus maintenance; consumables; hourly rates, advertising, licensing, etc.

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.

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 time line for reaching start-up. Describes the status of production efforts, including production processes, production requirements, delivery capabilities, and quality control. Identifies any competitive advantages or disadvantages related to development or operations. Identifies 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.

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.

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.