

Section 2

PRESENTING
YOUR
OPPORTUNITIES
TO EQUITY
INVESTORS

Company/Technology/Product
Market Assessments
Goals and Objectives
Challenges/Requirements/Opportunities

Advanced Organizer

Most ATP-funded firms are positioning themselves to become high-potential ventures. Issues related to financing, developing joint ventures, and commercialization strategies were addressed in preparation for submitting an initial ATP proposal. Advanced technology firms often have a long-term appetite for capital, however, and must be diligent in their efforts to attract it. A diligent but reasoned approach to investment will increase the likelihood that private sector funds will be available when needed for your company's growth. The objective of this section is to provide guidance on a method for succinctly representing your opportunity in an oral presentation to private sector investors.

The section begins with a description of the typical contexts in which such presentations are made. These include: (1) presentations to groups at national and/or regional events; (2) presentations to local groups of business angels; and (3) presentations to potential partners/investors. This chapter deals *ONLY* with personal presentations and does not address other approaches to finding potential allies/investors, such as press releases, computerized matchmaking, or advertisements. Although these can be useful adjuncts to other initiatives, personal presentations provide both parties with the opportunity to assess the individuals involved and to begin the development of a relationship.

The remainder of the section consists of a fictitious presentation to potential equity investors. A set of viewgraphs, sample narrative, and explanatory notes are included. It is just an example, and can be modified to meet individual needs.

It is important for busy entrepreneurs to develop a procedure that will allow them to qualify potential partners/investors quickly and to diligently pursue promising ones while graciously closing the loop with others.

Opportunities for Making Personal Presentations

Presentations at National and/or Regional Events

Once you have developed your business plan, creating a set of presentation materials that you can use to bring your business opportunity to the attention of potential strategic allies and investors is invaluable. Although such presentations are often made within the context of individual meetings with qualified leads and referrals, national, regional, and local investment events provide an ideal context for making a presentation to numerous organizations concurrently. If it appears that historically a specific event has attracted the types of organizations that are of interest to your firm, it will be cost-effective to participate in that event. At the same time, you should exhibit restraint in making any public presentations when preparing for an Initial Public Offering and/or if you have signed a “stand-still” agreement. Legal restrictions apply in these situations.

Calendar of Events

Many investment events are promoted within industry trade journals. A sampler of annual events that might be appropriate for well-prepared entrepreneurs to attend is listed below. In some cases, geographic and/or topic restrictions apply. Most of these events involve a screening process to select viable participants based on a preliminary review of an executive summary and/or business plan. You should anticipate participation fees of between \$200 and \$900. Names of some of the more well known investor events are listed below:

- ▶ Arizona Venture Capital Forum
- ▶ Bio Investment and Partnering Conference
- ▶ Florida Venture Capital Conference
- ▶ The Great Midwest Venture Capital Conference
- ▶ Illinois Venture Capital Conference
- ▶ MidAtlantic Venture Fair
- ▶ North Coast Growth Capital Conference and Technology Showcase
- ▶ Pittsburgh Venture Capital Conference
- ▶ Software Investment Conference
- ▶ Upstate New York Venture Capital Forum
- ▶ Venture Market East

Presentations to Local Business Angels

Many communities have groups of business angels and institutional investors which meet frequently to learn about new business opportunities. These events tend not to be well advertised. The best way to find out about them is to contact your local Chamber of Commerce. Inquire whether there is a local venture capital or investment group that meets regularly. Indicate that you are interested in presenting your business opportunity and would like to contact the person responsible for scheduling presenters. For example, if you were to contact the Rochester Chamber of Commerce, you would find that a Venture Capital Breakfast has been held there on a monthly basis for several years. There is room on the agenda for each of these breakfasts for three local businesses to present their business opportunities. The audience typically consists of 30-40 people, including service providers and potential investors. Most large communities have such groups.

Although larger events run by institutional investors tend to be much more effective than smaller, more local events, the value of participating in local investment events is that they provide a context for you to appear in front of the community's establishment. The contacts you make here may know people in larger financial communities, and may be able to assist you with networking.

Individual Presentations During Site Visits

A presentation made within the context of an investor or partnering event is the first step in developing a successful relationship. A desirable outcome is for a potential investor/partner to request a site visit.

Before your visitor arrives, be sure to determine the objectives of the visit and whether others will accompany him or her. It is important to understand both the roles and objectives of the visitors so that you can determine what information is important to share with them.

Information that you provide must be relevant to your visitors' goals. If the people making the site visit represent a corporate venturing area and have a strong background in marketing and sales, it would be inappropriate to spend a great deal of time talking about research and development. It would be far more important to talk about value creation and marketing and sales initiatives. Provide your visitor with materials that they can use to sell up-line. Decisions regarding partnering and/or investing are rarely made by one person. Others need to be convinced of the value your opportunity has for their organization. Therefore, always provide an

If given in its entirety, a presentation addressing all the topics covered in this section could run between 30 minutes and an hour. For a shorter presentation, such as is typical for presentations to a group of potential investors, you will need to modify your viewgraphs based on the needs of your audience.

appropriate packet of information that he or she can share on your behalf. If the visitor has not signed a confidentiality agreement, be certain that you share only non-proprietary information.

Preparing a Winning Presentation

Irrespective of where you are making your presentation, you will find it invaluable to have a well-prepared set of slides or transparencies to draw upon. In this section, we provide guidance on how to prepare and deliver a presentation to investors. The following opportunity by Soarrell Medical Systems is fictitious. It is based upon issues and trends in information systems as they apply to health care.

This section includes topics and sample slides or transparencies designed to assist potential investors in quickly previewing the business opportunity of your company, product, or division. (The term viewgraph will be used throughout and will refer to either slides OR transparencies).

Keep in mind that you will want to vary your presentation depending upon your audience and your commercialization strategy. For example, if you are one of a diverse group of firms making a presentation to potential investors, your audience will need to pick up key concepts about diverse business opportunities quickly. Within an hour, your listener might hear a presentation on a new fiber optic material, a golf course, and a new medical cure. Your goal must be to focus the potential investor quickly on your opportunity, create a favorable impression, teach the listener key concepts, and provide financial information to serve as the basis for further discussions. In order to do this effectively, you must control the sequence of information and its manner of presentation.

The potential investors for whom this presentation is appropriate include venture capitalists, investment bankers, potential strategic partners, and upper management within your corporation.

If you are presenting your opportunity in a more homogeneous context, e.g., all of the presentations at the event relate to one focused area, you could spend less time “teaching” the audience about pertinent industry drivers and instead focus on the unique implications that your opportunity may have. This would avoid redundancy across presentations.

The presentation following outline can be used to reflect the business opportunity of an entire company or a strategic business unit within a larger firm. When deciding upon the scope of the business opportunities being presented, your goal should be clarity. Often, individuals in contract research and development

firms try to represent the business opportunities spanning their entire company. This can be confusing. If your company is involved with highly diverse technologies, it may be best to focus on the opportunity related to a Strategic Business Unit (SBU).

Sample viewgraphs for each of 25 topics follow, accompanied by explanatory notes. The set of viewgraphs presents an opportunity for one fictitious firm—Soarrell Medical Systems. If you wish to obtain a sense of the overall business case being made, scan the set of viewgraphs and the accompanying narrative first. Then, refer back to the accompanying notes associated with each viewgraph in order to understand why the presentation was developed in this fashion.

If you are unfamiliar with making business presentations, or if you wish to try a new approach, it is recommended that you try to emulate the set of viewgraphs presented. Once you have a “rough cut” of this set and are familiar with the approach, you can pick and choose and re-sequence the viewgraphs to meet the needs of different situations or personal preferences. The feedback we have received consistently from hundreds of investors over the last several years is that this format makes it very easy for them to form an initial impression of an opportunity. They can then start a one-on-one conversation at a higher level with companies in which they have an interest.

Visuals

The visuals that follow are grouped into four categories: Company/Technology/Product; Market Assessment; Goals and Objectives; and Challenges/Requirements/Opportunities. Each viewgraph page contains explanatory notes with the following subheadings:

WHAT A clear description of the type of information to be included on this viewgraph

WHY An explanation as to why that information is important for the investor’s decision-making process

PITFALLS TO AVOID Typical mistakes frequently made by technology entrepreneurs

VARIATIONS Variations on the theme to be expressed

VIEWGRAPH # A sample viewgraph. Please note: Soarrell Medical Systems is a fictitious company and the data provided are fabricated. Do not use these data as a source of information.

Some information in this section is taken from a proprietary document called Knock Their Socks Off: Making Winning Presentations to Investors, by Jenny C. Servo and Paul D. Hauler.

NARRATIVE Accompanying script for the reader to see how the verbal presentation and the accompanying visuals work together.

HIGHLIGHTS Points that should be included in this section of your presentation.

The viewgraphs are intentionally brief. Remember: readers are not listeners! The goal is to capture the audience's full attention. The viewgraphs you ultimately produce must emphasize and support key points that will be discussed during your presentation. The viewgraphs should not duplicate all the information you plan to express verbally.

You should aim to represent key concepts visually in 25 words or less. The reason for imposing this limit is to provide a simple index for assuring that you do not present too much information visually. Remember, the more words added to the viewgraphs, the greater the probability that the audience will become readers, rather than listeners. You will lose momentum and, more importantly, lose the opportunity to move potential investors through the first decision gate. That gate opens communication with the audience after the presentation. Use a pie chart, a simple table, or a picture to express a concept, whenever appropriate. Images are much easier for most listeners to retain.

When reading this section, your goal should be to understand the nature of the presentation. Before actually making the presentation, assess the unique characteristics of the audience, the opportunity, and the time constraints presented. Modify the final presentation as appropriate, by removing or adding materials. Keep in mind that this outline is intended to serve as a guide, not as a straight jacket. The presentations developed will be variations on the theme provided. First master the theme—then, improvise, as appropriate, to connect with your audience.

**Viewgraph 1:
Title Viewgraph**

**Viewgraph 2:
Mission**

**Viewgraph 3:
Management Team**

**Viewgraph 4:
Technology/Product**

**Viewgraph 5:
Product Feature, Advantages,
and Benefits (FABs)**

**Viewgraph 6:
Success Ingredients**

- Who are you? What is the nature of your opportunity?
- What does your company do? What gives it a unique edge in the marketplace?
- Who are your management team? What are their strengths?
- What technology/product/service are you selling? What are its key features?
Can you present a visual picture?



Viewgraph 1: Title

SOARRELL MEDICAL SYSTEMS



**An Equity
Investment Opportunity**
for
organizations interested
in enhancing patient care
and managing costs

Joan Smith, Ph.D.
President

What

A title viewgraph simply presents who you are, the organization with which you are affiliated, and the nature of your opportunity. State on the title viewgraph whether this is an equity, joint venture, or licensing opportunity. Then provide a generic statement that describes the type of partner(s) or investor(s) in which you are interested. Unless you are able to easily produce slides or color transparencies, it is best that you not date the title slide or specify the event for which the viewgraphs have been prepared. That way, your viewgraphs will be reusable.

Why

When making a presentation at a partnering or investment event, there is often a flurry of activity among speakers as audience members enter and/or exit. A title slide gives the audience time to move about and re-orient. In this way, they will be focused when you begin to address substantive parts of your talk.

The title slide alerts the audience to the set of filters they should apply when listening to your opportunity. Depending on your commercialization strategy and how it relates to their interests, the audience will want to know more about specific parts of the presentation.

Pitfalls to avoid

Select a title that demonstrates that you know what is important to the audience, i.e., investment and/or partnering. If you select a title that only emphasizes the technology or the industry, it sends the message that your approach is academic, technical, and one-sided (what's in it for you). In this type of presentation, it is important to establish oneself as a businessman or woman, and to convey the opportunity as a benefit to those you wish to involve.

Narrative

Good morning. I'm Dr. Smith, the President of Soarrell Medical Systems. In the next few minutes, I will highlight those factors that make our opportunity worthy of your consideration. Soarrell Medical Systems is positioning itself to become a dominant player in the Computerized Patient Record market focusing on two niches: portability of patient records and patient education. We are seeking either a strategic alliance with a large HMO or an infusion of venture capital funds that will take us through initial product introduction. Long term, we are looking to be acquired by a larger supplier of practice management software.

Highlights

Notice that this presentation does NOT repeat information presented on the view-graph. Instead, the narrative embellishes the key points in the visual presentation. The best presentations are those in which the speaker doesn't read from a text, but rather elaborates upon the viewgraphs in a predetermined fashion. The result is a presentation that looks impromptu, but is highly polished.

Viewgraph 2: Mission

SOARRELL MEDICAL SYSTEMS

**Mission Statement**

- develop, produce, market, and support
- proprietary patient-oriented software tools and devices
 - biometric smart cards & readers
- interface with computerized patient record (CPR) systems
- patient education within medical practices

For assistance in developing your mission statement, see Workbook Activity 4. For assistance in articulating your sustainable competitive advantage, see Workbook Activity 2.

What

A mission statement is a clear, succinct statement describing:

- ▶ the business functions your company performs, i.e., research and development, marketing, manufacturing, distribution
- ▶ your company's sustainable competitive advantage
- ▶ the market or industry in which you operate

Why

In order to shape how the investor listens to your presentation, it is impor-

tant to clarify at the outset what is most fundamental to your company—its mission. If you do not identify what your company does, the listener will spend time trying to ascertain this during the first few minutes and will miss other important information. Lead with the most fundamental information. Indicate which business functions your company or division performs: contract research and development, manufacturing, customer service, marketing and distribution. Clarify what is unique about your company and what will give your firm an edge in the marketplace, i.e., your sustainable competitive advantage. Also, name the market or industry in which you compete. Presenting this information at the outset provides the investor with a frame of reference and allows him or her to listen to your presentation intelligently. Also, be sure to mention the nature of your commercialization strategy.

Pitfalls to Avoid

Many times, entrepreneurs confuse “vision” with “mission.” Although a vision statement is important, do not present it in this presentation. Vision statements tend to be “soft.” Many new start-ups tend to focus on the creation of a culture in their vision statements, rather than emphasize business issues. The culture is of no interest to an investor, although it may be very important to you. If you talk about

“vision,” you are likely to get yourself into trouble, as the investor may attach unwanted stereotypes to you and your company.

Also, DO NOT make statements that would give the listener the impression that your mission is fragmented or unfocused. Statements like, “We are a contract research and development firm that performs cutting-edge research in any field” is a killer. What you have told the investor is that you chase research and development money and will do anything. Investors want to create value and not simply fund research and development.

Narrative

Soarrell Medical Systems develops unique software and hardware devices that interface with computerized patient record (CPR) systems. We are organized to provide excellent customer support. We also share the risk with clients and facilitate the shift to a new patient-practitioner relationship through training.

Highlights

Although the printed mission statement is somewhat dense and abbreviated, it clearly provides the potential investor with the appropriate frame of reference. The investor immediately knows what business functions Soarrell Medical Systems performs and what is unique about the firm. In the accompanying visuals, key words are clearly laid out and correspond with the unique features highlighted. Although the presenter does use some jargon (CPR), it is defined.

Variations

If you are presenting a business opportunity for a new strategic business unit, a spin-off business, or a division, it will be important to show your relationship to the parent organization and to clarify the mission of that organization. You might find that you need to add another graphic to show the relationship between this entity and others. Keep both the explanation and the graphics simple.

Viewgraph 3: Management Team

SOARRELL MEDICAL SYSTEMS

**Management Team**

- Dr. Joan Smith-President
- Led 2 successful start-ups in medical industry
- Dr. Reginald Bolton-Vice President, Tech Transfer
- Skilled Practitioner, advocate of CPR, Inventor
- Mr. Trevor Baker-Vice President, Finance & Admission
- Twenty years' experience in medical business administration

What

Investors prefer management teams to individual proprietors for company management, as the latter are usually more vulnerable and less well-rounded. In this viewgraph, mention facts related to:

- management experience
- intellectual property developed by members of your team
- experience in your chosen marketplace
- other unique characteristics of your team that are relevant to investors

Why

Investors look for Grade A management teams, so it is important that you promote yourself. This is accomplished by making statements that will engender confidence in the ability of your management team to implement the business opportunity you are presenting. Establish credibility at the outset! Highlight the strengths of your team and their knowledge of the marketplace. Mention any unique intellectual property your firm may possess.

Pitfalls to Avoid

Although scientists and engineers have a natural tendency to highlight certain things that are significant to them—including the number of articles they have published, or the number of papers they have presented at international conferences—DO NOT feature this type of information. It reinforces in the investor's mind the stereotype of the scientist who is interested in obtaining funds for research and development, but who isn't really interested in creating value. While some readers may find this counter-intuitive, the point cannot be overstated.

Variations

If, prior to receiving your ATP award, you primarily performed contract research and development, highlight the unique scientific credentials of primary players in your company. Combine this information with statements regarding successful performance on contracts, successful commercialization through licensing, and patent protection acquired. Such information will demonstrate to potential strategic alliance partners that you are experienced in these areas and will engender more confidence regarding teaming arrangements.

If your company is small and lacks a diversified management team, draw attention to the members of your Board of Directors, Advisory Board, or consultants and staff. Experience provides investors with confidence! If you do not have it, actively try to recruit such people to your company prior to making your presentation to investors.

Narrative

Soarrell Medical Systems is based in Boulder City, CO. Two members of our management team—Dr. Joan Smith and Dr. Reginald Bolton—have been with the firm since its formation in 1996. Mr. Baker was explicitly recruited to our management team earlier this year.

Dr. Bolton, Vice President of Tech Transfer, currently chairs a national CPR specification committee, practiced family medicine for 10 years, is the inventor of Soarrell's portable patient verification card, and is responsible for developing our training packages.

Mr. Trevor Baker is the most recent addition to the team and comes to us from the Alliant Health Systems Network. He has 20 years of hospital administration experience. In the CPR arena, he has a particular interest in patient confidentiality.

I'm Dr. Joan Smith, the President and founder of Soarrell Medical Systems. This is my third start-up company. In 1988, I started a software development firm that was acquired by Microsoft in 1993. In 1994, I was brought in as the CEO of a 5-year-old firm which specialized in archiving information for records management. Between 1994 and 1996, I led that company in a new direction which resulted in a 200% increase in sales. In 1996, I founded Soarrell Medical Systems with Dr. Bolton.

Highlights

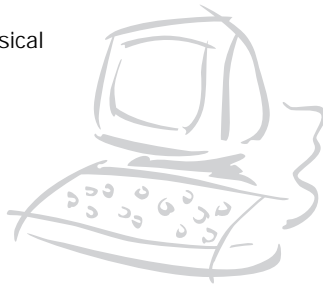
It is important to mention the location of your firm, because many investors limit their investments to firms that are within a two-hour distance from their office. Small start-ups are risky by their nature; you should highlight the amount of time your company has been in existence as appropriate. Mention those features of your management team's experience that will contribute favorably to investor confidence.

Viewgraph 4: Technology/Product/Service

SOARRELL MEDICAL SYSTEMS

**Products****ANNUAL PHYSICAL & PATIENT VERIFICATION SYSTEMS**

- Portable patient verification cards and software
 - biometric voice encryption
- Patient education archives-Annual Physical
 - CD-ROM and internet

**What**

Once you have made your mission clear to investors (Viewgraph 2), and have given them a reason to listen to you (Viewgraph 3), you are ready to tell them about your technology, product, and/or service. Include a graphic representation of your product at this point. If your product is small in size, or if you have a small-scale model of the larger item, it is better to display the real thing. Nothing makes an impact like holding up a sample of the product. Depending upon your product's complexity, a series of viewgraphs may be valuable at this

point. Without being overly complex, you need to convey to the listener what you have, before you move on to the next topic.

Why

For the most part, investors are looking to reduce risk. The more tangible the product or service, the less risk likely is associated with the project. Many investors are only interested in companies that are already selling products, as this shows market acceptance. If you are selling the product, make sure that it is abundantly clear in your accompanying dialogue.

Pitfalls to Avoid

The most common mistake made by scientists at this point in their presentation is to include either too much or too little information. Those who include too little tend to err on the side of paranoia. Those who include too much information do so because this area is their comfort zone. Whatever you do, DON'T fail to include a visual of your product. The worst presentations we have seen are those which have no visual aid regarding the technology, product, or service. Remember: the investor has to learn quickly about your company. If you fail to provide enough information,

he will make an assumption (which may be faulty) about the product, or become distracted by trying to figure it out. Do not try to include a video in your presentation: switching mediums often results in fumbling and loss of momentum.

Variations

If your company has a family of related products, present a schematic that demonstrates what is common to the product family. The unifying factor may be a proprietary component that is used in a variety of products, or a technology base which is applied in different areas. Strive to demonstrate what it is that unifies your products or services; otherwise your opportunity may appear fragmented. Fragmentation presents a bad image to investors. They appreciate focus.

Narrative

Our initial product entry is a package that contains two items: a patient smart card and a computer archive with both internet and CD-ROM access. This package is called the "Annual Physical and Patient Verification System." The Portable Patient Verification Card™ was designed by Dr. Bolton and uses a combination of known technology and patented biometric voice encryption algorithms. As you can see, this card looks like an ordinary credit card. This smart card has the patient's picture, name, and address on the front. Embedded in the card is an integrated circuit that contains pertinent information regarding the individual's immunization status, chronic problems, drug allergies, relevant family medical history, medical insurance status, and the like. Smart cards have read-write capability. Our unique biometric voice encryption algorithm assures that information on the card is activated and verified only by the patient, and that this is done on an annual basis. Health smart cards will be of great value to patients. Instead of a medical alert card, the individual will carry the patient smart card in his wallet. In case of an emergency, the card can quickly be scanned by ambulance or emergency personnel, or by modified home security systems of bedridden patients.

We have piloted the use of this card in a number of medical practices that are currently using computerized patient record software. It is used within the context of the Annual Physical Exam episode. Prior to the physical exam, a member of the clinician's staff reviews the relevant information that is contained within the CPR system with the patient, allowing the patient time to note any errors. This procedure is much akin to the process used at a bank for verifying on-line information regarding one's bank account. Once verified, a photo is taken and the patient is issued the Portable Patient Verification Card. Every year, prior to the physical exam, the information on file is reviewed for accuracy. It also is updated, and a new card issued.

The other component of this "Annual Physical and Patient Verification System" is an archive containing information regarding the most common ailments detected during a physical exam. The archive is stored in local libraries (CD-ROM) and/or on a server for the

doctor's home page. Printed copies are also available from the vendor upon request.

When the result of the annual physical is mailed to a patient, the postcard lists both a URL and the library locations that have the CD-ROM. If the patient has internet access, he can look up relevant information from the remotely accessible server. If internet service is not available, he can review materials in the library or request that a copy be mailed to them.

Following a review of relevant information regarding ailments, the patient would either call or E-mail the doctor's office to schedule a face-to-face meeting to discuss his questions and the recommended course of action. In subsequent years, scheduling of appointments could be handled electronically or by phone depending upon the individual's preference.


Highlights

You will notice that the presenter did not provide much information on the technical aspects of the product. The focus was on what the system does. Visuals were used to provide "face validity," i.e., to demonstrate that a real product exists. If your audience consists mostly of research and development personnel, it will be appropriate to spend more time elaborating upon unique features of the system.

However, avoid sharing any proprietary information during a public presentation.

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Viewgraph 5: Product FABs

SOARRELL MEDICAL SYSTEMS 

Features, Advantages, Benefits
ANNUAL PHYSICAL & PATIENT VERIFICATION SYSTEM

Feature	Advantage	Benefit
1. Annual physical	1. Consistency	1. Update Verification
2. Interface w CPR	2. Consistency	2. Simplicity
3. CD-ROM/internet	3. Versatility	3. Accessibility
4. Utilizes staff	4. Minimal MD impact	4. Better patient care
5. Voice encryption	5. Security	5. Mistake reduction

For assistance in developing FABs, see Workbook Activity 7.

What

The acronym FAB stands for Feature, Advantage, and Benefit. A Feature is an element or property of the product or technology. The Advantage answers the question “so what?” and indicates the value of this feature. A Benefit describes the value to the customer or end user, as he or she would perceive it. Frequently FABs are best expressed in tabular form, often contrasting the product or technology with those of your competitors.

Why

First and foremost, the articulation of FABs assures that you are moving away from a subjective view of the technology to a perspective that focuses on the customer’s needs. In developing these FABs, talk with both customers and end users to assure that the features of your product, technology, or service do indeed have an expressed benefit to them. The terms “customer” and “end-user” are NOT synonyms. “Customer” is defined as the person or organization that will purchase something directly from you. The “end-user” is the person that will ultimately use the product. The “end user” may or may not also be your customer. For example, suppose you wish to license computerized patient record software to a hospital. Your licensee will be your customer. The end-user is the person who ultimately uses the software, perhaps the office staff person who enters patient information. Understand the needs of both your customers and the end-users, as defined above.

Talking about FABs in your presentation makes it easier for the potential investor to see what is distinctive about the product and demonstrates that you are “getting close to the customer.”

Pitfalls to Avoid

Don't skimp on this part of the presentation. Develop FAB tables only after speaking with potential customers and end-users. Don't assume that you know what the customers want without speaking to them.

Variations

Sometimes this section will take the form of talking about competing technologies or different ways of addressing the problem you are solving. In this case, you would highlight the features, advantages, and benefits of your technology as compared with others. In such instances, you may need to use more than one viewgraph. Don't make your visuals too complex. The listener must be able to clearly ascertain your message. Remember the "KISS" acronym: Keep It Simple, Stupid! Just as complex theories indicate that it's time for something more simple and elegant, so it is with graphics. If a visual requires too much explanation, it's too complex. Change it!

Narrative

There are several unique aspects of this system which make it extremely easy for a physician to add to an existing office management software suite. The Soarrell software used in producing the smart cards interfaces easily with the most commonly used CPR systems, including M.D. Workbench, SMART-MED, MedTrac, and SOAPware. The software can be used with any PC, with Mac G3's, and with Unix systems. Another feature of this system with great appeal to MDs is that it makes better use of para-professionals in the office and helps limit the MD's involvement to patient care.

Highlights

Note that the presenter did not go over every item listed in the viewgraph, but instead elaborated upon only a couple of items. This approach makes the presentation more interesting. The other information is there for the audience to read quickly or note.

Viewgraph 6: Success Ingredients

SOARRELL MEDICAL SYSTEMS

**Success Ingredients**

- Incentive payments based on patient satisfaction
- Computer platforms and CPR software supported
- Board of Advisors
- Intellectual property
- Physician in primary care role

What

In this viewgraph, tell the audience why your company will succeed. Statements must be comparative in nature, but need not necessarily single out specific competitors by name. For example, you can indicate a cost savings of 40% without naming the competitors. Delay specifics until later in this presentation to focus the listener's attention on the one item you wish to emphasize at this point: ingredients for your success.

Why

An investor or strategic partner is looking to create value. This can be accomplished if you have products, technologies, or services which are unique (such as patent-protected products), and/or which are price or performance competitive. Success ingredients can also refer to items such as management team experience, established distribution networks, and the like.

Pitfalls to Avoid

Many scientists are accustomed to being cautionary in their statements and to qualifying everything they say. If you listen closely, you will hear scientists use qualifiers such as "may," "should," and "it seems." This use of qualifiers is often accompanied by the tendency to mention all the things that could go wrong and to be very guarded about conclusions. It is inappropriate to color the comments with such statements. Know what makes your company distinctively positioned for success. If you don't, you are not ready to make this presentation. Clearly, and without hesitation, state the advantage of your firm with respect to success. Later, address issues and contingencies for dealing with them. Don't be tentative in business. You must be knowledgeable, focused, and bold.

Variations

The nature of your success ingredients is related to your company's mission, your management team, and your FABs. The items chosen as ingredients for success will vary from company to company.

Narrative

Soarrell's management team has the requisite experience for making this opportunity a significant financial success. As was indicated previously, the team has led start-ups before and our knowledge is deep with respect to the health care industry. In addition, Soarrell has proprietary technology that is perfectly positioned to become available at the right time. We are not too early or too late for this market opportunity. Our system is versatile and not limited by computer platforms or choice of CPR software. More importantly, we are willing to share a risk with our customers and to accept milestone fees based upon minimum disruption to the office workflow and increased patient satisfaction.

Highlights

In this example, the presenter used the opportunity to reemphasize the experience of the management team, as well as some of the FABs mentioned previously (i.e. versatility of platforms and software). Sharing the risk with the customer was a new concept that was introduced.

Market Assessment

2

**Viewgraph 7:
Business Environment**

**Viewgraph 8:
Customer**

**Viewgraph 9:
Market Segmentation**

**Viewgraph 10:
Total and Served Available Market**

**Viewgraph 11:
Market Trends**

**Viewgraph 12:
Competition**

- What is the market need you are addressing?
- Who are your customers? Who are your end-users?
- What market segment are you pursuing?
- What is the size of this market segment?
- What are the market trends for this segment?
- Who are your competition? What are they doing?

Viewgraph 7: Business Environment

SOARRELL MEDICAL SYSTEMS

**Business Environment**

- Slower move to CPR than expected
- Decentralization
- Growing apprehension about cost of hardware
- Lack of programmers
- Acquisitions
- Flattening of savings by HMOs

What

Now that your audience knows about your company's mission, management team, product, and ingredients for success, you will begin transitioning to discussions regarding the market. Do this in a staged fashion, describing the target market from a distant aerial view first, and then moving closer to the defined target. Carrying this analogy a little further, the business environment is the aerial view. It is the big picture that affects not only your market, but others as well.

The business environment statement should make reference, where appropriate, to things such as:

- ▶ Economic drivers
- ▶ Technology innovations
- ▶ Regulatory drivers
- ▶ Federal legislation and Executive Orders that will effect your market
- ▶ Federal, state, and local incentives, such as rebate programs
- ▶ Movements such as the quality control movement
- ▶ Changes in tax law

Keep in mind that these are sweeping movements which affect not only your market, but other industries as well. For example, the Patient Access to Responsible Care Act has an impact on the following industries: Health-care delivery, Information Systems, and Legal. (This list is illustrative, not comprehensive.) Only mention those items that affect your market. For example, in the viewgraph provided, only Federal, state, and local policies are mentioned, since these have the greatest single impact on this opportunity.

Why

What you are selling is only half the equation for commercial success. What people are buying is the other essential half. Examining your market from different vantagepoints increases the likelihood that you will understand those factors that affect your ability to compete. Such examination also helps determine if there is an existing market for your product and/or when one should emerge. Starting at this most distant perspective helps you to understand the more generic needs of potential customers. Aim selling efforts at matching your products with your customers' "needs." Keep in mind that "selling" is also involved when you are licensing. In the case of a license, you are selling to a potential licensee and must understand the market for the product into which the licensee will sell.

Variations

Depending on the factors at play in your business environment, you may wish to re-label this viewgraph "Federal, State, and Local Policies" or "Environmental Analysis." Also, in some presentations it makes more sense to mention the business environment before mentioning your opportunity. This may be the case if you are pursuing a licensing strategy.

Narrative

The major driver affecting the market for Soarrell's products is the need for cost containment of health-care delivery systems. In a report by Decision Resources, it was noted that in 1990, 25% of health care costs were administrative and most were associated with the management of patient information. As a response, information technologists focused on a bevy of issues associated with computerized patient records (CPR). In 1995, the Medical Records Institute went so far as to predict that the medical industry would spend up to \$5 trillion on computerized patient record systems between 1995 and the year 2000.

This has not happened. Problems plaguing the adoption of such systems include cost of hardware and software, lack of trained IT specialists, the Year 2000 problem, issues of client confidentiality, lack of standardized definitions of medical terms, and the fact that MDs would rather use software in running their business than in delivering their service.

Nonetheless, headway is being made, but at a slow pace and with twists and turns. There is a trend toward decentralized rather than centralized record keeping, with much headway being made in practitioners' offices. It has become increasingly recognized that informed patients are less expensive patients; i.e., they require fewer post-op doctor visits, develop greater trust of doctors, and have higher satisfaction and shorter recovery time.

For the most part, the general public is unaware of the changes taking place at the information technology level. Once the public becomes aware, it is likely that they will also become concerned about the type of information in the system, the correctness of the information, and how it will be used. The Annual Physical and Patient Verification System addresses this need.

Viewgraph 8: Customers

SOARRELL MEDICAL SYSTEMS

**Customers**

- Medical practices already utilizing CPR
- Piloted program in Salt Lake City
 - 200 patients in 5 practices
 - increased customer satisfaction
 - highly rated for ease of use by clinical staff

What

Before discussing the size of specific markets, identify who the customers are for your technology, product, and/or service. Be very clear about the definition of “customer.” Remember that the customer is the entity that purchases products directly from you. Your firm might have more than one type of customer. For example, you may wish to license to some customers, but sell components that you manufacture directly to others. If you have a variety of customers, indicate this. Highlight the factors that affect your customers’ buying decisions,

as well as information regarding sell cycle, key product features, and your sustainable competitive advantage.

Why

Fundamental to commercial success is knowledge of your potential customers. Demonstrate to potential investors that you have clearly identified your customers and have spoken to them regarding the FABs (mentioned earlier). Remember, the investor and/or strategic ally is interested in creating wealth. This can only be accomplished if you have customers and if you have an intimate and documented knowledge of their needs.

Pitfalls to Avoid

If you haven't met personally with potential customers, you are not ready to make this presentation.

Variations

If you are planning to license, break this discussion of customers into two sections—one about customers, and the other about end-users. Keep in mind that customers are entities that pay your firm, while end-users are the individuals or companies that actually use the product. Many times the end-users are not the individuals who purchase your product. For example, the end-users for a CAT Scan are highly skilled technicians in hospitals. However, they are usually not the individuals responsible for making the purchasing decisions regarding the CAT equipment.

Narrative

We will be focusing our initial marketing efforts on medical practices that already utilize a CPR system. We have just completed a beta test of our system in five medical practices in the Salt Lake City area. Our goal in this beta test was to determine ease of use for the various levels of staff in the medical practice and the patients' degree of satisfaction. There was minimal disruption of workflow in the medical practices during set-up.

Patients were surprised to know that the medical practitioners had computerized patient records and were pleased with the opportunity to verify their information. Errors were found in five percent of the cases. Twenty percent of the patients had internet access, and subsequent to receiving the results of their physical, downloaded relevant information from the practitioners' servers. Forty percent of the patients requested printed copies of reading material which we supplied; others asked to purchase a copy of the CD-ROM rather than using it in a library. Based on this input, we are considering making a copy of the medical archive directly available to patients at a reasonable charge.

Highlights

The presenter used this opportunity to clarify that there had been initial market acceptance of the system during a beta test. The presenter further used the results of the beta test to indicate that there had been a change in strategy based on customer feedback.

For assistance in developing this section of your presentation see Workbook Activity 8.

Viewgraph 9: Market Segmentation

SOARRELL MEDICAL SYSTEMS

**Market Segmentation**

- Existing CPR users
 - Multi-site, largest number of general design features
 - *Clinical Master, Dr. Chart, Encounter, Health Probe, PAL/MED, Pearl, Practice Partner, QD Clinical, Smart-Med, and SOAPware*
- Individual sites, less functionality

What

“Segmenting your market” refers to the process of grouping potential customers together in meaningful ways. The reason for grouping is to assess how large and how accessible the potential customer base is.

Determine whether the customer base can be reached through affordable advertising programs and whether this cluster or segment is large enough to sustain your business. If it is not, go back to the drawing board and try segmenting your market in different ways.

Segmenting the market appropriately is an art and takes considerable time and effort. When the market for your product, technology, or service is emerging, segmenting it is especially difficult. Some of the most common ways are by:

- ▶ Standard Industrial Classification Code (SIC) and/or North American Industrial Classification Codes (NAICS)
- ▶ Technology
- ▶ Product characteristics—high, medium, or low-end

Again, this list is illustrative and not exhaustive.

Why

The reason for segmenting your market is to make it more approachable and less amorphous. That is part of the process of carving out the domain for your business.

Pitfalls to Avoid

A common mistake, and one that most first time entrepreneurs make, is to segment the market in such a way that it appears “really big!” Individuals who seek venture capital funds are most likely to make this mistake. They have often heard that the venture capital community won’t be interested in an opportunity unless the market is substantial. Such entrepreneurs feel more comfortable saying that market Y is a \$2 billion industry and we will get 1% of that, rather than saying that market Y1 is a \$50 million market and our goal is to obtain 20% of that. The entrepreneur naively assumes that the investor would rather see a poorly defined \$2 billion market than a more tightly defined \$50 million market that is still within the range of investment interest. The reason for this error is the conceptual leap that only 1% of a huge market should be easy to attain, whereas stating a goal of 20% of \$50 million implies, “Oh my! We have to get real specific about how we are going to DO this.” Yes, you do!

You should aim at defining your market in such a way that it’s small enough for you to dominate and large enough to be profitable. Forty percent is better than one percent. The size of the market is obviously also important. Some markets are clearly too small to pursue.

Narrative

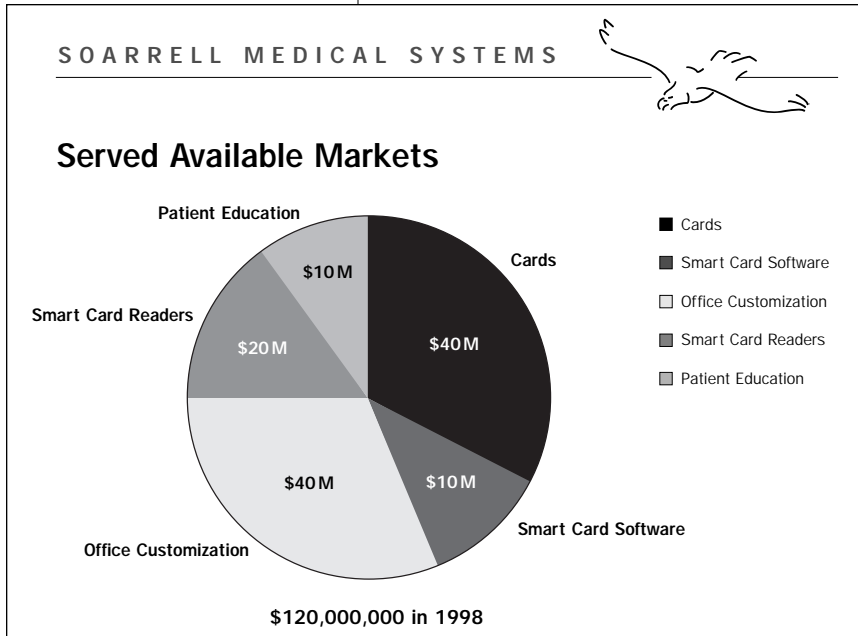
The computerized patient record market is rapidly emerging. Given that our software, smart card, and reader all interface with CPR systems, we decided that the best way to segment our potential market is to base it on the existing pool of medical practice CPR users. A number of surveys have been conducted by vendors of CPR systems, with the most recent being a survey completed in December 1997. The major vendors, the products, prices, and installed bases were described in that study.

Highlights

The presenter has provided a clear conceptual definition of the market that it will pursue, i.e., the installed base of CPR systems—focusing on those serving multiple sites and those with the greatest number of design features. Selected software programs with which it can interface are listed.

For assistance in developing this section of your presentation, see the Workbook Activities (7, 8, and 9) under Customers/End-Users and Market

Viewgraph 10: Total Market and Served Available Market



What

The phrase “size of the market” or “market size” refers to the annual potential of the market expressed in dollars, units, or both. This concept is applied to all segments for which the product is appropriate.

Another important concept to consider when sizing the market is the difference between the total market and the served available market. The served available market defines the market niche in which the company will operate in more precise terms. By contrast, the total available market is the larger, relat-

ed market in which one is operating. The served available market is a subset of the total market.

Why

If the size of the served available market is too small, a potential investor will not be interested in investing because the return on investment (ROI) will be unattractive. If the market size is fairly small, the entrepreneur should reconsider whether the technology, product, or service is worthwhile pursuing or whether he should re-conceptualize how he or she has segmented the market. As indicated previously, market segmentation is fluid and has profound “decision implications” for everyone involved. If the market is truly small, the entrepreneur may still decide to conduct business in this market. However, he should realize that if the market has a potential of under \$50 million and holds little promise of growth, it is unlikely that he will find an appropriate strategic partner or investor.

Pitfalls to Avoid

Sometimes naive entrepreneurs define the market size in numbers that represent a composite for “X” number of years, rather than in annualized figures. A better approach is to show the market size at a given point in time and then show

For assistance in developing this section of your presentation, see the Workbook Activities (7, 8, and 9) under Customers/End-Users and Market

predicted rates of growth. Just as a balance sheet is a snapshot of your financials at a given point in time, so is market size.

Entrepreneurs selling a system component typically make another error. More often than not, when estimating the size of an emerging market, their tendency is to define the market size in terms of the annual sales of systems rather than the sales of components. When inducing market size in such situations, base your estimate of market size upon a sound model that reflects the projected selling price of the system and the number of components comprising the system.

There is also a tendency to confuse served available market with sales projections. Sales projections are tied to your goals for market share, not to market size. All you are doing by using the concepts of total market and served available market is attempting to define and quantify your market segment more tightly. You should revisit your definition of your market segment annually, and see if it merits redefinition. The entrepreneur's knowledge of the marketplace improves with experience, so it is common to redefine his or her market niche.

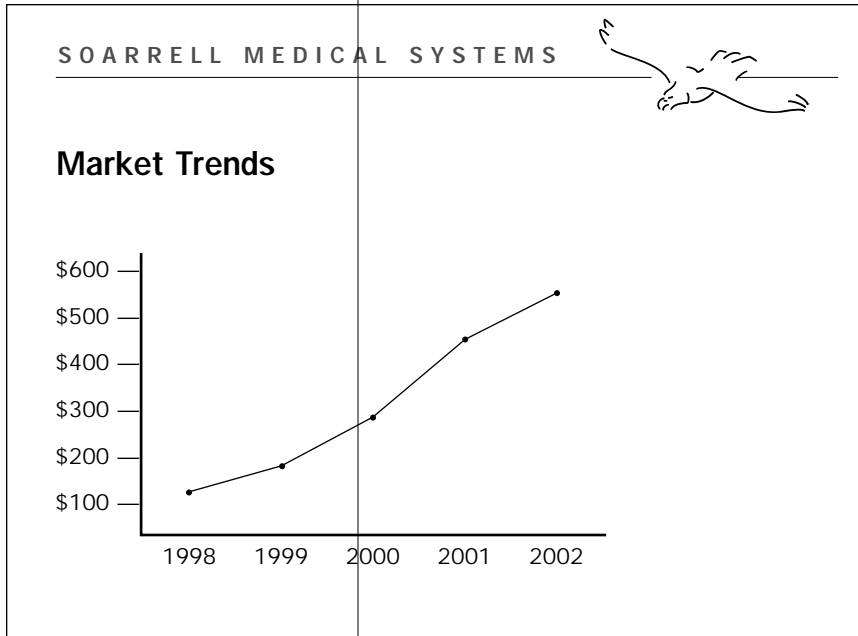
Narrative

We have used a market build-up method to estimate the size of the market potential for our system in 1998. We have come to a conservative but justifiable estimate of the market potential based on the number of doctors' offices which appear to currently be using a CPR system. The survey of CPR vendors indicated that eight of the most popular CPR vendors had their software in more than 100 sites and that they had multiple installations at most sites. Since we will be segmenting the market based on the installed base of the most popular CPR software, we decided to use these data. We assumed that the eight most popular systems were currently being used in over 800 sites (100 sites x 8 vendors), and that each served 5 different sites. If we estimate the cost of each component and multiply this by the total potential number of sites that would use this in 1998, we come to an estimated market size for 1998 of \$120 million.

Highlights

The presenter has built upon the information provided in the market segmentation viewgraph, and has provided the audience with an idea of the magnitude of the niche that will be pursued.

Viewgraph 11: Market Trends

**What**

Market trends include both historical data and future predictions regarding the rate of growth in selected markets.

Why

Market conditions frequently change due to shifts in demographics, technology, regulations, and other economic conditions. Your company's economic health is partly a function of these changes. If significant downturns are predicted in the market you are targeting, you should reconsider whether this is a good market to enter. Market trends will affect an

investor's decision making regarding which investments will be made. Aim to enter a healthy, growing market, rather than one which is receding.

Pitfalls to Avoid

If the market associated with your business is taking a "nose-dive," don't put all of your efforts into this one market. Seek market opportunities in healthier industries.

Narrative

The estimates of the rate at which the CPR market will grow are wildly divergent. Again, we have taken a conservative view and have estimated the rate of growth for our market niche, which is related not only to CPR software, but also to the use of patient education software.

Viewgraph 12: Competition

What

You have presented information regarding the size of the market opportunity to your potential investors. Your presentation demonstrates that you have considered the various markets for this technology, product, or service and have defined an appropriate niche in which to grow your business. To interest a prospective strategic partner or an equity investor, the market upon which you have settled should be of sufficient size to merit an investment. Once your playing field is defined, you can begin the process of describing who else is in this arena.

SOARRELL MEDICAL SYSTEMS



Competition

- Precis Healthcare Smart Card System
- Software & Systems International Limited
- Alladin Knowledge Systems
- Patient Education Computer Software

Why

Your success in making sales in the market you have defined will depend upon various factors. One important factor is who else is playing in this market. You need knowledge of your competitors in order to develop sound strategies and tactics that will enable you to take market share away from your competitors or to collaborate with them to jointly develop an emerging market.

Pitfalls to Avoid

This topic is often not adequately addressed. In thinking about competitors, some firms limit their discussions to companies that have a similar profile (i.e., other consulting engineering firms), or to companies that are working on the same solution (i.e., the same technology). Both approaches are inappropriate. There are many ways to fulfill a need—perhaps with your technology, perhaps with a quite different approach. For example, a company with a machine vision technology for sorting blemished fruit on a conveyer belt competes with human beings who visually scan citrus. These are clearly very different approaches for solving the same problem. You should consider as competitors all other individuals or firms working on the

For assistance in preparing this section of your presentation, see Workbook Activity 13.

solution to the same problem, even if they are using totally different approaches.

The profile of the company doing the work is totally irrelevant to their definition as your competitor. Any firm working on the solution to the same problem as you are is your competitor, irrespective of its size, its mission, or its technology.

Variations

If you are conducting unique research in a critical technology area, it may be appropriate for you to omit names of competitors while highlighting differences among the approaches being taken to solve the problem and drawing attention to the advantages of your approach. If you are working in a more established field, you will want to draw attention to specific competitors and spell out how your technology, product, or service compares on FABs.

Narrative

This market is evolving in a very unusual way. Smart cards were developed in France and have been around since the late 1970's. Most commonly they are used as Loyalty cards or Electronic Wallets. A few companies have been using these in the health care industry including Healthcare Smart Card System and Software and Systems International Limited. However, none of these have the voice encryption algorithm, the patient verification focus, or the integration with patient education that our system offers. Another company, Patient Education Computer Software, focuses on patient education, but has nothing to do with smart cards. We believe that, for such health care related services, consumers would rather deal with a company that specializes in health care, rather than a smart card company which receives most of its revenue from other applications of smart cards. In addition, Soarrell's biometric voice encryption technology provides the firm with a strong competitive advantage over other health care systems products.

Highlights

There are always competitors. The presenter has used this viewgraph not only to introduce the competitors, but also to differentiate his product from the competitors' by highlighting his sustainable competitive advantage.

Goals and Objectives

**Viewgraph 13:
Goals**

**Viewgraph 14:
Objectives: Marketing and Sales**

**Viewgraph 15:
Marketing Communication Plan**

**Viewgraph 16:
Objectives: Research and Development**

**Viewgraph 17:
Research and Development Milestones/Timeline**

**Viewgraph 18:
Objectives: Manufacturing/Production**

**Viewgraph 19:
Customer Service**

- What are your company's goals for market share and return on investment?
- What are your major milestones for marketing and sales?
- What are your marketing tools?
- What R&D needs to be completed? What is the timeline?
- What are the manufacturing/production milestones? What is the timeline?

Viewgraph 13: Goals and Objectives

SOARRELL MEDICAL SYSTEMS



Company Goals & Objectives

- To be the dominant supplier of Patient Verification Software Systems to provide medical practices.
- Grow that market by 15% yr.
- 20% ROI by year 5

What

Up to this point, everything in your presentation can be considered as background, leading up to the punch line. The punch line starts here and crescendos throughout the rest of your presentation. With the first 10 slides, you told your potential investor about your mission, your technology, and the marketplace that you have carved out. The balance of your presentation is used to unfold your plan for creating value for both yourself and the investor(s). Begin by defining what your company will look like in five years. Focus on

quantified terms that relate strictly to creating value. Common company goals include the following:

- ▶ Introducing X new products
- ▶ Achieving X% market share
- ▶ Achieving ROI of Y%, ROI of X%
- ▶ Becoming the vendor of choice in Y arena
- ▶ Licensing X% of products into targeted markets

Why

“If you don’t know where you are going, you will probably end up somewhere else.”

—*Laurence J. Peter (Thomsett, 1990)*

The plan of action that will unfold during the balance of this presentation is one that you articulated in your business plan. Its intent is to maximize the probability of realizing the goal that you have defined.

Pitfalls to Avoid

The goals are not something that you just pull out of the air. They have a direct relationship to your mission, your knowledge of your market, your competitors, and your ambition. The plans you develop must be realistic in directing you in the successful attainment of your goals, in accordance with your mission.

Narrative

Our goal is quite straightforward. By using the “Annual Physical” as the episode of focus, our goal is to become the dominant supplier of Patient Verification Software Systems. The CPR market is very dynamic. It is our intent to take a strong lead in growing this market. We plan to obtain approximately 40% of the market within five years. By year five, we are targeting an ROI of 20%.

Highlights

The presenter uses this viewgraph as an opportunity to reconfirm many messages introduced earlier regarding the market and Soarrell’s intent to become a dominant player. The presenter conveys an aggressive stance in the marketplace and, therefore, poses specific information regarding financial objectives, percent market share desired, and the ROI targeted.

The ATP requires that proposers include goals and objectives in ATP proposals. However, during the post-award period, a company is expected to become more quantitative in the details provided.

Viewgraph 14: Objectives - Marketing and Sales

SOARRELL MEDICAL SYSTEMS

**Objectives:****MARKETING & SALES**

- Develop marketing and sales tools
— 1st Quarter, 1998
- Establish nationwide distributors
— 3rd Quarter, 1999
- Obtain initial orders
— 3rd Quarter, 1999

What

The next series of viewgraphs includes specific objectives for each functional area, with accompanying milestones and timelines. An objective is a statement that implies an action plan. This action plan indicates what will be done and when. Such expressions must be quantitative and NOT qualitative. Since the presenter will not have much time to spend on these topics during a 20-minute presentation, the discussion of objectives is limited to the 12-month period following the presentation.

Why

In order to reach the company goals, the entrepreneur must develop a series of well-conceived action plans. These action plans start with the expression of objectives for each functional area. Value creation is the consequence of sales in the served available market that was defined earlier. Thus, your marketing and sales plan is pivotal to the success of your company and of utmost interest to potential investors. The specific roles and responsibilities of employees in each functional area should be keyed to the objectives expressed in this section.

Pitfalls to Avoid

Most technology entrepreneurs err on the side of being too general in the expression of their objectives. Objectives must be quantified and indicate both what will be done and a timeline for when it will be done.

Variations

The form your marketing and sales objectives takes relates both to your company's mission and to the commercialization strategy which you have selected. For example, if the business function that your firm performs is strictly contract research and

development and if you have selected licensing as your commercialization strategy, the nature of your marketing and sales objectives will be quite different from that of a manufacturing firm such as Soarrell Industries, which is illustrated below. In the licensing case, your customers would be potential licensees. Your marketing efforts would, therefore, involve the development of materials to be used in pre-qualifying and courting potential licensees. Your sales objectives would all relate to developing licensing agreements.

When making a presentation to potential licensees, exclude your action plan for marketing, distribution, and volume of sales from your presentation. Including such information would be akin to telling a customer for a car what your strategy is for selling it to him. However, your business plan should clearly identify this information.

Narrative

Let's take a look at our marketing and sales objectives. During the first quarter of 1999, we will be developing specific marketing and sales tools to service a nationwide network. These tools will be in place by March 1999. John Doe's task during the second and third quarters will be to develop a cohesive set of 30 U.S. distributors. This is a formidable task. However, one of the larger CPR software developers has agreed to work with us.

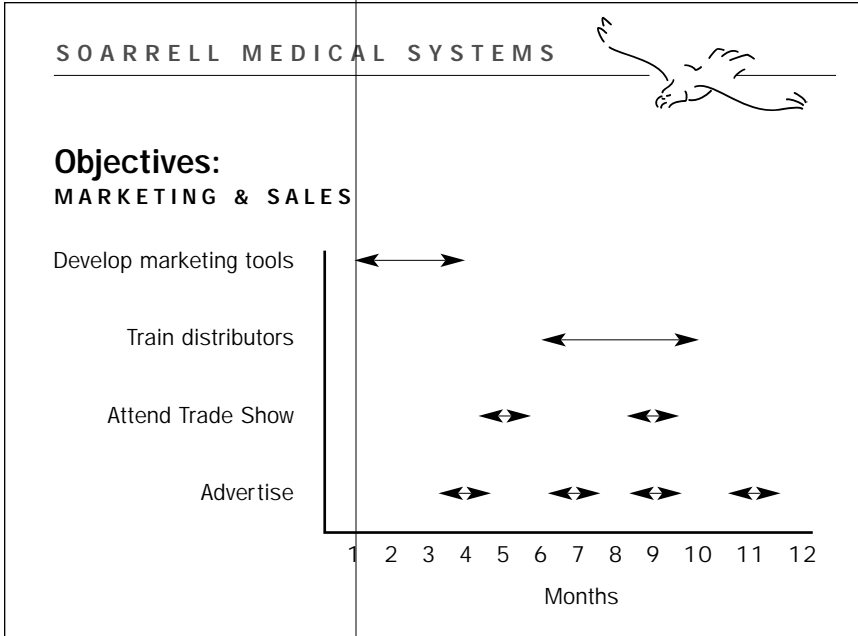
Once the distribution network is in place, our task will be to obtain initial orders from each of the distributors.

Highlights

The presenter has indicated when each of these objectives would be fulfilled and has also quantified each objective. Such quantification will make it easier for the entrepreneur to chart progress during the year. This quantified information also helps potential investors begin to assess the adequacy of your action plan and its potential to create value.

Notice that the presenter subtly weaves in information that reveals existing collaboration with CPR software developers. This is useful information to share with potential investors because it reduces perceived risk.

Viewgraph 15: Marketing Communications Plan



What

In defining a marketing communications plan, describe the development of materials that will be used in sales, and occasions for presenting these materials to potential customers. Processes for qualifying and closing sales to potential customers presume the existence of a marketing communications plan. Common elements of a marketing communications plan include:

- ▶ development of marketing and sales literature, videos, and training materials for use by direct and indirect sales staff

- ▶ participation in trade shows
- ▶ direct mailing campaigns
- ▶ press releases and advertising in trade journals

This list is illustrative, not comprehensive.

Why

Without a marketing communications plan, the investor cannot adequately assess your degree of preparedness for marketing and sales, or the adequacy of your staffing plan and the financial resources allocated for this task. Marketing and sales issues are of fundamental interest to potential investors.

Pitfalls to Avoid

Technology entrepreneurs tend to underestimate the amount of effort required to make sales. They also skimp on the marketing initiatives. For example, one might assume that advertising once in each of four different trade journals would be an effective way to generate sales. However, a far better way would be to carefully select one trade journal and advertise in it four times. Repeated exposure to a

message is required for your potential customers to even notice that it is there. The other error that technology entrepreneurs make is to keep the marketing communications plan too general. Name the specific journals in which you will advertise, specify the dates and locations of the trade shows you will attend, and include appropriate cost estimates for all aspects of your marketing plan in your pro forma financials.

Variations

The specific items included in your marketing communications plan depend upon who your customers are and the most cost-effective way to reach them.

Narrative

This slide provides a timeline for execution of our marketing communications plan. As you can see, once the marketing and sales tools have been developed, training of our distributor network will begin. We will introduce the Annual Physical and Patient Verification Software System at two trade shows—The Healthcare Information and Management Systems Society show to be held in St. Louis in February and another trade show in Phoenix in September. We will begin promotion in print media at the end of the first quarter and will run a series of four advertisements in two trade journals starting in April.

Highlights

The presenter provided a fairly general graphic, drawing attention to the specific activities listed on the ordinate and adding mention of some specific information regarding events and dates. Given the brevity of time, the treatment of this topic is adequate and demonstrates to the investor that the entrepreneur has developed a detailed plan to communicate with his or her potential customers.

Viewgraph 16: Objectives - Research and Development

SOARRELL MEDICAL SYSTEMS



Objectives: R & D

- Smart card & reader tested to complete specifications
— 1st Quarter, 1998
- Complete compliance with ISO 7816-4 guidelines
— 4th Quarter, 1998

What

In parallel with the marketing objectives mentioned earlier, the research and development objectives clarify what research and development will be done in a given time frame. You will notice that these objectives are fairly macro in nature, but still retain elements of specificity.

Why

The reason for expressing your objectives on a macro level is limited time. However, it is still important to mention research and development and demonstrate to the potential investor that you

have a plan for each functional area, i.e., research and development, engineering, and manufacturing, as well as sales. Delays in research and development, engineering, or manufacturing affect the rate at which sales can proceed. Therefore, it is important to demonstrate to your audience that all functional areas are working in consort to assure timely delivery of product.

Pitfalls to Avoid

The major risk for technology entrepreneurs is spending too much time on the discussion of research and development. If this is the presenter's area of strength, he has a natural inclination to focus on it. A benefit of being brief is to minimize the likelihood of divulging any proprietary information.

Variations

If you have selected licensing as your commercialization strategy, it may be appropriate to include research and development objectives in your presentation. How you handle this topic depends on your licensing objectives and the stage of development of the item that you wish to license. For example, if you are looking to license your technology and also to obtain developmental funds to complete the final stages of development, it would be important to map out what needs to be done with these funds. However, if you have a finished product that is ready for licensing, the research and development plan would be inappropriate.

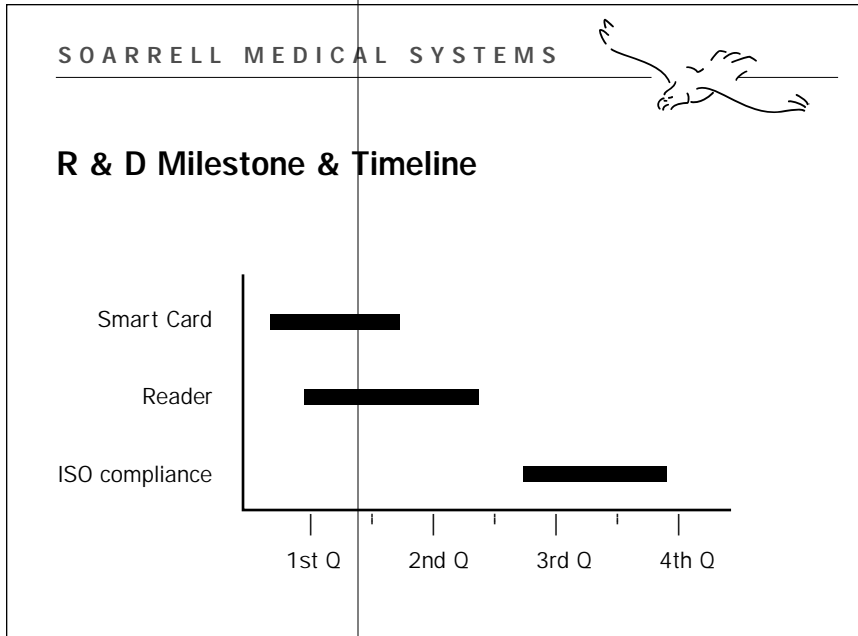
Narrative

Most of the true research and development has been completed. It focused on the development of a biometric voice encryption algorithm. Specifications testing with respect to the smart cards and reader remain to be accomplished. We have developed both of these fully cognizant of the ISO 7816 guidelines. We do not anticipate any problems—but some could be encountered.

Highlights

The research and development objectives are handled in a simple, straightforward fashion. The primary message conveyed to the investors is that little research and development remains to be done. This is important to convey at a time when the company is seeking funds to gear up for product introduction.

Viewgraph 17: Research and Development Milestones and Timeline



What

This is a typical milestone and timeline chart. Again, you will notice that its purpose is to be illustrative, rather than comprehensive. A milestone chart displayed in your presentation will be much less detailed than that contained in your business plan. Simplicity will help the audience absorb information quickly and effectively.

Why

Everything that you present about your research and development is aimed at building momentum towards a predisposition to invest in your opportunity. It is unlikely that potential investors will be able to retain many details from a brief presentation, so don't provide them.

Instead, present illustrative information that shows you have a comprehensive plan. Details can be discussed later in private, and hopefully during site visits which to follow. This presentation is like your first date. The goal is to have many more so that you have the opportunity to mutually assess your interest in collaborating. The presentation is not everything—it is merely the first step!

Pitfalls to Avoid

To be effective in this part of the presentation, you must refrain from becoming too detailed. Provide specific examples of the degree of accomplishment you have attained toward research and development objectives. Momentum will be lost if you provide too much detail. Your goal should be to give your audience a reason to talk with you individually after your presentation.

Variations

The variations to be made in this approach are a function of your technology and commercialization strategy. If you are seeking a licensing agreement with developmental funds to continue work on your product or technology, it would be appropriate to provide more details. Some of the other topics, such as marketing and sales objectives would be omitted.

Narrative

I've included a summary milestone and timeline chart to show you some of the specific items that we are working on. We are ahead of schedule on the evaluation of the smart card circuitry and are presently working on a few modifications to the reader. Although we have allowed ourselves three quarters to finish these tasks, I feel confident that we will complete the work by the end of the second quarter.

Highlights

Notice that the presenter did not mention each item on the viewgraph. That wasn't necessary given that the overall objective was to illustrate the items to be accomplished and to convey the message that the company was ahead of schedule.

Viewgraph 18: Objectives - Manufacturing/Production

SOARRELL MEDICAL SYSTEMS



Objectives: Production

- Patient education archive
- Final review by content experts (2nd Quarter, 1998)
- Completion of manual to accompany Patient Verification Software
— 3rd Quarter, 1998
- Low volume production run (smart cards; reader)
— 3rd Quarter, 1998

What

If your firm will be producing a product, either directly or through suppliers, it is appropriate to describe briefly your manufacturing, production, or service delivery plan. If you will not be producing a product, skip this section.

Why

There's a world of difference between saying that you can produce X and being able to deliver a high-quality product or service reliably. If you have not manufactured, produced, or provided a product or service before, this activity poses a high

degree of risk. Investors, customers, and suppliers need to be confident that you can deliver the volume of a quality product or service stated in your projected sales goals. Providing insight into your manufacturing or production plans will either foster confidence or engender dismay.

Pitfalls to Avoid

If you are producing only part of the product, don't skip this section! Even though you are not manufacturing a product in its entirety, you may still have points to make. Stakeholders will want to know how quality control will be maintained; if you have back-up suppliers; how good your suppliers are; and if you are planning to shift from a "buy" to a "make" strategy over time.

Variations

Use the most appropriate terminology in the title headings; i.e., don't always use the word "manufacturing." If you are producing a widget, manufacturing would be appropriate. However, if you are talking about software, then "production" is a

more appropriate term. If you are delivering training, talk about materials development and production. When building a plant, a project development plan or a site plan would be a more appropriate way to refer to the activity.

Narrative

Soarrell will be producing the software containing our proprietary voice encryption algorithm, the patient education CD-ROM, and the internet materials. We will have a license manager associated with the software to prevent its inappropriate proliferation. By contrast, we have decided that it is more cost-effective to outsource the production of the patient smart cards to Siemens, under an appropriate secrecy agreement. Siemens is a leader in this field, and is able to meet our needs reliably at the appropriate quality level. All shipments of smart cards will be accompanied by a quality control report. All software and hardware will be shipped from our facility, under our label.

Highlights

What is important to notice is that the presenter uses this viewgraph to mention positive attributes regarding company activities. He does not merely present a litany of manufacturing objectives. The viewgraph is clearly laid out in a simple format, consistent with the style used for representing the marketing and research and development objectives.

If the company will be implementing a complex manufacturing plan, it is recommended that this viewgraph be followed with a manufacturing milestone and timeline chart. Since the manufacturing plan is not complex in this example, a Customer Service viewgraph is substituted.

Viewgraph 19: Customer Service Objectives and Milestones

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Customer Service

- Attract and retain multi-functional team
- High quality on-site client orientation
- Proactively call client
- Internet support
- Fill orders within 1 day

Customer Service

Narrative

Customer Service will be a critical element of Soarrell's "Annual Physical and Patient Verification Software." Up to this point, I have mentioned production of components only for sake of clarity. Our Customer Service is what will make this package acceptable and will differentiate Soarrell from component providers.

In pricing Soarrell's product, our customers and we have decided to take a risk by accepting milestone payments. One up-front fee is followed by milestone payments during a six-month period, as measured by minimal disruption to the medical practice to be successful with this approach, Customer

and increased patient satisfaction. Customer Service is pivotal.

Our objectives are to attract and retain paramedics to be a part of a multi-functional sales and customer service team. Each team will consist of a paramedic and a software specialist. Other objectives are highlighted on this slide. I would be happy to discuss them in greater detail following this presentation.

Challenges/Requirements/Opportunities

**Viewgraph 20:
Risks and Contingencies**

**Viewgraph 21:
Constraints**

**Viewgraph 22:
Human Resource Requirements**

**Viewgraph 23:
Financials: Income and Expense**

**Viewgraph 24:
Financials: Cash Flow from Operations**

**Viewgraph 25:
Financing Needs**

**Viewgraph 26:
Investor's Return**

- What are the risks of failure? What are your constraints? Use this discussion as an opportunity to show you are prepared!
- What are your human resource requirements? What is your timeline for acquiring them?
- When will you achieve positive cash flow?
- How much financing do you need and for what purposes?
- What will be the investors' return on investment?

Viewgraph 20: Risks and Contingencies

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Risks & Contingencies

Event	Impact	Probability	Response
Failure to have Customer Service Department trained & in place when needed	Loss of 30% revenue	20%	1. Increase recruitment 2. Increase internal training 3. More emphasis on CD-ROM sales

What

The risks and contingencies section of business plans and presentations often differentiates the mediocre from the excellent. There are always risks associated with business. The goal is to anticipate and prepare for them in advance, so that you can forestall many potential problems. Risks are associated with each functional area. There could be critical research and development tests that fail. Sales could proceed at a slower rate than predicted. Your competition could launch an aggressive price war to erode your market. In business anything is possible.

It is wise to assess the probability of occurrence of various events that could negatively impact your business. Prepare, try to forestall the events, or map out alternative plans of action for those situations that are beyond your control.

Why

Investors know that there are risks associated with their investments. It is important that they be able to assess the risks and determine if they wish to proceed. The biggest single risk for an investor is management. However, if you have done a thorough job of planning, you should be able to appropriately convey the strengths of your management team and minimize concerns about management risk.

Pitfalls to Avoid

To many technology entrepreneurs, sharing information about your risks is counter-intuitive. In fact, it may not seem beneficial at first blush. However, by sharing information you convey your degree of preparedness. The discussion of risks and contingencies has to be presented in a positive light. Assure that your narrative doesn't come across as a litany of negatives; that would certainly be harmful!

Variations

The nature of the risk that you select to discuss will again vary depending upon your company's mission and commercialization strategy. Do not be comprehensive in your treatment of this topic; use illustrations.

Narrative

When launching a new product, it is of utmost importance to evaluate the risks and contingencies relative to this new direction. We have evaluated all of the major foreseeable risks and have assigned a probability to each of them ranging from 0-100%. For those risks which we evaluated as having a probability of 20% or greater, we have developed a contingency plan. As an example, we took a look at the potential risk associated with our Customer Service Department not being in place on time. We evaluated the probability of occurrence at 20%. The potential loss to Soarrell would be approximately 30% of our income, given the manner in which we are sharing risk with the customer. By the way, our pricing method is a new trend in this field—and one that we have to use in order to break into this market.

We are not waiting, but have implemented three actions. We have (1) accelerated the rate of recruitment to the Customer Service Department, (2) enhanced internal training of our staff by Dr. Bolton, and (3) made a stronger thrust into selling CD-ROMs directly to patients. There is no risk sharing with direct customers of this sort.

Highlights

Notice that the presenter discussed only one risk and used this as an opportunity to reinforce that the company is prepared. It was clear that the assessment process used had already resulted in risk reduction; i.e., the three-step program involving Customer Service.

Viewgraph 21: Constraints

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Constraints

- Customer Service Ranks
- Funds for adequate Marketing & Sales
- NOT all key functional areas are in place
- Unpredictable sell cycle (1 year)

What

The discussion of constraints is similar to the topic of risks and contingencies. In this section you are acknowledging those factors which could impede the growth of your firm if not addressed carefully.

Why

By describing constraints on your ability to meet your goals, you are in essence saying that you recognize that there are certain aspects of your firm which need to be strengthened. Investors will see this, once they start probing. By raising the issue, you are acknowledging its

existence and taking the first step to overcome it.

Pitfalls to Avoid

Avoid being negative. Present the information as a sign of your strength and wisdom. Do not say things like, “We know that we’re lousy with marketing and sales; that’s why we’re looking for a partner,” or “We’re technical people and we want someone else to do that other stuff.” This also sends a negative message—and it doesn’t work! The reason we are belaboring this is we have heard too many people initially address their constraints in this fashion.

Variations

Depending on the audience and the nature of your commercialization strategy, you may decide to omit this viewgraph. Such frankness is useful when seeking equity investors, but is not relevant if you are presenting a licensing opportunity. Also, you could combine the discussion of constraints with the treatment of contingencies and then eliminate this viewgraph.

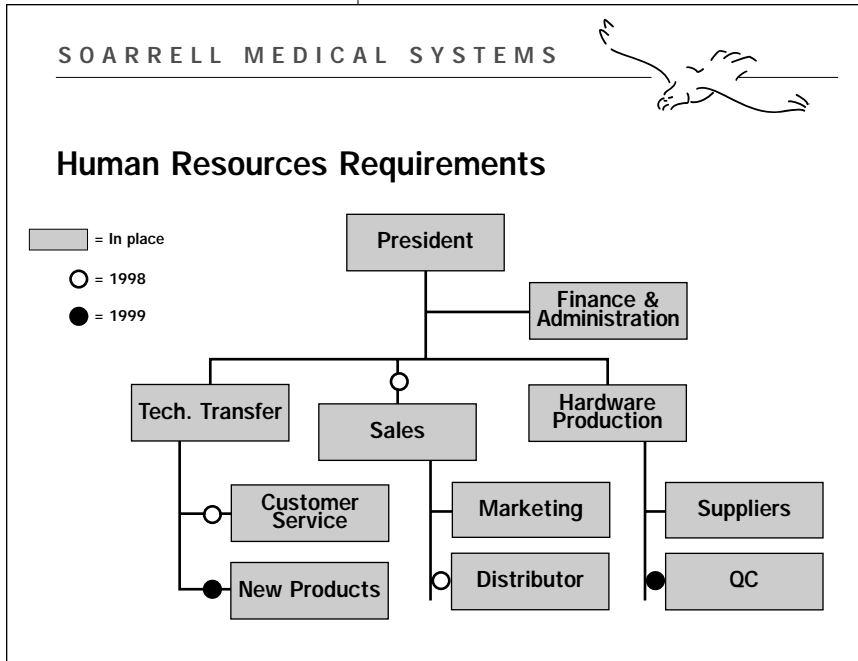
Narrative

Realistically, one must look inwardly and evaluate the overt constraints on the success of Soarrell Medical Systems. The key to our success is that we recruit talented individuals to fill the positions identified in the organizational structure that I will show you momentarily. We also recognize that, given the dynamic nature of this field, we could either experience a slow sell cycle initially or such a fast one that it outstrips our capabilities. Key to our success in overcoming the constraints is the timely infusion of first-round financing.

Highlights

Note the tone of the narrator and that what he is saying does not exactly duplicate the words in the accompanying viewgraph. The messages compliment each other well.

Viewgraph 22: Human Resource Requirements

**What**

The purpose of this particular viewgraph is to show the human resources that will be required to attain the goals and objectives you have set forth.

Why

It is common for technology entrepreneurs to underestimate the resources that will be required to bring products to market successfully. The reason for including a phased organizational chart is to demonstrate that you have anticipated the resources that will be required to drive your company. A phased organiza-

tional chart allows you to show in one graphic what the company will look like over the next three to five years. The key, evident in the upper left-hand corner of the viewgraph, enables you to show when functions will be added. If you wish, you can place numbers in each box to indicate the number of hires in each functional area at each point in time.

Pitfalls to Avoid

With the numerous discussions in the popular press about organizations becoming flatter, some technology entrepreneurs have been representing their organizational structure in novel ways. They tend to show that there is little differentiation among people. Such a chart may be useful internally, but for conveying resources to potential investors, it is better to represent your organizational structure in a more conventional manner. Your organizational charts should show roles and responsibilities and a chain of command.

Another common error that many entrepreneurs make is to put their name in all the management positions. Again, this is not viewed favorably. One person cannot adequately grow all aspects of a company beyond a very limited point. If you plan on accelerating the growth of your firm, it would be safer to represent functional areas without names and to seek additional staff promptly.

Variations

Another common way to represent human resource requirements is by using a table. List years as column headings, and use functional areas as headings for each row. Then enter the number of people that will be working in each functional area by year into each table cell. Be sure to include staff totals at the bottom of each column.

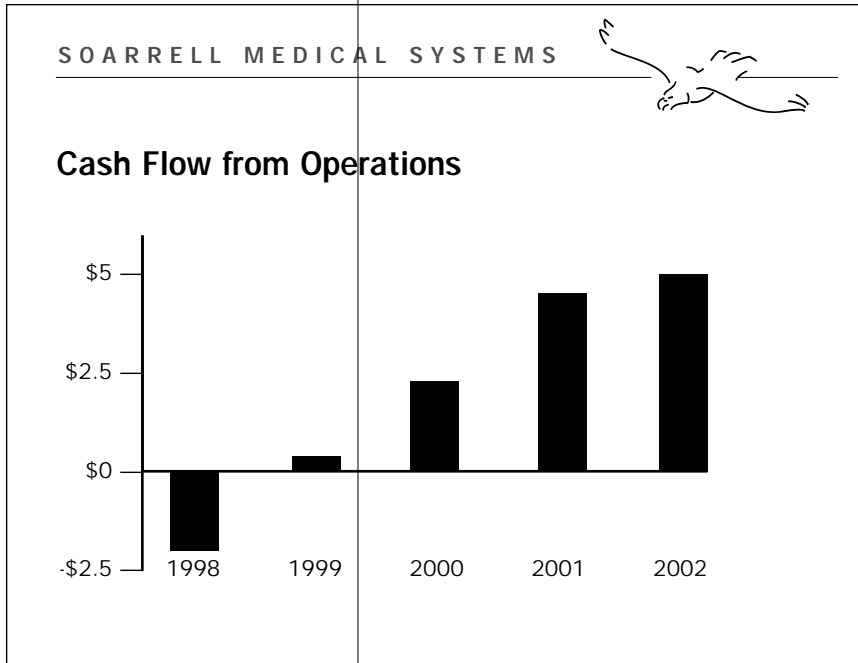
Narrative

Soarrell Medical Systems has a sound plan for growth. Currently, we have three key people on the management team in place in Tech Transfer, Finance and Administration, and overall company management. In order to accelerate the market's awareness of our products, in 1999 we will be adding people to marketing, customer service, and distribution. We are looking to expand our cultivation of the market further by teaming with a large CPR provider who has an existing distribution network in place. Since our near-term focus is product introduction, we will be adding a fourth party to our management team during the fourth quarter, to head up the Customer Service Area.

Highlights

Notice that the presenter is beginning to weave in themes that were mentioned at the outset. Here again, he indicates an interest in teaming with a CPR provider who has existing distribution networks. At this point in your presentation, begin to add narrative that relates back to the business opportunity.

Viewgraph 23: Financials - Cash Flow

**What**

For emphasis, Cash Flow is represented graphically, since lack of cash represents one of the key reasons why companies fail. Cash flow is an index of your company's health and is therefore of great interest to investors. Cash flow is not the same thing as profit. Profit is calculated by subtracting expenses from sales, while cash flow is the difference between actual cash receipts and cash payments.

Why

Many companies fail because of the lack of cash. It is important for investors to see how long the cash flow will be negative and thus how long outside funding such as loans, venture capital infusions, and the like will be required. When your company begins to have a positive cash flow, investors can begin to realize a return on their investment.

Pitfalls to Avoid

This chart is based on the pro forma cash flow analysis made in your business plan. Financial projections are based on reasonable and clearly articulated assumptions. Be sure when calculating cash flow that the income is based on cash receipts and not sales. The reason for this differentiation is that payment for sales usually lags product delivery by one to three months. Thus, a sale does not constitute cash on hand until you have received the actual funds for the sale, reflected in cash receipts.

The years indicated on the horizontal axis should correspond with the dates when you anticipate an infusion of funds from your potential funding source.

Narrative

We will need an infusion of funds during each of the next two years to cover the costs associated with product introduction and customer support. In 1999, as our early sales are made into the markets, we begin to see a positive cash flow. With the development of a teaming relationship with a major player in the CPR industry, our projected sales will accelerate. By 2002, we will have a very healthy cash flow position.

Viewgraph 24: Financials - Income and Expense

SOARRELL MEDICAL SYSTEMS



Income and Expense Statement

In \$000	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	\$30	\$2000	\$6000	\$17,500	\$35,000
Cost of Sales*	45%	40%	30%	22%	22%
Gross Margin*	55%	60%	70%	78%	78%
Operating Expenses*	65%	55%	59%	58%	56%
Income from Operations*	(-20%)	5%	11%	20%	22%
Net Income*	(-17%)	3%	10%	18%	20%

*Expressed as %'s of sales

What

The most common elements of an income and expense statement are listed below:

SALES

COST OF SALES

Materials

Labor

Overhead

Total

GROSS MARGIN

OPERATING EXPENSES

Marketing

Research and Development

General and Administrative

Total

INCOME (LOSS) FROM OPERATIONS

INTEREST INCOME

INCOME (LOSS) BEFORE TAXES

TAXES ON INCOME

NET INCOME (LOSS)

There are many variations on this theme. However, you need to keep things simple so that the information can be grasped quickly and retained.

Why

This is indeed the bottom line. You must present your financial highlights clearly and simply.

Pitfalls to Avoid

Avoid presenting too much data. You don't want to lose your audience. Although this presentation is simplified, the financials in your business plan should be well developed and comprehensive.

Variations

You can represent the financial information in absolute numbers and/or percentages. In the viewgraph presented on the following page, absolute numbers were provided for the sales forecasts only. Everything else was represented as percentages of sales. To make the message more salient, some elements of a typical income and expense report were omitted.

Narrative

In year one, our projected sales will be modest. However, our distribution channel will be in place and sales volumes will accelerate. By year five, we project sales of \$35 million. At the outset, the cost of sales will be relatively high, as we will be developing a new distribution channel and selling to a somewhat conservative market. However, a variety of enabling complementary technologies that are expected to become available during the next two years will provide the impetus for more rapid growth. When we finalize our teaming arrangement with the CPR provider, our cost of sales will decrease. By 2002, the fifth year of operation, our net income will stabilize. In that year alone, our net income is projected to be \$7 million.

Highlights

Notice that the presenter only draws attention to the most salient items in this verbal presentation. Details can be addressed individually in one-on-one conversations. As appropriate, the entrepreneur may want to compare these percentages to industry standards.

Viewgraph 25: Financing Needs

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**Financing Needs**

- \$2 million in two definitive stages:
- First-round financing \$1 million for customer service and product introduction
— 3rd Quarter, 1998
- Expanded Marketing and Sales
— 3rd Quarter, 1999

What

You must articulate clearly what your financing needs are. Tell potential investors how much money you need, when you need it, and how it is to be used. Also mention other needs potential investors might help you meet—for example, expertise, contacts within the industries of interest, and the like.

Why

Although it should be obvious why potential investors need to know this, some entrepreneurs refrain from clearly articulating this information in their presentation.

Pitfalls to Avoid

Be careful not to demand financing. Your presentation should be a request. The manner in which you present your financing need should clearly convey that you are looking for a partner, not just a backer.

Variations

There are many possible financing arrangements. You should explore these options thoroughly during your business planning.

Narrative

We are seeking a total of \$2 million in two rounds of financing. We need \$1 million to attract and retain a multi-functional marketing and sales team, expand the customer support function, and begin the product introduction process. Ideally, we are looking for a venture capital firm with strong ties to the medical practice management industry to provide this first round of funding. Our preferred commercialization strategy is ultimately to team with a major medical practice management software developer and to be acquired by them in year five. We will seek our second round of financing from a strategic ally who will have the option of purchasing Soarrell Medical Systems in year five. The acquisition price would be twice sales OR at a capitalization rate reflective of this industry. It will be established by an independent third party at the time of the potential acquisition.

Viewgraph 26: Investor's Return

SOARRELL MEDICAL SYSTEMS

**Investors Return****Venture Capitalist**

- Acquisitions in year 5 at 5-10x on initial investment
- Management buy-back

CPR—Open up profitable, new market

- Prevent competition from gaining market share

What

This section of your presentation specifically addresses the financial return to the investor; i.e., the value created. (This is not the same as the social rate of return you were required to address in your ATP proposal.) Value may be expressed in numerous ways including Return on Investment (ROI), Return on Assets (ROI), and Book Value. The level of return investors seek will vary with the type of investor. Institutional investors typically want a minimum return of 5x on their investment within five years. A strategic ally will often accept a lower

ROI (15-25%). This may occur when the capabilities of the potential acquisition enhance the ally's competitive position or increase its revenue generation capabilities through savings or new revenue generation opportunities. The 20% ROI targeted by the Soarell management team would be acceptable to a potential strategic ally, but would not hold out much appeal to an institutional investor. Therefore, the company might want to buy back its stock in the event that the strategic ally does not acquire the firm, and/or the company might need to reconceptualize its commercialization strategy.

The management team has presented a sound plan for growing this market and has a good intellectual property position. An investor with ties to the CPR market might see the potential in a different way and ask the management team to rework their numbers with a different set of assumptions. A more aggressive approach to the marketplace might result in a higher ROI.

Why

Value creation is at the core of an investor's business. It must be addressed from the investor's perspective.

Pitfalls to Avoid

The most common mistakes technology entrepreneurs make are: (1) failing to address the investor's return at all in their presentation, or (2) announcing how much equity they are willing to give up in exchange for financing. Failing to address an investor's return reinforces the belief that the technology entrepreneur is simply looking for a source of capital to continue research and development and is not interested in creating value. If you are seeking money from the private sector, approach the search responsibly and knowledgeably.

The amount of equity that will be offered should be negotiated privately, after further meetings and greater understanding of investor's requirement. A figure you pose in your presentation might be much higher than you would need to provide, or so small as to seem ludicrous. However, you should have made some private decisions about how much equity you are willing to relinquish and checked with colleagues knowledgeable about the financial community to determine if your decision is reasonable. Be prepared, but negotiate equity sales privately.

Narrative

As was mentioned earlier, we are looking to provide our investors with a 20% ROI. As this market continues to evolve, we will have to be a larger company to supply the market. Therefore, we are growing this business with the intent of being acquired within five years by a large firm in the practice management arena.

Key to our success is forming a successful strategic alliance with a CPR firm that has an existing distribution channel. This partnership will bring an additional product to add to the distribution channel, and enhanced customer satisfaction, and increased market share.

I will be available to talk with any interested parties after this presentation. I have an executive summary from our business plan and other literature which I will be glad to share with you. Thank you for your attention.

Highlights

The presenter has woven together a number of the themes and financial highlights mentioned previously in his presentation and has closed with a clarification of how value will be created for the equity investor and the strategic alliance partner.

Synthesis

This sample presentation to potential investors or allies marks the end of this section.

The following collection of activities can be used by the technology entrepreneur with or without the assistance of an experienced guide. The activities should be completed prior to preparing the viewgraphs or other documents used to present your business opportunity to others. Completing these activities will help assure that you are prepared to meet the challenges that lay ahead.