

Anhorn

**Anhorn**

**Build a British Unicorn**

# **Business Plan**

SUMMARY  
MARKET BREAKDOWN  
VALUE CHAIN  
OPPORTUNITY  
CUSTOMERS  
COMPETITION  
PLAN  
FINANCIALS

**JANUARY 2019**

## **MISSION**

“Increase investment into British healthcare companies to improve the welfare of patients and medical providers in the UK and reduce the cost of maintaining the NHS.”

## Summary

One sentence that sums up what the company is and does, without hyphens or brackets or semicolons, in language would make sense to a child/investor.

Then in no more than 1 page summarise the below, just a brief paragraph each:

- What sector we are talking about
- How big the market is, its growth and maturity
- The opportunity that exists for a new company
- Who the target customers are
- What the competitive landscape looks like and the fundamental failure to serve this market's customers that you have identified
- Your plan, the money you need for it, and what you could be worth if you did it

# Market Analysis

What sector are we in? One short paragraph to describe the sector in general for someone who has no knowledge of it.

## The Market

### MARKET BOUNDARIES

- **Define the Market**  
What are you including and excluding? If you make fizzy drinks, is sparkling water a competing but separate market, or a competitor in your market?
- **Geography**  
Is it different abroad? Will you go there one day?
- **What are the Limits**  
These will usually be slightly arbitrary and will probably depend on your specific resources. How do markets contiguous with yours interact with it- does growth in sparkling water mean we drink more or less coke? Do customers see a different market here, or is it just suppliers who do because of the different resources needed to operate? What are complements and substitutes?
- **Rules of the Game**  
Do laws, regulations, monopolies or anything else affect it?

### MARKET SIZE

- **Some Facts**  
And a very brief explanation of the relevance or meaning of those facts
- **Size**
- **Growth**
- **Stage of Maturity**  
When will it start to decline? Is everyone else here a massive listed multinational or a tiny start up? Are most people doing efficiency/optimisation plays, or disruption? Lots of M&A of massive companies means an aging market. Lots of M&A of start-ups means the disruption has been validated. What's the M&A profile in the market?
- **Limits to knowledge**  
Be clear about what isn't yet known or what data you don't have

### HOW THE MARKET FUNCTIONS

- **Type of Market**  
Can you explain in general terms if this is a platform-based market, or a logistics one, or manufacturing, or what? Is it stable or wild?
- **Finance**  
Is most of the money here debt or equity? Listed or private? Why? What does profitability look like for most players?
- **Monopoly**  
How big are the biggest players, and how many players are there (in terms of market share)? Is it a really profitable industry for a select few (there are barriers to entry- what are they?) or easy-come easy-go with not much margin?
- **Success**  
What makes people succeed here? Any common themes in terms of the resource that all the winners seem to have? Describe inputs (access to large markets, technical expertise), not outputs (black turtleneck jumpers).

## The Value Chain

This is the vertical stack of markets that work together from the first stages of supply at the top to the customer at the bottom. E.g. quarrying rocks -> smashing rocks -> making cement -> distributing and retailing cement -> builders -> home buyers. Each is a different market with its own characteristics, but we want to know where your market sits in the value chain.

### THE COMPLETE STACK

- **Layers**  
Describe each layer (each market) in sequence and explain how a good flows from the first to the last and how it's transformed at every stage. The last is always the end customer.
- **Overall Health**  
No point finding a growing market if the value chain it sits inside of is about to implode. How is the chain as a whole? Why? What are competing value chains for end customers- using the above quarrying example, wooden houses have their own value chain which ends up competing with concrete houses in the last market of each- home-buyers.
- **Returns and Ratios**  
Give me an overall picture of the financials at each stage; total revenue, profit margins, etc. Just so I have a broad understanding of how the value chain looks financially. Does one stage appear egregious? Why? Which stages are stable and have lots of debt, which ones are volatile, who is listed/private, what are the barriers to entry at each stage?
- **Core Resources**  
What is the defining core competence or resource that is required to succeed at each stage?

### YOU IN THE STACK

- **Disruption Play**  
These often link stages of a value chain together that previously required an intermediary.
- **Efficiency Play**  
These change profitability within a stage (a market).

## Risks

What are they? Not just systemic to the market and value chain, but those facing a start-up trying to enter. Don't address/answer them here- just lay them out and provide data if you can. There is risk everywhere and the clearer you make yours, the less cognitive dissonance you will cause your investor, and the more s/he will engage. Hiding them can make you look dishonest or incompetent- be open.

# Opportunity

So far, you've presented lots of facts and some objective analysis so that someone new to the market can get up to speed. Now we look at what is wrong with the picture you just painted. Descriptive to normative.

## THE PROBLEM

- **What is it?**  
You have given someone who didn't know a market some knowledge of it. What is wrong with that market?
- **Why?**  
What causes the market flaw? Why are customers putting up with it? Why hasn't anyone fixed it (briefly- we'll consider the competition in detail later)?

## THE OPPORTUNITY

- **The Whole Opportunity**  
In theory, what is a complete solution?
- **Your Opportunity**  
In practise, what is the solution you are going to provide? Which bit, or what proportion, of the whole?

## THE EFFECTS

- **Market**  
How will the market now look?
- **Value Chain**  
Has this been affected? New layers talking to each other?
- **Competition**  
What will happen to them? The details of their response will come later

# Customers

There are lots of people in the market, and perhaps more than one group might pay you for your product. This section lets you prove you have found the best group.

## SEGMENTATION

- **Segments**  
Name, describe and explain the different groups in the market
- **Behaviour/Rationale**  
What are the common drivers and associated behaviours that define each segment? These are the underlying rationales for your segmentation approach
- **Selection**  
Which segment are you targeting?

## MY SEGMENT

- **Segment Size**  
By both revenue and number of customers
- **Use Case**  
Give a working example of why and how a potential user would use this product, all the way from hearing about it to buying it to using it
- **Purchasing Patterns**  
How does your segment behave when it comes to buying- frequency, average spend, decision process etc.? Share some numbers
- **Competition**  
Who serves them now?
- **Marketing and Channels**  
How are they served now? 4 Ps of marketing- product, price, place, promotion- what are they? How do people communicate to this segment, and how does the segment communicate internally?

## CLARIFICATION

- **User**  
Nurses will use my robots
- **Buyer**  
Hospital departments will make the purchase decision
- **Payer**  
The money will come from the local trust after approval from the hospital CFO
- **Influencer**  
Positive reviews influence nurses. The nurses influence department heads. New NHS guidelines influence CFOs and Trusts.

## UPTAKE

- **So Far**  
Existing users. People I already know or have easy access to, or have already used it
- **Innovators**  
Who will they be? How many and how much are they worth as a group?
- **Imitators**  
As above. When will they start purchasing?
- **Growth Drivers**
- **Loyalty**  
Retention rates

# Competition

Two core themes; who are they/what are they doing, and how will you be/remain different?

## UNSERVED NEED

State clearly the unserved need of customers in the market. What is the competition as a group NOT doing that has created the opportunity?

## DESCRIPTION

- **Who Are They?**  
Purely descriptive. Name the main ones, their market share, structure, provenance, key personnel, key contracts, revenue, profit, etc. Who is succeeding and failing?
- **Niches**  
They are all competing against each other. What is the niche that each of them occupies in the market? Does that align with what they claim to be doing?
- **Key Features**  
Can you explain their success/failure, and their niche, by linking it to a specific resource they have? Raised lots of capital/have a patent/brand/focus on this need not that/etc.
- **Why the Collective Failure?**  
Why have all these clever people not been able to do what you are planning to do to serve the unmet customer need?

## DIFFERENTIATION

- **Core Difference**  
Summarise it very succinctly in one line
- **Each Other Difference**  
Where relevant:
  - Product
  - Customer
  - UX
  - Technology
  - Price
  - Channels
  - Structure- platform or pipeline
  - Market- are you changing how it works?
  - Value Chain- are you changing how it works?
  - Think back to the ERRC curve for a customer view of differentiation
  - Think back to the 4 Ps of marketing for the marketing view
- **New World**  
How will your market or value chain behave differently once you exist in it? In other words, what is the difference in dynamics that you will cause?

## STAYING DIFFERENT

- **First Move- Competition**  
Clearly, they will react as soon as they hear you get funded, let alone launch. What will they do? What would it cost and how long would it take to copy you?
- **Defensibility**  
You'll hear people talking about a "Moat". It's the defence to being copied that you have. Customers care about output, so you'll need a sustainably differentiated output from your competitors. Output comes from inputs, so you'll

need a differentiated core resource that clearly links to the different output and cannot be copied. What is it? Why can't it be copied? Really? Your investors will grill you on this relentlessly. Really really? Average legal cost of a small-patent lawsuit for each side = \$2.8m...so the answer had better not be a patent.

- **Equilibrium**

What do you think things will look like once the waters have settled after your appearance? Market size, market share for you and each large competitor.



## Plan

Easy. You've described a Market and the players in it. Some Customers that you identified are not being served by some suppliers (Competitors) and that's created your Opportunity. Someone with a certain bundle of Differentiated resources could change this market forever.

You are that person. You already have some of the unique resources required, but you need a few more, including some common resources like Capital and Employees.

- I have these resources
- I am going to acquire these further resources
- This will give me total resources of X (the left side of a Balance Sheet)
- That is different and defensible from everyone else because of Y
- I'm going to make/order/license/buy these things
- I'll transform them like this
- That will give me an end product called Z
- I will sell Z to these customers
- At this price
- At this place
- In this way
- With this help from these people/things
- The cost of existing- SG&A- is this
- The cost of making and selling each unit is this
- I'm aiming to sell this many units in year 1 and this many in year 2
- Meaning I'll have revenue, total costs, and operating profit (Income Statement)
- In the end, I'll have this % market share and be worth £
- I'll take in ££ investment now to reach these milestones (Cash Flow)
- And £££ further investment to fund growth once I've proven the business model
- The company will be structured like this
- With these owners and creditors (the right side of a Balance Sheet)

Did you need to include any of the below?

- Pricing
- Channels
- Manufacture
- Suppliers
- Terms
- Employees
- M&A
- Licensing
- Regulation and Certification
- Media/Advertising
- Inhouse/Contractor

## Financials

This has practically been done by now in the plan. In theory:

- Income Statement
- Cash Flow
- Balance Sheet

In practise, you need an income statement covering 5/10 years on an annual basis, and then a 2-year (or strictly speaking, from this raise to the next) monthly income statement with opening cash and closing cash underneath. Put all your assumptions on a separate page and have a really simple summary page. More detail is optional. Use the "Financial Forecasts Draft" if you want.

An image of the Summary page from your Excel is all that's needed here, along with a list of the key assumptions that went into the financials.

### **SUMMARY**

*Summary Photo*

### **ASSUMPTIONS**

*Bullet Points*

### **FINANCIAL MODEL**

*See Appendix 1: Financial Forecasts*