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Avoiding the Most Common Business-Plan Mistakes

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Entrepreneurs looking for funding and those just getting started should pay special attention to the marketing sections of the business plans they submit. This is where the most common mistakes — and the most outrageous assertions — are made. Typical errors include flawed appraisals of market need, market sizing, customer identification and branding.

Market need: This most basic element of a business plan is often woefully undeveloped. Unless a product or service provides tangible benefits to potential customers — at a cost that the customer considers a value — an entrepreneur has little chance of success. Savvy business people check in with potential customers in the early stages of a venture and periodically thereafter to determine if the product idea is a good one and to incorporate customer needs and desires into the product. They also check with industry groups that have problems their products can solve.

Market sizing: The more realistic an entrepreneur is about the size of her potential market, the better chance she has of being taken seriously by potential funders, who want evidence that a product developer knows her potential market. For instance, someone manufacturing an apparatus for dental surgery should not base his estimate of market size on the total amount consumers spend on dental visits and toothpaste, when the market for his apparatus represents only a fraction of the dental equipment sales market. Market numbers have to be reasonable, but they don't have to be exact; venture capitalists and other funders conduct their own due diligence when they are interested in a business plan.

Customers: Many business plans do not correctly identify customers. Someone who develops photovoltaic cells and modules for a solar-power system, for example, should realize that his customers are the companies that build the systems for consumers rather than the end users who buy the solar systems once they're built. If a business isn't sighted on the target customer, its market numbers will likely be wrong.

Branding: Many entrepreneurs obsess about branding and worry that they will fail in the marketplace without a recognizable brand. An entrepreneur should instead create credibility around her company name rather than an individual product name. For example, with a company like Microsoft, the credibility of each new software product is reinforced by combining the credibility of the company's name with the product name. After researching possible names, an

entrepreneur should protect himself, his company and his product names by trademarking them just the way he would protect intellectual property with a patent. Company names are not protected by registering the company with the state. Neglecting to trademark a company name leaves a business person vulnerable to a cease and desist notice or a lawsuit, which means all the money spent advertising and promoting a company under a contested name is wasted. A trademark search at www.uspto.gov should precede naming a company or product, and legal assistance should be engaged for trademarking.

Outlandish statements: The only rule to follow when making assertions in a business plan is to use some judgment. Just because a business has sold 25 units in a 1 million-unit market, that's no guarantee it will be successful. Claiming that there's no competition might be akin to saying there's no need for the product or service. A business plan writer should resist the urge to oversell her product. She should ask a trusted person who is not familiar with the industry to read the plan and point out where it fails to explain what need the product addresses, who its customers are and why this is the best of all possible products.

Technology Ventures Corporation is holding a workshop in Albuquerque on Wednesday, November 11 to help entrepreneurs assess the market for their product. This is one in a series of business planning workshops offered prior to the submission deadline for business plans to be considered for the annual Equity Capital Symposium. For more information, visit www.techventures.org.

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