# How to get started and succeed manual

D8.3

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[1] PU = Public
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RE = Restricted to a group specified by the consortium (including the Commission Services)
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# GO-GRASS in a nutshell

GO-GRASS project (www.go-grass.eu) aims to create new business opportunities in rural areas based on grassland and green fodder and to support their replication throughout rural communities in the EU. The project develops, deploys and validates a set of small-scale demonstration sites (DEMOs) of a circular integrated agro-food system in four EU regions (Denmark, Germany, Sweden and the Netherlands). The project is expected to develop technologies from the current Technology Readiness Level (TRL) (between 5 and 6) to more advanced ones (8) successfully implemented under real conditions at the end of the project.

The DEMO in Denmark aims to develop a small-scale bio-refining technology to extract protein concentrates for monogastric animals from grassland situated in nitrate sensitive areas. In Germany the DEMO targets to produce biochar via Hydrothermal Carbonisation of grassland-cuttings from wetlands as a supplement for soil improvement. In the Netherlands, it is to develop digester and fermentation technology to produce paper and carton products from road-side grass and nature or fauna grass. In Sweden, the aim is to establish briquetting technology at local and small-scale to produce climate-friendly and heat-treated animal bedding using reed canary grass. Beyond the development of the individual DEMOs, the project aims to integrate the technologies and business models across the DEMOs to create additional values and value chain nods.

In order to realize and support its objectives, the project employs the principles of cumulativeness, innovation, replicability, inclusiveness, and circularity. The principles serve as guidelines and requirements for adapting and developing various tools, integrating circular economy in rural areas, ensuring successful demo implementation, creating favourable business environments and maximising the replication potential in other rural areas in the EU.

The tools to be developed by the GO-GRASS project include online tools for business case assessment and funding; a manual on how to get started and succeed; a tool kit for cluster and network development; training courses for existing and future entrepreneurs; and guidelines on creating favourable business environments.

GO-GRASS will contribute to a range of circular and sustainable business models with high replication potential that can be used by entrepreneurs, local authorities and other stakeholders. It will demonstrate innovative cost-effective technologies, processes and tools applicable within the diverse DEMO scenarios. This will enable to effectively use of grassland and shrubs which are being left to decay after mowing causing costs and lost benefits for individuals and society.

To stay up to date with GO-GRASS project events and reports, follow us on Twitter (@GoGrassEU), LinkedIn (GO-GRASS) or visit www.go-grass.eu.

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# Summary

This report is based on relevant observations and findings from GO-GRASS and other EU projects. It has been compiled and converted into an easy-to-use manual by Gate2Growth. It aims to primarily support current and future entrepreneurs and provide tailor-made advice outlined through examples.


*Figure 1: The pillars of a business plan*

The report's focus is on how to develop and structure business ideas.

The origins of business ideas vary but the actions and efforts to convert the ideas into concrete business ventures still have a lot of common denominators.

Similar analysis has been conducted in EU projects like RUBIZMO, ProBIO, EuroPruning and others. Common elements have been identified in how business ideas come to life and which resources are needed to convert the idea into a business. The key elements can be summarized into the five pillars of creating a business plan (Figure 1).

This report goes through each of these main categories, describing their various parts. The purpose of this report is not to provide detail, but rather give a comprehensive overview of the different elements and their connection in converting ideas to successful businesses. After the description of each main category, actionable items are listed, summarizing the key learnings and listing specific steps to be done. In the last chapter further information is provided about different tools which will be available within the GO-GRASS project.

The structure of the manual aims to first provide the right knowledge, secondly, describe actionable steps to do and lastly to give an overview to additional tools to be developed in the project which could help the reader to turn the business idea into reality.
The manual aims to primarily support current and future entrepreneurs, however regional representatives and end-user networks can use the manual to provide tailor-made advice to entrepreneurs on ***how to turn their innovative business ideas into concrete business plans*** by using parts of the manual with or without referral to the additional tools and resources in the final chapter.

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Policy recommendations are part of and have been incorporated in the first draft of the key-preconditions checklist (See Annex 1) which should be considered when replication of GO-GRASS project results is considered. The checklist can also serve as guidance and inspiration on the support from local government that can create conditions enabling entrepreneurs to succeed.

The report (D1.2) **GO-GRASS Report: "Definition of regulatory and social context linked to different grassland uses" (2019)** also highlights three recommendations that can be deployed to support bioeconomy and grass-based business models:

**1- Strengthen knowledge transfer systems** including demonstration fields and extension services that allow farmers to understand the new products delivered from grasslands

**2- Promote the establishment of farmers cooperatives**, and adequate management through the development of operational groups connected to the EIP-Agri Platform

**3- Support conversion of arable land into grassland** to preserve the environment and to foster the delivery of resources for biorefineries that can produce feed, food, materials, and bioenergy

# Disclaimer



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# Table of Contents



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# Abbreviation

(WP) Work Package
(KPIs) Key Performance Indicators
(VC) Venture Capital
(IP) Intellectual Property
(IPR) Intellectual Property Rights
(TRL) Technology Readiness Level
(G2G) Gate2Growth
(WOM) Word of Mouth
(B2C) Business to Consumer
(B2B) Business to Business
(CRM) Customer Relationship Management
(HR) Human Resources
(CV) Curriculum Vitae
(FTO) Freedom To Operate
(SME) Small Medium Enterprise
(CE) Conformite Europeenne
(IPO) Initial Public Offering

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# 1. The origins of business idea

The common denominator for the origin of most business cases is **a person or a group of persons who believed that someone would need and could use the result from a new idea (a service or a product).** They also believed that this service or product was currently missing in the market, and the customer would be willing to pay for it. It could also be that **an unmet market demand or gap in a supply chain** was identified, which then inspired to create a potential solution.

For instance, in the RUBIZMO project, among the collected business cases, where "good idea" has been converted to a business case. The cases had been collected in a Virtual Library developed in the project. The purpose of the Virtual Library is to inspire new or current entrepreneurs to get new ideas or serve as examples ready to be replicated in their own local environment. Also, the four GO-GRASS DEMOs are good examples of conversion of ideas to actual actions which eventually will become part of this virtual library.

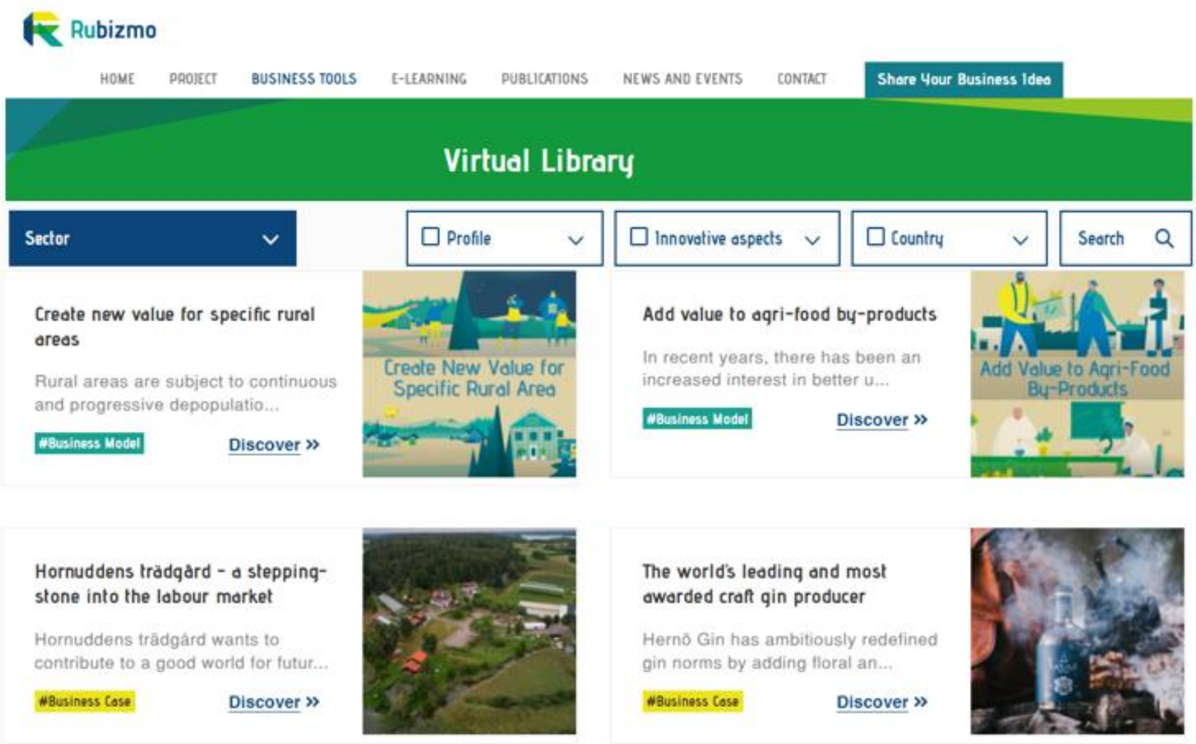


*Figure 2: The Virtual Library*

In general, we found that original business ideas are not coming from reading books about business strategy theories, business models or financing and financial engineering. The original ideas were fostered either through actual problem solving, from observations of market inefficiencies or through innovative solutions or processes, which could open for new products or services solutions. This does not exclude that exceptional businesses were started through a personal drive "**to become an entrepreneur and feel in control of own destiny**", but this was never the sole driving force of successful businesses.

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We also observed actual cases from previous EU projects. The teams behind many new business cases would probably have avoided many problems if findings from the vast business literature library had been easily available for them, or the right advisors could have helped to "cross the bridge" from idea to business.

**This document aims to provide an easily accessible guide to start in converting your innovative ideas into a successful business with or without an adviser.**

The challenge for most innovation and demonstration projects and initiatives is to move from a lower TRL (Technology Relevance Level )[1] to TRL 9, and secure the needed funding, both through public grants, bank loans and investments.

*[1]TRL is a method/scale for estimating the maturity of a technology. It goes from idea /research result TRL1 to products ready to be launched into the market TRL9*

**The funding challenges for the many cases examined in the different EU projects differed accordingly**. Some could realize their dream through drawing on their own savings, others needed temporary bank loans/mortgages. In other cases, larger funding requirements have been met by private investors and/or public grants.

To cater for these very diverse needs that are connected to the process of getting started and becoming successful **this manual is structured around a few common key preconditions that all need to be fulfilled to convert an idea into a business.** The first draft of specific key preconditions which are needed when considering implementing and replicating the DEMOs in the GO-GRASS project is attached in Annex 1.

The manual presents a series of individual topics, which need to be addressed with different levels of depth depending on the individual user's interest and needs.  When all the relevant issues have been addressed, it can serve as a basis for a case focused business strategy or plans.

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# 2. Structuring of business ideas

## 2.1. Preconditions[2]

The fundamentals behind any business are its products or services and that ***there are customers, who are willing to pay – for the value that is created for them***. The product or services need to be perceived by the customers as at least as good as competing products or solutions available in the market being addressed, and the product or service must be produced, sold, and eventually delivered to the customers (the business model). To convert an "Idea" to a business there also needs to be a team, to run the business and produce or provide the services. In the longer run, ***revenues*** from operating the business need to be higher than the ***cost***. In order to find that out, you need a budget. If all these elements are in place, there is potentially a business case.

*Preconditions in this manual are defined as requirements needed to be able to start/replicate a business or a business model.*

Each of these major issues can be divided into smaller segments. In the ideal world, the elements can be summarized in a so-called ***Business plan*** in which individual elements are illustrated below.

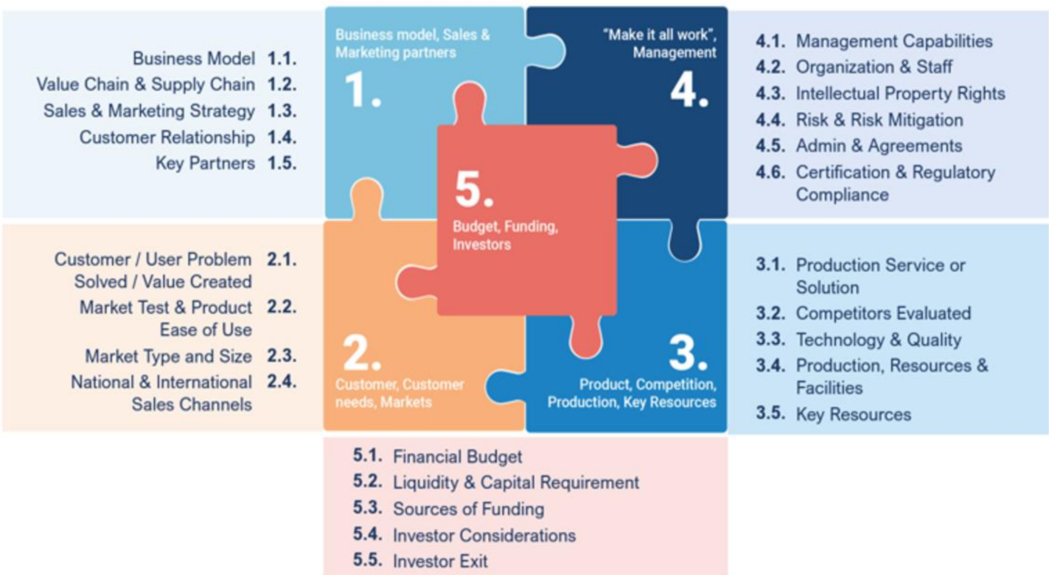


*Figure 3: Elements in a business plan*

For businesses in the biobased circular economy, a full understanding of your place in the supply chain (defined in ch. 3) is essential. Your entire business case depends on "upstream determined" quantities, quality and cost connected to your raw material, the quality requirements connected to the final product as defined by your end-users/customers, and the price they are willing to pay (figure 4).

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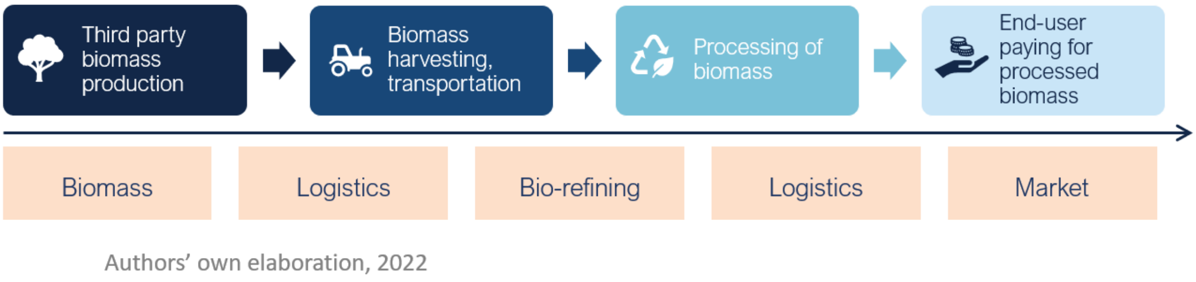


*Figure 4: Supply chain*

The process to convert an idea into a real business may involve a long and sequential process with a lot of feedback loops, which include testing the realism behind the business model, the technology and production processes and last but not least (figure 5) – if the required funding is or can become available.

For many businesses, a much simpler or even more complex approach is to be used. Eventually, many of the matters which need to be addressed in the full business plan may only require a few minutes of consideration, and if put on paper, only a few lines. Other issues may require weeks of work to get clarified.

For both internal and external use, a good business plan is a short document only describing the conclusions to be drawn. No need to explain all the work behind reaching a conclusion. A short description also makes it is easy to revise the business plan when you get wiser about your business.

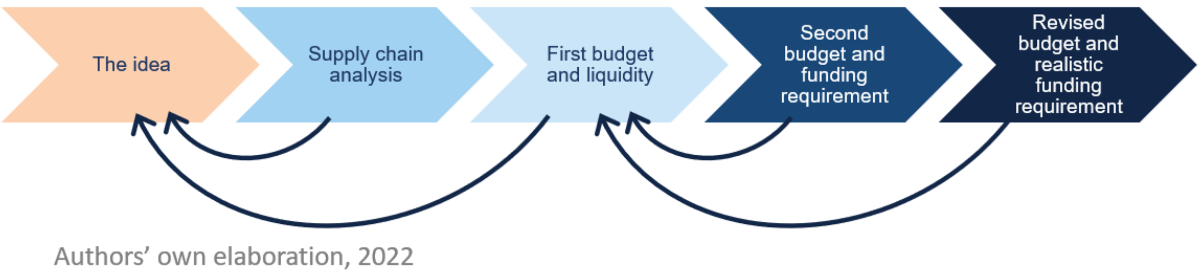


*Figure 5: Business idea iteration*

## 2.2. The Business Plan

The best way to get a structure for the process to develop a new business or expand an existing business is to get the basic elements expressed in a concrete text – a **business plan**. In many cases, it is a mandatory document for a discussion with investors, banks or other financial or strategic business partners. It shall describe product(s) or service(s), the target customers, how much money is to be used to realize the plan, where the money is to come from and what the future is expected to look like.

The **G2G Business Plan Writer**(D8.1) developed in the GO-GRASS project has been created to help compose and write a business plan. Its 25 elements (see figure 3) have been extracted from successful business plans and complemented with input from scientific business literature. However, the relevance of the different elements varies from business case to

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business case. In some cases, addressing fewer elements will work, and in other cases, you need to address even more elements. The following sections summarize the major issues connected to each of the 25 elements.

A complete business plan shall include relevant financial and budget information. This functionality (under development) is included in the G2G Business Plan Writer, but any business budget model can do the same job. Not before all the elements in the business plan are converted into monetary terms it is possible to determine the financial viability of the business case and start making an eventually needed adjustment.

# 3. Business case elements to be considered

The first pillar of building a successful business plan is composed of the Business model, Sales & Marketing.


## 3.1. Business Model

The business model describes the way, and on which terms your product/service is brought to the market and sold to the customers (see figure 6).

- The business model for a restaurant is to make money by cooking and serving food to hungry customers, but the restaurant business model can also be expanded with taking away, home delivery services, catering, and other services.
- The business model for an online business case may be difficult to describe. Some internet services, e.g., Google & Facebook offer a free service that attracts many users. They make their money by selling the information about the many users to companies, who are interested in selling products to specific user groups, or by making targeted advertising space available.
- Other online-based businesses e.g., Amazon have their online marketplace where they connect buyers and sellers or simply sell physical products online and or various types of services, including home delivery to its worldwide customer base.
- The business model for a production company can be to produce and sell directly to the customer via own shops, and the business model can be expanded with sales via sales agents. Or sales can be replaced with financial leasing construction and so on.

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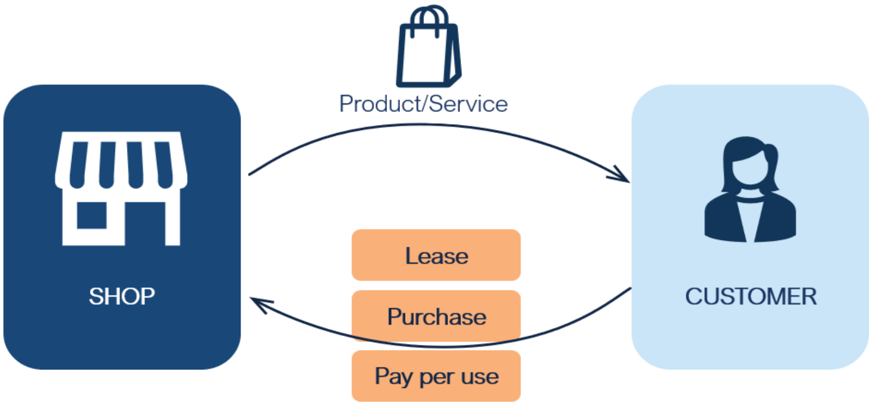


Authors' own elaboration

*Figure 6: Business Model*

If you make a business plan it shall describe why and how the chosen business model will work. The description shall show how the business model compares to competing business models. In a new market, an old previous successful business model can easily be considered as new and innovative, if it is introduced in a new market dominated by other more traditional business models. However, you should always adapt it to fit the new market and your business.

The right business model is often more important for the success of a business than the product/service or the price itself. E.g., For the *IKEA business model,* the individual products were neither new nor outstanding in visual design or quality. The innovativeness of the *IKEA business model* was the combination of warehouse model, product design (self-assembly) and low price. Hence successful business models are often based on the right combination of several related elements – and sufficient funding to acquire a dominant market position quickly before the concept gets copied by competitors.

Emerging new technologies often open the development of innovative business models.


*Figure 7: Examples of Business Models- RUBIZMO Project*

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Examining these business models can often lead to the appealing idea "***if they can do it***" then "***I can do it too***". In some cases, this is also realistic, if you make the needed adjustments to address your special local conditions. Although a business model might look easy to replicate, your local situation might vary from the local conditions for the business model and business case you want to replicate.

In practice, you need to examine the preconditions which formed the basis for the success of the "business case". *Who were the customers, their profile, their propensity to buy and which alternative competing solutions were present in the local market of the "model case" when it all started?*

There could be large differences in local conditions, internet connectivity, internet-based communication/ordering and online payment possibilities. For example, one of the businesses mentioned in Figure 7 is Aarstiderne which provides food boxes home delivery based on subscription and has been very successful in Denmark for more than 20 years. However, when they wanted to expand to the German market with the same business model (online/internet subscription), they failed as the German Market was not ready for online payments and internet subscriptions. This this is due to the fact that at that time the Germans still preferred the cash payment system.

The available delivery infrastructure might also vary. The successful business case you want to replicate might also be successful alone because of special local value chains, which does not exist in your local environment.

To make a successful replication strategy you need to try to identify all possible important preconditions for the case to be replicated and compare them to potential preconditions in your own local environment. If preconditions differ, you need to find solutions to address these differences.

A structured approach to conduct this replication analysis would be to examine the chosen business case using the Business Model Canvas (Osterwalder et al., 2010) framework. When you have finalized the business case analysis, you should fill in all the boxes with your own case. Subsequently, you should examine potential ways to address/compensate for differences in preconditions.

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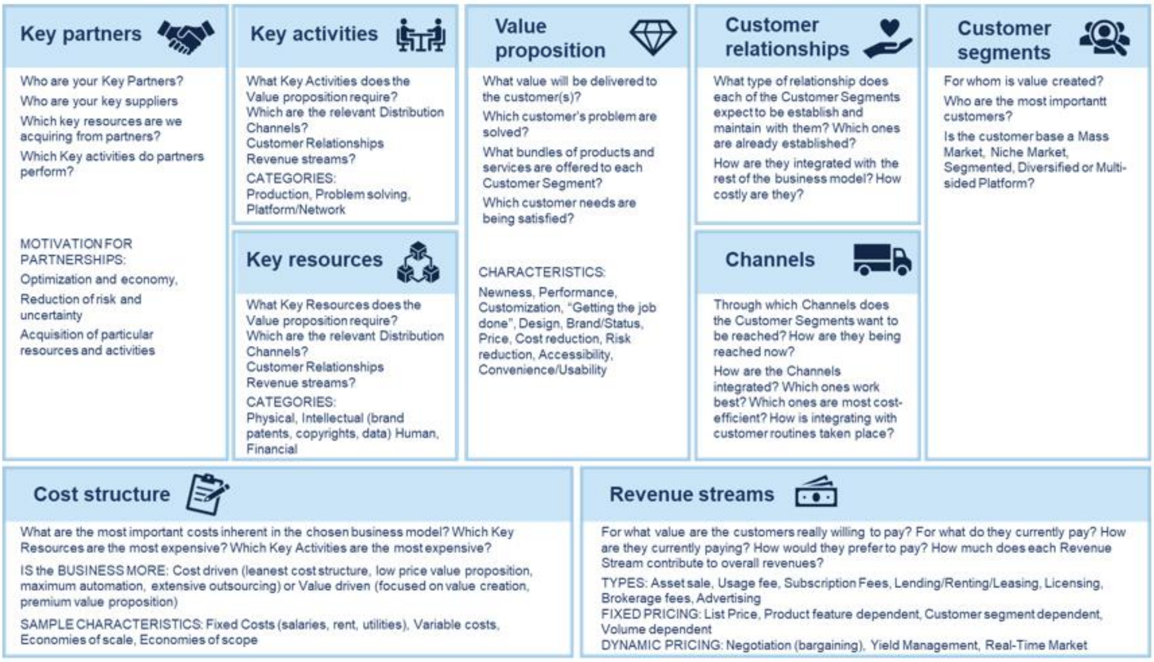


*Figure 8: Business Model Canvas*

In this way, you would be able to assess if it is realistic to tailor your business case to fit with your local preconditions.

If you wish to replicate one of the DEMOs or parts of it from the GO-GRASS project, a good starting point is also to go through the first draft of specific key preconditions which are needed when considering implementing and replicating them attached in Annex 1.


*Figure 9: The four GO-GRASS DEMOs*

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## 3.2. Value chain[3] and supply chain[4]

The value chain related to production shall describe the processes seen as a system, made up of subsystems each with inputs, transformation processes, related partners and outputs, which result in a valuable product or service for the market (see figure below).

*[3]The term value chain is a description of all the steps taken in the company's production process to deliver a product or service to the market.*

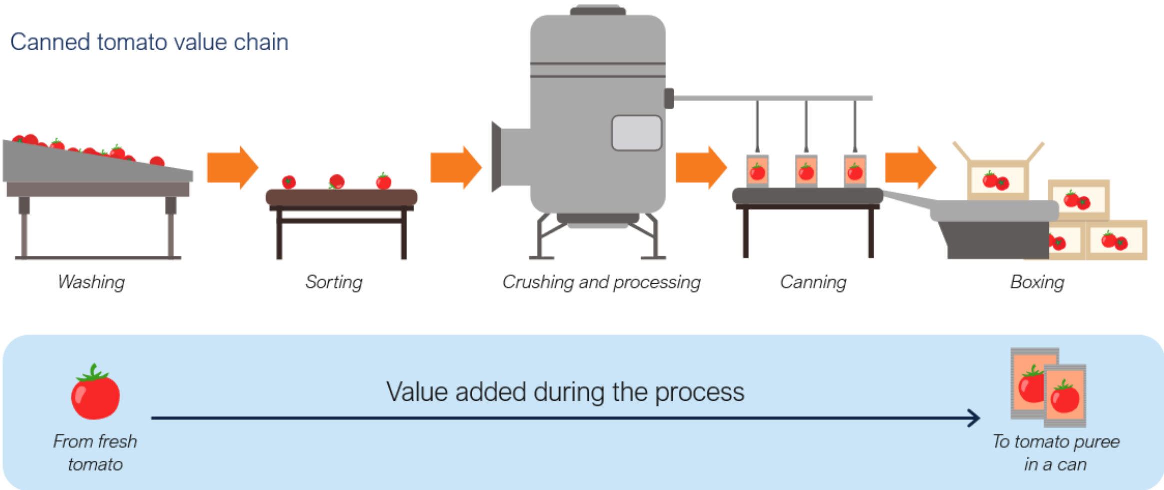


*Figure 10: Value chain example (authors' own elaboration)*

The business plan shall describe how your product/service is "produced", and which eventual partners/companies in the value /supply chain are involved.

It shall describe your company's position in the supply chain, and how and why there is a place for your product/service in an existing supply chain. But it may also describe how to disrupt an existing supply chain and create a new fully or partially controlled business for your company or technology.

If there is a specific supply chain for a particular market, your company's position in this supply chain should be described.

*[4]A supply chain is a term used to describe how a company relates to other companies/entities in the process of converting "upstream products/raw material" to "downstream final products" and all the way to delivering it to the customers.*

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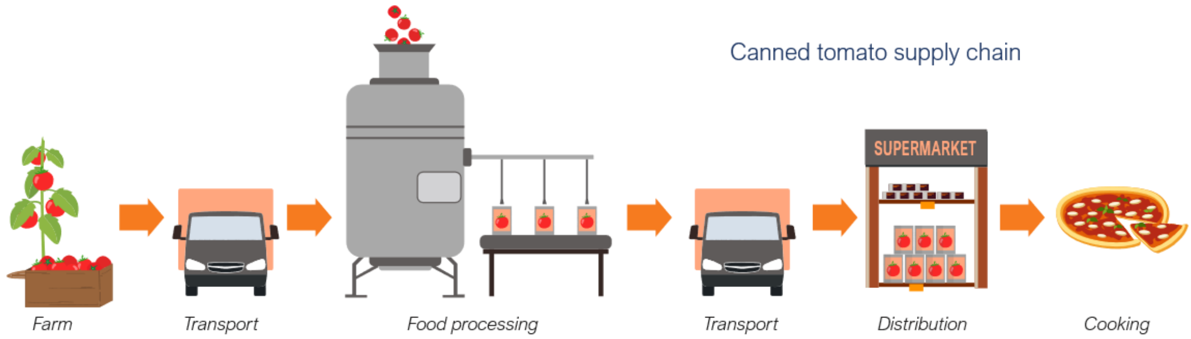


*Figure 11: Supply chain example (authors' own elaboration)*

For instance, in the "old days," the farmer brought his products to the local market, had full control of both the value chain and supply chain. Over time, as farm production capacity increased, new value and supply chains developed consisting of "middle-men" providing, seed and raw material, transport, processing, storage services. In many cases, they also took control of the delivery and sales to the end-consumers.

Today the internet, online payment, point-to-point delivery services have the potential to allow primary product producers to re-capture the direct communication with end-consumers. This may then disrupt existing supply chains and create business opportunities for a new company that can control the entire supply chain, including online payment and delivery services.

The business plan shall explain how your company's products/services fit into new or existing value and supply chains, but it shall also describe your relation both to suppliers and your customers.

The exploitation of business opportunities related to disruption of existing value and supply chains or the creation of new ones has led to the creation of many successful companies, new products, and new technologies. Companies like Amazon, Ryanair, IKEA, and streaming services like Netflix are recent examples of companies that have disrupted existing value and supply chains and created new ones.

If a supply chain is disrupted, and the business of your key customers is eliminated – your business could also quickly become history, unless you can quickly change your business strategy and customer focus. The COVID-19 pandemic 2020/21 has illustrated, on an impressive scale, how today's integrated value and supply chains, e.g., the travel and tourism industry, can have cascade effects on economic activity even in regions with no COVID-19 infections. Also, the fragile dependencies of efficient supply chains were visually illustrated in 2021 by the large containership blocking the Suez Canal in Egypt for a period of 6 days pilling on the pressure for global supply chains.

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*Figure 12: Global supply chains became blocked on the Suez Canal*

New technology is often a major factor behind disruptive changes in value and supply chains and business behaviour. A few years ago, high-cost industrialized countries moved standard production processes to low-cost countries. This move created a series of new supply chains and "middle-men" business opportunities. Today, robot technology for standard production processes has started a trend to bring back basic production. This trend has been enforced recently because of the COVID-19 situation and the Suez Canal related disruption in key supply chains. This development eliminates a lot of newly created business opportunities, but also creates opportunities for new services for the so-called "Factories of the Future"[5]. Climate concerns and electric vehicles will also disrupt consolidated production, supply, and value chains for the automotive industry. The increased focus of recycling and exploitation of e.g., waste and wastewater are creating new supply and value chains and is disrupting others.

*[5]The term Factory of the Future is a vision for how manufacturers should enhance production by making improvements in three dimensions: plant structure, plant digitalization and plant processes.*

## 3.3. Sales and marketing strategy

Sales and marketing are separate but interrelated activities. Their common goal is to sell the company's product/services. Marketing aims at creating interest in the product/service while it is sales that generated the final purchase decision. In principle it is very simple: It is about communicating the value of a product, service or brand to customers or consumers to promote or sell that product, service, or brand.

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Marketing has two key elements, which shall be based on a full understanding of customer needs and customer profiles: “Awareness creation” is the marketing element. It is closely connected to the sales process which can take many forms from direct visits to the customer by your own salesperson to selling through partners or agents, or selling via product displays in shops, or relying on pure “internet sales”. In some businesses “word of mouth” is enough to get the business going, in other businesses it requires hard direct sales effort. Your business strategy shall secure that the necessary “Awareness creation” will be carried out, but also how the actual sales process is foreseen to take place. Eventually, required variation in the sales and marketing strategy from market to market shall also be taken care of (see Figure 13 below).

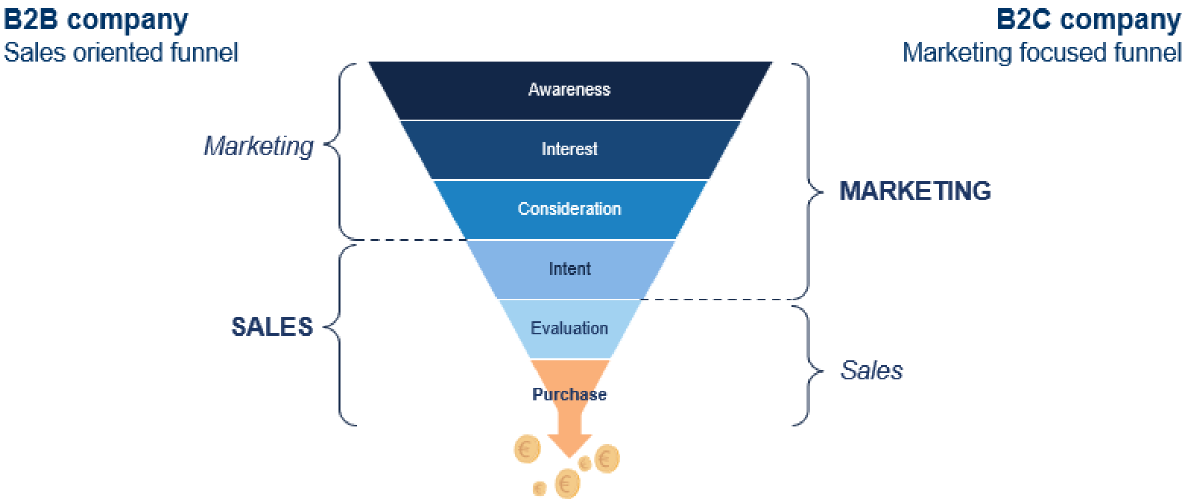


*Figure 13: B2B & B2C Sales and Marketing funnel*

In reality, Sales and Marketing principles are rather simple. It is all about communicating the value of a product, service or brand to the right customers or consumers to promote or sell the product, service or brand.

The oldest and perhaps the simplest and most natural form of marketing is word of mouth (WOM) marketing, in which consumers convey positive experiences about a product, service or brand to other potential customers in their day-to-day communications. Nowadays, the Internet provides a platform for mass, electronic WOM marketing (e-WOM), where customers are actively engaged in rating and commenting on goods and services.

## 3.4. Customer relationship[6]

Customer relationship building is very important to grow a successful business as your business success depends entirely on the customers you serve.

> *[6]Customer relations refers to the process used by businesses to engage with customers and foster long-term relationships with them.*

In most businesses, good customer relations need to be developed and maintained. Often the business success depends on repeat sales,

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and therefore an important element in the sales and marketing strategy is to develop, maintain and continue good customer relations.

Customer relationships may be built via customer "profiling" as done by online platforms like Amazon and many others. A customer loyalty program is also a way to get to know your customers' purchase patterns. But neither "profiling" nor "royalty programs" necessarily build **good customer relationships.**

It should be a top management priority to develop and continue good customer relationships, as the cost of capturing a new customer is much higher than the cost of "keeping happy customers". This priority needs to be fully understood in the entire organization.

Below are a few ways you can do to create and maintain a good customer relationship.

- Treat your customers genuinely
- Be a good listener
- Try and build trust and deliver what you promise
- Always be positive and say "thank you".

Building good customer relations is essential both for B2C and B2B businesses. Service-minded salespeople in a retail shop can create repeat customers – even if the prices are higher than prices in competitors' shops. In the B2B segment punctual delivery, transparent prices and flexible accounting departments can create repeat customers, while the opposite can scare them away, even if you offer the best price.

It is important not only that the business plan shall reflect, but also all management decisions shall secure that all staff members, including staff with the most remote customer contact (this includes complaints and accounting departments), shall understand that, loyal customers come out of personalized interactions, and that your company is ready to invest in building strong customer relationships.

Customers can easily be lost to competitors, who are all too eager to poach dissatisfied customers, who will abandon a vendor at the drop of a hat. It should therefore be clear from the business plan how retaining customers has a focus in your marketing plan.

If customer relationships are handled the right way, you can not only keep your customers but also encourage them to come back more frequently or make larger purchases. It should therefore be clear how you will employ customer relationship management (CRM) tools and keep track of how many customers return to you and why. It is also important to understand how to entice current customers to stay with you and become interested in trying new product offerings or services or expand on their relationship with more complex purchases.

Both the choice of sales channels, the business model and the financial part of a business plan shall reflect the company's customer relationship strategy. It can be a separate section of the business plan, or it can be interwoven in the text about the business model, sales channels or marketing strategy.

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## 3.5. Key Partners

Key Partners are the relationships that the company has with other businesses, governmental, or non-consumer entities that help to make the business idea come true. The Key Partners can also be the relationships that your company has with your suppliers, your manufacturers and other business partners.

Key-Partners can represent entities both "upstream" and "downstream" in the value or supply chain (see the value and supply chain) but Key Partners can also be entities or persons completely outside the traditional business environment, e.g. research institutions and universities.

Good relations with Key Partners can be essential for the success of a business and for building trust around the company. Some Key Partners might directly or indirectly represent an endorsement of your technology, your solutions or create general trust in your business venture.

Key Partnerships are also a network of suppliers and partners that make the business model work. Companies can forge partnerships to optimize their business models, reduce risk, and/or acquire resources.

The most common partners/partnerships are:

1. **Strategic alliances between non-competitors**

The purpose can be product/process optimization and economy of scale. The objective is the best allocation of resources and activities. Since a company rarely owns all the resources needed to perform every activity by itself, it can enter partnerships with companies and or research institutions that can supply the service at optimal cost like in the following examples:

- E.g. access to laboratories at universities and research institutions,
- access to facilities at neighbouring companies/businesses operating in a different business sector.
- Sharing of expensive facilities/equipment with other companies.

2. **Competition: strategic partnerships between competitors**

In this case, the purpose is to reduce cost, risk and uncertainty. Partnerships can reduce risk and an uncertain environment. Competitors often form a strategic alliance in one area, while competing in another.

- Blu-Ray, for example, is an optical disc storage format jointly developed by a group of the world's leading consumer electronics personal computer and media manufacturers. (Sony, JVC, TDK). They cooperated to bring the Blu-Ray technology to the market (they were later joined by Toshiba), but the individual members compete in selling their own Blu-Ray products.

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- The Bluetooth standard was developed in the '90s jointly by fierce competitors, among other Ericsson Mobile (S), IBM (US), Intel (US).
- Container standardization evolved in the 60's/70's out of a series of compromises among international competing shipping companies to reduce cost and increase cargo handling efficiency. As of now approximately 90% of non-bulk cargo worldwide is moved by containers stacked on transport ships.

3. **Joint ventures to develop new businesses**

The purpose is the acquisition of particular resources and activities. Companies can extend their own capabilities by relying on other firms to furnish particular resources or perform certain activities. Resources may include knowledge, licences or access to customers. E.g. a mobile phone manufacturer may license an operating system for its equipment rather than developing one in-house.

4. **Buyer-supplier relationships to assure reliable supplies**

Companies can cooperate in sourcing raw-material to reach critical purchase power on the international market while competing with their individual end-products or processes.

## 3.6. Key learnings

A good and well-thought business model will lift your business plan and increase your business success. You also need to understand the difference between a value chain and a supply chain and their interlinkage. Sales and marketing strategy cannot be accomplished without good customer and partners relationships.

**At the end of the chapter, you should be able to discuss the following questions and topics with your business advisor:**

- *What a business model is and what to consider when deciding on it*
- *What a value chain and a supply chain is and the link between them; try to draw your own value or supply chain for your business*
- *How the sales and marketing strategies, even though separate, have interrelated activities.*
- *The importance of customer relationships and how to build one with your customers*
- *Partnerships, partnership types and their advantages and what to consider for your future business*

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# 4. Customers, customer needs and market


The second pillar of building a successful business plan touches upon the Customer, Customer needs and Markets. It is essential to any business to identify their customers, their interests, needs and the value you are providing. The best way to get accurate information for your business is to get in contact with potential customers or users and do a throughout customer analysis. You probably looked at target groups and outlined some potential customer groups. However, a business cannot be based on your anticipation. An in-depth analysis is needed to validate if your product/service is fulfilling the user/customer needs and/or is creating the expected value.

Through correct and detailed market research you will be able to uncover vital information about:

- Customer/users and their perception/expectation of your product/service
- The different factors of the buying decision: outline “needs” and “wants”
- Pricing point and sales figures within the market for your particular product
- Direct and indirect competition
- Positioning your product on the market

## 4.1. Customers & user problems & value created

The identification of the problem is not enough – it has to be felt, experienced and faced by real persons. Only the customers know (or at least think he knows) what are their needs. It is their perception (not yours) of the value created, which determines the purchase decision. A 2019 CB Insights study examining more than 300 Startups showed that 42% of them dies because the product they work on has no market need or they are trying to create value that is not perceived as one by the target group.

### Defining your customers and users

As a first step, it is important to identify if there is a difference between customers and users of your product/service. Customers pay you – users do not necessarily. This does not mean that customers are more important than users, but they might have different needs, wants, problems and perceptions of value so you will need to analyse them both. There are several tools available to define your customers and/or users and identify the problem and unmet need your solution is trying to solve for them. One of the most widely used tools is segmentation. Defining customer segments allows for better targeting based on traits, behaviours, so a more customer-centric approach can be used to understand their demand, problems and context (Gillespie, 2020). Within the segmented groups, you can use more specific approaches like archetype building or personal development to define the needs, wants, values and preferences of different customer/user types. Once you defined your target groups, it is time to validate the assumptions and get in contact with potential customers.

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**Value creation**

Market research - besides defining customer and user problems - focuses also on value creation. The more value is perceived by the customer/user compared to its cost, the more likely it is for them to adopt the product in their lives. It is not an easy job to define value as it is not a constant factor and could vary between users/customers. In general, the majority of the products around the customers compete based on budget, but not all value is perceived to be financial (Doyle, 2000). If the price is right, some customers can accept less than 100% product stability or reliability, while for other products or solutions anything below 99% will be rejected. There are various trade-offs when it comes to functional value perception as well. Even when talking about high-quality products, quality requirements can fluctuate massively. an example, quality requirements for satellites components are very different from aircraft components. The reason behind it is that the latter comes down for repair and maintenance. Market research and customer analysis can help you uncover the perception of value, the potential trade-offs and allow you to implement that knowledge into future development processes and market entry.

## 4.2. Concept, product, and market test

New products or services have to be tested by users/customers under real-life conditions. If no product or market tests have been completed, the business plan shall describe not only how this uncertainty will be removed, but also outline contingency plans if you experience surprises. Testing is a powerful way to validate your product/service under real-life conditions and see how is it fulfilling the users or customer's needs and/or is creating the expected value.

Concept, product and market testing are not the same and the difference is important to note.

**Concept testing**[7]

By doing in-depth market research, customer and user groups, their problems and perceived value can be outlined. However, they are based on assumptions and desktop research and need to be validated by real customers and users. The focus should be on evaluating the customers/users expectations related to the product and their willingness to adopt it in their lives (Sapozhnykov 2018). Concept testing is often overlooked, but it is a relatively easy way to get feedback on your idea and development in the early stages and guide you towards the most optimal product concept that has the highest probability of market acceptance when launched.

*[7]Concept testing is assessing the very idea of a product, its purpose, whether it really is necessary and how it meets the needs of people.*

**Product testing**[8]

This feedback is then circulated back to the development process to improve and refine the product/service. If you have never tried to bring a new product or service to the market, you may be surprised how actual users in practice will use your new product or service. It may be very different from the way you had foreseen or expected the users to do it. Ease of use can be a

*[8]Testing the product or service you offer in a real-life environment means observing the performance by gaining feedback from users.*

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determining purchase factor – which needs to be tested with real users. For many companies, a first user test is a surprising event, which leads to substantial changes or adaptation in the product or solution.

**Example: Food processing robot experience**

*When we (G2G) tested a new food processing robot at a pork-meat processing plant, it worked well during the first shifts, but the next day it often stopped unexpectedly. After visiting the plant during processing hours, we were surprised to see how the cleaning team performed "robot cleaning". The cleaning team at this pork-meat processing plant opened all hatches before cleaning the food robot inside with a high-pressure water hose. We had not thought of putting code locks on all the small hatches on a food robot until we saw the cleaning team at work.*

### Market testing[9]

Successful market testing means using various methods to create a conclusive analysis of whether or not a product launch will be successful (Sapozhnykov, 2018). It is usually used as the second step after product testing and is considered to be the final measure of customer acceptance. Some of the most common factors are close feedback, online market testing, small-scale testing, or competitive analysis. The market test shall also show your new product/service standing against competing solutions. The testing creates credibility behind the sales assumption in the business plan and also provides valuable feedback as to how much better it is compared to existing and potential future competing solutions.

*[9]Market testing allows you to test multiple scenarios and select the one that is most promising for market expansion.*

## 4.3. Market size and type

For some products (olive oil, coffee, or other standard goods, so-called commodities) the balance between supply and demand is reflected through a price that is applicable for the world market. For other products and services, there is no world market, as the approachable market is always segmented.

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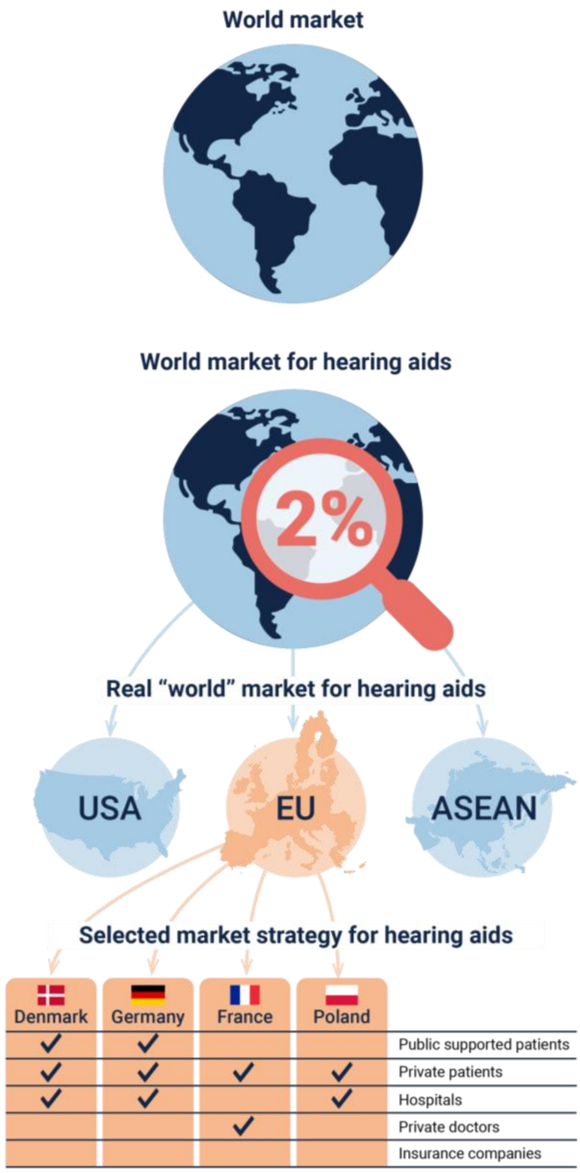


*Figure 14: The real 2% of the world market- own model*

When creating a business, consider which of the market segments your product or service is targeting, understand the individual market conditions, competing solutions and the characteristics of the customers and their needs.
The segmentation can be regional or national, but geography or market type also varies.

Many entrepreneurs dream of getting rich by servicing "only" 2% of the world market. However, this dream is unrealistic, as in practice it means selling to 2% of each of the many individual market segments.

The potential large world market demand for a product is the sum of all the small market segments, each with its individual characteristics. In other words, to get "only" 2% of a large market means to get 2% of each of the many different market segments in this large market. Even if the user demand in a market segment is large, the purchasing power of the individual customers in this market segment might be small.

If you are a newcomer to the business, start approaching markets where you know and understand the customers, their needs and your competitors. After having got a foothold with the first market/customer segment, then you can expand your activities to more markets addressing more parts of the world market.

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*Figure 15: A stepwise market approach towards world market is wise- own model*

### Sales channels[10]

Very few businesses can supply all their customers through direct sales, most businesses need to develop special sales channels for each market and market segment. Therefore, if you are writing a business plan it needs to include a description of the domestic and eventual international sales channels which are going to be used to get customers to buy your product and or services. A description of how your products or service will be delivered to the customers or users (if different) is also needed. Over time the choice of sales channels may also change. It may then later, when the opportunity opens, invite third-party partners to take over responsibility for both sales and marketing – or only sales.

*[10]Describe specific sales channels for each of the markets you are (planning on) selling. Justify why the specific sales channels have been chosen.*

## 4.4. Key learnings

In this chapter, the basis of identifying your potential customers and users and their problems have been discussed in the first place. Then, the definition and importance of the concept, product and market testing have been cleared. The last topic mentioned was requirements and consideration around target market type and size and developing sales channels for your product or service.

**At the end of the chapter, you should be able to discuss the following questions and topics with your business advisor:**

- *Your defined customer and user group (if they are not the same)*
- *Describe the problems and needs of your target customers and/or users*
- *How does your product/service create value for your target groups?*
- *How and when was the product/service tested with customers/users under real-life conditions? What did you learn?*
- *If no testing was conducted, when and how are you planning it?*

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- *What is your contingency plan, if feedback leads to a need for product/service adaptation/change?*
- *Describe the targeted market segments, their conditions, the characteristics of the customers and their numbers*
- *What are the national and international sales channels to be used?*

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# 5. Product, competition, production and key resources


The third pillar of building a successful business plan focuses on product, competition production and key resources. As discussed previously, when designing a product or service you need to think about how it will create value for the customer and the price you can charge for it; how will you cover your cost of production and the cost of delivering your product or service to your customer. Production of goods and services requires both short-term and long-term planning regards to production facilities, access to raw materials and other resources (Supply chain analysis). The resources need to make the product or provide the intended services may be provided by yourself or need to be provided by others. Eventual dependency/relationship to suppliers and/or partners shall be evaluated.

**Danish Case story:**
*40 years back, burning the harvest residual (straw) on the fields was banned, resulting in tons of excess straw. The farmers were willing to pay to get rid of it. Local heating plants saw the opportunity of this excess material and instead of heating with oil, they started to use the straws – and they even got paid to use it! A few years later large waste treatment plants also started to use straws as by-fuel which were willing to pay for the straw. The local source of cheap straw disappeared for the small district heating plants – and the heating bills soared.*
**Lessons learned: Dependency on local cheap sources might be a risky business strategy.**

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## 5.1. Product, Service or Solution

Your business plan needs an easy-to-understand description of your product, service or solution, how it works, and for which purpose it is going to be used – and by whom. Keep in mind, that the level of needed technical details also depends on the background knowledge of the intended reader of the business plan. The readers might not have the same technical knowledge as you have, so you have to describe even complicated matters clearly enough for them to understand the main concept of your product.

**The following ideas can help structure your product description:**

- How is it going to be used in practice?
- How and why does it create value for the customer and/or user?
- Does it require special training or competencies to use/benefit from it?
- What are the tangible attributes or other special characteristics of your solution?
- Why is this product useful or better than the competition?

Describing the tangible attributes of your solution will help the reader to get an impression of size, weight or the overall look and feel of your product. E.g., a power converter can have the size of a building or can be a small converter inside your mobile devices. A battery can be a large lithium battery for cars, but the same term is used for the battery for your pocket lamp or mobile phone. A medical scanner can be the small units at a doctor's office, but also the large MR scanners at hospitals, which fill an entire room.

There are areas, where you can rely on common knowledge and can skip explaining how the product works. A new type of smartphone is a good example of that, as this type of technology has been involved in our lives for years now and people know how it works. However, you need to explain how your solution differs from competing solutions/smartphones. It could be e.g. weight, battery lifetime, camera quality, water or shockproof.

## 5.2. Competitors evaluated

In all businesses, it is important on an ongoing basis to compare your own existing and planned product(s) or service(s) with competitors' products and services. This is even more important when starting a new business or entering new markets. Competitor analysis[11] is a key element in any business strategy and business plan.

*[11]A competitor analysis is used to determine your competitors' strengths and weaknesses in relation to your own and identify market gaps.*

To identify and describe the real competition you first need to identify which market segment is addressed and who are the users and the customers. If the users are different from the customers, it should be easy to understand why and how the user value is created to justify the customers' cost. For example, Farming equipment may be bought by a cooperative, but used by the individual farmer compared to a new x-ray machine will be used by doctors and radiologists, but the purchasing decision lies with the hospital management.

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It is easy to forget that often the biggest competitor is that customers chose to continue to do as before. The next step in the analysis of competition is to compare different product features and customer/end-user preferences and compare it with your product/service – and do not forget to include a business model comparison.

Remember that competition does not only come from competing products, but it may also come from different ways to achieve the same results/benefits/value as your products/services intended to provide. Your competitor analysis should not only rely on similar products or solutions (direct competition) but should consider all types of products or business models trying to solve the same problem (in-direct or alternative competition). As an example, the problem of transportation can be solved by using your own car, renting one or using public transportation. Considering all possibilities intended to solve the problem will give you a better overview of your actual competitors. An entirely new business model can also be a serious competition, even if the competing product might be old and with inferior functionality.

**Example: Airline industry post corona**

*Large international airlines are facing unexpected competition from your familiar office chair. The business travellers have, during the corona lockdown, experienced that many meetings work well online. This is resulting in a dramatic drop in business travels. These customers have not migrated to traditional competitors like the low-cost airlines e.g., Ryanair or Easy Jet - they have migrated to their own office chair and computer. Hence, an in-direct competitor to a business class seat at e.g., SAS or Lufthansa is to stay home and do business online.*

The business plan shall also provide a good description of competition for all the relevant market segments where you plan to conduct business activities. All markets are dynamic with changes in the competitive landscape and customer/user behaviour and needs. Hence the competitor analysis has to be conducted at regular intervals.

**The competition analysis needs to include:**

- A description of end-user problems being solved by potential competing solutions.
- A description of the value it brings to the end-user and/or the customer
- Who are the competitors and how does your product or service compare to their products/services, their price and their business models?
- A description of how competitors might react to a new product/service being brought into the market.
- Comparison of competitors financial strength and local regional network compared to yours.

## 5.3. Technology & Quality

The description of the technical aspects of your product or service (how it works) is often best done in a two-level approach. The before-mentioned easy-to-understand description should not dig into details about the technical aspect of your product. Use a technical annexe to describe the core technology elements of your product/service if needed, including

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documentation of performance or testing results. However, even in this more detailed technical description, you should maintain a clear message that a non-specialist can understand.

By reading the technical description, the reader should understand not only how and why it works but also how the product and service on technical and functionality levels differs from competing solutions. The description shall include under which conditions the product and/or service has been tested, and a description of the outcome of such tests. If real-life tests (with actual potential customers) have not been performed, the business plan shall include relevant test activities, and budget reserves shall be available to cover the cost of product adaptation or eventual delays if changes in the product/service are needed following the tests. For some products, different types of formal testing may be required before a product can get the certificate allowing it to be launched into the markets.

It is also worth considering if a description of the technology platform your product is built on should be described. If you are building products using another type of raw materials or method than the market standard, the market may need to be convinced and have proof that this new technology works. This could either be real-life working cases or validation performed by independent research institutes or universities.

**Example: Drying of by-products from industrial products to be used as animal feed.**
*A European company makes industrial dryers based on using steam and pressure to dry the by-products of an industrial process. They wanted to move into another industry, where dryers based on burning gas was the standard. However, despite their technology being superior and able to reduce the cost of drying by 90%, they were struggling to enter the market. The reason was that a competitor had tried to enter the market some years previously and had failed to implement their dryer at an industrial plant, causing millions of tons of by-products to be discarded. As such the market did not trust this new technology.*
***Lessons learned:*** *A superior product does not necessarily mean success, the market you are entering will rarely be simple and interests beyond your own are at play.*

Quality, longevity, and reliability is not well-defined criterium, and are very dependent on potential use. One size or one criterium does not fit all requirements. If the price is right some customers can accept less stability or reliability, while for other products anything less than perfect will be rejected irrespective of cheap price.

The technical description could be structured along the lines below:

- What is special about your product/service from a technical/quality point of view? (Add illustration to better explain your solution)
- Why is it different from competing products or solutions?
- Describe size and functionality
- Highlight documented (real-life testing) features (related to e.g., quality, sensitivity, longevity, robustness, and reliability)

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## 5.4. Production, resources, and facilities

To start a business, you need to have a good overview of the production facilities and other resources needed to make the product or provide the intended services. You need to understand the dependency/relationship with suppliers and/or partners and the short-term and long-term access to raw-material and supporting sources (supply chain).

In your business, a description of how you are going to produce your product or service is needed including the type of facilities and resources. The best practice usually is to work on your supply chain analysis to describe how is your product/service produced, your company's position and the partners/suppliers are involved. Address if you need any financial or availability requirements needed to get access to facilities, may it be renting, leasing, or buying.

### Growth and scale-up

If the business strategy foresees a growth or scale-up in production, you shall develop a clear strategy for securing facilities and resources to realize the planned scale-up. You have to decide where production will take place in the short run and from a longer-term perspective and secure that you have access to all the relevant resources. You shall think about how your production facilities will become adapted to an increase in production. In many business cases, it is just assumed that the cost per unit decreases in connection to up-scaled production. But your strategy shall also include a detailed explanation of both how and why the assumed decrease will take place.

The business strategy shall also address relevant financial or economic aspects connected to production. It shall describe if third parties are partly or fully responsible for production, or if all production is carried out as an "in-house operation". You shall understand if the required production facilities/equipment is going to be bought or leased.

Lastly, in your business strategy, you shall include relevant management resources connected to security and quality control.

## 5.5. Key resources[12]

The business strategy shall cover a good overview of the key resources needed to realize your business objectives. Without access to the needed key resources, there is no business. Key resources are in this context not monetary resources but can be staff with special competencies and/or associated cost. It can also be machinery, buildings, or raw material. Some key resources have a market price (which can be negative, e.g., biowaste can be the raw material for certain biological processes, but the biowaste producer may pay for delivering it to the biowaste station). Other key resources can be sourced internally, others are limited in supply or may be restricted by quotas. Key resources can also be immaterial, e.g., access rights or a license. The analysis of key resources shall include an overview of availability, the cost and potential issues, or constraints with or without control of the company.

*[12] Key resources are all the resources that are needed to realize the intention behind the business idea.*

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An idea to structure the analysis could be as the list below:

*Table 1: Key resources analysis*

| Key resource | In place | To be recruited | To be obtained | Free access |
|---|---|---|---|---|
| Staff | ✓ | | | |
| Competencies | ✓ | | | |
| Access to rights | | | ✓ | |
| Machinery | | | | ✓ |
| Buildings | ✓ | | | |
| Raw material | | | ✓ | |
| Other | | | | |

**Availability and accessibility of key resources**

The success of a business requires that access to key resources is available in the foreseen amount and at assumed cost. Changes in access to key resources can be as important for the success of a business as threats from competing solutions, funding constraints or market traditions. Therefore, the business strategy should be based on realistic assumptions about the availability and accessibility of key resources. It is also important that the strategy include contingency plans for situations if/when assumed pre-conditions for access to key resources change. The analysis is similar to analysing the competitor situation.
The coronavirus epidemy illustrated in a dramatic way how most businesses are integrated into multiple national and international supply chains and are dependent on access to key resources. It showed that limitation in access to key resources can threaten the survival of numerous businesses. Even if your business is purely a B2B supplier to hotels, restaurants, or shopping malls, if tourists or private households stop staying at hotels or going to restaurants or shopping malls, your business will still stop.

Normally a business strategy cannot include contingency plans for a situation like the coronavirus epidemy or the hundred years cyclone but shall include contingency plans for small to moderate supply/value-chain interruptions or shake-ups in access to a key resource.

## 5.6. Key learnings

An easy-to-understand product description can ensure that people know the use and value of your solution. A technical description of your product shows that the necessary knowledge is within the company. The chapter focuses on the importance of knowing your production process and the key resources needed to produce the intended product/service both in the short- and long-term perspective.

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**At the end of the chapter, you should be able to discuss the following questions and topics with your business advisor:**

- *An easy-to-understand and a more detailed technical description of your solution*
- *Compare your product(s) or service(s) with competitors' products and services*
- *Summarise why customers will prefer your products/services*
- *Highlight what is special about your product/service from a technical point of view*
- *Summarise tested and documented features*
- *How are you going to produce your product/service?*
- *How will your production facilities become adapted to increase production in the short-term and the long term?*
- *Make a comprehensive overview of key resources*

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# 6. Management capabilities


The fourth pillar of building a successful business has its main focus on Management or "Make it all work". There is a saying among business angels and Venture Capital investors that *"rather invest in a strong management team with a weak business case, than invest in a strong business case with a weak management team"*. This reflects widespread experiences that it is the management team's experiences and qualifications that are key to secure business success.

The balance between needed human and professional skills and experience in the "ideal" team varies and the weight and required importance of different skills and qualifications vary throughout the lifetime of the company. Gate2Growth's informal cross-industry and cross European survey of a number of successful young companies indicate that the common denominator behind businesses success was the driving force, entrepreneurial spirit of the entrepreneur or the management team's dedicated effort. In the initial phase of company development, responsibilities for functions like finance, administration and HR can be outsourced. Also, resources and skills related to production and sales can be brought in from third parties. In other words, there is no "standard management team profile", but the skills and experiences of the management teams shall match the requirements of the challenges facing the specific business.

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It is difficult to identify the presence of those different skills from standard CV's, which are often very static descriptions of skills, and where the personality profile is often well hidden. Hence in the recruiting process of the management team, it is important not only to talk to potential candidates but also to talk to reliable references, who know about the business you are in and your own strength and weaknesses.

To a greater or lesser degree, the following type of skills and experiences are relevant for most companies (Daizes, 1979):


*Figure 16: Skills and experiences to be present in the team*

## 6.1. Organization & staff

The size and structure of your organization should be aligned with the different tasks to be carried out to realize the planned business operations and meet business objectives. If you need to explain the organization to potential investors, partners, or new staff members, it is often relevant also to explain current ownership distribution. Creating a similar illustration as below (Figure 17) might be helpful for others to understand the ownership structure.

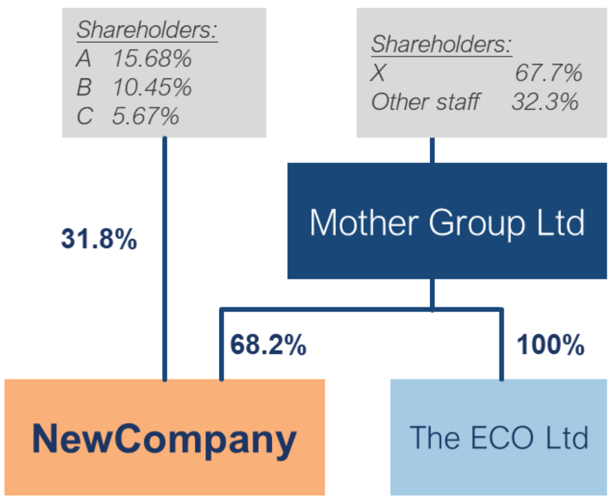


*Figure 17: Current ownership structure of NewCompany*

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A description of the organization and the strategy of how the organization is going to develop is needed. This overview shall include staff already recruited, eventual plans for more recruitments, and the required professional profiles of new recruits. You also need to consider how easy/difficult it may be to recruit relevant key staff members with the right experiences and competencies now and over time.


*Figure 18: NewCompany organizational structure*

To structure your description of the organization it might be helpful to describe/consider:

- The current organizational structure of the company
- Why will the planned organization structure support business development?
- A clear overview of which positions are filled in, and which needs to be filled in.

A great help to get an overview of the organization and responsibility/reporting lines is to draw an organigram how the current and future organization will be. Illustrations of a fictive organization like the one on the left (Figure 18) might help.

## 6.2. Intellectual property rights (IPR)

Almost all businesses need a strategy for handling Intellectual property rights (IPR). This is important, whether your company has IPR to protect or not. The many types of IPR represent both opportunities and risks as your product or service may also be violating other people or companies IPR.  IPR comes in many ways:

| Legal right | What for? | How? |
|---|---|---|
| PATENTS | New inventions | Application and examination |
| COPYRIGHT | Original/creative or artistic forms | It exists automatically |
| TRADEMARKS | Distinctive identification of products /services | Use and/or registration |
| REGISTERED DESIGNS | External appearance | Registration |
| TRADE SECRETS | Valuable information not know to the public | Reasonable effort to keep it secret |

*Figure 19: Types of IPR*

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### Freedom to operate[13]

It is always wise to protect your own IPR and avoid potential conflicts with third parties IPR. Therefore, it is wise (and sometimes required) to conduct a Freedom to Operate (FTO) analysis which provides an overview of all patents and other types of registered IPR, that may have any relation to your products/services and the business activity of your company.

*[13]A Freedom to operate analysis addresses the risk associated with being blocked from market by a third party.*

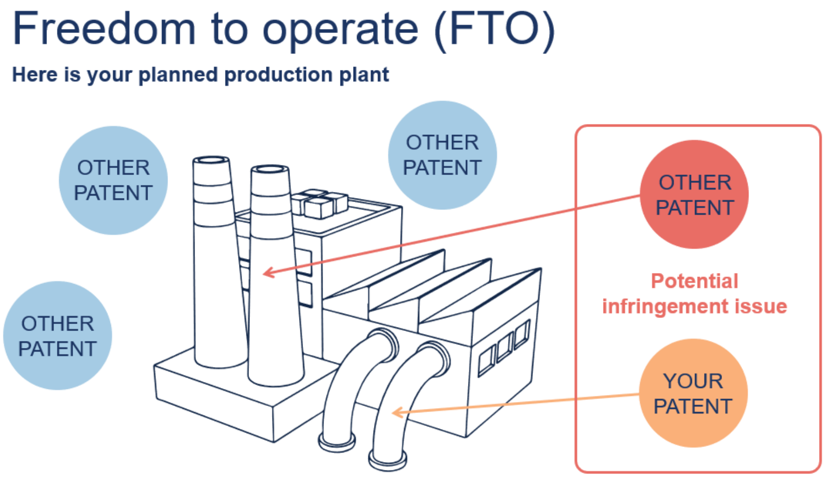


*Figure 20: Need for Freedom to operate analysis*

It can be an expensive experience if a company is forced to alter production processes, products or its logo or design because it violates a third party IPR. It is easier and cheaper to do an FTO analysis than facing the risk of being prohibited when the business finally begins to grow and a competitor finds that your business, your processes or product(s) are violating their IP.

### The importance of registering IP

Registered IPR can be crucial for the successful business exploitation of new ideas, products, and solutions. SMEs can use IPR to protect themselves from the competition, but a strong IPR can also make a licensing strategy towards larger corporations possible. Both small and large companies use IPR to secure and protect the benefits of their investments. If you want to defend your IP it needs to be registered.

Figure 21 shows a brief overview of what can and cannot be patented:

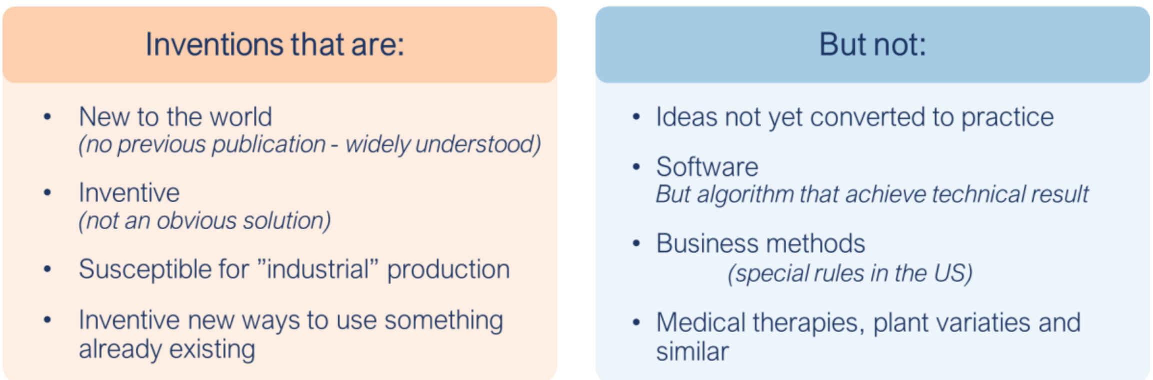


*Figure 21: A brief overview of patentable matters*

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If you do not have any IP protection for your product(s) or service(s), other competitors can freely copy. It is cheaper to copy than to develop, as the cost of research and product development is not present

### Licensing

The owner of IPR can transfer the right to use the IPR to another party, i.e. to grant a license. Licensing can be an integrated part of a business strategy. The conditions under which the license is granted are open for negotiation and depend on both parties' mutual interests and strengths. IP protection can also be used to enforce public ownership of intellectual property. For example, open-source software developers rely on intellectual property protection (copyright) to ensure that others that choose to build upon their work, adhere to certain terms, e.g., "free to use".

### The cost of IP protection

If a registered IP is used to attract funding, the invention and associated IPR must have the potential to generate an income justifying the cost connected to the IP protection and policing. Ideally, the IP should be robust and easy to defend. When you talk with partners or investors you shall be able to describe the IP strategy, and justify the allocation of resources to obtain, police and defend the IPR. Patenting "just because the technology can be patented" might not justify the cost.

The good thing about the IPR process is that it provides an insight into the world of technology and business in which the company is operating, and you will receive an overview of third parties IPR protection. To conclude, not only the company's IP position shall be clearly described in your business strategy, but it shall specifically support the company's business strategy and justify the cost and resources connected to get the IP, police it and protect it.

## 6.3. Risk and Risk mitigation

It is important to get a comprehensive overview of potential risks or uncertainties connected to realizing your chosen business strategy and consider mitigating actions. The assessment has to be done at regular intervals to assess the level of risk/uncertainties which is connected to e.g., technology and production, key resources, staff, business model, competitors, market conditions, IPR situation and funding.

The purpose of this exercise is to cover actions to be taken and assessment of cost connected to effective mitigation of the risk/uncertainties and its consequences. Risk/uncertainties mitigation can take many forms, from full-blown contingency plans to a reformulation of the monitoring and maintenance plans. But executing a business strategy without a thorough risk/uncertainties analysis and associated mitigation actions is like driving a car based on GPS coordinates, without looking out of the front window!

You have to consider all relevant risks, the likelihood of occurrence, explain their impact on your business and provide a mitigation strategy to overcome each of these risks. The list below shows an overview of various types of risk connected to developing a business:

- Market

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- Customer & Sales
- Competitor
- Product/Service
- Organizational/Staff/Management
- Financial
- Political/National/Economical

The table below serves as an example of what can be the result of a risk/uncertainty analysis.

*Table 2: Example of a risk/uncertainties analysis*

| Risk/uncertainties, impact, mitigation | | | |
|---|---|---|---|
| **Risk/uncertainties** | **Likelihood** | **Impact** | **Mitigation** |
| Progress of development packages not satisfactory | Low | Medium | - Define additional specifications.<br>- Monitor progress, regular meetings.<br>- Monitor regulatory compliance. |
| Cost of electronic components too high or components not available | Low | Medium | - Monitor components market.<br>- Establish purchase Partnerships<br>- Collaborate with the regulatory team.<br>- Modular design. |
| Smart sensor data inadequate for standard analysis | Low | High | - Early testing of product design.<br>- Develop data analysis<br>- Feedback to product design. |
| The regulatory environment is not favourable | Medium | High | - Regulatory assessment early in design.<br>- Potential external partner collaboration. |
| Reimbursement change for patient studies. | Medium | Medium | - Add-on product features to mitigate this by diversifying the product range. |
| Attracting planned funding delayed | Medium | High | Revise funding strategy and review assumed pre-money valuation |

## 6.4. Administration and agreement

To run a business, basic administrative functions have to be in place, where the administrative responsibility is clearly defined inside and outside of the management. Some of the key administrative functions are:

- Overview of relevant IP rights
- Contracts and agreements with partners, suppliers and staff
- Leasing contracts (e.g., licence agreement, exclusivity contract)
- Formal documentation of your organization including partners

A comprehensive overview of IP rights, contracts and agreements that are binding for a longer period can serve as a guideline for a potential investor or business partner due diligence into related relevant business information.

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Some of these contracts and agreements might limit possibilities to develop and implement a new type of business model or prevent a company to move to a new location or from entering into new partner agreements. E.g., a leasehold can be an asset, as it assures long term access to e.g., special locations, but a long-term leasehold can also be a liability if the investment or partner agreement foresees that the company shall move to new premises.

If the company is in a funding process with banks or investors, or with a new business partner, the overview of the administrative functions shall be easy to be made available at request. In some cases, assess to this type of confidential information might require a non-disclosure agreement.

When the structure has been built and all information is filled in, it is important to secure a process and clear responsibility to keep it updated.

## 6.5. Certification and regulatory compliance

Selling many products or services require in many markets' regulatory compliance or certification. Certain products or services require compliance with national, regional, or local regulation, need to be certified or require formal authorization. If this is the case for your product or services, your business strategy needs to include provisions to secure such pre-conditions to be fulfilled. You have to plan how your company will secure regulatory compliance or needed certification in each of the planned potential markets.

It is also good in your description of your company and in the annual report to introduce a formulation like:

*NewCom has all the necessary certificates to produce and sell XYZ grade products in our key markets while complying with European standards and legislation. Other necessary certifications will be identified in collaboration with our industry partners. NewCom will take action to initiate the required work and adaptation of other products in the pipeline to obtain the needed certifications.*

**CE mark**[14]

The CE marking applies to products placed in the market or put into service in the European Economic Area, but it is only a requirement for certain product groups or product aspects. Whether a product needs to be CE certified, one has to determine first in which countries the products are going to be placed in the market or used. Products that are not covered by the European CE marking directives may fall within the scope of other European or national legislation. If there is no specific legislation, the General Product Safety Directive (2001/95/EC) may apply. This European Directive requires that products are safe, but it does not require any marking. The situation outside the EU presents an even larger diversity.

*[14]The CE marking is the manufacturer's declaration that the product meets EU standards for health, safety, and environmental protection.*

*Toys, machinery and electrical appliances are all examples of products to be CE marked.*

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The responsibility of securing a CE mark lies with those who place the product on the market. Even if a product is exclusively manufactured and marketed in your own country, it is to be CE marked, nevertheless.

Your business strategy shall demonstrate not only a full understanding of regulatory and certification conditions in each market but also a realistic timeline and description of actions to be taken to secure regulatory compliance. In your organization, you might need to have special resources allocated to secure efficient processes addressing certification, authorization, and regulatory compliance – which can be a lengthy, costly and time-consuming task.

## 6.6. Key learnings

A professional and skilled team is essential to running a successful business. In this chapter, we learned about the key roles within the management team and how to present the organization and its current ownership. There was significant focus detailing the importance of handling intellectual property rights, their use and cost. Remember to conduct a freedom to operate analysis to make sure you are not violating other IPs with your invention. The management team has to allocate resources for risk/uncertainty mitigation, certification process and take care of the administrative functions.

**At the end of the chapter, you should be able to discuss the following questions and topics with your business advisor:**

- *Describe the management team and its business experiences, in particular why it has been composed in the way it is, and why it fits with the needs of the company*
- *Describe via an organigram how the current and future organizational structure and ownership of the company will look*
- *Explain if and why IP protection is relevant*
- *Conduct a Freedom to Operate analysis*
- *Summarize risks/uncertainties and their mitigation strategy*
- *Have an overview of key agreements*
- *How do your products and services need to be amended/certified to comply with relevant national, regional, or local standards/regulations?*
- *Develop a strategy to get the needed certification/authorization.*

**Use the G2G online business plan writer tool to record your thoughts in a professionally scripted template form.**

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# 7. Financial budget

The last pillar of creating a successful business and one of the most important is creating a budget, finding the right funding sources and investors.
In this chapter, you can quantify all your assumptions written in a business plan put a number on it and test if your assumptions are correct and whether or not you need to change your strategy to match the numbers or/and if your assumptions were
correct or not.


## 7.1. Financial budget

The budget[15] is a key element in any business plan. Its role is to convert all planned future activities into money terms to get an overview of future planned costs[16] and revenues[17].

When doing a financial budget, you need to find out the net income (how much money you have at the end of the month) by listing all the total revenues from which you deduct the total costs. For a company, the main sources of revenue are created from the sales of products or services.

*[15] A budget is a forecast of revenue and expenses over a specific future period.*

*[16] Costs are all the fixed costs that you have every month plus variable expenses.*

*[17] Revenues are all the money a company earns in a period of time.*

Expenses are typically divided into:

- Fixed costs you pay every month like rent, telephone/internet and salary (though in some businesses this can be a variable expense).
- Variable costs can vary from month to month. A typical example of this would be costs directly related to sales, such as the materials used to build your product. This cost will increase or decrease as a direct result of how much you produce.

Revenues have to exceed costs to make your business survive. However, at the beginning of the life of most businesses, costs are often higher than revenues. As such additional funding is needed to cover the gap between your revenues and costs.

To get an overview of how much funding you need, until you can create a business that can sustain itself on the revenue generated, a budget is needed.
Is it typically recommended to make a budget for a 3- 5 years period, so that you can identify how much funding is needed and in which time period you will need it. Research has shown that especially the first 24 months are critical for the survival of start-ups, with more than 50 % of all new businesses failing within 2 years.

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As such is it recommended to make a more detailed budget for the first 12 to 24 months, where the income and expenses are analysed on a monthly level, called a cashflow[18] analysis. This will be covered in more detail in the next section.

[18]Cash Flow *is the movement of money in and out of a company, the flow of cash.*

For a start-up or a young company, the budget should be made monthly for the first 12- 24 months. To make the budget is not a onetime exercise, the budget should be updated regularly (at least once a year) to provide an overview of the company's future financial and liquidity situation.

Budgeting is very different from accounting[19].
The budget should be an economic mirror of all the assumptions and information behind your business strategy. It can also be used as a checklist of the internal consistency behind all the assumptions made.

*[19]Accounting records what has happened, budgeting is the management's best guess about what will happen.*

## 7.2. Cash-flow and liquidity

From more than 20 years of supporting innovative SME's, Gate2Growth has learned that many entrepreneurs struggle with the importance of cash-flows and their impact on liquidity[20].

[20]Liquidity *is the degree to which an asset can be quickly bought or sold in a market at a price reflecting its value. The most liquid asset its money. This means do you have money on your bank account to pay your bills at the end of the month.*

Once you have made your yearly budgets as described above, it may show that you will make a profit in a given year. (see Table 3) However many companies experience that all of the sudden their bank accounts are almost empty when they have to pay the next round of salaries. This is because there can be a significant difference between when you pay your bills and when you get paid.
The easiest example is thinking of your production. In most cases, you will have to pay for materials, salary and equipment to finish a product before you can sell it and generate revenue. Even in the cases where you only produce once you have an order, you typically will have to pay the above-mentioned costs, before you can send a bill let alone have it paid.

*Table 3: Revenue and cost projections summary (an example)*

| Type of costs | Cost projections (EUR) |
|---|---|
| Personnel costs | |
| Other fixed costs | |
| Sales/travel/marketing | |
| Production | |
| Operation | |
| **Total costs:** | |

| Type of revenue | Revenue projections (EUR) |
|---|---|
| Gross commercial revenue | |
| Sales-related expenses | |
| Other commercial revenues | |
| Net commercial revenues | |
| Grants/public subsidies | |
| **Net revenue:** | |

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Figure 22 below is an example of a 24-month liquidity budget. It is shown that even though the company will have a profit of almost 2 million euros over the period, they will have as much as 1 million euros in costs they are unable to cover before they become profitable.


*Figure 22: Liquidity analysis (own model)*

Many companies were bankrupt due to the lack of awareness of the importance of cash flow and available liquidity.

Once this analysis has been made, the company can try to secure funding to cover the gap in liquidity. This could be from bank loans or private or public investors.

The graphical illustrations of key results from the budgeting process only show the tip of the iceberg. Underneath are all the numbers reflecting the detailed assumption, which in the end creates the comprehensive budget.

Use your budget to get an overview of:

- Next 24 months liquidity situation for your company and the strategy to fill eventual gaps.
- Describe in less detail, the liquidity situation for your company for the next 5 – 7 years and the strategy to fill eventual funding gaps.
- Make plans for actions to be taken to solve eventual funding requirements,
- List relevant funding options, and status for each.
- Develop mitigation plans if the planned funding strategy fails. The sad mitigation plan is liquidation. Do not make this the only option!!

The business budgets are therefore central documents to be used for long-term strategic discussions and assess the business long-term profitability. Nevertheless, the budget model shall also be used for the strategic financial analysis that shall serve both the daily management decision process and as a tool to analyse the financial feasibility of longer-term strategic objectives.

## 7.3. Sources of funding

When you identify that potentially there is a liquidity gap you need to develop a strategy for how this gap will be filled. First, you need to identify what type of funding sources are available and their requirements.
There are also different funding strategies connected to the funding options illustrated in Figure 23 below:

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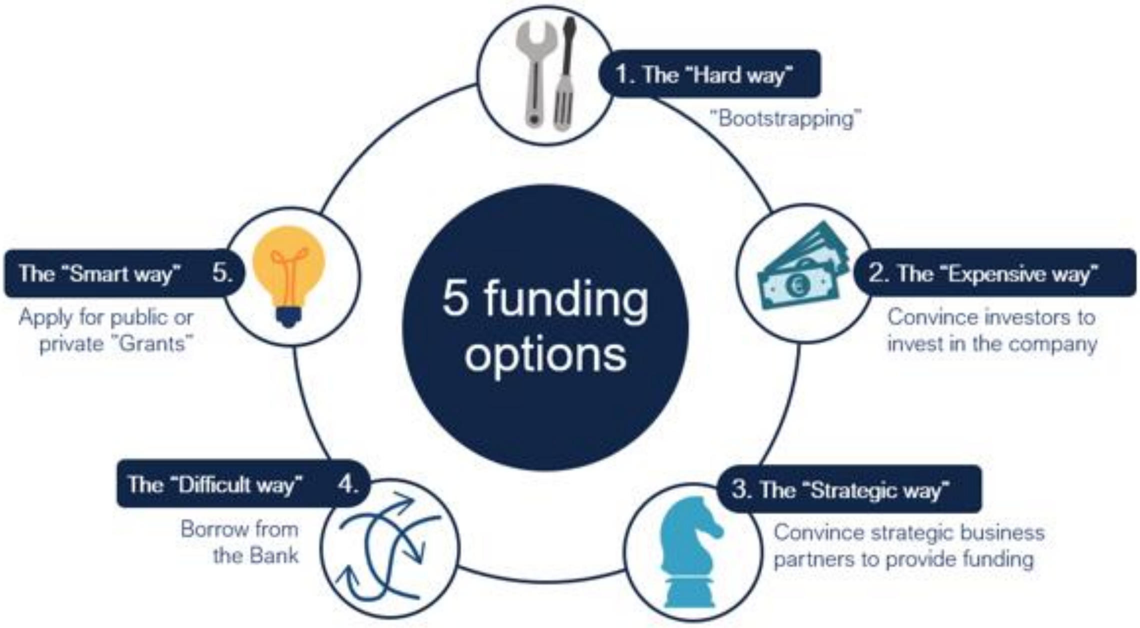


*Figure 23: Funding Options (own model)*

A good way to start this analysis is to get a grip of the following:

- What are the causes of the funding gap?
- For how long do you need additional funding?
- What type of funding are you planning to get?
  - How/when? and who is going to provide the funding?
    - and why will they provide it?
  - How much?
    - and from which sources?
    - how can the different funding sources complement each other?
  - and why and how will this "fill the gap"?
- Get to understand why the funding sources will provide the funding
- Understand the requirements of the different funding sources and their interest in providing the funding needed.

Funding requirements can be temporary or mid/long term and can be associated with different types of risks. To find the right funding and mix of funding sources often requires special expertise and experience. There are a host of funding options, each with its own requirements, costs, and conditions and unfortunately "One-size" does not fit all funding needs. For that reason, a combination of the above-mentioned sources will often be what is used by most companies.
To make a decision or to advise on the optimal mix of funding sources can only be made on a case-by-case assessment. The funding strategy needs to include a timeline element except for simple bank loans which can take between 3 - 12 months from a decision to make a "funding application/request" until the "money is in the bank".
Each of these funding sources has special and individual criteria which you need to meet to get a positive decision. Some funding sources are risk-averse, others are looking for a high return to compensate for risk, and others are bound by special pre-defined e.g., grant criteria.

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It is extremely difficult to solve this issue alone as an inexperienced entrepreneur. As such it is strongly suggested to go through this analysis together with advisors, that has experience in budgeting and funding. The G2G Business Plan Writer tool, provided by GO-GRASS, can support in this process.

## 7.4. Investor considerations

If one of your funding considerations included investors and you want to invite investors to contribute to the funding of your company, you need a description of the planned funding requirement and current company structure and ownership distribution. You also need to be able to outline how new investor(s) potentially can make a capital gain by investing in your company.

This may be an unfamiliar process. But to get started you could structure your consideration along these lines.

- Describe via an organigram how current and future ownership of the company will be.
- Describe current shareholders, and their role and motivation to be shareholders
- Try to find out which opportunities for capital gain will an investment in the company offer to new investors?
- Get to understand which are the potential exit opportunities for new investors, and how is this aligned with current investors interests?
- Which role is intended for the new investor(s)?

Also, it is informative to know how the unsolicited deal funnel works. See Figure 24 when you apply for investment as well as how much time is being spent on average on an application as investors have money but limited time.


*Figure 24: Unsolicitated deal funnel (own model)*

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Before approaching investors, you need to have a good description of your business model and Business plan. This will enable potential investors to make the right assumptions about the investment opportunity and the planned funding requirement.

The current company structure and distribution of current ownership, including the profile of current investors/owners, shall be well described. It is not wise in the business plan to indicate expected pre-money[21] valuation, or % ownership to be offered against investment, but still, the text shall include indications about both how and when the new investor(s) can make a capital gain from their investment.

*[21]Pre-money valuation is the value of the company's equity before the investment.*

The potential opportunities should be described as seen "through the eyes of an investor" and provide a balanced and realistic overview of both potential opportunities and risks.

*Post-money valuation is the pre-money valuation plus the investment amount.*

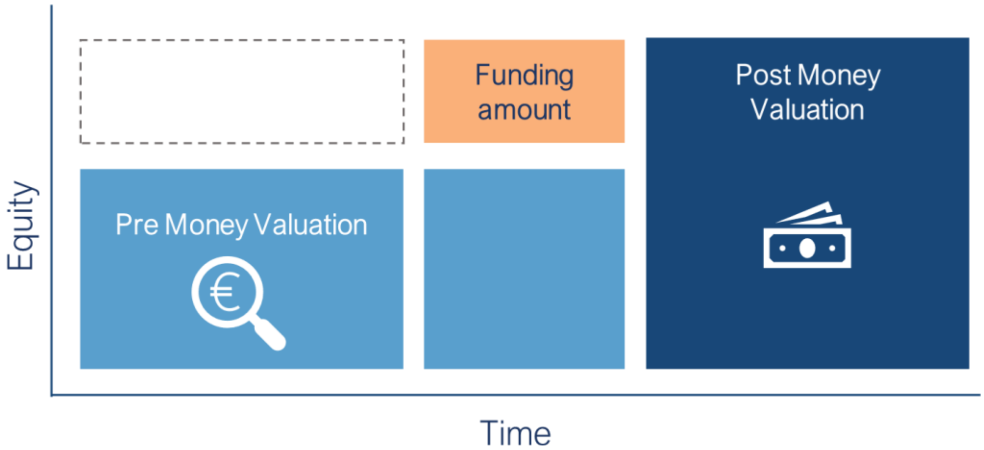


*Figure 25: Pre/post Money Valuation*

In order to avoid a potential investor making wrong assumptions about the investment opportunity and his/her role, you shall provide a good description of both the planned funding requirement and the intended role of a new investor. You should indicate if the company is looking for an active participating investor profile or "just money", and if more than one investor is sought for.

Be cautious about including valuation consideration, as it may prematurely discourage the potential investor to proceed with his/her considerations.  In general, G2G recommends postponing the valuation aspect until eventual investor(s) have indicated a real interest in the investment opportunity, and that this section of the business plan is reviewed by a specialist with deep experience working with investors.

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It is often a good idea to include a graphical illustration of current and potential future ownership structure without indicating % distribution of future ownership.

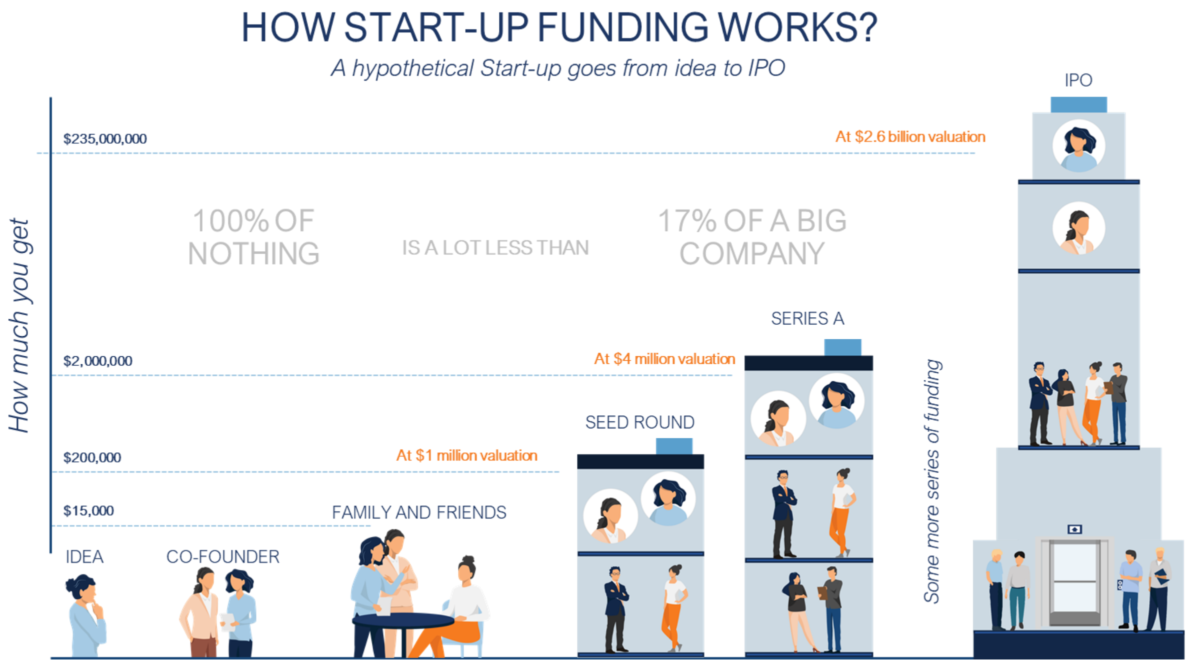


*Figure 26: Ownership overview structure from Idea to IPO (Figure adapted from Anna Vital)*

## 7.5. Investor exit[22]

Before you approach investors, you need to consider which potential different exit options will be realistic for the new investor(s), and how the business strategy can support a realistic exit route for new investors.

[22] *Investor exit is the point in time when an investor sells his/her part of the company at a certain price.*

To structure this analysis, it could be relevant to consider:

- Which opportunities for capital gain will an investment in the company offer to new investors if any?
- Which and when are the potential exit opportunities for new investors, and how is this aligned with current investors interest?
- Why are the potential exit possibilities realistic and when?
- How is investor interest in an exit aligned with the interest of the company

The material to be presented to the investor, often the business plan shall demonstrate that the current investors and the management team have a good understanding of different exit options for the new investor(s) and that the business strategy supports an exit strategy for the new investor(s).

It shall describe which of the typical exit routes are the most realistic, and in line with the current owners' interest.
Exit routes could be:

a) selling shares to other companies (trade sales)

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b) selling shares to other investors e.g., VC funds (financial exit)
c) listing the company at a public or semi-public exchange (IPO)[23].

Public listed shares are easily tradable. This part of the business plan shall include considerations about when the planned development of the business makes it credible, that the new investors' shares can be traded at a fair value and give the new investors a reasonable capital gain.

*[23]An Initial Public Offering (IPO) is the process of offering shares to the public in a new stock issuance. Listed companies at the stock exchange have more liquid stocks than companies which are not listed.*

It is a good idea that the list of potential exit options for the new investors also includes a description of the interest or exit plans for the current investors. All investors' interests and perspectives with their investments must be well aligned.

It is only in exceptional cases that the entrepreneur can buy back the shares from the new investors. The business plan as a whole shall demonstrate good insight and experience also in the financial world of investors.

## 7.6. Key learnings

In this chapter, the financial aspect of the business plan was discussed with a focus on the budget and balance sheet as well as funding sources and investors. We went into detail with a couple of key financial terms and their definitions, we visualized the value of liquidity budgeting. Further on we have discussed liquidity and capital requirements with a focus on funding options and strategies and ended up with investment considerations and exit strategy.

**At the end of the chapter, you should be able to discuss the following questions and topics with your business advisor:**

- *What is a budget and how to make one*
- *What are revenues, expenses, cash flow and liquidity*
- *Try to create a budget until your business becomes profitable*
- *Try to create a liquidity budget, by listing all expected revenues (when actually paid to your account) and cost (when actually paid from your account) for 12 or 24 months, to determine short term funding needs.*
- *What are different sources of funding and their requirements*
- *Consider which sources of funding could be relevant for your company*
- *What are the deal funnel and the number of time investors use on average when assessing business proposals*
- *What are an investment exit strategy and its considerations*

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**Use the G2G Business Plan Writer tool to record your thoughts in a professionally scripted template form and contact the G2G team for a budget template.**

# 8. Additional tools and resources

Additional tools and resources to be developed in the GO-GRASS project will provide more background and enhance different stakeholder groups experience by making available a wide range of resources related to grassland and the replication of innovative business models.

## 8.1. G2G Business Plan Writer tool

The G2G Business plan writer tool (D8.1) has been mentioned and linked with almost all the chapters of this manual. The tool is an online resource tool meant to support the entrepreneur's business plan writing efforts. The tool includes the following elements:

- (A): G2G online business plan writer tool
- (B): G2G Budget module. An easy to use budget module is fully developed and can be made available (offline) on request by contacting G2G
- (C): G2G Business Plan quality assessment tool – GO-GRASS Experts will assess your business plan and give guidance and recommendations

*Figure 27: G2G online business plan writer*

## 8.2. Business Environment Support Tool

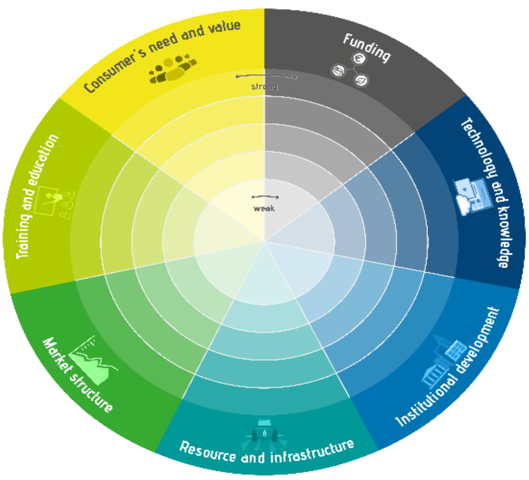


*Figure 28: Wheel of the seven arenas composing the business environment*

The Business Environment Tool is a tool developed in the RUBIZMO project. The tool provides a comprehensive methodology to understand and assess the supportive level of a given region and/or sector has towards innovative businesses by screening the gap between required support and actual support for the different sub-arenas of the business environment.

The tool also offers concrete guidelines (written format or video presentation) to

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inspire regions/communities to implement similar guidelines or develop their own guidelines adapted to their specific conditions and needs. The workshop is accompanied by short **online survey** and a **checklist for entrepreneurs**. In the GO-GRASS project the tool helps to **identify gaps in the business environment of innovative and emerging grass-based businesses** and **define measures and guidelines** for addressing the gaps in the arenas funding, markets, consumer needs and values, rules and regulations, resources and infrastructure, training and education, technology and knowledge, business environment.
For more information visit the RUBIZMO YouTube channel where several videos describe and explain the tool in detail.

## 8.3. Online Platform - Interactive Map development

The Online Platform, which is the project website (https://www.go-grass.eu/) will display all the GO-GRASS tools, including the Interactive Maps. Through these interactive maps farmers, entrepreneurs or advisers have the possibility of finding useful data on grassland, socio-economic contexts and stakeholders filtered per year by a toolbar. The Online Platform is also presenting results and findings based on the stakeholders mapping, combined with key information related to the demos business models, key framework conditions as well as guides and recommendations developed in the GO-GRASS project.

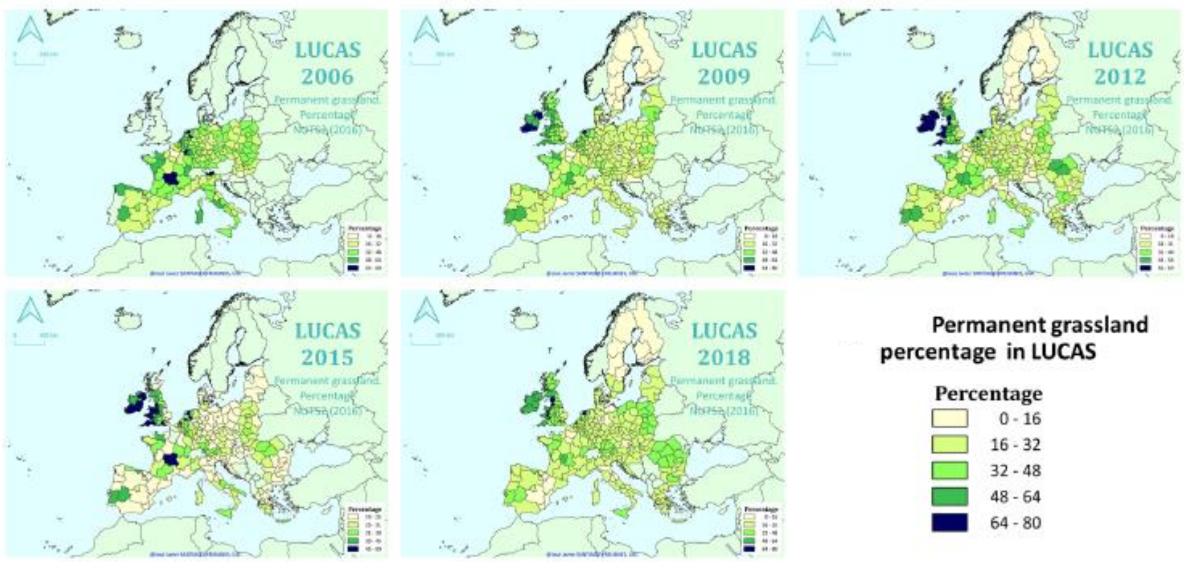


*Figure 29: Maps developed by USC in D1.1. which helped to design the Interactive Maps – coming in the 2nd half of the GO-GRASS project*

## 8.4. Online decision support tool for flexible integration of value chain components

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*Figure 30: Coming soon – The GO-GRASS Online Decision Support Tool will be inspired by the [Soil Navigator decision support tool]*

The online decision support tool will be using results from tasks and the replication strategies from WP8. Further on the partners in GO-GRASS will develop a database of possible scenarios for grassland valorisation depending on key framework conditions including type of grassland and grassland availability, business environment, possible partnering models. The objective is to range possible frameworks for the replication of each possible value chain identified in WP6. This will be used for the development of a decision support tool enabling entrepreneurs wishing to replicate parts of the GO-GRASS demo business models to build their own business model, considering their key framework conditions and preferences. For this purpose, the GO-GRASS consortium will develop a limited set of indicators that will enable the end-users to characterise easily their framework conditions and preferences (tool to be developed in May 2023).

## 8.5. GO-GRASS Training KIT


The GO-GRASS Training Kit (D8.9) will provide the summary of all the training material developed within the project and it will be finalised and presented at the end of GO-GRASS project.

*Figure 31: The many elements of a training kit*

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# 9. Conclusion

This report goes through each of pillars of a business plan, describing their various parts like in figure 32.

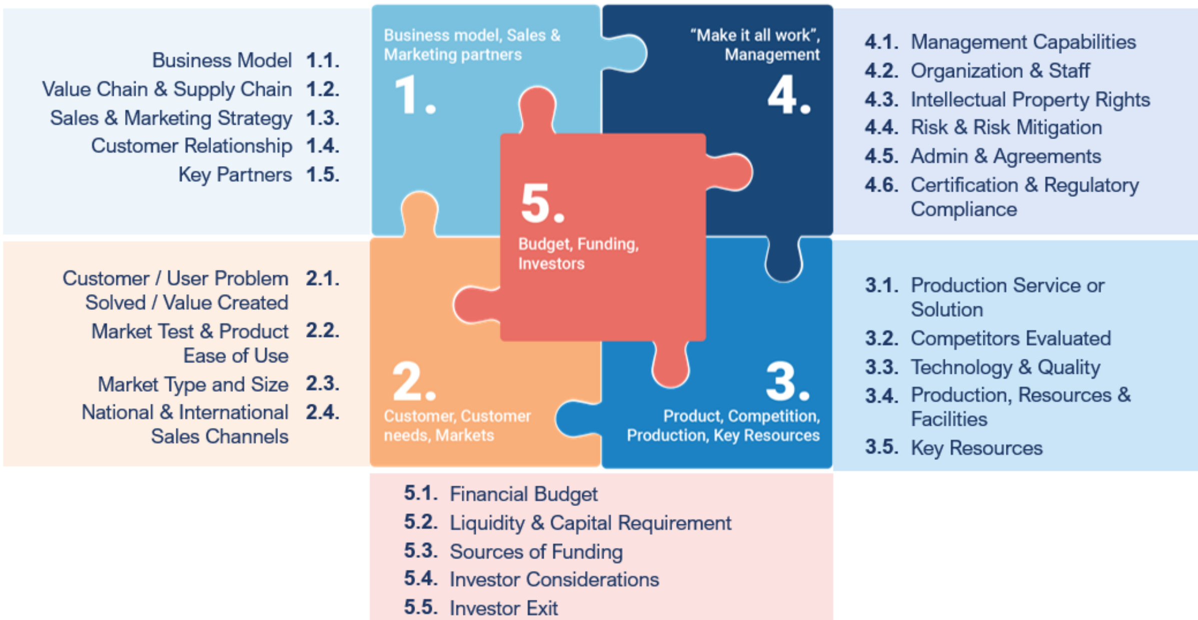


*Figure 32:: The pillars of a business plan with details*

The purpose of this report is not to provide detail, but rather give a comprehensive overview of the different elements and their connection in converting ideas to successful businesses. After the description of each main category, actionable items are listed, summarizing the key learnings and listing specific steps to be done. In the last chapter further information is provided about different tools which will be available within the GO-GRASS project.

The manual aims to primarily support current and future entrepreneurs, however regional representatives and end-user networks can use the manual to provide tailor-made advice to entrepreneurs on ***how to turn their innovative business ideas into concrete business plans*** by using parts of the manual.

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# Annex 1: Key-preconditions checklist

*Keep in mind that this is a broad overview to consider and some of the key-preconditions might not be applicable to certain regions and differences could arise when looking at the different DEMOs in the project. The list below does not take into consideration the individual farms' product portfolio and commercial potential.*

*Table 4: Checklist of the key-preconditions*

| Type | Nr | Precondition | Check if true |
|---|---|---|---|
| Raw Materials | 1 | Is there any availability of the right type of raw materials in your region? | ☐ |
| | 2 | Is there an Increase/decrease in available raw materials in your region? | ☐ |
| | 3 | Is there a competition for the use of raw materials in your region? | ☐ |
| | 4 | Is the quality of Raw Materials available adequate enough? | ☐ |
| | 5 | Did you identify sources of sourcing to cover raw material needs well in the future? | ☐ |
| Technology | 6 | Is there access to technology that enables the ability to harvest, collect and store grass? | ☐ |
| | 7 | Is there access to technology that enables the ability to pre-treat and process grass-biomass? | ☐ |
| | 8 | Do you have all the skills and ability to design, commission and build the plant? | ☐ |
| | 9 | Do you have all the skills and ability to deploy the plant, start and run the production process? | ☐ |
| | 10 | Is the process to handle different types and volumes of biomass flexible? | ☐ |
| | 11 | Is it possible to live up to quality control and certification requirements? | ☐ |
| Logistics | 12 | Is there sufficient infrastructure in place to support the grass-based value chain? | ☐ |

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| Type | Nr | Precondition | Check if true |
|---|---|---|---|
| | 13 | Is there an established and working logistics value chain in place in the region? | ☐ |
| Policy | 14 | Are there any national/EU legislation in place to restrict or impede the use of biomass? | ☐ |
| | 15 | Are there any policies in place supporting the use of biomass/grass? | ☐ |
| | 16 | Is it possible to live up to the environmental regulation in the region? | ☐ |
| | 17 | Is the possibility to be covered by the Common Agricultural Policy (CAP) and the support it offers? | ☐ |
| | 18 | Can support from European Agricultural Guarantee Fund (EAGF) be achieved? | ☐ |
| | 19 | Can support from National governments be achieved? | ☐ |
| Market | 20 | Is there any local/national/international demand for the product? | ☐ |
| | 21 | Is there strong competition for both end product and/or raw materials in the region? | ☐ |
| | 22 | Are there enough suppliers and buyers available to overcome market vulnerability in the region? | ☐ |
| | 23 | Are there national public funding schemes available to support the operation? | ☐ |
| | 24 | Are there private funding available from investors? | ☐ |
| Collaboration | 25 | Are there sufficient human resources available in the region? | ☐ |
| | 26 | Is it easy to take part in the business and value chain networks in the region? | ☐ |
| | 27 | Are the relevant stakeholders on the supply side (raw materials and equipment) present in the region and have they been identified? | ☐ |
| | 28 | Are the relevant stakeholders on the customer side present in the region and have they been identified? | ☐ |
| | 29 | Are the relevant stakeholders in the authorities and support agencies present in the region and have they been identified? | ☐ |

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| Type | Nr | Precondition | Check if true |
|---|---|---|---|
| | 30 | Are the relevant stakeholders on the educational side present in the region and have they been identified? | ☐ |

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