NEW VENTURE WORKBOOK

VERSION 1.2

Michael S. Lanham

Eugene B. Lieb
Customer Decision Support, Inc.
P.O. Box 998
Chadds Ford, PA 19317

(610) 793-3520

genelieb@lieb.com

http://www.lieb.com

June 2000

PREFACE

This workbook is a part of a larger venture planning development program. Its primary objective is to assist in the development of new business without large development staffs.

The tools consist of a series of workbooks which provide check lists of key issues during the development of most business concepts. We believe that the process of venture development is an active one. Most activities should be dedicated to "hands on work" with the product, the process, and the potential customers. We hope that these tools will act to focus activities on "what must be done".

The process of developing businesses is operationally active. It is insufficient to merely study the opportunity, the opportunity must be made to happen. The purpose of this workbook series is designed to enable the business developer, innovator, intrapreneur in making things happen. They are intended as tools to help plan action and communicate the logic behind that action.

We intend that this workbook and all others in the series will be "evergreen". New versions of the workbooks are expected to be published periodically, reflecting constructive comments by users. This workbook reflects the efforts of many individuals who have provided ideas and comments. The philosophy expressed in this workbook reflects that of the authors and not of the organizations or corporations involved.

INTRODUCTION

This is a *New Venture Workbook*. It is designed as a tool for defining Venture Ideas as legitimate Business Concepts. Proper definition of an idea in business terms is essential. It is compatible with the *Business Planning Guide*.

It is also a screening device. Not all good ideas are definable in business terms or as Business Concepts. Until certain informational elements are developed and set down, the good idea is just that. The Workbook is designed to be used by an individual or a small team, who have other responsibilities.

We have come to recognize that many good Ideas, which might have become successful ventures, have gone undefined and undeveloped. There has been a perception that only big ticket "Ideas to Ventures", controlled by large organizations, would be of interest. In addition, "user-friendly" systems have not been available to individuals with candidate ideas.

This *New Venture Workbook* represents step one of a four-step process for taking an Idea to a Venture. The steps are Definition, Analysis, Planning, and Venturing.

It is not expected that you will have immediate answers to all the questions in this workbook. Developing adequate information is part of the definitional process. There are some minimum requirements for getting started, however. These match the sections of this workbook and provide a beginning Business Concept.

At a minimum, you must:

I. Basically define the Business.

II. Basically define the Business Stake.

III. Outline the Critical Issues as you know them.

IV. Set down an Action Plan, based on the Critical Issues, with timing and responsibilities noted.

The Workbook asks you to refine the information in these four sections and improve your Business Concept Definition. With this done, you will be ready to proceed to the Analysis Step of this process.

Good luck. It is not supposed to be easy.

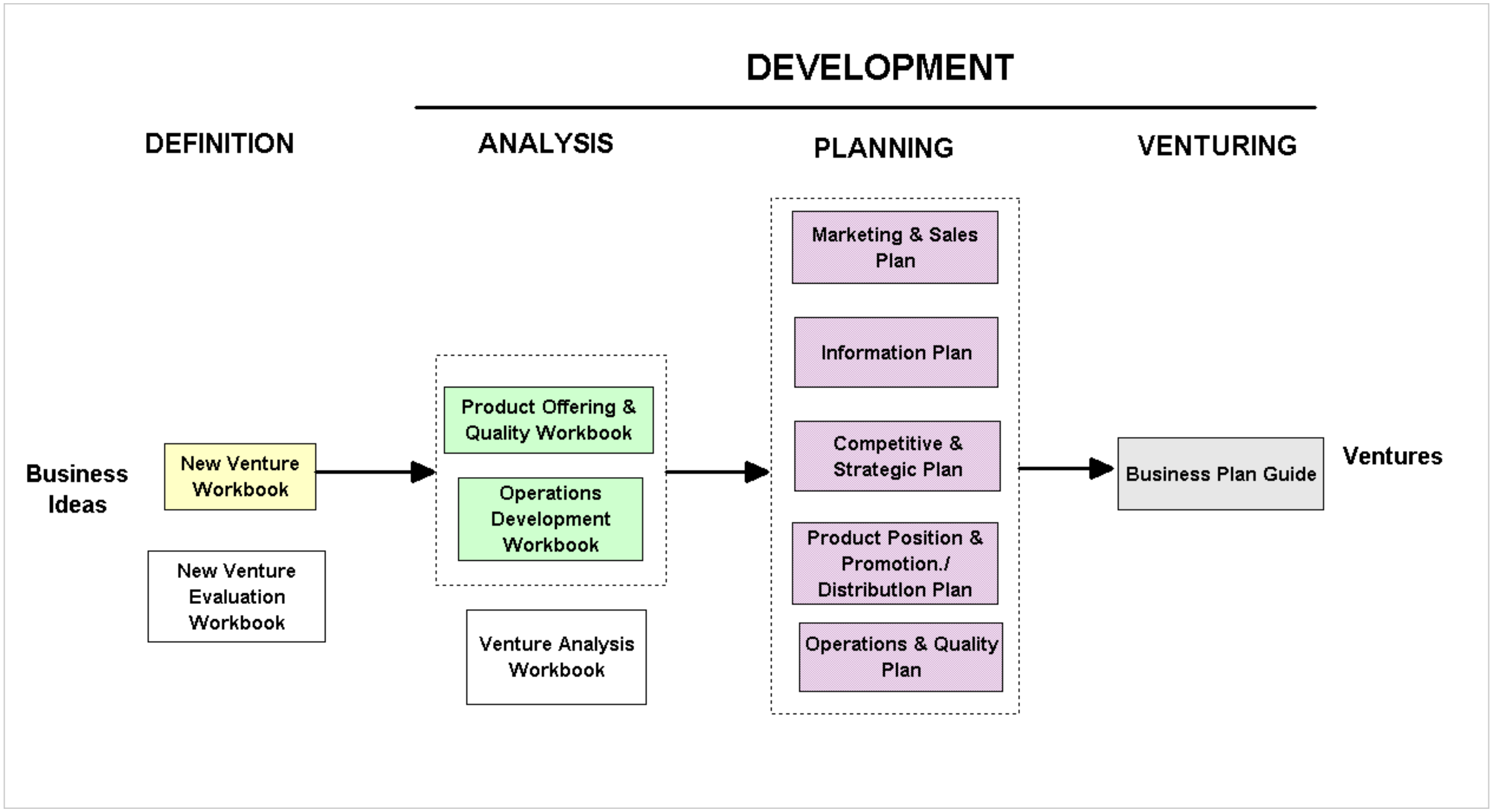
DEVELOPMENT
DEFINITION
ANALYSIS
PLANNING
VENTURING
Business Ideas
New Venture Workbook
New Venture Evaluation Workbook
Product Offering & Quality Workbook
Operations Development Workbook
Venture Analysis Workbook
Marketing & Sales Plan
Information Plan
Competitive & Strategic Plan
Product Position & Promotion./ Distribution Plan
Operations & Quality Plan
Business Plan Guide
Ventures

TABLE OF CONTENTS

I. BUSINESS DEFINITION

This section asks you to define your Business Idea as a refined Business Definition. There are four sub-sections covering Products, Markets, Manufacturing, and Marketing & Distribution.

If you can clearly outline each of these sub-sections, you will have formed a Business Concept into a Business Definition.

If you can not clearly outline some or all of the sub-sections, you have an Undefined Business Idea. You either need additional information or another idea.

Well-outlined and reasoned Business Concepts translate into useful Business Definitions.

A. PRODUCTS

What products and services do you intend to sell?

This description can be as specific or as general as the present stage of development will permit. Try to be as specific as possible. The product definition limits the range of the business that will be considered. The more specific the product is, the easier it is to define the means of production.

At a minimum, specify the use of the product and service to the customer and user.

B. MARKETS

To whom will you sell the products and services and who will use them?

The identity of buyers, specifiers, and users of the products and services are critical for defining the business. It should be noted that the buyers, specifiers, and users may be different individuals with widely different needs; however, all are considered to be customers.

If the product will be purchased more than once, either through a distributor or through subsequent processing where the identity of the product is maintained, all customers should be identified. If the product loses its identity (i.e. sulfuric acid in a metal pickling process), subsequent elements of the use channel need not be identified.

If feasible, key customer benefits should be identified along with the customers.

C. MANUFACTURING

How will you make the products and services that you intend to sell?

The means of producing the products and services should be described in as much detail as possible. At least the general process of manufacture should be described.

If new facilities are needed, a general description should be included. If toll production or a manufacturing partnership is contemplated, the arrangement should be described.

D. MARKETING AND DISTRIBUTION

How will you deliver the products and services to your customers?

The means of distribution and marketing must be described. Identify the proposed distribution channel, including possible distributors or marketing partners.

The way by which the product will be marketed to the customer needs to be described. For example, if the product is to be sold to an automotive company, direct selling is usually the method of choice.

II. BUSINESS STAKE

This sub-section covers Business Stake. A clear definition of Business Stake can determine if a candidate Business Concept is worthwhile.

At the top of this Business Stake definitional effort is the question:

"Can this product offering be sold at a reasonable profit and in reasonable volumes"?

Because Allocated Overheads are both difficult to predict and difficult to control, it is better to do initial calculations without them. By convention, during the Definition Step, we use Contribution Margin to produce a reasonably clear picture of potential profitability.

Also, by convention, we use Analogs or Models to help us predict the size and shape of the market. If our product is new, we can look at similar products and use them to help project Functional Opportunity.

The objective of going through this sub-section is to screen the candidate Business Concept for potential market viability, profitability, and worth. Detailed financial analysis comes at a later point in the process.

In general, Contribution Margins below 30% are not desirable and Contribution Margins above 50% are desirable. Candidate opportunities should fall in the $5MM to $20MM range to be considered viable.

Projected Timing and Development Costs are balanced against Opportunity and Contribution. These are handled separately.

A. MEASURE OF STAKE

What is the measure of worth to the firm for this business concept?

Various measures of business stake can be used to estimate the worth of a successful venture. It is desirable to estimate the earnings and prepare a venture costs and revenue statement (Proforma). At the early phase of a venture, sufficient information for such a credible assessment is usually not available.

At a minimum, the feasible sales potential in units sold either in total or annually should be estimated. The Functional Potential is the total market where the product has both fitness for use and a price range that could be acceptable. The Opportunity is defined as the probable market after adjustment for share and penetration.

B. APPLICATIONS

What are the specific applications for the products and services?

The evaluation of market potential focuses on specific applications into which the product or service will be sold. These "applications" should represent separate opportunities or markets for the business. In some cases, the applications can be different major customers or separate industries.

Since the total opportunity will be assessed based on the sum of the opportunities of the applications, they should be selected to be as independent as possible.

For each application the customer should be identified, with a description of his use.

APPLICATION 1. -

Customer:

Use:

APPLICATION 2. -

Customer:

Use:

APPLICATION 3. -

Customer:

Use:

APPLICATION 4. -

Customer:

Use:

C. CUSTOMER BENEFITS

What customer benefits will be derived from the products and services?

The value of the product to the customer is determined by the benefits that are derived from the product's use. The benefits focus on the specific applications for the product in the users' environment and the nature of potential competition.

Special attention should be made for needed changes in practice in order to use the product. Organizations use products in specific ways. If those procedures must be changed in order to use the product, the benefits that can be derived will be limited.

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

D. COMPETITIVE PRODUCTS

What are the existing competitive products and services which our product offering (products and services) will replace?

There is almost always some type of competition, either potential or existing, for the product offering. Both in-kind and functional competition should be considered. In particular, functional competition should be examined closely.

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

E. TARGET PRICE

What should be the price of the product offering (products and services)?
Price range often limits the acceptability of a product. Premium products are generally limited to a small segment of a larger application segment. Estimate the price in terms of existing and potential competition.

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

F. CONTRIBUTION MARGIN AND TARGETED VARIABLE COST

What must be the maximum cost for the product to make the venture profitable?

What should be the gross earnings (contribution) of the product offering (products and services)? The test of potential financial worth of the venture is "acceptable" earnings. The minimum measure of earnings is the Contribution Margin, which is the difference between the target sales price and the variable cost. Contribution Margin does not consider allocated fixed costs or overhead.

Contribution Margins of greater than 50% are desirable.

Contribution Margins of less than 30% are not desirable.

The highest target variable costs are calculated based on the targeted price and the minimum contribution margin.

Contribution Margin = (Targeted Price - Variable Cost)/Targeted Price

Variable Cost = (1 - Contribution Margin) X (Targeted Price)

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

G. FITNESS FOR USE

What fraction of all applications can use these products and services?

Fitness for use includes limitations due to price, benefits, and use condition. In particular, focus on needed changes in practice and limited benefits due to those changes. Required changes in practice, including changes in source of supply, can greatly change the usefulness of the product and the demand for its use. Will the products and services do what they are supposed to do?

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

H. MARKET ANALOGS

What existing product, service, or use can be used as an estimate of the demand for the products and services?

For each application, a number of "models" or "analogs" need to be identified that will be used to estimate the market potential. These analogs should be based on similar uses or market segments. The closer the analogs are to the new product concept, the more reliable and credible the results will be.

APPLICATION 1. -

Analog 1:

Analog 2:

APPLICATION 2. -

Analog 1:

Analog 2:

APPLICATION 3. -

Analog 1:

Analog 2:

APPLICATION 4. -

Analog 1:

Analog 2:

H. MARKET ANALOGS

1. Sources of Data

What are the sources of market information that you can use to estimate the potential?
For each analog in each application, sources of market and/or population information must be identified. These include: government data, such as the population census and the census of manufacturers; secondary sources such as Predicasts, multi-client studies and Dialog sources; internal information; and specially commissioned studies.

APPLICATION 1. -

Analog 1:

Analog 2:

APPLICATION 2. -

Analog 1:

Analog 2:

APPLICATION 3. -

Analog 1:

Analog 2:

APPLICATION 4. -

Analog 1:

Analog 2:

H. MARKET ANALOGS

2. Functional Potential

What is the functional potential for each application?

The functional potential represents the total market where the product has both fitness for use and a price range that would be acceptable. This is evaluated for each independent application based on the market analog. The present time frame is usually used for the evaluation. It is understood that the market potential will be realized at an unspecified future time.

APPLICATION 1. -

Analog 1:

Analog 2:

APPLICATION 2. -

Analog 1:

Analog 2:

APPLICATION 3. -

Analog 1:

Analog 2:

APPLICATION 4. -

Analog 1:

Analog 2:

I. OPPORTUNITY

How is the opportunity to be determined?

Usually an estimate of the expected sales adjusted for market share and the rate of penetration is used as the first estimate of the market value. If the information available for the business concept is insufficient for a sales forecast, other estimates can be used.

At a minimum, the functional potential can be used; but, a better measure is usually desired.

Opportunity = Potential X Share X Penetration

I. OPPORTUNITY

1. Share

What share of each application will our products obtain?

Usually no product is without competition. The competition may come from an incumbent or from new entries. For the calculation of opportunity, the share relates to the functional application previously determined. Fitness for use estimates have already been applied to the potential and, therefore, should not be included here.

Estimates are usually made either from comparative data or from market position. Historically, shares have tended to be stable. The shares from markets with two competitors tend to be 75% and 25%. With three competitors the shares tend to be 65%, 25%, and 10%. One need only forecast the number of competitors and the position to estimate the market share.[1]

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

[1] This approach is referred to as the "Broken Stick Rule" as was identified by John Reith formerly of the Fibers Department.

I. OPPORTUNITY

2. Time Frame

When will the business be commercialized?

Timing of commercialization is extremely difficult for new concepts. Timing of commercialization is critical for both developing a realistic estimate of stake and for developing a plan.

During the concept identification phase of venture analysis, the earliest feasible commercialization date is usually used. It should be recognized that this time frame is almost always optimistic. More conservative dates are developed later as more information becomes available.

If the timing of the venture is tied to outside issues, such as a specific automotive model year or a government contract date, that date should be given with appropriate citation indicating that the date is relatively fixed.

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

I. OPPORTUNITY

3. Penetration

How fast will the product penetrate the market?

Most products require some period of time to penetrate the market. In some cases the penetration rate is determined by the contractual arrangement, such as in supplying a specific automobile model. In most cases, the penetration is dictated by market forces and production limitation.

The penetration of a new product can be estimated by comparison with other similar products. Analysis of a large number of products has indicated some consistent behavior which can be used as a first order estimate.[2] Below are listed the estimated sales or shipments relative to the first year sales potential. These values should be multiplied by the first year sales potential in units or pounds.[3]

Year	0	1	2	3	4	5
Sales	0.005	0.018	0.050	0.112	0.211	0.350

Year	6	7	8	9	10
Sales	0.526	0.732	0.962	1.207	1.464

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

[2] This is based on the "General Sales Growth Curve" which is widely used as a validity check on sales forecasts. Usually the curve is used with some historical data. Lacking such data, estimates can be obtained. They must be viewed as speculative.

[3] This model assumes that the physical sales potential increases over time, at 8% annually. Under this condition, the tenth year sales will exceed the original sales potential.

I. OPPORTUNITY

4. Application Opportunity

What is the sales opportunity for the product by application?

For each application, the opportunity should be estimated. This includes applying the estimate of share and penetration to the potential estimates. Notice that each application may be commercialized at different times. Note the date of commercialization for each application.

Opportunity = Functional Potential X Share Expectation X Penetration Expectation

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

I. OPPORTUNITY

5. Risk Assessment

What is the likelihood of success by application?

The commercialization of new ventures is not without risk. Estimate the likelihood that each application can be commercialized at or within the time frame and at or above the estimated opportunity.

Generally, the estimation is done in parts: (1) the likelihood of developing the product; (2) the likelihood of market acceptance if it is developed; (3) the likelihood of obtaining adequate management support; (4) the likelihood of meeting customers expectations within cost; and (5) the likelihood of the market responding as expected given that the product meets targeted specifications.

These probability estimates are usually considered to be independent. The collective probability is the product of these probabilities. While each of these factors may be likely to take place, the collective probability for new ventures is rarely higher than 50%.[4]

$$P_c = P_1 \times P_2 \times P_3 \times P_4 \times P_5$$

APPLICATION 1. -

APPLICATION 2. -

APPLICATION 3. -

APPLICATION 4. -

[4] If all the factors have a 85% change of success the collective likelihood of success is only 44%.

I. OPPORTUNITY

6. Business Opportunity

What is the total risk adjusted opportunity for this business.

The business opportunity is estimated by combining the likelihood of success and the application opportunity and summing together the application opportunity for each appropriate year.

Single measures of business opportunity are usually selected. These typically are the fifth and tenth year after commercialization.

Risk Adjusted Opportunity = Application Opportunity X Likelihood of Success

Total Opportunity = Sum of the Risk Adjusted Opportunities

FIFTH YEAR OPPORTUNITY -

TENTH YEAR OPPORTUNITY -

III. CRITICAL ISSUES

This sub-section covers Critical Issues. In general, these are found in the areas of Product Feasibility, Market Acceptance, Production, Partnership, and/or Business Fit.

An adequate definition of Critical Issues determines the key elements of a Development Program.

Critical Issues do not have to be "bad". They are merely critical to the candidate Venture.

A. CRITICAL QUESTIONS

What are the critical questions for continuing the analysis of the project?

The development program for new ventures must focus on the critical questions and issues. These questions should be listed first and revised as issues are identified.

It should be realized that the process of exploring for this information will likely change the focus of the business concept. During the early phase of business development such changes should be expected and encouraged. Few successful businesses were originally focused on products and markets that eventually were responsible for their success.

B. PRODUCT FEASIBILITY

Is it feasible to make this product or deliver the service?

What information must be gathered to confirm or refute the feasibility of making and delivering the product or service that will meet customers' expectations?

B. PRODUCT FEASIBILITY

1. Concept Performance

How well will the product meet customers' expectations?
What information will confirm that the products, as conceived, will meet customers' expectations?

B. PRODUCT FEASIBILITY

2. Product Patents

How extensive is the product patent position?

Will it give competitive advantage?

The potential for basic, composition of matter, and application patents must be discussed. The relative strengths of patents are not easily assessed without court action, but estimates can be generated. The potential importance of adequate product patent protection should be covered.

B. PRODUCT FEASIBILITY

3. Prototypes

Do we have prototype products to show customers?

At some point prototype products will need to be produced. The sooner the better. Describe the prototype products and how they will be produced.

C. MARKET ACCEPTANCE

How do the customers tell us if they will purchase the product?
How should we obtain potential customer input into the development process? If marketing research is needed, describe the resources that will be necessary.

C. MARKET ACCEPTANCE

1. Concept Test

How can we determine if the market prefers the products and services?

A concept test can be critical to verify the viability of the business concept. This involves some level of marketing research. Market research can run the range from "self-study" to in-depth interviews and "focus groups". Tests preformed by an outside resource, not directly connected with the venture, tend to improve credibility.

C. MARKET ACCEPTANCE

2. Customers' Expectations

What do the customers expect the products to do and what services do they expect from us?
A procedure to obtain customer use information should be designed.

C. MARKET ACCEPTANCE

3. Customer Commitment

Will the customer commit to purchasing the product if his expectations are met?
Some "objective" means of obtaining a measure of customer commitment should be derived.

C. MARKET ACCEPTANCE

4. Investment and Timing

How much will it cost to develop this market? **How long will it take to establish the product in this market?**

D. PRODUCTION

1. Process Definition

What are the details of the process? Can it be optimized?

D. PRODUCTION

2. Quality

What are the consistency and performance requirements for the products and services?

D. PRODUCTION

3. Costs & Investments

How much will the product cost to produce?
What is the required production investment?

D. PRODUCTION

4. Production Feasibility

Can this process meet the quality and cost requirements within the time frame of this venture?

D. PRODUCTION

5. Process Patents

How extensive is the process patent position?

Will it give competitive advantage?

The potential for patent protection for the process must be discussed. The relative strengths of patents are not easily assessed without court action, but estimates can be generated. The potential importance of adequate process patent protection should be covered.

E. PARTNERSHIP

1. Development Partners

a. Requirements

What are the requirements and conditions for a development partner?

A development partner is a producer or processor who will manufacture the products or services in total or in part. The intent is to use outside resources for manufacture to reduce investment and costs and to secure specific manufacturing expertise. The types of arrangements may be as simple as toll production, where the firm uses a contractor to process materials. Or it may consist of a joint venture to produce the product.

A key condition of the development partnership is that the firm maintains ownership of the product , either in part or totally, during the processing.

Whom should we consider?

The selection of potential development partners is usually complex. The conditions need to be identified as well as the candidates listed.

1. Development Partners

b. Considerations

Are they ready to make a commitment?

Since the venture will rely on the development partner for production, a commitment is needed as soon as possible. The level of commitment should be identified.

What is it going to cost?

Since the development partner must be compensated for effort, the nature of that compensation should be noted. This includes any exclusivity that implied in the agreement.

E. PARTNERSHIP

2. Customer Partners

a. Requirements

What are the requirements and conditions for a customer partner?

A customer partner is a user of the products or services who is willing to work with us in its development. The intent is to work with him to test the product and verify its effectiveness and quality. The customer partner is intended to act as a source of market expertise and to help promote the product.

Whom should we consider?

The selection of potential customer partners is usually complex. The conditions need to be identified as well as the candidates listed. These conditions usually include the size of the customer and past working relationships.

2. Customer Partners

b. Considerations

Are the Customer Partners ready to make a commitment?
Since the venture will rely on the customer partner for testing and market information, a commitment is needed as soon as possible. The level of commitment should be identified.

What is it going to cost?
Since the customer partner must be compensated for effort, the nature of that compensation should be noted. This includes any exclusivity implied in the agreement.

E. PARTNERSHIP

3. Internal Partners

What are the requirements and conditions for internal partnerships?

An internal partner consists of any group of an operating The firm's division that will cooperate in the development of this business.

Whom should we consider?

The selection of potential internal partners is usually complex. The conditions need to be identified as well as the candidates listed.

What is the nature of their commitment?

What is it going to cost?

Since an internal partner must be compensated for their effort, the nature of that compensation should be noted.

E. PARTNERSHIP

4. Acquisitions

Are there any business acquisitions required?

What are the specifications for the acquisition and the firm's requirements?

Acquisitions are usually handled on a divisional basis. An outline of the needs for the acquisition and the targeted requirements should be noted. In most cases, an acquisition is viewed as a potential assistance to the venture concept rather than critical to the venture concept. If an acquisition is critical, it should be clearly noted.

F. BUSINESS FIT

What strengths and unique competitive advantages does the firm have to allow you to be successful?

Not all potentially profitable businesses should be of interest to the firm. There should be some synergy between the firm's existing operations and the new venture concept to assure some competitive advantage to the firm. These need to be identified.

What existing company businesses could be impacted by this venture?

F. BUSINESS FIT

1. Running the Business

Can the firm successfully run this type of business?
The firm can not run every type of business. Some businesses fit the firm's type of operation better than others. Some assessment of similarity and synergy must obtained.

F. BUSINESS FIT

2. Customers

Which existing company markets do you expect to exploit in developing this business?

Common markets and existing marketing strengths can be a strong competitive advantage. How the existing marketing strengths will be exploited should be discussed.

What existing company customers could be affected by this venture?

F. BUSINESS FIT

3. Processes

What existing company production facility or processes do you expect to successfully utilize?

If under-utilized production facilities are to be used, the nature of the usage and any necessary modifications should be discussed. The identity of the organization involved with the facility should be mentioned.

F. BUSINESS FIT

4. Technologies

What company "know-how" will give you competitive advantage?

"Know-how" including how to run the business, can be critical to the business. Include both technical and business expertise.

F. BUSINESS FIT

5. Relations

What relationships possessed by the firm could be of help in this venture?

Include supplier, customer, and distribution relationships. Do not overlook other possible sources of advantage including academics, the research community, and publications.

What other relationships possessed by the firm should be considered in addressing this venture?

Consider both internal and external relationships.

F. BUSINESS FIT

6. Opportunity Assessment

How much is this business worth to the firm?

The total worth of the business includes not only the financial opportunity but also some other strategic values. These may include: (1) the entry into previously unexploited markets or technology; (2) development of previously unsatisfactory business relationships; and (3) low risk exploitation of a new technology or business structure.

IV. DEVELOPMENT PROGRAM

This sub-section outlines the Development Program. It is divided into five sections covering Decision Elements, Action Items, Timing, Resources, and Planning.

At the end of the sub-section are an Action Table and multi-year Gantt Charts. These will provide a framework for showing Action Items, Timing, and Responsibilities.

The Development Program should give you a path for gathering the additional information you need and for determining if you have a viable Business Concept.

This is a Development Program for defining a Business Concept. It is a screening device.

A. DECISION ELEMENTS

What are the key decisions that must be made to continue this business concept?

Decision	Alternatives
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

B. ACTION ITEMS

What information is necessary to make these decisions?

Decision	Information Needed
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

C. TIMING

When must that information be available?

By convention, we use 24 timing checkpoints per year where great precision is not available or required. This convention uses numerical split months, either A or B. For example, early September is 9A, late September is 9B, etc.

Moving from split month Action Plan Timing to split month or weekly Gantt Chart Timing is generally easy. Some imposed timing may be very precise and this should be noted.

Information Item	Timing
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

D. RESOURCES

What resources are necessary to obtain that information?

Information Item | Resources Needed

1.

2.

3.

4.

5.

6.

7.

8.

E. PLANNING

1. Methods

How will the information be obtained?

It should be noted that the results of the projects may not provide the desired information in the form originally planned.

Information Item	Method

1.

2.

3.

4.

5.

6.

7.

8.

E. PLANNING

2. Responsibility

Who is responsible?
For each project element, someone should be assigned responsibility. The person assigned must be held responsible for obtaining the desired information within the time frame and resource constraints. Where possible, link authority for the execution of the project element with the responsibility of reporting results.

Item	Description	Responsible

1.

2.

3.

4.

5.

6.

7.

8.

E. PLANNING

3. Action Table

How will the program come together?

	Topic	Action	Timing	Responsibility
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				

E. PLANNING

4. Gantt Chart

How to track the progress of the program?

	20____		20____		20____		20____		20____	
	Jan	Jul	Jan	Jul	Jan	Jul	Jan	Jul	Jan	Jul
Action Items										
1.										
2.										
3.										
4.										
5.										
6.										
7.										
8.										
9.										
10.										
11.										
12.										
13.										
14.										
15.										
16.										
17.										
18.										
19.										
20.										

Development Group R&D Engineering

Quality Group Manufacturing Marketing Research

E. PLANNING

5. Gantt Chart

Action Items	20____		20____		20____		20____		20____	
	Jan	Jul	Jan	Jul	Jan	Jul	Jan	Jul	Jan	Jul
1.										
2.										
3.										
4.										
5.										
6.										
7.										
8.										
9.										
10.										
11.										
12.										
13.										
14.										
15.										
16.										
17.										
18.										
19.										
20.										

Development Group R&D Engineering

Quality Group Manufacturing Marketing Research

V. SUMMARY

I. BUSINESS DEFINITION

A. PRODUCTS
B. MARKETS
C. MANUFACTURING
D. MARKETING AND DISTRIBUTION

II. BUSINESS STAKE

A. MEASURE OF STAKE
B. APPLICATIONS
C. CUSTOMER BENEFITS
D. COMPETITIVE PRODUCTS
E. TARGET PRICE
F. CONTRIBUTION MARGIN AND TARGETED VARIABLE COST
G. FITNESS FOR USE
H. MARKET ANALOGS
1. Sources of Data
2. Functional Potential
I. OPPORTUNITY
1. Share
2. Time Frame
3. Penetration
4. Application Opportunity
5. Risk Assessment
6. Business Opportunity

III. CRITICAL ISSUES

A. CRITICAL QUESTIONS
B. PRODUCT FEASIBILITY
1. Concept Performance
2. Product Patents
3. Prototypes
C. MARKET ACCEPTANCE
1. Concept Test
2. Customers' Expectations
3. Customer Commitment
4. Investment and Timing
D. PRODUCTION
1. Process Definition
2. Quality
3. Costs & Investments
4. Production Feasibility
5. Process Patents

SUMMARY, Continued

E. PARTNERSHIP

1. Development Partners

a. Requirements

b. Considerations

2. Customer Partners

a. Requirements

b. Considerations

3. Internal Partners

4. Acquisitions

F. BUSINESS FIT

IV. DEVELOPMENT PROGRAM

A. DECISION ELEMENTS

B. ACTION ITEMS

C. TIMING

D. RESOURCES

E. PLANNING

1. Methods

2. Responsibility

3. Action Table

4. Gantt Chart

5. Gantt Chart

GLOSSARY

Many of the terms used in this workbook have broader definitions than are intended here. The following definitions refer to this New Venture Workbook.

Acquisition
An existing independent business purchased out-right by the firm. Joint ventures are considered here to be a type of partnership. The nature of the joint venture agreement may extend beyond a development agreement to that of an acquisition. In any case, joint ventures and acquisitions require Departmental and Corporate approval.

Applications
An application is defined as a group of uses which have separate and identifiable customer benefits. It is synonymous with a market segment as used in this workbook.

Business Fit
Business fit refers to the potential synergy between the business concept and other company businesses. Fit focuses on mutually supporting strengths.

Business Opportunity
The business opportunity is the total opportunities for all applications.

Concept Test
A concept test is used to determine interest of the potential customers in product and service concepts. It is not a business test, in that it does not determine whether this business concept will be successful.

Contribution Margin
The contribution margin is the proportion of the price that exceeds the variable costs. It is a measure of the inherent profitability of the product and services. It should be noted, however, that there are additional costs that will be set against the contribution. Contribution margins of over 30% are generally expected for a concept to be considered viable.

Customer Benefits
Customer benefits are the advantages to the customer for using the product. They are expressed in terms of what the customer gains from the product.

Customer Commitment
For new venture analysis, customer commitment focuses on his intention to buy the product. It is recognized that that intention may not become reality.

Distribution
Distribution refers to all means of getting the product to the ultimate user. This may include several levels of customers.

Fitness for Use	Not all instances of an application will allow the use of the product. Fitness for use focuses on those instances. Generally, physical rather than economic limitations are used as the criteria of Fitness for Use.
Marketing	Marketing is the function of encouraging the customer to use the product. This function includes sales and promotion.
Markets	The collection of all potential customers for the product and services is referred to as the product markets. As used in this workbook, markets consist of applications.
Opportunity	It is unlikely that any business will capture 100% of a market. Opportunity reflects the likely fraction of the price-adjusted functional potential that is realistically capturable by this business.
Partnership	Any agreement with an outsider organization or other company organization involving working together in the development of this business is a partnership. This may be either formal or informal in nature.
Penetration	Few businesses grow instantaneously. The expected rate of growth is referred to as penetration.
Potential	In general the potential refers to the largest possible annual sales of the product. Potential as used in this workbook refers to the functional potential. Functional potential includes all feasible markets for which the product is fit for use and is within the acceptable price range.
Product	Product, as used in this workbook, is synonymous with the product offering. It includes all physical products, services, and attributes as delivered to the customers.
Prototypes	Early models of the product, services, and process that can be used to test the product business concepts.
Quality	Quality, in this workbook, refers exclusively to product consistency and performance. In this regard, it has a very limited definition.
Resource	A resource consists of manpower, funds and special facilities needed to continue the development of a business concept.
Risk	Risk reflects all the possibilities of things that can go wrong in the development of the business. For this workbook, risk refers to the collective probability of success.

Share

For this workbook, share refers to that part of the price adjusted market potential that will eventually be captured.

Stake

The economic value of the business to the firm. There are a number of measures of stake that can be used. In the New Venture Workbook, stake is synonymous with market potential and opportunity. Other measures can be used, if appropriate.

Target Price

Target price is the proposed price for the products. It is understood that this is only an estimated price. It must be consistent with the estimate of the functional potential. A high target price should restrict the product's uses. A low target price would provide a larger market but at a restricted contribution margin.

Variable Costs

Variable or marginal costs refer to those unit costs directly attributed to making an additional unit (of product and service). All overhead, burden, and investment charges are excluded from variable costs.

CONTACTS

Key Contact	Topic	Company (Address)	Telephone Number