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Commercialization Plan:
What to Write, What to Do

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Writing a well crafted commercialization plan is a good start and necessary for a Phase II submission. But what can you do to begin implementation of your commercialization plan, even before your Phase II is funded?

**What to write**

**What to do**

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Developing the Business of Life Science
IMPORTANT REMINDER

A good idea is necessary but not sufficient
What is the SBIR/STTR Program?

A federal funding mechanism to support small business to:

• Stimulate technological innovation

• To develop products with commercial merit
What’s the Opportunity?

Focus on the Problem, not the Solution!
COMMERCIALIZATION
BUSINESS PLAN

Tell Your Story

• Executive Summary
• Company
• Product
• Market
• Management
• Operations
• Financials

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COMMERCIALIZATION PLAN

- Covers a SPECIFIC product or technology
- Defines the commercialization model (i.e. – route to market)
- Identifies milestones and risks related to commercialization of the product or service
- Provides financial information related to the product (i.e. – cost, price, sales projections, margin)
SBA SBIR Policy Directive

1. Company Information
2. Customer and Competition
3. Market
4. Intellectual Property
5. Financing
6. Assistance and Mentoring
COMMERCIALIZATION PLAN

NIH’s Proposed Layout
1. Value of SBIR/STTR project
2. Company information
3. Market, Customer, Competition
4. Intellectual Property Protection
5. Finance Plan
6. Production and Marketing Plan
7. Revenue Stream
1 - Value of this SBIR/STTR project

- *Lay description* of key technology objectives (features & benefits)
- Need addressed – weakness in state of the art
- What are the potential commercial applications?
- What is the innovation?
- Advantages compared to competing products, technologies or services
- Societal, educational, scientific benefits
- Non-commercial impact
- How does research integrate into Company business plan?
To DO:

Product Positioning

1: No need
   Unique Product

2: Big Need
   Many Products

3: No Need
   Many Products

Big Need
Unique Product

Customer Needs | Product Uniqueness

1

2

3
Put your product description through the “so what” test
COMMERCIALIZATION PLAN ELEMENTS

2. Company information

• Corporate objectives
• Core competencies
• Size
  - Annual sales
  - Number, type of employees
• Track record
  - Identify products with significant sales
  - History of previous Federal and non-Federal funding
  - Subsequent commercialization
• Succinct history of the company
• Vision for future
• How will you fill management needs
• *How will you become a successful commercial entity*
Management

- Management Team
- Board of Directors
- Scientific Advisory Board
- Business Advisory Board
- Recruiting Plans
- Organization chart

Developing the Business of Life Science
COMMERCIALIZATION PLAN ELEMENTS

3. Market, Customer, Competition

- Target market
- Customer profile
- Positioning (ie – product advantages)
- Hurdles to overcome to gain acceptance (ie – barriers to entry)
- Strategic alliances, partnerships, licensing agreements
  - To get FDA approval
  - To market and sell
- Marketing and sales strategy
- Competitive analysis
What you need to know...

- Market size and growth
- Target market
- Market trends
- Customer profile
- Competitors
- Competitive positioning
- Pricing and margin analysis
- Sales and market share projections
- Barriers to entry
DO YOUR HOMEWORK

a.k.a. – MARKET RESEARCH

For the computer savvy

For the socially adept
Market Analysis

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TARGET MARKET

• What are the potential applications?
• What is their order of priority?
  ➤ Size of market & market growth?
  ➤ Ease of entry?
  ➤ Regulatory hurdles?
  ➤ Higher margins?
  ➤ Existing customer relationships?
To Verify the Problem…Complete These Steps

1. Test your understanding of the problem
2. Write your description of the problem and its costs
   - Talk to more people
   - Modify your description as needed
   - Ask them what else they need
3. List their needs…Rank them
To Do: Competitive Analysis: Products

• What are the alternatives?
• How are these products sold now?
• What is their price?
• How big is their market share?
• What is their intellectual property position?
Competitive Analysis: Companies

- Who are they?
- How large are they?
- Are they developing something new?
- Are they a potential partner?
- How do you intend to compete?
Pricing 101

Price ≠ Cost
Now for the Solution…

- What are the customer’s current alternatives to solve the problem?
  - Include doing nothing

- How does your solution compare?
  - Performance, convenience, price
  - Cost of switching
Why a Marketing Plan?

- Foundation of Your Business
- Primary Communication Tool …inside & outside the company
- Source of company goals, milestones, and measures of progress
Developing the Total Marketing Plan

1. Understand your customer
2. Analyze your market & competition
3. Select a market niche
4. Develop your marketing message
5. Choose your marketing medium
6. Set marketing and sales goals
7. Develop your marketing budget

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4. Intellectual Property Protection

- List and describe importance to THIS project
- Clearly explain the company’s right to use the intellectual property
- Discuss how the IP fits into the broader base of IP in the competitive landscape
- Detail the plan to protect any subsequent IP
COMMERCIALIZATION PLAN ELEMENTS

5. Finance Plan

- How much $ is necessary to develop the product?
- When will the $ be required?
- Where will the money come from?

“I just need help getting started. A little seed money.”
Funding for Commercialization

$ Non-Dilutive
$ Equity
$ Debt
Equity: Angel Investment

- Typically high net-worth individuals
- Looking for a product, service, company or entrepreneur with whom they can identify
- Mentoring relationship
- “Street Smarts”
- Can move quickly
Equity: Venture Capital

$ Often specialize in a business sector

$ Many have life-stage preferences

$ Often require significant equity positions to invest

$ Typically are able to invest more than angels

$ Company needs a clearly defined exit strategy

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Corporate Investment

$ Team up with customers, suppliers, even competitors

$ Lots of possibilities…
  - Joint ventures
  - Strategic alliances
  - Other business combinations
  - Technology licensing

$ May allow you to concentrate on what you know best – your technology!
What you’ll need for equity financing...

$ Extensive knowledge of your market

$ How do you plan to make money?

$ “Elevator Pitch”

$ Clear, concise executive summary
  - only one chance to make a first impression!

$ Business Plan
To Do: Investor Presentation

1. Title
2. Problem
3. Solution
4. Business Model
5. Underlying Magic
6. Marketing and Sales
7. Competition
8. Team
9. Projections
10. Status and Timeline

* Guy Kawasaki, April 2005 presentation, Wayne State University

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Debt: Banks

$ Difficult for start-ups to secure debt financing
$ Risk averse
$ Collateral Required
$ May require personal guarantees
$ Do not require board seats
$ Do not share in profits

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Debt: Small Business Administration (SBA)

$ Provides loan programs to small businesses

$ SBA is a guarantor of loans, not a provider

$ Works through its network of lenders

$ Small Business Investment Companies (SBICs)

$ Many other services
What you’ll need for debt financing...

$ Summary of the loan request
$ Historical balance sheet and income statements
$ Projected balance sheet, income statement, and cash flow
$ Accounts receivable/payable reports
$ Breakdown of inventory
$ Summary of collateral values
$ Personal financial statements (incl. tax returns)
$ Summary of the business and industry
Other Sources

$ Personal assets
$ FFF (Friends, family and fools)
$ Vegas, baby, Vegas!
6. Production and Marketing Plan
(Think of this as your “operations” section)

• Describe how the production of your product/process/service will occur

• Describe the steps you will take to market and sell your product/process/service
7. Revenue Stream

• How will you bring in $$ to the company upon successful completion of project?

• How will you grow your team to meet revenue expectations?
Sales Financials

Product sales and margin projections, to include:

Income:
- Revenue from sale of product
- Related licensing revenue

Expenses:
- Cost of Goods
- Other sales expenses

Bottom line in gross margin dollars and percent
COMMERCIALIZATION PLAN

recap

1. Value of SBIR/STTR project
2. Company information
3. Market, Customer, Competition
4. Intellectual Property Protection
5. Finance Plan
6. Production and Marketing Plan
7. Revenue Stream
COMMERCIALIZATION!

ARE YOU PREPARED?

YES

Developing the Business of Life Science
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Commercialization

It's QUESTION TIME!!

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