Introduction
For Round Two of the Michigan Business Challenge (MBC), teams will be evaluated on the seven-minute presentation AND the seven-page submission. This document is MBC’s mid-point between summary and plan and focuses on market understanding and financial assumptions.

Before spending time on detailing an operating plan for the business, the management team will want to deeply explore a successful venture’s two most essential elements:

- The business will have customers for the product or service
- The business will make money servicing these customers

Successful companies build upon a solid foundation of understanding of these two areas. Investors also pay particular attention to these elements. Building a robust understanding of these areas, being able to identify the critical elements necessary to your success, and effectively communicating these issues will build credibility and gain support of the audience.

The understanding of these issues may change as the plan continues to develop. No one aspect of a plan should become fixed. But, the relationships between aspects of the plan, for example sales cycle and working capital needs, are vitally important to effective business planning.

Format and Page Limits: The seven-pages in this document are expected to be allocated:
- Market need or pain – one page
- Market dimensions – three pages
- Financial assumptions – three pages

Sources do not need to be cited, but a team MAY be questioned on sources during the presentation. The team has the option of submitting a one-page list of sources (NOT to be counted in your 7-page limit).

The document should be prepared with 11 or 12 point font with one-inch margins on all four sides of the page. One section CANNOT be extended if another does not fill its page limit.

Submission Deadline: This document is due at 8:00 a.m. on Wednesday, January 4, 2006.

Three Sections
Market Need or Pain (one page) - An opening statement, similar to this format, would make an appropriate introduction.

The … Company name
is a … type of firm (e.g. website, software co., manufacturer, consultancy)
that plans to sell … product category (e.g. software application, marketing tool, services).
For … the ideal customer
who … has the this problem,
our product … provides a specific solution with one or two important benefits.
Unlike … the competitors,
our product … has the key differentiator.

The remainder of the page should describe the current market situation and build a case that a market pain (ideally) or need (minimally) is being solved. This page discusses what potential customers are doing now and how improved their situation would be with the proposed product
or service. The reader should be convinced that the team understands the customer and that the proposed solution is the solution for the target market.

**Market Dimensions (three pages)** - Teams are encouraged to quantify wherever possible.
- Three metrics for market size are number of buyers, dollars spent and units sold.
- Two markets to be discussed are the target market and the total addressable market.
- Using the metrics above, both the target and addressable markets need to be described.
- Data for a particular product or service offering may not be available. If this is the case, the team needs to make reasonable estimations of market dimensions based on a proxy. If a proxy is used, what was used for a proxy and why?
- Short and long term changes in size of the market need to be discussed. What are driving these changes, e.g. overall population growth, technical adoption rates, industrial or economic conditions, etc.?
- What is the relationship between the chosen target market, subsequent intermediate segments and the total addressable market?
- Segmentation of target market.
  - What is the definition of and what are the qualities of the target market?
  - Include demographic, psychographic, geographic, industrial descriptors.
- Definition of total addressable market.
  - What are the dimensions, qualities of the total addressable market?
  - Use demographic, psychographic, geographic, industrial descriptors.

**Financial Assumptions (three pages)** - Teams will have to determine and discuss what underlying assumptions are MOST important and significant for THEIR endeavor. Different businesses, industries, and markets have different drivers of success.
- Some general assumptions to consider
  - Sales cycle: number of days from initiating a sales effort and receiving payment
  - Interest rates, short and long term
  - Number of days to make payments, make collections
  - Inventory turnover
  - Tax rate; where is business incorporated, when will it be profitable
- Examples of revenue estimating assumptions
  - Selling prices, license fees, upgrades, consulting fees
  - Per unit revenue
  - Multiple revenue streams for different product lines, services, consulting, upgrades
  - % of sales in cash versus credit; bad debt %
  - % of sales made directly and through partners
- Examples of cost estimating assumptions
  - Average per-unit variable cost for each product line
  - Commissions, discounts and returns to be included in direct cost of sales
  - Personnel plan with positions, salaries, benefits, payroll burden, turnover
  - Mortgage and/or lease financing terms for buildings, vehicles, equipment, etc, interest rates, points, and down payments