

Venture firms are under pressure to identify strong business opportunities. Most venture firms are under constant pressure to identify “winners”. However, building a portfolio of investments requires considerable time and effort, and a spread of investments which often means the firm cannot study an opportunity at the required level of detail. There can be industry considerations that require experience and understanding not directly available at the VC firm. Other challenges facing VC firms when considering investments include:

- **Balancing time between identifying further opportunities for the portfolio, and working in more detail on current investments**
- **Investing the time to get a strong understanding of the market opportunity**
- **Undertaking an appropriate level of commercial due diligence before proceeding with an investment**
- **Being able to report back to the Board of the Venture Firm in a clear and concise way on the opportunity**

To break this cycle, VC firms need the support of strong managers at investee companies, and in some cases, service providers. Market sizing, pricing strategy, go-to-market approaches, channel strategy and financial modeling all require time and expertise. In many cases, the Management Team at the venture could do this work, but are busy developing the technology, making sales, or more generally “running the business” and don’t have time to build a detailed, accurate plan. In other cases the venture has been built up by a range of deeply experienced operational Managers or technologists, who have less experience in developing a business plan than is expected by the VC.

SPP has developed a range of unique approaches to assist early and growth-stage ventures. Over the past 2 years, our core team members have been developing up a range of approaches and IP related to the study and development of new ventures. This includes the following skill-sets:

- **Understanding the technology or service** – communicating the technology or service clearly, in laymans terms, to Board members and potential investors
- **Understanding the customer problem** – through interviews and surveys, getting a strong understanding of the major challenges customers face, and why they would purchase a technology solution
- **Developing the value proposition** – clearly understanding the value proposition for the customer including features and functionality, price, barriers to use, and changes in experience
- **Sizing the market** – having a strong, practical approach to market sizing, including both top-down (broader market base) and bottom up (distribution based) market sizing
- **Understanding the industry** – understanding the idiosyncrasies of a given industry, the value chain, and the challenges facing a new business in getting its technology adopted
- **Creating a point of difference** – understanding competitor offers, and the firms unique competitive advantage
- **Mapping the financial future** – using detailed cash flow analysis, understanding what sort of cash is required to sustain the business, based on a realistic estimate of sales, operational costs, and capital costs
- **Identifying exit paths** - identifying likely valuation scenarios and possible exits for the business
- **Assisting with Business Development** - organizing initial customer interviews, and assisting with trial sales and business exits

Our experience in this area is strong. SPP continues to serve a wide range of investors and investee companies in the venture space. Our clients include the following:

- CEGT/Cleantech Ventures
- V-Fuel – Vanadium Bromide Battery Technology
- PV Trough – Photovoltaic Technology
- PowerDx – Electrical Monitoring Technology (Deakin University)
- RAM – Industrial Mixing Technology (CSIRO)
- AMT – Australian Membrane Technologies – Water Treatment Technology (ANSTO)

To find out more about our offer to Investors and Venture Companies, please contact Phil Noble on phil.noble@sppconsulting.com.au, or call Phil on 0438 000 200.