

9. Key Considerations

Executive Summary

Business Overview	This is a brief introduction to the reader to the proposed initiative. It should cover the mission, strategy and market opportunity in broad terms so that in one page, a potential partner or investor can understand what you are trying to do, and how you are going to accomplish it. It should cover the background information about SME development, the case for business incubation (and an explanation of what incubation is) and the services that you will offer at your centre.
Summary of Financial Information	This summary will indicate the amount required, the investment, the rate of return, expenses, revenues, growth rate, the projected EBITDA and EBITDA margins, cashflow and annual rental yield.
Summary of Proposed Terms	This is a one page summary that outlines the purpose of the funds, the proposed investment amount, the split between equity and debt, the board representation, the shareholding structure, and investor rights.

Business Opportunity & Highlights

Background Information	This outlines the challenge faced by small businesses, and the market demand/opportunity that exists. It may outline the state of office space and how easy or difficult it is to acquire, and it may outline what other types of business development services are lacking or inaccessible in the market. You should focus on what is needed, and what kind of demand there is.
The Plan	The plan is a more detailed outline of exactly what you will offer to address the issues raised in the previous section. You need to describe what the incubator is, and what model you will setup and explain the services that it will offer.
Investment Highlights	Here you highlight the advantages that you have for an investor, which may mean the competitive advantages you possess, the return anticipated, the team you've put together, the partnerships and public support you will create, and any barrier to entry for others, and other types of advantages that may accrue to investors (for example to meet their own corporate social responsibilities)
Investment Considerations	Here you outline the risks involved.

Industry Overview

Market Indicators	You should provide a comprehensive and detailed overview of the market, both in your target city or town, but also in the country as a whole. You need to focus on GDP, inflation, days to start a business, as well as other basic facts about the country. This will help investors determine the size of the market, get background information about the direction of the country, and the appetite of the SME sector. You should specifically analyze those industries and markets that are directly relevant to the business you are intending to setup. This should probably include a survey of the real estate market and what is out there and the direction it is heading in. It should also include indicators for any other industries that your incubator will focus on. EG if you intend to be a travel and tour incubator, then you should cover that industry, similarly for ICTs if you are doing that. You should provide macro-economic data for the industry, then specifics for your market, and indicators as to where the industry is going.
Market segmentation	This is an analysis of how your target market is segmented. It shows that you understand how the market is constituted and will help you focus your strategy on one or more parts of that market.
Target market segment strategy	This outlines exactly what your strategy will be in creating focus, and meeting the needs of your target market. You need to show how, and which part of the market, will access what kinds of services. Focus will be extremely important, particularly if you want to establish partnerships with other institutions that are industry-related.
Participants	This is a summary of all the other participants who are active and providing services to your target market.
Sector Analysis	This analyses the strengths and weaknesses of those participants, and what is lacking or saturated in the sector.
Competition	This should list your key competitors and identify their strengths and weaknesses.
Barriers to entry	This should be a carefully thought through analysis of why it would be difficult for someone else to enter the market and compete with what you are offering.

Business Description & Strategy

Company Location	This is where you would locate the incubator. Some key options should already be identified at this stage. More than one leaves you with options. Being specific can help people visualize what you are trying to do. It can also help with the costs. Most important, it will help you think through how important the location is to meet your target market. If you are offering retail services to the general public, then being located within easy access to public transportation will be critical. However, that must be balanced with the needs of your incubates and anchor tenants, who may want to have a very 'upscale' address where they can bring clients. So the location is critical. Parking is absolutely essential.
------------------	---

Building Description	This would be a description of the building layout. How many floors, what kinds of rooms, what common spaces. It should include an architect's rendering of what the building would look like, along with the proper sizing for rooms etc. This helps to be specific for costs. It also shows the scale of the project. The design is critical to engineer the networking that you are aiming for in the incubator. Having a standalone building is key for branding. Giving visibility to businesses and shops. Integrating public retail outlets and spaces will dramatically affect the design of the building.
Products & Services	This describes what products and services you may offer at the building.
Incubator Program	This section could be covered in the previous one, but is so important that it gets its own section. Here you will identify what the incubator program does, and how this differentiates your facility from a pure real estate play. You will identify the program and the services offered, as well as the monitoring and evaluation that you will have in place.
Competitive Comparison	Outline how your enterprise will compete with anything else similar on the ground in your community.
Marketing strategy	Outline the positioning statement, pricing strategy and promotion strategy. Give some sense of the flavor of your organization – how formal or informal you will be? What kind of language you may use.
Strategic Alliances	Outline the alliances you have already, or intend to, setup with government, media, financial institutions, educational institutions, local businesses, local NGOs, ISPs, suppliers, other local or international incubators, and international NGOs and donors.

Management Summary

Organization Chart	Provide an organization chart.
Team Descriptions	Describe the role of each team member and the type of characteristics required for that position. Remember, incubation is mostly about networking smart people. So focus on 'hospitality'. Focus on hiring people that have great people skills. Focus on people that are good at admin and operations to keep the centre running smoothly. Most industry specific roles (eg. Technology) are much more easily learned than people skills.

Financial Projections

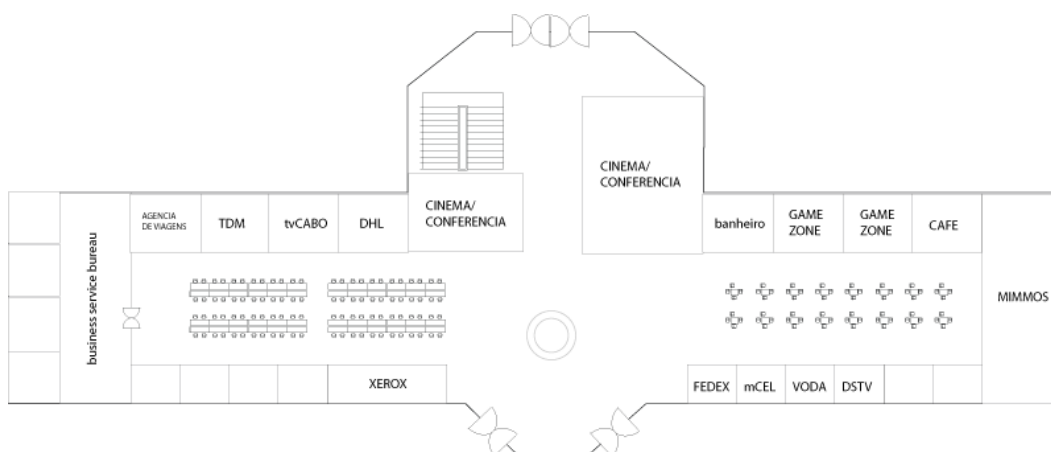
Key Financial Assumptions	You need to list all of the assumptions you are making about the centre. This could include the size of each floor, the number of floors, the average cost to build per square metre, the common spaces, and then expenses, like rent, payroll, electricity, internet. You should indicate what rates you are charging tenants for the services that you provide. Probably some will be commercial tenants paying full rates, and some will be incubates paying subsidized rates. In addition, you should outline what demand you are assuming for these services, which could translate simply into ‘occupancy’ for the spaces that you have. Don’t forget payroll taxes and licensee fees.
Income Statement	Do eight years if you can, indicating your revenues, VAT, net revenue, operating expenses, EBITDA, depreciation, EBIT, interest payments, taxes, net income, EBITDA margin, EBIT margin and net income margin.
Balance Sheet & Cash Flow	Total assets (inventory, cash and securities, accounts receivable, property, equipment, etc.) and Liabilities (short term and long term debt, accounts payable, accrued expenses etc.)

The Appendix (research data)

Rollout Schedule	Include a rollout schedule (see sample version later in this handbook)
Site Details	Describe in detail the site, provide aerial maps and satellite images with the building in place. Get GPS readings and plot the exact size of your building showing access roads and parking. Do this for as many sites as you have. Use google maps. Outline any issues with tenancies. Describe pros and cons for each particular location. Indicate public accessibility. Consider long-term development of the site.
Construction Quotations	Set up an excel sheet with about five quotations from a sample of five well-respected construction companies in your area. They should provide per M2 costs for finished build, unfinished build, electrical install, shop electrical install, parking, ceiling, flooring, glazing, internal walls, elevator.
Equipment list & cost	This should be a detailed list of all the equipment you will buy and/or import, with their associated import duties. This should include electrical fixtures, lighting, flooring, carpets, generator, transformer, fire system, chairs, desks, cleaning equipment, office equipment, trunking, wiring, PCs, etc.
Meeting Room Rates	If you are offering meeting rooms to the public, you should have a comprehensive list of what other facilities exist and their prices.
Retail Shop Rental Rates	If you offer retail rentals, you should have samples of other comparable sites and the lease rates being offered in those locations.
Potential Tenants	You should provide a list of companies that you believe would like to relocate to your facility. You should speak to as many of these as possible about the idea and see if they are willing or not, and how much they would be looking to pay. Try and identify large anchor tenants that would be commercial tenants over the long-term, who could possible co-invest in the building with you. Complement them to your industry focus if you have one.
Salary Estimates	Do a survey of the market, both public and private sector, to determine what are the current rates for an entry-level employee, driver, security guard, cleaner, graduate, middle manager, senior manager.
Office Survey	If you will be offering office space, you need to do a survey of your market. Hire some students to cover critical areas of your town. Have them identify the key office buildings, and then inquire as to whether any spaces are available to rent, and at what price, with what services. You need to establish the average rental price that would compare to your facility, as this will determine a key metric for you business model. Also, determining occupancy, and the projected growth or decline of occupancy, is also key to your business plan. You may consider also included a survey of retail services/shops if you intend to offer those in your building as well.
Target Industry Survey	If your incubator will be focused on one industry (like tourism or technology) then you will also need to do a comprehensive survey of businesses in your community that offer those services. This will allow you to determine the size of your target market, and also to see if the market is growing or contracting. Talking to several of them in

	terms of whether they would be interested to move in can give you good data to use in your business plan.
Lease Proposal	If possible, enclose a proposed lease agreement/terms for the landlord.
Macro Economic Indicators	FDI, GDP, population, size, inflation, days to start a business can all help build a picture of your environment for potential investors to consider.
Target Industry Statistics	This is a summary of the industry that you are focusing on.
Doing Business Indicators	From World Bank and IFC, you can demonstrate the kind of culture that exists for small businesses to startup.
Network & Systems Installation	Get quotes for any expensive items that you would consider for the building, like your network and systems, a generator, a construction quote etc.
Interviews	Include transcripts of any interviews you had, as well as a list of the people that you have met during the feasibility, investment plan.
Profiles	If you can identify investors, developers or managers that could be substantially involved in this project, and have expressed an interest to be involved, it's crucial that you profile them.

10. Design Smart



Flexibility and mixed-use may be of critical importance to your location and situation. In this sense here are some key considerations for designing your space:

Consider a public, retail ground floor

As a community centre for entrepreneurship, you can leverage that location and brand image to attract more foot traffic by co-locating public retail companies on the ground floor like a shopping mall. This will generate interest and traffic from the community – a commodity that can often be converted into business leads or employment opportunities for your incubates. It also diversifies your business model and introduces additional revenue streams.