



# BUSINESS FITNESS CHALLENGE

## Am I ready to grow my business?



You don't need answers to these questions to impress VCs. You need the answers to grow your business. - **Michael Wolfe**

You want to grow your business into a sustainable thriving enterprise. You may even consider fundraising in the future. But do you really know your business' pain points? This **Business Fitness Challenge** takes you through the Business and Growth Fundamentals you need to nail in order for your business to succeed. Let's find out which areas of your business are thriving and which need a bit more TLC!

	Area	Nailed it!	Need more work!
Business Fundamentals	1. Your business vision	<input type="checkbox"/>	<input type="checkbox"/>
	2. The problem and solution	<input type="checkbox"/>	<input type="checkbox"/>
	3. Business model and revenue	<input type="checkbox"/>	<input type="checkbox"/>
	4. Breakeven point and analysis	<input type="checkbox"/>	<input type="checkbox"/>
	5. Your competition	<input type="checkbox"/>	<input type="checkbox"/>
	6. Team	<input type="checkbox"/>	<input type="checkbox"/>
Growth Fundamentals	7. Market Opportunity	<input type="checkbox"/>	<input type="checkbox"/>
	8. Traction	<input type="checkbox"/>	<input type="checkbox"/>
	9. Growth Strategy	<input type="checkbox"/>	<input type="checkbox"/>
	10. Financials and Projections	<input type="checkbox"/>	<input type="checkbox"/>
	11. Your Mindset	<input type="checkbox"/>	<input type="checkbox"/>



We meet with a lot of founders who are at different stages, with different business models and varied growth opportunities. However, what's critical for sustainable success is to have your business fundamentals in place. After all, you're exploring growth opportunities and may even be asking people to invest, so you need to know your business inside out.

## Business Fundamentals: what all founders should know!

### 1. Your business vision

Firstly, let's review some of the business areas that you should have covered in a business plan, pitch deck, partner presentation etc that you can refer to over and over again.

Write down a very short summary of what your business does and aims to achieve?

Have you written it down, have you memorised it? This needs to be consistent and on point every time.



**TIP:** If you are struggling with this then I would suggest watching Simon Sinek' Youtube videos to learn how to explain your businesses "Why" and "How".

### 2. The Problem and Solution

Are you building a solution for an urgent problem? Is your solution sound in terms of business goals and potential for scalability?

**The problem:**

Do you have a clear description of the problem you solve:



Can you clearly explain who do you solve it for: **YES** or **NO**

Can you explain why your customers are frustrated with current solutions: **YES** or **NO**

Can you explain why now is the right time to solve it? **YES** or **NO**

**The solution:**

Do you have a clear description of your solution:

	<b>Yes</b>	<b>No</b>
	<b>Yes</b>	<b>No</b>

Can you show why you are certain your product solves the problem (e.g. show research)?

Can you clearly explain the benefits of your solution?

Once you have worked out the problem and solution, getting your product market fit is key to show how you can take your solution and find a market that will pay for it.



**TIP:** For investors, product market fit is one of their key assessment points. To learn how to get this right check out our course 'Nail your product market fit'.

### 3. Business Model and Revenue Model

Many people think a business model and revenue model are interchangeable. However, a business model explains the company's strategy, operations and management tactics whereas the revenue model draws from these explanations to outline how the company will earn money.

Do you have a business plan outlining your business model? Is it updated to reflect any changes in your business?



**TIP:** Our course 'Nail your product market fit" includes a session on the business model canvas which can help define your business model.

Here are some examples of revenue models:

Revenue Model	Description	Pros	Cons	Example companies
<b>Transaction revenue</b>	One-time sale of goods or services.	Can have low barrier to trial.	Need to continuously generate new sales.	American Eagle
<b>Project revenue</b>	One-time project.	Can have large payouts. Can have low startup costs.	Scalability issues. May have long sales cycle. May require large upfront investment.	Construction company
<b>Recurring revenue</b>	Customer pays for access to a product or service in installments (usually monthly or yearly).	Do not have to resell customer for each revenue installment.	May require large upfront investment. May have long sales cycle.	Dropbox, Salesforce
<b>Service revenue</b>	Service provided to customer. Customer pays for time or expertise.	May not require large upfront investment.	Scalability issues.	Law firm, Supercuts
<b>Freemium</b>	Offer subset of features for free. Try to convert free customers to paying customers.	Can have low barrier to trial.	Hard to convert to paid. Hard to determine paid/unpaid.	Dropbox
<b>Advertisements</b>	Sell adspace.	Large market of potential customers. Potential secondary revenue source.	Need a lot of eyeballs to make viable. Can detract from user experience.	Google
<b>Marketplace, platform</b>	Platform or marketplace to connect buyers to producers.	May not require large upfront investment. Sometimes are winner-take-all markets.	Two sided market.	Etsy

Now can you do the same for your revenue model:

Revenue Model	Description	Pros	Cons	Example Companies



## 4. Break Even Point and Analysis

This helps determine when you will be profitable. Doing an analysis to determine how many sales to cover costs helps with:

- Pricing decisions ≠ cover fixed costs
- Setting sales goals to know how many sales you need to be profitable
- Driving funding discussions e.g. can I repay a loan? Is this business viable for an investor

It's a simple calculation:  $\text{Total fixed costs} / \text{revenue} - \text{variable costs} = \text{break even point}$ .  
Can you calculate the break even point for your company?

Total Fixed Costs	Revenue	Variable Costs	Break Even Point

What is your result? If the analysis shows too many sales required then consider making a change such as:

- Lower fixed costs
- Raise your prices
- Lower variable costs



**TIP:** Want to really drill down deeper? Check out Shopify's detailed explanation on how to calculate break even analysis [here](#) plus our Growth Financials: Cashflow is Queen course will help you get an understanding of your cashflow, expenses and forecasts for the business.



## 5. Who is Your Competition?

This is always a stressful question!

How well do you know your competitors?      **Very Well**      **Enough**      **Not Enough**

Do you know your place in the market relative to your competitors?      **Yes**      **No**      **Not Enough**

What does your product deliver that you feel is currently missing in the market?



**TIP:** Do your research and make sure your facts are straight, especially if you are talking to an investor from your industry. More insights on how to talk to your business confidently are found in our course “Winning Pitches: Talking the Talk”.

## 6. The Team

When it comes to the team there is a lot of bias towards women. Firstly, if you are a sole founder there are key person risk concerns (i.e. if you won the lottery and left the business - would it survive?). If you are a sole founder and haven't built the team, that's okay. If you want to use investment to build the team, highlight any specific experience and skills of key team members that will be important to the business.

Do you have a current or planned resource chart?      **Yes**      **No**

Can you show that the team has the experience and expertise to transfer your opportunity into a large profitable business?      **Yes**      **No**

Can you provide team member's prior business success within jobs/startups (don't just say they worked at 'corporate' brands)?      **Yes**      **No**

*If you have co-founders:*

Can you clearly explain roles and responsibilities and how you work together?      **Yes**      **No**



**TIP:** Focus on the most experienced members of your team and how you plan to build out a World Class team!

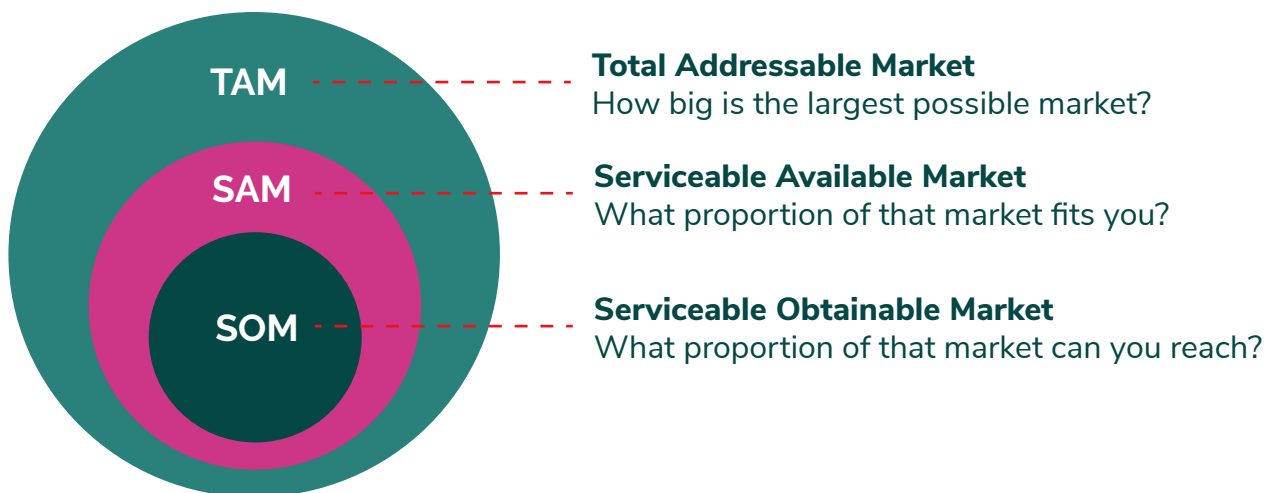
## The growth fundamentals you want to nail next!

If you rated 'Yes' in most of the above areas, then you are ready to look at growth fundamentals and continue your **Business Fitness Challenge!**

### 7. Market Opportunity

It's important to understand how big the opportunity is, how much of that you can obtain and how quickly. This is where you can generate excitement and a "stars in the eyes" moment about "what could be".

You need to define the size of the market and how much of this you hope to corner. It's common to use TAM, SAM and SOM to define these.



Many people throw around TAM because they are "big numbers" that they believe will impress people. Yet it is more important that you know your SOM and SAM as this is what will generate immediate revenue and is considered more realistic. You want to know how much money you can make if you were able to dominate your target market.



Can you write down your business's TAM, SAM and SOM

**TAM**

**SAM**

**SOM**



**TIP:** Make sure you avoid using vague terms or targets, instead provide specifics that can be measured against. This shows you have done your market research. Check out our course “Nail your product market fit” for an in depth module on data driven market size analysis.

## 8. Traction

What is that exactly? It's tangible proof measured in users and sales that customers love your product and are happy to pay for it. This can be gathered through your various sales channels, CRM systems and social media channels. It can also be tied back to the SOM (share of market) reflecting your ability to address the target market you outlined.

If you are pre-revenue, do you have **some** of the following to show traction:

- Received pre-orders?
- Prospective customers you are working with to build your product and what they are saying
- Have you done pilots?
- Have you done beta tests?
- Do you have MVP usage data you can share ?
- Can you show other ways how potential customers are engaging?





If you have revenue, do you have **some** of the following to show traction:

Can you tell your Unit Economics story i.e. the cost of acquiring those customers, qualifying them, then closing them and how it's a profitable business. You can use calculation methods like customer acquisition cost (CAC) and customer lifetime value (LTV):

Which customers have used the product and how have they received it? Any testimonials you can share?

- Are customers returning?
- Is your customer base growing?
- Can you show this as a percentage of new and returning customers?
- Can you calculate how much is each customer worth?
- Is their spending increasing over time?
- Do you have a pipeline of customers especially if B2B?

Just remember that traction is different for every business and dependent on stage, type and industry.



**TIP:** For tips on how to increase traction and knowing your customer, check out our course “Nail your Product/Market Fit”.

## 9. Growth Strategy

When we talk about Growth Strategy, what investors and partners want to see is Focus. There is a famous story when Bill Gates and Warren Buffet were both asked what is the most important question for a business leader? Each independently wrote ‘FOCUS’. That’s what investors and potential partners want to see when you explain your sales and marketing strategy to acquire and retain customers.



- Do you have a growth plan e.g. 3-5 years?
- Does it look like your business can actually scale?
- Can you explain your unique selling point?



**TIP:** Learn all about telling your growth story and business planning in our course "Nail your Product/Market Fit".

## 10. Financials and Projections

A difficult area to cover is always Financials & Projections. The amount of information you can share is dependent on the audience, the time frame and the expectations around presenting.

Do you have a 3-5 year plan covering your current financials and your forecasted financials for the business. This should align with your growth strategy discussed above.

Do you have detailed cashflow data? Cash flow shows your ability to cover business costs such as salaries, reinvestment into the business or repay a loan. If you can, it's preferable to show this year by year in charts/graphics.

Can you show the Annual Run Rate?     **Yes**     **No**

Also known as Sales Run Rate, Revenue Run Rate this is a method to forecast earnings based on current data. For example: This quarter = \$25,000 in sales then multiple by 4 to get annual run rate of \$100,000.

This is a general estimate but it's good for early stage startups or high growth companies turning a profit for the first time and then can use that data to project sales.

Can you show Cash Burn Rate or Cash Runway?     **Yes**     **No**

This shows how quickly and how much money a company is spending and is generally expressed in dollars per month. It also shows how much time the business has before it needs to become profitable or run out of cash

Startup businesses usually refer to their timeline for profitability as a "runway." The runway tells businesses how long they have before they have to "take off" and survive on profits, rather than savings.



**TIP:** Check out our course "Growth Financials - Cashflow is Queen" to get your financials ready for your business and potential investors.



## 11. Your Mindset

Growing your business is as much about the state of your numbers as it is about the state of your mind. Building the ability to tell your growth story with confidence and sealing deals demands that we understand how the mind of entrepreneurs and investors work.

Make sure to watch the video on how to cultivate a CEO mindset which will be featured on day 3 of this Challenge!

**YOU HAVE NOW COMPLETED THE BUSINESS FITNESS  
CHALLENGE: AM I READY TO GROW MY BUSINESS?  
So, which fundamentals do you need to work on?**

Now go back to page 1 and assess each area on what you have 'nailed' and what needs more work. You now have a roadmap on what to focus on or improve in your business.

This information is essential if you ever face investors, but it also helps with sales and partnerships e.g. if you want advertising revenue then potential customers will want to know media reach (traction), your audience (SOM) and why you are better than your competition.

Now get started!

Any other questions then reach out to us at [contact@nextchapterraise.com](mailto:contact@nextchapterraise.com)

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