

Special Topics:

- Entrepreneurial Marketing**
- Financial Projections for Startups**
- Sources of Funding**
- Business Model to Business Plan**

ENGIN 597H • April 14, 2015

MGMT 341 • April 15, 2015

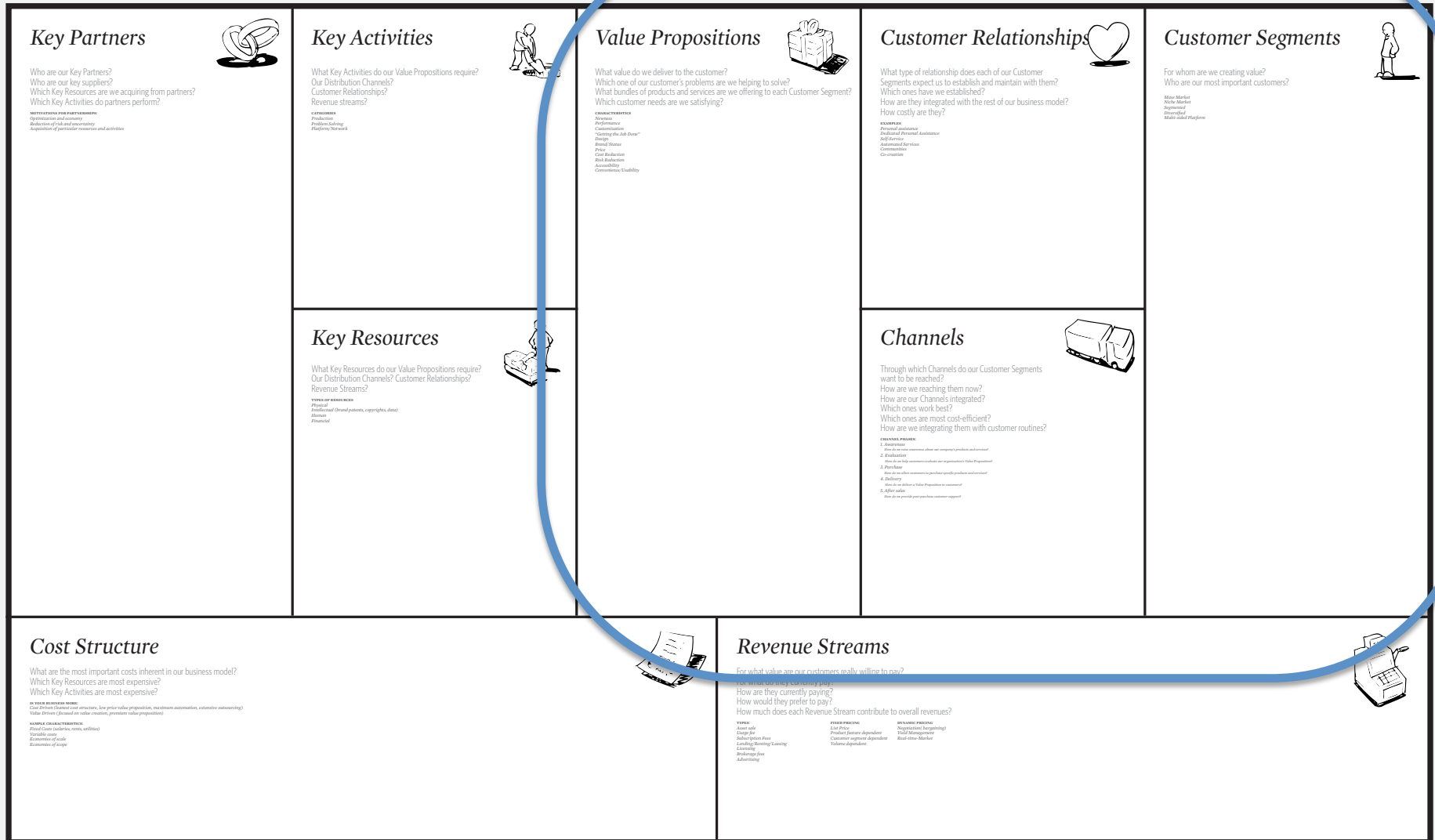
ENTREPRENEURIAL MARKETING

The Business Model Canvas

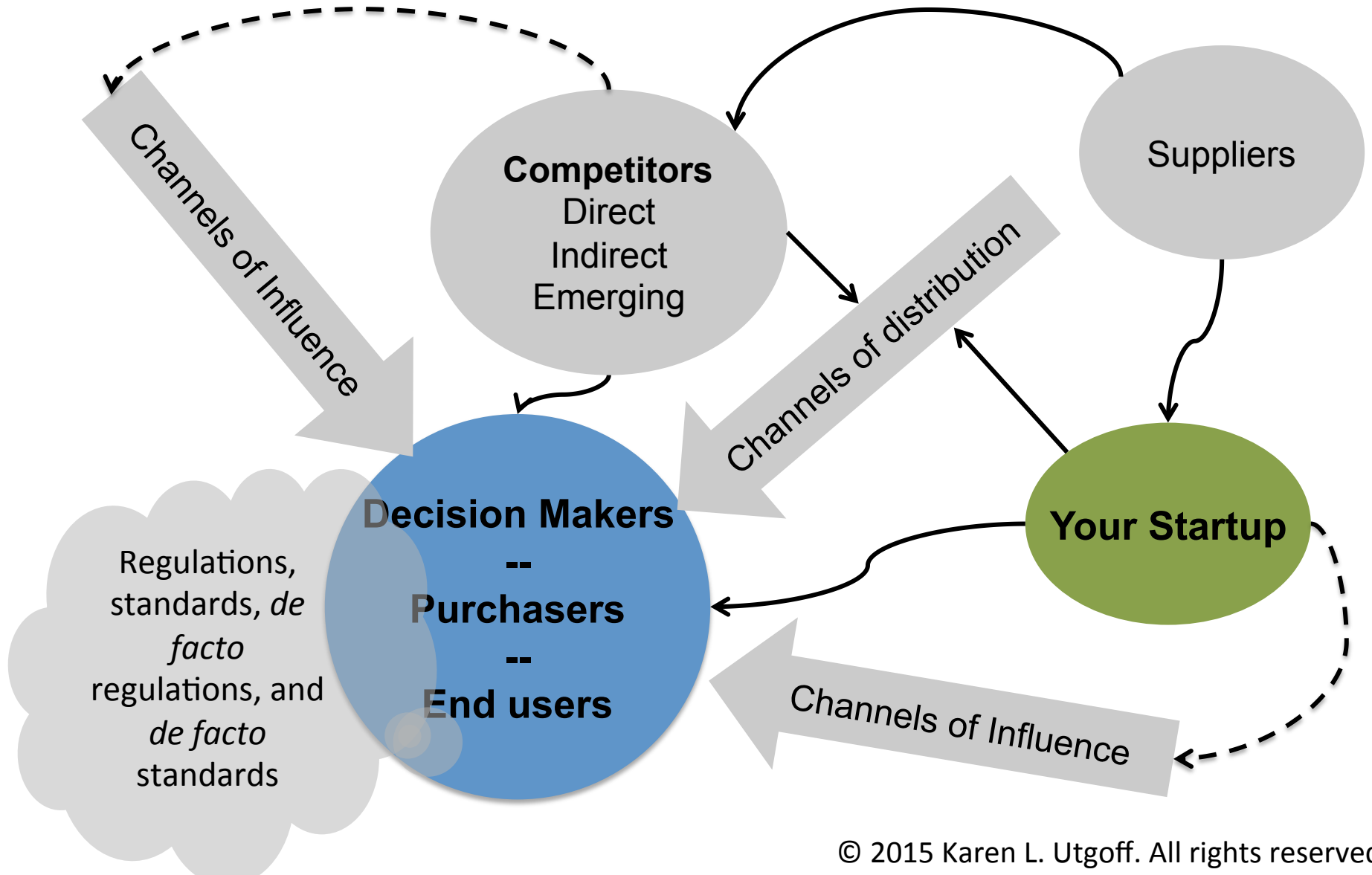
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Iteration: _____



Within Each Customer Segment

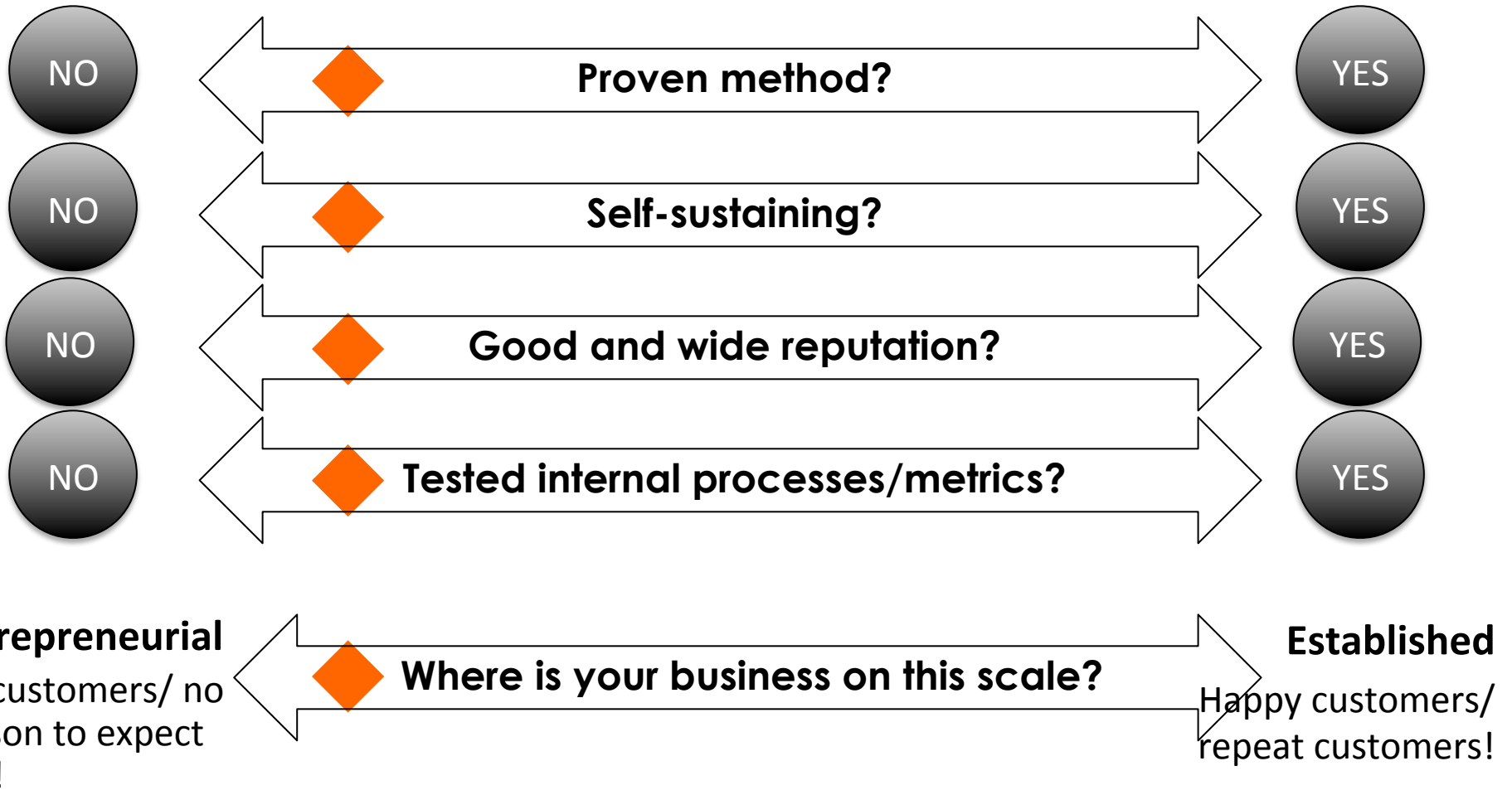


5 Different Types of Customers



1. All-in-one
2. Combined decision maker and purchaser
3. Combined purchaser and end user
4. Combined decision maker and end user
5. Separate decision maker, purchaser and users

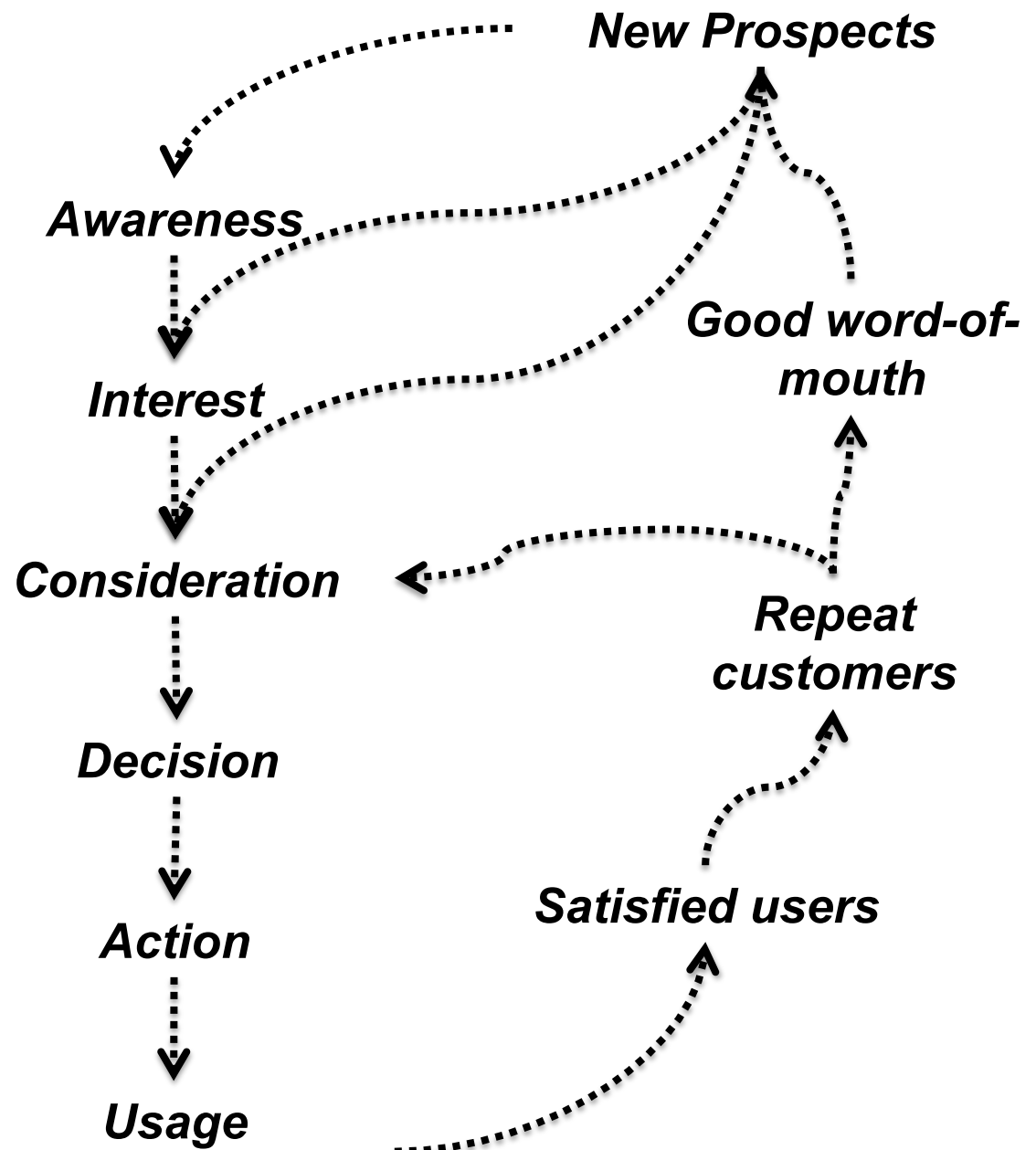
The Entrepreneurial → Established Marketing Continuum



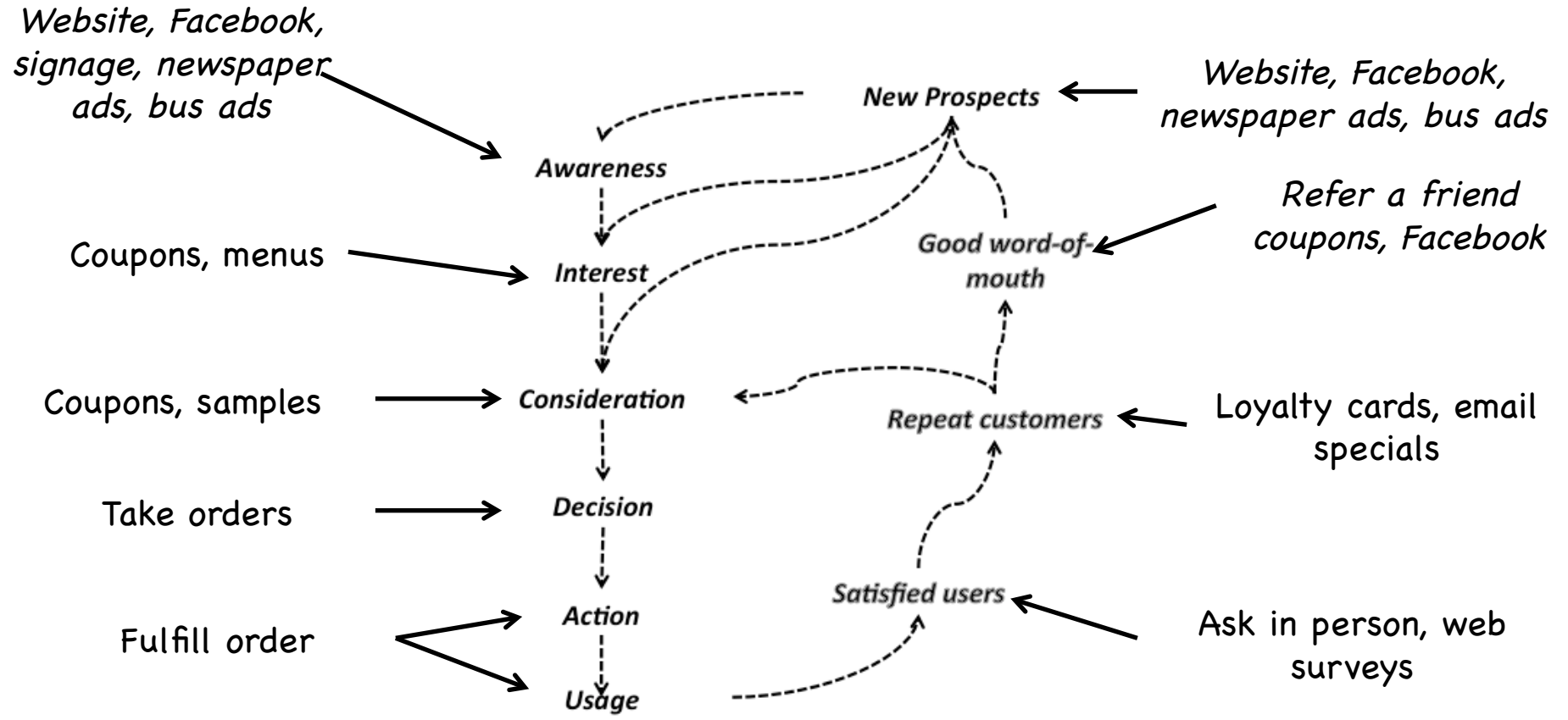
A startup must create the customer creation machine by using tools that move potential customers through each stage.

How does each stage map to “Get, Keep, Grow”?

What are the steps your startup needs to address?

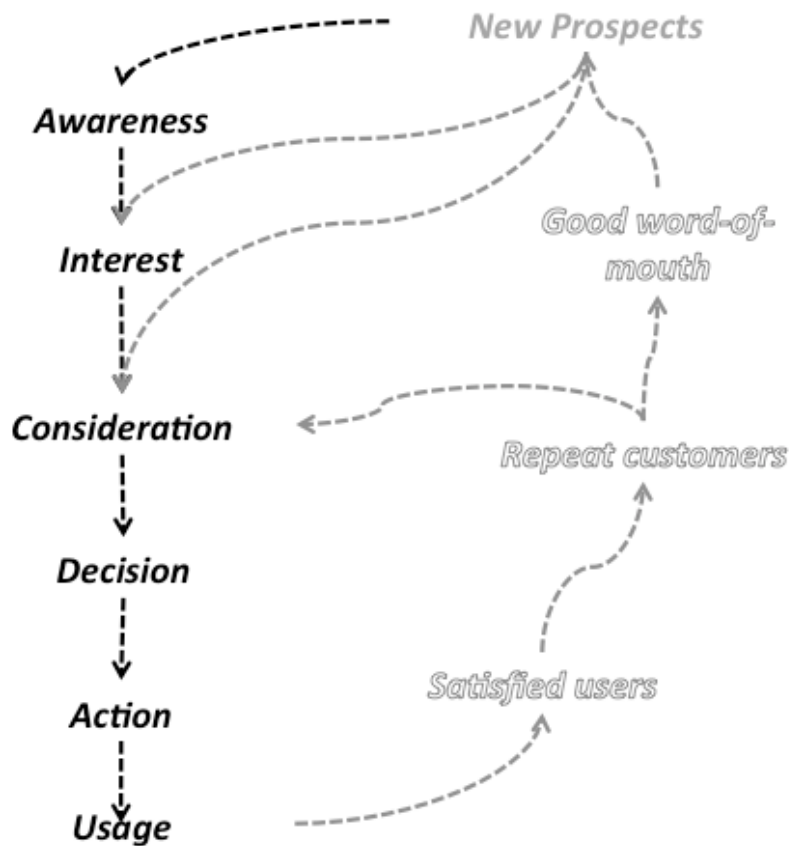


How Silly Goat Currently Manages the Buying Decision Process

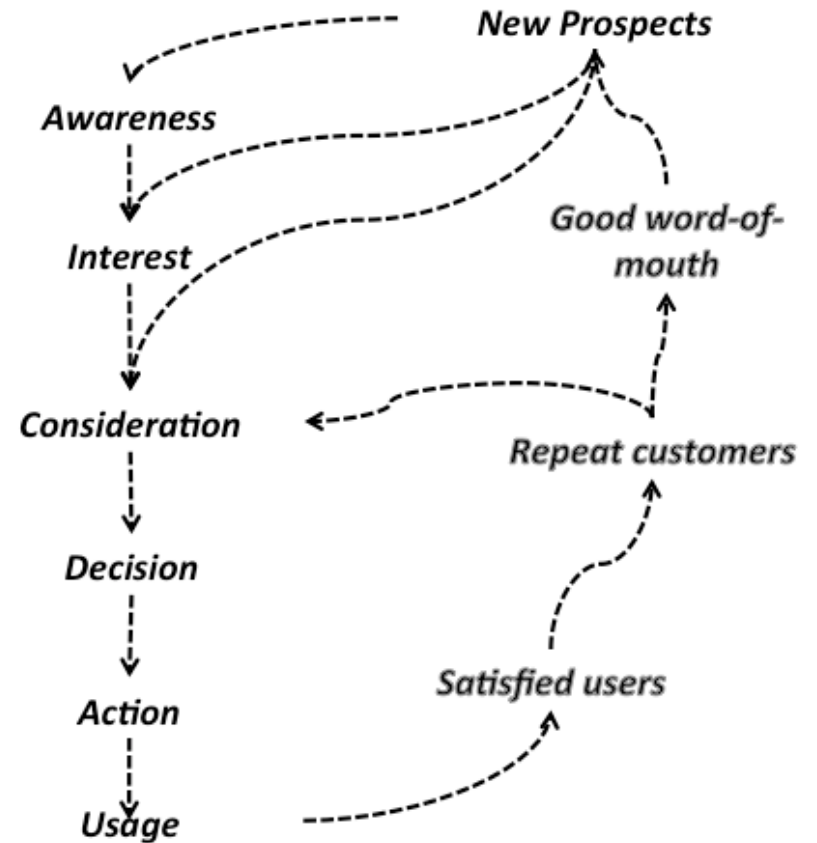


Entrepreneurial versus Established Sales Cycle

Entrepreneurial



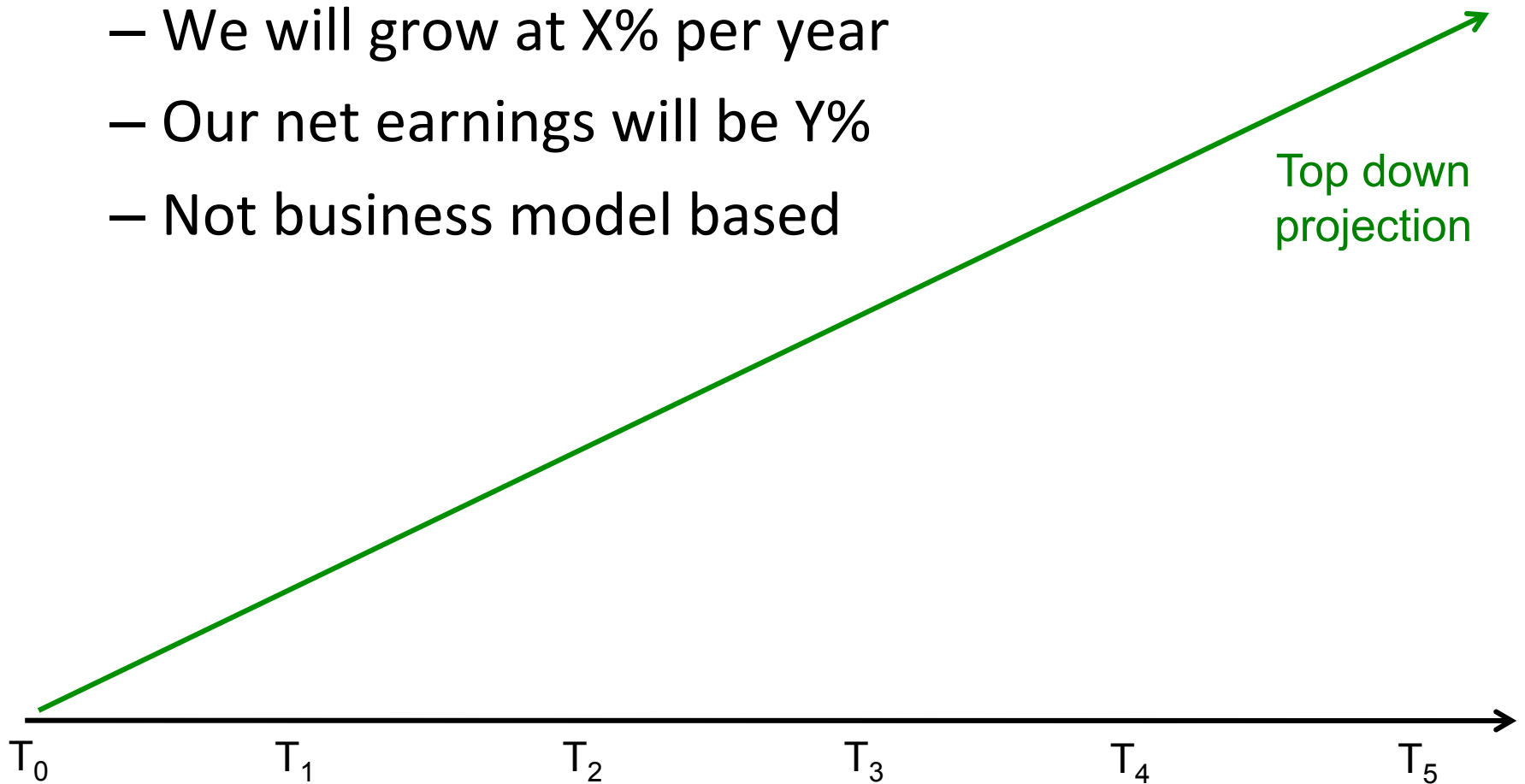
Established



FINANCIAL PROJECTIONS

Top Down (Aspirational) Projections

- Key assumptions are for future success
 - We will grow at X% per year
 - Our net earnings will be Y%
 - Not business model based



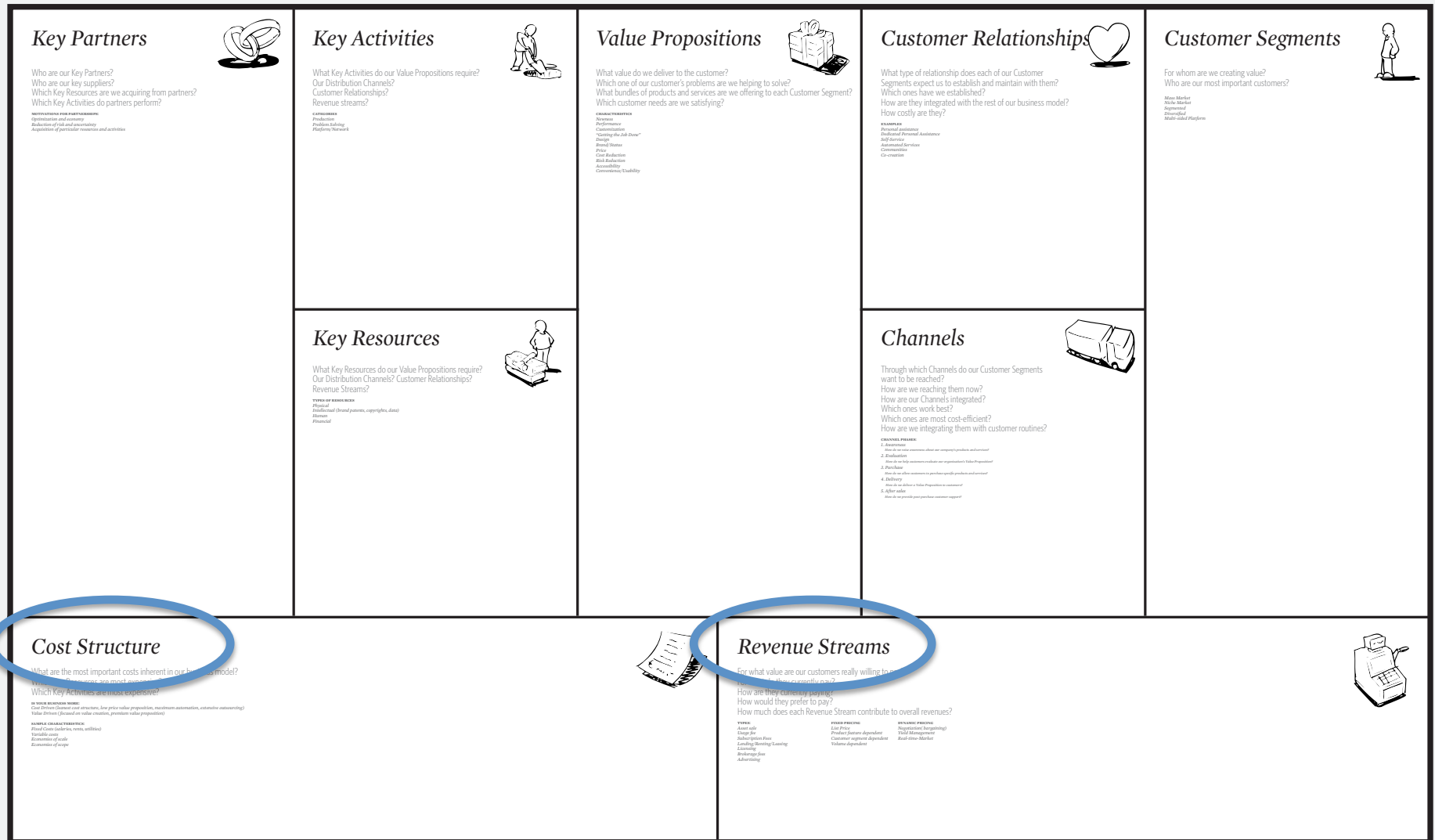
The Business Model Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No.



Bottom Up Projections

- Assumptions based on a proposed business model
 - Enhance assumptions with detail
 - Pricing based on revenue streams
 - Estimated costs based on cost structure, key assets, channels, etc
- Implement a dynamic spreadsheet to support sensitivity analysis ('what if' questions)
 - Answer the finance question “Can we build value?”

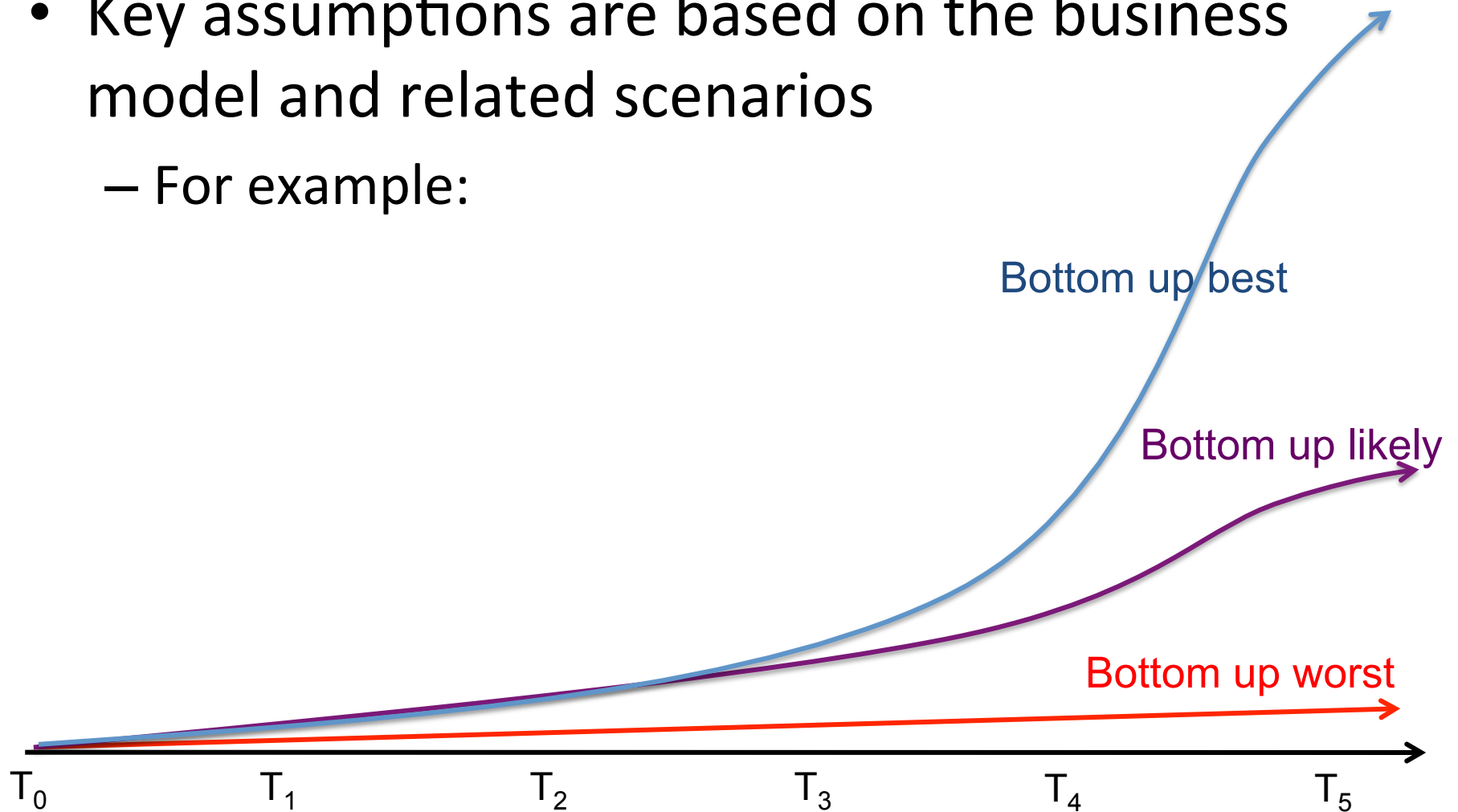
Possible Bottom Up Assumptions

- How much cash do you need to fund efforts before you can sell anything? (MVP)
- Once sales begin:
 - What is the cost of goods sold (COGS)?
 - Supporting assumptions about COGS components
 - What other expenses will you have?
 - How many new customers will you have?
 - How much will they buy?
 - What is the pricing for each revenue stream?
 - How many repeat customers will you have?

Different assumptions produce different projections/estimates

Bottom Up Projections

- Key assumptions are based on the business model and related scenarios
 - For example:



Bottom Up Forecast Summary

Time horizon

	FY1	FY2	FY3	FY4	FY5
List assumptions (A)					
Revenue					
Cost of goods sold					
Other expenses					
Net earnings					
Working capital investment					
Cash generated (required)					
Equity funding					
Cumulative cash position					
Notes					
(A) Note 1					

One row per assumption

One row for each revenue stream

Consider labor and non-labor costs

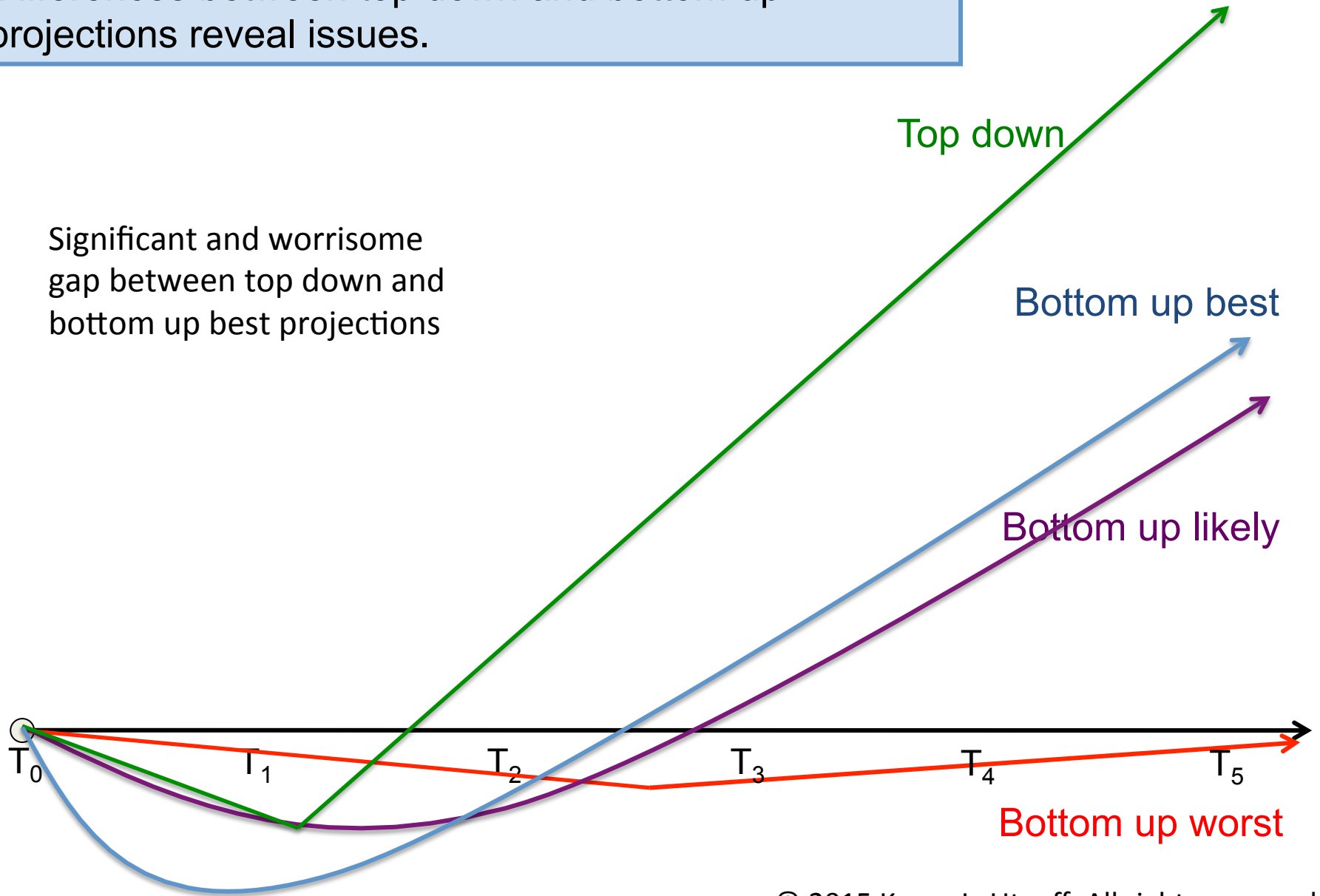
Approximates CA-CL

External Investment

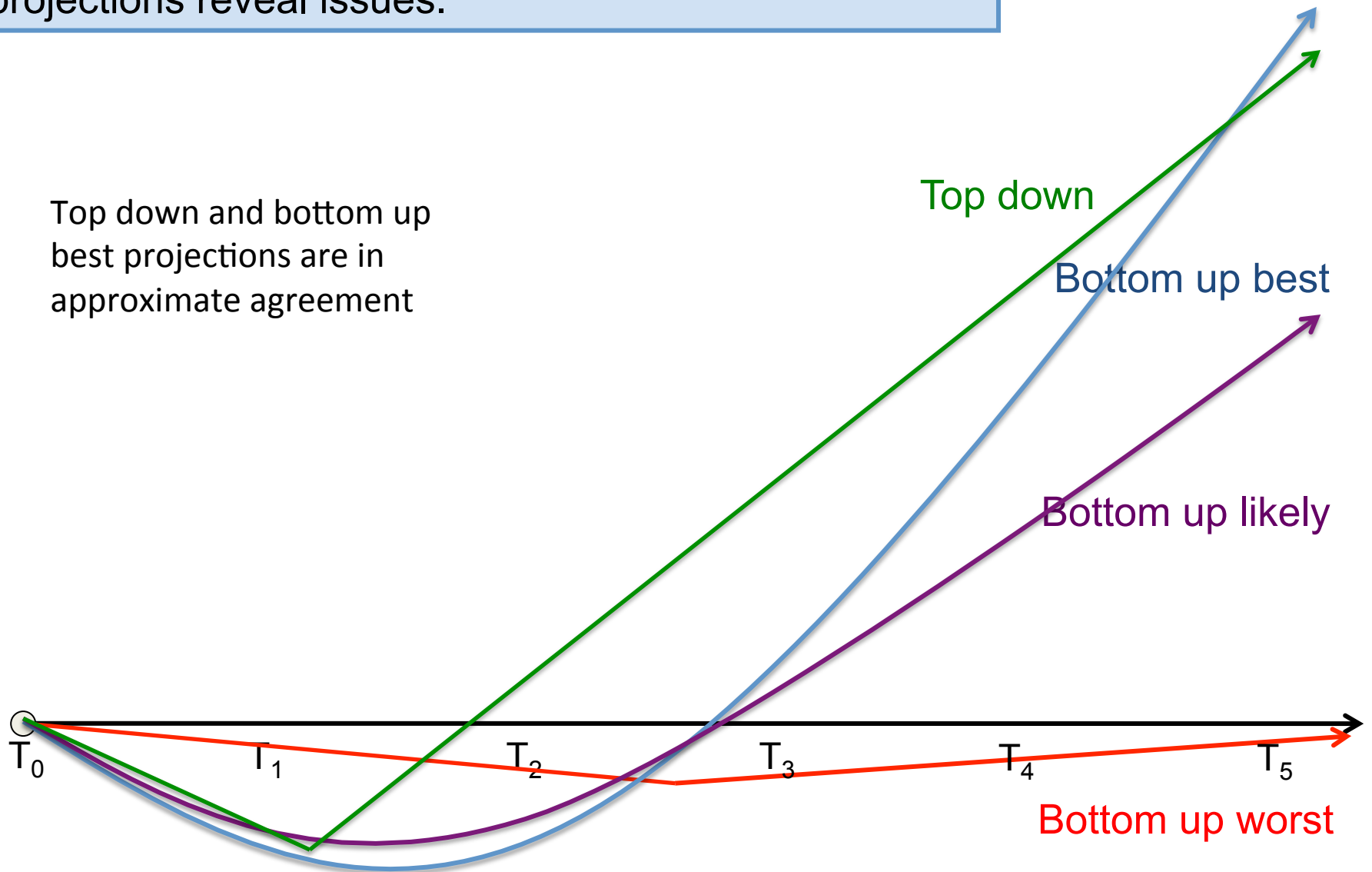
Cash is king!

Add detail as needed using backup worksheets

- Use different assumptions and methods to sanity test.
- Differences between top down and bottom up projections reveal issues.



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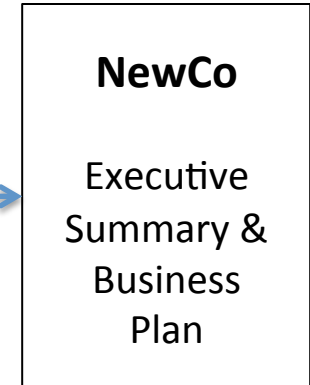
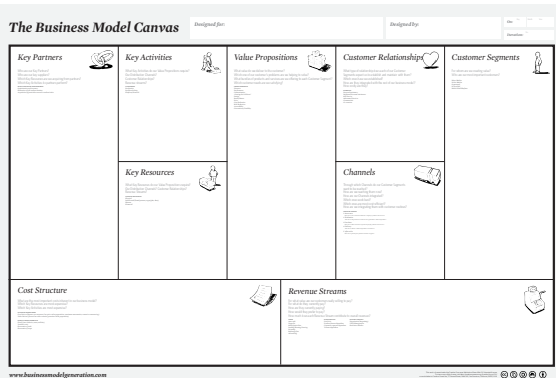
SOURCES OF FUNDING

Different funding sources are right at different times and for different purposes:

Sources of funding	Pre-Startup	Startup/Pre-sales	Early growth	High growth	Other
Campus-based awards/grants	yes	perhaps			
NSF I-Corps™	yes	perhaps			
SBIR, foundations, etc		yes	yes		
Self-funded (bootstrap)	yes	yes	yes	perhaps	yes
Family and friends	perhaps	yes	perhaps	perhaps	perhaps
The crowd		yes			
Angel investors		perhaps	yes	perhaps	perhaps
Venture capitalist		rarely	perhaps	yes	yes
Bank			perhaps	yes	yes
Economic development		perhaps	perhaps		perhaps
Customers		perhaps	YES!	YES!	YES!

Depending on the business, there may be other sources of funding as well

FROM BUSINESS MODEL TO BUSINESS PLAN



The Logic of the NewCo

- Value Proposition
- Customer Segments
- Customer Relationships
- Channels
- Revenue streams
- Cost structure
- Key assets
- Key partners
- Key resources

“...a business plan must be a call to action, one that recognizes management’s responsibility to fix what is broken proactively and in real-time.”

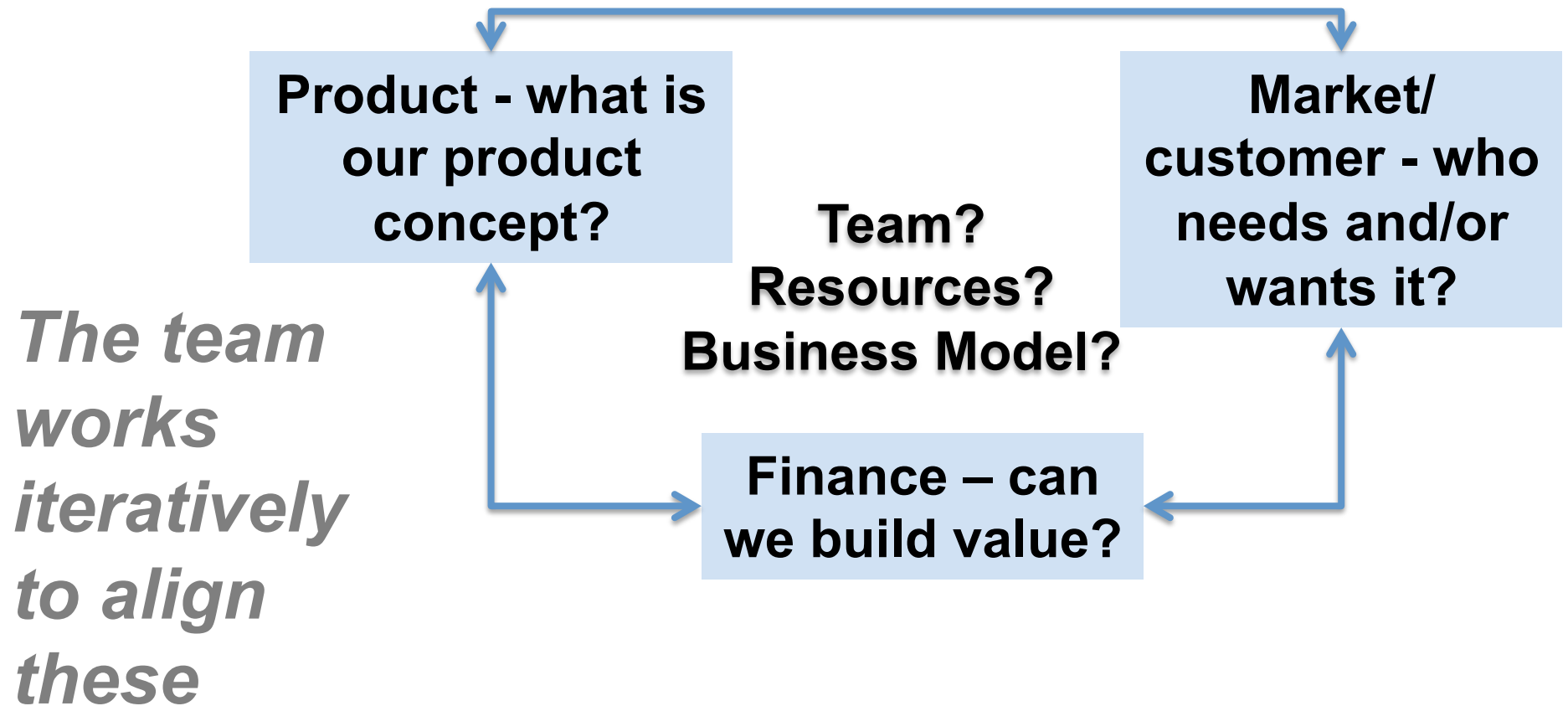
“A plan must demonstrate mastery of the entire entrepreneurial process, from identification of opportunity to harvest.”

“How to Write a Great Business Plan”
W. A. Sahlman
Harvard Business Review, July-Aug 1997

Why Create a Business Plan?

- Internal
 - Build a shared vision
 - Attract team members
 - Provide a foundation for management to implement and run the business
 - Focus for decisions and hypothesis testing (experiment, evaluate, improve)
- External
 - Attract advisors and mentors
 - Secure investment from one or more sources

Key New Venture Business Plan Questions



The Lean Launchpad approach provides a foundation for these

Two Points to Remember

- Don't worry about being right (it never happens), however. . .
- A good business plan prepares management to cope with the unexpected
 - Test assumptions and hypotheses
 - Maintain focus and maneuverability
 - Paves the way for “Plan B”

Elements of a Business Plan

Osterwalder

- Team
- Business model
- Financial analysis
- External environment
- Implementation Road Map
- Risk Analysis

- Appendices

Sahlman

- The people
- The opportunity
- The context
- Risk and reward

- Appendices

Typical Topics in the Plan

- Executive summary
- Opportunity (unmet needs and market potential)
- Products, services, operations
- Competition
- Marketing and sales
- Management team
- Intellectual property
- Governance
- Risk factors
- Financial projections and resources needed
- Exit options

Organize based on Osterwalder, Sahlman or to make your best case