



Session 8

Business Models, Pitch Decks and Value Propositions

Let's have our last two impromptu speakers...

Today's Agenda

- Scrum!
- Business Model Walkthrough
- Pitch Deck Structure
- Value Proposition
- Homework Assignment
- Key Takeaways

Let's Scrum!

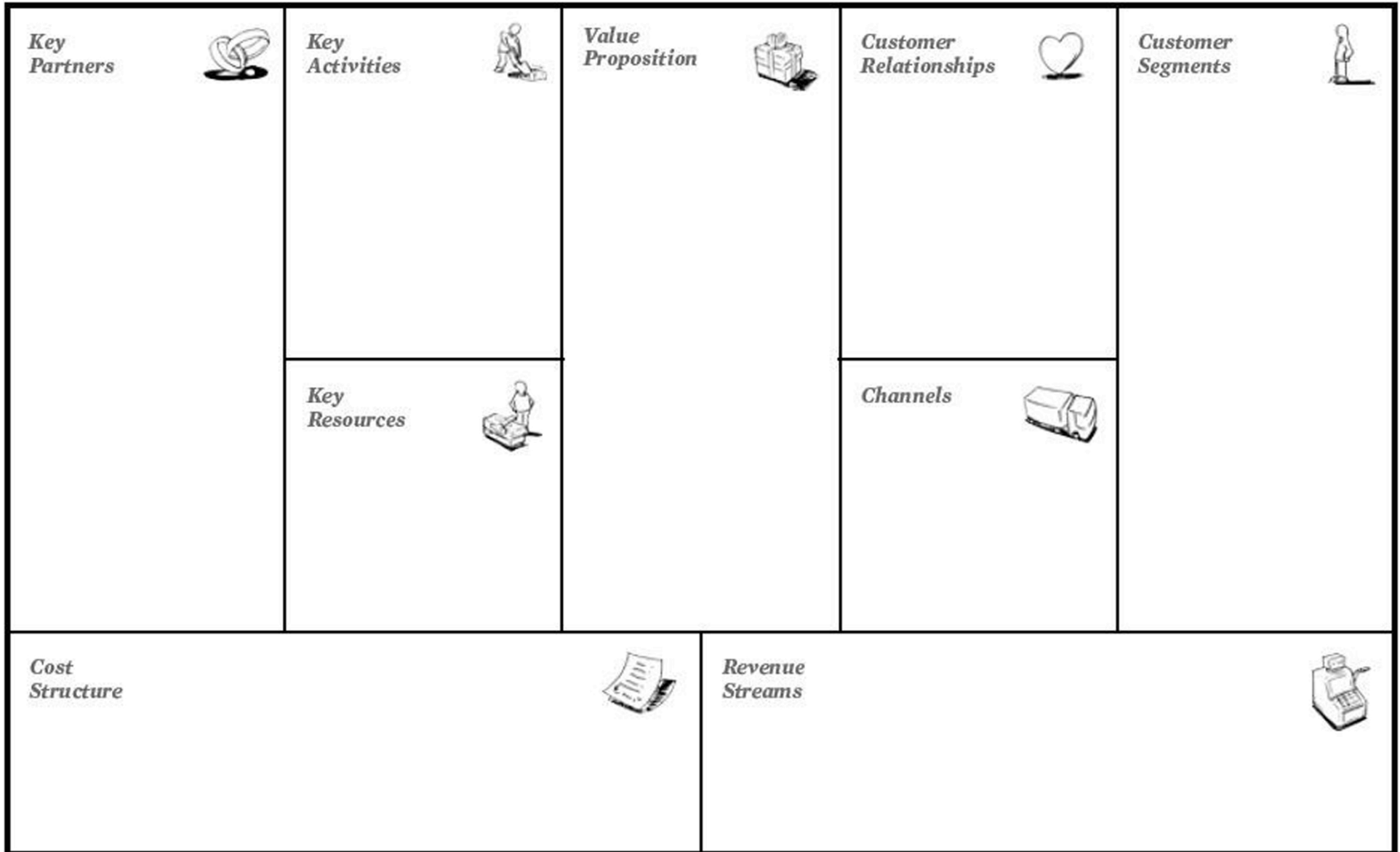
- What have you done since yesterday?
- What are you planning to do today?
- Any impediments/stumbling blocks?

Today's Agenda

- Scrum!
- Business Model Walkthrough
- Pitch Deck Structure
- Value Proposition
- Homework Assignment
- Key Takeaways

Key Elements of a Business Model

1. Who are you?
2. Who are your customers?
3. What is the market size?
4. How will you make money?
5. What is the competition? Why are you different?
6. How will you reach customers?



#1: Define Yourself!

Who are you?

What do you do?

Why does it matter?



Your entire success could be defined by one or two features of the product...

Buy a book online

amazon.com[®]

Upload and share video

You Tube
Broadcast Yourself[™]

Post short timely updates

twitter

Connect with friends

Search!

Google[™]

facebook[®]

11 Ways to Pitch a Business

- *“X for Y”*

“Pokemon was a 24+ billion dollar franchise. As far as anyone can tell, Nintendo has very little interest in building games outside its own platform. We are making Pokemon for the iPhone.”
- *Personal Story*

“I’m building this to scratch my own itch. It’s incredibly frustrating to have to rely on emailing files to myself, carrying around USB sticks and generally have files in different versions on different computers. I’ve coded up an easy way to keep my files synced across multiple devices and I think there are a lot of people out there like me.”
- Which you use and when will depend on your team, your business and your audience.

See them all:

<http://www.jasonshen.com/2012/eleven-compelling-startup-pitch-archetypes-with-examples-from-yc-companies/>

#2: Know Your Customers

- Clearly identify your target customers
- Group your potential customers
 - Students, Business Professionals, Farmers etc
- Why do this?
 - Potential for customization
 - Guidance for price setting
 - Targeted advertising



#2: Create a Target Customer Profile

- Develop a well defined Target Customer Profile
- Describes the market segment you have chosen to attack
- Can include important demographic information that will help you develop the market sizing calculation in the next step

Target Customer Profile Example #1

Customer profile


Gender	Male, female
Age	17-40 years old
Region	Cambridge MA (during initial growth stage)
Occupation	Student, young professional, internal migrant, middle management
Social level	Medium, high
Characteristics	Has a smartphone
User category	Early adapters, technologically advanced
Other	Active users of social networks, outgoing personalities

Ride Sharing

Example #2: Meet Vlad

Male

He wants to be unique



Lives on Kutuzovskiy Prospect in Moscow

Little time

Recently moved into his new flat with his girlfriend

Works at VTB Investment Banking

Loves esquire, Forbes, afisha, pop, GQ

Current salary is USD 10.000/ month

Loves Strelka and Ginza Projects

In summer he travels around the whole world

33 years old

- What kinds of problems might Vlad have?
- How could a mobile application solve these problems?
- Is Vlad your target customer? Why or why not?

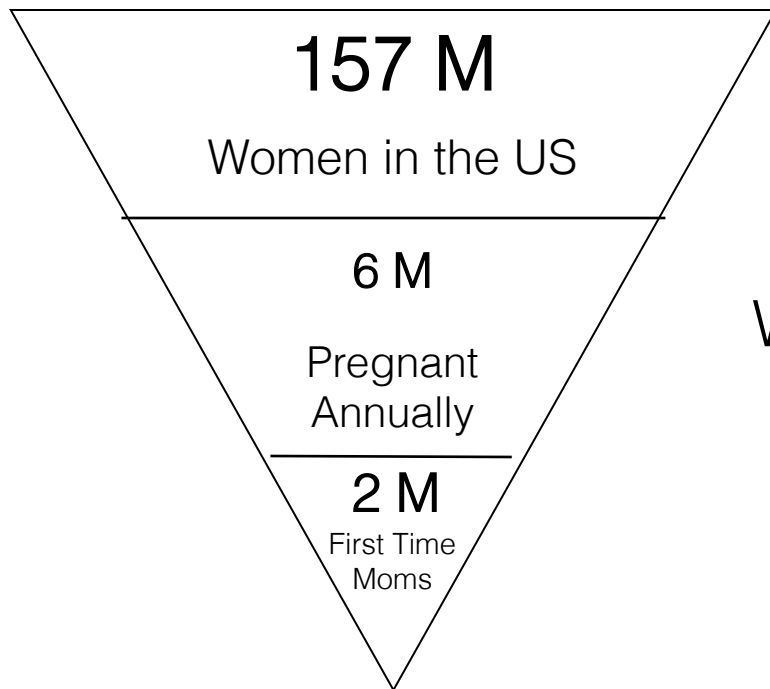
#2: Customer Profile Creation

- Take 10 minutes to determine your target Customer Profile
- Use the sample table for guidance
- Design your own “Vlad”
 - The more specific the better, but make sure it’s with good reason

#3: Determine the Market Size

- Based on the customer profile and the market segment determine the total market size
- This is called the Total Addressable Market (TAM) – i.e. this is the maximum number of customers or dollars your product can acquire
- TAM is a key factor of a business plan

Market Sizing Example #1

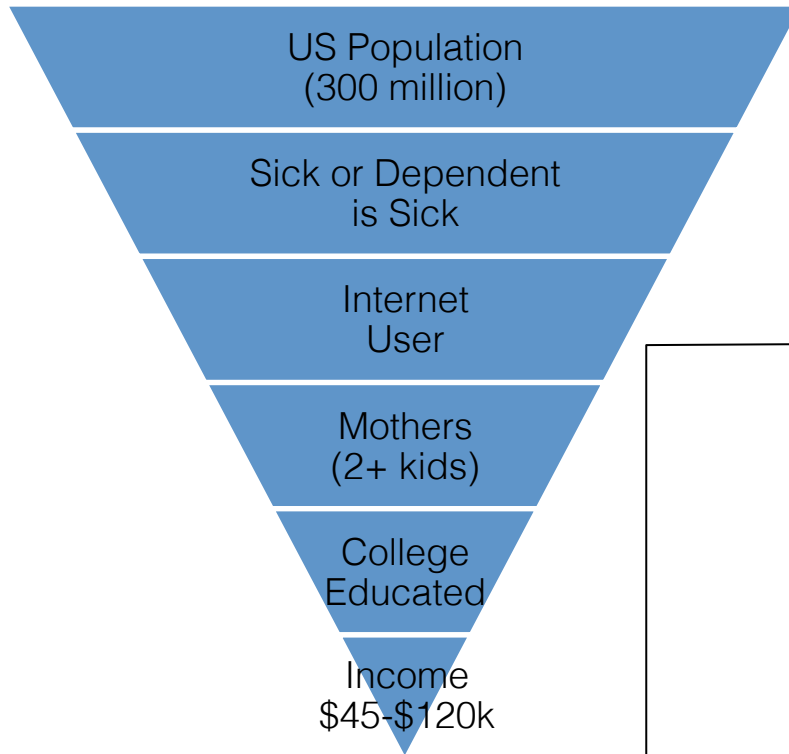


Technology Savvy
Extend her excitement
Indications
Use mobile “apps” to track health
Easy to use Low maintenance
Want convenience Real-time feedback
Comfortable to wear Intuitive
Share monthly pregnancy photos
Share via social media
Connect with family and friends
Update her care network

In the US, there are 2 Million women like Michelle



Market Sizing Example #2

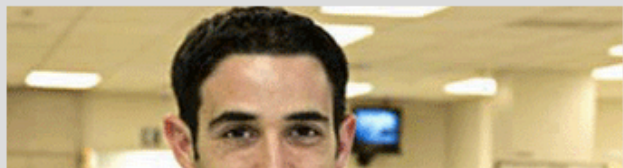


6.3 million mothers

$$\begin{aligned}
 & \rightarrow 6.3 \text{ million mothers} \\
 & \quad 4 \text{ consultations per year} \\
 & \times \$7.99 \text{ per consultation} \\
 \hline
 & = \mathbf{\$201 \text{ million/year}}
 \end{aligned}$$



DoctorSpring



Expert doctors, Quick Replies.

#3: Market Sizing Activity

- Take 15 minutes to determine your target market
- Calculate the market size based on the customers who will buy your product
- Take 5 minutes to present your findings to class

#4: Possible Pricing Schemes

- Free (but not for everyone...)
- Flat price for everyone
 - What is the price of alternatives?
 - What is your customer's Willingness to Pay (WTP)?
- “Freemium”
 - Free for basic version
 - Charge to unlock other capabilities or to get another version
- Cost-based pricing vs. Price-based costing
 - Cost-based pricing: Determining the cost of a product, choosing a desired profit margin, and generating a sales price
 - Price-based costing: Choosing a desired sales price and costing out production to meet that sales price with a desired profit margin

More on pricing techniques next week...

#5: What is the Competition?

- Do your homework. There is a competitor out there, somewhere. **Investors will ask.**
- Things to consider:
 - What are the alternatives to the service your product is delivering?
 - What else is out there? How accessible is it?
 - How is your product different?
 - Functionality
 - Quality
 - Price
 - Accessibility

#6: How will you reach your customers? How will you get more customers?



Advertising Schemes

- Traditional:
 - Posters
 - Billboards
 - Newspaper Ads
 - TV/Radio Ads
- Non-traditional:
 - Mobile advertisements
 - Printing on sides of cars
 - Offering promotions
 - Word-of-mouth
- Think about placement
 - Where is your target customer? Where do they hang out? What are their hobbies?
 - How can you grab their attention? How can you be different from the competition?

Promotional Schemes

- Earn a reward for the first time you use the service.
- Earn a reward for every recommended friend who also uses the service.
- Free trial (one week - one year free).
- Random draw reward for downloading the service.
- These are only a few examples.



Today's Agenda

- Scrum!
- Business Model Walkthrough
- Pitch Deck Structure
- Value Proposition
- Homework Assignment
- Key Takeaways

New Venture Pitch

Hi, I'm _____ from _____.

- The cover slide should offer complete contact info, and a tagline (or crisp mission statement) if you've got it.

The problem we're solving is...

- Without yet getting into your product or service, describe the nature of the problem you address
- Emphasize pain level and inability of incumbents to satisfy the need

Our solution is...

- Describe your product/service
 - What is your product/service?
 - How does it solve your customer's problem?
 - What is unique about your product/service?
- Introduce your product, and the benefits (which should obviously address the market problem you just described).
- Show screenshots/demo of your product!

We make money by...

- What is your revenue model?
 - How do you make money?
 - What is your revenue model?
 - What is required to become profitable?

Which means in __ years...

- Earnings: Historical and Forecast
- For each time period, show cash balance.
 - Show how you expect the company to perform top line and bottom line three years out.
 - Show how much capital will be required now and later.
 - Prepare lots of backup slides to illustrate the assumptions behind these financials.

This is a big opportunity because...

- What is the market opportunity? Big?
 - How big is the market opportunity you are pursuing and how fast is it growing?
 - How many people will find it useful? How much money is there in it?

Our target customer is...

- Who is your customer?
 - Who are your existing customers, if any?
 - Who is your target customer?
 - Who actually writes you the check?
 - Use specific customer examples if possible.

We will get customers by...

- How do you acquire customers?
 - What is your sales, marketing, and distribution strategy?
 - How will you reach the target customer?
 - What is your cost to acquire a customer?
 - Mention established partnerships, if any

Our key competition is...

- Who is your competition?
 - Who is your existing & likely competition?
 - What are their strengths/weaknesses?
 - Never deny that you have competitors, no matter how unique you think you are

We're better because...

- How are you different/better?
 - Cheaper
 - Faster
 - Safer
 - Local
 - Etc.

Our team is _____

- Introduce the team
 - Who is the management team & what is their experience?
 - On one slide, highlight the backgrounds of the key members of the team, and any directors or advisors (not too many) who bring something special to the startup.

Currently, we are seeking...

- How much money do you need to raise?
- How are you going to use that money?
- What milestones are you going to reach with that money?

To summarize...

- Simple page with your key points
- Remind them of your “Ask”
- Include your contact details

and we will succeed because

_____.

Thanks!

Today's Agenda

- Scrum!
- Business Model Walkthrough
- Pitch Deck Structure
- Value Proposition
- Homework Assignment
- Key Takeaways

What is a Value Proposition?

- An even QUICKER way to convince consumers to buy your product or service
 - Show them how you're better than your competitors
 - Focus on your customer's point of view
 - Each customer will have a different value proposition
 - Should be understood in under 5 seconds



PRODUCTS ▾

BLOGS ▾

THE TRUNK

- ▶ Web Sign In
- ▶ Create Account
- ▶ Go Premium



Square



Square Register



Square Wallet

Sign In



Get The App

Sign In

Private messaging
and sharing with
friends and family.

New to Path? Sign up here:

First Name

Last Name

Email Address

Password



Help from Business Model Generation:

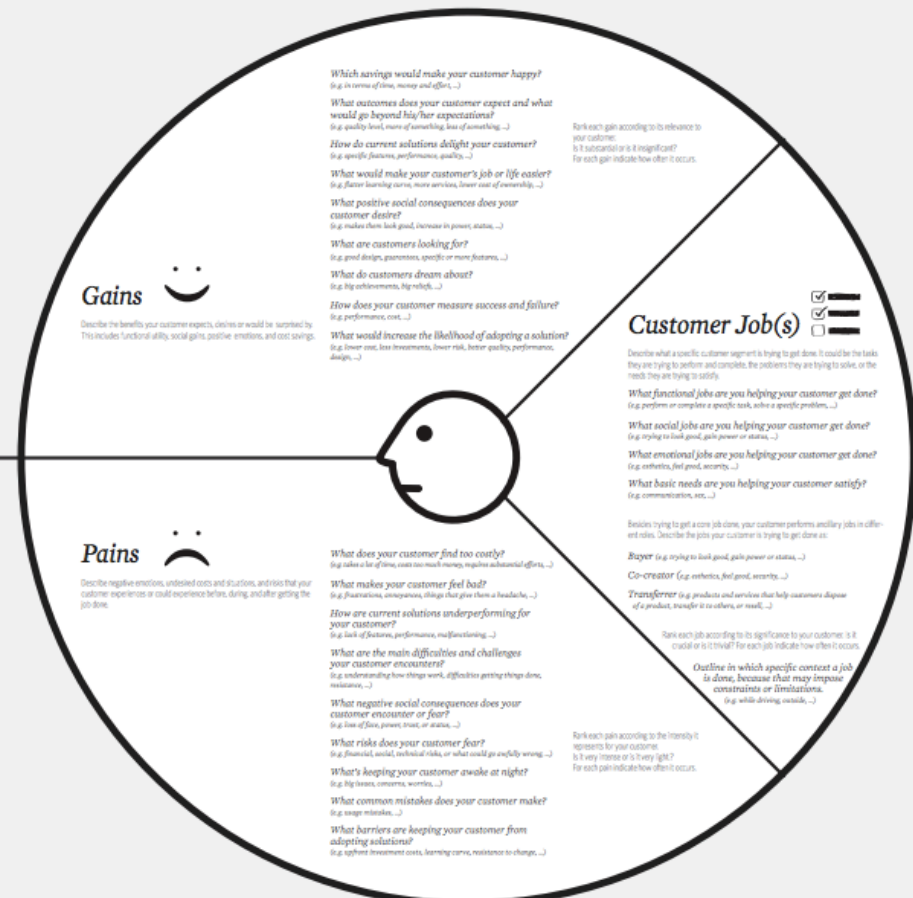
http://www.businessmodelgeneration.com/downloads/value_proposition_canvas.pdf

The Value Proposition Canvas

Designed for:

Designed by:

On:	Day	Month	Year
Iteration:	No.		



Today's Agenda

- Scrum!
- Business Model Walkthrough
- Pitch Deck Structure
- Value Proposition
- Homework Assignment
- Key Takeaways

Homework Assignment #7

- Come up with a company name!
- Draft your company's value proposition
 - This will come in handy for your pitch deck, your elevator pitch, and for tomorrow's exercise (it's a surprise!!)
 - This will change, so don't stress over perfection

Each company must e-mail their value proposition

due tonight, July 4, 11:59pm

Today's Agenda

- Scrum!
- Business Model Walkthrough
- Pitch Deck Structure
- Value Proposition
- Homework Assignment
- Key Takeaways

Key Takeaways

- Your business model and pitch deck should answer 6.5 questions in 10-15 slides:
 1. Who are you?
 2. Who are your customers?
 3. What is the market size?
 4. How will you make money?
 5. What is the competition? Why are you different?
 6. How will you reach customers?
- Your value proposition should make it clear to your customers why they need you in 5 seconds

You are now armed with the 5-second, 60-second and 10-minute answer to one key question:

Who are you guys, and what do you do?



- Check your e-mail and Facebook for any additional announcements
- Questions?
- See you Friday!