

TIM 80C Lecture #6

4/20/17

(1) Homework #1

(2) Vision and Mission Statements

(3) Business Goals

(4) Market Strategy

(1) Mission and Vision Statements

Vision : how someone thinks the world is going to be

Mission : the company's role in realizing that vision.

Example : Microsoft

Bill Gates — mid 80's:

Vision: a computer will be in every home and on every desktop

Microsoft's Mission (as a start-up): every computer will run on a Microsoft Operating System.

Parts of Mission Statements (options):

- Product to be offered,
- Market
- Company Culture
- Being Profitable
- Relationship to Customers

(2) Business Goals

The business goals define the financial objectives of the startup.

Key Goals

(1) Revenue (\$): money from the sale of the product to customers.

Examples of Goals:

Year 1: no revenue

Year 2: \$1M

Year 3: \$5M

Year 4: \$25M

(2) Revenue Growth (%): growth in revenue each year ("year on year")

Example: (from 70 successful startups → IPO)

| <u>Revenue</u> | <u>Growth</u> | Startup needs |
|----------------|---------------|---------------|
| \$25M | 80%-160% | > 20%. |
| \$50M | 30%-80% | |
| \$150M | 30%-60% | |

Compare: mature company: < 10% growth year on year

(3) Profits (\$) : Revenues - Costs

Costs : costs of goods sold (COGS)
operating costs
(\\$)

(3a) Net income : Revenues - COGS

(4) Profit Margin (%) : $\frac{\text{Net } \cancel{\text{income}}}{\text{Revenue}}$

Examples :

Software as a service : > 80%

Hardware : < 50%

Apple's iPhone has a ~50% profit margin

How? (strong patents, efficient supply chain)

(3) Market Strategy

Market strategy defines who (customers) the start-up will sell the product to in order to achieve the business goals.

Process for creating a market strategy:

(1) Identify the industry/market that the startup will operate in.

(a) broadly: consumer electronics, health care, pharmaceuticals,

(b) narrow down: wearable tech, drones

(2) Determine the total market size & growth rate (%)

Example

Consumer electronics : \$225B, 3%

Wearable technology : \$5B, 30%

(3) Segment the market with respect to the following:

(a) types of customers

Example: small businesses, consumers, government agencies, schools,

(b) types of products

~~#~~ (depends on market)

(4) For each customer type and product, determine the market size (\$), and growth rate (%)

- Market research
- Estimates

(5) Decide which "cells" or segments of the revenue map to target and what share to try to capture.

Health
Monitors

| Market Segment | Size | Share Goal | Revenue Goal |
|-----------------------|--------|------------|--------------|
| College Students | \$300M | 5% | \$15M |
| Working Professionals | \$500M | 1% | \$5M |
| | | | \$20M goal |