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)

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Growth</th>
<th>Startup needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25M</td>
<td>80%-160%</td>
<td></td>
</tr>
<tr>
<td>$50M</td>
<td>30%-80%</td>
<td>&gt; 20%</td>
</tr>
<tr>
<td>$150M</td>
<td>30%-60%</td>
<td></td>
</tr>
</tbody>
</table>

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 (%): \( \frac{Net \ income}{Revenue} \)

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.

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Size</th>
<th>Share Goal</th>
<th>Revenue Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Students</td>
<td>$300M</td>
<td>5%</td>
<td>$15M</td>
</tr>
<tr>
<td>Working Professionals</td>
<td>$500M</td>
<td>1%</td>
<td>$5M</td>
</tr>
</tbody>
</table>

$20M goal