

TIM 80C Lecture 10 May the 4th
(be with you!)

Agenda

- (1) Course Roadmap
- (2) Financial Strategy
- (3) Project Phase II meetings
next week
- (4) Midterm Hint
- (5) More Financial Analysis

(1) Course Roadmap

Course has 4 main parts

- ✓ - product strategy
- ✓ - market strategy
- ✓ - Business (competitive) strategy
- Financial strategy

5 weeks left in class!

Financial Strategy 2-3 wks
Integration 1 week
last week - Project Presentation
Guest speakers & Games - 1wk

* END PRODUCT FOR CLASS -

COMPLETE Business Plan for your startup

- create a "real" version of your startup
- "sell" the idea/business plan

(2) Financial Strategy

There are two main parts to financial strategy:

(1) Cash flow analysis - typically 3-5 years out

(2) Funding Strategy - to obtain the cash for all the costs ("negative cash flows")

- facilities, hiring people, product development, manufacturing, marketing, etc.

Separation Principle

(1) First do the cash flow analysis.

(2) Then do the Funding Strategy based on the cash flow analysis.

Rationale; don't let the presence or absence of funding influence the cash flow analysis.

Financial Analysis, cont.

[Project Phase 3]

Cash Flow Analysis

Teams need to estimate your expenses and revenues for 3-5 years

Organize your expenses by activity:

(1) Product development

- people: Type (e.g., designers, engineers); how many (e.g., 5-10) and salaries (e.g., \$50k-100k)
- Equipment: software, desktops & laptops; servers, 3D printers, etc.
- Facilities: $\sim 100-200 \text{ ft}^2$ per person @ $\$25/\text{ft}^2$ per month

(2) Product manufacturing

- # units
- manufacturing cost per unit
- transportation cost of shipping units

(3) Marketing & Sales

- People (sales people): how many; salary varies
 - advertising campaigns: how many "impressions"; cost per impressions (\$2-5 / 100)
- "views" or "adviews"

(4) Management and Support

- People (e.g., CEO, CFO, CTO)
 - how many & salaries
- legal
- Human Resources (HR) - hiring, firing, workplace issues

Estimate Revenue based on Business Goals, Market Strategy, Product Strategy

(1) Estimate the total (cumulative) target market size for next 3-5 years

source: market strategy & revenue map

$n \triangleq$ number of years in the projection (3-5)

$$\text{total market size} = \sum_{n=0}^{n-1} \text{target market size} \times (1 + \text{growth rate})^n$$

(2) Forecast revenue for 3-5 years

(Source: Business Goals, Market Share)

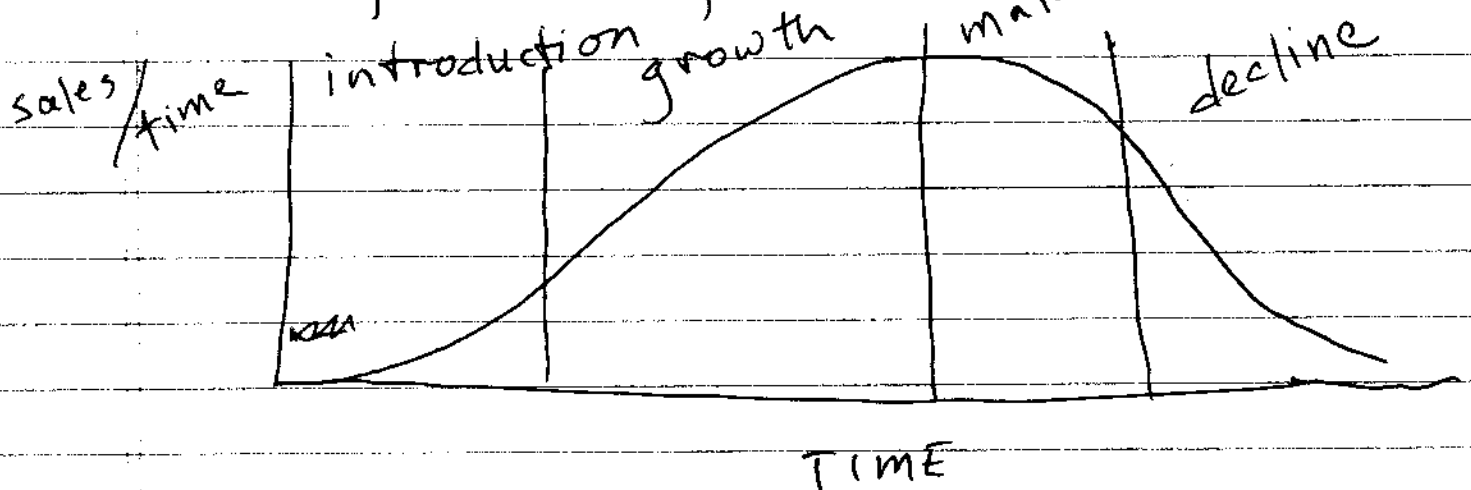
(3) Determine Price per unit

[Source: product strategy, Market strategy (4 P's)]

(4) Determine Sales Volume =

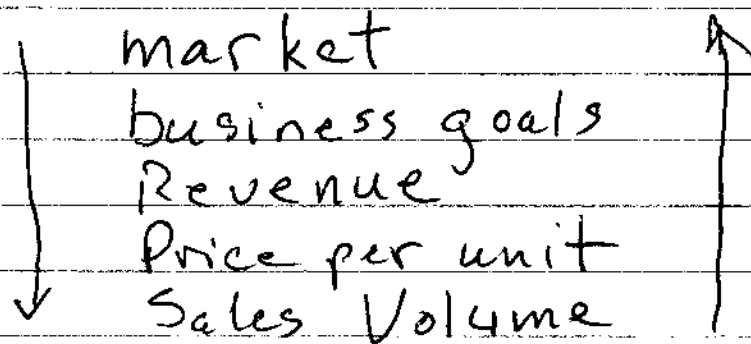
$$\frac{\text{Revenue}}{\text{price per unit}}$$

For sales volume, use product lifecycle analysis:



Suggestions:

- (1) Review the handout on cash flow analysis
- (2) Use Excel to generate your cash flow model
- (3) Work both "top-down" and "bottom-up"



do 2-3 iterations