Entrepreneurship 101

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Not all Startups are the Same

Small Business/Life-Style	Investment/Exit
➢ **Known business examples to learn from** ➢ **Funded by banks or stockholders** ➢ **Business plan** ➢ **Sustain a particular level of income** ➢ **Provide dividends or increased stock price**	➢ **Untested business model with a high degree of uncertainty** ➢ **Funded by investors (angels and VCs)** ➢ **Business model** ➢ **Grow big quickly and sell (exit)** ➢ **Provide a 5x-10x return to the investors**

The Players

- Incubators
- Accelerators
- TBEDs

Incubators

- **Where the commercialization plan 'hatches'**
  - Mentoring/coaching/guidance
  - Access to materials
  - Introductions to advisors, domain expertise
  - May provide space
  - May provide micro-grants
- Goal – get initial seed funding
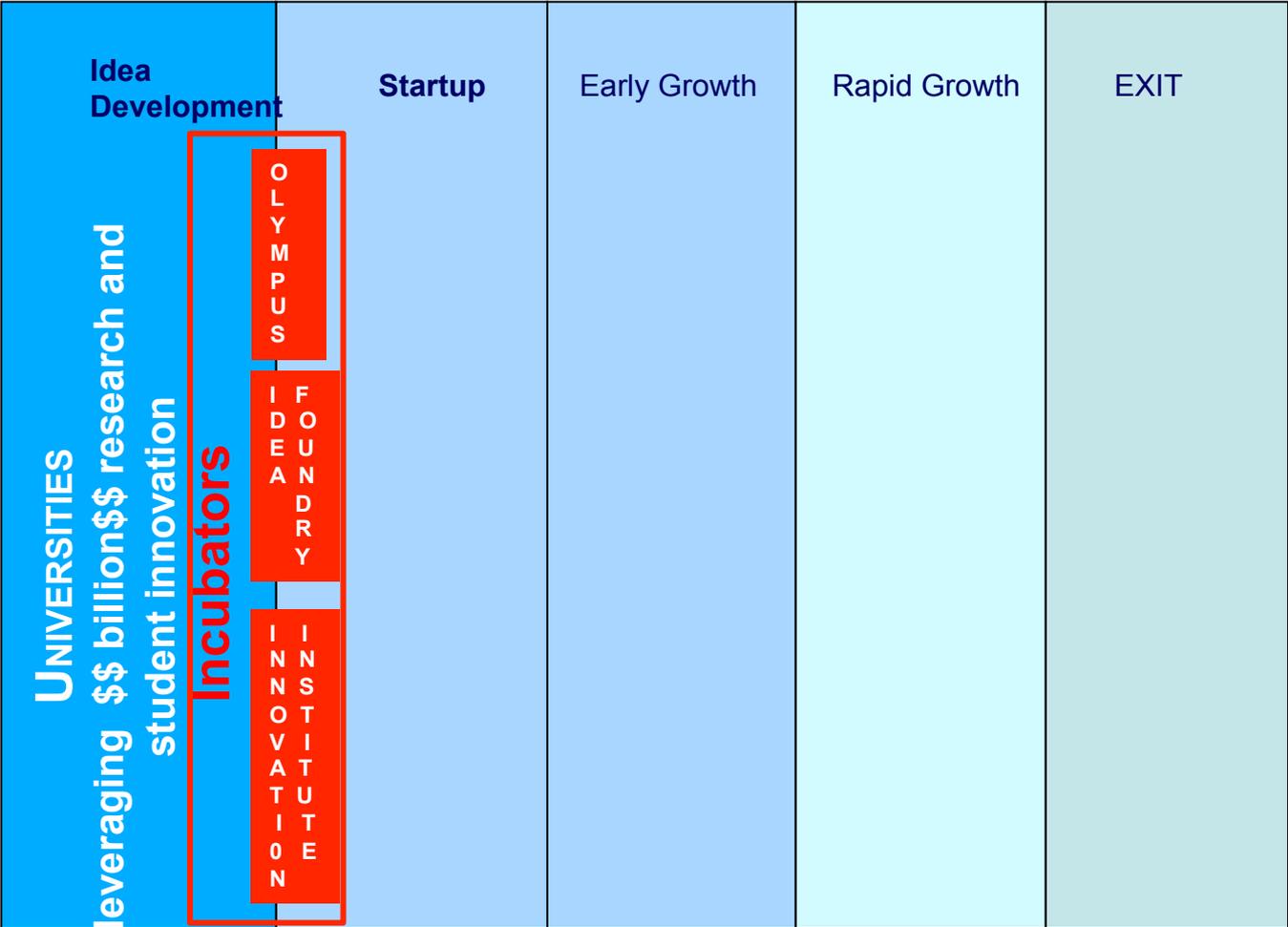
Accelerators

- Fixed term, cohort-based programs
  - Provide mentorship and educational components
  - Highly competitive to get in
  - Get seed investment ($20k-$50k) in exchange for equity
- Goal – "Demo Day" to attract follow-on investment
- Examples: AlphaLab/Gear, Idea Foundry, Tech Stars, Y Combinator, DreamIt Ventures, etc

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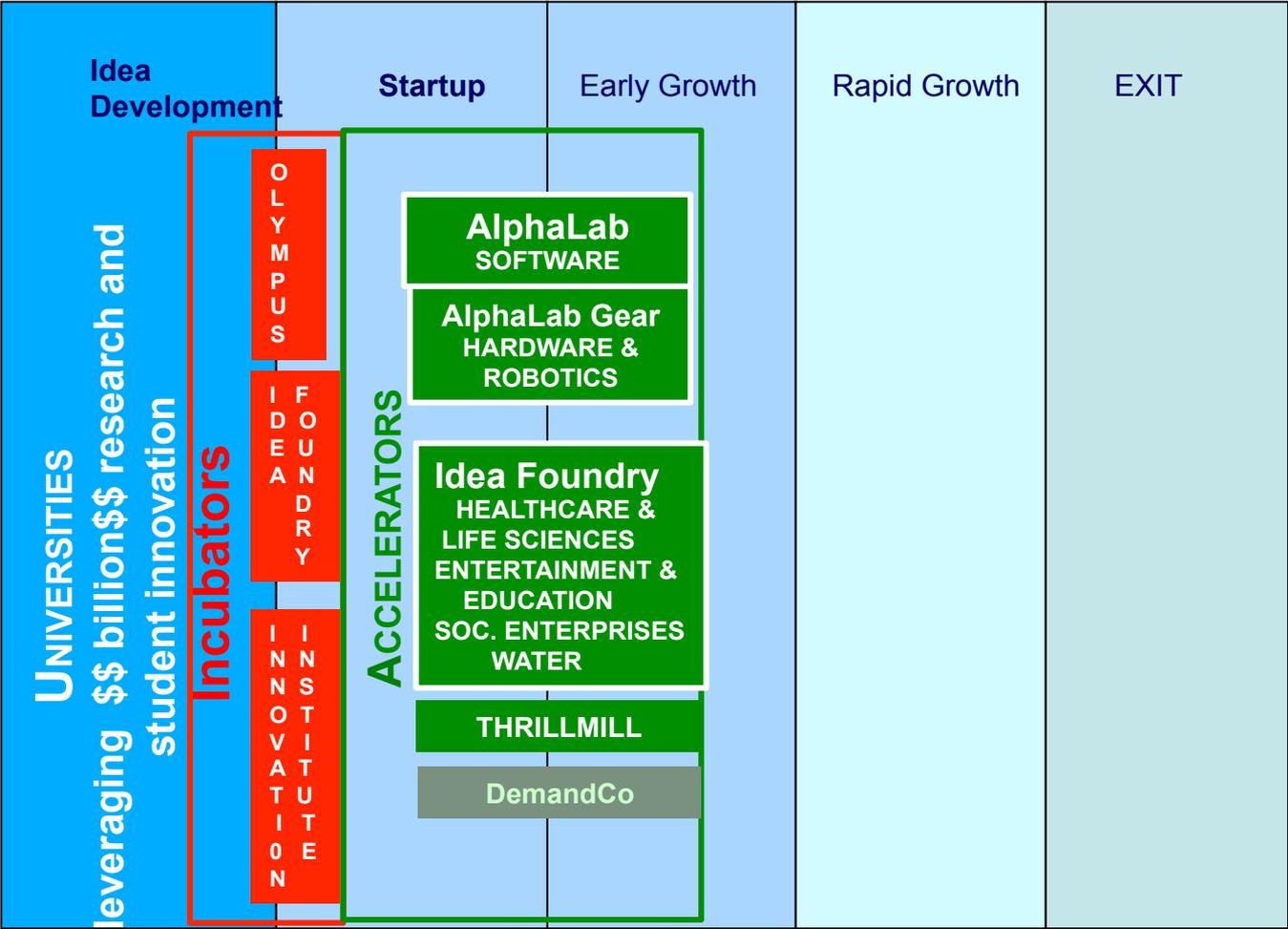
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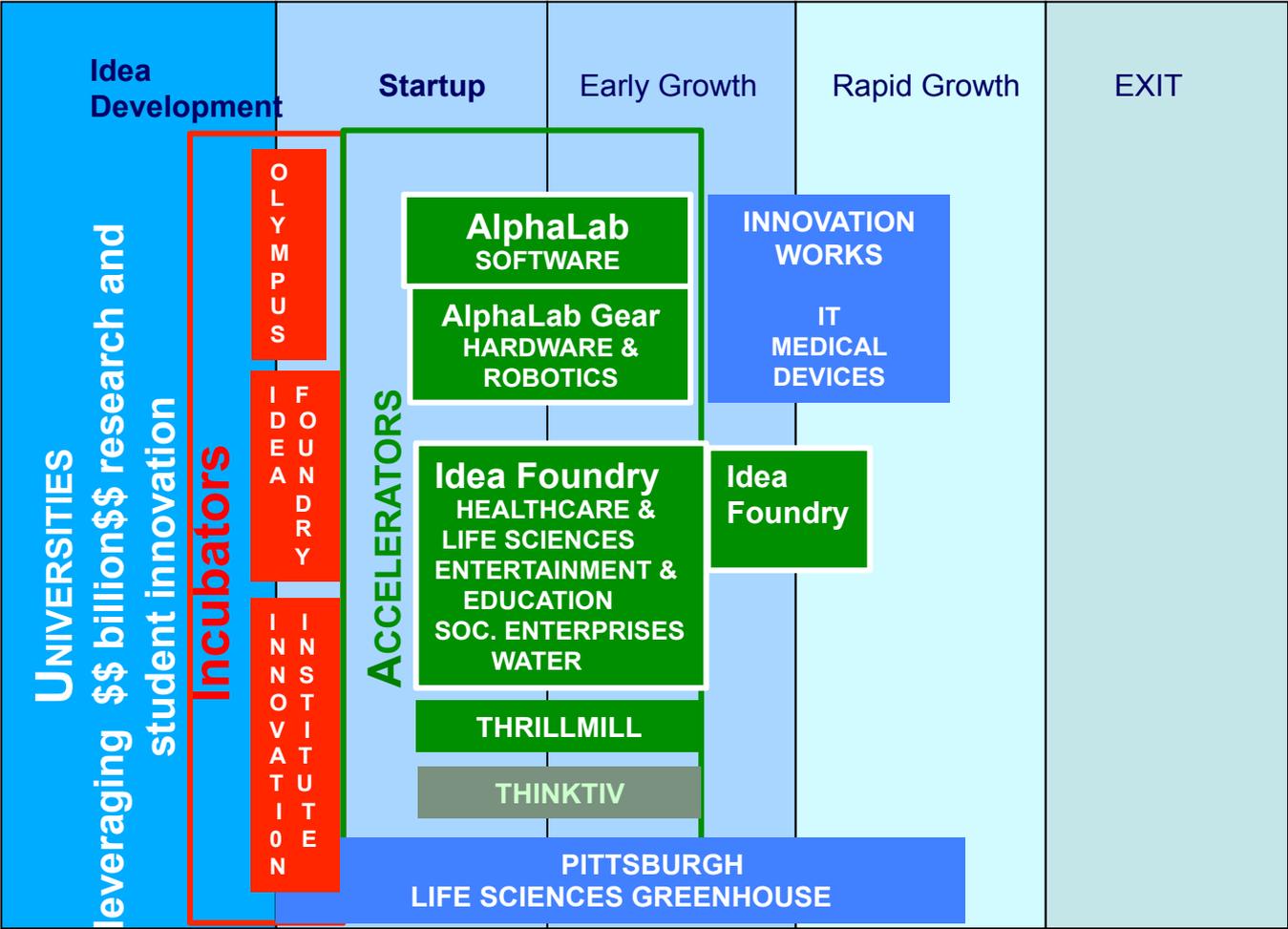
MONEY/FUNDING
Investors

- INVESTORS
  - FRIENDS & FAMILY (& FOOLS)
  - CROWDFUNDING
  - ANGELS and ANGEL GROUPS
  - SUPER ANGELS
  - VENTURE CAPITALISTS

Angels vs VCs

Angels

- **High net-worth individuals i.e. their own money)**
- **Tend to invest locally**
- **Tend to invest early ($25k - $50k)**
- **Often form Angel Groups to research and co-invest in deals (e.g. BlueTree)**

Venture Capitalists

- **Create a fund using other people's money**

- **Seek deals from everywhere and often require them to relocate nearby**

Angels: Majority of Startup Funding

Funding by Source and Stage - 2011

Bar chart — US$ Billions (y-axis) by Investment Stage (x-axis)

- Seed: Angels $9.5B, Venture Capital $1.0B
- Early: Angels $12.4B, Venture Capital $8.4B
- Expansion: Angels $0.45B*, Venture Capital $9.8B
- Later: Angels $0.22B*, Venture Capital $9.9B

Legend: Angels, Venture Capital
*estimated
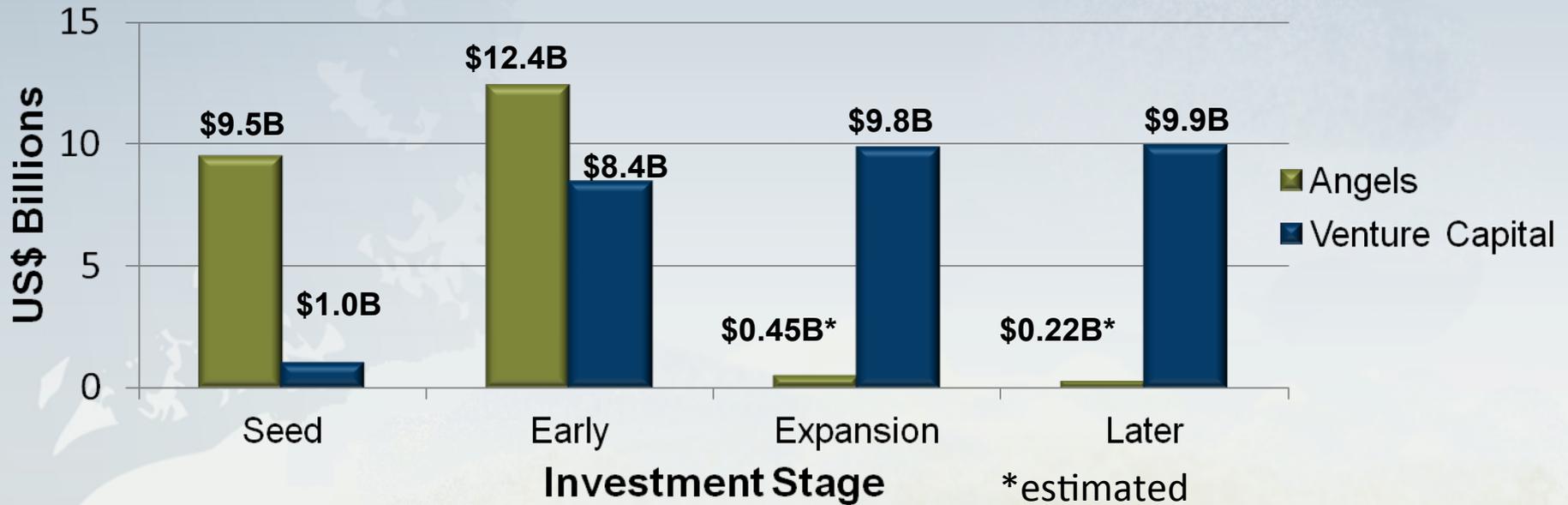
Angel Investors 2011	Venture Capital 2011
• $22.5B	• $29B
• ~66,000 deals	• ~3,750 deals
• 42% seed/startup	• 3.5% seed/startup
• 55% early stage	• 68% later/expansion capital
• ~ 318,500 individuals	• Total 791 firms (not all active)

Sources: UNH Center for Venture Research, PwC MoneyTree and NVCA

MONEY/FUNDING Terms

Terms

- Seed Funding

- Series A, B, etc.

- Valuation

- Convertible Debt

- 10x return

- Exit (Sale or IPO – Initial Public Offering)

People

- Steve Blank – <u>4 Steps to Epiphany</u>
  "Get out of the building"

- Eric Reis – <u>The Lean Startup</u>
  - MVP (Minimal Viable Product)
  - Feedback Loop

Build

Learn   **Measure**

The Business Model Canvas

Key Partners 🔗

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities ✔️

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATEGORIES
Production
Problem Solving
Platform/Network

Key Resources 🏭

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

Value Propositions 🎁

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Customer Relationships ❤️

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Channels 🚚

Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNEL PHASES
1. Awareness
   How do we raise awareness about our company's products and services?
2. Evaluation
   How do we help customers evaluate our organization's Value Proposition?
3. Purchase
   How do we allow customers to purchase specific products and services?
4. Delivery
   How do we deliver a Value Proposition to customers?
5. After sales
   How do we provide post-purchase customer support?

Customer Segments 👥

For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Cost Structure 🏷️

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MORE
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams 💰

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

TYPES
Asset sale
Usage fee
Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING
Negotiation (bargaining)
Yield Management
Real-time-Market

Strategyzer
strategyzer.com

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Funding for investment/Exit Startups

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LifeStyle and Investment/Exit Startups

Idea Development	Startup	Early Growth	Rapid Growth	Maturity

Chatham's Center for Women's Entrepreneurship (CWE)

Small Business Development Centers- Pitt; Duquesne

Innovation Practice Institute –Pitt Law School (Start Smart) with CMU

Education

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SCORE

CWE

IEE - Pitt

Powerlink

Riverside Center for Innovation

Revv I, II, III?

Startup Town

Former Paramont Studio

The Beauty Shop
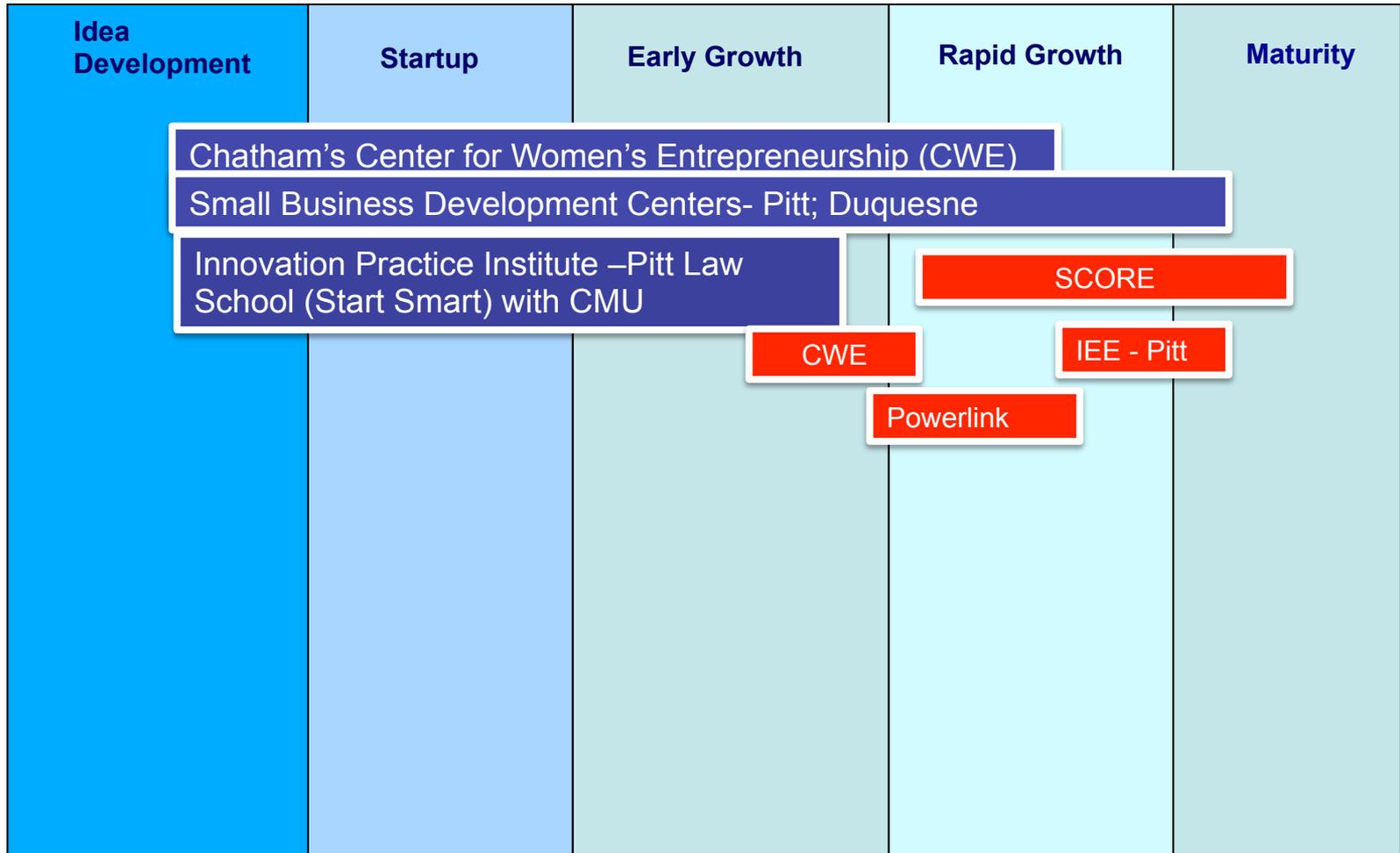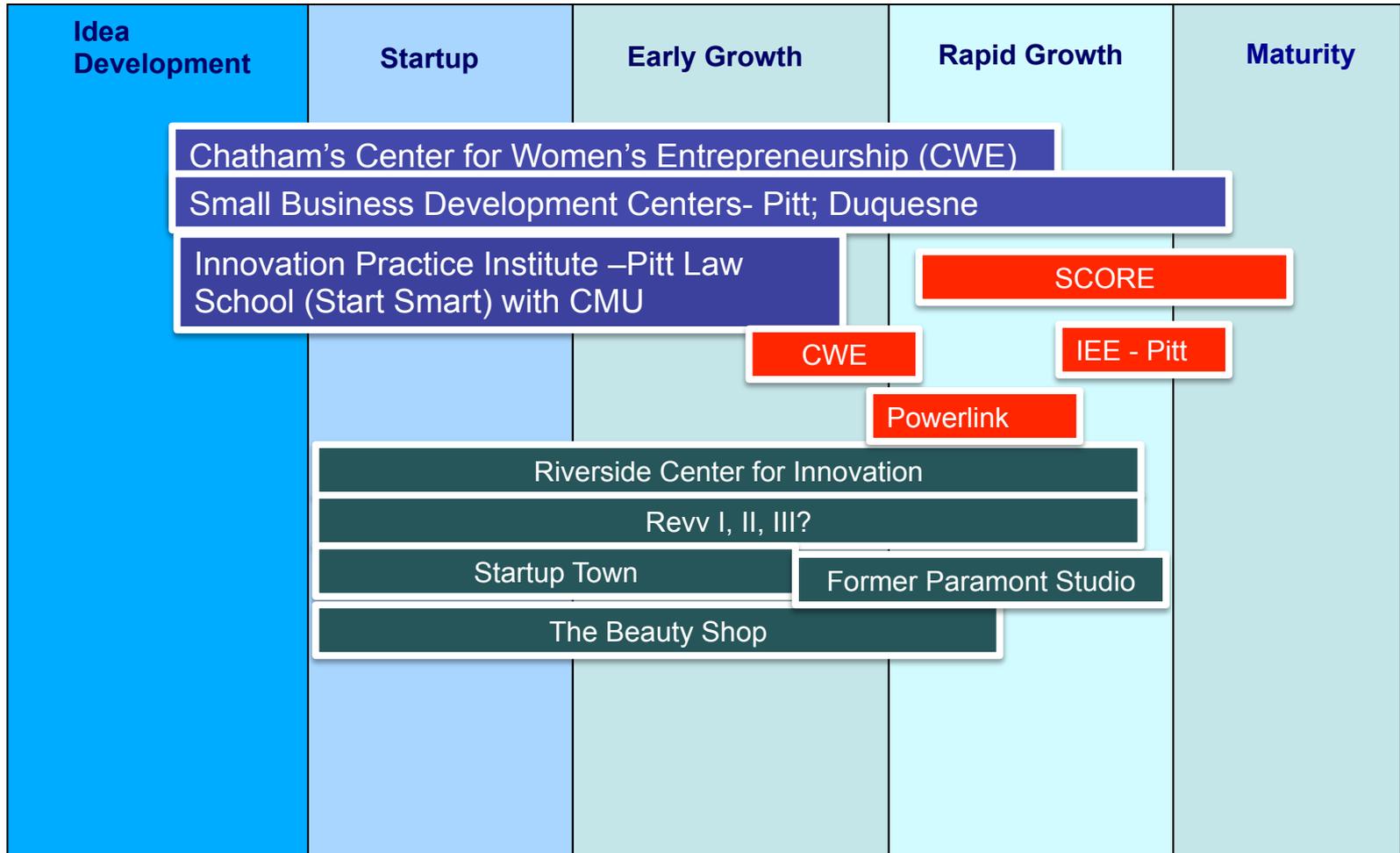
Education

Mentoring

Space/Support Services

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- The Beauty Shop
- Tech Shop
- Pgh Tech Council
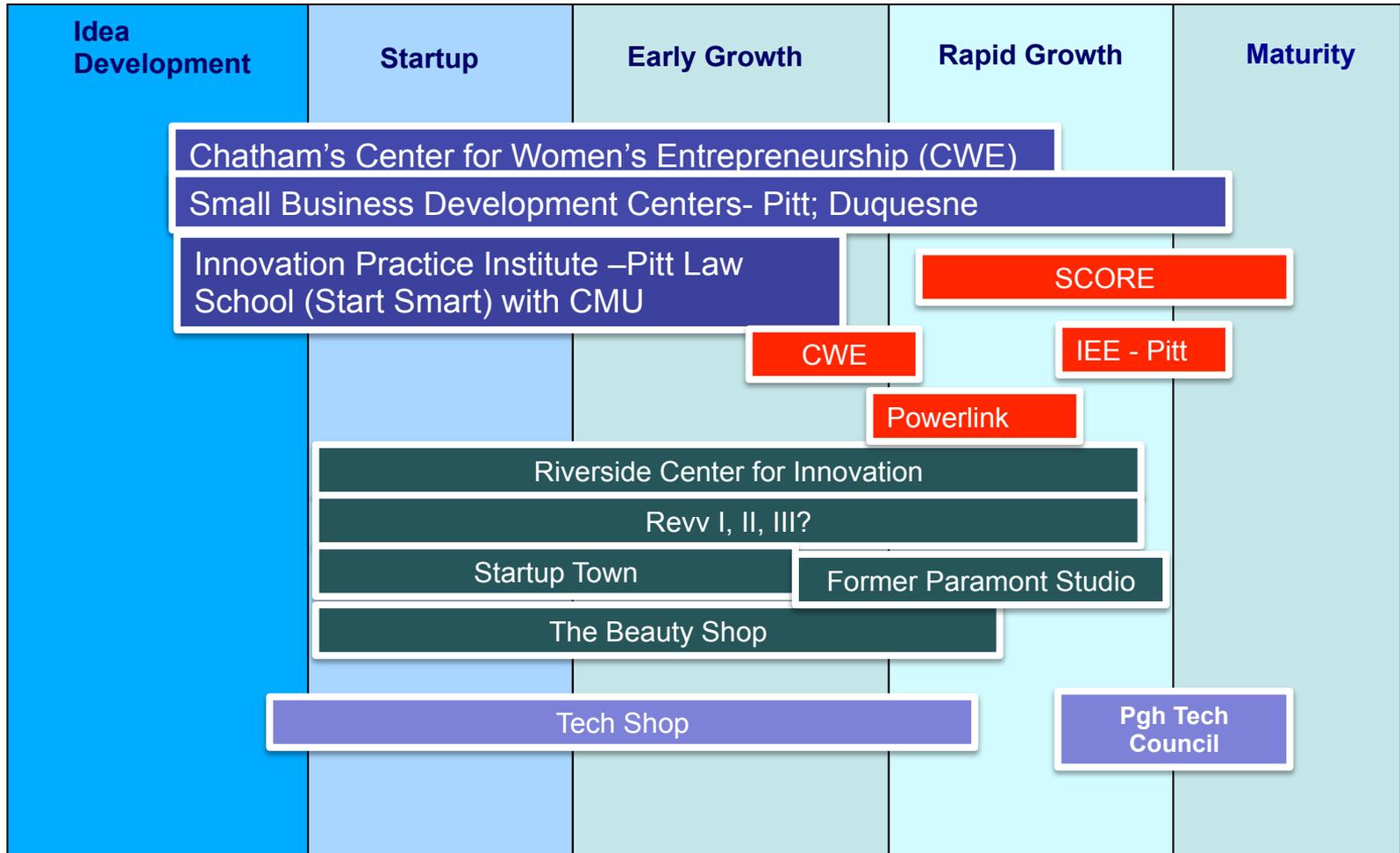
Education
Mentoring
Space/Support Services
Resources

Q&A

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FOR INVESTMENT/EXIT START-UPS

Idea Development	Startup	Early Growth	Rapid Growth	EXIT

UNIVERSITIES leveraging $$ billion$$ research and student innovation

Incubators

ACCELERATORS

OLYMPUS

IDEA FOUNDRY

INNOVATION INSTITUTE

AlphaLab SOFTWARE

AlphaLab Gear HARDWARE & ROBOTICS

INNOVATION WORKS

IT MEDICAL DEVICES

Idea Foundry HEALTHCARE & LIFE SCIENCES ENTERTAINMENT & EDUCATION SOC. ENTERPRISES WATER

THRILLMILL

THINKTIV

PGH LIFE SCIENCES GREENHOUSE

FUNDING

GOVERNMENT

FED SBIRS

STATE DCED

ANGELS
BlueTree Allied Angels
Keiretsu Forum

FOUNDATIONS

VCs: Adams, PEP, Birchmere, Draper,