Making the Leap

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GSM / Davis Roots

Learning Objectives

Be able to answer the following questions:

- How do I know this idea is worth pursuing?
- What do I do first?
- What do I do next?
Overview

- Moving forward with the idea
- Your venture as an experiment
- Due diligence
- Your first $5 experiment
- Practice applying what you learned
Is The Idea Any Good?

Good idea looks... 

**type I errors**
*Investing time and energy in a bad idea that looked good at first glance*

**type II errors**
*Rejecting a good idea because it looked bad at first glance*

Bad idea looks...

*Everyone’s a genius*

Bad idea is...

*The MBA’s curse*

Manage for uncertainty and commitment

Manage for market, product & process development

Manage for building the company

Manage for growing the business

**Gen1**
1st 3-9 Months

**Gen2**
(startup)

**Gen3**
(transition)

**Gen4**
(business)

Lifecycle of a New Venture
Read the case

- Would you invest?
- For this to work, what would have to be true?
- Write down 5 uncertainties you would want to resolve before committing.
- In teams of 4, compare your questions and come up with the 3 most important ones to answer first.
Moving forward means reducing your uncertainty

Value = Vision x Validation
Investment = Time & Money
The Challenge

Success is the number of experiments you can fit into 24 hours.
— Thomas Edison

Thinking About Thinking and Doing...

Value

Current Worth

Uncertainty

Development of the idea (or time)
A new venture is a series of experiments

* Designed to reduce uncertainty in order to enable greater commitment from you and others.

Managing the New Venture Process

Identify and resolve the critical uncertainties quickly and cheaply.

-$5, $50, $500, $5,000…$
The Objective (@ the start)

Reduce the most uncertainty for the time, energy, and money invested

The Mindset

Better to be specifically wrong than vaguely right.
The Framework

The slide deck is your first $5 experiment
For this to work, what would have to be true?

<table>
<thead>
<tr>
<th>Assumption / Hypothesis</th>
<th>$5</th>
<th>$50</th>
<th>$500</th>
<th>$5,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gen2</td>
<td></td>
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<td>Gen3</td>
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<tr>
<td>Gen4</td>
<td></td>
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</tbody>
</table>
The Mindset

**REMEMBER**

Better to be specifically wrong than vaguely right.

Fundamental Premises of Using the Pitch Deck Are:

- The slide deck is the first comprehensive prototype of a new venture -- a work in progress
- It is critical to describe all aspects of the venture -- not just the ones you know about or are excited by -- both as a prototype and a way to communicate with mentors and investors
- Presenting the business requires providing the right information in the right order, and thus the order of the slides is critical
A Business Plan in 10 Slides

The Template
- This template has been designed (and tested) to help you both define your venture and hone your presentation.
- It's the general outline that answers most of the questions that investors will have about your business, and in the order they will ask them.
- The purpose of this template is to quickly communicate your venture to, and quickly learn from, your audience. Be concise but also comprehensive.
- In reality, this is two templates. Use the slide template to create a deck that you will present from. This deck should not have too many words—you will add those in your talk.
- Next, copy the slides and paste them again on the end (that has more explanation and serves as the notes and/or something that you can leave behind or send to someone. This second deck should be self-explanatory.
- Try to use images where possible to convey your message.
- Keep it simple.

Slides
0. Title Slide
1. Introduction (elevator pitch)
2. Problem & Solution
3. The Market
   a. 4 P's
   b. Competitive Matrix
   c. User Scenarios
4. Business Model and Pricing
5. Technology
6. Competition
7. Milestones
8. Team
9. Financial Projections
10. Summary & Next Steps

Your Company (or Project) Here

• Your company name and contact information here
• Include all names/emails/phone of the founding team
• Include company website (if established)
The Introduction – Elevator Pitch

“|

In 140 characters or less, describe what the company does, for whom, and why it’s important (i.e., valuable to that customer).

You can also briefly mention any significant accomplishments or milestones reached so far (e.g., have patent filed, proof of concept completed, prototype completed, tested with name brand customers, etc.).

Problem, Solution & Value Proposition

On this slide, you want to define three things:

The problem your venture will address, using as clear and compelling language as possible. Be sure to clearly identify who has the problem (consumer or customer) and how badly.

Your solution, which should be described in terms of the way it solves the problem you’ve identified for the consumer and/or customer (avoid describing the technical features here).

The value proposition, which refers to the most important benefit for the user. Explain how you would measure it’s value. What are the costs (e.g., buying, installing, and operating your solution) relative to what they currently use)? Be as specific as you can about the relative value of your solution.
The Market

Describe the particular market segment you are pursuing.

- Clearly identify who your customer is and how many of them there are.
- Identify how much they will pay and how many they will buy.
- State how you will reach them.

Optional Slides

To develop your concept further, you may choose to include the accompanying slides to:

- Describe the 4 Ps: product, price, promotion, and place of your marketing plan.
- Describe the current and emerging competition, use the accompanying Competitive Landscape Matrix to define the critical features that your customers care about, and the differences (based on these features) between your offering and the competitions.
- You may also want to add a User Scenario slide to describe the typical customer, their preferences, and how they would use this product.

The slides are optional and should only be included if they will help you develop your concept.
(Optional) Product, Price, Promotion, Place

<table>
<thead>
<tr>
<th>“P”</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>What is the product (tangible) or service (intangible) or combination that you are offering. If there is a product mix, describe the differences among the mix.</td>
</tr>
<tr>
<td>Price</td>
<td>What is the price the customer will pay for the product/service? What is the perceived value proposition that justifies that price?</td>
</tr>
<tr>
<td>Promotion</td>
<td>What is the promotion plan? What are the methods of communicating the relevant information about the product to each of many different parties (including customer, distributors, etc.)?</td>
</tr>
<tr>
<td>Place</td>
<td>What is your place? Place describes your distribution strategy: where will customers get access to your products/services? How will you distribute your products to these locations?</td>
</tr>
</tbody>
</table>

(Optional) Competitive Landscape

<table>
<thead>
<tr>
<th>Feature</th>
<th>Feature 1</th>
<th>Feature 2</th>
<th>Feature 3</th>
<th>Feature 4</th>
<th>Feature 5</th>
<th>Feature N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Company / Project</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Competitor 1</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Competitor 2</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Competitor 3</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Competitor 4</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor N</td>
<td>✔</td>
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</tbody>
</table>

- List any direct competitors as well as competing alternatives (including the status quo). Do your research here. Who are they? List them. What makes you different? Describe it! What gives the company an advantage? Describe it too!
- Depending on the product and competitors it is sometimes easier to depict the competitive landscape in terms of specific features that add substantial value compared to your competitors. This can be shown easily by careful consideration to the row and column headings in the illustrated table.
(Optional) User Scenario(s)

- A User Scenario describes a typical customer (or 2 or 3), their demographics, and what they are looking to do with your solution (i.e., what is their problem and how your solution will solve it?)
- These descriptions are narratives, not bullets, and demonstrate that you understand the typical customer and their needs (better than anyone else does).

Technology

Describe how your solution works. Answer the following questions in your description:
- What is your technology?
  - What does it do?
  - How does it do it?
- Will it work (and when)?
- Can we make it (and at scale)?
- Who will provide any critical elements of your core technology?
- What makes this solution effective, unique, and/or defensible from competitors?
  - What IP (patents, provisional patents, or trade secrets) do you have?
  - What is the distinguishing (or inimitable) value of your technology over competing solution?
Revenue and Pricing

Describe how your company will make money solving the customer’s problem. Make sure to answer the following questions:

- How will you make money? (See the revenue model alternatives to answer this: are you making money by the unit sold, by a subscription, transaction fee, advertising, etc.)
- How much will you make? (See financial projections)
- How much will it cost? In a table, show how much you expect to get paid for each unit you sell, how much it will cost to make, and how many you will sell.
- When will it happen? When the business is up and running, how many units, subscriptions, etc. do you expect to sell in a given year and at what price? Your expected sales = price x quantity.

The Framework

Your Venture

Is it viable?

Business

Is it feasible?

Technology

Is it desirable?

Market

UC Davis
MIKE AND RENEE CHILD INSTITUTE FOR INNOVATION AND ENTREPRENEURSHIP
### Financial Projections

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ($000)</td>
<td>$60</td>
<td>$120</td>
<td>$240</td>
<td>$480</td>
</tr>
<tr>
<td>Expenses</td>
<td>$85</td>
<td>$150</td>
<td>$180</td>
<td>$240</td>
</tr>
<tr>
<td>Customers</td>
<td>5</td>
<td>10</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Net income</td>
<td>$-25</td>
<td>$-30</td>
<td>$60</td>
<td>$240</td>
</tr>
</tbody>
</table>

Provide a simple table that sets out your best guess of the financial performance of the venture over the next five years. Don’t worry about being right—this is your best guess. Include the following:

1. What you believe will be the revenue, expenses, and net income of the venture.
2. To be more accurate in your thinking, include what you think will be the main predictors of your revenue (e.g., # of customers, price if it changes over time, number of sales representatives) and of your expenses (e.g., # of employees, costs of goods sold (COGS), or commissions).
3. The primary role of this table is to reflect how much money the company will need, how much it will make, and how other key metrics (like customers or employees) line up with the financials. The numbers should be your best guess. Don’t try to play it “conservative” and don’t exaggerate—neither will help you find mistakes, or make friends.

### Milestones

Your milestones represent the most important objectives of your business your first 9-12 months. At this stage, each of your milestones should be designed to increase the value of the company by reducing the uncertainty surrounding your assumptions.

For each milestone, you’ll need the right capabilities and investment. Thus the milestones should be connected to the Team and Summary slides.

Typical milestones might be:

- Completing a technical prototype
- Getting a first customer
- Shipping your first product (or getting your first 10,000 users)
- Cash flow break even

Cover only the major milestones you will accomplish in this initial round and any other (major) milestones that you’ll need to eventually meet before getting to market (i.e., regulatory approval, patents awarded, etc.).
# The Team

<table>
<thead>
<tr>
<th>Picture</th>
<th>Name (or TBD)</th>
<th>Relevant skills and experiences</th>
</tr>
</thead>
</table>
|         |              | **Describe your current and planned management team.**  
**NOTE:** Don’t put someone on your team just to fill a spot. List only the people who are moving forward with your venture. Otherwise list TBD and be prepared to explain what kind of person you need. | **For each of the founders and advisors, describe the skills and experiences that are meaningful to the venture** |
|         |              |                                 |

# The Advisory Board

<table>
<thead>
<tr>
<th>Picture</th>
<th>Name (or TBD)</th>
<th>Relevant skills &amp; experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Describe your current advisors. Don’t list advisors you have not gotten permission to list. Instead, if you’re missing key advisors, list the backgrounds and experiences you think will be valuable.</strong></td>
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</table>

# Summary and Next Steps

- Summarize your venture and status on this slide
- Be clear in what you are planning to do in both the long run and the short run.
- Be clear in what you are asking for from this audience. If you are pitching internal executives (or outside investors), tell them what funding you need and what you will do with it. If you are pitching to potential advisors or employees – be clear about what you’re asking of them.
- Include your contact information
Applying What You’ve Learned

- Start writing down your ideas—be specific—and be sensitive to what’s hold you back.
- Download presentation template from the Big Bang! website: http://gsm.ucdavis.edu/program-detail/big-bang-business-competition