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CONNECT 2021-2024

Connecting universities-industry through smart entrepreneurial cooperation and competitive intelligence of students in Moldova, Georgia and Armenia

Erasmus +, KA2,

Capacity Building in the Field of Higher Education

617393-EPP-1-2020-1-MD-EPPKA2-CBHE-JP

**Advanced Acceleration: Business Execution but before, Test, Budget,
Launch – PART A**

Dr. Paraskevi Giourka, pg@anthologyventures.com

13/09/2021



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Successful implementation of any startup project requires careful planning of a range of activities. Planning and forecasting techniques such as financial planning and budgeting often proves a great challenge for the Founders.



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This training module is for startup entrepreneurs who are working towards realizing a business idea and have initiated the processes of designing the business launch (Part A) and the financial models (Part B). The training material provides an introduction to the relevant finance theory, as well as useful links for experiential learning and resources for further reading.



Learning Outcomes

- By the end of this module, students will be able to:
- To understand the steps for launching a business
- To understand the relationship of business planning with business viability
- To understand the relationship of forecasts with Raise of Funds



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Launching a startup is....

...a “game plan” for reaching and serving the *right markets*, through the *right channels* with the *right products* and the *right value proposition*

Your Launching Strategy makes sense if Your Business Plan/Business Model Canvas makes sense



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Go2market is not
your intention to
advertise

In many investment
presentations Go2Market Plan
is confused with digital
marketing

As a result such companies are
not even considered as
investment candidates or don't
get the monetary fuel they need
to move on



Go2market elements

To help your decision you
need to think in terms of:

- market size
- market growth rate
- ability to exert brand leadership
- cost of entry
- cost to serve
- channel availability
- competitive density
- strategic fit



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Is the absence of
Go2market Plan so
critical even if I have a
good product concept?

YES! The absence of a
Go2Market plan means
that your MVP, financial
plan and investment
needs are most probably
inaccurate...



Absence of Go2MarketPlan possibly means:

You haven't put a concrete, step by step plan of actions to hit the market's sweet spot

You rely too much on word of mouth

You think "digital marketing" is the answer in launching your "digital product"

You are about to burn cash faster than you think and how much is that

You don't know how to throw spaghetti at the wall and see if sticks



MAIN REASONS OF STARTUP FAILURE

No market need 42%

- Run out of cash 29%
- Not the right team 23%
- Get outcompeted 19%
- Pricing Cost/Issues 18%
- User un-friendly 17%
- No business model 17%
- Poor Marketing 14%
- Ignore Customers 14%
- Product Mismatched 13%
- Lose focus 13%
- Disharmony between team/investors 13%
- Pivot Gone Bad 10%
- Lack Passion 9%
- Failed Geographical Expansion 9%
- No financing Investor interest 8%

Execution of
Go2Market Plan
will help you confirm
the main hypothesis



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Why testing is important....

Testing the business idea is a necessary step to validate the target market, the need and the business model.



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Build a prototype....

Creating a prototype will always help you validate if you are solving the right problem, if you are building the right product, and how to improve your product or service to address the real need.



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Run the MVP by a panel of critics....

When a prototype is available a good strategy is to present it to a series of potential customers and check if they perceive there is a real problem, even the more skeptical and critical ones.



Problem solving

For new business, challenges arise every day and require effective troubleshooting. As the business grows, the business needs to prioritize problems i.e. take appropriate actions for intellectual property, allocate resources according to the marketing campaign the business uses.

Identifying the key drivers of growth and investing the appropriate time and resources to satisfy the business strategy developed requires the development of business structures that facilitate the management of problems in the future.



Skills

Growing a business require a series of skills that may differ from those of starting a business. Delegating properly, trusting your management team and giving up day-to-day control can be crucial attitudes for enabling the business to grow effectively. Experts can be recruited to tackle areas that the founder of the existing team do not have the experience to deal with.



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Be ready for change....

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Create a landing page....

Once you start testing your product, in parallel it is helpful to build a landing page where customers can learn more information about the product.



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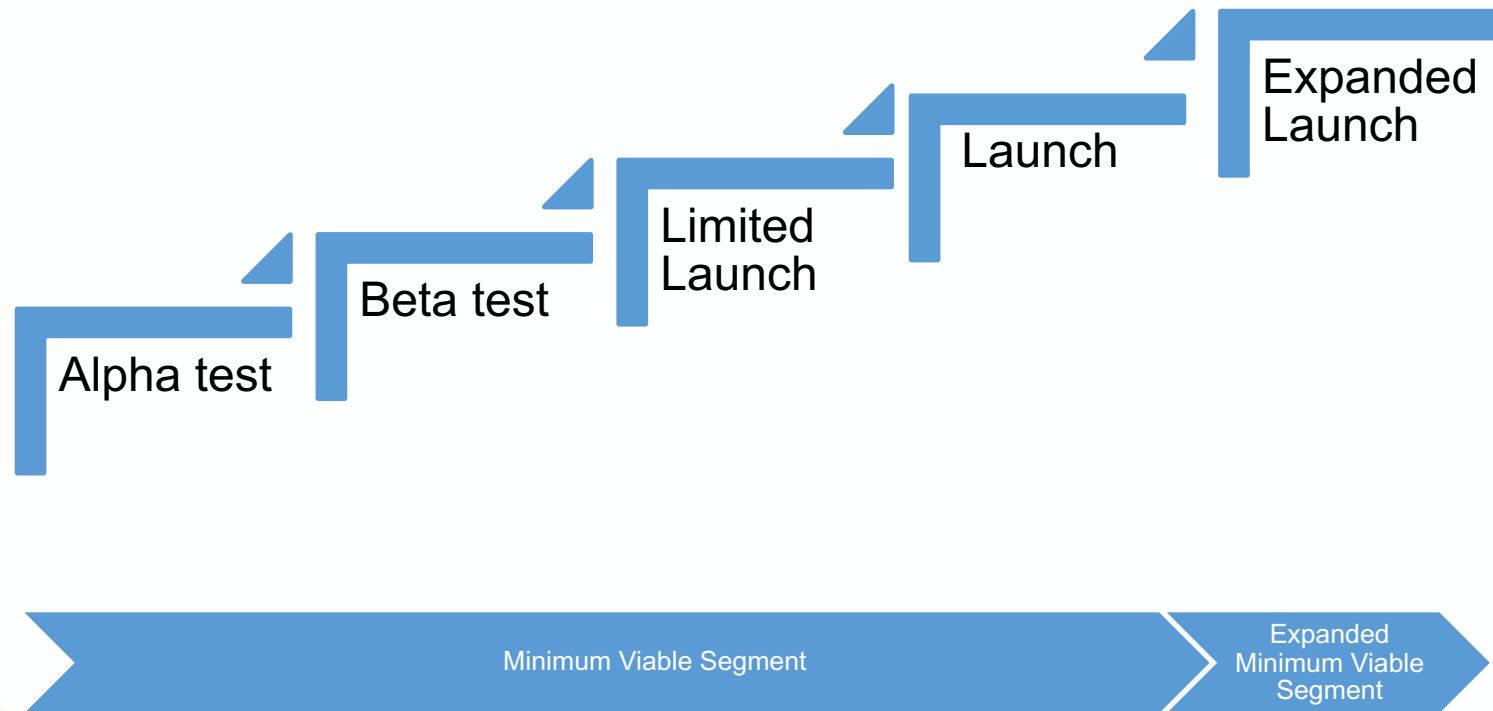


Create a market plan....

Write down a list of 100 things you can do to market a product while executing those 100 things talk to 1000 people about it. It is only then that you say you have made enough to judge if you have customers for your product.



Launching Strategy Phases



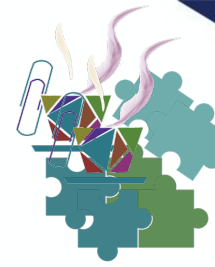


So what should a Go2Market Plan include?

- How you plan to confirm your hypothesis in the market
- Clear quantifiable goals (# contracts, #users #tests #conversions)
- Selection of the MVS that will adopt faster and cheaper your MVP
- Decisions on freemium/pricing options
- Tactics to engage players and convert early adopters
- Communication Strategy and Objectives
- Business development actions
- Client Support Actions
- Cooperation locally with market players to decrease cash-burning
- Integration of alpha and beta tests as part of your pre-launch tactics
- Gantt Chart to depict every step and budget constraint and metrics
- Engagement of your Advisors



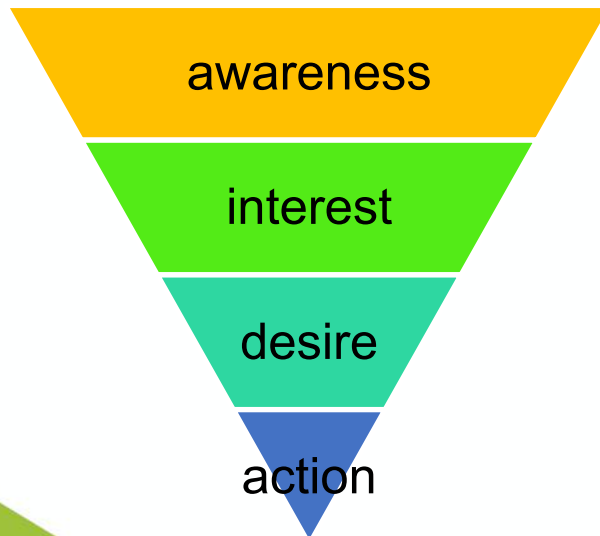
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Structuring a Go2Market Plan

1. Goals
2. MVS definition
3. Main Business development
Tactics
4. Analysis of phases in testing
and development (place,
players, geography, conditions)
5. Business Model / Revenue
Model / Pricing Strategy
Relationship
6. Communication Strategy
7. Gantt Chart or Timeline
w/Team Members involved
8. Metrics
9. Budget/Action/Phase

Communication Goals vs Sales/Engagement Goals



Building Awareness precedes
Sales

Do not forget the classic A.I.D.A.
model

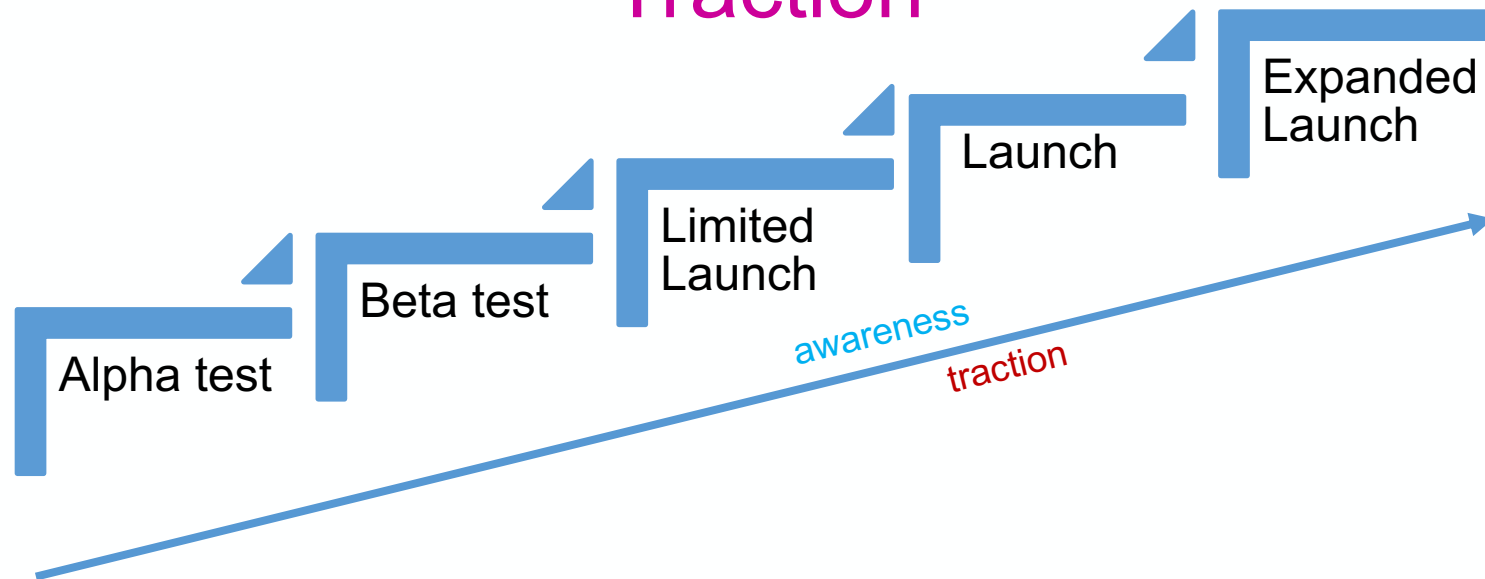
Longer period is usually needed to
generate momentum

Growth hacking for Awareness
Building and Distribution

Different Metrics



Building Awareness vs Building Traction



THE CONUNDRUM

1. The need for awareness-building is more important in the first period of a company
2. The time to get the market's attention and build awareness evaporates resources
3. Early traction is critical to convince funding entities to support you
4. Identify is the equilibrium of marketing actions/budget success



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Target Groups vs Target Audiences

Use them appropriately

They need separate tactics

Have different metrics

Reach vs Sales

Message Retention vs Repeat
Sales



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Wait - its not over yet...



Again: Plan Actions and Budget for Go2Market analytically

There are many hidden / ignored or miscalculated parameters usually discovered during implementation.

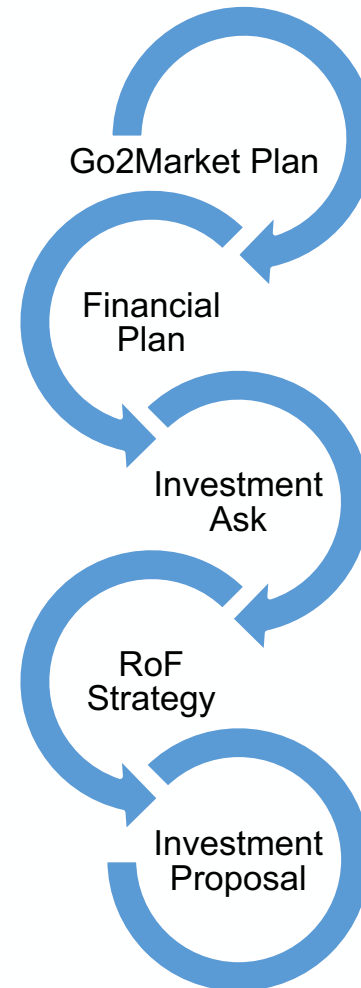
- ✓ Cost and duration of AB test and other market tests
- ✓ Creative/Copy needs
- ✓ Management of Above/Below the line actions
- ✓ Order and Sequence
- ✓ Field-work time



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Go2Market Plan and your Investment Proposal





A Go2Market Plan that investors like

- ✓ Has clear goals and laser focus
- ✓ Implementation Team is committed
- ✓ Starts small with measurable actions for every step
- ✓ Uses resources efficiently
- ✓ Is validated and backed by industry practice &/or experts



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Growth Hacking.....

Growing a business might entail various challenges that require different responses. Mistakes in the growing tactics are sometimes the reason why the business didn't manage to thrive.



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Tactics

Growth Hack your way up

Find ways to surf a wave. Partnering or creating a synergy with some other business can help you decrease marketing costs and increase the rate of market penetration

Explore well before you decide to go with conventional marketing tactics that will burn your budget and resources fast.



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Know your market at all times.....

As market conditions continuously change, a business need to have the most up-to-date information for making appropriate business decisions.



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Update your business plan!

A continuously updated business plan is necessary as the
business grows and the market conditions evolve



Metrics

✓ Arrivals & Acquisition

How many people landed on your store or website

✓ Activation

How many of those who “arrived” used your product/Service

✓ Retention – What is your churn?

How many stopped being active and why?

✓ Referral

How many of the users are willing to refer you to others?

✓ Customer Acquisition Cost

How much you need to spend in order to get one new customer?

✓ Customer Life-Time Value

How much revenue a single customer can generate for you until you lose that relationship

Attention: No meaningless metrics



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Cash Flow and Financial Management!

The way a business manages its finances is a key element in planning ahead and assessing new business opportunities. To maximize cash flow a business, need to carefully control the working capital, and undertake effective supplier management



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Financial Planning

Not just numbers but rather the
reflection of your thoughts,
goals and strategy



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**Better have a
bad budget
than no budget
at all***

* A real-life advice

Budgeting is a critical process as it makes an entrepreneur put down thoughts and (hopefully) test their reality in various dimensions (pricing, demand, supply, human and other resources, volatility, capital needs) with a financial projection



Income is money that a business receives in exchange for providing a good or service or through investing capital.

Cost of goods sold (COGS) are the costs of acquiring or manufacturing the products that a company sells during a period, and in specific those that are directly tied to the production of the products, including the cost of labor, materials, and manufacturing overhead

Operating costs are expenses associated with the maintenance and administration of a business on a day-to-day basis. They are the cost of resources used by an organization just to maintain its existence (operations).

EBITDA: Earnings before interest, tax, depreciation and amortization (EBITDA) is a measure of a company's operating performance. EBITDA is a way to evaluate a company's performance.

Cash flow is the net amount of *cash* and *cash-equivalents* being transferred into and out of a business. A cash flow in its narrow sense is a payment; the term 'cash flow' is mostly used to describe payments that are expected to happen in the future as a form of forecast.



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Putting together a full financial plan is a challenge

Founders start with vague projections over the years, showing early profits and forgetting cash-flow aspects

Plans are too simple limiting financial vision thus increasing entrepreneurial and investment risks



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Phase 1 of planning

Production Budget

Cost Prototypes and average
Product Cost
(design/creation/materials/know-
how)

Estimate demand
Try to quantify the market's size and
the market share you wish to get
over time

Price your product – service mix
addressing your Minimum Viable
Segment for introductory and follow-
on periods (3-5 years)



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Phase 2 of planning

Sales Budget

Project Sales over-time per
product/service type

Cost your production that will provide
the necessary products and services
that you forecasted



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Phase 3 of planning

HR Budget

Design and cost a HR plan
forecasting needs to support cost of
production and operations

(Make it analytical as it will be a
critical element absorbing enough
monetary resources)



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Phase 4 of planning

Operations Budget

Now it's time to add your operating expenses now to the picture

Add any financial costs (loan payments and taxation projections)



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Phase 5 of planning

Cash Flow

Generate a cash-flow per month and
for each year of your forecast

Identify your break-even from a)
sales and b) cash-flow



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Phase 6 of planning

Capital Needs

Having all the aspects together identify the total capital needs and breakdown

E.g. 200.000 euros for 3 years

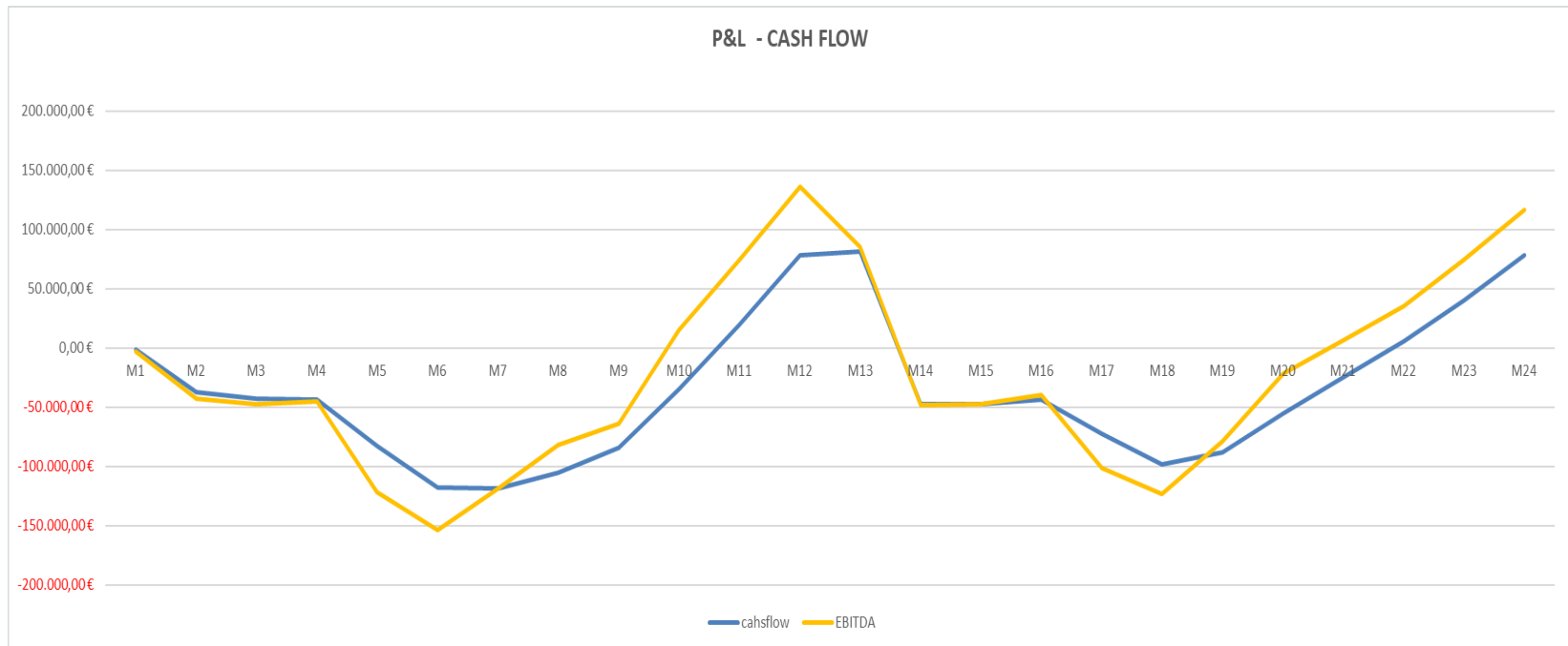
- 20% Product Development
- 30% Business Development
- 30% Marketing
- 20% Other Operating Costs



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Cash Flow





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Phase 7 of planning

Explore what sources of funding are available

Decide what methods of funding are the right for you (Bootstrapping, 3F's, Loan, Grant, Equity Investment)

See if you can adjust your plan and follow a “leaner” approach and

**...before act, think again before
you take the next step....**



Entrepreneurship is a great but also difficult journey so make sure ...

- ✓ you are ready for the necessary sacrifices
- ✓ have a committed team of talented co-founders or associates to help you
 - ✓ you have explored the market need and gap
- ✓ you have the right advisors for anything you are lacking experience or know how
 - ✓ you are open for changes in the original idea, approach and strategy



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Budgeting Example



		MARKET SHARE				40%
		TOTAL MARKET SIZE (CUSTOMERS)	TAM	SAM	SOM	
	MARKET A	1,000,000	600,000	300,000	120,000	
	MARKET B					
	MARKET C					
	MARKET D					
		1000000	600000	300000	120000	
		MARKET SHARE (LAM)		PENETRATION		
		0.18%	1.50%	7.00%	14.00%	
		PILOT - SOFT LAUNCH PERIOD		Y1	Y2	Y3
	SALES MARKET GOAL					
	LAM/SOM	216	1,800	8,400	16,800	
	MARKET SHARE (TAM)	0.04%	0.30%	1.40%	2.80%	
	MARKET SHARE (SAM)	0.07%	0.60%	2.80%	5.60%	
	MARKET SHARE (SOM)	0.18%	1.50%	7.00%	14.00%	
	MIX	AVG PURCHASE	TOTAL SALES ESTIMATE			
CUSTOMERS TYPE A	60%	10.00 €	1,296.00 €	10,800.00 €	50,400.00 €	100,800.00 €
CUSTOMERS TYPE B	30%	20.00 €	1,296.00 €	10,800.00 €	50,400.00 €	100,800.00 €
CUSTOMERS TYPE C	10%	50.00 €	1,080.00 €	9,000.00 €	42,000.00 €	84,000.00 €
			3,672.00 €	30,600.00 €	142,800.00 €	285,600.00 €



Sales Plan

		SALES DISTRIBUTION / SEASONALITY						
DISTRIBUTION		M1	M2	M3	M4	M5	M6	M7
PILOT period		0%	0%	0%	0%	0%	0%	5%
Y1		4%	4%	5%	5%	8%	8%	10%
Y2		4%	4%	5%	5%	8%	8%	10%
Y3		4%	4%	5%	5%	8%	8%	10%
Y4		4%	4%	5%	5%	8%	8%	10%
		M1	M2	M3	M4	M5	M6	M7
PILOT period		- €	- €	- €	- €	- €	- €	183.60 €
SALES FROM TOTAL MARKET SIZE	Y1	1,224.00 €	1,224.00 €	1,530.00 €	1,530.00 €	2,448.00 €	2,448.00 €	3,060.00 €
	Y2	5,712.00 €	5,712.00 €	7,140.00 €	7,140.00 €	11,424.00 €	11,424.00 €	14,280.00 €
	Y3	11,424.00 €	11,424.00 €	14,280.00 €	14,280.00 €	22,848.00 €	22,848.00 €	28,560.00 €



HR Plan

			PILOT - SOFT LAUNCH PERIOD			Y1			Y2			Y3			Y4	
TYPE	Role	Relationship	# persons in the role	monthly cost	yearly cost	# persons in the role	monthly cost	yearly cost	# persons in the role	monthly cost	yearly cost	# persons in the role	monthly cost	yearly cost	# persons in the role	monthly cost
OPER	CEO	FOUNDER	1	1,000.00 €	12,000.00 €	1	1500	18,000.00 €	1	1500	18,000.00 €	1	1500	18,000.00 €	1	2000
OPER	COO	FOUNDER	1	1,000.00 €	12,000.00 €	1	1500	18,000.00 €	1	1500	18,000.00 €	1	1500	18,000.00 €	1	1500
OPER	CFO	EMPLOYEE			- €			- €	1	1000	12,000.00 €	1	1000	12,000.00 €	1	1500
OPER	BUSINESS DEVELOPMENT DIR	FOUNDER		- €	- €	1	1500	18,000.00 €	1	1500	18,000.00 €	1	1500	18,000.00 €	1	2000
OPER	BUSINESS DEVELOPMENT AREA	EMPLOYEE			- €	1	1000	12,000.00 €	2	1000	24,000.00 €	4	1000	48,000.00 €	6	1500
OPER	BUSINESS DEVELOPMENT	EXTERNAL ASSOCIATE			- €			- €	1	1000	12,000.00 €	4	1000	48,000.00 €	6	1000
OPER	CLIENT SERVICE	EMPLOYEE			- €			- €	1	800	9,600.00 €	2	800	19,200.00 €	4	800
PROD	FULL STACK DEVELOPER	EMPLOYEE	1	1,500.00 €	18,000.00 €	1	1000	12,000.00 €	1	1000	12,000.00 €	1	1000	12,000.00 €	2	2000
PROD	WEB DEVELOPER	EMPLOYEE			- €	2	1000	24,000.00 €	3	1000	36,000.00 €	4	1000	48,000.00 €	6	1000
					- €			- €		0	- €			- €		
					- €			- €		0	- €			- €		
TOTAL			3	3,500.00 €	42,000.00 €	7	7,500.00 €	102,000.00 €	12	10,300.00 €	159,600.00 €	19	10,300.00 €	241,200.00 €	28	13,300.00 €
	PRODUCTION				18,000.00 €			36,000.00 €			48,000.00 €			60,000.00 €		
	OPERATING COSTS				24,000.00 €			66,000.00 €			111,600.00 €			181,200.00 €		
	BUSINESS DEVELOPMENT HR FOR CAC				- €			30,000.00 €			54,000.00 €			114,000.00 €		



ASK

	1st round	2nd round			
ASK					
1ST ROUND RUNWAY (MONTHS)	24				
BURN RATE / MONTH	- €				
2ND ROUND MONTHS	24				
BURN RATE / MONTH	- €				
CAC					
	PILOT PERIOD	Y1	Y2	Y3	
have to calculate all the yearly costs related to business dev. sales promotion and marketing (maybe trips relative with sales too) to devide them with the number of customers	- €	16.67 €	6.43 €	6.79 €	
Total Costs	0.00 €	30,000.00 €	54,000.00 €	114,000.00 €	
Number of Customers	216	1800	8400	16800	



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