

A decorative graphic on the left side of the slide, consisting of a network of white lines and small circles on a dark blue background, resembling a circuit board or a neural network.

# FRAMEWORK FOR START UPS

IIIT B

P G Ponnappa

# TYPE OF STARTUP

- Concept of Lifestyle Start Up

Vs

- Investible Start Up

# PROBLEM

- What is the Problem that is being solved
- Can it be simply articulated ?
- Is it a “Vitamin” or a “Headache” problem
- Will customers scream if you “stop” the solution
- Nice to have solution are challenging IF customer behavior needs to be changed

# PRIVATE LIMITED CO.

- Once you have a “ good idea” –
- Concept of a Private Ltd Company
  - Vs Partnerships / Limited Liability Partnerships (LLP)
- Need a Chartered Accountant (CA ) and a Company Secretary ( CS)

# A TYPICAL RIDE !



Marc

Reed

# STORY AT START

\$140 B

- Marc and Reed got an idea that they thought would work. Marc was CEO and Reed remained an Investor
- Split the company shares 50% each
- Reed invested \$2M and raised his share to 70%
- They then raised \$4M from a VC ( Venture capitalist) and started
- 2 years into the startup Reed came and told Marc , that he wanted to be CEO for the good of the company
- Marc was OK but also had to transfer some of his shares to Reed !!!! And took the title of President

# JOURNEY OF NETFLIX

- Started in 1998 – DVD Sales and Rental Company
  - 99% of their revenue was Sales and 1% was Rental
  - \$25 to buy a DVD and \$4 for Rental
- Amazon decided to get into DVD Sales and was MUCH MUCH Bigger than Netflix
- They had to move to Rental , but people preferred Buying !

# THE EUREKHA MOMENT

- \$14.95 for upto 4 DVD rentals a month . No late fee .
- It was the first time Subscription had been tried and it worked like crazy
- They also set an Operations process to Deliver anywhere in the USA in 24 hours
- And then the Market collapsed in 2000 and funding dried up . They had to reach profitability with the money they had and had to lay off many key people
- They went IPO in May 2002


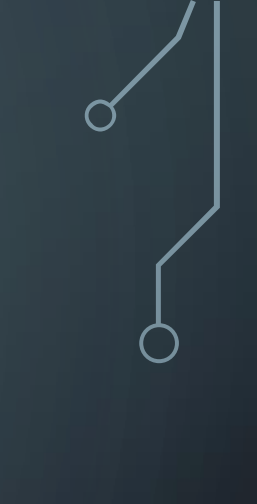
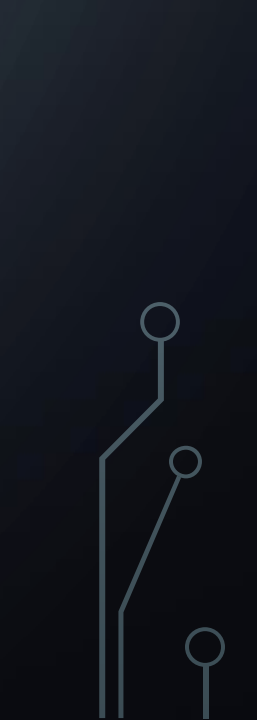


# CUSTOMER CONVERSATIONS

- Meet potential customers
- Have detailed conversations
- DON'T assume that you understand their problems
- Co create solutions
- Test and Learn
- Concept of Happy Price



# SOLUTION


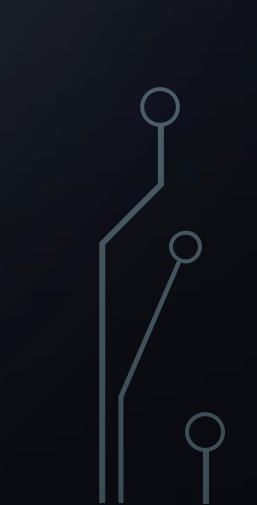
- How powerful is the Solution ?
  - Is it a “totally new solution” OR is it improving an existing solution
  - Is it at least 5 times better than an existing solution
  - Is it easy to Understand ?
  - Is it easy to sell ?
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# FOUNDERS

- # of founders
- Skills and complementary nature of team , Values and Beliefs
- Vision and its importance
- Founder's relationship and Bonds
- Reason for doing the Start up
- Founders agreement
- Grit , Hunger , Perseverance , Tenacity
- CEO



# TEAM & MANAGEMENT

- Vision and beliefs
  - Leadership
  - Hiring and Management
  - Retention
  - Importance of Human Resource Management
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# DIFFERENTIATION / MOAT/ COMPETITIVE ADVANTAGE

- How easy or difficult is it for someone to take your customer away
- How many hooks do you have in the solution
- Is Pricing the only advantage ?
- What are the chances of Facebook/ Amazon / Microsoft or Google to do this ?
- What is the Unfair advantage you have ?

# MARKET / MARKET SIZE

- Is this a B2B/ B2B2C or B2C play
- How large is the market in India ?
- Is this a Global Play ?
- Is this a Lifestyle business or an “Investible Business”

# COMPETITION

- Who are all the players in the market
- Who are all in “adjacencies” solving the same problem in different segments
- How well funded are they ?
- How can you fight them ?
- How will you win ?

# BUSINESS MODEL

- How does the company make money ?
- What is Customer Acquisition Cost (CAC) ?
- What is Estimated Life Time Value ( LTV) ?
- What are Unit Economics ?
- Credit / Advance / Recurring – Payments
- Technology -SaaS / Network – Community/ Platform Play
- Physical – Product / Cost of Goods / Selling Price / Margins



# FINANCIAL PLANNING

- Month wise detailed
- Revenue
- Expenses
- Excel – and creation of Simple Financial Plans
- Concept of a Profit & Loss account
- Balance Sheet !!!

# GO TO MARKET

- Brand
- Marketing – Digital / TV / Press
- Sales – Online / Direct / Indirect
- Distribution – Physical / Software
- Logistics – ( for Physical products)

# CUSTOMERS

- Customer feedback
- Like / Love the Product
- Would they Invest ( if possible)
- Would they be a “partner” ( if possible)
- What do they love and what would they like improved

# FUNDING STRATEGY

- Concept of a Private Ltd Company – Rules and Regulations of the Country
- Bootstrapped
- Angel funding – type of angels , family and Friends
- Angel Network – Quality of Network
- Seed Funds
- Dilution / Share offered
- Key Rights – Liquidation Preference , Drag / Tag etc
- Post Series A /B , what is Founder equity likely to be

# LAUNCH

- Alpha test / Beta Tests
- Local launch
- Scale
- Payment — Process / Cash Flow



# EXECUTION

- “Ideas are Easy. Execution is Everything” – John Doerr ( Biggest investor in Google)
- Process for Execution
  - Objectives
  - Key Results
  - Review



# KEY POINTS



- A product is NOT a company
  - Understand Customer Pain Points BEFORE you create a product
  - Ensure market size is large
  - Be clear on why you will win
  - Get an Advisor who will guide you
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The background is a dark blue gradient. In the corners, there are decorative white line art elements resembling circuit boards or neural networks, with lines and small circles.

QUESTIONS ?

[pgponnapa@gmail.com](mailto:pgponnapa@gmail.com)