



**BE BRAVE ENOUGH
TO SUCK AT
SOMETHING NEW.**

New Venture Creation

Prof. Neeraj Sanan

Welcome to New Venture Creation



- Engineer (PEC), MBA (IIMB), DBA (UoManchester)
- 27 years of experience
- Businesses launched: Dabur skincare, F7 broadcast, ABP News Network, Intin
- Director, Brand Capital Incubator

Professor Neeraj Sanan
& CEO, Intelligent Insights

Teaching Assistant
Shivani
Phd. Scholar, IITD

Schedule

MSL- 305 (New Venture Creation)		Time- 2:00- 3:20 PM
Date	Day	MSL 305 (New Venture Creation)
05-Aug-22	Friday	Class- 1
06-Aug-22	Saturday	Class- 2 (Work as per Tuesday Timetable)
09-Aug-22	Tuesday	Holiday: Muharram
12-Aug-22	Friday	Class-3
16-Aug-22	Tuesday	Class-4
19-Aug-22	Friday	Holiday: Janmashtami
23-Aug-22	Tuesday	Class- 5
26-Aug-22	Friday	Class-6
30-Aug-22	Tuesday	Class-7
02-Sep-22	Friday	Class- 8
06-Sep-22	Tuesday	Class-9
09-Sep-22	Friday	Class-10
13-Sep-22	Tuesday	Class-11
16-Sep-22	Friday	Class-12
20-Sep-22	Tuesday	Class-13
23-Sep-22	Friday	Class-14
27-Sep-22	Tuesday	Minor Exam

MSL- 305 (New Venture Creation)		Time- 2:00- 3:20 PM
Date	Day	MSL 305 (New Venture Creation)
30-Sep-22	Friday	Class- 15
04-Oct-22	Tuesday	Semester Break
07-Oct-22	Friday	Class-16
08-Oct-22	Saturday	Class-17(Work as per Tuesday Timetable)
11-Oct-22	Tuesday	Class-18
14-Oct-22	Friday	Class-19
18-Oct-22	Tuesday	Class-20
21-Oct-22	Friday	Class-21
25-Oct-22	Tuesday	Class-22
28-Oct-22	Friday	Class-23
01-Nov-22	Tuesday	Class- 24
04-Nov-22	Friday	Class-25
08-Nov-22	Tuesday	Holiday: Guru Nanak Birthday
11-Nov-22	Friday	Class-26 (Last Class)
15-Nov-22	Tuesday	Last Teaching Day
17-Nov-22	Thursday	Major Exam Start

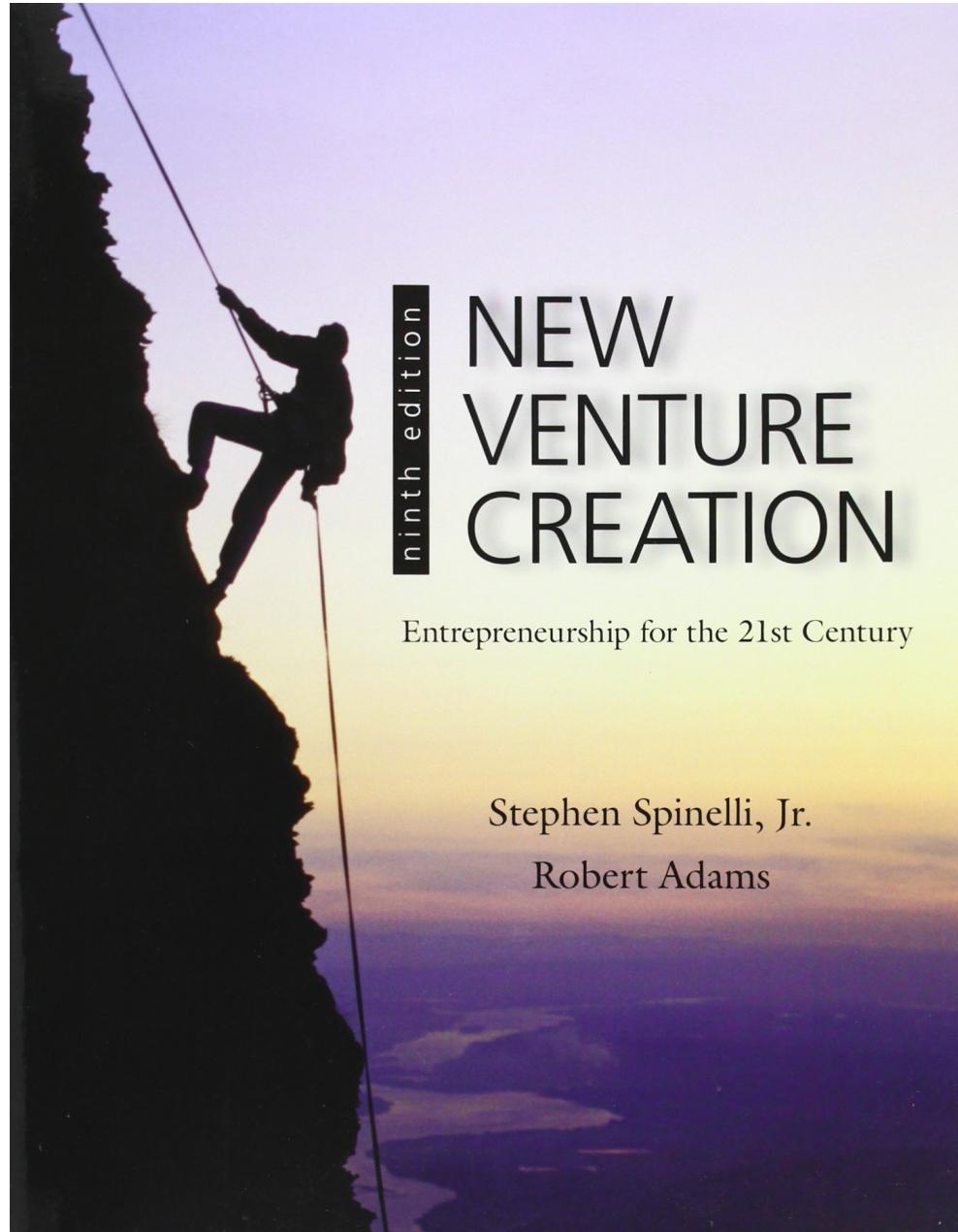
14 Practical

Lecture No	Topic	No. of hours
1	Introduction	1.5
2	Guest Lecture: Meet an entrepreneur	1.5
9	Exercise on writing a business plan	1.5
11	What a VC wants - talk by a practicing VC	1.5
12	What a VC wants - talk by a founder who raised money	1.5
14	Workshop on business storytelling	1.5
15	Group Presentations	1.5
18	Group Presentations	1.5
20	Workshop on Creative brief writing	1.5
21	Workshop on Media brief writing	1.5
22	Workshop on Market Research brief writing	1.5
25	Workshop on ‘managing failure’	1.5
27	I pivoted my business – talk by a founder	1.5
28	Summarizing and wrap up	1.5

14 Lectures

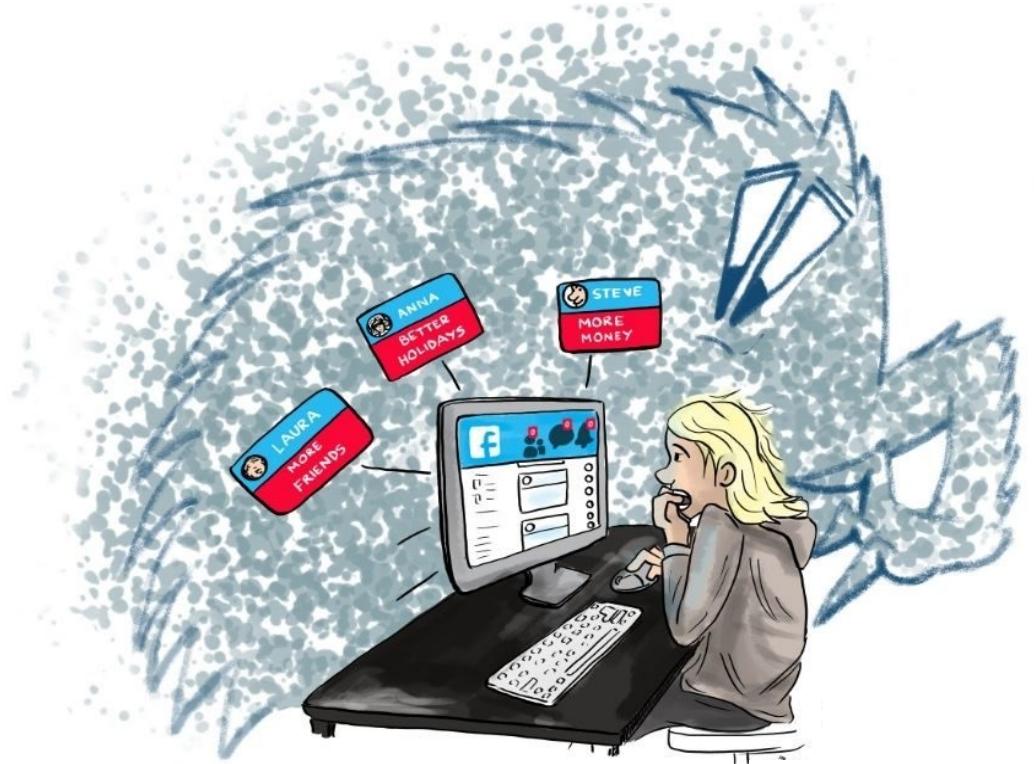
Lecture No	Topic	No. of hours
3	Business model, Value Chain & Valuation	1.5
4	Starting a business in India	1.5
5	Extending your existing business in India	1.5
6	Entrepreneurial Team formation: Roles of board, investor, founder, and CEO	1.5
7	Ideation and Opportunity recognition: Segmenting, Targeting and Positioning	1.5
8	Business Plan Development	1.5
10	Fund Raising: Debt & Equity	1.5
13	Pitching to an investor	1.5
16	Going to the crowd	1.5
17	How to choose a partner	1.5
19	Organogram & agencies	1.5
23	Reading legal contracts	1.5
24	Entrepreneurial ecosystem in India; Favourable changes in ecosystem for venture development.	1.5
26	Sustainable Competitive Advantage & Pivoting	1.5

Yes, there is
a book for
support



Grading Criteria

- Class Participation : 10%
- Group Case assignment : 20%
- Mid-term : 30%
- Final-Term Submission : 40%



For clarifications: You can reach me on Tuesday and Friday, after class or separately on appointment.

Class Participation: 10%

1. Attendance
2. Quality of reply to Questions when I call out students, randomly
3. Quantum and Quality of engagement during case presentation, when you are not presenting

Some Rules:

- Join the course if you are really interested
- Attend ALL classes it you join
- You can reach me on nsanan@gmail.com or 9711182777 for any professional issue.

Group Assignment: 20%

- Class is divided into 16 groups.
- Each group must choose a category for their ‘New Venture Creation’
- Assignments:
 - By August 16th : Name your group, choose a category and start planning
 - By November: Submit a presentation for your ‘New Venture’
- You will be graded basis your presentation
- Exception: If any individual has already created a New Venture idea and wants to do it alone. For her/ him this will be considered as an individual assignment. Apply on or before August 16th

Groups ?

Group Case (20%)

Group Case (20%)

Exams (70%)

- Mid-Term : 30%
 - End-term : 40%
-
- Open book, open-google
 - Mix of conceptual questions, case study and of course - the book.

Expectations: Which areas do you want me to focus on ?

1. Patenting (IP)
2. Social entrepreneurship
3. Business model
4. Communications in bad times
5. How to create teams
6. Government rules

A few starting thoughts



The Great Covid RESET

- We are all in-and-as ‘GEN-M (The Mask Generation)’
- Black swan event has caused an unprecedented disruption; it is a reset not a recession
- Large, organized businesses are seeing a sudden increase in profit....launch new
- Digital-first opportunities galore.....launch new
- Few categories face obsolescence





Your New Venture

- Aristotle termed it *Eudaimonia*
- Japanese explain it as *Ikigai*

Business follows the same logic

Roles people play

- **Founder:** YOU....it is your vision, your idea, you do “Proof of concept of business model”
- **Investor:** Pays money to YOU to chase your dream “Money scales business”
- **Board of directors:** Set to assure investor that business is running safe & sound
- **CEO:** Actually runs the business, set up by founder, with the money of investor and in a manner that board is auditing

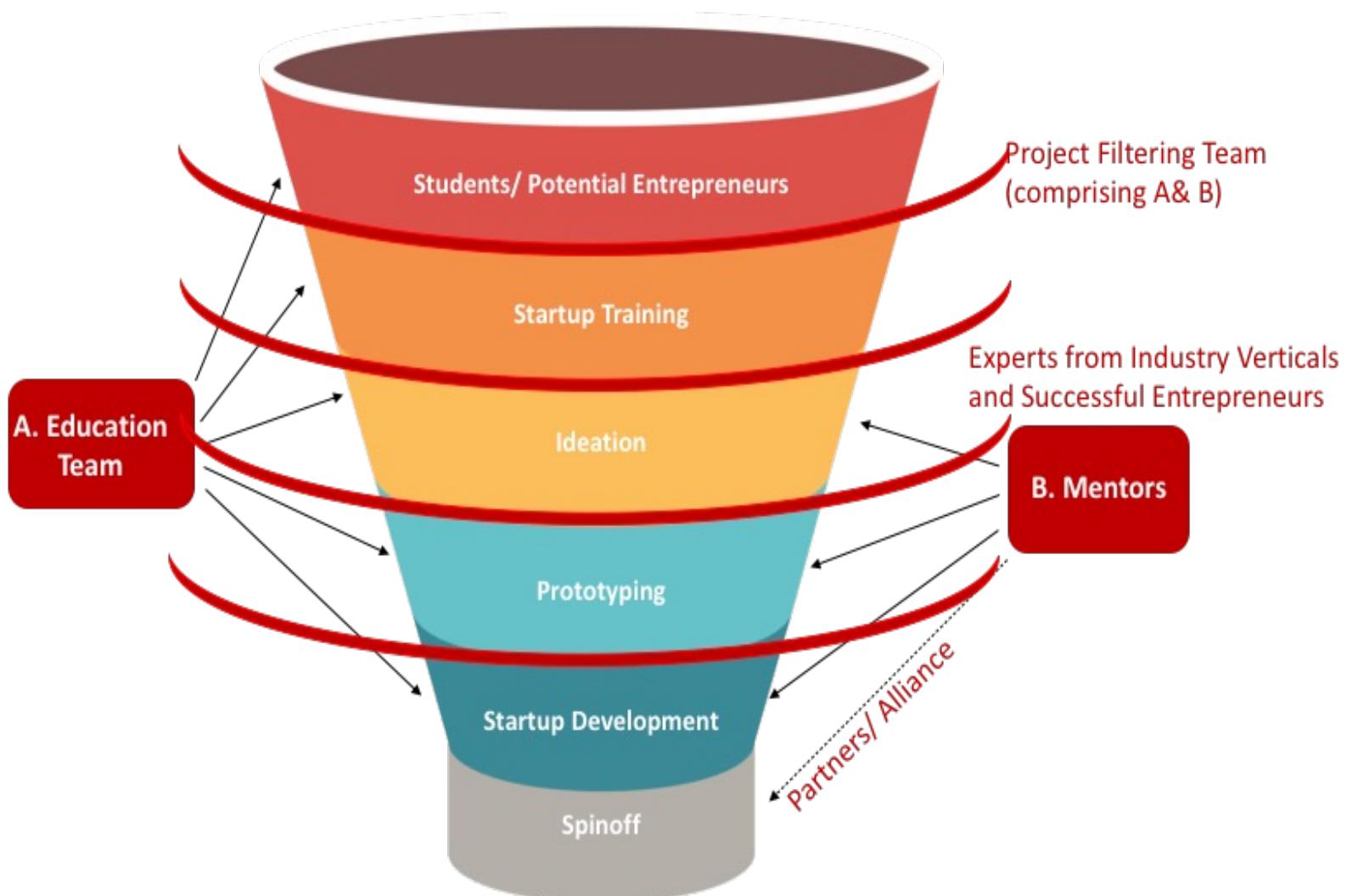
Don't ever multitask!



Types of Investors

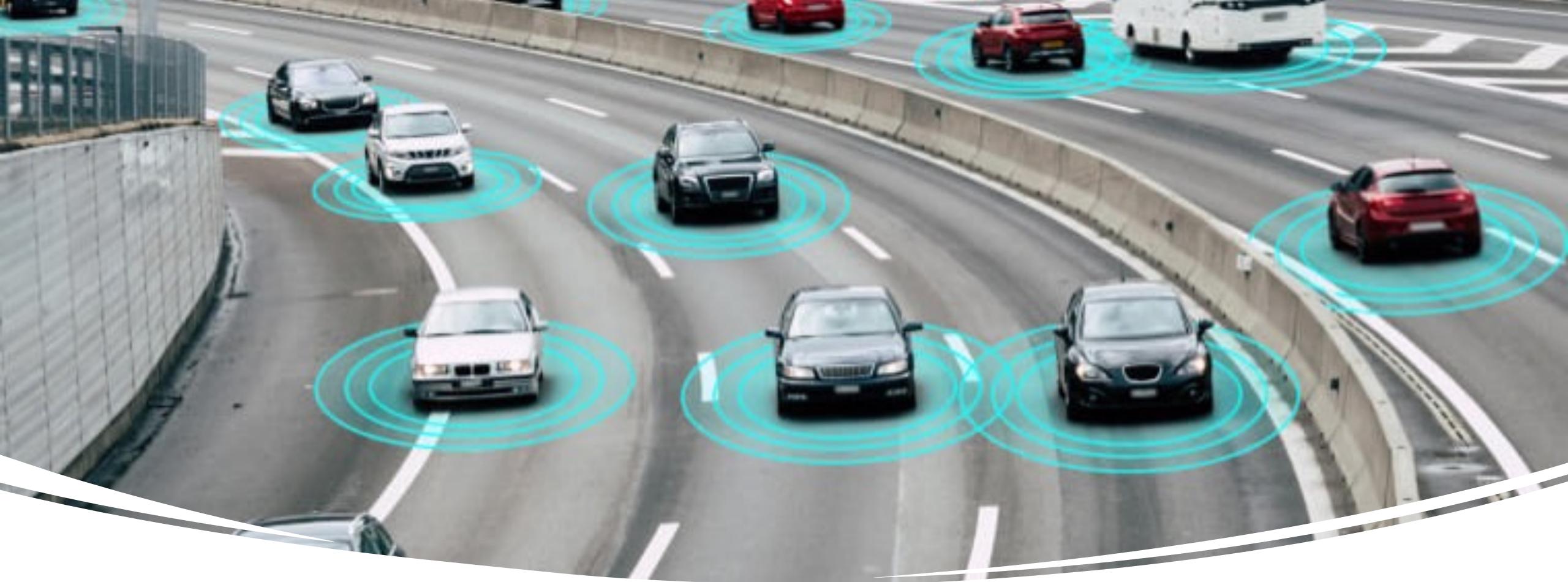
- **Incubators:** give advice for a fee, usually stake
 - **Accelerators:** scale your business for a fee, usually stake
-
- Angel investor: Individuals who are like your professors; money & advice
 - Venture Capital: Venture Catalysts, Mumbai Angels
 - Crowd Funding: Indigogo, Gofundme, kickstarter (like taking money from friends)
-
- Series A,B,C,D... mutual funds etc. (not at this stage)
-
- Sweat equity: Get professionals to work cashless, against stake

IITD: Knowledge + access



Where we can help

1. Risk Reducer
2. Mentor access
3. Industry liaison
4. Catalyze the **FIRST** customer
5. Help with investor & board



“Remember, life is a highway. Irrespective of your speed, you have as many cars in front as behind you. For travel, usually a bus (job) is safe, but your own ride (business) is far more fun.”

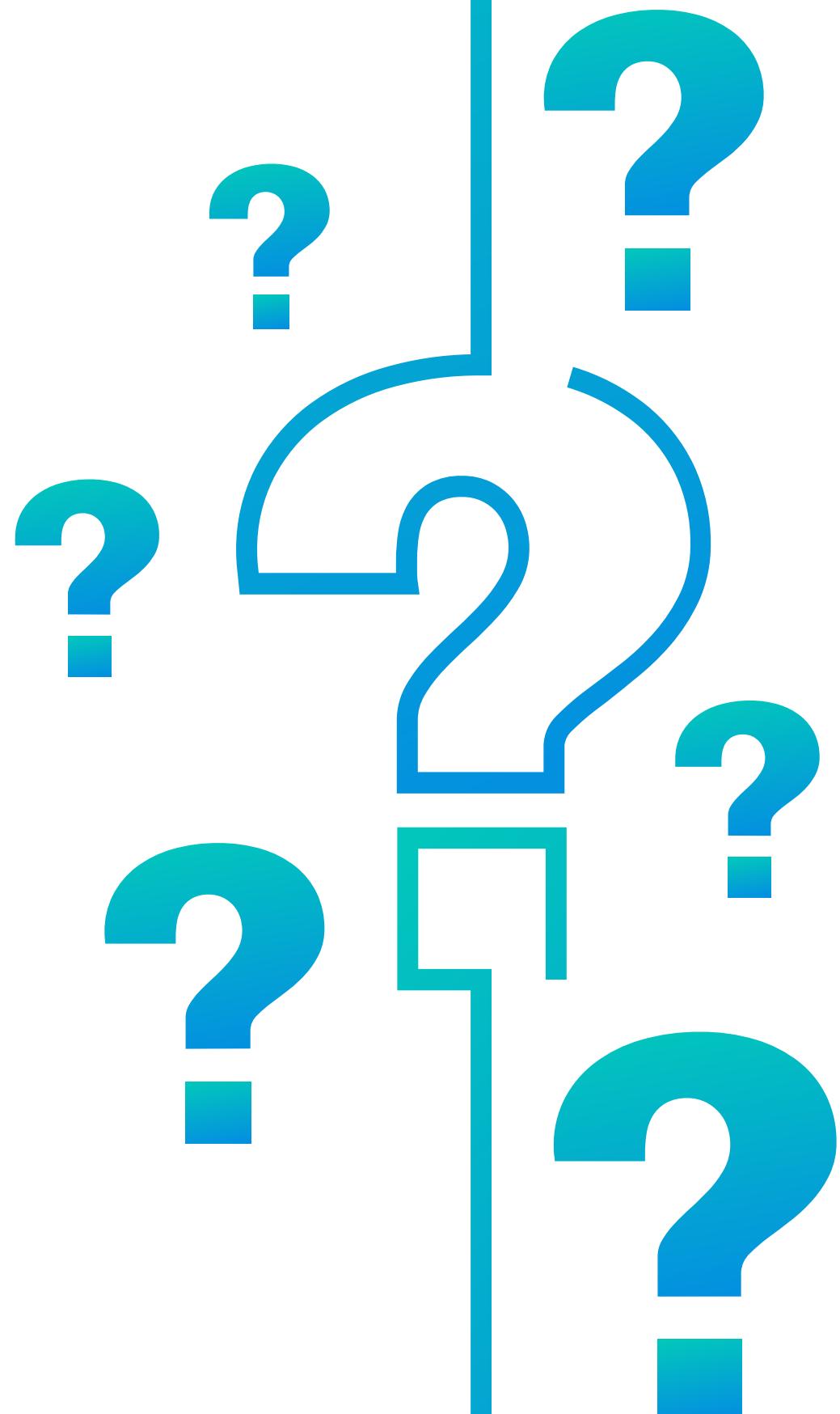
- Professor Neeraj Sanan

Building The Entrepreneur In You

How I did it for Myself...

Today's Agenda

What do you think is a journey
of an aspiring ENTREPRENEUR
like you?



Today's Agenda

Information

Today's Agenda

Transformation

Who are we?



**Karan
Sood**

Co-Founder, CEO



**Arjun
Duggal**

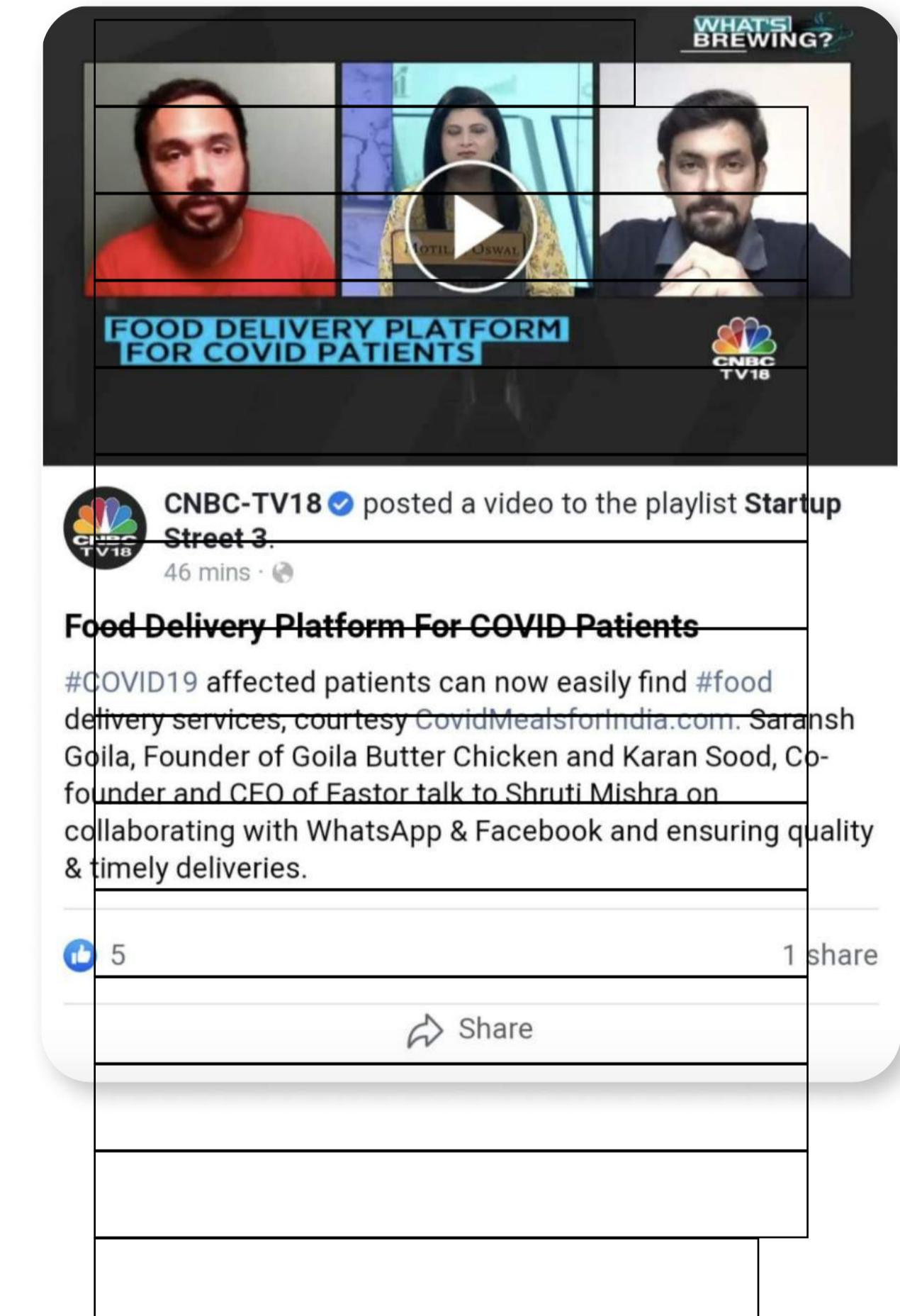
Co-Founder, CPO



**Anmol
Wadhwani**

Co. Founder, CMO

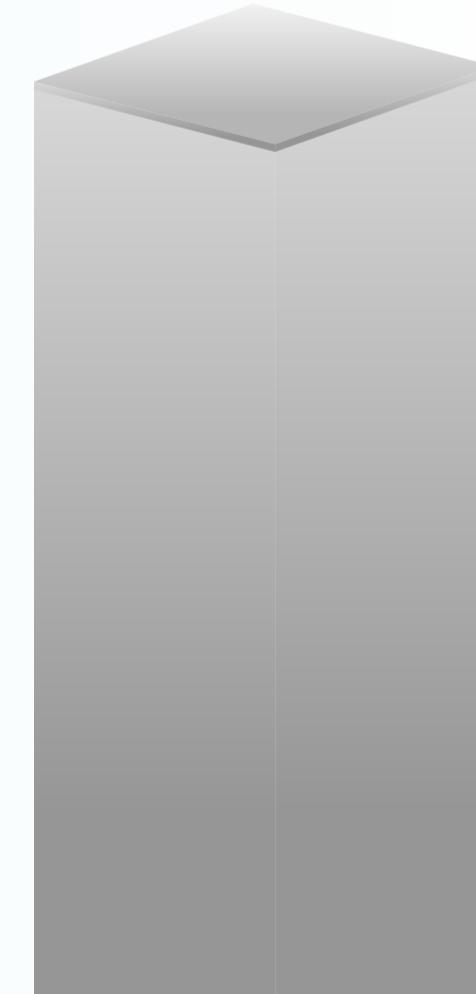
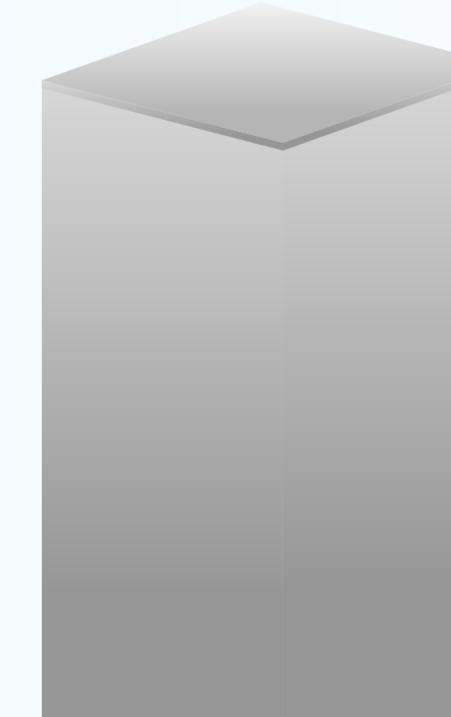
Featured In The Best Across The Globe



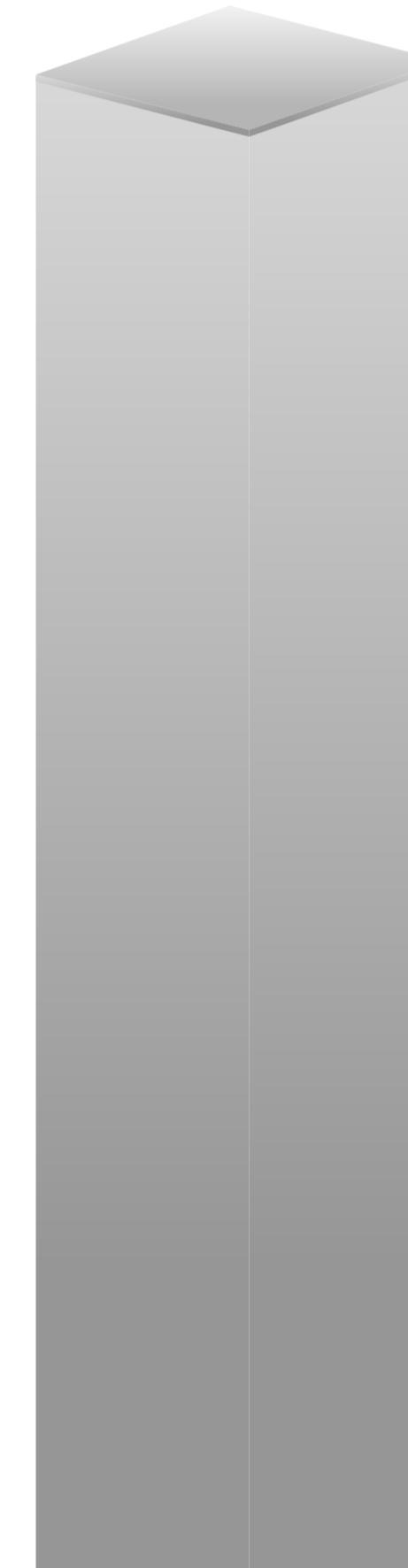
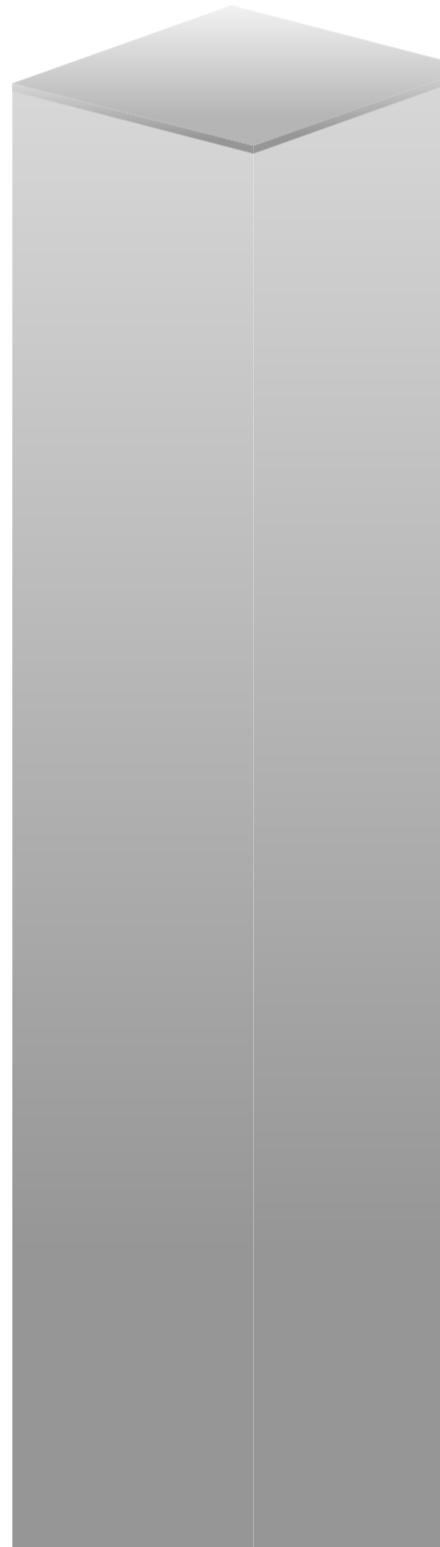
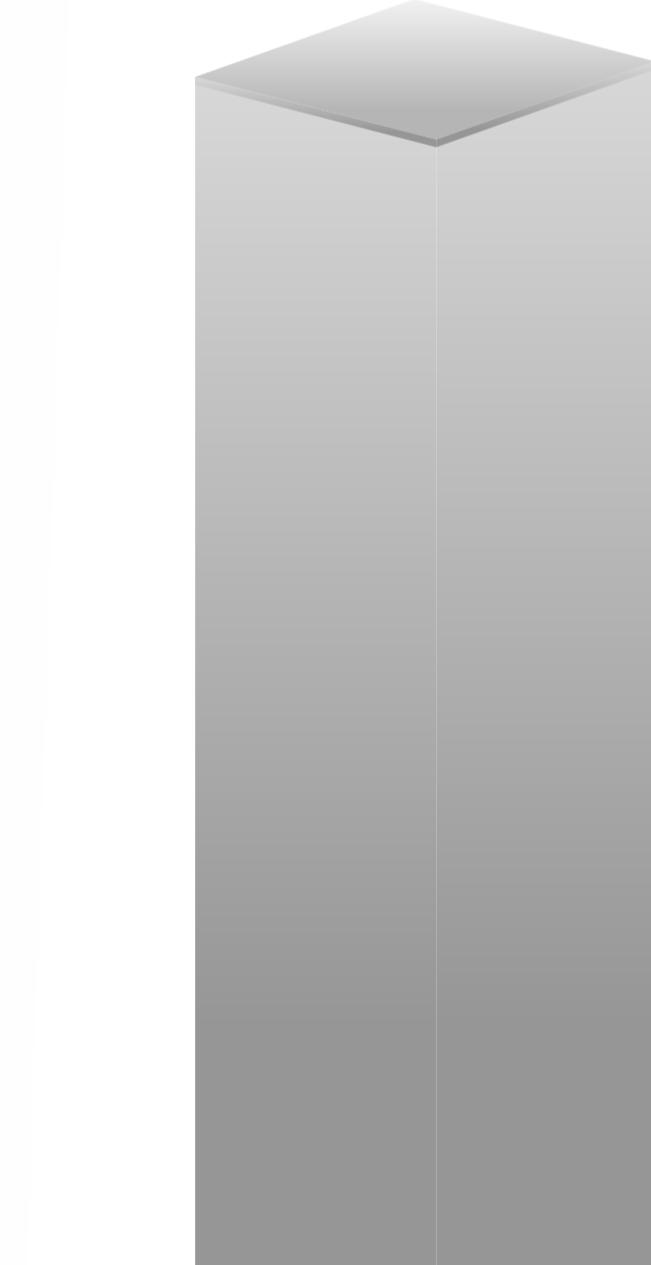
Mindset of an
Entrepreneur

The Journey

FACTOR ⚡



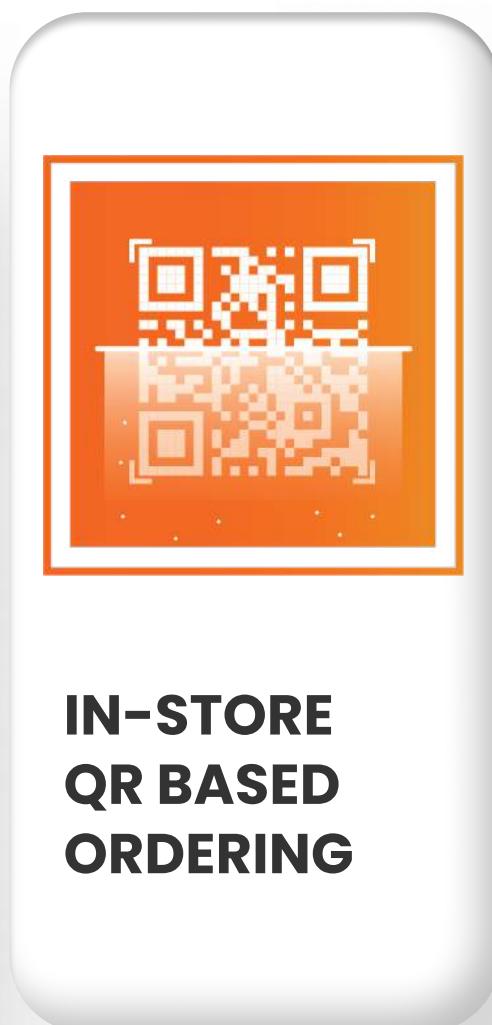
FACTOR 7
Product | Design | Technology





Vision was to build full independent technology platform for hospitality industry, we enabled full stack QR based ordering & delivery logistics.

- QR Based Ordering
- Online Catalogue & Order Management
- All major Payment methods
- Delivery Enablement

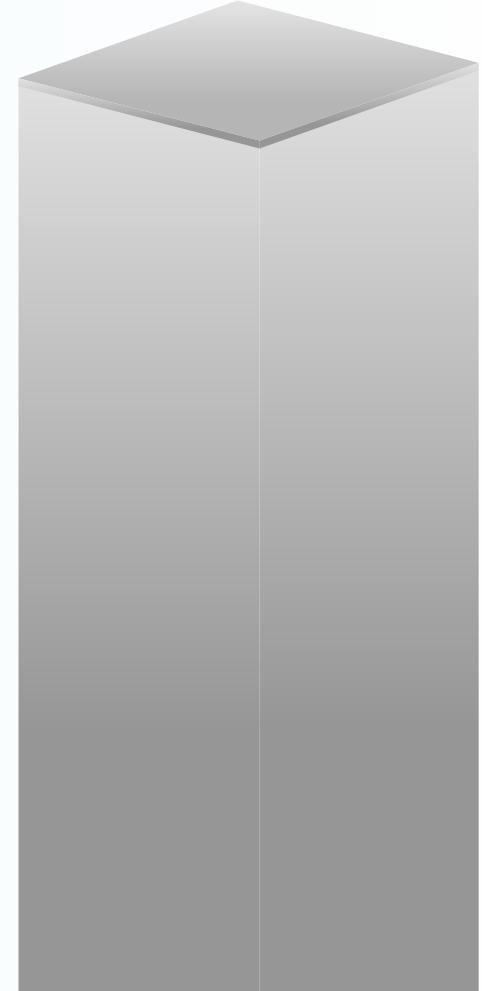
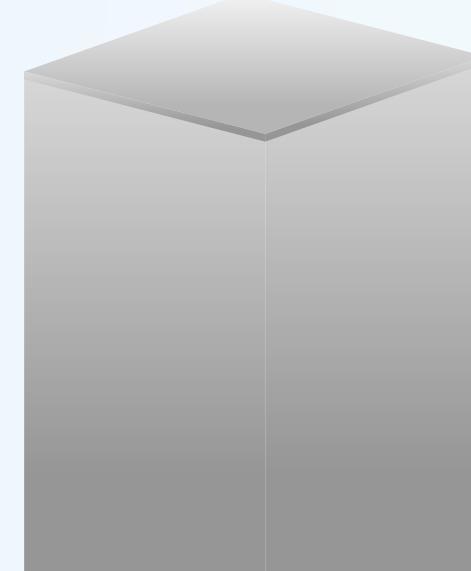




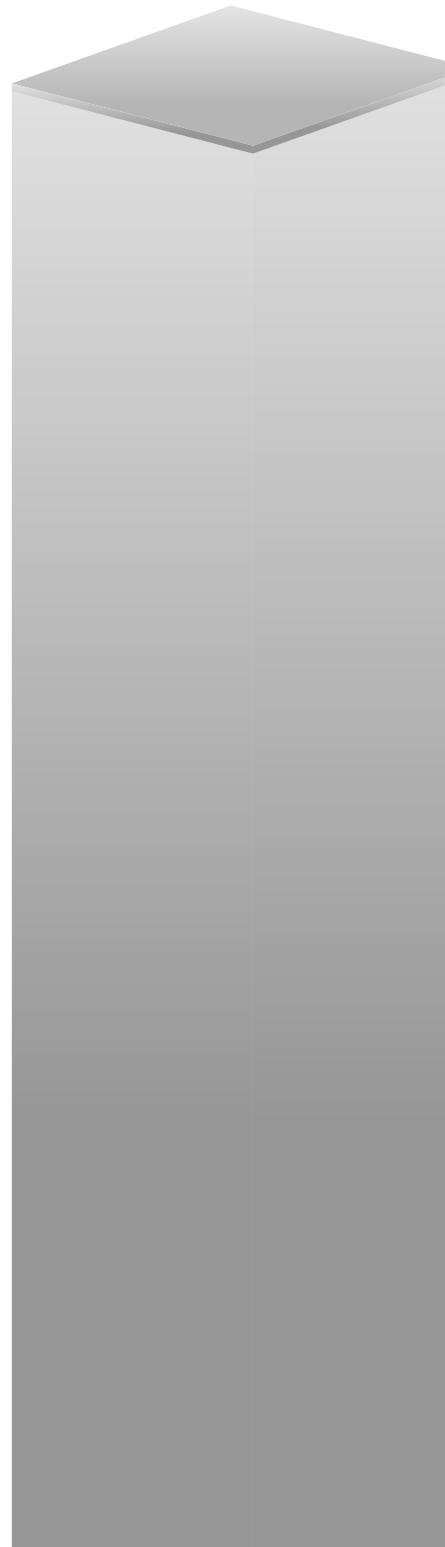
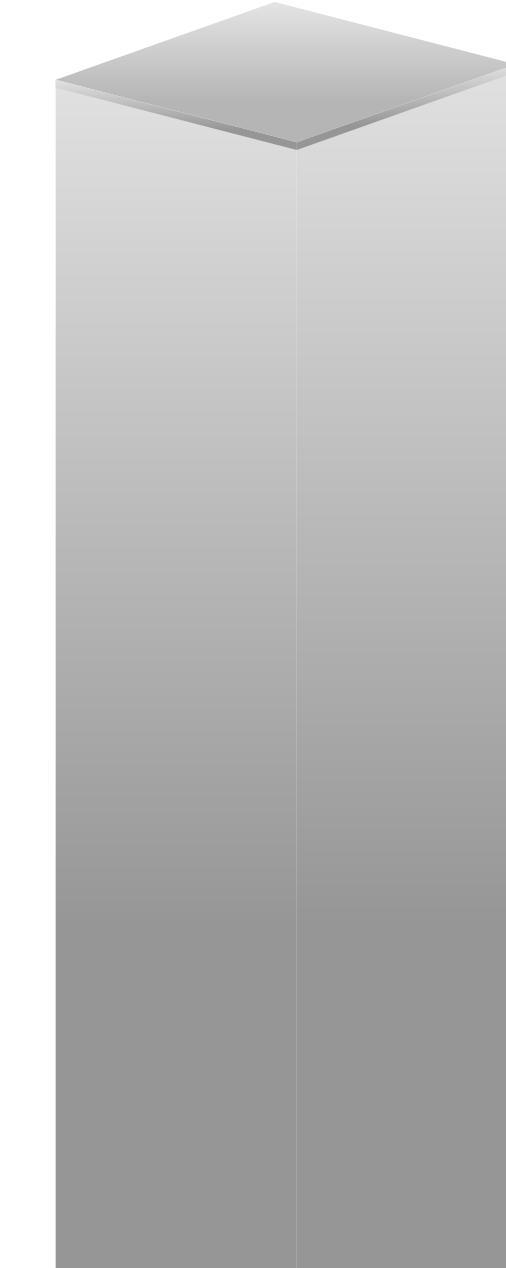
An **idea** is just a seed,
Execution grows it into a tree

The Journey

FACTOR ⚡



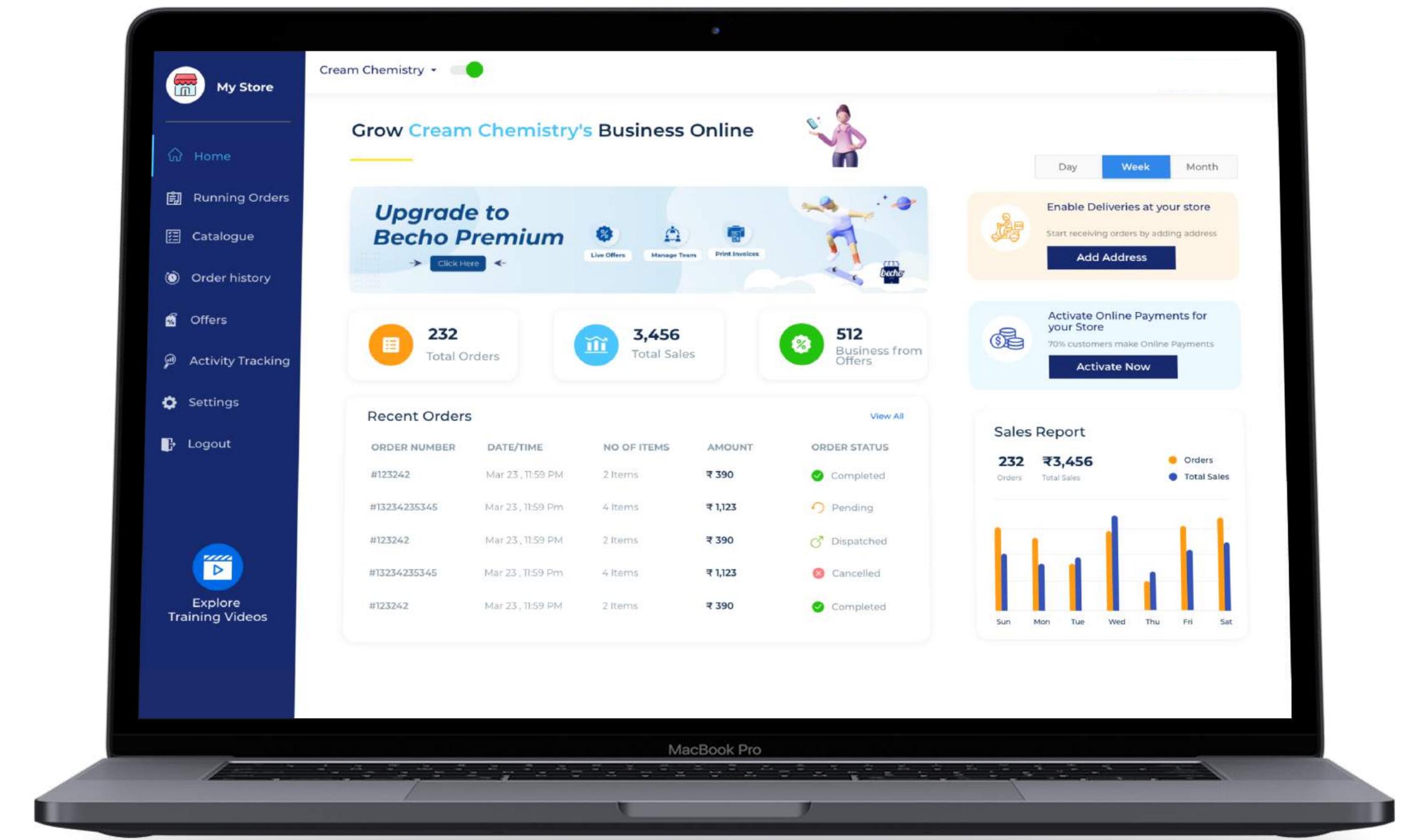
FACTOR 7
Product | Design | Technology





Build a full stack technology platform with integrated payments, logistics for millions of offline businesses to move online & start selling within seconds

- Online Web Stores with Unlimited Catalogue
- Order Fulfillment
- Payment & Delivery Management
- Custom Offers & Coupon Management

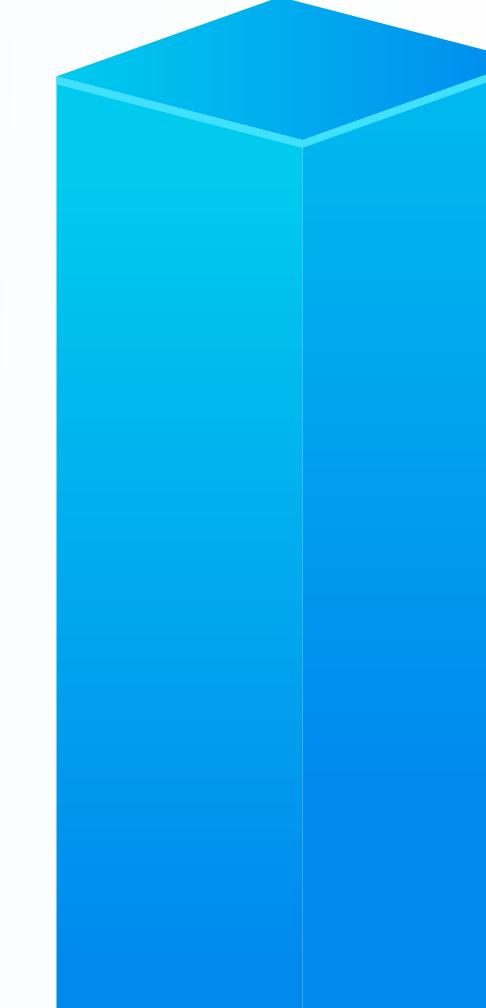
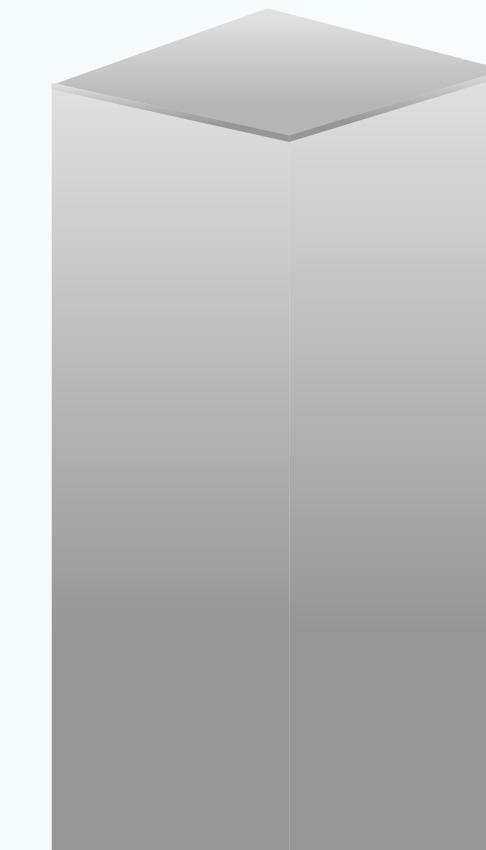




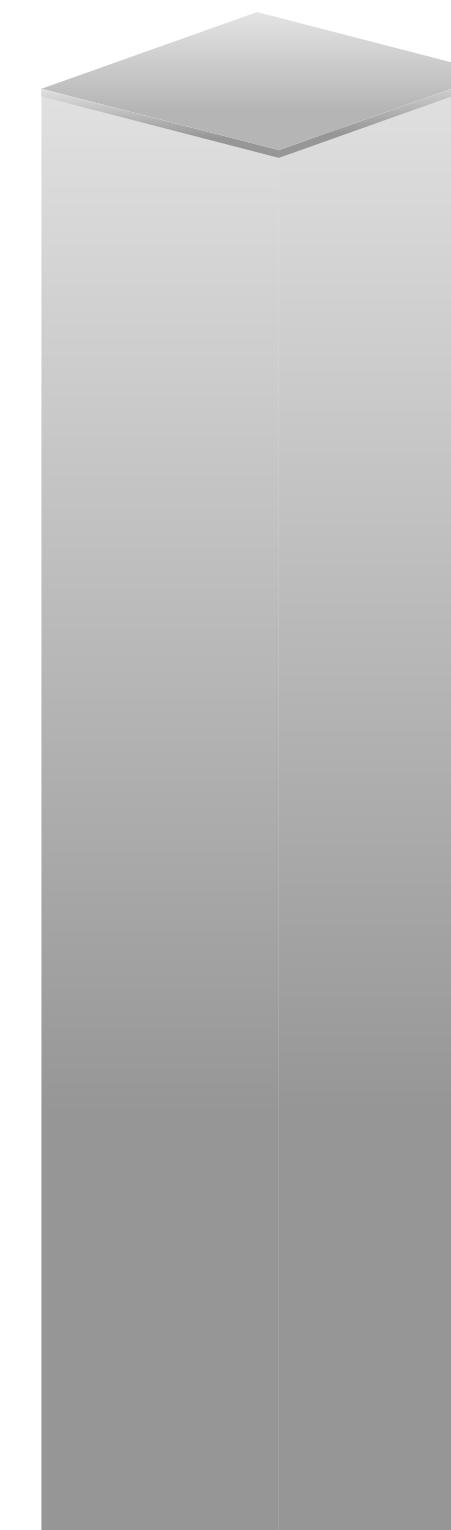
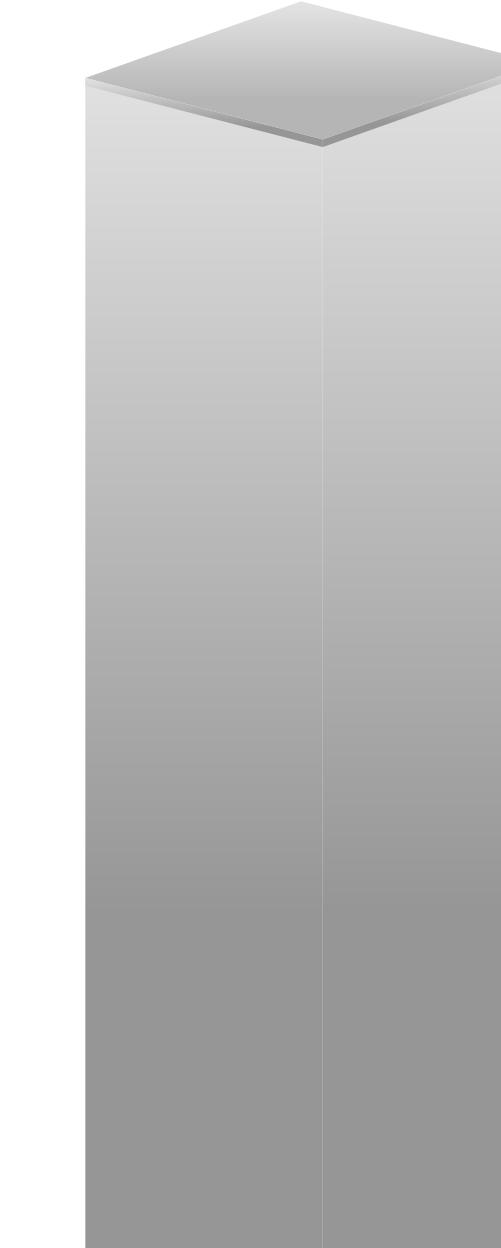
Execute Towards Revenue

The Journey

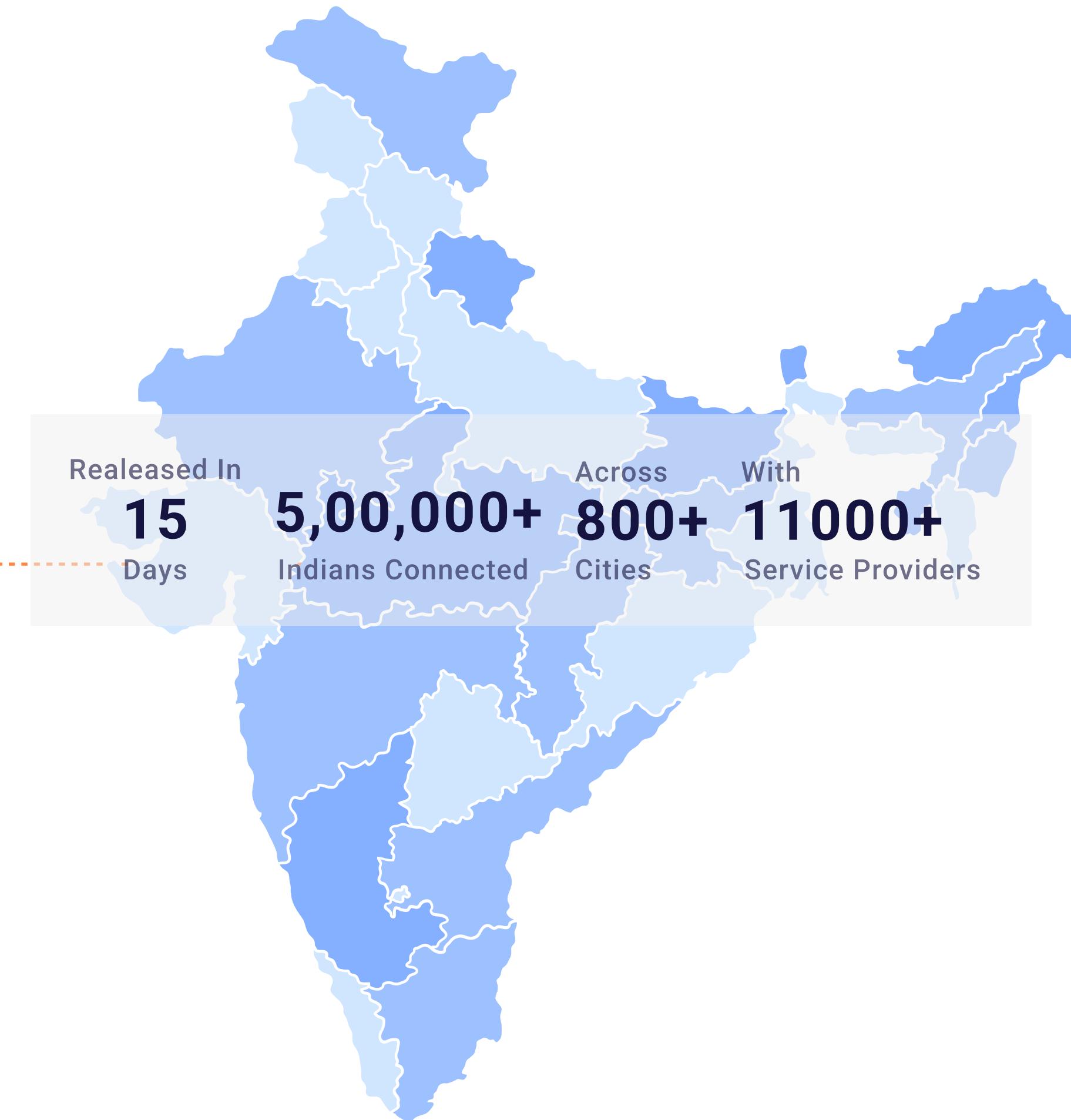
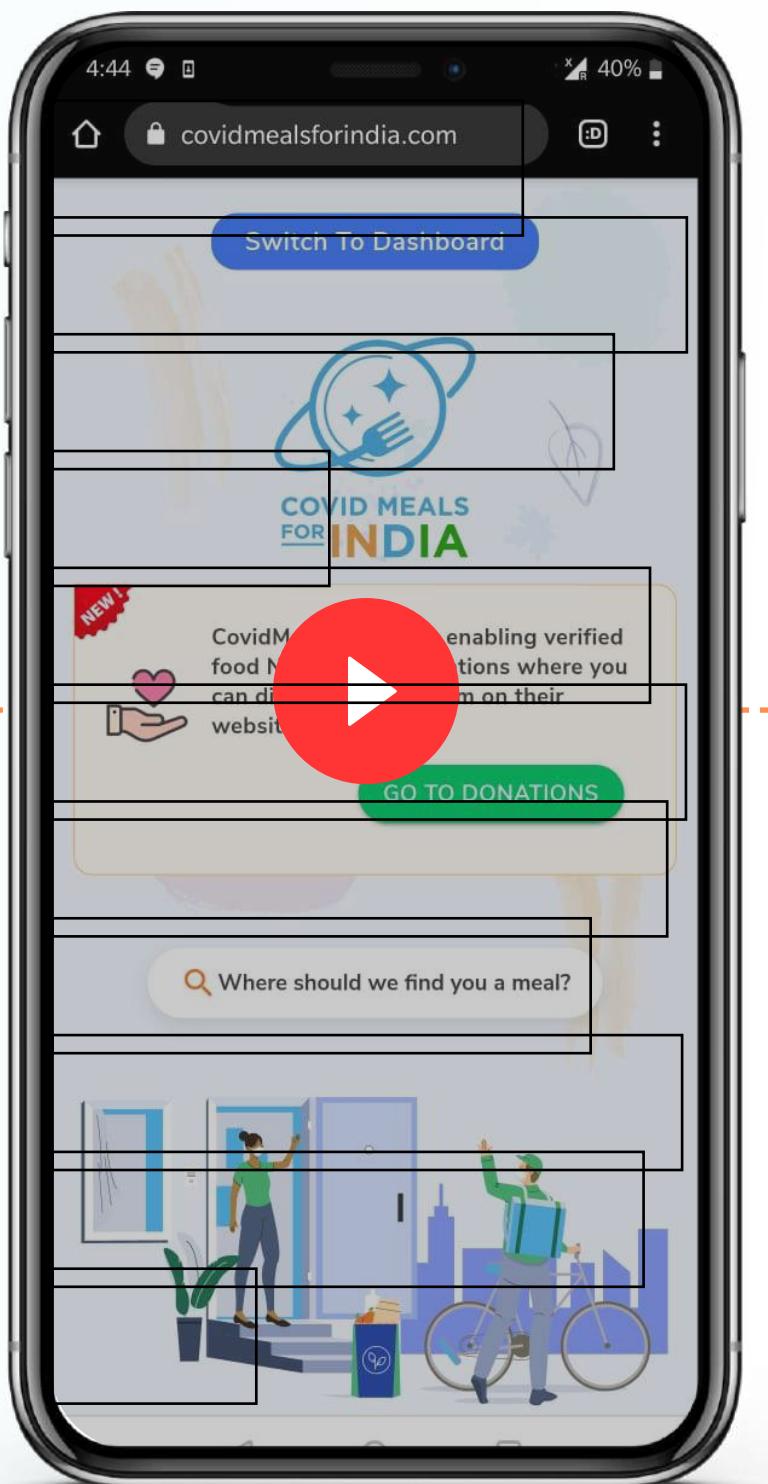
FACTOR ⚡



FACTOR 7
Product | Design | Technology



COVID MEALS FOR INDIA



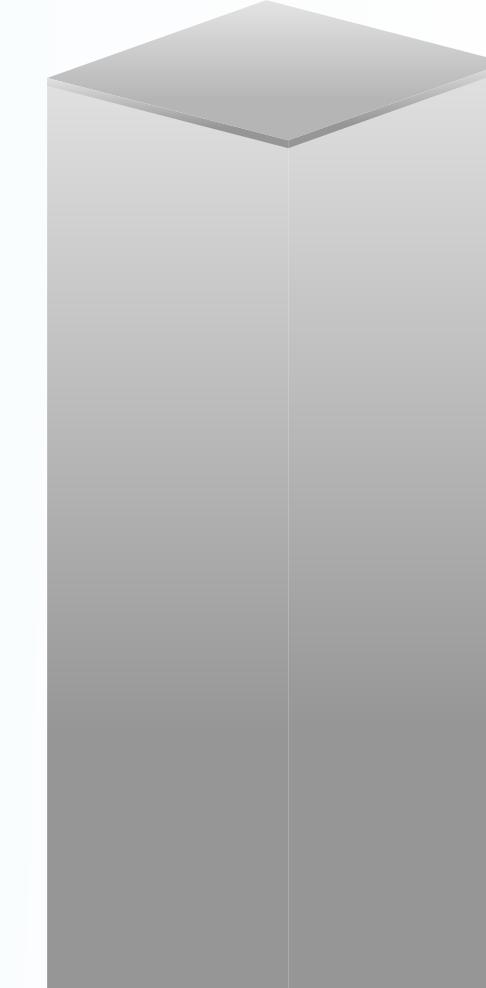
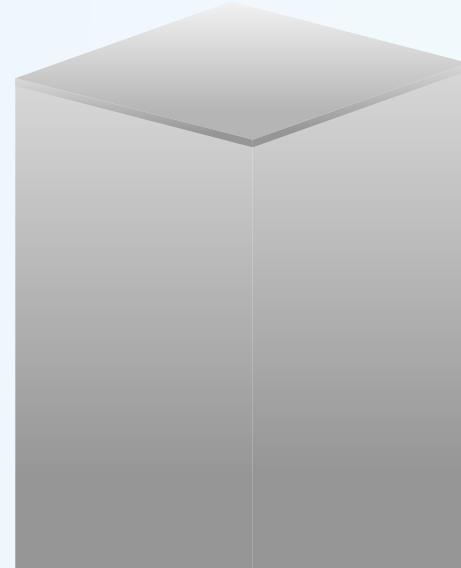
COVID MEALS FOR INDIA



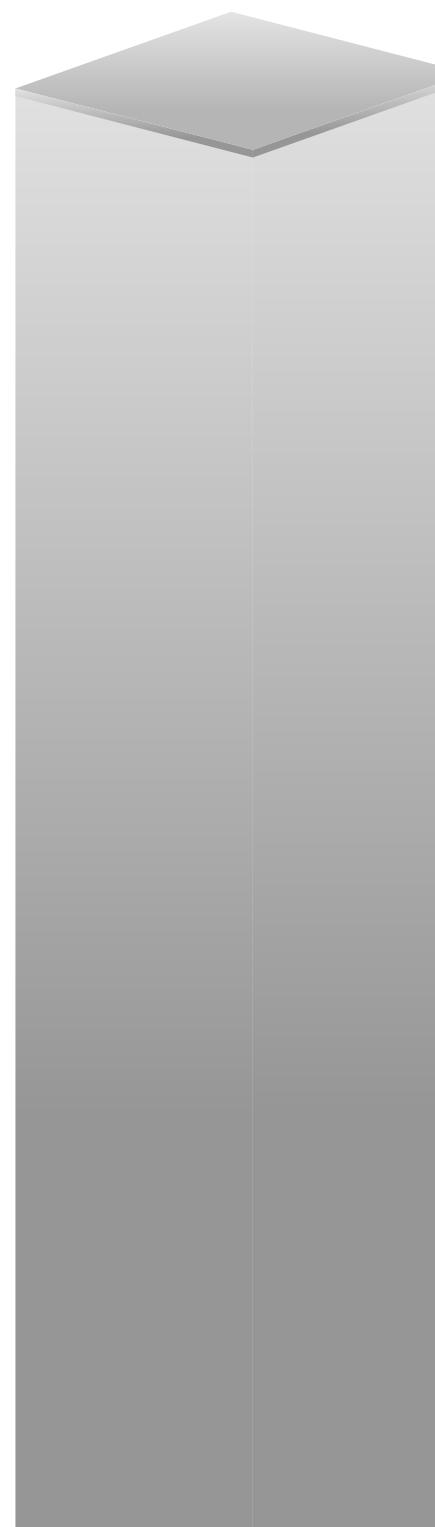
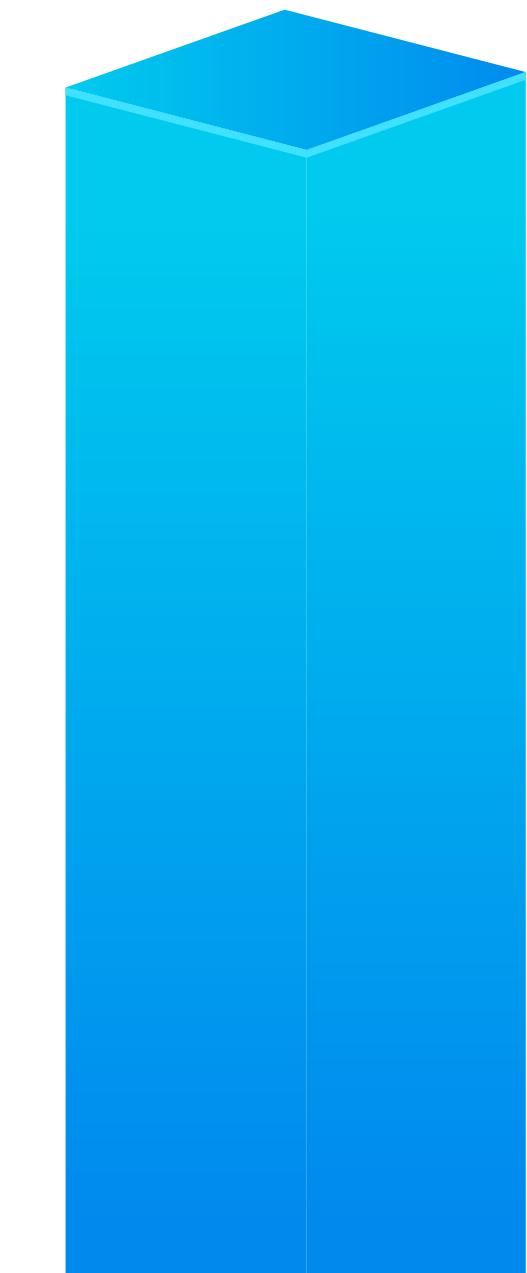
**There is No Limit to the
Impact you can create**

The Journey

FACTOR ⚡



FACTOR 7
Product | Design | Technology



FASTOR 7

Product | Design | Technology

Fastor7 is a New Age Product & Technology Studio that facilitates Digital Transformation for companies wanting to Ideate, Test, Launch, and Scale Technology Products and Automation Tools



FACTOR 7

Product | Design | Technology

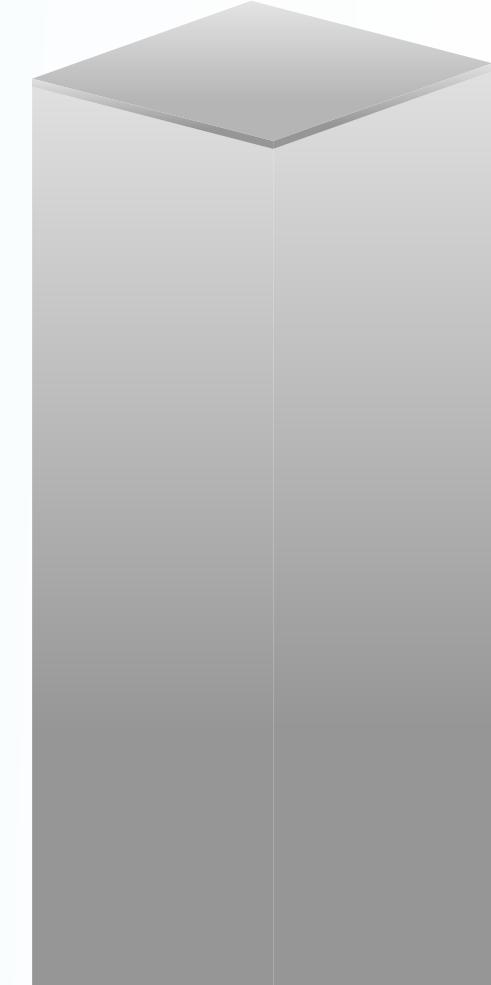
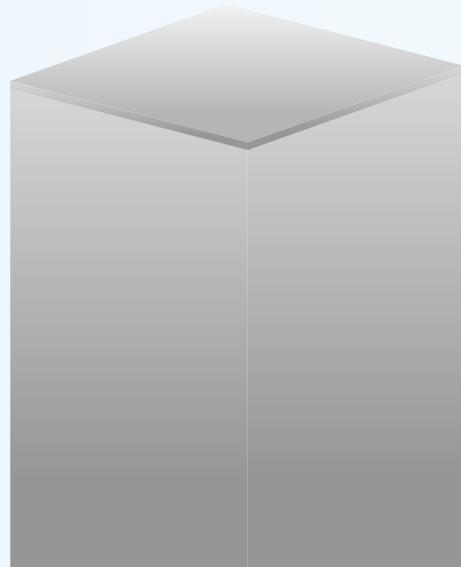
Expand your boundaries

&

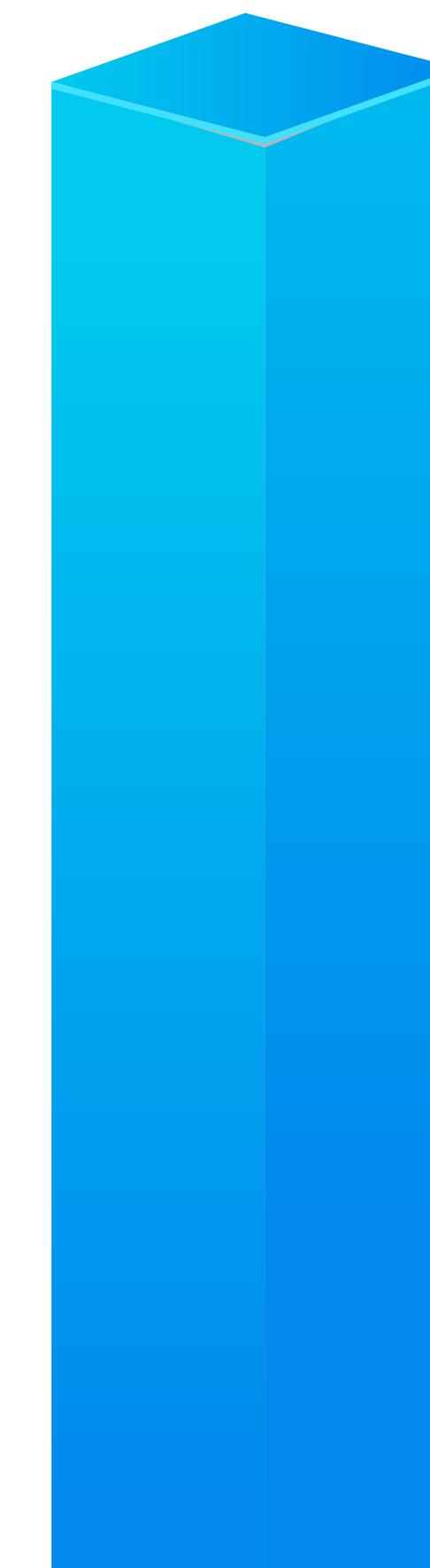
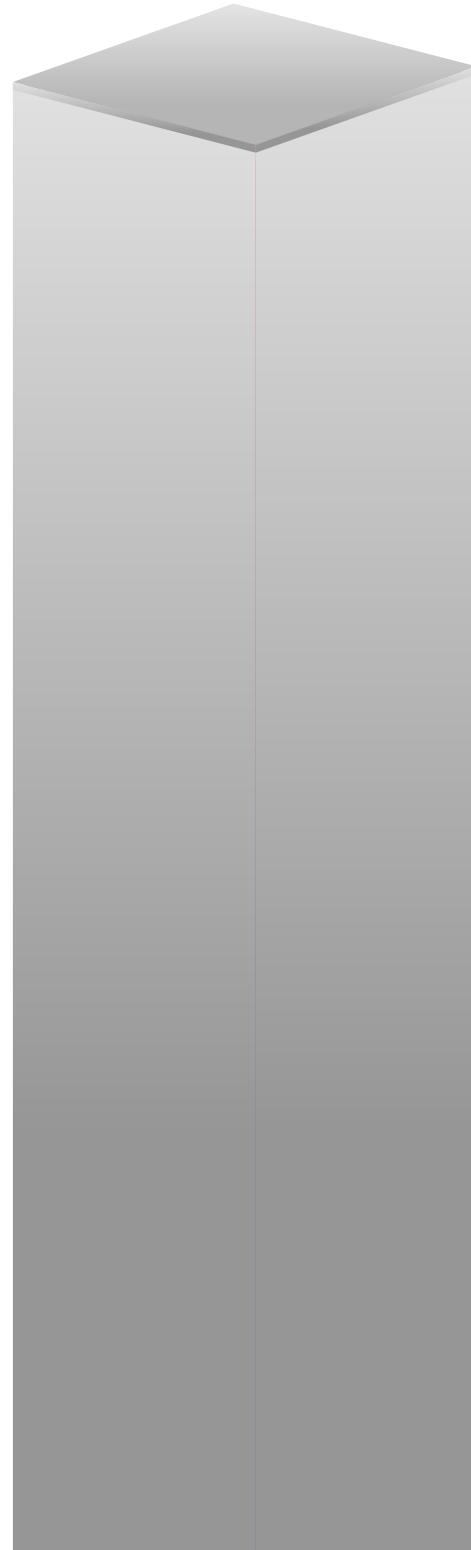
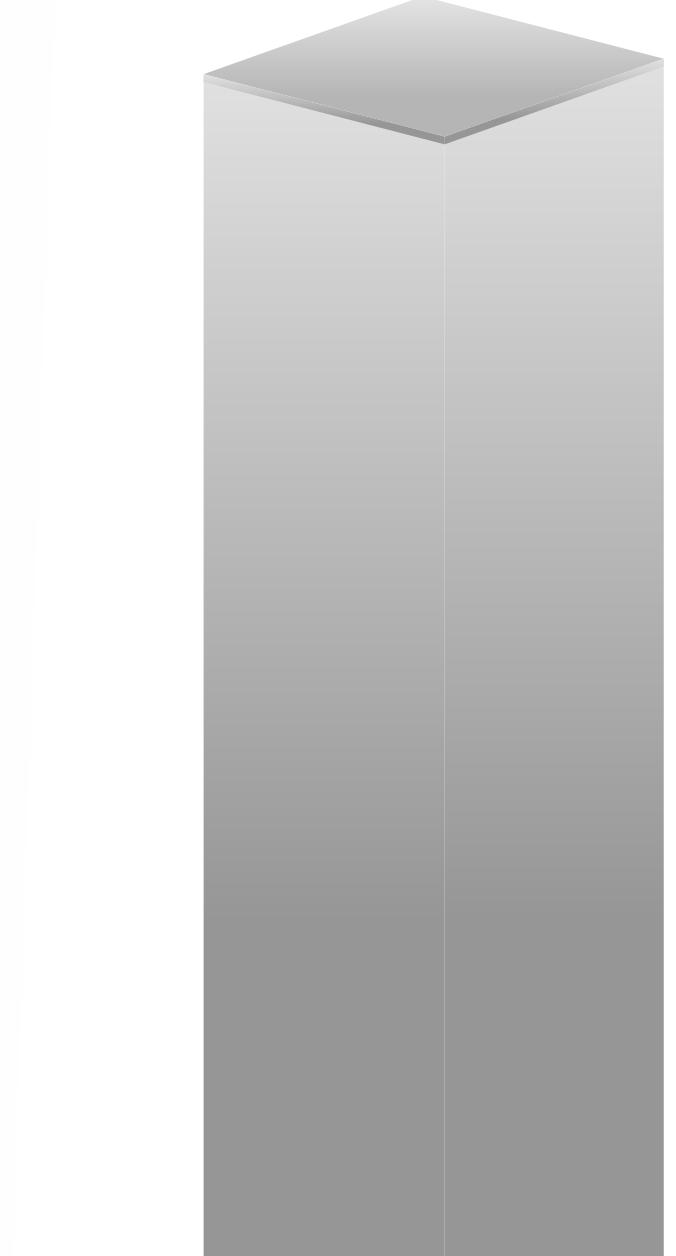
Build for the Longer Run

The Journey

FACTOR ⚡



FACTOR 7
Product | Design | Technology



Profitable with 35+ Members

Fastor7 family has grown by 4x from being a team of 9 people to more than 35+ skilled developers, designers and executives in multiple departments in under 9 months

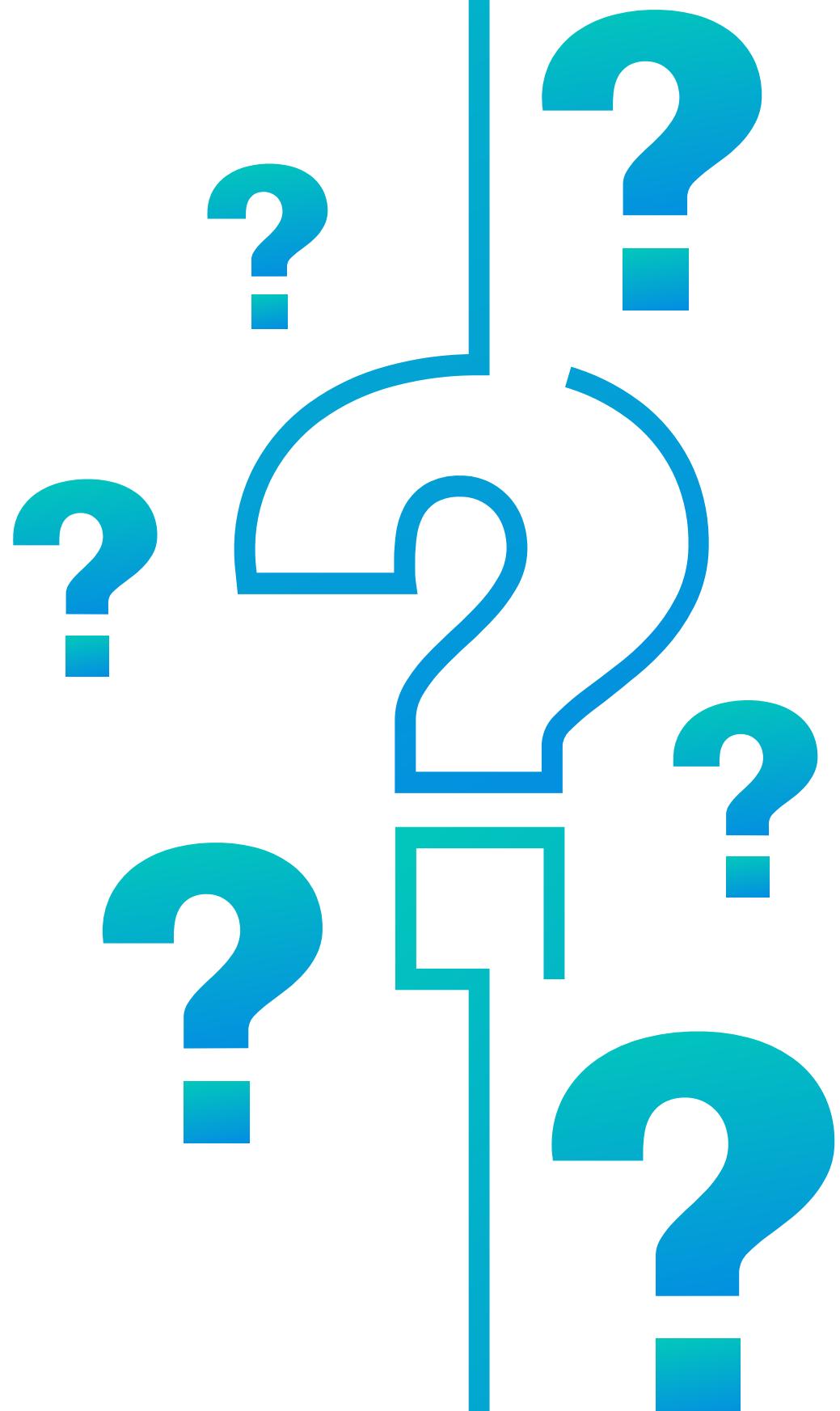


Profitable with 35+ Members

Bubble Vs Business

Let's Answer This Now

What do you think is a journey
of an aspiring ENTREPRENEUR
like you?



It's You!

Raw, Unfiltered & Fearless

Defining your Own Journey

STRATEGY & EXECUTION FRAMEWORK

LEAN CANVAS



Q&A

THANK YOU



New Venture Creation

Valuation

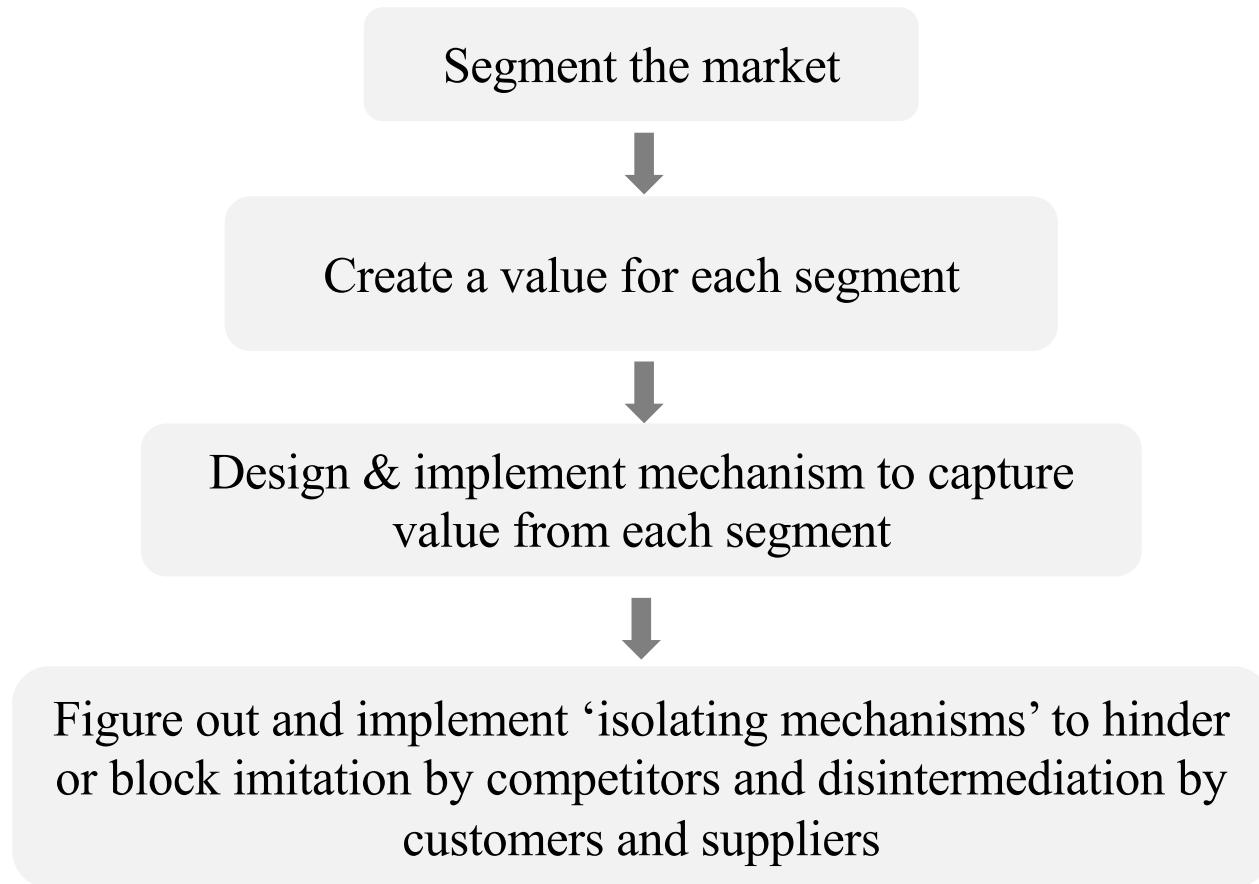
Value

Business Model

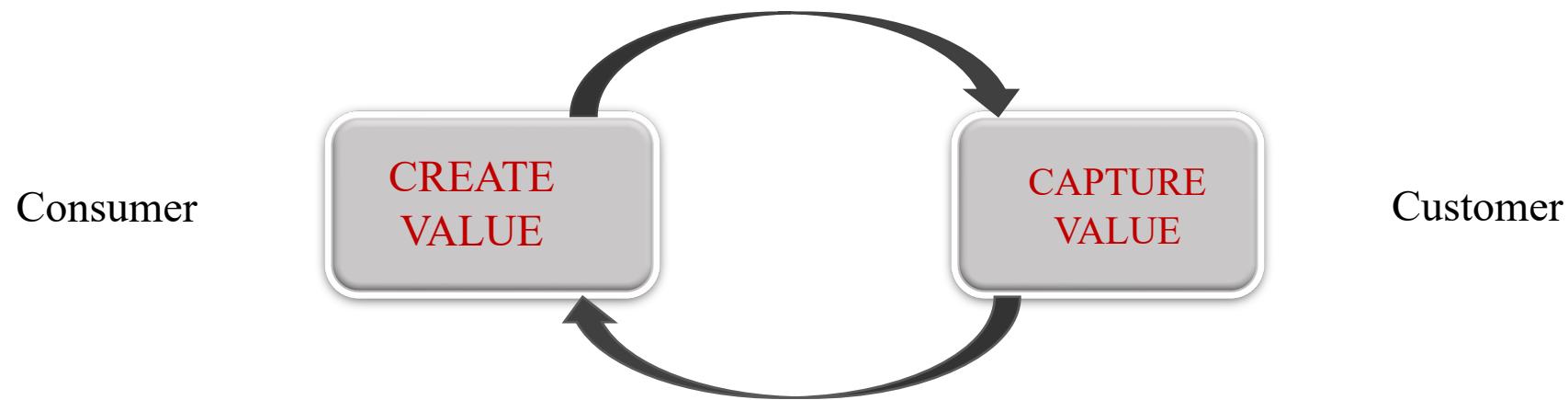
Designing a business model....

Designing a Business Model

Source: Teece (2009)

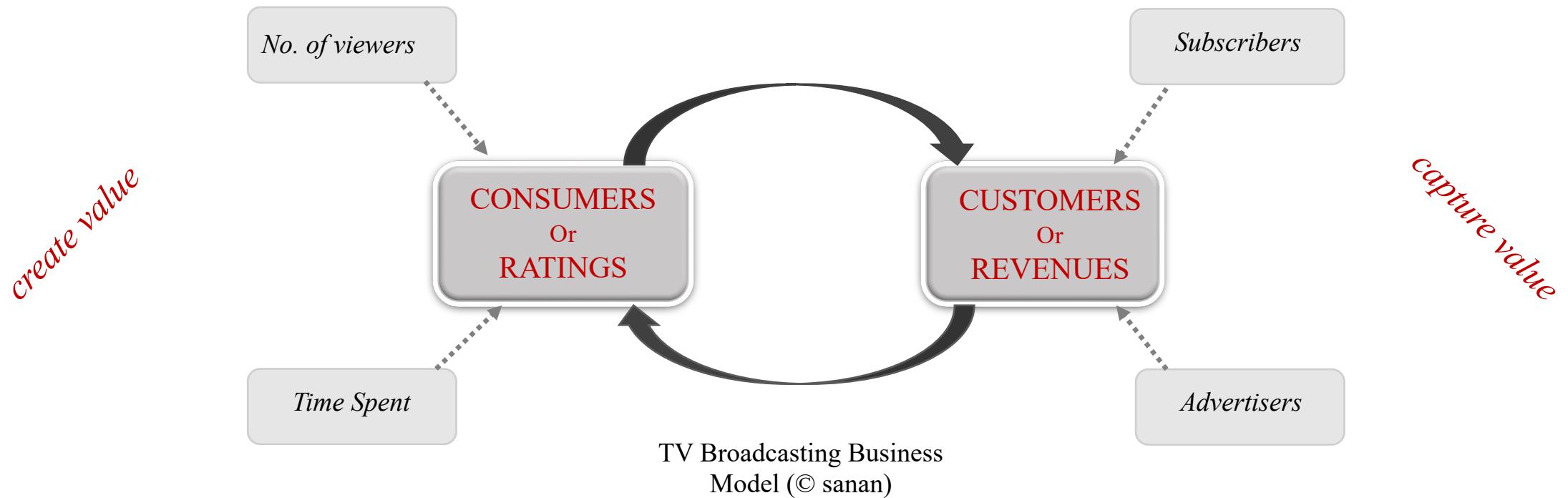


Business Model : The two main parts



Consumers and customers maybe the same or different

Example: The TV Business Model



Concepts

1. **Value:** a combination of quality, service, and price

Value hierarchy

Social impact



Self-transcendence

Life changing



Provides hope Self-actualization



Motivation



Heirloom



Affiliation and belonging

Emotional



Reduces anxiety



Rewards me



Nostalgia



Design / aesthetics



Badge value



Wellness



Therapeutic value



Fun / entertainment



Attractiveness



Provides access

Functional



Saves times



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal



Informs

You CAN map value hierarchy by category of business

APPAREL RETAIL

QUALITY
VARIETY
AVoids HASSLES
DESIGN/AESTHETICS
SAVES TIME

DISCOUNT RETAIL

QUALITY
VARIETY
REDUCES COST
SAVES TIME
REWARDS ME

AUTO INSURANCE

QUALITY
REDUCES ANXIETY
REDUCES COST
PROVIDES ACCESS
VARIETY

CREDIT CARDS

QUALITY
REWARDS ME
HEIRLOOM
AVoids HASSLES
PROVIDES ACCESS

Concepts

1. **Value:** a combination of quality, service, and price

2. **Value proposition:** a set of unique benefits that satisfy an existing or an unmet needs

How to express ‘value proposition’

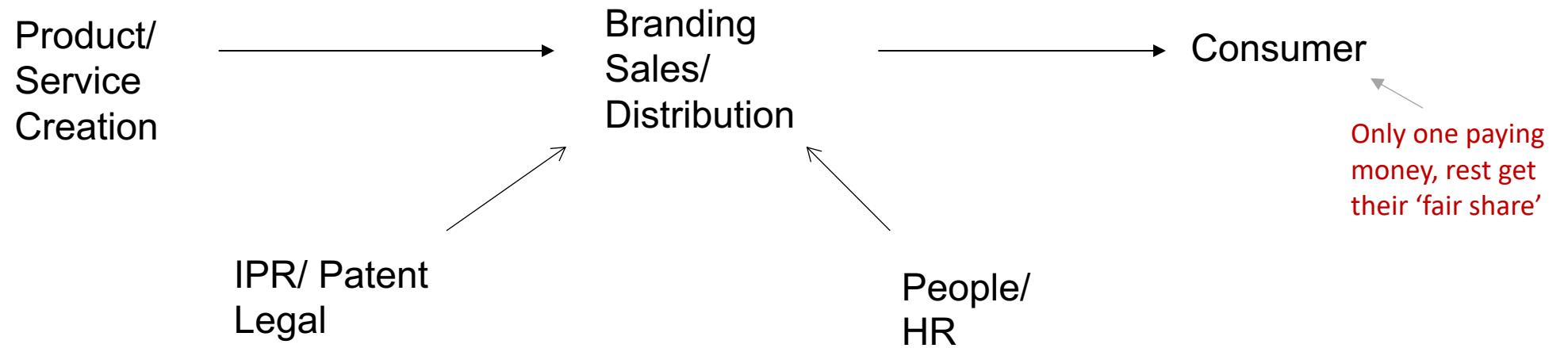
	Only _____	(company name)
Need	_____	(problem you are solving)
Benefit	by delivering _____	(B2B: cost/ revenue, B2C: functional, emotional)
RTB	because _____	(why should customer believe you....POC)

- Written by the founders
- Endorsed by the prospective customer: Concept Check

Concepts

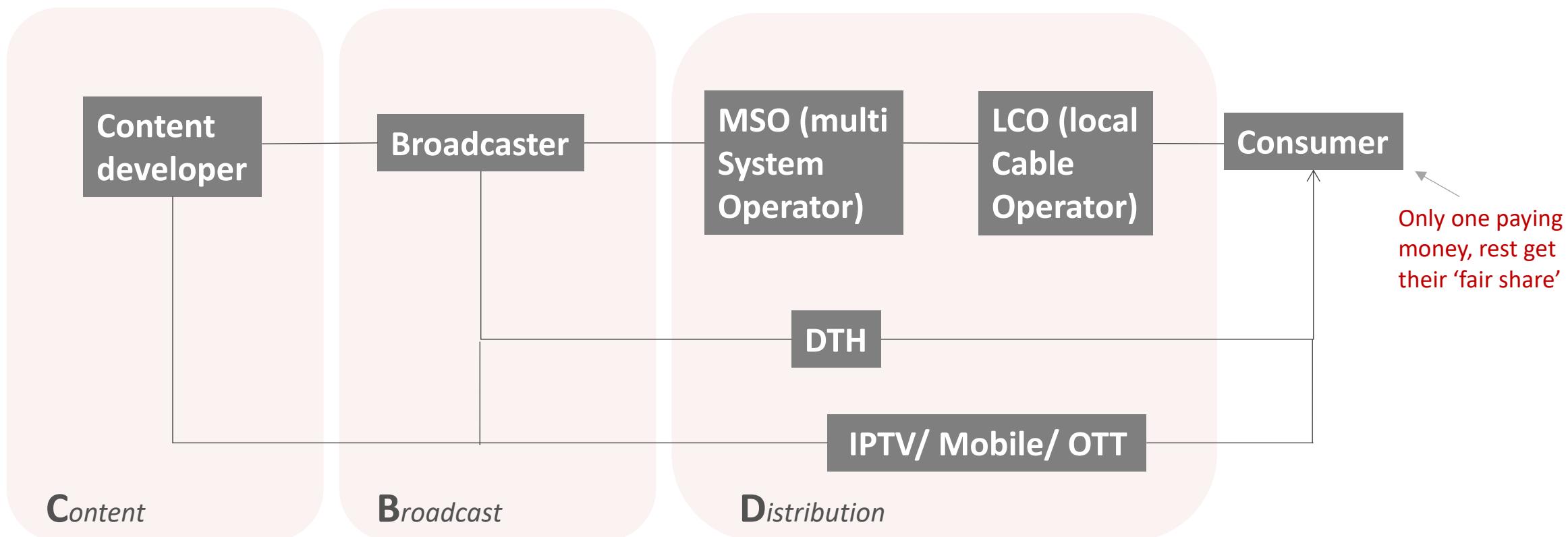
1. **Value:** a combination of quality, service, and price
2. **Value proposition:** a set of benefits that satisfy an existing or an unmet needs
3. **Price:** a customer segment's “willingness to pay”
 - Note: Ability to pay is assumed
 - Note: Price is not a function of costs, but yes competition plays a huge role
 - Transaction happens when [WTP \geq Price]

Value Delivery Network/ Supply Chain



Value chain: a channel stretching from raw materials to components to finished products carried to final buyers

Value Delivery Network/ Supply Chain



Concepts

1. **Value:** a combination of quality, service, and price
2. **Value proposition:** a set of benefits that satisfy an existing or an unmet needs
3. **Price:** a customer's willingness (+ ability) to pay for satisfaction

4. **Experience/ Satisfaction:** a person's judgment of a product's perceived performance in relationship to expectations

Customer Experience (CX) Measurement

- Customer Experience has many layers to it.
- It is a sum of all experiences that a customer has had across touchpoints, while interacting with an organization.
- In its entirety, it seeks to measure the customer journey over time, to improve the overall relationship experience as well as maximize/optimize the impact of each ‘transaction x touchpoint’
- Three Metrics enable comprehensive tracking of customer experience:
 1. Net Promoter Score (NPS)
 2. Customer Satisfaction Score (CSAT)
 3. Customer Effort Score (CES)
- These metrics are not substitutable with each other – they are complementary in nature.



What are the questions asked?

Net Promoter Score (NPS)

How Likely are you to **recommend** this product/ service?

Customer Satisfaction Score (CSAT)

How **satisfied** are you with this product / service?

Customer Effort Score (CES)

How **easy** was it to complete this task/action?

How are they measured?

NPS

How likely are you to recommend this product or service to a friend or co-worker?

Not at all likely



CSAT

Overall, how satisfied were you with the F&B?

Extremely dissatisfied

Somewhat dissatisfied

Neither satisfied nor dissatisfied

Somewhat satisfied

Extremely satisfied

CES

How easy was it for you to complete this task or action?

Very difficult



Why are they important?

NPS

DRIVE CUSTOMER RETENTION & GROWTH

- Measure LONG TERM Customer Loyalty
- Reduce Churn
- Strategize for segments – Detractors, Passives, Promoters

CSAT

IMPROVE PRODUCTS AND SERVICES

- Measure Satisfaction with RECENT INTERACTION/ TRANSACTION with Customer
- Identify Drivers of Satisfaction/ Dissatisfaction
- Drive Training, Quality Control, Address Immediate Issues

CES

REDUCE FRICTION IN A TRANSACTION

- Measure Ease of Completion linked to a specific service rendered
- Pinpoint Areas of Friction
- Identify Obstacles in critical areas



Concepts

1. **Value:** a combination of quality, service, and price
2. **Value proposition:** a set of benefits that satisfy an existing or an unmet needs
3. **Price:** a customer's willingness (+ ability) to pay for satisfaction
4. **Satisfaction:** a person's judgment of a product's perceived performance in relationship to expectations
5. **Profit:** (Customer's willingness to pay) – (cost of product/ service)
6. **Customer Lifetime value:** Profits you will make from a customer over the time that customer remains with you

Understanding Customer Lifetime Value

	A Hypothetical Example to Illustrate CLV Calculations										
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Number of Customers	100	90	80	72	60	48	34	23	12	6	2
Revenue per Customer		100	110	120	125	130	135	140	142	143	145
Variable Cost per Customer		70	72	75	76	78	79	80	81	82	83
Margin per Customer		30	38	45	49	52	56	60	61	61	62
Acquisition Cost per Customer	40										
Total Cost or Profit	-4,000	2,700	3,040	3,240	2,940	2,496	1,904	1,380	732	366	124
Present Value	-4,000	2,454.55	2,512.40	2,434.26	2,008.06	1,549.82	1,074.76	708.16	341.48	155.22	47.81

Ok **how** does this work

		Valuation	(products)	(tech Prod)	(services)
Revenues:	x		5x-7x	7x-15x	3x-5x
Profits	y		15y-20y	15y-20y	~

- **5/7/3 : Multipliers**

- Used more with revenues, especially for loss making startups.
- Function of what are the hypotheses.
- Your startup in someone else's hand can change the valuation.

For the next meeting

- On or before the mid-night of August 16th , please mail the following to Shivani:
 1. Group Name
 2. Group Members
 3. Category that you want to enter
- On Tuesday, August 16th
 - Starting business in India
 - Please read Chapter 1 and Chapter 2 of NVC, the book



Starting Business in India



NEW VENTURE CREATION :
LECTURE 4

Professor Neeraj Sanan



Questions and/or clarifications till now?



Individual assignment 1: Interview founder of a new venture

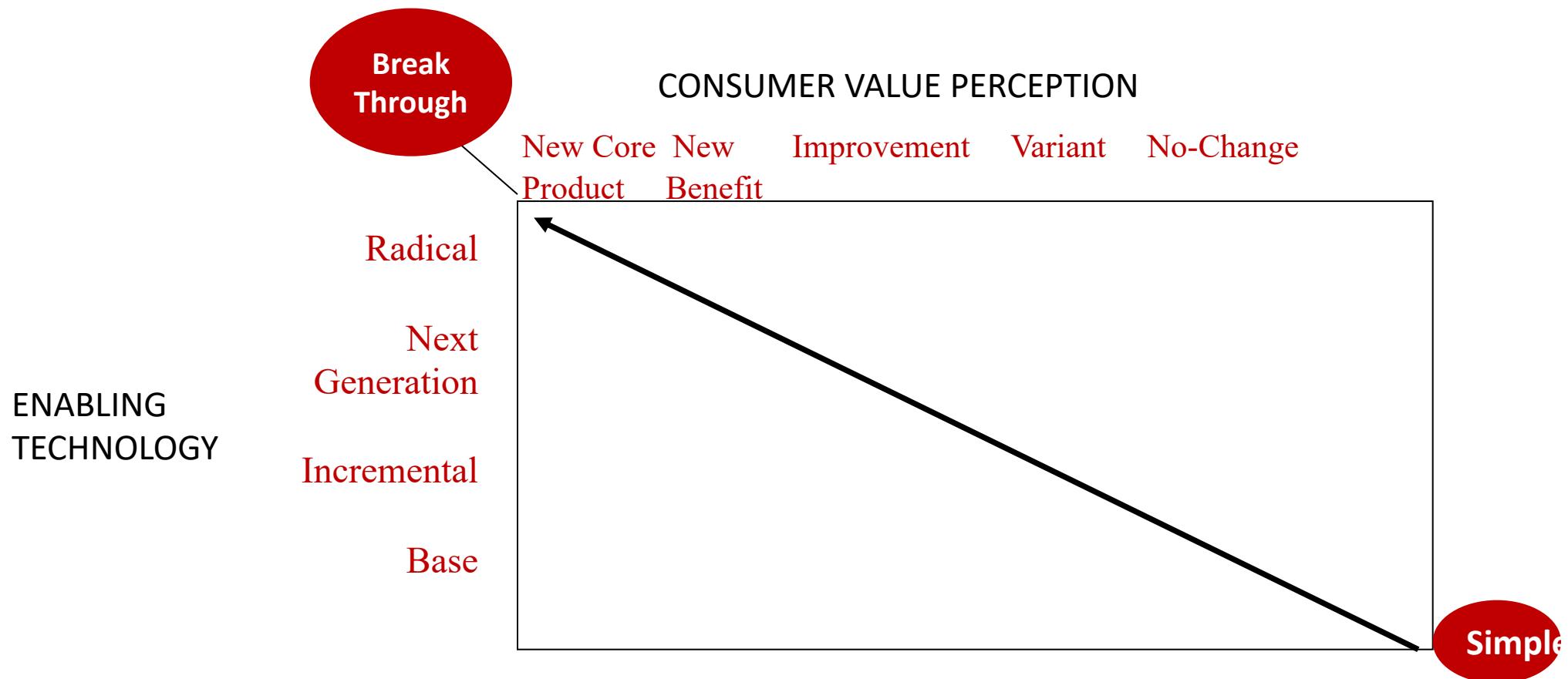
- Step 1: Contact an IITD alumnus and fix an appointment. Tell them you are a student of IITD.
- Step 2: Go on the internet to read about the founder and his new venture. Create notes and a list of things you like, dislike, and are intrigued about. Finalize a list
- Step 3: Conduct the interview, take snaps or a video. Audio record and if possible, video record the interview
- Step 4: Send a thank note and share a summary of your learnings. Seek their permission to post it on linked in.
- Step 5: Create a summary of your PROCESS AND YOUR LEARNINGS in the form of a blog or a writeup (1500 words max). If you are confident enough of posting it, tag the funder and a few other relevant people.
 - Last date: SEP 7th

Starting your business

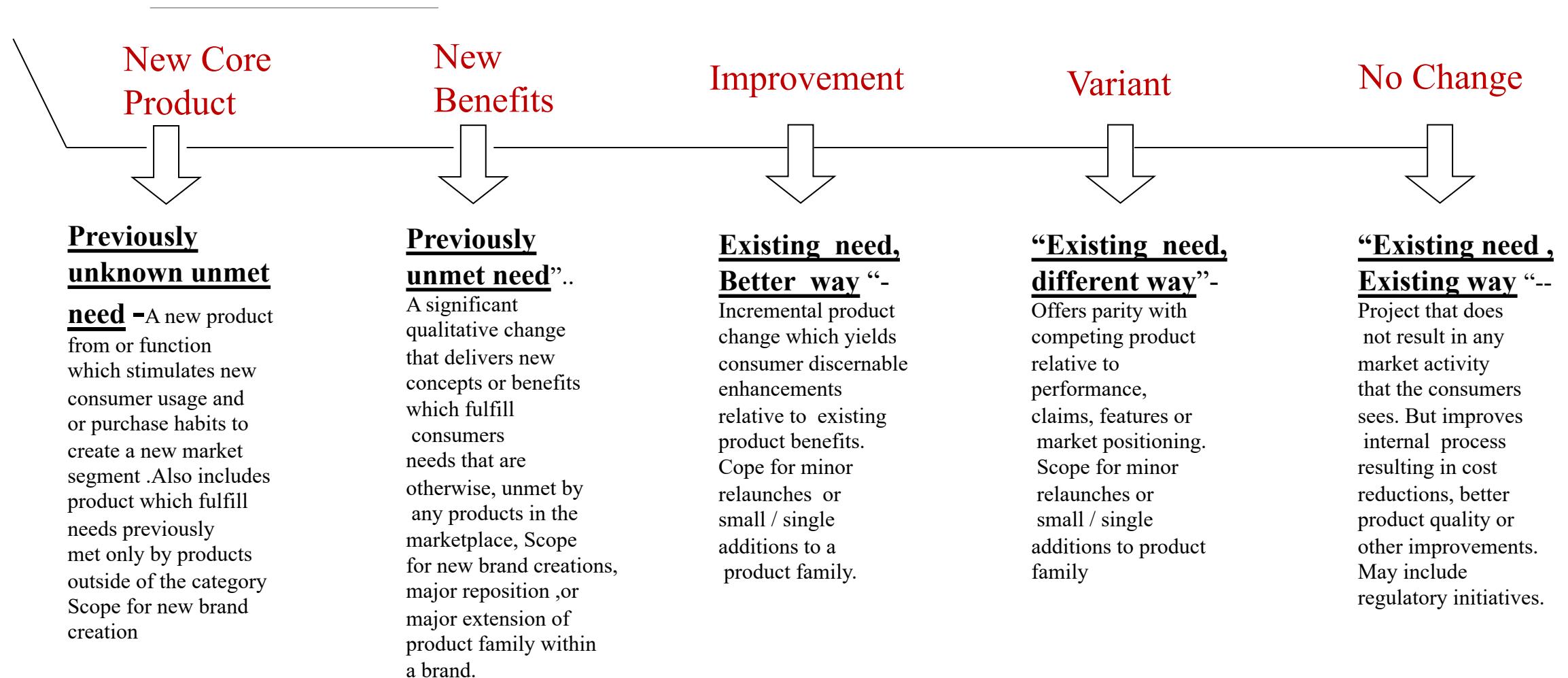
1. Classify your idea
2. Identify your category
3. Protect your business
4. Choose a company
5. Set up your business

1. Classify your idea ?

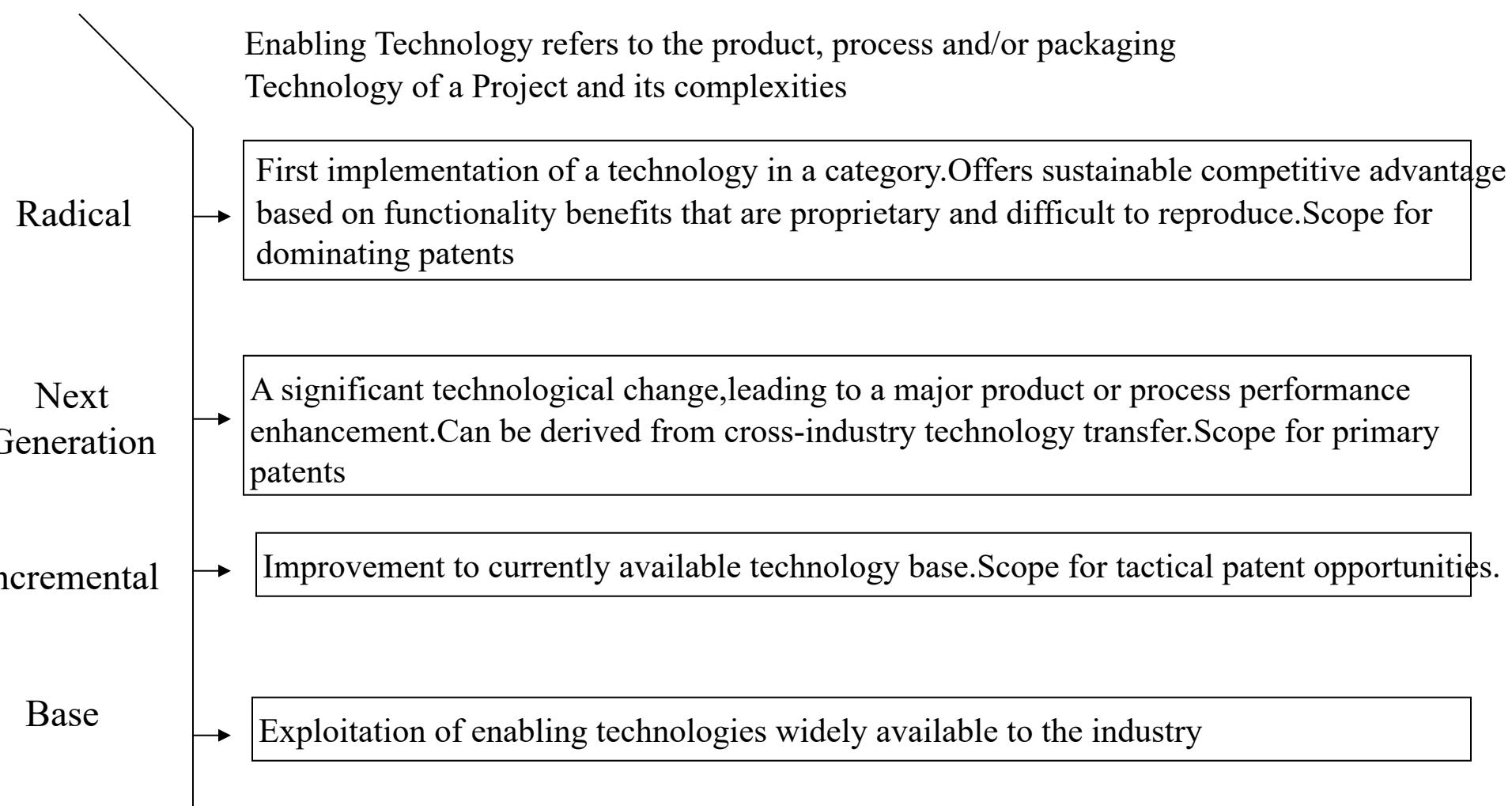
1. Classifying your idea



1. Classification: Consumer Value Perception



1. Classification: Enabling Technology



1. Classification: Why is it important

- **Source of business:** “If my business grows, what will die?”
 - Uber:
 - Work from home:
 - Netflix:
- **Competitor:** Who is doing what I am doing
- The two are same when your strategy is ‘market share gain.’ (improvement, variant, no change)
- The two are different when your strategy is ‘market creation.’ (new core product, new core service)

2. Identify your category ?

2. Category: Product or Service

Products:

- Class 1:** (Chemicals, Resins, and Plastics.)
- Class 2:** (Varnishes, Paints, and Anti-corrosion substances)
- Class 3:** (Cosmetics, Hair Oils and Lotions, and Cleaning Preparations)
- Class 4:** (Greases, Lubricants, and Fuels)
- Class 5:** (Pharmaceutical, Medical, and Sanitary Preparations)
- Class 6:** (Goods of Metals and Alloys, Ironmongery and Hardware Products)
- Class 7:** (Equipments and Machineries)
- Class 8:** (Hand-operated Devices and Tools)
- Class 9:** (Scientific, Electrical, and Technological Apparatus)
- Class 10:** (Medical and Surgical Instruments and Apparatus)
- Class 11:** (Heating, Cooling, Drying, and Refrigerating Apparatus)
- Class 12:** (Land, Air, and Water Vehicles)
- Class 13:** (Explosives and Firearms)
- Class 14:** (Precious Metals and Stones, and Jewelry Items)
- Class 15:** (Diverse Musical Instruments)
- Class 16:** (Paper Goods, Stationery Products, and Printed Materials)
- Class 17:** (Rubber and Plastic Goods and Products)
- Class 18:** (Products made of Hides and Leathers)
- Class 19:** (Various Non-Metallic Building Materials)
- Class 20:** (Furniture, and other precious household Articles)
- Class 21:** (Kitchen Utensils, Household Appliances and Glass products)
- Class 22:** (Ropes and Cordage, Fibers, and Stuffing materials)
- Class 23:** (Threads and Yarns for uses in textiles)

Class 24: (Textiles and Fabrics)

- Class 25:** (Apparels and Clothing)
- Class 26:** (Fringes and Fancy Goods and Products)
- Class 27:** (Floor Coverings and Wall Hangings)
- Class 28:** (Toys, Sporting, and Sports Goods)
- Class 29:** (Meats and Processed Food Items)
- Class 30:** (Auxiliary Food and Beverage Items)
- Class 31:** (Agricultural and Horticultural Products)
- Class 32:** (Beers, Light Beverages, and Fruit Juices)
- Class 33:** (Wines and Spirits)
- Class 34:** (Tobacco Products and Smokers' Articles)

Services:

- Class 35:** (Advertising, Business Administration and Management)
- Class 36:** (Financial and Insurance Services)
- Class 37:** (Building Construction and Repairs)
- Class 38:** (Telecommunications)
- Class 39:** (Transportation and Storage of Goods and products)
- Class 40:** (Treatment of Materials)
- Class 41:** (Education and Entertainment)
- Class 42:** (Computers, Scientific, and Legal)
- Class 43:** (Hotels and Restaurants)
- Class 44:** (Agricultural, Medical, and Beauty)
- Class 45:** (Personal and Social Services)

2. Category : Issues

- Each category is treated as different
- LEGAL: How you can use the law of the land to protect you?
- REGULATION: How law makers regulate you to protect consumers.

2. Category : why is it important ?



3. Protect your business ?

3. Protecting intellectual property

- Brand Name/Label Graphics
Advertising slogans/elements : Trademark
- Piece of art : Copyright
- Container Shape : Design register
- Idea/ Inventions/Process : Patent

3A. Protection by ‘Trademark’

- Trademark means a mark used in relation to goods or services for the purpose of indicating a connection in the course of trade between the goods or services and some person having the right to use the mark
- is a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others
- “mark” includes a device, brand, heading, label, ticket, name, signature, word, letter or numeral or any combination thereof;
- “mark” includes..... shape of goods, packaging or combination of colours or any combination
- Issued for 10 years, renewed thereafter

Trademark examples

Heading



Numeral



Label



Device



Name



Letter



Signature



Colour



3B. Protection by ‘Copyright’?

- Copyright means the exclusive right to do or authorize the doing of any of the following acts in respect of a work or substantial part thereof
- What may be protected under copyright Act:
 - Original literary, dramatic, musical and artistic works – e.g., label graphics/elements
 - Cinematograph film e.g., feature films
 - Sound recording
- any graphic design protected under TM has protection only for the category the brand falls in, however protection under copyright restricts the use of the protected design to any other category also.
- Copyright: 60 Years from the date of registration

3C. Protection by ‘Design Act’

- What may be protected under the Design Act:
 - Features of shape, Configuration, Patterns, Ornaments, Compositions of lines, Colours applied to any article
- Design which can not be registered:
 - Not new and original
 - Already published
 - Not distinguishable from the known designs
 - Comprises or contains scandalous or obscene matters
- Terms of design
 - Initially 10 years
 - Renewal thereafter for 5 years

3D. Protection by ‘Patent’

- What may be patented under the Patent Act:
 - New inventions in the field of art, process, method or manner of manufacture e.g., manufacturing process, inventions, Machinery or apparatus
 - Substances and improvement thereof
- Term of patent:
 - 20 years from the date of filing
- Takes a long time and a complex process

3. Using the protection

1. Decide what you want to go for: Patent, **Trademark**, Copyright, Design
2. Do a search on if you can get it <https://ipindiaonline.gov.in/tmrpublicsearch/frmmain.aspx>
3. Choose/ Make the design/ brand name:
 1. If there is a third party doing it, pay them money
 2. Sign a contract saying all the rights are with you
4. Hire a lawyer to register.
5. Start using © ® and ™, even before you get it (and also after)
6. No legal protection can prevent copying, it only deters competition

4. Choose a company?

4. Choose a company

- Proprietorship: owned, managed, and controlled by one person.
- One Person Company in India is incorporated by a single person.
- Partnership: two or more parties sign a formal agreement to manage and operate a business and share both the profits and losses.
- Limited liability Partnership: A partnership where liability of partners is limited to the extent of their initial contribution to the company
- Private Limited company: A company as an entity which is owned by shareholders
- Public Limited company: A company as an entity with public as shareholders

5. Set up your business ?

5. Setting up your business

- Company Name:
 - Search <https://www.mca.gov.in/mcafoportal/checkCompanyName.do>
 - Find and ask a CA to register
- Trademark (brand name, else design)
 - Search <https://ipindiaonline.gov.in/tmrpublicsearch/frmmain.aspx>
 - Find and ask a lawyer to register
- URL
 - Search on godaddy
 - Find and register in your company name, or your name

5. Setting up: Other Administrative Registrations

- GST registration for sales tax
- PAN number for income tax
- MSME registration for not paying taxes
- Any other government schemes..

- Technology
 - Linkedin ID, in line with URL
 - Twitter/ Insta/ Facebook/ Snap....

For the next meeting

- On or before the mid-night of August 16th , please mail the following to Shivani:
 1. Group Name
 2. Group Members
 3. Category that you want to enter
- On Friday, August 23rd
 - Starting your business continues.....(extending your existing business)

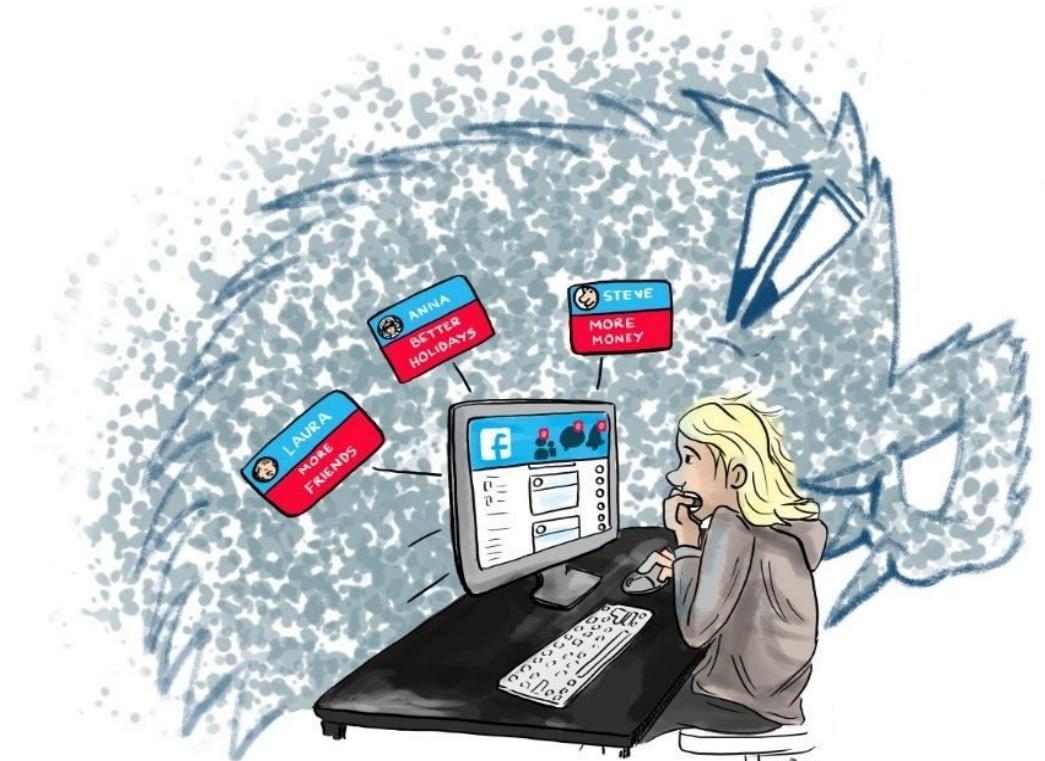
New Venture Creation

Because some of us maybe new....



New Venture Creation

- Class Participation : 10%
- Group Case assignment : 20%
- Mid-term : 30%
- Final-Term Submission : 40%



Shivani is our teaching assistant

The final Groups

Team Name	Member 1	Member 2	Member 3	Member 4	Member 5
The unusuals	Dheekshith Kumar	Shivam Jharwal	Akshat Goyal	Harshita Badiyasar	Harshit Mawandia
Maths peeps	Sunpreet	Aashish Kumar	Hanish Goyal	Shreyansh Jain	Vineet Kumar
	Prakhar Singhal	Arun Verma	Anoushka Arya	Divya Gupta	Arnesh Amrit
	Anurag Yadav	Jatin Jangpangi	Nikhil Raj Verma	Navneet Singh	
	Saurav Kumar Singh	Azajul haque	Arif Raza	Pankaj kumar	Mayur Pande
	Mehak Somanı	Rohit kumar	Amogh Agarwal	Krishna kumar singh	jaya yadav
	Suhani Agrawal	Srishti Sachan	Tushar Agrawal	Sanya Mehadia	Aakash Sinha
	Tanmay Juneja	Panav Jain	Vishal Arjoon		
pitchers	Mohd zaid	Sahil Agarwal	Garima Choudhary	Ikjot Singh dua	Hitesh Kumar
	Prajwal Dakhane	Rohit Shaw	Harsh Pratap Singh	Aashish Agrawal	
	Tanisi Mishra	Nikhil Guta	Sara Zareen		
Lone entrepreneur	Kushank Gupta				
	Avijit Mandal	Siddhant Rajoriya	Kushagra Mittal		

Business extension

NEW VENTURE CREATION :
LECTURE 4

Professor Neeraj Sanan



Feb 1996



Feb 2004

Extending your business to start your new venture

- A. Why are you doing it
- B. Assess the impact on your current business
- C. Start
 - 1. Classify your idea
 - 2. Identify your category
 - 3. Protect your business
 - 4. Choose a company
 - 5. Set up your business

A. Why are you doing it?



Why are you extending your business

INDIVIDUAL NEEDS

- Father-son/daughter rivalry
- Sibling rivalry
- Surplus funds

BUSINESS NEEDS

- Category becoming obsolete
- Category ok, but losing market share
- Category ok, market share ok, but losing margins
- Forward integration for more money
- Backward integration for more money

When ‘can’ you do what ?

Individual needs

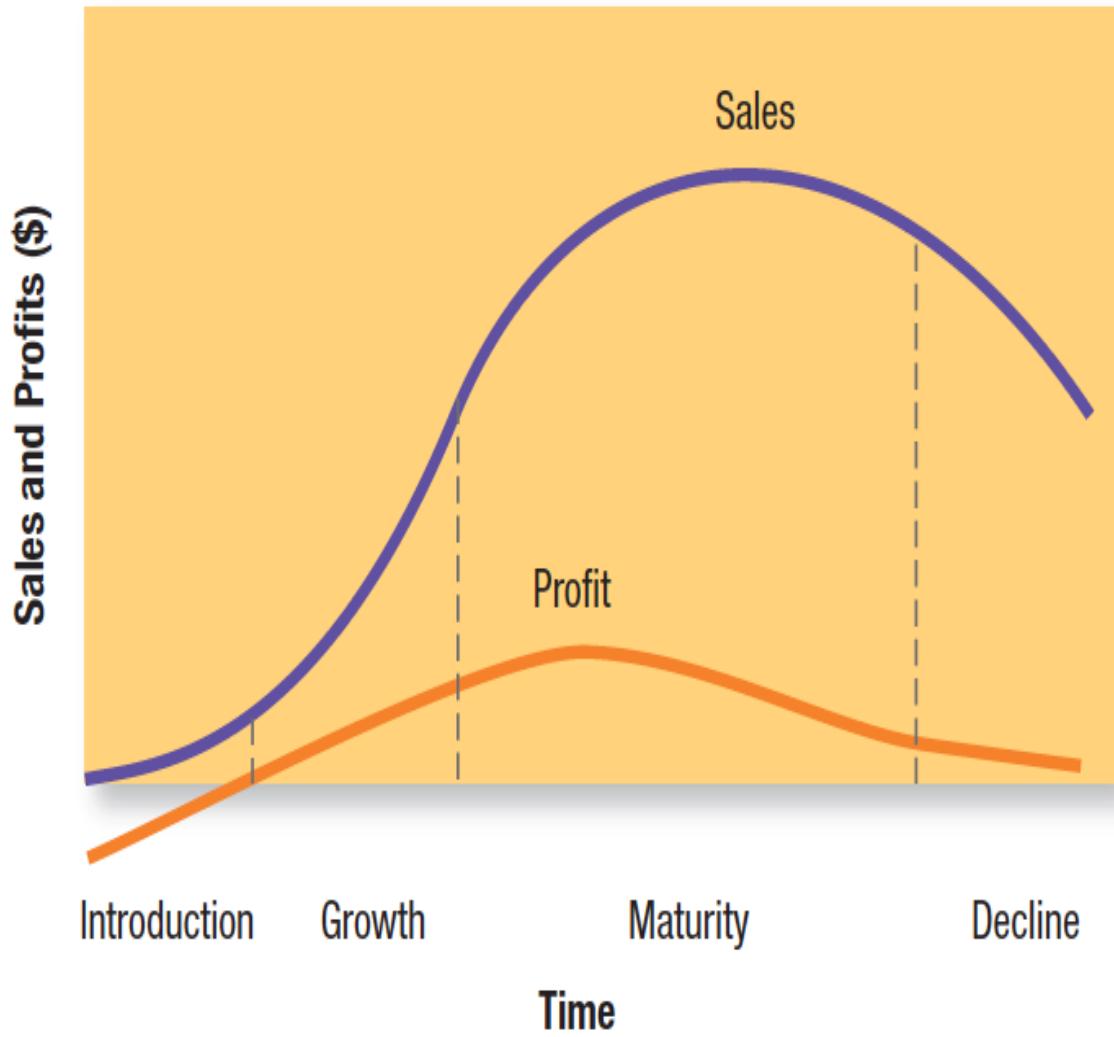
Business Needs

- Proprietorship:
- One Person Company
- Partnership:
- Limited liability Partnership:
- Private Limited company:
- Public Limited company:



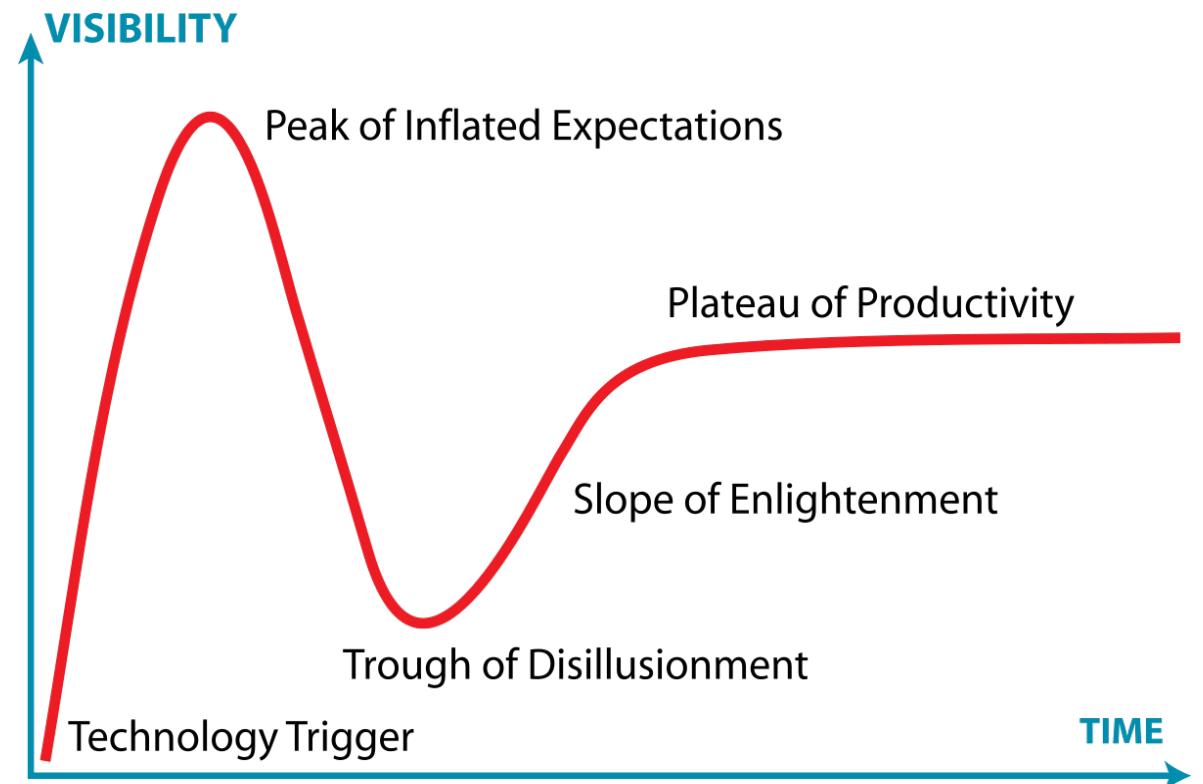
Business Need: Product Life-Cycle

- A company's positioning and differentiation strategy must change as its product, market, and competitors change over the PLC



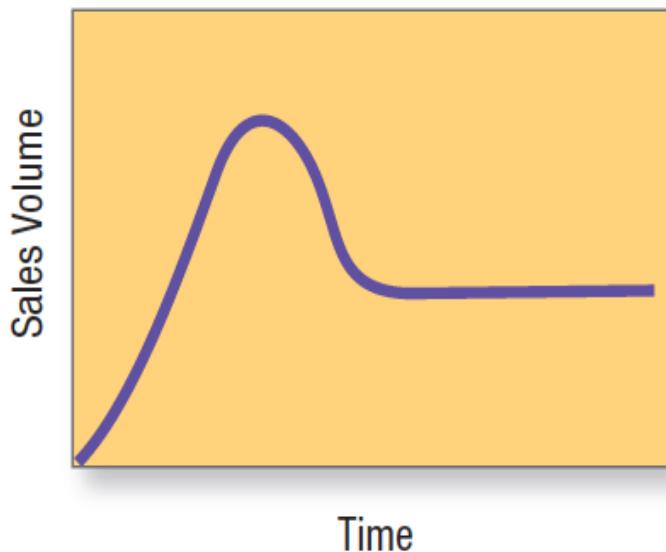
Business Need: Product Life-Cycle for technology products

- Sharper than conventional products
- Shorter than other products

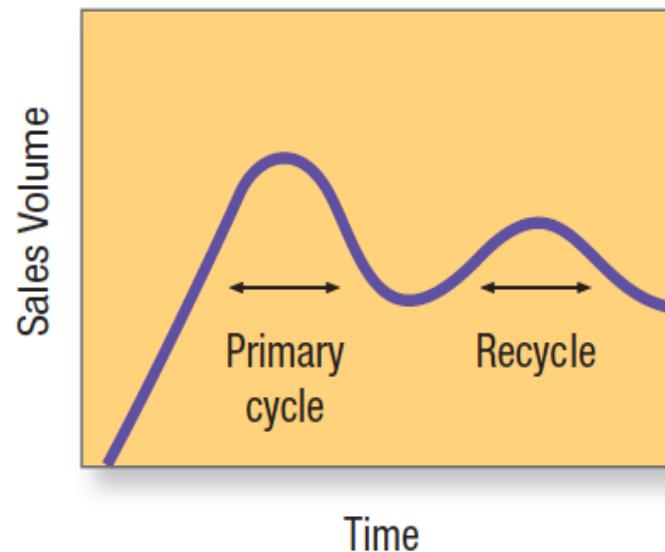


Managing Business Need

(a) Growth-Slump-Maturity Pattern



(b) Cycle-Recycle Pattern

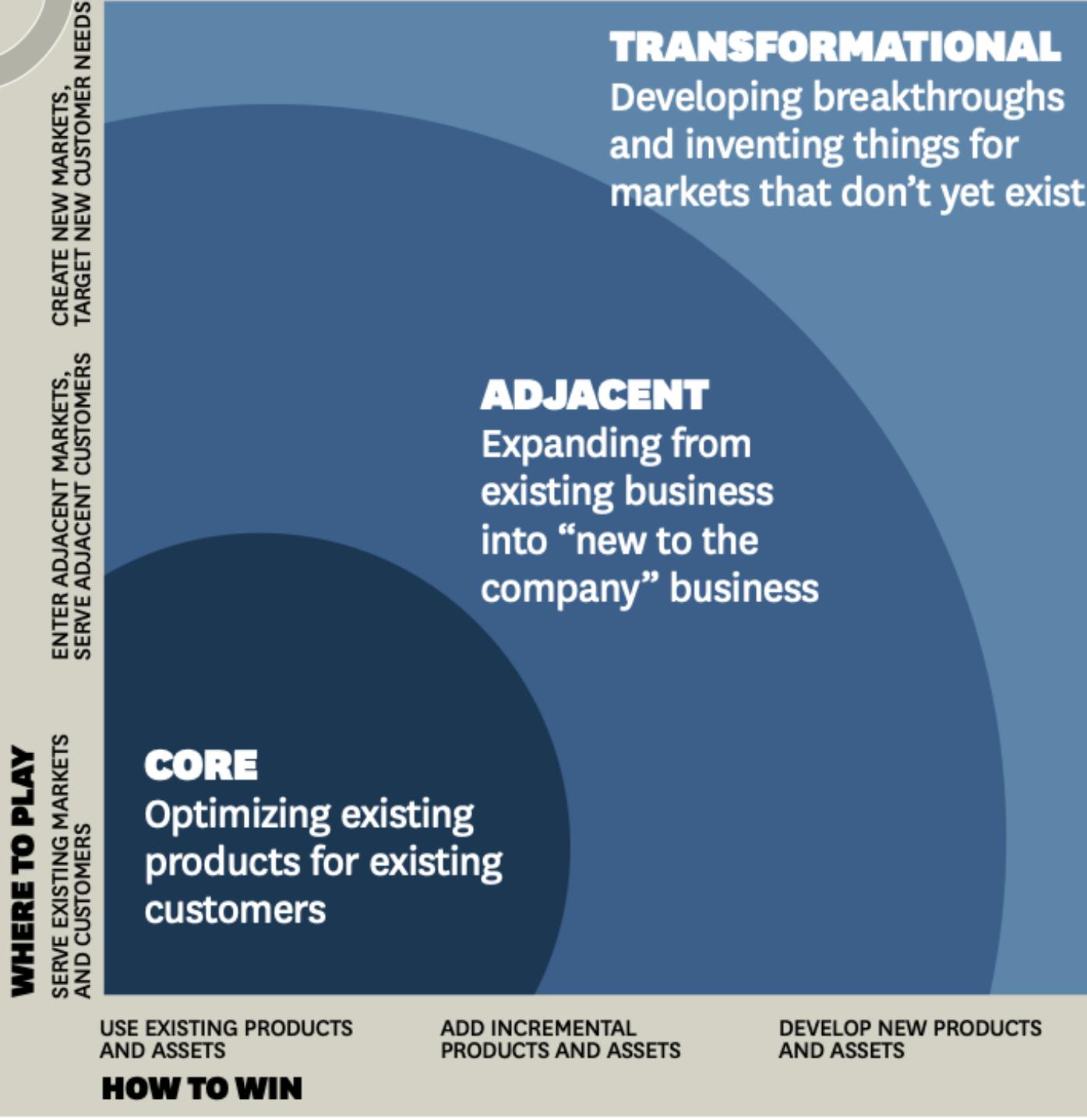


(c) Scalloped Pattern



B. Assess the impact on your current business

B1. How close is it?



B1. Questions for Core or Adjacent

Identify your value chain and look:

- Where all in value chain should you be present?
- How much of each segment do you (want to) own?

B1. Questions for Core or Adjacent

1. Where all in value chain should you be present?
 - Larger the ownership of Value chain, more long-term stability
 - The difference is VISION + CORE COMPETENCE

2. How much of the segment do you (want to) own?
 - Larger the monopoly you defend, better the profitability; IPL,
 - Examples: ipod or music, sony TV or BCCI
 - The difference is VISION + CORE COMPETENCE

B1: Will it cannibalize the core business?

- OTT vs TV
- Indiatimes vs TimesofIndia
- Radio vs CDs
- Illegal content vs Movies
- Indiatimes vs TimesofIndia
- Walmart vs Amazon

The difference will all be in the vision

B2. Are you leveraging anything from existing business

Save Time

Save Money

Save Effort

- Money
- Brand
- Talent
- Customers
- Assets
- Anything else ?



B. Assessing the impact

- How close are you to the existing business
 - Complementarity: Core , adjacent, transformational
 - Complementarity in the value chain
 - Or Competition: cannibalization
- What all are you leveraging from the existing business
 - Time
 - Effort
 - Money

C. Starting your business

1. Classify your idea
2. Identify your category
3. Protect your business
4. Choose a company
5. Set up your business

For the next meeting

- On Friday, August 26th
 - We revise.....



New Venture Creation

Revision time



Revision

1. What are four circles of Ikigai?
2. How is ikigai it relevant to business?
3. What are the two sides of a business model?
4. Name the steps of designing a business model?
5. Which are the four types of value hierarchies ?
6. How does one write Value/ value proposition of your business?
7. What is Value chain ?
8. How can any part of value chain increase their fair share?

Revision (contd.)

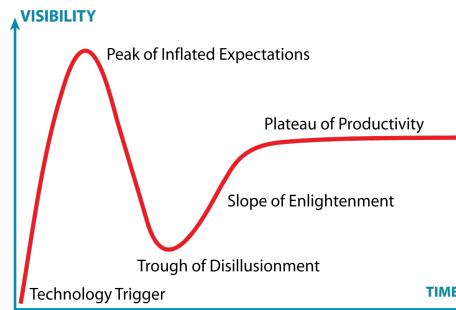
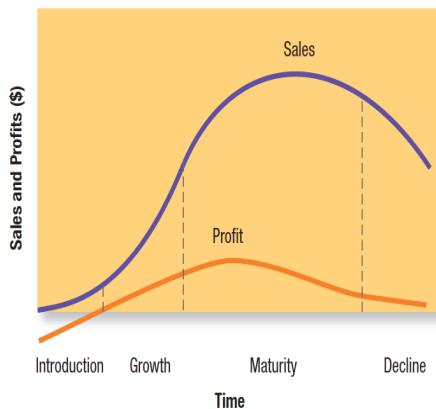
9. What is Customer Lifetime value
10. How is CLV related to current profits of the company?
11. What is ‘source of business’ with reference to a company?
12. Who is a competitor?
13. How is ‘competitor’ different from ‘source of business’
14. How many categories are there?
15. Is it important to protect your idea/ intellectual property?
16. How can you protect your IP ?

Revision (contd.)

17. What is trademark
18. Can you trademark the name “Indian”
19. What will you do if you write a story for a movie you want to make?
20. Give an example of what you can design register
21. When do you go for a Patent?
22. When you want to register your company, how many types of companies are there to choose from?
23. If you have unique idea for a great product, will it become a profitable business?

Revision (contd.)

24. Is it important to have the same name for your company and brand?
25. What are the two questions to ask you do if you are creating a new venture from an existing business?
26. Explain the two graphs below





Business Plan: A few basics

- Why: Putting numbers and logic to a dream
- Who write it: Founder
- Who needs it: all Others
- When does it come when you start

Why such a detailed business plan

- Onset partners found that 91% of their portfolio companies that followed their business plan failed.

(Spinelli, pp 129)

- But the investor want a business plan

Business Plan: a format

(Spinelli, pp 250)

EXHIBIT 8.2

Business Plan Table of Contents

<p>I. EXECUTIVE SUMMARY</p> <p>Description of the Business Concept and the Business Opportunity and Strategy.</p> <p>Target Market and Projections.</p> <p>Competitive Advantages.</p> <p>The Team.</p> <p>The Offering.</p> <p>II. THE INDUSTRY AND THE COMPANY AND ITS PRODUCT(S) OR SERVICE(S)</p> <p>The Industry.</p> <p>The Company and the Concept.</p> <p>The Product(s) or Service(s).</p> <p>Entry and Growth Strategy.</p> <p>III. MARKET RESEARCH AND ANALYSIS</p> <p>Customers.</p> <p>Market Size and Trends.</p> <p>Competition and Competitive Edges.</p> <p>Estimated Market Share and Sales.</p> <p>Ongoing Market Evaluation.</p> <p>IV. THE ECONOMICS OF THE BUSINESS</p> <p>Gross and Operating Margins.</p> <p>Profit Potential and Durability.</p> <p>Fixed, Variable, and Semivariable Costs.</p> <p>Months to Breakeven.</p> <p>Months to Reach Positive Cash Flow.</p> <p>V. MARKETING PLAN</p> <p>Overall Marketing Strategy.</p> <p>Pricing.</p> <p>Sales Tactics.</p> <p>Service and Warranty Policies.</p> <p>Advertising and Promotion.</p> <p>Distribution.</p> <p>VI. DESIGN AND DEVELOPMENT PLANS</p> <p>Development Status and Tasks.</p> <p>Difficulties and Risks.</p> <p>Product Improvement and New Products.</p> <p>Costs.</p> <p>Proprietary Issues.</p>	<p>VII. MANUFACTURING AND OPERATIONS PLAN</p> <p>Operating Cycle.</p> <p>Geographical Location.</p> <p>Facilities and Improvements.</p> <p>Strategy and Plans.</p> <p>Regulatory and Legal Issues.</p> <p>VIII. MANAGEMENT TEAM</p> <p>Organization.</p> <p>Key Management Personnel.</p> <p>Management Compensation and Ownership.</p> <p>Other Investors.</p> <p>Employment and Other Agreements and Stock Option and Bonus Plans.</p> <p>Board of Directors.</p> <p>Other Shareholders, Rights, and Restrictions.</p> <p>Supporting Professional Advisors and Services.</p> <p>IX. SUSTAINABILITY AND IMPACT</p> <p>Issues of Sustainability of the Venture.</p> <p>Impact on the Environment.</p> <p>Impact on the Community and Nation.</p> <p>X. OVERALL SCHEDULE</p> <p>XI. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS</p> <p>XII. THE FINANCIAL PLAN</p> <p>Actual Income Statements and Balance Sheets.</p> <p>Pro Forma Income Statements.</p> <p>Pro Forma Balance Sheets.</p> <p>Pro Forma Cash Flow Analysis.</p> <p>Break-Even Chart and Calculation.</p> <p>Cost Control.</p> <p>Highlights.</p> <p>XIII. PROPOSED COMPANY OFFERING</p> <p>Desired Financing.</p> <p>Offering.</p> <p>Capitalization.</p> <p>Use of Funds.</p> <p>Investor's Return.</p> <p>XIV. APPENDICES</p>
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Introduction of the Startup

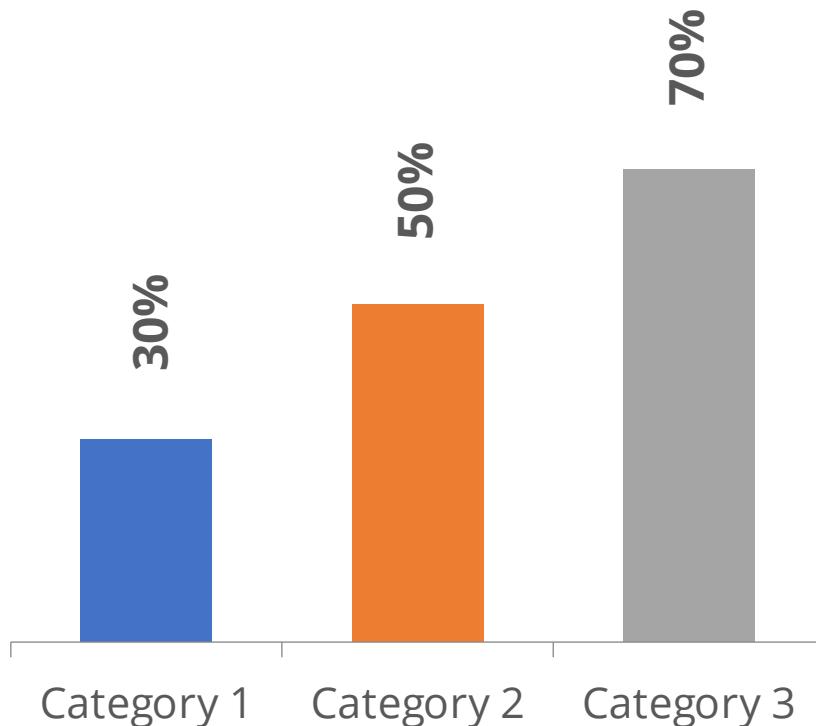
- Startup Name:
- Founders:
- Registered (Month, Year):
- Incubated at:
- DPIIT Registration:
- Broad area: Healthcare/IT/Agri/Finance/E-mobility/Defense/smart cities etc.

The Problem statement (Summarize based on this problem statement canvas)

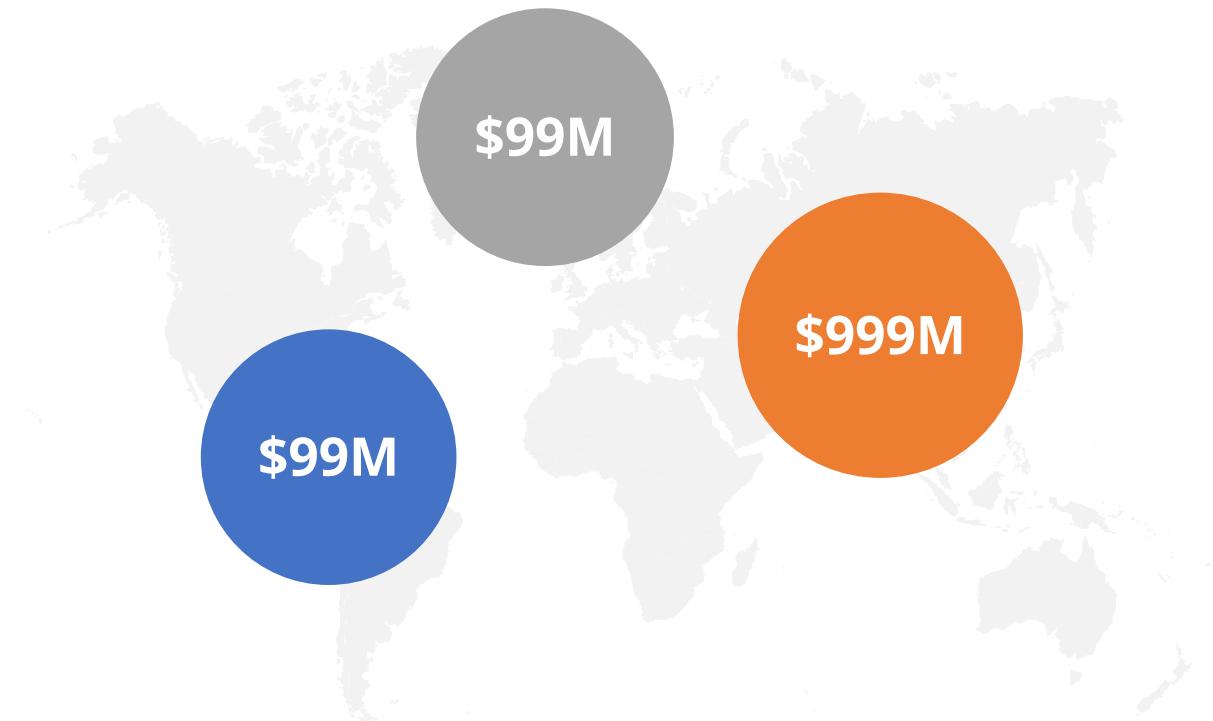
CONTEXT When does the problem occur? [Type here]	PROBLEM What is the root cause of the problem? [Type here]	ALTERNATIVES What do customers do now to fix the problem? [Type here]
CUSTOMERS Who has the problem most often? [Type here]	EMOTIONAL IMPACT How does the customer feel? [Type here] QUANTIFIABLE IMPACT What is the measurable impact? (include units) [Type here]	ALTERNATIVE SHORTCOMINGS What are the disadvantages of the alternatives? [Type here]

The Market size and your targeted market share (graphics only for reference, you may change)

You can replace this text. This is a sample.



Placeholder Text



You can replace this text. This is a sample.

The Proposed Solution (With Brief Tech description)

USP of the solution

- Novelty
- Intellectual property
- Competitive landscape (Local and global competitors and comparison of your solution with theirs)
- Key advantages of product/solution- Better solution offered, Import substitute, Cost effective, Ease of Reach or access, ease of use, any other..

Business Model (graphics just for ref.)



Team (Highlight strengths of team members and key role in the startup)

Technology



You can replace
this text.



You can replace
this text.



You can replace
this text.



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Business



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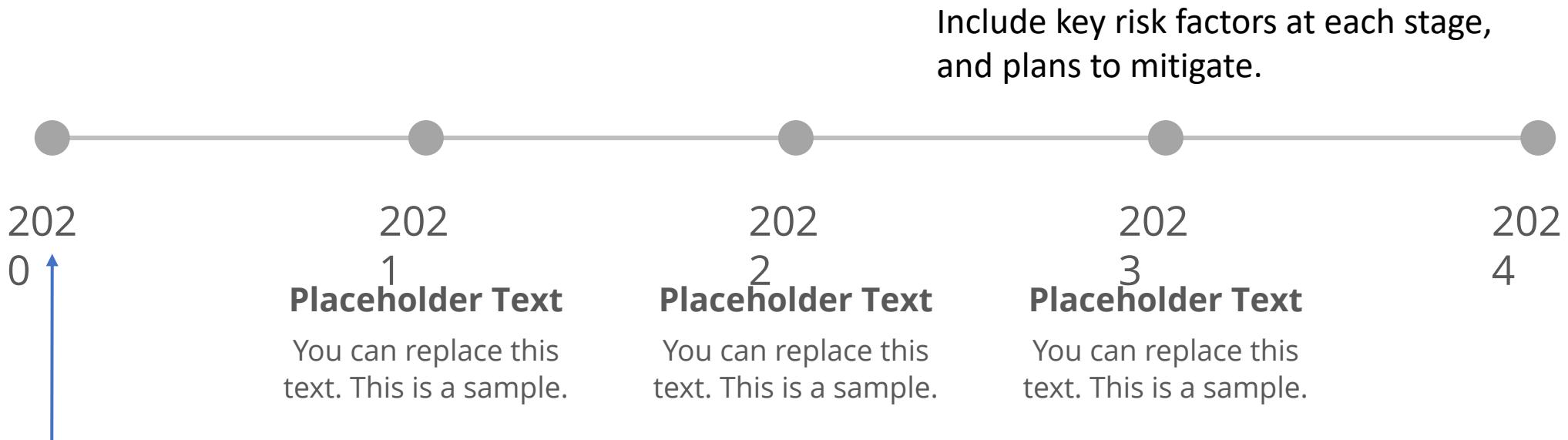
You can replace
this text.

Financial Table (Actuals for past and projections for future)

	2019	2020	2021	2022	2023
This is a sample	9,999	9,999	9,999	9,999	9,999
This is a sample	99	99	99	99	99
This is a sample	999	999	999	999	999
This is a sample	999,999	999,999	999,999	999,999	999,999
This is a sample	999,999	999,999	999,999	999,999	999,999

This is a sample	9,999	9,999	9,999	9,999	9,999
This is a sample	99	99	99	99	99
This is a sample	999	999	999	999	999
This is a sample	999,999	999,999	999,999	999,999	999,999
Total	999,999	9,999	999,999	999,999	99,999

Roadmap and milestones (include all points, graphics may be changed)



(Mention)

- Current Product Status and any funds raised:
 - Development stage, Ready to manufacture, Ready to deploy (if yes, specify timelines to deployment in weeks) or already deployed
 - Current capacity: in terms of manufacturing, deployment, customer segment
- Current clients/user(s)

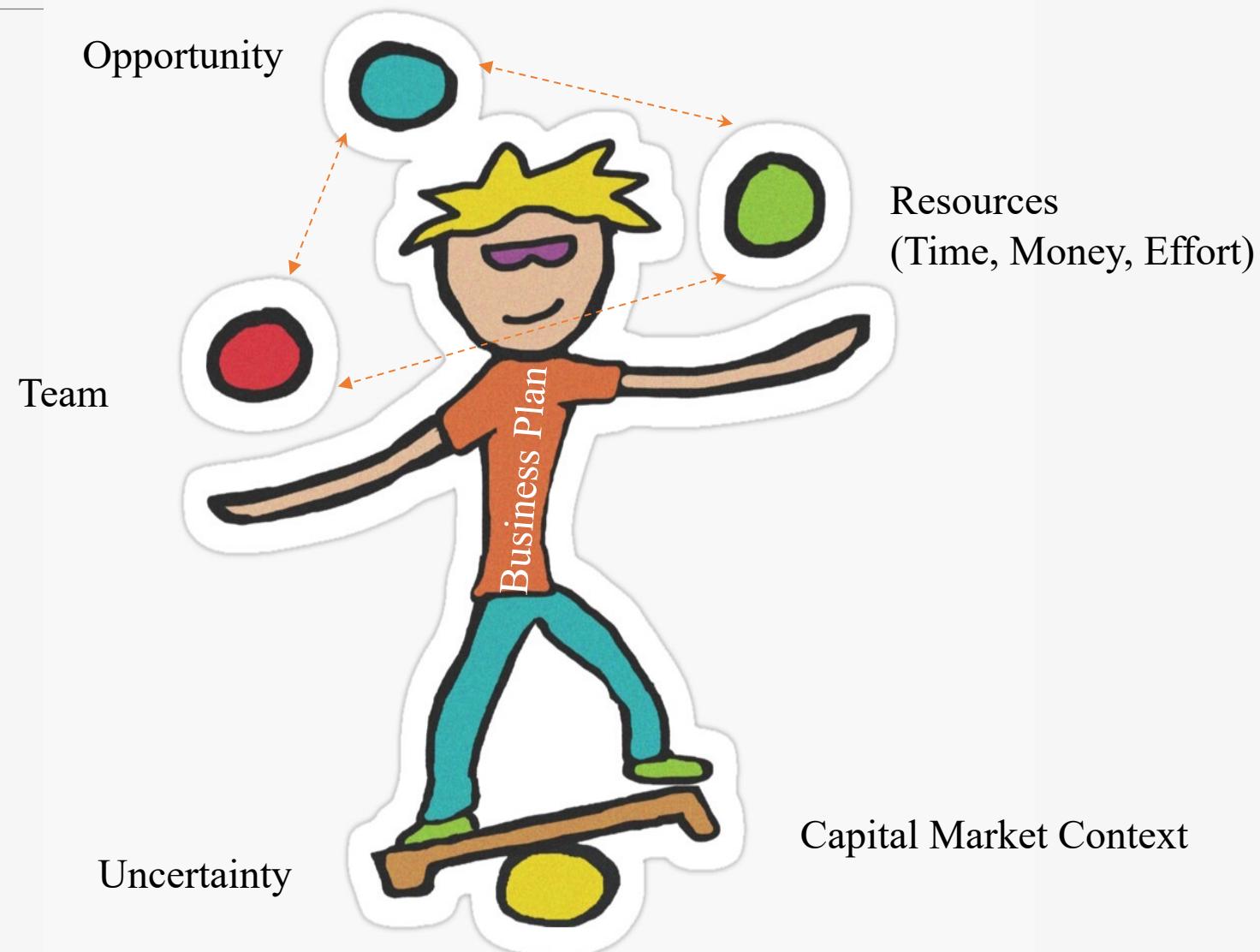
It is a way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach, and leadership balanced for the purpose of value creation and capture.

- (Spinelli, pp. 87)

A photograph of a man in a blue striped shirt and dark trousers pulling a large, dark, translucent sheet across a grassy field. The sheet is draped over his shoulder and extends down the road. The road curves to the left, leading towards a green landscape with trees and a body of water. The scene is set in a rural or park-like environment.

New
Venture
Creation

Timmons Model of the Entrepreneurship Process (pp.96)



Capital Market Context

NVC Paradoxes

- To make money you may have to first lose money
- NVC needs considerable thought, preparation and planning, yet is basically an unplannable event
- Entrepreneurship requires a bias towards action with a sense of urgency, but also demands patience and perseverance
- The greater the organization, orderliness, discipline and control, the less you will control your ultimate destiny

.... For more read page 90

Role people play in NVC

- **Entrepreneur:** YOU....it is your vision, your idea, your do “Proof of concept of business model”
- **Investor:** Pays money to YOU to chase your dream “Money scales business”. (s)he owns the business
- **Board of directors:** Set-up by shareholders (including investor) to assure them that business is running safe & sound
- **CEO & team:** Runs the business set up by founder, with the money of investor and in a manner that board is auditing

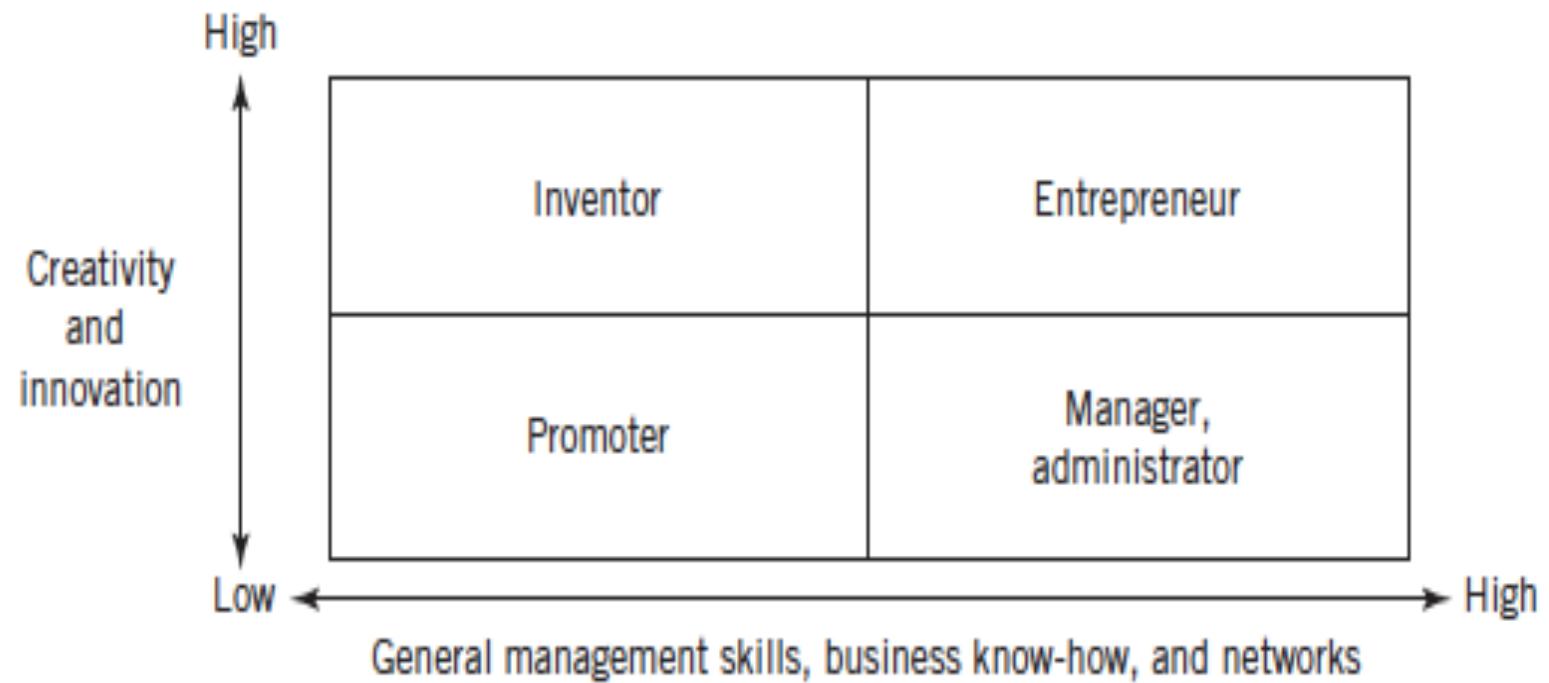
Don't ever multitask!



What about the roles you don't play

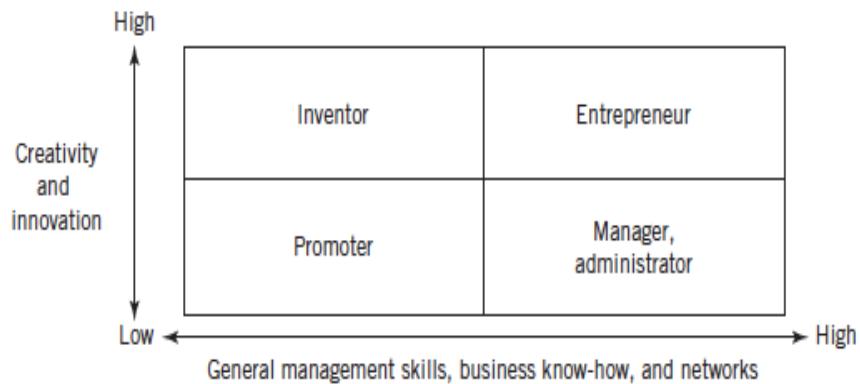
- Build internal team
 - Anything which is part of USP
- Build external partnership

Who makes a good Entrepreneur



Can I be an Entrepreneur? NVC Diary

*Determination,
Courage
Opportunity Obsession
Tolerance of uncertainty
Ability to adopt
Motivation to excel
Leadership*



Marketing, Sales, Operations, Finance, Administration, HR, Law

We will do a PRACTICAL: Print-it, Fill-it by hand and File-it with your notes to yourself

NOTE: NO-SUBMISSION, NO-DISCUSSION

Next Lecture



New Venture Creation

ESTIMATING THE OPPORTUNITY



A gentle reminder: On or before tomorrow

- Identify a founders using your network/ google/ linkedin or anything else
- Interview her/him to understand their mindset
 - For reference: Page no. 23, ‘The interview’
- (option) you can go to a website like <https://yourstory.com> and watch an interview of the founder
- What do you have to do?
 - Write a blog on the theme ‘what makes a good founder’ and post the same on linkedin, tagging me.

What are we doing

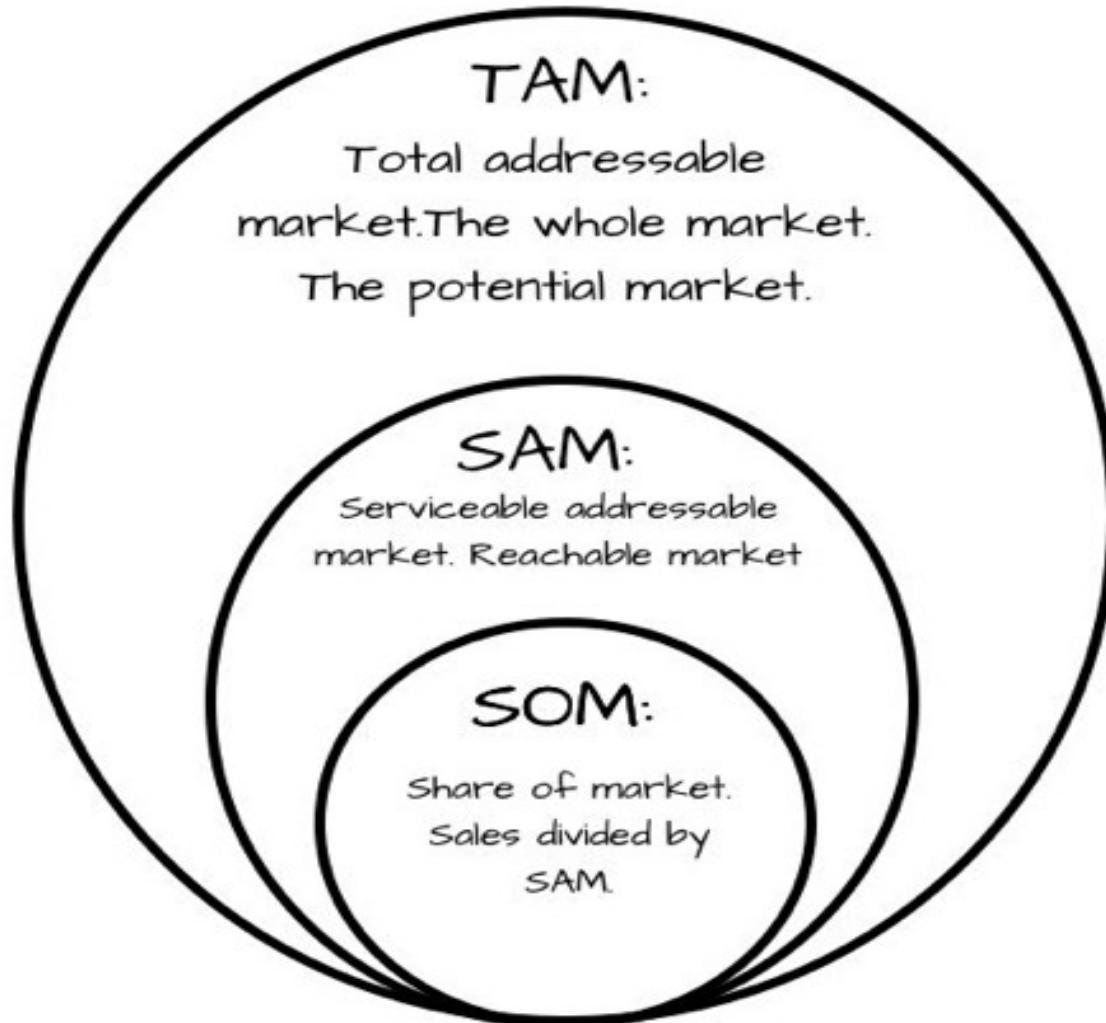


Illustration:

- TAM: India has 40 crore >40 years suffering from diabetes or cholesterol or hypertension or thyroid
- SAM: Of the above 50% use smart phone ~ 20 crore
- SOM: In next 3 years, I will convert 5% of the above who will start buying medicine from me on the phone ~ 1 crore

Segmenting the market

Identify “source of business”

The four types of B2C customer segmentation



Demographic
segmentation



Psychographic
segmentation



Geographic
segmentation



Behavioral
segmentation

- You can use any one or a combination of more than one
- The sharper you go, the better

B2C Demographic: The ‘WHO’

Demographic segmentation might be the first thing people think of when they hear ‘market segmentation’. This is perhaps the most straightforward way of defining customer groups, but it remains powerful. Demographic segmentation looks at identifiable non-character traits such as:

- Age
- Gender
- Ethnicity
- Income
- Level of education
- Religion
- Profession/role in a company

EDUCATION OF CWE

No. of Durables Owned	Illiterate	Literate but no formal school/ School upto 4 yrs	School- 5 to 9 years	SSC/ HSC	Some College (incl Diploma) but not Grad	Grad/ PG: General	Grad/ PG: Professional
	1	2	3	4	5	6	7
None	E3	E2	E2	E2	E2	E1	D2
1	E2	E1	E1	E1	D2	D2	D2
2	E1	E1	D2	D2	D1	D1	D1
3	D2	D2	D1	D1	C2	C2	C2
4	D1	C2	C2	C1	C1	B2	B2
5	C2	C1	C1	B2	B1	B1	B1
6	C1	B2	B2	B1	A3	A3	A3
7	C1	B1	B1	A3	A3	A2	A2
8	B1	A3	A3	A3	A2	A2	A2
9	B1	A3	A3	A2	A2	A1	A1



B2C Psychographic: The ‘WHY’

Psychographic segmentation is focused on your customers' personalities and interests. Here we might look at customers and define them by their:

- Personality traits
- Hobbies
- Life goals
- Values
- Beliefs
- Lifestyles

B2C Geographic: The “WHERE”

- By comparison, geographic segmentation is often one of the easiest to identify, grouping customers with regards to their physical location. This can be defined in any number of ways:
 - Country
 - Region
 - City
 - Postal code



B2C Behavioral: The “HOW”

Behavioral segmentation is possibly the most useful of all for retail/ B2B businesses. As with psychographic segmentation, it requires a little data to be truly effective – but much of this can be gathered via your website itself. Here we group customers with regards to their:

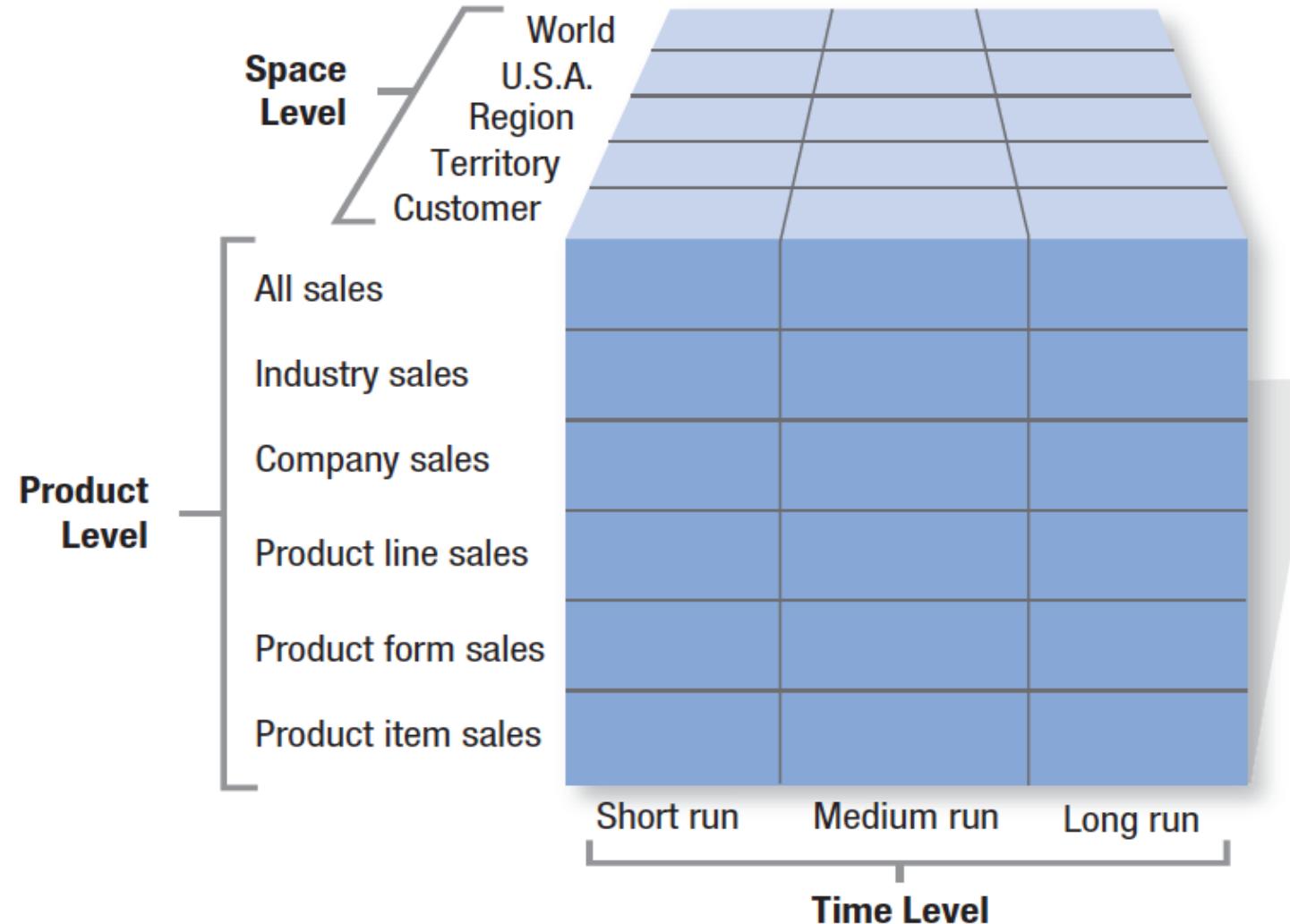
- Spending habits
- Purchasing habits
- Browsing habits
- Interactions with the brand
- Loyalty to brand
- Previous product ratings

B2B: Firmographic

Firmographics are descriptive attributes of organizations, companies, non-profits, governmental entities, corporations, or any other type of firm. This data is to organizations, as demographic data is to individuals — both used to segment and target potential prospects.

- Industry
- Annual revenue
- Company size
- Location
- Market Share and performance over time

How Many Segments?



Estimating & evaluation

Estimating Demand: Once you understand

$$\text{Demand for the new light beer} = \text{Population} \times \text{Personal discretionary income per capita} \times \text{Average percentage of discretionary income spent on food} \times \text{Average percentage of amount spent on food that is spent on beverages} \times \text{Average percentage of amount spent on beverages that is spent on alcoholic beverages} \times \text{Average percentage of amount spent on alcoholic beverages that is spent on beer} \times \text{Expected percentage of amount spent on beer that will be spent on light beer}$$

Screening Opportunities (Pg139)...subjective

EXHIBIT 5.8

Criteria for Evaluating Venture Opportunities

Criteria	Attractiveness	
	Highest Potential	Lowest Potential
Industry and Market		
Market:	Changes way people live, work, learn, etc. Market driven; Identified; recurring revenue niche	Incremental improvement only Unfocused; onetime revenue
Customers	Reachable; purchase orders Remove serious pain point	Loyal to others or unreachable
User benefits	Less than one-year payback Solves a very important problem/need	Three years plus payback
Value added	High; advance payments	Low; minimal impact on market
Product life	Durable	Perishable
Market structure	Imperfect, fragmented competition or emerging industry	Highly concentrated or mature or declining industry
Market size	\$100+ million to \$1+ billion sales potential	Unknown, less than \$20 million or multibillion-dollar sales
Growth rate	Growth at 30%–50% or more	Contracting or less than 10%
Market capacity	At or near full capacity	Undercapacity
Market share attainable (Year 5)	20% or more; leader	Less than 5%
Cost structure	Low-cost provider; cost advantages	Declining cost



Evaluation Criteria (contd)

Criteria	Attractiveness	
	Highest Potential	Lowest Potential
Economics		
Time to breakeven/positive cash flow	Under 1½–2 years	More than 4 years
ROI potential	25% or more; high value	Less than 15%–20%; low value
Capital requirements	Low to moderate; fundable/bankable	Very high; unfundable or unbankable
Internal rate of return potential	25% or more per year	Less than 15% per year
Free cash flow characteristics:	Favorable; sustainable; 20%–30% or more of sales	Less than 10% of sales
Sales growth	Moderate to high (+15% to +20%)	Less than 10%
Asset intensity	Low/sales \$	High
Spontaneous working capital	Low, incremental requirements	High requirements
R&D/capital expenditures	Low requirements	High requirements
Gross margins	Exceeding 40% and durable	Under 20%
After-tax profits	High; greater than 10%; durable	Low
Time to break-even profit and loss	Less than two years; breakeven not creeping or leaping	Greater than four years; breakeven creeping or leaping up
Harvest Issues		
Value-added potential	High strategic value	Low strategic value
Valuation multiples and comparables	Price/earnings = +20x; +8 – 10x EBIT; +1.5–2x revenue; Free cash flow +8 – 10x	Price/earnings \leq 5x, EBIT \leq 3–4x; revenue \leq .4
Exit mechanism and strategy	Present or envisioned options	Undefined; illiquid investment
Capital market context	Favorable valuations, timing, capital available; realizable liquidity	Unfavorable; credit crunch
Competitive Advantage Issues		
Fixed and variable costs	Lowest; high operating leverage	Highest
Control over costs, prices, and distribution	Moderate to strong	Weak
Barriers to entry:	Knowledge to overcome	
Proprietary protection	Have or can gain	None
Response/lead time	Competition slow; napping	Unable to gain edge
Legal, contractual advantage	Proprietary or exclusivity	None
Contracts and networks	Well-developed; accessible	Crude; limited
Key people	Top talent; an A team	B or C team
Sustainability		
	Low social and environmental impact	High social and/or environmental costs and consequences

(continued)

Evaluation Criteria (contd)

Criteria	Attractiveness	
	Highest Potential	Lowest Potential
Management Team		
Entrepreneurial team	All-star combination; free agents	Weak or solo entrepreneur; not free agents
Industry and technical experience	Top of the field; super track record	Underdeveloped
Integrity	Highest standards	Questionable
Intellectual honesty	Know what they do not know	Do not want to know what they do not know
Fatal Flaw Issue	Nonexistent	One or more
Personal Criteria		
Goals and fit	Getting what you want; but wanting what you get	Surprises; only making money
Upside/downside issues	Attainable success/limited risks	Linear; on same continuum
Opportunity costs	Acceptable cuts in salary, etc.	Comfortable with status quo
Desirability	Fits with lifestyle	Simply pursuing big money
Risk/reward tolerance	Calculated risk; low risk/reward ratio	Risk averse or gambler
Stress tolerance	Thrives under pressure	Cracks under pressure
Strategic Differentiation		
Degree of fit	High	Low
Team	Best in class; excellent free agents	B team; no free agents
Service management	Superior service concept	Perceived as unimportant
Timing	Rowing with the tide	Rowing against the tide
Technology	Groundbreaking; one of a kind	Many substitutes or competitors
Flexibility	Able to adapt; commit and decommit quickly	Slow; stubborn
Opportunity orientation	Always searching for opportunities	Operating in a vacuum; napping
Pricing	At or near leader	Undercut competitor; low prices
Distribution channels	Accessible; networks in place	Unknown; Inaccessible
Room for error	Forgiving and resilient strategy	Unforgiving, rigid strategy

How do you get the data?



Search & search strings

- Google for published data. Google scholar for published research
- Existing companies:
 - Offer to write a case study for a leading company in ‘source of business’
 - Appear for an interview. Better still, join them for a while
 - Take up a franchisee or talk to franchise/ trade
- Talk to competitors and/or former employees (find them on glassdoor)
- Published data: Patents, research journals, Registered ideas
- Hire a consultant
- Published industry studies like IBEF, CII, PWC, FICCI...
- Use syndicated data: census, IRS, social research etc

THANK YOU





Fund Raise: Debt & Equity

NEW VENTURE CREATION

Learnings from Interview exercise

- Reach out
 - Linkedin, email id from Linkedin and then email,
 - Multiple ways
 - Friends, Seniors
 - If they give you their handset number, you are a part of their network
- Soliciting a meeting
 - Iterative process
 - Not competing with people of your credentials when chasing a stranger
- Relationships are best made in college

Why is Business Plan an important document

- Group Case assignment: 20% weightage
- Final submission of your ‘PITCH DECK’ on or before Sunday, Oct 23rd
- Presentation in class over three days
- Wherever you get stuck: you can meet me on Tuesday/ Friday (over zoom or in person – room 509)
- I request you to share the categories (for which the ‘Pitch’ will be made) by Wed, Sep 14

Interviews: My views

- OUTSTANDING WORK BY ALL OF YOU
- Blog were right, well written (some were long) but well posted
- Words are a great asset for respecting others (public sycophancy)
- Linkedin is the best social platform for corporate lead generation
- Now you have atleast one well-wisher in the entrepreneurial space
- There is more traction in making someone else a hero (PR is best done by someone else)
- Tagging other people is a way of impressing your mentor (how many of us tagged IITD)

After the business plan....finance

A Hypothetical Example to Illustrate CLV Calculations											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Number of Customers	100	90	80	72	60	48	34	23	12	6	2
Revenue per Customer		100	110	120	125	130	135	140	142	143	145
Variable Cost per Customer		70	72	75	76	78	79	80	81	82	83
Margin per Customer		30	38	45	49	52	56	60	61	61	62
Acquisition Cost per Customer	40										
Total Cost or Profit	-4,000	2,700	3,040	3,240	2,940	2,496	1,904	1,380	732	366	124
Present Value	-4,000	2,454.55	2,512.40	2,434.26	2,008.06	1,549.82	1,074.76	708.16	341.48	155.22	47.81

Cash burn

(Source: Kotler)



After the business plan

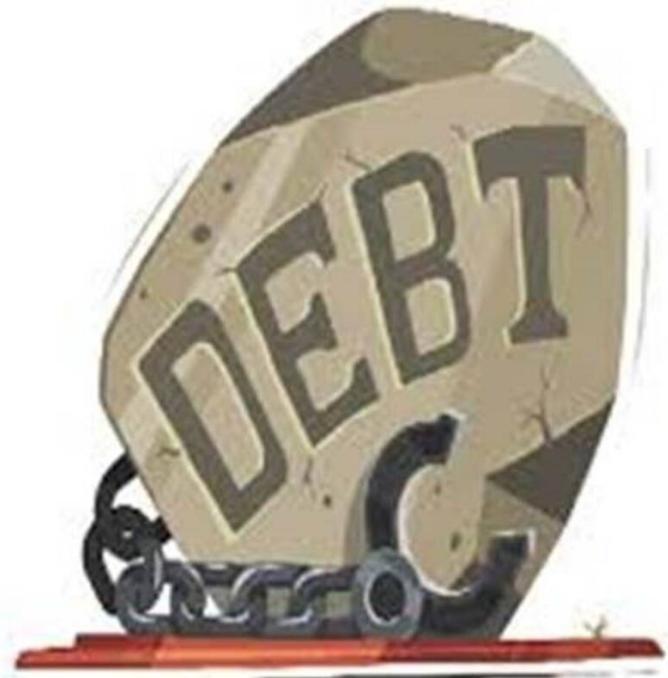
There are three types of fund raise

1. Debt
2. Equity
3. Mixed: options/ convertibles/ bonds/ debentures

What is Debt

This is the money raised by you or your company in the form of borrowed capital, on which an interest needs to be paid

- Represents the money you/ your company ‘owes’
- Commitment to make fixed payments in the future
- The fixed payments are tax deductible
- Failure to make the payments can lead to either default or loss of control of the firm to the party to whom payments are due.



Cheapest form of capital

Who is raising the Debt

- When you raise it PERSONAL LOAN
 - When your company raises it CORPORATE LOAN
 - When you take a loan to put money in the company
 - Your loan is PERSONAL
 - You can either loan or put in ‘seed capital’ (equity)

What all is debt?

- Any interest-bearing liability, whether short term or long term.
- Any lease obligation, whether operating or capital.
- Any money that you owe to anyone for which there is a contract standing

Benefits of debt

- Tax Benefits
- Adds discipline to management
 - Equity is a cushion; Debt is a sword;
 - The management of firms which have high cashflows left over each year are more likely to be complacent and inefficient.

Costs/ Risks of debt

- Bankruptcy Cost
- Agency Costs
- Loss of Future Flexibility
 - All debt finance by your company keeps adding to the total

Any/ All Debt needs a collateral

- Equity:
 - Your cash raised by you or your investors which can be pledged
- Fixed assets
 - The property you are buying for your factory
- Other assets
 - Machines, Cars, Computers etc. you need for business operations
- Future Sales CONTRACT
 - Sales contract with great clients which the financer is willing to consider
- Any debt without a collateral is ‘unsecured debt’....FFF... else only a theoretical concept

What is Equity

- It refers to the ‘net worth’ of the company
 - It is the source of permanent capital
 - Total funds contributed by all the owners of the business (founders, co-founders, investors) but not the debt-givers
-
- Networth/ total number of shares = share value



Playing with Equity

- You put money into my company, and I will give you shares of the company (investor)
- Please don't take salary from me, I will give you shares of the company (stocks)
- Please don't take money for advertising my business, I will give you shares (sweat equity)
- Usually, equity is not given – option to purchase stock (SOP) is given
 - Vesting time: when the option come to you.
 - Exercise period: when you can buy the stock at the agreed price.
 - Liquidation event: when you can sell the stocks that you own.

Debt convertible into equity: Bonds

- It pays fixed-income interest payments but can be converted into a predetermined number of common stock shares.
- The conversion from the bond to stock happens at specific times during the bond's life and is usually at the discretion of the bondholder.
- A convertible bond offers investors a type of hybrid security that has features of a bond, such as interest payments, while also having the option to own the underlying stock.
- Bond's conversion ratio determines how many shares of stock you can get from converting one bond. For example, a 5:1 ratio means that one bond would convert to five shares of common stock.
- Who's got the option determines (debt -> equity) or (equity -> debt)

Also Note

Critical Stakes

- **Less than 10%:** you are a nobody, but you can trade shares
- **10.01% - 25%:** you can ask questions through board member
- **25.01% - 49.99%:** You can demand a board membership
- **50%:** You are qual
- **50.01-75%:** You have operational control
- **75%+:** You have financial and operational control

When encashing equity, remember the MULTIPLIER

		Valuation	(products)	(tech Prod)	(services)
Revenues:	x		5x-7x	7x-15x	3x-5x
Or					
Profits	y		15y-20y	15y-20y	~

- 5/7/3 : Multipliers
 - Used more with revenues, especially for loss making startups
 - Function of what the hypotheses is
 - Your startup in someone else's hand can change the

When to get in an investor

	revenue	pre-value	Investor pays	Post Value	Investor gets
Year 1	40 lakh	2 cr	1 cr	3 cr	$1/3 = 33\%$
Year 2	80 lakh	4 cr	1 cr	5 cr	$1/5 = 20\%$
Year 3	100 L	5 cr	1 cr	6 cr	$1/6 = 18\%$

Later you get, more equity you save

Fund raise after fund raise

	revenue	Pre-Value	Investor pays	Post Value	Equity gone
Year 1	40 lakh	2 cr.	1 cr. (A)	3 cr.	(1/3) = 33%
Year 2, exit	80 lakh	4 cr.	2.33 cr. (B)	5 cr.	(1/5) = 20 % + 33%
Year 2, no exit	80 lakh	4 cr.	2 cr. (B)	6 cr.	(2/6) = 33 % + 33%

EXIT

- Investor A: sold his 1 cr. to B at 1.6 cr. = made 60%you get nothing
- Investor B in year 2 is 53% owner i.e., majority....you are now minority

NO EXIT

- Investor A and Investor B own 33% each

BOLSTER your finance understanding BEFORE speaking to investors



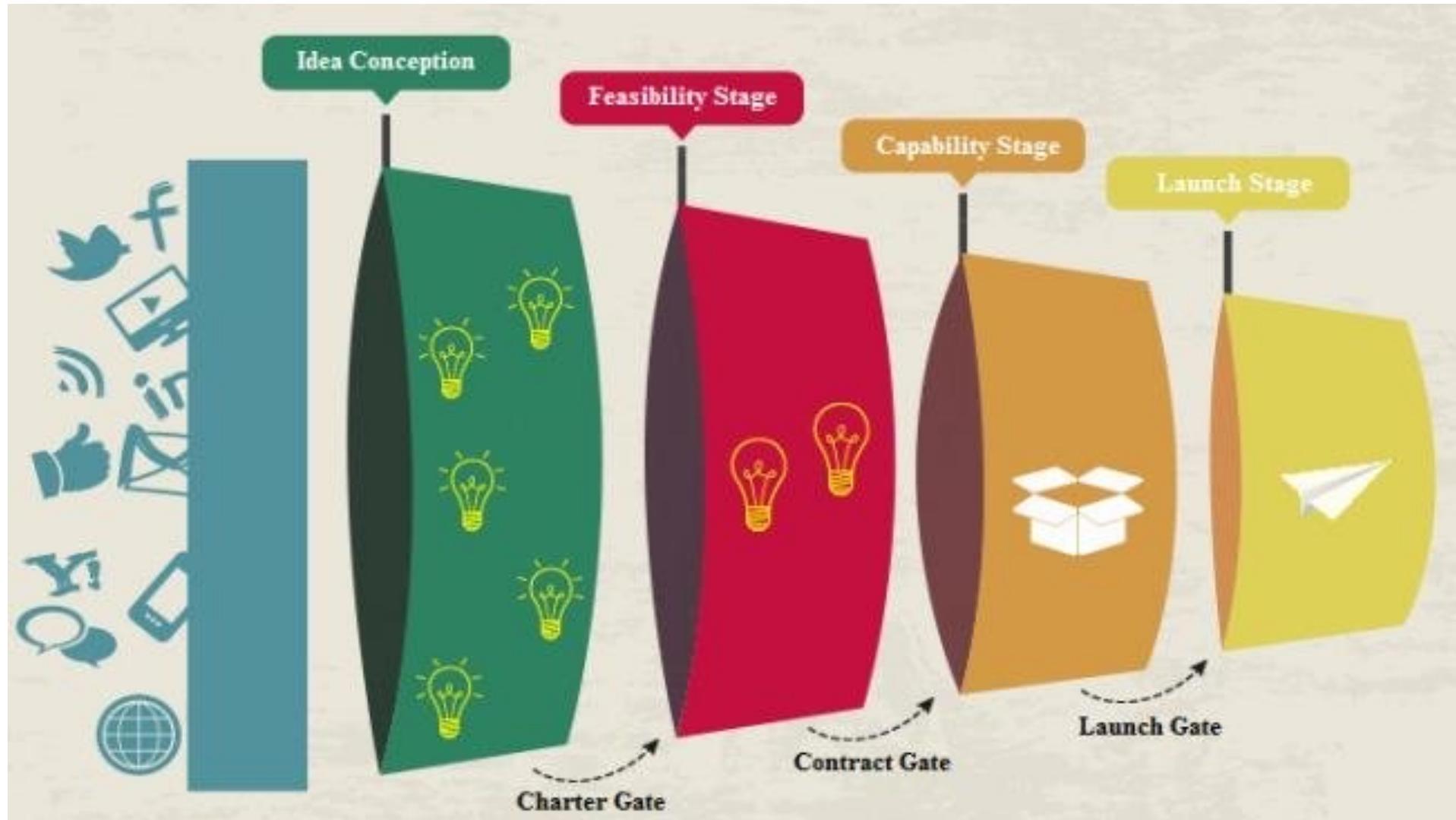
Thank you



Stages of building Business

NEW VENTURE CREATION

Organizing the process of NVC: Stage Gate process



Idea Generation Stage

- Is there a market for your product? (TAM, SAM)
 - Who is your Target Customer? Define clearly (demographics, psychographic, behavioral, geographic, firmographic)
 - How large is your market?.. Recheck. (SOM)
 - What is your ‘source of business’ and who is your competitor
- Does it meet a Consumer Need? Does it fill a consumer need gap?
 - Do consumers relate to your product (or is it too radically different?)
 - Does it fit it ‘culturally’?
 - Or are you merely jumping onto the Trend Wagon

Charter gate open



Feasibility Stage

- USP / Innovation is the key to success
 - Is the product positioned to new users or usage?
 - Is there new packaging that provides a consumer benefit?
 - Is value added through a new formulation?
 - Is there technological introduction?
- At what cost? At what profit?
- Write the business model, especially monetization strategy

Contract gate open



Capability Stage

- Do competitive benchmarking before writing Product or Packaging brief.
 - Write a brief
 - Brief has to be detailed but brief
 - Go meet the companies who are your ‘source of business’
- Use college trial samples (as far as possible) for research
- Work on financials with great rigor to avoid last minute surprises.
 - Then be ready for surprises

Launch gate open



Launch Stage

- Test Markets (Beta launch) : Evaluate them carefully.. Is it just a fad or a sustainable proposition.
 - Get someone else to critique you
- Evaluate the capacity requirements in detail
- Prepare detail logistics plan
 - Stocks should hit all markets in unison.
 - Product being advertised should be available in market before TVC begins

Why is Business Plan an important document

- Group Case assignment: 20% weightage
- Final submission of your ‘PITCH DECK’ on or before Sunday, Oct 23rd
- Presentation in class over three days
- Wherever you get stuck: you can meet me on Tuesday/ Friday (over zoom or in person – room 509)

Thank you



Do I pivot?

What is a business Pivot? (*no, its not a pivot table*)

- Eric Ries first used the term ‘pivot’ in his book, *The Lean Startup*.
- PIVOT is “*a change in strategy, without a change in vision*”.
- Done as a continual process, the data collected and evaluated can give a clear indication of the success or failure of a brand/ product.
- Decision: Founder/ CEO

When to Pivot?

- When your business fails to build or loses its Sustainable Competitive Advantage
- Any **Sustained Competitive Advantage** must reflect in revenues and profits
- How to tell if you fail to build:
 - LTV (lifetime value) $<= 3$ CAC (customer acquisition cost)
 - Missing the investor promise
 - Rapidly losing market share

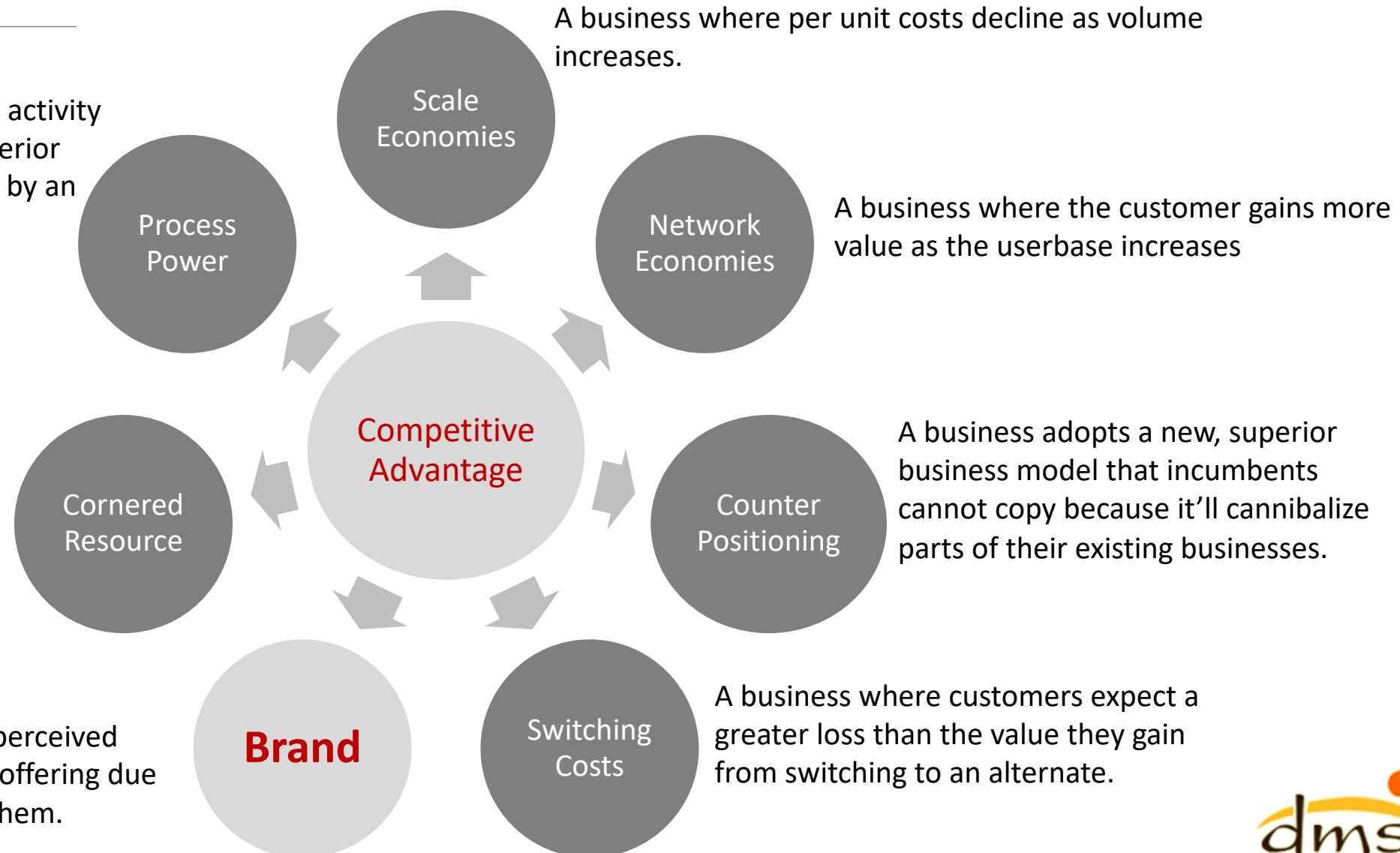
Sustainable Competitive Advantage

4-conditions of Sustainable Competitive Advantage

- Valuable customer is willing to pay for it
 - Rare no other firm can deliver the same value in the same way
 - Non substitutable no other firm is providing the same value in a different way
 - In-imitable competition cannot copy your way

7-sources of SCA

A business whose organization and activity set enables lower costs and/or superior products that can only be matched by an extended commitment.



When to Pivot

- When your business fails to build or loses its Sustainable Competitive Advantage due to
 - Internal Factors:
 - External factors

How to Pivot

1. Eliminate : Stop
2. Reduce: do less of the same
3. Raise: do more of the same
4. Create : Start

e.g.: How to Pivot



[Disney and Google Ink Broad, Multiyear Digital Advertising Deal](#)
Highly Cited-Variety-27-Nov-2018

LAUNCH

[Disney's New Streaming Service Will Be Called Disney Plus](#)
Screen Rant-08-Nov-2018

TECH READY

[Disney Acquires 21st Century Fox in Historic \\$71.3 Billion Deal](#)

<https://www.hignsobiety.com/p/disney-fox-shareholders-71-billion-deal/>
Jul 27, 2018

CONTENT AGGREGATION

[Disney to pull out content from Netflix by 2019; will launch its own ...](#)

<https://www.bgr.in> › News
Aug 9, 2017



IDENTIFY SOURCE OF BUSINESS

How much to pivot (contd.)

- Read the trend for **COMPLEMENTS** vs **SUBSTITUTE**
 - Complement: Strengthen your business
 - Substitute: Weakens your business
- Analyze properly
 - Correlation vs Causation

e.g. Paired Changes

1. What happens to DVD sales if we show a movie on broadcast TV?
 - Sales increase by 119% in the week following the broadcast
2. Is this effect smaller or larger if a movie is available on BitTorrent?
 - Sales increase is the same irrespective of whether movie is pirated.

e.g. Does the Internet Undermine Sales?

5-day:	Didn't read post.com	Read post.com
Didn't read <i>Post</i>	6,012	680
Read <i>Post</i>	7,203	2,204

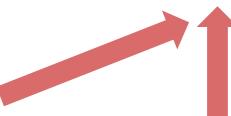
Washington Post

e.g. Analyze it

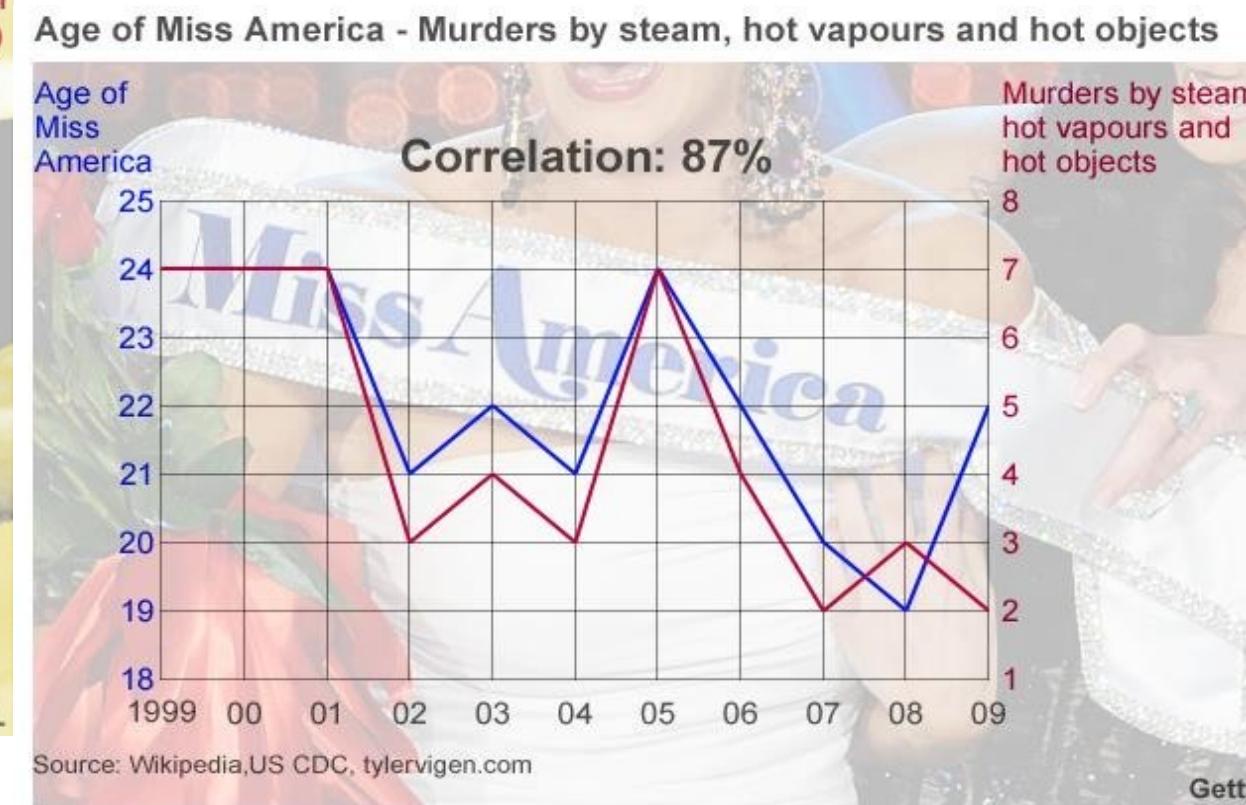
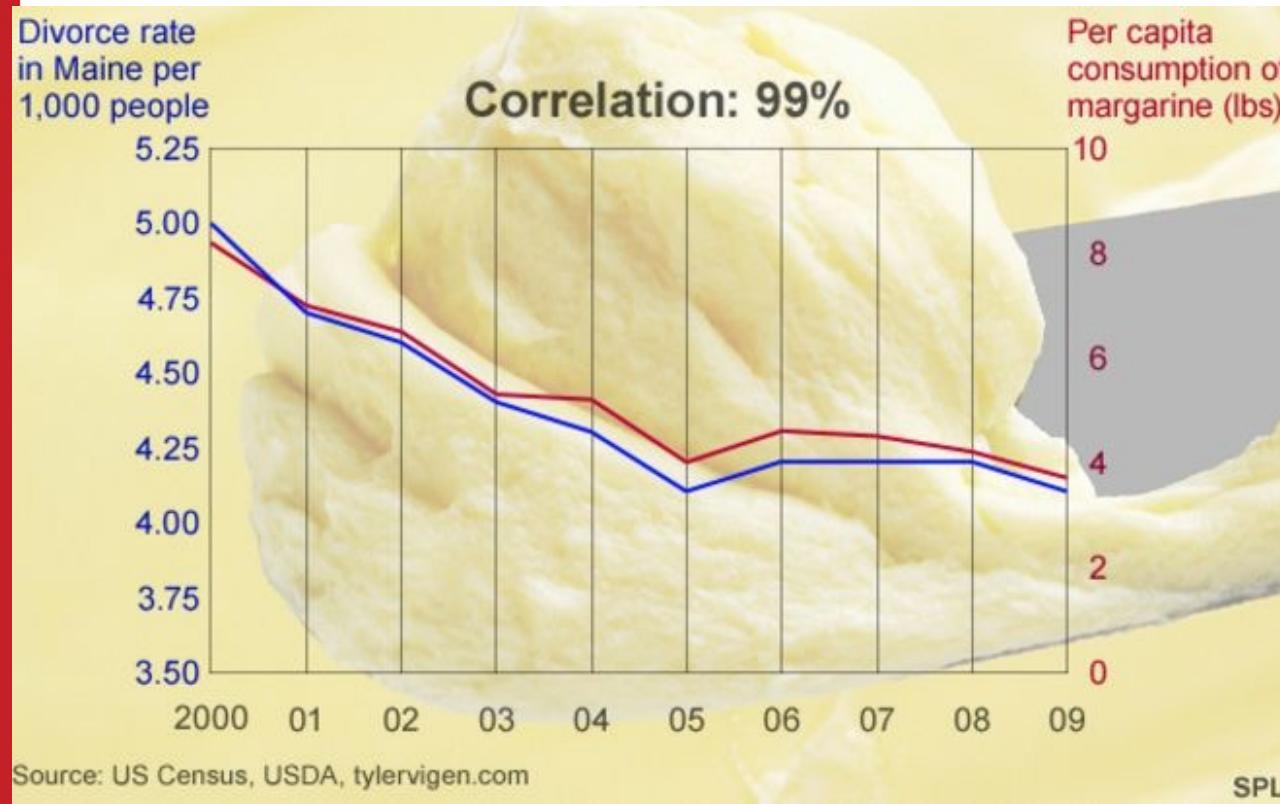
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e.g. Correlation vs Causation...the perils of machine learning



Pivot 2021: Covidigital



The Covidigital Pivot

- Covid 2020 is a BLACK SWAN event.
- It is not a recession, but a **reset** – a new way of life.
- Digital adoption, already on a high is now catapulted at break-neck speed...catch it if you can.



Do you need to pivot post a reset?

- Revalidate business model/ proposition/ POC
 - with customer
 - Quantitative, quick , cost-effective dipsticks
- Revisit Media Attribution with the right metric
 - Use ‘share of mind’ metrics as much as ‘share of market’
- Advertising: Use video and other formats too
- Data Analytics: Invest into primary database
- Social: reducing in its credence, reduced impact but high on buzz creation

Covidigital Reset: a few observations?

- Most large organized companies have had a fantastic FY20-21
 - A few 'sectors' have tanked like apparel, travel
- B2B:
 - Post Nov 2020, client ability to spend has increased, willingness reduced
 - Transactions are happening, but margins are stressed
 - Meetings are easier to get but sales are taking longer to convert
 - More competition as meetings are easier to get
 - Businesses are open to any non-compete opportunistic alliances
 - Digital transactions are ok but sales is still 'in-person'

Covidigital Reset: a few observations?

- B2C
 - Personal & Family needs are priority; professional & party need less important
 - There is definitive trend towards D2C, even with large companies
 - Media consumption has moved away from print, radio to TV & digital
 - Video and content have a glut thereby lowering the impact of digital advertising
 - TV continues to rule for brand building but sales are going online
- Government Regulator is becoming more alert towards digital

Thanks & on Tuesday

DIGITAL DISRUPTION



D2C : the ‘New Venture’ Opportunity

20th September, 2022



a. The Digital transformation



Why do the stars want to go digital?

- 87% customers would buy directly from a brand online, if given an option
- 82% CPG manufacturer improved relations with consumers by direct sale
- 42% brands want to sell directly to consumers
- 54% manufacturer said direct to consumer sales boost leads of channel partners
- Covid added lots of fuel to **DIGITAL DISRUPTION**

Source: Forrester



Digital Davids are beating the traditional Goliaths

- Unilever
- Parachute
- Zee TV
- Sleepwell
- Forever21
- The Times of India
- Dabur Vatika



sleepyhead™

SHEIN

indiatimes

mamaearth™



INDIAN ADVERTISING MARKET OVER LAST 10 YEARS

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Traditional Adex - Rs Crores	26552	29056	33435	38871	42165	43835	49202	52136	37177	48793
Growth %	3	9	15	16	8	4	12	6	-29	31
Traditional Adex Share %	92	91	89	88	85	82	81	77	69	66
Digital Adex - Rs Crores	2303	3050	3970	5120	7315	9303	11705	15467	16974	25438
Growth %	50	32	30	29	43	27	26	32	10	50
Digital Adex Share %	8	9	11	12	15	18	19	23	31	34
Total Adex (Rs. In crore)	28854	32106	37405	43991	49480	53138	60908	67603	54151	74231
Growth %	5	11	17	18	12	7	15	11	-20	37

Source: Pitch-Madison ESTIMATE

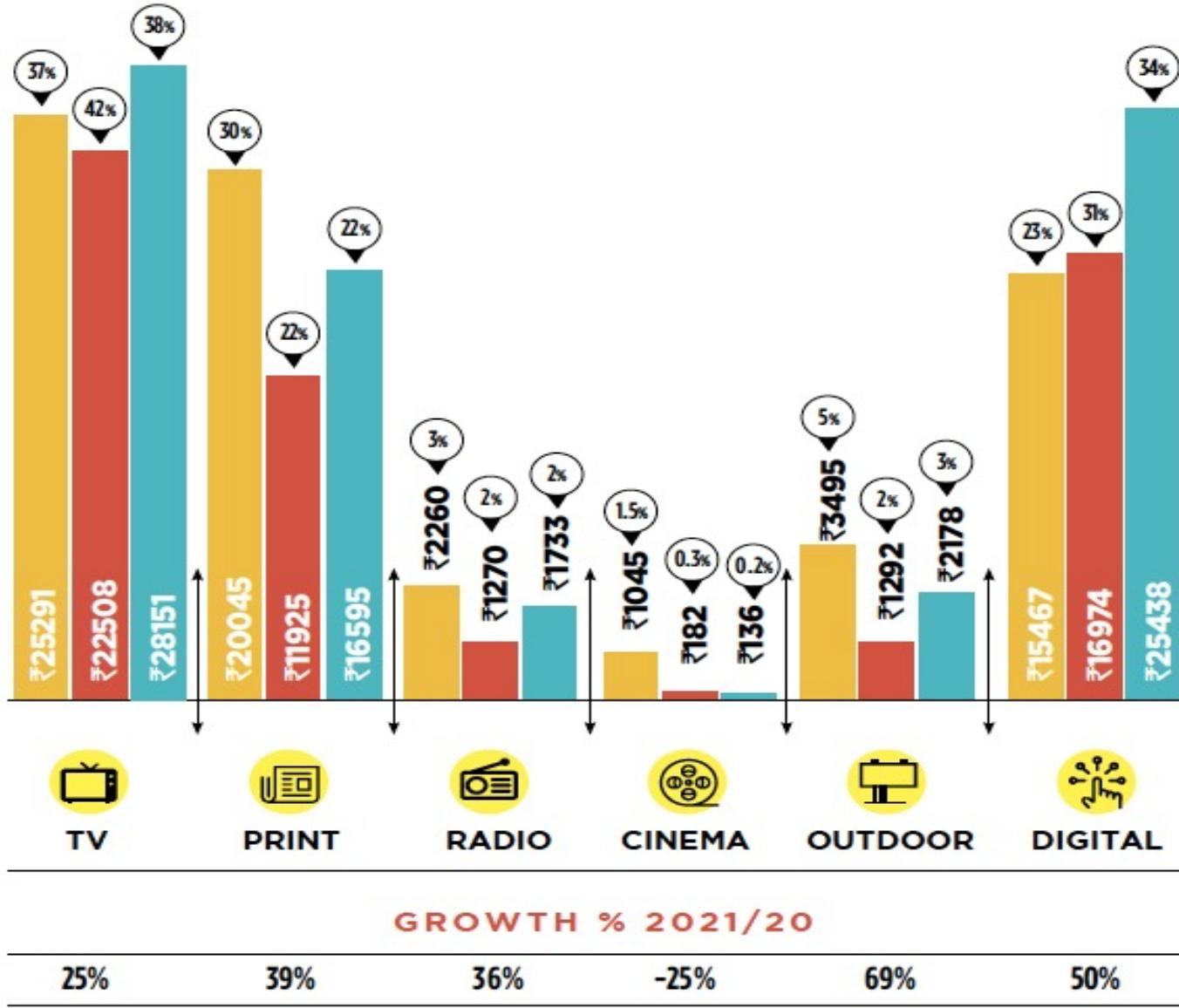


INDIAN ADVERTISING MARKET OVER LAST 3 YEARS (JAN - DEC)

2019 2020 2021

Share of Advertising Pie

(Rupee figures in Rs crore)



Source: Pitch-Madison ESTIMATE

b. What has got disrupted?

What's happened

- Distribution (sales) is disrupted
 - HLL, Dabur, The Times of India, ITC, Marico are great brand creators, but greater distributors
 - SaaS products who allow you to manage ALL marketplaces with ONE CENTRAL WAREHOUSE and CENTRAL LOGISTICS. You already have a great beginning
- ‘Media’ part of Marketing is re-calibrated
 - But only for the medium
 - Digital has replaced print, OTT is supplementing TV

traditional sales & marketing -> D2C digital product (s) & marketing

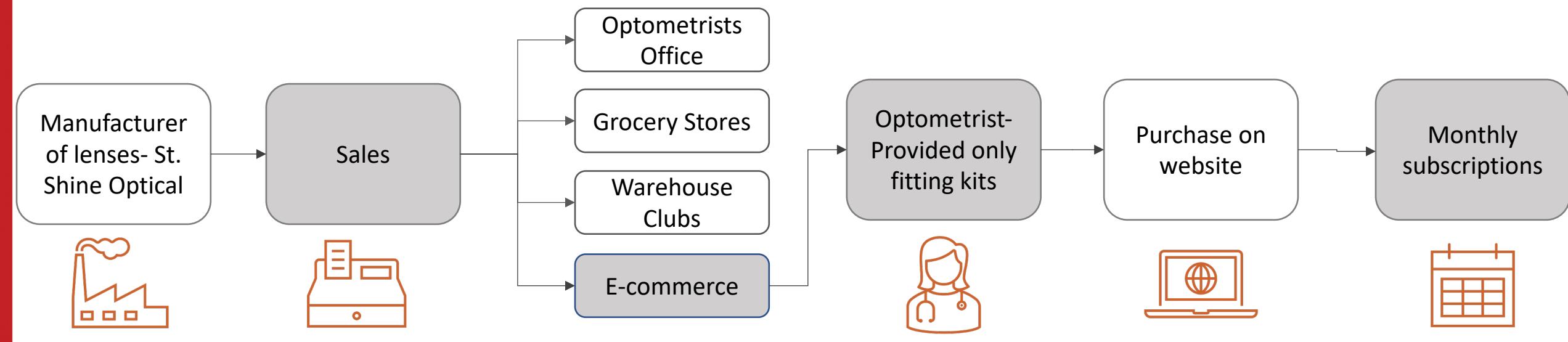
J&J vs Hubble

Direct-to-customer service for contact lenses

Operates through an **e-commerce** site

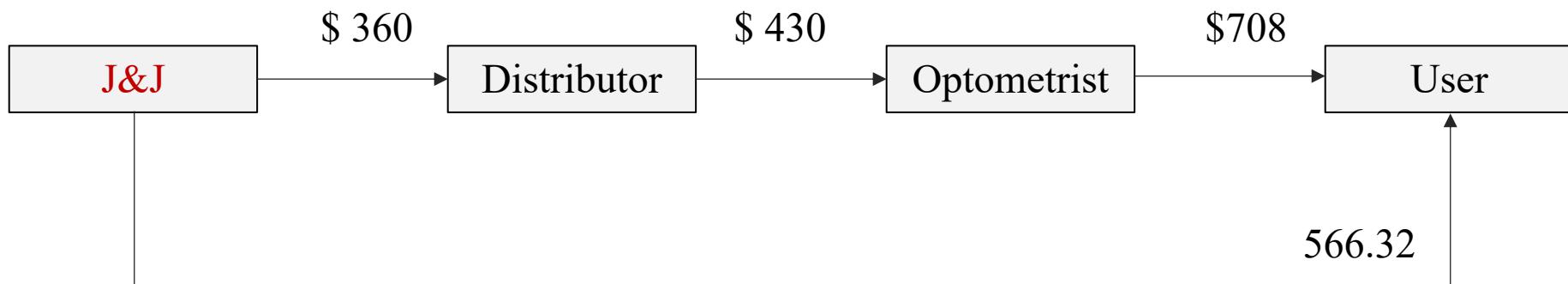
Social Media first brand- effortless purchase through Facebook

Offers monthly **subscription** packages for dailies

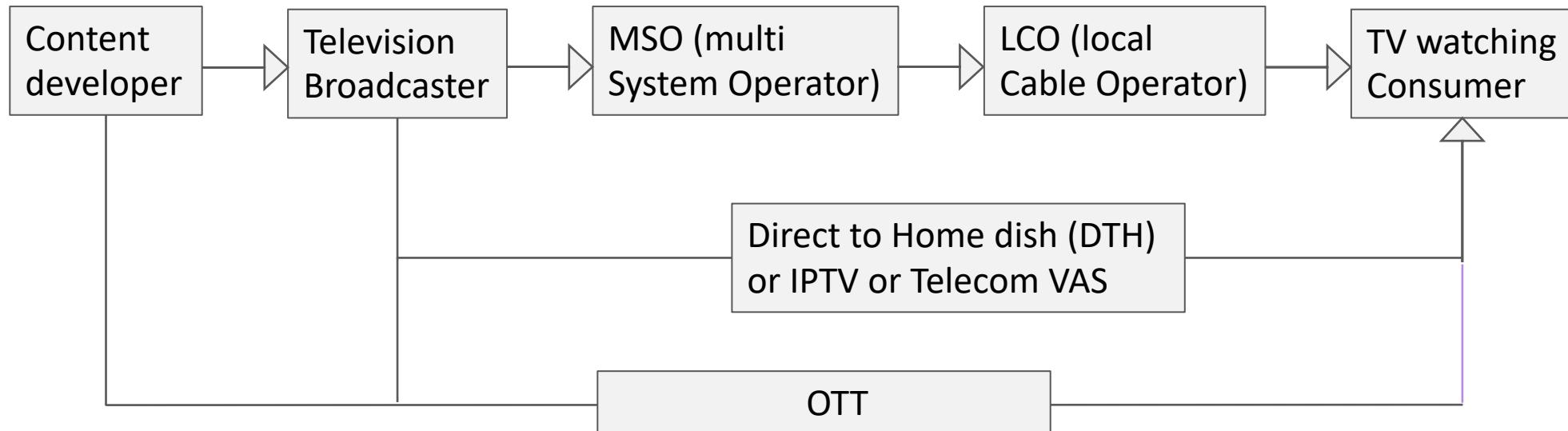


And then came HUBBLE, a D2C brand

What should J&J do



What is happening?.. Dis-intermediation



- Internet disrupts the **traditional value chain**
- Parts of the same value chain in traditional business, are now competing
e.g., Tata-sky-app vs hotStar, Balaji vs Zee etc

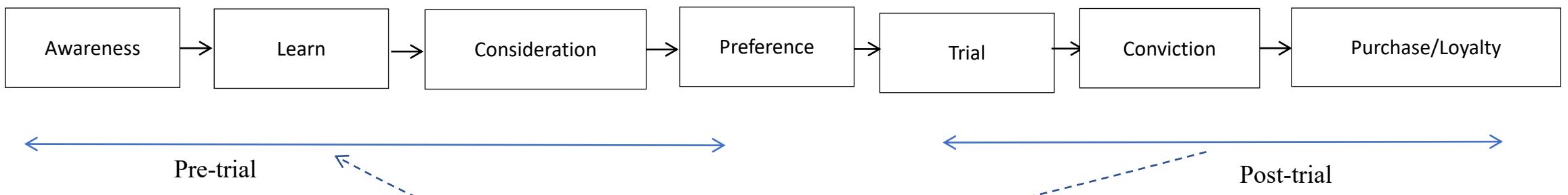
Case: LenDenClub

- Online lending between borrowers and lenders without the mediation of any financial institution.
- Faircent, lendbox, i2ifunding, finzy etc.
- Started in 2014, by 2020 had 680,000 lenders and 89,000 borrowers
- Personal loans for 3 to 24 months
- Amount: Rs 25,000 to Rs 500,000

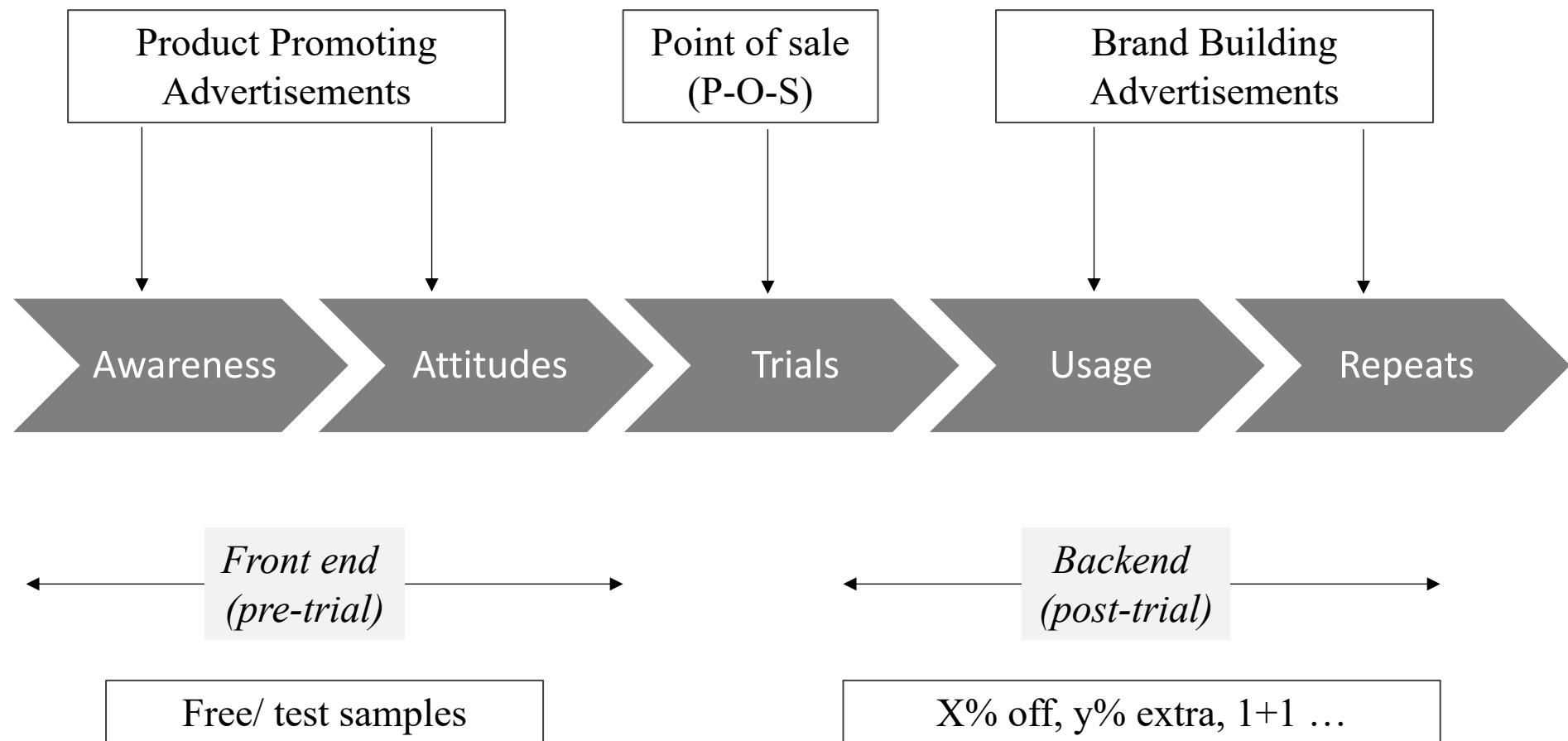
Case: TranSwap

- Started in 2017 (late entrant)
 - Opportunity : banks charge (1 to 5% Fx spread on currency transfer) + administrative fee + Commission
 - TranSwap Pricing: 0.35% to 1.7%
-
- Fast, Secure, Cheap Made real by Technology – an integrated B2B2C business where same software allows itself to be used as PaaS for businesses and allows consumer transactions.

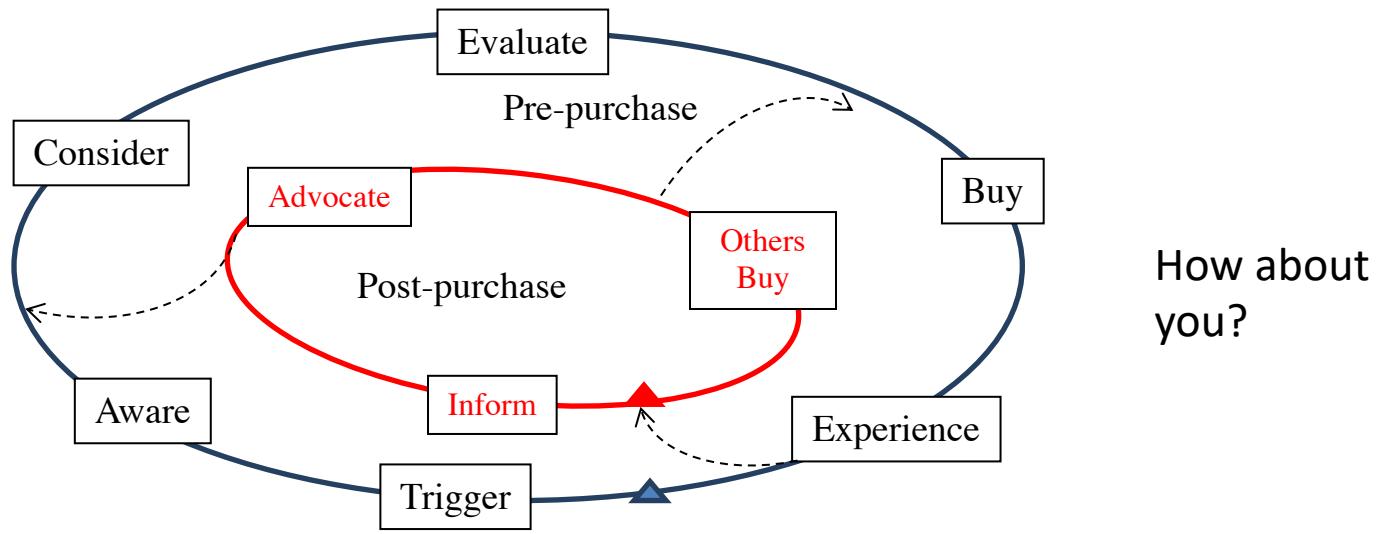
Consumer Decision Process: traditional



The old way: Advertising & Promotion



Omnichannel World: ... *everything everywhere all at once*



- “Circular path” with feedback loops; “post-purchase” ↔ “pre-purchase”
 - Social media, review sites, blogs, chat rooms
- Marketing has role influencing consumers; but not marching them along linear funnel with purchase “end point”; *more touchpoints*
- Consumers expect to derive value from the journey itself...

c. Managing business post D2C

D2C Khichdi: Manage mind & transactions...

Brand Pull

- Video ad
 - On TV
 - On OTT
- Image ad
 - Banner advertising on digital

Performance (transactional) Marketing

- Click, click, click – call for action
 - Whatsapp
 - Google
 - Facebook
 - Instagram....

Focus on the three screens: **TV, MOBILE, INTERNET,katthey**



How does the value-chain get disrupted



Two different realities to be managed together (omnichannel) or separate (D2C)



D2C allows simultaneous multi-brand launch

Parallel approach of omnichannel and D2C e.g., Pattern brands launched online with two brands – EQUAL PARTS and OPEN SPACES, challenging each other while fighting competition

This is unlike traditional business

d. Brand: still a sustainable competitive advantage



Licious®



Swati Aggarwal
Gone Licious since
Favourite O





Logical



il-Logical

Walk illogically like a superstar, earn illogically like a superstar
(no change here)

e. What are the current businesses doing?

Your Approach

You build for them



Build

Might be the best route:

- When the opportunity is related to the company's core business
- If there is still time until the market's inflection point
- If the company has the opportunity to hire the necessary talent

First build and then sell
your tech as white-
label to all biggies



Buy

Usually most appropriate:

- When there is a strategic imperative to 'own' a market
- If the market inflection point is close and hiring the right talent isn't possible
- If the new opportunity bears little relation to the corporation's current business model

Find a strategic investor



Invest

- Allows an established company to work with the right skills and capabilities
- Avoids hindering entrepreneurial forces with a setup focused on internal-governance and reporting, undermining the start-up's agility, velocity, etc.

Hunt for alliances



Partner

- When there is no strategic need to own
- Learn more from a 'digital native' about the market and its partner's model
- Useful when it makes sense to have an eye towards deeper partnerships or acquisitions in the future

FITT or equivalent



Incubate/Accelerate

- Close relationship to the funding company, deploying corporate internal capabilities, infrastructure and resources to the start-ups
- Companies can benefit from an increased deal flow in business models and technologies

Digital next: Metaverse



Basics of Trade Margins

Prof Neeraj Sanan



Margins (the Line of ATL/BTL)

- Margins are key to pricing, marketing spending choices, & customer profitability

$$\begin{array}{r} \text{Sales} \\ - \text{Direct Costs} \\ \hline = \text{Gross Margin} \end{array}$$

*as realized by brand
not what is paid by consumer*

- But brand sells at multiple prices, in different channels and can have different costs. So...

Margins

- Unit Margin (Rs)

= Selling Price per Unit(Rs) – Cost per Unit(Rs)

$$\bullet \text{ Margin (\%)} = \frac{\text{Unit Margin (Rs)}}{\text{Selling Price per Unit (Rs)}} = \frac{\text{Total Sales Revenue(Rs)} - \text{Total Cost(Rs)}}{\text{Total Sales Revenue(Rs)}}$$

- “Unit” depends on business
 - e.g., “sticks”, “packs”, “cartons” for cigarettes
“account”, “customer”, “loan”, for bank
- You must know unit margins by heart

Margin: Construction

- Margin(%) for company selling multiple products
 - Do not take unweighted average of margins!
- Calculate total sales & total costs. For example

Total Sales = 20 jars of plum jam at \$6 + 10 jars of orange jam at \$8 = \$200 total sales

Total Costs = 20 jars of plum at \$4.50 + 10 jars of orange at \$5.50 = \$145 total costs

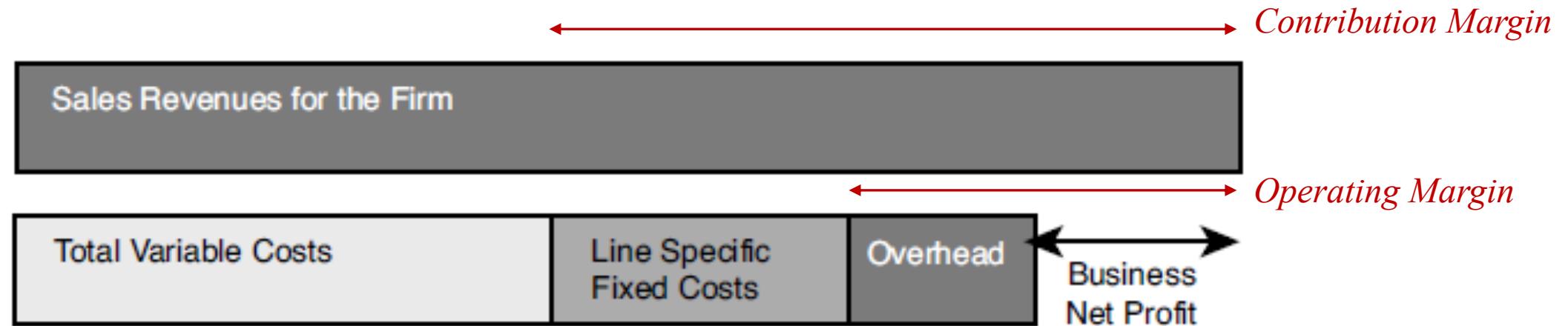
Margin (\$) = Sales-Costs so Total Margin (\$) = \$55

Margin (%): Plum=\$1.50/\$6.00=25%, Orange=\$2.50/\$8.00=31.25%

but company margin $\neq \frac{25\%+31.25\%}{2}$ or 28.125%. (weighted by volume)

Instead Margin (%) = $\frac{\text{Total Margin}(\$55)}{\text{Total Sales}(\$200)}$ =27.5%. (weighted by value)

Net Profit: Construction



Simple View of Business – Revenues and Costs

- Overhead: Costs than cannot be directly tied to any specific product or division (e.g. headquarters staff)
- Allocation among divisions/ regions/ products can often be more art than science

Margin: What is included?

- Various costs may or may not be included
 - “Contribution margin” – deducts only variable costs
 - “Operating margin” – deducts cost of operations and variable costs
 - “Margin before marketing”
- Are rebates, customer discounts, broker's fees & commissions **costs** or **deductions from selling price**?

Margin % play: (Rs 30 off) vs (goods worth Rs 30 free)

- When Rebate classed as gift (worth Rs 30 free with Rs 100 purchase):

$$\text{Impact on Margin (\%)} = \frac{\text{Unit Margin (30)}}{\text{Selling Price per Unit (100)}} = 30\%$$

- When Rebate classed as price cut (Rs 30 price off) :

$$\text{Impact on Margin (\%)} = \frac{\text{Unit Margin (Rs 30)}}{\text{Selling Price per Unit(Rs 100 -Rs 30)}} = 37.5\%$$

Margin % play: Price increase

- Margin (%) changes with rebate classification

Unit Margin (Rs) = Selling Price – Cost of Goods Sold & Rebate

$$= 100 - 50 - 20 = 30$$

- Price Increase of 1% = 101. 2% = 102

- Profit : 30 -> 31 30 -> 32

- 3.33% 6.66%

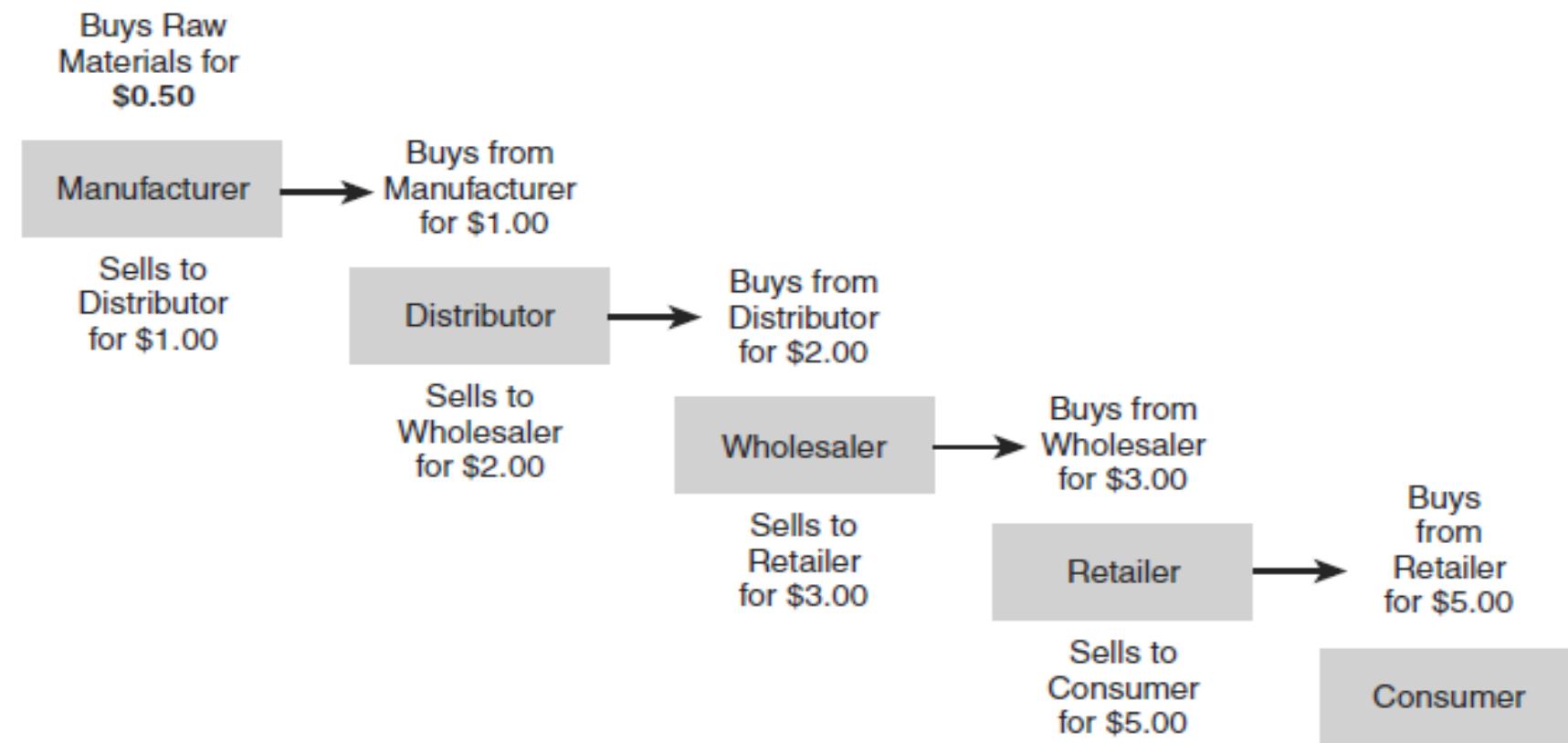
Averaging Margins:

- Margins
 - Vary by channel
 - Vary by SKU
 - Vary by territory
- **Average Margin in Rs: Weighted by volume**
= % of Unit Sales through Channel 1 * Margin in Channel 1 (Rs) + % of Unit Sales through Channel 2 * Margin in Channel 2 (Rs) + ... (continue to last channel)
- **Average Margin %: Weighted by Value**
= % of Dollar Sales through Channel 1 * Margin in Channel 1 (%) +% of Dollar Sales through Channel 2 * Margin in Channel 2 (%) +... (continue to last channel)

Margin vs Markup

- Some industries (particularly retail) calculate margins as % of cost, not selling prices
- Be familiar with your industry practice
- We recommend using margin for % of selling price and markup as % of cost
 - $\text{Markup (\%)} = \frac{\text{Price}(\$) - \text{Cost}(\$)}{\text{Cost}(\$)}$

Margin vs Markup (channel language)



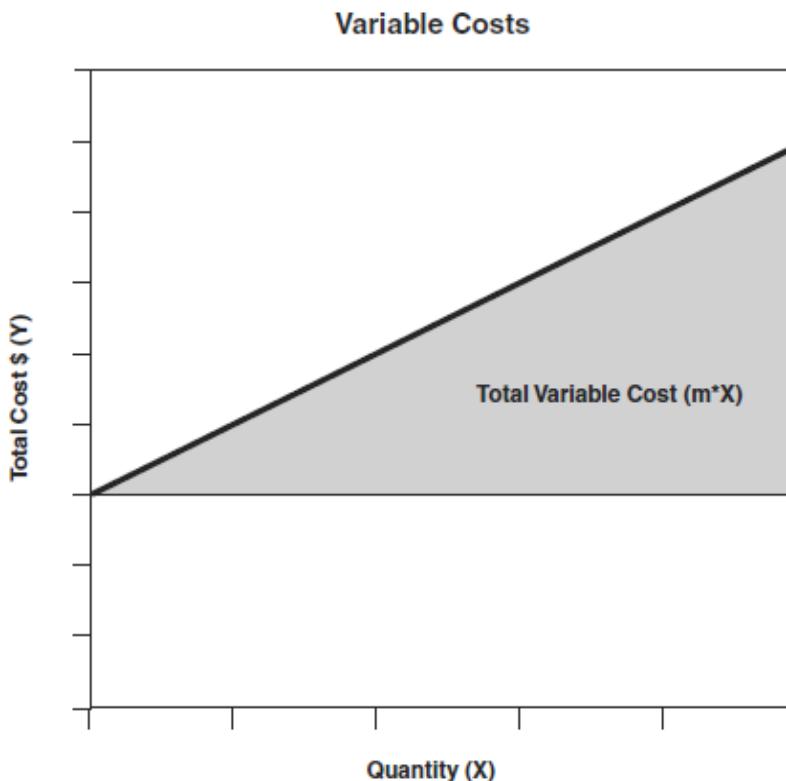
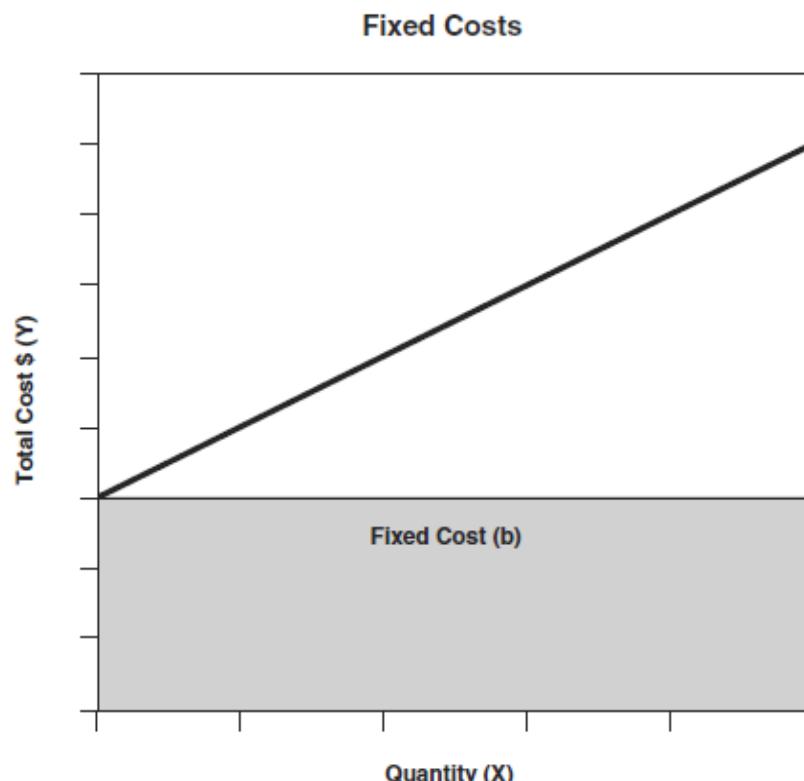
Unit Contribution	0.5	1.0	1.0	2.0	4.5
Markup %	100%	100%	50%	66%	
Margin % (externl)	10%	20%	20%	40%	90%
Margin (internal)	0.50/1.00	50%			

Variable and Fixed Costs

- Variable costs increase directly & predictably with unit sales volume
 - e.g., each product made uses Rs 10 of raw materials
- Fixed costs are not affected by short term sales changes
 - e.g., we must pay Rs100k rent on factory even if it doesn't produce anything
- Total Cost = Fixed Costs + Total Variable Costs
- Total Variable Cost (\$) = Unit Volume (#) * Variable Cost per Unit (\$)

Total Cost: Construction

- Total Cost (\$) = Variable Cost per Unit (Rs) * Unit Volume (#). + Fixed Costs(Rs)
- Equation of the form $Y = mX + b$, where Y = Total Cost, m is variable cost per unit, X is unit volume and b the fixed cost



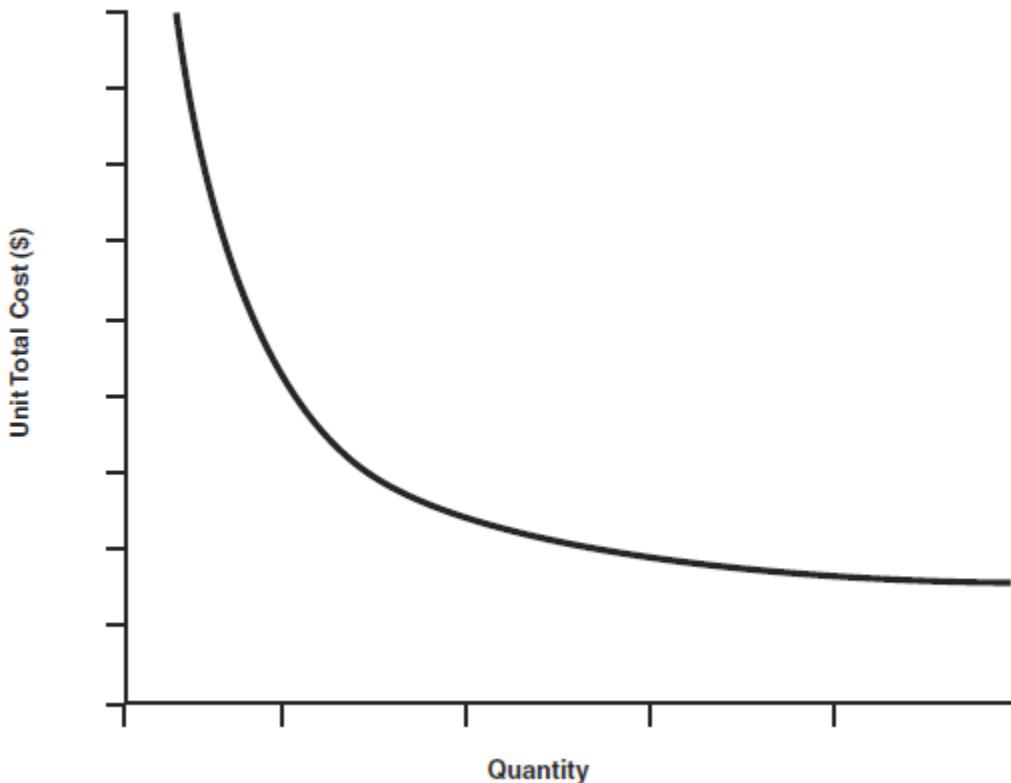
Total Cost per Unit

- Total Cost per Unit

$$= \frac{\text{Total Cost} (\$)}{\text{Quantity} (\#)}$$

- As quantity rises total cost per unit declines as fixed costs are spread across more units
- At very high volume total cost per unit approaches variable cost per unit
 - Fixed cost per unit $\rightarrow 0$

Effects of Fixed and Variable Costs on Cost per Unit



Fixed & Variable Marketing Costs

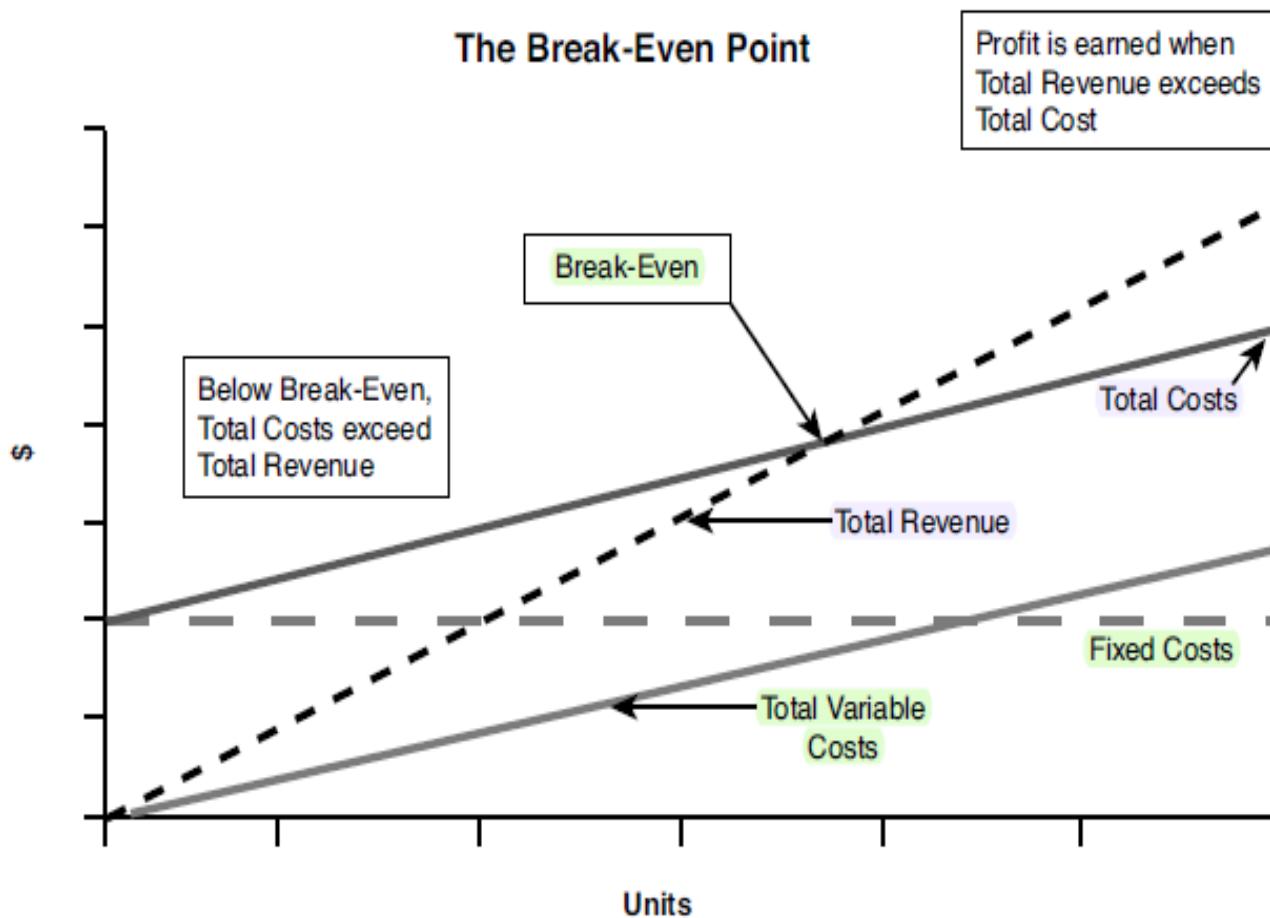
Examples of Fixed Costs (ATL)

- Salesforce salaries
- Advertising
- Marketing staff
- Point-of-purchase promotion materials
- Cooperative advertising allowances
- Agency Retainer fees

Examples of Variable Costs (BTL)

- Salesforce commissions
- Bonuses contingent on sales goals
- Performance allowances to trade
- Coupons & rebates
- Bill-backs for local campaigns conducted by retailers

Breaking Even



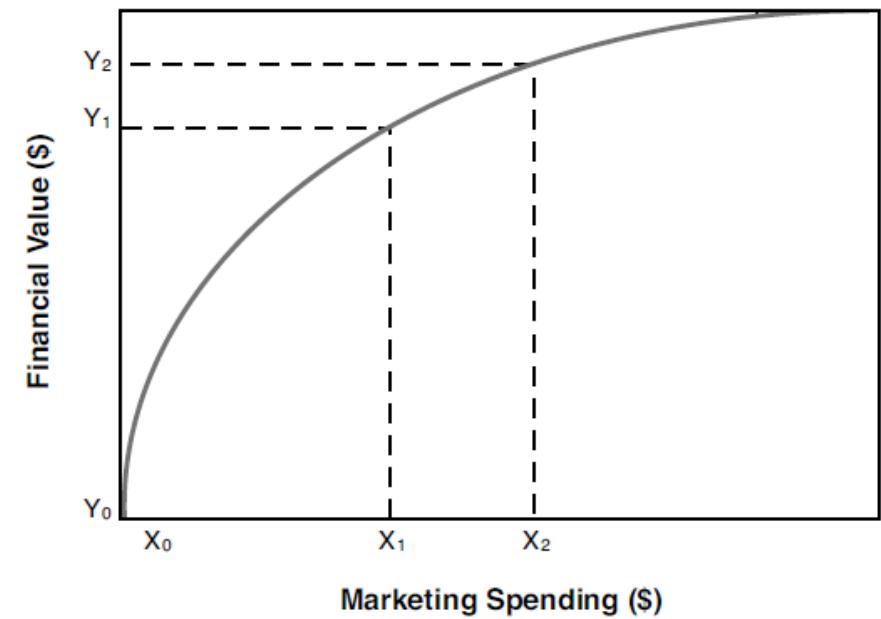
- **Break-even:** sales needed to cover total cost
- Profit at break-even is zero.
- **Break-Even Volume (#) =**
$$\frac{\text{Fixed Costs} (\$)}{\text{Contribution per Unit} (\$)}$$
- Post break even, margin = profit

Marketing: an expense or an investment?

- Accountants tend to consider marketing as an expense
 - They focus then on whether it is a necessary expense
 - Can it be cut?
 - Financial value = incremental sales
- However, marketers typically believe marketing activities generate lasting results
 - Incremental customer life time value
- If true much marketing may be an investment
 - But when?

Construction

- If we estimate a baseline firm financial value without marketing (Y_0) & have the actual firm financial value now with marketing (Y_2) we can calculate financial value attributable to marketing, $Y_2 - Y_0$
- Incremental value attributable to marketing can be “total” ($Y_2 - Y_0$)
- MROI (%) = $\frac{(Y_2 - Y_0) - X_2}{X_2}$
- Or value from a specific initiative ($Y_2 - Y_1$) costing $X_2 - X_1$
- Return on Incremental Marketing Investment:
$$\text{ROIMI} (\%) = \frac{(Y_2 - Y_1) - (X_2 - X_1)}{(X_2 - X_1)}$$



Optimize or saturate?

Customer Lifetime Value (CLV)

A Hypothetical Example to Illustrate CLV Calculations											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Number of Customers	100	90	80	72	60	48	34	23	12	6	2
Revenue per Customer		100	110	120	125	130	135	140	142	143	145
Variable Cost per Customer		70	72	75	76	78	79	80	81	82	83
Margin per Customer		30	38	45	49	52	56	60	61	61	62
Acquisition Cost per Customer	40										
Total Cost or Profit	-4,000	2,700	3,040	3,240	2,940	2,496	1,904	1,380	732	366	124
Present Value	-4,000	2,454.55	2,512.40	2,434.26	2,008.06	1,549.82	1,074.76	708.16	341.48	155.22	47.81

Cash burn

Marketing: Expense or Investment

- CEO, Accounts tend to consider **marketing as an expense**
 - When driving P&L
 - They focus then on whether it is a necessary expense
 - Can it be cut?
- Investors, marketers believe marketing activities generate **lasting results**
 - When driving valuation
 - Hence, cash burn is ok
 - But when is marketing a good investment?

Thank you

