Startup 101
Session 5

Energizer

Idea Generation Moment

What is something that bothered you last week or something you wanted?

Finding a nice place to work from with nice food

Any complaints / wishes of your friends, family any other...?

Finding great local food if you are not from Dar es Salaam

Buying items which are only in Dar and sending the to Arusha

Why is this (product/service) hard to get?

Buying internet as a tourist when you don't understand Swahili

Why is this (product/service) expensive?

Finding a place to stay in Dar

Why is this (product/service) poor quality?

Customer Care / Service in Restaurants / Hotels / Supermarkets

Why is noone doing...?

Value addition to Cashew Nuts for export

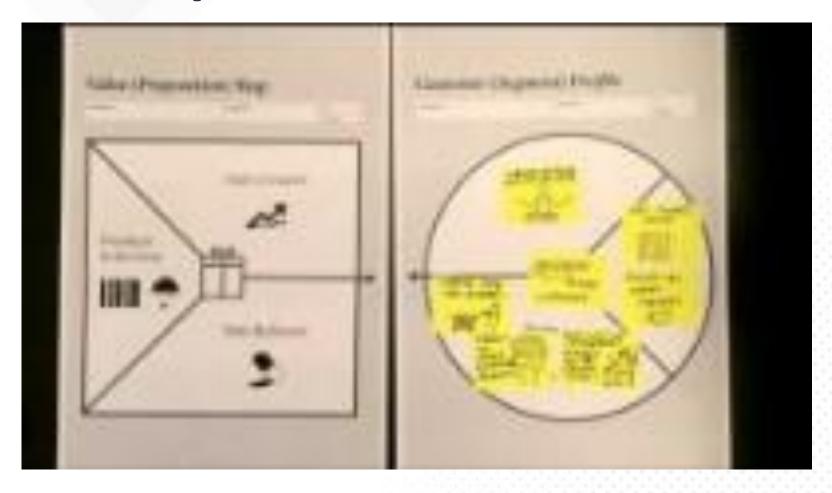**Reflect on all these problems… which ones could be a business opportunity?**
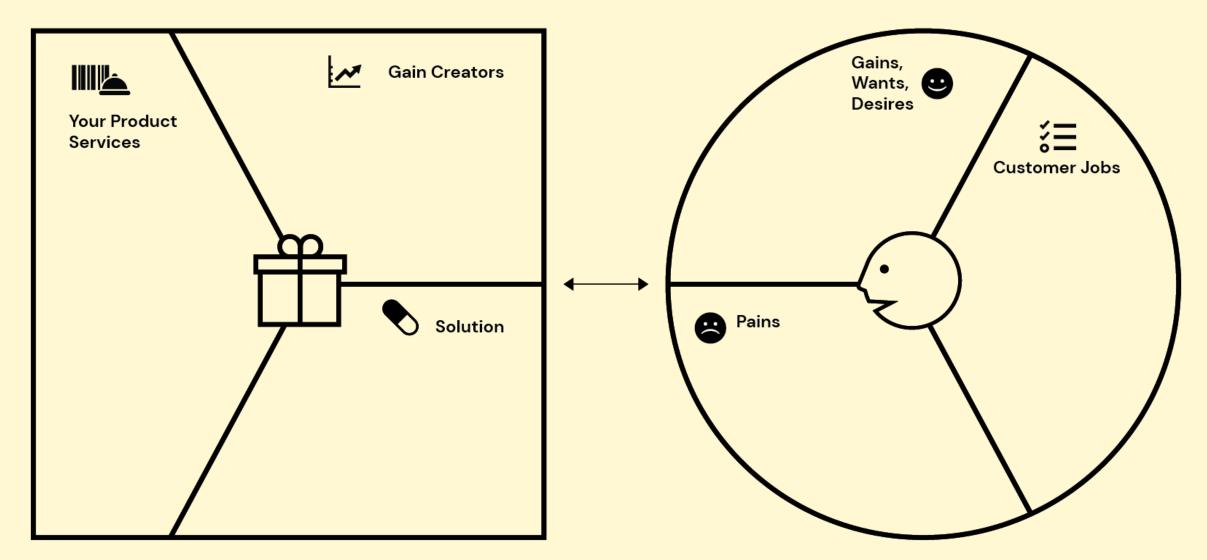
Write them down.

Presentations

Value Proposition Canvas

Value Proposition Canvas

Value Proposition Canvas

Your Product Services

Gain Creators

Solution

Gains, Wants, Desires

Customer Jobs

Pains

Business Models

Enterprise

Sell large fixed-term contracts to big companies

PRIMARY METRICS:

•**Bookings:** Total *signed* contract value (recurring + non-recurring)

•**Revenue:** Recognized when delivering on the contract

•**Total Customers:** Total number of contracted customers up to date

TAKEAWAYS:

•Bookings are not revenue

•Very few customers, much larger deals

•Growth driven by direct sales

•Usually long sales cycles, with many gatekeepers

SaaS (Software As A Service)

Cloud-based subscription software

PRIMARY METRICS:

- **Monthly Recurring Revenue (MRR)**

- **Annual Recurring Revenue (ARR)**

- **Gross MRR Churn:** Total Recurring Revenue lost in a Month

- **CAC:** Costs to acquire a new customer

TAKEAWAYS**:**

- It has all the benefits of recurring revenue

- Usually sold to businesses, ideally on annual contracts

- Growth can be driven by direct sales

Subscription

Product or service sold on a recurring basis, usually to consumers

PRIMARY METRICS:

- **Monthly Recurring Revenue (MRR)**
- **CMGR:** Growth Rate measured Monthly
- **Gross User Churn:** Total lost customers weekly/monthly etc
- **CAC:** Costs to acquire a new customer

TAKEAWAYS:

- Recurring revenue is the most valuable revenue
- Usually sold to consumers, often paying monthly
- Usually lower price points, from a higher volume of customers
- Growth driven by scalable, self-serve acquisition channels

Transactional

Facilitate transactions and take a cut

PRIMARY METRICS:

•**Gross Transaction Value (GTV):** Total payment volume transacted

•**Net Revenue:** Fees charged for transactions (often a %)

•**User Retention:** % of month 1 customers that make a purchase in month 2, etc

CAC: Costs to acquire a new customer

TAKEAWAYS:

•Usually fintech and payments businesses

•One-time transactions rather than recurring

•Often high volume with a low fee (1-3% is common)

•Best transactional businesses have extremely consistent revenue from high repeat usage

Marketplace

Facilitate transactions between buyers and sellers

PRIMARY METRICS:

- **Gross Merchandise Value (GMV):** Total sales volume transacted
- **Net Revenue:** Fees charged for transactions (often a % take rate)
- **Net Revenue CMGR**
- **User Retention:** % of month 1 customers that make a purchase in month 2, etc
- **CAC:** Costs to acquire a new customer

TAKEAWAYS:

- Need to scale supply and demand at the same time
- Network effects at scale drive exponential growth
- When they work, often become dominant winner-take-all winners

E-commerce

Sell products online

PRIMARY METRICS:

•**Monthly Revenue:** Total sales

•**Revenue CMGR:** Measured weekly or monthly

•**Gross Margin/Unit Economics:** Revenue – Cost of Goods Sold (COGS)

•**CAC:** Costs to acquire a new customer

TAKEAWAYS:

•Involves Direct-to-Consumer(D2C) types of bsuinesses

•Not marketplaces, so you keep 100% of each sale

•Higher cost of products may lead to lower margins

•Products often commoditized

•Need to be excellent at user acquisition and operations/unit economics

Advertising

Sell ads to monetize free users

PRIMARY METRICS:

•**Daily Active Users (DAU):** Unique users active in a 24 hour period

•**Monthly Active Users (MAU):** Unique users active in a 28 day period

•**Percent Logged In:** % of monthly active users over all users in a month

TAKEAWAYS:

•Typically consumer social products with huge scale

•Customer is the advertiser, not the end user

•Users are the product being sold

•Need billions of impressions each month

•Registered Users is a vanity metric

Hardware

Sell physical devices to consumers or businesses

PRIMARY METRICS:

• **Monthly Revenue:** Total sales

• **Revenue CMGR:** Measured weekly or monthly

• **Gross Margin/Unit Economics:** Revenue – Cost of Goods Sold (COGS)

• **CAC:** Costs to acquire a new customer

TAKEAWAYS:

• Includes Direct-to-Consumer(D2C) brands and Shopify stores

• Not marketplaces, so keep 100% of each sale

• Need to be excellent at user acquisition and operations/unit economics

Usage-based

Pay-as-you-go based on consumption in a given period

PRIMARY METRICS:

- **Monthly Revenue** (not recurring!)
- **Growth Rate**
- **Revenue Retention:** % of revenue from last month's customers in this month
- **Gross Margin:** Revenue – Cost of Goods Sold (COGS)

TAKEAWAYS:

- Don't confuse usage-based revenue with recurring revenue
- Charge per API request, # of records, data usage, etc
- Grow as your customers grow
- Product and pricing scale to support tiny startups to large enterprises

Check out

As a group, think through what business model your idea fits best in and add it to your next presentation