

# Previously on E&I...

An introduction to marketing plans

# A quick recap of Class 12

- ▶ An introduction to Product/Market fit
  - ▶ From Customer Validation to Customer Creation
- ▶ How to go from a literal description to a numeric estimation
  - ▶ Input: (Properly specified) Customer profiles
  - ▶ Output: Sales and production goals.
- ▶ Four steps
  - ▶ From profiles to populations
  - ▶ TAM
  - ▶ SAM
  - ▶ Target.

# A quick recap of Class 12

- ▶ Marketing Plan: A detailed list of all the actions necessary to win and keep your customers
  - ▶ Action oriented, short, measurable, perishable.
- ▶ It includes six main components
  - ▶ Diagnose
  - ▶ Goal
  - ▶ Mix/Strategy
  - ▶ “Sub goals”, leads, prospects (the funnel)
  - ▶ Measurement actions
  - ▶ A budget
- ▶ Two models to formulate your strategy: 4Ps, USP.

# Homework time!

- ▶ Each group presents their
  - ▶ Marketing Plan
  - ▶ Valuation

# ENTREPRENEURSHIP AND INNOVATION

**Class 13 - The Entrepreneurial Life cycle and its  
Funding Models**

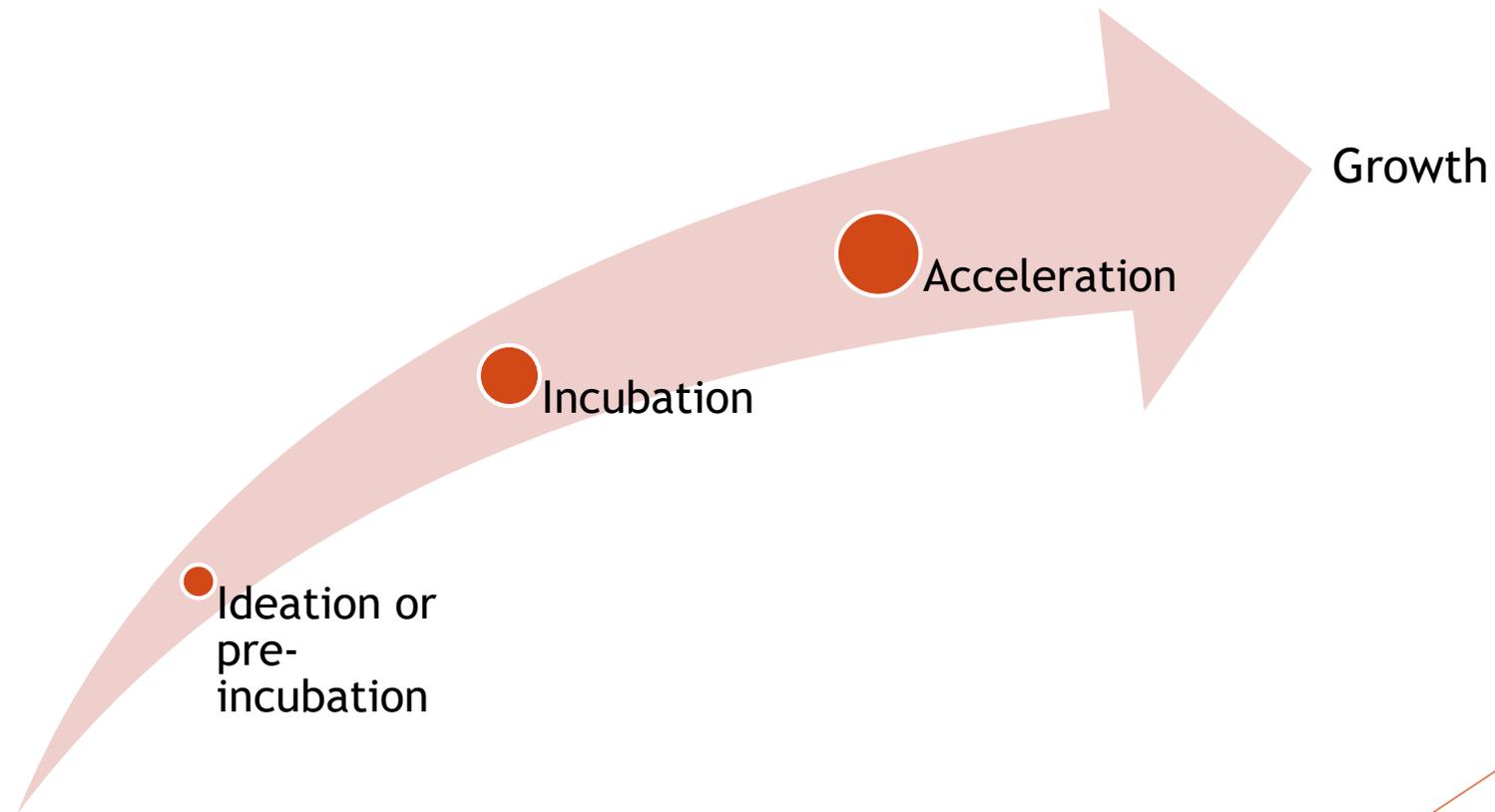
Javier A. Rodríguez-Camacho, Ph.D.

Pontificia Universidad Javeriana in Bogotá, Spring 2018

# The funding source and amount a new venture requires depends on its maturity level

So does who can provide it and what they will demand in exchange.

# Typical stages of the entrepreneurial life cycle



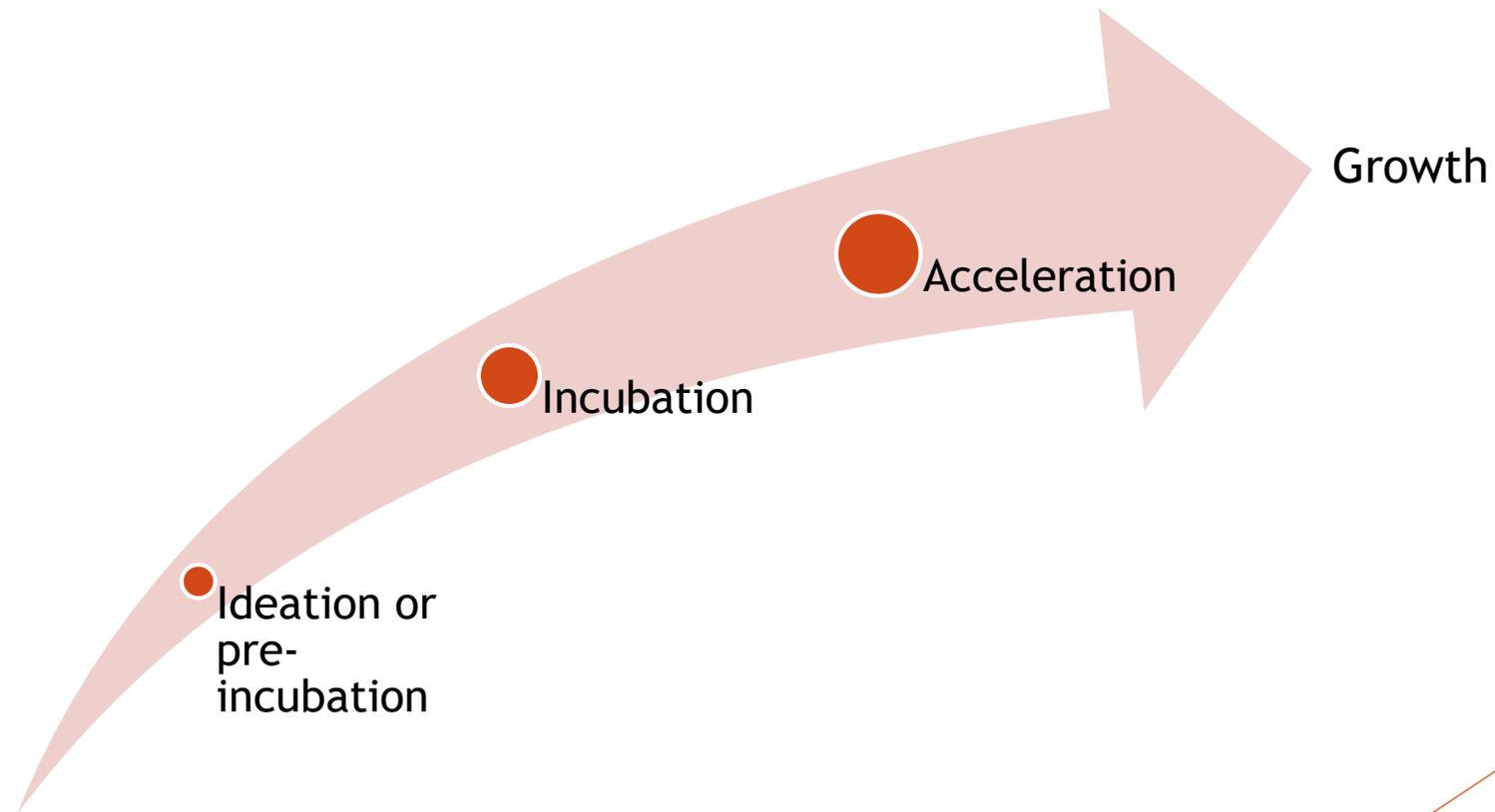
# Ideation or Pre-Incubation

- ▶ Business opportunity definition
- ▶ Basic research: competitive
- ▶ Solution/Product
- ▶ Value Proposition Formulation



Primera  
Entrega

# Typical stages of the entrepreneurial life cycle



# Incubation

- ▶ Prototyping
- ▶ Primary and applied research: field work and development
- ▶ Business model generation
- ▶ Initial implementation and market tests
- ▶ Technological development towards escalation

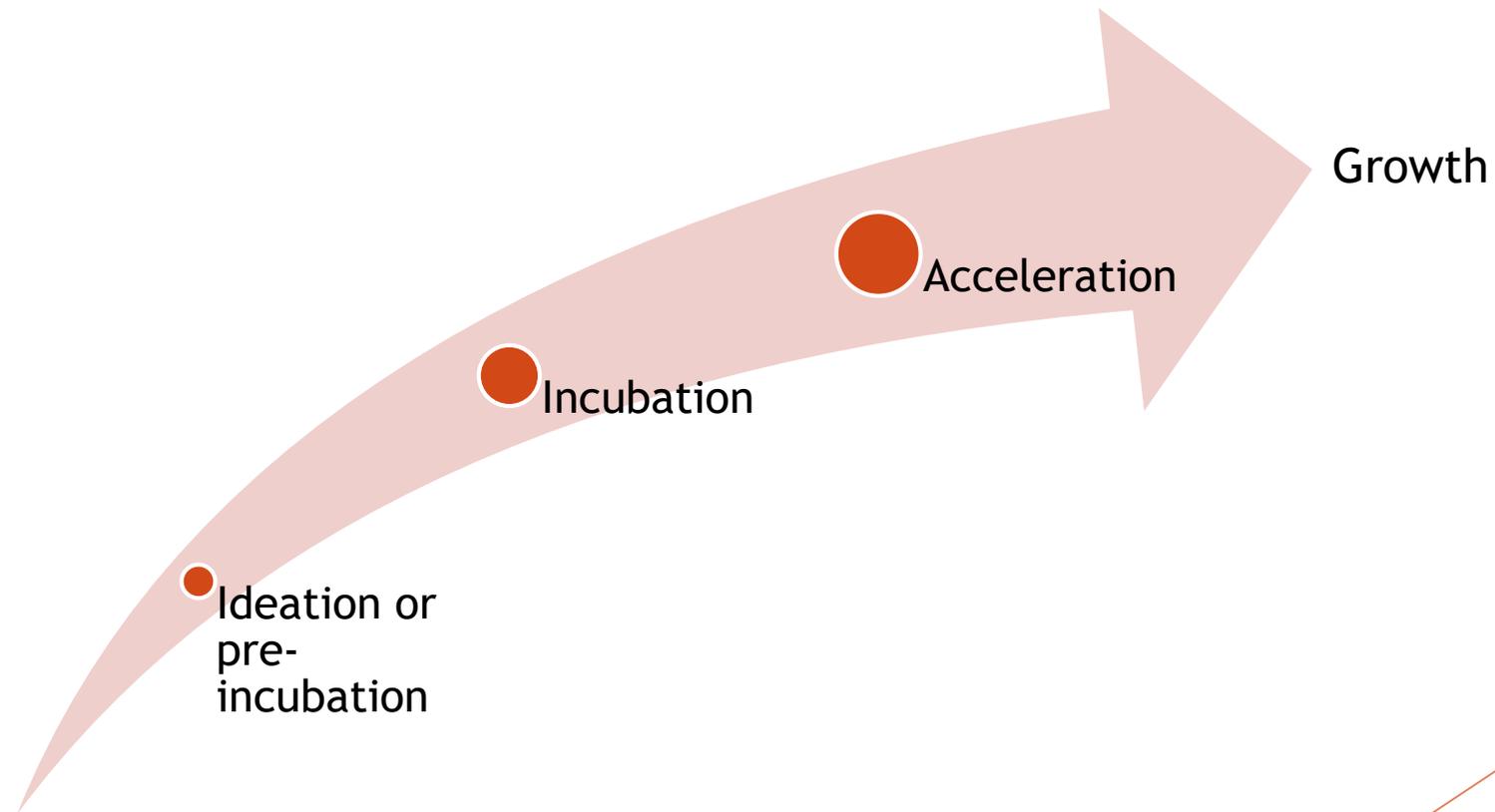
# Incubation

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Segunda  
Entrega

# Typical stages of the entrepreneurial life cycle

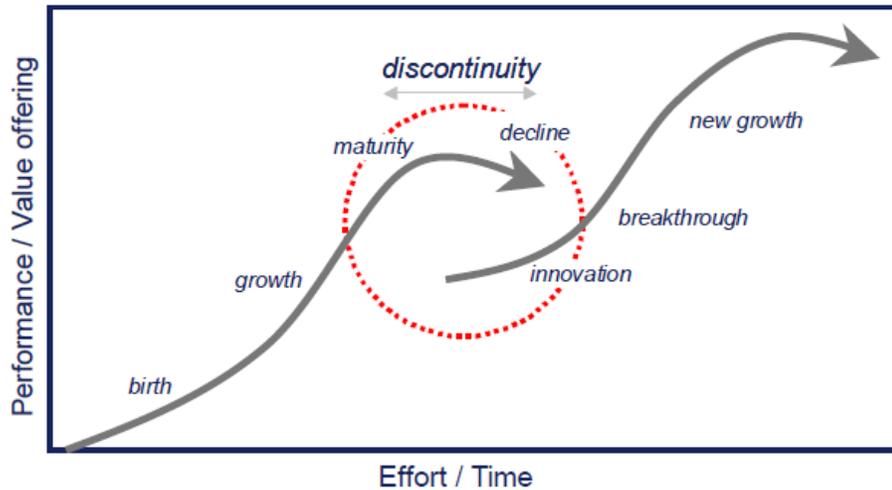


# Acceleration

- ▶ Scaling-up and manufacture/production development
- ▶ Promotional activation and logistic efforts
- ▶ Team and resource management
- ▶ Business model implementation
- ▶ Exit strategy (IPO, M&A, sale, licensing, market entry, etc.)

# Of course it is not a linear process

Pivots, iterations, and repetitions can take place at any point.  
The frontiers are blurry.



## FORMATION

Mission > Vision > Strategy

- Co-founder team formation
- What, to whom? & Why and how?

## VALIDATION

Lean Startup

Minimum Viable Product  
Validate / Iterate  
(or pivot)

## GROWTH

Scale Up

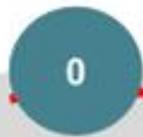
Establish &  
Strengthen



Problem / Solution Fit



Vision / Founders Fit



Product / Market Fit



Business Model / Market Fit



### Ideating

Entrepreneurial ambition and/or potential scalable product or service idea for a big enough target market. Initial idea on how it would create value. One person or a vague team; no confirmed commitment or no right balance of skills in the team structure yet.

### Concepting

Defining mission and vision with initial strategy and key milestones for next few years on how to get there. Two or three entrepreneurial core co-founders with complementary skills and ownership plan. Maybe additional team members for specific roles also with ownership.

### Committing

Committed, skills balanced co-founding team with shared vision, values and attitude. Able to develop the initial product or service version, with committed resources, or already have initial product or service in place. Co-founders shareholder agreement (SHA) signed, including milestones, with shareholders time & money commitments, for next three years with proper vesting terms.

### Validating

Iterating and testing assumptions for validated solution to demonstrate initial user growth and/or revenue. Initial Key Performance Indicators (KPIs) identified. Can start to attract additional resources (money or work equity) via investments or loans for equity, interest or revenue share from future revenues.

### Scaling

Focus on KPI based measurable growth in users, customers and revenues and/or market traction & market share in a big or fast growing target market. Can and want to grow fast. Consider or have attracted significant funding or would be able to do so if wanted. Hiring, improving quality and implementing processes

### Establishing

Achieved great growth, that can be expected to continue. Easily attract financial and people resources. Depending on vision, mission and commitments, will continue to grow and often tries to culturally continue "like a startup". Founders and/or investors make exit(s) or continue with the company.

# And what about funding?

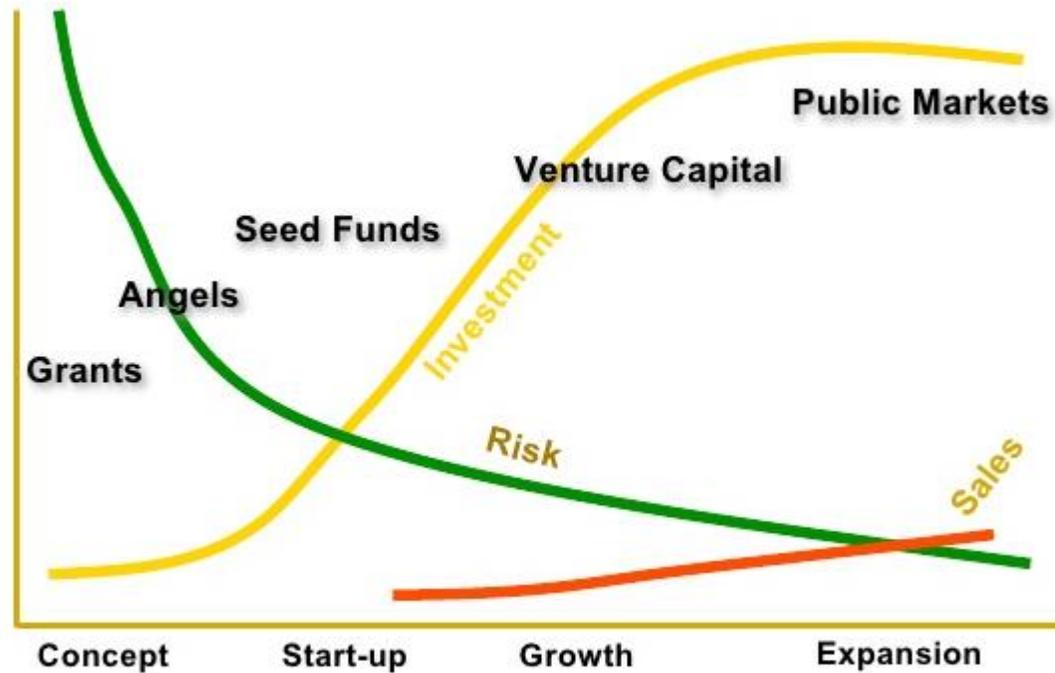


# What did you learn about start up funding?

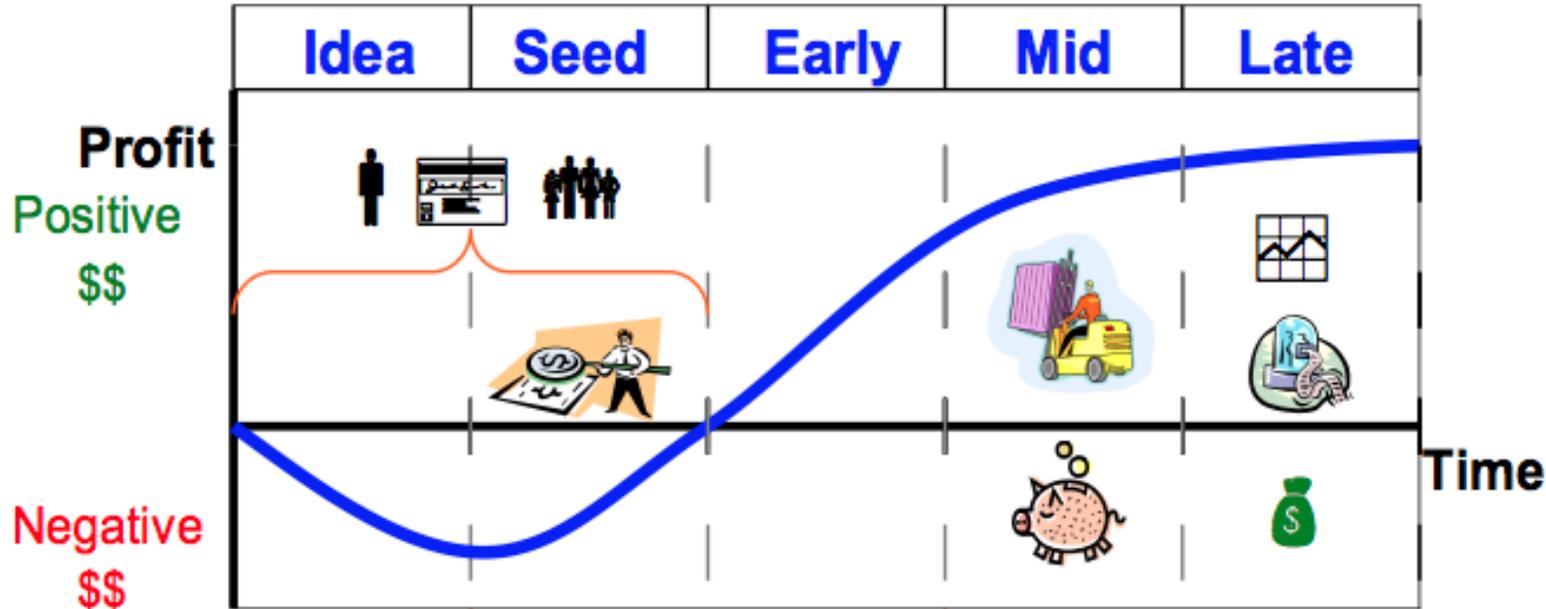
- ▶ Flipped classroom 10 and beyond...

# The life cycle in terms of risk and capital

## The Financing Life Cycle



# Start-up Life Cycle



Legend							
	Personal Savings		Angels		Bank Loans		Institutional Investors
	Credit Cards		Gov. Grants & Loans		Loans Against Inventory		Stock Market
	Family & Friends		Business Incubator Investment		Venture Capital		IPO
	Microfinance						

# Seed funding

- ▶ It comprises the 4Fs, crowdfunding, grants, your own capital (bootstrapping), founders' savings, and business angels
- ▶ Involves the first two round of funding at the most
- ▶ It can demand immediate monetary return or wait until the venture is ready for the next rounds of funding
- ▶ It covers the: ideation, research (technical and market), design and development of the prototype, and the business plan formulation.

# The 4 Fs

▶ Friends

▶ Family

▶ Followers

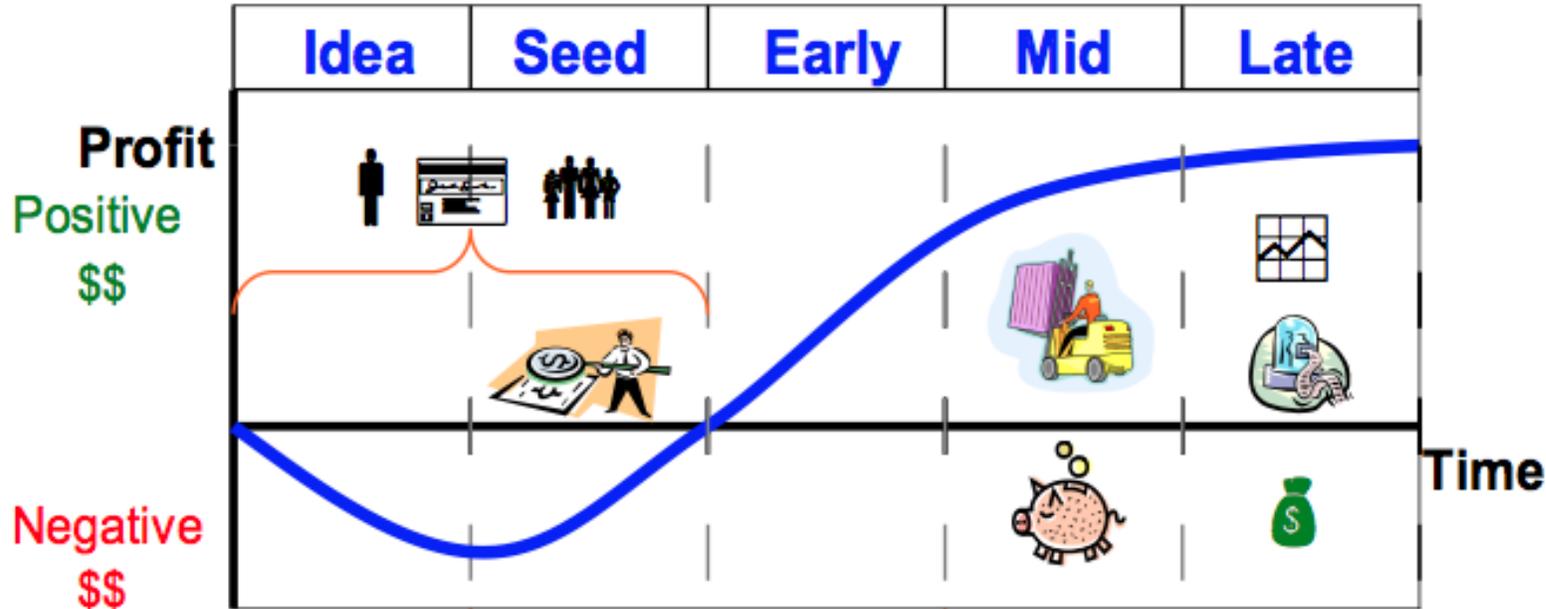
▶ Fools



# What is a Business Angel?

- ▶ *Business Angel*: Individuals who provide capital (and sometimes mentoring) to startups and new ventures, usually in exchange of equity.
- ▶ The money often comes from their own pockets.
- ▶ It usually sticks to the first or second round of funding, at the most.
- ▶ They support different sectors, which they may know.
- ▶ There are no min or max ammounts, but they generally go above what you can get from the 4Fs.
- ▶ They expect returns from 15 to 30 times what was invested.

# Start-up Life Cycle



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# Redes de Ángeles Inversionistas en LA

- ▶ Angels Nest
- ▶ Angel Ventures
- ▶ Red de Ángeles Inversionistas
- ▶ Enlaces
- ▶ Angel Investment Network
- ▶ Base de datos de la IESE

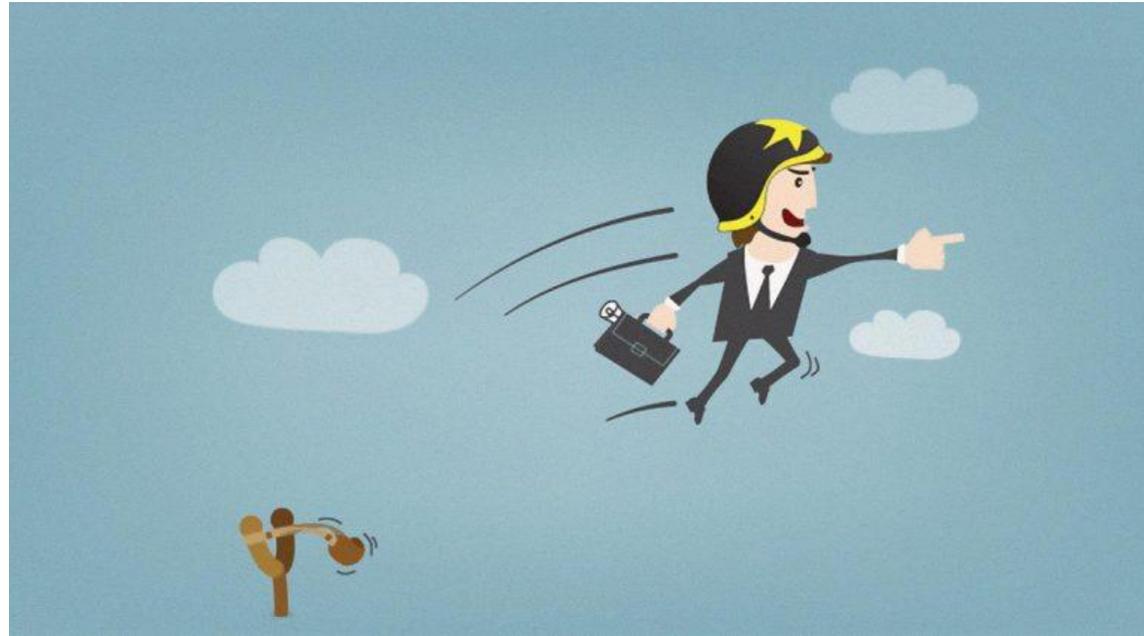


# What is an Accelerator?

- ▶ Institutions that help a startup grow, learn, and connect with experts and investment networks.
- ▶ They provide support and guidance (usually coaching in terms of marketing, sales, and management)
- ▶ They reduce the initial cost of creating a new venture
- ▶ They provide capital and/or (physical) resources
- ▶ They are usually profit-oriented, public, private or mixed
- ▶ Some are specific to a region or market/industry
- ▶ “They are a business school where you learn by working on your own venture.”

# Aceleradoras en LA

- ▶ Wayra Telefónica
  - ▶ De \$ 10,000 a \$50,000 a cambio de 5-10% participación
- ▶ SEED (Brasil)
- ▶ Startup Chile
- ▶ NXTP Labs
- ▶ Startup México
  
- ▶ Una lista
- ▶ Otra lista, con España



# What is an Incubator?

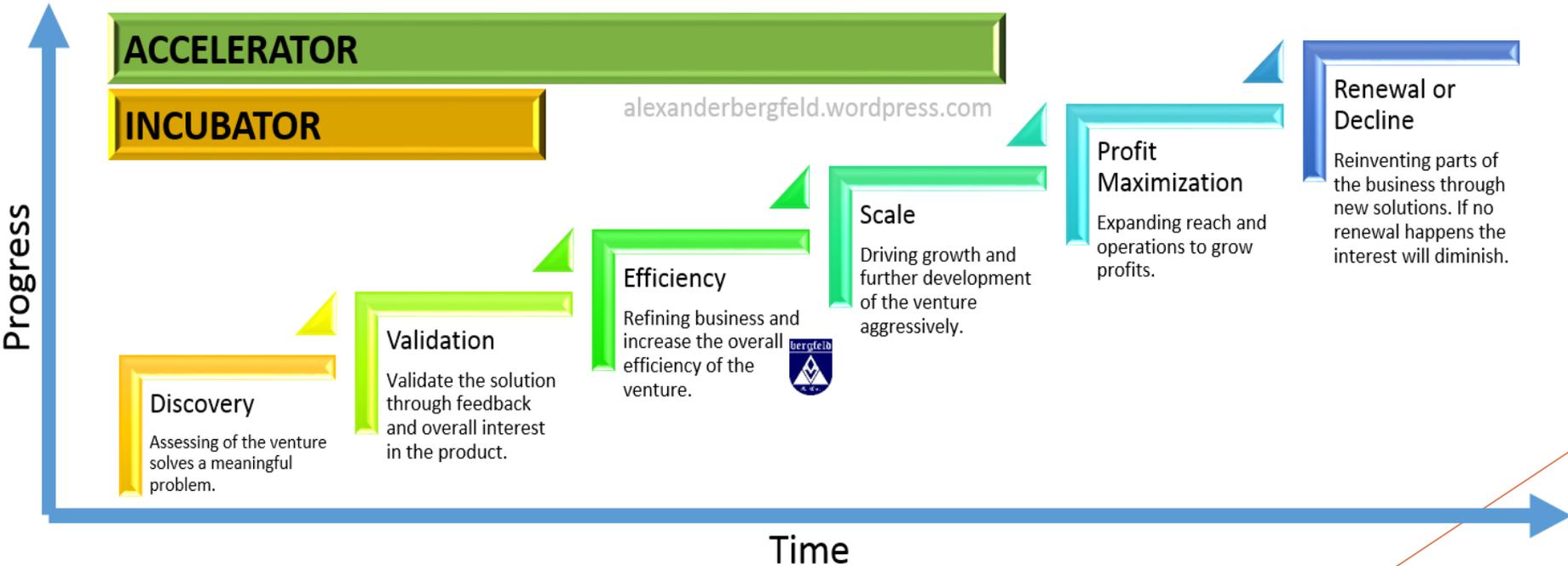
- ▶ It's an institution that offers support and coaching to an early startup.
- ▶ They handle smaller funds than accelerators or do not invest at all
- ▶ They can be part of an academic institution
- ▶ They set no time limitations (Accelerator from 3 to 6 months)
- ▶ They are often part of networks and finish with a demo day, rueda de negocios or pitch that allows entrepreneurs to enter the acceleration stage.
  
- ▶ 70% of startups fail during their first year.
- ▶ 80% of startups who go through an incubator survive the first year.

# Incubadoras el LA

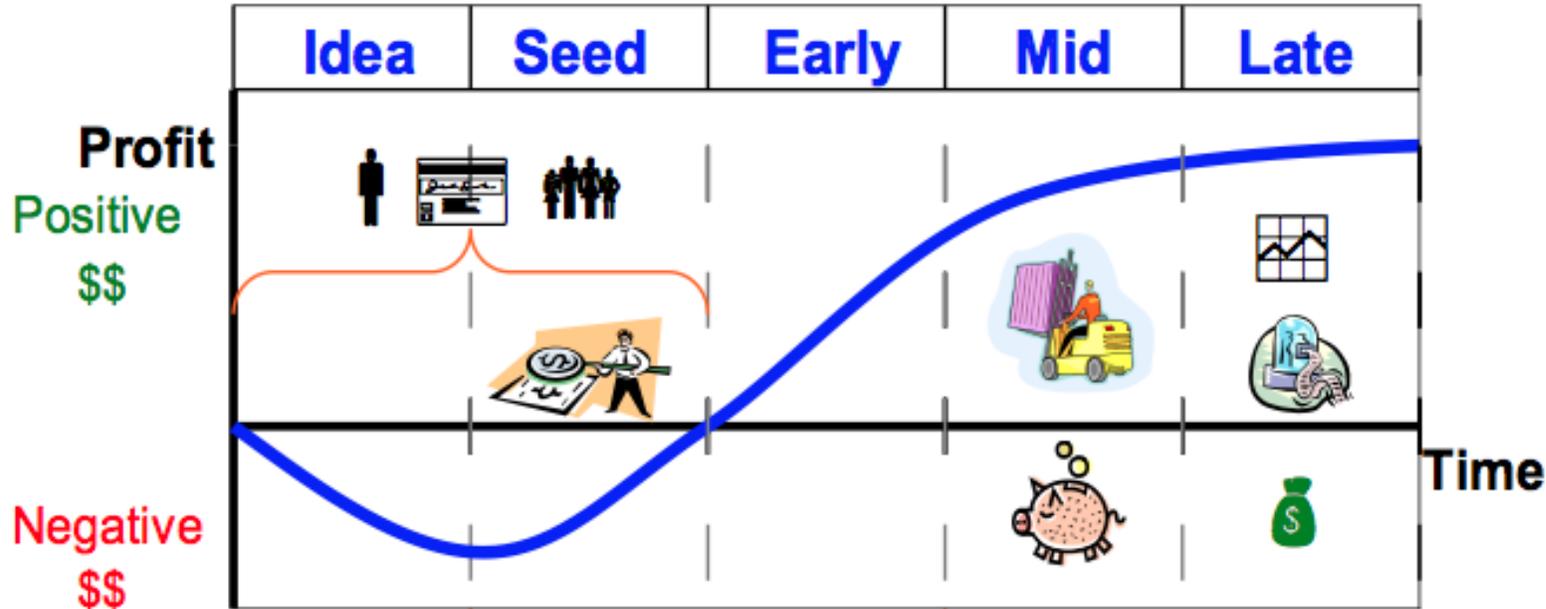
- ▶ Prácticamente las mismas que las aceleradoras, más algunas instituciones educativas o públicas
- ▶ [Incubar Colombia](#)
- ▶ [YLAI](#)
- ▶ [Espacio \(Medellín\)](#)
- ▶ [Una lista](#)



# Development stages of a startup



# Start-up Life Cycle



Legend							
	Personal Savings		Angels		Bank Loans		Institutional Investors
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# What are Venture Capital Funds?

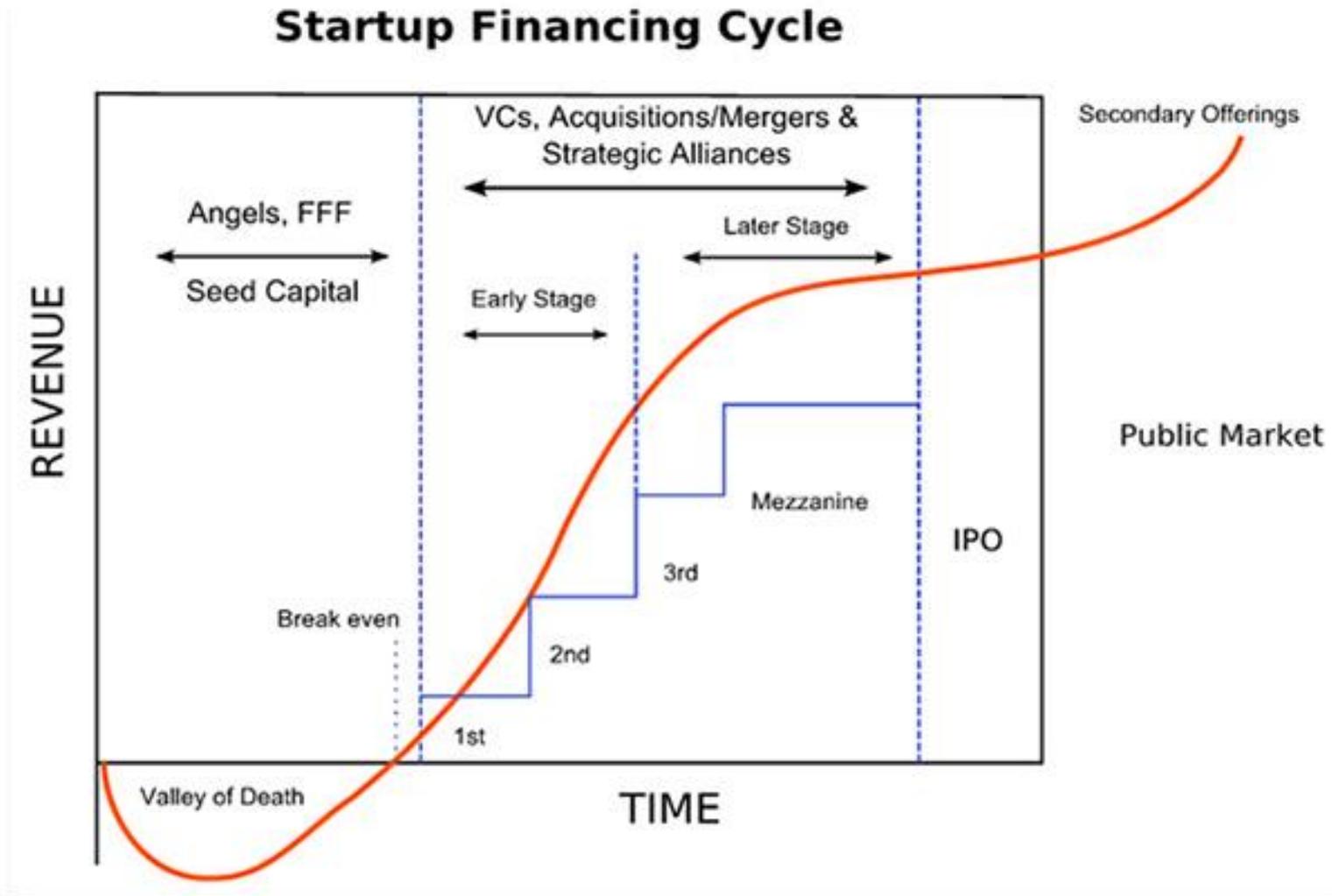
- ▶ *Venture Capital*: Private investment funds, usually collective and professionally run, which invest in growing startups.
- ▶ They offer capital exclusively in exchange for equity
- ▶ Their objective is to generate and maximize utility once the startup “exits”
- ▶ They handle wide and diverse investment portfolios
- ▶ They can participate in different funding rounds, but normally do so in the later ones

# Venture Capital en LA

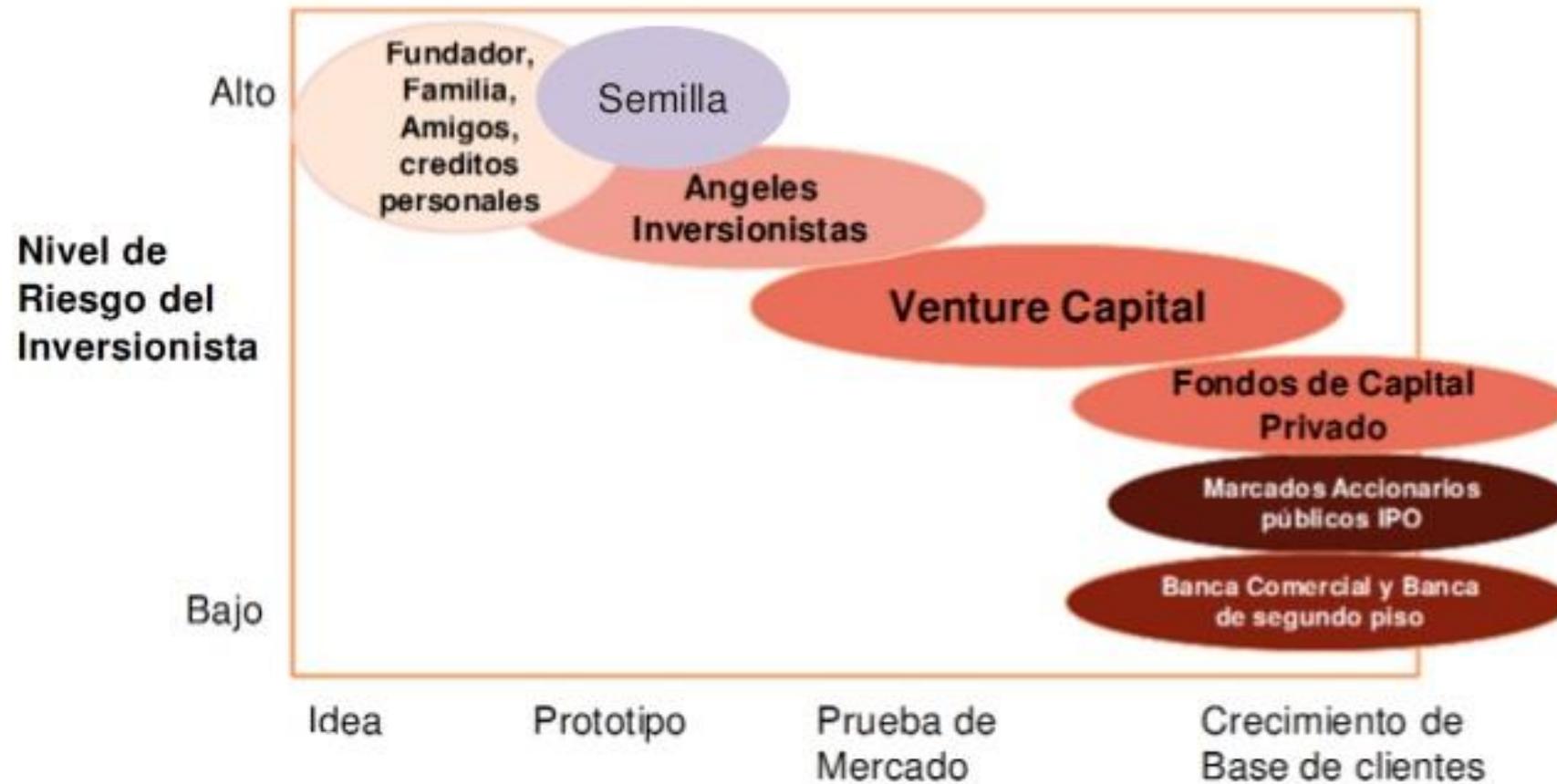
- ▶ KaSZek Ventures (Argentina)
  - ▶ Sector tecnológico, apoyo de aceleración también.
- ▶ Alta Ventures (México)
  - ▶ Internet, computación móvil, seguridad. Invierten de \$ 50,000 a \$ 10M. México.
- ▶ Latin Idea Ventures (México)
- ▶ InverSur Capital (Chile y Cono Sur)
- ▶ Alta Growth Capital (México y EE.UU. Para salud, educación y entretenimiento)
  - ▶ Facturar de \$10 a 100 M USD, México, invierten hasta \$ 20 M.



# Startup Life Cycle

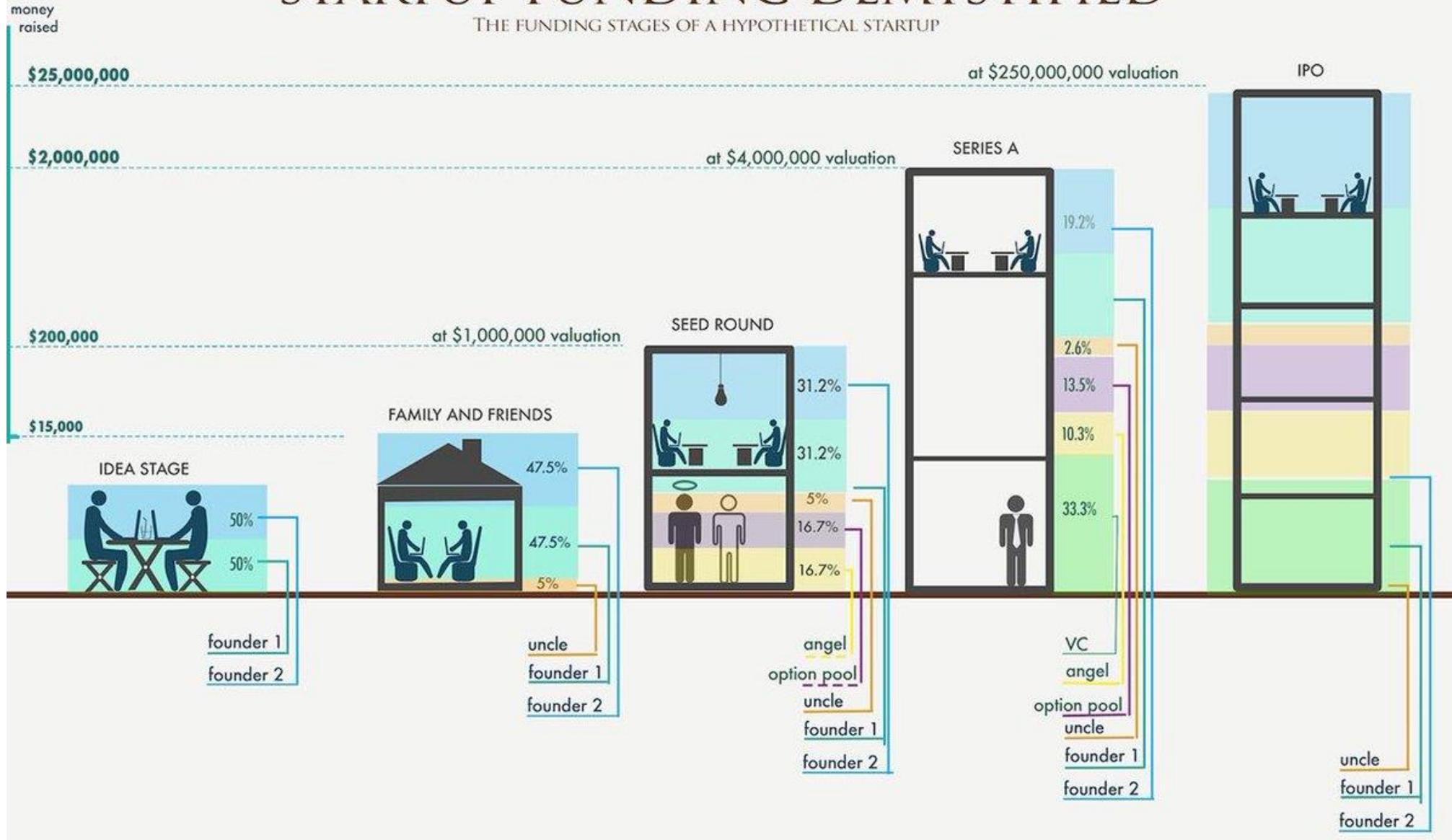


## Riesgo de Inversión por etapas del emprendimiento



# STARTUP FUNDING DEMYSTIFIED

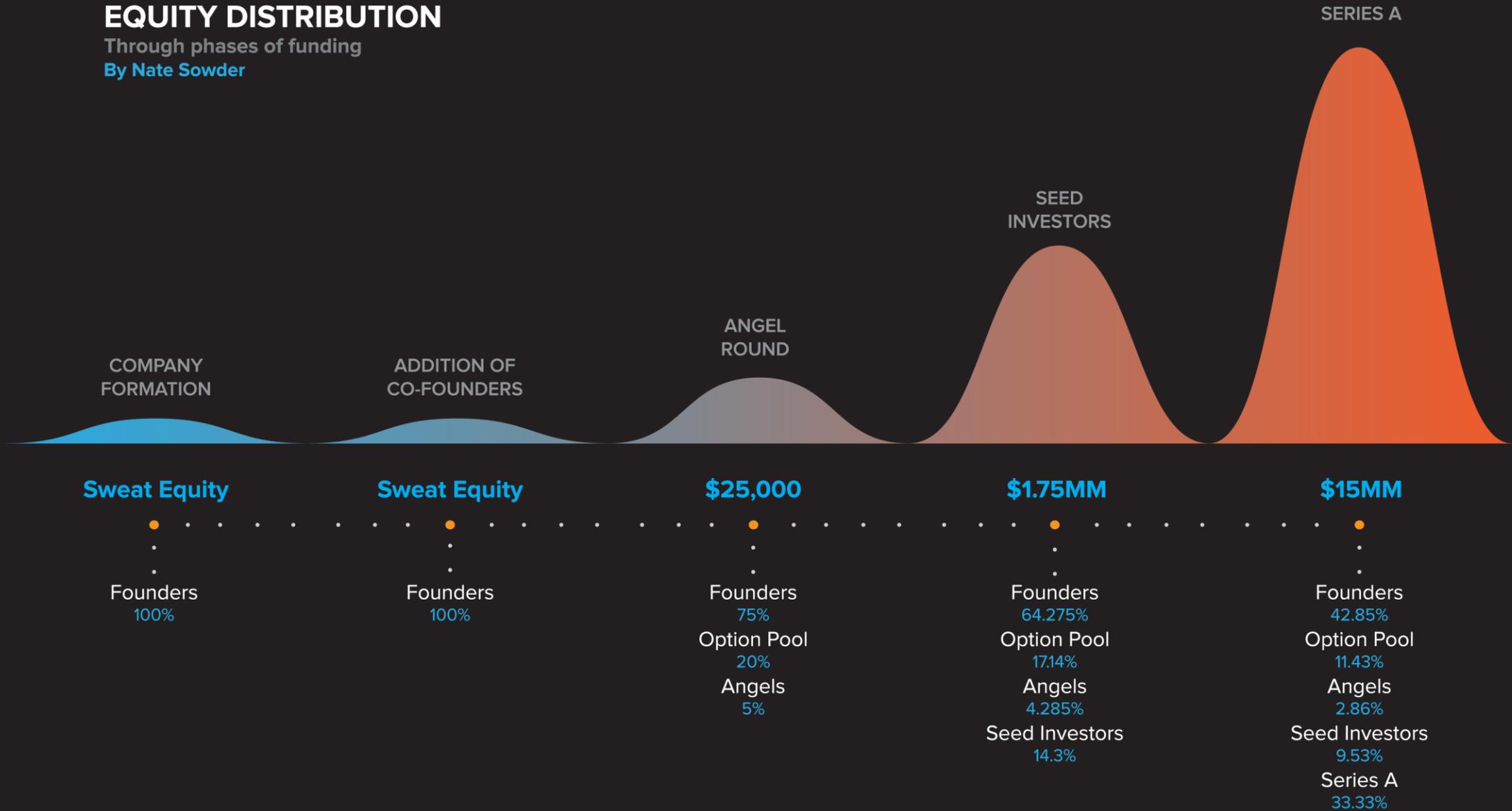
THE FUNDING STAGES OF A HYPOTHETICAL STARTUP



# EQUITY DISTRIBUTION

Through phases of funding

By Nate Sowder



# 3 MODELS OF CROWDFUNDING

BREAKDOWN OF CROWDFUNDING SITES WORLDWIDE

## Without sales

### Introduction

#### Models of Crowdfunding

- ▶ You can
- ▶ Or an
- ▶ Or a g
- ▶ Crow
- ▶ optio
- ▶ At lea

Donation

#### Rewards-Based

"Contributions are exchanged for current or future of goods or services."



#### Donation-Based

"When an individual, company or organization accepts charitable donations."



Investment

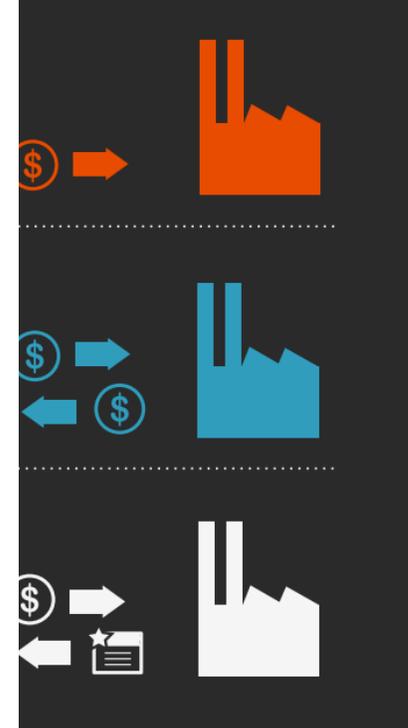
#### Lending-Based

"When a crowd lends money to an individual or company with the understanding that the loan will be repaid with interest."



#### Equity-Based

"Where the exchange is company equity, or ownership, and not goods or services."



Crowdfunding Insider, Entrepreneur.com

But can we really do it?

# You bet!

- ▶ 500 Startups abre convocatoria en Latinoamérica para invertir hasta \$ 1.3 M
- ▶ There are periodical calls, globally:
  - ▶ Privadas (globales)
  - ▶ BID
  - ▶ Banco Mundial
  - ▶ Incubadoras y aceleradoras antes de lanzarse
  - ▶ Contests, etc.

# Classwork 8

- ▶ In your groups you have 10 minutes to complete the form, based on your own projects
- ▶ You will present the 11 points to the whole class



# Classwork 8

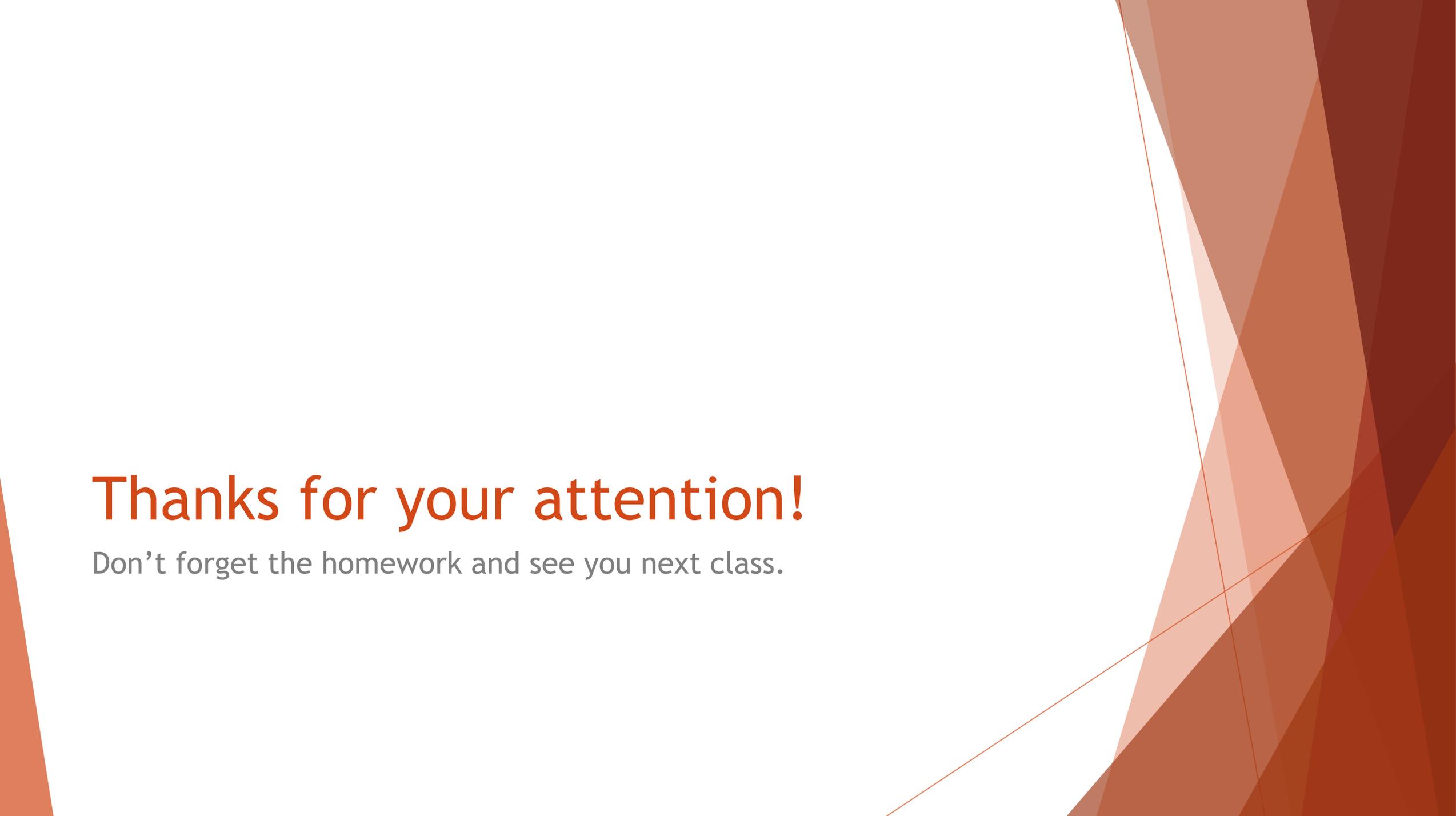
- ▶ In your groups you have 10 minutes to complete the form, based on your own projects
- ▶ You will present the 11 points to the whole class

# Classwork 9

- ▶ In your groups, you have 15 minutes to get familiar with the spreadsheet
  - ▶ Cámara de Comercio tool kit for new ventures
- ▶ Fill it up with the information you have
- ▶ You should take this, your budgets, to the finance monitor during this week
- ▶ Next class you will present your progress to the whole class.

# Homework

- ▶ Get your financial plan checked with the financial expert (monitora)
- ▶ Complete Classwork 8's form with as much detail as you can.



# Thanks for your attention!

Don't forget the homework and see you next class.