

**Carnegie
Mellon
University**
Center for
Innovation and
Entrepreneurship

Entrepreneurship 101

Fall 2016



CARNEGIE MELLON®

GRADUATE ENTREPRENEURSHIP

CLUB

What Is A Startup

“A human institution designed to deliver a new product or service under conditions of extreme uncertainty.”

-Eric Ries

“The pursuit of opportunity ... without regard to resources currently controlled.”

-Howard Stevenson/Jack Thorne

“Insane perseverance in the face of constant rejection.”

-Jack Thorne



Different Flavors Of Entrepreneurship

Lifestyle / Small Products



Small Businesses
Not At Scale



High Growth



RoBotany



Ent. In Organizations



Ent. Thru Acquisition

Search Funds
Small Bus. Acquisition

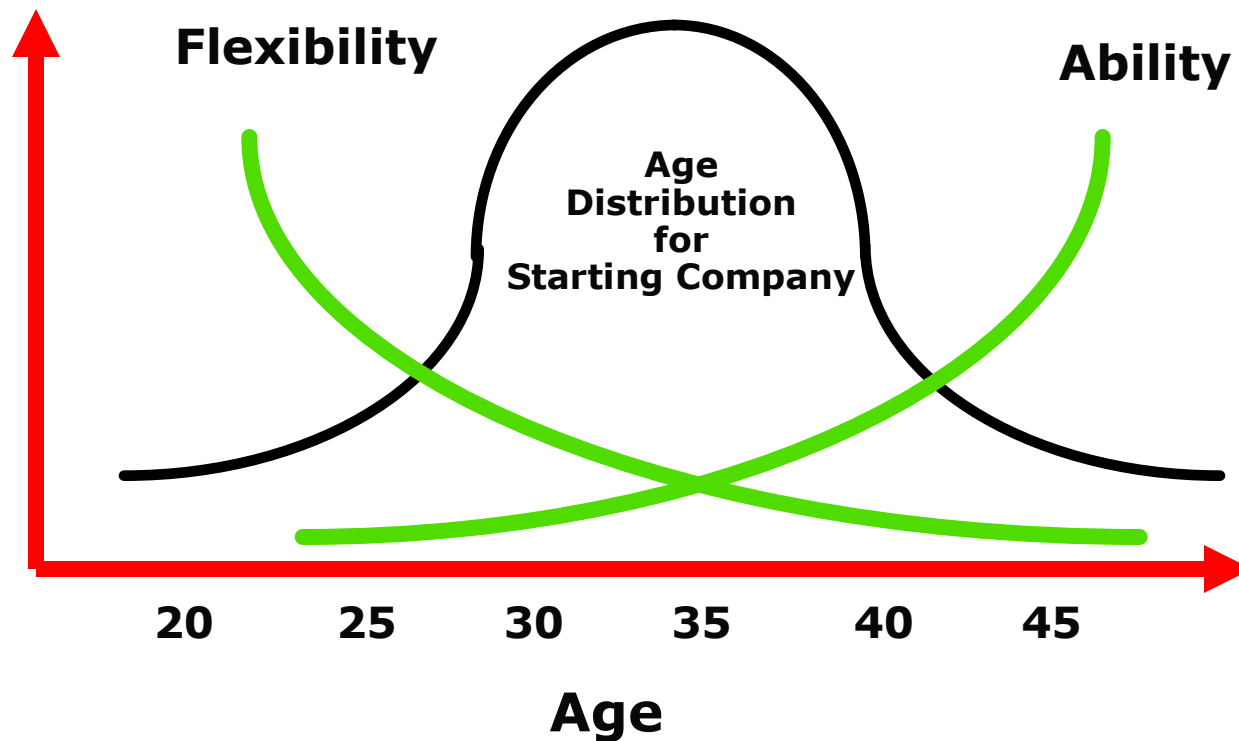


FIVE GUYS
BURGERS and FRIES



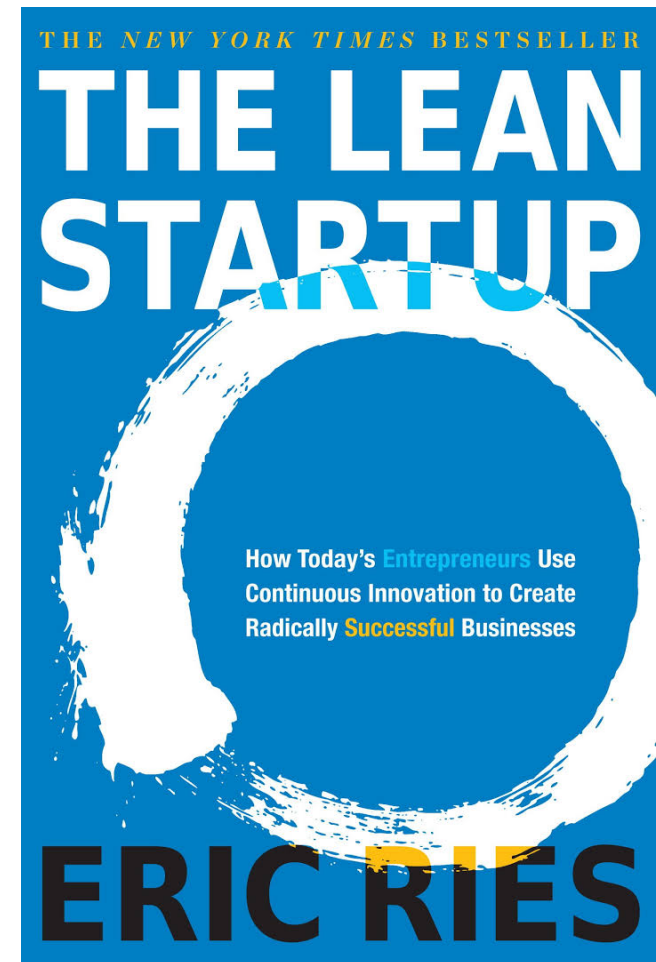
Who Is An Entrepreneur

- ▶ The truth is: Everyone is and can be an entrepreneur



How To Start A Startup

- ▶ Observe and identify market needs (speak to people!)
- ▶ Build MVPs quickly to validate needs (Make sure the dog eats the dog food)
- ▶ Use metrics that measure your leap of faith assumptions



A Good Idea Has The Goodness Factor











The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

<h3>Key Partners</h3>  <p>Who are our Key Partners? Who are our Key Suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p>MOTIVATIONS FOR PARTNERSHIPS Optimization and economy Reduction of risk and uncertainty Acquisition of particular resources and activities</p>	<h3>Key Activities</h3>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams?</p> <p>CATEGORIES Production Problem Solving Platform/Network</p>	<h3>Value Propositions</h3>  <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p>CHARACTERISTICS Newness Performance Customization "Getting the Job Done" Design Brand/Status Price Cost Reduction Risk Reduction Accessibility Convenience/Usability</p>	<h3>Customer Relationships</h3>  <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p>EXAMPLES Personal assistance Dedicated Personal Assistance Self-service Automated Services Communities Co-creation</p>	<h3>Customer Segments</h3>  <p>For whom are we creating value? Who are our most important customers?</p> <p>Mass Market Niche Market Segmented Diversified Multi-sided Platform</p>																								
	<h3>Key Resources</h3>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p>TYPES OF RESOURCES Physical Intellectual (brand patents, copyrights, data) Human Financial</p>		<h3>Channels</h3>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p> <p>CHANNEL PHASES 1. Awareness How do we raise awareness about our company's products and services? 2. Evaluation How do we help customers evaluate our organization's Value Proposition? 3. Purchase How do we allow customers to purchase specific products and services? 4. Delivery How do we deliver a Value Proposition to customers? 5. After sales How do we provide post-purchase customer support?</p>																									
<h3>Cost Structure</h3>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p>IS YOUR BUSINESS MORE Cost Driven (lowest cost structure, low price value proposition, maximum automation, extensive outsourcing) Value Driven (focused on value creation, premium value proposition)</p> <p>SAMPLE CHARACTERISTICS Fixed Costs (salaries, rents, utilities) Variable costs Economies of scale Economies of scope</p>		<h3>Revenue Streams</h3>  <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <table border="0"> <tr> <td>TYPES</td> <td>FIXED PRICING</td> <td>DYNAMIC PRICING</td> </tr> <tr> <td>Asset sale</td> <td>List Price</td> <td>Hegotiation (bargaining)</td> </tr> <tr> <td>Usage fee</td> <td>Product feature dependent</td> <td>Yield Management</td> </tr> <tr> <td>Subscription Fees</td> <td>Customer segment dependent</td> <td>Real-time-Market</td> </tr> <tr> <td>Lending/Renting/Leasing</td> <td>Volume dependent</td> <td></td> </tr> <tr> <td>Licensing</td> <td></td> <td></td> </tr> <tr> <td>Brokerage fees</td> <td></td> <td></td> </tr> <tr> <td>Advertising</td> <td></td> <td></td> </tr> </table>			TYPES	FIXED PRICING	DYNAMIC PRICING	Asset sale	List Price	Hegotiation (bargaining)	Usage fee	Product feature dependent	Yield Management	Subscription Fees	Customer segment dependent	Real-time-Market	Lending/Renting/Leasing	Volume dependent		Licensing			Brokerage fees			Advertising		
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DESIGNED BY: Business Model Foundry AG
The makers of Business Model Generation and Strategyzer

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How To Start A Team

- ▶ #1 reason startups fail: Team issues
- ▶ Must have chemistry – Together every day for 3-5+ years
- ▶ Look for complimentary skills sets – Fill the gaps
- ▶ Trial periods – Test the waters
- ▶ Don't bake the equity pie too soon



Investor Types

Incubators / Co-Working Spaces



Accelerators



500
startups

Angels & Angel Groups



Venture Capital Firms



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HOROWITZ



Investment Terms To Know

- ▶ Equity and Convertible Debt Investment
 - Friends & Family
 - Pre-Seed
 - Seed
 - Series A
 - Series B
 - Series C
 - IPO
- ▶ Crowd Funding
- ▶ Liquidity Event / Exit (M&A Sale or IPO)

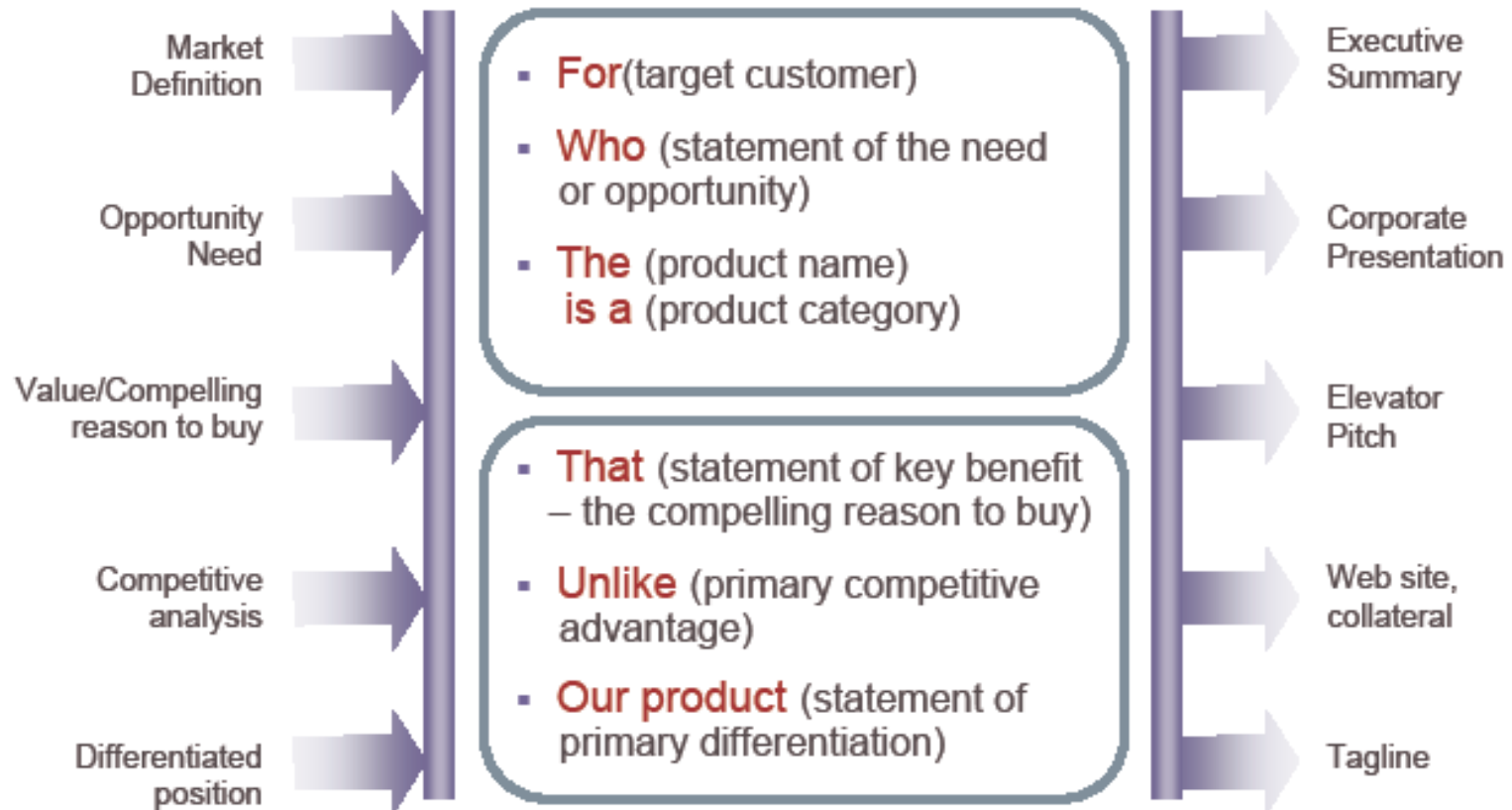


How To Pitch To Investors

1. Problem
2. Solution
3. Underlying Magic / Technology
4. Business Model
5. Market Size (TAM: Total Addressable Market)
6. Competition / Why You're Unique
7. Status and Timeline
8. Projections and Milestones
9. Team
10. Summary and Call to Action / Ask



How To Pitch To Everyone



Books To Read

- ▶ The Lean Startup (Eric Ries)
- ▶ Crossing the Chasm (Geoffrey Moore)
- ▶ Zero to One (Peter Thiel)
- ▶ The Hard Thing About Hard Things (Ben Horowitz)
- ▶ Venture Deals (Brad Feld and Jason Mendelson)
- ▶ Go to CONNECTS and Swartz Center Events!

