

TIM 80 C Lecture #6

(1) Vision & Mission Statements

(2) Business Goals

(3) Market Strategy

(1) Mission & vision statements

vision: how someone thinks the world is going to be

Mission statement: the company's role in realizing that ~~an~~ vision

Example: Microsoft

Bill Gates - mid '80s:

vision: a computer will be in every home and on every desk top

Microsoft's mission as a start-up:
every computer will run on a Microsoft Operating System

Parts of Mission Statements: (options)

- product to be offered
- Market
- Company Culture
- being profitable
- relationship to customers

② Business Goals

The business goals define the financial objectives of the startup

Key Goals:

(1) Revenue (\$): money from the sale of the product to customers

example of goals:

Year 1: no revenue

Year 2: \$ 1 M

Year 3: \$ 5 M

Year 4: \$ 25 M

(2) Revenue Growth (%): growth in revenue each year ("Year on year")

Example: (from 70 successful start-ups... IPO)

<u>Revenue</u>	<u>Growth</u>	
\$ 25 m	80% - 160%	
\$ 50 m	30% - 80%	
\$ 150 m	30% - 60%	start-up needs > 20%

compare: mature company: < 10% growth YoY

(3) Profits (\$) revenues - costs

costs: - costs of goods sold (COGS)
- operating costs

(3.a) Net income^(\\$): revenues - COGS

(4) Profit Margin(%): $\frac{\text{net income}}{\text{revenue}}$

examples:

Software as a
service: > 80%

Hardware < 50%

Apple's iPhone has a ~ 50% profit margin
How? - strong patents
- efficient supply chain

③ Market Strategy

Market strategy defines who (customers) the start-up will sell the product to in order to achieve the business goals.

Process for Creating a market strategy

- (1) Identify the industry/market that the start-up will operate in.
 - (a) broadly: consumer electronics, health care, pharmaceuticals
 - (b) narrow down: wearable tech, drones

- (2) Determine the total market size & growth rate (%)

Example:

consumer electronics	\$225B, 3%
wearable technology	\$5B, 30%

(3) Segment the market with respect to the following

(a) types of customers

examples: small businesses, consumers; government agencies, schools...

(b) type of products
(depends on market)

(4) For each customer type & product determine the market size (\$) and growth rate %.

- Market research
- estimations

(5) Decide which "cells" or segments of the revenue map to target and what share to try to capture.

Health
Monitors

Market Segment	size	share goal	revenue goal
college students	\$300m	5%	\$15 m
working professionals	\$500m	1%	\$5 m
			<hr/> \$20 m goal