TIM 80C Lecture #6

Vision & Mission Statements

(1) 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 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: $1M
- Year 3: $5M
- Year 4: $25M

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

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

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25M</td>
<td>80%–160%</td>
</tr>
<tr>
<td>$50M</td>
<td>30%–80%</td>
</tr>
<tr>
<td>$150M</td>
<td>30%–60%</td>
</tr>
</tbody>
</table>

(start-up needs >20% compare: mature company: <10% growth YOY)
(3) Profits ($): revenues - costs

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

(3.0) 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 & growth rate %.
   - Market research
   - Estimations

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

<table>
<thead>
<tr>
<th>Health</th>
<th>Monitors</th>
<th>Market</th>
<th>Segment</th>
<th>Size</th>
<th>Share goal</th>
<th>Revenue goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>College students</td>
<td>$300m</td>
<td>5%</td>
<td>$15 m</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working professionals</td>
<td>$500m</td>
<td>1%</td>
<td>$20 m goal</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>