



bright
ideas
challenge

www.brightideaschallenge.co.nz

Build The Solution

Strategy



Mark Clare

- Founding partner of boutique Wellington investment bank Woodward Partners – where, amongst other activities, they assist companies to raise capital.
- He is also the founder of Valuecruncher – an on-line application for valuing publicly listed companies
- Previously he has worked for Wellington-based venture capitalist Jenny Morel and for investment banks Cameron Partners and Citigroup.



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Mark Clare

Woodward Partners

“The Value Proposition”



What is a “Value Proposition”?

A value proposition is a clear statement of the tangible results that a customer gets from using your products or services.



Bad Value Propositions

- *The most technologically advanced...*
- *The most robust...*
- *We improve morale ...*
- *We offer*
- *Our product was rated...*
- **ANY USE OF THE WORDS synergy or strategic...**



**The best question that can
be asked about a value
proposition...**

So what?



Documented success stories make you believable to prospective buyers/investors.
But that is hard for start-up companies...



Good Value Propositions

- *Increased revenues.*
- *Decreased costs.*
- *Decreased employee turnover.*
- *Improved customer retention.*
- *Make dollars go further...*



Summary

1. Value proposition is important
2. Soft and furry – BAD
3. Hard (\$) – GOOD
4. The best question that can be asked “**SO WHAT?**” ...

David Moskvitz

- Chairman of WebFund, a private incubator/seed investment company here in Wellington
- With a degree in Computer Science from Berkeley, and a background in Systems
- Performance Analysis, Capacity Planning, Lexicography, and Internet Software Development, Dave is involved in a number of startups as director, investor, and/or advisor
- On the board of Angel HQ
- Recently elected to the Internet New Zealand Council
- Dave blogs about the local angel investment scene at nzangels.com



Business Models

Dave Moskovitz

Executive Chairman, WebFund

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WebFund engineers start-up success by cultivating ideas, people and resources as well as providing incubation, seed capital, strategic advice, governance, access to networks, technical know-how, and plenty of hard yakka.

Do you have what it takes to be our next investment?

A startup is an organization formed to search for a repeatable and scalable business model.

Steve Blank

What is a Business Model?

A map of your business, including

- ◆ How you add/create value
- ◆ Resources you use and consume
- ◆ What you're selling
- ◆ How / why your customers buy

How you make money

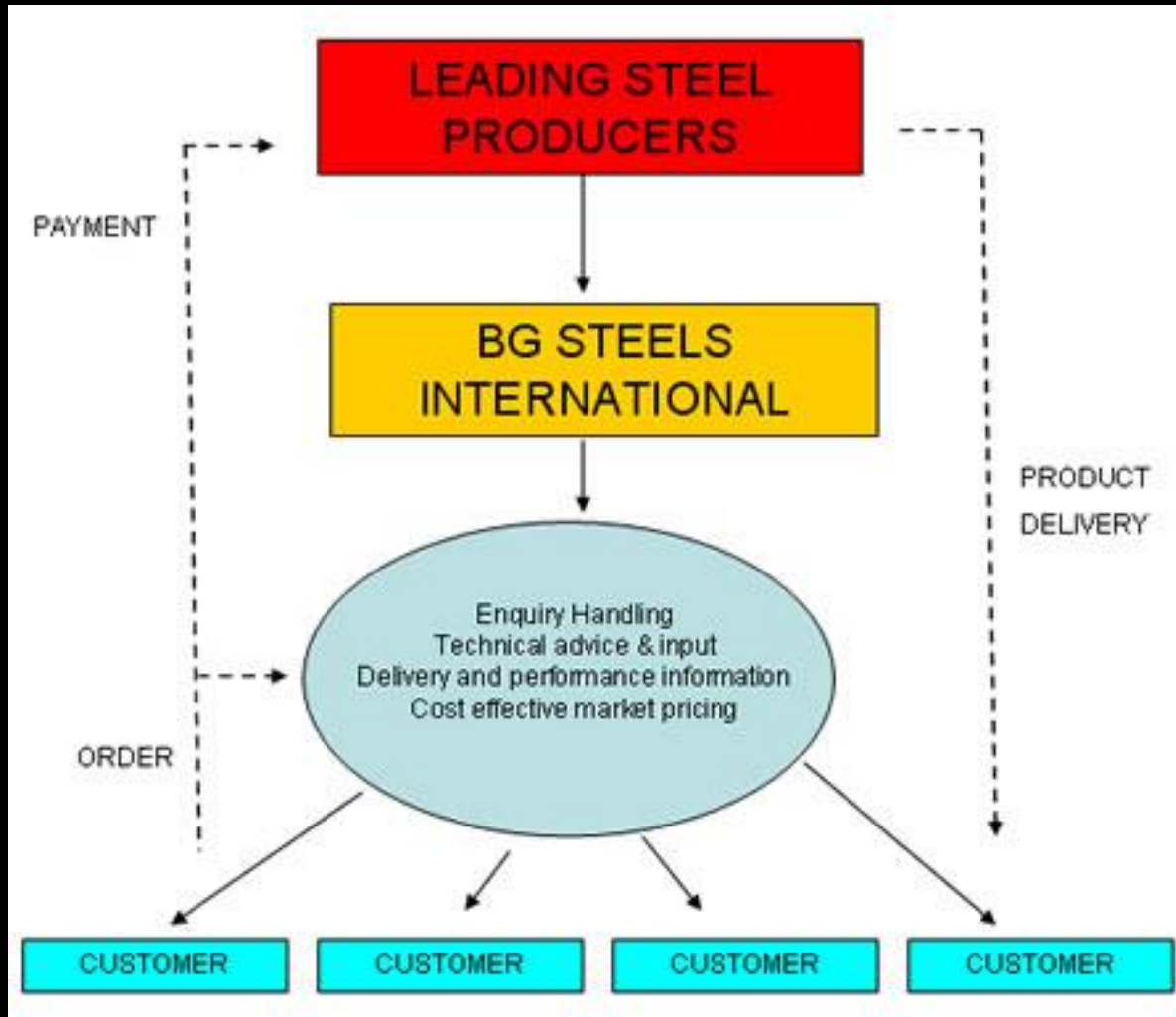
Things we like

- ◆ Repeatable
- ◆ Scalable
- ◆ Adaptable
- ◆ Globally applicable
- ◆ Viral
- ◆ Simple
- ◆ Unique (and ideally protectable)
- ◆ Low-weight or weightless
- ◆ Clear sales process

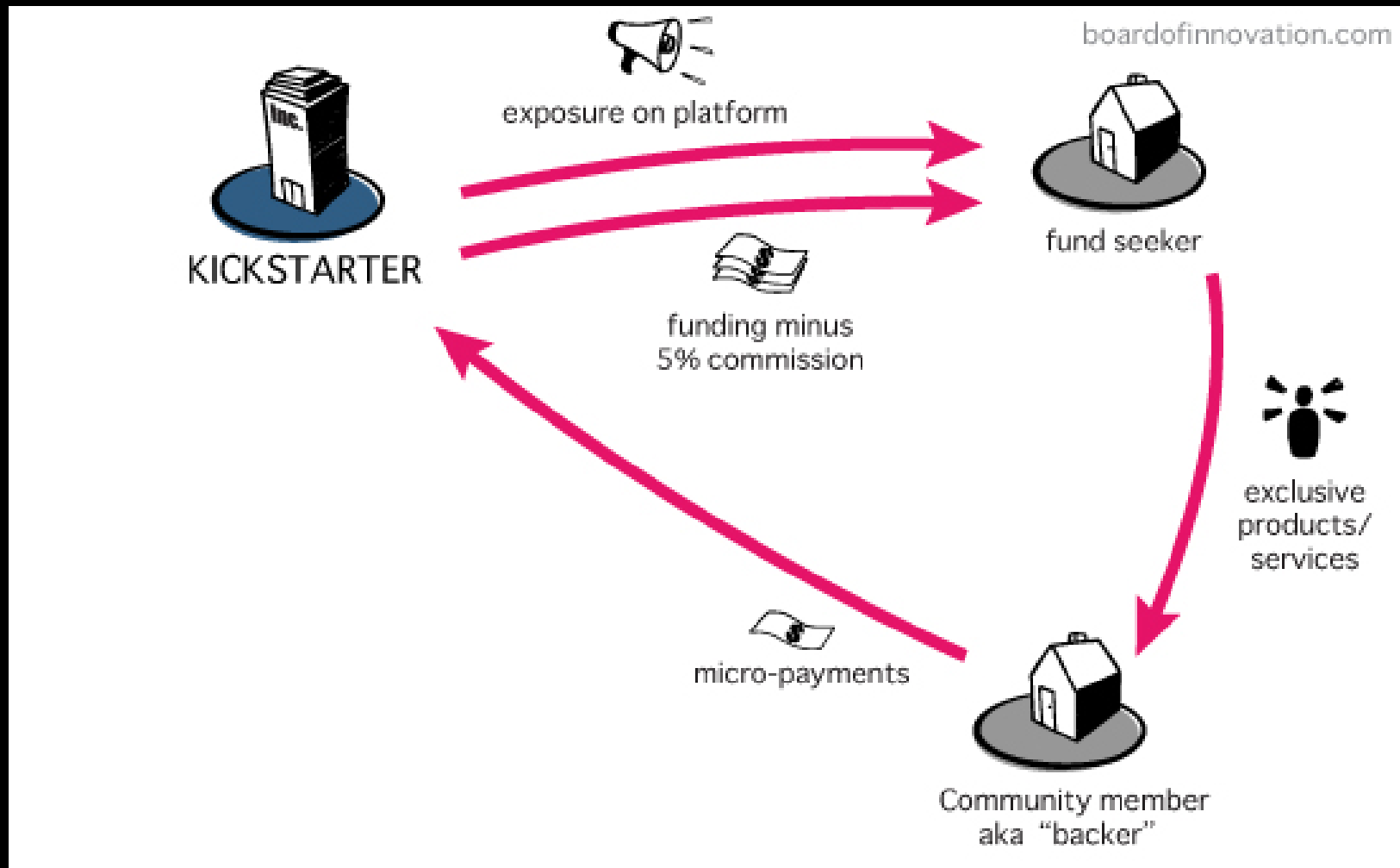
Things that make us cringe

- ◆ Lots of established competition
- ◆ No clear target market
- ◆ Big Bang development
- ◆ Labour intensiveness
- ◆ “It will sell itself”
- ◆ Reliance on specific
 - ◆ Suppliers
 - ◆ Market conditions
 - ◆ Staff

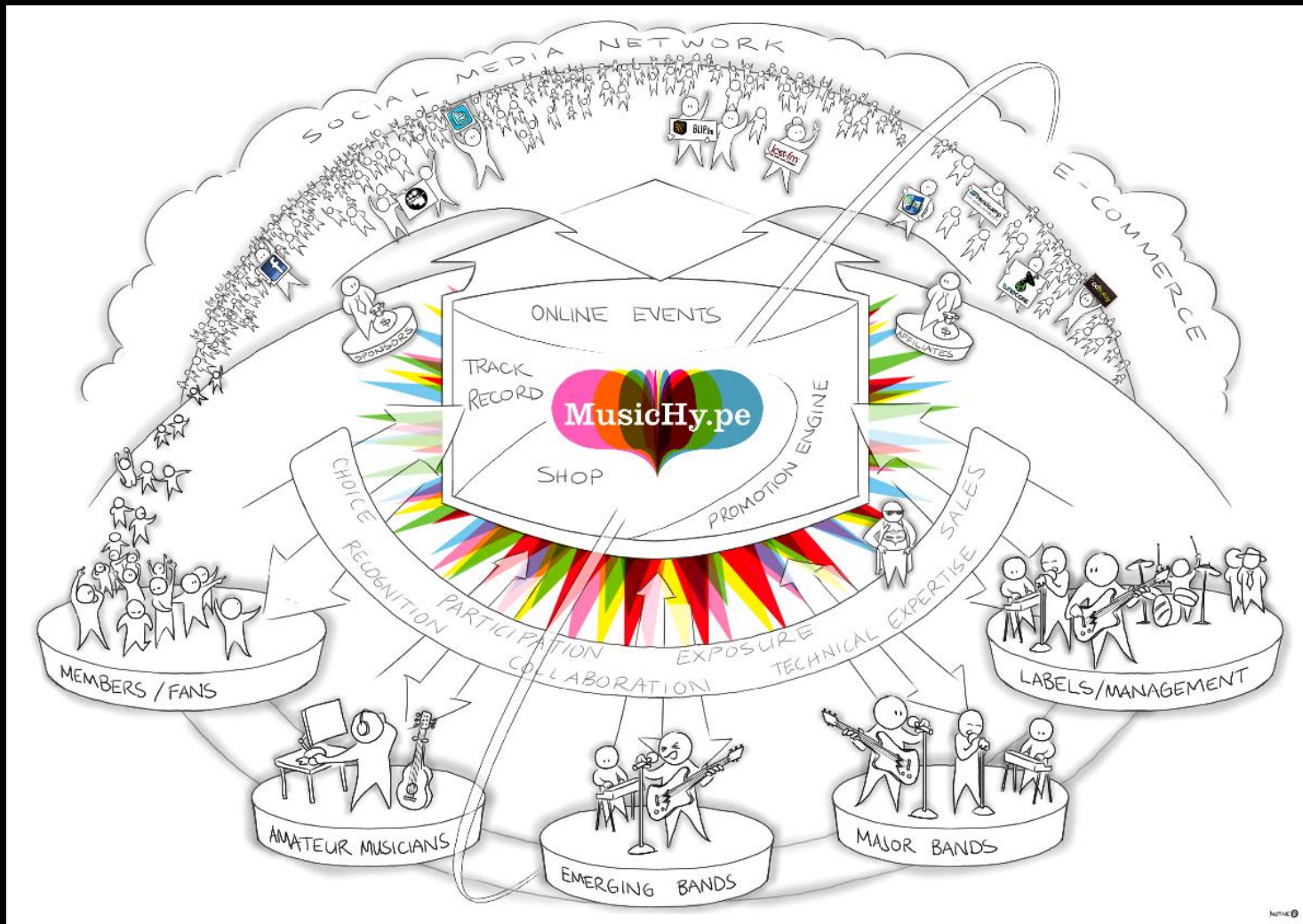
Example - BG Steels



Example - Kickstarter



Example - MusicHype



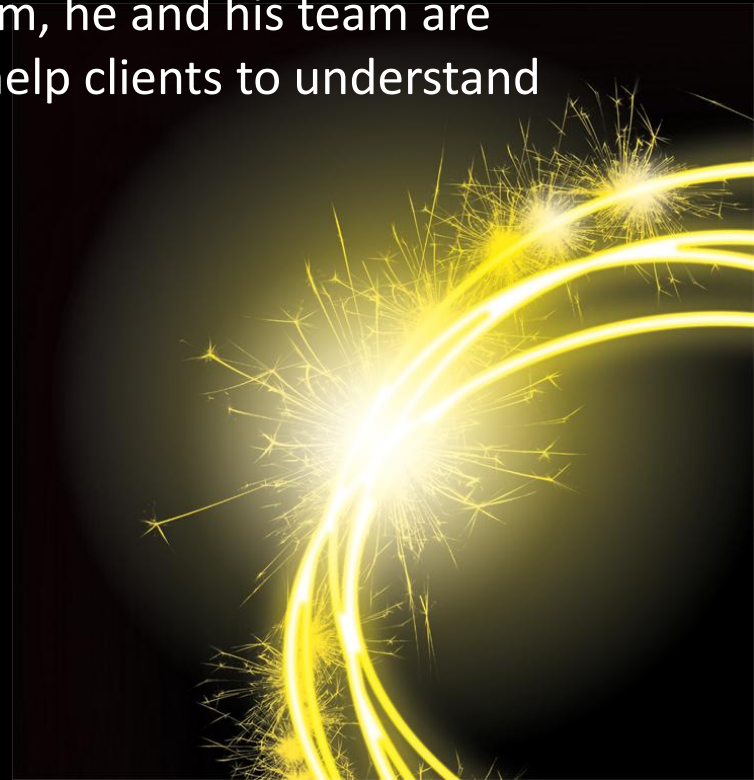
Other issues

- ◆ Getting out of the building
- ◆ Vitamin or Pain Killer?
- ◆ Scaling: $CAC < LTV$
- ◆ First mover: Advantage?
- ◆ Measuring what you've learned
- ◆ Bootstrapping vs investment



Dave Allison

- Senior Manager at PricewaterhouseCoopers, he works with privately owned business of various sizes and at all stages of their lifecycle.
- Approaching his 10th anniversary with the firm, he and his team are responsible for providing practical advice to help clients to understand their businesses and the challenges they face



Bright Ideas

Pricing & Finances

August 2010



Sources of investment funding

Source	Investment size	Examples	Characteristics
FFF	5 – 15	<ul style="list-style-type: none"> • Friends • Family • Fools 	Seed capital. Limited diligence. Investment in entrepreneurs.
Angels	20 – 50	<ul style="list-style-type: none"> • High net worth individuals 	Can provide seed and very early stage cash. Typically lower levels of due diligence and shorter, less expensive transaction processes.
Angel groups	100 – 250	<ul style="list-style-type: none"> • Angel HQ • Ice Angels 	Bring together angels, provide ability to syndicate angels, more organised due diligence and transaction steps.
Angel / venture funds	250 – 1,000	<ul style="list-style-type: none"> • Movac • Sparkbox • K1W1 	Professional approach to due diligence and process. Bring governance and oversight. Wider portfolios and higher return expectations.
Private equity / VC	1,000 – 10m +	<ul style="list-style-type: none"> • No. 8 • Pencarrow • Pioneer 	Larger investments. Professional management. More structure to deals. Increased expectations with investment timeframes.
Capital markets	15m +	<ul style="list-style-type: none"> • NZX 	Scale required. Public scrutiny.

Key funding issues

- Set clear milestones and expectations
- Be clear on use of funds
- Cost to break even? Is funding needed? How much is enough?
- Don't underestimate the cost of growth
- Don't underestimate time to raise investment
- Be prepared to be challenged
- Treat investors as key stakeholders
 - Shareholder agreements

Key finance considerations

- Consider with structure and governance at early stages
- Do not isolate finance from the rest of the business
- Get your house in order early
- Operate at the next level up
- Be investor and due diligence 'ready'

Key pricing considerations

- Pricing should be tested with key stakeholders/customers/markets
- Tailor to your medium and your market
- Do your homework and know your competition
- Don't be afraid of a premium price for a premium product
- Consider as part of full marketing strategy

Questions



Peter Salmon

- Peter is the Founder of FISCHE Consulting.
- FISCHE is a design strategy company with specialist expertise in sustainable enterprise thinking and sustainable development.
- FISCHE works with governments, non-profits and the private sector both in New Zealand and offshore to consider current and future constraints and turn them into opportunities.



FISCHE[°]

Bright ideas: Sustainability as opportunity

August 2010

- Sustainability is about how we deliver better value today, by considering present and future limitations and uncertainties.

Sustainability as innovation

- There's no alternative to sustainable development. Sustainability is now the key driver of Innovation.
- C.K. Prahalad
Harvard Business Review, September 2009

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What do we think....

- Sustainability isn't what you do well or do good, it's not a new green product extension or a CSR policy... it's everything, it's enterprise strategy!

Thank you
www.consultfische.com

BP Workshop Dates

- **BUILD THE SOLUTION: Technical**

Mon 6 Sept

- **EXECUTE: Go-to-market**

Wed 8 Sept



Sector Workshop Dates

Community & Social Entrepreneurship

Tuesday 28th Sept

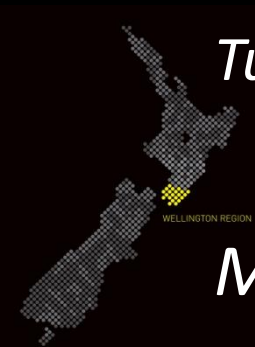
Fashion & Retail

Weds 6th Oct

Food & Beverage and Hospitality

Tues 12th Oct

Mac's Brewbar, 5.30pm





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