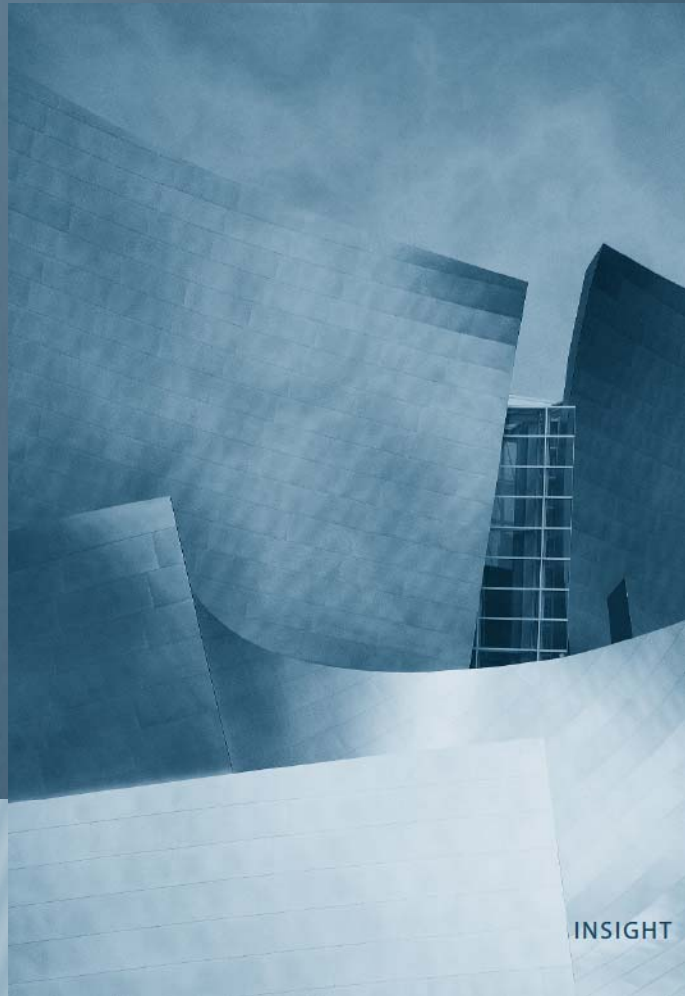


University of Washington  
Business Plan Competition  
Consumer Companies

Jason Stoffer, Maveron LLC

Mar. 2010



# About Maveron

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- Venture firm founded 12 years ago by Howard Schultz
- Focused solely on consumer business, offline and online:
  1. Retail & Restaurants
  2. Web-Enabled Consumer Services
  3. Education
  4. Wellness

# Audience Areas of Interest?

## Classic Retail



## Consumer Products



## Web-Enabled Consumer Services & eCommerce



# Agenda

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- Investor Expectations
- Anatomy of a Pitch Deck in Consumer Businesses
- Questions

# Investor Expectations: Returns

- VCs Return Hurdle Factors
  1. **Fund Size:** Size of exit must be impactful: e.g. investment should return at least 1/3 of Fund
  2. **IRR.** IRR hurdle is stage and risk dependent. Minimum of 30%
  3. **Cash-on-Cash Returns.** Hurdle ranges from 2-3x late stage to 10x+ early stage



## Investor Expectations: Exit Time Horizon

- Institutional investors have a limited time horizon for an exit. Fund life is 10 years = 3-8 year liquidity horizon
- Angel investors and friends & family are often more “patient capital” than VCs

# Portfolio Strategy

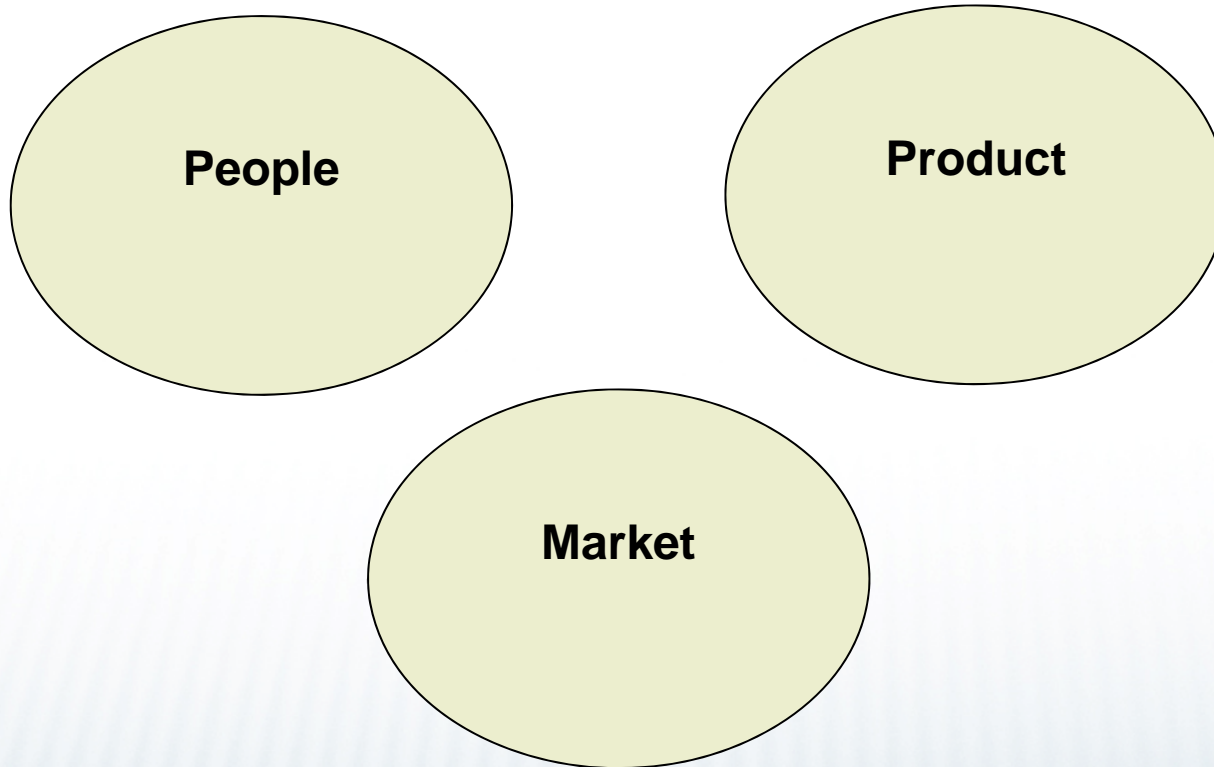
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## Two Strategies

- Hit home runs – 10x+ return expectations; many companies “flush”
- Hit solid doubles and triples; No zeros - Make sure you get money back on each investment

Most great funds have had one investment pay off 75%+ of Fund

# Investment Framework #1



Different VCs place greater importance on team vs. product; market is always required

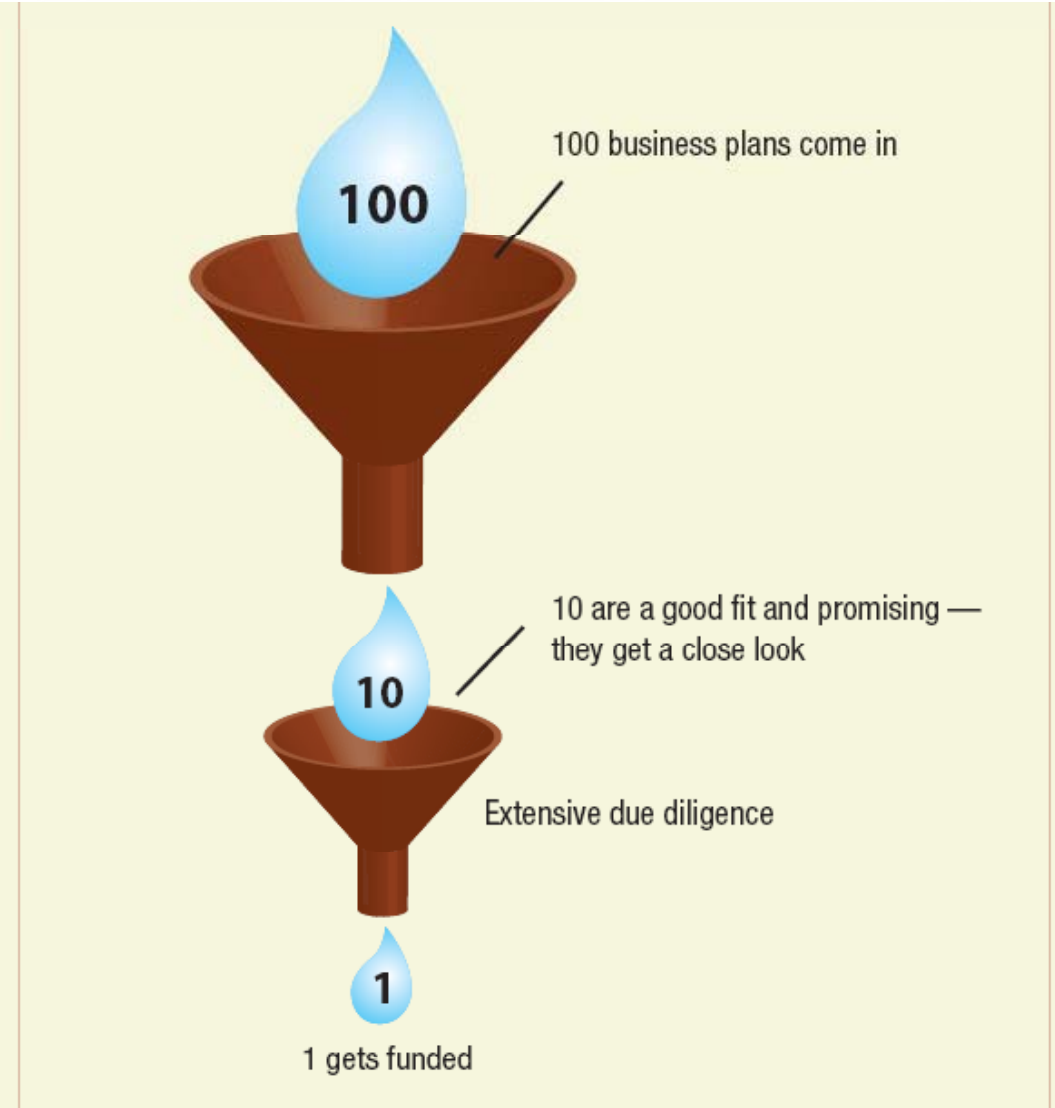


## Investment Framework #2

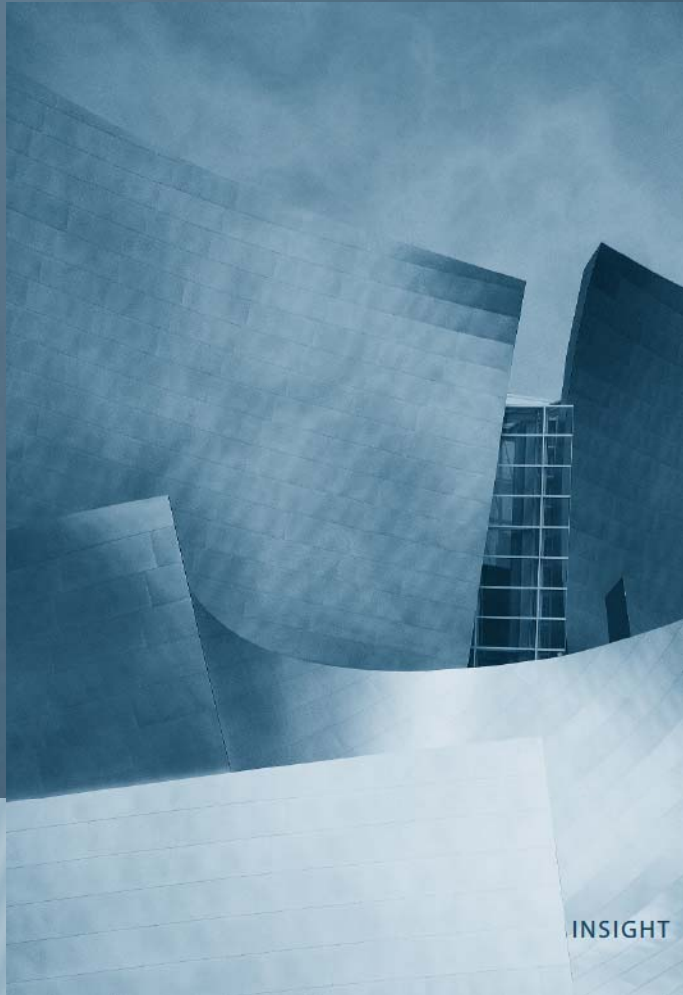
	New Twist on the Old	The New New Thing
Business Model	Existing	Ambiguous
Market	Proven	Nascent
Examples	Vizio Hyundai	Google Twitter

Both strategies can yield great returns

# Business Plan Funnel



# Anatomy of a Pitch Deck



# Pitch Deck Overview

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1. Quick Company Overview
2. Team
3. Market
4. Product Overview
5. Business Model
6. Progress & Milestones to Date
7. Competitive Landscape
8. Customers & Unit Economics
9. Financial Projections – Baseline
10. Scenario Analysis
11. Funding

## Quick Overview

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- Two sentence overview of what your company does
- Equivalent to a quick elevator pitch



# Team

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- Quick Bios of each team member
- This is time to go around the room and intro yourself to investors
- Gives investors context to digest rest of presentation

# Market

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- Talk about Addressable Market to avoid the “1 billion people in China issue”
- For example...
  - Health care market is \$2 trillion
  - Primary care is \$173 billion
  - Primary care market for uninsured is \$12 billion
- Insight on how might the market mature or change

# Product Overview

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- What are the pain or delight points?
- Why will the value proposition raise above the noise?
- Key product features – technology is not the differentiator for consumer companies!!!!
- **Example:** GroupOn

# Business Model

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- **Promotion:** Customer acquisition strategy and cost
- **Pricing:** Pricing strategy / price elasticity
- **Placement/Channel:** SEM, Affiliate, Offline Retail, QVC, MLM

## Progress & Milestones to Date

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- When did you launch
- What has been accomplished so far
- Has the business model changed?
- What's been harder than expected? Easier?



# Competitive Landscape

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- You ALWAYS have a competitor
- Why is your product right for the segment(s) you are targeting vis a vis a competitor
- Avoid feature proliferation – having more features than a competitor does not make for market dominance

# Customers & Unit Economics

- Target market: Psychographics / Demographics
- Unit Economics
  - **Critical: Acquisition Cost < Lifetime Value**
  - Product companies: 50%+ gross margin ideal, prefer negative net working capital
  - Retail companies: 2-3 year store payback period; store level contribution margins of 20%+

## Financial Projections - Baseline

- 2-5 year projections – revenue, gross margin, EBITDA, cash flow
- Outline major assumptions
- Outline expected cash needs
- Note that venture funded business require a very fast ramp – do not present a plan to a VC with \$10M in year 5 revenue

# Scenario Analysis

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- 3 scenarios – base, aggressive, conservative
- Outline base assumptions and what would need to occur for each scenario to be a reality

# Funding

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- How much are you raising
- Use of proceeds
- Expected milestones achieved
- Expected amount of future financing



# Questions?

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