University of Washington
Business Plan Competition
Consumer Companies

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About Maveron

• 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

• Investor Expectations

• Anatomy of a Pitch Deck in Consumer Businesses

• Questions
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

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
Different VCs place greater importance on team vs. product; market is always required.
### Investment Framework #2

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Both strategies can yield great returns
Business Plan Funnel

100 business plans come in

10 are a good fit and promising — they get a close look

Extensive due diligence

1 gets funded
Anatomy of a Pitch Deck
Pitch Deck Overview

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

• Two sentence overview of what your company does

• Equivalent to a quick elevator pitch
Team

- 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

• 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

• 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

- **Promotion:** Customer acquisition strategy and cost

- **Pricing:** Pricing strategy / price elasticity

- **Placement/Channel:** SEM, Affiliate, Offline Retail, QVC, MLM
Progress & Milestones to Date

• When did you launch

• What has been accomplished so far

• Has the business model changed?

• What’s been harder than expected? Easier?
Competitive Landscape

• 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

• 3 scenarios – base, aggressive, conservative

• Outline base assumptions and what would need to occur for each scenario to be a reality
Funding

• How much are you raising

• Use of proceeds

• Expected milestones achieved

• Expected amount of future financing
Questions?

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