Adrenaline Startups and Rapid-Fire Marketing
Where is Your Risk?

Delivery

Adoption

Private & Confidential
Conventional Funding Milestones

- **Idea is Feasible**
  - Seed Funding: $0.5M

- **Product**
  - R&D Capital: $3.0M
  - Go-to-Market Capital: $8.0M

- **Traction**
  - Expansion Capital: $13.5M
  - Valuation: $150M

Based on slides from Vinod Khosla

Risk (β)
A Different Set of Milestones

Proven Team
- Customer Discovery
- Customer Validation
- Product Validation
- Partner Discovery

Proven Value
- Partner Validation
- Channel Discovery
- Product Tuning
- Pricing Discovery

Proven Business
- Channel Validation
- Channel Scaling
- Product Expansion
- Pricing Opt

Proven Channel
Today: **Market Fit is Cheaper to Explore**

<table>
<thead>
<tr>
<th>Build</th>
<th>Young Teams, Open Source</th>
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<td>Deploy</td>
<td>With Low Cap-Ex: The Cloud</td>
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<tr>
<td>Market</td>
<td>With Social Distribution/Marketing</td>
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10x lower Cost to Establish Adoption
Heads I win, Tails I don’t Lose Much

Burn → $0.5M → $1.5M → $20M

Proven Team → Proven Discovery → Customer Validation → Product Validation → Partner Discovery

Proven Value → Partner Validation → Channel Discovery → Product Tuning → Pricing Discovery

Proven Business → Channel Validation → Channel Scaling → Product Expansion → Pricing Opt

Proven Channel
Conventional Venture Capital


5 yr returns are negative
What's Changed: Exits Are Smaller

M & A by Exit Value

- < $30M
- > $100M

Data from Capital IQ
Model Supports Many Possible Exit

Burn →

$0.5M

$1.5M

$20M

Proven Team

Proven Value

Proven Business

Proven Channel

Customer Discovery

Partner Validation

Channel Validation

Product Validation

Product Tuning

Product Expansion

Partner Discovery

Pricing Discovery

Pricing Opt

Add to Product

Add to Channel

Add to Business or IPO

PROVEN VALUE

PROVEN BUSINESS

PROVEN CHANNEL

TO 20M

TO 50M

TO 100M

$0.5M

$1.5M

$20M

Burn →
Investment Models Compared

Conventional Model

- Invest in a 5% chance of creating a few 100M+ Business
- Capitalize the business with US $3-5M - A Round
- Success = Big Exits and founders make 10’s of millions

New Model

- Invest in the likely chance of creating MANY 10M+ Businesses
- Capitalize the business with US $500,000 of initial capital
- Success = Cash Flow or Exits where founders make millions
Increasing the Probability of Success

• Redefine Success to include Smaller Exits
• Contain the Market Risk Quickly and Cheaply
• Get an A+ Team
Tandem Entrepreneurs

Seasoned Entrepreneurs
working in tandem with multiple
Small Founding Teams
applying
Modest Capital
to efficiently build
Simple Highly Leveraged Services
and take companies to
High Probability Exits