Stella Zhang
New Venture Competition 2022

From Idea to Business

Powered by
UCI Paul Merage
School of Business

Larry Wilk
Dan Jenkins

Beall Center for Innovation & Entrepreneurship
RULES & REGULATIONS

IDEA
• Must be an ORIGINAL idea
• Not in existence before January 2020
• In pre-incubator form
• Have not received financial backing exceeding $10,000 in total by professional 3rd party incubators, accelerators, existing companies or VCs (Angels and Friends/Family not included) at the time of the concept paper submission

PARTICIPATION
• Open to ALL UCI graduate & undergraduate students
• Open to UCI faculty, staff and alumni
• Open to the community/Non-UCI
• Team Size:
  ◦ Minimum 2 registered UCI students
  ◦ 4-member minimum
  ◦ 6-member maximum
ROUND 1

Concept paper

- Anyone can submit a paper
- 3 Pages + Cover page
- 8-10 Best scoring papers in each track advance to The Boardroom

January

- 24th: How to Come up with a Billion Dollar Idea & Form Your Winning Team
- 31st: From Idea to Business

February

- 7th: Is there a Market for Your Product?
- 15th: Write a Winning Concept Paper

March 6
Concept Paper Deadline
Is My Idea a Business?
A Business Model Describes How You Will
Create
Deliver
Capture
Value
Your Objectives

- Viable
- Feasible
- Desirable

Do People Want it?

Can We Make Money?

Can we Produce It?
What Assumptions Have to Come True?

- There are enough customers to buy my product at a profit
- We can bring the product to market
- We have an unfair advantage that will make us successful
- We’re better than the competition
The Business Model Canvas – Visualize your Assumptions
For Social Enterprise Track, Use Mission Model Canvas

http://www.businessmodelgeneration.com
Designed by: Business Model Foundry AG
The makers of Business Model Generation and Strategize
Customer Segment - Who Are We Creating Value For?

http://www.businessmodelgeneration.com

Designed by: Business Model Foundry AG

The makers of Business Model
Customer – Segments

Group Customers Based on:

• Demographics / Psychographics
• Unique Offer/Product Requirements
• Different Distribution Channels
• Revenue & Profit Potential
## Demographics vs. Psychographics

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Psychographics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Personality</td>
</tr>
<tr>
<td>Gender</td>
<td>Values</td>
</tr>
<tr>
<td>Race</td>
<td>Attitudes</td>
</tr>
<tr>
<td>Location</td>
<td>Interests</td>
</tr>
<tr>
<td>Employment Status</td>
<td>Lifestyles</td>
</tr>
<tr>
<td>Income</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Question</td>
<td>Example</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------------------</td>
</tr>
<tr>
<td>What are the unique segments? Business, consumer, government? Mass market or niche?</td>
<td>Electric toothbrush:</td>
</tr>
<tr>
<td></td>
<td>- Kids</td>
</tr>
<tr>
<td></td>
<td>- Adults</td>
</tr>
<tr>
<td></td>
<td>- Seniors</td>
</tr>
<tr>
<td>Primary vs. secondary markets? Territory?</td>
<td>- Dentists</td>
</tr>
<tr>
<td></td>
<td>- U.S. first</td>
</tr>
</tbody>
</table>
Value Proposition – How do You Solve The Problem

http://www.businessmodelgeneration.com
Designed by: Business Model Foundry AG
The makers of Business Model Generation and Strategyze
<table>
<thead>
<tr>
<th>Question</th>
<th>Customer – Problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the problem you’re solving?</td>
<td>Cabs are hard to find. Don’t know the fare. Don’t know the driver. Wait is too long. Not enough cash. Safety.</td>
</tr>
<tr>
<td>What is the context / situation ? – (Jobs to be Done)</td>
<td></td>
</tr>
<tr>
<td>What customer needs are we satisfying?</td>
<td></td>
</tr>
</tbody>
</table>
The Value Proposition Canvas
Customer Pains

Trigger Questions

Pains describe anything that annoys your customers before, during, and after trying to get a job done or simply prevents them from getting a job done. Pains also describe risks, that is, potential bad outcomes, related to getting a job done badly or not at all.

Use the following trigger questions to help you think of different potential customer pains:

1. How do your customers define too costly? Takes a lot of time, costs too much money, or requires substantial efforts?

2. What makes your customers feel bad? What are their frustrations, annoyances, or things that give them a headache?

3. How are current value propositions under performing for your customers? Which features are they missing? Are there performance issues that annoy them or malfunctions they cite?

4. What are the main difficulties and challenges your customers encounter? Do they understand how things work, have difficulties getting certain things done, or resist particular jobs for specific reasons?

5. What negative social consequences do your customers encounter or fear? Are they afraid of a loss of face, power, trust, or status?
Customer Pains
Trigger Questions

6. What risks do your customers fear? Are they afraid of financial, social, or technical risks, or are they asking themselves what could go wrong?

7. What’s keeping your customers awake at night? What are their big issues, concerns, and worries?

8. What common mistakes do your customers make? Are they using a solution the wrong way?

9. What barriers are keeping your customers from adopting a value proposition? Are there upfront investment costs, a steep learning curve, or other obstacles preventing adoption?
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your solution? What gains are we delivering? What bundle of products and services are we offering? What’s unique?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is this a new entry in a new area or a new entry into an existing area? Are you creating a market or entering one?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Customer Gains

Trigger Questions

Gains describe the outcomes and benefits your customers want. Some gains are required, expected, or desired by customers, and some would surprise them. Gains include functional utility, social gains, positive emotions, and cost savings.

Use the following trigger questions to help you think of different potential customer gains:

1. Which savings would make your customers happy? Which savings in terms of time, money, and effort would they value?
2. What quality levels do they expect, and what would they wish for more or less of?
3. How do current value propositions delight your customers? Which specific features do they enjoy? What performance and quality do they expect?
4. What would make your customers’ jobs or lives easier? Could there be a flatter learning curve, more services, or lower costs of ownership?
5. What positive social consequences do your customers desire? What makes them look good? What increases their power or their status?
Customer Gains

Trigger Questions

6. What are customers looking for most? Are they searching for good design, guarantees, specific or more features?

7. What do customers dream about? What do they aspire to achieve, or what would be a big relief to them?

8. How do your customers measure success and failure? How do they gauge performance or cost?

9. What would increase your customers’ likelihood of adopting a value proposition? Do they desire lower cost, less investment, lower risk, or better quality?
Value Proposition – Elevator Version

Our __________________________

help(s) __________________________

who want to __________________________

by __________________________

and __________________________.

(Unlike __________________________)

Products and Services

Customer Segment

Jobs to be done

Verb (e.g., reducing, avoiding) and a customer pain

Verb (e.g., increasing, enabling) and a customer gain

Competing value proposition
You can’t listen to customers at your desk.
Customer Validation

- Who do you want to learn from?
- What do you want to learn?
- How will you get to them?
- How can you ensure an effective session?
- How do you make sense of what you learn?
Customer Channel - How Will We Sell & Distribute Our Products / Services?

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Customer Channels – How Do We Sell To The Various Segments?

Typical Physical Channel
Retail Store Customer

Manufacturer → Distributor ? ← Retailer → Consumer
Typical Physical Channel
On-Line Customer

Manufacturer -> Amazon, Shopify, eBay -> Consumer
Direct to Consumer Model

Manufacturer / Producer

Consumer
Typical Digital Channel

Content Owner / App Developer → Platform → Consumer
Typical Digital Channel
Multi-Sided

- Content Owner
- Platform
- Advertiser
- Consumer
Customer Relationships – How Will We Communicate?
### Customer Relationships

<table>
<thead>
<tr>
<th>Question</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>What’s the model for each segment?</td>
<td>- Salesperson</td>
</tr>
<tr>
<td></td>
<td>- In-house vendor team</td>
</tr>
<tr>
<td></td>
<td>- Customer service center 800#</td>
</tr>
<tr>
<td></td>
<td>- On-line Information</td>
</tr>
<tr>
<td></td>
<td>- Chat Bot, VMI, “Instant Ink”</td>
</tr>
<tr>
<td></td>
<td>- User Communities</td>
</tr>
<tr>
<td>- Personal assistance</td>
<td></td>
</tr>
<tr>
<td>- Dedicated team</td>
<td></td>
</tr>
<tr>
<td>- Self-service</td>
<td></td>
</tr>
<tr>
<td>- Automated services</td>
<td></td>
</tr>
<tr>
<td>- Communities</td>
<td></td>
</tr>
</tbody>
</table>
Business Design

How Will We Organize And Operate The Business?
Key Activities – What Do We Need to Do Best?
## Key Activities

<table>
<thead>
<tr>
<th>Questions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which activities do you need to perform well in your business model?</td>
<td>Kylie Cosmetics – product idea &amp; social media presence</td>
</tr>
<tr>
<td>What is crucial?</td>
<td>Quality, authenticity, engagement</td>
</tr>
<tr>
<td>Proprietary?</td>
<td>Brand, logo, package design</td>
</tr>
<tr>
<td>What can be added later? What can be outsourced?</td>
<td>Design, manufacturing, distribution, marketing &amp; sales</td>
</tr>
</tbody>
</table>
Key Resources – What Staff, Systems, Assets Do We Need >
**Key Resources**

<table>
<thead>
<tr>
<th>Questions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>What resources are necessary to launch:</td>
<td>Restaurants on the Run</td>
</tr>
<tr>
<td>- Staff: what type?</td>
<td>- Staff – Developers, drivers, sales staff, dispatch</td>
</tr>
<tr>
<td>- R&amp;D, IP</td>
<td>- Technology: Order Platform</td>
</tr>
<tr>
<td>- Technology platform</td>
<td>- Facilities – office space</td>
</tr>
<tr>
<td>- Facilities: office, production, warehouse</td>
<td></td>
</tr>
<tr>
<td>- Equipment</td>
<td>- Platform &amp; operating staff</td>
</tr>
<tr>
<td>Which assets are essential?</td>
<td>- Algorithm for efficiency</td>
</tr>
</tbody>
</table>

Restaurants on the Run
- Staff – Developers, drivers, sales staff, dispatch
- Technology: Order Platform
- Facilities – office space
- Platform & operating staff
- Algorithm for efficiency
Key Partners – Who Will Help to Launch & Operate

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### Key Partnerships

<table>
<thead>
<tr>
<th>Questions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which partners and suppliers leverage your model? What can you outsource?</td>
<td>Retail product: Production, distribution, marketing, sales, customer service, finance &amp; accounting, technology</td>
</tr>
<tr>
<td>Who do you need to rely on? What’s critical?</td>
<td>Product design, sales, quality control</td>
</tr>
<tr>
<td>What is risk profile? Failure to deliver, quality, cost, profit, service?</td>
<td>Retain, supplement or monitor high risk areas – i.e. on site person at factory</td>
</tr>
</tbody>
</table>
Financial Model
How Will You Make Money?
Revenue – How Will You Get Paid?

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# Revenue

<table>
<thead>
<tr>
<th>Questions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is pricing model?</td>
<td>Netflix – Unlimited use – 3 tiers</td>
</tr>
<tr>
<td>• Purchase, rental, subscription, hybrid?</td>
<td>iTunes – Pay per download</td>
</tr>
<tr>
<td>• Freemium? Ad-supported?</td>
<td>Auto – Lease &amp; service contract</td>
</tr>
<tr>
<td>• “Customer Lifetime Value”</td>
<td>YouTube – Share of advertising</td>
</tr>
<tr>
<td>What are customers really willing to pay for?</td>
<td>YouTube 55% ad share, $10 CPM average.</td>
</tr>
<tr>
<td>• Benchmarking</td>
<td>1% CTR = $550 for 10 million views</td>
</tr>
<tr>
<td>• Research</td>
<td></td>
</tr>
<tr>
<td>(Total Market Size = Next Workshop)</td>
<td></td>
</tr>
</tbody>
</table>
Market Opportunity – Revenue Model

○ Lifetime Value of a Customer
  ■ Customer Segment – Targeted Customer
    ● What are they willing to pay? How often?

○ Physical Goods – One-time revenue every X Years
  ■ Average Purchase Price * Frequency of Purchase * Duration

○ Services / Subscriptions – Monthly Revenue
  ● Subscription Price * Frequency * Duration * Churn

○ Hybrid – Physical & Service/Subscription
  ■ Purchase Price + Ongoing Value
The 4P Calculation

CORE MARKET

Steady-state revenue target

Ensure the organization has alignment on a steady-state number that would be attractive

A. Core Population

Define as tightly as possible – what constitutes your “dream customers”

B. Transaction Pricing

How much will the customer pay per transaction? What data supports this?

C. Purchase Frequency

How many purchases are there a year?

Required Penetration

Solve for this by dividing the revenue target by A x B x C

OPTION VALUE

What other markets open up as a result of following this strategy?
Understanding the 4P Model

This technique can be conducted as a quick five-minute exercise, yet provides very solid learning. It serves as an efficient way to sanity check an idea and get rich insight into the viability of a particular business model.

Calculating the idea’s 4Ps:

- Start with the desired answer you determined (e.g. path to $6M in revenue)
- With the answer, determine the population of potential customers. Define it as narrowly as possible
- Assert the price of the offering
- Assess the purchase frequency. Is it a one-time purchase? A consumable good that people purchase a few times a year? A rental? A daily purchase?
- Finally, calculate the required penetration to achieve your target

Use the simple, five-minute, 4P (target Population, planning Pricing, expected Purchase frequency, and required Penetration) calculation to see quickly if your idea meets the minimum threshold and is worth pursuing.
The 4P Calculation – $1 million target

**CORE MARKET**

Steady-state revenue target: 1,000,000

**A. Core Population**

100,000

**B. Transaction Pricing**

100

$100 value in $750 option package

**C. Purchase Frequency**

1

1 – no ongoing payments

Required Penetration: 10%

Solve for this by dividing the revenue target by A x B x C

**OPTION VALUE**

What other markets open up as a result of following this strategy?
Cost - What Will Be Our Costs To Launch And Then Operate?
## Cost

<table>
<thead>
<tr>
<th>Questions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are direct costs?  Indirect costs?</td>
<td>Product Costs  $13 to manufacture &amp; warehouse</td>
</tr>
<tr>
<td>• Direct : Product – Cost of Goods Sold</td>
<td>• Monthly labor cost is $3,000/ month fixed plus 10% of sales for commissioned rep</td>
</tr>
<tr>
<td>• Indirect : Support staff , office space</td>
<td>• Each shipment costs $3</td>
</tr>
<tr>
<td>Overhead ? Fixed vs. variable ?</td>
<td>• Using cloud so pay for actual usage</td>
</tr>
<tr>
<td>• Staff – salary vs. hourly vs. project vs. commission</td>
<td>• $100,000  to develop molds and file patent</td>
</tr>
<tr>
<td>• Distribution as a % of retail or per shipment</td>
<td>• $13 ongoing cost, decreasing to $6 with scale</td>
</tr>
<tr>
<td>• Technology – fixed vs. usage</td>
<td>• Development costs assume 3 iterations of design and successful patent application</td>
</tr>
<tr>
<td>Development vs. on-going</td>
<td>• Manufacturing and distribution will be one year contract</td>
</tr>
<tr>
<td>• Product development, patent &amp; testing</td>
<td>• Risk if minimums not met</td>
</tr>
<tr>
<td>• Ongoing Cost of Goods Sold</td>
<td></td>
</tr>
<tr>
<td>Which are key elements ?</td>
<td></td>
</tr>
<tr>
<td>• Largest line items – development vs. scale</td>
<td></td>
</tr>
<tr>
<td>What is variability/risk?  How sure are we?  Contracts ?</td>
<td></td>
</tr>
</tbody>
</table>
BMC Example - Shaka
Business Model Canvas

Key Partners
- Integration Partners - (HRIS Systems)
- Potential Acquirers
- Google and Microsoft (Public APIs)
- AWS Cloud Hosting
- HRIS Systems
- Virtual team-building events companies

Key Activities
- Deliver web-based culture application
- Provide customer onboarding & support
- offer extended culture resources

Key Resources
- People/team members
- Computers
- Software
- Sales & marketing tools
- Business Suite
- Marketing materials

Value Propositions
- Lower Employee Turnover
- Reduced Employee Acquisition Costs
- Higher Productivity
- Improved Profitability
- Increased Innovation
- Greater Customer Satisfaction
- Better Employee Experience
- Increased DE&I

Customer Relationships
- Know their culture & Team closely
- Fast and Friendly Service & Support
- Help their employees get acclimated and utilize Shaka

Channels
- Email Outreach
- Tradeshows
- Events
- LinkedIn
- SEO
- Content Marketing
- Channel Partners

Customer Segments
- High Growth
- Recent Funding
- Culture Problems
- Remote/hybrid teams
- Multiple Offices
- SMB/MM Companies (50-3000 employees)
- VP/Directors of HR, People, Culture
- Engagement/Experience/Culture Specialists.

Cost Structure
- Web hosting costs
- Selling & Marketing Costs
- Employee Costs (Developers, Sales, Marketing, Customer Success, Administrative)
- Professional services costs (Legal & Accounting)

Revenue Streams
- Subscription Fees
  - Tiers based on number of users
  - Paid Monthly or Annually
  - Paid via Stripe
- Professional Services/Training Fees
- Referral Fees collected from key event partners
Next Steps
Goal

There's a Problem

It's a Big Problem

We Have a Solution

It's a Great Solution

It's Irresistible to Someone Who Will Buy it a Profit from You"

“Bullseye These 10 Slides to Get Funded”
Next Steps

- Get Business Model Canvas
  - Templates posted on NVC site

- Learn More
  - Visit Strategyzer.com
  - Read “Business Model Generation” by Osterwalder

- Start Business Model Canvas
  - Document Assumptions
  - Research, Test & Adjust
Workshop 3:

IS THERE A MARKET FOR YOUR PRODUCT?

FEB. 07, 2022
5:30 TO 7 PM
MERAGE AUDITORIUM

REGISTER NOW
Idea Pitch - Find Team Members

- On Zoom, enter request to pitch in CHAT (include contact info if other than Chat)

- Dan will call on you to present

- Give ONE MINUTE pitch on your idea
  - Problem
  - Solution
  - What type team members you’re looking for

- Potential team member – respond to chat or use Padlet / Discord
Padlet

Get LINKED

Looking for team members to join in on our billion dollar idea!

WHAT TO WRITE?
Please share the following information.

Name:
School:
Undergrad/Grad:
Contact Email/Phone:

Pick that apply:
"Want to join a team with an idea" or "Have an idea, looking for a team member" or "Have an idea and have my team"

Your Idea: What skills are you looking for:
Your Skills: Fun Fact:

Color codes:
Participant: White
Coach: Yellow
Judge: Purple

Intern Guys is looking for team members

Intern Guy logo

Dream Big, Achieve Bigger

Name: Hannah Hussain
School: UCI IDS
Undergrad/Grad:
Undergrad CS
Contact Email/Phone:

Pick that apply:
"Have an idea, looking for more team members"

Your Idea: Genres is an interactive web-based novel platform that puts content creators in the community.

https://padlet.com/sshandhra1/n7u6k2axnouxp453?utm_source=Padlet

Discord

Welcome to uci_SZNVC's server

Welcome and rules

Instructor

Welcome to the UCI New Venture Competition, a server dedicated to aspiring entrepreneurs who want to be fun and while engaging with the community.

Come in and share your venture ideas with like-minded individuals. Discuss your journeys and questions you have about how to create a viable business. Create lasting connections and entrepreneurial memes.

The UCI New Venture Competition offers you the opportunity to form a team, launch a startup, and potentially make a business deal— all within seven months. The competition is open to all UCI students, staff members, and researchers as well as community members. Teams compete for $100,000 in cash prizes plus additional professional services!

Competitors have full control and ownership over what their teams create. We connect you with potential teams, provide you with the tools to transform your idea into a concept, and even match teams with industry mentors to help you develop.

https://discord.com/invite/DYj2wjA8yu
Stella Zhang
New Venture Competition 2022

Questions?

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Beall Center for Innovation & Entrepreneurship
THANK YOU

jennh@uci.edu

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Beall Center for Innovation & Entrepreneurship