

# Financing E-commerce

- Raising money
- Valuation
- Winners and losers
- Futures

# Lean startup

- Book *"The Lean Startup"* by Eric Reis
- "Minimum Viable Product"
  - feedback
- Early and frequent customer contact
  - Build the case that there is a viable market
  - Low hanging fruit
  - "The best is the enemy of the good"
- Analytics
  - Understand the customer
- Virtual company
  - Fail early and cheaply
- Agile engineering
  
- Web makes this easy
  - hackathons
  - Crowd funding/pre-sales etc
    - Kickstarter. Indegogo. Syndicate room etc

# Raising the Money

- Family and Friends                    £10K
- Bank loan                                £100K
- Angels                                    £250K
- VCs                                        £2M
- IPO                                        £20M

# Investor Criteria

- Global sustainable under-served market need
- Defensible technological advantage
- Strong management team
- Believable Plans
- 60% IRR

# Writing the Business Plan

Executive Summary and funding requirement

1. Concept

2. The Market

3.1 Global market size and need

3. 3.2 Sustainability

3. 3.3 Competition

3 3..4 Marketing plans

4. The Team

4.1 CEO

4. 4.2 CTO

4 4.3 CFO

4.4 VP Sales and Marketing

# Writing the Plan - 2

5. The technology and its IPR

6. Summary of plans

6.1 Development plans

6.1.1 Methodology

6.1.2 Milestones

6.2 Marketing

6.3 Sales and distribution

6.4 Quality and industry standards

7. Financials

# Writing the Plan - 3

## Appendices:

Financial model

Key staff

Letters of support

Correspondence re IPR

Full development plan

Full marketing and sales plan

Examples and brochures

# Valuation

- Estimates of future yield
  - Risk assessment
- Market
- Assets
- Ratio on current revenue
- Ratio on current profitability
- DCF
- NPV of profitability
- Probability based methods

# What goes wrong?

- Actual experience: Not usually fraud
  - angry customer demanding to talk to someone in Korean at 3am...
- Bugs, blunders and incompetence:
  - Free US flight with every Hoover sold
- Other places, other customs:
  - Different laws: equities, porn, drugs, alcohol, cigars, fireworks
  - Product liability
- \*\*\*Traditional business risks still there\*\*\*
  - Still need traditional controls:
    - Double entry book-keeping
    - Stock and accounting control
    - Take up staff references
    - Market analysis

# The Register, 21 Mar 02

- Komplet.co.uk, an online computer reseller of computer components, earlier this week offered a 512Mb DRAM module for £13. Owing to "gross human error" this price was offered at £82 less than cost price, the company explained to customers in an email.

Punters flooded into the site, as is the way with too-good-to-be true bargains, to buy the DRAM, leaving the company with a loss of £305K if it had fulfilled all the orders (some lucky punters were shipped with DRAM before the error had been spotted).

"The person responsible has been hung, drawn and well and truly quartered. His parking space has been given over to the lunch lady and pension distributed among our warehouse staff," Komplet says in an email.

# Winners and Losers

- **Winners**
  - Communication & Communities
  - Branded goods
  - “Bricks and Clicks”
  - Specialty goods
    - “specialty” goods
- **Losers**
  - Content is NOT king
  - Portals
  - Get-rich-quick sites
  - Smartcards, VoIP, interactive TV

# Zuckerberg's letter to investors

Five core values for how we run Facebook:

## Focus on Impact

If we want to have the biggest impact, the best way to do this is to make sure we always focus on solving the most important problems. It sounds simple, but we think most companies do this poorly and waste a lot of time. We expect everyone at Facebook to be good at finding the biggest problems to work on.

## Move Fast

Moving fast enables us to build more things and learn faster. However, as most companies grow, they slow down too much because they're more afraid of making mistakes than they are of losing opportunities by moving too slowly. We have a saying: "Move fast and break things." The idea is that if you never break anything, you're probably not moving fast enough.

## Be Bold

Building great things means taking risks. This can be scary and prevents most companies from doing the bold things they should. However, in a world that's changing so quickly, you're guaranteed to fail if you don't take any risks. We have another saying: "The riskiest thing is to take no risks." We encourage everyone to make bold decisions, even if that means being wrong some of the time.

## Be Open

We believe that a more open world is a better world because people with more information can make better decisions and have a greater impact. That goes for running our company as well. We work hard to make sure everyone at Facebook has access to as much information as possible about every part of the company so they can make the best decisions and have the greatest impact.

## Build Social Value

Once again, Facebook exists to make the world more open and connected, and not just to build a company. We expect everyone at Facebook to focus every day on how to build real value for the world in everything they do.

# Futurology

- Integration of the Infosphere
  - .NET
  - Cloud
- Thesis/Antithesis/Synthesis
- Better ways to trade
- End of Moore's Law?

# Integration of the Infosphere

- .NET ([www.microsoft.com/net](http://www.microsoft.com/net))
  - Moving functionality into the network
    - Software as Service
  - Disintermediates ISPs, Telcos
  - SOAP & RPCs
- Google competes heavily
  - - discovery of intent
- 7 big functions
  - Identity ( MS Passport),
  - Payment (MS Wallet)
  - Diary (MS Outlook) (EPG)
  - Message delivery (Hotmail, IM, Chat)
  - Address book/ contact manager (Buddy lists, Outlook)
  - Archival Storage
  - Search /DRM/Content management/  
Favourites/History

# Integration of the Infosphere

- New services and devices
  - Smart consumers
    - Dynamically bid for bandwidth
    - Toasters bid for electricity
  - ipV6
  - Smart TVs, white goods, cars, toasters, toilets, trashcans
    - “do you want wholeweat Bagels for the creamcheese?”
  - Home nets/LTE (4g)
  - P2P stuff – death of copyright
  - Privacy issues
  - Infrastructure capacity issues

# Thesis/Antithesis/Synthesis

- Thesis:
  - Unlimited communications and publication
- Antithesis
  - Entropy
    - 99% of everything is crud (Theodore Sturgeon)
      - (Jargon File v4.2.2)
- Synthesis
  - No good solutions at present
    - Search engines
    - Personal Agents
  - Universal connectivity
    - Pandora's box?
    - Virtual reality?

# Better ways to trade?

- Perfect information  $\neq$  Perfect market
  - Effective monopolies (eg Amazon, Ebay)
  - Market and auction structure
- New models
  - Kickstarter
  - Time and demand sensitive (Lastminute, Airlines)
- Global
  - Securities
  - New currencies/bearer certificates
  - Cell phone banking, market prices in Africa

# Death of Moore's Law?

- Geometry reduction nearing limit
  - Leakage, quantum effects
- Massive parallelism only works for some problems
- Bandwidth demand growing faster
  - Return to local data?
  - Text->pictures->video->3D VR
  - Universal connectivity

# Privacy pendulum

- Conflict between local and central control

Phase	Main frame	Mini computer	Desktop	Laptop	Mobile
Network	Stand alone	Stand alone	Low speed network 10Mb/s	High speed network 100b/s	Wifi/4g 100b/s
	Central Data centre	Department	Individual	Company database Private network	Cloud Data centre

# Conclusion

- Invent your future
- Go out there and build something
- Sell it