Entrepreneurship in the Digital Age

By Victoria Silchenko, PhD
“A startup is a temporary organization designed to search for a repeatable and scalable business model.”

Steve Blank
Key elements of a startup business model

**Customer value proposition:** What unmet needs will the venture address? In creating a customer value, will the venture emphasize differentiation or costs savings? Which customer segment will it target?

**Other questions?**

**Technology and operations management:** What activities required to develop and produce the venture’s core offerings?

**Go-to market plan**
- LTV (Customer Life Time Value): (Average Order Value) x (Number of Repeat Sales) x (Average Retention Time)
- CAC (Customer Acquisition Cost)

**Profit formula**
- Contribution margin
- Fixed Costs (FC) vs Variable Costs (VC)
- TAM (Total Addressable Market)
- Cash Flow
Who Wants to be an ENTREPRENEUR?

"Opportunities lie in the place where the complaints are."

Jack Ma

“Screw It, Let’s Do It.”

- Richard Branson

“i could either watch it happen, or be part of it.”

- Elon Musk

Entrepreneur
WHAT IS THE MOST IMPORTANT QUESTION WE SHOULD ASK WHILE DEFINING A VIABILITY OF OUR NEW VENTURE?
THE QUESTION IS: WHAT MARKET PROBLEM ARE WE TRYING TO SOLVE?

✓ Google made search better.
✓ Amazon simplified online buying and selling.
✓ Netflix solved on-demand streaming media.
✓ Uber is trying to make on-demand car service better.

What can YOU make smarter or better?

Solve real painful problems

“If I had asked people what they wanted, they would have said faster horses.”

Henry Ford
We Stand on the Verge of a New Era

- We are moving to a post-scarcity economic situation
- Most goods will be produced in great abundance with minimal human labor needed
The Top most Valuable Companies Are All in Tech

5 most valuable companies in 2019
- Facebook
- Microsoft
- Alphabet
- Amazon
- Apple

5 most valuable companies in 2001
- Walmart
- ExxonMobil
- Citibank
- General Electric
- Pfizer

2001: $0.4 tn
2008: $1.8 tn
2012: $4.2 tn
2016: $4.2 tn
2019: $2.0 tn
The New Paradigm:

- Services orienteered economies
- Demand for ideas & innovation
- Competition for reputation

FROM THE PRODUCER-DRIVEN ECONOMY TO A CUSTOMER-CENTERED WORLD TO THE AGE OF IDEAS

Industrial vs. Digital age characteristics

Industrial age
- Organisations: “Efficient”, hierarchical
- Assets: tangible
- Economic environment: certainty, little change
- Value based on laws of scarcity
- Simple jobs, traditional skills
- Mass production
- Simple products & processes

Digital age
- Organisations: “Learning”, inter-networked
- Assets: tangible + intangible
- Economic environment: uncertainty, highly dynamic
- Value based on law of abundance
- Complex jobs, new skills
- Mass personalization
- Value-added products & processes

New Jobs that Don’t Exist Yet (according to Monster.com)

- Drone manager
- Private industry air traffic control
- Medical mentor
- Self-driving car mechanic
- Autonomous transportation specialist
- Personal medical interpreter
- Human-technology integration specialist
- Wholeness mentor
- End-of-life coach
The Rise of the Digital Platform Economy

- We are moving from an economy of tangible assets (=land, buildings, & equipment) to an economy of intangible assets (brands, patents, licenses, data, information).
- The new world of ownership of intangibles, plus economies of scale & network effects typical for a digital world has made a lot of markets oligopolistic in form.
- New incumbents are creating a “platform economy” - online matchmakers and multisided digital networks such as Amazon, Etsy, Facebook, Google, Salesforce, Uber or AirBnb.
- If the industrial revolution was organized around the factory, present changes are organized around these digital platforms.
- Such platforms are already having dominant impact for society, markets, and firms.
- We have also moved to an open global economy where countries with a lower cost of living can compete via wages https://linkd.in/eTXv595.
Entrepreneurship Today Has no Borders

- There is a free flow of ideas, knowledge and customer data
- New customers can be reached with a mouse click
- Global financing platforms are on the rise

Can You Afford NOT To Go Digital

*BUILD YOUR CAUSE               *TAP INTO YOUR COMMUNITY
*EDUCATE YOUR FOLLOWERS
Always remember: your number one investor is your customer!

Top Digital Platforms for Creative Entrepreneurs to Find Customers

- Etsy
- Patreon
- Shopify
- Big Cartel
- Zibbet
- Amazon Handmade
- Bonanza
- DaWanda
- Aftcra
- Storenvy
- Tictail
Emerging Trends in Entrepreneurial Finance

- Sources of capital are emerging outside of traditional geographical hubs
- The VC industry is shifting at the biggest and smallest ends of the market
- Online platforms—for crowdfunding, angel syndication, and lending—are increasingly important options for seed-stage and early-stage startup needs
- Women are playing more decision-making roles in entrepreneurial capital
- There is robust experimentation with differentiated (plus mixed) capital models
UNLEASHING THE POWER OF FEMALE ENTREPRENEURSHIP

• Women are undervalued, untapped investments that yield huge returns for any community
• Today women-owned entities represent approximately 40 percent of enterprises globally
• Two main reasons: to support life while remaining flexible or to create high-growth ventures/wealth
• We have hair salon owners, high tech visionaries and everything in between
• Women control the vast majority of household spending – we are more likely to better understand customer perspective

Increased access to knowledge, networks, capital and technology are critical to empower female entrepreneurship and create a culture of success among women
BEST PRACTICES IN SUPPORTING WOMEN'S ENTREPRENEURSHIP: A COMPREHENDIUM OF PUBLIC AND PRIVATE SECTOR ORGANIZATIONS AND INITIATIVES

• According to the National Women’s Business Council, today we have an unprecedented 13 million U.S. businesses in which women are equal or majority owners (2019 data)

• **Key success factors:** • Access to Influencing Public Policy and Opinion • Access to Capital • Access to Markets • Access to Education, Mentoring, or Technical Assistance • Access to Research • Access to Networks/Networking • Access to Board Membership • Access to Certification • Access to Honors

• REPORTS ON BEST PRACTICES: Click [HERE](#)
A FIRST-OF-ITS KIND MODEL IN A MAJOR AMERICAN CITY FOR EMPOWERING WOMEN THROUGH ENTREPRENEURSHIP

• Focuses on African-American and Hispanic women-business owners as well as low-income and immigrant women

• Provides training, mentoring and networking events PLUS financing helping to address the needs of women raising between $25,000 and $250,000.

• The program has already inspired Boston to do something similar

• To learn more click HERE
MORE WOMEN ARE BECOMING INVESTORS

• Today one in four angel investors are now women, almost 320% growth in the last 10 years.

• Over 30% of all companies seeking angels funding were women

• 28% of all companies receiving funding were women-run

• Organizations to help women become angel investors are springing up: Female Funders, Radical Generosity, 37 Angels, Pipeline Angles (now in 21 cities) and Women First from Angel Resource Institute

• 7% of investing partners at the top 100 venture and micro-venture firms are women

• 12 % of venture rounds and 10 % of venture dollars globally between 2010 and 2015 went to startups with at least one woman founder

• There is scant evidence yet to suggest that on an industry-wide basis firms with a female partner are more likely to invest in startups with a female founder (techcrunch.com)
QUESTION:
How to define whether a business idea is innovative?
Is your business idea innovative?

- **INNOVATION** = Invention * Commercialization
- **IMPORTANT**: Innovation **is NOT** limited to a technology
- Invention is an idea, technology, business model or some sort of intellectual property
- If there is commercialization but no invention (=0) or invention but no commercialization (=0), than there is no innovation
- **IMPORTANT**: the entrepreneur does not need to create the invention **BUT** it is important he/she can identify it
- …and knows how to capitalize on it
5 key questions to ask BEFORE launching:

Who is your customer?
How does your customer acquire your product?
How do you make money off your product?
How do you build your product?
How do you scale your product?

But THE most important question is:
What market problem you are resolving which has not been resolved yet?
And remember: WE NEED GOOD VENTURES!

"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."
The force will be with women entrepreneurs.

More women pursue social entrepreneurship.
Who Finances Startups?

**VALUATION is low**

- **Founder, Family and Friends**
- **Crowdfunding**
- **Incubators & Accelerators**
- **Angel Investors**
- **Hedge Funds**
- **Venture Capital, early stage**
- **Venture Capital, late stage**
- **Banks**
- **PE funds**
- **Stock Market Listing**
- **Sale to a larger company**

**REVENUE**

**TIME**

**Phase of development**

- **Pre-Seed**
- **Seed**
- **Development**
- **Growth**

**High risk**

**Reduced risk**
Funding Sources Are Aligned with Startup Life Cycle Stages

**Seed Stage**
- Problem solving concept
- Customer discovery
- Business model
- Financial projections
- Product prototype/MVP

- 3-6 months
- "Valley of Death"

**Search Stage**
- First sales/More sales
- Proof of concept
- Market feedback
- Adjustments
- Product-market fit

- Funding round: $5M-$15M
- 18-24 months

**Growth Stage**
- New hires
- New markets
- New products
- New channels
- New partners
- Acquisitions

- Large VCs
- Corporate VCs (CVCs)
- Royalty-Based financing
- Private Equity (PE) funds
- Multi-family Offices (MFOs)
- Banking Institutions
- Hedge Funds
- Supplier credit

- Funding Round: over $15M
- 2-5 years

**Exit**
- Sale/Trade
- Traditional IPO
- IPO via SPAC
- Direct Public Offering (DPO)/NASDAQ Private Market
- Direct Listing on OTC Markets

**Funding Round:**
- $100K-$1M
- Equity Crowdfunding
  - P2P lending
  - Angel Groups
  - AngelList Syndicates
  - SBA loans
  - Micro-VCs
  - Social Venture Capital Firms
  - Single family offices (SFOs)

**Secondary Offerings**
Some of the most famous examples of startup investors

- **INCUBATORS & ACCELERATORS:** Y Combinator, 500 Startups, Techstars, AngelPad
- **ANGEL INVESTORS:** Jeff Bezos, Paul Graham, Kevin Rose, Dharmesh Shah
- **HOLLYWOOD STARS & ATHLETES STARTUP FINANCIERS:** Ashton Kutcher, Demi Moore, Justin Timberlake, Kim Kardashian, Magic Johnson, Snoop Dogg
- **THE MOST POPULAR PLATFORM TO SEARCH FOR ANGEL INVESTORS:** AngelList
- **REWARD-BASED CROWDFUNDING:** Kickstarter, Indiegogo
- **EQUITY CROWDFUNDING:** Indiegogo, CrowdCube, CrowdFunder, Seedrs
- **VENTURE CAPITAL FIRMS:** Accel, Andreessen Horowitz, Benchmark, Sequoia Capital
- **CORPORATE VENTURE CAPITAL:** Google Ventures, Intel Capital, Johnson & Johnson Innovation, Samsung Venture Investment, Microsoft Ventures, Amazon Venture Capital
- **THE LARGEST VC FUND TO DATE (<$100 billion):** Softbank Vision Fund
### Four Types of Crowdfunding

<table>
<thead>
<tr>
<th>Types</th>
<th>Contribution</th>
<th>Retribution</th>
<th>Representative platforms</th>
</tr>
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<tbody>
<tr>
<td>Donation-Based Crowdfunding</td>
<td>small amounts of money (typically between $1 and $1,000, sometimes more)</td>
<td>none</td>
<td>gofundme</td>
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<td>crowdrise</td>
</tr>
<tr>
<td>Reward-Based Crowdfunding</td>
<td>small amounts of money (typically between $1 and $1,000, sometimes more)</td>
<td>Reward (often a product or service)</td>
<td>Kickstarter</td>
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<td>indiegogo</td>
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<tr>
<td>Equity-Based Crowdfunding</td>
<td>larger amounts of money (at least $1,000 and often a lot more)</td>
<td>a small piece of equity</td>
<td>CircleUp</td>
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<tr>
<td></td>
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<td>crowdfunding</td>
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<tr>
<td>Lending-Based Crowdfunding (P2P)</td>
<td>make a loan</td>
<td>principal plus interests</td>
<td>LendingClub</td>
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The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.

- Michelangelo

Read some of my articles published on:
- CrowdfundInsider
- Huffington Post
Funding Creators Worldwide: Key Players

- **UNESCO International Fund for the Promotion of Culture** provides financial support on the basis of a call for proposals opening once a year [en.unesco.org](http://en.unesco.org)
- **Green Art Lab Alliance** funding guide [greenartlaballiance.eu](http://greenartlaballiance.eu)
- **Botín Foundation** provides financial aid for training, research or personal projects around artistic creation [www.fundacionbotin.org](http://www.fundacionbotin.org)
- **Rudolf Nureyev Foundation** - supports individual dancers, organizations or companies and performances, with a focus on the former Soviet Union and Eastern Europe [www.nureyev.org](http://www.nureyev.org)
- **Foundation for Arts Initiatives** supports contemporary visual arts and culture [ffaiarts.net](http://ffaiarts.net)
- **Open Society Fellowship** supports individuals pursuing innovative and unconventional approaches to fundamental open society challenges, in any of the 5 issues identified by the Open Society Foundations (Health, Education & Youth, Governance & Accountability, Media & Information, Right & Justice) [www.opensocietyfoundations.org](http://www.opensocietyfoundations.org)
- **The Awesome Foundation** - a global community “advancing the interest of awesome in the universe, $1000 at a time.”
- **Ticket Fund by Prince Claus Fund** - the cross-cultural exchange of artists and cultural practitioners [www.princeclausfund.org](http://www.princeclausfund.org)
3 key ways to protect your intellectual property (IP)


• Acquiring Insurance

• Implementing Security Measures:
  ➢ Conducting background checks on key personnel/partners
  ➢ Restricting IP access to essential parties, contractors or supply chain partners
  ➢ Prohibiting unauthorized copies of IP, e.g. on USB devices, shared network drives
  ➢ Encrypting all IP that is transmitted digitally and electronically
ALWAYS BE LEARNING:
Nontraditional education tools and platforms are on the rise

• **Self-learning Destination Sites** (offers courses from many different providers): Udacity.com, Udemy.com, Coursera.com, edX.org

• **Learning Management Systems**: there are over 700 providers in the market for corporate Learning & Development www.talentedlearning.com/ims-vendor-directory/

• **Open Source Learning Management Systems** (for developing and hosting an online courses) Moodle, Sakai, and Open edX

• **Modern Learning Management Solutions such as** Docebo, Totara, Litmos, Motivis, NovoEd and many others

• **Custom Built Learning Platforms** such as extensionengine.com, classroom24-7.com, www.elogiclearning.com/, www.onpointdigital.com, www.yourmembership.com and many others
Bringing Your Startup to the U.S.

- **Common Business Structures:** Corporation or Limited Liability Corporation (LLC)
- **TAXES:** If you are a non-resident business owner, the U.S. Internal Revenue Service (IRS) will tax you on income that is sourced in the U.S.
- **FEES:** You may also be required to pay an annual fee to the state where your business is incorporated
- **GOOD SOURCE TO STUDY:** SBA.gov
- **REGISTRATION:** Delaware has been the most common region for registering a holding company/ plus Las Vegas
- **Funding vehicles:** convertible debt from angels/preferred equity with VCs
- **IMPORTANT:** inventory your IP, verify your ownership and make sure you have the U.S. based “entrepreneurial friendly” aka cost effective attorney
Exporting to the U.S

- In 2018 the U.S. was the world’s second largest importer after the European Union, importing a total of $2.7 trillion in goods and services.
Get Familiar with International Commercial Terms (“Incoterms”)

**Carrier Paid To (CPT)**—The seller of a product is responsible for the payment of freight to ship that product to the import country. Once the product has been delivered to the carrier, the buyer accepts responsibility for the shipment and its destination.

**Ex Works (EXW)**—The buyer arranges the full shipment from the supplier’s warehouse to the cargo’s destination.

**Free Carrier (FCA)**—The seller arranges most or all of the shipping stages from the exporting country. The buyer accepts liability once the goods arrive at the carrier’s terminal for export.
Exporting to the US: Useful Online Sources

• **U.S. Customs and Border Protection (CBP) Contacts** – Contact information to find assistance from any of CBP's offices in international trade, trade relations, and brokers.

• **International Trade Administration (ITA) Services** – ITA's import services, including counseling and a program/partner search

• **International Business Brokers Association, Inc.**

• **Customs Rules Online Search System**

• **Customs Trade Partnership Against Terrorism**

• **Basic Importing and Exporting Information**

• **Small Business Administration: Importing Goods into the U.S.**
More Sources

- [https://www.fas.usda.gov/](https://www.fas.usda.gov/) Foreign Agricultural Service
- Calendar for Tradeshows [https://eventsinamerica.com/events/trade-shows/2021](https://eventsinamerica.com/events/trade-shows/2021)
- [https://www.franchiseresales.com/](https://www.franchiseresales.com/) Find a franchise in the US
- [https://www.exim.gov/who-we-serve/lenders](https://www.exim.gov/who-we-serve/lenders) Connect with EXIM Bank
- [https://www.buyusa.gov/](https://www.buyusa.gov/) - search for partners in the US
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THANK YOU!!!