Starter seminar

Pitching to investors
Overview

• Introduction
• BUDA
• Interview Edvar Heylen

• Uber first pitch
• Elevator pitch tool
• NABC slide deck
• DO’s and Don’t’s in business planning
Introduction

Who am I?
BUDA

https://vub.sharepoint.com/sites/PUB_BUDA
Interview Edvar Heylen

- VP – Allen & Company (New York / London)
- VP of Finance, Strategic & Corporate Development – ROLI (London)
- CFO Heyjobs
Uber’s first pitch-deck
UberCab

Very little from this slide would stick with the company. You're far more likely to see your driver with a Prius. We have come a long way from Blackberries.
Cabs in 2008

- Most use aging & inefficient technology
  - Radio dispatch, no 2-way communication
  - Most common car, Ford Crown Victoria = 14mpg
- Hailing is done by hand or phone
  - No GPS coordination between client/driver
  - Significant fareseeking or “dead-time”

Cabs in 2008
The point around fuel efficiency is interesting. When drivers buy their own cars it is in their interest to buy fuel efficient cars -- hence the prevalence of hybrids.

I'm also young enough to not remember ever having to hail a cab.
The Medallion System

- Taxi-monopolies reduce quality of service
  - Medallions are expensive, and drivers underpaid
    - Medallions cost ~$500k, drivers make 31k
    - No incentive/accountability for drivers/clients

- Digital Hail can now make street hail unnecessary

The term "Digital Hail" sounds outdated already but you can see clearly how Uber would lead to the rapid proliferation of gig economy drivers.
UberCab Concept

- A fast & efficient on-demand car service
- Market: Professionals in American cities
- Convenience of a cab in NYC + experience of a professional chauffeur. But in SF and NYC
- Latest consumer web & device technology
  - automate dispatch to reduce wait-time
- Optimized fleets and incented drivers
- The “NetJets of car services”

UberCab Concept

In contrast to Lyft, Uber initially focused on higher-end rides that would be similar to UberBlack today. They completely missed that the market would grow far larger than just "professionals in American cities." Also the NetJets reference is fairly dead on arrival.
1-Click Car Service

- Must be a member to use the service
  - Professional and trustworthy clientele
- Not hailed from street
  - So no medallion licenses are required, since clients are service members & use digital-hail
- Guaranteed Pick-up (unlike a yellowcab)
  - Mobile app will match client & driver
  - See photos of each other

1-Click Car Service
Policy did and still does prove to be a bit of a hiccup here. Though the company has spent countless dollars fighting regulation, it always knew the importance of establishing trust between drivers and passengers.
Key Differentiators

- Members Only - Respectable clientele
- 1-click hailing - “Pickup here in 5 mins”
- Fast Response time – easier than calling
- Luxury automobiles – Mercedes Sedans
- Great drivers – “Rate your trip” feature
- High-tech solution: Geo-aware auto-dispatch
- Optimized fleet – Logistical LBS software

Key Differentiators
The emphasis on "members only" is starting to feel a bit off from Uber's current culture. Yes, you need to register but most everyone is an Uber "member." And as previously mentioned, the luxury car concept never quite manifested the way the team thought it would.
Operating Principles

- Luxury service on-demand
- Modern and fuel-efficient fleet
- Customer-focused, computer-coordinated
- The best end-user experience possible
- Statistically optimized response time
- Pre-paid, cashless billing system
- Profitable by design

I pretty much lost it at "profitable by design." Perhaps that was just a way of telling investors that they wanted to make money. Just goes to show you how crazy of a ride it would have been to be an early Uber investor, later weathering billions being burned in international markets in the name of expansion.
UberCab apps

• 1-Click request from Geo-aware devices
• SMS from any phone: “pickup @work in 5”

UberCab apps

Woah, that’s a Nokia. Only one of those three phones made it to 2017. Then again, two-thirds of things (or more) we see today won’t make it to 2026.
UberCab.com

- Book Trips, show Fleet status, trip history
- Pre-specify locations with labels + coordinates
  - To enable easy texting of pickup locations
- Google Maps integration
  - Lat/long for “home”, “bob-work”, “alice-apt”

UberCab.com

Uber thankfully upgraded to Uber.com. The web as an interface for booking an Uber is quite outdated. But the company does have a scheduled rides feature.
Use-Cases

- Trips to/from restaurants, bars & shows
- Fast local transport where parking isn't easy
- Airport pickup/dropoff (pre-scheduled)
- Working while commuting (wifi in cars)
  - 3 person rideshare to a South-Bay campus
- Dropping off Kids at School
- Elderly transport

Use-Cases
I'd really love wifi in cars -- what happened to that? I have only had one driver ever who had wifi in his car. Airports are still hit or miss. Otherwise all these cases and more are right on.
Uber Benefits

- Cabs don’t guarantee pickup, can take 45 mins
- Cab aren’t as safe or clean as limos
- Car services require 1-3 hours notice
- Car services transfers average over $60 + tax

- UberCab would be faster & cheaper than a limo, but nicer & safer than a taxicab

User Benefits

Lines here are a bit blurred. In certain situations (especially in NYC) cabs make more sense. Generally speaking, Uber is way more convenient though and its benefits are so clear that it’s hard to imagine dedicating an entire slide to the topic.
Environmental Benefits

- Better Utilization of Vehicle Resources
  - In NYC, 35% of time is spend looking for fares
  - In less dense cities, can be over half “dead-time”
  - As swarm size increases, efficiency will improve
- Hybrid vehicles (2x efficiency of a cab)
  - Mercedes S400 BlueHybrid, Lexus GS-450h
  - Reduce carbon footprint, better use of time in car
- Ridesharing/Carpooling incentives – lower rates
  - Trip to SFO, or Ballpark to Marina after a game

Environmental Benefits
This point about fuel efficiency and the environment is really emphasized strongly. And if I’m understanding their intent right, surge pricing seems to oppose the proposed idea of lower rates after events at the Ballpark etc.
UberCab Fleet

- Premium – S550 for SF Beta clients
  - 30mpg with S400 BlueHybrid (in 2010)
- Standard – Lexus GS450h or e320– 23mpg

- Existing cab/towncar fleets get 14-16 mpg

UberCab Fleet

Toyota Prius. Honda Accord. Toyota Corolla. But as noted, the fleet thing turned out very different. Can't imagine investors really liked that part of the pitch anyway.
Initial Service Area

- Central SF to Start, Manhattan soon after

Initial Service Area

To this day Uber works best in cities. From my experience, wait times are significantly shorter in SF and the entire experience is more refined. But Uber would grow into many more countries in the nine years after its SF deployment.
Technology

- Mobile phones + intelligent scheduling
  - Applications for iphone, blackberry, symbian
  - Operations research for route optimization

- Payment/utilization/reputation tracking
- Patent-pending system design

Symbian? It has been a long while since I've heard that one. Hope the creation of Android didn't throw too much of a wrench into engineering spending.
Demand Forecasting

- Cars hover in statistically optimized positions
  - minimize expected pickup time given hour of week & weather/traffic conditions

Demand Forecasting

This data would become key to Uber’s Autonomous Car Group (ATG). I’d be curious if the team saw this only as a means for optimizing rides. Almost reminds me of the genius behind the Facebook like button -- AI applications are infinite.
Overall Market

- $4.2B annually and growing
- Top 4 players combined only 22% of revenues

### 7.25 THE UNITED STATES

<table>
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<th>Year</th>
<th>Taxicab and Limousine Service (US dollars): The United States 2004 - 2014</th>
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Source: Philip M. Parker, INSEAD, copyright 2008, www.ingrouponline.com

Overall Market

Suffice to say the market was much bigger. Uber pulled in $6.5 billion in 2016. Another reason not to put too much stock in market size estimations.

Everyone thinks their market is $4 billion. Most won't come close to capturing that and a few lucky stars will blow past their estimate by a multiple.
Composition of Market

- Focus on Urban service on-demand

<table>
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<th>Market Segment</th>
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<tr>
<td>Retail - non-airport</td>
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<td>Business - non-airport</td>
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<td>Retail - airport</td>
<td>12.0%</td>
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<tr>
<td>Business - airport</td>
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</tbody>
</table>

- 2007 Market

I have friends who use Uber to ship boxes across town. The long tail of use-cases has grown substantially.
Target Cities

- Focus on SF/NYC to begin
- Expand to LA, Chicago, Houston, PA, Dallas
  - This covers 50% of entire US market

Target Cities

Turns out those seven cities wouldn’t be enough for Uber. With the rise of Lyft and another few dozen serious international competitors, Uber would reprioritize first mover advantage in international markets.
Potential Outcomes

- Best-Case Scenario
  - Becomes market leader, $1B+ in yearly revenue
- Realistic Success Scenario
  - Gets 5% of the top 5 US Cities
  - Generates 20-30M+ per year profit
- Worst-Case Scenario
  - Remains a 10 car, 100 client service in SF
  - Time-saver for San-Francisco based executives

Potential Outcomes

I find this conservative but I'm also suffering heavily from hindsight bias. The realistic and worst-case scenarios scream "don't invest in me."
SmartPhones, Aug2008

How was this only nine years ago? Blackberry and Nokia are actually leading their respective categories.

But ok, the real takeaway here is that Uber is built on the back of mobile. Without the rise of mobile, Uber wouldn’t have happened.
Future Optimizations

- Cheaper cars by buying used
- Less expensive hybrid vehicles (prius)
- More accurate GPS technology
- Discounted rates for Sun-Tues multi-hour bookings
- Pay premium for on-demand service
- “get here now” costs more than “tomorrow at 5pm”

Future Optimizations

UberX did turn out to be more popular than UberBlack. Hybrids took off. I'm sure GPS is better than it was in 2008 even though it still pings my location massively off every once in a while. RIP bookings. Premium, yes -- the $150+ I've paid for an UberX from SF to San Jose! Uber's scheduled rides are actually priced just like normal rides.
Marketing Ideas

- YellowCab is the only recognizable brand
  - Become the ubiquitous “premium” cab service
- Invite Only, referred from an existing member
- Possible slogan: The One-click cab
- The NetJets of Limos
- Cabs2.0

Marketing Ideas
These are all quite bad. Then again, Uber's obsession with all things black (they have black mirrors in their office) and the whole "bits and atoms" branding move also never made any sense to me.
Location-Based Service

- Extend infrastructure to other LBS applications
  - Delivery, non-critical medical/governmental use

- Growing to a $3.5B industry by 2010

Location-Based Service
This is not to mention the rise of UberEATS and the entire industry around it.
Progress to Date

- Ubercab.com reserved + “ubercab” SMS code
- California LLC + trademark filed
- Iphone dev license applied for Nov28,08
- Bank Account + Paypal account created
- 5 advisors & 15 clients now recruited
- Provisional patent filed
- NEXT: buy 3 cars, develop app, Feb1st demo
  – Raise a few million, small-office + GM in SF

Good to know the team bothered to create a bank account to accept the money from the investors being pitched.

But all aside, First Round Capital, Lowercase Capital, Founder Collective and a bunch of angels must have really liked what they saw.
# The Elevator Pitch

It's helpful to express each idea in a consistent Elevator Pitch. Boiling a product or service down to one sentence is hard. It requires deciding what really matters and can sharpen the idea in powerful ways.

<table>
<thead>
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<th></th>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
10 SLIDE NABC

The purpose of a pitch is to stimulate interest, not to cover every aspect of your startup and bludgeon your audience into submission.

1. TITLE
   - Provide name, and focus point of the proposition.

2. PROBLEM/OPPORTUNITY
   - Describe the pain that you’re alleviating or the pleasure you’re providing.

3. VALUE PROPOSITION
   - Explain the value of the pain you alleviate or the value of the pleasure you provide.

4. UNDERLYING MAGIC
   - Describe the technology, secret sauce or magic behind your product. The less text and the more diagrams, schematics the better.

5. BUSINESS MODEL
   - Explain who has the money in his pocket and how you’re going to get it into yours.

6. GO-TO-MARKET PLAN
   - Explain how you are going to reach your customer without breaking the bank.

7. COMPETITIVE ANALYSIS
   - Provide a complete view of the competitive landscape. Too much is better than too little.

8. TEAM
   - Describe the key players the team.

9. FINANCIALS & METRICS
   - Provide a three-year forecast containing not only euro’s but also key metrics, such as number of customers and conversion rate.

10. STATUS & TIMELINE
    - Explain the current status of your product/service, what the near future looks like, and how you’ll use the money you’re trying to raise.
INTRODUCTION

- When considering a new business opportunity, it makes sense to assess the opportunity in a systematic way.
- A business plan
  - helps to structure the analyses and present them in a way that helps others understand the game plan.
  - The point is to get others to see the plan as you see it.
- For investors, the business plan will always be wrong, nonetheless, they will request to see one.
  - This is to get a grasp of how you as an entrepreneur see the cost side of running your business.
  - Alternatively, the business plan allows investors to assess whether you understand your business opportunity to fullest extent possible.
- Business plans can be written for different types of opportunities
  - Developing new products & services
  - Entering new markets
  - Launching new business models
  - Or creating new channels.
INTRODUCTION

• Key in writing a business plan are the following items:

• A business plan should always be goal oriented; it helps you
  • understand an opportunity & decide whether to proceed
  • persuade investors or other stakeholders to invest
  • understand key risks of the business & how to manage them.
  • develop a roadmap for the future of your company.

• A business plan, by definition, will be wrong to some extent.
  • No one can predict the future
  • Keep your plan lean & mean & be prepared to adapt.

• A plan is just a plan
  • The important part is the planning, not the plan itself
  • Success will depend on the execution of the plan and the context within which the plan is executed.
• General characteristics of a good business plan:

**Memorable**
- The business is a document the reader will remember you by

**Clear & concise**
- Well-structured, self-explanatory, bullet point style
- Non-technical terms
- Max 20-25 slides

**Goal-oriented**
- Focused on key questions & assumptions
- Defines a call to actions

**Objective**
- Accurate, positive & critical
- Transparent on the data sources

**Hands-on**
- Practical rather than theoretical & context specific
## BUSINESS PLANNING

### DIFFERENT SECTIONS OF THE BUSINESS PLAN

<table>
<thead>
<tr>
<th>The executive summary</th>
<th>The opportunity description</th>
<th>The company description</th>
<th>The conclusion</th>
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</thead>
<tbody>
<tr>
<td>Description of the overall business mission</td>
<td>Description of the customer pain(s)</td>
<td>Feasibility analysis</td>
<td>Key challenges &amp; risks</td>
</tr>
<tr>
<td>The pains &amp; solutions presented</td>
<td>Description of the offered solution(s)</td>
<td>The revenue model</td>
<td>The expansion potential</td>
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<tr>
<td>The team &amp; experience</td>
<td>Market</td>
<td>The operating model</td>
<td>A call to action</td>
</tr>
<tr>
<td>The customer profile &amp; market figures</td>
<td>Customer profile</td>
<td>The sales/marketing approach</td>
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<tr>
<td>The unique advantage &amp; competitive edge</td>
<td>Market summary</td>
<td>The team</td>
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<tr>
<td>Revenue potential &amp; key financials</td>
<td>Industry</td>
<td>The Board of directors</td>
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<td>Competition</td>
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<tr>
<td>Call to action</td>
<td>Competitive edge</td>
<td>Milestones</td>
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</table>

### The opportunity description

- Description of the customer pain(s)
- Description of the offered solution(s)
- Market
  - Customer profile
  - Market summary
- Industry
  - Competition
  - Competitive edge

### The company description

- Feasibility analysis
- The revenue model
- The operating model
- The sales/marketing approach
- The team
- The Board of directors
- Key objective
- Milestones
- The financial plan/business case

### The conclusion

- Key challenges & risks
- The expansion potential
- A call to action