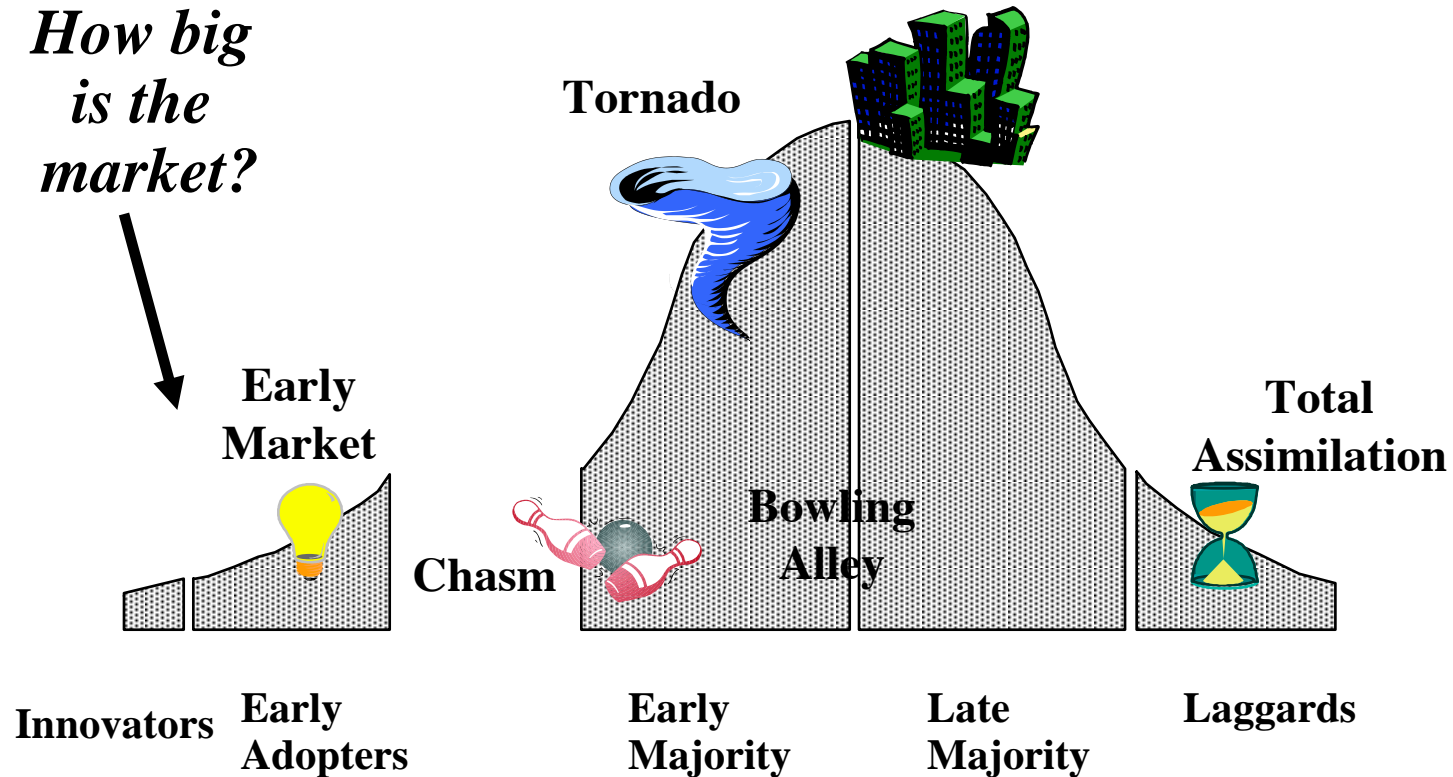


What Can We Learn from Yahoo! 1995?

- How to assess a market opportunity - before the market exists
- How to evaluate a business plan
- How to manage the risks in a new venture
- How to evaluate your sources of funding
- How to assess the difference between ownership and control

How to assess a market opportunity - before a market exists



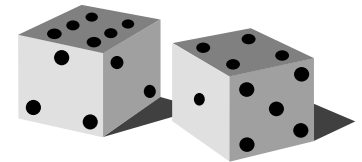
Sources: Moore (2002), *Crossing the Chasm*,
Moore (2002), *Inside the Tornado*.

How to Assess a Market Opportunity

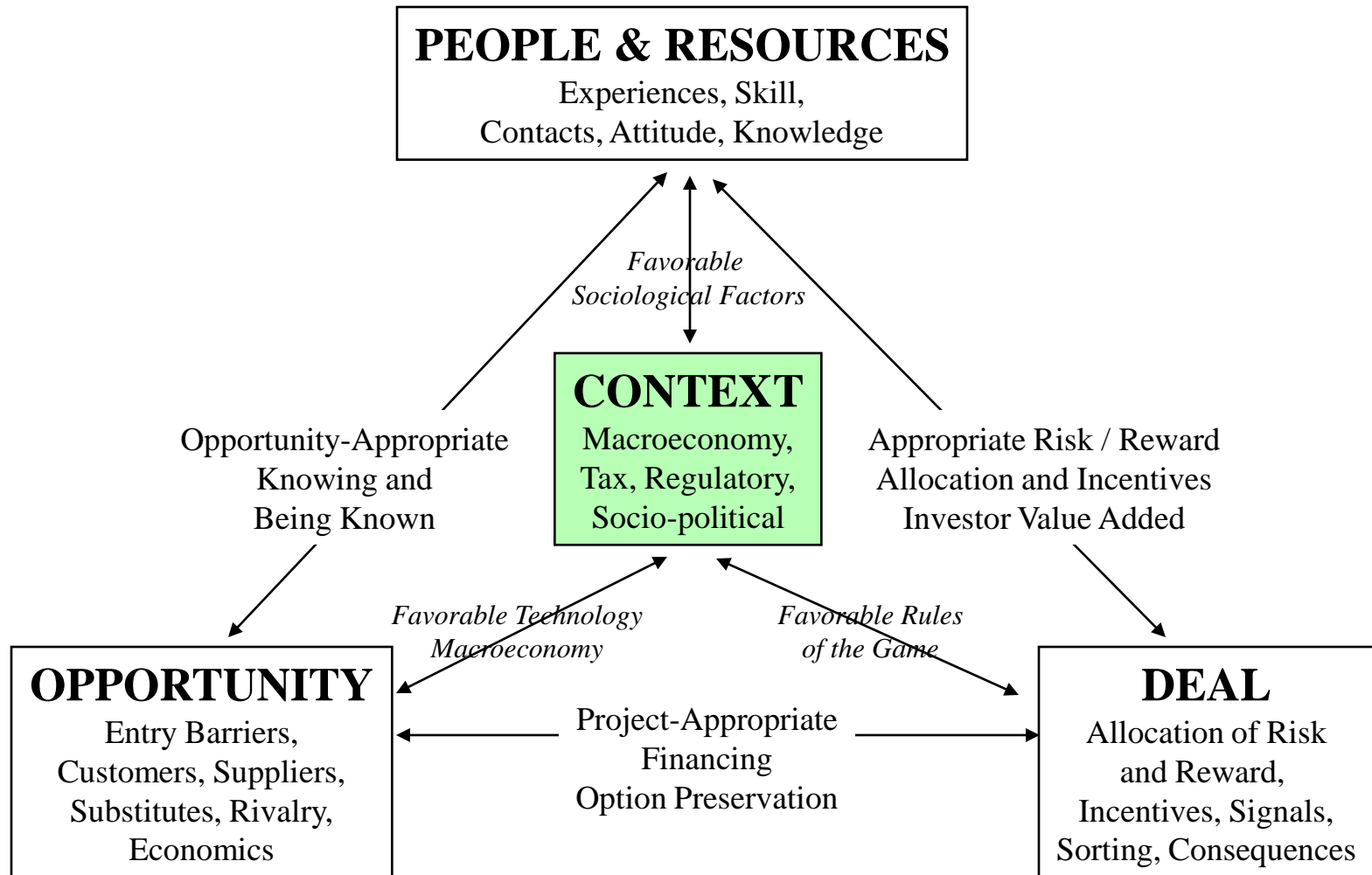


Before a Market exists!

- Learn the value chain from end-to-end.
- Play to your passions and past experience.
- Be ready to change your bets as you learn about the risks.
- Be a buyer and a seller - and look for inefficiencies that will create a “win-win”
- Be skeptical of “top-down” estimates of Total Available Market
- Build “bottom-up” estimates based on discussions with customers
- Run the numbers to calibrate and reality-test your intuition.



How to Evaluate a Business Plan



How to Manage The Risks in a New Venture

Risks	Mitigation Strategy	Contingency Plan	Severity	Probability
<p><u>Technology Risk:</u> Will it work? Is it defensible?</p>				
<p><u>Market Risk:</u> How large is the market? Competition?</p>				
<p><u>Team Risk:</u> Skills/Experience? Do we Trust them?</p>				
<p><u>Financial Risk:</u> Risks due to prior investors? Entrepreneur's expectations re. Valuation?</p>				

How to evaluate your sources of funding

1. **Legally Qualified:** They satisfy any legal requirements.
2. **Fit:** Their selection criteria fit our investment opportunity.
3. **No conflicts:** Their other investments do not compete with us.
4. **Aligned:** Their objectives are aligned with our objectives.
5. **Connected:** They can give us access to customers, other investors, government officials, etc.
6. **Well funded:** They have the capacity to invest now, and in the future if needed.
7. **Smart:** They have expertise and experience that will help us to succeed.
8. **Trustworthy:** They are honest. We trust them & vice versa.
9. **Autonomy/Control:** They will allow us to control our business
10. **Good value:** Their valuation, terms & conditions are fair.

Adapted from Kosnik (2000) guidelines on selecting investors for AVAcore Technologies.



How to evaluate your sources of funding

Criteria	Sequoia: \$1MM for 25% stake	Corporate Sponsorships	Merge with Netscape or Architext	Look for Another VC
Qualified	10			
Fit	9			
No Conflicts	9			
Aligned	?			
Connected	9			
Well Funded	10			
Smart	9			
Trustworthy	7			
Autonomy/ control	8			
Good Value	?			
Total score				

How to Assess the Difference Between Ownership and Control

