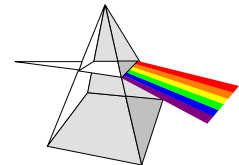


Consulting Assistance for Start-Ups

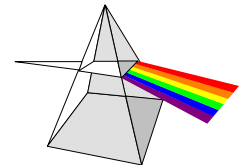
David Krohn

Light Wave Venture LLC
dkrohn@lightwaveventure.com



Consulting Assistance for Start-Ups Overview

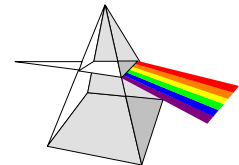
- Some start-ups need a lot of assistance
- Some start-ups need only focused assistance
- Nearly all start-ups need some assistance



Consulting Assistance For Start-Ups

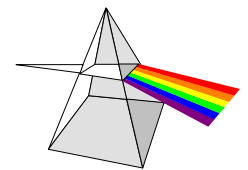
Outline

- Basis for a start-up
- Where do start-ups originate
- Typical situation in early days of a start-up
- Technical marketing
- The business case
- Manufacturing
- Strategic partners
- Raising funds
- Networking
- Sourcing talent
- Role post funding
- Finding the right consultant



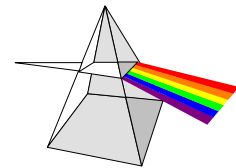
What Elements Constitute the Basis of a Good Start-Up?

- Disruptive / compelling technology position
- Products will meet a market need
- The business is sustainable (long term growth potential)
- Scalable (manufacturing)
- Strong management team
- Consultant can help define elements



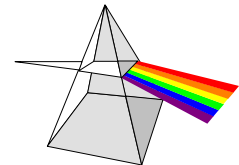
What is the Genesis of Start-Ups?

- Entrepreneur (fire in the belly) with a business concept
 - Industry
 - University
 - Government laboratory
- Large company
 - Spin off (outside of core business)
 - Contract research based product concepts searching for an opportunity (“Gold in Defense Labs”, WSJ, April 25, 2001)



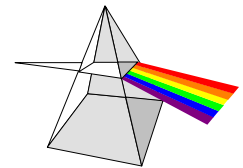
What Does a Start-Up look like?

- Good technology
- Technical marketing
 - Normally weak
 - Top down analysis only
 - Addressable market not identified
 - Barriers not clearly defined
- Very aggressive sales and market penetration forecast
- Manufacturing
 - Normally weak
 - Very early stage concepts
- Management team
 - Little experience → Experienced
 - Likely not a complete team
- Funding level
 - Self funded
 - Angel investment
 - First round complete
 - Big company internal



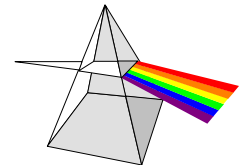
Where do You Start?

- Technical marketing
- Companies that are technology driven not market driven are much more likely to **fail**
- Marketing is a continuous process
 - Large companies as well as small companies must keep a constant vigil
- Recent Photonic Industry conference – 1100 companies
 - Which ones will prosper?
 - Which ones will fail?
- An outside view can play a role in developing a market focus



Consultants Role in Marketing

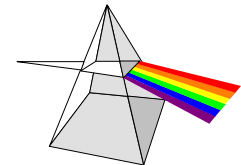
- Outside view
 - Market segments
 - Growth dynamics
 - Competitive environment
 - Articulation of value proposition
 - Access to potential customers (“The network”)
 - Market Input
 - Making sure the customer is heard
 - Sales
 - Competitive intelligence
 - Time to market issues
 - Focus



The Business Case

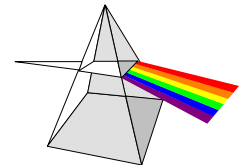
Elements

- Executive Summary
- Mission
- Marketing
 - Size
 - Opportunity
 - Competitive environment
 - Value proposition
- Strategy
 - Market focus
 - Product migration path
- Sales
- Technology
- Manufacturing
 - Cost
 - Scalability
- Risk Assessment
- Financial (including use of funds)
- Exit strategy (No!)



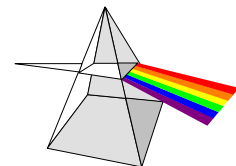
The Business Case

- Format
- 10-15 pages word document
- 2-3 page executive summary
- PowerPoint presentation



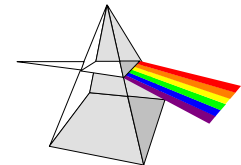
Consultant's Role in Preparing the Business Case

- Marketing input
- Manufacturing input
 - Outsourcing (The network)
 - Vendors
 - Strategic partners
 - Capacity forecasting
 - Scale up
 - Capital needs
 - Realistic timeframes
 - Cost reduction plan (manufacturing engineering)
- Full plan preparation



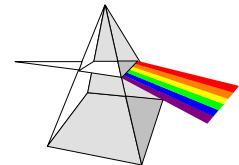
Consultant's Role in Raising Venture Capital

- Investment understanding from VC standpoint
- Business plan review
 - Is it credible?
 - Is it big enough?
 - What is the long term growth potential?
 - Realistic understanding of the opportunities and barriers
- Management team
 - Strengths
 - What's lacking
- Seeking the right investor (smart money) (The network)
- Business case consistent with VC investment strategy
- Getting the VCs attention
- Due diligence support
- Valuation
- Negotiating the deal



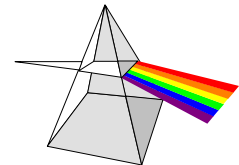
Consultants Role in Sourcing Talent

- Business consultants are generally not head hunters, but often get approached by individuals looking for opportunity (the network)
- Provide an outside perspective to both the company and the candidate in the interview process



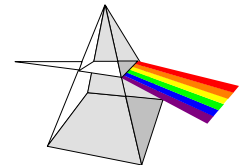
Consultants Role Post Funding

- Fill in until management team is complete
- Advisory boards
- Entrepreneurial coaching role

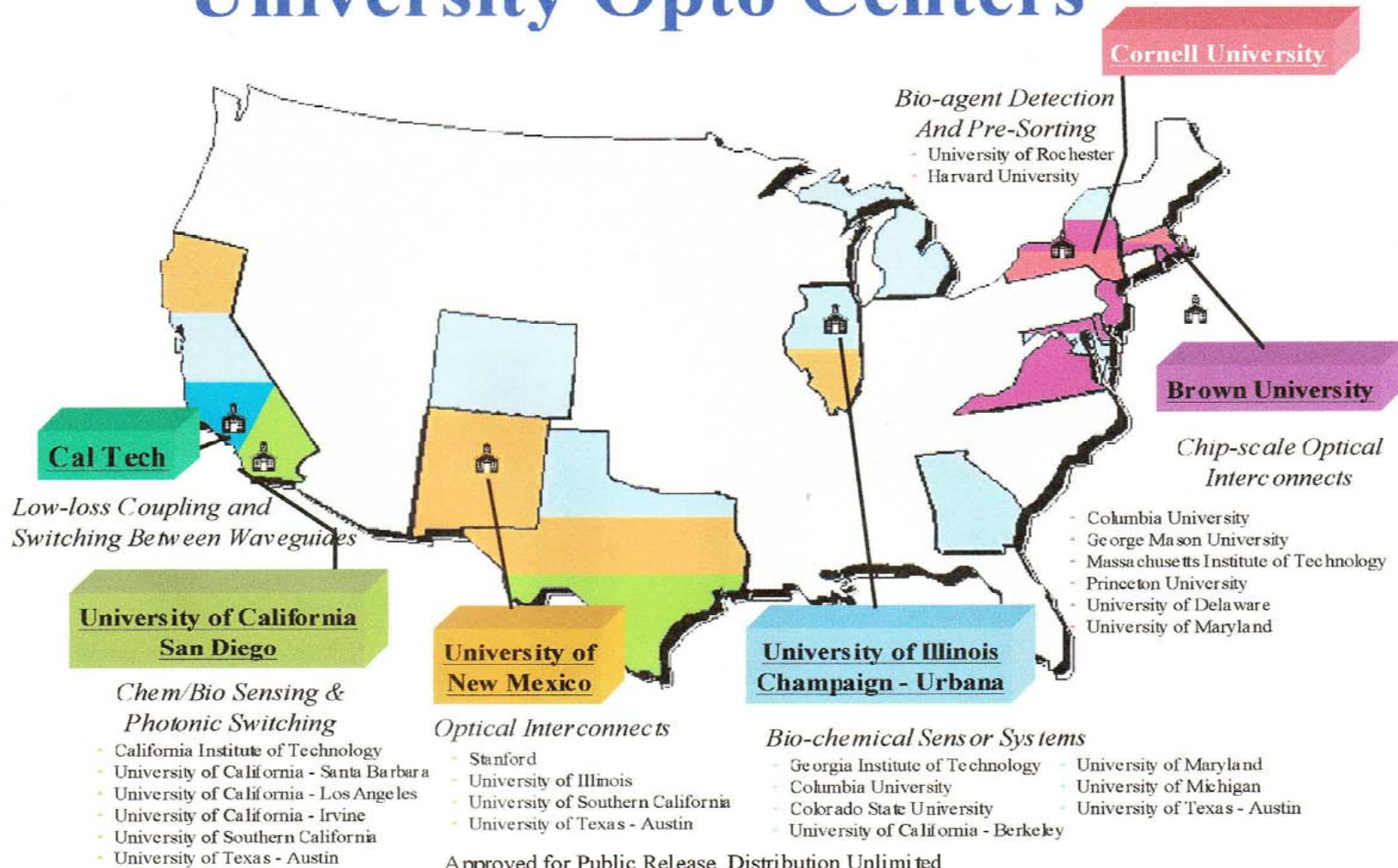


Consultants for Start-Ups - Where Do You Find Them?

- Referrals
- Technical organizations
 - OSA
 - SPIE
 - OIDA
- University Photonic Centers (See University Opto Centers)
- Market research organizations
- Investment community
 - Lightwave Advisors
 - Light Wave Venture



University Opto Centers



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Selecting a Consultant

- Is the consultant's skill set suitable for the task?
- Is the consultant compatible with the management team?
- Does the consultant have the proper network access?
- Is this person a professional consultant or in a job transition?
- Is the consultant available and responsive?
- Check references
- Good Luck

