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# *Fintech Catalyst*

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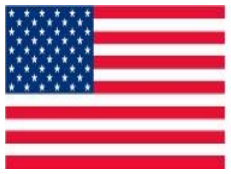
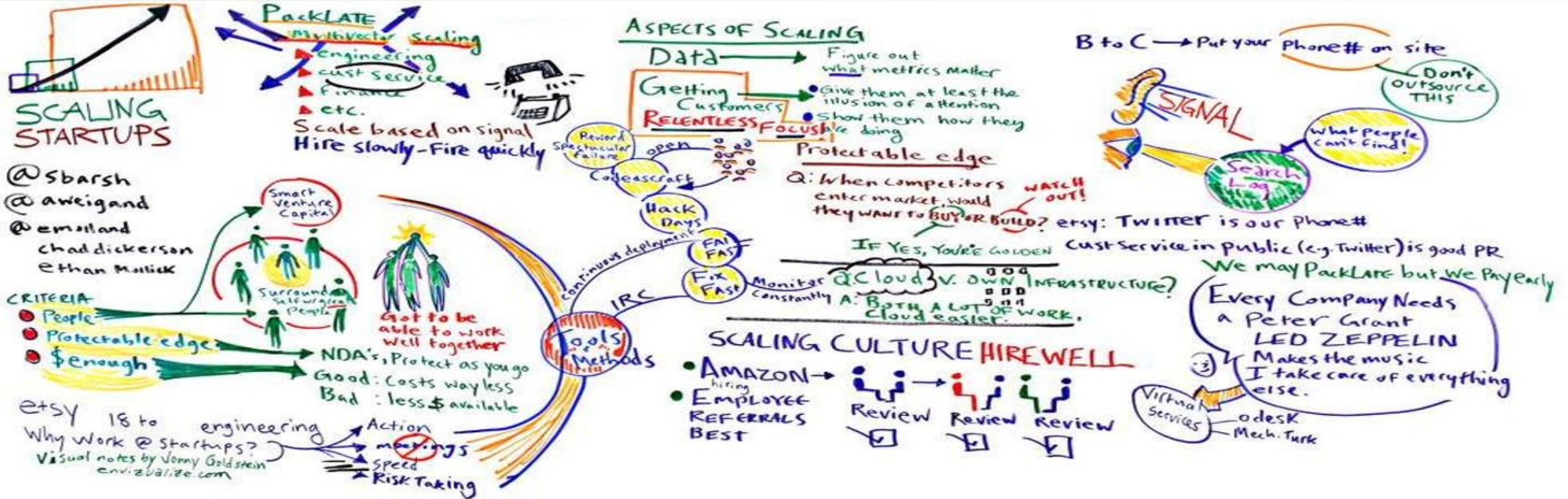


Image Credit: Chad Dickerson, CEO, Etsy



How to make your business model scalable ?



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**LET'S START WITH THE VERY BASICS**

# Meaning of scaling

Scaling businesses has slightly different meanings to different audiences:

- Higher growth of revenues than Operating Expenditure growth
- Business growth in general
- Ability of the business to sustain growth



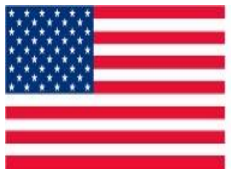
## The right meaning of scalable business for the VC funded startups

Businesses that scale are businesses with operating leverage : if additional revenue requires relatively smaller and smaller additions to operating costs, then congratulations... your business scales!

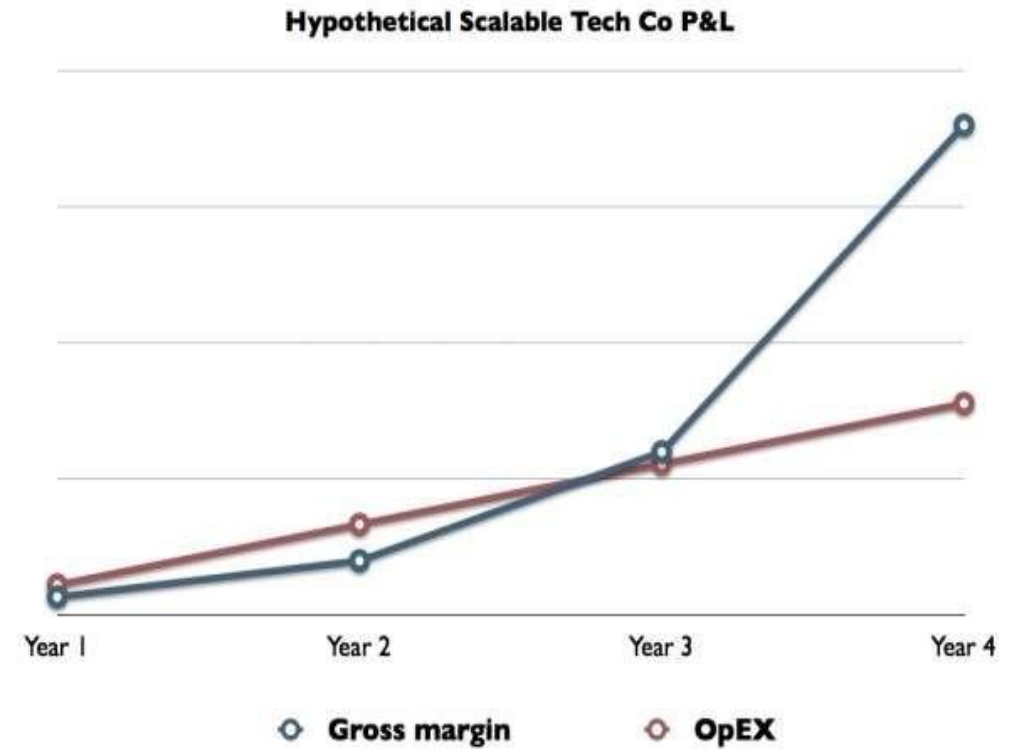
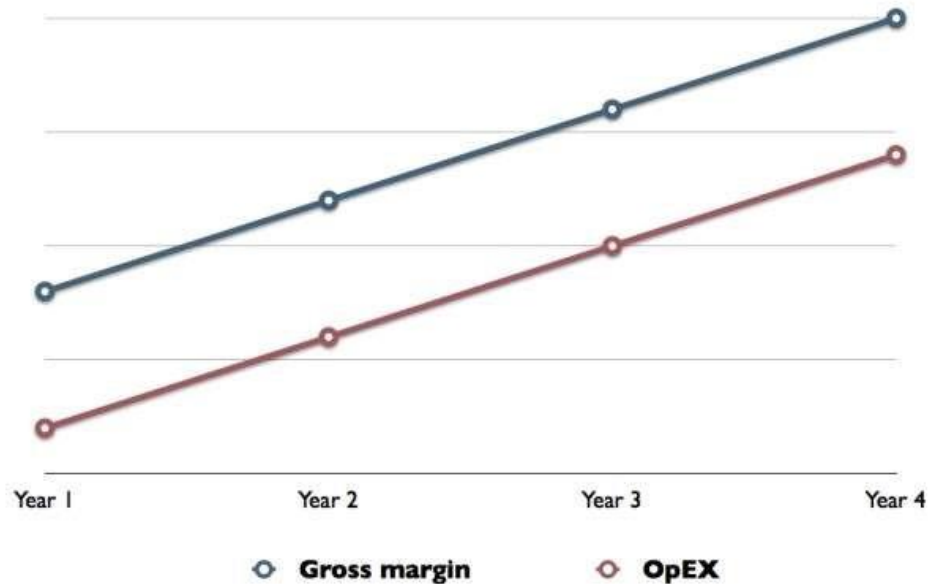
*Put simply, if you add operating costs (sales, marketing, administrators, R&D, etc.) at the same rate you grow revenue, then your business does not scale.*

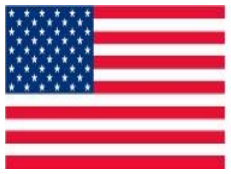
Source: <http://finance.fortune.cnn.com/2011/06/01/but-does-it-scale/>



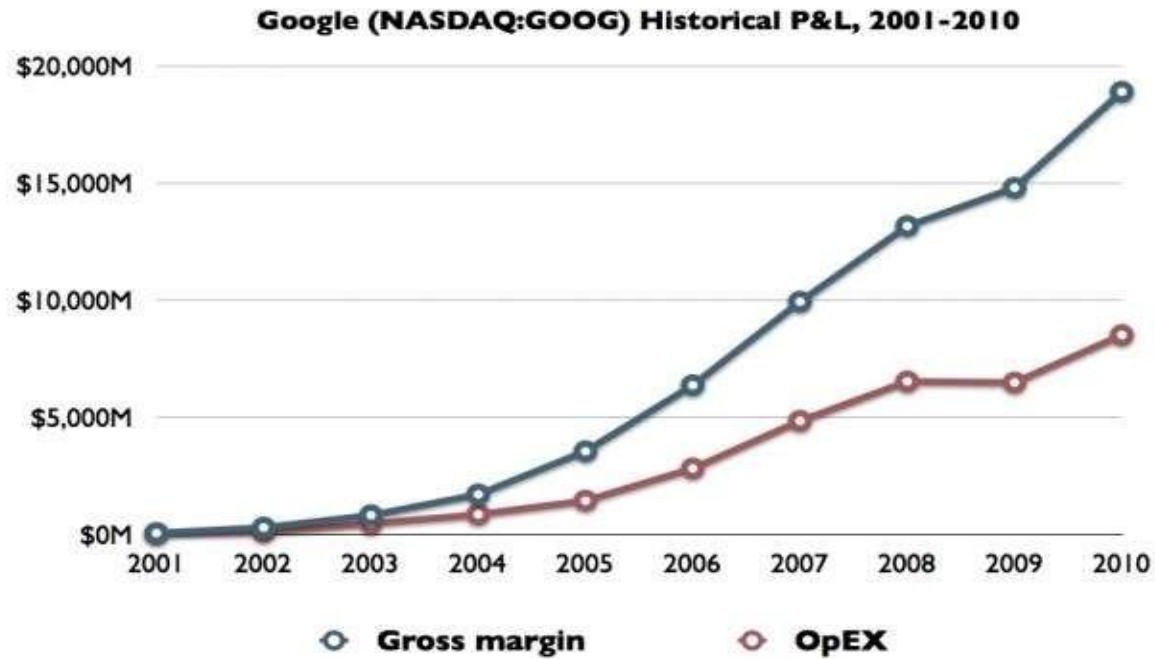


# Not scalable vs scalable





# Google P&L



Margin growth is exponential, operating expenditure didn't grow proportionately.



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# Gold rules to make your business model scalable



# Broaden your Vision

- Often startups start with a Narrow focus ;
- When you're beginning to scale out, it might be time to revisit that.

# Problems start with Cash

- For most startups, not having enough cash is reason enough for not being able to scale.
- Prepare two different financial models simulating a) without cash b) with cash and identify clearly what are your needs.

## Chart your revenue goals

- Since you already have a business model, it helps relook at some of those revenue goals to ensure that there is an aggressive plan in the coming quarters.
- Some of those numbers may look unrealistic (say getting to \$10m from \$2m in 2 years) but unless you think about it, plan about it and execute on those goals, you are NOT going to get there.

## Relook at hiring

- Its time to hire those top level rock stars.. maybe its time to hire your VP of product or VP of marketing.
- An important milestone is that while growth continues to come, as a startup founder – you might want to defocus on a few things and focus on fewer things that can help the business scale

## Growing Pains – small to big

- Getting good people is paramount
- Establish processes but don't over do..
- As a startup CEO, stop doing everything yourself (hire great people, delegate and review)
- Focus on execution
- Establish your financial model based on your needs



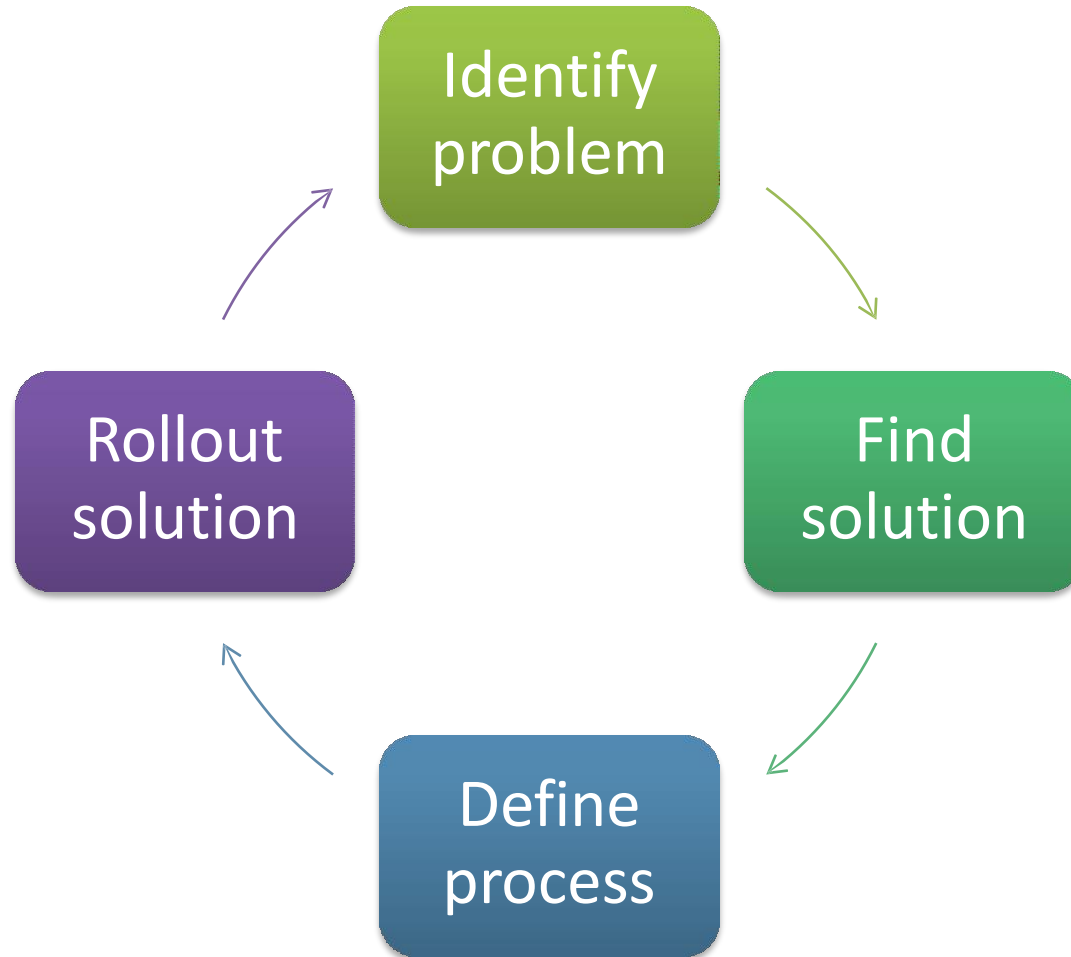
# Identify your business limitations







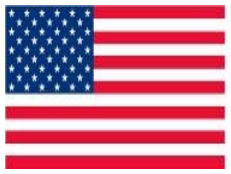
# Fix things iteratively





# Market

- Does your product meet the market need ? Conserve cash as much as you can..
- Find the right strategy and pivot.
- Change your model OR Product if you need to and investing aggressively when you have found a repeatable, scalable sales model.

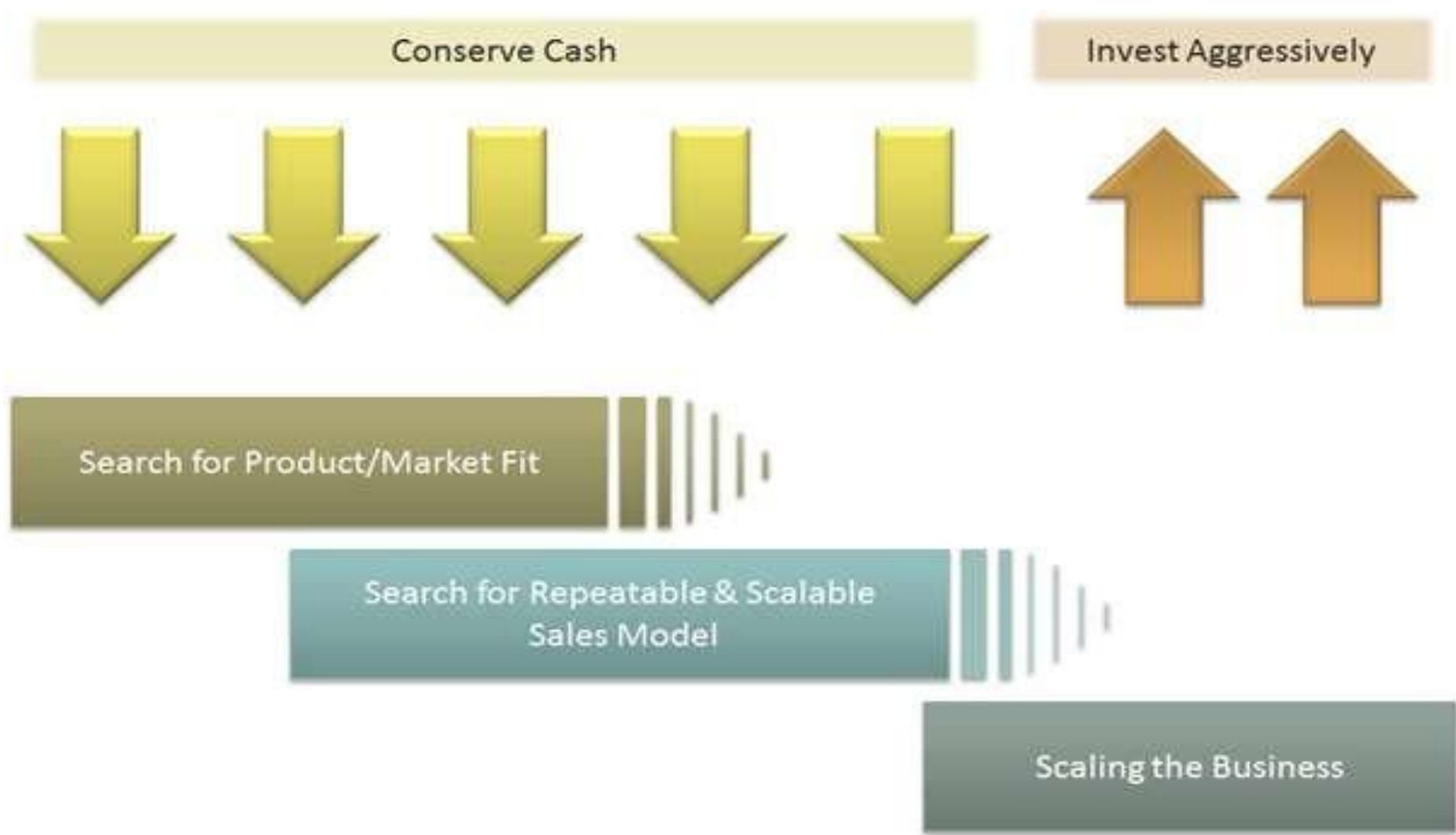


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# Market

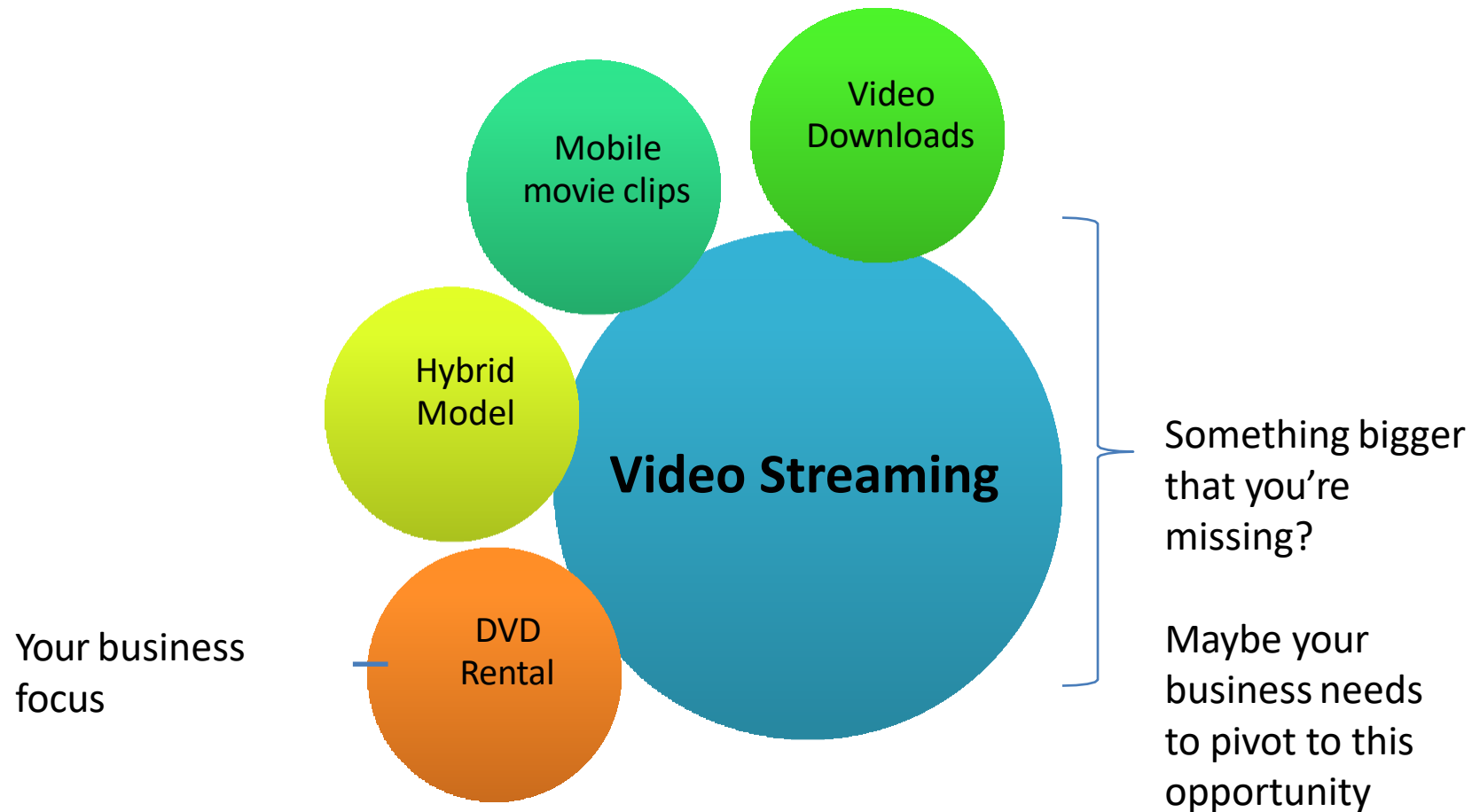


# Re-evaluate Opportunity

- It is important to identify the opportunity ahead for your business
- Are you going to be able to pivot by changing your business focus entirely ?
- Is your existing market largely untapped ?



# Re-evaluate opportunity – An example scenario





# People

- In a growing startup, people make all the difference.
- Make it a point to hire great resources, whom you can delegate instead of micromanaging everything.
- Several key units of your business should be managed by your hires who report to you.





# Product

- Traditional businesses grow by adding more people but those are generally non scalable practices.
- In a tech business, a highly efficient, automated product is a key ingredient to a scalable business.
- Plan for growth: you must now plan for non-linear growth and bursts of growth to ensure that you have the right features and the infrastructure to.



# Product

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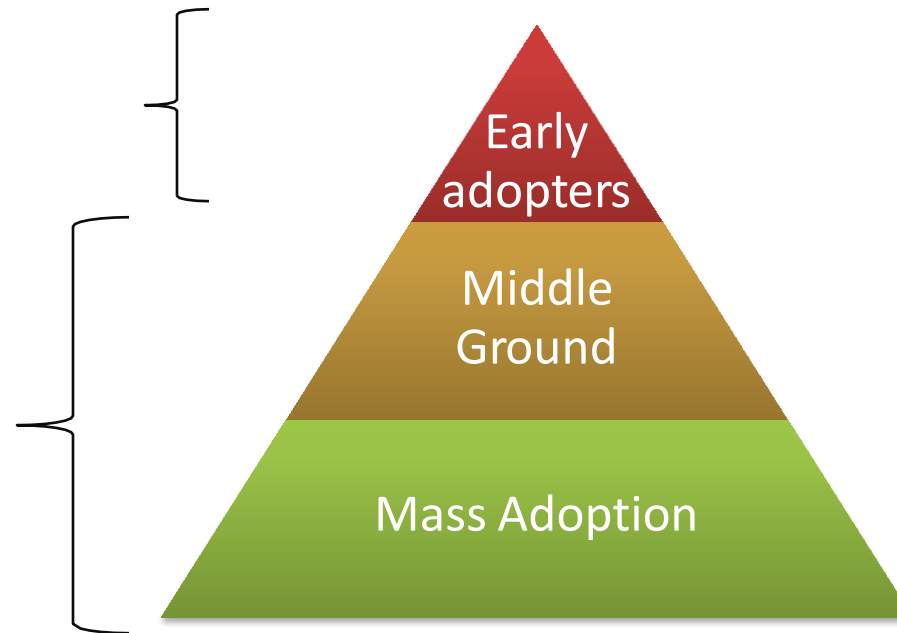
- Needs a great well defined roadmap.
- If it is the core of your business, then the technology must be built to scale.
- Establish a repeatable process that can help add features to your product.
- Product development requires insane focus, especially if you business is a product business.



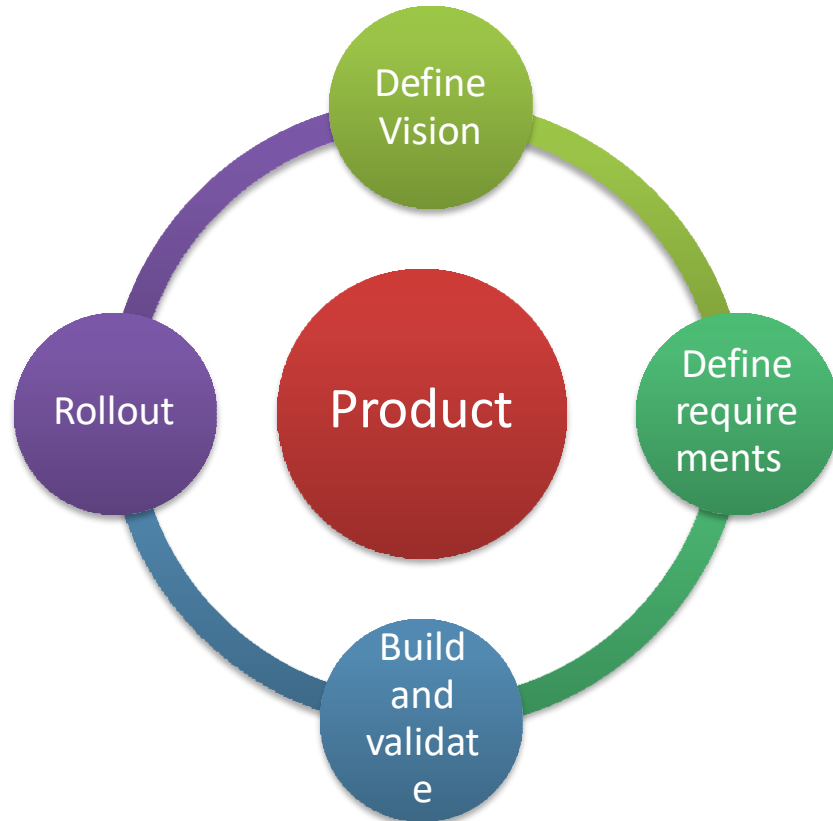
# Where is your Product currently at?

Your Product?

You need to find out what features are needed or what is missing for mass adoption



# Insane focus on Product



- **Have a repeatable process defined that helps build out and launch your product features**
- **Use agile methodologies**
- **Innovate on your product features and then in technology but not the process itself.**
- **Optimize your technology at this stage**

# Technology as a driver of growth

- Technology is a key driver of growth and it should be leveraged as a strategic advantage for startups going to scale.
- At a stage that you're beginning to scale, start optimizing your technology to deliver 10X more than what you'd expect the market to use.
- Build a hacker culture within your organization and encourage problem solving.



## Process

- Define simple, repeatable processes to get things done.
- Don't make the process a bottle neck
- Understand different culture of global teams as you grow.



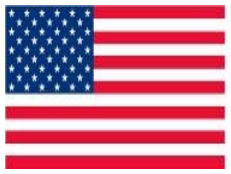


# Scaling Geography

- At some point, scaling your business also means scaling your geographic presence.
- Startup founders must be willing to spend days on a plane travelling to meet customers, employees and partners.
- If you have a world class product, take it to the right global market instead of just selling it in your backyard.
- Don't ask Why should you do it, instead why you shouldn't do it.
- Hire people with deep local expertise and connections.

# Sales Model

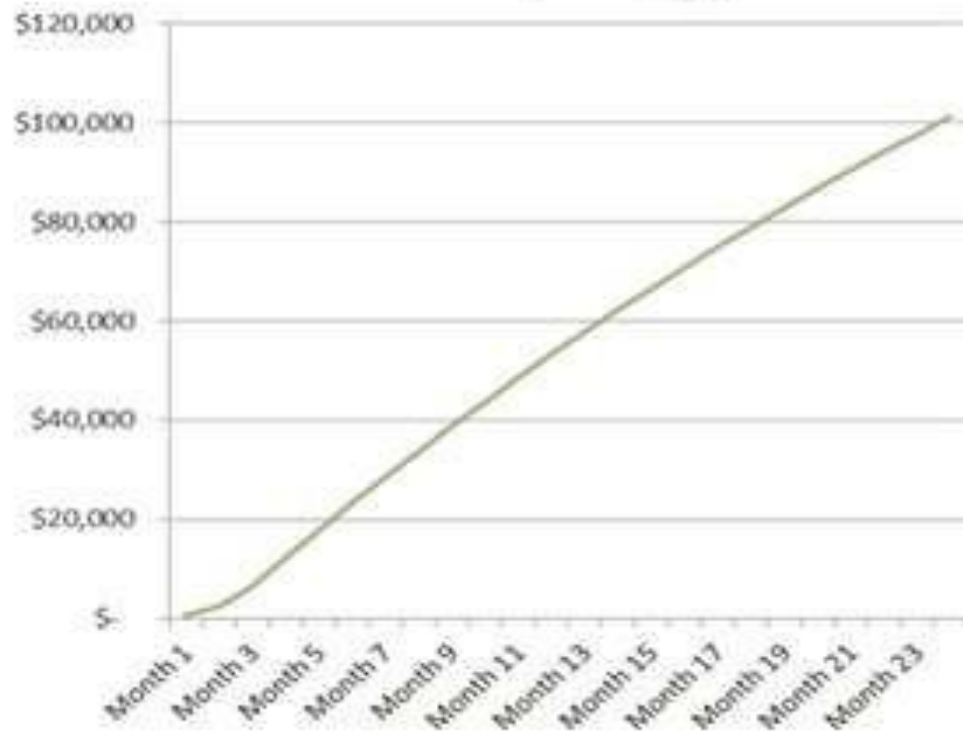
- Master your sales funnel.
- Set a defined, repeatable process for sales.
- Understand your economic model – cost of user acquisition, cost of lifetime model and use that model to scale out your sales over a period of time.
- If cost of acquisition is high, focus on reducing it.



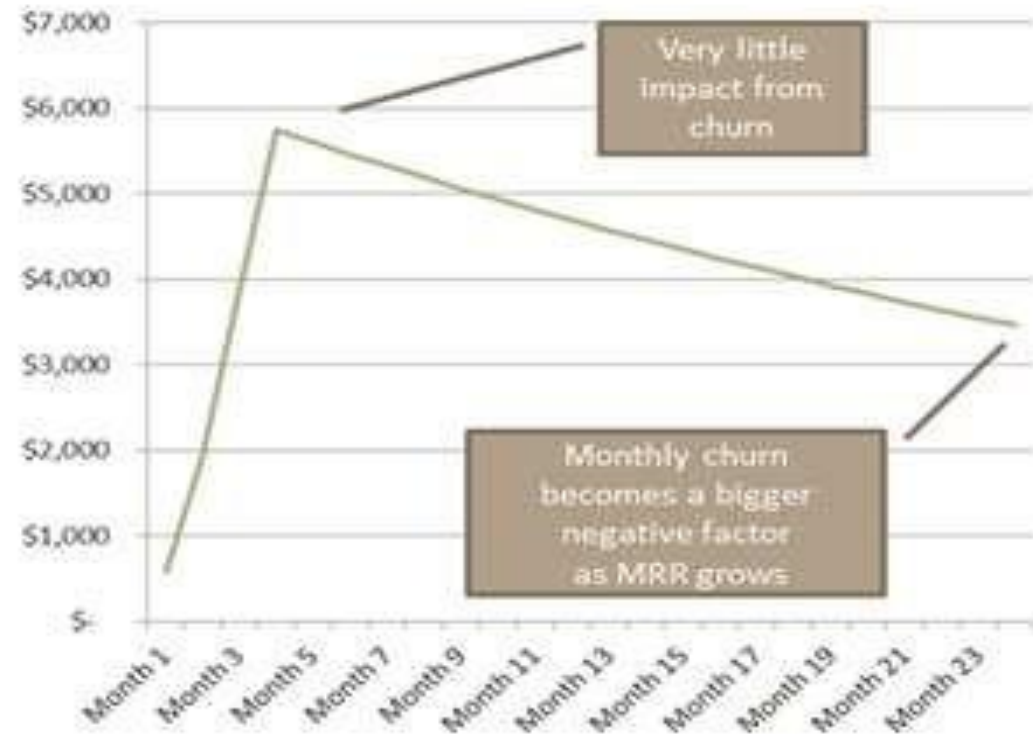
# If you stop adding sales people

MRR – Monthly recurring revenue

### Total MRR (Billings)



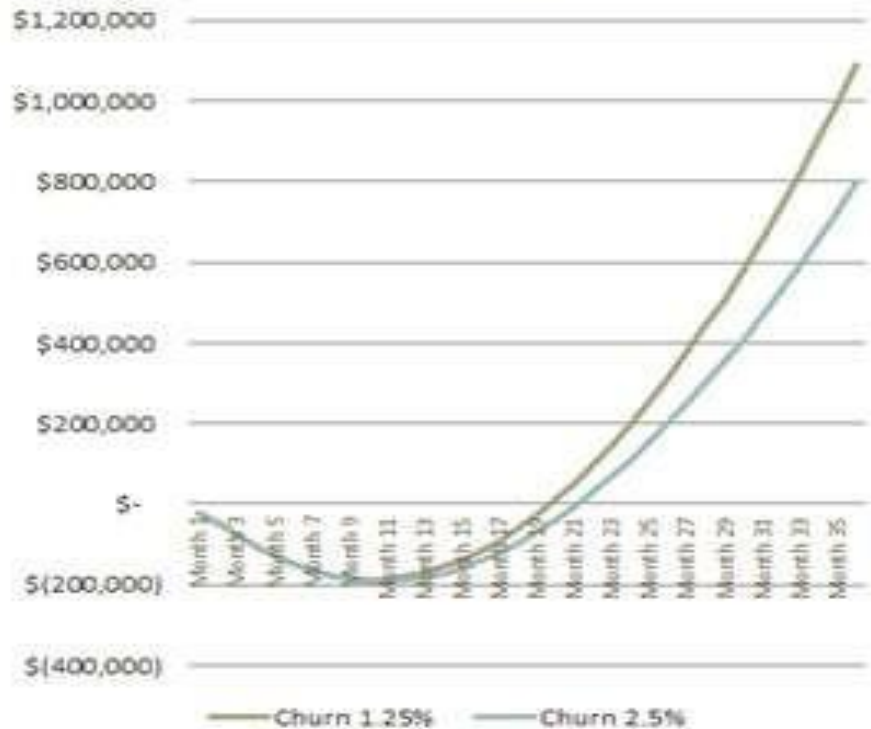
### Growth in MRR



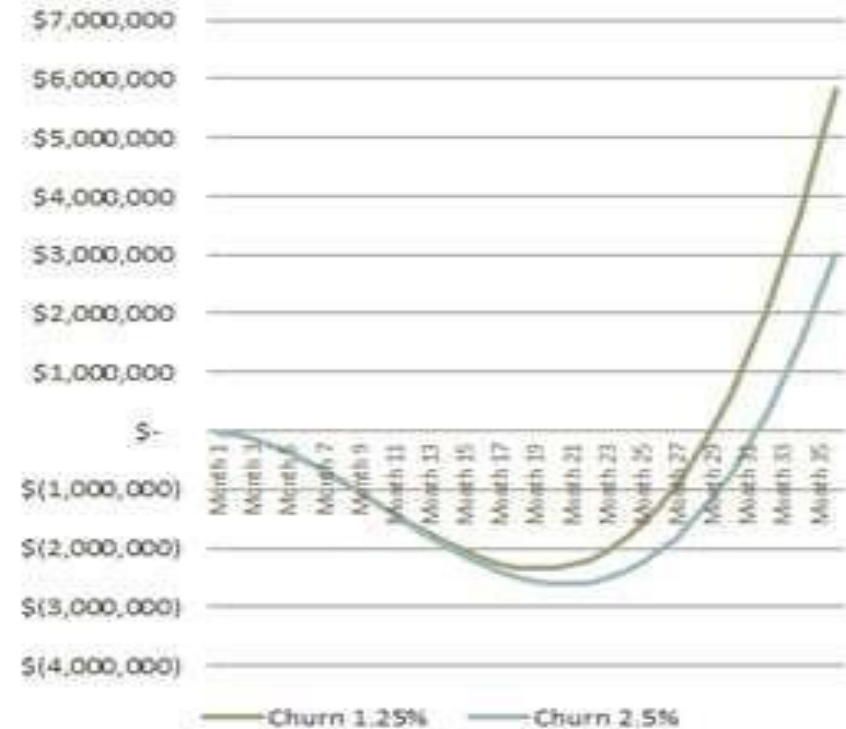


# Lowering churn results in better net profits

Net Profit



Cumulative Net Profit





# Execution

- Be Paranoid about execution
- You need to be able to get things done well, on time, every time about everything.
- Execution is huge priority in Chennai's startups.
- Remove the mindset that sloppy product and execution is OK in a market like ours.



# Sales funnel

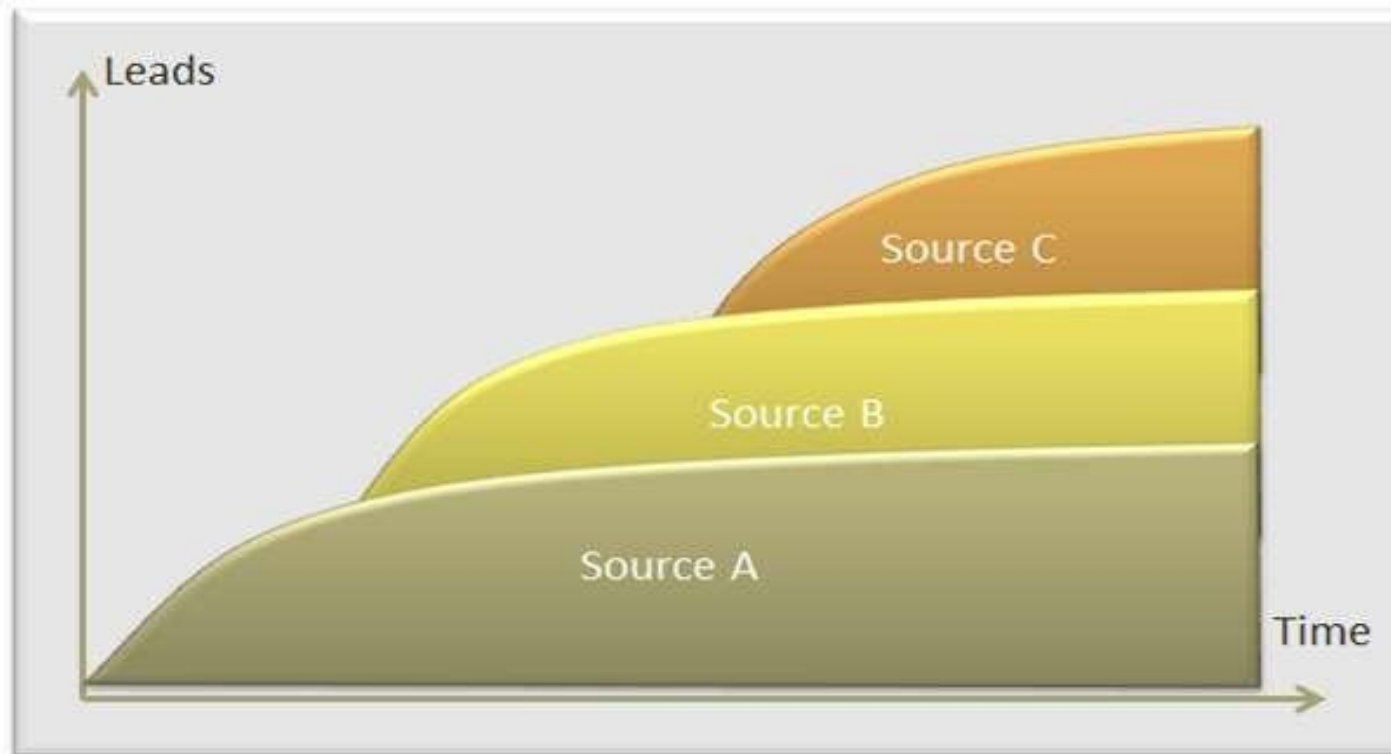






# Master and grow your deal flow

This requires that the marketing department be constantly looking for their next source of leads. A great VP of Marketing will be ahead of this problem, and working to create scalable solutions.



# Use tools to grow

Use tools to grow and automate your business such as :

- ✓ Salesforce
- ✓ Highrise
- ✓ Skype
- ✓ Google docs
- ✓ Dropbox, etc



# Dashboards

Set up real-time OR daily dashboards for your business that provide key metrics around the following units of your business :

- ✓ Revenues and margins
- ✓ Cash flow
- ✓ P & L
- ✓ Product status
- ✓ Sales funnel
- ✓ Customer acquisition costs
- ✓ Customer churn



# Funding

- Funding is really important and it is up to you and your business to decide how much, when and who to take it from.
- Funding preparation can be distracting.



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Thank You