

tandem

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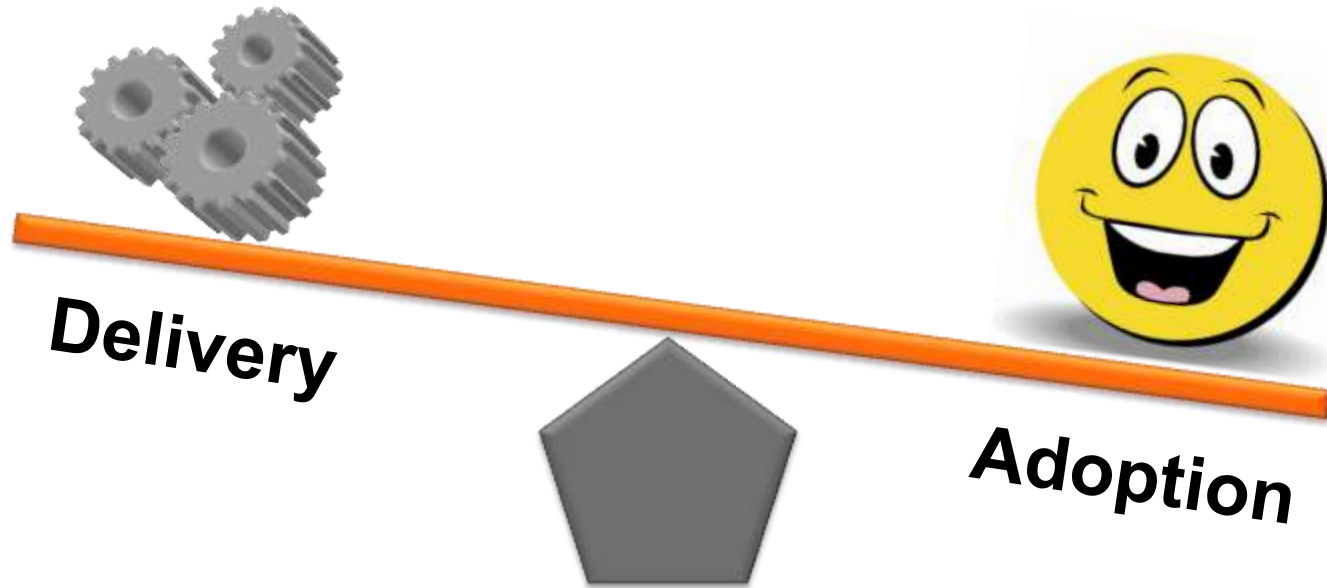
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[www.TandemEntrepreneurs.com](http://www.TandemEntrepreneurs.com)

## **Adrenaline Startups and Rapid-Fire Marketing**

# Where is Your Risk?

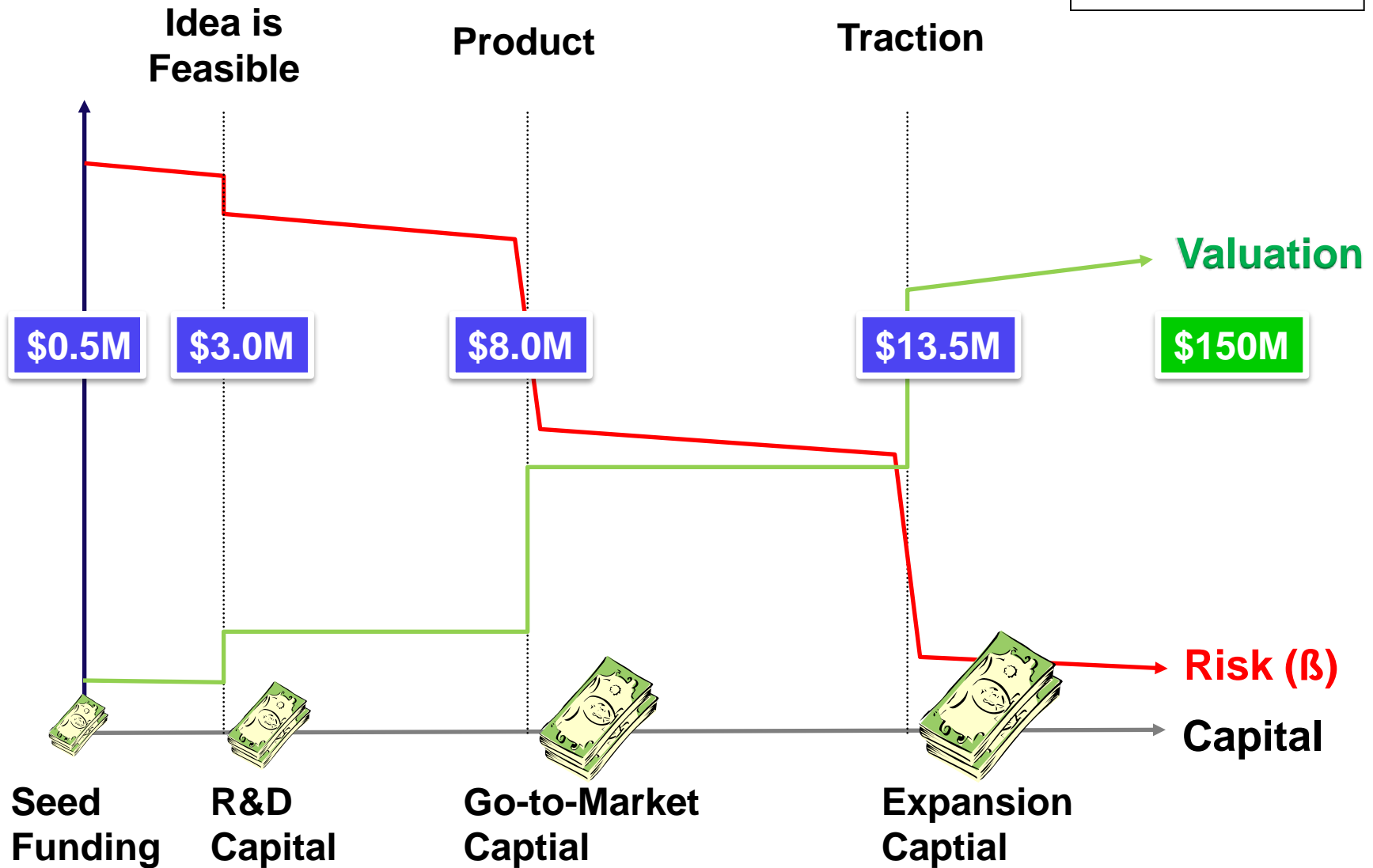
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# Conventional Funding Milestones

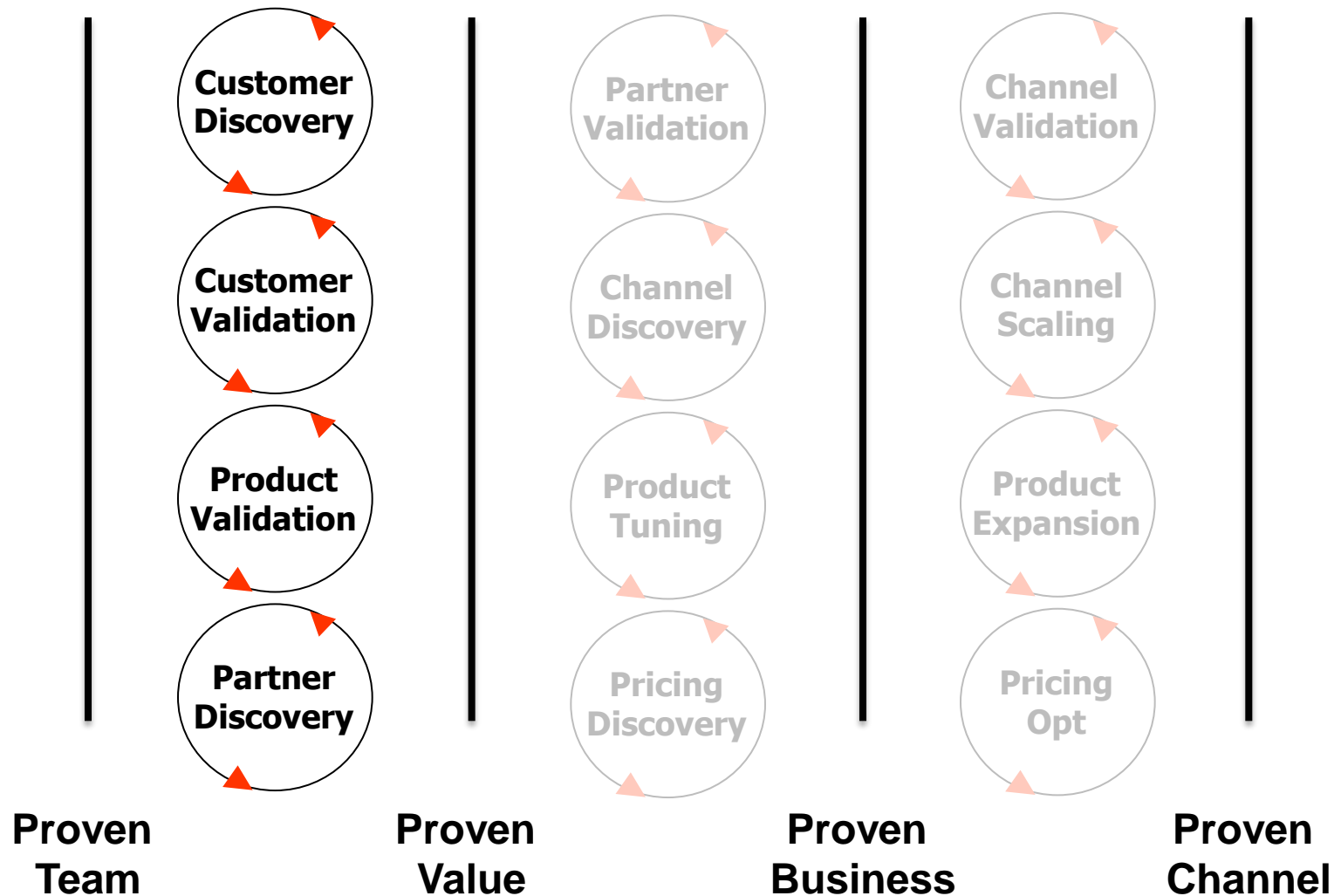


Based on slides from  
Vinod Khosla





# A Different Set of Milestones



# Today: Market Fit is Cheaper to Explore

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Build	<b>Young Teams, Open Source</b>
Deploy	<b>With Low Cap-Ex: The Cloud</b>
Market	<b>With Social Distribution/Marketing</b>

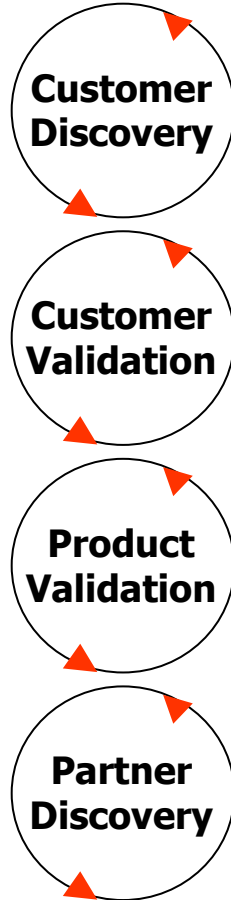
**10x lower Cost to Establish Adoption**



# Heads I win, Tails I don't Lose Much

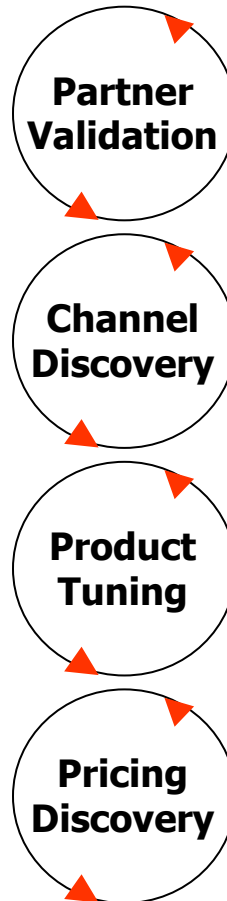
**Burn** →

**\$0.5M**



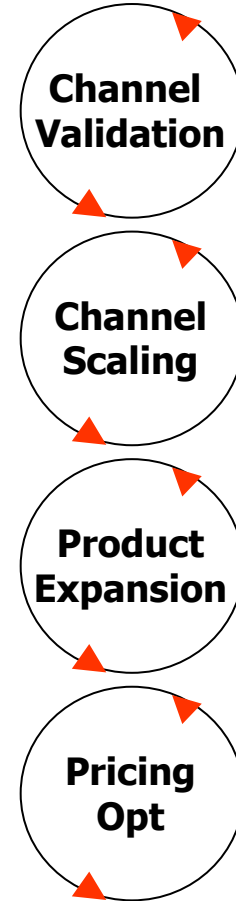
Proven  
Team

**\$1.5M**



Proven  
Value

**\$20M**



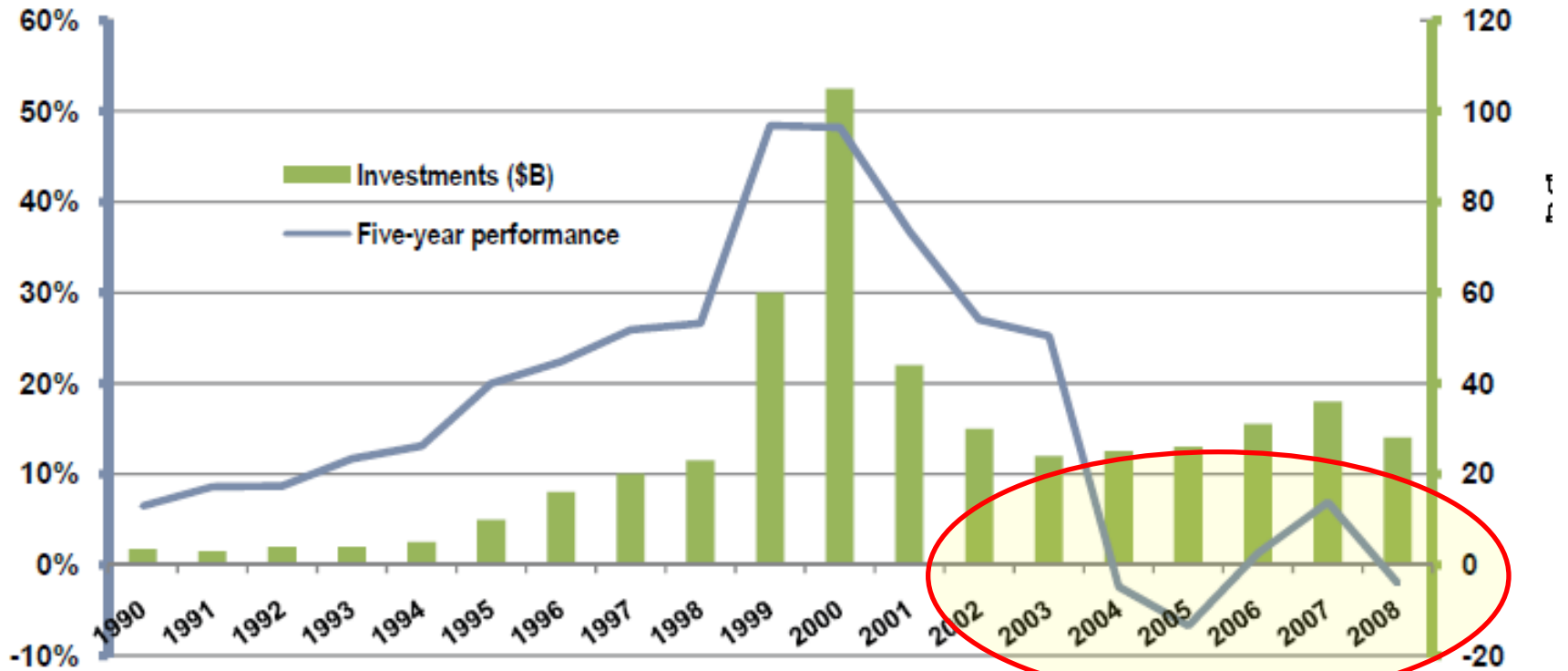
Proven  
Business

Proven  
Channel

# Conventional Venture Capital



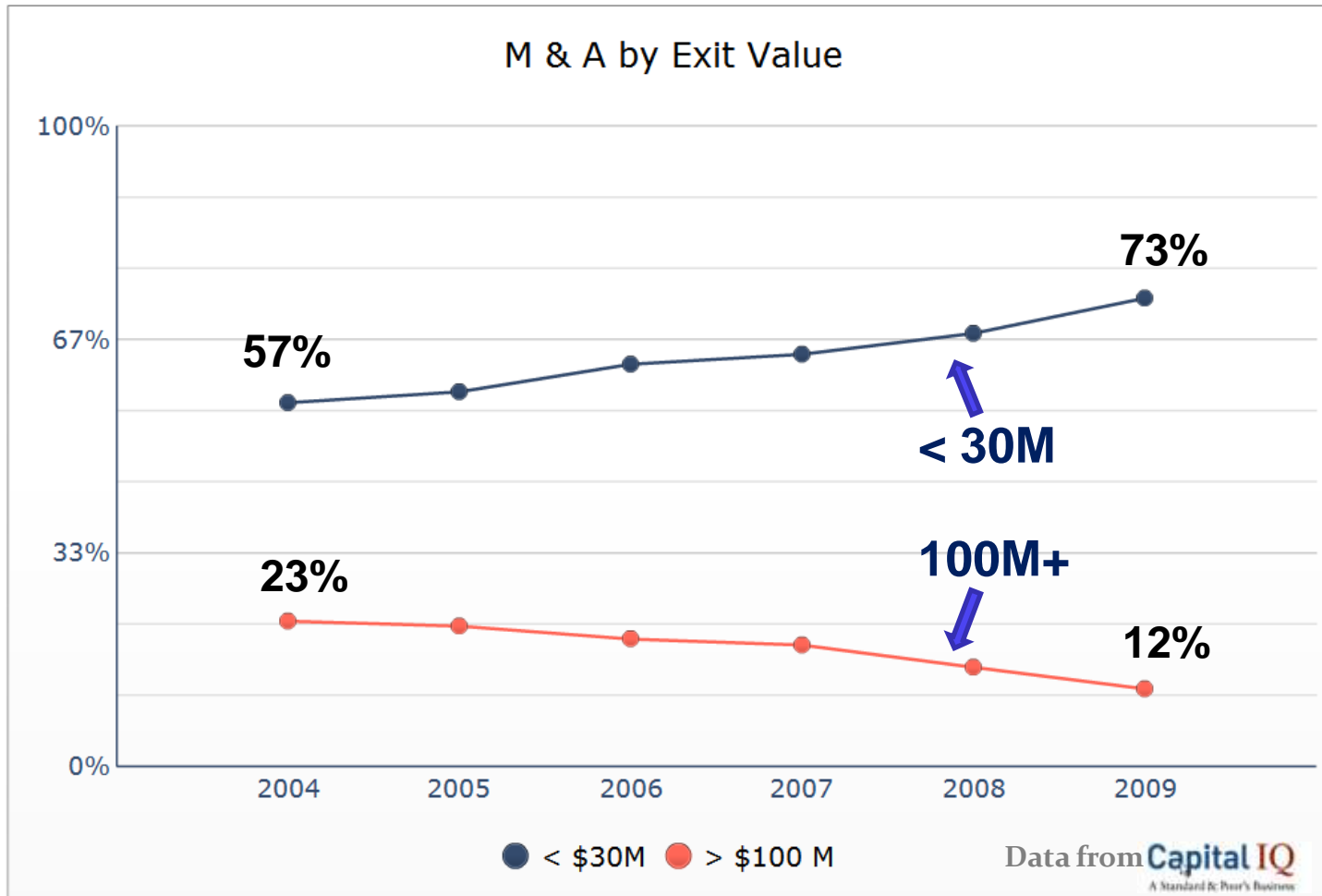
## Venture Capital Performance vs Investments: 1990–2008



Source: National Venture Capital Association Yearbook 2009.

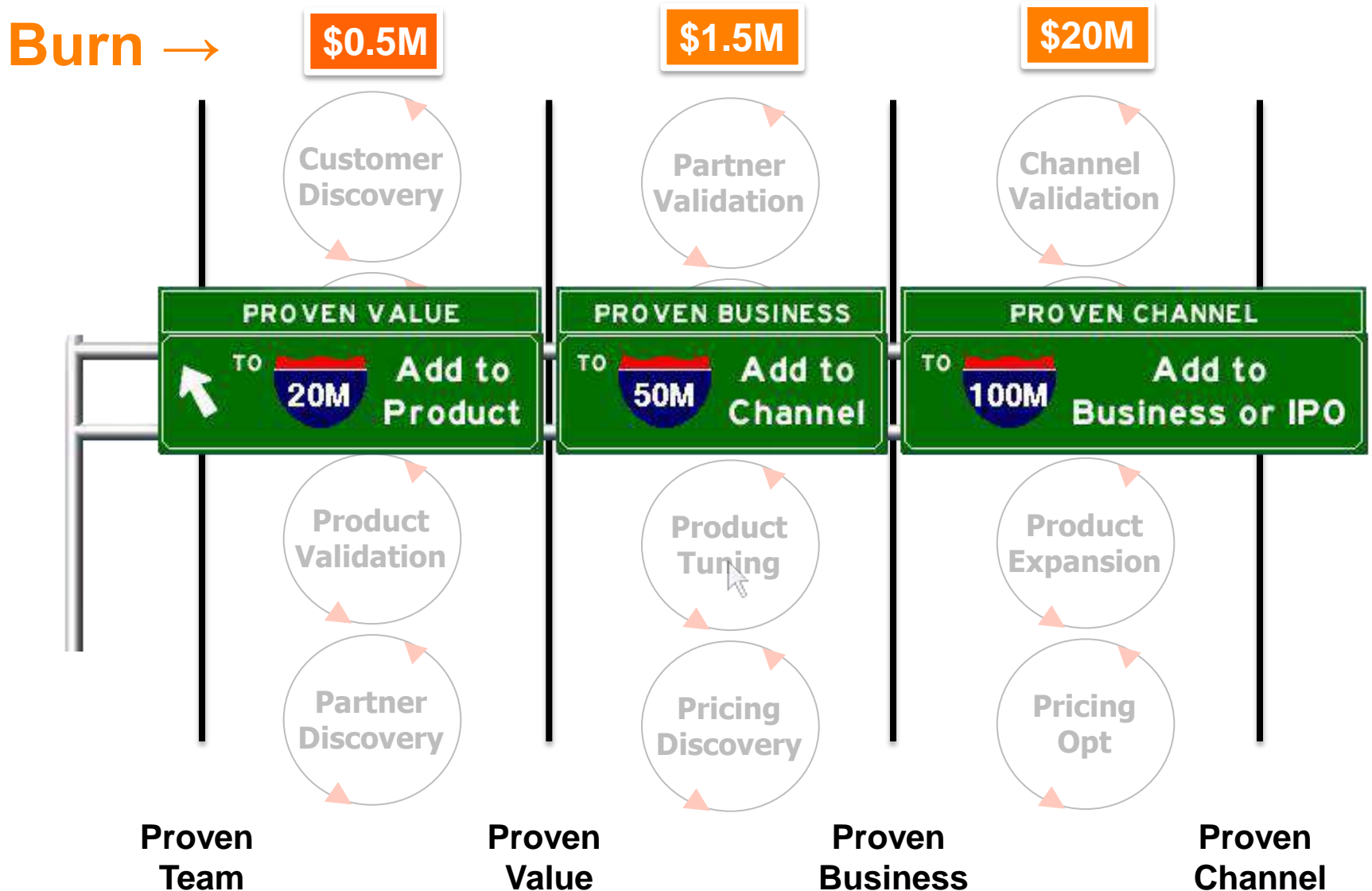
**5 yr returns are negative**

# What's Changed : Exits Are Smaller





# Model Supports Many Possible Exit



# Investment Models Compared

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## ***Conventional Model***

- ***Invest in a 5% chance of creating a few 100M+ Business***
- ***Capitalize the business with US \$3-5M - A Round***
- ***Success = Big Exits and founders make 10's of millions***

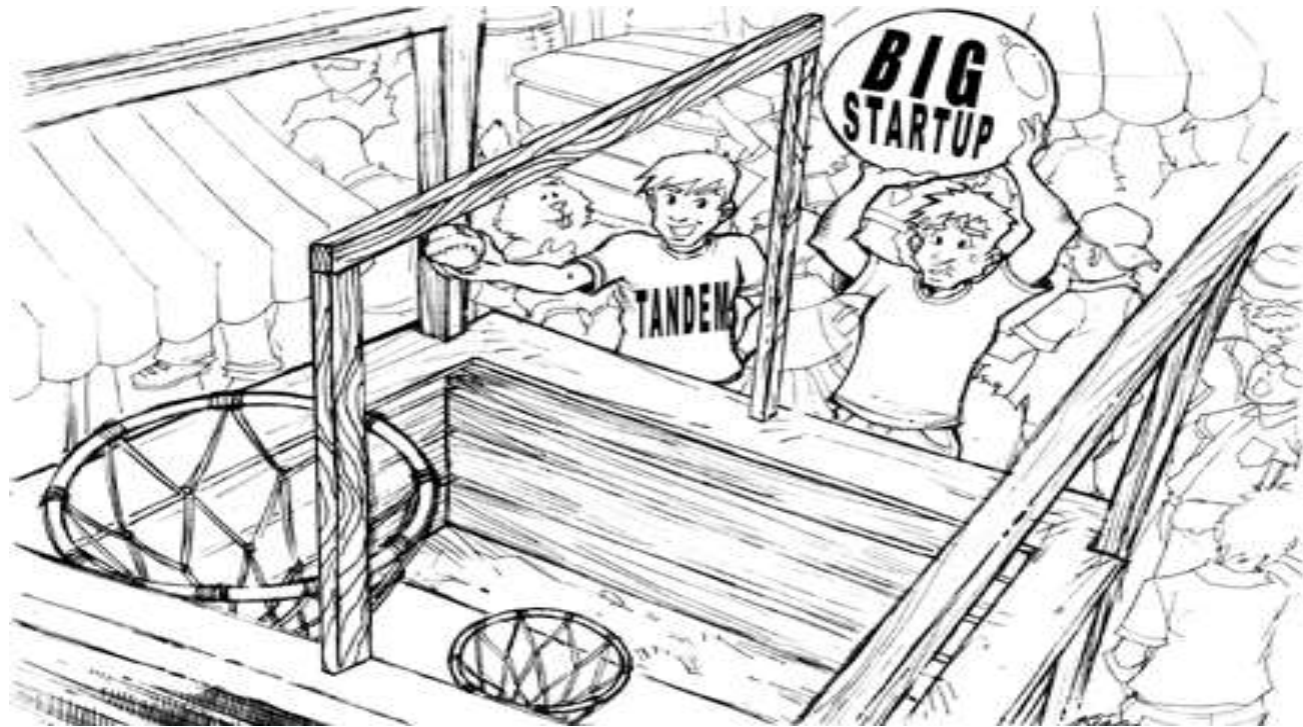
## ***New Model***

- ***Invest in the likely chance of creating MANY 10M+ Businesses***
- ***Capitalize the business with US \$500,000 of initial capital***
- ***Success = Cash Flow or Exits where founders make millions***

# Increasing the Probability of Success



- *Redefine Success to include Smaller Exits*
- *Contain the Market Risk Quickly and Cheaply*
- *Get an A+ Team*



# Tandem Entrepreneurs



***Seasoned Entrepreneurs***  
*working in tandem with multiple*  
***Small Founding Teams***  
*applying*  
***Modest Capital***  
*to efficiently build*  
***Simple Highly Leveraged Services***  
*and take companies to*  
***High Probability Exits***