

Identifying A Customer Need Or Pain And Valuing Your Solution - The Case Of Carrying Your E-devices

A case of pre-money valuation methods

Have you ever experienced these problems with your smartphone or big screen tablet?

- I don't have a particularly secure way to store and carry it
- Carrying my smartphone makes my pocket(s) bulge
- I have accidentally sat on my smartphone
- I can never seem to be able to find the right place to carry my big screen phone or tablet (or phone with Otterbox Defender)
- [other problems or pains? ... list them here]

What solutions have you tried? How did they work? Imperfectly at best? (write some here...)

Tags: Kickstarter; pre-money valuation; no private equity investors; serial entrepreneurs; value proposition;

Value proposition canvas: customer segment and value proposition

List customer fears, wants, and needs in situations where they are carrying their e-devices (e.g., misplacing it, dropping it, sitting on it, ...)

Given the customer fears, wants, and needs listed above, write out some features and benefits that solve or mitigate them. Think in terms not only of “painkillers” but also “gain providers” (such as fashion statement, conveniences, cool factor, ...)

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Now check out Phonster Z

<https://www.kickstarter.com/projects/251445438/phonster-z-ultimate-leather-phone-holster-for-edc>

As you watch, or after watching the video, **list pains and problems** the video demonstration identifies **and the features and benefits** it provides to solve those pains and problems

How does this offering's pains and problems / features and benefits dyad match those you identified on page 2. Are there any material differences that might affect the success of the Phonster Z?

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Pre-Money Valuation Methods

What about...

"AGE" LLC

Kiev, Ukraine

Phonster Z is a 10th Kickstarter campaign of high-experienced AGE team. We have more than 7 years of accessories and apparel manufacturing experience. Our success stories are Phonster X, Omniadress, Phonster, Omnia 2GO, American Heritage Collection:

1. <https://www.kickstarter.com/projects/251445438/phonster-is-the-great-est-holster-for-your-essentia>
2. <https://www.kickstarter.com/projects/2026278590/omnia-100-dresses-in-1-new-standard-in-capsule-war>
3. <https://www.kickstarter.com/projects/251445438/american-heritage-premium-accessories-only-for-real>
4. <https://www.kickstarter.com/projects/251445438/phonster-x-the-best-phone-holster-is-back-on-kick>
5. <https://www.kickstarter.com/projects/2026278590/omniaadress-2go-ultimate-convertible-dress-is-back/>

Our U.S. legal entity is situated in Wyoming, USA, and our manufactory¹ is in Odessa, Ukraine. Our main goal is to create innovation things that bring value to people's lives.

Aleksandr Dobrovan

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Collaborators on this project

¹ I don't think this is a real word, but I really like it!

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Jello Collaborator

We'll use comparables, step-up, and risk mitigation methods for this section. [Slides available here.](#)

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Market comp valuation method: mechanics

1. Create a short profile of your startup
2. Find similar startups with known valuations to use as comps
3. **Compare your startup profile to the comp's profile** ↓
4. Adjust the comp valuation for large and obvious differences

Specifics: Phonster Z is seeking a seed round to create an online store that features the products they've sold in previous successful Kickstarter campaigns. They are looking for \$500,000. Using this investment amount or another you think is more appropriate, estimate the pre-money and post-money valuation of the company.

Compare the focal startup to a comparable

Startup attributes	Focal startup (AGE LLC)	Comparable startup (Warby Parker)
Industry	Retail apparel	Retail apparel
Niche	"Edgy" garments and accessories	Hipster prescription glasses
Founder experience	Seven prior successful Kickstarters	None (4 Wharton MBA students)
Company location	Odessa, Ukraine	Philadelphia
Customer traction	Thousands of paying	Tens of thousands of paying
B2B or B2C	B2C (through Kickstarter)	B2C (direct on web)
Stage of development	Several successful Kickstarters (average \$50,000 revenues)	Post-seed; initial product offering fully developed
Funding	No funding; founders retain all equity	Seed (\$500,000); growth trajectory positions them for later seed and Series A at high valuations in same year
Team	All key position filled	All key positions filled
Pre-Money Valuation	?	?
Investment	\$500,000	\$500,000
Post-Money Valuation		

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Step-up Method for AGE LLC

Use the step-up method to determine your pre-money valuation. Then determine post-money valuation based on the amount of money you're seeking in this seed round (\$500,000).

Step Up Factor	Yes (each yes is \$250,000)
Total market size over \$500,000,000	
Business model scales well	
Founders have previous exits or significant experience	
More than one founder committed full time	
MVP developed, customer development under way	
Business model validated by paying customers	
Significant industry partnerships signed	
Execution roadmap develop and being achieved	
IP issued or technology protected	
Competitive environment favorable	
Total (Pre-\$ Valuation)	
Investment amount	
Post-\$ Valuation	






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Warby Parker Rounds of Financing [\[Source: Crunchbase.com\]](https://www.crunchbase.com/organization/warby-parker)

Transaction Name	Number of Investors	Money Raised	Lead Investors
Mar 14, 2018	 Series E - Warby Parker	1	\$75M T. Rowe Price
Apr 30, 2015	 Series D - Warby Parker	6	\$100M T. Rowe Price
Dec 20, 2013	 Series C - Warby Parker	2	\$60M Tiger Global Management
Jan 1, 2013	 Series B - Warby Parker	10	\$41.5M General Catalyst
Sep 22, 2011	 Series A - Warby Parker	9	\$12M Tiger Global Management
Jul 6, 2011	 Seed Round - Warby Parker	9	\$1.5M —
Oct 27, 2010	 Debt Financing - Warby Parker	1	\$500K —

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Allbirds Rounds of Financing [\(Source: Crunchbase.com\)](https://www.crunchbase.com/allbirds)

Transaction Name	Number of Investors	Money Raised	Lead Investors
Oct 11, 2018	 Series C - Allbirds	4	\$50M T. Rowe Price
Sep 5, 2017	 Series B - Allbirds	6	\$17.5M Tiger Global Management
Sep 7, 2016	 Series A - Allbirds	7	\$7.3M Maveron
Mar 1, 2016	 Seed Round - Allbirds	10	\$2.7M Lerer Hippeau
Jul 31, 2015	 Seed Round - Allbirds	1	— —

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Advertising Age

AMERICA'S HOTTEST BRANDS; WARBY PARKER

Abbey Klaassen

ABBEY KLAASSEN

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Neil Blumenthal, co-founder, **Warby Parker**

When the four co-founders of **Warby Parker** were readying the launch two years ago of their internet-based eyewear venture, they channeled a who's who list of marketing role models: Apple as a master of design and function; Zappos for customer experience; Nike for building an enduring brand; and Method and Patagonia as trailblazers with clear "do good" missions.

The high aspirations appear to be working. The young company hit its first-year sales target in three weeks, sold out of its top 15 styles and had a wait list of 20,000 customers after a month in business.

The model is simple: Buy a pair of hipster-chic glasses at the flat price of \$95 and the company will donate a pair to an organization that provides glasses to people in need. To date it's donated more than 100,000 pairs with no traditional advertising, though a heavy dose of PR and, increasingly, events are getting the word out.

The business plan is a familiar one to insurgent brands: Upend an established industry dominated by a few powerful players (in this case, Luxottica and Safilo) and wring out overhead costs by running it as a lean, largely web-based venture. While **Warby Parker** has opened showrooms by leasing space in existing retailers in cities such as Austin, San Francisco, Portland, New York, Los Angeles and Boston, most customers

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shop online, using a virtual try-on tool, or ordering as many as five sample pairs free to try on in the comfort of home.

Co-founder Neil Blumenthal, who oversees the creative processes and marketing, sees four keys to the success, starting with the fashion aspect and the price point. **Warby Parker** uses the same production lines as **Luxottica**, and in some cases, Mr. Blumenthal said, has innovated on existing methods, including creating some of its own materials. “It’s not that people haven’t sold inexpensive glasses, but nobody has provided the quality at the price,” he said.

The other two factors are the customer experience—free shipping, free returns, hiring college graduates from great universities with “a mastery of the English language,” Mr. Blumenthal said—and the social-mission aspect. Prior to running **Warby Parker**, Mr. Blumenthal ran VisionSpring, which is the recipient of **Warby Parker**’s buy-one-give-one mission. “It’s authentic,” he said, of the connection. “It’s not a cause-related marketing scheme that isn’t core to our business from day one.”

The company has taken on \$13.5 million in venture funding and has had profitable months, but at the moment is more focused on expansion than driving margin.

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Financial Times

BUSINESS EDUCATION

Entrepreneurs keep an eye on business and philanthropy; MBA Partners

Alina Dizik

By Alina Dizik

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Four Wharton students tailored their course to their start-up needs, writes Alina Dizik

While their business school classmates were socialising, the founders of **Warby Parker** used their spare time to develop a business idea that has now reached almost \$5m in sales.

Their plan? Selling affordable, vintage-inspired glasses frames complete with prescription lenses online. And, for every pair sold, the company works with non-profit eyewear organisations such as VisionSpring to donate a pair of glasses to someone in need. The founders say more than 1bn people in developing countries are not in a position to buy glasses if they need them.

By avoiding the middleman and sourcing materials directly, the company sells its glasses at a fraction of general retail prices, with each pair costing approximately \$95. The frames are made in China in the same factories that create brands such as DKNY and Chanel, while the lenses are made in the US. Customers submit their prescriptions when they place their online order for frames.

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"It never made sense to us that glasses cost the same as an iPhone when the technology has been around for 700 more years," says Neil Blumenthal, one of the founders.

Along with co-founders David Gilboa, Andrew Hunt and Jeffrey Raider, the four are graduates and friends of the class of 2010 at the Wharton school at the University of Pennsylvania.

"Business school is the ideal place to launch a new consumer brand," says Mr Gilboa. It was easier for the students to make the entrepreneurial leap, he adds, because they were already committed to forgoing an income while studying for two years for an MBA.

The entrepreneurs tailored their Wharton experience around launching their idea. By developing a concept in the first semester, Mr Gilboa says they had a further three semesters to take full advantage of the courses targeted at launching a business.

The four picked their courses to advance their eyewear company. "We recognised that by starting this company in school it was going to eat up every minute of our free time," adds Mr Gilboa. Assuming leadership positions and excelling academically became less important for all of them, he adds.

An entrepreneurial healthcare course was a game changer. "At that point, we'd decided to write a full business plan and committed to investing our life savings to start this business," says Mr Blumenthal.

Since all four founders took the course they were able to use classes to pin down specifics of the company and set goals. Three of the founders also took an enabling technologies course to learn how to set up an e-commerce business.

Professors doubled as business advisers and an adjunct professor - who is also a practising attorney - helped them set up their company. They also used faculty knowhow to understand how word of mouth marketing applied to their business. "We literally met almost every professor in the marketing department," says Mr Blumenthal.

Fellow students helped the four to market-test their ideas, and classmates spread the word after launch. "It's a great forum to get as much feedback as possible," says Mr Gilboa, referring to the 800-plus students in their MBA class.

In the year since graduation the company has grown to 30 employees and sold more than 50,000 pairs of glasses. The four - who took out several loans as well as investing

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their savings - have opted to reinvest profits. Two of the founders went through Wharton's recruiting and now work on Wall Street but remain board members.

As a team, they lean on some of the routines learnt during their MBA, such as 360 degree evaluations, a team feedback exercise that was a requirement in Wharton's small learning groups.

The founders also speak at business school conferences, sharing their business dilemmas. "We're recognised as innovators and now we are speaking alongside some of our professors," says Mr Blumenthal.

Mr Blumenthal ran VisionSpring before attending Wharton and wanted to combine a business proposition with a social mission. "The school holds us up as an example to students to show how you can use your MBA for more than to go into consulting or finance."

Warby Parker - named by combining characters from author Jack Kerouac's journals - has expanded its collection and now offers metal frames and sunglasses. But it will continue to stick to its business model, and for every pair sold someone in need will receive a pair of prescription glasses.

The Financial Times Limited (AAIW/EIW)

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