Accelerator

An **accelerator** is a hub where startups are given mentorship, space to work on their ideas and sometimes seed capital.

Accredited Investor

The SEC (Securities and Exchange Commission) defines an **accredited investor** as, “A natural person with income exceeding $200,000 in each of the two most recent years or joint income with spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds $1 million at the time of the purchase, excluding the value of the primary residence of such person.” In layman’s terms, it is a rich individual potentially interested in investing in your company.

Advertorials / Advertainment

Advertorials are paid content that is meant to look and feel like a true story or blog post. Companies are turning to these because display ad pricing has become less effective and viewers have become immune to them.

Acquisition

An **acquisition** is when one company or investment group buys another company.

Bootstrapping

One of the most common expressions in the startup world. A lot of people will quote “the Three Fs”: Friends, Family and Fools. These channels are often where you get your first cash to get things going. If you are using very little capital and proving your hypothesis, you are successfully **bootstrapping**.

B2B

B2B means you offering a “Business To Business” product or service to other companies.

B2C

B2C means you offer your products or services to other consumers (Business To Consumer).

Bubble

A **bubble** describes a moment in an economic cycle where an industry or company does not realize that it might be overvalued and over-inflated. When a “tech bubble” bursts, it means that a lot of startups go bust and investors lose their money.

Burn Rate

Burn rate describes how fast you go through your cash. The majority of startups lose before they break even and then make a profit.

Cash Flow Positive

Cash flow positive is accountant speak meaning that more money is coming in than going out. When you deduct your expenses from your earnings, you have a positive amount in your bank account. Staying in the black, especially when you are self-funded is the name of the game!

Churn Rate

The **churn rate** is the annual percentage rate at which customers stop subscribing to a service or employees leave a job.

Cliff

A **cliff** usually applies to vesting schedules (shares given to employees over time). Cliffs can be a device for the CEO to fire employees or let them leave without giving them stock within a limited period of time (usually 1 year). There are horror stories from Silicon Valley about early employees being cut just before they get to receive their equity stake. Cliffs are also used on

CEOs by investors to make sure the CEO sticks around after getting the cash.

Copyright

Usually used in the creative industry, **copyrights** protect your music, art and film. It allows the creator to have exclusive rights for its use and distribution.

Cottage Business / Cottage Industry

A **cottage business** is one that is never going to make millions or scale but can be a nice lifestyle business.

Crowdfunding

Crowdfunding is the act of using a site like Kickstarter to get a tribe of early fans together to give you money to help you get your product/site launched. You keep 100% of your company and only give away a % the total you raise to the crowdfunding portal.

Crowdsourcing

Crowdsourcing is getting information for free from people on the internet or using a survey.

Deck (aka Pitch Deck)

A **deck** is a presentation that covers all aspects of your business in a succinct and exciting way. If you ever need inspiration for a good deck, check out how Elon Musk uses his to demonstrate the TESLA Powerwall.

Demographic

Demographic is an expression that is frequently used in marketing to describe the age, gender, income, schooling and occupation of your ideal customers.

Digital Nomad

A **digital nomad** is typically a web or app developer who travels the world while coding. There are forecasted to be $1 billion digital nomads by 2035.

Disruptive Technology

Disruptive technology is any tech that takes an industry, forces consumers to think differently and then adopt that technology as the new norm. Examples include Uber, Lyft, Airbnb and JetSmarter.

Early Adopters

Early adopters are the first users of your product. They will typically be key influencers and active on social media. They will give you your most honest and sometimes overly direct feedback. If you can identify these people effectively and have them interacting with your startup from an early stage, you can get lots of free exposure.

Ecosystem

As with an ecosystem in nature, a startup **ecosystem** has its food chain. There are the hunters, the herd and the bottom feeders. Work out where you are and where you want to be then get involved in your startup ecosystem. If they city you are in doesn't have incubators, accelerators, co-working spaces, mentors and investors, you should a). move to another city, or b). start your own ecosystem.

Equity Crowdfunding

Equity crowdfunding is just like regular crowdfunding but instead of getting money in return for a fee, you pay a fee to the crowdfunding site and a % of the company to investors.

Evangelist

An **evangelist** is someone inside your organization who is your number one fan. They love your company so much that they often go above and beyond their expected role to help promote your company. If you find an evangelist, hire them!

Exit Strategy

Exit strategy is how you plan to sell your company to give you and your investors a return on their investment. This ranges depending on the industry but a standard multiple with technology investments seems to be 10x.

FMA (First Mover Advantage)

The first to market is not always the first to capitalize on the industry. One reason for this is that it can cost a fortune to educate potential users or customers. That said, if you are a company like Disney, you lead and by innovating you stay ahead of the pack. This is called **first mover advantage**.

Freemium

A **freemium** approach is when give your basic product away for free and then try to upsell other features to your customers. It is a common and proven technique to acquire more users.

Gamify

If you **gamify** something, you add a game layer to your product that encourages people to use it with rewards of various kinds. See Foursquare and how they used virtual badges and the "Mayor" badge to encourage people to use their app.

Growth Hacking

Growth Hacking was a term first used by Sean Ellis (Dropbox) to describe a marketing technique that focuses on quickly finding scalable growth through non-traditional and inexpensive tactics such as the use of social media. Other companies that have effectively used this technique are Airbnb and Foundr.

Hacking

Hacking is using your computer science degree and your entrepreneurial flare to create disruptive technology. Look out for "hacker houses" and "hackathons" if you want to join the tech community.

Hockey Stick

Hockey stick is an expression used by investors to describe the shape of the growth curve they want to see in businesses they invest in. They want to see their startups grow quickly and at least double sales every year.

IP (Intellectual Property)

Intellectual property covers patents, trademarks and copyrights. It is a good way to protect your "secret sauce". Generally I remember them like this:

Patents — the DNA of your product. They are typically used to protect your design.

Trademarks — they are used to protect your brand and depending on which one you register, you can add a "™ " or "®" (Registered Trademark) next to your logo.

Copyright — they are used to protect your creative content (like film, music or art) and it allows you to use a "©" symbol on your content.

Iterate

Iterate means to try something, refine it, try again and keep trying using small steps until successful.

Laggards

Laggards are users who join your movement or buy from you much later than other customers.

Launch

A **launch** is a when you start a company, website or app. It is the euphoric moment when you feel that the blood, sweat and tears was worth it. Companies can either have a “soft launch” (minimal press exposure and staying in beta) or celebrate with a “launch party” which can be at major startup events like CES or a Startup Week.

Lean Startup

A **lean startup** is one that has been launched with as little startup capital as possible while getting data that can be used to improve the product. Speed is the key factor here.

Leverage

Leverage is using something to accelerate your growth or success. This is often found in the form of technology or partnerships. Think about a Formula One car getting in the slipstream of a car in front of it so it can be catapulted out at a faster speed and overtake it.

Loss Leader Pricing

Loss leader pricing is using deliberately low pricing to gain market share. The key here is to tempt your users with the low price or free offer and once you have acquired them, focus on how you can get repeat business from them.

Low Hanging Fruit

Low hanging fruits are things that can be identified to quickly bring cash in the door. Your first customers will keep you afloat and help you get to your cash cows (reliable and consistent revenue generators) and whales (your accounts that make you big bucks).

LTV / CAC Ratio (Lifetime Value / Cost to Acquire Customer)

This compares the **lifetime value** (LTV) of a customer to the **cost to acquire** them (CAC). A good explanation is given by Ande Lyons.

Market Penetration

You will frequently hear the line "how much of the pie are you trying to get?" from investors. What they mean is how much market share will be yours and in what time period? They want to know what your **market penetration** will be.

Merger

A **merger** is when two companies join forces and become a joint entity.

Monetize

How you make money. Do you sell online, offer consulting services or sell face to face? Without a way to **monetize**, most businesses die. The only exceptions are well funded tech startups where a bet has been made that the site will get enough users so that a monetization strategy can eventually be executed. This is highly risky but the reward is high.

MVP (Minimum Viable Product)

A **minimum viable product** is the simplest form of your product. This can be used to attract Beta users/early adopters or to pitch for funding.

OPM (Other People's Money)

When you use **other people's money** to fund your startup, you use the "Three Fs": friends, family or fools.

Pivot

A change in direction as a company. This is a key moment in the life of a startup and can make or break it. A well known **pivot** is when Fab went from being a gay social network to being an e-commerce curator.

PR (Public Relations)

It is useful to have a **public relations** firm if you have a marketing budget. If not, you might want to spend some time reaching out to your local and industry specific publications. The best press is free press!

Ramen Profitable

Ramen profitable is an expression frequently used by Paul Graham of Y Combinator, it means you are making just enough money to be able to pay for basic living expenses.

Responsive Design

Responsive design is an integral part of a website that has been built to function well across all devices. Your site might appear completely differently on the web compared to mobile but as long as your end users are always considered, you will be fine.

ROI (Return On Investment)

When an investor puts money into a company, he wants to know what he will get out. This is called the **return on investment**. The investor(s) will also want to know how long it will take to get their ROI?

Runway

A **runway** describes how long your cash will last and when you think it will run out. The key here is knowing when to start pitching for investment so you can time it to come in before you run out of cash.

SaaS (Software as a Service)

SaaS is a subscription that is sold so that your user can use your software.

Scaleable

How big your business can grow, how much market demand you have and which markets you can grow into. A common question from investors is, “How **scaleable** is this opportunity?” If you cannot scale, you might fall under the “Cottage Industry” or “Lifestyle Business” category.

Serial Entrepreneur

A **serial entrepreneur** is someone who launches a number of businesses either simultaneously or one after another. And if they launch something you can eat for breakfast, they are a serial cereal entrepreneur!

Sweat Equity

Sweat equity is when you give shares of your company to early employees or contractors in place of cash. This is very common in the startup world before funding arrives. If you take a chance with a startup, your shares might become lucrative when the company sells.

Target Market

You need to identify who will be buying your product, their demographic and their location. Once you have this data, you have your **target market**.

Term Sheet

When an investor makes you an offer to invest in your company, the **term sheet** is a document that outlines what they will get for what they put in — including % ownership and voting rights.

Traction

Traction is proof that your executive summary (hypothesis) is working. People are actually buying your product or using your service. This is one of the most exciting times in a startup!

Thought Leader

A **thought leader** is someone who is seen as being a leader in their field, is invited to speak at conferences and has probably published at least one book.

Unicorn

A **unicorn** is a company that gets a $1 billion valuation. As with most unicorns (like the ones that busk at subway stations), they are extremely rare.

UI (User Interface)

The **user interface** is how the user and computer system interact. If you hear someone say “they need a new UI guy”, it means the user has difficulty operating the product.

UX (User Experience)

The **user experience** is the process of enhancing user satisfaction with a product by improving the usability, accessibility, and pleasure provided in the interaction with the product. Think about any site or app you have opened. How did you feel? Was the site’s aesthetic appeal at the forefront of your mind when you used it? If so, their UX person has done a good job.

Valuation

A **valuation** describes what your company is being valued at. “Pre-money valuation” is the value before you take investors’ cash. “Post-money valuation” is that amount plus the investment put in. I would definitely recommend speaking to other Founders and accountants about how to accurately get a valuation for your business. If you are selling your company, typically the Buyer is trying to get the lowest valuation so he can acquire your business for cheap. As the Seller, you have to establish a fair valuation (typically a fair multiple for your industry) with a slight margin. Example: if your net profit at the end of the year is $100k, it might be 2–3x ($200–300k) if the company has plateaued. If it is a tech business with rapid growth, the multiple might be 10x ($1 million).

Value Proposition

Value proposition is what makes your business uniquely attractive. Also known as USPs (Unique Selling Points).

VC (Venture Capitalist)

If you are an entrepreneur, you might think of **VC**s as corporate, evil money hungry vultures. Some of them are and will screw you! Do your diligence on them (as they would on you and your startup) and make sure you have investors who align with your beliefs. Do they want to change the world like you (get them on board) or just want a steady return (yawn)?

Visionary

A **visionary** is an entrepreneur who sees the change in the world before it has happened. Many say that these people have an ability to peer into their crystal balls and then develop something that we will eventually need. Famous examples of visionaries include Richard Branson, Elon Musk and Walt Disney.