

 Swipe to know

Essential Terms You Need to Know

Startup Ecosystem Edition

01.

🔍 Product-Market Fit

The degree to which a product satisfies strong market demand. When an entrepreneur identifies a need in the market and builds a solution that customers want to buy, that's product-market fit.

Example: **zomato** found product-market fit by providing a platform for restaurant discovery and food delivery, meeting the needs of urban consumers looking for convenience and variety.



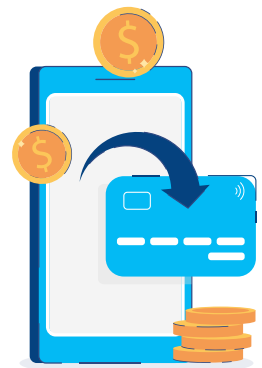
02.



Minimum Viable Product (MVP)

The simplest version of a product that can be released to test a new business idea and gauge consumer interest. An MVP focuses on providing enough features to attract early adopters and validate a product concept early in the development cycle.

Example: **paytm** initially launched as a simple mobile recharge platform before expanding into a full-fledged digital wallet and financial services provider.




03.



Go-To-Market Strategy

A plan detailing how a company will sell its product to customers, including sales strategy, marketing, and distribution channels.

Example:  **OLA** used aggressive marketing and promotions, along with deep partnerships with banks and manufacturers so they can give very deep discounts/loans to drivers on cars, to penetrate the Indian ride-hailing market.



04.



Customer Acquisition Cost (CAC)

The total cost incurred by a company to acquire a new customer including all expenses related to marketing, advertising, promotions, and sales efforts. It is calculated by dividing the total acquisition costs by the number of new customers acquired.

Example: According to a 2022 report by **IMAP India**, the average CAC for Indian startups across various sectors is approximately ₹1,200-1,500, which reflects the strategic investments required to attract new customers.



05.

🔍 Lifetime Value (LTV)

The total revenue a business can expect from a single customer account over the entirety of their relationship with the company.

Example: 🍷 SWIGGY assesses LTV by considering its Swiggy One membership, which includes benefits like free delivery and exclusive discounts. By analyzing factors such as average order value, frequency of orders, and subscription renewals, Swiggy can gauge the enhanced value brought by members over typical customers.

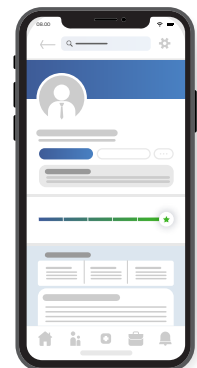


06.

Freemium Model

A business model where basic services are provided free of charge, while more advanced features or functionalities are available for a fee.

Example: [LinkedIn](#) utilizes the freemium model by offering free basic networking services, which allow users to connect with others and view profiles. For users seeking more advanced capabilities, such as LinkedIn Learning and enhanced job search features, LinkedIn offers a subscription-based premium service.




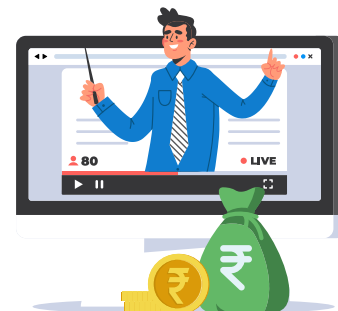
07.



Runway

The length of time a company can continue operating before it needs additional funding, calculated based on its current cash reserves and burn rate.

Example: Recently,  unacademy made significant financial adjustments, leading to a notable reduction in its cash burn by 60% and securing a financial runway of over four years with its current cash reserves in the competitive edtech sector.



08.

Q Burn Rate

The rate at which a company expends its cash reserves or venture capital to cover operating expenses prior to achieving positive cash flow. It is a critical metric for startups to monitor to ensure long-term sustainability.

Example: In 2018, **wework** lost \$1.6 billion, despite generating \$1.8 billion in revenue, reflecting a burn rate that significantly outpaced its ability to generate profitable revenue streams.

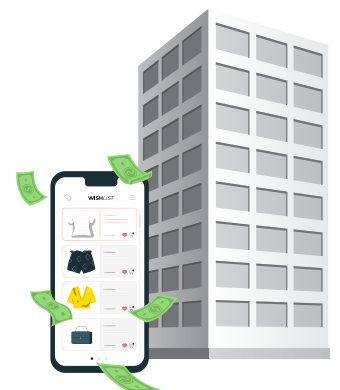


09.

🔍 Funding Raising

The process of securing financial investments from investors to support and expand business operations.


Example: In August 2017, **Flipkart** 🛒 secured \$2.5 billion from 🏠 SoftBank marking it as a monumental deal in the Indian tech ecosystem. This substantial investment enabled Flipkart to further scale its operations and strengthen its position in the competitive e-commerce market against global players like Amazon.



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 support@treelife.in

 +91 99301 56000 | +91 22 6852 5768

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