

Business Models Which Open the Wallets of Investors



For More ITE* in Emerging Market
Countries

*More Innovation, Technology & Entrepreneurship

With the Trillions of \$ Invested in:

- Real Estate/Construction
- Consumer, Food & Beverage
- Retailing
- Mining & Minerals
- Manufacturing
- Agriculture/Fishing

No Shortage of \$ in Emerging Market Countries



**With So Much \$ Seeking
Opportunity**

Why is it Such a Struggle?

to Get Local Investors to Open Their Wallets



**& Finance Technology, 1st time
Entrepreneurs & Early Stage SMEs?**

Presentation by Thomas D. Nastas

Innovative Ventures Inc.

www.scalingupinnovation.com

The Brown Forum

**Conference Theme: Entrepreneurship
& Venture Capital in SE Europe**

8/9 April 2013

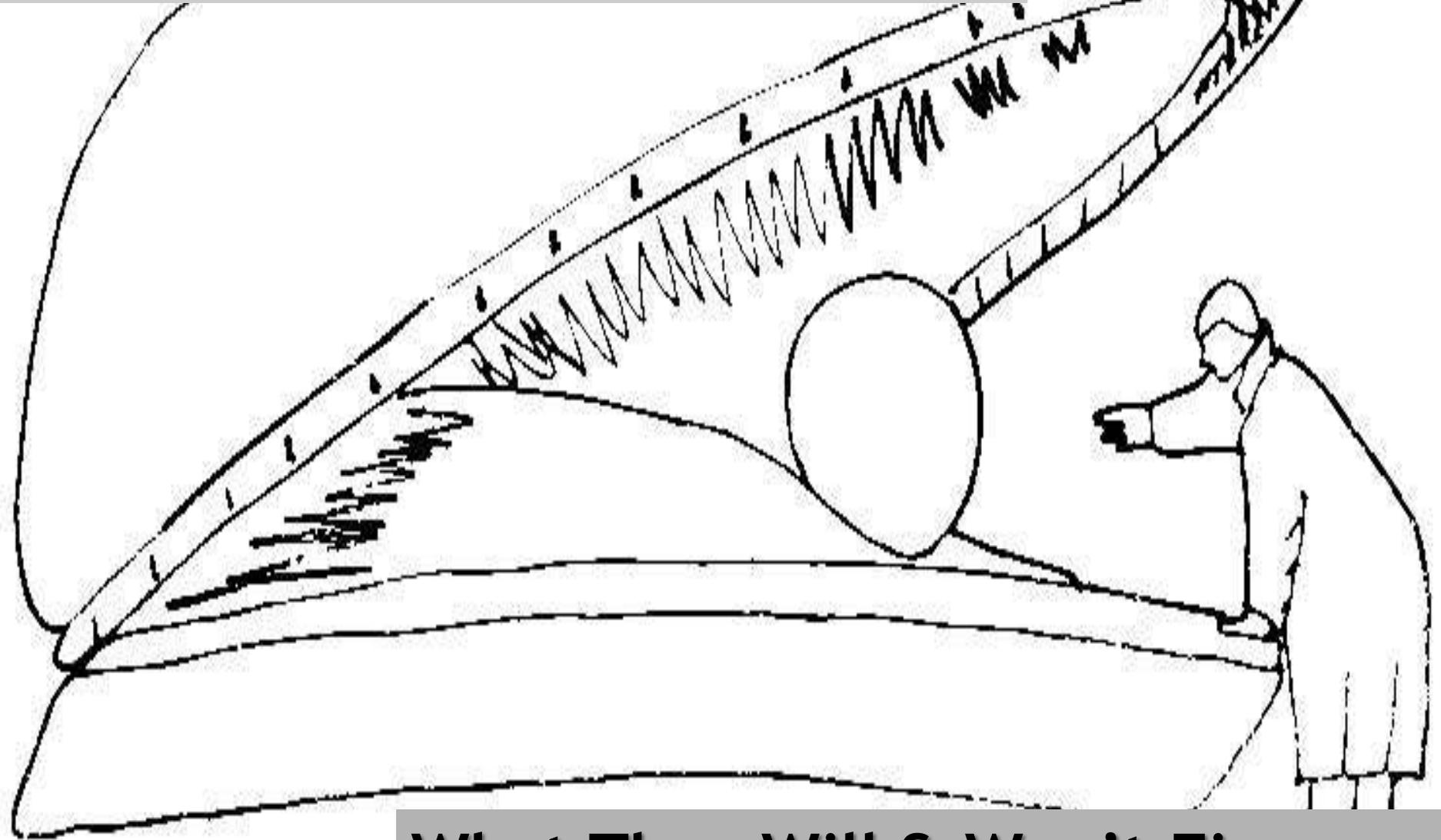
Zadar, Croatia

Watch the 15 Minute Presentation



Or Continue with this PPT 

Culture of Risk in Emerging Markets Drive Investor Behavior



What They Will & Won't Finance

For Example—Russian Oligarchs: Plenty of \$ to Invest in Tech



Net Worth-\$14 Billion



Net Worth-\$15 Billion



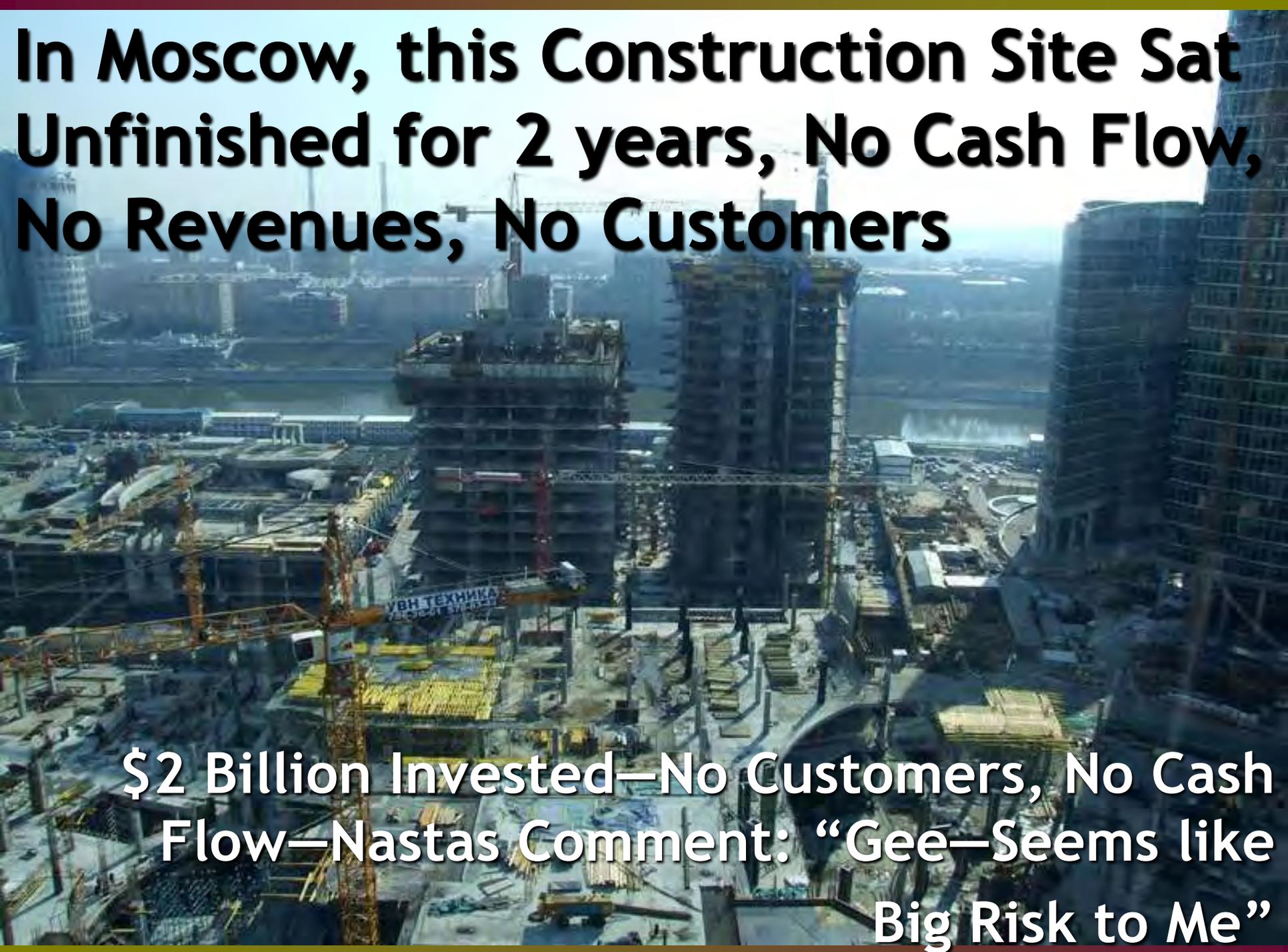
Net Worth-\$11 Billion



Net Worth-\$18 Billion

Reasons Why Wealth Not Invest in Tech—Say Entrepreneurs

Reason #1 “Wealth Takes No Risk, Only Invest in Sure Things”



In Moscow, this Construction Site Sat Unfinished for 2 years, No Cash Flow, No Revenues, No Customers

\$2 Billion Invested—No Customers, No Cash Flow—Nastas Comment: “Gee—Seems like Big Risk to Me”

Reasons Why Wealth Not Invest in Tech—Say Entrepreneurs

Reason #2 “Wealth Does Not Invest in Start-up Projects”

Every Building Begins with a Hole in the Ground



Nastas Comment: “Gee—Looks like a Start-up Project to Me”

Reasons Why Wealth Not Invest in Tech—Say Entrepreneurs

Reason #3 “Tech is Small \$”

IPO Valuation: \$11 Billion

ЯНДЕКС



IPO Valuation: \$5 Billion

@mail.ru
group

Nastas Comment: “Gee—Seems Like Big \$
to Me”

Risks Typically 'Bought' by Wealth

- Real Estate/Construction
- Consumer, Food & Beverage
- Retailing
- Mining & Minerals
- Manufacturing
- Agriculture/Fishing

*Even in Greenfield Projects,
Markets & Customers Are
Guaranteed*

Results Assured if Execution
is Successful



But the Risks of Tech are Too Much for Investors in the Developing World



“Does a Market Exist?”

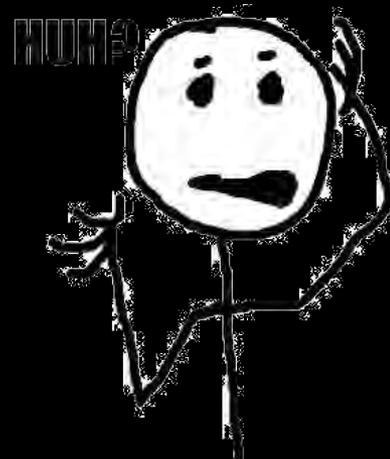


“Will They Pay?”



“Will the Tech Work?”

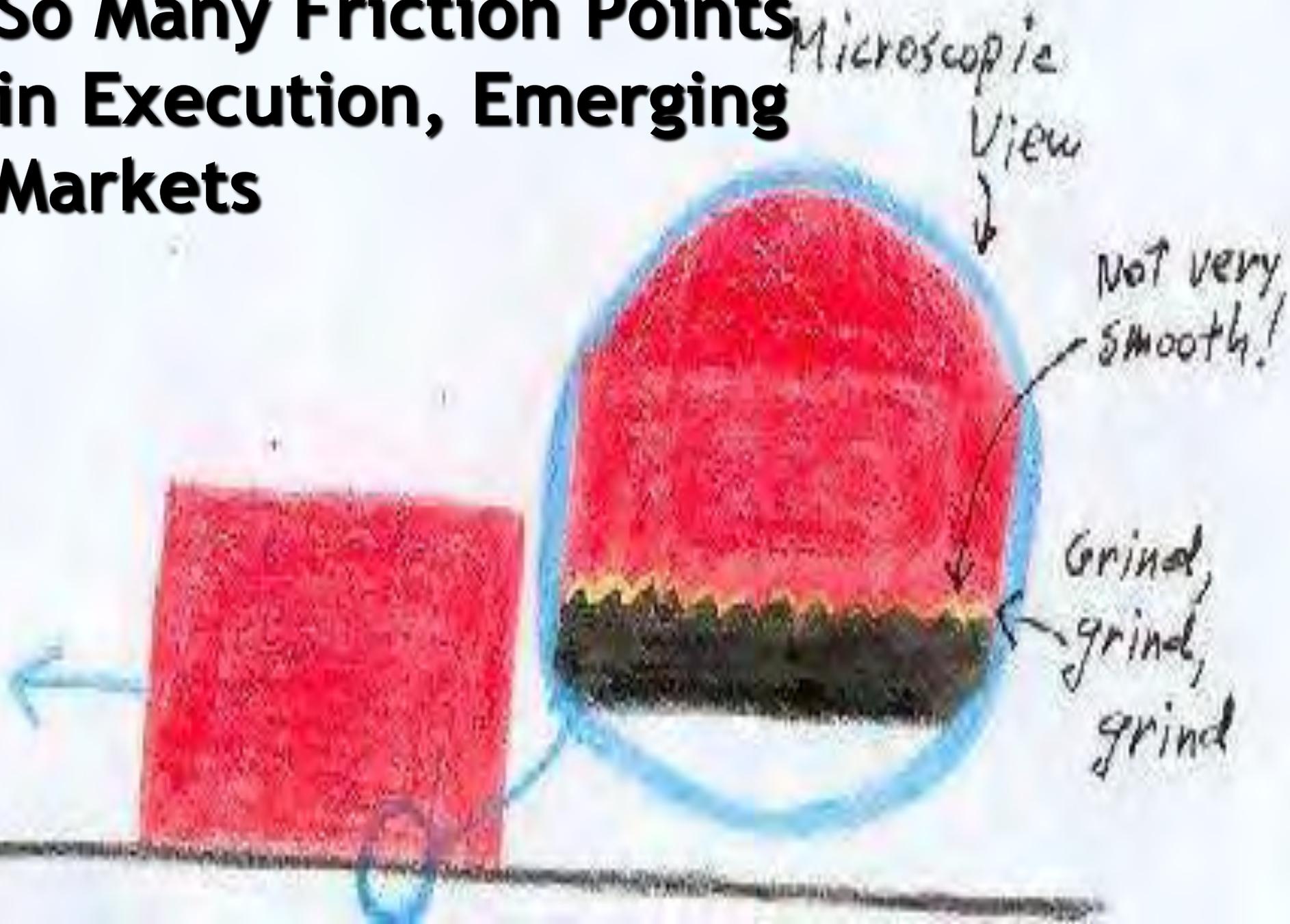
“Do Customers ‘Get It’?”



Why this Fear?



So Many Friction Points in Execution, Emerging Markets

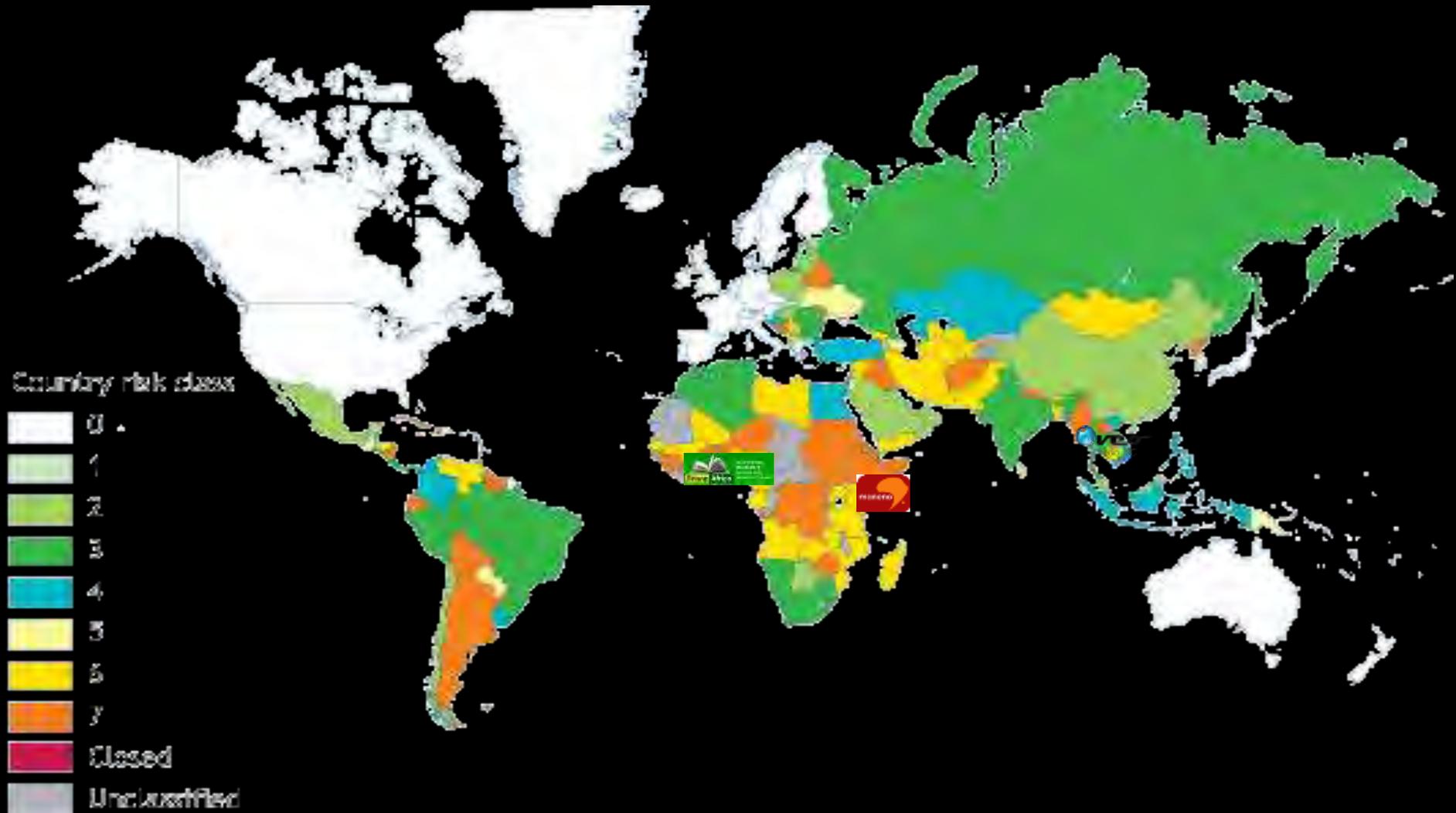


That Even the Big Guys Fall!



With Risk of Losing \$\$\$

So Investors 'Buy' Certainty in the Developing World





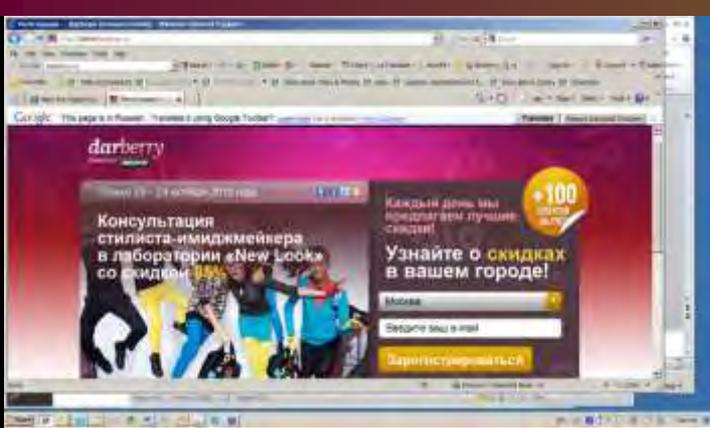
So How Impact the DNA of Investors?

- for Tech/Innovation
- to Venture Stage SMEs
- Possible to 'Shape' Deals to
DNA of Investors?

**Where the Risks Are in Execution,
& the Risks of Capturing
Opportunity are Zero**

**Success in Raising \$ is as Much About
Your 'Pitch' as it is the Business
Model Selected & Executed**

**Execute Business Models Which
Match the Risk Behavior of Local \$ in
Emerging Markets—Risks Which
Domestic Investors ‘Buy’**



Darberry, a Groupon Clone, localized for the Russian Market

1. Feb 2010—raise \approx \$10k, programming, staff of three.
2. May 2010—raise \$50k, market launch, staff of eight.
3. July 2010—raised \$100k—for sales & mkting
4. August 2010—acquired by



Darberry Major Force in Catalyzing the 'Start-up of Russia:' Tsunami of E-Commerce Clones

- Last Count, 80+ Seed Deals Transacted
 - 45+ Early Stage SMEs
- Total \$ Committed > \$1 billion
- Deal Size, \$100k-\$90MM



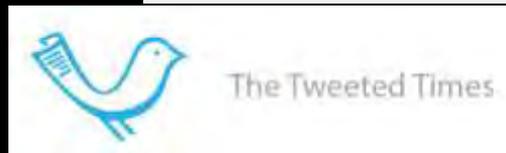
A Small Sample of Russian Transactions-Clones of US Models

Business Models
Where the
Opportunity is
Assured

ostrovok.ru



Метабар



Clones Circumvent the Risks that Scare Local \$

- Low Investment to Copy & Localize Technology Platform-Launch (\$00,000-\$000,000)
- Revenues Earned 2-3 Months after Launch, Some in the \$ Millions
 - No Profits but Exponential Revenue Growth
- 3-6 Months, Concept to Launch

Cloning as a Start-up Strategy

- **Many Possess the Revenue & Investment Characteristics of Expansion Stage SMEs**
- **Are Business Models which 'Match' the Risk Behavior of Local \$, i.e., Domestic Investors in Emerging Countries**

Cloning Impacts Investors' DNA to Risk

- **Int'l Investors Typically Lead: Show the Way Forward Since Many Invested in US Biz Models**
- **Domestic Investors Follow, then Lead Since Opportunity Risks are Minimal**
- **Execution Risks Remain, Risks that Domestic Investors Willingly 'Buy'**

Clones Drive Innovation into the Supply Chain

- **Logistics and Delivery**
 - **Payment Systems**
- **Investors Gain Experience Needed for More Ambitious Investing as the Market Develops**

Business Models which Impact Investor DNA

**Drive the Creation of Start-up
Communities—Innovation & Venture
Capital Ecosystems—in Emerging
Markets**

LESSONS



LEARNED



Solution #2: For Investors

Venture initiatives (e.g., deal flow funds) 'shaped' to risk behavior of local investors
+
mentor to build an early stage tech portfolio

Solution #1: For Entrepreneurs

'Shape' business models (e.g., clonentrepreneurship) to risk behavior of local investors
+
mentor entrepreneurs to 'sell risk—then opportunity'

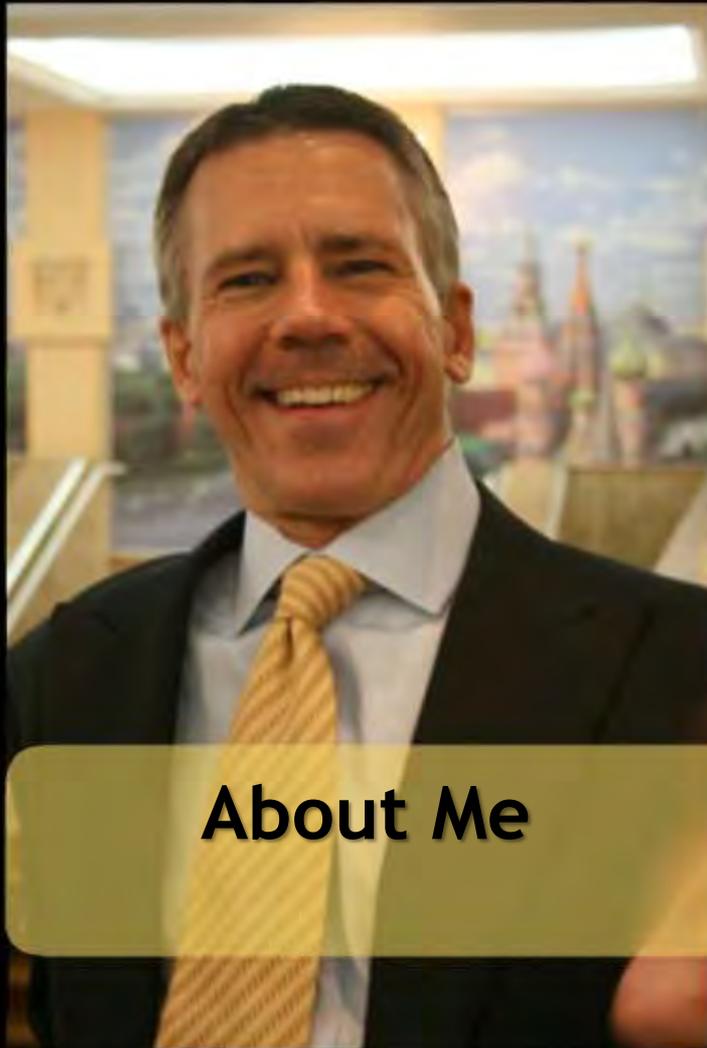
Solution #3: For Development Finance Institutions & the Gov't
Grant schemes which advance innovation thru commercialization—improve the quality/quantity of IP for market acceptance, e.g., model to \$85MM Tech Commercialization Project in Kazakhstan

*“Let's overcome the cultures of risk to **unlock** & **mobilize** local \$*

*for more ITE**”*

*ITE=Innovation, Technology & Entrepreneurship

*Click [link](#) to open & read



About Me

Ability to motivate investors,
Governments & donors—stakeholders with
(often) conflicting objectives—to commit
energy and \$ to make dreams a reality

\$100MM-N. America	\$15MM-Europe
\$315MM-Africa	\$40MM-Russia
\$85MM-Kazakhstan	

‘Scale up’ the amount & diversity of \$ for SMEs

Yes use multiple strategies & structures to invest +
mentor local investors to build a tech portfolio

Selectively expose banks to finance tech + mentor
in execution (my bank SME successes in Russia)

Deploy grants for commercialization; results 1st&2nd
\$22MM invested

In 21 Kazakhstani projects---in just 18 months

Rethink SME creation from university tech & grants
to finance international tech transfer

Manage projects & SMEs to international corporate
governance principles & practices

Nastas Member—Board of Directors in 18 SMEs; USA &
Emerging Markets. Read my contributions

Access latest thinking in tech & entrepreneurship

I mentor at—Singularity Univ & Unreasonable Institute



Innovative
Ventures
INCORPORATED

Nastas—IVI: Investors/Partners & Funds—Financing Entrepreneurs

Canada (1992)

C\$100MM-Canadian
Bus. Dev. Bank-
Investor



Russia (2005): CIS Hi Tech

Partnership Initiative: Investor-
Shell Oil, Shell Tech Ventures + IVI



Kazakhstan (2010)-Present

\$85MM Tech Commercialization
Project. \$ from  

Europe (1992/94)

Tech Fund,
\$10MM-EU, \$5MM
Financière St
Dominique, Paris



NATEXIS
Private Equity



USA (1986)

Investor-The Michigan
Product Dev. Fund
(\$4MM)



Russia (1997)

HP LP, \$30MM-Investors
EBRD & USAID



European Bank
for Reconstruction and Development

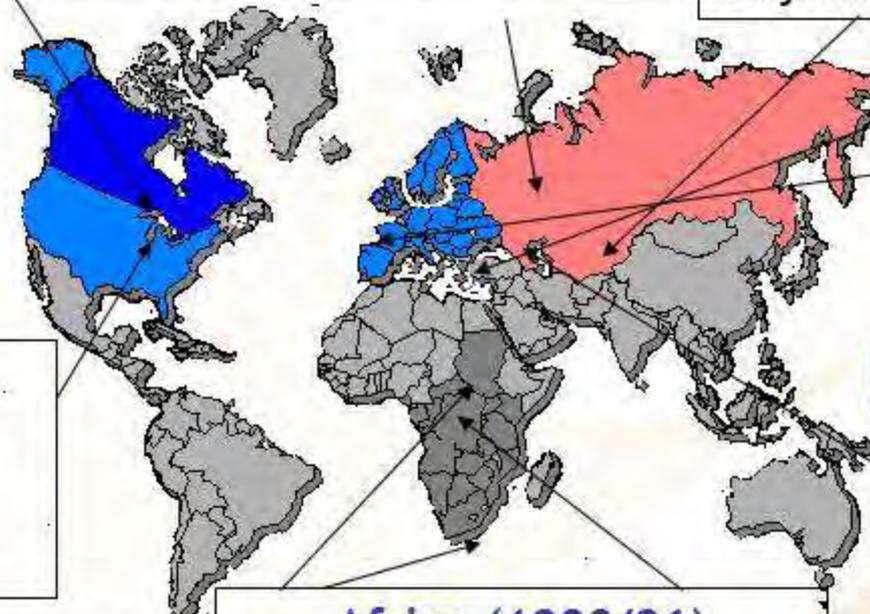


Africa (1993/96)

E. Africa \$5MM, Sub-Saharan,
\$280MM, South Africa, \$30MM,
Investors-IFC/World Bank



International
Finance Corporation
World Bank Group



“I’ve Got Your Back”



I lived, invested and worked hand-in-hand with entrepreneurs & investors

I left Michigan in 1992 to Canada & Europe. Then Africa, Kazakhstan & Russia

I financed this expansion myself, with much energy yet few coins in my pocket

No safety net to protect me—much fear, uncertainty & insecurity in execution

I experienced the risks & barriers which your investors & entrepreneurs face—learned to survive then thrive

My successes + failures & detours—gives me the deep understanding of investing, execution and entrepreneurship that you face in countries with:

different economic environments & legal regimes
weak/developing financial markets, especially the high cost & limited amounts of \$ from banks & investors
cultural attitudes toward risk & failure—and solutions to overcome

“Nastas’ experiences from the Battlefield are inputs to design new initiatives which balance the interests of all stakeholders for success to occur.”

See the Details—Business Models Which Raise \$, Catalyze a Start-up Community in Your Country



Thomas Nastas, Sava Marinković, Tarik Bilalbegović



usembassyzagreb



Подписаться





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