



# Startup Strategies During Uncertain Times

AWS Startups Team  
April 1, 2020



# On the call



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# Who We Are

- Amazon Startups team
- Former startup founders
- These are our opinions, not AWS's
- This presentation is not legal or tax advice; talk to your lawyers or accountants!

# Housekeeping

- There will be 30 minutes for Q&A at the end
- During Q&A, please type your question in the comments
- Please ask questions that benefit the whole group – we're happy to go into details offline



**This is a difficult time.**

**The good news? You're a startup founder.**

# The Mindset: Surviving This Thing

You are now a wartime CEO.

Business as usual will not cut it.

Your goal is to survive at least 12 months.

**DO NOT RUN OUT OF CASH.**

# 9 things founders should be doing right now

# 1. Create a new operating plan / cash forecast

- Re-forecast your P&L with high & low revenue scenarios
- If your runway is <6 months, put together weekly cash forecast
- Review weekly with your co-founders / team
- Know your bank balance at all times
- Know your “cash out” date

# Example

		Oct	Nov	Dec
P&L Summary	Revenue	\$450,000	\$450,000	\$400,000
	Gross Margin	24%	32%	28%
	Gross Profit	\$108,000	\$144,000	\$112,000
	Expenses	\$272,913	\$215,811	\$201,860
	Net Income	(\$172,663)	(\$79,561)	(\$97,610)

		Oct	Nov	Dec
Personnel Costs	FTE	\$ 133,603	\$ 110,021	\$ 110,021
	Contractors	\$ -	\$ 4,500	\$ 4,500
	Total	\$ 133,603	\$ 114,521	\$ 114,521
	Headcount (FTE)	22	15	15
	Headcount (1099's)	0	3	3

		Oct	Nov	Dec
Non-personnel Costs	G&A	\$ 139,310	\$ 101,290	\$ 87,339
	Total	\$ 139,310	\$ 101,290	\$ 87,339

Cash in bank 9/30                   \$           875,392  
Cash-out date                           31-Aug



# Action plan

Category	Item	Reason	Impact
Fire bad customers	Raise minimum order to \$50	Eliminate unprofitable deliveries	Reduce delivery cost to 15%
Fire bad customers	Discontinue SFO partnership	Low margin; Distraction from core business	Reduce distraction
Reduce overhead	Shut down Redwood City office ASAP	Office not required if team shrinks	Save \$3,000/mo
Reduce overhead	Layoff: Employees A, B, C, D	Focus on sales, ops, back-end dev	Save \$36,000/mo
Reduce overhead	Founder salaries cut in 1/2	Save cash	Save \$8,000/mo
Marketing	Eliminate ad budget	Outbound sales driving 95% of revenue	Save \$10,000/mo
Sales	Focus sales efforts on whales (\$8k+ MRR)	Whales move the needle on revenue fastest	
Delivery Cost	Expand 1st delivery window by 15 min	Fit more deliveries onto each route	Reduce # drivers required by 15%



## 2. Take a hard look at your personnel costs

- Salaries are (unsurprisingly) a startup's biggest expense
- Reduce founder salaries to bare minimum if not already
- Force rank employees and know your "minimum viable team"
- 3 options to reduce personnel costs: Salary reductions, furloughs, layoffs
- If pursuing salary reductions, consider stock option grants to offset

### 3. Discuss your plans with your investors

- Now's the time to engage them!
- Share your high and low plans, and key actions you plan to take
- Index on transparency
- Test waters for bridge/insider-led round

## 4. Communicate big changes to your team

Schedule 3 sets of meetings now:

- Tomorrow: 1:1's with each employee
- In 7 days: 1:1's with each employee to reset them
- Day 8: All Hands team meeting to refocus

## 5. Expense triage: find the expenses you can cut

- Print last month's expenses, summed by vendor/payee – review line by line and decide where you can cut or reduce expenditure
- Reduce or eliminate variable expenses (marketing/ads)
- Cut unnecessary perks (and discuss with your team)
- Review all subscriptions and SaaS licenses. Ask yourself if you can get by without the service, or with fewer licenses.
- Lock down credit cards

## 6. Tighten AR and AP to improve cash cycle

- Get organized around receivables; customers may stop paying you if you don't press them
- Offer discounts (5%) to customers for early payments
- Re-negotiate payment terms with vendors (e.g., Net 60 instead of Net 30), or deferred payments

# 7. Consider all sources of funding

- Fresh VC funding will be challenging
- Bridge or insider-led round → start planning ASAP
- Loans: Use them if you got them
- [SBA Economic Injury Disaster Loan Program](#)
- Government research grants and funding (including [COVID-19 specific funds](#))

## 8. Talk to other founders

- You're not the only one facing tough challenges
- Share ideas, vent, trade war stories



## 9. Breathe. Sleep. Exercise.

- Take care of yourself
- Bring your whole self to work (even if you're working from home)

# **Remember: Speed matters.**

The faster you make changes, the more time you buy.

# Other resources

- If you are hiring, here is a resource where you can advertise that you are hiring: <https://candor.co/hiring-freezes>
- Trimwire is a tool to monitor startup spending and apply discounts to recurring expenses to help you cut burn: <https://trimwire.com/>

# Reasons to be hopeful

- Opportunities for startups to directly address COVID-19 issues
- Some of the best VC investments ever happened in 2009 (Uber, Airbnb)
- New opportunities emerging (e.g., WFH tech); are there smart pivot opportunities?
- Chance to reconnect with friends, family by phone/video

# Q&A

AWS Startup Team



Please join us for our next session:  
Strategies for optimizing your cloud spend

