# Expert Dmitrii Khasanov outlines key metrics for evaluating AI startups amid rising investor interest



In an era where artificial intelligence (AI) technologies continue to gain traction among businesses and investors, distinguishing genuinely innovative projects from less credible ventures poses a significant challenge. Dmitrii Khasanov, the founder of Arrow Stars investment fund and a noted digital marketing expert, recently discussed this topic, highlighting the intricacies involved in assessing AI startups.

Khasanov began by addressing a common misconception: the notion of a singular, unified AI system is misleading. He noted that since the days of Alan Turing, the British mathematician and pioneering computer scientist, there has been a vision of Artificial General Intelligence (AGI)—a form of AI that would possess the ability to think and act like a human. However, Khasanov demystifies this aspiration, asserting that the current market does not offer this advanced technology. Today’s AI is characterised by a multitude of mathematical approaches that address specific business challenges rather than representing a monolithic solution.

He elaborated on the challenges associated with AI algorithm development, describing it as a complex process requiring substantial mathematical expertise. Many foundational concepts underpinning well-known algorithms have existed for decades, yet it is only recently, with advancements in computing power, that these ideas have reached feasible implementation levels.

When investors consider entering the AI startup space, Khasanov highlighted three critical financial aspects: development costs, data procurement expenses, and the necessity of specialised personnel. Prior to delving into financials, potential investors should gain clarity on the proposed product, specifically identifying the problem the startup aims to address using AI. For instance, a firm may seek to establish a service based on a large language model, raising two pertinent questions: will it leverage an existing model or develop a new one?

Opting for an existing model might present a more economical and straightforward deployment pathway, although it may lack flexibility for specific applications. Conversely, creating an original model may lead to increased costs and extended timelines but offers the potential for tailored solutions.

Moreover, Khasanov stressed the importance of data in training AI models. Publicly available information often proves insufficient, leading companies to invest in proprietary data from external sources, necessitating a consistent financial commitment. Additionally, personnel costs can escalate, as startups often require a diverse range of specialists, from data annotators to model educators.

Once investors navigate these preliminary evaluations, Khasanov advised they closely monitor several key metrics to gauge the effectiveness of the AI startup:

1. **Customer Acquisition Cost (CAC)**: This metric, indicative of marketing effectiveness, is determined by dividing the total customer acquisition expenditure by the number of new customers acquired within a designated timeframe.

2. **Monthly Recurring Revenue (MRR)**: Particularly relevant for subscription-based businesses, MRR offers insights into projected income by capturing regular revenue on a systematic basis.

3. **Churn Rate**: This reveals how many customers discontinue their subscriptions within a specific period, serving as a gauge for customer satisfaction and product relevance.

4. **Gross Margin**: This reflects the difference between revenue and the cost of goods sold, expressed as a percentage of revenue, illustrating potential profitability.

5. **Burn Rate**: A critical indicator, burn rate measures the expenditure pace of a company’s capital until it achieves financial independence.

6. **Customer Lifetime Value (CLV)**: This estimates the total revenue expected from a single customer throughout the business relationship, informing strategies for customer attraction and retention.

Khasanov acknowledged that his methodology is one of several approaches to evaluating AI startups, yet it has been empirically tested on numerous ventures in his professional experience. As AI technology becomes increasingly integral to various industries, Khasanov's insights could guide investors in navigating the complexities of this rapidly evolving landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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