SAINT
STARTUP

THE FOUNDER'S GUIDEBOOK

Edited by Dr Antonios D Livieratos

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Dr Antonios D. Livieratos

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CONTENTS

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Anestis Goudas is an experienced Digital, UX Designer with a demonstrated history of working in the information web technology and internet services industry. He dedicated his ten-year career to work closely with motivation on each project, making sure to deliver something valued to each client. He impresses a growing international client base consisting of music labels & artists, design agencies, publication companies, corporate businesses and various clients. He holds an Associate's Degree in Arts & Content Management Systems. He's passionate about Design in general and he likes to deliver easy-to-use and engaging User Interfaces & Experiences.

Andreas Machairas is the founder of Pubbbuh, a publishing technology startup based in Berlin. He is an experienced web developer, especially with Microsoft Visual Studio C# tools. Andreas is also involved in several startup projects as a Web Developer and/or founder. He was for 13 years IT manager in one of the biggest publishing houses in Greece. Andreas holds a degree of Science (Physics) from University of Ioannina, Greece. He is ready to meet any challenge. He's passionate about Web publishing technologies and the use of artificial intelligence in recommendation systems. Writing fiction is the most pleasurable hobby for him.

Panagiotis Markantonatos, throughout his professional and academic career, has been both a marketing strategist and a project manager in several contexts and sectors. Either setting up a business incubator or managing a European Commission's Innovative Actions project, building sound relationships and communication strategies in advertising, coordinating line Ministries, or implicated in scientific research along with big-blue's Chief Architects and University professors, Panagiotis is a "systems thinking" individual, that views problems, timetables, people and budgets as integral parts of an overall system. He has given lectures in graduate and post graduate level in several domains such as Political Economy, Marketing strategy, Media Planning, Pitching and Business Development. As a Marketing Coach for "The Athens Business Incubator", Panagiotis uses his tutoring and marketing experience and based on lean start up methodology actively supports the development of innovative ventures. Panagiotis, holds a Bachelors Degree in Economic Science from the University of Athens, a MSc in Innovation Management from the University of Strasbourg and is a valedictorian of the Greek National School of Public Administration (2011 class).

Alexandros Nousias is a freelance law professional, Legal Lead of Creative Commons-Greece, member of the Athens Bar Association, associate of Open Data Institute-Athens node and Open Technologies Alliance and associate in Advanced Quality Services, a prominent consultant agency where he works as Data Protection Officer/Ethics Officer. He focuses in business and legal consulting in the areas of intellectual property, data management and protection. He works in projects within the context of Horizon2020 and is involved in community building and commercial/business networks and clusters. Designing ethically sound value creation patterns by mixing concepts, connecting dots and bridging gaps is his approach. Alexandros is also an international public speaker.

Natalie Novick is an urban sociologist and PhD candidate at the University of California, San Diego. For the last two years, she has been conducting fieldwork speaking with entrepreneurs and community builders for the project: The Startup City: The meaning of place in Digital Europe. Natalie's research examines the spaces and places of Europe's entrepreneurship landscape, and the culture and motivations of the entrepreneurs that inhabit them. In addition, she has recently become the Research Director for the European Startup Initiative, a non-profit research group working to facilitate mutual understanding between municipalities and their startup ecosystems. Her areas of expertise include international labor migration, entrepreneurship and the intersection between new technology and policymaking in the United States and in the EU. Natalie holds a M.Sc. in Comparative European Politics with Distinction from Trinity College Dublin, and an MA in Sociology from UC San Diego. She has a broad policy background, and prior to her academic work, she worked in legislative affairs in Arizona and Washington, DC.

PREFACE

This book is addressed to founders using Saint Startup, the free web application for guiding entrepreneurial projects. Saint Startup was initially conceived to solve our own problem. We were a bunch of consultants/coaches/mentors/educators working on and off together to help people develop fuzzy ideas into a product and in turn a product into a business. Despite the fact that we offered our services in different - though complementary - fields we had one thing in common: we had to work systematically with a large number of startups being in different stages. Moreover, we had embraced the lean startup methodology integrating openness, experimentation, feedback and iteration to the processes.

In this respect, we were suggesting solutions, we were prioritizing actions and, generally, we were 'explaining' lean startup and "*why you should not write a few square miles of code before contacting your client for the first time*". The start of each meeting was a debrief of the progress of the startup in which we had to scratch our head on "*where were we the last time we met?*", while it always ended with the "*what do I do next?*" question.

Within this framework, each one of us had developed their own micro-methodology on how to help a startup in its particular field. By combining our micro-methodologies into Saint Startup our initial aim was to develop a tool enabling us to monitor the progress of our startups, interact more easily with each other and, at the end of the day, to answer the "*what do I do next?*" question by having an overview of the overall situation.

Saint Startup initially took the shape of a simple excel file. By using Saint Startup in our every-day-life at this initial 'primitive' form we noted two things:

- it simply worked for us – it was easy to use and share, and we did not have to codify a large amount of information in order to describe the situation to our colleagues
- the teams were enthusiastic with the idea of getting a score that spurred some gamification to the processes and, also by the fact that they could see what comes next.

Combining the two, it was evident that we had something more than a 'personalized' solution. To this end, we started transforming our tool into an alpha version web app that could also be used by others. This early version of Saint Startup was used by more than one hundred startups, two incubators, three entrepreneurship classes and eight more colleagues. Working with practitioners gave us valuable feedback so as to create the final version of Saint Startup.

Dr Antonios D. Livieratos

INTRODUCTION

Aim of the book

This book contains all texts found in Saint Startup™ (www.saintstartup.com) so as to provide founders with a practical guidebook, a knowledge companion in their journey of building a new venture.

Saint Startup is a free web application that startups use to keep a record of their entrepreneurial journey: what is already done, as well as suggestions of what is to be done. Created by practitioners of the startup ecosystem, Saint Startup is based on the principles of lean startup. Founders using Saint Startup can...

- guide their entrepreneurial project
- visualize their effort
- conduct a sanity check
- keep a progress report

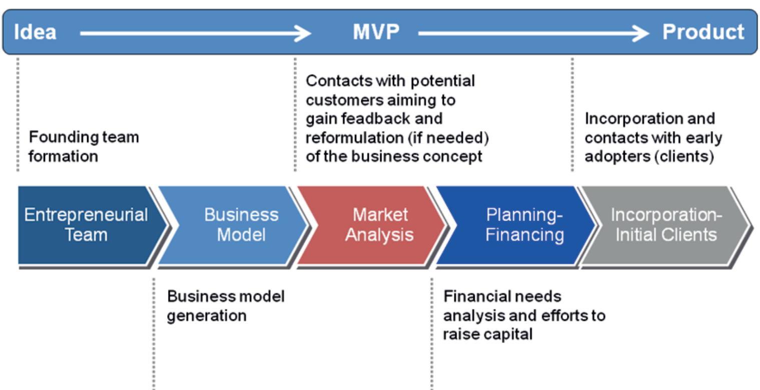
How to use Saint Startup

By entering Saint Startup, users need to initially answer a few fundamental questions. Depending on the answers given to these questions, Saint Startup deploys 11 to 14 categories. For each one of these categories users are given a number of tasks that the startup should conduct in the framework of this category. For each task a text is provided: a brief description of each task, guidance on how to manage/implement the task and, in turn, freely accessible links where the user may find more information about this specific task.

From the idea to the market

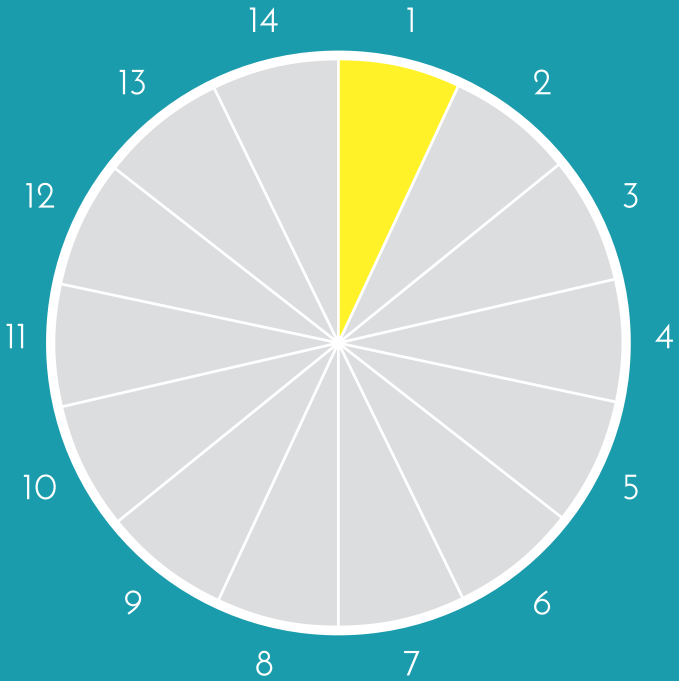
Saint Startup covers the span from the stage in which a team has conceptualized a fuzzy entrepreneurial idea up to the point the startup has been incorporated and has an initial client base. During this process, we recognize five stages. The 1st stage is about the formation of the founding team. The 2nd stage is about forming an initial business model and in turn your hypotheses around it. Based on this business model, the 3rd stage is about 'getting out of the building' and testing these hypotheses. The feedback from the field will reshape your business model and as you enter the 4th stage, you plan your business on a more solid base and you seek for capital. At the 5th and final stage you incorporate all previous stages and you start searching for sales. In parallel to these five stages, you develop your idea into a Minimum Viable Product (MVP) and in turn to a (final) product.

Despite the fact that that the entrepreneurial process is presented in a linear way for explanatory/educational reasons, it is far from being a linear process. As a matter of fact, start being worried if you are incorporating based on a linear process without loops.



Having given the big picture, and despite the fact that there is not only one way of doing things in starting a new venture, we are still very often asked to give a recommended pathway through Saint Startup. On the table below you may find the first 24 tasks. Having conducted these tasks, you have established your learning curve and you will be able to find your own way.

No	Tasks	No	Tasks
1	Short description (see 1.1)	13	Customer profile (see 6.2)
2	Entrepreneurial team (see 2.1)	14	Competitive analysis (see 4.4)
3	Three similar offerings (see 4.1)	15	Define solution (see 5.4)
4	Mentor (see 2.2)	16	Advisory board (see 2.3)
5	Define problem (see 5.1)	17	Freedom to operate (see 3.1)
6	Target markets (see 6.1)	18	Lawyer (see 13.2)
7	Business model canvas (see 1.2)	19	Rights clearance (see 3.2)
8	Strategy canvas (see 4.2)	20	Landing page (see 7.3)
9	Brand name (see 7.1)	21	Elevator pitch (see 1.3)
10	Benchmarking (see 4.3)	22	MVP/MVS (see 8.1/9.1/10.1)
11	Verify problem (see 5.2)	23	Corporate identity (see 7.2)
12	TAM (see 5.3)	24	Test solution (see 5.5)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1. PLANNING

1.1 Short description

No ► No, I have not written a short description yet
Yes ► Yes, I have written a short description

Write a short description of your business idea no longer than two thirds of a page. Writing your idea down can help you structure your thoughts. Having a short description helps define a 'shortcut' to present an (often) complicated business idea. You will have to speak to many people before selling your first product and you need to find a short way to present your 'story'.

Initially pay close attention to the specific problem you are trying to solve with your product. In turn present what you intend to sell, to whom you intent to sell it and why you think your potential customer should buy from you. Avoid writing technical details and stay on the 'front end' of your business (products, markets you intent to address, value that your customers gain etc) and not on the 'back end' (technologies developed, how production will be accomplished etc). When writing, consider how you would present your project to a person who is unfamiliar with your market, product or technology.

In the framework of your short description try to find a three-to-four word phrase summarizing the meaning of what you want to achieve; the "what if" of your success for your customers. In Guy Kawasaki's words, try to write a 'mantra' (for more see here https://bit.ly/2p1IZIP). You may find it to be difficult at the beginning, however it is worth trying. You will probably end up changing it many times till you reach your first customers. A shortcut of your mantra could also be a metaphor. *WeFarmUp for example is the 'Airbnb for tractors'.*

1.2 Business model canvas

No ► No, I have not developed a business model canvas yet
Yes ► Yes, I have developed a business model canvas

The business model is the architecture of your business, namely the rationale on how your company creates value for both itself and its clients. The Business Model Canvas is a tool allowing the visual deployment of a company's business model in a single page. It is a visual tool that helps you define each of the nine building blocks of your business and define how they form a coherent business model (for more see here http://businessmodelgeneration.com).

Creating a Business Model Canvas at an early stage provides a series of hypotheses (expectations about customer behavior, needs or existing market fit, partnerships you need to establish etc.) that you can test later. It helps you describe, design, invent, adjust, challenge and eventually pivot your business model if necessary. Keep in mind your business model will most likely change several times from the 'idea to the market' because your early guesses, or hypotheses, were not all correct. That is alright. Changing your business model should not scare you. Throughout the process you will learn and adapt to your new discoveries. Not changing it might be even scarier!!! A good product left alone has no value. You need to define the right business model or, even better, to create an innovative business model making your competitive advantage more sustainable.

When creating your (initial) business model try to answer the question, "*where do I start from*"? Will you target a niche market before going mainstream? Or provide services before offering a product? These are not unified recipes for success, but they have served well as '*go to the market strategies*' for a number of successful startups. Consider Zuckerberg, who initially dominated the niche market of Harvard students before expanding Facebook to other universities and later going mainstream.

1.3 Elevator pitch

No ► No, I have not done my elevator pitch yet
Yes ► Yes, I have done my elevator pitch

Imagine you are sharing an elevator ride with a prominent figure of your market or a prospective investor. During this short ride, this person asks, "*What do you do for a living?*". How will you respond? Your Elevator Pitch will be the answer to this question in a time span of approximately 90 seconds (from 30'' to 2'). Remember, these persons have the potential to be very valuable to your business success. How will you impress them, and make your product memorable? Because time is of extreme importance, your Elevator Pitch has to be structured but also tailored to grab and retain attention.

As in the Short Description (see 1.1) you should be able to present your business idea and especially your Value Proposition(s) in a concise way following a pre-designed scenario. In order to build your Elevator Pitch scenario, answer some basic questions such as: a) the problem that your product solves, b) the market you address (including some figures and trends), c) your customer, d) the solution that you have identified and e) what makes your solution stand out from competition. With the answers to these questions at hand, build a compelling story about all these facts. Practice it by telling it to everyone you can. Pay attention to their feedback. Are you able to convey your business in this short time structure? What questions do they have when you are finished speaking? When creating your story have in mind that you may use either the so-called origin story (the history of how you came up with this idea), the customer story (presenting a personified customer and his pains and gains) or the industry story (showcasing the problem that your industry faces). For more information on how to create a story see here https://bit.ly/1dsZBPp).

Next, create a compelling slide deck to visually present your company. Slide decks are useful for many reasons, including raising capital, presenting at competitions, making sales and forming partnerships. Have a basic deck on hand, that can easily be updated or tailored for the purpose. Structure your slide deck according to the structure outlined in the elevator pitch—it should be crisp and to the point. It should clearly outline your company and the key value it offers to the market.

Be sure to follow some basic rules while designing your slides: maximum 10-15 slides, use plain sans serif 30-point fonts, structure your text in bullets and not in long phrases; animate your speech and your body - not your slides and always be prepared for the unexpected (i.e. projector does not work, laptop crashes etc). Your slides are there to visualize what you are saying, so never read your slides. Use them as a means for the visual stimulation of your audience. For more information on building a great slide deck presentation, have a look at Guy Kawasaki's "The Only 10 Slides you need in your pitch" here https://bit.ly/2nUz8FA. Identify how these slides use facts and evidence.

If you are finding this process overwhelming, don't worry. It is perfectly normal to feel stressed over this process. Anyway, no one was born with the ability to tell good stories or present themselves in front of an audience. Practice makes perfect, and the more time you spend working to develop your pitch presentation, the more comfortable and effective you will be. A helpful tip may be to recite your pitch in front of a camera and evaluate the result. There are plenty of Elevator Pitches out there (for an example see here https://bit.ly/JVIo48). Search and watch closely. Observational learning (*i.e. learning that occurs through observing the behavior or conduct of others*) is very useful in this case. Have a look at this pitch for "RydeMyPony" by Christoph Sollich, the "Pitch Doctor" (see here https://bit.ly/2NBLAHc). The product he is publicizing with the pitch is humorous, but it provides some valuable lessons about getting your message across. Pay close attention to the presenter's body language, speed of speaking and tone. See also, "*What I wish I knew before pitching LinkedIn to VCs*" by Reid Hoffman here https://bit.ly/2D1TRAn).

1.4 Draft business plan

No ► No, I have not written a draft business plan yet
Yes ► Yes, I have written a draft business plan

A draft business plan can be a very useful tool for planning your next steps and for communicating your needs. It also can be useful to have on hand when applying for funding or for an accelerator or incubator. A draft business plan should (besides giving the main aspects of your idea) include a marketing plan, an action plan and a budget. In other words, in a draft business plan you may not have full justification of how you intend to 'bring your idea to life', but you know (and you have written it down in a structured and comprehensive way) who is responsible for what aspect of the business, when, and how much it is expected to cost. The Saint Startup process is a great way to help identify these aspects of your business.

Although writing a business plan can be useful for a number of reasons, including evaluating your business idea and attracting investors, it can be a considerable effort, especially if you do not have previous relevant experience. When considering priorities, if you can start sales before writing a business plan, do not hesitate. Sales are the ultimate goal of your startup and everything else can wait. After all, it is much easier to put on a piece of paper what you are already doing than what you intend to do. See also "Why your initial business plan doesn't matter too much" here https://bit.ly/2OeXowh.

1.5 Business plan

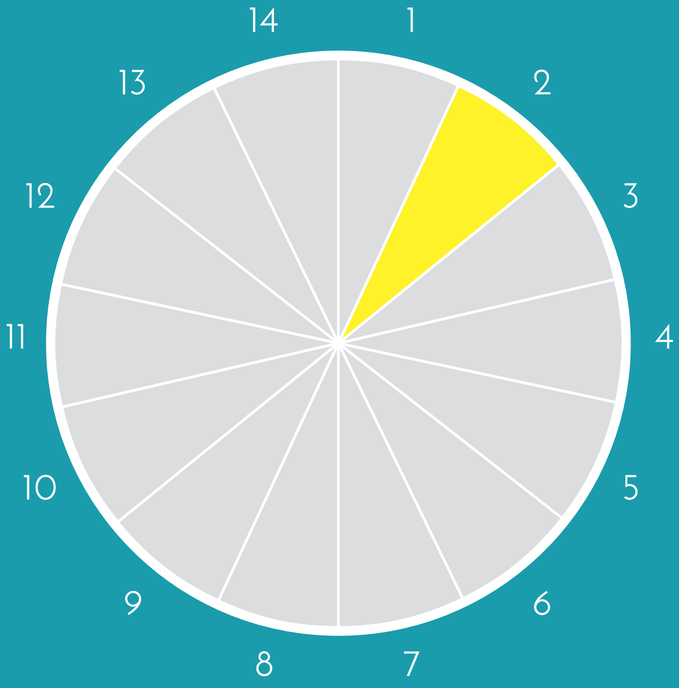
No ► No, I have not written a business plan yet
Yes ► Yes, I have written a business plan

A business plan is a document that has many uses. However, in most cases it will be most valuable for convincing investors or lenders. There are many ways of writing a business plan and there is no such thing as 'template' for every business idea. You have to find your own way to write it. Business plans are best developed with a specific goal or purpose in mind. Use the business plan process to further refine your business model and product ideation. Do not forget that writing lengthy elaborations may have the opposite result. People reading and in turn evaluating business plans, read a lot of them. Profile your potential investor and adapt your business plan accordingly (*e.g. if you approach a Corporate Venture Capital you will need to highlight synergies with the parent company*). A business plan in this context is not "one size fits all".

In a business plan your choices must be fully justified and above all, you have to have a clear answer on how you developed certain figures, such as sales forecasts and expected demand. Your sales forecasts are based on certain assumptions. Make sure you have included, and identified your assumptions and the risks associated with them (*examples of assumptions are market size, sales calls per salesperson, conversion rate, return on investment for the customer, payment cycles, etc.*).

There is no better way of convincing your investors than having conducted "real life experiments" that prove your assumptions are valid (*see Market*). Planning your next steps (*because, after all, this is what it is all about*), requires an action plan. This action plan involves clearly identifying milestones and tasks. Milestones are the in-between objectives that you consider important (*e.g. your beta version, the first paying customer)* and tasks are the way to achieve them *(e.g. writing a patent, recruiting employees*).

Finally, the reader of your business plan must get an answer on the "why now?" question. Timing is important. Entering the market too early might be as difficult for a startup as entering the market too late. Be sure when you are able to answer why your product and company has arrived at just the right time.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2. TEAM

2.1 Entrepreneurial team

Not defined ► I have not defined who will be part of the entrepreneurial team yet
Defined ► I have defined who will be part of the entrepreneurial team

Define the entrepreneurial team right from the start. It is important to distinguish between those participating in the venture and those who will potentially work for it or help you just because they like you (friends, family, etc.). Even if you are alone for the moment, it is important to engage others in your entrepreneurial project. You might be the exception, but in general the 'lonely-wolf' entrepreneur often finds himself or herself alone in the startup ecosystem. Why? Lone entrepreneurs suggestively send a message that this person may be difficult to work with, or even worse—cannot convince others to join their venture. Engaging others transforms "*the lone nut into a leader*" (Sivers, 2010), adding credibility to your venture and credibility is your biggest asset in the early days of your effort.

Team failures are one of the biggest causes of startup failure. Consider your team choices carefully. Think of your potential co-founder as your future husband/wife. It is likely that you will spend with her/him much more (awake) hours than with your life companion. Does this sound attractive? If not, start searching for a new co-founder. Even if you are a team of equals you have to appoint a CEO among the co-founders who will act as a representative towards the external environment. Have a look at "*Making yourself a CEO*" by Ben Horowitz here https://bit.ly/2OdNHhx.

Build on both the similarities and the differences of your team. You must be both personally and professional compatible. Your team should be aligned in terms of vision, expectation and commitment. People that have previously worked together form more solid entrepreneurial teams. Alternatively, complementary educational and professional backgrounds can add great value to an entrepreneurial team. It is important also to ensure that all team members are not too closely aligned—a diversity in opinions and thoughts can insulate against groupthink and help build a more robust product.

When building your team, it is important to consider the skills and tasks that your company will carry out. As you begin, you need at least one maker and one seller in your team and remember that there is no such thing as too much diversity (social, age etc). Note that it is generally accepted that a tech company needs a tech co-founder. Even if you feel that this does not apply to your case, you should expect to have a hard time overcoming this prejudice in the startup world and convincing investors about the value of your team. Often, when investors are considering startups, they are evaluating whom to fund on the basis of the team, not necessarily the product or idea. Your team is your key asset. Build it carefully.

Last but not least, have in mind that "*clara pacta, boni amici*" (clear agreements, good friends). To this direction, depending on the stage of the startup, co-founders may sign:
- Pre-shareholder agreement. It is signed among co-founders in the early days before incorporation in order to spur commitment.
- Shareholders agreement. It is signed among co-founders after incorporation and defines additional agreements outside the articles of your legal entity setting the rules of the working relationship. Trust is good, but a signature on an agreement is better.

2.2 Mentor

No ► No, I have not a mentor yet
Yes ► Yes, I have a mentor

A mentor is a person that will guide you throughout the entrepreneurial process in the form of one-to-one personal advice. In most cases mentors have limited time. In this respect, you have to be well-prepared before meeting them and make sure you know what you want to ask. It is essential that your mentor is someone you can trust.

Your entrepreneurial team has a set of skills. Your mentor has to be someone whose skills are complementary to yours, and will fill in gaps of your own experience (*e.g. two software engineers might need a mentor with skills and experience in sales*). Besides skills, great mentors can also bring in his or her network. Depending on who your mentor is, they can add considerable credibility to your startup. Do not forget to ask your mentor's permission before presenting them as one outside the company (*e.g. to investors, entrepreneurship competitions etc.*).

Importantly, do not forget that mentorship is not a one-way relationship. You may also have something to offer to your mentor (*e.g. information about the latest trends in your field*). Adding reciprocity to your mentorship relation can significantly nurture this relationship and provide added value.

2.3 Advisory board

No ► No, I have not a board of advisors yet
Yes ► Yes, I have a board of advisors

Do you have more than one mentor? Then you have a board of advisors. Here also, it is important to bring together as diverse a team as possible. Try to diversify your board of advisors to ensure advice from different perspectives. Be careful of what you expect from each one, and know that their advice may conflict with one another. Someone who has started his or her own company can add value to operations. This, however, is not necessary the case of a business executive who has spent his career at large organizations without ever being implicated in the messy environment of a startup. Pick at least one advisor that will give you 'hard love' by challenging your decisions. Confronting these challenges internally can save you from numerous (unpleasant) surprises.

What happens if your board of advisors gives you conflicting advice? Then it is your turn, as the entrepreneur to make the ultimate decision. Remember, at the end of the day, you are responsible as the founding team.

Once you have incorporated, you may also consider formalizing your relationship with your advisors by offering equity. Equity to an advisor can typically vary from 0,1% to 1% depending on the stage of the company and the value you advisor brings in the company. By offering equity, make sure that you know what you expect in return and that you have agreed on that with each one of the advisors separately.

2.4 Key partners

No ► No, I do not have any agreement with any key partner required
Some ► I have come to an agreement with some of the key partners required
Yes ► Yes, I have come to an agreement with all key partners required

Key partners can add great value to your startup. Partnerships may be important ingredients of your business model and have several forms such as buyer-supplier relationship, strategic alliance, or added-value partnership. Partnerships may also be part of your 'secret sauce'/ competitive advantage. There are three main reasons to enter into a partnership: a) increase sales, b) reduce cost and/or c) accelerate R&D.

Try to identify what you give and what you get before proposing a partnership. In order to evaluate your position against your partner and vice versa, it helps to design two T shapes to organize every prospect partnership. In the first of these T shapes identify what you get on the left side and what you give on the right side. Do the same thing for your potential partner. When putting the two T shapes aside, the outcome must be a balanced relationship. Try to be as clear as possible prior to engaging in the partnership on who is responsible for what, and what each individual role consists of. Try to answer the key questions first (ie: who is responsible for the intellectual property?) and ask for advice to find a lawyer that you trust.

There are risks in every partnership and not all partnerships should be bound by legal documents (this is especially the case of partnerships between non-incorporated startups). In this respect, your lawyer's job is to warn you on the risks and not prevent you from partnering. In case you sign a legal document make sure that you have included an "out" clause. What keeps you happily married is not the oppression of the "*I do not have another alternative*", but rather that "*divorce is not my best alternative*".

Once you have closed the deal, make sure you have written down who is doing what and when. In turn, appoint a gate-keeper in each side acting as enabler and a watchdog of the partnership.

If you partner with a large firm, make sure that you have understood the power relationship within this firm. What might be of an interest for the large firm might not necessary be of an interest of the employee or the department that is in charge of implementing the partnership - simply because your partnership may add work-flow and its implementation is not included in the annual objectives (bear in mind that bonus is paid upon the department's objectives!!!). Also consider the balance of power between a large company and a startup. What happens if one side breaks the deal? Will you, as a startup be able to support yourself in a fight against your prospective partner? Are you confident of the legal documents that your interests are protected? Consider if this is a risk you are willing to take, before engaging in the partnership, not afterwards.

2.5 Employees

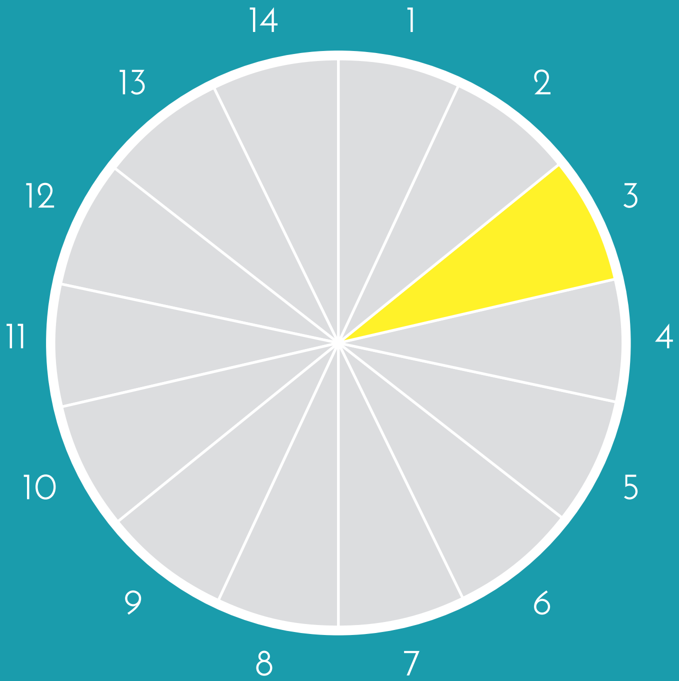
No ► No, I have not hired anyone
Yes ► Yes, I have started hiring employees

Hiring your first employees is critical for your startup and it will not be easy. During the early-stage phase people are more important than products and integrating new members in the founders' team is critical. Remember, each of your first ten employees represents 10% of the company. This is a considerable responsibility. Your intention is to hire the best (or at least people that are better than yourself). However, even if you have the money to do so there are still difficulties. Like every startup you are suffering from "liability of newness" at every aspect of your business, including this. To this end, you are inviting your employees to somehow invest in your company. As a result, you have to offer non-monetary initiatives and, above all, a perspective for a better future. In relation to the future position of the company and that of your employees, do not promise things that are not realistic. Once you fail to deliver, this can immediately create tensions and challenge your credibility as a manager. In case you are promising things make sure you have mentioned the associated risks. Creating a dynamic environment that values initiatives is more important than money. You are expected to make your employees better.

Hiring people with experience in multinational corporations might be an added value for several reasons, however make sure they have understood that everyone here (including the CEO) is expected to "*make his own coffee and more*". You need your employees to believe in you and there is no better way than 'leading by example'. Spend time evaluating what the future goals of the company might look like, and how you would like to reach them. When hiring, keep these goals in mind. You want to find team members that are also committed to these goals, and the problems you will solve together. It is these creative solutions that should inspire them to become a part of your team. Convince yourself of their value, before you bring on your first hires.

Last but not least, you HAVE to celebrate success. In times of tensions, you might also create 'quick wins' in order to celebrate success, even if this means no more than a cold beer and a 'thank you' at the end of the day. Express gratitude, humility and openness whenever you can.

For more on this topic, check out hiring lessons from Y Combinator's Startup School see here https://bit.ly/2Qm61Xn, "*Don't F&%k up the Culture*" by Brian Chesky, co-founder and CEO of Airbnb see here https://bit.ly/1pTxvR1, "*How to Hire*", by Y Combinator's Sam Altman see here https://bit.ly/1eVNMQP, Brad Feld's Hire for Cultural Fit over Competence see here https://bit.ly/2x8RvZZ and Reid Hoffman's "*The Alliance*" see here https://bit.ly/2x9vGJQ.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3. INTELLECTUAL PROPERTY

3.1 Freedom to Operate

No ► No, I have not the freedom to operate
Yes ► Yes, I have the freedom to operate
Not defined ► I have not defined yet if I have the freedom to operate

Intellectual Property (IP) refers to creations of the intellect that, under certain conditions, can be legally protected. Intellectual Property Rights (IPRs) insures a monopoly right to the creator, in order to protect and exploit his or her creations. The IPRs assigned to a creator depend on the form of the creation, and different IPRs apply to different creations. The most important IPRs are: trademark, copyright, patent and industrial design. Bear in mind that you may opt for a more open approach depending on your business model (see 3.4 IP strategy).

When aiming to commercialize a new product, you must consider that you might be blocked by another party (competitor, university or even an individual) that may hold relevant IPRs. At an early stage, you need to make sure that your product does not violate somebody else's IPRs. In legal terms, this is called "IPR infringement". In order to avoid an IPR infringement, you have to conduct a 'Freedom To Operate" (FTO) analysis, namely a search of what is "out there" that is legally protected.

Most probably, nobody cares if you have violated an IPR in order to build something privately (*e.g. your basement*). However, upon the publication or even worse, upon sales (meaning that you have made considerable effort to reach this point), the owners of the IPRs you have infringed will claim their rights thus jeopardizing your effort. IPR infringements can be costly mistakes, so it is worth doing your due diligence before you get too far along.

FTO in the following part is only related to patents, as patents are the most appealing IPR to candidate investors. In relation to patents, in order to check if you have the FTO, you have to conduct a patent search.

- The first option is to dive into patent databases and start digging for relevant (to your idea) patents. Your main options here are the USPTO (for more see here https://bit.ly/1o673HS), the EPO (for more see here https://bit.ly/2c34rnz) and Google Patents (for more see here https://patents.google.com/). In searching for patents, note that this weird tribe called 'patent attorneys' is heavily using its own jargon (*e.g. a pen = a "writing instrument" and a "ball bearing" = a "plurality of balls"*).
- The second option is to address your National Patent Office (for a list of all national offices see here https://bit.ly/1C9y7bQ). National Patent Offices (or Industrial Property Offices) often offer an FTO analysis for an (affordable) fee.
- Your third option is to address an IP law office.

Even if you chose to outsource your FTO, you have to consider the first option as an inevitable step that you have to take before you proceed, in order to gain a common ground with your interlocutors.

When conducting an FTO analysis, bear in mind that limitations of the patent system might be potential opportunities:

- Patent protection is territorial. As a result, you can operate in countries where a patent is not valid.
- Patents have a maximum duration of 20 years, in practice however, only a fragment of the patents granted are retained by the owners for the whole term of protection.

- Patents are limited in scope, as expressed in the so-calledclaims. To this end, any aspect of the filed patent not covered by the claims is not considered to be a protected subject matter, thus it is a 'free to operate' zone.

Bear in mind that there is no warranty of FTO, since you may not cover everything that is out there as protected 'prior art'. However, a thorough due diligence can minimize the risk of IP infringement.

3.2 Rights Clearance

No ► No, I have not cleared my rights
Yes ► Yes, I have cleared my rights
Not applicable ► There are no right to be cleared

Your startup must unequivocally own (or have the right) to use and commercialize its IP minimizing the risk of future lawsuits. In other words, you have to clear your rights and, in doing so there are two types of (potential) barriers:

1. You have done your FTO analysis (see 2.1) and it turns out that **there is "something out there" that could hinder you from commercializing your product.** You have three options:
   a. Invent around: Make changes to the product or process in order to avoid infringing the patents of others. Some patents are weak or limited in scope or simply badly written. Do NOT follow this option unless you are very experienced in the field and have retained an appropriate patent attorney. If you plan to go this route, you will likely need their services.
   b. Connect with the patent owner: Purchasing the patent or securing a license can be an option. A license is literally a written authorization from the patent owner to use it

for set purposes, in set markets for a set term. A license agreement means that you might end up losing your autonomy and increase your expenses (in the form of a lamp sum and/or royalties), however, this may be the simplest way to clear your rights and a secure means to your end goal. Cross licensing is also an option here, however, this is rare for startups, as this means that your startup already owns at least a patent that is of value to potential licensing partners. Do not forget being creative when negotiating with the patent owner. You never know what the patent owner might require as barter.

c. <u>Neglect:</u> This is also an option and many startups, some of which are quite successful, follow this option although nobody will tell you to do so. Note that all this, besides being costly, can be time consuming and 'ball breaking'. Nevertheless, if you consider following this option, have in mind that entrepreneurship is about calculated risk - not gambling!!!

2. You have done your FTO analysis (see 3.1) and it turns out that **there is "nothing out there" that could hinder you from commercializing your product.** However, are you sure that you are the sole owner of your IP? Mistakes here mainly rise around three cases:
   - You have developed your IP in the framework of (or in connection to) a university/research center or due the course of your employment. Make sure you have read the IP policy of your institution and, if necessary, contact the Technology Transfer Office (TTO) to clear your rights.
   - Third parties (*e.g. developers*), have participated in the development of your IP. Even if you have a written contract with them, it is not necessary that you own the totality of what they have developed (*e.g. the source code*).

- You have developed (at least partly) your IP for a third party that you have worked for as an employee or as a free lancer. Many successful startups started because their founders solved a problem and realized that there are many others willing to pay for this solution. Go back to your contract and make sure you are backed on that.

Finally, ensure the IP is transferred to the company before contacting an investor (if you do not want to scare them).

3.3 Patentable

Not defined ► I have not defined yet if I have something patentable
Patentable ► I have 'something' that is patentable
Not patentable ► I do not have anything that is patentable

When developing a new product, you may have the chance to patent it, securing, thus, your area of operation and producing a positive signal towards your external environment *(e.g. investors, partners, customers).* In this respect, answering the question of whether your 'invention' is subject to patent protection is fundamental.

Being in the position to start a new venture means you are a creative individual. There are many aspects of creativity, name it business, artistic, scientific, technical, culinary etc. Creativity may be patentable in the event that it meets certain legal requirements that refer to an invention:

- <u>Technical Utility:</u> This is a relatively easy requirement as you need to come up with some kind of technical application for your invention and NOT prove that the invention actually works, except in a number of medical-related inventions.

- Novelty: You need to demonstrate that you have developed a new way to solve a problem. In order to demonstrate this novelty, your invention will be compared to 'everything' that has been created in the past (that is called 'prior art'). 'Prior art' includes any type of publication in any country and in any language.
- Non-obviousness: This is a tricky one and the toughest of all requirements. You have to come up with something that *"is not immediately apparent to a skilled person"*.

As you may imagine, the description of this *"skilled person"* determines the non-obviousness of your patent, hence producing numerous debates in patent courts.

Common mistakes that make your invention non-patentable are:

- You have made a relevant announcement in a conference or a publication. This is common in academia due to the pressure for publications. Even your thesis or your PhD is generally considered 'prior art', so be sure what to include in a publication and when filing a patent.
- You have started selling and advertising your product. Here again, with some exceptions, this is considered to be prior art and you cannot patent.

Finally, note that there are differences among the different patent systems producing thus different answers in relation to what is patentable and what is not. For example, business methods *are patent*-eligible under the USA law, whereas this is not the case in Europe.

ATTENTION. Once you have defined that you have something that is patentable, do not take it for granted that you should patent it. Patenting something equals revealing important information and there might be better options for you. Have a look at the IP strategy (next) for an overview of your main options.

3.4 IP Strategy

Not defined ► I have not defined the IP strategy yet
Defined ► I have defined the IP strategy
Not applicable ► IP strategy does not apply in my case

Up to this point, you have identified what you can do (and what you cannot) in relation to your IP. At this point, you have to formulate your IP strategy, namely decide whether, when, and how to protect your IP.

A startup needs to define how value is created, claimed or obtained. Thus, it needs to design a relevant business model according to its internal logic and market positioning (see 1.2 Business model). IP strategy is the proper mix of actions and choices that enable a startup to sustainably create and to capture value either from its IP rights or by accessing external IP to its business model. The possible paths in formulating an IP strategy are:
Patent: (see 3.7 Patent pending and 3.8 Patent granted)
Provisional patent: (see 3.7 Patent pending).
Trademark: (see 3.6 Trademark)
Design: A patent protects the way a product works, while a design protects the way the product looks. Protection is granted for designs that are new and non-obvious versions of existing designs. While the underlying article must have a function (so, we are not talking about art here), the design protects the ornamental aspect. And yes, designs are not only about Italian furniture, they are also about your UI/UX.
Copyright: It is a form of IP that protects the expression of ideas. Texts, music, art and even computer software are protected by copyright. While copyrights protect the expression of ideas, they do not protect ideas or concepts themselves. Moreover, titles, phrases, etc. per se cannot be copyrighted.

Trade secret: With a trade secret you may protect a number of information such as a formula, a pattern, a software, a device, a method, a process etc. Protecting your IP via a trade secret is a good practice when a) it entails a high degree of complexity making reverse engineering difficult and b) you can protect it from leaks (*customers, partners, ex-employees etc*). In this framework you may also add technical means for blocking leaks or you may organize production accordingly (see also 9.5 Production).
Publication should be considered when a) the cost of patenting outweighs the benefit and b) the IP cannot be sufficiently secured via trade-secret protection. By publishing your (patentable) invention you can gain the freedom to operate (see 3.1) by producing prior art, namely blocking everybody from patenting (including yourself). This later is the case of `uncovered publication´. In the case of a `covered publication´ the aim is twofold: a) to produce `prior art´ so you can block somebody else from filing a patent and, at the same time, b) to stay `invisible´ from the patent examiner when they examine your patent application whenever you decide on a later stage to file for a patent. *An example of a `covered publication´ would be to publish your hardware invention at Horse & Hound magazine.* Consider `covered publication´ as a "dangerous game".
Neglect: As mentioned earlier, formulating and implementing an IP strategy is complex, time consuming and eventually costly. You may also choose to bypass all this by focusing on the rest of your business issues and …may the force be with you.
Rely on lead time: In some industries things are moving so fast and products become obsolete so quickly that there is no reason to be slowed down with all this IP stuff…*run, Forrest, run.*

3.5 Budget for IP

Not defined ► No, I have not calculated the budget for IP yet
Defined ► Yes, I have calculated the budget for IP
Not applicable ► Budget for IP does not apply in my case

After designing the IP strategy, a startup needs to conduct a budget projection for its implementation. An IP budget is a two-way concept. It refers to: a) all costs for obtaining and protecting IP and b) all revenue streams through commercializing IP rights. As the latter is mainly associated with the business model, at this point we will stick at the most important costs incurring for implementing an IP strategy. Note that the cost is high(er) in the case your IP strategy entails patent protection. If you chose the patent way, the cost varies by a number of factors, the most important of which are: i) the length of the application and the number of claims, ii) the hourly rate of your patent attorney and the total time required and iii) the number of countries to be covered. Your main cost structure blocks in relation to your IP are:
Prior art search: (see 3.1 Freedom To Operate).
Drafting costs: If you are not highly experienced on this domain, you will need professional help in drafting your patent.
Patent attorney services: They might be expensive, but you need them. Make sure that your patent attorney understands your overall strategy. After all, your IP and how you chose to protect it (or to not protect it), is part of your strategy and NOT simply a legal issue. As in most cases, patent attorneys charge on an hourly rate, so being well prepared is primordial if you have a tight budget.
Patent office fees: The cost per country is usually not significant giving the fact that many patent offices offer a discount for smaller firms. It is, though, the number of countries to be covered that could increase significantly the cost of going international. In this respect,

it is very important to select very carefully the countries in which you wish to be covered.

Translation costs: More countries, more translations required... and some of these languages can be very expensive (*e.g. Japanese*).

Trade secrets: In selecting to protect your IP with a trade secret, there might be costs associated with the design of the product, the production or even with the structure of your business model.

Licensing-in: By 'clearing your rights' (see 3.2), it seems that you need the (exclusive or non-exclusive) license of somebody else's IP. In this case, the cost may be from zero... to "*the sky is the limit*". If the IP holder is a big player, you will most probably get a 'take it or leave it' offer (if you get one). Otherwise, try to get a license by paying royalties on the sales of products that incorporate this IP. Have in mind that what might seem primordial today is only a pivot away from being useless. Pivots are very common for startups and you do not want to end up paying for something that has no value for you.

Trademark costs: This is relatively small (depending off course on the number of countries you want to be protected).

Cost of enforcement in case of infringement: Hmmm, here again the sky can be the limit... As a startup, it is rare that you will have the resources to bring to court firms around the globe that have infringed your IP rights. Having legal rights is not an absolute protection – never forget that.

3.6 Trademark

No ► No, I have not a trademark yet
Yes ► Yes, I have a trademark
Not applicable ► Trademark does not apply in my case

A trademark is a sign (logo) that in most cases is represented graphically including words (*e.g. Coca Cola*). A trademark may also be represented only graphically or only with words. These are the most common cases. Moreover, a trademark may also consist of pictures, features such as the shape of goods, sounds, fragrances, or color shades used as distinguishing features – the potentials are almost limitless.

A trademark should distinguish your firm and/or its products from other firms/products. This simply means that you may have one trademark for your firm and one for every product (or series of products) that you want to sell as a distinct brand. Trademarks can help you in building your brand and everything that you want to associate with (*e.g. quality*).

The first who registers the trademark will obtain the legal ownership. However, this could be challenged by a firm that has made an earlier (unregistered) use of the trademark. To this end, the best possible protection is to be the first for both: use **and** register the trademark.

Unregistered trademark: Unlike patents, trademark rights can be obtained through use. In this case, you will have legal rights only within the geographic area where you operate. An unregistered trademark is represented by the trademark symbol TM (or SM for services – Service Mark).
Registered trademark: To register a trademark you have to go to a trademark office (for a list of trademark offices worldwide see here https://bit.ly/1C9y7bQ). In order for a trademark to be registered, it must be clear, precise, self-contained, easily accessible, intelligible, durable and objective!!!! What all this means combined? Well, ask your lawyer... or simply make the registration and see what comes out as a verdict. To increase your chances of not stepping on someone's toes and in also reduce the likelihood of facing more problems down the road, conduct a relevant search (for more see

here https://bit.ly/1s3FhI0, here https://bit.ly/2MpRFBR and here https://bit.ly/2nn72yZ).

Registered trademarks are protected for 10 years from the date of filing the relevant application. The trademark protection can be renewed every 10 years indefinitely. Trademarks are registered for specific products/services so you have to choose which "class" your product/service belongs to (*e.g. Class No 20 is for furniture*). Think of future perspectives of your company when filling in an application. Moreover, a trademark is territorial, which means that you will be protected only in those countries where you have filed an application. In Europe you may also get a 'European Union trade mark' by directly applying at the EUIPO. Note that only registered marks may be accompanied by the "®" symbol.

Regarding the above-mentioned symbols (TM, SM, ®), they need to appear only with the first or most prominent mention of a trademark in documentations such as press releases, articles, reports etc. For early stage startups aiming to be agile, consider the importance of how a logo or trademark represents your company culture and identifies you. These tend to change over time (see also 7.1 Brand name and 7.2 Corporate identity).

3.7 Terms and Conditions and Privacy Policy

No ► No, I have not written the 'terms and conditions' and the 'privacy policy' yet
Yes ► Yes, I have written the 'terms and conditions' and the 'privacy policy'
Not applicable ► 'Terms and conditions' and 'privacy policy' do not apply in my case

'Terms and Conditions' (T&Cs) are not only for those offering web apps. T&Cs are the legal basis on which you are doing business with your customers (and in many cases with which you protect your IP). Therefore, it is a primordial legal document that you have to prepare before you start offering your services (or before you launch, in case you are offering a free application). The main reasons for having T&Cs are: a) to prevent abuse, b) to limit liability and c) to establish ownership.

You may look for a T&Cs generator on the web. This can be a free or affordable solution, but going this route is not recommended. The safest (and recommended) option is to retain a lawyer to draft your T&Cs (or at least have them check what came out of the T&Cs generator). The devil might be in the details. Remember, your T&Cs enable the liability of your customer's relationship with the company. Do not be negligent here.

Some important parts to be included in T&Cs are:

- an initial statement concerning the acceptance of your T&Cs,
- a disclaimer about the accuracy of provided information,
- an IP rights provision (information about the ownership of IP included),
- a disclosure of the advertising policy,
- the payment and shipping policy (including delivery),
- the termination clauses,
- a notification provision (whether and if you will notify about changes),
- a privacy policy statement.

Although T&Cs are not required by law, they can be more than useful. What is, however, required by law, is everything that has to do with data, namely a Privacy Policy (PP). In your PP statement you have to describe how you collect, store, utilize and protect user/customer information.

ATTENTION. In the event a) you are a startup based in the EU; b) you have an affiliation with a European entity of any kind; c) you seek a partnership with a European entity; d) you manage personal data of European citizens; or e) you aim at operating in the European market, you need to take all necessary steps towards compliance according to the General Data Protection Regulation [GDPR] (for more see here http://www.eugdpr.org/). Privacy by design and by default in your product/service is of equal importance with FTO, Rights clearance and IP strategy (3.1, 3.2 and 3.4) and adds significant value that may attract candidate investors, users and customers.

3.8 Patent Pending

No ► No, my patent is not at a patent pending status yet
Yes ► Yes, my patent is at a patent pending status
Not applicable ► Patent pending does not apply in my case

You have decided to go all the way trying to protect your IP with a patent. Bear in mind that filling a patent for a startup entails a trade-off. On the one hand, you must file as early as possible in order to prevent others from blocking you and, on the other hand, you must file as late as possible in order to bring closer patent-related costs and patent-related revenues. Note that having a patent that you cannot pay for, will have the opposite effect, as you will not be protected and, at the same time, your invention becomes public information.

A patent is obtained by filing an application. The filing date of an application is important, as it sets a cut-off date after which any public disclosures cannot form prior art (see 3.1). In some counties (such as the US, the UK and Australia), one has the option to file a provisional patent as an in-between step before filing for a (non-provisional) patent.

Provisional patent: After filing for a provisional patent, you have a time limit of 12 months to file for a non-provisional patent application, otherwise the rights to claim the benefit of provisional application are lost. Provisional patent applications are not published, as they are not examined and they cannot be renewed. Main advantages: a) ease of preparation, b) low cost, and c) the ability to use the term "patent pending". Although there is no such thing as a renewal for provisional patents, in practice you can re-file your provisional patent. In this case, you start with a brand new filing date and you cannot link the applications together. This is especially important since most countries (including the US since 2013) have a "first to file" and not a "first to invent" patent system.

(Non-provisional) Patent: A patent application includes a description of the invention, followed by a clear description of the patent claims, which are the most crucial added value points of the invention and define the 'patent protection space'. Where applicable, a patent is accompanied by relevant drawings on the invention's functional dimensions. Just like in the case of the provisional patent, once you have the filing date you may use the term "patent pending" (meaning that a patent has been filed but not issued).

After the patent application, an examiner is assigned to explore claims' validity and patentability in-depth. In most countries, the patent applicant has the option to question or reply to the examiner's decisions ('prosecution'). This process might require not only specialized knowledge in terms of procedures, but also the formulation of sound and solid patent claims. Getting a patent granted is often a time-consuming process which requires patience and persistence!

Note: However, even if you decide to drop out after your patience has run out by the examiner…, in some countries you could still retain some rights to use your invention (*e.g. requesting for a Statutory Invention Registration in the USA*) with no rights, though, to hinder another inventor for getting a patent accompanied from similar claims…

For more information on how to file patents correctly see here https://bit.ly/2CSmAqX.

3.9 Patent Granted

No ► No, I have not a patent granted yet
Yes ► Yes, I have a patent granted
Not applicable ► Patent granted does not apply in my case

The value of the patent lies on its exploitation and you will need time and resources to defend it once it is filed (for example, to sue for patent infringement). The best protection, though, for a patent is to make it work as soon as possible and to make the most out of it!!! In other words, 'Shut up + Run'.

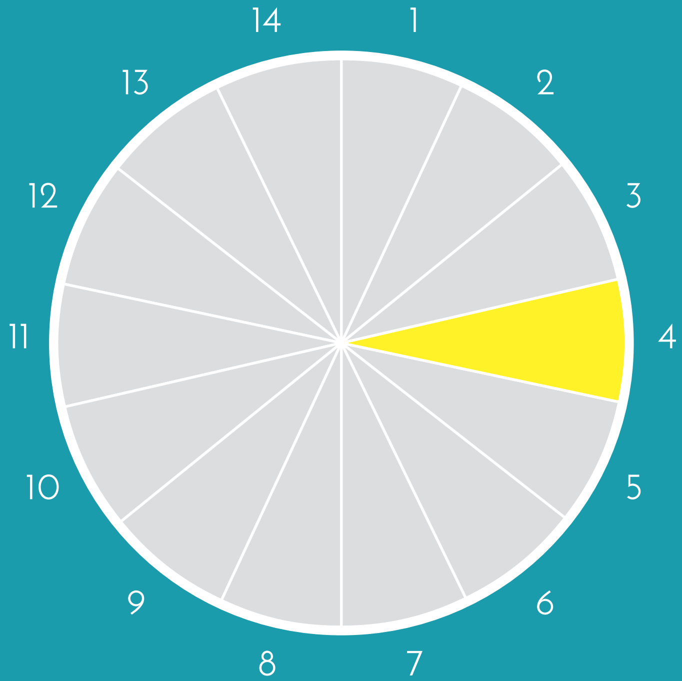
If your intention is to spread your wings at an international level (which is fair for a patent owner…), you should know that there are different options for you to do so. First, you could go through the International Patent System (PCT) which assists applicants in seeking international patent protection for their inventions. The filing of a PCT international patent application provides the framework for applicants to seek protection in a large number of counties. Certainly, PCT is an expensive option; however it gives you 18 months for deciding on which countries to seek protection (the so-called "national phase"). Alternatively, you have the option to file a patent in a Paris Convention country (for the list of countries see here https://bit.ly/2Oh6it8), and, after that, to file separate patent applications in other Paris Convention countries within 12 months. Other options, depending on your specialized needs, might include national applications in national offices (time-consuming, not that cost-efficient but compatible with strategies to enter in a very small and specific number of countries) or regional applications in regional offices (*e.g. European Patent Office*).

The route that you will follow should be inextricably aligned with your patent strategy (yes, you ought to have a clear patent strategy even before you become an owner of a single patent!). Different patent strategies entail different resources, priorities and opportunities. For instance, some strategies (*the Castle and the Moat*) rely on the option to patent all aspects of the new "patent space" (file the core patent along with all the related components). Likewise, other strategies are compatible with cases of limited patent budget (*Patent the Tree, Cut the Forest*). With regard to this, the company files the core patent and then publishes details for each of the interrelated components. Once you have a large-scale patent budget, you are certainly following the *Shotgun Approach* (patent everything!), while you *Patent as You Go* where you protect some aspects of products as they evolve (Gibbs & DeMatteis, 2003).

In some industries the fact that you own a patent (as a small startup) may hinder you from selling to large companies simply because they do not develop products for which they will depend on you. This does not mean that you should not file a patent. This simply means that you should not reveal to your partners/clients the fact that you have a patent.

This enables you to block others from blocking you and always have an '*ace up the sleeve*'.

At the same time, your patent (as well as your IP in general) could be implemented and exploited throughout your own business activities but it could also be licensed. A license provides the permission (to the licensee) to exploit an IP asset under a specialized agreement which includes payments/fees for a pre-determined authorization period. It can be exclusive, non-exclusive or co-exclusive. It is herein that you should decide how your licensing strategy is aligned to your current (and future business model) and how you will make the most of it.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4. COMPETITION

4.1 Three similar offerings

No ► No, I have not found yet three similar offerings
Yes ► Yes, I have found three similar offerings

Identify at least three offerings that are similar to your planned offering. You are looking for companies that are as close as possible to what you have in mind to offer to your target group. Similar offerings may derive from:

a) competition - businesses that solve the same "problem" that you intend to solve,
b) companies offering products/services in a different environment – businesses that solve the same problem with what you intent to solve and target the same type of customers, but do so in a different environment *(e.g. I want to start a company in Estonia that is similar to one I have seen operating in France)*,
c) solutions applied in a different industry but have many common characteristics *(e.g. if you want to start the Facebook of dogs, then you need to study what Facebook is offering and how it is structured).*

4.2 Strategy canvas

No ► No, I have not done the strategy canvas yet
Yes ► Yes, I have done the strategy canvas

The aim is to benchmark your startup against competition from the customer's point of view. Firstly, define all the aspects of your value proposition in terms of 'pain relievers' (e.g. *reduction of cost, reduction of risk*) and 'gain creators' (e.g. *access to new customers, extra features to the customer's product*). Score each aspect of your value proposition on a scale from 1 (low) to 5 (high). Do the same by scoring all aspects of your competitors' value propositions. Use the Strategy Canvas to visualize the result and find where you differentiate.

ATTENTION. Think of competition in terms of competitive solutions. You compete against all those who solve the same 'problem' you intent to solve, whether these are other companies, organizations or even 'homemade' solutions (*e.g. if you are planning to create a youth hostel, Couchsurfing.com is one of your competitors*). You may recognize a certain company as a competitor (*e.g. IKEA*) or a number of companies that share similar characteristics (*e.g. small local furniture stores*). For a template of the Strategy Canvas see here https://bit.ly/2CSW9BA and for a template see here https://bit.ly/2NHRyGu.

4.3 Benchmarking

No ► No, I have not benchmarked competition yet
Yes ► Yes, I have benchmarked competition

After you have identified and strategized your competitors, it is important to benchmark yourself against the competition!!! Benchmarking is a way of discovering what is the best performance being achieved. Think of competition as anything that solves the same "problem" (even if those solutions involve non-pecuniary transactions/relations). Search for both direct and indirect competition.

4. COMPETITION

One of the biggest mistakes startuppers make when they first benchmark, is that they limit their benchmarking activity to their own industry, or field. Benchmarking within your industry is important! However, as stated above, competitors could also appear outside your industry if they can somehow solve the same problem as your company does for the final customer. Consider how your customers are already solving this problem on their own. By identifying how the market is already addressing this issue, you can highlight actors outside your industry who may be potential competitors. *For example, if you are an electric car company, your competitors are not just other electric cars. You are also competing with transit companies (such as busses, trams and trains), bicycles, and your customer's own two feet!*

As previously mentioned, you may recognize a certain company as a competitor *(e.g. IKEA)* or a number of companies that share similar characteristics *(e.g. small local furniture stores)*. Initially, you have to agree on the basic factors/measures of benchmarking. In order to do so, you have to determine the gap between your current performance and that of your competitors. Start by building a table where you can sum up all factors of competition. For an example check the table below.

	Price	**Delivery**	**On line**	**Personal guidance**
Local pastry shops	15–25 Euros	Only in large quantities	No	Yes
Build your own cake	14–18 Euros	Yes	Yes	No

You may benchmark your basic product(s) including also a number of technical characteristics *(e.g. fuel consumption)* and/or company characteristics *(e.g. competitor X basically provides services in Europe)*. Avoid benchmarking for something that you cannot measure or that you cannot justify - or at least if you do it keep it for yourself and do not include it in your pitch or your business plan (subjective evaluation of competition might spur conversations that most of the time do not end very well for you).

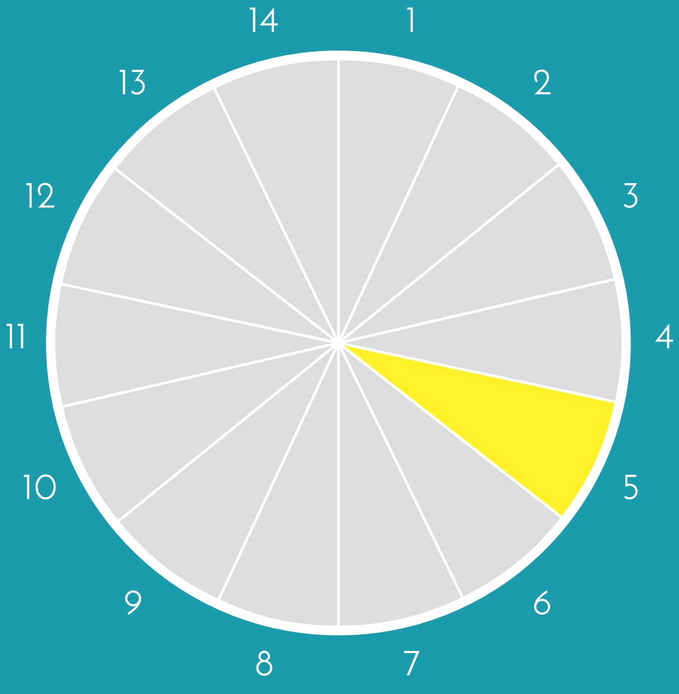
4.4 Competitive analysis

No ► No, I have not done a competitive analysis yet
Yes ► Yes, I have done a competitive analysis

Benchmark analysis is not your competitive analysis. Be careful!!! Here you attempt to mirror your closest competitors' performance, since you focus only in specific performance measures. Competitive analysis can also help you identify changes you should make to *your* business strategies. Having conducted a benchmark analysis you can now select 2-4 companies that you consider your main competitors. For these companies you need to find as much information as possible, including their business model, their financials, the price of their products/services, product/service features, customers relations, type of customer service, bios of main executives, company's image, location, convenience, etc.

Search on secondary sources of information, which are recommended as an excellent starting point for developing a competitive analysis. Try to identify their main strengths and weaknesses, and also recognize where they may be able to outperform you. Find their basic objectives. Do they seek to gain market share? Do they attempt to capture premium clients? Have a look at their advertising and public relations methods in order to identify what type of marketing strategies they use. How do they position themselves in the market, and how do they approach the customer? What is the company's mission and values? Try to figure out how you can take market share away from their business and how they would respond when you enter the market.

For more information try to visit their websites, selling locations – if possible, evaluate their marketing and promotional strategies. Moreover, try to talk to people who do business with your competitors and find out about their experience and what they think about them. Finally, after collecting all this information, try to identify your current competitors' target, how you will differentiate yourself, your actions if they try to drop you out of your market, your actions if new competitors appear in your market. Remember, there are many ways to address your customer's market. Do not forget to make at least once a month a search for developments regarding your competitors. Sales and demand may be seasonal or fluctuate based on certain factors. Can you recognize these? In order to sell you need market intelligence, so you have to keep up with all the developments.



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5. MARKET

5.1 Define "problem"

No ► No, I have not defined the "problem" yet
Yes ► Yes, I have defined the "problem"

Defining the "problem" you aim to solve, is one of the initial steps we discussed when considering the short description (see 1.1). Remember, it can be important to think of products/services you intent to offer as responses to "problems". Forget for the time being 'your solution' (i.e. products/services) and try to think in terms of 'problems'. No solution will succeed unless it solves real problems that enough people have. Thus, the first step is to understand the problem you intend to solve. Complaints and frustrations are often good starting points. At this point, try to define/describe

– a problem (that you are going to solve) or
– a need (that you are going to cover) or
– a gap in the market (that you are going to fill-in) or
– an opportunity/trend (that you intent to follow).

At this point your aim is to define the "problem" and not the solution. Approach this from as many angles as you can. Who has the problem? Where is it located? What is causing it? Moreover, try to define -from secondary data- the magnitude of the problem. It is important at this point

– to define case studies that you can later generalize *(e.g. an apartment of 50 s.m. in Paris is spending app. 1.200 Euros for heating per year, Cheryl is a real estate agent who is reluctant/ scared to show empty country houses to men as a number of assaults have been reported).*

– to give related numbers *(e.g. number of people having heart attack every year, cost of fuel for airplanes conducting regional flights).*

Adding numbers to the problem can be a useful basis when you calculate your Total Addressable Market (see 5.3 TAM).

5.2 Verify "problem"

No ► No, I have not verified the "problem" yet
Yes ► Yes, I have verified the "problem"

Great solutions are not made in a vacuum. "Get out of the building" and try to verify if your potential customers have the problem you described earlier. At this stage, you need to understand your customer's perception of the problem and their need (or luck of it) to solve it. To do this, you will first have to identify your prospective users and connect with them personally. Approach your customers with empathy and learn about their:

– jobs (things/tasks your customers try to achieve in their work or in their life),
– pains (things annoying your customers before, during and after trying to get a job or simply prevent them from getting a job done or even risks associated with jobs) and,
– gains (the outcomes and benefits your customers want).

Prior to getting in touch with your potential customers, identify the different target markets (see 6.1) and try to create a persona for each one of them (see 6.2 Customer profile).

By getting in contact with your target audience you need to find out: a) what you solve (problem), b) who you compete against (existing alternatives) and c) who has the pain (customer segment).

ATTENTION. Be aware of bias. When trying to be nice, people may lie in an effort to be polite. At this phase, structure your questions asking about their problem and do not ask questions like "would you buy that?". When conducting customer interviews, be sure not to ask leading questions. Ensure your questions are free of bias by testing them out prior to going out in the field, and obtain feedback from your team and mentors. In other words, use the Rob Fitzpatrick's Mom test (for more see here https://bit.ly/2QrW7n0 and here https://bit.ly/2MqsFKN.

A typical order in a 'problem interview' would be:

1) It seems that some people/firms (like yourself) have trouble with….. (*state the problem*). Is this also your case?
2) What are you currently doing in order to solve this problem?
3) How do you imagine the ideal solution to this problem would be?
4) Are you willing to pay for a solution to this problem?

Be sure to practice your questions before going out on your interviews, so that your delivery sounds natural. Finally, ensure that you give yourself ample time to do the research and to obtain valuable feedback. Basic principles to follow during the procedure:

- prefer face-to-face interviews
- start with your circle of people
- try not to be alone
- take notes and document the basic outcomes of your meeting

After conducting a number of interviews, use a "problem recognition scale" (Blank and Dorf, 2012) to arrange the answers you got:

- latent problem: customers have a problem but don't know it.
- passive problem: customers know the problem but aren't motivated or aware of the opportunity to solve it.
- active (or urgent) problem: customers recognize a problem or passion and are searching for a solution but haven't done any serious work to solve the problem.
- vision: customers have an idea for solving the problem and even have cobbled together a home-grown solution, but they are prepared to pay for a better one.

If the answers you found fall into the last two categories, all you need to do is convince them that if they are developing it themselves, they're shifting towards a different (usually non-core) business, your new business! If the answers you received fall into the first two categories you might need to find a new "problem" to solve. In this later case, you need to "educate" your customers in order to sell to them and as a startup you have neither the resources, nor the time to do so.

How do you know when you have enough responses? After completing a number of customer interviews, over time you may begin to notice several patterns and themes in the responses you receive. While more responses will give you more feedback, if you have defined a narrow and specific problem, you will begin to find that the customer responses will begin to converge at a certain point. Here, is where the problem and the prospective market begins to converge. What happens if you do not reach this point after a number of customer interviews? There could be several problems. First, your sample size may not be representative or your questions do not accurately address a concrete problem, in the eyes of the consumer. Take your feedback and go back to the drawing board. If you are not able to reach your target group to verify if they have the problem you assumed, most probably you will not be able to reach your target group when you have an MVP (see 8.1, 9.1 and 10.1) or, even worse, when you have developed a final product.

ATTENTION. Surveys are not a good idea for initial learning. At this stage, you are there primarily to listen, explore and learn. On a later stage, you may use surveys in order to verify what you have learned from customer interviews.

5.3 TAM (Total Addressable Market)

No ► No, I have not calculated the TAM yet
Yes ► Yes, I have calculated the TAM

The calculation of the TAM is the expression in Euros (or currency of your choice) per year of how much you will earn by solving the "problem" you have defined. In order to define the TAM, you have to calculate the (theoretical) total turnover of your business in case all customers buy only from you as if there are no competitors. The identification of TAM serves as a quick metric for the underlining potential of a given opportunity—and is a key figure that is important for investors to understand the prospective value of your company.

Bear in mind that even multi-billion dollar corporations do not sell to 'everyone'. If you intend to sell to a mature and well-defined market (*e.g. toothpaste market*) you may find this number in an industry report referred to as the 'size of the market' (top-down approach). However, in many cases this is not possible and you will have to use a bottom-up approach. In order to do that, count the number of potential customers you have (*e.g. No of oncologists, No of girls going to high school, No of orange juice producers*) and, in turn, the annual revenue per customer per year. If you multiply the two numbers, you will get your TAM.

To estimate the true size of your TAM, start with a market that is in your niche (not just a related one). Calculating your TAM at an early stage helps you define where you are heading to. If your TAM is too small, it might not be worth it to try. Alternatively, if your TAM is too large, then this market may be out of reach for you and you will have to re-segment it. Remember, your TAM is only a portion of the entire market (for more see here https://bit.ly/2p2MNte).

Progressing with your startup it is most likely that your TAM will change. Note that, on an early stage, the TAM may also be calculated by the number of units sold, which helps in case you have not gone so far yet in pricing your product.

The TAM is an important metric as it shows the potential magnitude of your potential market. According to Marc Andreeseen, the No1 company killer is lack of market (for more see here https://bit.ly/2uXAv8H). Take your market seriously and examine how your product will adequately capture the available market.

ATTENTION. Calculating your TAM does not mean that it makes it easy to come up with sales forecast. Have in mind that the argument that you will get a 1% market share (based on your TAM), without any other reasoning, is not a convincing argument towards investors (for more see here http://bit.ly/2NenjHM).

5.4 Define solution

No ► No, I have not defined the solution yet
Yes ► Yes, I have defined the solution

Based on your findings from verifying the "problem", it is now time to you start developing your unique solution. Here, it is important to formulate the benefits that you intend to offer in the form of products and services (*examples of benefits are lower cost, increase in the sense of security, reach of new markets*). Have in mind that it is very important in the next phases to support your benefits with numbers wherever and whenever you can (*e.g. we are lowering the cost for heating by 30%, with our help you may reach 10 million potential users).*

You may now start building the features of your product/service. Based on your experience from interacting with your customers, try to find the minimum feature set needed for launch. Now you know how your Minimum Viable Product (MVP) should look like.

By defining the problem, you might find that what you can offer, is only a part of what the customer needs. In other words, the solution to his/her problem is a puzzle of products and services and the customer is not willing to (or simply can't) bring this puzzle together. If this is the case, you have three options:

– you re-segment in order to find the customers that can find value in your offering (*sorry mate, entrepreneurship is not a linear process – you need to make a loop, it is part of the game).*
– you integrate your products/services in somebody else's offering.
– you integrate other products/services in your offering (*e.g. combined services).*

For example, UNU motors, a startup from Germany that is producing electric scooters, partnered with Bosch for the service of its scooters. An innovative scooter without a trustworthy and dense network of garages was not a good solution.

You may develop your products internally, or in collaboration with customers, suppliers, complementary partners or even competitors (coopetition). Who and how will offer the products to the customer is also a part of the solution you have to define. In this respect, you may bring the solution to the market yourself (internal exploitation), or it could be your partner who brings the solution to the customer (external exploitation) or you could both bring the solution to the customer (co-exploitation). Combining the two aspects and this yields the 5-by-3 table shown below which represents your alternatives.

...leading to / **Develop solution**	Internal Exploitation	External Exploitation	Co-Exploitation
internally			
with competitors			
with suppliers			
with comp/ry partners			
with customers			

ATTENTION. Usually most of us are fixed on the upper left alternative and, even worse, we take it for granted that there is no other alternative. Explore all alternatives before you proceed.

Take your feedback and go back to the drawing board. If you are not able to reach your target group to verify if they have the

5.5 Test solution

No ► No, I have not tested the solution yet
Yes ► Yes, I have tested the solution

Congratulations for getting to this point! By now, you have come quite a far way already. Besides having conducted the previous steps of this category, you should also have an MVP, you should have defined your Target Markets (see 6.1), you should have described your Customer Profile (see 6.2) and you should have constructed a number of hypotheses by developing your Business Model (see 1.2). A business model is designed to help you experiment. This means to make guesses (hypotheses), to test these guesses and make changes based on the results of those tests. Having designed these hypotheses, it's now time to start testing these hypotheses. How will you do that? By running real life experiments.

On the basis of the solution you have defined (see 5.4) and with the help of your MVP you are asked to organize a real life experiment to verify your assumptions. Real life experiments are there to test all parts of your business model (including partners, suppliers, development of the team etc). However, the most crucial experiments are those involving customers. Or, in other words, those that validate (or invalidate) your value proposition. Experiments in relation to (potential) customers are used to test (in reverse priority order):

a) customer's interests and the importance of the offered solution,
b) priorities and preferences and
c) the ability and willingness to 'put the hand in the pocket'.

Alternatively, try to identify if your product is a 'nice to have' or a 'must have'. Remember at this stage, it is better to have a few your products. These initial customers will become your "evangelists" and will help build your community and spread the world.

Because nothing is more powerful than an example, at this point read how the founders of Airbnb tested their idea back in 2007 (see here https://read.bi/2lHGHid).

Just as in the case of Airbnb, remember that the best experiments are those that show if your customers are willing to pay (even a small amount). There is no better proof of concept than you customers' actual decision to buy. Even if there is no money involved in your experiments, do not start experimenting unless you know what you are measuring and how you plan to measure it. You need metrics that will tell you if your experiment has failed or succeeded. At this stage, failure is part of the game.

ATTENTION. This part is all about creativity. There is no such thing as a 'complete' list of experiments from which you may choose. Be creative and think wild.

Try to follow the following criteria when designing experiments: a) measure one thing at a time, b) you should be able to run them within a short period of time, c) experiment on one target group at a time.

After having completed each experiment, review all of the data you received and use it to decide how to proceed. At this point, do you need to adjust your business model? Make a pivot (fundamental changes)? Do the experiments confirm your hypotheses? What have you learned from this process?

In most cases, testing your solutions requires to reveal your business idea and many founders are reluctant to proceed, because they prefer to keep their idea on a stealth mode and…LAUNCH!!! There is more to gain (feedback, sale leads, new opportunities that fit to your capabilities) by discussing your idea than there is to lose. It's been said, that ideas are cheap, and execution is expensive. Anyone can have an idea for any product or service, no one ultimately has a monopoly on ideas. What distinguishes an idea, is your execution of it. This is what brings added value. Consider that Google was not the first internet search engine or Facebook was not the first social network. Amazon was not the first place to buy books online. However, what distinguished these companies from the competition, was in their execution. By learning from your experiments, you will be able to build on your ideas and execute better.

5.6 First customer

No ► No, I have not any paying customer yet
Yes ► Yes, I have my first paying customer

Whether it is part of an experiment (see 5.5), or you have launched your product, you are now at the stage where you must try to convince customers to buy from you. Customers that are actively searching for a solution (see problem recognition scale in 5.2 Verify "problem") to the problem you have identified are often ready to accept an imperfect solution as long as it solves (at least partly) their problem (you may refer to these customers as your 'early adopters'). Knowing that your product will be improved is an add-on to the argument why they should buy from you.

As with all startups you will also suffer from the liability of newness. There is no evidence for your client that you can deliver the value proposition that you are offering. In order to improve your position, you have to help your (potential) customer to evaluate your value proposition, and enable them to build trust. A way to do this could be to call the product a beta version, test drive, free trial or reference case (of a user who is using your product for free). Be creative, and be honest with potential customers about the limitation of your product. Be sure to highlight exactly what your product does, and what it can be expected to do.

Once you have your first customer.... CONGRATULATIONS!!!! You might think that this is a small step in your overall effort, but in fact it is a giant leap for your business. But now it is not time to sit back and relax. With your first customer, it is important to continue to gain feedback and to learn how he/she is using the product. What are their pain points? What features are they looking for, that are not yet available. Try to learn as much as you can from their experience, to improve and build upon your product.

Next, try to find if and how you can use this client as a marketing tool (testimonials, reference case etc). In many industries, the first customer that is willing to share his/her positive experience with other customers (initiated for example by the fact that you have offered to this customer a low price) is the half way to success. This is especially the case for B2B firms. A great case on how to do this can be found in Paul Graham's "*Do things that don't scale*" (see here https://bit.ly/1dpkOko). In it, he recounts of Airbnb's initial user acquisitions and the fragility of the company at the beginning. Do not neglect your role when it comes to early users. Your attention to their customer satisfaction must be considerable—Steve Jobs characterized that your attention to them should be "insanely great". Your success at this stage depends on their useful conversion. Take this role seriously.

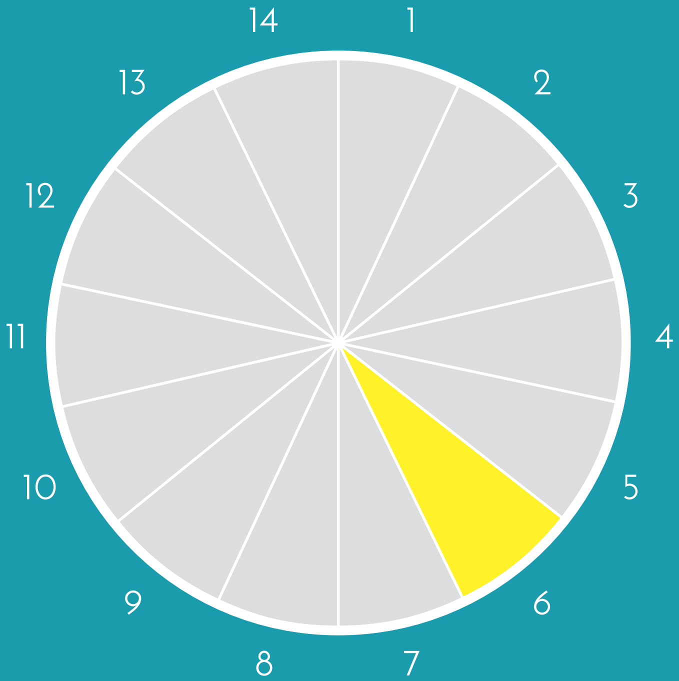
5.7 Initial client base

No ► No, I have not an initial client base yet
Yes ► Yes, I have an initial client base

Once you have an initial client base, you have a different type of problem, namely scaling your business. Sail away on ships of wonder...

Do not underestimate your initial client base. These initial users will be the ones that put your traction in place. Do not neglect them, and ensure their experience is the best that it can be.

As you gain your first customers, you have to start applying startup metrics. Applying metrics can help you keep an understanding of what is (or is not) working. Moreover, if you want to create an investable company, metrics can provide justified evidence that your business is scalable (for two lists of the most important metrics for startups see here https://bit.ly/1MESRh2 and here https://bit.ly/1MqbHrg). For more on growth you may read "Why startups need to focus on sales, not marketing" (see here https://on.wsj.com/2p5Kt4w) and "A recipe for growth" (see here https://bit.ly/2p4XRpF).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6. MARKETING AND COMMUNICATION

6.1 Target markets

No ► No, I have not defined the target markets yet
Yes ► Yes, I have defined the target markets

Your target market consists of a set of buyers who share common needs, values or characteristics *(e.g. age, sex, educational background, monthly income, traditions, desires, etc)*. Since your buyers -as human beings- have unique needs, values and desires and since you can't separate each buyer as a different target market, you have to look for buyers with common needs, values or characteristics. The individual targeting is worthwhile for your startup since you must look for a broader market which follows the rules that you have previously set. For each of the chosen target market/s you have to set specific value propositions, pricing, USP, sales promotion, PR and advertising, following the specific characteristics of the groups of customers that you have already chosen to target. Your main aim is to identify a space in the market and to make sure this space is large enough that will allow you to stand on your own.

6.2 Customer profile

No ► No, I have not created a customer profile yet
Yes ► Yes, I have created a customer profile

Is it easy for you to describe your ideal customer? Can you create a customer profile called "personas"? This "personas" will help you better understand and visualize your target market (see 6.1. Target Markets). With these personas it will be easier to make deliberate decisions about developing and targeting your product or service.

Hence, try to describe him/her with the following criteria:
1. Demographics (age, gender, income, occupation, marital status etc)
2. Psychographics (preferences, personality type: conservative, fun seekers, creative, altruist etc)
3. Behavior (likes, dislikes, hobbies, sports, what do they need for leaving, etc)

Try to be specific! Start by adding a photo or an image of him/her, drawn perhaps from Google images, and then answer these questions:
- Who is it (give him/her a name, e.g. John Smith)?
- What's his/her job?
- How much money does he/she earn per month/year?
- How is he/she dressed?
- How does he/she move (*eg. by car, metro, bike etc*)?
- How does he/she search for products (online or offline)?
- What does he/she search online?
- What is his/her preferred Marketing channel (TVads, Facebook, Twitter, email, Instagram, SMS marketing, in-store promotions etc)?
- What are his/her problems or needs?
- What are the benefits of finding a solution?
- What types of promotion would attract this type of customer? Discounts, giveaways, add-ons, new products, events?
- Also, if possible, try to connect your personas with one of your biggest competitor's customers. How do they buy?

On the other hand, if you sell products in B2B markets try to describe the ideal company to do business with. Try to describe the company in detail. For example, find the number of employees, their yearly revenue, their scope, their geographical coverage or their budget for a specific purpose (e.g. *budget for R&D*). Your customers can be the key area where you create value. Consider how you can raise their expectations outside of your competitor's reach. What can elevate their experience? For more see here https://bit.ly/1lUiZLU.

Creating a strategy with these ideal customers (personas) in mind will help you avoid wasting time and resources on unsuccessful marketing/advertising efforts. Through focused and more consistent marketing communications (online or offline), you'll be able to better reach the new customers you need to take your startup to the next level.

Your marketing strategy can be a unique added value you provide to your customer. Take the case of Pinterest: The secret behind Pinterest's growth was marketing, not engineering (for more see here https://bit.ly/1OBHd1U).

6.3 Pricing

No ► No, I have not set the prices yet
Yes ► Yes, I have set the prices

Pricing **is not** just the amount of money charged for a product or a service, or the amount of money that covers costs plus a target profit. Pricing decisions must start with customer's value, since it reflects the value the package of benefits has for customers. When customers buy your product or service, they exchange something of value (the price) in order to get something of value (the benefits of having or using the product/service). The value can be different to different customers and in different circumstances. Hence, good pricing decisions begin with a complete understanding of the value that your product or service creates for customers. An important factor affecting pricing judgments depends totally on the competitive advantage your startup enjoys. However, no startup can afford to ignore direct or indirect competitors.

Even if your product or service is unique, you will face price resistance and, ultimately, there will be a price that is "too high" for customers. On the other hand, there will be a price that is so low, that customers will not believe the product or service can deliver the claims it makes. The value-based pricing lies on your customers' perception of your product's or service's value **or** on offering the right combination of quality and good service at a fair price.

The two main pricing options are:

- Skimming pricing: charging a high initial price at launch. This tends to be used on highly innovative products or services **or** high-value products or services.
- Penetration pricing: charging a lower price at launch. This builds sales quickly **only in** places where no regular customers exist.

Pricing can be a difficult mechanism to get right. Take your time to develop a pricing strategy that works for you. Have a look at this library when developing your pricing strategy: https://bit.ly/2p4iWAL.

6.4 USP (Unique Selling Proposition)

No ► No, I have not defined the USP yet
Yes ► Yes, I have defined the USP

The Unique Selling Proposition (USP) is the factor that differentiates your startup from its direct or indirect competitors or the "place" that your product or service occupies in the consumer's minds relatively to competition. It is a marketing concept that was initially and historically used to explain a pattern in successful advertising campaigns. Today it is used not only in advertising, but also in other fields to describe any aspect of your product or service that differentiates your startup from competition.

Don't be afraid! Many startuppers believe that by doing that, they are being niched and that they narrow down their target markers. This is a mistake! Your intention is to describe your product or your service in a way that differentiates it from competitors. Defining the USP of your startup is of the outmost importance in order to build profitable relationships with your customers. You must understand their needs better than the competitors and deliver more value to them. Providing customers with high value products or services, helps you differentiate yourself and gain a competitive advantage.

6.5 Advertising

Not defined ► I have not defined yet if I will conduct advertising
Defined ► I have defined that I will conduct advertising but I have not started yet
Started ► I have started advertising
Not applicable ► Advertising does not apply in my case

Advertising is any paid form of your non-personal presence and promotion of your product or service through mass media. In order to advertise your product you have to make four important decisions:

- First, set the advertising (or sales) objectives. In this stage, you have to decide whether your aim is to inform the con-sumers about your new product or service, communicate your product/service value, explain how it works and suggest them new uses **or** to be persuasive in order to build your brand, encourage them to switch to your product/service and purchase your product now.
- Second, set the advertising budget. In order to set the budget you have to bear in mind the expected market share, the competition, the frequency of advertising and the USP.
- Third, set the message of the advertising. The message must be distinctive and memorable in order to present your product/service value and differentiate you from competition. In this message, you have to include your USP.
- Fourth, select the advertising media. In order to select the media you have to rethink the target market that you address your product/service to. According to your target market you have to select between TV, radio, newspaper, outdoor, internet advertising (social media, email, mobile, Google ads, etc).

6.6 Sales promotion

Not defined ► I have not defined yet if I will conduct sales promotion
Defined ► I have defined that I will conduct sales promotion but I have not started yet
Started ► I have started sales promotion
Not applicable ► Sales promotion does not apply in my case

Sales promotion consists of short-term incentives added on to the basic benefits offered by your product or service, to encourage the purchase of your products/services. Sales promotion includes a variety of promotional tools:

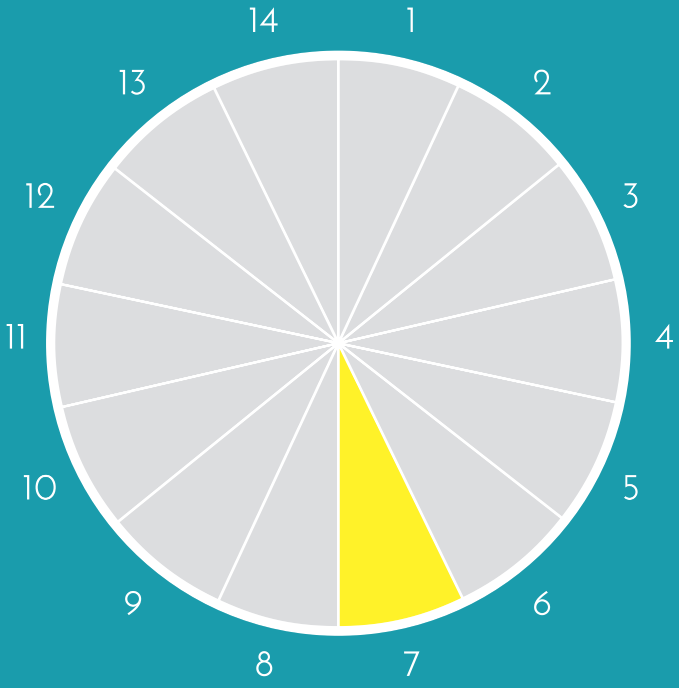
- for your customers (special offers, premiums, contests, coupons etc),
- for your retailer (special discounts, free products/services, loyalty bonuses),
- for businesses (conventions, trade shows and sales contests),
- for the internal environment (your employees) of your startup (bonuses, commissions, free gifts etc).

Sales promotions are usually used together with advertising and personal selling.

6.7 Public relations

Not defined ► I have not defined yet if I will conduct public relations
Defined ► I have defined that I will conduct public relations but I have not started yet
Started ► I have started public relations
Not applicable ► Public relations does not apply in my case

Public Relations (PR) is another mass-promotion technique available for your product or service. It's about your efforts to build good relations with your startup's various target groups, and to obtain favorable publicity and build a good image. PR has a strong impact on the public awareness about your startup at a much lower cost than advertising. So far, the PR builds more a brand more efficiently than advertising. For efficient and effective PR, you have to get out of your office and build valuable relations with your target market, investors, the media and their communities. The main PR tools that you can use are: speeches in conferences, lectures in universities, participation in special events, creation of corporate identity materials (*stationery, brochures, signs, etc*), or of audiovisual material (*DVDs, online videos to YouTube etc*) and, finally, sponsorships. But remember that the most important tool is your startup's website, as it informs and entertains the public, it can handle crisis and it controls better your USP consistency.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7. BRANDING

7.1 Brand name

No ► No, I have not defined the brand name yet
Yes ► Yes, I have defined the brand name

Branding is all about imagery, it is "*language that produces pictures in the minds of people*" and also "*pictures, photographs and design elements*" (Oxford Learner's Dictionary, 2016). To create your brand identity, first choose the **name** of your venture, which must be **simple**, **short**, **unique**, **flexible** and **easy to pronounce**. The following 7 hints will guide you through this process:

Pay attention to detail: take your company's naming procedure very seriously. The name you choose will follow your company along all its life cycle. Can you imagine yourself trying to change your name in your 20's?

Build your self-awareness: build your company's internal knowledge regarding what you do and who is your customer. In order to keep your thoughts organized, build a creative brief (link).

Identify useful keywords: create a list of keywords describing what you do and all the startup names that you like.

Consider limiting letters & syllables: Shorter names are easier to remember and easier to use on forums such as Twitter, etc. Think about keeping you name around 7 characters, 2 syllables and totally avoid numbers. This is a rule, though, you can bend if other criteria are met.

Research the digital world: Check trough the International Patent and Trademark Offices and the Network Solutions WHO IS database, to determine, your chosen name is already in use and the availability of domain names. It is not a catastrophe if the .com domain is not available, it is, however, a sign that there is competitive traction around your name. Also take special care in searching if your proposed name is associated to any social media accounts including Twitter, Facebook, Instagram, LinkedIn, Google+, etc. Is your prospective name being used for something else? Consider how your name might be interpreted across platforms.

Test your name: check the spelling of your name using the latest AI tools (*Apple has Siri, Amazon has Alexa, Microsoft has Cortana, and Google has the new and refreshed Google Assistant*). Also check the meaning of your name in different languages using online translation tools or even better real people. You could also use a more physical exercise, called "the Bar Test". Go out in a bar and when someone asks what you do, tell them the name you chose in a small sentence, which also describes your company. If they a) didn't catch the name, b) cannot spell it, or c) don't get the relation to what you do, you failed.

Use brand storytelling: when you finally choose you brand name, share the story of its selection and make it compelling.

To inspire you on this quest, check the story behind the names of tech giants (for more see here http://bit.ly/2xjxukB) and test the strength of your name (for more see here https://bit.ly/2xgXhsS).

For some example on how to build brand awareness see here https://bit.ly/2vKi6Ox.

7.2 Corporate identity

No ► No, I have not created a corporate identity yet
Yes ► Yes, I have created a corporate identity

Creating your **corporate identity** is a process that includes the creation of your **unique combination of colors, designs, forms and shapes** so as to convey to others your business philosophy, vision and mission. Your corporate identity includes your name (section 7.1), logo, as well as your stationery (i.e. business card, letterhead etc). A corporate identity is never good, bad or neutral, it is **either strong or weak** as it is destined to fulfill **three supplementary tasks:**

a) to be the long-lasting emblem of how you view yourself,
b) to encapsulate the way you want to be viewed by others,
c) to constitute the collection of artifacts through which others perceive and remember you.

The **first step** is to draft a **Creative Brief**. Do not take this work lightly. Your creative brief is your written guidance to a 3rd person and, at the same time, it sets the critical factors that you'll use in order to make the final selection of logo. The **second**, more difficult, **step** is to **select a designer**. You may choose a professional or a creative agency from your local environment or rely on online tools *(e.g. Fiverr)*. Be very careful when choosing a designer. Check their previous works, their personality and their enthusiasm on your task. Once chosen, the designer will work and present to you **several visual options**. Never choose a logo based on the "love at first sight" criterion. Sleep on it, show it to other people and give it some serious thinking. Don't forget: the logo is your-one-way-ticket to the target audiences. **The logo applications come next.** They should complement the basic logo and follow **three visual principles:**

– **Visual hierarchy** refers to the presentation of artifacts in a way that draws the attention but also guides the viewer;

– **Continuity** refers to the use of the most important visual elements in different applications;
– **Balance** refers to the quantity and the placement of visual elements taking into consideration empty spaces.

7.3 Landing page

No ► No, I have not created a landing page yet
Yes ► Yes, I have created a landing page

Landing pages are single web pages that serve only one purpose: to capture visitors' information. A "landing page" is any page on the web on which one might land, that
a) has a form and
b) exists solely to capture visitor's information through that form.

In most cases, companies collect contact information so that they can sell to that person later. When someone agrees to give you their contact info, they've indicated that they're interested in your business. This makes them a qualified lead or potential customer. People are much more likely to buy something from you if they've taken this step.

Importantly, landing pages help you improve conversion rates and get more people into your sales funnel.

A good Landing Page
a) contains relevant information
b) drives action and
c) has a simple layout

7.4 Social media

No ► No, I have not using social media yet
Yes ► Yes, I am using social media

The use of Social Media (SM) is not just for fun anymore. According to global statistics more than 50% of the people who use the Internet are on SM. It is the easiest and also a cost-effective way to reach your target audience, as well as the fastest and the cheapest way to get feedback on your startup's new products/services.

Depending on your target audience, it is important to select the right social medium. Not all social media are for all businesses *(e.g. if you are in the creative industry you have to be on Facebook, if you want to target the Russian market then VKontakte is the right SM for you).* The most used and well-known SM are Facebook with more than 1,7 billion users, Youtube with 1,3 billion users, Twitter, Linkedin, Pinterest, Snapchat, Instagram and Google Plus (StatisticBrain.com). The choice of the most appropriate SM for your startup depends on the product, the service or your target audience. *For example, if your target audience is youngsters from 18-34, an increasing SM platform in these ages is Snapchat. On the other hand, if you have the ability to produce interesting and educational videos for your target audience you should have an account in YouTube.* Obviously, SM platforms are the absolute weapon in your hands in order to boost the exposure of your startup and spark the interest of your target audience. The more active you are on your startup's SM, the more you stay ahead of your competitors.

<u>But remember!!!</u> Your presence in social media is not obligatory. This means, that if you start being present there, you must keep up nurturing your SM page(s), otherwise you may have the opposite

effects (*e.g. the target audience will quickly identify your weakness and switch to other competitors*).

The best strategy is to do one step forward at a time. Initially, create accounts to the SM platforms that fits better to your target audience in order to lock and pertain names of the pages. When you are ready, identify your initial purpose (*e.g. is it to gain awareness of your product or to be engaged with your customers*), since you have to create the right content. Then, start by loading the appropriate content to your SM pages and ensure that your brand's goal is the same on all SM platforms.

Do not forget to feed your SM pages with content. Content marketing is a strategic approach to freely distribute your startup's or your product's values to your target audience. But keep in mind that SM marketing is not '*a cure for all diseases*'. For example, if you offer products or services to the B2B market, it may be better to focus your efforts on other marketing tools to approach customers.

7.5 Internet site

No ► No, I have not created an internet site yet
Yes ► Yes, I have created an internet site

At a certain point of time, you have to upgrade from a landing page to an internet site. Your internet site must have clear, intriguing messaging. This is the most important part of a startup website. About 90% of your time and effort should be spent on your messaging, which should be clear and to the point. Consider having a video and consider the design, but know it's not the be-all, end all:

– under-design rather than over-design,

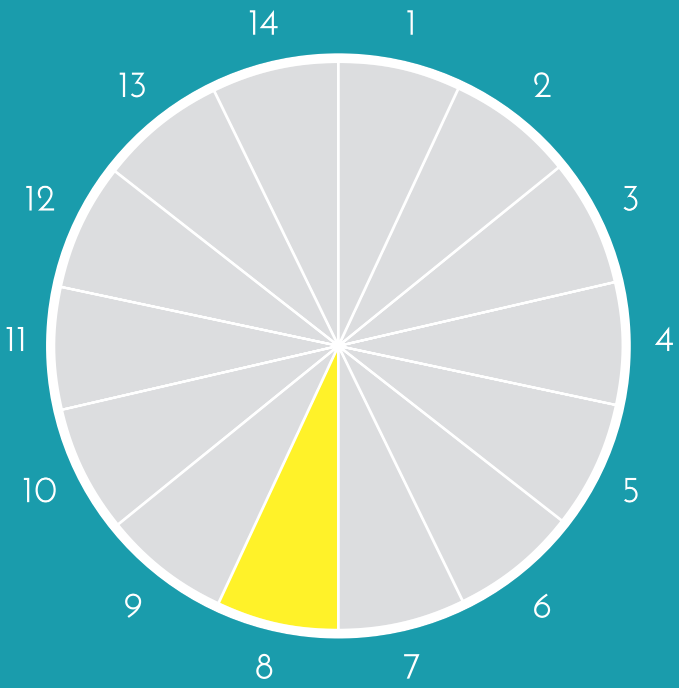
- keep your navigation easily accessible and consider including a call-to-action (CTA) in it,
- keep your colors simple and use a contrasting color for your main CTA (and nowhere else),
- avoid generic stock photos.

7.6 Reference case

No ► No, I have not a reference case yet
Yes ► Yes, I have a reference case
Not applicable ► Reference case does not apply in my case

Co-developing a solution with customers can have many positive effects, including the development of a reference case at an early stage. In a B2B market one of the first questions that you hear when trying to sell is "*who else is using your product?*"

Having a reference case can add a great value to your product. In a B2C market, in order to have a 'reference case' you either have to have a 'celebrity' (*e.g. famous surfer if you are selling clothes for surfers*) using your product, or testimonials of "regular" clients. You may also mention locations where this is sold that may add value (*e.g. my cosmetics are offered to the customers of this 5* hotel*). Do not forget to acquire the relevant permission when presenting your reference cases. Not everybody likes to be mentioned as a customer/user and you definitely do not want to have your first customers/users turning their back on you or even worse.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8. PRODUCT DEVELOPMENT (SOFTWARE)

8.1 MVP

No ► No, I have not developed a Minimum Viable Product yet
Yes ► Yes, I have developed a Minimum Viable Product

A Minimum Viable Product (MVP) is a means that enables you to test your solution (see 5.5) at an early stage. An MVP is a prototype that is very 'basic' (as you have invested the minimum possible effort in time and money), at the same time it is a very valuable tool because it enables interaction with potential users. Depending on the problem you are solving and the market you are addressing, your MVP may range from a simple PPT to a working prototype. To have an overview of 15 different types of MVPs see here https://bit.ly/2QswsdF. Consider it as an indicative list, not as an exhaustive one from which you would have to necessarily pick one solution. You will need to find your own way at this point and in any case you must be creative!

ATTENTION: Developing an MVP is not the same as developing a sequence of elements that will eventually be combined into a complete product. A single wheel cannot excite a user interested in transportation. Attractive sequences of pictures representing the concept of MVP on the internet are often misleading.

By developing an MVP, your objective is not to build a prototype before building the 'golden version', but to create something that will spur learning from customers as soon as possible. Finding the sweet spot between building a 'crappy prototype' and something that you can learn from is unique in each case and it will not necessarily be easy. For this reason, a MVP is not something that you build only once. It is a trial and error process of many iterations.

When you design products, you make assumptions (1.2 Business Model). No matter how well you may know your customers, some of them will turn out to be wrong. Your MVP (or, to put it better, your sequence of MVPs) must help you define which of your assumptions are right and which may be wrong, and lead you to the `minimum set of features´ of your 1.0 version.

Your first objective is not to build a good product, but a product that is acceptable by the market. Depending on the existing solutions to the problem you are solving, these two – a good product and a product acceptable by the customer - might be far from being equal. At the end of the day, your intention is to build a product that is superior to competition that may not necessarily be a good product – it may simply be a product acceptable by the market. Finally, an MVP is, most of the time, much more `minimum´ ("simpler") than you think (especially if you are an engineer prone to go for complex solutions…).

8.2 Front-end design

No ► No, I have not designed the front-end yet
Yes ► Yes, I have designed the front-end
Not applicable ► Front-end design does not apply in my case

Front-end Design is crucial for your product as, in fact, it is what all your users will interact with. Two acronyms which are highly used when discussing about Front end design are UX and UI: **User Experience (UX)** is the overall experience a user has with your product and **User Interface (UI)** is generally about visual and information design around your product.

UX **focuses on the users and their journey through the product.** It explores many different approaches to solve user interface problems and behaviors. In order to achieve this, it uses a combination of tools and methods to solve design problems in a methodical way. In other words, we could say it is a mix of information, architecture, and graphic design skills in creating products that are beautiful and simple to navigate. How's that possible?

Let's return to the problem you are solving (see 5.2 Verify Problem) and the user you intent to serve (see 6.2 Customer Profile). Here, use your results from testing your solution (see 5.5 Test Solution) via your MVP (see 8.1). All the above can help you prioritize requirements in order to start prototyping concepts.

UI, **is the visual part of your product and it has to do with the overall look & feel**. It's a component of User Experience design. It's no less important than any other part of the process and a huge part of what constitutes a great User Experience. A great user interface makes the experience aesthetically pleasing, but good UI design on poor UX design is still poor design. What you need is nothing more and nothing less than intuitive design. For more on *"What makes a design intuitive?"* see here https://bit.ly/2hOAn5y.

Consider the following when you design your interface:

- Keep the interface simple and modern: The best inter-faces are almost invisible to the user. They avoid unnecessary elements and they are clear in the language they use on labels and messaging.

– Create consistency and use common UI elements: By using common elements in your UI, users feel more comfortable and are able to get things done more quickly.
– Be purposeful on the page layout: Careful placement of items can help draw attention to the most important pieces of information and can aid scanning and readability.
– Use color and texture strategically: You can direct attention toward or redirect attention away from items using color, light, contrast, and texture to your advantage.
– Use typography to create hierarchy and clarity: Carefully consider how you use typeface. Different sizes, fonts and arrangement of the text help increase legibility.
– Make sure that the system communicates what's happening: Always inform your users of location, actions, changes in state, or errors. Use various UI elements tocommunicate status and, if necessary, use the next steps to reduce frustration for your user.

Use those parameters to build and design your product within the constraints of business and technology. Your purpose initially is to understand your target audience needs, to design the right product for their needs. All this combined with a friendly user interface, that will motivate the user to actually use your product and interact with it. **That's your ultimate target.**

Design is a key element to the product development process. Consider the case of Apple, who for a long time has focused its attention on building the most beautiful computers (which are no longer the most powerful machines out there). Their design and beauty sets them apart, and makes their products addictive to their users. Beauty is not always a necessary feature for all products, but great design is a non-negotiable. For more on "*Design principles: Aesthetics*" see here https://bit.ly/2q6Y5fi.

8.3 Front-end development

No ► No, I have not developed the front-end yet
Yes ► Yes, I have developed the front-end
Not applicable ► Front-end development does not apply in my case

The front-end development is a mix of programming (coding) and layout that empowers the visuals and interactions of the web, so that users can see and interact with them directly. Front-end development uses basically **HTML**, **CSS**, and **JavaScript** to encode the website and web app designs created by the front-end designers.

A front-end developer should work close together with a designer in order to support the UX/UI of their website/software. The front-end development should be separated from web design (a designer who doesn't know any HTML or CSS will create a sub-optimal design). Front-end developers are in charge of ensuring there are no errors or bugs on the front-end, as well as that the design appears as it's supposed to across various platforms and browsers. Front-end development should focus on collecting and analyzing analytics for the website's/software's development and on running AB tests or ad-hoc user tests in order to increase the website's/ software's UX and UI.

HTML (Hyper Text Markup Language) and CSS (Cascading Style Sheets) are the most basic building blocks of web coding. Without these two things, you can't create a website design, and all you'll end up with is unformatted plain text on the screen. You can't even add images to a page without HTML!

Cascading Style Sheets (**CSS**) control the presentation aspect of the site and allow your site to have its own unique look. This is done by maintaining style sheets which sit on top of other style rules and are triggered based on other inputs, such as device screen size or resolution.

JavaScript (JS) lets you add a ton more functionality to your websites. You can even create a lot of basic web applications using nothing more than HTML, CSS, and JS. On a basic level only, JS lets you add a lot of interactive elements to your websites.

In front-end Development, more technologies can be used, such as: **jQuery**, **JavaScript Framework**, **Front-end Frameworks**, like the **popular Bootstrap**, and many more.

The front-end Developer keeps these points in mind, utilizing available tools and techniques to reach this end:
Accessibility: With a continuing development for mobile devices, such as smart phones and tablets, designers ensure that their site comes up correctly in browsers on all devices. This can be done by creating a responsive web design using stylesheets in CSS.
Performance: Goals are chiefly concerned with render time, manipulating the HTML, CSS, and JavaScript to ensure that the site opens up quickly.
A piece of advice: Do not to use the same person for the front-end design and the front-end development. We truly understand that in startups this could be overwhelming, but remember that, by following the appropriate procedures and assigning the right jobs to the right persons, your will create a more approachable and usable website/software.

8.4 Back-end development

No ► No, I have not developed the back-end yet
Yes ► Yes, I have developed the back-end

Back-end development (the part that is hidden to the user) refers to the creation of the architecture and the computational logic of a software (or website, or app). A back-end developer should be responsible for:
Development: The implementation of a logic included in (or being the core of) the service/product. That is, in case the software project requires advanced features, a programmable solution must be developed.
Administration: All the tasks related to maintaining the service/product in terms of software environment.

A big issue among back end developers is what language is the most suitable in each case. Back end developers generally have 1-2 languages that they feel more comfortable in writing code and most probably they will defend their choice to the end. When choosing a language you have to take into consideration three criteria:

- Scalability (the flexibility of its structure for integration of new codes).
- Security (depending on the data you are storing/managing you will need different types of security).
- Robustness (the capability to keep the software working even when unexpected things happen).

By taking decisions related to the application of these criteria, there are often trade-offs. Building a software that is scalable, secure and robust to the maximum you might end up having a great software (from an engineer's point of view) losing, however, precious resources and time towards launching your product. This is very common when working with developers coming from big software houses, who have a tendency towards over-engineering. They often play the safety card of…"*better build something that no one will blame me for having problems in the future*". At this point, you have to find the right balance between 'better done than perfect' and building a product that your customer wants to use. That's not always easy. It is important to maintain a good level of communication with your development team. At an early stage, do not forget to inform your back-end developer where you're heading in the future with your entrepreneurial project. Developers have often a tendency to understand 'the software requirements specification' of the software project and not of the 'entrepreneurial project'.

Back end development is the main reason why you need a tech person in the company. If not, take into consideration that your back-end developer/outsource may leave, jeopardizing your project. Even if you do not have your back-end developer in-house, make sure the company retains ownership of the source code and do not forget to include this clause in your contract.

8.5 Alpha version

No ► No, I have not developed the alpha version yet
Yes ► Yes, I have developed the alpha version

The Alpha version is a very early version of your software. One way to think of this is that it is the coded version of the software you have in mind. The Alpha version does not necessarily contain all the planned features. The Alpha version gives the opportunity to users to interact with the proposed solution. It is often completed by using more interactive wireframing tools that can even be pulled into code later on.

At this stage, software goes through alpha testing that is initially performed by in house users. Be sure to test it through various screens, operating systems and web browsers. Having done that, you may now open up to your advisors and potential customers that are following your effort. ATTENTION: You have to ensure your Alpha users are aware of the current limitations of the product. They must be clearly informed that the product is at a limited first stage, and that the Alpha version is not intended to be used as a final version.

A majority of the feedback you receive at this stage will concern things that you have planned to include in the next version. However, you may find there will be a few precious comments that will either give you 'hard love', or introduce you to things that you have missed/neglected. Take these comments seriously.

Do not forget that for most people 'seeing is believing'. Therefore, use your alpha testing as another way to acquire customers. Go beyond discussions about features and usability trying to get 'sales feedback' and leads (*e.g. "are you going to share it with friends and colleagues?", "can you give me names and contacts of other people that would be interested?"*).

8.6 Beta version

No ► No, I have not developed the beta version yet
Yes ► Yes, I have developed the beta version

The Beta version is a pre-release of your software that is very close to the look, feel and function of the final version. It is very close in the sense that there are may be bugs to work out that may result to changes. Just like in the case of the Alpha version, the Beta version will also need testing. Beta testing may be completed in two stages:

Private beta testing is limited to a carefully selected group that matches the product's target group. The aim is to find bugs and get feedback on the general product impressions. Public (or open) beta testing: Having made corrections as a result of the private beta testing, it is now time to open your software to the public. As public beta testing involves real-world open exposure, it might be part of your launching (see 8.7 Ready for the market). Common ways for finding beta testers are: email lists, beta users websites like www.usertesting.com and www.betalist.com, personal sources that you preferably have gathered around some of your Social Media and groups of special interest in Social Media.

Beta testing is an obligatory step for every software, since people developing it are too close to their product so fresh eyes are essential. Moreover, for Windows developers, it is almost impossible to duplicate the numerous configurations of hardware/software that exist, and beta test reveals potential conflicts. In more closed environments (*e.g Mac*), beta testing is less about coexistence and more about functionality and user friendliness.

8.7 Final Product

No ► No, the final product is not ready and I am not ready to go to the market yet

Yes ► Yes, the final product is ready and I am ready to go to the market

At this point, you have been successfully gone through all the previous stages and you are ready to pass from 'coming soon' to 'we are open'. Is it time to launch? Before answering this question, you have to decouple marketing and product launches:

- Marketing launch is about announcing a new product start its PR campaign, and engage in buzz marketing activities;
- Product launch is about making a new product available to customers.

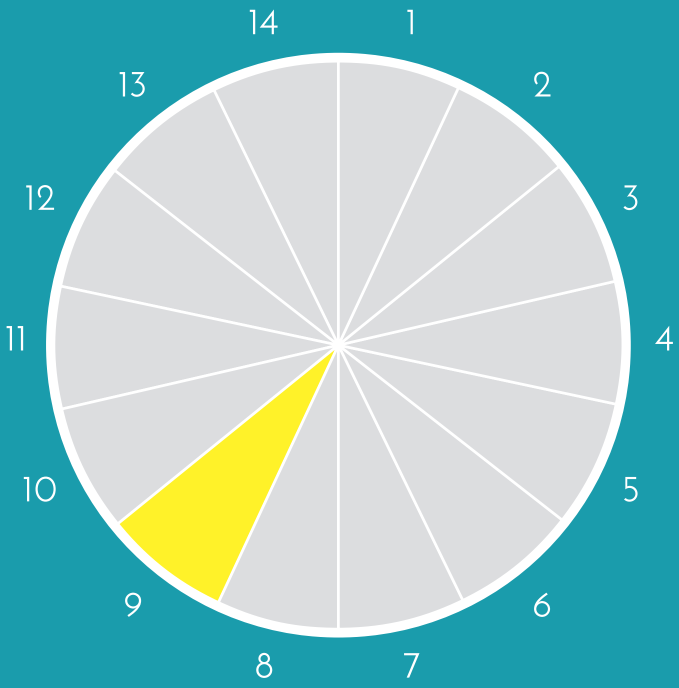
"*In today's world, there is no reason you have to do these two things at the same time. In fact, in most situations it's a bad idea for start-ups to synchronize these events*" (Ries, 2009). So, what should you do if not synchronizing marketing and product launch? The answer is an 'open soft launch': you synchronize private beta testing (see 8.8 Beta version) and product launch. At this stage, you may use your Social Media, make phone calls, write a number of posts/articles, run some web advertising, and put some links in niche places. While doing that, monitor your progress/analytics. In most cases (hopefully, you are the exception), you will have trouble producing traffic and/or convincing customers. If this is also your case, postpone your marketing launch until

- you have some reference cases to demonstrate (see 7.6),
- you have found your positioning through interaction,
- your have chosen your startup metrics (see 5.6) and they have started looking solid.

Depending on your resources, you may remain in soft-launch mode for quite some time. For more on launching see here https://bit.ly/1C10XaH.

At your initial launch, you will have version 1.0. You are ready when your product can provide your customers something that is better than the existing solution. As mentioned previously, where the sweet point is, depends on the problem you are solving (see 5.1) and how urgently your clients are looking for a solution (see 5.2). Your real-life experiments (see 5.5 Test solution) should have given you a clear indication on where this sweet spot could be. If the product is not perfect on first launch, that is to be expected. Keep in mind your first objective is not to build a good product, but a product that is acceptable by the market and, depending on your market, these two may be far from being the same.

Finally, if you are running out of money…don't wait any longer. LAUNCH. Your chances of succeeding might not be great but at the end of the day, use the opportunity to learn and get the best feedback as possible and you never know… it may work.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9. PRODUCT DEVELOPMENT (PHYSICAL)

9.1 MVP

No ► No, I have not developed a Minimum Viable Product yet
Yes ► Yes, I have developed a Minimum Viable Product

A Minimum Viable Product (MVP) is a means that enables you to test your solution (see 5.5) at an early stage. An MVP is a prototype that is very 'basic' (as you have invested the minimum possible effort in time and money), at the same time it is a very valuable tool because it enables interaction with potential users. Depending on the problem you are solving and the market you are addressing, your MVP may range from a simple PPT to a working prototype. To have an overview of 15 different types of MVPs see here https://bit.ly/2QswsdF. Consider it as an indicative list, not as an exhaustive one from which you would have to necessarily pick one solution. You will need to find your own way at this point and in any case you must be creative!

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By developing an MVP, your objective is not to build a prototype before building the 'golden version', but to create something that will spur learning from customers as soon as possible. Finding the sweet spot between building a 'crappy prototype' and something that you can learn from is unique in each case and it will not necessarily be easy. For this reason, a MVP is not something that you build only once. It is a trial and error process of many iterations.

When you design products, you make assumptions (1.2 Business Model). No matter how well you may know your customers, some of them will turn out to be wrong. Your MVP (or, to put it better, your sequence of MVPs) must help you define which of your assumptions are right and which may be wrong, and lead you to the 'minimum set of features' of your 1.0 version.

Your first objective is not to build a good product, but a product that is acceptable by the market. Depending on the existing solutions to the problem you are solving, these two – a good product and a product acceptable by the customer - might be far from being equal. At the end of the day, your intention is to build a product that is superior to competition that may not necessarily be a good product – it may simply be a product acceptable by the market. Finally, an MVP is, most of the time, much more 'minimum' ("simpler") than you think (especially if you are an engineer prone to go for complex solutions…).

9.2 Simulation

No ► No, I have not developed a simulation of the product yes
Yes ► Yes, I have developed a simulation of the product
Not applicable ► Simulation does not apply in my case

You have already created an MVP (see above 9.1) and in turn you need to test it. Simulation is like an exercise for your MVP. Create teams of people, customers, friends or other entrepreneurs and ask them to test your product (see 5.6 Test solution). You have to be able to run these simulations without damaging your product or your market viability. You also need to have enough visual content including illustrations, photos, 3D photorealistic images and credible, tangible, representations like mock-ups, models, 3D prints etc. of the product in order for the people participating in this simulation to interpret the product realistically. Thankfully, the ability to "simulate" a whole product has gotten easier with the ever decreasing cost of computer power and the assistance of 3D modeling and 3D printing.

While your teams are engaging with the product, observe their behavior. You have to collect their responses without explaining them your product or service features. Let them understand and experience your product/service on their own and just monitor their reactions or responses. Your impressions of how they use the product will be useful later on, and make valuable observations for further improvement of your product. If you have a budget, ask a marketing or customer research performing company to test it for you. This may be expensive. You may also find other solutions such as www.forio.com that can also test your product for you. These solutions can be helpful, but you must balance the convenience with the cost pay (see 5.5. Test solution).

Alternatively, you can perform simulation test(s) by yourself. A good way to do it, is to create relationships with universities and more specifically with classes or students that study entrepreneurship and innovation. It's a good way to ask for help and test the value of your product/service in order to create one or more prototypes. Besides, the learning-by-doing method has more advantages than research in many cases. Not only does it provide valuable feedback for you, but it also helps the next generation of entrepreneurs learn more about the entrepreneurial process.

9.3 Non-working prototype

No ► No, I have not developed a non-working prototype yet
Yes ► Yes, I have developed a non-working prototype
Not applicable ► Non-working prototype does not apply in my case

After your initial endeavors to create an MVP and then to simulate it in various groups of potential customers, you must be now ready to create your first non-working prototype. It's a rough non-working model of your product, giving to your potential customer a better understanding of its capabilities, functionality, features, size, color etc.

It doesn't have to be fully-functioning (that will come later). By creating a rough prototype of your product you'll have a much easier time explaining the concept to potential investors or customers at meetups and anyone you encounter when evangelizing the purpose and the potential of your startup. The goal of your non-working prototype is to prove that your concept works, in the easiest, quickest and most-affordable way you possibly can. As a startup, you should know that getting your product to the market fast is the key issue, and your non-working prototype is the shell that makes the first step towards full functionality. Aiming to create a physical product, a good piece of advice is to make a 3D video to present your product's features.

9.4 Working prototype

No ► No, I have not developed a working prototype yet
Yes ► Yes, I have developed a working prototype

Congratulations!! You are very close to creating the golden version of your product. Your working prototype is not the final product, but you are really close now. Use this initial working prototype to learn from and to further develop your design. With some final fine-tuning, you will be able to proceed to the production stage of the final product. After improving your non-working prototype and fixing any remaining problems, you can now create a more concrete, full-scale prototype. This is an important stage if you also intend to patent your product. A working prototype bridges the gap between designers and developers, allowing you to move up a big step ahead of your competitors.

A working prototype is also very important if you ask for funding from potential investors. Investors get usually bored with theoretical presentations or small pitches from entrepreneurs asking for money. Try to grab their attention by offering them the possibility to truly feel the experience of using your product. The opportunity to feel, see and use a prototype of your product helps investors begin to visualize your product. Finally, remember that a working prototyping can save both time and money in the product creation process. Use this step to help shorten your development process by working out some of the significant challenges on this initial small-scale model.

9.5 Production

No ► No, I am not ready for production yet
Yes ► Yes, I am ready for production

Having selected to offer a physical product you have to consider how it will be produced. Given the 'maker movement', reward-based crowdfunding and new tools and technologies such as 3D printing you have more options than ever before to consider when producing your product. Typical choices for early stage startups offering physical product are a) small production through maker spaces, tech shops or similar structures and/or b) outsourcing. As with other parts of the startup process, it is useful to start small and build up. Despite the numerous disadvantages of this approach (no economies of scale, low margins etc.), organizing production in-house has even more disadvantages (increased initial investment, irreversibility etc). Remember that, at this point, your main aim is to prove that you have desirable products. "*I've never seen a startup die because it couldn't scale fast enough. I've seen hundreds of startups die because people simply refused to embrace their products*" (Kawasaki, p. 39, 2015).

The most important aspect in organizing production is tracking your cash flow. As you are a new producer, you will most likely have to pay your suppliers upfront. It can then take months before you start cashing. In this respect, be prepared to make compromises: for example, your first version of packaging might not be the wooden box you have always dreamed of.

Another important aspect when organizing production (and also a cost), is certifications. Depending on who you are selling to, certifications can become significant barriers. Do not discount them. *If for example you want to sell to a German hospital, you will need ISO; if you want to sell to people following the Jewish dietary law, you will need 'Kosher Certification'.* In other words, make sure you know your customers' requirements (see 6.2 Customer Profile).

Alternatively, you can outsource the production of your product. Selecting your outsourcer will not be easy, especially if you do not have previous experience in production. If this is the case, try to cover this knowledge gap via your Board of Advisors, or try to find someone who has built a similar product before. Do not assume that the outsourcers engineers are flexible and inventive. This can be especially problematic when your production line is 'one or two oceans away'. Many firms have experienced difficulties working with Chinese engineers, who tend to follow instructions to a fault. You will need to cover your own mistakes. The only way to deal with it is to spend time on site, especially during the set up and the early run.

Finally, ensure you protect your 'secret sauce' when you are organizing production. A typical way of protecting your IP is to disperse production (and eventually conduct the final assembly yourself), so that none of your partners has a full view of what you do.

9.6 Final Product

No ► No, the final product is not ready and I am not ready to go to the market yet
Yes ► Yes, the final product is ready and I am ready to go to the market

At this point, you have been successfully gone through all the previous stages and you are ready to pass from 'coming soon' to 'we are open'. Is it time to launch? Before answering this question you have to decouple marketing and product launches:

- Marketing launch is about announcing a new product, start its PR campaign, and engage in buzz marketing activities.
- Product launch is about making a new product available to the general public.

"In today's world, there is no reason you have to do these two things at the same time. In fact, in most situations it's a bad idea for startups to synchronize these events" (Ries, 2009). At this stage, it is time to use your Social Media, write a number of posts/articles, make phone calls, run some web advertising, and put some links in niche

places. While doing that, monitor your progress/analytics. In the beginning, it is normal to have trouble producing 'traffic' and/or convincing customers. If this is also your case, postpone your marketing launch till

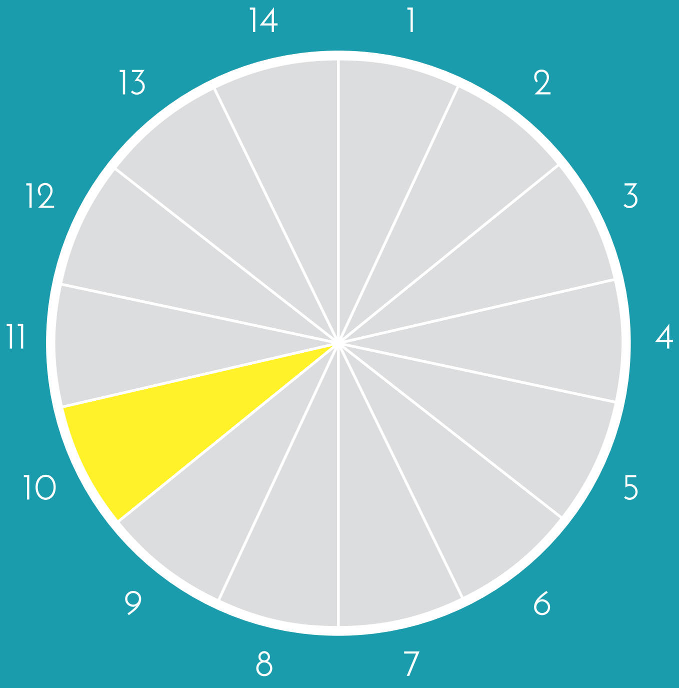
– you have some reference cases to demonstrate (see 7.6),
– you have found your positioning through interaction,
– you have chosen your startup metrics (see 5.6) and they start looking solid.

Depending on your resources, keep in mind that, in practice, you could remain at this soft-landing mode for quite some time. For more on launching see here https://bit.ly/1C10XaH.

ATTENTION. While this is generally the case for numerous products, there is also a number of different cases where you have to synchronize the product launch and the marketing launch. This is heavily dependent on the way you are selling (see Channels). For example, if you are selling through your own stores, consider all of the above as a luxury that you cannot afford...

At your initial launch, you will have version 1.0. You are ready when your product can provide your customers something that is better than the existing solution. As mentioned previously, where the sweet point is, depends on the problem you are solving (see 5.1) and how urgently your clients are looking for a solution (see 5.2). Your real-life experiments (see 5.5 Test solution) should have given you a clear indication on where this sweet spot could be. If the product is not perfect on first launch, that is to be expected. Keep in mind your first objective is not to build a good product, but a product that is acceptable by the market and, depending on your market, these two may be far from being the same.

Finally, if you are running out of money…don't wait any longer. LAUNCH. Your chances of succeeding might not be great but at the end of the day, use the opportunity to learn and get the best feedback as possible and you never know… it may work.



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10. SERVICE DEVELOPMENT

10.1 MVS (Minimum Viable Service)

No ► No, I have not developed a Minimum Viable Service yet
Yes ► Yes, I have developed a Minimum Viable Service

The concept of Minimum Viable Product (MVP) will be presented initially in order to give a clear viewpoint upon which the concept of Minimum Viable Service (MVS) is based.

A Minimum Viable Product (MVP) is a means that enables you to test your solution (see 5.5) at an early stage. An MVP is a prototype that is very 'basic' (as you have invested the minimum possible effort in time and money), at the same time it is a very valuable tool because it enables interaction with potential users. Depending on the problem you are solving and the market you are addressing, your MVP may range from a simple PPT to a working prototype. To have an overview of 15 different types of MVPs see here https://bit.ly/2QswsdF. Consider it as an indicative list, not as an exhaustive one from which you would have to necessarily pick one solution. You will need to find your own way at this point and in any case you must be creative!

ATTENTION: Developing an MVP is not the same as developing a sequence of elements that will eventually be combined into a complete product. A single wheel cannot excite a user interested in transportation. Attractive sequences of pictures representing the concept of MVP on the internet are often misleading.

By developing an MVP, your objective is not to build a prototype before building the 'golden version', but to create something that will spur learning from customers as soon as possible. Finding the sweet spot between building a 'crappy prototype' and something that you can learn from is unique in each case and it will not necessarily be easy. For this reason, a MVP is not something that you build only once. It is a trial and error process of many iterations.

When you design products, you make assumptions (1.2 Business Model). No matter how well you may know your customers, some of them will turn out to be wrong. Your MVP (or, to put it better, your sequence of MVPs) must help you define which of your assumptions are right and which may be wrong, and lead you to the 'minimum set of features' of your 1.0 version.

Your first objective is not to build a good product, but a product that is acceptable by the market. Depending on the existing solutions to the problem you are solving, these two – a good product and a product acceptable by the customer - might be far from being equal. At the end of the day, your intention is to build a product that is superior to competition that may not necessarily be a good product – it may simply be a product acceptable by the market. Finally, an MVP is, most of the time, much more 'minimum' ("simpler") than you think (especially if you are an engineer prone to go for complex solutions...).

Generally, it can be much easier to create a **Minimum Viable Service (MVS)** than an MVP. What distinguishes a service from other types of products however, is the delivery. It is important to find a creative way to develop a short description of your service and start pitching it right away (check section 1.3 Elevator pitch). This short description may take the form of a presentation, a leaflet or even a simple PDF. Later, it can be further enriched with graphs and data. Note that you may need to proceed to the next step at an early stage (design of service/mapping of service simultaneously) especially if the service you intend to offer is complex. To this end, it is highly recommended that you read the next part (10.2 Design of service) before you proceed with your MVS.

10.2 Design of service

No ► No, I have not designed the service yet
Yes ► Yes, I have designed the service

Service development is a process much different than product development. Services are intangible, cannot be "stored", quality is defined by user experience and they vary significantly as they can be:

- linked to a product or be fully intangible,
- very simple (e.g. *in-store experience*), complicated (e.g. *banking services*) or highly complex (e.g. *healthcare*).

As the complexity of the service you intent to offer grows, it is very useful to map the process by using 'Service Blueprinting' (Bitner et al., 2008). You may start mapping the processes while developing and testing your MVS. The 'Service Blueprint' technique calls you to draw the service from the customer's perspective. It is a roadmap of how your service is offered which permits you to visualize where and how your company interacts with customers. There are five components of a service blueprint:

- Customer actions (steps that customers take as part of the service delivery process),
- Onstage/visible contact employee actions (frontline contact employees that occur as part of a face-to-face encounter with customers),

– Backstage/visible contact employee (non-visible interactions with customers – e.g. *telephone calls* - as well as other activities employees undertake in order to prepare to serve customers),
– Support processes (activities carried out by individuals in a company who are not contact employees, but whose functions are crucial),
– Physical evidence (the tangibles that customers are exposed to during their contact with a company).

(To find more on how to design a service blueprint see here https://bit.ly/1p1YaaE and if you are looking for a template see here https://realtimeboard.com).

The complex and diverse nature of services leads to some common mistakes:

– oversimplification of the processes, the people and the complexity of designing and offering a service,
– incompleteness of a service's design before testing,
– designs based on the subjective opinion of the service provider.

10.3 Final service

No ► No, the final service is not ready and I am not ready to go to the market yet
Yes ► Yes, the final service is ready and I am ready to go to the market

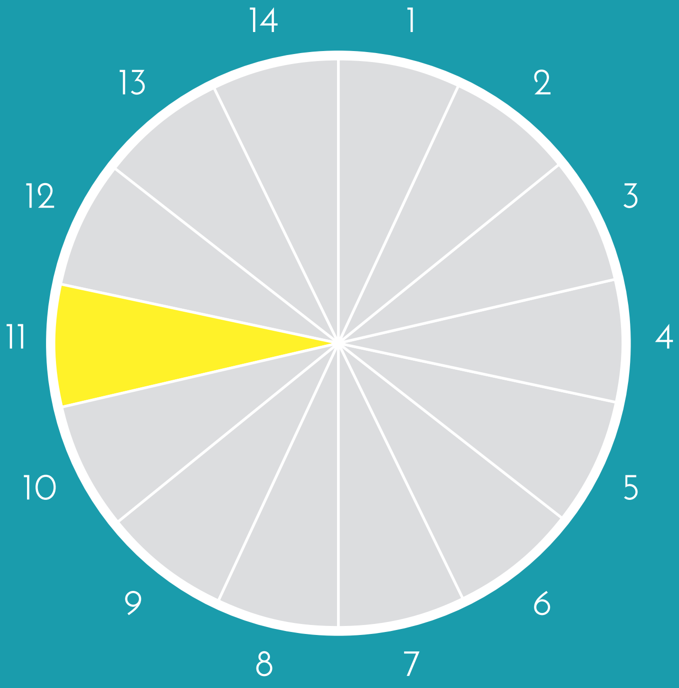
Once you have finalized the design of your service, you are now ready to provide your new service to the target group you have selected. You have in your hands a final offering, i.e. a service that has been designed to meet the needs of your target group based on customer feedback. Consider your aptitude to deliver. Be brave and good luck with your new service.

From a marketing perspective, products are simpler to sell because the customer often has a clear view on what to expect when buying the product. Developing products is hard, but scaling is easy. Developing services is easy, but scaling is hard. If your intension is to scale your business (nobody says you have to!), the main challenge is to productize your service.

A productized service has an automated workflow, so that it can be sold with limited client servicing or interaction. Productizing allows your services to be clearly understood by your clients (just like in the case of products). When buying a productized service, your customer knows with a relative certainty what they are buying (and what they are not buying). This is the main point of differentiation between you and a lawyer who undertakes a new case. In order to productize your service, it is key to highlight the following 5 elements:

- Price and payment terms
- What (and when) the customer gets
- How it works
- What happens if the customer is not satisfied
- Who is currently using your service (see 7.6 reference case)

Systemizing delivery gives you the chance to see what is working (and what is not working) and to respond quickly. (To see a number of examples of services that were successfully productized see here https://bit.ly/2Qq4Aa9).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11. CHANNEL (WEB)

11.1 Own e-shop

Ready to sell ► I am ready to sell through my own e-shop
In progress ► I have decided that I will sell through my own e-shop but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through my own e-shop
Not applicable ► Own e-shop does not apply in my case

You can offer your products through your own web site that can be easy to create and hosted anywhere. Whether your product is physical, software and/or service, consumers and businesses can learn details, see products, compare features, and complete the transaction at a single URL.

An important advantage of webshops is their low initial costs. This can make your startup as competitive and responsive as those that have been around for years. The possibility to order and possibly to pay is a valuable addition when combined with traditional marketing channels (*e.g. physical store with e-shop*).

Important benefits sought include increased demand and the cost-reduction for your company's promotion and sales, as also a low-cost route to global presence. Benefits offered to your customers include a 24-hours availability and high convenience of selecting, buying and delivering the products. Finally, having your own e-shop gives you the opportunity to increase one-to-one marketing action in order to treat your customers and increase their engagement with your company.

The main disadvantages of developing your own e-shop are related to traffic-building and converting the visitors to buyer (see 6. Marketing and communication and 7. Branding). Depending on your product, you may need to develop relationships with packagers, shippers and a process for dealing with returns. Customers tend to expect a high level of service from e-shops, and it is important to consider the amount of engagement and manpower you may devote to answering customer queries and assistance calls. E-shops provide a great deal of potential engagement with the customer, but can be a disaster if this engagement is of poor quality.

11.2 Other e-shops

Ready to sell ► I am ready to sell through other e-shops
In progress ► I have decided that I will sell through other e-shops but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through other e-shops
Not applicable ► Other e-shops does not apply in my case

The Internet can be a great equalizer. Imagine that your product can be sold by Amazon with millions of customers worldwide. Your startup can compete right along with large companies by presenting its products on the same 'shelf'. Selling through other e-shops is a fast way to get national or even international distribution at a variable cost. You can reach many more customers by selling your product/service on a number of e-shops at the same time, which help generate awareness and demand.

A number of e-commerce and hosting platforms give you the opportunity to set up your own e-shop (*e.g. eBay*) by practically creating a shop-in-shop, selling whatever you like without building your own site. You can easily build up your store and customize it with various pricing solutions available to suit your needs. Benefits include having a wider choice of e-commerce and hosting platforms that can to lead to lower costs, better quality, improved delivery and reduced cost of procurement.

You will have to weigh the great potential access and customer acquisition with the prospective costs. Charges of e-commerce and hosting platforms can be quite high (*e.g. some e-commerce and hosting platforms charge more than 50% of your retail price*), however, you can potentially save a lot of development costs comparing to building your own e-shop. Another disadvantage is the extra spending you may need to make for the promotion and visibility of your products (see 6. Marketing and communication and 7. Branding).

A number of e-commerce and hosting platforms like Amazon, maintain inventory, pack and ship the goods, and collect payment. As a rule, the more the retailer does, the more it earns for making the sale.

11.3 Aggregators

Ready to sell ► I am ready to sell through aggregators
In progress ► I have decided that I will sell through aggregators but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through aggregators
Not applicable ► Aggregators does not apply in my case

An aggregator is an electronic shopping mall usually in a single category (*e.g. shoes and clothes offered by zappos.com*). They aggregate consumers with common areas of interest and direct them through a web/mobile supermarket of products. This is an emerging model to use if you wish to leave the web marketing to a 3rd party. It is a fast way to get national or even international distribution at a variable cost with little upfront spending, since all locations can be just a click away.

All aggregators may handle a variety of seller-buyer user interfaces and this gives the opportunity to your company to be less attached to a single and uniform user interface. Additional features like branding, payment, logistics, ordering and ultimately the full scale of secure transactions are added to the aggregator.

Your startup can be hosted there, since the costs are lower and you can avoid complicated hosting facilities (*e.g. electronic payments or additional traffic expenses*), which are all generated from the aggregator.

Through an aggregator you offer to your customer the convenience of using a common user's well-known and trusted interface and you can increase your customers' readiness to buy. All the above apply also in a B2B market. The only disadvantage is the cost, since you have to pay more in order to increase your visibility.

11.4 Mobile-app commerce

Ready to sell ► I am ready to sell through mobile-app commerce
In progress ► I have decided that I will sell through mobile-app commerce but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through mobile-app commerce
Not applicable ► Mobile-app commerce does not apply in my case

11. CHANNEL (WEB)

This is an explosive business opportunity since a web/mobile application distribution platform behaves in many ways just like a physical channel's retail store (*e.g. App Store, Google Play*). As a digital channel, mobile apps give the opportunity to your customer to be interconnected at all levels and all devices.

Studies indicate the vast majority of mobile searches for local business information result in a purchase (comScore, Neustar Localeze, 15 Miles agencies, 2014). This means that all businesses now have a responsibility to consider and incorporate mobile apps into every aspect of their customer's experience. Mobile App commerce provides your business with the opportunity to interact directly with your customers anywhere and at any time. You can send special offers, discounts and personalized messages to them based on their location, in an attempt to get them to purchase there and then.

Google's Android and Apple offer app stores that allow their mobile customers to buy everything from games to expense-account software. Smartphone apps dominate sales in this (web)channel, but salesforce.com opened its AppExchange for business-to-business applications and other companies will follow.

On the other hand, some disadvantages that may appear are the extra cost of intermediaries (namely Apple and Google) and the difficulty in getting consumers' attention. Many estimates put the amount of new app releases in the thousands daily. Consider that application stores are like supermarket shelves with more than 1.8 billion applications in App Store and more than 2.1 applications in Google Play (*www.statisticbrain.com*).

11.5. Social commerce

Ready to sell ► I am ready to sell through social commerce
In progress ► I have decided that I will sell through social commerce but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through social commerce
Not applicable ► Social commerce does not apply in my case

The current trend of the Internet is social interactions, and the trend is here to stay for a while. The ultimate value of social network platforms is coming from the members (customers or partners) who add information onto a basic environment provided by these platforms. As a channel, it is great for product launches or awareness building. Social networks like Facebook or Twitter or social media like YouTube or Flickr have turned their platforms to commerce to monetize their vast audiences. Multi-million corporations are in the hunt to acquire popular social networking sites because they understand the potential and the impact social networking has on Internet users.

Treating social networks as your distribution channel means reaching more people and increasing awareness of your website. Facebook, for example, with nearly 2 billion users, is the largest social network, of all time. Nearly half of all Facebook users are active every day and they spend an average of 18 minutes per visits and are connected to an average of 80 pages, groups or events. That's where you come in!!!

Additionally, YouTube has become a revenue-generating distribution channel for major networks and other companies. By partnering with YouTube, companies can now have a two-way dialogue with viewers who can provide feedback about what they find entertaining. Your customers can access the site via a browser or dedicated app. Web/mobile currency and items for enhanced online gaming are already maturing, with many more vertical markets follow its lucrative footsteps. An important benefit is an add-on to other marketing operations in order to build customer loyalty and receive customer feedback. On the other hand, it is expensive to create awareness and to draw the attention of the consumers and you have to pay more.

11.6 Flash sales

Ready to sell ► I am ready to sell through flash sales
In progress ► I have decided that I will sell through flash sales but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through flash sales
Not applicable ► Flash sales does not apply in my case

A flash sale is a discount or a promotion offered by a deal or bidding site for a short period of time. Popularized for a long time by home shopping channels, flash sales can be extremely effective methods for quickly unloading excess inventory; they offer large discounts on branded merchandise to a list of consumers, with offers expiring in 24 or 48 hours. It is a great opportunity to increase your brand awareness with lower costs, since they offer you the chance to tell customers about your other products and your company's value proposition. Flash sales can also put your startup on the radar of deal sites and blogs all over the Web.

Gilt.com, Groupon and scores of clones assemble massive e-mail and social networking lists of consumers eager to obtain product discounts in specific categories or geographies. The time limit and the limited availability entice consumers to buy on the spot. Flash sales are also a great opportunity for your startup if you sell products that are either out of season, or they have been sitting in your catalogs for some period of time. These social-commerce sites deliver the revenue and a volume of customers.

When selling through flash sales, it is important to remember to keep the time frame short as it inspires urgency. Benefits for suppliers and buyers increase efficiency and time-saving and fast, potentially massive distribution since there is no need for physical transport until the deal/bid has been established. Because of their lower cost they become feasible for product launches and awareness-building. Sources of income for suppliers can be found in reduced surplus stock and better utilization of production capacity. On the other hand, it is often painfully expensive as the end users often expect 50% discounts from the retail price.

11.7 Free-to-paid channels

Ready to sell ► I am ready to sell through free-to-paid channels
In progress ► I have decided that I will sell through free-to-paid channels but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through free-to-paid channels
Not applicable ► Free-to-paid channels does not apply in my case

The power of free can be an excellent launching strategy. In the digital age "freemium" products have become an increasingly powerful way to create customer relationships, particularly among companies with web/mobile products that require little or no customization. Customers are by their nature adverse to risk and since making a purchasing decision involves a potential loss in the form of not getting value for money, they often choose not to buy.

An excellent example of a free-to-paid channel is Zynga's games, where the risk has been minimized, so people have no reason not to try them. They provide a certain amount of game play for free but sell lots of web/mobile goods for real cash as they "hook" their users on the game.

Creating channels that offer something for free and in turn upsell to users is becoming more and more popular. Free-to-paid channels further leverage the power of their user's network. It leads to greater engagement as customers buy the product because other customers in their personal network are already consuming the product. In order to achieve this initial boost, these channels tend to use many viral marketing aspects (like Facebook) to further increase the number of customers and keep the existing ones by monitoring them. At some point however, you will need to convert your "free" users to paid ones. This can be a difficult balance for startups to navigate (return to the previous section on pricing), especially when customers have become accustomed to a free product.

11.8 Other channels

Ready to sell ► I am ready to sell through other channels
In progress ► I have decided that I will sell through other channels but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through other channels
Not applicable ► Other channels do not apply in my case

In the previous part of this section a number of physical channels were presented. Do not consider it an exhaustive list. There are numerous sales channels and an even greater number of combinations (e.g. *webinars*). Be creative and be a dreamer!!

Do your research, check existing options and do not forget that designing your proper sales channel, targeted to your market and customer segment, could prove to be your most valuable competitive advantage. Be creative, be bold and do not be afraid to experiment. In any case, you are a startup trying to enter – and maybe disrupt – a market.

It's perfectly OK to try new things. Do not forget that both academia and practitioners out there describe what already exists and proved successful for someone or for many. You are perfectly right to search for new channels or new combinations of channels formulating a new way of doing business, your way. Today, there are no hard and fast rules about how to do things. You have the opportunity to completely reinvent this process and build something meaningful for you, if it suits.

11.9 Sales funnel

Yes ► Yes, I have developed the sales funnel
No ► No, I have not developed the sales funnel yet

The Sales Funnel is a metaphor using a real funnel to create a monitoring tool for your sales strategy and process. The top of the funnel (broad) represents the many - potential consumers in need of your product, while the bottom (narrow) showcases the customers that have already purchased and received your product. The sales funnel is widely used because it provides a visual representation of the people you may lose across the sales process. There are various reasons behind this: competition, budget, different needs, etc.

By using a sales funnel to quantify the number of potential customers at each stage of the process, you can begin to predict the number that will turn to paying customers. Monitor these numbers over time to identify loops in your sales process and proactively remediate them. Be very careful when trying to understand customers, both in terms of their contribution to the purchase decision-making process, and in terms of their needs, desires and motivations. Customers generally fall under 6 broad categories:

1. **End users:** the people who will be actually using, touching and feeling your product in their everyday life.
2. **Influencers:** individuals or groups that are playing a vital role in other people's decisions like bloggers, celebrities, journalists etc.
3. **Recommenders:** these people's opinion can make or break a sale. Think of recommenders like those people that create the requirements for a product to be purchased, or even like your spouse and children that have a very strong brand preference.
4. **Economic buyers** are those that sit very high in the decision-making process controlling budgets, requirements etc. They can be CFOs, managers or even your spouse (again)...
5. **Decision makers:** the people that sit even higher in the decision-making process and are sometimes called Very Important Top Officers (VITOs). PS. Your spouse can qualify for this position as well...
6. **Saboteurs and veto players:** these people can be found all over the decision-making process ranging from the CEO of a company to your neighbor. Their reason for blocking a sale may concern a range of issues like safety, taste, the fact that they become less important or even be irrational (e.g. *they are racists*). Examples of potential (rational) veto players are quality officers and stage managers. You should try to identify patterns that reveal their actions as well as their intentions.

In order to design your sales funnel, use the following model. Your potential customer will follow 4 major steps before actually buying your product:

A. Awareness: during this step your potential customer is exposed to your product and becomes aware of a problem. Let's say that this is the first time your customer sees a Google search/ display ad or reads a social media post.
B. Interest: at this point your customer actively searches for products that could solve his or her problem. Provide them with information through your communication channels, online (Google, social media, proprietary webpage, newsletter subscription blog etc) and offline (leaflets, catalogues etc) to reach their discovery process.
C. Consideration: your customer is ready to make a purchase decision. They will pay closer attention to your offering, options, support etc. If you have any ideas on sales and promotions this is the time to use all your communication channels. At this point, you have to help customers evaluate your value proposition. Here, it is important to create trust. In order to do so, you may use a number of techniques like a free trial, or recognizing significant people or large corporate clients using your products.
D. Purchase: finally, your future customer becomes a real customer finalizing his purchase with you. He is ready to push the "buy" button and transfer money to your account.

If your product has both physical and digital channels then you are entering the "phygital" world. Check also the physical channels section and design a coordinated strategy (omnichannel approach) so as to provide your customer with a single view of your product from all channels.

For more information on the steps of your sales funnel (*e.g. after sales, brand advocacy, loyalty etc*) see here https://bit.ly/2NJtGSQ and here https://bit.ly/2CQPO9W.

11.10 Customer acquisition cost

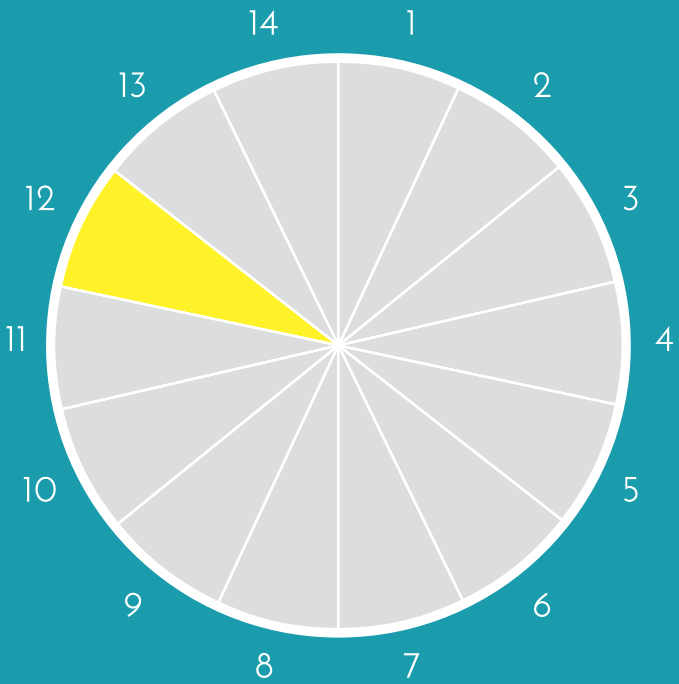
Yes ► Yes, I have calculated the Customer Acquisition Cost
No ► No, I have not calculated the Customer Acquisition Cost yet

Customer Acquisition Cost (CAC) refers to a company's costs in order to convince their consumer to buy their product or service. Founders usually underestimate how much it costs to gain a new customer when they start planning their business model.

To calculate CAC you must quantify all the sales and marketing costs for a given period of time and divide it by the number of customers you acquired in that same period. Being an entrepreneur means remaining optimistic. But in the case of CAC this can be costly. In order to attract new customers, you must be engaged in a number of steps like for example SEM, SEO, classic PR, digital marketing, direct sales, bonuses, and travel costs that will cost you lots of money. It shouldn't be a shock for you how high the figures are, if you use these techniques for CAC. For a sound business model, CAC should be cross checked with the Lifetime Value of a Customer (LVC). In order to make it clear, let's assume that you have calculated your CAC and it is 100 Euros/client and that this is a one-time revenue stream (i.e. your customer buys only one time from you). If the net profit margin of your sale is under 100 Euros this simply means that you pay more to acquire a customer than you gain from this customer. Over time your sale cycle (time required from the first approach to the actual sale) and in turn your CAC should drop significantly.

Lowering your CAC is critical, so check business models such as Open Source, SaaS, Freemium, etc. that are designed as solutions for acquiring new customers.

For more information on CAC see here https://bit.ly/2CQPO9W.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12. CHANNEL (PHYSICAL)

12.1 Direct sales

Ready to sell ► I am ready to sell through direct sales
In progress ► I have decided that I will sell through direct sales but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through direct sales
Not applicable ► Direct sales does not apply in my case

A direct sale is the face to face presentation, demonstration, and sale of products or service. In other words, if you pursue direct sales, you should identify the sales people that will come in direct contact with your customers (consumers or/and businesses) or identify and contact other resellers. You must be rather thorough when selecting your sales people as they will be the "face-to-face" representatives personally engaging your customers. Be sure to first check the right mix of the different direct sales types:

1. Single-level direct sales: in person, door-to-door, one-to-one sale in the physical and digital world (*e.g. catalogs online*),
2. Hostess or Plan a Party: presentation and selling of products in a group of respective consumers at homes or other locations (*e.g. hotels*),
3. Multilevel marketing/Network marketing: sales are made using all of the above, and also online. One main difference is that direct sellers have the possibility to create their own teams (recruitment, training, motivation) and they base their remuneration on the team's achievements.

Direct sales can provide companies with a strong oversight and control over their sales, as well as with a group of salespeople dedicated on their products. You have to note, though, that this is an expensive sport and that the identification of the ideal sales force is not an easy task. Direct sales are difficult to scale and require a competent sales team with considerable knowledge of the product. Invest into the "human capital" of your sales team to ensure they can explain and showcase your product well. For more on sales see "*How cheap a product can you have and still have sales people?*" by SaaStr's Jason Lemkin see here https://bit.ly/2p5y1Cb and "*When you Hire your First Sales Rep – Just make sure you hire two*" see here https://bit.ly/2e8eZ98. For more info and guidance: a) on Direct Sales Business Model see here https://bit.ly/2CRzvJF and b) on free tools for direct sales see here https://bit.ly/2QrFXKc.

12.2 Own store(s)

Ready to sell ► I am ready to sell through my own store(s)
In progress ► I have decided that I will sell through my own store(s) but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through my own store(s)
Not applicable ► Own store(s) does not apply in my case

The creation of your own store(s) means that you have made the decision to sell your products directly to your consumer without the interference of any middle man (e.g. *wholesaler, retailer, etc.*). Your own store(s), either existing or new, is a valid channel for providing your products, but it is also a difficult one, since it entails a number of challenges and costs. The following 6 steps will guide you to the successful creation of your own store(s).

12. CHANNEL (PHYSICAL)

Step 1: Take a firm decision on the **products** that you are going to sell, their range and their price. For this step, check that you have already finalized section "Product Development".

Step 2: Try to get a good knowledge of the size of your **market and of your competition** on the field. To this end, Sections "Market" and "Competition" of Saint Startup will provide you with a solid background.

Step 3: Identify the perfect **location**. By this point, you need to have understood which areas would be the most suitable for your store in terms of the size of your target group. The location of your biggest competitor is a good tracker of where you should also be. Once you have narrowed down your options go out and explore, asking questions on various issues such as safety, parking, traffic, other businesses (offering competitive or complementary products), type of lease agreement, rent etc. Identify online services and tools that serve your region, as they can be extremely helpful in identifying good locations. Check Craigslist (worldwide), LoopNet (only in the US), Storefront (US), SpaceList (Canada).

Step 4: Check you possibilities with **other channels** either offline or online. Take also into consideration that the retail business becomes more and more a merger of the physical and the digital world that is defined by the term "phygital".

Step 5: Get a good handle on your **finances** by first defining how much you will need to design, set up and run your store(s). Create a list of associated costs including rent, construction, insurance, marketing, utilities, labor etc and then try to minimize these costs by identifying alternatives. If you need financing, you may also refer to the section "Funding" of Saint Startup.

Step 6: It is crucial that when you design your own store(s), you take a good look at the relevant **laws, rules, and regulations** that apply to your city or country. These may include tax and social security issues, licenses, certificates and permits etc. You may need a lawyer to do the work for you.

12.3 Sales representatives

Ready to sell ► I am ready to sell through independent sales rep
In progress ► I have decided that I will sell through independent sales rep but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through independent sales rep
Not applicable ► Independent sales rep does not apply in my case

Independent salespeople (or manufacturer's reps) can be considered as a means to enforce the internal team of direct sales or as a strategic choice to substitute it. Independent sales representatives may work with multiple companies, on a geographic basis and on compatible or supplementary rather than competing products. Their remuneration is based on their performance (either on commission or on per-sale fees) and, as such, they are a fast way to get wide distribution, at a variable cost with the least possible upfront investment.

Just like you, independent sales reps are business owners who choose to work with you in terms of a business decision. They are loyal to their customers and, as such, they should be better viewed as a networking conduit, rather than a proactive marketing tool.

At this point you most probably have a very important question: "How do I identify a rep in the geographic area I am looking for and with prior experience in my sector?" Here are a few ways you could use:

– Trade fairs and shows could be a good location to find independent reps with expertise and an existing network in your field,
– Go out and ask your customers for recommendations, especially if they are in the retail business,
– Use the web:
    • identify a rep-matching service or database (e.g. RepRight.com),
    • post a position on line through job search sites,
    • use LinkedIn to track down sales reps by joining related groups or performing searches by yourself,
    • search and identify the most promising online sales associations, publications and websites and post an ad.

For more information on remuneration of independent sales reps see here https://bit.ly/2QsYIx0.

12.4 Distributors/Resellers

Ready to sell ► I am ready to sell through distributors/resellers
In progress ► I have decided that I will sell through distributors/resellers but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through distributors/resellers
Not applicable ► Distributors/resellers rep does not apply in my case

Companies that have a low to mid volume of consumer products sales tend to identify distributors/resellers/intermediaries that stock the product and make it available to retailers locally, nationally, or internationally. The advantage of distributors is that they allow you to focus on the core business of making products and leave selling to these intermediaries. Distributors' value lies on their network of retailers, meaning that they market your products to their retailers at a pricing level known as "wholesale", without you assuming the cost of this network's creation and maintenance.

When considering this business option, calculate prospective advantages and disadvantages. Distributors and resellers can provide a good presentation and promotion of your product if they like it. However, this comes with a high price and the right to return your product if not sold. Also, take into serious consideration the fact that distributors will not pay you until the product is finally sold (sold through).

Before contacting distributors/resellers you should carefully consider the following steps:

1. Distributors will certainly want to know how you are going to get people to buy your product. Elaborate a detailed marketing and communication plan on how your product creates demand.
2. Be sure you understand what really matters to distributors because you are are selling to them and not retailers: supply chain, packaging, design etc are of critical importance!
3. Make sure of your target market to choose the right distributor for you. You are ultimately responsible for finding a compatible distributor that fits your key market. Distributors are valuable business partners. Choosing them is not a light-hearted process: spend time to ask around and obtain references on your distributors of choice before signing any binding agreements.

12.5 Dealers

Ready to sell ► I am ready to sell through dealers
In progress ► I have decided that I will sell through dealers but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through dealers
Not applicable ► Dealers do not apply in my case

Dealers are different beasts than distributors, mainly because they have the additional risk of buying your product upfront. They are the next step in the supply chain, rarely dealing directly with you, the manufacturer. Instead, they tend to buy goods from a distributor in modest quantities. Keep in mind that dealers are small scale, with a minimum retail chain, who present, promote and sell a selective range of products.

In terms of remuneration dealers often take a large markup (called a "keystone") on the wholesale price so as to compensate for higher operating costs and smaller volumes. As any channel option has, the choice of dealers has strengths (personal attention, good showcase and promotion products) and weaknesses, as it is rather difficult and costly to use them as your major sales channel if you are a new business in town.

Some key facts you should be aware of dealers are the following:

1. They create links between distributors and consumers.
2. They purchase your goods for their own account and then market them to the end user.
3. They act for themselves so they must be considered as "principals" and not agents of your company.
4. They often deal with a large number of products that may be of supplementary or even competitive value.

5. They tend to face very high competition.
6. They generally serve a particular geographic area.

On an interesting case study on dealers and how to best use them see here https://bit.ly/2p2vzfz and for an "oldie but goodie" article see here https://bit.ly/1W9sl6i.

12.6 Mass merchandisers

Ready to sell ► I am ready to sell through mass merchandisers
In progress ► I have decided that I will sell through mass merchandisers but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through mass merchandisers
Not applicable ► Mass merchandisers do not apply in my case

Mass merchandisers are huge retail stores offering a very wide range of product categories such as accessories, appliances, clothing, furniture, office equipment etc. Walmart is the largest mass merchandiser in the world ($483 billion turnover, app. 12.000 stores worldwide) followed by others like Costco, Kroger, Carrefour, Tesco and Target.

The immense sales power of mass merchandisers gives them the power to wield enormous influence over manufacturers (you) and extract enormous remunerations that sometimes reach more than 50% of the retail price of a product. Mass merchandisers weigh purchasing decisions heavily, meaning that they tend to be quite reserved in launching new products without successful tests in specific markets or stores. Even if your product succeeds in these tests, mass merchandisers will ask you to pay a fixed trade fee (or slotting allowance/fee, pay-to-stay), above their aforementioned markup, to put your product on their display network (their shelves).

Mass merchandisers' strengths lie on their massive distribution, promotion and advertising potential, while their weaknesses are mainly due to their extremely high costs, minimum marketing control and influence, their paying policy being extremely slow, as well as the long waiting time that may exceed a year or more.

For more information on how to deal with mass merchandisers see here https://bit.ly/2NIdscA.

12.7 OEMs

Ready to sell ► I am ready to sell through OEMs
In progress ► I have decided that I will sell through OEMs but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through OEMs
Not applicable ► OEM does not apply in my case

Original Equipment Manufacturers (OEMs) are not the "original manufacturers" - meaning you; they have a close relationship with the producer in order to resell its product under their own brand. They can be considered similar to VARs (Value-Added Resellers), but they are very focused on rebranding a product and they offer their own terms of warranty, support and licensing. In other words, OEMs buy your product to make it part of their own, generally larger, more complex product.

The most common and successful example of an OEM are Intel processors, built in the majority of PCs in the world, under many brands (*e.g MAC, Dell, Lenovo*). Another example would be Qualcomm mobile platforms and components, which are found in cellphones such as HTC, Samsung, AUSUS, Motorola and Nokia. When choosing this channel you have to take into consideration that your brand, image and identity will be included or even absorbed by the OEM and will be often invisible to the final customer. The successful "Intel inside" case is a rare exception to this business. The more common case is found in the case of Qualcomm: it is likely that the phone in your pocket runs on Qualcomm, but you didn't even know it!

You may have the possibility to create separate versions of the product using your proper distribution channels, warranty and support process and sell under your own brand. Usually OEM products should have the same quality as your own retail versions, but warranties, the manual, supplementary hardware (e.g. *cables and connectors*) and support could be missing or be different. The OEM version of your product will be sold without the retail packaging or any other extra benefits -of course at a much cheaper price- in bulk to OEM partners for mass-production. This business model is often used by Systems Integrators (SI).

Be aware that while OEMs provide massive volume potential for your products, their particular ideas on end user needs, marketing strategy and reactions to market shifts could be a source of strategy disorientation for an early stage startup. You will also have to deal with lower profit margins, as well as minimum visibility and branding benefits.

12.8 Other

Ready to sell ► I am ready to sell through other channels
In progress ► I have decided that I will sell through other channels but I am not ready yet
Not defined ► I have not defined yet if I am going to sell through other channels
Not applicable ► Other channels do not apply in my case

In the previous part of this section, a number of physical channels were presented. Do not consider the set an exhaustive list. There are numerous sales channels and an even greater number of combinations (*e.g. telemarketing*). Be creative and be a dreamer!!

Do your research, check existing options and do not forget that designing your proper sales channel, targeted to your market and customer segment, could prove to be your most valuable competitive advantage. Be creative, be bold and do not be afraid to experiment. In any case, you are a startup trying to enter – and maybe disrupt – a market.

It's perfectly OK to try new things. Do not forget that both academia and practitioners out there describe what already exists and proved successful for someone or for many. You are perfectly right to search for new channels or new combinations of channels formulating a new way of doing business, your way. Today, there are no hard and fast rules about how to do things. You have the opportunity to completely reinvent this process and build something meaningful for you, if it suits.

12.9 Sales Funnel

Yes ► Yes, I have developed the sales funnel
No ► No, I have not developed the sales funnel yet

The Sales Funnel is a metaphor using a real funnel to create a monitoring tool for your sales strategy and process. The top of the funnel (broad) represents the many - potential consumers in need of your product, while the bottom (narrow) showcases the customers that have already purchased and received your product. The sales funnel is widely used because it provides a visual representation of the people you lose across the sales process. There are various reasons behind this: competition, budget, different needs etc.

Use a sales funnel to quantify the number of potential customers at each stage of the process and to predict the number of those that will become paying customers. Monitor these numbers over time to identify loops in your sales process and proactively remediate them. Be very careful in trying to understand your customers, both in terms of their contribution to the purchase decision-making process, and in terms of their needs, desires and motivations. Customers generally fall under 6 broad categories:

1. **End users:** the people who will be actually using, touching and feeling your product in their everyday life.
2. **Influencers:** individuals or groups that are playing a vital role in other people's decisions like bloggers, celebrities, journalists etc.
3. **Recommenders:** these people's opinion can make or break a sale. Think of recommenders like those people that create the requirements for a product to be purchased, or even like your spouse and children that have a very strong brand preference.
4. **Economic buyers** are those that sit very high in the decision-making process controlling budgets, requirements etc. They can be CFOs, managers or even your spouse (again)...

5. **Decision makers:** the people that sit even higher in the decision-making process and are sometimes called Very Important Top Officers (VITOs). PS. Your spouse can qualify for this position as well...
6. **Saboteurs and veto players:** these people can be found all over the decision-making process ranging from the CEO of a company to your neighbor. Their reason for blocking a sale may concern a range of issues like safety, taste, the fact that they become less important or even be irrational (*e.g. they are racists*). Examples of potential (rational) veto players are quality officers and stage managers. You should try to identify patterns that reveal their actions as well as their intentions.

In order to design your sales funnel, it can be helpful to use the following model. Your potential customer will follow 4 major steps before actually buying your product. This is known as the customer journey:

A. Awareness: during this step your potential customer gets exposed to your existing product and becomes aware of a problem. Let's say that this is the first time your customer comes to your store, sees a Google search / display ad or reads a social media post.

B. Interest: at this point your customer actively searches for products that could solve his problem. Provide him with information through your communication channels, online (Google, social media, proprietary webpage, newsletter subscription blog etc) and offline (leaflets, catalogues etc).

C. Consideration: your customer is ready to make a purchase decision. They will pay closer attention to your offering, options, support etc. If you have any ideas on sales and promotions this is the time to use all your communication channels. At this point, you must help customers evaluate your value proposition. In other words, create trust. In order to do so, you may use a number of techniques including offering free trials, or having recognized persons or big corporates use your products etc. These techniques help to build consumer trust and encourage repeat buyers.

D. Purchase: finally, your prospective customer becomes a real customer finalizing his purchase with you. He is ready to push the "buy" button and transfer money to your account.

If your product has both physical and digital channels, then you are entering the "phygital" world. Also consider the web channels section to design a coordinated strategy (omnichannel approach) and provide your customer with a single view of your product from all channels.

For more information on the steps of your sales funnel (*e.g. after sales, brand advocacy, loyalty etc*) see here https://bit.ly/2NJtGSQ and here https://bit.ly/2CQPO9W.

12.10 Customer Acquisition Cost

Yes ► Yes, I have calculated the Customer Acquisition Cost
No ► No, I have not calculated the Customer Acquisition Cost yet

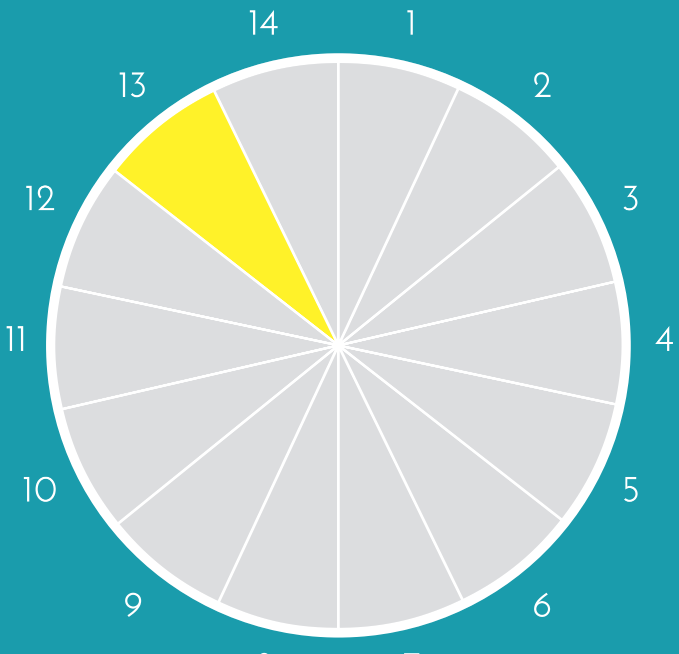
Customer Acquisition Cost (CAC) refers to a company's costs in order to convince their consumer to buy their product or service. Founders usually underestimate how much it costs to gain a new customer when they start planning their business model.

To calculate CAC you must quantify all the sales and marketing costs for a given period of time and divide it by the number of customers you acquired in that same period. Being an entrepreneur means that you must remain optimistic, but in the case of CAC this can be a very expensive process. In order to attract new customers, you will need to be engaged in a number of activities, including *SEM, SEO, classic PR, digital marketing, direct sales*, bonuses, and possible travel, of which all can quickly add up It shouldn't be a shock for you how high the figures are, if you use these techniques for CAC. Your CAC will grow exponentially if it is particularly labor intensive, or if you need additional human intelligence. Do not underestimate the potential cost of acquiring customers.

For a sound business model, CAC should be then cross checked with the Lifetime Value of a Customer (LVC). *In order to make it clear let's assume that you have calculated your CAC and it is 100 Euros/client and that this is a one-time revenue stream (i.e. your customer buys only one time from you). If the net profit margin of your sale is under 100 Euros this simply means that you pay more to acquire a customer than you gain from this customer*. Over time your sale cycle (time required from the first approach to the actual sale) and in turn your CAC should drop significantly.

Lowering your CAC is critical, so check business models such as Open Source, SaaS, Freemium, etc. that are designed as solutions for acquiring new customers. To do so, you should master customer behavior due to the prevalence of the web and adapt fast to your consumers way of thinking in the so-called Low Cost Sales model/ Sales 2.0.

For more information on CAC see here https://bit.ly/2QsPwZj.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13. INCORPORATION

13.1 In existing structure

Yes ► Yes, I will host the startup in an existing venture
No ► No, I will not host the startup in an existing venture
Not defined ► I have not defined yet if I will host the startup in an existing venture

You may choose to start selling your products through an existing organization. There are mainly three reasons why you may choose to do that:

– You are an intrapreneur. You work for a larger company, exercising your entrepreneurial skills under the auspices of your employer. A number of successful products (e.g. *Sony's PlayStation*), or firms (e.g. *Intralot, one of the world leaders in gaming software*) started as intrapreneurship projects.
– You already own a company. In this case, you are a serial entrepreneur and – at least temporarily – you want to host this new venture in the framework of your existing company. Remember that if you are looking for funding or if you want to integrate other members in your entrepreneurial team, you should rather sooner than later spin-off your company creating a separate legal entity.
– You choose to sell your products through a third party acting as a freelancer/supplier. This is uncommon, however it is something that happens mainly in less developed institutional environments where funding of early stage startups is scarce and red tape for incorporating is considerable. If you choose this option consider it as a strictly temporarily and be very cautious about protecting your rights (see part 3. Intellectual property).

Hosting your entrepreneurial project in an existing structure may have some considerable advantages. For example, you may take advantage of the existing firm's resources and competencies (e.g. *you are using the sales force, the premises, the accountant and the lawyer of the firm*). When choosing this option, make sure that you are aware of the firm's strategy and that your project is aligned to the overall strategy.

13.2 Lawyer

Yes ► Yes, I have a lawyer
No ► No, I have not a lawyer yet

Getting the right legal counsel for your company is like getting a great base for your startup, but you will need to know how to pick the lawyer to best serve your goals. A good lawyer provides help in almost every aspect of your startup, from compliance and IP, to incorporation and liability. Here are some basic principles in hiring a lawyer:

1) your lawyer must have previous experience with your industry,
2) your lawyer must have previous experience with working with early-stage startups,
3) you have to be able to pay your lawyer - the fee structure is important at every point in the process,
4) preferably, your lawyer must be able to work on all your needs (IP, incorporation etc) and,
5) after all, you must like the person you are talking to.

And don't forget: if you are being sued, it's too late. See "How to work with Lawyers at a Startup" by Mark Suster see here https://bit.ly/2xaFGU3.

What is being described here is the perfect solution and, by definition, you may have to make compromises. It is important, however, to know your potential vulnerabilities. Finally, a great lawyer should be a trusted part of your company. Lawyers, (just like your accountant), can provide additional value, as a source for networking (funding, clients etc.).

If you cannot afford a lawyer at the beginning, don't consider yourself as an exception. During the early days, many startups cannot easily afford one. If you find yourself in this case, don't fret. Many startups have still succeeded, taking on a lawyer afterwards. What is however ABSOLUTELY NECESSERY is to have a good lawyer to work through the paperwork. DO NOT sign with an investor unless you have taken legal advice. Ask your personal network, friends, family and advisors to consider what type of legal expertise they may have, as to not make a costly mistake later.

For more on finding a great lawyer for your startup, see this piece by First Round Capital https://bit.ly/1NO38Kh.

13.3 Accountant

Yes ► Yes, I have an accountant
No ► No, I have not an accountant yet

The best way to find a good accountant is to get a referral from someone you trust in your startup ecosystem. After gathering a number of candidates you can start meeting them. During these meetings, your main goal is to find out about three things: services, fees and personality.

Smaller accounting firms may generally serve better a startup, but they may not offer all required services. In that case, ask if they have a network of partners who may offer these services. Moreover, it is preferable that your accountant has experience with startups and with the specific industry.

The services you will be offered by your accountant may vary from you doing nothing to you doing almost everything. Compare options and prices and choose accordingly. Have in mind that accounting firms often charge the same hourly rate for all services. These might range from assembling and ordering invoices (easy task) to the generation of financial statements (specialized task). Thus, it is important to determine exactly what kind of work you want an accountant to handle, and what you will do yourself.

You must think of your accountant as your trusted consultant acting beyond bookkeeping. To this end, his personality must be compatible with yours, meaning that you have met the person who you will deal with you (and not the salesperson of the accounting firm!). Finally, it can also be valuable to consider your accountant (just like your lawyer), as a source for networking (funding, clients etc.). Avoid costly tax problems with the right accountant. For more on choosing a great accountant for your business, read the following article from Richard Branson's Virgin Startups see here https://bit.ly/2Nzz1wf.

13.4 Legal Form

Yes ► Yes, I have decided on the legal form of the startup
No ► No, I have not decided on the legal form of the startup yet

Before you register your company, you will need to decide what kind of entity it should be, and where it should be registered. If something goes wrong your business structure legally affects everything, from how you file your taxes to your personal liability.

Different countries have different legal forms. The most common are: corporations, partnerships, limited-liability corporations and cooperatives. Know the difference between these in your country, and the legal associations attached to each. Being a startup with an ambition to scale, you need to have four main characteristics. You need a legal form that:

- separates your personal liability from your company's liability (owners are not personally responsible for debts and liabilities),
- is familiar to your investors,
- is sellable to other companies,
- is capable of offering stock options to your employees.

13.5 Incorporation

Yes ► Yes, I have incorporated my startup
No ► No, I have not incorporated my startup yet

Incorporation involves creating the legal vehicle for operating a business. It is the process enabling the creation of a legal entity (company) that is separate from its owners.

The main question for a startup is when (and sometimes where) to incorporate. Incorporation means spending some cash upfront, as well as periodically, for lawyers, accountants etc. To this end, you may postpone incorporation until you have a reason to 'officially' start your business. For more see "*When do I need to incorporate my company?*" see here https://bit.ly/2NEq98t.

In other words, you do not need to be incorporated to build an MVP or to to test your solution. However, you must incorporate if one of the following is true:

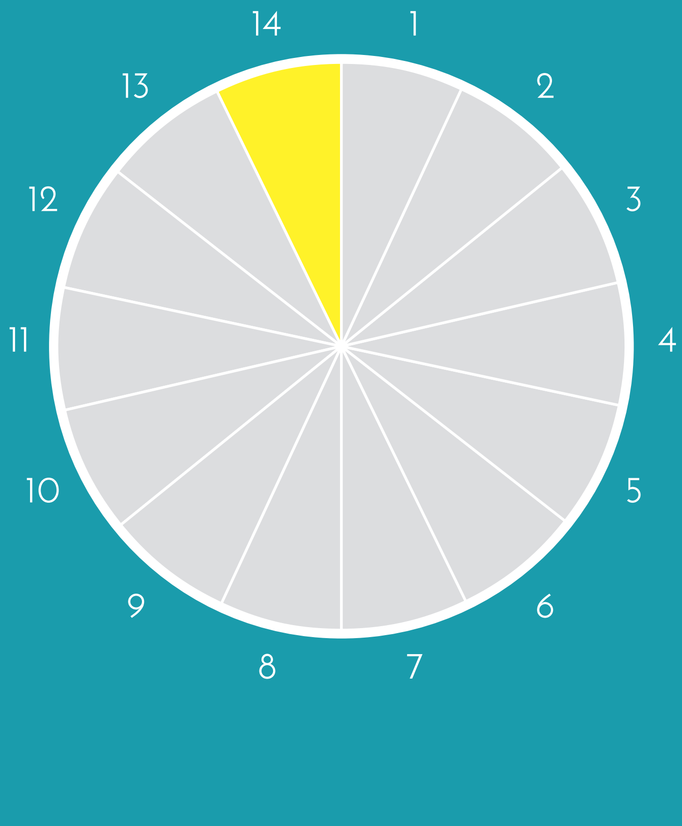
- you need to protect personal liability
- you have made your first sale
- you have a deal with an investor
- you want to hire an employee

You will need to consider a few pros of incorporating your startup, even if none of the above is true. Incorporation sets the 'rules of the game' among shareholders and helps to avoid misunderstandings. This becomes even more important when one or more of the shareholders brings in any type of intellectual property. Depending on the country you are operating in and the legal form of your company, incorporating just before an investment may have tax implications – ask your accountant, and inform yourself as much as possible. Ultimately, running an incorporated startup unquestionably involves building credibility (both internally and externally), as it demonstrates commitment.

For more on incorporation see here https://tcrn.ch/2m8JyxM.

The country where you choose to incorporate can be just as important as when you incorporate. You might think that you must incorporate your startup in the country where you are living. This is not always true, and there can be some large potential costs later should you look to raise investment or outside capital. Ultimately it depends on where your prospective market is based, or where you intend to do the most business. Eventually, you may have multiple jurisdictions. Follow what others in your ecosystem are doing. Consider the journeys of your mentors and local startup leaders. Are they incorporating locally, or abroad? If you decide to incorporate abroad, it is not a trivial decision. Ultimately it will be important to make the right decision for your individual startup—so take advice from a wide sample as possible, and determine what makes the most sense for you.

For more on how to decide where to incorporate your startup see here https://bit.ly/2Okbqg0.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14. FUNDING

14.1 Need for funding

No ► No, I do not need funding
Yes ► Yes, I need funding
Not defined ► I have not defined yet if there is need for funding

Before answering the question "How do I find the money to start my business?" initially you will have to answer if you need funding. Do not take this matter lightly, as there are more options than be funded by business angels or VCs that believe in your 'killer application. Go for a 'just-in-time' fundraising approach. For more on this approach see here https://bit.ly/2NFYtQp and here https://bit.ly/2Mt27IP and here https://bit.ly/2xbEn6t.

Have you ever thought of the idea that you can start your business first by designing and offering services and then by building your dream product? Take into consideration that service businesses require less investment as they are connected to human labor rather than capital, and that revenue can start coming to your business within weeks. Creating revenues from services may have a positive effect for three reasons.

- The first and most obvious is that the creation of revenues can (at least partly) help you develop your dream product (see also the next text about bootstrapping).
- The second is related to the creation of experiences. This is especially significant for people who have not run a business before. Passing through 'children's illnesses' when there is not so much in stake (investments, employees etc) can give you valuable experience down the road.

– The third is related on how other people see you. Passing the threshold of having convinced a number of customers to buy from you, makes third parties (partners, investors, employees) more comfortable in working with you.

When considering if you need funding or not, have in mind that offering services and looking for funding do not exclude each other, therefore they can be practiced simultaneously.

14.2 Bootstrapping

No ► No, I am not bootstrapping the startup
Yes ► Yes, I am bootstrapping the startup
Not defined ► I have not defined yet if I am going to bootstrap the startup

Bootstrapping is about using existing resources in starting a business. In practice, this means that your startup is based on capital deriving from the founders' bank accounts and, in turn, relies on revenues. Surprisingly (or not), a great number of fast-growing businesses, have used bootstrapping to get where they are.

To be able to bootstrap you must first check your bank account and whether your business model is adequate in terms of low up-front investment, short sales cycles and payment terms, periodical revenues and rather inexpensive marketing actions like social media and word of mouth. By choosing bootstrapping as a strategy in funding your startup, you are going to be dealing with cash flow issues rather than profitability. In order for your bootstrapped business model to be adequate, check if the following conditions are met:

1. You do not need to educate your potential clients of your product because they are facing a pressing need (see 5.1 Define problem and 5.2 Verify problem).
2. Your product is a perfect substitute of an already existing high profile offering, so you can gain from the latter's positioning, marketing and education on your potential clients (e.g. *you are offering the same product half price*).

Choosing bootstrapping as the sole funding strategy has certain advantages:
– It keeps you focus on what you suppose to do best: build a product and convince your customers. Searching for external funding is time-consuming and, as a founder, your most precious resource isn't money; it's time.
– Founders keep full control of their firm. If things go as (business) planned – and they seldom do – your investors will be happy. However, if things are not going as planned, financial pressures will sap your ability to be creative.

Starting with your own money may also have disadvantages:
– If you are working from a small amount of own funding, you might not be able to develop as fast as desired. For fast moving industries this might be crucial.
– More frequently, investors are trying to offer 'smart money' providing (often crucial) networking and advice. By funding yourself, you might lose out on valuable networking or in-kind benefits. In addition, the reputation of your investor can add a great value on your startup.

When considering your funding strategy please consider that bootstrapping and searching for external money do not have to exclude one another. On the contrary, bootstrapping might be a shortcut towards finding an external investor. Bootstrapping can help you in the short run, while raising capital is a medium for a long-term funding strategy.

You may also consider reward-based crowdfunding (e.g. *Kickstarter*, *Indiegogo*) also as part of bootstrapping – with these tools you are able to conduct (pre)sales without giving away any equity. This increasingly popular way of funding is mainly compatible with B2C startups. When crowdfunding, involve your audience by telling a good story (your story) and increase confidence by demonstrating a budget on how you intend to spend the money. Succeeding to crowdfund your project is a 'badge of honor' for any outside investor. It will also enable you to develop a community around your product. If you wish to explore Kickstarter or Indiegogo as a platform, back a few products on the site and follow along with the creation journey. You can learn a considerable amount from this, including how to best engage with your audience, and how to ship a product on time. You will have the chance to witness both successes and failures up close.

14.3 Requested capital

No ► No, I have not calculated the requested capital yet
Yes ► Yes, I have calculated the requested capital
Not applicable ► Requested capital does not apply in my case

You have decided that you need external funding. The next question is "How much should I ask for?". There is an answer to this question: You are asking the minimum amount of money you need to make it work and, at the same time, an amount that your investor will be able to give you. This amount must be justified and, therefore, it should derive from a business plan (see 1.4 and 1.5). Getting the right funding level is important. Inform yourself as best as possible. To start your learning process, see here https://bit.ly/2QtM1SH.

Initially, you have to develop a business plan that will enable you to follow through until the end (clients, requiring revenues etc.). Adding milestones to your business plan, will allow you to cut your 'big problem' into 'smaller solvable pieces' and, in turn, adapt your request to your investor.

Each investor has a range that they are willing to invest. This range varies by the type of investor and the ecosystem in which this investor operates (*e.g. Silicon Valley business angels may invest a million while a VC of a less institutional environment ecosystem may fund up to 500K*). You have to know this range (or guess it from previous investments) and request an amount that lies within it. ATTENTION. What is suggested here is not to have a different plan for each investor, but request the funding of a different number of milestones for each investor, so the requested capital is matching the investor's range.

When calculating the requested capital

– make sure you have included a (reasonable) salary for the founders who are working for the startup,
– calculate the amount you need, add a buffer to this amount and in turn spread this buffer around the different expenses you are presenting,
– do not even think about adding something like an expensive car for the CEO in the budget – this a red flag for any (serious) investor.

Consider that when you request outside funding, this funding is attached to certain strings. By requesting outside capital, you will essentially be giving some part of your company away to the outside investors, and your investors will expect a certain return on this investment. Consider carefully what the terms of this investment will look like. It is important to approach investment as informed as possible before seeking to raise any capital from outside investors. Weigh the pros and cons carefully. For a good place to start see here https://bit.ly/2MulHV1.

14.4 Seed, or Angel round

No ▸ No, I have not been funded on a seed, or angel round yet
Yes ▸ Yes, I have been funded on a seed, or angel round
Not applicable ▸ Seed, or angel round does not apply in my case

This will be the first outside money that you raise. The main sources (besides bootstrapping described earlier) for funding a startup on an early stage are:

– Friends and Family. A large number of startups got their first check from friends or family. Usually there is not much of a due diligence in the process as friends and family believe more in founders than on the product. Don't forget that this money is connected to a personal relation that could potentially (more or less) affect your company.
– Accelerators. Accelerators provide an integrated approach, including -most of the times- also an investment, usually ranging between 20K-50K.
– Angel investors. Wealthy individuals who, most of the time, conduct hands-on investments. They bring their personality into the startup (for better or for worse). A business angel's network and experience might be much more important than the cash they bring in. This is called 'smart money'. Business Angels are often organized in Business Angel Networks (BANs). Work with

a business angel effectively by informing yourself. For a good place to start see here https://bit.ly/1jBkDtx.

- Venture Capital (VC). Here we are talking about professionals investing other people's money. Due diligence will be hard and time consuming. VCs become more and more focused (on an industry) and more and more hands-on. Lately, we also experience the rise of Corporate Venture Capitals (CVCs), namely VCs funded and operated by large corporations. Most CVCs are tightly linked to the mother company's strategy (again for better or worse).
- Equity crowdfunding. Instead of having one investor with a large part of the shares, you have a large number of shareholders, each one having a small fraction. This could be a 'quick' solution engaging a large number of people (you need that especially if you are B2C) but managing a large number of shareholders and their expectations, plus the legislator's requirements on financial disclosure, might be a pain in the a... later on. Today, there are many platforms that facilitate this, including Funderbeam, Crowdfunder, Seedrs, etc. Inform yourself about the pros and cons of equity crowdfunding (also if it is legal in your jurisdiction) carefully. For a good place to start see here https://bit.ly/2QqQhSN.
- Subvention. Your case may fit to one or more call for proposals for a subvention. Try to find a subvention that is aligned to your goals and do not try to align your goals to the subvention's criteria.
- Initial Coin Offering (ICO) or token sales. Token sales operate on a similar basis as crowdfunding. In exchange for investment, you offer a small piece token, as a currency. They are distributed as coupons, on blockchain ledgers. This crypto-investment is expected to grow and become more valuable as your company's value increases. They differ from equity crowdfunding as they do not confer equity in the company.

They can be traded easily among investors. ICOs are quickly becoming a popular method of raising capital for startups, with more and more startups pursing this funding strategy. If you think ICOs are right for you, do your best to inform yourself prior to raising a token round. For a good place to start see here https://bit.ly/2QoKGwt.

A seed, or angel round is based more on vision/passion/belief than on a carefully developed business plan – this does not, however, mean that you will not be asked for one. At an early stage, the risk is high and in turn equally high should be the expected result.

Before engaging in raising an Angel round, inform yourself as best as possible about the process. Investors may have interests different than your own. Be sure to evaluate them carefully. For a great place to start on your discovery journey see here https://bit.ly/2inbvSv.

Just like in life, in funding a startup 'seeing is believing'. When raising money, it is important to bring your startup's maturity on the table (prototype, number of users, names of clients etc). This will raise your bargaining power. Use your presentation and pitch to tell your story and to encourage others to come onboard with your vision. Alternatively, if you do not have something to show (i.e. a validated product) your bargaining power is greatly reduced. Throughout this process, don't forget to talk to people that have been funded before. Their, often conflicting, experiences will be valuable, but know that many factors will influence the investment process.

If you are new to this process, this article, from Silicon Valley accelerator Y Combinator is a great place to start. For more see here https://bit.ly/2k8nst2.

Last but not least, take into serious consideration the amount of shares you retain after the seed round. These will be bargained and explicitly considered in your term sheet. If for example founders retain only 51% after the seed round they are practically jeopardizing their effort: a) this will not be an attractive offer for the next investor who feels that she is buying expensive and b) what would your share be after two more rounds of investment? 20%?

To learn more about the consequences of early investment and the process see here https://hbs.me/2F246VT.

14.5 Round A

No ► No, I have not been funded on round A yet
Yes ► Yes, I have been funded on round A
Not applicable ► Round A does not apply in my case

Don't wait till you run out of (seed) money to start looking for round A. Start searching your funding options at least 6 months before you run out money. Try to use your 'Seed round' investors to introduce you to other investors that could afford the amount of money you are asking for (if they cannot do it themselves).

Despite the fact that the above-mentioned options (see Bootstrapping, Seed funding) remain open, round A is a stage dominated by Venture Capitals (VCs).

At this point your startup is not about belief any more. The requested capital is greater and the risk should be lower: investors will write you a check upon a "calculated risk". Just because your startup is running out of money does not mean it is time to turn to venture financing. Venture financing puts certain expectations on your future revenue and business model. Are you willing to meet these expectations? It is not the right answer for all companies, and it is worth considering how many restrictions will apply in your case. For more on VC funding see here https://bit.ly/2xbF3J3.

If you have done the research and have decided that raising venture is right for you, it is important to proceed carefully. For succeeding in your first venture round, you have to have a sound and justified business plan (see 1.5) in which you are asking money for growth. At this stage it is most unlikely that you succeed in round A if you are not generating revenues (see 5.7 First client base). Moreover, you have to be able to talk meaningfully about your Sales funnel, your Customer Acquisition Cost, as well as for other metrics providing justified evidence that your business is scalable. In other words, a round A funding is heavily based on traction (actionable metrics).

Besides having a business plan (explaining what will be done from now on), investors at this stage will carefully examine how were things up to this point. This process is called 'due diligence' and it can take a considerable amount of time to do it properly. During 'due diligence' you must be patient and have a) a plan on how to survive during this period and b) a contingency plan in case you cannot be funded. For more on 'what to do when the VC says no' see here https://bit.ly/2OhU6rX.

When entering due diligence, have in mind that you are also evaluated on the short-term goals you initially presented. If for example you have promised the feature X in one month and you have it ready in 3 months you will lose credibility.

The due diligence process is not just one sided. It is also important for startups to do their own due diligence on the VC firms they intend to engage with. Remember, this VC is about to take a long-term interest in your company. Be sure that you are working with a partner that you trust and is credible.

When entering this process, have in mind that you are selling something: shares of your company. As investors are buying from you, they should not 'feel' needed. Nobody wants to invest in something that nobody else wants. This accounts also for the Seed round - it is however more relevant at this stage where it is clearer where things are going. In case you don't know any VCs see here http://bit.ly/2CUYxb8.

When raising a venture round, it is not always the amount you raise, but also from whom. Consider the role of "smart money" in the seed, or angel stage. Here, VCs can also be trusted partners in ensuring the direction in where your business is headed. Indeed, should they invest, they will have a very specific interest in how your business develops. Therefore, it is important to choose a VC partner carefully. Evaluate their previous deals, and consider carefully the business areas in which they work. Do they have other deals in your industry? Are they familiar with your technology? Do they have other startups in their portfolio that may have specific value for you? Choose a VC carefully—a great VC can offer more than just money. In4capital can match your startup with investors around the globe (www.in4capital.com).

Choosing the wrong VC can be a costly mistake for your company and your entrepreneurial journey. Inform yourself the best you can and be decisive. VCs may have underlying interests that may be oppositional to your own. As they begin to take a large stake in the company, they may aim to take the company in a direction that you might not want. Make sure you and your VC partner are on the same side and have a good relationship before you sign the term sheet.

The choice of the right VC is far from trivial. Inform yourself beforehand and do your research. Your first choice should not be the VC in closest proximity to you. Consider their existing portfolio and interests. Many VCs will endeavor to make these clear to prospective investees. Do your research and choose appropriately. Pitching in front of VCs is time costly, so optimize your work beforehand. Check out their social media pages, blogs and online presence to learn more about their investment strategy and approach to funding. On how to choose a VC see here http://bit.ly/2QsvoGP. For another good piece on this topic see here https://tcrn.ch/2OjbLQ3. For an example of one VC's funding interests see here http://bit.ly/2x9xTpr.

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