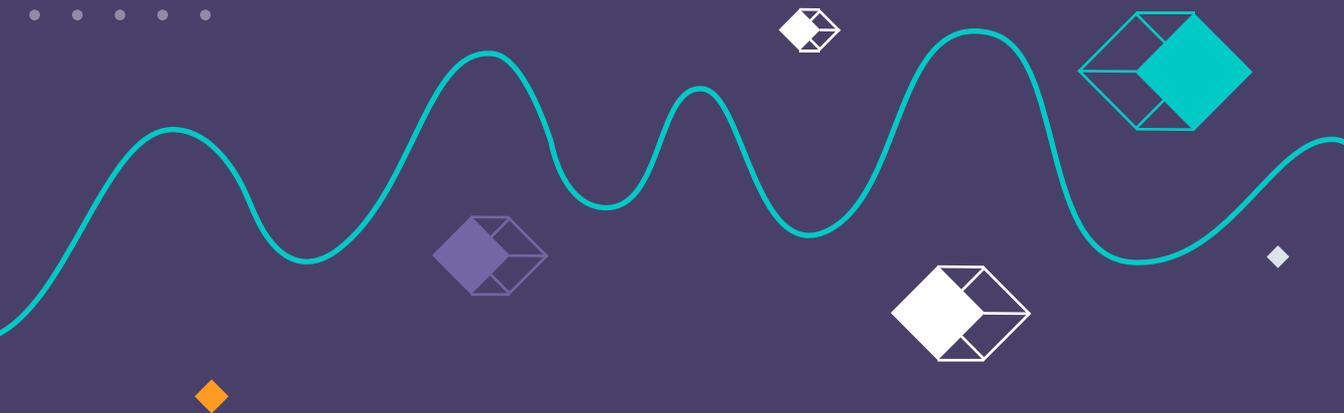


TIVIX

Building a **Successful** **Digital Product**

11 Founders Share Their Secrets for Success



Foreword

As the CEO and CTO of Tivix, I'm often asked how you turn an idea into a successful technology startup. We've been building digital products for NGOs, early-stage startups and Fortune 500 companies since 2008. I think it's safe to say we've seen it all.

There's no one answer to that question but there are similarities in approach. You have to validate your idea and be clear about what you're building; you have to build an MVP that's right for you – quick and dirty won't be the best approach for everyone; you have to talk to your customers; and you have to build the right team at the right time.

The appetite for digital transformation has opened up scope for innovation across the board, in all disciplines. The pandemic has accelerated many of those opportunities, but the younger generation entering the workforce is also driving change. They are demanding more of this notion of 'work' thanks to the technology they use, and are enthusiastic about solutions that disrupt the old way of doing things.

Launching a startup is one of the bravest, maddest and most fulfilling things a person can do.

We are beholden to the 11 startup founders who have generously shared their journeys with us for this report.



Sumit Chachra
CEO at Tivix

Contributors

Flora Davidson, Co-Founder and Head of Product at SupplyCompass | **Sumit Chachra**, CEO and Founder of Tivix | **Edoardo Moreni**, CEO and Co-Founder of Emma | **Richard Mabey**, Co-founder and CEO of Juro | **Zachary Apter**, Chief Commercial Officer at ClassPass | **Ewelina Robaczek**, CEO of Vouchery | **Nikola Mrkšić**, CEO and Co-Founder of PolyAI | **Josh Graham**, CEO and Founder of EHAB | **Kristian Volohhonski**, COO of ETEU | **Ben Gateley**, CEO and Co-Founder at CharlieHR | **Johnny Hudson**, CEO and Founder of Remixology | **Girish Kumar**, CTO of OKKO Health



TIVIX



EHAB

classpass



supplyCompass



JURO



Chapters

CHAPTER 1

It starts with a spark (and an MVP) 1

CHAPTER 2

Driving forward with customer feedback 9

CHAPTER 3

Finding your first paying customer 14

CHAPTER 4

Building a technical tribe 21

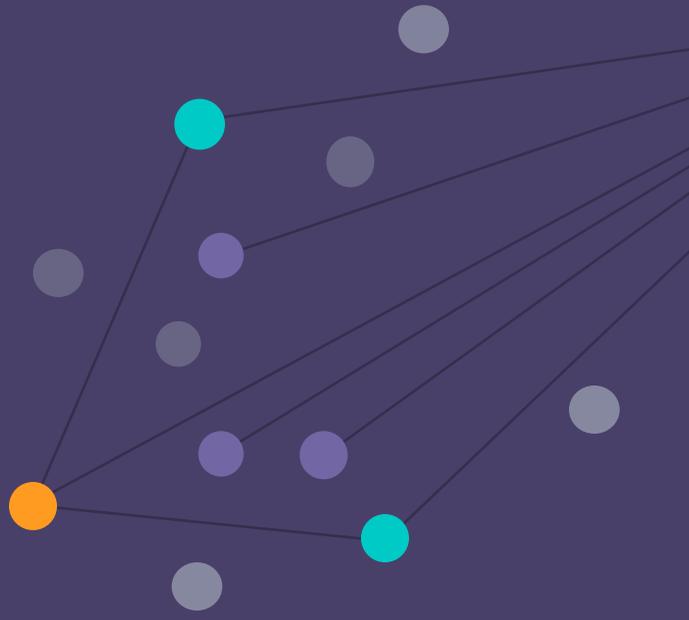
CHAPTER 5

Show me the money 28

Conclusion 34



Chapter 1: It starts with a spark (and an MVP)



In 2010, Payal Kadakia had a problem. She'd spent hours looking online for a dance class in New York City, before giving up on the idea altogether. That frustration led her, with a couple of false starts and product pivots along the way, to found ClassPass. The app achieved unicorn status (a valuation of over \$1bn) in January 2020, following a \$285m Series E funding round. "Studio fitness itself is such a fragmented category where user discovery of experiences is very, very challenging," ClassPass COO Zach Apter says. "There's a lot of friction – you have to set up a new account, put in a credit card, fill out these forms. And if you want to work out in multiple places you multiply that level of effort exponentially."

Entrepreneurs' founding stories often start with a problem or a pain point that they are inspired to try and solve. But getting that idea off the ground and into the hands of paying customers is a journey filled with twists, turns, and tumbles. Validating your idea, understanding if there's demand for your solution,

and researching your target market, takes time, money and effort.

Without a blueprint to follow, each founder is left to their own devices to navigate this tricky early stage as they see best. Ewelina Robaczek spent more than six months researching issues with coupon fraud and abuse in the e-commerce market. She launched Vouchery in 2017, providing businesses with an API-driven marketing platform that automates time-triggered, personalized e-commerce promotions and discounts, online and in store.

"I didn't just want to prove there was a problem, I wanted to prove companies really cared about solving it because it was negatively affecting their bottom line," Robaczek adds. "It was so important that we listened to our customers from the very beginning and were flexible enough to prioritize our features according to their needs."

Minimum effort, maximum feedback

Conversations with potential customers can only go so far until you have something to show them. That's where the Minimum Viable Product (MVP) comes in. The MVP is an early version of a new product, which allows a founding team to collect the maximum amount of feedback from users quickly, with the least amount of effort. This seems logical, but as a concept the MVP only dates back to 2011 when American entrepreneur Eric Reis published his bestselling book, *The Lean Startup*.

Since then, it's become a mandatory step in agile product development, helping founders understand what their target market really wants and how to give it to them before investing too much money, time or code into something else.

If you have a technical founder, you might be able to build that MVP in-house. Others will outsource the build to a development company.

For those opting to do the latter, Kristian Volohhonski, co-founder and COO of logistics startup eTEU, says it's important to take your time doing due diligence. As a technology solution, eTEU automates the documentation process in shipping logistics and uses blockchain technology to digitize document transfer. Finding the right development team was essential.

"When choosing a digital partner, you have to look for credibility. A phone call is not enough to validate them. We spoke to developers and were given access to their GitHub. Then we had meetings about technical architecture and made sure that we would approach the product build in the same way," he explains, adding that detailed technical specifications are key. "At that early stage you want to build something lean, which is heavily based on user feedback. So it's about keeping it simple and having a lean infrastructure, while being very specific in your tech specs so you're never wasting resources."

Talking to the right people

Prioritizing enough features without spending too much money or time on the MVP concept is a tricky balance to find, Richard Mabey, co-founder and CEO of the legal startup Juro says. It's also essential to think about the questions you want to ask your early users, in order to glean the most from the exercise, rather than just having a general chat.

"You've got to create something that someone can actually use and get some value from," he adds.

”

Having structured interview processes, and asking people about their specific pain points is ultimately the only thing that will enable you to build a great solution.



Richard Mabey
Co-founder & CEO
of Juro

Flora Davidson and her co-founders spent two years living and working in India when they were building SupplyCompass, which launched in early 2018. As a digital supply chain startup for fashion brands and manufacturers around the world, the team visited manufacturers, suppliers, designers, production managers and then – when they had built their MVP – asked them to try it out. Their thorough approach initially raised some eyebrows but SupplyCompass now has more than 200 supply chain partners and secured £1.5m in seed funding in 2019. "When we first started I was a little naive, but with naivety also comes fresh thinking," Davidson says.

"When you're trying to disrupt an industry and change behaviors, you're trying to build something that's never existed before. You can't just imagine that on your own – you need to get people to come on that journey with you," she adds. "I went to a factory in India with our MVP product. They said no software company had ever come to ask them how they would like to work better.

No one goes there in their research phase.”

That’s exactly what the MVP stage is all about – and with that openness comes an element of vulnerability, Ben Gateley, CEO of CharlieHR, says. Their team is currently pivoting from providing software for HR management systems towards helping companies craft their company culture. “You have to start from a place of expecting to get things wrong – no one has all the answers,” he says. “It’s also really important to be vulnerable about the stuff that you’re getting wrong in front of your team. Because then everyone improves, everyone gets better.”

Trust your gut

Testing multiple assumptions, being open to learning, iterating quickly, and hacking with low or no code when necessary (to avoid expensive rewrites later on): these are hallmarks of a great MVP strategy. But it’s also about knowing your industry and tailoring your approach accordingly.

Johnny Hudson, founder and CEO of Remixology, says he’s frustrated with the prevailing startup mantra of just releasing something and learning on the fly. In Remixology, he’s launched a platform and two-sided marketplace that connects people looking to commission music remixes with remix artists and producers and provide workflow tools to aid the process end-to-end. “So many people say just get it [your MVP] out in the world. But that wouldn’t have been right for us,” he explains. “So many companies get burnt in music by doing that too soon.”



Those old startup adages of ‘you must do this, or you must do that’ flies in the face of what you should be doing as a founder anyway: questioning everything and using your instinct to find your way to what feels right.



Johnny Hudson
CEO & Co-Founder
of Remixology

Mabey agrees. Five years after launch, Juro still invests heavily in speaking to their customers but at the MVP stage it's easy to feel overwhelmed. "I see cases where people are stuck in analysis paralysis. They read all the books and talk to the right people but they're too hesitant to act. You're never going to decide whether or not to stake your life on your idea by piling more time into research. That's ultimately what entrepreneurship is about – how quickly you can learn."

Edoardo Moreni, co-founder of fintech startup Emma, laughs when asked what he would do differently if he built his MVP again. "I would take more risks and move 10 times faster. We were figuring all of this stuff out as we went along"



What would you do differently at MVP stage?

Start with something very lean

Expect to get things wrong

Tailor your approach to your industry

Question everything

Move faster

Trust your instincts

Take more risks

Use low code or no code solutions where suitable

Ask early users detailed questions

Build relationships from both sides of your product

Key takeaways

Research whether your solution will positively impact your target market's bottom line

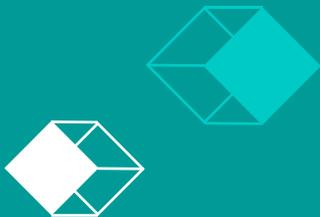
If you're outsourcing your MVP build, look for credibility and take time to ask the right technical questions

Ask early testers specific questions to get the most insight from feedback

Stay laser-focused on the task at hand

Learn quickly but expect to get things wrong

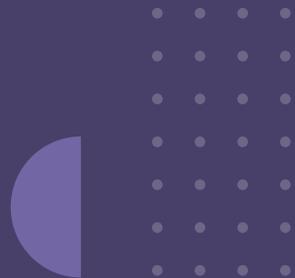
Don't get stuck in analysis paralysis. At a certain point, you need to trust your gut





Chapter 2:

Driving forward with customer feedback



User feedback is essential at the MVP stage. But it should also continue to play a central role as you develop your product further. “I can never understand when businesses say they find it hard to get close to users and learn from them – they’re obviously just not trying hard enough,” Flora Davidson from SupplyCompass says. “In the first four years I was speaking to customers day in, day out. If we hadn't got so many different perspectives – brands, production managers, designers, plus our other core customer base, our manufacturers and suppliers – we wouldn't be where we are now. It painted a much richer picture of where all the common problems were and then how to solve them together.”

Inevitably that will raise competing requests and expectations that have to be managed, she admits, but if anything it's made the relationships they have with their users even richer. “It is hard to satisfy everyone, but I think we've learned that you need to take both sides on the journey with you.

”

We're looking at building more pop-up tips into the platform to make our clients realize that some things can't be done for a reason – explaining to each side of a two-sided marketplace why you're prioritizing certain features is always useful.



Flora Davidson
Co-Founder & Head
of Product at
SupplyCompass

At the end of the day, prioritizing the right features at the right time leads to a better product, which is in everyone's interest. “[At times] we tried to build more than we needed and as a result didn't build all of those features to their maximum potential,” she adds.

Nice to have or need to have?

Faced with lots of feature requests, it's helpful to think about how essential each is to your client's

business, Josh Graham, co-founder and CEO of EHAB, says. EHAB is a smart contract startup for the construction industry. "To choose a focus for your product, you need to speak with the commercial people in the organization who have an oversight of the money side of things," he says. "Various people within the organization will see their day to day, but it's only the commercial team that will see the problems that are really affecting their bottom line."

"It's the difference between a 'nice to have' and a 'need to have,'" he adds.

"Ask how critical to that business's operation is that problem? Especially in construction, there are innumerable 'nice to haves' but we had to focus on what was needed."

Regularly going back to the original problem you're trying to solve, and empowering all members of the team to share ideas will also help set priorities. Nikola Mrkšić, CEO and co-founder of PolyAI, which builds voice assistants for the

customer service industry, has worked hard to adopt this approach at his startup. "As we matured as a company, our product got bigger and better because we listened to each other," he says. "We listen to our sales and customer success teams to make sure we prioritize the features that will have the most impact. There isn't a silver bullet here. You have to stay on top of everything and communicate well across the business."

Evolving needs and market shifts

The team behind ClassPass has had to make a number of changes in recent years, expanding from five countries to 30, and adding a wellness and beauty side to its offering. When the Covid-19 pandemic and subsequent lockdown closed many of the gyms and fitness studios in its network, ClassPass faced its toughest pivot yet. "Almost overnight all of our studio networks couldn't operate. We couldn't charge people on a recurring basis for a service that didn't exist ... we had to evolve

quickly to fit an industry that was suddenly entirely digital," Zach Apter, ClassPass COO, says. That included switching to offering on-demand and live stream fitness classes, and allowing members to pause their memberships if they preferred.

”

Depending on where the change is coming from – let's say it's a change in customer psychology or needs, attitudes, behaviors – get that feedback loop going. Go talk to customers, go talk to suppliers, go and talk to whoever to really understand what is driving the change. Oftentimes you can learn a lot from really getting down to the truth of what's motivating some sort of change in behavior.



Zach Apter
Chief Commercial
Officer at ClassPass

It's been a challenging year for the fitness industry as a whole. But by staying close to their users and acting quickly, the company was as well placed as it could be to handle such a change, Apter adds.

Their global presence has also proven helpful as the world starts to open up again. ClassPass has been able to do early tests in markets such as Australia and Singapore, which will feed into plans for the reopening of larger markets such as London, New York and Los Angeles.

Get uncomfortable

"The biggest learning for me is to keep absurdly and uncomfortably focused on the task. I waste a lot less time now," Richard Mabey from Juro, says. "Identify a value path and be super clear on what you want to achieve. Is it a revenue goal? Is it shipping or improving the NPS [net promoter score] of the product? Relentlessly pursue that path with laser focus. In my experience there aren't shortcuts. You have to put in the work, go the extra mile for everything and make a lot of mistakes."

Key takeaways

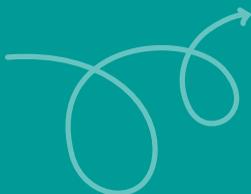
Keep speaking to your customers and use their feedback to prioritize feature development

Ask the commercial teams: is this nice to have or need to have?

Listen to what the market is telling you and be prepared to pivot if necessary

Stay laser-focused on the task at hand

There are no shortcuts – you have to put in the work and make a lot of mistakes along the way





Chapter 3: Finding your first paying customer



Nikola Mrkšić knew he had a good product. PolyAI is built on technology developed in the Machine Intelligence Lab at the University of Cambridge, and is capable of producing a “superhuman customer experience”. Their AI-powered voice assistant can answer customer queries in a truly conversational manner by understanding natural language. But five years ago, the challenge that Mrkšić faced in bringing his product to market was scepticism from the industry that customer service could even be automated at all.

“We knew there was a product market fit and that the ROI our customers could get from this would be huge,” he says. “The big ‘if’ was whether our potential client base would buy into it. A few years ago, you couldn’t pitch a large enterprise with the idea of a human-AI hybrid call center. That would have been considered science fiction.”

Their first paying customers came from conversations – anywhere and everywhere – and in some cases, were even signed at a loss.

“[They] came from taking advantage of any opportunities that came our way – whether that was speaking at a Gartner event or even as a result of discussing call centre acquisition, which we contemplated at one point,” he explains.

Network, network, network

Ewelina Robaczek from Vouchery had worked as a consultant in her sector so had built some trust in the market already. But she published thought leader content about the problem they were solving on LinkedIn, Medium and the company blog, which raised the profile of the product before they had even launched. “I had people reaching out to me asking a huge amount of questions and asking for more information,” she says.

”

In my opinion, producing content really is the best way to become an advocate of the solution that you're trying to build ... [that means] from the start you are building a community with your users and your customers.



Ewelina Robaczek
CEO of Vouchery

Professional networks can be a fountain of potential customers. Stephanie Campbell, the CEO of OKKO Health, for example, had worked as an eye practitioner herself before launching the app, which allows users to monitor eye health at home. “Her 10 years of experience in the optical industry gave us a huge amount of credibility when approaching hospitals and private practices ... [and her network] was invaluable in finding our first paying customers,” OKKO Health’s CTO, Girish Kumar, says.

That said, social media and networking events can also provide a helpful starting point. “You can find your perfect future clients everywhere – in Facebook groups, LinkedIn groups, Slack communities, Meetups. Immerse yourself in them, provide them with value and ask questions constantly,” he adds.

Getting a foot in the door

Joining an incubator or accelerator programme can also open up new networks, if you don’t have one already. While the founding team of shipping logistics startup eTEU had some contacts in the industry, they were mainly at an SME level. Cracking the big corporations open was another matter. “There’s a huge amount of bureaucracy. We quite often got lost in the hierarchy,” COO Kristian Volohhonski says. What did pay off was joining Techstars Smart Mobility Accelerator. “Techstars has been very helpful in providing us with introductions straight to the Head of Innovation, Innovation Departments, Heads of Trade Finance etc. When you are

associated with a program, you get to bypass a lot of hurdles at the bottom of the communication chain," he adds. And once you're through that door, it's all about preparation. "Understanding what they do, what systems they are using and clearly demonstrating how your product can benefit them," he says. "You need to have a very strong value proposition."

Recruit champions

Your first customers can also become your greatest advocates, particularly if they're from significant plays in the market, Mrksic from PolyAI says. "A lot of people will tell you to build awareness, but that's a really tall order. Small companies don't have the budget or time to influence the market. Instead, look for champions – look for people with influence who can promote your value whilst you build case studies. Show people what you can do with one client and build from there."

At Juro, the founding team won their first customers "in a scrappy way – cold outreach, cold calling ... the

goal is to identify the cohort that believes in your vision," Richard Mabey says. Then once they're working with you, invest heavily into customer service to keep them there. "If you're actively solving a major pain point, customers tend not to leave or look elsewhere. If you're just investing in new business sales, it's like having a leaky bucket. Customers come in quickly and churn quickly. That's not how you build a sustainable business."

Picture perfect pricing

But once you have a customer, how do you know what to charge? That's a tricky question that is likely to change over time, Mabey adds. Currently, Juro offers different tiers to its customers, from a free trial (50 contracts and one user) to \$90 per user, per month for unlimited contracts, but he's not sure they've got it quite right yet.

”

Our strategy is to get incrementally less wrong about the pricing model over time,” he explains. “There is a constant balance you need to strike – you launch new products and make improvements, so over time you become more valuable. Your pricing needs to reflect that.



Richard Mabey
Co-founder & CEO
of Juro

ClassPass has tested several iterations of its pricing, finally settling on a credit system that acts as a universal currency, domestically and globally. “There’s this need to balance supply and demand,” Zach Apter says. “You can make the supply happy and then demand suffers or vice versa – or supply and demand are both happy, but ClassPass suffers. It’s all about finding that balance.” Ultimately, the startup was able to find what

worked for them by running experiments without preconceptions, and following the data.

”

We were utterly non-religious about packaging the kind of construct or concept that ultimately landed for ClassPass. It was purely about what is the thing that balances those three constituencies and maximizes our unit economics.



Zach Apter
Chief Commercial
Officer at ClassPass

If all else fails, move countries

If you’ve got a great product, made all the right introductions, found your pricing model but your idea still isn’t pulling in paying customers, then what? That’s what happened to Edoardo Moreni, CEO and co-founder of the fintech startup Emma. Since launching in 2018 in

the UK, Emma has attracted thousands of users, who all optimize their spending through the platform. But before the startup became a resounding success, it had a period where it felt like a failure.

“Before launching in the UK we tried something similar in Berlin,” Moreni says. “We were live for six months and we ended up with about 50 users. It was one of the most depressing times of our lives. So we moved to the UK where we thought that the culture was a better fit. In the UK, we had 50 users in two hours.”

Looking back, he admits he and his co-founder should have made the move earlier. “It was obvious it wasn’t going to work [in Germany] by the second month, but we stayed another four. That’s definitely another trait of entrepreneurs – they tend to lie to themselves about these things.

”

It’s difficult to just step back and admit it’s not working and you need to make a big change.



Edoardo Moreni
CEO & Co-Founder
of Emma

“For us, it was poor country fit; for others it might be more product related,” he adds. “Listen to that feedback. It’s all about finding a small niche or group of people you can leverage first – I think that’s the key to gaining traction, no matter what the industry.”



Key takeaways

Become your product's greatest advocate – have conversations, publish content, speak at events about the problem you're solving

Look to the professional networks of your founding team and make new connections via social media or accelerator programmes

Turn early customers into your champions

Be open about evolving your pricing strategy

Listen to user feedback and be open to being wrong about your initial assumptions – if your product's not working, change it





Chapter 4:

Building a technical tribe



Hiring development teams can be a challenge, particularly for non-technical founders. Many startup founders will contract outsourced development teams to build an MVP for them but reach the point where they want to bring that expertise in house. Others are happy to keep that resource external, scaling up or down depending on their build requirements at the time.

CharlieHR took the decision to build their first product in house, after making one of their first hires a lead engineer. "I think in-house versus outsourcing is an interesting question." Ben Gateley says.

”

You have to ask yourself what kind of experience you want to have. Do you want to learn about the technical challenges of building a business? If you do, then build it in-house. If you don't care, then outsource it.



Ben Gateley
CEO & Co-Founder
at CharlieHR

Don't scrimp on talent

With Emma, Edoardo Moreni says they focused on hiring lots of engineers in the early days to build the product as fast as possible. His advice would be to hire the best you can afford – adding more inexperience to a small team can be a false economy. “[Building a team] is the best feeling ever because you can finally delegate and focus on the bigger picture – what you’re doing next, how to grow and what to focus on as a company,” he says.

“I remember we had the opportunity to hire someone I was good friends with at university,” he adds. “They wanted a certain salary and we were very stubborn about it. If I was in a similar position today I would give them more than they asked for.”

”

Settling for average talent to save money will slow you down. Hiring interns when you're a team of four or five people is a huge challenge because you need to spend time teaching them their job. They take up a lot of time, even if they are cheaper to hire.



Edoardo Moreni
CEO & Co-Founder
of Emma

That will of course depend on the founder. At OKKO Health, for example, a graduate straight out of university was perfect for what they were looking for. “We wanted to bring someone in house and nurture them through the process of building the company from scratch,” CTO Girish Kumar says. “The technology was so uncertain at the very beginning, we needed someone who would be comfortable with ultimate flexibility – being able

to change direction many times and start from scratch if necessary.”

Finding candidates...

You've made the decision to hire in house but where do you find the right candidates? It's all about cultural fit and can take a lot of time, Josh Graham from Ehab says. “Technical hires are incredibly difficult. We didn't have the money to use recruiters, so it took my CTO and I two full months of using free websites and platforms, relying on their data to find the right candidates.”

”

Our first step was to make sure the candidates had the kind of cultural fit that we were looking for – incredibly independent, eager to learn and be entrepreneurs within themselves. We knew that we needed our team to be dynamic, be OK with taking lots of risks, throwing products away and starting from scratch along the line.



Josh Graham
CEO & Founder of
EHAB

“Then came the questions around how technically proficient they were. We did a number of exercises we borrowed from the Google hiring guide, which encouraged people to talk about their software development process.”

At PolyAI, Nikola Mrkšić opted for an in-house team too. “In the right circumstances, you can do great

things with outsourced teams but early on we needed that integrated, tightly-knit feel so we all knew what sort of progress we were chasing”.

...Or the right external partner

By using an external development team, Ewelina Robaczek from Vouchery found she had access to more experienced talent than she’d otherwise have been able to afford, and has had opportunities to share costs with other founders. “It’s enabled me to reuse parts of platforms that they built for other clients, and implement them as modules in our platform,” she says of the experience.

“They also opened up a community of fellow founders to me and they’ve got a host of experts that I would never be able to afford in terms of mobile, development and security, for example. I would never have time to find that talent on my own.”

Flora Davidson from SupplyCompass discovered not having a technical founder was

off-putting for some investors. “Eventually we landed on a development agency, who were brilliant. They were critical in training us in building and testing a great product and helping us identify some next steps,” she says. “Then we found a brilliant CTO in India and persuaded him to join us. Having the vision and mission from our software development agency really helped us persuade him to come on board.”

“I think it was a relief,” she adds about finding that external partner. “Because we’d been outsiders to the tech world, we were aware of the gaps in our knowledge. Your digital partner has to be interested and excited by what you’re building. With our agency, it was definitely a personality match. Your outsourced team really needs to understand your vision. They’ve got to live and breathe it almost as much as you do.”

Playing both sides of the field

Other founders will do a combination of both, like Johnny Hudson at Remixology. “Outsourcing

is great because you can control your costs and rapidly scale up or down as and when needed, but you need to more thoroughly spec things which can work against very agile, lean methodologies often adopted by startups. So you can end up heavily project managing developers. You need to have a very detailed understanding of what you need and what they’re doing. Otherwise, you can end up with forks in the project, where you think you’re aligned but aren’t,” he says.

“Hiring internally is amazing but having a permanent overhead is a challenge. There are pros and cons to both, I think you need to sit down and figure out what type of business you are, and what you’re trying to do first before choosing. We’ve found that outsourcing on the technical side works well for us because we’ve established such a good understanding of what we’re trying to achieve and what our users will expect from us.”



In-house team

⊕ Pros

You'll have the on-site expertise and flexibility to test different ideas

Investors will often look for technical knowledge within a founding team

⊖ Cons

Permanent overhead cost that you might not be able to afford

Hiring takes time and can be tricky for non-technical founders

Outsourced build

⊕ Pros

Access to talent you wouldn't otherwise be able to afford

Resources scale up and down, depending on the requirements of the build

⊖ Cons

Finding the right partner for your specific needs can take time

It can prove expensive if you need to change course and start again

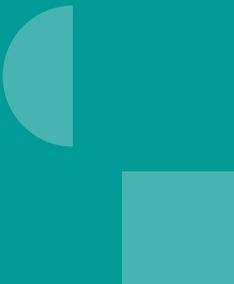
Key takeaways

If you're hiring a development team, hire the best you can afford

Look for cultural fit and make use of free tools – Google's hiring guide is helpful

If outsourcing, look for a development agency that understands your vision

You can always do a combination of both





Chapter 5: Show me the money



It's a truth universally acknowledged that building a successful digital product requires significant investment. At a certain point, all founders will ask themselves the question: do we look for outside funding or let growth happen more organically, building from one customer to the next?

Zach Apter from ClassPass, which raised \$285m in a Series E round in 2020, says that kind of cash injection facilitates future growth. "We have to spend money upfront and our customers pay that back over their lifetimes," he says. "That means your near-term marketing investment is always going to be large. It's really just a question of how big and fast do we want to grow?"

That kind of injection of venture capitalist cash opens a lot of doors. It's a chance to hire a team, build momentum in the market and take the time to look further ahead. The downside of course, is if you're beholden to someone else's vision about where your company should go.

Smart money

PolyAI raised \$12m in Series A funding in 2019. Nikola Mrkšić says bootstrapping the company wasn't really an option for them. "What we're doing doesn't come cheap ... you need to spend a lot of money just to get started." But by choosing investors wisely, they've been able to leverage their advice and networks to propel the startup forward. "Our investors are amazing, I think they always saw the potential of voice AI and our product," he adds.

”

Investors offer great advice and I think that positive tension where people are expecting you to turn their investment is good because it keeps you in check and makes sure you stay ambitious.



Nikola Mrksic,
CEO & Co-Founder
of PolyAI

In 2020, eTEU received a £117,000 grant from Innovate UK, as part of the UK Sustainable Innovation Fund. That's been in addition to other grants from programs (such as Techstars) and VC funding. Kristian Volohhonski says finding the right investors has been challenging in the past but they're now ultimately looking for someone who can offer more than just money. "We've shifted our strategy in terms of fundraising to target VCs, Angels and programs that are industry-specific," he adds.

”

We're now looking for smart money. If you're willing to give away equity, you want to be smart about it. You want to give it to people who will bring continual benefits to your company.



Kris Volohhonski
COO of eTEU

Opportunity to learn

Juro's most recent funding round was for \$5m, led by the New York-based Union Square Ventures (USV), which has also backed Twitter, Twilio, Etsy and Kickstarter in the past. The timing was not coincidental, Richard Mabey says. He's not sure they would have been able to secure such a partner previously. "It's difficult to do this the other way round and use funding to build your product. As an angel investor, people look for some validation of your idea, for example customers or trial users."

”

The more you can do before raising funding, the higher valuation you're going to get.



Richard Mabey
Co-founder & CEO
of Juro

Securing the attention of investors has been a challenge for Flora Davidson from SupplyCompass too. Eventually they agreed on a £1.5m seed fund deal, led by early-stage venture capital investor, Episode 1, in 2019. "There aren't many investors who specialize in supply chain software, let alone fashion supply chain software," she says. "One of our initial challenges was getting people to see how much potential our product had, and how much it could disrupt a huge industry. We also spent a lot of time looking for investors who cared about us making a positive impact. That didn't seem to come up a lot until a couple of years ago, although it is a more prevalent concern now."

"What's hard is people like to invest in something they can relate to – it's difficult to see the potential in something outside of your realm of interest," she adds. "We really had to work on telling a compelling story that connected with them and helped investors place our potential!" But while painful at times, the investment search was helpful, even when they didn't get the answer they were hoping for.

”

I think the best advice someone gave to us was 'don't be afraid! If people give you a reason why they don't invest, build on that. We listen to every rejection we get, which isn't always nice, but it helps us grow.



Flora Davidson,
Co-Founder & Head
of Product at
SupplyCompass



Funding options for startup founders

OPTION 1

Fund it yourself

OPTION 2

Borrow money from friends and family

OPTION 3

Raise money through crowdfunding

OPTION 4

Join a startup incubator or accelerator

OPTION 5

Apply for a small business grant or loan

OPTION 6

Investigate grants and competitions

OPTION 7

Seek help from angel investors

OPTION 8

Pitch to venture capital investors

Key takeaways

The right investor brings more than just money – look for industry knowledge and contacts

Investor expectations can keep you on track

Build momentum and validation of your idea before approaching investors

Even rejection can be helpful – use the feedback to help you grow



Conclusion

Closing remarks from Tivix CEO, Sumit Chachra

If I could sum up my advice to a founder building their first software product in three words, they would be: validate, plan and execute. Everything you need to do falls into one of these buckets.

The most common mistakes I see made are around scope – the question of what are we building? The easy part is writing the code, the hard part is deciding what to write the code for. Typically founders struggle with that the most because they are trying to innovate and carve a niche for themselves.

You want your MVP to test the highest risk assumptions that you've made about your business and future revenue model. The easy bits will fall into place – it's the high-risk assumptions that need to be tested as early as possible. Founders that don't do that are setting themselves up for failure.

As I hope we've been able to highlight in this report, constant communication is key. Talk to your customers. Build small as much as possible and reiterate quickly. Build to delight your customer, but try not to cover too much surface area from the get go.

In building a winning team around you, try to understand why you're making that hire. Do you need a CTO or is it because an investor has told you that you need one, or you've read that you need a technical person on board? Perhaps it might be a better idea to make that person a Technical Architect or Lead Engineer hire, where they have potential to grow. In the early days, you're far better off having someone hands on, rather than a purely managerial role.

Budget will always be a big driver in the early stages, and you don't want (or need) a full-time team of designers, product managers, engineers and architects on the payroll until you're more established. That's where outsourcing can prove very effective. Just make sure you take the time to find a product development partner that is aligned with you and how you see your product. And avoid agencies that claim they can do everything! Instead, look for strong capabilities in product, design and engineering.

You should look for alignment in investors too. They can open doors that you'd never have imagined you could walk through.

In many ways, building software products has gotten easier in the past decade. But at the same time, there's much more complexity today to navigate through. Do your research, surround yourself with talent, and keep the end goal and mission in mind.

I wish you all the best on your startup journey.



Sumit Chachra
CEO at Tivix

TIVIX

Contact Info

Tivix, Inc.
600 California Street
San Francisco, CA 94108

connect@tivix.com

+1 (415) 680-1299

tivix.com