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## Do's and don'ts for valorization

Alain le Loux MSc. MBA

Papendal | 13<sup>th</sup> of October 2015

# Introduction - Alain le Loux MSc. MBA (44)



## Education

1989-1994: University of Twente: Computer Science, Technology Management & Communications



1999-2001: Business School Nederland, Executive MBA, cum laude graduated

**2015 – Valorization Ambassador COMMIT/**

**2010 – 2015: Business Accelerator EIT Digital**

Business Acceleration & Strategic Coaching of high-tech startups in Europe

**2008-2009: CEO Virobuster Technologies**

High tech startup in Air Sterilization  
(customers: hospitals, laboratories, etc.)

Coaching more than 30 European high-tech startups per year.

Involved in more than 200 valorization projects in Europe.

**2001-2004: BU Director, 330 FTE**

**1998-2001: Serviceline Manager, 160 FTE**

**1996-1998: Project Manager**

**1995-1996: Bid Manager**

**1992-1994: My first startup**

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1992

- My first Start Up: Synergy Systems.
  - Software for employment agencies.
  - 2 roles: technical and commercial.
  - I thought: pfff...I need to do a hell of a job to find customers and he can sit down and can programming on his lazy chair....
  - He thought: he is doing nothing, I'm programming during the night and he is sleeping or with friends in the nightlive.



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## Our first mistake

- After one week we received lots of paper mails with advertisements.
  - Tip: On the forms of the Chamber of Commerce (mostly for a startup filled in by the notary) you can notice that you don't want to receive all this advertisements.
- A few weeks later we received our first blue envelope
  - My colleague took care of the blue envelope and filled in the expected revenue
    - € 1.000.000 (€ 1 million !!!)
  - It took 6 months to manage the shit with the national tax office.

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# 2008: CEO Virobuster Technologies



- High Tech Startup: Air Sterilization.
- 3 years R&D. Investment of € 6 million.
- Start on 1st of March 2008.
- Preparing for the London stock exchange.
- 26 May 2008: Press Release.
- Within 2 weeks: 250 interested customers – worldwide.
- Number of leads increased every day !
- How many orders after 1 year ?

☐ 864

☐ 512

☐ 249

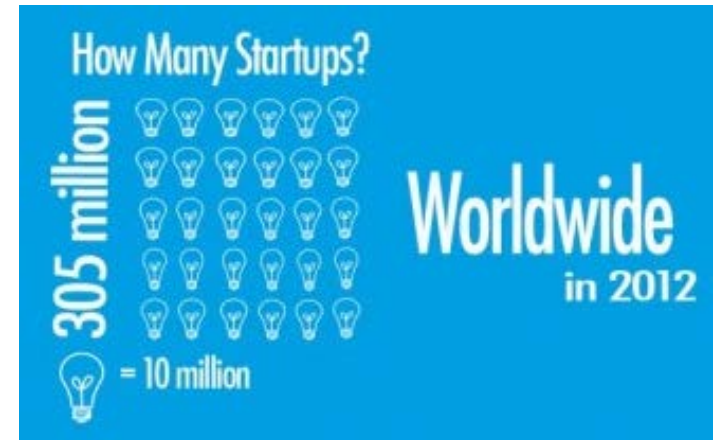
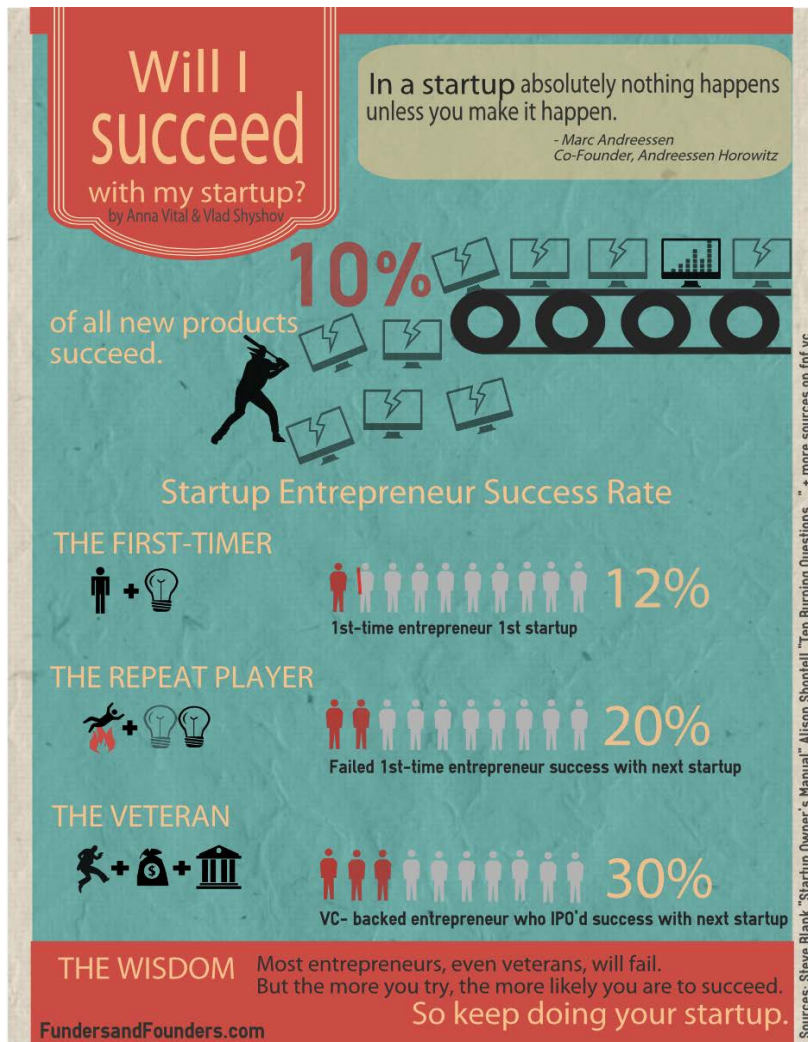
☐ 97

☐ 24

☐ 3

☐ ...?





- 95% is loss-making for the first 3 years
- 9 of 10 will out of business within 5 years

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# Valorization possibilities

- **Patent**

- Transfer of a patent
- Licensing of a patent (e.g. in combination with new contract research)

- **Technology & IP**

- Licensing of technology & IP
- Transfer of technology & IP

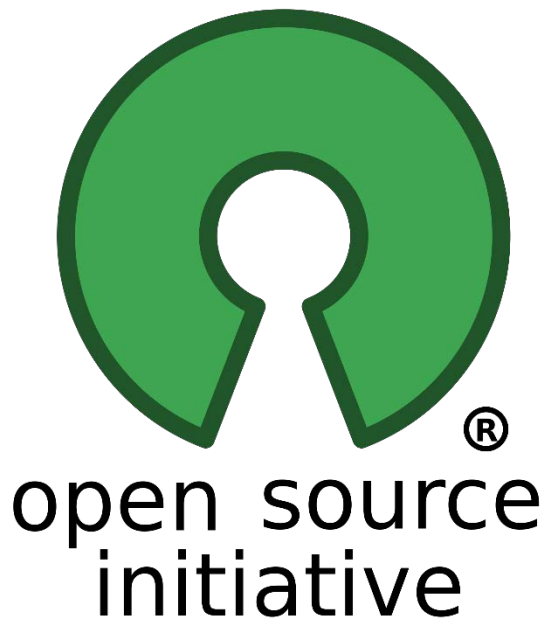
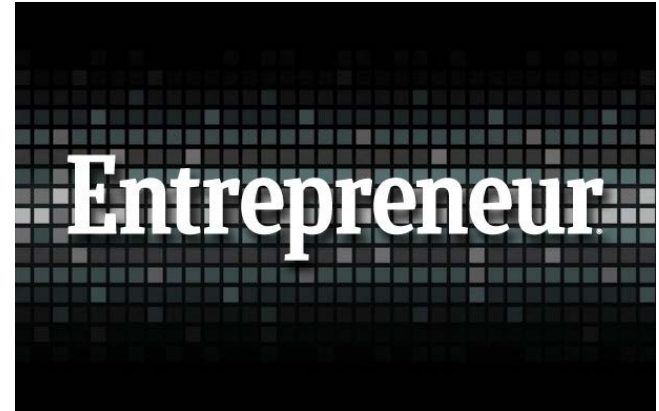
- **Transfer of licensing to:**

- spin-off (created by involved researchers)
- other startup (technology merge)
- (existing) SME
- multinational
- other (for example another research institute)



# Other valorization possibilities

- Technology meets entrepreneur
  - entrepreneurs search
- Open Source



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## 1. Underestimate the time before the company is making profit

- The business case always fits
  - I don't see business plans which are lossmaking
- 99,999% of the startups underestimating the marketing & acquisition costs
  - What is the cost price of getting a customer ?
- First year already fast growing revenue !
  - Realistic: NO
  - Will take in 99% of the cases at least 3 year; before a company is making any profit

## 2. Overestimate the market-size

- Typical thinking:
  - “We made a new personal Heart Rate Monitor. We can make it for only 12 US Dollar and will sell it in the shops for 50 US Dollar. If we sell to 2% of the Chinese people we will be rich.”
- 2% is equal to 27 million devices
  - Do you think such a startup will sell 27 million devices in 1 year ?
  - In 3 years ?
  - In 5 years ?
- It costs really millions and millions and millions on advertisement costs to have at least a small market position (0,0001% is more likely then 1%).

### 3. Funding problems / cash flow problems

- Without (enough) money you cannot
  - startup your business
  - pay your employees
  - pay your personal expenses
- Without (enough) money no one in the world will know your product / service: you need **(a lot of)** money for marketing & sales !!
- Always my **first coaching question**: “how much money do you have (left) and what is your monthly burn rate?”
- BUT: Finding capital will take time and a good preparation!



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# Get funding: prepare for the investors pitch

1. Problem: connect emotionally with your audience
2. Solution: resolve the pain – PRODUCT / SERVICE (DEMO)
3. Business/revenue model: how you make money ?
4. Proprietary technology: your unfair advantage
5. Competition: why you're better than competitors
6. Marketing plan: customer acquisition
7. Financials: quarterly revenues versus expenses
8. Your team
9. How much capital do you need and what will you do with it ?

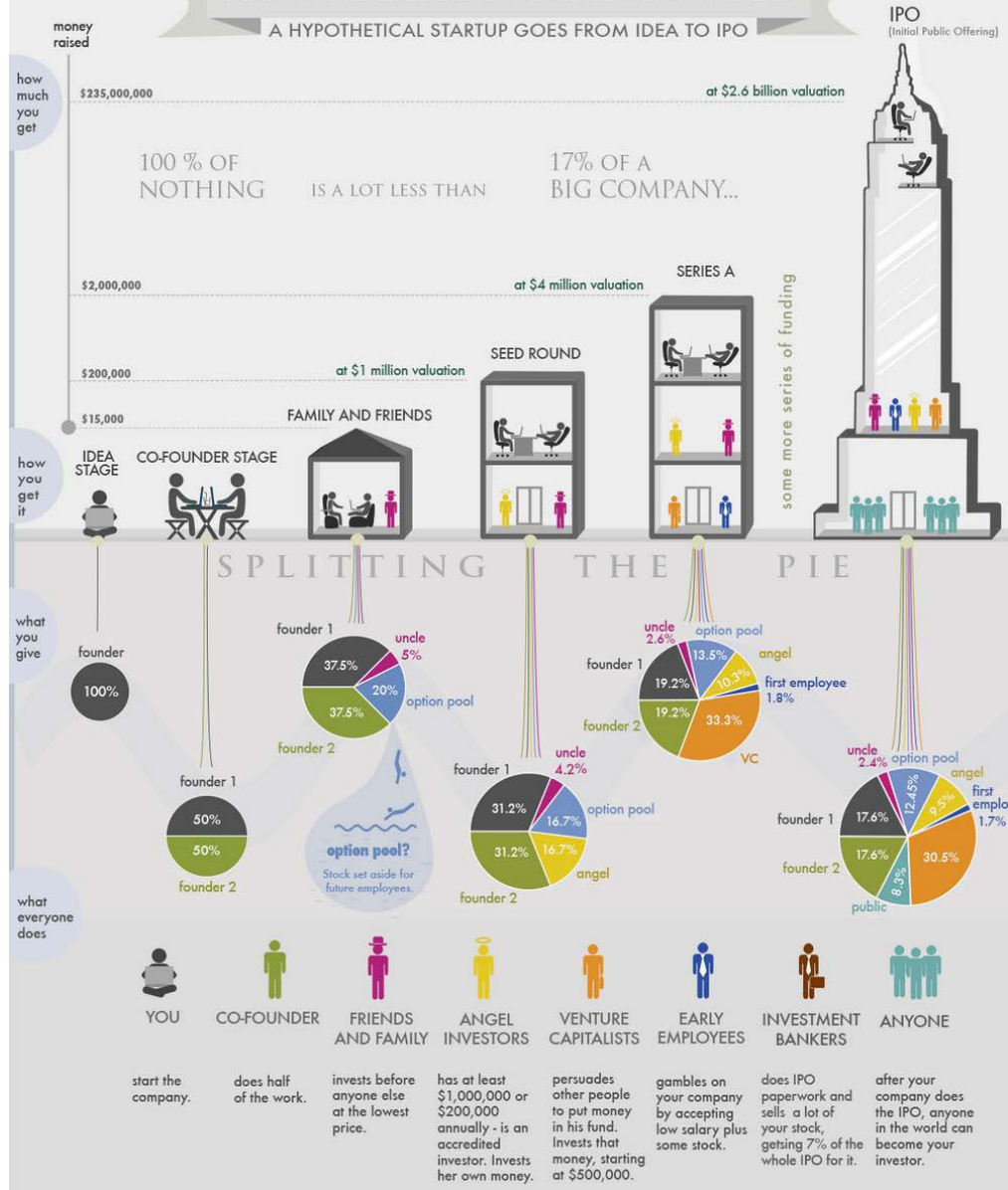
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# HOW STARTUP FUNDING WORKS

BY ANNA VITAL

A HYPOTHETICAL STARTUP GOES FROM IDEA TO IPO



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## Raising money

- Phase 1: own money & FFF
  - ➔ Friends, Family & Fools
- Phase 2 (still early seed)
  - ➔ informals / business angels
  - ➔ crowd funding
  - ➔ subsidies (governmental, EU, etc.)
- Phase 3: growth money
  - ➔ VC's



### Homey, The Living Room — Talk to your home!

by Athom

Homey is speech-controlled home automation. Talk to your home to control everything: from lights to music, from climate to TV.

📍 Enschede, Netherlands

**Successfully funded!**

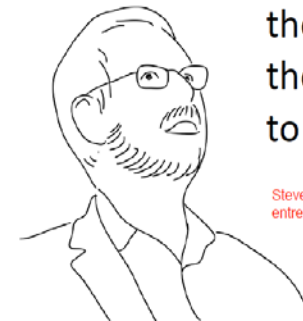
204%	€203,918	Funded
funded	pledged	Jun 27, 2014

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## 4. Problems with customer acquisition

### “Everyone likes it, but no one buys it”

- The problem is that researchers only ask to potential customers, do you like my product and do you want to have it ?
  - Sounds like “Do you like a Ferrari ?”
- With Business Model Testing (Osterwalder) you have to check:
  - Which problem are you solving ?
  - What is the value of that problem ?
  - What do they use now ?
  - Are they willing to change?
  - And how much are they willing to pay ?



“ there are no facts in the building... so get the hell out and talk to customers ”

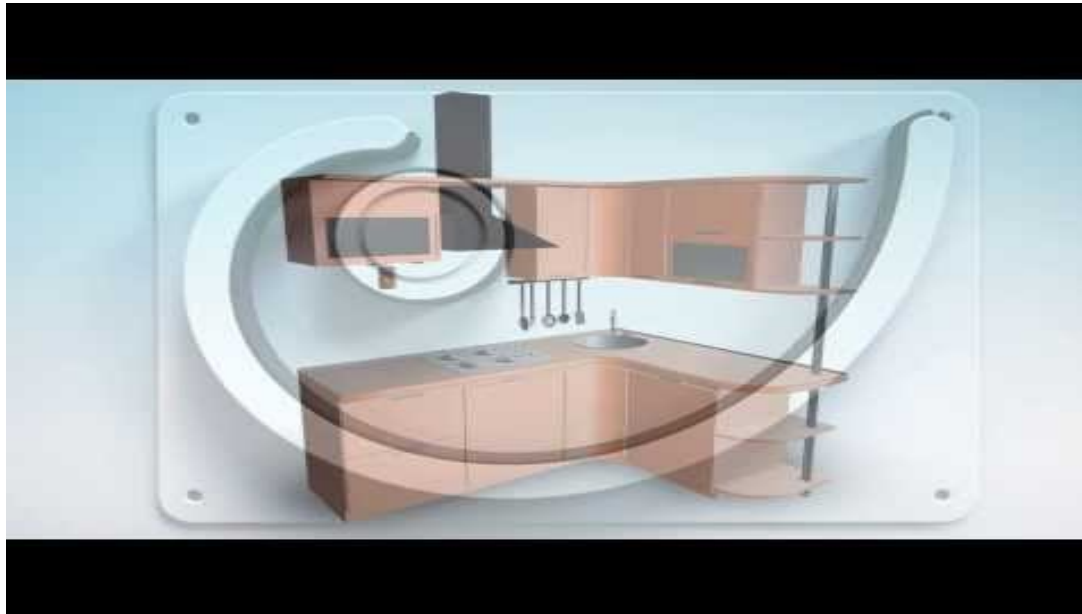
Steve Blank  
entrepreneur & author

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# Business calculations & realistic forecasts

## EXAMPLE: SWIRLID

- The Swirlid is a convenient and beautifully designed opening device



# Business calculations & realistic forecasts

## EXAMPLE: SWIRLID

- The inventor / owner has invited his personal 1,600 LinkedIn relations to buy his device with a special discount: € 35 in stead of € 60 (it was still not available in the shop).
- How much people (personal relations) did order this device ?
- I was coaching this owner and he asked me this question.
  - I said 4.
  - He said “how did you know that ?”
    - actually it were only 3 ;-)
  - He said “I really thought that 800 people should buy it”
    - I said “By the way: I think those 3 bought it because you’re a nice guy”

# Business calculations & realistic forecasts

## EXAMPLE: SWIRLID

There is big difference and between the following:

1. I like the product.
2. Yes, I like it.
3. I would like to have it.
4. Yes, I would like to have it.
5. I think I will buy.
6. I will buy it.
7. I'm sure I will buy it.
  - But when: next week or in 5 years?
  - Why should people order it today ?
  - Why should people pay € 60 ? (it is really a big problem ?)
8. I want to have it this week. I will ask my husband to buy it.
9. I will step on my bike and will ride to the shop ? (even when it's raining ?)
10. Yes, I got it.

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## 5. Pricing and revenue model

- Lots of researchers spend a lot of time with the discussion “What must be the price ??”

The answer is: **NO ONE KNOWS !!!!**

- Ask your customers !
- Do not mention prices on your website (only when you have online subscriptions; even that: you have to test it before going live)
- Use value based pricing models and not a cost price+ model.

**Pricing:** € 5.000 per year  
**Duration:** 3 years#  
**customers:** 3

**Pricing:** € 400 per month  
**Duration:** 3 months for free,  
monthly subscriptions and  
direct accomplishment possible  
**# customers:** 50 customers  
with only 1 successful mailing



## 6. Not the right team

### Most occurring problems

- Not enough experienced sales power in the team (you need proven sales people !!)
- Not enough creativity in the team
- No winners in the team
- Lazy employees (focus on connecting hard-working people)
- Technicians are good but not good enough
  - ➔ Spend time to find the best ones
- Employees are not involved enough (or have other activities as well)
- It is NOT a TEAM



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## 7. Lack of focus / not the right market

**Researchers like to improve and improve and improve and improve their solution**

**STOP IT !**

- Ask your customers what kind of basic functionality they want to have and bring that to the market
- Afterwards you can offer new functionality and can make improvements

**First focus is: making money !**



## 8. Product / service is not as good as expected



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## 9. Problems with scaling up and growing

- Is your business model / service scalable ?
  - Is the technology ready?
  - Can you easily scale up without organizational problems? If not, it is always a challenge.
- How to sell in other countries ?
  - First focus is always: make money and create value !
  - Hire own people?
  - Own office abroad?
  - Or connect distributors ?



### The 12 Scalability Keys

1 Problem Severity	4 Differentiating Uniqueness	7 Validation Proof	10 Operational Scalability
2 Competitive Alternatives	5 Disruption Potential	8 Customer Acquisition	11 Funding Strategy
3 Market Potential	6 Unfair Advantage	9 Revenue Model	12 Team Capability

Market Opportunity

Value Proposition

Early Adoption

Growth Fundability

## 10. Internal troubles within the management team

- Fighting about shares
- Fighting about money
- Fighting about positions and roles
- Fighting about the fact that not everyone is making the same hours per week
- And last but not least “Fighting about nothing”



# Top-10 reasons why startups fail

1. Underestimate the time before the company is making profit (underestimate the marketing & roll-out costs)
2. Overestimate the market-size
3. Funding problems and cash flow problems
4. Problems with customer acquisition (“everyone likes it, but no one buys it”)
5. Not the right pricing and/or revenue model
6. Not the right team
7. Lack of focus / not the right market
8. Product / service is not as good as expected
9. Problems with scaling up and growing
10. Internal troubles within the management team



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# Top-10 reasons why valorization or creation of startups fails



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# TOP 10 STARTUP MISTAKES



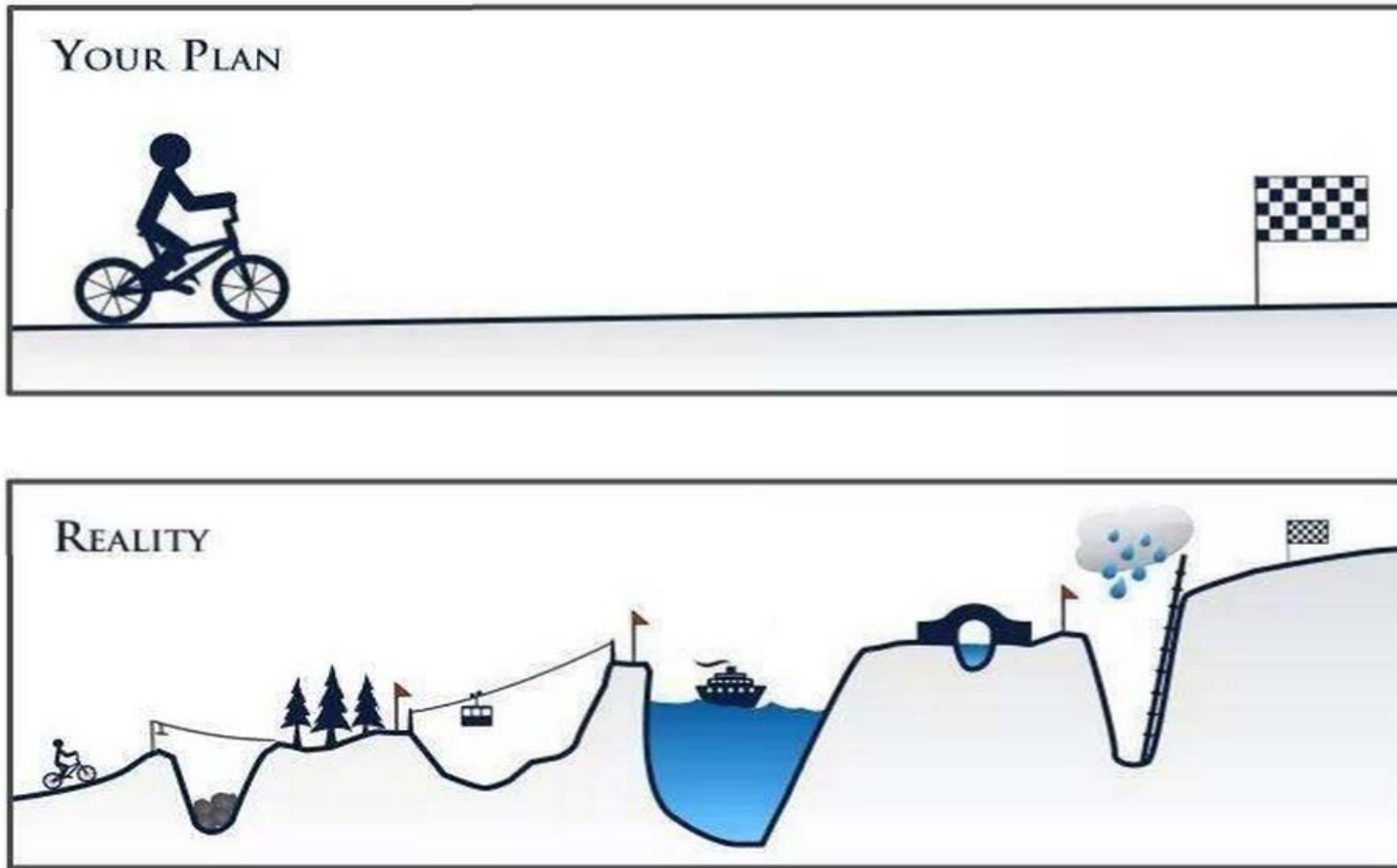
# Valorization Experience



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# Valorization Experience



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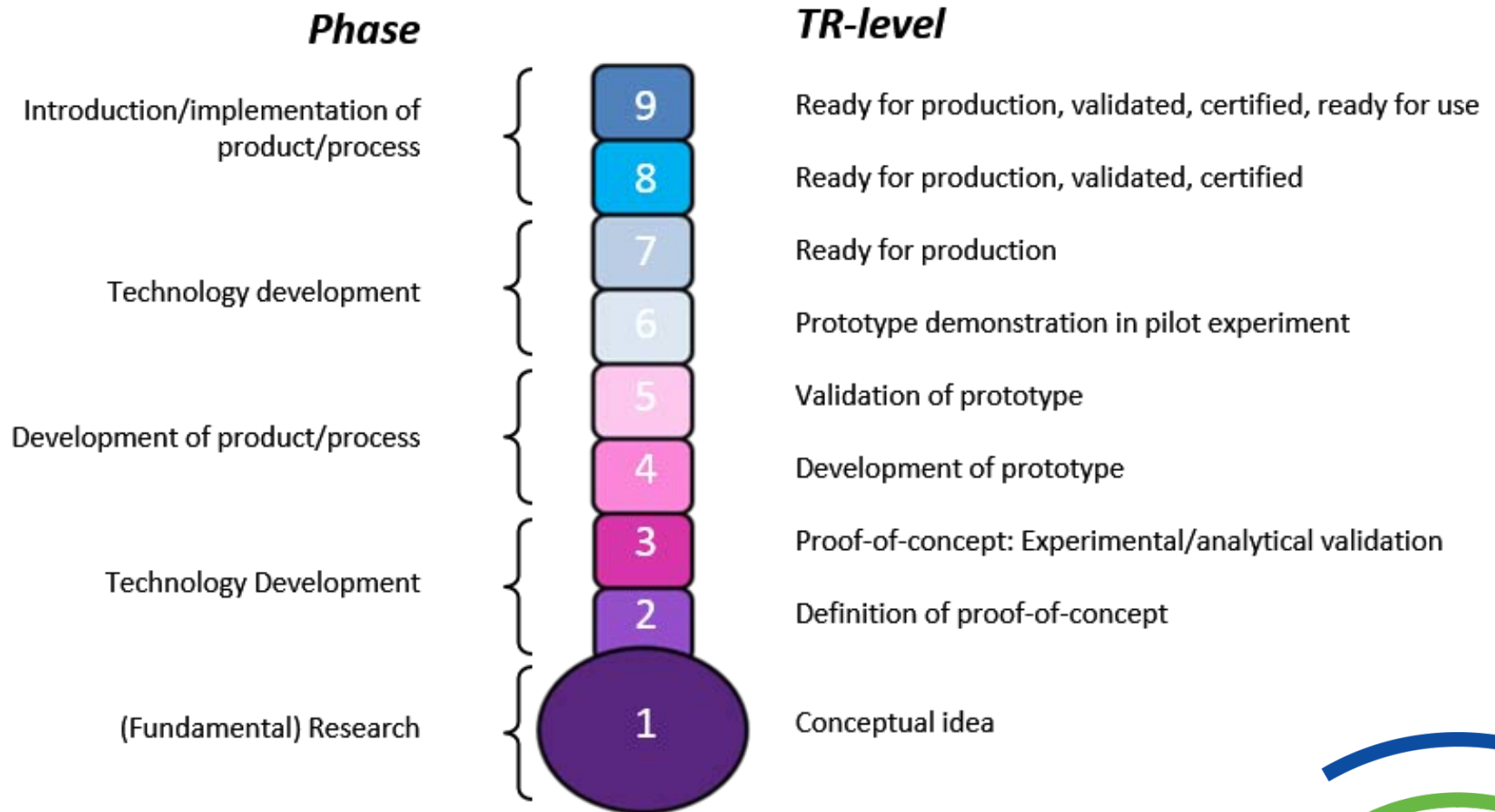
# Recommendations

1. Have fun! When you don't have fun, stop immediately !!
2. Talk with potential customers
3. Focus on launching customers. The earlier you involve potential customers in the R&D process the better.
4. Rule-of-thumb: spend 1 euro for marketing for every euro you spend in R&D / developing your products / services
5. Try to find the right pricing model
6. The lower the thresholds the easier to get new customers
7. Test your business plan with Business Model Testing
8. Commercial skills in the management team is necessary
9. A formal launch with a press release can fasten-up the market entry
10. Find an experienced valorization coach / mentor

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# TECHNOLOGY READINESS LEVEL



# Valorization team



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