GUIDELINES
“STARTUP DEVELOPMENT WORKBOOK: LINK TO EU BEST PRACTICES”

in the context of
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CONTENT

1. INTRODUCTION

This Guidelines document, titled "Startup Development Workbook: Link to EU Best Practices", was developed within the framework of the Erasmus+ Jean Monnet project EUSLink – Ukrainian Academic Integration to European Union Startup Ecosystem: Link to Best Practices. The overall aim of the Guidelines is twofold: at the theoretical level, it seeks to provide structured knowledge on the creation, development, and functioning of startups in line with the European entrepreneurial tradition; at the practical level, it serves as a workbook for startup founders and their teams, enabling them to apply best practices in business modeling, market analysis, fundraising, and pitch preparation.

This workbook is built upon the experience of the European Union's startup ecosystem, incorporating practical tools, frameworks, and educational methods that have proven effective in supporting early-stage ventures. It reflects the methodological and training outputs of the EUSLink project, offering a step-by-step guide that combines conceptual clarity with applied instruments for use in academic, acceleration, and real-business environments.

This Guidelines document is designed with a strong practical orientation, integrating a comprehensive workbook directly into its structure to support real-world application by startup teams. Each section combines conceptual explanations with actionable tools, offering forms, templates, diagrams, and clearly structured information that facilitate hands-on use in the development of startup ideas and strategies. The integration of the workbook ensures that users can not only understand key entrepreneurial concepts but also apply them step by step in their own projects—whether in academic settings, incubators, or the startup ecosystem. This applied format makes the Guidelines a functional resource for both learning and implementation.

Chapter 1 explores the essence and features of startup creation and functioning, emphasizing the unique nature of startups as innovation-driven ventures distinct from traditional businesses. It highlights the mindset required to build a startup, the typical paths of development, and the critical importance of flexibility, risk tolerance, and customer focus. The text also outlines key reasons why startups succeed or fail and introduces a variety of methods for generating and validating business ideas—including brainstorming, trend analysis, the ikigai framework, and Lean Startup principles. By combining theoretical insights with hands-on tools, the section provides a comprehensive foundation for anyone seeking to launch or support an early-stage venture.

Chapter 2 focuses on understanding and defining the target audience in startups, a critical element in shaping effective products, services, and marketing strategies. It explains the importance of

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identifying not only potential customers but also the core audience most likely to engage with and benefit from a startup's offering. The section introduces key segmentation methods—including demographic, psychographic, and behavioral criteria—as well as practical tools such as the 5W method and customer persona development. Special attention is given to distinguishing between B2C and B2B segmentation approaches. By providing a structured approach to audience analysis, this section equips startup teams with the knowledge and instruments needed to better align their solutions with real user needs and expectations.

Chapter 3 delves into marketing in the startup world, emphasizing its strategic role in attracting customers, building brand identity, and validating product-market fit. It presents the essential stages of the marketing process for startups—from defining the target audience and analyzing competitors to crafting a compelling value proposition. The section covers both primary and secondary market research techniques, outlines methods for competitive analysis, and introduces tools for developing a unique value proposition (UVP), including the 4U method and Gain/Pain matrix. By combining theoretical concepts with actionable frameworks, this part of the workbook helps startup teams design marketing strategies that resonate with their audience and differentiate them in the marketplace.

Chapter 4 examines the structure and logic of a startup's business model, offering a detailed overview of how value is created, delivered, and captured within innovative ventures. It introduces the concept of the business model as a strategic blueprint and explores a variety of model types relevant to startups, such as freemium, subscription, marketplace, aggregator, and product-based approaches. Special attention is given to the Business Model Canvas as a practical tool for visualizing and iterating startup logic across key components—customer segments, value propositions, revenue streams, cost structures, and more. By linking theory with practical application, this section empowers startup teams to critically design, evaluate, and refine their business models in alignment with market realities and growth potential.

Chapter 5 focuses on the essence of fundraising for startup development, outlining the key principles, stages, and sources of financial support essential for early-stage ventures. It explains the strategic importance of fundraising not only as a means of securing capital, but also as a tool for validating the startup's value proposition and scaling operations. The section presents various funding options—such as grants, angel investors, venture capital, crowdfunding, and EU-based funding mechanisms—highlighting their characteristics and suitability at different phases of startup growth. Drawing on European best practices and real-world cases, this part of the workbook equips startup teams with the knowledge and practical guidance needed to navigate the fundraising landscape effectively and build long-term investment readiness.

Chapter 6 is dedicated to the development of a startup pitch—from concept to investor presentation, emphasizing its role as a critical communication tool in the fundraising and market entry process. It outlines the key components of a compelling pitch, including problem definition, solution, market opportunity, business model, traction, team, and funding needs. The section provides practical guidance on structuring a pitch deck, adapting the message to different audiences, and avoiding common mistakes in presentation delivery. Drawing on European standards and the experience of the EUSLink project, this part of the workbook offers actionable insights and templates that enable startup teams to confidently present their venture to investors, partners, or accelerators.

This Guidelines document, titled "Startup Development Workbook: Link to EU Best Practices", has been developed in the context of the international grant project ERASMUS-JMO-2022-HEI-TCH-RSCH "Ukrainian Academic Integration to European Union Startup Ecosystem: Link to Best Practices" (EUSLink). The project is co-funded by the European Commission under the Erasmus+ Jean Monnet programme, which aims to promote excellence in teaching and research in the field of European Union studies worldwide. EUSLink is implemented by Lviv Polytechnic National University and focuses on integrating Ukrainian higher education into the European innovation and entrepreneurship ecosystem.

The EUSLink project seeks to enhance the academic and institutional capacity of Ukrainian universities in the areas of startup education, technology transfer, and entrepreneurial thinking by adopting the best practices of the EU startup environment. The development of this Guidelines document is one of the key outputs of the project and reflects its core mission: to combine European theoretical insights with practical tools tailored to the needs of Ukrainian students, researchers, and startup teams. The document plays a vital role in achieving the project's goal of creating sustainable educational and methodological foundations for startup development in Ukraine, in line with EU standards.

CHAPTER 1. THE ESSENCE AND FEATURES OF THE CREATION AND FUNCTIONING OF STARTUPS

1.1. Startup idea and its analysis

A startup is typically a newly formed enterprise—often in the early stages of formal registration—that seeks to build its operations around innovation or emerging technologies. These ventures are characterized by their limited resources and are either in the process of entering the market or have only recently begun to do so. The term “startup” is frequently associated with so-called “garage” companies—small, agile teams working in non-traditional settings to bring novel ideas to life.

While the concept of a startup is most commonly linked to internet-based businesses and the broader IT sector, it extends well beyond the digital sphere and encompasses a wide range of industries where innovation plays a central role.

As Sam Altman, Co-Founder and CEO of OpenAI and former President of Y Combinator, aptly remarked: “The final result formula looks something like this: idea × product × execution × team × luck—where luck is a random number between zero and ten thousand. That’s roughly how it works. And if you succeed in the four elements within your control, you can reasonably expect modest success. What’s remarkable about the startup world is that the playing field is level for everyone—seasoned professionals and first-time founders alike.”

Startups differ fundamentally from conventional businesses. Traditional enterprises typically operate through replication, drawing on tried-and-tested practices. In contrast, startups are built around unproven innovations and often lack an established business model. Instead, they must develop, test, and refine their model through experimentation, learning, and adaptation as they carve out their place in the market.

Every startup begins with an idea—often just a spark in the mind—driven by the ambition and motivation to bring it to life. As Peter Thiel aptly states in his book Zero to One, “A startup messed up at its foundation cannot be fixed.” This highlights the critical importance of laying a solid conceptual groundwork from the very beginning.

At the core of this foundation lies a clear understanding of one’s personal motivation to embark on the entrepreneurial journey, as well as an honest assessment of one’s strengths and the types of activities that bring genuine satisfaction and fulfillment.

The process of generating a viable startup idea should ideally begin with the intersection of two key elements (see Fig. 1): personal passion and unique competence. Only when these factors align can one begin a meaningful and effective search for a startup concept with true potential.

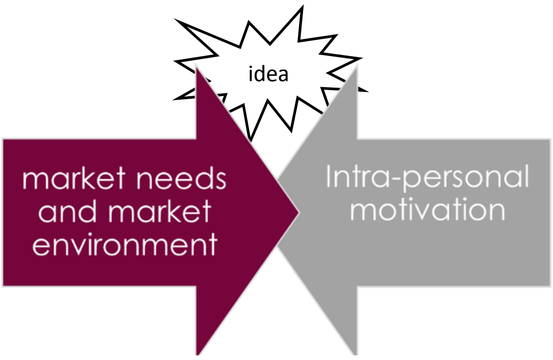

Fig. 1.1. Components of a successful start-up search for a startup idea

The two essential components for identifying a viable startup idea are:

- internal and personal motivation, and
- market needs and the external market environment.

Let us begin with the first—intrapersonal motivation, which plays a foundational role for any individual aspiring to launch a startup or realize an innovative business concept. True engagement in such a demanding process is only possible when one is deeply convinced of their calling and has a clear understanding of their own values, ambitions, and sources of personal fulfillment. Without this internal clarity, sustained commitment is unlikely, and the entrepreneurial journey may lack direction and purpose.

Therefore, recognizing and nurturing one's internal motivation is the crucial first step. Today, a variety of methods exist to help individuals uncover and explore their core drivers. Among the most effective approaches are:

- Freewriting
- The philosophy of Ikigai
- Reading and self-education through literature

Freewriting is a versatile technique widely used in both educational and psychological contexts. It facilitates access to a state of mental flow by encouraging uninterrupted thought expression, bypassing the internal critic or censor. The ultimate objective of freewriting is to tap into authentic inner thoughts, emotions, and aspirations—often buried beneath layers of doubt or social conditioning.

By externalizing thoughts onto paper, individuals can declutter their minds and make room for fresh, creative insights. This process serves not only as a tool for introspection, but also as a filtering mechanism: distinguishing between disposable mental noise and meaningful concepts worth refining into concrete ideas.

Freewriting - a Step-by-Step Guide. To effectively engage in freewriting, it is essential to follow a structured approach. This simple yet powerful method is designed to bypass conscious filters and tap into deeper layers of thought and creativity.

Set the Scene (Timing and Environment). Begin by setting a timer for 30 minutes. Choose a comfortable, distraction-free space where you feel relaxed and focused. Prepare a pen and paper—ideally, a dedicated notebook used exclusively for this practice. It is crucial to write by hand rather than typing, as the physical act of writing enhances cognitive engagement and introspective depth.

Write Freely and Unfiltered. As soon as the timer starts, begin writing whatever comes to mind—spontaneously and without hesitation. Do not stop to edit, organize, or evaluate your thoughts. Suppress the urge to judge or censor what you write. The goal is to let your inner dialogue flow freely and continuously, bypassing rational filters and tapping into subconscious reflections. Let your inner critic remain silent.

Reflection and Interpretation. This final stage is perhaps the most critical. After completing your writing session, take a short break to mentally reset. Then, return to your notebook and read the text carefully—preferably aloud. Highlight or extract any ideas, insights, or patterns that stand out. You may discover a novel perspective, a solution to a current challenge, or even the germ of a compelling startup concept.

This reflective phase is the primary reason for engaging in freewriting. According to some interpretations of the method, it functions as a gateway to the subconscious mind. In daily life, our thinking is often fragmented and rushed, which prevents us from fully developing our ideas. Amid this mental noise, valuable insights may go unnoticed. By creating space for structured, uninterrupted reflection, freewriting enables us to reconnect with our deeper selves and uncover inspiration that is often lost in the fast pace of modern life.

Research on the success and failure of startups is very interesting. Why, for example, do they decline? As part of the CBINSIGHTS study, a rating of the top 20 reasons for startup failures was compiled. So, 42% of startups fail because customers don't need these products. 29% of startups face the problem of lack of funds to launch a project, and another 23% cite an unskilled team as the reason for the defeat.

Why Startups Succeed—or Fail: Insights from Leading Research. Understanding the reasons behind startup success and failure has become a key area of interest for entrepreneurs, investors, and analysts alike. Why do so many startups decline—and what distinguishes those that thrive?

According to a comprehensive study by CB Insights, which analyzed post-mortems of failed ventures, a ranked list of the top 20 reasons for startup failure was compiled. The most cited cause—accounting for 42% of cases—was the lack of market need: startups were offering products or services that customers simply did not want. A further 29% failed due to insufficient capital, while 23% attributed their downfall to having the wrong team or a lack of essential skills.

Entrepreneur and investor Bill Gross, founder of numerous startups and an active supporter of early-stage companies, sought to identify the core ingredients of startup success. After reviewing data from hundreds of ventures—both his own and others—Gross highlighted five critical factors that influence outcomes. Of these, timing emerged as the most decisive. It was followed by the quality of the team and execution. Surprisingly, the idea itself—its originality or differentiation—ranked only third, indicating that even a brilliant concept is not sufficient on its own.

Supporting this view, Sam Altman, president of the renowned startup accelerator Y Combinator, outlines four fundamental pillars of a successful startup: a unique idea, a high-quality product, a strong team, and excellent execution. This perspective aligns with the broader understanding that success is rarely driven by ideas alone; rather, it is the synergy of timing, talent, and implementation that determines long-term viability.

These findings underscore a critical message for aspiring entrepreneurs: while creativity and innovation are essential, success depends equally—if not more so—on external conditions, execution capability, and the ability to build and lead a cohesive, adaptable team

To conduct a qualitative assessment of market needs, we recommend completing analytical Tables 1.1 through 1.3. These tools are designed to help identify the underlying factors that shape consumer behavior and societal priorities.

In the "Trigger" column, record events that were unexpected and had a profound impact on the trajectory of national or global developments. These are pivotal moments—sudden shifts that serve as societal “clicks”—which significantly alter public consciousness or economic conditions.

In the "Shift" column, indicate observable trends that reflect evolving interests, values, or concerns among people. These may include changes in lifestyle, purchasing behavior, communication patterns, or areas of increased social and cultural relevance.

This structured approach will allow for a deeper understanding of the external forces and emerging dynamics that influence market demand, and can serve as a valuable foundation for building a product or service that meets contemporary needs

Table 1.1

Defining trends

Trends		
Trigger	*Shift*	*Early sign*
1	*1*	*1*
2	*2*	*2*
..	..	..
n	*n*	*n*

In the Early sign column, we indicate the so-called "initial trends", that is, products or services at the initial stages of development that attract public attention.

Table 1.2

Assessment of types, areas, and directions of activity

	1-2-5	*1-2-3-4-5*	*0,2-1-2-3*	
Industry	Trending	Passion	Expert	Amount
1				
2				
…				
n				

In the table, you need to enter the types of activities, and areas that you enjoy, and evaluate them according to certain characteristics. At the end, we determine the amount for each item and summarize the results, determining which area gets the most points and where you are an expert.

Table 1.3

Assessment of types, areas, and directions of activity

Industry	Problems	Solutions	How can you turn this into a business?
1	*1*	*1*	
	2	*2*	
	…	…	
	n	*n*	

Based on the analysis conducted in Tables 1.1 and 1.2, we now turn to Table 1.3, which serves as a tool for identifying specific problems within a selected area of focus for a startup. These issues should be entered in the second column of the table, followed by suggested solutions. The objective is to determine which of these problems resonates most with your personal interests or societal concerns, and to explore how a proposed solution might evolve into a viable business—ultimately generating profit.

The scope of potential problems is broad and may stem from various aspects of daily life. To structure your thinking, consider exploring issues in the following four key domains:

1.Home Environment. Issues related to heating, air conditioning, sewage systems, remote control of devices, security, cleaning, maintenance, and household automation.

2. Social Environment. Needs and challenges faced by people around you—neighbors, friends, colleagues—which may reveal common, unsolved problems that offer entrepreneurial opportunities.

3. Workplace. Inefficiencies or limitations in current business models, office productivity, communication tools, or workflow management systems.

4. Local Market Conditions. Analyze the characteristics of the local economy, consumer behavior, and supply-demand gaps that may present commercial opportunities.

5. To identify and formulate promising startup ideas, various ideation techniques can be employed:

Brainstorming is the most widely known and practiced method, developed by Alex Osborn in the United States during the 1940s. This approach is based on the principle of collective ideation, encouraging the generation of a large number of ideas without immediate evaluation or criticism. Participants are encouraged to build upon each other's suggestions through associations and analogies. Ideal group size ranges from 5 to 10 participants, and a productive session may yield up to 100 ideas in just 90 minutes.

Shadow Brainstorming. An asynchronous variation in which participants submit ideas independently before group discussion, helping to eliminate the influence of dominant personalities and promote diversity of thought.

Method 635. A structured technique where six participants each write down three ideas and pass them along five times, with each person building upon the previous suggestions—resulting in 108 ideas within a short period.

Question Method. Generating ideas through a structured series of probing questions that challenge assumptions and uncover hidden needs.

Decomposition Method. Breaking down a complex system or process into smaller parts to identify weaknesses, inefficiencies, or innovation opportunities.

These ideation methods help stimulate creative thinking and allow entrepreneurs to uncover pressing problems and latent market needs. Ultimately, identifying a real-world problem and designing an innovative solution around it is the first step in creating a meaningful and profitable startup.

1.2.Validate Before You Build: Practical Methods for Testing a Startup Idea

Before committing substantial resources to crafting a “perfect” product, it is essential to validate the underlying idea. The following approaches can help you assess viability quickly and rigorously:

- Three-Question Test (Express Method)
- Target-Audience Survey
- Lean Startup Methodology
- 10-Second Test

Three-Question Test. This rapid self-check helps determine whether you are headed in the right direction. Ask yourself:

1. *What problem does my idea solve?* (A venture without a real problem to address will not gain traction.)
2. *What is unique about my idea?* (What differentiates it from the many competing offerings in the market?)
3. *Am I prepared to commit fully—even to the point of working around the clock—to bring this idea to life?*

Lean Startup Methodology. Drawing on Eric Ries’s *The Lean Startup*, this approach treats assumptions as hypotheses to be tested continuously. The goal is not only to gauge interest, but also to validate whether customers will pay at the intended price point—the true definition of a customer is the one who pays. Start with a simple landing page (“smoke test”) supported by targeted ads. Describe the product succinctly and include a clear Buy, Pre-order, or Join Waitlist call-to-action. Use A/B variants to test different prices and feature sets. Analyze click-through and conversion data to estimate demand before building a full prototype. In essence: ask first, then build.

10-Second Test: A Rapid Self-Assessment Tool for Startup Ideas. Another quick and effective method for evaluating startup concepts is the 10-Second Test, developed by Janet Kraus, entrepreneur and faculty member at Harvard Business School, and founder of Circles and Spire. This approach encourages founders to assess their ideas through the lens of real customer value by asking one fundamental question:

Is my product perceived by potential customers as oxygen, aspirin, and jewelry?

- “Oxygen” refers to essential products or services—those without which daily life becomes unsustainable. These include fundamental needs such as food, shelter, and basic clothing.
- “Aspirin” represents solutions that alleviate discomfort or improve quality of life. While not critical for survival, these offerings bring noticeable ease or satisfaction—such as coffee, ergonomic furniture, or productivity apps.
- “Jewelry” symbolizes luxury or indulgence—non-essential but emotionally or aesthetically appealing products. Examples include designer accessories, artisanal desserts, and video games.

Kraus emphasizes that a strong startup idea ideally fulfills all three categories: it satisfies a core need, improves the user experience, and adds a sense of delight or aspiration. However, she also warns that brutal honesty is essential—entrepreneurs must objectively recognize when one of these elements is lacking. This awareness allows for timely adjustments and more strategic planning before moving to development or launch.

Fundamental Principles and Strategic Questions for Building a Successful Startup (written by Peter Thiel)

1. Start with a Hidden Truth. Great businesses often begin with a “secret”—an insight hidden in plain sight that others have overlooked. The most promising entrepreneurial opportunities lie in areas that remain untouched by excessive standardization or are not yet bound by rigid norms. Look where others are not looking.
2. Build a Mission-Driven Team. A startup is not just a product—it is a group of people united by a bold vision of a different future. The most valuable asset of a new company is not merely creativity but *new thinking*. A small, agile team is ideally positioned to challenge convention and act with flexibility.
3. Target a Narrow, Underserved Market. The best initial market for a startup is a tightly defined group of customers with specific needs and few or no existing alternatives. Large, saturated markets are generally a poor choice for entry. A focused approach allows for deeper engagement and easier customer acquisition.
4. Do Not Underestimate the Competition. Entrepreneurs often fall into the trap of narrowing their market definition to appear dominant. However, downplaying competition can be a fatal error. Accurately assessing the competitive landscape is essential for sustainable strategy.
5. Being First is Not Enough—Aim to Be the Last. First-mover advantage is a tactic, not a long-term strategy. Being the first in a market offers little value if a better-equipped competitor displaces you. A more powerful position is to be the last major entrant who reshapes the market and enjoys monopoly advantages for years to come.

6. Understand the Sources of Monopoly Power. Successful monopolies often emerge from a combination of key characteristics: proprietary technologies, network effects, economies of scale, and strong brand identity. Each of these can build a durable competitive moat.
7. Distribution Matters as Much as Innovation/ No matter how groundbreaking a product may be, its value is limited unless there is an effective strategy for distribution. If customers are unwilling or unable to buy, even the most advanced innovation holds no commercial potential.
8. Get the Foundations Right from the Beginning. Startups that make critical errors early on are rarely able to recover. A solid initial structure—built on clear goals, sound decisions, and the right people—is essential for long-term success.
9. Ownership, Management, and Governance. Typically, a startup's equity is shared between founders, employees, and investors. Day-to-day operations are managed by executives and specialists, while strategic oversight is provided by a board of directors, which often includes key founders and investors.
10. Use Equity as an Incentive, Not Salaries. Startups should avoid offering high salaries and instead leverage equity to align incentives. Ownership stakes motivate team members to contribute to the long-term value of the company, not just short-term tasks.
11. Design for Scale from the Start. A well-designed startup should be built with scalability in mind. The ability to grow exponentially should be embedded into the product, operations, and strategy from day one.
12. Culture is Built Around People. Company values and operational rules must reflect the people who comprise the team. A startup culture succeeds when it resonates authentically with its members and reinforces a shared mission.

Seven Essential Questions Every Entrepreneur Must Answer

1. Technology. Are you building a truly innovative product that offers a breakthrough, rather than incremental improvement?
2. Timing. Is now the right moment to launch this venture?
3. Market Positioning. Are you starting in a niche where you can quickly become a market leader?
4. Team. Do you have the right individuals to execute your vision?
5. Sales. Can you not only create but also sell your product effectively?
6. Durability. Will your business still be strong and competitive in 10 to 20 years?
7. Unique Insight. Have you discovered a hidden opportunity that others have failed to recognize?

CHAPTER 2. UNDERSTANDING AND DEFINING THE TARGET AUDIENCE IN STARTUPS

2.1. General overview of the target audience
2.2.Approaches to defining the startup's core customer base

2.1. General overview of the target audience

A target audience (or target group) is a group of people who are most likely to be interested in an offer and order a specific product or service.

The main value of the target audience is that representatives of the selected group are likely to want to buy a certain product. Therefore, the marketer creates an ad taking into account the taste preferences or characteristics of this particular group, which significantly increases the effectiveness of the advertising campaign.

And if you think that the target audience of your store is "women and men aged 25-35 who have high incomes", then we move on to the next point. Such generalized information will not give positive results!

Why do you need to know your target audience well?

This provides:

- building the most successful advertising campaign (SMM, banner, contextual, mailing lists);
- creating an optimal product range for a particular target audience;
- communication with customers, Organization of promotions, sales and other campaigns aimed at attracting new customers;
- reduce time spent on business development and promotion;
- selection of new products, creation of unique products that are interesting for a particular target audience

Is the target audience well or poorly chosen?

When choosing the target audience of online stores, owners often make one mistake: they choose too wide a target audience. It seems to cover all potential customers, but it does not contribute to the payback of advertising and business promotion.

A broad target audience assumes that the product sold may be of interest not only to a representative of a particular audience, but also to another group that is authoritative in choosing the product. For example, toys are chosen by children, but bought by parents, cosmetics are chosen by a woman herself, but a man can buy as a gift.

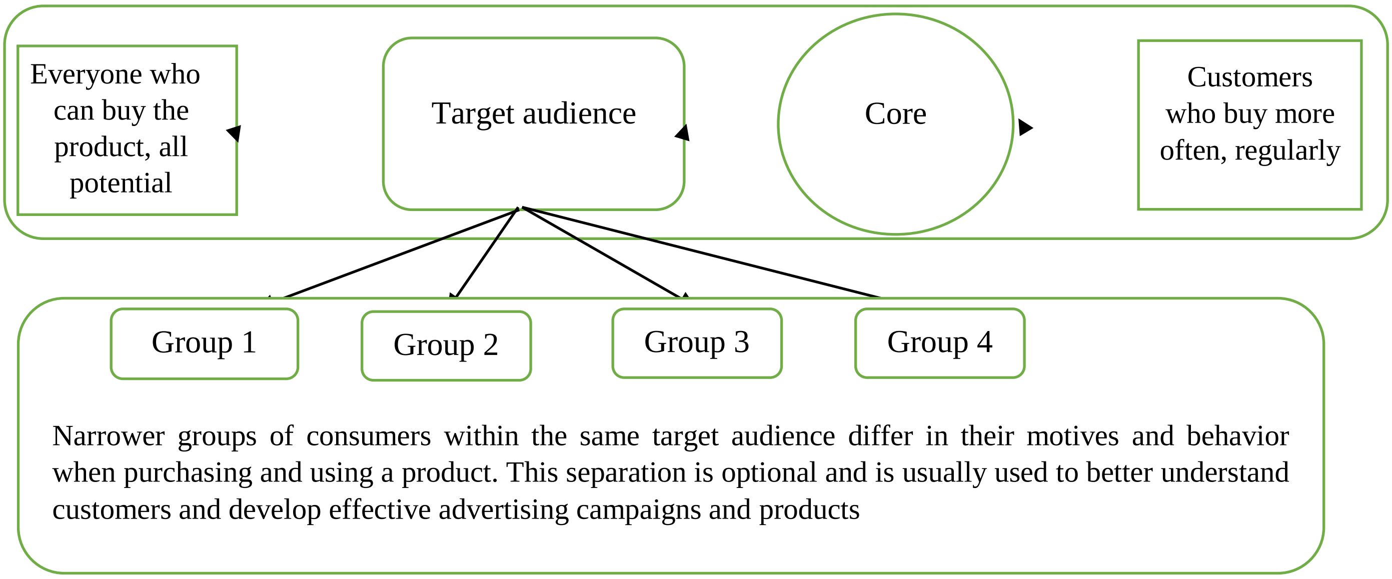

Figure 2.1. Target audience structure

Usually, a marketer divides a wide target audience into several segments to meet the requirements of customers from different target groups. After all, a broad target audience is not a carrier of the same needs and interests.

Here is a more detailed example of a broad target audience, which we will break down into segments:

1. Tickets for buses of the company "Shlyakh", the service is designed for buyers of different ages.

2.Target audience: women and men from 18 to 80 years old.

3.CA includes the CSI strata of the population.

4. Marital status: married/single.

5. Interests: travel, work, leisure, and others.

6. The core of CA is women and men from 18 to 60 years old.

Conventionally, the above broad target audience can be divided into three groups:

1. Young people and students aged 18-27 who travel to another region to study rarely leave for tourism purposes.

2. Businessmen. Age-30-55 years, go on business trips, on vacation to remote regions, to meetings with partners.

3. Elderly people, 55-70 years old, who buy cheap tickets for tourist purposes or for a trip to visit children in another city.

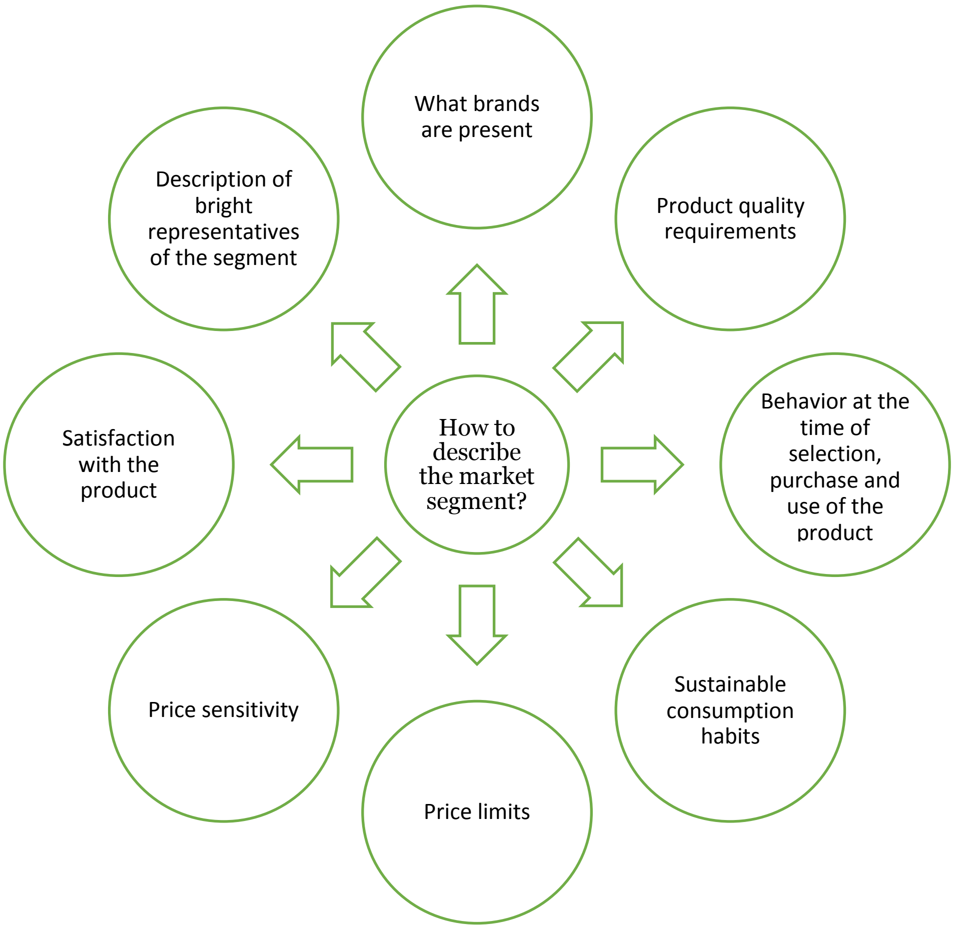

Figure 2.2. Main accents in market segmentation

Each group requires special advertising, promotions, and offers. But representatives of these groups who are interested in various ads will still end up on the same bus.

Given this, specifying the target audience is more effective.

Let's look at an example of specifying the target audience of a clothing store.

1.The Fashion year designer clothing line is designed for customers from 30 to 40 years old.

2. Target audience: women from 30 to 40 years old.

3. CA core: women aged 32 to 38 years.

4. Geography: Ukraine, megacities.

5. Average income of the target audience: starting at 30 thousand hryvnias per month.

6. Field of activity: work in large corporations / it sphere, have the means to purchase branded clothing.

7. Education: Higher / several higher.

8. Activity period: from 7-8 PM to midnight.

9. Interests: want to look stylish, dream of a new marriage and career growth.

10. Character traits: self-sufficient, successful, passionate about work, spend little time with children, prefer to relax abroad.

11. Marital status: have 1 or more children, divorced.

Such a specific description will allow you to reach a narrow circle of buyers who will definitely be interested in your offers. You already know where to look for your potential target audience, which will optimize your marketing costs.

Students and women 50+ are also interested in designer items, but they will make purchases very rarely or become customers of a lower-price store. This way, you will immediately reduce the segment of insolvent and disinterested buyers.

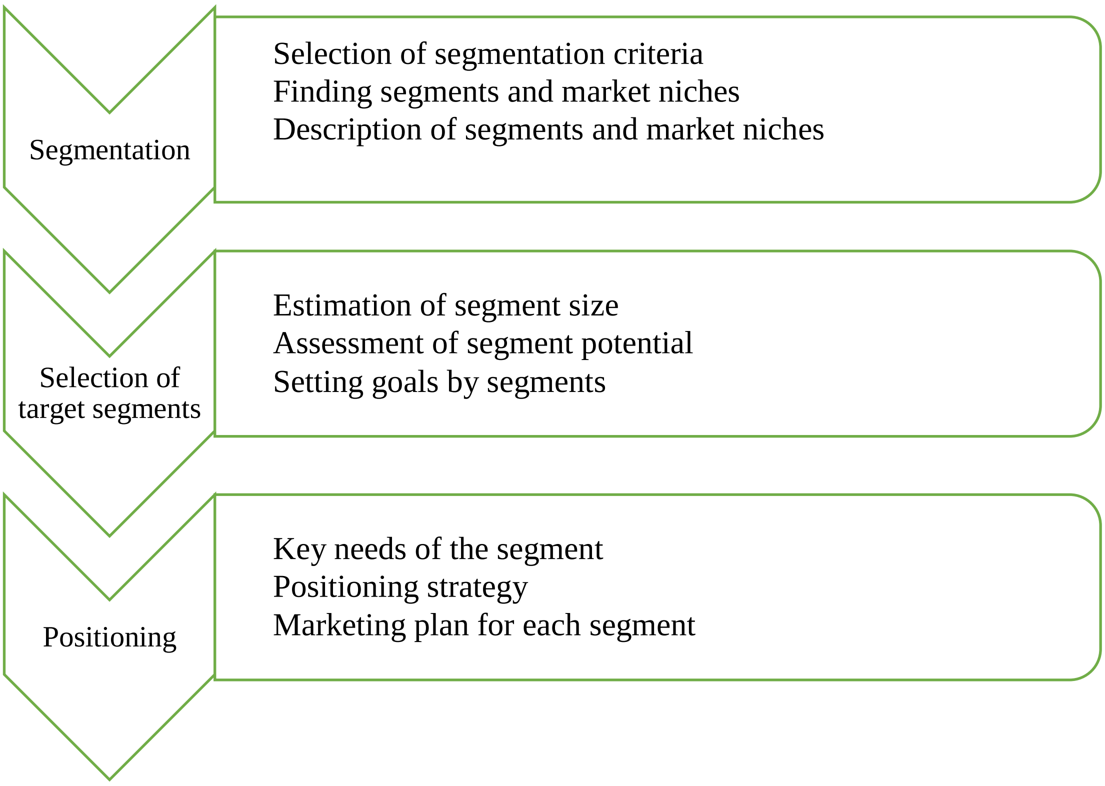

Figure 2.3. Market segmentation process

2.2.Approaches to defining the startup's core customer base

To determine the site's target audience, you should follow the list consisting of the following items:

1. Basic characteristics (gender, age, geography).

2. Interests that you can find out about by searching in social networks and interest groups.

3. Solvency of potential customers. If you sell VIP tours to exotic countries, then in most cases students, mothers on maternity leave, state employees, etc. cannot enter your CA.

4. Tasks. Here everything is simple: What problems can your product solve? The answer will help clarify the situation.

The larger the list, the narrower the target audience, but there are special methods and auxiliary criteria for determining the target audience. Let us consider them.

B2B and B2C when building a target audience. Can the target audience of one online store belong to the B2B and B2C types at the same time? Of course, because a cosmetics store can sell products to private clients and beauty salons.

If your end users only belong to the B2B type, it will be easier for you. The fact is that the B2B segment is more stable, of course, except for periods of crisis. But the B2C type is not stable, since the market of goods is annually filled with modern technologies, new developments, and improved cosmetics formulas, which leads to sharp fluctuations in demand.

Therefore, if your business belongs to the B2C type, you need to monitor the market almost every month, noticing the slightest changes. This is necessary for timely correction of target audience data. When choosing buyers for the B2C type, it is worth remembering the main mistake – too wide a target audience. To avoid it, you must perform segmentation.

Demographic	Social	Geographical	Psychographic
sex age nationality marital status	educational level specialty source of income income level	country settlement population size climate	life position values interests Lifestyle

Figure 2.4. Characteristics of the target audience

How do I Segment my target audience? Studies of large audiences show that communication is easier to establish with small groups of customers united to a single target audience. There are four basic principles of segmentation:

1. Geographical, when the consumer market is divided by Country, region, and street, depending on the scale of the project.

2. Demographic (age, gender, religious affiliation, family). The purchasing activity of different groups depends on these characteristics.

3. Socio-economic characteristics. This includes education, income level, and housing conditions. This criterion will indicate the buyer's preferences and ability to pay.

4. Psychographic criterion obtained by studying social status, Life Principles and lifestyle.

The following analysis tools are used to get information and further break down the target audience:

- questionnaires that occur on the site or in a group in social networks. Allows you to get information about age, preferences, and other important data about consumers;
- internal and external (on third-party sites) surveys of potential audiences;
- surveys and other research conducted by marketing companies.

Today, a tool from Google can be used to search and segment the target audience – This Is Google Ads. You can upload your own information to the new service using Google data to set up ad campaigns.

Mark Sherrington's 5W technique

To determine the target audience, you need to perform market segmentation using five key questions (Sherrington's 5W):

1. What? (product type)
2. Who? (consumer type)
3. Why? (purchase motivation)
4. When? (when customers want to shop)
5. Where? (place of purchase)

Table 2.1

Market segmentation: 5W method

Questions	Segmentation method
What?	Segmentation by Product Type. For example: water in 5L cans, premium water, water in plastic bottles, etc.
Who?	Segmentation by consumer type. For example: men, women, children, teenagers etc
Why?	Segmentation by type of motivation for making purchases. For example: the need to drink water every day, health care, environmental problems, etc.
When?	Segmentation by the situation in which the purchase is made. For example: daily visits to the supermarket, purchases in the summer "on the go" to quench your thirst, etc.
Where?	Segmentation by sales channels. For example: sales in supermarkets, kiosks, etc.

As you can see, the results obtained will be the final chord in the process of market segmentation, allowing you to identify the target audience. Using this technique, you can create effective advertising and presentation for your startup, taking into account the needs, needs and lifestyle of the target audience.

Portrait of the target audience. A portrait of a target audience is an exact characteristic of a bright representative of a particular target audience. That is, it is an imaginary person, to whom marketers come up with a name, age, hobbies, etc., and sometimes even take a photo. Naturally, all the characteristics of this person correspond to the audience to which he belongs.

To create a portrait of the target audience the following scheme can be used:

1.Social characteristics that include gender, age, family status, income, and profession.

2. Data on how it spends its time (forums, thematic sites, online stores, social resources).

3. What problems will your product/startup help a potential buyer solve?

4. What feelings will your product evoke in a potential buyer? Will it provide beauty, a toned body, rest or something else?

5. Why should a customer buy your product instead of following a competitor's link?

Creating a target audience portrait will help you find a common language with your target audience. The purpose of the portrait is to give the received data a face and character, because working with depersonalized statistics is not so effective.

CHAPTER 3. MARKETING IN THE STARTUP WORLD

1.1. What is startup marketing?

Startups are becoming increasingly important in today's economy: fast response, growth-oriented strategy, and high flexibility help them overcome the financial crisis better than large companies that respond more slowly. Indeed, the growth of startups is encouraged by almost all governments in developed countries, for example, by simplifying regulation or allocating special funds. In the United States, this entrepreneurship model has created more than three million new jobs and several hundred billion dollars in revenue. In Europe, the startup ecosystem is growing rapidly in London, Berlin and Paris, where a favorable "business climate" has been created for newly created enterprises.

However, the growth of startups depends primarily not on a favorable business climate or location, but on the ability to identify the problems and needs of the client, offer the best value proposition on the market and establish high-quality communication with the client. As soon as an entrepreneur finds an approach to his clients, his chances of selling them a product/service increase significantly. Moreover, as soon as a startup becomes recognizable to the audience, and product reviews are widely known to customers, the demand for your startup's products will significantly increase, and at the same time – the financial situation of your company.

Once a startup's product gains the favor of customers and fixes its characteristics in the minds of the target audience, the startup gets loyal customers who are ready to re-buy the product of this particular brand, despite the advantages of competitors ' products. The success of a startup and the chances of further business growth also depend on the reputation of the brand and owners among the target audience.

All the tasks described above are solved using marketing tools. Marketing is the ability to create a situation in which the client will happily give their money for the products or services offered by the startup. The main tasks of a startup marketing are to study the opinion of a potential customer, create the best value proposition and bring the product to market. After that, startup marketing focuses on scaling by increasing the startup's brand awareness, gaining customer loyalty, and a positive business reputation. All these aspects of marketing are implemented through well – established communication with the client and can be both traditional for marketing-outdoor advertising, mass media (TV channels, radio, print publications), and the latest ones that have been actively used over the past 10 years. The list of communication channels that are already actively used and used by marketers and entrepreneurs in the XXI century is shown in Fig. 3.1.

Figure 3.1. Entrepreneur's communication tools

There are many definitions of marketing in the scientific and business world. The American Marketing Association gives its own definition: marketing is the activity, a set of institutions and processes for creating, communicating, delivering and sharing offers that are valuable to customers, partners and society as a whole.

Startup marketing is the marketing of small firms and startup ideas that grow through active and effective interaction with the market as unplanned non-linear marketing activities carried out by entrepreneurs or startup owners-managers. Kraus (Kraus, Harms, & Fink, 2010) offers a definition focused on the concept of marketing and entrepreneurship: startup marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and managing customer relationships in ways that benefit the organization and its stakeholders, and they are characterized by innovation, risk-taking, initiative, and it can be done without controlled resources.

From the point of view of entrepreneurship, marketing is the business process of creating relationships with customers and meeting their needs (problems, fears, expectations) with profit.

So, how do you become more adept and proficient in marketing? How can I advertise my idea profitably in order to gain an audience? This section will help you use professional marketing for your business idea.

If a startup is already launched and you don't have a specific marketing plan to promote it in the market, you will fall behind your competitors. In order for your startup's marketing to be as effective as possible, a marketing plan must be created at an early stage so that the entrepreneur is ready to start the marketing process along with starting the business. Next, we'll learn more about the marketing process and the specific steps you need to take to make your startup successful in the marketplace.

The main process of marketing a startup consists of several stages in this process, you, as an entrepreneur, should be an active participant in its construction, implementation and, if necessary, changes. The implementation of the marketing process for a startup involves:

1. Identify the target audience.
2. Target market research
3. Analysis of competitors and their products.
4. Create the best value proposition for the client (target audience).

Let's take a closer look at the four stages in question.

3.2. Defining the target audience

The marketing process for startups begins with making a decision: for which target audience the entrepreneur will sell goods and services. Many business owners deliberately skip this step because they believe that their products will be useful for everyone. Their ambitions deserve respect in one way or another, but this is not the best marketing move. The fact is that different groups of consumers have their own criteria for choosing a product and searching for information about it. If you don't focus, but offer one product to everyone, each group of consumers will say that your product is good, but there are also better ones. Because one of your competitors will serve one market segment and adapt the product to it, the other competitor will serve another segment, and as a result, their products will better match the preferences of representatives of individual segments.

First of all, it is extremely important to clearly define your ideal customer and understand how many such customers there are in the market, so that the entrepreneur can structure the marketing plan to meet their own needs. How can I determine my target audience? Here are three ideas to get started:

- identify the main demographics of your target customers, such as gender, age, and location;
- learn how to connect with your audience by analyzing their personalities and/or market behavior (for example, where these people search for information about similar products, what is their ability to pay);
- develop a focused marketing campaign (a series of advertising messages or non-advertising marketing activities to communicate with the consumer).

An important aspect of finding a target audience is market segmentation. Segmentation is the division of all potential consumers into groups that share the same geographical, behavioral, psychographic, or demographic characteristics. Let's take a closer look at these characteristics (fig. 3.2).

APPROACHES TO MARKET SEGMENTATION

GEOGRAPHICAL	DEMOGRAPHICAL	PSYCHOGRAPHIC	BEHAVIORAL
continent	age	lifestyle	loyalty level
country	gender	social status	desired benefits
country region	family size	type of activity	utility level
city	education	interests	purchase readiness stage
city district	income level	point of view	user status (role)
climate zone	profession	personal values	
metro station	religion	attitude to certain problems	
suburban area	race		
	nationality		

Figure. 3.2. Approaches to market segmentation

This chart reflects the directions and criteria by which an entrepreneur can segment their own or potential market that they plan to work with. Depending on the idea of a startup, an entrepreneur can target a wide range of people. For example, let's say a company sells clothing. This can include selling clothing to men, women, and children of all ages. How can you narrow down this focus?

It's useless to create plans, actions, organize AdWords campaigns, or use Twitter if you don't know exactly who will use your startup's product. Although it seems that very often startups change their target audience when testing their business model. Try to describe in more detail who your client is – what their interests, daily behaviour, what are pains and benefits they expect. The more information you collect about the client, the more objective your marketing plan will be. A common problem for many entrepreneurs is that many startups enter the market and target "all – all" with the prospect of narrowing their focus later. However, this strategy, with a focus on the average client, does not work. Before entering the market, you need to adapt your product to a specific segment, and before that, you need to understand what this segment is and what their priorities are. Perhaps the startup is targeting people who will wear your clothes during physical activity and fitness classes. This focus can become even more specific and focused on a specific sport, such as running or cycling. However, if you say that your sportswear is suitable for all athletes, it will mean only one thing for a potential client – you do not understand enough about the features of each sport, so your product is not the best.

1.3. Research of the target market

Collecting information about your potential or existing customers is market research. In most cases, you will find that there is quite a lot of information about your market, and sometimes it is contradictory, from different sources, and sometimes it is incomplete or insufficient for making decisions. In some cases, there is no information at all. In this section, we will look at how to properly research the market and what tools and methods to use.

For new startups, market research is a key element of the enterprise's business model. Without market research, it is impossible to form an up-to-date and relevant business model. After all, market research data is necessary for many aspects of implementing a startup – identifying needs, finding ways to communicate, planning sales, and so on.

Market research is important not only at the stage of creating a startup. Even when the business is already established, there is still a need to make changes: we are talking about introducing new products, changing existing ones, changing the target market in general (moving the business to another country), and so on. To get your client's opinion, you can:

- interview people;
- conduct focus groups;
- allow people to try your product;
- listen to customer reviews.

In general, there are two types of research that you can refer to: primary and secondary.

Primary research. This is research, where an entrepreneur engaged in Scientific Research collects or hires someone to collect information. Initial research is extremely important for a startup, because this is how an entrepreneur can find confirmation of their idea, gather the opinion of potential customers, and determine the best way to communicate with their target audience. The main questions that an entrepreneur should ask:

- Who are my clients and how can I contact them?
- What products/services do customers need or want?
- What factors influence my customers ' purchasing decisions?
- What prices should I set for my products and services?
- Who are my competitors, how do they work, and what are their advantages and disadvantages?

The main advantage of primary research is the ability to collect information directly from the client at a given time, to get up – to-date answers to specific questions that are currently important for creating your marketing plan. Conducting such research before launching a product is not only necessary, but also necessary: you will get better acquainted with customer problems, current solutions, customer reviews about competitors, and so on.

Startups often fail, especially when they are run by untrained and unskilled teams. Analyze the reasons why startups fail and note how many of these reasons are related to marketing.

Lack of need in the market, ignoring customers and going out of competition are the most common reasons for the collapse of startups. By the way, bad marketing leads to failure in 14% of cases. We hope that this section will increase your chances of success by 14%, and the entire guide as a whole – even more.

Primary market research can be carried out by two methods: quantitative and qualitative. Each method involves different processes and provides different information. Sometimes, to get a complete picture of the business environment, market, and consumers, you need to do both types of research.

Quantitative research the market is the collection of numerical data, often involving the use of statistical analysis to understand trends in this data. Such a study makes it easy to compare data and trends that can be found and understood. With standardized questions for all respondents, you conduct structured market research, and many participants can be involved in this research. Some of the ways to collect data:

- live communication;
- phone conversation;
- email address;
- social networks;
- questionnaires;
- special programs (e.g. Gradus application, Mentimeter etc.);
- online.

It is important to conduct quantitative research before starting a new business, launching a new product or service, as this gives the entrepreneur real numbers that indicate the interest of the target market and can help convince investors.

If you use a questionnaire as part of your quantitative research, these tips will help you improve the quality of your responses:

- questions should be as short and simple as possible;
- make sure that the questionnaire is visually appealing and easy to read;
- ensure a transition from general to more specific questions;
- attach a cover letter explaining why you are doing this questionnaire;
- avoid questions that are too difficult to answer;
- make sure that the answer options are logical;

- give the respondent an incentive, such as a 10% discount on their next purchase.

High-quality market research provides insight into your customer's actions, thoughts, desires, and needs. It helps you understand why the consumer bought something and acted in a certain way. There are several methods of qualitative market research:

- focus groups;
- in-depth interviews;
- observation.

Focus groups, or group interviews, are primarily used to brainstorm with clients to get information about product ideas, interesting product features, and purchasing decisions among a particular population group.

In – depth interviews (focused or indirect) - focused interviews that are based on questions selected in advance. An in-depth interview aims to focus on a specific topic and identify all the ulterior motives, incentives, and reasons for buying one person who is a current or potential buyer of your startup's product. Unlike in-depth interviews, non-directional interviews encourage participants to address specific topics with minimal questions on a specific topic. It is more visual and aims to get the overall impression of the customer about the product, service, service, etc.

Observation involves tracking or videotaping how consumers interact with a product or service under normal conditions. Although this is a time – consuming method, it has the advantage of providing unbiased information, since consumers do not experience any pressure and behave naturally. This is, in fact, a pure marketing experiment.

Secondary studies. These are studies that have already been conducted for other purposes, perhaps even by other people or organizations. The data of these studies have already been systematized and analyzed. However, they can also be useful for planning your startup's marketing. Such data is cheaper to receive and process, but it may be outdated. Before using them, you need to familiarize yourself with the methods of collecting and processing information in order to better understand whether they can be used for your purposes. Elements of such research (separate statistics, graphs) are often published on the internet, so you can get acquainted with them quite simply. Pay attention to Figure 3 in this section, it is also an element of research that was conducted to study the causes of the collapse of startups

Although secondary research is not as highly specialized as primary research, it can provide the entrepreneur with valuable information and answer some questions that are impractical to solve with primary research, or questions that can put the client in an awkward position if asked directly.

Secondary research often uses external information collected by government agencies, industry and trade associations, trade unions, the media, business circles, and so on. Secondary sources include:

a. State sources. They are usually free and often offer a lot of useful information. These are government information, business departments of public libraries, and so on. Government statistics are one of the most valuable and voluminous government sources.

Other public information resources are local business circles and their information about business development. They will provide information on trends in public behavior in the market, characteristics of community income, wages, industrial development, and so on.

b. Commercial sources. They are paid, and you can usually get information from them by entering into a purchase contract or by subscribing to receive such information that you will receive regularly. Commercial sources include research and trade associations, banks, other financial institutions, and corporations.

Among the best commercial sources of information are research and trade associations, think tanks, and marketing associations. Information collected by Major Associations is usually detailed and accurate, but access to it is paid.

Local newspapers, magazines, radio and television stations are useful commercial sources. They are familiar with the demographic profiles of their audience and have information about economic trends in their areas. An entrepreneur can contact the sales departments of these companies and ask them to send their media kit.

c. Educational institutions. They are often not considered valuable sources of information, but more research is conducted in colleges, universities, and technical institutes than in almost any sector of the business community.

Educational institutions conduct research in various ways, ranging from dissertations to projects based on the faculty. An entrepreneur can even enlist the support of business students, which is a great way to conduct research for a small fee or even for free. Students, for their part, will gain valuable experience and certain recommendations.

1.4. Competition analysis

No startup operates in the market alone. A sole proprietorship means that your startup is a definite anomaly, and you are inventing a new market that can be considered a miracle. It is critically important for an entrepreneur who has started their own startup to know who else provides the same service or produces the product that they plan to offer on the market. Competition analysis is more than just a list of competitors and the number of points of sale for their products.

Through competition analysis, an entrepreneur can predict what a competitor's reaction will be when they decide to enter the market. The entrepreneur will also anticipate how customers will perceive their product compared to those of competitors and will be able to take advantage of the weaknesses of competitors to get more customers to start with. Competition analysis will allow you to learn how to model your new marketing strategy and beat your competitors in the market. The phrase you should repeat before starting market research and competitor analysis is: "I'm not alone in the market."

The first thing you should do as an entrepreneur when you want to research competitors is identify who they are. What types of products or services do they offer and for what market segments do they sell these services? In addition, the startup should be aware of the obstacles that may prevent it from entering the market. Each of the competitors has its own market share. And your target market can already serve several competitors. Your job as a startup is to determine the best time to enter the market and the time it takes for your business to establish itself. The success or failure of competitors will allow you to evaluate your potential income from working in the same market (provided that you have a better value proposition for the client).

The next thing a startup should do is identify the strengths and weaknesses of its competitors. Having this data allows you to attack their strengths with the best deal on the market. Knowing their competitor, an entrepreneur will know how to avoid their own weaknesses and attack the weaknesses of competitors that they have in their business niches. If a startup enters a relatively new market that has no competition, it is in the best position for relatively new companies to enter the market – a pole position ahead of potential competitors. Strategy is essential in this situation if an entrepreneur wants their startup to expand into a new market.

The entrepreneur should analyze what measures he should take to create obstacles to the entry of potential competitors. These obstacles include, for example, a high cost of investment, a market at competitive prices, and a period of business development, technology, and innovation. In addition, it can be a lack of quality personnel, sustainable consumers, patents, trademarks, market and industry reputation.

All startup management should know the strengths and weaknesses of the enemy. As an entrepreneur, you must find out its cost structure, management and organizational systems, mission and objectives, size, production methods, and sales efficiency.

The competitor's startup analysis should also include a history of product prices and changes that have led to changes in pricing strategies. You need to know how competitors organize their advertising activities. All this information will allow you to plan your market activity that will effectively counteract competitors ' products.

At the startup stage, competitor analysis is critical. It consists of collecting information about a competitor, identifying their strengths and weaknesses, and comparing the advantages of all competitors ' products with those of their own. The results of this analysis should be displayed in the form of a table.

Table 3.1

Features	**Your startup**	**Competitor 1**	**Competitor 2**	**Competitor 3**
Feature/function 1				
Feature/function 2				
Feature/function 3				
Feature/function 4				
Unique feature (critical advantage)				

Unique feature – critical advantage - a feature of your product or a specific benefit to the customer that provides it is your startup that no other competitor provides.

	Legal Codes	UpCounsel	Lexoo	Zegal
Free Personal Legal Assistant	✓	-	✓	-
Legal Health Checklist	✓	✓	-	✓
Legal Providers' Perks	✓	-	-	-
Marketplace with diverse legal providers (incl. Legal Tech)	✓	-	-	-
Global Coverage	✓	-	✓	✓

Figure 3.4. Example of analyzing competitors of a real successful Ukrainian startup

We assume that your competitors also have a concept on which their advertising campaigns are based: product packaging, sales promotions and PR Events, and so on. You need to learn everything you can about their advertising campaigns and analyze how they can be used for your own business, modified and adapted to your own value proposition.

When analyzing and comparing your startup's competitors, you need to learn not only about their products and services but also about the market segment in which they operate. Try talking to potential customers and asking them why they buy products and services from your competitors. Show your customers your product and reasonably convince them to change their competitor's product to yours on their own. It is important for your startup to be able to evaluate the advantages and disadvantages of competitors and compare them with their own. By doing this, you can learn how important your competitor's own target market is to you and how to bypass it in that market for your own benefit.

1.5. A Unique value proposition. How to create one for your startup

A startup value proposition is a set of functions, characteristics, and features of your startup's product or service that has functional, social, or emotional value to the customer. This is the main reason why a potential customer should buy a product from you. It's also the # 1 reason that determines whether people will be interested and read more about a startup's product – whether they click the back button or throw your advertising flyers in the trash. A value proposition is a brief explanation of both the functional and emotional benefits of a product or service provided to customers. The product value proposition also contains elements of product positioning and brand reputation. If your company has a negative reputation for certain reasons, it can negatively affect the desire of the target audience to buy your product. But keep in mind that, first of all, this is also how a startup solves the problem of customers, and why they should choose your product among competitors.

Startup marketing is based on a value proposition, and it should be the center of attention of the startup owner and the entire team. Otherwise, the customer will choose a product from another company. It is important to note that in practice, the value proposition includes the advantages of the product that solve the client's problem, the social responsibility of the enterprise, delivery, guarantees, courtesy of the staff, availability of the product for the client, and so on. It is for these reasons that Nova Poshta not only provides fast delivery, but also develops a network of branches and introduces cargo insurance services, product training and money transfers. All this solves the client's problems and simplifies their interaction with Nova Poshta.

Unique value is what you or your organization promises to provide to your client. A unique value proposition (UVP) is the characteristics of your product that create value or loyalty for your organization and set your organization apart from the competition.

Here's a step-by-step guide on how to create your own value proposition.

Step 1. What is your offer?

- Describe the features and functions of your product or service in two sentences.
- Test your competitors and find out how much money they are asking for the same product or service.
- Come up with a price that indicates the value of your service or product.

Step 2. Make your offer unique

- List 2 to 5 features that make your product or service unique, unlike your competitors.
- Do your research and find out if these characteristics are important to your client.
- Create a new marketing and sales plan to promote the unique benefits of your product.

Step 3. Identify your ideal customer

- Learn about their positive and negative expectations.
- How do they like to communicate?
- How do they solve their problem now?
- What is their age and where do they live?
- What do they like to do to have fun?
- ... (depending on the product and market, you should ask additional questions)

Step 4: what value will your product have for the customer? Specify the benefits for your customer

- Describe how the product or service solves a problem or meets a need.
- Explain the cost of the product or service.
- Prove it! Demonstrate the benefits of your product or service.

For a simple formalization of your startup's value proposition, we offer the following template:

- For... (target customers)
- Who is dissatisfied... (current alternative on the market)
- Our product - ... (new product)
- This provides... (key issues and opportunities to solve customer problems)
- Unlike... (competitors ' products).

To be clear, a startup's value proposition must meet the following criteria:

1. Relevance. Explains how the product solves customers ' problems or improves their lives.
2. Quantitative value. Indicates specific benefits.
3. Differentiation. Tell your ideal customer why they should buy your startup's product and not from competitors. A unique value proposition (UVP) should be the first thing visitors see on your site.

What is not a value proposition? This is not a slogan or phrase that attracts attention: "L'Oréal. Because we're worth it". It's not application form about positioning: "America's #1 Bandage Brand. Heals the wound quickly, reduces pain faster". The positioning statement is a subset of the value proposition, but it's not the same thing.

Most of the definition of a value proposition involves analyzing the problem using the 4Us rule. If the answer to most questions is "yes", then the startup is moving on the right path to a convincing offer. If "no", then supplement the value proposition and re-evaluate it using the 4U method. These are the questions:

- Is the problem serious (one that is difficult to solve)?

Will your solution restore the customer's peace of mind, eliminate their pain, stress, fear, and improve an inefficient business process (if your startup sells products and services to other businesses rather than people)? If the answer is "yes", then this person will probably be interested in your value proposition and feel its importance and specific benefits for themselves.

- Is fixing the problem inevitably related to an external solution?

Two examples. A person has a disease that cannot be cured at home, so an external solution to the problem is required. Another example. There is a legal requirement to conduct an annual audit of public companies, so public joint-stock companies conduct an external audit and order the services of audit companies. This point applies not only to situations of outright necessity. For example, you want to get a certain education. You can get this knowledge at home (in most cases) but studying at a university or private training center makes it easier to achieve this goal since in these institutions training is structured and systematic. If the answer is yes, then customers will probably follow your brand.

- Is the problem urgent?

Is your product or service one of the customer's top priorities? Does the problem require an urgent solution? For example, the fear of fire causes customers to need to buy smoke detectors, fire extinguishers, a remote signal to a fire station, etc.in order to protect their property. * If the answer is" yes", then customers will monitor the startup's activities to make sure that their problem can be effectively solved with its help.

– Is the problem not sufficiently solved by the current products/services on the market?

Are there no products or services on the market that fully solve a particular problem of consumers or businesses? If the answer is" yes", then you can be sure that the market is ready for better solutions.

Once you have identified the problem you are solving and developed a unique value proposition, ask yourself: How can you protect these benefits and ensure their long-term sustainability? It is quite interesting to use the "three D" approach to test the level of protection (security) of your unique value proposition: ((D)iscontinuous innovation), (D)efensible technology), and (D)disruptive business model). If your value proposition is supported by the implementation of the three D's, it means that it is difficult for competitors to copy and overcome it. Let us take a closer look at these three parameters:

- Continuous innovation provides alternative solutions to problems through the introduction of modern technologies and methods.
- Protected technology provides advantages and features of the product that can be protected by intellectual property rights.
- Disruptive business models are a unique combination of profitability and cost models that combine to drive business growth.

Having a product with the best value proposition is one of the most important advantages in the market. If your unique value proposition meets the "three D" criteria, then your startup really has the potential for a real breakthrough.

The final stage of forming a value proposition is its analysis using the Gain/Pain ratio. Most entrepreneurs focus only on the features that their product has and do not focus on the process of using that product. But sometimes it is difficult for customers to learn how to use the product. Thus, the benefit/inconvenience ratio estimate is a measurement of the benefits you provide to the client compared to the "pain", costs, and stress they will face. The entrepreneur should make sure that the benefits of using the product are many times greater than the inconveniences and stresses associated with its purchase and use (fig. 6).

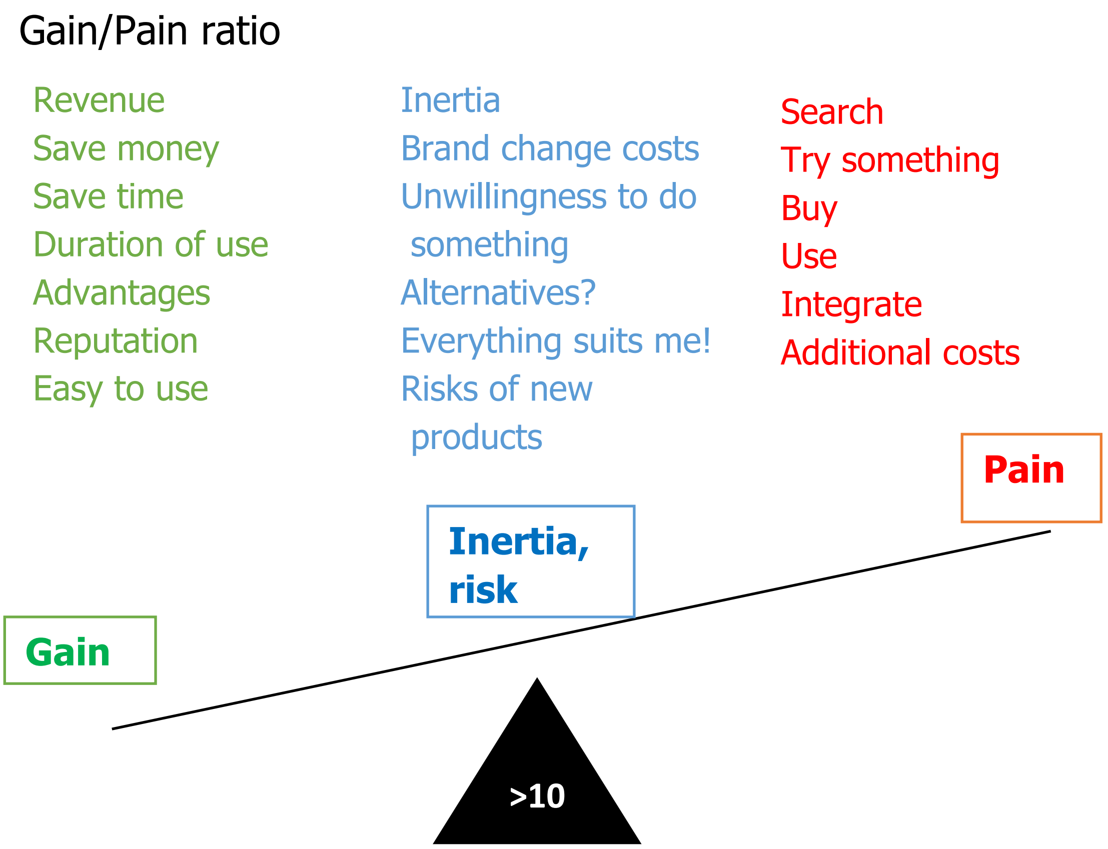

Figure 3.5. Components of the gain/pain ratio

From the point of view of marketing communications (advertising), the value proposition of your product should be broadcast in all possible communication channels that your startup has access to website, social media pages, print media, interviews, etc.

The value proposition is embedded in the product itself, but to communicate about it with the client, usually use text blocks (title, subtitle and one paragraph of text) with visual ones (photos, images of the hero, graphics) that convince the client to make a purchase. There is no standard way to do this correctly. I suggest you start with the following formula:

- Title.

  What ultimate benefit do you offer (in one short sentence)? Here you can mention the product and/or customer. Focus your client's attention on this.

- A subtitle or paragraph of 2-3 sentences.

  A specific explanation of what you are doing/offering, for whom, and why it is useful.

  3 key points.

  List the key benefits or features of the product.

- Visualization.

  Images are perceived much faster than words. Show a product image, a picture of a hero, or an image that reinforces your main message.

Research conducted by various organizations shows that the key task of the company is to determine an effective value proposition, followed by a clear message to the target audience.

Once you've prepared your value proposition, it's time to test it by presenting it to a potential customer and analyzing the feedback.

Using a scale of 1-5, evaluate the quality and uniqueness of your value proposition:

1. limited value for a small market. Extensive competition and/or multiple barriers to entry.

2. Great value for a medium-sized market. Limited competition and/or significant barriers to entry.

3. A product or service with strong differentiation, but not competitive enough.

4. A unique product or service that is very valuable for a large market, has strong competitive protection and/or broad barriers to entry to the market (this may be a registered patent or limited access to product components).

5. A unique product or service that is very valuable for a large market, and exclusive or almost exclusive control of the main components of the product (a patent can be registered).

If your price offer not ranked in the top three on this scale, you should be critical of your product and positioning. An assessment of demand movement behaviour can be obtained by applying a supply assessment matrix. Use this simple system to increase the potential attractiveness of the offer:

1. Evaluate the level of desirability of your product for the customer.

2. Evaluate the exclusivity of the value proposition in the market.

3. Multiply two integers.

4. If the total amount is less than 2, go back to forming the value proposition.

		Desire		
	Rank	0	1	2
Exclusivity	0			
	1			
	2			

Desire	Exclusivity
0 – No interest	0 – Anywhere else
1 – Possible interest	1 – Somewhere else
2 – High interest	2 – Nowhere else

Figure 3.6. Matrix of Value proposition

There are also alternative practical options for testing your value proposition – A/B testing and pay-per-click advertising.

1. A/B Testing. The best way to test your value proposition is to form several groups of potential customers and provide one of them with a product description with a value proposition, and the other with a description of a competitor's product or product without separate functions, in order to determine how consumers will respond to certain aspects of the value proposition.

2. Pay-Per-Click Advertising. A quick and cheap way to test a value proposition is to use Google Ads or Facebook Ads. Separate test ads with different offers that target the same customer. Ads with more clicks are obviously better at attracting attention and generating customer flow, although this doesn't necessarily mean more sales. Use it as an example and prepare UVP for launch.

1.6. Common mistakes to avoid

In startup marketing, mistakes are made very often, and this is quite normal for startups. Your task is to make mistakes with marketing approaches until you find the right marketing tools to promote your product or service in your chosen market. If you don't admit your marketing mistakes, you'll be among the 14% of startups that have failed due to bad marketing. The task of this division is to demonstrate the most common mistakes that occur in startup marketing, so that you can avoid them. Some of them can cost you much more than just lost money because your reputation also has value.

Poor value proposition. One of the biggest mistakes you should be prepared for is that the consumer doesn't understand the value of your product. First of all, make sure that you have invested enough resources in web design, SEO, and UX writing if you have an online product. Or in the design of the product, the design of the outlet, the qualification and hospitality of the staff, etc., if you provide services or sell a physical product. These are important elements of successful marketing that will indicate your level of professionalism. Most small companies tend to spend as little as possible on their marketing. But a recent study shows that only 22% of businesses are satisfied with the conversion rate of marketing actions into startup sales growth. This is because investing in your brand, product, and marketing, in general, is the only way to capitalize on your efforts and investments.

Ignoring the importance of marketing and branding the company's image - a common mistake of startup companies, which is usually made in the early stages of development. Yes, finance, team, hiring, and even delivery are certainly important areas of activity, but branding and advertising are also extremely important for company performance, customer reach, and overall, well – being. Marketing and branding are essential components of a company's development, as they help new businesses gain an individual brand identity.

Copying competitors. There will always be bigger and more successful companies. Copying their marketing content and trying to pretend you're like them just won't work. You need to make sure that your approach is as original and individualistic as possible. Research has shown that 75% of business owners believe that marketing is the most important element of successfully launching a product to market. Ignoring this can cost you more than you're willing to pay. Let people know why you are different from all other competitors and what unique things you have to offer. This is the only way to stand out and win the customer's favor.

Incorrectly defined audience. Proper research of the target audience is an integral part of creating a high-quality and effective marketing strategy. Neglecting the client's research will lead to disastrous results. You will attract an inappropriate audience of customers, and your main followers will remain confused and disinterested. Before creating any product, its features, and features, be sure to determine who exactly you are targeting and what your message is to these customers.

Poor content of marketing communications (advertising). Poorly created content is at the heart of the collapse of all marketing campaigns. All messages that you want to convey to the client through traditional and new advertising channels must be clearly thought out, formulated, and tested on potential customers (see about surveys and a/B testing).

CHAPTER 4. STARTUP BUSINESS MODEL

4.1. What is a business model? Types of business models

A business model serves as a strategic blueprint that articulates how a company ensures the sustainability of its operations, generates revenue, and pursues its overarching objectives. It encompasses the full range of business processes and internal policies that guide the organization's actions and decision-making.

At its core, the business model outlines the logic by which a company creates, delivers, and captures value—for both itself and its customers. It is a critical component in determining the long-term success of any enterprise, particularly for startups, as it reflects the foundational principles that support value generation beyond mere revenue streams.

The conceptualization and application of business models gained prominence with the rise of personal computing, which enabled entrepreneurs and businesses to simulate and refine operational strategies with greater precision. Prior to this technological shift, effective business models were often the result of incidental success rather than deliberate design.

Structurally, a business model typically comprises three fundamental elements:

1. The processes associated with the development and production of goods or services.
2. The mechanisms involved in bringing those offerings to market, including customer acquisition and product distribution.
3. The financial architecture of the enterprise, which defines how customers are charged, how revenue is generated, and the cost structures incurred by the company.

A diverse array of business model types exists to accommodate the specific needs and dynamics of various industries. Some of the most prominent include:

- Manufacturer. This model involves transforming raw materials into finished goods. The manufacturer may sell directly to end consumers or to intermediaries who further distribute the products. Well-known examples include Ford, 3M, and General Electric.
- Distributor. Operating as intermediaries, distributors procure goods from manufacturers and resell them to retailers or directly to consumers. Automotive dealerships exemplify this model.

- Retailer. Retailers engage directly with the end customer, offering goods that are typically sourced from distributors or wholesalers. Amazon and Tesco are notable examples operating under this model
- Franchise Model.Applicable to manufacturers, distributors, and retailers alike, the franchise model enables independent operators (franchisees) to utilize the branding, operational framework, and market reputation of an established parent company in exchange for royalty payments. Prominent examples include McDonald’s and Domino’s Pizza.
- Brick-and-Mortar Model. This traditional model is grounded in physical customer interaction, where businesses—whether retail, wholesale, or manufacturing—operate out of fixed locations such as stores, offices, or showrooms. The emphasis is on direct, in-person engagement with consumers.
- E-commerce Model. An evolution of the brick-and-mortar concept, the e-commerce model is predicated on online sales via digital storefronts. By eliminating the need for physical presence, it allows businesses to reach wider audiences while streamlining operations and reducing overhead costs.
- Bricks-and-Clicks (Integrated) Model. This hybrid approach combines physical retail spaces with online platforms, enabling customers to shop either in person or virtually. It enhances accessibility and customer reach, particularly for those residing in areas without a local branch. Companies such as Epicenter and IKEA exemplify this dual-channel strategy.
- Low-Cost Base Model. Designed for price-sensitive markets, this model offers a core product at minimal cost, while charging separately for auxiliary services. It is widely used by budget airlines, where the flight ticket covers basic transportation, and additional fees apply for services such as luggage, meals, or seat selection.
- Freemium Model. Widely adopted by digital enterprises, the freemium model provides a base level of service free of charge, with the option to upgrade to paid plans for access to enhanced features. This tiered structure often includes limitations—such as storage caps or advertisements—in the free version. A common example is Dropbox, which offers 2 GB of storage for free, with expanded capacities available through subscription plans. This approach is particularly effective for user acquisition and scalable growth.
- Subscription Model. Ideal for businesses seeking long-term customer retention, the subscription model generates recurring revenue through periodic billing in exchange for continuous access to products or services. It is especially suitable where customer acquisition costs are high. Netflix is a prominent example of this approach.

- Aggregator Model. A modern model that consolidates service providers under a unified brand, the aggregator facilitates customer access to a range of services while earning revenue through commissions. Companies such as Uber and Airbnb illustrate this model, offering seamless access to transportation and accommodation services, respectively.
- Online Marketplace Model. Online marketplaces host multiple independent sellers on a single digital platform, fostering competition and providing consumers with a variety of choices at competitive prices. The platform typically earns revenue via transaction fees or commissions. Amazon and Alibaba are leading examples of this model.
- Advertising Model. Prevalent in media and digital publishing, the advertising model relies on offering content or services free of charge while monetizing user attention through paid advertisements. This model is instrumental in the operations of platforms like YouTube and Forbes, where advertisers fund content in exchange for exposure to large audiences.
- Data Licensing and Sales. With the exponential growth of internet usage, user-generated data has become a valuable asset. The data licensing model monetizes this asset by enabling companies to sell or license access to their data repositories. Firms such as Twitter have adopted this approach, offering anonymized or structured user data to third parties for purposes including analytics, targeted advertising, and strategic research.
- Agency Model. The agency model is characterized by specialized firms delivering non-core services—such as advertising, digital marketing, public relations, and branding—on behalf of client companies. These agencies act as trusted partners, executing contracted assignments while ensuring client confidentiality and compliance with professional standards.
- Affiliate Marketing. This model centers on performance-based partnerships, where affiliates promote another company's products or services through various digital channels. Affiliates earn commissions for each successful sale or conversion they generate. This structure aligns marketing efforts with outcomes, making it an attractive model for both startups and established businesses.
- Dropshipping. A streamlined variation of e-commerce, the dropshipping model eliminates the need for inventory management. The seller operates a digital storefront without physically stocking products. When an order is placed, it is forwarded to a third-party supplier, who fulfills the order and ships the product directly to the customer. This reduces overhead and facilitates rapid market entry.
- Network Marketing (Multi-Level Marketing). This model relies on direct selling through a network of individual distributors. Participants earn income not only from personal sales but also by recruiting others into the network, thus creating a multi-level commission structure. The model

is typically employed in consumer goods sectors, with notable examples including Avon and Mary Kay. Its success hinges on interpersonal relationships and grassroots outreach.

- Crowdsourcing Model. In a crowdsourcing model, value creation is decentralized and driven by user contributions. Organizations leverage the collective knowledge, skills, or content provided by their user base to enhance their product or service offerings. Often integrated with other revenue models, this approach is exemplified by platforms like Wikipedia, where community input is central to the business function.
- Peer-to-Peer (P2P) Model. The P2P model facilitates direct exchanges between individuals via a digital platform, bypassing traditional intermediaries. Users can transact goods, services, or information efficiently and securely. Examples of such platforms include OLX and Airbnb, which connect buyers and sellers or hosts and guests, respectively, within a shared economy framework.
- High-Touch Model (Individualized Approach). This model emphasizes personalized, trust-based relationships between service providers and clients. The quality of human interaction is a critical factor in customer retention and business growth. It is prevalent in sectors such as consulting, healthcare, education, and personal services like hairdressing, where bespoke attention and emotional intelligence play a significant role in value delivery
- Low-Touch Model (Low-Maintenance Approach). In contrast to high-touch strategies that emphasize personalized interaction, the low-touch model is characterized by minimal human involvement throughout the customer journey. Businesses employing this approach streamline operations by reducing reliance on direct sales personnel or intensive customer support, thereby lowering operational costs. Instead, they invest heavily in user-friendly technology, automation, and intuitive design to facilitate seamless transactions and self-service experiences. This model is particularly effective for scaling efficiently and is widely adopted by companies such as IKEA and SurveyMonkey, where the customer independently navigates the purchase process with minimal intervention.

Developing a Business Model: Strategic Considerations for Sustainable Growth. Crafting a sound business model is a critical step in building a successful enterprise. The model must not only define how value is created and delivered but also ensure long-term viability and market relevance. Below are essential principles to guide the development of an effective business model:

1. Assess the Market Value of Your Product. Establishing the perceived value of your offering in relation to competitors is vital. Pricing should strike a balance—excessively high prices may suppress demand, while prices set too low could undermine profitability and hinder scalability.

2. Identify and Attract High-Value Customers. A sustainable business relies on customers who generate significant value while requiring minimal servicing costs. These customers contribute most effectively to achieving business objectives and should be the focal point of marketing and operational strategies.

3. Secure Robust Margins. Profitability hinges on maintaining healthy margins. This can be achieved through cost-efficient production methods, such as outsourcing or process optimization. If your product provides unique value, this may justify premium pricing. Low-touch models can also be implemented to minimize labor expenses. Ultimately, margins must be sufficient to support future growth and development.

4. Ensure Product-Market Fit. The success of a business model is contingent on the quality of the product or service. During the prototype stage, it is essential to validate whether the offering effectively addresses the target audience's needs. A compelling product is the cornerstone of any viable business—no model can compensate for a lackluster solution.

5. Foster Customer Satisfaction. Retaining existing customers is significantly more cost-effective than acquiring new ones. Satisfied customers become organic brand advocates. High-quality post-sale support enhances customer loyalty, although such services entail considerable expenses. Whenever possible, these costs should be optimized or outsourced without compromising customer experience.

6. Define an Effective Distribution Strategy. Even the most innovative product may fail if its distribution or marketing is inefficient. Each element of the go-to-market strategy should be rigorously tested. Strong distribution channels support profitability and scalability.

7. Strengthen and Sustain Market Position. An effective business model includes a roadmap for long-term sustainability and competitive advantage. It should outline strategic growth opportunities and account for external threats. Building resilience and adaptability into the model is key to maintaining and advancing market position over time.

8. Establish a Sound Financing Strategy. Ongoing access to capital is fundamental. Businesses incur continuous personnel, operational, and marketing costs, which must be covered by a stable financial strategy. Startups, in particular, require intensive funding to support customer acquisition and retention. Ideally, initial funding rounds should be sufficient to substantially boost revenue, thereby reducing reliance on future external investments.

9. Implement a Pilot Program. Pilot launches provide a controlled environment to test product performance, pricing strategies, and cost structures. This phase allows for adjustments before a full-scale market introduction, reducing risk and informing future decisions.

To support structured business model development, Alexander Osterwalder, founder of Strategyzer, introduced the Business Model Canvas—a widely recognized framework for visualizing, analyzing, and refining business strategies. Leading corporations such as Procter & Gamble, General Electric, and Nestlé leverage this tool to assess operations and identify opportunities for innovation and growth. Startups use the Canvas to articulate viable models, while established companies apply it to reimagine strategy and stay competitive in dynamic markets.

4.2.The Business Model Canvas: A Strategic Framework for Business Design

The Business Model Canvas (BMC) is a strategic management instrument designed to assist entrepreneurs, innovators, and business leaders in conceptualizing, structuring, and communicating a business idea or model. Widely adopted across industries, this tool provides a comprehensive yet concise framework that outlines the essential components of a business or product offering (see Fig. 4.1).

The canvas is divided into two major domains: the right side, which focuses on the *external* dimension—primarily the customer and market environment—and the left side, which outlines the *internal* operational aspects of the business. At the core of both domains lies the concept of value exchange, representing how the business creates, delivers, and captures value in its interactions with customers.

Key Advantages of the Business Model Canvas:

- Enables rapid visualization of the fundamental elements behind a business idea, offering a clear and accessible overview.
- Facilitates a deeper understanding of the enterprise by guiding users through the logical relationships between components, thereby bridging the gap between abstract ideas and practical implementation.
- Illuminates the customer decision-making process and its implications for business systems and infrastructure.
- Serves as a shared reference point, allowing all stakeholders to align around a unified vision of how the business is intended to function and grow.

The BMC is particularly effective in early-stage planning, innovation workshops, and strategic discussions, making it an indispensable tool for startups and established enterprises alike.

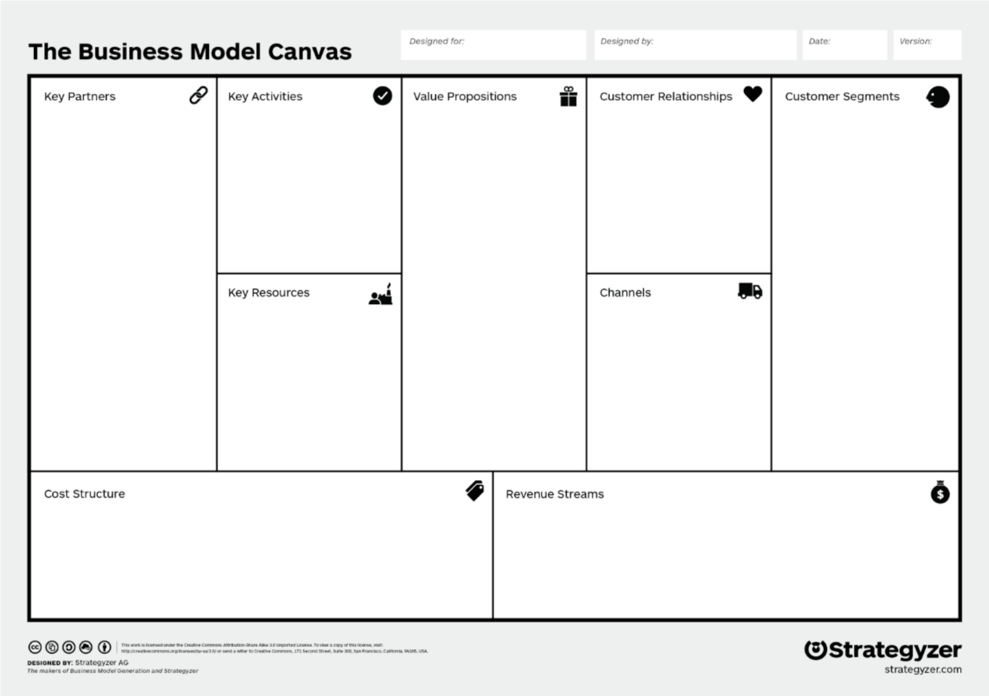

Figure. 4.1. Business Model Canvas

Startup Value Proposition. The value proposition represents the cornerstone of any business model—it defines the fundamental value a product or service offers to its intended customer. This concept encapsulates the essence of the exchange: the customer provides financial compensation in return for the resolution of a specific problem or the alleviation of a particular pain point.

To construct a compelling value proposition, one should ask critical questions such as: *What problem does my offering solve? Why is this problem significant? What motivates customers to seek a solution?*

A practical approach to developing value propositions involves mapping customer needs based on Maslow's hierarchy, identifying which layer of the hierarchy your product or service addresses—from basic physiological needs to self-actualization.

When targeting other businesses, your role extends beyond mere product provision—you become a strategic partner in enabling them to deliver enhanced value to their own clients. Thus, it is crucial to understand not only the goals of the purchasing business but also how your offering fits into their value chain and supports their customer engagement efforts.

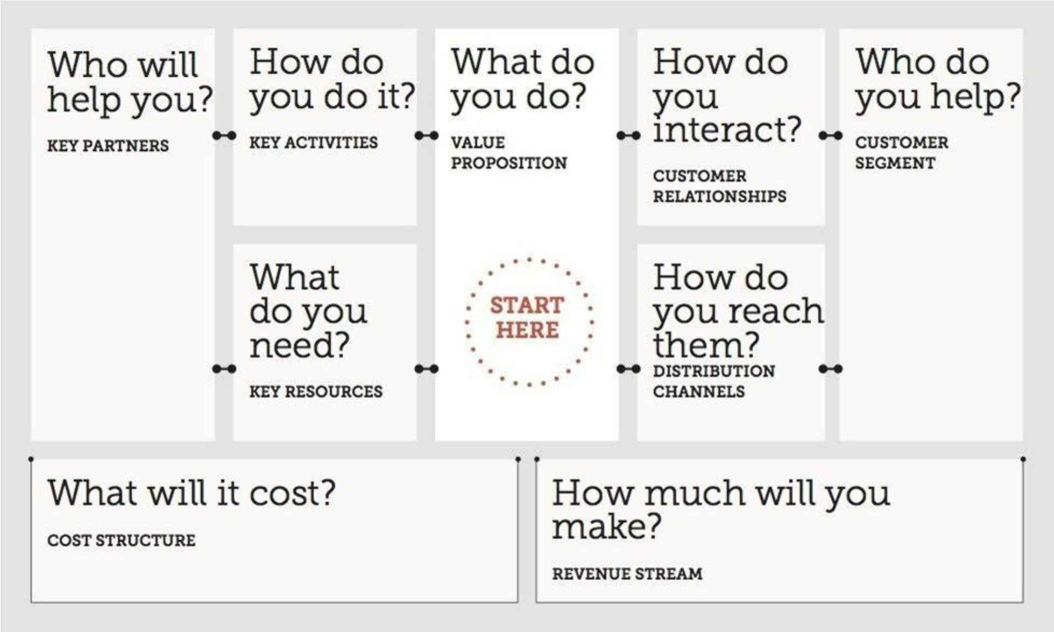

Figure 4.2.Business Model Canvas

Customer Segments. Customer segmentation is the process of categorizing a target audience into distinct groups based on shared attributes such as demographics, behaviors, interests, and purchasing patterns. This segmentation enables businesses to tailor their value propositions, marketing strategies, and delivery models more effectively.

When defining customer segments, it is essential to consider:

- *Who exactly benefits from our value proposition?*
- *Are our customers individuals or organizations?*
- *If they are businesses, what industries or operational characteristics define them?*
- *If they are individuals, what gender, age group, lifestyle, or professional background do they belong to?*

Moreover, understanding both the size of each customer segment and its market potential allows for more informed strategic planning. Businesses are encouraged to develop detailed customer personas—fictional representations of typical customers—to better visualize and empathize with their audience.

Customer Relationships. Once the value proposition and customer segments have been defined, attention must turn to customer relationships—the nature and quality of the interactions between the business and its clientele. This element encompasses all touchpoints through which customers engage with the business, whether pre-sale, during service delivery, or in post-sale support.

Key questions include:

- *How do we interact with our customers?*
- *Are our engagements primarily personal or digital?*

- *Do we rely on one-on-one relationships, automated services, or community engagement?*

Examples of relationship models include:

- Personalized service (e.g., dedicated account managers)
- Outsourced or third-party support
- Online platforms and self-service portals

Clearly outlining customer relationships helps businesses identify opportunities for automation, scalability, and improved customer satisfaction. It also reinforces brand identity and defines the customer experience journey, contributing to long-term loyalty and retention.

Channels. Channels represent the mechanisms through which a company communicates with its customer segments and delivers its value proposition. These channels play a pivotal role in guiding potential clients through the sales funnel—from awareness and engagement to purchase and post-sale support. In essence, they are the conduits that connect the business with its market.

When identifying appropriate channels, it is crucial to reflect on questions such as:

- *How will we inform our target audience about the value we offer?*
- *Where can our customers be found—online, on the road, at industry events, or consuming traditional media?*
- *Which formats and platforms are most likely to capture their attention and encourage action?*

A diverse range of channel types may be employed depending on the nature of the product and customer preferences. Examples include:

- Digital media (social media platforms, email campaigns, SEO, SEM)
- Public engagements (conferences, networking events, speaking engagements)
- Content-driven strategies (blogs, influencer collaborations, PR, community building)

Selecting and refining the most effective channels ensures that the business maximizes reach, minimizes acquisition costs, and maintains a consistent brand presence throughout the customer journey.

Key Activities. The key activities of a business comprise the critical tasks and operations required to deliver the value proposition, sustain customer relationships, and generate revenue. These activities are closely aligned with the core competencies and operational strengths of the enterprise.

Key guiding questions include:

- *What specific actions must be undertaken to fulfill our value proposition?*
- *Which processes require strategic focus and resource allocation?*
- *Are these activities technical, creative, logistical, or service-oriented in nature?*

- *Do they involve product development, customer service, marketing, or infrastructure management?*

Examples of key activities might include:

- Product development (e.g., web or software engineering, technical design)
- Service delivery (e.g., consulting, baking, driving, construction)

By clearly defining these activities, a business can prioritize its resources effectively, ensure organizational alignment, and maintain focus on the tasks that drive sustainable value creation.

Key Resources. Key resources encompass the essential assets—both tangible and intangible—that are required to perform a company's core activities and to deliver its value proposition effectively. These resources enable operational functionality, product development, customer engagement, and strategic growth.

Critical questions to consider include:

- *What physical, human, technological, or intellectual resources are indispensable to the business?*
- *Which assets are needed to support key activities, maintain customer relationships, and ensure efficient distribution through identified channels?*

Examples of key resources may include:

- Physical infrastructure (office space, production facilities, vehicles, tools)
- Technological assets (computers, hosting services, software systems, internet connectivity)
- Human capital (specialized personnel, support staff, management)
- Utilities and equipment (electricity, ovens, automotive parts, bicycles)

A clear inventory of required resources ensures proper planning, budgeting, and allocation, directly contributing to the operational sustainability of the business.

Key Partnerships. Key partnerships refer to the network of external entities—suppliers, collaborators, and strategic allies—that assist a business in achieving its value proposition and executing its key activities. Partnerships are particularly important when internal capabilities are insufficient or when external expertise, resources, or distribution channels enhance business performance.

The central question is:

- *If our business cannot fulfill the value proposition independently, who are the external parties we must rely on?*

For instance, a grocery retailer may form a partnership with a local bakery to ensure the daily availability of fresh bread—a component of the total value promised to the customer.

Partnerships can take various forms, including joint ventures, outsourcing arrangements, strategic alliances, and long-term supplier agreements. These relationships should be cultivated to improve efficiency, reduce risk, and foster innovation.

Cost Structure. The cost structure outlines the financial framework underpinning a business, detailing all expenses involved in operating the enterprise and delivering value. A thorough understanding of cost drivers is essential for ensuring profitability and scalability.

Key considerations include:

- *What are the costs associated with performing key activities?*
- *What is the monetary value of essential resources and partnerships?*
- *What does it cost to reach and serve our customer segments?*
- *Are there additional recurring costs—legal, insurance, regulatory—that must be included?*

Entrepreneurs must also assess the implicit cost of their own time and labor, estimating what it would cost to hire themselves for the same role. This encourages realistic financial planning and a clearer view of the business's value.

Revenue Streams. Revenue streams represent the methods by which a business captures financial value in exchange for delivering its products or services. They translate the company's value proposition into measurable economic gain.

Important questions include:

- *How does the business generate income?*
- *What pricing models align with the perceived value and customer willingness to pay?*
- *Which revenue sources are scalable and sustainable over time?*

Common revenue models include:

- Direct product sales or usage fees
- Service charges or consulting fees
- Subscription-based income
- Freemium models with paid premium tiers
- Flat-rate pricing or performance-based commissions

Establishing well-defined and diversified revenue streams is essential to building a financially resilient enterprise. It is through these streams that the business ultimately sustains operations, funds growth, and delivers returns to stakeholders.

CHAPTER 5. THE ESSENCE OF FUNDRAISING FOR STARTUP DEVELOPMENT

5.1. Understanding the Nature and Processes of Startup Fundraising

5.2.Key sources of fundraising in the EU

5.3.Advantages of fundraising in the EU

5.1. Understanding the Nature and Processes of Startup Fundraising

Fundraising is the process of gathering voluntary financial resources from individuals or organizations to support a specific cause or project. It usually involves a collective effort by the assigned team or committee to plan and execute various activities to engage potential donors and, as the term suggests, to raise funds. Although often associated with charity events, fundraising can also be carried out in for-profit organizations, educational institutions, and community projects to bridge the gap between demand and supply.

To ensure a successful fundraising event, there should be a clear objective from the get-go and a dedicated team to help see through its completion. This is how it works:

- Planning. This initial phase involves setting clear objectives and timelines. Fundraisers must meet and identify the specific needs and goals of the campaign to help create a focused plan. Once the purpose is clear, it will be easier to move forward to the following parts of the planning step: choosing the suitable fundraising method, crafting a compelling pitch, and considering donors.
- Execution. Launching the campaign involves promoting it through various channels, engaging volunteers, and managing the logistics of events or online platforms. That’s why this phase will require careful coordination and consistent communication to ensure everything runs smoothly.
- Monitoring and Adjusting. No matter the preparation, the chances of unforeseen circumstances derailing the event are never zero. Therefore, throughout the campaign, it’s crucial to monitor progress and make necessary adjustments to get back on track if challenges arise. This might include tweaking strategies from time to time or addressing any issues head-on.
- Completion and Evaluation. By the end of the campaign or the event, fundraisers must immediately but thoroughly process donations, deliver any promised rewards or acknowledgements, and evaluate the overall success. Key metrics such as the amount of funds raised, donor acquisition rates, and the overall impact of the initiatives will be a crucial benchmark to measure success. These metrics will also be helpful to identify the fundraising’s shortcomings.

Startup funding — or startup capital — is the money needed to launch a new business. It can come from a variety of sources and can be used for any purpose that helps the startup go from idea to actual business. While we often hear about venture capitalists and angel investors when it comes to startup funding options, it turns out that’s just one of the six top sources of startup capital.

When launching a startup, founders handle multiple responsibilities simultaneously, including creating a business plan, product development, customer engagement, website setup, and of course, funding.

To finance its business, startups have several options. Before we take a closer look at those different types of funding for startups, here's an overview of what's available for startups to finance their business:

Startup funding by Bootstrapping. Bootstrapping, self-financing, or internal funding entails funding your startup using its funds and profits – no external investments. Founders consciously bypass external funding sources, maintaining full control over their business.

While this approach is viable at any startup phase, it comes with some crucial considerations:

- Startups must minimize costs and strictly adhere to their budget
- The goal is to enter the operational business and generate revenues as quickly as possible
- Startups should break even as early as possible and generate a positive cash flow
- Startups need to pay attention to their cash balance

Through bootstrapping and the renunciation of external investors, founders retain full control over their startups. They do not give away any shares, have no obligations as debtors to a bank or lender, and build their company without compromise according to their ideas.

However, bootstrapped companies usually grow slowly. It can put them at a disadvantage compared to VC-backed competitors. Besides growing faster, they can also access the network and expertise of their investors.

Startup funding with Family & Friends. Many startups opt to secure initial funding from family and friends. This approach offers several advantages:

- The capital is available under favorable conditions
- Repayment is more flexible than with professional investors

Startups often receive money as an (interest-free) loan or as equity investment. The financing amount is comparatively small and can range between €5,000 and €20,000.

Startup funding with an Accelerator.

Accelerator programs provide early-stage startups with funding, infrastructure (offices, hardware), networking opportunities, expertise, and coaching. These programs are designed to span months, not years.

As the term suggests, an accelerator accelerates a startup's business. To participate in such programs, the idea should already have taken concrete shape, and the company should be founded. With the help of an accelerator, the startup develops a functioning business model and boosts its growth. In exchange for shares, startups receive funding ranging from €20,000 to €100,000. Well-known accelerator programs are:

- Pro 7/Sat. 1 Accelerator
- German Accelerator
- Airbus Bizlab Accelerator
- APX by Axel Springer and Porsche
- DB Mindbox
- Founder Institute
- Y-Combinator

Startup funding with an Incubator.

Incubators support startups in developing business ideas, business models, infrastructure, networks, expertise, and funding. Incubator programs prioritize long-term collaboration between investors and startups, often from six months to five years. In return for shares and decision-making rights, incubators assist young companies in establishing a foothold in the market.

Many incubators specialize in specific business areas. Before opting for an incubator, founders should discover which program is most suitable for their idea.

- Well-known incubator programs in Germany are:
- Greenhouse Innovation Lab from Gruner + Jahr and RTL
- Hubraum from Deutsche Telekom
- Main Incubator from Commerzbank
- 1st Mover

Startup funding with a Company Builder. Company builders specialize in founding and developing startups, often originating their business ideas. They play an active role in the company's operations, handling core elements such as development, marketing, and scaling.

In addition to funding, company builders provide experienced management and specialized teams, making them unique in the startup funding landscape.

Well-known company builders in Germany, some of which are no longer active, were and are:

- Rocket Internet

- HitFox Group
- FinLeap
- FoundersLink
- Next Big Thing

Startup funding with Business Angels. Business angels are private individuals who invest in early-stage companies (pre-seed or seed phase), with sums ranging between €10,000 and €500,000.

Business angels are often founders, entrepreneurs, or managers experienced in building and scaling companies. Their network and the experiences they bring to the table are as important as their investment.

Through their contacts with other investors, business angels often act as a link between the different funding phases. These connections can be relevant for the startup at a later stage, for example, in preparation for their first Series A.

Startup funding with Venture Capital (VC). Venture capital is one of the best-known forms of startup business funding. In 2022, VCs worldwide invested more than $500 billion in startups, early-stage and growth companies.

Venture capital firms invest equity in startups, which they collect in advance from institutional investors, family offices, or companies. Through their investment, they participate in the venture capital fund. This approach offers high return potential but involves substantial risk.

Financing sums range from €100,000 to several hundred million euros. In return, VCs receive company shares, co-determination, information, and control rights. With VCs, founders often relinquish a great deal of control over their own company, facing a high cost of capital in the event of an IPO or exit.

After a certain period (usually up to ten years), the VC wants his exit, i.e., sell the investment at a profit. In 2022, the average expected return of German venture capital firms for early-stage investments was 36%.

Startups can access venture capital in different company phases. Usually, it comes into play from the seed phase onwards to finance further growth.

Well-known VCs are:

- FoundersFund
- Sequoia Capital
- Andreessen Horowitz
- Insight Partners
- Tiger Global Capital
- Accel

Startup funding with Venture Debt. Venture debt is another form of startup funding that young businesses use primarily to finance growth in later phases. It is usually granted as a risk loan and is used shortly after or at the same time as financing with venture capital.

With venture debt, startups secure debt between two rounds of equity funding. In this way, they remain liquid and have to deal with less dilution of their shares. Funding amounts range from €100,000 to high double-digit millions.

Funding with venture debt is associated with high costs. Direct costs result from upfront payments after the venture debt contract is closed and interest payments (between 10 and 20%) over a certain period.

In addition, there are indirect costs, such as warrants, guaranteeing the venture debt investor the right to purchase shares in the company at a later stage. It also ensures that founders have less control over their company.

Since startups take on debt, which they must pay back – regardless of the company's economic development – they should evaluate this form of business funding (also called venture lending) carefully in advance.

Startup funding with Alternative Debt Funding. Recent years have witnessed the emergence of alternative debt funding solutions for startups and growth companies. These solutions rely on data-driven risk analysis and automated processes, offering funding ranging from €100,000 to several million euros. Fintechs have specialized in this. re:cap also offers this type of funding.

Alternative debt funding focuses on the actual capital needs of the company and can be tailor-made to a company's business goals. The objective is to meet the capital needs at the ideal time for the company on a monthly or even daily basis.

Alternative debt funding offers various advantages:

- Startups secure the cash they need, and that fits their business plan
- No dilution of company shares
- Startups can agree on flexible repayment terms
- Funding does not include warrants or equity kickers
- Funding can be tailored to a specific time, allowing startups to avoid unnecessary capital costs due to overfunding

Startup funding with Revenue Based Financing & Recurring Revenue Financing. Revenue-based financing (RBF) or recurring revenue financing (RRF) also falls into the category of alternative debt funding. Revenue-based financing. RBF is a non-dilutive form of funding based on a company's revenues. It is interesting for startups with recurring revenues that want to finance their growth. With revenue-based financing, investors receive a predefined monthly percentage of the company's revenue in return for their investment.

Recurring Revenue Financing. With RRF, the financing amount and interest are based on the amount of recurring revenue and remain the same over the entire period. Startups usually receive capital only up to a financing limit, which depends on the annual recurring revenues.

Startup funding with Convertible Loans. With a convertible loan, startups receive debt capital as a loan. In return, the investor can convert the loan into company shares in the next funding round. In addition, monthly interest payments may be due.

Convertible loans are particularly interesting for young companies with existing investors. The existing investors know the business model and the company. This contributes to faster processing. In addition, the administrative burden is low: a convertible loan does not require notarization.

Startup funding with Crowdfunding. 1. Crowdfunding. The focus is not on the investors' profit but on implementing an idea or a product. In return, the participants receive the final product, which the company has realized with the collected capital.

2. Equity-based crowdfunding. The investment character is much more present here. Many individuals finance the project of a startup with small amounts (often from €100). In return, they receive a predefined percentage of their investment. There are no rights of co-determination or control.

3. Crowdlending. With this form of financing, people grant a loan to a startup in small amounts. The startup repays the loan, including interest, within an agreed term.

Startup funding with Bank Loan. Bank loans are the most common form of financing for established companies. They receive debt from their bank, which they pay back at a fixed interest rate over a certain period. The bank has no co-determination or control rights.

Due to the predefined conditions and fixed repayment agreements, a bank loan is a type of funding that can be planned well.

However, a loan is not an option for most startups to fund their business. It is because banks are risk-averse. They require a profitable and proven business model, steady revenues, and tangible assets such as real estate or machinery - things that tech startups usually cannot offer yet.

Therefore, a bank loan is only relevant for a few startups. If it is, a detailed business and financing plan and a certain amount of securities in the form of equity, real estate, or machinery is necessary.

Startup funding with Development Loans. Startups can obtain debt funding also from federal organizations. Those are promotional loans with favorable conditions and simplified access for companies.

The KfW, for example, grants startup and promotional loans to early-stage companies and small and medium-sized enterprises. The amounts range from €125,000 to €25 million. KfW grants loans in cooperation with the startup's bank and assumes a large part of the credit risk or enables startup funding without equity capital.

Startup business funding through federal organizations is popular: in 2022, almost 47% of German startups used this form of financing.

Startup funding with Startup Competitions. At startup or founder competitions, young companies pitch their business idea to a jury of experts. The prize money is usually between €10,000 and 50,000.

Those competitions are particularly suitable for startup funding at a very early stage. At least as important as the money is the feedback from a jury of experts on the business idea and business plan, as well as access to a broad public and potential investors. All of this can become relevant for future financing rounds.

Politics and business often initiate startup competitions. They help to simplify the founding process. Competitions are held for startups in various business phases and industries.

Startup funding with University Programs. It's a well-known story that many founders like to tell: We met at university and founded a startup. Universities and colleges are an ideal environment to work on ideas with others and take the first steps toward founding. It is why universities offer various programs and startup scholarships to help founders get started.

A university grant for startups usually does not provide capital but support (such as living expenses) so founders can fully concentrate on their idea. In addition, universities provide their know-how, coaching, technical equipment, laboratories, or office spaces.

Students with a business idea gain time and resources to develop a viable product, prototype, or business plan.

To date, there is no unified position among scientists and business practitioners on the definition of a startup. A startup is considered a new activity, a financial project, a company, a team, a temporary structure, a state of mind, or a phase in a business's development. In our opinion, the key characteristic distinguishing a startup from others is its age, which, according to European standards, should not exceed 10 years. Other characteristics, such as the aspiration for rapid development and growth, profitability, innovation of ideas, and structural informality, are secondary and depend on the specifics of a given startup, its sector, and its scale.

Apart from general time limitations, startups also share common elements in their business cycles. While there is no single agreed-upon perspective on the number and characteristics of startup development stages, most research identifies the following sequence with some deviations:

Table 5.1

Stages of startup development

Sequence	Stage	Description
0	Launch (Pre-seed/Bootstrapping Stage)	Exploring the feasibility of turning an idea into a product/service, analyzing the market, and planning marketing and sales for product launch
1	"Seed" Stage (Seed and Development)	Product launch, hiring personnel, and developing the product for market entry
2	Startup Stage (Startup/Early Stage)	Operational business model, core team formation, further product development, and scaling plans
3	Growth Stage	Scaling, increasing market share, building a high-quality team, and outperforming competitors
4	Expansion (Later Stage)	Increasing market share and preparing for an IPO
5	Maturity and Possible Exit (Steady Stage)	Growth-oriented team, sufficient and stable financial status, advanced corporate management, and favorable market expectations

Another unifying factor among startups is the process of seeking and securing resources for their implementation – fundraising. According to the global business community, fundraising is considered the most significant task for startup founders.

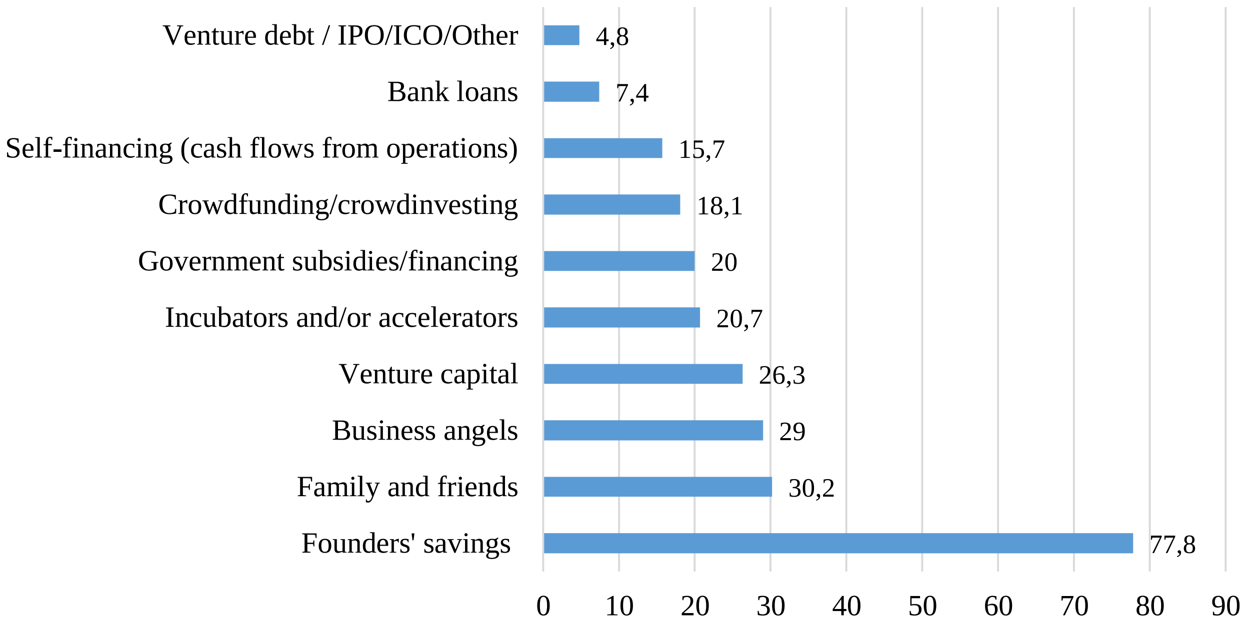

Figure 5.1. Sources of startup funding in European Union countries in 2018, %

An analysis of funding sources for startups in the European Union (Figure 5.1) reveals that most founders rely on personal savings; one-third turn to family, friends, and business angels for support; over a quarter successfully include venture capital as a financial resource; and about 20% of startups use tools like centralized infrastructure, preferences, and crowdfunding during fundraising.

More than 15% of funds are generated through successful operational activities. Bank and venture loans, IPOs, and ISOs are the least utilized funding sources.

According to a Crunchbase database report, despite overall downward trends, business angels and venture capital remain most active in terms of deals at the “seed” stage, while the largest investments occur at the expansion stage. We believe this distribution is influenced by both the risk and the potential and actual profitability of startups.

The analysis allows us to systematize fundraising sources according to startup development stages (Table 5.1).

At the initial stages, personal funds and contributions from friends and family are at risk. The primary task for most startups is to move past this stage as quickly as possible to become “visible” to external investors. While some types of businesses can be launched without investor involvement through robust business planning and stable self-financing, others, particularly non-profit startups, rely on sustainable external fundraising for existence and growth.

We define sustainable financing, per, as the ability to autonomously implement a program or project and maintain positive results over the long term.

Table 5.2

Sources of Fundraising by Startup Development Stages

Source of Fundraising	Stage of Development (see Table 1)					
	0	1	2	3	4	5
Founders' savings	+	+				
Family and friends	+	+				
Government subsidies/financing		+				
Crowdfunding/crowdinvesting		+	+			
Business angels		+	+			
Incubators and/or accelerators			+			
Venture capital			+	+	+	
Internal financing				+	+	
Bank loans					+	
Banks					+	
Private companies					+	
Hedge funds					+	
Public (community support)						+

Various approaches exist for assessing the level of financing sustainability. The Washington University in St. Louis, Missouri, financial sustainability assessment toolkit ties the creation of a stable financial base to economic and political trends and the founders' understanding of the “objective and optimal value of the project and its components (services or activities)”. The toolkit suggests measuring sustainability using subjective evaluations of factors such as government economic climate favorability, diverse funding mechanisms, a balance of funding stability and flexibility, and the presence of steady financing. However, in our opinion, this approach, due to its cyclic nature, only provides static results that are challenging to interpret broadly, making it difficult to identify growth reserves for long-term sustainability.

Other studies recommend evaluating the degree of funding source diversification as a measure of sustainability. In our view, maximizing fundraising sustainability for startups involves not only diversifying funding sources but also selecting appropriate types of resources that align with the project's mission and founders' expectations.

Based on this, we propose categorizing fundraising sources by their impact on financing sustainability as follows:

I. Internal sources of fundraising:

- Founders' savings;
- Family and friends;
- Self-financing;
- Bank loans.

II. Supportive/neutral sources of fundraising:

- Incubators and/or accelerators;
- Government subsidies/financing;
- Crowdfunding/crowdinvesting.

III. External sources of fundraising:

- Business angels;
- Venture capital;
- Banks;
- Private companies;
- Hedge funds;
- The public.

Key motivational characteristics of a startup for its founders are presented in Table 3. It is essential to note that these comparative characteristics are necessary for founders to decide whether to involve external sources or rely on their own resources and seek opportunities to use neutral fundraising sources.

When using supportive or neutral fundraising sources, the only limitation for startup founders is the potential influence of administrators and donors on the startup's values and mission, as well as the need to comply with sometimes strict conditions and limitations to receive financial or infrastructural support.

Table 5.3

Comparative Characteristics of Startup Financing Sources

Internal Financing	External Financing
Desire to keep the company under own control	Focus on scaling and profit generation
Independence in decision-making	Consent to profit sharing and external control
Engagement	Risk of loss of control and dilution of ownership
Simplicity in applying financing instruments	Complicated process of attracting funds and adherence to strict requirements
Control over targeted use of funds	Partial loss of control over how funds are used
Limitations in amounts	Access to significant amounts of resources
Financial risks for founders	Financial risks shared with external parties

Returning to the startup lifecycle (Table 5.1), the greatest threats to financing sustainability occur when transitioning from the first to the second stage, where internal funds may be insufficient, and the startup has not yet grown enough to attract external investors. In such cases, we suggest seeking support from the local community. It is easiest to communicate the startup's values, cultural relevance, and compatibility with local conditions to the community. Additionally, involving the local community in decision-making and organizational work can increase financial autonomy, reduce financial risks for the founders, and potentially enable the startup to reach the third stage (self-financing) while retaining ownership. These approaches expand opportunities for achieving financing sustainability and ensure the startup's viability throughout its lifecycle.

5.2.Key sources of fundraising in the EU

Europe has become a favourable environment for innovation and technological entrepreneurship. Tech startups have access to various funding opportunities that can boost their growth. European funds, both public and private, offer crucial resources for these emerging companies to achieve their goals.

Funding for startups: Public Programmes

The European Commission has developed several funding programmes aimed at supporting tech startups. These programmes provide grants and financial aids that facilitate the development of innovative projects.

Horizon Europe. Horizon Europe is the EU's key funding programme for research and innovation. Following the Multiannual Financial Framework Midterm Review (MTR) decision, the indicative funding amount for Horizon Europe for the period 2021-2027 is EUR 93.5 billion.

It tackles climate change, helps to achieve the UN's Sustainable Development Goals and boosts the EU's competitiveness and growth.

The programme facilitates collaboration and strengthens the impact of research and innovation in developing, supporting and implementing EU policies while tackling global challenges. It supports creating and better dispersing of excellent knowledge and technologies.

It creates jobs, fully engages the EU's talent pool, boosts economic growth, promotes industrial competitiveness and optimises investment impact within a strengthened European Research Area.

Legal entities from the EU and associated countries can participate.

European Innovation Council (EIC). The EIC is another significant initiative supporting funding for tech startups. This council offers grants and venture capital to companies developing disruptive technologies. Startups can receive funding at both early and advanced stages of their development.

In the past 20 years, the European Investment Fund (EIF, the Fund) has been the leading public provider of risk capital, and in particular of venture capital (VC), to young and innovative European startups. VC is an essential source for startups to achieve growth and create value through innovation, and although it should not be seen as a substitute to traditional banking finance (since it serves only a specific and restricted class of firms), research has shown that the innovativeness, productivity and development of the overall economy reap the returns of a thriving venture capital ecosystem.

EIF's established reputation in the European VC market is substantiated by its significant role in European investment and fundraising activity. Investment activity backed by EIF represented 41% of total investments in Europe in 2014 (29% in 2007). The share directly attributable to EIF amounts to 10% (5% in 2007), hinting to the significant leverage that characterises EIF-backed investments. Moreover, fundraising volumes backed by EIF in 2014 amount to 45% of the overall volumes collected by European VC investors (36% in 2007), against a share directly attributable to EIF totalling 12% (5% in 2007).

While the above figures clearly attest EIF's rising significance in the broader European VC landscape, they also confer increased responsibilities towards the VC market and the broader public. On the one hand, EIF is expected to prove that different programmes supporting the European VC market are soundly managed. On the other hand, as these programmes represent public policy interventions, it is essential for EIF to pursue the overarching economic goals set forth by the policy maker.

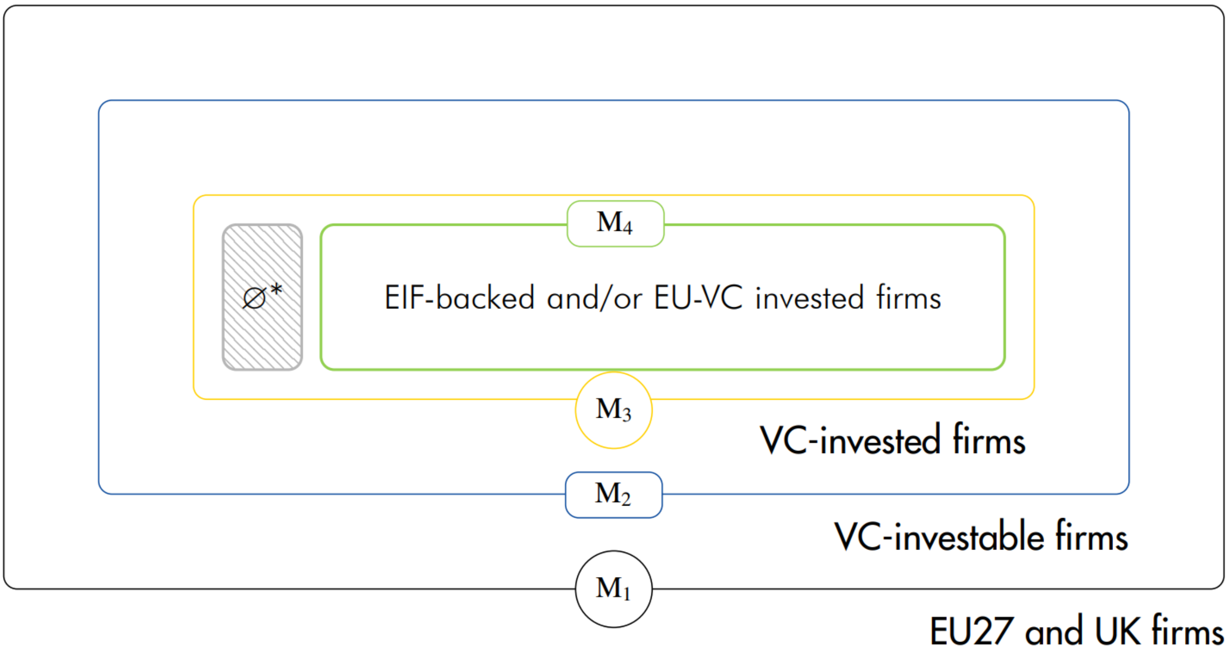

Figure 5.2: Identification of treatment and control populations

Start-ups enter the EIF VC portfolio in their first investment year. This typically coincides with the start-ups' seed or series A investment, but need not necessarily be. The equity shares of VC-backed companies will remain in the EIF indirect portfolio until a liquidity event is reached. Note that, if multiple EIF-backed funds have invested into the same company, only the last exit in chronological order will be counted as an EIF portfolio exit. This approach allows for a dynamic partitioning of the EIF portfolio over the course of the last 20 years, as shown in Figure 1b. In a given year companies in the EIF VC portfolio can be assigned to four distinct groups: new investments, depicted in blue, i.e. new start-ups invested by an EIF-backed VC fund; portfolio companies, depicted in grey, representing prior investments currently retained by EIF-backed funds trade sales and write-offs, in yellow and orange respectively, signalling companies exiting the EIF VC portfolio following a positive or negative liquidity event.

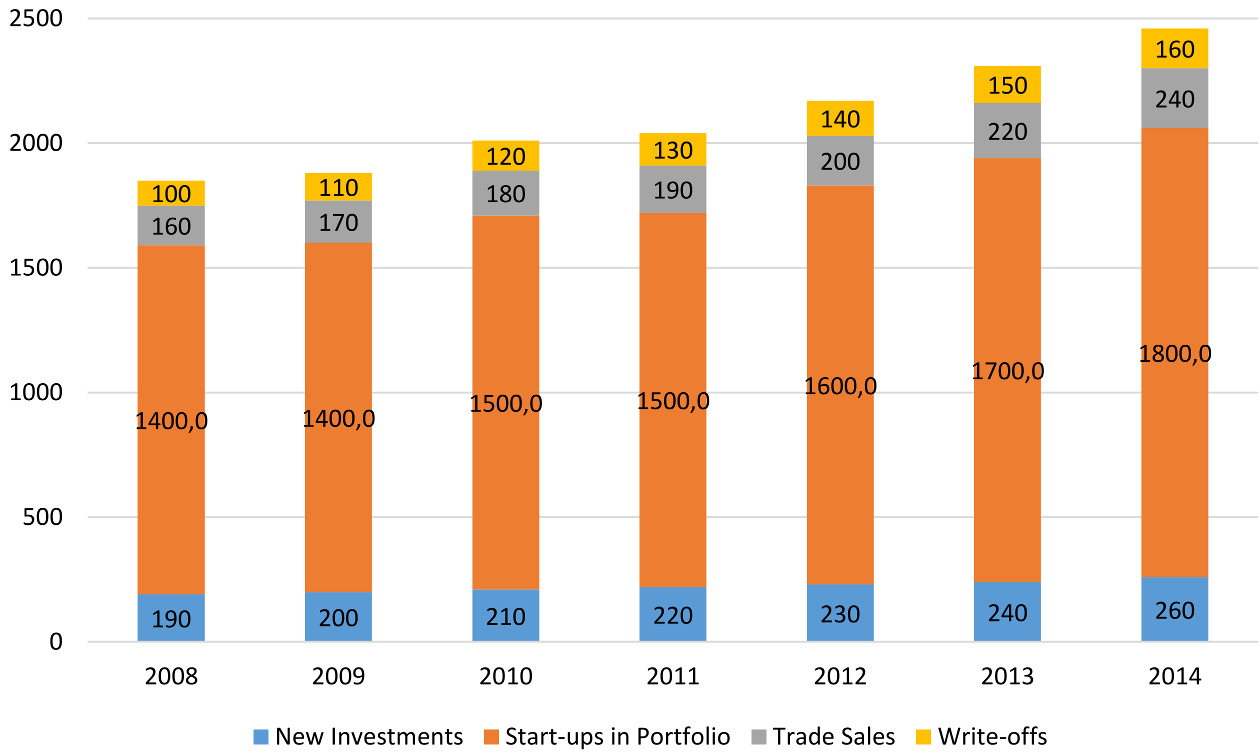

Figure 5.3. EIF VC portfolio composition by investment status

A first increase in EIF's VC activity took place in the 1999-2000 biennium, following the centralisation of the EIB group's risk capital activities under the management of EIF. Moreover, activities under the ETF Start-up scheme, started in 1998 and funded by the European Union, began progressing at an accelerating pace. The remarkable growth of the EIF VC portfolio in this period reached an abrupt halt in 2001, where the business environment suddenly turned unfavourable, due to the collapse of the high-tech segments of the World's main stock exchanges.

Crowdfunding. Crowdfunding has become a popular option for financing startups. Through platforms like Kickstarter or Indiegogo, startups can raise funds directly from consumers. This method not only provides capital but also validates market interest in the product or service.

With crowdfunding, anyone can invest directly in young and innovative companies. Crowd financing offers unique advantages and opportunities for startups and crowd investors seeking capital. However, both sides must take into account the special features and risks of this form of financing.

Recent years have shown that some startups have managed to establish themselves at the top of their – often newly created – industry within just a few years. An extreme example is the messaging service provider WhatsApp, which was bought by Facebook in 2014 for $19 billion.

However, recent years have also shown that many of the startups that initially started out ambitiously were unable to establish themselves on the market and had to cease business activities. In these cases, investors had to write off their investments.

Accelerators and Incubators. Accelerators and incubators offer support programmes for startups, including mentoring, training, and access to investor networks. Some of the most recognised in Europe are Y Combinator, Seedcamp, and Techstars.

5.3.Advantages of fundraising in the EU

The European Union (EU) has long been recognized as a hub for innovation and entrepreneurship, fostering a dynamic ecosystem that nurtures the growth of startups across diverse sectors. The EU's commitment to promoting innovation, economic growth, and job creation has led to the development of a range of initiatives and programs designed to empower startups. This article delves into how the EU helps startups thrive through its various supportive measures.

Access to Funding. One of the critical challenges that startups often face is securing sufficient funding to transform their ideas into viable businesses. Recognizing this, the EU has established several funding mechanisms to bridge the funding gap. The Horizon 2020 program, for instance, allocated substantial funds to support research and innovation, making it easier for startups to access capital for their projects. Moreover, the recently introduced Horizon Europe program continues this tradition, offering a financial boost to startups that engage in cutting-edge research and innovation.

Supportive Regulatory Environment. Navigating the regulatory landscape can be a daunting task for startups. To address this, the EU has implemented initiatives aimed at creating a more business-friendly environment. The Digital Single Market Strategy, for example, seeks to harmonize digital regulations across EU member states, eliminating barriers and facilitating cross-border operations for startups. Additionally, the General Data Protection Regulation (GDPR) promotes data privacy and security, fostering trust among consumers and partners alike, which is crucial for startups seeking to establish their brand reputation.

Incubators and Accelerators.

EU-funded incubators and accelerators play a pivotal role in nurturing startups. These entities provide valuable resources, mentorship, and workspace, allowing startups to refine their business models and strategies. The European Institute of Innovation and Technology (EIT) supports a network of Knowledge and Innovation Communities (KICs) that focus on specific sectors, aiding startups through mentorship, training, and access to a vast network of industry experts.

Cross-Border Collaboration.

The EU's emphasis on cross-border collaboration has opened up numerous opportunities for startups. Initiatives like the European Innovation Council (EIC) pilot facilitate connections between startups, investors, and corporations from different member states. This fosters knowledge exchange, encourages the sharing of best practices, and enables startups to tap into a wider market base.

Intellectual Property Protection.

Safeguarding intellectual property (IP) is crucial for startups to maintain their competitive edge. The EU has implemented measures to simplify and streamline the process of obtaining and enforcing IP rights. The Unified Patent Court, once operational, will provide a unified system for patent litigation across multiple EU countries, reducing legal complexities and costs for startups seeking patent protection.

These striking numbers highlight the key challenges that work in concert to create drag on European start-ups. Five in particular have the greatest effect on nascent companies.

The domestic value pool is fragmented. At the most basic level, the fact that Europe is not a single market has profound effects on what start-ups must focus on in their early years. Europe may have lowered its borders and opened its markets, but it is still a collection of dozens of different countries with their own languages, cultures, and governments. For example, customer behaviors vary between countries, which can require brands to be rebuilt for individual markets. Distribution and marketing channels can be similarly challenging. Even accommodating languages and payment methods alone requires a greater investment of developer time than would usually be required of a start-up in the United States, for example. Further complicating matters is Europe's regulatory landscape, which, though being streamlined, is both stricter and more fragmented than that of the United States. Depending on the industry and vertical, regulations also have wide variability.

Yet internationalization is unavoidable for Europe's start-ups—to achieve valuations typical of US start-ups, European companies must expand quickly and early across many countries. For a European start-up to address a market that is similar in size to that of the United States, it would need to enter 28 heterogeneous countries

Large funding rounds can be challenging. Historically, it has been more difficult for European companies to raise large funding rounds due to a lower supply of late-stage capital. As a result, it is harder for those companies to compete with significantly better-funded US competitors. We found that the problem was especially pronounced in the Series D and E stages (Exhibit 6). In our interviews with industry insiders, this difference was partially attributed to European investors' risk aversion.

In recent years, as US funds have expanded their presence in Europe, European VCs have raised more money, and more private-equity funds have begun European growth-equity investing arms, European founders of leading start-ups report that they have more access to late-stage capital from global and local investors. Still, US businesses in comparable industries, with similar success metrics, are able to raise funding at significantly higher valuations than their European counterparts. One factor that could account for Europe's historically lower supply of late-stage capital is the mix of funding sources: the biggest funders of European VCs tend to be governments and corporate investors, which have a different set of interests and goals from the biggest funders, such as large retirement and pension funds, of US VCs

However, as Europe's venture capital ecosystem matures and catches up to that of the United States, which has had several more decades to evolve since its emergence in the second half of the 20th century, the funding proportions are starting to change. As VC returns have gained additional momentum in recent years, pension-fund investments in Europe have significantly increased: 2.3 times more pension funds were committed to European venture capital in 2018 compared with the four previous years. In 2019, capital invested in rounds of $100 million and more in Europe was four times that of 2014. The continent also saw an increase in megafunding rounds of $100 million and more, and even six $500 million–plus rounds, in 2019. Despite such signs of progress, founders and funders told us in interviews that the relative gap in ease of raising large funding rounds has not yet fully closed, making it more difficult for European start-ups to compete with significantly better-funded US competitors and to become leading global players.

These issues can make European start-ups more inclined to limit risk when pursuing exit strategies, including by spending too little on expansion. In some cases, rapidly growing European start-ups may have factored concerns about their abilities to raise large amounts of follow-up capital into the decision to be acquired by US competitors instead of trying to become global players on their own. Cultural values play a role. European start-ups face much greater pressure to perform, and to do so earlier, than start-ups in the United States, where having a failure in one's past is typically seen as a badge of honor (or at least a rite of passage critical for gaining the lessons needed to ultimately succeed). We heard these sentiments echoed repeatedly in our interviews with founders and venture capitalists, and sentiment analysis of media coverage has shown, for example, that only about 17 percent of press coverage in Germany portrays entrepreneurship in a positive light, as compared with 39 percent in the United States.

This lack of a "risk culture" in Europe can also drive some founders to take other, more conservative approaches that sacrifice growth potential. For example, they might narrow ambitions to merely building a sustainable business and regional disruptor. This could partially be driven by the stigmatization of start-up bankruptcy in several European countries, incentivizing founders to be more risk-averse in pursuing growth opportunities. This would put European start-ups at a stark disadvantage to their US peers, which more often aim for global dominance.

However, an increasing number of recent European success stories, such as Delivery Hero, Auto1, or N26, that focused on hypergrowth at the expense of short-term profitability, has shifted this culture. According to our interviews with founders around Europe, such success stories appear to be inspiring other European start-ups to follow a similar path.

Attracting the best talent can be difficult. While Europe has a tech talent cost advantage compared to the United States—salaries for software developers are as much as 50 percent lower in Europe than those in the San Francisco Bay Area or New York City—the continent's start-ups often lack the tools to attract the best talent. Most notably, in many European countries unfavorable equity and stock-option rules make start-ups less appealing to potential employees. For example, more than 75 percent of the EU countries' stock-option rules analyzed by the European VC firm Index Ventures lagged behind those of the United States. At the same time, the significantly lower number of leading tech companies and successful hypergrowth start-ups in Europe reduces the pool of experienced executives and other talent that have hands-on background in building IPO-sized companies. The type of operational knowledge that comes from deep experience launching and exiting from successful start-ups is key to scaling companies through the late stages.

Innovation 'superhubs' are not as densely packed with resources as those in the United States. "Superhubs" such as Silicon Valley and New York City, which have a high concentration of entrepreneurs, tech talent, and investors, have played a very important role in the success of the US start-up ecosystem. Although London, Paris, Berlin, and Stockholm can be considered the leading hubs in Europe, they have not achieved the same concentration in terms of capital, knowledge, and talent. As a result, only about 30 percent of European start-ups have located their headquarters in a tech superhub—where they might have an easier time attracting talent and funding—versus almost half of US start-ups (Exhibit 8). Furthermore, surveys show that more than 60 percent of founders start their companies where they live or where they have family and support systems. Of course, relocating within the United States is not the same as relocating within Europe, given that in the United States the language and culture will generally be the same. However, if COVID-19 means that working remotely or from home becomes more common, this disparity might become less problematic and potentially could lessen the importance of superhubs.

Fundraising remains resilient, with €17.6 billion raised YTD in 2024. In Q3, European venture capital activity has been slower compared to last year, with notable trends in AI and femtech, such as Flo Health becoming the first femtech unicorn in Europe. Despite the decline in deal volume, certain verticals like software as a service (SaaS), life sciences, and oncology have steadily grown. The UK continues to dominate with several large fund closes, including six vehicles headquartered in London, each raising over €1B. Additionally, macroeconomic and political factors in regions like the UK are highlighted as key influences on private markets. The median fund size has increased year over year, but the time it takes to close funds remains long. Despite regional trends, European GPs are resilient to market challenges as fundraising activity continues to align with expectations.

Over 60% of funding for European HQ startups in 2024 originates from European investors, with domestic investors contributing 34%. This trend has remained consistent since 2014, with a growing proportion of cross-border European funding. U.S. investors account for a significant portion, representing 28% of the total in 2024, while Asian and other global investors have maintained smaller but steady contributions.

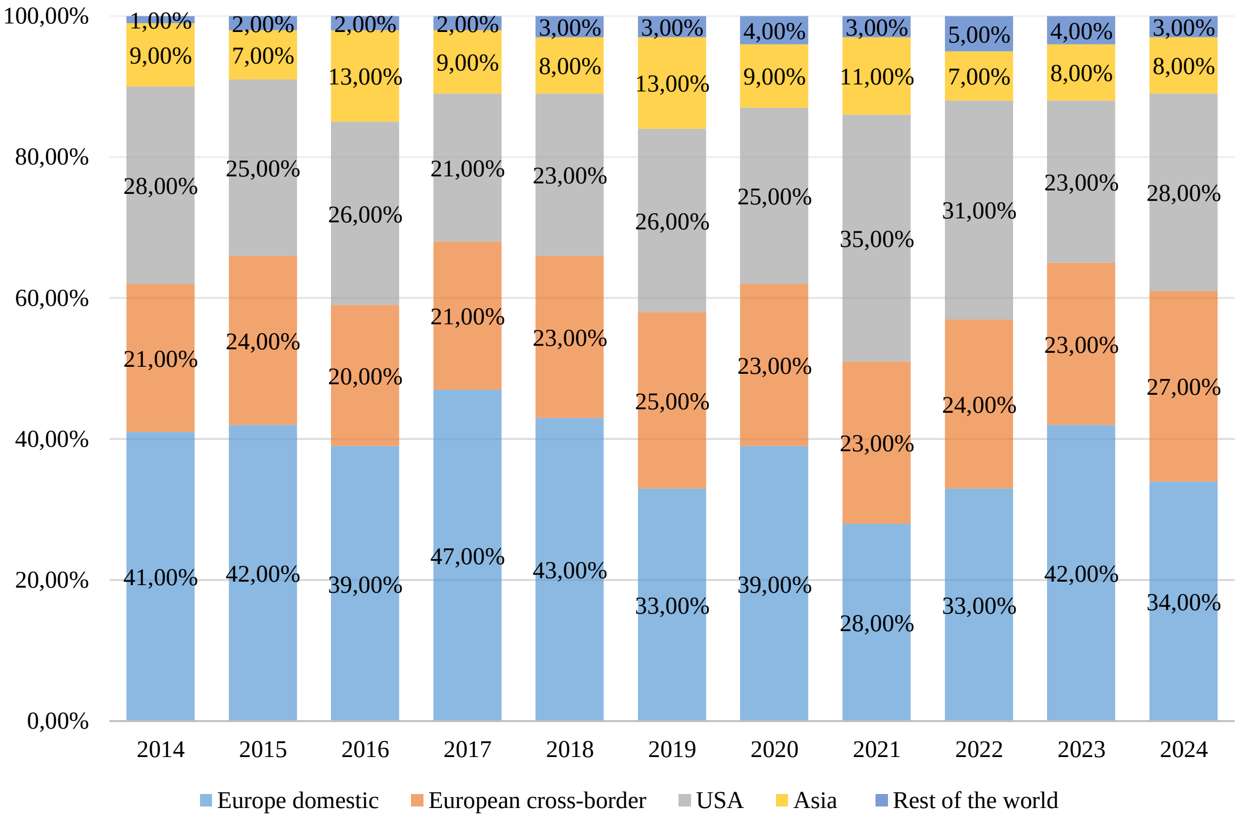

Figure 5.4. European venture capital by investor source

Meanwhile, Europe has now created 571 unicorns, according to the same report by Dealroom, with 22 new ones in 2024. Of these, 37 have achieved decacorn status, indicating an increasing presence of high-value companies within the region.

European seed and angel investments in Q3. European seed-stage funding hit $1.5 billion across 800 rounds last quarter, a drop from $1.8 billion in Q3 2023. However, it's unclear if this signals a slowdown since seed rounds are often added to the data after the quarter ends, making it too early to draw firm conclusions.

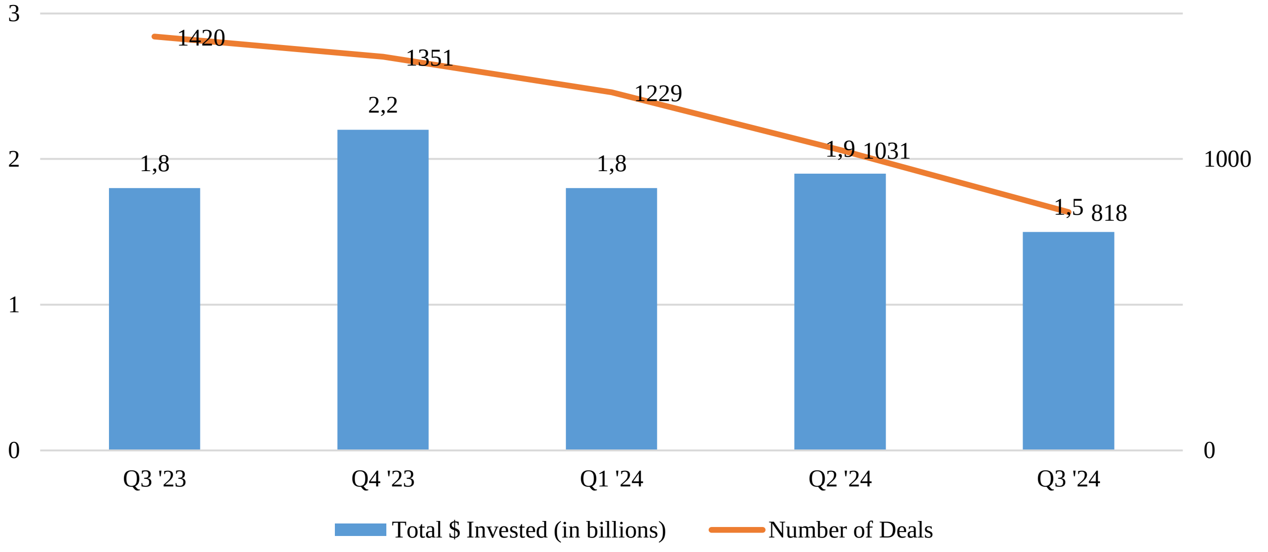

Figure 5.5. Europe Seed And Angel Investment Through Q3 2024

European early-stage investments in Q3. European startups raised $4.5B in early-stage funding last quarter across over 290 rounds. Notable deals include Paris-based Newcleo securing $151M for atomic energy and Munich's Marvel Fusion raising $70M for laser fusion energy. ESG compliance company Osapiens from Germany raised $120M, led by Goldman Sachs.

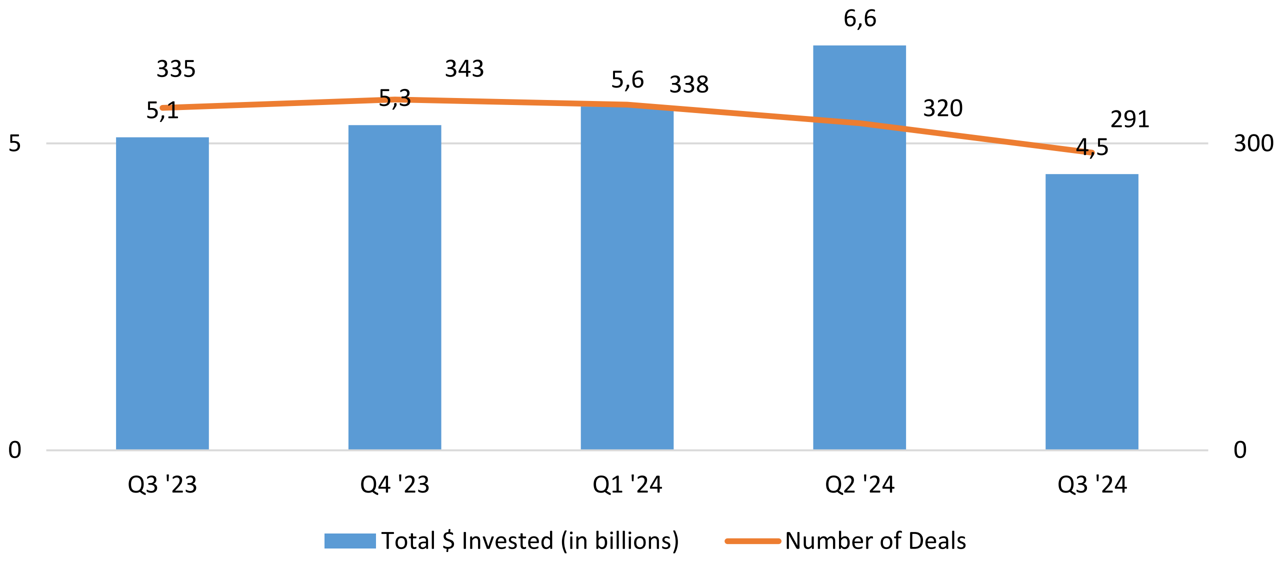

Figure 4.6. Europe Early-Stage Investment Through Q3 2024

European late-stage investments in Q3

Late-stage funding for European startups dropped 57% year-over-year, reaching $4.2B across over 70 rounds in the third quarter.

Noteworthy deals include Berlin-based DefenseTech company Helsing raising $488M, women's Health app Flo Health securing $201M, becoming Europe's first FemTech unicorn, and Munich-based fitness company Egym landing $200M.

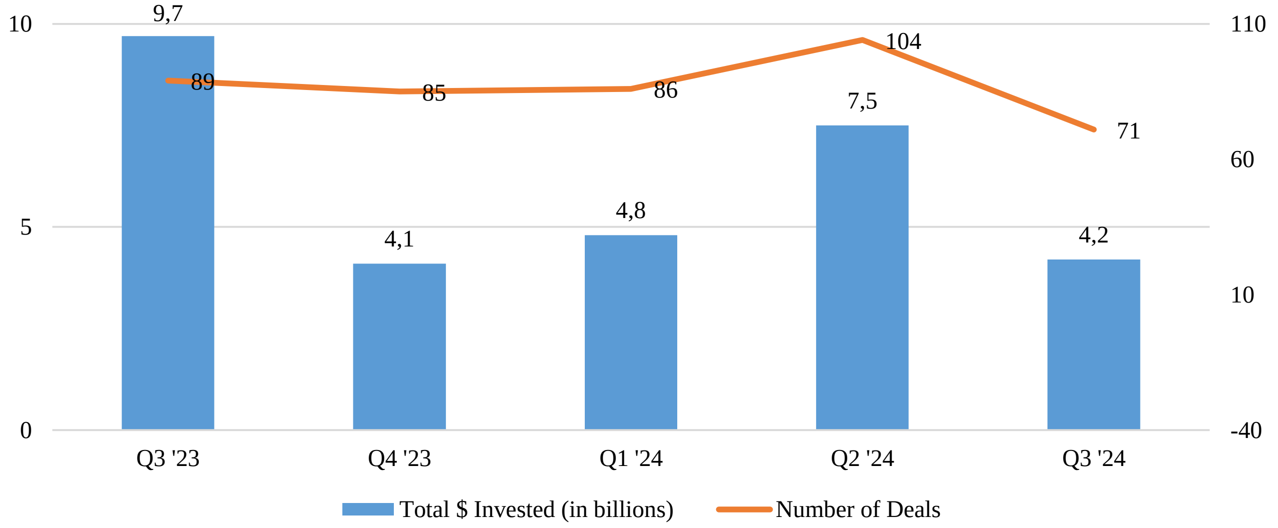

Figure 4.7. Europe Early-Stage Investment Through Q3 2024

European VC funding in Q3

In Q3 2024, VC investment in Europe slowed down, partly due to the typical summer holiday period in August. Despite the slowdown, the quarter still saw ten significant megadeals over $150M, including a $484M raise by Germany's DefenseTech company Helsing and $386M by France's gaming company Voodoo.

The SpaceTech sector also drew attention, with Italy's D-Orbit securing $166M. AI investments shifted towards vertical integration and niche applications, with defense-tech companies like Helsing capturing investor interest.

However, CleanTech investments declined as VCs prioritized profitability and quicker returns. The Health and BioTech sectors saw renewed interest, with notable deals like $200M for the UK's Flo Health and $150M for Germany's Catalym. The UK's VC scene showed cautious activity, favoring later-stage companies, while Germany had a strong quarter, including Europe's largest VC deal of $484M by Helsing.

The Nordics region experienced a quiet quarter, though early-stage funds raised capital at a healthy pace. AI, defense-tech, and biotech are expected to remain strong sectors heading into Q4.

VC deal activity in Q3

European startups raised $11.3B in Q3 2024, marking the lowest quarterly total for venture capital in Europe and globally in four years. Although summer often sees a slowdown in investment, this decline reflects a broader dip in VC activity across the board.

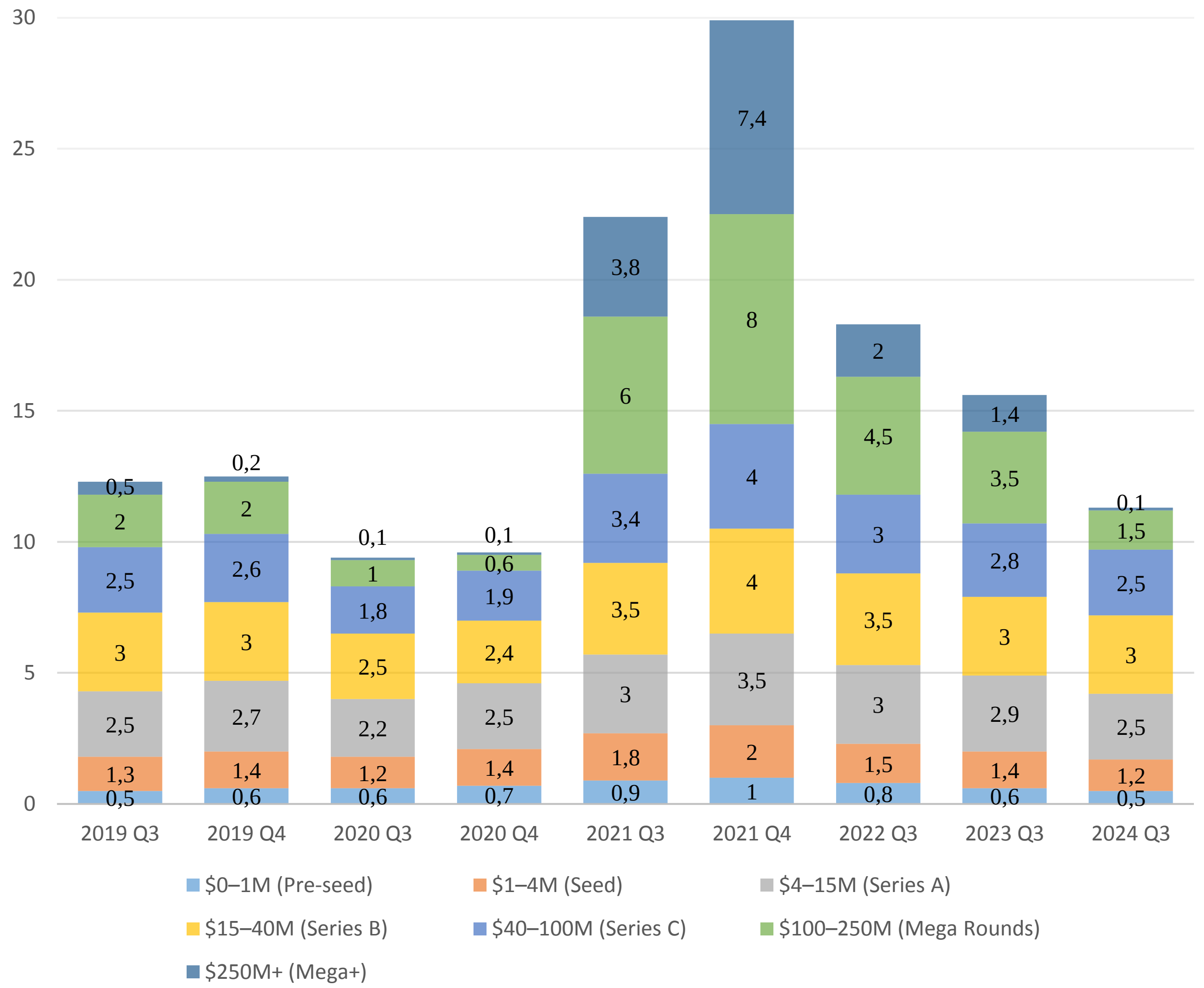

Figure 4.8. Europe VC investment by stage

European venture capital investment in 2024 is tracking on par with 2023 levels and remains ahead of the totals from 2019 and 2020, indicating resilience despite broader market fluctuations.

So far in 2024, European startups have raised over 2,000 funding rounds of $2M or more, making the venture industry more active than any time before 2021. This highlights the continued strength of the startup ecosystem in the region.

Early-stage European VC, including pre-seed, seed, and Series A, has remained relatively stable over recent years, reflecting consistent funding levels. In contrast, breakout-stage investments (Series B and C) have shown steadiness in recent quarters.

However, late-stage investments (above $100M) have experienced a noticeable slowdown in Q3 of 2024, with a clear dip compared to earlier peaks in 2021, when late-stage funding saw significant spikes.

Top 3 European regions in VC deals. The UK, Germany, and France remain Europe's top venture-funded countries in 2024. The UK leads with $12.4B, despite a 9% drop from 2023. Germany and France followed with $6.6B and $6B, respectively, showing mixed trends, with Germany experiencing a 6% increase and France a 13% decline. Notably, the Netherlands saw a significant 31% rise in VC investment, while Sweden saw the steepest drop of 56%.

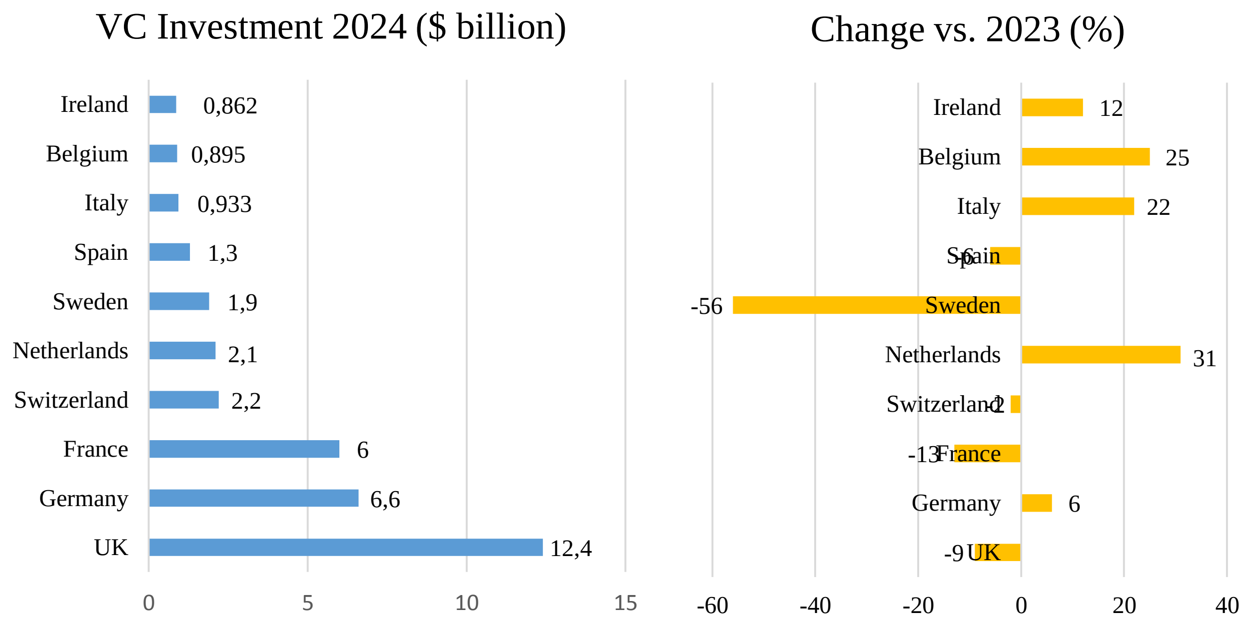

Figure 4.9. Leading European countries for VC investment

On a city level, London is Europe's dominant VC hub, maintaining a stable $8.8B in 2024. Paris and Munich follow with $4.4B and $2.3B, respectively. While Stockholm experienced a 67% decline, Cambridge and Zurich saw notable growth at 35% and 18%. With a 253% increase, Geneva stands out as an emerging hub, while Dublin continues to show steady growth.

In terms of VC fund-raising, Europe is projected to have $33.9B in dry powder by the end of 2024, with $27B raised so far. While this is slightly lower than the peak of $42.1B in 2022, it reflects a strong trajectory compared to previous years, indicating sustained investor confidence in the European startup ecosystem.

In 2024, the Health sector has come back as the most funded industry in Europe, securing $7.9B in venture capital so far, surpassing Energy, which raised $7.2B. This is a significant shift from last year when Energy consistently led funding rounds. The revival of health funding is partly due to several large-scale rounds in the UK.

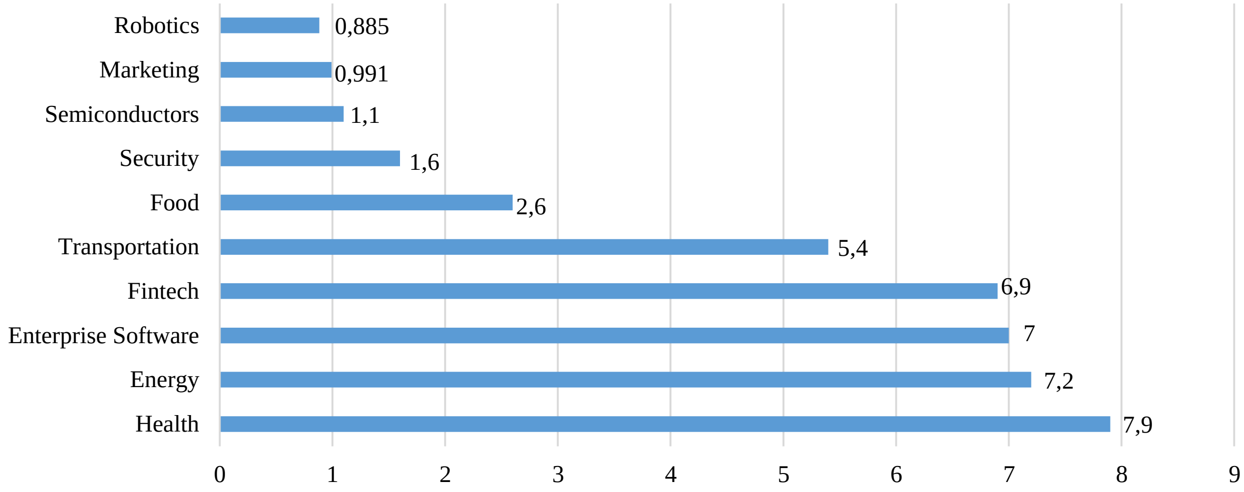

Figure 4.10. Europe's leading industries by VC investment, 2024 YTD (Q1-Q3), $B

Other key industries attracting significant VC investment include Enterprise Software, with a total value of $7B; Fintech, worth $6.9B; and Transportation, counting down the value at $5.4B.

Europe's top VC investment segments for 2024 (Q1-Q3), with Industrial Technology and Generative AI leading at $3.3B each. Other key sectors include GenAI Model Maker and Applications, Electric Mobility, and Circular Economy. Oncology stands out with $1.6B in funding, experiencing a significant $600M surge in Q3 2024. The chart also highlights investments in emerging fields like Space Tech, Hydrogen, Cybersecurity, and Autonomous Mobility, each attracting over $1B.

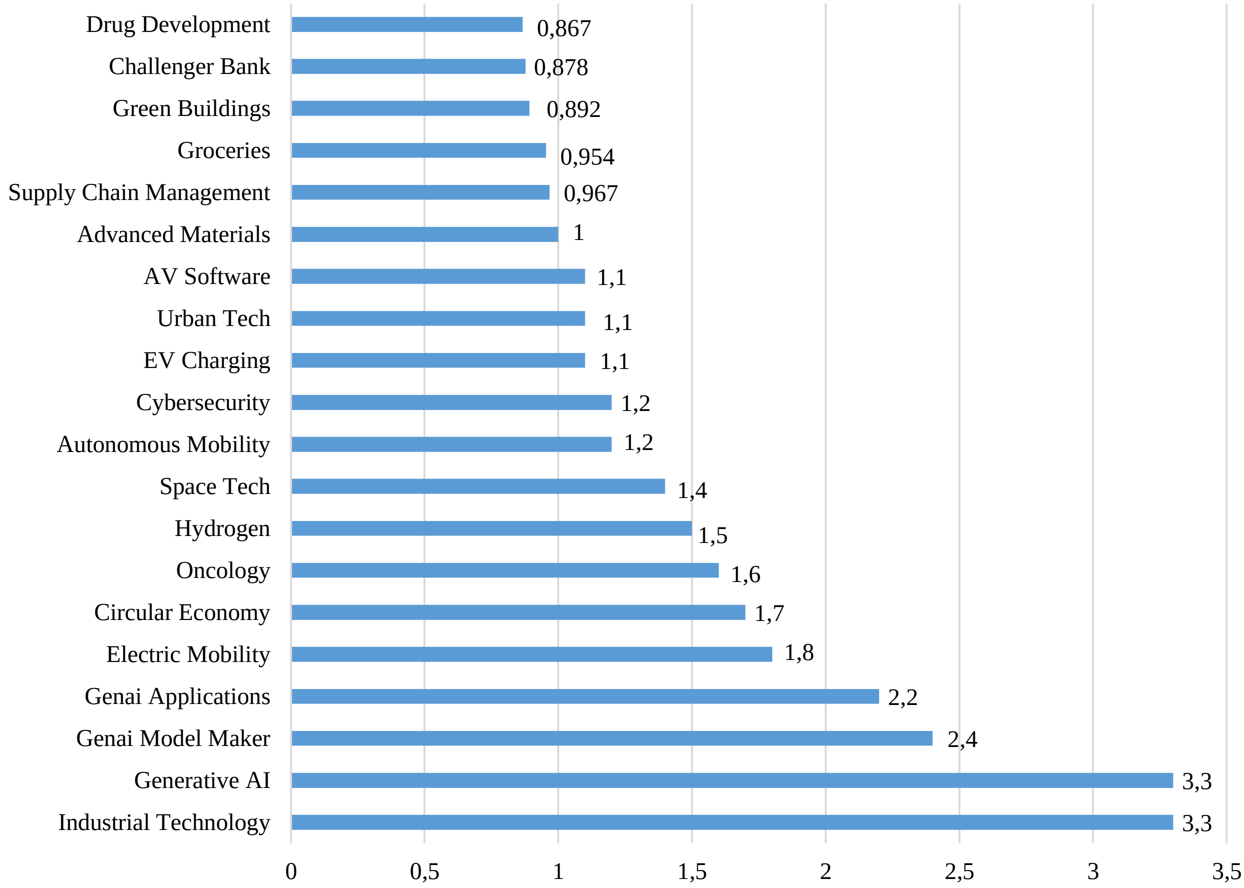

Figure 5.11. Europe's leading segments by VC investment, 2024 YTD (Q1-Q3)

Expectations for the end of the year

Expectations for Q4 of 2024 in European venture capital markets are cautiously optimistic, based on several key trends from the Q3 2024 European Venture Report. Despite a slower start in fundraising compared to 2023, the YTD total of €17.6B indicates that fundraising could close the year 4.8% higher than the previous year.

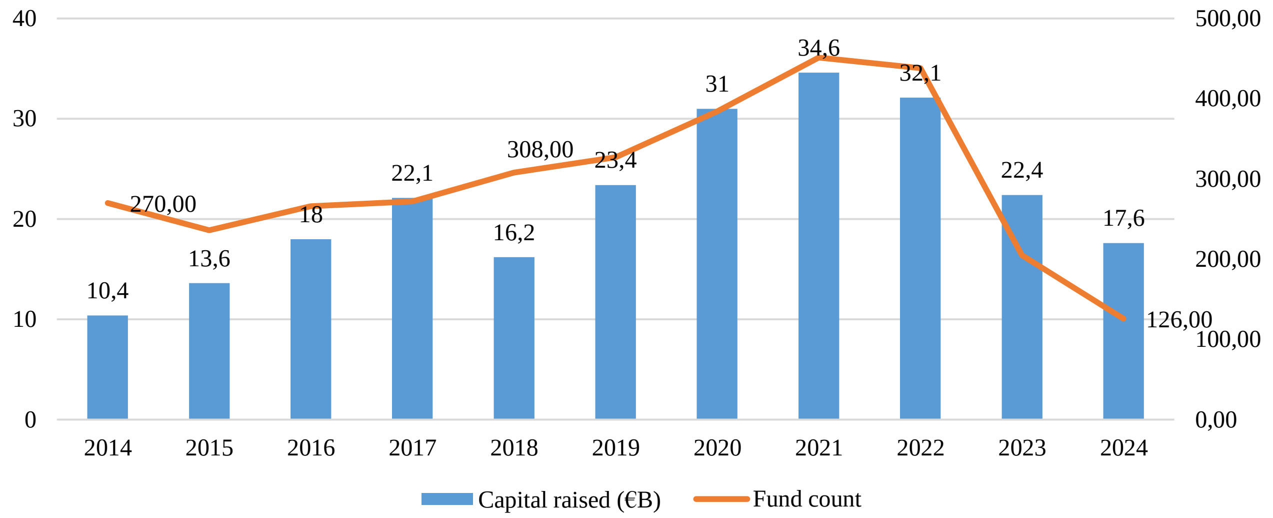

Figure 5.12. VC Fundraising Activity

Despite a growing number of emerging firms in the ecosystem, most capital (64.8%) continues to be allocated to experienced managers, while first-time funds show less resilience.

First-time funds have raised €1.8B YTD, a 30.8% decline compared to 2023. However, with several large vehicles still open, additional capital could close before year-end.

Table 5.4

Top 10 closed VC funds by fund value YTD

Fund	Close date	Fund value (€M)	Fund type	City	Country
Index Ventures Growth VII	July 10	1,395.7	Late-stage VC	London	UK
Atomico VI	September 25	1,117.1	Late-stage VC	London	UK
Evolution Technology Fund III	April 16	1,018.1	VC	London	UK
Index Ventures XII	July 10	744.4	Early-stage VC	London	UK
Accel London VIII	May 14	625.2	Early-stage VC	London	UK
Balderton Capital Early Stage IX	August 12	564.9	Early-stage VC	London	UK
Innovation Industries Fund III	May 15	500.0	Early-stage VC	Amsterdam	Netherlands
Creandum VII	June 3	500.0	VC	Stockholm	Sweden
National Seed Fund 3	February 29	400.0	Early-stage VC	Paris	France
Partech Venture Fund	January 9	360.0	Early-stage VC	Paris	France

The UK continues to dominate the European venture capital landscape, particularly in fundraising, with €7.4B raised YTD in 2024. This represents over 41.8% of the total capital raised in Europe and is more than double the amount raised in France & Benelux, the second-largest region.

The UK's fundraising performance is further reflected by the large size of funds, with six of the top 10 largest closed funds YTD being UK-based. These include Index Ventures Growth VII and Atomico VI, which exceeded €1B.

Other regions seeing positive trends include the Nordics, Southern Europe, and Central and Eastern Europe, all of which are tracking higher year over year.

Find the right investor and financing vehicle for your round

6/4/Gender Disparities in Fundraising

The issue of gender disparities in entrepreneurship remains a critical global challenge, as evidenced by numerous statistical findings. Presently, only one in three businesses worldwide is owned by women, and in 2019, a mere 20% of startups included at least one female founder. A primary factor contributing to this imbalance is the significant difficulty women face in securing funding. This includes both the scarcity of financial resources allocated to women entrepreneurs and the discriminatory conditions they often encounter when obtaining such funding.

For instance, in 2019, businesses owned entirely by women received only 3% of total investment—a decline from 4% in 2018. This percentage fell further to a concerning 2% in 2020, a figure that remained unchanged in 2021. Additionally, the proportion of deals involving all-female businesses has stagnated at 6%. These figures underline the magnitude of the problem: the global financing gap for women-owned small- and medium-sized enterprises is estimated at $1.7 trillion. This substantial shortfall severely hinders the growth, scalability, and overall competitiveness of women-led enterprises.

Persistent Gender Bias in Bank Lending. A comprehensive meta-analysis, incorporating data from over one million observations collected over three decades and spanning multiple countries, has confirmed the existence of long-standing gender biases in entrepreneurial bank financing. Female entrepreneurs consistently face higher rejection rates for business loans and are often subjected to elevated interest rates compared to their male counterparts.

Factors Contributing to Gender Bias. The Role of Political Ideology. The degree of gender bias in entrepreneurial financing varies significantly depending on the political and cultural context of a country. Our analysis reveals that in nations dominated by conservative political ideologies, gender disparities in financial conditions are more pronounced. Specifically, women entrepreneurs in such countries are more likely to face higher interest rates on business loans.

This disparity can be linked to deeply ingrained social norms that uphold structural gender differences and reinforce traditional perceptions of entrepreneurship as a domain requiring predominantly masculine attributes. Media portrayals often exacerbate this bias by presenting entrepreneurs as male figures embodying stereotypically masculine qualities associated with success, while women entrepreneurs are depicted as anomalies, less common, and less successful. In conservative settings, where progressive views are less prevalent, these portrayals further entrench societal biases, influencing the behavior and decisions of key financial stakeholders.

The Paradox of Women’s Empowerment. Contrary to expectations, advancements in women’s empowerment do not universally reduce gender bias in entrepreneurial financing. Our meta-analysis identifies a paradox: rapid progress in increasing women’s representation in high-profile positions, such as political leadership or executive management, can provoke resistance. This backlash often manifests in deteriorating financing conditions for women entrepreneurs, including higher rates of loan rejection and increased borrowing costs.

As women ascend to influential roles, they are sometimes perceived as a challenge to established social norms. This perception triggers protective reactions aimed at preserving traditional power structures, resulting in adverse consequences for women entrepreneurs seeking financial resources. This phenomenon highlights the complex interplay between women’s empowerment and societal resistance to change.

Strategies for Addressing Gender Disparities:

1. Maintaining Vigilance. Addressing gender disparities in entrepreneurial financing requires sustained and multifaceted efforts. Policymakers must remain vigilant, avoiding the assumption that progress in one area will automatically resolve inequalities in others. For example, while advancements in women’s representation in leadership or venture capital are crucial, they should not obscure persistent challenges in other domains, such as bank financing or governmental support programs.

2. Normalizing Women’s Empowerment. Achieving a critical mass of women in leadership positions is essential for fostering systemic change. However, societal resistance to such advancements indicates the need for continued normalization of women’s participation in power structures. Efforts should focus on creating organizational strategies that both increase women’s representation in leadership and provide robust support systems to help them succeed. Such measures can challenge entrenched gender norms and promote equitable opportunities across the financial ecosystem.

3. Evaluating and Auditing Funding Policies. The implementation of mandatory gender audits can serve as a valuable tool for assessing the effectiveness of policies aimed at closing the funding gap.

These audits should examine the distribution of financial resources, including budgets, services, and project financing, to ensure gender neutrality.

Without systematic oversight, resistance to gender equality can undermine even well-intentioned policies, perpetuating disparities in funding allocation. Policymakers must adopt a comprehensive approach that considers the cultural, political, and economic factors contributing to gender bias.

The findings from this meta-analysis underscore that the gender funding gap is unlikely to resolve itself as women advance in society. Resistance arises from various domains, including politics, culture, and financial systems, complicating efforts to achieve equity. Addressing gender bias in entrepreneurial financing requires a holistic, strategic, and multidimensional approach that recognizes the intricate societal factors at play. Only through sustained efforts to dismantle systemic barriers can a more inclusive and equitable entrepreneurial landscape be realized.

In conclusion, the EU funding ecosystem is a dynamic and evolving environment that offers great opportunities for startups but also poses significant challenges. The availability of diverse sources of finance, combined with targeted government support and a focus on innovation, has made the EU a major center for successful entrepreneurship. However, addressing key challenges such as regulatory complexity, regional disparities, and gender inequality requires policymakers, investors, and entrepreneurs to work together.

Startups that successfully overcome these challenges not only benefit financially but also receive mentorship, strategic partnerships, and access to international networks. As a result, the growing number of startups will contribute to the EU's broader goals of fostering innovative economic development and achieving sustainable goals. The EU will further strengthen its position as a global leader in supporting startups by continuously improving its policies and removing institutional barriers to ensure that its ecosystem remains inclusive, resilient, and competitive on the global stage.

This active interaction of opportunities and challenges underscores the transformative potential of the EU financial environment in catalyzing the next wave of entrepreneurship and economic success.

CHAPTER 6. PITCH DEVELOPMENT IN PRACTICE: FROM CONCEPT TO INVESTOR PRESENTATION

6.1. Basics of startup pitching

The variety of situations in which a startup has to present its idea has led to the emergence of different types of pitching, each with its own specifics, duration, and purpose. Understanding these differences allows entrepreneurs to prepare more effectively and achieve their set goals.

Elevator Pitch: A Quick Idea Presentation. The elevator pitch is the shortest presentation format. An elevator pitch is usually the shortest presentation, lasting no more than 30-60 seconds. The name itself comes from the idea that you need to be able to present your idea in the time it takes to ride in an elevator with a potential investor or important contact. The main goal of an elevator pitch is to impress the interlocutor at first glance, so that they want to learn more. Some sources even shorten this time, emphasizing the goal to get the listener interested in the app in 20-30 seconds. The key elements of such a pitch are a clear description of the problem your idea solves and what makes it unique. An example could be: We have developed an application that allows people with disabilities to organize and plan their daily routes, taking into account accessible facilities in the city. This will increase the level of autonomy for such people and simplify their daily lives.

Standard Investment Pitch: A Detailed Overview for Investors. The standard investment pitch is more comprehensive and is most often used for fundraising. A standard pitch is a pitch that lasts from 3 to 7 minutes and allows for a more detailed disclosure of the idea. This format is used at startup competitions, in meetings with investors or potential partners. In a standard pitch, the startup not only presents its idea but also demonstrates why it is profitable. Usually, a standard pitch includes: a presentation of the problem and the solution you offer; a description of the market, your target audience; an explanation of why your solution is better than the competitors. An important attribute of such a pitch is the pitch deck: A pitch deck is often added to a standard pitch—a set of slides that accompanies your presentation. Its purpose is to visually reinforce the main points of your pitch, highlighting important figures and facts.

Idea Pitch: Presenting the Concept in the Early Stages. The idea pitch focuses on the concept itself, especially when the product is not yet developed or is in a very early stage. An idea pitch is a presentation focused exclusively on the idea itself, without a detailed dive into financial indicators, markets, or business models. This format is especially common in the early stages of a project's development, when there is no full-fledged product or commercial results yet, but there is a unique concept that deserves attention. Key aspects here are concentration on innovation... strong justification of relevance... emotional delivery. The idea pitch is often used in startup competitions, at creative sessions, or when searching for initial like-minded individuals and partners.

Specialized Pitches: Industry-Specific and Targeted Presentations. Besides the general types, there are pitches adapted for specific industries or goals, requiring a special approach to content and delivery. A Legal Pitch Deck is an example of such specialization. Unlike general business presentations, a legal pitch deck is tailored to address the specific interests and concerns of investors in the legal industry. It goes beyond simple facts and figures, weaving a narrative that demonstrates the impact, innovation, and scalability of your legal solution. Special attention is paid to the specifics of the industry: In the legal industry, where regulation, compliance, and complex market dynamics play a critical role, a pitch deck that effectively communicates how your solution navigates these complexities can set you apart. Another example is the Automation Pitch Deck. This is a strategic presentation used by startups and companies to showcase their automation solutions to potential investors, clients, or partners. This deck concisely explains the product, its unique value proposition, and how it solves specific problems through automation. Creating such a pitch requires industry expertise: Creating an effective automation pitch deck for your industry involves several key steps: A tailored industry overview... This sets the stage for why your product is necessary.

The variety of pitching types, from the ultra-short elevator pitch to highly specialized industry presentations, shows that there is no one-size-fits-all approach to presenting a startup. The effectiveness of a pitch directly depends on its adaptation to the specific context: the available time, the characteristics of the audience, the specific goal of the presentation, and the peculiarities of the industry. For example, the elevator pitch is optimized for instantly capturing attention in a limited time frame, while industry-specific pitches, such as for legal tech or automation, take into account the specific knowledge, interests, and "pain points" of investors in those sectors. This means that the choice of pitch type is not arbitrary but must be a strategic decision based on an analysis of the situation. Thus, the fundamental principle underlying the classification and successful application of different types of pitching is adaptability. A startup must not only master different pitch formats but also be able to flexibly modify its presentation depending on the circumstances to maximize its impact and achieve the set goals.

Furthermore, there is a clear dependency between the type of pitch and the startup's development stage. The "Idea pitch" is characteristic of the earliest stages, when the main asset is the concept itself, and the product may not yet be developed. At this stage, the emphasis is on innovation, relevance, and emotional engagement. As the project develops and the first results appear, startups transition to the Standard pitch , which involves a more detailed analysis of the market, competitive environment, business model, and financial indicators. Sources discussing the structure of a pitch deck often include sections like Traction, Financials, and Product, which are more relevant for startups that already have some progress and results. This indicates that pitching is not a static tool; its content, focus, and level of detail evolve along with the startup, reflecting its growth and maturity.

Table 6.1

Comparison of the Main Types of Pitching

Pitch Type	Duration	Main Goal	Key Elements	Typical Scenarios
Elevator Pitch	30-60 sec	To impress, spark interest for further discussion	Problem, solution, uniqueness	Casual meetings, networking events
Standard Investment Pitch	3-7 min	To attract investment, find partners, detail the idea	Problem, solution, market, target audience, competitive advantages, team, financials	Startup competitions, meetings with investors, presentations for potential partners
Idea Pitch	Varies with context	To present a concept, attract interest with innovation, find like-minded people	Innovation of the idea, relevance of the problem, emotional delivery	Early project stages, creative sessions, idea competitions
Specialized Pitch (e.g., Legal)	Varies with context	To solve specific industry problems and interests of investors/partners	Industry specifics, compliance with regulations, unique industry solution, impact, and scalability	Industry conferences, meetings with specialized investors/funds

Mandatory Components of a Pitch Deck: Analysis of Leading Sources. An analysis of recommendations from various authoritative sources allows us to identify the key components that an investor pitch deck should contain.

The Ukrainian agency Reprezent.ua proposes a structure that includes: Title slide, Problem, Solution, Market, Product, Business Model, Go-to-Market Strategy, Competition, Team, Financial Projections, The Ask. The content of each slide is detailed; for example, for the market, it is recommended to state the market size in monetary terms and at the bottom of the slide, provide a link to the source. + describe your target audience, who your clients will be.

The company Up7mountains recommends 13-14 key blocks, including: Idea (with storytelling elements), Problem (supported by statistical data), Solution, Product/Service (with visualization), Market Size and Opportunities (with figures, CAGR), Business Model, Development/Marketing plan. The importance of the "Problem" slide is particularly emphasized: 90% of startups fail due to the absence of a problem (need for the product/service). This is the main reason. Therefore, investors pay special attention to this block.

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For legal startups, according to Viktori.co, the recommended structure includes: Title slide, Problem, Solution, Product/Service, Business Model, Traction, Financial Projections, Team, The Ask, Closing slide. It also emphasizes the importance of demonstrating differences from existing solutions ("Highlight how it differs from existing solutions") and clearly formulating financial needs ("Be Clear About Financial Needs").

One of the most influential templates in the venture industry—the template from Sequoia Capital—includes the following sections: Company Purpose, Problem, Solution, Why Now, Market Size, Competition, Product, Business Model, Team, Financials, The Deal.

FasterCapital advises answering key questions in the pitch deck: "What problem are you solving and for whom?", "What is your solution and how does it work?", "What is your market opportunity and how will you capture it?".

Prezent.ai offers a similar set of slides: Introduction, Problem, Solution, Market opportunity, Business model, Traction, Competition, Financials, Team, Ask.

The course from Kruze Consulting recommends the following sequence: First Slide

The Problem, The Solution, Team, Traction, Sales/Go-To-Market, Market Size, Competition, Operating Plan, Financial Projections, Final Slide. The purpose of each slide is explained, for example: "Problem: why is the problem worth solving?", "Solution: how will your solution change the market?".

The Carta platform also highlights key elements: Identify the problem, Identify your solution, Explain your business idea, Describe your customers, Detail your go-to-market strategy, Present your team, Identify the competition, Present your finances, Tell investors how you'll use their money.

Despite some variations in the names and sequence of slides across different sources, a significant convergence is observed regarding the main informational blocks that investors expect to see. Fundamental components such as "Problem," "Solution," "Market," "Team," "Business Model," and "Financials" are practically universal. This indicates the existence of an unwritten "golden standard" for the content of a pitch deck, driven by the fact that investors worldwide have a similar set of fundamental questions they seek answers to for making an investment decision. Thus, startups targeting the international market can be confident that thorough preparation of answers to these key questions is a necessary foundation for creating an effective pitch deck.

Table 6.2

Recommended Structure of an Investor Pitch Deck According to Authoritative Sources

Key Slide/Section	Sequoia Capital	Guy Kawasaki (10 slides)	General Recommendations	Investor Focus (HBS/DocSend)
Title Slide/Company Purpose	✓	✓	✓	
Problem	✓	✓	✓	✓
Solution	✓	✓	✓	✓
Product/Service/Technology	✓	✓	✓	
Market Opportunity/Market Size	✓	✓	✓	✓ (high priority)
Business Model	✓	✓	✓	✓
Competition/Competitive Advantages	✓	✓	✓	✓
Team	✓		✓	
Traction/Status		✓ (Status)	✓	✓ (high priority)
Marketing Strategy/Go-to-Market/Sales		✓	✓	
Financial Projections/Financials	✓	✓	✓	✓ (highest priority)
The Ask/Use of Funds/The Deal	✓	✓	✓	
Why Now	✓			
Team	✓	✓	✓	
Traction/Milestones		✓ (Status)	✓	✓ (high priority)
Marketing Strategy/Go-to-Market/Sales		✓	✓	
Financial Projections/Financials	✓	✓	✓	✓ (highest priority)
The Ask / Use of Funds / The Deal	✓		✓	
Why Now	✓			

Note: The checkmark (✓) indicates that the slide/section is recommended by the source. Some categories have been generalized for comparability.

Recommendations of Guy Kawasaki (The 10/20/30 Rule) and Their Application

The 10/20/30 Rule, proposed by the famous venture capitalist and marketer Guy Kawasaki, has become a widely recognized standard for creating concise and effective presentations, especially pitch decks. The essence of the rule is that a PowerPoint presentation should have ten slides, last no more than twenty minutes, and contain no font smaller than thirty points.The main goal of this approach is that brevity is key... to optimize audience engagement.

Ten Slides: Kawasaki justifies this limitation by the fact that it is difficult to comprehend more than ten concepts in a single meeting. For these ten slides, he proposes the following topics, which are particularly relevant for venture capitalists: Problem, Your Solution, Business Model, Underlying Magic/Technology, Marketing and Sales, Competition, Team, Projections and Milestones, Status and Timeline, Summary and Call to Action. Another source provides a similar list, adding a slide for Current Status and Use of Funds.

Twenty Minutes: The twenty-minute duration limit is intended to ensure that you should finish your presentation of ten slides in twenty minutes. This leaves enough time for further discussion, questions, and answers, and also accounts for possible technical delays. Importantly, human attention tends to wane after this period, and the effectiveness of the 20-minute rule is reflected in popular public speaking formats, such as TED Talks.

Thirty-Point Font: The requirement for a minimum font size of 30 points is aimed at combating text-heavy slides. Kawasaki noted that the only reason people use smaller fonts is to cram huge chunks of text onto a slide... This forces you to use a larger font so you can cut out unnecessary details. A large font ensures clarity and prevents overloading the slides, thereby increasing audience engagement.

Investor Views on the Structure and Content of a Pitch Deck (DocSend, Harvard Business School). Research from companies like DocSend and academic institutions like Harvard Business School (HBS) provides valuable data on what investors pay attention to when reviewing pitch decks and what characteristics successful presentations have.

According to DocSend, successful pitch decks are concise, typically around 19. slides long, and clearly articulate the problem, solution, business model, market size, and competitive landscape. Interestingly, a trend towards even greater brevity is observed: another source, citing research, notes that the optimal length of a pitch deck has decreased from 19 slides in 2019 to 12-14 slides in 2024. This underscores the growing importance of being able to convey key information as concisely as possible.

Research from Harvard Business School, for its part, emphasizes that investors are particularly interested in decks that demonstrate a deep understanding of the market and a well-thought-out business plan. Moreover, according to a Harvard Business School study, investors consider the quality of the pitch to be more influential than the content itself when making funding decisions, highlighting the importance of presentation and delivery (Harvard Business Review, 2019).This is a very strong statement that does not diminish the importance of content but indicates that poor delivery can nullify even the strongest idea. The quality of the presentation (clarity, logic, persuasiveness, design, confidence of the speaker) is perceived as an indicator of the team's professionalism, its ability to communicate effectively and execute the plan. If a team cannot effectively "sell" its idea to investors, doubts arise about its ability to sell the product to customers or attract talented employees. Thus, the quality of the presentation itself becomes a kind of proxy metric for assessing the overall competence and potential of the team.

The time investors dedicate to studying a pitch deck is extremely limited: An investor spends an average of 3 minutes and 44 seconds reviewing a startup's pitch deck. During this short period, the most attention is given to the following sections: Financials (24% of total viewing time), Market Opportunity (21%), and Traction and Growth (18%). This data clearly indicates the priorities of investors and which aspects of the pitch deck should be developed with particular care.

Adapting the Structure for Different Audiences and Markets. Despite the existence of generally accepted templates and recommendations, a successful pitch deck always takes into account the specifics of the audience, the market, and the project itself. Blindly copying a standard structure without understanding and adaptation rarely leads to the desired result.

Flexibility of structure is key. As noted, one size does not fit all. Depending on your market, business model, and technology, you may decide to present the product before presenting the market, or vice versa... You need to evaluate your approach based on your audience and the novelty of the technology. This means that although the main informational blocks (problem, solution, market, etc.) are expected "section headings," their order, depth of disclosure, and emphasis should be adapted to the specific situation.

Adaptation to the product and startup style is also important. Pitch decks should be adapted to the product and style of each startup. If you want to build a brand, your pitch deck should highlight it. If you want to create a tool, you need to show mockups of the product'—writes Kramer.

Industry specifics require special attention. For example, for startups in the automation sector, a tailored industry overview is recommended: Start with a concise overview of your specific industry, highlighting trends and pain points that your automation solution addresses. Similarly, in the legal industry... a pitch deck that effectively communicates how your solution navigates these complexities can set you apart.

Cultural differences, especially when entering international markets, cannot be ignored. There are significant disparities in communication styles between, for example, high-context cultures, such as Japan and China, rely on implicit communication, and low-context cultures, such as the US and Germany, emphasize explicit communication. This directly affects how direct or indirect information delivery is perceived. Example: A multinational corporation launching a new product in Japan will need to adapt its messaging to Japanese cultural norms of humility and indirect communication.Visual materials that compare the cultural characteristics of the East and West can also be useful for understanding these nuances.

Finally, personalization for specific investors significantly increases the chances of success. Research shows that 80% of successful startups tailor their pitch decks to specific investors. This can include emphasizing aspects that are of particular interest to that investor, or responding to their previous questions or comments.

Thus, there is a certain tension between the desire to use standardized, time-tested templates (like the Sequoia Capital template) and the pressing need to adapt the pitch to unique circumstances. A successful pitch deck is not a blind copy of a template, but its thoughtful use as a solid foundation upon which a unique, persuasive, and audience-adapted startup story is built. The template provides the skeleton, while the narrative, data, and visualization bring it to life.

The trend towards shortening the optimal length of pitch decks, the extremely limited time investors dedicate to their review, and recommendations like Guy Kawasaki's 30-point font rule, unequivocally emphasize that information must be presented as concisely, clearly, and visually appealingly as possible. The principle of "less is more" is becoming increasingly relevant. Investors do not have the time or desire to sift through overloadedtext-heavy slides; instead, they value a startup's ability to synthesize complex information and present it in the form of short, visually clear, and impactful messages, using "images and keywords" and an attractive design.

6.2. Algorithm for Developing and Creating a Persuasive Startup Pitch

Creating an effective startup pitch is a structured process that requires careful preparation, clear formulation of key ideas, development of a solid business logic, and masterful presentation. Below is an algorithm that covers the main stages of this process, based on international experience and expert recommendations.

Preparatory Stage: Researching the Target Audience, Market, and Competitors. Before starting the direct creation of the pitch, it is necessary to conduct thorough preparatory work.

Understanding clients and the target audience is the starting point. Understand your clients. you need to have a clear understanding of who your ideal client is and what their needs are.It is important to clearly define for whom your solution is intended. It is necessary to really dig into the details... Know exactly who your first customers are and why they buy your product.

Market analysis aims to demonstrate its potential and attractiveness. Provide market research and data to support the viability and scalability of your business. Show the size of the target market, growth trends, and any competitive advantages you have. The question What is your market opportunity and how will you capture it? requires demonstrating the size and potential of your market... You should use data, such as market research, customer feedback, industry trends, or case studies, to support your claims.

Competitor analysis allows you to define a unique proposition. Be a step ahead of your competitors. Competitors exist in any niche. You must know their offerings inside out to clearly articulate your advantages. It is recommended to thoroughly research your competitors before pitching your startup idea and to state who the main competitors are in your market and in your niche; + list the main competitive advantages.

Formulating Key Messages: Problem, Solution, Value Proposition. The core of any pitch is the clearly and persuasively formulated key messages concerning the problem the startup solves, the proposed solution, and its unique value.

Problem: It is necessary to clearly formulate the problem: Clearly define the problem or pain point that your product or service aims to solve. This is the answer to the question What problem are you solving and for whom? Here you explain the pain point or gap that your product or service fills.

Solution: After defining the problem, you should present your unique solution: Outline your innovative solution and explain how it solves the identified problem. Highlight the unique features or advantages that differentiate your solution from competitors.This is a description of what your solution is and how it works... how it provides value to your customers.

Value Proposition: It is important to detail your value proposition: Explain how your solution... benefits your target customers. It is necessary to highlight your unique selling proposition, or what makes you different from your competitors. To attract investors, you should highlight the unique value, growth potential, and user engagement of your app.

Developing the Business Model and Financial Projections. Investors want to understand how the startup plans to generate revenue and what its financial prospects are.

Business Model: To convince potential investors that your startup is a viable business, you will need to detail your business model.

Be sure to include information on how you plan to generate revenue and what your expenses will be. You need to explain how your solution... will generate revenue. Be clear about pricing strategies, sales channels. You should describe how you plan to make money, and disclose the project's business model (how you earn or plan to do so), preferably in a schematic way. Some experts insist: Please, please, please, explain how you're going to make money... Literally list every semi-plausible revenue stream you can think of.

Financial Projections: It is necessary to present realistic and well-researched financial projections that demonstrate the potential return on investment for investors. Include revenue forecasts, cost structures, and key financial metrics. It is important to show your financial model. It's advisable to insert tables with calculations demonstrating how much money you plan to earn, what the costs will be, the break-even point, etc.! This is one of the most important slides in the presentation. It is recommended to provide a clear and realistic forecast of revenues, expenses, and cash flows for the next 3-5 years. In this, financial projections presented in the deck should strive for accuracy to be convincing to investors.

Creating a Visually Appealing Pitch Deck: Design and Storytelling. The visual appearance of the pitch deck and the way the story is presented play an extremely important role in the perception of information.

Design and Visualization: As noted, appearance matters. Integrate visual elements. Most people perceive information better through sight. Use bright colors, interesting images, and innovative graphics to attract attention.At the same time, it is important to avoid oversaturating the slide with text and complex visual elements. Maintain a clean and concise design.You should use images and keywords that the audience can relate to while listening. It is recommended to offer an irresistible design and a strategic format that highlights the skill of storytelling... demonstrating high-quality data visualization and infographics.

Storytelling: The ability to tell a compelling story is key to the audience's heart. Tell live stories to build a connection with clients. A pitch deck is about telling a good story. Your pitch deck is an opportunity to tell the story of your business. The most effective founders use strategic storytelling to build trust, inspire action, and secure funding.

Practice and Preparation for the Presentation and Q&A Session. Thorough preparation for the presentation itself and the question-and-answer session is critically important for success.

Preparation for Questions: Be ready to answer questions. Investors will likely have questions about your business after reviewing your pitch deck. Be ready to answer these questions clearly and concisely. Adhering to time limits, as in Kawasaki's 20-minute rule, allows you to also have time for answers to questions and other concerns.

Testing and Improvement: Gather feedback from colleagues or industry experts. Test different versions of the slide to determine the most effective design elements and messaging strategy. This principle, though cited for the title slide, is relevant for the entire pitch deck.

The process of developing a pitch is not strictly linear. Elements such as a deep understanding of the target audience (preparatory stage) and testing with feedback (practice stage) imply the possibility of returning to previous steps and making adjustments. Feedback from potential investors, mentors, or industry experts may reveal the need to revise key messages, refine the business model, or even change the visual design. This indicates that creating a pitch is not a one-time task, but an iterative process of continuous improvement and adaptation based on new information and received feedback.

1.Demonstrating Contribution.

• Investment projects are evaluated based on the founders' commitment. Evidence of financial or time investment in the business significantly enhances credibility. Even minimal expenditures in development or prototyping

.Maintaining Professional Presentation.

• For video calls, ensuring a well-lit environment with a neutral and business-appropriate background is essential. A professional appearance during presentations positively influences the perception of the business proposal.

3.Providing Testimonials and Additional Materials.

• Testimonials from early users or clients strengthen the presentation, showcasing the product’s potential. Backup copies of materials, such as on a USB drive or through shared links, allow investors to review information in detail, demonstrating thorough preparation and organization.

Figure 6.1. *How to Prepare for an Investor Besides the Startup Pitch?*

The success of each step in the pitch creation algorithm largely depends on the quality of execution of the preceding stages. For example, without a deep and comprehensive study of the market and competitive environment, it is impossible to formulate a truly persuasive and unique value proposition or to develop realistic and well-founded financial projections. If the value proposition is weak or unclear, it will inevitably complicate the development of a viable business model. An unrealistic business model, in turn, will lead to unconvincing financial projections that will not inspire trust in investors. All these shortcomings will negatively affect the quality of storytelling and undermine the team's confidence during the Q&A session. Thus, each stage of the algorithm is built on the foundation laid by the previous steps, and weakness in one area can jeopardize the success of the entire pitch creation process.

Although demonstrating current achievements ("traction") is important, a significant part of the pitch, especially for early-stage startups, is about convincing investors of the project's future potential. Investors invest with the expectation of significant growth and profit in the long term. Therefore, slides dedicated to market opportunity, financial projections, and future development plans are aimed precisely at demonstrating this long-term potential. As aptly noted, it's worth going big, talking about things that might be crazy... a little excitement here is good, especially if the preceding parts of the pitch were sufficiently well-founded. This means that an effective pitch must skillfully balance the reality of current achievements with an ambitious, yet plausible and well-argued, vision of future success.

6.3. Overview of Leading International Pitching Competitions and Accelerator Programs as Opportunities for Public Presentation

Pitching competitions and accelerator programs are important platforms for startups, allowing them not only to attract financing but also to receive mentorship, establish valuable contacts, and increase their visibility on the international stage.

European Hubs and Accelerators:

- UnternehmerTUM (Munich, Germany): Offers 20 programs that guide startups from prototyping and pitching to venture capitalists to developing leadership skills. Notable alumni include FlixMobility, Isar Aerospace, Tado.
- Station F (Paris, France): Has over 30 programs for startups, including the Fighters Programme for entrepreneurs from underprivileged backgrounds. It has launched startups like Mistral, Photoroom, Poolside.
- Start2 Group (Munich, Germany): Provides support to participating startups, including access to free office space to help them expand globally. Programs include help for founders to raise their next round and courses aimed at different growth strategies. Alumni include Spreadly, Footprint Intelligence.
- HEC Paris Innovation & Entrepreneurship Institute (Paris, France): The entrepreneurship center of HEC Paris business school, offering acceleration and incubation programs, including a program that helps founders launch their startup in 11 weeks, and corporate accelerators like WomenEntrepreneurs4Good (WE4G).
- Founders Factory (London, United Kingdom): Offers a venture studio, accelerators, and funding for early-stage founders, collaborates with corporations on accelerators (e.g., Aviva x Founders Factory Fintech Program), and has a key focus on fintech, climate, deeptech, and innovations in healthcare. Alumni include Fanbytes, Flourish, Storyblok.
- Venture Kick (Schlieren, Switzerland): Provides startups from Swiss universities with seed funding—a 'kick'—with the goal of increasing the number of Swiss spin-offs, accelerating their market entry, and connecting them with investors and corporations. It has supported startups like Regenosca and MindMaze.
- Other significant European programs include Seedstars Accelerator, Startup Wise Guys, Startupbootcamp, Techstars London.

European Pitching Competitions:

- Slush (Helsinki, Finland): Focuses on general technology startups and is a large conference for startups that facilitates meetings between founders and investors.
- VivaTech (Paris, France): Covers technology and innovation in various sectors and is one of the largest technology events in Europe.
- EU-Startups Summit Pitch Competition (Malta): Aimed at early-stage European startups with a prize package of over €390,000.
- Latitude59 Pitch Competition (Estonia): Designed for early-stage startups with scalable models and offers €1 million in funding.
- START Summiteer (START Summit, Switzerland): Europe's leading student conference for technology and entrepreneurship, which awards 10,000 Swiss francs to innovative startups.
- Web Summit ALPHA (Lisbon, Portugal): A special program for fast-growing technology startups, offering global visibility and meetings with investors.

Global/Other Significant Programs and Competitions:

- HAX Accelerator (SOSV): Specializes in "hard tech" startups, with locations in the USA (Newark, San Francisco) and Asia (Shenzhen, Pune). Application requirements include a team of at least two members, a comprehensive business plan, and a persuasive pitch deck.
- Supernova Challenge (Dubai, UAE): Positions itself as the world's largest pitch competition for startups with cash prizes up to $200,000. It has various categories, including AI, HealthTech, FinTech, and requires the preparation of a pitch deck and a 60-second video.
- Seedstars World Competition: A global competition that recognizes startups from emerging markets, providing access to investment opportunities and training, with regional finals in various European cities.
- A simultaneous move towards both globalization and specialization is observed in pitching trends. On one hand, international competitions and accelerators with global reach (e.g., HAX or Seedstars World Competition) testify to the blurring of geographical boundaries. On the other hand, specialization is intensifying: more and more programs and competitions are emerging with a narrow focus on specific industries (PropTech, Cybersecurity, Energy Tech), technologies (AI, interactivity), or values (ESG criteria). This creates a complex, yet opportunity-rich landscape where startups need to not only think globally but also be able to find niche opportunities that best match their specifics and goals. Universal approaches to pitching are becoming less effective, giving way to more targeted and adapted strategies.

The large number of competitions and high competition for limited investment resources act as a powerful catalyst for innovation in the pitching formats themselves. To stand out among thousands of other applicants, startups are forced to constantly improve their presentations, making them more persuasive, visually appealing, and memorable. Competition organizers and investors, in turn, are looking for new, more effective, and objective ways to evaluate ideas. This mutual dynamic can be a driving force for the implementation of technological innovations in the pitching process, such as interactive elements that allow for a deeper dive into the data, or AI analytics that help track engagement and identify key moments of interest.

In an environment of information overload, where investors receive a huge number of pitches and have extremely limited time to review them, the importance of "soft" factors and narrative grows. Dry facts and figures, although necessary, can easily get lost in the flow of information. Therefore, the ability to quickly establish an emotional connection with the audience, tell a compelling and persuasive story, and demonstrate passion, vision, and a strong team spirit becomes critically important for "breaking through" the information noise and leaving a lasting impression. Since investors often "invest in people, not in ideas", demonstrating the cohesion, competence, and dedication of the team can outweigh even some minor flaws in the business model, especially in the early stages of a startup's development (Appendix 1).

The analysis of international practices in startup pitching allows for the formulation of a series of key conclusions regarding success factors and provides specific recommendations for Ukrainian entrepreneurs who strive to effectively present their projects and attract resources in the global market.

Key success factors in pitching, derived from international experience, include:

1. A deep understanding of the problem and the market: The necessity to not just state the problem, but to clearly articulate it, supported by data, and to demonstrate a thorough knowledge of the target market, its size, dynamics, and potential. Investors pay special attention to this aspect.

2. A convincing solution and a unique value proposition: The ability to clearly, concisely, and argumentatively explain how the proposed product or service solves the identified problem, and why this solution is better than existing alternatives or competitors' approaches.

3. A strong, balanced, and motivated team: Demonstration of relevant expertise, experience, cohesion, and, no less importantly, the team's passion for their project. Investors often state that they invest in people, not in ideas, so the team is one of the key assets of a startup

4. A clear and realistic business model and financial projections: The presence of an understandable monetization scheme, substantiated financial calculations, and projections that show the potential for business growth and profitability. The financial aspect is one of the most important for investors.

5. Effective communication and storytelling mastery: The ability to tell a compelling, logically structured story, be concise, avoid jargon, use visual aids, and emotionally engage the audience.

6. Adaptability and thorough preparation: The readiness to adapt one's pitch to a specific audience, context, and cultural specifics, as well as thorough preparation for possible questions and discussion of details.

Recommendations for Ukrainian startups aiming for success in the international arena:

1. Mastering international standards for pitch deck structure: Ukrainian startups should orient themselves towards time-tested and globally recognized templates and approaches to structuring pitch decks, such as the recommendations of Sequoia Capital or Guy Kawasaki's 10/20/30 rule. This does not mean blind copying, but rather using these structures as a basis, adapting them to the unique specifics of their project and target audience.

2. Emphasis on global market potential: When approaching international investors, it is important to demonstrate not only success or potential in the local Ukrainian market but also a clear vision and justification for the opportunities to scale the business to a global level. This requires research into international markets and an understanding of global trends.

3. Creating a narrative that resonates with an international audience: Telling stories that will be understandable, interesting, and emotionally close to investors from different cultural backgrounds. It is worth avoiding excessive immersion in a purely local context if it is not a key competitive advantage or is incomprehensible without additional explanations for an international audience.

4. Demonstration of resilience, adaptability, and the ability to achieve results: Given the current unprecedented challenges that Ukraine faces, Ukrainian startups have a unique opportunity to demonstrate their extraordinary resilience, ability to adapt to the most difficult conditions, and continue to develop their business. This aspect, if tactfully and persuasively woven into the narrative (not as a complaint, but as evidence of the team's strength and dedication), can become a powerful signal for investors and command deep respect and trust.

5. Active participation in international pitching competitions and accelerator programs: Utilizing the opportunities presented by numerous international events and programs to gain valuable pitching experience before an international audience, mentorship, potential funding, and, importantly, to expand one's network of contacts and enter the international arena.

6. Studying and considering the cultural specifics of target investment markets: When preparing pitches for investors from specific regions (e.g., USA, Western European countries, Asia), it

is necessary to research and take into account the cultural nuances of business communication, presentation style, and audience expectations.

7. Emphasis on the ESG component (where relevant): If a startup's activities contribute to solving environmental or social problems or adhere to high standards of corporate governance, this should be clearly and argumentatively highlighted in the pitch, as compliance with ESG criteria is an important global trend and can attract the attention of impact investors.

Ukrainian startups, even with significant success in the domestic market, face the need to "translate" their achievements and potential into a language that is understandable and attractive to international investors. The latter may not be familiar with the specifics of the Ukrainian market, so local successes need to be presented in the context of global trends, demonstrating how the business model can be scaled to other markets. Using generally accepted metrics, standard pitch deck structures, and focusing on universally understandable indicators (such as target market size, CAGR, financial projections) will help bridge this communication gap and increase the chances of attracting international capital.

In summary, a successful startup pitch in today's globalized world is a combination of a deep understanding of the business, strategic thinking, communication mastery, and the ability to adapt to changing conditions and audience expectations. For Ukrainian startups, this means not only mastering the best international practices but also being able to present their unique strengths and potential in a way that resonates with the global investment community.

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Appendix 1

Leading International Pitching Competitions and Accelerators: An Overview

Name	Region/Location	Focus/Industry	Key Features/ Programs/ Prizes/
Slush	Helsinki, Finland	General tech startups	Matchmaking between founders and investors, pitch contests, large conference
Station F	Paris, France	Tech and innovation in various sectors	Over 30 programs, including Fighters Programme, partnerships (e.g., Microsoft GenAI). Alumni: Mistral, Photoroom.
HAX (SOSV)	Global (USA: Newark, San Francisco; Asia: Shenzhen, Pune)	Hard tech (hardware, connected devices)	Investment of 250,000− 250,000-250,000−500,000, mentorship, lab spaces, focus on prototyping.
Supernova Challenge (GITEX Impact)	Dubai, UAE	Various categories: AI, HealthTech, FinTech, E-commerce, Smart Cities	Cash prizes up to $200,000, pitch deck and 60-second video required.
UnternehmerTUM	Munich, Germany	Various industries	20 programs (from prototyping to leadership). Alumni: FlixMobility, Isar Aerospace, Tado.
EU-Startups Summit Pitch Competition	Malta	European startups in early stages	Prize package over €390,000, for pre-seed/seed startups.
Latitude59 Pitch Competition	Estonia	Early-stage startups with scalable models	€1 million in funding for startups with proven traction.
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