

HOW TO CREATE A STARTUP USING THE MONEY OF YOUR CLIENTS.

Caio Fernandes Moreno

Master in Artificial Intelligence

Universidad Politécnica de Madrid

Boadilla del Monte, 28660 Madrid (Spain)

caio.fmoreno@alumnos.upm.es

caiomsouza@gmail.com

ABSTRACT

Many people dream with the idea of building a startup company. I had this dream since I was a kid and finally I decided to put my dream in action in 2007 when I started my tech startup.

To launch a startup you need a lot of things but specially you need money. In this paper I will explain the whole process that I pass throw to create my startup with zero investment and using only the money of my clientes.

Author Keywords

Business Intelligence, Business Model Canvas, Lean Start-up, Minimum viable product, Open Source.

1.- INTRODUCTION

The process to start a company is very well explained in books, taught in Universities, elucidated in TV programs and detailed in the newspapers all around the world.

Even with all this amount of information the percentage of people that decide to start a company is very low compared to the amount of people that decide to find a job.

There are countries or cities where the desire to take a risk and start a business is higher than the usual. In places like Jerusalem, Tel Aviv, Silicon Valley, Salt Lake City, Miami, London, Seoul, New York, Madrid, São Paulo, Seattle there is a higher percentage of entrepreneurs and also a more favorable ecosystem to start a company.

There is no way to predict if an idea will grow until become a successful unicorn company. It is impossible to predict who is going to be the next Mark Zuckerberg, Bill Gates, Steve Jobs, John Rockefeller, J.P Morgan or any successful business man.

The only way to become a successful company is to start it and take the risk.

There are some characteristic in common with people capable to start a business: they have enough courage to "jump without knowing where they will land", they have the ideia and they do their best in order to make it happen, not mattering if it could be a big failure.

There is a famous phrase that says "No pain, no gain"; in business therms there is no way to start a company without sacrifice.

People will usually remember your victories and trophies but you will remember every detail about the road and how hard it was. Do not start a company if you are not willing to sacrifice many things for your dream.

2.-BASIC CONCEPTS

Start-up in the dictionary means the action or process of setting something in motion. There is no better definition than this one. If we translate it to real life it means that you are already late even if you start your company now you are probably late. Do not wait for anything. Do it as soon as possible. Do not fear. Just do it.

The best way to start your company is simply to start it. Put your idea in action. Start your business. Do it.

Usually people think that we need to wait for the right product, time, partner, city, etc. But, there is no right moment or anything right. You have to start as soon as possible and not give up.

When I started my company I had a lot of NOs.

I had NO experience, NO money, NO PhD, NO master degree, in fact, I had just my idea, my dream and the desire to start it.

One of the most important concept you need to learn before you start your company is the definition of sacrifice: it means, in the dictionary, an act of slaughtering an animal or person or surrendering a possession as an offering to a deity.

We can find many times in the Bible the word sacrifice and see that God will require people to sacrifice the best lamb to demonstrate obedience to God.

I really recommend you to study about sacrifice before you start your company. A mother knows in depth the meaning of sacrifice and you as a founder will also learn a little bit more about sacrifice after you celebrate every company's birthday.

DO NOT START A COMPANY, IF YOU ARE NOT WILLING TO SACRIFICE YOURSELF FOR IT.

What is a startup?

“A startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed, “ says Neil Blumenthal, cofounder and co-CEO of Warby Parker.

3.- THE START-UP LAUNCH

Self Knowledge

The first thing you need, to start your company, with zero investment and using the money of your clients, is to determine the features of your own company. For this you will need to answer a few questions.

The first question you need to answer before you start your company is: Who will buy from my company? The second question you need to answer is: Why will someone or some company buy from me? The third question: Why is my product or service better than the others? And one of the most important questions that a lot of people does not know in the beginning is the price for their service or product, so the last question is: How much will I charge for the product or service?

Finding the client

After you answer all these questions you can go to the next step: Finding the client.

I began my company with my first sale. I promised a small company (with about 15 employees) that my company could solve their problem and they believed in me and hired my company to do it. When I closed the deal with them I was so happy but in the same time so afraid. I had difficulty turning my promises into reality, it was not easy to deliver the solutions, but in 3 months I finished the project, got my money and made the client happy and satisfied. I then sold a new project for the same first client and also found new clients.

There are a lot of ways to find potencial clients, such as: Internet, Youtube, Linkedin, friends, colleagues, business contacts, events, family, forums, etc.

But the best way to find a client is to offer free services. You can offer free services and transform your potencial clients into paying customers.

Think about a company that you became a customer after they offered you a free service and then you decided to move to a “better” plan. There are a lot of companies with this strategy, and we can take NETFLIX as an example.

During this 9 years working in my company, I can say that I worked for free for a lot of clients and a big percentage of them became paying costumers after they tried the free services.

So, there is no excuse, every company can find free or paying customers.

Learning with your clients

After the first free customer or paying customer it is time to learn with them. Try to discovery how your client found you, why did he contract you, make sure he is happy with your service or product and try to sell more for them.

It is very expensive to adquire new clients. With time you will be able to measure how much it costs you to get a new client and you will see that it is cheaper to retain old clients than to find new ones.

Customer value

You can use the RFM method to measure your customer value. Using this method you will track **Recent, Frequency and Monetary**.

Recency: How recently did the customer purchase?

Frequency: How often does the customer purchase?

Monetary: How much does the customer spend?

After you know your customer's value and find your key costumers the next phase will be to develop a strategy to treat better your best clients.

You will also learn that it is impossible to serve every client, so you will have to focus in some clients and let others for another company to serve. It is impossible to attend all the market, you have to focus.

If you go to a Ferrari store to buy an expensive car, but you do not have enough money to buy a Ferrari, the salesman will not try to offer you a Ford Ka just because he wants to keep you as a client, he will let you go.

You have to decide your marketing strategy and as soon as possible define if you will compete for price or quality.

Save money

Every money you get from your projects reinvest it in yourself, in your company and in your employees.

Save money for the difficult moments! You will have a lot of them during the years.

Remembering the whole process

Again, to start a company you need to think about some aspects: in a real business problem to solve, investigate the competitors, the market, your weakness, your straightness, your price strategy, your distribution strategy, your region and create a MVP (minimum viable product) to start selling it in the market ASAP (as soon as possible).

After you receive your first pay-check try to understand why your client hired you, deliver more than expected, reinvest the money in the company and create wealthy.

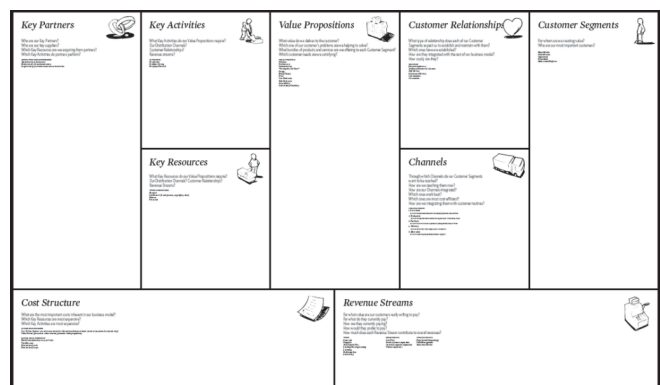
It seems difficult and in fact it is very difficult, but the secret to succeed with your company is to believe in yourself, understand very well your client, think that if you exist is because of your clients, and never give up on your idea. You also will need to understand in depth your company, and for that you can use some tools.

A.- Understanding better your company

There are different tools that you can apply to understand better your company.

I usually use the Business Model Canvas.

B.- The Business Model Canvas



There is no secret, to use the Business Model Canvas you just have to fulfill the blanks of the image above.

4.- LOOKING FOR INVESTORS

Just bring to your company an investor if you really need it, and be sure if there is space for both of you.

There are different forms to finance your company:

- Clients (The cheapest money);
- Founders (Your own money);
- The 3 F's (Family, Friends and Fools); and
- Business Angels.

When you decide to find an investor you have to know that an investor can not ask for guarantees, because they are not a bank, they are investors.

So, because they will not have any guarantees that they will have return over their investment, and they can not predict the ROI (Return of Investment), they are assuming a big risk if they decide to invest in your company.

All investors will seek for a very committed founder and will usually ask for the founders to also invest their own money in the company. This will serve to measure how committed the founder is with the business. Someone that is not willing to invest in his own company is not really committed to the company, so be prepared to also invest your own money in your company, beyond your time and other efforts. Investors seek for founders that have no "Plan B".

What the investors avoid

They avoid entrepreneur that are in love with their idea, because it is very dangerous when you are in love with the idea. They want people with attitude to execute the idea. They try to find eagle entrepreneurs and not turkey.

Difference between Eagle and Turkey Entrepreneur

The investors seek eagles, because this are the kind capable of supporting days with no food, while turkeys want food every day (meaning they are the kind that seeks for security and keep the same life all the time without changing). An Business Angel will

try to find a partner capable to take a lot of risks and someone that will get their hands dirty and work hard in the idea.

There is no human way possible to know if an idea is good or bad. The only way of knowing is trying it.

5.- CONCLUSION

We can conclude that there is no other way to start a company other then taking a lot of risks and starting it.

You will be able to start your company using different forms to finance your operation, but always the cheapest way is to use the money of your clients.

If you decide to bring an investor, be prepared to present an idea with a real market. It is always good to enter a market with competitors (this means there are people making money with this idea and you can enter the same market with a different competitive vantage).

To launch a company you will need to detect a problem, you always have to be client oriented to have success.

Your team will be usually responsible for the failure or success of the idea, so be careful when you choose a partner. You have to ask if your partner will bring something important with him like: experience, money, contacts or commitment with no plan b.

Try hard. Do not give up. Build your company. You can do it. NO PAIN. NO GAIN.

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