INNOVIC
Getting Ideas to Work

YOUR GUIDE

10 Vital Questions You Must Consider Before You Start-Up!

The Innovic Guide to Asking Good Questions During Your Start-Up Phase.

ABOUT THE AUTHOR

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INTRODUCTION

EVERY YEAR, THOUSANDS OF AMBITIOUS ENTREPRENEURS START A NEW BUSINESS, BRIGHT AND FULL OF HOPE.

But small business statistics, in Australia and across the world, show that by the end of four years most of them will no longer be in business.

Having founded several diversified businesses of my own, along with over a decade as Director of Commercialisation at INNOVIC – the Victorian Innovation Centre, I've developed quite a lot of wisdom and expertise on the start-up founder's journey to success.

I've had the privilege of seeing hundreds of small business founders start with a simple idea and then walking alongside them as they went through the various stages of their start-up. Most of these founders made it past the critical start-up period and their businesses went on to launch.

Unfortunately, not all businesses have made it – and thousands never came to see us. I've also seen many start-ups crumble.

Sadly many of these business failures led to extreme stress and even failed relationships.

What is even sadder is that many of these could have been avoided, if only the founders had done things in the correct order – i.e. hadn't put the cart before their horse.

Another of the main reasons for failure that I've seen is that the founders simply hadn't considered some vital questions before they sometimes invested their life savings into what they thought was a good idea.

Time and time again, I've laid awake at night pondering what could have been if only they'd asked themselves better questions. If only they had a simple list of critical questions to guide them through the start-up process. I've called this 'Founder's Regret'.

They say that hindsight is a wonderful thing. But it's of little value if not shared. This was the rationale and motivation behind writing this Start-up Guide.

My sole aim in putting this guide together is to help you, as an entrepreneur or start-up founder, to consider vital questions and avoid the mistakes I've witnessed dozens, if not hundreds, of times – to voice Founder's Regret. I literally can't stress enough how important it is for start-up founders to consider these questions before exhausting huge amounts of time, energy and finance starting up.

As always, if this guide raises any questions, I would welcome a conversation. Please send your feedback or questions via email to rmilne@innovic.com.au

Kind regards

Richard Milne
CEO, INNOVIC


INNOVIC
Getting Ideas to Work

1. HOW DO I KNOW IF MY IDEA IS ORIGINAL?

It's often said there is no such thing as a new idea.

And in most part, that is true. We usually take in existing ideas and then build on them, tweaking them to meet the needs of today's consumer market. Though this may be true, if a new idea is too similar to one that has been either trademarked or patented, your business may be dead in the water before it even starts.

You will need to investigate if your idea is truly original and whether you have any existing competitors, in Australia or overseas.

Fortunately, the Internet has tools that can help you learn whether an idea has already been done. But even when you find that a product or service already exists, you shouldn't assume that you should stay away from that idea altogether. You can use these tools to learn as much as possible about a business's protected concepts and designs.

GOOGLE SEARCH

The first step entrepreneurs generally take when they come up with a great idea is to conduct a simple Google search. Though this won't show you every idea that has been protected, it will help you see the consumer market for your creation.
If someone else is successfully serving consumers in your target demographic with the same product, you will need to find a unique-enough way to provide that product so customers will choose you over your already-established competitor.

If there are similar products, you need to find out:

1. Are you are infringing on any existing patents, designs or trademarks?

2. What is your point of difference, also known as a USP (unique selling point)?

If your idea does already exist, all is not lost!

1. Can you do it better? Just because it exists already that doesn't mean it's executed well or is servicing the market's needs;

2. Use the market to your advantage. You already know you need to do it better and find a niche point of difference (USP);

Then, after pushing Google to its limit and you find nothing like your idea exists, or if it does yours is a marked improvement, you should:

- Understand completely the problem you are solving;
- Be clear about the solution you are proposing to solve the problem;
- Commit yourself to seize the opportunity and capitalise on your idea;
- Plan and build a timetable with checkpoints to develop your idea;
- Engage support as you will likely need the expertise and involvement of others in turning your idea into results. This is a critical step that is often overlooked so don't make that mistake, get the people on board that will help you succeed.
- Get started. The opportunity might not always be there. The idea deserves your best shot.

TAKE AWAY WISDOM FOR STARTUPS!

Ideas are great, but ideas alone don't solve problems or achieve your goals.

Ideas are tools. We must find the best tools to apply in our lives and businesses. Find your ideas, seek them out. But don't stop there.

2. HOW DO I DEFINE MY TARGET MARKET?

You might have ideas about your target market. Millennials, doctors, college students, app aficionados, craft beer drinkers, etc. You probably defined your market early on. Maybe even before you defined your product. And you're probably convinced you know who wants your product.

But at the end of the day, you need solid data.

Investors aren't going to rely on a guess — even an educated one. Neither should you.

Identifying and understanding your target market, therefore, is crucial. And this can't be done by asking acquaintances you know. You need arm's length feedback to identify your potential customers which should form part of your market research.

Imagine asking 300 random strangers what they think of your product idea. Not your friends, not your colleagues, not your mum but a truly random set of 300 people, all of whom are willing to listen to your product idea and tell you exactly what they think. If you were able to, this would be absolute gold. But the truth is you can, fairly easily. It's otherwise known as a survey!

That's absolute gold!... It's otherwise known as a 'survey'

A basic market research survey should answer the following three questions. These are key and your survey should answer all of them.

a. Who is my **TARGET MARKET**?
b. Is my product idea in **DEMAND**?
c. How much are people **WILLING TO PAY** for my product?

Your survey should begin by asking a few demographic questions:

a. Gender
b. Age
c. Region
d. Household income

While these questions don't relate to your specific product idea, they paint a picture of your survey audience so you can learn how different types of people respond to later questions about your product.

Behavioural questions should follow. These uncover insights into your audience's lifestyle that relate to your product idea.

Pick four or five relevant questions that you think might affect whether someone will be interested in your product. Be smart and creative.

TAKE AWAY WISDOM FOR STARTUPS!

To attract a business loan or interest from outside investors you need hard data to demonstrate that you have a market to target. Behavioural questions will uncover insights into your audience's lifestyle that relate to your product idea, for example: If your product is an app – Ask about mobile phone use. If it is a pet product? Ask about monthly spend on pets. If it is a coffee product – Ask how much coffee they drink.

3. WHAT DOES MY CUSTOMER WANT?

AND HOW MUCH ARE THEY WILLING TO PAY?

AS WITH THE PREVIOUS CHAPTER, YOU MAY ALREADY HAVE A VAGUE OR EVEN WELL-DEVELOPED IDEA OF WHAT YOUR IDEAL CUSTOMER WANTS. BUT YOU STILL NEED MORE THAN A GENERAL IDEA OR GIST.

I've outlined in the previous questions the importance of quantitative market research and using an online survey to find out the all-important:

a. Who your **TARGET MARKET** is

b. If your product idea is in **DEMAND**

c. How many people are **WILLING TO PAY** for your product

DEMAND

Gauging demand for your product idea is a two-step process. Firstly, ask about competing or similar products:

a. Do people use competing products and if they do what don't they like about them?

Secondly, ask:

b. How long have they used them and where did they first learn about them?

These questions are important. While you can (and will) ask your audience to rate their interest in your product, a survey is limited — respondents cannot experience your product idea firsthand. They have, however, used competing products firsthand, and you can learn a lot about the demand for your product from their experience with competitors.

Next, present your product concept and ask for first impressions. This is the most delicate and most-often failed part of a market research survey. This presentation can be a sentence, a paragraph, or even a video. The more descriptive, the better. But don't make it too long. No one should have to spend more than 20 seconds reading your description, or more than 45 seconds watching your video. Otherwise, response quality will suffer.

Go heavy on key terms! The description should be as accurate as possible. Remember, when gauging demand, respondents are rating their interest in the product you describe. So the closer your description matches the experience of the product, the better.

A lot of time should be spent crafting these descriptions and if you are not confident creating them yourself, engage a professional to design your survey questions.

This is short and sweet and gets the point across fast.

Yes, there are details left out, but that's okay as the goal here is simply to validate your idea, not refine the specific features of your product. Just be concise and assume your audience believes the product will work as intended.

After you've presented the product, ask this question:

"Assuming the price was reasonable, how likely would you be to consider buying this product?"

Answer options include a five-point scale — 1 (not at all likely) to 5 (extremely likely).

All who select not at all likely should be asked just one more open-ended question, then leave the survey. That question: Why would you not consider buying __?

Everyone else continues to the next section of the survey.

WILLINGNESS TO PAY

Finally, gauge respondents' willingness to pay for your product. Use a set of four specific, open-ended questions that will give you a holistic perspective on how much your audience is willing to pay. The questions are:

- At what price would you consider the product to be too expensive?
- At what price would you consider the product to be priced so low that you'd question its quality?
- At what price would you consider the product starting to get expensive, but you'd still consider buying it?
- At what price would you consider the product to be a bargain — a great buy for the money?

TAKE AWAY WISDOM FOR STARTUPS!

Presenting your 'Product Concept' – in a sentence, a paragraph, or video, and asking for first impressions is the most delicate and most-often failed part of a market research survey. Remember, the shorter the better, i.e. 20 seconds or less to read or 45 seconds or less for a video.

Here's a good description of a hypothetical product:

"Imagine an app that monitors your body temperature whenever you hold your phone. Should your temperature rise beyond the average normal body temperature which is generally accepted as 98.6°F (37°C) you will receive an alert and give you the location on Google maps the three closest pharmacies and three closest medical clinics."

4. WHAT ARE MY DEVELOPMENT COSTS?

HOW MUCH DO I NEED?

DECIDING TO DEVELOP AND MARKET YOUR IDEA IS AN EXCITING MOMENT, BUT FOR NEW ENTREPRENEURS THAT EXCITEMENT IS OFTEN ACCOMPANIED BY UNCERTAINTY, ANXIETY, AND DOUBT.

Many of these feelings stem from financial concerns about unknown costs. Not only do you have to worry about whether your business will be profitable in the long term, but you also have to think about business start-up costs.

You've probably wondered "how much does it cost to commence a start-up business?" Start-up costs can run pretty high and vary depending on just what your idea entails, particularly as far as product development is concerned. For example:

a. Is it a consumer product where brand and packaging is critical?
b. Is it a scientific instrument where prototyping and compliance are necessary?
c. Is it an app where digital marketing will be vital to its success?

With my own start-up experience over the past 20 years and more recently over the past 10 years working directly with start-ups as commercialisation director at INNOVIC (Victorian Innovation Centre Ltd), some costs fall within a benchmark range.

TAKE AWAY WISDOM FOR STARTUPS!

Complete the various stages in the right order to mitigate financial risk. For example, don't spend money on brand development until you have completed that all important 'proof of concept' phase.

Service	Estimated Cost Range Ex GST - AUD
Market Research As well as evaluating consumer insight and product acceptance, a survey would be structured to provide valuable information for capital raising, market segmentation (male/female/age) and direction, JV partners and distributors as well as competition and price points.	$4,000- $6,000
Early Stage Product or Technology Development Concept generation and validation, high-level specifications, CAD, estimated manufacturing set up cost (tooling) and per unit production cost for financial viability and value proposition assessment.	$3,000-$5,000
Intellectual Property (IP) Provisional patent $4,000 - $6,000 Australian trademark/s: $500 - $1,500 **Excluding international patent filing*	$4,500-$7,500
Product Design (Secondary Stage/Design Refinement) Detailed specifications and drawings, firm tooling and per unit manufacturing cost proposals, prototype build and testing for proof of concept, offshore manufacturing consultation, and representation.	TBA – due to significant variance
Graphic Design (Early stage) Name, brand, and concept packaging design (excluding POS material and general marketing collateral).	$3,000 – $6,000
Website and Digital Marketing Collateral A simple template site with e-commerce: $3,000 - $5,000 Digital marketing material: $2,000 - $3,000	$5,000 – $8,000
Legals Including incorporation, Shareholders Agreement, Terms and Conditions, Warranty, Privacy Policy, Refund Policy.	$5,000-$10,000
INNOVIC Managed Commercialisation Program (12 – 16 weeks) Assistance and advice, including but not limited to design refinement and completion (early and secondary) IP options, grant eligibility assessment, SWOT analysis (if relevant), name and brand development, meeting representation and attendance, sale or licensing of idea advice, corporate structure advice and assistance with legals and general project management.	$8,700

5. WHICH BUSINESS MODEL BEST SUITS MY START-UP?

The right business model is the core of a successful start-up. However, many people don't think through their 'model' for months or years after they start. This is a mistake.

No matter how cool an idea is or how unique something may seem, a start-up must have a viable way of making money that is worthy enough for future investment and to sustain itself.

Many new start-up founders throw around the term 'business model' when discussing and planning strategies for their venture. Questions like "What business model works best with my idea?" or "How do I know if my start-up is using the right model?" are a few questions founders need to consider which will ultimately impact the overall success of their venture in the long run.

One of the worst mistakes a founder can make is trying to reinvent a business model, or create a new way of generating cash flow that 'has never been done before'. To an investor, that sounds like "I am going to use an unproven way of making money for my venture and most likely not give you a return on your investment."

Your start-up business model, or 'path to market' as I sometimes call it, falls under the following five characteristic options.

a. Sell your idea (IP protection required)

When you have an idea that is a 'no brainer' this is an option. However, to get the interest of a purchaser, you must have at a minimum 'proof of concept' and secured IP protection where relevant.

The upside of this option is:

- low capital requirements
- low expertise requirement
- lower risk

The downside is:

- loss of control
- lower financial return

Just like a property, to sell you need to own the title, and the 'title' to your idea is through IP (Intellectual Property) ownership such as a patent.

b. Licence the idea (IP protection required)

An exclusive license is a common form of commercialisation. This is where the licensee is given the right to commercialise the IP to the exclusion of all others, including the licensor, in return for paying the licensor a royalty.

Advantages of an exclusive licence include:

- Low capital requirement
- Low expertise requirement
- Lower risk

TAKE AWAY WISDOM FOR STARTUPS!

Licensing your IP sounds attractive because of limited investment required. But remember, in many cases the royalty paid, (say between 5-10% – the latter being on the high side), is usually on the manufactured cost, not the retail sale price. So a lot of your product needs to be sold to generate commensurate income.

- IP owner (licensor): benefits by receiving an agreed sum that compensates for the loss of future earnings and avoids the risk of the product not reaching the market or being successful.
- Licensee benefits by knowing that they will be the sole recipient of the profits after bringing the product to a market-ready state.

Disadvantages of an exclusive licence:

- Less control
- Subject to the efforts of the licensee;
- Large sales volumes required for the royalty payment to mean much.

c. Develop the idea yourself with a strategic or JV partner

A strategic partnership or joint venture gives you:

- Access to new markets and distribution networks
- Potentially increased capacity
- Sharing of risks and costs (ie liability)
- Access to greater resources, including specialised staff, technology, and finance.

d. Develop the idea, manufacture and appoint a distributer

This option involves a greater level of responsibility, capital requirements, and risk. But the upside is a higher return on investment. And don't be put off by the manufacturing component. If a 'product' that is being manufactured in China, for example, a good industrial designer will advise and assist with this including freight and quality control.

A distributor will sell your product or service into retail outlets and be responsible for:

- Promoting your product/s to retailers;
- Storing and providing timely delivery of your products to retail customers,
- Provide training programs as may be offered by you the supplier.

e. Develop the idea, manufacture, distribute and retail yourself.

This provides the highest return for the highest risk. While all the work and responsibility belong with you your financial reward is much higher as there are no middlemen. All the profit stays with you.

Most importantly you are required to market your product or service as well as provide support and customer service.

This option is ideal for online businesses and has the advantage of the internet being your shopfront and digital marketing channels at your disposal.

6. WHAT ARE MY INTELLECTUAL PROPERTY RIGHTS?

INTELLECTUAL PROPERTY (IP) RIGHTS ARE THOSE GIVEN TO PERSONS OVER THE CREATIONS OF THEIR MINDS. THEY USUALLY GIVE THE CREATOR AN EXCLUSIVE RIGHT OVER THE USE OF HIS/HER CREATION FOR A CERTAIN PERIOD.

The following was recently put to a client of mine by patent attorney Gavin Doherty of MDP Patents in Melbourne, when my client questioned the cost of filing a patent and possibly defending it:

"If you have a product that you are willing to build a business on and invest in, you need to own it. If you do not seek to patent your idea you will never own it and as soon as you enter the market it will be copied, so why give competitors a free-kick.

Over 95% of patents are never litigated and of those that are, more than 80% of the litigation is resolved or settled before trial. We regularly have to write cease and desist letters to copiers/infringers of our client's products. As I said, this is usually enough to stop the activity from occurring and no patent litigation is necessary".

The most commonly filed IP protection filed in Australia includes:

STANDARD PATENT

A standard patent is a legally enforceable right for a device, substance, method or process. For your application to be successful, your invention must be new, useful and inventive or innovative. A standard patent lasts for 20 years and commences in Australia by filing a provisional patent.

REGISTERED DESIGN

A registered design is a monopoly for a design (for example a tread pattern) when applied to an article (for example a tyre) and is granted under the laws of a country the registered design is filed in. A registered design protects the way a product looks. The difference between a registered design and a patent is that the registered design protects the look of an object whereas a patent protects the way it works. If it has a unique visual appearance and you wish to protect that appearance for commercial reasons, you should consider a registered design. A registered design in Australia lasts 10 years.

TAKE AWAY WISDOM FOR STARTUPS!

If you have filed a Provisional Patent early on in the design process make sure that when your design is completed you check that the claims remain the same and, if others evolved during refinement, they should be added.

TRADE SECRET

A trade secret is any practice or process of a company that is generally not known outside of the company. Information considered a trade secret gives the company an economic advantage over its competitors and is often a product of internal research and development

TRADEMARKS

A trademark is a way of distinguishing the goods or services of your business from those of other businesses. This means that no one else in Australia can commercially use your trademark within the class of goods and services it's registered under.

A trademark is not just 'a logo'. It can be a letter, number, word, phrase, sound, smell, shape, logo, picture, movement, aspect of packaging, or a combination of these. A common misconception is that a trademark is the same thing as a business name, company name or domain name. It's not. Only a trademark gives you exclusive propriety rights.

The two most common marks filed are:

- Word mark – is a distinct text-only typographic treatment of the name;
- Composite mark – may consist of a word or words combined with a design such as a logo

An Australian trademark lasts 10 years.

COPYRIGHT

Copyright is a form of intellectual property that protects the original expression of ideas. It enables creators to manage how their content is used and gives the owner of a work (like a book, movie, picture, song or website) the right to say how other people can use it. If someone copies a work without permission, the owner can say they infringed their copyright.

Copyright automatically applies to written and artistic works from the moment they're created. You don't have to 'do' anything to obtain copyright. The copyright notice (©+ name of copyright owner + year) is an internationally recognised signifier that a work is protected by copyright that you can put on your work, but not necessary for copyright protection.

As a general rule, for works created after January 1, 1978, copyright protection lasts for the life of the author plus an additional 70 years.

7. HOW DO I DEVELOP THE CONCEPT?

WHAT PROCESS DO I USE?

"WHAT IS THE PROBLEM? WHAT IS THE SOLUTION?"

DEVELOPMENT CASE STUDY

Infalurt is a 'child left in car seat' warning device.

Because the innovation required significant technology development and then the various housing components to contain it, two developers were required to work together. This requires keeping a close eye on both to ensure one is not 'dragging the chain' and slowing down the other.

I am pleased to say this did not happen.

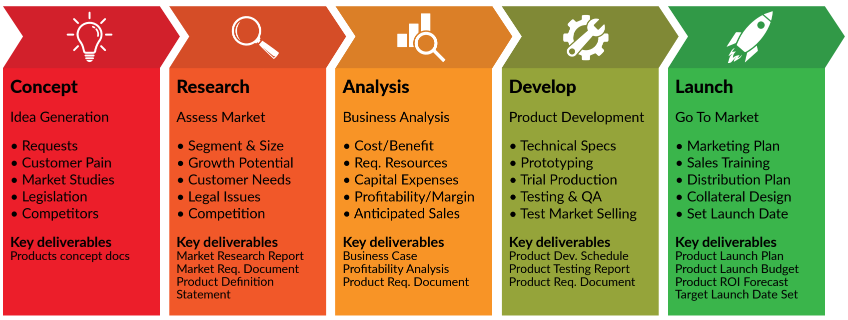
In my role as CEO at INNOVIC, sometimes clients come to me with no more than their idea scribbled on a piece of paper. Other times they have detailed drawings and even a self-made prototype and others are advanced to somewhere in between.

Next, with a positive outcome from an initial assessment of its potential – "what is the problem, what is the solution" I then recommend one of the industrial designers or technology developers in our network for concept development.

INDUSTRIAL DESIGN

This first step, commonly known is concept generation, 'thrashes out' the idea and tests the viability of the concept, both practically and financially.

At times people come to me with what they consider the completed project, something they have designed and even prototyped themselves. Fait accompli. But to be frank I have never seen a client project that cannot benefit from further refinement and improved by a professional.



A successful design is one that:

a. Achieves the functionality objective, that solves the problem;

b. Is viable. That is the investment required will match the proposed RRP and provide a reasonable ROI

c. Is designed to engage best manufacturing practices such as the right materials, minimum parts, minimum tooling, and practical production methods;

d. Meets any compliance requirements;

e. Has a distinct point of difference compared to any potential competitors?

DIGITAL DESIGN

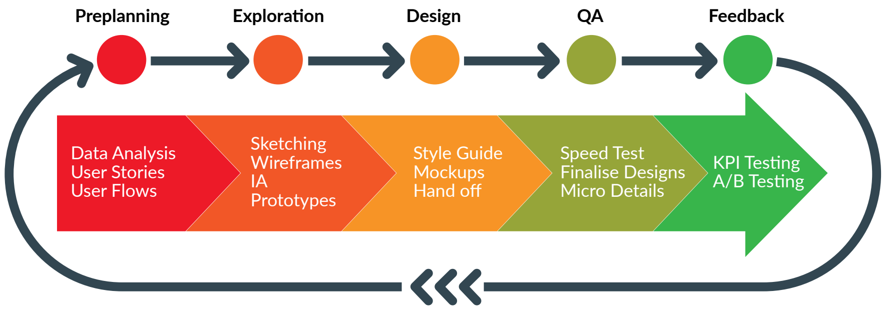
The digital design combines graphic design skills with imagination, vision and technological savvy to produce a large range of visual media, from websites and apps to advertising, digital imaging, animation, 2D and 3D modeling, and graphics.

As with any start-up project, for web and app design understanding of your target market and the end-user is imperative. You need to list everything that a user might want to accomplish using your web or app.

The basic web/app design process should include the following steps:

a. Setting the scope
b. User/market research
c. UX wireframe
d. Prototype
e. UI design
f. Animation
g. Software architecture
h. iOS development

Below is a typical digital development design flow:



Good, professional digital is an important tool that enhances how you communicate with your prospective and existing users. It serves to convey your ideas in a way that is not only effective but also attractive.

MOBILE APP DESIGN

I have drawn specific attention to apps because of their continued exponential growth in popularity. Research shows that mobile device users spend 90% of their time in apps as compared to surfing the internet.

Statista reported in July 2019:
"In 2018, mobile app downloads in China amounted to 90.3 billion and are projected to reach 147.2 billion annual app downloads in 2023. In comparison, mobile app downloads in North America amounted to 12.1 billion in 2018 and are set to increase to 15.2 billion app downloads in 2023."

While a typical app cost range is $100,000 – $150,000, small apps with few basic features can cost between $10,000 and $40,000, so there's an opportunity for any type of business.

So the obvious question that must be answered before you invest in the development of an app is, **how is it going to make money?**

Because potential downloaders and users have become so used to free apps, yours truly included, paid apps are not popular. So how do you make money from a free app?

a. Advertising
b. Subscriptions
c. Selling merchandise
d. In-app purchases
e. Sponsorship
f. Referral marketing
g. Collecting and selling data
h. Freemium upsell

What is 'Freemium upsell'?

This is a pricing strategy by which an app is provided free of charge, but money (premium) is charged for additional features or services or/and the exclusion of advertising.

8. HOW DO I DEVELOP MY BRAND?

WHEN YOU ARE RELEASING A NEW PRODUCT, SERVICE OR TECHNOLOGY AS A START-UP YOU MUST LOOK PROFESSIONAL, AND IF A CONSUMER PRODUCT, STAND OUT FROM THE REST

A strong brand name and logo/image will:

- Attract attention;
- Gain consumer confidence
- Convey what your product is all about
- Keep your company in the mind of your potential customers.

If a customer's happy with your product or service, a solid brand identity helps to build customer loyalty across your business.

First, in most cases, you need a name. It's like naming your first child. Your idea is your baby and you want to be comfortable and proud of whatever name you choose throughout its long and happy life.

But in reality, choosing your child's name does not have the restrictions your start-up will have. When choosing a start-up name you need to consider:

a. Are the .com.au and if needed .com domain names available?

b. Is the trademark available in the countries you want to market in?

TRADEMARKS

To help with the considerations above, and in particular trademarks, you need to keep your name distinctive. This simply means that trademarks that cannot distinguish the goods or services of one person from that of another cannot be registered. The whole purpose of trademark law is to enable distinction between brands.

Trademarks that describe the good or service and give the consumer an idea about the quality, quantity or geographic origin of the particular good or service cannot be registered.

Trademarks that may cause 'likelihood of confusion' will also be disallowed. This simply means that identical marks on similar goods and similar marks on identical/similar goods. A consumer views the trademark in its entirety. Trademarks that are not distinctive, that are descriptive or that give rise to a likelihood of confusion cannot be registered.

So what is an acceptable trademark? On the spectrum of registrability invented and fanciful words rate first. Words that have no meaning and are a random combination of two or more words or letters are invented words.

WHAT CONSTITUTES A STRONG BRAND IMAGE?

Although your visual brand identity is important, your brand is more than your logo. Your brand communicates your business personality and shapes your clients' perceptions of who you are. Your brand should project the expectations and promises you extend to your customers in terms of quality, service, reliability, and trustworthiness and create trust and loyalty from those who do business with you.

Let me dispel the three myths start-up clients often put to me:

TAKE AWAY WISDOM FOR STARTUPS!

Remember, Trademarks that are not distinctive and are descriptive, or give rise to a likelihood of confusion, cannot be registered

Myth No. 1 – We can design our brand ourselves

People will judge your ability to provide the solution they are seeking based on their first impressions of your business, both online and off. Don't risk turning away potential clients with an unprofessional brand.

Myth No. 2 – We can't afford to have a professional brand developed

Having your company brand professionally designed costs money, but it may cost your business more if you do not have a high-quality, visual identity. The visual representation of your identity is something that takes a skilled resource. Creating a logo that is not aligned with your vision, values, target audience and positioning could confuse the market.

Myth No. 3 – We don't need a brand

Since more people search for products and services online, you need a quality visual identity for your web presence. How do you represent your business online without one? And whether you have developed a professional brand or not, your business has a brand. Your company name, how you deliver on your promises and what your customers say about you when asked creates an impression of what it is like to do business with you – and that is your brand. You can let it be developed for you through online customer reviews or your competition, or you can take control and manage your brand to your advantage.

When prospects see a professional brand consistently used on your business cards, website or social media profiles, they get the image of a company that deserves their business.

Prospects look for a company that has the resources to help them succeed. They will also expect to pay more for a more established company.

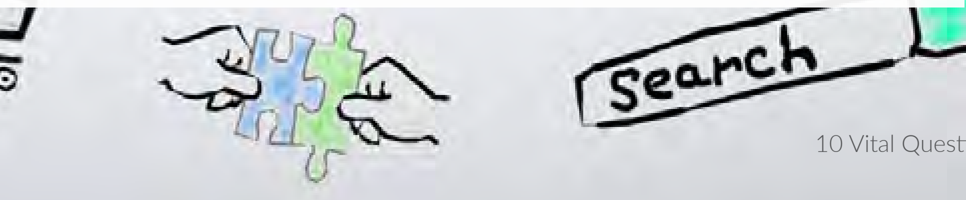
If you hand prospects a homemade business card or your web presence is unprofessional, they will think you are small and not worthy of their business or the fees that you feel you deserve.

BRANDING AND PACKAGING CASE STUDY: TONIQ LAB

Toniq Lab is a super spicy cold pressed ginger shot developed by my client. In developing the brand we had to come up with a name that had health and purity overtones but was not too descriptive, hence Toniq (rather than tonic) Lab (as in laboratory).

The packaging also had to be distinctive, convenient to carry and show value for money as the shots are only 15ml. The resulting mini 4 pack packaging and lid seal our designer came up with did just that.

www.toniqlab.com.au



9. WHAT ARE MY OPTIONS FOR RAISING CAPITAL?

BE AWARE THAT YOU WILL REQUIRE SOME LEVEL OF PERSONAL FUNDING TO GET STARTED AND HAVE ENOUGH DEVELOPMENT COMPLETED TO GET THE INTEREST OF INVESTORS IF REQUIRED.

The five critical early-stage phases that should be completed before you attempt to raise serious capital are:

a. Proof of concept
b. Capital requirements
c. Viability assessment
d. Intellectual property
e. Brand

Be aware that investors will not consider just an "idea". They need to have all the above available to them so they can make an informed decision.

Understanding the basics of raising capital will be critical to your success. If you're clear on what you need to do to get from where you are to where you want to be, you'll be less likely to derail while you're in the thick of it.

Prepare yourself for the road ahead. Preparation is crucial to finding the funding you need. This step is often overlooked, but unless you want to be constantly pumping your resources into your business, you'll want to assess and address various aspects of your start-up to ensure its overall readiness.

BUSINESS PLAN

Clients often ask at what point you require a full business plan and I point out that at such an early stage it is almost impossible at commencement because you do not have detailed financials. However, a "light" version, even if you cant complete the financials, is a good guide to work from and develop along the way. A "light" business plan should include:

- Executive summary - the elevator pitch for your business
- Company description
- Market analysis
- Organization and management
- Sales strategies
- Funding requirements
- Financial projections

TAKE AWAY WISDOM FOR STARTUPS!

When preparing your pitch document to raise capital keep it simple.

Bullet points with easy to read, well spaced text full of information an investor would be looking for.

While the contents can vary from project to project it should include, where relevant:

- Disclaimer + Commercial in Confidence
- Contents (with page numbers)
- Background
- Problem
- Solution
- Solution/product description
- Branding
- Intellectual property
- Opportunity and what you are looking for (JV/investor)
- Contact info

VENTURE CAPITAL

One of the most popular forms of start-up funding is through venture capital.

High-net-worth individuals, giant super funds, corporates, and other groups invest in venture funds, which are managed by investors, who invest in start-ups on their behalf, taking equity stakes in the business.

ANGEL INVESTMENT

Angel investors are typically high-net-worth individuals with particular expertise or interest in a specific industry or technology and looking to invest in it.

Often, they will be keen to contribute to the start-up's success with skills, knowledge, and contacts.

DEBT FUNDING

Debt funding offers a cash injection without having to give up any equity in your start-up. Instead, the funding has to be repaid over a set period.

FRIENDS AND FAMILY FUNDING

This is a popular route for very early-stage start-ups, helping them get their venture off the ground quickly, with the backing of family members or close friends. For the investors, it could be considered less risky, as there's no mystery about the founders or their history. However, bringing issues of money and equity into any personal relationship can be complex, and it's important to make sure the proper paperwork is drawn up professionally and to be transparent about expectations around the investment.

BOOTSTRAPPING

A bootstrapped business is launched using the founder's cash and sustained by its revenues. It can involve an awful lot of penny-pinching and, crucially, could mean growth potential is restricted. However, it also means founders don't have to dilute their equity in the early stages, giving them a chance to grow first. Bootstrapped founders also aren't obliged to consider anyone but themselves when they're making decisions, or to spend time on regular progress reports.

If a start-up can bootstrap successfully for a while, it means they have more equity to play with, and the potential to secure more funding if and when they do decide to raise.

TAKE AWAY WISDOM FOR STARTUPS!

Don't overkill with a complex corporate structure at the start. You can go a long way before having to make a decision on this.

When you are ready, a company structure is the most common. Any IP can be assigned from private ownership to a company and there are capital gains tax and R&D grant advantages.

10. WHAT IS THE BEST LEGAL STRUCTURE FOR MY BUSINESS?

AS YOUR START-UP JOURNEY PROCEEDS AND YOUR PREFERRED 'PATH TO MARKET' AND BUSINESS MODEL BECOME CLEARER, IT IS TIME TO CONSIDER YOUR BUSINESS STRUCTURE OPTIONS.

With tax implications, business growth and personal liability to consider, the following are the most popular here in Australia:

SOLE TRADER

A sole trader is a person trading as the individual legally responsible for all aspects of the business. This includes any debts and losses, which can't be shared with others.

It is the simplest and relatively inexpensive business structure to start a business. However, the downside is all your assets would be exposed if things go wrong, such as lawsuits, bankruptcy or relationship breakdown. There is no opportunity for income splitting.

PARTNERSHIP

A partnership involves two or more people who go into business together.

It's relatively easy and inexpensive to set up. However, be very careful with this structure as each partner is liable for their share of the partnership debt plus those of the other partners, even if the partner had no knowledge of, and was not responsible for the debt. Many business owners are not aware of these "joint and several liabilities".

COMPANY

A company is a separate legal entity which has the same rights as a natural person and can incur debt, sue and be sued. Business operations are controlled by directors and owned by the shareholders. The shareholders can limit their liability and are generally not liable for company debts.

The disadvantage of a company is higher set-up and administrative costs due to additional reporting requirements with ASIC. A company has a fixed tax rate however no access to 50% general Capital Gains Discount.

TRUST

A trust is a relationship where a person (the Trustee) is under an obligation to hold the property for the benefit of other persons (the Beneficiaries). A discretionary trust is a trust in which the beneficiaries' entitlements to receive capitals and incomes are not fixed but at the discretion of the trustees. A discretionary trust with a trustee company is a very popular business structure because it offers asset protection, flexibility in income splitting and access to 50% general Capital Gains Discount. A discretionary trust is not a suitable business structure if you plan to go into business with unrelated parties.

THANK YOU

Dear Start-up Founder,

Thank you for taking the time to download and read this Guide and each of the 10 Vital Questions. I hope it got you thinking afresh and perhaps helped you avoid some of the mistakes I've seen made so many times.

I'd be interested in your feedback.

If reading this guide has generated further questions or you would like to correspond with me regarding the cost-effective market research solutions of Innovic, please feel free to send me an email on rmilne@innovic.com.au or call 1300 550 575.

Kind regards and best of luck on your start-up journey!

Richard.

Richard Milne
CEO, INNOVIC

INNOVIC
Getting Ideas to Work