

Startup Check

A Checklist for the Evaluation of
Business Models

Prof. Dr. Harald Henzler
Prof. Dr. Okke Schlüter

Content

1 Outset and Objective	3
2 Evaluation Matrix for Companies and their Business Models	4
3 The Six Focal Points in Detail	7
4 The Evaluation Matrix	8
5 Sources	8
6 Evaluation Matrix Template	9
7 Recommended Reading for the Evaluation and Development of Startups	11
8 About us	14
9 Legal Notice	15

1 Outset and Objective

„A business model is only successful if it provides

- a clear benefit for the customer
- in a sufficiently large market
- with a proportionate level of profitability.”¹

Digitalisation has brought about change in all areas of the book industry – from the relationship between publishers, bookstores, authors and readers to product range and distribution. New business models have emerged. Where previously there was no need for an analytical look at business model types that have been stable for decades, new players are now entering the playing field that require closer examination.

Content is not the only factor here. There is the need to understand the business model, which involves the smart interplay of content and services for specific customers. The revenue model must be considered, as well as the access to the customer and the ability to execute these things in the right way. In other words, to understand how innovations can succeed and what they mean for established companies, it is not enough to simply focus on the revenue model.

The Börsenverein Group has been promoting innovation in the book industry for many years: The protoTYPE initiative brought novel business ideas and young publishing talents to light. The experience gained from protoTYPE was incorporated into the CONTENTshift accelerator programme in 2016. An industry jury selects startups that are either just being established or are already active in the market and promotes them as part of the programme. But how can their innovativeness and success be described analytically?

A key objective of CONTENTshift is to promote innovation within the industry. This is deliberately broadly defined, as a successful startup alone is not proof of the innovative power of an industry. This requires what is loosely referred to as "culture": the interaction of many participants who test, develop and bring new things to the market in exchange, in discussion and certainly also in competition. An appropriate " environment" is also required for innovation to flourish.

This publication is intended to take the discussion beyond the circle of jurors and startups, and out into the industry. It strives to provide insight into the background considerations and business models of the startups.

Another aim of this white paper is to analyse business model types in terms of success patterns and to reveal any possible clusters. The success of the startups in question is thereby not greatly increased: the business idea will either work on the market or it will not. For the other companies in the book industry, however, the results give indications of which business model types are currently successful and which can be used to raise capital and convince investors. With a view to their own

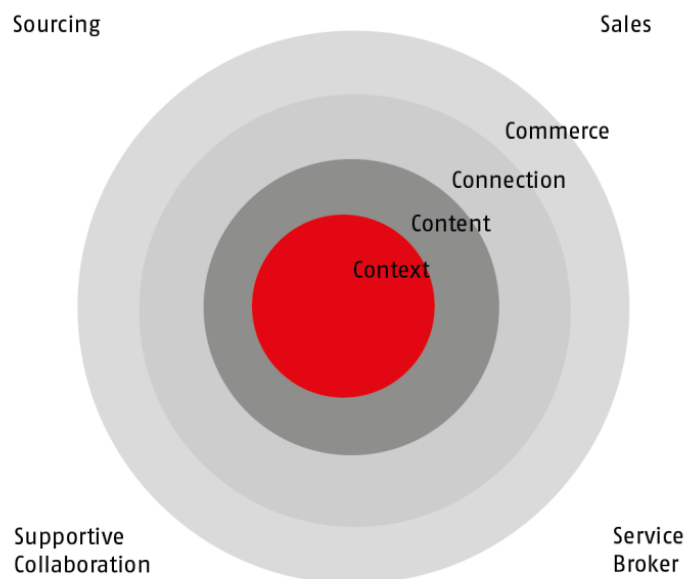
¹ Prof. Dr. Anna Nagl (Nagl 2009)

business development, the analysis of innovative and successful business models provides starting points for innovations in their own companies. This study aims to contribute to this development of innovative business ideas and models within the book industry and to actively shape the industry's own future: "The best way to predict the future is to invent it!" (Alan Kay).²

Analysis of the Business Models Concerned

The analysis of business models is comprised of two steps. Firstly, the comparison of companies based on their business models, and secondly, a quantitative examination of business model types: How often do they occur? These two steps result in an analysis matrix. From the abundance of available approaches and methods for the representation of business models, we have selected two approaches by Bernd Wirtz³.

The 4C model classifies types of B2C business models in the media industry and distinguishes between Content, Commerce, Context and Connection. The 4S model, on the other hand, classifies B2B business models according to the categories Sourcing, Sales, Supportive Collaboration and Service Broker. Since the startups at CONTENTshift address both B2C and B2B markets, we have combined both classifications. This is the only way to present the participants in a comprehensive and differentiated way. This combination can be represented graphically like this:



² Alan Kay 1971 (Wise 1982)

³ Wirtz 2013

2 Evaluation Matrix for Companies and their Business Models

The most common procedures for evaluating startups are widely known and we do not go into them in detail (see also our recommended reading list, Appendix 2). Most analyses of business models are based on the economic potential assessment. It is particularly relevant for investors who conduct professional portfolio investment and produce complex projections.

In the case of CONTENTshift, the economic assessment was not in the foreground. Therefore, an assessment according to economic potential offers only limited guidance and thus, these criteria do not play a central role here.

The aim of CONTENTshift is rather to promote the innovative power of an industry and not only of individual participants. Therefore, the exchange and discussion of new proposals between the jury and the startups are important. Often innovations arise in small steps and through adaptations and modifications of existing solutions. A one-off pitch does not reveal much – it is only in the follow-up and joint development of solutions for the jury that a team's ability to tackle problems flexibly becomes apparent. This is incorporated into the criteria catalogue here.

Another criteria for classifying a business model can be the phase that a startup is currently in. Here, too, CONTENTshift has deliberately not drawn a strict line separating companies that offer an initial concept and a mock-up, but do not yet have a proof of concept and experience with an initial prototype (minimum viable product). At the same time, companies that have been on the market for more than a year or have already achieved sound results with related concepts and are now committed to further development are also admitted.

Three attributes strike us as important for recognising the potential of startups and their ideas.

The first attribute concerns value creation. Startups offer their customers added value that previous companies do not provide in this form. For this reason, we recommend interested parties to take a closer look at the mechanics of the new value creation, since this is where the explosive power of startups lies. They grasp a customer's problem better than the previous providers and develop a lean but targeted solution without the well-known Legacy Problem (= dependence on established structures and mechanisms).

The second attribute in focus therefore is the target group for which the new offer is relevant. Where the potential customer has no need, a new technology cannot help. Hence, the question is in which markets the first trial steps should be taken and where the potential is likely to be greatest.

The focus of value creation and the presentation of the problem (third attribute) are not criteria that can be clearly defined. They are difficult to embed in a tabular form and yet they are the criteria that say the most about the startup and, above all, can drive the discussion in the industry. After all, this is where it will be decided whether an editor will use algorithms to check the texts of his authors in future and use storyboards according to a certain pattern for the evaluation or whether the proper metadata allocation in the sales business will contribute to increased turnover.

With this in mind, we have developed a catalogue of criteria for the startups' applications. As much as a startup would like to win a competition like CONTENTshift - in reality they actually don't have the time to create a quality application. All their energy goes into development and taking care of customers and sales. There is no time to prepare compelling documentation. At the same time, a jury needs informative material in order to be able to make a decision, and the coaches need to know where to set their focus. The jury wants a lot of information and yet it must not drown in information overload, which is why the right balance must be maintained in all assessments of business models. The most relevant information should be visible immediately.

In addition to the usual explanations of the product offer, we have therefore focused above all on the customer, their problem areas and the solution approach.

Put simply: Who has a problem where? And what is my solution for this customer?

The six focal points of the matrix are:

1. The customer- and their needs ("Problem")
2. My offer- and the solution for the customer ("Solution")
3. My business model - my opportunities ("Opportunity")
4. Team members - can the team do this?
5. Objective or what do I actually want to achieve?
6. Development during the evaluation phase

We awarded points for each question answered in order to obtain a first impression. Unlike popular personality tests on websites or in magazines, the total number of points does not allow any valid conclusions to be drawn. The points are rather to be understood as a traffic light test, which shows where it is necessary to follow up aspects where the first impression is poor. It may well be that some points need to be improved - but if the startup fits your own business goals so precisely, then it may well be worthwhile clarifying those unanswered questions. If a satisfactory result is still not achieved, a commitment should not be made.

3 The Six Focal Points in Detail

1. The customer – and their needs (“Problem”)

Taking a closer look at the customer and analysing their environment is central to a successful business model. This shows whether the founders are customer-oriented or whether they are driven by a technology or a product offering. If the latter is the case, it is essential to make improvements.

For most startups, the systematic collection of customer data represents an important value. This initial exercise shows how the founders intend to access the data, how they will handle it and also their knowledge of how to interpret it. Indirectly, this shows whether the team is flexible enough to adapt to changing customer needs.

2. My offer – and the solution for the customers (“Solution”)

Clarity is essential here: if the solution can be communicated in a simple and understandable way, this is more likely to succeed later on. After all, the customer also wants to understand immediately what exactly is on offer. At this point, it should also be examined how the participants assess the market and whom they choose as a benchmark. It goes without saying that any idea can be talked to death with a reference to Google, Amazon and Co. Therefore, it is more important to correctly assess the risks and opportunities in the market. And: Is there a specific focus? All too often, startups sketch out visionary, all-encompassing solutions, when the best solution is usually a targeted one that can then be expanded over time.

3. My business model – my opportunities (“Opportunity”)

Without figures and their evaluation, there is no business model analysis. Nevertheless, we have kept it concise and placed the focus on marketing – the step that usually requires money right away and by which one can easily see how resources are being used. Visibility is not only the order of the day for established companies – most startups quickly run out of steam when it comes to budgeting for marketing. Here it should be checked whether the standard hockey-stick projections (“in the first year still cautious, then it grows slowly and in the third year, when everyone has already forgotten the first forecasts anyway, then our business explodes”) are presented or whether the cost drivers are also kept in mind since they usually grow with the turnover.

4. Team members – can the team do this?

This is one of the central points in all startups. The evaluation of the players is always a personal assessment, in which the respective experience of the evaluator is likely to be the deciding factor. The five criteria we have mentioned can be expanded and supplemented as desired – to us, these seem to be the most important. In addition to relying on one's own instinct; references, professional coaching and a certain trial phase can provide more precise insights. (See also point 6)

5. Objective or what do I really want to achieve?

In the context of CONTENTshift, there is one clear objective – to drive the industry forward. This will rarely play a role for most other investors or cooperation partners. The key here, however, is to be aware of one's own goals and expectations that would be associated with an engagement.

These can be very different: The aim could be to gain experience, develop strategic partners or develop alternatives to the core business. This also results in completely different key performance indicators in the further course of the project. "Know yourself" is not only important for the startup, but also for the partners.

6. Development

In the case of a long-term cooperation, it can be useful to plan development steps precisely and to derive the commitment or the degree of cooperation from these. A "test of who commits" can be useful. However, it needs to happen quickly. And in this quick initial phase, it helps to set small, clear and targeted tasks that provide further insight into the criteria mentioned above. If the tasks are set in such a way that the most important criteria for your own goal come into focus, many things have been done right in this first phase.

4 The Evaluation Matrix

The following table (point 5) shows the aspects and categories described. Each of the six focal points is divided into several aspects that can be specifically assessed. The scoring is intended for these aspects. The right column contains detailed questions that can be helpful to assess the aspects in the middle column - not everything may be immediately obvious.

As a result, the table may seem quite extensive. Therefore, it should be explicitly pointed out that the questions in the right-hand column are only an optional aid and that the matrix as a whole is intended to be a support and not a strict constraint.

In line with the Creative Commons licence under which the analysis matrix is licensed, it represents a basic framework that can be adapted for individual purposes. We would be very pleased to receive your version! Ideally, the matrix is intended to be the starting point of a process in which experts and interested parties exchange information on the evaluation of startups and business ideas and use this exchange to further develop concepts and tools.

Ultimately, we would like to build on the objective that the Börsenverein Group is pursuing with CONTENTshift:

It relates to nothing less than the future of the publishing and content industry. We, who feel very connected to this industry, would like to make our contribution to this industry.

5 Sources

Nagl, Anna: Der Businessplan. 4. Auflage. Wiesbaden: Gabler 2009. S. 21.

Wirtz, Bernd W.: Electronic Business. 4. Auflage. Wiesbaden: Gabler 2013, S. 275-412.

Wise, Deborah: »Experts speculate on future electronic learning environment.« In: InfoWorld, Vol.4 No 16, S. 6. [Stand 26.4.1982, Zugriff: 2.11.2016], <https://bit.ly/2uXYjf6>

6 Evaluation Matrix Template

			Yes/No
Problem	How thorough is the definition of the customer?	Is there a persona model?	
		If not, is there a comparably good representation of the target group?	
		Has the target group been sufficiently well defined?	
	Is the problem description precise enough?	Is the customer's problem easy to understand?	
		Is it connected to the persona?	
		Is there evidence of the customer's problem?	
		Do the assumptions about the problem come from a trustworthy source?	
	Is it a persistent, growing problem?	Are there market data/sources available that indicate a permanent problem?	
		Are there market data/sources available that show how long the problem will persist?	
		Are there any market data/sources that indicate an increase in customers with this problem?	
		Are there market data/sources available that indicate an exacerbation of the problem?	
	Is it a critical pain point of the target group?	Is there concrete information about how quickly the target group needs a solution?	
		Is there any concrete information about how long the target group has had this problem?	
		Is there any concrete information on how relevant a solution to the problem is for the target group?	
	Solution	Is the solution described clearly?	Is the offer quickly comprehensible?
Does the offer solve the problem outlined above?			
Will a minimum viable product be outlined for the launch?			

		Is there a plan for the next milestones?	
	Is the solution described coherently?	Do the solution, target group and measures fit together?	
		Is there a use case that accurately describes the customer situation?	
	What is unique about the solution?	Is the USP clearly specified and understandable?	
		Have you identified a focus for the first step, so that you can start with a prototype?	
Opportunity	How will the target audience be reached?	Are all relevant touchpoints to the customer specified?	
		Has the marketing budget been realistically planned?	
		Are CPC, CPO, conversion rates etc. realistically calculated?	
		Are the permanent costs and resources for the acquisition and support of the customers outlined?	
	Do you have access to crucial resources (financial, HR etc.)?	Is there a list of key activities?	
		Do the partners have the resources the startup lacks?	
	Have the cost drivers been identified?	Are the costs for development and maintenance realistically planned?	
		Were empirical values used for the cost estimation?	
	Which investments are necessary and when within the next 24 months?	Is there a milestone plan for a 24-month period?	
		Is the planning agile?	
		Have the revenues been realistically calculated?	
		Are there comparable examples to which the revenue planning refers?	
	Where are the economies of scale?	Is there a comprehensible estimate of the costs compared to the revenues for a period of 24 months?	

			Yes/No
Team Members (Note: Assessment through various models possible, we recommend the Limbic Map)	Assertiveness		
	Professionalism		
	Problem awareness		
	Flexibility		
	Team composition		
	Level of innovation	Is the solution immediately striking?	
		How much does the new offer affect the previous behaviour of the target group in solving the problem?	strong/ weak
		Does the startup use new technologies that have not yet been applied in this market?	
	Does the startup use technologies that are potentially on the verge of a breakthrough?		
Development of the Startup		Is it possible to identify a development that shows the openness and flexibility of the team?	
		Could their own knowledge be used in other contexts (reverse engineering, discussions)?	
		Has the profile of the startup been refined?	

7 Recommended Reading for the Evaluation and Development of Startups

	Strategic	Academic	Finance-oriented	Practice-oriented
Heinemann, Gerrit (2017): Der neue Online-Handel. Geschäftsmodell und Kanalexzellenz im Digital Commerce. 8. Auflage. Wiesbaden: Springer Gabler	x	x		x
Granig, Peter/Hartlieb, Erich/Lingenhel, Doris (2016): Geschäftsmodellinnovationen. Vom Trend zum Geschäftsmodell. Wiesbaden: Springer Gabler	x	x		
Gassmann, Oliver/Frankenberger, Karolin/Csik, Michaela (2013): 55 innovative Konzepte mit dem St. Galler Business Model Navigator. München: Hanser Verlag	x	x	x	x
Osterwalder, Alexander/Pigneur, Yves (2011): Business Model Generation. Ein Handbuch für Visionäre, Spielveränderer und Herausforderer. Frankfurt a.M., Campus Verlag				
Häusel, Hans-Georg/Henzler, Harald (2018): Buyer Personas. Wie man seine Zielgruppen erkennt und begeistert. Freiburg: Haufe Lexware	x			x
Henzler, Harald/Kern, Fabian (2014): Mobile Publishing. Enhanced eBooks, Apps und Co. Berlin: Walter de Gruyter	x			x
Hoffmeister, Christian (2017): Digital Business Modelling. Digitale Geschäftsmodelle entwickeln und strategisch verankern.	x			x
Kaczmarek, Joel/Heinemann, Florian (2016): Business Building #5: Wie funktioniert die Bewertung von Digitalunternehmen? URL: http://www.digitalkompakt.de/podcast/bewertung-be-			x	x
Quade, Stefanie/Schlüter, Okke (2017): DesignAgility - Toolbox Media Prototyping. Medienprodukte mit Design Thinking agil entwickeln. Stuttgart: Schäffer Poeschel Verlag	x			x
Witzenhausen, Annette (2017): Unternehmensbewertung im Überblick. URL: https://www.controllingportal.de/Fachinfo/Unternehmensbewertg/Unternehmensbewertungsverfahren-im-Ueberblick.html (Stand 07.09.2017)	x		x	x
Rinsdorf, Lars (2017): Redaktionelle Strategien entwickeln. Analyse – Geschäftsmodelle – Konzeption. Konstanz: UKV g ab Seite 123 (Wertschöpfung und Geschäftsmodelle,	x	x		
Kuhner, Christoph/Maltry, Helmut (2017): Unternehmensbewertung. 2. überarbeitete Auflage.	x	x	x	
Etzold, Veit/Ramge, Thomas (2014): Equity Storytelling. Think - Tell - Sell: Mit der richtigen Story den Unternehmenswert erhöhen. Wiesbaden: Springer Gabler	x			x

	Strategic	Academic	Finance-oriented	Practice-oriented
Pintz, Jana (2016): Unternehmensbewertung. Berlin: IHK.	x	x		
Hebenstreit, Kai (o.J.): Erfolgreiche digitale Geschäftsmodelle. URL: https://www.manyimize.com/erfolgreiche-digitale-gesch%C3%A4ftsmodelle (Stand: 07.09.2017)	x			x
Hoffmeister, Christian (2013): Digitale Geschäftsmodelle richtig einschätzen. München: Carl Hanser Verlag	x		x	x
Otto, Boris/Österle, Hubert (2016): Corporate Data Quality. Voraussetzung erfolgreicher Geschäftsmodelle. Wiesbaden: Springer Gabler → Kapitel 1.1.4, Kapitel 4	x	x		x
Kreutzer, Ralf/Land, Karl-Heinz (2016): Digitaler Darwinismus. Der stille Angriff auf Ihr Geschäftsmodell und Ihre Marke. Das Think!Book. Wiesbaden: Springer Gabler	x	x		
PrintwaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (2017): Steuerliche Standortattraktivität digitaler Geschäftsmodelle. Mannheim: Zentrum für europäische Wirtschaftsforschung			x	
Bergmann, Pascal (2014): Business Model Check. von Geschäftsmodellen unter Ungewissheit. Koblenz: Universität Koblenz/Landau ab Seite 48 (Erfolgsmessung)	x	x		
Lerch, Christian/Schnabel, Esther/Meyer, Niclas/Jäger, Angela (2017): Digitale Geschäftsmodelle. Sind kleine und mittlere Unternehmen der Metropolregion Stuttgart bereit für die Digitalisierung? Stuttgart: IHK Region Stuttgart			x	x
Bundesministerium für Wirtschaft und Energie (2017): Digitale Geschäftsmodelle. Themenheft Mittelstand Digital. Berlin: Bundesministerium für Wirtschaft und Energie			x	x
Stähler, Patrick (2002): Geschäftsmodelle in der digitalen Ökonomie. 2. Auflage. Lohmar: EUL Verlag g S. 31 ff (Geschäftsmodell als Analyseeinheit)	x			
Schwarz, Torsten (2016): Digitale Transformation. Chancen und Herausforderungen. Waghäusel: marketing-BÖRSE GmbH → Kapitel „Springer-VDI-Verlag vermarktet digital“ und „Digitale Transformation im Marketing“ - darunter das DM3 Modell	x			x
Schallmo, Daniel R.A. (Hrsg.) (2017): Digitale Transformation von Geschäftsmodellen. Wiesbaden: Springer Gabler	x	x		

8 About us



Prof. Dr. Harald Henzler

Dr. Harald Henzler is Managing Director of smart digits GmbH and supports companies with the development and implementation of their digital strategy. His focus is on strategic development and business models, programme planning and content strategy as well as customer analysis.

As a Product Manager, Publishing Director and Managing Director (Carl Hanser Publishing House, Haufe Lexware), he has many years of experience in the development and implementation of digital business models and the associated change process. He has developed and implemented blended learning offers for publishers with the Goethe Institute in India, Egypt and South America. In addition to developing his own startups, he coaches startups as part of the CONTENTshift accelerator and accompanies the dialogue with publishers.

He is a speaker, seminar leader and chairperson at the Academy of the German Book Trade and the Data Summit of MVB as well as professor for digital communication and change at the SDI Hochschule. As author of works about business models ("Mobile Publishing", Verlag de Gruyter) and customer analysis ("Buyer Personas - wie man seine Zielgruppen kennt und begeistert", Haufe Lexware) he is also no stranger to books.



Prof. Dr. Okke Schlüter

has been Professor of Media Convergence in the Mediapublishing course at Stuttgart University of Media since 2008. In addition to media convergence, his teaching focuses on cross-media product management, innovation management/design thinking and digital business models. In March 2017, Schäffer Poeschel published the "DesignAgility Toolbox Media Prototyping", conceived with Stefanie Quade. Design Thinking is also part of his coaching within the CONTENTshift accelerator.

After studying theatre, film and television studies, Slavic studies and business administration in Mainz, Berlin and Moscow, he earned a doctorate in Slavic studies. After stops at BCG and McKinsey, he joined Ernst Klett AG in 1998 as a management executive trainee and held management positions in companies of the Klett Group from 2000 to 2008. In addition to his work at Stuttgart University of Media, he has accompanied the innovation initiatives protoTYPE since 2012 and CONTENTshift of the Börsenverein Group since 2016 as an expert. He is also a lecturer for the Academy of German Media and the Danube University of Krems.

The Börsenverein Group

The Börsenverein Group includes

- Börsenverein des Deutschen Buchhandels e.V. (German Publishers and Booksellers Association)
- Frankfurter Buchmesse
- MVB Marketing and Publishing Service for the Book Trade
- mediacampus frankfurt

Together, it is our mission to promote the book market and support its market participants in all areas - including the development of new business fields.

CONTENTshift

is an initiative of the Börsenverein Group. In order to not only keep up with the developments of the digital transformation but also to actively shape them, new business models are needed for the sector. We therefore want to firmly anchor the topic of innovation in the industry. After all, it does not only affect large corporations, but all market participants. Startups have comprehensive digital competence and great flexibility. They look at the market and its possibilities with a fresh perspective and have a high degree of innovation. They therefore offer great potential for the future of our industry - which will only be utilised if the industry and startups work together as equals and innovation turns into a reality. This is exactly where CONTENTshift comes in. We strive to closely intertwine the startup world with the established sector in order to

- bring together industry-relevant startups with industry stakeholders
- establish a multi-national and cross-sectoral exchange on innovation topics
- stimulate cooperation and investment
- facilitate market entry for startups
- promote and encourage new solutions for the industry
- bring new impetus to the industry.

contentshift@boev.de

www.contentshift.de/en

9 Legal Notice

©2018 Börsenverein des Deutschen Buchhandels e.V., Frankfurt Authorised Representative
Managing Director: Alexander Skipis Responsible for the content: Dr. Harald Henzler, Dr. Okke
Schlüter VAT-IDNr.: DE 114108199

Association registration number at the district court in Frankfurt am Main: VR 4030

CC-Licence: CC BY NC

