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The step-by-step manual how to create an internet startup company on the example of the company “Heady up”

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<p>This research paper is focused on the development of online startups focusing on mobile applications especially online social networks. The commissioner of the research is mobile startup HeadyUp. The company was established for creating mobile applications, now it’s working for implementation of the application with the same name. The main objective of the thesis is to implement the plan for HeadyUp on how to develop the product for the future success and create the paper itself in a form of guide that will be a visual tool for young entrepreneurs that shows how to build mobile applications with the help of step- by -step instruction. The theoretical part is focused on scientific explanations of social network phenomenon, on how online social networks appeared, the concept of the financial bubble and prospective startup bubbles, habit-forming mobile products, startup building process, geo-targeting technology, descriptions of different marketing and strategic tools to analyze company performance etc. The single case study, quantitative and qualitative methods are used to conduct the research. The empirical research is made to help the company to analyze the performance of the application in the after launch phase. Additionally, the research works as a marketing tool for the company that will be published online and all internet users can get the information about the company for free at the same time they will be aware of the existence of such startup. The data collected and information presented are proved by the real events and theoretical dogmas. The end product of the research is the startup manual with the necessary information which is presented with bullet points and graphics which shows what company should change in the performance to achieve success.</p>	
Keywords Startup market, mobile application, Startup bubble, HeadyUp	

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1 Introduction

Nowadays online social network business is expanding rapidly because of global need of people to communicate with each other in big distances and exchange information. Users are obsessed with social networks nowadays. To check an account in Facebook or Vkontakte became an everyday habit. The boom of social network activity started with the release of My Space and then Facebook, Twitter and Instagram. Before it was search engines that were used the most by people to get information. Social networks like all big companies also follow the idea of making profit in exchange of providing people with goods and services. (Catells, M. 2010)

Many entrepreneurs transfer company's business processes online or they establish new companies that operate only in the internet and that don't need physical resources to make products or services. The research paper is very up-to-date because it describes how to establish the company that operates online. Mobile applications became totally new way of earning money and they changed daily routines of people. According to recent statistics people now use phone more than other devices to get the information. That is the reason why mobile applications became popular worldwide. The main term of profit-making in the Internet is advertising. After starting generating revenue, mobile application companies start to go to the IPO and some successful one are sold to big IT giants. All these activities made this kind of business one of the most profitable and popular last years. (Kastrenakes, J. 2014)

The object of the research is the mobile application HeadyUp that is location-based social network that enables users to see and share pictures or videos with other people around on the map. Additionally, the user can add to his or her content the one out of 52 million songs.

The problem of the research can be formulated as a question how to create a startup IT Company and maintain it in after-launch phase to achieve success? To find solutions to this problem several issues are analyzed such as the start-up market situation, startup financial bubble, new trends in mobile applications market, development of the

application from the idea to the product or service, monetization model of the product or service, approaches how to attract investors and manage the company to receive revenue, how to gain users, how to market the product in order to attract and retain attention of users etc.

The thesis focuses on the process of the development of the idea with the end product- internet application. The subject area is mobile applications. The main objective of the thesis is to implement the plan for HeadyUp on how to develop the product for the future success and create the paper itself in a form of guide that will be like a visual tool for young entrepreneurs that shows how to build mobile applications with the help of step- by -step instruction.

The research is started with the theoretical part where the main postulates and available information about start up market are included. The author discusses social network phenomena, how online social networks appeared, the concept of the financial bubble and prospective startup bubbles, habit-forming mobile products, startup building process, geo-targeting technology, descriptions of different marketing and strategic tools to analyze company performance.

After all, the empirical part is written which consists of quantitative, qualitative and single case study research methods. Quantitative and qualitative are conducted to prove some parts from the single case study and to develop solutions for the company how to improve the performance in the after-launch phase. The single case study shows on the real example of the company how all processes were established and company was released.

While doing the research there is not much literature related to the topic or previous research was found by the author. There appeared the lack of scientific information because social network business is a quite new area. In the internet there is no serious scientific research which is related to the research topic. There are only available some particular researches concerning usage, monetization etc. made by global marketing agencies. This research is written about the innovative type of business-mobile applications, especially mobile social networks.

The literature which was used to make the research were books, marketing agencies researches, articles from scientific magazines and journals and online websites related to the topic.

The chapter about habit-forming products of the thesis is based on the book of the American author Nir Eyal. The author analyses the phenomena why people are addicted to some products and services and to others not. Nir Eyal introduces the reader the Hook model or in other words 4 steps process companies use to build customer habits. This book became really popular among the programmers from the Silicon Valley because it reveals the secret of how such big IT companies like Instagram, Twitter, Pinterest gained so many users.

Another bestseller book called “The Power of habit: Why we do what we do in Life and Business” was used to implement also the chapter of the habit-forming online products. The author made the study analysing daily habits of people. He proves in the book the fact that habits predict not only life-changing events but also the behaviour of consumers.

The last book that needs to be described is written by Larry Downes and Paul Nunes is called “Big Bang Disruption: Strategy in the Age of Devastating Innovation”, that technological boom brings not only positive output. Nowadays entrepreneurs should work harder than before, because the tech World moves so fast that if companies don not innovate, they are going to fail in today’s reality.(Downes, L.& Nunes,P. 2014)

Articles from Forbes, Business Insider, the Startup Journal, the Entrepreneur and other magazines are used for creation of other chapters in theoretical part. For the chapter concerning law issues the official law resources are used. The significance of the results and solutions is proved by the real example of the company performance and real conducted quantitative and qualitative researches by the author of the thesis.

2 Theoretical Framework

2.1 Social network theory and network effect

Currently, people live in a time that is branded as a “Connected Generation” where companies use technology to tie them to “connected objects” or other “untethered consumers”. However, herein lies the problem, although people are considered to be connected, they have never been more disconnected from their core fundamental needs and rewards as humans, not consumers. As a human being, one of the strongest instinctual connections they have is the connection to their environment, the world. So why it is that innovation is only focused on how users interact with technology; instead of including how technology provides people infinite variability of experiences within their environment? These experiential misconceptions and lack of knowledge around human behaviour have proven not to only hinder innovation but also prevent customer engagement. (Katz, N. Lazer, D.& Arrow, H. 2004)

Companies and marketers alike are becoming out of touch with the real-life needs and challenges of people. If companies and marketers are not generating emotions and feelings, they are not taking advantage of the very things that drive behaviour. The goal of every brand should be to infuse experiences with emotions so strong that people become loyal not just to the brands but to the brand missions, instilling devotion and uniting people and brands with common causes and shared values. Leveraging real-life experiences can empower a brand’s development and help it to achieve remarkable sales efficiency by combining traditional marketing with experiential tactics. (Katz, N. Lazer, D., Arrow, H.)

As humans, how is it that people wake up every day and convince themselves it’s a new day? They go through the same routine every day; waking up, making a cup of coffee, then trip to-and-from work, even the people they interact with. Everything is monotonous. Everything is a pattern. These actions become monotonous because there is nothing to disrupt the pattern of human perception. Perception is an on-going back and forth comparison between expectations and incoming sensory data. (Katz, N. Lazer, D., Arrow, H.)

Human brains create models of the world and compare incoming information to those models. When the observations meet expectations there isn't any intellectual stimulation. However, when disruptions exist within a perceptual pattern this promotes intellectual stimulation and aids in the creation of memorable experiences. The unique experience that will result from establishing a solid social platform that gives people the power of sharing with the locals, and the limitless opportunities within the data collected geographically will give birth to new users being able to learn and stay in touch with the happenings around. (Katz, N. Lazer, D., Arrow, H.)

According to social theory, network is a set of relationships or in mathematical terms is a set of objects and description of relationships between these objects. Recently scientists determined 3 basic types of networks: ego-centric, socio-centric, open-system. As for ego-centric networks, these are ones that connected with the one individual, for example with good friends, with companies that do business with particular company. Another type is socio-centric networks which are like in the box. For example, socio-centric network are between children in the classroom, colleagues at work. Open networks are ones that don't have boundaries; they are not like in the box. For instance, open networks are connections between big corporations. (Newman, M., Lazlo Barabasi A.& Watts D.J. 2006)

Referring to the Oxford dictionary , social network in IT terms is “a dedicated website or other application which enables users to communicate with each other by posting information, comments, messages, images, etc.”. In other words social networks are created to improve relationship building. But the difference from real life building is that relationships are established online with the help of internet devices. (Oxford dictionary 2015)

From internet prospective there are existing three types of social networks such as personal networks, contents sharing networks and shared interest communities. The aim of the personal social network is to stay connected with family or friends by sharing important moments. Users give information about their personal lives. To such social networks can be matched Facebook, Snapchat and Instagram.

Content sharing networks boost large scale conversations and new and existing connections by posting and commenting different kinds of media such as photos or videos. Pinterest is a perfect example of such kind of network. (Ullagaddi, S. 2014)

Shared interest communities are driven by the professional and personal interests. These kinds of networks are used to learn new skills, share with members of the community knowledge or keep in touch with colleagues. Often these types are mixed for inventing new types of networks. (Ullagaddi, S. 2014)

Currently social scientists are very precisely studying relationships in social networks. They study how people interacting, why and with whom they make contacts and what the level of closeness is between members of the network. Basically in social science terms connections are called ties. They define connections as strong ties and close ties. Strong tie friends are the ones that interact every day and most probably have each other phone numbers. While weak tie connections are the ones that the user follows but doesn't have every day interaction. (Easley,D.& Kleinberg, J. 2010)

2.1.1 Six degrees of separation

The concept was established in 1960s after the scientist Stanley Milgram made a social experiment which was called "The Small World problem". In the experiment 100 letters were sent to randomly chosen individuals with an instruction to deliver the letter to one specific person who lived in the same region. There were evaluated predictions on how these letters could have reached the person. The person that should deliver the letter knows another that is acquainted with the target receiver is the one option. Another possibility is that the deliverer knows the target person so he or she can send the letter direct. As the result, it was found out that there are 6 steps between the initial person who deliver the letter and the target receiver. (DeVita–Raebu, E. 2008)

Due to a lot of criticism of the Milgram's theory the new research was conducted in 2003. Group of scientists from Columbia University in New York decided to make an experiment again but instead of letters they asked participants to send e-mails to the target receiver. Lack of motivation made participants not to send these e-mails like with letters in previous study. As a result, e-mails that reached the target person

showed the same amount of steps as in Milgram's research from 5 to 7 steps. (DeVita-Raebu, E. 2008)

2.1.2 Three degrees of influence

Three degrees of influence is the theory which is proposed by Nicholas A. Christakis and James H. Fowler. In 2007 year scientists found that social networks have a big influence on individual's behaviour. It was researched that people influence their friends who in return influence other friends, in other words they can influence people that they never met. In practice people can influence 3 degrees friends. (Christakis, N. Fowler, A. & James H. 2009)

This proves that our ideas and opinions can have an impact on people around. This theory is proved by experiments, where around 61 000 000 people were involved. With the development of the internet the information is shared faster and more efficient. This theory is very applicable for solving many World problems such as crime, weak economics, and public health. For example for individuals who are located in centres of the networks and who are the biggest influencers can be given the task to spread out the information and motivate clusters of people to avoid criminal behaviour or keep healthy lifestyle. (Christakis, N. Fowler, A. & James H. 2009)

2.2 Habit-forming mobile products

According to Nir Eyal, the author of the book Hooked, habits are the tools that motivate people to use products more and more often. Nowadays habits intrigue marketers. The new way to keep customers loyal and to survive in worldwide competition is to build habit-forming products. The author in his book introduces the Hook Model which includes 4 steps: trigger, action, the variable reward and investment. (see Figure 1) (Eyal, N. 2014)

Trigger is the mechanism that pushes the customer to use the product on daily habit, the use of the product becomes the part of consumer's routines. Then the action ap-

pears that enables users to act in exchange of receiving reward. Afterwards the variable reward makes people to be addicted to the product because of unpredictable feedback. The last step is the investment that consumers make which is measured in time, data, effort, social capital and money. It helps to improve product or service that they use. (Eyal, N. 2014)

Also author compares two different definitions that people mix up while talking about routine products such as habit and ritual. By the opinion of Nir Eyal, ritual is the series of actions most commonly set of religious actions performed based on prescribed order while habit is regular practice which is hard to give up. The Hook Model works very effective because of macro-trends: companies are willing to collect more data about customer's behaviour, interactive technology is more reachable, and the transfer of the collected data is faster due to the internet. These three trends make users more addictive to new habit-forming products. Many tech companies such as Facebook, Twitter, Pinterest use Hook model to retain users. Habit is a very powerful way of attracting customers but it lasts not forever. That's why many companies check competitors for faster hook strategies. (Eyal, N. 2014)

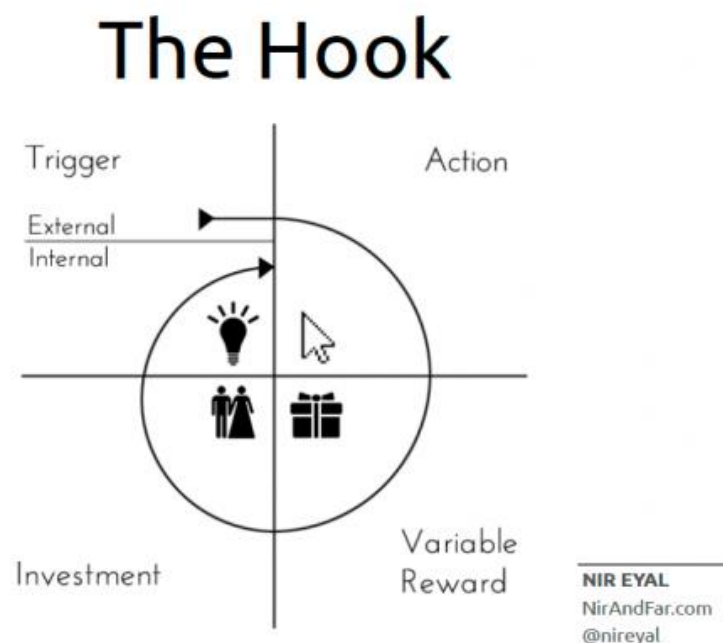


Figure 1. The Hook (Eyal, N. 2014)

2.3 Geo-targeting trend technology

Geo-targeting is another trend that helps businesses to find key customers for their products online by the location. This tool was recently implemented in social networks such as Facebook or Twitter, where you can select people by location, age, gender, languages, interests and connections. Many companies can target their ads to specific group of users in social networks, so that the advertisement campaigns would be more efficient. Additionally, geo-targeting technology will change our shopping experiences in the game like way. As an example, there is the application that big IT company is currently developing that influence customers to buy specific product or service in the moment of purchasing. The company offers to install special devices in the point of sale so that the customer can see through the application on which products there are offers in the enterprise or if there are new products in the shop etc.

Geo-targeting technology is the new way of marketing, it helps to deliver marketing messages more suitably timed aligning with customer's daily routine. In comparison to traditional ways of advertisement it's possible for the enterprise to manage the show time, the quality of the ad, "in the moment" advertisement and in addition it helps to analyse the target customer. The only one thing that makes this technology doubtful is that people are afraid to be controlled by location. But if the company makes the application in the playful format this technology can become the new way of marketing. (Kusek, K. 2014)

2.4 Financial bubbles

It is vital for entrepreneurs to get to know the current situation in the market if they want to start business. It is important to define whether the sector rises or stagnates in the current moment to understand which steps to follow. The aim is to learn the situation in the current start up market, gather and structure existing theoretical data for the future analysis of this topic.

2.4.1 Theoretical basis of the financial bubble

Many people who are interested in mobile application area are concerned that startup bubble exists and it is in the hottest point now. For example, in 2014 there was \$86, 7 billion invested in 6,507 deals. In comparison in 2013 there was \$53, 5 billion invested in 6551 deals. This statistics shows that the number of deals decreased from 2013 to 2014 year but the amount of capital invested in startups raised in 2014 year. Many pioneers in the market feel the positive climate and create new startups that have no solid fundamentals. The ones who are increasing the price are the early-stage hedge funds, institutional investors and late-stage investors from US. Other predicts that the market is not cooling down; companies with solid fundamentals will still bring the profit and will raise high amounts of capital. (Kharpal, A. 2015)

To analyse the current situation in the market it is necessary to gather theoretical information about previous financial bubbles and crises. First of all it is important to outline the definition of the financial bubble. “Financial bubble is a situation in which prices for securities, especially stocks, rise far above their actual value. This trend continues until investors realize just how far prices have risen, usually, but not always, resulting in a sharp decline. Bubbles usually occur when investors, for any number of reasons, believe that demand for the stocks will continue to rise or that the stocks will become profitable in short order. Both of these scenarios result in increased prices.” (Farlex Financial Dictionary 2012)

Coming back to history there can be described one of the most famous examples – the dot-com bubble of 1990s. That time there was huge amount of investments coming to dot-com companies that had IPO’s of hundreds of dollars per share. Some of these companies never made a profit or produced revenue. Investors influenced by the theory that internet companies should expand to gain new customers and at the same time increase its market share, invested billions in them. Shares of dot-com companies were traded in NASDAQ, which also rose to the record point. But suddenly in 2000 the bubble burst and NASDAQ companies lost more than half of its value. The main rea-

son of dot-com bubble collapse was that there were too many companies that came to the market, too much investments and too fast realisation. (Harold, L.V. 2010)

2.4.2 Start-up bubble 2015 analysis

If we look to current situation many start-ups are not generating profit or revenue like it was in dot-com bubble. The main reason is that applications do not have well-made financial models. (Harold, L.V. 2010)

The idea that companies should gain users and expand customer bases and data is still in place. Large companies such as Facebook, Twitter or Instagram buy small start-ups to dominate in the market and control the traffic and consequently profits. Giants are fighting for the traffic because every second the user spends in the application or on the website brings company the profit which is received from advertisements.

(Genadinik, A.2014)

As it is written in the financial dictionary, “Bubbles usually occur when investors, for any number of reasons, believe that demand for the stocks will continue to rise or that the stocks will become profitable in short order. Both of these scenarios result in increased prices.” (Farlex financial dictionary 2015)

The start-up bubble has already occurred and currently it is on the peak point when prices are so overvalued that many interested groups or individuals stop to believe in rationality of the prices of products. It can be predicted that there would be so many applications that generate a huge traffic that will be already owned by big internet companies such as Facebook or Google.

Taking into account that users can't be present at the same time in all apps even though the diversity of interests, geographical diversification, preferences to different styles etc., and all the traffic will be shared between giant companies and it would be difficult to gain auditory. Only unique and revolutionary products will be able to compete and get the market share.

2.4.3 Start-up bubble predictions

It is clearly seen that the interest of venture companies in the new startups is high and companies are willing to invest in mobile products as it was in dot-com bubble in 90s. Many characteristics are matching with the past burst of the bubble but the difference is only in the nature of products. Because this sector is new and developing the over-valuation is likely to happen. Some startups are based on great ideas with good financial models are likely to be on top and with an opportunity to speculate with the price of the company. (Drucker 1954, Levitt 1960)

Sooner or later every bubble collapses as any other previous one. It is impossible to change such scenario and it is proved by the past experience. Nowadays the industry is on the top of the wave and it's likely that big companies are going to make more acquisitions so there is favourable moment to join the game.

2.5 Start-up building

Creation of the plan of actions is the essential part of company before it starts operations. It's important is because it helps to identify risks and opportunities and decide whether it's profitable to make the idea working or not. Usually the plan of startup supported with different researches, calculations and examples of other similar companies. (Abrams, R. 2010)

2.5.1 The implementation of the startup

The first step that every entrepreneur does to generate ideas is becoming aware of new businesses and new trends. As this research about IT business, the best way to get this valuable information that can be a basis for the future idea is to read popular IT blogs, IT magazines or IT articles in famous business magazines and new books about this topic. Currently Business Insider, TechCrunch, Mashable, Springwise, Entrepreneur etc. Another way is to visit different relevant to future business events, where you can get motivation from successful entrepreneurs, get to know current trend and make

valuable contacts. While accumulating information relevant to the chosen field, it's advised to put down notes of every idea that comes to mind. (Wroblewski, L. 2011)

Another way to find an idea is to make a market research on the topic of interests that can give an understanding and idea of the product that is missing in particular market sector. Travelling is also one of the chances to come up with an idea or see the idea that can be reworked and brought to another market. (Djurkic, J. 2014)

Secondly, after having the idea in mind an entrepreneur should make marketing research, which can be implemented with the help of the industry associations, periodicals, up-to-date web articles, governmental organisations. Then through the marketing research there can be identified target customers that the company plans to serve with its business idea and make appropriate questionnaires or surveys for the targeted sample (McKeever, M. 2012)

The research can be aimed to determine the potential market, to measure the competition, to test the product or service or to test the positioning in the existing market. If the product is tangible, the sampling procedures can be implemented to identify positive sides and drawbacks of the product or service. If the product is intangible such as mobile application or the website it is advised to make the beta version of the mobile application and ask targeted audience about the product. The clear communication from the key customers can be extremely valuable during the development of the product. Through marketing research the understanding of the level of competition and competitors will be available. (Shenker)

The next step after marketing research is the development of business plan. Standard business plan consists of eight parts such as company analysis, industry analysis, competitive analysis, customer analysis, marketing plan, management team, operations plan, and financial plan. In company analysis the basic information such as products or services description and future development are described. Industry analysis includes the information about the market size and which trends affect the market. Creation of marketing plan helps to analyse target customers and make adopted to them marketing channels and tactics. Marketing plan can include SWOT analysis, PEST analysis. Then

after marketing plan the implementation of team management plan follows. In other words team management plan is the company structure with key workers and roles they will make. Also while building the team it's important to decide whether to establish the Board of Directors, to allocate the cofounders or not. In addition, the hiring plan is ought to be made. Meaning that the CEO of the company should decide what kind of workers with what kind of roles he should hire to execute the smooth performance of the company. The final part is the operations plan where the step-by-step actions are described which come along with the company strategy. Finally, in every business plan financial part is vital because every start up follows the aim of the profit making. In financial plan income and cash-flow statement, balance sheet, break-even analysis etc. are presented. (Lavinsky, D. 2014)

Business plan is not only the way how the CEO of the company sees his company but it's also the information for the potential investors, employees, suppliers and developers etc. This tool can help to identify problems to solve in the company and help to make the vision and the strategy of the company. (McKeever, M. 2012)

2.5.2 Intellectual property rights

As it can be found in the official website of WTO, "Intellectual property rights are 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 of time". (WTO 2015) After defining intellectual property rights, WTO broadens the definition: "The rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculpture, computer programs and films) are protected by copyright, for a minimum period of 50 years after the death of the author." Mobile application can be allocated to computer programs, so that the application is protected from copyright. (WTO 2015)

2.5.3 Periods of launch

Having studied different success stories of IT companies such as Google, Facebook, Twitter, Instagram, the author of the research created an unofficially expected set of rules on how to plan the emerging project that the reader can follow in every success story. Mobile application launching plan consists of 3 periods: pre-launch period, launch and after-launch.

Pre-launch period is the time of the development of the IT product, establishment of funding and early marketing research. According to A. Dan (2014), during this phase founders of the company follow such steps:

- Marketing research
- Keyword research
- Creation of the monetization strategy
- Social media networks presence
- Creation of press-release
- Description of the application
- Translation of the application to needed languages
- Implementation of Analytics
- Negotiations with influencers (magazines, journals, blogs etc.)

Next period is launch, which is the short time when the product is in the application market and people can already download it. The most important activity during this phase is marketing, because it can influence the further success of the application. During this period there should be made following steps:

- Announcement to influencers about the new product in the market
- Social media monitoring: up-to-date information, regular updates
- Social media campaigns
- App store optimization
- Sending of launch press-release

- Launch Mobile Ad campaign
- Outreach to PR database of 1,4 billion

After launch period is the time when marketing campaigns of launch worked out and first users started to use the application. Actions on this stage are unpredictable and this stage should be analysed as a unique case for every company. Usually steps lie in the fact of maintenance. According to A. Dan (2014) entrepreneurs follow such steps:

- PR and marketing campaign optimization
- Description change and optimization
- Building positive and strong reputation
- PR outreach
- Social Media fan database
- Marketing analysis-new features development
- Outreach to 300+ reviewers
- PR-material release

2.5.4 Funding

The standard funding process consists of several stages such as idea stage, co-founder stage, family and friends' stage, angel investors' stage, venture capitalists stage, IPO stage. In the first stage, the person comes up with the idea that he or she believes is going to work in the current reality. The potential founder of the company starts to work on it or in other words starts to create the value of the company. Later when the company is registered the value would be transferred into the equity of 100%. (Vital, A. 2013)

After the creator of the idea realises that it takes twice times more to transform the idea into physical product or service if he or she works alone, the creator finds the co-founder who is smart and motivated enough to execute the project. They work together; add the same value to the project. But the cofounder in comparison to the employ-

ee receives not the salary but the percentage of the company. He makes 50% of work and he receives 50% of the company, because he or she equally takes the same risks as a founder by spending own time and skills for building the product. (see Figure 2) (Vital, A. 2013)

The next stage is considered to be the start of funding. First investors of the company most likely are the family or friends of the owners of the idea. Firstly until the company is not registered the owner has no legal right to offer the public to buy percentage of the non-existing company in exchange of money. Secondly most of accredited investors, people who have 1 million dollars in the bank account or who earn 200 000 dollars annually, won't be ready to take a risk of investment in the not established company. Most of the times in the family and friends' stage, investors buy big percentage of the company with small amount of money. (see Figure 2)(Vital, A. 2013)

After receiving first money for the development of the product the cofounders register the company. The registration can be made through the online service or through the lawyer that is considered to be more expensive. After the registration the company has an equity that is split among 2 cofounders and a friend or family member. (see Figure 2) Then the common stock is issued. (Vital, A. 2013)

To increase the value and the price of the company and not to admit the start up to go broke, the owners start to search for the angel investors. So-called incubators, accelerators often provide the coming startups with money and resources in exchange of the percentage of the company. (see Figure 2) In the early stage of developing startup investors are not likely to invest a lot of money but they ask for the big percentage. If the idea of the startup is valuable and they see the potential owners can estimate their project as 1 000 000 dollars. The accredited investors are likely to invest 200 000 dollars. (Vital, A. 2013)

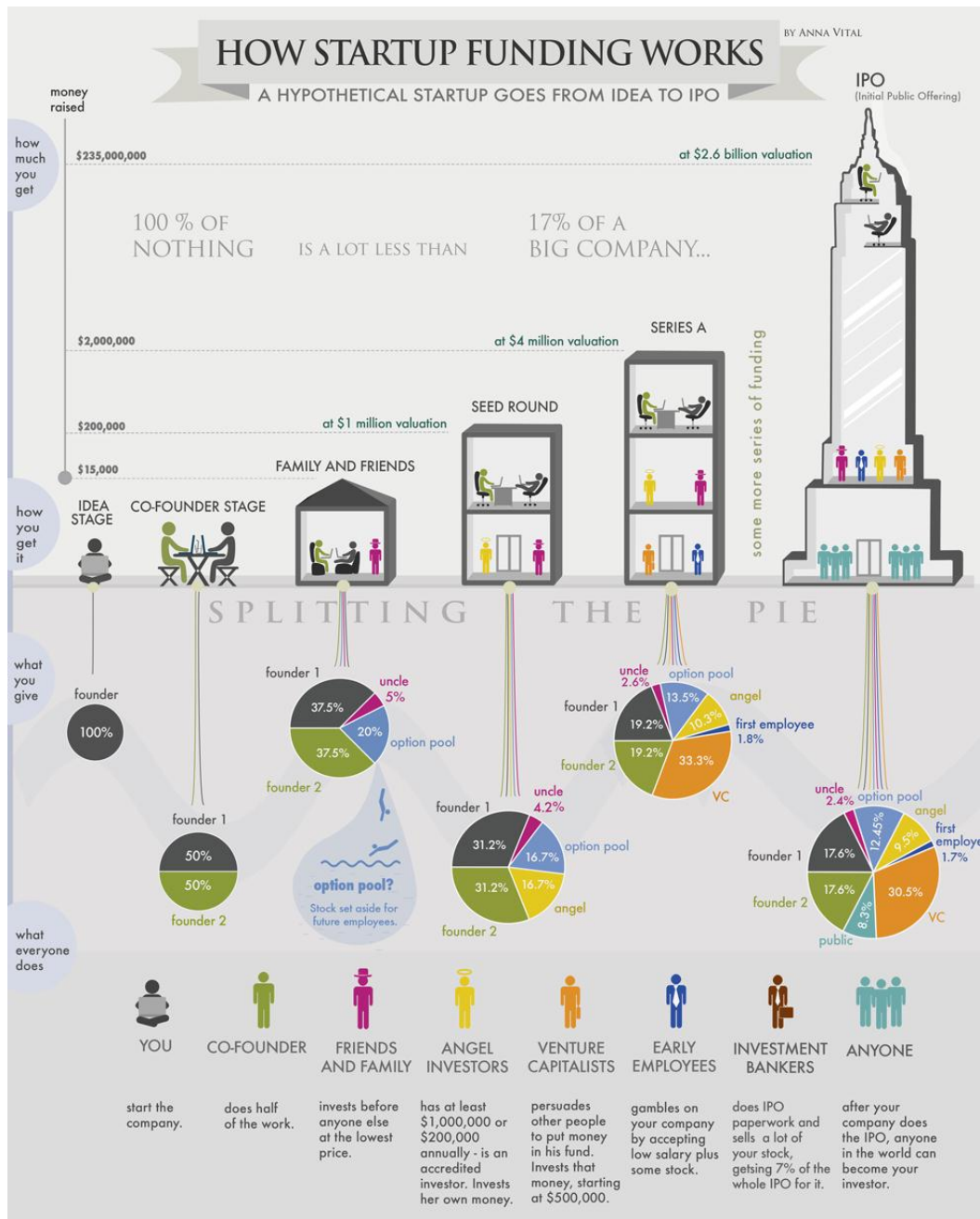


Figure 2. The description of the process of funding the company. (Vital, A. 2013)

Table 1. Calculation of the percentage of the investors' percentage (Koch, P., Rieger, S., Walton, T., Frost, B., Olsen, D. Kardys, D., Clark, J. 2012)

<p>*Pre-money valuation = \$1 000 000</p> <p>*Angel investment= \$200 000</p>

Post-money valuation= \$1 000 000+\$200 000= \$1 200 000

The angel investor %= \$200 000/\$1 200 000=0,167=16,7%

The company grows rapidly and now it's valued as \$1 200 000. To grow up business and to increase the price for the enterprise owners attract venture capitalists. In this stage the calculations of the percentage that investors receive is the same as with angel investors. For example the venture capital company values the company as \$4 000 000. Then the owners start to offer other venture companies to buy a part of the company. And this round can repeat until the big company wants to esquire the startup or there will be no investments and the company dies or the company decides that it should go public. (Vital, A. 2013)

The last stage that the startup company can do is to go public or in other words to offer its shares in Initial Public Offering. When the company offers to buy its shares in IPO regular people can buy them. Accredited investors can buy only restricted shares that they can't sell in exchange of cash. Only after the IPO these shares became unrestricted and they can be converted to money. During the process of the IPO the company appoints the bank to be the underwriter, the bank that maintains all paperwork and sell the stock to wealthy clients. The underwriter receives 7-8% of flow raised in IPO. (Vital, A. 2013)

2.5.5 Monetization Model

Another way to make a profit out of mobile applications can be described with the help of the model of monetization, found in 2013. According to gathered statistics, each user who downloads the application can be expressed in monetary units. The more users are using the application, the higher the price of the startup, which in the long run could be sold with the high price to huge IT – Corporations. (Gennadinik, A. 2014)

Another way how to earn money is to have ads in the application. There is a new monetization model which is used by Google and other search engines in order to have revenue from advertising. According to Interactive Advertising Bureau, an impression (view) - is "a single display of online content to a user's web-enabled device." In other words with impression we can calculate how many times the user sees the advertising whether it's clicked on it or not. Cost per Impression method is widely used for advertisement in applications. CPM is an internet advertising metric which means the price company pays in terms of the number of impressions made. Normally companies pay the price for 1000 impressions so that it's easier to calculate the price. (Jaokar, A. V., Jacobs, B. , Moore, A., Ahvenainen, J. 2009)

The process of buying online advertising consists of several steps: setting the budget based on affordability, choosing between automatic or manual number of views for achieving advertising goal and the schedule for ad campaign. Then the application automatically calculates the Average CPM based on target audience size and schedule. CPM depends on country where the advertisement is viewed. Definite CPM for the particular application is difficult to estimate before the company started to make revenue but it is possible to predict the CPI, based on official average number. According to the research made by marketing agency it was found out that average CPM for 2013 year in Europe and US was \$1,46 and the average number of impression of one user in a year is 14400 in the popular app, in average app in one month is 300. (Fiksu Performance Lab 2013)

These metrics are used to calculate the efficiency of different advertising campaigns. To calculate the efficiency the researcher should measure the number of users before the start of the campaign and number of users after the end of the campaign. The difference, which is the number of users should be multiplied with average impression in one month and should be multiplied with price for 1 impression.

Table 2. The formula for calculation of the revenue received from mobile ads in the application (Fiksu Performance Lab 2013)

$$\text{Revenue} = \text{Number of users} * \text{number of App Impressions} / 1000 * \text{eCPM}$$

2.5.6 Marketing plan

While the product is already made and launched in the market or is going to be launched in the market entrepreneurs start to brainstorm ideas how to advertise and make familiar this product for prospective users. During this stage most common practice is to implement marketing plan that directs the company to successful performance. (Amerson, A. 2013)

The first stage of the plan is to research the company with the help of SWOT and PEST analysis if the company plans to expand to new markets. While doing SWOT - analysis researches analyse company's external and internal environment. Internal environment often classified as strengths (S) and weaknesses (W). External environmental factors are opportunities (O) and threats (T). Strengths from the SWOT can be defined as patents, brand names, good reputation, and cost advantages from using know-how, exclusive access to natural resources, and access to distribution networks. (Quick MBA 2010)

Weaknesses can be often described as lack of strengths, such as lack of patent protection, weak brand name, bad reputation among customers, high cost structure, lack of access to best resources and key distribution channels. External environment analysis can bring some new opportunities for the company as well as threats. Taking into consideration opportunities, there can be identified unfulfilled customer need, creation of new technologies, removal of international trade barriers and also loosening of governmental regulations in the new market. (Quick MBA 2010)

Threats can be defined as negative factors that influence on company performance and lead it to bad results. There are some examples of such threats such as change in con-

sumer tastes and shift to competitor's products, emergence of substitute products, new regulations of government, increased trade restrictions with other countries. (Quick MBA 2010)

After conducting of marketing research marketers having identified key customers starts to build marketing plan for the product. One of the best tools researchers use to bring the new product to the market in 7P Marketing Mix that enables company to position the product and optimize the impact with the target market. Marketing Mix consists of 7Ps: Product, Place, Price, Promotion, Physical Evidence, Process and People. After analysing the product on these 7 criteria there can be implemented the strategy for positioning of the product in the market. (Tracy, B. 2014)

Concerning processes in mobile marketing is the analysis about the delivery to the customer; People component exists in mobile application area a way that for example, the use of the application can make it unnecessary to make a call and to talk with somebody. Evidence component is about the additional significance or warranty that the service was delivered. (Collin 2011)

The next step is to draw the picture of the key-customer of the company. First, to identify the key-customer it's important that manager imagines himself or herself in the place of user. Then the marketing manager made a marketing research analysis. PEST-analysis is used to analyse the external environment in more detail. It helps to analyse threats or avoid start of the projects that are likely to fail. Also it's very useful tool when the company wants to go to the new markets. PEST-analysis consists of deep analysis of risks coming from political, economic, social and technological environments. (Miller, F.B., Vandome A.F. &McBrewster, J. 2011)

2.5.7 Web presence

Web presence of the company is built on the functional and informative website with good description of the application and friendly design. The feature to download the application should be build-in in the website and should redirect the person to the Appstore page of the application. The design should be simple with one aim- to make

person to download the application. Contact details and auto-download press-kit should be on the website. (Koch, P., Rieger, S., Walton, T., Frost, B., Olsen, D., Kardys, D., Clark J. 2012)

For successful web presence company should make a social media plan. Standard social media plan includes presence and engagement of the activity in popular social networks such as Facebook, Twitter, Vkontakte (in Russia). Social network pages should have a logo of the company the link how to download the application and new posts every 2 days. Researchers found out that the best time for posting is 5 pm. Then the marketing manager should start answering peoples questions, express the opinion if the company. (Koch, P., Rieger, S., Walton, T., Frost, B., Olsen, D., Kardys, D., Clark J. 2012)

Nowadays the company image is highly dependent on the image that the CEO of the company builds in the social network. It's very important that CEO has well-organised profiles in Facebook, Twitter, LinkedIn and Vkontakte. After that marketing department should analyse the market and define target customers their wants and wishes to adapt the product (Amerson, A. 2013)

2.5.8 Networking strategy

One of the best ways to introduce the business for investors and public is to visit special events. The lack of time and money together with benefit business receive from attending events make the entrepreneur to put priority and skip some events. That is why it's essential to have well-organised networking strategy. The networking plan is based on answering 3 questions: who, where, whom exactly. Networking strategy is built only after the company started to perform. To get to know who the prospects of the networking strategy are the company should have a look at the list of clients that it had before. First of all, the entrepreneur should define from which industries investors or partners came into business, how long have they been investing in IT start-ups etc. But if the company works mostly with consumers the profile of the ordinary customer should be created. To answer to the question where to meet prospects, the creator of

the start-up should analyse who exactly he or she wants to meet. The small business owners most of the time are in contact with Chamber of Commerce or Local Business Association or if the company itself is small business, it can contact these organisations for developing more referrals to the business. To find representative from corporations the best way is to visit volunteer, non-profit group events such as like Aiesec events. (Misner,I., Alexander,D. & Hilliard,B. 2010)

As about whom exactly the entrepreneur should contact there is the 6 degrees of separation theory in place. The more contacts the person makes the more close he or she will be to the desired and needed contact, according to Milgram research. The one feature is that the startup representative should ask specific questions and talk about specific area that will lead him or her to the person they are searching. For example, people having known that someone made an online application and wants to find investors will advise this person to talk to Mr. or Mrs who know other interested in this area people. To make a good networking strategy it's important to be surrounded by different business contacts. It's very possible that through one contact the businessman can find another highly valuable contact. (Misner,I., Alexander,D. & Hilliard,B. 2010)

3 Research Methods

3.1 Quantitative research method

Quantitative researches can be characterized as ad hoc research that is used to address a specific problem or issue for specific company. It is conducted when there is insufficient existing information and more is needed. It is usually a single piece research but can also be as program of studies. These researches are not done on a schedule basis but when there is a need. (Balnaves, M. & Caputi, P. 2001)

The quantitative data gathered in this research is useful for the marketers and creators of IT startups, it gives the clear understanding of the mobile applications market, marketing tools that should be used to promote the product, the Appstore users statistics. All the written information is corresponding and approved with functionalization of the real company. (Balnaves, M. & Caputi, P. 2001)

Through the quantitative research the author finds out what kind of applications people use the most, how much times on average people spend while they are using not only Facebook but also other social networks, how the company keeps users involved in using the application etc. The findings sums up information not only about one social platform but about many others at the same time. These data helps to adapt the application in the best way to potential users. (Balnaves, M. & Caputi, P. 2001)

3.1.1 Sampling for quantitative research

Population is defined as a complete set of elements: persons or objects that possess some common characteristic defined by the sampling criteria established by the researcher. In a research, the most essential as well as the first step is to identify the population. The sub questions relevant to the total population are, how big the total population is and what are the common characteristics and the differences between them. The right choice of the population will make the helpful and directive foundation of the next step- sampling. (Castillo, J 2009)

Sampling is a selection of the representative elements of the total population. Five different stages are involved in the sampling process in order to obtain the right samples. Firstly, deciding the total population about the research, then identify the measurement of the samples or the common details which can be used for the description of the samples. Next step is selecting the suitable sampling method. After that, the sample size can be ascertained. Finally, there should be implemented the sample plan. (Castillo, J 2009)

The sampling method is also an integral part of the whole process, which can be divided into two big categories: probability sampling and non-probability sampling. The former one means that all the elements of the total population can be chosen to be sampled, in contrast to the later one, indicating that only some of them have the chance of being samples. A probability sampling includes Simple Random Sampling, Systematic Sampling, Stratified Sampling and Cluster Sampling. Non-probability sampling contains Quota Sampling. (Castillo, J 2009)

In the research Simple Random Sampling method was chosen because each subgroup of the population of every size has an equal probability of being chosen as the sample. The sample of the research is different age, origin and occupation people who have and use smartphones of different brands. There were 104 respondents that participated in the survey.

3.1.2 Questions and results of the survey

Questionnaire that meets the objective of HeadyUp was developed with regards to the single case study analysis. The questionnaire was published in social networks: Facebook, Twitter and V Kontakte. Also data was gathered through survey in Swiss, Russian and Finnish Universities in the way that students should have filled in printed copies of questionnaire. Questionnaire form is enclosed as an attachment 5 in the attachment chapter. The data obtained through quantitative research was analysed and there were received certain results. There were 104 respondents who answered the survey.

The first question respondents were asked was “Do you have and use smartphone?” The purpose of these questions is to eliminate respondents that are not in the sample. Through this question it was identified that all users that took the survey had a smartphone that they actively used.

The next three questions were to find out whether users download new applications or not, what the most influence their choice- to understand which marketing channel to choose to gain users, to identify whether they download application randomly or study it before the process of purchase. They are sounded like: “How often do you go to the Appstore, Googleplay or Androidmarket to download the new application?” The next question was: “What does grab your attention and make you download the app in the preview of the app? What media do you use to get to know the information about new applications in the market?”

It was found out that 55% of respondents download applications once a month, 20% every week, 15% every day, while 10% once in half a year. (see Figure 3)

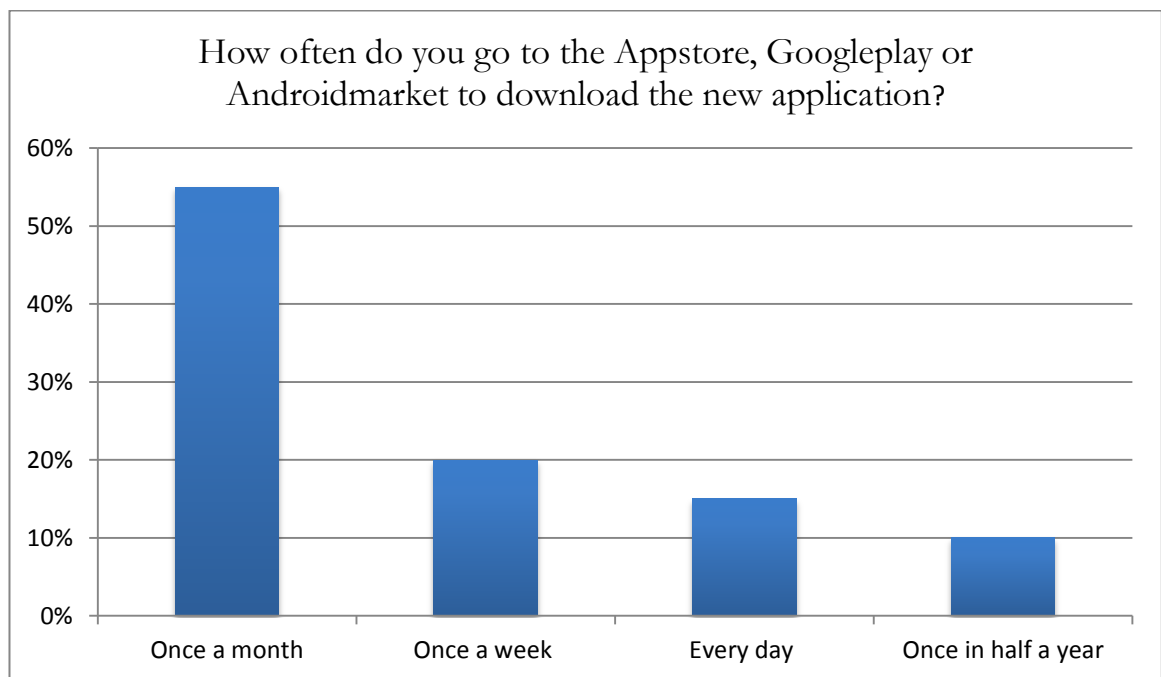


Figure 3. The frequency of downloads of applications of one user in one year

As for features that the most influence the users to download the application in the Appstore are two factors : the application is for free and idea is fresh and interesting.

Then the right description, good quality pictures and reviews influence and trigger whether to download the app or not. (see Figure 4)

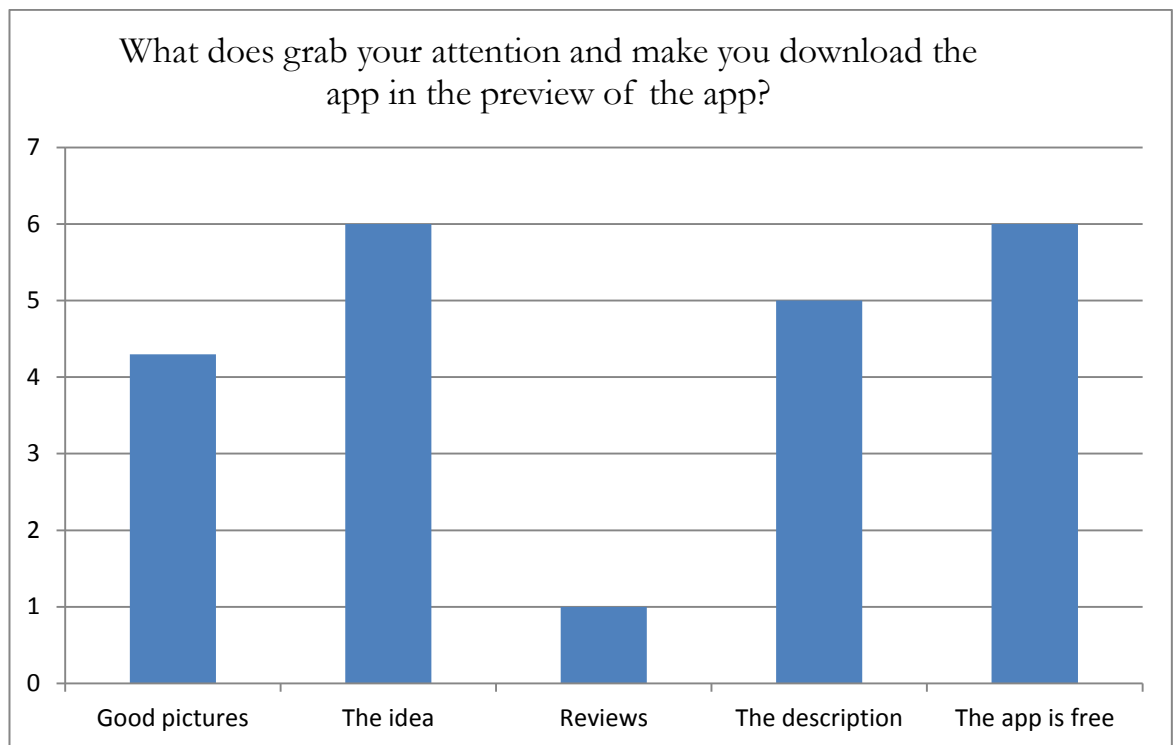


Figure 4. The most effective Appstore optimization tools

From the next questions it was identified that Word-of-mouth and Appstore trends such as rating and reviews are the most influential factors that make the user to find and download the application. Then next 2 most influential factors are articles in online versions of popular magazines and journals and ads or posts about the application in other social networks. Less influential are video ads, e-mails, QR-codes and printed media. (see Figure 5)

The next question was made to identify how many Apple store and other markets users take part in the survey. Appstore users are more relevant to the research sample because the application works only on Apple devices. In the future company wants to adapt application also for Android market. The question was: Which mobile platform do you use to download the application? In the survey 65% of respondents who download from Apple store, 35% of respondents are ones who download from other application markets. (see Figure 6)

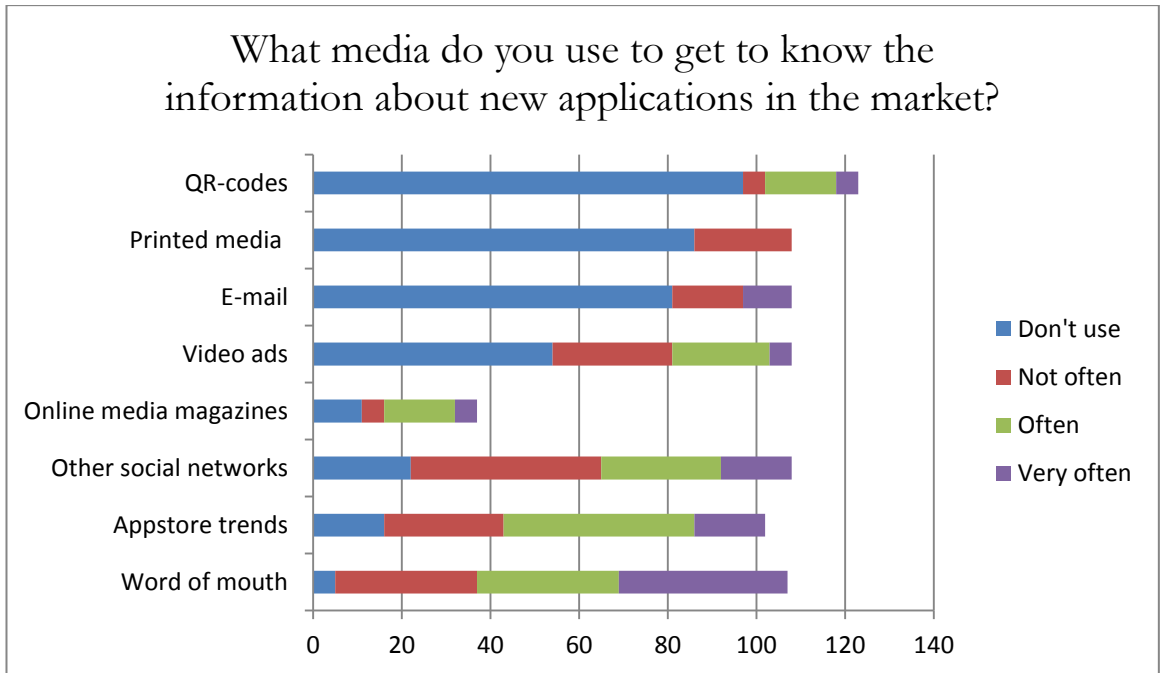


Figure 5. The most effective advertising channels

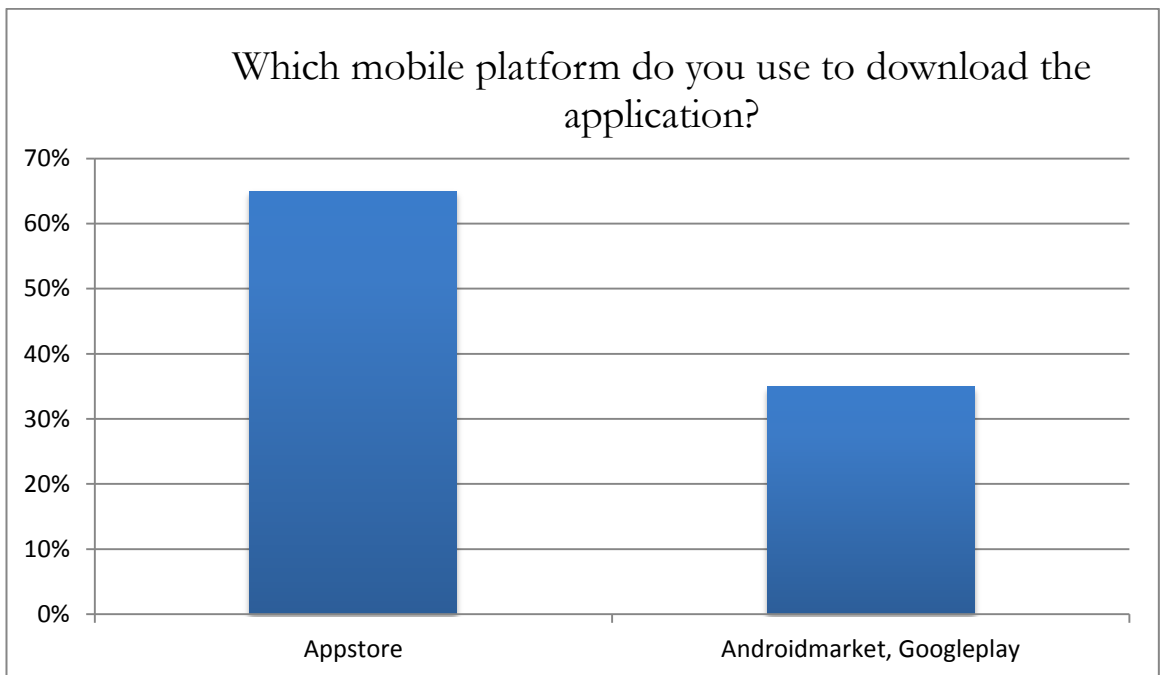


Figure 6. The amount of users that took part in the research according to the market they use to download application.

After that survey respondents who use Appstore were asked the question: “Do you follow the app store trends such as the top free/ paid applications, the application of the week to download new applications? The question was made to identify whether this factor is the most influential on users’ choice or not. 45% of respondents replied

that they don't follow the Appstore trends while 55% said that they keep themselves up-to-date with trends in Appstore. (see Figure 7)

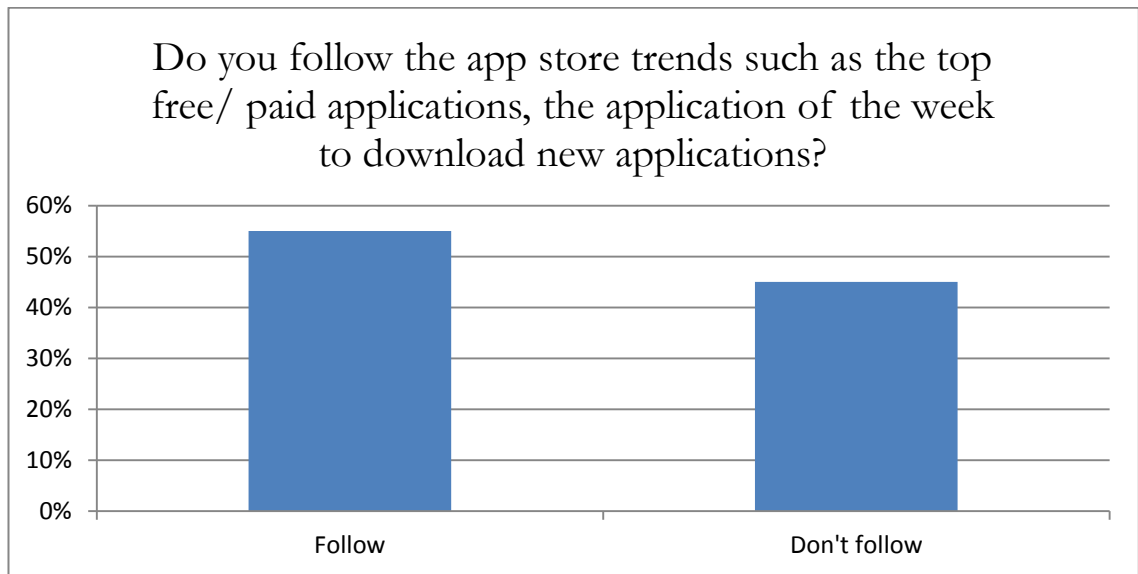


Figure 7. The influence of Appstore trends on users' choice to download the product

Next question was made to identify the most popular category of the application: "What type of applications do you use most often?" On this question 84 % of respondents replied "Social networks", while other categories that interest users are games, news and photo& video which was 6% of respondents each. (See Figure 8)

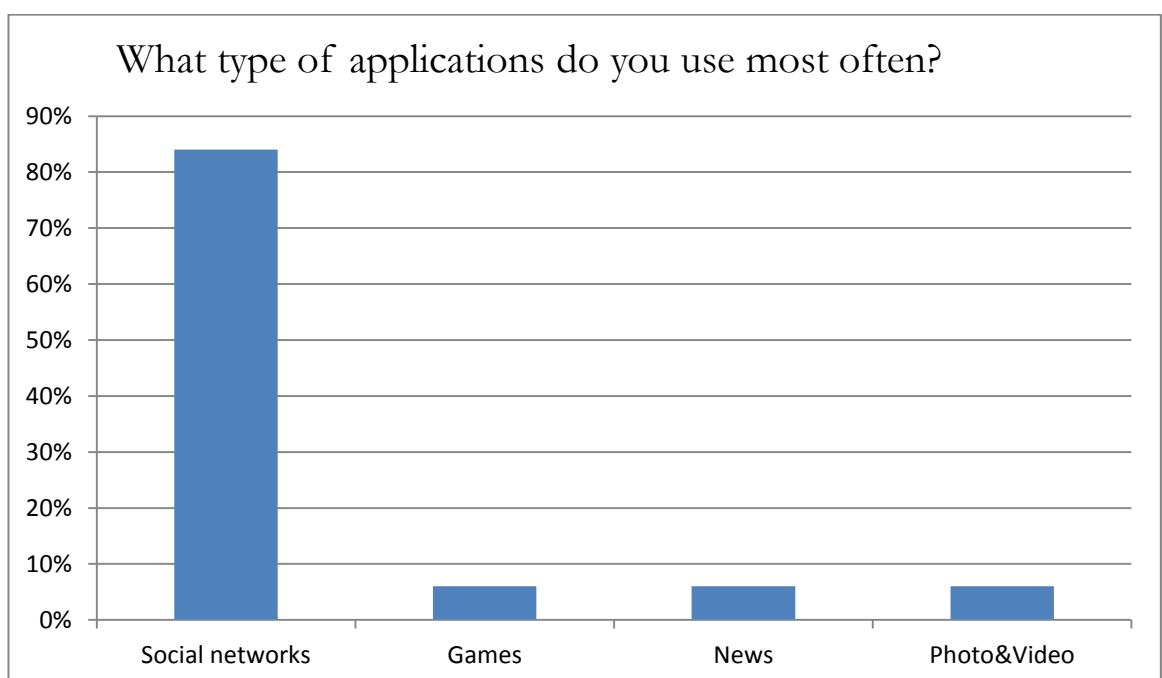


Figure 8. The most downloaded and used categories of applications

After that there was asked the set of questions concerning the usage of social networks such as “How many social networks do you have and use on your smartphome?”, “How do you feel when you decide to login or join a social network?”and “Why do you use social networks?” Concerning the amount of networks that people have and use on their devices there were identified several results: 42 %of respondents have on average 2-3 social networks, 32% of respondents have 3-6 social networks, while 16% have more than 6 and 11% just one social network. (see Figure 9)

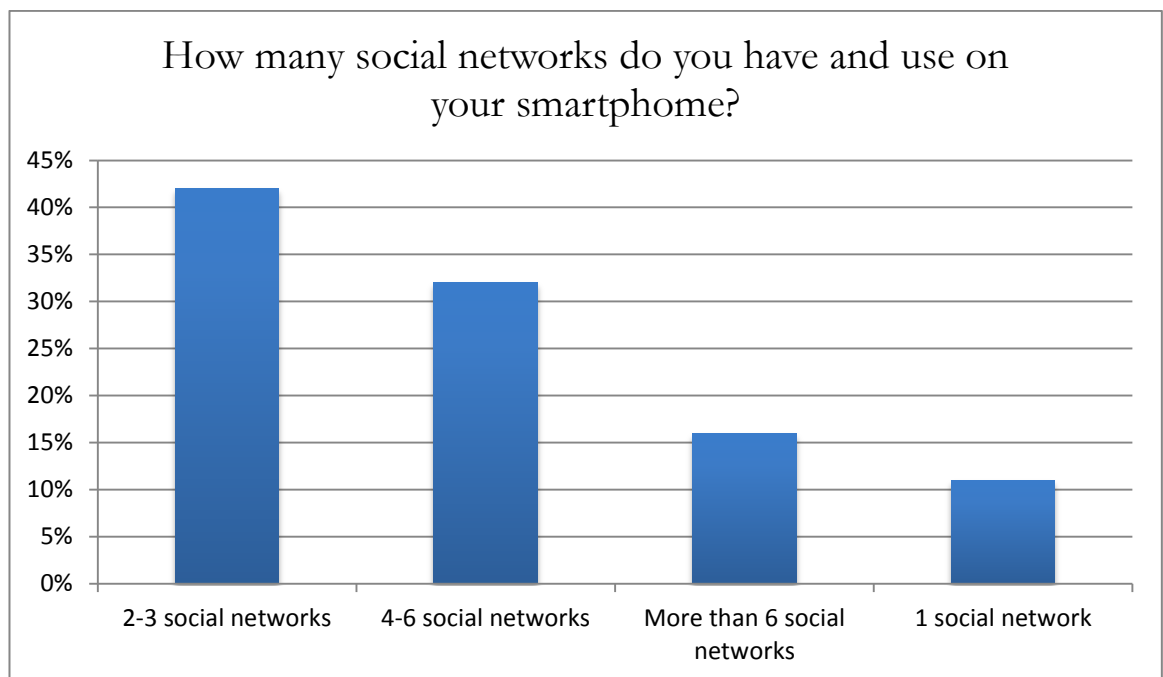


Figure 9. Average amount of social networks on one user’s smartphone

It’s known that social networks are habit-forming products, so in this research we found out about the feeling that triggers the user to come inside the social network. 39% of respondents feel bored and 33% feel curious before they decide to login, while 17% feel happy and want to share something, at the same time 10% feel the lack of news. (see Figure 10)

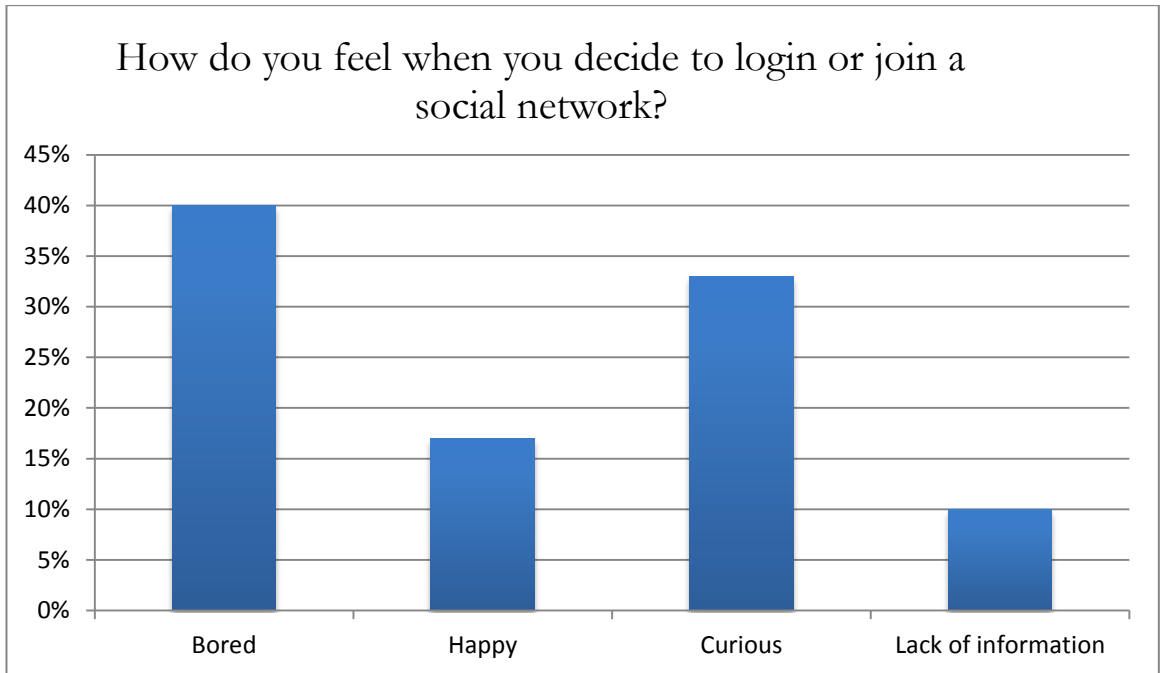


Figure 10. The feeling that users have when they decide to login to social network
 Another question was about the reasons why people use social networks. Most of the respondents use it for communication with friends and relatives, then educational reason, after that social network as like a time-killer for some respondents, and then the reason of using is to get some news. The weakest reason is self-realisation. (see Figure 11)

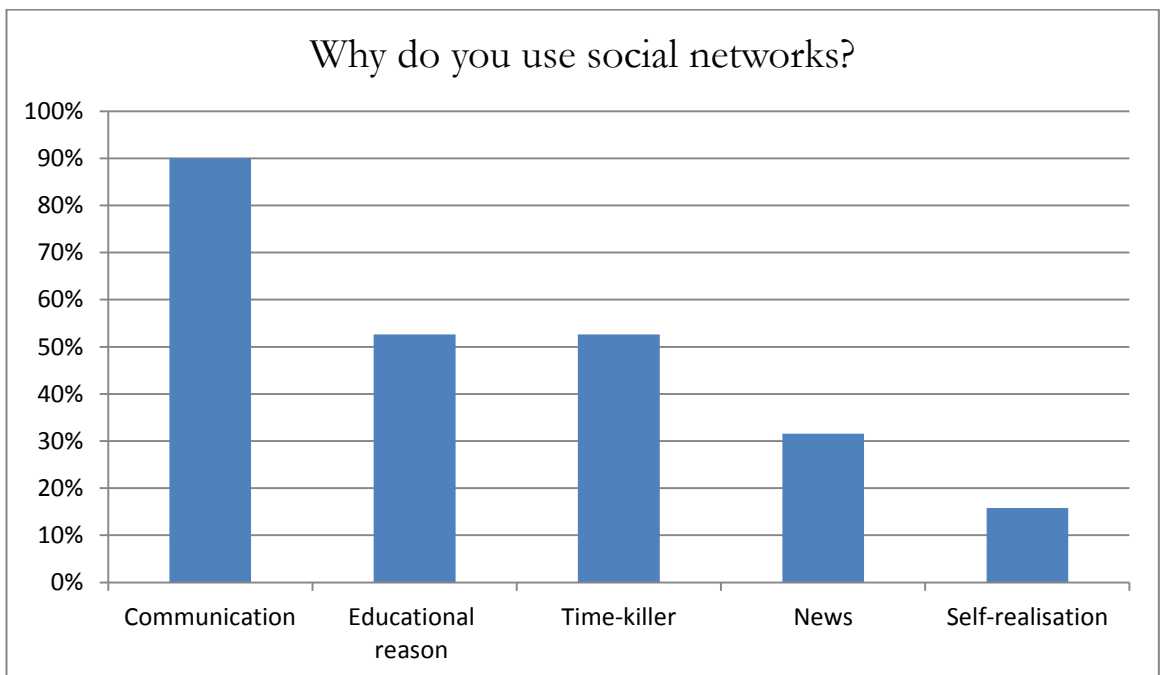


Figure 11. Reasons for using social networks

Next 2 questions: “Do you delete application from your smartphone?” and “Why do you delete applications?”. They were dedicated to deleting process of the application. It was created to identify whether people delete apps or not and what are the reasons why do they delete apps. All respondents replied that they delete applications.

The biggest reason for deleting apps is too much advertising. Second reason, that made them to delete is idea of the application is not the same as in the description or the person is not satisfied how idea was replicated. Another reason why users delete apps is the problem in functionality- the application is too slow or with many bugs.

Also 5 % of respondents mentioned the fear of being controlled with location by the application. At the end there were asked personal questions to group people according to age, place of living and occupation. (See Figure 12)

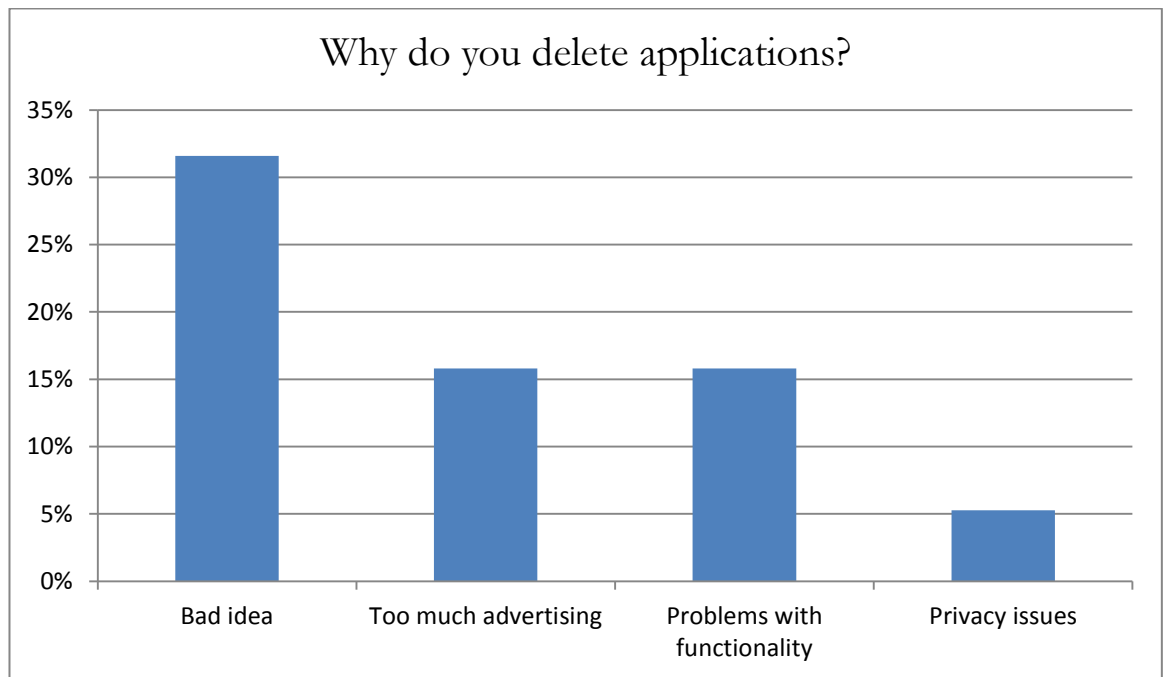


Figure 12. Reasons for deleting applications

3.1 Qualitative research

Qualitative research is a type of scientific research which traditionally seeks answers to questions, collects evidence, and produces findings that are limited by boundaries of the study. Additionally, it helps to understand the perception of the local population of

the presented topic. Qualitative research is essential when you want to get the opinions, values, social environments and behaviours. The use of qualitative research in connection with quantitative helps to research the data obtained from quantitative research more precisely. Qualitative method in this case gives better understanding of the results from quantitative research. (Denzin, N. & Lincoln, Y. 2000)

There are three most typical qualitative methods that researchers use such as participant observation, in-depth interviews and focus groups. Participant observation is used to collect data from behaviours that appear naturally in usual environments. Another method is in-depth interview which is used to collect information about biography, personal stories, and experiences concerning sensitive information. The last type is focus group which is effective in obtaining the information from the specially sampled group of individuals. Through the quantitative study the researcher obtains data in video, audio format or record with the help of field notes. (Denzin, N. Lincoln, Y. 2000)

In the case of HeadyUp were used two qualitative methods- focus group and interview. The focus group research helped to understand deeper from opinion side the data obtained through quantitative research. The focus group interview consisted of 2 parts- which is of 5 questions each on which the researcher receives open answers. There were interviewed 6 people at the same time in the format of open discussion. The second part of focus group research had the goal to test the application and find some problems or difficulties the users face while using it.

3.2 Focus group research

Focus group research took place in the company “Vgarazhax.ru” which is located in Saint-Petersburg, Russia. 6 people participated in the focus group discussion. All participants are Russian citizens. 6 participants of the group were male. They are males from 22 to 26 years old. The Figure 13 shows age and gender structure of the focus group. (see Figure 13)

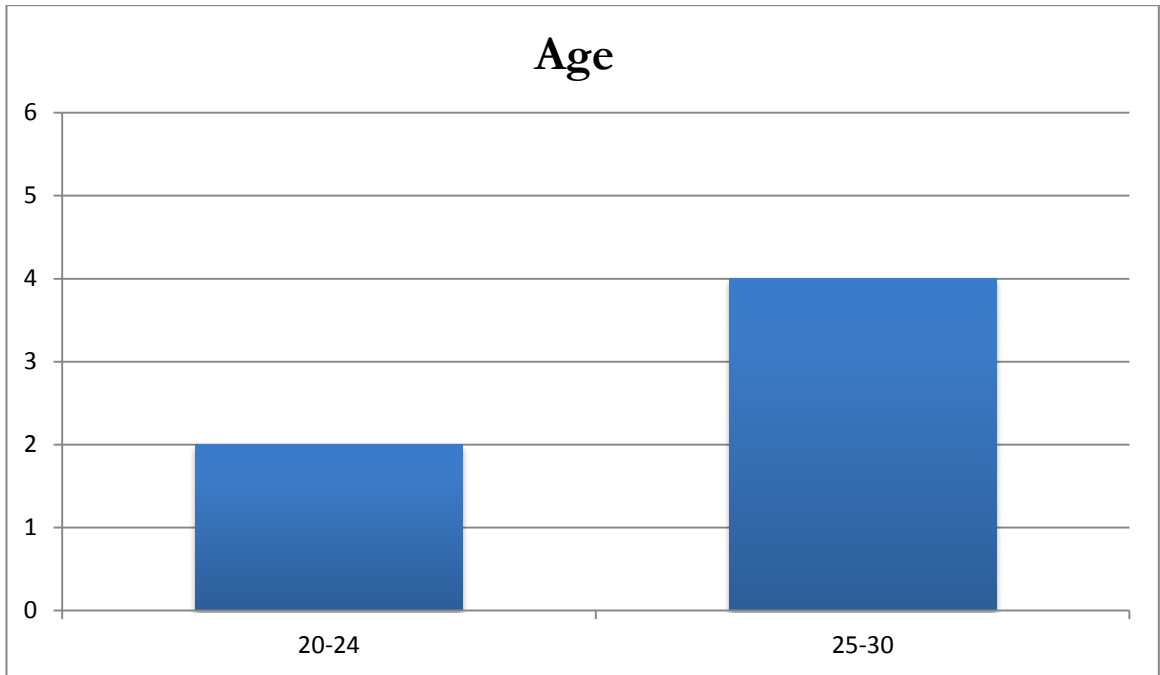


Figure 13. Age and gender structure of the focus group

Educational background of the participants is shown in Figure 14. All of the participants are University graduates. 5 of them have Specialist degree (5 years) in Engineering, 1 has a Bachelor degree in IT.

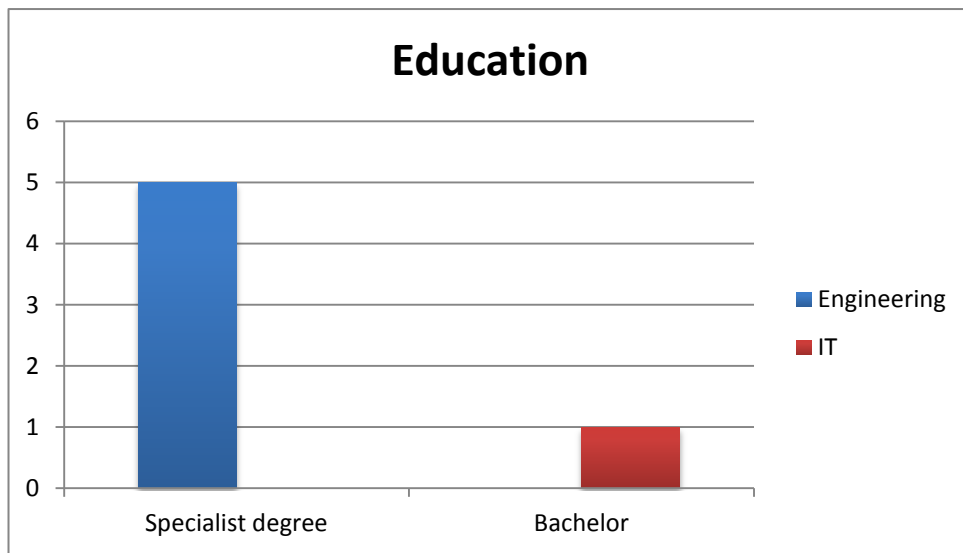


Figure 14. Educational background of the focus group

Participants' occupation is presented on the Figure 15. Most of the participants are working full time. One is part time employee.

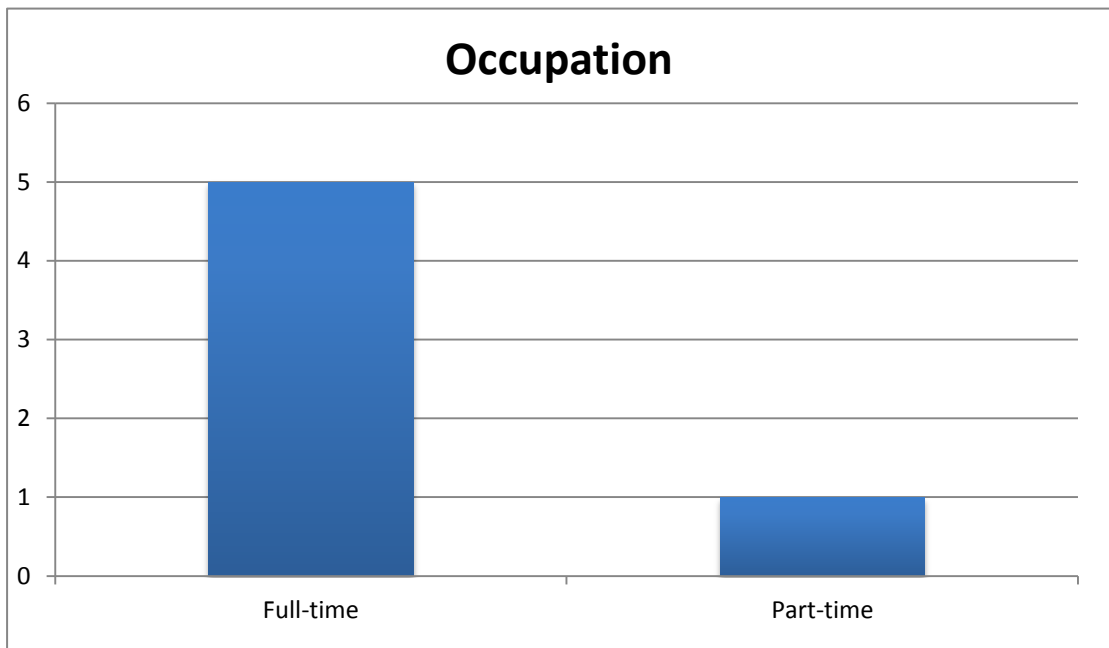


Figure 15. Participants occupation

Figure 16 presents the data about first associations that comes to their minds when they think about the app to download. All of the participants said that they download normally famous or popular applications. Also 3 of them put the “new” as a descriptive term for the applications that they choose.

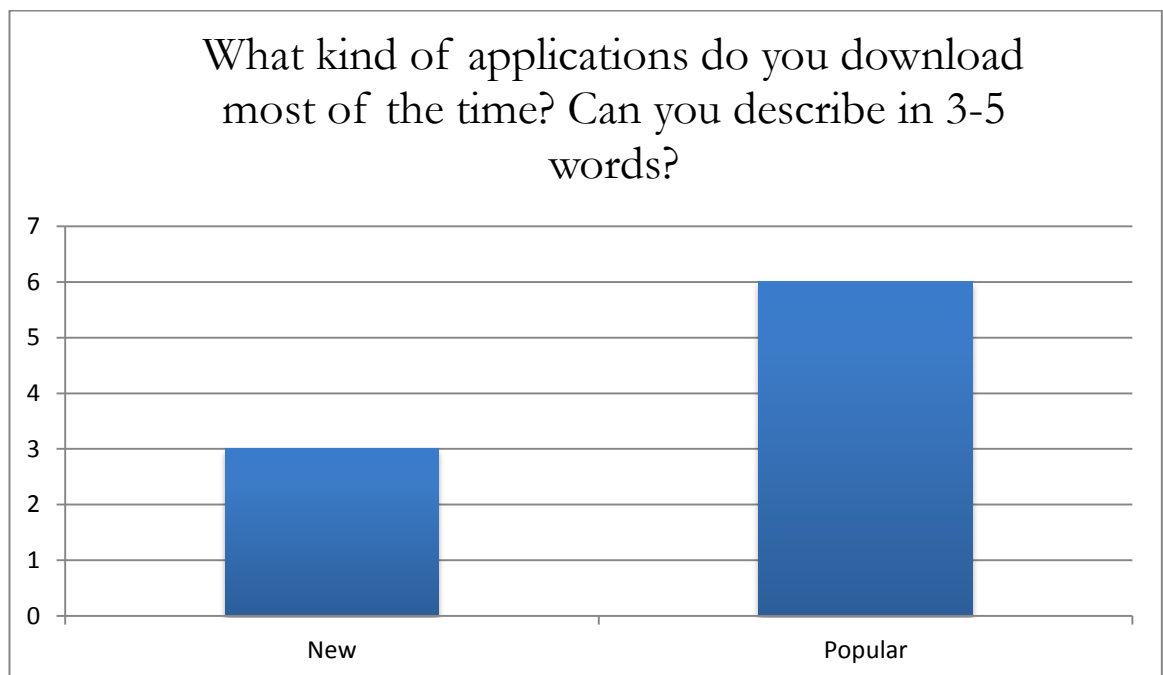


Figure 16. The description of most downloaded by users application

Figure 17 shows influential factors that make the participant to download the application. The triggers for action are most of the time friends – 5 participants agreed. Then 3 participants mentioned reviews of the app, another one other social networks and 4 others said that rating in the Appstore helps them to choose the right application.

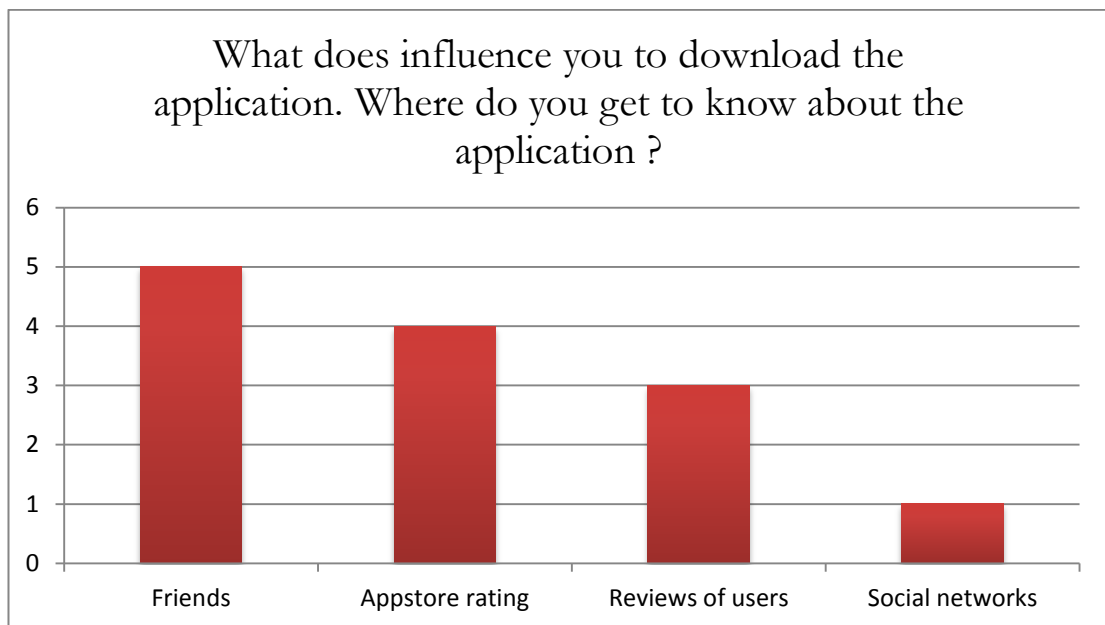


Figure 17. Factors that influence smartphone users to download the application

The next data concerns the importance of the brand image of Swiss IT companies while choosing the application. All participants don't know any applications that were produced in Switzerland. 1 participant replied that he downloads only Russian or American. Others don't pay attention to the origin of the application. (see Figure 18)

Next question was about the most important features that application should have for successful flow of new users. 2 participants of the interview said that the most important is functionality and 2 -simplicity. Another 6 answers were that the application should be free of charge. (See Figure 19)

All respondents have negative opinion concerning the future of geo-location based applications. The reasons for stop using location-based apps are: it's not new, not in-

novative idea (4 respondents), lack of time(1 respondent), lack of motivation(1) (See Figure 20)

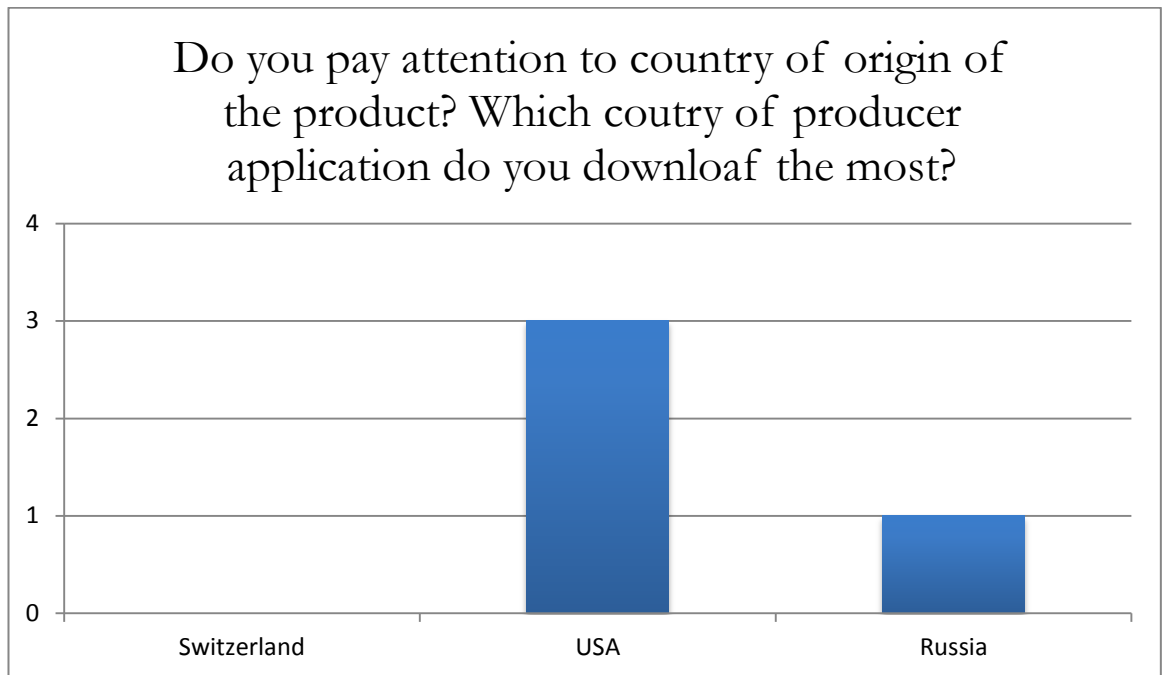


Figure 18. Brand image perception of the “Swiss made” brand for mobile applications in Russia and influence of the country of product’s origin on users choice.

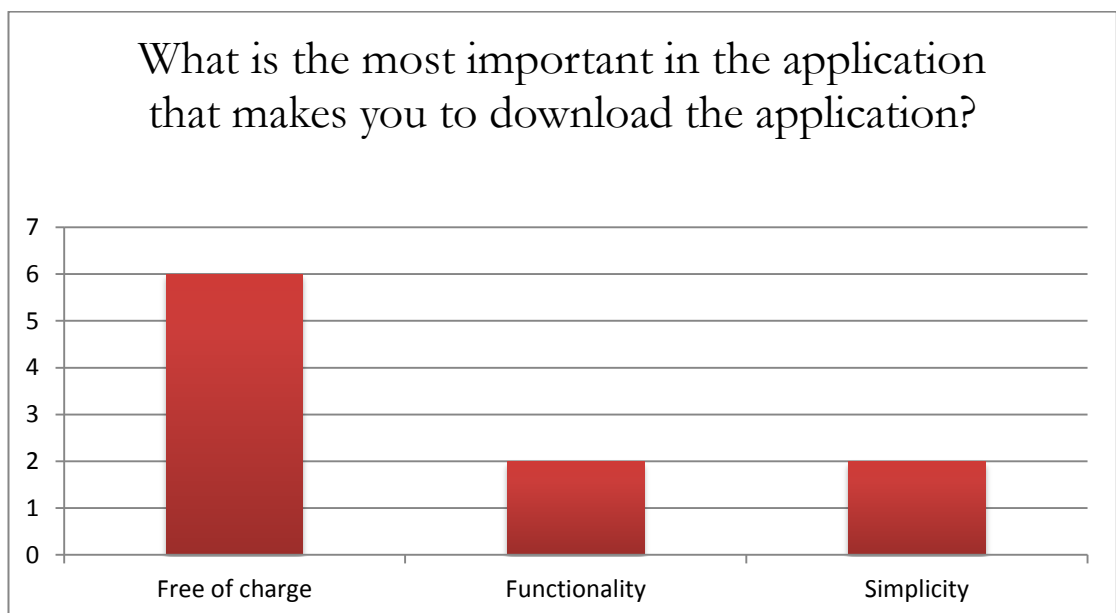


Figure 19. Features that influence on increase of traffic

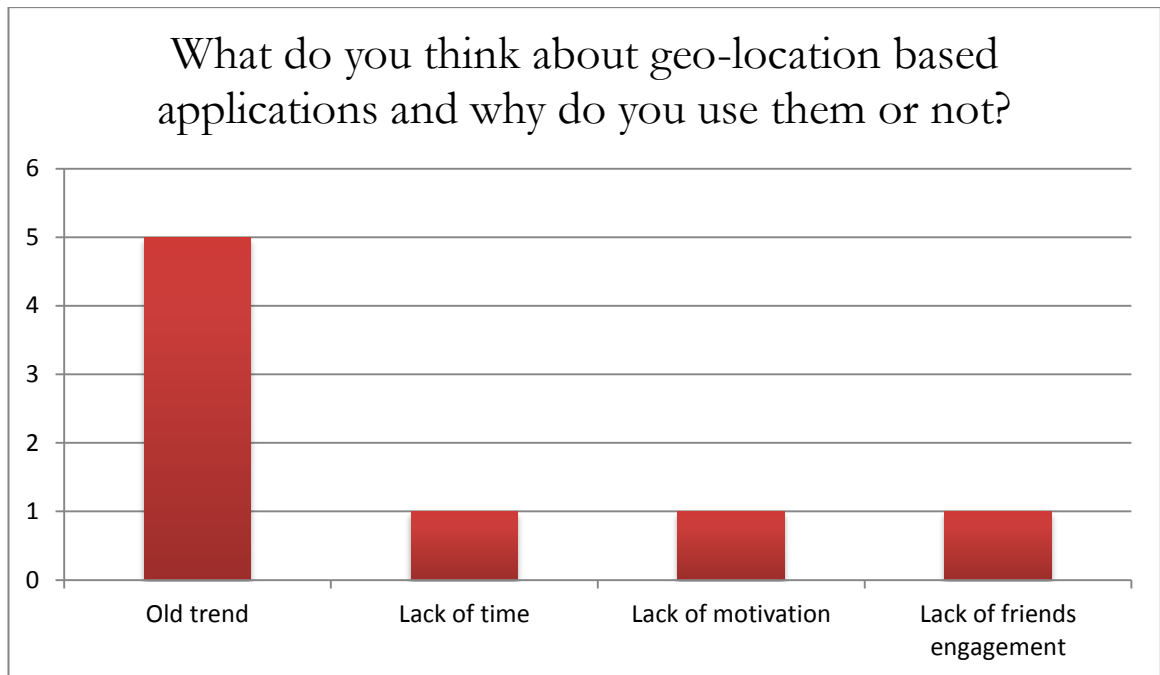


Figure 20. Reasons why users stop using location-based applications

The second part of focus group research was consisted of questions concerning the testing of the application. Respondents downloaded the application from the Appstore, tried to use it and then joined the discussion. First question was about the opinion on the appearance of the application in the Appstore.

All respondents agreed that pictures describing application in the Appstore are standart, neutrial and they don't feel anything negative about people on pictures. Then 2 of 6 respondents mentioned that all text in pictures is in English, which brings misunderstanding about the language of the application. The respondent added that if the application is not translated in Russian, it won't be popular in Russian market. Another respondent admitted that pictures don't trigger the person to download the application, so that he will read the description before the decision to download, adding that the description should be also translated in Russian market.

The next question was about the logo that appears on the screens of the Iphones when you download HeadyUp app. Colours are satisfied all of respondents. 3 of respondents compared the logo with Google maps logo and found similarity. 2 others said that the white symbol inside the logo should be bigger.

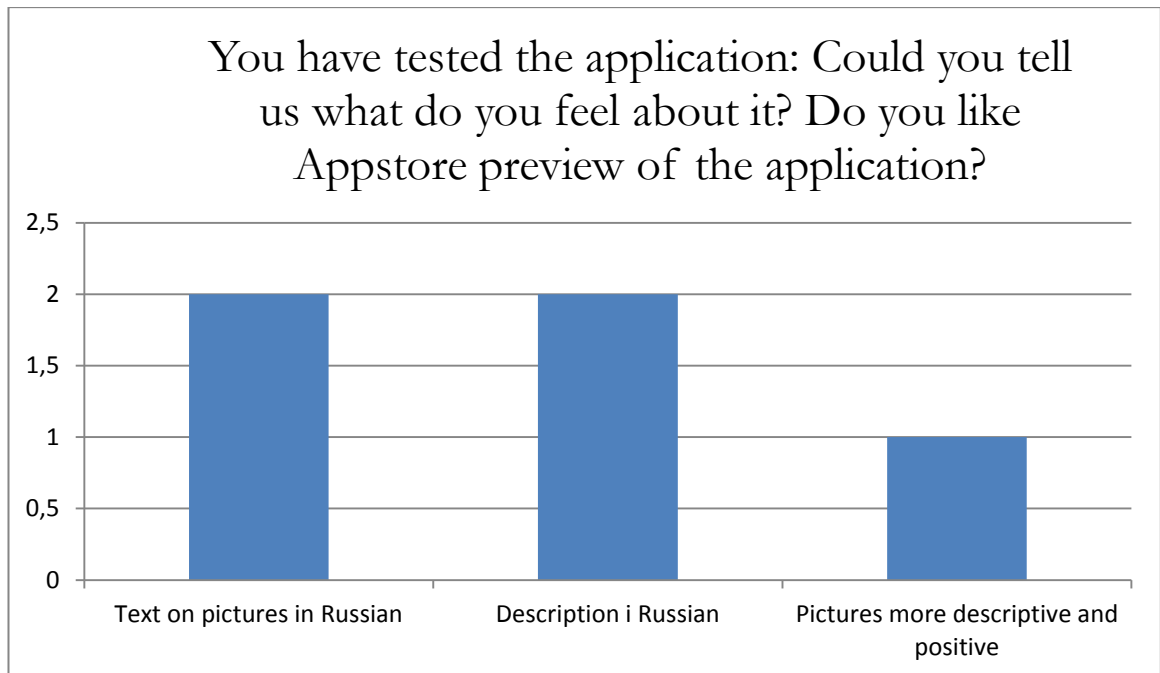


Figure 21. HeadyUp Appstore optimization suggestions

The third question discusses the idea of the application whether respondents find it interesting or not special. Respondents were neither excited nor disappointed with the idea, they said that the main focus application should make on gaining more users. 4 of them admitted that if the application is popular with a many users they will download it. Other 2 respondents think that if the company makes an influence on advertising the application becomes popular.

The fourth question was about the features that should be developed in the application to make it more engaging. The first respondent liked the application like it is now and said that there is nothing to change. 4 other admitted that in the application should be implemented the possibility to chat with the person you like. 4 other opinions were about changing of the direction to be a dating platform rather than news application. Another opinion was about implementation of the friends request feature which brings the opportunity to decide whether to chat or not with the person you like. (See figure 22)

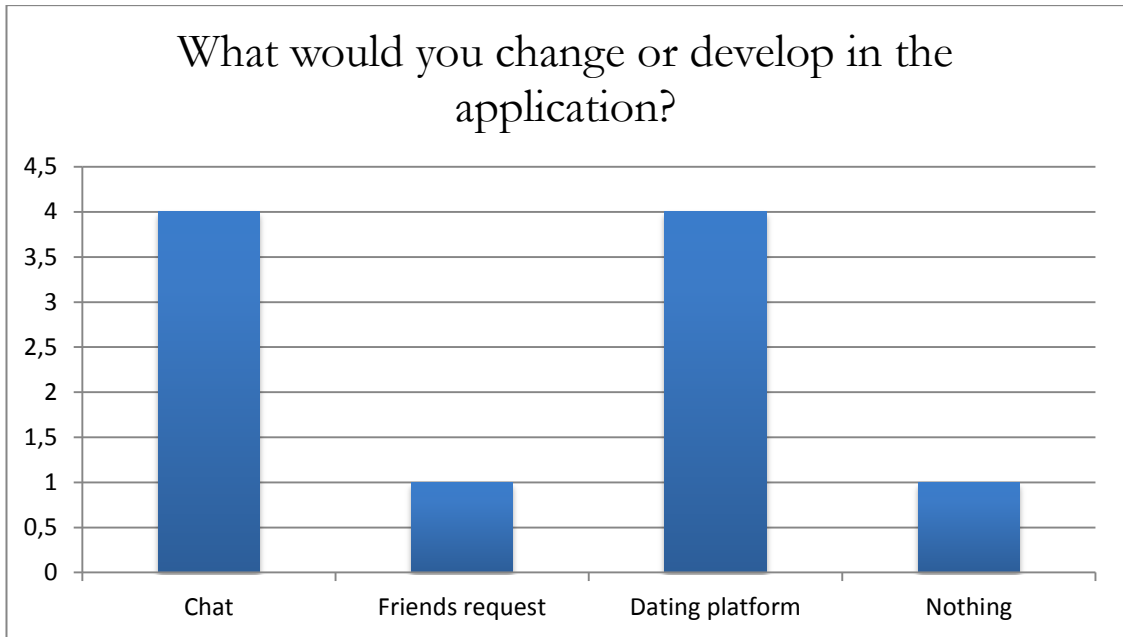


Figure 22. Users' suggestions on how the application can be improved

Next question was about the opinion of the design and functionality of the application. All respondents like the design, describing it as standard and simple. As for functionality many people in Russia still use the old IOs system versions starting from 7, because they don't like the design of the new version and the speed of the performance. (See Figure 22)

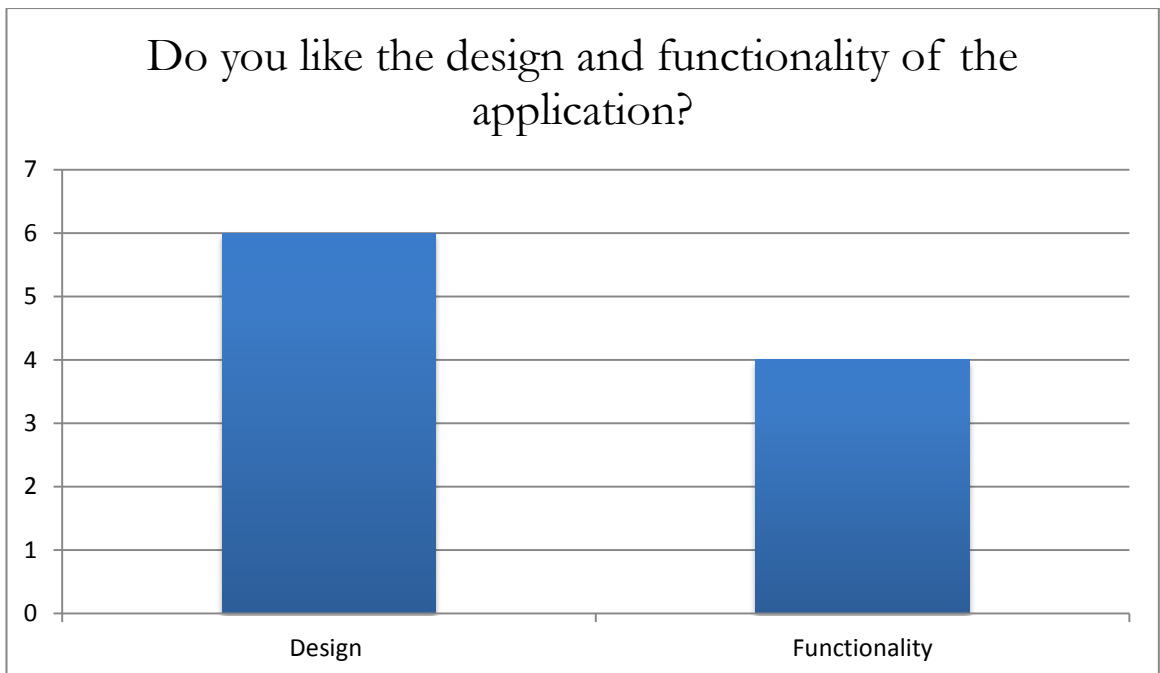


Figure 22. Users' satisfaction of the design and functionality

3.3 Single case study method

The research paper is written for the company so that the best method to use is single case study. One of discoverers of case study research, Robert Yin defines single case study as “an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. (Yin, R. 2009)

The single case study was chosen for the thesis because the researching topic is quite deep and the object of the research is unique and specific. In other words, as like Gerring proves single case study is an intensive study of one unit. In the case of this research the one unit is company HeadyUp. (Gerring 2008)

Through the case study there is implemented the plan of suggestions on how the company performance on the after-launch stage can be improved.

The case study gives the information how to come up with the idea of the startup, where to find potential investors, where to produce, analyse what kind of revenue model is better to use, how to monetize the project, how to bring the company on the IPO, how to calculate the evaluation, how to establish the company in Switzerland, how to bring the product online, how to attract and retain users. The real example of the company proves that the information obtained through the HeadyUp case study is reliable. The whole information about startup building summed up in the list of suggestions with infographics.

3.4 HeadyUp company background

HeadyUp is a location-based photo/video-sharing platform that focuses on allowing users to share photos and videos of what’s happening around them with those geographically connected to them. The platform allows users to share places to go, things to do, current happenings, and worth-sharing moments with those around them. This enables and promotes users to have interaction with those around them in real-time. The user’s engagement with HeadyUp is then translated into over 70 real-time metrics

that provide businesses a more accurate understanding of the customers around them. (HeadyUp team 2015)

The idea of a startup is unique because there are no more alternative applications that can link one person to another on the map, not being a dating platform. Many features can be compared with the application Instagram, but it is not based on the location and it is not possible to see what is happening in the world on live map with pictures. In addition HeadyUp can be used as a means of obtaining real news from ordinary people as pictures can be done only when the location is shared and app doesn't allow to use filters. With the wide spread of false information in the social media and mass media people don't trust the information they see and hear. The application HeadyUp can help people to start to finding out what is really happening in the world around them. (HeadyUp team 2015)

3.5 24 hours concept

The 24 hours concept is that the application deletes automatically all posted in the map media after 24 hours. There are two reasons for incorporation of this concept: HeadyUp delivers to users only fresh news and media because otherwise there will be not enough place in the map to post all media without deleting. Secondly, company minimize its expenses on payments for the online storage in the server. (HeadyUp team 2015)

3.6 Planning process

Nowadays there are many location-based applications in the mobile-market. The most popular are Foursquare, Google maps, Instagram. Giants of IT industry introduce new location-based features in their internet products like Facebook or V Kontakte. After the researcher conducted the interview with the CEO of the company, she found out how he with his cofounder found the idea. The idea came into mind of one of founders by accident. Basically, the creator found the solution to the problem that he discovered in reality. According to the answer of one of the questions of the interview, the CEO of the company came up with the idea when he was in one of the Swiss phone retailer's shop. He took a picture on the sample phone in the shop and next day he

came again and saw some other people's photo and he got the idea. He realised that he can make an application where everybody can see pictures depending on the place he or she goes. He said: "Every place is a special moment and you share this moment with other people". (See interview with CEO in the Attachment 2)

3.1 Legal registration of the company

By the law, the company should set the minimum number of founders, which can be either individuals or representing the interests of company. In the company HeadyUp two founders - individuals who have developed a charter company and one shareholder. In terms of investment, incorporated company is the most profitable to invest capital in. Since the incorporation is the subject to public reporting, company HeadyUp discloses data on the number of shares and the evaluation of the company online. From the official sources it's known that the company's share capital is CHF 100,000. The company has issued 10,000,000 shares with a nominal price of 0.01 Swiss francs per share. Shares are distributed between the investor and the company's two founders. (moneyhouse.ch 2015)

3.2 Company structure

At the seed stage or introduction, the company consisted of two founders and a computer developer of the project. During the seed stage of the project was developed a prototype of the application, and then testing was carried out by inner circle of founders. At that time there was no specific organizational and functional structure.

Then the stage of growth was marked by an official registration of the company and informal links between the project participants. Communication between investors, researchers and founders did not require a formalisation. At the late growth stage, the appeared sign functionality of business tasks: Marketing and IT department. Departments formed a flat hierarchy, providing management with flexibility. When workers were hired to the company there were established formal relationships. In the next step - maturity, the company acquired an organizational structure.

HeadyUp Company has a functional organizational structure as the structuring is made according to functions: the IT development and marketing. The functional structure includes clear, precise subordination. The founders of the company are fully controlling all departments and processes of the company. The company at this stage has functional organizational structure because it produces the same type of products - mobile applications, and in 2015 only one product- project HeadyUp.

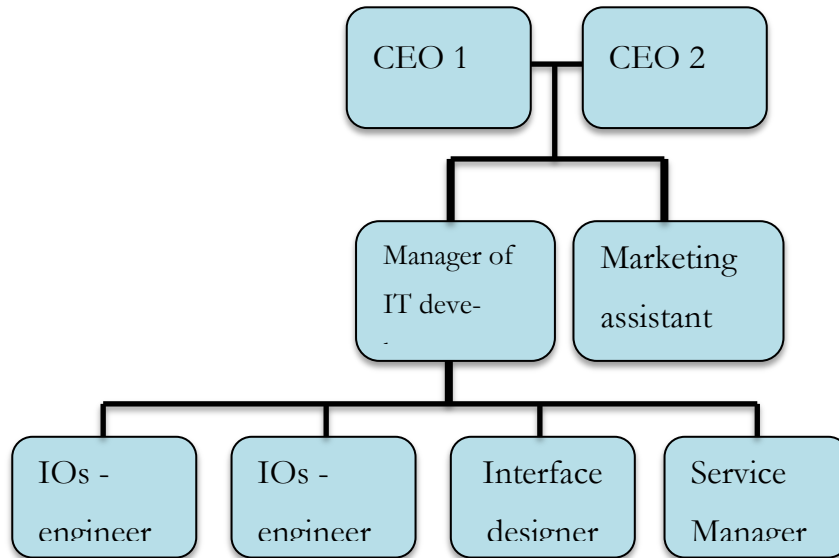


Figure 23. Organizational structure of HeadyUp.

3.3 Funding of the company HeadyUp

It's common for IT projects in the first stage of funding to find the first capital through connections of friends and relatives. The creator of the idea took the same path. Being IOS back engineer, he asked his friend to become cofounder for certain amount of money and percentage. The role of the founder was to program and implement the base of the application- 50% of the design. The cofounder was first investor, who was responsible for marketing activities in the future.

During the second stage of funding founders of the company found the investor. There is an event that is called "Startup conference" that is happening every year in the ETH University, where young IT entrepreneurs find investors and workers for their startups. The CEO of the company was searching for IT people for his team in this event and at the same time found the investor for the startup. The investor was im-

pressed not only by the idea but also by the young entrepreneur capabilities, who spoke 5 languages, knew 6 coding languages and was just 21 years old. The first investor invested 6 digit numbers and the business evaluation came to 10 million francs.

Now the company is on the 3d stage of funding. It is searching for private investors or Venture Funds that are ready to invest in the startup. Below is presented the calculation of the percentage the next investor receives if he or she invests \$100 000. (see Table 1.3)

Table 3. Calculation of the HeadyUp investors' percentage

<p>*Pre-money valuation = \$10 000 000</p> <p>*VC investment= \$100 000</p>
<p>Post-money valuation= \$10 000 000+\$100 000= \$10 100 000</p> <p>The VC investor %= \$100 000/\$10 100 000=0,0099=0,1%</p>

After finding more investors company wants to grow and expand the customer bases. Later if it becomes successful founders with the board of investors plan to sell to one of the IT giants or if the company generates revenue to go for the IPO.

3.4 Analysis of monetization model of HeadyUp

The company signed contracts with the major retailers in Switzerland such as Migros, Coop and Denner concerning location-based advertisement in the application in the future. The concept of location-based advertising is that the application saves the information about the location of the user while he or she uses it, HeadyUp processes this information and when the visitor is located near the point of sale, sends location-based advertising - for example, special offers of the partner company, which user vis-

its. Company partners make budget and pay CPM-cost per 1000 impressions. The company plans to make partnerships with fashion boutiques, cafes, restaurants and famous hotels in Switzerland and Europe, and later in Russia. The process of selling advertising space in the application consists of several steps:

- The Company makes a contract with a partner that every time the user is viewing the application in 30 meters from the advertised business, the user receives a bonus or special offer, if a mobile app is in the online mode.
- The partner company provides HeadyUp with advertising content for publishing in the application
- HeadyUp advertises the partner company in the application every time when users are in the 30 meters area from the partner's place or event
- The partner company pays the fix price for the 1000 views

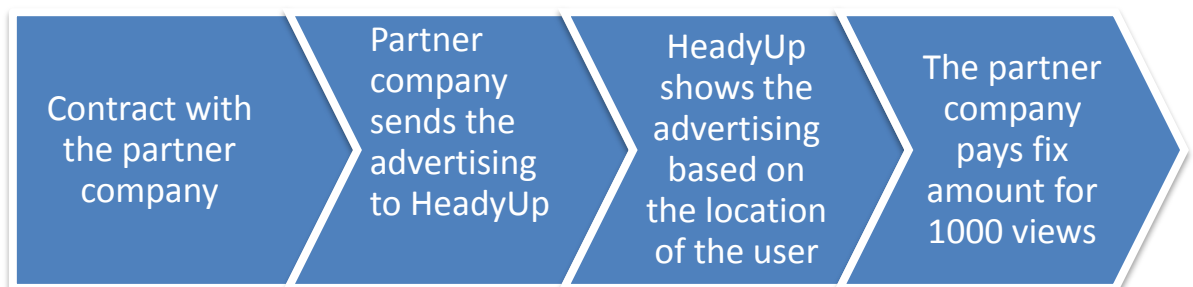


Figure 24. The process of selling advertising space in the application

Strengths

Considering the SWOT-analysis of business process of selling advertising space and time in the application Heady Up, strengths of the business process is that location-based advertising – is a new marketing tool that will not create a negative, irritating effect on the visitor, because it is adapted in time and place. Secondly, mobile application HeadyUp is a habit forming product. Its purpose - to form a habit to switch on application every time a person goes out and wants to know what is happening in the

world or around himself or herself in the place which he or she cannot see in reality. Having formed the habit, the company receives the loyalty of users. At the same time, users are interested in using the application, receiving reward, bonuses in the form of accumulation of points, discounts or gifts from partner companies for their work- publishing some media content and visiting different places.

Weaknesses

With regard to the weaknesses of a business process, only those users who have Apple smartphone may be involved in the game of earning rewards. The company has not yet come to the idea on how you can automate the download of advertising content in the application website so now developers are actively working to resolve this issue. Currently they have already established the algorithm that exhibits advertising at the time when the user is 30 meters from the point of sale, but there is no feature that gives an opportunity to download the advertising by the partner online. If the phone is switched off, it does not receive notifications about discounts and promotions of partner company. Additionally, some bloggers formed the negative reputation about location-based applications, admitting that they violate privacy concerns of people and see their location.

Opportunities

Opportunities of business sales process of advertising space and time is about the fact that if the application will be popular around the world, anyone with the app will be able to view information about the company and being in the point of sale, will receive special bonuses. Also, with the expansion to new markets the company will have bigger profit. In addition, as the number of users in the company increases - the partners automatically increase the number and the company builds a positive reputation without using aggressive methods of advertising. The more loyal users the application has the more loyal customers the app brings to the partner company.

Threats

Concerning threats, companies do not want to enter into the partnership due to the low efficiency of the instrument. Also the reason for decrease of the number of users may be that the privacy rights of people are violated, because the company is aware of their location. Another threat includes the possibility that people won't like the application and the number of users decreases.

3.5 Calculation of the project revenue

The number of users of the company HeadyUp grows every day around the World. To the end of the 2015 year company plans to have 1 000 000 users. According to the data from the similar application that is made in US, the average amount of views of one user per month is 1200 views. Based on user-driven mobile applications market average, the CPM is from \$1,48 to \$1,78 and there are 14400 views per user per year. The Average pre-revenue for the 2 first years when the business grows rapidly is 57 million received from investors. The advertising revenue comes to zero in the first years, that is why there are many IT startup companies don't make revenue first years and have losses. The second or third years company starts to make advertising revenue which is calculated from the formula of CPM.

Table 4 The formula for calculation of advertising revenue

$\text{Advertising revenue} = \text{number of users} * \text{number of views} / 1000 * \text{eCPM}$

Advertising revenue minus expenses is Net Income . The net income of successful startups grows every year. At the same time the price for the IT product also grows up. Other IT giants or investors can buy the project on the price of Project Valuation. Company HeadyUp doesn't give an access to financial statements or cash flow, so that it's possible only to predict but not to calculate with real figures financial revenue in the research. Company plans to attract users from other platforms such as Vine, Instagram, Twitter to increase traffic in the application. (see Attachment 3)

3.6 Web presence of HeadyUp

To introduce IT company to the World the website of the company was created the website and the link how to download the app was adapted in the website. The website included the description of the application, pictures and ways how people use it. Additionally, after launching the app, marketing assistant managed the blog where she posted some popular pictures users uploaded in the app. The site was easy to navigate, with the simple web address the same as company name. Also there is contact information, fresh interesting content with friendly design and style.

3.7 Marketing plan for HeadyUp

3.7.1 Marketing mix 7P

One of the tools that were used to analyse the product performance and perception is Marketing Mix 7P. It consists of 7Ps: product, price, place, promotion, people, physical evidence and process. 7P is very important to make when the company introduces the new product to the market. In case of the company HeadyUp the new product is the mobile application.

Product

Mobile application is a location-based photo/video-sharing platform that focuses on allowing users to share photos and videos of what's happening around them with those geographically connected to them. The quality of the product is very high, there are not much bugs and the application doesn't crash. Concerning the usability- an average consumer can use the application and face no difficulties because the design and interface are familiar and made like in other social networks, where user has a profile with pictures, comments, likes, a newsfeed etc. From the prospective of habit-forming products, it's advised that the default screen of the app is changes to the camera option, so that the user understands that the main activity is to take a picture or video and share with the whole World. As about versions of iOS, the product is built for the latest iOS version, which makes it not possible to download for users who didn't refresh the sys-

tem. Additionally, the application is optimized only for holders of Iphone 5, Iphone 6 and Iphone 6+, which narrows the scope of users. Company should think how to adapt the app for earlier versions of the iOS and build the app for holders of Iphone 4 and Iphone 4S. Design is simple and minimal and how it was found in the qualitative research people are satisfied with it. Geo-targeting technology is incorporated in the product that makes it as an interesting marketing tool for partner companies. Also the company wants that users make the word-of-mouth advertising, so that more people would be willing to tell friends and family about the new application. The trigger for the action to download and open the app are curiosity and boredom, so that the company should take into account what kind of notifications to incorporate for engagement of users

Price

The price for the application is free in order to secure users that they don't have any risks to download the application. But the company in the future wants to make revenue with location-based advertisements that users are going to see on their screens. The price that companies are going to pay will be for 1000 views of the advertisement calculated with eCPM formula. CPM component should be adapted by location where the advertisement is viewed, number of users and number of views per one user. Then the special algorithm should be made to calculate the price according to current indexes.

Place

The product is sold in the Appstore that is only on Apple devices. According to the survey made for this research paper Word-of-mouth and Appstore trends are the most often used sources, from where users get to know about applications. Concerning Appstore trends, there are 9 reviews of the app in the preview page which estimate the app with the 4+ rating in the market. From the survey it was found that people download application that has at least 3+ rating. The application is not in top ratings yet, but it's possible to find it by the name. It was identified that if the application is free of charge and with interesting idea users download it. Then they pay attention to the de-

scription, which should be translated to the language of the Appstore and with good pictures. Analysing HeadyUp Appstore preview, it can be concluded that it's free, with description only in English and neutral pictures. Company should adapt the language in which description is written to the language of users, and find pictures that influence users to download the application.

Promotion

For the promotion of the application there are used different marketing and PR tools. At the beginning company started to promote itself with such PR tool: the Swiss and Russian press were contacted for writing the article about the founder and the company for free. Then expert opinion blogs joined to promote the application. Company has a budget to spend on marketing. HeadyUp wants to pay to some technological websites to appear in their pages such as Techcrunch, Mashable etc. Also it's creating the Application video for posting it in YouTube. After making some partnerships with companies that want to be advertised in the application HeadyUp appears in their printed material magazines in points of purchase and in their websites. According to the research next the most influential and often used sources are online articles and social networks. HeadyUp is present in some online media, but it needs to take more effort to be present in English, Russian and US online media. The company has its company pages in Twitter, Facebook, Vkontakte that don't have daily update of posts- HeadyUp should make the SMO marketing plan that will show what should be done to attract new users. Additionally, company should put the budget and spend on Facebook ads for the targeted advertising.

Physical Evidence

The application is for free so that B2C customers don't lose value while downloading the application. But as for B2B customers the quality of the product should reflect the price for the advertisement and innovativeness of the product. The eCPM should be adapted to the county where advertisement is sold, to the number of users and number of views per one user. The application should be tested by outside company and test research made to improve the quality of the application. Concerning appearance, users

like the logo of the app and colours, the one thing to change is the small size of the icon. Design is simple and minimal and how it was found in the qualitative research people are satisfied with it.

People

As it was found out from the single case study company background, there are 4 programmers which are all specialist for creating IOs application. Company should recruit people who will be developing Android version of HeadyUp, because of the reason that half of respondents that complete the survey have devices that operate in the Android platform. The people component can be described also in a way that the application is the replacement of people who distribute fliers nearby points of purchase. HeadyUp can replace this job in the market. Only people who want to have special offers –receive them. Additionally, company should employ marketing specialist or outsource marketing activities to specializing in mobile application promotion PR and marketing agency.

Process

As about interactions between the user and the company there is a company website with contact details, Appstore reviews and other social networks' company pages and groups. The company wants that the user will form the habit of using the application every time he or she goes out or discover new places. Results of the survey shows that social network that enables to communicate with friends, spend free time and get news -the product that people want. HeadyUp provide people with World news but it should implement the feature to communicate with other users. It was identified that people were not exited with the idea but everybody agreed that they are going to use it if only there would be more users. Another thing was found is that people compare HeadyUp with othr location-based applications and don't see differences and don't understand the idea, so that marketers should find the strategy on how to communicate the uniqueness of the idea. Concerning B2B customers- partner companies – the process of uploading the advertisement material and calculation of the price per 100 views should be optimized by implementing special feature in the website of HeadyUp.

3.7.2 Analysis of the effectiveness of the PR-tool: publishing of articles in influential Swiss magazines

Articles in influential Swiss magazines can pump the traffic to the application. People get to know the success story about the company and the main information about the application and download the product. To measure how many users company received after press-related PR activities there were made calculations.

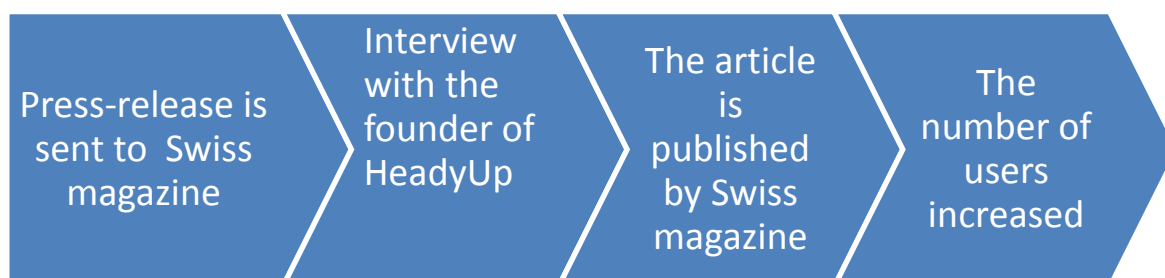


Figure 25. The business process of publishing of the article about HeadyUp in Swiss press

To identify whether the articles in influential magazines bring new users to the application and consequently revenue, we need to calculate the number of users in the application before and after the usage of PR tool and PR tool expenditure.

PR tool expenditure

Table 4. PR activities' expenses

Phone calls	10 CHF
Professional photosession	80 CHF
Professional photos of people and mock-ups	10 CHF
Итого	100 CHF

Table 5. Number of users before and after publishing of articles

	30.03.2015	26.04.2015
Number of users before publishing of 2 articles	100	
Number of users after publishing of 3 articles		985

$985 - 100 = 885$ – Number of users attracted with the help of PR tool.

According to the statistics about advertisement in startups, that use CPM monetization method (Average fixed price for 1000 impressions) dated to 2013 year, the average fixed price for 1000 views is \$1,43. In the popular application every user views the advertisement 14 400 times a year, meaning that he or she views the ad 1200 times a month. Not popular application has 300 views a month.

Table 6. Calculation of the revenue received from accomplished PR activities

$885 \text{ users} * 300 \text{ impressions} = 265\,500 \text{ impressions}$
$265\,500 \text{ impressions} \setminus 1000 * \$1,78 = \$427,59 (403,57 \text{ CHF}) \text{ a month}$

Table 7. Calculation of the effectiveness of accomplished PR activities

Effectiveness = Revenue from the accomplished PR events \ expenditure on PR events
$Ef. = 403,57 \text{ CHF} \setminus 100 \text{ CHF} = 4$

From the calculated results it can be concluded that publishing of articles in Swiss press is economically effective tool for increasing the number of users and consequently revenue of the startup.

3.7.3 Social Media Plan for HeadyUp

First of all, there was created the internet page where potential users could have found information about the application. Secondly, pages in influential online social networks such as Twitter, Facebook, Vkontakte were created and promoted by marketing department. After that it was advised for founders to change their pages of social networks in professional way. The reason is that nowadays people treat and trust company by evaluating the picture of the CEO in social networks and information he or she shares. The next step was implemented to become close to customers. Founders of the company made professional pages in LinkedIn to talk with potential investors and users. Other social network is one of the best tools to promote a small business. Twitter gives the opportunity to become close friend with your customers and value them. So that it was created the personal page of the CEO of the company in Twitter where he tweeted news about the company and retweeted interesting content from users of the app. Additionally it was created the page of the company that was promoted in different Twitter groups to gain new users. Then the HeadyUp team measured which social media channels are the most efficient and focused on developing these areas.

Finally, after the first investment company had a capital and it was possible to invest it in marketing. To choose the best strategy for advertising the product the marketing research was conducted. Marketing assistant created the survey and distributed among Universities and posted online in different social networks. During this research the collected data is analysed and conclusions on which marketing channels to use were implemented. The information on the best marketing channel is presented in the conclusions part of the research.

3.7.4 SWOT-analysis of HeadyUp

A SWOT analysis influenced by critical thinking can show the overall situation of mobile applications market and can help in making strategies for entering this market. Also, it is really useful tool for analyzing current performance of the company and if needed for finding ways how to improve it.

Looking from the prospective of strengths of HeadyUp this company can be described as a pioneer in the online applications market. HeadyUp has a patent on the code of the application and brand name, which already well-known in Switzerland because of big presence in local newspapers. Furthermore, HeadyUp has one of the best programmers who were involved in creation of PayPal before, that created the application, the resource base is unique and with big experience. The company which is working together with HeadyUp and providing server is well-known around the world and bring connections to advertise and fund the start-up. The idea of the product is unique and there are not much analogues to existing application. The new geo-targeting technology is implemented making the app progressive app in the market. From the marketing perspective, the product is developed in the European market, in comparison to majority created in US that makes it attractive for European users and European investors. The product is global meaning that every person who has the smartphone can use the application which expands the scope of customers and at the same time the advertising opportunities for corporate clients. Users of HeadyUp are already in most countries in EU, North America and Russia. The real time news idea is the way on how people can get the independent information from first hands. This can change the way how people receive information and change the picture of nowadays media channels.

Concerning weaknesses of the application the product wasn't tested by many users and there was no marketing research that identifies the drawbacks of the product. There are some bugs in the performance of the product that appeared because of lack of testing. Also Apple didn't approve the video feature due to privacy issues. Application works only on Apple devices that make the scope of the market narrow. The product doesn't have clear monetization strategy or financial model. The marketing plan is needed to be improved.

As about opportunities HeadyUp can develop the Android version that will help to gain more users and expand customers' bases on other mobile devices. If the customer bases expand to global level, big IT giants like Facebook or Google will be interested to buy the company. Additionally, the application code is protected by the law so other companies can't make the copy of the product. Geo-targeting technology can change the way of marketing research in many companies. For example, with the application corporations can track how many people came to the point of purchase, where did they spend the most of their time, how many times there were in particular place etc. With offered monetization strategy the application can earn money all around the World, but it's difficult to implement it.

Based on the unique idea of independent news it can be a revolutionary application that will change perception of traditional media channels. Companies can use HeadyUp as a new advertising tool based on the location of the customer.

Threats analysis shows that privacy issues can be a negative sign that makes people stop using the application. It's not allowed to film people without their permission by law in many countries. The current research can find out features that users don't like that will result in higher costs for developing of the application. Privacy issue can make newspapers to post negative information about the company, spoiling the brand image of the company. If financial model doesn't work, the company won't generate the revenue from advertisement.

All in all, the climate of developing the start-up with such unique idea is positive. There are more opportunities than threats and strengths than weaknesses. The research on the company is essential, because it will help to identify the wants and wishes of current users that lead to improvement and better adaption of the product to the user.

3.8 Networking strategy

First of all, to find prospective workers and investors HeadyUp was present in many University events. In one of the events which was called StartUp Conference in ETH HeadyUp founder found first private investor.

The next step was to contact all printed and online media in Switzerland to advertise the company across the country and attract new investors and users. Articles about the company and CEO were published in almost all influential printed media in Switzerland, France, Germany, Austria and Russia such as Walliser Bote, 20 Minuten, Blick am Abend, Startup.ch, Heute.de, Metro.ru, etc. Additionally, influential tech bloggers made posts about the new application to evolve the popularity of the product. Then venture companies around the World were contacted. Now the company negotiates deals with private investors that found HeadyUp through media presence and Venture Funds. The third stage of networking process in company HeadyUp is that representatives of the startup attend different networking events in the role of speakers. One of the events that CEO is going to participate is called Web Summit 2015 that takes place in Dublin, Ireland.

3.9 Users

One of the most frequent questions that small companies try to find answers on is how to attract customers. To solve this problem in HeadyUp management team followed the plan on how to gain users online and offline that was built with the help of different sources.

First of all, the team made the descriptive content that gave a feeling for prospective users that they would download the app, appropriate pictures and mock-ups were ordered from professional web designer. The message that the advertising had was focused on target customers. Examples of post in Facebook, that HeadyUp created is in the attachment 4.

Secondly, referrals were also important in building users network. The aim of the startup is not just gain users but also to make them use the application all the time. Referrals in HeadyUp case were users who liked the application. They were asked to share the information about the company in their social environments.

Currently, the company seeks for other companies who have the same target audience, so that they can share their customers' database in exchange of benefit they receive from HeadyUp. The last point of the plan –strategic alliances was not implemented,

because company is not that big and doesn't have a profit yet that it can collaborate with big companies.

Through the conducted quantitative research we identified what company should change to attract new users in Russian market and engage current users. First of all, the application in the Russian Appstore should be optimized in the way that the description, reviews, the text on pictures should be translated to Russian language, because people think that if the information of the app presented in English, the user experience also will be in English. It was found out that HeadyUp has standard, not attention-grabbing pictures in the Appstore preview so that the company should find such pictures that trigger users to download the application. One of the most important factors of download is that the application will be free of charge, so the user doesn't have a risk to spend money on the application that he or she doesn't like. As for the design and logo respondents were satisfied with offered solutions, just some of them marked that the white symbol of the logo should be bigger to see it more clearly. Focus group respondent were neither excited about the idea nor negative to the idea of the application. They mentioned that there are many location-based applications in the Appstore. From this finding HeadyUp can make the conclusion that they need to change the direction of the application. For example, to make it more similar to dating platform but at the same time people can have a possibility to get to know about World news. Concerning the functionality it was found that in Russia many users with IOs devices didn't refresh the system of the device to the new version so that many new apps they can't download in their system. Developers should think about finding the solution to this problem. Having changed the direction of the app, features such as chat, private profiles and follow requests should be implemented in the application. The chat option is a big disadvantage of the application. To attract users there should be also carried out different marketing activities. It was found in focus group research that friends advices, Appstore trends and other social networks are biggest influencers and sources of the information about new apps for Russian users. The results of the quantitative survey are presented in the scheme below.

3.10 Competitive advantage

In order to determine whether resources and capabilities of the company are its weakness or strengths in existing environment of threats and opportunities it was made VRIO-analysis. Company HeadyUp was assessed by 4 criteria: value, rarity, difficulty to imitate and support by organization. These 4 criteria are the most important for the formation of competitive advantages of the company HeadyUp. Through the analysis we have identified that HeadyUp has temporary competitive advantage.

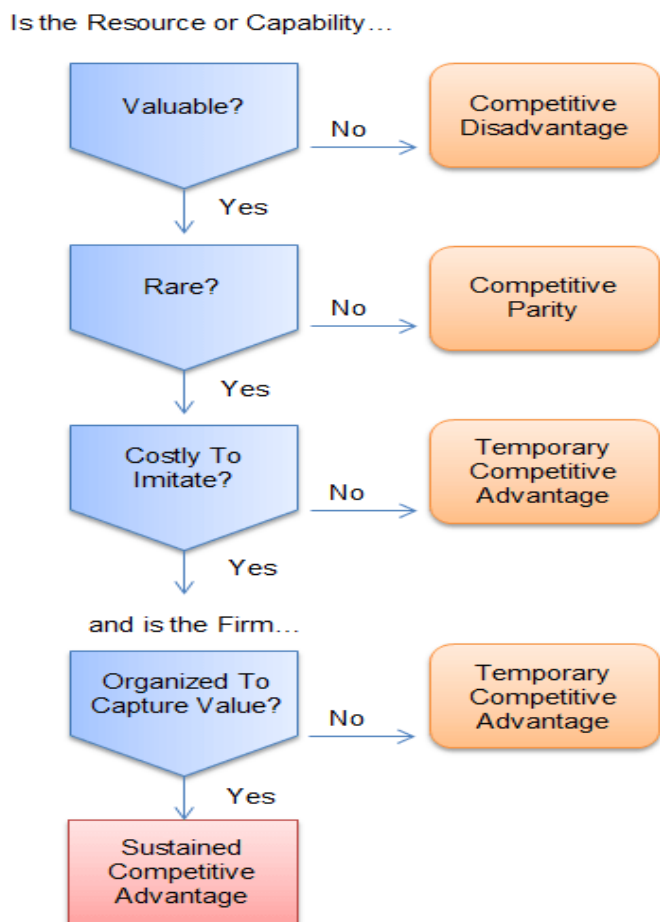


Figure 26. VRIO Framework. (Jurevicius, O. 2013)

Value:

1) Application HeadyUp benefits its users because it provides them with honest news in the form of photos and videos from around the world and helps to establish contacts with people around the world.

2) The application helps companies to deliver advertising to the future customers, which is adapted by place and time. From the companies' point of view, location-based advertising increases the flow of visitors and respectively, sales of partner companies.

3) Another valuable advantage is the ability of companies to know the statistics of visits to specific point of sale: the date, time, duration, frequency of visits of the customer, which is very important for the study of conditions the client will most likely buy a product or service, as well as to predict the number of visitors during the day.

Rarity:

1) The idea of a startup is unique because there are no more applications that can link one person to another on the map, not being a dating platform. Many features can be compared with features in the application Instagram, but it's not based on the location and it is not possible to see what is happening in the world on live map with pictures.

2) In the future, in the application- partners can place location-based advertising, which is also a unique idea that has not yet been used in the world. So far, targeted advertising on the Internet is used in corporations such as Facebook and Google and Vkontakte, but there is no company that would be using targeted and location-based advertising in the real world, which is based on the application. Also ads that will appear in the application will not irritate the users as they are adapted in time and place. As a consequence, users for the frequent use of the application will be awarded with points that they can exchange into discounts or gifts at points of sale.

3) The developers of the company HeadyUp are rare and with high qualifications because they have from 5 to 10 years of experience each which is an advantage over other companies.

Difficulty to imitate:

1) The application code is protected by patent law in Europe and America, which is a

proof that it's impossible to create the same product. But the idea of location-based advertising may be reproduced in any other application where the option of positioning is in place. It can be concluded that the application is partially possible to imitate because some functions can be copied. Patent law related to social networks and applications poorly regulated in many countries.

2) Slightly changing the idea, new companies can create an application-substitute, provided that the company does not become so popular as Instagram or Facebook in the short term. The market for mobile applications - highly competitive area, substitutes of HeadyUp appear every day, so the human factor in the choice of a product is fundamental.

Organization:

1) With regard to the criterion of organization of the company, it can be concluded that the company has not enough employees who are responsible for marketing of the project HeadyUp. Companies should hire a third-party marketing agency, which is known for its success in the promotion of mobile applications.

2) If the company develops and gains more users, there should be organized sales department or made a special user-friendly functionality in the company website, for example the same as in Google AdWords, which will load the companies' partners ad content for further publication in the application. The company also has to organize its internal policies and regulations, organizational structure and culture for more coordinated work and for getting positive results.

3.11 PEST-analysis of HeadyUp and other social networks

It is very useful to use PEST-analysis in this research that can give directions for the company global expansion when the main activities of the company are described and funding is already in action. HeadyUp is Swiss company that is willing to expand in the near future to Europe and Russia. To expand there should be made PEST-analysis that analysis risks that company face while entering new markets.

Political

First of all, in PEST- analysis researches describe political environment. Political risks are high and they are the same as like for any other location-based applications. Because HeadyUp let people to take a picture or record a video about other people which is violating the privacy rights. Many countries can ban HeadyUp from appearance in the appstore because of this reason. HeadyUp plans to expand to European, Russian and American markets. Asia is a not an area of interests of HeadyUp for the current moment because of difficult political restrictions for the personal information about the location of people that HeadyUp gathers.

Other countries where it would be complicated to expand is UK and US. Governments of these countries control the process of personal collection of the information of their citizens. They are themselves are interested to have an access to this information. So that they force IT companies to open it to them. (The Guardian 2013)

Russian market is also difficult to enter and many foreign countries face a lot of problems of expansion there. The main problem of doing the business is Russia can be described in one quotation: As soon as you become a big company you should cooperate with the governmental officials. If you prohibit this rule your business most probably is going to be collapsed.

Economic

Economical risks are neither high nor low risk concerning the company HeadyUp. They are not significantly risky because the application is free to download and people without money can use the application. Additionally, there is no money needed for operations in the company. But economical risks are high for building the financial model in the application.

Crisis in operational terms is a very favourable time for the application because in crisis people tend not to spend money on traditional types of entertainment like cinema or theatre and stay more time at home surfing the internet in their PCs or mobile devices.

But on the other side the thing that they don't move a lot and are depressive makes them not to share their new discoveries and happy moments with others.

Consequently, the economical context doesn't influence the application business development in particular country.

From investment climate and quick acquisition with high profits by the big IT company point of view the time before the burst of financial bubble is the most favourable. Because when the bubble starts to grow and has a peak point of price level is the best time to sell the company or receive investments because investors or buyers have the high motivation and enthusiasm about such projects. When the bubble burst the price goes down that can decrease the demand and the project fails. The overestimation of the concurrent companies' assets is very beneficial because this trend raises the estimation of the price of HeadyUp.

Summing up, HeadyUp can survive in every economic situation. The one condition that should be in place is that people have devices and have time and motivation to use the application.

Social

Social risks are really high in mobile application business especially for HeadyUp. All functionality of HeadyUp is based on current habits of society. Social risks are even more influential than economic. If one day people decide not to share information the company goes broke.

Social factors are really important for HeadyUp because they are the factors that can bring success and popularity to the application. HeadyUp is influenced by people who have mobile devices and use social networks. One of the best examples that HeadyUp can grow as a business and can become successful company is the social network Twitter. It's the great example of how the brand can be popularized in masses.

According to the social network theory, the usual social network is an open crowd. After decreasing the number of newcomers to the social network, users start to go out from the crowd, in other words the community and disappear or delete the application.

Only loyal users continue to use the application. Anyway to grow the amount of users will be possible again in the future.

Social factors are the most important from PEST -analysis, because the change in beliefs and wishes of users, of the society can destroy the whole project. That is why the management team should follow the trends in society really precisely and create mobile usage habits no to lose customers and business.

Technical

The development of the application

The software of HeadyUp is the free mobile application social network for iOS operational system. The production of the application is very complicated and important process. The mobile application HeadyUp was developed by the founder of the company who is back-end iOS engineer. The front-end engineering was accomplished by the contract workers who worked for half a year in HeadyUp office. The application was tested by the software team and close friends and relatives of the founder. Then the outsourced company made a testing of the application. It's highly risky to put an application to the appstore without pre-check activities because the first opinion of users builds the reputation and image of the application as rubbish.

It's essential to control the development of the application from early stages so that there will be less bugs and misunderstanding. Additionally, it's easier to make changes in design and functionality during the development process rather than at the end. After the application is fully-developed the management team should follow the World socio- and tech trends and implement new features in the product. Because the product without update fast become not interesting for users and they switch to other application with similar nature. New features should be implemented every one or two months and should be updated on users' devices so that users are kept involved in using the product.

Design

As many people can say that design is not that important if the idea of the application is new and valuable. Unfortunately it is not the truth because users unintentionally follow tech trends and choose the application which is made according to current fashion. For example, the design, different styles of interface, buttons, fonts, positions of buttons influence prospective users' tastes. This part can sound insignificant but to overall in tech World users follow tech trends the same as in fashion World people follow clothing trends.

Social network system

The risk in social network itself is that people would be dissatisfied with the idea. The process depends on usability of the product. If customers from the first moment when they use the app like its performance most probably they are going to keep it in their smartphones.

Also it's important that the contracted iOS engineers find the understanding with the creator of the idea. It's obligatory to have a written plan with sketches on how the founder wants the application to look like. Also currents trends in app design should be inclined and developed.

Hardware

Technologies are developing every single day and it's highly important to take into account the fact that one day the usual smartphone with the sensor display and few buttons will not be the thing that everybody use for communication. The change in technological characteristics can affect HeadyUp either positive or negative. For example, new features such as better quality camera or bigger storage are favourable for HeadyUp. But complete change of the device or some new similar products from Apple or other tech companies can make the application not actual for the current market.

Servers and data storage

The data about users that they leave in the application stores in special rented servers. HeadyUp also rents the server for storage of the information. Normally, companies buy more storage place when number of users rises. In case of HeadyUp, company deletes pictures and videos after 24 hours so that it doesn't need to buy big storage for

data. The risk for rented servers is very high, because if there would be an accident with the equipment, the system is broken and the server company has to restore the data. Server companies have many other companies like HeadyUp that store the information so that they should organise the waiting line for restoration of data. Consequently, HeadyUp loses users when application doesn't work and servers are down.

Internet

The application HeadyUp cannot function without internet supply, in other words without 2G, 3G, 4G or Wifi connections. When there is no internet, the app can't share the location and there is no sense and possibility to have this application. Luckily, nowadays internet supply is available in many developed countries worldwide. The risk with internet connection can only appear when there is absence of the connection. But it can be always fast repaired in many places even in developing countries.

4 Conclusion

Company HeadyUp passed already 2 steps of launching plan: pre-launch and launch. Now the application is on the After-launch phase. During the first pre-launch stage company made a marketing research, has built an application, tested it and prepared for introduction in the Appstore. Also the logo, slogan, design and the name of the product were created with the help of market and keyword researches. Monetization strategy was created in the continuous brainstorm that took place in the office every working week. Groups and pages in Facebook, Twitter, Vkontakte, Instagram were also created in the pre-launch time. Most influential press in Switzerland, Russia and Europe was contacted and press releases sent for the future publishing when the application is online. Moreover, the application was translated in English, Russian, German, French, Finnish and Portuguese.

Launch period was dedicated to marketing activities. After the company sent press releases the Swiss press published articles in popular magazines and journals and in online versions of these media. Then the activity in social networks was established and daily posts were launched by marketing department, afterwards the blog about the application was created to increase number of users which is vital purpose if all these PR and marketing activities on this phase. To create product awareness the preview of the app in the Appstore was optimized for Swiss market. Summing up, launch phase of HeadyUp was not implemented with the full power the company could have used. First of all, there were not made creative social media campaigns, Appstore optimization, Mobile Ad campaign, Outreach of PR Database 1, 4 Million etc. Company should have made more effort for marketing the new product. Consequently, the rise of number of users was not that significant.

Currently company HeadyUp is on the after-launch stage, which is the time of analysis of past activities, change and optimization of them. For this purpose company decided to carry out the marketing research with the help of intern from another country. This paper helps company to analyse what's going on with the application and what company should make to gain more users. The detail plan of steps in the after-launch period

was established through deep analysis and research. Based on 7P Marketing mix and quantitative and qualitative researches it was made the scheme which is describing what should be change and optimized:

Product

The functionality and new features of HeadyUp

- Application is in Russian
- Adoption to old version of the IOs 7
- Implement new features-chat, friends requests
- New feature-to define the pool with fingers on the map and see pictures in the newsfeed of this area

Place

Appstore

- Description in Russian language
- Reviews in Russian language
- Text on pictures in Russian language
- Pictures that trigger to download

Price

Price

- Application is free of charge for B2C customers
- B2B customers: optimize the eCPM formula for calculation according to current place and number of users and views

Promotion

Promotion

- Social networks: Vkontakte, Facebook, Twitter groups, targeting ads
- Appstore optimisation: reviews in different languages, top rating
- 1,4 million outreach

People

Employment

- Requit marketing consultant or agency
- Find programmers for developing Android version
- The application is the replacement of people who stand with fliers in points of purchase

Physical Evidence

The icon and website of the application

- the application should be tested by outside company and test research should be done to improve the quality
- The size of the white symbol in the icon should be bigger (keep colors and design)
- The website should be optimized for Russian B2B customers

Process

Process

- Need- to find the way how to show the uniqueness of the app for B2C customers(change the description of the application)
- For B2B customers optimize the website for uploading advertisement material (language, platform, payment feature)

Figure 27. Results presented in 7P Marketing Mix

Through VRIO analysis it was identified that company has temporary competitive advantage, meaning that company resources have values and rarity but it's possible to imitate them. In spite of the fact that company code is patented, other application development companies can take an idea and realize it in different interface and design or built in some features of HeadyUp with existing product, creating in such a way product-substitute. Summing up the received finding, it can be concluded that HeadyUp should work faster and should develop their creative marketing campaigns on attracting and retaining users.

SWOT-analysis and PEST-analysis helped to analyse internal and external risks and opportunities that company can face in current conditions. PEST-analysis also can help to make a strategy on how to expand to other markets. According to SWOT- analysis there are a lot of strengths that company has such as innovative habit-forming product, geo-targeting technology, actual trend- social networking etc. The strengths of the company help to build opportunities- the advantage of the company is that it doesn't have physical borders so that the product can faster become global and increase user database. B2B customers of the company –other companies who want to advertise can benefit from the application by advertising their product globally. As for the internal risks or weaknesses- the biggest risk is has is reputation of location-based applications that monitor the location of every user. But according to quantitative research it was found out that privacy issues is not the biggest reason why users delete the application. Threats are that press starts to make negative PR about monitoring of the location-based applications at the same time makes them not interesting for potential users.

PEST- analysis gave us the understanding of external risks that can bring threats to mobile application sector of business. Risks from social, technical and economical areas are the highest, because they are important for the application vitality. Change in daily habits of people can decrease the demand on using social networks; crisis or growth of the economy also can change the demand for the application. New internet devices can change the whole market of mobile applications.

From the quantitative research it was identified that the best ways to advertise the product are Appstore Online magazines and journals and other social media platforms, then less effective are video ads and e-mails.

SMM

Activate users in Facebook and Vkontakte to participate in open discussions about the product
Make Facebook ads and Vkontakte ads , create Twitter hashtag

Appstore optimization

Create an appealing graphics: (icon, screenshots and promo video)
Rank higher for specific keywords
Use keywords in App title
Use Google mobile application analytics

Online press

Make a creative story how the founder came up with an idea
Contact more English and Russian press for publishing articles

Video ads

Make creative advertising product videos and publish them in Youtube, Vimeo and Rutube.

Outreach to PR database

Contact marketing agencies for Outreach to PR database of 1,4 million(the company contacts all influential tech bloggers and influential magazines in different countries)

Printed material&E-mails

Distribute printed marketing material in Universities around the World.
Create weekly e-mails to users in order to create referrals to the application

Figure 28. Social Media Plan for HeadyUp

From the Financial part of the analysis, the price for different types of applications change up and down depending on which phase of the financial bubble the application is built. The highest prices for popular applications are before the burst of the bubble. Now there is the trend that big IT companies buy small IT start-ups with big prices to compete with other giants. When the bubble bursts only these giant companies can predict, because they are creating the financial bubble.

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Attachments

Attachment 1. Focus group research

Table 1.1. First question of focus group research

What kind of applications do you download most of the time? Can you describe in 2 -3 words?	
Ilia:	Famous and which have a lot of users.
Denis:	Famous and new in the application market.
Karen:	I download famous in my community applications.
Dima:	Popular, which have a lot of users.
Oleg:	The same as Denis.
Dmitri:	Me? I download popular aps.

Table 1.2. Second question of focus group research

What does influence you to download the application? Where do you get to know about new applications?	
Ilia:	I get to know from my friends. Most of the time my best friend says about newcomers in the application market. Most of the times it goes like this: I have a need in something, for example to chat for free and not to pay for sms, so than I check free application for chatting according to ratings and reviews.

Denis:	There is exists the feature in the application – how many people downloaded the application. I choose by these criteria.
Karen:	From the social environment, for example from online social networks, from friends also. There are some people who are instantly sitting, checking out applications, like my friend Dima.
Dima:	I check application trends. But I think most of the time people get to know about new applications through friends.
Oleg:	I ask Dima to tell me about new applications.
Dmitri:	I choose by reviews, rating and then say my friends to download.

Table 1.3. Third question of focus group research

What brand image do you have concerning Swiss IT companies? Do you pay attention to where the application was produced?	
Ilia:	I don't know any application that was created in Switzerland.
Denis:	Well, I never check the producer of the application.
Karen:	Most of the time I download American applications. But it doesn't matter where it was produced.
Dima:	-

Oleg:	I download Russian or American.
Dmitri:	Most applications are created in US in Silicon Valley, so I think most of my applications are American.

Table 1.4. Fourth question of the focus group research

What is the most important in the application that makes you to download the application?	
Ilia:	Functionality. In other words the application should be made simple. For example, to take the picture you need to click 6 times- it is irrational application. The next is the number of stars the application has. If less than 3 stars I don't download. Then I read reviews. If there are first 2-3 reviews are good –I download.
Denis:	The application should be free.
Karen:	Only if it's free I download and then I watch the functionality.
Dima:	It's really important that the application is free and simple.
Oleg:	In Russia the application should be free- otherwise nobody downloads. But by the way I paid for whatsapp , because all my friends used it.
Dmitri:	The application for 1,5 \$ is very expensive.

	Actually, I never paid for the application. I think the most important are reviews and description.
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Table 1.5. The fifth question of the focus group research

What do you think about geo-location based applications?	
Ilia:	They are already long time ago invented. I don't think they will be popular.
Denis:	For me it's ok to share my location, I just don't have time for this.
Karen:	The time for location-based applications is gone
Dima:	As I know , for example Foursquare young people stopped using. It was trend for 1-2 years.
Oleg:	I don't use Swarm or Foursquare just because I'm too lazy to click the button of checkin in special place. It's not interesting to make a checkin anymore.
Dmitri:	Well, now instead of Foursquare there is the application Swarm, but I don't see my friends who use it.

Part 2. Testing of the application

Table 1.6. The sixth question of the focus group research

You have tested the application; Could you tell us what do you feel about it? Do you like pictures of the application in the Application?	
Ilia:	It's better to translate in Russian.
Denis:	-
Karen:	In the application on pictures the signs are in English. So that if the person from Russia wants to download the application, there appear misunderstanding. He or she probably thinks that it's in English and interface is also in English. And this person decides not to download the application.
Dima:	There are cool, beautiful pictures. The description in English is a big disadvantage.
Oleg:	People are neither positive nor negative. Pictures are standard, neutral. I don't feel anything negative. I would read the description of the application after.
Dmitri:	Pictures are normal, nothing special.

Table 1. 7. The seventh question of the focus group research

Do you like the logo of the application? (Colour, form, size)	
Ilia:	It looks like Google maps a bit.
Denis:	HeadyUp? I think the white icon should be a bit bigger.
Karen:	I like the point in the logo like in Google maps.

Dima:	Really good logo. I like it maybe the icon should be bigger. Colours are ok.
Oleg:	-
Dmitri:	It's like all together – Instagram, Google maps and Foursquare.

Table 1.8. The eighth question of the focus group research

What do you think about the idea of the application?	
Ilia:	The idea is a bit old, but everything depends on users. If the company invests in marketing, gains users- people start to use it.
Denis:	Word-of-mouth advertisement will help to gain users.
Karen:	If there would be users- I will probably download it
Dima:	If it will be popular and in Russian- I will download it.
Oleg:	If you have free time- why not to use application, meet, chat with some new people.
Dmitri:	-

Table 1. 9. The ninth question of the focus group research

What would you change or develop in the application?	
Ilia:	The company should make a chat inside this social network. If it will be possible to

	chat I download it. So there would be not only comments but also possibilities to chat with the person you like.
Denis:	Maybe if she or he don't want to chat with you first you need to add his or her to friends, if she or he accepts you then you can start chatting.
Karen:	For example, you see the map and you click the area where you want to find people to chat around. Then you choose some and start to chat with them if they don't want they don't reply or block you.
Dima:	Depends which direction the application follows. It will be cool if it would be like a dating platform.
Oleg:	Nothing. I like it, it's simple, but the user needs to have time to sit in it.
Dmitri:	I think for Russia it's the most actual if it would be like a dating application.

Table 1.10. The tenth question of the focus group research

What do you think about design or functionality of the application?	
Ilia:	I like the design. It's made the same as most of social networks.
Denis:	-
Karen:	I like the design of the application and functionality. But I, for example use my Iphone with IOs 7 system, the old version

	so that the application doesn't work in the old version.
Dima:	I like the design. It's really standard.
Oleg:	Design is simple.

Attachment 2 Interview with SEO

<p>How did you come up with idea of the application?</p>	<p>“I came up with the idea when I was in one of the Swiss phone retailer’s shop. I took a picture on the sample phone in the shop and next day I came again and saw some other people’s photo and I got the idea. I realised that I can make an application where I can see pictures depending on the place I go. Every place is a special moment and you share this moment with other people”.</p>
<p>It was difficult to find investors?</p>	<p>“No, when you are young it’s much more easier to find investors, our first investor we met in the event. There is an event that is called Startup speed dating that is happening every year in the ETH University, where young IT entrepreneurs find investors and workers for their startups. I was searching for IT people for my team in this event and at the same time found the investor for the startup.”</p>
<p>What qualities do you think young entrepreneurs should have to start their own online business?</p>	<p>“They should be crazy, have courage to take risks and ability to build great teams.”</p>
<p>Do you think it’s important to have IT knowledge, the knowledge how to code?</p>	<p>No. There is no big thing behind it, if you can code it doesn’t mean that you would be the best and make successful application, especially when u still did not finish the University. “If u can code- it’s amazing, if you can’t -find people who can do it for you.</p> <p>(Instagram, Twitter, Spotify, Airbnb -none of founders of these companies had an IT knowledge)</p>
<p>What will you advise to do first when you</p>	<p>“To stop everything that distract you and</p>

already have an idea?	focus on turning the idea into reality”
What is the main reason why you decided to start building startup?	“I just like to build things, I think it makes the World more interesting”
Why the name of the company is Heady-Up?	“We came up with this name just because it sounded great, nothing special behind it.”

Attachment 3. Calculation of the revenue

KEY PARTNERSHIPS

Total Reach 5,750,000+



100+ Student Brand Ambassadors
250,000 Reach



10+ Celebrity Instagrammers
500,000+ Reach



10+ Celebrity Vine Users
3,000,000+ Reach



20+ Celebrity Twitter Users
2,000,000 Reach

CONTRIBUTED CAPITAL

10,000+ Hours Sweat + \$160k Cash

P & L

REVENUES	Year 1	Year 2	Year 3	Year 4	Year 5
# of Users	1,000,000	5,000,000	20,000,000	60,000,000	120,000,000
Projected Valuation**	\$57M	\$285M	\$1.1B	\$3.4B	\$6.8B
Advertising Revenue*		\$48,124,519	\$241,043,454	\$841,413,814	\$1,599,892,567
Total	\$0	\$48,124,519	\$241,043,454	\$841,413,814	\$1,599,892,567

EXPENSES	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing & Promo	\$14,000	\$70,000	\$280,000	\$840,000	\$1,680,000
Engineering	\$130,000	\$650,000	\$2,600,000	\$7,800,000	\$15,600,000
Servers	\$330,000	\$1,777,000	\$7,108,000	\$21,324,000	\$42,648,000
Office & Electronics	\$16,000	\$32,000	\$64,000	\$128,000	\$256,000
Salaries & Taxes	\$197,120	\$492,800	\$1,232,000	\$3,080,000	\$7,700,000
Legal & Insurance	\$30,000	\$75,000	\$187,500	\$468,750	\$1,171,875
Misc	\$6,000	\$15,000	\$37,500	\$93,750	\$234,375
Total	\$723,120	\$3,111,800	\$11,509,000	\$33,734,500	\$69,290,250
	Year 1	Year 2	Year 3	Year 4	Year 5
Net Income (pre-tax)	-\$723,120	\$44,289,599	\$229,534,454	\$807,679,314	\$1,530,602,317

*Advertising Assumptions

1,200 app views per month per user (based on case study done by Erodr, a similar app)
CPM = \$1.78 (Market Average)
14,400 impressions per user per year
Each active user generates \$26/year in ad revenue

**Valuations are based on

market average for pre-revenue, user-driven mobile apps