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Challenges in Early Stage Communication for Startups – two Case Studies

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Startups sehen sich besonderen Herausforderungen bei der Ausgestaltung ihrer Kommunikation gegenüber. Oft sind weder die Gründer, noch der Unternehmensname und das Produkt bzw. die Produkte bekannt. Dies gilt insbesondere in der Frühphase der Unternehmensgründung, die in diesem Artikel beleuchtet wird. Es ist deshalb besonders wichtig, die kommunikativen Zielgruppen zu kennen und die kommunikativen Maßnahmen entsprechend anzupassen. Nach einer Analyse der Phasen der Unternehmensgründung sowie der wichtigsten Zielgruppen kommunikativer Maßnahmen von Startups werden zwei Fallbeispiele vorgestellt. Schließlich werden Empfehlungen zur Kommunikationspolitik von Startups abgeleitet.

Start-ups are regularly facing special challenges when developing their communication policy. Very often, neither the founders nor the company name or the products are well-known. This is especially true in the earliest phase of start-ups which is being analyzed in this article. It is especially important to know your communicative target groups and to adapt the communicative measures accordingly. After an analysis of phases in founding start-ups as well as important target groups of communicative measures for start-ups, two practical examples are being introduced. In conclusion, recommendations for the communication policy of start-ups are derived.

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1. Introduction

1.1 Problem statement

Over the **life cycle of a startup**, the **company´s stakeholders** vary in their importance for the success of the venture. Furthermore, the different stakeholders have dissimilar interests when interacting with the company. **Potential customers** must be communicated with differently than e.g. **potential investors, suppliers or governmental agencies**. In the **very early phase of a startup**, often the products the startup will be offering on the market are not clear yet or may change. This may also lead to changes over time in stakeholders like potential customers or suppliers which consecutively may lead to the necessity of a **diversified communicative approach**. Eventually, many startups don´t even realize that poor communication is the core of their problems when encountering difficulties or a company failure.

1.2 Methodology and structure of analysis

In this article, a closer look at **communication challenges over the life cycle of startups** will be taken. It will focus on the **earliest stages of a startup**. Methodologically, a **literature review** is the first step in the approach of this article. Starting points will be a systematic analysis of stages in the development of startups as well as an overview of potential stakeholders in the different phases. Depending on the industry, potential customers and other factors differences might occur and may have to be dealt with differently. Subsequently, an overview of studies on the most common reasons for failure of startups will be given to identify the influence of possible communicative errors.

After a review of secondary literature, the **case study method** will be applied. Yin (2009, p. 18) defines the method as follows: “An empirical enquiry about a contemporary phenomenon… set within its real-world context - especially when the boundaries between phenomenon and context are not clearly evident”. In this article, two case studies of startups, one from the online video market, the other an online payment system for SMEs, will be presented. In each of the startups, one of the authors of this article was actively involved in as a founder. Key failures and learnings in early stage communication with different stakeholders for the respective startups will be the focus of the case analysis. In the final chapter of the article an attempt to generalize the findings will be taken. Also, based on the literature review as well as on the case studies and the author´s respective startup experience, recommendations concerning communication with various stakeholders for startups in their early stages will be given.

The case study method is best suited for enquiries that address either a **descriptive question** (“What is happening”) or an **explanatory question** (“How or why did something happen”) (Yin 2012, p. 5). When focusing on **qualitative aspects** instead of quantitative ones, case studies are also recommended. Consequently, in this article an in-depth understanding on how startups should communicate best in the earliest stages of their lifecycle shall be generated and the research objective of this article is to **identify recommendations for startups** in their early phases concerning their communication with their respectively relevant stakeholders.

2. Literature review

2.1 Phases in the life cycle of startups

Startups may be defined as **young**, not yet established companies trying to implement a business idea, typically with the **help of innovative technologies**. “Young” in the context of companies usually means 10 years or younger (Deutscher Startup Monitor 2017, p. 16, Reynolds 2007, p. 85). Very often, startups are founded with a limited equity base and they rely on venture capital or seed capital for funding already in an early stage (Achleitner 2018). Startups are typically acting under **extreme uncertainty** (Ries 2010).

According to Schefczyk (2006, p. 26), three phases in the development of a company can be distinguished: (1) there is an **early phase**, (2) an **expansion phase** and (3) a **late stage** (Achleitner/Braun 2018, p. 323). The early phase is further divided into the **seed phase** and the **startup phase**. The **seed phase** is also considered to be the foundation phase since prearrangements for founding a company are taking place (Klandt 2010, p. 53). In the seed phase a first idea of a product or a not-yet fully developed prototype exists and the founders of the startup are looking for first investments. In the following **startup phase**, the actual foundation of the company takes place. Formalities like setting up a contract between the founders, entries in commercial or legal registers, rental of office space as well as procurement of the necessary office or production equipment might take place. This early phase in a company’s foundation ends with first customer acquisition efforts and might already require a second round of finance.

Since this article is focused on early stage communication of startups, the subsequent phases will not be portrayed in detail (see Kollmann 2005 for this).

2.2 Key stakeholders in startups

The term **stakeholder** was introduced at Stanford Research Institute in 1963. “Groups without whose support the organization would cease to exist” (c.f. Freeman/Reed 1983, p. 89) was the original definition. **Shareowners, employees, customers, suppliers, lenders** and **society** were included in this first list of stakeholders. Freeman and Reed contrast the stakeholder approach to the shareholder concept to stress the importance of reflecting on the interests of all relevant groups in strategic decisions (Freeman/Reed 1983, p. 91). The goal of engaging with stakeholders is “to create values by building a sustainable relationship between business and different stakeholders” (Freeman et al. 2007, p. 311).

According to qualitative research among startup founders in the Netherlands, there is "a **strong overall relationship** between **phase in startup life cycle** and … the **type of stakeholders** the startup has to deal with" (Ter Halle et al. 2016, p. 8). Typical stakeholders for startups include mainly the same stakeholders as established companies, namely customers, suppliers and investors. Employees may also play a pivotal role as **internal stakeholders** (Ries n.d.), but they will not be included in the analysis.

Based on literature review (Ter Halle et al. 2016, Du/Kadyova 2015, Freeman/Reed 1983) as well as on the author´s expert knowledge, the **external stakeholders** in fig. 1 are typical for the early phase of startups.

Early phase	External stakeholders
Seed	(Potential) investors
	Business incubators/accelerators and their consultants
	Awards and competitions/startup scholarships
	Universities and other educational institutions
	Media, influencers
	Potential customers
	"Friends and family"
Startup	Lawyers
	Government organizations/trade organizations
	Competitors
	(Potential) suppliers and co-operative partners

Fig. 1 Typical external stakeholders in the early phase of startups

When further investigating the communication challenges in a startup`s dialogue with its stakeholders, the focus will be put on those **stakeholders with the highest impact on the company´s success**. (Potential) investors, customers and suppliers as well as co-operative partners will be considered to be among those important stakeholders.

2.3 Failures of startups and possible reasons

Most companies fail within their **first years** of being in business (Neumann 2017, p. 32-38). According to German insolvency statistics, approximately 50 percent of companies gone bankrupt are younger than eight years (Neumann 2017, p. 32). Most startups fail during the first three years. Some experts even state a failure rate of up to 90 percent (gruenderpilot.com 2017, Triebel/Schikora 2016, p. 237). Therefore, **failure** is a **central topic in entrepreneurship and in startups** (Deutscher Startup Monitor 2017, p. 83; Von Unruh 2018, p. 365-374).

Neumann (2017, p. 34-52) conducted a **meta-analysis** on studies analyzing reasons for failure of startups as well as other companies. According to his findings, the main cause of bankruptcy or other forms of failure for startups seems to be a **lack of business knowledge**, esp. in the areas of **finance, accounting, management** and **marketing**. Since startups are by definition innovative companies, the timing of market entry plays a crucial role as well (Egstrom 2017). Triebel and Schikora (2016, p. 240), also carried out a meta-study on failures of startups. They differentiate between **internal and external reasons** for failures in the following categories: **cooperative causes** (e.g. team failure or no investor), **markets** (wrong timing or wrong offering) and **marketing/sales** (bad marketing or better competition). Von Unruh (2018, p. 369) mentions mistakes in internal communication as a possible risk factor for entrepreneurs, especially in family owned businesses.

In none of the other studies communicative errors were explicitly mentioned as a reason for a startups failure. A possible reason is the fact that communication works as a “cross-function” in the above mentioned fields. Teams only function well if the members communicate appropriately. Marketing´s and sales´ main task is to facilitate communication between markets and the company. Problems in finance may stem from misunderstandings with investors and banks. It is likely that at least some of the above listed problems might have been prevented by better communication with the respective stakeholders. A wrong assessment of a market situation and of customer´s demands may have been avoided by a systematic approach to the necessary communication with potential customers or market partners. Accordingly, Kollmann mentions communicative competency as a key success factor for internet startups (Kollmann 2018, p. 193).

Fig. 2 shows possible communicative errors towards the external stakeholders already mentioned in the subsequent chapter. The authors mainly drew from their own experience when identifying possible reasons for a company´s failure. In the literature, communicative recommendations are mostly given for customer centered communication or for a pitch situation with potential investors. The other stakeholders are rarely or never mentioned.

Early phase	External stakeholders	Possible communicative errors
Seed	(Potential) investors	Failure to address potential match to investor´s portfolio and strategy Too much written communication, e.g. e-mail
	Business incubators/accelerators and their consultants	Stress the uniqueness of the product idea too much and the team and potential development during a program too little
	Awards and competitions/startup scholarships	Early nominations for awards that don’t reflect any real achievements. Risk of a ‘bubble’
	Universities and other educational institutions	Intent of communication is often unclear (talent acquisition, association with R&D or academia, partnership, PR, etc.)
	Media, influencers	Tendency to over-communicate. Most topics of startups are not ‘newsworthy’ to a larger audience, not even in a specialized channel
	Potential customers	Communication focus on the greatness of the product, while neglecting the relevance for the customer
	“Friends and family”	Neglect of the sense of purpose (“why am I doing this”?) and not to forewarn of high level of necessary commitment when founding a startup

Startup	Lawyers	Information that might be highly relevant to investors and customers doesn't help lawyers to provide value to the startup
	Government organizations/ trade organizations	Lack of knowledge about information that is relevant for government purposes (tax, permits etc.)
	Competitors	Bragging about commercial success, USPs or high value customer acquisitions
	(Potential) suppliers and co-operative partners	Vague communication about your needs and interests will lead to a flood of unfocussed and irrelevant communication

Fig. 2 Typical external stakeholders and possible communicative errors in the early phase of startups

2.4 Communicative recommendations for startups

In market situations that many startups are facing, there are strong competitive constraints. This is especially true for new entrants to markets as startups are by definition. Bruhn even talks about a **communicative competition** for startups besides the obvious performance competition (Bruhn 2015, p. 545). When analyzing the **specifics of the communicative situation** of startups, the following characteristics apply: limited equity and limited budget for communication, typically low communicative know-how, few connections to possible customers, investors or other stakeholders as well as hardly any established communicative or other procedures or structures within the startup (Bruhn 2015, p. 546).

Especially when following the **lean management approach** which requires the development of a minimal viable product instead of a product that is ready to be marketed (Ries 2011, p. 79), targeted market segments as well as possible co-operative partners may change repeatedly (Richter/Schildhauer 2018, p. 30). This requires communicative skills as a focal competency (Fitzpatrick 2016, p. 9-10).

Furthermore, every startup like any company will have to communicate with a **variety of stakeholders** that have diverse interests. Potential investors, co-operative partners, lawyers or government agencies are examples. In this regard, the basic recommendations for the communication policy of a startup do not differ from those for established companies. A systematic approach starting with a situation analysis is the first step (Bruhn 2015, p. 549). Again, when thinking of startups in early phases with their typical shifts in products offered and markets planning to be served this is a challenge as with every change new potential customers and competitors and very different focal points may be necessary. In the next steps, communicative goals need to be defined followed by strategic and operational plans as well as a control phase (Bruhn 2015, p. 550-563). Important elements of strategic communication can be systematized with the help of the questions “who”, “whom”, “what”, “how”, “where” and “when” (Bruhn 2015, p. 555). The implications of this general framework will further be discussed in chapter 4. For a qualitative approach to communication with stakeholders of startups, especially for communicating with potential customers, see Fitzpatrick (2016).

3. International case studies

The importance of communication for early stage startups will now be illustrated with two international case studies.

The first, **VIGOUR**, is an Amsterdam based B2B media-tech company that provides an Online Video Platform (OVP) for media companies that want to offer a direct to consumer video service over the internet. VIGOUR was acquired by 24i Media, a larger competitor in this market, in early 2018.

The second study covers **payleven**, a payments company that allows small merchants to get paid using their smart phone. Payleven was founded in Berlin in 2012 and grew to eleven countries in the first year. It was merged with Sum Up Ltd in 2016.

3.1 VIGOUR – an Online Video Platform for video services over the internet

3.1.1 Introduction of startup and founders

VIGOUR was founded late 2012 in Berlin during a startup acceleration program run by the European accelerator ‘Startupbootcamp’. Leo Schmidt joined the founding team of Jim de Beer, Marcus Besjes and Ramon Duivenvoorden, all from Amsterdam, after guiding the team through the program as a mentor and coach.

While Jim and Marcus had a pure technology focus, Ramon and Leo covered all organizational, commercial and strategic topics.

As many emerging technology startups, VIGOUR’s funding approach focused on the **venture capital market**. The venture investment department of **Deutsche Telekom**, one of the world’s largest telecommunication companies and provider of internet access, were among the first investors to back the development and growth of VIGOUR’s highly innovative product. In later funding rounds, two US venture funds joined the group of VIGOUR’s shareholders, further fueling the international growth and enhancement of the platforms scalability. Starting with the first commercial deployments, VIGOUR’s hybrid monetization model based both on subscriber growth at VIGOUR’s customers and on a feature-driven base fee to cover the support and further development of the platform, generated substantial recurring revenue from long term contracts.

3.1.2 Product and target market

The two tech-founders, Marcus and Jim, had created a unique technology to discover and connect media devices like smartphones, tablets, computers, smart TVs set top boxes, etc. over the internet and to **make responsive use of their displays and**

screens respective capabilities, e.g. size, touch-responsiveness, mobility. This approach allowed the combination of multiple screens into a single user interface (UI) and to distribute a UI's different elements across all connected screens, e.g. control and navigation on a smartphone and video playback on a smart TV. This created a broad spectrum of opportunities for a completely new type of user experience (UX) and different use cases for this technology.

As with many tech-startups, VIGOUR did not have the killer-application for its technology out of the gate. It took many iterations, market tests and conceptional loops to zoom in on the fast-growing **online video market**. Pioneers like Netflix, Amazon Instant Video and Apple's iTunes service had paved the way towards new business models and new UXs in online video consumption.

Technologies like Apple's AirPlay or Google's ChromeCast provided simple but hardware-based and very limited ways to cast content from one device to another. But users of online video services quickly demanded more. They were asking for device- and platform-agnostic access to their content anywhere, any time and across many screens. They were getting used to including more than one screen into their viewing setup. A smartphone's touch display works great as a remote control, as a browse- and discovery interface and for engaging with your social networks about your favorite shows. The size and resolution of a large smart TV is better used for the actual video playback. Consumers did not want to buy additional hardware to achieve such a UX. Fig. 3 shows a typical use case of VIGOUR's OVP with a smartphone and smart TV.

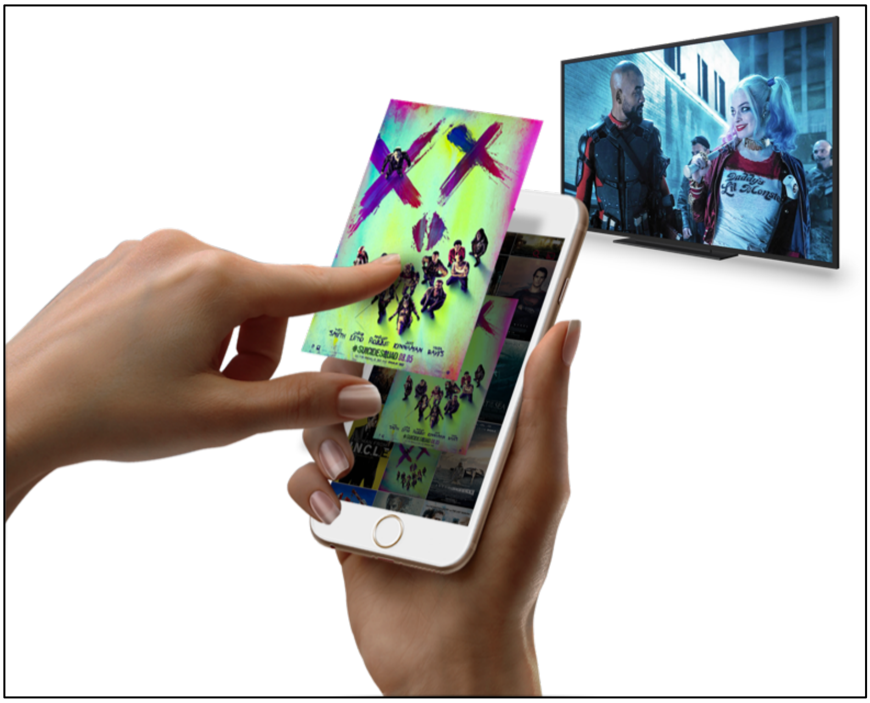

Fig. 3 Use case of VIGOUR's user experience across multiple screens (vigour.io)

This growing need for **seamless multiscreen capabilities** by millennial consumers in the online video market created the opening for an OVP that supports purely software-based and platform agnostic multiscreen UXs. And VIGOUR had the technology to provide just that.

Content creators/studios, media companies and broadcasters alike leveraged the trend set by online video pioneers such as Netflix to create their own linear or on-**demand video services. The market for an OVP with these unique capabilities was** divided into **two main segments**:

a) **Media companies** who were either creators or license owners and aggregators of video content and who wanted to set their direct to consumer video service apart by offering industry first multiscreen experiences to an emerging audience of millennial consumers.

b) **Traditional broadcasters** had large content portfolios, often licensed for traditional network distribution over cable or satellite. The UX of those services is always single screen, TV driven by set top box, and controlled with remotes. Broadcasters were often not that innovative and didn't yet provide any internet-based services with multiscreen capability. Facing the exodus of the cord-cutting generation of subscribers, broadcasters were also pushed to enter the market with more modern internet-based services.

On national and regional levels, thousands of new online video services were launched on a regular basis. During the design and build phase of those services, sales opportunities to scale VIGOUR's OVP were countless across the globe.

3.1.3 Communication challenges

Building a **highly complex technology product** in an initial stage, VIGOUR had to convince **potential investors** of the product's uniqueness and its potential in the market. The team used an extensive presentation and a full-scope prototype of a multiscreen video app to demonstrate their OVP's overall (future) capabilities. Most investors really liked what they saw but often **misunderstood the pitch**. They thought VIGOUR would build a consumer video app. This led to confusing conversations about the product proposition, the monetization model, potential cost drivers and target markets. In those cases, an otherwise well delivered pitch did not advance to a deal stage.

More dangerous however were **misunderstandings in prospective customer conversations** where a similar pitch approach was used. Always eager to convey the ultimate vision for their product proposition, the sales team failed to bring across existing limitations, what part of the platform was actually available at that stage and what parts would still have to be built. They meant well but weren't clear enough in their communication.

This **one-size-fits-all communication approach** led to very awkward situations both prior and after closing sales and investment deals. It often took a tremendous amount of effort to clarify and align these misunderstandings.

3.1.4 Key learnings

Based on the **diverse set of stakeholders**, VIGOUR had to serve a **varied set of communication needs with different priorities over time**. During the seed stage, potential investors wanted to understand the product proposition, team capabilities and market potential. Once fully funded, the media wanted to understand the value for customers and go to market strategy. Lawyers were interested in implications for intellectual property protection and how to draft customer contracts. Customers wanted to understand how VIGOUR’s technology would treat content licensing rights of the videos they planned to distribute with VIGOUR technology.

They continuously improved the ONE deck and the ONE prototype to better explain their product and its potential to all stakeholders during every phase of the company’s life cycle. It frustrated them that, while being close to perfect in their mind, these tools didn’t seem to bring the right message across for any of the stakeholder groups.

Not until they realized that they had to build **different communication tools for different channels, target groups and purposes for each stage of the company´s development**, did their communication become more effective and efficient. They prepared specific content for shareholders, potential investors, customers, media engagements, lawyers, service providers, etc. (see fig. 2 and 7 for communicative challenges and possible solutions).

Multiple times VIGOUR’s survival was threatened by poor communication. The **lack of experience and expertise** in crafting a comprehensive communication plan across the different growth stages and tailored to the multiple stakeholder groups formed one of the biggest threats to the company’s survival. Engaging a professional agency supporting the creation of a comprehensive communication plan and corresponding materials for the different channels, significantly improved the overall effectiveness of VIGOUR’s communication.

3.2 Payleven − credit card acceptance for small merchants

3.2.1 Introduction of startup and founders

Payleven was founded in spring 2012 by Rafael Otero (CTO), Steve Krieger (CMO), and Alexander Zumdieck (CEO) with help of Rocket Internet in Berlin (Hofmann 2012). The central idea was to **use the ubiquitous smartphones of small merchants to enable them to accept card payments**, especially credit and debit cards. The most visible although not earliest company to do this at the time was Square, Inc. in the USA.

The company quickly proceeded to raise venture capital (Hofmann 2012, Lunden 2016) and used its funding to offer **payment service in eleven countries** − ten in Europe plus Brazil. It thus contributed significantly to the development of **mobile point of sale** (mPOS) services in these countries. Payleven also was a technology leader, being the first mPOS company to launch and operate fully certified Chip-and-

PIN payment services in Europe and hence being able to accept Visa cards also at the mPOS.

It is important to note that at the time more than ten companies had started to bring this service to Europe. The most important ones besides payleven, namely iZettle out of Sweden and SumUp (based in Berlin) are still active today while most of the others have discontinued their services. Payleven operated successfully and grew to more than 100 employees **raising more than 50 Million EUR in venture capital** before **merging with SumUp in July 2016** (Richters 2016, Lunden 2016).

3.2.2 Product and target market

While traditional card terminals were widely deployed in large stores at the time already, **small merchants** often **did not accept card payments** due to the **high cost** of these conventional terminals. The terminals were typically sold or leased out with a service contract for payment processing that stipulated a **monthly fee** of typically 20 to 30 EUR per month, **transaction fees** of typically three to five percent of transaction value and normally **minimum contract durations** of three to five years. Many small merchants hence shied away from these contracts as they were not sure if their benefits would exceed costs.

The development of card payment terminals is expensive mostly due to security requirements. The **strong focus on security** also creates a market dynamics that justifies prices with that argument. Payleven on the other hand offered payment services on a **"pay-as-you-go"** basis without any fixed fees. This **extended the market for card payment significantly towards small merchants** as potential customers could now try out the service and simply discontinue using it if it did not meet expectation without having to bear costs for a service the no longer wanted.

Technologically this was solved by using the **smartphone** most merchants possessed anyway and equipping it with a **card reader** and the **payleven merchant app**. The ensuing process for acceptance of card payments was sufficiently simple and fast to be widely accepted, see fig. 4.

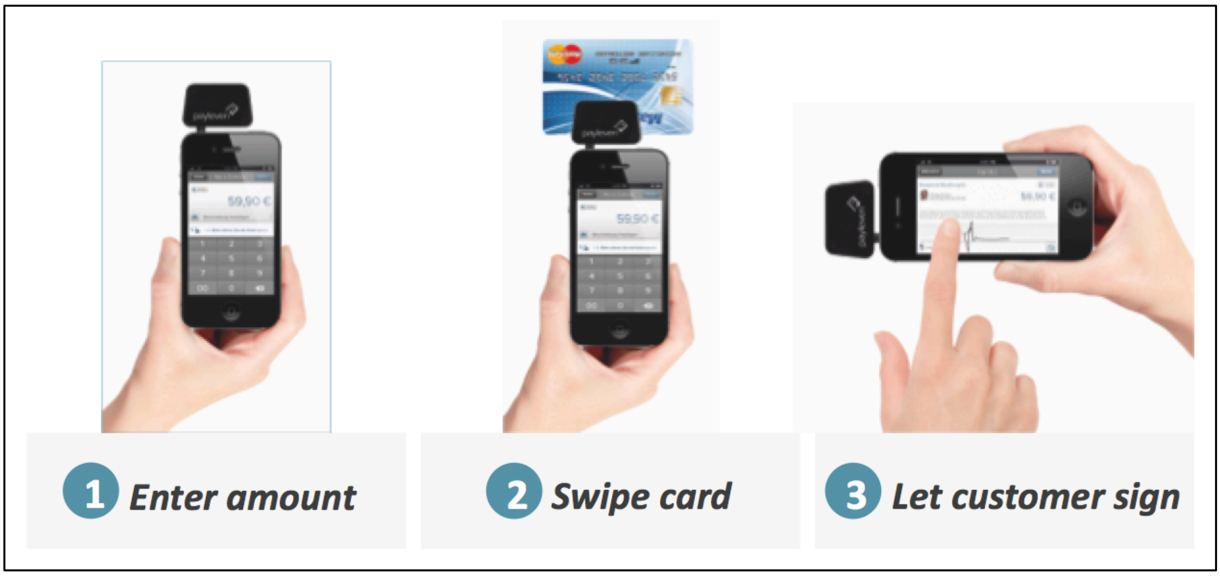

Fig. 4 Payleven´s swipe-and-sign solution

The solution depicted here is a so called **swipe-and-sign solution**, in which the credit card is swiped through the card reader and then the customer is asked to sign in order to authorize the transaction. While ubiquitous in the US, market penetration with swipe-and-sign solutions in Europe was hampered by a decision of Visa Europe to not allow this technology for mPOS transactions.

In March 2013 payleven introduced a fully functional and licensed **chip-and-pin solution** for mPOS meeting all requirements and hence being the first company to offer an mPOS solution to accept Visa cards in Europe (Lunden 2013). As mPOS solutions were hardly known to merchants in Europe, in 2012 a key challenge for communication was to **raise awareness** for these solutions and thus build a market for paylevens products. Payleven **targeted small merchants**, i.e. merchants that have a business that is too small or has too few transactions to be served by traditional payment services, such as small bakeries, flower stores, restaurants etc. The **other large segment** is **customers that need to be mobile**. Traditional POS terminals are stationary and connected using cables. So mobile merchants such as taxi drivers, merchants at farmer markets, beer bikes etc. comprised the other large segment.

A key challenge that needed to be solved was **how to communicate and market to these customer segments** effectively and efficiently.

3.2.3 Communication challenges

Payleven very quickly, i.e. in a matter of days **jumped from seed phase to startup phase** as is characteristic for ventures developed together with Rocket Internet. Most communication hence occurred during the startup phase but many topics will be similar also during seed phase. Let's have a look at **the main communication challenges** for the founding team of payleven during the first one to two years stakeholder by stakeholder.

Startup communication to investors is different before and after the investment is executed. Before the investment, the startup pitches its idea, its founding team, in short: itself as an investment opportunity for the investors. The objective is to raise money in order to build the business.

For payleven that meant to

- **identify and approach suitable investors**,
- **explain the emerging mPOS market** and why it is an attractive market (i.e. sizeable and fast, in the sense of quick payback times) and
- **explain** why the **team, technology and company** is right to seize this opportunity and return the investors' money with a big enough profit.

At payleven the setting was different from many other startups as payleven could leverage the experience and track record of Rocket Internet for fundraising. This was instrumental especially in the first financing round, when there was no significant payleven business activity yet in order to back up the necessary promises. A key learning early on however was also that **investors are different, have different investment strategies, expectations and perspectives**. These are shaped among other things by their experiences. Rocket Internet for instance at the time was experienced in launching eCommerce startups in many countries. Their experience with fintech startups was limited, payleven and paymill were both launched in 2012 and were the first fintech startups in the portfolio of Rocket Internet. This led to interesting communication challenges e.g., when pragmatic approaches that had proved successfully in many different contexts could not be transferred to payleven for regulatory as payment is subject to financial market regulation as administered by the FCA in London or BAFIN in Germany or for market structure reasons since Visa, Mastercard and American Express effectively form an oligopoly for card payments – this leaves startups sometimes less room to experiment and learn as a market with many participants.

Prospective customers are the next group of stakeholders analyzed**.** The service payleven offers is certainly a technology-driven innovation and also payleven was in the beginning a mostly technology-driven company. After all, without the widespread use of the smart phone, none of this would have been possible. The only problem with such a setting is that the customer just does not care. They will generally **use a service if it improves their business, top or bottom line, and not if it is just cool**. And to get customers to buy, use and pay for a product or service is the goal of communication in this case.

The extent to which payleven improved the life of small merchants **differed by country**. Early on it became clear that **Brazil was a good country for payleven's service**. Factors that contribute to this are the high crime rate that makes it convenient not having to carry cash the ensuing ubiquity of card payments driven by strong customer expectations to be able to pay by card as carrying cash is risky. Pick-up of the solution in **Europe was generally slower**, as payment as such is generally not seen as a pressing issue. It is "not broken", i.e. it is generally not top of mind of customer or merchant as the payment process is fundamentally solved. No matter what the case − Europe or Brazil − one overarching challenge was that the **mPOS market at the time essentially did not exist**. Hardly anyone knew about the concept in general and about concrete solutions in particular. So one of the first tasks was to **help**

build the market by spreading the idea. The strong founding activity in the mPOS field helped with this. Especially the perceived rivalry between the two Berlin-based companies SumUp and payleven led to a series of news articles that helped spread the idea of mPOS and familiarized small merchants with the idea, the technology and of course the brand names. Within this budding market there was nonetheless **ample room for communication mistakes**. One mistake that occurred early on was to **brand payleven as "the card payment solution"**. While factually correct, this message was **not tailored enough to the target group** of small merchants. Small merchants want to get paid. This is what they would buy an mPOS solution for - or not. So selling the solution became easier, when the messaging was adjusted so that payleven became "the easiest way **to get paid**" or "the smartest way **to get paid**".

In addition to building the market and crafting the most effective messaging for the target group, **defining that group and practically targeting** it became the **third large communication challenge for communication with prospective customers**. Small merchants are – small. So payleven was not in a B2B market but rather in a B2smallB market. This made classical B2B marketing and sales approaches such as having a sales rep visit prospective customers too expensive. A sales rep could not visit and "close" enough merchants to cover costs. The same is true for outbound call centers. Small merchants are also – merchants. They are professional business people, not consumers. So payleven was not in a B2C business either. This rendered classical B2C marketing and communication strategies such as billboards, TV ads etc. too expensive as well. These mass media simply reach too many people that are not merchants. How best to sell to smallB-merchants then? While all of the above mentioned measures have their merits, field visits provide a good basis for learning from one's customers for example while mass media contribute to building the market, the **most effective and efficient sales and communication channel** for payleven proved to be **online marketing** and here in particular **Facebook**. The reason for this is quite simple. Online marketing allows the advertiser to "target" specific customers groups based on certain criteria differing by channel. A big part of Facebook's success is due the **granular targeting** this platform offers its advertising clients. This functionality ensures that an ad for small merchants is only seen by small merchants. This avoids all the wastage that made mass media unattractive.

Communication with **existing customers** is different from communication with **prospective customers**. Existing customers might require e.g., help with a concrete business situation. Payleven addressed this through a **customer service department** that was reachable by **Email and phone**. A key benefit here is not only that customers are happier when their problems are addressed and continue using the service, but also that the company as a backchannel from its customers and can learn what questions and issues are top of mind. This is knowledge that should inform future product development as well as future communication (e.g. explain a feature proactively).

One particular **communication challenge** came up as a result of the **merger with SumUp**. Payleven and SumUp often were active in the same countries. It would be inefficient to keep both brands in each market. That means a decision had to be taken which brand to continue where and existing customers had to be informed about the switch. Fig. 5 shows the solution applied in Brazil where payleven was the stronger brand.

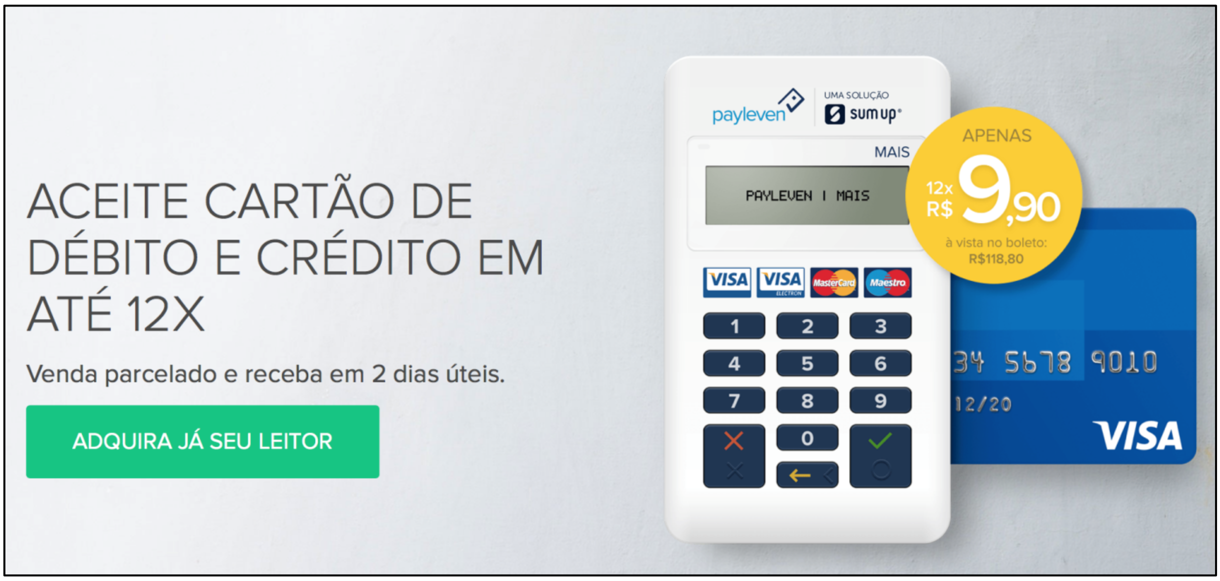

Fig. 5 Banner from the Brazilian homepage of payleven (payleven.com.br)

3.2.4 Key learnings

Of the many lessons that can be drawn from the payleven case study, three stand out:

- Beware of the **different, very often implicit expectations** your communication targets have – c.f. the case of investors whose view on how a startup should behave and perform was formed by experiences in a different industry, prospective customers expect you to solve a relevant problem for them, existing customers expect you to solve their problem, all of this is shaped by the culture and market your customers and investors are operating in, e.g., Brazil vs. Europe in terms of need for card payment.
- Carefully analyze what the **needs of your target customers** are and **communicate accordingly** to address them clearly and directly – payleven’s customers were not looking for a card payment solution, they wanted to get paid. Investors needed a clear vision on how they would get their money back.
- Spend **time, money and effort** on figuring out how to **target your customer segments most efficiently.** Do this in a structured process as e.g. outlined in section 3.2.3 for payleven. Wastage is expensive and while TV ads might “feel good” you need to measure their effectiveness to be sure you can manage your communication budget efficiently. However, don’t let the need to measure effectiveness and efficiency push you into allocating funds to a channel just because you have good visibility there. Just because you cannot measure it easily and directly does not mean a channel is inefficient. Give channels some time to work their effect. Talk to your new and existing customers. They are the most reliable source on what worked to win them over.

And, that might be the most important, general startup learning overall – although it might sound trivial (but it is not): **be prudent how and on what you spend your funding.** After all, most startups close down because they run out of money.

4. Learnings and Outlook

4.1 Systematic stakeholder analysis

The cases reported in this paper underline the **crucial role of proper communication** by startups **towards their stakeholders.** The cases as well as the literature review (chapter 2.2) clearly show that early stage stakeholders are typically as diverse as those of more mature companies. What is different in early stage companies is the **pace at which information needs of different stakeholders change over time**.

Consequently, **understanding** the **changing needs of your stakeholders** and **crafting the right communication mix** for each stage of a startup's lifecycle becomes a **key factor for success**, just like progress on the product, managing your burn rate and attracting the right talent.

Although not explicitly mentioned in current literature as a key cause for startup failure (see chapter 2.3), the cases demonstrate how a **poor communication approach** can substantially **diminish the startup's chances** of raising funding and of acquiring and retaining initial customers. By failing in only one of those tasks, a startup will have a hard time to grow the business and will eventually disappear from the market. Any startup will significantly increase chances for survival and growth by tasking **skilled and experienced communication experts** with the **creation and execution of a proper communication strategy** based on **stakeholders varying interests and needs** over time.

4.2 Differentiate communication by customers and businesses

We noted in section two (chapter 2.4) already that important elements of strategic communication can be systematized with the help of the questions **"who", "whom", "what", "how", "where" and "when"** (Bruhn 2015, p. 555). These questions are certainly helpful when structuring and designing any communication – as they are free, they should be a **key tool for anyone communicating for a startup**.

In section three, both cases recount examples for **improved communication,** once the communicators had noticed that they were addressing **different audiences**. Accordingly, the *whom* changed and required different content (*what*) and style (*how*) of communication. This is likely the **most important of these helping questions** and will be dealt with in greater detail in the next section.

The VIGOUR-case also illustrates the importance of *who* communicates. The tech-focused founders for whom the product was a very important element in the life at that time were convinced their presentation was clear, easy enough to understand and so on. Especially early on, during the first stages of a startup when a small team does everything, it is hugely helpful to find **someone who is not part of the founder´s team** and ask them to sell the product or pitch the company and watch them do it. This will likely **expose** the most important **misunderstandings and misconceptions** and allows for an adjustment in communication accordingly.

What and *how* to communicate depend of course on the first two questions. Furthermore it is difficult to overstate the importance of preparation of communication with these questions in mind. Clearly **developing and writing down** the **core message** is an important first step. It needs to **fit the needs of the communication target** identified when asking "*whom*" (Stähler 2015, p. 195f.). **Different people have different needs** as the payleven case clearly illustrates: the small merchants don't want a payment solution. They want a solution to get paid. Investors want a great investment case, one that returns their money with a healthy premium quickly and safely. So this example already illustrates why it will be **almost always wrong to just have one deck, one prototype, one pitch**.

Where and *when* are typically determined by the answers to the other questions. For **investor pitches** the **face-to-face meeting will be key**. For **customers** it can be **more varied**. The payleven experience suggests that it is impossible to know a priori which channels ("*where"*) work best to reach customers. So it is important to try out different approaches and carefully track and measure what works best.

4.3 Allocate expertise and budget to communication

The **ability to effectively communicate** as described above is **not a typical skill** that **early stage entrepreneurs** have. Unless one of the founders can cover this strategically important topic with both time and expertise, **getting professional help on board** is a sound investment in the future of any startup. As founders are often so consumed with the uniqueness and greatness of their product, it is hard for them to realize that they might not be the right person to craft key messages, systematically analyze key stakeholders and build a strategic targeted communication plan.

Getting **experienced communication professionals** on board should be part of any startup's roadmap to build a world class team. Looking at the product's key propositions, at interests of employees, at investors' information needs, at opportunities with the relevant press, etc. and how the communication mix needs to change over time, requires expertise and experts. This does not mean that **founders intensively communicating to key stakeholders on a regular basis** are not a must. Quite the contrary is true. But communication supported and complemented by a professional perspective through the lens of the respective communication targets will always yield clearer and more effective overall communication than what 'only' a founder's excitement and vision can deliver.

4.4 Recommendations for stakeholder specific communication

Based on the expert knowledge the authors gained within their respective startup, the following suggestions for communicating with the most typical external stakeholders during the early phases of a startup are given. Fig. 6 summarizes mainly the author´s ideas since only very few stakeholder specific clues turned up in secondary research. The idea of this list is to give startups a better understanding of the pitfalls in communicating with their stakeholders in question and to provide them with ideas on how to avoid them.

Early phase	External stakeholders	Possible communicative errors	Recommendations for communication
Seed	(Potential) investors	Failure to address potential match to investor´s portfolio and strategy Too much written communication, e.g. e-mail	Collect information on investors prior to providing any company details and engaging in any conversation Personal meetings to pitch your idea and team
	Business incubators/accelerators and their consultants	Stress the uniqueness of the product idea too much and the team and potential development during a program too little	Identify potential mutual benefits of a participation in a program and assess alignment of both parties' interest (what are they/we looking for?). Communicate with focus on common interests
	Awards and competitions/startup scholarships	Early nominations for awards that don't reflect any real achievements. Risk of a 'bubble'	Deliver something first (great project, great design, new product etc.), then get credit for it and let the world know
	Universities and other educational institutions	Intent of communication is often unclear (talent acquisition, association with R&D or academia, partnership, PR, etc.)	Focus on the 'why' a collaboration is valuable and what it delivers
	Media, influencers	Tendency to over-communicate. Most topics of startups are not 'newsworthy' to a larger audience, not even in a specialized channel	Make a long-term plan of what the world really needs to know along critical milestones of the company life cycle. E.g. a funding round as such is not news. A funding round to achieve a certain objective that matters to people outside the company might be news
	Potential customers	Communication focus on the greatness of the product, while neglecting the relevance for the customer	Put the value for the customer above all other communication elements. You either solve a real problem for the customer or help attract and retain customers, make more money, etc.
	"Friends and family"	Neglect of the sense of purpose ("why am I doing this"?) and not to forewarn of high level of necessary commitment when founding a startup	Especially when the founders social life suffers from building a startup, letting people know why you are doing this will help them understand the effort and risk you are taking upon yourself. Occasional company events with spouses/kids might help

Startup	Lawyers	Information that might be highly relevant to investors and customers doesn't help lawyers to provide value to the startup	Focus on topics that lawyers can relate to and can help with, like questions of ownership, protection of IP, privacy and use of data, contractual matters, risk mitigation and support needed around financial transactions
	Government organizations/ trade organizations	Lack of knowledge about information that is relevant for government purposes (tax, permits etc.)	Focus on sharing the information needed for the purpose (tax, subsidies, chamber of commerce, etc.)
	Competitors	Bragging about commercial success, USPs or high value customer acquisitions	The more successful competitors think you are, the more they will try to steal your success. Communication should ensure awareness of you development but not disclose too much detail
	(Potential) suppliers and co-operative partners	Vague communication about your needs and interests will lead to a flood of unfocussed and irrelevant communication	Be clear about what you need and what you might be interested in or not

Fig. 6 Typical external stakeholders, possible communicative errors and recommendations for communication in the early phase of startups

4.5 Direction of future research

When analyzing the current literature about reasons for failure of startups it was interesting to notice that explicitly communicative errors were not mentioned at all (see chapter 2.3). Here is an **academic void that needs to be filled**. Communication can fail in all three of the categories mentioned by Triebel and Schikora (2016, p. 240), cooperation, markets and marketing/sales. A **further examination of the contribution of failed communication to a startups collapse** within those categories and an analysis of the **reasons for these communicative failures** are topics the authors of this article suggest for future research.

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Schlüsselwörter

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