

CAPSTONE

HEC Entrepreneurs 2018 - 2019

Why and how to realize my first sales as an entrepreneur before launching my company?

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Key lessons and questioning

I. Why selling before the creation of your company?

A. Changing the way of thinking

Often the young entrepreneur thinks that if he shares his idea or talks about his product around him, someone will copy it and try to get to the market before him. Nevertheless, starting a business without having any return from the market tends to lead the entrepreneur to develop a product/service that does not meet the real needs of the market. It is therefore essential to prototype your project.

“Nowadays, you need to make sure that there is a viable market for your product or service and that it is well prepared to try it.” (Moosa Hemani, the huffpost, 2017).

Having regular contacts with the market allows you to make changes, to make it attractive to customers in order to create a product/service that best suits prospects.

It is essential to:

- Always try to give to the client the value he is looking for and not the value the entrepreneur wants to give.
- Building the offer by explaining to prospects the aim of the project and involve them by asking for their opinions and comments.

In addition, starting to expose your project may have the opposite effect to what is often thought, that is to discourage potential competitors. This will also allow the young entrepreneur to benefit from a kind of "first entrant bonus" and, as a pioneer, to position himself in a positive way with customers. (Sébastien Night, books for entrepreneurs, Marketing)

B. What are the advantages?

1. *Validate sales assumptions*

As explained above, comparing a project with the reality of the market remains the best market research that an entrepreneur can do. The various feedbacks from prospects and potential customers will make it possible to assess the extent to which the product/service is likely to interest.

This confrontation will allow on the one hand to validate the potential of an idea, to identify the strengths and weaknesses of the product/service and consequently, to make changes before the official launch. It will also help the entrepreneur to get a first opinion of the segment to target based on who likes or dislikes the idea.

Once the target is known, it will be easier for the entrepreneur to know which communication strategy to use, but also to know the most appropriate sales channels once the business is created: in stores, online, in markets, etc.

Generally speaking, the selling price of a product/service is fixed by several ways: according to the cost price attached to the design of the project, according to the competition but also according to what the target customers is willing to pay to acquire or enjoy the product/service. Comparing a price range to the market during the design phase will determine whether or not this price will be accepted by customers.

Based on all these data collected (penetration rate, prices, costs, etc.), the entrepreneur will be able to make its initial estimates of turnover for the future business plan.

The confrontation to the market can be achieved in different ways, by meeting directly prospects in stores, on markets or through social networks.

This concept is an experimentation procedure that allows to design, test, modify and improve ideas for products or services by going directly to meet customers. It can be applied to a start-up company as well as a company that already exists.

The book "selling blue elephants" (Howard R. Moskowitz & Alex Gofman) supports this idea by explaining with practical cases how to create great products before customers even know

they want them. The book is based on the principle of "rule developing experimentation" (RDE).

Example with Maxwell House, a company active in coffee sales: This example deals with an existing company but includes the launch of new products, which may be similar to the approach of a young entrepreneur who wants to develop a new idea.

Maxwell House's traditional method of choosing varieties to market was to use professional testers and tasters. The company was in difficulty in the 1980s due to changes in consumer expectations.

The traditional method had reached its limits, Maxwell House decided to proceed differently by going directly to the field and conducting a large-scale survey of many consumers. It turned out that consumers' expectations and tastes were completely different from those of the testers hired by the company. This research allowed the company to redefine the varieties of products it would market but also to redefine the target segments.

This method can be used for the launch of any product or service launch. Moreover, it is less expensive than a more "analytical" method and does not require a high level of expertise in a specific field, since it is the market that will define its own expectations.

1. Easy access to the first means of financing

This work does not go into the details of the different solutions available for financing start-ups but outlines the advantages of selling before starting a business in order to finance an emerging activity.

In general, a recurrent problem for start-ups is their limited or non-existent funding. It is often necessary to use external financing where investors play a very active role.

The start-up is also characterized by an extreme volatility of its economic assets and business model. As a result, valuation can be highly speculative.

In fact, the investor cannot rely on any past flows and must rely on his "flair" and on the speech of the creator (s) of the project.

Selling before starting a business allows start-ups who do not have financial means to have arguments to present when looking for funds, whether it is via pre-orders, a bank loan, an

investor, a business angel or something else. To convince investors, it is essential to be able to answer three questions: "how much do I need?, when do I need it? and why?"

Validation of some key elements of the project will allow to demonstrate that the idea works, that it has been approved, that there is a real market potential and that the concept meets a need.

1. Creation of a network

In the business world, whether in the creation phase or in the development phase, having a good network of contacts seems to be essential. This network of relationships will give the entrepreneur a better chance of getting out of a complicated situation. All meetings will offer the opportunity to challenge one's own ideas, which will lead to the improvement of the service or product offer.

The professional network can give rise to several forms of assistance for the entrepreneur. First, there can be a sharing of ideas, experiences and advice with entrepreneurs who have a similar background.

In addition, it seems useful to get known by professionals working in the same sector or in a complementary sector. It is indeed an opportunity to interact with experienced business leaders.

Then, meeting the right people at the right time will allow to make contact with future employees who have the necessary skills for the company's future development. In addition, partnerships with future suppliers or other stakeholders may be established.

To build a network, it is essential to be open-minded, attentive and proactive. The entrepreneur must go to events with business cards, discuss and exchange. It is important to identify the people who can really add value and maintain a long-term relationship by adding people you meet on social networks, sending them an email or making appointments.

2. The creation of a notoriety

Visibility is a major issue for a company. Developing its visibility is above all an opportunity for young companies to create a circle of trust around the brand and to prove its legitimacy.

Having the best product/service is good, but if no one knows it and no one buys it, it will be useless. Pre-launch tactics prepare the ground for the new company by establishing a base of potential buyers, getting known and creating desire. Moreover, word of mouth is often the best way to start an activity.

1. Creating trust

Communicate about a product/service before the company is created will play a major role in the perception that the population will have before they can even have it in hand. It is therefore necessary to build confidence for the consumer.

With a good reputation, the public has more confidence in the company and therefore in the products or services it delivers, which will increase profits. Reputation increases the company's attractiveness by attracting and retaining customers.

C. What are the disadvantages?

Contrary to what is said above, one of the disadvantages of this approach may come from competition. Start-ups are constantly in a position of innovation but they can quickly be doubled by competitors who can copy their ideas to develop it in their own way with more financial resources.

A second disadvantage is that there is no certainty. The entrepreneur communicates on his project but without being able to give an exact idea of the time for the creation of the company, the date of release of the product/service or the delivery times (in the case of pre-orders).

D. What are the risks?

1. Rejection of the project

If the idea does not find a market, does not solve a problem or a difficulty is encountered by the target, the project is unlikely to be viable in the long term. In fact, no plan is infallible and the first idea may simply not go in the right direction and not be as successful as expected. The risk is that the entrepreneur gives up.

In this case, it will be essential to perform a pivot. In short, a pivot is a change of direction in order to adapt or readjust the product/service to the customer's request and to propose an improved or corrected version. A pivot occurs when we realize that the initial idea leads nowhere. The important thing is to realize this, find the cause of the problem and react as quickly as possible. Sometimes even a minor adaptation can have a significant impact on the sustainability of a project.

During this period, the entrepreneur must remain attentive to trends and not hesitate to question himself. Therefore, recommendations, criticism and exchanges with others will help the entrepreneur to refine and improve his product/service.

1. Decreasing credibility

If the entrepreneur does not keep his promises when creating his company, he will lose credibility in the eyes of his potential customers.

It can sometimes be difficult to communicate or explain the idea of the project properly to interlocutors. This is why, from the outset, the entrepreneur must have clear and precise communication in order to avoid unpleasant surprises. If the project leader fails to communicate adequately, he risks destroying relationships with his customers or potential customers.

Companies can find themselves in unstable situations if their communication differs from their actions and if their image does not reflect reality. It is therefore essential to remain open to dialogue, to take into account the customer's opinions, not to be stubborn and to accept compromises.

II. How to sell before starting the business?

A. Where to start?

In traditional idea development thinking, it is not conceivable to sell or at least present to prospects a non-definitive version of the product or service being considered. However, in an approach such as that explained in this document, the project leader must not spend all his energy to absolutely produce "something" that is definitive, immutable and likely not to be accepted by the target(s). Instead, it is advisable to create what is called a MVP (Minimum Viable Product), which consists of a prototype version of the project. This MVP allows on the one hand to quickly reach consumer contacts and on the other hand, to take into account the needs of these same consumers to build the final product. The long-term objective is to reach the market with a finished product/service that meets the needs of the market.

It is always possible to offer your product free of charge in the first test phases as long as the sums involved are not too high. Similarly, when the entrepreneur wishes to develop a service, it is not in his interest to offer it free of charge because it will not validate the receptivity of the contract.

In addition, to achieve turnover, it is necessary to issue invoices and to issue them, it is necessary to have a VAT number and therefore to be either independent or a company. However, the objective pursued here is to avoid premature business creation while remaining within the law. In such a context, it is necessary to learn about the different possible methods for testing under the most realistic conditions possible.

B. In which legal framework?

First of all, the legislation in force must be respected. Generally speaking, in Belgium, as soon as there is a profit collected, the law provides for a tax. Currently there is no reference amount from which the activity is considered professional. If the Belgian citizen does not declare the income received through this activity, he is likely to be controlled by the FISC which can go back 7 years. As a result, it is exposed, on the one hand, to administrative fines and, on the other hand, to a tax that may be increased by up to 200% on the supposed profits. The criteria for determining fraud are mainly the time invested in this activity and its regularity (SPF Finance).

In addition, developing a regular activity related to the sale of a product or service requires being registered with the 'Banque Carrefour des Entreprises' (BCE) and having a VAT number.

1. Complementary activities regime

In Belgium, since 1 January 2018, there has been a supplementary activities scheme which allows anyone wishing to spend their free time on supplementary activities to earn up to EUR 6,000 per calendar year without paying tax or social security contributions. However, this scheme only concerns the provision of services and is restricted to three types of activities:

- Citizen-to-citizen services:
- associative work
- collaborative economy

Similarly, this special regime is only allowed for three categories of citizens:

- Pensioners who are not involved in this work.
- Self-employed persons in main activity provided that the additional activity (ies) is (are) not of the same nature as the worker's main activity.
- Workers who provide at least 4/5th. In this case, the project leader can keep his job and use his free time to sell his product or service as long as he falls into one of the three categories presented above.

To benefit from this special regime, he must declare his work to the ONSS¹ via the website provided for this purpose: "www.activitescomplementaires.be" and on which it is necessary to specify the category in which the work falls. Since 15 July 2018, all additional activities meeting the previous criteria must be reported using the online reporting tool also available on the website.

As stated above, the maximum income allowed per year is EUR 6,000² with a monthly limit of EUR 500 except in the case of sports activities for which the maximum monthly amount allowed is EUR 1,000.

In the case of artists³, Belgium has introduced the small allowance scheme (RPI). Thanks to this legislation, artists can receive remuneration capped at:

- 126.71 € in 2018

¹ Office Nationale de la Sécurité Sociale

² Amount indexed annually

³ The status of artist is defined by the Royal Decree of 26 June 2003

- 2,534.11 € in 2018

These amounts, indexed annually, do not have to be declared to the ONSS and are not subject to tax or withholding tax. In addition, this regime is limited to 30 days per year and a maximum of 7 consecutive days for the same principal. The website "www.artistatwork.be" was developed by the SPF Social Security and provides the necessary information for artists. As the legislation evolves over the years, it is advisable to contact the SPF or the ONSS to obtain the official information in force.

C. Through which channels?

1. *Face to face*

The so-called "face-to-face sale" is certainly the first method known since time immemorial and it is also probably the most energy consuming in terms of human resources.

Although with the advent of the Internet and e-commerce, this method tends to be outdated, it is no less interesting. Indeed, it is the one that most promotes customer contact and allows us to obtain some of the most constructive feedback. Of course it is generally not possible to reach as many people with this technique as through the web, but it is more a question of quality than quantity. In situations where the project is a product, it is always interesting to be able to present an MVP to prospects so that they can judge more objectively and make better comments.

Whenever possible, it is interesting to combine methods to diversify feedback.

It is important to note that each sector has its own particularities. For example, in the food sector, it is necessary to obtain information from the FASFC to comply with the legislation in force and the quantities that they allow to be distributed without having to declare production.

2. *Internet*

Today, the Internet has become a must in the world of entrepreneurship. When used properly, it allows you to gain visibility very quickly and reach a wide range of prospects, more easily and quickly than other more "traditional" sales channels. While the Internet helps existing companies to develop further, it also allows project leaders to test market receptivity, determine target audience, sales prices, etc. in a very effective way.

Today it is very easy to create a web page without spending money and without having specific skills. In this way, it is easy to test your idea through what is called a landing page. This landing page consists of the presentation of an idea, a concept, a product or other on a single web page. The latter is possible thanks to various online creation tools for those who do not master coding. Although there is usually a paid version of these tools, the trial version may be quite sufficient for the user, depending on his needs to test his idea. However, the paid version of these different tools should not be neglected because it obviously offers more possibilities and sometimes more serious rendering.

In general, a landing page is something relatively concise on which various elements can be found, some more important than others:

- the name of the project even if it is not final
- the description of the project, the idea whether in written, audio or video form. Depending on the target audience, this part should be adapted. For example, for a young adult audience, it is preferable to use a short video (+/- 1 to 2 minutes) rather than a written text.
- collection of standard data⁴: e-mail address, name, telephone number

This web page must be attractive, easy to use, suitable for smartphone screens, streamlined and clear.

Thanks to this inexpensive method, it is possible to challenge an idea, product or project by collecting a whole series of data such as:

- the number of visitors
- the average duration of page visits
- the viewing or not of a possible video
- the list of personal data encoded by the visitor

Depending on the type of tool chosen and the version (free or paid) used, the functionalities are different. In the event that the project leader chooses to use a free version, it is advisable to use Google Analytics to collect and analyze data such as the number of visits and their duration.

When it comes to a new idea, it is difficult to directly determine the right target. One possibility is to create as many landing pages as targets by adapting them to the identified persons. These different versions can be sent simultaneously or in different timings without

¹ Be careful to comply with the RGPD regulations. It is necessary to be properly informed on this subject.

neglecting a possible seasonal nature of the tested project. This method will make it possible to analyse the data more effectively and adapt the strategy of the future company according to the most receptive targets.

Through the landing page, it is possible to validate the pricing of a product or service. For example, a project involves the sale of a new model of electric bicycle. The project leader wants to test the market's receptivity to his product before really embarking on the entrepreneurial adventure. He does not have enough financial resources to build several bicycles, especially since he is not sure he can sell them. Through a landing page, it can offer visitors the opportunity to express their interest by pre-ordering a bike, by registering their personal details. Then, the project leader can contact potential customers to validate their interest. From this moment on, the steps can go very quickly, the number of reservations for the product will make it easier to build a financial plan and to obtain possible financing for the creation of the company. This example can also be applied to a project that consists of marketing a service.

D. Which partners?

1. Incubators

As Start-Ups are on the rise, there are more and more organizations and associations that help and support entrepreneurship. In both the public and private sectors. Many incubators promote entrepreneurship and provide project promoters with a very important network of resource persons. For example: Job'in, VentureLab, Step'entreprendre, Innovatech, WSL (Engineering Sciences)

The private sector is increasingly attentive to this entrepreneurial trend and the various players are developing their own systems to support start-ups, since they can be a significant resource for the company. This is the case of Décathlon, which has developed its own start-up incubator under the name of Alive. The entire network of the brand can then benefit young entrepreneurs in the making.

Another example is in Belgium, where the BESIX group has recently launched BESIX Start-Ups accelerator, a start-up accelerator in the construction sector. These private actors can be consulted to challenge the project and make it evolve.

2. Cooperatives

Thanks to the cooperative system, it is possible to be a "salaried entrepreneur", i.e. to sell without being registered with the Crossroads Bank for Enterprises. Indeed, the project leader who is a member of a cooperative such as SMart or DiES has the legal status of an employee but acts as an entrepreneur by invoicing his sales or work via the VAT number of his cooperative.

This is the case of SMart in Belgium. This cooperative allows cooperators to act as self-employed but under the status of an employee with all the advantages that come with it, such as guaranteed salary, sick leave and accounting management. When a person wishes to launch their project, they can contact the SMart cooperative, which will examine the viability of the project. It is important to note that at this stage, the project must be ready to be commercialized because the cooperative is not a Start-Up incubator. In terms of costs, the entrepreneur must first become a cooperator by buying a share (30 €/year). Then, SMart deducts 6.5% from the amounts invoiced excluding VAT.

The DiES cooperative also allows you to enjoy the status of "employee entrepreneur". It is based in Monceau-sur-Sambre but is active throughout Belgium. The functioning of this cooperative is essentially the same as at SMart, except that the employee only becomes a cooperator after 6 months of seniority.

Concrete examples

I. Erika Tacheová - Founder of Sauce Kapia

A. Her experience

Erika founded her company TACHE SPRL in 2018. Its activity is the manufacture and marketing of artisanal sauces based on peppers. Before starting her business, Erika was first incubated at VentureLab and it was there that she was advised to test her product to get market feedback. During the Christmas market in the Galeries Saint-Lambert in Liège, Erika offered passers-by the opportunity to taste her homemade sauce. In addition, she also distributed a questionnaire to them to find out about people's eating habits (in which types of stores they buy, how often, whether they like the sauce as an accompaniment, etc.) and the advice and guidance on the product tested. Thanks to this step, Erika was able to see that the interviewees wanted a spicier version of the sauce. This is how the product came in two versions, something that the young entrepreneur would not have considered beforehand.

In the B2B market, Erika contacted various stores to let them taste the product and get their feedback. Thanks to this approach, it was able to determine its selling price, margin and potential turnover. In addition, these companies have made other requests that could allow Erika to develop further.

B. Her advice

"It is essential to test the idea before starting your business! To be able to anticipate what will happen once the company is created. »

II. Tristan Parotte - Founder of Five Teas

A. His experience

Tristan's project started with the production of tea from the rhubarb in her garden. It was by introducing his product to his entourage that he came up with the idea of making it an entrepreneurial project. It was following his discussions with the people around him that Tristan produced cinnamon apple black tea that was a real success with his acquaintances. To validate the interest of this bulk artisanal tea, he talked about it around him and started distributing small quantities to people who wanted it. Over time, word of mouth has taken hold and more and more people are interested in tasting this tea from Liège.

In B2B, Tristan offered its product for tasting in stores or at food industry events. This

approach allows it to reach more prospects and the interest shown by them can enable commercial brands to identify the product's potential.

B. His advice

"You have to go, get started, go out in the field, talk about it around you and all the time. Always present yourself in the trial and error approach by insisting on the fact that you are there to meet people's needs and that, through their opinions, they can build the product. »

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