

# SUCCESS OF STARTUPS

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**Abstract:** *Startup is an innovative company with higher business risk and after a successful beginning is likely its rapid growth. Creating of startup is experimenting on real market to find the most appropriate form of needs satisfying or customer's problem solving. Innovative startup potential was analyzed by one successful and two new startups.*

**Keywords:** *startup, business model, innovation, Challengest, Sportimea, Vardoma.sk*

**JEL Classification:** *M13*

## 1. INTRODUCTION

The rapid technology development and “Internet fever” in the years 1996-2002 brought a large number of young companies, which were characterized two basic elements – innovation and exploring new markets. These companies are often marked as startups (or start-ups).

## 2. DEFINITION OF STARTUP

Startup's guru Steve Blank defines startup as “temporary form designed to repeatable and scalable business model.” [1] According to Paul Graham, startup is a company “established for fast growth.” But it does not describe whole complexity of startup. We think, that startup is young company, which provides service or sell products and meets the following three criteria: creates blue ocean, has high business risk and after successful beginning is likely its rapid growth.

## 3. SUCCESSFUL AND EXITING STARTUPS

There is no official startup's list in Slovakia. First try is on [www.startitup.sk](http://www.startitup.sk). This website is presented as a platform and the main medium of startup community in Slovakia. The main aim of our analysis is one successful startup Challengest and two new – Sportimea and Vardoma.sk.

### 3.1 Challengest [2]

In 2011, Andrej Wittner participated in the StartupWeekend project, where together with several young people developed business model called Studentive. At the end of the competition they won with this idea. Success has expanded and the team was among the winners of competition Start-up Awards and got a three-month internship in Silicon Valley. In January 2012, the partners fired Andrej. The firm continued in Silicon Valley and received few users, but never exited to the real market.

Andrej trusted the idea and decided to refresh business model and ask other two friend. They established the Challengest in February 2012. At the beginning, they had meetings from 6:30 to 8:30 in the morning and started to build their startup. Their business model solved problems of two groups – firms and students. Firms want to hire better employees. They used to receive hundreds of CVs and it is really difficult to choose the most suitable one. Students looking for job do not know, how to sell their qualities at recruitment.

The Challengest created platform and student database. If company looks for a new employee, creates with the Challengest a case study, which copy real problem or situation. The Challengest send notification to the students and they have few days to solve it. The winners get some prizes and material gifts. And company offers a job to the best solver. Challengest is nowadays financed by donors and also from the companies, which are involving in this project. Their main aim is to find quality employees and spend less money and time.

First client was Dôchodcovská správcovská spoločnosť (DSS) Poštovej banky. Students made mystery shopping and rate the sellers. Afterwards students evaluated the informations and suggested improvements. Other clients were Microsoft, Eset, Dell, Erste bank, HP, Trend, Martinus.sk, Absolut vodka and other.

### 3.2 Sportimea[3]

Sportimea je simple and central reservation tool for finding and reservation sport places. The idea came from one of the founders, who came to yoga and the lesson was cancelled. The next they she came to the other lesson, which was full.

The founders suggest to eliminate tickets, plastic card and club cards. Application is on website and in smart phones. After reservation and paying, the customer gets QR code, which he shows by entrance. This platform can help the sport places and increase revenue. It is also good marketing tool. The main aim of Sportimea is to connect sport communities, promotion and publicity of sport.

### 3.3 Vardoma.sk [4]

Young people 10 hours a day in their jobs. In addition, they want to eat healthy, trendy, in good quality and low price. Because of the work They are too busy. Vardoma.sk brought new solution at the beginning 2013. The basic idea is delivery of fresh products with recipes. The Company promises also Unique products.

The recipes are changed every week and are simple and suitable for beginners. Eva Fischerova, who studied Health management at the FH Joanneum Austria University and is nutrition expert. Food are bought in Austria.

Vardoma.sk is a subscribed service and can be changed 5 days before delivery. After ordering at [vardoma.sk](http://vardoma.sk), the products are delivered every week directly to the home of

customer. The price is from 5 euro per meal and is available in Bratislava and surroundings.

#### 4. DISCUSSION

We define startup as a new company and has free characteristics: create blue ocean (fullfill empty market space), penetration to the market is highly risk and after successful exit is likely the exponential growth. In the next text we analyze these free characteristics in three companies. In the successful one we analyze, what was the principle of success and in the new companies we predict the potential.

Challengest is unique, because connects social aspect with business. It substitutes mission of schools and discovers talents. Despite the positive feedback from students, the startup has no place at universities in Slovakia. The success is in simplicity and easily communicative idea – interconnect students with companies. The main processes are in these order: explaining Challengest to a company, creating real case study suitable for the work place, sending notification to students about competition, collecting solved papers and send it to client. Revenue streams are from donors and from clients. We think, that this business model will not work. The next Challengest should be aimed also to people after universities. The other problem is, that this company does not know how to perfectly create and analyze case studies and that is why we think that Challengest has just small competitive advantage. Their team should focus to professional creation and analysis of case studies. If the company will not do this, we predict decrease and sequential destruction or transformation to the NGO.

Sportimea is the only firm, which connects fitness and sport centres by unique system. Customers can really easily

find and reserve place for training, in term and place, which is suitable for them. Dynamic of daily work makes impossible to long-term sport planning, because employees do not know, which changes came during the whole day. Platform works in real time and views actual trainings and free places in one place. System has potential becomes the only platform for sports. The question is, if the platform will be so strong to catch and cover the main players in the market.

Vardoma.sk as the other two start-ups is based on the time lack of busy people. Company creates solution, when customer gets not only products, but also recopies, and the whole service – delivery to home. Despite, that it is interesting concept, it is not suitable for mass, but we think, that for the small (disadvantaged) groups – disabled, sick or old people. People in Slovakia do not used to buy these kind of services. And the other thing is, that the biggest player in the market – Tesco, has delivery home service for the symbolic price and the service is still not used in mass.

#### 5. CONCLUSION

The main aim of startup is to explore new spaces and create products, which are maximum suitable for customers. The most start-ups fail, because do not know, hot to deliver product or service to customers, do not know to present their ideas to investors and the main problem is, that they do not know to find revenue model.

The basis for success is to test product in the real market. No survey can substitute the real reactions of customers. That is why start-ups are used by big companies (for example as spin-off projects) and they test by them the new product or service. In our opinion, the ecosystem of start-ups will be improving and becoming ordinary part of business.

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