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HOW TO RAISE $40K IN 40 DAYS

BUDDY FUNDING

By Logan Merrick & Niels Van Hove

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FOREWORD

In the last 5 years, the mobile app development industry has gone from zilch, to a multi-billion-dollar industry. And with over 1 billion smart phones world-wide we are now sitting on the greatest opportunity that has ever been.

You probably missed the property boom in the 90's and your father will tell you about the killing made in the stock market in the early 80's. Heck, your grand-father's grandfather may even have experienced the Great Gold Rush of Colorado! But one day you will tell your children and grandchildren about the great mobile app boom of the 21st Century.

Welcome to the mobile revolution.

Angry Birds made $10 million in its first year. Facebook, valued at $100 billion, acquired Instagram for $1 Billion dollars then put in an offer for Snapchat, for $3 billion – which was REJECTED – all in the same year. But these are only the stories we hear of…

There are hundreds of app businesses being bought up by the large conglomerates like Google, Zynga Games, Yahoo, etc. looking to monopolise the technology industry.

This could potentially be one of the greatest stories your children will ever hear.

The question is will they hear it from you?

INTRODUCTION

This publication was written from the personal experiences of Niels Van Hove and Logan Merrick. The examples used within this book are real examples from the lives of the fore-mentioned. $40k in 40 Days is about inspiring individuals to act on their ideas and make them a reality.

Just about everyone has a good app idea, yet:

- Only 1 out of 100 people will ever write it down.
- Out of those, 1 out of 10 will make contact with a developer.
- 1 in 10 of those people will follow through on developing their app idea and launching it to the App Store.
- And according to the latest stats on app success/fail rate, out of those few individuals, 6% will build an app business that thrives.

There are two lessons in this story:

1) If you follow through, you have a great chance of succeeding;

2) Stop thinking that everyone is going to steal your idea! 1 in 10,000 people will ever follow through on their idea.

CONFIDENCE

'Confidence' often plays a key role in whether a person will or will not take action on their idea. In app development this lack usually boils down to two factors:
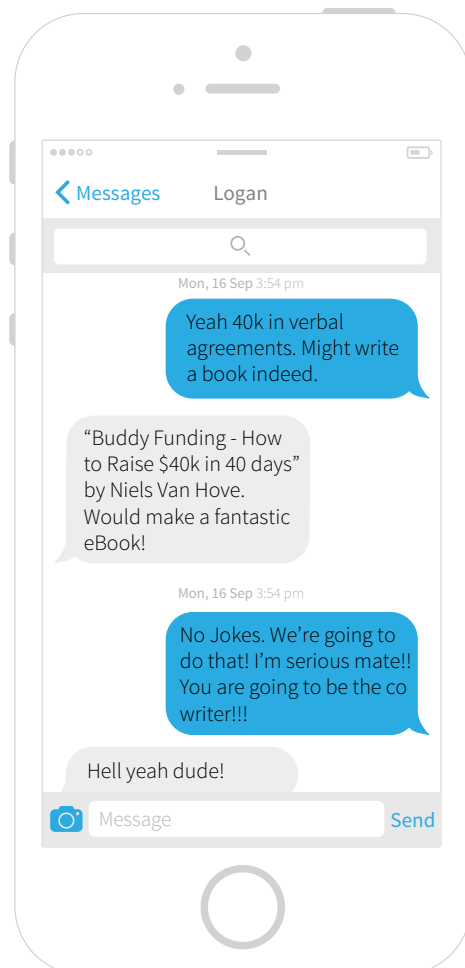
1) A lack of confidence in your ability to 'execute' on an idea, and;

2) A lack of confidence in 'funding'.

$40K in 40 Days challenges this paradigm by inspiring individuals to realise that the funds are out there, you just have to find it. There are many different strategies and approaches for raising funds. This is one way that works.

We aim to walk you through the steps on how we made it work, so you can go out and chase your idea. Now you might ask; 'did it really take 40 days?' Well…close enough to call it $40k in 40 days and that's a pretty cool title huh?

Oh and why did we write this publication? Similar to what we said above. You can sms, talk and think about it, or you just do it.

We decided just to do it!

Messages   Logan

Mon, 16 Sep 3:54 pm

Yeah 40k in verbal agreements. Might write a book indeed.

"Buddy Funding - How to Raise $40k in 40 days" by Niels Van Hove. Would make a fantastic eBook!

Mon, 16 Sep 3:54 pm

No Jokes. We're going to do that! I'm serious mate!! You are going to be the co writer!!!

Hell yeah dude!

Message   Send

ABOUT THE AUTHORS

Niels Van Hove

Before founding Realsome and becoming an entrepreneur in the app world, Dutch born Niels had over 15 years of experience in systems implementations and business planning.

He owned his own company in London and worked as a consultant and business manager for a number of multi-billion dollar companies in the FMCG industry in 10 countries. He is an author and speaker and is currently based with his young family in Melbourne.

Over the last 3 years he gained experience in behavioural models that support constructive change.

Using this knowledge Niels aims to differentiate the social experience and take it away from the linear 'single-LIKE' that has become the norm. And he aims to do so through his disruptive mobile tech start up, Realsome – The Real Social Me.

Logan Merrick

On the date of publishing this book, Logan has been involved in the design and development of over 60 major mobile app projects, working with Smart Startups and Industry Leading Companies.

His work has been featured in Digital Marketing Monthly, Money Magazine, Prime 7, Business Insider Australia and iPhone Life Magazine, among others.

Logan is the co-founder and Marketing Director of Buzinga – an Australian Leader in Mobile App Development – with a focus on creating breakthrough mobile experiences and world class technology.

THE FUNDING CHALLENGE

Every day we read about new tech start-ups that have managed to raise $250k - $10m in investment to fund the growth of their company. Which is all well and good if you're company is at Start-up Level 3. But what if you're just kicking off?
We all have the same challenge.

To raise significant cash you generally need a proof of concept. A "Minimum Viable Product" to prove that your product works – whatever that may mean to your investors.

The problem is, to get an MVP product to market you may need initial investment funds to invest in people who have skills that you don't, across a number of areas:

- Marketing;
- Business development;
- User experience;
- Graphic design;

- Technical;
- Human resources;
- Administration;
- Ect.

In the early stages you'll have to wear most of these hats but at some stage you'll need to hand the reigns over to an expert so that you can get out of their way and focus on your own strengths.

Stepping back again, the very first thing you need is the funds required to build the first version of your app – to test your concept against a live market and gain 'proof of concept'.

Proving a concept could mean that your app's revenue model is profitable. Or perhaps your app has a large volume of up-take among smartphone users and you need another injection to take it to the next level. Either way, a big investor will need to see that they will be getting some 'I' at the end of their 'RO'.

BUDDY FUNDING

In order to reap benefit from the content of this book you're likely to be in a position where you are an individual or a small group with limited funds, looking to build a business around a mobile app. You have a steady job and earn a decent living but you're keen to venture out and 'shake-the-tree'.

The fundraising system that Niels created is based on raising the funds from within your own network of 'non-Venture Capitalists' or any other investor title. It was appropriately titled 'Buddy Funding' for a bit of a laugh. And the name stuck.

The concept is based on collecting micro-investments of $2.5k - $5k average per person (more if possible of course). So the overall outlay per person is smaller making it an easier decision to invest in a high-risk concept.

Just be sure to check if there are legal implications on crowdsourcing in your country. In Australia for example, if you exceed 20 investors, there are legal implication and that requires spitting out more formal accounting and reporting for your business. For this reason you might want to stay below a legal threshold of micro-investors.

The attitude Niels took with him into conversation with potential investors was sharp but relatively casual:

"If we don't make it then it's really no big deal? But if the app takes off – we're all laughing!"

It's much less of a 'sell' than it is a conversation between friends. We'll talk you through the steps Niels took to make his idea happen.

You've got an idea right? So what's next? Putting pen to paper is the best place to start with specifying your ideas. There are a number of important factors you must consider when detailing your app requirements. Don't get caught up in how you want the app to look, that's what designers are for. And don't get too caught up on the technical side either.

In fact, the first thing you should consider is 'what is the most valuable function of my app?' Where will my users derive most of the value? How does it help them? What problem does it solve? What improvement does it make to an existing product?

Getting these details down will pave the way for other functionalities.

The most likely questions you will get about your idea is; 'so what makes this different to what's already out there?' or 'why should I use this and not App-A or App-B?' Make sure you can answer that with a confident smile on your face, because you knew the question was coming.

Consider these questions in detail:

WHERE DID THE IDEA COME FROM?

What issue did I have, or what problem did I see that lead me to creating this solution in my mind? A mobile app is often a solution to a problem "There must be an app for that." Sound familiar?

STEP 1: DEVELOP YOUR IDEA

The Realsome idea came from the fact that Niels didn't register with the fact that you can only 'LIKE' pictures/comments/etc. on other social networks. His niece one day posted a picture of an abandoned animal on Facebook with the comment; 'LIKE this, if you're against animal cruelty'. You've probably seen these types of posts. "What the heck?! What if I feel disgusted or angry about a picture?" Niels didn't want to 'LIKE' that post because he didn't LIKE it. And so the idea of sharing and accurate feelings and emotions was born.

WHERE IS THE CORE VALUE OF THE APP?

What makes this app better than other apps in the same field – a strong point of difference breeds life to a number of important assets in your business, including your USP (unique selling proposition) imperative in the marketing of your business.

On top of normal photo sharing, the Realsome app provides the opportunity to track emotions over time so the user can track the mood on certain posts. This functionality is available in personal mood or emotion trackers, but not in social networks.

Another differentiator is that Realsome wants to do social good. "It's written in our company constitution that a percentage of advertisement or earnings will be donated to social causes."

This notion was totally non-existent at the time in mobile social networking.

WHO IS THE KEY DEMOGRAPHIC?

Who are the core beneficiaries of your app? What do they want? Can you identify them by age, employment, level of income, interest group, etc.? A big mistake that people make is they think that "Anyone and everyone with a smartphone" is their target audience. There's no such thing as 'perfect marketing', only 'targeted marketing'.

Not EVERYONE will see the value in your app, unless of course it looks like a puppy, prints hundred-dollar-bills, creates world peace and gives you a foot rub all whilst pouring you a perfect cup of coffee… and even then not everyone likes coffee.

For Realsome, Niels thought long and hard about the key demographic and… can only partially answer it! "If you can, that's great. If you don't, like me, then realize that you can't get everything right at the start, but keep thinking and talking about it."

FIND A BUSINESS PARTNER/DEVELOPER

A developer may or may not invest into the company. It is a good thing when your business partner has some skin in the game, but it is not a must. Either way can work with the right team. Remember, this is your strategy and the developer has their own.

What is important when looking for a developer is finding a team with the perfect combination of passion and capability. A team where you feel that 'click'.

Capability: A mixture of experience and ability where the developer has proven that they can create an app of this nature.

Passion: That secret mixture of mojo that pushes an individual to go over and beyond the call of duty to deliver.Still make sure to get your 3 quotes and be clear on what you're going to get. Think like a business and pay attention to:

- Scope Documentation, wire-framing and technical specification, Make sure this is perfect before going into development.

- User Experience & User Interface design. If the app isn't intuitive and extremely engaging then people won't use it.

- Programming. Get details on the back-end.
  This is where a lot of apps fail.

- Systems & Integration testing. Don't go to market with a buggy app. Iron 99% of it out before launch and make sure you're covered for bug-fixes for at least 90 days.

- App store approval process. You should ensure that your developer will help you get the app on the App Store.

Go by gut instinct and move on if you smell a rat.
Make sure you check references.

TALK…TALK AND TALK SOME MORE ABOUT YOUR IDEA

You should be selective about the people you speak to. But in order to hone your idea you need to speak to a lot of people in and out of the industry. Get feedback. Because a good idea takes time to mature.

Try to get as much feedback as you can from your target audience. They will tell you what they want to see.

Niels worked on the Realsome app for over 12 months before taking it into development. This isn't the required amount of time for an app to 'brew' but that's how long it took for Realsome to…mature.

In fact, Niels and Logan met 20-30 times before taking the app into development. At each meeting they added and removed features until the concept was at a point that they finally drew the line of productive vs. procrastination. Remember it is important to remove stuff and stick to the core.

"We took out a lot of functionality that was cool, but it simply wasn't part of the core of Realsome."

Just remember KISS: Keep It Simple Stupid. It will pay off.

Apps that do everything under the sun never get very far. "I've come across people with ideas to make an app with a core feature, which was really awesome. But they add features that 'could be nice' and it becomes more like a Swiss Army Knife than an app."

Mobile apps are meant to be simple. The more you put into it, the more effort the user has to put into using it.

An app of all trades is a master of nothing– make your app the best of its kind.

And that's not to say that you can't make changes to the concept at a later date. But you should have at least 99% of the concept clearly documented by the time you go into development.

UNDERSTAND THE BASIC COSTS

Get and understanding of how much the app is going to cost to develop. Of course do some benchmarking and check around if that quote is ok. You need to understand the cost to develop the app but also the costs like:

- Setting up your company
- Drafting up shareholder agreements
- Building a website
- Data storage
- Promotion

Building the app will be by far your biggest cost, but you need to understand how much it will cost you to keep it live and maintained for a year or however long you think is right.

If your app is data hungry, make sure you get informed on the possibilities of a dedicated server. This makes things faster and slightly easier to manage. Services like Rackspace and Amazon are well known, but also have a look at BalticServers. For a 90 Euro a month, you have a dedicated server with 12TB monthly traffic (in + out) and you can always buy additional traffic on top of that. Keep track of your data usage, because exceeding your usage unplanned will cost you 7 euro for 1TB, whilst 20TB planned additional data cost 36 euro a month.

You want to get some idea around marketing costs as well. Because marketing is an essential part of launching and driving any business (mobile or not) so you need to ensure the investors that you're not just going to develop an app and let it sit on the app store…

Get an understanding of the key investment strategies available today. Here's a list of the Top 10 App Marketing Strategies used by big brands

http://www.buzinga.com.au/buzz/top-10-big-brand-app-marketing-strategies/

VALUE YOUR IDEA

Soon you're going to ask people to pay money to develop your idea. So how much is your idea worth?

Based on an understanding of the costs to get your idea to the market you can value your idea. Just understand that if you ask $2.5k for a 2.5% stake in your business (that doesn't exist yet), you value your idea at $100k. So that thing you have been thinking about all this time is all of a sudden worth $100k!

A weird thing but that's how it works.

Make sure you keep a big chunk of the company yourself at the start - if you need $50k to cover your costs for the first year, you can keep 50% of the company yourself and sell the other 50% for $1000 for every 1%.

STEP 2: THE (BUDDY FUNDING) INVESTOR GUIDE

Once you have good idea of the costs and the value of your idea, you can move to the next step.

It's important that you get your investors on board when the idea is 90% there. That's when you'll need to formalise your investor guide. The investor guide was the tool/document Niels used to show potential investors what the opportunity was.

Niels put together the Investor Guide 3 months prior to finalising the app concept. But made sure that the app idea was at a point where it was easy to explain the core value to potential investors.

THE BUDDY INVESTOR GUIDE

The IG (Investor Guide) played the role of formalising the conversation Niels had with potential investors. It doesn't have to be pretty, but it does need to be exact. And there is certain information the investor guide needs to cover. The sections that need to be specified in the IG are (in no particular order):

INTRODUCING THE DEVELOPMENT TEAM

The investor guide needs to stipulate in relative detail who the team behind you app is including:

- Project management
- Business Analyst
- Design (User Interface & User Experience)
- Programming lead
- YOU

The investor will want a brief history of each person. They will need to understand their expertise; why you have selected each person for their individual role and what methodology you used to ensure that these people are the right people for the job.

Try to put yourself in the shoes of an investor – they aren't investing in a mobile app, they are investing in a vision and the people who stand by that vision. So they will want to make sure that the team you have chosen are more than just 'suitable'.

At the same time, you need to put a lot of thought and energy into making sure that the people you are employing are going to be able to pull it off. Your name is on the line here.

THE INVESTMENT STRATEGY

In short, this explains the benefits of micro-investments to the investor.

The benefits are clear: It's a low barrier of entry and almost anyone can get involved with a smaller, more manageable commitment. This makes it quicker and easier to get involved.

Everyone involved get to learn about the app development industry which is exciting in itself.

Overall, it's a high-risk investment opportunity (and you should be very open and honest about that) but the small commitment makes it more of a gamble than an investment with a huge potential pay-off.

RESEARCH

You need to look into your competitors. That means download apps, identify their strengths and weaknesses and define your point of difference. Download other apps to get ideas. Realsome got ideas from a wide variety of apps. News apps, social apps, a political polling app, games, you name it. See what works for you as a user and what you like to incorporate in your app. You think Facebook makes everything up them selves? Steal with pride!

"We have always been shameless about stealing ideas."
– Steve Jobs, Apple

"Good artists copy, great artists steal." – Pablo Picasso, Artist

You really need to know your product inside and out. You should be very clear on why it will make a difference and WHY it will be a hit. Once again, think about your user and your target audience. The more you know about who you want to serve the better you will be at accommodating them. This will make your investors more confident in that you know what you're doing and that their money is going to be well spent.

MOBILE INDUSTRY RESEARCH

You need to know the industry. You have to understand where it's going and how that may affect your app.

Take some time to look at mobilestatistics.com to keep up to date on mobile stats. Also subscribe to TechCrunch.com & Mashable.com independent news sites to get the latest scoop on the tech start up world.

STEP 3: GO OUT & GET THEM (INVESTORS)

At the stage of locking down the money the concept only needs to be 90% complete. But your IG should be solid. You need to know how much your app will cost so that you can begin to talk about cost. Essentially giving your investors some idea of how many people you will need to speak to, etc.

THE MENTALITY

You have to have certain beliefs and a level of confidence in yourself in order to convince people that you are trustworthy and can produce the result that you say you can.

You need to wholeheartedly believe in your app idea and sell a passionate story. Of course that's not to say that you can't have your doubts at times. Everyone has their moments, even the big guys like Richard Branson have admitted to feeling doubtful at times. But you need to have the energy, enthusiasm and passion to bounce back.

You will if you really believe and your investors will see that believe.

Be honest and up front about the risks involved. The app is more likely to fail than it is to succeed. Just telling them that build trust. You also need to make sure your investors know that this is not a get rich-quick scheme. Enter with a long term perspective and don't expect it to pay off immediately. After all this is a business and oftentimes it takes months before you start making a profit. But hey, they buy a percentage of a new exiting company. An investment they can talk to their friends about.

Equally, you need to be patient with your investors. Not all of them will hand over the money or agree with you immediately. Don't try to close them in the first discussion. Introduce them to the idea at first and make a time to properly show them what you're working on. Some might take time. They will talk about their mortgage, their kids going to private school or that expensive holiday. But you can see it deep in their heart when they are exited and they want to join you on your journey.

The first few investments might be a little slow but because of the sheep-like nature of human beings, the last few investments will be much easier and will require far less effort to sell. Niels found himself capping his quota early.

THE INVESTOR

Just the same as you need to hone down on your ideal prospect for you app you also need to establish a 'target investor'. Ideally you only really want to take in people who aren't going to break-your-balls every 5 minutes that something is left overdue. This is the tech world, crap happens.
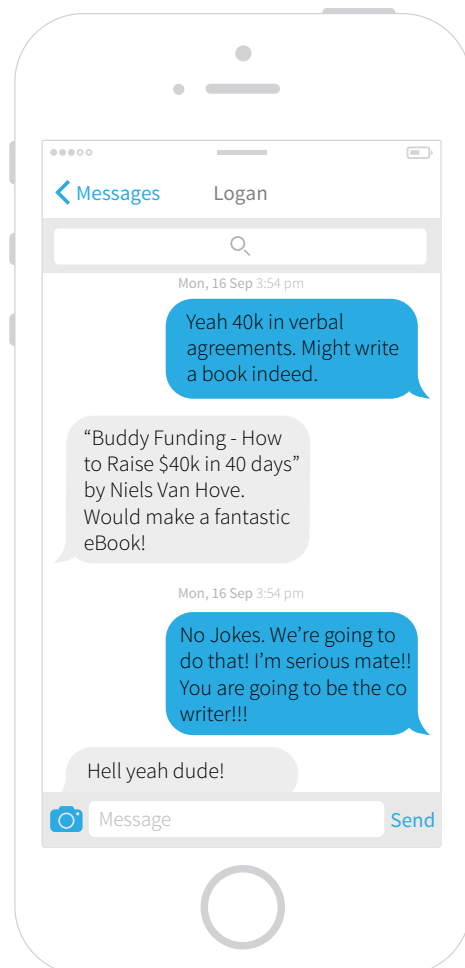
Your target investor will vary to some degree from app to app but in general you want to look for people who fit this category:

- Medium to high double income.
- Husband & wife.
- 30-50 years.
- Established career.
- Secure.
- In for a punt

These people won't have a problem with laying down a couple of grand for a good idea executed by someone trustable. Start making a list of the people within your network who fit this description and begin to keep an eye out for people who could potentially invest in your project outside of your circle of friends.
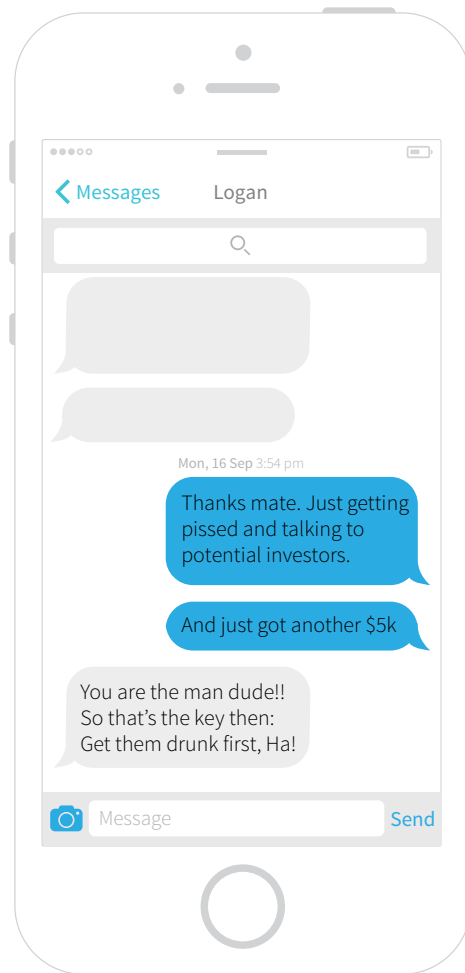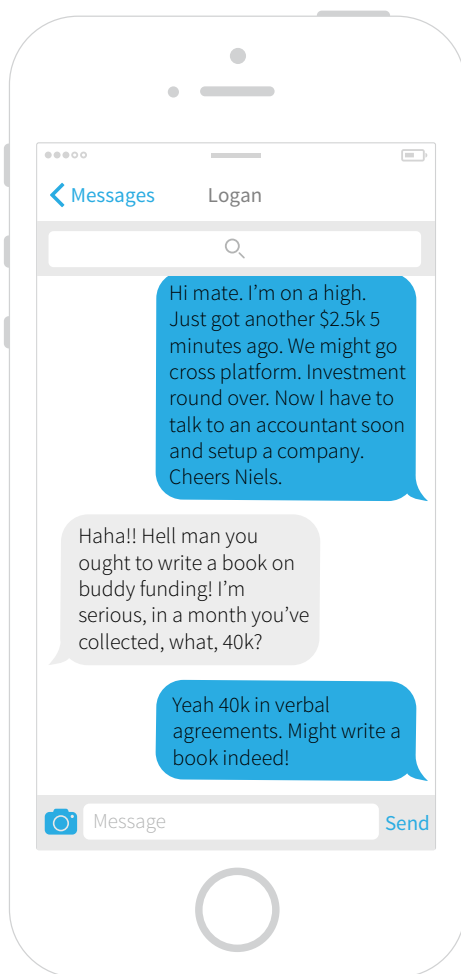
Niels first investor was his mother. When he told her that he was thinking about developing an app and might have to look for investors, his mum said: "I'll invest". When he then told his mum that she didn't even know or understand what the app was about she said: "Well I always knew you would invent something, so I'm in". Don't we all love our mums!!!

Another investor Niels met at a wedding. During the dinner Niels told the story on Realsome and how it will bring more emotion to social networking. The investor was sold and wanted to put in $2.5k on the spot.

Logan

Mon, 16 Sep 3:54 pm

Yeah 40k in verbal agreements. Might write a book indeed.

"Buddy Funding - How to Raise $40k in 40 days" by Niels Van Hove. Would make a fantastic eBook!

Mon, 16 Sep 3:54 pm

No Jokes. We're going to do that! I'm serious mate!! You are going to be the co writer!!!

Hell yeah dude!

Some hard work was done in the bar with his mates as well. On a Friday night catch up after a couple of beers his first mate signed up, the second one was still hesitant but came back a month put his share in.

Now we're not saying you have to get your investors drunk. We're just saying that a couple of beers don't hurt when you run your sales pitch!

> **‹** Messages   Logan
>
> 🔍
>
> Hi mate. I'm on a high. Just got another $2.5k 5 minutes ago. We might go cross platform. Investment round over. Now I have to talk to an accountant soon and setup a company. Cheers Niels.
>
> Haha!! Hell man you ought to write a book on buddy funding! I'm serious, in a month you've collected, what, 40k?
>
> Yeah 40k in verbal agreements. Might write a book indeed!
>
> 📷 Message   Send

> **‹** Messages   Logan
>
> 🔍
>
> Mon, 16 Sep 3:54 pm
>
> Thanks mate. Just getting pissed and talking to potential investors.
>
> And just got another $5k
>
> You are the man dude!! So that's the key then: Get them drunk first, Ha!
>
> 📷 Message   Send

Investors can pop up anywhere. During the summer break, one investor agreed to put in $5k when Niels was running his Realsome story at the beach. "It's an awesome feeling when somebody promises you $5k whilst you're standing there with your feet in the water and a cool breeze blows through your hair."

And so the messages between Logan and Niels went on until we found $40k in verbal agreements

'Verbal agreements" doesn't mean 'Cash'. That's the next step…

STEP 4: GET THAT CASH

Before you can get the cash, you need to show your investors you're serious about your idea and you want to handle it in a professional way. So get the serious stuff done!

INCORPORATE YOUR COMPANY

Make the company legit. Get it on paper and divide the shares to each of your 'paid' investors. Get the legal docs drafted up by a lawyer/accountant. This in itself adds a certain level of credibility to the whole pitching process. We don't want to bore you too much with legal document, but they are important. Some of the legal docs include:

Company constitution: Get it on paper
Shareholder agreements: a contract between you and your shareholders
Terms sheet: a brief version of shareholder agreement
Application for shares: the formal request from your investors to ask for shares

Do some research yourself and read through some of those boring documents. To get a feel for it, we had a look at www.startmate.com.au and got some examples of a term sheet, constitution and shareholder agreement. We then contacted an accountant to set up a company. The accountant advised on a lawyer to set up the shareholder agreement.

You can incorporate your company online through sites like www.incorporator.com.au which is much cheaper than an accountant. It will be harder to tune your wishes. For shareholder agreements you can post a job on www.elance.com, which will be cheaper than when you meet a lawyer face to face.

When settings up a shareholder agreement make sure you hold the power to 'make decisions' without first having to run things by the investors because you need to be able to act fast. You don't have time to wait approval all the time. In the end, the strategy is micro investment so no investor holds a significant share of your company. Most of them will be ok with this. Get them to sign the dotted line.

SET UP A BANK ACCOUNT

Your investors need somewhere to deposit their cash, and your personal bank account doesn't paint the whole concept in a very good light. Set up a separate bank account under your apps business name. A small percentage of your potential investors might still drop off at this point. That mortgage you know? Everyone is walking their own path and not all of them can come with you on this journey. That's ok.

GET THE CASH

This is the sweet stuff. See that money flow in to your company bank account. You'll feel like a hero. And you are! But this was the easy part. Now the app development and managing your investors starts!

This publication was written from the personal experiences of Niels Van Hove and Logan Merrick. The examples used within this book are real examples from the lives of the fore-mentioned. $40k in 40 Days is about inspiring individuals to act on their ideas and make them a reality.

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THANK
YOU