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PROPOSAL FOR DEVELOPMENT OF STRATEGY OF START-UP COMPANY

NÁVRH ROZVOJE STRATEGIE START-UPU

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Abstrakt

Hlavným cieľom tejto bakalárskej práce je navrhnúť strategický návrh pre start-up firmu na základe komparatívnej analýzy strategického chovania vybraných firiem. Práca má tri základné časti. Prvá časť je teoretická, ktorá vysvetľuje pojem start-up a metódu, ktorá je použitá v ďalších častiach práce. Analytická časť sa zaoberá identifikáciou kritických faktorov a ich vplyv na vybrané firmy a identifikáciu fázy v ktorom sa start-up Avatar práve nachádza. Tretou časťou je návrh riešenia, ktorý obsahuje špecifické kroky pre budovanie strategického plánu, ktoré sú založené na komparatívnej analýze firiem a majú podobné správanie na trhu.

Abstract

The main aim of this thesis is to suggest strategic proposal for the development of a start-up company on the base of comparative analysis of strategic behaviours of chosen start-ups. Thesis is divided into three parts. First contains theoretical review of a problem, which explains what start-up is and what method is used in the other parts of the thesis. Analysis of contemporary situation contains identification of critical factors and how they affected the companies and identification in what stage the social media platform Avatar currently is. Proposal of solution contains specific steps how to develop strategic plan based on comparative analysis of companies and have similar behaviour on the market.

Kľúčové slová

Start-up, podnikateľský plán, stratégia, strategický plán, sociálna platforma

Keywords

Start-up, business plan, strategy, strategy development, social media platform

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Declaration/ Čestné prehlásenie

Prehlasujem, že predložená bakalárska práca je pôvodná a spracoval som ju ja sám. Prehlasujem, že použité citácie sú úplné a že som vo svojej práci neporušil autorské práva a súhlasím so zverejnením mojej práce na internete.

I hereby declare that this bachelor thesis was made solely by me. I have properly cited and acknowledged used theoretical knowledge and information. These references can be found in the list of references and I agree with publishing my thesis on the internet.

Brno, 13 April 2021

V Brne, 13 Apríla, 2021

podpis studenta

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Introduction

We live in a world, where new businesses are constantly introduced with the intention to succeed. However, it can be very demanding to make the business a success. When creating and trying such thing, you will have to think of every aspect, which is needed to make your start-up successful.

Start-ups is very interesting word in today's society, it might be said that it became a trend in this technological century. There are so many start-ups, that only a small number of them can become a recognisable company and start making a profit. It is very hard to maintain the pressure on the market. There are so many threats you can encounter when developing your business ranging from legal, customer satisfaction and competitor point of view.

There are so many popular stories of start-ups. They are full of emotions and they talk about how the business was operated. We can tell by analysing the information given if the start-up was being operated in a proper way or it was not developed good enough to be able to compete and operate in very demanding environment.

Gaming industry has incredible growing force nowadays. More and more people are watching esports and starting to play games. There is no doubt that the gaming industry is becoming one of the most profitable industries in the world. It would be a pity not to take advantage of this gigantic opportunity.

One of the start-up companies realised this advantage and established a social media platform called Avatar, which is currently in its very early stage and is trying to learn how it can improve and how it can maintain competitive in this huge industry. One of the ways is to learn from the previous social media platform and how they succeeded in their mission or what were their biggest mistakes, which meant their failure. On the other hand, strategy development for every company is different and must not be developed in a similar way. However, by analysing the companies through benchmark method gives the company an overview on how to solve similar problems, which every company deals with in that sector.

Goals of the thesis and Methods

Problem identification

Avatar is a newly established social media platform for gamers, which can be categorised as a start-up. Avatar's initial idea is mainly based on the fact, that there seems to be no social media platform, that would be specifically designed for gamers. This hypothesis is also supported by the founder's own gaming experience. Since this is a social media start-up it heavily relies on a proper user base to be successful, which could remind of a chicken and egg problem. However, the main problem Avatar currently faces is developing a strategy, which would help the company gain the necessary momentum and virality, kickstarting the exponential growth.

Goals of the bachelor's thesis

Topic of the bachelor's thesis is developing such strategy, which would solve the growth problem of the social media platform, with the use of comparative analysis of strategic behaviours assessing similar unsuccessful and successful start-ups, chosen by the owner of the platform. Therefore, the main aim of this thesis is to suggest strategic proposal for the development of a start-up company on the base of comparative analysis of strategic behaviours of chosen start-ups. In order to give such proposal on how to develop a strategic development for the start-up, we need to answer research questions, which are as follows:

Research question 1: 'What are the critical factors of success of chosen start-ups'?

By understanding critical factors, which affected the future of the chosen start-ups, we can apply a strategy, which can involve steps on how to implement the necessary steps to improve decisive factors.

Research question 2: 'What is the strategy of the chosen start-ups'?

By analysing business canvas and their weaknesses in the business model canvas we can therefore apply strategy on how to avoid mistakes made by chosen start-ups.

Methods

The thesis is structured into three parts: Theoretical review of problem, analysis of contemporary situation, proposal of solution. Aim of the theoretical review of problem is to define necessary theory needed to understand start-up company, which includes definitions, what start-up is, its phases, strategy management in a company including its goals, vision and important factors affecting the success of the company alongside the other definitions for proper understanding of the topic. Furthermore, benchmarking method will be explained as it is used as the core of performed analysis.

Aim of the analysis of contemporary situation is to identify critical factors and strategy of the chosen start-ups through desk research and define in what stage the social media platform currently is.

Methods used in analytical part consist of:

- Analysing the data collected from the owner of the platform to understand, in what stage or phase the company Avatar currently is.
- Analysing business model canvas of the chosen platforms to determine how it functions through desk research.
- Analysing chosen start-ups based on success decisive factors through desk research.

Proposal of solution consists of strategic proposal, which is based on the comparative analysis of the chosen start-ups using benchmarking method, which is explained in the first part of the thesis. Furthermore, this part will specifically address how Avatar should improve their business model canvas and improve the success decisive factors based on analytical part.

1. Theoretical review of problem

1.1. Start-up

If we consider a start-up to be more of an entrepreneurship approach, than we are speaking about early-stage start-up, which is in this case right. The reason is because entrepreneurship deals with idea, creativity, innovation, new product or service development, which means that entrepreneurship theories are more connected and considered in the early stages of any business and organization. In addition, generally a start-up is a very young company developed and operated by one or more entrepreneurs, which are trying their best to develop a very unique solution to a problem and bringing it to a market. [1]

In order to make a start-up successful, the most crucial point is according to Investopedia gather the capital and investments at the beginning of developing a start-up. [2]

However, the definition might not be understood by some people according to Ľudovít Šrapnel, who is writing in his article about how people in our region often mistake what an actual start-up means. Most people think that a start-up is a new starting company not taking into consideration the operations, number of employees and most important the subject of the starting business. The start-up must be differentiated. The reason is simple, government should provide necessary support to those potentially successful start-ups. There is no significant reason to provide support into small businesses, which will never enter bigger market and play in higher valuable market. [3]

The most precise definition of a start-up can be given by Cambridge dictionary, which states that a start-up is a new business or are any activities, which involve starting a new business. However, this definition is general. [4]

Definition, which is most agreed on in the society is a that a start-up is mainly focused on growth. Small businesses tend to stay small rather than growing bigger. However, start-ups tend to become much bigger than small businesses. [5]

There can be a problem when having start-up, which is considered to be other business entity than a start-up. There were many investors, who thought that start-ups are

actually small businesses. It was a big mistake because there are numeral differences between a start-up, large corporations and small businesses. Main differences are in conceptual and organizational structure of the company.

There is yet another definition by expert and start-up guru Steve Blank, who considers start-up to be a temporary organization, which seeks a scalable and repeatable business model. What does this mean for the founder of the company?

This concept for a founder means three functions:

- Try to create different point of views of the business model concerning customers, financial side of the company and distributions
- Understand, if the created model is right for your company, based mainly on customer behaviour
- Creating a vision of the offered product with a set of characteristics. [6]

1.2. Factors affecting start-ups

Start-ups can be very successful and are indeed the companies, which shape our future and set the terms on how the technology is evolving. However, they are full of potential risks ranging from disturbing and damaging your relationship with friends and family to losing a lot of money. There are some factors, which are needed to take into consideration that could be crucial to the future of start-up. [7]

1.2.1. Idea

It is the starting point of a company. Basically, it starts with a thought in your brain and later on putting it on paper.

Idea fundamental building block of the start-up. Entrepreneur must know his vision before publishing the service or product to the public. One would actually think; that this factor is one of the most important, when talking about the success of the start-up. However, it might not be. Some today's massive companies had the same idea as others but got much further than their competition did. [8]

The main difference was that they knew exactly how to profit from the ideas and therefore the idea was that good to make them successful.

1.2.2. The team

It can be very demanding and maybe not even possible for one single entrepreneur to accomplish the success of his company alone, which means it is quite necessary to build a team of reliable people, that are able to make a good work. The people must be chosen carefully, because after all those are the people, who will take the start-up on a different level.

Entrepreneur has a plan and needs around people that will help him to execute the idea. People entrepreneurs hire should be motivated as much as the leader, because they are creating and developing new things, which are crucial to the technological development.

In addition, if you bring the idea into the team and you might find yourself as a leader, it is necessary to realize this fact and act accordingly and make the best use of the talented people you are able to use to develop the solution.

1.2.3. Business plan

It is important for successful business to make a good business planning, because it is not only about the core idea. It is for planning on how you make the profit out of that idea as well. Research can be one of the key factors of a successful business. However, business plan does not always make the key feature of a successful business.

There are several lessons to be taught in order to understand if the owner of the company is on the right path to make his company successful. Peter Thiel describes these lessons in his book:

Stay lean and flexible. There is a reason why companies should be lean in order to be successful. The lean is the code for unplanned. Companies should be unplanned and flexible. When creating a new company especially start-ups you have to make the company as flexible as possible and try different things out in order to know what the best for your company is. There is probably no need for planning in such new companies.

‘Everyone has a plan till they get punched in the mouth.’ *Mike Tyson.*

Focus on product, not sales. Start-ups is all about technology and technology is primarily about product development, not distribution. Advertising for the technology is

probably a waste of resources because you need to invest your energy into product development more than to advertising. If your product requires advertising, then your product might not be good enough to compete and be successful in the market.

Improve on the competition. Creating a new business is very hard and can be very demanding for starting business. In order to succeed you might be able to analyze the competition and learn from them. By improving your product and recognizing the competition properly you might be able to succeed in your business.

Make incremental advances. Visioners are being able to create the new future. However, they are suspects of being able not to do always good. On the other hand, being able to be one of the humblest people in the world and being able to vision the future. Those are the characteristics of being one of the people, who are shaping the future and are able to create something new and exciting. [9]

1.2.4. Funding

Start-ups often lack money. The main reason is that they are young, and they don't have any revenue to take the money from. This factor can be occasionally crucial, when talking about the development and distribution of the offered solution. When developing a technological start-up, you must have financial resources in order to develop the product further and become successful company and therefore becoming one of the competitors on the market. [8]

Types of funding

“Ask any entrepreneur about his or her greatest challenge, and the conversation will likely turn to capital. Finance is the lifeblood of every company, but for new firms, capital is especially critical.” [10] *“Jason Wiens and Jordan Bell-Masterson”*

There is no doubt, that every business needs a capital in order to succeed and make the potential growth and development. However, it can be hard and demanding on where to find those sources of capital. Mostly the initial payments and capital raisings come from the owner of the business and from its friends and family first, because in that way you can have your debt postponed later.

According to Robinett, there are several ways on how to gain the necessary capital in order to operate your start-up.

- You, Friends and Family, and Customers
- Commercial Loans
- Grants and State/Local Accelerators
- Incubators and Investor-Run Accelerators
- Angel Investors
- Family offices
- Crowdfunding

The initial start-up raised capital can differ depending on what business are you in. However, the average range is from zero, to less than 5000 dollars, and up to 25,000 dollars.

When raising the money from other sources, it is very important for your business to understand, where does the money come from and who is offering it to you. [10]

You, Friends and Family, and Customers

When you are asking for capital. Investors tend to see if you have invested the resources yourself. Why would they invest in you if you didn't invest in yourself?

One of the options in order to raise the capital is to ask your friends and family. However, there are notes, which are necessary to take into account while considering this option.

- It may damage your relationship with your family and friends. Make sure you explain them the dangers of their investment.
- Friends can help you as well. Therefore, they might know someone, who can be your early investor.
- When asking for money from your friends, make sure your attorney is nearby in order to make official agreements on when and how you will return your money in order to make the reliability better

When you are taking money from your friends and family it is one of the best signs for the investors, that you truly believe your solution is one of the best on the market and that your start-up will be successful. [10]

Commercial loans

40 percent of start-up capital comes from bank lending, which means it is quite popular among the entrepreneurs. There is a chance you may not succeed, and you can fail very hard. However, it is one of the best options to make sure your business will be booming. Before thinking about this option, some things need to be thought through.

- Smaller banks are more likely to invest in your starting business than bigger institutions. They are more likely to take that time to study your business and eventually invest in the business.

- A good relationship with the bank could be decisive. In order to develop a good relationship, you shall buy a service at the bank you want to approach.

- borrow only necessary amount of money you are able to return, otherwise you will lose your assets you possess. [10]

Commercial loan is a very good solution when an entrepreneur wants to raise some money for his start-up. However, it is very important to know all of the knowledge needed for such solution before signing any money. [11]

Grants and State/Local accelerators

Grants can be very useful, when the entrepreneur tries to kickstart the business. However, it might be a challenge to fit in the required categories, because the accelerators have requirements, which are obliged to be completed. After the requirements are fulfilled, you can have a loan with some good or no interest, and you are ready to work on the business. In addition, if the grant is released it is a very good sign for the future investors that the business has a good future and is investment worthy. [10,11]

Angel Investors

Angel investors help significantly to start-ups. They are wealthy individuals, who are investing in exchange for equity. On the other hand, these angels don't have to bring only money, they can offer much more. However only one particular thing at a time such as

- money
- context – angels are able to see if the timing of the project is right and if the solution is ready for the public
- relationship – angels are able to connect the entrepreneur with the right people (suppliers, producers, and other business-related people)
- and more

It may be however demanding to find a suitable angel for the start-up. They mostly work in communities, where they seek good idea which are investment worthy and have a good future. They are usually very successful as well; they often speak at panel discussions and discuss various of topics. [10,11]

1.2.5. Timing

Timing is very important and can be decisive between failure and success. The main reason is, if the public is ready for the idea and if they are well educated at this point for your solution. This factor is well handled when there is well-structured research about the market. [12]

Many entrepreneurs think that, if you want to be successful and you want to have the timing right, you should have a not small portion of luck. However, this might not be the case. Many entrepreneurs became successful not only because they had some luck. When considering entering the market and thinking about whether it a good time to enter the market you need to take account several things, that will show you whether it is a good time or not.

If you enter the market early is in not as big problem as you would enter the market late. Entering early and delivering the product in short period of time and in perfectly ripe conditions and you are delivering the solution with a good performance advantage then

you have performed a very good timing. However, being late in the market make you unsuccessful because only fast companies and fast followers are the winners and competitors in the market. [12]

1.3. Types of start-up

There are multiple types of start-ups as well. Entrepreneurs tend to start with one of the major 6 main types of start-ups according to Steve Blank.

Small Business Start-ups

The start-ups are mainly small companies, and their owners could be walking among the normal people on the streets. They are running the companies in order to make a decent living out of it. To pay their bills, to feed their families. They are not seeking growth, which means they don't need any apps unless they would like to expand in the future. These small businesses are or example bakeries, grocery stores, hairdressers, travel agents, electricians, carpenters, etc. [13]

Lifestyle start-ups: Self-employed

These entrepreneurs work for no one and rather work for passion. They are self-employed and are very often connected to Silicon Valley, where they work as web designers or freelance programmers. They simply enjoy their jobs, that is the main reason they are doing it. [13]

Scalable start-up: Born to be big

These types of start-ups are big from the very beginning. Founders usually see their start-up as a global success and that their solution will eventually change the world. The most often niche connected to these start-ups is technological sector. They are scalable, which means in the business world that they are able to keep rising the revenue while they maintain their incremental costs to minimum.

Founders not only start to make money out of them but also seek future investors, who could realize the huge potential they have and help them in their future development. These are the main reasons why venture capitalists only seek start-ups in the technological companies and are not so impressed by service start-ups. [13]

Large company start-ups

These companies have limited lifespan. The main reason is that they are obliged to maintain their quality. Furthermore, they are constantly under pressure from their competitors, which means they are obliged to create new innovations and improvements for new customers in the new market. [6, 13]

Buyable start-ups

These start-ups are not intended to be developed into larger and more profitable companies. Founders are trying to develop a software on a decent level and sell it to bigger companies seeking big money. This type of start-up becomes more and more popular lately. [6, 13]

Social start-ups

Social start-ups do not seek profit. They are trying to make the world a better place and for sake of an idea. Founders are driven because of their passion and thought of changing the world. [6, 13]

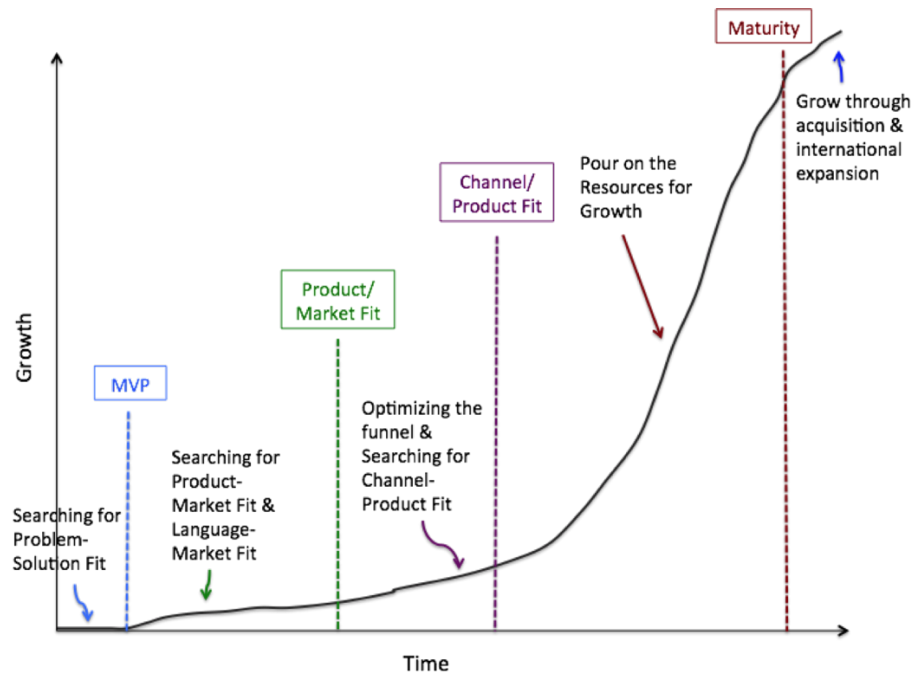
1.4. Life cycle of a start-up

Every business has its own carved path. Start-up is no exception. We are now aware of how start-up works and its initial stages, where the growth takes place.

Lauren Bass interviewed Morgan Brown on what are the stages one start-up can be in and how they can be handled in order to be successful company.

The stages MR. Brown mentions are:

- Problem/Solution Fit
- Minimum Viable Product (MVP)
- Product/Market Fit
- Scale
- Maturity



Picture 1: 5 phases of the start-growth lifecycle

(Source: <https://medium.com/tradecraft-traction/5-phases-of-the-startup-lifecycle-morgan-brown-on-what-it-takes-to-grow-a-startup-50b4350f9d96>)

1.4.1. Problem/Solution Fit

Most of the companies start with the initial idea and start-up is just all of that. However, the idea must be developed in order to have a stable and potential business model. Firstly, you have to elaborate the idea and make the solution beneficial for the society. Otherwise, the idea you have might be not useful and you might end up bankrupt even before developing the idea. During this stage the knowledge is needed.

Entrepreneur must know all about the business model strategies and planning the solution. [14]

Neil Patch advises potential entrepreneurs to ‘garner advice and opinion as to the potential of your business idea from as many sources as possible: friends, family, colleagues, business associates, or any industry specialists you may have access to. [15]

In addition, Neil suggests taking step back and consider if the idea is feasible enough and if it is worth of taking risks.

1.4.2. Minimum Viable Product

The next stage will test your solution, if it is worth taking the risk with as small amount of investment as possible, creating an MVP (minimum viable product), this stage should show your first users. For a start-up it is essential to validate their idea as soon as possible to assess if the idea is worthy and if the company has future potential. In order to do that, company must come up with a product, which can deliver its initial idea including all of its values. It may seem, that a small amount of time is needed to develop such product. On the other hand, it has to be developed in such way, where a traction of users could be seen in order to determine the potential in the initial idea. This progress may take over 6 months, which will determine success of the solution. [16]

In addition, the product on which you are testing your idea can lack some features, they can be added later on, after the test is over. [17]

Start-ups are organizations, which are being developed under extreme conditions of uncertainty. In order to minimise the test, it is advised to test the solution by creating MVP, which could navigate the company in the right direction [17]

1.4.3. Product/Market fit

After you successfully evaluated the MVP, you probably have the customers flowing and now you are trying to figure out if you are in the right market you should be. According to Mr. Brown there are three stops when entering the market. You need to be doing Language-market fit, Funnel optimization, Channel-product fit.

Language-market fit is connected whether you are using the right language toward the customer. Using the right behaviour and language is the key when talking about customer support.

In order to optimise conversion and retention you use funnel optimisation, which may involve user onboarding process, testing landing pages and other actions, which are essential for the customers to take in order to understand your solution.

Channel product-fit is essential in this stage, because it is eventually determining your final customers and your audience. [14]

1.4.4. Scale

This can be a very crucial stage when talking about the growth of the company. In this stage one should be developing the staff infrastructure. In order to succeed in this stage, you should be having answers to question of when you will hire more employees. In addition, you should be thinking about hiring experts and specialists in the field, who could provide you with necessary information and try to help you with the upcoming growth of the company. [14]

1.4.5. Maturity

This is often the last step and stage of the start-up, where the CEO of the company must choose between two outcomes, whether to leave the company or keep expanding and developing. This could be very hard for the entrepreneurs and can be led to making the company being sold to other people.

However, we can see that when you become a very successful company you might keep on forever. [18]

“Growth is never done. LinkedIn is almost 20 years old and they continue to push growth experiments. Same goes for Facebook. Facebook has over a billion users and they are buying apps and rolling out tests, it’s not like you check the box and move on.”

Morgan Brown

These stages can vary depending on the start-up. There are some cases in which a start-up can accelerate in a small amount of time and can be very successful in small period of time. The stages don’t have to be necessarily in the same order as mentioned above. [18,14]

1.5. Strategic management

Strategic management is mainly defined as a process of planning, evaluation, and implementation designed to maintain or improve competitive advantage. Internal and external analysis are connected within the process of evaluation. Planning is more complex process where development of business models, corporate direction, competitive tactics, international strategy is needed. [19] When completing implementation phase,

leadership is required to build appropriate organizational structure. Part of strategic management is to identify key factors, which are mission, vision and goals of the company. A successful strategy is consisting of three important part, which make them a successful strategy. [20]

Spontaneous – creating and developing personal methods

Extroversion – opened to every possible solution and to every possible help

Reality – being able to differentiate between a dream and reality [21]

1.5.1. Strategic management system

If the wants to be operating in a very functional way, it need to have their strategy to be flexible and needs to be adaptable. The strategic management system is one of the tools that enable companies and organizations to fulfil their objectives and goals. It consists of planning, which refers to strategic planning and therefore to formulation of the strategy. Control, which refers to execution of the strategy. The strategic management system is a cycle which consists of analysing the internal, external environment of the company as well as contemporary strategy of the organization, objectives, which are operational, implementing the strategy and monitoring the strategy as itself and its execution.



Picture 2: Strategy management system

(Source: <https://arnoudvandermaas.com/crafting-a-strategy-management-system/>)

Make a strategic analysis

The first part of strategic management system consists of analysis of internal and external environment as well as the contemporary strategy of the organization. This analysis often includes the research done in political, economic, social, technological, environmental and legal factors and how they are able to control or influence the organization's activities. Furthermore, there are more analytical tools, which can be used in order to analyse the industry and market within which the organization or company is operating.

Develop the strategy

After the company successfully determines and identifies what their mission and vision is, it is important to create and develop a strategy, which would be able to achieve it. A strategy can be depicted as roadmap to get where a company wants to go. In his phase the company should have an overview of what products or services are offered, what are the customer needs, which are being fulfilled and what organization structure, culture and human resources are needed to execute the strategy.

Translate the strategy

This stage includes the translation of developing the strategy into implementation. There is no reason to create the strategy, which cannot be changed into the execution, which means that this stage changes the strategic objectives into measurable implementation sub-objectives, which are being linked with goals of the company.

Execute the strategy

After the strategy is being translated that it is time to execute the strategy and achieve the planned goals of the organisation. This stage is all about where, when and at what costs to put the right people at the right places in order to fulfil the desired and planned goals.

Monitor and adapt the strategy

This is the last phase of the strategic management system. This phase consists of monitoring the results and realization of what could be improved in the upcoming development of the company. During this phase, when the objectives are not being met the strategy should be adapted. In order to monitor the results, there is need for meetings, which should be held on annual time. These meetings are often held on weekly, monthly and annual basis. The subjects, which are discussed on these meetings are regarded with the up to now performance of the company. [22]

1.5.2. Vision

Vision is important for the company because it reflects the future image of the company. It reflects the future comprehension of how the company wants to be depicted in the future. Strategic vision of the company should be based on realistic capabilities of the company including market, competitive, technological, economic, societal conditions, which the company is likely to encounter in the upcoming years of development. Vision should make the company to act in order to achieve their goals in their future, it is not a dream rather the reality.

Vision also helps to motivate the workers and employees to maintain their productivity and to reach the designed goals. This ultimately means that the vision must

be shared among all of the people engaged in the company in order to make it a productive and successful company. [19, 23]

1.5.3. Mission

Mission of an organization helps to distinguish the company from each other and gives the public eye clear message why they are performing such activities. Mission works as a motivational tool as well; it helps the employees to realise and understand their duties towards the organization or company. Mission in a company is actually not definitive statement it is more of a broad statement that carries out the message and is the purpose of why the company is existing. Mission and vision must be synchronised in one's organization in order to make the employees of the company react to their objectives and understand their set of activities, which are necessary to achieving the goals and objectives.

1.5.4. Objectives of the company

Goals are the expected and desired endings of a company involving expected actions, which are necessary to execute in order to achieve expected goals and objectives. There are various of models, which can be used to fulfil company's objectives. However, there is one method used the most among the companies. The model is called 'SMART'. As from the name itself it stands for smart action plans. 'SMART' model consists of five pillars, which if created and executed properly the company should be able to fulfil the objective. [24]

SMART stands for:

- Specific: developing objectives, which are based on observable actions and can be clearly defined by the behaviour
- Measurable: a set of procedures, methods or systems, which has to be established in order to track or record them so we can apply necessary objectives
- Achievable: objectives, which are being set must be achievable
- Realistic: set of objectives, which one can influence based on his skills or abilities
- Time-bound: objectives must be given period frame of when to start and when to end

A successful company should adopt this method. With this model and proper implementation into practise, organization should be able to fulfil their expected task. [25]

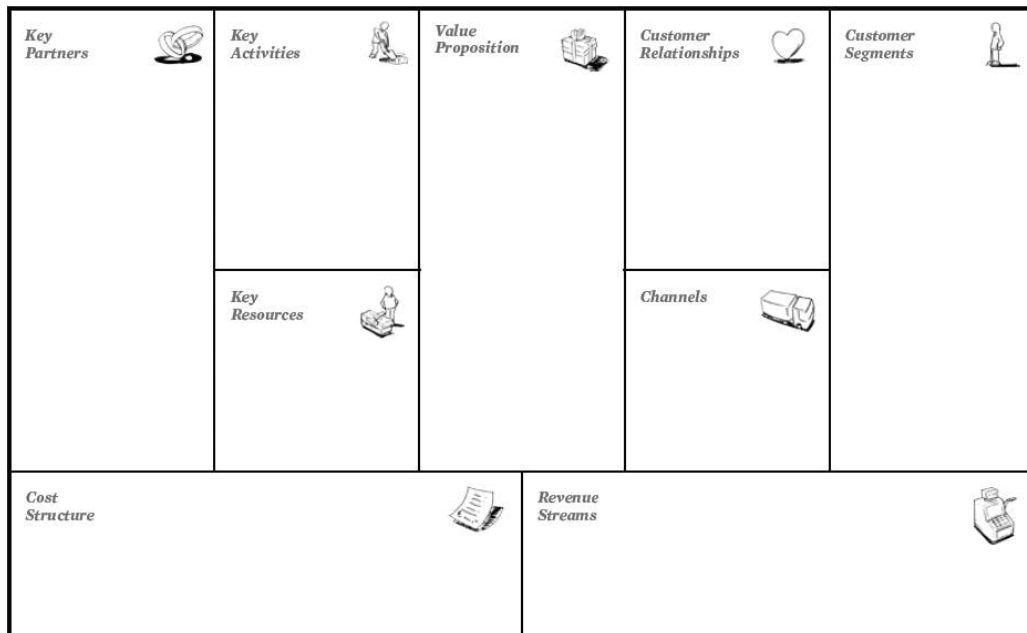
1.5.5. Business model canvas

One of the ways to display how the business is displayed and how is functioning is to create a business model of a specific organization and assess its performance by analysing various of aspects. One of the business models, which are used broadly in order to improve various of aspects of the company is business model canvas designed by Osterwalder and Chesbrough and include 3 main aspects:

- What major components and its processes of the company are connected in order to deliver value to the customer
- How are these parts in symbiosis within the company throughout its supply chain, stakeholder networks
- How the company initially generates value and profit within these interconnections

If the model is made properly, it can provide useful information on how the organization works strategically and its actions within the organization. In addition, we can determine potential improvements, which can be made to seek innovations within the company. [26]

Business model canvas can fit on one page and it is mainly divided into two part. The right side is focused on the customers, which can be considered as an external environment and. The left side focuses more on a particular business, which is an internal environment. Both sides are connected with value proposition which delivers the exchange between the business and customers. [27, 28]



Picture 3: General template of business model canvas

(Source: <https://www.northforward.com/blog/the-5-deadly-sins-in-designing-your-business-model-canvas#comments>)

Business model canvas consists of 9 main parts:

1. **Value proposition** – a fundamental segment in any other organization, without which there is no profit. Generally speaking, customers exchange value for profit with companies.
2. **Customer segment** – this segment determines your target group of individuals. Their age, gender, interests. By analysing these factors, you can determine what is your market size.
3. **Customer relationship** – this part determines how company approaches customers. Mainly how they interact with them.
4. **Channels** – part, which assesses the avenues, through which the company communicates with the customer
5. **Key activities** – in this segment the actions of the company are displayed, which are executed to achieve the value proposition for company’s customers
6. **Key resources** – what resources are needed in order to achieve the key activities
7. **Key partners** – list of external organisations, which are needed to achieve the key activities. If the company is relying on someone to achieve key activities they are included in this segment [28]

8. **Cost structures** – determines how much money or capital is needed for the company to operate
9. **Revenue streams** – determines how can the company profit from the value proposition.

1.6. Benchmarking

The definition of benchmarking is that it is a process, which involves comparison of process, program, institution, companies or its solutions and products against its usually competition in the field in order to achieve better results and to make improvements based on the benchmarking results. One of the goals of benchmarking is to see and quantify the gaps between benchmarker's performance and chosen performance.

There are several types of benchmarking, which are:

- Internal: comparison of rather internal performance of the company
- Strategic: researching the methods, which other organizations are using
- Generic: researching activities, which are connected with the topic but are rather irrelevant. [29]

In order to successfully execute the benchmark process, there are nine steps, which are needed to be followed:

1. Project conception – organization defines its goals; they want to achieve by executing the benchmark analysis
2. Planning – determination of specific processes is established, and creation of benchmarking plan takes place
3. Preliminary data collection – Researching qualitative and quantitative factors are needed in order to establish overall performance. After that, secondary research is made by gathering primary data on one's own process
4. Best-in-class selection – identification of target companies, which can be benchmarked.
5. Best-in-class data collection – establishing the best methods for the research
6. Assessment – identifying the differences between chosen elements and assessing the results base on your research

7. Implementation planning – development of the strategy takes place, involving all the researched findings from the process
8. Implementation – new strategy, which was developed based on the benchmark should be implemented
9. Recalibration – Continuing to monitor all of the competitors and all of the trends, which could be implemented in the strategy of the organization. [30]

One of the main reasons why is this method used by companies is because the results can deliver significant results for the company, especially for start-ups because they are operating under extreme uncertainty, which means they need to test very often and be flexible. What benchmarking does, it delivers the methods which can be applied in order to stay competitive against your competition and stay in the market.

1.7. Summary of theoretical framework

The main aim of theoretical framework was to identify and understand necessary theories regarding start-up and its processes in order to suggest measurements and improvements to strategic development of a new social media platform.

Firstly, start-up was explained and defined. Its phases, which include 5 major stages in a start-up's lifecycle. In addition, important and success decisive factors were introduced, where timing factor was tagged as one of the most important factors regarding start-up development and potential success.

In order to develop a proposal for strategical development for a start-up, strategic management was introduced, including definition of goal and aim of the company, which are crucial points, which must be included in a strategically developed organization. Furthermore, a strategic system was explained as it is being a part of proposal part, where the depiction of strategy is shown using the strategic management cycle because it is the best way to see how the strategy planning works.

Later chapter was dedicated to a method called 'benchmark', where the general process of comparing competitive organizations in order to improve strategical plan was introduced and explained. The way how I used benchmarking as method is explained in the analytical part, where the identification of critical factors and strategy takes place.

Business model canvas was introduced as a tool to analyse potential improvements, which could be applied in strategic plan of the organization.

The most important definitions regarding theoretical framework involves success decisive factors, which can eventually if not handled well be disastrous and explanation of strategic management, where findings about this topic can help in improvement of strategic plan.

2. Analysis of contemporary situation

This part is dedicated to analysing the social media platform called Avatar in order to identify in what stage the company currently is based on the data provided by the owner and by the definitions, which were explained in the theoretical part.

In addition, owner of the platform chose several start-ups with similar traits, which are being analysed as well using business model canvas to see what the weak and strong parts of their business model canvas are.

2.1. Characteristics of social media platform Avatar

Avatar is a free to download social media platform designed mainly for gamers. Its product is distributed through computer desktop app and mobile app. One of the main Avatar's functionalities are:

- discovering content regarding video games
- being able to follow content of popular Avatar users
- includes news feed, where news regarding gaming world is shown
- meeting new gamers
- automatic capture of users gaming highlights

Table 1: Internal data of Avatar










(Source: data provided by the owner of the platform)

Daily active users	500
Monthly active users	2500
Second week retention	30%
Monthly revenue	100USD
Users time spent per day	20 minutes
New users per day	100

Based on the data, which were given by the owner, we can conclude that the company is in the early stage of development. Mainly because of the number of daily active users, their engagement and overall retention. Monthly revenue is not so big as well. However, revenue in social media platforms is generated mainly through ads and Avatar has to develop into the following next stages to further develop the revenue stream and take advantage from the ad system.

2.1.1. Contemporary strategy of the company

Avatar’s mission is to create a community of people, which share the same passion for gaming. The platform currently has around 3500 users and is trying to reach 10 000 users, which could give them a kickstart and develop into the next phase. The company started with simple idea, which was developed through lean canvas and later developed into business model canvas.

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> - Overwolf - Game developers - Firebase - Content creators 	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> - Talking to users - Coding - Making new features - Maintenance 	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> - Specifically for gamers - All in one solution - Easy to become content creator - Rewarded for best place 	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> - Live chat - Competitions - Social media communication - e-mail communication 	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> - Casual gamers - Hardcore gamer - Professional gamer 	
<p><i>Key Resources</i> </p> <ul style="list-style-type: none"> - Strong team - Technology - Programming expertise 		<p><i>Channels</i> </p> <ul style="list-style-type: none"> - Google Play Store - Apple app store - Overwolf - official website 			
<p><i>Cost Structure</i> </p> <ul style="list-style-type: none"> - Salaries - Marketing - Maintenance - Data storage 			<p><i>Revenue Streams</i> </p> <ul style="list-style-type: none"> - Ads - Subscriptions - Free 		

Picture 4: Business model canvas of Avatar

(Source: data provided by the owner of the platform)

At first glance we can see that the business model is very similar to the social media platforms with one striking difference - Avatar is heavily focusing on gaming audience. That is why we can see that the Avatar's key partners are not only data storage providers but also other gaming development companies such as Overwolf. Furthermore, we are able to conclude that Avatar is trying to become go-to social platform for gamers based on its strong value proposition, which includes all in one feature, specifically designed for gamers, easy content creation tools and even rewards from the best shared content, which are not present on other social media platforms. Avatar takes customer relationships very seriously, which is supported by the fact that they have one on one live chat with users as well as competitions and informative social media, e-mail communication.

Lastly, they do not focus on all type of gamers but rather on specific gamer segment such as casual gamers or hardcore gamers.

Avatar's market segmentation and chosen start-ups

Based on the data we have we can say that Avatar is in social media market mainly because of their strategy implementation and their business model canvas, which indicates that they are creating a new community and they are based on the cloud and on the internet.

There currently are similar start-ups, which some of them became global success and some of them are being forgotten. The owner of the company chose some of those start-ups based on the similarities that the company has with them and that they are in the same market segment, which is called social media.

2.2. Using benchmarking method to create strategic proposal

In order to identify the critical factors and strategy of the chosen start-ups the benchmarking method was used. The way it was completed and processed is as following:

1. Start-ups were chosen by the owner of the company. Chosen start-ups have very similar traits as Avatar as they are in the same market.
2. Set of goals were established in order to understand what type of information and data to look for. Information and data were gathered through desk research using the internet. The information was taken mainly by articles, which were made on the topic of the chosen start-ups.
3. Create a description of what the chosen start-ups do and what type of business they operate
4. Chosen start-ups are divided into successful and unsuccessful companies based on their global recognition and contemporary users
5. Identify critical factors and how they affected the chosen companies. Critical factors were identified based on educational video from social platform.
6. Based on desk-research we can identify strategy, which they use to operate and create business model canvas of the companies and identify strong and weak parts of the business model canvas
7. Create a summary, which is taking into account important findings, which could be applied into the strategy development of the social media platform
8. Based on the comparative analysis create a strategy proposal through desk research

2.2.1. Analysis of start-up called YikYak

The company was founded by young college students, who got an idea for anonymous messaging app. The main advantage was that YikYak was creating a community within a small radius, where all of the information was distributed. Such application was very popular among college students who were really into gossip and all of the news related to student life.

There were various of benefits being a part of YikYak. One of them was the anonymity, where you didn't have to reveal your name and you could share the information without revealing your personality. [31]

YikYak had a voting system as well. It enabled the users to like the comment or dislike it as well. The comment with most likes is on the top and the one with the least can be removed or is at the lowest part of the social platform. Their mission was to make local community and establish a free speech through social media, which would be location based.

This project is just another depiction on how the social media platform was inevitable. It was just about on who could deliver a better solution for people, who want to chat with their friends and family and talk about various of topics. [32]

One of the reasons YikYak was not successful is that the messaging app had its flaws, which involved hate speech a bullying, which is not acceptable in the social platform and can be rather dangerous to the project.

The idea was really good. However, it was missing one of the most important things regarding the success of a business. It was missing business plan and the position in the business-related market. [33]









Table 2: Critical factors of Yik Yak

(Source: 31, 33)

Factors	Reasons and justification
Idea	Idea having small groups of people sharing the necessary information and gossip throughout the universities and workplaces sounds like a really good idea. However, it was not developed well. The hate speech was spreading throughout this social media as well, which might be the major drawback of the idea. [31]
Team management	I didn't find any drawback of the team. The team consisted of young and motivated people, who wanted to get aboard the social media boom.
Business plan	This area was not well developed as it lacked the answers to the hate speech and more developed features. [31]
Funding	They raised not small amount of money. In venture capital they have raised around 73.5 million, which could help them more develop the platform. [33]
Timing	Timing was pretty good. Platform was launched in November 2013. It was launched in the time, where there were a lot of new social media platforms. [31]

Mission and vision of Yik Yak

Their main mission was to share a solution through which people majority of whom were students would share information and therefore establish a freedom of speech. The vision is not defined specifically. However, one could conclude that their vision was to establish a globally successful platform, which would be used on a global scale. [34]

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> - Cloud storage service providers 	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> - Programming a functional app - Coding - Making new features - Maintenance 	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> - Anonymity - Location feature, which enables people to share content in the restricted areas - Freedom of speech 	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> - self-service 	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> - Students
<p><i>Cost Structure</i> </p> <ul style="list-style-type: none"> - Salaries - Development of the software 	<p><i>Key Resources</i> </p> <ul style="list-style-type: none"> - Good programmers, which could be able to develop the app - Database handling 		<p><i>Channels</i> </p> <ul style="list-style-type: none"> - Word of mouth - Events 	

Picture 5: Business model canvas of Yik Yak

(Source: own work)

Weak parts of Yik Yak business canvas

Although anonymity was Yik Yak's value proposition it ultimately led to their downfall. Yik Yak was luring the users to use their messaging app because of anonymity, which would allow them to express them freely in their conversations with other people. However, it sounded well in the beginning and it even was until users started to misuse the feature and started with violent, hate speech, humiliations, death threats, cyber bullying, which meant the ultimate downfall of Yik Yak.

Secondly, their monetization technics we not properly thought through to provide them with stable revenue. However, they were not able to solve this because the problem with the hate speech was so devastating that they were never able to recover.

2.2.2. Analysis of start-up called Myspace

This project is particularly very interesting because it was indeed one of the biggest social platforms in its peak. Myspace had millions of users and had useful features, which could prevent them from failing.

However, near the end of their social ‘reign’ they knew they are going to fail and will eventually lose against upcoming giant Facebook. What really happened was that Myspace didn’t quite have the features developed any further. They had good features but not great at all. Probably the most fascinating thing about Myspace is that they had a feature connected with music where the user could eventually listen to music for free, which was an incredible idea at that moment. However, the problem was they didn’t invest more time into it and therefore they were not successful in the war to the giants as Facebook, Google, Apple. The unknown thing was that they tried to purchase Spotify. However, Spotify didn’t need to sell because of their rocket start. [35]










Table 3: Critical factors of Myspace

(Source: 35)

Factors	Reasons and justification
Idea	Great idea. The social platform was needed, which only meant for Myspace that they were on the right track with the initial idea. However, there was a lack of features.
Team management	I didn’t find any statements, which could lead into thinking that the team was not well developed.
Business plan	Business plan was not finished. The lack of features was crucial, which meant the ongoing features were not enough to make Myspace one of the lead social media platforms.
Funding	Nothing was wrong with funding. The idea purchasing Spotify just meant, they were well funded
Timing	Timing was very good handled. They launched in the times of social media platform need.

Mission and vision of Myspace

When it comes to mission and vision of Myspace there is no clear evidence of stating vision and mission. However, based on their approach to customers including solution and considering market segment they are in I would suggest that their mission was to create community, which could share content and contact each other. In addition to that, why would listen to music for free.

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> - Music community - Producers 	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> - Development and platform maintenance - Customer support - Marketing - Sales 	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> - Allows live streams of concerts - Platform for musicians and fans 	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> - Online profile - Community 	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> - Internet users - Music industry
<p><i>Cost Structure</i></p> <ul style="list-style-type: none"> - Salaries - commission musicians/bands 	<p><i>Key Resources</i> </p> <ul style="list-style-type: none"> - Platform - Employees 		<p><i>Channels</i> </p> <ul style="list-style-type: none"> - Myspace.com - Mobile app 	
	<p><i>Revenue Streams</i> </p> <ul style="list-style-type: none"> - Ads 		<p><i>Revenue Streams</i> </p> <ul style="list-style-type: none"> - Free 	

Picture 6: Business model canvas of Myspace

(Source: own work)

Weak parts of Myspace business canvas

Probably the biggest problem was with their value proposition and customer segment. Because they built solely the platform on free music streaming, which was a huge added value to the users. On the other hand, they were not able to become one of the leading platforms because they had no other features to offer. Furthermore, they actually didn't understand their own brand which meant they didn't try to innovate at all.

Secondly underestimating their competition eventually meant their downfall. They didn't realise that Facebook can be a threat and they were left behind for good after Facebook was launched. [35]

2.2.3. Analysis of start-up called Friendster

Friendster was a very interesting project because of the period it started. Jonathan Abrams founded Friendster in basement with several friends in March 2002. It was founded in period of time, where technology was thriving, and we could see the enormous advancement. They had quite the start with hundreds of users within the launch. It grew so fast that one could say it didn't handle well. CEO decided taking the start-up to the Silicon Valley. The decision itself was very crucial and it was one of the biggest decision CEO made. However, he didn't know that yet.

Friendster was one of the first social media platforms, which enabled users to engage with other users and users could contact their old friends and could possibly interact with their new friends. The project was very advanced and very new to the period of the time it was launched.

After some time when they eventually developed user base of around 10 million users. Some bugs started to come up, where there were technical problems, which users encountered during logging into their page. The downfall came pretty much with Facebook, where Facebook offered incredible features and useful tools, which brought a whole new dimension into the social media world.

The biggest problem of Friendster was that they chased growth too quickly. They tried to compete with Facebook. However, it is sometimes better not to engage and take time to analyse the current situation and based on the results take wise actions, which could eventually lead to a better future of the company.

The path CEO chose for Friendster was not very good. He could be more cautious when coming to Silicon Valley. They wanted later on copy the business model of Facebook. This only shows that they didn't plan the whole project very good.

Despite all of the downfalls of Friendster, it holds the crown of first social media ever. In addition, hands down to developers, who managed to come up with solutions to their problems and of course CEO of the project who could see that the future lies within social media. [37]

Table 4: Critical factors of Friendster

(Source: 37)

Factors	Reasons and justification
Idea	Very good intention with developing the first social media platform ever.
Team management	At the beginning there was a capable team, which tried it best to analyse the problems and solved them. However, later the developers were not able to solve some of the downfalls and bugs, which was really bad for the user base of the social platform.
Business plan	It was not well developed, we can see after they came to Silicon Valley, that they tried to grow fast. However, they weren't able because the plan was not well built and therefore meaning the end to the first platform.
Funding	If a company manages to get into Silicon Valley, from then there is no problem with funding. Angels and investors fund great amount of money into the starting companies.
Timing	Timing was nearly perfect. They launched before the social media platforms became a thing and they started after the internet was commercial and public, which meant a huge advantage.

Mission of Friendster

Friendster had a very similar mission as other social media platforms. They simply wanted to create opportunity for people to stay in contact with old friends and opportunity to make new contacts and friends using their social media platform. However, there is no evidence of stating their clear mission and vision of the company.

2.5.4. Analysis of start-up called Instagram

There are only a few people that would not be in touch with the social media platform called 'Instagram'. Instagram started as a bourbon. Initially inspired by the alcohol called bourbon. The app allowed to share user's photos and plans. The app was developed throughout the nights by Kevin Systrom. After launching the prototype, he met two venture capitalists, who were very interested in project and helped to raise half million dollars in seed funding.

After that, they focused on one thing and that was taking and sharing photos through mobile phones. They called the app Instagram. Users of this app could eventually comment, like, share. The main advantage of Instagram was that the developers also thought about experience from using the app. The app should be as minimalist as possible, which meant it will take only few steps to share your photos.

Instagram had quite a start with 25 000 users the day it launched and with the first week it was downloaded 100 000 times. Because of the interest of the app, investors started to be aware of the app and showed quite an interest in the app, which meant they would raise million in funding and one of the investors would value the company on 25 million dollars.

After some time, Facebook made offer for Instagram and tried to buy it from them making the offer of one billion dollars in cash and stock. Instagram accepted the offer with a provision that it would be still independently managed and developed.

Since Instagram launched, they developed various of features, which are very popular among the users. One of them are Instagram stories which were used 500 million time every single day in the year of 2020. In addition, they added a messaging feature which allowed the users to message each other, which is another feature which could be considered to be very popular for users.

Throughout the year important thing is that Instagram continued in their mission to accomplish their goals and they made a small number of changes to the app, which meant their initial user experience was preserved after the Facebook acquisition as well. [38]

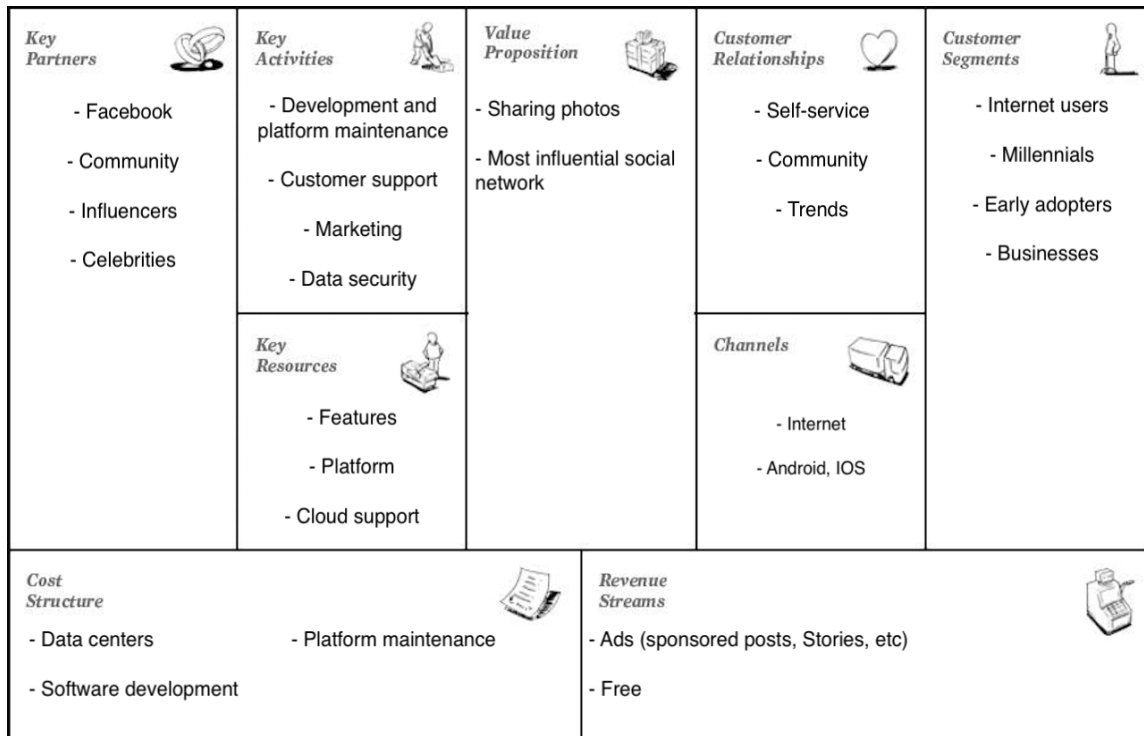
Table 5: Critical factors of Instagram

(Source: 38)

Factors	Reasons and justification
Idea	Very nicely structured idea. Users became very familiar with social platforms and looked for solutions for how to share their experience online. Instagram would solve this problem.
Team management	At the beginning I didn't find anything suggesting they would not be capable of not creating one of the most famous platforms in the world. Very well managed team.
Business plan	Business plan made sense from the beginning. The most important part of the business plan for them was to stick to the initial plan and develop a good customer experience, which made them successful
Funding	Instagram is one of the most used social media platforms until this day. They raised enough money at the beginning, which meant that they were able to grow exponentially.
Timing	Timing was very good, when considering that social platforms were at its peak. However, this solution did nobody take into account and therefore a new solution was offered for public.

Mission and vision of Instagram

As Instagram is one of the most used social media platforms across the globe, they have mission statement, which stands for: ‘to capture and share the world’s moments’. This mission only enhances their brand and can be understood right away what they mean. With mission there comes a vision as well, where they explain how using their social media platform makes you look like a professional photographer and makes it use it more often in order to share the best memories you have with your friends. [39]



Picture 7: Business model canvas of Instagram

(Source: own work)

Strong parts of the business model canvas

Instagram is one of the social media leading platforms nowadays. It is no surprise that they have a very strong business model canvas. One of the strongest parts can be considered Key resources, throughout which they operate key activities. Features as we know such as filters used in the photos, tags, gifs, etc. are used very often on Instagram and can be related to one of the key features of Instagram.

Instagram is targeting on more customers as we can see that they are not particularly targeting only one type of persona but rather larger groups of people or organisations. This can bring much more users to the social media platforms and can widen the range of making profit.

2.2.5. Analysis of start-up called Snapchat

Snapchat started as extraordinary idea a success worthy idea. Autor of the idea thought of a social media, where users would share their photos and after a short time the photos will disappear, which could lead into huge usage. The reason why people like the idea was that they didn't like embarrassing photos being stored and therefore by deleting the set photos meant quite a big breakthrough.

At the launch of the app, which could be downloaded from Google Play store. The initial videos were not that long, they were 10 seconds long. However, they were long enough for the users to use this feature and therefore app and enabled them to push the numbers up to 50 million users per day. After some improvements they introduced other useful features of the app. Chat was one of its features. Now, we are not able to imagine a social media app without this feature. Maybe that was the main reason of introduction. Other very famous feature was 'Stories', where the photos or videos, users upload would be visible for 24 hours and then disappear. Geofilters were introduced as well, users could use geofilters in order to customise content and add the location.

Snapchat had some drawbacks as well. In 2013 Snapchat was hacked by anonymous group, which meant a huge threat, because personal information of 4.6 million users was being revealed. This meant a huge question mark upon the company, whether they are capable of dealing with such amount of data. In addition, Snapchat was accused of a way it used to protect user privacy. Snapchat was not officially sued though. However, the company will be monitored for the next 20 years, which brings a bad light on the company and can cause a potential downfall of the company. [40]










Table 6: Critical factors of Snapchat

(Source: 40)

Factors	Reasons and justification
Idea	Users were immediately captured by the idea sharing the content with the deleting feature. This meant a great start for Snapchat.
Team management	After a huge development the team had several drawbacks regarding their capability. Whether they are capable to work with such huge data. On the other hand, they managed very well at the start and are managing good apart from the monitoring from the government.
Business plan	Very well structured. However, the reason of leaked data could be categorised as in business plan because they didn't develop the security very well, which later on meant big problems for the company.
Funding	Snapchat became one of the most successful platforms in the world, the CEO raised money very well and therefore had enough resources in order to develop the platform further.
Timing	Very well planned because of the social media platforms, which were growing exponentially. This only meant that the social platform called Snapchat was well timed.

Mission of Snapchat

Mission of Snapchat states that they are trying to create an app, which helps to empower people and express themselves more. This social media platform also states that they are trying to develop an app, which can be used regardless of one's beauty and is one of the easiest apps to use on the market. [41]

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> - Snapchat Community - Influencers - Content creators 	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> - Development and platform maintenance - Software development - Marketing - IT operations 	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> - Sharing photos, videos and messages, that disappear - Their solution makes people to be more authentic and to express themselves better 	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> - Self-service 	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> - 13-34 years old - Young buyers - Advertisers
	<p><i>Key Resources</i> </p> <ul style="list-style-type: none"> - Smartphone's camera - Features - users 		<p><i>Channels</i> </p> <ul style="list-style-type: none"> - Android, IOS - App 	
<p><i>Cost Structure</i> </p> <ul style="list-style-type: none"> - Platform development and maintenance - Advertising 		<p><i>Revenue Streams</i> </p> <ul style="list-style-type: none"> - Ads (sponsored stories, etc) - Free 		

Picture 8: Business model canvas of Snapchat

(Source: own work)

Strong parts of the business model canvas

Snapchat came with a very unique solution to the market. Being able to share your content, which will disappear after some time meant a huge feature for the young and early users. That means, that they only needed to target people, which are mainly students are much more engaged into social media than the older people. One of the main reasons why this feature is so popular is because people tend to be ashamed when posting a picture or sharing private photos to their friends. This solution actually solves this problem and makes it the main reason why started to be used in the first place.

2.3. Summary of analytical part

Aim of the analytical part was to identify in what stage the social media platform currently is and how the chosen companies approach strategic management as well as to identify critical factors and how they affected chosen start-ups primarily based on desk research.

Based on the performed analysis of the strategy upon which the chosen start-ups operated did not suggest any differences concerning mission and vision statement. We can clearly see that social media platforms are trying to create community of people, that would engage with each other virtually. This mission and vision statements are often shared upon the social media platforms on a global scale.

In order to answer the first research question, we have to take into consideration what start-ups need to develop further and what are the main differences between these new companies.

There are 5 critical factors, which should be considered when developing a start-up. Idea, which has shown that regardless of the quality of the idea, social media platforms developed into being recognised on a global scale. Team management, which suggested that there were no significant traits and differences between the chosen start-ups and that the team was well developed and organised. Business plan suggested that there are significant differences, which did not include a better explanation of its value proposition and customer segment, which lead to misinterpretation of what the company's target group is, which can lead to fatal flaws of the company and can become unrecognisable and unsuccessful. Based on the research regarding funding, companies have shown that the amount of money raised were not an indicator whether the start-ups succeeded or failed. Timing did not show any significant differences as all of the social media platforms launched in the era of big boom of the internet and smartphones. Furthermore, if we have learnt something of how these critical factors has affected these new start-ups, we must take into consideration the business plan, which suggested that developing a proper business plan can be crucial and can mean the company's success. In addition, realising what the social media companies are capable of because gathering a lot of personal data, which is subsequently leaked can lead to destruction of the company.

Based on the data provided by the owner of the company such as daily active users (500), total users (3500) and engagement of the users, which is around 20 minutes we are able to conclude that the company is currently at an early stage or more precisely between MVP and product/market fit. That is why this thesis is concerned with the proposal for development of the strategy, which would help the owner of the platform to create a strategy, that would enable develop the company into upcoming stages of start-up.

3. Proposal of solution

Aim of this part is to suggest a strategic proposal for the development of strategy of start-up company based on the comparative analysis of strategic behaviour of chosen start-up companies. By assessing the critical factors, which affected the companies we are able to provide guidance on how to avoid similar mistakes, what precautions to make and what areas Avatar should stick to in order to succeed.

3.1. Proposal on how to develop throughout the stages

The platform as we know from the analytical part is currently between product/market fit and MVP stage. It is quite obvious that the owner of the platform is trying to develop a strategy on how to achieve the next phase of his platform. However, strategy must be created at the beginning of the stages of start-up. In addition, when it comes to Avatar, probably the strategy will be changing and be dependent on the phase the company currently is and the proposal should be able to suggest a strategy upon which Avatar develops into further stages of lifecycle taking into account critical factors, which were identified in the analytical part using the process of strategic management cycle.

The proposal on how to develop a strategy consists of four main parts:

1. Make a strategic research
2. Develop the strategy
3. Execute the strategy
4. Monitor the results



Picture 9: Proposed strategic management cycle for Avatar

(Source: own work)

3.1.1. Make a strategic research

Making a research helps the owner to better understand in what environment he currently is. Furthermore, by analysing the market the owner is capable of better understanding who the solution is for and eventually bringing higher number of users. The most important analytical areas, which should Avatar focus on is researching customer satisfaction, analysing SLEPT factors and developing SWOT analysis before reaching the next phase of lifecycle.

Customer satisfaction

As Avatar is dependent on its users, it is quite obvious that the customer satisfaction is being researched and therefore enabling the company to develop into the next stages of lifecycle of start-up. Researching customer satisfaction and getting a proper feedback on the solution helps to provide a better understanding of the business model under what the company is operating. Currently, I suggest they develop some useful tools how to evaluate their solutions, which could enable them to improve their platform, which users use on daily basis.

The customer satisfaction research will change as Avatar will progress in the upcoming stages. Currently, they should be researching the areas of customer's needs, because they are being evaluated by the customers in the present and their solution is being tested as well. In later stages there is need of development of business plan how to increase the customer satisfaction level, which is necessary to maintain and acquire new users to the platform.

Lastly, by developing customer satisfaction Avatar can improve critical factors such as business model, which is crucial when developing the organization and preventing disaster to the company and idea, where the customers can provide additional useful data on how to improve the owner's solution.

SLEPT analysis

SLEPT analysis is a very useful tool for enabling the company to develop into the next phases. This analysis should be researched throughout all of the stages of an organization because as the company develops, their goals and challenges change as well.

Currently Avatar is before the stage of product/market fit, which means they should focus mainly on area of legislative and technological, which should help them develop into the upcoming stage. Legislative, because they are having a huge amount of personal data, which must not be published and therefore they should focus on what the law is currently meaning that the company can function well and cannot be punished by fees, that can be prevented. Technological, because Avatar is a social media platform, which means that they are depended on technological advancement. This area of technologies must be researched throughout all of the stages of a start-up. The importance of researching these areas is because legislative and technological factors are constantly changing and are unpredictable. Furthermore, as they pass through stages and their company becomes a bigger organization, it is important to maintain the trend of researching and analysing SLEPT factors because all of the areas that this analytical tool provides is needed for improvement and maintaining the social media platform.

SLEPT analysis is able to improve or avoid critical factors as well, where it helps to better understand the business plan of the company and helps to improve various of areas regarding the business model canvas as customer segment, where Avatar is able to

establish customer persona based on social contemporary trends, revenue streams, which can be evaluated based on economic trends.

SWOT analysis

It is always better to have a SWOT analysis performed in the organization. The reasons are that it enables the owner to see the value of his solution and therefore can improve the idea on the analysis. It can indicate potential threats to the company, which can be avoided if recognised soon enough.

Using SWOT analysis will be probably used in various of stages of the organisation ranging from present to maturity of a company.

When it comes to critical factors SWOT analysis can improve the idea upon which the owner is developing the company and can therefore see the strengths of the platform, which are included in the idea. Identifying opportunities can improve the critical factor called timing, where the team of Avatar analyse the environment and identify potential opportunities, which could lead to important breakthrough of the company. Opportunities must be researched throughout all of the stages of the company as it gets older because eventually Avatar is currently dependent on that one opportunity, which could change their direction.

Funding

As Avatar is in early stage, the company is in need of financial resources, which means they must research potential places, where they can gain capital so they can use that capital to further develop their platform. Furthermore, this can be the research, which should improve the critical factor of funding and therefore can mean a huge breakthrough for Avatar. The research should be done in the early stage of the company. One of the main areas, which should be researched is what type of resources are currently available and what are the requirements for achieving such capital. Later, when Avatar is being developed into more advanced stages it should be focusing on the improvement of business model canvas, especially the area of revenue stream and how they can make profit, which would enable them to become a profitable company.

3.1.2. Develop the strategy

Once the company has successfully conducted all of the mentioned analysis it is therefore inevitable to establish the strategy upon which will the company take necessary actions, that will enable the company to develop into the next stages of lifecycle of the start-up. In this part there is a need of establishing a proper business model, where all of the researched areas are included, which would mean a better understanding of the solution, that is being offered by Avatar. There are reasons why the mentioned analysis should be performed.

Developing new features

Based on the results, which were taken from the analysis of how the users are satisfied with the solution offered by the team of Avatar, the team is able to come up with the evaluation method of what works and what doesn't. As the users are the most important part of the platform, it is obvious that the Avatar team will consider developing new features, which are based on the emotions of the users. However, Avatar should be making smart actions considering various of opinions from the users because they can differ from each other. On the other hand, taking into account all of the aspects of performed research Avatar is being able to build a picture of what feature is the best for future development and how they can implement the idea including the mission and vision of social media platform.

When developing new features and considering all of the opinions and advices, which are provided by the users, there can be a potential development in the lifecycle of an organisation because as mentioned before, the way Avatar will approach customer satisfaction will change as they develop more. Right now, it is important that they are going to improve the customer needs rather than their satisfaction level, which is being developed in the later stages.

Considering that Avatar is currently trying to reach Product/market fit it is important that they analyse the SLEPT factors. After they are being researched, Avatar should be able to have overview of all of the external factors, which can be described as areas, that can be improved and taken advantage of. When developing the strategy all of the researched truths must be implemented in the strategy such as technological and social

advancement, where social aspect can affect the effectiveness of the solution as people might not understand the developed idea behind Avatar and technological, where social media platforms are built on technology and are depended on technological aspect.

Strengths, weaknesses, opportunities and threats

The performed SWOT analysis of Avatar can provide useful information and data, which can enable Avatar to expand. Strengths of Avatar shows how the solution can be delivered and what is the value proposition of Avatar. Weaknesses are parts, which should be improved. Opportunities is the part of the analysis, where timing factor plays a big role. Timing in this case can be discovered by analysing the environment and realising what important events are ahead of the company, which can change the development of Avatar. Threats are depiction of potential factors, which can endanger the project of Avatar.

Taking advantage of strengths can initially mean that the company is able to improve the opportunities. Realising what strengths Avatar has can open new opportunities and therefore they can take advantage of the critical factor called timing. Furthermore, strengths can overcome weaknesses of the company. By researching these areas Avatar can establish an overview of how they are able to approach the weaknesses and minimalize them.

Researching the company's threats can establish an overview of what are the potential threats to the company, which can be taken advantage as well, whereby realisation of threats the company can act on it and therefore can reduce them to a minimum.

Business plan

Avatar is in an environment where everything is constantly changing as it is dependent on technological advancement and therefore it is necessary to edit and improve the business plan when getting to the next stages. Avatar needs to establish a business plan that is being flexible to every stage of development. Business model canvas can work as a tool to show how the company functions and takes into account internal and external environment. Developing such model can improve the critical factors such as business plan, funding and idea. Business plan because business model canvas takes into account

all the activities, which the owner wants to implement. Funding, because the model includes revenue stream and explains how the company wants to profit.

3.1.3. Execute the strategy

This part should be dedicated to executing the planned strategy, which means that after the strategy is being planned the team takes specific actions, so they can fulfil their objectives and therefore develop into further stages of a lifecycle.

This part is mainly dedicated to the owner and executives of the team, where they give tasks to the team members. Furthermore, this part is closely connected with funding factor as the implementation and execution requires financial resources, which means that application of results from the research part is required.

3.1.4. Monitor the results

After the execution phase it is necessary to make sure that Avatar keeps the record of what is currently happening and how good is their implemented strategy. Furthermore, it is necessary to hold meetings, where topics of how the implemented strategy works including the failures, which must be assessed and based on the failures they are able to edit the strategic plan. Furthermore, when the company advances into the next stages, they should be keeping record of their achievements and implement similar strategy for the future and test what works and what doesn't.

In addition, owner of the platform is able to determine the efficiency of his team and therefore improving or maintaining the factor called team management. Owner can decide how he can approach this factor, whether it is by hiring new experts in the field or improving the current team to its limits to make sure the implemented goals and objectives are met withing the strategy. This factor must be maintained and taken care of during the whole progress and existence of the company because employees of the company and the owner are responsible for fulfilling their goals and duties.

Avatar is only at the beginning of the lifecycle, which means that the strategy will change throughout the stages of the company. At the end of the day, there can be various of other research tools, that can enable Avatar to look on the problem differently and approach it.

3.2. Critical factors

The owner of the platform currently is or is going to face critical factors, which might affect the platform in some way during the development of the company. There are several ways on how to approach these critical factors and what method to use for the further development of the strategy.

3.2.1. Idea

It is important for the owner to work with his idea and to develop the idea throughout all of the stages, which are indicating where the company currently is. The idea can be shaped in different shapes and different outcomes, which means that it is necessary that the owner and his team can test the idea throughout their development progress.

3.2.2. Team management

Team can be very important when trying to establish and develop something, which is not yet being understood by the community. The team must be well motivated by a strong individual, which can see the potential in his own company. Furthermore, the owner of the company should always think through who he brings to the team because the individual can endanger the company or make the company successful. This is necessary because the major of companies, which are successful were not created by individual. The company is being created and established by people, which are experts in various of fields, which means that the owner of the platform should be careful who he brings in, because at the end of the day the idea having a social media platform for gamers is his not others and his motivation to be successful depends only on him and not the others. Other members of the team however are a necessity to make the company successful with their field of expertise.

3.2.3. Business plan

This factor can be related to the factor called idea. Business plan is changing constantly as can the idea throughout the development of the company. Business plan should be structured based on the contemporary situation of the company and therefore include all of the internal and external processes that are making the company work.

We can see from the analytical part, that business plan was one of the crucial points of unsuccessful companies, which means the owner should analyse the environment of the start-up using necessary analytical business tools and apply the results into the business plan, which can be changed throughout the stages of the development of the platform.

3.2.4. Funding

As we know start-ups operate under extreme uncertainty and can be threatened by a lot of factors. Avatar is currently in its early stage, which could mean a slight advantage. It is only testing its solution and is trying currently to reach a number of users. Money might play a bigger role in achieving the breakthrough. It is crucial for the owner to know and get in touch with important and influential people in order to gather necessary resources for the company. In order to find the right people, the owner of the platform must come up with a solution, which would make them the best solution and recognisable from their competition in their industry.

3.2.5. Timing

Avatar has been launched in November 2020, which means that they already have the users flowing, which means there is no reason to further develop timing of the platform launch. However, timing of launch could be used in other areas of the social media platform.

As the platform develops into more sophisticated company the platform will encounter different ways on how to make the best out of events connected to the industry, which would initially mean global recognition of the platform. Furthermore, realise what are the potential advantages of the industry, which means that Avatar should be researching new trends in their chosen field. It is up to the leading team on how to implement the developed solutions into the upcoming important events regarding their industry. In order to know the events, it is necessary to research necessary events, which could be beneficial for the company.

3.3. Strategic approach

Developing a strategy for a company is necessary when thinking about the upcoming years and intention of achieving the next phases, which would mean expansion for the company. Strategic management is about developing its mission, vision and development of business model canvas is included as well. Owner of the platform is able to develop such strategy, which would include these important fields.

3.3.1. Mission

There are various of actions on how to approach to the mission of the company. However, only few are correct, and the mission should motivate the team of the company in order to achieve certain goals and objectives and that is the main goal of having a mission. Owner of the platform should create a mission and stick to it throughout the stages and build on that mission. To create such mission, it is important to take into consideration all of the attitudes of the team and their opinion on the mission. Only then the mission can have its purpose, which would motivate the team developing the platform into the upcoming stages. Furthermore, it is essential for the owner and his team to establish the mission as soon as possible, so they are able to build their objectives, which would lead them to a profitable company.

3.3.2. Vision

Owner of the platform certainly has its own vision of the company and how he can apply that vision into his strategy. However, what should be considered when creating such strategy is that developing the vision with other members of the team makes the vision more vital for the company as it is made not only of the owner of the platform. Owner should come up with a way, which would initially mean that the company is being shared with other members as well.

3.3.3. Business model canvas

Business model canvas shows how the company operates and how it handles all of the important functions. Using this model, the owner can validate if there are some opportunities and how he can improve in fields of operation. In addition, in order to

advance in the upcoming stages, it is important to improve the business model canvas and to make sure that the understanding of Avatar is being well shared within the company. There are some parts of the model, which can be considered crucial based on the analytical part.

Value proposition

There is always a space to improve the value proposition in order to understand its own brand and to make sure the internal and external environment of the business model canvas is balanced. The owner of the platform is suggesting that the solution is only for the gamers, which might not be their value proposition but their target group. Value proposition must include why the gamers, should use the platform as their main social media account and how social media platform can entertain them. Thinking of some additional features is not the worst idea. Every new feature, that is being developed is being tested as well. Avatar could come up with a feature that might be useful for some other group or could mean a huge breakthrough in the industry and making global breakthrough.

Customer segment

Considering gamers as the only targeted group might be genius but might be a mistake as well. Firstly, the owner must understand what problem he is solving and to whom the platform is dedicated. As mentioned earlier by developing and creating new features Avatar can get even more users from other industry, which could attract even more users.

Revenue stream

Sometimes it is much better to consider taking a step back and trying to think of future plans and how the decisions will turn out to be. Considering to be fast growing might be a huge mistake. By advancing in small steps the owner can get a better overview on what can he as the leader do in order to be successful. It might be disastrous as in one of the platforms in analytical part to seek growth too fast. It is important for the owner to create connections with people, which will push the platform further and make the platform globally recognisable. Find a way, which would enable Avatar to be recognised internationally.

Conclusion

The aim of this thesis was to suggest strategic proposal for the development of a start-up company on the base of comparative analysis of strategic behaviours of chosen start-ups. The comparative analysis was performed using benchmarking method. Furthermore, analysis of critical factors was performed as well.

The thesis consists of three main parts, which are interconnected between each other. First part was dedicated to introducing the theory behind strategic operation of a start-up and how it functions. Start-up is a new company, which is operated under extreme uncertainty, which eventually means that their business plan is constantly changing. Furthermore, strategic management was explained as it is part of developing a strategic plan. Strategic management cycle is being explained as it used as a depiction of a proposal for the development of Avatar.

Analytical part consists of identification of critical factors, which affect the chosen start-ups and are being recognised as factors upon which an organisation can become unrecognisable. Furthermore, Avatar was being introduced as a social media platform, which currently is between MVP and product/market fit. The stage was identified based on the provided information by the owner.

Proposal for solution consists of a suggestion for development of strategic plan of a start-up called Avatar. Proposal included the strategic management cycle, which consists of four main parts upon which the owner of the platform will be able to develop a strategy that will drive the platform forward throughout the stages of lifecycle of a start-up.

1. Strategic research part revolves around choosing the right analytical tools, that will help Avatar to develop into the next stage. SLEPT and SWOT analysis is being suggested along with customer satisfaction and funding field. These research tools are explained why they should be used along with the critical factors on how they can affect the process and how the company should avoid potential threats.

2. Development of the strategy part is dedicated to suggesting on how the owner of the platform should develop Avatar's strategic plan including the proposal on why to develop new features as they can evaluate what the users want and need.
3. Execution part should be dedicated to make sure the owner is taking actions and distributing the planned tasks among the team.
4. Monitoring the results part consists of evaluation of how the strategic plan is working and potentially changing the strategy in a way that would be beneficial for the development of the company.

When it comes to vision, mission and developing business model canvas Avatar has to remember, that without these fields they are not going to develop into the next stages of lifecycle, which would mean not being profitable and not fulfilling their purpose.

Avatar is currently in early stage of development and there is a long journey ahead of them, which means there will be a lot of obstacles. I hope this thesis will help the owner of the platform to build a successful strategy.

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