Business Model Framework

HackFwd

Legend

- Geek
- Investor
- General

Growth Strategy

HackFwd aims to make 10 investments in 2010, after iterating our approach based on this experience we expect to scale up the number of investments made per year. Given that over 45,000 students graduate with computer science degrees in Europe each year and a similar number gain deep computer science experience within companies and that these numbers are steadily increasing there will be no shortage of talent. The HackFwd community will grow over time (with those that have been through the programme) thereby increasing the number of referrers.

Partners

HackFwd's partners will include:

- Academic and professional networks as referrers to ensure quality of investment opportunities
- Service providers, including IDEO, PWC and Taylor-Wessing (lawyers) to ensure quality advice and support to our startups
- Top International VC & PE funds to ensure succesful Series B funding options when required
- Finally, HackFwd's community of geeks (including those that have run through the programme in the past) are expected to contribute to the programme ongoing.

Capabilities

HackFwd will comprise core staff of 5-8 and an advisory board of 5, including Lars. All will have deep experience in entrepreneurship and technology.

Board
The HackFwd Board comprises recognised hackers and European entrepreneurs with significant experience in building successful technology products. The Board includes HackFwd's Founder - Lars Hinrichs, founder of Xing.

Staff
The HackFwd staff are without exception passionate about helping geeks succeed, each is an proven expert in their domain.

Costs

HackFwd believes passionately in BootStrapping. As such we will maintain a relatively lean organisation (10 staff envisaged in 2011).

The burn rate will be kept to a minimum and HackFwd will negotiate 'bulk' deals with other service providers to help minimise the burn.

The strategy of scaling up over the space of a year will help to ensure that HackFwd can adapt its strategy based on real experience.

Importantly, the environment is condusive to scaling tech businesses at lower costs than ever before, due to:

- Access to open source tools
- Cloud computing allowing rapid scaling at minimal marginal costs
- Reduced need for capex
- An accesible markey of 2Bn+ internet users
- Moore's law exponentially growing technologies and the convergence of those technologies.

Value Proposition

HackFwd offers geeks the freedom to get on with building exciting tech products, momentum to ensure they progress quickly and inspiration to optimise their products. We understand geeks' needs, after all we are geeks.

HackFwd offers individual geeks or teams of up to 3:

- Seed capital and expenses to free them to dedicate a year to building their product - enough time and space to achieve great things
- General services to minimise their distraction from building the product, including off-the-shelf companies to get them moving quickly
- Immersion into a community of like-minded individuals, willing to share their experiences and the opportunity to reward those individuals with equity
- Access to a network of experienced advisors
- Tools and recomendations to optimise their products
- Support in moving to the next stage, including marketing and fundraising

On the rare occasions that the product is not received well at Beta and the teams mutually agree to cease the project, HackFwd offers the team support and invites them to remain part of the community.

For investors HackFwd offers the opportunity to invest in a diverse set of early stage technology businesses across Europe.

The small investment sizes, the rigorous selection process and the diversification across multiple investments (potentially reaching a steady-state of 40 per year) enable HackFwd to maximise returns for its investors. We call this agile investment.

The evergreen nature of the fund lowers the transaction costs in fundraising, it is envisaged that the fund will pay a regular steam of dividends and that the relative small fund size and success will ensure liquidity for investors as and when they might require it.

HackFwd also offers investors the chance to participate in the commuuity to help drive positive outcomes.

Channel

HackFwd will become infamous among geeks. Through the website passionthroughmomentum.com we will share a series of inspirational talks and other resources to educate and build the public's confidence in starting tech ventures. Through HackFwd.com we will put all of our deal terms and approach completely in the public domain - ensuring that there are no surprises for anyone hoping to work with us. and knowledge and transparency around all of its deal terms. In addition the strategy of initially only accepting referrals will drive interest and perceived value (and of course lower the burden on the company itself)

Similarly, HackFwd will not be open to any investor - it will be by invitation only. Investors will be selected through referral and accepted only if they are likely to drive HackFwd's success through referring new investment opportunities and by driving better outcomes with relevant support and advice.

Market Segments

HackFwd targets Europe-based geeks that crave the opportunity to build technology products. We dont target all geeks, we target those with the right skills and a clickable prototype of the right idea. We avoid 'nerds' (becuse they care less about impact) and 'business suits' (because they are well enough served already), our geeks lie between the two.

The right skills are:
1. Deep technology skills
2. Passion
3. A solutions focus
4. Natural curiosity
5. Tenacity to see things through
6. Open–mindedness
7. Collaborative & able to work with others
8. Communication skills

The right ideas are:
1. Entirely novel
2. Technology-based
3. Business to Consumer
4. Address a clear consumer need
4. Highly scalable
5. Fit with our broad portfolio
6. Capable Beta launch in less than 12 months

Unlike VCs we embrace the fact that many of these businesses will become cash generating (rather than exits at high multiples).

Hack Fwd targets Europe-based private investors interested in participating in emerging technology companies across Europe, leveraging the sector's relative nascency. We envisage that investors will tend to be private individuals or private family trusts. These investors will also see the benefit of returning frequent dividends and diversifying across multiple startups.

Pricing Model

In exchange for the outlined services (which money can genuinely not buy) HackFwd takes 30% equity in the startup, 3% of which we give back to the geeks to reward other members of the community that offer assistance. This will foster community-based behaviours and help drive the overall success of the investments.

Unusually, HackFwd does not charge investors a management fee. Instead it ensures its own incentives are fully aligned with investors and takes a 30% carry on value created (from start-ups' dividends or exits). This is a reflection of the commitment of the Board and its confidence in the model.

Competitive Strategy

The greatest competitor is geeks never starting their project because they remain employed in large companies or in academia - the HackFwd offer is designed to make this less appealing. Very ealy stage US investment companies include Y-Combinator and TechStars. These companies have enjoyed some early success but their networks tend to be US-centric, limiting their ability to enter Europe meaningfully. They also tend to 'incubate' ideas for very short periods of time - often not long enough for the start-up to make real progress. The European landscape is relatively underdeveloped although investment firms are starting to spring up, notably Saul Klein's Seedcamp. HackFwd welcomes these entrants as they will continue to develop the ecosystem.

HackFwd will continue to differentiate through the strength of our European network, our openness and the focused experience that we offer our geeks over a longer period of time (1 year).