SPROUT

INNOVATION PLAN
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I. Executive Summary

Overview	Sprout, a mobile app, is a digital hub for entrepreneurs and innovators to kickstart their businesses. By providing all the tools necessary for a successful startup on an easily-accessible online platform, Sprout boosts the process of turning ideas into reality.
Problem	**Team Formation:** Finding the right team members for a startup can be challenging and time-consuming. Without the right team of founders, the business may lack the skills and manpower needed for basic business operations. **Financial Funding:** Businesses often do not know where to look for funds, or cannot find willing investors. Not only is finding adequate funding necessary for businesses, but finding an experienced financial advisor can also be difficult. **Professional Assistance:** Entrepreneurs must face requirements such as settling operating agreements, determining stock options for investors, or writing business plans. Finding experienced professionals such as lawyers, angel investors, and venture capitalists is often difficult and intimidating.
Target Market	**Primary:** Entrepreneurs ages 15-45. **Secondary:** Business partners who have specialized skills and are seeking to help a startup team.
Solution	**1. Providing a social media feed of ideas that users can contribute to and join** Sprout's main feature is a streamlined feed, like Instagram's or Twitter's, where users of our app may either post their own original idea or view others' ideas, and request to join their team or invest in their project. Using the power of AI, we update users with the most relevant information on their feed. **2. Presenting the ability to fundraise from investors** Sprout offers users the ability to fundraise and invest through a crowdfunding platform. This will aid in the financial aspect of startups. **3. Partnering with businesses to provide users with professional assistance and a professional workforce** Sprout will provide entrepreneurs a readily available source of seasoned professionals from respectable and well-established companies. Location-based searching will allow entrepreneurs to connect in-person with local professionals.
Revenue Streams	**1. Advertisements in the app** Sprout will charge companies to place their advertisements (scroll-through content) in the feed of the users, similar to the advertising techniques of other apps such as Instagram and Twitter. This will be the major source of revenue for Sprout. **2. Percentage fee from crowdfunding platform** A 4% percentage fee will be charged whenever a user withdraws the funds earned from the crowdfunding platform. **3. Contracts from reputable businesses who pay to provide their professional assistants and a fee from the actual transaction between the entrepreneur and the professional** Sprout will charge businesses an upfront cost through a contract to provide their services through our application. Then, when entrepreneurs actually hire a specific professional partner, Spout will charge a transaction fee of 5%.

Entrepreneurs' ideas start as a seed. They then need to overcome early obstacles to grow.

Sprout solves the problem of *team formation* with a *social media feed of ideas*.

Sprout solves the problem of *financial funding* with a *crowdfunding platform*.

Sprout solves the problem of *lacking professional assistance* by providing a *source of readily available professionals*.

The idea finally grows into a mature product or business.

Sprout takes the initiative to solve the struggle that new businesses have with the necessities of team formation, adequate funding, and professional assistance. Our goal is to work to provide the proper assistance and resources to overcome these early obstacles at the startup phase.

1. Team formation (i.e. creating the team)

The initial team formation for a startup project is essential to the success of the startup itself. According to neilpatel.com, 23% of startups fail because they do not have the right team ("How to Build"). It takes a strong and well-rounded team with specialized skills to turn an idea into a successful business. However, human resources can be scarce in the area. In the rarity entrepreneurs do find the right team members and investors for their business, the process of assembling a team can be time-consuming and cumbersome.

Picture-right (neilpatel.org)

Top 20 Reasons Startups Fail
Based on an Analysis of 101 Startups Post-Mortems

Reason	Percent
No Market Need	42%
Ran Out Of Cash	29%
Not the Right Team	23%
Get Outcompeted	19%
Pricing/Cost Issues	18%
Poor Product	17%
Need/lack Business Model	17%
Poor Marketing	14%
Ignore Customers	14%
Product Mis-Timed	13%
Lose Focus	13%
Disharmony on Team/Investors	13%
Pivot Gone Bad	10%
Lack Passion	9%
Bad Location	9%
No Financing/Investor Interest	8%
Legal Challenges	8%
Don't Use Network/Advisors	8%
Burn Out	8%
Failure to Pivot	7%

Entrepreneurs are seeking to partner with professional assistants who can mentor them in various areas. Trained professionals are relevant to the team formation of new businesses not only for recruitment by entrepreneurs, but also because many professionals are seeking to join a startup. In fact, Inc.com states that 51% of employed workers are either actively seeking or open to a new job (Thibodeaux). The problem that exists is that there is a chasm between the entrepreneurs and the professionals when it comes to forming a founding team for a startup. Each group needs the other, but forming a team together can be time-consuming and difficult. Not only is team-building a major problem for startups, but maintaining and growing the initial startup team can be a prominent challenge at the beginning. Weak team communication is among the top several reasons why initial startups fail, according to neilpatel.com.

2. Financial Funding

Finding a substantial source of funding is one of the biggest obstacles to growing a startup business and is a leading cause of startup failures. Businesses simply do not know where to look for funds and investors, and cannot grow their company due to a lack of natural, human, and capital resources. According to smallbiztrends.com, 82% of funds for startups are from the entrepreneurs' own personal savings (Mansfield). Entrepreneurs are having to inconveniently use their own money, and this can lead to financial debt or even prevent some entrepreneurs

from starting a business in the first place. Not only is a source of funds a deficiency for new businesses, but finding an experienced financial advisor is also a complication. Having quality management of funds is just as important for businesses to survive. Without the necessary funds and the guidance to manage and use such funds, the entrepreneur faces tough odds for success. *Picture-right (Roanoke Times)*

3. Professional Assistance

An early-budding entrepreneur can be inexperienced and misguided with the ins and outs of entrepreneurship. Legal issues such as making operating agreements, filing as an LLC or an S corporation, determining stock options for investors, or writing business plans are problems that all entrepreneurs face at an early stage, and are likely not even related to making and developing a product to sell. Additionally, finding professionals, such as lawyers, accountants, and venture capitalists, is often difficult to navigate. Without the necessary professional guidance, early startups are susceptible to legal issues, funding issues, and other issues that could eventually lead to the startup's demise. From the professional end, finding new clients is critical, but can be very arduous; without the necessary clients, their practice cannot stay in business.

The two of us were able to meet with seasoned litigator James Creekmore, who provided us legal advice for Sprout. This shows the real need entrepreneurs have today for professional assistance. With his expertise, we were able to learn more about our options for filing as a business entity, such as an LLC, the necessities for hiring future employees through contracts, and other key responsibilities our business will face, like taxes and ownership of the company. All other entrepreneurs will face similar problems and questions we had, and having the ability to receive professional guidance will be critical in growing their idea into a reality. Overall, our meeting was successful and Mr. Creekmore was very kind to share his opinion on our mobile app and to give us detailed information about legal and financial matters. *Only until these problems are solved can entrepreneurs successfully implement and produce a real product.*
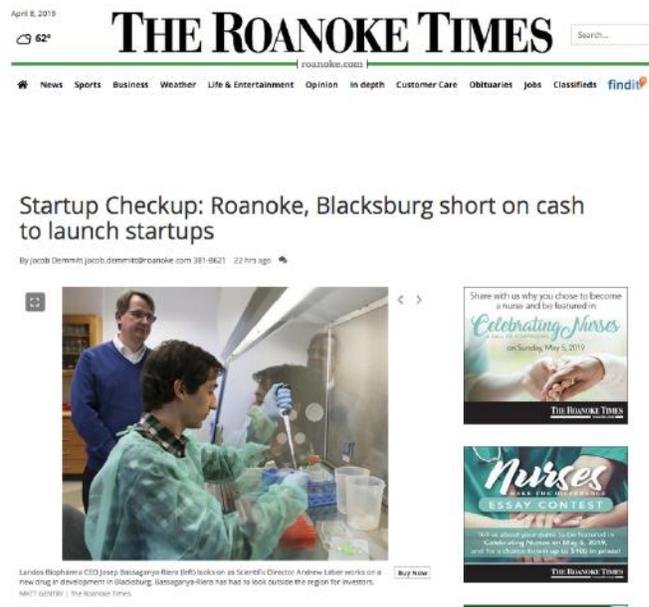
The end users of our product compose a wide range of demographics, allowing for a large total addressable market. Sprout's target market consists of two end users: the entrepreneurs and the workforce.
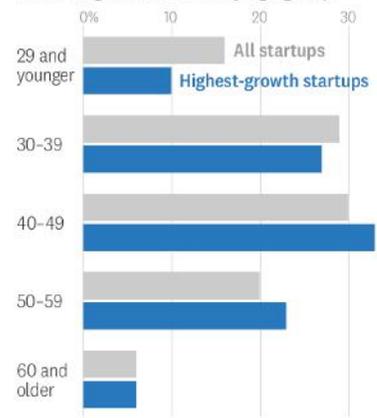
Entrepreneurs

The majority of our target market consists of entrepreneurs. The entrepreneur will be the core of our app, sharing their new ideas for others to support and grow upon. There is estimated to be 582 million entrepreneurs in the world, but we want to specifically focus our target market on entrepreneurs ages 15-45 years old, regardless of gender, which still leaves a customer segment of hundreds of millions of entrepreneurs around the globe (Kelly). This age demographic is crucial in the success of Sprout reaching entrepreneurs through a mobile app. Research from hbr.org has shown that on average, the age of an entrepreneur is 45, which is included in our target market (Jones). However, research from Fortune also shows that in today's world, there is a rising younger generation of entrepreneurs who will find our mobile app familiar and convenient to use. Remi Frank from Fortune.com states, "Before, you needed to be 40 or 50. Then it was 30 to 40. Now it's 20 to 30. This is a trend which is obvious everywhere. Of course, it's linked to the new technologies, but it's also a change in the world, which [now] accepts that you can be the CEO of a big company or own your own company at a young age." ("Millennipreneurs'") By targeting this age group, Sprout uniquely focuses on the younger population of entrepreneurs who will most likely be tech-savvy and more susceptible to using a mobile app for business. This ensures that our target market is consistently committed and active on our product, meaning our end users will be more willing to place more time and capital into their startup on our app, increasing the revenue of Sprout.

The Age of Startup Founders
The average age of people who founded the highest-growth startups is 45.

Percentage of founders by age group

Note: The top 1% of startups by growth are considered "highest-growth." Source: "Age and High-Growth Entrepreneurship," by Pierre Azoulay et al., NBER, April 2018. ©HBR

graph ("How to Build"): while the data shows that a large group of startup founders are between the ages 30-60, Sprout is targeting a new and rising generation of young entrepreneurs (ages 45 and under) who will be especially susceptible and familiar in using an online app to grow their ideas.

Business Partners

Our second segment of customers are those who are looking to partner with entrepreneurs and join their idea or startup. This population is critical to our app as entrepreneurs and innovators will be seeking the right mentors and partners to start up their business. The customer segment includes professionals with a specific skill set who are ages 25-60, and have had a considerable amount of experience in the workforce. These professional partners could be software developers, marketing managers, engineers, and many more. Without the business partners, entrepreneurs have no means or resources to help make their ideas into reality.

Sprout is an online hotspot for entrepreneurs to turn their ideas into reality. It fosters a community of ideas that combines the ability of crowdfunding and professional networking to create a one-stop entrepreneurial hub. It is a digital platform that is suitable for the next generation of tech-oriented innovators who will appreciate the convenience and the availability of the resources the app provides.

Sprout not only brings together professionals like LinkedIn does, or provides a platform for crowdfunding like Indiegogo and Kickstarter, but combines the both along with the central focus of bringing together entrepreneurs and professionals who all have a common goal of starting up a successful business. By packing three main features (along with many more) into one application, Sprout severely minimizes the amount of time and difficulty in commencing the startup process. Our end users will find our mobile app easy to use and resourceful in business creation and success.

Features	LinkedIn	Kickstarter	Sprout
Mainstream Professional Networking	✓		✓
Team Communication	✓	✓	✓
Financial Fundraising		✓	✓
Social Media Feed	✓	✓	✓
Premium Features	✓		✓
AI-based Job Search			✓
Location-Based Professional Discovery			✓
Entrepreneurship-Focus			✓
Team Formation			✓

Our mobile app emphasizes the **ability to share and join ideas**, **fundraise your own idea and/or invest in others' ideas**, and **connect on a professional network to start and grow your startup**, and provides it all on one digital app, making it the ultimate startup resource.

Sprout attempts to solve the primary problems of team formation, financial funding, and professional assistance by:

Providing a social media feed of ideas that users can contribute to

Sprout offers a streamlined method of sharing and joining ideas. This means the user of our app can either post their original idea or view another's idea and request to join that entrepreneur's team and/or invest in their project. The creator of the idea can then decide whether or not to accept the person onto the team. Using the power of artificial intelligence, we keep users up-to-date with the most relevant information on their feed. Additionally, using the most modern web and mobile technology, we keep entrepreneurs posted on potential offers, investors, and notifications to keep them in the loop about new opportunities to start and grow their business.

Presenting the ability to fundraise from online investors

Another function that Sprout provides for its users is the ability to use a crowdfunding platform to promote and fundraise for a new idea. This will aid our users in the financial aspect of startups. We connect investors with ideas in a quick and efficient manner, while also enabling anyone to invest some amount towards the project. Additionally, we provide targeted promotion and advertising during the campaign to help entrepreneurs reach their fundraising goal.

Partnering with businesses to provide users with professional assistance and a professional workforce

The third solution that Sprout will provide for entrepreneurs is a readily available source of seasoned professionals from respectable and well-established companies. Users will be able to find and recruit litigators, accountants, and other specialized professionals to be mentors of their startup. Additionally, Sprout will use location-based searching to allow entrepreneurs to connect with attorneys and professionals in the area, enabling a swift and personal transition into the development phase. Now users will have the necessary professional assistance at their disposal; this will provide the guidance and services to execute their ideas.

Picture-Right (Lorenz): This shows how Sprout solves the current and common need that startups have for professional assistance.
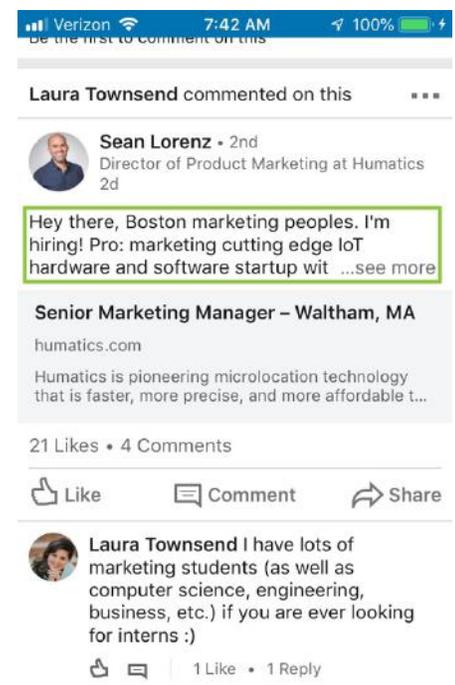
Sprout is a new digital hotspot for entrepreneurs and innovators to kickstart their businesses through the sharing and joining of ideas. Never before has it been easier or more accessible to gather all the tools necessary to build a successful startup business. Our product's package of features provides the platform for entrepreneurs to build the right team, gain substantial funding, and find professional assistance. Not only does it serve to solve the problems of the idea-creators, but it also provides a link for professionals who are looking to join an adventurous startup. Sprout is changing the way the world does business and is catalyzing the process of turning an idea into reality.

Feasibility

Market Opportunity

The market opportunity Sprout has will allow it to attract a large user base and earn high profits. In our digital age, it is evident that there is a growing market of digital users who spend time daily on the internet and their smartphones. More specifically, there is more time being spent on business-related digital apps by users, an increase of 33% per year, that will allow our app the potential for a very large and active user base (Gordon). With this information, it is likely that many of the total market of an estimated 600 million entrepreneurs will find Sprout useful for doing business online as it is becoming more popular and easy to do so. Even by taking a small sliver of the total entrepreneurs worldwide, like 5%, which is about 30 million entrepreneurs, Sprout will still flourish with a significantly large user base. As our potential for a substantial user base is large, so is our potential for profits. With many users on our app, Sprout will have the potential to generate a lot of revenue (see revenue streams below). Statista reports that mobile apps are predicted to bring in a total of $188.9 billion dollars of revenue by 2020 ("Mobile"). As people are willing to spend money through applications, and as Sprout accumulates a sizeable user base, our app will be able to create a large and consistent flow of revenue, and therefore profit.

Revenue Streams

Sprout will be a free mobile application, and will collect its revenue from:

1. *advertisements in the social media feed*
Sprout will have scroll-through content in the users' feeds, like in Instagram or Twitter, from companies who will pay to advertise in our app.

2. *4% percentage fee from users who withdraw from the fundraising platform (which will be our main source of revenue)*
When users withdraw the funds they raised on the crowdfunding platform, Sprout will take a 4% share of the money as other crowdfunding platforms do, but at a lower percentage than GoFundMe (5%) and Kickstarter (5%).

3.   and through contracts signed with businesses who offer their services through our app (front-cost), and also a transaction fee between entrepreneurs and professionals
Sprout will first sign contracts with reputable businesses to have their services offered through our app. By providing a source of professionals for entrepreneurs to find and recruit, Sprout will charge a small transaction fee (5%) whenever entrepreneurs actually hire professionals. In this way, Sprout acts a middleman, creating a microeconomy that brings entrepreneurs and professionals together in a convenient and linked multi-sided market.

As more features are developed, Sprout may provide users the option to pay for a premium model based on a tier of specialized features.

Our costs
This has been a project that the two of us have started on our own. We have not invested any funds into our idea yet, but we have dedicated many hours of our time to discuss the app and its features, and even develop a prototype for it. We've also had the chance to give multiple pitches for Sprout to professionals and business leaders in our local area. Additionally, we've considered some initial costs for the startup of Sprout including website and mobile hosting, developer costs, and advertising costs for when we do have the necessary funds.

Plans to expand
Sprout will begin in the founding place, Blacksburg, Virginia, locally, and then expand nationally and eventually internationally. In Blacksburg, we already have a testable customer segment for our future prototypes: Virginia Tech, its students, and its entrepreneurship community through the Pamplin Business School, APEX Center for Entrepreneurs, and the Innovate Live and Learn Community. The students here are business-oriented, tech-savvy, and represent the rising generation of young entrepreneurs (our target market). We plan to work with Virginia Tech for about one year, receiving feedback on our prototypes and perfecting our product before releasing it to the public, therefore avoiding any competition arising at the early stage of our startup. This time will also be used to do early VC fundraising. Then, we will release our product to the app store, which will allow us to quickly reach online users around the world. From there, the application will increase exponentially in its user base, like Facebook after its release, and also in its income once the large user base is established. We will certainly also implement marketing strategies like advertising, use of social media, and word of mouth to spread the awareness of our mobile app. By then, Sprout will adapt its services to more broadly target all professionals to become the next big thing for all entrepreneurs and business people to communicate, connect, and to grow.

Growth Model Over 2 Years

Work with Virginia Tech (1 yr) to perfect the mobile application

Introduce to app store Utilize blitz marketing

Revenue will increase exponentially as well

User Base

Time
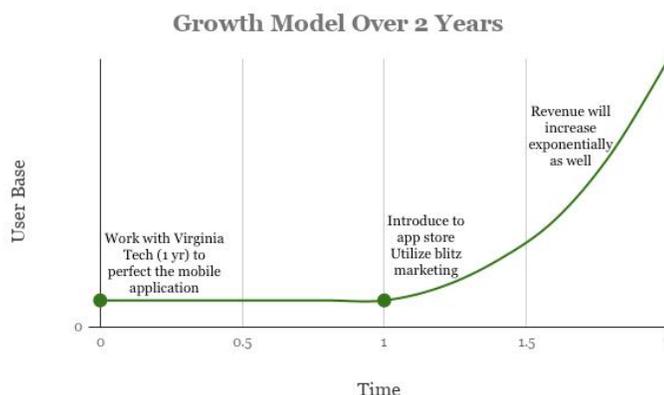
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