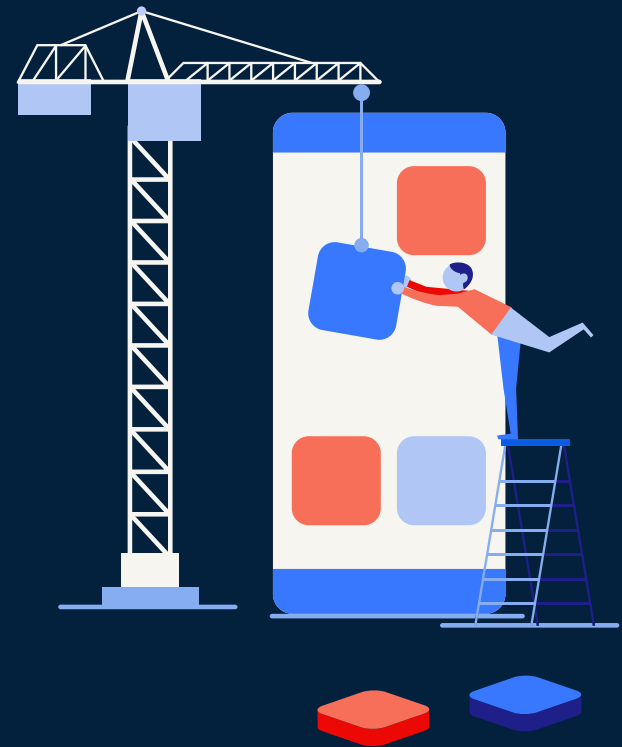# Building an MVP App

What First-Time Founders Need to Know Before Getting Started

ROCKETBUILD

Introduction

As the leader and primary salesperson of an application development company, I see a lot of digital product pitches. Multiple times each month I meet with would-be SaaS founders to hear their ideas, tell them about our services, and then look for ways that we might be able to partner. Many of the founders I meet are in the very earliest stages of bringing their ideas to life. Most are bootstrapping their fledgling products with their savings. This often means that they are coming to us with, at best, a few tens-of-thousands of dollars.

> *Fledgling founders need to **believe** they have the next Facebook, but **know** that they are likely to fail.*
>
> Jason Ward, *President/RocketBuild + Founder/Boardable*

More often than not, I am compelled to talk them out of starting to develop their application with us. So many of these intelligent, creative, and hard-working people just are not prepared to begin

development because they have not fully explored the costs associated with taking an idea to market. While I am happy to help them build their products, I do not want them to be disappointed when they spend their entire budget on a small MVP, then realize that they have no more money to get it to market effectively.

After having this conversation far too many times, I thought it might make sense to get these thoughts out into the world where they can be found and shared with others in the same situation. While I am not the world's most experienced product manager or venture capitalist, I am aiming to make these topics accessible and actionable in the hopes of better preparing first-time founders.

> *Getting a software product or app past the idea stage is really hard. It's a bit like 'getting discovered' as a musician. There are innumerable would-be tech founders who never launch their ideas, regardless of hustle, grit, and savvy. The vast majority of dreams are going to be crushed.*
>
> Jason Ward, *President/RocketBuild + Founder/Boardable*

JASON WARD

President, RocketBuild

Founder, Boardable

WHAT FIRST-TIME FOUNDERS NEED TO KNOW BEFORE GETTING STARTED

Peak SaaS

Nearly every metropolitan area is framing itself as a tech hub. And they aren't wrong! From Austin to Minneapolis and Tampa to Portland, you would be hard-pressed to find a city that hasn't taken up the cause of building a tech-centric economy. Many are branding themselves as best places to work for tech professionals, best places to start businesses, and the best places to find tech talent.

This all coincides with a sustained push for greater focus on STEM education. These localities are simultaneously creating the demand for tech talent and the future supply of people to fill those jobs. Add to this trend the financial maturation of the first fully tech-enabled generation, and the coming of age of the second such generation, and you have no shortage of ideas for the next big Software as a Service (SaaS) product.

We are approaching "peak SaaS"… at least it feels that way.

Twenty and thirty-somethings are enamored with the prospect of building a revolutionary piece of software to upend a niche market. Many believe they have, as I have heard many times, 'the next Facebook' or 'Uber for [insert vertical here].'

This is both a great and terrifying trend. Obviously, the vast majority of dreams are going to be crushed. Getting a software product or app past the idea stage is really hard. It's a bit like 'getting discovered' as a musician. Just like there are thousands upon thousands of extremely talented musicians in the world who never make it big, there are innumerable would-be tech founders who never launch their ideas, regardless of hustle, grit, and savvy.

This reality helps filter out the wheat from the chaff, in the best of scenarios. Just as often, though, it only allows the ideas that have backing from strong, connected individuals or brands to thrive, rather than the best ideas. What you know is important, but who you know is just as important, if not more so.

Keeping all this in mind, how does a would-be founder get noticed, find funding, and launch their idea?

1

A GREAT NEW PRODUCT IDEA

2

MAKE THE IDEA TANGIBLE

3

TIME FOR YOUR SEED ROUND

A Quick Primer

For purposes of this publication, we will be using the following definitions when we talk about application-based product startups. Note that these definitions may not be used in the same way across industries and geographies, but for our purposes, we needed some forms of shorthand.

DIGITAL PRODUCT

While this often means a Software as a Service (SaaS) Platform, we are using the term to refer broadly to any piece of software or application built as the backbone of an entrepreneurial endeavor or startup business.

GO-TO-MARKET (GTM)

This term is used to refer to a combination of both marketing and sales apparatuses in a business.

EARLY-STAGE

When we refer to early-stage companies herein, we are talking specifically about tech-enabled product companies that have not yet raised their Series A funding. Most will actually be in their Seed or Pre-seed rounds.

MINIMUM VIABLE PRODUCT (MVP)

For our purposes, this will refer specifically to the first version of a digital product that allows a company to begin getting paying users.

WHAT FIRST-TIME FOUNDERS NEED TO KNOW BEFORE GETTING STARTED

1

So You Have an Idea— That's Step One!

You have crested the first hill of many. Having a great new business or product idea is gratifying. Now it's time for what is likely to be the first of many gut-punches...

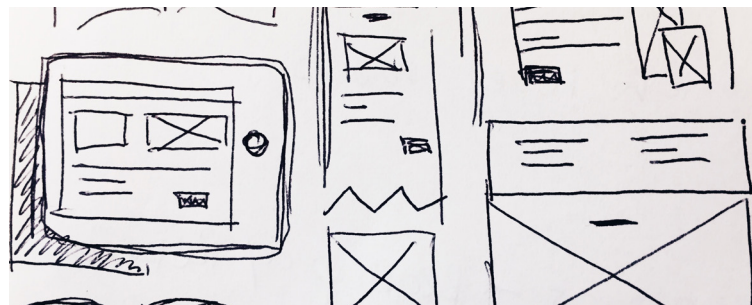Your idea probably isn't groundbreaking, and that's okay.

Even if your idea is in some way revolutionary, your chances of breaking into the crowded SaaS spaces are not high. More important than being unique is being in a market that is big enough to support a large user base and/or consistent recurring revenue streams. In all honesty, being first to market isn't as important as being early to market but better supported, funded, or marketed than everyone else who beat you there. In the end, the success of your business will be based on how much revenue you can generate rather than if your product idea was unique.

You also have to be okay with the product idea being more than just 'your idea.' You may have planted the seed, and that is critical, but so is nurturing the plant as it grows and harvesting its crop as it matures. You will bring talent on board that is better than you in many aspects related to your new product and company, and that is fantastic! Letting go of the product idea as being yours and yours alone is the first step in getting the right talent to help scale your company, sell your product, and find your funding until you get to profitability.

2

Step Two: Make the Idea Tangible

You have determined that you need to attract top-notch talent and investors. If you are lucky, you or a co-founder is capable of doing some quick sketches and user flows for your product. These are helpful for potential friendly investors who like to see the idea as well as hear about it.

Your initial conversations and sketches might be enough to get you through a 'friends and family' funding round, which will hopefully allow you to begin putting some part-time talent on bringing your idea to life. But to go to the next level—getting into a seed round— you will need at least three things:

One
A GOOD LAWYER

Two
A PROTOTYPE

Three
A BUSINESS PLAN & MARKET ANALYSIS

A GOOD LAWYER

Legal Counsel

Let's start by assuming that you have already determined your legal structure and how you plan to offer equity to founders, early talent, and such. If not, there are plenty of great resources out there to help you tackle your business and equity structure issues. My favorite quick reference for these considerations is an excerpt from a publication by Entrepreneur. The excerpt is called "Business Structure Basics," and it comes from the book **Start Your Own Business, Fifth Edition**.

Before going much further into your founding, you want to have a lawyer for three primary purposes. First, they need to be able to put together a non-disclosure agreement (NDA) to protect you when you start talking to investors, developers, and other parties. Second, you'll want to have them ready to review any contracts you are going to sign, particularly with regard to intellectual property. Lastly, you will need someone to do some initial checks to make sure that your technology and company identity are not in direct legal conflict with any pre-existing technologies or entities. Remember, we are at peak SaaS!

A PROTOTYPE

Clickable Prototypes

The word 'prototype' can mean a lot of different things. For most investors, the bare minimum that they will want to see is some sort of static design. These are, at least, a handful of screen designs that you can put in front of an investor to articulate what makes the product attractive, useful, and viable. These can usually be put together in a few tens of hours by a talented designer using Photoshop or Sketch. Consider this the 'economy' version of prototyping.

Better yet, however, is what we call a clickable prototype. A clickable prototype is made using a program such as Adobe XD or Invision, and it allows a designer to create several screens and link them together so that a user can interact with them almost as if clicking through the real product. This is the 'sport-sedan' of prototypes, and they are always worth the slightly higher price tag.

> *Giving your potential funders a clickable prototype with a polished user experience can generate a great deal of buy-in, and potentially greater investment.*
>
> Jason Ward, *President/RocketBuild + Founder/Boardable*

For those with a bit more working capital at this early stage, consider hiring an app development team to build the prototype in actual code. This can be done with some inexpensive tools that allow app developers to rapidly stand up simple databases (such as Google Firebase) and front-end frameworks (like Bootstrap or Foundation). With these tools, the developers can spend a few (6-8) weeks putting together a working model that allows users to sign up, browse, and interact. This is our 'luxury' version of the prototype.

Three

A BUSINESS PLAN & MARKET ANALYSIS

Business Strategy, Prospectus, and Pitch Deck

Perhaps even more important than your prototype, at least for sophisticated investors, are your go-to-market and business plans. I'm not going to spend a lot of time on the tactics and methods for building a business plan here, as my expertise and focus is on

getting the MVP built. There are some fantastic online resources to consult. **Prospectus.com** is a very simple, easy-to-follow site that has a number of resources to help a new founder get started. Their guide to writing a business plan, while very rudimentary, can be helpful for first-timers. The same is true of their guide for creating a prospectus.

In brief, any investor who is outside of your friends and family circle is going to require a thoughtful and well-vetted business strategy and pitch deck that articulates where you fit into your market (product-market fit), what your revenue projections and costs look like for 3-5 years (strawman proforma), an idea of what skill sets you intend to bring onto the team and when (hiring strategy), a clear picture of the size of your market and target audiences (market analysis), and, of course, a clear and concise product roadmap that focuses on user acquisition and retention strategies.

Crafting all of these documents can be draining of both time and energy. It is a great idea to bring on some help in areas where your initial founding team is weak. You want a well-rounded founding team, likely with varying levels of commitment and equity.

The Three Spends

Inevitably, when a prospective founder comes to a developer with an idea they are looking to build, they want to know how much it is going to cost to develop it. Well, that's the easiest part to figure out in the whole process… but more on that later. Unfortunately, the cost of the build is really only one of three major expenses to consider when getting through early-stage funding. One also has to consider the cost of full and part-time talent, as well as go-to-market spends.

> *For an early-stage digital product startup, your technology shouldn't be the majority of your costs.*
>
> Jason Ward, **President/RocketBuild + Founder/Boardable**

All first-time founders get blindsided by the amount of time and money it takes to get a product MVP to market. While the technology is likely to be the single biggest line item in your first year budget, it won't likely be the majority of your cost. There is no cut and dried formula for knowing how much any given product idea will cost to launch, because all verticals, feature sets, and markets are different. That said, here are some rules of thumb to help guide your funding conversations.

One	Two	Three
PRODUCT DEVELOPMENT	**MARKETING & SALES**	**TIME & TALENT**

The Three Spends

PRODUCT DEVELOPMENT

Start by getting three on-shore (for the U.S.) quotes on how much your self-identified MVP will cost to design and build. To find the cost to design and develop the MVP to make it ready for launch, triple the middle number you were quoted. This is a safe bet in terms of how much you are likely to spend on the technology in the first year. Inevitably, three things will happen during scoping and estimating. One, you will decide to add some features in the first year. Two, you will want to rebuild some features to work differently.

Three, the quotes you receive will be based on less than complete information, so development costs will go up.

There are a few things to consider when deciding who to use to build your MVP. First and foremost, you need to decide if you want to hire a developer or developers directly. This obviously incurs some cost, but it will save you money on a per-hour basis over outsourcing. Unfortunately, it will also require you to have full-time staff very early in the process, which will have indirect costs and the responsibility of hiring, managing, training, and maybe firing a mid-level employee or two.

A safer method is to hire a software development firm to build the MVP. Why? Four reasons...

> *Hiring an outsourced product development team allows for greater speed, more versatile skill sets, and increased accountability over an internal developer.*
>
> Jason Ward
> *President/RocketBuild + Founder/Boardable*

The Three Spends

One
PRODUCT DEVELOPMENT

Hiring a software development firm is the safest method to building an MVP. Why? Four reasons…

Speed

First, it will move faster than having one person do it, and speed is of the essence.

Accountability

Second, it is easier to hold a professional services company accountable to timeline, scope, and quality than it is a single engineer who will likely be overworked and out of their depth part of the time.

Depth & Breadth

Third, you will have a lot more skill sets brought to bear than a single engineer has, including design, front-end, back-end, development operations, and multiple languages and platforms.

Experience

Fourth, you can leverage the experience of a team who has built multiple products and learn from others along the way.

The Three Spends

MARKETING & SALES

As you start winding down your MVP development you will need to ramp up some or all of your content marketing, inbound marketing, social media, direct sales, and event efforts. These are significant expenses. Most of this work can be outsourced early on, but as noted below, you will need a senior-level business development or marketing professional to run it all. Again, it is nearly impossible to know exactly how much these things will cost, and your projections will undoubtedly change over the first few months as you adjust for what is working and what isn't.

For some back-of-the-napkin idea of what you want to budget for in your first year, consider using the following formula:

Take the amount you have budgeted for year one product development, based on the previously mentioned formula, and give yourself 30-50% of that number for marketing and sales.

The Three Spends

Three

TIME & TALENT

There are a small number of roles that you will want your founding team to encompass before approaching early-stage funders. Investors tend to invest in people more than features, so getting the right folks at the table early is even more important than having a fancy prototype. Chances are that you, the idea-generator, will fit into one or more of these roles, but it is unlikely that you will have the time and skills to cover more than two of them.

To be safe, you will want to budget for three or four full time employees (FTE) to be hired during year one. This includes you, as the founder, who will likely fill one or more of the roles noted below. Chances are that you will be able to pay slightly lower rates for your first few FTEs because you can be fairly generous with your equity offerings.

Still, you are looking for senior leadership talent, and they do not come cheap.

A QUICK START GUIDE: BUILDING AN MVP APP

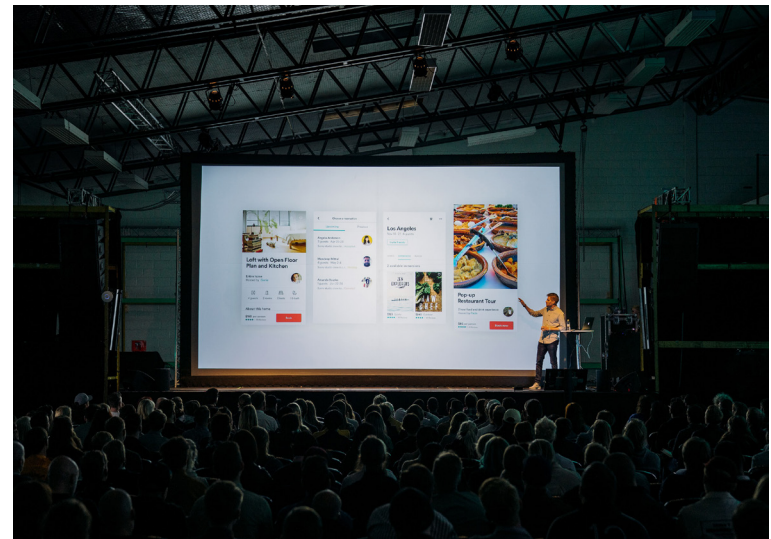WHAT FIRST-TIME FOUNDERS NEED TO KNOW BEFORE GETTING STARTED

The Three Spends

Three

TIME & TALENT

First,

You need someone who can get you in front of funders and manage the process of getting funding commitments and checks. This is likely someone who has done this sort of thing before, or at least been part of a team that has. It is also likely that this person has the skills to fill one or more of the other roles, identified on the following pages.

WHEN ORGANIZING YOUR FOUNDING TEAM... Don't underestimate how important it is to have someone who has a reputation and network that elevates your idea above the noise of the dozens of other ideas that funders see every year.

Someone with a vast network who has experience getting startups off the ground may be the most important person to have as part of your founding team.

The Three Spends

Three

TIME & TALENT

Second,

You need someone with leadership ability. That's a generic way of saying, you need someone who has attracted talent, lead teams, made hiring and firing decisions, and has generated excitement and loyalty in what is certain to be a risky endeavor.

WHEN ORGANIZING YOUR FOUNDING TEAM... Be sure to have a leader that has a vision, the ability to impart that vision, and the drive and respect to lead a team of executives and leaders.

This person doesn't necessarily need to be a skilled manager of tasks and people, but s/he does need to be able to influence, motivate, and enable others.

WHAT FIRST-TIME FOUNDERS NEED TO KNOW BEFORE GETTING STARTED

The Three Spends

Three

TIME & TALENT

Third,

You will want somebody who knows how to go to market with digital products. Remember, we are nearing 'peak SaaS.' That means that you are going to be competing for attention in a very distracted marketplace. Even if your product is the best, and it could revolutionize your industry, you still have to drive traffic and accolades for it if you want it to sell.

WHEN ORGANIZING YOUR FOUNDING TEAM... You need either a proven direct sales leader, or a stellar product marketing head.

This person will need to understand how to make your product stand out, and how to hire and/or outsource a lot of the nuts and bolts of sales and marketing.
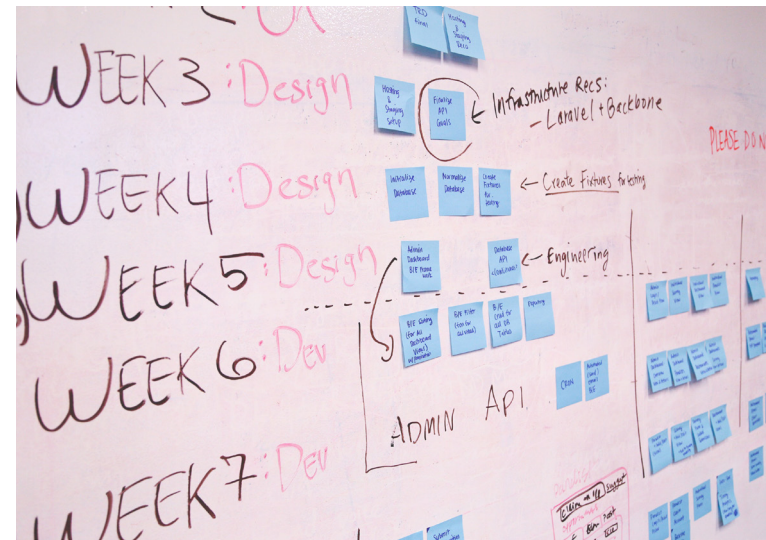
The Three Spends

TIME & TALENT

Finally,

The last piece of the founding team will need to be someone who understands how to build product. Chances are that this person has either developed digital products in the past or has led teams that have done so.

WHEN ORGANIZING YOUR FOUNDING TEAM... Find someone that has some understanding of user experience best practices, agile and waterfall development methodologies, and managing teams of developers/designers and/or outsourced technology vendors.

This person will have a good understanding of how to map the features of a product for maximum adoption and speed and efficiency to build.

A Budgeting Example

LET'S TAKE SOFTWARE STARTUP 'TECHEX' AS AN EXAMPLE.

TechEx is an Ohio-based company looking to build a product that helps early-stage startups hire part-time executives to help them found a company. It's a great idea… everyone agrees! Now, how much money do they need to get through year one?

PRODUCT DEVELOPMENT

Get 3 US-based quotes from reputable resources.

TechEx's founder was given three quotes from Midwest-based developers to build her MVP. The experienced freelancer came in at $65,000. The small development agency came in at $120,000. The larger, more established development firm came in at $170,000. Using the formula above, TechEx figure they need about $350,000 - $400,000 for year one of their product development.

MARKETING & SALES

30-50% of product development budget dedicated to GtM.

Based on that number, TechEx lands on about $120,000-$200,000 in marketing/sales costs for the same time period. TechEx's founder figures that much of that money will be spent in the last half of the year, and primarily on targeted ads on LinkedIn and Google, aggregator sites, search engine optimization, content marketing, and travel/sponsorship at events.

WHAT FIRST-TIME FOUNDERS NEED TO KNOW BEFORE GETTING STARTED

A Budgeting Example

TIME & TALENT

Organize a stellar founding team.

Based on the relative simplicity of the technology itself, and the considerable branding and marketing work that will need to be done to illustrate the product's value, TechEx decides that a full-time CMO, a full-time CEO, and a part-time CTO will be needed for staffing in the first six months. That will be followed by a full-time salesperson in the last half of the year. The founder decides that she can act as the CEO, and she is putting together a board to cover introductions to funders. She will pay herself $50k for the first year to help keep costs low. She budgets $100k for the CMO hire because it will be critical to success. The CTO she has identified is willing to work for $110k, prorated to half-time, for a cost of $55k. The salesperson will likely be in the $70k base plus commission range. That puts year one staffing costs at about $300,000, accounting for some benefits she would like to offer.

All told, this brings year one total costs to about $800,000-$900,000, with the technology budget only accounting for about 40-45% of the total. To be safe, the Founder/CEO decides she will try to raise a $1.2M seed round, which on top of her own investment and money from friends and family investors brings her to just over $1.5M. Obviously the timing of getting money in the door will be critical, as she only has $300k of starting cash.

LET THE SEED ROUND FUNDRAISING BEGIN!

3

Step Three: Your Seed Round

By the time you are approaching venture capitalists or sophisticated angel investors, you are likely to be most of the way through the development of your MVP, and have likely beta-tested it with a friendly group of users. Chances are that this puts you at least four to six months into your first year. This means you are probably running out of your initial friends and family round of investment. Your seed round, therefore, will be where much of the capital for sales, marketing, customer service, and product scaling comes from.

Again, this publication isn't intended to be about raising investment, per se. I'll leave that to the professionals. I do suggest taking a long look at **_Fundable's Investor Guide_** as a handy resource. Below you will see my summation of what it is like to go through a seed round, and what you should expect when doing so.

> _You should anticipate that raising your seed round will take a lot of time away from your leadership team and that it will take months to complete. The most likely scenario is that you will get a lot of interest quickly, but that very few investors will want to be the first to sign on._
>
> Jason Ward, **_President/RocketBuild + Founder/Boardable_**

Having a few respected funders already on board makes finding further investors easier. If you are lucky, you will have those early respected funders from your friends and family round. If not, your

leadership team is in for a lot of informal meetings over coffee or beer, formal pitches at events, and even more formal pitches to committees at VC firms.

It is a draining experience, but the process is important for more than just raising capital. These pitches and meetings will help you refine your message, which will eventually be used to create much of your marketing and sales material.

You will learn to sharpen your presentation skills. You will learn what is important to the market. You will hear alternative ways to monetize your product and user base. Invariably, you will become better as a product leader and salesperson.

If all goes well, you will spend another four to six months raising your seed round, which should be enough, based on your projections, to allow you to finance the rest of year one and through year two. By that time you will be generating revenue and should have really

good data to make projections, improve pricing structures, and optimize your cost per user acquired. If your numbers look good, your product continues to scale and improve, your team is healthy, and your initial investors are happy, you should be looking to your Series A raise and beyond.

Getting to and beyond your seed round can be a grueling experience, but it prepares you and your team for the future.

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> *You have to be okay with a product idea being more than just 'your idea.' You may have planted the seed, and that is critical, but so is nurturing the plant as it grows and harvesting its crop as it matures.*
>
> Jason Ward, *President/RocketBuild + Founder/Boardable*

RocketBuild

RocketBuild is an on-shore team of application developers that partners with entrepreneurs, corporate innovators, and marketers.

We build custom mobile applications, web-based software, websites, and complex integrations.

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JASON WARD

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Most days Jason can be found advocating for clients to make sure RocketBuild delivers the best possible results. His favorite part of RocketBuild is the true friendships that exist within the company. Outside of work at RocketBuild and Boardable, he designs board games, writes, and spends time with his wife and three wonderful children.