Creating a business toolbox for a start-up: a case study of SnapSwap International

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This thesis was implemented at SnapSwap International in spring and summer 2017. The case company is a fin-tech start-up established in 2015 and located in Luxembourg. The company aims to develop a new payment solution (money messenger) for the European market.

The purpose of the thesis is to observe commonly used business techniques (SWOT, Business Model Canvas (BMC), Persona, and Empathy Map) and analyze current business activities of the company employing these tools.

The theoretical background chapter focuses on the description of start-up origins and narrows into the fin-tech start-up industry and its adoption in the global economy. Then, the work observes the lean start-up theory as one of the best practices for young innovative enterprises. The current business toolbox is represented by SWOT, BMC, Persona and Empathy Map; these theories are summarized to create a basis for the empirical study.

A single and holistic case study is used to observe the start-up and create a business toolbox for further usage in business planning.

As the result of this work, the following outcomes are delivered to the case company: SWOT analysis, Business Model Canvas, two Personas and the Empathy Map, and current trends in fin-tech (theoretical background).

The research results demonstrate that the case company has a high potential to succeed and overcome current threats and weaknesses. Business Model Canvas, augmented by the case study, shows a clear picture of current business activities and navigates to further business development. The empathy map and persona theories allowed extracting two clear customer segments. All generated data are transferred to the case company for further usage in a form of editable templates.

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1   Introduction

The financial sector is known for its conservative approach to business. Indeed, banks do not tend to apply new technologies rapidly. They rather prefer to employ well-tested and reliable solutions.

Nowadays, conservative solutions do not fulfill customer needs in flexible, mobile and cost-effective products. Thus, current services usually lead to many pain points in customer journey and user experience as well as in cost-effectiveness.

The financial crisis in 2008 showed that financial markets do not have cheap alternative solutions to substitute old fashioned products. Besides, millennials have been growing in mobile device era, when entertainment, education, communication and even food order can be accessed from mobile devices. Finally, third world countries suffer from lack of basic financial infrastructure because traditional players of financial markets do not consider geographical expansion into these areas finding these investments risky.

1.1.1   Unique time for Fin-tech start-ups

Development of the internet, new legislations and arising technologies allow creating new products that meet customer expectations regarding cost-effectiveness and mobility in the digital century. Moreover, it allows creating efficient digital financial services for regions where financial infrastructure does not exist, but the internet has deep penetration.

Thus, innovative Fin-tech start-ups try to solve gaps in customer journey creating new user-friendly and cost-effective digital products as well as essential financial infrastructure.

Since the beginning of this decade, many start-up companies have entered the market trying to develop disruptive and innovative financial services. Many of them have successfully gained a critical mass of users and proved the viability of their business models. Therefore, the Fin-tech industry is a very hot topic, widely discussed by business angels, venture capitals, and private investors.

1.1.2   Continuous business planning

Start-up development is always full of uncertainty and pivots. Meanwhile, a relatively new start-up must take care of the business plan on a regular basis as it is the most frequently shared document within potential investors, business incubators, accelerators, regulators, etc.

Thus, a start-up business plan should consist of various business and marketing techniques (SWOT, Business Model Canvas, Persona, etc.) to maintain a complete overview of the activities and be easily adjustable to new enhancements and potential pivots.

1.1.3 Focus of the thesis

This thesis will focus on essential business and analysis (service innovation and design) techniques that should be applied to maintain a case study start-up efficiently. As the result of the thesis, the company will be provided with comprehensive materials: SWOT analysis, Business Model Canvas, Personas and Empathy map.

1.2 Purpose of the thesis

The purpose of the thesis is to cover essential business and analysis techniques that are commonly recommended by business angels and are proof-tested on existing companies. The tools will be described in the theoretical background and, after that, they will be applied in practice to receive a clear understanding of current business of the case company.

The case company will be able to complement and enhance the existing business plan with the outcome of this thesis.

1.3 Research questions

- How to use Business Model Canvas, SWOT, Empathy Map and Persona to complement a business plan of a start-up?
- How to apply these tools to a case company?

1.4 Theoretical approach

Various theories support this research. Firstly, The start-up phenomenon is explained including the Fin-tech industry. As the case company follows the lean start-up theory, this business approach is explained. Lastly, studies on Business Model Canvas, Lean Canvas, SWOT, Persona and Empathy map are summarized.
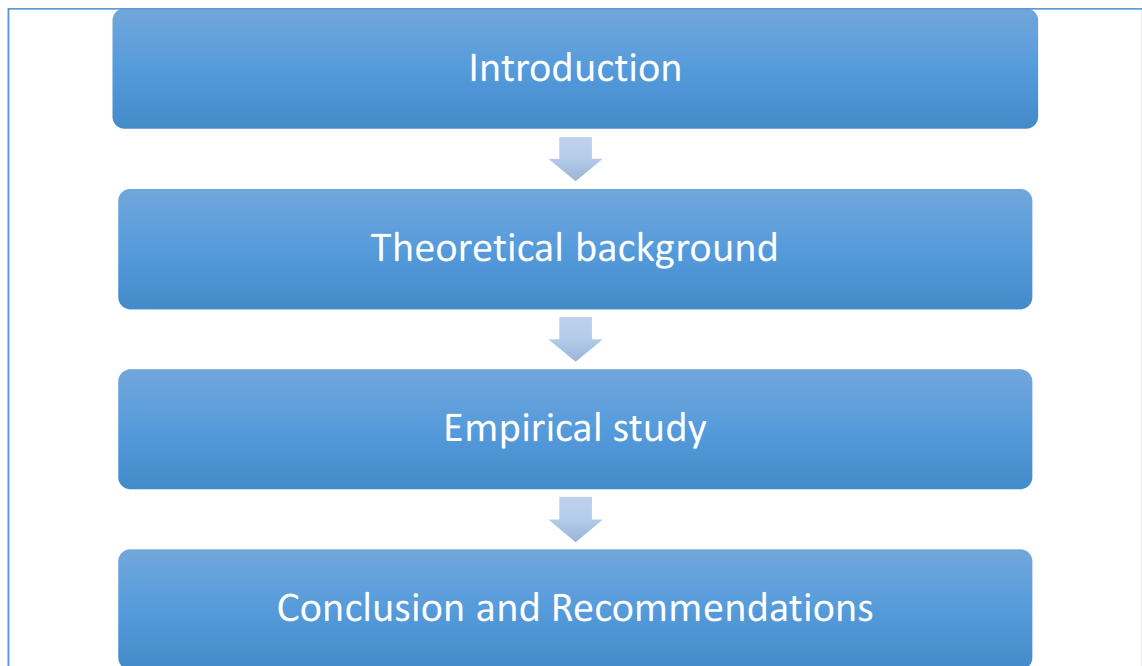
1.5 Framework of the thesis

Figure 1: Framework of the thesis

The thesis is conducted in four chapters. The work starts with a short presentation of the fin-tech industry and explanation of needs in continuous business planning. Then, the purpose of the thesis is narrowed followed by the identification of research questions. Finally, the theoretical approach and the thesis framework are explained.

The work continues with theoretical background. The chapter starts with studies on start-ups focusing on the Fin-tech industry. Then, the lean start-up theory as well as current business and marketing techniques (SWOT analysis, Business Model Canvas / Lean Canvas, Persona and Empathy map) are observed to answer the research question.

The third chapter is named empirical study. The aim of this part is to observe the case company, examine its business performance using described techniques and transfer the gathered material to the case company for further usage.

The fourth chapter concludes generated knowledge and the findings to make the summary and give recommendations to the case company. This structured knowledge can be used by the company as a basis for further development of an existing business plan.

2   Theoretical Background

2.1   Start-ups

To commence, in "The American Heritage Dictionary" (2016) a start-up is defined as "a business or undertaking that has just started operating." Angus Stevenson (2010) describes a start-up as "a newly created company." Finally, referring to Investopedia (2017), a start-up is a business that is in the early stage of its activities.

Even though these definitions provide with the clear understanding of the start-up origins, there is accurate segmentation mentioned by Steve Blank (2012) in his book "The Start-up Owner's Manual." The author categorized start-ups into six precise types:

1.   Lifestyle start-ups

These companies are run by lifestyle entrepreneurs who prefer to work for themselves doing business in the area of their hobby. As a rule, a lifestyle start-up will never become a large enterprise as it is maintained exclusively by the owner and its the only purpose is to fulfill personal social and financial needs of this person.

2.   Small business start-ups

This sort of start-ups is relatively bigger than lifestyle start-ups having a few people working for the company. However, they are not designed for scale, and their revenue does not exceed 1 million dollars. Typical representatives of this category are grocery stores, barber shops, travel agencies, etc. These businesses boost the domestic economy of a country as they are entirely local and create many job places for citizens.

3.   Scalable start-ups

This category is also called "Born to be big." Respective start-ups are highly scalable and created with the ambition to change the world. Unlike two previous groups, these companies are designed to become either publicly traded or acquired by international corporations. Financially, such companies are fueled by venture investors while they are looking for an appropriate business model and running global expansion.

4.   Buyable start-ups

The primary value proposition of this start-ups is "time to market." Such companies are created to develop an innovative solution in a certain industry and to be sold to a large corporation within a short period of time. These businesses do not target global expansion but rather a development of know-how that can be beneficial for market leaders.

5. Large company start-ups

Unlike buyable start-ups, which are established by enthusiasts, these businesses are created within large enterprises to enter new markets and test innovative products. Thus, big companies do not take an image risk pushing a brand-new white label product to the wild market gathering customer reaction and needs.

6. Social start-ups

The main purpose of these start-ups is to generate a valuable contribution to society and make the world a better place. Same as scalable start-ups, they aim very ambitious targets. But their main purpose is a positive impact on society rather than on wealth of the founders and investors. These companies are described as non-profit, for-profit, or hybrid.

Since the beginning of XXI century, start-ups have been receiving remarkable attention from researchers, media, and even politicians internationally. Certainly, start-up companies have surprisingly created or redesigned a wide range of new services and goods, especially ICT products, continuously challenging the global economy. According to The Economist report (2014, p. 2), entrepreneurial explosion nowadays is similar to the "Cambrian explosion" moment on the planet Earth, when life forms started growing rapidly. Especially, digital start-ups are bubbling up in a great variety of services and products. Indeed, entrepreneurship is becoming more and more popular occupation nowadays.

2.2 Fin-tech start-ups

To start with, fin-tech is a synthetic word appeared as a combination of Financial Technology. The term is described as "combination of modern technologies creating or modifying financial services, such as internet banking or the e-commerce field, mobile payments or seed-stage financing of start-ups"(Dapp et al., 2014, p. 5). Alternatively, it can simply be seen as "the use of technology to deliver financial solutions"(Arner et al., 2015, p. 3).

As a rule, successful start-ups combine scalable and innovative approach to business modelling to compete with mature businesses (Davila et al., 2010, pp. 79-105). Fin-tech start-ups offer innovative financial products and services worldwide or regionally to make traditional financial institutions struggle.

Financial Technology (fin-tech) is one of the most promising industries in this decade. "The Fin-tech revolution, driven by a wave of start-ups with innovative new business and revenue models, new products and services, is changing finance for the better globally. These Fin-tech firms offer users a range of financial services that were once almost exclusively the business of banks" (Chisti et al., 2016, p. 5). As mentioned in Forbes (2015): Fin-tech start-ups challenge the banking industry. It has become feasible thanks to increasing popularity of blockchain technology and buying behavior of millennials.

There are a few subsectors in Fin-tech where young start-ups have already successfully challenged traditional financial institutions. They are generating disruptive solutions by redesigning outdated business models and IT processes. The following subsectors have been already crowded by Fin-tech companies:

- Lending

Companies from this subsector offer similar products as traditional companies. However, they serve customers more efficiently, approving loans faster than traditional lenders. Fin-tech lenders help online and 24/7 thanks to high level of automatization and branchless approach to business (Scott-Brings, 2017). For instance, if a customer is borrowing a small amount on a smartphone app, the loan will be delivered within a few minutes. Another example, some start-ups develop a platform where people can lend money to others and benefit from interests (Scott-Brings, 2017).

- Personal Finance

This subsector is famous for creating a consumer value by automating and optimizing personal savings. For example, an artificial intelligence based app will monitor habits and goals of a customer to suggest efficient weekly shopping.

- Mobile Payments

Mobile payments have been seen as the end of the cash era. Enthusiasts consider physical money as an inefficient, local and insecure payment method, while mobile methods can be global, more secure and include additional features. The Fin-tech world has yet to see how grand the scope of mobile payments will become in the future.

- Banking Infrastructure (Neo Banks)

Neobanks are similar to traditional banks; however, they utilize the most updated and upgraded IT tools to run the banking business. In the realities of the 21st century, neobanks are conventional banks, but without physical branches (branchless). Besides, these financial institutions are mainly using mobile apps and websites to serve clients.

Neobanks are also sometimes named as online banks and challenger bank because the intention of such companies is to attract the segment of customers who are not satisfied with the level of service in the traditional institutions.

Neobanks offer traditional range of services: current accounts and transactions on them, credits, asset management, investments, deposits, etc (Marous, 2013).

2.3   Fin-tech adoption

According to the EY consulting firm (2017), the average adoption of Fin-tech services is 33% in 2017.
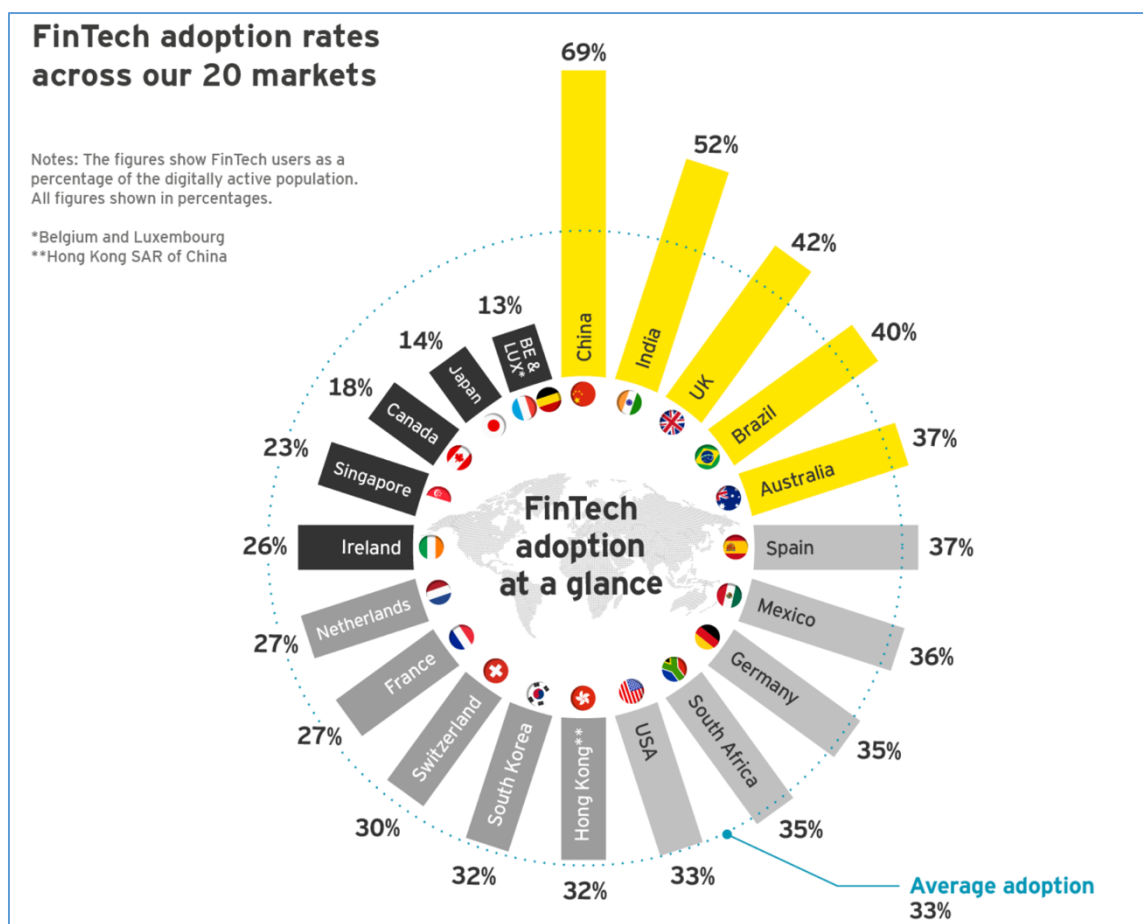

Figure 2: EY report, Fin-tech adoption

Most of the digitally active users have already experienced Fin-tech products at some point. The table below shows the usage of most common products as of 2017:
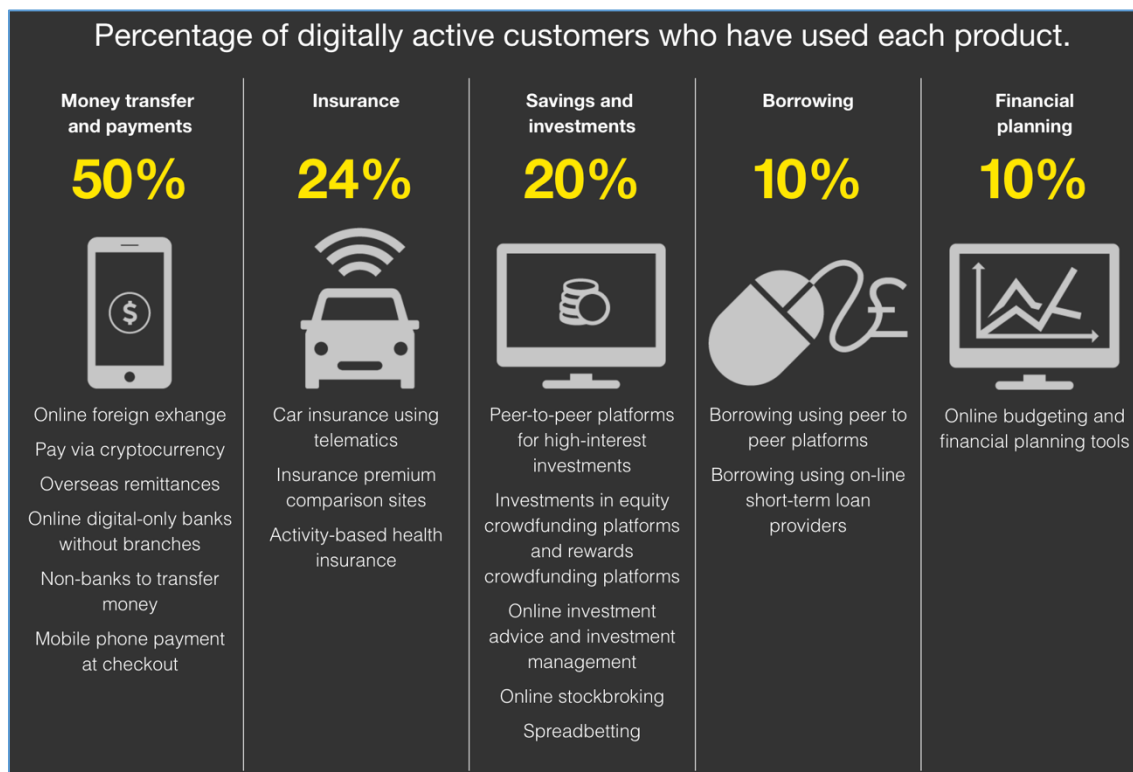
Percentage of digitally active customers who have used each product.

Money transfer and payments	Insurance	Savings and investments	Borrowing	Financial planning
50%	**24%**	**20%**	**10%**	**10%**
Online foreign exhange	Car insurance using telematics	Peer-to-peer platforms for high-interest investments	Borrowing using peer to peer platforms	Online budgeting and financial planning tools
Pay via cryptocurrency	Insurance premium comparison sites	Investments in equity crowdfunding platforms and rewards crowdfunding platforms	Borrowing using on-line short-term loan providers	
Overseas remittances	Activity-based health insurance			
Online digital-only banks without branches		Online investment advice and investment management		
Non-banks to transfer money		Online stockbroking		
Mobile phone payment at checkout		Spreadbetting		

Figure 3: EY report, Fin-tech adoption

2.4   Lean start-up

Lean start-up approach is a relatively new phenomenon which was suggested and described by Eric Ries in 2011 when his book called "The Lean Start-up: How Constant Innovation Creates Radically Successful Businesses" was released. In the book, Ries (2011) declares that "Start-ups exist not just to make stuff, make money, or even serve customers. They exist to study principles of sustainable business." It signifies that sometimes start-up developers tend to spend an inadequate amount of time and money on the new product (service) which would reach its final consumers without sufficient management of their start-up development. They incline to think that they know what exactly their potential customers want and do their best to build up a product (service) which meets the demand of them. When finally the product or service enters the market, it sometimes fails regarding customer`s expectations and market competition, for example. (Ries, 2011)

According to Ries (2011), developing truly fruitful and efficient start-up requires "…a new kind of management specifically geared to its context of extreme uncertainty." In other words, it is crucial for a start-up to be based on solid and credible management. The core idea of lean start-up principle is to create a certain order (based on certain rules and meth-odological approaches) when transforming start-ups from a bright idea in someone`s mind into profitable and flourishing business.

The most important methodology which Ries (2011) offers to young start-ups is the principle of projecting their products or services through the feedback loop of "Build-measure-learn." This policy allows coordinating and evaluating and, if necessary, altering the start-up components to succeed in the market and meet the demand of consumers. (Ries, 2011)
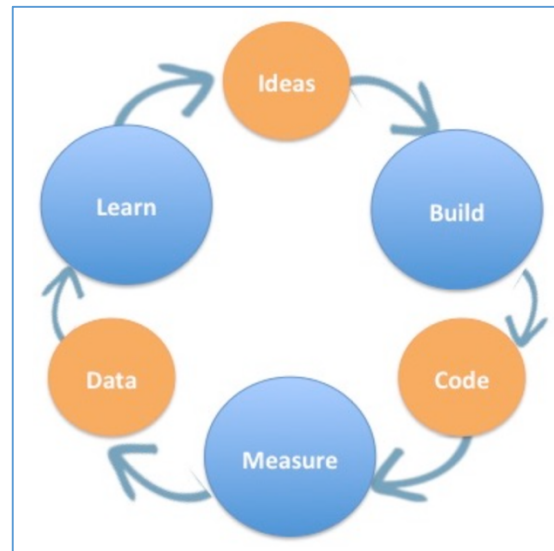

Figure 4: The feedback loop of "Build-Measure-Learn"

Describing the nature of this method in greater details, it is worth mentioning that there are three larger steps involved in it. The preliminary step is asking the questions "Should this product be built?" and "Can we build a sustainable business around this set of goods and services?." (Ries, 2011). If the answers to these questions are positive, then the first step called "Build" takes its place. It involves creating a minimum viable product (MVP) even though it may not be of high quality of developed until the final excellent version. Instead, Ries (2011) suggests creating a draft but with clear objectives and functions clear to its final consumers and putting it already into the market.

After that, the second phase called "Measure" takes its place. It involves obtaining feedbacks from customers to understand their respond, overall reaction, and satisfaction level as well as proposed suggestions regarding product or service improvements, or alterations.

When necessary feedbacks are received, the third step of the principle takes its place. It is called "Learn" which, originations from the meaning of the word, signifies understanding of possible flows in the product or service and implying a course of actions which are needed to be undertaken to improve them. And, when changed or altered, the product or service appears in the market once again. That is why this principle could be called "cycled one" because it requires constant building the product or service, its measurements from different

perspectives and learning from feedbacks of consumers via different communication channels. (Ries, 2011)

Overall, Lean start-up methodology is a useful tool which helps to accelerate the process of start-up development and make it smarter, less time, and money-consuming.

2.5   Essential business techniques for start-ups

Although there is an array of techniques which could be used to evaluate the effectiveness and development of start-ups, sometimes they overlap with each other regarding their dedication. For this reason, the case study uses only three analytical tools which demonstrate different aspects of company`s operations. The first one is the SWOT analysis which would be applied to understand external and internal factors, and parameters which influence company`s present operations as well as future ones. Then, as the thesis focuses on investigating a particular emerging Fin-tech start-up, Business Model Canvas is created. Finally, to understand the typical and generalized profile of potential customers, a combination of two analytical tools (Persona and The Empathy Map) would be applied.

2.5.1   SWOT

The analytical tool called "SWOT" (stands for Strengths, Weaknesses, Opportunities, and Threats) was developed in the 1960s by Ken Andrews (at least he is often regarded as the first and principal developer of SWOT). (Puusa, Reijonen, Juuti & Laukkanen 2012, 49; Fleisher & Bensoussan 2003, 92)

The tool investigates two parameters of company`s operations:  internal and external. The inner part analyses the capabilities of a company being subdivided into strengths and weaknesses. As for the external part, it focuses on company`s possibilities being subdivided as well into opportunities and threats. The goal of the analysis is to find out the strengths and weaknesses that are critical in meeting opportunities and threats at the particular moment of company`s operations or challenging situation. (Fleisher & Bensoussan, 2003)

Figure 5: SWOT analysis template

Turning to the understanding, benefits and limitations of the tool, it is necessary to explain how the analysis is conducted. Often, SWOT is presented in the form of a matrix (or a table) illustrated above where information (facts, points, etc.) relevant to one of the four parameters is inserted in corresponding row and column of the table.

SWOT is broadly used because of its simplicity and ability to concentrate on the key points which affect the company or a particular situation. Thus, it has definite advantages which include its simplicity and utility, focusing only on most important factors and issues at the special moment of analysis, provoking next steps of analyses, and, finally, helping to set out potential targets for the future. (Pickton, 1998, 101-109)

However, a few apparent drawbacks of this tool exist as well. The most noticeable one is the absence of priority of factors and points listed in the table. It means that it is not possible to prioritize them to build up an adequate course of action towards the situation, for example. Next, sometimes in the table there more opinions (which are definitely subjective in their nature) than solid facts or evidence. For this reason, SWOT may not be called an objective tool, and it depends to a greater extent on the perception, knowledge, and expertise of the person who conducts the analysis. And finally, sometimes it may be difficult to figure out in which column or row it is wiser or more logical to place a certain point as it may depend on the personal attitude or a situation. Hence, no recognized methodology is present to solve this flaw in the analysis. (Brooks et al. 2014)

To summarize, the following analytical tool seems appropriate for preliminary screening of the situation with the case study start-up and then, taking into consideration its findings, paste with two other analyses to obtain "the big picture."

2.5.2 Business Model Canvas versus Lean Model Canvas

As it derives from the definition of "business model", it serves representative functions and is dedicated to reflect company`s business strategy in more visualized and comprehensive way. Nowadays there is a variety of methods of doing it.

The method called "Business Model Canvas" (BMC) was firstly proposed by Osterwalder (2010). Osterwalder (2010) suggests an analytical tool (consisting of 9 blocks as it is seen in the picture) which helps its users to either create a new business model or update, or alter an existing one according to company`s needs or current situation on the market, for example. (Osterwalder & Pigneur, 2010)
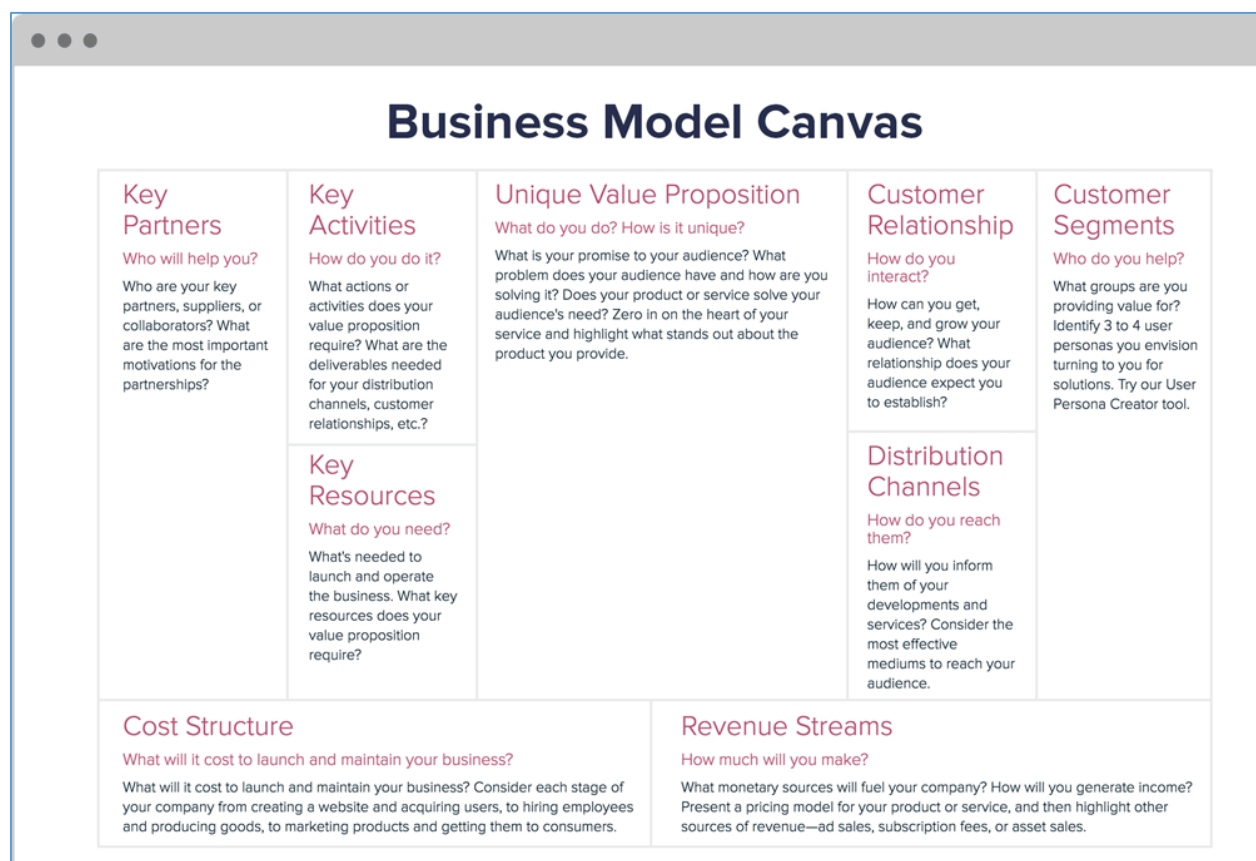
Figure 6: Business Model Canvas

As it is seen in the picture, different aspects of company`s operations are taken into account when completing the table (starting from relationships with partners and customers and finalizing in cost structure and revenue streams) to be able to understand the current situation from different views and perspectives. (Osterwalder, 2013)

However, this tool has been widely extended and adapted to different businesses depending on their nature, size, etc. That is why there are variations of the original BMC by Osterwalder which exist nowadays.

One of the most appropriate derivatives of BMC which is extremely relevant for start-ups is the method called "Lean Canvas" created and developed by Maurya (2012) as being more adapted to the needs of start-ups.

As it is seen in the table, the Lean Canvas has certain similarities compared to the original version of Business Model Canvas. However, the Lean Canvas mainly follows a problem focused approach and targets entrepreneurs and young enterprises.
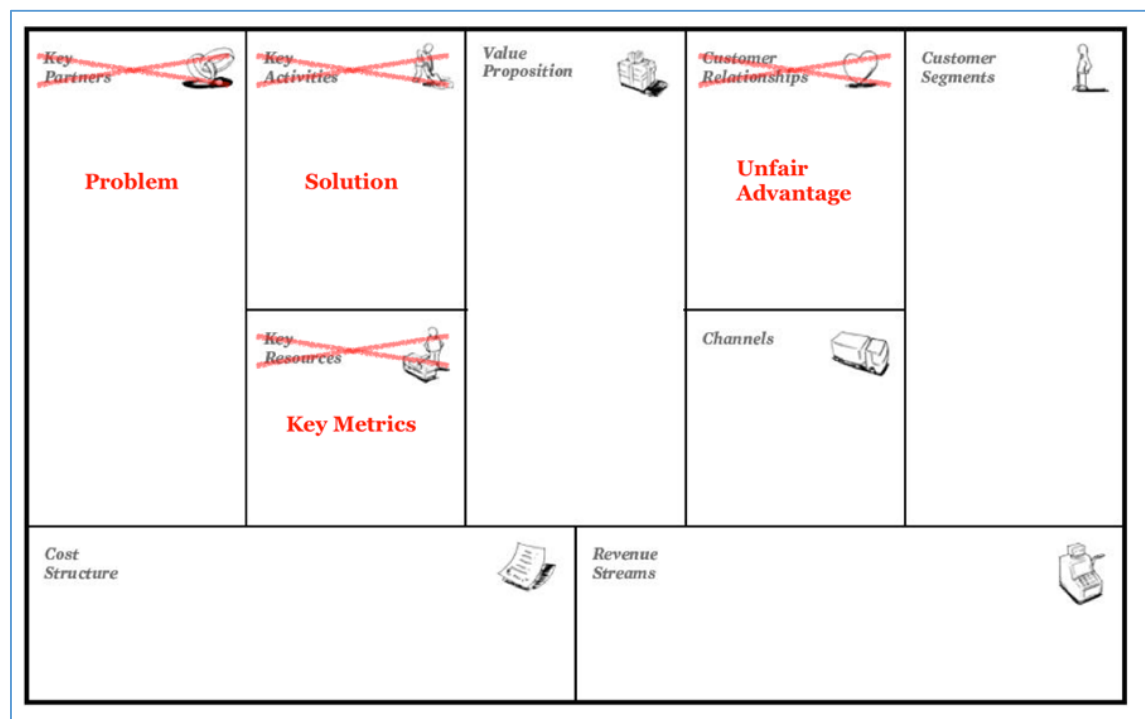
Figure 7: Lean Canvas

Business Model Canvas versus Lean Canvas		
Element	Business Model Canvas	Lean Canvas
Target	New and Existing businesses	Start-ups
Focus	Customers, Investors, Entrepreneurs, Consultants	Entrepreneurs
Customers	Emphasizes on customer segments, channels, and customer relationships for all businesses	Does not put much emphasis on segmentation because of completely new products
Approach	It observes the infrastructure and names the origins and channels of financing as well as revenue streams	It begins with the pain points (problems), an offered solution, the delivery channels, main costs, and potential revenue streams
Competition	Main focus is on quantitative and qualitative value propositions	Main focus is on capitalisation based on unfair advantage over competitors
Application	Involves understanding, creativity, discussion, and constructive analysis	It is a simple problem-solution oriented approach which enables the entrepreneur to develop step-by-step

Table 1: Business Model Canvas versus Lean Canvas

To summarize, both business models are very efficient analytical tools which help companies to obtain a clear vision of its operations to decide on their future targets and goals; whereas Lean Canvas tool is more narrowed to the specific needs of start-ups and mainly used by start-up developers.

2.5.3   Persona and The Empathy Map

An analytical tool called Persona was informally developed by Cooper in the 1980s as a way to better understand behavioral patterns and attitudes of the potential user of his product (in the case of Cooper it was software).

The Persona principle accentuates the importance of understanding the nature, desires, motives, and attitudes (in generalized form) of the potential customers or buyers to adapt the product or service to their needs. This method helps to see the typical user of the product or service. The Persona is conducted after a set of interviews with potential buyers to identify certain similarities in their needs, behavior, demands, etc. The analytical results of these interviews are then interpreted into building up a typical user profile (or set of profiles if there are noticeable differences in behavior, motives, or demands). (Terano et al. 2015)

Figure 8: A persona template

Besides, building up Persona`s profiles helps developers to feel more empathy to its potential users, in other words, see everything through the eyes of their customers and coming up with issues which could appear among customers only, not developers or creators of the product, service.

For obtaining greater empathy towards customers, another tool called "Empathy Map" is used. Created and developed by Dave Gray, it became popular and commonly employed in the business world to better understand customer segments. Similar to Persona, it depicts the feeling, motives and behavioral patterns of the client, but, unlike Persona, it is more generalized and a creativity demanding tool. (Gray et al. 2010)

Customer Segment

Thinking and feeling
What is important to the customer?
What are his hopes, dreams, fears?

Seeing
What does the customer's
environment look like?

Hearing
What influences
the customer?

Pains
What obstacles or challenges
does the customer have?

Gains
What does he hope to acheive,
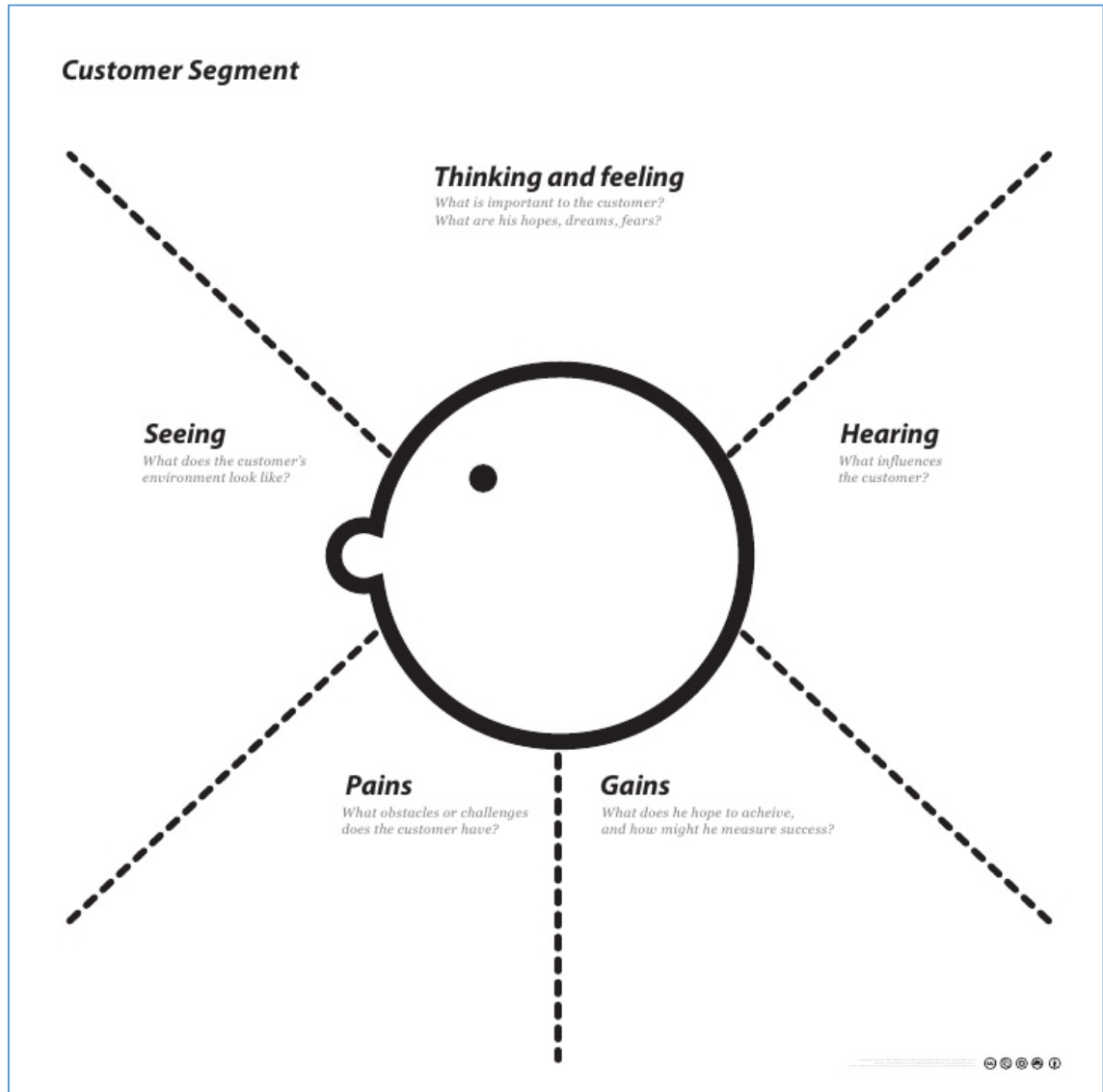and how might he measure success?

Figure 9: An empathy map template

Both methods are useful when figuring out a customer segment or a typical user profile for the product or service. They can be both used to obtain first a clear picture of customer segment in general (an Empathy Map) and then narrow it to the profile of typical individual buyer or user (a Persona). (Gray et al. 2010)

2.5.4   Case study

According to Robson (2002), case study involves investigating an existing event (company, issue) from the perspective of its real life applications. Eriksson & Kovalainen (2016) state that a case study is an efficient technique in business research because of the availability of presenting certain issues in a practical and accessible format.

Yin (2003) subdivides case studies into four categories depending on a number of case designs and units of analysis.

	Single case designs	Multiple case designs
Holistic (single unit of analysis)	*Type 1* *Single/Holistic*	*Type 3* *Multiple/Holistic*
Embedded (multiple units of analysis)	*Type 2* *Single/Embedded*	*Type 4* *Multiple/Embedded*

Table 2: Types of case studies

This thesis includes a single and holistic case study because it examines particularly one unit of analysis, business development, at one company, SnapSwap International, which is a unique case.

2.6   Data sources and collection techniques

As a rule, researches choose between primary and secondary sources or utilize both of them. Application of both sources is called dual methodology. Primary data are "collected especially for a certain project." This data can be gathered from interviews, case studies, question-naires and direct observations. Vice versa, secondary data are gathered from existing re-searches that have been collected for other needs. Secondary data can be found in previous studies, official statistics, diaries, letters, and government reports (Saunders et al. 2009). This thesis is based on both primary and secondary data.

3   Empirical study

3.1   Case study. SnapSwap International S.A.

Snapswap International S.A. is a fin-tech start-up company based in Luxembourg since 2015. It is the first electronic financial institution registered in Luxembourg by the Financial Sector Supervisory Commission (CSSF) to offer payments and electronic money services built on cryptographic technologies, cryptocurrencies, and internet protocols such as Blockchain and open ledger consensus. Snapswap has established significant partnerships, notably with Worldline (a leading player in the payments and electronic transaction services sector in BeNeLux) and with Luxtrust (a verified identity provider in Luxembourg).

Company profile	
Established	October 2015
Industry	Fin-tech
Location	Luxembourg, LuxFutureLab incubator

Products	Pilot: Gloneta money messenger
Main technologies	Blockchain, artificial intelligence, machine learning algorithms
Notable achievements	– Electronic money institution license passported to 28 European countries. – Participant of the EYnovation program by Ernst&Young – Finalist at Start-up World Cup 2017

Table 3: Company profile

The company is based at the Lux Future Lab incubator in the city-center of Luxembourg. The incubator is supported by BGL BNP Paribas, one of the leading banks in Luxembourg. As a participant of the start-up incubation program, SnapSwap has accessed the bank's expertise and services that are not available to an outsider. The cooperation that has been established with the bank is mutually beneficial, start-ups are generating fresh business concepts and new solutions to improve the banking services and fulfill new needs of customers.

Lux Future Lab provides start-ups with a broad range of partners supporting in legal aspects, consultancy, and recruiting. The incubator enables start-ups to keep concentrated on core activities such as developing the products and pushing them to the market without delay. The incubator is growing at a fast pace with a fascinating and interactive community of start-ups.

3.1.1   Redefinition of the financial industry

The digital revolution has enabled fin-techs to find a place in the financial industry by offering innovative new models. Indeed, the new technologies make it possible to reduce the duration of payment and the intermediaries too. Networks are faster and cheaper, interactions are instantaneous and mobile. "Peer-to-peer" mobile payments via blockchain technology have therefore enormous potential in the near future where everything is becoming more and more portable and digital.

"Our goal is to deploy innovative financial products that enable consumers and businesses to find their way into the global economy by reducing barriers such as cost, complexity and processing time for payment transactions" said Denis Kiselev.

### 3.1.2   Minimum Viable Product (MVP): Gloneta money messenger

Shortly after obtaining a financial license, SnapSwap has started its business activities from developing a pilot mobile application called Gloneta money messenger. The messenger allows

customers to send and receive money over the Internet using an application environment of online chat, anywhere in the world, instantly, with automatic currency conversion, and very low transaction costs. The service is available for individual customers, small businesses, and retail merchants.

Gloneta combines a mobile messaging application and instant payments. The application implements blockchain technology to settle payments instantly and directly from one user to another ("peer-to-peer"), without the intervention of a bank, free, at a low cost.

"The idea came from my personal experience: my son Sasha being educated in London, it was always a problem to send him small amounts of money. Bank payments take days to be credited, and remittance services are almost instant but highly expensive. So we had the idea to build an application allowing users to send money instantly and free, via a chat message." said Denis Kiselev, founder & CEO of SnapSwap.

To send money, users only have to top up their Gloneta wallet by transferring money from their bank account or by linking their credit card to their Gloneta account. If the balance is not sufficient to make a transaction, the money is taken directly from the bank account of the user via his bank card previously registered. At any time, the money can be transferred back to a bank account without any charge.

Bank transfer (free)
Credit card (3% fee)

Bank transfer (free)
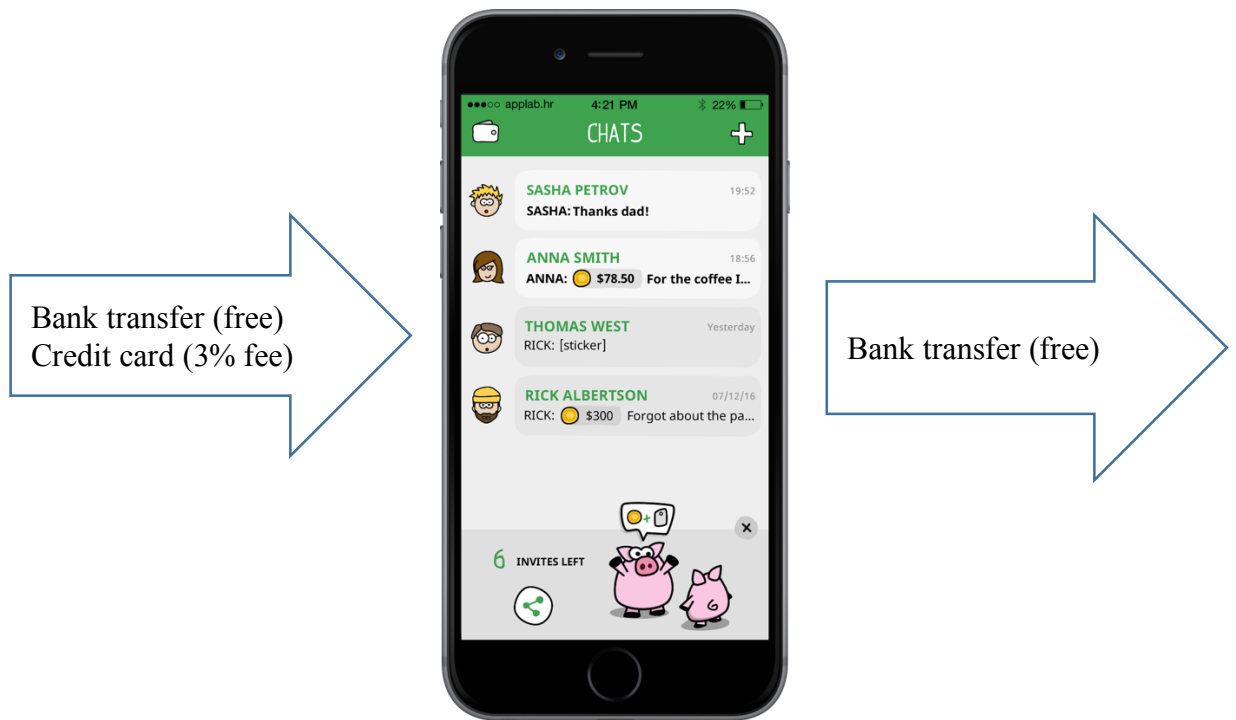
Messaging and payments within the Gloneta network are free of charge across Europe

Figure 10: Gloneta money messenger

Of course, there are other applications in Europe that allow transactions between individuals like Lydia (France), Revolut (United Kingdom), PayFriendz (United Kingdom), CashCloud (Luxembourg). However, Gloneta differentiates itself from the competitors by covering all of Europe and emphasizing on the social and funny aspects of the application, thanks to its integrated chat that allows socialize and send funny stickers.

Social context	●	●				
Available in all EEA countries	●					
Instant payments	●	●		●	●	
Pay / load with credit cards	●		●	●	●	
Licensed FI	●		●			●
Prepaid or Debit card	soon			●	●	
Bank-grade AML/KYC	●				●	●

Figure 11: Competition

The company states that in the modern world of online and social interactions people prefer to complete financial transactions as easy and convenient as sending online messages, using a

contact book instead of complicated payment instructions and account numbers. They want transactions to be instant, containing emotional and textual information.

Adeline Poun (marketing coordinator) highlights the following unique selling points of Gloneta:

- Licensed electronic money institution authorized by the Ministry of Finance of Luxembourg and supervised by the CSSF

- A network effect based on user-to-user transactions

- Free and instant cross-border peer-to-peer money transfers

- User-friendly interface that hides all traces of transfer engine

- Potential for geographical expansion

Partnership network:

> SnapSwap was admitted into Lux Future Lab, a fin-tech incubator in Luxembourg that is sponsored by BGL BNP Paribas

> SnapSwap is part of E&Y Innovation program (7 fin-tech start-ups short-listed)

> Wordline processes card payments of customers to load their accounts

> Integration of the LuxTrust token to verify new customers

Development vision upon 2018:

The primary objective is to attract more users in Europe, then conquer the North American market to allow to send money from one continent to another instantly and nearly free of charge regardless of their nationality and place of residence.

3.1.3   Business Model Canvas

As the company has been running business development since 2015, Business Model Canvas is chosen as a tool to measure the business model of the pilot product of SnapSwap International. Please refer to Appendix 1 for a completed Business Model Canvas.

- Customer Segments
  o Social active people would find the application useful for sharing bills in restaurants, parties or during shopping
  o Geeks (Early adopters) are always looking for innovative ways to simplify daily life. The application will serve them with cashless payments

- o Expats and travelers would be interested in the application especially after the release of Gloneta credit card. Thanks to this, they would be able to send, receive and spend money instantly everywhere in Europe
- o Small businesses such as babysitters, cleaners, gardeners, etc. would be able to collect payments on go

- Unique value proposition
  - o The company stands out with its freemium business model allowing customers to use the key features free of charge
  - o Being a licensed financial institution in Luxembourg, the company has all rights to serve all European countries. Thus, any European resident can register
  - o Customers can put money onto Gloneta balance via a bank transfer (free) or via a credit card (3% fee). Withdrawals to a European bank account are free of charge
  - o Unlike its competitors, the application allows chatting and making payments at the same time. This allows maintaining a social context within the application
  - o Being a minimum viable product, the application supports only three currencies (EUR, GBP, USD). However, more currencies are on the road map. Meeting the demand for a linked credit card, the company will offer a Gloneta credit card free of charge applying fees after certain limits on withdrawals and spendings

- Channels
  - o The application is available on App Store and Google Play. Currently, the company is running a referral campaign allowing to invite a friend and receive a 5 EUR bonus
  - o The company is negotiating with potential distribution partners such as telecom operators and video streaming services to integrate the application into their eco-systems

- Customer relations
  - o As the company follows the lean start-up business approach, customer relations are mainly built on the social media (Facebook, Twitter, Instagram)

- Revenue streams
  - o Currently, the company is not heavily focused on revenue streams because the main goal for the year is to obtain a critical mass of users. However, the

application has a freemium business model, where key features are free of charge, while premium features are paid. The company charges for instant top ups via a credit card, multi-currency transactions, premium features of Gloneta credit card (as soon as released)

- Additionally, the company offers in-app purchases of premium stickers to complement the chat functionality

– Key resources

- Currently, the company is burning the capital acquired within the seed round
- The developers are highly professional experts with experience in developing IT infrastructure for famous German banks
- A critical mass of users is a vital resource for the start-up. This is the highest priority goal on the road map
- Facebook ads is a proof tested marketing resource used by the company to attract new customers
- "Word of mouth" effect is implemented as a referral campaign limited to 10 000 referral registrations

– Key activities

- Being an IT and fin-tech start-up, the company focuses on the application development, security and compliance
- To create visibility and obtain international recognition, the company should participate in Fin-tech hackathons and competitions across Europe

– Key partnerships

- Payment processor provider is the main partner for accepting incoming credit card transactions and assisting in issuing branded Gloneta credit cards
- All customers must be verified to start sending money in Gloneta. Therefore, the verification is performed by a trusted provider that is compliant with current regulations
- Distribution partners play a significant role in spreading the application around the Europe. The start-up must sign several distribution agreements with companies that have the huge customer base in order to acquire a part of them

3.1.4 SWOT analysis

Review of the company and implementation of the Business Model Canvas have created a clear picture of the business stage of the company. Therefore, this research will be

proceeded by a SWOT analysis of the case start-up. Strengths and weaknesses are analyzed internally, while opportunities and threats are analyzed externally.

S	W
− Financial license recognized in 28 European countries − Freemium business model − Business network and location	− Low brand recognition − Limited resources − MVP takes time to become mature − Gloneta credit card is not live yet
O	T
− Cashless trends in fin-tech can become stronger leading to the cashless future − Changes in legal environment in other regions − B-to-B solution for businesses	− Local competitors going global − A giant company can acquire a competitor and develop faster − Financial license can be withdrawn if fraud is out of control − Market needs are not as strong as the company estimates

Table 4: SWOT analysis of the case company

- Strengths
    - o The company holds Electronic Money Institution license issued in Luxembourg and passported to all European countries. Thanks to the license, there is no need in intermediaries between its business and regulators
    - o Freemium business model allows attracting early customers more easily than a subscription or one-time-paid business models
    - o Luxembourg is a very dynamic city for businesses. It is surrounded by powerful European countries: Germany, France, Belgium. Such unique location allows to build European business efficiently and at low travel cost expenses. The company is located at the LuxFutureLab incubator powered by BNP Paribas – a leading banking group in Europe. The incubator supports Fin-tech start-ups helping them to smoothly enter the financial sector and build essential business network there

- Weaknesses
    - o Almost all start-ups are suffering from low brand recognition because of the lack of their business history. Potential users are uncertain about trying a new product. Therefore, the company must permanently work on branding and customer relations

- o The case company follows the lean start-up strategy because of the limited budget. It has obtained certain investments during a seed round, and these funds must be spent highly efficiently to reach the next investment round
- o Gloneta is characterized as a minimum viable product (MVP) because of very limited number of features. Development of new features requires financial and time resources
- o Gloneta credit card would allow users to spend or cash out received money instantly. This additional value would help to reach the target customers. Nevertheless, the implementation of this feature is costly and time-consuming

- – Opportunity
    - o Global Fin-tech adoption and its cashless trends may deliver additional value and recognition to the company when the peer-to-peer payment market will be mature
    - o Due to globalization, legal environment in many regions is becoming more friendly to international businesses. Potential upcoming legal changes in the US, China and India might open a gate to these markets. Thus, the application might process instant payments within three greater regions: America, EMEA, and Asia-Pacific
    - o If the B-to-C demand is successfully fulfilled, the company might start B-to-B business offering payments processing. Thus, Gloneta users will be able to pay for goods and services directly from the application.

- – Threats
    - o Local competitors may obtain a financial license and enter the global market
    - o Alternatively, a corporation can acquire a promising start-up and speed up its business development
    - o In case of high level of fraud activities in the app and lack of anti-money laundering security, the financial license can be withdrawn
    - o European market might not be ready for such disruptive cashless approach. People might prefer to stay with coins, banknotes and credit cards

3.1.5   The Empathy Map and Personas

The empathy map helps to understand the nature of prospective users; As this tool is normally used within teams, the empathy map has been created during the internship at the case company throughout a brainstorming event. Please refer to the Appendix 2 for the completed empathy map.

Then, the outcome of the empathy map has been narrowed to personas to create an avatar of a typical user. Therefore, two customer segments have been extracted for the persona:

- Students as they belong to younger generation easily adopting new technologies. Thus, they will seamlessly acquire a new application to share bills, party expenses, carpooling, etc.
- Small businesses such as gardeners, nannies, tutors, etc. Gloneta might help them to collect payments from their clients even when they do not have cash with them

Please refer to the Appendix 3 for the completed personas.

3.1.6   Interview with the founder

Denis Kiselev is an entrepreneur and US educated banker who has held executive positions at the World Bank (Washington, D.C) and the Central Bank of Russia (Moscow). Following the financial news, he immediately realized a high potential of the blockchain and started thinking about various services based on this technology. In 2012, he has established his first Fin-tech start-up in the US and then moved the team to Luxembourg in 2015.

Have you always been a computer enthusiast?

Denis: In 1987, I graduated from Computer Science at the Lomonosov University in Moscow. Then I went to the USA, to study Economics, after that, I worked for twenty years with large financial institutions.

So you were always familiar with finance.

Denis: Yes, I started my career in Washington DC at the World Bank, one of the largest financial institutions nowadays. I know very well how financial institutions work, I also know where financial services and financial systems work well, where they are efficient and less efficient. After this long banking career, I decided to found a fin-tech start-up aiming to push innovations to the financial industry.

Was it a difficult start, and why did you choose Luxembourg?

Denis: In 2012 I founded "SnapSwap" with my business partner Natalia Pavlova in Seattle. Because our business model should be money transfer, we had to become a regulated financial institution. I looked around for a variety of ways, where it would be best to travel, to visit the supervisory authorities. In the end, the election fell to Luxembourg, where we applied for the license of an e-money institution in 2014. When we were given approval by the CSSF to offer

our financial services in the European Union sometime later, we moved with the company from California to Luxembourg, Natalia Pavlova, CTO from SnapSwap, moved from Amsterdam to Luxembourg. I lived in San Francisco and moved here with my family.

Recently you presented the "Gloneta" application in Luxembourg. Is this related to blockchain?

Denis: Yes. We use blockchain to perform transfer transactions as well as the message transfer. The blockchain is a very effective and at the same time general concept. Briefly, it is a database of information, which is not stored in a specific place, but decentralized throughout all connected devices, thus also very secure and stable. This data is stored in every connected device and readable by anyone. Therefore, it is safe, and manipulations are impossible. An update or modification in the database can not be carried out without acceptance by all participants, so the algorithm works.

What are the origins of the business idea?

Denis: The idea came from my personal experience: my son Sasha being educated in London, it was always a problem to send him small amounts of money. Bank payments take days to be credited, and remittance services are almost instant but highly expensive. So we had the idea to build an application allowing users to send money instantly and free, via a chat message.

Do you have other projects besides "Gloneta"?

Denis: No, Gloneta is the only product for now. We are currently entering the market. It is very easy to handle, although the functions that can be offered with it are very versatile. That is why we see great potential in Luxembourg, all of Europe and even worldwide. And we are working on adding more features: linked Gloneta credit card, money requests, nicknames, etc.

How long did it take to code the application?

Denis: When we applied for the license at the CSSF, we had begun and presented the concept of the application. The actual work, coding, designing, and programming started in 2015. It took about one and a half year to release the first version.

And now you promote your project?

Denis: Yes, now we are taking part in trade fairs and other events, where we present Gloneta. Recently, we have introduced the application to IBM and Microsoft in Paris. Above all, we are interested in promoting the application in Luxembourg, and then in the Benelux area. Since we recently have received an "EU passport" for our e-money institution, we can offer the service in all member countries. We already have customers in Italy, France, and the UK.

4 Conclusion and recommendations

4.1 Recommendations

A key point in reaching a critical mass of users is to offer a straightforward and working product. The case study and BMC demonstrate a clear need for issuing a card (visa or mastercard) linked to Gloneta account. It will allow using balance immediately, at any place where cards are accepted. Therefore, it is recommended to consider the release of this feature as a high priority in case of matching high impact and fair implementation cost.

It is worth noting that customer segmentation plays an important role as well. The start-up offers a minimum viable product not targeting particular segments (millennials, geeks, small businesses, etc.). Personas and the empathy map show positive correlation in needs, however, the precise targeting can be implemented to some extent. The implementation costs versus the efficiency, undoubtedly, should be taken into account.

The research found out that the employed techniques (SWOT, BMC, Persona and Empathy Map), provide a clear overview of the case company. Core business activities and customer segments has been reviewed and structured using the layouts of these theories. The toolbox can be utilized as a template for further investigation of business opportunities and company performance.

Finally, the combination of SWOT and BMC analyses helps to proceed to initial development of the exit strategy. Taking into account external factors from SWOT and existing infrastructure described in BMC, the case company is in a good position to be acquired by a large IT enterprise because of the "time to market" factor.

4.2 Conclusion

The research has covered the purpose of the thesis and answered the research questions. The business tools were described in the theoretical background chapter. Then, the case company was examined using this business toolbox empirical study chapter. Results demonstrate that the chosen techniques are efficient for business analysis of a start-up company. According to the SWOT analysis, the case company has a high potential to succeed and overcome current threats and weaknesses. Business Model Canvas, augmented by the case study, demonstrates a clear picture of current business activities and navigates to further business development. The empathy map and persona theories allowed to extract two clear customer segments (students and geeks). All generated data are transferred to the case company for further usage in a form of editable templates.

However, this work has several limitations. First of all, the research was limited by time. The collection of data was restricted by the length of internship (three months). The overview of the fin-tech industry was rather generic and might be examined in greater detail if the internship was longer. Another limitation is the language barrier. There are many local European fin-tech start-ups. As a rule, their applications are available only in a local language. Therefore, some strong competitors might be missing. Finally, researches on business activities and customer segments should regularly be conducted as a start-up might experience pivots and customer might find an unexpected use-case for the product.

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Figures:

Tables:

Appendices:

Appendix 1: Business Model Canvas of the case company

Appendix 2: Empathy map of the case company

Appendix 3: Personas of the case company

Gloneta money messenger.

Key Partners

Who will help you?

- Payment processor for credit cards

- A provider of remote KYC checks

- Distribution partners

Key Activities

How do you do it?

- Application development
- Data center security
- Compliance management
- Online marketing
- Participation in hackathons and startup competitions

Key Resources

What do you need?

- Starting capital
- App developers
- Critical mass of users
- Facebook ads
- Word of mouth

Unique Value Proposition

What do you do? How is it unique?

Chat and send money across Europe. Instantly, Free, Securely.

- Free topups and withdrawals via a bank transfer
- Available in 28 EU countries
- Freemium Gloneta credit card linked to the balance (soon)
- Multi-currency transactions (EUR-GBP-USD-more to come)

Customer Relationship

How do you interact?

- Social media (Facebook, Twitter, Instagram)
- Customer support

Distribution Channels

How do you reach them?

- Available on App store and Google play
- Distribution partners
- Referral campaign

Customer Segments

Who do you help?

- Social active users
- Small businesses
- Geeks
- Expats
- Travellers

Cost Structure

What will it cost to launch and maintain your business?

- Landing page
- Initial marketing
- Initial development of the app for iOS and Android
- Constant updates and bug fixes
- Negotiation with distribution partners
- Research and development
- Running costs (salary, office, servers etc.)

Revenue Streams

How much will you make?

- 3% fee for instant topups via a credit card
- A tiny fee on multi-currency transactions
- Fee on premium features of Gloneta credit card (higher withdrawal and spending limits)
- In-app purchases of stickers
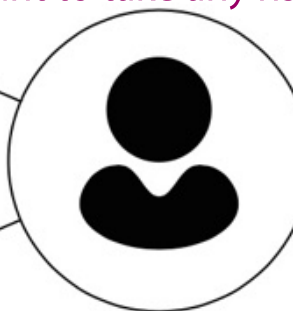
"It is either time consuming or expensive to send money to a friend"

"If I send money on weekends, the transfer will be registered only on Monday"

What does he **THINK AND FEEL?**
what really counts
major preoccupations
worries & aspirations

"I need an alternative solution to banking transfers but I don't want to take any risk"

"Some mobile applications allow instant and free transfers"

"Some people are already using smartphones to send money instantly"

What does he **HEAR?**
what friends say
what boss say
what influencers say

"There are reviews of new solutions on the internet, you should google and choose one"

"World becomes digital as almost everyone has a smartphone connected to the internet"

What does he **SEE?**
environment
friends
what the market offers

"Branchless neo banks pop up in Europe"

"It is more safe to use bank transfers"

"I share bills with my friends in restaurants"

What does he **SAY AND DO?**
attitude in public
appearance
behavior towards others

"My bank has a mobile banking app"

"I send money to neighbouring EU countries from time to time"

PAIN
fears
frustrations
obstacles

"I don't want to risk using an unknown application"

"I don't have time to review all current financial applications"

GAIN
"wants" / needs
measures of success
obstacles

"I want to send money (small amounts) instantly and free of charge"

"I want to share bills with my friends cashlessly"

Ameli *(full-time student)*

"The roots of education are bitter, but the fruit is sweet."
Aristotle

Digital   Modern   International   Open-minded

Age: 19
Occupation: Student
Country: Luxembourg
Finance: Parents

Personality

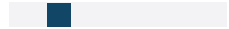Introvert — Extrovert

Analytical — Creative

Conservat — Liberal

Passive — Active

Story

Ameli, a **19-year-old** business **student** from Luxembourg is trying to find her place in the metropolitan area. She has just started the 1st study year. Being surrounded by new friends, she is far away from her parents. **Now, she has to manage financials on her own.** She shares a dormitory flat with 2 other girls. They constantly buy some things for common areas, moreover, they party a lot. Girls find it difficult to share **strange amounts** (i.e. 47.57 EUR) in cash. Thus, they are looking for a simple and **cashless** solution to share bills.

Interests

- Travelling Europe
- Making new friends
- Occasional parties and hangouts

Frustrations

- Managing financials
- Having not exact amount when sharing bills
- Always keeping heavy coins inside a pocket

Customer profile

Ameli is one of the students that actually **follows new trends in social and digital worlds**. She has registered on nearly all popular social networks such as Facebook, Instagram, Snapchat and others. This helps her to socialise and stay updated on new events and parties around. Nevertheless, Ameli cannot find an appropriate application to **share bills and send money instantly with her friends**. Now, she uses bank transfers and PayPal. However, bank transfers are delivered within 2-3 working days and PayPal transfers are not free. She is **looking for free and instant transfers** across Europe.
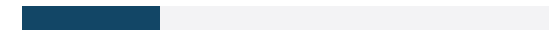
Cash vs Cashless payments

Credit cards

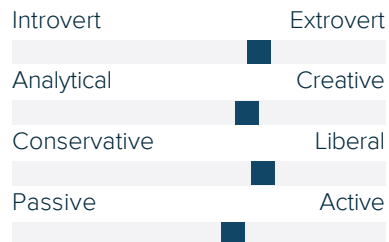Other payment methods (PayPal, Gloneta etc.)

Cash

| Simple | Flexible | Digital | Handy |
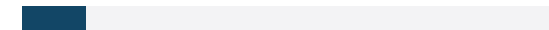
Age: 22
Occupation: Employee
Country: Finland
Finance: Personal income

Personality

Introvert — Extrovert

Analytical — Creative

Conservative — Liberal

Passive — Active

Story

Alexander is a FinTech enthusiast from Finland. He visits many conferences, forums and exhibitions regarding innovations in Financial industry. He has already met many startups that are working on payment solutions. Having obtained a clear picture of current and upcoming trends in FinTech, Alexander installs different applications to test them and choose a few for permanent usage.

Interests

- Expanding a business network
- Learning about innovative financial products
- Testing applications

Frustrations

- Uncertain stability of brand-new applications
- A chance to lose money if a startup is a scam

Customer profile

When it comes to a startup industry in FinTech, Alexander always carefully studies a new topic. He is very active in **travelling Europe** and communicating with different people. Therefore, he believes that **money transfers should not take a few days to be delivered**. He is looking for a simple and straight-forward solution to **eliminate this timing gap**.
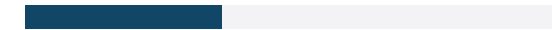What Alexander **needs** is a very **easy-to-use approach**. Solution needs to be easy and understandable to compete with traditional banks and existing companies such as PayPal. Once Alexander finds a reliable mobile application, he will definitely promote it within his network.

Cash vs Cashless payments

Credit cards

Other payment methods (Paypal, Gloneta etc.)

Cash