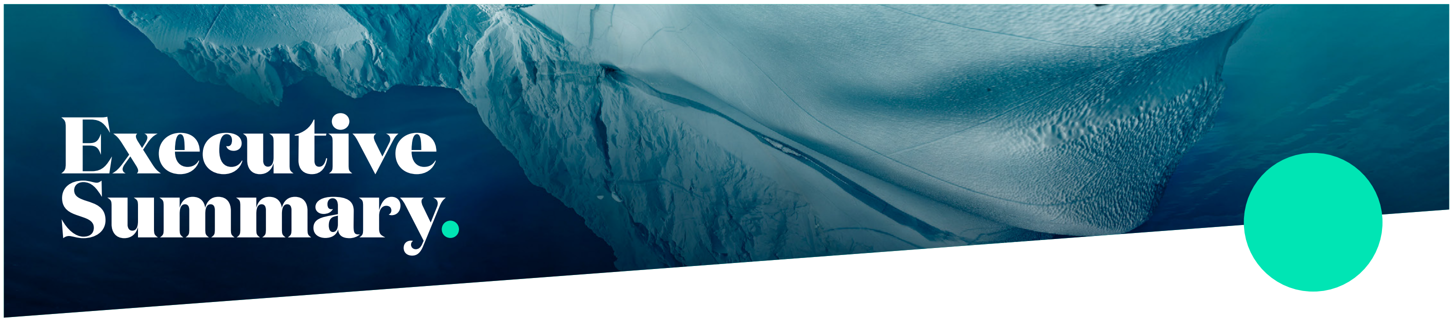
Coplex

Unleashing the Untapped Value of Your Business.

How creating a tech spinoff from your existing business can increase your company's valuation by 5 times in 36 months.

Contents.



Executive Summary.

As the owner of a successful, multi-million dollar business, you are already a member of a very elite group of business owners. Fewer than 1% of companies generate more than $10 million in annual sales.

With that said, what is your business worth today? If you wanted to retire today, what would be your net worth? No matter how well operated or how profitable they may be, traditional non-tech businesses are at an extreme valuation disadvantage when compared to other types of companies.

To illustrate, let's compare Iron Mountain and Dropbox—two companies that essentially provide document storage and management, but in fundamentally different ways.

Iron Mountain's business model is to pick up your documents and store or shred them for you. Dropbox, on the other hand, enables you to manage your documents yourself—it is essentially self-service.

The business results are dramatically different. In its 68 years, Iron Mountain has acquired over 220,000 customers worldwide and generated $4.2 billion in sales in 2018. On the other hand, Dropbox has been in business for only 12 years and generated $1.4 billion in sales in 2018.

More tellingly, Dropbox has over 500 million customers—massive scale compared to Iron Mountain's 220,000. Its revenue per employee is 4.4 times that of Iron Mountain, which is why its valuation is 12% greater, despite generating only a third of Iron Mountain's annual sales.

Which business would you rather invest in? Which company would you rather own?

The massive scale that technology inherently enables—the ability to win huge numbers of customers without requiring a corresponding increase in expensive payroll to service them is precisely what non-tech businesses lack. In much the same way that a beautiful mansion located in the wrong side of town will sell for far less than a shack situated in the prime part of town, traditional businesses are in the wrong category from a valuation perspective. No matter how well operated, they will never scale like other types of companies, especially tech companies.

So, is there anything that you, as the owner of a successful non-tech business, can do to improve the valuation of your business significantly? The answer is absolutely. What you can do is launch a high-growth tech spinoff from your existing business.

You already have the industry and business expertise and a proven value proposition. You need help converting a part of your business that is manual, effort-intensive, and expensive to a digital version that can scale and reach far more customers at a significantly lower cost.

This paper shows you how to do just that—how to take full advantage of your strengths and convert your one disadvantage into a new force that enables you to grow the valuation of your company three to five times what it is now. We will start by discussing why valuation matters and why service-based companies are at an inherent valuation disadvantage.

We will then show you the dramatic impact on valuation that an investment of $500,000 will have when invested in a tech spinoff, versus the same amount invested in a traditional expansion of your existing business model. Moreover, we will show you how Coplex has developed a proven methodology and a complete ecosystem of technology experts, mentors, and advisors to enable you to rapidly build the right tech spinoff at the lowest level of risk and cost to you.

WHAT IS THE VALUE OF YOUR BUSINESS?

Fewer than 9% of US businesses generate over $1 million in annual sales, and a mere 1% of these generates more than $10 million in annual sales. If you have already built a multi-million-dollar company with a stable customer base, employees, and suppliers, you are already in an elite group of savvy business owners.

However, not all revenue is of the same quality; traditional non-tech businesses tend to suffer from a low valuation. In other words, all of the efforts you put into your business, all of the risks you took and the sacrifices you made have less value than a comparable company that is manufacturing, retail, or technology-based. There is a way to change that, but first, it is essential to point out why valuation matters. We will then examine how investors and potential buyers value a business so we can address the low valuation problem of traditional businesses.

WHY VALUATION MATTERS

Viable businesses offer their owners two types of financial rewards:

- Income as an employee of the company: Owners of sustainable businesses can pay themselves reasonably high salaries and bonuses, as well as take other benefits such as paid vacations, high-quality health and life insurance packages, 401K, and other retirement benefits.
- Business value: The real financial reward, however, comes from the valuation of the company—what buyers of the business or investors would pay for ownership of the company.

Traditional business owners tend to rely more on the first than the second. If this is the case, however, for all practical purposes, these business owners are little better off than highly paid employees.

Valuation is the difference between two starkly different financial realities:

- Assume the enormous risks that come with being a business owner, learn the skills necessary to build a viable business that employs dozens or even hundreds of employees, only to retire with a net worth comparable to any well-paid employee, or
- Retire with a net worth that is orders of magnitude higher than what is achievable with just a good compensation package.

Building equity value is the real reward for entrepreneurship. Therefore, a low valuation business reduces the business owner to a salaried employee—despite having taken all the risks and sacrifices that employees never have to experience.

A HIGH VALUATION IS THE TRUE FINANCIAL SECURITY THAT BUSINESS OWNERS CAN PROVIDE FOR THEIR FAMILY.

Next, we will examine how potential investors and buyers value a business and the specific risks they perceive in traditional businesses.

A RISK-REWARD CALCULUS

Valuation.

A dictionary definition of risk is “a situation involving exposure to danger.” From the perspective of the potential buyer or investor, the danger is losing one’s money, and the exposure comes from the decision to purchase a business or invest in it when future outcomes are unknown. With higher perceived risk, the investor will require a higher return on that investment.

Geoffrey Moore, in his book, *Escape Velocity*, takes the view of such an investor in analyzing the valuation of the business. Moore describes a hierarchy of power that determines the value of a firm where, all things being equal, firms higher in the hierarchy are valued more than those lower in the hierarchy.

Category power, the highest in the hierarchy of powers typically comes from disruptive innovations that dramatically change the dynamics of a specific industry—driving costs down by orders of magnitude, or opening up new classes of customers that could not be accessed cost effectively in the past.

There is almost always an enabling technology that brings about such a massive change—in order of magnitude rather than incremental improvements. And while new technologies are always a high-risk venture, the rewards when successful are such that investors are willing to pay a premium to acquire part or all of a tech company, regardless of its current financial performance.

Conversely, non-tech businesses, regardless of their current financial performance take a hit in valuation because they can never provide such disruption that can lead to substaintial financial upsides down the road. As we will see in the next section, they can never reach massive scale without huge investments in money, time, and overall resources, which is why it is extremely hard to obtain the desired earnings before interest, taxes, depreciation and amortization (EBITDA) ratios from non-tech businesses, depressing their overall valuation.

This is why Airbnb’s valuation is as much as two of the largest hotel chains in the world—Hilton and Hyatt—combined.

TEN VALUATION DRIVERS

The calculation that goes into the valuation of companies has always been hard. One of the most reliable methods is Discounted Cash Flows (DCF)—predicting what the present value of future cash flows are. While reliable, it is still a difficult challenge to determine with any level of accuracy what the future revenues and cash flows for a given business are likely to be beyond two years.

Bill Gurley, General Partner at Benchmark Capital, says it is important to know answers to the following questions before investing in a company: What is the long-term growth rate? What is the long-term operating margin? How long will this company hold off the competition? How much will they have to invest in continuing to grow?

Gurley argues that not all revenue is created equal, and some companies have higher quality revenues—business qualities that have a positive impact on DCF—while other have low quality revenues. Gurley lists the following ten desired business qualities

1. SUSTAINABLE COMPETITIVE ADVANTAGE

This is by far the most important characteristic separating high multiple companies from low multiple ones and asks, "How easy is it for someone else to provide the same product or service we provide?" Warren Buffet looks at it as an "economic moat" protecting companies with strong competitive advantage from their competitors.

Companies with strong competitive advantage provide investors/buyers with confidence that revenues will remain strong for a long time. The opposite is also true—companies with weak competitive advantage do not inspire confidence that their current revenue levels will remain beyond the very near future.

2. PRESENCE OF NETWORK EFFECT

The network effect describes situations where the more people use a system, the more the value of the system to everyone in it, and therefore, the easier to get new customers to use the system. Email and social media sites are prime examples of this. Amazon and Yelp take full advantage of this to encourage customers to review what they purchased so more customers will have confidence to buy.

The network effect is in itself a tremendous competitive advantage—the more people are using the systems, the more others want to use the system, and the less likely those currently using it want to leave.

3. VISIBILITY AND PREDICTABILITY OF REVENUES

Having more visibility into future cash flow provides more certainty when performing a discounted cash flow valuation of a company. Subscription models—customers pay a relatively small amount of money each month to access a service—are taking off today because customers prefer them, and businesses understand better how to make money from this model.

While this model is not new, it is increasingly more accepted in practically all types of businesses including entertainment, education, healthcare, sports and fitness, childcare, and more. An added benefit is that customers, once subscribed, typically stay even when not using the service.

4. CUSTOMER LOCK-IN OR HIGH SWITCHING COSTS

Switching costs lower the likelihood that customers stop using a product because it is difficult, time-consuming, expensive, or risky to switch to another vendor.

While services rely on the FUD factor (Fear, Uncertainty, and Doubt) to create switching costs, there is typically relatively low risk, and cost of switching from one service provider to another—primarily since a service by definition takes care of the difficulty and effort in such a move.

Subscription models tend to result in customer lock-in since most customers forget about them after they subscribe due to the relatively low subscription cost.

Other types of high switching costs are data lock-ins, high startup/ramp-up costs, and the like. More expensive subscription products like Salesforce.com use up-front, one-year, or longer contracts to lock-in customers, as well as making it harder to switch over the massive amount of data customers tend to accumulate in their systems.

Lock-ins increase revenue visibility and predictability, but can antagonize customers if done too aggressively.

5. GROSS MARGIN LEVELS

Variable costs—while lowering entry costs—typically kill margin growth. Businesses with high variable or semi-variable costs such as payroll don't scale well—costs tend to increase at nearly the same rate as revenues.

When using valuation methods such as DCF, low margins dampen cash flow and variable costs tend to weigh down margins. Even companies as excellent at execution as Amazon trade at lower multiples due to low margins.

6. MARGINAL PROFITABILITY CALCULATION

A scalable business is one where rising revenues create higher profit margins—the percentage of profits to sales increases as sales increase. Software is a prime example in that one more copy or subscription of the software comes at practically zero additional cost—and nearly all of the incremental revenue goes into profits.

When valuing companies using the discounted cash flow method, companies that show increasing margins as sales increase tend to show many multiples of price / revenues.

7. CUSTOMER CONCENTRATION

Companies with few large customers are at a significant negotiating disadvantage—these customers literally "own" the business in that they can dictate terms by threatening to leave.

On the other hand, companies that have many small customers have higher valuations since the buying power of customers is dispersed, and they tend to be "price takers".

8. MAJOR PARTNER DEPENDENCIES

Similarly, if a company is heavily dependent on a supplier, it loses bargaining power and is essentially at the mercy of the supplier—the supplier can raise prices, and the company has no choice but to accept it, hurting its profitability.

Such dependency harms valuation even if the supplier does not exert its power, simply because of the possibility that it can. Potential investors and buyers can heavily discount valuation if there is a presence of heavy dependence on a supplier—even if no adverse effects have yet occurred.

9. ORGANIC DEMAND VS. HEAVY MARKETING SPEND

All things being equal, the company that has to spend more to acquire more customers is valuated lower than the company that doesn't. Marketing and sales costs can make up as much as 20-30% of revenues. Reducing the cost of sales by half can have a dramatic effect on cash flow.

Organic growth—primarily from existing customers spending more and telling others about your product or service—is ideal since increases in sales do not require comparable increases in costs. Essentially, customers—or the products—do all the selling.

10. GROWTH

Last but not least, growth matters. If a company is growing fast, it tends to demonstrate strong market interest, and it will usually (but not always) improve margins due to economy of scale.

However, Gurley is quick to point out that revenues with no margin increase can have a negative effect on valuation. Two red flags are unsustainable growth—growth that comes primarily from spending on ads, promos, incentives, etc. where costs can exceed or come close to revenues—and growth that cannot be protected, where the very success invites competitors, resulting in fairly quickly dying out.

Next, we shall see how traditional non-tech businesses fare against these ten value drivers.

WHY NON-TECH BUSINESSES GET LOW VALUATION

If we apply Gurley's ten valuation drivers to non-tech businesses, we can see where the inherent weaknesses are and why even well-run service businesses suffer low valuations.

VALUATION FACTOR	VALUE	REMARKS
SUSTAINABLE COMPETITIVE ADVANTAGE	Low	Other than "reputation," non-tech businesses typically have little competitive advantage—something that cannot be copied easily by another firm.
NETWORK EFFECT	Low	Most non-tech businesses can't create a network effect that increases the value of a new customer getting that service.
VISIBILITY INTO FUTURE REVENUES	Low to moderate	Most non-tech businesses have not yet found ways to turn their customers into subscribers, instead relying on customers to come back to them for continued business.
CUSTOMER LOCK-IN	Low to moderate	Non-tech businesses tend to have a certain level of lock-in. However, this is mostly tied to the person providing the service, rather than the company itself—customers tend to follow employees they love working with when such employees quit and go to a competitor.
GROSS MARGINS	Low	With few exceptions, non-tech businesses tend to be labor-intensive with respect to how they generate revenues. Increases in revenue typically require comparable spending in operating costs, restricting margin growths.
MARGINAL PROFITABILITY	Low	Non-tech businesses rarely show marginal profitability where a marked increase in sales results in a marked increase in profitability—the trend is linear.
CUSTOMER CONCENTRATION	Low to moderate	Business to business (B2B) non-tech businesses tend to have a few large customers that account for 10% or more of their businesses—which can be risky.
MAJOR PARTNER DEPENDENCIES	Moderate to high	While this is typically not an issue, non-tech businesses that outsource a significant portion of their work can be at risk of too much dependency.
ORGANIC DEMAND LEVEL	Low to moderate	While most of the B2B non-tech customers come from referrals, most B2B non-tech companies continue to spend on marketing and sales in the hopes of increasing sales.
GROWTH RATE	Low	Most service businesses grow slowly, taking years to build up to strong viability.

Non-tech businesses tend to rate low to moderate on nearly all of the ten value drivers, making them risky from potential investors' and buyers' perspectives.

VALUATION OF A TECH COMPANY

Valuations of tech businesses keep rising as investors and potential buyers pay a significant premium to acquire them. Tech companies tend to have high price/revenue multiples because they rate very well on the previous ten valuation drivers we saw. They especially rate very high in competitive advantage, revenue visibility, high growth rate, and improved margins with growth—key factors that provide investors and buyers strong confidence in future cash flow.

COMPETITIVE ADVANTAGE

Technology companies can create a significant amount of competitive advantage if they create technology that solves a recurring problem in a unique way. It is difficult to quickly copy what they do since even when others figure out how to solve that problem, they have to displace the first-to-market before they can take over.

Furthermore, tech products have, to some extent, natural lock-in since once customers are accustomed to doing things one way, they are reluctant to learn another way to do the same thing—as long as the first product works well for them.

REVENUE VISIBILITY

Tech products tend to be easily sold on a subscription basis. Since most of the product usage patterns can be recorded, there is significant data to provide relatively accurate demand predictions. It is fairly straightforward to calculate discounted cash flow based on current demand, growth rate, and market size for investors to feel adequately confident regarding the risks they are taking.

HIGH GROWTH RATE

As Uber and Airbnb have demonstrated, the right tech product can make even the most traditional of services (taxi services and lodging) rapidly grow into tens of millions of customers globally–without owning any assets. Such high growth rate takes decades to achieve for even the best run service companies.

HIGH GROSS MARGINS/SCALABILITY

Tech companies tend to be highly scalable. Once they amortize their fixed costs (mostly development payroll costs), incremental revenue from each customer added tends to go straight to profits.

With the cost of technological infrastructure dropping with each passing year, supporting massive numbers of customers is becoming cheaper.

The current generation of users are highly tech savvy and require little hand-holding as long as the user interface is reasonably intuitive, and the product is relatively bug-free.

Using social media to share links to the apps and allowing customers to rate their experiences enables tech companies to create a network effect which lowers the cost of marketing and sales, which improves profitability even more.

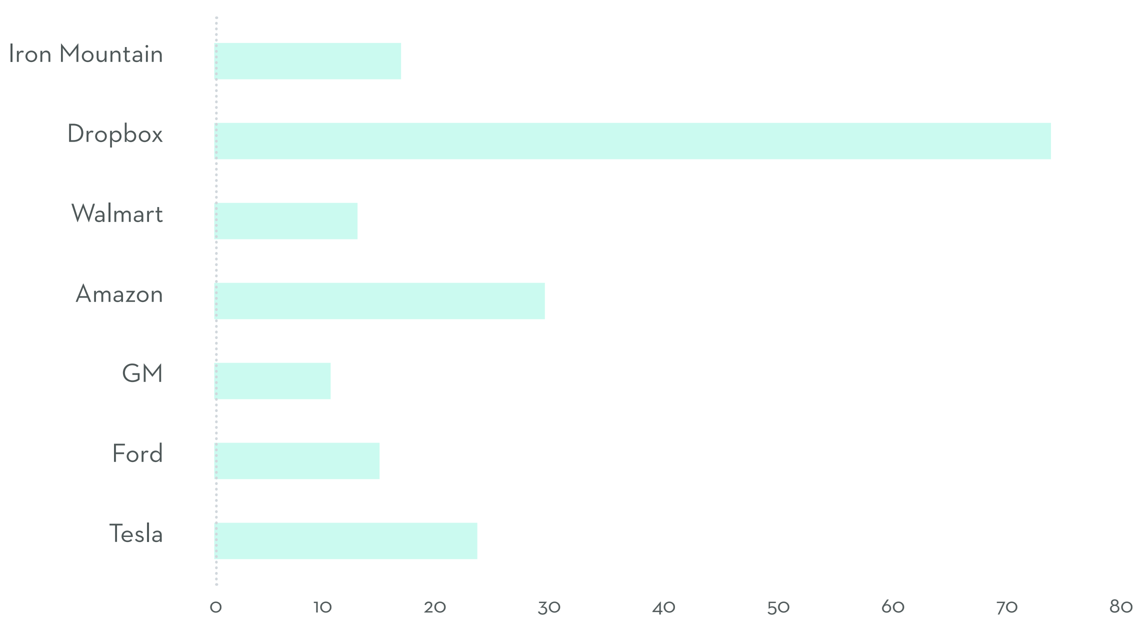
A company that can show private investors that it can build a customer base in the tens of millions, or even in the tens of thousands is demonstrating its scalability—its significant future earning power–and can factor that into its valuation.

While investors worry about losing money, they are willing to place high risks in tech companies because of their potential to grow at very high speeds. Tech companies can grow from one to millions of users very rapidly —something rarely seen in non-tech businesses. This increases the competition for buying tech companies, driving up the valuation of tech companies.

The EBITDA multiple is the ratio of the Enterprise Value to its EBIDTA. It provides a useful metric for comparing apples with apples to see how tech companies compare with non-tech companies in the firm's ability to generate cash. For the S&P 500, the typical EBITDA is between 11 and 14, we can see how the tech companies listed below have significantly higher multiples than their non-tech counterparts, and the average for the S&P 500.

CATEGORY	COMPANY	EBITDA MULTIPLE	GREATER BY AGAINST NON-TECH COMPETITOR	GREATER BY AGAINST S&P500
AUTO	Tesla	21.69		1.7
	Ford	13.97	1.6	
	GM	10.61	2.0	
RETAIL	Amazon	27.89		2.2
	Walmart	12.04	2.3	
DOCUMENT STORAGE	Dropbox	67.87		5.4
	Iron Mountain	13.74	4.9	

EBIDTA MULTIPLES



COMPARING THE HIERARCHY OF POWERS: NON-TECH VS TECH COMPANIES

We can see Moore's Hierarchy of Powers in action when we compare two storage companies, one traditional (Iron Mountain) and the other with technology-enabled storage (Dropbox). The category power is clearly in display for Dropbox due to its inherent ability to scale.

OFFERING	SERVICE	TECH	DROPBOX ADVANTAGE
Company	Iron Mountain	Dropbox	
Year Started	1951	2007	
Years in business	68	12	-82%
Number of Customers	220,000	500,000,000	227%
Revenues ($)	4,226,000,000	1,392,000,000	-67%
Operating Income ($)	756,000,000	494,000,000	-35%
EBITDA ($)	1,411,000,000	141,000,000	-90%
Market Cap ($)	9,200,000,000	10,280,000,000	12%
Employees	24,000	1,858	8%
Revenues/employee ($)	176,083	749,193	425%
Operating Income/ employee ($)	31,500	265,877	844%
EBITDA/employee ($)	58,792	75,888	129%
Market Cap/Employee ($)	383,333	5,532,831	1443%

This table illustrates the dramatic scale advantage that tech companies inherently possess when compared with traditional non-tech companies. Although Dropbox has been in business only 12% as long as has Iron Mountain, it has already generated 33% of Iron Mountain's revenues. We can extrapolate that it has grown nearly three times as fast.

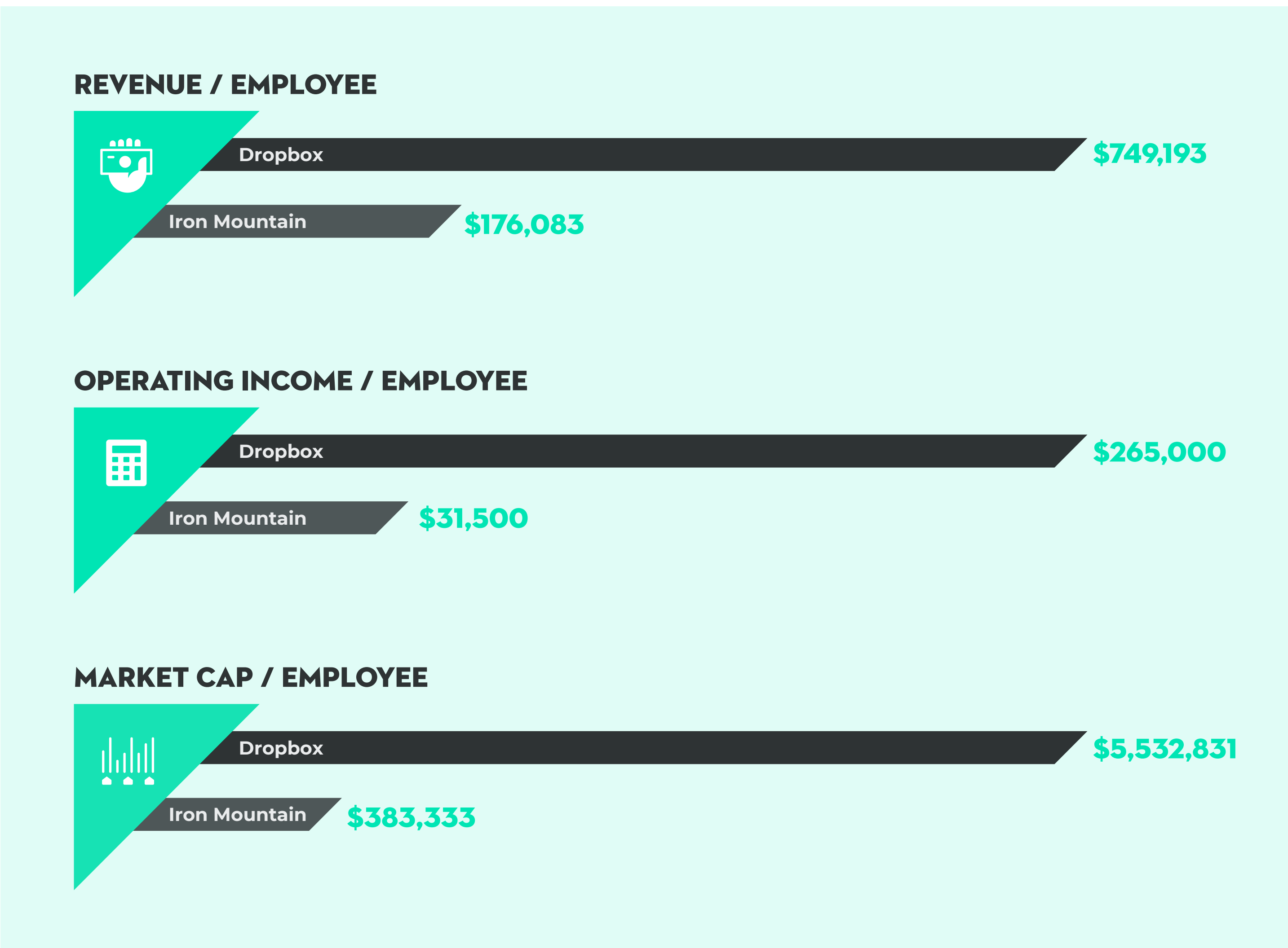
Iron Mountain has acquired some 220,000 customers (companies) in 68 years, while Dropbox has acquired over 500 million active users in 12 years. True, we are comparing institutional customers in the case of Iron Mountain with individuals in the case of Dropbox However, it is not impossible to see Dropbox' customers surpass the billion mark in the next few years, while Iron Mountain may never reach the 300,000 mark.

This is why Dropbox has a 12% higher market cap than Iron Mountain, although it generates only one-third of Iron Mountain's revenues at this time.

In other words, Dropbox has real Category Pow—it is only going to grow faster with greater digitization of everything we do. Iron Mountain, however, has no category power due to its deteriorating relevance in an increasingly digital world.

Moreover, it's not just the future earnings that look bright for Dropbox—it is already beating Iron Mountain in the productivity of its workforce. Dropbox generates 4.25 times the revenue per employee and 8.4 times the operating income as Iron Mountain—which is why it makes 14.4 times the market cap per employee than does Iron Mountain.

In the next section, we will discuss how traditional companies can launch a tech spinoff to create category power and significantly increase their valuation.



CREATING A TECH SPINOFF FROM YOUR NON-TECH BUSINESS

As we have seen above, valuation is the true financial reward for entrepreneurs and business owners. The question now becomes: How can you, as a traditional business owner, significantly improve the valuation of your company?

To dramatically improve the valuation of your company, you can create a tech spinoff from your current traditional business.

YOUR CURRENT NON-TECH BUSINESS AS A LAUNCHING PLATFORM

The research shows some interesting sets of data:

1. **NEARLY 90% OF STARTUPS FAIL.**
2. **94% OF STARTUPS NEVER REACH $1 MILLION IN ANNUAL SALES.**
3. **THE LONGER BUSINESSES STAY VIABLE, THE HIGHER THEIR CHANCE OF SUCCESS.**

As the owner of a non-tech business that is past the $10 million in annual sales mark, you already have compelling advantages over tech startups—knowledge of your industry, access to loyal customers, a strong brand, access to low cost capital, strong cash flow, a well-functioning management team, and a stable pool of employees.

All you need to do is figure out which part of your business needs to be digitized to cost-effectively access and serve a massive group of customers that you currently can't afford to serve. You have already solved the bigger slice of the problem because you have an excellent idea for the solution. The development of a tech product is the more straightforward challenge to solve, as will be shown next.

YOUR UNIQUE ADVANTAGES

Think of what has made you a successful traditional business owner: You identified a real market problem that customers needed to get rid of and for which they were willing to pay a fair price, and you figured out how to deliver that service cost-effectively. You then hired the right people, went after the customers, and built your business. Still, over the years, you have no doubt identified potential customers that you could service if only you could reach them more cost-effectively. Your current business model is too labor-intensive, or takes too long and therefore costs too much to service these group of customers at the rate they are willing to pay. No doubt, you hated turning away that business.

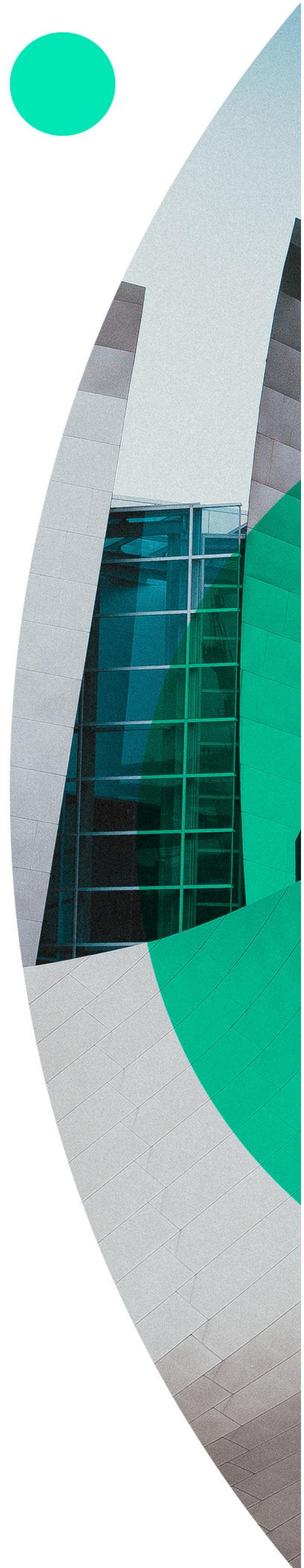
But, what if you could automate specific processes, thereby removing expensive payroll, so you could deliver quality service at 50% or even 25% what it costs you currently?

Could you then take your solution to a much bigger market, a market that is twice, five times, or even ten times the size of your current customer base? If that were possible, would you be able to increase the size of your company by 2X, or even 5X in the next few years? What would that do to the valuation of your company?

In the next section, we will see how that is not only possible but an efficient and low-risk venture for the future of your company.

THE HIGH ROI OF A TECH

Spinoff.



In this section, we will analyze the return on investment (ROI) of $500,000 invested in your current business to expand it in some way—opening a new location to reach new customers, for example—or investing the same $500,000 to build a tech spinoff.

We will use a period of two years to evaluate the potential impact of this investment on the valuation of your business at the end of that period.

TYPE OF INVESTMENT	INVEST IN THE CURRENT SERVICE MODEL	INVEST IN TECH SPINOFF
Amount Invested	$500,000	$500,000
Used for	Opening a new branch office; a new sales rep and 2-3 service operation employees; marketing and admin expenses	Building the new tech product, hiring one new tech operations manager to manage the tech side of the new business
Anticipated Valuation multiplier after two years	1X to 1.5X	4X to 5X
New incremental valuation dded	$500,000 to $750,000	$2 million to $2.5 million
Valuation based ROI	150% to 200%	500% to 600%
Anticipated valuation multiplier after five years	2X to 3X	10X to 15X
New incremental valuation added	$1 million to $3 million	$5 million to $7.5 million
Valuation based ROI	150% to 200%	1,000% to 1,500%

DE-RISKING THE TECH SPINOFF

Tech startups can be especially risky undertakings. However, the typical risk-sets of a tech startup do not necessarily apply to an existing, well-established non-tech business.

Tech startups typically fail when they run out of money before they take their product to market. Founders are new to entrepreneurship, and tend to underestimate the normal business challenges of bringing viable products and services to market.

As an experienced business owner, you will not make these mistakes and your current business will provide sufficient funding for your tech startup. You are uniquely positioned in the market with a well-defined value proposition that your customers easily understand. You have a well-established brand and strong name recognition in your market space.

The key is to unlock the real value of your businesses by leveraging these advantages you have over tech startups and neutralizing their "unfair" tech advantage by creating your own tech spinoff.

The actual risk of developing and launching a tech company is significantly less than you might think:

- **NO IMPACT ON YOUR CURRENT BUSINESS:** Your current business will continue to run as it always has with its current employees and customers. There will be no disruption or distraction to your current team.
- **LOW CAPITAL REQUIREMENT:** The capital requirement for launching the new company is in the low six figures, typically around $200,000 the first year and likely around $500,000 for the first two years. This is comparable to adding three to four full-time employees to your current business.
- **RAPID PAYOFF PERIOD:** You can expect a short payoff period of 18 to 24 months for the tech startup.
- **OFFLOAD TECHNOLOGY RISK TO PARTNER:** By combining your expertise in your industry with that of a technology partner that has developed a proven process and ecosystem for launching successful tech companies, you significantly reduce any remaining risks—which is another advantage you have over the typical tech startup. We will discuss this further in the next section.

MITIGATING THE RISK WITH A PROVEN METHODOLOGY

Coplex uses our proven methodology to solve a range of challenges to enable companies from early-stage ventures to Fortune 500 drive innovation using digitally-enabled business models. Our innovation programs help organizations of all sizes validate and build new digital business models to accelerate innovation, remain competitive, quickly enter new markets, and scale.

Together, Paired with your deep industry knowledge, we take your best ideas to market and solve big industry problems.

CASE STUDY: HOW IT WORKS

Qwick connects hospitality professionals with food and beverage shifts in real-time. The platform helps companies find high-quality, reliable, and highly-related workers based on industry experience.

Co-founders Jamie Baxter and Chris Loeffler recognized the issues with staffing that hotel and restaurant owners commonly faced. Together, they wanted to find a solution to order staff for businesses the same way one could order an Uber.

Faced with the roadblocks typically plaguing tech startups, Qwick partnered with the Coplex team of startup builders to bring their idea to life.

The Qwick team met up with Coplex in December of 2017 for a 2-day lean canvas workshop. Together, they workshopped the original idea of Qwick: an on-demand service for hotels to find contracted housekeepers. However, through the course of our 9-month program, the business model shifted.

The decision to pivot the business from the original housekeeper contracting model came from the discovery that there was not enough supply to meet the demand needed—with scheduling and logistical conflicts, it became difficult for the business to grow and keep up with demand.

We learned that this model was no longer sustainable, resulting in the pivot to food and beverage in hospitality since there was no additional training necessary—serving food and drink is the same across all hotels and events, making this newer model easier to navigate and grow.

On the demand side, we acquired Qwick's first users utilizing a direct sales approach. This incrementally generated relationships and rapport with potential clients.

On the supply side, we leveraged Craigslist and Facebook ads to register new users and build a robust database. As a result, hundreds of leads were generated, and potential professionals signed up, passed orientation, and were added to the platform.

Coplex designed and developed Qwick's brand logo, website, and technology platform. Also, we helped to position their brand and content, create marketing handouts, support the legal and governance processes, assist with fundraising materials such as investor decks and introductions, and recruit key team members.

In November 2018, Qwick began its Seed Round. In just over a month, Qwick was oversubscribed and closed its round at $1.3 million. Roughly 80% of Qwick's investment contacts came directly from the Coplex Ecosystem.

Through working with Coplex, some of Qwick's milestones include:

- $1.3M completed Seed Round in November 2018
- 10K+ users
- 250 businesses utilizing Qwick
- 137% average month over month revenue increase

Jamie Baxter, CEO and co-founder of Qwick, states: "Working with Coplex was amazing and has been a critical part of our success to-date...I would highly recommend Coplex to anyone that has industry expertise and is looking to start a high-growth tech company. Coplex successfully helped us take our concept to over $50k in monthly revenue and a seed round in just nine months."

$1.3M COMPLETED SEED ROUND IN NOVEMBER 2018

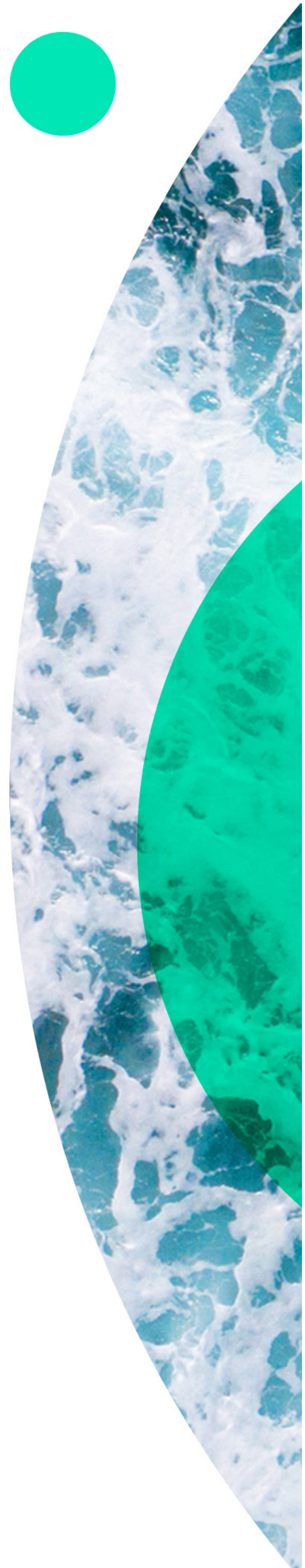
10K+ USERS

250 BUSINESSES UTILIZING QWICK

137% AVERAGE MONTH OVER MONTH REVENUE INCREASE

Coplex

Innovation Reimagined.



Coplex partners with high-performing companies to innovate faster. We help translate and prioritize your best ideas into new digital business models, successfully leverage existing assets, quickly enter emerging markets, and maintain your competitive advantage.

WHY COPLEX

Coplex builds businesses that help companies reinvent themselves, leverage their competitive advantage, and turn their best ideas into new business models at the speed of disruption. Whether you're an SMB, enterprise, or innovation leader, Coplex gives you the advantage you need to build the next wave of high-growth businesses.

With tech-enabled and digitally-enhanced business models controlling 50% of our global GDP in the next two years, organizations are uniquely positioned to use their unfair advantages to play a part in the innovation and disruption of their space. At Coplex, we're all about quickly, and capital efficiently, de-risking the earliest stages of the tech spinoff journey. To do this, we implement our proven Coplex Lean Methodology to rapidly re-risk new business models, drive revenue, and turn concepts into investable enterprises.

Co.

Are you ready to turn your best innovation ideas into new business models at the speed of disruption?

GET STARTED TODAY

Endnotes.

1. https://skift.com/2016/09/23/airbnbs-latest-investment-values-it-as-much-as-hilton-and-hyatt-combined/
2. https://scalefinance.com/all-revenue-is-not-created-equal/
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