

## ID Cover Page

### **„An Investigation of Failures and Turnaround Strategies of German Startups within the Sexual Wellness and Food Industry.”**

<b>Student Name</b>	<b>Program</b>	<b>Individual Title</b>
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**Work project carried out under the supervision of:**

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Abstract (100 words maximum):

This research paper aims to analyze factors that cause failures and turnaround strategies in German food and sexual wellness startups. After identifying eight failure patterns and general failure causes, the authors developed targeted turnaround approaches for those patterns. The patterns were then used to create a framework that included operational and relationship dynamics and ranked them according to their difficulty and business impact of the turnaround initiatives. The authors conclude that startups should use the framework to analyze failure and solve their problems quicker and more efficiently.

Keywords: startup, failure reasons, turnaround strategies, food, sexual wellness, Germany, entrepreneurship, manufacturing startups, crisis management

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## **1 Introduction**

Start-ups in Germany are navigating a challenging landscape. The uncertainties caused by the geopolitical tensions in the Ukraine and Middle East, coupled with inflation and rising interest rates, are the main factors putting a strain on founders and their startups. That is why the business climate in Germany for startups has fallen to its second-lowest level since the Corona crisis, according to a survey conducted by the German Startup Association (German Startup Association, Habeck, 2023). The tense geopolitical situation is also affecting startups' willingness to commit to investment and planning security. In one survey, for example, nearly two-thirds (65%) of startups stated they were struggling to assess the future situation and market trends (Gilde et al, 2023). And investors feel the same way. According to EY's Startup Barometer (Prüver, Ernst and Young, 2023), investments in German startups in the first half of 2023 plummeted by 49% year-on-year. The substantial drop is primarily due to fewer large deals, whereas the number of fundraising rounds only decreased from 549 to 447 (Prüver, Ernst and Young, 2023). The difficult environment is thus causing startups a lot of trouble, which is why it can be assumed that a large number of current startups will continue to fail. In the past, 80% of startups had already failed within the first three years (Bogdan, 2022), in most cases because there was either no market need or the money ran out (Team of Deutsche Startups, 2017).

However, this research posits that failures in startups extend beyond financial constraints and lack of customer or market needs, and therefore fundamental research into numerous causes is needed. In addition, the aim is to provide a practical approach, which is why solutions for the identified failure reasons are also explored. For this purpose, two seemingly unrelated sectors are investigated in this study: the heavily analyzed “food industry” and the understudied “sexual wellness” industry. The use of a comparative methodology is intended to show different patterns and correlations between these two sectors and, for the commonalities identified, to

pursue the goal of becoming a generally valid scientific study for start-ups in the German ecosystem.

Therefore, this study, titled "An Investigation of Failures and Turnaround Strategies of German Startups within the sexual wellness and food industry," focuses on two critical research questions:

1. Which key factors leading to the failure of manufacturing startups can be derived when investigating and comparing the failure reasons of startups in the German food and sexual wellness industries?
2. What turnaround strategies emerge for struggling startups, by investigating startups in the food and sexual wellness industries in Germany?

This introduction is followed by a comprehensive literature review that contextualizes these industries within the current startup environment. Subsequent chapters will delve into the methodology, including qualitative and quantitative analyses, and a detailed discussion of the findings. The thesis concludes with practical recommendations for startups and implications for future research.

Through this study, the authors seek to contribute significantly to the academic discourse on startup resilience, providing a beacon for current and future entrepreneurs and all stakeholders in the challenging yet opportunistic landscape of the German startup ecosystem.

## **2 State of research**

The state of research, also known as a literature review, is performed to gain an understanding of the existing publications and discussions pertinent to a specific topic or field of study, which is then presented as a written report (Western Sydney University, 2019). In this work, the authors will provide insights into the terminology and characteristics of startups themselves and the current research state of failure reasons and turnaround strategies for startups in general to create a mutual understanding of the main topic. The latter will also aid in justifying the topic

of this work and pointing out the gaps in the existing studies. Furthermore, the industries that will be analyzed, described, and put into context with the general topics of failure reasons and turnaround strategies will be described.

## **2.1 Special Characteristics of startups**

To understand what startups are, it is important to first analyze how long they have been around. Google Ngram, a tool for analyzing the frequency of terms in Google's extensive book collection, shows a significant rise in the term "startup" in the 1970s and 1980s, with the term almost not being used at all before. This rise is in line with contemporary technological and business vocabulary, including words such as "entrepreneur" or "venture capital" (VC) (Google Books NGRAM Viewer – Google Product, 2023). However, the classic definition of start-up did not exist in the early days, as during this period the term was used more specifically by some economists, e.g. to refer to a particular sector or type of work, such as funding startups (Schoenberger, 1986). It was not until the 1990s that Saxenian (1994) was one of the first to coin the term "startup", defining them as informal, collaborative enterprises and categorizing them according to the Standard Industrial Classification (SIC) system.

Many other definitions have been added since then. Wang et al. (2016), for example, succinctly define a startup as "a human institution that offers a new product or service under extremely uncertain conditions." Other research articles are more specific, describing startups as innovative companies that prioritize experimentation and strive meticulously to meet customer needs (Luchko et al., 2019; Bonaccorsi, 2011). These definitions also emphasize the risk and ambition involved in founding a startup for entrepreneurs (Gielnik et al., 2015).

In addition, startups are also known for their comparatively small size, which is associated with innovative ideas that contribute significantly to the dynamism and growth of an economy (Malpani, Ghosh, 2023). Nevertheless, it is important to mention that even after a short time, the size can already vary greatly in terms of both turnover and employees (Pugliese et al., 2021).

However, Van Stel et al. (2013) found that keeping the startup small over a longer period increases the chances of success.

In the course of their existence, startups change and lose their startup character, as they are only temporary organizations (Nazari et al., 2022). That is why Baldrige (2022) paradoxically stated, "When a startup becomes profitable, it is likely moving away from startuphood." Moreover, even time alone plays a decisive role. For example, both Bormans et al. (2020) and the German Startup Association (2022) define startups as companies that are up to 10 years old, whereas Lambertz and Schulte (2013) only estimate a maximum of 5 years. Contrary to that, there is also the opinion that time plays no role at all, but that a startup becomes an enterprise as soon as it has a founded business model, as the CEO of Quora emphasizes (Quora, 2018). Additionally, the impact of startups often goes beyond immediate market disruption. Theories and evidence suggest that startups play a crucial long-term role in the regional and economic development of countries (Acs, Szerb, 2007).

On another note, with the quantity of startups in the market, it also becomes important to define different ways of structuring the businesses and segmenting them into different markets. In a large study conducted by Savin, Chukavina, and Pushkarev (2022), over 250.000 startups were examined in order to group them into topics that describe the field in which they operate, such as healthcare services, time management, or wellbeing, showing that the business models of startups are diverse (Savin et al., 2022).

It can therefore be noted that there is no official definition of startups, which is why it was agreed in this research paper that the startups examined were not older than 10 years, had the intention to grow, and had to have an innovative product or business model. In doing so, the authors have oriented themselves very closely to the definition of the German Startup Association (German Startup Association, Habeck, 2023). For the purpose of this research paper and to ensure comparability between the different industries, the focus was also strongly

set on startups selling and manufacturing physical products, because this enables the authors to ensure comparability of the chosen industries and to ensure that every aspect of the value chain is investigated.

## **2.2 Failure reasons for startups**

As mentioned in the introduction, many startups, despite their inherent ambition and innovation, often face failure (Gilde et al., 2023). There are several forms of definition for the term failure, or more so, at what state a startup can be defined as failing. However, most commonly, a business failure refers to the financial instability and lack of profitability of a company (Wei-Wen Wu, 2010). Pretorius (2009, 10–11) points out the difference between “decline” and “failure” in his extensive research for finding a common definition for failure. A venture is therefore in decline “when its performance worsens (decreasing resource slack) over consecutive periods and it experiences distress in continuing operation,” whereas failure sets in “when it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management.”

After establishing the criteria for failure, the authors proceeded with their investigation of prior research related to startup failure and rapidly concluded that a substantial amount of study had been conducted on the causes of failure. However, most insights are based on experience and less on gathering different perspectives and insights. Furthermore, the research is either strongly generalized to be applied to any sort of startup (Eisenmann, 2021; Pride, 2018, 11–20) or limited to certain types of startups (Chanin et al., 2018; Akter, Iqbal, 2020), especially tech startups (Santisteban, Mauricio, 2023; Crowne, 2003). Further distinctions in research can be made by the stages investigated (Giardino, Wang, Abrahamsson, 2014) or countries (Kalyanasundaram, 2018; Kotsch, 2017).

Diving deeper, one of the most prominent and frequently cited works is that of Tom Eisenmann (2021), in “Why Startups Fail”. In his data-backed research, he breaks down six patterns for

why startups fail: Bad Bedfellows, False Start, False Positive, Speed Trap, Help Wanted, Cascading Miracles While Eisenmann's insights into specific use cases are valuable, the use cases strongly apply to venture-backed companies. There are concerns regarding this focus's relevance to newly established companies that don't have the support of outside investors or operate with fewer resources. (DeSantola, 2022). In his research, Eisenmann also introduces the "Diamond-and-Square Framework" to understand startup failure even better. Substantially, while the diamond represents the idea, or more specifically, the opportunity, the square is directed towards the key players needed for the startup to succeed. In a best-case scenario, all pillars are met within a startup. (VeFund, 2023).

Although Eisenmann's research holds significant prominence, it is not the only study that categorizes failure reasons into distinct patterns as a fundamental element of examining the results and integrating them into a conceptual framework. Another study conducted by Cantamessa et al. (2018) adopted the SHELL Framework, used for accident reports in aviation, to determine the cause of startup failures. The research is based on post-mortem reports and numerical data and evaluates startup failure reasons in the identified dimensions of business model, the customer/user, organization, product, and environment. Jamie Pride (2018, 11–20) leads with ten reasons why startups fail in his book "Unicorn Tears" and continues to cluster these failures in a framework along the dimensions of founder failures, funding failures, and flawed business models. Furthermore, a study conducted by Pisoni, Aversa, and Onetti (2020) consolidates literary findings by clustering the work of 74 different research papers to create four categories (strategic and managerial decisions, product-related aspects, and contextual and environmental-related issues), classifying the causes of failure. Even though the dimensions themselves are distinct to each study, there are commonalities in the underlying rationalizations: Consequently, it is observable that recognizing and satisfying a genuine demand in a market is crucial to ensuring success and that a startup may fail if a product only caters to a niche, despite

an initial validation of the market, as the growth may be restricted (Cantamessa et al., 2018; Eisenmann, 2021; Pisoni, Aversa, Onetti, 2020; Pride, 2018, 11–20). Moreover, the stakeholders in a startup are crucial to its success. This could pertain to the compatibility of the founding team's skill set with the objectives of the startup, ensuring its success. However, it could also involve securing funding from investors who share the same vision and provide the contacts, or collaborating with dependable manufacturers and suppliers who adhere to the set quality standards (Cantamessa et al., 2018; Eisenmann, 2021; Pisoni, Aversa, Onetti, 2020; Pride, 2018, 11–20). Lastly, external forces, like market developments, political and economic conditions, and the strength of competitors, might ultimately contribute to the failure of a business, even if its internal capabilities are in harmony. A change in investor or consumer sentiment, the introduction of disruptive technology, or investor or customer aversion could deplete a startup's resources or contribute to its obsolescence (Cantamessa et al., 2018; Eisenmann, 2021; Pisoni, Aversa, Onetti, 2020).

### **2.3 Turnaround Strategies**

According to Pretorius (2009, 10–11), a “venture has been turned around when it has recovered from a “decline that threatened its existence” to resume normal operations and achieve performance acceptable to its stakeholders (constituents) through reorientation of positioning, strategy, structure, control systems and power distribution.” This finding also implies that a startup can only be turned around when it is declining; it cannot be saved if it has already reached the point of failure.

Assuming a startup is at a point where a turnaround is possible, the current state of research provides various insights into turning around such a struggling venture. For example, Arogyaswamy, Barker III, and Yasai-Ardekani (1995, 493–525) proposed a two-stage model in their research in which decline-stemming strategies, strategies reversing dysfunctional consequences of the decline, and recovery strategies, strategies to enhance the competitiveness

of the company, should be utilized to recover a company and look beyond the financial issues (e.g., company culture, management, external stakeholders). On another note, Bibeault (1998, 81–88), after establishing reasons for companies to fall into decline and pointing out warning signals (“red flags”), continues to elaborate on different turnaround strategies: “the management process turnaround, the economic or business cycle turnaround, the competitive environment turnaround, the product breakthrough turnaround, and, finally, the government-related turnaround”, deeming the management process turnaround as the most significant one, being responsible for two-thirds of all turnarounds. More recent studies, such as those of Manimala and Panicker (2012), cluster findings from different literary resources into five categories: human resource strategies, financial strategies, marketing strategies, production and operations strategies, and corporate planning strategies. Based on these categories, Manimala and Panicker (2012) continue to evaluate different hypotheses about the frequency and effectiveness of these strategies. In their conclusion, they elaborate that, generally speaking, companies that deploy more than one turnaround strategy prove to be more successful. Angwin, McGee, and Sammut-Bonnici (2015) further evaluate in their research, “Turnaround Strategies”, that “good management”, “appropriate organizational structure“, and “tightly controlled costs” are crucial during the turnaround process of a company, which aligns with their classification of restructuring, cost reduction, and repositioning, to determine the actions to be taken.

While most research is not primarily directed at startups specifically, the information provided can be transferred to respective business cases, as the key concepts generally apply to different types of businesses. However, there was no evidence of research that connects and clusters startup failures into categories and suggests strategies based on these categories.

## **2.4 Research Gap**

The body of literature offers a wide range of perspectives on the reasons why startups fail and the tactics that can be used to turn them around. While this is the case, after extensive research, it became clear that the literature does not yet establish a connection between industry insights and larger patterns. Furthermore, the research on turnaround strategies offers insights on various clusters of strategies, but it does not match specific classifications of startups against specific strategies that are tailored to the requirements of the given company. The implication for our work, and therefore the identified gap, is therefore to not only create a framework that connects cross-industrial patterns between industry-specific failure reasons but also to provide a classification system for startups, as well as to develop strategies that are specifically designed for young businesses that fail in a particular pattern.

## **2.5 Industry Reviews**

Without a doubt, a thorough examination of the food and sexual wellness industries is a necessary precondition for an academic study. The evaluations serve as critical pillars, giving essential insights required for strategic decision-making and a comprehensive understanding of market dynamics. In the next paragraphs, the authors will examine several market parameters for both industries, such as market sizes, relevant historical circumstances, opportunities, and challenges, suggesting paths for innovation while highlighting potential pitfalls. These insights serve as a point of reference for the later sections and give crucial background knowledge for understanding and evaluating the following interviews.

### **2.5.1 The food industry in Germany**

The German food industry is recognized as a significant contributor to the country's economy, encompassing a range of activities from production and processing to distribution and retail of various products and services (Gollnhofer, Bhatnagar, 2021). With over 619,000 businesses, it is characterized by a strong presence of small and medium-sized enterprises (SMEs), producing a diverse array of products for both domestic consumption and international export (The German Food Sector, 2023; Deiters, Heuß, 2014). Additionally, it generated a turnover of approximately EUR 209.3 billion in 2022, employed around 5.1 million people, and offered a staggering 170,000 products, showcasing the sector's breadth and depth (Statista, 2023; The German Food Sector, 2023). Illustrating the sector's resilience and adaptability in the face of changing economic conditions, the market size is forecasted to grow further, according to the German federal ministry of food and agriculture (2023).

Startups from the food and nutrition sectors, thus the food industry, account for 10.2 percent of all startups in Germany and are thus the 3rd largest share, highlighting the key role of this sector for Germany (Kollmann, Uni Duisburg-Essen, 2022). At the same time, the proportion of startups focusing on the retail sector and delivery services is growing continuously (Schwemmer, 2021). The coronavirus crisis has acted as a catalyst for this circumstance (Lueg, 2022). However, it is particularly important for startups in the food industry to be supported and receive additional resources, which they usually get from investors or mentors, as many of their business models are cost-intensive and their operations can be complex (Ludwig et al., 2022). In 2021, Germany was the most important market for agri-food investments in Europe, with a volume of 3.3 billion dollars, and therefore a very good location to receive both financial and intellectual support. However, this was mainly driven by investments in the two Berlin-based start-ups Flink and Gorillas, two start-ups from the quick commerce sector (Marston, 2022). However, according to a report by KPMG, investments in start-ups fell sharply in 2022, both

globally and in Germany, particularly affecting start-ups in the food industry, which often quickly run into problems without external capital (Lavender et al., 2023). As a result, startups from the food industry are currently trying to set themselves apart from others with special features such as sustainability and are moving away from sectors that require a lot of capital, such as e-commerce, towards food tech innovations (Rützler, Reiter, 2023).

### **2.5.2 The sexual wellness industry in Germany**

Defining the term sexual health, the World Health Organization (2006) states that it is “fundamental to the overall health and well-being of individuals” and further defines sexual health as a condition of physical, emotional, mental, and social well-being related to sexuality, not only the absence of sickness, malfunction, or infirmity. Sexual health needs healthy and respectful attitudes about sexuality and sexual relationships, as well as joyful and safe sexual encounters without compulsion, prejudice, or violence (WHO, 2006). In respect to the commercialization of this topic, the sexual wellness and intimacy sector includes all products, the well-being and enhancement of sexuality. This contains products like sex toys, lubricants, and sexual protection, but could also include herbal supplements dedicated to enhancing sexual well-being (Straits Research, 2023). Although safe sexual satisfaction is a major part of the sexual wellness industry, it also includes open communication and overall positive experiences around all topics that touch sexuality, including health and education (Straits Research, 2023). Evidence that the market is growing can be found across various studies. For example, Zion Market Research (2023) determined that the global market was worth over 57 billion USD in 2022 and expects it to grow to over 110 billion USD by 2030. Hereby, the DACH region accounts for approximately 3.2 billion euros in market size and contains more than 200 startups in the industry. This encompassed a wide range of products and services, including sexual wellness products, lingerie, and sexual health services (StartupInsider, 2023). Furthermore, the German market is considered the largest market in Europe for sextoys, making up around 27

percent of the total market share in Europe in 2021 (Spherical Insights, 2022). The accessibility through online stores and the wide product range, contributes to the significant market growth (Business Market Insights, 2023).

Historically, Germany has had a relatively open attitude towards discussions about sexual health and intimacy. In the 20th century, sexual education and health became increasingly emphasized in Germany, further reducing the taboo associated with sexual topics (Sigusch, 2008, 81-120). In fact, the German company Beate Uhse was not only the first sex-shop in Europe, but also became one of the largest players of the industry, creating a strong and forward-thinking brand (Connolly, 2001).

Today, companies like Amorelie or Eis.de, who started as online-marketplaces for sexual wellness products, have become recognized players in the market, delivering own sexual wellness products and advice in a modern, consumer-friendly manner. Especially during the COVID-19 pandemic, these companies, alongside with other companies in business like Funfactory, experienced a boom in their revenue, which supported tremendous growth of the market (Gode, 2020). Within this landscape, more startups have effectively harnessed evolving consumer attitudes and digital platforms to provide a fresh perspective on sexual wellness. Companies like Femtasy, Einhorn and Beducated are bringing new business models and angles to the market and are taking advantage of the evolving market landscape, especially through targeting women (Huesing, 2015; Huesing, 2020).

Overall, the industry is becoming more inclusive, offering products that cater to diverse sexual orientations, gender identities, and body types (Spherical Insights, 2022). The incorporation of technology in intimate products and apps has created new possibilities for enhancing sexual experiences, whether through smart sex toys, sexual health apps, or virtual reality experiences (Business Market Insights, 2023). However, despite the increasing openness towards sexual wellness, there is still a degree of social and even personal stigma associated with the industry

(Dubé et al., 2022). This can impact marketing efforts and public perception. Especially in Germany and within social networks, marketing efforts can be difficult, as sexual content, often also on an educational level, is prohibited (Milz, 2019). Furthermore, with products becoming more technologically advanced and gaining capabilities to connect to the world wide web, companies that collect sensitive user data must prioritize data security and privacy to build trust with their customers and users (Stardust et al., 2023).

### **3 Methodology**

This research paper combines both theoretical and practice-oriented research, meaning that both literature and qualitative methods were used to conduct the study. While the literature was used to gather an understanding of the current state of research, the qualitative research was used to derive deeper insights into the industries and set up the desired framework. In the following paragraphs, the examination of the qualitative research methodology and setup of the conducted interviews, including the interview partners and subject areas, will be discussed. Lastly, this section will explain the evaluation methodology of the conducted interviews in more detail.

#### **3.1 Empirical Research and semi-structured interviews**

The term "empiricism" is derived from the ancient Greek and translates to "experience". In empirical research, various data points are systematically collected, evaluated, and interpreted to gather new insights (Endres, 2021). An essential part of this thesis is based on empirical research, aiming to find an answer to two essential questions:

1. Which key factors leading to the failure of manufacturing startups can be derived when investigating and comparing the failure reasons of startups in the German food and sexual wellness industries?
2. What turnaround strategies emerge for struggling startups, by investigating startups in the food and sexual wellness industries in Germany?

Interviews are part of the qualitative research methods, and depending on the degree of structuring and standardization, the interviews can be classified into different categories. In this thesis, the methodology of semi-structured interviews was used, as they give the interviewees the freedom to express their points of view without being strongly guided or influenced by the interviewer but ensure comparability due to a defined interview structure (Adams, 2015, 492–505). In the case of this study, this was especially important to ensure the ability to make comparisons between the different industries. Therefore, an interview guide was created around the leading questions, which can be found in Appendix 2. An interview guide helps the interviewer create an “outline of planned topics and questions to be addressed, arrayed in their tentative order” (Adams, 2015, 492–505).

In order to ask the two different groups mentioned below, the questionnaire was adjusted to the specific needs of each interviewee; however, it hardly differed in content and always followed the same pattern, consisting of an average of 22 open questions. The interviews were conducted through video or phone calls, and a declaration of consent was obtained from each participant to ensure that the gathered information could be evaluated by the authors. Before the start of each interview, a short preliminary discussion took place to clarify any open questions of the interviewees.

### **3.2 Interview gathering and interview partners**

In total, 12 interviews were conducted to support the research, ensuring that every interview partner could provide insights into the German market and into at least one of the analyzed industries and the specific market dynamics. To guarantee that relevant interviewees are selected, a target group must be determined before approaching a sample of that target group for an interview (Lamnek, Krell, 2005, 180–186). A list of all interview partners can be found in Appendix 1. The interviewees can be clustered into two different groups: For the first one, the authors interviewed founders of startups in the respective industries. The founders were able

to lend a business internal perspective and talk about past experiences in their own startups. The writers felt it was necessary to observe different points in time and comprehend different views; therefore, the group of founders included founders in the early and late phases of successful businesses, scaled-up firm owners, and failed founders. The second group consists of industry experts and investors, which are influential leaders and important stakeholders who have substantial knowledge in a specific industry, gained primarily by years of working in the field or investing in it (Forbes Expert Panel, 2023). For the purpose of our thesis, industry experts provide exclusive insights into industry trends and the development of startups over an extensive number of years. By interviewing venture capitalists and business angels, the authors were also able to gain insight into investment criteria, growth strategies, and several cases where startups failed, which is useful to gain different perspectives. Overall, the different views allow not only gather inside perspectives but also view businesses from an outside angle.

To obtain interview partners, the interviewees were approached either through the authors' networks or through LinkedIn InMails, implying that a thorough search was undertaken to discover suitable, potential interviewees. While the search criteria for founders were closely related to their businesses and their success or failure in the respective industry, the search criteria for experts and investors included further characteristics such as years of experience and deals done in the industry. All interviews were conducted in German, via Teams or phone call, and recorded with an average of 37 minutes.

### **3.3 Interview Analysis**

After each interview, the authors conducted a debrief to align on the key insights of the interview and proceeded to transcribing the recording. All transcripts were created by AI-Transcription tools in German and translated into English by the same tool. To analyze the findings and find parallels between the different industries, the authors decided to evaluate the interviews through social hermeneutic paraphrase, which is especially useful for interviews that

are less structured and follow an open-question format (Mayring, 2002, 109–112). The term hermeneutics means "interpretation," and as a research method, it seeks to understand the meaning and make sense of the experience that interviewees have or had (Vandermause, Fleming, 2011). To further interpret the results, Lindseth's and Norberg's three-step approach was used, which was inspired by Paul Ricoeur. After transcribing the interviews, the first step is naive reading, which is reading through the interview to obtain a better understanding of the interview as a whole (Lindseth, Norberg, 2004). The second step is structural analysis, in this case thematic structural analysis, where the goal consists of identifying themes and capturing the true meaning of lived experiences. Themes, also meaning units, can be sentences, parts of sentences, or several sentences that "conveys one meaning" (Lindseth, Norberg, 2004). For the authors of this study, the meaning units are different patterns that could be identified through the interviews. This structure, a summary of all relevant statements within their meaning units, can be found in Appendix 3. The final step is comprehensive understanding, in which the discovered statements are interpreted in relation to the research question (Lindseth, Norberg, 2004). These interpretations are accomplished in chapters four and five of this thesis, in which the discovered failure reasons and turnaround strategies are examined within their patterns and further contextualized in the developed framework.

#### **4 Why Startups Fail: Cross-Industrial Failure Patterns in the German Food and Sexual Wellness Industry**

After researching the market and interviewing founders, industry experts, and investors in both the food and sexual wellness sectors, a cross-industry analysis will be conducted. This will involve evaluating key interview findings, categorizing generic failure reasons unrelated to industry-specific issues, and performing an industry-specific comparison to identify similarities and differences. The subsequent analysis will lead to the development of a "failure framework" that illustrates the most significant findings.

However, before doing so, it is important to understand the current trends in both markets, as these give rise to some of the failure reasons. In the food industry, trends gravitate towards health-conscious, sustainable, and locally sourced products (FST1; FST3). The rise of plant-based alternatives, veganism, and organic offerings mirrors consumer demand for transparency and ethical production practices (FST 4). Conversely, the sexual wellness industry trends towards product diversification, reflecting a broader societal acceptance and the destigmatization of adult products (SWST2; SWST4). The sector also shows a marked trend towards e-commerce, with direct-to-consumer models becoming increasingly prevalent, circumventing traditional advertising restrictions (SWST4).

While industry-specific, these trends share a common core in consumer-centric innovation and ethical business practices, underpinning the necessity for startups to fit with current market expectations and regulatory frameworks in order to prevent failure. These insights will lead to the development of a "failure framework" for startups, incorporating major tendencies to forecast and avoid potential pitfalls in these dynamic industries.

#### **4.1 Generic Failure Reasons**

By using the term generic failure reasons, the authors understand reasons why a startup might have failed that do not tie to a specific industry but are much more generalized. It is important to mention that the interviewees themselves referred to these points as generic aspects. This may be related to an overarching crisis on the market or frequently cited and mentioned failure reasons in the literature. Nonetheless, these findings were provided and shared by several experts from either the food or sexual wellness industries, which is why they are mentioned in this paper.

A commonly mentioned aspect of failure is the lack of vision and commitment by the founders. With a lack of commitment and communication issues, it is hard to determine and therefore follow a clear strategy (FST2). Making strategic decisions and creating an upfront strategy is extremely important, as many decisions made will impact later operations (FST1). According to industry experts, an unclear goal and vision can cause a loss of needed focus, and without focus and long-term commitment, the desired changes in the market cannot be made (FE1; SWST3). Looking back at the literature, this reason is also mentioned by Pride (2018, 11–20), under his dimension of founder failures. However, it does not just have to be a lack of commitment on the part of the founders that can lead to the failure of a startup. Egocentric founders can be just as challenging (FST1). In fact, being open to feedback and keeping an objective perspective on the idea is crucial to ensuring that necessary changes can be made (SWST2). Lastly, related to the founder, the founding team surrounding the startup should be a fit for the product (or service) that the business is trying to sell (FST1; FE2). Especially in markets that require specific industry knowledge, it is important to have a team member that understands, in depth, the product and its development (FSWE1).

On another note, looking at external factors, the growth of interest rates has cost many startups their businesses. The problem lies in the switch from growth to profitability. While interest

rates have been low to non-existent, especially after the COVID pandemic, inflation has forced central banks to raise interest rates, prompting investors to be more cautious with their investments and prioritize profitability over growth (FST2).

Furthermore, the network in which a startup operates is just as crucial to its success. A robust network provides not only a support system but also access to vital resources, mentorship, and strategic partnerships (FST2; SWST2). Founders who fail to build a network in the early stages of a startup will eventually find themselves in a situation where their lack of significant contacts makes the business stumble (FSWE2).

Finally, it can be a fatal mistake to launch a business model that harbors excessive market risk. Even with everything else in place, understanding the market and gauging its potential is imperative (FST4; FE1). Launching a new product in an unfamiliar market is inherently risky. In many cases, the lack of detailed market research can lead to unanticipated difficulties, sending startups into the unknown of market obscurity or, worse, irrelevance (FST3; FE1).

## 4.2 Industry specific comparison

The preceding chapters provided insights into the current state of the German food business and sexual wellness sector. Through interviews with industry experts, various statements were gathered to identify patterns. This paragraph will explore the similarities between the sexual wellness and food industries in Germany, emphasizing the commonalities represented by these patterns. Additionally, fundamental differences between the industries will be addressed to offer a nuanced perspective on the topic.

To begin, addressing the intersection of failure reasons in the sexual wellness and intimacy market and the food industry highlights a critical difficulty: the recognition and strategic integration of **trends**. The drive toward sustainability spans both sectors. However, like a startup that produced special nuts or SiClaro, which focused entirely on sustainability, ran into difficulties, demonstrating that a narrow focus on a particular trend can be dangerous

(FST2; SWST3). Similarly, while Amorelie canceled sustainable product collections, other companies in the sexual wellness sector faced serious greenwashing allegations after launching supposedly sustainable products, which demonstrates the importance of caution in trend acceptance (SWST2; SWST4). However, embracing micro-trends and hypes such as the rise of suction toys in the sexual wellness industry contradicts the importance of agility in responding to market changes (SWST1), a lesson paralleled in the food industry with Wholey's introduction of new bowls (FST3). This agility must, however, be balanced against core values and profitability, as seen with SiClaro. In this example, a trade-off between strict mission commitment and market demands has not been managed well (SWST3). This concludes that the ability to launch successful products without surrendering to every emerging trend is critical—a strategic alignment that acts as both a survival and a turnaround strategy for businesses navigating these volatile markets.

Adjacent to the trends that lead to failure across the food and sexual wellness industries, industry-specific challenges also notably stem from (over)regulated environments, more specifically from **restrictions and prohibitions**. In the food industry, stringent health and food regulations delineate the boundaries within which products can be sold (FST2; FSWE1; FST4). Innovations in food technology, especially those incorporating unprecedented ingredients, face untransparent, straining approval processes in Germany—a barrier less pronounced in other areas like Singapore or the USA (FE1; FST4).

Startups in the sexual wellness sector face similar limits and prohibitions, however, in the form of more stringent marketing requirements. Sexual advertising bans on platforms like Meta and Google severely limit their capacity to market products freely (SWST3; SWST2; SWST1; SWST4; FSWE2). However, unlike food startups, sexual wellness brands in Germany do not contend with product regulations, leading sextoy manufacturers to take the initiative in developing standards such as ISO 3533:2021 for sextoy safety (SWST1).

Additionally, it is clear that the importance of **educating customers** can greatly impact a product's success. Considering the food industry, when introducing a new product made of new ingredients, teaching people how to use it is critical. Understanding what the product has to offer and its advantages is what drives its appeal (SWST1), as was also seen with the start-up that produced snacks from new types of nuts (FST2). However, necessity for education is not universal and needs to be considered, as established products or those that are self-explanatory do not demand as much guidance (FST2).

In comparison, in the sexual wellness market, a general lack of customer education prevails (SWST1; SWST3). This vacuum is both an immense opportunity and a major concern. Due to the lack of available knowledge, consumers frequently rely on established players for information; nonetheless, despite this reliance, customers are receptive to assistance but may be hesitant to seek it (SWST1; SWST3). For the founders of SiClaro, this became even clearer, as they saw customers seeking personal consultations during market sales not only driving higher revenues but also easing customers' hesitations and encouraging orders through informed decision-making (SWST3). Startups that fail to educate their customers or show no awareness of the education level of the market will struggle to meet the customer's needs. This goes as far as investors making investment decisions based on the importance of a balanced focus on education within startups. For a major German fund, a lack of prominence in educational initiatives affected their decision not to invest, emphasizing the need for a broader scope beyond niche products, where the only customers are frequent users (FSWE1). Therefore, what unites these industries is the risk posed by customer misunderstandings, as in both cases, uneducated customers might turn away from the product if they don't comprehend its utility.

Another failure reason that was identified during the interviews is **prejudice**, which stands as a formidable threat to the success of startups across various industries. Investigating the complexities of this issue exposes its extensive influence on all key stakeholders and, hence,

has a significant impact on the trajectory of emerging businesses. It is considered common knowledge that stakeholders play a pivotal role in the fate of startups. For example, investor biases often shape investment decisions (SWST1; FST2). In sectors such as sexual wellness, the stigma attached to the industry as "dirty business" hinders investor confidence, which nearly led to the demise of a major German sex toy company in the early days, as the lead investor decided that they did not want to be associated with sexual wellness products (SWST1). Therefore, industries navigating societal taboos face heightened challenges (SWST2).

In the food industry, concerns were raised by stakeholders, such as major retailers, about similar products simply being repackaged differently and sold under different brands. The lack of trust in new products makes it difficult for startups to acquire access to food merchants and critical shelf space to boost product awareness (FST2; FE2; FE1).

On another note, consumer mistrust can be equally detrimental. Many consumers also view innovative products as mere rehashes of existing ones (FSWE1). This is especially true in the food business, where customers are not only confronted with a seemingly infinite number of options but also harbor prejudice against entire product groupings if they have had negative experiences in the past. According to S. Ostendorf, especially vegan products face this difficulty because many consumers despised first-generation products they tested many years ago and are consequently unlikely to try these alternatives again, if at all, not until many years later (FE1).

In the sexual wellness realm, however, not only do societal taboos foster widespread mistrust and disliking (primarily in highly conservative parties) but also fuel disrespect and harassment directed at founders. Personal encounters, such as harassment at trade fairs or unwanted letters, highlight the depth of societal bias (SWST3; SWST2). As a result, unchecked bias can lead to the downfall of a firm, particularly if the founders are unaware of strategic product placement,

which entails matching products with appropriate niches and eliminating misconceptions through focused educational activities.

In further analysis of the interviews and deeper insight into the dynamic landscapes of the food and sexual wellness industries, another notable pattern could be identified for startups: a strong **dependence on investors and/or networks**. An observed trend among founders in both industries is a deliberate avoidance of venture capital funding (FST1; FST4; SWST2). What may seem contrary to the identified pattern is a strategic choice, which partly stems from the hardships faced by founders who once heavily relied on VCs and subsequently witnessed their businesses crumble in the wake of interest rate shifts. When profitability overtook quick expansion as the major goal for investors, many startups failed, unable to achieve the severe financial demands imposed by their venture capital backers (FE1; FST2; FST1). When asked, part of the founding team of the nuts-startup considered the circumstances of unmet investor expectations as one of the main reasons for their failure.

Navigating VC funding is a difficult game for businesses in both industries. The food business is frequently confronted with the infamous "hockey stick" growth demands imposed by venture capitalists (FE1), while in sexual wellness, exemplified by cases like Porzelina and SiClaro VC involvement introduces clauses that might clash with a company's vision, shackling its organic growth and strategic freedom (SWST3; SWST1). However, the choice to remain bootstrapped often comes with the cost of reliance on networks and relationships: food startups align themselves with major players and retailers, seeking vital connections for market access (FST2; FST1; FST3), while in sexual wellness, collaborative ties with retailers are indispensable for product endorsements and consumer trust (SWST1; SWST2). Contrary to established players, like Amorelie in the sexual wellness market, who can offset challenges with their financial and operational resources, startups lack this luxury. This was one of the key factors in SiClaro's

downfall, as the founders struggled to continue balancing operating the businesses and ensuring financial resources for the company (SWST3).

Despite the food industry having better potential for successful exits than software ventures, it faces challenges in attracting investments due to a lack of recognition in the investment landscape (FE1; FE2; FST3). When establishing a business, informed investment decisions become critical, but assessing an investor's moral compass and steadiness in the face of hardship is just as critical. Failure to develop a well-thought strategy has two possible outcomes: founders may choose bootstrapping, facing financial pressure and operational challenges (as demonstrated in SiClaro's case), or investors may withdraw support owing to unmet expectations (as seen in the special nuts startup's demise). As a result, a clear strategy becomes the foundation of success.

Startup Startup failures in various industries often stem from a critical deficiency in **production and supply chain strategies**. In the food industry, startups struggle with the formidable upfront investment required for inventory (FST1; FSWE1). Contract manufacturers, a convenient choice for startups, limit the opportunity to leverage economies of scale. Therefore, the early stages of food manufacturing present a maze of challenges: configuring products for industrial machinery, methodically examining expiration dates, and guaranteeing seamless integration into the supply chain (FE1; FSWE2). Similarly, the sexual wellness market faces its own set of manufacturing challenges. Finding suppliers who meet the desired standards is a difficult undertaking (SWST2). The choice of materials presents further hurdles, exposing manufacturing to price fluctuations and preventing economies of scale from being realized (SWST2; SWST1) similar issue to rising material costs in the food industry, present in essential commodities (FST2).

What unites these diverse industries is therefore the significant upfront investment required for inventory and/or the purchase of the products and the imperative of designing resilient supply

chains. Both face distinct yet interlinked challenges, whether it's configuring products to industrial standards or contending with material price volatility. Complementary to the supply chain strategy, the absence of a robust sales strategy and an oversight of high margins also often serve as critical factors contributing to the failure of startups and have become clear in the sexual wellness and food sectors.

Within the food industry, unlike the classic hockey stick business model that facilitates easy scaling after initial development costs, food startups face an ongoing process of product checks and improvements, necessitating constant production. This element also makes it difficult to evaluate a product and customer reaction in the market since there is no easy MVP that can be quickly altered, as adjustments and adaptations in the food production process are difficult (FST2; FST1; FE1). The harsh reality further compounds with major food demanding high margins up to a staggering 40 percent cut, which is why startups need to consider these circumstances prior to pricing their product (FE2; FST4; FSWE2). Without a precise sales strategy, these startups struggle to reconcile costs and generate sustainable revenue. As L. Kovalenko mentions, “The food industry is a competitive sector, and startups have to be prepared to give up a large share of their margin in order to be listed,” and she continues that “if you really want to go through the food trade, then you absolutely have to check your prices and make sure that you can pass on 40% margin painlessly“ (FST4). Additionally, it's often overlooked that major players can engage in pricing competitions and leverage this, particularly during market commoditization, which can be fatal for startups without large financial reserves (FE2).

Similarly, margins in the sexual wellness sector can vary depending on the product and placement. Positioning within retail spaces is essential as major merchants frequently use aggressive pricing techniques, influencing the financial stability of products, as witnessed with key players such as Amorelie and Eis.de (SWST3; SWST2). Principles are crucial in this

setting, establishing how much one is willing to compromise without risking the enterprise's viability. According to Zanolli, the founding team purposefully opted not to carry Satisfyers, even though it is one of the most popular products in the sexual wellness market, because the product did not correspond with SiClaro's aim of providing sustainable sex toys (SWST3).

Therefore, the industries share the difficulty of pricing dynamics and margins in their sales strategies. Major players' aggressive pricing and the need to entertain high margins in a competitive market make competitive pricing difficult for both industries. The sectors are further united by the importance of strategic price decisions to maintain sustainable revenue generation and brand sustainability.

Finally, **brand awareness** issues affect businesses across industries, from food to sexual wellness. The obstacles and complexities of brand recognition are intertwined, emphasizing the need to stand out in a competitive market. In the food industry's saturated landscape, businesses must find a niche and generate attention (FE1). As noted, retail stores have countless goods, making visibility even more challenging (FST2; FE2), as the special nuts startup's issue exemplifies: the business failed to create a category suiting their product and acquire the needed shelf space, limiting their visibility and potential customers (FST2). Investors, attuned to this necessity, pointed out that they actively seek brands capable of setting themselves apart from the competition (FE2; FSWE1). One investor provides a clear example: “If you look at Pepsi and Coca-Cola, you could say that they are almost identical. But if you look at the valuation, you can see that Coca-Cola is significantly more valued than Pepsi when it comes to revenue multiples because it is the better brand. This means we always look for founders and businesses that can build a cool brand and deliver a product that can differentiate itself” (FE2). The sexual wellness sector, on the other hand, offers a contradiction in that, while it is relatively easy to anticipate in the market due to low market saturation and accessibility, the industry itself lacks innovation and creative potential on the product side (SWST3; SWST1; SWST2).

Standing out becomes a challenge as products have remained identical over decades. However, this space offers untapped opportunities, with startups holding the potential to capitalize on their uniqueness, be it a mission or a distinctive brand identity (SWST1; SWST2). The food industry, on the other hand, which is deeply rooted in emotional connections and familiarity, holds an advantage, as the leverage in marketing opportunities is straightforward, given the universal affinity people have toward food (FST3; FE2). The sexual wellness industry navigates through stigma and is only slowly breaking barriers and reshaping its image from being labeled as “dirty” to embracing a reinvented narrative (SWST1; SWST4).

Customer engagement, regardless of industry, remains a critical success factor, with failure to generate consumer engagement usually leading to product irrelevance. As a result, developing a brand and cultivating a community around it becomes critical (FST 3).

#### **4.3 Setting the baseline for the Startup Failure Framework**

The startup failure framework combines the research that has been done in two industries into a generic cluster. The framework consists of eight dimensions, which are based on patterns, that could be identified in the two industries of sexual wellness and food. Furthermore, for the first step, each dimension is tied to either “Operational and Market Dynamics”, or “Social and Relationship Dynamics”. While the previous work strongly refers to the industries the discoveries were made in, the failure framework aims to provide a blueprint for manufacturing startups in various industries, broadening the horizons of the research. In the following paragraphs, the categorization of the dimensions will be explained, followed by the criteria to evaluate which pattern a startup belongs to.

#### **4.3.1 Evaluation criteria for startups**

In the preceding paragraph, eight cross-industry startup failure patterns in the sexual wellness and food industries were identified, and including: *Trends, Restrictions & Prohibitions, Investor & Network Dependency, Customer Education, Prejudice, Production & Supply Chain Strategies, Sales Strategy and Brand Awareness*. To determine which of the patterns is most applicable for a startup, each pattern can be assigned certain criteria, derived from the failure reasons analyzed during the interview process, that need to be met to classify a startup and eventually choose the right turnaround strategy. In Appendix 4, the authors have gathered four criteria for each pattern, which can help a startup determine which pattern most likely affects their business. The criteria are set up in the form of questions, which, in case a startup is failing in this area, are answered with yes. It is possible that a startup faces more than one challenge and therefore answers all questions across multiple patterns with "yes". However, ideally, it becomes clear that some patterns are more fitting than others, in which case one can set priorities on which turnaround strategy to focus on.

#### **4.3.2 Dimensional Patterns and Dynamics of the Framework**

While each of the mentioned patterns holds significance, they can be clustered into one of two different categories. The first, "Operational and Market Dynamics," includes aspects that are directly related to the execution of the business model, market response, and external business conditions. Patterns in this category relate to immediate business processes and conditions. In the author's opinion, the patterns *Trends, Restrictions & Prohibitions, Production & Supply Chain Strategies*, and *Sales* refer to the categories *Operational and Market Dynamics*.

The operational side is covered by *Production & Supply Chain Strategies* and *sales*. Inefficiencies in the supply chain and production lead to suboptimal resource allocation, hindering scalability and impeding the ability to meet evolving market demands. Consequently,

failure in these areas undermines the core operational backbone of the startup. Sales strategies serve as the bridge between a startup's offerings and the market, as effective sales approaches are highly important for market penetration, customer acquisition, and revenue generation. Market Dynamics on the other hand, are covered by Trends and Restrictions & Prohibitions. As discussed in the analysis of the interviews, start-ups that do not align themselves with the prevailing trends risk losing their competitive edge, failing to meet customer expectations, and gaining a smaller market share. Trends, therefore, directly influence market dynamics, shaping consumer behavior and market conditions. Non-compliance with regulations and bans, or the inability to effectively overcome barriers, restricts market access, prevents expansion opportunities, and undermines consumer confidence. The combination of these patterns in the given category underscores their interconnectedness and mutual influence on a startup's performance. Understanding these interdependencies is paramount for startups and enables them to develop adaptive strategies, fostering responsiveness to market shifts while optimizing operational efficiencies, which will be further discussed in the following chapter about turnaround strategies.

The second category, "Social and Relationship Dynamics" takes the relationships and social capital of a company into account and the social challenges it may face. Therefore, the patterns that are categorized here strongly relate to the perception and relationship of the company with its customers and other stakeholders. The patterns of VC & Network Dependency, Prejudice, Customer Education and Brand Awareness can be summarized in the category "Social and Relationship Dynamics".

To begin, an overreliance on venture capital, and therefore a limited pool of funding sources, connects financial aspects with social networks, shaping priorities and potentially narrowing innovation scopes. A dependence on a founder's and/or company's network amplifies this, highlighting the relationship-driven nature of resources and opportunities for startups to grow

into stable businesses. Furthermore, prejudice within startup ecosystems showcases the social barriers affecting access to opportunities. As mentioned above and highlighted in many interviews, biases of any kind limit diverse perspectives crucial for innovation and the holistic growth of a business.

On another note, Customer Education and Brand Awareness both foster social dynamics in market perception. To further elaborate, educating consumers and building brand visibility are social endeavors that influence how a startup is perceived and accepted within its market, and failures in these patterns highlight the social difficulties in forming market relationships

Visualizing the information provided above, the baseline for the framework would translate to the following outline:

<b>Operational and Market Dynamics</b>	<b>Social and Relationship Dynamics</b>
Trends	Investor & Network Dependency
Restrictions & Prohibitions	Prejudice
Production & Supply Chain	Customer Education
Sales Strategy	Brand Awareness

Figure 1: The Base for the Failure Framework

## 5 Conclusion

This research attempts to explore failure reasons of startups in the sexual wellness and food industry in Germany and develop turnaround strategies for different detected failure patterns. In order to obtain the needed input, semi-structured expert interviews were utilized. Hereby, the authors tried to find a profound answer to the two guiding questions:

1. Which key factors leading to the failure of manufacturing startups can be derived when investigating and comparing the failure reasons of startups in the German food and sexual wellness industries?
2. What turnaround strategies emerge for struggling startups, by investigating startups in the food and sexual wellness industries in Germany?

Throughout this chapter, the results will be briefly summarized, the practical and theoretical implications will be outlined, the findings will be critically evaluated, and the further outlook of the research will be discussed.

### 5.1 Practical Implications

By evaluating the twelve interviews with founders and experts of both industries, eight patterns were identified that revealed parallels between the industries, namely *Trends, Restrictions & Prohibitions, Investor & Network Dependency, Customer Education, Prejudice, Production & Supply Chain, Sales Strategy and Brand Awareness*. These were then compiled further, and specific turnaround strategies were developed for them. To ensure that this theory can now be applied in practice, this section is intended to build a bridge between theoretical research and practical application for the German start-up scene.

To ensure that this goal is achieved, founders and stakeholders from the startup scene should see the developed framework as a guiding tool. By using the framework to diagnose their business, they can pinpoint their venture's current problems and understand potential risks and

weaknesses. This aids in making informed decisions about necessary corrective actions and strategic changes. For example, a founder grappling with brand awareness issues can leverage the framework to identify the root causes and adapt strategies to enhance their market visibility and differentiation.

Secondly, this research serves as an educational resource for those new to the startup ecosystem. It provides a comprehensive overview of common challenges and turnaround strategies, particularly in the food and sexual wellness sectors, but can also be applied to various industries. This knowledge is invaluable for newcomers to navigate the startup landscape effectively and avoid common pitfalls.

Thirdly, the framework is beneficial for investor analysis, which is especially important for startups since they are often dependent outside financial aid. Investors can use it to evaluate potential investment opportunities by understanding common failure patterns and specific industry challenges. This can inform their decision-making process and serve as a checklist during due diligence. Additionally, the developed framework allows investors to pinpoint areas for potential improvement and growth in a startup, thereby aiding in the development of a more robust and effective investment strategy.

Finally, it is important to keep in mind that not only the various dimensions with their respective turnaround strategies were identified, but they were also sorted by the “Degree of Difficulty” and their respective “Impact and Benefit”. This gives decision-makers in startups the great advantage of tackling the right problems more quickly and in a more targeted manner, which is particularly important at a time when a turnaround strategy is necessary.

From the author's perspective, the most significant contribution of this research is its pragmatic approach to understanding startup failures and offering suitable and effective turnaround strategies for them. The startup “Turnaround Framework” is a practical reflection of real-world challenges and offers tangible solutions. Its versatility and adaptability to different industry

contexts can be applied in the most difficult time of a start-up, namely the turnaround. The authors can therefore highly recommend that current and future decision-makers at start-ups familiarize themselves with the framework and use it for decision-making.

## **5.2 Theoretical Implications**

The theoretical implications of this thesis are manifold, contributing significantly to the existing body of knowledge on startup success and failure. It challenges and expands upon the traditional models of business failure by introducing a cross-industrial perspective, highlighting the universality of certain failure patterns across diverse sectors. This approach underscores the importance of considering industry-specific nuances while acknowledging underlying commonalities in startup challenges, thus bridging a gap in the current literature, which often treats industries in isolation.

Secondly, the development of the “Startup Turnaround Framework” presents a novel theoretical contribution. This framework not only categorizes failure reasons into operational and social dynamics but also suggests a nuanced understanding of how these dimensions interact and influence each other. This dual categorization enriches the discourse on business failure by moving beyond simplistic cause-and-effect analyses and embracing a more complex interplay of factors.

Moreover, the thesis enriches the entrepreneurial literature by emphasizing the role of market trends and regulatory environments in startup success. It theoretically substantiates the argument that startups’ ability to adapt to rapidly changing market conditions and navigate through complex regulatory landscapes is as critical as internal management and operational efficiencies. This insight contributes to a more dynamic understanding of business strategy, where external adaptability is as crucial as internal robustness.

Lastly, the thesis potentially opens new avenues for research in strategic management and entrepreneurship, particularly in the realm of turnaround strategies. By providing a structured

approach to diagnose and address startup failures, it lays the groundwork for future empirical studies that can test and refine these strategies, thereby enhancing the practical applicability of theoretical models in real-world settings.

### **5.3 Critical Evaluation**

This research paper includes a critical evaluation to ensure a full and unbiased assessment of this research. Several significant criticisms have surfaced during the research process, which will be further elaborated in the following paragraphs:

Firstly, the extensive literature on startup failures must be acknowledged. The startup environment is complicated and multifaceted, as seen by this amount of research. This increases the odds that relevant works were unintentionally overlooked during the research process, affecting the study's comprehensiveness. To avoid overlooking valuable insights, extensive literature reviews and systematic searches were conducted.

Another issue is the limited number of interview partners. The group provides valuable insights on a small number of companies but may not represent all startup ecosystem perspectives. To address these challenges, experts from diverse backgrounds were carefully selected to ensure a diversified study perspective. However, due to geographical distances, the virtual nature of the interviews posed challenges in assessing emotional reactions, which may be useful in the evaluation of statements. In-person conversations frequently provide useful information regarding interviewees' emotional states and nonverbal communication.

Acknowledging that each of the research fields explored in chapters 4 and 5 could individually form the basis of separate scientific papers highlights the depth and complexity of these subjects. Therefore, the results had to be strongly consolidated to meet the formatting requirements. However, by choosing a structured approach to analyze and interpret the interview findings, the writers made certain that the most important key findings were highlighted in the research, as can also be seen in Appendix 3.

Finally, the startup world's dynamic character, particularly rapid changes within individual industries, emphasizes the importance of continuing research and adaptation. Startups operate in highly dynamic contexts with rapidly changing market conditions, technologies, and consumer tastes. Continuous monitoring of industry trends, shifts in competitive landscapes, and emerging opportunities and threats is required to maintain the relevance and accuracy of research conclusions. Future investigations can provide a more comprehensive understanding of the numerous dynamics and factors driving startup success or failure by addressing these constraints and considering more information.

#### **5.4 Outlook for future research**

Future research projects on startup failures and turnaround strategies will require a more diversified strategy to improve comprehensiveness and depth. To begin, increasing interview cohorts within the same industries is essential for gaining a more comprehensive picture of the developmental stages and obstacles that entrepreneurs face. Categorizing startups based on their investment phases (e.g., Seed, Series A) allows for a more in-depth examination of their evolution, providing vital insights about success drivers and failure factors at different points in time.

Following this deeper investigation, diversification into industries other than food and sexual wellness would enhance the research environment and lend the possibility to generalize the framework even further by connecting, identifying, and reevaluating existing and additional patterns across other industries. This investigation would include longitudinal studies that would monitor startups over time to assess the efficacy of methods and determine whether these techniques produce the intended results. Long-term collaborations with eager companies would reveal critical decisions, strategy shifts, and the long-term effects of significant elements, revealing invaluable insights into their path. While this study forms the basis, further specialized research is required, diving deeper into specific aspects of each discipline to

## Group Part

uncover new layers. Engaging a greater range of specialists with varied perspectives, both opposing and supportive, will strengthen the representativeness of the conclusions, and extending the scope to incorporate a broader range of perspectives promises a more complete picture of the complex startup environment.

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## IV Appendix

### Appendix 1: Interviewee List

Interviewee	Position of Interviewee	Industry	Status
<b>FST1</b>	Founder of House of Buns producer of various baked goods, previous experience in other food startups	Food	Struggling
<b>FST2</b>	Founding team of a startup producing food out special nuts	Food	Failed
<b>FST3</b>	Co-founder of Wholey, a producer of cereal and different bowls	Food	Successful
<b>FST4</b>	Founder of the startup Dr. Kimchi, a producer of fermented vegetables with live bacteria for your gut health	Food	Successful
<b>FE1</b>	Leader of the startup Accelerator “Food Harbour”	Food	/
<b>FE2</b>	Investment manager at a German venture capital fund, with a focus on the food industry	Food	/
<b>FSWE1</b>	Principal at venture capital fund with a focus on health and food	Food and Sexual Wellness	/
<b>FSWE2</b>	Angel Investor in both food and sexual wellness startups	Food and Sexual Wellness	/
<b>SWST1</b>	Product Manager at major German sex-toy company	Sexual Wellness	Successful
<b>SWST2</b>	Founder of Porzelina, a sex-toy startup made of porcelain	Sexual Wellness	Successful
<b>SWST3</b>	Co-Founder of SiClaro, an online store for sustainable sex toys, lubricants, menstrual products and contraception	Sexual Wellness	Failed
<b>SWST4</b>	Co-Founder of a startup focusing on sexual wellbeing which merged with a big German producer of sextoys	Sexual Wellness	Turnaround

## Appendix 2: Interview Guide

Category	Criteria
<b>General Questions and relevance of the interview partner</b>	<ol style="list-style-type: none"> <li>1. We know that you worked for startups in the food/ sexual wellness industry. Can you briefly describe your career path and the companies you were working for? It would be great if you could also describe the stage of development of the companies, the connection to the industry and your tasks and responsibilities.</li> <li>2. What personal experiences or lessons have you learnt specifically about the industry during your professional career?</li> </ol>
<b>Current industry developments</b>	<ol style="list-style-type: none"> <li>3. What current developments and trends do you see in your industry?</li> <li>4. What factors are driving changes in your industry?</li> <li>5. How do these affect startups and their business model?</li> </ol>
<b>Failure Reasons in the industry:</b>	<ol style="list-style-type: none"> <li>6. What are the biggest challenges in your industry?</li> <li>7. Which industry-specific reasons do you think most often lead to the failure of start-ups?</li> <li>8. What advice or strategies would you give to companies in your industry to be successful?</li> <li>9. Coming back to your time at startup XXX, what risks of failure do you see there? What are/ were your biggest challenges?               <ol style="list-style-type: none"> <li>a. In general</li> <li>b. Industry specific</li> </ol> </li> <li>10. Are these different from your previous stations?</li> <li>11. Do you feel you have to fight against prejudice because you work in your industry?</li> </ol>
<b>Turnaround strategies in the industry:</b>	<ol style="list-style-type: none"> <li>12. Let's assume that your start-up is on the verge of failure. What turnaround options are there?</li> <li>13. Are they different from those in other industries?</li> <li>14. What role do investors and the big players in the industry play in relation to turnaround and pivot decisions?</li> </ol>

	15. (Just for investors) What is your role during a turnaround?
	16. What steps would you take to keep the company successful in the long term?
<b>Prejudice</b>	17. Are there evident disparities in access to resources based on biases?
	18. Do the founders or employees encounter instances of discriminatory behavior affecting partnerships or funding prospects?
	19. Is there a distrust in the product due to the nature of the market?
	20. Is the startup lacking a targeting strategy that considers aligning the product to a customer group that can be considered free of biases?
<b>Closing</b>	21. Are there any industry-specific aspects that we have not yet discussed?
	22. Is there anything else you can advise us to focus on or something we should pay attention to?

### Appendix 3: Interview Analysis (Consolidated Insights)

Generic Failure Reasons – Founders Attitude, Education & Fit and Lack of Vision & Commitment		
Sub-topics	Statement	ID
Attitude	“For me it was very helpful, to take off my rose-colored glasses. I noticed, that if I got negative feedback, and you have your rose-colored glasses on and the “this startup is my baby”-thought, that I felt personally offended. I believe it is much easier if you pursue things objectively, because then it is easier, to reiterate things that might not work that well, without feeling heartache.”	SWST2
	“Yes, I think this co-founder issue is difficult for every start-up, especially if you bring someone in later and the attitude is not right.”	SWST4
Education & Fit	“For both Industries you need experts in your team, that know the market. Both aren’t markets where you should have a sole management background team [...]. For Sexual Wellness, I would like to see a doctor, psychologist or something like that in the team. They don’t need to be founders but part of the initial team. [...] For the food industry, it depends on how revolutionary the topic is. For Biotech-Topics, we need someone with a scientific background.”	FST4
	“Not the right team is a common point so this co-founder thing is a huge, huge issue.”	FST1
	“There are some founders who are not fully aware of how expensive production is and how exactly unity economics and economics of scale work.”	FST4
	“As a founder, you just have your bubble, you have this naivety, you love your company and you naturally think that everyone else will love us too.”	FST3
	“Very few founders have experience on the side (fund raising), [...] because fund raising is a completely different skill that you can’t do on the go.”	FST3
Lack of Vision & Commitment	“In the beginning the founders saw a great idea and thought: We can build an easy value chain, without too much effort, like 2 days a week and then we hire a CEO to execute. However, this plan did not work out. [...] If you ask me, this was because the founders did not communicate honestly with each other and were not aligned and too many people tried to pull too many strings. [...] There was no clear strategy that the founders could agree on and follow.”	FST2
	“If you don’t have a clear goal in mind and a vision, it is hard to build up the needed focus.”	FE1
	“If you want to change the market, you need yearlong commitment. [...] For us it was diversity, sustainability and diversity, that were extremely important to us and where we said we wouldn’t do it without it – we don’t like the market enough [to just simply be in it]. You need to be aware of this from the start, that this is a lot of work.”	SWST3

Generic Failure Reasons – Market Challenges and Product Market Fit		
Sub-topics	Statement	ID
Market Challenges	“If there is one thing I would need to point out as a failure reason, it would be the interest rate turnaround. Because if money doesn’t cost anything, only growth counts. [...]. But if money start costing money again, you move away from growth the path to profitability is what counts.”	FST2
	“There is a higher and more concentrated and consolidated income economy. Big players like Nestle, Unilever and so keep expanding their market power. And even they are very active in new customer segments like sugar free or vegan products.”	FE2
	“The influence of commodity prices is considerable.”	FST3
	“Especially in the food industry you have very price-sensitive customers.”	FST3
Product Market Fit	“If you want to sell to food retailers, you get clustered into categories. This determines for example price and price positioning. However, if you have a product that is so special and doesn’t fit into the given categories, you basically need a new market for your new product.”	FST2
	“They do it from the heart, yes, and that's super nice, but when you make a concept like this, you need a product market fit”	FST1
	“Product market fit, highest risk”	FST1
	“One point starts at the very beginning. That is how do I calculate my market and how do I calculate the potential for my market? Often, there is not a lot of data that are openly accessible. You can buy expensive data banks, but only few founders can afford this. This leads to the founders judging from their own needs [...], not knowing how big their target group actually is.”	FE1
	“The business model or the product was not yet mature enough, attempts were made to scale too early without really knowing in depth, I already have a product that has a high repurchase rate.”	FST3
	“Because if you look at the startups, you have a high level of credibility if there is already a Vogue and InStyle on the site [if not available]. So brand building is extremely important to be able to sell a good product and that has of course become much more difficult to achieve in recent years because there are so many more channels.”	FSWE2
	“Because I think that's a very important point, especially in the food sector, you need these secondary buyers, and you really need to.”	FST3

Trends across Industries			
Industry	Statement	ID	
Food Industry	“The first trend was actually meat alternatives and it's also exciting to see how this product has developed into a commodity in recent years.”	FST4	
	“I believe that the next generation in particular - our generation, Gen-Z, millennials - have a significantly higher appreciation of good food than previous generations.”	FST1	
	“After corona, consumers have become much more aware of health issues and that means, on the one hand, eating a little more consciously, looking at labels a little more consciously in terms of sustainability.”	FST4	
	“I think there is a great deal of interest in food start-ups, even for those who are less tech-savvy, so consumers simply like to see colourful packaging, playful designs, something that makes a change from what we normally have.”	FST4	
	“One of the big trends is the awareness for health, and maybe you could count veganism under this segment.”	FE1	
	“We saw a few studies and what I growing right now is the price category four, which is the cheapest category at discounters.”	FE2	
	“The shift away from premium to discount is a trend”	FE2	
	“The biggest concern is certainly the trend towards private labels in retail. And then there is simply inflation, the recession and the fact that people are less willing to pay for food.”	FST3	
	“And the days of being very listing-friendly towards small start-ups are also a bit over; you have to be well positioned and very professional before you can even enter the market.”	FST3	
	“Co-creation is a huge trend, where influencers and stars conceptualize products with companies together.”	FE1	
	“I think many of the classic VCs have lost a bit of faith in the exorbitant multiples, which of course makes it difficult to raise as a company in this area.”	FST3	
	“The big D2C hype is so far gone that you could really escalate so quickly.”	FST3	
	“The second big thing is sustainability. People are more aware of what is inside a product, what is the list of ingredients and the benefit for the body. [...] This also means for example local resources, short ways of transport and things like that.”	FE1	
	“Our whole idea for [our company], was the thought of where we could find sustainable food [...] and in terms of value chain, how can we source locally, to keep things like Co2 emissions in mind.”	FST2	
	“It is more about finding a replacement for a product, because it may be harmful to environment or for example animals.”	FSWE1	
	“In any case, consumer goods are having a difficult time right now, especially in the premium segment and also to a certain extent, even if sustainability is a big topic, especially if you play on sustainability and also focus on organic, you have most of the point that of course higher-priced goods are and everything that is higher-priced is having a hard time on the market right now.”	FST3	
	“A lot of money has flowed into it [tech food startups] and most of the products are not yet approved, especially the high-tech variants.”	FST4	
	“There is a shift away from only consumer-based businesses towards, to more scientific and biotechnological product.”	FSWE1	
	Sexual Wellness Industry	“I would say that the movement is also very much geared towards women.”	FSWE2
		“So this whole sexual wellness industry thrives on constant change.”	SWST4
“Covid was the last big wave, I would say. That's when the topic got a bit more into this wellbeing aspect.”		SWST4	
“The development of three large companies dividing up the market as a bit of an oligopoly has led to a development where it has gone from retail to online marketplaces.”		SWST4	
“Trends in the sexual wellness industry are very fast-paced, especially if you look at the pricing policy, most trends are made for the mass and to distribute quickly.”		SWST3	
“Statistics show, that women mostly buy consumables like condoms and lubricants, which means that the advertising is directed towards women.”		SWST3	
“I can see the the topic sexuality is being talked about more intensely in the public and people are receiving education.”		SWST2	
“I am not sure where exactly the trend came from, but the entire topic received more attention about 3 or 4 years ago, especially in terms of education.”		FSWE1	
“One of the big changes was, that the industry moved more towards the center of society. Amorelie was a main driver by changing the product design, making it look more pretty. Everything is a bit more pretty and less dirty and it became more about couples for example.”		SWST1	
“The consolidation of the Industry is something that I can see. Of course there are a few small retailers, but mainly it's about Amorelie, Online retailers became bigger and more professional.”		SWST1	
„It's opening up more and more, especially for the whole care sector.“		FSWE2	
“You also have the drugstore now, that in America is already leading the way, you have your own departments with Wellbeing or I don't know what they call it all, that there is already a change.”		FSWE2	
“There is the sustainable market and the non-sustainable market. We specialized on the sustainable market, in which it is more about education, ingredients of products, generally speaking the green aspect.”		SWST3	
“In the classic sexual wellness industry, there is mostly only green washing. There is no sustainability, there are for example trends that the packaging is being advertised as sustainable and those are huge sustainability campaigns, but the packaging is being thrown out after 2 seconds anyways and the product remains the same.”		SWST3	
“I always like to mention sustainability. But that is a little more complex. Because for example, Amorelie had a sustainable line, and advertised it as such, but they don't have it anymore.”		SWST2	
“For the younger generations, it is more about sustainability and spirituality.”		SWST2	
“Innovation in the industry is very slow, there are very few innovative brands. We like to pride ourselves with it, but to be honest, there weren't any major breaks in the last couple of years. That's why from a product perspective, there aren't that many trends.”		SWST1	

Industry Specific Failure Reasons– Restrictions and Prohibitions		
Industry	Statement	ID
Food Industry	“Very specific for the food industry in Germany, is the strong documentation needed to sell food products. This is called the specification, where you can read anything related to the product.”	FST2
	“I wouldn't build a product that I knew wasn't approved here, I'd be digging my own grave.”	FST3
	“When you look into food-tech topics, where it's all about new ingredients or products that are produced through biotechnological procedures, for example where microorganisms produce certain proteins, [...], then a lot of these are not allowed in Europe and can't be sold here. It is very complex to get the permits and you need to hand in studies [...]. It is a long and cost intensive process and also, from what I heard, very untransparent.”	FE1
	“So in itself, a normal food product does not need any major studies. [...] If the product is fundamentally new, as would be the case with fake meat, for example, a special approval as a novel food is necessary. This is very time-consuming and costly.”	FST4
	“In Germany, if you want to put a new food product on the market, you have the food regulations, [...], where you can spend a lot of money on lawyers and literature [to avoid needing to conduct a clinical study], that can cost a million, but every second mover can then use your study.”	FST2
	“The regulations [in the food industry], are difficult and [...] are not that trivial. [...] Companies need money to overcome regulations, [...], but they die before, because they can't reach these milestones, because the regulations are so tough.”	FSWE1
	“A few quality tests would have to be done regularly, but the costs are only between 300 - 500€ per measurement, depending on what is measured. So there is nothing major that needs to be done, except to set an MHD for a product once, but otherwise there are no major studies.”	FST4
Both	“It has become more difficult because the requirements are really immense in all areas.”	FSWE2
	“Both markets are very regulated, especially in the digital health sector. But it also depends how deep you want to go. If you are putting a medical product on the market, it is highly regulated and it will take longer. [...]”	FSWE1
Sexual Wellness Industry	“We have a lot of problems with online advertising and generally social media, like Instagram. Content Creators also need to be very careful, how they present sexual content, because they can get blocked or banned. Our own account has been blocked countless times and then we start a “unmute pleasure” campaign. With content creators it's ok, advertising itself is not possible and Google Ads are ok, but even Google has become very difficult, because of Safe Search.”	SWST1
	“The biggest point is, that advertising in the sexual wellness industry is close to impossible. You put a lot of energy into the wording and in which pictures cannot be posted, because all common marketing platforms like Meta, Google and Co are American companies, and have policies against sex, alcohol and other things. [...] I even talked to Google once because we couldn't understand why our ads were blocked, because there were no nudes or even nipples. They said that their employees had unbanned the ad, but the AI had re-blocked it, because in some web-reading the word sex was found. But when selling sex toys, it is hard not to say.”	SWST3
	“Of course, the whole industry always has a problem with promoting it [sexual wellness]. So you can't just place ads like everyone else. Yes, that's why marketing is simply very expensive.”	SWST4
	“We did not get the placement to reach exactly the target group we needed to reach, that's why we failed.”	SWST4
	“So the communication is very industry-specific, because ultimately you're already totally restricted, yes, you're not actually allowed to advertise sexuality on Instagram.”	FSWE2
	“In our industry, there were no regulations or standards and we worked on having them set up, because for such an intimate product it is important to have these quality standards. However, it is an ISO-Guideline, which means, you don't have to follow it and there is a lot of trash on the market”	SWST1
	“Both markets are very regulated, especially in the digital health sector. But it also depends how deep you want to go. If you are putting a medical product on the market, it is highly regulated and it will take longer. [...]”	FSWE1
	“I would wish that there would be more hurdles, the market is not at all regulated. I believe there is a norm of sex toys, but it that doesn't mean you need to follow it. In the industry we have big problems with harmful substances [...], but nothing get's checked. So I would wish for more regulations.”	SWST2
	“We had a sum-up payment system in place and one day before the market, it stopped working. It was a big issue to find a payment provider, because Google had classified us a porn platform. [...]”	SWST3
“We also had problems with a payment provider because we violated some corporate regulation. They suddenly blocked our accounts because they thought we were an unethical pornography provider.”	SWST1	

Industry Specific Failure Reasons– Customer Education		
Industry	Statement	ID
Food Industry	“Education: How do I treat the product and how can I use it. We needed to do a lot of content marketing and had a start-chef come in to design recipes with our product, to show how product could be used most efficiently.”	FST2
Sexual Wellness Industry	“Because the consumers are so uneducated, there are chances for startups. If you have a funny idea and can develop a Tik Tok Campaign, that will work. It is not like with Dyson where people know that they buy this vacuum because they want one of the highest quality. People are unaware of premium brands because they don’t know anything about it. This is why a market entry isn’t that difficult for startups.”	SWST1
	“Your reach will get restricted, even if you are trying to educate people. And this is highly problematic, because we can consume so much media and information, but well curated formats just can’t get through the noise.”	SWST3
	“The consumers on the sextoy market are very uneducated, meaning they like going to stores or have a lot of trust in, for example, what Amorelie says the best sex toy is. This means if you position yourself well with the retailers, you can get a good standing with your customers.”	SWST1
	“We didn’t invest in the [sexual wellness startup] because the educational aspect was not prominent enough. [...] Now they seem to have picked up some educational topics and offer other products, because in the beginning it was all about Viagra, hair loss and so on, which was too niche for us.”	FSWE1
	“Our website was 50% Sales and 50% free education. [...] But you need to sell the educational part and need to get people to google what they want but also which questions they have, and to have the confidence to order sex toys. When we were selling on markets, we made the most revenue and a big part of it was because of the consultation we offered.”	SWST3

Industry Specific Failure Reasons– Prejudice		
Industry	Statement	ID
Food Industry	“On the food side, you could say that you sell a similar product just in a different packaging, but what’s inside remains the same, only the marketing is better.”	FSWE1
	“Especially with vegan products, we can see that if people tried something years ago and didn’t like it, which was part of the first-generation products, it often takes years until they give the product another chance and try it again.”	FE1
	“If I think about our major food retailers, they have a lot of distrust. Because it is always difficult with a new product.”	FST2
	“The food industry is definitely underestimated because for example many people say it is not that interesting. But in the end, food is a huge market, and you can build big businesses with a small market share.”	FE2
	“It is an industry that is unnecessarily negatively impacted for many people.”	FE2
	“Many food exists are almost more successful than software investments, but that often get’s swooped under the table.”	FE2
Sexual Wellness Industry	“Maybe it is just a taboo. The thing is, sexuality is somehow viewed as dirty and disgusting. That is a common prejudice. If you set um regulations, someone will need to check and I have a feeling that people simply don’t want to be checking [sex toys], because then you might have to tell others and that seems crazy and taboo.”	SWST2
	“The stigma in Big Tech is very difficult for our company.”	SWST1
	“The company we have today is only set up like this because the potential major investor did not invest. This was because they had just undergone their IPO and couldn’t afford to make their first investment in a sexual brand.”	SWST1

Industry Specific Failure Reasons– Investor and Network Dependencies		
Industry	Statement	ID
Food Industry	“If there is one thing I would need to point out as a failure reason, it would be the interest rate turnaround. Because if money doesn’t cost anything, only growth counts. [...]. But if money start costing money again, you move away from growth the path to profitability is what counts.”	FST2
	“Venture Capital is close to nonexistent for food startups, that only produce new products, right now.”	FE1
	“Then there were several insolvencies of food start-ups and I think since then the industry has actually been a bit cold in terms of financing activity and investors are very, very nervous.” (FST4 )	FST4
	“Food differentiates itself because it is something you can touch, whereas most VC investments are direct towards something that you can’t touch.”	FE2
	“Many food exists are almost more successful than software investments, but that often get’s swooped under the table.”	FE2
	“I believe that VCs destroy a lot of operational business models and VCs in the food service industry do more harm than good in my opinion, especially if you throw too much VC money at a concept before the product-market fit is even there.”	FST1
	“We have venture capital on board, but of course we are also quite driven by this.”	FST3
Both	“Who is the right partner anyway? I think that’s also a critical factor for success in the future, that you have a clear idea of who is the perfect partner for me right from the start.”	FST3
Sexual Wellness Industry	“Amorelie has the same problems, but is able to weigh them out with capital.”	SWST3
	“You need to put a lot of work into networking, we also did that. Put in the work for networks, no matter which startup, but especially in the sexual wellness industry, because you can support each other easily, because everyone is facing the same problems.”	SWST3
	“Then you have the problem that investors are still a bit more cautious in the industry.”	SWST4

Industry Specific Failure Reasons– Production & Supply Chain		
Industry	Statement	ID
Food Industry	“The requirements and quantities are a huge issue. It starts with the logistics, because food has to be stored in a completely different way, sometimes it has to be shipped.”	FE2
	“Our initial plan did not work out, because of the poisonous traits of [our product].”	FST2
	“Another food industry specific is the reliance on nature. Commodities change in price. The price for, let’s say potatoes, is not the same every year, It depends on the harvest. However, there are monocultures that do not have these fluctuations. But with our product it was very difficult. Especially as a young company you might have contracted something completely different and couldn’t calculate these fluctuations, because there wasn’t any data.”	FST2
	“On the food-industry-side, we have high upfront costs, for example for inventory, do I need contract manufacturers and what exactly do I need?”	FSWE1
	“Most startups produce with contract manufacturers- of course they don’t build their own production, at least not in the first phase. But finding someone who does small quantities is a question of money and there we have the problem with capital again, because producing large amounts is also not as easy as a startup, and even selling, especially with the expiration date, can be difficult- in the end you are stuck on inventory you weren’t able to sell.”	FE1
	“The product needs to be developed in a way, that it is industry suitable and so that they can produced on industrial machineries. You can’t do all these things manually if you want to rise above the manual manufacturing status. This can be very challenging, for example if you want to produce a nut-based milk and at home it tastes great, but if you start producing masses you realize, that it doesn’t work that way, and for example after three days in the supermarket, it all settles, but you chose the sustainable, see-through packaging and it all looks bad. So, there are questions like how do I make all of this work, also the expiration date. [...] There are more hurdles in product development, than one might initially think.”	FE1
	“Our plan to make contracts with major retailers, and simply sell our product to them, did not work.”	FST2
	“A big problem are the supply chain, I think there are a lot of startups that fall apart because of them. They are just getting more complex, and that’s where long-term relationships to the supply chain help the big players more than to the newer ones.”	FE2
	“There are some founders who are not fully aware of how expensive production is and how exactly unity economics and economics of scale work.”	FST4
	Sexual Wellness Industry	“We had issues with rising material costs in China, which is why our suppliers increased their prices.”
“Depending on which material you are producing with, you have price fluctuations and have problems with too few products to produce. Then it get’s difficult for a small business, because the costs are comparably high.”		SWST2
“So all manufacturing start-ups end up having to pre-finance the goods and it's always a liquidity game in the end.”		SWST4
“We have a large market with big players like Amorelie and Eis.de that dominate the market, so you need to see that you can cover the need and reach certain purchase quantities.”		SWST2

Industry Specific Failure Reasons– Sales		
Industry	Statement	ID
Food Industry	“Margins aren’t desirable, because it just isn’t a hockey stick business model. [...] You don’t simply have the one-time development achievement that you can simply scale.”	FE1
	“There are the unit economics. The food industry is a competitive sector and startups have to be pre-pared to give up a larger share of the margin in order to be listed.”	FST4
	„If you really want to go through the food trade, then you absolutely have to check your prices and then make sure that you can sell the 40% margin painlessly.“	FST4
	“We were pursuing a partnership with [a major food manufacturer], they experimented with our product for almost a year, only to then decide, that they were not liking the price point. These long sales cycles and then miscalculated a bit, you will see that you can’t meet the price point one year down the line.”	FST2
	“The incentives, which were simply wrongly set.”	FST1
	„Commoditization is a big thing and this leads to a strong price competition, that startups can rarely win against big players.“	FE2
	“The attractiveness of the business model is important. It needs to be clear how [the startup] can become a profitable business.“	FE2
	„You just aren’t a tech company with a 90 % margin. For every strawberry you have a 40% cut and that just doesn’t scale as nicely.“	FE2
Both	“Where do you position yourself and then you have to think about whether you want to be in the mid-price segment or cheap and all these things you have to think about completely in advance because otherwise you don't really have a chance of placing it on the market.”	FSWE2
Sexual Wellness Industry	“I believe you need to focus your sales channels and specialize, are you looking to sell to a niche, are you in the sex toy market or something like the retail trade.”	SWST3
	“There were also products that really labelled themselves as sustainable. But they also flopped.”	SWST4
	“There are no [Regulations], you don’t need to disclose anything. And this is also because it is a taboo topic. And if it a taboo topic, why would you talk about guidelines. [...] We put a lot of work into research and networking, you need to go into exchange with people. For example, we tried to find a sustainable Satisfyer, because it is the most sold product on the sexual wellness market. So we thought, it can’t be true that there is no sustainable replacement product. [...] We then received a product from France and already realized while unpacking, that from the way it smelt it couldn’t be sustainable. We then request-ed the data from the labs because they said they had tested the product, but up to this day we didn’t see them. [...] An we decided not to let go of our value sustainability and would not put an unsustainable Satisfyer on the website, just to sell Satisfyer, because if we would that, we wouldn’t need SiClaro.”	SWST3

Industry Specific Failure Reasons– Brand Awareness		
Industry	Statement	ID
Food Industry	“It is important to have good connections early on, especially to get into the food retail stores. Shelf storage and space is a type of marketing, and a huge, important touchpoint.”	FST2
	“Collaborations make a lot of sense. We had a collaboration with [a related food startup] and were able to place our product and our logo on/ in their product.”	FST2
	“Commoditization also means that you can’t really differentiate yourself through marketing and many customer channels are breaking away.”	FE2
	“If you look at Pepsi and Cola you could say that there are almost identical businesses. But if you look at the valuation, you can see that Coca Cola is significantly better valued than Pepsi when it comes to revenue multiples, because it is the better brand. This means, we always look for founders and business that can build a cool brand and can deliver a product that can differentiate itself.”	FE2
	“Is it a stronger, newer product, or is it a similar product, that exists and is just being advertised differently?”	FE2
	“Of course you have to position yourself as a brand accordingly, pursue appropriate strategies so that you have a certain relevance for retailers, are not interchangeable with a private label and, on the other hand, clearly communicate the added value of your products and your brand to consumers.”	FST3
	“In addition to the purely functional ingredients, as a food brand you need very strong emotional factors that offer the consumer real added value, so to speak, so that at the end of the day I spend more on a brand because it works sustainably, for example, because it favors organic products.”	FST3
Both	“You need a strong brand as a startup, to justify higher prices, to gain attention, to have something that is not duplicatable, which is a strong brand. This is important but it also requires a budget.”	FE1
	“Ultimately, placing a product in a physical store is still extremely important and also difficult.”	FSWE2
	„Influencer marketing is another trend I can see“	FE2
Sexual Wellness Industry	“There are a lot of small things that pop up. I don’t know if you have heard of the Rose Suction Toy, but it was a Tik Tok Trend and went viral and [...] the demand is now exploding.”	SWST1
	“Generally, how do I acquire an initial customer? Do we go to the customer directly or do we go to doctors, can we even incentivize doctors and how do we include them? It is a big topic.”	FSWE1
	“In terms of innovation, there is not a lot going on. The industry isn’t one that constantly re-thinks itself. Smaller technical innovations sometimes arise, but the concept is always vibrators or dildos and that have already existed for x amount of years. The industry is flooded with classic products. However, special innovation therefore is then very interesting, because if you have a cool idea, then you can easily generate attention.”	SWST2
	“I think it depends a lot on your branding, so Amorelie I think people are knocking down doors, because it's totally cool if you're somehow dildoking now, then people say, ay, no don't have to.”	FST1

Generic Turnaround Strategies– Financial and Market & Testing		
Sub-topics	Statement	ID
Financial	“[If I had unlimited cash] I would not have had a job on the side. [...] Money brings time, but also time to recharge.”	SWST3
	“I would like to have a bigger team. Because I believe that a business also accelerates with people and not only by having a cool product that wins prizes. Especially if you have support in marketing and sales, I believe, that it pays off quickly. And I have also seen this as a turning point in other companies.”	SWST2
	“I think for the other food startups, actually cost and units economics management as particularly important.”	FST4
Market & Testing	“What we did right was we started testing very early. You would be surprised how many sextoys do not work, because they are anatomically not good. So you need to focus on having a strong product.”	SWST1
	“Iterative process is important and necessary to understand complex products.”	SWST2
	“Sometimes I send the founders back to do some homework, to find all the numbers, to gather information and to puzzle and put it together to see, if there is actually a market there.”	FE1
	“You need to be aware of the market that is surrounding you and in the end it can turn into something completely different.”	FE1
	“You should not be in a new market and have a new product. [...] You should either have a product that you don’t know that well but you know the market and price segments, [...], and all the relevant stakeholders in the market, and you can focus on getting to know your product. Or you know your product and can focus on building a new market.”	FST2
	“Store in stores pop ups can help with testing .”	FSWE2
	“You have to be extremely capable of suffering and you also have to be able to see opportunities in crises. But also that little bit of luck.”	FST3

Generic Turnaround Strategies– Focus and Pivot		
Industry	Statement	ID
Focus	“Everyone believes that food is about the product, However, this is far less important when it comes to deciding where to leave your money. We have people who have been there three times and I've had different products three times and they didn't even notice that.”	FST1
	“It always makes sense to have co-founders and to divide the work up, because everyone has their strength.”	FSWE2
	“Fourth mistake: trying to serve too many sales channels and a lack of clear focus.”	FST3
Pivot	“We went from a brand that was going to sell to major retailers, to a brand for consumers. This is especially difficult, if you have a high, cost intensive commodity.”	FST2
	“Pivot is the first thing we see. In the end we invest in the team and we believe that the team can break through a certain market, what a different team might not be able to do. Therefore, if we have founders that approach us and say, that they believe their initial idea is not working, [...] our thought would be: Ok, we support you and either we find a way to solve the same problem, or we find a solution to a different problem, for which you are the right team.”	FSWE1
	“Every step of development always brings new insights. So I think it is very important, to always go back to the basis and look, if there is something that should be done differently. The classic iterative approach is very important and a key success factor to understand complex products.”	SWST2
	“The founder of Ottos Burger [...] realized that customers were asking for more vegan alternatives. [...] However, the pea-proteins that made the paddy taste so good were a complicated resource as it cam from foreign countries and was subject to price fluctuations. [...] He realized that the cultures could be done with a reactor from the pharma industry, that were overengineered for the food industry. [...] So now they have their own bio- reactors for food, and also sell them.”	FE1

Industry Specific Turnaround Strategies– Trends		
Industry	Statement	ID
Food Industry	“That is now over [getting VC money].”	FST4
	“You have to be prepared to stay bootstrapped for a very long time and wait patiently for the margin ramp up because everything has become quite expensive in the meantime.”	FST4
Sexual Wellness Industry	“We worked with small manufacturers and family businesses and therefore had some great products, but [...] we did a lot of research, and you need to know when something is actually a trend”	SWST3
	“In the sexual wellness industry, there are sustainability trends, and we constantly adjusted our product assortments, but mainly, we spoke to our customers and gathered feedback through Instagram.”	SWST3
	“You need to be aware of the market and flexible when it starts changing.”	SWST3

Industry Specific Turnaround Strategies– Restrictions and Prohibitions		
Industry	Statement	ID
Food Industry	“The big problem with a new product in the food industry is, that you can't but a pilot into the market. You can't really build MVPs and test and redo them because we are talking about food, which people can get sick from. You have a high upfront investment, to understand your product. [...] This means growth hacking as a startup, that doesn't know their product too well is difficult. This is something I would do different [the next time].”	FST2
	“If you need to follow certain regulations, I can say in Germany mostly it won't be possible at first, especially if it first got tested for example in Singapore. More times than not it just doesn't align with the fund-life-cycle. Founders need to pay back the money mostly between 8-10 years to our LPs and often the companies need more time than that to develop the product.”	FE2
Sexual Wellness Industry	“If we got banned we would start an „unmute“ campaign and collect signatures.“	SWST1
	“Of course, you have to find and work out a lot of workarounds so that you can perhaps work more with influencers. And you have to use Google adds, that you simply do more creative guerilla marketing campaigns.”	SWST4

Industry Specific Turnaround Strategies– Customer Education		
Industry	Statement	ID
Food Industry	“You need a clear value proposition that reaches the customer.”	FE2
	“We needed to do a lot of content marketing and had a start-chef come in to design recipes with our product, to show how product could be used most efficiently.”	FST2
	“It is important to know your community and to invest time to get to know them, so that you understand what they need.”	FE1
	“We sold to a lot of star-restaurants, so we were constantly in touch with them to understand what could be done with the product.”	FST2
Sexual Wellness Industry	“Our strategy is directed at knowing that there is low consumer knowledge and that we want to take their hand and educate them towards our brand.”	SWST1
	“The low consumer knowledge is a huge opportunity. You need to create something fun [...] and if people don't know where else to turn to, they will buy it.”	SWST1
	“We made the most profit at the market, where we were able to consult the customer directly.”	SWST3
	“The thing about missing education is, that you can't ask questions about something you are unaware of and that is the biggest barrier that needs to be overcome.”	SWST3
	“Education, diversity and sustainability were extremely important to us, and we were sure we didn't want to do all of it without it. But you need to be aware that [following these values] is a lot more work.”	SWST3

Industry Specific Turnaround Strategies– Prejudice		
Industry	Statement	ID
Food Industry	“Conservatively calculated, it is sometimes difficult in food or retail to create the huge field hockey stick that many might wish for, because you simply can't scale so quickly.”	FST3
Sexual Wellness Industry	“You need a good B2B relationship, because if the store's sellers are your biggest fans and use your product themselves, they will recommend it.”	SWST1
	“You can tell that if you have a certain confidence in what you are selling, [...] then you can sell the product free of judgement. Every person has something to do with sexuality, no matter which form, which means you will always find a point to connect.”	SWST3
	“You need to define the niche you are selling in, and then you will find likeminded people. You have to ask yourself where you want to place your startup.”	SWST3
	„Where you can lift the startup is the founder's story. That's what I mean by people coming up to you and admire what you do and want to know more and talk to you about it. You need to be doing storytelling, [...] and you can't stop talking about it, especially if you want to lift taboos. People then see and read about the cool person behind the business.“	SWST3
	“For Amorelie, the founder was the centre of the company and now she is in the commercial for Nivea. There was always a face behind her business.”	SWST3
	“Of course, I was upset about a few comments, but in the I thought “Now I will show you” and [kept believing in my idea].”	SWST2

Industry Specific Turnaround Strategies– Investor & Network Dependency		
Industry	Statement	ID
Food Industry	“Because once you've started down this path, you have to finish it [VC].”	FST3
	“If I were to give any advice to food founders, I would rather advise them not to rely so much on VCs, perhaps try to grow less quickly, see if you can get some strategic partners like business angels or family offices on board.”	FST3
	“Nevertheless, we were also reliant on finding partners who would support us through the crisis to some extent.”	FST3
	“We produce with the major partners, some of whom also produce for the other major retailers themselves. So of course, you have a partner on board to a certain extent and can minimize the risk here a bit.”	FST3
	“If you need to follow certain regulations, I can say in Germany mostly it won't be possible at first, especially if it first got tested for example in Singapore. More times than not it just doesn't align with the fund-life-cycle. Founders need to pay back the money mostly between 8-10 years to our LPs and often the companies need more time than that to develop the product.”	FE2
	“You need to make sure you don't focus too late on having a path to profitability and can grow from your own powers.”	FE2
	“Yes, that means that if you find the right partner, you can do your distribution 10 times quickly.”	FST1
	“Gorillas as the big one has helped the small ones to scale massively quickly, and you often have that in food. Hafer Kater, for example, are always so precise, now for example with Deutsche Bahn and cooperate with them are incredibly successful.”	FST1
	“You have to be prepared to stay bootstrapped for a very long time and wait patiently for the margin ramp up because everything has become quite expensive in the meantime.”	FST4
	“We didn't have VC's we only had Angel Investors with a personal interest.”	FST2
	“At this point, perhaps the advice is to look for mentors from this industry who are familiar with the food trade and who can perhaps establish contacts with purchasing, who can also give pragmatic and practical advice on the subject of packaging, logistics, food law, because a lot can go wrong at the beginning.”	FST4
	“Sales work for these new products is laborious and you need to built up a good network that you need to maintain, because if you know the store manager or purchasers in the central, then you can [convince them of your product], and it is easier to bring the products to the market.”	FE1
Both	“You need strong partnerships from day one.”	FST2
	“You need to reach milestones that can convince investors”	FSWE1
	“Big players play a very big role.”	FSWE2
Sexual Wellness Industry	“If you want to be a Premium Brand, you should have good connections in the B2B area. If the salespeople are our fans, they will recommend our product”	SWST1
	“I think the big e-commerce platforms, that also produce their own products, are key portals. You can't get past them, if you have a product related to sexuality. The reason is that if people are looking for sexual products, the first look they will take will be at Amorelie or Eis.de. There are even statistics that show this.”	SWST2
	“In your own sales strategy, you should decide if you want to work with the big players or not. They have a special pricing policy and sustainability policies.”	SWST2
	“Partnering with Investors in the Sexual Wellness Industry always makes sense. [...] But Investors bring a network to the table and for example femtasy got big because of their investors. They received cash and were able to grow very quickly.”	SWST3
	“Our focus was on sustainability and investors aren't always sustainable. So you need to think about, how you give up your voting rights towards sustainability.”	SWST3
	“In the sexual wellness industry, it makes sense to have a good network, because everyone is facing the same problems, so it is easy to support each other.”	SWST3
	“When we bought the product, they were making about 20 million in revenue without any marketing and solely by producing the product. We then pursued the strategy, to increase our margin by cutting out the retailers and building a connection to the customer. Today most customers purchase directly from us.”	SWST1

Industry Specific Turnaround Strategies– Production & Supply Chain		
Industry	Statement	ID
Food Industry	“If we put a little more money into marketing, then we will see the effects immediately, but I would definitely prioritize good logistics, good processes and good production before tackling marketing.”	FST4
	“At the end of the day, you have to somehow generate sales at the front, you have to somehow generate attention, you have to cover the right use cases and at the back you have to be efficient and have the inventory under control, so to speak, and very few of them can do that, at least really.”	FST1
	“So, at the back you have to smooth out the processes and get them under control so and do it stringently and not too optimistically again.”	FST1
	“On the one hand, becoming more efficient, i.e. clearly becoming more efficient, because running out of cash is the number one issue.”	FST1
	“In Turnaround Strategies, you either need to change directions, enhance a trend or gain profitability. Therefore, one very important part is the constant re-negotiation of the supply chain. [...] Because the supplier will never tell you when it get’s cheaper, he will only tell you when it get’s more expensive.”	FE2
	“You need someone who is a good CFO and know how to manage inventory.”	FE2
	“The founder of Ottos Burger [...] realized that customers were asking for more vegan alternatives. [...] However, the pea-proteins that made the paddy taste so good were a complicated resource as it came from foreign countries and was subject to price fluctuations. [...] He realized that the cultures could be done with a reactor from the pharma industry, that were overengineered for the food industry. [...] So now they have their own bio- reactors for food, and also sell them.”	FE1
	“We produce with the major partners, some of whom also produce for the other major retailers themselves. So of course, you have a partner on board to a certain extent and can minimize the risk here a bit.”	FST3
Both	“If you start completely from scratch, you need to let people go. Because a large team for initial customers is no longer needed. Therefore it’s all about to maximize runway. As much as this stings, it helps founders to regain focus on a blank sheet of paper, to determine what they really want to do.”	FSWE1
	“With discounts you need to be careful, because of course it is great to acquire initial customers, but after that it should be pushed for example through referral marketing.[...] Ideally you want the customers basket to grow to have a positive net revenue retention. You don’t want to rely on acquiring new customers, but have your customers grow with your company. This is easier in the food sector.”	FSWE1
Sexual Wellness Industry	“To take action [against increasing material costs], we opened our own factory. Before we only had only supplier, so it wasn’t easy to bar-gain. Now we can say, of you don’t make it cheaper, we will just do it ourselves.”	SWST1

Industry Specific Turnaround Strategies– Sales		
Industry	Statement	ID
Food Industry	“There is a really strong need to understand your own unit economics and to assume that you will remain alone for a long time and that neither a VC nor a group of investors will come to your aid.”	FST4
	“Cost control is extremely important, look at the costs, reduce them, do things yourself anyway.”	FST4
	“Number one is really targeting the customer and it's really normal to grow in a niche and to focus on it again.”	FST4
	“At the end of the day, you have to somehow generate sales at the front, you have to somehow generate attention, you have to cover the right use cases and at the back you have to be efficient and have the inventory under control, so to speak, and very few of them can do that good enough.”	FST1
	“One big topic is customer retention and an example where this is not working out is Hello Fresh. They spend 25-30% of their revenue on marketing [...] and their CAC and CLV do not match. So, I believe you need to tweak the product a lot to get to a model that actually has good unit economics.”	FE2
	“You should have less products, that you actually focus on, rather than having a too wide-spread product assortment that you can’t focus on.”	FE2
Both	“Ultimately, placing a product in a physical store is still extremely important and also difficult.”	FSWE2
	“So, I would only approach the top target group.”	FSWE2
Sexual Wellness Industry	“For us they were very good in the beginning and got a little bit worse throughout time because we had such an overhead. But in the last year we put a lot of work into getting the mar-gins up again and found a few points where we could save costs. For example, we always had a great packaging but at some point, we realized, we are far above the market standard, and it was a bit unnecessary.”	SWST1
	“We got rid of the “man in the middle” in our sales strategy, to increase our margins.”	SWST1
	“One thing we could have done differently is our web shop. [...] We put a lot of time and effort into it, but in the end, we still did not capture the customer.”	SWST3
	“It all starts with the cost of goods and keeping it as low as possible because you can keep your B2B prices. I mean the whole business is very B2B heavy.”	SWST4

Industry Specific Turnaround Strategies– Brand Awareness		
Industry	Statement	ID
Food Industry	“In addition to the purely functional ingredients, as a food brand you need very strong emotional factors that offer the consumer real added value, so to speak, so that at the end of the day I spend more on a brand because it works sustainably, for example, because it favours organic products.”	FST3
	„Collaborations make a lot of sense. We had a collaboration with [a related food startup] and were able to place our product and our logo on/ in their product. That way we gained trust from the customer.”	FST2
	“You need to build a brand. Without a brand your product is worth nothing and easy to replace.”	FE2
	“You need a product nerd, someone who loves the product, so that you don’t just build something that is a little better, but something that is significantly better than the rest. You also need someone who is good at brand building.”	FE2
	“It is important to not only be aware, that you also need to invest in marketing, that regain lost customers.[...] So in Food, it is important to build a business with good unit economics, that can be successful in the long run and doesn't require constantly investing in acquiring new customers.”	FE2
	“You always eat in the end, but you just have to be relevant and generate attention, think about Branding positioning so why are we pink?”	FST1
	„Of course, it's the startup's responsibility to create the story and the marketing products and materials to make it exciting and interesting [in terms of marketing]”	FST4
	“You can't get someone to buy the chocolate through visuals and media placement alone.”	FSWE2
	“In relations to the topic brand, I have to say that it is very important. Some think it is only an externality, but it is simply important to create the readiness to pay for a product. [...] You need to create trust in the brand [because] consumers often go with brands they know and which they trust, so you need to put in the work in communications, to get them to try new things. “	FE1
	“I would do pop-up stores to make the brand known to the customers themselves, so to speak. Because you have to try a food yourself.”	FSWE2
Both	“I believe to compete as a small brand in the mass market, that's just performance marketing game and that can bleed a small company dry very quickly because it is too expensive.”	FST4
	“Community care is key.”	FSWE2
	“I sponsor brands, and of course that's long-term planning, because it will definitely take you two years to get something like that onto the market.“	FSWE2
	“Branding positioning so why are we pink, and I think it depends a lot on your branding, so for Amorelie I think people are knocking down doors, because it's totally cool if you're somehow dildoking now, then people say, ay, no don't have to.”	FST1
Sexual Wellness Industry	“If you have a good idea, the market gives you the opportunity to gain a lot of attention”	SWST2
	“Formulate the words differently, so I give the example of sexuality "sex" is then spelled differently with G or C or so there are different formulations.”	FSWE2
	“The brands are also less porn erotic and much more towards the self-care aspect, which is simply more socially acceptable.”	SWST4
	“When your reach gets restricted, because you say “dildo” but that is your business, of course that is difficult. But it gives you an opportunity to get creative.”	SWST2
	“One tip I would give, where you can advertise well is by telling founders stories. [...] You need to be storytelling, give interviews and get into newspapers, participate in podcasts and try to neutralize the topic, especially if you want help break taboos. [...] And then you don’t engage with sex toys but read a founder’s story. And that really works.“	SWST3
	“Our strategy is to become the brand for sexual wellness, away from a simple retailer, to taking the consumer by the hand and educating them on our brand.”	SWST1
	“You need to be more creative [if you have difficulties with advertising]. For example, in the beginning we worked a lot with PR, because there, Sex is the coolest topic and you need to know, where you can get away with it and where you can’t.”	SWST1

## Appendix 4: Evaluation Criteria for Startup Categorization

Category	Criteria
<b>Trends</b>	<ol style="list-style-type: none"> <li>1. Are there trends in the market, that the startup is currently not serving?</li> <li>2. Would the startup struggle to adjust its operations flexibly to market trends?</li> <li>3. Can a decline in market share be noticed, due to the lack of alignment with trends?</li> <li>4. Are the opportunities that are currently being followed lacking profitability?</li> </ol>
<b>Restrictions</b>	<ol style="list-style-type: none"> <li>1. Are there restrictions in the market, that hinder the startup from growing?</li> <li>2. Is the startup struggling to comply with the regulations or prohibitions in place and operate the business successfully?</li> <li>3. Does a business get excluded from the market/competition if it fails to meet the regulations?</li> <li>4. Is the startup lacking clear, successful strategies to navigate through the restrictions and prohibitions?</li> </ol>
<b>Investor &amp; Network Dependency</b>	<ol style="list-style-type: none"> <li>1. Is the startup reliant on a single source of funding?</li> <li>2. Does the startup need to reach into its stakeholder network to access opportunities?</li> <li>3. Can the requirements for the current financing method be met (Either set by investors, or dedication from founders if bootstrapped?)</li> <li>4. Have setbacks heavily impacted the engagement of stakeholders?</li> </ol>
<b>Customer Education</b>	<ol style="list-style-type: none"> <li>1. Is the startup lacking awareness of the education level of its customers regarding its products?</li> <li>2. Do customers frequently take advantage of customer service to ask product questions?</li> <li>3. Is there a difficulty in explaining or demonstrating the product benefits to customers?</li> <li>4. Is the adoption rate low, despite having a (supposedly) clear value proposition?</li> </ol>

<b>Prejudice</b>	<ol style="list-style-type: none"> <li>1. Are there evident disparities in access to resources based on biases?</li> <li>2. Do the founders or employees encounter instances of discriminatory behavior affecting partnerships or funding prospects?</li> <li>3. Is there a distrust in the product due to the nature of the market?</li> <li>4. Is the startup lacking a targeting strategy that considers aligning the product to a customer group that can be considered free of biases?</li> </ol>
<b>Production &amp; Supply Chain</b>	<ol style="list-style-type: none"> <li>1. Is the startup lacking the resources to cover upfront investments in inventory?</li> <li>2. Is the startup struggling to leverage economies of scale?</li> <li>3. Is the business model sensitive to price fluctuations in materials?</li> <li>4. Are there constant disruptions in the supply chain leading to product shortages or quality issues?</li> </ol>
<b>Sales</b>	<ol style="list-style-type: none"> <li>1. Is the startup lacking awareness of the required cut in margins to its retailers or struggling to generate enough revenue through B2C customers?</li> <li>2. Do major, established players in the market have a significant impact on the pricing strategy?</li> <li>3. Is the startup struggling to meet the sales targets and revenue goals?</li> <li>4. Does the Customer Lifetime Value fail to align with the Customer Acquisition cost?</li> </ol>
<b>Brand Awareness</b>	<ol style="list-style-type: none"> <li>1. Does the product struggle clearly distinguish itself from competitors in the market?</li> <li>2. Is there a struggle to utilize all relevant marketing channels to create brand awareness?</li> <li>3. Is there lacking, visible customer engagement with the product with unclear signs of community building?</li> <li>4. Has the startup failed to anticipate successful measures to create a hype around the startup?</li> </ol>

## **Appendix 5: Raw Interview Transcripts**

Disclaimer:

The following transcripts have been generated by AI software (TurboScribe) and subsequently translated. As a raw file, they may contain errors or inaccuracies due to the nature of automated processes since the authors are enthusiastic about exploring new AI technologies and have employed this method as part of that interest. Additionally, to uphold the anonymity of certain interviewees who wished to remain unidentified, certain passages within the interviews have been omitted from this transcript.

The key insights for Appendix 3 were derived from the German transcripts and translated by the authors to English, to ensure that there are no flaws in the statements. This means, that the key insights may not correspond to the transcripts word by word. Please note that these omissions do not alter the context or essence of the discussions held. Readers are advised to consider the possibility of inaccuracies and the removal of certain segments while engaging with this transcript.

### **1. FST1**

Speaker1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 3] (0:02 - 0:59)

It should actually fit now. You must have received a message that this is being recorded. Yes.

Okay, perfect. Yes, I'll start now, because you don't know me yet. I'm a little sick.

Sorry, my voice is usually not like that. Yes, I am now studying a master's degree here with a focus on entrepreneurship and innovation. I did consulting for two years before, always in the digital and innovation area.

I was at Enpal this summer. And yes, that's why there is a bit of this start-up affinity and love for it. And that's why the work now.

And apart from that, I come from Hamburg and summer Berlin. Fortunately, I always had a clean staircase. But I can understand it.

[Speaker 1] (1:01 - 1:03)

Yes, nice to meet you.

[Speaker 3] (1:04 - 1:05)

Yes, thank you.

[Speaker 2] (1:06 - 2:03)

Yes, I would continue to introduce ourselves as our team, so to speak. Exactly, I already have. I mean, we know each other from the bachelor's.

Then I was in Frankfurt, was there first for such a small consultation and then at a VC. But we did Fintech back then, so a little bit different than we are looking at now. But exactly, we write our master's thesis about the failure reasons or turnaround strategies of start-ups.

And now the field is already illuminated in all possible directions, I think. Nevertheless, we think we have found a new direction by comparing two industries. So we want to look at the food industry, but also the adult pleasure industry, which is probably a bit different.

I mean, we'll discuss that again in the interviews. And that's exactly what we're talking about, both with experts from the food industry and from the adult pleasure industry. To be able to compare that and to filter out the failure reasons.

[Speaker 1] (2:06 - 5:14)

Cool, that sounds very interesting. That sounds very, very exciting. A very, very cool topic.

Well, he knows what I have a lot of opinion about. He knows what I can talk about a little bit. Then first of all, hi.

Victor, we know each other a bit from university. I come, so my family is a bit from the beverage industry. My uncle is a beverage dealer, my dad is a brewer.

I recently found out that we also have a small bakery chain in the food industry. And I kind of grew up there. I used to work as a waiter as a student.

I then somehow spread software for restaurants as a student. And then as a student intern at Delivery Hero, I went to a few other stations. And then I was my first food manager at Joker.

That's something like Gorillaz and fast delivery service. That was pretty blatant. I was a fourth employee.

And we were somehow within seven months or six months, we were Unicom. We had 7,000 employees in 12 countries. And that was very, very blatant.

I was in Austria, I set up Vienna there. You had 180 employees within four months. So I was the right hand of the manager.

It was kind of cool, I got to learn. And then in Athens, I went to Athens again for six months. I was there for six months each.

And then I was the right manager in Athens. Also a similar size. However, shortly after the launch, we came back.

We sold all of our European business. I wanted to go to the USA. I was sitting in front of the plane.

And then we said, don't fly over, we sell US business too. It was a bit stupid. I then came to Berlin and worked at Milano Weiss for a little over a year.

And was Chief of Staff there. Milano Vice is a pizza delivery service. But a virtual pizza delivery service.

That means you go to other pizzerias and say, your oven is still on, but it's not fully charged. Sell our pizza, get our ingredients, our recipes. And we do half and half in the end.

And that was also VC-financed, but on a very, very small scale. Joker, as I said, collected several hundred million, half a billion or so a year. Milano Weiss had 10, 20 million in total, collected in three or four years.

So a completely different scale. I was a double role there, I was Chief of Staff. Or did the expansion.

Scaled it relatively quickly to 80, 85 restaurants. But had massive problems. While with Joker the problem was the unit economics, the interest rates.

That's why everyone fell over. Pizza is not to be made money with, it's really difficult. We still managed to make little money with it or not to make any.

And that had a whole series of reasons. I would like to explain all of them. And what I learned back then, what we did wrong, also the incentives that were simply wrong, about financing structures, etc.

We will try to do exactly the opposite now. And now, as Victor may have said, I recently opened a small bakery with a focus on cinnamon rolls. And I've been there for half a year now, so to speak.

And in the best case we would like to raise on it in six months. That's the goal.

[Speaker 2] (5:16 - 5:23)

But that's different from Milano. You have your own bakery and your own oven, right? So you don't rent the other ovens to you?

[Speaker 1] (5:24 - 5:32)

No, we have our own production back there. We make everything, the entire value structure is integrated.

[Speaker 2] (5:36 - 5:42)

And you do that with your partner at the moment, or rather alone?

[Speaker 1] (5:43 - 6:16)

Yes, I have a product developer who supports him for one, two, three days a week. But he's also a CPO at another company at the same time. That's why it's not so super public, I'll say.

And now I'm just thinking about whether he'll come in as a co-founder with a colleague. But he's been helping me out for the last few weeks and months. And now is the right time.

Because in order to raise, you need a team, step by step by step. I'm just the one who pushes it forward with force and then builds the boat. And now we're slowly getting together.

[Speaker 2] (6:16 - 6:57)

I understand. Very, very good. Maybe once to explain how this interview will go.

I mean, of course, at the beginning we already started with this general part. Then we would talk about the current development of the industry, about failure reasons, turnaround and then find a conclusion. But before we get to this current development, we might have one more question.

You already said you were in the various steps or stations with Joker, Milano Vice and now House of Buns. Maybe you could still share your personal experiences or just also present lessons that you had specifically, especially in the food industry.

[Speaker 1] (6:58 - 7:00)

Do you mean now on failure reasons?

[Speaker 2] (7:00 - 7:07)

No, first of all, again in general to you or in general to your career.

[Speaker 1] (7:10 - 7:18)

I'm not quite sure if I understand the scope of the question. Can you maybe put it differently? So what exactly do you want to know?

[Speaker 2] (7:19 - 7:36)

No, I just want to say again that we are, so to speak, limit before we get into failure reasons and so on. That we understand industry-specific. What are your learnings?

How do you see the industry? What do you say is industry-specific?

[Speaker 1] (7:37 - 11:05)

Oh, then I mean different industries, which I have always touched on. And now it's about the food service industry. I think I can talk about that most of the time.

I think I know less about food production. I've never set up a milk producer or something in Greece. My colleague did that.

But for me it's more about the food service. So somehow the production or the distribution at the end of the produced goods. And that's just food service, which is classic among restaurants.

Table service restaurants is one. You go to eat a nice pizzeria in the evening. Then there is also quick service.

That's then often people think of McDonald's. So everything that is somehow prepared in a few minutes. And that's the industry I'm focusing on.

My goal is to build an empire with this food service sector. Because my hypothesis is that in this area, especially in the German market, that you have movement. So the quality of the food.

I mean, you probably know that from Lisbon. That's probably significantly better than in Germany. And the gastronomic experience in general.

And I think that especially the next generation, our generation, Gen Z, Millennials, that they have a much higher appreciation for good food than the previous generation. That's my strong basic belief. And I think, as I said, if you compare South Europe to Northern Europe, the quality of gastronomic experience is much higher in South Europe in general.

And I think, as I said, that the demand for a higher gastronomic experience, as I said, through our generation, Millennials, simply increases due to a higher purchasing power. And I think that in different verticals, for example bakery, for example chicken, so cuisines, so to speak, which schnitzel, whatever, that you have an underserved market in different areas for this new generation. And that's kind of my core belief.

And we've been looking at it for a long time. Which concepts make sense? Where is there a gap in the market?

What can you strategically build up well? Now not just day one, one store, but it has to work with 100 stores. And then we went down a checklist and had a shortlist.

And then we said, okay, our heart is mostly on it. And let's optimally focus on it for the next 5-8 years. And then you go into the roll-up point later.

And then my vision would be in 8 years, 10 years, if you have 100 branches, I would like to go into the roll-up of small concepts. Because you have a few, so you have a lot of 3-5 outlets, Burger Meister is a topic in Berlin, if you know that. You know that, exactly.

So small high-quality, high-convenience stores. There are a lot of them. These are small pizzerias or small burger chains, so to speak.

And these are all personality types. In the restaurant business, they're all hustlers. Some are a little smarter, some are a little less smart.

In general, the educational level is extremely low, you have to be honest. Criminal energy is extremely high. And I think you can achieve a lot of scale effects if you take over a 8-10 branch in Berlin and then, for example, rebuild it into a franchise organization.

Or you roll up all the kebabs. That might have other problems, but you can do a lot of scale effects, because the products are quite exchangeable. It's much more about this brand experience.

And I think there's a lot of potential for the next 10, 20 years. And we'd like to go in that direction optimally.

[Speaker 2] (11:07 - 11:52)

Yes, exactly. We would actually still talk about these trends. Or I mean, you just showed the development and trends.

And I also believe in the factors. So if we sum it up again, I understood that it's the millennials. It's somehow about the fact that the quality should be higher and you're willing to spend more money on it.

And you can still get scale effects by simply being able to connect more and it's no longer just individuals. And as the last trend, or what the reason for these changes is, or the driving factors, is probably still that there is a low education standard. And that you can also scale that.

Or if you do it in a way that it gets better.

[Speaker 1] (11:53 - 12:45)

Exactly. As I said, the educational level, I would say, of a gastronomist in Germany, compared to London or Paris or Athens, is very different. It's much lower.

I think, why? Because in Germany you can easily just take on a corporate job. And you have, for example, in Berlin, it's very interesting, you have a lot of good Asian restaurants.

And that's a lot of Vietnamese. So now I've been talking nonsense. I know a lot of them, they're all Vietnamese.

And that's a completely different culture. They have a much higher educational standard. For them, the social aspect, if you open your own restaurant and work physically hard, is much higher.

That means I know a lot of Vietnamese who studied engineering or marketing, I don't know, and set up really cool gastronomic objects. Yes, point. I can list a thousand things.

[Speaker 2] (12:46 - 13:00)

No, I understand. But I mean, then it's probably, if we start talking about failure reasons, is probably the educational level one of the industry-specific failure reasons in the food industry.

[Speaker 1] (13:02 - 14:36)

Yes and no. Yes, obviously, first of all, intelligence always helps, or education helps. But you have to think about what kind of people that are.

So what kind of people are they and why are they failing? What kind of people are they? They are often people who say they do it from the bottom of their hearts.

And that's super nice. But if you do a concept like that, you need a product market fit. For the given location that you have, you need a concept to map the use cases.

So, for example, with our bakery, cinnamon rolls, Saturday, Sunday is the class. But on Mondays mornings at 8.30, you don't want cinnamon rolls. You want a hearty bread with olives or something.

And a lot of people don't even look at it strategically. They say, oh, I really like baking. I'll open something now.

Or I really like to cook. That's just how it is. That's how they come.

And we just don't have a business understanding of what goods you need. So there's just no basic knowledge. And then on the other hand, they're in the operations.

They often have no idea how you can design an efficient operation. Because then it's really just about efficiency. In the end, you have to generate sales in the front.

You have to generate attention. You have to cover the right use cases. And in the back you have to be efficient and have your warehouse under control, so to speak.

And that's what the fewest can do. And the people I know who really have a high education standard, they print money. So really.

With individual objects, 300,000, 400,000 euros in the village. I've met a few really blatant people who aren't now. Just normal people.

[Speaker 2] (14:37 - 15:14)

I understand. Okay. And now we've talked about the people who are successful.

Yes, they have this high education standard. And they can somehow, or at least partly, but at least somehow have such an entrepreneurial skill to calculate how much I should buy, how much I can sell. What does the customer want?

How can I adapt my products in a certain way? Would you have any other advice? So, of course, somehow train yourself better and think about it.

Somehow calculate it once. Do you have any other advice you would give people when the startup fails? Or to avoid these failures?

[Speaker 1] (15:15 - 18:48)

In this food industry, you have to make a lot of decisions at the beginning, which will later break your neck or make you fly. I'll just say that. Many decisions that we made six months ago in the concept are now helping us a lot.

So that's kind of the problem. Most people don't think about how well they can scale their product, how efficiently they can make the production, how well they can transport it, how well they can store it in the fridge, how they can manage a waste bin. These are just such questions.

But let's take a step back. When we talk about the VC scene, where I actually have significantly more experience, VC-financed operations models. And with Joker, that's one thing.

That was just the margin fee. The company is now profitable and is actually growing with 3,000 employees. But only in Latin America, where you only pay \$2 an hour for a rider.

You have a blatant poor rich man. It only makes sense there and in Middle East, North Africa. Otherwise nowhere.

But we knew that from the beginning, to be honest. Anyway, with this Milano thing, that was super interesting. And I claim that VCs destroy a lot of business models, operational business models.

In this food service industry, VC causes more damage than it helps. Because the VC, the money makers usually want to see a top-line growth. Because for them, top-line growth is a product-market fit.

That means you can throw money on a lot of problems in the concept. What did we do, for example? We had an MVP product, a menu.

And it worked great in Berlin for offices that wanted an office dinner. Totally great. Or if you have a little party and you have three, four, five people there, you order Milano White.

That was really great for that. But with this use case, you can't build up a domino effect. You need a lunch menu during the week.

You need different things. You need something for a single person, for a gamer. You need something for a family, offers, etc.

And so you have to map individual use cases. What we did, we had one use case, didn't think about it anymore. And then we thought, okay, now we have to...

We had a little turnover, because it worked in the middle of Berlin. The brand fit. But the brand is in Koblenz or something.

That's a completely different target group. It doesn't fit at all. But still, as I said, I have 80, 85 partners in Germany.

And we thought, no one buys that. So we went there and gave crazy discounts. Because we had money from the VC.

And the VC, especially two or three Americans, sat there and said, the turnover is going up. Now we just have to make sure that we get a little more efficient. But that was the downside.

Because we just bought very bad customer base with crazy discounts. That means every customer we had, he only came because he had discounts. That means we never really got organic customers that really fit our use case.

And that's why we always had such a good turnover, but also a crazy burn. Somehow the company manages to be halfway profitable. But in the end, as a reason, it's no longer part of it.

And then it can be. And I think that's the big problem with this VC-financed model. If you put too much money on the concept before product market fit.

And that's why we take a lot of time, if possible a lot of time, to test it, so that we don't have this growth structure. And don't do product discounting, for example. That's a very big rule.

Nothing that's on the map is given out for free. We only do extra things that are not on the map. For example, we give out glues for free.

[Speaker 2] (18:50 - 19:29)

Okay, so you've already answered the next two questions with your answer. If we go back again, I mean, as Milano knows, we've talked about it and I think the failures are understood. If we look at your current data again, which fortunately is not a failure, but somehow has been going well since Saturday.

But where do you see the biggest risk? I mean, because there we see at least education standards, so education level is very high. Somehow, I have the feeling that the entrepreneurial spirit is also very high.

Where do you see the biggest risk in such a case?

[Speaker 1] (19:30 - 21:55)

First of all, thank you very much. Product market fit, we have a hypothesis. We believe that people think it's awesome.

But now we have to see if they really think it's awesome. Then all these topics I just mentioned. Just because I was in the WHO, doesn't mean that I suddenly know how to set up a kitchen, how to make the kitchen efficient.

Turns out I'm actually pretty shit at that. My father knows that ten times better. And he's very, very angry when he sees that I'm going through there.

So it's a team effort. And we have to smooth out the processes and get the processes under control. I'm very optimistic that it works.

And at the front, as I said before, it's about taking the right occasions. You have a relatively high limit on fixed costs, variable fixed costs, I would say, with staff, which you have to cover. That means every day I make below X euros in sales, I pay out of my private money.

In the end, it's better if you have more days that are above than below. That's easy. And now I have a step back.

We have built the concept in such a way that we optimally give the path of the least resistance to all these points. That means goods use. The most expensive thing about goods use is steak, for example.

Then you're at 40% goods use. While the best goods use are coffee and pastries. Then you're at 15, 18% goods use.

What are we doing? No steak. And that makes it easier.

On the other hand, you have a low goods body. That means you get the goods body up. Or you have to get the number of your customers up.

There are a thousand factors that have to play together. In the end, it's a game of everything. You can have ten reasons why you screw up in the end.

I know a lot of people who make huge sales from home, but have far too much staff. Because their processes, especially in the star restaurant industry, is a huge problem. Of course, they were expensive.

But they're all artists. They don't want to make it any easier. They want to whip up the mousse au chocolate by hand.

They don't want to let it be done in a thermomix. It tastes the same in the end. But many have too much ego, especially in the gourmet gastronomy.

And that's why they don't profit from having too much staff. I understand.

[Speaker 2] (21:56 - 22:28)

Now I would like to mention the five most common failure reasons from start-ups in Germany. Maybe you could highlight the one that is most relevant for the food industry. On the one hand, there is no market need.

Then run out of cash. Not the right team. Get out-competed.

And no business model. If that was too fast, I can go through it again. No market need.

Run out of cash. Not the right team. Get out-competed.

And there is no business model.

[Speaker 1] (22:32 - 25:15)

No business model. We can skip that point. Of course.

Out-competed. Doesn't fit at all. If you're Eber's Wald and want to have something, then time is of the essence.

That's us. But you don't go to Cinnemood. You don't go to three subway stations.

The food service industry is hyper-local. And you compete very rarely against others. You're already very stupid to open a cinnamon roll shop right next to "Zeit für Brot", because I did that too.

That was so smart. Out-competed very rarely. You have to be stupid as much as possible for that.

Or you open five kebabs in a street at a wedding. But that's a very rare reason. Not the right team.

That's a common point. Because if you're founding something, then you're thinking, you're super strong in terms of finance and strategy. You know you need someone for the operations, you need someone for marketing.

I don't know what your strengths are. But you know what you need. In the food service industry, especially these individual entrepreneurs, you need a partner, someone you know, some smart people.

And then it breaks down in the first argument. This co-founder thing is a huge topic. That's the second point.

No market need. Yes, yes, no. Does the market need cinnamon rolls?

I don't know, to be honest. But you have to draw attention. In the end, it's not even about the product.

You can just sit through the noise. You can position yourself well in terms of branding. Food is always in the end.

But you just have to be relevant. The products are the same as on the right. We sell the same coffee.

No, our theme is better than time ban. But we sell the same coffee as the coffee on your street. But people come because the wall is painted pink.

That's not shit. That's why no market need is difficult. Everyone wants coffee, everyone wants to eat.

But it's more about the relevance. And then run out of cash, obviously. That's the number one thing.

If you can't cover your fixed costs, then you're lost. But if you get over these fixed costs, you have blatant coverage. That's why the distribution, who really makes money, is like a power law.

Some people make a lot of money and a lot of money around.

[Speaker 2] (25:16 - 25:50)

I understand. Thank you very much. We talked about the failure reasons in detail.

I would like to ask you one more thing. We have already introduced you. We compare the two industries, the adult pleasure and the food industry.

Do you have the feeling that there are certain prejudices in the food industry? Someone says, well, I don't know. You probably live in your bubble when you talk to people outside the industry.

You only sell ham and cheese or only pizza or something like that. Or even if you wanted to hire people, if you had any problems there.

[Speaker 1] (25:52 - 25:56)

A very short question. What do you mean by adult pleasure? Do you mean breathless?

[Speaker 2] (25:58 - 26:27)

We mean with the adult pleasure industry we go relatively far. But we actually want to compare the two industries mainly. That means something like fantasy or something that only makes fire books.

We would rather leave that out. But there is well-being, they bring out light cream and something like that. Up to classic vibrator.

We take the industry relatively far.

[Speaker 1] (26:28 - 27:56)

Okay, I understand. No, on the contrary. It is perceived as extremely sympathetic.

Sure, my parents say, you're a bit old now, you're doing a bakery now, you're stupid. But that's branding and positioning again. Why are we pink?

Why do we have flowers on the wall? It has a reason. We've thought about it because it looks totally sympathetic and beautiful.

That's why it's easy for us to get the DMs with early 20-year-old girls. Art students. I think I have three art students registered this week.

They say it's great, I feel totally comfortable here. I want to work here. We talked a lot with VCs about the need for staff.

No, we won't have that. Believe me. They didn't want to believe that because no one wants to ride a bike or anything like that.

But our positioning was very sympathetic. On the other hand, the positioning opens up many doors for you. Many influencers want to come and make free content because they think it's really nice.

While you're at a kebab shop, no one wants to come. That's stupid. I think it depends a lot on your branding.

At an Amorelie, people run to the door because it's really cool. But if you're the dildoking, then they say, you don't have to.

[Speaker 2] (27:57 - 28:49)

Okay, I understand. Thank you very much. Looking at the time, you said you have to roll out dough.

Let's go to the turnaround strategies. You said that Milano was about to fail, at least in your opinion. But they're making money again now.

If I understood that correctly. Probably yes, but whatever. If we assume that it seems to be getting better in a way, and even if we look at Jokons, apparently that was also possible.

We've already talked about the turnaround strategy. Close Europe, close Asia, Latin America. Here we go.

If we take that a little more generally, where do you see the possibilities? Hypothetically, if House of Buns were to fail, where do you see the possibilities to create such a turnaround?

[Speaker 1] (28:50 - 30:42)

I think, especially with this VC financing case, what Joker and Milano have in common, that the product market was not really there. That means, you still grew, because you said, that's fine, we just throw money on it, that's why we buy sales, with discounts and whatever. That means you've spent a lot of money.

The VC is a small bet, if it works, if it doesn't, then it's a shame. How did they both manage the turnaround? On the one hand, become more efficient, because the run out of cash is the number one issue.

You can't go on if you don't have money. And cut all the unprofitable things if possible, get rid of overhead, whatever. If you have VC money, then you just throw it out.

I see now what kind of shit we've done, which I can do better for a tenth of the price. And then really look that you have a product market fit. That sounds stupid now, but quick commerce, for example, that was also very clear to us.

I'm not saying no one needs the onions in ten minutes, sometimes you need them, but that's not a business case. Most of the time I'm like, I'm coming home this evening and have little time. But I want to think about it in the afternoon while I'm at work, what do I want to have this evening?

And then I want to say, okay, deliver me these 100 articles this evening when I get home. I don't want to click thousands of things on the way home in the subway. So find the right occasions and the profitable ones.

The problem is, when the operations companies do a lot of use cases, or only a few, but too few or too many, which are too complex and too profitable and think about it.

[Speaker 2] (30:46 - 31:11)

I understand. And now you would say there is still a point that is clearly limited to other industries. I mean, you have mainly, and also somehow about your family background in this food industry or food servicing industry, or were you involved in it or were you somehow involved in it.

Do you see other things there or would you say that it is clearly different for us than in other industries?

[Speaker 1] (31:18 - 31:22)

I would have summarized the question a bit in general. A thousand things, of course.

[Speaker 2] (31:23 - 32:13)

Of course. I mean, well, we can somehow, so the very obvious points I think we can leave out. I mean, also in our research we are of course concluded that somehow some, I mean, of course, somehow things get moldy and go bad.

I mean, of course, you don't have that in other industries. So you can somehow also store your supply cycle and so on. Somehow everything is different.

I mean, you already said that efficiency has to be increased. Of course, this is also a point that is in other industries, but we still want to ask again. I mean, of course, we ask the same questions that this is of course a bigger thing. But we still want to ask if you see that in your industry there is somehow something very specific that is somehow only with you and that somehow would make a turnaround more possible than somewhere else.

Maybe that's just not the case. Then it's okay too.

[Speaker 1] (32:14 - 33:05)

I have one thing that might be quite cool. Everyone believes that food is about the product. Everyone believes that you go where the burger is the best, where the pizza is the best.

However, this is super far in the decision-making where you invest your money. So before that comes the use case is covered. So such a McDonald's really tastes like crap.

Everyone knows that. But if you're on the highway at night, then you're happy like a little kid when you see McDonald's. And it's much more about the use case, whether it fits somehow and how the experience is, whether you feel comfortable with it, whether it's cool.

That has a much greater impact on your purchase decision than how delicious the product is. We had people who were there three times and I had three different products. I didn't even notice that.

I understand.

[Speaker 2] (33:08 - 34:08)

Okay, but definitely exciting. Thank you very much. Actually, our last question is we have already talked about investors, so I think we can take them out first, at least the VCs.

But in turnaround decisions, what role do other big companies. Do they even fit into the decision because it's often because of the competitor that you think again, we could pivot or something. Or are something like Nestle doing something completely different anyway? And I mean Zeit für Brot is now also, if you only look at Berlin, probably one of the biggest competitors.

And I mean, or well, we're not just in Berlin. Frankfurt is probably already in many other cities. I don't know.

Frankfurt and Berlin are already. And Israel. They want to open in Israel.

I think they paused for a moment. I think they unfortunately paused. Do they play a big role or generally the other market players?

[Speaker 1] (34:12 - 35:52)

So I say, especially the big industry is often relatively low quality, especially now in Germany. So if you go to a REWE or something, what do they have in the bakery? They usually have some kind of TK stuff that is made in large factories.

And a lot where I position myself a bit is in this manufactured high quality, high convenience area. And there, I think between the very big and the very small, there is relatively little exchange. So with Gorillas, it was a very interesting case what you saw.

They sold banana bread. And that was actually one of their riders. And Gorillas, I say, as the big one, helped the little one to scale massively quickly.

And you have that in food more often. So a bit of a lion's den. Actually, it's about 9% food in the garden.

It's just a marketing channel for food companies, to be honest. And it's much more important that you create a bit of relevance, that is, attention, and then distribute. And the entry levels are relatively high in the distribution.

For example, for food service companies, they have their own customer base, so to speak. But then the step, for example, the Haferkater, they are now, for example, in the Deutsche Bahn and cooperate with them. They are extremely successful because they get the locations in the train stations, and, for example, in the trains from which they are delivered.

That means, if you find the right partner, you can make the distribution 10x. And that's a very, very exciting thing. Yes, I understand.

[Speaker 2] (35:52 - 35:57)

Okay. I don't know, Joanna, you haven't said much yet. Do you have anything else you want to add?

[Speaker 3] (35:59 - 36:24)

Yes, I have. Exciting to hear. No, actually, I think everything is covered so far.

So maybe I would give you the opportunity again. Is there anything you haven't told us yet, what's on your tongue, where you say, hey, you have to know that if you continue to research. Or that would be interesting for you.

[Speaker 1] (36:27 - 37:10)

Yes, I think, as I said, I do food service. Food service is a restaurant. But food is a bit more fishy.

Especially the production is a bit of a different area. It's more about the distribution of these products. And there you have completely different market dynamics.

You have to get into the business first. Then you have to stay in there. And then you have very interesting deals for the commercial side.

And much more brand building. You could talk to someone about that. Roy Kombucha or something like that.

I think it's also a very interesting conversation partner. So D2C, or simply CBG, Customer Package.

[Speaker 2] (37:12 - 37:48)

Yes, that speaks of course a sore point or an important point for us, because we wanted to ask you, if you know someone else or something that we could talk to. I mean, you've already said that you know some. I mean, that's not mandatory or I don't know.

Or above all, I don't feel it's mandatory. But if you know someone who you think could tell you a lot. Then of course we are very happy when you say, talk to him again.

I know him anyway. Maybe he'll bring you something again. Yes.

[Speaker 1] (37:50 - 37:56)

Okay, yes. I might have one person in mind, I think. I can ask him.

[Speaker 2] (37:57 - 38:36)

You can ask him. I mean, now you've mentioned it again. Then I thought, yes, we'll get in touch with them anyway.

So if I understood it correctly, Kambucha. Why not? I mean, yes, we can look again if we can reach them somehow.

I just thought, if you call anyway, we'll be looking for suitable interview partners. So feel free to let us know. But of course, first of all, I think that's the most important thing.

That you took the time for us in this important time. So thank you again. Thank you very much.

Because we can, at least I can, or we both can imagine that there is a lot going on at the moment.

[Speaker 3] (38:37 - 38:37)

Definitely.

[Speaker 1] (38:39 - 38:48)

But I also feel very honored that you asked for the interview. It's always kind of cool if you can nerd off a bit. Because my girlfriend doesn't feel like listening to it anymore.

[Speaker 2] (38:50 - 38:53)

Yes, Maurice, of course we also send you the work, that's clear.

## 2. FST2

Speaker 1: Author

Speaker 2: Author

Speaker 3: Interviewee

[Speaker 3] (0:03 - 0:48)

I can see that the recording has started. Perfect. I can start quickly, because you don't know me yet.

I'm studying management at NOVA here with Victor in Lisbon. We are currently writing our master's thesis together. I did my bachelor's degree in Hamburg at Fresenius.

I did my bachelor's degree in consulting at Enpal. Start-up then. That's why I'm interested in the topic we're writing about.

I think Victor, do you want to say something about the master's thesis? I don't know how many of you have already talked about it.

[Speaker 2] (0:50 - 2:53)

I don't have to introduce myself. But I'll explain again how it is.

[...]

Whatever happened, you can tell us again. We'll probably go into that. But that's why we like to talk to you and your experiences.

And what you've done in the food industry. We will always address the food industry aspect. So that you can answer the questions in this direction as much as possible.

I think you have seen different industries. But that's why it would be particularly interesting for us to see the food industry and the food industry aspect. So maybe just introduce yourself and then we can start.

[Speaker 1] (2:54 - 4:03)

[...]

Studied BWL for three years. And then during my bachelor's I joined the team of [...].

But now renamed [...]. And yes, I worked there for two and a half years. From the middle of my bachelor's.

First as a worker and then as a permanent employee. During my bachelor thesis I worked full-time there. And then after that, so to speak, without university, for a year and a half.

And yes, at the moment I'm still in my master's. So I went to my master's after the insolvency. However, that was already planned beforehand.

That's why it wasn't all that bad. Of course, stupid if shares then just float away. But well, that's just the risk with a startup.

Yes, so far, an idea from me. And I'm currently doing a master's in [...] here in Munich.

[Speaker 2] (4:05 - 4:17)

I understand. Could you maybe go back to the activities again? So what exactly were you responsible for? What did you do? You must have been one of the first employees, right?

[Speaker 1] (4:17 - 5:58)

So I got in there. That one of the managers, that was at the beginning, that was at the end of 2019. After my first internship, I worked for one of the founders.

I did a few private projects for him. And I did the first research on this business idea. [...].

At the end of 2019 or at the beginning of 2020. I don't know right now

What strategy is there? How does the general market look like? Did you take the first pitches?

Made the first strategy and then also the first pre-seed round. Then I kind of took part. I mean, that's a pre-seed round.

You just ask people who think it's cool. You can somehow push 50k over and so a pre-seed round runs. So there are no big financial models now.

But yes, you have to have a strategy of what to do with it. And the original idea was to stay in the hospitality industry. I did that, so to speak, very, very blunt venture building.

My official title was [...]. But in fact I was, so to speak, Chief of Staff. So I looked, I hired people, employed people.

Built the processes, so to speak, on the whole value chain. And then I basically built a little bit of IT automation in the back. But in the end it was more like value chain orchestration.

And then, so to speak, right hand of the founders. And the special thing was, that we had one full-time founder. And the other two did it a little bit in part-time.

We'll get to that in a moment for reasons of failure. But I have, so to speak, the counterpart of the full-time founder, so to speak.

[Speaker 2] (6:02 - 6:16)

And the development level was then from Pre-Seed. Where were you at the end? On which valuation?

No, but you had how many financing rounds, just about. That means, where were you at the end as a startup? What would you say, what stage were you at?

[Speaker 1] (6:18 - 6:21)

We wanted to raise Series A.

[Speaker 2] (6:21 - 6:37)

Okay. And if you could explain one more time, I haven't quite understood that either. There is [...].

But [...] was the brand.

[Speaker 1] (6:37 - 8:22)

So the following topic. So the idea of this whole thing was that we, [...], that's actually still the brand. That you say, where do you get sustainable food from?

And above all, focus on the forest. And that was basically the strategy. You look, okay, where can you get sustainable food?

Sourcing and putting it on the market. That was already a role model somewhere.

But we wanted to go further into the value chain, continue to integrate and pay a little more attention to regionality, more attention to CO2 and such topics. So you could take that as a counterpart, so to speak. And above all, sourcing yourself.

KoRo doesn't do that. They source externally. So that we go into the forest ourselves or just buy third parties, but not directly, but do the whole thing in our name.

And the company [...], then we raised from, we have in the SEED, or it was Convertibles to CSA, I don't remember exactly. We raised from a dude from America and his family office said that it had too much in common with such an NGO, which somehow exists in South America. And then we had to change our name.

And then we were called it [...], so the company. And the brand we wanted to go to the end consumers with was called [...]. And the brand we wanted to go to businesses with was called [...].

We already notice that again. Reasons of Failure is coming up soon. The bad vote between founders, who had other pictures in their heads.

We'll get to that later.

[Speaker 2] (8:23 - 9:07)

On the other hand, we can do it that way. We can, instead of talking about the industry itself, get in directly. Because I mean, now we're already there somehow.

That's why, I mean, we should already have so much flexibility. Of course we have to ask the same questions and we can of course push the questions. That's why I would say, what were they?

I think you've already mentioned two things. Somehow the founder was partly there, partly not. Yes, on the other hand, somehow they were among each other.

There were voting problems. That means, I mean, those are probably two failures that you have already easily identified. But maybe you can just say again, what other reasons were there?

Exactly, what other reasons were there?

[Speaker 1] (9:07 - 17:43)

[...]

So the company as such was founded by two friends. They also had a small VC together. And they said, man, we have a great idea here and we can build an economic chain here without investing a lot of time in it.

We invest somehow one or two days a week and now get a third business leader who runs around in the forest, who takes over the source. And the processing and the distribution, that runs plus or minus on its own. Yes, we have to put energy in for half a year and then the topic is through.

Then it runs a bit like cash cow. So that was the setting. And then we also had the topic that not everyone lived in the same place.

That means there was a lot online. We still had Corona during that time. And then came the thing that this original plan, of which I just spoke, did not work out.

Because the nuts had a poison, the phagin. And that was the original plan. We roast them a bit and then make large contracts to customers.

There we come directly to the topic of the food industry. We make large contracts to large customers and can sell them to these large customers. Didn't work.

And that was, we were as a society, although it is now totally stupid, we were maybe six or seven people at that time, permanent employees, maybe eight, were still not able to pivot this strategy, which was formulated at the beginning. At the moment we noticed, our actual venture billing strategy did not work. And that was, in my opinion, if you ask the other managers now, they would of course tell a different picture.

But in my opinion, it was because the managers were not in agreement enough and did not communicate honestly enough with each other to agree on a target image what a new strategy should look like. So they were pulled on too many ropes. And that's where you got a little confused.

And that was relatively early. So that was around 2021. Nevertheless, we still managed to raise a seed round and then in the end, I think, we collected almost four million.

But we are then from, we source the nuts ourselves and give them to the service provider and sell them to the food industry. We are now making an end consumer brand, [...], and now go with individual products that we build ourselves, where we make the label ourselves, we now go to a direct customer and want to somehow sell individual products in retail markets. And that is of course a switch that is difficult if you have a commodity that is so extremely expensive, like the nuts, because it is very, very expensive to get these stupid nuts out of the forest.

And you have a competition, we are now talking about what is specific to the food industry. You will of course, if you now bring a nut to the market, what is your market? It's a nut market.

Sure, because nut equals nut market. But if you are in the retail market and want to do a single trade or even an online trader, then of course you are with the nuts. And if you now look at the price position, what do the competitors do?

But the nut, because it is such a special nut, because it is not available on the market, because you have to build for a new market, in the end you have to build the home forest nut category first, that this price point, which is about three to four times as high as other nuts, for example Pinion core, but not those from Asia, but those from Italy, they are a bit longer, not so thick, or Cashews, then you just fly out, because you do not fit into the category. Then you have, I try to talk in a structured way, other reasons or other specifics of the food industry, that you have an extremely blatant documentation of your food.

This is called the specification in Germany and that is a ten-page document where everything about the product is in it. Where is it made, how was it processed, which trace elements are in

there, is it halal, is it vegan, and so on and so forth. Which date, which MHD has the minimum shelf life, what is the shelf life, that is, if you now have an MHD of half a year, the moment it was packaged, how many months does the product still have when it arrives at the customer.

Topic logistics, how do you do batch planning, that's difficult. And you need, if you are selling to large customers, now for example, we were in contact with [...], they made it themselves in the end, that's a chocolate manufacturer, they belong to [...], that's a huge food empire, they all belong together. They have been experimenting with this stupid nut for almost a year, to then say that they don't like the price point.

You have such extremely long sales cycles, that's incredible. And above all, of course, you always have to deliver exactly the quality to the price point, as you said at some point. And if you have miscalculated a bit in the first year with the prices, then you realize that we can't do it at those prices.

Or, another topic of the food industry, you are of course dependent on nature. Commodities change in price, potatoes don't cost the same every year, it depends on how the harvest was. And so it is of course with nuts too.

But the nuts that you normally import, cashews for example, that are grown on monocultures in California, they don't fluctuate, because they don't have a seasonality. They are artificially watered, that doesn't happen. Or, for example, walnuts, they are stored in the shell, then you can leave them there for 3-4 years, and then you can balance the fluctuations.

It's rather difficult with beets. You can freeze them, but it's all a bit shit because of the moisture and so on. That's why you just have different prices, but you have contracted something else.

And if you are a young company, you don't know exactly what the fluctuations are, can you price them, you just don't have the data for it. And that's a bit more difficult. Maybe come back to the reasons of failure.

Topic strategy, so that you can't agree on a clear strategy, which you then reasonably frame as you go on. One of the most blatant points was the interest rate reversal. That was the main point.

If I had to name one point, it would be the interest rate reversal. Because the problem is, if money doesn't cost anything, then only growth or knowledge growth counts. That's also a huge topic, because we could do that.

We did a lot of research on this stupid nut, we piloted a lot of products with it, we made an ice cream, we made protein, we made coffee, we made star restaurants, we made oil, different types of oil. So that was pretty wild. And if you then sent investors a present code and what products have already been made with it, then that was impressive.

That was cool. And the protein also had super properties. We were here at the [...] (Scientific Institution), we made water extractions, that was really cool.

But of course, interest rate reversal means you go away from growth or knowledge growth or whatever KPI you take, to profitability. And the income statement said, we sold super little. Long sales cycle, it takes a long time to gain trust.

Because you have to imagine, that's another topic of the food industry. I don't know where it is. We had a new product, that's called Product Risk, and we were on a new market, Market Risk.

Because we don't play on the nut market, we play on the sustainable, out of the ball from the next market. That's actually our market. And it doesn't exist in that sense.

That means you had to create a new market with a new product that you don't really know yet. Huge challenge. If money doesn't cost anything, you get money for it, because then people believe in it more easily.

But if money costs money again, then sales count more. And the very clear way to profitability. And we didn't have that factually.

[Speaker 2] (17:45 - 18:45)

Okay, so if we go into the industry-specific points, then there are these regularities, which you mentioned, which were difficult. Then the product itself, that it is subject to strong fluctuations. Then that with the regularities this detoxification, I mean, we already talked about how you do it to get this poison out.

What else would you say is really broad-specific? Because probably everyone will be affected by it. All high-growth startups, all problems with the founders.

But is there another point where you say that it is really porn-specific? Probably. To get there again.

The market is probably different. At least I can imagine if you say in retail, you have to see how you are placed there. What is the margin?

There are few big players who ultimately sell in retail. In Germany it is probably Rewe, Edeka.

[Speaker 1] (18:47 - 19:06)

But that's not our market. We are too high-priced for that. Our market was more like a fresh paradise.

Such high-cost stores, such topics. In Hamburg, we forgot the name, there are small chains. Schumanns, something like that in Munich.

So in that direction.

[Speaker 2] (19:06 - 19:10)

So you sold in them. That means the market was not the problem in your situation. It was difficult.

[Speaker 1] (19:14 - 20:53)

Then maybe again, very product-specific. If you want to bring a new app to the market, then you have to look that you have data protection requirements. Okay, all fair enough.

But you can bring a product to the market relatively quickly, what you can test, you can run iterations. The problem with food is if you bring a new product to the market. There are the food regulation.

There is a technical term for it, I have unfortunately forgotten. It says that if a product not before 1990, I think. You have to look again, what exactly.

There is a deadline. If this product was not before consumed in the state area of Germany and then reintroduced, e.g. Chia seeds, then you have to do a clinical study that this product is tolerable. You can't just throw new products on the market.

E.g. in the USA it's the other way around. You can just throw every product on the market and if there are complaints, then you have to do that. And here it is opt in, opt out.

In Germany you have to do it before. And that was a huge issue for us, where we spent a lot of money for lawyers. That we are now talking about literature about how food was eaten after the war, also in larger quantities and so on.

It was difficult to explain that. If you wanted to sell Chia seeds as the first importer in Germany, then a clinical study costs about a million. You just have to spend it.

And then of course everyone else can use it too. It has to be worth it. Then what else do we have in food?

[Speaker 2] (20:56 - 21:35)

We have already collected some failure reasons. So that we can go through the questions. We have collected the failure reasons.

I would say we are at four. If we divide clinical studies, then we are at four, which you just mentioned. What would you do differently?

Or what advice would you give to start-ups? Maybe first mover is apparently not in the clinical study, but are there other tips you would give? Especially in the food industry?

[Speaker 1] (21:42 - 25:15)

Definitely not product and market risk together, but only one. [...]

That's extremely shit. You have a new product on a new market. That's just not fun.

That would definitely be a huge topic. Of course, you can now refer to other topics. But especially if you don't know your product well, for example, you somehow bring a new nut to the market, but you're still in the price segment of other nuts.

Then you know the market, you know which Kegel it has, you know how the market behaves, you know where the market is going. You know the relevant stakeholders in the market. It's all a bit easier.

Then you can focus on getting to know your product. Or the other way around. If you build up a new market, then you don't have to deal with your product.

This whole topic of specifications, to come back to it, is of course with a walnut. You download it from the Internet, do three more tests and then you have it. I'm exaggerating a bit now.

That's one thing. Then I would look in the food industry that you definitely connect very early, very well. Of course, you can say that again on everything.

But getting to retail market is just difficult, shelf storage or shelf space is the cheapest marketing.

That's just the way it is. When people go through the supermarket and see a product, then that's a huge, super important touchpoint. In the whole ...

How many touchpoints? Seven touchpoints until you buy a new product. That's a super relevant touchpoint.

Of course, direct sales is more fun on the margins, but the food retail trade already has a reason why it draws 30 percent margins. That's ... That's good.

That's fun, because you can bring a lot of volume to it. That's why connect super early, super well. Then it's easier to see which food cluster you can be on the road.

This topic of collaborations makes a lot of sense. For example, we had a collaboration with [...]. They make breakfast muesli things.

We were there with a certain part of their muesli in it. We also have an interfact marketing topic. We put our logo on it.

There are bookmarks in it from [...]. To bring your product, if you bring a new product to the new market, to bring your trust in your product. That's super, super important with a new product.

Or to give application cases. Then the topic of application cases was also a very, very important touchpoint, especially with the new product, with the new food. If you have potatoes now, then you know the potatoes, you don't eat 30 kilos of them, you only eat 200 grams of them.

You have to peel them, you have to throw them into the boiling water. This education, how do I treat the product and how can I use the product so that it tastes good, means you have to do a lot of content marketing. That was the reason why we got the star chef into the team who built recipes for it.

Especially with the customers, the big customers, how can you use the bookshelf as well and efficiently as possible? We also sold to a lot of star restaurants and it was always good to have this exchange. What can you do with this bookshelf?

I understand.

[Speaker 2] (25:18 - 26:01)

A question that is a bit different, so that we can get a little further. But we also want to compare these two industries, whether you had to fight with prejudices. I mean, sure, it's not possible, or maybe to specify it again, it's not about the prejudices you have with a new product.

I think you already cut yourself that was much more difficult. But above all, are there prejudices in the industry? Did you feel like it was more difficult to find people because you were in the food industry?

Is it maybe much easier because you were in the food industry? So did you have to fight with any prejudices, with any industry-specific prejudices?

[Speaker 1] (26:03 - 27:53)

I took that more as a positive. Now in our specific case, it was easier because food naturally has a high emotional bond. And you like to work for it, especially with bookshelves somehow from the forest behind it.

That somehow makes sense. That somehow makes sense from a CO2 perspective. It has great nutrients.

The product just tastes good. And then of course you also want to somehow promote it and bring it to people. For example, when I gave introductions or when the two founders gave introductions, we always did tasting first.

And that was pretty good. That was pretty cool. And the people are both customers and employees.

So actually all stakeholders were at that point, maybe it was also nut-specific, but were very emotionally involved. So they thought it was pretty cool what we were doing there. Because it's just a certain emotional connection when you used to pick up these nuts as a child in kindergarten.

That was very good. What you actually, what you can now say the other way around, when I say all stakeholders, then maybe that's not quite right. Because when I think of our big customers where we really sold large quantities or wanted to sell, of course they have an extreme distrust.

Because you have a new product and everyone knows new products are always shit. For all audits, for all documents, for MHD calculations, what I just said, all these challenges. And of course there is extreme distrust that you have to face first.

Okay, now there's another Hiopai with a new product around the corner. What do we want to do with that now? And you have, again, you are deeply involved, with all the discounters in Germany and so on.

[Speaker 2] (27:53 - 29:15)

No, it's not just within the industry, that you had a new product, but above all, how is your industry, food industry, seen by external people? Because of course, of course, you have as a new ... I think everyone, no matter in which industry you are with a new product, you first experience rejection.

I think that's always the case, even with the introduction of the iPhone or something. I mean, yes, you can see it, Nokia didn't do it, Touchscreen somehow didn't need it. That means there is always this case that the new one is rejected first.

But it's more about how it is, so to speak, or how did you feel to be within the industry? How was your feeling how it is seen from the outside? Maybe it was good too.

So maybe just to make a reference, we talked before with [...], also from our year. He said it was super good for him, somehow his house of buns so nicely set up, everyone wants to work there, he has the feeling, everyone thinks it's good what he does. Maybe that's the way it is.

I mean, you've already said somehow with the tasting, that somehow creates emotionality with the bookworms in the forest. You know that somehow maybe as a little child. Apparently that seems to be a driver and thus also simply the industry seems to be doing well in contrast to other.

[Speaker 1] (29:21 - 29:37)

Yes, I guess so. So I mean, of course, everyone has to eat food and it's just a big emotional connection to food, especially if food tastes good, then people think that's pretty cool. I would agree.

I would agree with that statement. I would agree with that, as [...] said.

[Speaker 2] (29:38 - 30:00)

One last point I would like, because we had that in the last interview, he said the education standard is low. Now you are a startup, somehow all founders, you had VC money, probably the founders paid attention to the fact that the education standard was particularly high. Did you have this feeling in this industry too, or did you not notice because it was a different case with you?

[Speaker 1] (30:03 - 30:12)

I think the food industry is very professional. So that's how I felt. I mean, [...] is basically in the gastronomy.

[Speaker 2] (30:13 - 30:26)

Yes, exactly. He does food servicing. That's a little different, of course.

But that's why we wanted to ask you. So for you, it's not the classic food sector. So you had the feeling.

[Speaker 1] (30:26 - 30:54)

Yes, I perceived it very professionally. And especially this topic of dancing on the newcomer's pedestal. All the people, all the service providers we were on the road with, they had a lot of knowledge of what they were doing.

And they also looked very smart over the edge of the plate. So now all our service providers that we worked with, who processed the burekas, or the people we interviewed and so on. So I would rather go in the other direction.

I found it very professional in most places.

[Speaker 2] (30:56 - 31:34)

Okay, thank you very much. If we then come to the turnaround strategies. I mean, now it's like this.

[...] has failed. If I understood that correctly. Exactly.

If we assume we leave all these failure reasons like cash, interest rates, founder team didn't quite fit. We'll leave that out for now. Because that's not industry specific.

But look at us industry specific failure reasons. Are there any so to speak, what possibilities are there and what strategies do you see that you could have done differently to somehow turn the shop around shortly before bankruptcy?

[Speaker 1] (31:41 - 33:33)

The big problem is when you bring a new product on the market, which you don't know so well yet, especially with food. You can't throw pilot balloons on the market. You can't build MVPs, test, redo, test, redo.

Because you're talking about food that people can't eat. I mean, we've done that a little bit. But you can, so you have an extremely high upfront investment actually that you have to take first to, I'm not saying that you have to go into clinical study, but that you have to understand your product very well.

How does it work here? How does it work with it? What can you do with it?

What can you not do with it? What are my products or other products that I can build from my commodity or my product? And the food sector for startups is actually shit.

Because you actually need a very strong company that says, I now have a million left. I now have 10 million left. I'm going to put that here now.

And with that, he's building for the first time and can't make a profit for three years. That's okay. Of course, you can also raise as a startup.

Sure, if you just write that in the business plan so hard. That would be difficult in the long run. But I would say that you clearly say to yourself as a food startup, we can't grow here.

Growth hacking becomes very difficult as a food startup that doesn't know its product well. That's definitely one of the most important turnarounds. How else would I do it in the food industry?

Then, as I said, looking for strong partnerships very early on, where you can somehow place your product, where the trust in the muesli goes over to you a bit because you're in it.

[Speaker 2] (33:38 - 34:01)

Let's get back to the point where you said two weeks before insolvent, now in retrospect you know when this point was or a month in any case, a little bit before that. You get money again. Money doesn't matter.

You are suddenly the founder. The founders are out. What would you do directly or what would you have done differently and as a first step?

[Speaker 1] (34:06 - 34:30)

I would need a lot of money because the strategy was already very tight at that time. Without really taking a long breath. As I said, long sales cycles.

In less than a year you can forget to get into some big brand. At least 12 months. That's already sporty, 12 months.

That's good. If you can get in there at least 12 months. You also have to buy.

[Speaker 2] (34:30 - 34:37)

You also have to produce. Do you mean that your nuts are processed in other chocolate or that you stand in one or the other?

[Speaker 1] (34:38 - 36:47)

Both. You can of course also do it yourself. If you let the chocolate be produced in your name and then put it in your name in the retail market.

That's a different talk, of course, but also how does that work? How do you get to the retail market? You go to the Rewe of your trust.

You tell him, hey, I would like to. Then you have to put in a good word at the EDEKA headquarters. If three Rewes do that, then you may have a chance to get in at some point.

You know a Rewe or whatever. It also takes ages until that happens. There are also agencies that can bring you in.

Then you have to have a certain maturity in your product. You always have to be able to approve certain quantities. You have to have a certain production that you can even deliver to the retail markets.

You have to be relatively big to do that. With us it was really the problem that we had such a high price point with our nuts and that it is simply very difficult in small parts. I'll be honest, if I had been there before, maybe you still have to say honestly, hey, the business idea as such, I don't know whether you should pursue it any further.

Whether out nuts can make sense at all. I mean, just for context. The insolvency mass was bought by one of the managers.

CapTable cleaned up. Very blatant.

He's doing it now. It's called [...]. Basically forest fruits and seeds.

They have now switched that they say nuts as a food, yes, but no longer 100 percent. They now also sell seed products as seed products. So you can generate cash directly with it.

You can say, the nuts are a bit as a food. We have to see how we can continue with it. We can buy some time with it.

We are now building up a time business where we can generate cash with it. That we can give time to our main product, if not cash-wise, so that we can do this small-scale distribution, so that we can build up the production capacities to deliver the retail market, so that we can also deliver to large customers. So that's probably the point.

Building up a time business, generating cash, to then win the time.

[Speaker 2] (36:48 - 37:33)

Okay. And now we've already talked about these wholesalers, so the big players in the market. They seem to play a very big role, because you are dependent on them.

If we go to the investor side, can you describe the role of the investors again? I mean, maybe just describe how the investor landscape is. Are there many?

Are there few? Are there few big ones? Many small ones?

What does the investor landscape look like? Is it ... to address them?

Are there many who specialize in food? Just that you might say again how the investor landscape looks from your point of view and what role they play.

[Speaker 1] (37:35 - 38:23)

I have the feeling that there aren't that many on the VC side. There are Atlantic Food Labs. These are the first ones that come to mind.

And there should of course also be some VCs that are more widely established, who also invest in food. But to be fair, that was my perception, and that's how we raised. So we didn't have a VC in it.

We only had angel investors in it. People who think food is cool and who think it's cool. We had a lot of investors from the forest.

People who invested in the forest or hunted themselves and so on. And then just have a big connection to the forest. They invested with us.

And then it was relatively stupid that it was simply passed over the network of two or three main investors who then just collected money. And the people who then invested had nothing to do with food. So that was really irrelevant.

[Speaker 2] (38:25 - 39:03)

Okay, I understand. Well, I think we've done most of it. One question I would like to ask is what steps you would just see in the long run.

I mean, we've already talked about what you would do in the situation shortly before the turnaround. Maybe just round off in the long run what a long-term strategy in this ... And now we're still at the starting point, which we skipped a bit at the beginning.

That means a long-term strategy in this food sector that we might be able to go into a little more.

[Speaker 1] (39:05 - 40:17)

I wouldn't go into the food sector anymore. I wouldn't do that at all. Because the thing is, you just have a very, very, very competitive market.

Grocery prices, even if we feel like it, are still very low in Europe. It's very, very hard-fought. Margins are low.

And if you really want to be on the road with a large margin or just want to bring a cool new product to the market, then you just need a new product.

I mean, you never have enough money to somehow spend this money to build a product that you know well, where you have applications for. It's such a pain. Of course it's cool, because food has a high emotional bond.

You find cool people for it, because you can just eat it. If you can eat a product, that's the coolest thing you can do. It's so cool when you can open this pesto that he made and you know what kind of pain it is to build this stupid pesto and make your noodles with it.

It's just incredibly cool. But it's also a huge pain. I wouldn't go into the food industry anymore.

[Speaker 2] (40:19 - 40:36)

I understand. I mean, that's also an honest key takeaway, which we definitely want to take with us. So that we actually, I mean, in terms of time, but also with the questions that are not so far through.

One thing, or maybe, Joanna, do you have anything else?

[Speaker 3] (40:38 - 40:51)

No, I think I just wanted to ask exactly what you wanted to say. If I'm guessing correctly, just to ask if there's anything that would get in the way or something we haven't talked about, what we haven't asked, where you say, hey, you have to know.

[Speaker 1] (40:55 - 41:21)

I think what you have to say is that the food industry is dirty. It's very, very, very dirty. So all these stories about Lidl negotiating in the cold room with the people and letting them wait for two hours.

Of course, these are some kind of war stories, but we've also experienced that in a weakened form very often. They're really washed with all the water. Especially the big ones.

That's really, that's rough.

[Speaker 3] (41:25 - 41:32)

Well, then from my side no other questions. I don't know if that was the question you wanted to ask, Victor.

[Speaker 2] (41:33 - 43:01)

Yes, exactly, I would have concluded somehow.

### 3. FST3

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 3] (0:03 - 0:46)

Yes, so you should have received a short message that this is being recorded now. Perfect. Yes, exactly, as Victor already mentioned, I'm Jenna and I'm also currently working at NOVA here in Lisbon.

I did my Bachelor's in Media and Communication Management before and then worked in consulting for two years. And now, since this year, I've been working in the startup scene. I did a startup internship here in the summer, also in Berlin at Enpal.

And yes, now I'm fully involved in the master's thesis. And yes, Victor has already said a lot about it. I don't know if you want to say anything else about it, Victor, to yourself.

[Speaker 2] (0:47 - 1:37)

More than briefly. I come from Munich, did my Bachelor's degree at the WU, a small business school near Fallen, or in Fallen near Koblenz. Then I was at an MWC in Frankfurt for a year.

We didn't do food, we did fintech. That means finance industry, especially insurance startups in the industry. And I've been here for a year and a half, now we're writing the master's thesis and we'll be there.

So we'll give it up around the middle of December. That's the timetable. We're here and we're looking forward to it.

As I said, we've already talked to some of them, both from the food and the pleasure industry. We're glad you took the time. And I would say we'll start.

It would be great if you could introduce yourself. Who are you, what do you do, what are your tasks, what is Wholey?

[Speaker 1] (1:39 - 4:22)

[...]

Then I had a little detour, I trained in the Bundesliga team for four years in the hockey area, almost in parallel with the Wholey foundation. To earn a little money on the side and be able to go to the second foundation a little more relaxed. Exactly, we founded Wholey in 2016, but then went into the market with the company in 2017.

At the beginning, actually a bit of a side project from us four founders. We are four, that means next to me I founded it, my brother, who was with Porsche Design for a long time. And the other two founders, I think they were both at a company consulting for ten years, at McKinsey Spinoff.

And yes, that's how we found each other and wanted to disrupt the food world a bit. That was a bit the idea behind Wholey, that we said there are very few brands that you really trust 100%

as a consumer. And where I always somehow feel like there is a stringent good quality behind it and certain values.

For us it was somehow clear from day one, if we do something in the food world, then we want to have an impact on the planet, but also on the health of the consumers. And that's why our products are always 100% organic and always plant-based. For us, you already have one or two big levers on the subject of climate and sustainability.

And in addition, all of our products are always 100% natural, that means no additives and sugar-reduced. That's a bit what makes us. And now feel free to ask your questions, because we definitely have a turbulent time behind us.

It was definitely tight at one or the other point and it could have gone differently.

[Speaker 2] (4:24 - 4:37)

I understand. If I saw it correctly, there are between 7 and 8 years, so on LinkedIn it says 7 years and 11 months. That means it will probably be an anniversary soon.

Exactly.

[Speaker 1] (4:38 - 5:22)

In mid-2017 we are with the brand. Our first products at the time, we still have them in the horeca area. Ready to blend smoothies and shakes, frozen ingredients in 180g bags.

The restaurant owner can use that for himself and then refer the different smoothies to us, which he then gets out of the freezer on order, in the mixer, add water, mix for 45 seconds and you have a premium smoothie with 8 to 10 different ingredients. That's how we started. We actually started in the food service.

Not even the classic D2C or Retail, but we started in the food service in 2017. I understand.

[Speaker 2] (5:22 - 5:36)

If we now have a final question about the current status, maybe you can briefly introduce the development status. Which series are you in right now or how do you see the start-up as a development status?

[Speaker 1] (5:37 - 6:18)

This year we are growing by almost 80%. We have a turnover of almost 7.5 million. We are almost 30 employees by now.

We make 75% of the turnover in retail and almost 24% in food service, 1% online. That's our development status. We have also raised money.

That means we had different rounds. Now we are just before the Series A, want to close the round at the end of the year, early next year and target 3 to 5 million in investment. I understand.

[Speaker 2] (6:19 - 6:45)

We wish you a lot of success, because we hear in the industry it is not that easy at the moment. Yes, I agree. But exactly about this development, that's the next point we want to address.

Namely the current development in the industry. We have already talked about it, raising money is difficult. We have already heard that from others.

What other trends do you see in the industry at the moment?

[Speaker 1] (6:48 - 9:37)

I think consumption and goods are difficult at the moment. Especially in the premium segment and also a bit, although I think it is a big trend, especially when you talk about sustainability and also focus on organic. Then you usually have the point that you are higher priced and everything that is higher priced is difficult at the moment on the market.

It is certainly difficult to grow at the moment when the overall market is shrinking. I think you have to be more creative and agile as a company at the moment. How can you actually outperform this market trend?

I see it difficult in the food sector at the moment. I think many of the classic VCs have lost faith in the exorbitant multiples, which of course makes it difficult. As a company to raise in this area.

As you know it, VCs make money ten times. If there is a short-term investment or the fund is not set up for a long time, then it has to happen in a short time. That is difficult in the food sector.

The big D2C hype is over a bit, that you could scale so quickly. But I think it just has to lead to the fact that you have to rethink a bit on the company side. Who is the right partner at all?

I think it's a very successful factor in the future that you have a clear idea of who is the perfect partner for me from the beginning. I don't want to bootstrap it, but it's more like angels, family offices, who have a bit of a longer system in their head. I know that many companies have failed because at the end of the day no round has come into play.

Maybe you just focused on the wrong partners or focused too much on the VCs. I can understand that, as I said, it's difficult. Because conservatively speaking, it is sometimes difficult to put this huge hockey stick in food and retail, which many people may wish for.

Because you just can't scale as quickly as in the tech sector or software. There are exceptions, but the rule is simply not.

[Speaker 2] (9:38 - 10:05)

No, it's probably a slower, but more consistent growth. Do you feel that this also affects the business models? You have a different business model than the tech sector, but do you also feel that business models are changing because there is less money in the market at the moment?

Have you also thought about introducing a different business model in this sense?

[Speaker 1] (10:08 - 11:52)

In the last two years, the biggest worries for us have been the trend towards self-marketing in trade. In addition, there is the inflation and the recession, which has left the willingness to pay for food. These are certainly two trends that we are trying to counter.

As a brand, you have to position yourself accordingly, drive appropriate strategies, so that you have a certain relevance for the trade. You can't be exchanged by a self-brand. And on the other hand, clearly convey the value of your product and brand to the consumer.

In addition to the purely functional ingredients, as a brand, you need very strong emotional factors that really offer an added value to the consumer, so that at the end of the day I spend more for the brand. For example, because it works sustainably, because it relies on organic, because it forges sustainably. You may have noticed this discussion about the commodity price.

In theory, the commodity price is often much higher for conventional products than it is for products of biological origin or plant-based products. But we don't pay the commodity price. The climate and the planet usually still pay for it.

[Speaker 2] (11:53 - 12:43)

I understand. Especially in terms of sustainability, this eco-footprint that we have. These commodity costs, as you often read about them, are not priced, but ultimately shared by someone else.

And probably, if you look at Germany, other countries or other continents do the same. I understand. Now we have already talked about things that you have to do.

Somehow create your own brand, make sure that you are not replaceable by the brands that the big food and retail companies then also set up. Where would you say, what are the industry-specific reasons, in your opinion, that lead to the most frequent failure of start-ups, especially in the food industry?

[Speaker 1] (12:44 - 17:41)

I think one reason why many start-ups have failed is that many have been raised in this gold-digger mood. When there was still a lot of money in the market, as we often see, it was driven a bit. Nobody wanted to miss the next big deal.

There were big exits, be it Just Spices or Foodspring. That means it was a very attractive market. Accordingly, it has led to a lot of raising.

Then the focus was primarily on growth. What happens when you have to grow? Of course, you also set up a high cost apparatus.

The focus is not too much on profitability. Until then, there was this switch. In the course of the crisis, everyone actually wanted to know nothing more about growth.

Everyone still had Gorillaz and Co. in mind. Then the new word was profitability.

Many companies could not reduce costs that quickly. They were dependent on new capital. I think we noticed or saw in our environment that this was often the end of the breakthrough.

That means you were still dependent on more capital. In the course of the crisis, you could not meet the promised growth or the expected growth. That's why there was no connection financing.

The industry was extremely insecure. You didn't want to lose even more money. I think that's why many companies had to sign up for insolvency.

It just didn't grow healthy. That's certainly one big point. The second point is that the business model or the product was not mature enough.

It was too early to try to scale. Without really going deep, you didn't know if you already had a product that was exciting and had a high return rate. Or was it triggered by pre-purchase?

Too early to feel confident with your product without having proof of product and proof of market. I think that's a very important point, especially in food. You need these second buyers.

You really have to know before you start investing or scaling. Do I already have the right product? And have I already found my target group with my product?

I think those are the two important points. The third point would be scalability. Am I compatible enough with my approach in the mass market?

That's always the point. Many start in a niche. But can I even grow out of the niche?

Those are of course many points that you have to do beforehand. Target group analysis, price sensitivity, point three. Point four, that's my last point.

I think we made the mistake for a while. We tried to go into too many sales channels too early. That means no clear focus.

Because often D2C and mass market retail just bite each other. In D2C, I usually need a relatively sharp product. I need it to be functional, I need to be able to upload it to be relevant.

I need to be able to address my target group relatively well. Then it's enough for me if I have a small target group that is willing to pay a high price for my product. Because it's so customized and doesn't exist in the mass market.

But that also leads to the fact that the product also needs to have a high sales target. You need a high-priced product to make D2C work. In retail, you may be in 10,000 markets in Germany at some point.

I don't have a sharp target group anymore. I have to get there in the mass market. My product has to be attractive for everyone or at least for a relatively large mass.

You can already see that. With a mass market product, it's hard to get it in retail. Not without a reason, because all the big FMCG companies don't have a big online shop or a big focus.

On the other hand, with a very niche and sharp product at a high price, I don't even need to start trying to get into 7,000 markets. But if I try to build both sales channels and get a fixed cost on my leg, because I want to create retail and D2C, then I may get confused.

[Speaker 2] (17:42 - 18:01)

I understand. Thank you very much. We often heard about another point in the interviews.

You didn't mention it before. Maybe that wasn't an issue for you either. That's the regulatory issue.

Was that also an issue for you? Did you have to do your studies? Especially in the food sector, we've heard that this is a point that is difficult to meet.

[Speaker 1] (18:05 - 18:50)

I would say it's still not for us, because we've never really gone into this tech direction. That means we've never used new foods or new ingredients that maybe haven't been approved yet. We've always stuck to the regulations and tried to make it possible.

Of course, we also monitor the market and see if we can use sweeteners that have already been approved in the USA. Of course, not here yet. We can use them at some point.

But I wouldn't build a product that I know isn't approved here. That would be my own grave.

[Speaker 2] (18:54 - 19:20)

Sometimes you have to be careful that nothing goes wrong. We have a very regulated market. You have to make sure that the food product reaches the customer correctly.

If it's poisoned, you can't close your shop right away. We've heard of at least such problems. But it's also wonderful if that works well for you and you haven't had any problems with it yet.

All the better.

[Speaker 1] (19:23 - 20:42)

I can imagine. On day one, we had a lot of time for operations and certification. We built up our know-how relatively quickly.

We are now certified by IFS. We are certified by Bio. We don't produce ourselves.

We have produced ourselves. I can certainly sign that up for a while. You have to pay a lot of attention to that.

You have to react accordingly to a call. Otherwise, we produce with the big partners, who also produce for the big ones and for the dealers. You have a partner on board and can minimize the risk a bit.

But it was for us. I can imagine, especially when you start small and still produce yourself, that it's a topic. Of course, the requirements are also very high.

I think the times when you are very listening to small start-ups are also over a bit. You have to be well prepared and very professional before you even get into business.

[Speaker 2] (20:45 - 20:56)

You said it at the beginning. At the moment, it's going pretty well, but you had difficult times. Maybe you could say again, what were the reasons for getting into trouble back then?

[Speaker 1] (21:00 - 25:31)

Our first massive crisis was Corona, COVID. At the time of the lockdowns during the Corona crisis, we were still 100% in the food service. I think we were 12 employees.

The complete sales came via the gastro. You can imagine, from one day to the next, these massive lockdowns. That meant that we had no sales from one day to the next.

At that time, we were not profitable and we were younger than five years. This meant that we didn't have a single source of funding. At that time, we all had to put everything on short-time work and try to set up a retail business within three months.

That worked out great. We then launched the Smoothie Bowls, which I think you know from Holy. We then saved ourselves a bit.

It could have gone differently. We wouldn't have gotten the listing so quickly and we wouldn't have started so well in the retail business. You could have given up.

You could have said, okay, that's it now. I think that's an important point. You have to be extremely patient.

You have to be able to see a chance in this crisis. You still need this source of luck and modesty. You say, okay, it's not always like that.

There are many companies that probably had much smarter reasons than we do. I think that's part of it. But we did it.

I think we were relatively agile. Of course, we were asked to be creative and agile. That's what I always try to emphasize to my employees.

Chaos will always be part of this startup phase. We will never be able to follow a plan for the next five years. We will only be able to survive and we are only good if we manage to not panic in the face of complexity, perhaps felt chaos.

We take that as a challenge. If we're good at it, we'll reinvent ourselves. It was almost like founding a new company.

If you don't have the people who pull along, it gets difficult. But you're still in the fight when you're leading the fight. I think that's a narrow line in this startup world.

Chaos and flexibility and spontaneity. A large corporation can sit out a crisis. It can say, okay, I have enough backlogs or I'm already getting supported.

I can go through that for two years. But you don't have any setbacks. That means you're always forced to do it.

If it doesn't work or a planned launch goes wrong, you can't just say, okay, guys, no problem, just go on. You have to get everyone together and say, we have to launch a completely different product category. Everyone who works here is in retail tomorrow.

Of course, this often leads to the fact that it's chaotic here. This feeling and understanding of implementing in a company is part of a journey that is agile and flexible. I have to be able to improvise.

You have to get everyone on board. That's why it's so important for us to communicate very transparently. That we get our employees close together.

So that a certain understanding is developed in this company. That we don't work against each other at the end of the day.

[Speaker 2] (25:32 - 25:36)

Do you think that's also due to the industry itself? Or would you say that's general?

[Speaker 1] (25:38 - 25:57)

I think that's general. I think you can ask the most successful companies where they wanted to go back then. At least you can see a stringent path from the first pitch.

I think that the masters of improvisation would probably have been the most successful.

[Speaker 2] (26:00 - 26:16)

And now you've already said that it's sometimes difficult to say that it's going down and over with your employees. Do you feel that you're in the food industry and that you're confronted with certain prejudices from the industry? So within and also you compared to other industries?

[Speaker 1] (26:20 - 28:02)

We have one or two employees who came from a large company. They had to get used to how different we have to work to be successful. That means we can't already do our marketing budget planning for 25.

I always tell them, but you have to explain that anyway. Create sensitivities. Because I also say that the financing round can go either way.

It will change everything we do. And we just want to grow by 80 to 100 percent. A large company is happy when it grows by 3 to 4 percent.

We need completely different thoughts than large and settled companies. It's always our job in the management of the company to inspire people. And it's nice that we can inspire people with this agility and flexibility.

And then this best of both worlds, as we always say. We learn a lot from them, of course. Also in terms of certain processes that we can implement here, which you can take with you from the big ones.

But we always have a plan B in our pocket, which is not too chaotic or too restless or worried. Or leads to other things here in our company.

[Speaker 2] (28:03 - 28:04)

I understand.

[Speaker 1] (28:04 - 28:33)

Another example is the Ukrainian crisis. We have adapted our entire product range to the market situation. We have reduced all costs to be more competitive in terms of pricing and to react to the market.

As I said, if we go too far now and are too expensive, we will die in beauty on the shelf. But we won't sell out.

[Speaker 2] (28:34 - 28:46)

Okay. Because you have very price-sensitive customers in your food industry. Right.

They can compare it directly with the product next door. And the 100g price is somehow still low.

[Speaker 1] (28:47 - 29:02)

Exactly. And that maybe now is the wrong time to score in a granola with Superfoods and Co. But it is more important to have a good, solid product at the moment and not die in beauty.

[Speaker 2] (29:05 - 29:12)

Do raw material prices also have a big influence? Or how high is the influence of raw material prices?

[Speaker 1] (29:15 - 31:17)

Yes, it is already high. Of course, raw material prices and logistics costs have exploded. We had to deal with that too.

On the other hand, the trade was very price-sensitive. That means that price increases were difficult at some point. But we didn't want to be even more expensive.

Of course, there was also the aforementioned improvisation question. Can we replace Amaranth and Quinoa with Dinkel and oats? We wanted to see how we could react to this.

How can I still guarantee a certain premium perception on the market? But we also wanted to see how we could react to the macro situation. We were able to compensate for this quite well.

Nevertheless, we were also dependent on winning partners who supported us through the crisis. As a founder, you have to build up these management skills on the investor's side. If you are still dependent on foreign capital, even in the crisis.

That's incredibly difficult. Sometimes companies fail because they underestimate this process. You have to put a lot of work into fundraising.

You can't just do it by the wayside. Otherwise, the time will run out and you'll be in the photo for two months or even shorter. I don't have a partner on board yet.

I can only hurry. We learned that. You have to throw 100 to 200 companies into the funnel at the end of the day.

I think that's what it was like when you worked at VCS. So that you end up with a few terms and conditions and close the round.

[Speaker 2] (31:21 - 31:39)

Back then, we were also sent decks. You don't talk to them or listen to them. There were just a lot of them.

As I see it, you also have limited resources. Even if you want to invest, it's not just as you always think. That's bad, but you have limited resources and you have to use them.

[Speaker 1] (31:43 - 33:00)

As a founder, you are in your bubble. You have this naivety. You love your company and you are of course of the opinion that everyone else will love us too.

We grow and tick all the boxes. Then at some point you realize that it's getting thinner. Time is running out.

Of course, the fewest founders have experience on that side. Fundraising is a completely different competence that you have to acquire. I think a lot of people underestimate that.

That's what I meant at the beginning. If I were to advise food founders, I would rather advise them not to go to VCs. Try to grow a little less quickly in the food world.

Make sure that you get some strategic partners up to the end of the family office. Once you've hit this path, you have to go to the end. We have venture capital on board, but we are also quite driven.

[Speaker 2] (33:06 - 33:26)

You said you love your own startup. I think everyone loves their own startup. Otherwise, as a founder, you are missing out.

But do you have the feeling that in the food industry you still have your haptic product? That you can afford to have a stronger emotional bond? Do you see differences compared to other founders?

[Speaker 1] (33:31 - 35:04)

Definitely. I mean, food is also super emotional. We all eat and it will always be eaten in the future.

That's why I think it's a very emotional product per se. I still believe that consumer brands and the topic of consumer have huge potential for brands. But it may take a little longer.

You may need a little more patience. I don't think I can do it because I've never met a tech founder in the tech field. It's a different kind of talk than consumer and food founders.

I can't put it into words. It's a different kind of talk. But you scale faster and I think it does something for you too.

If you have several hundred or thousand employees at some point. I can't promise you that they'll stick to their company. Even if they don't have a product.

But I do believe that there is something special about food. It's difficult as a founder to let go of a haptic product at the right time. Very difficult.

[Speaker 2] (35:08 - 35:30)

We've heard before that the emotional bond is relatively high in the food industry. Because you do that with your investors or partners. And somehow this packaging keeps up again and again.

And somehow it's a bit of a house. But that's exactly where it came from.

[Speaker 1] (35:32 - 35:42)

In pitch, security is certainly always a little more emotional. And also a product as if you make it a little more technical and data-driven.

[Speaker 2] (35:45 - 36:01)

Now we've already talked about investors. If we talk about other big partners, have you also entered into partnerships with big retailers? From the retail business, probably.

And if so, what role do they play for you?

[Speaker 1] (36:03 - 39:28)

The most important channel for us is 75%. Our revenue comes from retail. We are relatively well positioned in the roof region.

We work with almost every major retailer you know in the roof region. From Edeka, Rewe, Kaufland, Spar, Coop, Rossmann, DM. We are listed there.

Since 2020, we have discovered this channel as a video channel for us. Since then, we have designed the whole team and the team exhibition in such a way that we can drive the retail-first strategy. That means we have set up our own little external service.

That means we have gradually become more professional in this area. But that was the important focus. We parked D2C and set it up.

Then we put our whole team on one channel. And that was really good in retail. That means we have also set up a key account accordingly.

We have set up an external service. And from the logistics, from our partners that we have chosen, everything was based on the fact that we can crack the retail and scale it up in retail. And I think you can actually go through the checklist.

What do I need? I need to have a goods availability at some point. I need the corresponding certification.

I need the manpower to sell the things. And my brand and my product have to be strong enough to sell themselves out. And I have a corresponding retail rate.

That means product development. You have to know that your product is sold in its target group. That means you can do a lot of things beforehand.

I can somehow treat my product to 300, 400 customers in the relevant target group beforehand. Get an honest feedback. I would not recommend launching a product too early if I am not really firm.

And then you have to be in the team. Sure, you have to stand up accordingly. But there is also, and we have grown up in small.

That means you don't have to be able to start 7,000 stores from today to tomorrow, as we can do now. We also started with the first smaller dealer, started with a tour. Then we got our first self-employed EDKs, T-Goods.

That means it is possible to grow slowly and with the partners. But we had oriented ourselves to a complete growth on this channel. And at one point, and that was certainly the point, if we had not corrected it, we would certainly have been able to close it.

At some point we also wanted to do D2C. That means we wanted to do everything. We wanted D2C, we wanted food service, we wanted to do retail.

We noticed that we were moving back and forth. Everything flew around our ears. And then we made a relatively difficult decision.

We said, let's close D2C first. We don't play this channel. We don't have any money on it, no resources.

And rather try to allocate what is available there to retail. I think that was exactly the right decision. It brought in a bit of peace, it took out complexity.

And it gave a very clear focus to make a channel first. And if we are healthy and profitable here, then I think a company team is all ready for the next channel.

[Speaker 2] (39:30 - 39:53)

I see. I see. Thank you very much.

Also with a view to the time, I actually only have one last question. And that is, if you think about it in the long term, what would be the long-term success factors that you would like to implement? Apart from the restrictions that you may have right now, be it the fundraising round.

What would be the success factors that you would see that would help your startup succeed in the long term?

[Speaker 1] (39:55 - 41:15)

So I think we are now at a point where a lot will run over the brand. Will I be able to emotionally charge this brand wholly and give it emotional USP? And that alone with what my target group also demands of me as a brand.

That means we are also on it right now. Deep Dive into such a target group and positioning brands. Because I think in the food world, if I look at the brands that have made it in the last few years, also to go significantly above the 10 million sales, then these are all brands where I say, hey, they're doing something for the people and they've claimed an area for themselves.

Be it Tony's, be it the Slave Free Chocolates, be it Oatly, who somehow made plant-based milk cool. You tend to call yourself a love brand too early, even if you're not yet. And that separates the wheat from the wheat in the food sector, if I want to build a brand.

That I really want to build a brand and then at some point make this leap, that I offer the customer in the mindset such an emotional added value, that he stays true to me and is also ready to spend more money on my products.

[Speaker 2] (41:17 - 41:35)

I understand. Yes, I think this brand aspect, not all, but the four you mentioned. I knew three of them.

And yes, I think these are brands, especially Oatly, with their special advertising. You recognize them, they have a recognition value. And then you may not look so much at the price, which is certainly particularly important in these times.

[Speaker 1] (41:37 - 42:08)

I think Red Bull was one of the pioneers of the pre-generation, all the products that are coming now. I think for many Red Bull is really a brand that somehow made it, which is actually completely absurd that you have given such a sugar energy drink, this sport and extreme sports character. But of course it has done a lot with the brand in the perception of the people.

Red Bull stands almost for lifestyle and for crazy things. And the product itself has little to do with it.

[Speaker 2] (42:11 - 42:28)

Absolutely. Yes, so many Philips already now. Thank you very much.

I think if we go through the interview again, a lot will come to light again. And what I couldn't notice right away, I think we'll find out again when we analyze it. So, Jenna, do you have anything else you want to ask?

[Speaker 3] (42:30 - 42:59)

I don't know, what's your time? Can I ask a quick question? Okay, great.

So I actually only had one more thing to go back to this pivot. It was almost in the Corona crisis. Was it somehow the case that you said, okay, we just have to do something else now?

We sit in a room and think about it until we've found a way? Or did you actually use any framework or whatever to get into this ideation? So how was this process to the new idea?

[Speaker 1] (43:01 - 45:12)

No, it was actually a bit of a crisis. I think that surprised and overwhelmed us all a bit back then. That means you didn't really have much time to think about it.

It was actually like we gathered here and thought about how a solution could look for us. That was, of course, reducing costs, short-term work and trying to open up a new channel relatively quickly. The closest thing for us was trade, because we were able to launch this product relatively quickly.

Because it was close to our existing product in the food service. That means you really have to be strategic and not even really data-driven. Think about what the right decision is and then fully focus on the execution.

And that worked quite well. It was similar when we noticed our smoothie bowl. It's still a niche product.

You two will still know what a smoothie bowl is. But as soon as I leave this urban location, I already notice that it's getting thin. And at a certain age, you don't make smoothie bowls anymore and you don't have a mixer at home.

And that was also a point where we said we would have loved to be able to convince the whole of Germany to buy our smoothie bowl. But we also said, now the point has been reached where there is a certain limit for us. And we can't get out of that.

And I think that's also a realization that you just have to have at some point. We said, hey, we love this product, but it won't get us any further in sales as a market. And that was actually the second pivot where we then thought about where we could go.

We are like a smoothie bowl, a smoothie brand. Where we then took a new position as Foley and positioned ourselves more as a breakfast brand. And accordingly, we also launched our first small brand and then went into this serial category.

So from the niche to the mass market, but also totally conscious decisions made at the time. But in the end, that was also a bit of a push to get further as a brand. Because otherwise we would have actually stopped.

[Speaker 3] (45:14 - 45:29)

Great. So from my side, there's just the question, is there anything you haven't told yet? Where you say, hey, you have to know that if you continue now.

Or you didn't ask me that, but you would like to mention that.

[Speaker 1] (45:31 - 46:14)

No, I think, I don't know if you've ever talked to the Naughty Nuts guys. They just signed up for a short time ago. I think they also had a relatively wild journey behind them.

They are two very nice guys, you can greet them from me. If you want to talk to them, I can also make an intro for you. Unless you say you've had enough.

Otherwise, I'm curious about your work. When it's done, I'd be curious to read it. Of course, I'm interested in the topic.

And yes, please feel free to contact us at any time. If something is still burning for you and your fingernails, and afterwards something has popped up, then contact us at any time.

[Speaker 3] (46:15 - 46:29)

Mega cool. I think we would love to take the intro. Because that's of course super exciting to talk to people who also like it.

Especially now, just recently. Should we just write to you again?

[Speaker 1] (46:30 - 46:55)

I'll do it for you. I'll make the intro via LinkedIn. They already have one or the other podcast.

They talk about it relatively openly. You can listen to them in the prelude. They have already recorded a few podcasts on the subject of insolvency.

Because they said, hey, we want to share it transparently with others. Because maybe we don't all have to make the same mistakes. No, absolutely.

[Speaker 3] (46:57 - 47:01)

Otherwise, thank you very, very much. Those were really great insights and really helped us a lot.

[Speaker 1] (47:03 - 47:05)

I'm happy about that. Thank you both. And good luck.

[Speaker 2] (47:05 - 47:20)

Philipp, I'll send you the work. I have one more thing. I'll also send it to you.

You should sign it. We need it for the university. I'll send it to you afterwards.

Otherwise, thank you very much. And then we'll hear each other again via NautiNuts. We'll check the work again.

[Speaker 1] (47:21 - 47:22)

All right. Thank you.

[Speaker 2] (47:22 - 47:23)

Very good. Thank you. Bye.

#### 4. FST4

Speaker1 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:05 - 0:40)

Okay, great. So maybe again briefly to me. I am Joanna, exactly, I met Fritz in the mentoring program from Nova, that's how I know him and we had a lot of contact about it and now in the context of our master's thesis about why start-ups fail and turnaround strategies, talked to him again, but he knows people in the industry with whom he can connect and so the contact to you.

Before that, I worked in consulting for two years after my bachelor's degree, then in a start-up now over the summer and now just finish the thesis. Exactly.

[Speaker 3] (0:41 - 1:48)

Yes gladly, we sit here next to each other, I hope, I don't know, it doesn't seem like it, I mean, we're sitting outside, I'm sorry, we actually booked a room inside, then it somehow got cut over.

That's why we're sitting outside and it seems a bit like we're taking it a bit easy, but unfortunately it didn't work out. Well, what did I do?

I originally come from Hamburg, then moved to Munich, did my bachelor's degree at the WHU, then worked for a year in the VC, in the other direction. We were working in the financial service, that is, I mainly dealt with start-ups in the insurance industry, but then I noticed, that's not really for me. I mean, of course, everyone has said before, that's a dry industry, but I noticed, it's a dry industry and wanted to go somewhere else.

Then I started my master's here and now we're writing the master's thesis together and about a completely different, about two completely different industries, so yes, once about the food industry, as well as about the adult-pleasure industry, compare them, yes, I think you've heard that already. And exactly, we're doing something completely different now and then hand it over in December.

[Speaker 1] (1:49 - 3:16)

Very cool. Well, thanks for the introduction. Hello.

A little bit about me. I'm a scientist by background, studied neuroscience in the USA, here in Germany I did my bachelor's degree and I'm actually very scientifically-based, from the point of view of the world. After the promotion, I decided to take on a bit more of a business context, because it was always clear to me, I would like to set up a venture and do business somehow.

And as a scientist, unfortunately, you get far too few skills in the context of promotions. I then went to a business consulting after the promotion, for over five years, mainly health tech, biotech, big tech, high tech, so really always tech and healthcare companies, including Agri-Food. And at the same time I set up my idea for my current state venture, Dr. Kimchi, and that's a company that does good on the one hand, and healthcare on the other. So we call it FoodTech HealthTech Company, because they bring together two aspects, food and digitalization, or self-measurement, which has become very irrelevant after Corona. And for two years now, I've been on the road.

[Speaker 2] (3:18 - 3:35)

Cool. Yes, great. Of course, we have also already informed ourselves a bit in advance, but do you like the development of your company?

What was the original idea? Has something changed to where it is now?

[Speaker 1] (3:37 - 5:02)

I would say that it has remained pretty stable. I knew from the beginning that food is of course the core, it's our core product, but I don't just want to stay with food, because I come from this tech environment, and at some point I really wanted to gather data, understand, and above all measure, how food, in our case kimchi, fermented products, what effects they have on health. In addition, the topic of microbiome, i.e. intestinal flora, has become very present in science and in the consumption area in recent years. And I found it incredibly exciting from the beginning to bring these two aspects together. So, on the whole, the plan hasn't changed. What has changed a little were actually the timelines and the question of financing, because since we started, that was officially May 22, there was the Gorillaz bust, then there were several incidents of food start-ups, and I think since then the industry is actually a bit cold when it comes to financing activities, and the investors are very, very nervous.

In this respect, we have changed our plan a bit and will continue to be food-strapped for longer than originally intended.

[Speaker 2] (5:04 - 5:18)

Interesting, okay. You have just said a little bit about the industry. Can you perhaps go into a little more detail about what other trends you are observing in the food industry, especially from a founder's perspective?

[Speaker 1] (5:21 - 8:09)

One of the biggest shifts has actually been meat alternatives, and it is also exciting to observe how this product has developed into a commodity in recent years. There are currently 15 to 20 start-ups that are developing meat alternatives, fish alternatives, and also dairy alternatives. This veganization plus high-tech has definitely taken place.

I think that's also one of the reasons why so much financing is very, very limited, because a lot of money has been invested in it, and currently the products are mostly not yet allowed. Especially the high-tech variants that come from precision fermentations are not yet allowed. That means they will wait a while until they are approved.

So that's another trend. On the other hand, of course, after Corona, consumers have become much more aware of health. That means eating a little more consciously, looking a little more at the labels, and being more aware of sustainability.

And at the same time, as Dr. Kimphi has positioned it, being more aware of your own impact, i.e. personalized nutrition. So it's not just Coca-Cola with your name on it, or not just MyNusri, but really nutrition that is tailored to your health and your metabolism. That is still a niche trend, because it is relatively expensive, and we are just recovering from several economic crises, insofar as this product is not available to everyone.

But nevertheless, there are already thoughts in this direction, and we may see this even more in the healthcare industry, where we are already seeing increasing glucose monitoring devices. So that people want to understand what kind of impact nutrition has on them. Otherwise, I think there is a great interest in food startups, also those who are less tech-oriented.

So we or consumers like to see colorful packaging, younger brands, different playful designs. Something that works in a variety of ways, which we normally don't see in other brands.

[Speaker 2] (8:12 - 8:40)

Okay, cool. You've just started talking a little bit about what challenges you face. On the one hand, you talked about the issue of admission.

Are there any other industry-specific reasons, especially in the food industry, that in your opinion are causing startups to fail or are putting hurdles in the way?

[Speaker 1] (8:42 - 10:03)

Yes, there are the unit economics. The food industry is one where it is actually looked at by the cent. And to list a product, startups have to be willing to pay shorter margins.

And depending on how well the operations and production are set up, it is feasible for some and not for others. There are some rounds that are not entirely clear about how expensive a production is, how the unit economics work, or the economy of scale. And most startups can produce very small batches.

Often by hand or screwed by hand, labeled by hand. And of course that costs everything. Both in materials and in time and human resources.

On the one hand, there is the hurdle of selling the production quantities from today to tomorrow. And that you have to sell 500 units to 2,000 or 3,000. On the other hand, there is the hurdle of selling the profitables.

So unit economics and the startup world is very different from the classic trading industry.

[Speaker 2] (10:08 - 10:25)

Okay. If you think about it a little bit, are there certain challenges that you had at Dr. Kimchi, that maybe other startups didn't have, or that are very much concerned with you? Or are they already covered by what you said?

[Speaker 1] (10:27 - 11:52)

These topics are also relevant to us. In our case, there are additional complexities. Because on the one hand, the product is pretty new.

And of course, the younger generations know the topic and understand it and can classify it pretty well. But then most people who are already on the road and have a career or in Asia have difficulties. First of all, product awareness.

And then the whole application, how can I integrate that into my everyday life? With a nut bar or a nut bag, that's not the problem. That's where the application is known.

Secondly, we have a fermented product, which in itself has more complicated packaging and logistics. Because our product is not pasteurized, that means it is still alive. It is also something that is not so common these days.

Finding a raw cheese is difficult. Raw milk is not available on the market at all. The consumer is less familiar with the unpasteurized products.

And the whole logistics of the trade is also not coordinated. Because we use, for example, pure logistics and another training chain. And that also includes the costs.

Okay.

[Speaker 2] (11:55 - 12:54)

Sorry, I didn't want to interrupt. So maybe to summarize it briefly. We talked about unit economics, we talked about the margin problem.

Then the whole topic of logistics. We've actually heard that in other interviews before. And just that I understood it correctly, that you also want to enter a new market with a new product, right?

So that both market risk and product risk are the same. Exactly. If you think about it now, what advice would you give if a young founder came up to you and said, hey, we want to open a new start-up here, we want to be as successful as you are.

What would you give them as tips so that they can get along in the industry and are successful? Any strategies, anything special that you put in their hearts?

[Speaker 1] (12:56 - 16:00)

That depends on the business model. Is it a direct-to-customer brand? Is it a B2B2C brand?

So if you really want to go through the food trade, then you absolutely have to check your pricing and then make sure that you can pay the 30-40% margin painlessly. That would be one check. And I think the problem, especially with young founders, is that there is quite a lot of confusion when it comes to their own skills.

What I understand, and I wouldn't say I'm a young founder, I'm in my mid-thirties and I've already gained a bit of experience, but I was new to this industry. Insofar as I have partly felt the knowledge of the industry. At this point, the advice is perhaps to look for mentors in this industry who know a lot about the food trade, who might be able to establish contacts for purchasing, who can also give pragmatic, very practical advice on packaging, logistics, food rights.

Because a lot can go wrong there. At the beginning, maybe not even if the brand is too small, but when it grows later, there will be a sudden downturn. On the one hand, because health claims or other information is not correct.

So, first of all, get some advice from experienced brands and experts. And secondly, I think it's less present now. A year and a half ago, there were still very strong concerns.

We start with a business, do a bit of marketing for six months, and all of a sudden we get the VC and help us. That has happened in the meantime. I think you should prepare for it, to stay in the bootstrap for a very long time, and to be very patient for a very long time.

Because in the meantime, everything has become very expensive. Marketing has become very expensive. Instagram has become a very small influence, as long as there is a lot of management and a high fee for what we do.

Even if the reach is quite modest. And also B2C has become more expensive. That starts with Shopify rates and goes up to DHL rates.

So if you do shipping yourself, it has also become very, very expensive. So there is really a very strong need to understand your own unicorns. And to assume that you will stay alone for a long time.

And neither a VC nor a group of angel founders can help.

[Speaker 2] (16:01 - 16:41)

Okay, I understand. And in general, maybe once again very briefly on the topic of regulation. In general, it is a very specific thing that is in this market.

We also talked to a few other startups. And they also had the problem, for example, that they had to pay very high costs for studies or the like. If I understood that correctly, was that a problem for you now, especially because of the new product or the like?

So that you had these high investment costs due to the required studies, due to the required health insurance or the like?

[Speaker 1] (16:42 - 18:08)

So in itself, a normal food product does not need major studies. A few quality checks have to be made on a regular basis. But they cost between 300 and 500 euros per measurement, depending on what is measured.

So all the big eight nutritional content, then the shelf life period. That is actually what has to be measured. Once for a product to replace the MHD.

But otherwise there are no major studies. It is rare that the product is fundamentally new, as is the case with fake meat, for example. Because a special approval as a normal food is required there.

Or maybe all the mushroom, mycelium stories. Then it is more complex. But with such a chocolate bar, actually no.

You just have to prove that you make the product clean. And as long as you don't want any special organic or dairy labels, it's actually pretty straightforward. So the study is interesting in our case, because we want to go in the direction of health claims.

But we won't do that for a few more years. Because that just takes time. So bootstrap startups are pretty limited.

So the topic of bootstrapping is not that difficult.

[Speaker 2] (18:09 - 18:43)

I understand. Then one last question in the direction of fair reasons, before we come to the turnaround strategies. Do you feel that you as a food startup in the food industry have to fight with prejudices that you are in the food industry, also against other industries?

I mean, with you, of course, you are bootstrapped. That's why you can't justify that against investors. But maybe you've noticed it with other founders, or similar, that there are prejudices in the industry that further complicate the way.

[Speaker 1] (18:45 - 19:43)

I would call it a prejudice. There is simply the current opinion that food will not pay off as an investment. Because food as a physical product is not as scalable as, for example, software or AI.

So that's one fundamental fact. And at the moment, I think, investors just want to take less risk. And food is too risky.

Also because the raw material costs are rising. It's just seen as risky. And in the background, there is this fact with gorillas, there is this fact with meat authorities.

So those who are maybe dedicated food investors are probably already active in this industry and would like to support such a quote-unquote simple food product.

[Speaker 2] (19:47 - 20:22)

Okay, I understand. We have now talked a lot about what the problems are. And if you imagine that you are in a startup, either as a founder or with friends, a startup that is about to fail, fail for these reasons.

What would you recommend to them how they could create such a turnaround? Are there certain strategies or similar that you could recommend to them, for example, to solve the margin problem better or logistic problems?

[Speaker 1] (20:26 - 23:08)

I think the main problem is product market fit. If the product is relatively premium priced, it will probably not apply to the general public. But is there a group that would still pay more for the product?

So in our case, since Dr.Kimchi is a premium product, we play the niche game. And we win our customers over the knowledge, over the scientificity with which we present our product. And we invest more in the product and can tell more about it than maybe the other food founders.

So number one is the right targeting of customers. And it is completely normal to grow in a niche with customers who are dedicated and who think the product is really good and who are willing to pay more in order to get into the mass market later on. I think starting a small brand in the mass market is ultimately performance marketing.

And a small company can flourish very quickly. I wouldn't recommend that to anyone as a food brand. Costs.

Look at the costs, reduce them, do things yourself. Anyway. Of course, it depends on what the product is and what the sales chain looks like.

But for example, I have also partly taken a few employees back to me. Because I did the calculations and they were not very efficient. Ultimately, that means I do more myself now and I pay with my own time.

But you can see that on our website. So that's such a radical measure. Otherwise, just think very quickly, very cleverly.

Where should you spend money and where should you save? We are currently very careful with marketing. We actually do unpaid marketing or are very active at various events.

Of course, our range is limited, but it is still good enough. The product is good and it convinces the customers. If we put a little more money into marketing, we will immediately see the effects.

But I would definitely prioritize good logistics, good processes, good production before I go into marketing.

[Speaker 2] (23:10 - 23:25)

Okay, understood. And what role does a large player in the market play in these decisions, for example food wholesalers?

[Speaker 1] (23:28 - 24:49)

If there is a plan to market products via LEH, then they are definitely a very important partner. And they also have a bit of an interest in the challenges. They would like to include a few new products in the assortment.

Of course, the startup is responsible for designing the story and the marketing products and materials to make it exciting and interesting. So definitely the stakeholder. From the larger food companies, such as Nestle, there is this example, Nestle buys weeds.

Interesting. Did you actually do it because of the client following because you wanted to further strengthen the B2C reach? I think it's never too early to think about that.

If you look at an exit, what would the companies be for me? And what would be the rationale? You can always think about it like that.

But that's actually future music. First and foremost, the key stakeholders are probably logistics stakeholders, LEH. Yes, the two.

[Speaker 2] (24:51 - 25:04)

Understood. Okay, also with a bit of a look at the time, which is unfortunately almost over, I would like to briefly ask Victor if he still has any questions that have just arisen.

[Speaker 3] (25:06 - 25:24)

Not really. Maybe just one thing. We have already talked about the startup failures.

Maybe you could mention the biggest pain point of your startups that you are currently seeing in the food industry.

[Speaker 1] (25:30 - 25:32)

We have more pain points.

[Speaker 3] (25:34 - 25:40)

To briefly restrict one thing, apart from the fact that there is no VC money or no real capital at the moment.

[Speaker 1] (25:43 - 26:06)

For us, the biggest pain point is that we are building two or three companies at the same time. We are building a biotech, a food company and a communications company at the same time. That's just a bit too much.

But that's especially the case for us. For the other food startups, I would actually say cost management and unit economics management.

[Speaker 2] (26:08 - 26:39)

All right. To understand that correctly, with your pain point for your startup, what are we actually focusing on right now when there are a thousand places burning, so to speak? Yes, that's it.

Cool. Is there anything else you would like to get rid of? You didn't ask that now, but that would be super important to know for you.

Anything else that's still burning in your mouth?

[Speaker 1] (26:41 - 27:13)

I think in your structuring, when you look at other food companies, it is very important to understand in which segment this company is. Is that a snack? Is that basic food?

Is that like milk and eggs and basics? Is that vegan? Is that maybe something like a minus value?

Because I have the feeling that these market segments are also developing a little differently. So maybe it's worth differentiating your analysis a bit.

[Speaker 2] (27:15 - 27:53)

Exciting. Okay. Yes, we would definitely like to take that with us.

Good. Then I would say, for us at 3.30 p.m., for you probably 3.30 p.m. in Germany, we'll be through. Thank you very, very much for your insights and that you took the time to talk to us.

## 5. FE1

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:03 - 0:20)

Perfect. Okay, now that everyone has received the message that the recording is running. And then my first question would be if you could just introduce yourself and say what you have done.

Where are you now? Maybe you can also say something about FoodHarbour.

[Speaker 1] (0:21 - 4:09)

Okay, so I'm Stefanie, I'm a co-founder of FoodHarbour. I'm a total newbie in the industry. I used to study something completely different.

I come from the humanities, I studied history and Russian. Then I worked in Russia in corporate consulting. Exactly, so I have a bit of this background actually.

Corporate consulting, project management, so what I did in my professional life. I took a long break from school and started a food blog at that time. And that's how I got into this industry.

Then I was invited to blogger events. Then I got to know these companies that present their new products. Then I thought, oh, that's kind of super interesting.

Then I started working in different start-ups myself, often very early. Then I followed the FoodLab in Hamburg in the construction phase. And then I switched to FoodHarbour, because the concept is a bit more comprehensive there.

And now I'm leading the accelerator program there. The FoodHarbour is called Innovation Hub. So we offer innovation services for the entire process.

From the idea to the shelf for such products. Of course, the shelf can also be a virtual shelf, i.e. an online shop. Exactly, but we accompany that very carefully.

Really from the very beginning, from trend research to market research. Then products or concepts, finalization, positioning. We can actually also do product development.

We have food technologists on the team. We also have our own laboratory, our own small series production. Where we can of course also produce these products for testing purposes.

Because we come from this start-up approach, which is now also transferred outside of the software to other areas of innovation. So that we say, you just build a prototype, you go out, you do tastings, you get feedback. And then you iterate again if necessary.

A small series production is totally important for that. Only a few can do that in such small quantities. That's a real differentiating factor for us, actually.

Exactly, and then we also really help with the work on the brand. And also develop go-to-market strategies. So we really offer the entire spectrum.

You don't have to book everything on block. You can also book it modularly, of course. How to choose a menu a bit.

We offer this for start-ups as part of an accelerator program. Exactly, all these building blocks. But we also offer this for established food producers.

Exactly, who then pay for it quite normally with daily sets. These are just normal projects that we do with them. But the topics are actually quite similar.

Because if an established food producer wants to modernize his portfolio. He often goes to limited categories. Categories with which he has no experience yet.

And then it's often like a start-up project again. He doesn't know the raw materials. He doesn't know the wage payers for it.

He doesn't know what kind of packaging he should use for it. Maybe he even has to build a new brand for it. So the project processes are actually surprisingly similar.

So that's kind of what the food producer does. Exactly, I'm in charge of the accelerator program. So I'm responsible for the work with the start-ups for us.

From the selection process to the demo day. Yesterday we had alumni meetings. That was very nice for the first two batches.

[Speaker 2] (4:10 - 4:10)

Very cool.

[Speaker 1] (4:11 - 4:13)

To see what has developed since they left us.

[Speaker 2] (4:14 - 4:27)

Yes, cool. And you just said that you also do a lot in the direction of market research. What current trends do you see in the food industry?

And current developments that are super relevant for start-ups?

[Speaker 1] (4:29 - 6:07)

Oh yes, very relevant. One of the big trends is health awareness. Healthy products.

You can also leave the veganization out of it. Although this is also due to the other second big trend, sustainability. It may be in the middle.

But people pay more attention to the ingredients. To clean ingredient lists. And actually also to the benefit for their body.

So it's a little bit away from the highly processed food. From the junk food, from the fast food. It's already going away a little bit.

In the direction of more natural products. Better for me. Exactly, sustainability.

Second big trend, of course. Exactly, veganization. But also, for example, more local raw materials.

Short transport routes. Something like that also falls under it. Then there is a big trend, of course.

Snacking is still unbroken. At any time of day, suitable products are developed. And actually there is also this co-creation.

A huge trend at the moment. Where influencers or whatever other celebrities. Then also design products with companies together.

Yes, that's a bit of a different kind of trend. But that is actually more and more often to observe.

[Speaker 2] (6:08 - 6:20)

And can you observe that these trends also affect the business models of the start-ups? Or are there any developments in the area that are significant?

[Speaker 1] (6:25 - 6:42)

There is a bit of a question. What do you mean by business model? So would you say as a business model that a D2C sale is your own business model?

In contrast to the classic sale in the food industry? Or how would you describe it?

[Speaker 2] (6:42 - 6:53)

For example, in which direction, whether it is B2B or D2C, whatever. It's just the different ways in which consumers approach it.

[Speaker 1] (6:53 - 8:11)

So D2C is certainly a trend that I see that will grow even further. Or will grow stronger again. It was already very strong during the Corona pandemic.

People just ordered a lot online. It went back a bit again. But I see that coming, especially in connection with this health trend.

Because there is such a subgroup. These personalized products could also be there. People start to test themselves.

What are my own needs? What is my metabolism? What is my life phase?

What are my living conditions? What do I need? What is good for me individually?

That started with food supplements. Then specially composed foods were sent. That will certainly continue.

Also in other products. Drinks, muesli mixtures. Also snacks that can be produced.

I see a new business model. That you can determine the needs through questionnaires or even blood tests. And then produce and send these products on demand.

I think that's already in the coming.

[Speaker 2] (8:11 - 8:34)

Okay, cool. You said you work a lot through the Acceleration program with start-ups. Can you maybe go into it a little bit?

What are the reasons for industry-specific reasons? Do you see start-ups failing? Or especially what challenges they have to face in the industry?

[Speaker 1] (8:35 - 15:39)

Founding a food start-up is actually very complex. Food production is really complex. There are many reasons to fail.

And many points where you can fail. Fortunately, this is often underestimated. Otherwise I wouldn't have anything to do anymore.

I see potential bottlenecks in this chain. How do I really calculate my market? How do I really calculate the potential for my product?

That's where it often starts. There are not many numbers. Especially not many numbers that are freely accessible.

You can of course buy into expensive databases. At least start-up founders can afford that. But the data situation is actually not that easy.

And I think that leads to many founders having their own needs. They say, I have to eat histamine-poor. Then I'll make a rule that is histamine-poor.

I think, I've seen it before, most people don't even know how big their target group is. That you make niche products, okay. That also has its justification.

It's always the question of what you want. Is purpose important? Do you just want to get a little ahead of yourself?

Or do you want to build a big company with which you can make an exit at some point? That's always the question. By the way, that's also an issue.

You have to ask yourself that at the very beginning. Many people don't do that either. And if you don't have a real goal and a vision, then it's of course difficult to build a company with the right focus, with this red thread that you can hang on to.

That's where it starts in principle. But many founders in the food sector are transvestites. They are of course not food technologists, but many come from marketing or from the economic sector.

They underestimate the complexity of this development and, as I said, they actually found their own niche. They say, I like strawberries so much. Others have to like that too.

I'm going to make a strawberry limo now. We see that very, very often. And we always send them back first.

Somehow do homework. Please now put together all the numbers you can find. And then of course you have to puzzle them a little bit and see what comes out of it for a potential market.

You can do that abroad too. You just have to get closer. But that's the very first thing.

Exactly. And the second thing is actually in product development. The products have to be developed in such a way that they are suitable for industry, that you can produce them on industrial plants.

You can't do it all manually. If you want to go beyond the manufacturing status, then you can't make it manually. That's not that easy sometimes.

I'll say a nut milk tastes good when you make it at home. But then you realize, if I want to do it in a larger scale and if it's in a supermarket shelf, then it all goes down after three days. But I chose this beautiful sustainable bottle here.

And then it looks stupid. How do I get it stable? How do I get the minimum shelf life?

How do I get the microbiology? That's what it's all about. How do I get it under control, so that it can last a little longer and doesn't rot so quickly?

All products, especially in the fresh area, which contain a lot of moisture, are particularly susceptible to it. Many people don't even realize that this is a topic that you have to work on. This can result in taste changes if you have to make it a little more sustainable.

But a product that only has 5 days of MHD cannot be sold in the supermarket. You can't sell it online either, by the way. That would be too stupid and too fast.

So that's often the second thing. The product development, that there are more hurdles than you think. The third thing is actually the production.

Most start-ups let their payers produce. Of course, they don't build their own production. At least not in the first phase.

Finding someone who makes small quantities is difficult. That's a question of money. That's where capital comes into play.

It's difficult to finance large quantities. Depending on the minimum shelf life, large quantities can't be sold as a start-up. In the end, you sit on the stocks that you didn't get rid of.

That's actually a problem. In relation to this, there is no risk capital for food start-ups, which only develop new products. At the moment, almost not.

Because the margins are not appropriate. Because it's not a hockey-style business model. You have to produce again and again to sell again.

You don't have the single development performance. Then you can just scale up. That doesn't work.

The raw material prices can change. Then you don't have great margins. Risk capital is only available for technology at the moment.

But not for new products. Just normal products. That's actually a topic.

This connection. Pre-financing production. The purchase.

Where you sell, they often pay late. You have to close the gap. You can do over-bidding credits.

They cost a lot of money. If you don't have a capital buffer, it's not that easy. These are the main things.

Then it's important. I wouldn't say that's the main reason why food start-ups fail. I think you have to build a strong brand as a start-up.

To justify the higher price. To draw attention to yourself. To have something in your hand in the end.

Products are copyable. But to have something in your hand in the end that's not copyable, it's a strong brand. That's very important.

That also needs a budget. Start-ups are often quite good at it. But you have to consider that.

That's an important part of the job. That also needs a budget. Both temporarily and capital-wise.

But it's probably better to look for the reasons when start-ups fail.

[Speaker 2] (15:40 - 16:04)

Very interesting. One thing we heard in other interviews, maybe you can say your opinion on that, is that the market is very heavily regulated. That's why founders already had difficulties because of studies, for example, that show that they had to do with data.

Was that what you meant by data in the beginning?

[Speaker 1] (16:05 - 18:44)

That's a completely different topic. I talked about the normal products. A vegan yogurt.

An iced tea. A protein bar. This whole range.

If you go into the food tech topics, where it's actually about completely new ingredients or products, which are won by biotechnological processes, where microorganisms produce certain proteins, which can then be used to make cheese. Or this whole range of cultivated meat, cultivated fish, which is really biotechnology. That's absolutely right.

That's not yet allowed in Europe. It's not allowed to be sold here. It's incredibly time-consuming to get these permits.

You have to submit studies. It's about food safety. It's good that there are such offices that monitor it.

But that's an incredibly tedious and expensive process. And, according to what I've heard, also intransparent. The start-ups don't know in advance which documents are the five that I have to submit.

What do I have to prove? It's a bit different from product to product. The bad thing is, there are countries where these products are already approved.

Not to lose the connection, that's actually a huge issue. In Singapore, cultivated meat is not generally approved. Every company has to approve its own product.

But that's what some companies have already done in Singapore. In the USA, you can already sell it. They can't produce it in large quantities.

It's a restaurant story. In some selected restaurants, you can buy it. It's not a mass market yet.

But that's how it gets to the mass market. It takes a lot of information for the customer to understand and not be afraid of it. And to accept that it's just a new way of producing food.

You can't really do that here yet. Because you can't even try these products yet. You can't even test it yet.

You have to sign that you're putting it at your own risk. It's a grey zone. That's actually for food tech companies, which often have risk capital.

Otherwise, they can't go through this process. That's a big issue for them.

[Speaker 2] (18:45 - 19:35)

Okay, understood. To ask in a different direction, do you feel that start-ups in the food industry have to fight with prejudices because they're in the food industry? I can give you another example from another industry so that I can get your opinion.

For example, if you look at the retail sector and you have a sustainable growth start-up and you have a sustainable growth start-up and the customers would say, okay, no, everything is produced in the same production site anyway. That can never be sustainable. Do you feel that in the food industry too?

[Speaker 1] (19:38 - 21:11)

The prejudice that we are constantly confronted with is not really a prejudice because it used to be that all these companies had terrible list of ingredients with a lot of chemistry and terrible things that you can't eat and are all unhealthy. That was actually the case in the beginning. A lot of additives were actually mixed in there so that everything tasted reasonably.

That has changed completely. It's not like that anymore. The companies are totally behind that they only have short list of ingredients and don't throw in any nonsense.

But this assumption is very stubborn. You've read about it once and you don't throw it overboard that quickly. Many start-ups are confronted The problem is that when people have tried these substitute products, when I'm talking about these vegan substitute products, when people tried it a few years ago and it was still the first generation products and it didn't taste that good, then it often takes years until they say, I'll give them another chance, I'll try it again.

They say, I ate it once, I didn't like it and then they don't buy it anymore. That's the problem. I think it's a bit different than with clothing.

I can totally understand that. I think it's often applied. It's stored a bit differently, but there's something like that.

[Speaker 2] (21:11 - 21:26)

Okay, all right. How far are you in contact with investors? Do you help start-ups get the investment or is it a side that does it practically alone?

[Speaker 1] (21:28 - 22:34)

No. That means we help what we do in the Accelerator program, for example. We have a session called Investor Readiness, where they get told what information an investor needs, what he wants to see, what KPIs he looks at and how you can calculate them.

That's a new world for many, of course. That's a session we do and we also do intros to angels or VC companies we know. Many are not in the food sector, who are engaged there.

They usually find them out themselves, but an intro is always nicer. We have contacts for angels, which is very regional here in Hamburg. Exactly.

That's what we do. We make contacts there. They have to go through the process themselves.

That's where we're at. We also do pitch decks with them, so pitch deck analysis and pitch training, so that they're fit. That's what we do, too.

But they have to go through the process on their own.

[Speaker 2] (22:35 - 22:47)

So, from an investor's point of view, would you be able to come up with something? Not from the customer's point of view, but from an investor's point of view. Or can you not say so much right now?

[Speaker 1] (22:48 - 22:48)

Prejudices?

[Speaker 2] (22:49 - 22:50)

Yes, exactly.

[Speaker 1] (22:54 - 23:57)

I can't really care for investors with many prejudices. It's not my impression. I think they usually approach the topics But the topic is always a bit of a business model for food.

As I said, if you manage to build a good brand and you're bought by a company for your brand, that's an exit strategy. But that you go through the deck is difficult, as I said, because you only earn so much from a product and have to produce the product every time. As I said, there's no business model for that.

And the competition has gotten bigger, of course. But I don't know if those are prejudices. Those are just concerns.

I don't know if you call it that. No. Okay.

[Speaker 2] (24:00 - 24:31)

Then I'd like to move on to our topic of turnaround strategies. I mean, if you work so much with start-ups, you probably see a start-up that didn't make it or is about to fail. What options do you give them to turn the whole thing around and get on the right track?

Are there certain strategies that you give them? Or how can you imagine that?

[Speaker 1] (24:33 - 27:57)

We actually have very little experience with that. Let me think about it. I'd say we have two stories in the batch that made a pivot, which weren't necessarily triggered by us.

But I can tell you about that. It's quite interesting. I'll tell you a short story from the company.

It's always nice to see. One of the founders, Daniel McGowan, is the founder of Otto's Burger in Hamburg. That was the first real burger chain that existed.

Mini-burgers in three stores. That was totally cool. We all ran there.

That was really nice. Someone came up to him and said, your meat quality is really not that good. I have a connection to a beef soup.

Come on, change the meat product. They changed the meat and offered a better meat. Then they noticed that people are asking more and more about vegan alternatives.

Then they started to produce burger patties from peas. They sold them in the store. The policy was that vegan is normal and meat costs one euro more.

Not from the beginning, but now they do it like that. Then they made it from peas. Then they said, it doesn't taste that good.

Pea protein is also a stupid raw material. It always comes from abroad. You don't always get a price fluctuation.

There is nothing that works better. We now ferment mycelium. Do you know mycelium?

It's the root of the mushrooms. It grows underground. You can let it grow in the bioreactor.

It has a lot of umami taste because it belongs to the mushroom. It has a good texture. It has good nutritional values.

It's a great raw material. We now have mycelium and make burger patties from it and offer it as a raw material to other producers. Then they came to the conclusion that there are not so many bioreactors on the market to grow this whole mycelium so that we can really produce a large amount.

The reactors on the market come from the pharmaceutical industry. They are totally overengineered for food products. You don't need all of these 5,000 control options.

Now they build bioreactors. That's a really cool story. Now they build simple bioreactors for food applications.

They are completely sufficient. They cost half. They sell it now.

I think that's a really cool story. We didn't have anything to do with it. They took these steps themselves.

I think that illustrates that you have to be awake and open. You have to look at your market environment with open eyes. In the end, it can become something completely different.

From a burger chain to a bioreactor. I think that's a really nice story.

[Speaker 2] (27:57 - 28:02)

Interesting. And the second story? Exactly.

[Speaker 1] (28:04 - 30:07)

That's also a food tech company. They produce by precision fermentation. They actually get CO<sub>2</sub> from the air.

Or from customers who produce a lot of CO<sub>2</sub>. They take it off, feed their microorganisms with it. They then produce oil.

Max wanted to replace palm oil with this oil from the bioreactor. Because that's a huge topic. The whole deburring that happens for it.

But then he found out after many conversations with potential customers that the oil is too expensive. The food industry is not ready to pay an extra cent per liter. As I said, the margins are always somewhat tight.

In addition, it is not yet approved for food production. But with very simple adjustments this raw material can also be used for aerosols. And now he's out of this food chain.

He starts with cosmetics. They only need small amounts. Then they can write on the label.

This oil also has great functional properties. Then they can write it on the label with very sustainable oils from Olibi. They will do this as a market entry.

Because it just needs small amounts. They will then specialize in fluorescent oils instead of palm oil. Because they say, we don't know how it is with the customer's willingness to pay.

We also don't know how it is with the approval. The other is much easier. The market is even bigger.

And that's where they go in now. I think it's a bit of a shame because the original sustainability thought is partly lost. But it is also sustainably produced kerosene.

It doesn't come from oil.

[Speaker 2] (30:09 - 30:38)

Interesting. Two super exciting stories. If we think a little bit in the long term of a company, what steps do you take with the startups who really have a long-term idea that they are successful in the long term?

What steps should they take? Are there certain steps?

[Speaker 1] (30:42 - 33:03)

As I said, the brand theme is actually very, very important. You shouldn't underestimate that. Some think it's just an appearance.

But it's just important to decide and also to create the willingness for a product, which is of course often higher value or more functional, but also to spend the corresponding money. You also have to build up trust in this brand. You shouldn't underestimate that.

People often reach out to the brands they know and trust and try something new. You have to do good communication work. That's definitely one thing.

The other thing is sales work. Sales for these new products is tedious. You have to build up a good network.

You need a long evening for a good network. You have to take care of that. If you know the market leaders or the central shoppers, you can always say, we're not just making chips or popcorn, but we're also making healthy snacks for children, without sugar or anything like that.

Of course, these are snacks, but if you have such relationships, you are much faster in introducing new products. That really makes a difference. The network is still very analog.

You shouldn't underestimate that. And maybe to make it a little more digital, which of course also belongs to the brand, a strong community is also good. Also for feedback, to generate data.

Let me think. I would say that it is definitely worth investing time to talk to the community, to get to know the needs and to be able to react to them. Also in the address, that is also an important point.

[Speaker 2] (33:05 - 33:16)

I would like to ask Victor if he has any questions. Limbo, do you have anything open for you?

[Speaker 3] (33:18 - 34:03)

I wrote to you on the side, so I probably looked down so often. That was not in your interest, but just a little bit of what you have already told. When we talked about the failure reasons, you said that they are often cross-entrants.

That means people who somehow, I don't know, you talked about the black John's bear, who somehow find it particularly good, make a limbo out of it. Others told us, they came more from this food servicing industry, that knowledge is generally missing. Do you have the feeling that these are actually very well-educated people, but only have this food-specific, that they are missing?

Or are they actually completely cross-entrants and also generally this knowledge that the knowledge is missing?

[Speaker 1] (34:04 - 34:42)

No, I actually meant especially in the food sector. What does it take to develop a product? What are the requirements for registration, in general for regulations that I have to consider?

This whole knowledge. Even if you want to sell in the food service, in gastronomy, then of course you also have to know the needs of your customers. That's what I meant by cross-entrants.

They may have a good idea, but maybe they have not put enough into the shoes of the customer and what his needs are, be it a restaurant owner or end consumer. That's what I mean. And then everything that is related to production.

[Speaker 3] (34:44 - 35:09)

Well, then that's it. I just wanted to ask about these three points. We talked about these three points, from production to food production, then mass availability and then from development to mass availability to production.

What were the three steps? That's what I had on my side.

[Speaker 2] (35:10 - 35:31)

Okay, great. Just one final question. Is there anything you would like to tell us that we haven't asked yet?

Where you say, hey, you should know that if you continue to work on something, or anything else that you're still thinking about on this topic.

[Speaker 1] (35:32 - 36:43)

I don't know. Do you do your work internationally or is it related to Germany? How do you do that?

The German market. Yes, the German market is not easy for food startups. German consumers are super price-sensitive and not particularly experimental-friendly.

You have to say that. Not only the startups can do something for you. It's also the consumers.

In Germany, it's not the culture that you spend a lot of money on good food. Somehow that doesn't make it easier for startups. In other countries, as I hear, they are more willing to dig a little deeper, because it's always been that way.

It's just a little different It's difficult. The lobbyists of all these old industries, the meat industry, the milk industry, the sugar industry, they have done a lot of work. It's really hard to penetrate innovative products.

These are the social framework conditions.

[Speaker 2] (36:45 - 37:12)

All right. Then I would say we can give you three minutes of your time. Thank you very much for the insights.

## **6. FE2**

Speaker 1: Interviewee

Speaker 2: Author

[Speaker 2] (0:02 - 0:41)

So who am I? I mean, you already talked to Joanna, but yes, I did my bachelor's degree at the WHU, 35th year, then I was at the WC in Frankfurt for a year. But we did something completely different, so not food or adult pleasure industry, but we did financial service, that is, we dealt with insurance, or start-ups insurance.

But then I decided, the industry is not quite right, I want to do something else, and then I did my master's degree in Lenovo after a year. And that's why I'm writing the master's thesis with Joanna now. It's quite common here to describe it as a group, at least twice, and that's how it came about.

[Introduction including names]

[Speaker 2] (1:04 - 1:22)

Yes, maybe you could start again, I mean, I've already seen on LinkedIn, you were at [], for example, that you just say once, in which stations you were and above all, just count the stations that you had to deal with food. Or now your investment activities with [].

[Speaker 1] (1:23 - 2:20)

Yes, so I basically had to do with food, just as you said at [German Food Startup]. I did an internship in procurement, I was in the [] office at the time and actually took care of everything or supported everything that was dairy procurement. Dairy and protein, procurement of dairy and protein products.

After the internship, I went back to the university and into the VC life and have now gained a lot of experience with [major German food startup], there I am on board, so the consumer brand in the food sector, and with investments at []at the time in []. So once a recipe, once food delivery and I had a lot of touch points with the whole industry.

[Speaker 2] (2:25 - 2:36)

I would just jump through the questions relatively quickly. Can you perhaps still present the current development or the trends that you are currently seeing, i.e. still in general for the industry?

[Speaker 1] (2:37 - 2:39)

In general for the food industry?

[Speaker 2] (2:40 - 2:40)

Yes, exactly.

[Speaker 1] (2:41 - 4:23)

I think a big trend that we are seeing is again that not necessarily the premium food things are mentioned, but rather the topics that are cheaper, so we have also seen a few market studies. What is actually growing in food is topics such as the price category 4, i.e. the cheapest price category at Aldi. That grows pretty well and otherwise actually a bit of the shift away from people buying a lot of premium, but a bit of a discount.

What we basically see in food is of course a blatant commoditization, so all the topics and things are commoditized, which ultimately leads to the fact that it is actually a blatant price struggle. And you can probably rarely win the price struggle, especially as a start-up, against the big ones. I think that's another topic that we have.

Let's pause for a moment so I can get started. It's a busy Friday here. What is also a problem with this commoditization is actually that you can no longer really rely on marketing or the like.

That means many important topics, i.e. many important customer channels, somehow break away. And what we see as a trend topic is our investment in [], which we did at [MAJOR VENTURE CAPITAL FUND], which uses influencers a bit to do the marketing. And I think that's another trend that we're seeing.

[Speaker 2] (4:23 - 4:39)

I understand. Now you've already said that price struggle and marketing are leading to failure or are currently challenges for start-ups. Do you have any other reasons why start-ups are failing or are facing challenges?

[Speaker 1] (4:40 - 5:30)

Yes, I think you have an increasingly higher, more concentrated and consolidating income. The big players on the market, Unilever, Nestle and Co., are actually expanding their market. And they are also very active in the newer customer segments, where it's about vegan products or sugar-free products.

I think that's where you have a more competitive market. And I think that's also a problem now, the supply chains. I think a lot is falling apart and they are becoming more and more complex.

And long-term relationships with the supply chains help you more with the big comments than with the new ones.

[Speaker 2] (5:31 - 5:43)

I understand. When we look at these challenges, what advice do you give to your start-ups? How can they manage to be more successful in the industry?

[Speaker 1] (5:46 - 6:31)

I don't think we're the mega experts for that in the end. I think most of the time we have the feeling that food start-ups are playing their niche. And they are actually very successful and already have a very good knowledge of the industry.

We don't know our way around that. I think where we look at a lot and where we try to help the start-ups is the analysis of exit channels. And how the company has to position itself so that it can be bought by Mars, Nestle or Unilever in the end.

Or it can be put on the stock market. We look at the strategic orientation of the company rather than the operational details.

[Speaker 2] (6:34 - 6:40)

Are there any other factors that decide when you invest in a food start-up?

[Speaker 1] (6:43 - 7:51)

Yes, there are a number of factors. I think the first one is the attractiveness of the business model. It has to be clear how a profitable company can be.

I think it's easier to understand a D2C brand like [major german food startup] than a typical delivery service in food. That's one topic. What's also important for us is the whole topic of brand building.

There are two companies, Pepsi and Coca-Cola, which are pretty much the same. But Coca-Cola is rated much better than Pepsi in terms of revenue multiple. Because it's a much better brand.

We always try to build a cool brand with the founder and the company. And then there's the product differentiation. How do you get to the market via a core IP or a stronger product?

Or is it just a similar product that has already existed before, just marketed differently or implemented differently in the go-to-market?

[Speaker 2] (7:52 - 8:09)

I understand. And now you invest not only in food start-ups, but also with others.

Do you feel that the industry has to fight prejudices?

[Speaker 1] (8:10 - 9:41)

Yes, definitely. First of all, food is often underestimated. Because many people say that it's not so exciting and so on.

But at the end of the day, food is just a huge market. You can build a really big company there with very little market share. And I think that underestimates a lot of people.

But of course there are also prejudices in the food industry against companies like Gorillaz. They have of course put it down to hyper-growth, but unfortunately not in terms of unit economics or bad rider conditions. So it's an industry that is unnecessarily negatively prejudiced for many.

But at the end of the day, and I think that's where the difference is, it's not the classic VC investment in that sense. Because food is actually a product that you can touch. And most VC investments are products that you can't touch.

That's why [] is also a bit untypical on the side with all the assets and so on. And I think that's another difference with food. Whereby there are now [] and so on in the market.

The [] who primarily and exclusively focus on food. And even if you look a bit into the German exit markets, there are companies like HelloFresh, Flaschenpost. These were really big exits for the German ecosystem.

Now also YFood and so on. Most of them are even almost more successful than the average software investment. But that is always turned under the carpet a bit.

[Speaker 2] (9:42 - 9:49)

Yes, exactly. We have often heard that for VCs, above all, the scalability opportunities are not seen as differently as with such a tech company.

[Speaker 1] (9:49 - 10:06)

Yes, exactly. You just don't have to be a software company with a 90-90% margin at the end of the day. But a food company and for every extra strawberry you only have 40% margin on it.

That means it just doesn't scale that well in that sense.

[Speaker 2] (10:08 - 10:26)

Yes, exactly. Now we have already talked about the failure reasons. When we talk about turnaround strategies, let's assume you have a startup from the food industry, which is just about to fail.

What would be the first thing you would come up with? What would you say would be the first step you would take to turn it around again?

[Speaker 1] (10:28 - 12:30)

Oh, that's a difficult question to answer in such a general way. Because I think you always have to look at what the big problem is. I think one problem, I'll give you an example now, then you can check it out if there are other examples that I should check in on.

I think a big problem is always the retention and how often the customers buy from you in a year. For example, [major German food subscription startup] is a relatively weak company. They always give 25 to 30% of their sales to marketing.

If they make a billion sales, they spend about 52 million on marketing. Which is of course not good in the long run, because you always have to spend marketing and ad action and so on with the customer. That means your customer acquisition costs and your customer lifetime values often just don't match.

And I think you just have to turn and try and do a lot on the product, so that you can really get on a model with good unit economics, which somehow works. Because I think a lot of people always underestimate that a little bit. That you think, okay, yes, the customers are gone now, but they will definitely come back.

And I don't have to spend any marketing for that, but unfortunately that's not true. Because you also have to spend a lot of money for the remarketing to get the customers back. And that's a typical problem, that you just have to be careful to build a company that has good economics and can be successful in the long run.

And you don't have to invest in the new marketing of customers again and again. I think that's important. I think you have to change the direction or build a brand or also gain profitability.

I think there is a big topic, for example, that we always look at, that you also negotiate the supply chains regularly. And don't always think, okay, here are the conditions for the earth price negotiated. And that will stay that way for the rest of my life, but you also have to actively negotiate.

Because the supplier will never tell you if it's cheaper, he'll just let you know when it gets more expensive. Exactly.

[Speaker 2] (12:33 - 12:37)

One more point. Do you have anything specific about food startups that you would pay attention to in a team?

[Speaker 1] (12:40 - 13:20)

Yes, I think you need a product nerd. So a person who really loves and lives the product. Because I think otherwise you just build something that is incrementally different or better.

But I think you need something that is really significantly better. Then you need people who know their way around brand building. I think that's another important point.

And last but not least, food startups are always smiled at a little bit when it comes to complexity. But I think that's also relatively big now, because you already have a lot of working capital, marketing expenses and so on. That you also manage the stock properly and so on.

That is also another topic where I would say a good CFO or something like that.

[Speaker 2] (13:21 - 13:35)

I understand. Yes, we've actually heard that a lot of people think that it's not that complex. Because you only produce food, but then somehow you notice that in the operations it's much more complex than they assumed.

[Speaker 1] (13:36 - 13:40)

Yes, exactly. I think that's what I would consider a bit easier today. But unfortunately it's not.

[Speaker 2] (13:41 - 13:50)

Okay, then I only have one last question. Which steps would you recommend in the long term for a food startup to be successful?

[Speaker 1] (13:54 - 14:30)

That might sound a bit repetitive. I would say have a clear value proposition that reaches the customer, but also reaches potential ex-economists and buyers. I think it's better to concentrate on fewer products than a wide assortment.

I understand. Brand building, because without a brand, there is simply nothing worth it at the end of the day. It's very easy to replace.

And not too late to make sure that you also have a path to profitability and can grow out of your own cash.

[Speaker 2] (14:31 - 14:52)

I understand. Yes, now we've gone through the questions pretty quickly. I have already said that this is the last question, but I still have one more thing that I would like to ask.

We've heard a lot that there are regulations that are sometimes difficult to implement on the market, especially when introducing new products, especially when they are very special. Have you had any experiences with that?

[Speaker 1] (14:54 - 15:27)

Yes. And the experience usually says that if you really have to do such regulatory things or have to look at it, it usually doesn't work in Germany. It's usually tested faster in Singapore or somewhere else.

I think the big problem here is that it usually doesn't fit into the lifecycle of our brand. We have to pay back the money from our IPs every 8 to 10 years and most of the time the companies just need a lot longer to develop the product. And then it often doesn't fit into our brand lifecycle.

[Speaker 2] (15:28 - 15:37)

Okay, I understand. Thank you very much.

Thank you very much for your time.

[Speaker 1] (15:38 - 15:38)

You're welcome.

## 7. FSWE1

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:02 - 0:07)

Victor, would you like to introduce yourself again, because I think you don't know each other yet.

[Speaker 3] (0:07 - 0:23)

No, I know your little brother, and what does that mean? I know him, I know him, I'm 35, from the WHU. Yes, I know your brother, he did my bachelor's degree, then I was at the VC in Frankfurt for a year and now I'm writing the master's thesis together with Joanna.

That's why we're sitting in pairs now.

[Speaker 2] (0:24 - 0:54)

Exactly, and before I was at Enpal, , I was at two consulting firms. I did my bachelor's degree in Hamburg at Fresenius in Media and Communication Management. And now he's more in the startup track, so the master's thesis is the way it is right now.

Maybe you can just say again how you got where you are now, what insights you have into the industry right now.

[Speaker 1] (0:56 - 2:39)

Yes, no, I'd love to. I've been with Atlantic Labs for a little over four years now. Atlantic Labs Pre-Seed Seed Investor.

Normally we are always the very first investor or the first institutional investor. There is actually no one too early for us. Accordingly, we also see many founding teams that start with an initial idea, but then eventually pivot in another direction.

But accordingly, we are always the first and thus almost the longest partner on the founding team's side. Mostly like a wedding and accompany them through all the ups and downs. Before that, I was in charge of the expansion to other countries for two startups.

Once for Audibene to France, I set up the team there, started Office and then handed it over. And then for Foodspring in the other direction, once expanded to China and Hong Kong. Then my love for early stage or for startups was discovered.

After that, there was a little small cap, private equity. Then I realized that investing is also fun, but more in the startup area and then went straight to Atlantic Labs for my master's. I've been around for a little more than four years.

I mainly look at healthcare topics, but also industrial tech topics. Atlantic Labs also has a sister of Foodlabs, which only invests in food topics. Accordingly, I hope that I can cover the overlap of both topics a bit.

[Speaker 2] (2:41 - 2:58)

Perfect. Can you tell us a little bit about what trends you see in the food industry, but also in the sexual wellness industry? If you have any insights from your healthcare tech team.

[Speaker 1] (3:03 - 6:10)

Let's start with sexual wellness. In general, I would say, especially three or four years ago, I saw the topics for the first time. For some reason, there were three or four topics that went mainly in the direction of men's sexual wellness or male sexual wellness.

Easy prescription from Viagra, etc. But also the whole educational topic behind it, which forced all of this. To be honest, I can't tell you exactly where this trend came from.

It could be that it somehow became bigger in the USA and then the German founders jumped on the train accordingly. But that was the whole topic of stigmatization and generally putting a little more spotlight on it. We haven't invested in any of the topics.

Definitely an exciting development and also significantly stronger and faster growth than we thought at the time. Especially when we saw it again in the SEED or Series A round. In that respect, they did a really good job.

I would say that sexual wellness was the first time that it seemed so prominent to me. Then there were a few more therapies and such topics. If you now slide under sexual wellness or glide under it, which had a great momentum in the last 1-2 years, especially during Corona.

When there were simply fewer opportunities for couples to talk to each other. And accordingly it was then also considered, okay, can't you digitalize the whole thing? Good side, trends.

Yes, good question. I have the feeling that it shifts a bit from purely consumer-oriented to much more biotech topics, which are also encouraged. And no longer just somehow we pack, similar to Foodspring, we pack an exciting product that already exists in a certain area.

Cool, hip, new, pack a new branding on it and sell it at a higher margin. I have the feeling that the topics are, of course, they still exist, but have become much fewer. And now much more in the direction, okay, we find a substitute for the product, because it is environmentally harmful.

For animals, simply to protect animals. But otherwise, of course, also still completely direct to consumer cases. So I would say it is still relatively widely spread in the food industry.

[Speaker 2] (6:11 - 6:18)

Okay, cool. You just said you didn't invest in the sexual wellness industry at all at the beginning. Was that for certain reasons?

[Speaker 1] (6:19 - 7:46)

Well, the main reason was actually, everyone started off with, okay, we make it easier, we destigmatize medical visits, or make it easier for men who suffer from premature ejaculation to get drugs, especially Viagra or other replacement products. And there was a bit of this whole software aspect, educational aspect behind it, which was not prominent enough for us, or was less in focus for us than this topic, okay, we bring people into the subscription topic. And the pain itself was not solved so much for us.

In the meantime, I have the feeling that they are much better, so that is clearly the entry point, but that they continue to offer further services for men, I'm only talking about these men, sexual wellness topics, because otherwise it would not explain to me why the subscription numbers are still so high. So I think they really managed to add educational topics, but also to offer other products.

[Speaker 2] (7:48 - 7:48)

Okay.

[Speaker 1] (7:48 - 7:57)

But yes, at the beginning it was really about topics like Viagra, hair loss, etc., which was a bit niche for us.

[Speaker 2] (7:57 - 8:21)

Okay, I understand. If we now look a bit in the direction of failure reasons, especially maybe from an investor's perspective, if you look into these industries, what are the biggest challenges that these startups, that the startups that are invested in, face and which ultimately lead to failure?

[Speaker 1] (8:23 - 10:46)

I would say, if you now put both topics together, it is above all the regulatory. They are both very, very regulated markets. So especially if it is somehow on the digital health side, I would say it is almost even more strictly regulated.

Of course, it also depends on how deep you go. So if you now want to launch a new medical product, then of course it will be extremely regulatory and will simply take a lot longer. There has been a lot going on in the last four years because of DIGA, but it is still not where the founders want it to be.

Now the whole thing is being revised again. There was a huge hype among investors for DIGA products. In the end, it has not really been determined yet whether it really works.

Accordingly, many teams and ideas have failed because they have simply never managed to bring the whole product to the market at this threshold, or to get into this DIGA process. Studies are simply extremely complicated. The whole design means, I would say, in the medical field, the regulatory and initially to win customers for it.

So this topic of companion apps was also a huge trend topic. But somehow it never crystallized out how I think the customers. So acquiring this initial customer, and also in general this whole go-to-market, and often then, okay, let's go straight to the customer, let's go to the customer via doctors.

And how is the incentivization of doctors at all, or how do we tie them in? That's a huge topic. On the food side, I would actually say it is also difficult from a regulatory point of view, but also often high upfront costs.

So you have to finance in the day. In general, I also get overhauls. Of course, there are somehow wage producers who can produce the whole thing for you.

But then also the whole topic, okay, how much do I need for it? And also, as I said, from a regulatory point of view, all the topics are not quite trivial.

[Speaker 2] (10:48 - 11:07)

Okay, and if you were to talk to a startup now, as I said, again referring to both industries, is there any advice you would give them or something similar to be successful in the industry? So above all key success factors, I would say.

[Speaker 1] (11:11 - 13:20)

So on the one hand, if you now, so for the two markets again, you need experts in the team or people who know their way around there. Because they are both not markets where you can now put a pure BWL team on it, in my opinion, or should be really successful there. On the sectional wellness level, I would like to see a psychologist, doctor or anything else in the team.

Or definitely in the founding team. It doesn't necessarily have to be one of the founders, but it should be the third person at the latest afterwards. Otherwise, I think it's too complex from a thematic point of view, that you can get through it as a pure management person directly.

And also generally not credible enough, in my opinion. On the other hand, in the food sector, it should be, depending on how revolutionary the whole topic is. So if it's really about biotech topics, so how do we let, so if it's all about yeast, bioreactors, etc., then I would also like to have someone with a scientific background who is there relatively early. So we also have some teams at Foodlabs, which were really only founded by former scientists, who then got a management person on board. But initially the whole thing comes from some scientific institutions and is therefore based on it. So we definitely want to know about industry, or we actually want to see industry experts in the team.

Otherwise it's very, very difficult.

[Speaker 2] (13:21 - 13:35)

I see. So the team fit has to be, in any case, in addition to the business model, which was the reason at the beginning of the startup you mentioned, where you didn't invest, to the founder fit or to the founder team fit, right?

[Speaker 1] (13:36 - 13:37)

100 percent, yes.

[Speaker 2] (13:38 - 14:38)

Okay, perfect. Maybe a quick example. So the question would be, do you have the feeling that the industries have to fight with certain prejudices, which also limit their growth?

For example, now from another industry, so that I don't influence your answer here, if you are in the retail market, you somehow have a sustainable fashion label and people say, hey, you produce where everyone else is producing anyway. Because you have very specific, industry-specific prejudices that prevent startups. Do you have the feeling that there is something that you could do there?

Good question. Well, yes, of course, somehow very, very often.

[Speaker 1] (14:38 - 15:46)

So if it is, you could of course build the transfer on the fact that you actually only repackage a similar product again and then try to somehow bring it to the market with higher margins and actually the ingredients themselves are the same again as it is somewhere else. Just with better marketing or product. So that especially on the food side.

Because in the end it is of course also super, super difficult for the consumer to find out, okay, from ingredients, how far is it really better than what you actually sell me as a devil's product? Then there are so many sweeteners that I somehow don't know at all, that it's not such a healthier product for me. On the healthcare side, I think it's difficult to make the transfer, or to make certain prejudices about it.

I can't do that right now, I think.

[Speaker 2] (15:49 - 16:22)

Okay, that's fine too. So that's a fair answer. Then let's go a little further, namely, if we are now at a point where you have made an investment, but this startup is about to fail.

Especially maybe with an example, I know you have from the sexual wellness or food industry, what possible turnaround strategies are there? And maybe you can always go into it more precisely, what steps you are taking, for example.

[Speaker 1] (16:24 - 16:42)

Well, of course, it depends a bit on whether you want to pursue the same idea, or does it just take more time? Or should it be more like, okay, the idea that you have pursued does not work and we have to do something else. What do you want to target?

[Speaker 2] (16:43 - 16:59)

Both. I think, of course, pivot is also an important topic. Maybe you can go into it like that.

But if there are really strategies besides the pivot, then of course more insights on that.

[Speaker 1] (17:00 - 21:13)

So, of course, pivot is the first thing we see, of course, because in the end we invest in the team and we believe that the team can break up a certain market, which another team may not be able to do. Accordingly, for us, normally, when founders come to us and say, okay, we think what we have imagined does not work quite like that, then the last thought would be, all right, you still have money on your account, then pour it out and we'll close everything. But actually it's more the idea, okay, how can we support you?

Then a way, either for the same problem or a solution for the same problem, to find another solution for the same problem. Or, but what is another problem that we can believe to solve and what you are actually the right team for? Either it has the consequence that they have already set up the team, if you think completely new now, then unfortunately the people have to be left out, because a large team with, I don't know, initial customers, which you no longer serve, they don't need anymore.

Accordingly, it is actually first about maximizing runway. And that usually works in the early stage area, just because you let employees go, that's how stupid it is. But it also allows the founders to focus on it a bit more.

Okay, well, let's start with a blank sheet of paper and somehow think about what we're actually up to and where do we go next. Of course, this brings the founders a bit into the problem that they have already raised money on an idea, have already spent a lot of money, which they may have spent. And in the time they initially had, let's say we invested in the pre-seed round and regularly, let's say, 1 to 2, 18 to 24 months up to the seed round.

But they've been working on it for 12 months, which means that they theoretically only have 12 more months to get the new idea so far that they can theoretically raise their seed round. Super difficult and can also lead to founders needing an extension again. That means we're going to shoot up some more money.

So a typical bridge round. Sometimes you also do follow-on rounds, where you bring in other investors who invest in the old valuation. Because in effect, nothing has changed since point zero, because you start all over again.

So that's the pivot and the topic. Otherwise, of course, there is also the possibility that you merge with other companies, that you just realize, okay, well, somehow we alone can't solve the issue. I think if you bring the companies together, then it might be of some use.

But to be honest, it's more of a benefit for later companies. We would never have merged with a Flink or a Gorillas. So of course there were also various conversations, because it just wasn't really worth it from all the marketing expenses that they all spend it individually.

But that's not the goal of your question. No, the goal of it. So basically either follow other approaches for the same problem and somehow look, okay, well, are we really in the right place?

Maybe get more expertise on board. Otherwise, pivot and last resort is really, okay, we give up and pour all the money we still have out again somehow, or the company goes into the controlled liquidation. I don't know, do you have any other questions?

Maybe I'm missing some points or what you wanted to get out of it completely.

[Speaker 2] (21:15 - 21:55)

No, I mean, in the end, it's about that we also find certain strategies in relation to the failure reasons. And maybe you have a concrete example where you say, hey, that works really well with the company, they are about to go bankrupt and we still had the opportunity to create a turnaround. Optimally, of course, in the food industry or sexual wellness.

Just that we understand the dynamics a little more. There are of course a lot of perspectives, both from a startup and from an investor's point of view, which of course sometimes clash, sometimes not.

[Speaker 1] (22:00 - 23:13)

So most of the turnarounds, honestly, in the portfolio were all about pivots. Of course, there are also macroeconomic reasons why we can't continue to be pursued. So if it's too capex-heavy, then the money suddenly gets tighter.

Then, accordingly, investors no longer finance capex-heavy topics. If it suddenly loosens up macroeconomically, then of course it works again. But otherwise, of course, somehow that you reach new milestones, which then suddenly convince investors.

But of course you can't force it either. I think it would really be more of the pivot or just additional skills that you get into the team via late-joining co-founders, which then suddenly convince investors that it is the right team. Or who also give new impulses to solve the problem in no time.

I don't like the portfolio for those two areas.

[Speaker 2] (23:13 - 23:19)

Okay, all right. A quick look at the time. Do you have a hard cut after this?

[Speaker 1] (23:20 - 23:25)

I could do five to ten minutes. Unfortunately, I have to go to the hotel afterwards.

[Speaker 2] (23:26 - 23:51)

Yes, no, that's great. I'm just asking because then I would actually also have a question in the direction of long-term steps that one would take to keep the company successful. So are there things that you do with your investments, especially in the industry, maybe very industry-specific, so that you are sure, okay, we want the company to grow and stay successful for a long time?

[Speaker 1] (23:53 - 23:56)

Sorry, again, very briefly the first part of the question.

[Speaker 2] (23:56 - 24:29)

Exactly, so there are a few measures that you can take, for example discounts or the like, that you get short-term growth, that you have short-term customers. But of course there are also steps that are really planned in the long term, which may require longer implementation and the like, which you undertake so that you are successful. And the question is whether there are certain steps in these two industries that are undertaken to ensure this long-term success.

[Speaker 1] (24:34 - 26:04)

Yes, that's a good question. So I think you generally have to deal with discounts extremely sparingly. So it's somehow good to get a clear customer base, but then, of course, if at all, via referral marketing.

Of course there is also this theme with loyalty systems, which can now also somehow bring a lot on the end customer side. And I wouldn't discount it at all now. I would definitely look better as a discount.

Because ideally you just want the basket of your customers to keep growing. So that you have a positive net revenue retention and ideally always a larger basket, so that you are actually no longer dependent on the acquisition of new customers, but the customers grow with you. Of course, this is also much easier to apply in the food sector.

In the healthcare sector it is more difficult, because then you have to, well, of course, either you can expand your product portfolio to offer more products to the customers than is initially the case. Difficult question. No, otherwise I wouldn't start initially.

[Speaker 2] (26:05 - 26:20)

OK, yes, everything is fine. It's not that easy. I would like to ask Victor, do you have a question that is still on your tongue, where you say, we haven't asked that yet?

[Speaker 3] (26:21 - 27:46)

I think we have covered most of the points. I would just like to go over the challenges or the failures accordingly. Just to come back to that.

I have already written a little bit, so I would like to introduce that again. It was mainly about the fact that the regulatory is very difficult in both. That was for both sides.

We talked about the hype, which was mainly on the sexual wellness side. We said that the market maturity is relatively difficult, which also has to do with the regulatory. And we talked about the high upfront costs, especially with food.

The market assessment is difficult. A point that is connected. Because you have to find out, for example, who produces, how much do we produce, how much does the customer ultimately take?

How do we get this done? Or the studies that have to be issued. We have already heard in the past that this is relatively difficult.

To really allow the products. Either a medical product, but also in the food sector. If we go back there again, is there anything else where you say that this is a point for the sex industry, or sex education, whatever, that this is a point that somehow stands out again?

Except for the hype or the regulatory?

[Speaker 1] (27:48 - 29:32)

I think it's another difference when you look at the USA or Europe. I think in the USA there is a higher willingness to spend. Simply because it is a self-paying market.

Not quite the case in Germany. I don't know exactly how far the teams have made it. Whether it is now taken over by the health insurance company or not.

I don't know exactly. Initially it was also a purely self-paying topic. Accordingly, I also believe that this is why it is not quite so popular here in Germany.

It would be exciting to see that again. In comparison, the self-paying market and the health insurance market. I think that makes it clear again for both topics.

Germany is well known for it. People are not willing to spend so much money on food. So why then also for medical issues, when in theory the health insurance company should take over everything?

I think you can add a little to that. I would like to clarify a bit that the companies need more money to survive this regulatory system. Or to get so far that they are clean in terms of regulation.

And before that they actually die, because they can't reach the milestones yet. Because there are such hard conditions. I think that would make sense again.

On the one hand, the topic of willingness to pay and maybe to limit that a bit. Sorry, now I haven't answered your question quite so often again.

[Speaker 3] (29:35 - 29:54)

No, we just discussed it again. That we just go over it again. I'm sure that helped.

I wrote it down again, recorded the points. That's why I think we actually took some points with us. Or in general, thank you very much.

That's why I don't have anything else from my side.

[Speaker 2] (29:57 - 30:11)

Is there anything that we haven't asked yet, where you might say, hey, I would like to give you that. You should know that if you look into this industry. Or we haven't even talked about it yet.

Just anything that makes sense to you. If not, that's fine too.

[Speaker 1] (30:14 - 31:44)

I'm very curious what kind of correlations you may find in the two areas. When I first heard it, I didn't immediately connect between the two areas. But I think it's super exciting.

These are topics that are definitely getting more important. Especially in the direction of food. Food in Germany and Europe is still real.

Or food tech, food investments, food start-ups. It hasn't been around that long in Germany. I remember that my boss explicitly founded a different fund.

Because in 2016, when he made the first investments, there was no interest from institutional investors to invest in the food sector. That has changed massively by now. More and more consumer goods companies like Dr. Oetker, etc. have set up their own funds. Bitburger is also very, very present. Also as a fund of funds with Simon Capital on the way.

I think you will find a lot more partners there now. It used to be full of them. But no, I don't feel like you forgot anything.

[Speaker 2] (31:45 - 32:08)

Okay, cool. Then, of course, always asked in the direction if you still know someone or say, hey, it would be super exciting if you could talk to this person. It would of course be great to get connected.

Because it's always a bit of a pain to get an interview. Maybe someone else comes to mind. Then we will definitely be very, very grateful.

[Speaker 1] (32:11 - 33:21)

I think on the investor level, I would really try with this class. The problem is, I think it will be very, very difficult to cover both areas. But there are quite a few.

Foodlabs, I think they won't be able to tell you that they might be able to show you even more new trends, etc. But otherwise, I think it's relatively cutting. Dieter von Holzbrink is a very classic healthcare investor.

I think I would look up who, ideally, you have someone on the investors who have also invested in these topics. I think that probably brings you the most insights. That means, if you see that I would like to talk to someone you would like to talk to on LinkedIn, feel free to let me know.

And I can tell you how close the connection really is. Then I'm happy to ask.

[Speaker 2] (33:22 - 33:33)

Amazing. Okay, cool. Yes, great.

Then that's it. Thank you very, very much for taking the time. And thank you for taking a few more minutes.

## 8. FSWE2

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:02 - 0:22)

Let's just start by saying where you come from and, above all, your relationship to the two industries. As an investor, we discussed this with [one sexual wellness and one food startup], and maybe you can tell us what your relationship is to them.

[Speaker 1] (0:22 - 1:21)

Yes, gladly. I'm Vanessa Losch, I'm from Munich, I'm turning 50 and I've been self-employed for 20 years. I have a PR agency that deals with the luxury fashion market and a talent management agency.

I've been an investor for four years with a sugar-free raw chocolate. I got into it through PR because we first set up the brand with PR and then the brand grew so much that it offered to give out shares. In general, PR communication strategy is always an extremely important point for startups, including the part influencers.

That's why I'm very interested in supporting startups with my career and my expertise. And last year I was also in the field of sexual wellness.

Among other things, I also support an influencer, a sexual educator with whom we have already developed our own product. I find it very exciting and I'm also trying to find projects in this area as an investor.

[Speaker 2] (1:45 - 2:02)

You already said you have your talents, you work with the influencer and have also invested in [sexual wellness startup]. Do you see any big trends in the industry at the moment?

[Speaker 1] (2:06 - 2:08)

So in the pleasure industry?

[Speaker 2] (2:09 - 2:10)

Yes, exactly.

[Speaker 1] (2:11 - 2:43)

Ultimately, one thing is what you can physically offer, physical products. The other is also the area of everything that is visual, either what you can see from film, video or audio. And then, I would say, the movement has also moved very much towards women.

That means in the area of adult pleasure, there may have been a lot more options for men years ago. But for women, the offer has now also grown a lot.

[Speaker 2] (2:46 - 3:44)

I understand. And so we would simply keep this industry focus relatively small due to time. And that's why we're getting faster to talk about the failure reasons.

And probably put our focus more on the adult pleasure industry. Simply because it's not that easy to talk to different people in the industry in this area. Because either, some don't want to and there are also simply, that's a niche market.

That's why there aren't that many startups that deal with it, unlike food. Where everyone somehow produces his new oatmeal and chips from lentil proteins. That's why maybe we could focus a little more on that and then just come back to food later, if there's any time.

Now it is the case that you have somehow accompanied various startups. Among other things, [sexual wellness startup]. And could you maybe summarize again what the failure reasons are?

So what do you think startups fail according to?

[Speaker 1] (3:46 - 4:25)

So already in the complexity. That means, if you are relatively small in the structure and still want to individualize. Also from the product selection, especially in the luxury area.

So [sexual wellness startup] wasn't a wide mass and cheap. So what does it mean, it exists in the form that they went over to [major sexual wellness manufacturer]. But ultimately in the high-end area you just have a smaller volume of revenue, which you can achieve.

And also the margin is relatively small.

[Speaker 2] (4:26 - 4:36)

I understand. And are there any factors that you have noticed that are very industry-specific? Or where, for example, you have problems with influencers?

[Speaker 1] (4:37 - 5:03)

So the communication is very industry-specific, because you are ultimately already totally restricted. So alone, sexuality is actually not allowed on Instagram. So you can't apply.

But that means you are extremely limited in the complete marketing and advertising.

Which, of course, takes up a lot of your reach.

[Speaker 2] (5:12 - 5:31)

[One of our interviewees] said there is a real advertising ban. And channels are regularly banned.

Do you see that too?

[Speaker 1] (5:32 - 5:54)

Yes, our sexual education has the shadow banning too. That happens more often. But I have to admit, to be honest, I'm not that into it.

Because that's what the social media manager does for us. And what the reasons are. But ultimately, yes, there are extreme prohibitions.

And advertising in general, you can't do for toys, pleasure toys anyway.

[Speaker 2] (5:55 - 5:57)

Yes, exactly. Because that falls under these prohibitions.

[Speaker 1] (5:58 - 5:58)

Yes.

[Speaker 2] (6:00 - 6:08)

Do you have any advice on how startups can deal with this otherwise? So both the prohibitions, but possibly also other difficulties.

[Speaker 1] (6:09 - 6:39)

No, the one thing about the prohibitions is that you formulate them differently. You place the words differently. So I always go to the example of sexuality.

Sex is written differently with G or C. Or there are different formulations. Yes, dealing with it is a bit difficult.

So you just have to do a different storytelling. But no, I can't really tell you that either.

[Speaker 2] (6:40 - 6:55)

Difficult. Yes, now we have already talked about the challenges. Advertising ban in the sex industry.

It's just the industry, it's difficult, you can't say much. What challenges do you see in the food industry?

[Speaker 1] (6:56 - 7:23)

Yes, as you said earlier, that the offer is extremely large. And then the decision whether you only do B2C or B2B now. So which distribution channel.

Whether you only do online for now, start online. Or do you say you want to go in with finalists or into the big chains. Because that's also a margin issue that you have to plan in from the beginning.

If you only sell online now or do you say you want to go to the stores later.

[Speaker 2] (7:25 - 7:28)

I understand. We've heard the margin issue more often.

[Speaker 1] (7:29 - 7:53)

That's a huge topic, yes. Especially listings. So in the end, if you're listed with Alnatura, with a bioproduct, it doesn't mean you make money with it for a long time.

If then over the mass. But in the end the charges are so high and the margin is so small that it has to be put off under marketing. That you're in the stores.

So the best margin and the best sale is still B2C.

[Speaker 2] (7:53 - 8:04)

I understand. Yes, exactly. So that's what we heard before.

Are there any other industry-specific things? You just mentioned the regulatory. Did he have any problems with that?

[Speaker 1] (8:06 - 8:07)

What do you mean by regulatory?

[Speaker 2] (8:08 - 8:15)

Well, now it's like this. This chocolate startup sells raw chocolate. It's kind of like...

[Speaker 1] (8:17 - 8:43)

The charges are a huge topic. That starts with logistics. Because food has to be stored in a completely different way.

Partly has to be shipped. Seasonal topic. Winter, summer.

So there is a lot more effort and costs. And the risk is also much higher. [...]

[For one food startup] there were big problems again. So storage, logistics, shipping.

Which then again has to do with durability and so on. Then you want organic or not. How do you get such an organic seal?

Do you really need it? Then of course the market fight in general. Where do you position yourself?

And then you have to think about it again. Okay, do I want to be in the middle price segment or cheap? And you have to think about all these things in advance.

Because otherwise you don't have a chance to place it on the market.

[Speaker 2] (9:24 - 9:42)

Yes, these are also things that we went through back then. When we discussed that. Another question.

Have you actively considered which industries you invest in? And if so, how did you get there? Or was it more because of your PR activities?

[Speaker 1] (9:44 - 10:52)

No, so at [food startup]. So actually it was always about the PR activity. Because we started with PR and had contact with the product.

We get an incredible number of inquiries from startups. Of course, they all want to have PR. But they don't pay anything for it.

Because then the value of being in a glamor or in a colorful one is great. And everyone wants it. But he doesn't know how to assess the value.

Because of course there are no known figures. Except you now have your own online job. That means we started with such a small startup package with [food startup].

And it was everywhere. And then of course we could always find out through the close contact. Okay, in southern Germany [food startup] is only mentioned now.

And suddenly 50 orders are there. These are of course figures and figures where you can also measure. And of course that's quite good for image.

Because if you look at the startups, you have a higher credibility. If there is already a Vogue and an InStyle on the page. Or a Brigitte or Food or Vegan.

As if there is nothing on it. And in the end it also counts a lot for quality in the German-speaking market.

[Speaker 2] (10:55 - 11:09)

I understand. Yes, I mean, the logos are often shown on their websites. I mean, there are quite a few.

Now you have an overview of both industries. Do you have the feeling that there are prejudices?

[Speaker 1] (11:11 - 11:12)

Prejudices of what?

[Speaker 2] (11:14 - 11:30)

Prejudices within the industries against people who work outside the industry. That means the food industry is not so good. If you want to place them, then it is more difficult.

We have already talked about the advertising ban. Are there prejudices in the adult pleasure industry or in the food industry?

[Speaker 1] (11:34 - 11:36)

Not what is known to me in my area.

[Speaker 2] (11:39 - 11:53)

Okay, and also your influence. So there are no problems working with advertising partners. Because she has too much contact in the sex direction.

Or is positioned there.

[Speaker 1] (11:54 - 12:50)

Let's put it this way. It is opening up more and more. Especially for the whole care sector.

Ultimately, the printing industry has grown extremely. And in the printing industry you now also have, you already have it, you have your own departments. With Wellbeing or whatever they call it.

That there is already a break. But the conservative brands, that is company-dependent. You can't specify that there are prejudices.

I think it always has something to do with the philosophy of the brand. And also, to be honest, with the generation. The younger generation is more open-minded and more open.

And appreciates this platform, range or industry just like anyone else.

[Speaker 2] (12:51 - 13:01)

I understand. Now you have just mentioned the topic of brands. And that is an important component of your daily work.

To form brands. How important do you see that for start-ups?

[Speaker 1] (13:03 - 13:55)

So, in order to be able to sell a good product, brand building is extremely important. And of course, in recent years it has become extremely difficult to get that. Because there are many more channels.

So you have to take the complete toolbox of communication. And think about it. What kind of product do I want to market?

Where is my target group? Who is my target group? How old is my target group?

Do I need print media? Do I need radio, television? So, I don't think there is anything that can be excluded.

Because you can say that it is too old or doesn't work anymore. Unfortunately, it is just in the phase that it has to be a mix of different channels. To make a brand known.

[Speaker 2] (13:56 - 14:06)

I understand. Okay. Let's go back to the turnaround strategies.

Simply with a view to the time. After we have now talked about failure reasons and challenges.

[Speaker 1] (14:09 - 14:11)

But I didn't really tell you about failure reasons.

[Speaker 2] (14:13 - 14:14)

Yes, a few.

[Speaker 1] (14:15 - 14:15)

I didn't go into it.

[Speaker 2] (14:16 - 14:26)

We talked about logistics, for example. I mean, I don't know. So if you see others.

So you usually see other industry-specific failure reasons.

[Speaker 1] (14:26 - 14:53)

Product and product use. So failure reasons, product and product use. On the one hand, everyone talks about sustainability.

But you have to serve that too. That's more expensive again. And the whole cycle is extremely difficult.

And that can of course also... So that's the most important thing when you go into production. Where you want to do the whole thing.

And that can also kill you.

[Speaker 2] (14:53 - 14:53)

I understand.

[Speaker 1] (14:55 - 15:03)

Through crises, for example. If you produce in China. The port is closed.

Ships don't leave. So in the end, these are all issues that are important.

[Speaker 2] (15:04 - 15:08)

So you're saying supply chains are a big problem right now?

[Speaker 1] (15:08 - 15:09)

Yes.

[Speaker 2] (15:09 - 15:31)

Okay. If you now... I mean, now we've addressed the problems.

If you're at [food startup], let's assume money wouldn't play a role. Somehow so money. So that somehow it fails.

It just won't fail at the moment. So there are enough resources there. And you would now have the opportunity to somehow advance that in the long term.

What would you do there?

[Speaker 1] (15:34 - 16:26)

So I would just go to a top target group. Because this [product] is already a niche. That means not everyone wants that.

And it's already the... I'll tell you, you can't thin it out now. But it does have a lot to do with the conscious person.

To the athletic person. Maybe also more in the yoga direction. And I would do pop-ups.

To make the brand known to the customer itself. Because you have to try a food product yourself. So alone through visuality and through placement in the media, you can't get someone to buy the chocolate.

Especially in the case where it is also very expensive. And we also found out at the fairs. That's why that would actually be the best strategy for me.

Shop in shops, pop-ups.

[Speaker 2] (16:28 - 16:38)

I understand that. So to speak, in the food industry. If we look at [sexual wellness startup] again, the adult pleasure industry, would that be the other strategy?

[Speaker 1] (16:41 - 17:29)

No, because we are also only online at the moment. And strategically think about exactly where we want to go into the stores now. Is it a double?

So it doesn't necessarily have to be a sex shop. For example with the sex game. Or small boutiques where you have lifestyle products.

Ultimately, a product placement in a physical store is still extremely important. And also difficult because the trade is not going well at the moment. That means you have to convince the dealer first.

That you come to the store. Then of course there is a shelf fight. Depending on how big the store or the chain is.

And that's actually the most important thing.

[Speaker 2] (17:30 - 17:37)

I understand. Now you have already mentioned this shelf fight. What role do such big players play?

[Speaker 1] (17:39 - 18:26)

A very big role. And for example now with DM, you don't get a shelf at all. They throw out a brand if it doesn't work anymore.

But then you have the companies like L'Oreal or others. And then they do something there. So for example, we are developing a different industry, but beauty.

We are now getting shelves. We want to bring 1.6 million products to the market next year. We also get that in the DM.

But only because we have access to a specific product. That means it's an extension. And so it will be a co-creation with one of our talents.

And so we will get to know each other at DM. And space in the shelf. And so it is with everyone.

[Speaker 2] (18:27 - 18:29)

I understand. Also in the other industries.

[Speaker 1] (18:30 - 18:30)

Yes.

[Speaker 2] (18:33 - 18:58)

Then we have actually already discussed the most important questions. Maybe just when we go back to these big players. We have just looked at the individual chains.

Would you otherwise say that there are still the big players, which are very important and why it is difficult? Maybe also when we look at it in the media and communication. Or would you say there are few restrictions?

[Speaker 1] (19:04 - 19:19)

No, I think that the big players have to be careful that they don't get dusty. You have that in the food industry. For example, Nestle, which has these munich based spices.

I don't remember what they were called again.

[Speaker 2] (19:20 - 19:21)

Just Spices.

[Speaker 1] (19:22 - 19:25)

No, Just Spices is Cologne. I can think of it right away.

[Speaker 2] (19:26 - 19:27)

Anchor Kraut was sold.

[Speaker 1] (19:27 - 20:31)

Yes, exactly. Anchor Kraut. Or for example, who does Joko Winterscheid sell his chocolate to?

50 percent. Also to a company. That means they buy to make them more attractive again.

And the food industry is changing extremely, I think. Also very internationalized by the products that are offered. And then of course you are already a normal Maggi provider.

It's already difficult to keep up. Or Lion's Manure. You see, even if you walk through the shelves and in such large supermarkets, even in Germany, Lion's Manure has completely renewed the logo and made it very young.

Everything is rejuvenated. And that's extremely important. Either they buy small brands or have to do it themselves.

I think that's extremely difficult. That's why you have a great chance as a young brand to work in the market share.

[Speaker 2] (20:33 - 20:40)

I understand. Yes, Vanessa, now we have flown through our question arc a little faster. Simply for reasons of time.

I don't know, Joanna, do you have anything else?

[Speaker 3] (20:42 - 21:02)

No, actually not. So maybe just in terms of long-term. So we talked about some short-term strategies to build up brand awareness in the short term.

Pop-up stores, shops, and so on. Are there any strategies in this regard that really aim for the long term?

[Speaker 1] (21:06 - 22:10)

So what you can think about, for example in the food industry, if you say you want to publish a book, for example, a special cookbook, depending on which direction you're going. Or what is very much in the works now, of course, YouTube format in combination with your products. Or how Obi does it.

So I ended up in the industry again. I need something industry-specific, I'm sorry. By the way, that's what the media brands like the [...] publisher are trying to do.

They also produce a lot of food videos for Maggi and so on. So these are rather long-term topics where you're trying to build up and keep a new community. Books are really a good example, because the book market doesn't break down.

Although you say reading is old school. Or TV. TV won't go away either.

There are always new formats. And formats are then simply sponsored by brands. And that's of course a long-term plan, because you'll definitely need a year or two for that, until something like that comes on the market.

[Speaker 3] (22:12 - 22:23)

So the whole keyword community management and construction, so to speak, in the long term and for a brand. Community care, yes. Okay, all right.

[Speaker 1] (22:24 - 23:04)

Of course, you can add a cookbook, which you may then play on all digital media. Keep more. Then, for example, you do a co-creation with a well-known cook.

That's just long-term. So like a brand, for example. In other industries, to be honest, it's a little more widespread than H&M and the designers.

Co-creation. So fashion is actually always there. I'm not in the food industry enough to say, I don't know what a well-known cook has, for example.

What does he do? There are definitely also co-creations.

[Speaker 3] (23:06 - 23:12)

Yes. No, that wasn't my only question that was left over.

[Speaker 1] (23:13 - 23:35)

Yes, I'm sorry. Of course I'm not the kind of person who can go deep. Because in the end I'm just standing outside and doing communication.

And then in the start-up, yes, not at all. I do notice what you could do, what you couldn't. But in the end, of course, a founder is even more detailed and can give you even more information about different areas.

[Speaker 2] (23:36 - 23:43)

Yes, but that's why, thank you so much for taking the time. Because I mean, we just want to see different perspectives. Of course.

## 9. SWST1

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:02 - 0:51)

Good. I can start very briefly.

I was at Enpal in the summer and I got to know Luisa there, because of the contact. I come from Hamburg, I did my Bachelor's in Media and Communication Management, then worked for two years in concerting and now my Master's at NOVA.

The Master's at NOVA is always written with several people. That's why Victor is still sitting here with the goy, because we write the work together. About failures and turnaround strategies at start-ups, and then the reference to the sexual wellness industry and comparison to the food industry.

Exactly, a little rundown. I would like to introduce myself briefly, Victor.

[Speaker 3] (0:52 - 1:27)

With pleasure. First of all, hello. Just briefly, I came from Munich, did my Bachelor's at the WHO, saw different areas, was there for a year at the WC, there was also the start-up reference.

I did something completely different. We had a completely different focus, we did financial industry, we are token insurance management or insurance start-ups. We concentrated there, but then somehow noticed, the industry is not really something for me, I would like to do something else.

I did my Master's at NOVA and am now writing the Master's thesis with Joanna. That's how it came about that we are sitting here together.

[Speaker 1] (1:30 - 3:17)

Cool, I also did my Bachelor's at the []. [Introduction of person]

[Speaker 2] (3:19 - 3:39)

Yes, nice. Can you maybe go into a little more detail what trends you see in the industry?

Where does the sexual wellness industry stand in your opinion? What factors are driving such changes?

[Speaker 1] (3:45 - 6:58)

I think over the last few years there has been a big change. That the industry has moved more and more into the middle of society. I think it started with Amorelie.

There were already some retailers before that. For example, an eis.de, which is super big in Germany. But before that they looked super cheap.

And then Amorelie came and made everything pastel. And now everyone is doing it all of a sudden. That was around the time, 2016 to 2018 or so, where everything changed a bit and somehow became more beautiful.

More geared towards couples and less dirty. At that time [company information] And the industry has started to professionalize itself, I would say.

In the last five years there has been more consolidation of the industry. There are still a lot of small retailers everywhere. But from Amorelie to a few years ago, some online retailers have become bigger.

And more and more professional. In the last few years there has been more consolidation. Some private equity companies have gone in and have bought up strong retailers in various European markets.

[...]

We became [a group of businesses].

In the last few years there has been more M&A activity. What trends are there in the industry? Innovation is relatively slow in the industry.

There are few innovative premium brands, or only innovative brands. We are getting a bit ahead of ourselves. But to be honest, we haven't made any big leaps in the last few years.

[Speaker 2] (7:03 - 7:35)

So product-wise, the trends are not so world-changing. It's okay if the answer is that it's a relatively stable industry or that the product-wise development is a bit more stable. It's also a recognition of itself.

[Speaker 1] (7:36 - 8:49)

One thing that definitely needs to be mentioned is that there are more small things that pop up on social media. I don't know if you've ever heard of the Rose Suction Toy. You have to check it out.

I think that's the thing that does it really well. It was a TikTok topic that suddenly went viral. It's a super ugly rose-shaped suction toy.

I think we're too close to the topic, but everyone thinks it's terrible. But in the meantime, we've built one of those, because the demand is so high. And now, even though we launched our rose on the retailer a year after the trend, it's still selling really well.

So even though you can't advertise on social media, there's definitely more about influencers now. The Rose Suction Toy was one of the few times that a sex toy went viral. That might be another trend.

[Speaker 2] (8:50 - 8:58)

You just said something very interesting. In other words, it's not possible for you or for the industry in general to advertise on social media?

[Speaker 1] (9:00 - 10:30)

Yes, exactly. We have some problems with online advertising in general on social media. Instagram and stuff doesn't work.

Content creators also have to be very careful about how they post sexual content, because they like to get blocked and blocked. Our own accounts have already been blocked several times. And then we always start an un-mute-please campaign and collect signatures and whatever.

So it's really not that easy. But it's possible with creators if they pay attention. Advertising is not possible.

Google Ads are possible, of course. But Google itself has become super difficult. Do you know Safe Search?

I don't know if it's present with us. But yes, Google Safe Search really kicked us out. I don't even know how much, but it was definitely not so low, two-digit percentage range, simply cut off our traffic.

Because sex toys are so dangerous. So we still have to fight with the stigma. Although I think it's slowly going back with consumers.

And somehow the fewest people find it uncomfortable. I don't know, when I tell you where I work, I've never had a negative reaction. Rarely even a strange reaction.

But with Big Tech it's definitely super difficult.

[Speaker 2] (10:32 - 10:54)

Okay, great. I mean, that's a very industry-specific reason that could cause start-ups not to grow, if they can't present themselves online. Do you have any more reasons why start-ups in this area, or companies in general in this area, fail?

[Speaker 1] (10:57 - 14:05)

I think it's a little different than with others. Because you have this problem, but you just have to get a little more creative. It's not impossible.

For example, we worked a lot with PR at the beginning. Because that's what it's all about. Suddenly sex is the coolest topic ever.

You just have to know where you can get by with it. Where you may not get along so well with social media advertising. It's a topic that a Vogue and a Brigitte really like to talk about.

And what we also did was, we built the market via B2B. When we bought [major german sextoy company], it only ran through one distributor worldwide. And because the product was so strong, it was a complete self-success.

Without them doing marketing, without a company behind it. They just offered the thing. They've already made 20 million sales.

And of course it was profitable, because they didn't do anything but produce the product. And then when we bought it, we started to hire the biggest retailers as direct customers to have more margins. And to take the middleman out.

And we still continue this strategy. In the meantime, the distributor is making less and less sales. The biggest customers are all with us directly.

At the same time, we try to get the customers from them to us. And to increase the B2C share. But it was very, very important that we went via B2B.

And then we did the B2B2C, because the B2B customers had a luminous effect. So the consumers in the sex market are very uneducated. That means there are still quite a few who are actually in-store or have a relatively high confidence in what, for example, a Amorelie says, what is the best sex toy now.

That means if you position yourself very strongly with the retailers, you can achieve a good standing with the consumers. And what I think is a huge chance for startups is that we have a very, very low brand awareness in the market in general, because the consumers are so uneducated. That means if you have a funny idea, for example, with such a rose toy and then you just manage to develop a funny TikTok campaign, then it actually works.

So then people are not like, yes, okay, but I know that I buy my vacuum cleaner at Dyson, because it's really good. But it's just kind of like a sex toy. Okay, funny.

But no one knows, oh, sick, the suction toy is actually [major german sextoy company], the premium brand. And if I want a really good one, I'll go there. No, if you sell it well enough, then it still works, because people just have no idea.

So that's why I think it's actually not so difficult for startups to enter the market, if you somehow act smartly and do creative marketing.

[Speaker 2] (14:06 - 14:19)

Okay, I understand. But what are the challenges that you are facing right now, for example, especially those that may be related to the industry? And maybe to look a little more closely.

[Speaker 1] (14:28 - 15:35)

So I think the biggest ones we've actually already mentioned, with the self-search and the general advertising problems and the low consumer knowledge. So that's what our strategy is actually aimed at, that we try to go from a dull retailer to a destination for sexual wellness, that we take our consumers by the hand and train them better and of course steer them towards our brands. Those are actually the biggest problems.

Otherwise, of course, industry-specific, the market environment is currently a bit difficult, especially for a premium brand, for a luxury good, which you don't necessarily need now. We also had a lot of rising prices from our manufacturers last year. So I don't think it's all industry-specific.

[Speaker 2] (15:36 - 15:45)

Yes, so rising prices from manufacturers also simply means in the course of the economic crisis? Or how can you understand that?

[Speaker 1] (15:46 - 16:21)

Yes, exactly. Materials have somehow become more expensive in China and that's why our suppliers have increased their prices. Two years ago, we took over our own factory to deal with it.

Before that, we had a single supplier for [major german sextoy company]. Of course, that's not that easy to negotiate. Now we have our own factory and we can always say, if it's not cheaper, we'll do it ourselves.

And that way you can save a lot of money, but it's also not industry-specific, I would say.

[Speaker 2] (16:21 - 16:53)

Yes, fair. One thing that we saw in the research was that some VCs, for example, have to fight with white clauses in investments. Can you say something about that in the investors' environment?

What does that mean? So white clauses in the sense of they are not allowed to invest in pornography, for example. Do you know about that?

[Speaker 1] (16:57 - 18:28)

I don't know that much about it, if they're actually not allowed to. [major german sextoy company] actually only came about because [a investor] in [major german sextoy company] didn't want to invest anymore. The inventor of [major german sextoy company] went to Amorelie.

They looked at it all. It was a really crazy business. Amorelie really wanted to buy [major german sextoy company].

And in the end [the investor] said, no, it's not possible. That was because they had just gone to the stock market and they couldn't afford to invest their first investment after the stock market in a sex toy company. And that's why the first thing that came up was that [the founder] said that it was so annoying that they wouldn't do it.

And then his wife said, yes, do it yourself. And then he just got a PI. So I think there are investors in certain situations who hold back.

But it also surprises me a bit, especially now when there are smaller VCs and maybe not such a huge [investor] thing that has just gone to the stock market. It surprises me somehow. But I can't, no, I don't know.

Apart from that anecdote, I don't know anything about it.

[Speaker 2] (18:29 - 18:57)

And do you generally have the feeling that there are a lot of advantages to fighting in the industry? Especially when it comes to investors, when it comes to customers, you already said, almost not so, but especially in the side growth and, I'll say, getting the financing? I can't say anything.

[Speaker 1] (18:58 - 20:18)

I wasn't close enough for that. I worked with other investors, but it was like any other company, that somehow tried to present itself well. But I wasn't in the conversations before until it was of interest at all.

And I think that's where the point is. That's why I don't know anything about it. With consumers, the stigma is getting less and less.

Of course, you still have more people than with a vacuum cleaner who say, I don't want anything weird. But overall, it's going down a lot. And on the other hand, you have business partners.

And I think that's the most difficult thing. So the advertising thing, as I said. And then, I don't even know what it was, if it was Stripe or something.

Because we also had problems with a payment service provider that we suddenly couldn't use anymore. Because we broke a corporate guideline and they blocked us right away. Because they thought we were some sick, unethical porn company or something.

So where I get it first, but that's probably because of my position, is business partner. Investors, I don't know.

[Speaker 2] (20:19 - 20:58)

Okay, all right. You've already seen the stages, where we weren't that big yet. Now it's grown.

Imagine you're at a new start-up and you're struggling a bit right now. Especially, maybe, exactly with the challenges we've already talked about. Are there certain things that you would recommend to these start-ups so that they become more successful again, so that they can take this step into the industry?

So, strategies for growth, for success?

[Speaker 1] (21:04 - 22:01)

So, I think the most important thing is this creative marketing. So, being aware that not everything will work on the usual channels and just try to be loud. Because sex is a topic, which is either very quiet or very loud.

So, best to be loud. And otherwise, I think what we do well with products, what brought us forward, was that we test a lot, super early. So, you wonder how much sex there is, that just doesn't work, that are anatomically just not good.

So, if you pay attention to that you really have a strong product and do creative marketing.

[Speaker 2] (22:03 - 22:29)

I think that would be it. Okay, I understand. And are there any other key steps where you would say, okay, that's super important if you want to have such a startup successful in the industry in the long term?

Apart from, let's say, a marketing strategy, which is, let's say, creative enough and also product testing?

[Speaker 1] (22:40 - 24:49)

Maybe not, that's not so industry-specific, but because it's a physical product, from the beginning, we started to pay a lot of attention to the margins. I think they were very, very good at first and then, of course, got a little worse, because we suddenly had overhead. But now, in the last year and the year before, we put a lot of work into tightening the margins a bit again and somehow found some points where we could save quite a bit, where we somehow, over the years, where it always went really well, always had nicer packaging and so on, and where you then realize at some point, okay, you can take a step back.

We're already really well above the market standard, which is a bit unnecessary. I'm not quite sure whether you should either go completely over a direct social media track or maybe build up a good relationship with retailers, as we did at the beginning, because B2B is still a very significant part, especially with premium brands like [major german sextoy company]. So depending on what you have in mind.

I think if you start with an expensive premium brand, you should definitely build up good B2B relationships and go over it, because the store saleswomen are our super fans. If someone comes in and has no idea, they definitely press a [major german sextoy company] on it, because they love the product themselves. That is definitely something that can be very worthwhile if you can give up the margin for it, if you have a premium product.

[Speaker 2] (24:50 - 25:01)

Yes, I understand. Okay, also with a bit of a look at the time, I would like to look again in the direction of Victor and ask if he has any questions.

[Speaker 3] (25:03 - 25:27)

Yes, I wrote down, that's why I always looked down. I would like to add one thing or ask. We have often heard, also in relation to the food industry, that it is relatively regulatory.

Now that's clear, because the food products are difficult, but they are relatively heavily regulated. Do you have that with you too? I mean, it's kind of a hygiene product.

So do you have problems with that? Especially at the beginning?

[Speaker 1] (25:29 - 26:35)

To be honest, no. Because sex toys are so niche or were, there was no standard for a long time. [...]

Now there is even an ISO guideline for it. So that means, at the beginning there were actually no standards and we then decided to stick to the standards for children's toys. Because it is of course super important with such an intimate product, that you have quality standards.

That's why we did it from the beginning. There is now this ISO guideline, but of course it is not mandatory. That means there is also really a lot of garbage in the market.

That's why it's also important to educate consumers more. Because there are really some ingredients that are a bit shady. And maybe you should really think about where you want to stick to that.

But from there, no, very little regulated, I would actually say.

[Speaker 3] (26:36 - 26:39)

And also no medical tests or anything at the beginning?

[Speaker 1] (26:39 - 26:40)

No.

[Speaker 3] (26:40 - 26:40)

No.

[Speaker 2] (26:44 - 26:46)

You would somehow mean.

[Speaker 1] (26:47 - 27:19)

So there is of course some kind of reach and gross. So there is so roughly somehow. I don't know which quality tests we do are mandatory and which we have imposed on ourselves.

Yes, I don't know. You might have to do some research. But there is now an ISO standard for sex toys, but it doesn't exist yet.

[Speaker 3] (27:21 - 27:23)

Okay, thank you very much. We'll take that with us and look again.

[Speaker 2] (27:25 - 27:28)

Okay. Any other questions from you, Victor?

[Speaker 3] (27:30 - 27:35)

No, that would actually be the only thing I noticed that was completely different from the others.

[Speaker 2] (27:36 - 27:51)

Yes. Otherwise, I would just ask the question, do you somehow have the feeling that you haven't been able to get rid of anything yet or haven't said anything yet that you might still consider important for us in our work or something like that?

[Speaker 1] (27:53 - 28:04)

No, I think we have everything. I don't know if you've heard it. There is an OMR with our CEO.

I think we talked about similar topics, but maybe listen to it again.

[Speaker 2] (28:05 - 28:49)

Okay, very cool. Yes, great. Then we definitely have it.

Many, many thanks for your time and for helping us here.

## 10. SWST2

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:00 - 0:18)

Very good. I have already opened the questionnaire so that we are a little prepared. Maybe you can explain where you come from, what Porzelina does exactly, so that we can start with that.

[Speaker 1] (0:21 - 1:06)

Porzelina produces Porcelain-like toys, here in Germany, or rather in Bavaria. The whole thing was founded last year in March, but it feels like a long time since so much has happened. With all the design awards, Red Dot, German Design Award, it was all very wild.

The idea comes from the design study, that was in early 2014, and it was created in the workshops. I don't know how detailed you want to go into this, but you can read the story on the website. I'll do that in a moment.

[Speaker 2] (1:07 - 1:20)

I had already dealt with it. We just wanted to make an introduction or just for the interview, so that you can imagine what it is and maybe just describe your role again.

[Speaker 1] (1:21 - 3:14)

Yes, exactly. I'm a founder and now I'm a manager. The project was created in the design study.

I left it there, because I had a relatively large portfolio on sexuality, but I wanted to become a product designer. I thought it might not be so easy to get into medical design. If you have a sex drive, you might want to do something about ergonomics.

I did my bachelor's degree in ergonomics, but then I went back to the master's, because I thought, maybe you don't want to be a product designer, and you can do it much better with management and processes. Then I studied engineering again and got it out in a business plan course, because I found it interesting. Then I saw that there was a market and an interest in it.

At some point it was a topic. Then I looked at it in the master's as a master's thesis in the field of product pallet development. So I had this management background and then this product development background again.

Then I founded a studio. I started to found it, which is my biggest process. Then I optimized the products again with user feedback.

As I said, it worked out in March last year. It's a very long process. We've been on the market since August last year.

I see.

[Speaker 2] (3:14 - 3:23)

If we now go into the industry, you said you've been working on it for a long time. What trends do you see at the moment?

[Speaker 1] (3:28 - 4:01)

I always say sustainability. I see that as a bit more complex. For example, I saw that Amorelie had a sustainable assortment for a while.

That's how it's spelled out. I think they adjusted that again. That's why I'm not sure if that really supports this trend or not.

Or maybe it's just not their niche.

[Speaker 2] (4:02 - 4:02)

I see.

[Speaker 1] (4:06 - 5:03)

But that would be a trend that I'm a bit on board with. I see. Sustainability and a bit of mindfulness.

New spirituality. At least that in the younger generations. In the older generations.

Older and younger is a bit difficult and subjective. But I don't have any exact data on that, so I don't know. But what I get from business, the older people, they are people who have dealt with their own sexuality a lot.

Maybe they have often focused their lifestyle in this direction. For example, in the field of BDSM or other links to a meaningful lifestyle.

[Speaker 2] (5:04 - 5:04)

Yes.

[Speaker 1] (5:04 - 5:26)

Exactly. And that this sexual development, this topic of sexuality, is now being discussed more intensively in public is definitely a thing. There is better education.

You can see that in all the influencers. Sexology comes to mind very spontaneously.

[Speaker 2] (5:27 - 5:27)  
Okay.

[Speaker 1] (5:28 - 5:47)  
Where you start talking about sexuality at a young age. But I think all these movements are relatively distinctive. There are always counter-movements.

Especially in the direction of conservative politics.

[Speaker 2] (5:47 - 5:49)  
Yes, of course. At the moment.

[Speaker 1] (5:50 - 5:54)  
In that direction, I would say, it is more limited.

[Speaker 2] (5:54 - 6:18)  
I understand. Yes, I mean, as so often. Especially now in Germany.

Unfortunately, the conservative seems to be strengthening. You have to see where that's going. If we come back to the industry, do you see any particular hurdles or particular risks?

[Speaker 1] (6:20 - 6:21)  
For the industry?

[Speaker 2] (6:21 - 6:24)  
So with whom you are confronted?

[Speaker 1] (6:25 - 7:07)  
Yes, I would like more hurdles, to be honest. This area is not controlled at all. I think there is now an ISO- norm for sex toys, but that doesn't mean you have to stick to it.

And we have an incredibly big problem in the industry with the subject of pollutants. And just sustainability problems. What has to do with plastics and any emissions.

And it's just not being controlled. You can just put any product on the market. It doesn't have to go through [control instances], it doesn't have to go through any controlled place.

And I think that's super problematic. That's why I would rather wish for hurdles.

[Speaker 2] (7:08 - 7:09)  
Yes.

[Speaker 1] (7:09 - 7:38)  
Otherwise, there are the classic market entry hurdles. We have a huge market. Amorelie and IFTE are predominant.

You can't get in there. You have to somehow see that you can meet this need or bring in certain amounts. Depending on which material you use, for example porcelain, you might have to fight with price increases.

[Speaker 2] (7:39 - 7:39)

Yes.

[Speaker 1] (7:41 - 8:07)

And with small pieces. If you're a small company, small pieces are difficult. Because the costs are relatively high.

These are the escalating factors that play into it. It's just more attractive when you can produce more. Yes, exactly.

That's what comes to mind about the topic of hurdles. If you have a more specific question, I would also like to have a more specific answer.

[Speaker 2] (8:07 - 8:51)

I understand. I wanted to let you speak first. But it's interesting that you say that.

We talked to [someone from a major German sextoy company]. [...]

And they told me that they were oriented to the regulation for children's toys. Because this is also ingrained in the mouth. We were actually very surprised when we heard about it from her at the end of last week.

That there is no such regulation. Because in Germany everything is regulated except that.

[Speaker 1] (8:52 - 9:28)

Exactly. Maybe because it's a taboo thing. Sexuality is somehow dirty and disgusting.

That's a bit of a prejudice. And if you put a regulator in there, someone has to check it. And I suspect that people just don't feel like checking it at all.

Because then you have to deal with a sex offender. And that's all totally crazy and a taboo. That's why you may not necessarily have the motivation to enforce any norms.

I understand.

[Speaker 2] (9:29 - 9:49)

Now we have talked about hurdles that you wish for. Or also about other hurdles that exist. What advice would you give to start-ups?

You've been on the market for a year and founded a year and a half ago. Are there any tips you would give to start-ups?

[Speaker 1] (9:52 - 10:20)

Yes. It was very helpful for me. It doesn't matter what kind of product you have.

Whether it's digital or not. That you can get away from the pink-red glasses a bit. Because I noticed that as soon as there is negative feedback.

And you think too much about it with the pink-red glasses. That's my baby. With these thoughts.

That you are very quickly affected personally. Or more personally.

[Speaker 2] (10:21 - 10:22)  
I understand.

[Speaker 1] (10:23 - 10:45)  
And I think it makes it a lot easier when you approach the whole thing a bit more objectively. Because then you can maybe widen your view a bit. And then you can throw away things that may not work so well at the moment.

Without getting more pain in the ass. If you've been developing for five years.

[Speaker 2] (10:46 - 10:46)  
Yes.

[Speaker 1] (10:47 - 11:40)  
And that's always a big concern for me. That you look at it a bit and stay realistic. And maybe see the whole thing as a kind of experiment.

And you look at what will come of it. And then always rework it with the next new insight. And rethink the whole thing again.

Every information, every development step also brings new information and insights. And I think it's incredibly important to look back on this basis. And to see if you have to do something else.

So you have to adjust a business area again. I think this classic iterative approach is incredibly important. And it's definitely one of the success factors for a relatively complex, complicated product.

[Speaker 2] (11:41 - 11:44)  
I understand. Is there anything else that's brand specific? Brand specific?

[Speaker 1] (11:55 - 12:06)  
Not the business address of your private office. Not together with someone. It's best to look for an office or something.

[Speaker 2] (12:06 - 12:07)  
Yes.

[Speaker 1] (12:07 - 12:11)  
Because sometimes funny love letters come.

[Speaker 2] (12:12 - 12:12)  
Okay.

[Speaker 1] (12:12 - 12:14)  
And especially as a woman, as a married woman.

[Speaker 2] (12:15 - 12:16)

Ah, okay.

[Speaker 1] (12:17 - 12:25)

That was a point of security for me personally. That I said, I now have an office and a fixed business that is not my private address.

[Speaker 2] (12:25 - 12:26)

I understand.

[Speaker 1] (12:26 - 12:30)

And that was super important to me, especially from the beginning. Even if ... well, good things just cost.

[Speaker 2] (12:31 - 12:31)

Yes.

[Speaker 1] (12:31 - 12:46)

But yes, I think it's definitely worth investing there. For your own safety, maybe. Because, as I said, there are funny currents in society.

And there, caution is better than warning, I think.

[Speaker 2] (12:46 - 12:55)

No, definitely. Now you have already mentioned costs. Is there a difficulty or do you have a difficulty with investors?

[Speaker 1] (12:57 - 13:02)

Mm-hm. I've had a few conversations.

[Speaker 2] (13:02 - 13:03)

Okay.

[Speaker 1] (13:03 - 13:07)

But then I decided to finance the whole thing myself via a KfW loan.

[Speaker 2] (13:08 - 13:08)

Yes.

[Speaker 1] (13:09 - 13:22)

Then you have an incredible amount of risk with yourself. But you are not guilty of anything to anyone. I found that pleasant somehow.

Or you are definitely not in a dependency relationship. You can still decide everything yourself.

[Speaker 2] (13:23 - 13:23)

Yes.

[Speaker 1] (13:24 - 13:32)

Otherwise, in such conversations, also with the bank or something like that. I once talked to an angel investor. Business angel, anyway.

[Speaker 2] (13:32 - 13:33)  
Mm-hm.

[Speaker 1] (13:35 - 13:40)  
And there was no problem at all. We are both foreign to the industry.

[Speaker 2] (13:41 - 13:41)  
Yes.

[Speaker 1] (13:41 - 13:45)  
But it was really not an act.

[Speaker 2] (13:46 - 14:09)  
Okay. Yes, that's very, very good. So we actually only talked to a business angel today, who also invests in the adult pleasure industry.

So there seems to be that. But we also had the feedback that it is a bit more difficult. Simply because there are not so many venture capitalists who focus exclusively on this area.

[Speaker 1] (14:11 - 14:14)  
Yes, well, I don't have that much information about it.

[Speaker 2] (14:14 - 14:15)  
No, of course.

[Speaker 1] (14:15 - 14:16)  
I have two contacts there.

[Speaker 2] (14:17 - 14:23)  
I mean, it's just about your personal experiences. I thought I'd tell you a little something so you can eat two bites.

[Speaker 1] (14:25 - 14:26)  
Thank you.

[Speaker 2] (14:28 - 14:55)  
Just to reflect that again, what we've heard so far. Mm-hm. Yes, exactly.

Okay. Maybe if we go back to the decisions, yes, decisions, on how you got there. Was there anything about why you said you would like to go into this industry?

Or did that just come out of your design studies and then the way found itself?

[Speaker 1] (14:58 - 15:06)  
I've always been interested in the subject of personality development, sexual development. So it all somehow belongs together, even if we like to separate it.

[Speaker 2] (15:07 - 15:07)  
Mm-hm.

[Speaker 1] (15:08 - 15:09)  
Because it's all about identity.

[Speaker 2] (15:10 - 15:10)  
Yes.

[Speaker 1] (15:11 - 15:23)  
And I've always found that super interesting. And then the product itself hooked me, because I thought the material was incredibly cool. And that was just something completely new for me.

[Speaker 2] (15:23 - 15:23)  
Mm-hm.

[Speaker 1] (15:23 - 15:34)  
So I didn't know sex toys from Porcelain yet. And then, yes, I don't know, then you quickly became famous. Yes, the one with the porcelain dildos.

[Speaker 2] (15:35 - 15:35)  
Yes.

[Speaker 1] (15:35 - 15:50)  
And then I saw how much publicity there is behind it. Of course, I was also annoyed by a few comments. And I was also a little bit bitten and said to myself, in the end, yes, then you'll get through it now.

I understand. I'll show you how it works here, according to the motto.

[Speaker 2] (15:51 - 15:51)  
Yes.

[Speaker 1] (15:51 - 15:59)  
But I also think, apart from the topic of identity and Porcelain sex toys, I just find the brand super interesting.

[Speaker 2] (16:00 - 16:01)  
Why?

[Speaker 1] (16:01 - 17:12)  
I also worked at Funfactory. Yes. One of the largest manufacturers here in Germany.

And I think it's super interesting that it's partly very conservative, because the brands don't change that much over the years. I don't think it's particularly blatant. You always have a certain area of application.

But in terms of innovation, there's not much going on. So it's not a brand that is incredibly fast and always reinvents itself. There are smaller technical innovations that always slip in again and again.

But in terms of the thing, it's actually, it's kind of a debate. In terms of the basic concept, it's been around for however many years. And I notice that the industry is very overwhelmed with these classic products, with these naturalistic products.

And of course, special innovations are also being implemented. And I think that's super exciting, because if you have a cool idea, then you get attention incredibly quickly.

[Speaker 2] (17:14 - 17:41)

Okay. And now you told me that it was important to you to separate your business address and your private address. Also because there are somehow, maybe somehow you don't want to get any letters in, you don't want to get any messages in.

Do you usually have to fight with prejudices because you founded in this direction?

[Speaker 1] (17:47 - 18:57)

I was once at a, how do I describe it now, a professional event. And one of the people from the event circle came by and started a kind of over-the-top drive-by. So he passed me by and said, totally random, hey, you're probably your best customer.

And so on. And then I was like, no, wait a minute. That's not how I see it here.

And I think it's more over-the-top. I think there are certain things that happen from time to time as prejudices that I've experienced so far. I can imagine that if you leave this start-up corner and maybe have a team exit or something, only in theory, I can imagine that it would be difficult to find a job, especially in such conservative areas.

[Speaker 2] (18:57 - 18:58)

I understand.

[Speaker 1] (18:58 - 19:23)

And I can also very well imagine that qualifications, I mean, you've been a manager all your life, experienced a lot, organized delivery chains, whatever. But I can very well imagine that because it has to do with sexuality, that these experiences are perhaps a lot less valuable from a subjective point of view. Yes.

[Speaker 2] (19:24 - 19:27)

I understand.

[Speaker 1] (19:27 - 19:28)

On the subject of prejudices.

[Speaker 2] (19:30 - 20:13)

Okay. Yes, no. We actually hear similar things, also from other interviews.

Fortunately, we haven't heard anything about over-the-top yet. Yes, I mean, that's pretty difficult. Yes, so I think, unfortunately, it probably happens to several women, but I mean, nevertheless, so it's of course a, I don't know, I don't really know what to say about it.

Yes, but I'm sorry that this happened, but somehow I'm missing the words a bit. I'm sorry.

[Speaker 1] (20:13 - 20:16)

No. Thank you for your contribution.

[Speaker 2] (20:16 - 21:02)

Yes, of course. But maybe if we still, so difficult it is to get to the next one on this topic, but we deal with it both with the failure reasons, which we have already talked about, or about challenges. If we look at turnaround strategies, I don't know, do you currently have, or I assume, there are currently also problems with you at the start-up in a certain way.

Do you see, if money wouldn't matter, what would be long-term and also short-term activities or steps that you would take to be successful in your industry with your start-up?

[Speaker 1] (21:05 - 23:30)

Very, very cool question. So a big wish of mine would be to have my own portfolio. Maybe also as a daughter company, not necessarily under portfolio.

I think that's incredibly cool. And then my focus would be on the topic of inclusion. I think it's incredibly cool if you have people there who may have difficulties in their normal jobs, be it due to physical impairments or, for example, the psyche.

And I think it's very, very cool to have a production center where you can rethink principles like New Work. I think New Work has a lot of thought being put into big companies and computer jobs. But that's very difficult in the area of production.

And I think that's a great and interesting project for me personally. If money didn't play a role, where would you be? I think I would like to have a very, very large team.

Because I think that such a business accelerates with the people and not just by having a cool product and winning a prize. I can imagine that this will pay off very, very quickly. And that's perhaps also the crux that I notice in other start-ups.

Now you have to do sales and now you have to do marketing. If it's not visible, it's not seen and can't be sold. And I think that would probably be one point where I would say, yes, then I'll make the team large enough so that no one gets bored.

But yes, that would be really, really cool.

[Speaker 2] (23:31 - 23:37)

I understand. Now you have already mentioned marketing and sales. Do you have any problems selling your products?

[Speaker 1] (23:40 - 24:45)

Not sales itself. At least as far as the connection is concerned, it works quite well. You have a website and it runs in the best case before launch.

I think it's more the person power, I'll say now. You don't say manpower anymore. I think that's the crux that you have to deal with your own capacities and then you have to look where do I put them in now, where does it make the most sense and that's where the marketing and sales fall over.

Maybe also because you don't have the expertise yourself or the support or this small team that you have, you don't have the greatest expertise in these areas. And that's why I think that's such a crucial point. That's why my recommendation to all possible start-ups is that you don't want to have customers alone, but with several, that you definitely get someone in who can do marketing and sales.

[Speaker 2] (24:46 - 24:54)

Understood. And have you experienced the restrictions, apart from manpower?

[Speaker 1] (24:58 - 24:58)

Restrictions?

[Speaker 2] (24:59 - 25:55)

Yes. I can maybe explain that to you, because in the previous interviews it was always like this, it was called, you couldn't always be placed, both on Instagram and in the big brand magazines. There was always this kind of, I don't know, sex shaming and therefore no advertising was allowed, especially for toys.

So there are ways to avoid that, but it's relatively difficult. And now it's like this, that you as a start-up also do social media marketing, simply because that's probably one of the channels that are relatively cheap to play and therefore possible. Do you notice anything that you are confronted with problems in your industry?

[Speaker 1] (25:57 - 26:10)

I personally don't over our channel, because I just pay attention that you use appropriate wording, which is not banned directly from platforms like Instagram.

[Speaker 2] (26:10 - 26:14)

Then you do better as a [a major german sextoy company] because their channel has already been blocked several times.

[Speaker 1] (26:16 - 29:02)

Yes, exactly, and that's just so annoying, because the range is limited and you just don't know what to do. Even people who are sexologists, for example, have problems with that. And I think that's incredibly problematic, because you can consume an incredible amount of media and information and then the really well-corrected things don't get through.

And that's extremely problematic. And then things like SiClaro Online Shop, maybe it's also interesting for you to talk to them, but they are currently in an insolvency process. But maybe that's also insights for you that could be interesting.

They were banned for example, and then there are things like card returners like SumUp, for example. They don't support sex toys. For example, at a company it was announced that it was about sex toys, and then they put them in service, just because of that.

And that's of course difficult when you're at a fair, in the middle of a sale and your card returner doesn't work anymore. And that's definitely in the AGBs or something like that. I've looked into it because that would affect me a lot.

And there are sexuality or product sex, whatever, in a list with weapons, where I think well, that's a little off, a little too much. So things like that come up again and again, and I also get them again and again. Of course, it's less fun to deal with them, because they're always putting new stones in the way.

And I don't know, if your income is limited because you say dildo, and that's your business, then it might be a little difficult, but you can also become creative. So I think, especially in the industry that has to do with sexuality, you just have to become creative, because it's so incredibly polarizing, apart from this brisance. And also all these international things, as soon as it becomes international, other countries will also play along, other cultures, which have a different view of sexuality.

And then also your own dynamics in your own country, which may not 100% agree with you. So it's difficult, I think. I'm not trying to deal with it too much, because there's also a lot of energy going on.

[Speaker 2] (29:02 - 29:21)

I understand. And if we get to talk about the big players or investors, I mean, investors don't play a role for you now, but the big players, you already mentioned Eis.de or Amorelie. Can you just describe their role in your market?

[Speaker 1] (29:23 - 30:05)

So they are a distribution platform. I think they have their own products by now, which they produce. I think that those are the key portals.

So you can't really get past that, if you have a product that has to do with sexuality. Especially if you have a physical product. Because most people actually just, when they are looking for products for their sexuality, first of all look at Eis.de and Amorelie. There is also statistics about it, which I haven't told you about yet, but I think they also have a study access on statistics or something like that. I think there are two studies where you can look into that.

[Speaker 2] (30:06 - 30:06)

Yes.

[Speaker 1] (30:08 - 30:24)

So that's definitely not necessarily a hurdle, but something you should consider in your own sales strategy. And then you have to decide whether you want to work with Ice.de. They also have a special policy.

[Speaker 2] (30:25 - 30:25)

Yes.

[Speaker 1] (30:26 - 30:31)

Also a special price policy and sustainability policy.

[Speaker 3] (30:32 - 30:33)

Absolutely.

[Speaker 1] (30:33 - 30:36)

And then you just have to see which partners suit you well.

[Speaker 2] (30:38 - 30:55)

I understand. Yes, then I don't know, at least I have discussed everything from my side. I hope you could eat a little while you were at it.

Joanna, is there anything else from your side?

[Speaker 3] (30:57 - 31:36)

No, not really. I find a lot of very exciting insights, even this whole topic of map development. You never have such an insight when you look at it from the outside.

Or just try to research, because there are hardly any studies or the like that describe this industry. Yes. Exactly.

My questions are actually all answered. So thank you very much for that.

## 11. SWST3

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:02 - 0:56)

I like to start with a short introduction so that you know who you are talking to and get some insights into your activities and your relationship to the industry. I will start by saying that we are currently in Lisbon at the NOVA and we are studying Management and are currently writing our master's thesis on why start-ups fail and turnaround strategies. We are comparing these two industries and are trying to derive a general framework.

I am actually from Hamburg. I did my bachelor's degree in Media and Communications Management. I was in the consulting department, but then I went back to the start-up scene and started.

[Speaker 3] (1:00 - 2:04)

I would like to continue for a moment. As I said, we are both studying at NOVA. It is more common here that you write in Teams, so I am also sitting here.

We have to see, depending on how loud it is, somehow, otherwise it's always like that, someone writes along. That's why if I look at my keyboard very often, it's not like I'm bored, but that I'm writing along. What did I do?

I'm originally from Hamburg, then I was in Munich, did my bachelor's degree near Koblenz in the WHU, was in VC for a year at a venture capital fund, a completely different industry. We did the financial industry at the time, so something completely different. I was dealing with insurance start-ups.

Everyone said it was a boring and boring industry. I didn't really see myself doing any financial products in the long term. I did my master's or am currently doing my master's and thus at NOVA.

So far to us.

[Speaker 1] (2:05 - 2:08)

Cool. Should I just hang on to it?

[Speaker 3] (2:08 - 2:08)

With pleasure.

[Speaker 1] (2:08 - 5:53)

Exactly, so you know me from the context of SiClaro, so to speak. I would start a little earlier to briefly present the way there. So I did my bachelor's degree in economic rethinking with a focus on art transfer to management.

It is between Cologne and Bonn in Eifel. And that's where I met the co-founders of SiClaro. They also studied business, economic rethinking.

So it's almost business you study business as normal and then you study at the same time, how do you make it better and more sustainable? And what, so you have the basic study, so to speak, and on top of that there is always an additional module. Sustainability is worked on in all three columns.

And exactly, after my bachelor's degree, we actually founded SiClaro directly. So it started at school, at school, I say at the university. In the last few semesters, within a module, which was called company founding, you could just come up with a company.

It was just about getting to know processes and living through them in a pseudo way. And we said, we actually already have an idea anyway, then let's just take it. So whether we work on a fictitious product or company or come up with something right away where we feel like it.

Exactly, the idea was there before, it was already created within the university. And then we worked on it, then paused it for the bachelor's thesis, because Jonathan and I wrote bachelor's thesis and we all studied dual. That means we always had three months of university and then three months of full-time work and did training in companies.

That means we had zero time and then said, okay, let's pause that until we have the bachelor's thesis and then we start officially. And then we got Lea Mara in addition. I can also say something afterwards if you want to know that somehow.

And then we did SiClaro. I still have a start-up at the same time, because a start-up always costs and you don't earn anything, especially as a founder or founder. And that means I worked at DM convenience stores for seven years in total.

I also ran a branch for a while. I did the training for the branch management, then again and again as a day representative or on vacation, so when branch managers went on vacation, I did the vacation representation. I've been through a few branches

That means that's a bit of the background to the topic of glide gel condoms, later sex toys and so on. That means I was able to bring this knowledge background with me. That always ran with 14 hours of DM work, then full time, then 20.

So I had a very good game room to adapt that to SiClaro. And then I'm currently working, because SiClaro is now coming to an end. At some point I didn't feel like DMing anymore.

After seven years, it was over. I'm 27 years old and I have to do something else. I am currently working as a corporate office manager at Amperio, a company for charging infrastructure for e-mobility in Germany.

I work there as an advisor and strategically in the management.

[Speaker 2] (6:03 - 6:20)

You've been in the industry for a while, you've been dealing with the industry for a long time. You said you started in your studies. Can you tell us a little bit about the current trends in the sexual wellness industry?

How is it changing? What can you observe?

[Speaker 1] (6:21 - 10:04)

I think it's difficult to differentiate the whole thing as a sexual wellness industry. Because there is the sustainable market and the non-sustainable market. We have mainly focused on the sustainable market, where it is very much about education and content.

There is greenwashing in the classical sexual wellness area, but there is no sustainability. It doesn't exist to this day. There are trends like the Satisfyer as a standard product is now coming in a recycled packaging.

That was a huge campaign. And that is the sustainability on the sexual wellness market. The packaging comes in the trash after two seconds anyway.

Is the question that the product remains unsustainable or is it called recycled plastic? No one has any information. We tried to research this.

Okay, we're sitting behind it. At some point it runs out in China in production. You didn't get any further.

There is a difference to make. Basically, trends are extremely fast-moving. The sexual wellness market mainly acts in the discount area.

If you look at the price policy, trends go there in the sense of mass and fast out. There are trends for sustainability, then it's somehow made in Germany. But you can use made in Germany as soon as the last product was made in Germany.

Then it's also questionable what is made in Germany. It's very unclear. And there are many trends in the sense of, I don't know, there's a goal for the man.

It's always with man, woman or couple. There is actually no diversity in the classic sexual wellness market. And if that's a trend.

Diversity and LGBTQIA plus are also used as a trend. The market is very classic, I would say. And if there are companies that say, okay, let's do something new.

Then it is often seen as high-priced. Although, for example, I have often compared it to Amorelie. We were partly cheaper than Amorelie.

The prices on the sexual wellness market, that's totally crazy how much more exciting it is on the products. So you start at 50% upwards on the toys. So no consumables.

That's also interesting to see. So there are toys and then there are consumables. So drug products, condoms, glycogen and co.

For example, with condoms, I usually say female-read people. But I would call it a woman here. Because the statistics only differ again between women, men and couples.

And there, for example, the woman is the buyer. So Google brings out analyzes again and again. Or you can see them.

And contraception is a woman. So a woman buys it. So that means the advertising is still based on women.

Especially in the condom area. And that's super interesting. So the trend is then again, okay, what is the woman interested in right now?

Okay, maybe not a child's wish. And then the trend is, I don't know, a free dating life.

[Speaker 2] (10:06 - 10:36)

Okay, I understand. And if we now think in the direction of SiClaro, from the start-up and from the trends, but maybe also simply things that have affected you specifically in your company. What kind of challenges have you faced?

And above all, of course, what factors led to the failure in the end? Or why other start-ups fail so easily?

[Speaker 1] (10:40 - 14:17)

The biggest point is, I would say, that advertising in the sexual wellness area is hardly possible. So in any case, you put a lot of energy into the wording. Or in the photo I'm not allowed to post.

And that has the background, because all marketing platforms, whether it's Meta, Google and Co., are American companies. And there's the policy, no drugs, sex, alcohol, I don't know, everything. And we had, for example, to break it down, SumUp, the card payment service provider, or payment service provider in general.

We had a SumUp device for the Christmas market. And we were just one day before the Christmas market, the thing just didn't work. It was a huge effort to find payment service providers in general.

Because we were always classified as a porn platform by Google. And that was also due to Google Ads, Google, so SEO, very super, so that's just, you can't just switch advertising, that doesn't work. And you have to put a lot of energy and costs into it.

And then you have big players like Amorelie and Co. at the same time. That means, if someone enters dildo xy in the Google search bar, then others appear first.

And you have to overbid that, and you have to have a lot of money for that. That's where the prices go up, so cost per click and so on. And at some point I phoned Google, Google Ireland even, and said, it can't be, you released our ad.

There were no nudes or anything. There wasn't even a breastplate to be seen. So why is it already closed again?

And he said, yes, the AI, the employees, the human employees released it. Everything's fine. He said, no, it fits.

They followed all the rules. But the AI still steps in because of some, I don't know, some reading from the website or something, because then the word sex came up. And yes, it's just difficult with sex toys, not to say that on the website.

And then the AI has more power. So he said, he can't do anything. If the AI reads it like that, then it just has the last word.

And that means we put a lot of time and energy into it. That's one point. And at the same time it's just a big taboo topic.

So we have, above all, our company's stock, which is 50% from the sale of goods and 50% free education. So education. We worked with sexual therapists and so on.

And to sell that, so to speak, or to say, hey, you have to get people to google what they want first. And not just to google that, but also to have questions. And to dare to order sex toys.

And we actually do that. So we were on the Christmas market, we had some of the biggest sales. And I said to people, you're standing here.

I advise you. So also advice is a super intense thing, especially with products that are somehow more expensive or where more is behind than just a toy for 10 euros. And I get ten more things as a gift, like with ASDE, for example.

Exactly, it's also just a very consultative topic.

[Speaker 2] (14:21 - 14:51)

Okay, I understand. If you had a new founder who came to you and said, hey, you've already had experience, what advice would you give them? What should they definitely consider from the beginning?

Now maybe away from, you have to be careful with advertising. What should a company do from the beginning in this industry to become successful?

[Speaker 1] (14:55 - 17:15)

Have money. And a lot of money. Unfortunately, it's just like that.

You need a lot of starting capital. You have to do a lot of network work. So we have that too, but I would definitely give that.

Connect, do network work. I would even say it doesn't matter which startup, but especially the sexual wellness industry, because you can support each other extremely well, because everyone has the same problems. So Amelie has the problem that they can't do advertising and just weigh that up with money.

They have the money to do marketing strategies and TV advertising and stuff like that. And then I would actually say you have to think carefully. The question is a bit, how far do you want to be sustainable?

So how much sustainability capacity do you have? We've had five years now and it's just super exhausting. So I think you just have to say, okay, if you want to change the market, then it means years of commitment.

We were ready for that. But you just have to look carefully how you can sell your product in a different way. I would actually say, I think one point that we, or where we know we could have done it differently, is our web shop.

It was important to us, for example, to pick up the customer, that it's not a stereotypical shop. We also have complete, so all models, so to speak, that you can see are completely shot by us. So we got a lot of work in there, that the customer and the customer feel picked up.

And that it gets such a soft atmosphere and not so here, bam, bam, buy this, buy that. You have to know what values are important to you. For us, enlightenment, diversity and sustainability were simply extremely important.

And we said, we wouldn't do it without that. So we don't like the market for that either. And I think you just have to be clear from the get-go.

That's just more than a lot of work.

[Speaker 2] (17:19 - 18:31)

Okay, I understand. We've already done a few other interviews. And one thing that came up with us again, maybe you can say a little more about it, from your perspective, this topic of regulatory in relation to the products.

So an example that we heard [from major German sextoy company], for example, was that there are hardly any guidelines for the products. And, for example, a product that was a TikTok trend, which simply exploded and was bought a lot. And that became an example of a problem for you.

Did you have a touchpoint with these missing guidelines, which somehow put a hurdle in your way? Can you explain the missing guidelines a little more?

At least as it came out of the other interviews, there is, as I understand it, this ISO norm, which you can stick to, but you don't have to. But otherwise the market is not regulated. So there is no instance that somehow tests the products.

[Speaker 1] (18:32 - 22:36)

Yes, there is not. That was mainly why we said, it can't be that we look at sustainability in all areas of life nowadays. I would almost say that people who are not very concerned with sustainability know the word nowadays and know, be it somehow like that, I might only turn my heating on two and I know a few regulations in the household.

And in the sex toy industry or the sexual wellness market, there are actually no rules. That's totally blatant. And it's mainly because it's just a huge taboo topic.

So nobody talks about it. And why should you then have guidelines? So you have to talk about guidelines.

And that's exactly what it means in sex toys. So there is also a foundation, Warentest and so on, which have filtered it, there are simply up to 60% softener in it. And in children's toys we usually have below 0.2 or 0.1% softener may only be in it, because it could get to the mucous membranes. And you just have to imagine that in toys that are made for the mucous membranes, 60% softener can be in it. Or usually, you often notice that when you unpack toys, then they just smell completely like plastic or the colors. So that something is totally pink and full of glitter, is already the question, okay, which dye was used there?

There is no, so you don't have to indicate, it doesn't matter. That means, above all, we have worked together with small manufacturers and companies, family companies, which mostly have cast the toys themselves. So we definitely had a pretty, so we had really good products in the range, but that was just a lot of research work.

So that's why I mean network work, you just have to exchange. And then you have to know, so if there is a trend or, for example, on the subject of Satisfyer, we were looking for a sustainable Satisfyer until the end, because that's just the most sold product on the sexual wellness market. And then we said, okay, it would be great if, it can't be that there is no sustainable replacement product for it, so to speak, because it's not about the pressure waves.

I can't, so a battery, it stays unsustainable in the sense of, I can recharge it or I have a battery in it or something, but the rest of the product. And then we found a company in France, then we got it sent to us at the end. So when we unpacked it, it was clear to us that it could, so it smelled so much like plastic.

Then we said, it can't be sustainable. Then we checked, so we said, okay, you said you checked it in the lab and so on, send us the results again. Yes, no one has seen it today.

And that's why, yes, it's difficult, especially because the trends have nothing, so they are super random. Yes, and we said we're not going to go over the value of sustainability. So we're not packing an unsustainable Satisfyer in the assortment just to have it, because then we sell, so then we don't need SiClaro.

So then we disagree with our founding idea. And we also put sustainability above everything in our founding contract. So every decision has to be tested for sustainability.

And yes, that means, but there are actually sustainable trends. So there are also sustainable trends in the sexual wellness area. And we have constantly adapted our assortment.

So we talked a lot with customers, and we got a lot of feedback on Instagram. Yes, you have this and that is still missing in the assortment. Then we said, yes, great, we'll go looking for it.

If you feel like it, we'll do it. No problem. And then sometimes it took a while until you found something.

But yes, exactly, that's how, for example, we got the penis cuff in the assortment.

[Speaker 2] (22:38 - 23:15)

Okay, I see. You just hinted a little bit, okay, that it's a bit advantageous or that there is this prejudice against the industry. Could you maybe give a little more on the advantages you have to fight with, when you work in this industry now, both from the perspective of getting funding or everything in this direction, as well as from the customer's point of view, looking from the outside into the industry, someone who is not in the industry, and who is just going in.

[Speaker 1] (23:17 - 27:43)

So I was at a founder's regular table, for example. So we always took part in our regular tables and stuff. And there was always such an absolutely small mini-presentation round.

So you had to say something to yourself and then briefly to the company. And when I was there for the first time, I just presented it. I wasn't the first, I was the tenth or so, who was there.

It was absolute silence. Everyone was looking down. There was really a strange charm in the room.

And I just said what I was doing. I just said that I have a company for sustainable sex toys with three others. And then someone came up to me and said, wow, you've pitched that a lot.

And I was like, well, not that often. So that wasn't a pitch. I just briefly said what I was doing.

And then it was like, yeah, that's crazy that it's not uncomfortable for you. And it was a founder's regular table. So there were really people who came around with ideas.

Sometimes I asked myself, I don't know if the world needs that. But well, try it out, totally cool. That means it's always been a topic of conversation.

Also in families and circles of friends. If you tell your grandma what you're doing, you have to be able to deal with the discussion or the questions. At the same time, you also notice that if you show what you're doing, if you sell the industry or the product you're selling, you can sell it at a very low price.

You can say, hey, and that's crazy, all people have to do with the topic of sexuality, no matter what form. That means somewhere you find a connection. Or you say, oh, you know someone.

And most of the time people are interested. And that's just a point that I find super interesting about the industry. Because it's about, whether it's an education about STIs or an education about gender, about just an anatomical structure or something, it doesn't have to be the most blatant interest, but it affects everyone.

And that's very early, early-stage sexualization or the like, these are just topics that need to be discussed. And that's interesting, because it works really well on the market. We were, especially here on Venus, to reflect the contrast.

I was unapproachable for a week. I didn't process it, because that's really, really, really bad. So after three days of exhibitions, and I've been to a lot of exhibitions in my life, I went out there and said, wow, that's as bad as the woman is portrayed.

There's a huge porn house. And everyone masturbates in front of it. There are really old, white men with camcorders, with a camcorder, not with a cell phone, filming everything.

And I was really like, okay, I'm working on that market right now. And I thought to myself, if you call it a market, I think you have to specialize it. You have to look, do you take care of a niche?

Are you in the porn industry? Are you in the classic textile trade? Are you in a kind of Orion or something, a single trade?

You also have really unpleasant customers. And I don't think I need to gender that. So that was already at the fair, where I thought, wow, that just hurts, that there is such a thing in the world.

And at the same time, Venus is also trying a little bit. There is such a sustainable kinky corner. So sustainable, questionable, but there are smaller companies.

That's pretty cool. There is also such a speaker corner. We were there too.

We also presented our image film there. That's cool when you get in touch with a lot of people again. But that's why the market itself is the question of where you want to go as a start-up.

And the market is really extremely large. Simply because so many people buy it. So the sales figures from the sexual awareness market are super exciting and extremely high.

Especially because of the Corona time.

[Speaker 2] (27:43 - 28:24)

Yes, I've heard that too. It's always exciting, because it's always an interview topic. I mean, we also have our thesis, when we tell our co-authors, then they say, okay, great, maybe you can write about it.

So you can already get it. And it's basically research. And generally finding research is already difficult enough.

So you can only imagine how it actually turns out. But just to sum it up again, that means for a start-up it's also important to focus on what is our, of course our sales channels, but also where do we position ourselves in this market?

[Speaker 1] (28:25 - 29:53)

Yes, totally. So I think you just have to be clear. You have to be flexible at the same time, because the market is also changing.

So you can also move a lot if you feel like it and want to participate. There are enough people who see it similarly. I think as a tip, where you can maybe raise advertising well or the start-up again, is founder-in-history.

So that's just, that's what I meant with this, that many come to you and say, okay, that's what you do, that's your job, so okay, tell me about it. And that you really have to do storytelling. So that's just, you have to give interviews, you have to get in the newspaper, you have to say, hey, you have to talk about it, you can't stop, especially if you want to be in the taboo area, to neutralize the topic a bit and talk about it with someone.

So that's very easy, because you read faster, and there's a cool person behind it, I'll take a look at that. And then you don't have to say you're dealing with text toys, but you read a founder-in-history and it works. So as a person, you definitely have to be able to act actively or as a person, as a founder of a team.

[Speaker 2] (29:54 - 30:33)

Okay, I understand. I'm just looking at the time. You said you still had a little time, right?

I don't have anything left. Okay, very good. Because what would interest me again, because we don't just want to find out these market trends, but of course also see where else you can make a turnaround.

So we like to ask the question, if you were in your position now, money wouldn't have played a role. So you would have had cash unconditionally. What steps would you have taken to make a turnaround?

[Speaker 1] (30:34 - 32:57)

We all wouldn't have had side jobs. I can say that privately, although not entirely private, but I was diagnosed with burnout. The last few years I worked about 80 hours a week and just had extremely many night shifts.

Simply because things had to be done and a start-up had to run. Either I have money for staff or employees. We had employees for a while, but money just brings time and brings relaxation.

So that you have money to be able to chill on the weekend, in the sense of going out for a meal. It doesn't always have to be the most intense consumption. But I think that's a point where I would say money would bring salary and a certain peace of mind.

You wouldn't be so dependent on I don't know, for example on some loans. Getting investors is always useful in the sexual wellness market. Or an investor.

An investor I would definitely recommend. How you design it, whether it's a majority share or a support, but investors bring a network. I don't know if you know Femtasy.

It's an audio book provider for, I would say, other porn platforms. They have also grown through investors. There are networks, money has flowed and they grew extremely fast.

A super interesting story. It's also somewhere in the sexual wellness market. That means, I would say employee costs and founder costs, which means salary with which you can pay your apartment.

I think it doesn't have to be blatant gorilla marketing, but it has to be a boom of here we are. To finance that nationwide I would say the money.

[Speaker 2] (32:58 - 33:14)

Yes, I understand. You just mentioned investors. Were they a topic for you?

Did you try to pitch to them or was it always like, we want to do this and stay self-employed?

[Speaker 1] (33:16 - 35:06)

We actually had it at the end, the last year, half a year. We basically financed SiClaro via a founder loan with the KfW Bank and two private loans. That would have been the next financing round.

That means, in a sustainable context it's sometimes difficult, because we see sustainability in the founding of companies. Investors are not always sustainable. You have to think about how to distribute voice.

It wasn't about who earns more at the end of the product. I would say it was two-sided. It was about how much voice sustainability loses when someone comes in who says, well, the Satisfier brings money, let's take it in anyway.

There are sustainable investors. You have to be clear in the team beforehand, okay, do we want to take this step? We said we would definitely try it out.

In the end, we would have had to put in a lot of work and I was out of it because of my illness. I was out of a job for six weeks and now I'm ready again. I've been able to work for 40 hours for a month.

That took a year. I was basically out of the founding team for a good while and was only responsible for the most necessary things. That means one person was missing and that's just a lot of time that's gone.

[Speaker 2] (35:08 - 35:40)

I understand. It's always scary how many people learn about start-ups and especially in this start-up scene. That's why it's all the better that you've made your way back there.

I hope that it will continue for you. Exactly. I think my biggest questions have been answered.

Victor, do you have anything that we should ask?

[Speaker 3] (35:42 - 36:09)

Yes, as I said, I also wrote and compared to other interviews, I would like to start with the beginning of our interview. When it came to how you see the industry or what you see for trends, could you perhaps say something about the innovative power of the industry?

[Speaker 1] (36:12 - 37:54)

There are definitely topics like fantasy. I would say it's been a blatant innovation. There are companies that show innovation.

But I think in the toy industry, well, it's a bit more gnawed or has a different color. I would say the market is relatively legal when it comes to innovation. Of course, womanizer was like, okay, there are pressure waves instead of just a vibration.

But after that there wasn't much more. Then there was the Satisfyer for the penis. But that stops there.

There are always small new products. The anal plug has a different shape, a different color. Or the slide gel.

There's actually a lot in the slide gel. Then there's aloe vera or chili and ingua so that it burns or gets hot. There are different small innovations.

But otherwise I would say there's a lot in the porn industry with 3D glasses. A quasi-feeling live porn where you sit in it to watch, although you have glasses on. There's definitely a lot especially from the Asian market.

But sexual wellness without pornography I would say is relatively saturated. Nobody has brought out anything blatant for a long time.

[Speaker 3] (37:56 - 38:55)

That's honestly what the other interviews also brought out. Especially because you only use sustainable products. I thought maybe you saw something innovative.

If you don't, then yes. Another point I would like to touch on is the role of investors. You said you definitely recommend startups from the industry to get an investor.

We came to you through SWST2. She said she wouldn't do it. Maybe you can say again why you should do it, because of relationships and contacts.

Are there any other industry-specific reasons why you say an investor is particularly worth it or is particularly good, except that it is networked?

[Speaker 1] (38:57 - 40:57)

The point of marketing. Costs for marketing. I can totally understand her.

Maybe that's also a difference. We had a platform. Amazon is now exaggerated, but different providers on a platform plus education.

SWST2 is a producer. She produces a product. That's a big difference.

I would say if you produce a product, you can also try to get into retail. That's usually easier with investors, but the question is how long will it last. There are enough small sex shops, like the Vögelei in Leipzig, which take three of her products.

If it goes well, they take a few more. That's the question of how many downloads you want. We needed at least 200 orders a month, and that's increasing.

At best 300 in the next month. That's relatively easy in large orders for start-ups. It had to look like that in two years.

I would say it makes sense to be an investor to be able to guarantee the sales. It makes sense to go on pitch because you just practice presenting yourself. Especially if you're going to be a founder, you have to be able to tell a story.

Or that you want to use it. I think that's very useful on this niche market. Not on the whole.

At Amorelie, the founders were also in the spotlight. They're now doing the advertising. It's out now, but there's also a face behind it, because just marketing sex toys is super difficult.

Because it's such a big taboo. As I said, there's not even a legal norm for the ingredients. Where do you start?

[Speaker 2] (41:01 - 41:08)

That means, you need a story and what you meant with the founders.

[Speaker 1] (41:10 - 41:43)

When we pitched SiClaro, it was always like, oh, I didn't know that so much junk was being sold. We didn't realize that at all. That's how we started.

It was like, okay, I'll present you here and you have a choice. We didn't produce a product and that replaces a dildo. You have a lot of choices.

You just have to talk a lot, a lot of networks.

[Speaker 2] (41:45 - 42:17)

I think we can speak for ourselves. We didn't realize that before we did these interviews. How little regulation the market has.

It was very frightening. You assume you live in Germany and everything is regulated. Except for the door knob, probably, and something so close to the body that no regulation applies.

It's just totally frightening.

[Speaker 1] (42:18 - 43:00)

And that the consciousness doesn't arise. If I use a product or buy a bread or something like bio-seals, there are no seals. There are not even seals you can buy.

You could say there is no law, but there are people who want to sell seals. Even that doesn't exist. And that the consumer or the consumer is hardly interested in what they introduce or what they leave behind is a lack of education.

You can't ask for anything you don't know. That's the biggest barrier to overcome.

[Speaker 2] (43:02 - 43:14)

Interesting. Okay. Great.

Super exciting insights. Thank you very much. Victor, I think you had another question?

[Speaker 3] (43:14 - 43:59)

No, those were the two things I noticed during our conversation. I just wanted to say thank you again. Especially with your personal story and also with the company.

I think it's not always easy to talk about it. We also talked to others. We were referred to the podcast or it was said we don't want to talk about it.

I think many want to tell us about the success stories. I think it's always easier to tell that. But we noticed that we failed from the sex industry.

It was particularly difficult to find an interview partner or people who talk about it. So thank you very much for taking the time to talk about it.

[Speaker 1] (44:00 - 45:13)

With pleasure. If you have any questions or want to call again, we are happy to talk about it. What do you mean by happy?

We just got out of the insolvency petition last week. There is still a lot of work to do. Because a company, no matter how big, is an emotional thing and that makes it difficult.

Among other things. But the guidelines are the same. But I think everyone should learn I have my job.

I work in business management in e-mobility. I never thought about it. I only got the job because I founded SiClaro.

We all learned super cool things from SiClaro. We wouldn't be where we are if we hadn't founded a company at the age of 24 or 23. It was really fun.

We have a good five years behind us. I would like to pass on the learning. With pleasure.

Contact us. If I should read about it during the interview, let me know. It's not a job for me.

[Speaker 3] (45:13 - 45:14)

That's very nice. Thank you.

## 12. SWST4

Speaker 1: Interviewee

Speaker 2: Author

Speaker 3: Author

[Speaker 2] (0:02 - 0:53)

I'm glad that we can start right away. Okay, yeah, sure. So I did my Bachelor's degree in Hamburg at the University of Fresenius, in Media and Communication Management.

Then I also came to NOVA. I worked in consulting before NOVA, but there I already got to know a little bit about start-ups and also worked in venture building. And then now in the summer at Enpal I took a startup internship and now looking again at startups.

I'm glad that we can talk to you to get a few more insights. Yes, exactly, Victor, you are welcome to continue.

[Speaker 3] (0:54 - 1:51)

Yes gladly. So where do I come from? I originally moved from Hamburg to Munich, then did my Bachelor's near Koblenz, in Vallendar at the WU.

Then I was at a VC for a year, that is, where my fascination for startups is coming from. But we did something completely different, Financial Industry, that is, somehow a dry industry. I looked at insurance start-ups and somehow looked, they were mostly service-operating start-ups for large insurances.

Then I noticed that Financial Service is not quite what I wanted to do. Then I switched to NOVA again, did my Master's here or I'm just there. And so it comes to that we are sitting here.

Before you introduce yourself, just one more thing, I will also write down the most important statements. That means that if I always look at the laptop and at my keyboard, it's because of that. Joanna will, we have divided it up, just go through the interview.

Exactly, just that it's not a disinterest, but that I just write it down. Easy.

[Speaker 1] (1:51 - 4:18)

Yes, exactly, so to me, I'm 25 now, I studied Economics and Business Administration. In a bachelor's degree in Nuremberg and in Shanghai. Then of course I got in touch with the VCs and the start-up industry there in Shanghai.

I did an internship there with a small boutique consulting. Then I went back to Germany, finished my studies and actually wanted to go to Silicon Valley too, because I was there again for an exchange. Then COVID came and then I decided to just start right away.

Probably if I hadn't done that, I would probably have done a Master's as well. Would probably have gone in your direction, to NOVA or another business school in Europe. And then the timing came that I had this idea for my Startup, to create a brand for sexual well-being.

How did I come up with that? We have a family business in the erotic industry, [...]. And that's why I grew up with the market and the environment .

I've always had a lot of things to do with it. And then I just wanted to start my own business and thought that it was somehow close, that it made sense. There is definitely a gap in the market.

And then I came up with the idea in 2020. Then at the end of 2020 I founded it here in Berlin. Then I had my journey with it.

Then I set up a small team, took in a co-founder. We brought a total of 10 products to the market. And now, at the beginning of the year, I split up with the co-founder.

We split up, we separated. And now I have integrated the brand into the family company as a sub-brand, so to speak. And now I'm employed at the family business in brand management with the two brands [...].

[Speaker 2] (4:21 - 4:49)

Okay, cool. So you just said that you had a lot of experience or touch points in the industry. Maybe you can also briefly touch on current trends that you see in the industry, which are mainly showing, both those that have developed recently, maybe also what you have seen in the development for several years.

[Speaker 1] (4:50 - 7:50)

Yes, the whole erotic industry, I would say, somehow lives from constant change. I always define it a bit as there were different waves in the development. So of course it started with Beate Use, somehow back in the 1960s it was Germany.

Germany is also very pioneering for the entire industry worldwide. Then in the 90s with other brands made colorful sex toys in abstract forms. [...]

And if you look at the market today, then it was definitely a pioneering step. Because today everything looks the same. Then there was Amorelie and Eis.de, I think that was 2010.

Yes, a big step into the mainstream, because a lot of capital was flowing there. The topic really got on TV and into the afternoon program and so on. And they definitely took a big step to achieve something that was very important for this whole industry.

That there was finally a bit of money in it. And yes, because of Covid, that was the last big wave for me, I would say. The topic has come a little more into this well-being aspect.

So that it is really seen as a wellness aspect. That means this shift from eroticism to self-care well-being, that is slowly taking place. That comes from the consciousness of people.

And that's why there is constant change. What is exciting, of course, this money that has flowed in, that has of course also had an impact. Especially in Germany, of course, there is now a kind of oligopoly.

We now have three big competitors, i.e. three big players on the market. That's Ecom, that's the Dutch. which have also bought up a lot with Family Money in recent years.

Then there is Eis.de and AAA, which can achieve very, very, very, very cheap prices with the satisfier and Eis.de. Because there is a lot of money behind it. And then there is Love Honey Group, which are behind Womanizer.

And the three are just dividing up the market. That's just the way it is. Of course, that's the big piece of the cake.

And that's how such a development has been established, where it has come from retail to this platform trade. So, yes, it's just a different feeling of power, so to speak, in the market has developed.

[Speaker 2] (7:52 - 8:10)

Okay, all right. One thing that we have often heard in the interviews is that, above all, the sustainability aspect does not really prevail in the industry. Can you maybe say something about that?

So did you notice that somehow?

[Speaker 1] (8:13 - 9:26)

Yes, so for us it is very important. We are also manufacturers in Germany. So there are about 2,000 manufacturers for sex toys in the world.

About 1,999 of them are in China. And that just means that all companies also produce there. I mean, it's just a lot cheaper there.

They have a lot of experience now and can also produce things in okay quality. But you still notice the difference. And as I said, a lot of money has just flowed in.

And that's just a game of margins at the end of the day. That's why there is no awareness of topics like sustainability, which somehow play into the feeling when the consumer is not actually that interested in them. Because the consumer just thinks, the consumer just doesn't think about where it is produced or what kind of footprint it leaves.

[Speaker 2] (9:27 - 9:27)

Yes.

[Speaker 1] (9:28 - 10:18)

Yes, and I mean, just like with other consumer goods too. I mean, I don't know how much you are interested in the fact that your hair dryer was produced extremely sustainably now. Or, I don't know, the water bottle or something.

But still, some consumers are aware of it. And I think we also put it in the niche quite well, because we say that our things are made in Germany.

And that alone is just such a big aspect for sustainability. That you don't have these two transport routes and everything that is shipped to you, the materials, which are medical. And that's why you just have a completely different balance.

[Speaker 2] (10:20 - 10:22)

Okay, I understand.

[Speaker 1] (10:23 - 10:51)

I can say a little something about that. There were also products that really labeled themselves as sustainable. But they also flopped.

So they were just, it was just greenwashing. They didn't really change anything. They are still produced in China.

And then they just took such a gray cardboard as a packaging instead of the white coated one. But there was no difference. The consumer also checks that when it is just so greenwashing.

[Speaker 2] (10:52 - 11:24)

Yes, I understand. One thing that is of course very important for us is to understand what hurdles and challenges do such startups in the industry face?

And above all, why do they fail?

Maybe you've noticed a lot in your environment. Can you maybe go into it a little more closely what exactly is opposite of that?

[Speaker 1] (11:26 - 13:54)

Yes, if you speak from the marketing perspective, you definitely have hurdles. At the end of the day, we founded a D2C brand. That means you buy products, process them and sell them.

And the whole industry always has problems with the promotion for it. You can't just switch ads like all other D2C brands. That's why marketing just gets very expensive.

On the other hand, you have the problem that investors are still a bit more reserved. Not much anymore, but there is still a bit of restraint. We also had the problem with the placement.

The product price was good, but the placement to reach the target group that we had to reach, we failed a bit. And then, in the end, the promotion. But now that we have such a big partner, you can place the product better and get to the right target group.

On the other hand, the D2C topic is complicated for such brands. Amorelie and Eis.de managed it because they spent a lot of money on TV advertising. But they can't switch advertising to Instagram.

That's why you have to be creative. You have to use other channels. You can find and work on a lot of workarounds.

Maybe you work more with influencers, do more Google Ads, do more creative marketing. It's a topic that is very eye-catching. That's why a lot of press writes about it.

Because the articles are like clicks. You have to implement creative marketing strategies.

[Speaker 2] (13:58 - 14:14)

One thing you mentioned earlier was that you separated yourself from the co-founder. Was that a hurdle for you in specific companies, this collaboration or working with co-founders?

[Speaker 1] (14:16 - 14:52)

I think it's independent of the industry. But there are a lot of start-ups. I founded the company on my own and brought it in after about a year.

Of course, it's good in the beginning. But when the crisis comes, you get to know each other better. It just didn't work out for us anymore.

We said, okay, no, then it's over. Then the paths separate.

[Speaker 2] (14:54 - 15:04)

Okay, I understand. One thing I would like to touch on briefly. You said that margins are a problem for you.

Can you tell us more about that?

[Speaker 1] (15:09 - 16:22)

It all starts with the cost of goods. It's about keeping them as low as possible. So that you can keep the B2B prices.

The whole business is still very B2B-heavy. They need their margins. Otherwise they don't list your products.

Because they make more money with other products. If you can make a toy in China for 5 euros, it costs at least 18 euros in Germany. That's why you have to be competitive.

Of course, our end consumer prices are also more expensive. Because our quality is much better and we have other costs. But that doesn't care the end consumer.

Because you notice that. If you compare these toys with other manufacturers, then you notice the difference. That's why we can justify these costs.

[Speaker 2] (16:24 - 16:45)

I understand. One question we would like to ask in this context. Do you feel that you have to fight with prejudices in the industry?

You just talked about investor retention. But now you're losing more money. Can you say something about that?

[Speaker 1] (16:50 - 17:45)

Ten years ago, it looked very difficult. There was a red X on such a thing. But now the market has opened up.

Also because of the Covid time. The whole industry got a boost. In all newspapers you could see that the sex industry was booming.

Because everyone was sitting at home. In reality, it was just a lot of marketing and promotion. But that made people more aware.

And investors were more willing. But that also changed the brands. I think the brands are less erotic.

And more into the self-care aspect. Which is more salon-friendly.

[Speaker 2] (17:48 - 18:32)

I understand. Cool. Then we would now go back to the topic of turnaround strategies.

Which turnaround strategies would you take? Which opportunities would you see to save a startup? You just talked about awareness. And creative marketing.

But you also mentioned other problems. Maybe you can tell us. What solutions would you see?

[Speaker 1] (18:34 - 18:51)

It depends on what problems you have. Or what the problems are. For the failure.

Do you have any examples? Or should I talk out of the box?

[Speaker 2] (18:53 - 19:18)

Maybe there was a situation. Where you were faced with a challenge. And solved the problem yourself.

That would be the best scenario. Otherwise we talked about the topic of regulatory. About investors' retention.

And also supply chain. And these are all problems. Which we have heard more often.

About startup positions.

[Speaker 1] (19:22 - 22:12)

We were never big. We never have a lot of investments. We had an angel investment.

And invested a lot of our own money. And we had the problem. That you always have to pre-finance goods.

That's a physical product. That's the case with all manufacturing companies. That you have to pre-finance goods.

And that's a liquidity game. You have a lot of money. Which you have to move back and forth.

That's why you have to stay liquid. That's a very important topic. And with us it was like this.

That we developed a lot of products. In one year. And built up the portfolio.

We didn't have a lot of capital. We did a lot of things ourselves. Designed and developed ourselves.

And in January this year. With the help of [...], we launched a very successful product.

A card game. An influencer product. On top of this creative market.

We had a lot of outreach. Which was very successful. But then it was a margin issue.

That we sold a lot of products. But in the end we didn't earn that much. And then you would have the next pre-financing. We would have to pay for that again. We would have to take in external money again.

We could have done without growth. Or take in external money. And because of that.

Between my Co-Founder and me. We decided. To think about what we could do alternatively.

Coincidentally. I have a family business. Which fits quite well.

You have probably already noticed. In the industry. That you have to have a core competence. But then play with different brands. To spread the risk. And to be able to stand out. And think about different price segments.

[Speaker 2] (22:15 - 22:29)

Okay, understood. Super cool insights. Thank you very much.

I would like to ask Victor. If there is something left open.

[Speaker 3] (22:34 - 22:50)

Not directly. Maybe again. There was a crisis between you.

We have already talked about the turnaround. Do you have any advice? Would you recommend that to other startups?

If they have problems with co-founders. To solve that.

[Speaker 1] (22:52 - 25:03)

I think. Co-founder choice. That's hard for every startup.

Especially if you get someone in later. There are a lot of theories. It's better to be friends.

With people you know for a long time. It's better to do business. To draw a line.

Privacy. You spend 12 hours a day. That's why you should.

Understand each other very well. It's about finding out. Whether you can understand each other well.

Whether you have the same expectations. The same goals. The same ideas. the same ways of working. The same limits. Otherwise it's a balance.

And then it's a crisis. That's why. If you want to get a co-founder you have to trust your gut feeling. But you have to be rational. You have to be open. Communicate everything. Plan. And do coachings.

Do personality tests. To find out. How the other person reacts.

And it's a crisis. It's a problem. That's probably the case for every company.

The problem is. It's about. It's about being lonely. Because no one feels like you do. It's a law.

Only you can understand. How your situation is. I understand.

[Speaker 3] (25:05 - 26:33)

Thank you very much. That we could do that.

Thank you very much. I have no more questions. We can take a lot with us.

We'll send you the work. We'll give it to you in the middle of December. We have the defense in January.

We don't know yet. The document is ready in mid-December. Maybe after the defense.

We'll let you know in January. We are curious to hear from you.  
[...]