

Israeli best-practice for start-ups: preparing for the next crisis



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Abstract and preface

Israeli best-practice: preparing for the next crisis - how to become a resilient start-up

Preface

This report is a part of larger project on stimulating crisis resilience amongst Danish startups with a view to improving their survival rates. Based on this report and together with the larger innovation ecosystem in Denmark, the Innovation Centre in Tel Aviv created a highly concise and practical course based on a deep dive into how Israeli start-ups do it. Throughout the course, there will be countless practical case studies and exercises that will help improve the resiliency of start-ups and enable them to go global. The course will be taught in Denmark throughout 2021 and 2022 and will be integrated into the Early Warning Europe project.

The course is funded by the **Danish Industry Foundation** (Industriens fond) as a project within the "GenstartNU" initiative following the COVID-19 crisis.

Abstract

This report serves as a guide for Danish startups facing challenges due to the COVID-19 crisis. As Israel shows resilience and success in times of crisis, and particularly in the COVID-19 crisis, this report examines a selected few success stories to identify best practices for Danish startups to adapt.

The study is done through interviews with a selected few entrepreneurs, investors, and other stakeholders representing specific Israeli B2B companies, along with publicly available reports in the press and other secondary data sources.

The findings within each startups success story are presented with conclusive takeaways for growth, giving lessons on retaining customers, remaining relevant, rethinking processes, services and relationship building methods, and learning demand from your customers, and a diverse advisory board.

1. Introduction

The Israeli Model: How to survive a Crisis

When a major crisis emerges – of whichever sort – negative economic consequences follow. In the business sector, start-ups feel the repercussions immediately. By default, sales drop, liquidity problems arise, lay-offs become necessary, venture capitalists and other sources for financing innovation hold back investments, development efforts are stranded and the market is revalued. The risk of start-up failure is imminent.


Currently, Danish start-ups face unprecedented challenges because of the COVID-19 pandemic. In this publication, we will identify Israel's best practices for startups with the intention of inspiring Danish startups to apply Israel's best practices, and thereby become more resilient and successfully continue their journey in the aftermath of the COVID-19 crises.

So what can help entrepreneurs? Stories! Stories of other entrepreneurs who faced problems and solved them in a specific way. We cannot cover all the potential problems and all the potential solutions, but our aim is to provide representative examples of what we note as smart actions taken in difficult situations. Even if the problem, the solution, or even both, are not even close to what the readers of this document might encounter in the future – we believe the more real-life examples one is exposed to, the more one learns to derive some insight from these possibly unrelated examples. This is the true entrepreneur mindset – always learn something useful, and improve your abilities to do so.

Why Israel?

Israel is known as the Start-Up Nation. Its impressive economic growth in the last decade builds upon success stories of tech start-ups – measured both in terms of exits and investments – despite Israel's constant state of emergency. Since the birth of the country, Israel has experienced many national crises: war, terrorism, harsh climatic conditions, and limited natural resources, yet the country still successfully develops. For example, Israel's gross domestic product (GDP) grew by 5.1 percent in 2006, despite the Second Lebanon War. The speedy recovery and the continuation of the rapid growth were once again led by the business sector which expanded by 6.4 percent. Similarly, Israel seemed to be immune to the financial crisis of 2008 with growth rates that most governments would not dare to dream about in the wake of the financial crisis.

Here too, the Israeli government could send a thank-you note to its entrepreneurs



as the growth boom was generated largely by the tech start-up sector. Despite its state of constant emergency, Israel is amongst the global powerhouses of technology development and innovation with over 6,000 active start-ups that raised a record \$8.3 billion in 2019.

2. Situation overview

The first Covid-19 patient in Israel was confirmed on February 21, 2020. In mid-March, as the number of daily confirmed Covid-19 cases rose beyond 300, Israel entered its first lockdown. During May, when the number of daily new confirmed cases dropped to below 30, the country gradually eased restrictions and resumed its "new normal" conduct. However, a total disregard of social distancing and mask-wearing in several communities reversed the trend, and the number of confirmed cases jumped and reached more than 7,000 new cases daily.

The Israeli tech sector has been an important growth engine for the country's economy in the last 20 years. In fact, one of its major claim to fame is the fact that its start-ups are being founded with "a global mindset" – mostly ignoring the local market as a potential revenue generator (due to its small size, cumbersome bureaucracy, limiting regulation, and other reasons), and instead focusing on developing products and solutions which can be sold outside of Israel. This mindset created and became dependent on constant outgoing and incoming international travel, so when the Covid-19 situation emerged and travel was halted; concerns were raised concerning the virus' effects on the sector's activity.

Data published by the Israeli Advanced Technology Industry and the Israeli Innovation Authority in May 2020, based on a survey conducted with the participation of 414 companies with less than 50 employees, claimed that a quarter of these start-up companies indeed fired more than 15% of their employees, 71% stopped their hiring processes, and more than third sent their employees on "unpaid leave".

Nevertheless, as we shall see in this report, money kept coming into these companies, setting new foreign investment records for Israeli startups. We shall try to understand why that was.

3. COVID-19 start-up eco-system features in Israel

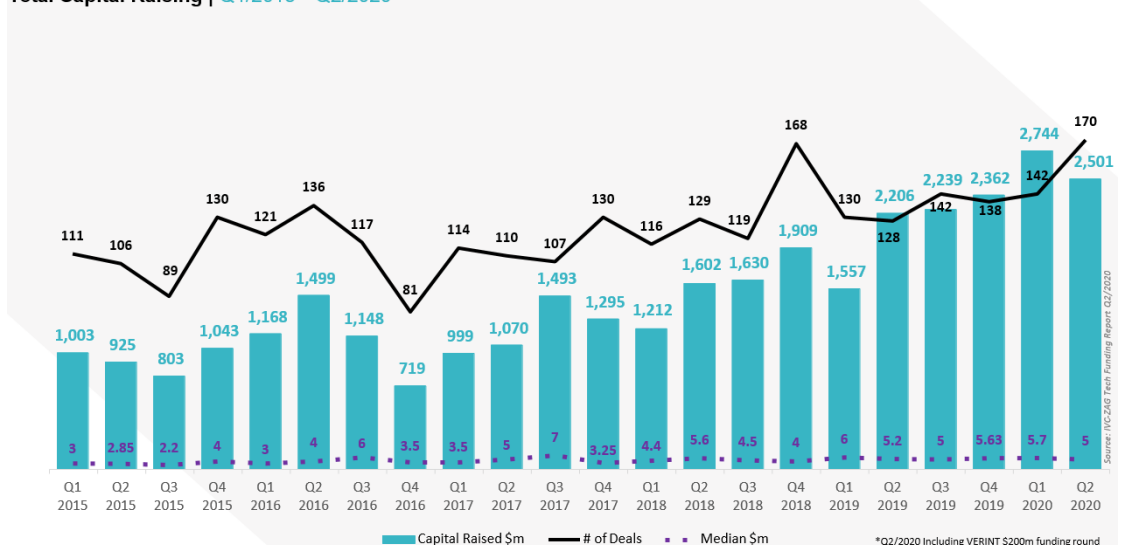
But money continued to flow

In general, countries in a state of crisis tend to suffer financial consequences, while Israel proves to develop despite difficult situations. So too, with all the doom and gloom of the Covid-19 pandemic, Israel's fundraising capacity continued to expand.

According to the IVC-Zag Israel Tech Funding Report, in Q1/2020, Israeli high-tech companies raised \$2.74b in 139 deals. This was a record quarter in terms of the total money raised, including an impressive \$400m financing round for the smart mobility provider, Via. Although Covid-19 had already caused downward changes in market forecasts worldwide, it did not affect the Israeli start-ups' ability to raise money in 2020's first quarter.

In Q2, when Covid-19 was in full effect in Israel, Israeli start-ups raised \$2.5b in 170 deals – the 2nd strongest quarter in terms of the total historic amount raised. The number of deals involving early-stage companies (Seed and A-rounds) reverted to "normal" levels in April and May. It should be noted that when the \$200m private investment in the public company Verint is removed, this quarter drops down to being "only" the 3rd strongest quarter ever in terms of money raised.

Total Capital Raising | Q1/2015 - Q2/2020



Both Israeli and foreign VCs increased the number of follow-on investments in Q2 (investments in companies they previously invested in), most likely as an attempt to provide their portfolio companies with the needed cash to survive the crisis.

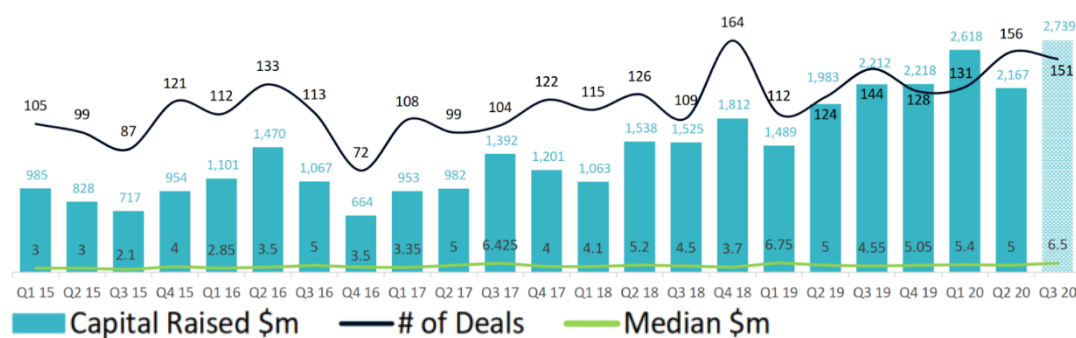
However, this quarter registered an increase in Israeli investors funding early-stage companies at a higher proportional level to foreign investors.

In Q2, when Covid-19 was in full effect in Israel, Israeli start-ups raised \$2.1b in 156 deals – the 4th strongest quarter in terms of the total historic amount raised.

When the 3rd quarter fundraising report was published, it was as if the Covid-19 never existed - \$2.74b was injected into Israeli companies in 151 deals – the best quarter ever in terms of the total money raised (topping Q1/2020).

The most prevalent explanation of this phenomenon is that some of the money registered in Q3 was actually the result of fundraising attempts that took place in Q1 and Q2, where some investors may have preferred to stretch their due diligence and negotiation process with the start-ups until they felt it was "safer" to invest again. Q3 also included 5 "Mega Deals", with companies raising over \$100m – Next Insurance (\$250m), Gong and Snyk (\$200m each), Hippo Insurance (\$150m), and Redis Labs (\$100m) – which accounted to a 1/3 of the total money raised in this quarter.

Total Capital Raised by Israeli Companies by Q (2015-Q3/2020)



Source: IVC-ZAG Tech Funding Report, Q3/2020

Israeli companies offering digital services enjoyed a receptive public market, as Wix's stock rose from ~\$130 in early March to above \$300 in August and the successful IPOs of Insuretech company Lemonade and development tools provider JFrog on the NASDAQ.

Before or during their first VC round, Israeli companies in their early stages often use a grant from one of the multiple programs operated by the Israeli Innovation Authority (IIA) to fund their activities. These grants are provided to companies as a loan, which they must begin to repay interest-free only once they start generating revenues. In times of crisis, when other funding options dry out, companies obviously flock to the IIA's gates, and in response to the Covid-19 situation, the IIA had announced a special 650m NIS (about \$200m) 'accelerated funding path,' a pool of funding dedicated to struggling start-ups. This special path is referred to as 'accelerated' due to the shortened process from application to being granted funding. Now taking up to a month, this process usually would take 3-6 months through 'regular' operating time.

In deciding which companies were to receive funding from the IIA during the crisis, the start-ups were divided into 3 groups. IIA CEO Aharon Aharon defines these groups: "There are 10%-15% of the companies which the Covid-19 situation has caused them to flourish, like Jfrog or Wix. There are about 10% of the companies

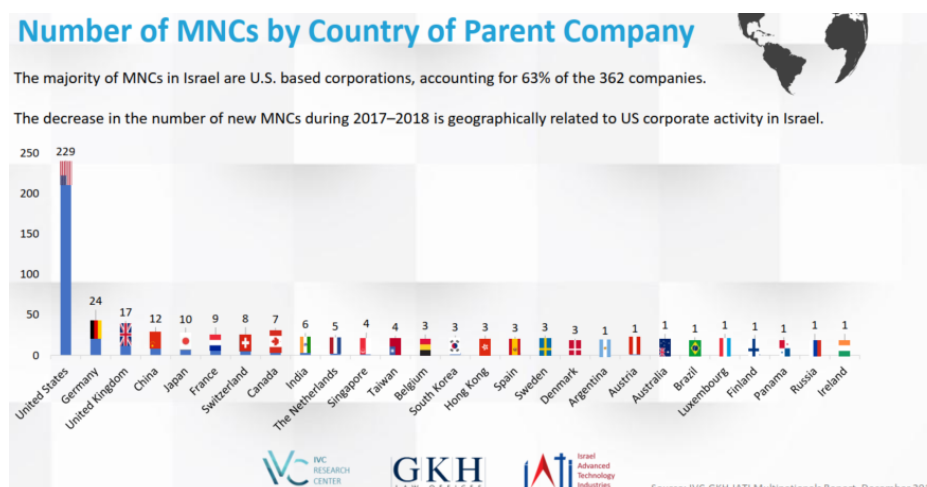
which should never have even existed in the first place, and in times of market prosperity they somehow survived. And there are all the companies which are between these two extremes, and they were badly hurt by the crisis - These are the companies we are helping, but we want to make sure we don't put in 'good money' after they received 'bad money'. During the due diligence conducted as part of this accelerated path we check the company's burn rate and adjustments to it during the crisis, we look into the actions conducted by management, and the financial projections of the company".

Foreign R&D Centers remain a lifeline for Israeli Start-Ups


There are more than 300 R&D centers of multinational companies in Israel, and an additional 200+ entities which are either non-Israeli investors in Israeli start-ups, or partnerships between Israeli and foreign companies. This constantly-growing foothold of global companies within the Israeli tech ecosystem was created and is maintained by acquiring Israeli start-ups and turning them into a local R&D center, by either establishing an R&D center to take advantage of the local tech workforce, by investing in start ups, or by opening innovation centers to find growth engines or solutions for the foreign organization's needs.

What served as a faster track connecting Israeli start-ups with foreign corporates in "normal" times, gained even more important during the Covid-19 era, as global companies used their local activities in Israel to reach out to the local ecosystem and locate Covid-19-related technologies which can either serve the global company itself, or be co-developed with that company and offered to relevant markets worldwide.

For the Israeli start-ups, these prior established relationships with local representatives of global corporations, as well as the ability for quick and in-person contact when air travel shut down meant that they could continue to be in contact with their biggest potential or existing global customers or partners. Having a "corporate insider" available locally greatly enhances the start up's understanding of the corporation's mindset both in normal times and during a crisis. The corporation's representative also has the incentive and duty to produce value from the local ecosystem they are embedded in – so both sides share the same goal, especially when the needs are as urgent as in the Covid-19 era.



A recent survey conducted by Deloitte Catalyst, the innovation arm of the local consulting company, confirmed that there was no major disruption of these centres due to the Covid-19 situation (other than working remotely from home). R&D and Danish Agency for Higher Education and Science



Innovation centers established in Israel by big global brands such as the Volkswagen group, Siemens, General Motors and others were left intact even as their parent companies scaled back operations in their home countries. Some smaller innovation offices in Israel may have been temporarily or indefinitely shut down.

4. How to survive a crisis – stories from the Israeli start-up trench

1. If they need it when everything's good, they need it when everything's bad

When a crisis of global proportions hits, everyone is affected – both technology users and technology providers. As organizations' budgets are cut to maintain a low burn-rate, almost all business units also enter "savings mode", including IT, operations and other potential users of start-up and established vendors' products.

A major theme which was shared by almost all successful "survival" stories we encountered during this research was an obvious one: if their product or service provided meaningful and especially quantifiable value to their customers before Covid-19, they had an easier time to retain these customers and even get new customers (or at least start a sales cycle) during Covid-19.

Several start-ups which offered ways to cut costs during a fairly prosperous era were ridiculed by potential customers who were more interested in growth. As soon as Covid-19 arrived, these customers became much more receptive and the start-ups closed some impressive deals. Software-as-a-Service (SaaS) start-ups were more resilient than one-time purchase start-ups during this time, mainly because they could offer the potential customer flexible pricing mechanism as a new customer or as an existing one.

When a customer is already using the product and paying for it in a subscription model, common solutions to the customer's reduced budget are to offer at a reduced price for a limited time, or downgrade the service's plan so it offers less features, but also costs less. This is done in order to retain the customer, and hopefully revert to the initial pricing mechanism once the budgets returns to its pre-crisis level.

Contrastingly, when a start-up attempts to sell its product or service to a new customer in time of reduced budgets, the chances of rejection are higher. When discussing the issue with several start-ups and investors, we received a surprising recommendation that seemed counterintuitive at first, as it seemingly deters revenue, a struggling company's lifeline. The recommendation was to offer your products for free for a period of 3 months. One founder admitted: "if the customer is still not convinced, I would offer to continue for another three months."

Their experience shows that once a potential customer opens their infrastructure for you to provide them with your service, you have placed a big foot in the door. When the "free use" period ends and the customer has witnessed what your product can do for them, it would be more difficult for them to refrain from committing to your product resulting in them paying for it.

Furthermore, the timeframe in which they use your product enables them to realize the value it brings using real data derived from their own operations. In some cases, the person or unit conducting this trial with your product could use this data to build a convincing case when requesting the budget for your continued operation in their premises.

If all else fails, keep in mind that you still gathered both the experience of working with that type of potential customer, and the data on your product's performance in a real working environment – consider this a part of your market and product validation.

Key Takeaways:

- **In crisis, cost-saving is the most important thing**, so even if your product accelerates growth, have a backup plan (or at least a general idea) of how to turn it into a cost-saving solution when a crisis hits.
- **Value must be shown in numbers**. Measure everything your product does and its effects, so you can both improve its KPIs, and use these numbers as a sales tool. If you can provide an estimate of cost-cutting to a customer, based on actual numbers, you increase your chances of making a sale.
- **Flexible pricing can ease your customer's decisions**, and using your product for free for limited time would increase the chance of conversion to a paid contract.

2. Make it sticky

Enterprise (or B2B) products are used by organizations, however they are operated by people. The most successful new generation of enterprise software companies have invested time and effort in creating the optimal user experience, which was usually found only in consumer-oriented services.

It is no longer customary to have management decide on a business tool, commit to it and then deliver the news to all employees, forcing them to use it. Many business tools are offered in single user, team and organization feature stacks and pricing models. It is not uncommon for an employee to discover a new tool, understand its value and relay it to his team, and then leverage it upwards as a potential cross-organization tool. This process can only occur if the person who is actually supposed to use the tool – the employee – has fallen in love with the tool, making it their goal to ensure everyone else falls in love with it too. This person-software bond also decreases the chances of the organization replacing the tool in the future, as the faithful users will most likely protest.

Key Takeaways:

- **Create a sticky product** – invest in user experience, make the users love your product so that they become your "insider ambassadors" within their organizations. This will also make it harder for the organization to remove the product when budgets are cut.
- **Walk a fine line between non-portability and standard data format** – Although many products and solutions increased their use base because they supported the exchange of data with other services, this kind of "openness" also makes your product more easily replaceable as the

customer knows they can easily export the data to a new vendor's solution. It is not easy, but if you find a way to keep certain parts of your solution as operational only with your proprietary type of data handling, while still open to "digest" data from other sources – you could build a Salesforce-like hard-to-replace long-term revenue machine.

3. Guesty: Only the paranoid and informed survive

Guesty was founded in 2013, and developed as an end-to-end property management platform for property owners renting their assets using Airbnb, Booking.com, TripAdvisor, Agoda, and other services. The company raised a total of \$60m in 3 round, with the latest round in March 2019 injecting \$35m into the company. When Covid-19 started, it had 230 employees.

With the sudden freeze of international travel caused by Covid-19, Guesty's went from tens of thousands of customers worldwide to zero, with no revenue either. Although the company still had a significant part of the money raised just a year prior, the company followed the investors' demands and sent 10% of its employees on "unpaid leave" status for 60 days. Guesty ended up letting go over a third of its employees, and cutting management compensation by 30%. It was a painful decision but one which would ensure sure they have enough cash for the coming two years.

The company then approached its customers worldwide and notified them that they will not charge for their services in the next few months as these customers were not generating revenue. The fact that a service provider was adhering to their situation and willing to push payments to a later date caused the customers to remain loyal to Guesty's platform for when things would get better.

Additionally, Guesty shifted its marketing theme from tourists visiting other countries to locals seeking a comfortable place to work, or people and regions in need of a place to quarantine. According to sources familiar with the company, Guesty's performance in 2020 is similar to their registered performance in 2019 – in other words, the company "lost a year" in its growth trajectory, but did not reverse in direction towards a decrease in revenues.

Key Takeaways:

- **Creating a customer success operation from the early days**, communicating with customers on a timely basis, and automating these processes enabled Guesty to build a relationship with a huge number of individual customers, which in turn made it easier to communicate with the customers and retain their trust when Covid-19 hit.
- **Helping your customers helps you.** Guesty quickly realized it will not survive if its clients do not survive. Therefore, they created a special content section on its website with helpful tips on how to provide the guests with a contact-free experience, how to better manage the property-owner's inventory, pricing methodologies and more.

4. Bizzabo: Relationships transform from physical to virtual

Founded in 2010, Bizzabo started as a simple app to connect like-minded event attendees, but since grew into a full platform for managing events. Customers using this platform can centrally coordinate their interaction with attendees, Danish Agency for Higher Education and Science

exhibitors, sponsors, and other stakeholders; prepare an event website and sell tickets; create a network of the event's speakers and attendees to promote interaction before, during, and after the event – and of course collect data which would serve for follow-up interactions and also an optimization tool for the next events.

After raising \$27m in its D round in April 2019 bringing the total investments in the company to \$57m, Bizzabo continued to grow. Just before Covid-19 hit, Bizzabo had about 140 employees and big brands as customers from 50 countries. The company offers its platform and additional features in a SaaS model with most of its clients using it to manage between 10 to over 1,000 events a year. As of mid-2019, its founders claimed the company has been doubling its revenue each year. As a service provider for an entire industry built upon physical interaction in (usually) closed spaces, Bizzabo's founders felt the effects of social distancing, lockdowns and travel restrictions fast and hard. In the two week spanning from late February to early March 2020, customers had cancelled about 1,000 events they had planned to organize with Bizzabo's platform from March through June. The platform, which on average runs 20 events every day, went down to 0.

The company's first reaction was to cut its burn-rate by performing a company-wide reduction of its workforce by 25%, and cutting senior management's compensation by 20%. Its next move was to work with fellow Israeli company Kaltura, a provider of video platforms and solutions, to come up with a joint offering for a "Virtual Experience". The joint solution was launched on March 23, less than a month after the wave of event cancellations, forcing the team to devise a new strategy. The (re)new(ed) product caters to fully virtual, fully physical, and hybrid events, and provides an end-to-end solution. Customers use this product to create, deliver and analyze events which take place over video, while they can also integrate their preferred platform of video communication (Zoom, Teams, etc.) if they wish.

Bizzabo had existing relationships with customers, however, it needed to find a way to convince their customer base that the same provider they knew as an event management tool is now an event production and broadcast tool. The solution they devised: running their first-ever virtual user conference one month after announcing the new platform, using that same platform. This enabled the company to display the product's features to 3,000+ remote attendees at once, but it served as more than a "demo" – it enabled the users to experience what their remote attendees would experience when they create an event using the new platform.

Bizzabo foresaw the growing demand for its new offering and needed to prevent a bottleneck caused by incoming customers not receiving service due to other processing customers. To do so, they redesigned their onboarding program and started facilitating group training internally. As the world of virtual events is new to most of Bizzabo's customers, the company had to refresh their "Customer Academy". The company created new training courses, which would replace live 1:1 training calls with customers. Within 2 weeks, these courses saved the equivalent of 100 hours of live interactions with customers, and eased the onboarding of dozens of them. With a reduced workforce, Bizzabo's Q2/2020 was its highest grossing ever, doubling pre-Covid-19 quarters.

Key Takeaways:

- **Focus, but don't throw away ideas** - Bizzabo actually started to consider adding features to its platform which would enable the company to enter the virtual events space, but since it was focused on the physical events market and wanted to show growth in that space, the virtual features were de-prioritized. When Covid-19 hit, these initial plans helped the company move faster than its competitors, and complement what they lacked by collaborating with Kaltura.

- **Be prepared for "instant growth"** – When dealing with survival, management is mostly worried about losing customers, not gaining them. However, once you found your renewed product-market-fit, you should assess if your current workforce can support the incoming customers and provide them with the best onboarding, training and support experience, as providing a bad experience or, even worse, not dealing with incoming customers at all – would create a serious branding issue which could overshadow your whole reversal achievement. Sometimes a quick hire of a temporary support team is the right solution, another possible solution is to create content to replace the manual human interactions.

5. Re-invent your process

During Covid-19, some companies saw the need for their product or solution drop to zero – the travel industry is a good example of that. Other companies' products were still needed, but they could not reach their customers, for example companies selling hardware devices which need to be tested and installed at the customer's premises.

A semiconductor start-up faced this problem when Covid-19 prevented travelling between countries. As a result, the Sales Development Representative – the person who is usually first to approach the customer or partner and demonstrate the technology – could not perform their duty as they could not relay the value of the product via a video call or presentations.

Although this decision would mean slowing down the development process of the product itself, the company decided to shift its efforts into developing a digital tool, which would act as a simulation of what its product does and how it performs. The goal was to create an interactive digital duplicate of the product so that the potential customer or partner would be able to "play" with the digital version and try it out the "Digital Twin" of the hardware product, live, and in real-time to show that it delivers the performance the company promised in a way that a pre-recorded demo cannot.

Even if this simulated version is not be sufficient for the parties to reach the next commercial or technological step in their relationship, the fact that the start-up has shown even a simulation of the product in action is helpful in building or maintaining a relationship with the customer or partner, and enable the start-up to continue the conversation at a more advanced stage when the physical interaction would be a viable option.

Another start-up offering a hardware-based cybersecurity product, had planned to offer some features of its product as a cloud service, however, as the start-up focused on getting initial sales of the hardware platform, the cloud-based service was put in a low priority and was pushed off to be developed in the coming year. As international travel came into a halt, that start-up moved the cloud-based development to high-priority, but instead of developing a full-featured cloud service to be offered as another product on their roster, they are developing just the needed infrastructure and features which would enable them to use this as a demonstration tool for their hardware product.

As in the semiconductor start-up example described above, the cybersecurity hardware start-up's plan was to use this tool temporarily as a replacement to a physical interaction in the sales process. However, even after the travel restrictions will be lifted, they plan to continue to develop this tool as per its original goal: as a service offered to clients. The timeframe in which they will be using it as a demonstration tool will enable them to receive feedback on this future product

from potential clients, as well as test its performance and other important issues while using It as a marketing/Business Development/Sales tool.

Key Takeaways:

- **Turn internal processes into external assets** – This might be relevant for very specific use cases, but if as part of your development process you are using simulation tools – either external or self-created – consider using some of their features for external interactions with partners and customers. Sometimes adding a more "customer friendly" UX layer on top of an internal simulation tool can enable you to turn it into a live demo tool embedded in your website (for cloud-based products) or used in video chats (for hardware-based products).
- **Even a half-cooked product has value** – consider the example above, in which a planned cloud application got called into action as a cloud demo, and will later be further developed into the original cloud application idea. In another possible scenario, previous iterations of the product which did not reach a production stage could still contain the basic features needed to run a demo while simultaneously creating a more "representative" version to replace it.

6. *Ginger: Sharing (some of) your future plans with your customers*

Oshrat Ben-Moshe worked for 12 years in various positions within the Israeli insurance industry, and before catching the entrepreneurial bug, she served as VP sales of Clal Insurance, one of Israel's leading insurers.

Through her ongoing interaction with large enterprises she realized there is still quite a headache involved in managing corporate travel. Beyond finding and booking the best flights and accommodation, the real pain presents itself when there are unexpected incidents mid-travel, for example: loss of luggage, nowhere to rest during the wait for your connecting flight, etc. Furthermore, ongoing standardized processes such as tax reimbursement for expenses are being done manually, with employees dropping off bags of crumbled paper receipts to be checked by hand (and eyes), summed up by a trusty handheld calculator, providing the amount to the employee only a few weeks later.

In 2018 Ben-Moshe left Clal and founded Ginger. While it was officially named "Ginger Travel Insurance," from the start, Ginger's main goal was to digitally streamline the travel process by providing businesses with a digital platform which enables the planning, execution and monitoring of employees' business travel, in which the employees can report any problem along the way and receive immediate solution.

At the time, Ginger planned to offer a module that handles travel insurance – an add-on most companies buy to cover the loss of personal or company property, and of course medical treatment if needed. The company was very lean, with Ben Moshe employing just a basic backoffice crew full-time, and outsourcing the development. Ginger launched its platform in March 2019, and in August 2019 announced that it has raised \$1.3m from private investors in its first seed round. By March 2020, it had been serving over 90 customers, most of them tech companies, amongst them a few of Israel's most promising unicorns.

When Covid-19 hit, and all travel was brought to a halt, Ben-Moshe realized she was faced with a situation which might deem Ginger's main product irrelevant for an unknown time frame. She had to let go of two employees, and tried to figure out what to do next. She had one thing working for her. Ginger's business model was based on an annual subscription, so most of its clients already paid for the

service or at least committed to pay for the whole year. However, getting paid and not providing a service is not a great way of keeping your customers happy, so Ben-Moshe used the first few weeks of the market's forced shutdown to accelerate the development of another service which she initially planned to launch in the future: Group Health Insurance.

This service enables companies to offer their employees' health insurance at the best rates and with the best coverage since the entire workforce as a group can negotiate and receive better terms from the insurers. Ginger did to group health insurance what it did for travel insurance – digitized the process of aggregating the data from employees, provided relevant offers and managed all the ongoing process after the policy was active.

The expanded service includes customized consultation and content for individual employees, a Medical Case Manager accompanying those insured with serious illnesses by providing support and suggestions for treatments, an in-depth examination of the insured's portfolio coverage, and more.

With the existing customer base of its initial service, it was much easier for Ginger to find customers for this new service. In fact, the group health insurance service was initially mentioned to potential customers as a future add-on when Ginger began marketing its travel planning and travel insurance services. When Ben-Moshe began discussing with her customers what Ginger can offer them when they could not utilize the travel services, the customers themselves brought up the group health insurance as a service they would be willing to test in this time frame.

Today, the group health insurance is featured front and center on Ginger's website and marketing collateral, signifying the company's shift in positioning. It has helped Ginger not only keep its current customers, but add new customers and revenue, and the positive trend is being leveraged by Ben-Moshe to conduct a new fundraising round at the time of this report.

Key Takeaways:

- **Position your first service/product as the first step in a long roadmap** – This helps you avoid being branded "a potential one-trick pony" when attempting to get your first customers, but also, as shown above, it enables you to shift priorities in developing and/or launching a new service as a natural progression that the customers expect, as opposed to being seen as a company still looking for its way.
- **Use your customers as ongoing advisors** – Your customers are always the best source of information to understand the problem to which you need to offer a solution for. Before establishing your venture and until managing to conduct some initial deals, you look for a Product-Market-Fit. The mistake some entrepreneurs do at this stage is to stop looking for the PMF and focus on internally coming up with ideas on what the market needs. The best way to align your plans with market demands is to constantly be in interaction with your customers and understand what other problems they are facing beyond the problem your initial service has solved. In larger ventures, this interaction is mostly being done by the "Customer Success" teams, but you must not wait to be large enough to be able to hire for customer success positions – have at least one team member be in charge of constant contact with customers, as this is the best way to both retain them and learn from them.

7. *Why it is sometimes better to be a first-time entrepreneur*

When investors are conducting due diligence on a potential investment in a start-up, they look at the founders' prior experiences. A veteran entrepreneur, who founded one or more start-ups in the past, is usually considered as a "safer bet", and investors are more likely to invest if there's at least one experienced entrepreneur in the team.

However, a few investors which we spoke with during the research for this report claim that Covid-19 and past incidents of a "crisis" nature made them rethink this assumption. "Sometimes, first-time entrepreneurs' lack of experience is actually a good thing when facing difficulties along the way," says a partner in one of Israel's largest VCs, "An experienced entrepreneur with specific knowledge and experience in a defined vertical, such as semiconductors, brings understanding of the value chain, industry connections, and other tidbits of knowledge which a first-time entrepreneur cannot provide. But when we look at 'generalist' entrepreneurs, and see how they act during a crisis, we see that veteran entrepreneurs seem to prefer to advance slower, overanalyze and in some cases be less motivated to try and check various ways of surviving the crisis. It could be the fact that they are analyzing the situation in what they think is a logical mindset, therefore refrain from taking risks before making sure they have thought long and hard about all the other options.

First-time entrepreneurs, however, are more naïve, and this is a compliment in this context. They know they will hit walls along the way, but they also know that each wall they break through along the way proves that they should not give up. They also know that the way to break a wall is to hit it while running, not walking, so when there is a crisis we see these entrepreneurs enter a frenzy of action, trying and failing, trying and failing, but that actually means that at some point they will find out what works. Their 'fuel' is passion and optimism, and it rubs off on their employees who also remain committed to making this work.

This is not something I can honestly support in numbers, but I did feel this difference between the two types of entrepreneurs really affect how our start-ups are conducting themselves during the Covid-19 situation".

Key Takeaways:

- **Perseverance triumphs experience** – It isn't always the most experienced that have the upper hand. Sometimes, especially during a crisis when there are no clearly defined rules to follow, it is the new and passionate that dare to take the risks and rethink ideas when encountering new situations. The flexibility of risk takers pays off in times of crisis when you must adapt quickly to stay afloat.

8. *Your trusted partners: Choosing a diverse advisory board*

There are many reasons why you should appoint a specific person to your advisory board; they may be a well-known figure in their respected industry and having their name associated with your start-up will probably ease your way into meetings with investors and customers, they can be experts in a very specific process or sub-market, and their experience can help you in defining the market needs and the solution you should develop, and more.

However, your advisory board's value, as well as the value of your investors, is not tested when you are on a launch trajectory, but rather when everything seems to fall apart. This is when you need them the most, and our discussions with several Danish Agency for Higher Education and Science

entrepreneurs brought up some regrets on choosing some of their advisory board members.

One founder told us that an advisory board member who was very connected to the investment community and had actually provided some good connections which led to the company's first seed round, turned out to be clueless when it came down to providing advice on how to survive a crisis.

In hindsight, said the entrepreneur, it is better to surround yourself with people you see as mentors, who have gone down similar paths to what you are about to experience, can detect possible mistakes you are about to make based on their own experience, and offer their view on how it might end up.

"Finding a connection to investors is becoming easier – especially in Israel, where everyone knows someone who knows someone. There is no need to pick a board member just because they can provide connections to investors. However, finding someone who acts like a mentor, and because he or she is in the advisory board they feel more committed to the success of the company – is the equivalent of having your own psychotherapist, friend, and tutor, all in one, and available almost whenever you need them," says the founder.

Another, more experienced founder, spoke about the importance of a diverse advisory board. "Some entrepreneurs think that they should build their advisory board with people coming from or dealing with the exact type of technology or market the start-up is working in, and the more people from that market are present on the advisory board, the better.

This is wrong. You should build an advisory board comprised of people you wish you could employ as a member of your management team in their respected fields. Many entrepreneurs, especially first-time entrepreneurs, think they should work hard to convince the advisory board member why he or she should be attached to their company, but actually it should be the other way around – **you** are hiring **them** - so each one of the candidates must convince you on what kind of value they bring to the company.

It is not easy to think of people who are usually older and more experienced than you as people who must prove their worth **to you** but this is the only way you can build an advisory board which can provide the advice you need at the time you need".

Key Takeaways:


- **Your advisory board is not just for connections** – While connections are great in the beginning, an advisory board stays around for far longer than beginning stages and it is important to choose mentors that will add value throughout all stages of a company's life - not just the beginning.
- **Choose the people you can learn most from** rather than choosing based off of similar fields. Each diverse voice will have a new perspective to add and enrichen your point of view.

5. Conclusions

Israel, a small and relatively new country with a proven track record of continuous success throughout times of crisis, is a strong example for Danish startups in the aftermath of the financial crisis triggered by COVID-19. By studying Israeli B2B companies, we have gained valuable insights through these company's leaders' personal experiences of the ways they have adapted during the COVID-19 pandemic to stay afloat and prosper amidst the crisis, and in its aftermath.

Based on the case stories presented in this report, methods and learning tools can be adopted for startups to ensure resilience. The key takeaways from these stories include innovative tools to deal with change, as well as different elements to implement for innovation at the foundations of the startup.

- **Customer retention and growth:** flexible pricing options, or offering the product for free for a certain period, eases the customer's decision to keep or leave the product. Building relationships through communication with customers builds trust and dedication, even through difficult times, and shows your product or service's value in numbers. This requires collecting data to provide the customer with more accurate information, resulting in higher chances of sales. Additionally, by offering the customers content to help them survive helps the startup depend on these customers to survive as well. Customers can be used as advisors as well, as they display their need given the situation, the startup can adapt and innovate accordingly.
- **Renewing old ideas:** even old ideas or half-cooked ideas have value. By redesigning old ideas according to the needs of the new situation due to the crisis, you are sure to be one step ahead of competitors that begin from the drawing board. Even ideas that are used for specific services, such as internal processes can be morphed into something of value externally through innovating these ideas for the current situation.
- **Setting yourself up for success:** setting up your startup for success also requires planning and presentation at the infrastructure at the start, to set up future expectations accordingly. By positioning your service or product as one step leading to many, it allows you to shift priorities based on demand, while continuing with the company's expected trajectory of growth. Additionally, determining a strong and diverse advisory board at the start proves valuable in times of crisis when their mentorship and capabilities are needed.
- **Finance:** in times of crisis, cost-saving is the most important thing as retaining funds allows you to wait out the storm until it passes. This requires proper planning even during periods of growth.
- **Creating the perfect product/service:** creating a product that sticks despite the times requires a product that users love and don't want to give up. This being said, a startup must balance between non-portability and standard data format, finding the balance between an easily replaceable solution, yet a solution people can integrate with their other systems.
- **Flexible mindset:** mindset plays a big role in a startup's resilience. New entrepreneurs have the upper hand over the more experienced in the sense that they are more prone to quickly thinking out of the box to devise new solutions. A startup must also be prepared for instant growth once they devise a replacement service. This means, the startup must quickly scale-



down to save funds at the start of the crisis, yet be ready for instant growth on a short notice.

These conclude the lessons derived through the case studies of Israeli startups that have managed to prosper despite of the COVID-19 crisis. By utilizing these skills and tools, Danish startups can learn key methods to grow and develop in these difficult times.

This report was not characterized by an abundance of charts, tables, or any kind of number-based insights. The reason for not conducting a "traditional" research process - where a theory is conceived, a sample is picked, surveys and/or observations are used to collect data from the sample, and the data is analyzed and provides numbers and percentages - was because the outcome of this type of research would not be practical or usable. An outcome which states that "63% of the start-ups survived because they did X" might be an interesting data point, but it means nothing to an entrepreneur who wants to learn how to build a resilient company. In the same way that the "90% of start-ups fail" cliché does not provide any practical advice on how not to fail, every statistic which groups similar items together just because they share at least one common attribute will not assist an individual who is facing a particular problem. Instead, this study was an ideographic study based on interviews with entrepreneurs, investors, and other stakeholders within the Israeli start-up ecosystem. It was also based on publicly available reports in the press and other secondary data sources.

Due to the sensitive details of internal discussions between investors and founders, and other interactions within companies, we refrained from providing any identifiable sources of information to prevent any potential discomfort our contributors could face following the publication of this report. This report dealt primarily with B2B scenarios. The decision to focus on the struggles of this type of company was due to the fact that B2B start-ups face a higher level of difficulty in their sales process compared to B2C start-ups. Their number of potential customers is smaller, they usually need to customize or at least adjust their marketing and sales process for each potential customer, as well as customize features or the entire product to fit their customer's needs and requirements - and all this is an ongoing effort unrelated to dealing with an unexpected crisis. Furthermore, the loss of one customer to a B2B start-up is much more significant than the loss of several users to a B2C start-up, so the former would always invest more time and effort to retain their customer.

About ICDK Outlook

ICDK Outlook is written by the Danish Ministry of Higher Education and Science's Innovation Attachés.

The Innovation Attachés are a part of Innovation Centre Denmark which is a partnership between Denmark's Ministry of Foreign Affairs and the Ministry of Higher Education and Science. Together the two ministries manage eight centres in Brazil, China, India, Israel, Korea, Germany and the USA. ICDK Outlook is a concept where the attachés provide new knowledge and inspiration about opportunities or trends within a given topic with relevance for stakeholders within higher education, research and innovation. Find out more about Innovation Centre Denmark on www.icdk.um.dk, where you also can find all ICDK Outlooks.