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AWARE7:
Venture Biography

Content

Disclaimer

The document presents a story of the start-up AWARE7 prepared through desk research and a narrative interview with one of the founders. The biography has been approved for publication by the founder and can be used for further research by citing it accordingly (see below).

Suggested citation:

1 ID Card

Name of the startup	AWARE7
Which ecosystem?	The Ruhr
foundation date	idea 2018, foundation 2019
Sector	Cybersecurity
No of employees	45
Male/female founder	male
Start-up phases	
idea generation	2018
incubation	2019-2021
consolidation	2023-onwards
Funding / financial support	EXIST Research Transfer via a cybersecurity incubator programme of neighbouring university

2 Founder(s)' Background and Motivation

Chris studied computer science in his BSc and moved to the Ruhr to study for a master's in cybersecurity. Matteo conducted a BSc in engineering before he moved to the Ruhr to study cybersecurity in his master at the same university as Chris. Both founders come from a do-it-yourself scene in the leisure sector. Chris was a DJ when he was a student and did it as a part-time job. So he knew the pressures of being on stage and being responsible for the music in the club. Matteo has played in various bands, and the bands needed to do everything by themselves, from setting up the stage to organising accommodation etc. Matteo: "These are things that I think helped us to run the business and deal with the uncertainty." Still, Matteo pointed out that he actually never intended to start his own venture, because of some failed venture activities of his relatives.

3 Business Modell

AWARE7 is a start-up specialised in cybersecurity services, especially lifehacking, pentesting and phishing simulation as well as consulting for B2B. As a university spin-off, the company also participates in third party-funded applied cybersecurity research projects.

4   Startup development

4.1   Idea-Generation

The idea to start a venture is related to the work of Chris and Matteo at a cybersecurity research institute linked to the master class in cybersecurity they studied. Both had contracts as scientific assistants at the institute. Chris took over a lifehacking project at the research institute in 2016. The project had not gone as planned and was financially deficient. The person who had the project upfront was not the project manager type, so the project had outstanding debts. About two to three months after Chris took over the project, he asked Matteo if he would like to join the project. Matteo had already represented the institute several times by then and Chris had realised his potential for live hacking shows. Together, they managed to develop the lifehacking project that it become profitable and was able to finance their salaries until around 2018.

Then, a project through which Chris was funded came to an end, and the two of them considered whether a new acquisition with funding from the Federal Ministry of Education and Research should be targeted. At around the same time, Matteo and Chris presented the institute at a large cybersecurity trade fair and organised a lifehacking event. At the evening party of the trade fair, they made the decision to found their venture AWARE7. Different aspects can together at the party. First the ending of the project and the need to look for new project funding. Second, at the party, Chris and others talked about Chris' technology blog, which was called AWARE7. The name was chosen specifically because there were no Google entries for it. Chris blogged about all sorts of IT-related topics, especially IT security, but it was also about the five best free image editing programmes for Mac, for example. It was just a place to try things out. Matteo also started posting at this blog and it became clear from the number of clicks that the blog and its topics were actually attracting interest. Third, the continued successful and profitable management of the lifehacking project in the last two years and their successful lifehacking show at the trade show. Building on this, the decision was made to found a company called AWARE7. They approached their professor and head of the institute, who also happened to be at the trade fair party and agreed to spin off the life hacking activities to AWARE7.

4.2   Incubation / Founding

Thanks to the existing blog and lifehacking business model, the business plan was finalised quickly. A month later, Chris and Matteo sat at the notary's office and signed the partnership agreement. On 4 January 2019, they were entered in the commercial register and have been operating as AWARE7 ever since. In preparation for the foundation, Matteo and Chris spoke to the local business development agency and the business development agency of a neighbouring city in addition to talking to the head of the cybersecurity institute. In the neighbouring city they were introduced to other important people in the field of IT security, so that Matteo and Chris were able to get a rough idea of what a spin-off is like. However, as there was pressure to make a decision due to the expiring contract, the legal form and partner structure was decided in a rush. As Matteo recalls: "And then we founded the company and said, yes, well, we don't have that much time to think about 'what exactly are we going to do?'" In addition to Matteo and Chris as managing partners, the director of the research institute become the third partner. All three have contributed equally to the capital to set up the limited company [GmbH].

Matteo clarified that the professor contributed to the capital necessary to establish the limited company. However, it was no real seed funding which would have allowed the young venture to pay for first salaries etc. Rather, Chris and Matteo were employed at €450 basis [marginal employment or

mini-jobs to German labour legislation] and paid their salary from their first lifehacking jobs. Revising the foundation process Matteo noted "With hindsight, you could perhaps say that a few things could have been organised more cleverly. For example, you should have set up a holding company to hold the shares. Ultimately, the question of the organisational form is a maths game, but it could have been a little different […] Back then, we simply wouldn't have founded the company without the involvement of the head of the institute." Neither Matteo nor Chris come from wealthy families. Matteo even kept a screenshot of his account balance of €4.20 directly after the start-up.

In addition to the GmbH, a GbR was founded, which also holds shares in AWARE7. The idea was to give the employees a stake in the company. In the end, however, this could have been avoided, as in corporate practice, participation is regulated via virtual company shares. In hindsight, setting up the additional GbR turned out to be a bad idea, "we should perhaps have thought about it a little more carefully," said Matteo. "But on the other hand, we probably wouldn't have... So then we would have spent ages discussing it".

At the beginning AWARE7 was located at free desks in the office of the cybersecurity institute. However, the young company quickly move to an office space at some distance from the university to have more space to grow the business. The new office space was commissioned by the city and its business development agency. Though AWARE7 was well connected to the cybersecurity institute and the first employees came from there, the spatial separation had advantages for the young venture. As they were no longer located in the institute, it became clear to everyone that they were now an independent company and the founders were excluded from tasks and obligations related to the institute.

In the business world, everything is a little less administrative, the projects are simpler and the two could work more independently, so that further activities, such as penetration testing, were quickly added to the lifehacking. The development of the penetration testing is Matteo's speciality and they received research funding for this. The cybersecurity incubator programme run by a university in the neighbouring city enabled a ca. €300 000 research grant. The incubator programme had the ability to recommend teams for the Federal Ministry of Education and Research funded Exist Transfer of Research grant[1]. Matteo and Chris applied with their first results from a research project they had conducted at the cybersecurity institute and proposed to develop software that quickly calculates a first penetration risk score based on publicly available data. Exist Transfer of Research consists of two phases. In the first phase, the university receives the funding, and the founding team is hired and can employ other people to further develop the technology for commercialisation. If successful, the venture will formally be founded, and the first project funding from the grant will be received. As AWARE7 was already founded, they were only allowed to apply for funding for phase 2 and were eventually successful with their application.

The grant helped to pay wages and hire more employees, enabling them to hire five people for mini-jobs from mid-2019. It was used to implement the penetration testing product that is still used in the sales process today. In retrospect, Matteo found Exist Transfer of Research and the whole cybersecurity incubator very helpful. He attended mentoring workshops on marketing, for example, where you simply have to try things out according to a certain concept. In principle, AWARE7 still does that today. Contact with the cybersecurity incubator (located at a neighbouring university) was initially made on a personal level because Matteo knew one of the manager from an event. The head of the cybersecurity incubator approached Matteo to encourage an application to Exist Transfer of Research via his incubator. Matteo was also doing his PhD with a professor at the university in the neighbouring city that runs the

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[1]   https://www.exist.de/EXIST/Navigation/DE/Gruendungsfoerderung/EXIST-Forschungstransfer/exist-forschungstransfer.html

cybersecurity incubator programme. His PhD research is partly related to the Exist Transfer of Research work but unrelated to the foundation of AWARE7 and his PhD supervisor is not involved in AWARE7.

AWARE7 had its own revenue right from the start and the business went well and grew based on growing earnings. In particular, the lifehacking and training business flourished, where shows and lectures were mainly held for large cooperates. It was helpful that Chris and Matteo were able to convert the private sector partners of their old project at the cybersecurity institute into customers. At a major lifehacking show, they were once told off the record that their prices were much lower compared to their competitors. However, making low-price offers was not intended, but the result of lack of knowledge on price structures in the corporate world. Following that, they became more confident in their abilities and gradually increased their pricing. AWARE7 was able to hire more speakers and by the end of 2019, the number of employees had grown to fourteen people. Matteo pointed out "It was very good that a large corporation could be named as a reference customer on our AWARE7 website at some point. We had confirmation from them that we were allowed to do this, so we did some live hacking. And of course, that always helps, everyone knows them, has somehow seen this logo before and knows that they are an important player in the market." It was equally important to win the consumer advice centre as another client.

During this period, Chris and Matteo also pitched their business at two larger event, but they didn't feel that pitching was a good fit for their business. They are already constantly pitching to customers and doing lifehacking. But when you pitch against start-ups that are active in the B2C segment, you don't stand a chance. AWARE7 has never needed to win cash prizes or raise external capital from investors, because it has generated revenue from the outset. This allowed the company to maintain the freedom to do things that the founders deemed appropriate.

Then came the Covid19 pandemic in March 2020, which completely changed AWARE7's business model. The whole marketing strategy was anchored around lifehacking events. The startup's services, which went beyond the lifehacking topic, were then presented at these events. The marketing or sales strategy was: AWARE7 employees gave these livehacking presentations and talked about the additional services on offer in a non-offensive way. Two or three new orders were actually always generated from this. With the pandemic, all events were cancelled, challenging the business model of AWARE7. Consequently, the company must cut jobs and shrank to thirteen people, who, however, only worked in a total of five full-time positions.

4.3 Scaling-up / Consolidation

The Covid-19 pandemic was used to reorganise the company. Other fields have been added, e.g. in the area of online learning and consulting. This was favoured by an amendment to the Critical Infrastructures Act, which extended the amount of sectors under supervision. This enabled AWARE7 to acquire further projects and expand the business area. In addition to the consulting project, the product range was also further developed. AWARE7 now offers phishing, simulations and e-learning provided by the company (in-house development and hosting). Furthermore the founders heavily invested in certificates to fulfil legal requirement for certain consulting jobs, and to demonstrate their competence and reliability as cybersecurity company, despite the relative young age of AWARE7 and its founders. The business expansion and certification eventually payed out and at the time of interviewing in December 2023, 45 people worked for AWARE7.

To foster this scaling, Chris and Matteo introduced a middle management in Early 2023. They further successfully applied for an accelerator programme from the Ruhr but eventually decided to not take part in it. They felt that the offers did not suit to their organically growing company and that they could not train their new middle management as they had hoped.

AWARE7 is currently planning for the coming year 2024 and wants to act rather conservatively, which means consolidating first in order to keep sales and employment constant. However, there will soon be a new amendment to the law, which will mean that even more companies will have to deal with the topic of cybersecurity. As a result, the scope of possible clients will continue to grow. The question is how the market will develop. But the company will probably continue to grow in 2024 and the target for the end of 2026 is around 100 employees. Here the location in the technology park is limiting the company, as the park is almost completely occupied and hesitant to offer additional office space.

5   Reflection and Conclusion

Due to the personal engagement of Chris and Matteo, they are often asked to represent the ecosystem as regional ambassadors. This commitment is part of AWARE7's strategy to have as many touchpoints with potential customers as possible, be it online during the Covid19-pandemic or offline, as in the recent time. Even though Matteo stated, he feels uncomfortable to talk about himself and the start-up's success story at events, such representation is important as a marketing strategy for the company. Matteo reflects: "Especially in the early phase of a start-up, as a founder, you are also the brand".

Another reason for their strong regional engagement is the location of AWARE7 in a city neighbouring the current cybersecurity hotspot in the Ruhr. It requires the founders' continuous efforts to remain on the radar system of the many cybersecurity actors located in the neighbouring city and to profit from the "buzz" over there. For example, in contrast to support structures at AWARE7's current location, the actors' expertise in consulting high-tech start-ups and the capacity to organise delegation trips to other countries is really advanced in the neighbouring city. Matteo and Chris could profit from it several times.

Both founders would like to stay at the recent location with AWARE7. Especially Chris is strongly committed to the city, as he grew up there and strives to contribute to the city's economic development. However, given the expansion plans of having 100 employees by the end of 2026, future questions are if there is enough office space available in the technology park and reliable commitment of city officials to provide the much needed space.

Imprint

Publisher and Contact

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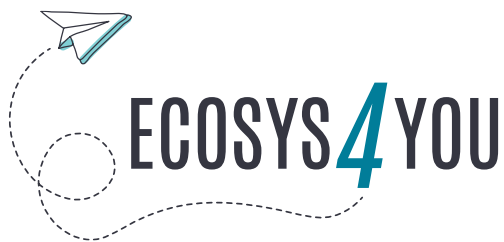Project Coordinator: Dr Anna Butzin, IAT - WH GE

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