Inno-Quarter

Open Innovation Quarters for quick end-user feedback at European Festivals

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Final Position Paper

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Inno-Quarter: Open Innovation Quarters for quick end-user feedback at European Festivals

Inno-Quarter is a novel regional entrepreneurship support mechanism providing startups with platforms for early customer validation activities in form of innovation quarters at European festivals. The Inno-Quarter mechanism was developed and tested between 2018 and 2022 as a project funded by the Interreg North Sea Region – European Regional Development Fund.

This report aims at informing entrepreneurship support organizations as well as policymakers and their regional development agencies about

1. **the core of the Inno-Quarter mechanism,**
2. **its potential for regional innovation support,**
3. **the key project learnings regarding the design and implementation of the Inno-Quarter mechanism in regional support infrastructure.**

The insights presented in this report result from a scientific evaluation of the project, whose data basis is built upon qualitative in-depth interviews with entrepreneurs participating in the Inno-Quarter program, focus group interviews with project partners and experts, and rich field observations. Due to the qualitative nature of the research, the context specificity of the findings presented below should be noted.

1. The Inno-Quarter Project

Aim and Scope

Nine out of ten startups fail within their first three years in business. One of the main reasons for this high rate of failure is the existence of a product-market mismatch of many startups, i.e., the development of a product offering that does not meet market demand. This mismatch is often recognized too late, so that companies can no longer take countermeasures and consequently have to cease their business activities due to a lack of available market opportunities and associated financial resources[1].

Lean Startup[2] is a method designed to enable entrepreneurs to avoid this problem by drastically shortening product development cycles through customer-centric business model development. By reflecting on customer feedback early in the business development process, products are to be developed in line with the actual market need.

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[1] *CB Insights. (2018). Top 20 Reasons Why Startups Fail, https://www.cbinsights.com/research/startup-failure-reasons-top/.*
[2] *Ries, E. (2011). The Lean Startup - How Constant Innovation Creates Radically Successful Businesses. Blank, S. (2013). Why the Lean Start-Up Changes Everything. Harvard Business Review, 91(5), 63–72.*

The method is based on the 'build-measure-learn cycle' and essentially proposes that entrepreneurs test their business models on the market using hypotheses and, based on the insights gained, can develop the product offering accordingly. Applying the lean startup method can thus enable entrepreneurs to quickly and cost-effectively adapt, further develop, or even discard business models and products.

While the relevance of early-stage customer feedback for validating the market relevance of products is undisputed, in practice founders are faced with the challenge of implementing this interactive approach, as it involves a substantial amount of time, preparation, organization, and analysis activities. This is where the Inno-Quarter project steps in by developing validation formats as an instrument for regional innovation support and testing their implementation and impact in practice. Validation formats were institutionalized in the participating European partner regions by setting up innovation quarters - so-called 'Inno-Quarters' - at festivals and events where startups could test their prototypes and gather customer feedback. The focus on festivals and event formats was set to be able to access the largest and most heterogeneous feedback group possible - the festival visitors. Table 1 provides an overview of the project's core data.

Table 1: Overview of the Inno-Quarter project.

Inno-Quarter	
Aim of the project	Development of a regional entrepreneurship support mechanism for quick end-user feedback
Project period	2018 - 2022
Grant	Interreg North Sea Region – European Regional Development Fund
Involved partner regions	• Friesland (The Netherlands) • Halland (Sweden) • Kortrijk (Belgium) • Aarhus (Denmark) • Bremen (Germany)
Number of startup projects supported	122
Project website	www.innoquarter.eu

The Inno-Quarter Mechanism

While the core objective of the project was to develop a regional support measure for quick end-user feedback in festival settings, the design of the regional support programs and their practical implementation in the partner regions was initially deliberately implemented independently. This non-uniformity of the developed programs made it possible to test different approaches, to identify their modes of action and related strengths and weaknesses. This approach also allowed us to reflect on the individual partners' competencies as well as the involvement of stakeholders from the local entrepreneurial ecosystems, whose presence was different between the regions.

Through regular evaluations of the testing formats and institutionalized discussions between representatives of all involved partner regions about their experiences and best practice approaches, the Inno-Quarter mechanism[3] emerged throughout the project. The mechanism remains adaptable in its implementation to consider specifics of the region but essentially consists of four elements: (I) participant selection, (II) qualification, (III) validation, and (IV) reflection (figure 1).

Selection: Startups could apply for participation in the program themselves or were specifically scouted by project partners. The selection criteria were that the (future) offer of the startup should contribute to the UN's Sustainable Development Goals, that the planned test was realistically feasible in terms of time, space, and organization within the framework of the selected event, and that the idea could offer added value for the festival or its visitors or was thematically appropriate (e-Guidance sheet 1,3 & 4).

Qualification: In mandatory workshops, the selected startups were provided with basic knowledge on topics such as the Lean Startup Methodology, validations, and testing options, as well as pitch training. The goal of the workshops was also to introduce the event settings and special circumstances. Coaching sessions then provided the startups with targeted support in preparing for their tests. Key questions addressed here were which hypotheses should be tested, how the test should be designed, and how findings could be systematically recorded (e-Guidance sheet 5).

[3] *See also Freiling, J., Baron, T., Phuong, Q. D., & Elsner, J. (2021). Inno-Quarters – mit Living Labs auf Festivals zur Validierung neuer Geschäftsmodelle. In Austrian Management Review, 11 (1), 58-71.*

III **Validation:** Two possibilities for testing have emerged as particularly suitable in the context of festivals – the embedded approach and the stand approach (figures 2 and 3).

- The embedded approach involved covert tests that could be integrated into the festival infrastructure across the entire festival site. In particular, behavior and processes could be tested for solutions around topics for which a festival is predestined, such as waste solutions, off-grid energy solutions, sanitary technology, or back-stage solutions.
- In the stand approach, a separate area on the festival grounds was designated as an innovation quarter. In this area, a booth was made available to the entrepreneurs, which, depending on the test form, could be used as a place for interviews, observations, surveys, for presenting the prototype, or for further interactions around the prototype. B2C solutions in particular were suitable for this approach, as it was possible to understand the customer needs in direct contact with end users and have the feedback shown directly on the prototype.

IV **Reflection:** In individual post-assessment meetings with a business coach, the evaluation of the customer feedback was discussed. The focus here was particularly on categorizing and reflecting on the insights from the validation activities. It was also a matter of formulating concrete measures for action that would result for the business model (e-Guidance sheet 7).

Figure 1: The Inno-Quarter Process (Source: Freiling et al., 2021: 65

Figure 1: The Inno-Quarter Process (Source: Freiling et al., 2021: 65

Figure 2: **The Embedded Approach**

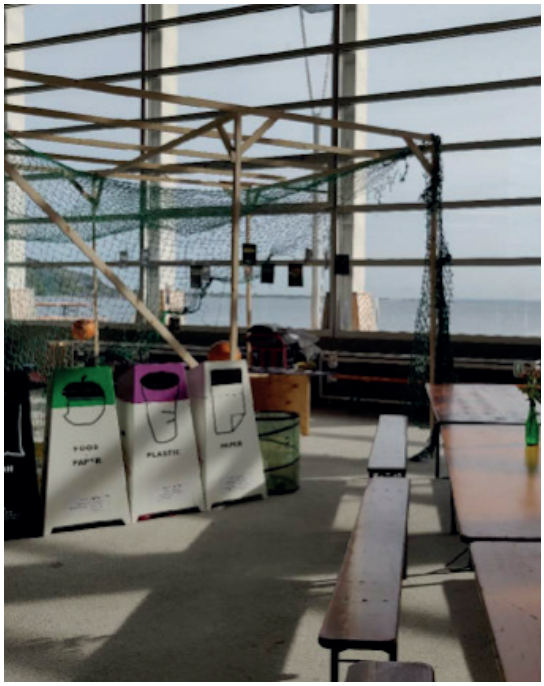

Figure 3: **The Stand Approach**

2. The Potential of the Inno-Quarter Approach for Regional Innovation Support

The main goal of the project was to foster innovation in the involved project regions by creating validation formats for successful business model learnings on the individual level of the participating entrepreneurs. Such highly individualized learnings were evident for an overwhelming majority of program participants. Tiekstra (2022) quantitatively assessed the business model learnings of the Inno-Quarter participants and concluded that key learnings took place related to the following aspects of the business model[4]:

- Customer expectations and opinions about the product & services
- Customer groups
- Communication to customers
- Engagement of customers
- Revenue model of the business
- Collaboration possibilities with partners
- Business partners' expectations and opinions about the product & services
- Role of partners for the business success

Our data support this finding as interviewed participants shared examples of specific business model learnings, they have gathered through their participation in the Inno-Quarter program. Such learnings concerned for instance the product itself, the enterprise name, the usability of the respective application, and the customer's willingness to pay a certain price for the product.

[4] *Tiekstra, S. M., Smink, C. K., & Brezet, J. C. (2023). Inno-Quarter – project report. [online available at https://innoquarter.eu/]*

The following two examples shall demonstrate insights that participants gained due to their validation activities with Inno-Quarter.

One participating startup offers customized sneakers. The shoes are hand-painted by artists according to customer wishes. Since the founder thought it would be suitable for scaling his business to have the shoes printed instead of hand-painted, he wanted to test whether hand-painting was important to customers or whether they would also accept prints. As a validation activity, the startup used its booth at an Inno-Quarter event and performed hand-painting of shoes according to customers' wishes. Hand-painted and printed shoes were also exhibited. The founder conducted conversations with event visitors to validate his hypothesis. He summarized his core findings from the validation with Inno-Quarter as follows:

"Our idea to print the shoes, which was the consideration before, was invalidated at the Inno-Quarter participation. People saw the shoes being painted and had an appreciation for them. [...] We can drop the printing thing because we know that's not what people want."
- Program participant

Another example relates to a price test. A startup has developed an energy drink that contains only natural and sustainably produced ingredients. Since the founder had no prior estimate of what price people would be willing to pay for his drink, he conducted a price survey and concluded:

"I would comply with the opinion of customers and listen to the feedback to limit the price to less than 2 Euros, e.g., 1,95 Euros."
- Program participant

One of the involved startup coaches summarized her impression regarding the effectiveness of the Inno-Quarter approach from her experience with collaborating closely with the startups as follows:

“I think one of the big learnings is that this [the Inno-Quarter approach] is really helping the startups. It is really helping the startups to go out there, to do something they are not sure about, and to try to test in a real context. I think it is one of the biggest learnings.”
- Startup coach

While such highly individualized learning can be observed at the individual level of all program participants, the potential of the IQ approach is also evident at the regional level in the participating project regions. The key insights into the potential of the Inno-Quarter approach are therefore identified in the following three areas: (a) regional entrepreneurial human capital, (b) upscaling of the Inno-Quarter methodology, and (c) perceptibility of regional innovations.

(a) Regional Entrepreneurial Human Capital

Regional Entrepreneurial Human Capital describes the collective entrepreneurial knowledge and skills available in a region that individuals have accumulated through formal education, training, or experience. While the core of the Inno-Quarter program was to support business model learnings, a core contribution of the program was an educational aspect as reported by the program's participants. Most of the participants had neither an educational background in business studies nor substantial business experience. Therefore, running through the program with the qualification, validation, and reflection process (see figure 1) enabled the entrepreneurs further-developing their entrepreneurial knowledge on topics around customer-centric business development as well as related skills specific to validation methods.

Entrepreneurial knowledge

The interviews with participating entrepreneurs reveal that entrepreneurs were educated by their program participation in various aspects contributing to advancing their entrepreneurial knowledge. Even though 'openness towards feedback' and 'doer-genius' are textbook characteristics of entrepreneurs, it became apparent that many entrepreneurs did not have the mindset that is attributed to the topic fully present when entering the program. A key contribution of the programs' workshops was thus the emphasis on the 'importance of feedback in the business development process' and the 'Lean Startup methodology'. A mindset shift in this regard is exemplified by the following quote from a participating entrepreneur:

"The learning was: why solicit feedback and how ultimately? So, first of all, to get a structure and why the whole thing is important. That opened my eyes. I have otherwise never asked for feedback when making decisions. I always decided on something by myself and then just did it that way."
- Program participant

Further learning is related to the ‘customer validation’ itself. While entrepreneurs generally agreed that soliciting feedback can be useful, stepping out of one's comfort zone and actively approaching strangers with questions and systemically analyzing their opinions was an issue that many participants overcame only through coercion by their program participation as the following quotes demonstrate:

"Yeah, so one thing that was mentioned a lot in the workshop is being active in approaching people. [...] I realized I had to go one step further. To be even more open to different people and to be more self-confident."
- Program participant

"You then also have to get over yourself to really want to hear that, because what's the point of me just talking to people who confirm everything and say, keep doing that. What I'm getting at is: it all comes from somewhere. I can't say: this opinion is completely irrelevant."
- Program participant

“The most important part was to actually interact with people. And I figured out what is important for people at the early stage is to just get ourselves out there and force yourself to do things, you know? We forced them to talk to people.”
- Startup coach

Validation methods

Besides fundamental knowledge on topics around feedback, validation, and customer involvement, the qualification phase was designed around preparing the startups for their actual tests. Key questions were ‘what to test?’, ‘how to test?’ and ‘how to capture the feedback?’ Specific learnings regarding those questions are evident for participants. Several entrepreneurs mentioned that they have not known much about formulating a hypothesis and how they can test those assumptions with potential customers. The Inno-Quarter program thus fostered knowledge on validation methods as several statements by the entrepreneurs exemplify:

"We didn't have that idea [to apply a specific testing method] before. That was really after the workshop. Where we then also knew what to pay attention to, what structure it has to have so that in the end, you have results that you can evaluate and not somehow have 20 different answers."
- Program participant

"Limit to a few questions. Not wanting to ask too many because people aren't there to talk to you, they're there for the festival. Less is more, so I've got to damn well find exactly the questions that are worth standing there".

- Program participant

Lessons learned were also mentioned concerning data analysis. Depending on the chosen validation methods such as interviews, observations, surveys, or A/B-tests, entrepreneurs mentioned that methods learned during the preparation workshops and the individual after-care sessions helped them analyze data and structure their findings.

"We evaluated the questions. We did that via Excel. We listed them clearly and made summaries of the questions. We evaluated these in the team. Then we looked at the most frequent answers and said, okay, what measures can we take or implement there?"

- Program participant

Since the participation in the Inno-Quarter program was for most participants the first systematic customer validation experience, a core finding of the project is that not only the imparted contents and business model learnings were the output of the project on the participants' level but especially the application of validation methods and related learned skills. For example, entrepreneurs stated that they had only understood what to look out for during validation by carrying out the validation so that they would do many things differently in another validation phase. This insight has significant implications for the validation format (see chapter 4). These findings are represented by the following statements:

"I asked too open questions, so it was difficult for result generation"

- Program participant

"Or somebody said that we should do something more interactive not using so much this paper-based questionnaire."

- Program participant

"So, it's really like, next time I would take someone with me. [...] I had to talk and show and take notes and sometimes I had groups. [...] But those notes during the conversations, I sometimes felt like: ah I can't keep up."

- Program participant

"Documenting information. I actually did that wrong."

- Program participant

(b) Upscaling of the Inno-Quarter methodology

All involved partner regions are rather nascent or developing entrepreneurial ecosystems. Support infrastructure and a connected startup support scene do exist; however, the partner regions are not acknowledged as national startup hotspots. A regional upscaling of the Inno-Quarter mechanism might therefore add to an increase in startup survival due to fast-track product-market-fit testing. Throughout the project, it could be observed in partner regions that the importance of validation formats gained increasing awareness within the startup support scene. Since all project partners are actors also relevant in the regional ecosystems and collaborated with regional stakeholders for the sake of the project, the visibility, and knowledge of the project work spread within the regions and so did the topic of early-stage business idea validations and customer involvement. In two regions, the Inno-Quarter methodology was even adopted or discussed to be adopted by organizations not associated with the Inno-Quarter project. This upscaling of the Inno-Quarter methodology is accordingly a contribution of the format. It can potentially contribute to the sustainable addition of practical validation formats to the regional support landscape and, thus, might support differentiating regional support infrastructures as an attraction factor for (would-be-) entrepreneurs. Due to the brevity of the project, no statement can be made at this time regarding the sustained success of this impact and its effects on the region. However, the project partners agree that this is a positive development as can be taken from their statements below.

"The connection [of Inno-Quarter] with our coaching program, that's really a topic that I would like to take with me and discuss with my colleagues. Because I think that would really make sense. That would definitely also be a nice process if you can integrate that. They [the participants of the coaching program] have a corresponding milestone plan and have to reach certain milestones so that they also receive the next step of funding. In any case, I would pass this idea on to my colleagues."

- Ecosystem Stakeholder

"We can see that a lot of other places here in town capture the idea of doing an Inno-Quarter. For example, [a local] festival. They are doing it by themselves. That is fantastic for us to see. The idea of doing an Inno-Quarter and seeing the methodology that is growing. […] Now people are doing it in other places as well, without us which is fine by me. So, the Inno-Quarter methodology has already been caught in the region. We got the institutions and they start to understand why to do these things. Why do live testing."

- Project Manager

(c) Perceptibility of regional innovations

The exhibition of entrepreneurship and interaction with startups is a rather unexpected event for festival visitors and can therefore generate increased attention. Due to a large number of festival participants, the visibility rate for startups with their booths was relatively high. Quite independently of the actual idea of the Inno-Quarter approach, the mere showcasing of regional startup activities for a broad mass of festival visitors was rated as positive by event organizers and program managers, as the following statements substantiate:

"I think it's also a great opportunity for feedbackers to see what great teams there are, what ideas there are. That something like that is also made visible."
- Event Organizer

"If you speak of doing an Inno-Quarter at a festival you could also say that's a way to make innovation visible to the public in a way that is not so easy normally".
- Program Manager

As immature entrepreneurial ecosystems face out-migration of startup teams to more mature ones and are at a disadvantage in attracting external talent compared to strong startup hubs, this public display of regional startup activity from the perspective of regional program managers could pay dividends to a region's image as a startup location and serve as a source of inspiration for regional entrepreneurship, as illustrated by the statements below.

"You don't have to be a multi-billion-dollar company to do innovation. So, it's also, I think, really nice for the audience to meet all the startups and see its people like you and me. It's been good for the culture here, the Inno-Quarter".
- Program manager

"It [Inno-Quarter] could help to keep the startups in the region because we also have the problem of brain drain. There is no incubation program in this region. So, if startups want to have serious incubation programs they have to go out to other cities. So, in that perspective, further developing the approach to a full program such as an accelerator in a follow-up project could really benefit the region".
- Program manager

3. Project Key Learnings on the Implementation of the Inno-Quarter Mechanism

To be able to utilize the aforementioned potentials of the Inno-Quarter mechanism, especially concerning the formation of entrepreneurial capacity and business model learnings, the following core insights have emerged within the framework of the project, which is of great importance in the implementation of the mechanism. These insights are derived from the experiences of project partners and participants, as well as from observable weaknesses in existing regional approaches. Corresponding implications for the practice of implementing and promoting such formats are therefore briefly explained below.

Organizational structure

Due to the programmatic nature of the Inno-Quarter mechanism (figure 1), its successful regional implementation requires the involvement of several stakeholder groups. In particular, the involvement of the municipality is seen as a success factor, as it can act as a link between the regional entrepreneurship organizations, festivals and events, and relevant stakeholders of the local entrepreneurial ecosystem and, thus, facilitates project coordination. Project partner regions where the municipality was not involved in the project reported implementation difficulties. The leading manager of the Inno-Quarter project summarized the respective experience as follows:

"What I learned from the project is also that if you don't have the right structure in your region, Inno-Quarter is something really difficult to organize. So, you can do your best and put much time into it but if the region doesn't help you or is not involved then it's sometimes really difficult".
- Project Manager

The involvement of regional expertise and the externalization of corresponding tasks to regional support organizations is also seen as an advantage in order not to overburden individual partners with the organizationally quite complex implementation of the mechanism.

"I love all the hats we have on. But it would be nice to take some of them off and not be able to carry all the roles on the Inno-Quarter project."
- Project Manager

Overall, the project partners see the Inno-Quarter approach as costly if it is carried out on its own. The ideal constellation is seen as embedding the mechanism in existing programs or structures, for example, where testing at a festival is one milestone in an accelerator program. Such embedding has been proven to be a success in one of the partner regions.

Regardless of the organizational embedding, some actors and roles are indispensable for the successful implementation of the Inno-Quarter mechanism (e-Guidance sheet 2). These are presented in Table 2.

Table 2: Actors and their roles in the Inno-Quarter Program

Regional Actor	Role
Startups	The projects that use hypotheses to validate their prototypes to generate insights for the further development of their products
Regional Innovation Broker	Central coordinator of the IQ approach in the region, scouting and selection of startups, organization of the program on-site, incl. involvement of the actors in the region. Regular exchange of experiewnces and best practices with innovation brokers from other regions in formalized innovation broker meetings. Adaptation of the learnings from this meeting for the own Inno-Quarter format.
Coach (ideally from an innovation organization, experts in the field, or an entrepreneurship support organization, e.g., accelerator)	Coaching the participating startups, support in the preparation and follow-up of the validations.
Festival Organisation	Implementation of the festivals and integration of the Inno-Quarter on the festival site. Infrastructural organization.
Festival Visitors	Feedback givers. Expressing opinions by participating in validation, for example in qualitative feedback interviews based on the use of the prototypes.
Stakeholders of the regional Entrepreneurial Ecosystem	Collaboration with local startup support organizations and startup events to identify and acquire startups to participate in the IQ program. Contact referrals to startups to provide further assistance. Institutionalized stakeholder meetings for regional implementation and captured regional learning about the approach.
University, Colleges, Schools and Research Organizations	Involvement of students and researchers as startup participants, also academic evaluation of the project to identify improvement potential.
Municipality	Political, financial, administrative, and coordinative support.

Content and process design

The project learnings regarding the relevant contents and processes needed are specific to the four steps of the Inno-Quarter process: (i) the selection, (ii) qualification, (iii) validation, and (iv) reflection.

I. Selection

- ***Active scouting:*** Since the Inno-Quarter program did not have high regional awareness, especially in the first years of the project, and thus received few initiative applications from entrepreneurs, targeted scouting for early-stage startups as program participants proved to be very effective. Here, targeted scouting in environments where early-stage startups can be found turned out to be meaningful. These include in particular startup events with pitching and business plan competitions, entrepreneurship courses in higher educational institutes, and structured entrepreneurship support programs such as accelerators.

- ***Maturity of startups:*** A focus on entrepreneurs in early-stage product development is relevant for the program's effectiveness as those startups profit most from the received feedbacks. Startups with a final developed product offering have often been found to have used their feedback booth as a marketing platform and not done any serious validation, thus unnecessarily occupying the space in the program.

- ***Startup focus on end customers:*** Since festivals are where people are encountered in their private lives, it was evident among the participating startups that the value of validation at events was more suitable for startups with an end-customer focus than B2B business concepts. The main reason was that the set of suitable testers was larger for end-customer businesses and the pot. B2B feedbackers were not identifiable to the startups for targeting unless these individuals approached the entrepreneurs at their booths on their own.

- ***International and interregional startups:*** One goal of the project was to give entrepreneurs from the participating regions the opportunity to validate their products at events in the other partner regions. However, this offer was hardly used, as it became apparent that startups in early development phases first want to validate in their home market before thinking about international customer groups. Potentially, the program could be interesting in later phases of a startup for the validation of foreign markets, but this assumption could not be confirmed within the project. While the international exchange of program participants was thus not considered very useful, the offer of validation spots for startups from neighboring, less urban regions has been gladly accepted. Accordingly, Inno-Quarter could contribute to the formation of interregional network structures in entrepreneurial ecosystems with their neighboring space.

- ***Expectation management:*** Some of the participating startups were disappointed after participation that they could not meet the exact target group of their product offering to a comprehensive extent at the event or that testers were not prepared to give very time-intensive tests of various aspects of the business concept. In this regard, one finding is to make startup entrepreneurs aware of the feasibility and scope of possible testing before participation and to prepare for focused testing in the preparation phase. Testing at events is suitable for tests that do not exceed an involvement of the feedbackers of approx. 15 minutes.

- ***Quality over quantity:*** In order not to strain the willingness of the testers to give feedback, it became apparent that not too many startups should test at an event. A number of up to ten startups testing in parallel were accepted by the participants from the experience of the program managers. The focus of startup selection should therefore be on the quality of the startup-festival-fit rather than the number of startups.

II. Qualification

The systematic preparation of startups was essential to spawning business model learnings. Cohort-based workshops were useful when it came to introducing general knowledge on the lean startup methodology, sustainability, validation methods, and pitching (Chapter 2). Individual coaching sessions are the preferred mode for individually setting the frame for the validation activity of the related startup. Dijkstra & Boonstra (2021)[5] developed a festival experimentation guide with tools and templates that served as the basis for the preparation of startups based on the best practice experiences of the Inno-Quarter project members.

The qualification was of the utmost importance. Entrepreneurs that were unable to attend performed perceptibly worse in the validations. The value of the preparations was clearly emphasized by the participating entrepreneurs in their evaluation of the program. However, one aspect was frequently mentioned in the evaluation, which should be added as an element in preparations: *test interviews and the simulation of conversations*, in order not to first test the comprehensibility of the questions on the actual test objects.

The time for the qualification phase varied between the partner regions between six weeks and four months before the actual validation at the festival. We have received feedback from participants that a preparation time of fewer than six weeks is considered insufficient.

[5] *Dijkstra, A., & Boonstra, M. (2021): Festival Experimentation Guide – A practical Guide for sustainable innovators on how to design, implement and evaluate experiments at festivals. [online available at: https://innoquarter.eu/feg/]*

III. Validation

The validation phase is the core of the Inno-Quarter mechanism. Project findings in this phase relate to the two test types *embedded approach* and the *stand approach*.

Since *embedded tests* are a hidden form of validation in which, for example, processes and procedures can be observed, the precise planning and installation of the prototypes in the festival infrastructure in advance is crucial for this type of test. During the festival, targeted observation and, if necessary, questioning of festival visitors is possible here, but the involvement of feedbackers is inherent in the system and therefore does not require any major activation.

In contrast, testing with a stand approach during the festival means a relatively higher effort. First, it was important to make the Innovation Quarter visible to visitors at the festival, to explain the system, and to encourage them to give feedback. This could be achieved by an appropriate stand design with explanatory signs as well as staff on site who actively approached festival visitors, introduced the concept, and encouraged visitors to approach the startup stands. The explanation of the Inno-Quarter concept on site was important, as the booths could otherwise be perceived as commercial sale points and therefore be deliberately ignored.

As an incentive system for giving feedback, we tested a feedback coin system in the project, in which festival visitors received a coin after providing feedback from the startups (e-Guidance sheet 6). By interacting with several startups, feedback coins could be collected. These coins could then be exchanged for different products from regional startups. While the feedback coin system attracted a high level of interest to the feedback booths and certainly motivated festival visitors to participate in validation activities, the system is viewed critically in the consortium due to its weaknesses. The system partly led to people being encouraged by the targeted products to say anything just to get the coins so the quality of the feedback suffered. The system also incentivized children in particular, who were often not relevant target groups for the startups at all, so their feedback was often not of significant interest. While the startups were happy to be able to give a kind of ‘thank you’ for the feedback to the festival visitors with the coins, they also did not rate the system as particularly beneficial due to the appearance of the aforementioned issue with ‘coin hunters’.

For the choice of a suitable location for the stand approach, it turned out that a less central position away from the stages was most suitable, as here disturbing background noise could be reduced, and thus a more pleasant atmosphere for a feedback situation was given.

To achieve the best possible results from the validation, it became clear that systematic data collection based on the planning of the preparation was important, as was the associated systematic capturing of feedback. Since, depending on the duration of the validations, an average of between 40 and 60 feedback discussions per day and startup could be achieved, the systematic recording of feedback was essential to be able to evaluate findings in the follow-up.

Since only one person could be interviewed at a time, especially when qualitative interviews were chosen as the data collection method, it was also beneficial to have support for the validation from another person who could, for example, supervise the stand in parallel and collect any questions and other forms of feedback.

The duration of the validations was handled differently depending on the event. In the case of multi-day music festivals, startups noted in the evaluation of the concept that one day was sufficient for validation, as the results quickly saturated on the following days. Shorter formats, where the validation time was limited to one hour, were rated as insufficient concerning the relationship between the effort of preparation and the number of feedbacks received.

IV. Reflection

While it was not difficult for the startups to summarize the collected feedback, it became apparent that individual coaching sessions to support the interpretation of the findings as well as the derivation of concrete measures for action were found to be very helpful by the startups if they were scheduled promptly in the weeks after the validation. In the course of follow-up coaching, key questions to be addressed include 'What feedback have I received?', 'What does this mean for my business model?', and 'What are the concrete action steps resulting from the validation?'

Templates for the systematic processing of what was learned can be found in the 'Festival Experimentation Guide' (Dijkstra & Boonstra, 2021: 290 - 297)[6] created as part of the project. The good networking of the startup coaches used in the regional entrepreneurial ecosystems was also evaluated as a suitable selection of these concerning possible contact mediations.

[6] *Dijkstra, A., & Boonstra, M. (2021): Festival Experimentation Guide – A practical Guide for sustainable innovators on how to design, implement and evaluate experiments at festivals. [online available at: https://innoquarter.eu/feg/]*

Focus on the Festival Setting

The core idea of the project was to understand the festival visitors as a cross-section of society and therefore to focus the validations in this setting. While the outputs of the project can be considered a success in terms of the individual business model learnings achieved, the following weaknesses of the festival focus have become apparent.

- ***Festival visitors vs. target group of the startups:*** Depending on the target group of the startups, there were large scattering losses in some of the validations since feedback was sometimes obtained from non-relevant customer groups that, in retrospect, had little relevance for actual product development. It was also noticeable that tests were frequently conducted in groups that were hanging out together as a group of friends at the festival. While such constellations can represent several opinions, there is also the danger that individual opinions will influence other opinions in the group or even suppress their verbalization.

- ***Testable products***: The focus on festivals limits the target group of the Inno-Quarter format. In this context, startups that tackle typical problems that festivals have to deal with, such as waste, energy, or toilet solutions, can be promoted. Food startups and easily explainable end-customer solutions are also predestined for testing at events. Complex solutions, niche products, or B2B solutions cannot be tested at festivals due to the time, space and visitor fit available.

- ***Event periods:*** festivals usually take place one time a year, usually in summer. Therefore, the focus on festivals limits the support of validation activities of startups to this period, so startups with desired participation have to adapt to the festival periods and cannot validate at the ideal time for them.

The Inno-Quarter consortium sees the added value of testing at events for the aforementioned target group. Nevertheless, the focus on the festival setting also limits the possibility of startup support. Therefore, the partners recommend further development of the approach by extending the Inno-Quarter mechanism to a portfolio of diverse test spots. Thus, the successfully installed Inno-Quarter approach with pre- and post-processing activities could remain, but the startup teams could then be thematically clustered based on their target groups and sent to targeted spots for validation. In such a concept - while festivals continue to be suitable venues e.g., for food startups - a diversified test spot portfolio could include other settings such as industry fairs, trade shows, universities, corporations, supermarkets, retirement homes, shopping malls, pop-up stores, city fairs, and the like, to which validation can be targeted depending on the needs of the startups.

4. Sustainable Implementation of the Inno-Quarter Mechanism: An Outlook

While the Inno-Quarter mechanism was developed within the Interreg project and the importance of such a relatively easy adaptable validation format is attested by experts in all partner regions, the approach faces the challenge of sustainable implementation in the regions as well as the transfer of the mechanism beyond after the project funding has ended. This is because the successful implementation and execution of the Inno-Quarter mechanism require personnel, organizational and financial resources. To be able to implement the Inno-Quarter approach sustainably, the project consortium suggests three approaches be conceivable:

- ***Public subsidies:*** the expiring EU funding could be replaced by funding from the respective region, which could enable the continuation of existing regional Inno-Quarter constellations. The potential of the Inno-Quarter mechanism lies in the support of the entrepreneurship scene, especially in the validation of their business models. It supports terminating nonviable concepts faster and to bring viable concepts to market maturity. The socioeconomic contribution of successful startups to the development of regions is evident and the willingness to support the development of startups is also present among policymakers.[7] Whether the Inno-Quarter mechanism is worth supporting for one's region depends on what is already available in the region. As described above, the mechanism contributes in particular to market-driven business model development but also contributes to building entrepreneurial mindset, knowledge, and skills in the region through its program content. Depending on whether these aspects are already pronounced in a region, the promotion and implementation of the approach as an instrument are worth considering.

[7] *Cf. Mason & Brown (2014): Entrepreneurial ecosystems and growth oriented entrepreneurship. Final report to OECD, Paris, 30(1), 77-102.*

- ***Integration into existing entrepreneurship programs***: Many regions already have programs in place to systematically support entrepreneurship. Examples include accelerator and incubator programs but also structured coaching measures. In the context of these milestone-based programs, the integration of the Inno-Quarter mechanism as one component of the support program might be feasible. Much of the IQ-programs content are component of many entrepreneurship programs anyway (e.g., the Lean Startup methodology). By integrating the practice validation format into the existing programs, it is expected that existing resource synergies can be leveraged accordingly. Since early-stage startups are the target audience of these programs, the fit is ideal from the point of the project consortium. The same applies to entrepreneurship education programs at colleges and universities. As described in chapter 2, entrepreneurs have mainly learned how to validate from mistakes made in the first run of their participation in Inno-Quarter. Accordingly, it seems reasonable to allow startup entrepreneurs several validations run so that they can improve their validation methods over time and adapt to mistakes made and also to retest the prototype revised on the basis of the feedback received.

- ***Developing a self-sustaining business model***: Another option could be to introduce a participation fee for the IQ format. While startup companies obviously cannot be paying customers at their early stage, several specific test spots could be made available to established companies that want to conduct market research. In principle, the concept is not limited to startups, but could also be used by established companies to validate new products. In this way, the concept could be counter-financed, and possibly be viable in combination with government grants.

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