



Soft Funding Guide

Funding framework for research-based startups:
Aligning technology maturity, customer validation, and soft-funding strategy

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01 Introduction and summary

This guide is intended for innovators working with research-based ideas that may require several years of development before reaching full commercial readiness. It is particularly relevant for teams that need to combine product development, customer validation, and soft funding in a structured way.

The central purpose of the guide is to help innovators communicate their development journey more clearly. A strong funding application does not only describe an innovative idea; it also explains where the project stands today, which risks remain, how those risks will be reduced, and why the market is likely to adopt the solution.

The guide follows three connected perspectives. First, it introduces the Technology Readiness Level (TRL) scale as a practical way to describe the maturity of a technology. Second, it explains how customer and user commitment can be developed and documented over time. Third, it argues for a focused beachhead market as the most credible starting point for market entry.

In this article, the term “customer” is used broadly. Depending on the project, relevant evidence may also include experimental data, user data, patient data, intellectual property progress, or partnerships with suppliers, industry partners, or other key stakeholders. When referring to “customer commitment”, the underlying point is therefore not only commercial interest, but tangible project progress and continuous market validation

The final section provides examples of soft-funding opportunities that may be relevant at different stages of technological and commercial maturity. The aim is not to provide a complete funding map, but to help founders align their communication with the expectations of funders and evaluators.

02 Key takeaways

- **View the project over a longer time horizon:** Research-based startups often develop over several years. Founders should therefore be able to explain both the current maturity of the project and the next logical steps.
- **Use TRL to describe development maturity:** The Technology Readiness Level scale gives funders a recognizable language for assessing whether a project is still conceptual, experimental, prototyped, validated, or close to production.
- **Build customer commitment progressively:** Customer dialogue should be treated as a structured risk-reduction activity. The closer the project moves towards market entry, the stronger the customer evidence should become. For some projects, particularly in health, life science, or public-sector contexts, this evidence may also take the form of user or patient data rather than direct customer feedback. The key point is that the project should continuously generate stronger evidence of need, relevance, and adoption potential.
- **Start with a focused beachhead market:** A narrow and homogeneous first customer segment makes it easier to validate the value proposition, build reference cases, and demonstrate execution capability.
- **Match the funding strategy to the project stage:** Different funds support different types of activities. A stronger application clearly links the requested funding to the current TRL, customer evidence, and next development milestone.

Important scope note: This guide focuses on product development, customer validation, and soft funding. It does not cover all assessment criteria used by funders, such as team composition, competitive positioning, ownership structure, intellectual property, or the administrative workload involved in applying for and managing grants.

03 Lifecycle of product development

When applying for soft funding, founders should take a strategic overview of the project rather than only describing the immediate task. Evaluators need to understand what has already been achieved, what remains uncertain, and how the requested funding will move the project to the next credible stage.

The Technology Readiness Level scale is a widely used framework for describing the maturity of technologies. Although specific definitions may vary across sectors, the scale is useful because it gives both founders and evaluators a common vocabulary for discussing progress.

For research-based startups, it is helpful to use TRL terminology in the application narrative. This makes it easier for the evaluator to understand the project's current stage and to assess whether the proposed activities are realistic and relevant.

Example formulation:

"We have validated the underlying scientific principle through initial experiments and developed an experimental version of the solution. The next critical milestone is to develop an early prototype that can be tested under controlled conditions. We are therefore seeking funding to advance the project from experimental proof of concept towards prototype development."

Phase	TRL level	Description	Pharma example
Idea	0	Unproven and untested concept	
Basic research	1	Basic principles have been observed, but there is no supporting evidence yet	
Research	2	The concept has been described, and a validation approach has been identified	Target identification / target validation
Research	3	Initial laboratory tests have been completed, providing experimental proof of concept	Lead compound discovery / optimization
Prototype	4	An early prototype has been tested in the laboratory with satisfactory results	Lead compound validation / preclinical studies
Prototype	5	The prototype has been refined and functions in the intended environment	IND application / Phase 0
Validation	6	The prototype performs close to expectations in the intended environment	Phase 1
Validation	7	A fully functional system can be demonstrated in the operational environment	Phase 2
Production	8	Technical processes supporting commercial activity are ready, including manufacturing of the final solution	Phase 3
Production	9	The technology is generally available to customers	Regulatory approval / product launch / market monitoring

04 User and customer commitment

Customer validation can also be understood as a staged process. Customer commitment develops gradually through interviews, feedback, letters of intent, pilot agreements, letters of support, and eventually purchase orders. This progression is important because it reduces market risk. It helps the startup avoid building a solution without a clearly defined customer need, and it provides funders with evidence that the project is directed towards a real market opportunity.

The strength of the evidence should increase as the project matures. Early-stage projects may rely on indirect evidence such as research articles, expert statements, or public data. Later-stage projects should increasingly document direct customer interest, testing opportunities, collaboration agreements, and commercial commitments.

Example formulation:

“We have validated the problem and early solution concept with relevant customers. Their feedback has helped us define the functionality required before the solution can create operational value. The requested funding will enable us to develop and test the next prototype version with these customers, thereby reducing both technical and market risk.”

Where possible, customer statements should be converted into written documentation. At early stages, this may be a non-binding letter of intent or a letter of support. The document should clearly state what the customer has reviewed, why the problem is relevant, and whether the customer is willing to remain involved in further development.

Founders can make this process easier by preparing a short draft for the customer to review. At the early stages, it should be clear that the document is non-binding and does not create a purchase obligation. The purpose is to document the customer's interest and the relevance of the problem.

In some cases, a motivated customer may be willing to contribute more actively by providing test facilities, access to users, domain expertise, or commercial launch support. Such contributions should be discussed explicitly, as they may significantly strengthen both the development process and the funding case.

If direct customer involvement is not yet possible, founders should identify other relevant forms of external validation. This may include suppliers, industry partners, clinical collaborators, research partners, or other stakeholders who can strengthen the application and complement the applicant team.

For many projects, particularly in health and life science, the most relevant evidence may be patient- or user-oriented data rather than direct customer feedback. In these cases, progress is often about reaching the next meaningful data point in the development journey. Each step should reduce uncertainty, strengthen the evidence base, and move the project closer to implementation.

Development stage	Evidence to generate	Why it matters
TRL 8-9: System complete and ready for production	Purchase orders	Real commercial orders with delivery terms, payment terms, and defined project deliverables.
TRL 6-7: Prototype demonstration	Letters of support, pilot agreements, or test-site commitments	Direct evidence that customers are willing to support demonstration and implementation activities.
TRL 4-5: Prototype validation	Letters of support and structured feedback	Evidence that the prototype addresses a relevant customer problem and should be validated further.
TRL 2-3: Conceptualization and experimentation	Letters of intent, expert statements, user data, test data, field research	Direct or semi-direct evidence that the problem is real and that the proposed value proposition is relevant.
TRL 1: Idea and research	Research articles, expert opinions, public data, regulatory changes, market signals, supplier or partner interest	Indirect evidence that there is a need for a solution like the one proposed.

05 Beachhead market: starting narrow and building evidence

Once the development stage and customer evidence have been clarified, the next task is to define a credible market-entry strategy. Many founders describe their market in broad terms and emphasize the size of the total opportunity. While this may be relevant for long-term ambition, it is rarely sufficient as an early go-to-market strategy.

Funders and early investors are interested in ambition, but they also look for measurable progress and execution capability. A large market does not in itself prove that a startup can acquire customers. A focused beachhead market is therefore a stronger starting point.

A beachhead market is a narrow and relatively homogeneous segment with a clear and urgent need for the solution. By concentrating resources on one segment, the startup can understand the customer problem in depth, refine the product, build reference cases, and generate data that supports future scaling.

This requires a shift in mindset. Instead of presenting the ambition as 'we will address the entire market', the founder should be able to explain which specific customer group will be approached first, why this group is the best starting point, and how success in this segment can create a foundation for broader market expansion.

Example formulation:

"We have selected this initial customer segment because it represents a focused group with a clear need, accessible decision-makers, and a realistic opportunity for testing and implementation. In the long term, the solution may be relevant for several adjacent market segments. However, our immediate priority is to validate the value proposition with a narrow customer group, generate reference cases, and use the resulting evidence to support further development and scaling."

A narrow starting point does not reduce the ambition of the startup. Instead, it demonstrates that the team understands how to sequence market entry and build evidence step by step.

06 Different funds for different stages

TRL, customer commitment, and beachhead-market thinking are practical tools for structuring a funding strategy. Their value lies in helping founders communicate clearly with funders and investors about the maturity of the project and the purpose of the requested funding.

Different funding programmes support different types of activities. Some are designed for early research and concept development, while others are better suited for prototype validation, demonstration, or commercial scaling. A strong application therefore connects the project stage, the development activity, the customer evidence, and the requested budget in one coherent argument.

The overview below provides examples of funding opportunities that may be relevant at different stages. The list is not exhaustive, and founders should always review the current criteria for each programme before applying.

Technology readiness level	Examples of funding options	Important success criteria
TRL 1: Idea and research	Miljø- og Energifonden; Novo Nordisk Pioneer Grant; Plant2Food; Open Innovation in Science; EIC Pathfinder	Describe the research basis, innovation potential, and why the problem is relevant.
TRL 2-3: Conceptualization and experimentation	Innofounder; Alexander Foss' Industrifond; Otto Mønsted's Fond; BETA.HEALTH; InnoExplorer; Lundbeck Frontier Grants; Spinout Denmark	Describe impact, team capabilities, early market feedback, and the next development milestone.
TRL 4-5: Prototype validation; TRL 6-7: Prototype demonstration	Innobooster; Innomissions; Bill Venture Lab; MUDP; GUDP; Eurostars	Describe partnerships, project planning, technical development, customer validation, and business impact.
TRL 8-9: System complete and ready for production	Sales, licensing, strategic partnerships, or private investment	Describe commercial goals, operational readiness, production capacity, and market-entry execution.

07 Closing perspective

Research-based startups often face a long and uncertain development journey. This makes it especially important to communicate progress in a structured and credible way.

The strongest funding cases are not built on technology alone. They combine a clear development plan, relevant customer evidence, a focused market-entry strategy, and a realistic understanding of which type of funding fits the current stage.

By aligning TRL, customer commitment, and beachhead-market strategy, founders can present a more coherent case for why the project deserves funding and how the requested resources will reduce risk and move the startup closer to the market.

Much of this is actually captured in the KTH Innovation Readiness Level model, which you can read more about here: kthinnovationreadinesslevel.com/take-a-tour/. KTH is not necessarily a framework you need to specialise in, but it is useful to familiarise yourself with it. It can help you understand how evaluators of funding programmes typically assess early-stage innovation projects, while also giving you a clearer view of the depth and breadth of your own startup project.

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