

STARTUP





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Fund raising for start - ups –challenges and opportunities

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Critical analysis of the meaning of a start-up

business

Meaning of start-up

- Business start-up refers to establishing a new business or engaging in a new venture
- It is an organisation or project, adopted by entrepreneurs to develop, validate and scale a business

Factors influencing start-ups

- Market opportunity and demand
- Generation of new ideas and individual mindset



Resource required for business start-up

- In terms of effectively starting up a business, it is essential for a business to meet different requirements, which include
 - Market knowledge
 - Startup blueprint
 - Accounting and finance
 - Human resource management
 - Investor relationship management
 - Tools and technologies



Types of start-ups

- Different type of start-up business includes
 - Small business start-up
 - Buyable start up
 - Social start-up
 - Large company start-up
 - Scalable start up

TYPES OF BUSINESS



LIFESTYLE
STARTUP



SMALL BUSINESS
STARTUP



BUYABLE
STARTUP



CORPORATE
STARTUP



SOCIAL
STARTUP



SCALABLE
STARTUP

Fund Raising for Start-up: Challenges

- Finding investors at an early stage
- Selecting the right funding option

Fund Raising for Start-up: Challenges

- **Unsure about the funding needs**
- **Raising maximum funds**

Fund Raising for Start-up: Challenges

- Giving an impressive presentation
- Developing a scalable business model

Fund Raising for Start-up: Challenges

Lack of skilled leaders

Lack of detailed business plan

Fund Raising for Start-up: Opportunities

A start-up may have different types of partnership opportunities. These are:

- **Joint ventures**

A start-up can form a joint venture or a collaborative partnership with another company/companies in order to raise funds and to achieve a common goal, like creating a niche market or accessing the distribution network.

- **Strategic partnership**

This type of partnership is beneficial for start-ups when it comes to raising funds, gaining resources, making quick revenues, and boosting business growth.

- **Private equity partnerships**

Private equity (PE) partnerships can be a good source of raising funds for start-ups.

Fund Raising for Start-up: Opportunities

Besides partners, there are different types of investors that start-ups can look up when it comes to raising funds. These are:

- **Friends and family**

They are the first source of fund raising for any start-ups as they can be easily accessed from personal contacts.

- **Business angels or Angel investors**

According to Barringer and Ireland (2016), they are people who invest their personal funds in start-ups.

Fund Raising for Start-up: Opportunities

- **Banks and Government grants**

As explained by Cremades (2019), start-ups have an opportunity to raise funds through traditional sources, like banks and government agencies.

- **Venture Capitalists (VCs)**

As stated by Barringer and Ireland (2016), VCs invest or fund in start-ups that have increasing potential for growth.

Fund Raising

- Fund-raising is the process of seeking and gathering voluntary financial contributions by engaging individuals, businesses, charitable foundations, or governmental agencies. Although fundraising typically refers to efforts to gather money for organization , it is sometimes used to refer to the identification and solicitation of investors.

Atoa

- One of the most promising UK startups, Atoa was established in 2022 and serves the Fintech industry.
- The startup wants to address a significant issue for merchants, namely the high costs associated with accepting payments through card readers.
- Atoa combats this issue by assessing a fixed cost that is 70% less expensive than those card readers.
- Additionally, rather than having to wait days for their money to arrive, merchants may access it right away.
- Customers like the extra flexibility of Atoa's solution because there are no setup costs for hardware and a pay-as-you-go strategy in place of binding contracts. Additional security measures further reduce the possibility of chargeback fraud, which can be a major issue for businesses that use card readers.

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Business Canvas Model on NothingTech

- NothingTech is UK based Consumer Electronics Startup
- Founded in 2020
- Founded By Carl pei one of co-founder of OnePlus
- [Nothing](#) has raised a total of [\\$150.2M](#) in funding over [6](#) rounds. Their latest funding was raised on [Apr 5, 2022](#) from a [Equity Crowdfunding](#) round.



Business Model Canvas



Canvas View



List View



Key Partners

Telekom Deutschland

Flipkart

O2

Virgin Media



Key Activities

Step 1

Designing of Products, Selection of Range of Products

Step 2

Raise of funding for marketing and other



Key Resources

Excellent Design and innovation team

serves in the B2C space in the Retail



Value Proposition

The phone is lightweight, weighing just 193.5 grams. 50 percent of plastics used in the phone are recycled or bio-plastic. The tin used for soldering is 100 percent recycled. The phone has a powerful Snapdragon 778G+ chipset at its heart and a 4500mAh battery, which can be fully charged in an hour. The phone also supports wireless charging.



Customer

Get

Raised Funds By Individual Investors



Channels

O2

Flipkart

Flash sale of products



Customer Segments

Customer Name:

Group of people who like something new

Age Range:

18 - 40

Activate Windows

Go to Settings to activate Windows.



Costs

Annual Fixed Costs

2,061,480

Annual Variable Costs

0



Sustainability

Affordable and Clean Energy

over 50% of the plastic components coming from bio-based and recycled sources



Revenue

Revenue Model

Transactional Revenue model

Annual Units Sold

0

Annual Revenue

0

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Activate Windows
Go to Settings to activate Windows.



Thank
you



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Entrepreneurship
2500 words report Assignment -2

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Introduction

The study has approached the analysis of business start-ups along with start-up fundraising opportunities and challenges relating to them. The study has provided a detailed overview of business set-up and has provided an insight into theories, to get a better understanding of business start-ups and the factors influencing them. Requirements for business start-ups were also analysed in this paper, along with the challenges and opportunities of fundraising for new business start-ups.

Critical analysis of business start-ups and real-life examples of start-ups

As the name suggests, business start-up refers to the process of forming or starting up a newly formed business. The business start-up is usually influenced by perceived demand for products and services. The major intention, which follows the planning and decision of the business state, includes accessing the rapid growth of a business that can address a particular gap within the market or industry. Start-up businesses can be of many types, this includes *buyable start-ups*, *social start-ups*, *offshoot start-ups*, *small business start-ups* and *scalable start-ups* (McMahan *et al.*, 2022). An organisational start-up usually looks into ways for expanding a business quickly and aims to achieve its goals of achieving a large position, while, any other small-scale business start-ups are more focused on establishing a stable revenue along with a constant reputation. The goals and objectives of each start-up business highly differ from one another.

The most well-known and successful business start-ups that are now operating across the world include Uber, Airbnb, Instagram, Netflix, door dash and many more (Stolwijk *et al.*, 2019). Moreover, small-scale start-ups such as grocery stores, travel agencies, tourism companies, bakers, restaurants, hairdressers and salons, can also be considered real-life examples of start-ups.

Academic theories based on business start-up

Business start-up theories are essential as they can help in supporting an understanding of how business start-up occurs. Theories can provide a better and more logical understanding of the underlying causes that exist behind a successful start-up. In contrast to mathematics and various other fields where rules and established theories exist (Rigtering and Behrens, 2021). However, startup theory is heavily dependent on the entrepreneur and how they make decisions during the establishment and growing stages of their firm.

Eric Ries, an entrepreneur has proposed the *lean startup theory* to support the study based on start-ups, this specific theory has been defined in various ways by different scholars and researchers, who have highlighted different significance and benefits of this start-up theoretical business start-up methodology.

According to the author Bortoliniet *al.*, (2021), a lean startup is a way for establishing a new firm or launching an innovative item on behalf of an existing one. The lean startup strategy supports creating goods that customers have previously indicated a need for, to ensure a marketplace exists before the product is released (Bortoliniet *al.*, 2021). This theory believes in three steps of business start-up, which include building a business, measuring its performance and learning from it. This theory has a hyper-focus on the aspects of building a start-up and is effective in terms of learning why a business start-up occurs. This theory provides insight into how a start-up business can get its product quickly into the market successfully by avoiding risks and also helps in understanding how startups must develop an effective idea for business success.

Requirements for business start-ups

To start an effective business, an individual must keep different business requirements in mind, as without meeting those requirements an organisation can never succeed in terms of having a successful business start-up (Henry *et al.*, 2020). These requirements for a business start-up include the following:

- Market opportunities - This allows a business start-up to successfully operate in the market and also provides.
- Scalability - It is essential as it supports a business in terms of generating revenue and accessing growth upon start-up. Moreover, it helps in avoiding issues relating to a lack of resources.
- Technology - It is essential as it provides an organisation with every required information and helps in dealing with consumers more easily (Susilo, 2020).
- Financial strength - It supports a start-up with financial backup, helps in managing risks, increases chances of success and also improves services, with the goals of meeting demands.

Importance of financial backup in business start-ups

Among the other factors required for business start-ups, factors surrounding funding were found to be one of the most essential requirements. It is essential as a business starting fund can provide the financing needed to start up a new business. A company with significant start-up financial resources has several advantages, the most important of which is the ability to give the financial backing required to launch a new business. Moreover, funding is essential as it provides an organisation with pivotal support and a competitive edge while increasing its captivity and visibility within the market. It also supports the organisation, in terms of meeting organisational strategies and helps in meeting promotional activities, providing it with a competitive edge (Bartolacci, Caputo and Soverchia, 2020). One of the most essential advantages of funding is to prepare a business in terms of expanding it into new areas and further into global locations.

Difficulties and issues faced in business start-up

New start-up businesses are usually complicated in terms of meeting their financial requirements as *investors do not have sufficient trust* in whether the business is going to gain success or if the investment is going to attract enough profit. They also face complications in terms of engaging and retaining consumers *building long-term relationships and trust* with consumers is difficult as there are pre-existing organisations that have already gained consumer trust, hence, a new start-up is required to cross every limit to satisfy consumers and to retain them. *Developing a clear concise plan within the organisation and its stakeholders* is also another challenge, faced by start-up organisations as a lack of a clear message can impact the business, fail at attracting target consumers and impact financial stability (Soleh, 2020). Moreover, the *lack of a sound business model* is another challenge as investors usually tend to engage in business investment, upon viewing the business model and a weak business model is more prone to impact investment and fundraising approaches.

Challenges

Finding investors at an early stage

Pasumarti and Patnaik (2020) stated that it is very difficult for a company to find investors at the start of the business other than friends and family members. Simply having a good business idea may not help start-ups to raise funds and it is important for them to have some kind of record to show how the business is functioning. The potential investor will be ready to fund a start-up that gives good return on investment and is less risky in terms of financial gains.

Selecting the right funding option

On the other hand, Oranburg (2020) explained that currently there are many funding options available for start-ups, like equity funding, bootstrapping, crowd funding, etc. However, to choose the right funding option that fits their business needs can be a challenging task. There are possibilities that the start-up may need more than one funding alternative.

Unsure about the funding needs

An entrepreneur may risk raising the fund if he/she is unsure about how much fund is needed to start a business. It is important for an entrepreneur to not only have a clear idea about the exact amount of funds required but should also have a good knowledge about why a specific amount of money is required and how it is going to be spent (Pasumarti and Patnaik, 2020).

Raising maximum funds

Although raising more funds can aid in growing the business, sometimes it can be a disadvantage as it may increase the liability of the startup business and may decrease its future valuation. This can further hinder the rapid expansion of the business and decrease the possibility of getting more investors in future.

Therefore it is beneficial for a startup to raise required funds that can be easily handled and managed (Kalyani, 2020).

Giving an impressive presentation

Anita and Veena (2022) explained that when introducing a start-up, some entrepreneurs may miss the opportunity to win the potential investors with their presentation. An impressive presentation is the one which is clear, concise, and straight to the point and gives all the necessary information about the business (Weissman, 2009). This helps to hold the attention of the investors and create a good impact.

Developing a scalable business model

Bednar, et al. (2018) illustrated that in the absence of a scalable business model, it may be challenging for an entrepreneur to get the attention of the investors and to secure funds, the start-up should have a scalable business model. A scalable business model ensures that investors' funds will be strategically used and eventually give them financial gains. To persuade and win the potential investors, the start-up idea should be unique, authentic and realistic and should demonstrate that the business is capable of increasing profit, over a specific time, with minimal expenses.

Lack of skilled leaders

Oranburg (2020) claimed that raising funds for start-ups can be challenging if the entrepreneur lacks essential leadership and business skills. An unskilled leader may not be able to effectively lead his/her team and this may further result in high turnover rate, low morale and unsatisfactory performance. In addition, it can also be damaging for the business and may hamper its survival in the market.

Lack of detailed business plan

According to Kalyani (2020), sometimes start-up entrepreneurs may function their business based on their personal experience and may lack a well-structured business plan highlighting operational and financial details, and marketing and management strategies. This can create challenges for the entrepreneurs when raising funds for their start-up. Also, there are possibilities that in the absence of a good business plan, a business may run out of cash reserves and may be unprepared for the market challenges.

Opportunities

Joint ventures

A start-up can form a joint venture or a collaborative partnership with another company/companies in order to raise funds and to achieve a common goal, like creating a niche market or accessing the distribution network. This type of partnership can be either long-term or short-term and helps the start-up business to grow quickly and to boost profitability and productivity (Barringer and Ireland, 2016).

Strategic partnership

This type of partnership is beneficial for start-ups when it comes to raising funds, gaining resources, making quick revenues, and boosting business growth. Such partnerships exist between two companies that complement each other.

There are possibilities that a start-up may form strategic partnership with an established brand to gain good working capital (Shepherd and Patzelt, 2018).

Private equity partnerships

Private equity (PE) partnerships can be a good source of raising funds for start-ups. In such partnership, the PE firms offer resources (monetary and other business resources) and support needed by the start-ups to increase their growth and profitability. PE partners look for start-ups that have good potential and innovative products and services. In exchange for the resources and support, PE firms want a share of the new business before it becomes public (Tobin, 2012).

Besides partners, there are different types of investors that start-ups can look up when it comes to raising funds. These are:

Friends and family

They are the first source of fund raising for any start-ups as they can be easily accessed from personal contacts. Friends and family are willing to give their personal funds to early stage entrepreneurs in exchange for little or no evidence and proof. They would fund start-ups because they may have a strong connection and loyalty towards the entrepreneurs, or they trust and believe in the entrepreneurs business idea (Reuer, et al., 2019).

Business angels or Angel investors

According to Barringer and Ireland (2016), they are people who invest their personal funds in start-ups. They are wealthy and have high income and are looking for potential companies to invest their money. Bolton and Thompson (2013) stated that some business angels invest their capitals to make profit while some may want to help potential businesses to get started. They can be found online, at an event or seminar, and when introduced by other investors or companies (Cremades, 2019).

Atoa

- [Atoa](#) is one of the most promising UK startups founded in 2022 and operates in the Fintech market. The company aims to solve a key problem for merchants, which is the expensive fees involved in taking payments through card machines. Atoa battles this problem by charging a flat fee, which is 70% cheaper than those card machines. Merchants are also able to access their funds instantly, instead of waiting days to receive it.
- The added flexibility of Atoa's offering also appeals to customers, with a pay-as-you-go model in place of restrictive contracts and there are also no hardware fees involved in setting up. Added security features also eliminate the risk of chargeback fraud which can be a big problem for merchants using card machines.

Since being founded in 2022, the company has completed a pre-seed funding round which was backed by a sole investor. This investor backed Atoa with a total of [\\$2.2 Million](#) to help the startup scale for the future

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