

MBA- Master of Business Administration

Entrepreneurship

LCMB7004

Rehan Farooqui (2223935)
Rimpalben Ajitsinh Yadav (2132837)
Vhora moinbhai imtyajbhai (2227860)
Mohammed Abrar (2213718)

Assessment 2

(Group Presentation)

Analyze and critically evaluate the factors that lead start-ups to succeed beyond three years by citing a start-up in recent times in the UK. – Monzo

Introduction

- ❖ Start-up businesses are entrepreneurial undertakings having innovative ideas to solve existing consumer challenges
- ❖ The start-up businesses have considerable small beginnings as they are based on creative ideas and small funding (Skala and Skala, 2019)
- ❖ The start-up firms witness rapid growth but encounter challenges due to limited resources and scalability
- ❖ The start-ups need to be highly competitive with scalability to meet the market demand and procure financial resources and infrastructure to succeed beyond 3 years



Start-up Company - Monzo

- ◆ Monzo Bank Limited was established in 2015 as an online bank in the UK position as one of the earliest app-based challenger banks (Monzo, 2023)
- ◆ The bank was established by Tom Blomfield, Jason Bates, Paul Rippon, Gary Dolman and Jonas Huckestein and the present Chairman and CEO are Garry Hoffman and TS Anil
- ◆ The business initiated with the services of providing an online mobile application-based bank account and prepaid debit card
- ◆ The start-up company has since grown to employ 1,879 workers and generated a net operating income of GBP or 4.5 million in the year ending February 2023 and its interest income increased by 382% (CNBC, 2023)

Characteristic	2018/19	2019/20	2020/21	2021/22	2022/23
New customers (in millions)	1.01	2.3	1	1	1.6
Number of customers in millions	1.6	3.9	5	5.8	7.4
Average number of employees	437	1,128	1,332	1,879	2,432
Customer deposits (million GBP)	461.8	1,392.5	3,124	4,441	5,946
Gross lending (million GBP)	19.2	143.9	105	259	800
Customer spend (million GBP)	3,600	10,900	16,400	24,000	33,600
Common Equity Tier 1 (CET1) Ratio (%)	104	70	99	155	54

Timing

- The timing of Monzo Bank Limited's market launch is a great illustration of how innovation and entrepreneurship are crucial to a company's success (Bradford, 2020).
- When Monzo joined the market, traditional banking was coming under fire for its sluggish, antiquated procedures and lack of customer-centricity.
- By spotting this market gap, Monzo was able to take advantage of the chance to serve a digitally connected banking service (Hodson, 2021).
- Due to the increased usage of smartphones, Monzo was better able to attract customers.



Team

- ◆ •The Monzo Bank Limited team is an efficient example of many entrepreneurial traits and was essential in the company's development (Meager, 2019).
- ◆ •By entering a highly regulated and competitive market, the Monzo team assumed substantial risks (Hodson, 2021).
- ◆ •The Monzo team was made up of people with a variety of knowledge bases, including marketing, technology, finance, and customer support.
- ◆ •As a startup, the Monzo team had to constantly adjust to the shifting demands of its customers and the market.



Business Idea

- ◆ •The goal of Monzo Bank Limited was to establish a customer-focused digital-first bank (Meager, 2019).
- ◆ •The primary goal of Monzo was to deliver a superb customer experience.
- ◆ •By using a mobile app, they hoped to meet the expectations of a generation that is more connected to the internet.
- ◆ •Innovative technologies and mobile platforms were used by Monzo's business plan to upend the conventional banking paradigm (Ramdani et al., 2020).



Business Model

- ◆ •The core of Monzo Bank Limited's business model is to offer digital banking services with a focus on the consumer.
- ◆ •Their business approach makes use of innovative features and technology to provide a smooth and customised banking experience (Menegon, 2020).
- ◆ •When Monzo first launched, it was a lean startup that iterated constantly in response to customer input (Ramdani et al., 2020).
- ◆ •This flexible approach, which embraces learning from mistakes, is a defining characteristic of entrepreneurship.

The Monzo logo is displayed in white lowercase letters on a solid red rectangular background. The logo is centered horizontally and vertically within the red area.

monzo

Business Model

- ◆ • User growth and network effects are key components of the Monzo's business model (Menegon, 2020).
- ◆ • The business strategy for Monzo includes several different income sources, including transaction fees, overdraft fees, and premium subscription services.
- ◆ • The UK market was initially the focus of Monzo's business concept before it was spread to other nations (Meager, 2019).
- ◆ • As a banking company, Monzo complies with all applicable regulations.



Funding

- ◇ Funding is critical for the survival of start-up companies like Monzo for ensuring continued success for years (Davari and Farokhmanesh, 2017)
- ◇ Monzo generated funding worth more than USD 1.1 billion over 21 rounds of funding with the latest inflow of USD 75 million on February 8 2022 (Usesignhouse, 2023)
- ◇ Monzo secured the latest series H investment with a total of 6 investors where Abu Dhabi Growth Fund was the leader
- ◇ The start-up bank is founded by a total of 37 investors with the latest addition of Couate and Goodwater Capital as it initiated equity crowdfunding and venture round in the past

Announced Date	Transaction Name	Number of Investors	Money Raised	Lead Investors
Feb 8, 2022	Series H - Monzo	6	\$475M	Abu Dhabi Growth Fund
Feb 8, 2021	Series G - Monzo	10	£50M	—
Dec 2, 2020	Series G - Monzo	—	£60M	—
Jun 16, 2020	Series G - Monzo	10	£65M	—
Jun 25, 2019	Series F - Monzo	10	£113M	Y Combinator
Dec 3, 2018	Equity Crowdfunding - Monzo	5	£20M	—
Oct 31, 2018	Series E - Monzo	7	£85M	Accel, General Catalyst
Dec 1, 2017	Venture Round - Monzo	1	—	—
Nov 15, 2017	Equity Crowdfunding - Monzo	3	£878.1K	—
Nov 6, 2017	Series D - Monzo	8	£71M	Goodwater Capital

Challenges

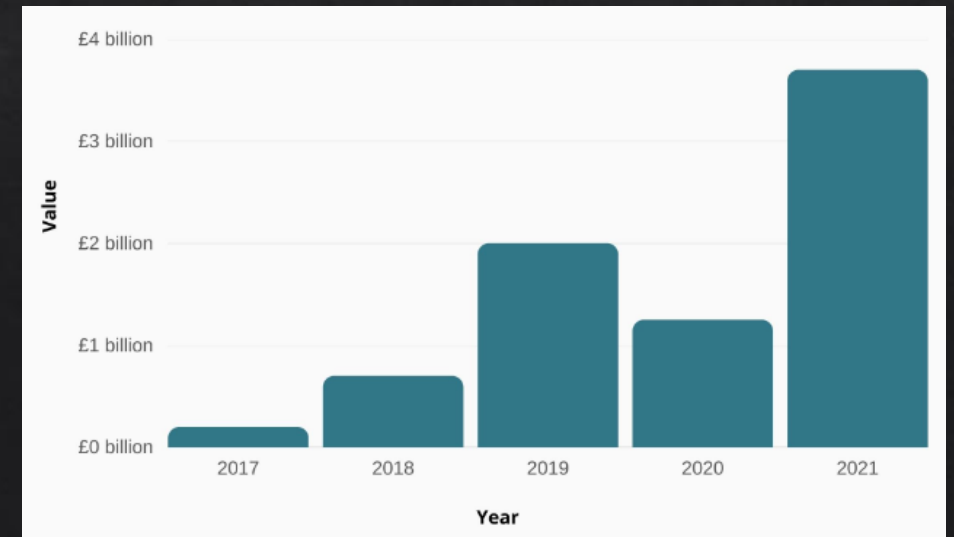
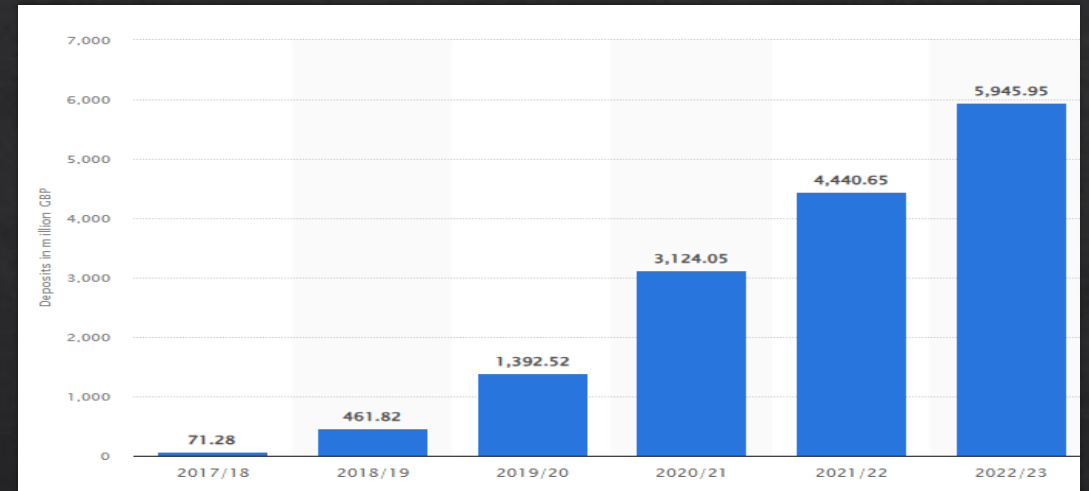
- ◊ Monzo faces immense challenges due to market competitors operating in the same segment of challenger banks along with the mainstream financial institutions
- ◊ Revolut is the fiercest market competitor of Monzo due to its exponential growth in revenue and market share of customers throughout Europe (Statista, 2023)
- ◊ Berlin-based N26 provides stiff competition to the startup due to having crossed 7 million customers as of 2021 and continuously expanding and occupying market share
- ◊ Monzo continues to face regulatory challenges in the financial market as it does not have all the liberties of mainstream financial institutions along with facing the challenge of maintaining saleability with quality



Graphs

- ◈ In the year ending February 2023, the customer deposits at Monzo exceeded GBP 5.94 billion, increasing by roughly GBP 1.5 billion to the previous year (Statista, 2023)
- ◈ Increasing deposits indicate the growing trust and strong foundation of the business
- ◈ Monzo was valued at £3.7 billion in 2021 whereas it was valued at £0.2 billion in 2017.
- ◈ The gradual increase in valuation indicates the strong market performance

Customer deposits

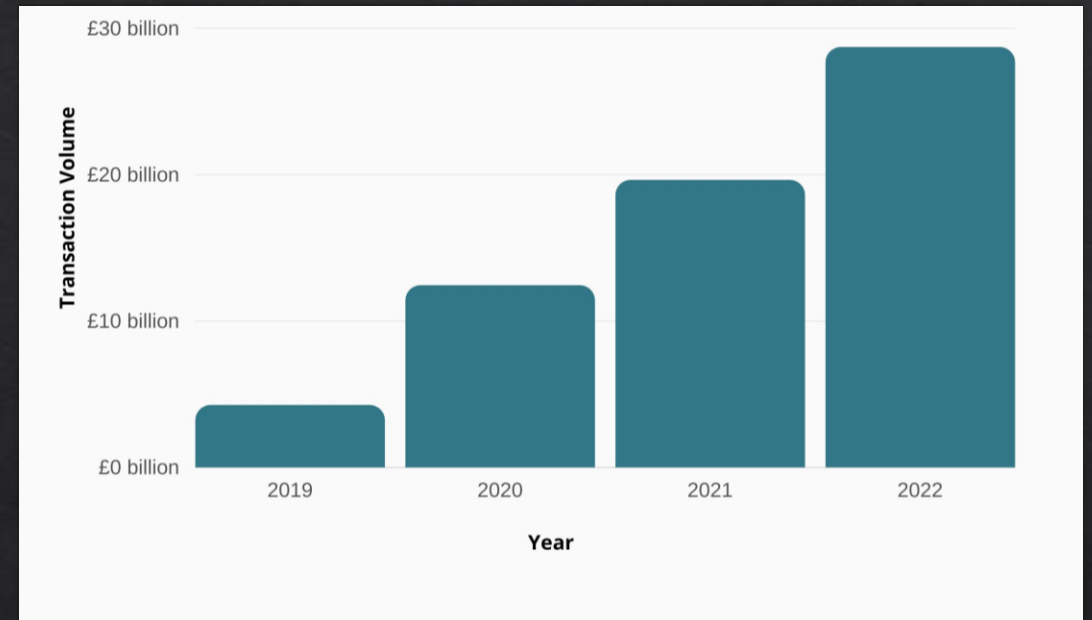


Valuation

Graphs

- ✧ The transaction volume was £28.70 billion for Monzo throughout 2022 indicating an increase of £9 billion from the previous year
- ✧ Monzo gained 0.94% value from the overall transaction volume in 2022 compared to 0.78% in 2021 (Usesignhouse, 2023)
- ✧ The gross lending of Monzo increased in 2022 to £259 billion compared to £105 billion in 2021
- ✧ The total deposits by the customers was £4.44 billion in 2022 while the average deposit increased to £1,400 the same year, compared to £793 in 2021

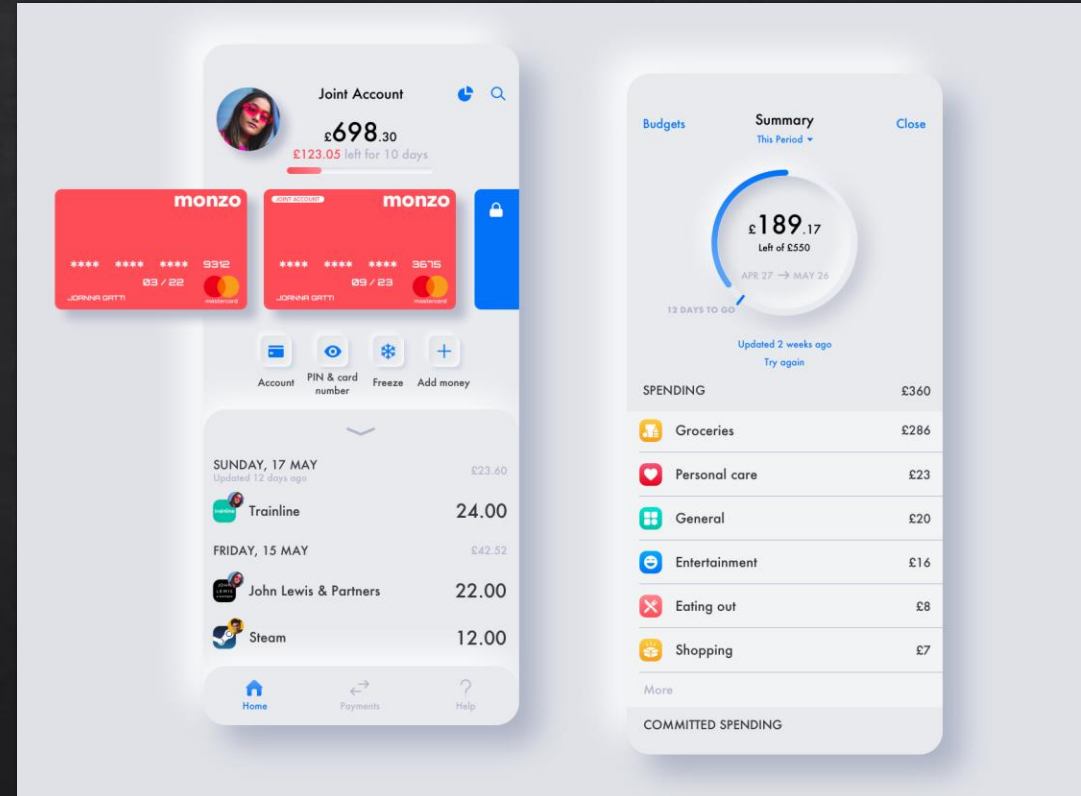
Transaction Volume



Year	Average Deposit
2018	£142
2019	£359
2020	£620
2021	£793
2022	£1,400

Conclusion

- ◆ Monzo had been a highly successful start-up finance company making a market entry at the right time of the popularity of digital banking
- ◆ Monzo is successful beyond 3 years of its foundation due to the continuous funding by the investors across the rounds and investment in business scalability
- ◆ The start-up company is based on the business idea of offering an alternative to the traditional banking experience by maximizing user convenience and savings
- ◆ The challenges mostly include the prejudice against online banking due to security issues along with the increasing growth of the market competitors



References

- ◇ Bradford, T., 2020. Neobanks: Banks by any other name. Federal Reserve Bank of Kansas City, Payments System Research Briefing, August, 12, pp.1-6.
- ◇ CNBC, 2023. British digital bank Monzo hits monthly profitability for the first time after spike in lending. [online] Available at: <https://www.cnbc.com/2023/05/31/british-digital-bank-monzo-hits-profitability-for-first-time.html> [Accessed 18 July 2023].
- ◇ Davari, A. and Farokhmanesh, T., 2017. Impact of entrepreneurship policies on opportunity to startup. Management Science Letters, 7(9), pp.431-438.
- ◇ Hodson, D., 2021. The politics of FinTech: Technology, regulation, and disruption in UK and German retail banking. Public Administration, 99(4), pp.859-872.
- ◇ Meager, L., 2019. Monzo head of legal: don't call us a challenger bank. International Financial Law Review.
- ◇ Menegon, A., 2020. FinTechs and Challenger Banks: Old Business, Brand New Approach. Iason Consulting Ltd.
- ◇ Monzo, 2023. Banking made easy. [online] Available at: <https://monzo.com/> [Accessed 18 July 2023].
- ◇ Ramdani, B., Rothwell, B. and Boukrami, E., 2020. Open banking: The emergence of new digital business models. International Journal of Innovation and Technology Management, 17(05), p.2050033.
- ◇ Skala, A. and Skala, A., 2019. The startup as a result of innovative entrepreneurship. Digital Startups in Transition Economies: Challenges for Management, Entrepreneurship and Education, pp.1-40.
- ◇ Statista, 2023. Key figures for Monzo Bank from 2018 to 2023. [online] Available at: <https://www.statista.com/statistics/1089588/key-figures-for-monzo-bank-united-kingdom/> [Accessed 18 July 2023].
- ◇ Statista, 2023. Value of customers deposits at Monzo Bank from 2018 to 2023(in million GBP). [online] Available at: <https://www.statista.com/statistics/1118161/customer-loans-and-deposits-for-monzo-bank-united-kingdom/> [Accessed 18 July 2023].
- ◇ Usesignhouse, 2023. Monzo Revenue and Growth Statistics (2023). [online] Available at: <https://www.usesignhouse.com/blog/monzo-stats> [Accessed 18 July 2023].

Thank You