Startup Culture Analysis: Crowdfunding Reimagined

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CROWDFUNDING REIMAGINED

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INTRODUCTION

The state of Idaho is a developing one. Every sector is experiencing growth. There are a number of establishments every year. There are a total of 158,426 small businesses in Idaho and they have employed 304,700 people in the year 2015 according to 2018 Small Business Profile Idaho.

In one of the articles it was predicted that of the businesses started in 2014,

- **80 percent made it to the second year (2015)**
- **70 percent made it to the third year (2016)**
- **62 percent made it to the fourth year (2017)**
- **56 percent made it to the fifth year (2018)**
There is almost a 50% drop in the number of establishments in 4 years’ time. In 2014, the state of Idaho had 149,476 small businesses. Using the pattern showed above, In 2015, there were 119,580 businesses left. In 2016, there were 104,633 businesses left. In 2017, there were 92,675 businesses left. In 2018, there were 83,707 businesses left. Small businesses employed 278,100 employees in 2014. Distributing the jobs equally amongst the small businesses, there was a loss of 122,364 jobs by 2018.

Fig. Small Business & Employees from 2014-2018
Of course there are other small businesses which are created every year which brings along with it new job opportunities. But that isn’t enough to make Idaho a hub of startups and innovations to make more jobs available. We want to see Idaho become the next Silicon Valley. But there are hurdles down that road. The main one being having enough capital to see your idea become reality.

FINDINGS

Whatever task we tend to, the most difficult part is the start. If you have an idea and want to establish a startup, the start to it is having enough capital to realise that idea. Of course there are many ways to raise capital. One of the popular way is through Angel Investors. Angel Investors are those who lend out money to you for a piece of your company. So you gain some, you lose some. We surveyed 10 startup founders asking about their experience with the angel investors.

Angel Investor Review

Fig. Angel Investor Review
It’s clearly seen that more founders are unsatisfied with the angel investors. This does make sense. Who would like to give away a part of their hard work?

That was angel investors. There is another method of funding, Crowdfunding. However, the complexity revolving around crowdfunding is as tedious as the company plan itself. When we asked the 8 startup founders who were unsatisfied with angel investors as to how they feel about crowdfunding, their responses were distributed in two categories, Positive and Negative.

Crowdfunding Response

Fig. Crowdfunding Response
Our findings up until now state that the founders \textit{aren't satisfied} with \textit{angel investors or crowdfunding}. But these are the reviews of the people who ended up establishing a startup. We contacted \textit{a few ambitious students who tried to get their foot into the startup world but failed}. Out of the \textbf{15 students} we approached, \textbf{11} of them had \textit{problems getting funding}. The \textbf{rest} of them had \textit{trouble seeing their idea become reality due to the lack of market need}. One of the articles on \textit{Smartblitz} states the reasons for startup failure.

\textbf{Reasons for Failure}

- No market need: 32%
- Ran Out of Cash: 22%
- Got outcompeted: 14%
- Not the right team: 18%
- Pricing/Cost Issues: 14%

Fig. Reasons for StartUp Failure From SmartBlitz
The chart *matches* with what we *surveyed*. The students did have two main reasons for failing to realize their startup – **No Market Need & No Funding**. So what can be done to tackle these two major hurdles?

## PROPOSAL

We need to come up with *solution* for *two problems*:

- **Market Need**
- **Funding**

We consider **market need** to be a *variable*. It is a *dependent* variable. It is dependent on so many other factors that it would require strong research and math skills to predict the pattern of market need. **Funding**, however, is the one we have found an answer to.

“We introduce a new way for the upcoming startups to gather founding capital by introducing the concept of stake trading. For the first time in financial history, our platform allows investors to TRADE their STAKE prior to the startup going public, just like trading stocks. In preliminary stage, we plan on listing one startup each week, meaning a one-week window to invest into the company, and you could endlessly trade its stake in the coming future.”

This is our end goal. Our platform will provide a new outlet for startups to *gain capital* from. This has never happened in the history of Finance. To expand on the idea –

Let’s say your startup needs a capital of **$50,000**, your company will be listed on our platform. Photos, videos, website, growth strategies everything will be on our app. The users can go through your profile. The users or “investors” in this case, can **buy** your company stake, **trade** it, **sell** it just like stocks. For a capital of **$50,000**, you can list **1000 stocks** for **$50** each or the trader could invest **$5** for **0.01%** company stake.

Doing so, the company can gain the desired capital. More importantly, founders will feel encouraged to make their idea a reality. This can potentially **increase** the *number of startups* which will **create** more **job opportunities** in Idaho.

**THIS IS NOT THE END OF OUR RESEARCH.** We are still in works **analyzing** the factors affecting the startups and how much *impact* our idea can bring about. We are also working on **creating a model to predict the market need** and learn more about its *pattern*.
CITATIONS

“2018 Small Business Profile.” Idaho Small Business Economic Profile 2018,

“2018 Small Business Profile.” United States Small Business Economic Profiles for 2018,