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Startup Culture Analysis: Crowdfunding Reimagined

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Startup Culture Analysis: Crowdfunding Reimagined

Abstract

For generations, startup founders have had to dawdle around angel investors & so called "investing sharks" to raise founding capital for their big idea. For most times, the startup founders have had to compromise a heavy percentage of company ownership in return for equity funding. Their only option around this has been to raise capital through crowdfunding. However, the complexity revolving around crowdfunding is as tedious as the company plan itself. We tackle this with a reimagined lens of crowdfunding. 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. By introducing this concept we will analyze the growth in the number of startups in the Treasure Valley.



STARTUP CULTURE ANALYSIS

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)

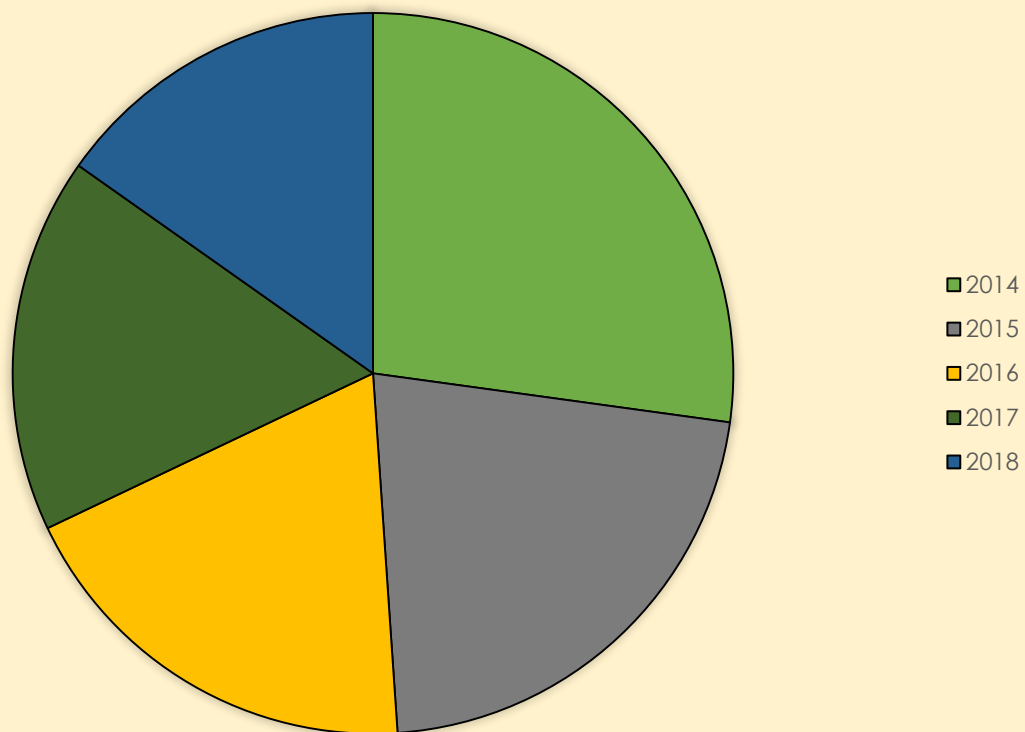


Fig. Small Business Prediction

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.

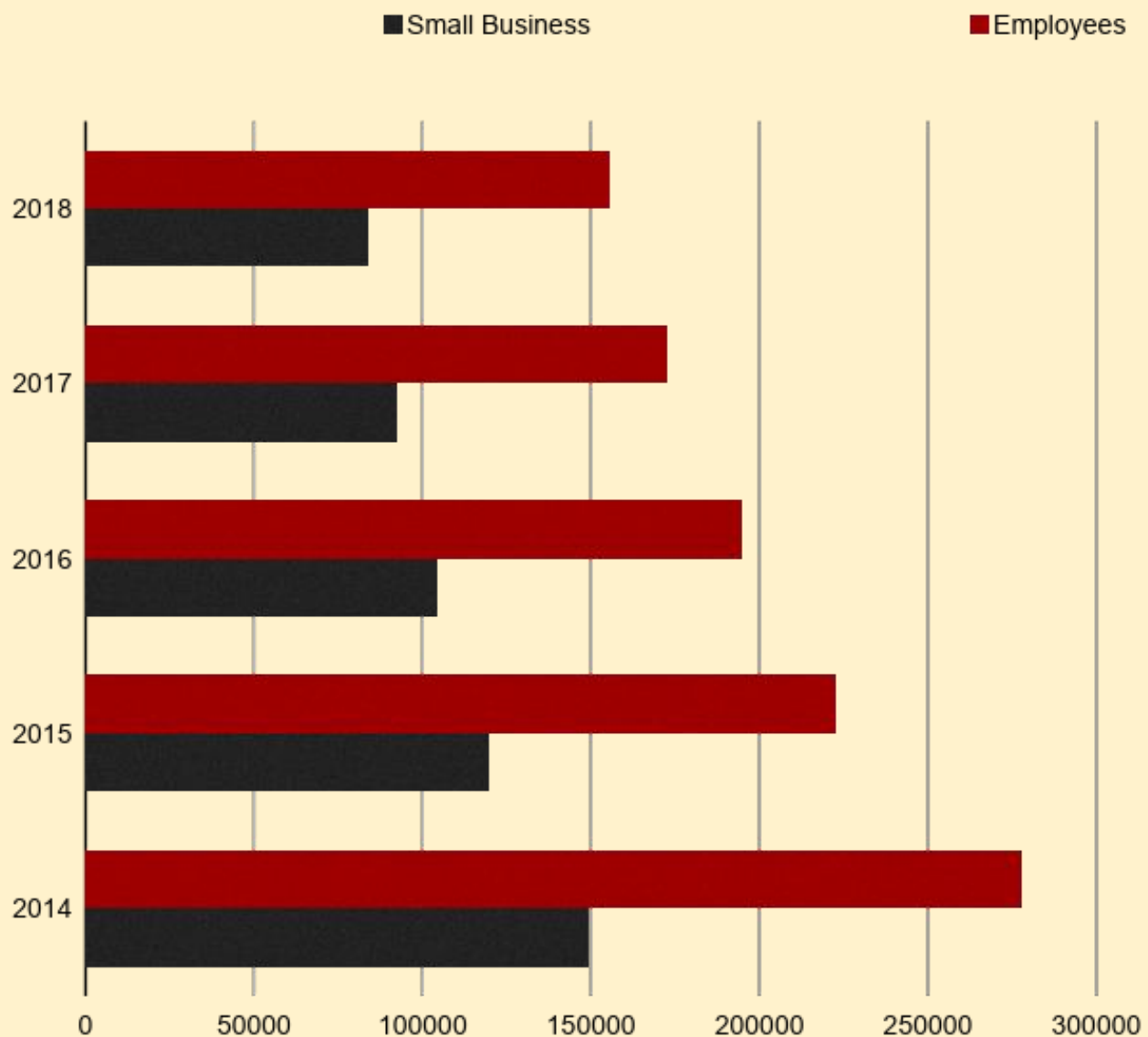


Fig. Small Business & Employees from 2014-2018

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

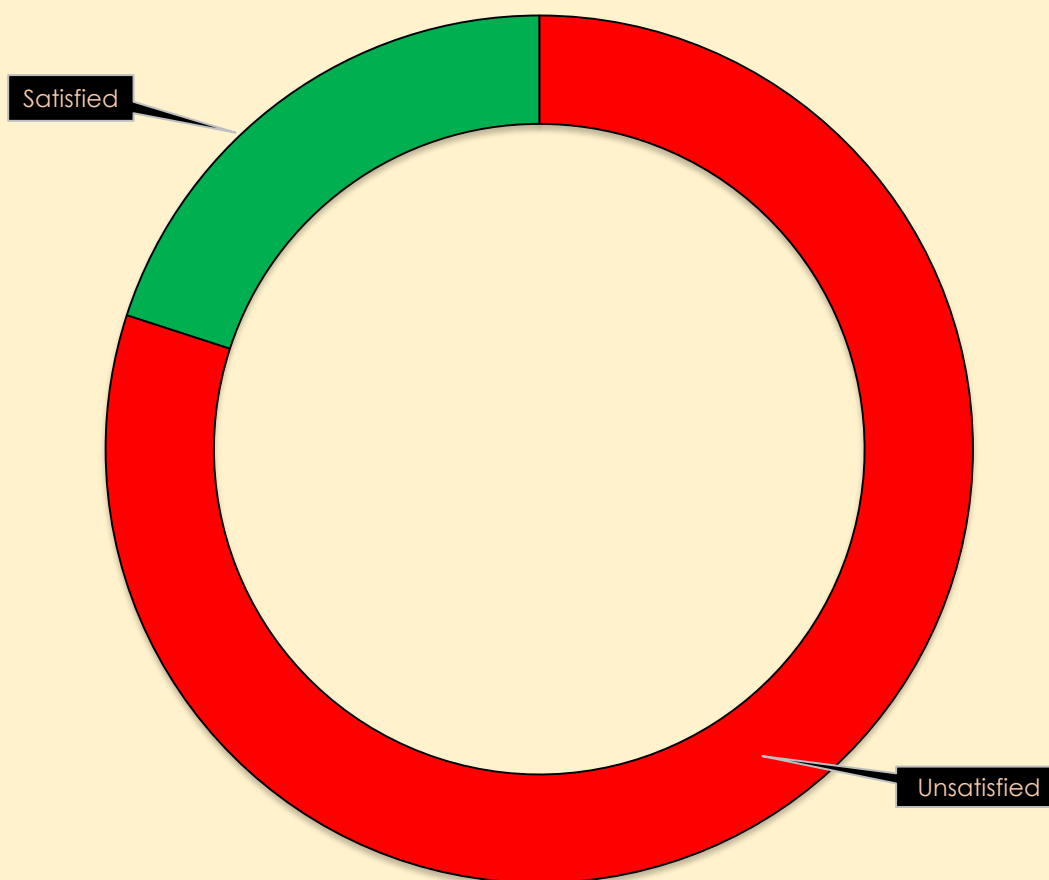


Fig. Angel Investor Review

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 hardwork?

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

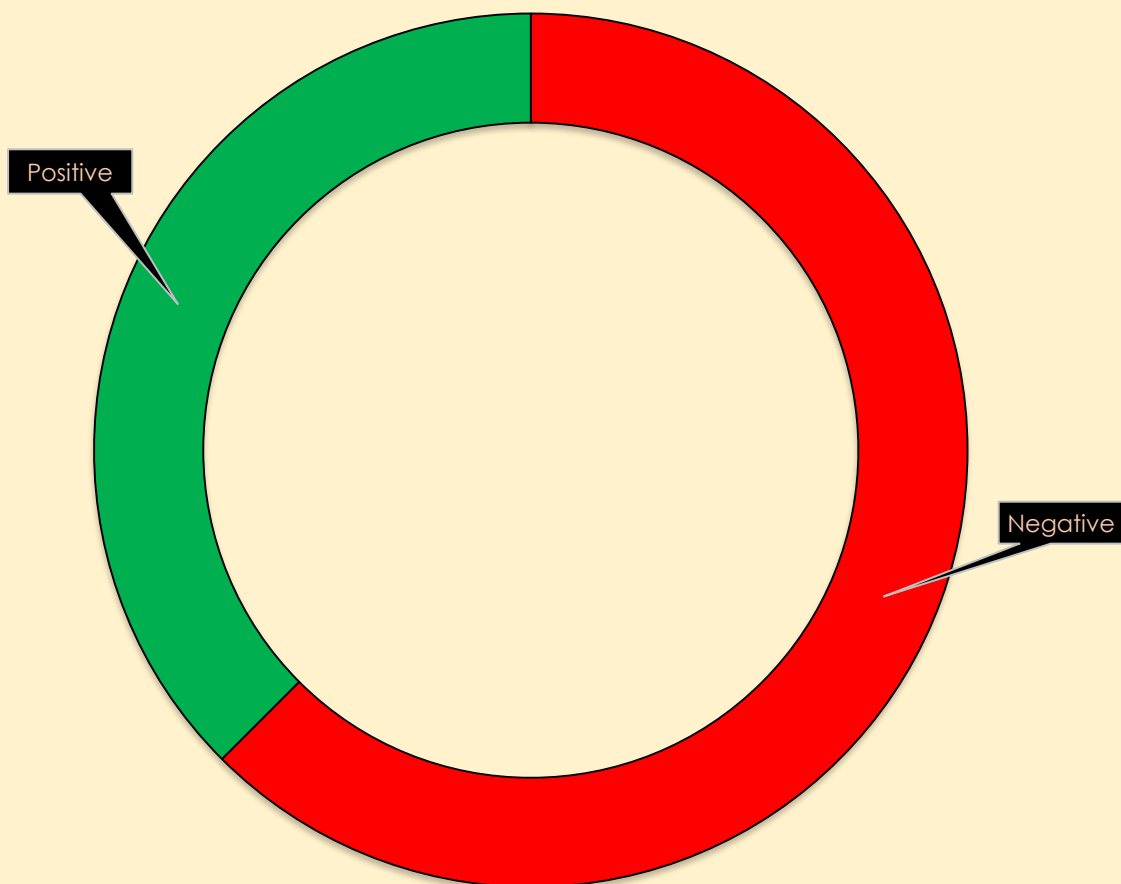


Fig. Crowdfunding Response

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

Reasons for Failure

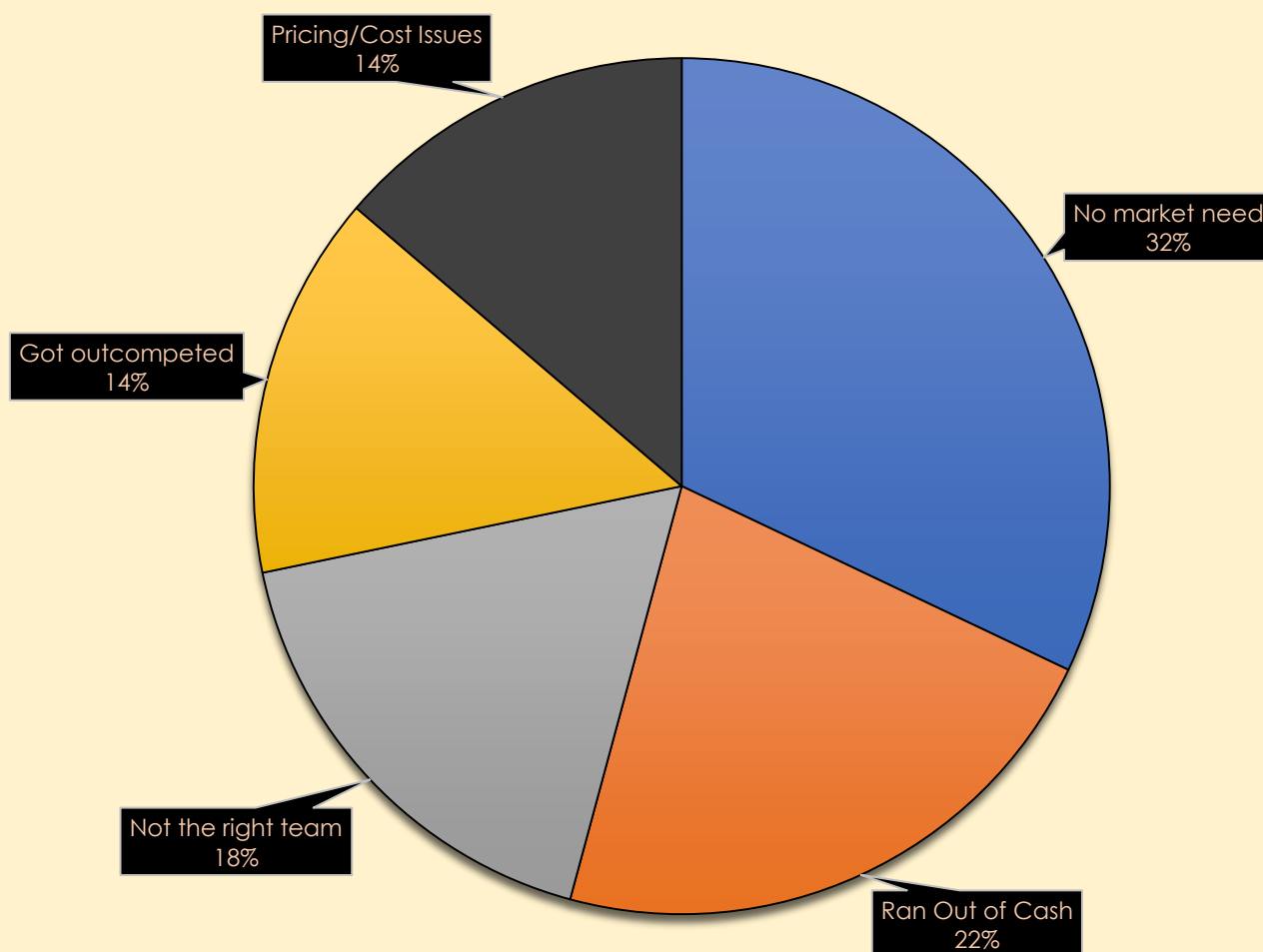


Fig. Reasons for StartUp Failure From SmartBlitz

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*,

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