



# FUNDRAISING STRATEGY

## Capstone project summary

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## **Fundraising background.**

We are going to refer to the client's company as 'the Company'.

The company is an EdTech / SpaceTech startup with operations in Estonia offering a software tool that helps logistics providers track goods in real-time using a mix of satellite data. They are currently seeking to start a new legal entity in the US. SpaceTech/EdTech market in the US is currently worth \$8.638 Billion and growing rapidly, providing the company with an opportunity to expand to this vital market. The new entity requires a significant amount of funds to start and run its operations in the US.

In Estonia, the company has a successful revenue generation model. Revenues from customers and grants are currently only enough to sustain operations in Estonia, scaling up will require a significant amount of funds especially establishing a new legal entity in the US. The company has not fundraised in the US before and this study seeks to develop a fundraising strategy that can be adopted between July 2021 to March 2022.

### **Description of the challenge.**

The main aim of the project was to develop a fundraising strategy for the company and to identify all the possible sources of funding and coming up with rating factors that will suit the company's new legal entity. The project also sought to identify the best funding sources using a ranking system based on;

1. Amount to be raised.
2. Typical Users of the sources
3. Prerequisites for application
4. costs of fundraising
5. Typical Use of Funds
6. Time is taken for fundraising
7. Additional benefits to the startup

Additionally, the task involved mapping the fundraising team and their responsibilities, fundraising Indicators to track and strategies to undertake to achieve the fundraising goals. The study also considers the potential risks and measures to mitigate them. Lastly, SWOT analysis has been included in the project and all the possible fundraising scenarios considered and the best option suggested.

This project aimed to establish what type of funding to choose over the various fundraising rounds. Previous studies on Entrepreneurial finance have shown that the ultimate choice of a particular funding method for seed funding will set a precedence and trajectory for the next funding rounds

### **Methodology**

The first section of the project is established the best funding sources for an EdTech or SpaceTech start-up for fundraising pre-seed and seed capital. The methodology adopted was to identify all the possible sources of funding and coming up with rating factors that will suit the company's new legal entity. Based on these rating factors, the top three investors were identified

best fundraising model recommended. The second part of the project was developing a fundraising strategy based on the findings of the first section.

## Findings

The findings of this project recommend crowdfunding as the starting point for fundraising. The fundraising strategy encompasses the following sections;

- a) Why the company is raising capital?
- b) Who are we raising the capital from?
- c) How much capital are we raising?
- d) When are we raising capital?
- e) How will we go about raising the funds?
- f) Whose support do we need?
- g) What criteria do we use to evaluate?
- h) Where are the blind spots/ risks?
- i) When do we need to launch this?
- j) When do we evaluate?
- k) When are the various milestones?

Based on the findings of this project the company will start fundraising with Crowdfunding as it would provide non-monetary benefits in addition to the capital raised which will be critical to the company for the next funding rounds. Other fundraising options considered are 'Angel' investors, incubators and accelerators. Co-funding between Angel Investors and Equity crowdfunding is also an option in the later rounds.

The following are the recommended crowdfunding platforms.

Pure donation crowdfunding

- [GoFundMe/CrowdRise](#)

Reward crowdfunding

- [Indiegogo](#)

Lending crowdfunding

- [Kickstarter](#)

Equity crowdfunding

- [MicroVentures](#)
- [SeedInvest](#)
- [Spaced Ventures](#)
- [WeFunder](#)
- [truCrowd](#)
- [Crowdcube](#)

## Typology of crowdfunding

	Donation Crowdfunding		Lending Crowdfunding			Equity Crowdfunding	
	Pure Donation	Reward Donation	Forgivable Loan	Presales	Traditional Loan	Investor-Led	Entrepreneur-Led
	no tangible reward ←				→ tangible reward		
<b>Reward Type</b>	No reward	Recognition, tokens, or other non-tangible rewards	Interest only if the project has revenue or profit	Finished product	Fixed-term interest	Securities, revenue, or profit sharing; projects accessible to accredited investors only	Equity, bond-like shares, securities, revenue, or profit sharing; projects accessible to all investors
<b>Platform Examples</b>	Kopernik Crowdrise	Indiegogo Experiment	Quirky TubeStart AppsFunder	Kickstarter PledgeMe	SoMoLend Lending Club	Angellist Seedrs EquityNet	Crowdcube Fundable

Source: (Paschen 2017)

## Conclusion and Recommendation

- ✓ Crowdfunding provides more than capital during pre-seed fundraising.
- ✓ Choosing the right type of crowdfunding at a particular lifecycle stage is key.
- ✓ During the pre-startup, the company need resources to validate the idea, get feedback on the product- donation crowdfunding is suitable
- ✓ During the growth stage, more funds are required and the best sources are equity crowdfunding.
- ✓ Adopt the best fundraising strategies used by successful crowdfunding campaigns.
- ✓ The First fundraising window in March is for investors to receive and go through the investment opportunities before the summer break. The second window is in October and November where deals are closed befgore the Christmas holidays
- ✓ Consider a co-funding approach to funding that combines crowdfunding and BAs to both provide funding and other non-monetary benefits in the early stages.
- ✓ Accessing Venture Capital (VC) or angel funding is an increasingly difficult task, especially for an initial round of funding. Alternative funding models such as seed accelerators and crowdfunding can be more effective in supporting early-stage companies and preparing entrepreneurs for subsequent rounds of funding.

## Lessons learnt

The market for Entrepreneurial finance is dynamic and Crowdfunding has joined the traditional sources of funding such as BAs and VCs as a major source of funding for many Tech startups. The knowledge I gained from Entrepreneurial Finance and Company Valuation courses came in handy while I was working on this consulting capstone project.

Fundraising is tedious, time-consuming and times humiliating but it's an important lifeline for startups. Being an entrepreneur can be equated to living dangerously!!