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Getting the Funding

LEARNING OBJECTIVES

- Define and explain various startup costs
- Evaluate available funding sources needed to start a business
- Identify and compare local, state, and national resources available to entrepreneurs
- Create and deliver an effective pitch to an audience
- Use effective professional business norms to deliver a presentation

Categorizing Expenses

- Startup Costs: The initial money required to launch a business before it generates regular income.
 - Typical costs include equipment, legal paperwork (LLC/corporation fees), inventory, licenses, and marketing.
 - Best practices include estimating three to six months of operating expenses in the startup budget.

Categorizing Expenses (cont.)

- Fixed Costs: Expenses that remain the same regardless of sales volume
 - Common examples:
 - Business insurance
 - Rent or lease payments
 - Management salaries
- Variable Costs: Expenses that fluctuate depending on production or sales
 - Common examples:
 - Raw materials/ingredients
 - Packaging
 - Shipping
 - Sales commissions

Funding Sources for Startups

Bootstrapping

- Using personal savings or resources to start small and maintain 100% control

Angel Investors

- Individuals who invest personal funds in exchange for partial ownership and often provide mentorship

Venture Capitalists (VCs)

- Professional firms that provide large amounts of capital to high-growth startups in exchange for equity

Startup Loans

- Borrowed funds from banks or government-supported programs (like the SBA) that must be repaid with interest

Startup Grants

- Nonrepayable funds awarded by governments or non-profits; often highly competitive and community based

Crowdfunding

- Raising small contributions from a large audience online (e.g., Kickstarter) often in exchange for early products or rewards

Business Competitions

- Pitching ideas to judges for a chance to win funding, mentorship, and professional connections

Funding Sources for Startups (cont.)

- Pitch Events: A chance for businesses to compete for funding!
- The Role of the Venture Capitalist:
 - Evaluate
 - Invest
 - Support

Resources for Funding and Beyond

Comparison of resource levels:

- Local organizations offer personalized support, community connections, and faster application processes.
- State organizations focus on regional economic growth and facility expansion and offer moderate funding.
- Federal organizations provide the largest funding amounts and national networks but are highly competitive and require strict documentation.

Resources for Funding and Beyond (cont.)

Beyond Funding

- Small Business Administration (SBA): A federal agency connecting entrepreneurs with lenders, training, and government contracts
- Small Business Development Centers (SBDCs): State and university-run programs offering hands-on guidance in planning and operations
- SCORE: A network of seasoned business volunteers who provide free one-on-one mentoring
- Chambers of commerce: Non-profit networks providing local and regional economic support and networking

What's in a Pitch?

A Pitch: A short, structured presentation (often using a pitch deck) intended to secure funding or support

Key elements:

- The Problem: Clearly defining the market gap or customer pain point
- The Solution: Describing the product/service features and Unique Value Proposition (UVP)
- The Market: Identifying target customers, competitors, and demand size
- The Numbers: Presenting startup costs, profit potential, and ROI projections
- The Team: Highlighting the skills, experience, and background of the founders
- The Ask: Explicitly stating what is needed (money, expertise, or partnerships)

What's in a Pitch? (cont.)

- Using Multimedia in Your Pitch:
 - Use charts, tables, or images to support—not distract from—the message.
- Know Your Audience and Purpose:
 - Customize the pitch for the audience: Banks require formal, data-heavy pitches, while friends may prefer you focus on the big idea and community impact.

Professional Skills for Entrepreneurs

- Effective communication:
 - Verbal: Speaking clearly with appropriate volume, pace, and enthusiasm
 - Nonverbal/stage presence: Maintaining eye contact, using natural hand gestures, and standing confidently
- Active listening: Showing respect and professionalism by sitting up straight, nodding, and avoiding interruptions
- Professional Business Norms: Arriving on time, dressing appropriately, and greeting others politely to build credibility
- Giving and Receiving Feedback (Coachability):
 - Coachability: The ability to accept, reflect on, and use feedback to improve
 - Constructive feedback should be specific, respectful, and focused on growth.

CHAPTER SUMMARY

- Securing funding requires precision in identifying and categorizing startup, fixed, and variable expenses.
- Bootstrapping allows for total control, while equity funding (angel investors and VCs) provides capital in exchange for ownership stakes.
- Government and community resources like the SBA and SCORE provide critical mentoring and training alongside financial connections.
- A professional pitch deck is the essential visual tool for selling a business idea to lenders and investors.
- Entrepreneurial success depends on coachability and the ability to maintain professional business norms during high-stakes interactions.