

The complete guide to

FINANCING YOUR NEXT MOBILE APP

Executive summary

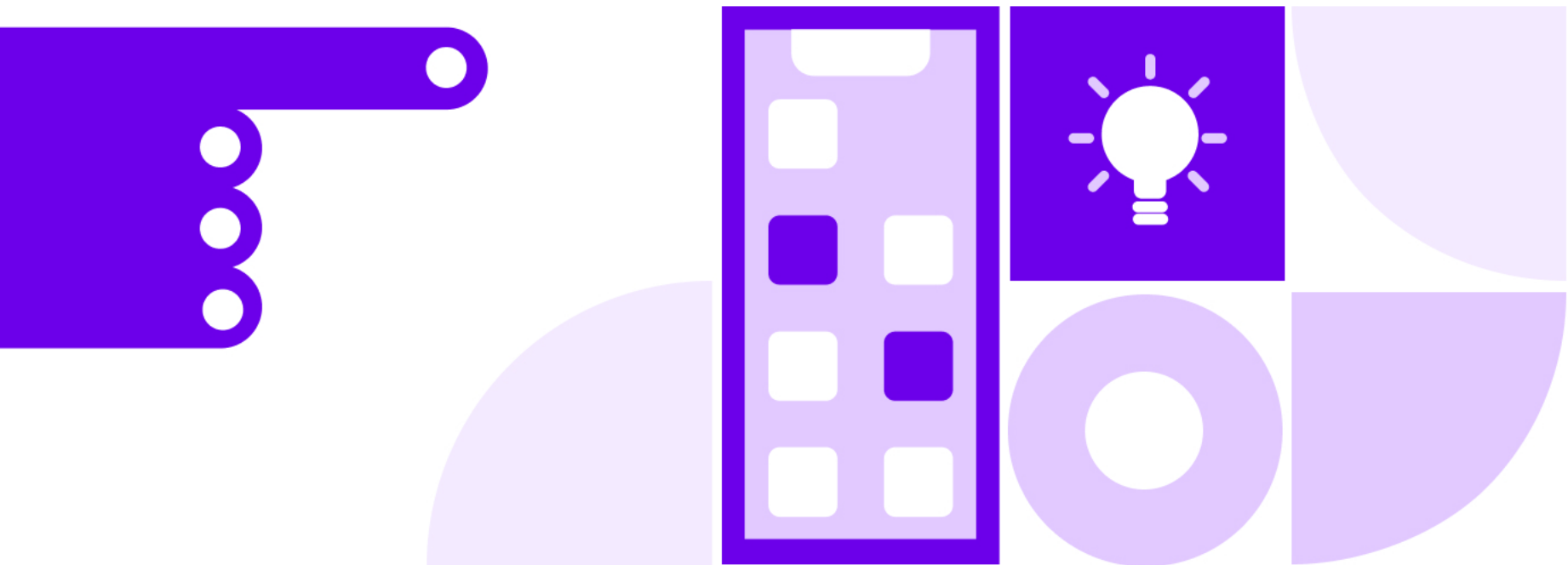
The best time for new beginnings is now.

Everyday at Builder.ai, we speak with companies wanting to expand their product offerings or create new software products including mobile apps. One of the most common issues we hear during these meetings is their question of how to fund their projects. “How will I be able to pay for my project before launch?”

We thought, what better way to address the needs of growing companies globally than to offer a comprehensive resource for gaining funding and thus traction? Are you looking to create your next piece of dream software but aren’t sure where to start in terms of financing? We have you covered.

In this document, you’ll discover ideas, inspiration and a full list of digital resources to enable your entrepreneurial endeavour. We’ll help you determine if yours is a good fit for investors. How?

First, we’ll address 5 ways to determine if your idea will likely be successful as well as a set of questions to ask yourself through the process. Thereafter, we’ll address a list of funding sources as well as global, regional and local resources.



Part 1

Define how and why you'll be a success



5 ways to determine if your product will win your customers over



People don't care about your idea. They care about their problems. Be the solution that they're looking for

Melonie Dodaro,
Entrepreneur, Author and Keynote Speaker



Investors [of all kinds] generally have a singular objective and that's to get a return on their investment (ROI). How does one measure an idea based on ROI when you haven't yet launched? This is the art and science of business creation. It isn't often simple, but includes the 5 determinants below.

Determinant #1. Your idea solves a problem for your target market



"The best startups generally come from somebody needing to scratch an itch."

**Michael Arrington,
founder and co-editor of TechCrunch**



What is your product? Does it solve a specific problem your customers currently face? How is your approach unique? Your users aren't necessarily looking at a clone of Facebook (though they're dissatisfied). Instead, they're looking for a place to share their private photos without being worried about their privacy concerns.

We humans have, or manufacture, problems daily and often if you're receptive to your audience (or more likely, survey them), you'll see what specific pain points your product can address. Your idea needs to approach users' pain points in a unique way and offer solutions that haven't yet been exploited.

Questions to ask yourself to determine this are:

- Do I understand my target audience and have I asked them what their major pain points are?
- Does my software project address these pain points? How? (Your marketing should make this clear!)
- What is your minimum viable product (MVP) featureset?
- Lastly, If you had 1-minute to pitch your product, what would that be? (Think about why your product exists, how it solves the problem and what it actually is.)

Determinant #2. Your idea meets the needs of a sizeable target market

To get seed funding for an app, you need to prove that your idea has demand in the market you're aiming for. Invest in market research and keep tabs on what's trending on the mobile market. You need to present your app's market appeal and its potential for revenue if you want to find investors.



Questions to ask yourself to determine this are:

- How big is your target market?
- What does your target audience look like? What media sources do they review regularly?
- What other information do you know about your target audience?
- What kind of market saturation will your software have? I.e. How many people do you think you could reach with effective marketing?

Determinant #3. You have a [business] plan

What's your previous experience? Ensure you're communicating how your previous experience makes you an ideal candidate for entrepreneurial success. Having a plan for your business shows strong leadership, especially if you're doing it for the first time. A strong [business] plan for marketing, operations and expansion enables you to plan for your success.

Questions to ask yourself to determine this are:

- Who is your competition?
- What are their marketing strategies? (At the least, what is their marketing messaging? Meaning, for example, what does their website look like? How do they use social media? What keywords are they ranked for?)
- How are you different and unique compared to your competitors?
- What's your plan for connecting with your target audience?
- What is your unique selling point?
- What do you need to do in order to break even?
- What is your Operational Expenditure? (How much you spend on things like office space, computers, cars etc)
- What is your Capital Expenditure? (How much you spend on salaries)

Determinant #4. You have a team working on the app



"Don't be a lone wolf. Lean on the experience and smarts of your teammates, investors, and mentors to help solve the tough problems and take advantage of the opportunities."

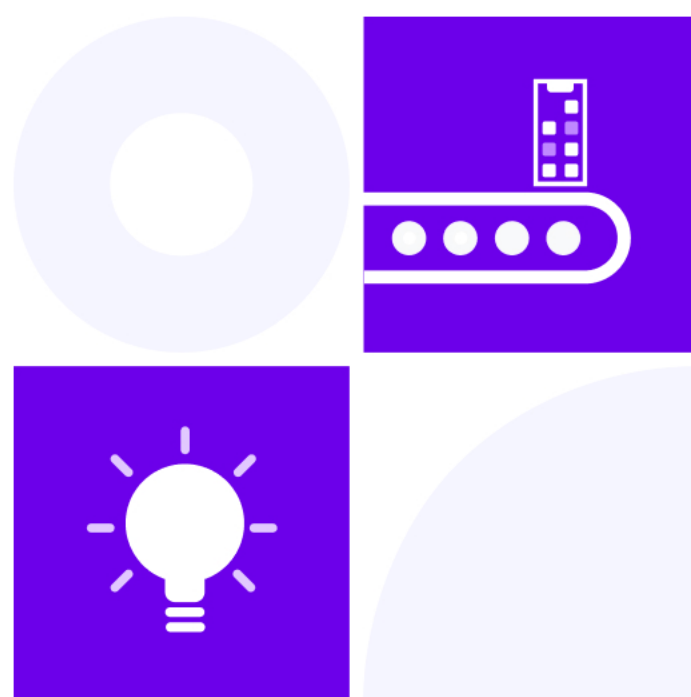
Seth Bannon, Founder and CEO of Amicus



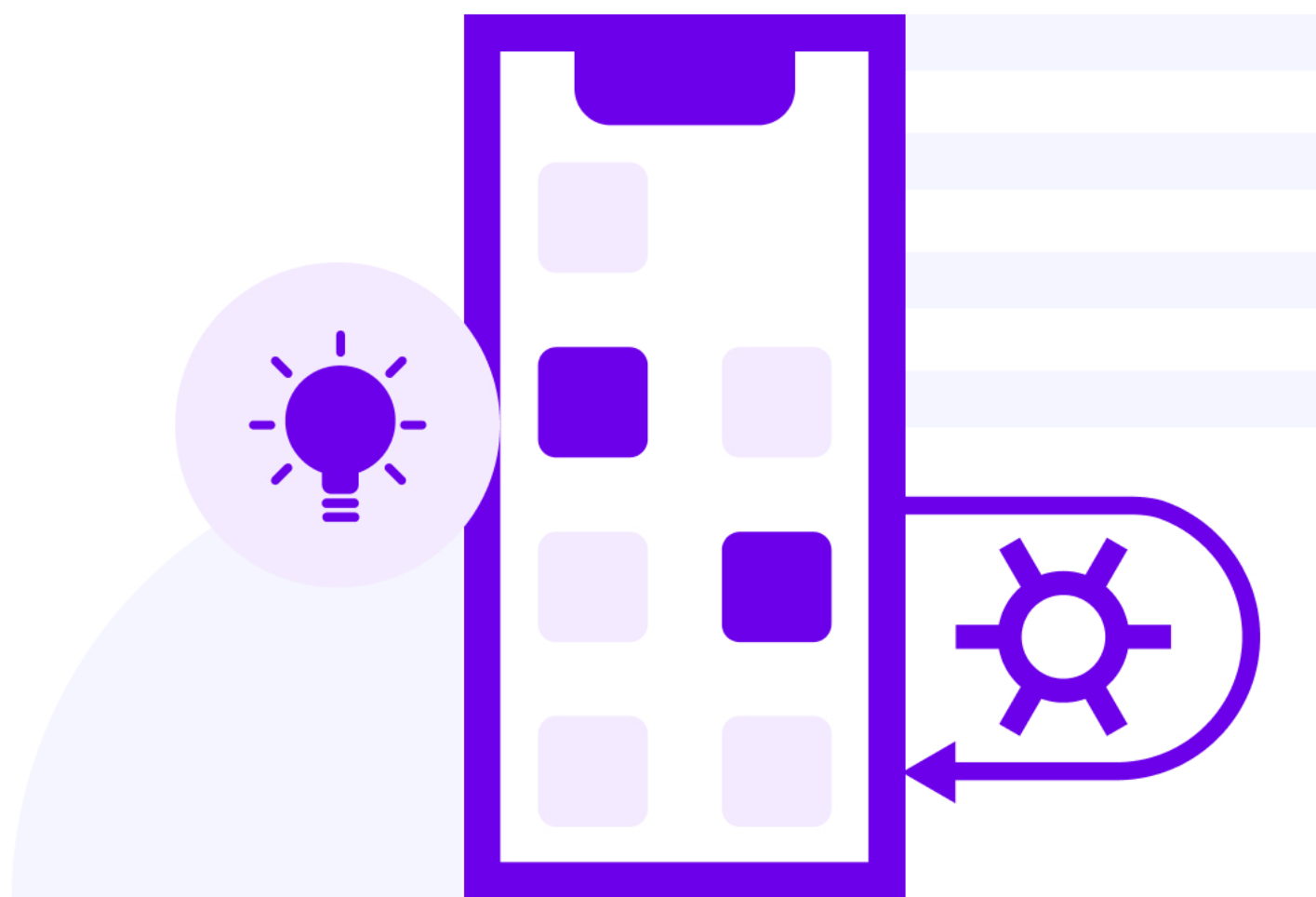
With a team with relevant professional experience working on your idea, you're far more likely to meet the expectations of users (and investors). For this reason, unless you're a developer yourself and have a team of seasoned professionals at your side, it's recommended to get assistance with your using a development company (like Builder Studio for example).

Questions to ask yourself to determine this are:

- Who could join your board of advisors to help provide information about your market?
- How can you invite them to join your board? How can they improve your product offering?
- Who else can you leverage in your network to help you create and publicize this interesting new software project once you launch?



Determinant #5. You have a prototype or MVP



Nothing conveys the dedication to your project like a working prototype or a minimum viable product (MVP). Better yet is if the product is beyond the MVP stage and is already getting revenue (which is called bootstrapping, which we talk about below).

Even if you don't have a prototype, you need to explain to your potential investors what stage your product is at and what you're planning to do first if/when you get funding. Overall, the more information you can provide about yourself, your team and your idea, the better. Keep it professional and on point. Don't linger on unnecessary details and focus on what's important for investors – the potential for revenue. It's easier to spend money when you're convinced you'll get it back with interest.

Questions to ask yourself to determine this are:

- Do I have an MVP? If not, what are the 2-3 features needed for an MVP?
- What's beyond your MVP? What other features do you plan on adding to your software in the future?
- How can I finance my MVP? (Hint: see below)

Now that we've discovered what you need to sell your software project idea, let's review what options are available for financing your project or billion dollar startup. Not all funding options mentioned below may be available in every region of the globe, so before jumping to any conclusions, confirm the policies related to funding options in your country.

Part 2-

How to leverage your network to fund your idea



7 sources of funding including regional references (for the US, Europe and India)



"What do you need to start a business? Three simple things: know your product better than anyone, know your customer, and have a burning desire to succeed."

Dave Thomas, Founder of the Wendy's restaurant chain



#1. Bootstrapping

In other words: self-funding. Bootstrapping is the most common way to raise funds for your business. No one knows the future of your business plan. Due to this, a startup always finds it hard to raise funds for initial activities. This means it's great to invest your own savings, maintain a job or consulting opportunity and leverage your credit (if you're based in the United States where you can utilize credit cards).

Bootstrapping has many advantages, including building a successful business before offering investors a higher portion of your company for less money. It indeed requires more risk but also offers more rewards. And it's highly correlated to the below 'Friends and family' round. Did you know Builder.ai was bootstrapped until getting our [Series A series of investment in 2018?](#)

#2. The 'friends and family' round

The second most popular option. Here, you use your business plan to let your family, friends, and acquaintances know about your business and ask if they can help. Why? You know and trust this audience and if you haven't borrowed previously, they may be open to the option. If you have a strong network, opt for this option, although you might not be able to raise millions of dollars through your network (in which case, you could alternatively participate in crowdfunding activities, see below).

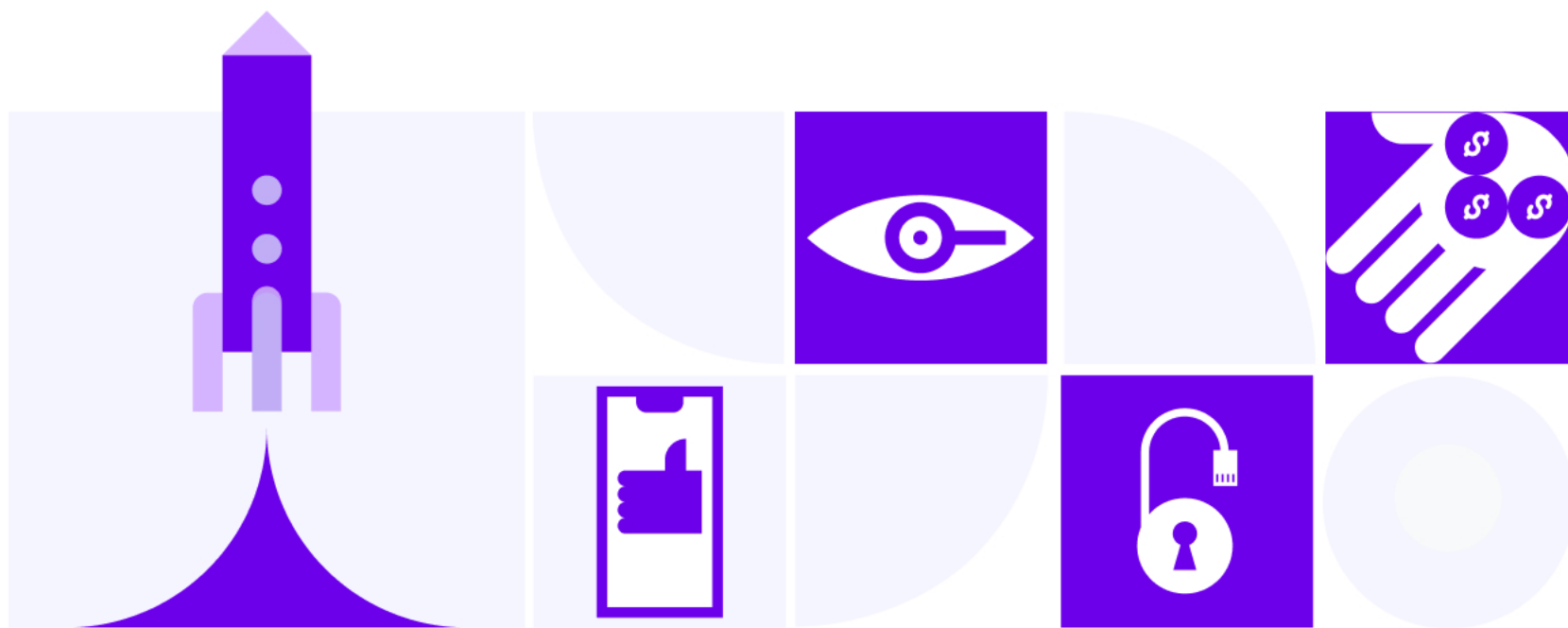


Another alternative is leveraging the power of your professional network with funding, that is, asking colleagues (or fellow professionals in your industry) to fund your project or a part of the project, in return for a share of future profits. Forming a network of doctors, lawyers or even artists willing to invest in your project can help you raise the money needed for your MVP or even version 2.0 (meaning after you've created your MVP and tested it with your target audience then creating the next version).

This also benefits all members of the network as they get to enjoy a percentage of the profits accrued from in-app sales and other recurring revenue sources. This will only happen with a strong plan for incremental marketing campaigns to ensure a targeted beta testing group and continuous improvement thereafter.

#3. Angel investments

Angel investors are professionals who earn their living primarily (or secondarily) from the returns they get from fund startup ventures. “Angels” can be a single person or a small group of people. Around how much on average are these investments? When reviewing average angel investments per company across Europe from 2013-2018, Statista found the average value of investments ranged from €165,000 in 2013 to €200,600 in 2018.



Think this source of funding is impractical? Consider that companies like Google, Alibaba and Yahoo were funded by angel investors. And once angels help your business materialize, it could spell big success.

Consider the story of Google for a moment. The book *The Portable MBA in Entrepreneurship* explains how this company came to be, “Andy Bechtolsheim, one of the founders of Sun Microsystems, was used to taking the long view. One look at the demo, he knew Google had potential — a lot of potential. But though his interest had been piqued, he was pressed for time. He wrote a check made out to Google Inc. amounting to \$100,000. Company founders Larry Page and Sergey Brin scrambled to set up a corporation and locate other funders among family, friends and acquaintances. Ultimately they brought in a total initial investment of almost \$1 million.”

In June 1999, the company announced that it had secured a round of funding that included \$25 million from the two leading venture capital firms in Silicon Valley, Sequoia Capital and Kleiner Perkins Caufield & Byers. Ram Shriram then joined the Google board at its’ creation with Shriram’s angel investment in Google’s IPO netting him more shares than any other solo investor, 5.1 million which he literally paid pennies for each (not public knowledge but most expect his original investment was between \$100,000 - \$200,000 USD). The solo investor, he netted 5.1 million shares in Google’s IPO.

⁰¹ Cherowbrier, James. “Average Angel Investment per Company Europe 2018.” Statista, 22 Nov. 2019, www.statista.com/statistics/889702/average-angel-investment-per-company-in-europe/.

#4. Bank loans

Admittedly, this option is “the least favored by startups”

Then comes the banks. An established and recognized bank can fund your startup idea; the only condition is that your business plan needs to be highly convincing. So, if you are disappointed by the angel investor, the bank will be your saviour.

Banks always have the leverage to pump out massive funding, but that also depends on two types of financing options. One is funding, and the other is a working capital loan. With the funding option, the bank will look into your business plan and evaluate the total loan. And in a working capital loan, the loan is more towards covering the finances that the company will spend on the everyday operations like accounts payable, wages and more. This means you need to make up your mind about the type of funding before going for a bank loan.

Banks that offer startup funding

For the American and Canadian markets. According to Lighter Capital, a entrepreneur-friendly investment group, Silicon Valley Bank is, “a tech-focused institution that has been redefining the way tech banks fund startups since its founding in 1983.” They provide entrepreneurs with the financial tools to jump-start their business, including a checking account, business debit card, online banking, several wires each month, unlimited incoming ACH payments and more. SVB offers startups a variety of banking solutions – the SVB StartUp banking solution and the ScaleUp banking solution for example – and expands its offerings as those startups gain traction and build for scale.

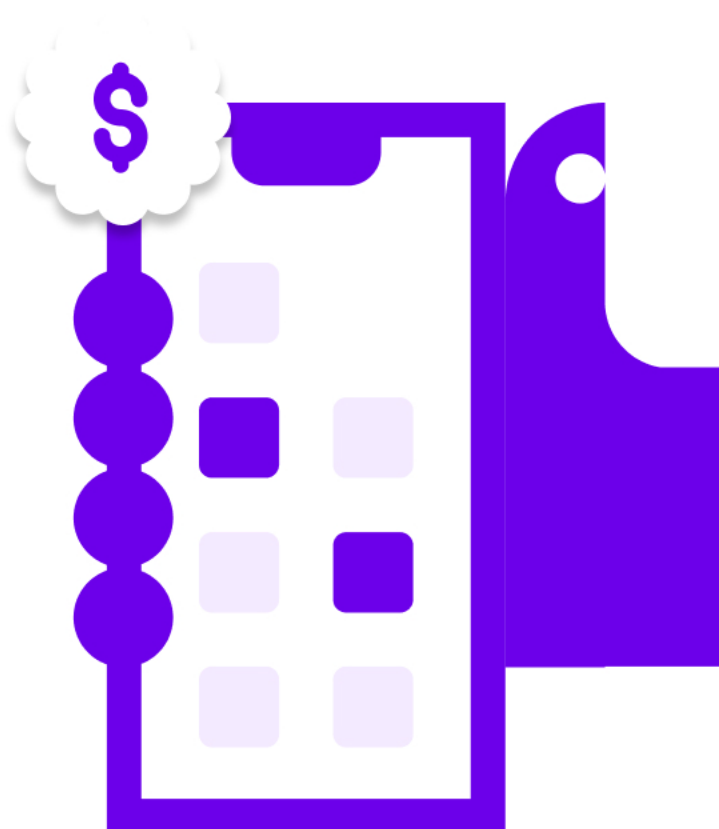
Silicon Valley Bank’s lending is aimed at high-growth companies, particularly at companies that are already raising venture capital funding. So earlier-stage companies and founders who aren’t invested in rapid growth and VC money may still be a better fit for alternative financing from Lighter Capital.

For the Indian (and European) markets. HSBC is one of the few banks that is completely global. From Europe to India, HSBC offers a range of products for startups. And HSBC India in particular is one of several top banks for startups, Prakash Jaiswal, Country Head of Business Banking, HSBC India, says, “We offer simple and agile banking. When it comes to playing to your strengths, we do what we do best – banking. So, as a startup, you can focus on what truly matters. We ensure that banking for you is hassle-free, so that you don’t just keep up with the changing times, but also surge ahead. Our market-led and future-ready solutions start working out of the box, and are simply plug and play. Each of our solutions comes backed by years of experience and is reinforced with advanced and state-of-the-art technology.”

Almost every bank in India offers SME finance through various programs. For instance, leading Indian banks – [Bank Of Baroda](#), [HDFC](#), [ICICI](#) and [Axis](#) banks have more than 7-8 different options to offer collateral free business loans. Review respective bank sites for more details.

#5. App contests

Organisations, such as media companies, offer many opportunities to showcase and highlight your startup idea through the form of contests. Many app or startup contests are held all over the world to give young entrepreneurs a chance to present their idea to a large audience of investors and businessmen. They are normally judged by a panel of venture capitalists and business experts. Keep in mind that these contents are extremely competitive. You'll be given an approximate time of 10-15 minutes to make your case (or for pitch competitions, this comes in the form of a video pitch or answering a set of questions). Apart from increased competition and crowd, the pattern of raising funds is similar to that of seed funding.



Contests – pitch and win \$ if your idea is good enough!

- **YCombinator**
- **Flash Pitch**
- **Hello Tomorrow**
- **Hatch Pitch**
- **PITCH**
- **PITCH (web summit)**
- **Seven Ventures**
- **Startup Cup**
- **South Summit**
- **StartCon**
- **Cartier's Women's Initiative**
- **New York StartUP! Business Plan Competition**
- **MIT \$100K Entrepreneurship Competition**
- **ARCH Startup Competition**
- **PostCode Lottery** – for sustainability-focused projects

#6. Crowdfunding

Crowdfunding is one of the latest ways to raise funds for a startup, but sadly, it's also not too reliable if you don't think through the marketing aspects of this option. There are different websites where you need to register your startup plan, and if people think that your idea is worthy, you could see exponential success here.

One such example is Oculus Rift, a VR technology company. Its founders started the crowdfunding campaign in 2012 with a goal of raising \$250,000. Thanks to their startup idea, the company was able to garner \$2.4 million in funds raised. Later, the company did so well that Facebook decided to buy it for a total of \$2 billion. Not bad for a startup idea.

Several crowdfunding platforms

- **Kickstarter**
- **Indiegogo:** Crowdfund Innovations & Support Entrepreneurs
- **Appsplit** - Crowdsourcing for Apps
- **SeedInvest:** Startup Investing. Simplified.
- **The Creative Fund is creating the first ever "Creative Basic Income" for creators**

#7. Peer-to-peer lending

As the name suggests, P2P also known as peer-to-peer, is the practice of lending money to businesses and even individuals through the means of various online services that match the lenders with borrowers. The P2P lending is a digital, low interest rate service. Also known as P2P loans or unsecured personal loans these extend crowdsourcing to connect lenders and borrowers.

Best peer-to-peer lending companies of 2020

LendingClub: Best for borrowers with good credit

Upstart: Best for educated borrowers

FundRise: Best for investing in real estate

Funding Circle: Best for small businesses and big investors

StreetShares: Best for established small businesses

Peerform: Best with no frills

Prosper: Best for originalists

Kiva: Best for charitable investors

Conclusion

If you have a strong business plan, the world needs your idea more than ever. Didn't think your startup idea could ever get funding? Stop dreaming and start considering your options. Whether you're an entrepreneur located in Chicago, Cambridge or Camorlim, we believe you can make it happen to create the next billion dollar business.

Have your funding sorted? We're here to help! The Builder Studio Store can help you create an app in no time flat. After (or before) creating your app idea in Builder Studio, our informed, professional sales professionals globally can provide you with an initial consultation where we hear your idea, give you insight into what features work, and help to bring your project to life.

Get in touch today and our global sales team would be glad to turn your idea into life. What are you waiting for? **Click here to get in touch with us in under 5 minutes flat!**

