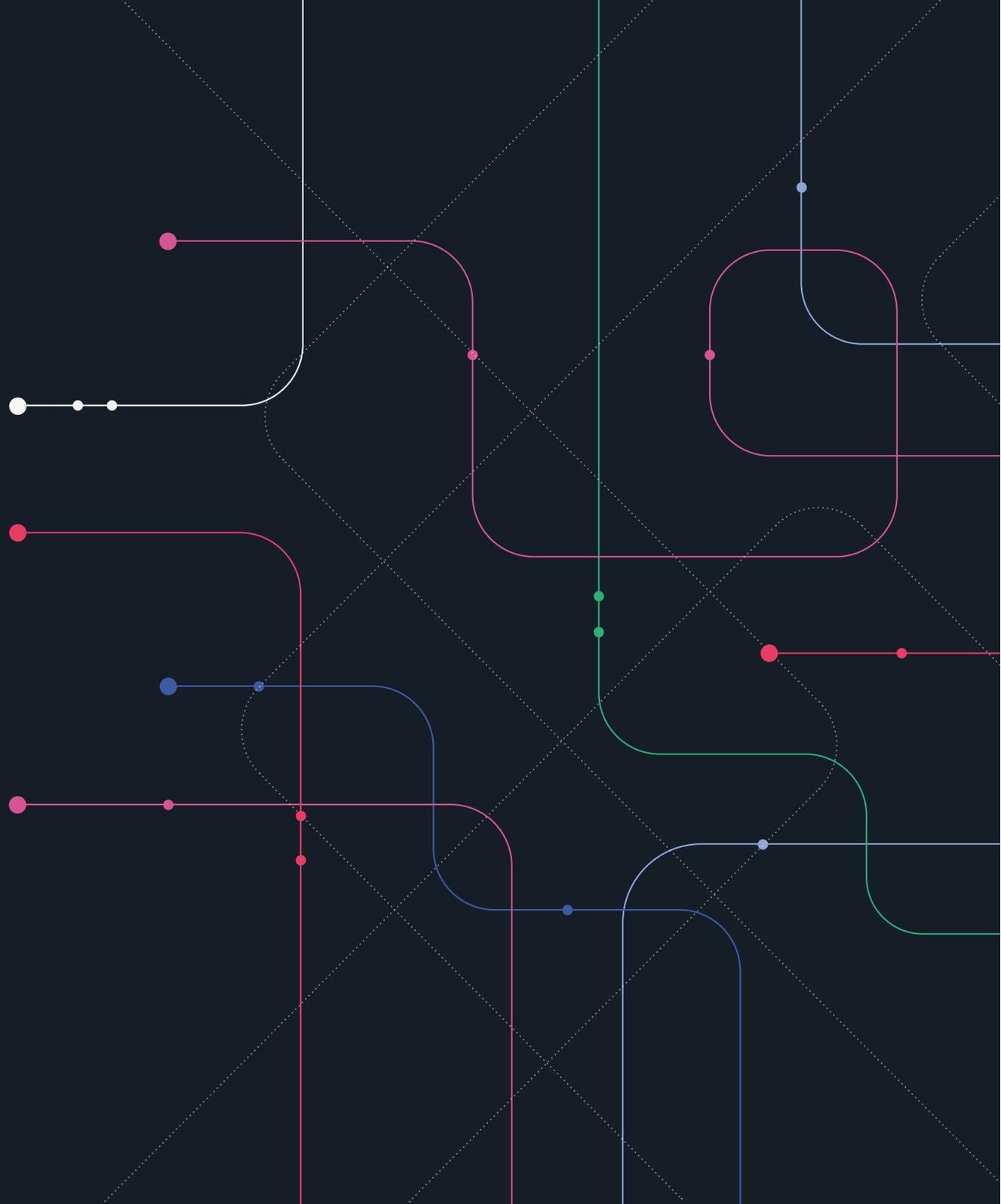




THE STATE OF INVESTMENT

Startup Trends Report





The Coronavirus pandemic has had a profound impact on the UK's small business community.

For every story of firms battling against the odds, there were many who were simply unable to survive the lack of trade brought about by draconian lockdown measures put in place to reduce the spread of infection.

But what will be the lasting impact of the pandemic on small businesses, the investors that fuel growth and business advisors that help lead the way?

To find out, we commissioned a poll of early-stage investors and entrepreneurs by Norstat, one of Europe's largest independent data collection firms.

With people forced apart by social distancing measures, this eBook seeks to understand how both parties have adapted to succeed in the 'new normal'.

Traditionally, a good network can be the difference between startup success and failure, but the results of study showcase Britain at its agile, entrepreneurial best.

What has emerged are the green shoots of hope for greater diversity across gender, ethnicity, and location, meaning across the UK can consider themselves very much 'open for business' as the economy begins to recover.

Roei Samuel
Founder, Connectd

The study asked 15 questions to 100 startup investors and 100 entrepreneurs based in the UK was conducted by one of Europe's largest independent data collection company, Norstat, and commissioned by Connectd, to understand attitudes towards startup investment in the UK.

The UK startup investment scene brings with it certain connotations.

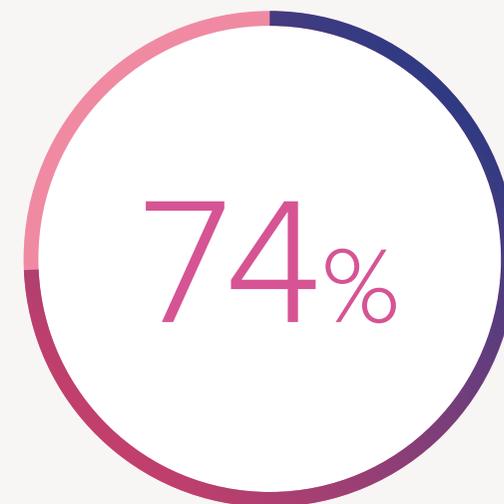
To be frank, it is of old white men operating in the same smoke-filled circles sharing knowledge and intelligence. The very epitome of an inner circle.

Even before the pandemic, this made for a significant lack of diversity among small businesses. By its very nature, this made for sorry reading when assessing money put into startups founded by women, or those from a BAME background, or more rural parts of the country.

To highlight the scale of the problem, the study found 74% of the investors and entrepreneurs said they believe discrimination exists in startup/investor community. This problem sits within

an ecosystem that received over £11 billion in startup investment in 2020, according to Sifted, and is one that simply must be eradicated.

Forced apart by lockdown, investors and entrepreneurs have had to find new ways to connect, with video calls replacing traditional, closed networks. This has opened the door for greater diversity within the investment security. Encouragingly, 74% of investors said they are now more likely to make deals from other parts of the country since the pandemic began.



believe discrimination exists in the startup/investor community

“

12% of venture capital funding goes to startups with co-ed founders, which drops to less than 2% for all-female founder teams.

”

This is a direct reflection of the demographic of VC decision makers; in the US, only 5% of VC decision makers are women. I haven't seen statistics on the demographic of Limited Partners, but I would imagine that the percentage of female LPs is also very low.

Thankfully, we are starting to see a change. At Amboy Street Ventures, we have committed to make 70% of our investments into companies with at least one female founder. And we are not alone, many VC funds are setting great targets

to try and change the flow of VC funding. Similarly, Limited Partner organisations are starting to develop targets for investing in female fund managers.

I believe the more women in Limited Partner decision-making positions, the more funding will go to female fund managers, which will ultimately drive more funding to female founders.



Carli Sapir

Founding Partner,
Amboy Street Ventures

Amy Williams, CEO of FemFoundry, a diverse global platform revolutionising the women’s learning and networking space, has long called for greater diversity in the UK’s startup scene.

Asked for her reaction to the study, she said: “When I read that 74% of startup founders and investors have witnessed discrimination during their career, I wasn’t at all surprised. We know that for many years this space has been dominated by a particular type of professional and that various barriers to entry are still an issue for people who fall outside of this archetype.

For every £1 of venture capital investment in the UK, all-female founder teams

receive less than 1p, all-male founder teams get 89p, and mixed-gender teams make 10p of that £1. So, you can see that discrimination will have been present in startups for this to be the standard ratio.

Of course, venture capital investment in start-ups with female founders is increasing but progress is very slow. At current rates, for all-female teams to reach even 10% of all deals will take more than 25 years, so we are looking at 2045. It is because of this forecast that I am dedicated to helping women to upskill,

network and to minimise that time scale.

83% of deals that UK VCs made last year had no women at all on the founding teams so it is clear that gender discrimination is an issue, not to mention issues of intersectionality on top of this. It’s not enough to observe these statistics, we have to respond to them by empowering skilled and capable women to launch startups, lead founding teams and control the capital that invests in them.”

“

It’s not enough to observe these statistics, we have to respond to them by empowering skilled and capable women to launch startups.

”

Looking more specifically at investors themselves, they tend to be time-poor individuals who spend far too hours fielding irrelevant pitches that do not meet their brief or area of specialism.

According to the study, as many as 40% of investors spend 40 hours per month – the equivalent of one day of the working week - searching for potential startups to invest in. To compound the problem, half (50%) said they receive between six and 20 irrelevant approaches from businesses.

Forced online by the Covid-19 pandemic, the role of networking has made a positive change to the way startups and investors network. Almost half (48%) said they have become more analytical in their decision making. 42% said they no longer need to waste time traveling and the same

percentage are now more open to finding more of their details through digital channels.

How has the role of networking changed in startup investment during the pandemic?

- 1.  Businesses have become more analytical in their decision making
- 2.  Entrepreneurs no longer need to waste time traveling to meetings
- 3.  Investors are more open to finding deals through digital channels
- 4.  Entrepreneurs and investors have cut the time spend networking
- 5.  Entrepreneurs and investors have joined online communities to find interesting deals

For the modern entrepreneur, the routes to funding have never been more plentiful.

But this can also lead to confusion, hampering growth. For instance, only a third of businesses in the study said they had considered angel investment, despite significant pent-up capital.

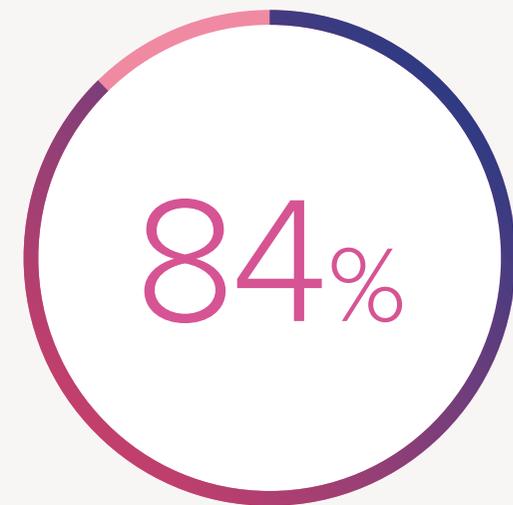
To illustrate this, more than 80% (84%) of investors said they expect to put the same or more cash into businesses in 2021.

The overwhelming majority (90%) said they believe there is room for a better resource to better connect them to investors capable of the cash injection and business mentorship required to grow their firm.



“Raising money during the pandemic through Connectd allowed us to reach a new audience of diverse investors, including women, who were focussed on the business commercials, strategy and story. Historically, being two female founders, we have felt the fundraising process to be dominated by a certain type of male who often finds it hard to understand the sector and would predominantly ask very gender-based questions.”

Diana Greenhalgh, co-founder of MYBESPOKEROOM
(a technology platform changing the world of interior design)



of investors said they expect to put the same or more cash into businesses in 2021



We're **connecting** the dots between Startups, Investors and NEDs.

To learn more, visit www.connectd.co

© info@connectd.co

18 Finsbury Square, London.
EC2A 1AH. United Kingdom

