Cash-rich companies prefer acquisition over randd

Business, Entrepreneurship

Some may have access to private equity funds, some may not, but you can always find a friend, afamilymember or an angel investor, who will readily fund your venture. Moreover, young entrepreneurs can also look for a mentor, who will help them raise funds and establish their business. An entrepreneur, who is just setting up his business, must know how to use the available framework and data. If they are interested in involving investors, they must know at what time they should move back.

Mentorship helps companies in raising funds

Various kinds of funds, like venture development, portfolio services, are available today. A lot of fund is spent on building a support ecosystem in different functional areas like HR, product andtechnology. So if you chose the right partner, they already have the mechanism to mentor you, beyond what you expect from friends.

Sectors that may impact in coming days

Artificial intelligence(AI) will hugely impact or may disrupt certain areas, especially customer support system and how things are delivered; before new set of products come into play. It will be incorporated into a lot of technology, which will give us smarter products.

Healthcare is another sector, which will see much growth in coming days. Bringing in an investor and taking them out is a very crucial decision. Cash-rich companies now prefer to acquire smaller companies or startups, which are coming out with better plans and solutions, instead of spending two-three years time in R&D. From there, they are using their resources to improvise the product further. But, the original product is always valued by the investors.

Use of data and framework to start a business

When an entrepreneur comes to us to talk about his space, we try to find out, whether he understands what he is talking about, how passionate he is about the project? Does he relate to the product, he is pushing for? Where does he see himself a few years later in term of growth, scalability and revenue churning? Moreover, what kind of framework and data resources he has to back his project. The data should be free of all pre- conceptions and misconception, and what kind of insight can be derived from it. If you are not clear in terms of how you derive value from the data, then it is not going to be very meaningful.

Horizon an entrepreneur looks for seed round

Surviving the initial struggle is the key to success. The seedmoneyshould last for twelve to eighteen months at least. So, when you start looking for series A funding, you can at least tell the financers that you have figured out a team, some aspect of the product, there is some initial validation and may be some amount of revenue, even if you are not earning a lot of money.

If it’s an enterprise product, the financers will immediately look for revenue. Meanwhile, if you are pushing for a consumer product, the investors will try to find out whether it has some validation from customers, even if it’s not churning any monetary benefits. It really depends on the sector, but 12 to 18 months time is good enough to convince the investors that you have made your mark in the market.

In the long run, it is all about how much disruption you have been able to cause to the market. If you do succeed, it needs to be really large. Building a business takes a lot of effort, and not many of them succeed. But the few who succeed, can easily find VCs, which can push them further.

It’s always important to ensure that the product is earning a good revenue. If it’s an enterprise business, you want to monetize early, you want to see your customers are committed to to the product and they are actually willing to pay for it. In a consumer business, however, you will probably first need to build enough of validation, customer base and proof points, before you actually start monetizing. VCs will also look at your ability to generate a lot of cash.

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