How to fund your small business

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Introduction

Whether you're launching a new venture or growing an existing business, doing it successfully requires a solid financial base. Having access to capital gives you the funds to meet your short-term needs and lets you plan towards accomplishing your long-term goals.

The good news is that no matter what type of business you run or which stage of the journey you're at, there is capital available. In this guide, we'll show you the best finance options available to you to help you establish your business and, once off the ground, how to secure the amount you need to grow.

What's inside

CHAPTER 1

Establishing a financial plan

Capital comes in different forms, each with connotations that will impact how you run your business and manage your cash flow.

In this chapter, we'll focus on the fundamentals of capital to give you a clear idea of what's available and how to make sure you choose the right option.

The four types of business finance

While the number of options and products on the market is vast, business capital falls into one of four categories:

1. **Debt finance.** You borrow money from a lender and pay it back, usually with interest. Common types of debt finance include business loans, credit cards and overdrafts.

2. **Equity finance.** You secure capital by selling a stake in your business to someone else. Common types of equity finance include crowdfunding, angel investment and venture capital.

3. **Grants.** You're awarded a sum of money that you don't have to pay back to assist in the development of your business.

4. **Bootstrapping.** You self-finance your business using existing resources such as personal savings.

The first three categories in that list are external finance — money sourced from outside of your business.

Debt Financing	Equity Financing	Grants
Advantages		
Keep full ownership	Less risk than debt	Keep full ownership
No obligations after paying debt	No paying back funds	No paying back funds
Interest is tax deductible	Gain credibility through investor networks	Enhanced credibility as a business worth funding
Short and long-term options	Investors don't expect immediate ROI	Mentorship from business advisers
More cash on hand	Fixed payments for better budgeting	Makes you a reliable candidate for others
Disadvantages		
Must pay back	Investor returns could be more than debt payments	Limited pool of funds
Could cause cash flow issues	Investors get some ownership	Restrictions on how money can be used
Usually need collateral	Must consult investor for decisions	Time-consuming applications

We're going to focus on external finance throughout the rest of this guide because this is where the majority of the capital you need is likely to come from.

But this doesn't mean bootstrapping isn't important. For many new small businesses, using your own money is a default position, and it's one that is viewed favourably by lenders and investors alike. If you're willing to invest your own money in your business idea, it shows others that it's something you truly believe in.

Bootstrapping offers the benefit of being able to grow your business on your terms, which — as you'll learn in future chapters — isn't always the case with external finance.

It also means you can reinvest profits back into your business without having to set aside a portion for loan repayments. But unless you have incredibly deep pockets, bootstrapping is only likely to take you so far.

Borrowing from friends and family

Raising money from friends and family is similar to bootstrapping as it's a way of growing your business without seeking capital from a bank or professional investor.

There are clear advantages to this:

- **Flexibility.** Repayment terms can be more flexible than a bank as they come with longer terms and fluctuating monthly amounts based on your circumstances. Friends and family may also offer loans without you having to offer something as security.

- **Low rates.** Friends and family may offer loans interest-free or with interest rates set much lower than a bank.

- **Easier to secure.** As friends and family are already familiar with your business and circumstances, they're less likely to want to see an in-depth business plan.

However, there are also disadvantages:

- **Lack of clarity.** Without the same level of legal documentation you receive from a bank or investor, friends and family may have different expectations on repayments or whether their money gives them a say in how your company is run.

- **Strain on relationships.** Borrowing from someone close to you can cause some social awkwardness. For example, the lender may expect you to spend the money in a certain way and frown upon you spending money on personal items when it could have been used to repay your debt. Failing to pay back what you owe as agreed can also cause friction that may impact your relationship.

If you're approaching friends or family for finance, be clear on how long you need the money for, as well as when and how it will be repaid.

While it may seem unnecessarily formal, it's a good idea to draw up a written agreement that outlines the terms of the loan or investment to prevent confusion or avoidable grievances.

What type of finance is right for your business?

Before you start completing finance applications, you need to know that what you're applying for is right, both in terms of the type of finance you're seeking as well as the specific amount.

Here are six questions to ask yourself to work out which direction to go in.

1. What are you raising capital for?

Your company structure and the stage you're at in your business will impact the type of capital you get.

For example, if you're launching a start-up, a government-backed Start Up Loan will offer funding on generous terms. You may also be able to secure a new business grant.

But these options won't be available to you if you're an established business looking to grow.

Additionally, a grant may not offer the kind of capital you need, either in amount or due to the sector you operate in.

It's also worth pointing out that equity finance is only available to registered companies. If you're a sole trader, you'll need to focus on one of the other options.

Top Tip: If you register your new limited company with Tide for free, we'll also open a business current account for you and you'll gain access to our **Credit Builder**, **Business Loans** and **Cashflow Insights** tools to manage healthy finances. Get started and ***register your company today*** 🎉

2. How much capital do you need?

Working out how much you need can be tricky. On one hand, you don't want to borrow more than you can afford to pay back. On the other, you don't want to underestimate and leave yourself short.

To help you calculate how much you need to get started, broken down by monthly and one-time costs, download and use our **business startup costs template.**

tide

This startup budget spreadsheet is brought to you by Tide

To get started, go to File > Download > Microsoft Excel (.xlsx) and adjust the examples to fit your business. Alternatively, make a copy of this file and use it as a Google Sheet.

Startup Costs

Your company name

Date (day/month/year)

Item Cost	# of Months	Monthy Cost	Total Cost
MONTHLY COSTS			
Rent/Lease Payments			
Supplies			£0.00
Utilities			£0.00
Ongoing Advertising/Promotion			£0.00
Insurance			£0.00
Interest			£0.00
Legal Fees			£0.00
Accounting Fees			£0.00
SaaS Subcription(s)			£0.00
Staff Salaries			£0.00

Download the Tide business startup costs spreadsheet

If you're launching a new business, list your:

- **Startup costs.** This should include everything you need to launch, such as initial stock, premises, equipment, furniture, website development and marketing costs.
- **Running costs.** How much you'll need to spend running your business early on, including costs for utilities, salaries/wages and suppliers.
- **Additional costs.** The costs for anything else, such as insurance, bank fees, transport costs, legal and accounting fees and website hosting.

Top Tip: Learn the costs involved in starting a new business and how to work out the amount you need to launch in our guide to **calculating your startup costs** 💡

If you're growing an existing business, list your:

- **Improvement costs.** If you're hiring new staff, calculate their wages. If you're buying new equipment or investing in more stock, get estimates for each item.

- **Growth costs.** The changes in running costs due to expansion. For example, will you need to move to bigger premises? Will your advertising budget have to increase to match your growing profile? Will you need more staff?

If you're buying a new business, list:

- **The value.** Get a professional valuation of the business and include any costs for improvements, such as the purchase of new equipment.

- **Your change costs.** All the costs involved in taking over the company. For example, legal and accounting fees, hiring staff and rebranding costs.

3. How long do you need the finance for?

Do you require short-term finance to get your business off the ground or to manage cash flow?

Or do you need long-term finance to keep your business stable in the early years or push forward with a multi-year growth plan?

It's important to differentiate between the funding you need to start your business and the additional funding you may need to grow your business down the line. The types of funding that you seek may vary based on where you are at in your growth journey.

The more specific you can be about your needs and goals, both in the short and long-term, the better prepared you'll be for key fundraising conversations.

4. What does your credit history look like?

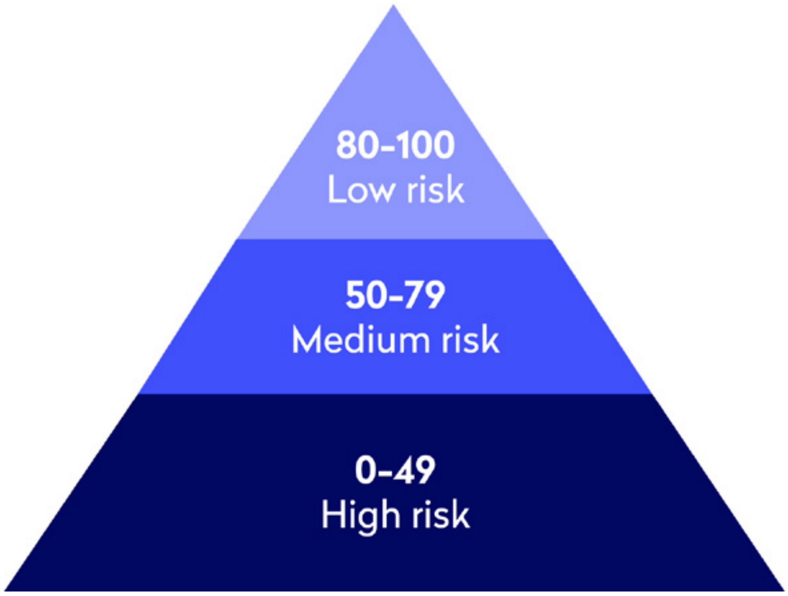
Lenders and investors want to know your business is a safe bet. One of the ways they assess this is by looking at your **business credit score**, or personal credit record, which shows how you've managed credit in the past.

A good track record of paying back debts and investments will make it easier to secure the money you need on the best terms.

If you have a chequered credit record or no history, you may find it harder to a) secure the full amount you need, or b) get the best interest rate.

To obtain your credit report and learn your business credit score, you will need to obtain it from a business credit reporting company such as Experian or Creditsafe.

You can access and monitor your Experian score for free with **Tide Cashflow Insights**. Simply connect your business bank account to the Tide platform to check your financial health anytime.



5. What is the overall cost?

To raise capital, you may need to pay interest to a lender or give up shares in your business to an investor.

Look at how these costs add up over the full term to see which option makes the most financial sense.

For example, if you have big plans for your business, will offering shares that can be cashed in be more costly in the long run than the amount you'll pay back in interest to a bank?

6. Is finance worthwhile?

Is the capital you need enough to provide a good return on investment (ROI)?

For example, is the cost of paying back a loan plus interest or handing over shares of your profits outweighed by the long-term benefit the cash will have on your revenue or reputation?

You should be absolutely sure of the benefits and drawbacks before you monetarily, and emotionally, commit to one financing route over another.

Going in with a plan

Based on the answers to those questions, you'll have a better idea of whether debt, equity or a grant is the best way forward.

While each of these options is very different in terms of what they mean to your business, they all share one thing in common: **lenders, investors and funders want to know that you're a safe bet.**

Lenders want to know you can pay back what you borrow. Investors want to know you can offer good ROI. Grant providers want to know you're using the money in the right way.

Convincing them you're worth the risk takes a combination of:

1. Showing off your product or service
2. Demonstrating your business knowledge
3. Showing your industry and market knowledge
4. Sharing your finances

The best way to do all of the above? Invest time and energy in your most powerful capital-winning weapon: the business plan.

Creating a business plan

Your business plan outlines what your business does, how it works and how you're going to achieve your goals using external finance.

It's a critical document in securing debt or equity finance. In fact, most lenders won't consider your case without it.

Before you make a loan or grant application or pitch for investment, have a business plan ready to hand over that includes the following nine components.

1. An executive summary of your company

This is a top-level look that summarises the information in the rest of your plan. It should include the following information:

- Your company name and address
- Names of all owners and partners
- Your value proposition and unique selling point (USP)
- The problem your customers face and how you're solving it
- Target customers

- Competitors
- Key aspects of your finances (i.e. planned costs and how you make money)
- Funding details
- Company milestones

2. Company description

This is your brand story, broken down into three parts:

- **Mission statement.** A short paragraph that describes why your business exists.

- **Company profile.** Facts and figures on when your business was established, where it's based and what it offers, along with details on leaders and employees.

- **Business objectives.** Details on what you want to achieve as a business — your goals and planned growth.

3. Market analysis

This section should demonstrate that there is an appetite for your product and show the detailed market research you've conducted thus far.

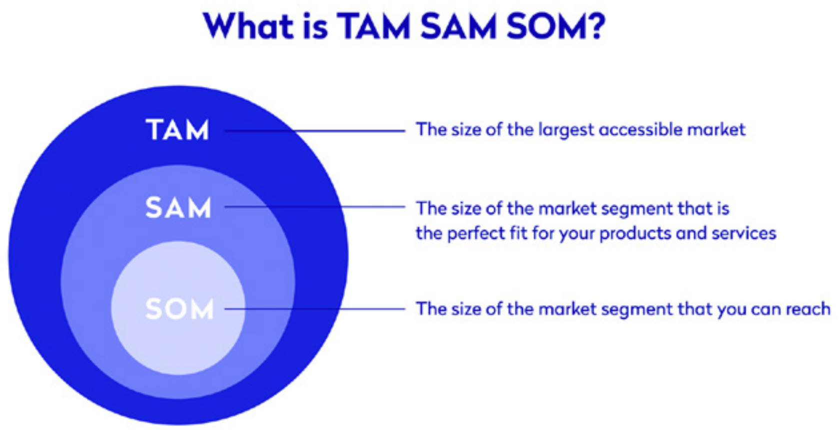
Provide a breakdown of:

- Your target market (your industry)
- Your customers
- Your competitors

This helps to explain your business' relationship to the market size, who will benefit from your product or service and the group that you can realistically reach and turn into customers.

These numbers should include your TAM SAM SOM calculations, which show hard numbers and percentages based on detailed research.

- **TAM** stands for Total Addressable Market
- **SAM** stands for Serviceable Addressable Market
- **SOM** stands for Serviceable Obtainable Market



This helps to prove that you are serious about your efforts and know exactly how you will use the funding to reach your goals.

4. Management and company structure

Provide details on how your company is structured and who's running it from the top down. This should be divided into two sections:

- **Team structure.** Each person's role is within the company.
- **Company structure.** Your legal setup. For example, are you a limited company or a sole trader?

Top Tip: If you aren't yet sure of what type of business structure will work best for you, we look at the pros and cons of each in our **complete guide on how to register a business in the UK** 📌

5. Product or service information

This section explains why your product or service is better than anything else on the market and should include details on:

- What your product or service is and does
- How it's priced (including your pricing strategy)
- How it compares to competitors

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- What your product or service is and does
- How it's priced (including your pricing strategy)
- How it compares to competitors
- How it's produced
- Its lifecycle
- How orders are processed and fulfilled
- Steps you've taken to protect Intellectual Property (i.e Trademarks or Copyrights)
- Future products or services

Make sure you focus on how your product or service benefits customers and why it's needed.

6. Marketing and sales strategy

This is an overview of how you'll **reach your target market** and spread the word about your products or services.

Focus on:

- The marketing channels you use (e.g. social media, email, or print media)
- How you attract customers
- How you retain customers
- What you hope to achieve from marketing

7. Funding information

This section will be of particular interest to lenders, investors and funders as it contains details on how much money you need and how you plan to use it.

Use this section to list:

- Your current and future funding requirements
- How you plan to use capital, including a breakdown of costs
- Current and future investment or loan repayment plans

8. Financial projections

Here you'll supplement your funding information to demonstrate that your business has a positive financial outlook.

This section should include:

- **Sales forecast.** How much you expect to raise from sales.
- **Cash flow statement.** How much money is coming in and going out of your business.
- **Profit and loss (P&L) statement.** Your bottom line based on your sales minus expenses.
- **Balance sheet:** An overview of the financial health of your business.

Top Tip: If you're raising capital for a startup, your financial projections will need to be based on assumptions from your predicted costs and sales. If you're seeking a loan or investment for an existing business, you can base predictions on previous sales and running expenses. **Tide Cashflow Insights** provides real-time forecasting based on your account activity, and you can access tailored credit options with Tide Business Loans. Just connect your business bank account for free 🔥

9. Appendix

If you have any documents such as credit reports, permits and licences, patents or reference letters, use this section of your business plan to attach them.

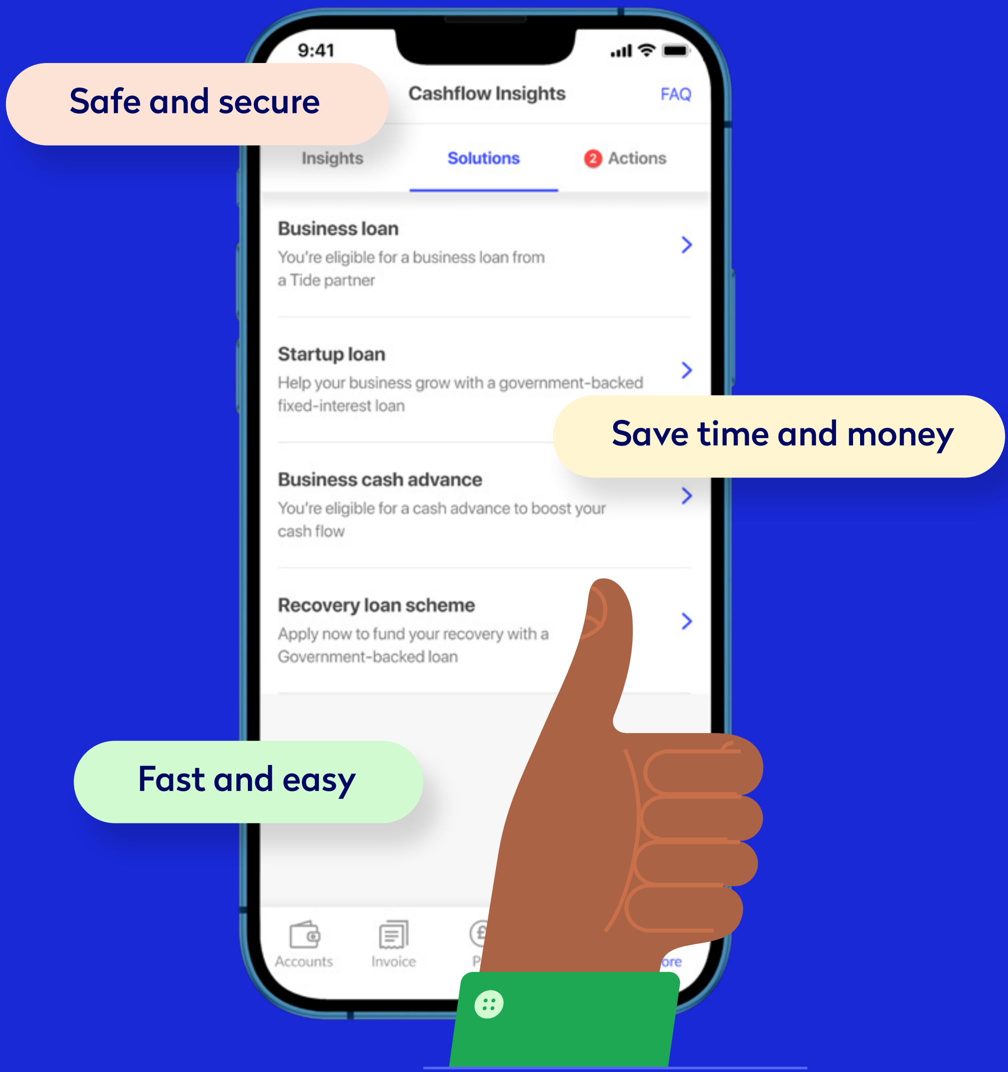
Your business plan doesn't need to be a novel-length document. It only needs to cover the key points lenders, investors and funders want to see.

According to Growthink, the optimum length for a plan is 15 to 25 pages, so aim for this. Keep the information concise and focus on making sure figures are correct.

Top Tip: Learn about each of these sections in detail, with examples, images and expert tips in our complete guide to **writing your business plan** ⭐

With an idea of what sort of capital you need and a business plan to strengthen your case, you're ready to seek out capital.

In the following chapters, we'll cover the most popular forms of external finance, starting with business loans.



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CHAPTER 2

Getting a business loan

A business loan is one of the most popular forms of external finance for small businesses.

In this chapter, we'll look at the different types of business loans, what banks look for in applications and how to improve your chances of securing the money you need.

The two types of business loan

Business loans can be divided into two categories:

1. **Term loans.** A lump sum loan with a fixed repayment schedule.

2. **Line of credit loans.** A pool of money that you can use as and when you need it with flexible repayments.

Term loans

Terms loans come in different shapes and sizes. Some common products on the market include:

- Startup loans
- Commercial property loans
- Commercial mortgages
- Asset loans

All of these fall under the umbrella of business loans. However, they all differ when it comes to interest rates, repayment terms, security required and how you can use the money.

For example, if you take out a commercial mortgage the capital has to be used to buy property; you can't invest it in stock.

As you're borrowing a lump sum of money, a term loan is a good option for large investments such as buying equipment or property.

That said, the diversity of loan amounts make them suitable for a wide range of business purposes.

Term loan interest rates

How much interest you pay on a loan is set by the lender based on the rate put in place by the Bank of England, plus the risk involved in lending you money.

The more confident the bank feels that you can pay back what you borrow, the lower the interest will be. If they look at your business plan and credit history and feel that there's a risk of you defaulting on the loan, they'll cover themselves with a higher interest rate that gets them more money back in the short-term as well as the long term.

Interest rates are either fixed or variable.

- **Fixed interest rates:** The interest rate is locked in from the start of the loan which means you know exactly what you're paying back each month. This can help with **financial forecasting and managing your cash flow.**

- **Variable interest rates:** The rate goes up and down across the full term of your loan. If it goes down, your monthly repayments are lower. If it goes up, your monthly repayments are higher. This makes forecasting and budgeting a little trickier, but does allow you to pay more when interest rates are lower to pay back your loan in less time.

Term loan security

Business loans are offered as secured and unsecured loans.

- **Secured loans:** You need to offer security in the form of an asset such as property, equipment or stocks and shares that can be seized and sold to cover repayments if you're unable to pay.

- **Unsecured loan:** You borrow without using any business assets as security. Although, you may need to provide a personal guarantee that says you'll pay back the loan if your business can't.

Because unsecured loans are of greater risk to the lender, interest rates tend to be higher. You may also find that the amount you can borrow on an unsecured loan is lower than that of a secured loan.

Line of credit loans

The most common line of credit loans are credit facilities, business credit cards and business overdrafts. Each of which gives you a set amount of cash that you can access as and when required.

Like term loans, a line of credit can be offered as a secured or unsecured loan, with the latter producing higher interest rates and lower loan amounts. How you pay interest, however, is different.

When you take out a business credit card or overdraft, you only pay interest on the amount of money you use.

For example, if your credit card has a spending limit of £10,000 but you only use £1,000, you only pay interest on the £1,000.

The biggest benefit of lines of credit is that they provide money you can fall back on. The amount you can borrow tends to be lower than a term loan, but they're a good option for short-term needs such as emergency purchases and managing cash flow between invoices.

However, it's important to pay back what you've borrowed in time to avoid late payment fees that can increase repayments and restrict your credit limit.

Top Tip: **Tide Business Loans** can show you what you're eligible for across various funding options, including Term Loans and Line of Credit Loans. Rather than approaching different lenders individually, you can leverage Tide's pre-eligibility checks to see various credit options you're pre-approved for from a range of lenders ⚡

Where can you get a business loan?

There are three main types of lender that offer business loans:

- Legacy lenders
- Alternative lenders
- Peer-to-peer (P2P) lenders

Legacy lenders

Legacy lenders are the traditional high-street banks.

They're the first lender most people think of when talking about business loans — and for good reason. They are trusted household names and come with a reputation that offers reassurance.

Because of their size, traditional banks can offer competitive interest rates and are often able to provide a greater variety of loans, ranging from £500 to £5 million and more, repayable over anywhere from one month to 30 years.

They may also be able to offer you a range of additional financial services, such as business advice and mentorship, insurance and lines of credit.

Alternative lenders

Alternative lenders can be so-called 'challenger banks' (smaller banks set up to challenge legacy lenders) or online lenders that specialise in business finance.

Not all alternative lenders will be able to compete with the interest rates and loan amounts of high-street banks, but they're a great option for businesses without exemplary credit history and those unable to offer substantial security.

Some alternative lenders also specialise in certain niches or industries. For example, government-backed Start Up Loans are focussed solely on offering unsecured loans to businesses that are less than two years old.

Peer-to-peer (P2P) lenders

P2P lending is a type of crowdfunding (more on that method of raising capital in chapter 4) that matches borrowers with a collection of lenders.

It's all done through online lending platforms, which oversee everything from application to security to repayment terms. Loans range from one month to five years with interest rates determined by the strength of your application and credit rating.

As everything is done online, P2P lending is a fast way to raise capital for your business. However, you may not get the full amount you need and money may come from more than one person. Often, P2P platforms provide loans made up of smaller amounts from several lenders.

Business loan eligibility

Each lender has its own criteria that determines who they lend to, but on a basic level you'll need to:

- Be over the age of 18
- Be based in the UK
- Have no outstanding county court judgements (CCJs) or late payments
- Have up to date financial figures

For P2P loans, a minimum annual turnover may also be required.

What business loan lenders look for

As we spoke about in chapter 1, lenders simply want to know that you can pay back what you borrow.

They'll judge your case based on:

- The strength of your business plan
- Your credit history
- Your business finances
- What security you're able to provide (if the loan is secured)

Make sure you have your finalised business plan, complete with accurate financial figures, before making a loan application.

If you want to borrow a large amount, be prepared to put up assets as security. If you can't offer security, you may need to offer a personal guarantee.

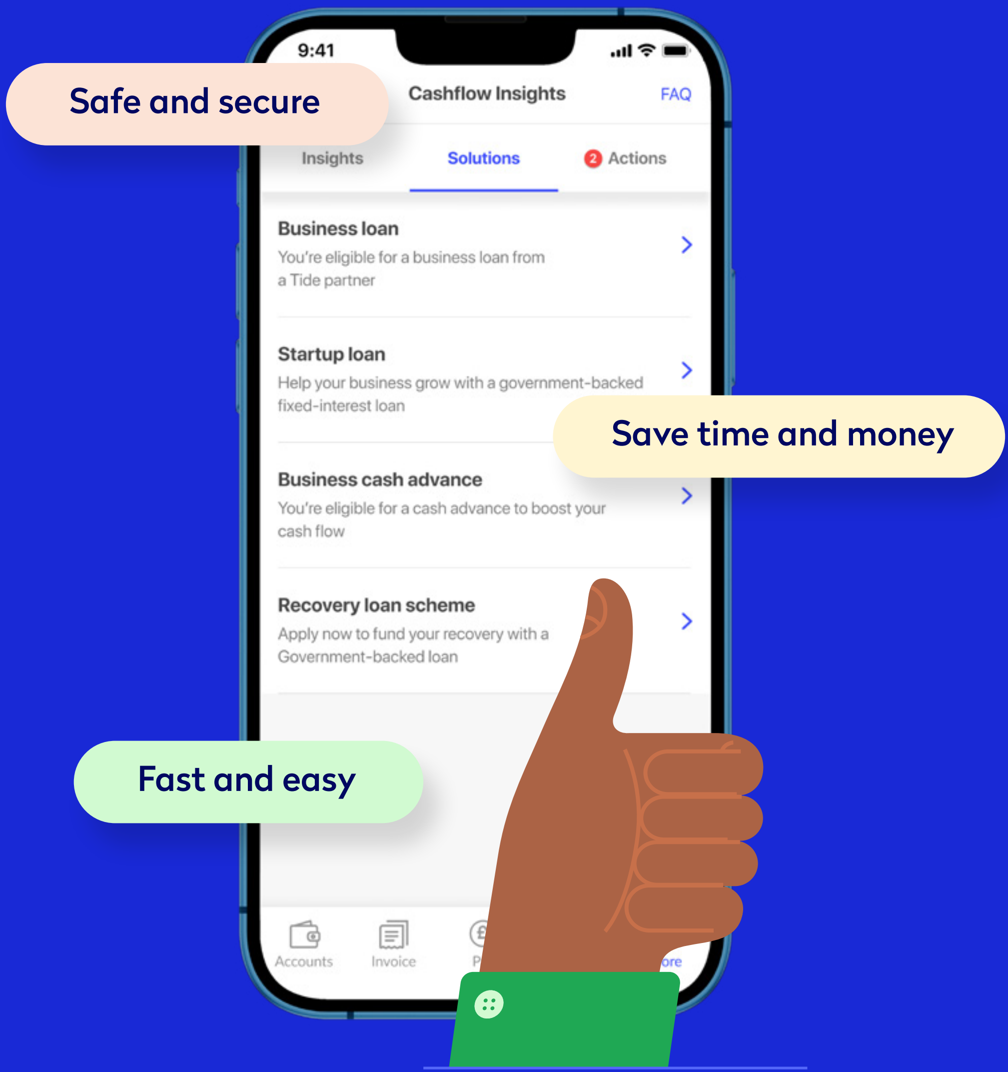
What to look for in a lender

When weighing up a potential lender, look at:

- Products on offer (do they offer the full amount you need?)
- Typical interest rates
- Their reputation of working with businesses in your niche (a lender that specialises in your industry may be more understanding of your circumstances)
- Loan and credit fees
- Level of customer service

If you already have a business account with a bank, think about approaching them first. Your relationship with them may make it easier to secure the capital you need.

However, you shouldn't feel tied to your bank. If better terms can be found elsewhere you should explore those options. Make your search easier by connecting your existing bank account to **Tide Business Loans** to find additional loans you may be eligible for.



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CHAPTER 3

Raising venture capital

In the last chapter, we focussed on the most common type of debt finance. In this chapter, we're going to explore the most common type of equity finance.

Where a loan binds you to a repayment schedule, investment can provide capital without the need to pay it back. And with that investment comes a wealth of experience that can help take your business to the next level.

Let's look at the investment options available, where to find them and how to secure the funds you need.

The three types of business investment

Where banks look at hard data when lending money, investors look more at your business potential.

That's not to say that investors are averse to risk management — they want to know they're getting a return on their investment. But they're more likely to look at the big picture and envision where their money could take a business.

This is good news if you're a startup or a business with big growth plans.

When seeking investment, there are three options available to you: 1) Angel investment 2) Venture capital (VC) investment 3) Incubator and accelerator investment.

1. Angel investment

Angel investors are experienced investors who put their own money into a business in exchange for a stake.

It's a method you may be familiar with if you've ever seen the television show Dragon's Den or its U.S. equivalent, Shark Tank.

Angel investors can invest alone or as a syndicate pooling their resources together. Either way, it's a great way to secure a large amount of capital.

Angels often invest between £100,000 and £2 million in an early-stage company.

But capital isn't all that you get. With investment comes mentorship, support and contacts. While an angel isn't likely to get involved in daily operations, their stake in your business means they'll invest time in helping you grow.

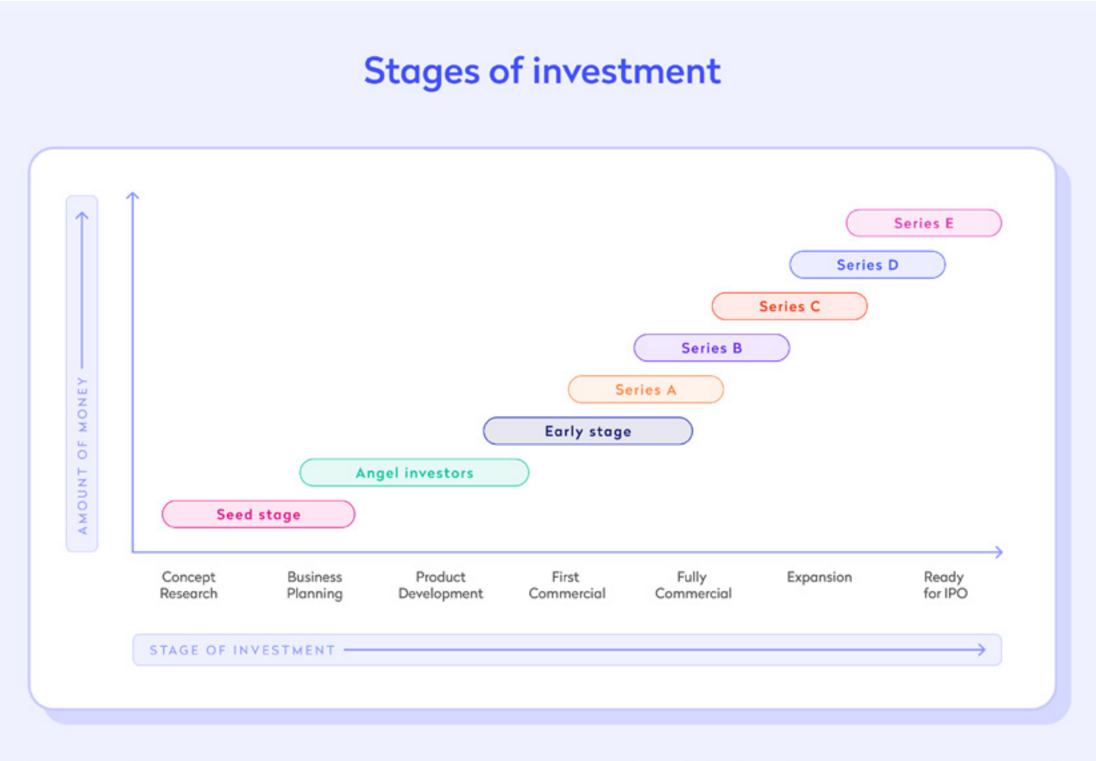
However, angels may have a say in how money is used. Typical uses for angel investment include increasing sales, product development and entering into new markets.

2. Venture capital (VC) investment

VC investment is a step up from angel investment, giving you access to greater funds.

Where angels invest their own money, Venture Capitalists (VCs) work on behalf of venture capital firms to invest money from multiple sources including corporations, individuals, public and private pension funds and foundations.

VCs tend to work in cycles of 5-10 years, providing investment in rounds, starting with a seed investment of several hundred thousand pounds, before progressing to A, B and C rounds that can amount to tens of millions.



For their investment, VCs will gain shares in your business and demand a place on your board that gives them say over how your business is run to help you reach your potential.

Top Tip: Searching for and securing venture capital can be a lengthy process. From equity loans to grants, Tide can help you find the right funding for your business. Learn how you can connect your business account to Tide to find financing you're already eligible for with **Tide Business Loans** 🔍

3. Incubators and accelerators

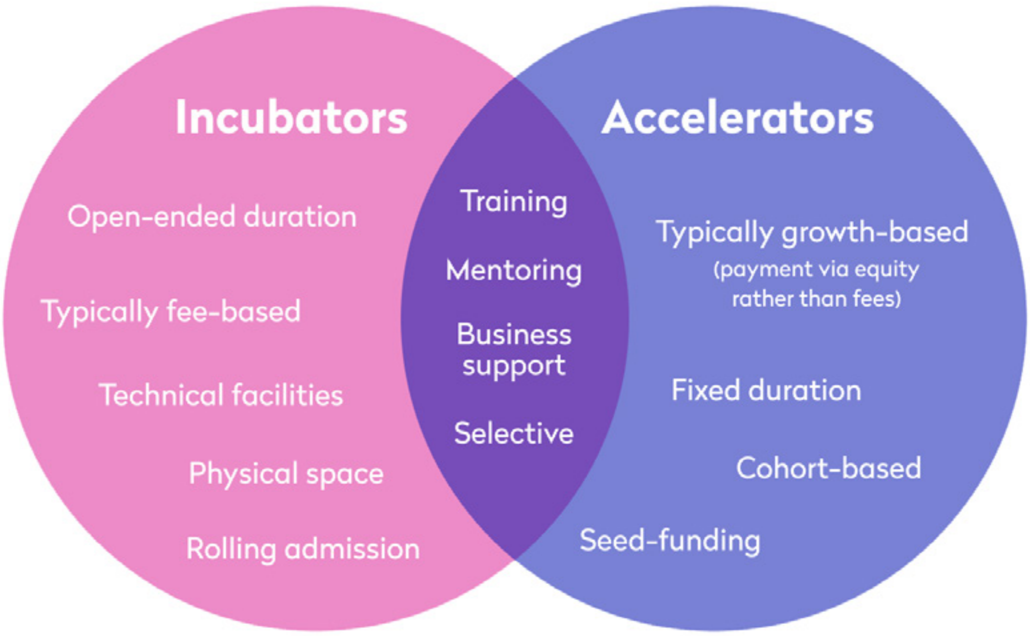
Incubators and accelerators are programs designed to offer guidance to businesses with the aim of grooming them to become a valuable investment opportunity for angels and VCs.

Given their purpose, the terms ‘incubator’ and ‘accelerator’ are often used interchangeably.

However, there are several differences in how they operate.

Incubators primarily focus on supporting your startup with mentorship and expert advice, while also providing an environment with like-minded people to help you focus on your strategy and goals.

Accelerators come to the table once you’ve shaped your business model but need help via support or investment in getting your product or service to the market.



Investment eligibility

To secure investment, you'll need to be a director of a registered company. Beyond that, eligibility differs depending on which method you apply for.

Angel investment, incubators and accelerators are open to any company with a good idea and potential for growth.

VC firms set their own criteria, but according to Unbiased, your company needs to:

- Be permanently based in the UK
- Not be trading on a recognised stock exchange
- Have gross assets of less than £15 million

Which type of investment is right for you?

The right type of investment and support depends on what stage you're at in your business journey.

If you're in the formation stages and require investment to help launch your idea, you should talk to angel investors or incubator programs.

If your business is in its early stages, generating revenue and beginning to gain customer approval, you should talk to angel investors, accelerator programs or venture capitalists.

If it's clear that your business has major potential and you're looking to rapidly expand, you might be ready for venture capital.

How to find investors

Once you have an idea of which kind of investment is right for your business, you can begin seeking potential suitors.

To give yourself the best chance of success, you'll want to target investors that specialise in your industry and research their investment models to ensure they align with your goals.

There are several ways to find out more information about active investors in the UK and globally.

1. Online platforms

- **Tech Nation:** Search for investors by type, investment stage, location and activity history.
- **Crunchbase:** Search for global investors by location, industry, number of employees, funding amount and last funding date.
- **British Venture Capital Association (BVCA):** Find information on venture capital firms operating in the UK. You'll need to be a member of the BVCA to access information but non-members can purchase a year's access to the directory for £125.
- **UK Business Angels Association (UKBAA):** The trade body for angel and early-stage investing. As a member of the UKBAA, you'll get advice, support and connections to angel and early-stage investors.

2. Networking events

These events can also be used to learn and seek guidance from fellow business owners and experienced investors to strengthen your pitch.

Popular events include:

- **Capital Enterprise.** Free networking events and workshops hosted by seed funding experts.
- **The Business Funding Club.** Events, workshops, conferences and exhibitions for funding providers and SMEs.
- **Paradigm Talks.** Informal monthly events for entrepreneurs to pitch their ideas to angels and VCs.
- **Startupbootcamp Demo Days.** Workshops and investor relation events for insurance and tech innovators.

Pitching to investors

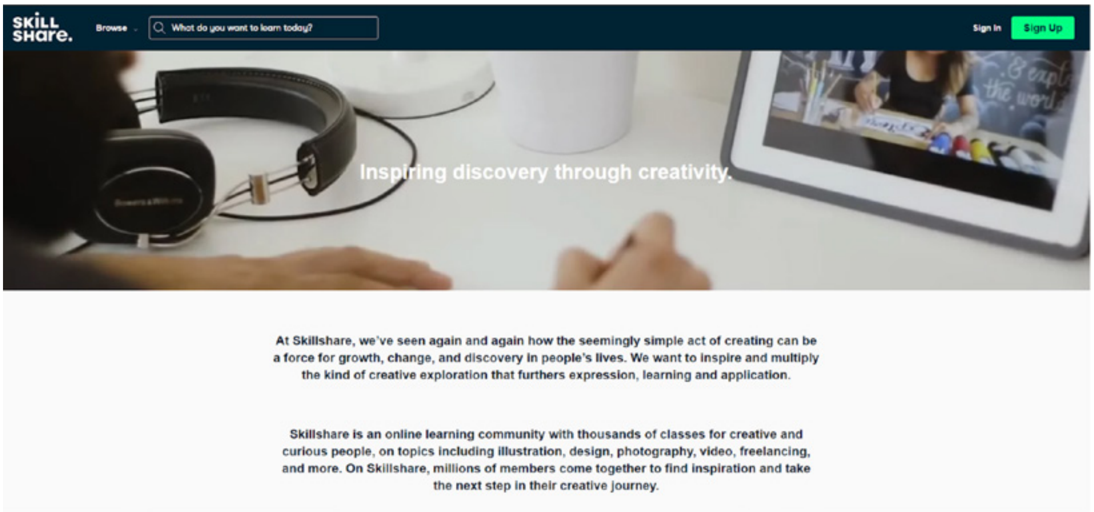
To secure capital from an investor, you need to convince them that your business is worth their time and money.

This can be achieved by creating a winning pitch deck.

A pitch deck tells the story of your business and sells your idea in an engaging way, covering the problem you're trying to solve and how you're solving it. Think of it as a visual and verbal retelling of your business plan.

Your pitch deck should include between 10-20 slides that pull the information from your business plan. While there's no one-size-fits all pitch deck, less than 10 slides may seem underdeveloped but more than 20 slides will take too long to get through. We've compiled the key points that you should include in your pitch deck into 11 slides for our example.

1. **Vision and value proposition:** Write an attention-grabbing sentence that explains your value. For example, Skillshare's value proposition is, "Inspiring discovery through creativity".



Source: Skillshare

2. **The problem:** Explain the problem your business is solving.

3. **Target market:** Provide details on your target market, your market position and how you stand out from the competition.

4. **The solution:** Explain how you're solving customers' pain points.

5. **Validation Roadmap:** Show that you have a proven business model by mentioning sales figures or early adopters.

6. **Revenue:** Show how your product or service makes (or will make) money.

7. **Marketing and sales strategy:** Outline how you attract customers. Show what you've done so far and detail what's worked or failed.

8. **Team:** Provide details of your team to show investors that you have the expertise required for success.

9. **Financials:** Show your financial statements and forecasts.

10. **Competitors:** Go into detail on your competition and explain how you have the edge.

11. **Use of funds:** Detail how you plan to use funds to grow your business.

To help you find the right investor and perfect your pitch, listen to insights from Tide founder and CEO of CanDo, George Bevis, in this 30-minute Tide investment Masterclass.

CHAPTER 4

Financing your business with crowdfunding

In chapter 2, we mention P2P lending as a way of crowdfunding a business loan.

In this chapter, we're going to look at the crowdfunding model in more depth and explain how having multiple investors can not only deliver the capital you need but generate an army of loyal customers.

How crowdfunding works

On a basic level, crowdfunding works very much as its name suggests: a crowd of people invest money to support your project.

As a business looking to raise capital, you can use crowdfunding in one of two ways:

1. Rewards-based crowdfunding
2. Equity crowdfunding

Rewards-based crowdfunding

With rewards-based crowdfunding, people invest in a business in exchange for a reward. This reward is related in some way to the product or service and may differ depending on how much a person contributes.

For example, **Furry Tales**, a project that delivers animal-assisted activities to elders in Tower Hamlets, used Crowdfunder UK to reach more people in the community. In return for donations, they offered tiered rewards ranging from your name displayed on the wall at their farm for the lowest tier £5 contributors, to a visit to your place of work with rabbits, guinea pigs, and ferrets for the highest tier at £700 or more.

- Pledge £5: Your name the supporter's wall at Stepney City Farm.
- Pledge £10: Personalised Furry Tales card, including Polaroid photo of one of our Furry Tales residents. Plus your name on our supporter wall.
- Pledge £35: Friends of Furry Tales membership (includes a free Furry Tales themed tour, and 2 hot drinks in our award winning café!) and your name on our supporter wall.
- Pledge £50: Furry Tales craft notebook, badge & photo of Furry Tales resident plus your name on our supporter wall.
- Pledge £100: Hot pressed watercolour of one of our small furries by award winning illustrator Merlin Strangeway. www.merlinevans.com
- Pledge £150: Animal Assisted Activity workshop for 2 adults + 2 kids: (guinea pigs, rabbits or ferrets)
- Pledge £250: Furry Tales Farmer for ½ day. Meet everyone at Furry Tales, feed our rabbits, guinea pigs and ferrets
- Pledge £400: A place on a 4 week 'Drawing Animals' course at Stepney City Farm. Come, draw our lovely animals!
- Pledge £700: We will bring some of our rabbits, guinea pigs, or ferrets to your place of work! (Central London only)

This method of crowdfunding comes with several benefits:

- **Testing the market.** As a startup, you get to test the market to see if your idea has legs. As an established business, you get to see if there is any enthusiasm for your product. If your idea fails to gain backers, it's a sign that it needs work.

- **Gaining customers.** If your product is well-supported in a crowdfunding campaign, you're able to hit the ground running with a fan base already in place.

- **No debt or equity.** Crowdfunding lets you raise capital without taking on debt or giving up shares in your company

- **No credit checks.** Crowdfunders back projects based on the strength of your idea or product. Your credit history is irrelevant.

However, there are also drawbacks:

- **No guarantee of funding.** If not enough people back your campaign, crowdfunding may not deliver the full amount of capital you need. Additionally, if you don't meet your target, you may have to refund backers, which can damage your reputation.

- **Competition.** Your campaign is up against thousands of others meaning you'll have to work harder to stand out. Successful crowdfunding relies heavily on marketing to drum up attention and get people excited. This can take up a lot of time and money.

In terms of platforms, Kickstarter and Indiegogo are the two biggest players in the rewards-based crowdfunding space.

Equity crowdfunding

Equity crowdfunding is similar to rewards-based crowdfunding except rather than giving backers a physical product, their investment gives them shares in your business or a convertible note that can be converted to shares in the future.

If your idea and business model are strong, this method of crowdfunding is a great way to raise large amounts of capital quickly. As was proven by The Wine List, which exceeded its £375,000 target in a single day when it launched its campaign on Crowdcube in 2020.

Equity crowdfunding shares many of the same benefits as rewards-based crowdfunding but is a more suitable method for businesses looking for significant investment.

Popular platforms such as Crowdcube and Seedrs are government regulated to ensure businesses and investors can raise and invest money safely. However, limits are placed on how much you can raise and how many times you can run campaigns.

Similar to angel and VC investment, securing equity through crowdfunding will mean bringing onboard stakeholders that may want a say in how their money is used.

Crowdfunding eligibility

Crowdfunding is open to anyone in need of capital. However, money raised must be invested in your business.

Each platform also has its own rules and guidelines that need to be followed. Be sure to research these thoroughly before setting up a campaign.

Launching a successful crowdfunding campaign

Whether you're using a rewards or equity-based platform for your crowdfunding efforts, raising the full amount of capital you need relies on a strong campaign.

Here are six tips for crafting a crowdfunding campaign that stands out from the crowd.

1. Be realistic about your investment goal

Set your investment goal as low as possible. Don't look at it as a way to make a profit. You only want to cover your campaign goal, platform fees and any additional expenses.

2. Research successful campaigns

Find out what makes a good crowdfunding campaign by researching successful projects from the past.

- **Kickstarter's Discover page** lets you sort campaigns in all categories by most funded.
- **Crowdcube's top 10 breakthrough moments** blog post highlights a selection of successful projects in the platform's history.

Find projects similar to yours and look for common themes in how they were pitched.

3. Use video to your advantage

One thing the majority of the highest funded crowdfunding campaigns share in common is that they use video to present the benefits of their project.

According to **Hubspot** research, audiences spend an average of 19 hours a week watching video content. While they'll consume any type of video, 31.3% want to see how-to videos and 29.8% enjoy educational videos from brands.

Interestingly, consumers prefer authenticity over anything else — even if that means your videos are lower quality. Anything perceived as inauthentic or artificial won't perform as well.

Use video to your advantage in your campaign and marketing strategies.

4. Invest in marketing

To get people to invest in your campaign, you first need to build awareness and excitement.

Marketing is central to achieving both of these things.

Promote your campaign before it launches across social media, press, radio and at networking events.

Aim to have people ready to back your project on launch day. You can then use this momentum to gain social proof and get people talking about and sharing your campaign.

> **Top Tip:** For ideas and real-life examples on how to get customers invested in your product or service, download our free **small business guide to marketing on a budget** 🌈

5. Focus perks on what your audience cares about

If you're using rewards-based crowdfunding, make sure that rewards are related to your product or service.

Your product or service is what brings backers to your project and it's the thing they want to invest in.

For example, when Pebble Time ran a campaign for its smartwatch, it offered backers the chance to own different variants of the watch or multiple watches in different colours.

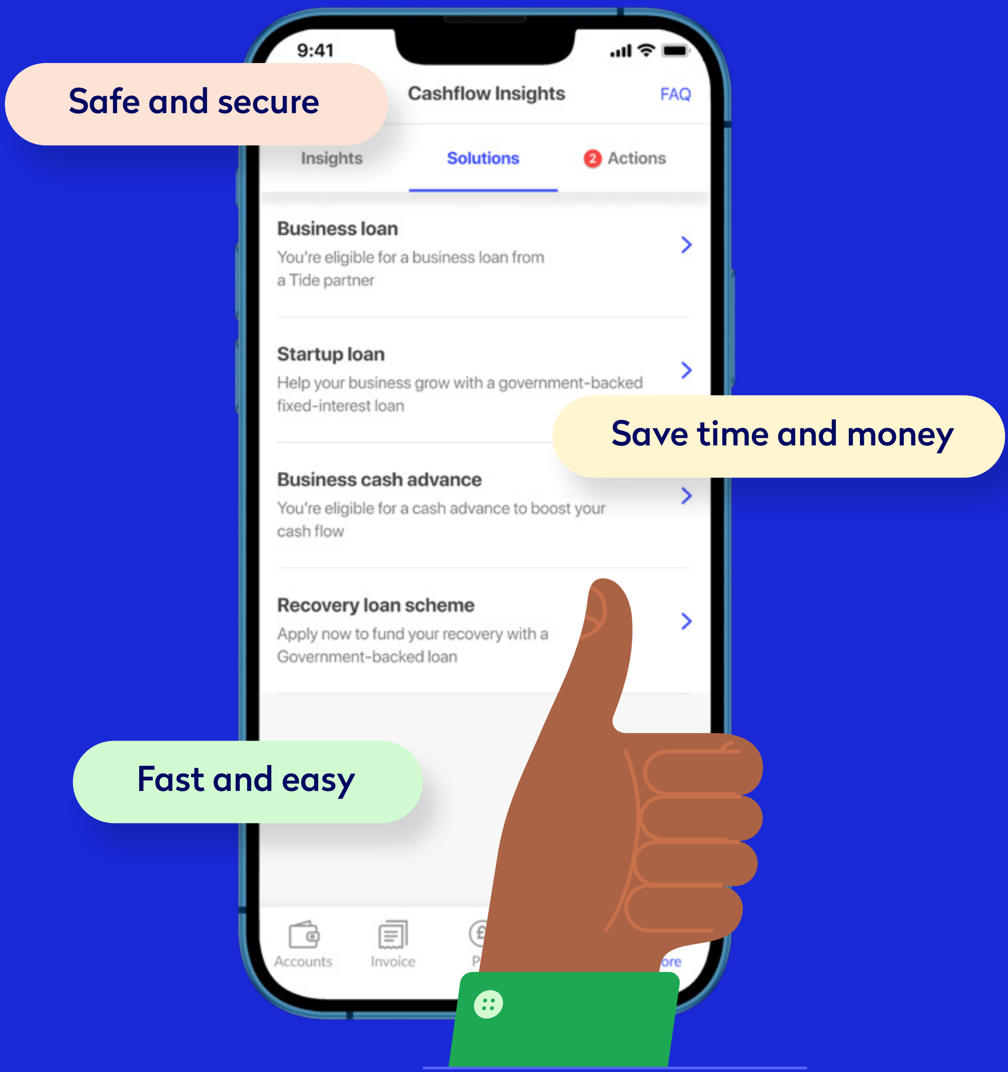
Make sure to offer different tiers of rewards too, so that people can back your project at a level they can afford.

6. Keep in touch with investors

When an investor or consumer backs your campaign, they become financially and emotionally invested in its success.

Keep enthusiasm high by providing regular updates on advancements, rewards and goals. And keep backers involved by asking them to help with specific tasks such as sharing content or publishing reviews, as well as providing feedback.

This way, if you hit your funding target, your investors will feel part of your success and celebrate it with you.



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CHAPTER 5

Finding a small business grant

So far, we've looked at business loans which involve taking on debt and equity which requires you to give up shares in your company.

In this final chapter, we're going to focus on grants — a type of finance that doesn't need to be paid back, nor demand you give up control to external investors.

Grants are widely available and suitable to many businesses, but they can be hard to find and often come with restrictions on how money can be used.

What is a small business grant?

A grant is a sum of money given to your business by a government, foundation, company or philanthropist.

Grants can range from a few hundred pounds to hundreds of thousands of pounds, but most small business offerings tend to be £10,000 or less. This may mean that a grant is used to supplement another type of capital rather than providing the full amount you need.

The obvious benefit to grants is that they provide free money. A grant is a form of capital that you don't have to pay back.

However, you won't always be free to use the money how you please. Many grants come with strings attached that dictate how you're allowed to spend funds.

For example, a website and marketing grant must be used on the design and development of a website or lead generation marketing. And providers will often have a list of authorised companies for you to use.

Other restrictions may include:

- Having to use funds within a set period (e.g. 12 months)
- Undergoing training before you can access funds
- Justifying spending with results

Small business grant eligibility

Whether your business is suitable for a grant largely depends on the type of company you run, where you're based and what sector you operate in. Additionally, your gender or personal circumstances may also be a factor.

For example, there are grants specifically aimed at women in business, as well as veterans, ethnic minorities and people moving from benefits into work.

You'll also find grants based around certain goals, such as:

- Innovation
- Sustainability
- Diversity
- Rehabilitation
- Job creation
- Health and wellbeing

Where to find a grant?

Because grants are so wide-ranging and offered by numerous providers on a local and national level, finding one that suits your business may require some digging.

The best place to start your search is with the **GOV.UK's finance and support database** or by contacting your local council.

You can simplify your search by connecting your business bank account to Tide to find options and determine your eligibility quickly. **Tide Business Loans** will show you finance solutions for which you're already qualified and that are tailored to your business, including grants.

Grant information can also be found on country-specific websites:

- **England: Local Enterprise Partnerships (LEP) Network**
- **Scotland: Scottish Enterprise**
- **Wales: Finance Locator**
- **Northern Ireland: Enterprise Ireland**

If you're a member of a small business or industry association, you may also be able to find grants in your sector through them.

Additionally, speak to a business advisor or accountant. They may have worked with clients in your industry who have been successfully awarded grants.

Some well-known grant providers in the UK include:

- **Innovate UK.** Offering government grants to "develop and realise the potential of new ideas, including those from the UK's world-class research base".
- **The Lottery Heritage Fund.** Providing funding of between £3,000 and £250,000 for heritage projects of all sizes including nature, landscapes, countryside, archaeology, oral history, museums, libraries and more.
- **The Prince's Trust.** Offering grants to young people aged 18 to 30 to start and run their own business. Prince's Trust grants have helped over 86,000 young people get started in self-employment.

Applying for a grant

Because it's free capital, competition for grants is high. On top of this, the pool of money is often limited, which means only a certain number of businesses can be funded.

Therefore, your application must stand out from the crowd.

Here are three tips to improve your chances of landing a grant for your business.

1. Do your research

Before applying for a grant make sure to research the provider and their rules and requirements.

Grants are awarded to specific companies in specific sectors. You don't want to waste your time putting together an application that you don't qualify for.

Find out what's required of you and assess the timeframe. Some grants are awarded months after the initial application. Does this suit your business or do you need capital quickly?

If you have questions about the grant or application, don't be afraid to get in touch with the funder. Most have support teams that are willing to discuss ideas and help with applications.

2. Tailor your application to the funder

Every application you make should be tailored for that grant.

Your business plan will inform your application in terms of outlining what your business does and how it operates, but this information should be tweaked to convey how the grant will help your business.

For example, if you're applying for a sustainability grant to help lower your carbon footprint, show what you're currently doing around sustainability and detail how the grant money will be used to make further changes to reduce carbon emissions.

Where possible, use charts, graphs and slides to add a visual element to your application and get dense data across in an appealing way.

3. Let it settle

Don't send your application over as soon as it's complete. Instead, let it settle for a day or two before returning to it.

Reading back over your application with fresh eyes will make it easier to spot errors and check for consistency.

It's also a good idea to have someone else look over it before sending. What may seem obvious to you could appear vague or confusing to someone else. Feedback from a person you trust will help iron everything out.

Before sending, make sure that all questions are answered and any additional documents such as bank statements, policies or company accounts are enclosed.

With so many other companies applying for grants, you don't want something as silly as a typo or missed attachment to derail your application.

Wrapping up

Whether it's a small loan to help manage cash flow or investment to fund an innovative new product, capital is the thing that takes your business from where it is now to where you want it to be.

In this guide, we've covered four ways to raise the finance you need. You may pursue one option or decide to explore multiple methods.

That's the great thing about capital — none of these options are standalone. Taking out a loan doesn't stop you from getting investment. Crowdfunding a product doesn't make you ineligible for a grant.

The important thing is that the options you choose make financial sense for the short and long-term future of your business.

Use the information in this guide and the various resources linked throughout to learn more about business capital and strengthen your position to secure the money your business needs to thrive.

How Tide can support your business growth

Tide offers several credit products to make funding and growing your business easier. Here's a list of solutions that can help you as you begin (or continue) the process of financing your business.

Tide Business Loans

Connect your business bank account to Tide and we'll run a pre-eligibiilty check and share which loans you're eligible for within minutes — all without impacting your credit score.

View affordable credit solutions tailored to your business and choose from flexible repayment options. Depending on eligibility, Tide can match you with various types of funding, including:

- Business loans to cover operating expenses and grow you company
- Startup loans to get your business off the ground
- Cash advance loans to cover short-term expenses (like new equipment or extra stock)

Tide Cashflow Insights

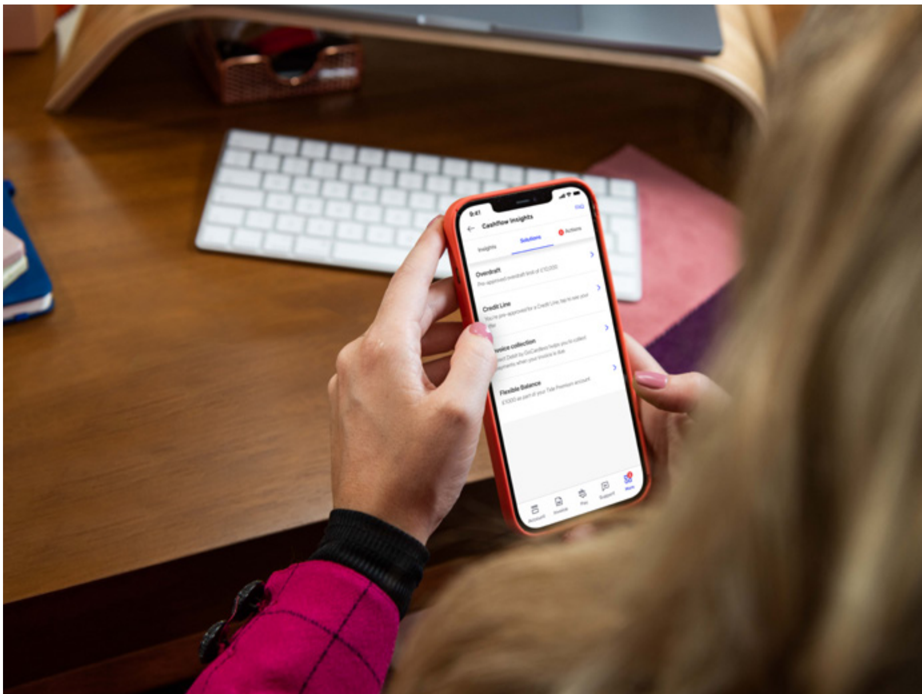
Automate business forecasting with FREE Cashflow Insights. Simply connect your business bank account to the Tide platform and get the data you need to control your cash flow, boost your credit score and access flexible credit options.

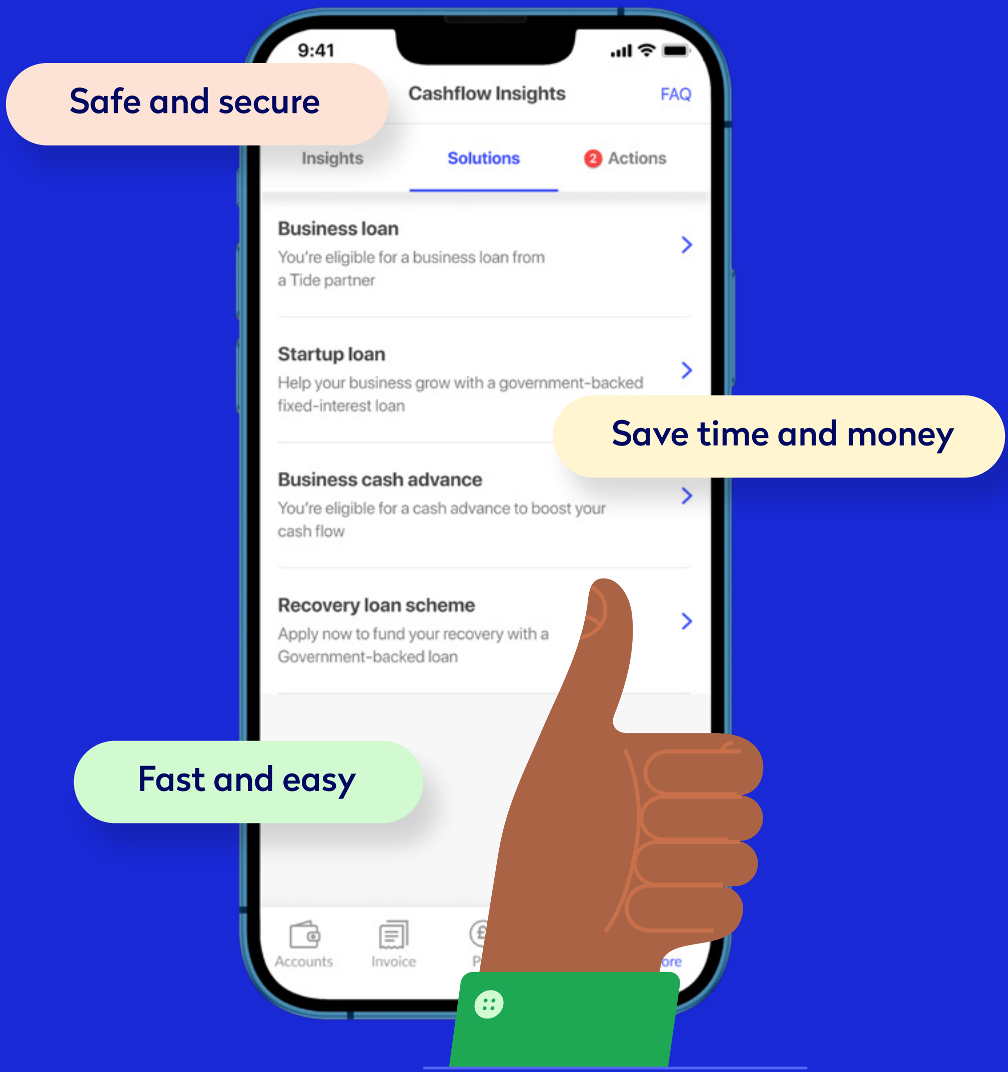
- Check your financial health anytime, anywhere
- Get real-time forecasts and suggestions to manage a healthy cash flow
- Monitor and improve your credit rating with free access to your Experian Credit Score

Tide Credit Builder

If you're a small business looking to establish or grow your creditworthiness, Tide can help you boost your business credit score and expand your business funding options.

- Open a free business banking account with Tide and activate Credit Builder
- Start making monthly payments (principal + interest)
- After 12 months you'll get your principal back and have a record of on-time payments in full for a whole year





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