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## Start-up finances: Student entrepreneurs tap their networks

By Alanna Petroff



Cracking idea: one MBA student used crowdfunding to commercialise her venture to produce body-care butter from African shea nut trees

When Stephanie Getson, a US citizen, was working as an intern at a UN refugee agency in Chad, she learnt about an agricultural innovation that accelerated the growth of shea nut trees.

This inspired her to launch Sahara Botanicals, a for-profit business that produces body-care butter from shea nuts.

The company aims to “create jobs in conflict-affected communities by producing all-natural body-care products,” she says.

Ms Getson worked on commercialising her venture while studying for her MBA at the University of Oxford’s Saïd Business School.

She often made presentations about her business plan and after one such, she was approached by employees from a “crowdfunding” website, who recommended their fundraising platform.

Buzzbnk – as the site is called – is aimed at social enterprises and allows volunteers to

donate money or time to support them. Ms Getson was soon canvassing her friends, family and classmates. In the end, 77 classmates donated £3,530 through Buzzbnk, helping her reach her £8,000 target.

She used the funds to fly to Chad, where she produced and exported her first batch of products.

“It was a really good way of raising the profile of the organisation [and] it was very effective in raising the small amount of capital I needed,” she says.

Business students are increasingly pursuing their own ventures, but securing funding through traditional routes can be a challenge.

Crowdfunding presents a solution: helping entrepreneurs raise funds while also promoting their projects.

After Ms Getson’s success, four of her classmates launched their own Buzzbnk campaign for their start-up – mDiagnostica. They tapped classmates, friends and business contacts, raising £2,800 for their for-profit business, which aims to improve healthcare services in developing nations.

In this type of venture, donors give money without the option to take an equity stake, because they want to support start-ups that have socially responsible goals.

Other business school students and graduates are catching on to the crowdfunding trend.

Joey McMahon is using crowdfunding to collect donations and raise the profile of his charity, The Monday Life.

The first-year MBA student at Duke University’s Fuqua School of Business in the US created a website that asks for \$1 donations every Monday to fund improvements at the Duke Children’s Hospital.

The crowdfunding model encourages people to donate as well as lend their knowledge and expertise, he says.

So far, he has raised \$50,000 and plans to extend the model to hospitals in other US cities.

Adrian Johnson, an MBA alumnus of Insead, is in the process of launching a crowdfunding website to help finance *The Laughter Clinic*, a film to be directed by Ed Blum, a Bafta nominee.

“The goal is to create a site that will, on the one hand, get the audience involved in the film and build a fan base. [On the other hand, it will] raise some money for the film,” says Mr Johnson.

Donors will have the chance to win perks such as on-set visits and premiere tickets, he says.

Crowdfunding is not only about financing, but also about gaining support for ideas, says Panagiotis Ipeirotis, a crowdfunding specialist at New York University’s Stern School of Business.

It provides entrepreneurs with “market validation” ahead of a launch, he says. “You know there is demand, you are combining market research with raising funds.”

However, crowdfunding can only get a business so far.

Rules prevent small companies from selling equity in their business through crowdfunding. Therefore, it generally has a short shelf life.

“If I did it again, I probably wouldn’t use crowdfunding,” says Nigel Tunnacliffe, one of the founders of mDiagnostica.

“There were a lot of great benefits that we got [and] I was grateful to all the people who contributed. [But] I felt bad about asking them for money without giving something in return ... I want people who contribute to our success to share in our success.”

Ms Getson echoes these sentiments, saying she will not use crowdfunding in the future. “I want to get beyond the donation route ... to prove we are a financially viable business.

For the next round, I’d be looking for working capital loans, eventually leading to equity investment.”

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## **Platforms to push a project**

Below is a selection of crowdfunding websites that help people raise money for projects and start-up ventures.

### **Kickstarter**

A US-based crowdfunding platform where donors fund creative projects, large and small,

without receiving an equity stake.

[www.kickstarter.com](http://www.kickstarter.com)

### **Crowdcube**

UK-based website that styles itself “the world’s first business finance crowdfunding platform for businesses to raise equity finance”.

[www.crowdcube.com](http://www.crowdcube.com)

### **Funded By Me**

Platform based in Sweden – each project is required to reward donors for their donations, whether it be with “a hug, a CD, tickets or a concert at their birthday”.

[www.fundedbyme.com](http://www.fundedbyme.com)

### **Cofundit**

Founded by EMBA graduates from the IMD business school in Lausanne, this Swiss website connects businesses with investors to help raise money through debt offerings.

[www.cofundit.com](http://www.cofundit.com)

### **Grow VC**

The Hong Kong-based Grow Venture Community connects entrepreneurs with early-stage investors.

[www.growvc.com](http://www.growvc.com)

### **SeedUps**

This UK and US-platform matches tech start-ups with investors. More than £33m in funding has been raised through SeedUps.

[www.seedups.com](http://www.seedups.com)

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