

# Don't believe the hype

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# Guiding to Funding

- I. Gambling?
- II. From idea to funding
- III. The Support Ecology

# I. Gambling?

- Companies in CCS are usually healthy financially (Survey Acces to finance, oct 2013)
- Success is never certain (never know how market will react)
- The missing middle, not many growing companies (93% work in companies less than 10 people, 6% between 10 and 50, 1% more than 50 people)
- Winner takes all (big earnings/large market share)
- Most start-ups fail after 4 years (50-90%)

## Example: We Want Cinema NL

- People powered cinema, new business model for cinema's
- Winner first Creative Business Cup
- Stopped mid 2015: no more money, subsidies finished, no investors
- Not disruptive enough? Target group too small? Not growing fast enough?
- Now similar start-ups in UK (Our Screen) and USA (Tugg)

## II. From idea to funding

### 1. Idea and team

- “A good team can turn a mediocre idea into good business”
- “A great idea can be fucked up by a mediocre team”
- Team: co-founders, idea/vision, technical, marketing, operational, financial

## II. From idea to funding

### 2. What are you?

- Project (festival, performance, exhibition)
- Portfolio of projects-company (design firm, consultancy, media production company)
- Product/service company (Facebook, Peerby, crowdfunding platform)

## II. From idea to funding

### 3. Financing needs:

- Project: short term finance, small (<25.000), equipment, pre-financing/working capital: *subsidy, development grant, loans (potentially with guarantee)*
- Portfolio organisation: bridge finance, working capital, equipment investment, mortgage: *subsidy, (over)drawing from account, loans (potentially with guarantee)*
- Product/service company: prototype, product development, growth (depends on scalability): *loans (guarantee), equity (business angel, development fund, vc)*

## II. From idea to funding

### 4. Business model

- Play with the business model: Osterwalder Business Model Canvas or Board of Innovation (Belgium)
- Or start without business model, but grow so fast that you dominate market (first mover advantage) (Facebook, Twitter) and then experiment with business models (Peerby: lending stuff from community members, NL, Germany, UK, Belgium, US)



## II. From idea to funding

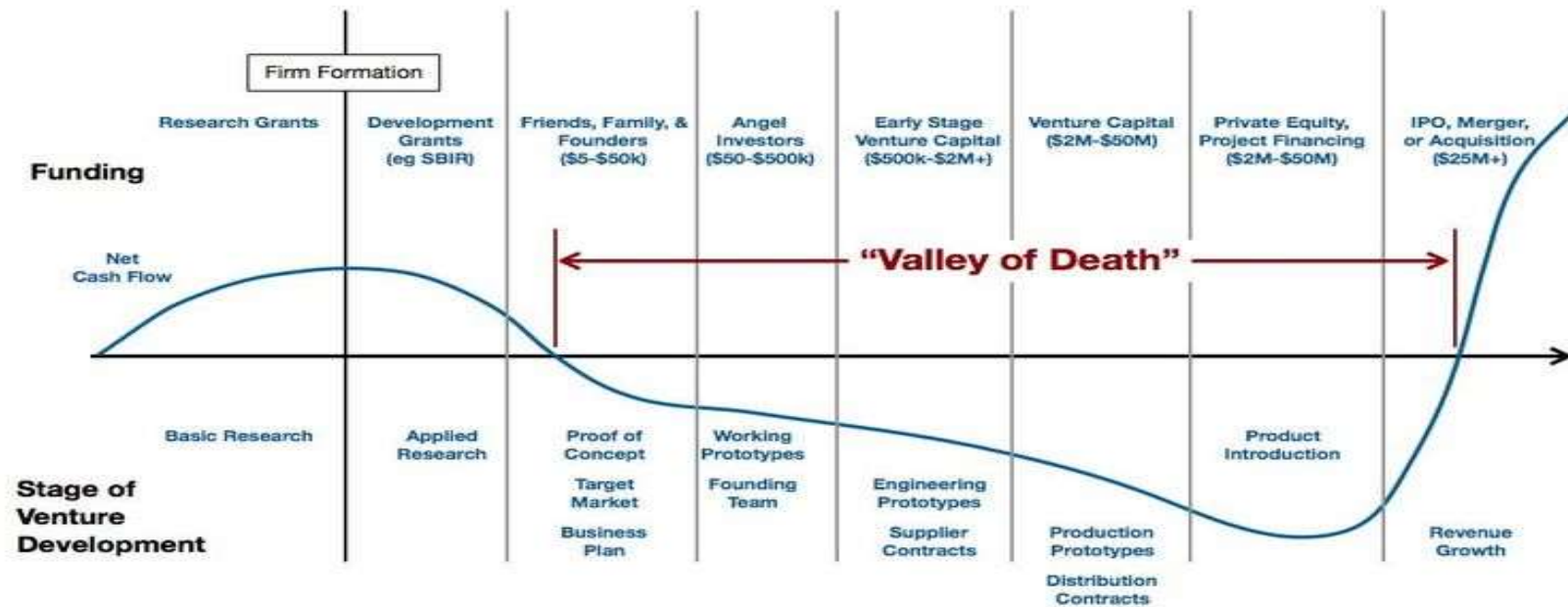
### 5. Develop the right financing mix

Hype of equity funds among governments and start-ups

- First: FFF (Friends, Family, Founders)
- Second: Loans, Crowdfunding, maybe Business Angel Equity
- Third: Equity (VC), but only if you are scalable fast and exit is possible

# Valley of death

## Lifecycle of a venture

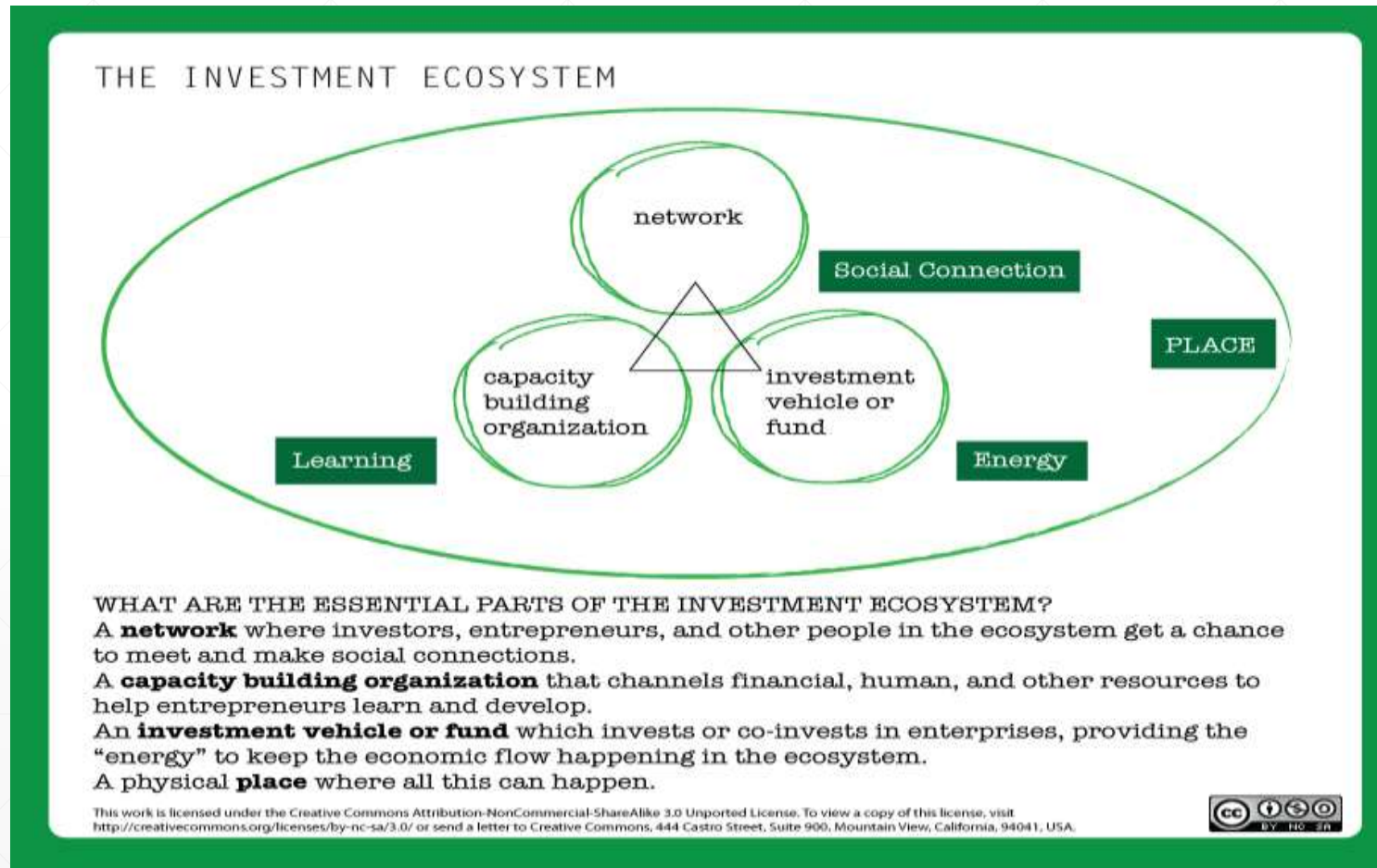


# The Hype of Equity

## Only when:

- Scalable fast and big (usually only web-based companies)
- Exit possible within 4-6 years
- When they know the industry and the market well
  
- Risks are high: only 1 in 4/5 will make a lot of money for investor
- So you pay the price

# III. The Support Ecology



# III. The Support Ecology

Different financial needs:

1. Small enterprises need microcredit and loans. But also a guarantee system: usually small companies do not have enough securities for loans over 10.000 € (SME loan guarantee). For creative industries use upcoming EU Guaranteefund for CCS
2. Availability of loans (and guarantees) for CCS for portfolio companies not aiming at fast growth
3. Government backed but independent operating investment fund for loans and equity, usually  $\pm$  70% loans and 30% equity aiming at growth companies

## Conclusion:

- Don't believe the hype: governments tend to think that equity fund is the answer to all start-up financing needs, but it is not
- You need different financing strategies and thus financing facilities for a healthy and growing creative industries sector
- Combinations of financial facilities, capacity building, networks and places
- Think of your idea as a starting point, the team is just as important or more
- Go out and test and fail and go on

Thank you...!

**Joost Heinsius**  
**Values of Culture &**  
**Creativity**

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