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E-ENTREPRENEURSHIP

WHITE BOOK - CHAPTER 9

Topic
Financing the digital entrepreneur

In France, 72% of startups want to raise funds within the first 18 months of their existence, 70% of which within 6 to 12 months. On average, they are looking for 1.5million euros. This figure represents 4.5 billion euros if we count 4,000 new companies over an 18-month period.

There are different types of financing. This term refers to both the need for capital and the method used to find it. It is used to cover possible losses, to support an entity's needs or to enable an investment. It corresponds to all the internal or external resources that are made available to a company, to carry out its current activities or exceptional investments.

The digital entrepreneur is a creator of a company based on an idea that he digitalizes. His business model is based on digital tools and is deployed thanks to the various technical and marketing levers put in place.

In this ninth and final chapter, we provide you with the different ways to respond to a financing request from a digital entrepreneur.

INTRODUCTION

Funding is a process that allows the necessary funds to be obtained for the realisation of a project or action. These funds come from various sources, they can be internal to the company (own funds, contributions...) or external (financial organisations, crowdfunding...).

Each means of financing has its own conditions, advantages and defects. It is therefore important to study and analyse them because, depending on the life cycle, the sector, or the financing needs of your project, certain means of financing will be more or less suitable. The financing of a digital project makes it possible to respond to the decline in the entrepreneur's self-financing capacity throughout the life cycle of the project.

It is first essential to evaluate precisely one's financing needs (in one's business plan), then to evaluate one's own funds (personal resources). This stage is crucial, as it ensures the financial security of the project's launch, gives the project credibility and therefore helps it to obtain financing. During the launch phase of a project, profitability is often low and the need for financing high. In order to increase activity rapidly, it is possible to use (often public) financing levers to give time for the innovation to be born and to become established.

The choice of the type of financing is not neutral, it has a cost (application fees, interest rate, dividends, etc.), a duration (long, medium, short term) and can have consequences on the distribution of power when there is a capital contribution. It is therefore necessary to choose financing adapted to the types of need to be financed.

TYPES OF FUNDING

Investors

This type of financing is reserved for company forms with shares, and is therefore not intended for Sole Proprietorships, Micro Enterprises or Self-Employed Entrepreneurs. The principle is to exchange shares in the company for funds. Thus, one obtains cash and the means necessary for its growth, while the investor obtains a potential capital gain on the long term as well as possible dividends.

Who is it for?

Companies wishing to accelerate their growth and in need of immediate funds, companies that are not yet profitable and need scale.

When is it needed?

As soon as the company has an MVP and can present serious development prospects.



Bring a network, experience and knowledge, very important funding.



Accountable to investors, whose vision of the company may differ from yours, long investor search campaigns.

Business Angel

These are individuals with substantial means, who usually have entrepreneurial experience and who decide to invest in companies they consider promising.

They often have an extensive address book and significant experience that will allow them to advise you wisely. Since they have a clear financial interest in the success of your business, they will do everything they can to help you.

Investment funds

These are companies dedicated to investment, or the investment arms of large companies or incubators for example. Investment funds are often divided into two types:

- Seed funds which you will apply to when you start your business
- Venture capital funds which seek to invest in more mature businesses.

Venture capital funds are the type of financing that can unlock the largest amounts of money by taking only a minority equity stake.

However, the selection that these funds make is extremely strict, they only look for companies with a very high potential return, companies that can explode. They are therefore only looking for startups with a scalable model. So you have to be prepared for a very long process, which can take up a lot of the founders' attention. The company has to be ready for this.

In general, **grant funding** will be easier to obtain for innovative projects and for projects working for the common good. Here is a non-exhaustive list of grants that can be given by public organisms.

- ⊕ Obtaining funds with little counterpart, zero or low interest rates and allowing you to keep your total independence.
- ⊖ The procedures are complex and you have to meet certain criteria, so they are not for everyone.

THE NACRE

A 0% loan granted to business creators under 25 years of age, job seekers, jobseekers, receiving RSA or from a priority district.

HONORARY LOAN

A loan without interest or guarantee, to be repaid on honour and used as leverage to obtain a conventional loan from banks.

REGIONAL AID

The regions offer different subsidies to companies setting up in their territory. Often for businesses that can make a region more dynamic

BPI SEED LOAN

This is a loan used to replenish a company's cash flow before starting to raise funds, They are reserved for companies already supported by BPI

BPI LOANS SPECIFIC

According to the sector of your business you can therefore benefit from particularly advantageous loans via this process

COMPETITIONS

Numerous start-up competitions are organised throughout the year by various the year and allow funds to the winners.

PUBLIC FUNDING

Borrowing

Obtaining a loan is a very common technique for financing a project, many banks are available and many *à la carte* options exist. Entrepreneurs must submit a dossier with 3 essential elements:

- Explain the nature of the project and why it is credible/profitable;
- The reasons for requesting the funds, what they will be used for;
- The equity provided Bank loans have a clear advantage: they are low in cost and many options are available.

Love money is a very good way of acquiring funds for your project: Ask people around you to support your idea, but be careful not to spoil your relationship with them!

You have to build up a relationship of trust and convince them, sometimes- with the need to offer them something in return, in addition to the money invested. This technique for acquiring funds has advantages and disadvantages:

Proximity to the people to ask makes it easier, but the funds are often limited, usually hundreds/thousands of euros.

It is necessary, even with relatives, to draw up and sign contracts, to protect both parties.

The public

Crowdfunding is a limitless opportunity, but it carries some risks. Although very tempting, crowdfunding is difficult to carry out because private investors of small amounts are just as complicated to convince as large investors.

The technique that proves successful every day is the reward. In exchange for a sum of money, the individual wants to receive a product or service to thank him or her for the donation.

- KissKissBankBank
 - Ulule.
 - Indiegogo
 - Kickstarter.
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BANK LOAN

When setting up your business, you can ask your banking institution for "professional bank loan". This system is ideal when starting an activity, but also when developing it.

After submitting your application, the banking institution will analyse your application according to several criteria (borrowing capacity). The procedure is complex. The banking institution studies a lot of data related to your activity before granting it to you.

The "Professional Loan" offers many advantages.

- The entrepreneur can carry out his project without having to provide a personal contribution;
- It can be subscribed with fixed and variable rates and with the possibility of early repayment;
- It is also in the interest of meeting the cash flow needs of the project holder and can take over the discount or factoring;
- In addition, the rate can be renegotiated when cash flows change.

In conclusion this loan is ideal for a company in the process of development and to accelerate the growth of the company or to respond to a sudden increase of the activity when the cash does not allow to cover all the envisaged investments. It can be acquired by: artisans; tradesmen; liberal professions; farmers; PME/PMI/TPE; auto-entrepreneurs; associations.

CROWDFUNDING

What?

Crowdfunding is an alternative financing tool in total contradiction with traditional tools. It uses financial resources from Internet users to finance a project in development. This system makes it possible to raise funds from a wide audience via dedicated platforms.

Who?

One of the main advantages of Crowdfunding is that it is aimed at all companies, individuals etc. It is most often used by entrepreneurs and business owners, SMEs and start-ups who find it difficult to obtain the funds necessary for the proper development of their society.

Why?

This system is generally used for anyone who does not wish to deal with a banking institution. The various platforms facilitate the presentation of a project without necessarily going into detail.

In addition, this system makes it possible to gauge the awareness of his project by a qualified audience.

How?

We identified three major types of crowdfunding

- The donation, the user finances the project and is granted or not a non-financial consideration
- The loan, these can be free or remunerated meadows
- The investment, in return for a share of capital the user finances a project is over the long term to be awarded a profit if the project is successful.



Various aids are in place to help and encourage companies to recruit employees

EMPLOYMENT ASSISTANCE

▶ Young apprentice support

- Under 18 years of age
- 4,400 euros over one year
- less than 11 employees



▶ Free jobs

- employee who lives in a priority district of the city policy
- all companies and associations affiliated to the unemployment insurance scheme
- 3 years on permanent contract: 5000 euros
- 2,500 per year over a maximum of 2 years for a fixed-term contract

▶ Many incentives are in place to encourage the recruitment of **disabled people**

▶ Urban free zones- entrepreneurial territories

- hiring a local workforce
- 100% for the first 5 years/60% during the 6th year/40% during the 7th year/ 20% in the 8th year.
- aid that encourages companies to locate in sensitive areas

▶ Aid for the recruitment of work experience students

- between July 2020 and June 2022
 - Exceptional assistance of €5,000 (minor) or €8,000 (major) for apprentices' wages
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It is important for an entrepreneur to know all the tools that can help him develop his business throughout his evolution.

In a territorial approach, it is important to understand the logic of French subsidies to businesses that is based on the region where you are located. Thus each region, depending on its economic situation, cooperation and programmes, will be able to help businesses for their development.

We will see in this part what financing is available to expand his business, notably through franchises, national or international development.

FOCUS ON FRANCHISE

This is a very common method that binds the franchisor and the franchised companies by a collaboration contract. The franchisor grants the franchisee the right to operate the business concept while respecting the rules of the franchise network.

In France there are several mechanisms to encourage entrepreneurs to develop their franchise or take over one, here they are:

- The Nacre system: it is a 3-year support that targets unemployed people who want to start their business. This assistance accompanies the construction of the file, but also the financial structuring of your future franchise business. It is even possible to have an accompaniment to request a loan at rate 0 from €1,000 to €8,000 over a maximum of 5 years;
 - La Datar (Interministerial Delegation for Regional Planning and Attractiveness) offers, depending on the area where your franchise is located, as well as employment and investment conditions, a “land use planning premium”. However, 20 permanent jobs must be created and investments of more than €3 million must be made on the site, which limits this aid to a limited number of franchisees;
 - In some areas, it is possible to take advantage of a tax exemption on profits, or even an exemption from local taxes (for a given period), in order to relieve the taxation of the young franchise.
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FRANCHISE

National development

What financial aid will I be able to receive if I want to expand my business nationally?

As mentioned above, aid for business development is divided into two categories, regional aid and aid throughout the territory:

- BPIFRANCE proposes the Crédit d'honneur Création-Reprise, a zero-rate honor loan granted to the project holder in his or her personal capacity as part of the company's development;
- Regional councils: each region has its own aid to promote the development of its region so that the entrepreneur can benefit from aid in each of the 13 regions that make up France;
- The State can provide support to companies by acting directly on the reduction of tax levies. These tax measures are issued to support business growth.

International development

What aid is being put in place by the major institutions to promote international trade and my development?

- Loans and tools proposed by AFD: international financing of companies offering decent jobs and incomes, thus promoting equality between employees;
 - The BPI Growth Loan: for international development, the BPI offers financing of €30,000 to €5,000,000, all without guarantee!
 - The FASEP green innovation which is a grant from 100,000 to 800,000 € offering green- innovation in a country in need, objective to show them correlation efficiency/ sustainable development;
 - The Treasury loan: proposed by the Directorate-General for Finance, it can subsidize an infrastructure project ranging from 10 to 70 million euros for all types of enterprises.
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CONCLUSION

There are a lot of solutions dedicated to financing for the digital entrepreneur. We have tried to put at your disposal the solutions adapted to your project by taking into account the various needs that an entrepreneur could have.

If the financing are numerous, it is necessary to be accompanied to be able to make the best investments.

It will also be necessary to learn to communicate differently depending on the interlocutor. Indeed, a banker, an investor, a self-employed person or a large public will not be sensitive to the same arguments.
