Marketing Emerging-Growth and Startup Companies

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Emerging-Growth and Start-Up Companies

As the saying goes, “a journey of a thousand miles begins with a single step”. This phrase holds true not only for personal journeys but for businesses as well. There is no single business that has not started from scratch and all businesses, both big and small, can attest that the first 3-6 years of the business could be the hardest period in a business’ life cycle. During the first few years, start-up businesses start to build their reputation, muster potential customers and clients, create performance records and expand their networks to a greater extent. All of this requires proper marketing, product development and media exposure, which then requires ample funding and additional resources.

Emerging-growth companies are companies that have very high potential and can grow into a very strong business if nurtured properly. Usually, these are companies that introduce new ideas in the market and outplay established competitions by novelty and creativity in delivering their services. Companies that specialize in social media, science and technology, communications and other popular fields are considered emerging-growth if they offer new ideas and innovative solutions that are not yet fully explored in their business’ target niche. Investors usually search the market for emerging growth companies because they offer the possibility of high yields and profitable returns if guided properly in the right direction.

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Where To Get Funding for Start-Up and Emerging Growth Companies?

Funding can come from many different sources and they also come with different risks. For an emerging-growth company, funding is usually a problem and full-scale market production of the goods and services cannot be done without ample capital in hand. As a safety precaution, a company must have a funding of twice as much its start-up capital in order to avoid undercapitalization. This basically means that if a business needs $100,000 to start, that business must have at least $200,000 in hand as a safeguard for the next 12-24 months of operation.

The problem is, some companies don’t have enough money to cover all its operational and developmental expenses especially if it is a start-up company with private funding. To solve this problem, companies look for funds in the form of shareholding, venture capital, seed money and other different ways. Each of these fund-raising options has its own pros and cons and careful deliberation should be made whenever a company enters into an agreement with the inventors that offer these funds.

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Venture Capital

This kind of financial funding refers to the aid given by an venture investor to start-up businesses that have very high potential for growth but are too small or too inexperienced to successfully obtain bank loans. A venture investor is an investor that manages the pooled money of other people in a collective fund to be used for funding purposes. Under this funding system, an investor agrees to fund an emerging-growth business with a large amount of money in exchange for an ample amount of control over the company's business plans and decisions. The venture capital and the owner jointly run the company and both parties profit from the gains and suffer from the losses during the course of the agreed partnership. The advantage in this kind of capital is quite obvious; an owner gets a large amount of money to spend for the company's operational, research and expansion programs without the need to borrow from a bank. However, the owner gives up full independency and allows the venture capitalist to control and manage a significant part of the business operations.

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Corporate Venturing

An alternative to the traditional venture capital, this kind of funding results to an alliance between a larger, more established business and a start-up company that is too small for a full take-off. Typically, the larger company directly invests its resources and capital to the smaller company. These companies usually work on a related business field where their venture is centered and both companies share the risks and rewards that may possibly arise during the course of the scheme. The advantage in this venture is the access given by the larger company to its resources and distribution channels. The smaller company is treated like a smaller "brother" and is given ample support to fully realize its market potential.

Angel Investors

Angel investors are almost the same as venture investors in the way they lend money for start-up businesses. However, angel investors invest their own funds unlike venture investors who manage a pool of money to be used for business funding. Angel investors are usually very affluent individuals and they will provide capital in exchange for a fraction of the company's ownership, convertible debt or high yield returns. Typically, angel investors will ask for a return of at least 10 times of the original investment in a 5-7 year time span.

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Crowd funding

Crowd funding is a collective funding cooperation that is created by people who pool in their resources and capital to support efforts and possibly start-up business ventures. Crowd funding is a very low risk source of fund because crowd-funders do not impose strict guidelines and company takeovers unlike banks and private investors. The problem with this type of capital is the low amount of funding available and the specific industries that the crowd-funders support. If the company's venture does not lie in the interest of the crowd-funders, it is very hard to secure a capital from the crowd investors.

Public Trade

Some private companies find publicly trading as an effective way to secure capital for expansion purposes. A company that undergoes public trade offers its stocks, bonds and other securities up for sale to the public. This kind of practice is also called "over-the-counter investment" and can yield very high or very low results depending on the market trend. Because it is very easy to secure funding from this kind of setup, most owners find this as a way to quickly gain needed funds. Unfortunately, because the company is publicly owned, financial statements and inside information are subject for scrutiny. All information must be publicly disclosed and the trends in the market might quickly affect the stability of a publicly traded company.

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Private versus Private

There are many advantages and disadvantages between public and private companies. As funding becomes harder and harder to secure these days, private companies look to the possibility of going public as a way to gain access to bigger funds. Private companies also have limitations when it comes to marketing its products; only public companies may market, promote and advertise themselves and their performance records to the public. Private companies may also market their products but only in a limited network and in a very restricted manner. Hedge funds (private funds) can only promote themselves to other companies and institutions that they have a pre-existing relationship with. Because of this restriction, marketing for hedge funds are typically much harder compared to publicly-traded funds.

Public companies, although they can market and promote freely and without any restrictions, are subject to many government requirements and scrutiny from financial analysts. Because the company is being sold publicly, it is mandatory that public companies submit financial records, business status and other inside information to the general public.

Going public also has certain setbacks especially for the owner of the company. Because investors and stock holders want to see the value of their investments grow, business decisions and endeavors are most of the time hampered to give way to the sentiments of the general public. Long-term business plans are not implemented and the company is forced to address the issue of increasing the value of its stocks instead of developing the business itself.

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Business Marketing: Inbound and Outbound Methods

Outbound and Inbound Marketing are two of the basic marketing methods imposed by all kinds of businesses. Outbound marketing is also known as the Push Method, while its counterpart Inbound Marketing is more popularly known as the Pull Method. Both are effective ways to market a company, but this will depend on the type and structure of the company. Usually, start-up companies will benefit more from inbound marketing rather than from outbound marketing.

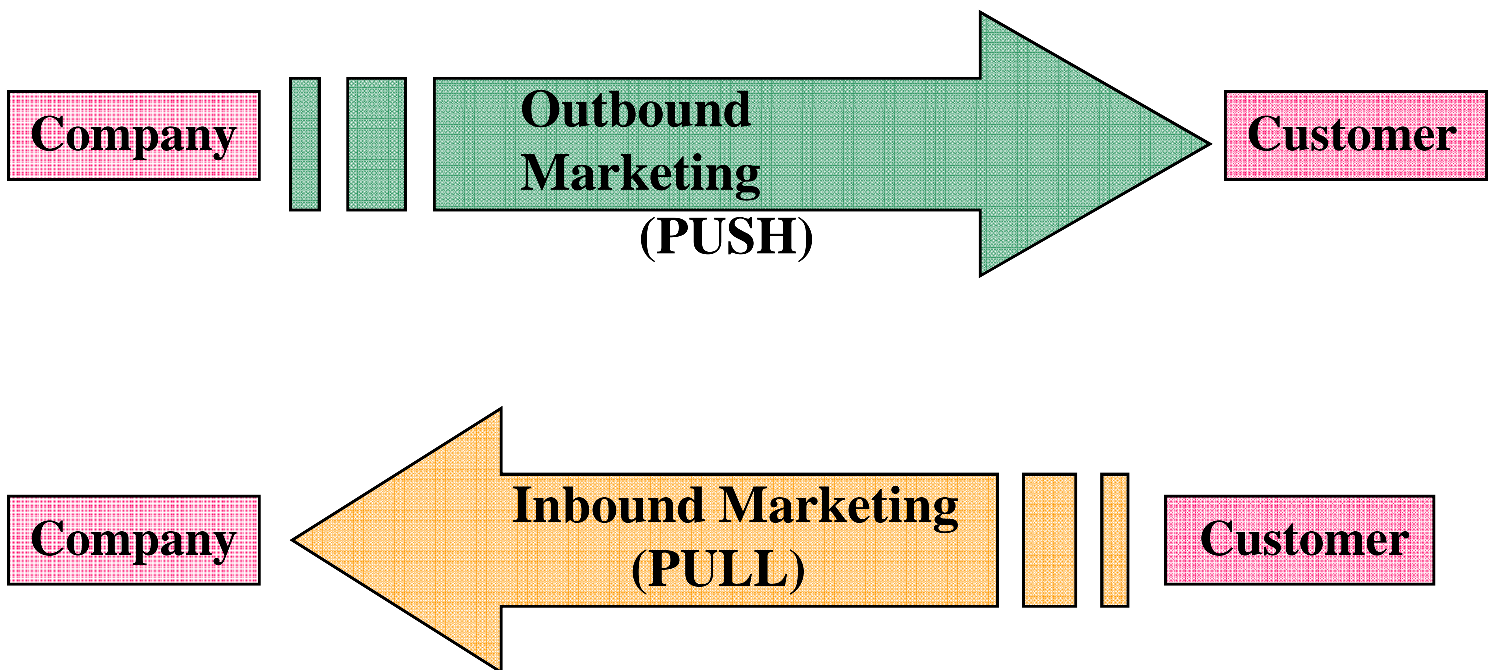

Fig. 1 : Push and Pull Marketing Methods

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Outbound Marketing

Outbound marketing is also known as the Push Marketing Method. In outbound marketing, companies "push" potential customers to the business by introducing the company directly to the target customers. It is done by interrupting customers and telling them about the services of the company, pushing them to the company as a result. Outbound marketing methods include direct mail, phone calls, commercials, T.V. advertisements, trade fairs and other methods where customers can have a glimpse of what a company has to offer.

Because outbound marketing reaches out to the masses, its network can be very huge in nature. However, because outbound marketing requires mass production of promotional materials, this method is expensive and not a choice for start-up business companies. Conversion rates (the percentage of people that purchase the product compared to the total people who have actually seen by the advertisement) are also very low at 2-3%. Outbound marketing is also less engaging and might also put off the customer especially if the customer is interrupted inconveniently.

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Inbound Marketing

Inbound marketing is also known as the Pull Marketing Method. Under inbound marketing strategies, potential customers are "pulled" to the business by going to the places where customers hangout and promoting the business there. Because of the modern trend in information and communications technology, customers are now utilizing the internet like never before. This is the perfect ground where inbound marketing becomes successful. By promoting the products on the internet and "pulling" the customers to the company's website, marketing is done without having the need to interrupt potential customers from their daily activities.

Inbound marketing are very niche specific and focuses on the target group in contrast to outbound marketing schemes. Personal email messages, newsletters, podcasts, videos and connecting through social networking sites are very popular ways of doing inbound marketing. SEO (Search Engine Optimization) is a very important tool in inbound marketing because it is the way to be found on the internet. If your company can be seen first alongside millions of other website in your company's target niche, chances are customers will be pulled to your website and not to your competitions'.

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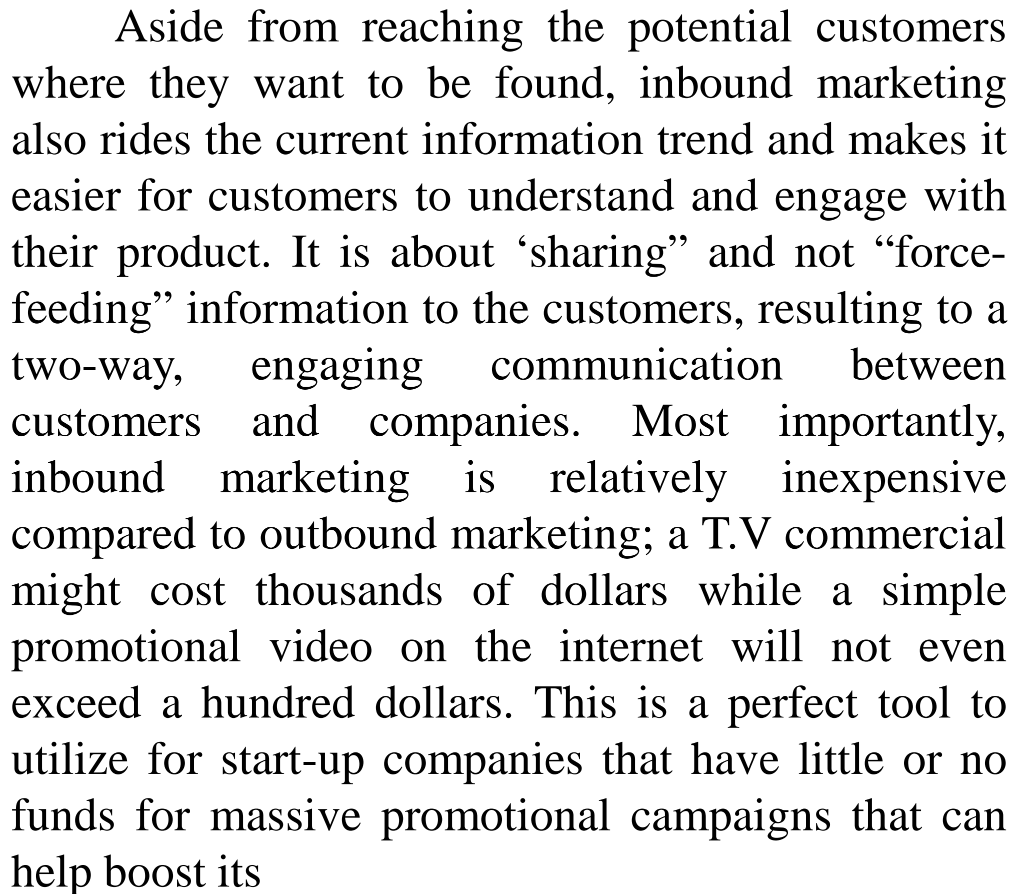

Aside from reaching the potential customers where they want to be found, inbound marketing also rides the current information trend and makes it easier for customers to understand and engage with their product. It is about ‘sharing” and not “force-feeding” information to the customers, resulting to a two-way, engaging communication between customers and companies. Most importantly, inbound marketing is relatively inexpensive compared to outbound marketing; a T.V commercial might cost thousands of dollars while a simple promotional video on the internet will not even exceed a hundred dollars. This is a perfect tool to utilize for start-up companies that have little or no funds for massive promotional campaigns that can help boost its

Inbound marketing can not only attract possible customers, but possible investors as well. If an investor hears about the credential of an emerging company on the internet, the buzz that it creates might be able to help secure funding from these investors. Instead of lobbying for position with millions of businesses looking for start-up funds, you can also “pull” the investors to your company with effective marketing and appraisable business performance.

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