

Money, spirit and purpose: 6 predictions for startups in 2021

As the startup world continues to battle the uncertainty created by COVID-19, Crowdcube cofounder Luke Lang looks at the positives the year could hold for entrepreneurs and the opportunities that can be taken from the pandemic.

1. Money will continue to pour into startups

As older industries reel from the blows dealt by the pandemic, agile startups offer a welcome ray of sunshine. 2020 was a record year for the amount of capital invested into European tech and Crowdcube saw a 26% increase in the number of investments. In 2021, we'll see more startups discover new and inventive ways to adapt, while investors continue to jump on the opportunities that COVID has opened up for entrepreneurs.

2. Entrepreneurial spirit will flourish

COVID has forced business leaders to rethink and be creative and agile to fight the economic fallout from the pandemic. Many have opened up new revenue

streams such as Grind, whose online sales of coffee pods, ground coffee and refillable tins have comfortably overtaken coffee sales in stores.

For surviving businesses, these new revenue streams will ultimately make them more robust businesses in the long run. This addiction to innovation and creativity has only just begun, and we predict a second and third wave of innovation from businesses.

3. Ethnically diverse entrepreneurs will receive more funding

As traditional investment has been shamed for its lack of diversity, we'll see more investment into businesses founded by ethnically diverse entrepreneurs. In the same vein that the light has been shone on investment into female founded businesses over the last few years, the spotlight is on diversity and inclusion in general. COVID presents an opportunity to build back better.

4. Investors look to local and purpose-driven businesses

COVID has brought into sharp focus what is important to consumers. It has made over 10% of our investors invest in a local business, while almost a third (32%) are more inclined to invest in a business that has a positive social or environmental impact. The business case is clear: a survey back in 2018 showed that 66% of consumers would switch to a new product if it was from a purpose-driven company. The figure jumps to 91% for Millennials, so smart investors will continue to follow the trend as it matures.

5. The business landscape will keep breaking up

We're moving towards a landscape led by a handful of hegemonies such as Amazon and Google, with a total fragmentation of the services and businesses underneath. In 2021, more mid-tier retail and consumer chains will collapse (like Carluccios), while larger high street chains will struggle to maintain their current overheads. This will pave the way for startups and small businesses to fill the gaps, leading to a huge diversity in offerings and a growing base of self-employment.

The select group of hegemonies – now facing increased regulation and a more conscious consumer – are likely to rework their offers to embed themselves more closely with these beloved small companies.

6. Companies will be even more agile

We're increasingly seeing companies realise that they can be more agile with a very small, elite team that brings in contractors to fill the gaps. So, instead of operating a team of 30 – including marketing, legal, PR and compliance – a micro team of five can focus on strategy and sales while managing a collective team of freelancers. This reduces overheads, eliminates the need for an office (if they still work from an office) and makes it far easier to pivot in a changing marketplace.

Crowdcube is a British investment crowdfunding platform founded in 2011 and backed by the likes of Channel 4 and Balderton Capital.

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