How can startups survive in 2023?

Building a startup is always about dealing with the unknown because you can never be sure if your startup will make it. However, as the recession is looming over, the rules of the game have drastically changed, and striving businesses must tackle an even bigger uncertainty.

As a cofounder of *Uptech Product Studio*, and multiple startups, I’ve dealt with failures, crises, and uncertainty. In this article, I want to share some tips from my experience dealing with the downturn and keeping the business afloat.

Let’s go!

So what has actually changed in 2023?

Back in the relaxed period of 2021/2022, it was all about finding an inspiring idea and pitching it to investors. Even without explicit promises of revenue or profit, such a pure idea-based startup had a chance to raise investments and thrive.

Yet, the mode of 2021 is over. And we can’t help but accept it.

With recession around the corner, startups increasingly struggle to win investors’ interest. The funding amounts have plummeted, whereas companies are reducing their valuations as compared to 2021.

Let’s take Stripe for example. Valued at $95B during the last funding round in March 2021, Stripe was the most valuable private company in Silicon Valley.

Yet, as soon as in June 2022, the fintech startup had to reduce its valuation *by 28%* (50 bln).

These factors compel companies to be more cautious and approach their work differently. Thus, startups tend to weather the storm of this period with the bridge rounds (when they are given financing for short-term expenses in anticipation of converting it to shares in the next round).

The anticipation of the recession is hanging in the air, though no one knows when it will happen and how hard it will hit.

What’s the perspective of investors?

From the investor’s point of view, good times have passed too. Back then, you could invest in almost any startup with a promising idea and calmly wait for it to get a double evaluation in one or two years. Zero interest rates only made it better for investors – assuming the minimum risk, you could harvest maximum benefits.

Now that the interest rates are high and startups do not promise such rapid growth, investors seek alternative investment opportunities (like public markets or real estate domain). So non-profitable startups or startups based on a pure idea (without clear path to monetisation and profits) are out of demand these days.

What does it take for a startup to win investments in 2023?

So do startups have no chances for an investor’s check at all? Well, that would be an exaggeration to say so. If you show clear signs of profitability, you still have an opportunity for a chunk of investment.

Whether on the bull or bear market, there are the fundamentals that you need to get right:

Have a clear problem that your product is solving

I bet you all know the stories about legendary startup failures, like the historic *Google Glass* or *Juicero*. These and many other startups made one common mistake – built their business around a pure hype-driven idea, with no actual user problem underlying that. Still, those startups managed to raise reasonable investments back then.

In 2023, as investors are straining their pockets, this scenario sounds like a fantasy. So the tip here is to be sure your startup idea is validated to aim at solving a real-life problem, rather than just existing in a vacuum.

For example, at Uptech, we always go through idea validation before starting the development. Sometimes, the results of such validation can be so groundbreaking that we have to pivot the product drastically. When the Yaza project approached us, it was meant to be another social media app featuring a geolocation feature.

After validating this idea (conducting user interviews and testing prototypes), we completely changed the app’s positioning and target audience. Eventually, the app became a real estate platform, allowing users to take 3D tours around the apartments.

So here’s how the validation process saved us from failure.

Always seek potential to scale

You can have a fantastic idea, solving a global-worthy problem, but if you promise no future growth, you can call it a day.

It’s always been and now is essential to have room to scale your business. Choose a niche or market big enough to allow you to do that to ensure this room. For example, check out the top industries of the post-pandemic era, like traveling, personal services, or healthcare.

Find agility on the market

When we started Plai, we had a narrow understanding of what big enterprises need. So unintentionally, we built the product’s first version suitable for smaller companies (not the big ones that we finally targeted).

Once the product was launched, we could see the complete picture and realise it lacked specific features like user management, security, access, and reporting. So we pivoted fast and reached our audience eventually.

To iterate and pivot, you need a team with grit and persistence. The good news is that you can easily find it on the market using no-code development tools or hiring an outsourced team.

These are the pillars of startup development in 2023. Yet, as sad as it is, even with these factors, you have no guarantees to thrive in 2023 if you show no sign of bringing in money or get into the short hype cycle like AI now or NFT (in

2022).

From my experience, if you haven’t been on the hyped train for long and want to get on the last wagon – do not do that. Hoping on a hype train might help in the short term, but it may become a range of unnecessary problems in the wrong run.

Tips to tackle the uncertainty

You know what “uncertainty” means when you have to deal with two crises at a time: the unraveling war, started by the aggressive Russian state, and the following global crisis of living cost (potential recession). This is exactly what Ukrainian IT companies face now. And Uptech has not become an exception.

In a situation like this, you should repeat one mantra, write it on paper, and pin it over your working desk: the crisis is yet another opportunity. Yeah, as commonplace as it sounds, but this is the productive side you can take here. So here are three action steps to take to face the impending crisis.

Cut unnecessary expenses

The first thing we did at Uptech was reduce expenses as much as possible. Look at where your costs go, and decide which are musts for the business and which can be cut. These are the cuts that we took:

- Stopped hiring new employees;
- Cut off unnecessary subscriptions or substitute them with more affordable alternatives;
- Stopped compensation raises.

Change your priorities

The times of a downturn can be daunting. You can freeze your expenses, but you shouldn’t freeze your business from going forward. So try to think of ways to benefit from this period.

For example, before 2023, we launched the ads as a new marketing channel to gain leads. Yet, when we noticed the effects of the looming recession, we had to change this channel to inbound marketing. We decided to focus the efforts on building a solid website blog, a more affordable and long-term marketing strategy.

So though we do not get immediate leads, we pay less and expect to get our leads in the long run.

Help your users adapt

Even during the recession, you should show your customers that you are their ally and ready to help. Try to pivot your business model, offer discounts, extended trials, or practical collaboration terms for your customers to help them overcome the crisis.

All these steps are necessary to collect cash reserves and overcome any potential downturn.

Do what you can do

The crisis doesn’t have to put you in a frozen state, waiting for it to end. You should always do what you can at a particular moment in time. For example, when russia attacked Ukraine, Uptech chose to act: keep working, bring the money to help the economy, donate to the army, and keep people employed and safe. And we keep doing it no matter what!

Andriy Bas is a startup entrepreneur and cofounder of *Uptech Software Development Company* and multiple startups like *Plai*, *Sommo*, *DYVO.*

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