

# Supporting Scotland's Female Entrepreneurs

Our guide to funding your business





# Funding your Business

In 2019, Alison Rose, CEO of Royal Bank of Scotland, published a report on female entrepreneurship. The report looked to explore the reasons more women are not pursuing their dream of running their own business. It found that women launch their businesses with 53% less capital than men, on average.<sup>1</sup>

At the Royal Bank we want to make sure that women are getting their entrepreneurial careers off to the best start possible, and that's why we've created this guide to help you navigate the world of business funding. Whether you're starting a business from scratch or looking to expand an existing venture, this guide will help you get your head around the basics of funding, and the options that are available to you. We'll cover the broad range of funding options out there, and explain the differences between them, as well as provide links to partner organisations who can provide more in-depth information and help you kick-start your entrepreneurial career.

**Investment and business funding is a complex topic, but one that can define the future of an organisation. It is our privilege to support the next generation of female entrepreneurs in realising their dreams and building their businesses.**

**Susan Fouquier**

Managing Director, Business Banking, Royal Bank of Scotland

[1] The Alison Rose Review of Female Entrepreneurship, 2019 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/784324/RoseReview\\_Digital\\_FINAL.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784324/RoseReview_Digital_FINAL.PDF)



# Funding Explained

Investment and funding may sound daunting, especially with so many choices available, but we've created this guide to try and simplify the world of business funding, through three simple questions you need to ask yourself:

- What will I use the funding for?
- What method of funding would best suit my business and my financial situation?
- Where can I find out more?

## What will you use the funding for?

A clear plan of action is crucial. It will help you assess the level of funding realistically required and how it will generate returns for the company. Make sure you research the costs accurately so that that you can show due diligence to investors, but also to make sure you get the required level of funding for success.

## What method of funding would best suit my business and my financial situation?

Establishing how much you need is probably the easy part. Now you need to assess all the possible funding options and decide what's right for you. The choices available are vast, but we've outlined the main funding options in this guide, along with their key advantages and disadvantages.

**Only 21% of female entrepreneurs have asked for external funding to expand their business<sup>2</sup>**

[2] YouGov Plc. Total sample of 502 entrepreneurs/business owners in Scotland. Fieldwork was undertaken between 15th - 27th October 2019. The survey was carried out online.

# Equity

Equity can be a great way of raising capital at any point in the company life cycle. Equity finance is a process by which an investor, or group of investors, will take a share of the company in exchange for providing funding.

The main advantage of equity finance is that the investors will usually bring skills and contacts that can help you to grow the company. When looking for investors remember that it is as much about how they can help you run the business as it is about their willingness to provide funding. There are a number of equity finance options available, as follows:

## Angel Investment

Business angels are individuals who invest in start-up businesses with the ambition of helping it grow. They are likely to have entrepreneurial experience themselves and may invest either on their own, or as part of a group. Angel investors are a diverse group of people, all looking for different things in their investment, so this can be a useful avenue to explore for any kind of business, at any stage.

## Venture Capital

In a similar manner to angel investors, venture capitalists (VCs) look to invest in companies with the potential for high returns. The main difference between the two is that VCs tend to be firms that invest money from pensions, large corporations, and investment companies, whereas an angel investor is an individual investing their own money.

VCs will tend to look for companies with a proven track record, so are unlikely to invest at the start-up stage. However, if you have an established business and are looking for capital to expand, VC could be a good option to explore.

## Crowdfunding

There are now online platforms which connect companies with potentially hundreds of thousands of individuals looking to invest small amounts in start-up companies. Each investment will require the sale of equity, but in small amounts relative to the size of the investment.

## Government-Backed Investment Funds

These funds support high potential UK businesses, alongside angel investors. Normally the fund will ask that you have angel investor backing, and the fund will then provide additional capital to supplement the initial angel investment. This can be a great way of gaining additional capital, alongside the expertise that comes with angel investors.

# Debt Finance

As a business grows it's highly likely that you will need to take out some form of debt. The great advantage of borrowing is that you do not need to relinquish any share of your company. However, the disadvantage is that a lender is much less likely to provide business advice and guidance than an investor, and of course you will need to pay interest on any amount borrowed.

Security and product fees may apply. Over 18s only. Specific eligibility criteria will apply per scheme.

## **Broadly, there are three forms of borrowing:**

### **Loans, Credit Cards and Overdrafts**

Normally this type of borrowing is done through a bank or commercial lender, in the same way you would take out a personal loan. The criteria for lending will vary from lender to lender, so it's definitely worth shopping around, but ultimately they will want to be sure you can make the repayments.

Banks aren't the only option when it comes to loans, there are also public sectors organisations which can provide loans for businesses.

Another popular option is to investigate peer-to-peer (P2P) lending. This type of lending has gained popularity in recent years and involves using an online platform to match lenders with borrowers based on a range of criteria. This method of borrowing can be especially useful if you are at the start up stage with no or limited credit history when banks are unlikely to lend.

### **Finance Secured on Assets**

This is a loan which is secured against a specific asset, such as property, equipment, inventory or accounts receivable. This type of loan is available from most banks as well as specialist lenders and some online platforms.

### **Fixed-Income Debt Securities**

These take the form of bonds or mini-bonds. In their simplest form a bond is a type of I.O.U. in which a company issues bonds to investors in order to raise funding. However, the company must then pay a fixed amount of interest back to the investors over time, and eventually pay back the original sum borrowed when the bond comes to 'maturity'.

## **Grants**

Alongside debt and equity finance, there are a number of government grants available for small businesses, especially those working in specific sectors such as the environment, science and engineering or not-for-profit. We recommend you investigate what grants could be available to you, as these can be an excellent source of additional funding.



# Resources

At the Royal Bank we have a range of tools and services to help you get the right type of funding, and we also have several partner organisations who can provide further guidance.

## Royal Bank Women in Business Programme

[www.business.rbs.co.uk/business/business-banking/services/women-in-business.html](https://www.business.rbs.co.uk/business/business-banking/services/women-in-business.html)

We have over 500 Women in Business Specialists across the UK who can provide free support and expertise to female entrepreneurs at any stage of business development. You can find events local to you on the link above.

## Royal Bank Business Growth Enablers

<https://www.business.rbs.co.uk/business/business-banking/boost/business-growth-enablers.html>

Our Business Growth Enablers (BGEs) are a group of business support specialists, all of whom are accredited by the Institute of Enterprise and Entrepreneurs. They can provide one-on-one mentoring as well as hosting events across the country covering a range of topics. These events give you an opportunity to expand your business knowledge as well as providing the opportunity to network with other local entrepreneurs. You can find your local BGE on the link above.

## Everywoman | [www.everywoman.com](http://www.everywoman.com)

Everywoman is a network of women in business spanning over 100 countries. As a member you can access tools such as monthly webinars, online workbooks and articles as well as in person events covering a vast range of business topics.

## Business Gateway | [www.bgateway.com](http://www.bgateway.com)

Business Gateway is a free service offered across Scotland for entrepreneurs to expand their business knowledge. There are a multitude of online materials covering a range of topics from marketing to writing a business plan, as well as events and workshops held across the country. They also offer access to local business advisers who can provide one-to-one advice and support.

**Of those that sought funding 47% have utilised a grant to fund their business<sup>2</sup>**

[2] YouGov Plc. Total sample of 502 entrepreneurs/business owners in Scotland. Fieldwork was undertaken between 15th - 27th October 2019. The survey was carried out online.



# Resources

## **Back Her Business<sup>3</sup>** | [rbsbackherbusiness.co.uk](https://rbsbackherbusiness.co.uk)

Back her Business is a collaboration between the Royal Bank and Crowdfunder.co.uk, which aims to help women get their business ideas off the ground. The initiative gives you the opportunity to showcase your business to potential backers, with the possibility of securing funding. However, the scheme can also provide coaching and mentoring to help you get your business to the next level.

## **Royal Bank Accelerator**

[www.business.rbs.co.uk/business/business-banking/services/entrepreneur-accelerator.html](https://www.business.rbs.co.uk/business/business-banking/services/entrepreneur-accelerator.html)

We operate 12 hubs across the UK, providing entrepreneurs with unique coaching, environments, digital learning and networks. Here you can find the insight, support and challenge to take your business further, faster.

## **Scottish EDGE** | [www.scottishedge.com](https://www.scottishedge.com)

Scottish EDGE is the UK's largest business funding competition and is aimed at identifying Scotland's innovative, high growth potential entrepreneurial talent. Pitch training events are available before entrepreneurs pitch live for grant and loan funding plus a wider package of business growth support.

## **Scottish Enterprise** | [www.scottish-enterprise.com/support-for-businesses/funding-and-grants](https://www.scottish-enterprise.com/support-for-businesses/funding-and-grants)

Scottish Enterprise support ambitious Scottish companies to compete within the global marketplace and help build Scotland's globally competitive sectors. In collaboration with other partners, Scottish Enterprise deliver a number of innovative entrepreneurial support programmes.

**The most common sources of funding used are grants, overdrafts, bank loans and investment from family members<sup>2</sup>**

[2] YouGov Plc. Total sample of 502 entrepreneurs/business owners in Scotland. Fieldwork was undertaken between 15th - 27th October 2019. The survey was carried out online.

[3] UK residents with new UK projects can apply. Eligibility, including type of project, and specific criteria apply. Fees apply.



# Tammy's Story

## **Tammy Koslowski;**

NAF! Salon and NAF! Stuff

Tammy Koslowski grew up with a keen interest in the beauty and fashion industry, and having graduated with a degree in Clothing Design and Technology, she combined this passion with her creative flair.

Tammy began selling her own custom nail decals in 2013 and initial success saw the business picked up by a leading high street brand. She then retrained as a nail technician two years later to launch the Instagram haven that is Glasgow's NAF! Salon.

When Tammy first started out she didn't feel she knew enough about the world of business to approach banks and external investors, she thought they wouldn't take her seriously so looked at other sources of finance such as friends and family.

However, she knew she was eventually going to have to find more significant funding for her business, if it was to continue to grow, but she still didn't have the confidence or knowledge to know where to start.

Tammy then successfully applied to join the Royal Bank Entrepreneur Accelerator programme. This gave her access to a range of mentors and experts who advised her on her options and helped her improve her financial knowledge. They also helped her build a business plan and even put her through mock meetings, so she could get an understanding of what a bank or investor might ask her.

Tammy says her biggest tip to any entrepreneur is build this network of support, just as she did. Not only will this help you get the right advice and learn from those who have been through it before, but it will provide the emotional support you'll need to improve your confidence. Every business is different, so having an external viewpoint on the decisions you're making and the type of finance you're looking at can be invaluable.

Tammy says you don't have to enrol onto an accelerator programme to gain this knowledge, there are lots of people out there who want to help, you just need to find them and show them you are serious about your business.

Tammy is now in the process of seeking funding to expand her business further, and this time round will be talking to banks and investors. Unlike a few years ago, these meetings are no longer a daunting task as Tammy now has the tools she needs to make them a success.