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Press Release – How a startup moves past the VC inflated business models to process millions worldwide

Article

A question investors often get is “How do I get a VC to back up my startup?”. Nowadays, founders aren’t worried about how overcapitalization can cause a lack of focus or make them over-dependent on VC capital, instead, most of them opt for the “more money equals faster progress” mindset, professionalizing themselves on selling the vision to VCs, as opposed to selling products or services to the marketing and solving real problems. Often this is a mistake that isn’t realized for 18 months until the next need to raise more VC capital arises, unfortunately at the expense of shifting focus from day-to-day operations to fundraising mode.

The main question startups should be asked first is: if you can’t turn 1€ into 10€ how do you expect to turn 1million€ into 10million€? In practice, there is no need for VC capital to get started if the company can solve a real problem for customers and charge money for it. The trick is: startups are often measured by how much money they’ve raised. But shouldn't it be more important to ask how efficiently those companies use the capital?

There are many startups surviving under venture-capital from day one — like the We Company for example — which makes the question pop: when building a company, is more capital the leverage to accelerate even greater growth, or this “go big or go home” approach stands up for scrutiny? In the best-case scenarios, do companies that load up on venture capital actually outperform those that more efficiently deploy capital? And Yes, there are some benefits to establish under venture-capital funding - like for example allow the founders to stay focused on long-term value creation without worrying about day-to-day pressure - but one can easily overdose on this medicine, as we have seen many ‘unicorns’ being unmasked.

But in between, there are some startups that moved forward and started with nothing - or almost nothing. Switch is one of them.

Building Switch came from a previous idea - in the payments industry - that one of the Co-founders (Ruca Sousa Marques) had and that didn’t work because - guess what - it demanded a big investment to happen.

Learning with it, and leveraging the industry knowledge, he took a step back and got together with two other co-founders (Pedro Campos and André Tavares) to build Switch in 2014. They started to analyze the market, understood where they could solve the problems enterprise-level companies have, and went for it. By building the Switch Platform and selling it as a service, they managed to close their first big clients in 2016. Now, they are processing millions every year. All of this without the need for venture capital. Apparently, unicorns do exist, and they are the ones who make money.

But it’s an important process. The search for venture capital happens in a marketplace where the validity of your idea is challenged and where your progress - since your last time in the market - is measured. Everyone’s feet to the fire can be painful and it also can provide inspiration and creativity.

While having more money makes “today” easier, having to be focused and working hard to improve the product — searching for the market-fit — makes “tomorrow” easier. The founders need to consider the trade-offs as they plot their journey.

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