Raising funds for new Web3 Projects

FUNDS RAISING STRATEGIES

ENTREPRENEURS

PANAVERSE DAO

WEB3 PROJECTS FUNDRAISING BY

ASHARIB ALI

WHAT IS WEB3.0 ?

Web3 is an idea for a new iteration of the World Wide Web, which incorporates concepts such as decentralization, blockchain technologies, and token-based economics.

Web3 transforms the internet, making it a better place for humans.

WHY YOU WANT TO RAISE FUNDS ?

Imagine you have a brilliant idea for a new blockchain startup. When you have the brainstorming idea abouut your project and you want to reaches a certain stage of development, it looks to fundraising in order to secure money and fund the next stage of development or deployment. This happens when entrepreneurs need more capital to scale quickly compared with what's available to them at present. seems like a pretty good idea. But, like any startup, you need to raise some capital first to scale the project in the long term.

VARIOUS APPROACHING TO FUNDRAISING IN CRYPTO

yes!

There are two types of approaches to raising funds which include private sales via VCs, and public sales via IDO, and IEOs.

If an entrepreneur is looking to raise capital at an initial point, its owners may want to look at venture capital firms. In essence, a venture capital fund involves a group of investors who pool their money and spread their bets on startups. As an entrepreneur, it's important to understand that a venture capital fund is short-term. These firms want to make a quick profit and move on by selling their equity aka tokens.

In 2017, fundraising blew up in the crypto space. Many analysts and participants remember it as the ICO craze. Thousands of projects went live with ICOs. Most of them, to no one's surprise, was met with catastrophic failure. The ICO craze did lead to the birth of several other forms of crypto financing, though. These include IDOs, and IEOs.

let's go over both in details below.

VC FUNDING (PRIVATES SALES)

Venture capital funds are composed of a pool of investors wishing to make a considerable amount of money quickly. VC funds managers considerable time reviewing thousands of projects to determine growth potential although they're prudent investors. (start-up usually takes the VC Funding route when they're not ready to go public, alternatively, they may not be able to gather funds from retail investors) VC funds are no longer limiting their interest to crypto unicorns — rare companies that have at least a billion dollars in valuation, as determined by VC firms. Many VCs are adopting "pick and shovel" business models as they recognize newly arising opportunities. Pick-and-shovel organizations are crypto-related businesses that provide derivative services to the same user base. Such businesses include crypto tax reporting startups, cryptocurrency charting software, and many others.

STAGES OF VC FUNDING

VENTURE CAPITAL FUNDING IS USUALLY DIVIDED INTO FIVE STAGES.

Stage-0, Pre-seed: The pre-seed stage is the ideation stage. It's often not included as an official stage because, at this stage, the involved team members aim to determine whether a founder's idea can be turned into a product. If the founder knows the right people, at this point, angel investors may get involved. Compared to VC funds, angel investors are highly affluent individuals who tend to run solo. Note: Seed Investors shoot for a 100x return on their investment.

stage-1, seed funding: The seed funding round is brief, and should be the shortest funding round out of all of them. This stage involves testing the viability of the product or services in the web3 space. The startup determines market viability by using a tool like market potential analysis(MPA). The startup may also have to convince the VC fund that their product is worth investing in, with tools like pitch decks and financial documents like profit & loss statements, cash flow forecasts, the project roadmap, team, and so on. It is worth noting that angel investors may still be involved at this stage.

STAGES OF VC FUNDING

Series-A, Startup capital: Series A is when things start to get serious. This is when equity comes onboard. Startups need not apply, because this round is reserved for cryptocurrency companies that are already in the growth stage. They have a validated product and a strong community, with steady cash flow. Note: Series-A investors need investment to return 10x to 15x.

Series B, Early Stage: The Series B funding round is dedicated to further reiterations, sales, and marketing. Series B rounds are all about scalability. projects that make it to this round are in their development stage. They're seeking opportunities to expand their operations and improve market reach even further. At this point, it goes without saying that they already have a massive user base. Note: After Series-A later stage investors aim for 5x multiple of money.

Series-C: Expansion stage: The last official round of VC funding is the expansion stage. At this stage, a business aims to expand to additional markets and diversify its product lines. Companies that reach Series C funding are already established in their industry. Raising funds helps them to create new products or services, and introduce their operations to international markets.

ADVANTAGES & DISADVANTAGES OF PRIVATE INVESTORS

- As with VC funding in general, the advantages and disadvantages for the cryptocurrency space are similar. VC firms are after high returns, which translates to equity, with a potential quick exit. This means there may be pressure to deliver quickly, as well as risk giving up some control.
- One major advantage to being a recipient of venture funding is that it gives the crypto startup an air of legitimacy. This legitimacy has the potential to draw more funds from retail investors as well.
- VC funds, by contrast, will have done a lot more due diligence, like reviewing the soundness of the project and the team's ability to deliver on the project's promises, as well as researching the community and the marketplace at large to forecast profitability. Furthermore, VC funds include expert fund managers who specialize in company valuations.
- Despite the drawbacks, VC investment helps to build fantastic relationships, and excels at establishing connections across various industries. Therefore, a VC firm's contacts may prove to be helpful should any challenges arise in an unfamiliar domain.
- VCs understand that not all projects succeed. Sure, their main goal is to make money, but should a company fold, Moreover, VC funds have been taking calculated investment risks for a long time, so they understand how the game is played.

ALTERNATIVES OF VC FUNDING

Legitimate cryptocurrency businesses may feel reluctant to take the ICO route due to the poor reputation that ICO has suffered in the past, mainly due to scams. But ICOs have come a long way since the 2017 ICO craze that flooded the market with poor projects. Should such a business find that venture capital is not the funding approach they wish to take, they may consider IDOs and IEOs.

PUBLIC SALES VIA PLATFORMS

PUBLIC SALES FUNDING IS USUALLY HAPPENS THROUGH INITIAL EXCHANGE OFFERINGS, AND INITIAL DEX OFFERINGS.

Initial Exchange Offerings: An IEO is like an ICO, except the entire issuance occurs via selected cryptocurrency exchanges. The project owner receives peace of mind because they know their token will be available to any investor with access to the exchange. If an exchange is reputable and well-established, exchange backing can give investors reassurance that their funds are protected.

The exchange publicly supports and lists the project in exchange for a listing fee and a percentage of the tokens. Exact agreements will vary on a case-by-case basis. If the legitimacy from a VC is appealing for a crypto startup, without having to resort to VC funds, the team may consider an IEO. Reputable cryptocurrency exchanges can lend a project considerable legitimacy as well.

This situation differs from when a cryptocurrency exchange chooses to list a project's token. Based on the exchange's own conditions, an exchange might list a token once it independently deems the project worth listing.

PROCESS: You need to fill out the form based on your desired exchanges. also this works when a project team approaches an exchange and they come to an agreement behind closed doors.

PUBLIC SALES VIA PLATFORMS

Initial Dex Offerings: A DEX is a decentralized exchange. DEXs work as automated market makers. They rely on smart contracts to execute fund transfers, thereby eliminating the need for a third party. KYC (know your customer) and AML(anti-money laundering) compliance are also not required. but in many platforms, it's necessary to complete KYC. This may subject them to stringent regulations later on when the hammer drops, though. Instead of personal identification, all anyone needs to participate in is a digital wallet address to receive the coin in question based on dex criteria.

Initial DEX Offerings are the latest fundraising tool available to crypto startups. DEXs are the bedrock of decentralized finance (DeFi) DEXs offer users a private and cost-effective approach to trading. DEXs can accomplish this via an amalgam of smart contracts designed to execute via code once certain conditions are met.

PROCESS: Same as in IEO, you also need to fill out the form for DEX launchpads such as POLKASTATER. once the criteria are filled by the Dexs team, your pool will be enabled to raise the funds in a decentralized manner.

MAINLY, WEB3 PROJECTS DO BOTH PRIVATE SALES FOR DEVELOPMENT, AND PUBLIC SALES FOR LIQUIDITY.

HOW MUCH DO YOU RECEIVE?

DEPENDING UPON SEVERAL FACTORS, FUNDING WILL BE GIVEN THROUGH FULL DUE DILIGENCE OF THE PROJECT THAT HAS THE CAPABILITY TO COMPLETE THE PROGRESS UP TO DATE THAT IS GIVEN IN THEIR WHITEPAPER, ANY CRYPTO INVESTORS CONSIDERING AN EARLY CRYPTO PROJECT OR STARTUP SHOULD REVIEW IT ACCORDING TO THE "PTTC" PRINCIPLE. PROJECT, TEAM, TOKENOMICS & COMMUNITY.

PTTC PRINCIPLE

PROJECT: What is the project about, and how does it accomplish?

TEAM: How does the team look like, previous experience, etc.?

TOKENOMICS: What about the tokenomics(Anything that has an impact on an tokens value and tokens quality)?

COMMUNITY: Is it cryptocurrency community is active and promoting and marketing the project? Do they believe in it.

EVERYTHING NEEDED BEFORE THE LAUNCH

The very first question you need to answer is if your web3 project is the right strategy to raise capital for your business.

1. How the use of a token (and a blockchain) genuinely improves a business, product or service, beyond injecting a quick burst of capital in the short term

2. How to generate a fair return on investment for token holders over the long term.

EVERYTHING NEEDED BEFORE THE LAUNCH

1. BUILD A GREAT TEAM
2. UNDERSTAND THE LAW AND JURISDICATION
3. WHAT PROBLEM YOU'RE SOLVING
4. DESIGN YOUR TOKENOMICS
5. CHOOSE YOUR TOKEN SALE MODEL
6. CREATE YOUR PRODUCT ROADMAP
7. WRITE YOUR WHITE PAPER
8. CREATE YOUR WEBSITE AND SOCIALS
9. BUILD YOUR COMMUNITY
10. GETTING READY FOR LAUNCH

SEE YOU IN THE NEXT ONE

THANKS