THE UNIVERSITY OF SYDNEY

INFO5992 Understanding IT Innovations

Tutorial 10 Group Worksheet

Deaths by J-Curve

Tutorial Time: Tutor Name:

Group Name:

Q1. For each company, try to figure out why the companies failed to raise more funding to keep them going.

Xinja:

- COVID-19: "A proposed A$433 million by Emirates' World Investments in March failed to come good as the Covid-19 pandemic took hold and the bank stuttered."
- Lack of profitability: Xinja struggled to turn a profit and generate revenue from its banking services. Despite having a large customer base and offering competitive interest rates, the company was not able to achieve profitability, which likely made it challenging to secure additional funding from investors.
- Uncertainty in the market: The COVID-19 pandemic created a challenging economic environment that likely made investors hesitant to invest in a neobank that had not yet achieved profitability. Additionally, the Australian banking industry is highly regulated, and there is significant competition from established banks, which may have made investors cautious about investing in a relatively new player.
- Leadership changes: Xinja experienced significant leadership changes in the months leading up to its decision to exit the banking business. The company's co-founder and CEO stepped down in December 2019, which may have created uncertainty among investors and made it more challenging to secure funding.
- Failed capital raise: In early 2020, Xinja launched a successful crowdfunding campaign that raised $2.4 million, but it was not able to secure additional funding from institutional investors. In May 2020, the company announced that it had abandoned plans to raise additional capital due to market conditions, which likely made it more challenging for the company to continue operating.

Project Loon

- High cost: The cost of operating and maintaining the balloons was high, making it difficult to scale the project to cover larger areas. The balloons were expensive to manufacture and deploy, and they required constant monitoring and maintenance, which increased the cost of operation.
- Technical challenges: The technology used in Project Loon was complex and required significant development and testing. The balloons had to be able to withstand extreme weather conditions and maintain their position in the stratosphere for extended periods. Developing and maintaining this technology proved to be difficult and expensive.
- Limited coverage: While Project Loon was successful in providing internet access to some areas, the coverage area was limited, and it was challenging to scale the project to cover larger regions. The balloons had to be deployed in large numbers to cover a significant area, and it was difficult to provide consistent coverage due to their mobility.
- Lack of partnerships: Project Loon struggled to secure partnerships with telecom companies and governments, which could have helped to fund and scale the project. Without these partnerships, it was challenging to generate the revenue required to sustain the project.

Quantopian

- Difficulty in attracting and retaining users: While Quantopian had a large user base, it struggled to attract and retain users who were able to develop profitable trading strategies. This was due in part to the high level of competition in algorithmic trading and the increasing sophistication of market participants.
- High costs: The cost of running and maintaining the platform was high, and the company was not able to generate sufficient revenue to cover its expenses. This was due in part to the large amounts of historical

financial data that the platform processed, which required significant computing power and storage capacity.
- Business model challenges: Quantopian's business model relied on identifying and funding profitable trading strategies developed by its users. However, this model was difficult to scale and required significant resources to evaluate and monitor strategies, as well as to manage risk.
- Regulatory challenges: Quantopian also faced regulatory challenges, particularly in relation to its plans to provide capital to users who developed profitable trading strategies. These challenges made it difficult to scale the platform and generate revenue from its business model.

Rubica
- Lack of differentiation: Rubica faced significant competition in the crowded cybersecurity market, and it struggled to differentiate itself from other cybersecurity providers. While the company had a unique approach that combined human expertise and technology, it was difficult to communicate this differentiation to potential clients.
- High costs: Rubica's business model was based on providing high-touch, personalized cybersecurity services, which were expensive to deliver. The company struggled to generate sufficient revenue to cover its high costs and achieve profitability.
- Limited market: While cybersecurity is an important and growing market, Rubica's focus on providing services to high-net-worth individuals and small businesses limited its potential market size. This made it difficult for the company to achieve the scale it needed to be sustainable.
- Failure to adapt: The cybersecurity market is constantly evolving, and companies in this space need to be able to adapt quickly to changes in technology and threats. Rubica struggled to keep up with the pace of change and was slow to adopt new technologies and approaches.

Q2. Based on the failed cases of the 4 companies, what do you think is the most common reason for a start-up to fail?

1. Lack of market demand: A startup may fail if there is insufficient demand for the product or service they offer. This could be due to a variety of factors, including poor market research, an inadequate understanding of the target audience, or a failure to differentiate the product from competitors.
2. Running out of cash: Cash flow is critical for startups, and running out of money is a common reason for failure. This can happen if the startup is unable to generate sufficient revenue to cover expenses or if they are unable to secure additional funding.
3. Poor team dynamics: Startups require a dedicated and skilled team to succeed, and team dynamics can be a significant factor in success or failure. Conflicts between team members, a lack of trust or communication, or an inability to work effectively together can all contribute to a startup's failure.
4. Lack of a viable business model: Startups need a sustainable business model that can generate revenue and profits over time. A lack of clarity on how the startup will generate revenue or an unsustainable pricing strategy can lead to failure.
5. Inadequate product-market fit: Even if a startup has a great product or service, it may fail if it doesn't meet the needs of its target market. A lack of understanding of the target audience, insufficient market research, or a failure to adapt to changing market conditions can all contribute to an inadequate product-market fit.
6. Intense competition: Industries with fierce competition pose challenges for startups that struggle to differentiate themselves from their competitors. Without a unique value proposition, gaining traction becomes difficult.
7. Legal or regulatory issues: Startups may encounter hurdles in complying with complex regulations or obtaining necessary permissions, leading to delays and increased operational costs.
8. Technical challenges: Companies operating in cutting-edge fields face significant technological hurdles, and failure to achieve breakthroughs can pose risks to their development and capital resources.