# FINANCIAL PROBLEMS OF STARTUP PROJECTS AND THEORETICAL-RESEARCH ANALYSES OF THEIR SOLUTIONS

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**ANNOTATION:** Identifying the problems encountered by startup projects and offering practical solutions is crucial for their successful development. Since startups are often high-risk and uncertain, they face a variety of challenges.

**KEY WORDS:** financial resources, investor, venture capital, subsidy, microfinancing, digital marketing, mentors, cloud technologies, focus groups.

## INTRODUCTION

**Lack of financial resources.** Lack of financial resources is one of the major problems faced by startups. Many startups cannot find the necessary funding during the initial stages. This, in turn, leads to difficulties in covering costs related to product development, marketing, hiring employees, renting office space, and other essential expenses.

**Solutions. Investors and Venture Capital:** The most common way for startups to seek investment is through investors and venture capital (VC). Startups present their ideas and attract investors who invest their funds into the startup, aiming to gain a return on investment.

Angel Investors - These are experienced entrepreneurs or investors who Invest their funds in early-stage startups. These investments are usually small but can be crucial for startups.

**Crowdfunding** Through online platforms (such as Kickstarter, Indiegogo), startups can present their projects and gather funds from many small investors or supporters.

**Financial Grants and Subsidies:** Some governments and private organizations provide grants or subsidies to support startups. These are non-repayable funds that help in the development of the startup.

**Microcredits:** Microfinancing institutions provide affordable and accessible loans to small startups and businesses.

**Challenges in identifying the market and target audience.** Many startups fail because they either do not fully analyze the market or choose the wrong target audience. Before creating a new product or service, it is crucial to understand who it is for and what market needs it will address.

**Solutions. Market Research:** Startups should thoroughly study the market before developing their product. This involves analyzing the market, studying competitors, identifying the target audience, and testing the product (through prototyping).

MVP (Minimum Viable Product) - The MVP is the basic version of a product that includes only the most essential and necessary features. This allows startups to test the product with minimal costs, understand the market, and gather customer feedback.

**Focus Groups:** Organizing focus groups to get feedback from the target audience is an effective way to improve the product. This provides direct communication with consumers and helps understand their needs.

**Lack of a go-to-market strategy.** Startups often begin developing a product but fail to create a proper go-to-market strategy. A well-designed go-to-market strategy helps successfully sell the product, deliver it to customers, and build a brand.

**Solutions. Digital Marketing and SEO:** The role of digital marketing in promoting products is significant. Online tools such as SEO (Search Engine Optimization) and SEM (Search Engine Marketing) allow startups to reach potential customers directly.

**Partnerships and Networking:** Collaborating with large companies or building networks can be

beneficial for bringing a product to market. This helps startups introduce their product to a wider audience.

**Inexperienced and Underqualified Team Members.** Inexperience and lack of qualification in the startup team can lead to numerous problems. This may result in issues with product development, organizing marketing efforts, effective teamwork, and other essential tasks.

**Mentors and Advisors.** It is crucial for startups to involve experienced mentors and advisors. They help the startup by sharing their experiences, identifying weaknesses, and assisting in making the right decisions.

**Team Formation:** Hiring well-qualified employees contributes to the successful operation of a startup. Targeted employees will add value to the company's growth.

**Training and Education.** To develop the startup team, it is necessary to use training, courses, and other educational programs. This helps team members acquire the required skills and prepares them to work efficiently.

**Competition and Market Volatility.** Startups often operate in rapidly changing markets. New technologies, products, or services can quickly evolve and create competition. It is essential to respond correctly to competition and quickly adapt to market changes.

**Innovation and Flexibility:** Startups can overcome competition by constantly generating new ideas and updating their products. Innovations and understanding customer needs enhance their ability to adapt to the market.

**Studying Competitors:** Analyzing competitors and identifying their strengths and weaknesses helps startups develop effective strategies for entering the market and competing effectively.

**Technological Issues and Infrastructure Shortages.** Insufficient technological infrastructure, including servers, software, network, and security issues, can hinder the development of startups.

**Cloud Computing:** Startups can develop their infrastructure efficiently and at a low cost using cloud technologies. These technologies ensure adaptability to changing demands and effective management of large amounts of data.

Of course, for startups to operate successfully, they often face a number of challenges. Identifying these problems and developing practical solutions for them is crucial. Below, I will provide more detailed information about the main challenges startups encounter and their practical solutions.

**Financial Resource Shortage**

The lack of financial resources is one of the biggest barriers for startups. Securing the necessary funds at the early stages of a new business can be challenging. To raise financial resources, startups need to present their ideas, negotiate with investors, and seek loans.

**Venture Capital and Angel Investors:** Venture capital firms and angel investors are vital financial sources for startups. These investors believe in the growth potential of startups and invest in them, though they consider the high risks associated with such investments.

**Crowdfunding:** Startups can present their ideas through online platforms (such as Kickstarter, Indiegogo) to attract numerous small investors and interested members of the public.

**Grants and Subsidies:** Governments and private organizations provide grants, subsidies, and awards to help finance some startups. These funds are non-repayable, which greatly assists in the development of the startup.

**Market Research and Target Audience Identification Issues**

Startups often fail because they do not fully analyze the market or select the wrong target audience. They may not know exactly who to serve, what value to provide, and which market demands to meet while developing their products.

**Market Research:** Analyzing the market and competitors is an essential step for startups. Before developing their products, startups need to conduct in-depth market research. Market analysis, studying competitors, and understanding customer needs are crucial for creating a successful strategy.

**Minimum Viable Product (MVP):** MVP is the initial version of the product that includes only the

most essential functions. With this approach, startups can test their products with minimal costs. It helps quickly identify market demands.

**Focus Groups:** Startups can organize focus groups to gather feedback from users. Focus groups help identify customer needs and their attitudes towards the product, which aids in product improvement.

### Marketing and Product Launching Issues

Another problem for startups is the lack of a proper product launch strategy and an effective marketing campaign. With a good marketing strategy, a product can be introduced and delivered to potential customers, but many startups feel uncomfortable in this area.

**Digital Marketing:** Through digital marketing technologies, startups can reach a wide audience. Online tools like SEO (Search Engine Optimization) and SEM (Search Engine Marketing) allow startups to share their products with more people.

**Influencer Marketing:** Startups can use influencers or celebrities to promote their products. This makes it easier to introduce their products to a broad audience and establish relationships with customers.

### Inexperienced and Underqualified Team Members

Many startup teams may be inexperienced or underqualified, which can cause difficulties in product development, marketing organization, or company management.

**Mentors and Advisors:** Startups can benefit from engaging experienced mentors or advisors to guide them in their development path. Mentors and advisors assist in managing the startup and making decisions with their expertise.

**Training and Education:** Startups can improve the qualifications of their teams by providing relevant training and courses. Developing the necessary skills for a changing business environment enhances team productivity.

**Team Formation:** Building a good team is essential for a successful startup. There should be good communication, mutual trust, and professional skills among team members.

### Competition and Market Volatility

Startups often operate in dynamic and competitive market conditions. New technologies, products, or services can rapidly evolve and create competition. It is important to respond to competition and adapt to market changes.

**Innovative Approach:** Startups need to continuously update their products and services and implement innovations. Through innovations, they can stand out from their competitors and establish a strong position in their markets.

Startups must be adaptable to market changes. They should also make quick decisions and respond rapidly to new situations.

**Studying Competitors:** Startups can gain insights into their competitors by understanding the strategies they use, how they promote their products, and identifying their strengths and weaknesses. This provides startups with the opportunity to improve their own strategies.

### Technological Issues and Lack of Infrastructure.

The lack of technological infrastructure, software, or security issues can be a significant barrier for startups. These challenges may hinder product development and data protection.

**Cloud Computing:** Through cloud technologies, startups can optimize their infrastructure and reduce costs. Using cloud computing platforms allows for efficient management of servers and databases.

**Security Assurance:** Startups must ensure that both their products and customer data are securely stored. Strong security protocols, encryption, and data protection technologies are essential.

**Technological Solutions:** Startups need to utilize effective and cost-efficient technological solutions when developing their products. This may include using necessary software, platforms, or technological tools.

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