

Funding the tech startup: South Africa's next hurdle

By John Harvey

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Such is the tech age in which we now live that the word "startup" automatically translates as a new company whose business is centred on digital innovations like apps, algorithms and other technologies.

The fact is that since Facebook founder Mark Zuckerberg and others revolutionised the way we communicate in the mid-2000s, it has become exceptionally hip to say you are the CEO of a startup, especially now that digital giants like Google and [Yahoo are snapping up anything](#) that remotely catches their interest at billions of dollars a piece.

Without any question Steve Jobs blazed the trail for today's tech startups when he convinced entrepreneur and former Apple CEO Mark Markkula to part with \$250,000 in 1977, and it is little wonder that Jobs enjoys the demigod status he does, even posthumously.

Startups making waves

Given the interconnectivity of the world, it also comes as no surprise that South African startups are popping up everywhere - and are receiving worldwide attention as a result.



Image via 123RF

Reputed global business publication *Business Insider* recently ranked former South African App of the Year award winner SnapScan among the 12 best startups in Africa. With SnapScan, people can pay at more than 5000 stores across the country, simply by scanning the snapcode on their bill or at the checkout counter.

Another startup making considerable waves is [Hashtag South Africa](#). In line with the country's National Development Plan 2030, the company aims to introduce, implement and integrate the use of social media, fiber communication, cloud computing and mobile application development into SME and the corporate and public sector.

With an eye to growing into the huge South Asia market in 2015, Cape Town startup [Swipe](#), a WeChat integration partner, has created the ground-breaking WeChatBuilder - an innovative tool that allows brands and agencies to add a range of predefined features to their official account.

The Swipe team has already set its sights on targeting India and Indonesia, the biggest WeChat countries outside China, early in the new year. It is thus apparent that there is no shortage of world-beater tech startups in the country, yet potentially there could be even more.

Grabbing the attention of the investors

Unfortunately funding a successful startup is not always easy, particularly in an industry in which ultracompetitive bright young things are jockeying for the attention of angel investors.

The problem is made all the more difficult in South Africa, where coming by massive capital investment is a constant challenge. The obvious solution, as with any small business, is to seek out [business finance](#) from a financial institution. It may come as something of a surprise, but this also remains one of the best options in the digital startup mecca of Silicon Valley - and beyond.

Earlier this year Silicon Valley Bank announced it would expand its Arizona operation to make \$100m available to lend technology and life sciences startup companies in the American Southwest.

Gaining essential experience

What is encouraging in the South African example is that very often founders of startups have honed their skills on larger digital platforms, which are already heavily financed. Their time at these companies has allowed them to grow as individuals and business people, and as a result obtaining financing from banks is made a lot easier.

Another encouraging sign is the partnerships that have been forged between startup drivers and banks in recent years. A significant development occurred in 2012 when [Angelhub Investors](#), an investment group that pools funding, partnered with FNB Private Clients to assist startups grow and gain access to South African investors.

While there is still a lot of work to be done in terms of financing South Africa's digital startup revolution, which shows no signs of slowing down, the future does appear to be a bright one for those aspiring to the heights of PayPal co-founder Elon Musk and others.

ABOUT JOHN HARVEY

John Harvey is Media Relations Consultant at Roger Wilco, an established, award-winning digital marketing agency based in Cape Town. He was weaned and came of age on a very unhealthy diet of new sprint and post-midnight deadlines - yet still comes back for more.

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