

- (e) Evaluate whether crowdfunding is an effective source of finance for Good and Proper Tea. You should use the information provided as well as your knowledge of business.

(12)

Crowdfunding is a way of raising capital, usually online, through people investing for something in return e.g. products or shares.

Emillie should use crowdfunding to raise money for her tea business as this method is a fast way to raise finance with no upfront fees. This means she can invest the money e.g. to get more flavours of tea from exotic places like Sri Lanka or renovate the Citroën tea van, without worrying about having to face any immediate costs as you would when borrowing from a bank. Moreover, crowdfunding can be part of a marketing scheme so Emillie can market her drinks without the typical price of marketing on the crowdfunding website. In addition the people who invest can offer feedback on how to improve the business which could lead to higher revenues. She could offer a share of the profits and half price teas as an incentive to invest.

However, if Emillie set up her crowd-fund page and didn't reach the target of money to raise she wouldn't get any so all of time and money would have been wasted in launching the page. As well as losing time and money through this the tea van idea could be stolen and recreated. This could become competition and if the other drinks business

manages to have cheaper prices than Emilie might sell less and this could result in a drop in revenue. Her profits would consequently drop. She might have to increase the prices of the beverages to make up for the loss of customers which in the long-term could drive more people away to buy cheaper drinks.

In conclusion, I think crowdfunding is an effective way of raising finance as selling drinks in a Citroën van is a unique idea investors would appreciate and invest in. Also when she used Crowdfunder in 2016 raising £120,000 it was successful and allowed her to build the business so it would probably work again.

(Total for Question 7 = 25 marks)