2019 STARTUP BURN REPORT / STARTUP TOOLS ANALYSIS
THE STATE OF THE SHIP / ADVERTISING FOR BLACK FRIDAY

Brex Quarterly Review

ISSUE 2

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growing with us.

BREX

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Methodology

To get a better sense of the way startups, life sciences, and ecommerce companies operate, Brex looked at anonymized usage data.

Share of spending is defined as the spend for one specific category or tool divided by the total spend for that category or services included in that analysis. Data included is through December 1, 2019. Burn percentile is defined as the percentage of startups in that category (such as Seed or Pre-seed) burning at least that much capital each month.

Startup burn is defined as the total burn of a company divided by the number of months in operation since its last fundraising round. Companies that did not burn capital or carried a balance below $25,000 were not included in these calculations. The median monthly burn rate is defined as the median of all burn rates for that particular category (such as Seed or Pre-seed).

Average spend on categories in the Startup Burn report is defined as the average spending on that category for companies that fall in a specific burn bracket. The provided average spending is the average spending on that category of all 2019 months through December 1, 2019.

Micromobility usage is defined as the percentage of Brex customers using that service.

Median costs for conferences and media outlets is defined as the median spend for those services all companies that are paying for that spend.

Typical flight costs are defined as the median transaction value of all flights for startups that list that city as their primary address. Median prices were calculated in batches of tickets that cost less than $800 or more than $800 for all flights from 1/1/2019 to 12/1/2019.

Median costs for a Lyft or Uber ride is defined as the median of all Lyft and Uber transactions from 1/1/2019 to 12/1/2019. Rides that were either less than $1 or more than $200 were not included in this calculation.

In the Startup Toolkit, typical spend for a service is defined as the median spend for a specific service across all Brex customers. The average of each month's median was taken to determine the cost of each typical service (such as HubSpot or Salesforce).

As part of its underwriting process, Brex maintains visibility into the spending of companies that use its products. Companies who asked that their data not to be shared were not used, and any company that does not wish to share its data for future aggregated analysis may request to exclude it from being shared in the aggregate. If you don't want us to use your data in anonymized or aggregate form, contact us at privacy@brex.com.

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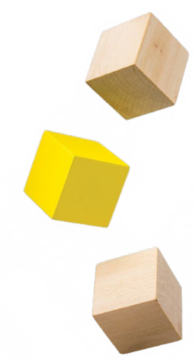
What works for startups at work?

For~~e~~w~~o~~ard

2020 is a new year, a new decade, and an opportunity to look forward to set our goals for the months and even years ahead. In 2030, you might look back and see the results of the decisions you make today. Because whether it's a brick-and-mortar shoe store or an app on your phone, every company comes with its own set of decisions and challenges. Evolving inventory needs. Building a team. Finding the time to focus on the big picture while also paying painstaking attention to the smallest details.

These challenges are inherently familiar to us because we face similar ones at Brex every day. In 2018, we launched Brex with one product: the corporate card for startups. It was a single product for a single audience. We heard more than a few times that we should just focus on startups and stick to what we knew. But like many of our customers, we decided to set our sights higher in 2019 to find new ways to service even more growing businesses. We introduced new corporate cards for ecommerce and life sciences and even launched Brex Cash—a cash management account to give business leaders more control and visibility over their finances, without the typical fees and wait times that otherwise hold the ambitious back.

Along the way we learned a lot, and that's what we want to share with you in the Brex Quarterly Review. As a business leader, it can be frustrating to feel like you're reinventing the wheel or building from scratch when you don't need to be. We're sharing our research, data, and experience so you can make more informed decisions with your own company.

Looking ahead to 2020 here at Brex, we've got big dreams on the roadmap. And we look forward to seeing just how big, boldly, and audaciously you dare to dream in the next year and beyond.

Henrique & Pedro

THE STARTUP BURN REPORT

WORDS BY
MATTHEW LYNLEY

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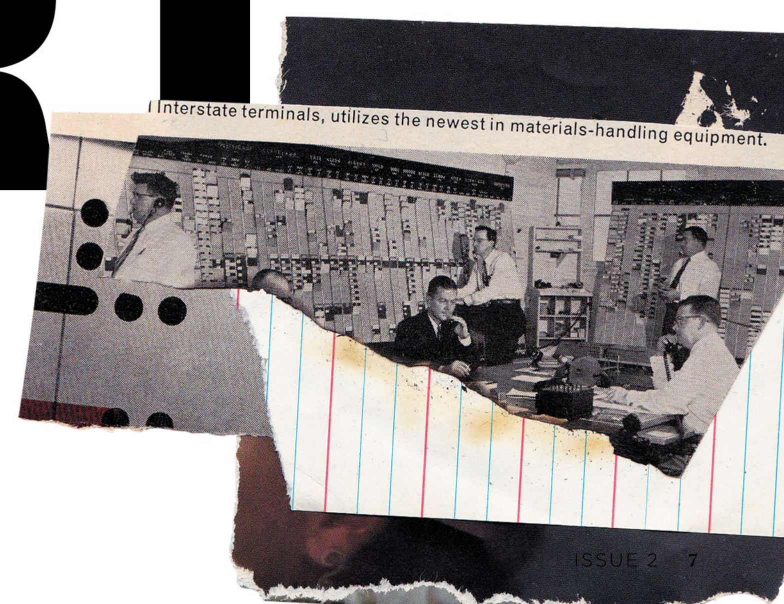


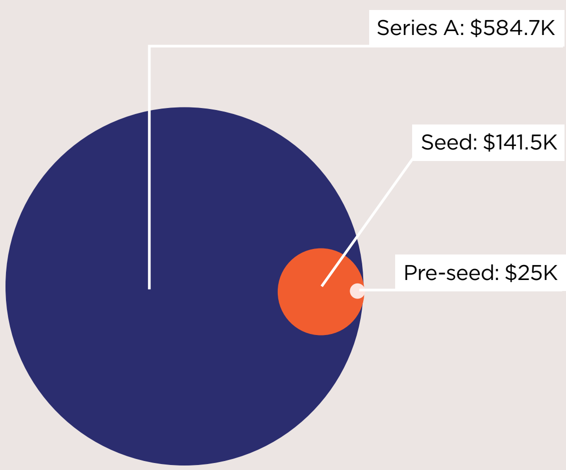
Most startups are going to look to raise money in order to invest in their growth. After all, growth isn't cheap—and it's that cycle of investment and burn that powers innovation around the world. Entrepreneurs get to work, pitch their ideas and products to investors, raise capital, and then invest that capital in growth. Most startups won't even see a profit until they've gone public, which could take years, even close to a decade.

So it helps to understand where you stand among your peers when it comes to how much capital you're burning. Startups in different industries will deploy their capital in different ways. Some might invest more in marketing, while others might have to pay for more server space to run their operations. Ecommerce brands have a swath of inventory to finance. Life sciences companies may have to spend heavily on supplies for their research.

Still, the more information you have when it comes to running your business, the better. That's why we're publishing the 2019 Startup Burn Report: an analysis of the typical burn rates of companies by stage over the course of 2019. As we continue to grow and add new customers from all parts of the country at all stages, we can get a more accurate picture of how startups are investing their capital.

Despite uncertainty about the health of the global economy, we found that startups are indeed still investing in their growth—and, in fact, they may be pouring more capital into their growth than they did at the beginning of the year.

Median burn rates for startups by stage



How much do startups burn every month?

A good place to get started is to look at the median spend of your typical startup by stage. We analyzed anonymized, aggregate Brex usage data to get a sense of how much startups are investing in their growth. While our customers continue to grow and we add new ones, we may continue to see growth in that investment. But amid all that, we can see that startups are still burning a healthy amount of capital each month.

Pre-seed companies are typically raising less than $1 million from angel investors, family, and friends. When you get to the seed stage, you might be raising up to $5 million, while Series A companies can raise well beyond that. We saw that the median burn rates remained roughly unchanged for pre-seed Brex customers, while for seed-stage and Series A-stage Brex customers, it's a different story.

As we can see, spending more or less lines up with their growth. If a seed-stage startup has raised up to five times that of a pre-seed company, you'd expect it to be investing substantially more in its growth. And we can see that each stage represents a substantial step-change in thinking when it comes to investing in growth.

Still, not all companies are the same when it comes to investments.

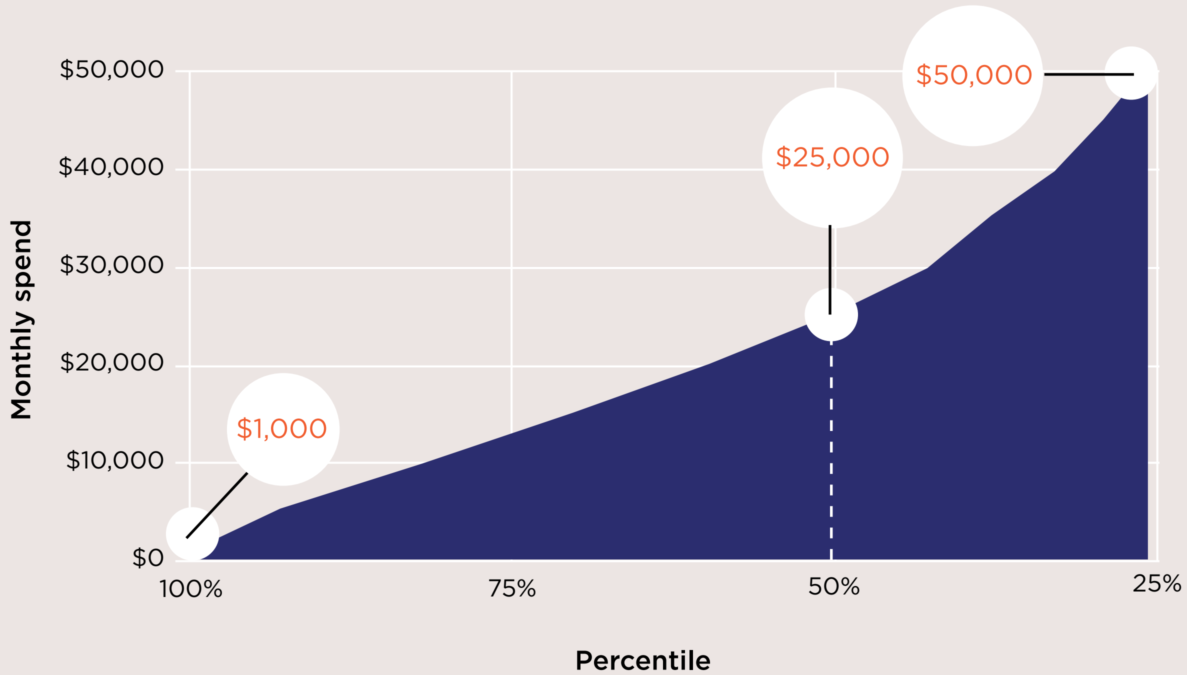
How does spending break down among startup stages?

When startups are just getting started, they'll likely be spending on the very basic tools they need to run their business. They're likely also a ways away from having an actual product. It might be some time before they actually have to deal with the kinds of sales cycles that larger companies have—which may be dependent on the time of the year.

As a result, we saw little change for the median burn rate for pre-seed stage Brex customers over the first three quarters of the year. The majority of pre-seed stage Brex customers burned at least $20,000, while a quarter of pre-seed stage Brex customers burned more than $50,000. Each startup's initial costs may vary, but you generally need the same stuff to get started: laptop, cloud tools, operational tools like G Suite and perhaps Slack, and others. (We'll dive further into the startup toolkit later in this issue of the Brex Quarterly Review.)

> “There still isn't one right answer to how much you should invest in your growth. Startups that build SaaS will have a completely different spending profile than ones that are building hard products they have to ship to customers. So even if a startup is in that top burn percentile, it doesn't mean that they're burning too much capital.”

Pre-seed 2019 burn thresholds

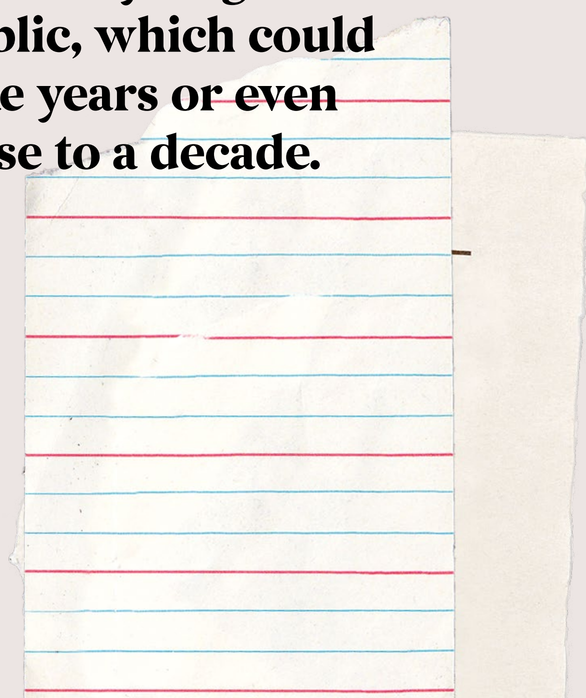


As startups approach what many consider the seed-stage, where they've raised more than $1 million and start thinking of their runway in quarters or even years, their spend profile is going to change. We saw that seed-stage Brex customers increased their spending over the course of the year, with the third-quarter spending being roughly 30% higher than that of the first quarter.

That, of course, may not be surprising. Everyone is coming back from the summer holidays in the third quarter and ramping up for the end of the year. Companies that sell tools to other companies (like Brex!) might be influenced by seasonal sales cycles—especially if they provide tools to ecommerce companies that are gearing up for the holiday sales cycle. Seed-stage startups may also find themselves in the early stages of building their marketing efforts to acquire new customers.

We found that well over half of all seed-stage Brex customers, who have raised at least $1 million and no more than $5 million, burn at least $100,000 per year. More than a quarter of them are investing more than $250,000 in their growth as well. But when you've raised the kind of capital that your typical seed-stage startup has, you can start thinking long-term and plan for where you might be in a year. As a result, you can be more aggressive with your investments.

Most startups won't even see a profit until they've gone public, which could take years or even close to a decade.

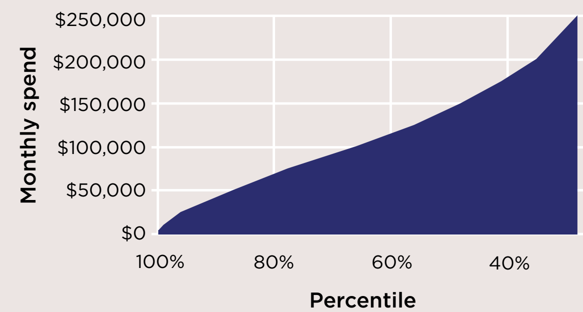


Once you've graduated beyond the seed stage and raised a Series A financing round, things start to change again. Your money is probably coming from venture capitalists, who have different expectations than angel investors. Series A companies may have already launched their products, or already found product-market fit, and are hitting a stage where they need to scale. Investors expect hard numbers on slide decks and your customer acquisition efforts are probably in full swing.

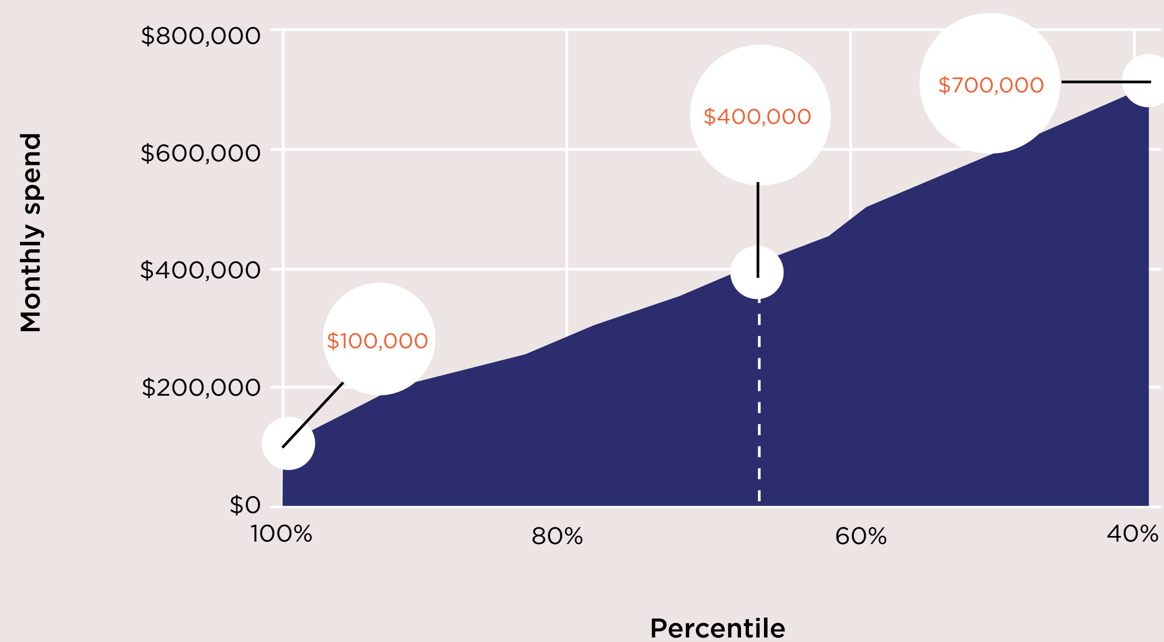
We found that spending among Series A-stage Brex customers increased substantially over the course of the year, with the third quarter being nearly 50% higher than the first quarter of 2019. This may be a result of a number of things—including our customers growing into larger businesses. But at the same time, Series A companies may also have to deal with seasonality when it comes to their operations.

And, of course, there's hiring. Series A companies have to find top talent if they hope to survive. Once they have the capital to invest in hiring, it isn't cheap. Series A companies still have to convince potential candidates to take a chance on a smaller company and compete with larger ones that have much deeper pockets—so they may have to be more aggressive in the cash portion of their compensation. (We dive deeper into some recruiting tools startups use later in this issue.)

Seed 2019 burn thresholds



Series A 2019 burn thresholds



How are life sciences companies spending?

Brex launched a card tailored for life sciences companies earlier in 2019, and we've seen that customer base grow over the course of the year. We also dug into the anonymized spending profile of Brex customers that use the life sciences product. We found that Brex for Life Sciences companies burn somewhere between your typical seed-stage startup and a pre-seed startup. Brex for Life Sciences customer spending decreased over the course of the year.

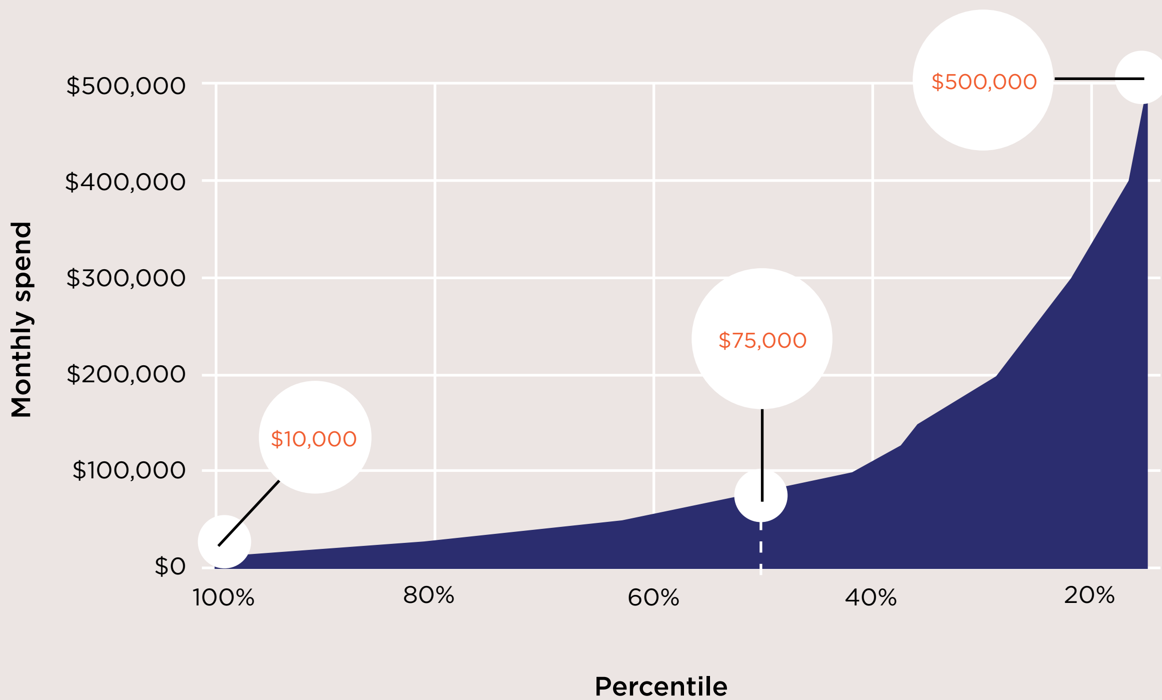
Still, we can see that at least half of all Brex for Life Sciences customers invest more than $75,000 each month in growth. Life sciences startups may have a wholly different spending profile to that of your typical startup. Instead of paid ads, you're paying for lab supplies or additional tools necessary for research. We'll get a better sense of how life sciences customers invest in their growth over time as our customers grow.

What if my burn is way off the median?

There still isn't one right answer to how much you should invest in your growth. Startups that build SaaS will have a completely different spending profile than ones that are building physical products they have to ship to customers. So even if a startup is in that top burn percentile, it doesn't mean that they're burning too much of that hard-won capital.

But, again, more information is better when it comes to running a business. As we enter the new year, it's always a good time to reflect on the coming year—and the kinds of things you might want to try differently compared to what you did in 2019.

Life sciences 2019 burn thresholds



How much are startups spending for their top needs?

When you're getting off the ground—or even when you're hiring your 30th employee—it can sometimes be hard to know if you're spending too much (or even too little) on the tools to run your business.

Your work might require a lot of travel. Or you might be a startup that requires a lot of server space. Or you might have some other, more specific needs. But it can be hard to benchmark exactly how much you're spending on everything else that you need to run your business.

We took a look at anonymized Brex usage data to find out roughly how much startups spend on certain major categories segmented by the amount of capital they burn each month. Brex customers are primarily early- to mid-stage tech startups, though we have an increasing number of ecommerce and life sciences companies.

Again, there isn't one right answer to the way you're spending your capital. But the more information you have when making key decisions, the better. Let's dive right into some of the numbers:

Startups burning less than $25K per month spend

ADS	$6,530
SOFTWARE	$1,857
SERVERS	$2,603
TRAVEL	$2,572
EVENTS	$1,050
RIDESHARE	$479
COWORKING	$1,839

Startups burning between $25K and $50K per month spend

ADS	$4,243
SOFTWARE	$2,126
SERVERS	$3,765
TRAVEL	$3,765
EVENTS	$1,119
RIDESHARE	$525
COWORKING	$2,042

Startups that are just getting off the ground may have a completely different spending profile than that of your typical startup that's found product-market fit.

Most Brex customers still invest thousands of dollars in ads each month. So it may be that startups want to start generating awareness for their business right from the get-go, whether that's for selling a service or building a brand.

Still, this doesn't necessarily mean that larger companies spend an enormous amount of capital by default. Some startups may simply have lower operational costs. This report only covers seven categories of spending while there can, in reality, be dozens that tackle a whole long tail of requirements.

As startups begin ramping up their spending, their operational costs are probably increasing across the board. More employees means you have to pay for more seats for your software, or you may be paying for new services to ensure you can run your business smoothly. And if you're out raising money, you might be traveling more to visit investors or firms.

Startups burning between $50K and $100K per month spend

ADS	$15,034
SOFTWARE	$3,001
SERVERS	$6,052
TRAVEL	$3,525
EVENTS	$1,170
RIDESHARE	$631
COWORKING	$2,199

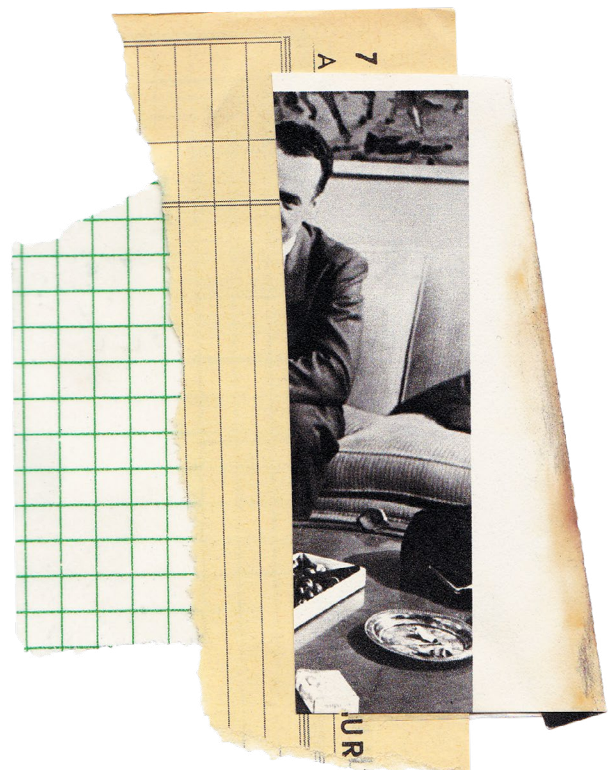
Startups burning between $100K & $250K per month spend

ADS	$13,935
SOFTWARE	$4,155
SERVERS	$7,151
TRAVEL	$7,083
EVENTS	$1,595
RIDESHARE	$666
COWORKING	$4,201

The first trend we see is pretty obvious: while spending is ramping up across the board, advertising spending is growing the fastest. Brex customers that burn between $50,000 and $100,000 spend nearly three times as much as startups that burn less than that on advertising.

And it makes sense! When you're heavily investing in growth, you've probably already found product-market fit and are starting to dial up your customer acquisition. So that means you're going to be spending more on advertising across a variety of different platforms.

You can find more information about the way startups are spending on advertising platforms later in this issue.



Am I investing the right amount of capital in these services?

Whether you're on point with these numbers or you're way off the average spending based on your bracket, you could still be spending exactly what you should be to run your operations. We dig deeper into the specific tools later in this issue, covering products in advertising, SaaS, coworking, recruiting, and others.

In the end, your company's needs are going to be very different than the one down the road. So it's important to collect as many data points as you can from many different sources—including your colleagues, advisors, investors, and anything else available online. And the spending information presented here is just that: one data point to consider.

Advertising for Black Friday

How did ecommerce companies advertise ahead of the biggest shopping days of the year?

WORDS BY
MATTHEW LYNLEY

ART BY
RAZ LATIF

The fourth quarter is a make-or-break quarter for many companies. Your various social feeds and inboxes overflow with sales and deals around the Thanksgiving holidays. But these offers don't come cheap.

The ecommerce advertising game isn't just about catching a potential customer at the moment they're ready to make a purchase. You have to be advertising well ahead of the purchase—whether that's a week or even a month or more. Black Friday and Cyber Monday represent, for many companies, the finish line for those campaigns.

We took a look at anonymized, aggregate Brex ecommerce customer spending on advertisements headed into Black Friday and Cyber Monday to get a sense of ad spend around those holidays. And while ecommerce brands begin spending much earlier, the week ahead of those holidays is a critical one.

Median spend on Facebook ads

All of 2019	Week of 11/25
$8,009	$10,742

How does advertising play into ecommerce spend headed toward the holidays?

Advertising and marketing typically make up around 38% of all Brex customer ecommerce spend, depending on the month. But when we look at the overall percentage of spend advertising makes up for ecommerce companies, we can see a distinct spike during the week of Black Friday and Cyber Monday.

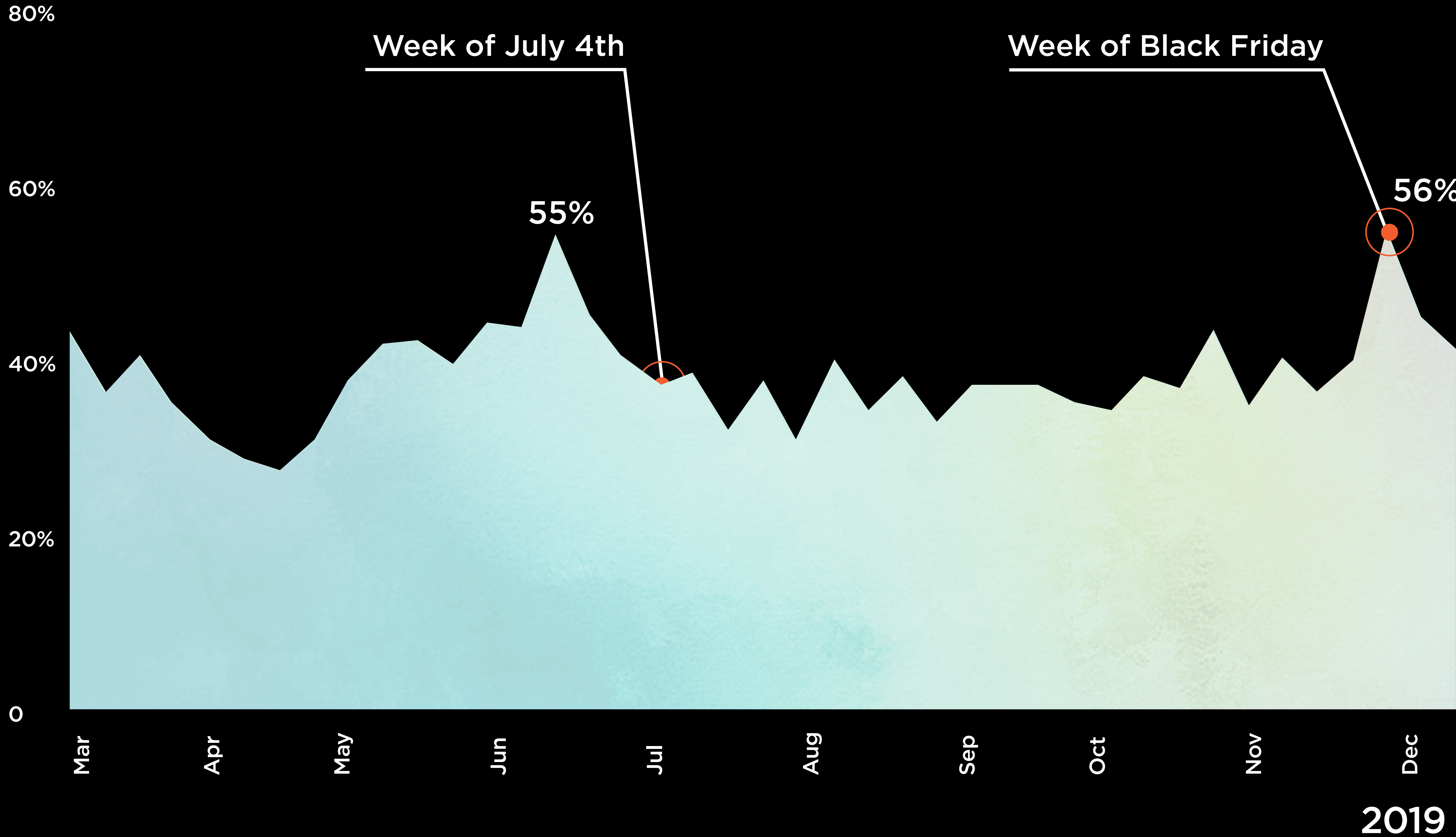
Ecommerce businesses are particularly seasonal, given that they have to get an actual product into someone's hands. But Black Friday and Cyber Monday are some of the most important days of the year for ecommerce companies.

Ad campaigns may begin months before the actual selling holiday when people are just browsing and aren't sure what they want to buy—or when they want to buy it. Those campaigns start to change as the dates get closer, increasing in urgency, with messaging around taking action and making that actual purchase. And of course, companies must keep pouring money into advertising even as the shopping holidays arrive.

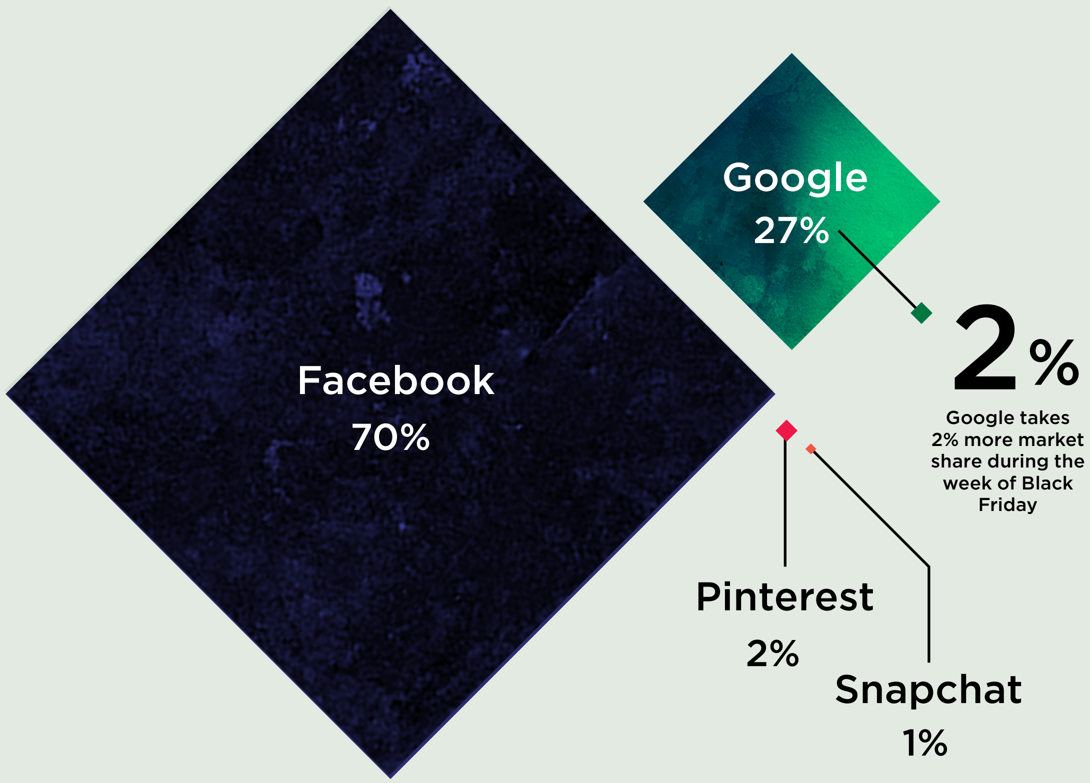
Weekly marketing and advertising as percentage of total spend in 2019

There's a really interesting takeaway from this graph. July 4 is typically a holiday spent enjoying a barbeque and the fireworks, hopefully very far from a laptop screen. As such, you can see that ecommerce advertising spend ramps up significantly far before the holiday, then tapers significantly.

However, on the "holidays" of Black Friday and Cyber Monday, everyone's eyes are glued to their phones and laptop screens. So ecommerce companies act accordingly, and start ramping up advertising well before, but then sustain the advertising to a much greater degree, given that the eyeballs are still there.



Share of advertising spend among top advertisers



When you look at the distribution of advertising for some of the most significant players in ecommerce, it becomes pretty clear. There's a very slight shift, but we noticed a nudge toward spending on Google versus spending on Facebook. There may be other dynamics at play, but Google ads traditionally perform well when the customer has already identified what they want and are ready to make a purchase.

Why invest in advertising ahead of sales?

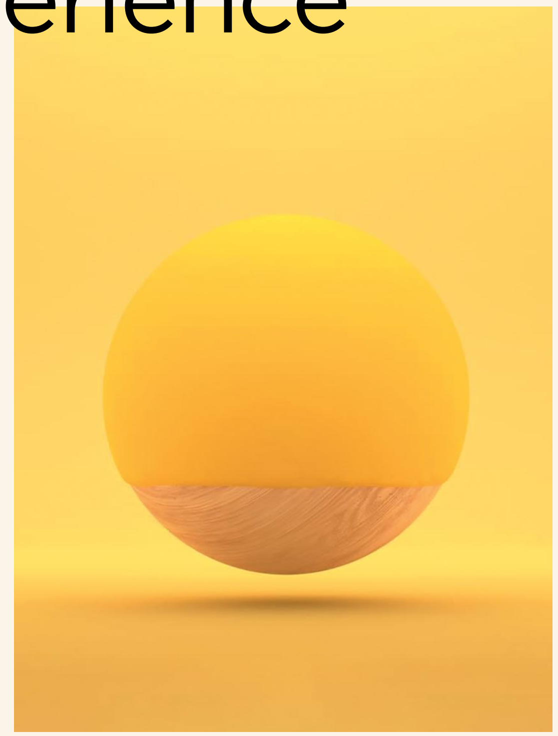
Let's say Cyber Monday is right around the corner, and you're trying to convince someone to buy a gadget—either for themselves or for a gift. So many companies treat Black Friday and Cyber Monday as important sales dates that the critical volume has turned them into shopping holidays for consumers. As such, the highest probability of the sale may happen on or around those days.

You first have to convince a potential customer that they need said gadget in the first place and then convince them that they should buy your gadget instead of a very similar one next to yours. You'll have to start advertising well ahead of time to communicate your product's benefits to the consumer.

So you might purchase ads on Facebook, Pinterest, or even out-of-home displays like billboards to tell the world about your gadget. When you're trying to get them while they're actively interested in buying a gadget, you might pay for search ads like Google. And as they get closer to a purchase, you want to drive them to the place where they can hit the 'buy' button.

The whole process is easier said than done, and each campaign will vary considerably from the last. But the takeaway is clear. Many ecommerce companies ramp up their spending the week before the finish line—just like a runner might enter a final sprint in the last 25 meters.

Differentiating your customer experience in 2020



We partnered with Zendesk, a leading customer service platform serving over 145,000 companies, to share a summary of their Annual Benchmark publication. The publication looks at data from over 45,000 companies to share insight into what's working, what isn't, and what's next in Customer Experience (CX).

This year's report surfaces three major areas of opportunity that we predict high-performing companies will be investing in heavily this year: self-service, personalized experiences, and artificial intelligence.

Self-service

When you have an issue with a product or service, what do you do first? If you're like many others, you may pull up a quick internet search or comb through a company's online help center. That way, you may be able to resolve the issue yourself, without having to go through the hassle of contacting via another channel. Trying to resolve an issue yourself may seem like a no-brainer, but many companies have yet to catch up to customers' expectations around self-service.

Zendesk found that 69% of customers want to resolve as many issues as possible on their own, and 63% of customers always or almost always start with searching a company's online resources when they have an issue. Yet only 28% of companies report offering a help center.

Self-service is clearly a huge opportunity for investment, but most companies reported that they don't plan to add a help center or community forum in the next year. In fact, investment remains high in traditional phone and email support. But the customer desire is already there for self-service channels, and high performing companies know this. Now is the time to dedicate resources to building effective self-help channels to differentiate your support in 2020.

Personalized experiences

Customers have come to expect personalized experiences and coordinated support. In fact, 71% of customers surveyed say they expect companies to collaborate internally so they don't have to repeat themselves. To help make this possible, companies are storing three times as much data on Zendesk as they did five years ago, and twice as much data per customer. If your company doesn't have centralized, complete customer data, you may be unable to deliver the experience customers expect.

As you can see in the table, younger generations are driving this desire for personalized experience, which includes proactive engagement and tailored recommendations. There is a big opportunity for targeted outreach that is high-quality and relevant to customers. Customers are ready for your recommendations. Best in class companies will be using phone, email, push notifications, chat, and in-app messaging to add value for customers in a relevant and respectful way, and they will be leveraging data to do it.

Artificial intelligence

For the best support teams, AI is already driving great customer experiences, but many companies still view AI as an emerging technology. Zendesk found that 63% of companies surveyed are not yet using AI, which means there is a big opportunity for many in the coming year.

Customers, especially those in younger generations, are increasingly comfortable with AI in support interactions. 55% of Millenials and Gen Z customers say AI is helpful for simple issues, and 25% say AI is helpful for complex issues. Younger generations are also more enthusiastic about interacting with AI if it gets their issue resolved more quickly and accurately, indicating that they may be more open to using AI as long as it's straightforward and effective.

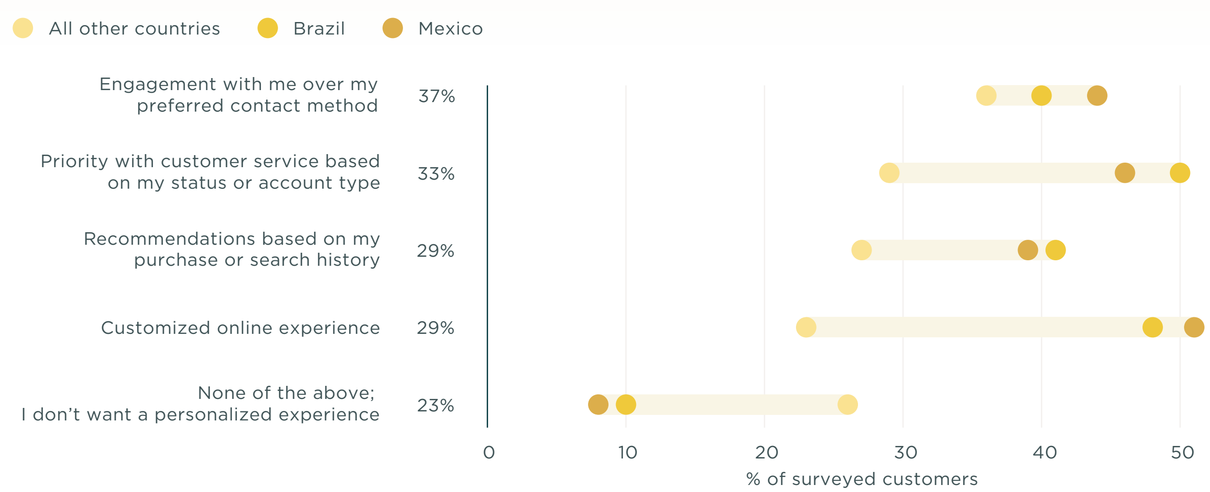
AI actually offers another potential benefit beyond time savings and accuracy—boosting support team morale. In their 2019 Benchmark, Zendesk found that 68% of agents report feeling more satisfied when helping customers with complex issues rather than with simple issues. Having AI in place to handle simple cases could lead to higher employee satisfaction and retention. Zendesk has also found that over the first four years of an agent's tenure, each additional year of retention averages to a 2.3% boost in CSAT rating across interactions with customers. So while on the surface AI may seem threatening to support reps' jobs, it may actually positively influence job satisfaction, tenure, and CSAT.

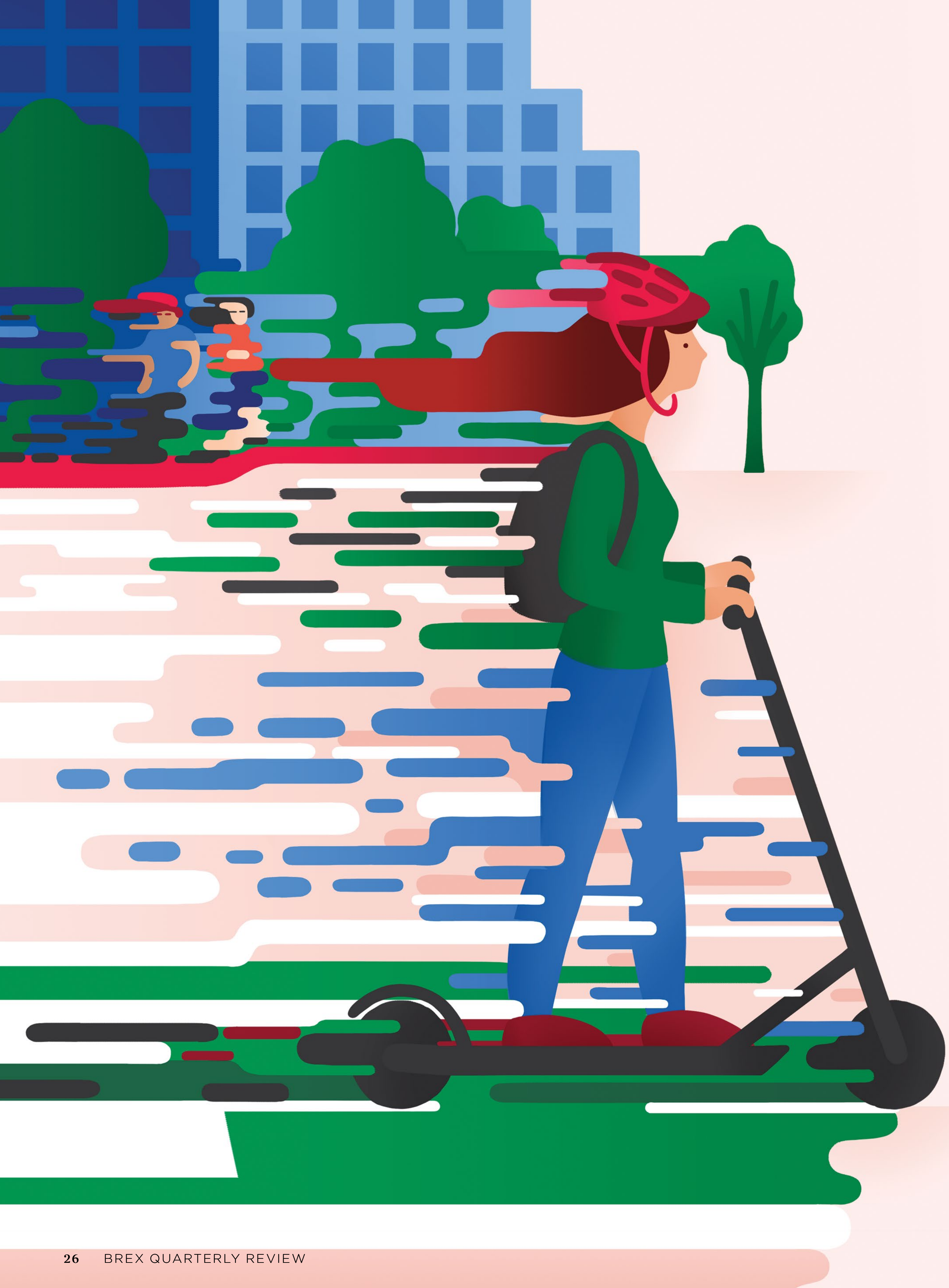
The future of CX

Improving your customer experience is easy to put off. There are so many areas you can invest in, and you don't want to spend money if it isn't going to align with customer interest or feel relevant to your team. That's why the opportunities for the coming year are so important: They're based on real data from thousands of companies and customers. If you don't think they're likely to move the needle in a meaningful way, remember that your customers are comparing you to the best customer experience they've ever had *every time*. Customers value fast replies, 24/7 availability, and agents who know how to solve their issue the first time they contact you. The highest-performing companies are leveraging data and multiple support channels to deliver this exceptional customer experience—every time.

Read the full report here.

How do you expect companies to personalize your experience with them?





The 2019 Micromobility Report

Are startups using scooters to get around?

WORDS BY MATTHEW LYNLEY

ART BY TANIA VICEDO

We talk a lot about ridesharing as a way to get around the city. After all, it's important for employees to efficiently be able to get from point A to point B—whether to make it in time for a meeting or to get to the office to handle an emergency. Ridesharing, however, isn't the only next-generation mode of transportation. There's a new-new-new-new wave of transportation.

We're talking, of course, about scooters.

2019 (and 2018, to a certain extent) was The Year Of The Scooter. We saw the emergence and growth of huge scooter companies, as well as a pile of massive funding rounds to go with all that growth. Scooters sit somewhere in between ridesharing and walking—where you might split the difference in time and cost. Though you can only hit maybe 15 miles per hour on a scooter, it's probably a heck of a lot faster than walking around.

We took a look at anonymized Brex usage data to see whether startups are treating that new-new-new-new generation of transportation as a serious way for their employees to get around the city. Uber and Lyft are among the most-used products for Brex customers. But even though they represent a potentially efficient way to get around a city (maybe more so than ridesharing), scooters still represent a fraction of a fraction of that.

That doesn't mean it's not used at all, though!

What cities use scooters the most?

BIRD

1. Greater Los Angeles
2. San Francisco
3. New York
4. Boston

LIME

1. Greater Los Angeles
2. San Francisco
3. New York
4. Seattle

SCOOT

1. San Francisco
2. East Bay
3. South Bay
4. New York

How many startups are using scooters these days?

When we look at the broad usage of scooters among Brex customers, we can see two things: one, it's a tiny amount of customers compared to ridesharing; and two, it's not clear how startups are choosing to pay for those scooters. Let's tackle the second one first.

Bird, Lime, and others typically charge per ride: $1 to unlock the scooter, and then a fraction of a dollar per minute. It varies from city to city, but what we find is that a lot of scooter usage doesn't seem to fit tightly with that mold. Lime, Bird, and others do offer partnerships to a certain extent, but it seems pretty clear that there isn't a commonly-adopted way by companies to empower their employees to use scooters.

And while Lime, Bird, Scoot, and others offer a relatively cheap alternative to ridesharing, it still appears to not quite have traction as a kind of enterprise product. There may be some timeline in which scooter usage becomes an employee perk, but we're certainly not there yet.

We can also, however, see another interesting trend: seasonality.

When you look at the overlap between companies that use both scooters and ridesharing services like Uber and Lyft, we can see the overall usage is higher than when you look at all Brex customers outright. So those companies that look to offer ridesharing as an option for employees to get around may, too, be keeping an eye on scooters as an optional transportation mechanism for employees.

What cities use scooters the most?

The short answer is: the ones you'd expect! Los Angeles tops the list, for the most part, for major scooter companies. And that makes sense—the streets in Los Angeles are wide, the distances slightly too long for walking, and the weather is beautiful. Startups that are based in cities like Los Angeles and San Francisco, however, don't quite align on preference.

When you look at the San Francisco Bay Area, however, the most popular option is Scoot. And that also gets to the heart of another big challenge for scooters: regulation. Uber and Lyft have finally become a staple of transportation in those cities. But scooter companies like Bird and Lime still have to cooperate with each city in order to best operate. Scoot was one of the first scooter services available in the San Francisco Bay Area, and it seems like there's still inertia.

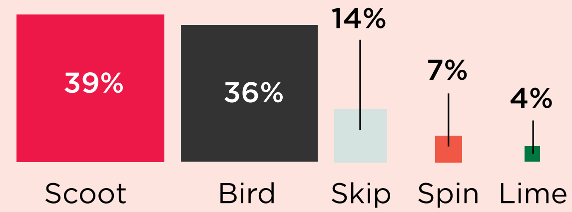
What's the future of scooters for startups?

Ridesharing has become a staple for employee transportation, and a lot of companies also offer commuter benefits to cover the costs of public transportation. But scooters pitch themselves as fast, easy alternatives that have another big impact: they're better for the environment than ridesharing. Instead of jumping in a car for a 7 minute trip, you might take a scooter for a 15 minute trip and save the gas in the process.

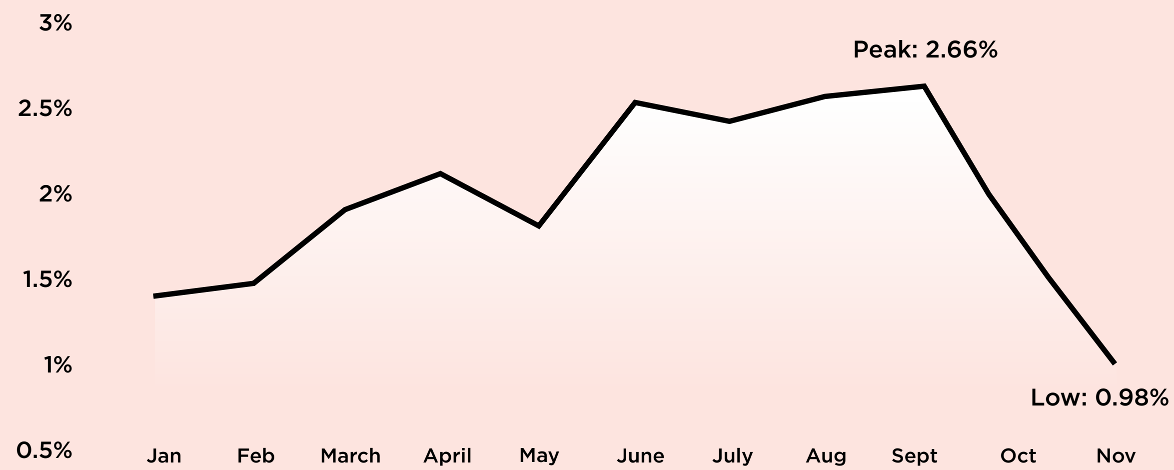
There's, of course, a lot of nuance there and it isn't binary. Some startups, however, do appear to see scooters as a viable alternative to ridesharing—even if the spending on it is a fraction of a fraction of what you might find for your typical ridesharing company.

Will it become another top mode of transportation for employees? Only time will tell. In the meantime, please don't ride your scooter in the middle of the sidewalk.

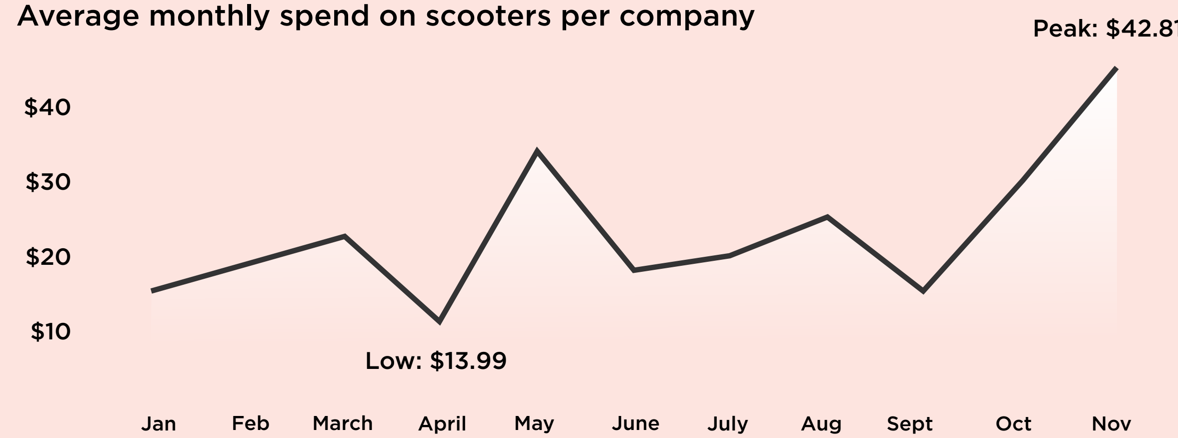
Share of spending on scooter companies in 2019



Percentage of Brex customers using scooter services



Average monthly spend on scooters per company



2020 outlook

from Brex Accounting Partners

When it comes to accounting, a new year means new laws, new trends, and new insights. Running a successful business involves coordinating a group of partners that make your life easier. That's one of the (many) reasons we value our accounting partners' insights so much. They know their clients' needs intimately, and they give advice that can truly affect your bottom line. We spoke with our accounting partners on what they are looking forward to in 2020 and beyond. Here's what they had to say:

Aprio cloud

HEADQUARTERS: Atlanta, Georgia
SPECIALTY: International companies looking to operate in the U.S.
2019 WIN: Aprio launched Aprio Cloud to serve the needs of SaaS businesses around the world

2020 OUTLOOK:
One of the trends Aprio Cloud is tracking is the ICHRA (Individual Coverage Healthcare Reimbursement Arrangement) change to existing HRA accounts that came on January 1, 2020 in the U.S. HRAs are employer-funded accounts that employees can use to pay for health care-related costs, but they have been exempted from being used to pay for premiums up until now. With these changes, companies will be able to create two new subsets of HRAs that give employees greater flexibility for paying for health insurance without the large tax hit they may have previously faced. This is especially impactful for international companies, as they look for affordable ways to help their U.S.-based employees with rising healthcare costs.

KRUZE
Accounting, Finance, Tax & HR for Startups

HEADQUARTERS: San Francisco, California
SPECIALTY: Venture-backed startups
2019 WIN: Kruze Consulting clients increased their average cash balance by over a third while slowing their monthly burn by over 10%

2020 OUTLOOK:
The team over at Kruze Consulting has been preparing their clients for a possible economic downturn in 2020. This looks like raising additional venture funding and carefully managing cash burn. Proactively managing burn will be particularly important if the fundraising climate changes in the new year. Investors may be on the lookout for companies that are already running a tight ship financially, as opposed to those that wait to cut back until we are in the midst of a downturn.

bookkeeper360

HEADQUARTERS: Woodbury, New York
SPECIALTY: Ecommerce
2019 WIN: Bookkeeper 360 ecommerce clients used Brex to make strategic purchases to fuel steady growth

2020 OUTLOOK:
The Bookkeeper 360 team tells us the new year is the time to double-down on the growing trend of using technology to automate and simplify processes at your business. Nowadays you can automate almost everything, including payroll, inventory, IT, and much more. The key to this is choosing back-office software that works well for your company. When shopping for the right solution, Bookkeeper 360 recommends considering your company's current and future size, software budget, and manpower. Many great tools only require a few minutes a month to manage, while others need a little more investment to run smoothly. Consider your must-haves, your nice-to-haves, and your can't-haves, and you will be well on your way to full automation in 2020.

FUREY

HEADQUARTERS: Hoboken, New Jersey
SPECIALTY: High growth startups
2019 WIN: Furey Financial leveraged commonly used cloud accounting software along with custom solutions to implement efficient and scalable processes for their clients

2020 OUTLOOK:
The Furey team tells us that their focus in 2020 will be on implementing scalable operational processes. They have found that senior leaders in finance, accounting, and operations are willing to deal with the upfront pains of implementations, integrations, and training in order to set up clean processes that won't be hindered by rapid growth. It is essential to take advantage of all of the different tools on the market for AP, AR, inventory, payment processing, HR, payroll, and more. The best way to do this is to leverage an accounting team with both the technical skills to implement out of the box solutions and the engineering expertise to build custom solutions. The result of this upfront investment is that your business will have clean data, auditable financials, and scalable processes for the future.

The old college try gets some new competition

To find top talent, try going off-campus

LEGEND

- SOLE PROPRIETOR / FREELANCER
- 2-10 PERSON BUSINESS
- 11-250 PERSON BUSINESS
- 250-999 PERSON BUSINESS
- 1,000+ PERSON BUSINESS

"History doesn't repeat itself, but it often rhymes."

Whether or not Mark Twain really said this, the words certainly ring true. When we look back at the nineteenth century, we see it was shaped by two major trends: technological revolution and urbanization.

Early 20th century innovations including the airplane, antibiotics, the assembly line, and a widespread adoption of electricity radically changed the way people lived and worked. Now, two decades into the 21st century, we're examining how the latest advances in technology impact our lives.

At Brex, we're always looking for new products and insights that will help our customers' companies grow, so we're excited to share some of the results of The Future of Work & Cities. This study was led by Brex partner WeWork and policy studies organization The Aspen Institute. It surveyed more than 30,000 people in 50 international cities on topics including the economy, housing, innovation, and more.

The key findings of the survey are that technological revolution, climate change and increased urbanization are poised to shape the coming century.

Much of this technological revolution will be driven, as it was in the early nineteenth century, by an increasingly educated population. In 1940, the number of high school graduates jumped was just 38 percent of the population in the U.S. That jumped to just under 90 percent in 1980, a rise which led to a robust middle class and a booming economy.

As the economy grew, so too did employers' demands for a new set of technical knowledge and skills. A high school education was no longer enough; a college degree became a requirement in many industries. As more students applied to college, the cost of tuition shot up—a staggering 600% since 1980—leaving graduates with a crushing burden of student debt. With more dollars going to student loan payments, that's fewer dollars to spend on homes, weddings, childcare, or new business ventures.

Employers recognize the conflict. In the survey, the business owners surveyed show overwhelming support for legislative and business solutions that provide employees with the skills, resources, and training they need to drive this technological revolution without breaking the bank.

Shifting from campus to bootcamp

One of these options could be a coding bootcamp, which typically takes much less time and money than a four-year college degree. Coding academies like the Flatiron School and General Assembly boast job-placement rates of graduates upward of 90%, and Lambda School has an 86% placement rate.

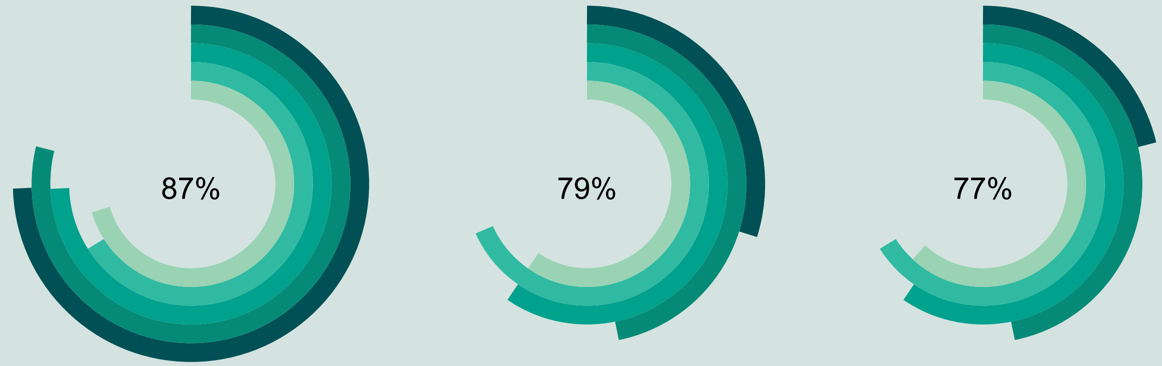
Lambda School's six-month curriculum also offers an innovative payment plan called an Income Share Agreement, in which the Lambda School covers a student's tuition costs until the student is making at least $50,000 a year. After the student lands an engineering job with a salary over $50,000, they pay a percentage of their income back to Lambda School until they make 24 payments or hit the cap of $30,000. This agreement means that Lambda School is truly invested in every student's future employment.

Business leaders overwhelmingly support innovative policies that will help people connect to new jobs

"Would you hire someone who doesn't have a college degree but has the right skills, training, or experience for the job developed at a coding, design, or business bootcamp?"

"Would you consider taking on apprentices that would lead to a job interview for a full time role?"

"Would you consider contributing to a career and skills training savings account for your employees if the government provided you 25% tax credits for your contributions?"



Looking back to look forward

Another unconventional path with centuries-old roots is an apprenticeship. The apprenticeship model combines the skills training of a bootcamp or community college with paid on-the-job training, where an apprentice can learn practical skills and build a professional network.

While trades like carpentry, electrical work, and plumbing have used apprenticeships for decades, new programs now include training for other professions including dental assistants, software engineering, fire medics, cybersecurity, IT, and financial services. A recent New York Times article highlighted a program in California, one of a few states that allows people to take the bar exam without going to law school. Such a policy helps more people, including low-income black and Latina women, become lawyers by apprenticing for four years under an attorney.

The apprenticeship model has overwhelming support from employers, with 79% of business decision makers surveyed saying they would consider hiring apprentices that would lead to a job interview for a full-time role. There are currently 22,000 registered apprenticeship programs across the U.S. One example of proposed legislation to increase this number is the EARNS Act, which promotes and expands apprenticeship opportunities while supporting existing apprenticeship programs.

A new spin on 529 plans

One more way to make the 21st century workforce more competitive is a skills-training savings account. The Lifelong Learning and Training Account Act is another piece of proposed legislation that would create state-managed tax-preferred savings accounts that can be used to pay for training expenses, just like how a company might create a matching 401k program. 77% of business decision makers say they would consider contributing to skills training savings accounts if the government provided 25% tax credits for their contributions.

As was the case in the 20th century, robust educational opportunities will help fuel the next technological revolution. To keep pace with the myriad educational options available to employees now, today's hiring managers should consider candidates who've been through nontraditional programs like apprenticeships and bootcamps. Companies that accept a broader range of education will attract a broader range of capable talent—bringing us all into the next century of innovation.

To read the full report, *The Future of Work and Cities*, go to https://futureofwork.wework.com

What are we reading?

WORDS BY
MATTHEW LYNLEY

ART BY
EMILY HAASCH

As business models in media shift over time, subscriptions are an increasingly important part of that business.

When you're running a startup, it can feel like the rest of the world fades away and nothing else matters. Taking the time to read an article—or even skim one at top scrolling speed—can feel like an impossible task on the ever-growing list of to-dos for any founder. But if you want to be on the bleeding edge of innovation, you still need to keep up with what's happening in the news—at least, when it's relevant to your business. For startups that operate on the cutting edge of tech, it's one way to stay aware of any major shifts in the industry, emerging trends, or early disruptors that could otherwise sneak up on you.

While you flip through news aggregators like Techmeme or Google News on your phone in the back of Uber, you're probably going to run into a paywall at some point. But the stories behind paywalls are still typically high-quality—after all, people are paying for it for a reason—and important for your business. And it's probably important to more than just one person on your team.

In this Information Age, there is an entire universe of news organizations vying for your attention. While each of them try to offer something different, it's an understatement to say you'll have a lot to choose from. Corporate subscription costs may become a rounding error as you get larger, but that doesn't mean you should ignore how much money you're spending on publications.

We analyzed anonymized Brex usage data to get a sense of what everyone's reading and the subscriptions startups pay for the most. A small percentage of Brex customers do, indeed, pay for subscriptions like The Wall Street Journal and The Information—but let's read a little deeper into that.

What's on the reading list for startups?

The list of publications Brex customers subscribe to the most shouldn't be a huge surprise. It consists of a lot of the biggest media outlets in the country, including The New York Times and The Wall Street Journal. But we also found that Brex subscribers paid for many publications well beyond that.

In the data, we can see two interesting points here. The first is that Brex customers primarily pay for business-focused news publications, as opposed to ones targeted to the general population, which shouldn't be a huge surprise. Brex was built for businesses, after all.

The second point is that we can see Stat, a life sciences-focused publication, is among the top ten most popular publications based on the number of Brex customers subscribing to it. Brex launched its credit card for life sciences in June of 2019, and we can already see that customers find information from Stat highly relevant to running their companies.

Ecommerce-specific publications don't make the top ten. Either the most popular of those don't come with a paywall, or our brand-builders don't view these outlets as being as critical to their success. More likely, there's a whole host of non-paywalled, consumer-facing blogs and magazines that inform ecommerce owners of upcoming trends, consumer wants and needs, and players to watch. And of all the publications exclusively focused on tech, only TechCrunch made the list, with staples for business leaders like Bloomberg and HBR not far behind.

As business models in media shift over time, especially for business publications, subscriptions are an increasingly important part of that business. And corporate subscriptions—where companies could get a better deal on bulk subscriptions for multiple employees rather than paying for them one-by-one—are one mechanism to build a media business. Now how much are these subscriptions actually making it from "Inbox" to "Read," and spared from the archive button? You'll have to read between the lines on that one.

1	The Wall Street Journal	$30.90
2	The New York Times	$10.62
3	Business Insider	$24.69
4	The Information	$122.64
5	TechCrunch	$15.76
6	Bloomberg	$25.59
7	The Business Journals	$106.14
8	The Financial Times	$47.08
9	Harvard Business Review	$34.36
10	Stat	$67.56

Most expensive

A life sciences publication

Choosing the best airline for your company

Whether your company is an early-stage startup or a more established brand, there comes a time when your team is going to have to travel more. They may need to go from New York to San Francisco to visit investors, or fly from Boston to London for a partnership.

Obviously, flying isn't cheap, but it's also a necessary cost of running a business. You'll have to deal with planning out your travel budget sooner or later. It may benefit startups to stick with one airline to take advantage of rewards programs, but startups also want to consider just how much they'll be paying in exchange for those miles—and whether it's worth the cost.

When selecting a carrier, it's important to consider the best-possible option for your company—which may not always be the cheapest. You might pick one that has the most routes to your home city, or one with the best membership benefits. For example, US News and World Report released their "Best Airline Rewards Programs" to help differentiate between these competing options. They evaluated 9 frequent flyer programs offered by airlines based in the United States across several indicators of excellence including "Airline Quality" and "Ease of Earning a Free Flight."

Based on the West Coast but serving major domestic transportation hubs, Alaska Airlines took the number one spot. In second place is the The Delta SkyMiles program, which is convenient for business travelers in Atlanta, Detroit, Los Angeles, Minneapolis and Seattle, and for passengers who often travel to and from New York City.

And JetBlue offers the third best rewards program, mainly serving East Coast cities like Boston, New York City, Fort Lauderdale, Orlando, and those who primarily fly domestically and to the Caribbean.

So if racking up those rewards is important to your business, these airlines might be a great choice for you. And in that case, it's also good to remember that Brex cardholders earn points on every purchase, with multipliers tailored to your industry.

If your company uses the Brex for Startups corporate card exclusively, your company will receive 7x points on rideshare, 4x on Brex Travel, 3x on restaurants, and 2x on recurring software. These points can be easily redeemed for travel or credit back on your next statement.

And when you look at the final price breakdown, we can see that each city tends to favor certain airlines when it comes to cheaper prices.

Beyond the respective rewards programs, frequent flyers must take into account the actual flight experience itself. Constant travel can be physically and mentally exhausting, so it's also helpful to know which airlines businesspeople choose to fly. In October 2019, Business Traveler magazine surveyed its readers to find their favorite North American airline. For the second year in a row, Delta took home top honors.

Among all your different airline options, you'll still want to try to find that sweet spot that hits all your needs. And of course, for many startups, price is the most important factor when booking a ticket.

So we examined anonymized Brex data to see what customers are paying for their flights. The cities that made the list below are the ones our customers flew to and from the most frequently.

What's a typical flight cost for startups around the U.S.?

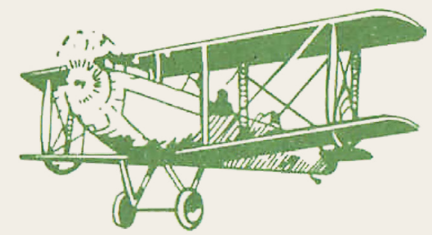
There are roughly two classes we've considered for this analysis: transactions above $800 and transactions below $800. The former is more likely to represent international flights, first-class tickets, or multiple tickets on the same purchase. The latter represents the typical cost of a single ticket, ranging from normal flights to wildly procrastinated purchases made two hours before takeoff.

Or in other terms, tickets that are expensive, and very expensive.

We ignored transactions under $200 because they may include seat upgrades. But when you look at the final price breakdown, we can see that each city tends to favor certain airlines when it comes to cheaper prices. It does roughly align with hubs for each airline, but there are some clear winners, and airlines that are substantially more expensive than the rest. Yeah, we're looking at you, United.

As we can see, the typical flight for a startup around the country is going to cost between $350 and $400, depending on where that home base is. Your typical maybe-first-class, maybe-international flight is going to cost you somewhere between $1,000 and $1,100. It'll vary from city to city and from airline to airline.

So now you can find your city and see how much Brex customers have typically been paying for their travel. And whether you're looking to optimize on points, comfort, cost, or a mix of all three, we hope this analysis will help you decide which airline is the right option for your growing company, snack peanuts and all.

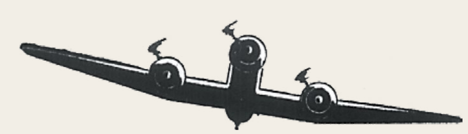


Average cost of flights less than $800

	BOS	NYC	LAX	SFO
United	$411.62	$403.60	$383.00	$410.00
American	$340.50	$383.30	$362.05	$393.61
Delta	$379.09	$399.30	$385.60	$422.30
JetBlue	$348.30	$371.30	$356.65	$381.30
Alaska	$410.80	$366.96	$322.59	$356.60
Southwest	$324.46	$345.98	$315.96	$352.98

Average cost of flights greater than $800

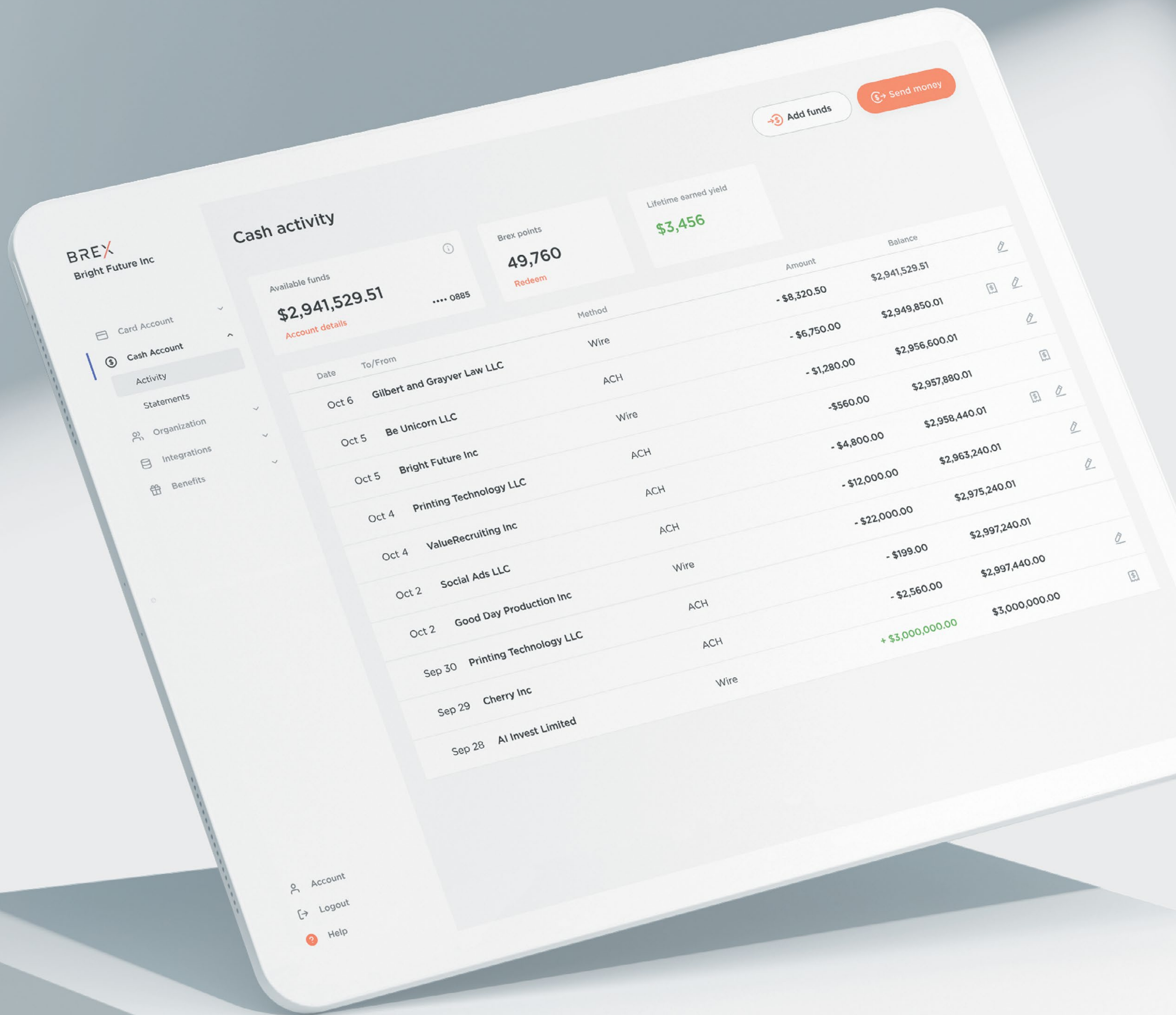
	BOS	NYC	LAX	SFO
United	$1,599.27	$1,216.73	$1,077.04	$1,090.97
American	$1,001.51	$1,194.60	$1,009.42	$1,040.60
Delta	$980.00	$1,148.20	$1,151.57	$1,042.83
JetBlue	$1,081.10	$1,171.68	$1,068.31	$1,048.25
Alaska	$1,049.22	$963.54	$962.39	$1,001.60
Southwest	$1,035.96	$934.96	$1,027.66	$941.67



Introducing Brex Cash

- One account with the Brex credit card
- Zero fees on ACH and wire transfers
- Earn a 1.33% yield*

*7-day yield as of 1/27/20



Past performance does not guarantee future results. Investors should consider the investment objectives, risks, and charges and expenses carefully before investing. Brex Treasury LLC does not charge transaction or account fees. However, money market funds bear expenses and fees. You should read the prospectus carefully before investing. Brex Card is offered by Brex Inc. Brex Cash is a cash management account offered by Brex Treasury LLC, member FINRA/SIPC. Neither Brex Inc. nor any of its affiliates is a bank. Visit brex.com/cash for more information. Visit brex.com/cash for more information, rewards terms and conditions, and other important disclosures.

BREX

Where are startups meeting for coffee?

Let's be real. Everyone who gets out of bed in the morning on a workday has the same thought:

"It's way too early. Where's my cup of coffee?"

Thankfully, there is plenty of coffee. Almost too much coffee, you might say. There are dozens of coffee shops in the Bay Area alone, from establishments like The Creamery to emerging juggernauts like Blue Bottle Coffee. 2020 certainly is quite a year to be alive when your walk, bus, train, or drive to work will take you by an endless number of choices for a caffeine-delivery mechanism. (And there's tea as well, we suppose.)

The tech industry, notoriously high-strung and running on limited hours of sleep, is the perfect target audience for this grand array of café. Coffee shops can serve as a great nexus for all sorts of employee activities, from meeting new candidates or colleagues, to taking a breather from the open floor plan, to gulping down that 3pm java jolt to carry you through that final pull request.

While the majority of the Brex Quarterly Review is dedicated to actionable information to help startups in their decision-making, we also had to know what coffee startups are consuming in copious amounts. It's what keeps so many of us going, isn't it? So we looked into anonymized Brex usage data to see what tech prefers when it's picking up its cup of joe.

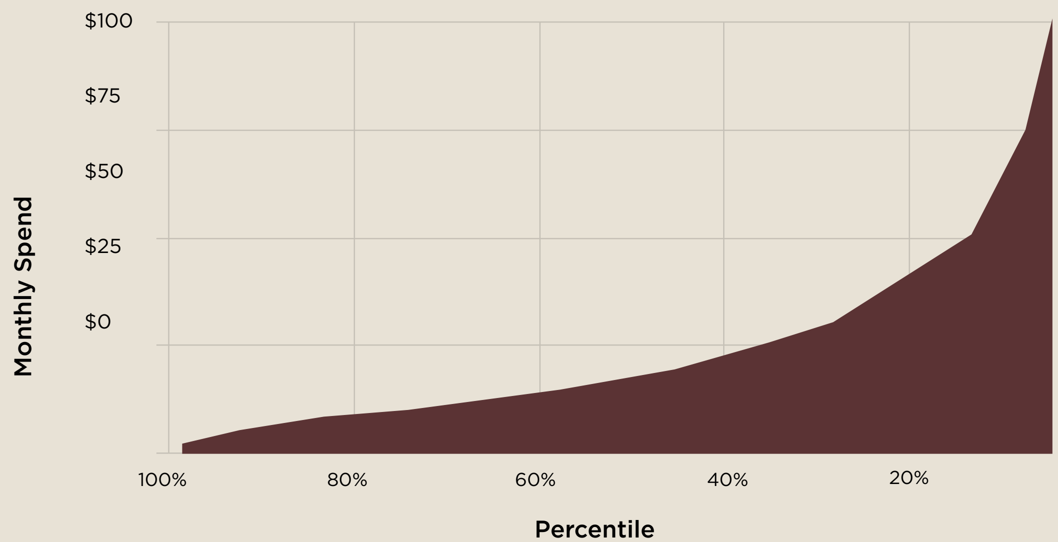
The 2019 Startup Coffee Burn Report

Coffee is probably one of the most critical expenditures for any company's team. And it has a lot of things going for it: it's cheap, it's effective, and it offers a combination of a break and that quick burst of energy to get to work on the next project. And while companies might not necessarily offer a trip out to a coffee shop as a perk, they probably should. But hey, just an idea.

Unsurprisingly, most Brex customers have ordered at least one cup of coffee on their corporate cards. And most have ordered more than one—or even more than two or three! It depends on which coffee shop you're going to and what you order, as coffee prices are all over the map. But either way, we can see that employees are at least hitting up their favorite cafés once or twice a month. And maybe they're ordering a snack (or lunch) in the process.

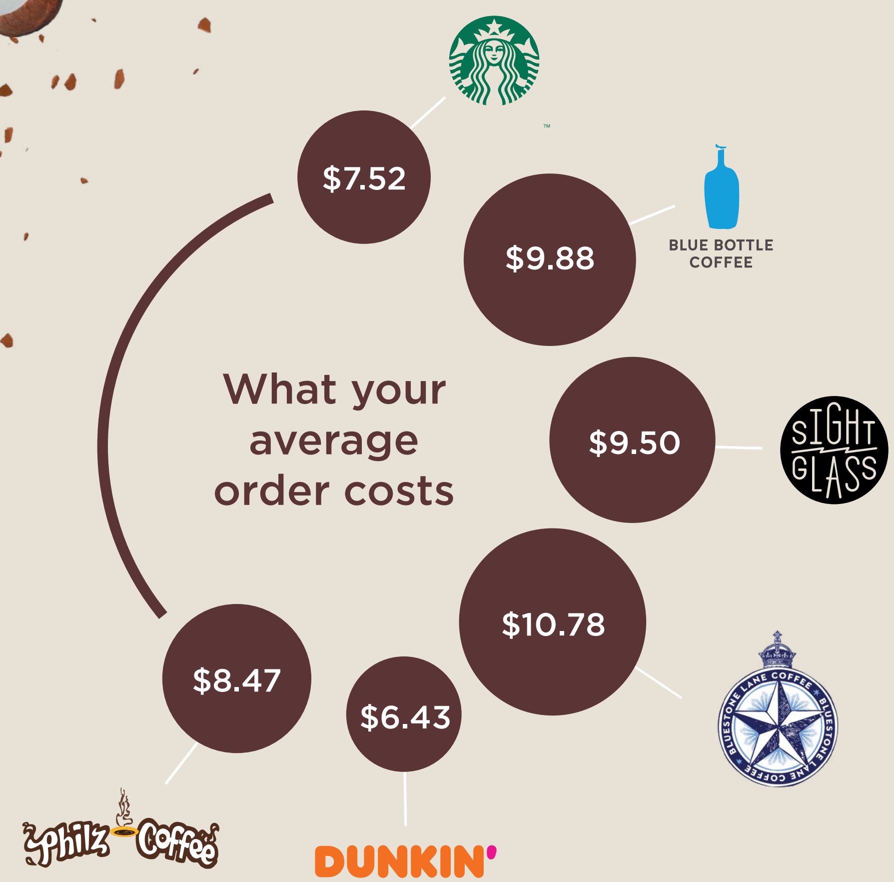
There's also a fraction of companies that are going more than once. Or many, many more times than once. But we won't judge here—we love coffee as much as everyone else.

2019 monthly startup coffee consumption



One thing we did find in our research was that your typical order at a coffee shop doesn't quite align with the typical cost of a cup of coffee. Blue Bottle might be getting pretty far up there in terms of the cost of a New Orleans (nearly $6!), but we sincerely hope that no one is paying $10 for an iced latte. So we can already see a positive trend in employee coffee purchases: it's probably not just one employee!

Bluestone Lane wins out in the most expensive order (we restricted this to orders less than $30), though that might not be surprising when you mistake it for a restaurant that's optimized for breakfast or lunch. Meanwhile, Dunkin' takes the top spot in terms of the cheapest (and likely most efficient) caffeine delivery mechanism, though you can, of course, order a delicious donut sugar bomb to go with your cup of joe.



What's the preferred cup of coffee in each city?

Okay, let's say you're traveling to New York on a business trip. You need to schedule a meeting with an executive for a potential partnership, and he or she suggests meeting at a coffee shop. The last thing you want to do is embarrass yourself by either recommending a Starbucks, or recommending a coffee shop that immediately pegs you as a know-nothing out-of-towner.

And, to be clear, each city does have a preferred coffee shop. The east coast's preferences diverge from the west coast's preferences, and Los Angeles startups far and away prefer Blue Bottle coffee. Either way, take the knowledge of the bean with you wherever you go—you'll look like a savant whenever you have a potential investor or a candidate to impress, whether that's over an oat-milk latte (Blue Bottle) or a hot caramel macchiato (Dunkin').

For the purposes of this exercise, we've excluded Starbucks—because it's the biggest magnet around the country, and it's *really* alarming how much money we all spend there.

So, there you have it. We all love coffee, and there's no way we would make it through the day without it. While we more or less wrote this one for fun, you could still pull something actionable out of it. How about considering the top spots in your city to take a candidate or a potential business connection? Or you could, I don't know, try to optimize your P&L by trying to minimize your coffee spend. Or see if employee engagement improves by installing a new cold brew keg in the kitchen.

Anyway, this is all a bit of a stretch, so excuse us while we go on a quick coffee run. Please ignore the stacks of empty mugs over by the marketing team.

How to approach life sciences fundraising

WORDS BY
BRIAN HENDERSON

ART BY
MARK WANG

You didn't start a life sciences company because of your love of fundraising. You do it because you want to change the world. But fundraising is a necessary part of advancing your life mission, and we want to help you navigate this process so you get back to R&D. In this industry, there's no single accepted pathway to fundraise for your startup. Depending on the stage of your research, you may find the pursuit of certain sources of funding to be more cost-efficient than others.

If you're working with just an idea, for example, you'll want to look for different resources than if you've already finished your discovery phase and have some hard data to show to investors. It also matters how you spend your funding and at what stage in the process. If you're just getting started, your funding will probably go toward finding lab space, supplies and instruments to help you get through discovery. Let's take a deeper look at the different sources of funding that life scientists can tap, and when to seek them out.

Government grants

Government grants are a significant source of funding for researchers looking to get their idea off the ground—in turn, making them highly competitive. Depending on the agency or organization offering the grants, they have widely varying eligibility and submission requirements, awards, and audit requirements.

The biggest sources of biotech government grants are the National Institutes of Health (NIH), the Department of Defense (DoD), the National Science Foundation (NSF), the Centers for Disease Control (CDC), and the Biomedical Advanced Research and Development Authority (BARDA). Check out grants.gov for a massive repository of grant opportunities and other grant-making government agencies. You can apply for grants manually during regular submission windows, or keep your eye out for Funding Opportunity Announcements (FOAs), where agencies solicit researchers to compete for a specific targeted research output.

The NIH is perhaps the largest source of funding for up-and-coming biotechs—it pours almost $1 billion each year into small life sciences companies with the mission of creating technologies that seek fundamental knowledge about nature, the behavior of living systems, and the application of that knowledge to improve human health. It offers two major federal grant programs, the Small Business Innovation Research (SBIR) grant or the Small Business Technology Transfer (STTR) grant.

KEY TAKEAWAYS

Great funding source for startups. Generally, grants are appropriate for startups where, due to basic resource constraints or lack of hard data, it's too early to seek private investment. They can help small life sciences companies transition from having a promising idea to something that is commercially viable and of greater interest to investors.

Diversification is important. Grants like the SBIR/STTR are fiercely competitive. 2020 may be a good year for government funding, but the proportion of U.S. R&D supported by federal funds has been on the decline, falling from nearly 70% in 1973 to 60% in 2018. It's best to look for multiple sources of funding in case one grant falls through or you aren't approved for the next grant program phase.

Grants lend legitimacy. Grants drive the science in those early days when it's difficult to get institutional investors interested in a pre-clinical asset. But they also serve to validate your technology and put the brand of the IC behind your research. Getting a big-name government grant associated with your research will give you a leg up in raising funds later on in development.

Non-government grants

Government grants are by no means the only source of non-dilutive funding out there. They may have a reputation for being the most competitive and prestigious, but funding from a well-known advocacy group like the American Cancer Society certainly comes with credibility and brand-recognition. They also may be comparatively looser in their auditing requirements or award conditions.

Patient advocacy groups

Patient advocacy groups are mission-driven organizations founded to combat a particular disease, disability, or group of disorders to improve or protect the health of a population. They're organized by a mix of laypeople and professionals, and they often work closely with doctors and large pharma. Many of them fund research on their particular area, like the American Diabetes Association, the Parkinson's Disease Foundation, or the Alzheimer's Association. If your area of research is in alignment with the advocacy group's mandate, they may offer a grant program.

Family offices and foundations

These foundations are set up by wealthy families to support specific causes or sets of causes. Social impact, often in the arena of human health, is a major focus of family foundations—the Bill and Melinda Gates Foundation is a great example. Because family offices are often a vehicle by which wealth can be passed down to the family's next generation, they may also offer investment in projects that have solid potential for commercialization. There are indications that family offices are on the rise, with a ten-fold growth in offices over the last decade. Some research puts the assets that family offices currently hold in excess of $4 trillion, so this may be a funding source to keep an eye on.

Corporate foundations

A 2018 Deloitte report shows that large life sciences corporations are increasingly pouring resources into corporate philanthropy organizations in order to improve consumer brand approval, communicate their key beliefs, inspire their stakeholders, and position themselves as constructive forces in their industry ecosystem. Major forces like pharmaceutical giants are also well-suited to understand the complex multi-year issues that life sciences startups face in creating new technologies and therapeutic candidates, especially in their specific areas of focus.

If you're a startup with some decent initial data on your therapeutic candidate and an understanding of the industry landscape surrounding your research area, it may be fruitful to reach out to corporate foundations that are operating in similar arenas. The model of corporate philanthropy is shifting away from one-off charitable gifts toward one of targeted, strategic partnerships. If you can position your research as a valuable potential tool to help them achieve their goal, they may offer you financial backing.

KEY TAKEAWAYS

Know your industry. Get familiar with the major corporate players, philanthropy sources, and research consortiums in your area of focus. Approach the foundations and companies that have skin in your game. Keep an eye out for grant opportunities.

Tell the right story. When you approach funders, know how to frame your research as a potential tool that they can use to make better interventions. If you can show that your work represents an improvement on their current framework, they see you as another potential player to help them achieve their multidisciplinary goal.

Focus on getting through discovery. Especially when pitching to larger corporate funders or their foundations, be aware that they will want to validate your research and feel confident that it can address their needs. You'll want to focus on getting some solid initial data to show them.

Incubators and accelerators

Incubators and accelerators are a major source of funding for life sciences startups. A new Silicon Valley Bank report finds that one in four life sciences startups that raised at least $4m in 2017-2018 worked with an accelerator or incubator at some point in their lifecycle. The report found that they gave startups a significant boost by providing early stage support and sometimes a followup funding round.

It's common for new life sciences startups to seek out incubators because it helps them save money on lab space and supplies, find mentorship, and develop business acumen. They can offer fledgling research projects the breathing room they need to validate their initial theories or therapeutic candidates while they apply for grants or attract other investment. Accelerators, on the other hand, tend to work with more advanced-stage startups that already have a minimally viable product. Some—IndieBio and Y Combinator are good examples—may even offer seed funding.

Incubators and accelerators are also a great source of community, expertise, and networking for early-stage investigators. Many incubators host speaker series where you can learn from and interact with world-class scientists in your area of research. They can also attract and connect you to investors: the incubator network QB3, for instance, has an annual summit that introduces their startup cohorts to investors and industry partners.

KEY TAKEAWAYS

Define the help you need to get started. Consider what your end goal is and which business areas you need most help in developing. If you're happy with your discovery data but don't feel confident about finding investment, look for an accelerator that can train you on business development and pitching to investors. If you've got an exciting idea but limited resources, look for an incubator that can help you allocate your existing funding efficiently.

Be aware of what you're trading in return. Some incubators just require a monthly or yearly membership fee in exchange for lab space, supplies, and expertise. But others—especially accelerators and corporate-affiliated incubators—may require a share in your IP or an exclusivity agreement in developing any product that comes from launch. You may want to consult with a business development consultant and your attorney to weigh your options.

> "It's common for new life sciences startups to seek out incubators because it helps them save money on lab space and supplies, find mentorship, and develop business acumen."

Private investment

Many startups go after private investment because they don't have time to wait for SBIR funding or go through an incubator program. This is particularly true if you're competing with several other technologies chasing the same clinical market and your competitors have a lead on you. As you progress and become more confident in the efficacy of your end product—and as your expenses scale with the complexity of your research—it may be important to seek private investment in addition to grant funding.

Angel investors

If you're in the early stages of your research and you're already working hard on creating a network of industry specialists, you might be able to seek private investment from a wealthy domain expert. If you're a later-stage startup in search of angels, the Angel Capital Association has a comprehensive directory of angel networks that may help you get started in your search. Life Sciences Angels is a network worth noting, as well. It was founded by life sciences executives and experienced angel investors and functions as a sort of angel investment/venture capital hybrid focused on funding early-stage biotech and medical device companies. You might also check out Tech Coast Angels, Keiretsu Forum, and Sandhill Angels.

Venture capital

Corporate venture capital is a massive source of funding for biotech startups. Large pharma companies like Pfizer, GlaxoSmithKline, AstraZeneca, Takeda, Novo Nordisk and others have funding arms that, alongside traditional venture capital firms, co-invest in young biotechs. There's some speculation that this represents an industry trend toward moving R&D efforts out of in-house pharma labs and into venture-backed startup labs. In 2018, biotech startups raised almost $29b in seed funding, up from $19b in 2017.

Traditional venture capital is a big player in the life sciences investing world, as well. Firms like Domain, Sofinnova, Versant, OrbiMed and 5AM Ventures have historically focused mostly on life sciences, while others spread their investments across a number of industries, such as NEA, Canaan Partners, and Kleiner Perkins.

KEY TAKEAWAYS

Have a good story. Shape what data you have into a story that convinces investors that your research stands to solve a critical problem for a certain clinical market or, better yet, that it represents a major innovation for the industry. This story should be backed up by solid market research, competitor analysis, and a business plan that demonstrates a path to profitability.

Timing is important. It's important not to give away too much equity too early. Map out each important milestone between the present state and your exit. Is this round of funding essential to getting past a major milestone, such as clinical trials? You'll want to work with legal counsel and business development consultants to make sure that you're not giving away too much of your company, particularly if you'll need another large round of funding in the future.

Partnerships with large pharma

Partnerships between large pharmaceutical companies and small biotechs are foundational to the life sciences industry. Large pharma spends an enormous amount of capital on R&D for drug development and medical devices, depending on infusions of new ideas and innovations from biotech startups to keep their business model flexible and competitive. It's also no surprise that startup biotechs look for partnerships with established pharmaceutical companies, who have substantial capital in reserve. By some estimates, with prolonged and uncertain R&D process, clinical trials, and the costs baked into getting regulatory approval, it can take over $2b to take a new drug to market.

In addition to helping you shepherd your research through clinical trials, pharma companies typically have plenty of experience in dealing with the FDA. They can help you execute your go-to-market and deal with manufacturing and distribution. The downside is that by partnering with pharma, you're often giving up direct control over your business and/or over the intellectual property of your product.

There are a variety of business development consulting firms that focus on helping life sciences clients identify the best potential partners and help them negotiate contracts. The major life sciences conferences—the BIO International Convention, BioPharm America, and BioEurope, for example—provide systems and events for facilitating partnerships between biotechs and large pharma.

KEY TAKEAWAYS

Work with legal counsel on the structure of your contract. Make sure you understand what you're giving in exchange for pharma help in bringing your product to market. You'll also want to consult with business development consultants and legal advisors. Licensing your IP, instead of partnering directly, may also make sense for you. Some biotechs will give up their IP in exchange for royalties, which they use to fund other projects.

Due diligence is often a sticking point. If a pharmaceutical company is interested in partnering with or acquiring your business, be ready to provide granular data on your research thus far. Pull all your research data together into one data room and keep it well-organized. Partners will see disorganization as a warning sign.

In summary

Effective fundraising—at the right moment, for the right reasons—is crucial to bringing your idea to market and making an impact on human health. It's a good idea to have a couple of irons in the fire at any given moment, whether that's grant funding from multiple sources or relationships with private investors, to ensure that your runway doesn't end before your research does. And in the meantime, there are ways to make the funding you've got stretch further.

Brex's corporate credit card doesn't require personal guarantees, credit scores, or security deposits from founders, giving you 10-20x higher limits than traditional corporate cards. We've also built a card program specifically for life sciences companies, with rewards and perks unique to your industry—you get 7x points back on conference tickets, 4x on travel, 2x on lab supplies, discounts on subscription services, and more. And if grants are your primary funding source, we offer automated receipt-matching and accounting integrations to help you keep your bookkeeping organized and make your audits easy.

Which conferences are startups attending?

WORDS BY
MATTHEW LYNLEY

ART BY
CAMELLIA NERI

Love them or hate them, conferences are an important part of doing business—regardless of what kind of a company you are.

There are a lot of reasons why. Everyone is all under the same roof, whether it's potential customers or decision makers. Sometimes the speakers they attract have really exciting things to say. Breakout panels may offer information that can help your team up their game, regardless of what they do in the company. And there are, of course, the after parties that serve as great networking events.

Conferences are a staple when it comes to startups, too. Many startups can trace their roots back to the earliest tech conferences, like TechCrunch 50 and others. They help surface up companies that might not otherwise get visibility, and offer larger ones a venue to find the next generation of entrepreneurs.

We took a look at the most popular conferences among Brex customers. Their companies are largely early- to mid-stage startups, though we have an increasingly large base of ecommerce and life sciences customers. But even though conferences aren't cheap, and they're sometimes out of the way, it's important to know which ones would be really valuable for you and your employees—and the ones where you'll get the most bang for your buck.

Which conferences did startups attend in 2019?

When we look back on 2019, we can see there were some clear popular conferences for startups. The list goes well into the hundreds, but there are some common threads: tech conferences are popular, business development is imperative, and everyone is focused on the next generation of technology.

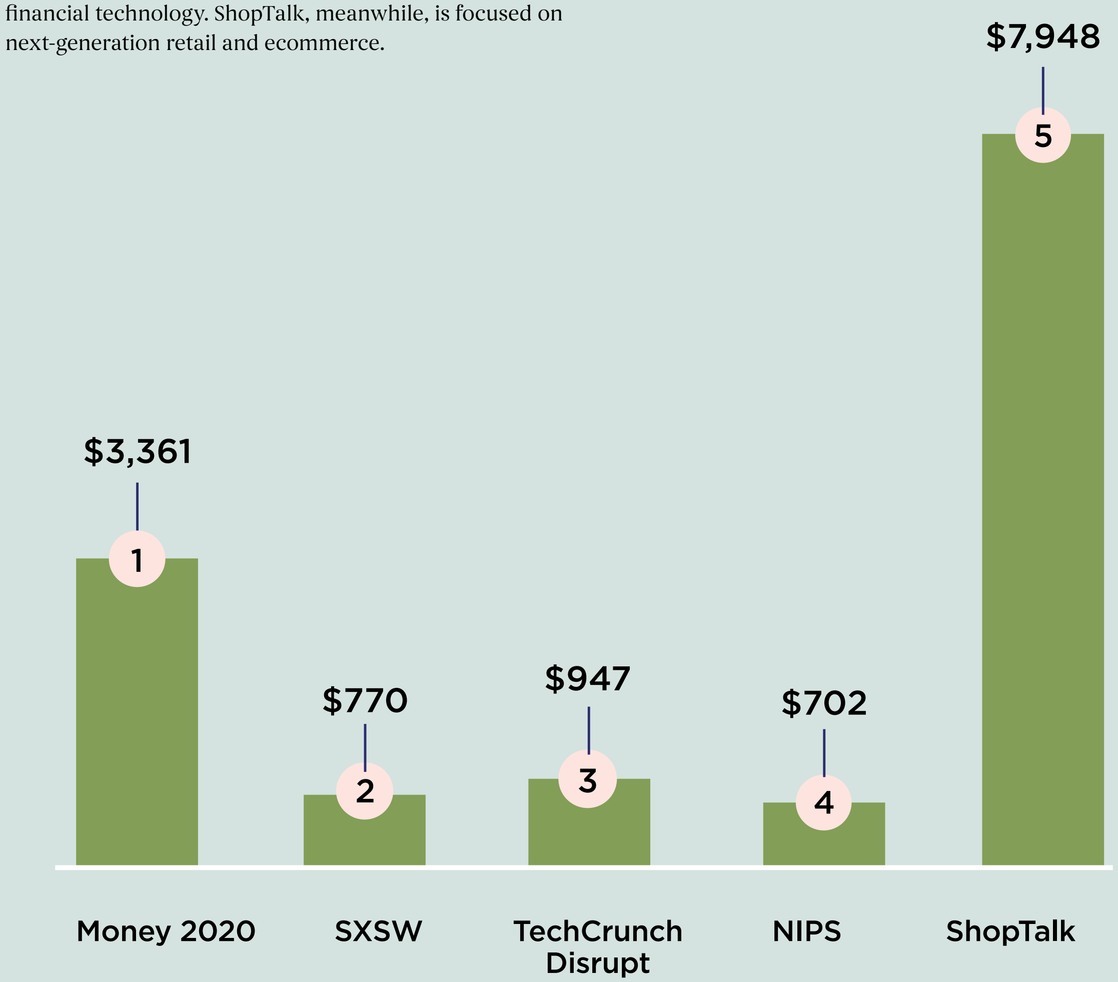
South by Southwest, better known as SXSW, is one of the oldest and most well-known tech conferences. You could argue it's where Twitter finally became mainstream and was an early nexus for founders of companies that are worth billions of dollars today. There are hundreds of panels throughout the conference, and there's great music for those arriving early (or staying late).

NIPS is a conference focused on neural information processing systems—where you'll see a lot of new ideas in fields like machine learning and artificial intelligence. TechCrunch Disrupt is pretty self-explanatory, while Money2020 is one of the most popular conferences in financial technology. ShopTalk, meanwhile, is focused on next-generation retail and ecommerce.

As we can see, these conferences are pricey—and that doesn't even get into airfare and lodging, which only get more expensive when these conferences are actually running. But startups are clearly finding them important enough that they'll make the trip and survive three days of networking, lunches of varying quality, and after parties going well into the early morning that may or may not feature popular bands from the 1990s.

This may also include sponsorships—which we haven't broken out from tickets. But this still represents a good signal for interest in these conferences, whether it's startups paying for tickets to attend them or pulling out their credit cards for sponsorships.

So take a look at the list below—we hope to see you at some of these conferences in 2020.



How are ecommerce brands getting, and keeping, customers?

Consumers are fickle. We want every experience to be convenient, but still customized. We’re always looking for ways to complete mundane tasks more quickly, but we’d also love for them to be fun and aesthetically pleasing. We want to have our cake at the speed of light, but we want it to taste good, too.

Because of these tendencies, reading into trends in ecommerce can sometimes feel a little contradictory. However, taking a step back and looking at the industry as a whole can provide invaluable insights. Brex, in conjunction with leading ecommerce platform BigCommerce, analyzed data from several hundred businesses to get a better grasp on where the industry is going.

Ecommerce sites use BigCommerce’s platform to provide consumers with experiences best suited for their needs, utilizing hundreds of available integrated apps. Tools range from Stamps.com to AdRoll, covering every business need.

Above all, ecommerce has remained focused on providing customers with the most intuitive and expedient experience possible. The changes, it seems, are in the ways businesses provide these services to their customers.

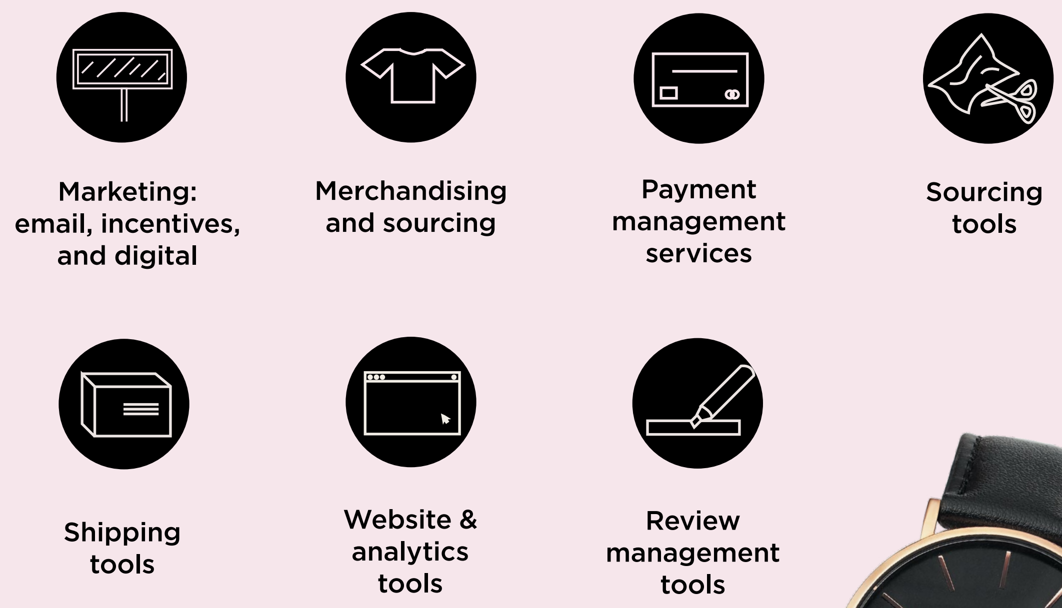
What are ecommerce’s preferred tools?

Logistical services and marketing have remained consistent in their growing popularity among ecommerce businesses. Marketing is essential in catching new eyes and maintaining relationships with existing customers. Tools that help business owners ship and source products to these customers are imperative.

Once a person has become a customer, then come the questions about their products. When will shipments arrive? What to do with damaged goods? How can payments be tracked? Answering customer queries like these quickly and accurately is of the utmost importance to ecommerce businesses. Surveys have shown ecommerce customers are most frequently frustrated when they can’t quickly find answers to simple questions. BigCommerce has seen growth in downloads of tools like Zendesk to allow businesses to quickly manage customer questions and feedback.

These needs have always existed for businesses. Developers are working with ecommerce businesses to identify new and innovative ways to solve these age-old solutions. Some are seeing seemingly limitless success. Others, however, appear to be stumbling.

What BigCommerce integration categories grew most quickly?



Who's lagging in growth?

Not all technology based on efficiency has caught on. Despite what industry leaders were touting several years ago, chatbots seem to be waning in popularity. While AI technology has steadily improved, consumers have indicated their increased preference for real human interactions. Chatbots can answer a quick question about the status of a package, but when consumers are looking for problem-solving, they turn to people.

Only 13% of customers self-report communicating with chatbots in the last 12 months. However, AI has advanced so quickly in the last several years, it's possible customers aren't aware they've been communicating with a chatbot.

Despite what could be considered success in chatbot adoption (see: the Turing Test), many ecommerce businesses seem to be moving away from their use. While it's still quite a big number, the number of new installs for top chatbots for BigCommerce customers substantially declined in 2019. The new install count fell more than 15% in 2019 compared to 2018. This becomes especially striking when compared to almost uniform growth across a wide array of other categories.

AI-based search tool Instant Search + also saw a decline in downloads, as did AI-based visitor conversion platform, Justuno. However, it's not just AI-based tools that have seen a decline in downloads—thoroughly analog tools like Stamps.com have also seen declining year-over-year downloads.

Which tools are growing fastest?

Ecommerce gurus and business leaders the world over have been warning of the death of email for years. A quick Google search will show dozens of essays and articles declaring email's demise, with headlines like "Email Marketing Isn't Dying, It's Already Dead" and "Why email is dead to me."

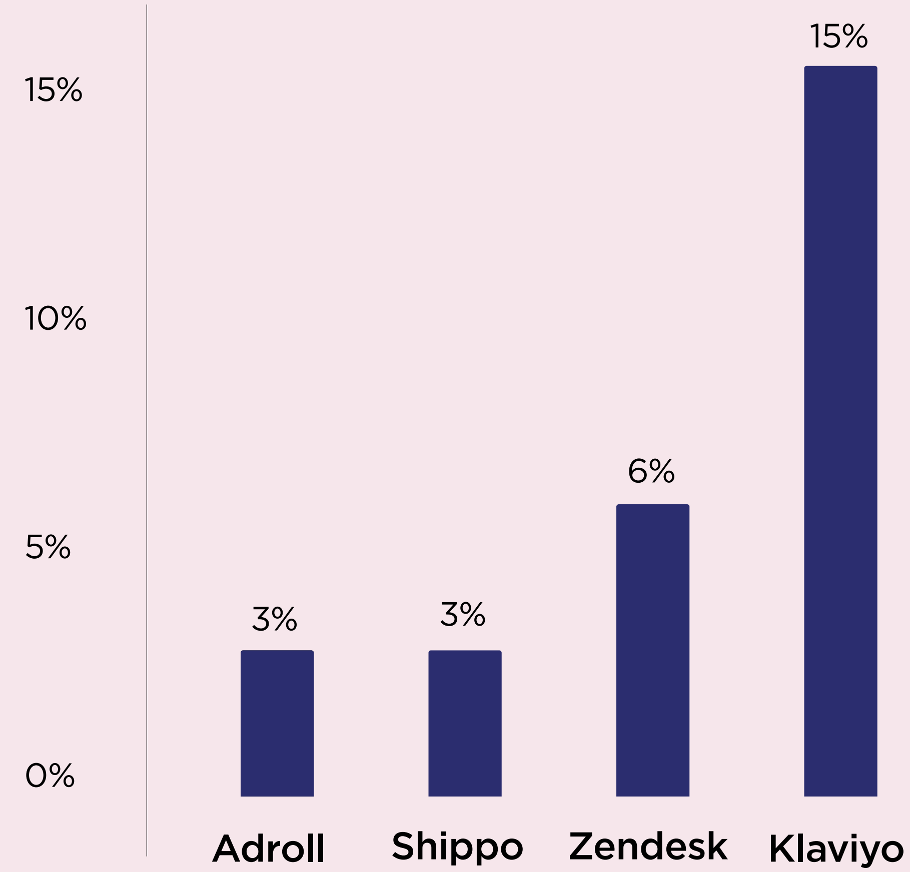
Trend analysis and BigCommerce data tell a different story. Customers self-report they communicate most frequently with ecommerce sites via email and telephone. Many have also reported an increase in email usage year-over-year. As every app has an internal messaging system and social media messaging bombards users constantly, many are moving back to the relative simplicity of email. Ecommerce consumers are no different.

Fifteen percent of Brex customers used Klaviyo, an automated email tool, in November 2019. Klaviyo has also experienced some of the highest year-over-year growth compared to BigCommerce's other available integrations.

We also found that Brex ecommerce companies are using two of the other fastest-growing integrations for BigCommerce: Zendesk and Shippo. This usage was consistent throughout most of the year: Answering consumer questions and delivering goods are demands that ecommerce brands will always need to meet.

While technology has changed rapidly and visibly in the last several years, business and customer needs have remained the same. Businesses need to advertise, reach new consumers, and maintain return customers. Products need to be shipped quickly and arrive undamaged. Customers need answers to their questions. The main change is that customers seem to be looking, once again, for that human touch.

Percentage of use by Brex customers in November 2019



The State of the Ship

How ecommerce companies are shipping their products

The job of an ecommerce company doesn't end once they've made a sale—instead, it heads into the most important part of the whole purchase: getting the purchased product safely into the customers' hands. Unfortunately, that's not a simple feat.. Some shipments simply get lost. Other packages will be stolen, or arrive broken and have to be returned. And while the biggest cost of a bad delivery is the potential damage to your brand, it typically costs your company a lot of money as well.

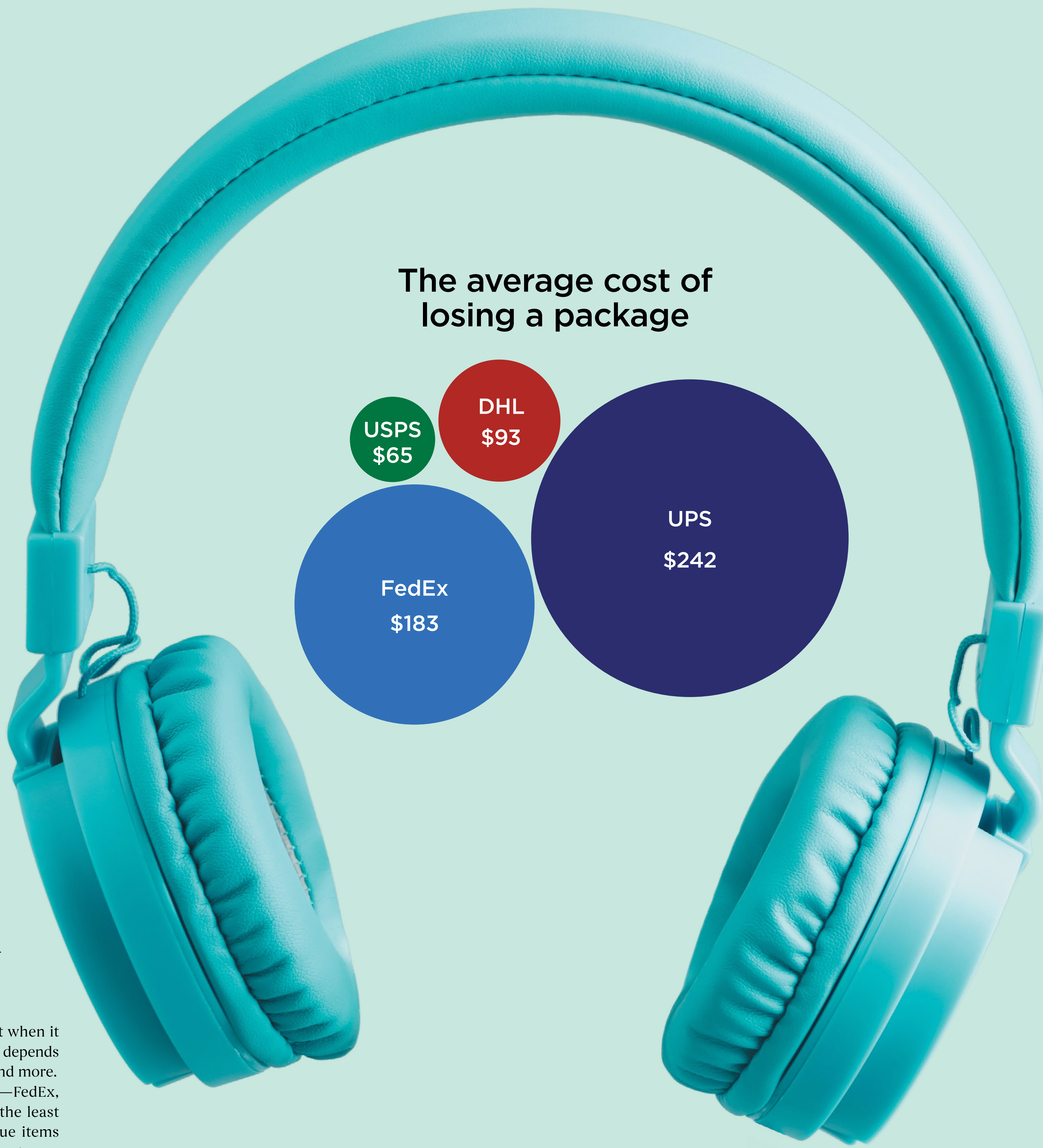
To create a more seamless customer experience, startup Route helps customers track all of their ecommerce shipments in one convenient app. They're also one of the largest package insurers in the U.S., and we partnered with them to compare their anonymized customer data with Brex card usage to see how ecommerce companies are choosing to ship their products and how much those choices cost. Hopefully these insights will help you make a more informed decision the next time you ship a product.

What kinds of items are shipped by which carriers?

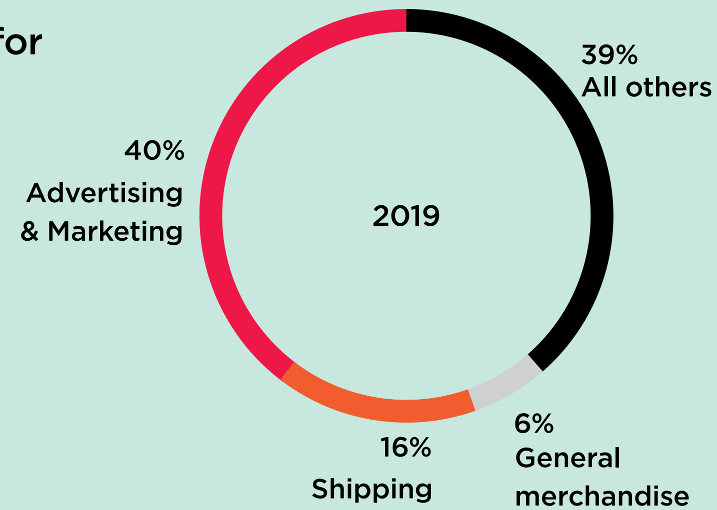
The data reveals an interesting balancing act when it comes to choosing a shipping provider—one that depends on ease of use, economics, package insurance, and more.

Of the so-called "big four" shipping carriers—FedEx, USPS, UPS, and DHL—merchants tend to ship the least valuable items with USPS, and the highest-value items with UPS. When it comes to Brex ecommerce customer spending, UPS is the second-largest merchant by customer spending, followed by USPS.

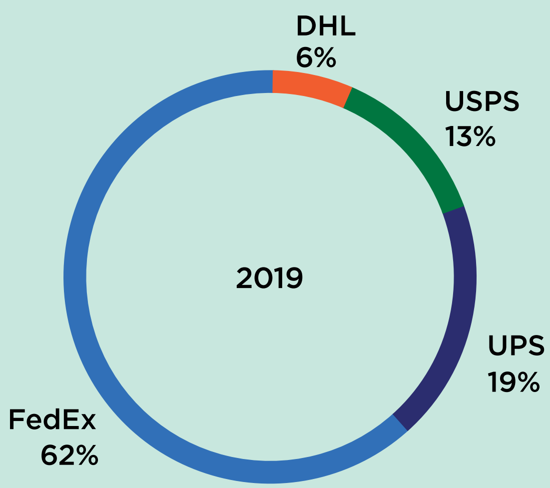
And there's a good reason that Brex customers favor FedEx. According to Route, FedEx is the least likely to lose your package, followed by UPS, DHL, and USPS.



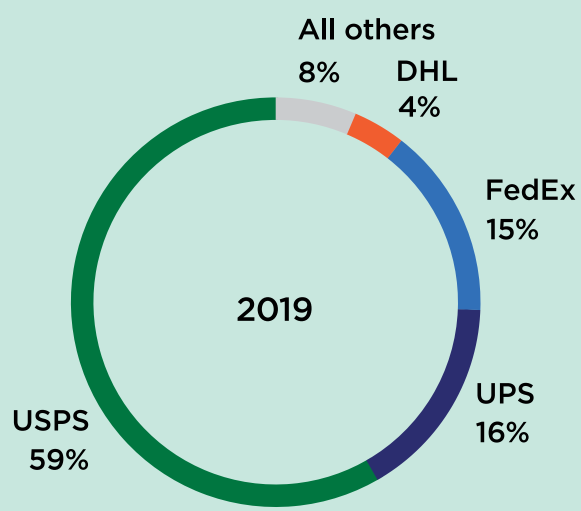
Share of spending for shipping tools



Share of spending for shipping services



Share of Route shipments



The cost of insurance also plays a role

But another consideration is the cost of insurance. Alongside the average value of a lost package based on Route data, we can start to get a better look at some of the economics of package delivery. Here's how the insurance cost breaks down:

USPS INSURANCE COST	
< $50	$1.65
$50–$100	$2.05
$100–$200	$2.45
$200–$300	$4.60
EACH ADD'L $100	$4.60 *plus* $0.90

FEDEX INSURANCE COST	
< $100	$0
$100–$300	$3
EACH ADD'L $100	$1

UPS INSURANCE COST	
< $100	$0
EACH ADD'L $100	$1.05

DHL INSURANCE COST	
EACH $100	$1

Overall, when the contents of the shipment are more expensive, merchants tend to ship with UPS, which has the cheapest insurance.

Affordability vs. get-it-thereability

When you compare both Brex credit card data and Route shipment data, we can confirm another clear trend: USPS appears to be a very strong affordable option for ecommerce businesses. USPS has the highest volume of orders while only accounting for around 13% of Brex customer spend among the "big four" carriers.

Perhaps surprisingly, shipping isn't the top expense for ecommerce companies. Advertising and marketing accounts for the majority of Brex ecommerce customer spending, and was more than half of all spending in the week ahead of Black Friday and Cyber Monday. But shipping still makes the top three biggest expenses for Brex customers.

Startups have different shipping priorites

Depending on what's most important to you, you have an array of options before you. If you're still bootstrapping and need whatever's cheapest, go with USPS. If you sell a more premium product and can't afford for a single package to be lost or damaged, FedEx might be your best bet. And with Route on your side, you'll get an alert if anything's gone wrong with your shipment before your customer does. That way, you can quickly address the situation and still deliver a great customer experience. It's worth the peace of mind for you and your customers to know exactly where that package is—whether it's plain cardboard or triple-bubble wrapped.

So, mailing stuff out? Consider it shipped. Now you can move on to crafting that perfect unboxing experience.

Bookkeeping: The key to success for early-stage companies

Juggling it all as an entrepreneur

We know when you're running your own business, there's a lot to manage. You're innovating on your latest product, building your brand, coming up with a new marketing campaign, and possibly even raising funds. With so much to think about, often the last thing on the list is back-office work like bookkeeping. But ignoring bookkeeping can come at a high price. We dive into some risks that come up when you don't have an effective bookkeeping solution in place—plus, how to manage these risks and get your bookkeeping done right.

How much are you spending? Saving? Investing?

Accurate and up-to-date bookkeeping is essential to staying on top of the current state of your business. But it's also essential so you can understand the best way to grow and plan for the future. As Preston Lee of Millo.co found, getting a handle on his books actually fueled company growth. He says, "The truth is, for me, my entire ability to effectively run my business changed when I started taking bookkeeping seriously." Ignoring your books because you're too busy, or you don't think they're that important right now, just isn't the smartest option if you want to grow your business.

You wouldn't tell a contract writer to just publish a post without your review. And you wouldn't have your web developer ship a new look on your site without seeing it first. So why would you let your transactions and cash flow remain a mystery? It's clear what responsible business owners should do—set up bookkeeping early, get insight into your financial position, and plan out the best strategy possible.

Company expenses on personal cards

It's as easy as a tap, click, or swipe. You don't have a business credit card yet, so you pay for something with your personal credit card. It's just once, you think, it'll be easy to figure out later. But then things get busy and purchases need to be made. Suddenly you've got office supplies, laptops, Facebook ads, and your Shopify subscription spread out over your personal credit and debit cards.

Mixing personal and business expenses is a big no-no when it comes to bookkeeping. Mixing the two makes it harder to keep track of your business expenses and maintain accurate books. It can lead to a lot of work down the road to untangle everything and make sure you have a clear picture of your business spending. Plus, using personal cards for business expenses could expose you to personal liability—another issue you should avoid at all costs.

These headaches can be avoided altogether if you get corporate credit cards early and keep track of your spending via accurate bookkeeping. If you're spending on corporate cards and tracking everything correctly, you'll have an accurate picture of spending and no worries about those details getting lost in the shuffle.

Preventing mistakes and catching fraud

So you're running your business, making money, spending money, and making investments for the future. You think everything is going great until you realize you're low on cash. Way low. Lower than you ever anticipated. You take a look back through your expenditures for the past month and realize you accidentally processed a vendor's invoice twice. You've paid out a lot of cash, and now you have to spend time contacting the vendor, explaining the mistake, and clawing back the funds. It's a lot of time and hassle that could've been spared if you'd had solid bookkeeping in place from the start.

A bookkeeper is more than just a receipt-wrangler. They're responsible for recording all financial transactions related to your business. This takes expertise and a personal touch, as they make sure that everything is recorded accurately and makes sense for your business. Having someone who is handling your bookkeeping gives you peace of mind that transactions are taking place correctly, accounts are reconciled, and you'll be ready to go come tax time. There's nothing better than the feeling that you aren't forgetting any vague "something," lingering in the back of your mind.

Get your bookkeeping set up now

There's no time like the present to get a bookkeeper and start keeping track of your financial transactions. There may be a lot to manage as a small business owner, but this step will set you up for success by enabling efficient growth and informed decision-making. Plus, staying on top of your books every month will make preparing for tax season that much easier. When you have impeccable books ready to hand off to your accountant, you can maximize deductions and minimize headaches. It's time to know where your money goes.

Brex members also get 20% off their first six months of bookkeeping and tax filing support, through our preferred partner Bench.

HOW THEY DID IT.

The founders of New Harvest, Bala, and iSono Health give an inside look at what it took to get off the ground.

NEW HARVEST

How New Harvest is investing in scientists to make cell-cultured meat a reality

For a lot of people, cell-cultured meat—that is, real meat grown from the cell up, without an animal—might feel like an inevitability as a result of rapid innovation in life sciences. However, that's not quite the case.

Instead, as New Harvest executive director Isha Datar says, there are considerably fewer people working on the problem than most expect. And it's also just as hard for them to secure funding as it is for any other cutting-edge scientific research that feels like it's straight out of science fiction. That's where New Harvest comes in.

New Harvest is a nonprofit based out of New York that invests in cellular agriculture research—the kind of work that would produce cultured meat (sometimes called "lab-grown") as an alternative to traditional agriculture. That kind of innovation can make a huge difference to offset environmental degradation, Datar says, but still requires a tremendous amount of work to get there. New Harvest wants to ensure that those researchers do, in fact, get there.

"I would say our goal is to focus on what is the most neglected thing in the field," Datar said. "It should elevate the entire industry; that's what separates us as a company. I think a lot of people think lab-grown meat is inevitable, and it's not. It's incredibly hard to do and requires a ton of work."

Building a community for scientists in cellular agriculture

Datar first got excited about the idea of working in cellular agriculture while studying cellular biology when she was an undergraduate and took a class on meat science. There was a considerable amount of investment in medical technology, but not as much being applied to cellular agriculture—even though the environmental impact of widespread cell-cultured meat would be enormous.

"I saw how powerful this tech could be, but I also saw how much power and ownership had been consolidated in the food industry already," she said. "I thought, with this new technology, we have an opportunity to rethink how food production happens. I think food production should exist in a very public space, and the research behind it should as well."

One of New Harvest's biggest goals is to ensure that the researchers they fund feel like they aren't working in a vacuum. It can get lonely working in a lab all day and night running experiments, even though scientists are working on the cutting edge of specific fields. But the topics can be complicated, and it might be challenging to find people to connect to and discuss their research, Datar said.

New Harvest brings its researchers together in a kind of virtual coworking space once a week to discuss their research and how things are going. It's part of an effort to build an active community both within New Harvest and within the scientific field itself. Because cellular agriculture is still in its early stages and hasn't quite hit escape velocity yet, researchers want to make sure they feel like they're part of a communal effort to advance the field.

Where the story of cellular agriculture research goes from here

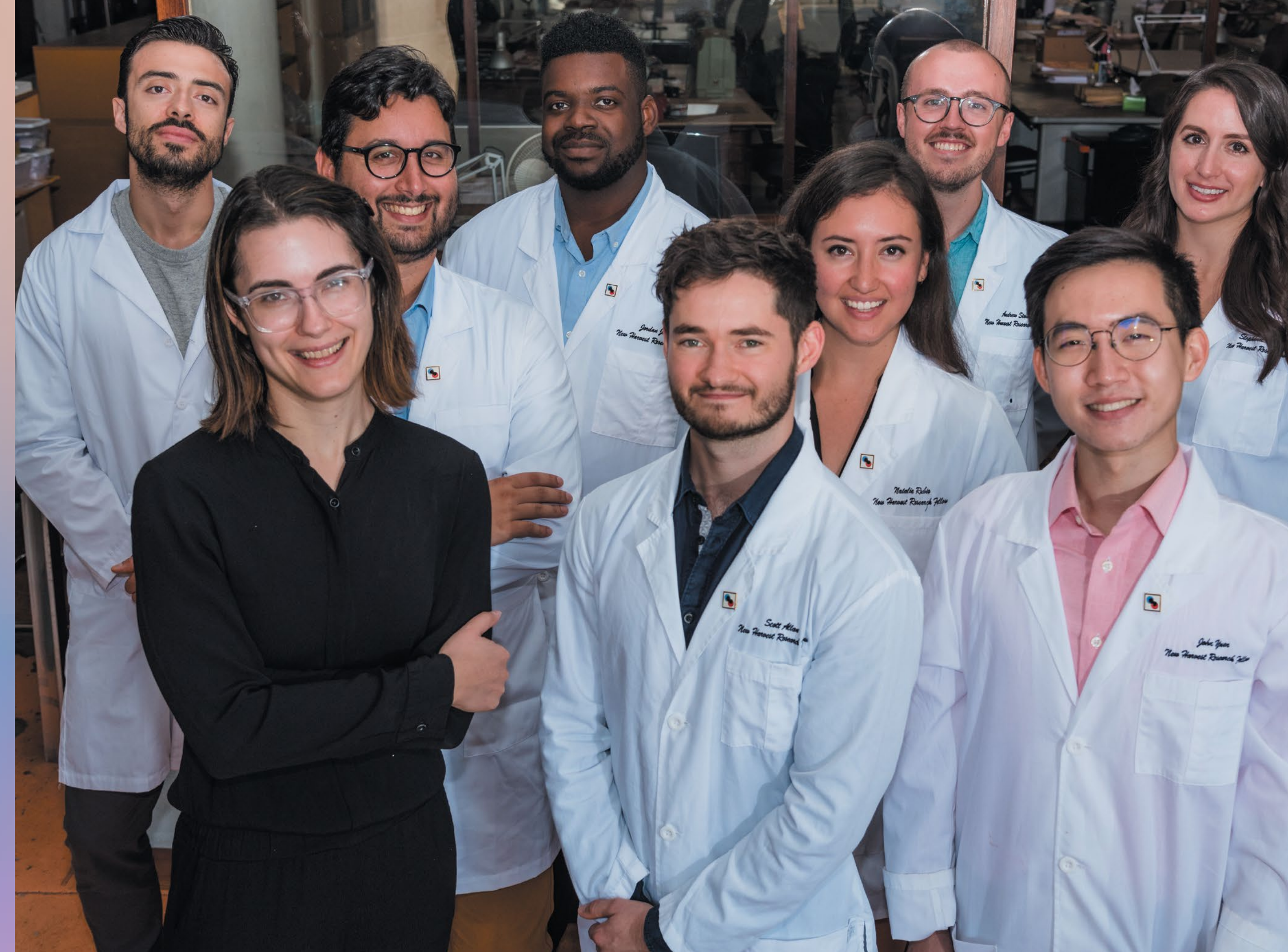
Now, New Harvest funds researchers working on problems ranging from traditional cell-cultured meat to studies on growing fish muscle in a lab as a replacement for fishing, and even work studying insect cells. Few people are working on these projects, and New Harvest hopes to identify as many of them as they can and invest in them.

"It does feel like a true scientific community," Datar said. "It's also really cool that each of the researchers gets to remind themselves of how important their work is. They can remind themselves about how each of them is on the cutting edge of something amazing that's appreciated by a lot of people and has the potential to have a big impact."

Seven years ago, when Datar got started, there was a whole lot of backstory to explain. Cellular agriculture was in its infancy, and the environmental impact of the meat industry was not quite as top-of-mind as it is today. So when she would go out to fundraise, half the battle was explaining why there was a need to invest in research in the field in the first place.

The storytelling part is a little bit different today—but not because people aren't aware of the benefits of work in cellular agriculture. Instead, one of the biggest challenges is that many people, including potential donors, think that there is already considerable investment in cellular agriculture research, New Harvest engagement associate Meera Zassenhaus said. But in reality, there isn't as much funding as necessary to move the needle and start having an impact on the industry, she said.

"I think a lot of people feel that because the tech makes so much sense, it's inevitable that we'll have lab-grown meat," she said. "They think the government must have some lab where they're investing hundreds of millions, or billions, of dollars into it because it makes so much sense. But that's not the case, and I think once we explain it's not inevitable and it takes us funding these researchers, and that research is a slow process, they mobilize to donate. It's not necessarily inevitable; it's an incredibly hard thing to do."



"They [scientists] can remind themselves about how each of them is on the cutting edge of something amazing that's appreciated by a lot of people and has the potential to have a big impact."

The other challenge is explaining that there is, indeed, a tech solution to the environmental impact of the meat industry—not just a behavioral one that encourages people to eat less meat. One of New Harvest's biggest initiatives is to find underfunded researchers in cellular agriculture and give them the money they need to grow. While cellular agriculture advancements might show up in the news, it'll typically be something like "scientists discover X," and doesn't explain where the scientists are actually working.

New Harvest now funds 14 fellows, all working on various kinds of cellular agriculture research, and expects to be supporting around 20 in the near future. But the goal still remains the same: find a way to produce food made from animals, without the animals, and build a scientific community around it in the process.

"I think there are a lot of people who could filter through and see this as a novel scenario, that we had never contemplated a tech solution to what is normally thought of as a human behavioral thing, to eat less meat," Datar said. "We have to tell that story to a broader group of people, to double down on our story of building a foundation for cellular agriculture. We want to really narrow in on the unique work we do here and how it contributes to the broader field."

BALA

Discover how cofounder Natalie Holloway bootstrapped her startup

Natalie Holloway started her company because she wanted to challenge herself—just not exactly in the way you might think.

Holloway and her boyfriend Maximilian Kislevitz met at the LA-based advertising agency 72andSunny, where they built national campaigns for brands like Starbucks and collaborated around-the-clock on new business pitches. Needing a break, Holloway and Kislevitz booked a six-month backpacking trip through Asia. In Indonesia, the couple finished their daily yoga session and Kislevitz asked, "How can we make that workout even harder tomorrow?"

With that challenge issued, the idea for Bala was born.

When they returned to the United States, Holloway and Kislevitz launched their first product: Bala Bangles, stylish weighted bands that turn movement into muscle, amplifying the fitness benefits of just about any routine. But like many bootstrapped founders, Holloway and Kislevitz returned to their full-time jobs in advertising, creating ads for other companies during the day and building their own brand at night and on weekends.

"We had no idea what we were doing at first," Holloway laughs. "A lot of it was challenging, we were shipping out of our apartment in Dumbo, Brooklyn. When we first started, we'd have five boxes of inventory come in and I had to convince the doorman to hold them there."

And Bala customers weren't the only ones building muscle. "A wholesale order for 20 units, that's 40 pounds," Holloway remembers. "Even just getting that to the mailbox was so tough. Our living room was full of boxes for that first year."

Though Holloway's career in advertising was challenging in terms of work-life balance, she also found that it was a huge advantage to her life as a new founder. "In the agency world, there's an expectation where you just have to figure it out. You're given questions every day, and there's no roadmap, you just have to get it done. That mindset really helped us with Bala. We had this mentality of shamelessly trying things and not being precious about the process."

In the early days, for example, Holloway discovered an Instagram influencer she thought would be a great fit for the Bala brand. One approach would have been to compile a full strategy deck on social media influencers and how they would tie into an overall marketing plan. But instead, Holloway direct-messaged the influencer to see if she'd want to use the Bala Bangles. "We didn't really have a strategy," Holloway said. "But the influencer loved the product and even today she's a huge seller for us."

As advice to other founders, Holloway advised: "Don't be afraid to fail early on. Just try things."

In March 2019, the income from Bala allowed Holloway to quit her full time agency job and focus on the business full time, and Kislevitz joined her soon after. And in January 2020, Holloway and Kislevitz had moved back to LA and are husband and wife as well as business partners. Bala is now sold in over 1,000 retail locations worldwide, and has been featured in Glamour, Fast Company, and more.

And the company has grown beyond just the two cofounders. "My sister helped us all throughout that first year, but then all that hard work paid off because now we can pay her. She's our first employee, and we currently have a lot of open roles. By the middle of the year we should be a team of eight or maybe more."

With Bala just shy of two years old, Holloway reflected back on the early days of the company and looks forward to the future. "The first year and a half was about grinding it out and working harder, but now it's really about working smarter."

Holloway described how in 2019, they were bootstrapping everything. "It really felt grassroots, we were trying to spend as little money as possible. We'd only buy 100 units just to test the market." That's the perfect mentality for an early startup: keep cash on hand and don't invest too heavily in a certain product until it's certain there's a market for it. But at a certain point, that makes it difficult to scale and founders have to shift their mindset.

"This coming year, we're all about building systems and putting systems into place that really work," Holloway explains, acknowledging this shift. "We want to launch new products and build out a wholesale platform. We need to figure out our trade show presence. We don't want to reinvent the wheel every time."

"There's a philosophy of startups launching and spending a ton of money on ads and PR," Halloway said. "But what really worked for us was a more grassroots approach, growing at the pace that we're comfortable with."

There are all different paths for early companies to take, and Holloway encourages founders to find the one that is right for their business. "There's a philosophy of startups launching and spending a ton of money on ads and PR," Holloway said. "But what really worked for us was a more grassroots approach, growing at the pace that we're comfortable with."

This also allowed Holloway and Kislevitz to retain more control and ownership over their company. "Not taking on any debt in the early days really put us in a great position today," Holloway said. "Even though it was tough at the time to juggle the job and Bala."

In another nod to her advertising background, Holloway is already thinking about how she will shape Bala's company culture: "I think about our culture often, because I have been lucky to work at places where I loved coming to work every day. Even though we're just a team of three right now, we're already thinking about the foundation for that."

And company culture isn't just what happens inside the office, but also how the business impacts the outside world. "For this coming year, we have a roadmap of products we'll launch," Holloway explains. "But I want the company to be doing more than that. I want Bala to give back and do good. Yes, we'll be environmentally friendly, but I want to be more than selling things to people. Otherwise, what's the point?"

It's an interesting perspective to hear from a founder, and an outlook that Holloway hopes more of her peers will share.

"It's really what keeps me up at night. Sure, sales are great, business is booming, but what else can we be doing?" She points to the fact that one hundred percent of the proceeds of a specific Bala Bangle goes entirely to a selected animal rescue organization.

"It's a small thing as of now, because we're a startup and trying to maintain profitability, but again, it's about laying the foundation. We want to be doing these things now, so we can do more as we grow."

ISONO HEALTH

How iSono is working to bring personalized breast cancer screenings to every woman, everywhere

In 2015, when Maryam Ziaei and Shadi Saberi met up in San Francisco, they weren't aiming to change the face of women's healthcare. They were just two friends catching up over drinks. But when the conversation turned to family and friends, they discovered that they each had loved ones who had recently been diagnosed with breast cancer.

Since her mother is a radiologist, Saberi had heard how ineffective mammograms can be, despite being the primary diagnostic tool for in the United States. But even knowing that, when she and Ziaei looked up the statistics, they were shocked. Around half of women in the US have dense breast tissue, which makes it difficult to get an accurate mammogram reading and diagnosis.

And that's not to mention that mammograms are created by x-ray machines not found at every doctor's office, and many people are reluctant to expose themselves to x-ray radiation. "Different states have different laws in terms of when screening is covered by insurance, but 30-35% of women with insurance still don't get screened or don't go back after the first screening, because it's an unpleasant experience, involves x-ray radiation, or its inconvenient to to travel," Ziaei says. And that's just in the US.

Traditional handheld ultrasound is the most accessible solution worldwide, and ultrasound machines are capable of detecting small masses just as well in dense breast tissue. However, the quality of image is highly dependent on the skill of the operator, it's time-consuming, and there is a shortage of ultrasound specialists globally. For example, in the US there is 1 radiologist per 12 women, in India, there's only one radiologist for every 200 women, forcing many women to travel far distances for a routine scan they should ideally have every year. This is part of the reason why over half of breast cancer is discovered between screenings.

The more they read, the more Ziaei and Saberi couldn't believe this issue hadn't already been addressed. So the women approached the problem like engineers: if there wasn't a solution yet, they'd just have to build one.

> "A lot of investors are men, and a lot of them didn't think there were any issues with current breast cancer screens," Ziaei remembers. "They'd say, 'What's the issue? It works great!' And we had to say, 'Actually, no, it doesn't.'"

But neither had a background in healthcare. Armed with an Electrical Engineering Ph.D from Stanford and over 15 years of research and industrial experience in consumer electronics, Ziaei was working at IDT as a staff microelectromechanical engineer in San Jose. Saberi had completed her Ph.D in Electrical and Computer Engineering at Carnegie Mellon, and was working as a hardware developer at Broadcom. But now, they wanted to save lives by discovering a radically more efficient way of detecting early-stage breast cancer.

One option would be to try to make the mammography machine smaller and more accessible, but there was still the issue that they were unreliable for nearly 50% of American women and over 70% of Asian women. MRIs are also used to diagnose breast cancer, but the machines are large, expensive, and even less accessible than the x-ray machines used to produce a mammogram. So they decided to create a new kind of ultrasound machine, and iSono was born.

The vision for iSono was simple: design a compact and automated ultrasound machine and use AI for a more accurate reading and diagnosis. But making breast cancer diagnosis accessible, accurate, and convenient around the globe would have a huge impact on women's healthcare.

The current statistics are devastating. Every year, 1,700,000 women get diagnosed with breast cancer around the world, resulting in over 600,000 deaths. While scientists are searching for a cure, the best way to beat breast cancer right now is to detect it early. If you catch breast cancer in Stage 1 or even before, it's 99% treatable and the 10 year outlook is extremely good. But when it's diagnosed in Stages 3 or 4, a woman's chances of survival drop to 25%. And on top of the devastating mortality rates, the cost of healthcare is also 10x higher for a woman with a later-stage diagnosis. Catching breast cancer early saves both money and lives.

The iSono ATUSA* device is a small ultrasound machine that attaches to a bra. "The two minute scan produces a 3D ultrasound image and doesn't need a special operator," Ziaei said. "And could be used in a city hospital or a remote village." The images are uploaded to a secure server and with the help of machine learning, the physician can give the patient a more accurate diagnosis. Since the machine doesn't require a professional radiographer, iSono could bring its machines to women's health clinics, OBGYNs, and primary care physicians' offices, making breast cancer screenings a convenient part of a normal checkup. Down the line, these machines could potentially live in pharmacies, employer wellness programs or even at home.

Because a professional radiographer is not needed, screenings are easily repeatable, another enormous benefit to iSono's diagnostic solution. "Instead of getting just one snapshot and then going away for years, now you have an easy way to see how your health changes over time. That's huge. What changes in your health over a period of months and years is really what matters."

In the very beginning, since her background was not in medical devices, Ziaei admits to being a little naive. "Originally, we wanted to take the device directly to consumers. And to be honest, we still want to do that. But first we had to get FDA clearance, which made it trickier to fundraise."

In 2016, they were accepted into Y Combinator, the top Silicon Valley accelerator program. But Ziaei says that their first challenge was educating their audience on the shortcomings of the current healthcare system. "A lot of investors are men, and a lot of them didn't think there were any issues with current breast cancer screens," Ziaei remembers. "They'd say, 'What's the issue? It works great!' And we had to say, 'Actually, no, it doesn't.'"

With breast cancer becoming more prevalent in the news, Ziaei and Saberi both knew many women who worried about it, and knew their iSono device could give those women peace of mind. "Every woman we knew also knew someone who had been affected by breast cancer," Ziaei said. "That was what really kept us going in the beginning."

Reflecting back on the early days of iSono, Ziaei recommends building a strong network of advisors. "Shadi and I didn't have a medical background, and we were trying to build a medical device. So it was very important to build really strong relationships with physicians and other healthcare professionals. Once they were excited about our technology, they became champions and partners."

It's also important to foster an ongoing relationship with investors, Ziaei advises. It's not just about showing up once and pitching, but rather getting to know them and charting your progress. "We had really amazing investors in the beginning and with Y Combinator. We developed relationships with investors and showed them our progress toward a functioning prototype, and it got a lot easier. We're now backed by an amazing group of venture investors, who help us everyday in various aspects of developing our product and business."

A current challenge facing iSono is hiring qualified candidates and adding more people to the team—the Bay Area is an extremely competitive market in the fields of medical imaging and AI. But Ziaei knows that the mission of the company is a very important recruitment tool. "People who have joined are really excited about the premise and mission of the company, which helps create an amazing culture."

And iSono is already looking to the future for ways to improve diagnostics in other parts of the body as well. It's an exciting road ahead, and Ziaei offers advice for other founders, especially female founders. "First of all, don't give up. There are investors out there who will believe in your product. Know your numbers, you have to be better and more informed than other founders. Be flexible, and be willing to listen, but also take every piece of advice with a grain of salt. But most of all, be persistent."

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What works for startups at work?

Tools covered:

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How much does your typical startup toolkit cost?

Pre-seed startups typically spend

CRM	$91.38
TELEPHONY	$21.39
DESIGN	$34.64
TASK MANAGEMENT	$42.25

We found that the biggest-ticket service among those four categories for pre-seed startups (and seed startups, too) is a CRM service. And realistically, your customer base is going to scale substantially faster than your actual company. So you probably won't be spending an enormous amount of money on tools like task management or remote conferencing.

Seed startups typically spend

CRM	$148.56
TELEPHONY	$45.13
DESIGN	$53.80
TASK MANAGEMENT	$101.78

Startup operational needs are only going to grow as they get larger. We can see that Brex customers tend to ramp up their spending on task management services the most. When you're just a few people in a room, shouting across the table to each other might work to get things done. But as more and more people come on board, and projects get more complex, you'll need tools that ensure everyone is staying on the same page.

Do startups prefer Uber or Lyft to get around?

Winning the rideshare market is an expensive endeavor indeed. Both Uber and Lyft have to strike a careful balance between providing the best customer experience, ensuring drivers are getting paid the right amount, and still generating revenue—and hopefully profit one day. And business travel is a part of that path to profitability.

For example, Uber for Business partners with companies to become their go-to solution for employees' trips to the airport, commute, or client dinners. It even allows for the easy expensing of team meals delivered to the office through Uber Eats. Lyft Business offers a similar arrangement, minus food delivery. And on the company side, Netflix even allows all full-time salaried employees to expense their commute between home and work via Uber, Lyft, or any other rideshare service. And more companies are encouraging employees to rideshare rather than rent a car when they travel for work.

So capturing the loyalty of a small startup that might one day grow into the size of an Amazon or Google is, well, also an understandable goal.

We analyzed anonymized aggregate Brex customer spending data to get a better sense of the dynamics of the two rideshare providers. Brex customers are primarily early- to mid-stage startups in the Bay Area and New York—the kind of companies that could grow into massive organizations with thousands of employees that all need to zip around the city.

With a U.S. market share of about 70%, Uber unsurprisingly commanded the majority of spending from Brex customers all last year. Meanwhile, traditional taxi services and other transportation services still accounted for a chunk of Brex customer spending.

It's possible that Uber's dominance comes down to availability, with the ridesharing app connecting riders and drivers in over 600 cities around the world. Lyft still operates only in the U.S.

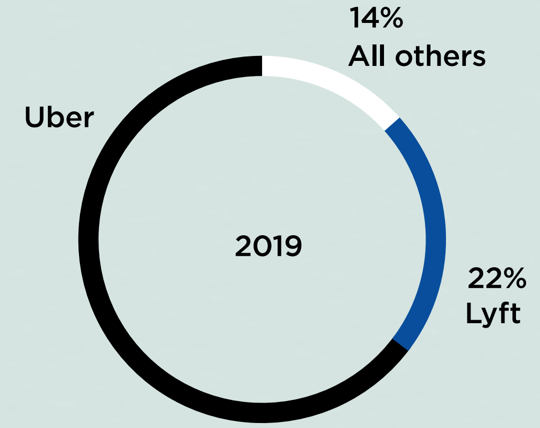
Brex customers also typically pay more for each Lyft ride than Uber rides. Lyft rides account for a much smaller volume of total ridesharing spend, but there could be a number of dynamics at play here, including usage during peak hours or typical distances for each Lyft ride.

We also found that, once again, a significant chunk of spending goes only to Uber compared to Lyft, which we can consider brand loyalty. The percentage of exclusive spending for Lyft and Uber has remained relatively unchanged over time. For example, only around 4% of spending in September went exclusively toward Lyft, while 32% went exclusively toward Uber.

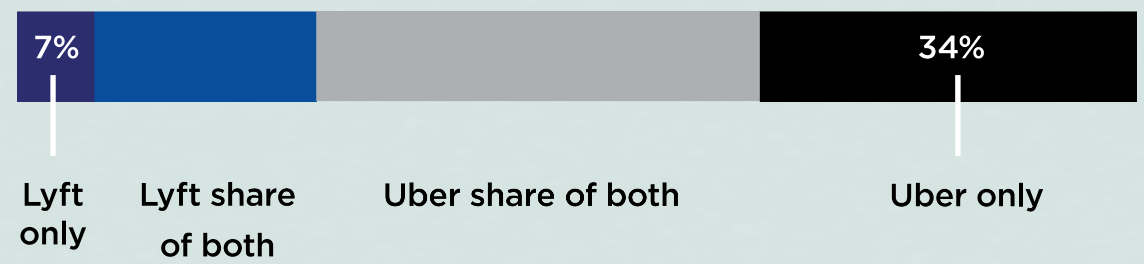
As time goes on, both Uber and Lyft will want to ensure they capture the loyalty and become the preferred ridesharing company for startups. Startups also have to decide which service they should tell their employees to use, and may even define those in their corporate card policies. Companies might consider being price-conscious and use both, or just pick one and stick with it.

When it comes to your startup, you might leave the decision up to your employees about which rideshare choice they make. Or you might streamline expense reports and strike an exclusive deal with Uber for Business or Lyft Business. But no matter what you choose, one thing is clear. In the past decade, ridesharing hasn't just transformed the way we navigate our personal lives. It's also changed business travel as well.

Share of ridesharing spend in 2019



Share of spending on Uber and Lyft in November 2019



Which task management tools do startups use the most?

If you ask your typical employee what their favorite task management app is, you're probably going to get something along the lines of "We use X, but it's so bad."

And, really, task management is hard. There's no silver bullet when it comes to ensuring something gets done inside a company—especially if multiple people are working on it across different divisions or time zones. It might be hard enough to get everyone to agree on how to monitor the progress of that task in the first place.

That's why there are plenty of companies vying to become the best tool to help startups get stuff done. They face the challenge of being a flexible enough tool to manage multiple workflows (and personalities) while being simple enough that everyone can agree on how to use them in the first place. And, in fact, 2020 is a great year to be alive as a startup because all these companies actually care about solving the problem—and competing amongst themselves to be the best tool.

We analyzed anonymized, aggregated Brex usage data to get a better sense of what task management tools were the top choices for startups. Brex customers are primarily early- to mid-stage startups (that tend to be early adopters), though we have an increasingly broad base of ecommerce and life sciences customers.

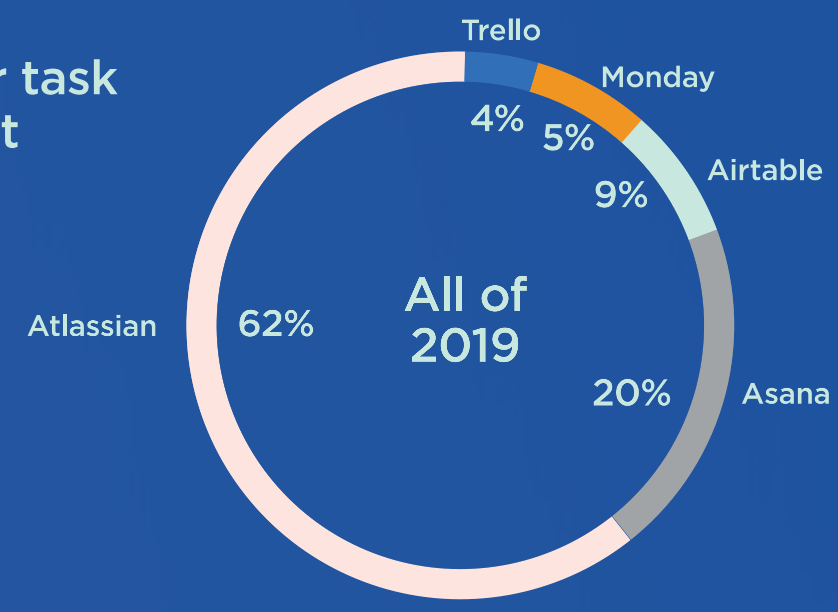
Once you've finally gotten everyone to use the same task management tool (a tall order in itself), it'll be pretty hard to rip it out and replace it with something new. So it's crucial that you pick the best tool that works for you early on and not expect to replace it down the line—and understanding what tools startups use the most may help you figure out where to start your search.

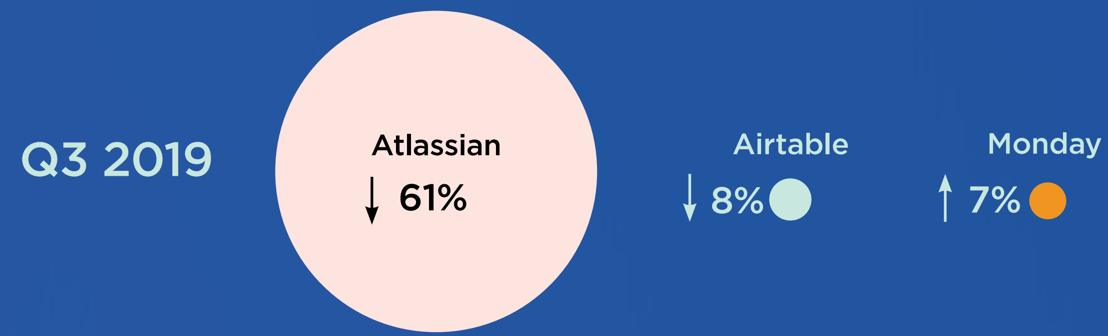
The short answer is: There's a reason Atlassian is worth as much as it is. But let's get into the longer answer.

There's more competition than you'd expect in task management tools

Jira has yet to find a true replacement, if Brex customer spending is any indicator. Throughout the majority of the year, Atlassian accounted for around two-thirds of all spending on task management tools that include Atlassian, Monday, Asana, Airtable, and Trello.

Share of spending for task management tools





Asana was consistently the second-largest with a 20% share, while the other three battled it out for the remaining chunk of startup spending.

But we did, indeed, see some movement among the other top task management tools as the year went on. Heading into the third quarter, Monday.com—founded in 2012—gained ground on other services. That growth came at the expense of Airtable and Atlassian.

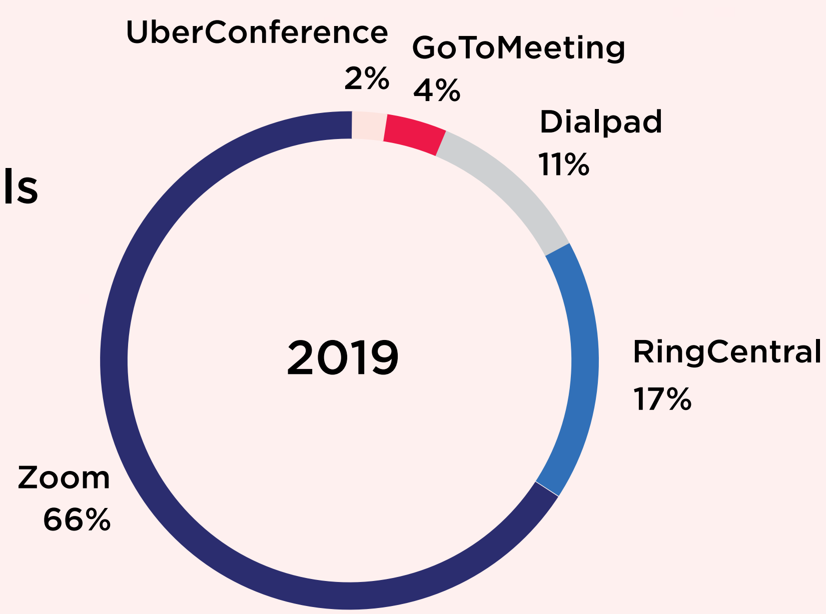
All of these tools are products developed by incredibly valuable companies. Airtable hit unicorn status—meaning the startup is valued at more than $1 billion—in November of 2018. Meanwhile, Monday.com raised an additional $150 million in July of 2019. Monday.com is also considered a unicorn, valued at $1.9 billion in its last funding round. Asana was also valued at $1.5 billion in its funding round in November of 2018.

While Atlassian represents the only public company in that group, its stock has risen more than 80% in the last year. The rest may be unicorns, but Atlassian—which also owns Trello and products like online repository service Bitbucket—is a $31 billion company as of mid-November, 2019.

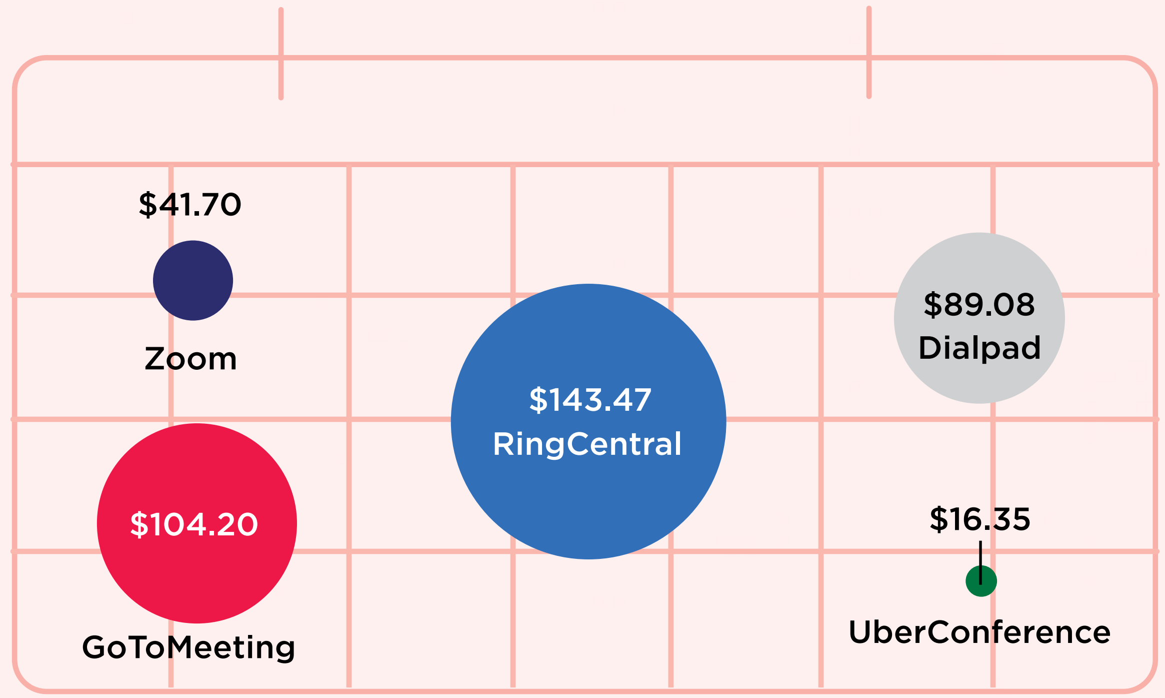
Even though they might seem like minor moves among the smaller players, there continues to be fierce competition to build the best task management service. And we're thrilled—while it may be a Sisyphean feat to begin with, at least we're trying to make it work.

What remote conferencing services do startups use the most?

Share of spending for telephony tools



Typical monthly spending for remote conferencing



As startups grow, so does their global footprint: Employees may travel more often, or startups may end up opening satellite offices. They inevitably need to keep in touch from multiple locations around the world—or even just between the San Francisco and the South Bay office. While video conferencing is about the next-best thing to an in-person meeting, communication challenges are still the same—they're just bigger, and with more people.

We looked at anonymized, aggregate Brex spending on telephony products to get a sense of what tools startups are using the most to keep in touch. Some of the top tools that Brex customers spend on include Zoom, RingCentral, Dialpad, GoToMeeting, and UberConference (which is owned by Dialpad).

Unlike other types of tools (looking at you, task management), it might be easier to get everyone to try a new video conferencing service. And everyone is already probably on Google Hangouts if you're using G Suite. But it's still important to be careful about what service you pick for your company, because, let's be realistic: Are you really going to change things up when you've already set up hundreds of recurring meetings?

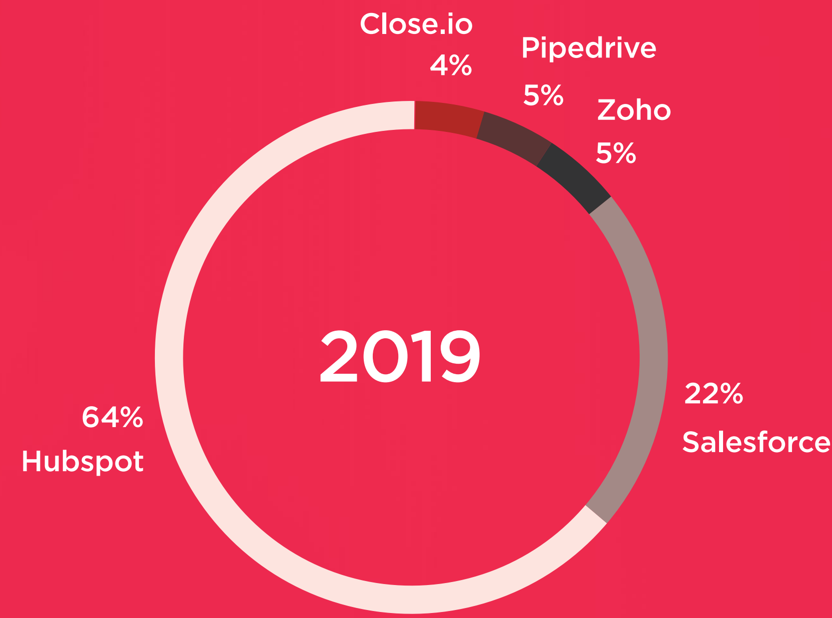
Zoom rules in video conferencing

The majority of Brex customer spend goes toward Zoom, a recently-public company now worth around $17 billion. However, there's one area where Zoom does not rule in spending: how much your typical startup spends on it every month. Instead, the typical Brex customer spends considerably less on Zoom than other telephony tools like Dialpad. Zoom is probably the most widely-used telephony product—that's part of the reason it's been so successful as a public company—but startups do indeed have other options. The difference is that they just might work better for larger organizations or have different, more specific features.

Which CRM tools did startups use the most in 2019?

Typical monthly spending for CRM

Share of spending for CRM tools



Brex customers spend more on Hubspot than any other CRM tool

Excel sheets can be a great tool for managing your customer information—at least, for your first few hundred customers or so. But when you're getting into the thousands, or tens of thousands of customers, Excel is probably going to curl up into a ball and start sobbing.

That's where customer relationship management tools, or CRM, comes in. While Salesforce may have been one of the harbingers of online CRM tools (and SaaS in general), startups have access to a wide variety of tools to ensure they can keep track of their customers in one place. And as startups start to collect more and more data on their customers, they'll need sophisticated tools to ensure it's easy to access.

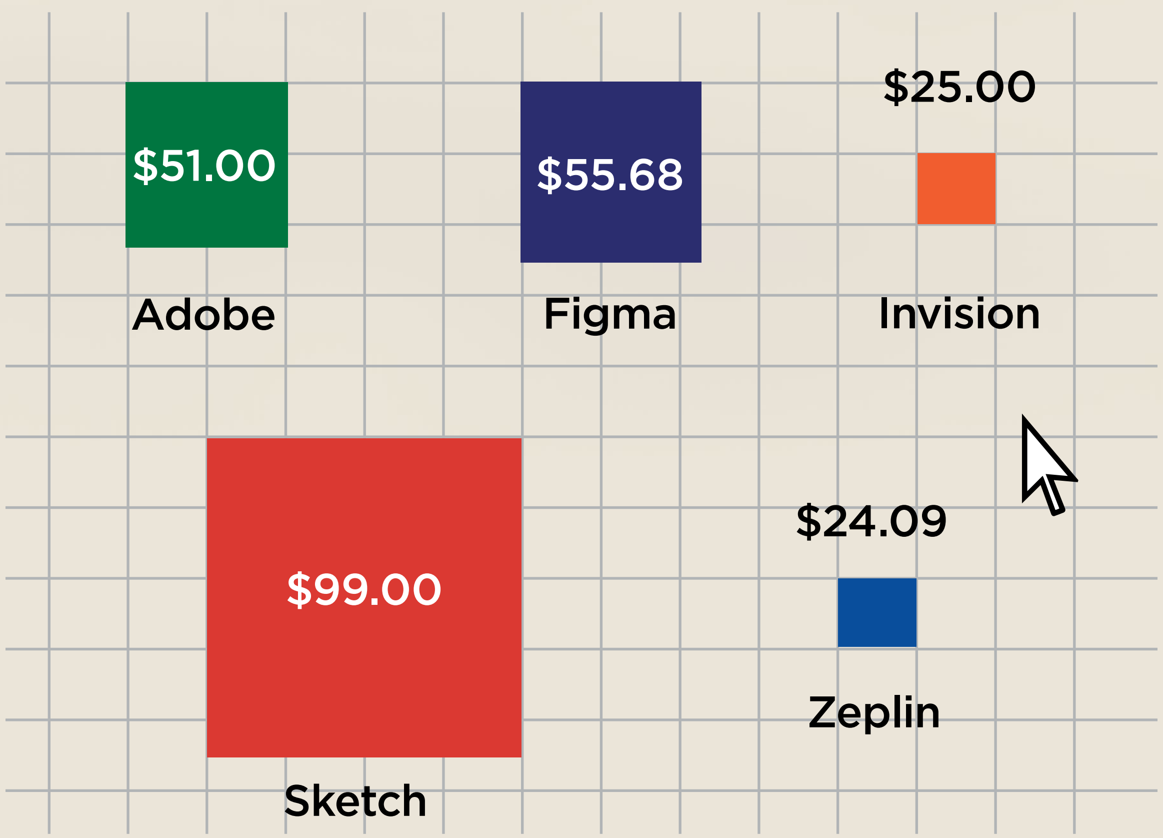
Like any service that serves as a source of truth, you want to be careful when selecting which CRM tool you use. Each will have its own advantages, but once you're locked in and hosting thousands (or tens of thousands) of entries, replacing an entrenched system becomes that much trickier. And your employees may have become accustomed to it as part of their workflow and avoid changing it—whether it's the best tool or not.

When looking at the CRM landscape, you might expect one of the oldest tools available to be the most popular. But for Brex customers, that title goes to a substantially smaller company: Hubspot. It may be more appealing to startups as it offers what starts off as a free CRM tool—which, if you're trying to keep your spending under control, can be pretty attractive. Hubspot then offers additional tools on top of that.

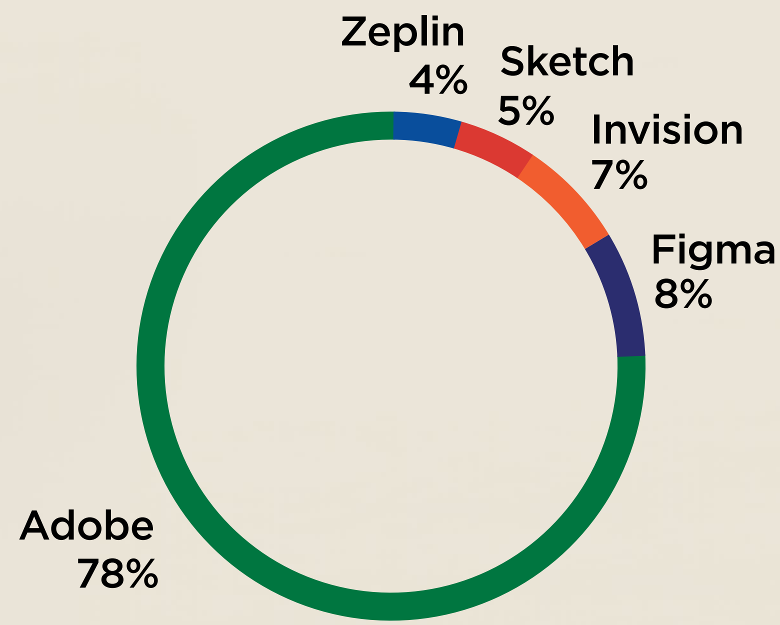
We found that even though Hubspot represents a majority of the share of spending for Brex customers, it's not the biggest-ticket CRM tool. That, unsurprisingly, belongs to Salesforce—a tool that many larger companies may find more flexible and appropriate for their needs compared to your typical startup just getting off the ground. All in all, the monthly cost of a CRM tool typically ranges between $100 and $200 excluding Insightly and Salesforce.

What design tools do startups use the most?

Typical monthly spend on design tools



Share of spending for design tools



Today, the web looks a heck of a lot better than it did at the turn of the last decade. The early 2010s were filled with cramped screens and a ton of haphazardly constructed websites and apps.

We can thank the increasing importance of design within companies for that shift. Companies face aggressive competition these days, regardless of category. And as a result of having more options, people are less tolerant of a poorly-built interface or a product that looks like it was thrown together over the weekend. And there are, unsurprisingly, a lot of tools that now support this increasingly important field.

The majority of Brex customer spending still goes to one of the oldest companies in the design industry: Adobe. In fact, while there are a lot of emerging players that are trying new approaches to design and collaboration, they account for less than a quarter of Brex customer spending. With software like Photoshop, Illustrator, InDesign, and Acrobat, Adobe has been around for so long that it's become the industry standard, and it's hard to edge out a standard once it's been established. These tools have long been used to create print ads, web banners, magazines, even GIFs.

Design teams are likely pretty lean when a startup is just getting off the ground, and overall, startups typically paid less than $100 per month on design tools. So the overall cost of design software may tend toward the cheaper side, especially as some tools offer a free version initially, like Figma.

To help you decide what tools you might need for your growing startup, let's break down what each program can help you design.

Figma is a digital-first tool that is best used for product design and responsive web. It's also browser-based and people can work on the same file, which makes it ideal for multi-location teams and cross-departmental collaboration.

Sketch is similar to Figma, but is less collaborative. And it's not browser-based, which means customers need to download it to their computer and run it locally. However, Sketch's powerful collection of user generated plug-ins still makes it a force to be reckoned with.

Invision allows designers to prototype a website or an app and then put it in front of a user to learn if the design is intuitive and easy to navigate. If the designer finds that the user cannot complete a task, they can take those learnings, iterate, and test again. However, Adobe and Figma have added their own prototyping tools to their software, which will give Invision some stiff competition.

Zeplin helps designers hand off complex files and CSS rules to developers for them to be able to lay everything out pixel-perfectly. Without Zeplin, designers would have to create a lengthy guide, so this saves time and effort by automating this handoff.

Brex customer spending isn't wholly inclusive of every design option out there, and there are sure to be more that pop up every year. There are still other emerging companies like ProCreate, Astropad, or Canva—the last of which was recently valued at $3.2 billion in its funding round of October of last year.

Hopefully it's helpful to see where other startups are putting their design dollars, and to understand the differences between each creative tool. If you love the interface of a certain app or product, that's probably a good place to start for inspiration for your own product—and then get creative with the design tools you'll need to build it.

Who's winning the battle for cloud dominance among startups?

At the dawn of a brand new decade, there's one thing that's certain: the internet would not be what it is today without cloud computing. In the old days, people wrestled with on-site servers, which frequently had networking issues. But now hosting everything on the cloud is more secure, cost-effective, and reliable.

A good chunk of all modern web applications are built on, or at least started on, cloud computing run by Amazon. While most people associate Amazon with products delivered almost instantly, Amazon Web Services has turned into one of their most successful businesses and has enabled startups to rapidly try out new ideas, iterate on them, and grow without having to build their own racks of iron to run them.

And even with new entrants to the space last year, Amazon Web Services was still the dominant cloud services provider.

We took a look at anonymized Brex usage data and found that Brex customers spent overwhelmingly on Amazon Web Services. Google Cloud came in second place, while the rest of the pack—which includes DigitalOcean, Rackspace, Heroku (which makes it easier to run AWS), and others—occupied a smaller share of spending than both.

Amazon Web Services, after all, pretty much invented the whole cloud computing industry. It enabled the launch of hundreds of startups that have gone on to generate hundreds of billions of dollars in value. And while some may end up migrating off AWS to their own hardware, Amazon still hosts a non-trivial percentage of the internet in data centers throughout the world.

One trend we did see, however, was an increasing number of people trying Google Cloud. Amazon still controlled the majority of spending, and that share largely didn't change. But what did change was the number of customers who are trying both services, rather than just sticking exclusively to Amazon.

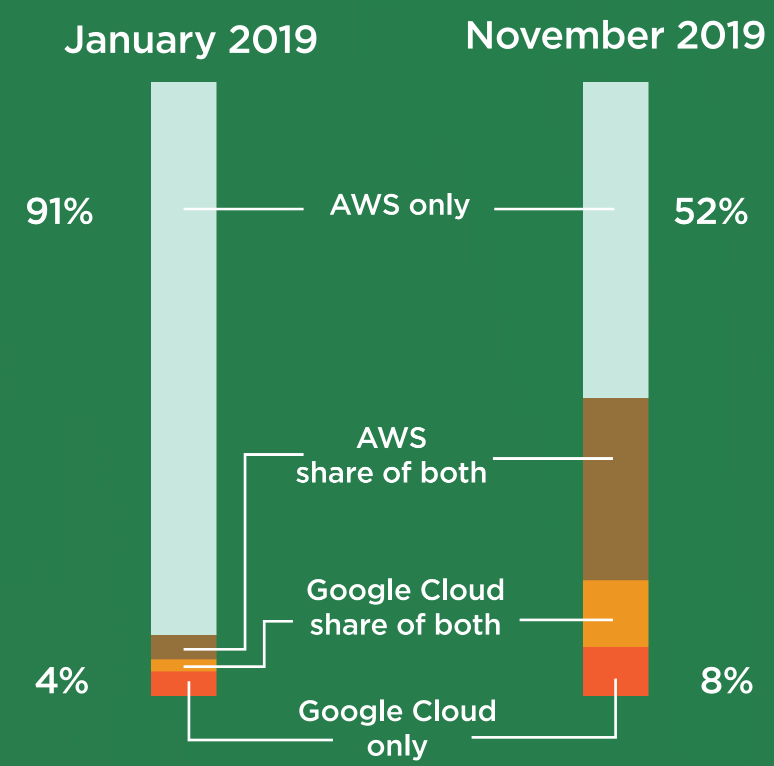
And while it can seem funny to view a company like Google as the underdog, a little competition can be a great thing for consumers. It typically drives down costs and forces larger companies to innovate if they want to remain in that top spot.

AWS provides a very large suite of tools for developers and businesses. But Google's focus on machine-learning tools, including its developer framework TensorFlow, may make Google Cloud an attractive option for companies that have to run complex learning models.

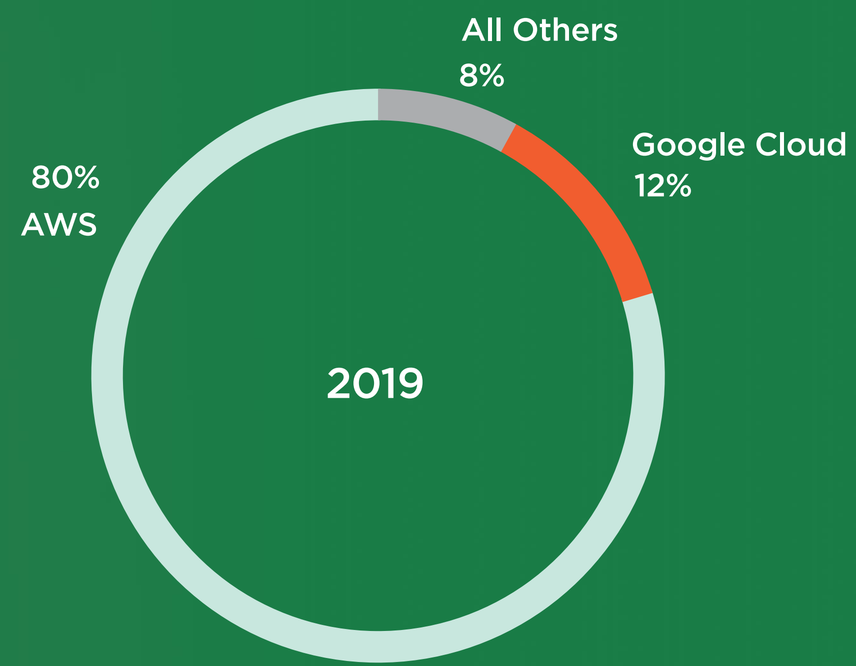
The problems startups face are only getting more and more complex, and many of them have to deploy machine learning techniques to improve their products. But the computing cloud's silver lining is that it's cheaper than ever to store enormous amounts of data, and to use tools to improve products based on that data.

Both services offer global networks for faster load times, different levels of premium support, and free trials. AWS helped pioneer this space, but it's definitely worth keeping an eye on the ways Google is finding to make themselves competitive.

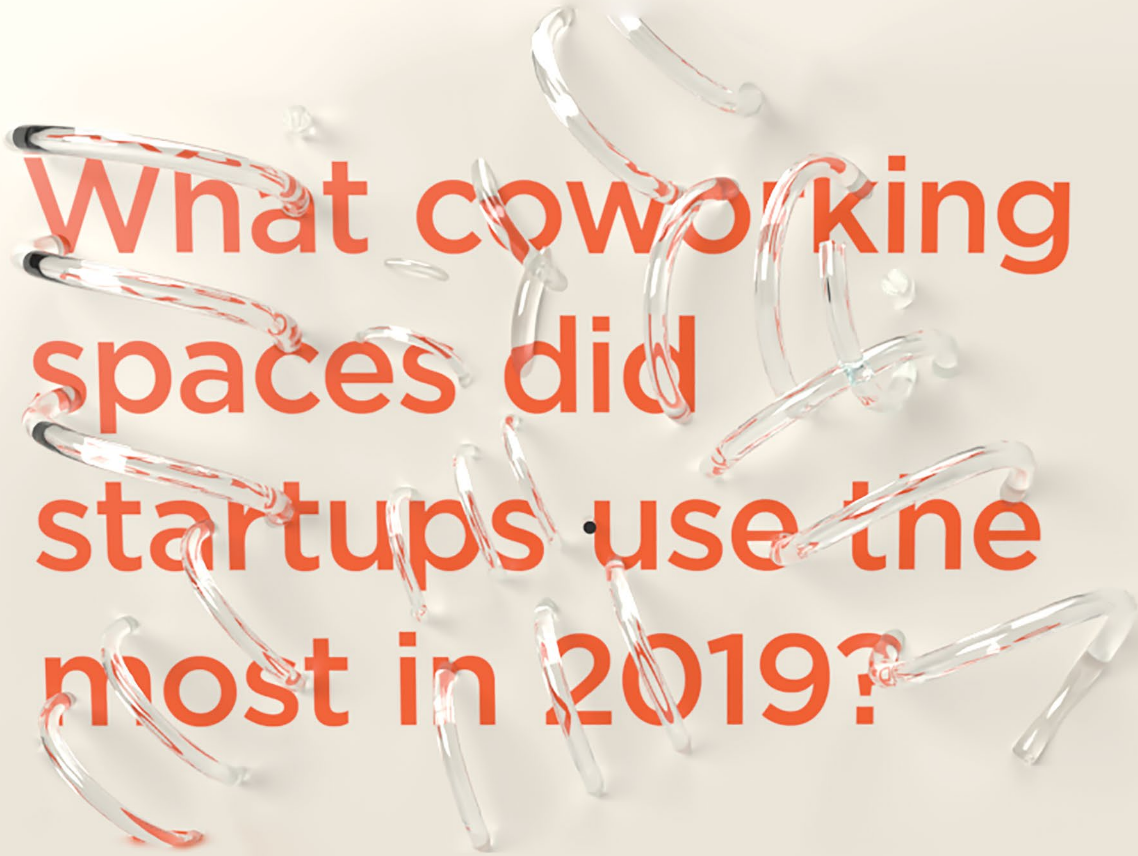
Cloud share of spending overlap in 2019

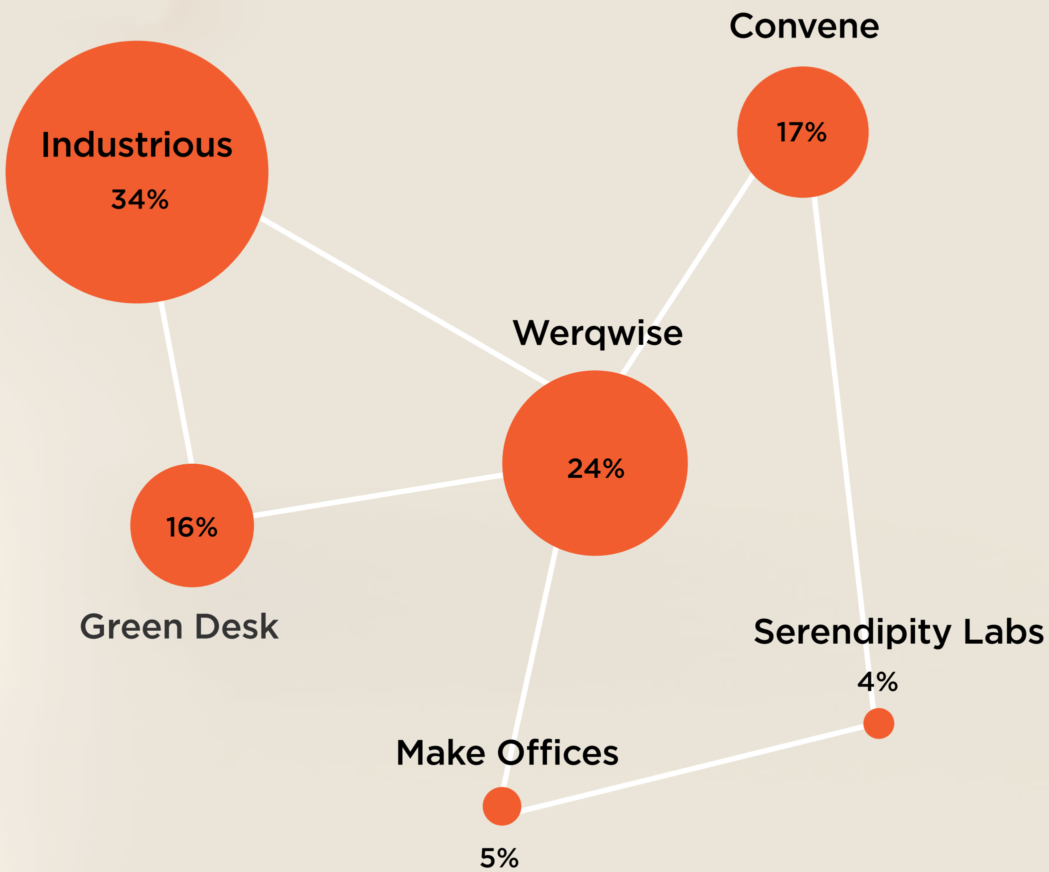


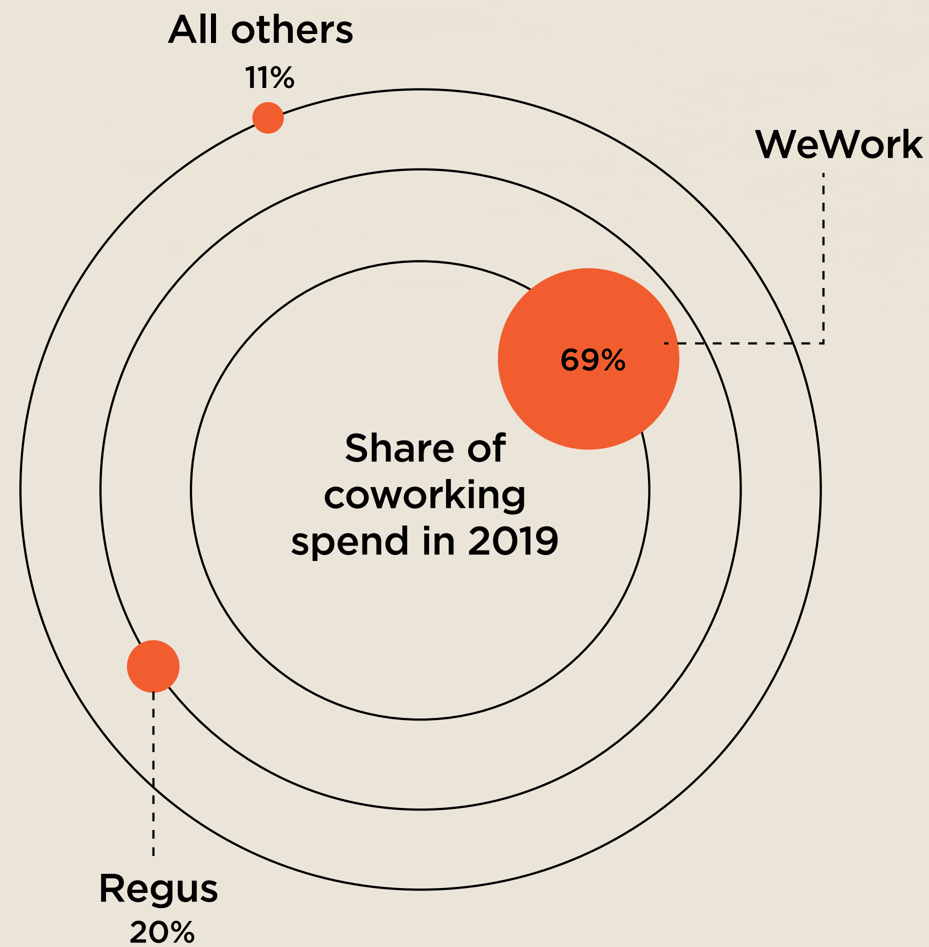
Share of cloud spend in 2019



What coworking spaces did startups use the most in 2019?







Early-stage startups have a range of needs when it comes to office space. One might need to open satellite locations to find talent beyond major tech hubs like San Francisco or New York. A different startup might be in a rapid growth phase to the point that they're spilling over beyond their existing office and need space yesterday.

We took a look at anonymized Brex card usage data to get a sense of which coworking spaces startups are using. Throughout the year, WeWork dominated a majority of Brex customer spending, followed by Regus. But while those two have operations around the U.S., there is still a long tail of local coworking spaces that Brex customers are actively using.

When we look at the long tail of coworking usage, we can see that there isn't any one dominant player. While Industrious is certainly the largest, San Francisco-based Werqwise also accounts for a considerable amount of customer spending on long-tail coworking spaces. So we can see that there are a number of thriving coworking spaces beyond just the national operations like WeWork or Regus.

While WeWork is definitely the dominant provider of coworking space with a U.S. market share of almost seventy percent in Q3 2019, there is also plenty of room for more specialized or community-driven workspaces.

Certain smaller coworking spaces might be tailored to specific industries. For example, BIG Oakland is a coworking space specifically for the architecture, engineering, and construction industry. Similarly, The Wing offers beautifully designed spaces for women to connect with other women and also offers opportunities for professional mentoring and networking.

Beyond daytime workspaces, coworking spaces can earn their keep by providing community and social aspects. For example, there's a local coworking option in Longmont, Colorado that offers its members 24/7 access to a work area with free wifi and coffee. But the space also includes a woodworking shop, a patio for summertime grilling, an outdoor gym, guest speakers, and free craft beer and cider from local breweries. So if you're a founder who'd also like to connect with other entrepreneurs in a social setting, a local coworking space like this could be a great fit.

While a number of factors will influence which coworking space makes the most sense for your business (how high is "flavored spa water" on your list of requirements?), there's no shortage of environments, price ranges, and locations for teams to choose from. And like any other industry, each may serve to fill a certain niche that might be better suited to your networking desires or working style than offerings like WeWork or Regus.

Which ad platforms are the most popular?

It's hard to argue against Facebook and Google when it comes to advertising. They're well-known, reliable, have loads of case studies and success stories to back them up, and when you stick a dollar into the Facebook-Google eyeball machine, you generally know what you're getting back.

But there are a lot of advertising options for startups, so we wanted to dive into the data to give you a better look at your options. Because ads don't come on a one-size-fits-all platform. Apple has search ads, Pinterest offers a different kind of audience, LinkedIn is focused on business, and there's even a Google competitor in the form of Microsoft Bing.

Using anonymized, aggregate Brex startup spend on advertising tools, a few things quickly became clear. Facebook and Google are still the two major players, with all other platforms only accounting for a fraction of Brex customer spend—around a tenth, to be exact. But once you get into that long tail, you can see a pretty healthy diversity of spend among those additional options.

We'd all be moguls if we could recommend the one perfect approach to advertising. But when you're deciding where to put your advertising dollars when promoting your products—whether it's just getting people's attention to build awareness or trying to get them to buy something—it's important to consider all the options.

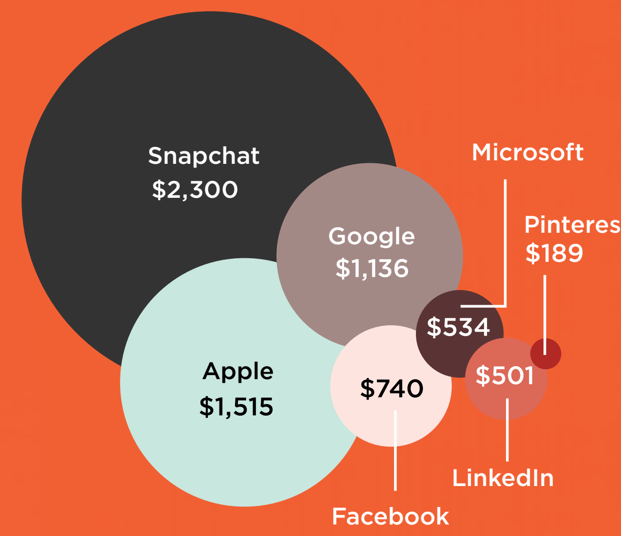
Which ad companies ruled 2019?

If you take a macro view of the advertising ecosystem, Facebook and Google dominate Brex customer spend on advertising. After all, there's a reason why these companies are worth hundreds of billions of dollars. You can reach hundreds, thousands, or even hundreds of thousands of eyeballs with a few clicks through Google and Facebook. And that ease of use and low-risk audience is a clear favorite among startups.

Beyond Google and Facebook, we saw some interesting movement in the long tail. The biggest mover was the emergence of Microsoft, with a substantial number of Brex customers spending money on Bing search ads. Bing, though a smaller competitor, offers an audience that might be similar to Google—potentially searching for a product and ready to buy one when they find it.

Meanwhile, Snap, Pinterest, Apple, and LinkedIn still showed that they were competing amongst each other for the final 10% sliver that isn't owned by Facebook or Google.

How much do startups pay each platform for ads per month?



But if you look at how startups use the ads each month, you can see that Snapchat and Apple Search are some of the most expensive ads that startups run.

There are certainly some interesting dynamics at play when you consider the behavior behind each ad. Apple Search Ads are a potential way to get around the nightmare that is app discovery on the App Store, while Snap is loaded up with premium content that may get a lot of engagement. Google is, well, Google, where people are just about ready to make a purchase. And then you have your dollar-in, eyeball-out system with Facebook.

Pinterest, the outlier, still seems to be just an experiment among startups that are making small ad purchases each month to see how they go. This data, however, doesn't include our ecommerce customers—which, as we saw in our Black Friday report, has a totally different spending profile.

How much are ecommerce companies spending on ads?

This divergent spending profile is especially true closer to the end of the year when the holiday sales cycle kicks in. In reality, spending for holiday sales ramped up well before the fourth quarter, but we found that throughout the course of the year (the entire time the Brex ecommerce product has existed), marketing and advertising accounted for around two-fifths of all spending for Brex ecommerce customers.

And this shouldn't be too surprising. Ecommerce companies face heavy competition and, in the end, are trying to sell you a physical product. That means they have to ensure that you're aware of their product amid a sea of competitors and that you stay aware of that product. Then, as you get closer and closer to the time you might make a purchase (say, around the holidays), they have to get in front of you again—staying top of mind all the way until you hit the "buy" button.

The rest of ecommerce spending is largely dominated by operational costs like shipping and operations, with no category nearly as large as marketing or advertising. Shipping, the next-highest spend category, is only around a third as large as marketing and advertising.

39%

of ecommerce spending goes to marketing and advertising

So which ads should I buy?

Throughout the Brex Quarterly Review, you're probably seeing a pretty common answer: it depends! Certain products and services may lend themselves better to certain platforms. If you're a SaaS provider, you might benefit more from showing up in search results when a potential customer is searching for that kind of product—or even a competitor.

Likewise, lifestyle products might actually find a lot of success on Pinterest or Snap, in addition to Facebook. In the end, it's helpful to look at where other startups are putting their ad dollars, take a look at each platform's pros and cons, and experiment with what's best for your company.

What tools do startups use to find top talent?

Recruiting is arguably one of the most important jobs any startup executive has. As the company grows, its needs are only going to expand—and it'll need more people to fill those needs.

Finding the right people is a careful balancing act. Startups have to look for both a culture fit and someone who has the skills they need. So most companies will have entire teams devoted to recruiting—which can grow to the size of a small startup themselves. They'll also need the right tools to try to chase down the right talent and even know where to begin their search.

Fortunately, there are tons of those tools available—and some of them even go above and beyond just your standard jobs listing. LinkedIn is still one of the most-used recruiting tools among startups. But there are also newer startups like Triplebyte that look to make the recruiting process even more efficient for companies.

We took a look at anonymized, aggregate Brex usage data to get a sense of what tools startups are using to find top talent. What we found was both a mix of legacy tools that dominate overall usage and a healthy mix of experimental or newer tools in the long tail of recruiting spend. And there are plenty of tools beyond the ones we analyzed, such as Hired.

LinkedIn and Indeed top recruiting spend

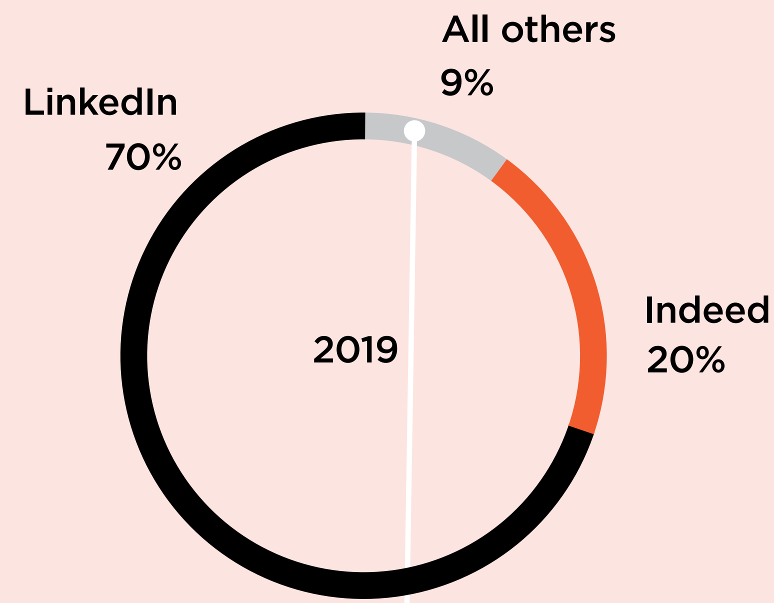
It should come as no surprise that LinkedIn had a $26.2 billion price tag on its back in 2016. LinkedIn is one of the top recruiting tools in the world, serving as both an online resume for individuals and a hub for companies to find top talent. LinkedIn has also recently expanded into new ways to make job-seeking easier, like offering quizzes to test potential candidates.

Then there's Indeed, which is one of the oldest recruiting tools on the web—and continues to be what seems to be a default option for both startups and candidates.

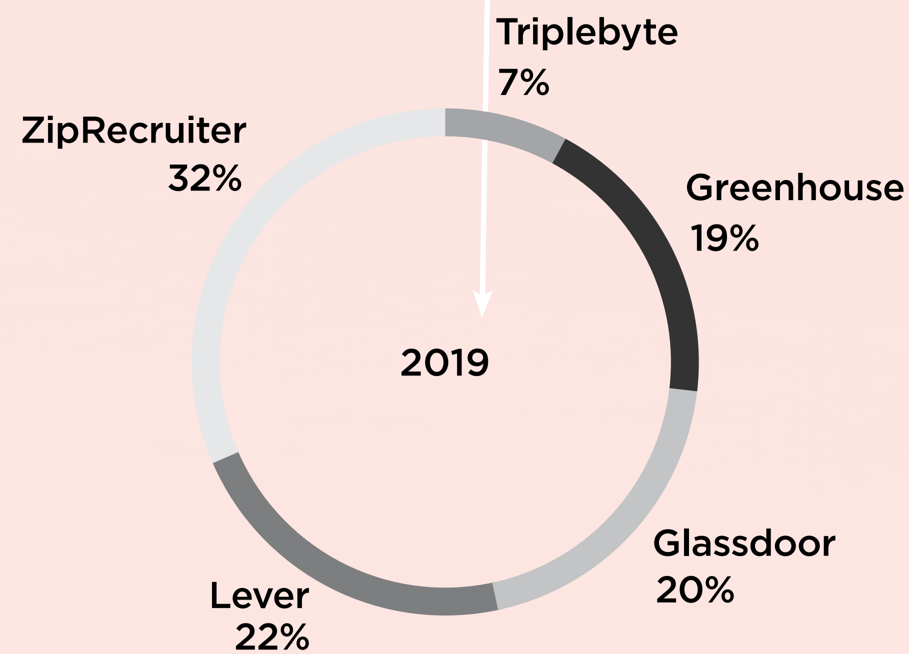
But as the competition for top talent heats up, there are some companies that are both trying new approaches to recruiting or trying to make the recruiting and hiring process more streamlined. Triplebyte, for example, offers coding quizzes and interviews to filter out some of the best candidates for certain roles at companies. Tools like ZipRecruiter try to apply new techniques to disseminating roles and resumes and provide a more intelligent matching service.

After a while, a startup can't just rely on the network of its employees to find top talent. And as such, it's good to know what tools startups are trying beyond just traditional services—and, also, that the traditional ones still remain among the most popular.

Share of recruiting spend in 2019



Share of spend for long tail recruiting tools



Dear Avi

Q

Dear Avi,

I started my ecommerce company when I was still working full time, and spent the first year testing different kinds of products and marketing ideas during nights and weekends.

After a year of bootstrapping, I've been able to quit my day job and focus on my startup one hundred percent, which is amazing! But I've also gone from hiring my first employee to suddenly having 20 open roles to fill and every candidate is asking about whether we offer a 401k plan. I want to attract the best talent, but have no idea where to start with a 401k and it seems like it would be a high cost for a company at my stage. Any advice?

Sincerely,
401kthxbye

A

Dear 401kthxbye,

Before diving straight into the finances, let me first say congratulations! Bootstrapping a startup while working full time is no easy feat.

And now you find yourself with a great problem to have: rocketship growth! Many founders find that, after going it alone for a while, they're suddenly facing totally new questions that don't necessarily have to do with their original vision. I'm assuming you built your startup because you have a passion for your product—but now you have to answer questions about 401ks! It's not a natural leap, so I'm glad you reached out. First, let's start with the basics.

one

A 401 what?

A 401k is a retirement savings plan sponsored by an employer (that's you!) that lets workers save and invest a portion of their paycheck on a pre-tax basis. That means funds are diverted from payroll to the employees' 401k investment account before taxes are taken out. The money can then grow tax-free until your employee eventually withdraws that money, hopefully at retirement.

The IRS caps the annual amount of pre-tax funds that an employee can contribute at $19,500 in 2020. In general, and as you've noticed during your recent recruiting process, a 401k plan is a popular benefit with employees, with more than 80% of participants in a recent study finding value in the program.

two

What are the implications of offering a 401k?

So now that we've covered what a 401k is, I'll get back to your original question. The cost for employers to offer a 401k plan is twofold. You've got the explicit monthly cost of the third-party administrator, often paid on a per-employee, per- month basis. And then there's also the time and administrative cost of implementing, promoting and managing the program.

There's not a law that requires employers to offer a 401k, so the police aren't going to show up with handcuffs if you end up deciding against it. So you have to decide if you want to provide a 401k in the same way you decide whether you want to offer free lunches or a holiday party.

three

Matchmaker, matchmaker, make me a match

Another thing to consider as you're running the numbers to see how much a 401k plan will cost is whether you want to offer a match. Matching means that the employer contributes to the employee's 401k plan directly, in addition to the salary the employee already receives, as a way to incentivize them to participate. But that incentive comes with a price.

While the cost of administering a 401k plan for a small startup can be under a few thousand dollars a year with administrative fees, even a low matching percentage can add thousands of dollars to payroll costs.

four

Are other startups offering a 401k?

According to Guideline, a leading provider of 401k products to startups, about 90% of small businesses do not offer a 401k. But many startups are in a war for top talent, and a 401k plan can be a powerful incentive. Plus, when companies are over about ten people, employees start to expect their company to offer a 401k plan.

And according to Guideline data, 54% of their customers —which include many startups—do offer a 401k match to their employees.

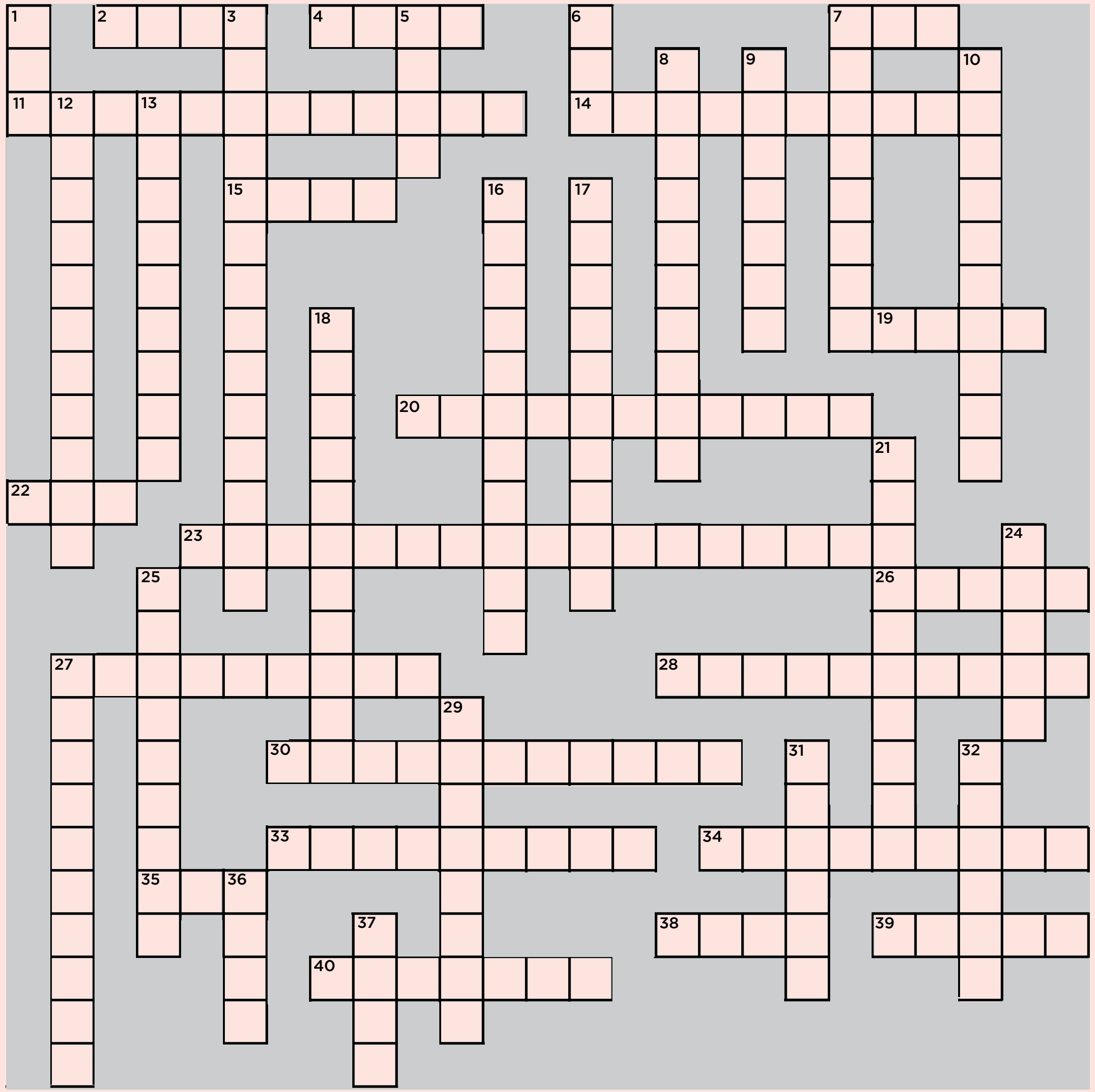
five

Okay, so how do I choose a 401k provider?

For a long time, providing a 401k plan was cost-prohibitive for many small businesses, but leave it to startups to begin disrupting this space. Brex chose Guideline for its 401k provider, but other options include Human Interest and Ubiquity.

Have a question for Avi? *Write to hello@brex.com*

Overheard Silicon Valley



Across

2. When business does business with business
4. The conference of cardinal directions
7. How you drive non-vehicular traffic
11. You push this through virtual aisles
14. Confusingly named, because it's where you take calls from your computer
15. A low-carb, high-fad diet
19. A 2019 IPO company that helps companies meet happy
20. What you say to someone who's silently speaking
22. "Please do this thing"
23. Popular with startups but published far from the Valley
26. At some companies, turns out there is such a thing as a free this
27. When just one gym isn't enough
28. The most popular fuel for those LA commutes
30. The location of Brex's newest office
33. What you raise with the germ of an idea
34. Testing one two, testing
35. The Sin City conference that sets the gold standard for e-innovation
36. New Year's Resolutions are made and forgotten over the course of this
40. Techspeak for "I agree"

Down

1. Startups and ecommerce pay top dollar for this
3. Where ecommerce lives IRL
5. Cloud-y with a side of subscriptions
6. Surprisingly, this doesn't stand for best player on the team
7. You graduated from Razor to Lime on this
8. When employees become the "customers"
9. The airline with flatbeds in business and free wi-fi on all flights
10. If these walls could talk, they'd speak in code
12. Not just regular progress
13. The slides that make an angel sing. Then invest.
16. The place where you won't take that feedback lying down
17. Quantifying the digital Irish exit
18. It's not a bird or a plane, but it could be a quick commute one day
21. How you learned about Brex, probably
24. This doesn't weigh you, but can measure growth
25. Mindfulness in your pocket
27. When you're not solo working
29. The food delivery that's more like CouchCrash
31. "Fresh" jargon
32. What you say when that product is signed, sealed, but not yet delivered
36. Transforms you into a breathing billboard
37. If this clue is too long, the answer will sum it up

Founder Horoscopes

♈ Aries

Mar 21–Apr 20

Oh dear, look what's happened now. Your stressed out growth team accidentally turned on a service that is suddenly turning your app into the talk of Silicon Valley—for text spamming. Let this be a reminder to step back, take a deep breath, and provide your team with reasonable goals. You always want to aim high, but your team should know that perfection will never be possible. And that's okay. Bring them some Suzy Cakes every once in awhile, too.

♉ Taurus

Apr 21–May 21

Tip your Uber driver. Tip your Postmates courier. Tip on every app you use. While times may get rough, you should always remember to be generous to those who provide you with a service. The customer is always right, but it doesn't mean you should be a jerk about it. And remember to carry that mantra with you throughout your day in your work, too. Happiness will breed more happiness, and you can leave your mark on the city—one extra dollar per order at a time.

♊ Gemini

May 22–Jun 21

Resist the urge to post that video to TikTok. You are not cool enough. No matter how funny you think that dog in your office was, or how cute it looked in that ugly Christmas sweater, TikTok isn't the place for it. Instead, enjoy it for what it is. Vine is back, and while people might be worried about some potential sinister machinations, it's still a good spot to kill a few minutes while waiting for the BART.

♋ Cancer

Jun 22–Jul 22

Do not despair. The Golden State Warriors being terrible this year does NOT mean you should let your season tickets go to waste. Life is a rollercoaster, and there will always be ups and downs, whether that's in your personal life or for your favorite sports team. Enjoy the ride for what it is and savor the small joys. And there will always be a light at the end of the tunnel—whether that's the number one draft pick or finally, against all odds, catching a string of green lights on El Camino Real.

♌ Leo

Jul 23–Aug 23

Life is like an updated privacy policy: You never know what you're going to get, usually because it's about 24 million words long. Take some time this afternoon to simplify the things you do throughout your day. Future you will thank today you for unwinding the deep complexities of your life—even if they are some of the hardest things to explain in just a few breaths.

♍ Virgo

Aug 24–Sep 22

Yes, your fellow gym rats may be there to see and be seen. But you shouldn't fall into that trap. Always be mindful of your health, even at times when it seems image is more important. Take a detour today to a Barry's Bootcamp class instead, and don't risk your life on a nightmare drive up to Tahoe just to impress some venture capitalists.

♎ Libra

Sep 23–Oct 23

Do not hit send on that Slack message. It's 9pm on a Saturday, and while there may be emergencies, circling back on that email is not one of them. Life is about patience and exercising restraint, and that starts with what you do on your phone. Don't let Slack, a hellscape filled with party parrots and poorly-timed GIFs, become another source of unnecessary stress for your team. You wouldn't want it to happen to you, either.

♏ Scorpio

Oct 24–Nov 22

Sometimes the worst things on paper can be the best experiences in life. Don't write off your neighbor binging Riverdale on Netflix just because it has a few bad reviews. Give the weird, and the bad, a try this weekend. You never know when you'll end up with your new favorite guilty pleasure.

♐ Sagittarius

Nov 23–Dec 21

Sometimes the smallest splurges can be the most valuable. Treat yourself with a premium subscription to Hulu, Spotify, or YouTube. Your life is filled with enough ads, and it's worth investing what you can to bring more order into your life. Now you can finally listen to those lo-fi study jams on YouTube while you focus on your work—and not have to worry about the app closing at the best part of the song.

♑ Capricorn

Dec 22–Jan 20

Today is not a day for Starbucks. It's not a day for Blue Bottle, either. Go out of your way to your local coffee shop and try something new. A fresh face and a little change to your routine can do wonders for the monotony of your day. And you're still going to get your caffeine fix, and maybe even a new friend or two.

♒ Aquarius

Jan 21–Feb 18

Every Yelp review may be four stars, but that doesn't mean all restaurants are alike. Nuance is sometimes lost on us, and it's important to take in as much information as you can before a decision. Read the comments, check out the photos, and THEN tell your coworkers that you still can't decide on where to get lunch after looking for an hour.

♓ Pisces

Feb 19–Mar 20

Life's finally looking up. You closed your funding round, got an article in TechCrunch, and your app hasn't crashed. Yet. Savor the moment, as things rarely go according to plan like this. A lucky break should be a welcome relief, and not the way you expect things to go.

Fill-in-the-blanks Profile of a Startup Founder

The life of a founder isn't easy. Frankly, it's a mix of ______________
ADJECTIVE
and sheer ______________. Two years ago, I woke up in my ___________
ADJECTIVE NUMBER
square-foot apartment in ____________ and it hit me: I had to
CITY
reinvent the ______________. So I quit my job at ___________, sold
PHYSICAL OBJECT BIG TECH COMPANY
all my belongings, moved to _____________, and set up shop above
DIFFERENT CITY
a ____________ because there were no garages available in my price
RESTAURANT
range. Now I wake up at ____ every morning, chat with my local barista
TIME
at ____________, and spend the next _______ hours prototyping my
COFFEE SHOP NAME NUMBER
design. My intern _____________ joins me on Mondays and Thursdays
FAMILY MEMBER
and I pay him in flat whites and almond croissants.

In terms of creative inspiration, I like to think that my product is a mix
of ___________________ meets _________________. Early testing
90s MOVIE REALITY SHOW
is through the roof, and so in Q3 I hope to launch my next product,
which will disrupt both ________________ and ________________ with
ARCHAIC INDUSTRY OTHER TECH COMPANY
a groundbreaking SaaS solution. I've perfected my pitch deck and am
talking to investors with a ballpark valuation of $ ________ million.
NUMBER
Make sure to check out my cover profile with ________________, hitting
MAGAZINE
shelves in Q2.

Thank you.

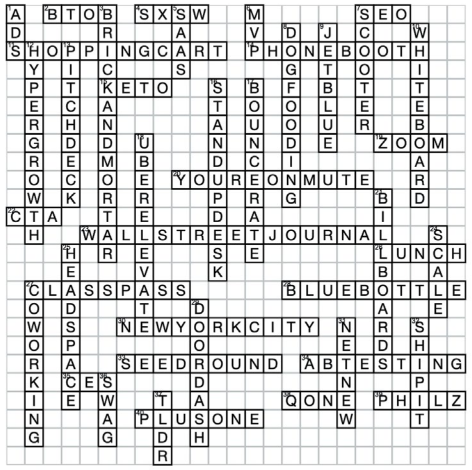
And that's a wrap on this issue of the Brex Quarterly Review.

Whether you're a customer or a curious reader, thanks for taking the time to flip or scroll through these pages. It seems like every day that we're left in awe by the way our customers are changing the world around us. It's what inspires us to create newer and better products that make their lives easier.

From digging into Black Friday advertising spend to discovering what kind of coffee startups prefer, we love getting into what makes our customers tick. And we hope that information helps you navigate the decisions your own company is facing. Have suggestions for the next issue of the Brex Quarterly Review? Drop us a line at hello@brex.com.

Until then, on behalf of the entire team, a huge thanks to our customers and partners for inspiring us every day. As we look forward into 2020 and beyond, we hope you'll continue to grow with us.

The Brex team



There's more where that came from.

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