BUSINESS
NEWS DAILY
Small Business Solutions & Inspiration

Accelerator Programs 101: How to Apply and What to Expect

Startup growth isn't always easy to achieve. Even with a great idea and a proven need for your product or service, it can still be difficult to boost sales and make a profit when you're first starting out. Growth can and does plateau, too, leaving more established businesses wondering how to break that next barrier.

For some companies, the answer to overcoming these challenges is to seek the help of an accelerator — a highly selective, intensive program that offers the funding, mentorship, education and networking necessary to jump-start growth, typically in exchange for equity in the company. If you're thinking about applying to an accelerator program, here's what you need to know and some options to consider if you decide it's the right path for you.

Accelerators versus incubators

You may have heard the terms "accelerator" and "incubator" used interchangeably, and it's true that they are similar. Both are interested in helping startups and small companies achieve growth, and may even offer some of the same perks, like office space and a powerful network of mentors and advisers. However, businesses interested in these two options should be aware of some important differences between them.

Accelerators usually invest money in their selected participants in exchange for a share of equity. They work to speed up the business development process during a restricted period of time, typically three to four months. Incubators, on the other hand, are less structured, and are generally focused more on building viable ideas and business models. In a TechRepublic article on the subject, author Conner Forrest wrote, "If an accelerator is a greenhouse for young plants to get the optimal conditions to grow, an incubator matches quality seeds with the best soil for sprouting and growth."

Who should apply to an accelerator program?

The startups best suited for accelerators are the ones that want to grow by learning and sharing experiences with others, said Mark Lawrence, co-founder and CEO of on-demand parking app SpotHero and a graduate of the Techstars Chicago accelerator program.

"You have to be willing to talk not only about your successes but your struggles," Lawrence said. "You also need to have a solid idea for a product or service and understand where you want to take your company and what goals you want to achieve."

The typical applicant is in the early stages of business development and has either just launched or is getting ready to do so. Many companies have a finished product or concept, and may have even raised capital; others may only have an idea and no funding whatsoever. These startups can benefit greatly from the resources and assistance an accelerator can provide, and the program mentors work with them to get their product ready for customers and investors.

But don't think that you can't participate in an accelerator if you're beyond the "startup" phase. In fact, there are numerous programs designed specifically for companies that have overcome the initial hurdles of starting up and want to take their business to the next level. One such program is Interise, a nonprofit organization that accelerates small business and economic growth.

"Small businesses achieve first-stage growth by focusing on quality and direction," said Jean Horstman, CEO of Interise. "Second-stage growth [is about] management and leadership. As a second-stage growth accelerator, we work with businesses that have hit a wall, and what worked before isn't working now. In a peer learning group, [Interise participants] acquire the know-how and management techniques to achieve second-stage growth."

What are the requirements for applying?

Each accelerator has its own set of requirements, and some are more selective than others — the most competitive ones have an acceptance rate of less than 5 percent. The application process usually includes a lengthy series of questions about your business idea, your market and competitors, the work you've done so far and potential challenges. Specific qualifications — such as a certain development stage, whether you've raised funding before and intellectual property agreements — vary greatly by program.

If an accelerator is interested in your company, you'll be asked to come in for an interview. Chris Tsai, founder and CEO of preordering platform Celery, said that when his team was applying to the popular Y Combinator accelerator, conducting mock interviews with program alumni was immensely helpful.

"[Y Combinator holds] rapid-fire, short, intense interviews," Tsai said. "We practiced, [and then] interviewed with four partners in a short period of time — about 10 to 15 minutes. We found out that day that we were accepted."

Lawrence advised asking questions before and during the application process — especially about the program mentors — to determine if a particular accelerator is what your business needs.

"You should ask how much time you will get to spend with them, how many there are and what career fields they come from," Lawrence said. "You want to be sure that you will be able to get to know them and vice versa. They should also have some expertise in the area of your business that you feel needs the most attention."

You should also make sure that the program is right for you on a broader level.

"Do your needs align with what the accelerator offers?" said Thea Chase, director of Telluride Venture Accelerator. "Can you commit to the requirements of an accelerator [such as] their residency and time requirements, [since] this is critical to attaining the benefits promised? Is it the right time for you and your venture?"

What can you expect from an accelerator?

There's no such thing as a "standard" accelerator experience. Chase said that accelerators are not one-size-fits-all, and this is becoming more apparent as niche programs continue to emerge.

"Many accelerators are choosing to go very deep into a particular vertical, [and] their industry connections are a huge value to participating companies for intelligence, proof of concept and first customers," Chase told Business News Daily. Others focus heavily on mentor engagement and particular verticals, Chase added.

Chase noted that in mentorship-based accelerators, companies get a crash course in launching startups and fundraising, as well as develop close ties with successful entrepreneurs and subject experts. Accelerators also vary considerably in the amount of capital invested and available up front, as well as in their fundraising track records, Chase said. In addition, you likely will be required to live in the accelerator's home city for the duration of the program.

One element that is common to most accelerators is "demo day" or "pitch day," the culmination of the program where participants are able to present their businesses to a group of potential investors, mentors and customers.

Horstman warned potential accelerator candidates that these programs aren't "quick fixes," and if your business is already established when you apply, you need to be prepared to spend some time away from your business to fully immerse yourself in it.

"You have to prepare your staff so they're aware of what you're doing and why," Horstman said, adding that they should be supportive of your efforts and be prepared to take on responsibilities in your absence.

While each individual accelerator varies, companies that graduate from these programs find that their time spent there was intense, challenging and, ultimately, rewarding.

"The beauty of the system is that it's a cross between summer camp and boot camp for startups," Tsai said. "All you're doing day and night is living and breathing your startup and your growth."

Popular accelerators

Ready to explore your accelerator program options? In alphabetical order, here are 10 of the top-ranked U.S. accelerators according to sites like Forbes, TechCrunch, Inc. and Tech.Co.

- **AngelPad**– AngelPad's twice yearly, 10-week intensive mentorship program helps a dozen startups in different stages. Most have not raised money and are within six to 12 months of starting up.
- **Dreamit**– This three- to four-month program is hosted in multiple major U.S. cities and gives each participating startup an assigned entrepreneurial coach, access to the Dreamit extended network and up to $300,000 in seed capital.
- **Launchpad LA**– Launchpad LA says it's "the top startup accelerator in Southern California," and invests up to $100,000 in each accepted company. The four-month program includes free office space, perks/discounts and access to its network of mentors, advisers and investors.
- **Mucker Capital**– This seed and "pre-seed" stage venture fund invests in scalable Internet software, services and media startups that typically have raised at least $250,000. Each class accepts up to 10 companies, and the program duration can range from three to 18 months, depending on the needs and progress of each individual company.
- **RevUp by Betaspring**– This year, Betaspring, a top-ranked tech accelerator founded in 2009, launched RevUp, the first accelerator for companies whose primary goal is growth through revenue. RevUp invests $75,000 in each participating company, and instead of taking equity, companies return the investment as a percentage of its revenue over a three-year period.
- **StartX**– This educational nonprofit is open to any company with a Stanford University-affiliated founder, although it does "make exceptions in exceptional cases." While this narrows the applicant pool significantly, StartX is unique in that it requires no application fees and takes zero equity from its accepted startups.

- **Techstars**– Whether you just have an idea or you're ready to sell a fully developed product, Techstars' three-month program can help your tech startup grow with a $118,000 seed investment. To level the playing field, Techstars does not fund directly competing startups during the same program cycle.
- **Tech Wildcatters**– Another tech-focused accelerator, Tech Wildcatters is a seed fund that offers B2B startups education, mentoring and networking during its 12-week program. All of its mentors are accomplished entrepreneurs who are heavily involved in the development of Tech Wildcatters participants.
- **Y Combinator**– One of the best known accelerators, Y Combinator invests $120,000 in a large number of startups to help them shape and refine their investor pitches during its three-month program.
- **500**– Startups accepted into 500's four-month program receive a net investment of $100,000, along with office space, hands-on support and learning sessions taught by a wide variety of business experts.

  When deciding which accelerator to apply to, businesses can develop a decision matrix to help them narrow down the options, Chase suggested.

"There are hundreds of accelerator programs throughout the world," Chase said. "Consider your particular personal and business context, and determine which accelerators would best serve your needs. Check out the key people, the graduates and the mentors. Look at the accelerator's track record and reputation, and ... have conversations ahead of time."

- See more at: http://www.businessnewsdaily.com/8073-business-accelerator-programs.html#sthash.jfzFAfEz.dpuf

14 Creative Financing Methods for Startups

*By Nicole Fallon Taylor, Business News Daily Assistant Editor**July 29, 2015 07:31 am EST*

[14 Creative Financing Methods for Startups]

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For entrepreneurs with a lot of money saved up, the only obstacle to starting a business is coming up with a viable idea. But many aspiring business owners have the opposite problem — the idea is there, but the capital isn't.

Clearing the startup financing hurdle is made even more difficult by the fact that brand-new entrepreneurs are often turned down for business loans. Traditional bank loans have always been tough to secure, and although loans funded by the Small Business Administration are typically more accessible, it's getting more competitive: The SBA's biggest lending program, the 7(a) program, recently maxed out its funds, and was on hold until July 28 after Congress raised the lending limit, ABC News reported. While business owners are in the clear for now, the growing number of SBA loan applicants means there's a good chance of the program reaching its limits again.

So what's a would-be small business owner to do? There are plenty of other options to help you fund your new venture. Here are 14 options beyond bank loans for financing your startup.

Online lending. Recently, online lending services such as OnDeck and Kabbage have become a popular alternative to traditional business loans. Online lenders have the advantage of speed: An application takes only up to an hour to complete, and a decision and the accompanying fundscan be issued within days. In contrast, the traditional loan process can take weeks, or even months, to complete.Because of this, former U.S. Treasury Secretary Larry Summers said at the 2015 Lend It conference that he expects online lenders to eventually reach more than 70 percent of small businesses.

Factoring/invoice advances. Don't want to take out a loan? Services like factoring and invoice advancing may help ease growing pains for small businesses. Through this process, a service provider will front you the money on invoices that have been billed out, which you then pay back once the customer has settled its bill. Eyal Shinar, CEO of small business cash flow management company Fundbox, says these advances allow companies to close the pay gap between billed work and payments to suppliers and contractees.

"By closing the pay gap, companies can accept new projects more quickly," Shinar told Business News Daily. "Our goal is to help business owners grow their businesses and hire new workers by ensuring steady cash flow."

Product presales. Selling your products before they launch is an often-overlooked and highly effective way to raise the money needed for financing your business. Entrepreneur Priska Diaz was able to raise $50,000 for her company Bittylab with a presale of her Bare air-free baby bottles. The money Diaz was able to raise helped her pay for inventory, and also helped to open some doors in retail and learn about her website's visitors. Though Diaz was able to benefit greatly from this means of financing, there were still some difficulties to overcome.

"The biggest challenge was in coordinating the inventory delivery times from our supplier so that we could start fulfilling orders," Diaz said. "Another challenge was forecasting the number of units we were going to presell, resulting in a shortage. We've now passed the presale stage and sold more than originally anticipated, resulting in back orders."

Friends and family. If you have a friend or relative with some spare cash, you have another potential way to finance your business. Borrowing from friends and family presents an interesting alternative to traditional forms of financing, and can have some unique advantages, including low- or no-interest payments and avoiding the hassles of bank contracts.
Debra Doran, managing partner of the Seattle branch of financial consulting firm CTC Consulting | Harris myCFO, recommended open, frequent communication with potential friend and family lenders to avoid damaging relationships.

"Having a well-thought-out game plan will increase the odds of family members and friends agreeing to be your financial partners," Doran said. "Business success is not assured, but by professionally approaching your family and friends to support your efforts, and communicating frequently on the progress of the business, the chances of maintaining good relationships are significantly higher."

Side business. New business owners can try "double-dipping" as a means of funding their startup. Entrepreneur Alex Genadinik used his revenue from tours he organized on ComeHike.com to launch Problemio.com, which builds mobile apps for planning and starting a business. After receiving donations for some of the free hikes he led, Genadinik began to charge for events, where he marketed his new site to hikers.

"I tried everything else before that, including monetizing with ads and becoming an affiliate reseller for outdoor gear, but it didn't quite work," Genadinik said. "This allowed me to work on my project without the distraction of looking for investors."

Home equity loan. For homeowners who have equity —the home's value minus what you owe —a home equity loan is a great option for financing a small business. These loans generally offer interest rates that are both flexible and lower than traditional commercial rates.

"Home equity loans are very cheap, rate-wise," said Al Engel, executive vice president of consumer lending at Valley National Bank. "It is a low-cost form of borrowing that is very controllable by the entrepreneur as far as when he pays funds and redraws funds. The flexibility is tremendous. The risk is, you are putting your home on the line. If the business fails, or you fail to maintain the terms and conditions of the home equity loan or line, you risk foreclosure."

Selling assets. Sometimes, you may have a financing method and not even realize it at first. That was the case for entrepreneur Hamid Saify, who was able to fund his opinion-sharing community, ChoicePunch, by selling a car he had wanted to pass along to his children. Though it was a tough decision, Saify was able to make $30,000 from the sale of the car. That money, in turn, went toward some very important aspects of the fledgling startup.

"I used some of that money to help with the last payments to our design and development contractors," Saify said. "The rest I put into our account and used to help support marketing during our beta launch months."

Credit cards. Business credit cards are among the most readily available ways to finance a startup, and can be a quick way to get your business up and running.

"One of the few advantages is that the minimum payment on a credit card is very low," said Ken Nickel, senior vice president of community lending at Valley National Bank. "If you are a new business who is just starting out and you don't have a lot of money coming in, or you don't have a ton of expenses, you can put it on a credit card and pay the minimum payment."

However, there are some serious drawbacks to consider before using plastic to fund your startup, Nickel said. If a new business gets started and then has trouble making the payments, the interest rates and costs on the cards can build very quickly, and carrying that debt can be detrimental to a business owner's credit.

Angel investors. Those looking to finance their business can always look to an angel —an angel investor, that is. Angel investors have helped to start up many prominent companies, including Google, Yahoo and Costco. This alternative form of investing generally occurs in a company's early stages of growth, with investors expecting a 20 to 25 percent return on their investment.

"The principal advantage of an angel investor is generally that you have a friendlier atmosphere and a quicker decision-making circumstance for a smaller amount of [money]," said Mark DiSalvo, CEO of private equity fund provider Semaphore. "You are likely to get an investor who has strategic experience, so they can provide tactical benefit to the company they are investing in."

Venture capitalists. For small businesses that are beyond the startup phase and already have revenues coming in, a venture capital investment may be appropriate. Fast-growth companies with an exit strategy already in place can gain up to tens of millions of dollars that can be used to invest, network and grow their company quickly.

Brian Haughey, assistant professor of finance and director of the investment center at Marist College, said that because venture capitalists focus on specific industries, they can generally offer advice to the entrepreneur on whether the product is going to fly or what they need to do to bring it to market. However, venture capitalists have a short leash when it comes to company loyalty and often look to recover their investment within a three- to five-year time window.

"They have to make a return and usually have a five-year time horizon," Haughey said. "If you have a product that is taking longer than that to get to market, then venture-capital investors may not be very interested in you."

Winning a contest. Sometimes, businesses can benefit from a bit of luck. That was the case for Roberto Torres and Luis Montanez, who funded a portion of their startup costs for apparel company Black & Denim with winnings from a business-plan competition.

"We utilized the funds to purchase manufacturing equipment that allowed us to scale our products and meet demand," the owners said. "This advantage gave us the opportunity to increase our production and get into bigger players like Stein Mart and Walt Disney World. The competition also gave us access to business experts that asked us the tough questions while allowing us to retain our equity —a perk that would have been very difficult to obtain otherwise."

Renting out your home. Cutting out liabilities is another creative way for new business owners to fund their startups. For Fay Johnson, founder and editor of deliberateLIFE magazine, that meant renting out her apartment. Johnson was able to do this by placing her San Francisco apartment on Airbnb and renting it out for anywhere between five nights and a month at a time. The decision has been successful for Johnson, who has used the money raised to fund the costs of the first few issues of her magazine. Though the move has allowed Johnson to finance her startup, it has not come without its share of headaches, including tight time restraints.

"As an entrepreneur, time is one of your most valuable resources," Johnson said. "When renting, I have to keep in mind that I need to clean and reclean the apartment, and since I work from home, I also have to find a place to work during those days."

Crowdfunding. Crowdfunding on websites like Kickstarter and Indiegogo can give a big boost to the financing aspirations of small businesses. These sites allow businesses to pool small investments from a number of investors instead of forcing companies to look for a single investment. Many sites allow companies to raise money in exchange for rewards or products. Others have an equity-based model in which businesses give up a bit of their share.

Before choosing a crowdfunding platform, be sure to read all the fine print and know what you're getting into. Certain sites require businesses to raise their full stated goal in order to keep any money raised on the platform. Other sites will allow companies to keep any money they raise. Additionally, sites can claim a percentage of any money raised on the site. Sites often also charge a payment-processing fee for money raised.

Grants. If your business focuses on a scientific or research-oriented field, grants from the government may be able to help fund your company. The SBA offers grants through the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. Grant recipients are required to meet federal research and development goals, and to have a high potential for commercialization.

Shinar said there are not many downsides to a truly no-strings-attached grant. However, you should carefully read the fine print because grants may require that you give up part of the IT or other intellectual property, Shinar noted. Grants also can be time-consuming, and depending on the sector, the ratio of time expenditure to the odds of payout may be too high. Nonetheless, if your company could be eligible, it is wise to review the options.

Precautions and next steps. While the plethora of lending options may make it easier than ever to get started, responsible business owners should ask themselves how much financial assistance they really need. Companies that receive more income than they truly need should be prudent in how it is used. Shinar urged such companies to make — and stick to — a disciplined budget.

"It's hard to go back later and try to exert fiscal discipline," Shinar said. "It's better to start from the beginning with good corporate governance."

Companies that have received a large cash infusion may benefit from bringing in an experienced partner or board member to help ensure accountability, Shinar added.

As an alternative, bootstrapping your company — building it with existing resources and earned revenue — offers companies a low-risk way to test out their product. If you and your partners are able to work toward creating a functional product in your spare time, you may be able to begin to sell that product with minimal or no cash.

"The advantage of bootstrapping is that you stay the boss," Shinar said. "More importantly, you get relatively quick validation from the market about whether you have a good business plan. Bootstrapping helps imbue a company with operational discipline."

Owners who bootstrap retain exclusive control over their company for a longer time, allowing them to better influence its culture and goals. As your company grows, funds can be put directly back into enhancing the business, rather than into servicing your loans. In addition, they avoid less-than-favorable conditions and terms that might be imposed by lenders or additional partners.

If you bootstrap, however, be prepared and open-minded about moving to the next step. If you remain without external funding for too long, you may be unable to take advantage of market opportunities. Moreover, you risk creating a business that has failed to integrate more experienced minds.

"At a certain point, you need smart partners around the table, and those partners are commonly investors," Shinar said. "If you want to grow really fast, you probably need outside sources of capital. And if you are only bootstrapping, you are missing some of the advantages of corporate governance. You may also miss some lifestyle advantage — you can go on bootstrapping for years without making money. So taking on debt may actually mean that your company can move forward."

More information

Additional information about funding sources is available from the following resources:

- Loans and Grants (U.S. Small Business Administration)
- Small Business Lending Fund (U.S. Treasury)
- Access Financing Wizard (USA.gov)
- 5 Ways to Fund Your Small Business (Kiplinger)
- How to Raise Money for Your Business (Entrepreneur)
- How to Get Funding From Angel Investors (The Wall Street Journal)

See more at: http://www.businessnewsdaily.com/1733-small-business-financing-options-.html#sthash.1FJxEMeq.dpuf