



GENERAL ASSEMBLY
FUNDRAISING 101

STARTUP FUNDRAISING 101

Know Your Options



IN COLLABORATION WITH



RENT THE RUNWAY



INTRODUCTION

You've heard about different fundraising options available to startups, but which is best for you in your current stage of growth? We brought in the experts to break down the different types of funding available, from early-stage options to growth-stage options, and the pros and cons of each one.

BOOTSTRAPPING

What is bootstrapping?

Bootstrapping is when an entrepreneur establishes a startup with a small amount of capital. Where does that capital come from? Generally, founders will pull from their personal finances or from the operating revenues of the new company.

What are the benefits of bootstrapping?

Without outside investors, the entrepreneur has complete control over the startup and its direction, and doesn't have to share any of the profits with investors.

What are the risks and downsides?

Bootstrapping requires the use of personal assets, leaving the entrepreneur more vulnerable. Without outside investment, it may take much longer for the company to grow, putting it at risk of getting pushed out of the market by larger companies who have resources to put towards staffing and marketing initiatives.

What are some examples of companies who have bootstrapped?

99designs, GitHub, GoPro, Dell



CROWDFUNDING

Presented by Indiegogo

What is crowdfunding?

Crowdfunding occurs when large numbers of individuals contribute funds toward startups in the pre-launch or launch stages. This type of funding makes use of social media to reach audiences beyond friends and family, and is typically used as the initial funding for launch.

What are the benefits of crowdfunding?

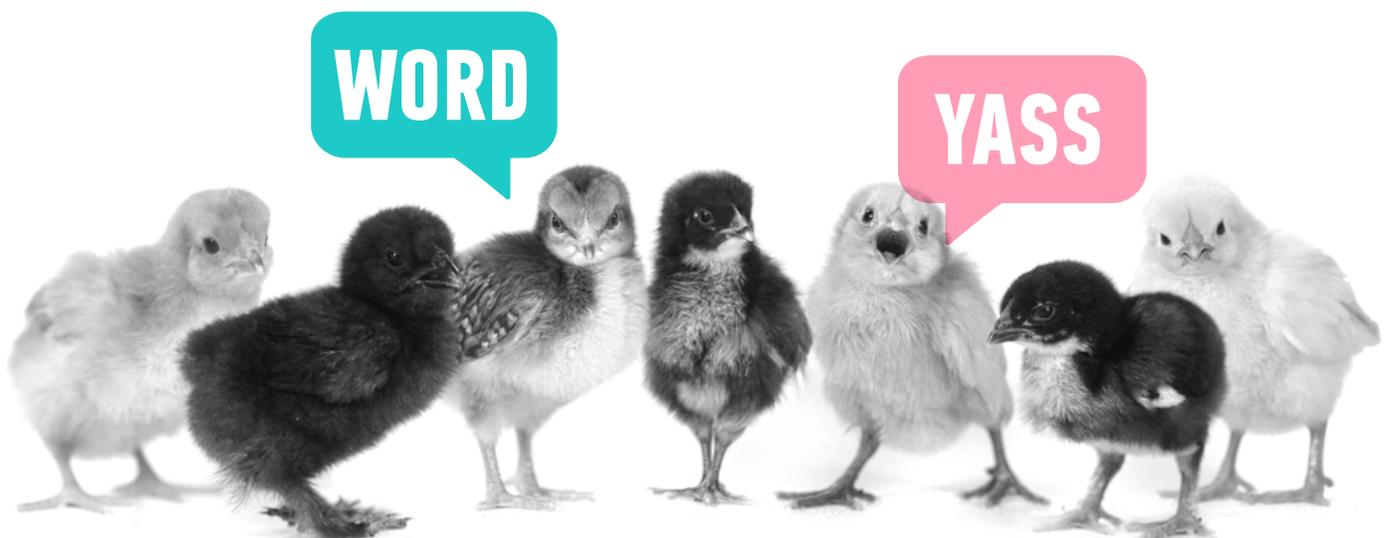
Crowdfunding allows entrepreneurs to validate the market while creating brand awareness and building demand for their product.

What are the risks and downsides?

The amount raised is generally small relative to the actual cost of launching a company and is best used as initial capital. Therefore, entrepreneurs will need to go back and raise funds via alternate methods later in their development.

What are some examples of companies who ran successful crowdfunding campaigns?

Bombas Socks (raised over \$142,000), LuminAID (raised over \$51,000), Lava Mae (raised over \$58,000)



ACCELERATORS

*Presented by 500 Startups
& Techstars*

What are accelerators?

An accelerator offers assistance to early-stage startups by giving them access to office space and by providing services like training and mentorship over the course of a few months (defined as the program period). In addition, an accelerator will invest some capital in exchange for equity.

What are the benefits of working with an accelerator?

In many cases, an accelerator provides the first source of funding, and startups also benefit from the mentorship that helps prepare them for their next stage in growth. Perhaps most importantly, the funding and support from an accelerator sends a strong signal to future investors, greatly minimizing the risk a venture firm takes on when investing in early stage startups.

What are the risks or downsides?

To enter a program, startups give accelerators equity - generally ranging from 5-10%, which represents a significant amount. It is also important to note that a startup that enters an accelerator program too early may end up in a bad position for their next stage of growth and fundraising once they complete the program.

What's your advice when considering joining an accelerator program?

Joining an accelerator program does not guarantee a company's success. Therefore, founders should consider their startup's stage of growth and should also do due diligence on the various programs that exist.

What are some examples of startups who have gone through your accelerator programs?

InterCom (raised \$30 million with 500 Startups); Tout App (raised \$20 million with 500 Startups); Digital Ocean (raised \$38 million with Techstars); Class Pass (raised \$54 million with Techstars)

What are some examples of other accelerators?

DreamIt Ventures; Y Combinator; Launchpad LA



FRIENDS & FAMILY / ANGEL INVESTORS

What are angel investors? What are “friends & family” rounds?

An angel investor is an individual who provides funding to startups in the form of either a one-time contribution or multiple contributions on an ongoing basis, with the sum ranging from \$100K-\$2M on average. As the name suggests, a friends & family round involves raising funds from people in an entrepreneur’s inner circle. This is usually one of the easiest ways to raise a small amount of capital to get a startup off the ground.

Why use an angel investor or do a friends and family round?

Beyond their monetary contribution, well-connected angel investors often bring business expertise and personal networks to the table, which are beneficial to a growing company.

Raising funds from a friends and family round is one of the easiest ways to get seed funding, and is generally lower risk for young startups.

What are the risks and downsides?

Despite the fact that angel investors, friends, and family are all acting as individuals, it is worth noting that there are still legal requirements associated with raising capital from these sources. When it comes to angel investors, it is important for the entrepreneur to understand the investors’ motivations and expectations, given that they are investing their own money.

When soliciting funds from friends & family, entrepreneurs gamble on mixing personal relationships with professional goals, along with the taking on the added risk that should the company fail, an entrepreneur’s inner circle would lose their investments.

What are some examples of companies that have used angel investors or friends & family rounds?

Airbnb, Uber, Fancy

Who are some well-known angel investors?

Jeff Bezos, Ashton Kutcher, Alexis Ohanian, Marissa Mayer



VENTURE CAPITAL

What is venture capital?

Venture capital is funding that comes from either private investors or a firm building high-risk portfolios. This type of funding is typically given to startups that have already been earmarked for growth, and is not an option for very early-stage startups.

What are the benefits?

Venture capital is the best way to raise large amounts of money, and these funds can finance and greatly expedite a startup's expansion. Venture capitalists also provide valuable expertise and insight, along with important connections.

What are the risks?

Startups need to negotiate how much equity a VC firm takes in their company, and clearly understand and be aligned on long-term goals and an exit strategy. In addition, startups generally need to provide VCs with seats on their board of directors, which can potentially mean a loss of control over time, as well as provide ongoing visibility on their financial reporting.

What are some examples of companies that have raised venture capital?

Rent The Runway, Facebook, Twitter, AirBnB, Caviar

What are some examples of VC firms?

Andreessen Horowitz, Khosla Ventures, Accel Partners, Google Ventures





Raising Venture Capital: A Case Study of Rent the Runway

Rent the Runway
Co-Founder Jenn Hyman

- » **How did you go about raising money for Rent the Runway?**
I built relationships in the venture capital community and tried to get a good sense of which firms added value to my business via their strategic insights and relationships. Through this process—which I call “VC dating”—I learned which VCs were best-suited to scale with Rent the Runway over the long term. Once you take capital from someone, you’re committed to a partnership with them forever—so it’s best that you have the same values, like each other, and they believe in your vision.
- » **What did you find to be the benefits of raising money via venture capital? The risks and downsides?**
You can raise a lot of money if you go the VC route. It’s not often that you can assemble a group of angels to fund a \$50 million investment into your company. Truly disruptive ideas cost a lot of money to build, and there’s a benefit to going big and having the escape velocity of quick growth. You can’t build a company like Rent the Runway or Uber or Spotify on a shoestring and a dream. Second, going the venture capital route gives you access to some very smart people: other founders, former entrepreneurs, people that have been there, done that, and have something to add. Having access to investors and other entrepreneurs that can push and challenge your ideas is key.
- » **What was the most important factor in your successful fundraiser?**
I was always very honest. I presented the good and the bad, and found partners to come on board for the long haul. Unless you’re extremely lucky, you do not get to be a \$1 billion company overnight, and they understood that executing on my grand vision for Rent the Runway would take hard work and time.
- » **What is your recommendation for anyone looking to raise funds?**
Get to know not only the firm that is investing in your company, but the individual partner who will sit on your board. If you don’t connect with and like the partner (and by like, I mean that you would choose to spend your own personal time hanging out with this person), do not work with the firm. Board members become family members—take it seriously.

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