

# How can crowdfunding help entrepreneurs?

Early-stage funding is critical to the survival of innovative startups. Venture capital markets are a primary source of early-stage funding, but they are moving away from financing new startups. However, crowdfunding offers startups unique fundraising opportunities to help them withstand this negative momentum. In addition to raising capital, crowdfunding can establish an audience for a product or service; both things strengthen an innovative startup, making a risky investment worth a second look from VCs.

**The more startups raise at the seed stage, the more likely they will obtain Series A, or 1st round funding.**

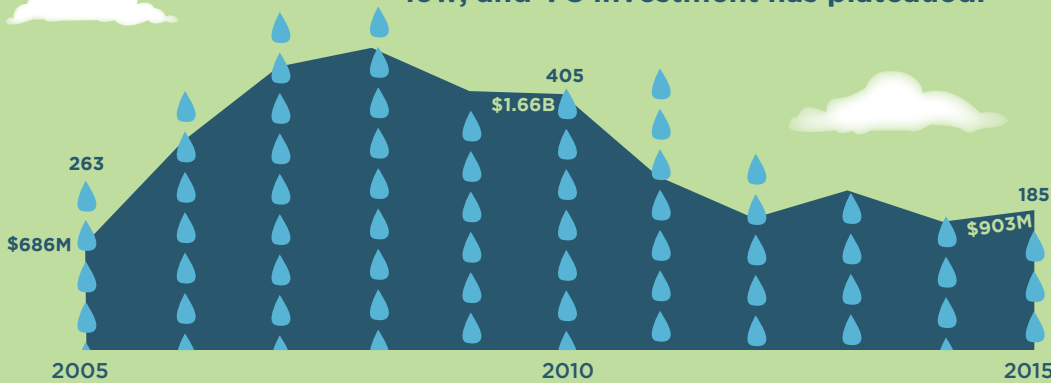


“While returns on capital are often strong in mature companies, it is growth that matters most in the early stages of a company’s life.”

- McKinsey

Percentage of startups that obtained **Series A funding** by total seed stage dollars raised

**Seed stage VC deals are at an historic low, and VC investment has plateaued.**



“During times [of capital market contractions] even growing companies with great teams and the promise of paradigm disruption can find raising a Series A to be difficult.”

- Forbes

● Total annual seed stage VC deals

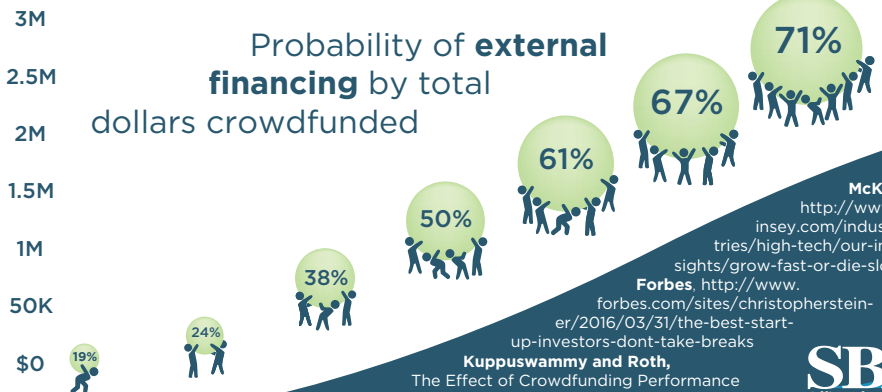
■ Total annual seed stage VC investment dollars

**Startups that raise more money crowdfunding are more likely to receive external financing.**

“Crowdfunding performance, has a positive effect on the likelihood of external financing benefits.”

- Kuppuswammy and Roth, 2016

Probability of **external financing** by total dollars crowd-funded



McKinsey, <http://www.mckinsey.com/industries/high-tech/our-insights/grow-fast-or-die-slow>

Forbes, <http://www.forbes.com/sites/christopherstein-er/2016/03/31/the-best-start-up-investors-dont-take-breaks>

Kuppuswammy and Roth, The Effect of Crowdfunding Performance and Outside Capital, SBA Office of Advocacy 2016  
Crunchbase; Medium Thomson Reuters