

## **Capital Formation Options for Businesses, Traditional and Social Media**

By Akosua K. Albritton

Whether it is working capital the enterprise requires or funding for capital expansion, emerging and established businesses must think creatively about capital formation. Prior to 2008, it was the business start-up that sang the blues about being shut out from commercial bank loans. Now all small businesses (businesses having 100 or fewer employees) feel the pinch.

There are other avenues for capital formation to consider. For emerging businesses, the most important thing is not to go out on a limb without ,at the very least, holding a part-time job. Money fuels the business, so have a source. Before reviewing some options, it is time that one myth gets its proper funerary rites—replete with a mausoleum. That myth is foundations fund business start up and expansion. No they don't. In fact, The Foundation Center has a statement on its website to the effect, "...foundations don't fund business start up or expansion. Rather, there is giving to individuals for research, artistic projects, or small community projects." An entrepreneur can still do due diligence to uncover where are the millions of dollars for women/entrepreneurs at The Foundation Center near you.

There are places that give grants to businesses; however, the awards tend to be small. For example, visit [www.womensnet.net](http://www.womensnet.net) to apply for The Amber Grant (up to \$1,500) and [www.peachic.com](http://www.peachic.com) to apply for a grant (\$500 - \$1,000). Rather than small dollars, stick with the tried and true models for funding start ups which include having a job; applying for a revolving loan fund; securing lines of credit; loan or bond guarantees; participating in a Su-Su, and having owner's equity. With a viable business plan, a business can present itself to angel investors (silent investors) and venture capitalists (give business directives) that will put up money for viable business models. For more information about angel investors and venture capitalist in New York, visit The Funding Post website at <http://www.fundingpost.com/angelgroup/newyork-angel-investors.asp> or Tri State Ventures at <http://www.tristateventures.com/about-nyc-angel-investors.html>.

If a small loan will serve your business interest, then contact ACCION USA or Women's Venture Fund. Both offer microloans with low interest rates to fledgling businesses.

Getting certified with NYC Small Business Services, NYS Empire State Development Corp, the Port Authority of NY & NJ, and other governmental small business agencies as a Minority-/Woman-Owned Enterprise brings many services to a business. New York City Small Business Services' Compete to Win initiative provides several great programs to advance a business, one being procurement assistance. There is the annual procurement fair. To make the best impression, bring the company's capability statement. While you're chatting with an agency ACCO, give her the capability statement rather than a business card.

There are business plan competitions with cash awards in the thousands. Using Brooklyn as an example, the Brooklyn Business Library has the annual PowerUp! Competition that awards \$15,000 and the Local Development Corporation of East New York's Women's Business Center sponsors an annual business plan competition.

The funding mechanism that has taken businesses like a storm is crowdfunding. Crowd funding is the online funding platform that permits many people to make small donations or awards to a project. This form of capital formation has become a global phenomenon. Some social media experts point to the 1997 online funding of British rock band Marillion's US tour by their fans as the starting point for crowdfunding. Popular crowdfunding sites in the US include Kickstarter.com, Indiegogo.com, Rockthepost.com, and Rockethub.com. These sites fund art and media projects. The first few crowdfunding sites focused on the creative scene but sites like Rockthepost.com fund small businesses, entrepreneurs, and nonprofits. People choose to donate to a cause, nonprofit or business because they connect to the pitch or they want the reward attached to making the pledge. In fact, there are three ways projects get funded through crowdfunding: pledging donations, lending, and investing. A most

recent entry into this arena is MedStartr.com. Launched July 24, 2012, [MedStartr](#) serves the capital needs of biotechnology and all healthcare companies.

Visit OPEN forum--which in itself is another important business resource--for pointers.

<http://www.openforum.com/articles/9-steps-for-getting-kickstarter-dollars>. Using OPEN forum's page as a primer, visit Cool International to see an extensive list of crowdfunding platforms, at

<http://coolintl.com/comprehensive-directory-of-crowdfunding-platforms/>

Use [LinkedIn](#) and [Facebook](#) to fund the enterprise. The process for LinkedIn is to establish a page for the business and then, add a campaign. With Facebook a page is created and shared with other people. Request other people to "Like" and "Share" the page, with the goal of getting at least 30 "Likes" to access other tips from Facebook. Engage people to "Like" the page by offering discounts, a free download, or a coupon for a free item. An enterprise can also create a Facebook Ad that's seen on other Facebook pages. This is much cheaper than other forms of advertising. LinkedIn has Direct Ads campaigns that you can use to raise funds for your business. Why use Facebook or LinkedIn to garner funding, sales and build relationships? There are 150 million LinkedIn users in over 200 countries and Facebook has 845 million monthly active users.

Finally, Cash Mobs are people agreeing to converge on a particular store for one day to shop. The arrangements are done through social media. The members of the "Mob" agree to a dollar amount each will spend at the place. Cash Mobs arose to support the small locally-owned retailers feeling the crunch of the big-box stores. To learn more about it, visit <http://www.cashmob.com/>.

**About:** Akosua Albritton has been observing and chronicling the online experience since 1995. She loves how the Internet and social media have the great potential to democratize society. Have a technology question or an idea for the next article? Email me at [akos\\_a@verizon.net](mailto:akos_a@verizon.net)