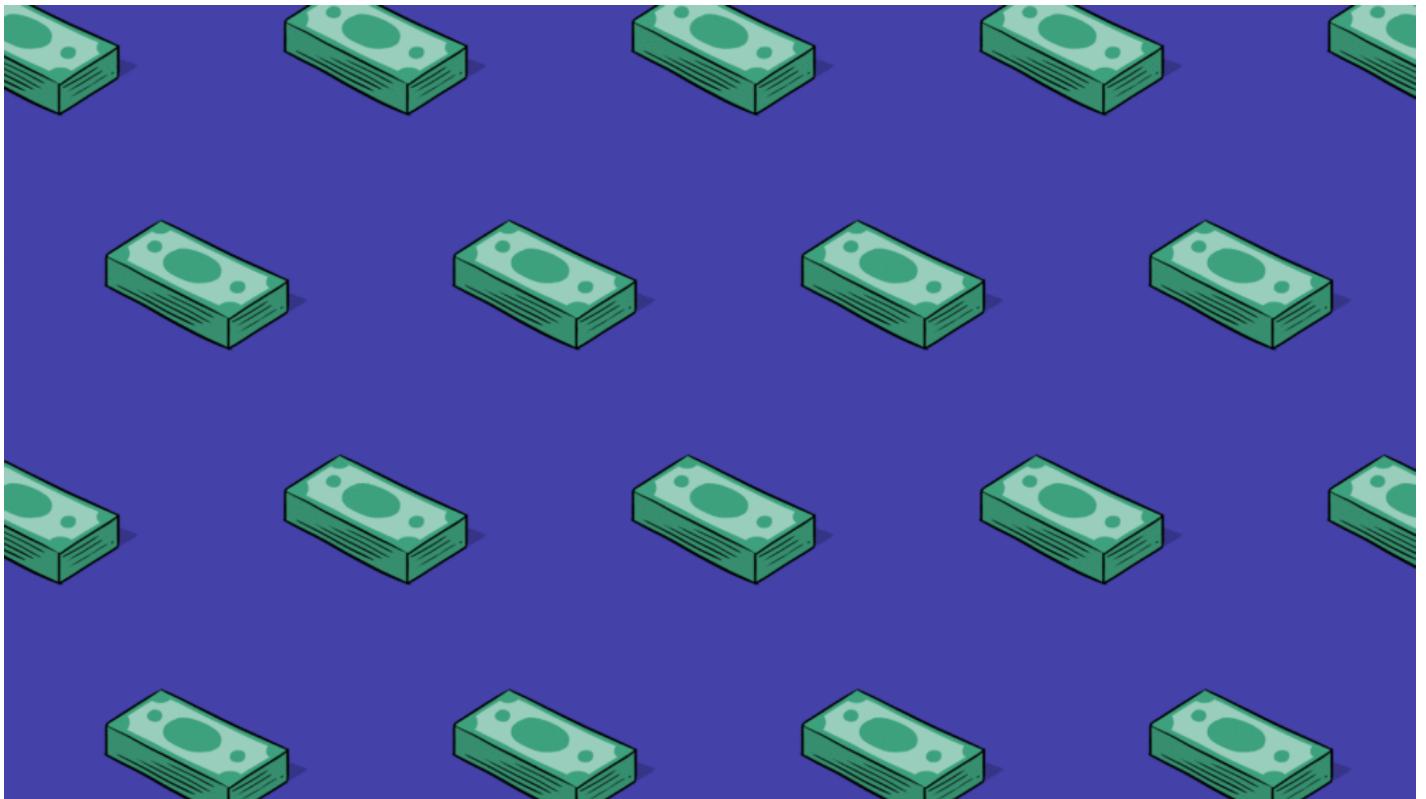


VENTURE

# Ten Reasons Every Company Should Be Raising Capital Online Right Now

Guest Author April 13, 2020



By [Jason Frishman](#), founder and CEO of [Netcapital](#) in Boston.

Raising capital and selling stock is one of the most important challenges for entrepreneurs of all stages.

It also is one of the most difficult, time-consuming and inefficient tasks they face. Fortunately, with the passage of the JOBS Act and creation of funding portals, entrepreneurs can now use the internet to broadcast their offering so long as they direct prospective investors to the Securities and Exchange Commission-registered funding portal on which their shares are being offered.

## ***Subscribe to the [Crunchbase Daily](#)***

This is particularly relevant in the current environment. Here are 10 reasons entrepreneurs should be raising capital online:

### **1. Face-to-face meetings are not required.**

The traditional mechanism for raising capital is the “death by 1000 coffees” method of jumping from meeting to meeting with hopefully qualified investors who will listen to your pitch and decide if they want to buy your stock. With the current COVID-19 pandemic, this archaic process has ground to a halt, leaving many entrepreneurs stressing about what to do next.

### **2. Set up is painless**

If you are a real operating company and have your financials and paperwork relatively organized, you should be able to get live on an online fundraising platform within a few weeks. At Netcapital, we have had a company go live just six days after a first phone call with us.

### **3. Make it easier for investors to get to a “YES” decision.**

It is hard to part with \$25,000 or \$100,000 to buy stock in a startup company. Even the wealthiest need to have a conversation with their significant other before writing a check in the six figures. Through online portals, the minimum investment sizes are much more manageable. Investors are likely to be much easier to close for \$5,000 than for \$50,000. Especially in times like these where wallets are tightening, making it easy for investors to say “YES” is particularly important.

### **4. Digitize and automate investing in your business.**

Speaking about making it easy for investors to say “YES”—online portals save investors the typical hassle of having to print, sign, scan and return 10 pages of deal documents and then go to their bank account to wire funds to a specified account and routing number. On a portal, they simply click one big invest button, connecting their bank account, and buy.

### **5. Empower those who care most about you and your company to participate.**

Through the new JOBS Act you can raise money on an online portal and allow any investor to participate in your offering. You are no longer limited to the wealthiest and most well connected, but can now go to those who are most excited about your business. You do not want to have to explain to your uncle at Thanksgiving dinner five years from now why he never had the chance to invest in your rocketship company, so give him the chance now!

## **6. Build brand loyalty.**

One of the most important groups that would want to invest in your business if you gave them the opportunity is your customers. There is no better way to build brand loyalty and create brand ambassadors than to allow those customers to own equity. Customers who are economically incentivized for your success will be more helpful than you can imagine.

## **7. Involve your team in a key piece of your business.**

Traditional fundraising so often relies on only the efforts of just one individual. Founders/CEOs bear the burden of raising capital alone in a way which limits the fundraising success to only that person's network. Through online portals, your entire team can help raise capital. Have your CTO post to her LinkedIn that the company is raising capital. Ask your operations person to tell all of her Facebook friends they have the chance to invest. Make the team feel more together in a time when we are all separate.

## **8. Integrate capital raising into your operations.**

Traditional fundraising is a huge time commitment for the CEO and takes a lot of time away from other critical parts of the business. The time, effort and energy spent on the road fundraising is binary: Either you get a large check written and it was a good use of your time to fly out to Sand Hill Road, or you did not get the investment and you have earned nothing for your time. Utilizing an online platform allows you to integrate your fundraising into other key initiatives. Running an active ad campaign? Run some ads directing folks to your investment offering. Sending out weekly emails to your base? Notify them of the opportunity to invest. Creating a new app? Direct users to the investment opportunity when they check it out.

## **9. Relieve deal tension.**

When you set the terms up front and give investors only one decision to make (yes or no), it makes the discussions more vibrant. You stop answering the same 20 questions repeatedly because any interested investor can find the answers to the obvious questions on your offering page. The ease of decision-making while cutting out the redundant negotiations makes your life easier as the entrepreneur and makes it easier for an investor to say “YES”.

## **10. Take control of your destiny.**

Do not sit on your hands and wait around for this global pandemic to pass. Take steps to create value—online fundraising platforms allow you to do just that. It also enables you to set the terms that you think are fair, and proves to the world that there is a demand to invest in your business.

If you have ever thought that an online platform could be an effective means of fundraising for your business, now is the time to try. Everyone is stuck working from home, investors are frustrated with the volatility of the public markets and everyone is glued to the internet looking for something exciting to entertain their mind. Publish an offering page and excite the world—call your network and ask them to spare 10 minutes reading your story and giving you some advice.

It's time for capital raising to enter the digital era. COVID-19 could just be the catalyst to make that happen.

*Illustration: Li-Anne Dias.*