

Capital Raising has Left the Ground Game and Moved on to the Forward Pass



By Andrew Corn, CEO, E5A Integrated Marketing

After years of limitations, we have finally entered a golden age of raising capital!

The initial way to raise capital was to reach out to everyone you knew personally, in hopes that your “friends and family,” and perhaps professional contacts, would see potential in your emerging business—we like to call this, old-school cap raising or the “ground game” of moving one person at a time. It requires calling everyone you know and seeing them, multiple times. If this failed to gather the capital required, the next step was to reach out to a group of angel investors or an early-stage venture capital firm.

Obtaining funding from a venture capital firm usually requires a formal introduction, a thorough business plan, multiple pitches, attorneys, giving up a board seat and some level of control. These firms string a lot of entrepreneurs along. They never say no; instead they’ll tell you some variation of your business “is not quite ready,” and “needs to be more developed.” They can be like dentists who tell you “just a few minutes more,” while you sit in discomfort, wondering how much longer it will actually take. A lot of emerging companies find themselves frustrated and at a dead end at this point.



One of the few new bipartisan laws is the Jumpstart Our Business Startups Act (JOBS Act). Entrepreneurs have been given another outlet to raise capital via the crowdfunding route. It is primarily digital, and thus, the new-school cap raise—the forward pass!

The JOBS Act went into full effect on May 16, 2016, with a rule set for Regulation A+*. It was created to encourage the funding of small businesses through people they have never met before, and may never meet. Now, small businesses are allowed to raise capital from all levels of investors, not just the wealthiest. We refer to this, “raising capital at scale,” as the forward pass.

Today, entrepreneurs can tap larger groups that like your idea, product and company. We call this your affinity group. It usually starts with customers who know and love what you are doing.

Our process is simple: provide a path for them to become *investors* in your firm, not just customers! Frankly, raising growth capital may require going beyond your customer base, and that is where laser-focused, data-driven marketing is critical. Our team develops a wider circle of prospective investors who are just as likely to become customers. These are a new batch of prospects that, from a data perspective, match your affinity group. We perform attribution analysis (which is a fancy way of saying we uncover things they have in common) digitally on your customer base, by tracking and categorizing behaviors.

From there, we reach out to the potential investors, bringing them in as prospects to become customers and investors—the “2fer”. By “2fer,” we mean getting two acquisitions for one; we like to call this efficient acquisition through data. This

process is scalable and has been proven to accomplish its goal time and again. The challenge is that it is not accessible to every issuer of securities (read company) and is rarely available for startups (no customer group to get going with or to replicate).

For those poised to grow, Reg A+ may just be the best route to success at a reasonable cost of capital (how much it costs to raise it, versus how much you raise), compared to doing it the old-fashioned way, through the ground game.

The forward pass is once again revolutionizing the game. Is it time your firm got on board?

*A good explanation of Reg A+:
<https://finance.yahoo.com/news/forget-ipo-this-is-how-companies-are-raising-money-now-160912629.html>

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