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What is a startup accelerator?

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There are two types of accelerators: accelerator for startups and for existing entrepreneurs. The most popular is startup accelerator.

There are over 200 startup accelerator programs in the United States — many more globally — and they differ in approach, focus, cost and effectiveness. The well-respected [Y Combinator](https://www.ycombinator.com/) and SVB’s partner, [Techstars](https://www.techstars.com/" \t "_blank), are investor funded and work primarily with tech startups. Others are sponsored by universities, in the case of [Stanford University’s StartX](https://www.startx.com/), or by corporations — the latter is particularly true for healthcare startups.

Private startup accelerators can provide funding, and the money helps cover early-stage business expenses as well as travel and living expenses for the three-month residency at the in-person startup accelerators. However, the funds and guidance come at a price. Just like any other equity funding, signing an accelerator agreement typically means [giving up a slice of your company](https://www.svb.com/startup-insights/startup-equity/startup-equity-dilution/). Startup accelerators generally take 5% to 10% of your equity in exchange for training and a relatively small amount of funding.

There is another type of accelerator (less popular), when its focus is not on new startup companies but rather on growth of existing companies. The Center for Entrepreneurship implements two types of programs. The ScaleUp accelerator is for existing entrepreneurs who are willing to grow existing business. The Startup Club program is for new startups.

Are startup accelerators worth it?

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[Are startup accelerators worth it?](https://www.svb.com/startup-insights/raising-capital/startup-accelerator-right-for-you/) For most startups, the overwhelming answer is yes. First-time founders usually need a lot of support, and an accelerator can help you by: 

* Providing a playbook from past startups
* Making connections to investors
* Explaining the best ways to pitch
* Showing what a fund-raising cycle looks like

Accelerators can also connect you to subject matter experts to help you achieve product/market it or even help you develop a go-to-market plan.

Success stories abound. “I’m not sure we would have made it without Techstars,” says [EverTrue](https://www.evertrue.com/" \t "_blank) co-founder and CEO, Brent Grinna. In the years following its participation in the startup accelerator program, the company raised roughly $25 million in venture funding.

However, you need to choose carefully so you don’t end up giving away your time and [equity](https://www.svb.com/startup-insights/raising-capital/understanding-startup-cap-table/) in exchange for off-the-shelf help. While top programs boast of a large roster of well-known graduates, the number of[successful exits](https://www.growthmentor.com/blog/best-startup-accelerators/) and [amounts raised](https://www.seed-db.com/accelerators) drop off rapidly, according to reports in GrowthMentor and Seed-DB.

The Center of Entrepreneurship is providing startup programs like Startup club and StartupHuddle since 2016. More the 90% of participants reported that they saw substantial value in the programs

What do startup accelerators offer businesses?

In addition to limited financial support, there are four major areas in which tech startup accelerators can help you take a company from idea to launch. 

**1. Startup accelerators can provide critical connections.** 

Well known accelerators work closely with [angel investors](https://www.svb.com/startup-insights/raising-capital/how-to-find-the-right-angel-investors/) and venture capital firms that are looking to invest in promising business ideas. Additionally, “an accelerator can very quickly introduce you to a ton of people,” says serial entrepreneur Michael Wolfe. If you are new to the industry, this is particularly useful. “By connecting you to a lot of advisors, you quickly become part of the culture and [develop a network](https://www.svb.com/startup-insights/startup-strategy/two-emails-every-early-stage-founder-should-master/) in a year that it would otherwise take 10 years to create,” he says. Being a member of this insider network, he adds, also gives you credibility which will help with both hiring and fundraising.    

**2. Startup accelerators can provide invaluable business and management mentoring.**

They can match inexperienced founders with the right management team to help bring ideas to fruition.

After working two years of 16-hour days on their own, Zach Dixon and his two partners took part in the Y Combinator program. “Being with a cohort of founders who were going through the same challenges was an amazing experience,” Dixon says. “It taught us to navigate personnel, fundraising and scaling issues. And it was a bit like college: the requirements were minimal, so it was up to participants to make the most of it.”

“You become part of this amazingly prestigious accelerator program that educates you in any number of ways, optimizes you for fundraising — optimizes, really, your early company cohesion,” he says. After concluding the program, they raised a $2.5 million seed round from an impressive set of investors on favorable terms. One year later, the company had more than tripled its revenue and headcount.

“There’s definitely our life before Y Combinator and our life after,” Dixon says.  

**3. Startup accelerators create an environment.**  

Whether virtual or in person, startup accelerators provide informal feedback and guidance on the technology or business concept you’re pursuing. These "hackerspaces" are collaborative workspaces where engineers and creative problem-solvers can help you pivot from an exhausted idea or break down a good idea and rebuild it into something even better. Many startup accelerators focus on specific types of businesses — consumer services, social media, healthcare technology — and amass high levels of expertise within their accelerator.  

**4. You gain access to physical space, and the camaraderie it provides.** 

While this wasn’t possible during the pandemic, more entrepreneurs are now taking advantage of open co-working spaces, offices, conference rooms, workbenches and other facilities. Not only is it nice to have the space, but you can also benefit from the emotional support that comes from being alongside other team members from different projects. Everyone is facing very similar challenges, and you can help one another by bouncing ideas around and engaging with CEOs and alumni.

**How to apply for a startup accelerator**

Leading accelerator programs only accept 1% to 3% of the thousands of entrepreneurs who apply every year. The challenge is making your application stand out by being exceptionally clear and concise. Whatever you say, speak in terms of the value your company is providing. Don’t list product features. Instead, state a more compelling benefit. 

* Wrong: Google Search lets you find websites and things online. Google Maps can help you get places. Google videos can help you find videos. Google Flights helps you get cheap travel.
* Right: Google organizes the world's information to give you instant access to whatever knowledge you need.

**The best way to win their trust is simply to be concise.**

When you apply to the accelerator, your job is to first demonstrate a founder/market fit. Describe how your team’s background and skills led you to a unique market insight on which to build a sustainable business, and why your team is the right one to grow and scale the business.

Second, you need to sell your vision of this future. Share your thoughts on why this is such a compelling and exciting opportunity that led you to pursue the startup path, even given the inherent risks. Like all investors, startup accelerators want to believe in you, but they are reviewing several hundred applications at once. Be concise to keep them interested!

Overly wordy or buzzword-filled applications will get passed over for a lack of clarity. Keep your application focused and easy to follow. A succinct application can help you move on to the accelerator investment board and give you another opportunity to demonstrate you have a viable product and a team that can make your pitch a reality.

**Choose your start up accelerator program**

The key, says Michael Wolfe, is getting into a quality accelerator that, in addition to those already mentioned, include [AlphaLab](https://alphalab.org/" \t "_blank) in Pittsburg or [RevUP](https://www.revupfund.com/" \t "_blank) in Rhode Island. “If you go with an accelerator that’s not as well known, or not as respected, the benefits are not as clear,” he says.

**Talk to founders that have gone through an accelerator to figure out if it’s a fit for you.**

Other accelerators or incubators may make sense for your founding team because they could specialize in your startup’s sector. And leading US universities have well-regarded accelerators, including MIT’s [delta v](http://entrepreneurship.mit.edu/accelerator/). Corporations sponsor well-respected accelerators like Johnson & Johnson’s [JLABS](https://jlabs.jnjinnovation.com/) that has a focus on life sciences. And there are also some strong regional accelerators, such as [MuckerLab](https://www.mucker.com/muckerlab-accelerator/" \t "_blank) in Los Angeles and the [Entrepreneurs Roundtable](https://www.netguru.com/blog/top-10-startup-accelerators-nyc) in New York.

“With all these different programs out there,” says Pejman Nozad of [Pear Ventures](https://pear.vc/), “my suggestion is to talk to founders who have gone through an accelerator to figure out if it’s a fit for you ... See what value you might get out of those relationships."

**Apply for an accelerator program**

While all startup accelerators vary, most look for the same information. Here are a few examples:

* **Strong team —**Who will lead your business to success? Startup accelerators aren’t just looking for solid product ideas. They are also looking for a strong, capable team with business-building skills and cohesive dynamics that can succeed past the accelerator. What is it in your founding team’s background that gives them the unique insight needed to start the business? And how does their background equip them with the skills that’ll be needed to build a successful business in this space?
* **Valuable concept**— What value is your company going to create? Although your product does not yet need to be market-ready, you need to demonstrate why the concept is something people want. If not, startup accelerators won’t show much interest.
* **Competitive advantage**— What sets your business apart? What makes you memorable? And equally important, can you describe your unique selling and value propositions in one or two sentences?
* **Coachability**— Will you follow expert opinions about your business, product and growth? This is critical, and you can demonstrate it during your investor meetings by asking for advice on your current challenges and gathering other constructive feedback. Humility, too, can be an important asset when writing a successful application.
* **Potential market size —** It’s OK to be a small business. But be aware that startup accelerators are looking for hypergrowth in massive industries. You need to show investors that your company is in a market large enough for venture scale returns.

**Focus, learn and grow**

Applying to a well-respected startup accelerator can be difficult, but the real work begins once you’re accepted. Whether you’re participating virtually or traveling to attend in person, be ready to set up with your team and get started. 

**The real work begins once you’re accepted.**

Here’s what you can expect from typical startup accelerators:

* High-paced days
* Educational seminars and workshops on topics like fundraising, HR, working with legal counsel, pitching practice and product development
* Group and one-on-one mentorship from industry experts, investors and successful founders
* Regular check-ins with accelerator leadership such as investors and alumni founders

**Is an accelerator program right for your startup?**

[Download and use this decision-making tree](https://www.svb.com/globalassets/images/1891_svb_thoughtleadership_decisiontreer3.pdf) to help determine whether your startup should pursue an accelerator or if it would be better to secure funding directly from investors and other sources.

Think carefully and weigh [the advantages of a startup accelerator](https://www.svb.com/startup-insights/raising-capital/startup-accelerator-right-for-you/) with the cost — in time and equity.

A startup accelerator can be a big distraction. You know that creating a company in any sector is an around-the-clock endeavor. Committing to an accelerator can rob you of time that could be spent building product, hiring key staff and closing sales.

**A startup accelerator can be a big distraction.**

Consider if your company is at the right stage to benefit. You may be too early for an accelerator. Sonciary Honnoll, co-founder and head of customer strategy at Quala.io and mentor in residence at Techstars says, “Generally it’s better to have a product that’s gotten at least some traction.”

Alternatively, you may be too late if you have already raised venture money. And perhaps your founding team already has the depth of knowledge and experience that would make an accelerator superfluous.

Robert Sweeney, a repeat software entrepreneur, applied to Y Combinator but then decided that wasn’t the right path. His new company was already profitable and growing fast. “The truth is, bootstrapping is a better choice for most software engineers, especially if you are a first-time founder,” Sweeney says.

Because of software development’s relatively low cost to develop and scale, it may be easier to [bootstrap](https://www.svb.com/startup-insights/raising-capital/startup-bootstrapping-revenue-funding/) — financing through early product sales and personal funds. If you are able to bootstrap, you’ll likely find yourself in a stronger position when you do pursue [professional investors](https://www.svb.com/startup-insights/vc-relations/what-is-venture-capital/). Any amount of incremental progress you can make before seeking funding will probably lead to more funding choices, better terms and retaining more equity. But don’t stick to bootstrapping if cash constraints keep you from hiring talent or you need validation from investors.

**Alternatives to accelerator programs**

Most everyone who applies to an accelerator will receive an email that says, “No.” But being declined doesn’t mean the end of your plans. There are many reasons an accelerator may decide you’re not a good fit that have nothing to do with the validity of your business concept. Many companies have found success using bootstrap tactics and funding sources that are available outside an accelerator:

* **Early seed funding**   
  This money comes from your personal savings, home equity and [family and friends](https://www.svb.com/startup-insights/raising-capital/raising-startup-funds-friends-and-family/) who have confidence in your idea and abilities.
* **Venture capital**   
  VCs exchange equity in your company for capital. The equity percentage is negotiable and is usually based on your valuation. If you can demonstrate high growth potential, [VCs will be eager to become involved](https://www.svb.com/startup-insights/ready-to-raise/VC-funding-things-you-lose/), and they may be even more attracted if you have been part of an accelerator.
* **Partner financing**   
  A strategic industry partner may be interested in helping fund your growth in exchange for special access to your product, staff, distribution rights, or some combination of those items. This option acts much like a venture capital investment because usually a percentage of your equity transfers to the partner, although it can also be royalty-based — a case in which the partner gets a percentage of every product sale.
* **Angel investor**   
  These [individuals invest in startup](https://www.svb.com/startup-insights/raising-capital/how-to-find-the-right-angel-investors/) or early-stage businesses that may not yet have the demonstrable growth that a VC is looking for. Usually, they will also provide help and guidance to give your company — and their investment — its best chance at success.
* **Grants**   
  Depending on the nature of your product, government grants may be available, particularly in the life sciences (see our article on [New York](https://www.svb.com/startup-insights/startup-strategy/Life-science-startup-hubs-Advantages-of-New-York/)). However, grants can be complicated to apply for, and recipients must meet research and development goals and have a high potential for commercialization.

All businesses need capital to survive, and there are other ways to secure the funding you need without an accelerator. In any scenario, fundraising requires a serious time commitment. But with a [precise pitch deck](https://www.svb.com/startup-insights/startup-strategy/how-to-create-investor-pitch-deck-vc-angels/) and a strategy that targets investors most likely to be interested in your project, you can achieve success.

**Decide if an accelerator is right for your business**

Weigh all your alternatives, discuss your decision with advisors, mentors and partners and make certain the benefits outweigh the cost — in equity, time and money. No matter which direction you choose, keep your focus on taking your business to the next level and you’ll have the best chance at achieving success.  

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