The determinants of fundraising through social media for startups: an exploratory study

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Abstract

The emergence of social media such as Facebook, Twitter and Instagram have changed the way human beings communicate and keep in touch with each other. The use of social media increased the opportunities for entrepreneurs search for information and resources. In order to further explore the use of social media for entrepreneurs, in this study, we explored how entrepreneurs using social media to raise funding. We used entrepreneurs’ data from Crunchbase\(^1\) and entrepreneurs’ social media data from Facebook and Twitter. 158 companies were selected as the sample data for this study. They are all active users from social media (Facebook and Twitter) since 2009 when both Facebook and Twitter had a dramatic increasing number of registrations.

Based on the data we collected, we aimed at 1) uncovering if entrepreneurs’ online activities influence the chance for them to raising funding; 2) The key factors for entrepreneurs to raise funding through social media; 3) Relations between startup’s online presence and their early stage funding as well as the types of funding they receive such as crowd funding, seed funding, grants etc. Our preliminary results showed that startup companies use social media to raise different types of funding. However, based on the data we’ve collected, crowd funding is not the main type of funding for startup companies from CrunchBase. The funding they received was mainly from venture capitals, seed funding and other types. We will further explore and present the result of this study based on quantitative data analysis.

Keywords: funding; startups; social media; entrepreneurship; online social network

\(^1\)CrunchBase is the world’s most comprehensive dataset of startup activity and it's accessible to everyone. http://www.crunchbase.com