Freeman School report shows investment gains for New Orleans startup ventures

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New Orleans startups are making substantial gains in attracting investment funding while also adopting more flexible work options and scaling back their office expansion plans, according to the latest findings from Tulane University's 2021 Greater New Orleans Startup Report.

The report, compiled by the Albert Lepage Center for Entrepreneurship and Innovation at Tulane's A. B. Freeman School of Business, is based on a survey of approximately 200 startups in the 10-parish region from the first quarter of 2021, a full year into the COVID-19 pandemic. Now in its third year, the annual report has become the benchmark for tracking entrepreneurial activity throughout the New Orleans region.

“We can divide takeaways from this report into two broad categories,” said Lepage Center Executive Director Rob Lalka. “First, the data helps us understand what our businesses have experienced since the onset of the pandemic. Second, we saw important developments in early-stage venture financing, which prompt new questions about what the changing landscape of angel investing and venture capital will mean for our region.”

Area startups reported a marked increase in equity financing activity, such as venture capital, angel investing and convertible debt across the region. There was a 21% increase in companies reporting access to venture capital. The amount they have raised also grew, with 57% of survey respondents raising more than $1 million, compared to 42% last year.

Roughly half of survey respondents said they are raising at least 70% of their capital from investors outside the Greater New Orleans area — a 17% increase from last year.

The report’s release comes in a year that has seen record exits for successful New Orleans ventures with local research technology company Lucid selling for $1.1 billion and construction software firm Levelset for $500 million.

“Given our ecosystem’s recent blockbuster exits — the two largest for venture-backed companies in Louisiana’s history — we have reasons to be optimistic about the future of our startup ecosystem,” Lalka said. “Hopefully, these hometown success stories will be a prelude to many more, as investors look for the next Lucid or Levelset, while the experienced and accomplished teams who launched these companies mentor and support the next generation of great ventures.”

The report found a large increase in companies shifting to remote work, reflecting national COVID-era trends. Almost half offered remote work options in early 2021, as opposed to only 33% in early 2020.

Space usage saw some significant changes from 2020 to 2021. Firms planning to move to a larger space decreased by 7.3 percentage points in 2021, and there was a slight increase in companies planning to reduce their current office size. Use of home offices increased by 14% while use of leased commercial space decreased by the same amount.

More companies also reported offering employee benefits, including paid time off, medical insurance, dental insurance, vision insurance and 401k matching.

For this year, researchers added questions to see how many companies were able to access COVID-19 relief funding, such as the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL). They found that 95% of white applicants received PPP funding compared to only 77% of Black, Indigenous and People of Color (BIPOC) applicants.

“The Lepage Center’s 2020 Greater New Orleans Startup Report showed that BIPOC-founded firms were less likely than white-founded firms to receive traditional bank loans (8% vs. 16%). Since a similar gap exists in this year’s data, the lack of established banking relationships could have exacerbated challenges in PPP access in our region,” Lalka said.

This year’s report did see some improvements for BIPOC-founded firms in access to equity investment since last year, with 13% increases in access to angel investment and venture capital and an 8% jump in access to convertible debt.

The Lepage team also looked at investment in female-founded companies, finding that while women receive traditional bank loans at similar rates as men, they lag greatly behind men in angel investment, convertible debt and venture capital. Women founders utilized equity financing at approximately half the rate of their male counterparts.

“From a business standpoint, the Greater New Orleans business community needs to face what these inequities cost us. In a community that is full of incredible female entrepreneurs and BIPOC companies, we are surely missing out by not funding them, especially since studies have shown that diverse teams perform better than homogenous ones,” Lalka said.

The Lepage Center will host a virtual panel discussion titled "Gender Gaps in Equity Financing: The Data on New Orleans Startups.” The event is scheduled for noon on Wednesday, November 17, and will include Tara Hernandez of JHC Properties +, Danielle Jackson of digitalundivided, Peter Liu of Revelry Venture Partners, Shelly Porges of Beyond the Billion, and Lydia Winkler of RentCheck. The event is free and open to the public. Register at https://bit.ly/2021startupreport.

The full 2021 Greater New Orleans Startup Report is available at gnostartupreport.com