Pros and Cons of Joining a Business Accelerator Program

By Jerry Jao

Joining a business accelerator program isn't the right choice for every entrepreneur, and it doesn't guarantee success. For a selected few, however, it provides a much-needed jumpstart towards a more promising future. My third company, Retention Science, is a graduate of MuckerLab, a mentorship-focused accelerator based in Santa Monica, California. Here are my thoughts on the pros and cons of accelerator programs.

PROS

1. CURRICULUM AND CLEAR STRUCTURE

Business accelerator programs typically consist of three to six months of crash courses, speaker series, and professional workshops designed to help you learn a lot in a very short period of time. Certain accelerators conclude their programs with a Demo Day, where entrepreneurs publicly debut their products to a group of peers, tech reporters, and investors. By establishing a clear schedule of classes and milestones, the program helps entrepreneurs stay focused and reinforces the need to be agile and move fast.

2. MARKETING AND PR

You can count on your accelerator to be one of your biggest advocates to the outside world. The accelerator helps develop your marketing strategy and identify the right positioning for your products. And, when it is time, it helps you identify the proper outlets to publicly launch your company. If you're part of a well-respected accelerator, chances are tech reporters, potential customers, and even investors will be more interested in your company news. This is why the reputation of your accelerator matters.

3. FUNDING

Accelerators typically provide $20,000-$50,000 in startup capital to each company. Different accelerators have differing policies and funds. While funding is important, I've heard many entrepreneurs share this repeatedly: do not choose one accelerator over the other because it offers you $35,000 versus $25,000. Your decision should be solely based on the quality of the partners, network of mentors, and curriculum – in the grand scheme of things, a few thousand dollars will not save your company, but knowing the right contacts will.

4. The Perks: Discounts, Freebies, Social Events

Each accelerator offers different perks, but examples may include free legal advice, financial planning support, access to design agencies, discounted package for web servers, social events, and many more.

CONS

1. Company Equity

On average, accelerators require between 5–10% of company equity in exchange for all of their great benefits. This is a lot of company equity – do your research so you know for a fact that you will gain a lot of value by joining the accelerator.

On a side note, I've heard of unique cases where accelerators take less equity than normal. For example, if a company is already far along in development (i.e., significant number of customers or users), certain accelerators might negotiate with you. It's worth a shot.

2. Unsuitable Network for Your Business

Not all accelerators are created equal. Some might not have the right network to add value to your business. For example, an accelerator may have considerable experience in building e-commerce businesses, but know little about scaling mobile apps. Quality accelerators should not offer you a spot if they know they cannot make a meaningful impact on growing your business. But, don't just count on them to make the call. Do your research.

3. Less Support Once You Graduate

While accelerators are great for launching your company, you shouldn't expect the same level of support after you graduate from the program. It's imperative to maximize all of the resources during the official program, because once you're no longer working out of the shared office space, fewer opportunities will exist.

4. Commitment & Risks

Joining an accelerator is a serious commitment, and it does not guarantee success. For some entrepreneurs, it sometimes means leaving family behind for a couple of months, relocating to a different city, or taking out more loans to support themselves. While the goal is to accelerate your company growth, there are still many companies that drop out of the program or fail to complete building a product that meets market demand. Keep in mind that accelerators can help you a great deal, but they do not mitigate your risks of failing.

The right business accelerator program can open many doors for you, but as I was once told, we still have to "walk into those doors." Whether or not you decide to join an accelerator, keep in mind that, at the end of the day, it's still up to you to develop your idea, prioritize your long list of must-dos, and execute.

About the Author

Jerry is the co-founder and CEO of [Retention Science](), a leader and innovator in retention marketing. Previously, Jerry was an analyst with Morgan Stanley, an engagement manager with BearingPoint Management Consulting (KPMG Advisory) and, most recently, an advisor to the CFO of Clear Channel, working on digital initiatives such as iHeartRadio. Jerry is a graduate of UC Berkeley, where he earned a bachelor's degree in business administration and a full-tuition scholarship as an Alumni Scholar; he also attended Yale School of