



2017 Detroit


Entrepreneurial Study



MVCA

MICHIGAN VENTURE
CAPITAL ASSOCIATION

How Detroit is quickly becoming
a center of entrepreneurial and
investment activity in Michigan.



Detroit is an increasingly attractive
location for entrepreneurs who are
looking for an energetic, vibrant city
to locate, live and launch their
companies.

Recent trends show rapid growth in the entrepreneurial and investment community; however, to ensure the city's economic prosperity, Detroit will need to improve access to capital to support its fastest-growing companies. Data from the Michigan Venture Capital Association indicates the demand for funding from new startup companies, coupled with the need for follow-on funding by existing startup companies, exceeds what is currently available, reflecting the need for additional funds to help Detroit's many venture-backed companies succeed.



Detroit's Entrepreneurial and Investment Community

35

There are currently 35 active venture-backed startups in Detroit. This represents 25% of the startup companies growing in Michigan

Are You a Human

Banza

BoostUp

DIME

Detroit Materials

Fusion Coolant Systems

FutureNet Group

Grand Circus

GreenLancer

GuardHat

IC Datacom

iRule

LevelEleven

Lunar Labs

MakerOS

NextCAT

Passage

Quikly

reach | influence

Sentinel

Service.com

Skillo

SPLT

StockX

The American Mountain Co.

UpTo

Waymark

Confidential

Algal Scientific

Celsee Diagnostics

Delphinus

Gemphire Therapeutics

Sierra Oncology

Tissue Regeneration Systems

Velesco

A woman with curly hair, wearing a dark vest over a light-colored long-sleeved shirt, is smiling and looking towards a man. The man, wearing glasses and a suit, is seen in profile, looking back at her. They are in a crowded indoor setting, likely a conference or networking event, with other people blurred in the background.

In the last three years, there has been a

50% increase in the

number of
Detroit-based startup companies.



A majority of venture capital firms in Michigan have active investments in startup companies in Detroit. In addition, there are **five** venture firms headquartered or with an office in the Detroit area. These venture firms represent 15% of the firms in Michigan.

A large, diverse group of people is seated in an audience, likely at a conference or event. The image is in a warm, sepia-toned color palette. The text is overlaid on the right side of the image, with horizontal lines separating the different parts of the message. The number '14' is particularly large and prominent.

In the last year,

14 startups in Detroit
received more than
\$62,000,000
from venture capital firms.

A man with short brown hair, wearing a dark blue button-down shirt, is shown in profile from the chest up, speaking into a black handheld microphone. He is holding the microphone with his right hand. In the background, another man in a dark suit and light purple shirt is partially visible, also looking towards the speaker. The background is slightly blurred, suggesting an indoor event space.

“Detroit’s evolution toward becoming a premier hub for entrepreneurial and investment activity in Michigan has been a long time coming. The talent and networking opportunities in the city provide new startups a strong base to grow and make an immediate impact on Detroit’s economic resurgence. We’ve already seen the positive impact made by the influx of entrepreneurs investing in the future, and it’s only going to accelerate going forward. We expect the startup landscape to continue to grow and define Detroit as a nationally recognized startup destination.”

GABE KARP, PARTNER, DETROIT VENTURE PARTNERS

Quikly

Company Spotlights

is a Detroit-based information technology startup that offers a digital marketing platform for retailers that provides limited time deals and discounts. This startup company secured investment from Detroit Venture Partners and went on to receive additional support from Plymouth Ventures. *“The investment and expertise from our Michigan investors was pivotal to our company’s growth as we matured by enabling us to broaden our technology platform and bring our clients new innovations,” said Shawn Geller, CEO of Quikly.* This growing Michigan company currently employs around 30 people in Michigan and is rapidly building its sales and marketing teams and continuing to enhance its innovative technology. “Quikly is a great example of how the Michigan entrepreneurial community is working together to foster young, high-growth companies and provide the resources, capital, and connections to help them succeed,” said Kevin Terrasi, Partner at Plymouth Growth Partners. “We’re thrilled to partner with Shawn and the entire Quikly team.”





Lunar Labs

is a Detroit-based mobility startup that offers a pay-as-you-go smartphone service to reduce prices for the average user. This startup company secured investment from Techstars Mobility accelerator and Fontinalis Venture Partners. *"Launching a telecom startup from scratch isn't an easy feat - it's expensive and time-consuming. With the support from venture capital investors, we were able to alleviate the 'fight to survive' feeling and focus on building a product people love without limitations," said Hunter Rosenblume, CEO of Lunar Labs.* With the help from technology accelerators around the state that provide support to startups and entrepreneurs and highest research spending-to-venture capital investment ratio in the country, Michigan is the ideal place to pursue ideas in mobility. This growing Michigan startup company currently employs seven people in Michigan and plans to ship more phones in the Detroit Metro area with new features. "It's incredibly rewarding to invest and attract companies like Lunar Labs to Detroit. The entrepreneurial resurgence coupled with Fortune 500 dominance of the region is a powerful combination fueling the growing startup community across Michigan. Techstars Mobility will continue to invest worldwide in founders helping them to succeed in the Michigan ecosystem," said Ted Serbinski, Managing Director of Techstars.



Waymark

Waymark is a Detroit-based information technology startup that offers mobile and online services for creating and managing digital advertising. This startup company secured investment from Detroit Venture Partners and North Coast Technology Investors. Recently, the company won the Gamer Changer award at Google Demo Day where AOL co-founder Steve Case pledged to invest \$100k in Waymark if the company could raise \$1M in the next 100 days. This growing Michigan company currently employs 22 people in Michigan and, with the launch of their new product Movement, plans to expand in Detroit. ***“We continue to be inspired by Waymark’s creative vision and transformative approach to digital advertising. It’s no surprise the company has garnered lots of demand in such a short period of time, and we’re thrilled to see the national recognition Waymark has received from prominent leaders in the industry. Waymark is an excellent example of the innovation and momentum that’s emerging from Michigan’s startup community,”*** said Lindsay Aspegren, Co-founder and Partner at North Coast Technology Ventures and Waymark Board Member.

Why are entrepreneurs and investors attracted to Detroit?

Cost of Living

27.1%

lower than the national average, including housing, food, and healthcare.¹

Easier Commute

23 minutes

On average, Detroiters spend 23 minutes commuting, 11% less than the national average.²

Consumer Price Index

The measurement of the change in the prices paid by consumers over time for a market basket of consumer goods and services, is

\$226

In Detroit vs.

\$244

Nationally, indicating people pay less on average for goods and services in Detroit.

Buyers Market

\$40K

The median home cost in Detroit is \$40,400 , 80% lower than the national average.³

Turnover Rate

17%

The turnover rate among businesses in Detroit is 17% , 2% less than the national average.⁴

Restaurant Scene

No. 13

In 2016, the city was named No. 13 on Zagat's list of "26 Hottest Food Cities".

Leisure

No. 9

The New York Times recognized Detroit as a top travel destination for 2017.

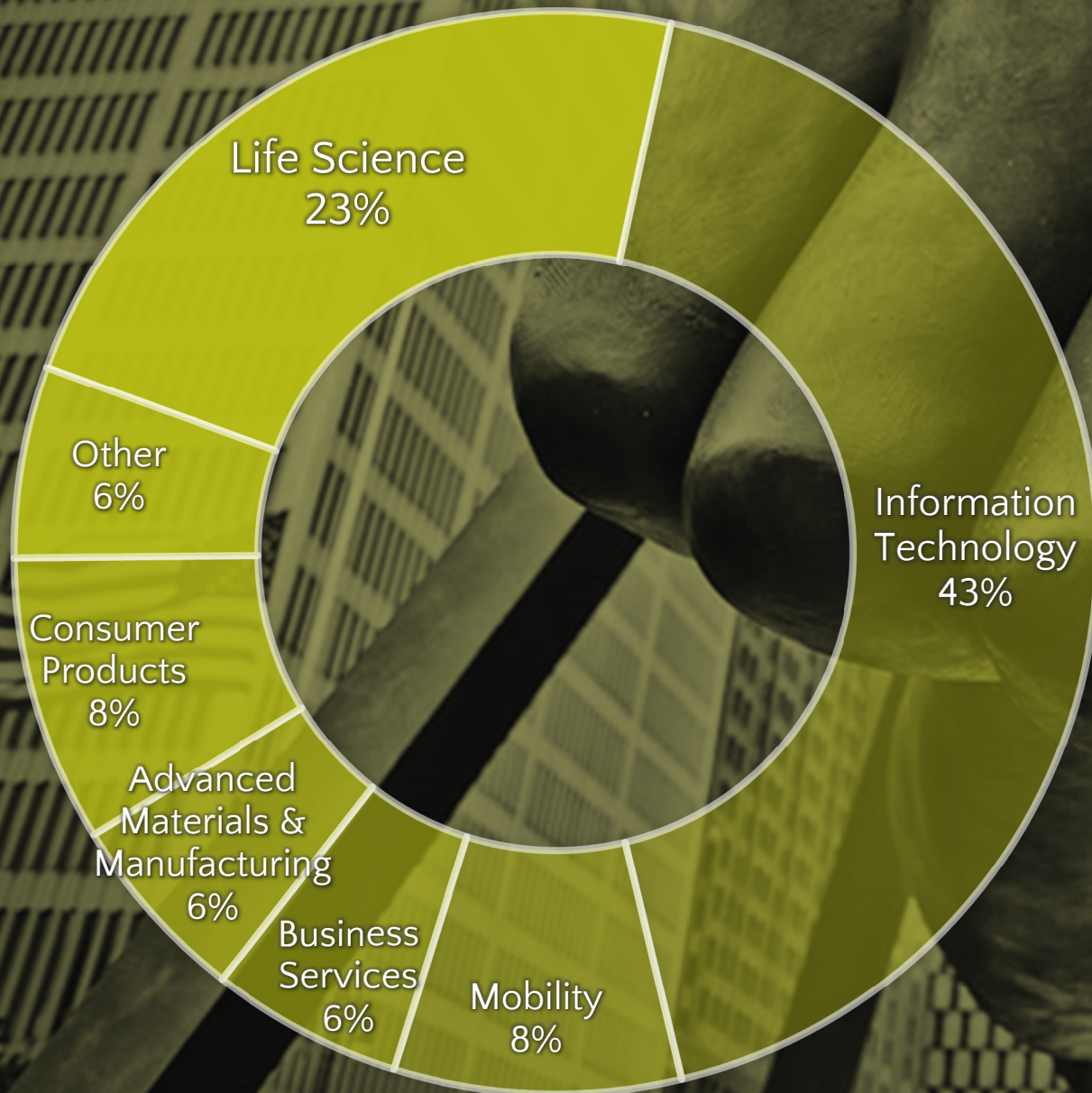
“Detroit is a center of innovation, attracting investors, entrepreneurs, and young talent who believe in the future of this city. Combined with Detroit’s strength and energy, the entrepreneurial and investment community’s forward-thinking vision can create greater economic opportunities for all members of the community, ensuring the city’s prosperity for years to come.”



MAYOR MIKE DUGGAN, CITY OF DETROIT

Detroit Sector Diversification Analysis

by number of companies

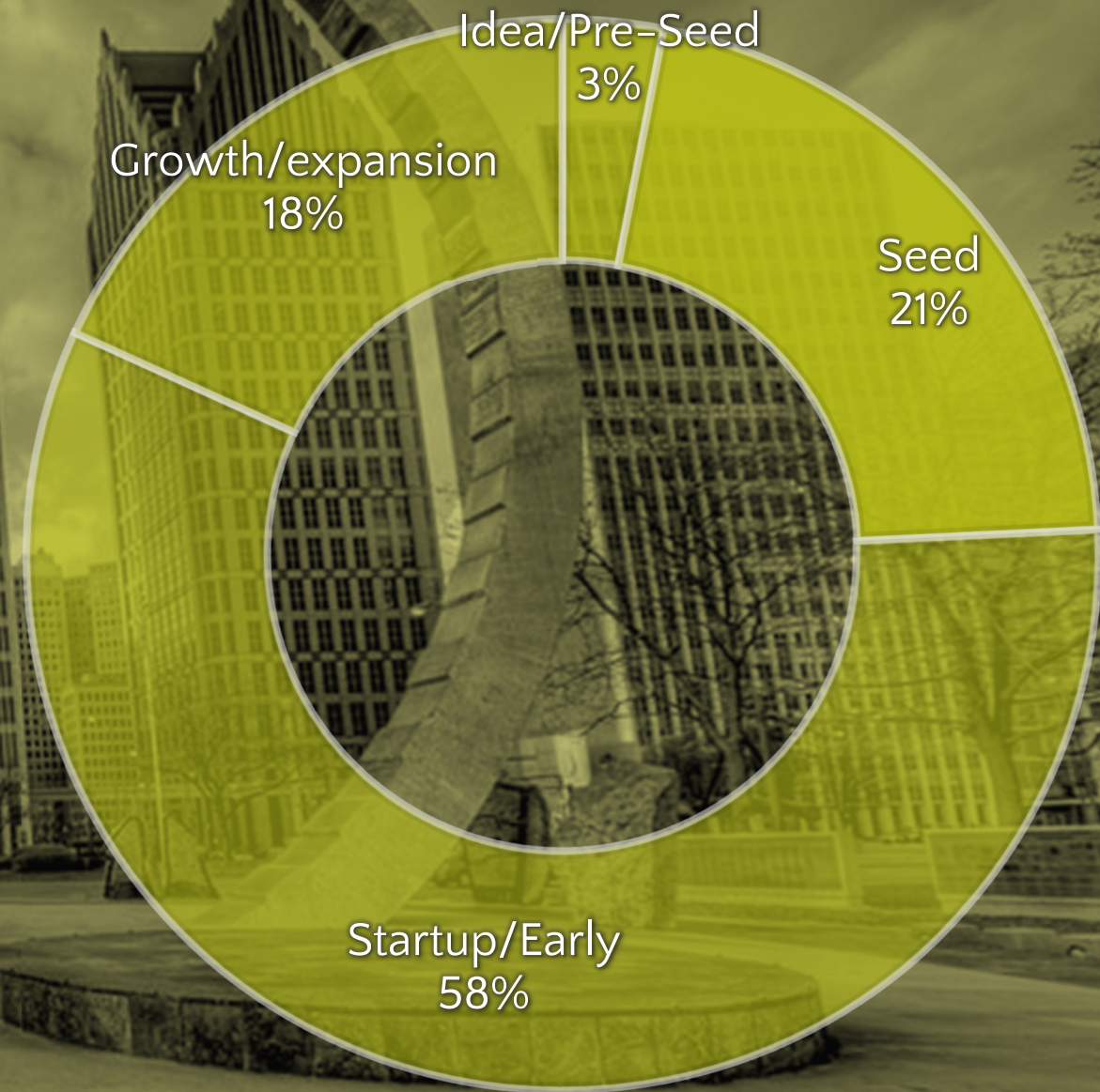


Venture capital investors in Michigan support startup companies across a wide variety of sectors and stages that have a broad diversity of leadership, creating a breadth of opportunities for the people and businesses in Detroit. Currently, 43% of the startup companies that have received venture capital funding in the region are information technology companies, and 23% are life science companies. Over a third of the startups in the growing entrepreneurial community in Detroit are mobility, business services, advanced material and manufacturing, and consumer products companies.

Detroit Stage Diversification Analysis

by number of companies

As Detroit's startups continue to grow, we must ensure there's a robust capital continuum to ensure the long-term vitality of the city's entrepreneurial community. Over half of the startup companies in the Detroit area are in the startup/early stage. These are startup companies who are earning revenues from operations but are not yet cash flow positive. Typically, these companies have already raised capital from angel investors and some venture capital firms but are not yet able to obtain bank financing.



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About Us

Michigan Venture Capital Association

The Michigan Venture Capital Association (MVCA) is a non-profit trade organization designed to increase the amount of capital and talent available to venture and angel investors for the funding of Michigan's most innovative entrepreneurs, as well as to work closely with them to transform breakthrough ideas into new companies and industries that drive Michigan job creation and economic growth. MVCA membership includes private and corporate venture capital funds, angel investors, universities and economic development participants, and service providers. More than 400 individuals are members of MVCA, representing over 100 organizations across the nation.

Additional information about the entrepreneurial and investment community in Michigan can be found at
www.MichiganVCA.org.