

Michael Zammuto Predicts Tech Startup Failures Will Skyrocket in 2017 Without Action

Michael Zammuto, speaking at a recent tech startup event, argued that 2017 is the start of a wave of tech startup failures and urged leaders to take steps

PHILADELPHIA, PA, UNITED STATES, June 24, 2017 /EINPresswire.com/ -- At a gathering of startup entrepreneurs and technology leadership in Philadelphia, Completed.com CEO, [Michael Zammuto](#) raised some eyebrows with comments about the near-term prospects for tech startups.

“2017 and 2018 will be the worst years for startup leaders in a long time.” He went on to cite statistics from The Wall Street Journal that ‘A’ round funding by VCs doubled from 2010 to 2015 and startup rates grew rapidly. But, he argues, support for existing startups didn’t increase as fast so he predicts that the failure rate of these companies is about to skyrocket. Even more firms will struggle on, unable to get ‘B’ rounds or to grow, according to Zammuto.

He continued to say that entrepreneurs argued for years for more support for startups. So, government, venture firms and businesses responded and that drove an explosion in new startups nationwide. Now these startups need us to provide support to make them successful,” he said, echoing comments he made on LinkedIn and [Twitter](#) this year. “We are already seeing the beginning of a big upswing in failures.”



Michael Zammuto, CEO of Cloud Commerce Consulting

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We have more startups but not more startups succeeding. Startups are meant to have a short, difficult life and need to efficiently test a concept and either become fast-growth companies or disappear.”

Michael Zammuto

Zammuto cited a recent Journal of Financial Economics study that concludes building on Amazon Web Services increased the rate of startups receiving venture funding. He adds that government incentives, shared workspaces, incubator programs and other services made it easier and cheaper to launch new startups and this fueled the increase in early-round financing deals. Zammuto points to a recent Wall Street Journal article that shows that ‘B’ round financing did not grow as quickly and is now slowing which has led to increasing numbers of young firms unable to get additional financing.

In addition to serving as CEO of San Francisco based Completed.com, Zammuto is also CEO of [Cloud Commerce Consulting](#) which advises startup and growth stage firms and is headquartered in Philadelphia.

“We have more startups but not more startups succeeding. Startups are meant to have a short, difficult life” Zammuto argued. “They need to test out a concept and we need to help them to become fast-growth companies or they need to disappear. Startups that linger on without capital and without meaningful growth, bottle up talent and resources.”

“There are some amazing incubators here.” Zammuto said, speaking about Philadelphia, and he called the University of Pennsylvania Pennovation Center “amazing.” He praised Philadelphia for its angel investors, a solid VC community, amazing universities and a city that attracts and can retain smart young people.

He went on to say that job and wealth creation doesn’t start until a company enters “growth stage” which Zammuto argued is between \$3M annual revenue and \$100M annual revenue. “This is the period where the company has market acceptance and proves it can apply capital to scaling”, he said. He then argues that there are gaps in services and capital for companies at this stage. Later stage funding is fine but cities like Philadelphia need more companies to get to that stage and the pipeline for that needs to improve. “The rate of ‘B’ rounds is too low, referring to companies raising a second, usually larger round of venture capital which is often focused on growth initiatives.”

Zammuto had praise for new Philly Startups president Bob Moore who was appointed this year. Moore, who was not in attendance, sold Philadelphia’s RJMetrics to Magneto in 2016 and rebranded the remainder into Stitch Data, located in Center City. “Bob and his team are an enormous success story. We need more of that. That’s exactly my point. They showed how to do big things”, Zammuto said, adding that he too is focused on supporting startups. He also has commented on the difficulty growing tech companies have in committing to spending their whole lifecycle in Philadelphia. “It is getting better because of growth in talent and services but some companies feel pressure to move to the large tech centers to keep growing”.

Zammuto’s Completed.com is a social network and business profile service that allows people to get and give recognition and constructive through a professional rating system. The company received a lot of media attention this year with Zammuto commenting recently in the Los Angeles Times on the controversy surrounding Uber CEO Travis Kalnick. Zammuto has also appeared this year on Cheddar.tv appearing on the floor of the New York Stock exchange and in interviews in The Next Web, Fast Company, TechCrunch and others.

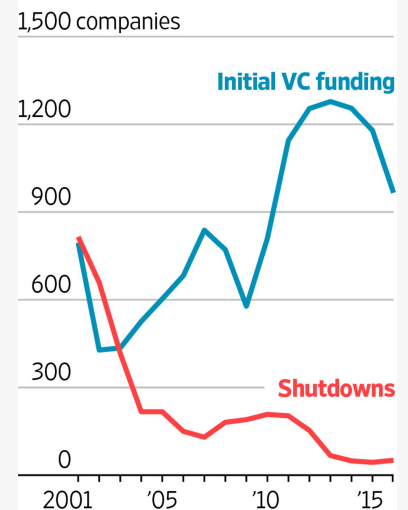
Zammuto’s Cloud Commerce Consulting’s services include growth strategies, consulting, sales and marketing program development to the types of growth-stage companies that he commented on. “I have worked with a lot of Philadelphia startups and have some as clients. I also have a lot of friends in local startups. The best way to support all of them is to encourage the elements needed to help them turn their startups into large, thriving companies.”

One attendee cited recent large acquisitions as evidence that the system is working fine, including RJMetrics, Boomi, a cloud services company acquired by Dell in 2010, PointRoll, Portico, myYearbook, ThingWorx, Fiberlink, Kenexa and GSI.

Zammuto agreed that those were great success stories. He noted that most of the ones mentioned

Life and Death

The gap between initial funding for U.S. tech startups and company shutdowns has widened over the years.



Source: Dow Jones VentureSource
THE WALL STREET JOURNAL.

Startup Funding Jumped But Is Dropping Off Leaving Many Startups Stranded According to Michael Zammuto

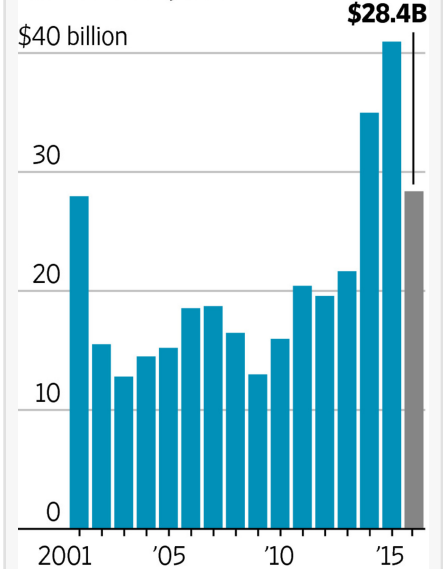
happened more than three years ago. "We [Philadelphia] missed an entire wave of large exits except in analytics" he argued. He also said that because Philadelphia is the fifth most populous city in the US that the number of exits was not that large.

Generating meaningful revenue is a huge milestone for any startup, concluded CEO Michael Zammuto who has a large Twitter following. "But transitioning a startup to \$1M a year, then \$3M, \$5M, \$20M and so on each represents all new challenges. I think there is huge opportunity in focusing on post-revenue, growth stage firms." He added, "Cloud Commerce Consulting's primary focus on scaling these later stage firms. Once you have a viable product and some market validation the exciting stuff really starts."

Michael Zammuto
Cloud Commerce Consulting
2156177963
email us here

Money Trail

Funding for U.S. tech startups fell 30% last year.



Source: Dow Jones VentureSource

THE WALL STREET JOURNAL.

Funding for US Tech Startups Dropped 30% Last Year According to The Wall Street Journal

This press release can be viewed online at: <http://www.einpresswire.com>

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