

New Orleans startups see AI as their biggest opportunity — and threat

October 24, 2024



Most New Orleans area startups see artificial intelligence and machine learning as likely game-changers for their industries, but they're not all sure if that's a good thing.

Approximately 37 percent of area startups cited the technologies, more than any other technology, as likely having the biggest long-term impact on their businesses, but nearly a third surveyed see them as both their biggest threat — and their biggest opportunity, according to the 2024 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 126 startups across the 10-parish region. Now in its sixth year, the annual report has become the benchmark for tracking entrepreneurial activity throughout the New Orleans region.

“Our report highlights both the immense opportunities and significant challenges posed by AI technologies.”

- Rob Lalka, Albert R. Lepage Professor in Business and Lepage Center executive director

“Our report highlights both the immense opportunities and significant challenges posed by AI technologies,” said Rob Lalka, Albert R. Lepage Professor in Business and Lepage Center executive director. “While startups in the region are right to view AI as a transformative force — capable of revolutionizing industries and fueling growth — we must also acknowledge the very real risks to business and society if AI is adopted without ethical standards and common-sense safeguards.”

Area startups see generative AI such as ChatGPT as the second technology innovation most likely to impact their companies, followed by robotics and automation.

The survey found once-hot areas of interest losing their luster. Only 3% of survey respondents think blockchain or cryptocurrency technology will have a long-term impact on their business. Social media (1%), synthetic users (1%) and the combination of virtual reality and augmented reality (1%) were each regarded as having the least long-term impact.

Last year, the survey found startups were cautious about the state of the economy. That trend continues as the survey found the weakest demand for hiring among startups in six years. While 74% of high-growth startups say they anticipate expanding their workforce, small business owners were less optimistic, with only 38% planning to increase staff. Over the next year, 18 % of companies have no plans to hire.

Like previous years, bootstrapping, the process of using only the business's revenue and personal resources, without external investment, remains the primary method

of business funding, followed by savings and support from friends and family. Companies surveyed in the past two years showed a significant increase in landing venture capital investment.

Approximately 69% secured over \$1 million, the highest since the report began. After a 10% drop in 2023, there was a 10% increase in companies raising the majority of their capital from outside Greater New Orleans, reversing last year's trend.

The report analyzes startup funding data, with breakdowns for BIPOC and women founders. >This year's report also examined angel investment and venture capital use for companies with and without BIPOC and women leaders.

BIPOC-led companies are having greater success raising institutional funding. Venture capital for companies led by BIPOC leaders rose to 20.5% in 2024 from 8.3% the previous year. Similarly, angel investments, through which investors provide seed money, usually in exchange for ownership equity in the company, grew to 23.1%, for BIPOC-led ventures, up from 19.4%.

For women-led companies, venture capital utilization climbed to 15.3% in 2024. Angel investment peaked at 25.7% in 2023 for women-led companies before dropping to 18.1% in 2024. Projected revenue for 2024 appears conservative, with average actual revenues dropping to \$1.24 million in 2023 from \$1.65 million in 2022.

The report also found:

- **Fewer high-growth startups:** 34% of respondents identified as high-growth, down from 42% in 2023; 66% identified as small businesses.
- **Industry representation shifts:** For the second straight year, software is the largest sector (15.9%), followed by media (11.1%). Top industries now include software, media, which saw the largest gain of nearly 7% (4.3% in 2023), professional services, retail and food and beverage, respectively.
- **Companies staying put:** 41% of respondents now prefer home offices, reversing a trend toward leased commercial spaces over the last two years. Leased

commercial space dropped just behind home offices at 39%, followed by co-working space at 12%. The 2024 report also saw a 3.6% increase in respondents planning to maintain their current office location for the next 12 months, and a 2.6% decrease in companies intending to move to a larger office.

The full 2024 Greater New Orleans Startup Report is available at gnostartupreport.com.