

24 Tips for Successful Startup Fundraising

Raising investor funding is never easy. But if you follow the tips below, you'll increase your credibility with investors, and increase the odds of a successful fundraising experience!

1. Identify an under-served market
 1. Why is it underserved?
 2. What's the next segment you'll target?
2. Understand the competition and your differentiation
 1. What is your advantage?
 2. How will they respond to your entry in the market
3. Size the market
 1. How big is your addressable market?
4. Verify that the return potential meets angel expectations
 1. Is there 10x return potential?
5. Interview potential customers to verify the need and the compelling reason to buy
 1. Do you understand the Job, the Pain and the Gain?
 2. Is this Job high enough priority to motivate the customer to act?

6. Develop or update the MVP concept after verifying compelling reason to buy and test that with customers
 1. Your MVP concept will likely change after the first round of customer interviews
7. Create a legal entity
 1. You'll need this before you recruit a team
8. Recruit a small team
 1. What skills do you need to add to the team to develop at least a rough prototype of the MVP?
9. Complete IP assignment and stock purchase documents
10. Build advisory board
 1. Get help in areas where your team is weak
 2. A BoA increases your credibility with investors
11. Create a prototype of your MVP
 1. This might range from a set of drawings to a partially functioning product
 2. The closer to a product it is, the better your credibility
12. Test the prototype with customers
 1. Do they still agree that when done it will do the job?
13. Collect customer letters of intent
 1. Letters are a much stronger indication of interest than you saying there is interest

14. Develop a funding plan

1. To size the current round, you need to think several steps ahead. What milestone will the current round allow you to reach? What next fundable milestone will that position you to obtain? And what milestone comes after that?

15. Understand how convertible notes and/or SAFEs work

1. Do your homework!

16. Understand typical note/SAFE terms in your market

1. Do your homework! If you propose something that is outside of the typical terms that are offered in your investment market for a company at your stage, then you'll need a strong, credible argument as to why those terms are appropriate.

17. Develop financial projections

1. 5 year projections for balance sheet, income statement, changes in cash flow

18. Develop your go-to-market strategy

1. Where will you manufacture in the beginning?
2. What is your initial market?
3. How will your go-to-market strategy expand as you grow?

19. Develop on a realistic "ask"

1. It needs to fit your funding plan and be realistic for your stage

20. Develop a compelling investor pitch

1. More than a product pitch! Address concerns of investors.

21. Get introductions to local investors and investor groups

1. Introductions are much more effective than cold calls!

22. Do due diligence on your investors

1. Understand what types of industry and what stage of startup the invest in.
2. Understand their approach to negotiation
3. Is it an investors you want to work with?

23. Run dilution impact scenarios as you negotiate terms

1. You need a spreadsheet to analyze dilution - or your negotiating is just a guessing game.

24. Be realistic!

1. Be sure you understand the terms that are typical for the investment market in which you are raising money, and be realistic about how much you can raise and at what terms given the stage of your company.