76 Startup Fund Raising Mistakes You Want To Avoid

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TD SHEPHERD

THE NEXT STEP

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SYNOPSIS

There are many mistakes made when setting off to raise capital for your startup. Some of the mistakes are amusing and easily recognizable as amateur mistakes and are typically non-fatal. Some of the mistakes are, however, if not fatal then at least leave some scars on the initial engagement and will, when stacking up, cause you to lose traction and in the end lose the VCs interest. The list underneath is a mix of both categories and is compiled to make them easily recognizable and, as important, easy to correct.

Note: the contents of the different lists come from many sources including our own team members based on their experience during the numerous fundraising projects we have executed, as well as in our previous lives as startups as co-founder, as partners and associates at a number of European and US venture funds.

MISTAKES RIGHT AT THE START

When starting and building a company you have a plan. Many startups start with some friends & family money and get to a point where they are self-funded. Companies with a strong service character are often able to self-start and self-fund their growth. Given that the growth is “body” limited, typically the increased revenue is matched by hiring more “bodies”.
For other startups, after the friends & family funding they need more capital to grow their business and they need that capital ahead of their own revenue growth – enter the fund-raising challenge. This document focuses to large degree on the venture capital market as the place to raise your required capital. However, a lot of the rules are equally valid for raising capital through a debt line or other alternate finance instruments.

1. THINKING VCS ARE THE ONLY PLACE TO GET MONEY

When starting a company or looking at the next step, Management Team’s frequently think the only place to get money are the venture capitalists. Depending on the type of startup, the stage it is in and the step it wants to make there are usually at least a few alternative financial instruments such as crowd funding or loans.

2. START AS A ONE-MAN TEAM/RUN IT AS A ONE-MAN TEAM

Deciding, starting and completing a fund-raising path is not a one-man decision nor a one-man effort. Often CEOs will find that the team has to continue focusing on the business and hence will assume the responsibility for the fund raising all or mostly by him- or herself. Fundraising is a team effort and must be carried by the key members of the Management Team. Throughout the preparation process new ideas will come up and new questions will be asked. These require full management team attention and interaction. VCs will seldomly invest in a “one-person” team.

3. START WITHOUT SETTING LONG TERM GOALS

Don’t just get money for the next step without thinking about the full journey. No one is going to give you money for an incomplete story. Your long term goals are essential to the fundraising process and cannot be dismissed with a bit of handwaving and a vague “we’ll see where we are after this step”….

4. FORMULATE AN AMBITION WITHOUT A REALITY CHECK

Having been confronted with the question on "your ambition" or "your ultimate goals" teams often resort to a quick "let's make up some lofty goals" resulting in a revenue target or a market share % but fail to thoroughly validate the target(s). VCs are smart and have associates that will do dig out market data and have access to market research reports and databases. In addition, they see many deals of which some will be in similar and/or overlapping areas as your proposition. Building a story with silly ambitions will have your story end up in the circular filing cabinet really quickly.

5. A 2X IMPROVEMENT IS ENOUGH

Assuming that a 2x improvement in speed will make the whole world use your product is a major if not fatal underestimation of what it takes to get customers buy or license your proposition. The person making the purchase decision will think twice to disrupt his well-oiled operation because something is going to be a bit faster or a bit lighter. His or her reputation, salary and job is based on a smooth operation and your product or service has to offer a lot more before he/she is going to risk anything. Think 10x to ensure that the right people will listen to you and consider your product/service..

6. NOT THINKING THROUGH THE FULL FINANCIAL ROAD

Famous last line "this will be the only investment round we need – after this our business we will be cash flow positive and not needing any venture capital anymore". VCs hear that line frequently and their first conclusion is that the management team has either not done a full financial analysis or does not have sufficient ambition or does not need venture capital but a simple credit line.

7. START WITHOUT SUFFICIENT FINANCIAL RUNWAY

Any financing process will take time; most financing processes will encounter delay, sometimes short, sometimes long. Sometimes delays are due to bad planning (forgot about the Christmas vacation period?), sometimes they are due to unforeseen business challenges (new competitor suddenly appearing with a better product or service, ..) and sometimes they are due because based on the preparations you have decided to change your business model or pivot the company. Starting a fundraising process because "we're running out of cash soon" is a recipe for disaster. For any fundraising process reserve at least 6 months and that assumes that you're ready to roll, e.g. the essential components are present and verified.

8. START WITHOUT A PLAN B

Never assume that the fundraising will be successful or complete in your planned/allotted time; always have a plan B at hand. A plan B could be a strategic customer, a bridging loan or an R&D grant application. Ensure realistic checkpoints and sufficient time to move Plan B into Plan A if and when necessary.

9. THINKING VALUATION IS THE MOST IMPORTANT OBJECTIVE

Going into the process with valuation at the top of your list is a frequent habit – "how much can we get against how much equity we're going to lose". Early on in a startup's life valuation is not the first item on the list, there are many more rounds to follow and when you are hitting

Series C the valuation game becomes the first priority. However, at Seed and series A valuation is not the first concern, bringing the right investors on board is. High valuations at an early stage create barriers for others to come aboard.

10. PREPARING FOR A SPRINT WHEN IT IS A MARATHON

Sometimes teams have had early contact with VCs and interpreted feedback as "we're ready to invest, tell us how much you need" … This has led to the assumption that getting to the most important point—MIB or Money In the Bank—is going to be a walk in the park. It almost never is. Don't assume you can get your venture round done in a few months, even when VCs will confirm that they can work fast and "have done a round in two months' time…".

11. MISMATCH BETWEEN EXPECTATIONS AND REALITIES

You only need US$200K so you're setting up a full VC funding run not realizing that most if not all VCs will not be interested in such a small sum. Search for money in the right places: if you need an angel round, your process is looking completely different from a regular VC round.

MISTAKES IN THE PREPARATIONS

Once you have decided to go seek venture capital to fund your Next Step, you have to determine what it takes to get a full proposal in front of a VC or, rather, a consortium of VCs. It will take some time to prepare the "snapshot" that shows where you are and where you want to go. Teams with a strong background in planning and execution understand the need to keep material current, be it financials, market outlook, competitive field, etc. Their preparation time is most driven by compiling. Teams that are less experienced and are more "flying by the seams of my pants" approach will require more time to not only compile but, more importantly, think about critical parts of the value proposition, the way their business model is going to work when they grow, etc. Underestimating these preparations is a fundamental mistake we frequently encounter. This mistake is further amplified by assigning a single person "to fill the holes so we can move on" approach. "Filling the holes" often concerns key aspects of the startup including strategy, operational financials, etc., something that should be covered by the whole team, not by a single person.

12. THINKING YOU DO THIS ALL TO PLEASE THE VCS

Often teams tend to think that VCs have them jump through hoops when asking for a competitive analysis, an eco-system description or even a specific platform model with financial analysis. Truth is, virtually all materials needed for a venture round are materials that should be part of the regular business process of a company (including a startup). If you don't have them, it is likely you have neglected one or more business essential components to a level that they have not been part of the regular team discussions and/or business considerations and as such might have created unknown vulnerabilities in the company's business execution.

13. DEVELOPING THE INVESTOR STORY ON THE GO

The urgency to get started overrides the common sense of complete preparation. Teams make up the quick pitch and get out there to "get started". In the same spirit of "we don't have time to do it right, we do have time to do it again" this is a major mistake often made when teams suddenly realize they are running out of cash faster than expected/planned. Rather than considering a proper preparation, they think they can go through the fund raiser step-by-step while generating the material as needed. This approach will result in inconsistent material, *hastily put together while still lacking a prompt response track record that VCs so much like and respect.*

14. TAKING TEMPLATES AS TRUTHS

Nothing easier than searching the web and downloading templates – templates for pitches, templates for stories, templates for financials, etc.. The mistake with the addiction to templates is that you tend to lose sight of the fact that your company, your startup has its own personality, its own fingerprint. Always look at a template as an "advisory", not as something cast concrete.

15. WRITING A 60-PAGE BUSINESS PLAN

Write a business plan that reads like a novel, like a story because it is your story. You will find that VCs will read it. Ensure that you use no more than a page and a half to two pages per section, use sensible metrics, graphs and tables and keep all non-story related parts limited to the appendices. Start each section with a short summary paragraph.

16. OVERLOOKING THE OBVIOUS: TEAM

If you think your team is incomplete, the VCs are certainly going to think that. VCs will foremost invest in the Team – your team is number 1, 2 and 3 on the checklist of any VC. Don't try to hide it but acknowledge the hole in your team and engage with interested VCs to see if their network might have a suitable candidate. Scrutinize your team and ensure that this is the team you want to take to the bank – don't delay necessary changes because you want to start your round efforts.

17. BOARD

Most startups ignore the Board of Directors question until after the round is complete at which time most of the related decisions have already been made. Think about your BoD ahead of your round and think of who a suitable Chair person would be. Not only will this demonstrate to the VCs that you're thinking ahead, a good Chairperson will also be useful in the fundraising process.

18. HIDING THE SKELETONS

If you have trouble spots in your story, never hide them as they will always rise to surface at the most inconvenient time. Put them on the table as part of your preparations and address them rather than hiding them. If you can't solve them ahead of your round, be open and honest about them when engaging with a VC, it is better to see them reject you at the start of the process than dropping out at the end with a lot of wasted time and anger on the side of the VCs.

19. IGNORING NEW INFORMATION

While preparing you suddenly encounter new information that radically changes the outlook of the company. As you need your funding you think it is better to ignore it for the time being and complete the preparations and start your funding process. As with other "problems" you might want to hide, these things will come up at the most inconvenient times and will force you to restart or rework your proposition when you have no time left.

MISTAKES IN THE STORY

The core of the preparations for a financing round is your story. All teams, all startups, all companies have a story. Part of that is history and part of it is future. Almost anyone will remember a story told much easier than a data dump of revenue and market numbers. Focus of the preparations is therefore first and foremost the story, the core of the company, what it is all about. The story will provide you the setting for all preparations, for the small things (give me the elevator pitch) all the way to the operational financials for the coming 18 months.

20. UNREALISTIC GROWTH PROJECTIONS

Founders and investors know that financial projections of early stage companies do not make sense. There are too many variables, unknowns and future events that make the projection inaccurate 99% of the time. That said, a projection helps an investor understand how you think about your business and what are the assumptions that need to hold true for the proposed venture to grow. If you project a revenue growth that is completely out of sync with other startups in the industry, it brings out your lack of understanding of the space.

21. NOT USING GENERAL ACCEPTED ACCOUNTING PRINCIPLES

Financials should be simple and straight forward based on the general accepted accounting principles (GAAP). Presenting financials that turn out to be "doctored" (or "normalized", an often-used euphemism) are an immediate red flag to any investor and most likely a reason for terminating the discussion.

22. NOT DOING A CASH FLOW ANALYSIS

Creating a solid revenue projection, nicely integrated with your business plan but there is no cash flow analysis provides not only an incomplete picture, it demonstrates incomplete thinking by the team. Cash flow analysis provides the aggregation of all financial streams including when you need to start your next fundraising.

23. NOT KNOWING YOUR COMPARABLE MARKET METRICS

When you are betting your company's future on bringing to market a new product or service, you are expected to understand that market in all its details and be able to reference their own product/service in the metrics that are relevant to that market.

24. NOT KNOWING YOUR TAM AND SAM

Being unable to put metrics on your available market is a near fatal sin. Total Available Market and Serviceable Available Market are standard concepts that provide not only an idea about what you are after but also an idea about what is feasible in terms of growth. It allows a first level of reference for the company's ambition.

25. UNREASONABLE TAM

It is important to understand the difference between the Market Size and the Total Addressable Market. Investors are reasonably aware whether a market is large enough or not. If you present a TAM that is unreasonable for the industry, it can boomerang and showcase your lack of experience.

26. TOP DOWN APPROACH TO MARKET SIZING

Assume that, as per Nielsen, 'delivering breakfast to the office' has a market size of $100 MM. While Nielsen could be correct in their calculation, you cannot use this as the only measure of market size.

Bottoms up is a better approach to paint the picture of sizable opportunity. "If there are 1 million office goers in the city and you can attract 5% of them, you will profit $1,000 a month and if you deliver breakfast 20 days a month, that is $20,000." This bottoms up approach to market sizing is what makes the cut and shows the true potential of your market.

27. FAKE PRECISION FOR EARLY STAGE COMPANIES

As an early stage company, please admit if you don't have enough data to measure metrics like CAC, LTV, % Churn. Don't try to convince investors with amazing metrics, for example 20X CAC to LTV ratio. Provide metrics with the right settings, including estimations based on comparable markets and/or companies. Do have metrics though as without metrics you operate in the dark. VCs do want to know that you have thought about your key metrics even though you do not have the historical data to provide them in an accurate setting.

28. UNINTERESTING OR UNREALISTIC PROJECTIONS

Projecting $5 MM revenue in 5 years will not excite any investor. Also, projecting $500 MM in 3 years will get you laughed out of the room if you are at zero revenue today. Avoid assumptions that you won't be able to justify, like 500% growth in revenue with only 30% increase in operating & marketing costs.

29. LACK OF UNDERSTANDING OF CAC AND LTV OF YOUR CUSTOMER

Be ready for questions on your user acquisition costs like what channels will you use to acquire a customer, what costs will you incur, what will be their likely lifetime value. Which areas show most promise with marketing, what is your typical sales cycle duration. Lack of answers for these questions mean that you have not thought through your business plan.

30. NOT CAPITALIZING YOUR INTELLECTUAL PROPERTY

Investors put heavy premium on intellectual property. Be ready for questions on what IP does your company have and how was it developed, whether any previous employer of your cofounders can have a claim on your IP.

31. LACK OF DIRECTION AND LONG-TERM STRATEGY

You need to have a clear strategy of where your company will be in 5 years and how you are going to get there. Unrealistic expectations, naïve assumptions will not help you in closing this round.

MISTAKES IN THE PITCH DECK

The pitch deck is the starting point for your "live" engagement with the VCs. The deck is there to support you during the pitch. Some tend to think that a flashy deck with lots of animation and colorful graphs is going to impress the VC audience. This is wrong: you are the focus, it is your story and hence the deck only supports your story. This is the reason why a pitch deck does not have extensive text and complicated graphs – anything that distracts your audience from your story should be removed. Keep it simple and stupid: KISS. Remember, your audience probably has 3-6 pitches a day – your pitch has to stick out and the only way you can make that happen is if they remember your STORY.

32. A LOT OF LOGOS WITH NO REVENUE

Having Fortune 500 companies listed as customers, makes investors assume that the company is generating meaningful revenue. But if the financials are not representative of the claims, it can mean either the company's definition of 'customer' is very loose and includes non-paying 'customers,' or the company can't charge enough for the product. Both options are equally bad.

33. NOT CONNECTING THE FINANCIAL MODEL TO THE NARRATIVE

Back to the story - financials are (an essential) part of the story so presenting your story and subsequently throwing in the financials as an afterthought deteriorates the quality of the story and leaves a hole in the overall presentation.

34. NOT USING CHARTS, GRAPHS OR TABS IN THE PITCH

A picture tells more than a thousand words. In order to keep your presentation clutter free and easy to grasp use simple charts, and graphs. Avoid the high complexity graphs with 3D-representation - use easy, simple graphs, tables and charts so that the audience quickly understands the data and can focus on you and your story.

35. WRITING THE EXPECTED VALUATION

It's OK to quote your expected valuation in a meeting. It's not OK to write the same in your deck. It is naïve and takes away your leverage in the negotiation. That is, don't write something akin to "raising $4mn at $16mn pre."

36. CALCULATING INVESTORS' EXPECTED RETURNS

It's almost impossible for you & investors to calculate the ROI the investor can expect so early in the life of a startup. Quoting a small number would turn off the investors and a huge number will make them ask more questions about your assumptions. This is not where you should be spending your time.

Your job as an entrepreneur is to build a huge company. That is what you should be obsessively focused on — and that's what you should present.

37. NO COMPETITION

Saying that you have no competition generally means either you have not done your homework, or you are going after a tiny market that doesn't matter. Odds are you have not done a good assessment of competition in your industry. Think strategically and broaden your horizon.

38. 'HARD CODED' FINANCIALS IN YOUR PRESENTATION

Hard coding numbers in your presentation is a rookie mistake. Linking your sheets with formulae and assumptions allows investors to play with various financial inputs to see how your business model will survive in changing conditions. Don't do this.

39. TEAM SLIDE IS SIMPLY A BRIEF BIO

This is one of the key slides of your presentation. Investors are bidding for your team and their biggest worry is if you would be able to execute. Make sure you talk about the chemistry, domain experience, past achievements. Mention the complimentary skills of your cofounders and if you have worked together before. Do not create a sub-standard presentation of your headshots and degrees only. The team slide is one of the most important slides.

40. NOT PAYING ATTENTION TO DETAIL

For your legal protection, put a copyright notice at the bottom and add the phrase "Private & Confidential." Include page numbers on each slide so that the investors can easily reference a specific page. Make sure your presentation is a visual treat, not text heavy and does not contain typos or inconsistencies.

41. NOT BEING ABLE TO EXPLAIN THE KEY ASSUMPTIONS IN YOUR PROJECTIONS

It feels you don't have a real handle on your business if you can't explain your financial assumptions and projections. If you go unprepared, you will not get a second meeting with the investors.

42. NOT ARTICULATING WHY YOUR PRODUCT OR TECHNOLOGY IS DIFFERENT FROM A COMPETITOR

You will have to explain why your product is different and 10X better than your competitor. You can assume that investors know about the competitive landscape. Don't shoot yourself in the foot with sloppy response. Also, if your product is 1.5X, 2X, or 3X better, most times that is not good enough. 10X better or 10X less costly is a great goal to hit.

43. NOT BEING ABLE TO TELL HOW YOU WILL USE THE INVESTMENT CAPITAL AND HOW LONG IT WILL LAST

Investors want to know how you will use the raised funds and your burn rate (so that they know when you will need the next round of financing). It will also confirm that you know your costs for hiring, marketing, support & admin etc., given their experience with other startups.

44. NOT UNDERSTANDING THE DIFFERENCE BETWEEN A STAND-ALONE DECK AND A PRESENTATION

The standalone deck tends to be text heavy because you are not there to explain it. It explains certain graphs and other assumptions & ideas. Your presentation deck should be visually appealing, with maximum 5 words per slide if possible. This will help you make a great presentation as you will not be reading out from your slides (which is the fastest way to put a room to sleep). Use your standalone deck only when you can't be there.

45. NDA

No investor will sign an NDA. Investors cannot be exposed later by someone they did not invest in, claiming that their idea was similar to the one they chose to invest in. It would be better if you let them know that you are pre-market and that all the information you present should *remain confidential. That said, don't assume the investors will not share your numbers with others.*

MISTAKES DURING THE PITCH

A good pitch deck is the foundation for a good pitch. But it does not guarantee a top notch pitch experience for your audience. Most important is practice – the majority of us are not in the habit of giving speeches and presentations for audiences so there is a good chance you will be nervous. To ensure that

46. APOLOGIZING BEFORE THE START

Do not start with 'I'm sorry, this is not what I normally do'.

When you open like that, it shows you lack confidence. You have virtually conceded that you won't be able to sell to the investors before you start. It means your team did not plan a good strategy for how to raise money and no one in your team can close a sale as you are the best of the worst on your team.

47. STATED A PROBLEM THAT ISN'T A PROBLEM.

Frame your problem statement such that it is clear what is the problem. When you say- "The problem is the same-day delivery market, and we plan to combat the Amazons of the world," it does not mean anything. Do not assume that investors know what you mean.

48. READING FROM THE SCREEN

Aside from the juvenile nature of this tactic, if you don't know your business well enough to do a 60-second pitch, nobody would be interested. If you aren't confident enough in your knowledge about your company or your industry to look the audience in the eye, they'll never trust you. Even if you stumble a bit, it is better than reading your pitch. They stopped listening as soon as you took your notes out.

49. SMELLING OF DESPERATION

Do not sound desperate when you pitch. If you come off as this investment is the only way for your business to survive, it seems needy and is unattractive to many investors, and can set you up to be taken advantage of. You'll end up giving away way more equity than you should. It is better to sound confident and make the investors believe that your startup is a gravy boat that they do not want to miss.

50. TAKING CRITICISM PERSONALLY

Most investors are direct and are going to ask you the tough questions. That's a good thing; it means they're thinking about your idea. Don't take feedback or tough questions as personal attacks. They have nothing against you.

51. WORRYING ABOUT THE DEMO/PRESENTATION THAT JUST WON'T SEEM TO WORK

If anything can go wrong, it will. Be ready for the worst-case scenario. The demo that you planned, might not work. Keep a video of the demo as backup. Arrive early and get your laptop hooked to the projector before the meeting starts. If the on-screen presentation fails, use the print copies as backup. If something does not work, move on. Do not kill the effectiveness of your pitch by wasting time.

52. GIVING UNNECESSARILY DETAILED PRESENTATION

Most investors you are going to pitch to are experienced and know exactly what they are looking for. You need to give them the right information to convince them that your company is the right company for them to invest in. Frequently presenters will go for the "data dump" – trying to offload all they got. This results in a data overload where your audience is completely overwhelmed by "all the good news". Be ruthless and focus on what really matters and ignore all other "evidence".

53. FAILURE TO LISTEN

Investors will ask you a lot of questions related to your business model and technology. They want to make sure that the investment does not turn out to be a failure. Do not take the questions as a question on your competence. Treat this curiosity as a good sign and do consider all possible alternatives.

54. FAILURE TO ANSWER CLEARLY AND ACCURATELY

When investors ask questions, think before answering. Don't shoot off the hip but think and subsequently provide a clear answer. Specifically, questions that ask for either a confirmation or a negation – be clear, answer with "YES" or "NO". The one thing nobody needs windy answers that in the end don't answer the original question or worse – you have to go back to the person asking the question and ask him/her to repeat the question because you lost your line of thoughts.

55. 'THIS IS THE LAST ROUND' THREAT

Do not try to scare VCs into investing by saying that it's the last round of financing. It makes you look like a rookie. We all know startups need money to grow. Stay away from non-reasonable scare tactics.

56. USING STAND-ALONE DECK FOR PRESENTATION

Do not stand there and annoy your audience by reading your deck line-by-line. Make sure you capture their interest, lead their imagination and passionately share your ideas. This is your show, be the master of the show. If you only have a stand-alone presentation, then make a second version that is less dense in words for your pitches.

57. CONSERVATIVE NUMBERS

You look amateur when you say that your numbers are "conservative." Investors want a realistic forecast and would appreciate it if you could show it in your financial model.

58. I'LL HAVE TO GET BACK TO YOU ON THAT

Now this is alright if it's about one or two points, but if there are too many details that you don't know cold, on the spot, it shows you are not close enough to the business.

59. NOT SAVING THE BEST FOR LAST

As you keep pitching, you are going to get better with time. Use recurring questions and concerns after each pitch to revise your deck accordingly. When you pitch, you will pitch to 20-30 different investment groups. Start presenting to the less known investor groups first, and present to your target investor groups after you've given 20-25 pitches already. Once you get to the big fishes, you'll be confident to close the deal. Don't be surprised if you need to pitch 50-200 times to close a round.

60. LEAVING WITHOUT THE Q&A

No matter how organized a pitch is, it may fail to answer certain questions your audience has. Planning for Q&A time allows your pitch to be clear to someone unfamiliar with your line of work.

61. RUSHING THE PITCH

Speaking slowly makes you sound more confident and knowledgeable. If you get nervous, try to calm down and have a glass of water. Do not memorize your pitch but speak from the heart.

62. PICKING THE WRONG ANGLE

As a developer, you might be excited about a different angle of your startup like a new backend technology, then what the investors might be interested in. Investors want to learn more about items that will help them to formulate a judgment, such as how the business is going to make money and how the company will scale. Pitch to your audience.

63. COMING IN WITH YOUR TEAM TO A PITCH MEETING, BUT ONLY HAVE THE CEO SPEAK

Investors want to know that you have a good team. They want to get to know your team. If only the CEO speaks, how will they gauge if the other members are any good. Also, don't have the team members contradict each other.

64. NOT KNOWING WHO YOU ARE TALKING TO AHEAD OF TIME.

Know your audience. Different partners in a VC firm focus on different sectors. It is best for you if you know how well informed they are in your market segment. If they are already aware of your area, you do not have to explain obvious facts. If they are not aware of your sector, be sure to introduce the critical details of the space. When a meeting is confirmed, it's best to ask who will be attending. The answer will help set the expectations.

65. TALKING ABOUT FEATURES OVER BENEFITS

Make sure you appeal to the emotional side as well. Talk about how your product is helping customers, rather than your product's features. Talk in terms of the value your customers can extract from your product, not the features that create that value. Make it easy to understand why customers love your company.

Speaking of derived value is always a good bet. Sell a good night's sleep rather than just a bed, sell 1,000 songs on your phone rather than 1GB of extra memory.

66. NOT FOCUSSING ON BUSINESS METRICS

Investors are concerned with 5 major questions: the market opportunity, your team's ability to turn the idea into a profitable business, the go to market strategy, your current & projected numbers (CAC, LTV, among others), and what you are asking for. Identify what drives each investor. Do they want to be part of a groundbreaking company? Do they want to make money and exit fast? Target what drives them!

Focus on the business opportunity rather than spending too much time on explaining your product. If you focus on the opportunity, you'll have a better shot at keeping the investors' interest.

67. NOT GETTING A WARM INTRODUCTION

If you really want to hit it outside the park, make sure you get a really warm intro. Sometimes investors take a meeting with lukewarm intro, with 99% certainty of not investing, just to be courteous to the person who introduced you. The colder the introduction, the lower the chances of your success.

68. NOT ASKING THE PORTFOLIO COMPANIES FOR ADVICE

If the previous founders the investor has funded tell you even one thing about what the investor loves or hates, your effort was worth it. This is inside information, mostly available to the inner circle only. So go out and rummage through LinkedIn for connections, stalk them on Facebook & twitter and find their email address. Use LinkedIn premium if all else fails. But do not return empty handed from this quest.

69. DO NOT BE "UNCOACHABLE"

Do not scare away investors by coming across as "un-coachable." Your lack of flexibility, unwillingness to share control or not bringing in new executives at the right time might cost you closing the round.

70. DISCUSSING OWNERSHIP STAKES

Do not discuss how much ownership you're willing to offer investors in the initial pitch. These details come up after the investors have finished researching your company. Your primary goal right now is to build a relationship with the investors.

If an investor asks about ownership terms early on, simply say you're 'flexible.' Do not quote a hard number, that could kill your pitch right there.

71. NOT QUANTIFYING RESULTS

When you use words like "a lot of traction," "big market," 'little funding," it annoys investors. Vague terms have no place in an investor pitch.

72. DESPERATE CLOSING

If you close with "please talk to me and I can show you how to get your money back," it looks like an insult to investors. Aside from the obvious desperate nature of this plea, investors are not worried about getting their money back. They are interested in getting a 10X or 100X return on their investment. Getting their money back is not something that excites them.

73. NOT FOLLOWING UP IN A TIMELY MANNER

Follow up with your primary contact a few days after the conversation to suggest possible next steps that the investor can follow to learn more about the company and the opportunity. It would be better if you communicate some urgency about your fundraising process. If you get a "no," be thankful, the worst is not hearing back. Receiving a "no" is helpful because you won't be in a state of limbo. If you don't hear back from an investor after three days, consider that an implied no.

74. MAKING INVESTORS WAIT FOR THE DOCUMENTS

Serious investors will ask for more documents than simply a pitch deck. This can be anything from a competition price analysis to a market research report to the business plan itself. There is no reason to make an investor wait for a couple of weeks while you gather these docs; it is *a waste of time and momentum and can easily be interpreted as sloppy preparation. If you make this mistake, all your previous effort go to waste.*

75. PHRASES TO AVOID

All we need is 1% of the market.

We will get huge viral usage.

This product will market itself.

Google will want to buy us.

Our projection numbers are conservative.

Lot of traction, big market.