Fundraising

Best Practices for Early-Stage Startups

At BGV, we view the fundraising process as more of an art than a science - use your heart, your passion, and your intuition to tell your story. It may feel like a speed dating process at times, but choose wisely, as your early-stage investor will be your partner in crime, for better or for worse, for the next 10 years of your life. This is obviously a stressful mission, but fundraising is the number one job for all early stage founder CEOs.

Rising above noise

1. **Prepare Materials -** The average VC firm receives 10-15 pitches each week. To get their attention, yours must stand out. You need to tell a compelling story that is highly differentiated and addresses a large market that can lead to a $100M ARR business. It is not solely about the technology, it is about how your startup can “uniquely” solve a big customer problem that others cannot. Practice your pitch with your team, your friends and friendly investors to refine and improve it.
2. **Finding Investor/Company Fit –** Focus on the right investors, you need to manage your VC Pipeline like a Sales Process. Qualify your investors. Secure warm intros, generate momentum, eliminate VC’s with competitive investments, and try to maintain the same tempo for all your interested parties.
3. **Make the Due Diligence process easy for interested VC’s** - Set up a data room for legal and financial diligence, and be prepared to offer customer and management references.

Choosing the right partner

- **Reverse Due Diligence** - Before signing a Term Sheet, you should seek introductions to 2 or 3 portfolio CEOs to understand your future board members' added value, and how they behave in good, and in difficult, situations.
- **Test VC Partner value-add** - Ask for help. This is a good opportunity to ask your suitor for an intro (to a customer/ partner/talent), or simply to seek advice on a strategic challenge you’re facing, to evaluate their response and how hands on they are with you.
- **Negotiation** - Start with your top choice and give them with options to close with you at the terms dictated by the market. This will almost always result in your top choice signing at close to the best terms you were offered.

Mistakes to avoid

- **Don't dive in unprepared** – Before you begin, thoroughly assess why you are seeking an investment. Sit down and list at least five ways your startup would benefit from the funds you'll raise — these reasons must satisfy an experienced investor who will dig deeper into how the funds will be used to create value.
- **Don’t start without a funnel** - The most important aspect of fundraising is to grow your investor pipeline. The average Series A raise process targets 30 investors. Start by researching which investors are active in your vertical right now. Ask other founders who have already received an investment, scan angel lists or LinkedIn, and talk to accelerators and business roundtables.
- **Don’t try to Present Everything in the First Meeting** - The goal of your first meeting is to secure a second. You want to make it to the top of their deal flow funnel and to make them want to learn more about your company.

Once you’ve carefully selected your investor, they become key allies on your startup journey, and also in securing further rounds of investment. Be ready to take the ride together.

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