Positioning Your Startup to Raise Venture Capital Funding

By Curt Cuscino

There's a saying in Los Angeles: "Always be camera ready." Likewise, it can be said for startups: "Always be investor ready."

Are you scrambling to touch up spreadsheets and printing out a mountain of documents before every important meeting? Does even thinking about an investor meeting give you anxiety? Fear not. There are ways you can position your startup so you're ready and positioned for success when it comes time to approach investors.

Chart your success

Investors love real-time data, yet many startups fail to have this information in place. If you can't demonstrate what your goals are, chances are investors won't either. But, if you can come up with a way to visually present your data in an easy-to-digest form, this will help immensely when it comes time

for your startup’s venture capital roadshow.
Being able to show real-time data to an investor on how you are growing customer traction is absolutely invaluable. Setting up an evergreen custom reporting dashboard for your startup will not only help them too see this easily, it can also show you where to direct your daily energy and efforts. Investors want to see that you are grounded in reality and not just busy working in a startup, but are working on it and living it. Investors want to see people using, sharing, and enjoying your product so much that they want to tell others about it—especially if you are targeting the ultra-powerful-yet-often mercurial millennial generation—before they will feel comfortable committing an investment. Show them the momentum is there, and that what you need most from them is a major push to get that “hockey stick effect” every business wants to see on their performance charts.
Simply put: There is no equivalent to real-time customer traction data.

Being investor ready is not just about revenue

The year 2018 is a year like no other; ten years ago massive companies like Uber, Twitter, Tesla, and Snapchat would have been probably laughed out the door at their initial venture capital meetings. However, before they were the unicorns we know them as today, they were fledgling startups looking to disrupt the marketplace, bring positive change, and make life better. But they, too, needed the help of outside investment to help them get there.
If you take a closer look at the books of these companies, despite the huge capital investments they have received to

date, you'll find they are millions of dollars in the red, even though public perception paints a totally different picture. Regardless, there is plenty of capital sitting on the sidelines, and tales of some of the top early ventures demonstrate a key mindset of investment capital: It is not all about short-term revenue.

Investors are looking at the long-term promise of potential revenue, an exit, and how much brand saturation it will take to get there. Now more than ever, you do not have to be part of "the boys' club" in Silicon Valley; the market there is saturated and outliers have just as much of a shot of making it big as a Silicon Valley-based startup.

So keep in mind that the mindset of an investor today has changed, and so has the landscape. Your pitch and how you approach investors should also adapt to this fact.

Think in plateaus, and know your key performance indicators (KPIs)

If you are like most startups, you will need investment help to get you to your next plateau (often by year two, maybe sooner), and to get you one step closer to making your startup's next stage of major growth a reality.

You can get the attention of investors by first reaching out to the right people, and not just taking a "spray and pray" mentality as many startup entrepreneurs often do. Look for people who are actively investing in your space, and be ready to demonstrate you know the space as well as they do—or even better.

Do not just tell investors how great your idea is. Through your data, be prepared to show them you are solving an imminent problem for your unique buying tribes in a way that is new and, ideally, scalable—nationally or even internationally. If you have a great idea that is scalable, with the potential to earn real, substantial revenue, demonstrating your specific KPIs—and how you've been hitting your own targeted plateaus—can help you get the investment your startup needs to grow.

There are numerous KPIs startups can measure, and they are not the same for every startup. They are unique to:

- The unique buying tribes you serve—(i.e., if you are marketing to millennials, your KPIs may look somewhat different than if you are primarily targeting baby boomers.)
- Your brand promise
- How your early-stage venture is designed to show up in the world
- How and at what velocity your audience is engaging with your brand

If you are having a hard time figuring out where to start, how to determine which KPIs are most important to track, or how many KPIs you should be tracking, keep it simple and start with the basics. For example, you can outline the "user journeys" of your customers, listing the steps of the journey, and then determine which steps represent a valuable conversion or key moment that you want to measure—(e.g., how many people register a free account on your website, how many people take you up on a free trial offer, how many people go from the free trial offer and become paying subscribers on a monthly basis, how many people become paying subscribers on an annual deal, and so on).

In many cases, a major "conversion" is really a series of smaller conversions. Be sure to measure each smaller conversion and not just the final, major conversion. Knowing where your customers start in the process, how they get to your brand's front doorstep, and then what makes them stay is half the battle. Go a step further by measuring and charting your progress against your KPIs each day. This can help you quickly visualize what is working and what is not.

By fully understanding your KPIs, actively charting them, and being able to clearly and concisely explain them, you can demonstrate customer traction and the value of your startup in the marketplace to the potential investor sitting across the table from you.

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Fail quickly

It is incredibly easy to drown in data—there is a lot of it out there. The data you're tracking on your startup's health and growth should be relevant, and ultimately help you make your startup's product or service better. If you do not understand the data you are tracking, or it is not actionable, stop tracking it; instead, find something that you can understand, explain, and act upon routinely.

To put it more simply: If you do not understand what you are tracking, chances are you are tracking the wrong thing. So what can you do to start demonstrating customer traction? Pick a single hypothesis, test it by driving traffic, and find the areas giving you the best impact that ties back to your KPIs. Pick one user journey and ask yourself: “If we were to give this user the incentive to go left at the ‘user experience fork in the road’ instead of right, would it make their experience more exciting? Would they have more incentive to purchase our product? Or would it give them more of an incentive to share their experience with their friends?”

While you are going through this process, also remember the path to conversion—the user taking an action you want them to take—is usually not a straight, single-step process. It is often multiple steps, depending on the size and value of the conversion.

For example, getting someone to provide you their email address for more information and updates, or getting them to sign up for a free e-book, is easier than getting them to subscribe to a YouTube channel or purchase an item from your website, in most cases. But if the value is clear, then the decision is easy—and that’s the sum goal of your brand, your marketing message, your branding, and your strategy. Connecting it all with a powerful “why” can make those conversions easier to accomplish.

Did your decision to invest in Google AdWords increase your e-mail subscriptions? Did promoting the content on your Facebook page lead to more traffic to your website? Analyzing and measuring your KPIs on a weekly, or even daily basis, will help you stay focused on the right activities that promote customer traction and ultimately show growth in your startup.

If you find this to be difficult, that's okay and normal. Nonetheless, stay the course; iterate, ratchet up as you go, start small, and fail quickly. Your startup should never be on cruise control. The technology to track your iterative daily and weekly small successes and failures will illuminate the path towards your larger successes to come.

Using social media to gather customer feedback

Once you have your measurable, actionable KPIs locked in and you're tracking them, your next entrepreneurial milestone is to demonstrate that people actually want what your brand has to offer. This information is invaluable when you're trying to attract outside investors. And if you are a startup trying to get customer feedback relatively quickly, chances are high you'll use social media to accomplish this in whatever channel(s) are relevant to your audiences and your brand.

If you use social media to develop and grow your brand's following, avoid simply posting updates with the hope of organic growth—this is not a marketing strategy. Social media is a pay-to-play game, and the reality is few will see your posts unless you already have a massive following or you put a dedicated advertising budget behind the promotion of your posts and accounts.

Also, do you know where your audience hangs out? Are you posting and engaging in the right social media channels? Are you promoting your posts with specific targeting to attract more followers? Instagram, Pinterest, Facebook, YouTube, Twitter, Yelp, Snapchat, Google+—the choices can be overwhelming and seemingly endless. You do not have to drive all social media channels simultaneously to start. Rather, if your resources (team, money, etc.) are limited, focus on one to two channels, and manage them effectively before you venture into taking on more.

Have fun and enjoy the process

To the faint of heart, branding, marketing, launching a new venture into the world, and getting people to become part of your community and rally around it, might seem complex, and daunting—and it most definitely is. But remember, it is a long, winding, and exciting journey.

You have a vision. You are an entrepreneur. You are developing a brand, yes, but you are building a business, too. Focus on actionable data, and demonstrate in every possible metric that people want—and need—your product or service. By following these steps, you will be positioning yourself to tackle any investor meeting with poise and confidence.