

5 Stumbling Blocks to Avoid to Maximize Fundraising Success

The startup world is highly competitive, and for many entrepreneurs, securing the early funding needed to launch a successful business can be a significant hurdle. Investment dollars and sources are finite while there are countless other businesses and opportunities competing for such funding. To increase your chance of securing funding for your startup, there are certain pitfalls to circumnavigate when building your business and reaching out to early stage investors.

Below are five common stumbling blocks to avoid when attempting to secure early stage funding:

1. **Failure to leverage your network to personally reach out to VC, angel and HNW investors.** A personal connection is oftentimes critical to landing an initial meeting with investors and can go a long way towards closing your first round. It is important to utilize your own network (as well as those of your colleagues and advisors) to identify personal connections and capitalize on already established relationships.
2. **Failure to properly identify funding sources.** There are several routes an emerging company can take to procure funding: venture capital investment, angel investors, bank loans or family and friends are all viable options. Entrepreneurs must consider which of these options is best for her or his business, allowing the company to maximize its odds of success in the early stages. The ideal investor pool is unique to each startup, and it is critical to understand which composition is best for your company to pursue.
3. **Failure to show proof of concept.** Proof of concept means you can demonstrate your business proposal is feasible. All investors want to see a solid business plan that clearly lays out your path to success. If you cannot articulate why your plan will work and how you will execute that plan, you will capture neither the confidence nor dollars of potential investors. Better yet, if you can produce a prototype or beta of the product before speaking with investors, your chances for success increase significantly. Raising money with just a business plan is very difficult, unless you are a well-known entrepreneur with some prior success.
4. **Failure to establish traction with users or customers.** Investors will expect you to have a firm grasp of who your target customer is and what kind of relationship you have already established with that group. When approaching investors, you'll want to highlight the bond between your startup and target customers. Emphasize your strong social media following and read a few of your positive customer reviews in order to demonstrate interest in your company or product.
5. **Failure to build a strong team.** Investors will be more receptive if you have a strong team in place. Single founder companies always face more difficulty in raising capital. An investor will be very skeptical of your chances of success if you cannot convince at least one or two other highly qualified people to take a risk and join your venture. Ideally, each team member has a specific skill set, such as in engineering, sales and marketing, and at least one of them has domain experience in the target market.

The above list is not exhaustive. An unrealistic pre-money valuation, competitive landscape or failure to present a go-to-market strategy can also cut a pitch meeting short. But thinking through the above

list is essential for all entrepreneurs looking to land their first round of funding.