



HOW TO RAISE MONEY FOR A STARTUP FROM VCS

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ABOUT ME

- An early career building super fancy electro-optic spy gear and laser radar systems for military
- Got into startups by accident, mostly because of a girl
- Founded 5 startups
 - two failures/ two home runs/ one moderate success
- 4 board seats on other companies (Notably Venmo)
- Startup investing
 - More than 100 direct investments
 - Two active Venture Partner roles
 - OFEF co-founder (pre-cursor to Venture Bridge)



WHAT INVESTORS WANT

- a riskless win



WHAT INVESTORS DO NOT GIVE

- honest feedback
 - Nothing in it for them
 - They still want to be your friend for your next project
 - They will lie to your face
 - There are a few exceptions, but very few

WHAT INVESTORS DON'T WANT TO HEAR

- You are smart
 - Show them this by what you say
- that you have a great team
 - Let them figure this out for themselves from what you tell them
- that you have a complicated/sophisticated product, service, sales cycle, go to market plan
 - Simplicity always wins
- **be simple, not sophisticated**

WHAT IS AN ENTREPRENEUR?

- McClelland found that
 - individuals with a high need for achievement tended to be less influenced than others by suggestions as to what they should do, think, or believe.
 - They were "oriented forward in time toward longer-range goals, even when that means foregoing immediate pleasures."
 - They were less conforming and cared less about public recognition. What influenced them most in engaging problems were facts. They preferred the counsel of experts to friends.
 - They were not gamblers. They tended, in fact, to be conservative in games of chance and daring in games of skill, at which they usually overestimated their chances of success.
 - While others viewed entrepreneurs as risk takers, McClelland noted that they did not see themselves this way. They typically accepted challenges only when they perceived that there was an acceptable chance of success and when the main determinant of success was their skill.
 - And, contrary to common assumption, McClelland asserted that entrepreneurs were motivated primarily by the sense of achievement rather than a desire for money.
- Bornstein, David (2007-09-17). How to Change the World: Social Entrepreneurs and the Power of New Ideas, Updated Edition (Kindle Locations 1225-1233). Oxford University Press. Kindle Edition.



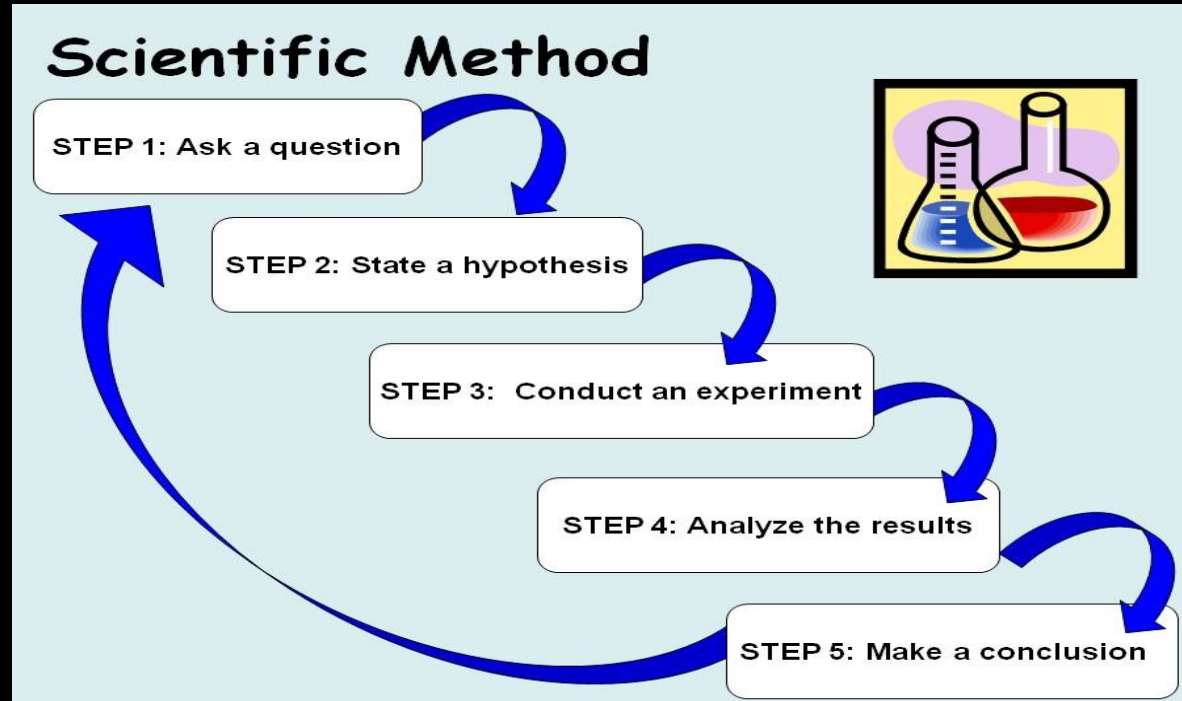
THINK ABOUT WHAT YOU SAY DO YOU KNOW? OR THINK YOU KNOW?

- Knowing something that is wrong is vastly more dangerous than ignorance
- First Time technical entrepreneurs would rather make up stories than actually talk to a significant number of customers.
 - Talking to customer is tedious. And awkward. Maybe even embarrassing
 - Extracting useful information on new products/services is a learned skill.
- Even when a VC can't understand your product, they can tell if it will fulfill the needs of customers
 - They are typically better at this than most entrepreneurs

SOLUTION: APPLY THE SCIENTIFIC METHOD

- Applies to any product, pricing, marketing, or channel decision
- Examples:
 - will people use my product for free?
 - Will people use my product for \$5/mo, etc...
 - Will a lower price increase sales?
 - Which features will drive engagement
 - Which messaging will drive adoption?

A lot of this is testable BEFORE YOU START!





LISTENING

- taking feedback is hard
- don't get angry or defensive. listen. understand. feedback is rare. track it. optimize it.
 - did you fail to explain? why? how could you do it better?
 - its a process. you are not done yet.
- Difficult to change a NO to a Yes, but ask about the No for next time
 - Never leave a customer or investor meeting without learning why they gave the answer they gave
 - True, everyone lies, but eventually there is signal in data.



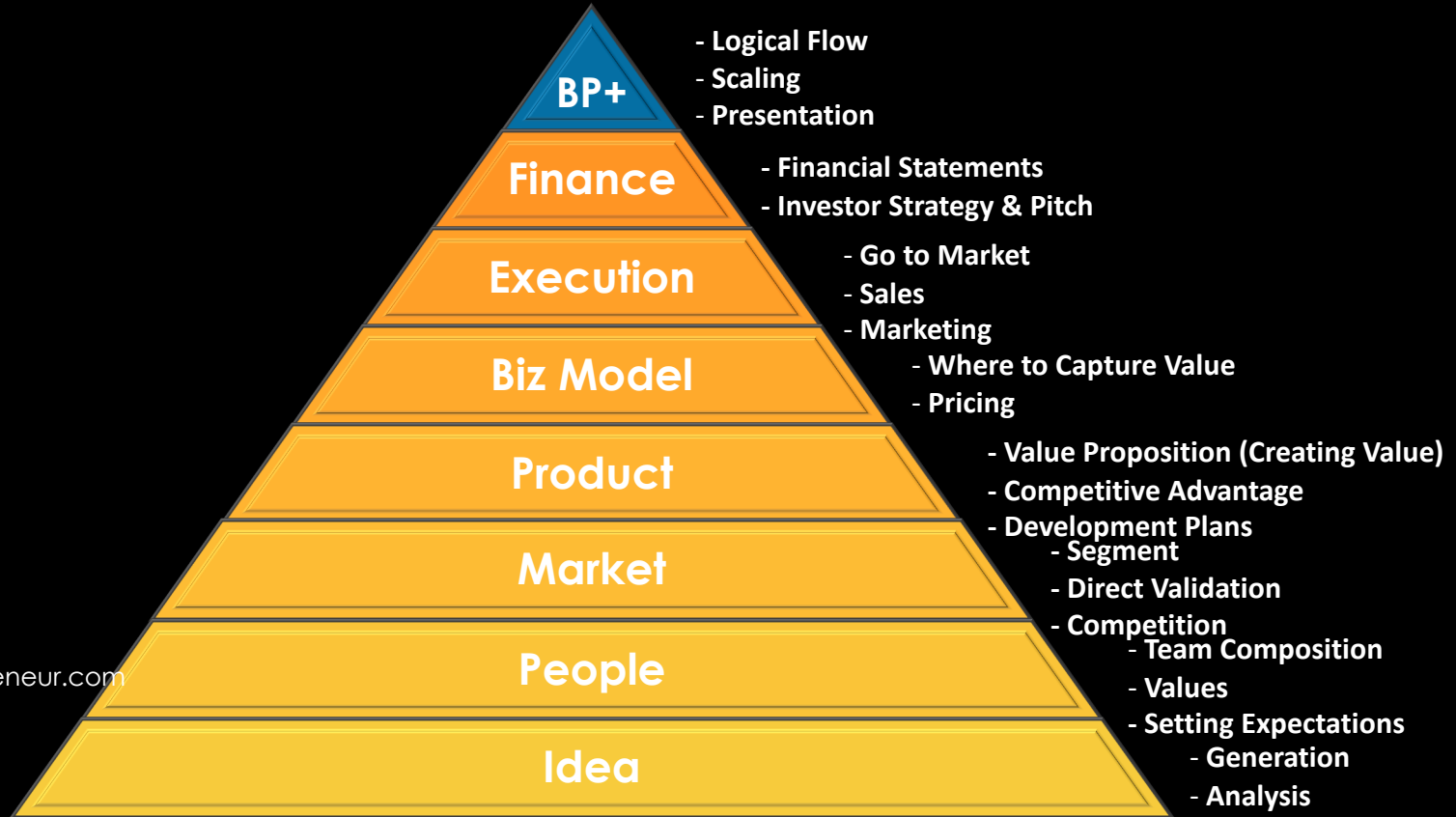
DON'T LISTEN TOO MUCH

- if you are responding to every bit of feedback, that's too much. have an internal compass.

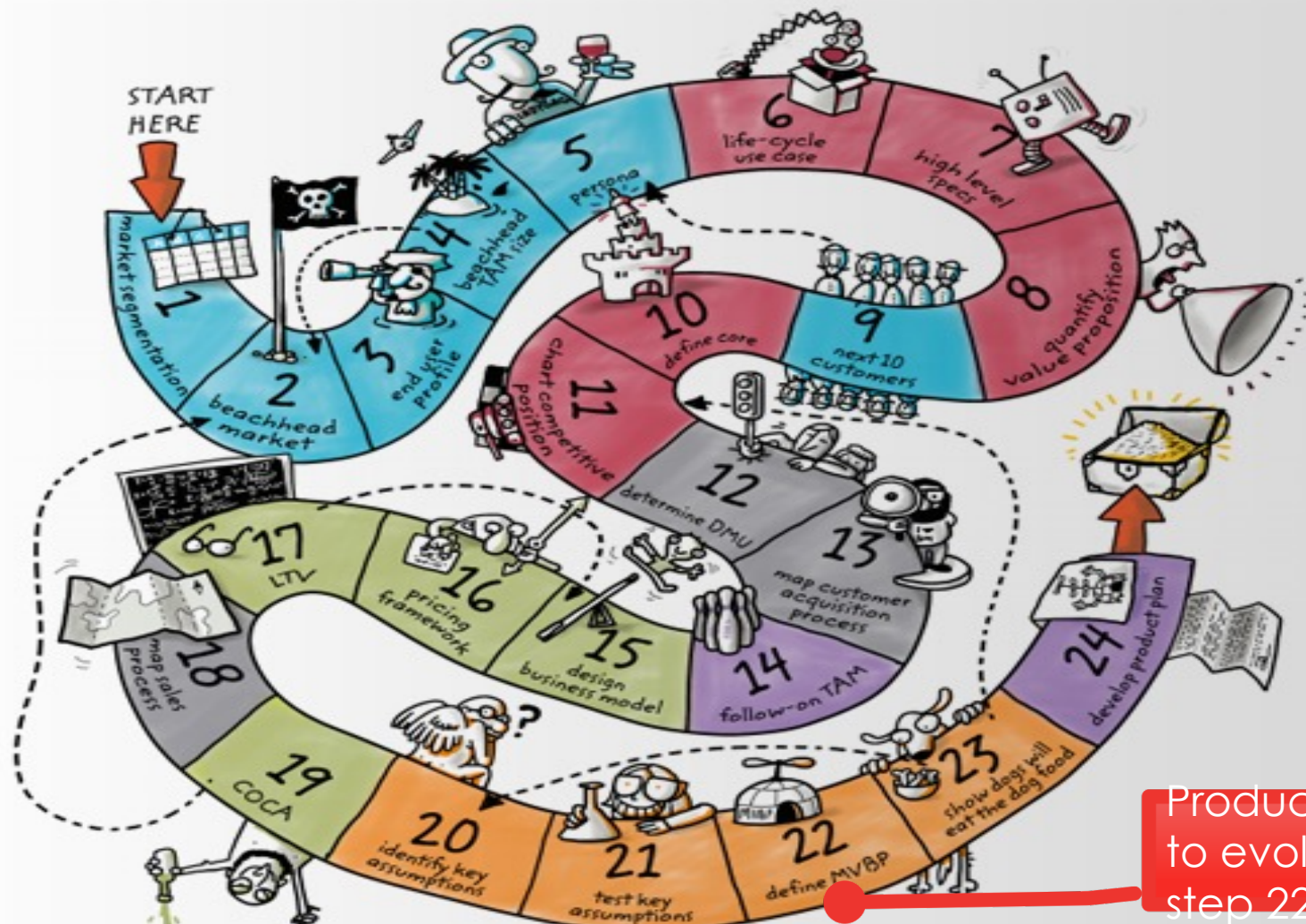


Pitch Pitfall: The Idea is
Everything!

AN IDEA IS ALMOST NOTHING



-from Bill Aulet,
Disciplinedentrepreneur.com



Product starts
to evolve in
step 22

OUT
CT!

PITFALL #5

“I CAN'T DESCRIBE MY PRODUCT NOW,
BUT WHEN PEOPLE USE IT THEY WILL LOVE
IT!”

Solution: Describe Grabbers,
not Holders!

Grabbers: features that bring a user to a
product

Holders: features that ensure customer
satisfaction and loyalty

PITFALL #6: EVENT FOCUSED VS GOAL FOCUSED

- What you care about
 - Hiring the team
 - Creating the product
- This signals you care about spending other people's money
- What about the investor's money?

“Vladimir, you think to much. When you are here <at work> you should think about one @*&^% thing...and that thing is making me more #@&^% money!” – someone I used to work with



WHAT DO INVESTORS CARE ABOUT?

- Goals and Milestones
 - Have you validated your idea?
 - Have you validated the product market fit?
 - Will you [make lots of money | successfully raise money on good terms] before failure?

THE N+1 PITCH

- The N+1 Pitch
 - What does your next pitch deck look like?
 - Are you working towards making it true?
- <https://www.reidhoffman.org/linkedin-pitch-to-greylock/>

PITFALL #7: WE ARE FOCUSED

- Its easy to get distracted
- Everything is harder than you plan on

Solution:

Create a short list of measurable goals,
Make it a bit shorter,
don't work on anything else.

(You will be shocked at how difficult this is)