Should You Pitch Your Startup to Early-Stage Investors?

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The decision whether to fundraise in the early stages of your startup can define the trajectory of your venture. Here's an overview of why, when, and how to do it.

1. Why would you want an early-stage investor?

Business angels and other early-stage investors usually have two main benefits to offer:

Funds: Building your startup might be impossible without access to sufficient capital.

Advisement and connections: An angel who is well-connected in the startup community would be able to get you in touch with potential mentors, partners, employees, and later on – other investors and venture capital funds who might want to lead additional funding rounds for your startup.

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That said, the vast majority of new businesses are funded by the founders in the early stages. This is usually because most startup investors are exclusively interested in highly scalable new businesses, and founders of less risky ventures

are often reluctant to dilute their share in the company.

2. When is it a good time to find an early-stage investor?

Generally speaking, the more you can delay raising outside capital, the better. Investing in your own startup has many benefits, one of which is that you'll be able to get better conditions (a higher valuation) if you prove the validity and viability of your solution.

Any startup project is riskiest in its earliest stages when the assumptions of the founders are not validated. The further along you can get on the idea and product validation process, the less risky your startup would be for outside investors.

Broadly speaking, if you've decided that the best route for your startup is to raise pre-seed and seed funding, there are three major stages in which you can try to do so:

The first and toughest stage is when you have a naked idea. Attracting investors at this stage would be a difficult process, and even if you manage to do so, you're likely to get a low valuation because of the huge risks involved.

The second stage is when you've conducted some idea-validation experiments and have some evidence that the problem exits and customers are willing to pay to solve it using your product. That said, thanks to no-code solutions, which are becoming better and better, building a prototype is becoming much less capital-intensive which means most entrepreneurs can bootstrap this phase of the business.

The third and best stage for raising early-stage startup capital is after you've built a working prototype and managed to gain initial traction, which makes your business much more attractive to investors. Ironically, if you've managed to get to this stage on your own, outside capital could become

optional for you as you may be able to continue growing the business through debt and by reinvesting revenue. That said, if you think the venture-capital route is the best route for your startup, then raising a seed round by competent and well-connected investors at this stage might help you along the way.

3. How to pitch your startup to early-stage investors?

As a new startup founder, you'll quickly find out that one of the most useful skills you need to develop is to be able to talk about your startup. You'll have to do it constantly – to team members, customers, investors, even friends and family. And to be good at it, you'll have to do it clearly and efficiently.

While this may seem like a very simple skill, the benefit of doing it correctly (and the costs of doing it wrong) are substantial. This is most obvious when you are fundraising and talking about your startup to early-stage investors.

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The later you are in the life of your startup, the more numbers and examples start speaking for you. But in the case of early-stage startups, the burden of explaining the ideas of the project falls entirely on the shoulders of the founder(s).

Your pitch needs to be as concise as possible, and there are three main points you need to put forward in a few sentences:

- Problem: What problem are you solving and who has this problem? Ideally, a big market.
- Solution: What are you building?
- Insight: What makes you special and unique? What gives you a competitive advantage?

When pitching to investors, your goal is to let them understand the idea as clearly as possible. If the average person doesn’t understand the problem and your solution, you’ve done a bad job. Investors need to understand your startup in order to extrapolate and become excited about the opportunities.

In summary:

- Make sure that fundraising is the best route for you as an entrepreneur and for your startup.
- Ideally, get your startup as far as possible by yourself before fundraising.
- Learn to communicate concisely and efficiently what you are doing and for whom.

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