

Telgorithm's Founder File: Seed Raising from VCs

Building a startup requires grit and resilience, two critical ingredients to get you halfway towards building a successful startup. This is most likely not new to you. The other half requires funding. If you're in the fortunate position to have to raise from external investors (**sarcasm intended**), then we have a few tips for you.

However, we're not in the business of raising money so where the heck do we even begin?

The key to a successful raise and an unsuccessful raise comes down to: 1) your narrative; and, 2) how you run your fundraising funnel. Obviously, we've found these two the most important to our raise; but, like everything else, it's situational and you may have additional critical paths.

Let's talk about the first. Nailing down your story is #1. If you've done your research, you probably noticed a few common threads. For seed raises, keep your slides to a minimum. 8 to 12 slides is a good range but it's all dependent on your story. We had 14 and five additional appendix slides (maybe we didn't do a good job condensing).

Here are some key resources we used:

- [YC](#)
- [Pillar VC](#)
- [Sequoia Capital](#)

Here's your narrative hook: put your VCs in your customers' shoes, why are customers switching away from incumbents or choosing to pay for a new service? If you fail to get your VCs to understand this critical piece of info, everything kinda goes out the window. It doesn't matter what your product roadmap or pro forma financials looks like. The VC that doesn't understand the problem space and how they could help you get to your next round of funding or eventual exit will look to pass (especially if they have to pitch your company to an investment committee).

Here are subplots that'll drive your narrative home (at least for us) in a big way: 1) activated revenue; 2) velocity of growth; and, 3) defensibility.

Let's talk about the first subplot. Activated revenue is where the rubber meets the road or, simply put, can you get customers to actually pony up cash for your product/service. For us, this drove two key levers: 1) proof of traction; and, 2) valuation.

Panning over to the second subplot: velocity of growth. If activated revenue tells a story of what you've achieved, then velocity of growth tells the investor where you'll be going next. Obviously, there are plot twists along the way, but a good VC will want to know your

estimated trajectory and whether they could add meaningful value to help you get to the next milestone.

Last, but certainly most important, is defensibility or moat. At this point, investors could see the castle you've built, but now they need to understand how you are going to defend it. Are there specific patents or intellectual property that allows you to grow uninterrupted? Do you have specific knowledge and can you protect it? How repeatable is your strategy? Essentially, what's the barrier to do what you've done? Your answer should always be "high" or "very high" (since marketplaces are ultra competitive and any nominal advantages should be eliminated over time, your investors want to know if you can defend against incumbents in the short-run, e.g., less than 10 years but greater than 5 years give or take).

Let's pivot to topic #2. Raising is much like your proverbial sales process. Push too hard and you seem desperate. Push too lightly and VCs will think they have all the time in the world to make a decision. Your job is to get the VC to a decision without being rude while impressing urgency. Hopefully you have some runway left to run your fundraising process which will take between 2 and 5 months to successfully raise (on average). Also, run your process efficiently and effectively ([resource used](#)).

Since running a fundraising funnel has been written about extensively, I'll offer another piece of advice: always prioritize your must-have VCs towards the middle/end of your process. This allows you to jump into the rhythm of full-time fundraising while giving you the opportunity to fine-tune your narrative. For a seed raise, create a list of VCs that are most likely going to lead your round, meaning you should pitch to VCs less likely to lead at the beginning of your process. We used Crunchbase to prioritize likelihood of leading. Once you get into the full-time rhythm of raising (yes, it's a full-time job for most founders so don't underestimate the lift), the next step is to have discipline in your outreach, follow-up, and getting a decision. Remember to always index on warm intros over cold outreach if possible. For follow-ups, always try to be helpful by offering to answer questions or provide additional insights. Last, but not least, get the VCs to a decision within two weeks (exceptions obvi). If they like your company, you should push them for a term sheet. Live the game and make sure the VCs feel like they will lose a very sweet opportunity (FOMO).

Parting advice, raising is a journey so don't forget to have fun. For us, we had two co-founders so sharing the burden of the process was extremely important to managing anxiousness and stress levels. If you're a solo founder, you can lean on mentors, network, or friends/family. Don't forget to celebrate tiny successes and failures along the way. Always reflect on your conversations and bring rigor in implementing improvements.