First time fundraising? Natalia Fedulova, CEO & Founder of Fundraising camp shares her tips

Especially now, as we navigate economic and geopolitical uncertainty, fundraising can be a daunting endeavor. The turbulent news we are getting from various corners of the globe only adds up to immense pressures that are already squelching the venture capital sector, and further aggravates the dealmaking slump, even in Silicon Valley, where the frenzy is not what it used to be.

I remember visiting Austin, Texas–another booming entrepreneurial ecosystem and one that has become a destination of choice for California expats–and speaking with various founders who had successfully raised money. One of them said to me, “The difference between here and Silicon Valley is that here, no one will give you a dollar if you don’t show a path to profitability.”

This approach, from my perspective, will be increasingly adopted everywhere, so it is something that you need to prepare for. Here are five tips to help you shift your strategy, and increase your odds of success.

#1: If possible, bootstrap

Raising money merely for the sake of it is not a smart business decision.

If you can grow your business without additional capital, why dilute your equity and take on external pressure to grow at a pace that you might not be able to handle?

Plus, fundraising is a full-time commitment. Once you start actively seeking funds, you will no longer be your business' CEO. Your role will resemble that of a Chief Fundraising Officer. So, if you have the opportunity to bootstrap–either because you are using your savings or someone else is supporting you–do so, and grow organically.

Bootstrapping is also possible if you maintain a job while working on your startup. To succeed at this, you will need to step up your time management skills, but the upside is that you will have a more stable economic foundation. Many poor decisions have been made because owners are under financial pressure.

Organic growth can be the best way to go until you've validated your business model, because then, you can raise VC money if you need to at a fairer valuation. Calendly *is an example of this*, bootstrapping its way to profitability until it raised a $350M round.

#2: Recruit co-founders or advisors that can help you

If after taking a hard, honest look at your business, you decide that you do need money, dare to be creative. Let's say you have developed a SaaS enterprise solution. You could approach the Head of Product Management or another team lead at Salesforce, and invite them to join your firm as an advisor. In return, you could offer them equity. Having an advisor who is established in the industry could open myriad possibilities for your firm and help you land your first customers.

Also, I recommend reaching out to other founders who have recently raised funds, as they can give you a first-hand overview and recommend who to raise money from and who to avoid. If you can talk to between 10 and 15 people, you should be able to secure warm introductions.

This is key because in order to find and meet VCs who are willing to bet on you, introductions matter. Even if the startup world projects a meritocratic image, in reality, it is a small, tight-knit club where success typically hinges on who you know. If you can, for instance, recruit a co-founder who played a key role getting a previous startup to a high, 9-figure exit, you will have an automatic entry into this preferred investors circle.

#3: Look for angel investors

While venture capitalists focus on specific sectors, angel investors have a broader range of interests. Also, because you are dealing with a person, and not with an institution, the chances of getting a better term sheet are higher.

The pool of potential angel investors is sizable. Many Google employees or AI specialists who are leading a groundbreaking development are already angel investors, and getting them on board can add enormous value to your startup, because you can access their knowledge in addition to their capital.

To connect with potential angel investors, you can use LinkedIn. However, keep in mind that cold, unsolicited calls for funding seldom work, and the same goes for automated outreach. Instead of asking for money, focus on building an authentic connection with potential investors, asking for advice, and showing genuine interest in what they do. And, like in the point above, getting introductions goes a long way, so once you find a prospective angel investor, see if someone within reach can facilitate the introduction.

#4: Don’t be afraid to get creative by looking for grants or crowdfunding

Depending on your needs, don’t be afraid to get even more creative. For instance, if you are developing hardware and would like to prototype something, and you already have a community, you can try crowdfunding. This is what Oculus did, raising $2.5M to boost the development of their VR headsets, and ended up *getting acquired by Facebook a couple of years later*.

If you are, for example in climate tech, there are many grants and philanthropic donations that you can leverage, made by organisations like *Schmidt Futures* (founded by Wendy and Eric Schmidt, Google’s former CEO), *Footprint Coallition* (launched by Robert Downey Jr.) and *Breakthrough Energy*, which was created by Bill Gates to fund solutions that can help us get to net-zero emissions. Taking advantage of this can help you secure funding without diluting your equity, giving you time to secure your first paying customer and paving a clearer path to revenues, profitability, and funding on better terms.

#5: When announcing your funding round, confidence is key to creating FOMO

Prior to announcing your round of funding, make sure to have at least 50–and ideally, 100–relevant investors that you have spoken to already, to ensure you have earned some level of interest. After engaging with 100 relevant investors in preliminary discussions and compiling their emails, you can send them an announcement about your funding round. This email introduces the round and invites further conversations through a provided link.

The key strategy involves connecting with 4-5 investors daily over the next 2-3 weeks and securing soft commitments from them. Once each soft commitment is secured, I recommend that you send an update to the 50-100 individuals engaged, informing them of these developments. After this, send regular updates highlighting these soft commitments throughout the next two weeks of fundraising.

This strategic approach aims to create a sense of urgency and competition among investors. The consistent updates about soft commitments contribute to the FOMO effect, signaling strong interest from others. Consequently, potential investors are more inclined to express interest and commit funds to your venture.

However, remember that building real, genuine connections is important, and it can make the difference between getting money or not, especially in these tight conditions. Therefore, when following up, don't forget to crack a joke, share your insight, or include your favourite playlist.

Final thoughts

Particularly for international founders who are new to the tech ecosystem, raising funds can be challenging. The difficulty of this feat has only intensified given the world's macroeconomic conditions. Nevertheless, it is still possible, and, in my perception, the fact that there is a renewed emphasis on profitability is good, and it will screen and filter those ideas that are worth investing in for the long haul. By being creative, building authentic connections, and validating your business model before raising money, you will increase your odds of finding the funds you need, so that you can successfully scale your startup to the next level.

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