



GO TO MARKET

Module 5

Module 5: Go to market

Introduction

Lesson 1

Introduction

▪ The Big Idea: “Fish Where the Fish Are”

Preliminary Questions:

- 1. What is the “species” of fish we want to catch?
 - Review Module 4 (10 investor profiles)
- 2. What does your ideal species of fish actually bite/feed on?
 - Review Module 2, Lesson 2
- Convene a group with diverse experience and present your problem.
- Advisory board could be an useful tool for such decisions.
- Advisory board members can be an early-stage investors in your company.

Introduction

▪ How to answer the preliminary questions:

1. Empathy mapping – Review Module 4, Lesson 2
2. Advisors (good) and Advisory board (better).
 - Attract, excite and incentivize diverse group with relevant experience.
 - Engage – not just one-on-one, but as a group, strategically.
 - Seek to “co-create,” “co-design,” and “co-own” the positioning, strategy and tactics.
3. Testing and refining your offer(s) in the marketplace.

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The Go-to-Market Toolkit

Lesson 2



The Go-to-Market Toolkit

- **Prepare your minimal viable offer (MVO) – must be “reasonable” and “market”)**

[You may have more than one offer, but be careful of corporate and securities laws]

- Prepare a one-minute elevator pitch (simplicity is key).
- Prepare a written ~3 paragraph description (for quick email intros).
- Prepare a one-page executive summary.
- Prepare a 10-slide deck presentation (with additional slides for Q&A).
- Produce a 3-5-minute video (professional standard – or not at all).
- Best to have a demo, prototype or minimal viable product (MVP).
- Prepare a post-meeting one-page follow-up.
- Prepare a strategic sales and marketing funnel – including CRM.

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Commitment to Do What it Takes

Lesson 3



Commitment to Do What it Takes

This is a major investment by you and your team:

- Time
- Money
- Resources

You will need external advisors to succeed:

- Corporate and securities lawyers
- Accountants
- Advisors (good) and advisory board (better)

Commitment to Do What it Takes

Common question: How much time and money will it take?

The honest truth: A lot more than you think or want.

Commitment to Do What it Takes

In contemplating your Hero's Journey, learn from the Jedi Master:

“Do. Or do not. There is no try.” Yoda, *The Empire Strikes Back*

Raising capital from third parties is no walk in the park.

Raising capital from third parties is usually not a sprint, especially for first timers.

Raising capital from third parties requires commitment – like a marathon.

Commitment to Do What it Takes

If you do make the commitment to raise capital from third parties (from whatever source(s) you target as best fit):

- Play to win (that usually means co-designing for win/win deals).
- If you fail to close, do not despair... learn from it – seek honest feedback and analyze it objectively.
- Maybe the world is simply telling you “not yet” – maybe you simply need more traction, a better prototype and/or a stronger team).

The most important success factors: your mindset and your commitment!

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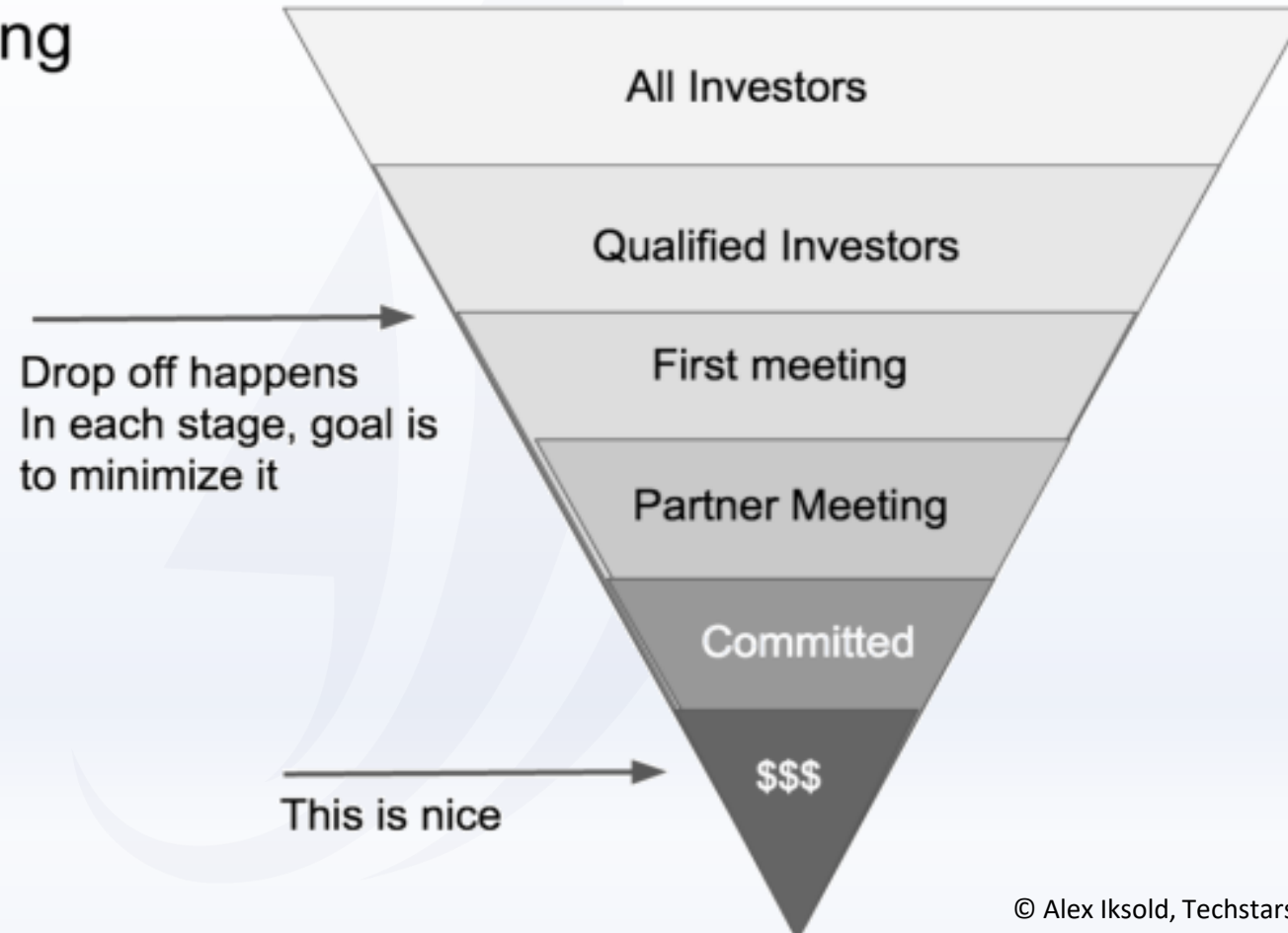
Common Ways to Secure Leads

Lesson 4



Common Ways to Secure Leads

Fundraising
Funnel



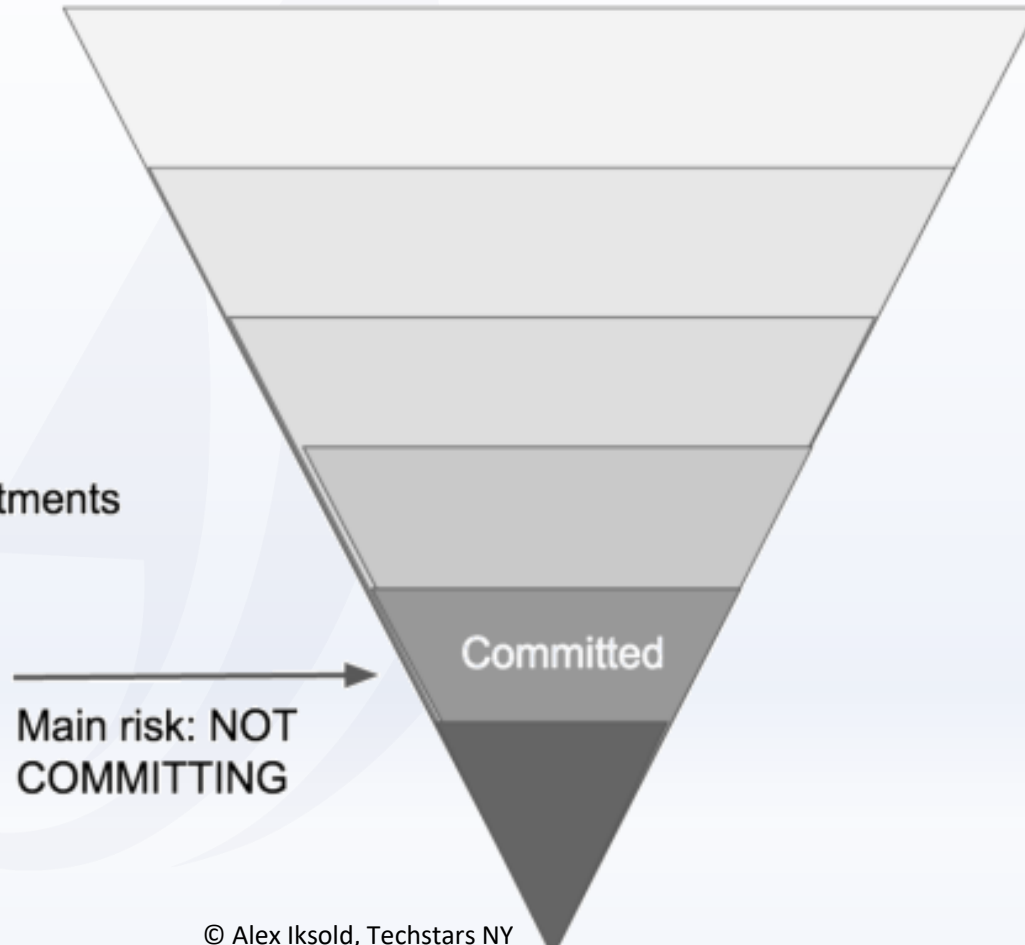
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Common Ways to Secure Leads

Fundraising Funnel

Conditions to INVEST:

- Check size
- Likes the market
- Able to write a check
- No competitive investments
- Right partner
- Has funds
- Has capacity



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Common Ways to Secure Leads

- **Setup venture finance funnel:** Create spreadsheet or use another tracking system to setup your funnel.
- **Pre-qualify each source:** Before engaging, figure out if this investor is right for you. Are they interested in your space? Are they actively investing? Have they funded a competitor? Is their check size appropriate for your stage? Do they have bandwidth?
- **Understand the process:** Ask investors about their process. Ask during each meeting what the rest of the process is like from here. This allows you to keep track and keep refining your funnel.
- **Consultative sales process:** “Quick “no” better than a “slow maybe.”
- **Listen:** You learn more listening than talking. Know where you stand.
- **Understand how to commit:** 1) Verbal 2) Written 3) Follow-up 4) Wrap-up

Common Ways to Secure Leads

Tracking your leads in CRM:

Set up these columns for the first spreadsheet:

- Investor name.
- Affiliation – individual angel, group or venture firm.
- LinkedIn profile – handy for introductions.
- Other SM profiles (e.g., Angellist) – handy for angels to quickly view their portfolio.
- Partner fund page (if applicable) – handy to see current VC investments.
- Related investments – portfolio companies that are relevant.
- Focus area / verticals – what verticals / spaces is this investor interested in?
- Check size – typical check size.
- Investments per year – typical number of investments per year.
- Notes – any other things you found interesting / relevant.

Common Ways to Secure Leads

- Personal networks
 - Friends and family
 - Professional advisors (deal lawyers, accountants, bankers, etc.)
 - Industry trade associations and relevant trade shows.
 - Co-working spaces, incubators and accelerators – socials and events
 - Angel groups, angel networks, and innovation + entrepreneurship groups.
- Advisory board (5-7 respected people in the relevant space who are truly willing and able to help the venture get through the right doors).
- Research.

Common Ways to Secure Leads



Bottom line:

This is a numbers game and you may need to kiss a lot of frogs to find your prince(s) or princess(es).

Common Ways to Secure Leads

Aery Advisors Global Venture Finance Directory 2019

- Check for a file in members area:
M5-L4 Global Venture Finance Directory 2019

Module 5: Go to market

Finders

Lesson 5

Finders

Question: If an individual or firm introduces you or your venture to prospective investors, is it OK to pay that individual or firm a fee based on how much they actually invest?

Answer: It depends on the facts and circumstances.

Finders

USA – The answer is fact-specific (“substance over form“)

“Finder“ is not a defined term under federal securities laws.

State and federal securities laws prohibit the payment of “transaction based” or “success based” compensation to persons not registered as “broker-dealers.” Indicia of “broker-dealer” activity includes:

- Soliciting investors.
- Assisting in structuring securities transactions.
- Helping identify potential investors.
- Participating in deal negotiations.
- Handling investment funds or securities.

Finders

USA – Potential legal and regulatory risks:

For the company/issuer:

- Rights of rescission (i.e., investors have the right to force company to repay amount of original investment, plus interest).
- Liability for violation of securities laws (direct and aiding and abetting).
- Loss of ability to use certain exemptions from securities registration.
- Disclosure issues under Regulation D and IPO registration statement.

Finders

USA – Potential legal and regulatory risks:

For the “unregistered broker-dealer:”

- Direct liability (injunctions, fines and, potentially, even criminal prosecution).
- Inability to enforce the finder’s fee agreement against company/issuer.

Finders

USA – Investment platforms for private placements

Rule 506 of Reg D provides safe harbor for platforms/websites under three conditions:

1. No compensation in connection with purchase or sale.
2. It does not take possession of customer funds.
3. It is not disqualified by “bad actor” provisions.

Related: Investment platforms for private funds and crowdfunding

Finders

Rest of World – The answer requires competent legal counsel

Bottom line: the laws and regulations regarding the offer and sale of securities are complex, and vary by jurisdiction.

In most cases, the laws of the jurisdiction where investors reside is controlling (not the laws of the jurisdiction where the issuer or finder is located).

In light of the potential legal and regulatory risks, it is important to carefully consider the involvement of finders or broker-dealers in any capital-raising endeavor.

Finders

Relevant Articles:

- <https://www.venable.com/insights/publications/2018/05/finders-and-unregistered-brokerdealers>
- <https://www.startupgc.us/blog/finders-fees-raise-thorny-securities-law-issues>
- <https://www.foley.com/en/insights/publications/2018/08/a-look-at-sec-enforcement-against-unregistered-fin>
- <https://www.wealthforge.com/insights/6-factors-to-determine-if-you-are-an-unregistered-broker>

Module 5: Go to market

Pitching and Closing

Lesson 6



Pitching and Closing

“ABC – Always Be Closing” (elevator pitch anytime/anywhere).

Use your toolkit (refer back to Module 4, Lesson 2)

Before the meeting:

- Send a three-paragraph description.
- Send one-pager.
- Research the individual/firm thoroughly.

Pitching and Closing

During the meeting (whether in-person or via video call):

- Present your 10-slide deck in 15 minutes.
- If you have a longer meeting, show a video.
- Listen (if others on your team present, ask them to take good notes).
- Ask for a commitment to next steps.

Pitching and Closing

After the meeting:

- Send a thank-you email within one business day or less.
- Tailor a script based on the meeting with a call to action.
- Seek commitment: Verbal > Written > Follow-up > Wrap-up.

How negotiable do you want to be?

Until you have a binding agreement with a lead investor, keep your options open to any and all reasonable deals (i.e., avoid “take it or leave it”).

Once you close money from investors, then you have less flexibility.

Pitching and Closing

Common Question: What should be in your pitch deck?

Short Answer: Whatever it takes to "set the hook." "Fish on!"

Long Answer: Follow the advice of thought leaders. There are lots blogs and "best of" pitch deck curations available for viewing and download on the Internet, and we've curated some of them for you in the next few slides.

Pitching and Closing

In 2015, top global VC firm Sequoia Capital published pitch deck template recommending slides covering these 10 subjects:

- Company Purpose
- Problem
- Solution
- Why Now?
- Market Size
- Competition
- Product
- Business Model
- Team
- Financials

<https://www.slideshare.net/PitchDeckCoach/sequoia-capital-pitchdecktemplate>

Pitching and Closing

In 2005, startup author and then VC Guy Kawasaki evangelized his 10/20/30 Rule: 10 slides, presented in 20 minutes, with 30-point font size bullets. These are his recommended topics for each slide:

- Problem
- Your solution
- Business model
- Underlying magic/technology
- Marketing and sales
- Competition
- Team
- Projections and milestones
- Status and timeline
- Summary and call to action

https://guykawasaki.com/the_102030_rule/

Pitching and Closing

There are innumerable blogs and curations available on the Internet in many different languages that address the art of pitch deck design. It pays to do your homework. Here are some of our current favorites:

- **20 Best Startup Pitch Deck Examples: Famous in Tech (For 2019)**

<https://business.tutsplus.com/articles/startup-pitch-deck-examples--cms-33037>

- **50 Best Pitch Deck Examples From 2018 That Got the Investors Talking (At 500 Startups & Y Combinator)**

<https://www.superside.com/blog/35-best-pitch-deck-examples-2017>

Pitching and Closing

Current pitch deck favorites continued:

- **Best Startup Pitch & Example in 2019 [Sales Knowledge]**

<https://datantify.com/knowledge/startup-pitch/>

- **Founder Tips: Pitch Deck Questions Answered From Both Startup CEO & VC**

<https://blog.midweststartups.com/founder-tips-pitch-deck-questions-answered-from-both-startup-ceo-vc-bcc8244d19c6>

Pitching and Closing

Current pitch deck favorites and startup funding guides continued:

- **How to Pitch to Investors in 10 Minutes and Get Funded**

<https://articles.bplans.com/how-to-pitch-to-investors-in-10-minutes-and-get-funded/>

- **Startup Guide: How to Raise the First Round of Funding for Your Startup**

<https://fi.co/insight/startup-guide-how-to-raise-the-first-round-of-funding-for-your-startup>

Module 5: Go to market

How Long Does it Take?

Lesson 7



How Long Does it Take?

Question: From the time you achieve the mindset that you are truly committed (see Module 5, Lesson 3), how long will it take you to get the funds you desire deposited safely in your venture's bank account?

Answer 1: It takes longer than you think.

Answer 2: It takes a lot longer than you want!

How Long Does it Take?

If you and your team are mentally, organizationally and financially committed and prepared (i.e., you've got your house in order, your toolkit prepared, professional advisors up to speed and motivated, one or more compelling offers, and a marketing funnel ready to market, pitch and close), then you could see money in your venture's bank account within:

Best case:	6-12 weeks
Median/average case:	3-6 months
Back-to-drawing-board case*:	6-9 months

*Note: while persistence is crucial, so is market feedback. If you haven't closed after truly exhausting the market over a sustained period of 6-9 months, then the market may not be saying "No" – maybe just "Not yet." Maybe you need more traction, a better prototype, a stronger team or even that ever so elusive product/market fit.

Module 5: Go to market

Probabilities of Success

Lesson 8

Probabilities of Success

Question: Of those entrepreneurs and companies that made an effort to secure outside funding from one or more of the ten investor profiles covered in this course, what percentage were successful?

Answer: Unknown. The research is hard because the data simply doesn't exist. Moreover, the answer will vary significantly by region, by country and by industry.

This is a research question that Aery Advisors intends to explore further in the coming years, through our proprietary databases and through collaborations with leading venture finance academics and associations.

Probabilities of Success

USA Data: Where startup funding really comes from

Source: Fundable (November 2013)

- 77% - personal loans and credit
- 38% - friends and family
- 0.91% - angel investors (angels and super angels)
- 0.05% - venture capital firms (micro and traditional VC)

Source: David Rose, Angel Investing (2014)

- Majority - founders own money
- 25% - friends and family
- 2.5% - angel investors (angels and super angels)
- 0.25% - early-stage VC
- 0.025% - later-stage VC

Probabilities of Success

8 USA startup funding statistics

- 77% of small businesses rely on personal savings for their initial funds.
- A third of small businesses start with less than \$5,000.
- The average small business requires about \$10,000 of startup capital.
- Only 0.05% of startups raise venture capital.
- The average seed round is \$2.2 million.
- The median company running a seed funding round is 3 years old.
- Of startups that raised seed rounds, 1% reached unicorn status of \$1B+ valuation.
- Startups with two co-founders rather than one raise 30% more capital.

Source: Fundera (September 2019)

Probabilities of Success

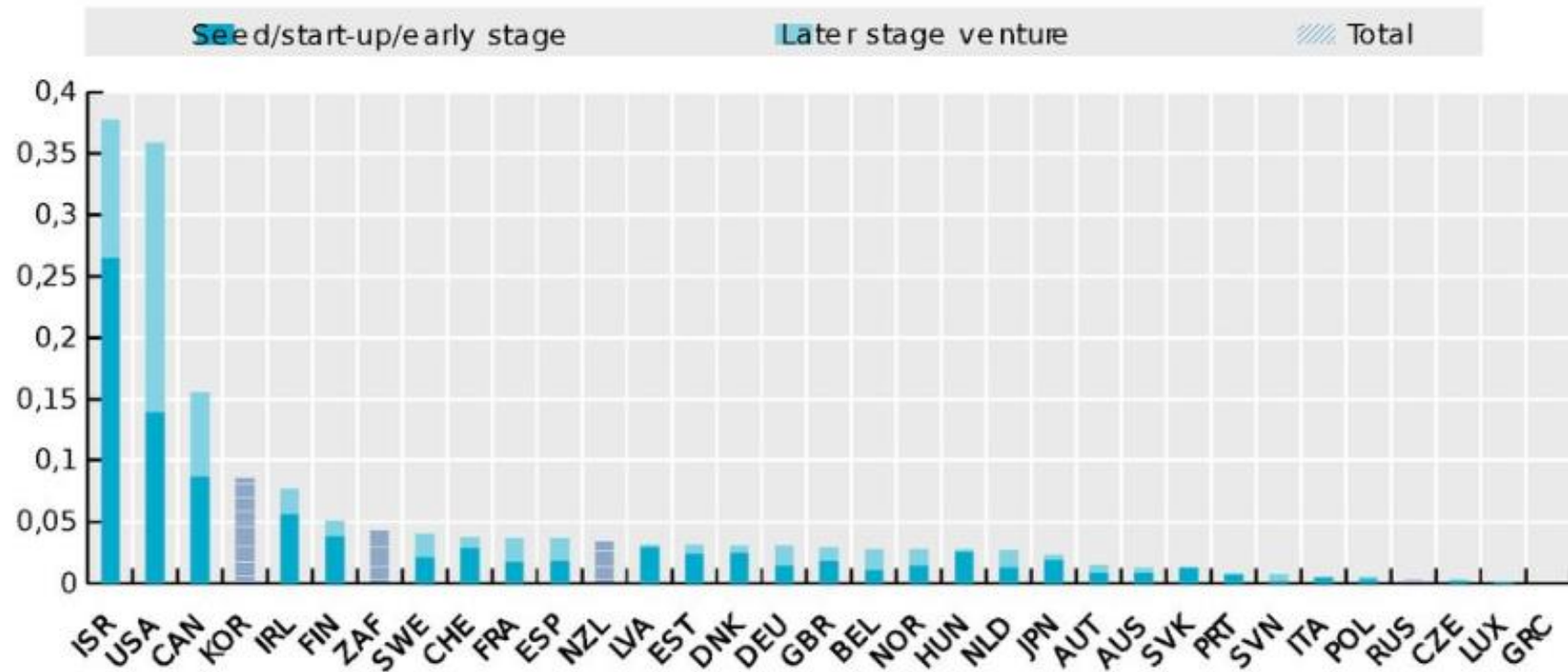
What percentage of USA small businesses survive?

- About **80%** of businesses with employees will survive their first year in business. (The most recent data shows that, of the small businesses that opened in March 2016, 79.8% made it to March 2017.)
- About **70%** of businesses with employees will survive their second year in business. (Recent data shows that of the small businesses that opened in March of 2015, 69.2% made it to March of 2017.)
- About **50%** of businesses with employees will survive their fifth year in business. (Data shows that of the small businesses that opened in March of 2012, 50.2% made it to March of 2017.)
- About **30%** of businesses will survive their 10th year in business. (The most recent data shows that of the small businesses that opened in March of 2007, 33% made it to March of 2017.)

Source: Fundera (September 2019)

Probabilities of Success

Figure 7.1. Venture capital investments as a percentage of GDP
Percentage, 2016, or latest available year



Source: https://read.oecd-ilibrary.org/employment/entrepreneurship-at-a-glance-2017/venture-capital-investments-as-a-percentage-of-gdp_entrepreneur_aag-2017-graph109-en#page1

Module 5: Go to market

Summary

Lesson 9

Summary

- Most important: Your *mindset* and your *commitment*.
- Jedi Master Yoda: “*Do. Or do not. There is no try.*”
- Your toolkit and your team – make sure you have *everything* and *everyone* you need to optimize your ability to market, pitch, and close.
- Be careful – securities laws compliance matters.
- *ABC - Always Be Closing.*