THE COMPREHENSIVE BUSINESS

STARTUP GUIDE

Table of Contents

TABLE OF CONTENTS 2

INTRODUCTION 5

WHO IS THIS GUIDE FOR? 5
WHAT DOES THIS GUIDE COVER? 6
HAVE ANY QUESTIONS ABOUT ANYTHING IN THIS GUIDE? 6

SOLVE IMPORTANT PROBLEMS 7

TWO STARTUPS: THE DIFFERENCE BETWEEN SUCCESS AND FAILURE 7
DROPBOX 7
PETS.COM 8
THINKING VERSUS NOTICING 10
GETTING CREATIVE WITH YOUR SOLUTION 11
AIRBNB 12
REFERENCES 12

VALIDATING YOUR SOLUTION 14

HOW TO VALIDATE 15
HERE ARE A FEW SIMPLE IDEAS FOR COLLECTING VALIDATION: 15
(MARKET) SIZE MATTERS 16
REFERENCES 17

TRACTION AND SOCIAL PROOF 18

TYPES OF TRACTION CHART 19
MODES OF DEMONSTRATING TRACTION 21
FORMATION 21
CUSTOMERS 21
PRODUCT AND TEAM DEVELOPMENT 22
CREATING TRACTION 23
SOCIAL PROOF 23

THE ART OF SELLING 25

SELLING YOUR VISION 26
THE ART OF SELLING 27
REFERENCES 28

THE STARTUP BUSINESS PLAN 29

ELEVATOR PITCH 30
EXECUTIVE SUMMARY 30
PITCH DECK 31
FINANCIAL DOCUMENTS 31
WEBSITE 32

Summary 33
References 33

DOUBLE DOWN ON STARTUP MARKETING 34

Introduction 34
Define Your Customer and Market 34
Market Size and Wealth 35
Market Competition and Value Proposition 35
Repeatable, Trackable, and Scalable 35
Trackable 36
37
Repeatable 37
Scalable 37
Leveraging Social Media 38
Highlights 39
Crafting Effective Calls To Action 40
Conclusion 41

FUNDING YOUR STARTUP 42

Bootstrapping 43
Debt 44
Equity 45
Conclusion 47
References 47

STARTUP ADVICE FROM SUCCESSFUL ENTREPRENEURS 48

On Getting Started 48
On Building 49
On Growth 50
On Hiring 51
On the Entrepreneurial Grind 51
Miscellaneous 52
References 52

STARTUP CHECKLIST 54

STARTUP TOOLS & RESOURCES 56

Ad Promotion 56
Analytics 56
CRM 56
Customer service 57
Email Marketing 57
Event Management 57
Finding and Posting Startup Jobs 57

Keyword Search 57
Landing Pages 57
Personal Storage 58
Presentation 58
Project Management 58
Social Media 58
Social/Sharing 59
Surveys 59
Traffic Research 59
Startup Costs 59
Design Resources 59
Outsourced Design 60
Wireframes 60
Domain Registration 60
Legal 60
Website 61
Development Tools 61
Email Integration 61
Hosting 61
More 61
Startup Incubators 62

STARTUP FAQ 71

What type of incorporation should I use for my business? 71
How do I incorporate? 71
How should my co-founders and I split up the company equity? 71
The only wrong answer is 50/50: Calculating the co-founder equity split 72
How do you know when you're ready to go full-time with your venture? 72
How do I protect my idea? 72
Should I ask investors or others to sign NDAs before I share my idea with them? 72
What is the ideal team size? 73
Should I raise money? 73
How do I know if my idea is good? 73
How do I find a co-founder? 73
How much should I pay myself? 73
What incubator should I apply to? 74
What's Next? 74

INTRODUCTION

Startups are the lifeblood of our economy and innovation across the globe. They create jobs, new products, dreams, and disruption. They are led by entrepreneurs who work hard to bring their ideas to life. Often overshadowed by failure, they persist and can change the world. We feel that entrepreneurs are heroes that need to be celebrated, and more importantly, supported by a community of fellow founders. It would be great if the process were easy, but it's not. We'd like to help change that. In this guide we will take a shot at compressing the startup learning curve with market tested lessons both old and new.

Who Is This Guide For?

This guide is written for entrepreneurs who are looking to start a company as well as those in the process of building one. Over the past 20 years, our team has built a strong knowledge base of the startup process from proving out an idea to raising money from VC's in Silicon Valley. We don't have all of the answers but we're confident this guide will put you on a much better path and help you avoid many obstacles. As you're going through this guide, if you have any questions, please email us at askus@fundable.com or tweet us @Fundable.

What Does This Guide Cover?

Chapter 1: Solve Important Problems

Chapter 2: Validate Your Solution

Chapter 3: Traction & Social Proof

Chapter 4: The Art of Selling

Chapter 5: Startup Business Plan

Chapter 6: Double Down on Startup Marketing

Chapter 7: Funding Your Startup

Chapter 8: Startup Advice from Successful Entrepreneurs

Chapter 9: Startup Checklist

Chapter 10: Startup Tools & Resources

Chapter 11: Startup FAQ

Have any questions about anything in this guide?

Let us know at askus@fundable.com

Solve Important Problems

Take a look around at the products and services you are currently using and surrounded by. Why are they there? Well, it's because they are solving a problem or filling a need you would otherwise be experiencing.

This is how all great inventions and startup businesses are born – from a problem or need. From electricity, to the telephone, to the Internet, and more recently to PayPal and Facebook, great businesses are built on big problems.

Consider this the first question on your startup litmus test: "What problem does my startup or idea solve, and how painful is that problem?" Think critically about this question, as an honest assessment may save hours, days, weeks, months, or years of your time.

Let's look at two recent startup examples: Dropbox and Pets.com.

Two Startups: The Difference Between Success and Failure

Dropbox

Dropbox is a file hosting service founded in 2007 by Drew Houston and Arash Ferdowsi. Shortly after being founded, the company was accepted into and backed by Y Combinator.

Houston, a developer by trade, began building Dropbox in 2006 while riding a bus from Boston to New York. Houston had originally planned to do some work on his laptop during

the four-hour trip, but realized he didn't have his USB memory stick. Immediately, Houston began building technology to store his own files over the Internet.[1]

Drew Houston's problem was clear: he didn't have his memory stick, but still wanted to work on the files stored on it. His solution: a service that stores files in the cloud and can be synchronized to or accessed from any device. Forgotten memory sticks, lost files from hardware crashes, and other related problems were no longer a risk.

Pets.com

During the dot-com boom of the late nineties, several companies took the scene and burned out in spectacular fashion. Pets.com was one of them.

Pets.com began in 1998 as an online retail supplier of pet supplies. The company raised nearly $300 million of investment funding and grew to over 300 employees at its peak. The problem was, the company was never profitable.

Despite a heavy advertising spend of over $11 million in its first fiscal year, a 4-story tall balloon in the Macy's Thanksgiving Day Parade, and drawing quite a bit of media attention, the company liquidated in 2000 for one simple reason: they didn't have customers.

Without customers, a business does not exist. And a business cannot gain customers without solving a problem or filling a need. Though it sounded nice in theory for pet supplies to be ordered online, no one was clamoring to have a squeak toy mailed directly to them, and other products, such as kitty litter, were often needed sooner than delivery would make them available.

Despite starting with a similar amount of funding, Dropbox excelled whereas Pets.com failed miserably. The difference? Dropbox solved a painful problem.

Company Name	Problem	Solution
5-hour Energy	Whether its lack of sleep, long days, or hard work, people run low on energy over the course of the day.	5-hour Energy released a small (2 oz.) energy shot to provide an extra boost without filling your stomach.
Apple	Personal computers were not affordable or available to the general public.	Apple released the Apple I, II, and Macintosh to provide individuals with computing capabilities in their own home and office.
Ford Motor Company	Despite the first modern automobile being created in 1886, there was no fast and efficient way to produce an automobile for personal use.	Henry Ford created the assembly line to much more quickly mass produce his vehicle, the Model T.
Spanx	Panty hose traditionally covered the entire foot, including toes, which is not ideal for some shoe types. If the hose is cut, it rolls up the leg.	Sara Blakely developed and introduced footless pantyhose with her company, Spanx.
Dropbox	Files access was constrained to the hardware they were saved upon.	Drew Houston developed a system of synchronizing files via the web to be accessed from any device.
Under Armour	Clothing worn during exercise and underneath padding became soaked with sweat, heavy, and uncomfortable.	Kevin Plank (then a captain on the University of Maryland football team) noticed his compression shorts were kept dry. He used the same moisture-wicking microfiber to produce other clothing to keep athletes cool, light, and

		dry.
Amazon	Buying books was constrained to finding a bookstore, having the correct book in stock, and traveling to that bookstore.	Jeff Bezos made it possible with Amazon to purchase any title and have it shipped directly to you from any location.
LinkedIn	Managing a professional network is challenging – maintaining business cards, rolodexes, and relationships with contacts was a challenge.	LinkedIn offered a virtual rolodex that stores and curates your contacts' information for you, while providing a vessel for communication as well.
Pandora Radio	Discovering new music is difficult.	Pandora keeps track of a user's preferences and created a matrix connecting similar music to other songs, allowing the user to experience new music.
Walmart	Buying goods at multiple different stores is both time and capital intensive.	Walmart gives shoppers the ability to "one-stop shop" and purchase all the goods they need in one location, at a lower price due to economies of scale and bulk ordering.

Thinking Versus Noticing

Startup founders can often find themselves working on an idea that sounds plausible, but does not provide a solution to a problem people care about in a meaningful way. Y Combinator founder and investor Paul Graham says that often, these startups are born from individuals who are simply "trying to think of startup ideas" and not looking for problems.[3]

Graham calls these ideas "made-up" or "sitcom" startup ideas, as they sound like something a writer for a television sitcom would come up with when creating a script for a character that had a business idea. The idea seems possible, even though in reality it is bad and no one would use or buy it.

And often, these ideas begin with someone trying to solve an organic problem for his or herself (see above: Drew Houston).

Other examples include Craigslist and Netflix. Netflix founder Reed Hastings began his service in 1997 after paying a $40 late fee for renting Apollo 13.[4] In Hastings's mind, having to go to the store to rent and return movies, especially when late fees are involved, is a pain. The rest is history.

Getting Creative With Your Solution

So how can you make sure your startup solves a painful problem? Well, start with the problem. Problems are everywhere; it is just an exercise in noticing (as Paul Graham said) and questioning. What is currently nagging you? What do you do in your work that you think, "I wish I could ___ instead"?

Sadly, there is no easy formula. It is simply training your mind and your eye to pick up on problems that exist around you, question why those problems exist and for who, and then formulating a solution. If it was easy, everyone would be an entrepreneur (and then who would you hire?). By being curious and critical, you will begin to notice where readily available solutions do not exist for persistent problems.

Once you have identified a painful problem, 9 times out of 10 the solution will not be obvious or easy. Problems often necessitate creative solutions to make a business successful and enduring. Though this intuitively may sound difficult (because it is) it often creates a barrier of entry for competitors as well.

Let's look back at the Dropbox example. During the service's growth stage, they realized their customer acquisition was near $300/user.[1] That's a problem. What did Dropbox do? They turned their user base itself into a sales force, offering 250 megabytes of storage space for a referral – a creative and innovative approach at the time.

One of the most creative startup stories comes from another Y Combinator company, Airbnb.

Airbnb

The short-term lodging service Airbnb was born out of roommates Brian Chesky and Joe Gebbia being unable to afford the rent for their San Francisco apartment, and offering floor space to individuals visiting a local conference who were unable to book hotel lodging.[5] The duo cleared their living room and served breakfast for their guests, eventually catering to more events before expanding the site, called at the time AirBedAndBreakfast.com.

Chesky and Gebbia's problem was their inability to pay rent, and their creativity led to a massively successful startup that has since booked over 10 million night's stays.[6] The pair's creativity does not stop there, though.

During the 2008 United States presidential election, Chesky and Gebbia created and marketed "Obama O's" and "Cap'n McCains" cereal. At $40 apiece, the team sold 800 boxes and made over $30,000 to help cover their startup costs.[7]

Once the company was off the ground, they faced a similar user-acquisition problem to Dropbox. The startup created an automated program to email individuals posting vacation listings to Craigslist a link to Airbnb promoting the service.[8] The company has drawn some criticism and claims of spam, but it's hard to argue with the results.

Unfortunately, finding a painful problem and coming up with a creative solution is not enough.

Once a problem has been identified, and a solution has been formulated, the entrepreneur must discern whether or not the solution is something the user who feels the problem will pay for. If people aren't willing to pay for the solution, you still don't have a business. The key for finding out if the solution is sellable is easy – talk to your users! Try to sell your solution before you even build it. In the next several chapters, we will discuss validation, traction, and selling respectively.

References

[1] http://www.forbes.com/sites/victoriabarret/2011/10/18/dropbox-the-inside-story-of-techs-hottest-startup/

[2] http://blogs.salesforce.com/company/2013/11/entrepreneur-quotes.html

[3] http://paulgraham.com/startupideas.html#f6n

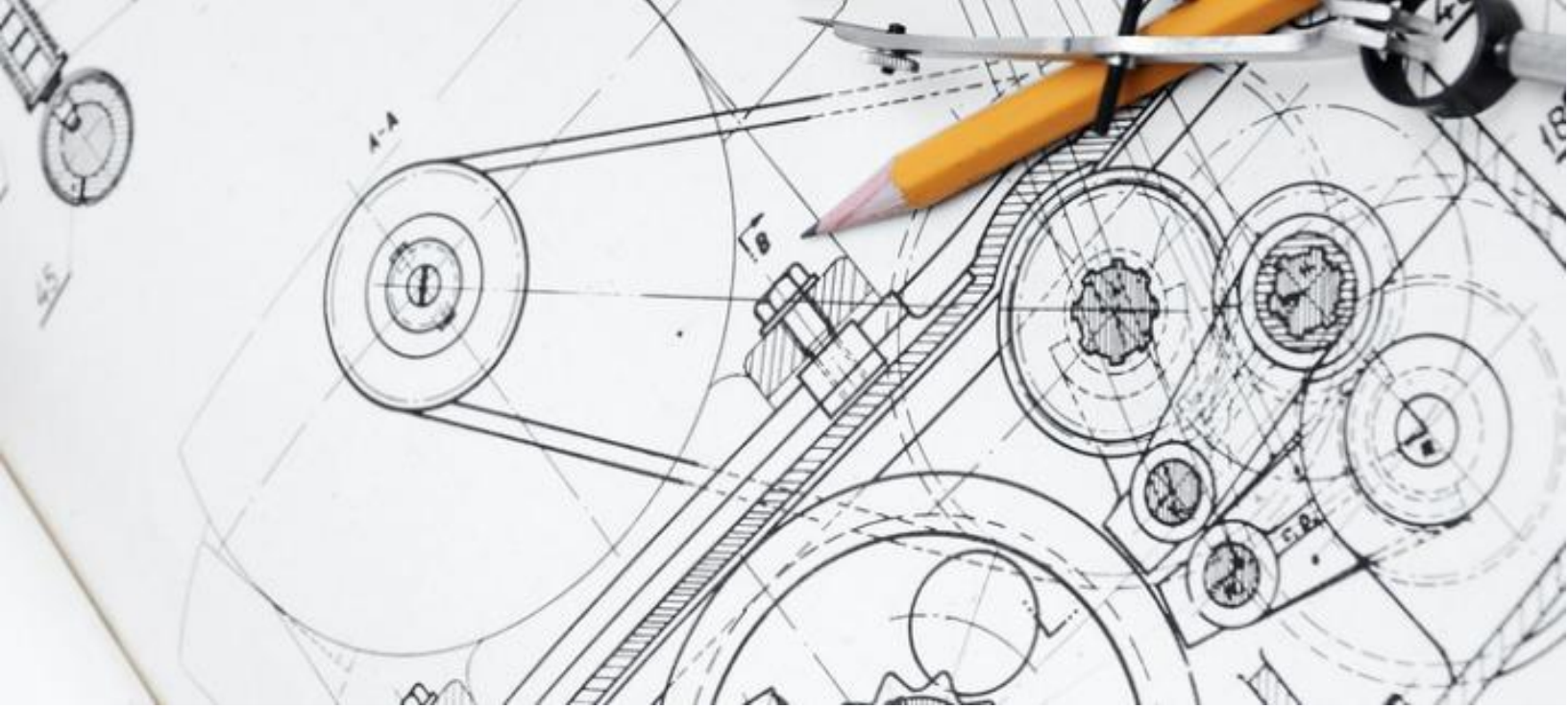
[4] https://twitter.com/netflix/status/2746816142

[5] http://www.core77.com/blog/events/airbed_breakfast_for_connecting_07_7715.asp

[6] http://www.businessweek.com/videos/2012-06-19/airbnb-celebrates-over-10-million-nights-booked

[7] http://online.wsj.com/news/articles/SB121803424407616937

[8] http://www.businessinsider.com/airbnb-harvested-craigslist-to-grow-its-listings-says-competitor-2011-5



Validating Your Solution

Let's say at this point you've finished step one and determined that your startup idea solves a painful problem. How valuable is that solution? Enter: Question two on your startup litmus test: "Will people pay for your solution or product?"

Ideas are great, but they don't make money. Businesses make money. Once you can validate that people will open their wallets or their checkbooks for your product or service, then you have business idea.

***Disclaimer:** There are of course well-known exceptions to this rule: early Facebook, Twitter, Snapchat, Instagram, and other services that are in the business of accumulating users and eyeballs with the "monetize later" strategy and no revenue model. Few are successful, and chances are you are not one of them.

It just makes sense. Before you pour your hard-earned cash and even more importantly, your time, into a business, you should want to know that the business would make money for you. Even before building a full or partial product, it is important to validate your assumptions.

Hiten Shah, co-founder of the successful analytics software KISSmetrics lamented his oversight in validating one of his former business ideas.

"My co-founder and I spent $1,000,000 on a web hosting company that never launched. We were perfectionist so we built the best thing we could without even understanding what our customers cared about."

Hiten Snah - Co-Founder / KISSMetrics

Zipcar co-founder Robin Chase has a similar experience after skipping validation.

"Get to your customers as fast as possible & learn from them to build your product. With my second company, we spent too much money on the website and software before engaging with our first customers. This meant that part of our learning was undoing our first guesses." [1]

Robin Chase - Founder / ZipCar

How to Validate

Validation can come in several forms, and ultimately your metric for success is your own decision. Lean Startup Machine CEO Trevor Owens defines success criteria as, "Minimum amount of validation that we need, to know this is going to be successful and that we have a viable opportunity." [2]

Validation can be done fairly inexpensively. It can take the form of letters of intent, preorders, polling, soliciting interest via dummy ads, or collecting emails via a launch page.

Here are a few simple ideas for collecting validation:

1. Landing Pages

Create a basic landing page promoting your product or idea using the top keywords for your product based on Google Keywords and promote it through your social channels. These pages will show you click through rates as well as collect emails for leads.

You can further drive traffic to your launch page via targeted Facebook ads, Google AdWords, or even dummy Craigslist postings. You can see our favorite landing page tools in our Startup Tools & Resources section.

2. Create a survey

Surveys can be a powerful tool to gather a lot of data quickly, but must be done correctly to avoid several inherent biases and leading questions.

Qualaroo and GrowthHackers.com founder Sean Ellis recommends this survey [3] [link to: http://survey.io/survey/demo] for assessing market fit. A 40% response rate of "Very disappointed" on the question of "How would you feel if you could no longer use ___" is a general rule of thumb for an indication of market fit.

Check out our favorite survey tools in our Startup Resources and Tools Section.

3. Be honest with yourself

Would you use this product yourself? If the answer is no, what would compel someone else to? Finding an advisor within the industry your business serves is invaluable.

4. Nothing beats pounding the pavement

Talk to your potential customers – pitch your idea, gain feedback, and try to sell. Impersonal surveys are a great way to amass a volume of data, but it will likely only scratch the surface. Have in-depth conversations with your target customer, and try to secure letters of intent if applicable.

(Market) Size Matters

At this point, you've determined that you have customers who are willing to pay you for your product or service. Congratulations, you have a business! Unfortunately, there may still be some bad news in the form of your third hurdle: "How many people are willing to pay?"

Market size is one of the most important aspects of vetting a startup idea. In fact, it is one of the top criteria for investors, and a massive market is an absolute necessity for an entrepreneur searching venture capital.

"If you can't make the case that you're addressing a possible billion dollar market, you'll have difficulty getting VCs to invest. (Smaller, venture-style investors like angels and seed funds also prioritize market size but are usually more flexible – they'll often invest when the market is "only" ~$100M)." [4]

Chris Dixon – Investor

The explanation is simply mathematics. For example, would you rather have the #1 sporting goods store in a town of 100 people, or the #3 sporting goods store in a city of 100,000? For a business to be big and scalable, the market must be proportionately big. Upfront Ventures Partner Mark Suster agrees with Dixon.

"Your goal here is just to stretch my imagination and get me excited by the future potential. You need to get over that all important VC hurdle … this is a BIG market." [5]
Mark Suster - Investor / Upfront Ventures

Market sizing is important, and must be calculated carefully. Start with your Total Addressable Market (TAM) by defining the industry you are operating in. Then you segment that industry number down to the segment within the industry you are working in, keeping in mind competitors' numbers for benchmarking comparisons.

Too often entrepreneurs simply get an industry number and say the dreaded, "If we capture just 1% of this market…" This strategy is lazy and makes an investor's eyes glaze over. Do the due diligence and avoid the blanket 1% top-down approach.

Some businesses are not huge opportunities. Some entrepreneurs are happy with starting lifestyle businesses that they can own and operate, while providing a comfortable income. If that is you, that is just fine! You can keep that in mind as you define your own metric of success as mentioned earlier.

However, if the opportunity you are chasing is not a big one, you will have a hard time attracting the attention of investors.

Now that you've determined that you have paying customers and a market worth pursuing, unfortunately the road does not get much easier. It's time to begin building your product and Chapter 3 will detail how to gather social proof and traction – instrumental evidence and metrics to show investors and maintain momentum for your startup.

References

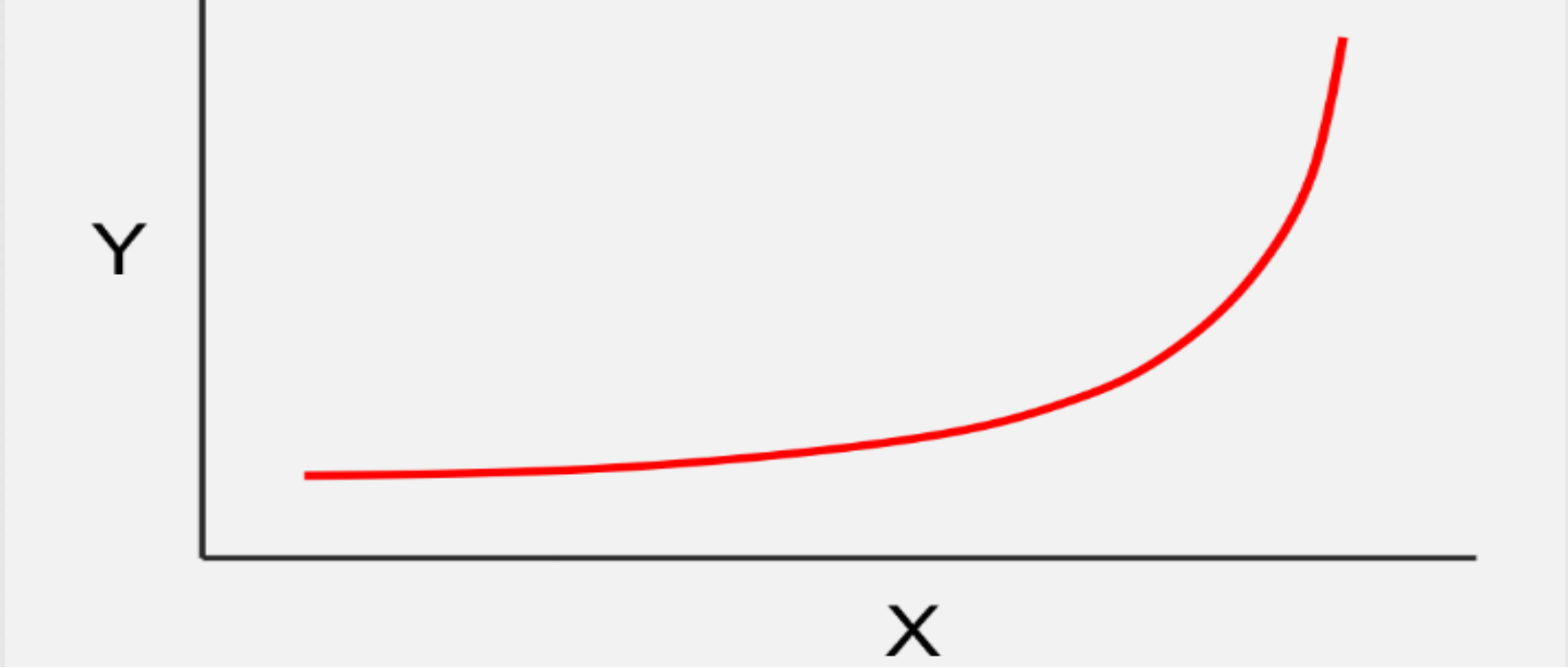
[1] http://www.businessinsider.com/startup-failures-learning-2013-9

[2] http://www.fastcolabs.com/3021826/colabs-classes/how-to-validate-your-startup-idea-in-one-day

[3] http://venturehacks.com/articles/sean-ellis-interview

[4] http://cdixon.org/2010/04/03/size-markets-using-narratives-not-numbers/

[5] http://www.bothsidesofthetable.com/2009/06/16/sorry-guys-its-the-size-of-the-wave-not-the-motion-of-the-ocean/



Traction And Social Proof

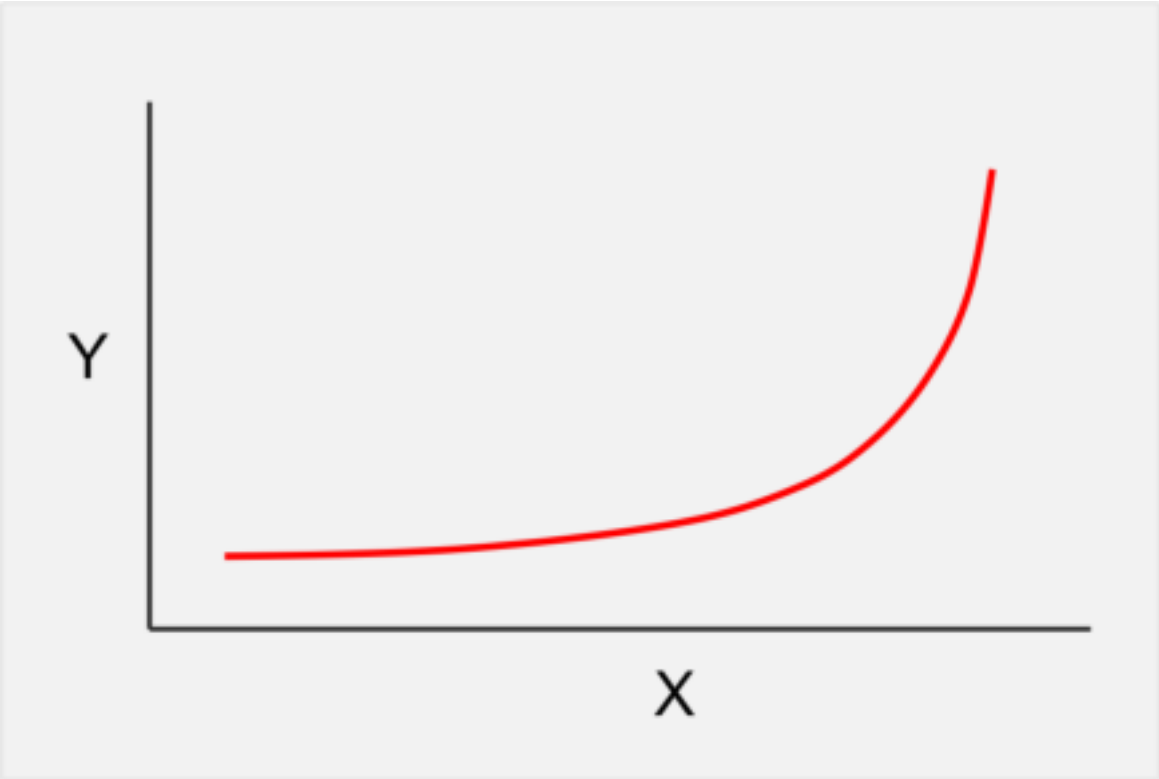
In the world of business and startups, traction is king. Traction is a startup's claim to validity, or as Union Square Ventures managing partner Fred Wilson puts it:

"Traction is certainly one of the most overused words in the venture capital vernacular. But it is also the "shorthand" people use to talk about how much uptake a given project has gotten in the marketplace...Many want to understand the business model. We don't need any of that to pull the trigger. But we want to see the most important thing - uptake. We think that's the hardest nut to crack."

Fred Wilson - Principal / Union Square Ventures

Traction shows the world (and investors) that your startup is viable. It's really common sense: if your startup provides value, then people will use it. If it does not provide value, then people will not use it.

However, traction is not simply constrained to user base or even revenue – there are many different facets of a business, and showing traction in any and all of these facets is beneficial. Brendan Baker, a VC at Greylock uses this chart to demonstrate what investors care about.



Types of Traction Chart

Example business type	Type of traction to focus on
E-commerce [2]	▪ Revenue growth ▪ Average sales or gross margins ▪ Customers ▪ Average return visits/customer ▪ Units sold
Fashion Q&A Consumer Internet product [2]	▪ User numbers ▪ Engaged users and type of engagement ▪ Virality ▪ Partnerships

Premium SaaS product for small business [2]	▪ Revenues ▪ Conversion to paid customers ▪ Registered users ▪ Customer acquisition costs ▪ Lifetime value/customer ▪ Distribution partners
Enterprise [2]	▪ Revenues ▪ Number of clients ▪ Average contract size ▪ Qualified sales pipeline
Retail	▪ Revenue growth ▪ Units sold ▪ Average sales or gross margins ▪ Customers ▪ Lifetime value/customer
Consumer Products	▪ Units sold ▪ Revenues ▪ Number of retail outlets product sold in ▪ Distribution partners

[2] Source: Brendan Baker via Quora

Modes of Demonstrating Traction

Formation

Pitching a business that does not yet have a legal entity, a tax ID number, business bank account, collateral, or team/employees is not as impressive or exciting as a business that has been legally formed and has a team working full time. This shows traction toward legitimacy.

The basic steps of forming a legal entity, creating a basic website, and beginning to create collateral legitimizes your business past the point of ideation. And fortunately, they are fairly easily done.

Without these initial steps, you won't be taken very seriously. Think of it like the adage that appropriate dress in an interview won't land you the job, but you won't even be considered without it. It's next to impossible to pitch potential customers or investors on a business that only exists in your head.

Customers

While the above example won't be enough traction to garner much attention from the investment community, it begins to give your startup momentum.

Paying customers that equate to revenue and profitability are the best possible form of traction to demonstrate. If you are able to pull in paying customers without raising capital, your startup is in a very good position. In fact, many startups find that focusing on traction early and acquiring paying users will eliminate much of the need to raise capital in the first place.

In an ideal situation, an entrepreneur can immediately begin developing or manufacturing their product offering for distribution. Unfortunately, for many entrepreneurs, funding is a prerequisite to building a product to sell to customers. In that case, it is not possible to show traction in the form of revenue or profitability, and that is OK.

Playing second fiddle to a paying customer is an interested customer. An entrepreneur who is constrained by not being able to develop the product should hustle potential, interested customers for his or her business. This can come in the form of testimonials or letters of intent, but the key is to find genuinely interested individuals who are hurting for your product and excited to use it.

Though testimonials can be a good tool for demonstrating a need or telling a customer's story, Brendan Baker of Greylock Partners warns against leaning too heavily on them, as well as labeling publicity as traction.

"Don't. Even shitty startups have glowing testimonials, so it doesn't differentiate." (On using press as traction) "Even shitty startups can get good press. Repeat after me: 'Getting on TechCrunch doesn't mean that people want our product.' 'Getting on TechC...' OK, you get it." [3]]

Brendan Baker - Investor / Greylock

The final types of customers used to demonstrate traction are free customers, otherwise known as "users." Not all customers need to pay to demonstrate your product's worth. The idea of giving away a free sample in order to hook the user into wanting more has been around forever (think mall food courts or even drug trafficking).

Initial beta customers may be granted early access at a discount in order to receive real feedback from customers and begin building a user base. It is rumored that Google's pitch deck consisted of one slide: user growth.

A recent trend has been to adopt an acquire-users-now-and-try-to-monetize-it-later revenue model. Few businesses have had any measure of success with this model, and time will tell how those few fare in the coming years. However, there is value in demonstrating that you are amassing eyeballs on your product.

Product and Team Development

Each build and iteration of your product shows traction. Making note of the different stages of a product's evolution (alpha, beta, full launch) marks an important step in the development of your business, and an opportunity to show what you've learned in the process.

Baker recommends framing your traction in terms of different stages of product in order to "shorten your x-axis" and paint a better, more accurate picture of your progress.

In addition to building a product, showing growth in your team is an important indication of traction. It's often said that investors "bet on the jockey, not the horse," and for many, that is their true philosophy.

"I always look for the person first—before the idea. I need to know that they are going to get the right information, and not go off and make mistakes without at least trying to educate themselves. I value an entrepreneur I can get behind and trust, because I know they are attempting to move forward in life." [4]

Daymond John - Founder/Investor / Fubu

For an early-stage startup, the founding team and initial employees are crucial to success. It is important to hire slow, fire fast to ensure an efficient use of your startup's time and resources in its critical growth phase.

Great talent is a reflection of you as an entrepreneur as a recruiter and salesman of your own vision, as well as a reflection of your business's potential. Attracting top talent to a startup company over other opportunities shows that other intelligent individuals see and value the market opportunity you are presenting.

In addition to drawing great talent for the team itself, an entrepreneur should strive to achieve social proof and backing from other high-powered or influential individuals (discussed after Creating Traction).

Creating Traction

Ok, so now you know different ways to show traction. But how can you build that traction, and specifically drive traffic and attract users? DuckDuckGo founder Gabriel Weinberg explains that there are several different strategies that have been used successfully, including traditional and nontraditional PR, Search Engine Marking and Optimization (SEM/SEO), blogs, viral videos, and more.

"The second major thing I've learned from interviewing people on getting traction is that initial traction can happen in a lot of different ways, often unpredictably." [5]

Gabriel Weinberg - Founder / DuckDuckGo

For a full list of Weinberg's traction "verticals," click here or visit our [Supporting Content].

Social Proof

Social proof is the endorsement for your business by others. The value and legitimacy of your social proof is proportionate to the value and legitimacy of those endorsing you. Social proof typically comes from four different sources: advisors, customers, the media, and investors.

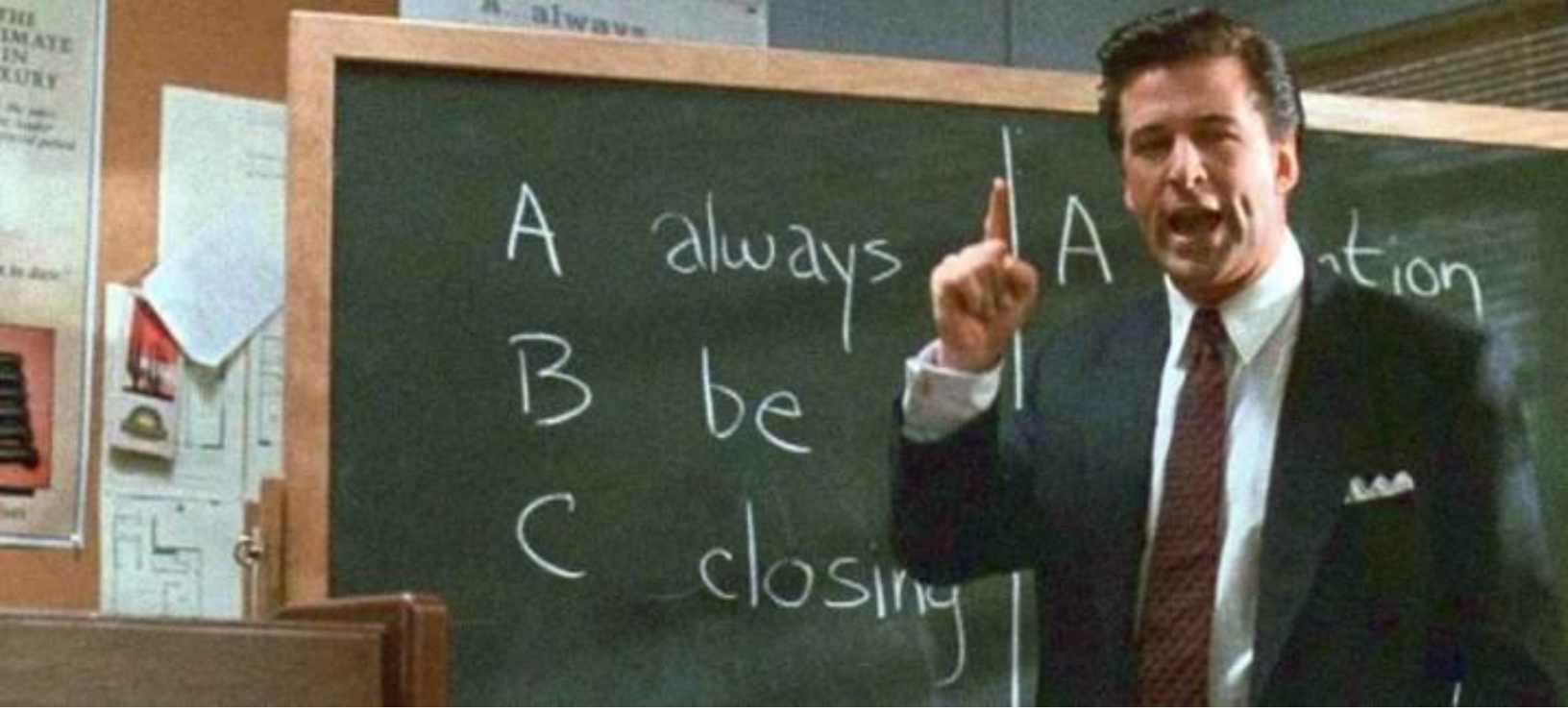
Having credible advisors is a welcome sign to investors that your idea has merit. Often, a company's advisors have secured investment in the past and bring that positive influence to the business. Their name is important to them, so their support really boosts credibility.

Customers also boost a company's legitimacy. Big name customers can be flaunted on website pages, within articles, and in pitch books to other customers. The bigger the customer, the easier it is to mobilize other customers in addition to demonstrating market demand.

Being covered in a reputable media outlet speaks to credibility as well. It shows that at least somebody thinks you are newsworthy, and the more reputable the better. Just like big name customers, important media placements can be flaunted to demonstrate the worth of your product.

Finally, investors provide a huge endorsement in the form of their hard-earned cash. If someone entrusts your business with their money with the expectation of a return, it is a very good sign for other investors – regardless of amount.

In the next chapter, we will talk about nailing down paying and interested customers – before you begin building your product.



The Art Of Selling

As we discussed in Chapter 2, one of the worst outcomes your startup can realize is finding out people aren't willing to buy your product after you've spent significant time and money building it. One very good way to avoid this outcome is to market and sell your product before you even have anything built.

It may sound counterintuitive or even dishonest to try and sell something that doesn't exist, but it can be done without lying or failing to provide value. Consider Eric Warnke and Mark Fossen; the pair noticed from Dropbox user forums that people were looking for looking for a File Transfer Protocol (FTP) interface to work with the service. Instead of building anything out, they created a website for Backup Box that simply detailed several different plans and price points. When a user clicked on a plan, they were told the service was not ready yet and asked for an email address – all the while they collected data on both customers and what services they desired, at what price. [1]

Backup Box is a bit of an extreme example, but a good one. It's also fairly simple to replicate this tactic using a simple landing page and some targeted Google Ads. (We discussed this strategy in Chapter 2 and list our favorite landing page tools in our Startup Tools & Resources.

Many other startups got their start by manually doing work that a fully built product would automate. Y Combinator-backed startup ZeroCater operated from a spreadsheet

completely maintained by founder Arram Sabeti until billing grew to over 20 hours per week and tens of thousands of dollars in paying customers. [2]

"I remember being deathly embarrassed that my "tech" startup consisted of 0 lines of code, an inbox, and an enormous spreadsheet. Eventually, I got over my embarrassment and learned that the first rule of being a salesman is being unashamed of selling." [3]

Aaram Sabeti - Founder / Zero Cater

ZeroCater is a service to eliminate the headache companies face in coordinating meals for their employees. Sabeti pitched ZeroCater to everyone he spoke with, gathering names and contact information on the spot to follow up with later. Eventually, Sabeti's spreadsheet grew to over 500 columns and he began looking for a technical co-founder to help build an automated solution.

Sabeti's story is a great example for entrepreneurs. The thought of being a solo, non-technical founder of a technology startup sounds impossible or, at the least, foolish. However, Sabeti believed in his idea and vetted it through selling it to customers before a line of code was written. In turn, this made it much easier to convince a technical co-founder to come on board.

Selling Your Vision

For a startup founder, there are generally few hard assets to show off or pitch besides your vision for the future. If you want to sell someone on your vision, it has to be a grand vision of future potential and possibilities – something employees and investors can get behind. Working for or investing in someone who has poured his life savings into an idea simply in the hopes of it someday paying off is not compelling – your vision of what the company could be is.

The only way you can convince someone to leave a paying job to work for a startup that may not even be able to provide a paycheck is a vision that inspires him or her. Something he or she can get behind. Investors and first employees alike get excited at the prospect of being on the ground floor of "the next big thing" and making a giant return on their investment – whether it be in terms of dollars or hours.

To convince these people that your company is that next big thing, you need to focus on what your company could be – not necessarily what it is today. Startups move and evolve

so quickly that there is no time or reason to dwell on what your company is today – focus on your vision for the future.

It is important to frame your sales pitch as focusing on the person you are speaking to. You won't excite an investor talking about how lucrative the company can be for you – talk about how lucrative it can be for them! Tell your employees the benefits to their well-being and happiness in working for you.

Consider a few of Dale Carnegie's techniques for handling people and winning them to your way of thinking in his bestseller, How to Win Friends and Influence People:

- Arouse in the other person an eager want
- Remember that a person's name is, to that person, the sweetest and most important sound in any language.
- Talk in terms of the other person's interest.
- Make the other person feel important – and do it sincerely.
- Appeal to the nobler motives.
- Dramatize your ideas. [4]

These principles have remained relevant and effective since the book's printing in 1936. It is not by accident!

The Art of Selling

It is important to remember at all times that no one is as familiar with your product as you are. Often, entrepreneurs fail to remember this because they spend all day every day thinking about their product, and to them, it is easy to grasp.

In reality, showing your product to someone else for the first time is like selling fire to a caveman. Though they can see that it is new and impressive, they have no idea what it is they are looking at. It is up to you to break it down into a way that is both a.) easy to understand and b.) exciting.

The first step in pitching your idea is painting a backdrop for your solution. Outline the problem your client or customer is probably facing to bring that pain to the foreground and ready for relief. Telling a story is an effective way of keeping the audience's attention, and much easier to relate to than a list of facts and figures.

Once the table is set, begin explaining your solution. Regardless of how intricate and complicated your solution is, explain it in simple terms to help the user understand. The

more colorful, meaningful, and simple you make the explanation, the easier time your audience will have in understanding. Keep it brief and relevant – outlining every distinct feature of your product will start to burn through the user's attention span and excitement.

"Most people who pitch me use jargon. I have a simple philosophy. If you can't explain to me what you do in simple terms I assume that you don't know what you're talking about and you're hiding behind terminology to sound more intelligent. The most difficult of topics can be explained in human terms. I like people to use real world examples." [5]

Mark Suster - Investor / Upfront Ventures

Suster also says the idea of pitching someone is to gain interest and leave a positive impression to follow up on later. Keep your pitch short, relevant, and exciting. Once your subject is excited, you'd won. Give him or her a chance to ruminate on it and follow up with more information later. Sometimes this means you don't get past the first slide in your pitch deck – and that's not a bad thing!

At the end of the day, remember you are pushing for a sale or commitment. A bunch of people who are interested in your product but have no interest or intent to buy are not of much interest to you.

In the next chapter, we talk about your startup business plan – the important assets you should have ready and available when you are pitching your business.

References

[1] http://www.inc.com/minda-zetlin/how-to-build-product-customers-will-buy.html

[2] http://www.entrepreneur.com/article/229084

[3] http://techcrunch.com/2013/04/06/how-i-started-zerocater/

[4] http://www.amazon.com/How-Win-Friends-Influence-People/dp/0671027034

[5] http://www.bothsidesofthetable.com/2009/06/05/the-dreaded-elevator-cocktail-party-pitch/

THE STARTUP BUSINESS PLAN

For the most part, gone are the days of a 60-page document outlining a business plan. However, startups are generally expected to have a handful key pitch assets. A lot of them are built around the same basic content, but presented differently for different situations.

These assets seek to answer key questions about your business. Even if you were to write a full-length business plan, it is likely an investor will only care for the fact that it demonstrates you have done your homework and really covered your bases. The same is true with all of these pitch assets – they serve to show you have done the due diligence to know your business and market from top to bottom. If you cannot demonstrate this, you are in trouble.

Make no mistake, having a business plan is a great asset, and if you have it, be sure to keep it handy for investors should they ask. However, it is incredibly time-consuming to create and not necessarily expected. If you have it available, it is recommended to still lead off with your elevator pitch, executive summary, and pitch deck to pique someone's interest before handing them your full manifesto.

For the rest of the chapter, we will discuss your key pitch assets to be used in place of or in conjunction with your business plan.

Elevator Pitch

Your elevator pitch is a short, consistent summary of your business. It can be hard to boil your business down into just a few sentences, but often that is all the time you have. The term "elevator pitch" comes from the idea of a chance meeting with someone in an elevator – can you pitch your business to that person in that short amount of time?

It may surprise you the amount of work and thought required to put together just a few sentences. But remember, it may be the most important couple of sentences you speak for the next several days, months, and years.

A good elevator pitch answers a few simple elements: the problem you solve, the solution you provide, and the people you do it for. For Under Armour, it may be something like "We provide apparel to keep athletes cool, dry, and light when they need it most."

Investor Dave McClure of 500 Startups also says the "X for Y" approach can be used effectively.

"So for Slideshare, it might be 'we're the YouTube for PowerPoint presentations.' Both of these are well known, so that's a reasonable claim. But if the points of reference are too obscure, they might not get it." [1]

Dave McClure - Founder / 500 Startups

Take great care in crafting your perfect elevator pitch – you will use it often in emails, presentations, and even on the fly. Keep rehearsing it so you can deliver it effectively and quickly.

Executive Summary

Sitting between your elevator pitch and a full-blown business plan is the executive summary. An executive summary is a more robust sales pitch for your business, distilling each key area of your business down into a paragraph or two to convey your business quickly.

There are two general ways of thinking about writing an executive summary. The first is to take your full business plan and distill it down into a few paragraphs about each key point. This makes sense and is easily done – assuming you have a full business plan written. The

problem is, many startup founders do not have a full business plan nor do they intend to write one.

The second way to approach writing an executive summary is to look at the key sections of what would be in a business plan, and write the key points for each one of those (Management Team, Marketing Guide, Financials, etc.).

However you choose to write your executive summary, it is a key asset to have on hand for investors to get a more detailed idea on your business.

Pitch Deck

The pitch deck is the modern version of a business plan. Typically PowerPoint, Keynote, Prezi, or some other presentation software is used to prepare a group of slides that tell the story of your business. Unlike the executive summary, a pitch deck is a much more visual explanation of your business, often taking advantage of graphs and other visual collateral to tell your story and show how your business provides value.

Fred Wilson advises making an effort to condense your pitch deck into just six killer slides.

"Killer slides are not slides with a dozen bullets each. They are six powerful points that combine to tell the meat of the story. So when you sit down and build your pitch deck, think of six slides that will inspire and leave something for the imagination. The best part of six slides is that you will get through them in time to have a real substantive conversation face to face about your business. Imagine that." [2]

Fred Wilson - Principal / Union Square Ventures

Pitch decks are frequently presented to investors, and may even be requested ahead of time by the investor in order to get an idea of your business before they listen to you speak. Because of this, it would be wise to have your pitch deck prepared before even contacting potential investors.

Financial Documents

There are a couple of essential financial documents you will be asked to produce, provided your pitch is going well so far. After all, the point of investing in your company is to gain a return. Investors want to have an idea of what this return can be, and at what time.

The complexity of these documents varies. It is becoming harder and harder to project financials as things move more quickly – especially for scalable tech companies. They can

vary from a one-page spreadsheet to a complex document of macros and changing outcomes.

Mark Suster advises a monthly projection or the first 24 months, followed by annual projections for the "out years" – years 3-5.

"When I talk about a business plan I'm not talking about a 40-page Word document outlining your market approach. That died with waterfall software development. I'm not even talking about your 12-page Powerpoint presentation that you need to raise venture capital or to talk with potential biz dev partners. I'm talking about your financial spreadsheet."

Mark Suster - Investor / Upfront Ventures

There are three basic financial documents you will be expected to prepare:

1. **Revenue Projections:** Where your revenue will come from and at what time periods.
2. **Operational Expenses:** Where will your expenses come from, and how will that correspond with expected growth? Look into staffing, product cost, marketing and overhead.
3. **Cash Flow:** This information will vary depending on the nature of the business. Seasonal businesses, for example, will have particular cash flow concerns based on time period. Your Cash Flow should detail exactly when you expect cash to come in and out of the business.

It is incredibly difficult to project these numbers, especially just starting out. The key is your assumptions going into the projections, and why you made them.

Website

A website is not critical for all businesses, and therefore may not be one of your key pitch assets. However, it is highly recommended to at least create a sort of landing page for your business telling people how they can instead reach you or find out more. Think of your website as sort of an e-brochure for your business, giving some visuals or just outlining your idea. As we discussed in Chapter 2, it's a great way to provide validation, gain traction, and even gather contact information for potential customers.

You can even go so far as to host some of your key pitch assets online for download, such as elevator pitch or visuals from your pitch deck. We don't recommend including the financial information publicly, however, but saving those for private conversations.

The important mission for your website is to provide a professional-looking brand for your business for legitimacy, giving someone a view of who you are and what you do.

Summary

It is entirely possible to raise capital without any or all of these documents. However, your chances are significantly slimmer, and often you only get one shot at a deal. Being prepared in showing that you have done your homework and really analyzed the business opportunity will serve you well in a pitch meeting with investors. You can find resources for creating these key pitch assets in our [Supporting Content].

In the next chapter, we will discuss marketing your startup.

References

[1] http://thenextweb.com/entrepreneur/2011/10/29/dave-mcclures-10-tips-for-the-perfect-investment-pitch/#!qmjo4

[2] http://www.businessinsider.com/keep-your-pitch-deck-to-six-killer-slides-2010-6

[3] http://www.bothsidesofthetable.com/2009/11/03/are-business-plans-still-necessary/

Double Down On Startup Marketing

Introduction

Marketing for startup companies can often be make or break. With the advent of the Internet, long gone are the days of "if you build it, they will come." So how can you market your startup successfully, without the giant marketing budget of larger companies?

It's important to remember the biggest prerequisite to successful marketing – having a great product. A great salesman can sell ice to an Eskimo, but without a solid product that solves an important problem, that Eskimo will not be a repeat customer.

"The aim of marketing is to make selling unnecessary." [1]
Peter Drucker - Author

Define Your Customer and Market

We covered these very important steps in Chapters One, Two and Three, but it cannot be understated. Once you have identified the problem you are solving [link to Chapter 1] and have determined that you have paying customers, [link to Chapter 2] it is time to start gathering as much data about your customers as possible.

It is common for entrepreneurs to believe their product is of perfect use for everyone and their mother, but in reality, almost all ideas have certain customer demographics that really drive sales. It is important to find out what those demographics are and who those customers are so you can market your product or service effectively.

"If you try to market your startup to everyone, you waste both time and money. The key is to identify a niche target market and go after market share aggressively." [2]]

Your customers will give you a great starting place for determining the proper market for your startup, but there are a few other key aspects to consider as well.

Market Size and Wealth

A startup's Total Addressable Market, or Market Size, is incredibly important not only in determining whether or not this opportunity is worth pursuing, but also if the company wants to try and court investors down the road. It is of utmost importance that the founders understand their customer demographic completely and understand how many potential customers fit that demographic or market.

Investors look at market size when comparing deals, and it often plays a crucial part in whether or not they invest. It doesn't take a mathematician to figure out that the greater the number of potential customers, the greater the chance for making a large profit. Startups attacking a small market will have a very difficult time convincing investors that they will see a worthwhile return on investment.

In addition to the size of the market, it's important to understand what type of money flows through that market. Are these customers willing to spend money? How much? Is that enough to justify pursuing the opportunity or investment?

Market Competition and Value Proposition

In some markets, the opportunity and market size are so attractive that there are already a bevvy of competitors in the space. What type of market share is left for your startup? Does your startup cut through the clutter and emerge as a dominant player in the space?

The key aspect in entering a crowded market is value proposition. Does your product provide a large enough benefit, while also being unique enough to stand out in a crowded market?

Repeatable, Trackable, and Scalable

Recently, the concept of "Growth Hacking" has been getting a lot of attention as the future of marketing following the growth tactics of Sean Ellis (in fact, Ellis coined the term). The term has taken on a meaning to mean a certain hybrid between marketer and developer

(thus the term "hacker") and originated within technology startups. However, a growth hacker does not need to be a developer, as Ellis explains.

"A growth hacker is a person whose true north is growth." [3]
Sean Ellis - Growth Hacker

Growth hackers in startup companies find ways to use incoming data on their customers or users to determine their best practices for acquiring new customers. This is possible due to the new nature of what a product can be. For a long time, products were physical goods – such as a book, hammer, or deck of cards. Now, products are often lines and lines of code that lead to a functioning online platform.

Because of this shift, products can now play a role in their own adoption. Take for example the plethora of APIs (Application Programming Interfaces) available to developers. Many sites now incorporate a "sign up with Facebook" or "click here to Tweet this article" buttons. These functionalities are ways for those products (Facebook and Twitter) to aid in their own adoption. They market themselves, and these channels can be automated.

Trackable

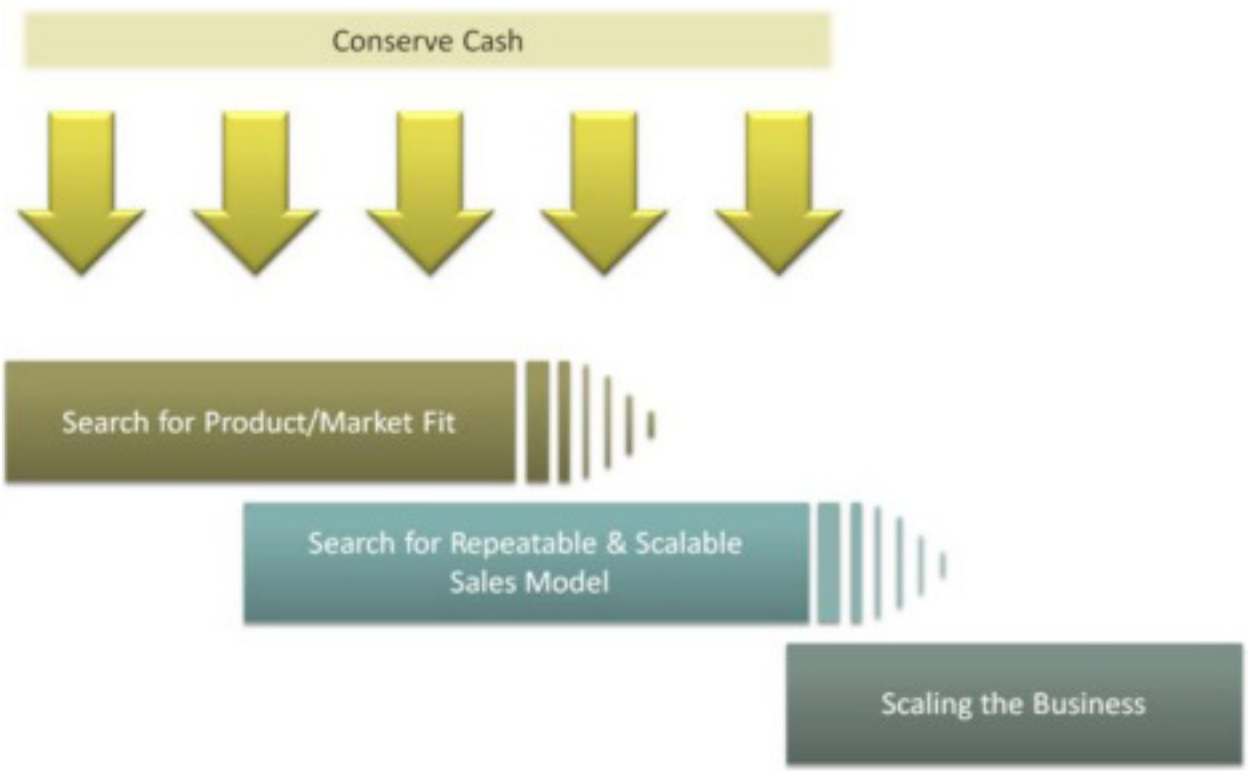
Through APIs and other analytics tools such as Hootsuite, MailChimp, Google Analytics or KISSmetrics [link to Supporting Content], founders can track their best sales channels and campaigns. A campaign is any update or Call To Action through any channel – for example email, Facebook update, Twitter update, blog post, or video. By installing analytics into your social media or outreach tools, you can understand where your traffic is being referred from and focus on the most effective campaigns.

Almost all analytical tools such as Google Analytics or KISSmetrics will require adding a few lines of code from their platform into your own product. It is extremely important to be sure these analytical tools are dedicated to maintaining fast load times as to not slow down your product and diminish its value.

To successfully track your startup's success, you need to determine your Key Performance Indicators, or KPIs. There are tons of vanity metrics out there, such as likes, shares, followers, etc. However, these in most cases do not give a true measure of anything; you must define what success is for your startups.

Let's take for example a startup that wants to acquire 50 users this month. This may seem like a daunting task, but tying it back to other, more palatable metrics can help. If you estimate a 5% conversion rate, you know that to get 50 users you will need to get your

product in front of 1,000 people. Choosing relevant and measurable KPIs to work towards is crucial to early startup success.



Repeatable

- If your process involves salespeople, you can add new hires and they can achieve the same productivity level as the original sales team.
- If it's a touchless web sales model, your web traffic converts in a predictable way through your web site.

Scalable

- You can increase the sources of your leads and/or web traffic without reaching a near-term limit.
- The resources (e.g. salespeople) in your conversion funnel can easily be scaled without reaching a near-term limit.
- Your cost to acquire a customer (CAC) is significantly less than the amount you can monetize them over the customer's lifetime.

- In a SaaS business, I recommend that lifetime value (LTV) should be more than three times higher than CAC.
- It should also be possible to recover CAC in less than 12 months for a capital-efficient startup.
- LTV should be calculated using gross profit (not revenue) after cost of goods, cost to serve and cost of on-boarding.

Leveraging Social Media

Social media has begun to emerge as a preeminent medium for marketing businesses. With so many startups and established businesses trying to reach users through social media, it can be hard to be heard over the noise. However, creativity and best practices can give your startup an edge in the social media landscape – and it can be done for free!

One common pitfall of startups trying to leverage social media is the idea that they have to master all social media channels. Different social media platforms appeal to different demographics and characteristics – choose the platform that is right for you! Check out our Supporting Content at the end of this guide for a comprehensive list of social networks.

Infographic of choosing the correct social networks:
http://beingyourbrand.files.wordpress.com/2013/07/how-brands-can-choose-the-right-social-media-platforms-for-their-goals-infographic.png?w=600&h=4537 [5]

Social media is best utilized as a tool to engage your audience. Don't try and talk at them – talk to them. Tell your brand's story. If you can get your audience and users engaged, they will have a more positive affinity for your brand, and by extension, your business. According to KISSmetrics, 78% of social media users said posts by brands influenced their purchase behavior moderately or highly.

"A great story is true. Not necessarily because it's factual, but because it's consistent and authentic. Consumers are too good at sniffing out inconsistencies for a marketer to get away with a story that's just slapped on… As a result, no marketer succeeds in telling a story unless he has earned the credibility to tell that story." [6]

Seth Godin - Author

Another important aspect for social media activity is timing. More studies are being done on the effect of timing and best times to post to different platforms, with some of those findings published in the infographic below.

Highlights

Facebook:

- Saturdays are best.
- 12 p.m. EST is the best time to share.
- 0.5 posts per day is the best frequency.

Twitter:

- 5 p.m. EST is the best time to get a retweet.
- 1 to 4 link tweets per hour is the best frequency.
- Tuesdays, Wednesdays, Thursdays, Saturdays and Sundays are best.
- 6 a.m. EST, 12 p.m. EST and 6 p.m. EST are the best times to tweet in terms of clicks.

Crafting Effective Calls To Action

At the end of the day, you need to make sales. While you may get your product in front of thousands of people and generate hundreds of leads, how do you turn those leads into sales? Your startup marketing needs effective Calls To Action (CTAs).

A call to action should be one of the most apparent and eye-grabbing parts of a website, packaging, or mailer. In other words, if you stand six feet away from your product or campaign and squint your eyes – your call to action should be what sticks out. HubSpot offers several suggestions for crafting a successful CTA for your: [8]

1.) Use actionable language. You want the reader of your copy and call to action to feel as if you are talking to them. Say things like "Click here to…", "Download the…" or "Learn how to…".

2.) Align your copy. If your landing page offers a free eBook, your call to action should be to "Download the eBook here" and not "Download our guide to […] here."

3.) Outline your value proposition. Make your value clear to the customer. Why should they engage in your CTA?

4.) Make it time-sensitive. Create a sense of urgency in your CTA to capture the readers' attention and drive a response.

5.) Design smart. Literally, make your CTA larger than other aspects of the screen or campaign it is involved in and in a prominent location. This plays into the squint test. In addition, your CTA could contrast from the rest of the page and should look like something that can be clicked.

6.) A/B Testing. Create multiple versions of your CTA and test it out among a test group. Which one is more compelling?

Conclusion

Marketing can make or break a startup – which is a tough pill to swallow with typically a small budget to dedicate towards marketing efforts. However, due to the new nature of product, the advent of technology, the development of growth hacking, and social media, it can be done more easily now than ever before.

With so many tools at an entrepreneur's disposal, it is important to focus on what can be used most effectively and not try to be master of all trades. Determine Key Performance Indicators and track them. By focusing on Repeatable, Trackable, Scalable, your startup should be able to acquire users at an exponential rate. However, it is crucial to understand who your customer is and what market you are serving.

In the end, winners are often creative. What can you do in terms of marketing or growth hacking that others aren't? How can you use technology to your advantage? In thinking back to our earlier Airbnb example in Chapter 1 [link to Chapter 1] and their use of Craigslist, you can see how creativity plays a huge role.

The most successful startups turn all of their employees, as well as their product and users into an army of marketers. Make your product sell itself, and the positive word of mouth will do more work than any marketing budget.

In the next chapter, we will discuss the current funding landscape.

Funding Your Startup

The unfortunate reality for most entrepreneurs with an idea is that money is often a prerequisite. And, often, this need necessitates outside sources. However, for the lucky minority, outside funding may not be necessary – either because the idea is not capital intensive or because of the ability to self-start.

Despite the wide array of funding sources, there are three general categories: Bootstrapping, Debt, and Equity. In recent years, crowdfunding on platforms such as Fundable have become a powerful source of funding for both bootstrapping and equity techniques.

Big checks from investors may grab headlines and be an ideal solution for your funding needs, but they make up an extremely small portion of annual funding: less than 14% in 2012. So how do most businesses find startup funding?

Check out our infographic on where startup funding really comes from by clicking below.

Bootstrapping

It would be ideal for startup founders to be able to begin their venture with a lump of investor capital. Unfortunately for most startup founders, that isn't realistic. For centuries, the majority of entrepreneurs have funded their businesses with their own capital through bootstrapping.

Bootstrapping often entails using personal savings, credit cards, promising stock for sweat equity, or borrowing from friends and family. Borrowing from friends and family can be difficult to ask for, and even more difficult to orchestrate. However, many entrepreneurs have turned to crowdfunding on sites like Fundable [link to Fundable home page] to streamline the friends and family round.

Startup funding generated from bootstrapping will often cover the essentials of a business, such as incorporating, basic office supplies, or maybe a website domain. Several would-be costs, such as marketing and promotional dollars, can be alleviated by the founders' sweat

equity and hard work. The longer the business can sustain itself and grow via bootstrapping, the better: GoPro is a good example.

"The slow bootstrap worked really well [for GoPro]… As long as you can bootstrap not at the sacrifice of competitive advantage, bootstrapping is a really powerful thing because it allows you to be totally devoted to your vision." [2]
Nick Woodman - Founder / GoPRO

If the entrepreneur doesn't have much capital to put in, the next best thing is a mountain of market research, data compiled from talking to potential customers, and getting everything in place to be successful once capital is available. The less work that has been done to move the business forward, the harder it will be to find interested outside capital. Having a good idea is not enough – in almost all cases, an entrepreneur should expect to invest their own time and money before they can get anyone else to put theirs in as well. Investors will want to see that the founder has skin in the game, and therefore a vested interest to motivate progress.

Due to the relative rarity of receiving a chunk of capital from an investor (less than 1% of startups in 2012 were written a check by a venture capitalist) bootstrapping is nearly a given for most startups – simply due to the speed of access. Bootstrapping also allows the entrepreneur to focus on getting the validation and traction necessary to be attractive for equity investment later in the game.

There are certainly examples of companies receiving funding simply from an idea with little or no validation or traction. These examples are the exception and not the rule – and are often the result of being led by individuals with a track record of success.

Debt

Simply put, debt is capital you have to pay back. Generally, debt is easier to come by in terms of funding your startup, as there are far more lenders in the world than equity investors. Lenders are also more open to funding smaller cap lifestyle businesses (think restaurants and other family businesses). Because lenders are more indiscriminate in the industries they lend in (investors often favor industries such as technology or healthcare), a traditional loan is one of the most frequent and viable roads to funding.

Loans are often useful and accessible when there is a clear means to service the debt put into place. Take a restaurant for example. Some essential materials, including stoves and

grills, can cost thousands of dollars to purchase and install. If a loan were taken out to fund these costs, and the grills purchased allowed for the restaurant to begin cooking and selling product, debt makes sense.

On the flipside, borrowing for non-recoverable expenses such as salaries or rent does not make sense. Unless there is a clear path for the borrowed money to be converted into revenue with which to repay the loan, debt should not be incurred, or some serious problems will likely follow.

Savvy entrepreneurs can take advantage of programs such as the U.S. Government-backed Small Business Association (SBA) loan program. Though these are government supported, the financial institution may still require substantial planning and resources to support writing the loan.

Due to the unappealing sound of "going into debt" and being tied to a loan, entrepreneurs often try and avoid looking at debt options. These options are not as scary and complicated as they sound, and are often a very good route for startup funding.

Equity

Equity refers to capital a startup founder receives in exchange for stock in his or her company. As we previously discussed, equity options are far more rare than bootstrapping or debt options. However, entrepreneurs are often attracted to equity deals because they are not based on his or her personal credit or collateral, nor do they have to be immediately paid back in the form of installments.

Equity investments are most valuable in businesses that involve high risk and normally a longer period for return on investment. Companies that require quite a bit of runway (the amount of time before they begin generating significant income) look to equity, as they cannot afford making regular debt payments before generating revenue. In addition, having the ability to leverage an investor's network and experience can be extremely beneficial to the startup.

The downside to equity is a big one: giving up ownership (and sometimes control) in your company. Giving another individual stake in your company ties you to that investor for the life of the company. It is very unlikely to recover equity in your company once you part with it, and this can create challenges for the founder(s).

Despite the potential challenges for the founders, entrepreneurs still beat down the doors of equity investors. The sheer volume of new startups – around 6 million new businesses are incorporated each year – drives the low percentage of founders who receive venture capital each year. With only around 3-4,000 deals done annually, it is simple supply and demand.

Very recently following the passage of the JOBS Act, the SEC lifted the ban on general solicitation for equity investment via crowdfunding platforms such as Fundable. This increases the opportunities for entrepreneurs to reach investors and improve their chance at funding through equity crowdfunds, and paved the way for an estimated $5 billion of investment in 2013.

Below is an infographic of the SEC General Solicitation Rules:

Conclusion

Funding for startups is available in all sorts of forms, and an entrepreneur would be wise to consider and evaluate all forms of capital available for each stage of the business. As the company grows and evolves, different forms of capital will make more sense and be available for that stage – moving from simple credit card debt and personal savings to more complicated sources like angel investors and commercial loans.

In general, if equity is available, most entrepreneurs jump at the opportunity. However, it isn't available to most entrepreneurs, and wasting a lot of time trying to attract investment at the wrong stage of your business will hurt in the long run. Bootstrapping and investigating debt options are often a founder's best bet initially – even if the thought of going into debt sounds scary and complicated.

When entering the funding landscape and trying to wrap your head around everything, be patient. Startup funding is a critical component to your business venture and is a big issue to tackle. Even experienced entrepreneurs haven't dealt with all the different types of capital in their careers. The key is understanding the different options available, and then very deliberately evaluating your options.

In the next chapter, we provide startup advice from successful and noteworthy entrepreneurs.

References

[1] http://www.entrepreneur.com/dbimages/article/where-startup-funding-really-comes-from-infographic.jpg

[2] http://venturebeat.com/2013/09/11/in-a-world-of-vcs-gopro-founder-still-believes-bootstrapping-is-best/

[3] https://s3.amazonaws.com/media.fundable.com/infographics/fundable-sec-lifts-

Startup Advice From Successful Entrepreneurs

The best advice often comes straight from the horse's mouth – from those who have been there and done that. Below we have compiled some of our favorite and most relevant startup quotes and advice from a bevy of successful entrepreneurs across several different industries.

On Getting Started

"Learn as much as you can about your industry immediately. Become an expert in that industry. Obviously, there are plenty of resources out there between your library and the Internet, but also try to find a mentor who directly answers your questions. Any information is always good information."[15]

Daymond John - Founder / Fubu

"A common mistake I see many startup founders making is they aren't solving a real problem. You should try to solve a real problem that people have or identify a much better way for people to do things than they've historically done before. That is often a good place to start…That's why the motto of Y Combinator is: 'Make something people want.' If you can do that, you're probably onto something."[8]

Alexis Ohanian - Founder / Reddit, Hipmunk, and Breadpig

"Having first mover advantage is over-rated. MySpace was a first mover. It's more important to have an idea BEST than have it FIRST. There is always room for disruption. Constantly better yourself to stay ahead of the game."[7]

Jack Dorsey - Founder of Twitter and Square / Twitter

"If you really want to earn you need to be in the top 3-4 in the company. Best to be a founder. Very few people can do this. It's a rare skill. Be realistic about your skills, background and ideas."[5]

Mark Suster - Partner / Upfront Ventures

"Pick a good market. The idea for approaching that market may change, but find a meaty problem to solve. You can try to attack it a bunch of different ways. Don't be too narrow."[3]

Caterina Fake - Founder / Flickr

"You have a viable business only if your product is either better or cheaper than the alternatives. If it's not one or the other, you might make some money at first, but it's not a sustainable business."[3]

Jim Koch - Founder / Samuel Adams

"Solve a real problem that creates real value in the world. Focus on the problem => solution => value => profit chain of events, and try to make a pass through this sequence sooner than later. Also, be strategic. Find a competitive advantage. At Dribbble, we stumbled into ours – we were just building a side project, but it was a site for designers, and Dan is a designer with lots of recognition and credibility. As a result, we attracted a great set of initial users who posted incredible work. Things snowballed from there."[2]

Rich Thornett - Co-Founder / Dribble

On Building

"The joy is in the getting there. The beginning years of starting your business, the camaraderie when you're in the pit together, are the best years of your life. So rather than being so focused on when you get big and powerful, if you can just get the juice out of that… don't miss it."

Barbara Corcoran - Investor / Corcoran Group

"Don't Drink Your Own Kool Aid – There is a hype curve in any company. Press, journalists, analysts, friends and family can reinforce the sense that you're "killing it." As Public Enemy says...Don't Believe the Hype. The only way to build a sustainable customer is to listen to customers, partners, suppliers and employees." [4]

Mark Suster - Founder/Investor / Upfront Ventures

"What is the simplest version of this app that can solve your problem? When you have the simplest version in mind, you build it, and put it out in the world and see what the response is. See what people are using it for, see what they're not, and start iterating. It's not easy, but it's doable and that's the really exciting thing."[8]

Alexis Ohanian - Founder / Reddit, Hipmunk, and Breadpig

"The key aspect for entrepreneurs today is either to identify extraordinary opportunities or go very fast and build as many possible barriers of entry as they can imagine."[13]

Ben Silbermann - Founder / Pinterest

"Never buy swag. A sure sign of failure for a startup is when someone sends me logo-embroidered polo shirts. If your people are at shows and in public, it's okay to buy for your own employees, but if you really think people are going to wear your branded polo when they're out and about, you are mistaken and have no idea how to spend your money."[14]

Mark Cuban - Investor / Dallas Mavericks

On Growth

"Dribbble is what I like to call a "boot up," or "organic startup" – a company that lives and breathes on revenue. […] For us, getting cash flowing in sooner than later was critical to give us resources to respond to the site's rapid growth. I think we erred in letting our traffic and operational concerns outstrip our business model, where simply maintaining what we had was preventing us from advancing our product."[2]

Rich Thornett - Co-Founder / Dribble

"What I learned from Rockefeller that's off-the-hook important is: You need to know exactly where you stand in a business at all times. Measure everything, because everything that is measured and watched improves."[3]

Bob Parsons - Founder / Go Daddy

"Don't measure too many things. People often become overwhelmed with a deluge of data because they're looking at 1,500 variables. And that can be paralyzing because you end up sitting there looking at your analytics program all day long as opposed to doing the more uncomfortable thing that you should be doing, like calling that big customer. And usually, the most uncomfortable thing to do is the one that people need to act on soonest."[9]

Tim Ferris - Author/Entrepreneur / 4-Hour Workweek

On Hiring

"As tempting as it may be to staff your new business with friends and relatives, this is likely to be a serious mistake. If they don't work out, asking them to leave will be very tough…One of your goals should be to find a manager who truly shares your vision, and to whom you can someday confidently hand the reins so that you can carry out the next step."[12]

Richard Branson - Founder / Virgin

"Over time I took to telling people the following, "Join BuildOnline because you think you'll get great experience. Join because you like the mission of what we're doing. Join because if you do a good job we'll help you punch above your weighclass and work in a more senior role. And if you ever feel that in the year ahead of you you don't think that you'll increase the value of your resume and you're not having fun then go. Join because we pay well but not amazing. Stock options are the icing on the cake. They'll never make you rich. Don't join for the options."[5]

Mark Suster - Founder/Investor / Upfront Ventures

On the Entrepreneurial Grind

"Something worth doing might take a while, so really flesh out the potential of the business and be honest about whether it's worth doing. If it's not a $100 million company in five years, maybe it'll take 10 or 15 years. If you're doing something that has a universal, timeless need, then you need to think of the company in a timeless way."[3]

Scott Heiferman - Founder / Meetup

"It's hard. And just when you think it can't get any worse, it does. There'll be times when it just keeps getting worse and worse and worse. Meanwhile, everyone else around you is getting better and happier and richer. You'll feel like the only one who hasn't figured it out yet. You're sinking, your life sucks, and your business isn't going anywhere. Oh yeah, and you're not getting any younger, either. And just when you think about finally throwing in the towel, and saying "f* all this!" that right there is the test that all founders are eventually faced with: when things get too hard, you decide to stay, or you decide to quit. My advice is this: Before you decide, look at all those great, successful businesses that inspired you to start your own. They stayed."

Ben Chestnut - Founder / Mail Chimp

"I think a simple rule of business is, if you do the things that are easier first, then you can actually make a lot of progress."[10]

Mark Zuckerberg - Founder / Facebook

Miscellaneous

"The desire to get press when a site/product goes live is flawed. 'News' is relative to when it is announced, not when it happened. Wait for it…" "To focus more on something you must focus less on something." "Time sorts most things out."[1]

Scott Belsky - Co-Founder / BeHance

"Don't be afraid to fail. My dad encouraged us to fail. Growing up, he would ask us what we failed at that week. If we didn't have something, he would be disappointed. It changed my mindset at an early age that failure is not the outcome, failure is not trying."[3]

Sara Blakely - Founder / Spanx

"You need space to try things and create. It takes a long time to recalibrate if you let people pull at you all the time. A lot of stress comes from reacting to stuff. You have to keep a certain guard [up], if you're a creative person."[3]

Pete Cashmore - Founder / Mashable

"Be true to yourself. If you follow that principle, a lot of decisions are actually pretty easy."[3]

Tony Hsieh - Founder / Zappos

"Learn public speaking. Of all the skills that an entrepreneur can have, I think the ability to convey an idea or opportunity, with confidence, eloquence and passion is the most universally useful skill. Whether you're pitching a group of investors, rallying your employees, selling a customer, recruiting talent, addressing customers, or doing a press tour, the ability to deliver a great talk is absolutely invaluable. And it is perhaps THE most under-recognized and under-nurtured skill."[6]

Tim Westergren - Founder / Pandora

References

[1] http://thenextweb.com/entrepreneur/2013/10/16/launch-new-startup-read-advice-successful-entrepreneurs-leaders/#!rF536

[2] http://venturebeat.com/2013/09/11/in-a-world-of-vcs-gopro-founder-still-believes-bootstrapping-is-best/

[3] http://www.entrepreneur.com/slideshow/223176#1

[4] http://www.bothsidesofthetable.com/2009/09/13/dont-drink-your-own-kool-aid-surviving-tc50/

[5] http://www.bothsidesofthetable.com/2009/11/04/is-it-time-for-you-to-earn-or-to-learn/
[6] http://www.businessinsider.com/startup-founders-give-life-advice-2013-7?op=1
[7] http://jeremywaite.tumblr.com/post/37108888684/jack-dorsey-advice-for-start-ups-and-twitters
[8] http://www.forbes.com/sites/alexkantrowitz/2013/09/30/five-tips-for-the-aspiring-startup-founder-from-reddit-co-founder-alexis-ohanian/
[9] http://37signals.com/svn/posts/2734-tim-ferriss-on-tolerable-mediocrity-false-idols-diversifying-your-identity-and-the-advice-he-gives-startups
[10] http://johngreathouse.com/8-startup-tips-mark-zuckerberg/
[11] http://doeswhat.com/2012/09/26/interview-with-ben-chestnut-mailchimp/
[12] http://www.entrepreneur.com/article/220743
[13] http://www.businessbecause.com/news/mba-entrepreneurs/2241/mba-entrepreneurs-how-to-overcome-startup-challenges
[14] http://www.entrepreneur.com/article/222524
[15] http://www.entrepreneur.com/blog/223409

Startup Checklist

Think you are ready to dive in and get started? Below we have prepared a basic startup checklist for the would-be entrepreneur. If you have all of the following steps in order, you are well on your way. If not, start by working through these steps and you'll be in a good position to start your venture.

- Incorporation. File your business with the state, either as a Sole Proprietorship, Partnership, LLC, C-Corp, or S-Corp. This provides you legal protection for your personal assets, as well as legitimacy as a legal business entity. Check out our [Startup Tools & Resources] for information and resources for the different types of incorporation. At this stage, outlining ownership stakes and pulling together a founding team is critical.

- Prepare your Elevator Pitch. Your short, 2-3 sentence description of your idea. You want a rehearsed synopsis of your startup to pitch whenever the opportunity arises.

- Executive Summary. Your abbreviated business plan. An executive summary is a more robust sales pitch for your business, distilling each key area of your business down into a paragraph or two to convey your business quickly.

- Pitch Deck. The modern version of a business plan. Typically a PowerPoint, Keynote, Prezi, or some other presentation software is used to prepare a group of slides that tell the story of your business.

- Online Bios. Publishing biographies for yourself and your management team online is important, as investors will reference your resume as much as they reference your business idea (remember: Many investors bet on the jockey, not the horse). By publishing these online via a dedicated site or LinkedIn, you do not take up valuable space within your executive summary.

- Website. A website will serve as a great landing page for your idea, as well as adding to the legitimacy and exposure for your business idea. Websites can be used to generate buzz and collect potential customers' contact information. Certain assets, such as bios, collateral, pitch decks and elevator pitches can be hosted on the website.

- Business Collateral. Getting together logos, business cards, color schemes, and other images for your business is incredibly helpful in facilitating potential customers in envisioning your product or service. Check out the [Startup Tools & Resources] for resources to build your collateral.

- Financial Documents. The basic financial documents expected of your business plan, including Revenue Projections, Operational Expenses, and Cash Flow Projections. While these are often difficult to estimate, they show potential investors that you have thought through the process, as well as giving your management team some benchmarks and goals to strive for.

- Business Plan. Full-length manifesto for your business. These have become less prevalent in the startup world, but having a thorough document that includes many of the above components certainly never hurt anyone, and can be a great asset if pursuing debt financing.

Startup Tools & Resources

Here we have compiled a comprehensive list of tools and resources for startups to take advantage of when taking their concept from idea to fruition.

Ad Promotion

Linkedin Ads
Facebook Ads
Google Ads

Analytics

Google Analytics
KISSmetrics
Mixpanel
Chartbeat
Clicky
GoSquared
Mint

CRM

Zoho
Batchbook

Customer service

Get Satisfaction

UserVoice

Email Marketing

Mail Chimp

Constant Contact

Emma

Mad Mimi

Event Management

Eventbrite

Meetup

BigTent

Finding and Posting Startup Jobs

AngelList

InternMatch

HireArt

Y Combinator Jobs

Keyword Search

SEMrush

Google Keywords

Landing Pages

Launchrock

Leadpages

Unbounce

KickoffLabs

Launch Effect

Personal Storage

Dropbox
Drive

Presentation

Prezi
Slideshare
YouTube
Haiku Deck
GoAnimate

Project Management

Asana
Basecamp
Trello
Podio
Redmine
PML

Social Media

Hootsuite
Buffer
Facebook
Twitter
Pinterest
Google+
LinkedIn
reddit
StumbleUpon
Instagram

Social/Sharing

Linksy.me
Facebook Like
Add This
ShareThis

Surveys

SurveyMonkey
Typeform
Qualtrics
Survey.io
Wufoo
Google Forms

Traffic Research

Compete
Alexa
Quantcast

Startup Costs

Business Cards
MOO Cards
Vistaprint

Design Resources

Adobe Kuler Color Wheel
Premium Pixels
Macromates
Sublime Text
WordMark

The Noun Project
ColourLovers

Outsourced Design

99 designs
Fiverr

Wireframes

Balsamiq
Mockingbird
Adobe Photoshop
http://iplotz.com

Domain Registration

Panabee
GoDaddy
.CO
register
iWantMyName
1 & 1
Nework Solutions
Namecheap

Legal

Corporate Structures
LegalZoom
Y Combinator Term Sheets
Docracy
Freshbooks
Foundr Equity Split Calculator

Website

SquareSpace
Wix
Tackk

Development Tools

Cloudmine
Visual Studio
Aptana
Chromium
Google Apps
GetFireBug
Get Postman
Rubular
Ruby Toolbox

Email Integration

Sendgrid

Hosting

Heroku
Github
Name.com
Bluehost
HostGator

More

Toolbox

Startup Incubators

Incubator	Country	City	Email Address
Appfrica Labs	Africa	Kampala, Uganda	info (at) appfrica.org
ATP Innovations	Australia	Eveleigh NSW	info (at) atp-innovations.com.au
Bootup Labs	Canada	Vancouver BC	No email address found
WUTIF	Canada	Vancouver BC	mike (at) volker.org
Thomvest	Canada & USA	Ontario & California	info (at) thomvest.com
Highland Capital Partners	China	Shanghai	info-china (at) hcp.com
CVCA	China	Beijing	susan (at) cvca.org.cn
Startup Bootcamp	Denmark	Copenhagen	info (at) startupbootcamp.dk
Via Venture Partners	Denmark & Sweden	Hellerup & Stockholm	info (at) viaventurepartners.com
Inventure	Finland	Helsinki	firstname.lastname (at) inventure.fi
iSource	France	Paris	info (at) isourcegestion.fr
HackFwd	Germany	Hamburg	No email address found
Hasso Plattner	Germany	Potsdam	info (at) hp-ventures.com

Ventures			
Acton Capital Partners	Germany	Munich	info (at) actoncapital.de
New Commercial Room	Germany	Hamburg	info (at) necoro.de
The Morpheus	India	Virtual	neo (at) themorpheus (dot) com
TLabs	India	Delhi/NCR	tlabs (at) indiatimes (dot) co (dot) in
Seedfund	India	Delhi	info (at) seedfund.in
Aavishkaar	India	Mumbai	info (at) aavishkaar.org
Clearsone VP	India & USA	Mumbai & California	info (at) clearstone.com
JAL Ventures Ltd.	Israel	Tel Aviv	taljal (at) gmail.com
Cedar Fund	Israel	Herzelia	info (at) cedarfund.com
MVCA	Malaysia	Kuala Lumpur	info (at) mvca.org.my
Technoport	Luxembourg	Esch-sur-Alzette	incubator (at) technoport.lu
The IceHouse	New Zealand	Auckland	startup (at) theicehouse.co.nz
Sparkbox	New Zealand	Auckland	info (at) sparkbox.co.nz
PhiLabs	Philippines	Bonifacio Global City Taguig	info (at) phiLabs.ph

Seed Accelerator	Singapore	Sydney	info (at) seedaccelerator.com
Azione Capital	Singapore	22, Dickinson Road	startup (at) azionecapital.com
Business Booster	Spain	Valencia	info (at) bbooster.org
Seedcamp	UK	London	info (at) seedcamp.com
Eden Ventures	UK	Bath & London	info (at) edenventures.co.uk
Fizzback	UK	London	info (at) fizzback.com
Advantage Business Angels	UK	Birmingham	sirbernardz (at) abangels.com
Walnut Venture Associates	UK	New England	info (at) walnutventures.com
Index Ventures	UK	London & Geneva	alex (at) indexventures.com
Bestport Ventures	UK	London	dgammie (at) bestport.co.uk
PhaseNet	USA	Alpharetta, Georgia	Inquiries (at) PhaseNet.com
Shotput Ventures	USA	Atlanta, Georgia	info (at) shotputventures.com
Capital Factory	USA	Austin, Texas	No email address found
G51	USA	Austin, Texas	info (at) g51.com
The Funded Founder Ins.	USA	Bay Area, California	No email address found
Bonaventure Capital	USA	Birmingham,	breiser (at)

		Alabama	bonaventurecapital.net
Day One Ventures	USA	Blacksburg, Virginia	lindsey (at) dayoneventures.com
SproutBox	USA	Bloomington, Indiana	No email address found
Obsidian Launch	USA	Boonton New Jersey	info (at) obsidianlaunch.com
Launchpad Venture Group	USA	Boston	manager (at) launchpadventuregroup.com
Osborn Capital LLC	USA	Boston & Florida	info (at) osborncapital.com
Start @ Spark	USA	Boston Massachusetts	No email address found
On Startups	USA	Boston Massachusetts	No email address found
Solstice Capital	USA	Boston, Massachusetts	No email address found
MTI	USA	Boston, Watford & Manchester	headoffice (at) mtifirms.com
Foundry Group	USA	Boulder Colorado	seth (at) foundrygroup.com
Navigator Tech. Ventures	USA	Cambridge, Massachusetts	alain (at) ntven.com
BlueStar Ventures	USA	Chicago,	pat (at)

		Illinois	bluestarventures.com
iSherpa Capital	USA	Colorado	info (at) isherpa.com
10xelerator	USA	Columbus, Ohio	No email address found
Cloyses Partners	USA	Denver Colorado	dcorsaut (at) cloyses.com
NextStart	USA	Greenville, South Carolina	No email address found
KB Partners	USA	Highland Park, Illinois	keith (at) kbpartners.com
Sternhill Partners	USA	Houston, Texas	bob.stearns (at) sternhillpartners.com
Island Connections	USA	Las Vegas, Nevada	funding (at) islandconnections.com
Stage One Partners	USA	Los Gatos, California	info (at) stageonepartners.com
Floodgate	USA	Menlo Park, California	businessplans (at) maples.net
Sherpalo	USA	Menlo Park, California	info (at) sherpalo.com
Selby Ventures	USA	Menlo Park, California	bob (at) selbyventures.com
Benchmark Capital	USA	Menlo Park, California	press (at) benchmark.com

Diamond Head Ventures	USA	Menlo Park, California	No email address found
Next Venture Partners	USA	Miami Lakes, Florida	Info (at) NextVenturePartners.com
Ycombinator	USA	Mountain view, California	info (at) ycombinator.com
Geo Capital	USA	New Jersey	annbrowne (at) geocapital.com
NYC Seed	USA	New York City	apply (at) nycseed.com
Beta Works	USA	New York City	jessica (at) betaworks.com
Village Ventures	USA	New York City	info (at) villageventures.com
Iridesco Ventures	USA	New York City	ventures (at) iridesco.com
Union Square Ventures	USA	New York City	info (at) unionsquareventures.com
Greenhills Ventures LLC	USA	New York City	contact (at) greenhillsventures.com
Wall Street Venture Capital	USA	New York City	wallstreetventurecapital (at) yahoo.com
Pareto Partners	USA	New York City	info (at) pareto-partners.com
TomorrowInnovations	USA	Palo Alto, California	No email address found
Garage	USA	Palo Alto, California	summary (at) garage.com

Labrador Ventures	USA	Palo Alto, California	businessplans (at) labrador.com
K9 Ventures	USA	Palo Alto, California	admin (at) k9ventures.com
Alloy Ventures	USA	Palo Alto, California	info (at) alloyventures.com
DreamIt Ventures	USA	Philadelphia, Pennsylvania	info (at) dreamitventures.com
P.I.E. (Portland Incubator Experiment)	USA	Portland	info (at) piepdx.com
Portland Seed Fund	USA	Portland	info (at) portlandseedfund.com/
Cambridge West Ventures	USA	Redwood City, California	info (at) cambridgewestventures.com
Woodside Fund	USA	Redwood Shores, California	info (at) woodsidefund.com
NextGen Capital LLC	USA	Reston, Virginia	zim (at) nextgencapital.com
Lucid Ventures	USA	San Francisco	contact (at) lucidventures.com
Sparkseed	USA	San Francisco, California	victor (at) sparkseed.org
Venture Hacks	USA	San Francisco, California	founders (at) venturehacks.com

Hummer Winblad Venture	USA	San Francisco, California	jhummer (at) humwin.com
Catamount Ventures	USA	San Francisco, California	info (at) catamountventures.com
Fledge	USA	Seattle, Washington	info (at) fledge.co
Founder's Co-op	USA	Seattle	No email address found
Spangler Ventures	USA	Seattle Washington	info (at) spanglergroup.net
Spangler Ventures	USA	Seattle Washington	info (at) spanglergroup.net
Surf Incubator	USA	Seattle	none
AHVP	USA	Seattle, Washington	ahvp (at) ahvp.com
Rocket Ventures	USA	Toledo, Ohio	No email address found
KTEC	USA	Topeka, Kansas	info (at) ktec.com
Race Point Capital Group LLC	USA	Waltham Massachusetts	info (at) racepointcapital.com
OVP	USA	Washington & Oregon	info (at) ovp.com
LaunchBox Digital	USA	Washington D.C.	theteam (at) launchboxdigital.com
Trilos	USA	Washington D.C.	bplan (at) trilos.com

SeventySix Capital	USA	West Conshohocken, PA	info (at) seventysixcapital.com
Wichita Technology Corp.	USA	Wichita, Kansas	wtc (at) wichitatechnology.com
Umpqua Business Center	USA	Roseburg, Oregon	info (at) umpquabusiness.com
Accelerate Cambridge	UK	Cambridge	accelerate (at) jbs.cam.ac.uk

STARTUP FAQ

What type of incorporation should I use for my business?

There's no one-size fits all answer here. It is important to understand all structures available, and choose the best structure for your business. When raising capital, investors will typically prefer a C-Corporation structure. You can read about the different types in our Startup Tools & Resources to make the right choice for your company.

How do I incorporate?

To form a legal entity, you would typically want to work with an experienced lawyer and then file with whatever state you plan to operate from. Other tools and websites are also available, and can be found in our Startup Tools & Resources.

How should my co-founders and I split up the company equity?

This is another question that needs to be answered on a case-by-case basis. While we cannot give you any hard and fast rules as to how your company should split equity, it is generally not advisable to make an even 50/50 split, as it can lead to a lack of control and motivation. Have an honest, open discussion and don't be selfish.

This conversation needs to be held early, and put into writing. Once you've had this hard conversation, you can focus on the task at hand: starting a company. You can find an equity split calculator in our Startup Tools & Resources. We also recommend reading the following article:

The only wrong answer is 50/50: Calculating the co-founder equity split

How do you know when you're ready to go full-time with your venture?

This is a tough question for any founder. Many startups are started on the side as a part-time project on nights and weekends. Inevitably, the time commitment will grow as you start to find success.

When determining whether to go full-time, it's a personal decision that will involve a fair to high amount of risk. How confident are you in your business? How hard are you willing to work? How big of an appetite for risk do you have? What exactly is that risk? Do you have a family to support? If you start this business, how much runway do you have to start making revenue?

We strongly recommend considering all the above questions. In addition, take some time to create an honest assessment of your "worst-case scenario." If things completely tank, where are you now? Is this worst-case that bad? Many founders will find that the pain of wondering, "What if?" is more severe than their potential worst-case scenario.

How do I protect my idea?

You can file for patents, trademarks, and copyrights. If you have something propriety about your company, you should consider filing for a patent to temporarily protect your business in its infancy to get it up and running.

Should I ask investors or others to sign NDAs before I share my idea with them?

No. Investors will have no interest in signing a non-disclosure agreement, and neither will most individuals. The reason being, if you ask someone to sign a contract agreeing not to speak about your idea, they will need to be consciously aware of that agreement for the length of the contract. That is often far more work than it is worth to hear your idea in most peoples' minds. Click here to read our article, Why Investors Don't Sign NDA's.

In reality, people aren't out to steal ideas. They are busy and have their own lives as well, and likely would not be willing or interested to drop everything and try to steal your idea. And even if they were interested in doing so, you should have a few steps on them by that time. Read 'Why Investors Don't Sign NDA's' for more information.

What is the ideal team size?

Founding teams tend to be 2-3 people, ideally with at least one technical cofounder. Having many more founders will get distracting and slow things down.

Should I raise money?

Depends. If you know that you need capital to take your idea to the next level, then it may be time to consider raising money. If you are trying to raise capital to pay the founders or to hire on a sales guy, then probably not.

It's good practice to keep expenses low and avoid raising money for as long as possible, but you will want to begin looking for capital when you are down to 12-18 months of runway. When you decide its time to begin raising money, you will want to start talking to investors early. The cycle of raising capital often takes longer than entrepreneurs think.

How do I know if my idea is good?

Talk to your customers. Are you making sales? Are those customers happy with the value you are providing? This ties back to Traction and Validation. If you have a validated concept and are building traction, odds are that your idea has some legs.

How do I find a co-founder?

It's hard. Many founders are people who have been friends for some time, or went to school together. You can also look in common interest groups and meetups for a founder, or ask your friends for introductions. There is no "co-founder store" or place to go to just find a co-founder, but if you talk to people, put yourself and your idea out there and show passion, you will find someone.

How much should I pay myself?

As little as you can to get by. Your startups resources are precious and likely to be slim. You want to squeeze as much value out of them as possible, and that means taking a personal pay cut. Investors who have given you capital to work on your idea also don't want to see you handle their money irresponsibly by taking an unreasonable share.

That said, investors also recognize that the best opportunity for the business to succeed and for them to make a return on investment, you need to be committed to the business. That means you do need to pay yourself enough money to survive and work on the business without taking on the distraction of other jobs and responsibilities.

What incubator should I apply to?

There are tons of incubators sprouting up around the world. We can't tell you which incubator is best for you, because a huge part of the incubation process is mentoring. You should find the incubator that offers the best mentors for your startup's industry and try to get in there. Location also plays a large part in the decision process.

For information on incubators, check out our list in our Startup Tools & Resources. It's not exhaustive, but it's close.

What's Next?

Ready to start your company and change the world? Click here to get your company started or email us at info@Fundable.com if you'd like some assistance along the way.