



Raising Pre-Seed Capital: Getting Started on Finding the Right Investment

- Are you in the early stages of your startup venture?
- Do you have a fantastic idea, cutting-edge technology, a preliminary business plan, the right team, and a lot of ambition?
- Are you ready to operationalize your strategy?

Awesome! Now it's time to start thinking about fundraising the needed capital.

Raising capital throughout the entrepreneurial journey is one of the many critical factors contributing to a startup's success. Raising funds is a reflection of the market potential and scalability. It's valuable to develop the knowledge and skills necessary to raise capital and find the right investors.

Here, we'll focus exclusively on tools and tips for raising capital for the pre-seed stage. Pre-seed funding means raising the initial capital required to begin operations, test your MVP, value proposition, and business model.

Sources of Pre-seed Funding

Personal Finances

The majority of startups begin by using personal credit/funds. Yes, it can be risky, but it allows for complete control of the business. This method is called bootstrapping, which means launching your business with little to no outside funding. The funding will only cover the essentials for starting the business.

Friends & Family

Think about your project's #1 fans and supporters who want to see you succeed.

Crowdfunding

Crowdfunding is a way to raise money in exchange for equity, rewards, debt, or nothing at all. Many startups have successfully raised millions of dollars this way. Some of the top sites include Kickstarter, Indiegogo, GoFundMe, and Fundable.

Accelerators & Incubators

Applying and participating in early-stage accelerators provide several benefits, such as mentorship, resources, and even funding in some cases.

Angel Investors

Some private investors make initial investments, often with the expectation of making a high ROI, and may play a larger role in the startup.

Micro-venture Funds

Some VCs are providing pre-seed funding for smaller projects. Search Crunchbase to identify micro-venture funds. If you are a serial entrepreneur, the chances are that investors will not hesitate to invest even in an early stage.

Corporations

Corporations, such as Google, FedEx, SAP & Amazon, offer seed funding for promising startups, either through incubation programs or CVCs.

Business & Government Grants

Startups aligned with national or local government interests can harness available funds through innovation grants and other sources (e.g., EU Startup Services, the Israel Innovation Authority, etc.).

Identifying the Right Type of Investor

As you identify your prospective early-stage investors, seek out the people who are relevant and fit the mission, values, and vision of your startup. Consider using the following types of individuals as potential investors:

- + Friends and family who believe in you, your endeavor, and have the resources to invest.
- + Individuals interested in your technology, product, service and have expertise in your field or sector.
- + Individuals who appreciate your background (industry experience, IDF experience, education, etc.) and the type of entrepreneur you are.
- + Individuals who have an added value in your target market (geographically or industry-wise).
- + Individuals who are geographically located near you and can support your day-to-day endeavors.

Questions to Ask Your Pre-seed Investor:

- How hands-on would you like to be in this startup?
- What advice or network connections might you suggest?
- Do you have expectations of ROI?
- Do you have a set of expectations regarding your equity allocation?

Managing the Process - The Must Do's

Logically organize your approach and flow to maximize your investment opportunities.

- + From the potential funding sources, select between 3-4 promising avenues to pursue.
- + Set up a project management software such as Airtable, Monday.com, or another CRM platform to keep track of opportunities (individuals and companies).
- + Research your competitors and see who invested in them.
- + Once you identify prospective investors, select an individual who can do the first introduction to the person or company.
- + Make sure to refine your pitch deck presentation to share with potential investors! Keep it to 5-8 slides focusing on your vision, product, technology, business plan, and how you will use the proceeds.

Want to learn more? Check out these useful resources:

- Crunchbase: Solutions to Find Investors
- Fundable: Learning Center
- The Startup Garage: Beginner's Guide to Raising Capital

Are you Seeking 1-on-1 guidance?

Contact Gali for coaching and consultation on your startup investment journey!
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