

Early stage companies need money and customers

Five years ago **Paul Graham observed that the total cost to get a tech startup started** had dropped dramatically and will continue to do so.

So the prediction about the future of web startups is pretty straightforward: there will be a lot of them. When starting a startup was expensive, you had to get the permission of investors to do it. Now the only threshold is courage. – Paul Graham, 2007

There is a lot of attention around getting young people money but does that help them ?

They also need customers, mentorship that helps them get customers, and a network of peers.

Know thy stage

The problem with comparing funding deal levels is that it ignores the stage the company is in relative to the stage of US startups raising money for the first time. The **Startup Genome report 01 and the Startup Genome Compass** offers startups an excellent way to measure themselves against a benchmark of over 3,000 startups. In the report there is a table (shown below) that gives you some overall averages for all startups.

Overview of Results:

	Avg. Months Working	Avg. Funding Raised	Avg. Number of Employees	Avg. % User Growth in last month	Top Competitive Advantages	Top Challenges
1. Discovery	7	\$227,000	1	6%	IP Technology	Customer Acquisition Over capacity
2. Validation	11	\$800,000	4	21%	Partners Insider Info	Customer Acquisition Product Market Fit Problem Solution Fit
3. Efficiency	17	\$900,000	4	29%	Traction IP Insider Info	Customer Acquisition Team building Fundraising
4. Scale	25	\$3,000,000	17	43%	IP Traction Technology	Customer Acquisition Team Building

From the Startup Genome Report 01.

What happens before the discovery phase:

§ Talk of raising money is used to pull in a large group of talent.

§ Focus is not on customers, it is on technology or raising money.

§ There is little help by way of mentorship that takes the time to understand the dynamic of the group.

§ Mentors focus on finding a way to get them money so they can work full time.

What founders need to do:

§ Define the problem.

§ Find out what people are looking for.

§ What else do they need in a system?

§ Determine what they might pay for it by getting them to pay for it and talking to our customers.

§ Measure, iterate, repeat.

Startups need to focus more on customer acquisition and growth

There are so many business plan and pitch competitions one could make a career out of attending them. This gives a false sense of success because the 'winner' is determined on a lot of factors except their ability to actually get customers. The game becomes about (and has been it feels like) how to put together a report on an idea (business plan) and present in a way that makes you look confident. The game is really about getting lots of people to give you their money because you provide value to them. What makes you better than others is that you are chasing a much bigger problem that will provide value to a full percentage of the world's population. Bonus points if you change the world.