



DocSend Startup Index:

**The Pre-Seed Round Defined:**

# How to Succeed as an Early-Stage Startup

# The Rules of Engagement for Pre-Seed Startups

Emerging as a funding round in [2014](#), pre-seed is now the gateway to becoming a venture-backed company. This shift [was powered](#) by the idea that in order to have access to startups at later-stage rounds, VCs need to get an earlier stake, even if the company doesn't have a prototype or developed product. In the past couple of years, venture capital firms have established funds to invest in pre-seed companies and gain earlier access to the best investment opportunities and better positions on later-stage rounds.

To date, information and trends around the pre-seed round of investment have been mostly anecdotal and the process has been relatively opaque. But now for the first time, the DocSend Startup Index, a unique set of data on startups at different stages, is de-mystifying what it means to be a pre-seed startup. DocSend studied the fundraising process of 174 startups at the pre-seed stage in 2019 and analyzed data to understand which pre-seed startups were successful in fundraising and why.

The data shows that the parameters for a pre-seed company and its progress as a startup are formalizing. At first, for a pre-seed round, pre-product or even “pre-idea” was acceptable. To get funding at this stage, a well thought-out deck was enough.

But the expectations for startups fundraising in pre-seed rounds — from product readiness, to business model, to the number of founders — are shifting. And with shifting expectations come new rules of engagement for successful fundraising at the pre-seed stage.

The pre-seed report of the DocSend Startup Index is the first in a series of reports providing important insights on startups and fundraising progress at different stages of a startup's journey, from pre-seed, to seed, to series A and beyond.



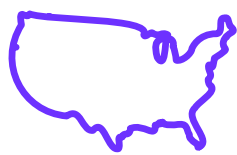
# The Sophistication of Pre-Seed

The emergence of the pre-seed round over the past five years has changed both the VC and startup landscapes indelibly. Institutional investors are moving downstream, and they're bringing their investment profiles with them. Unlike in 2015 when your team and financials were of the most interest to investors, we've seen a distinct shift in where VCs show interest in early-stage companies. But while the expectation of VCs has risen for early-stage companies, the check sizes are still fairly small.

According to our index, the average amount raised in the U.S. during a pre-seed round sits just above \$500,000, while the worldwide average amount hovers just above \$415,000.

Our analysis shows that investors expect pre-seed companies to not only have a clear product that's in or close to being in market, but they also expect a clear plan to monetize the business. Additionally, investors spend nearly 50 percent more time on the product slides in successful pitch decks and over 18 percent longer on the business model in unsuccessful pitch decks. This tells us that confusing or hard-to-understand monetization strategies can be detrimental.

Avg seed funding 2019

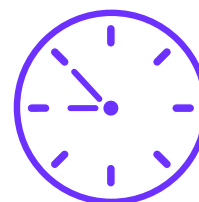


**US:** \$500,188



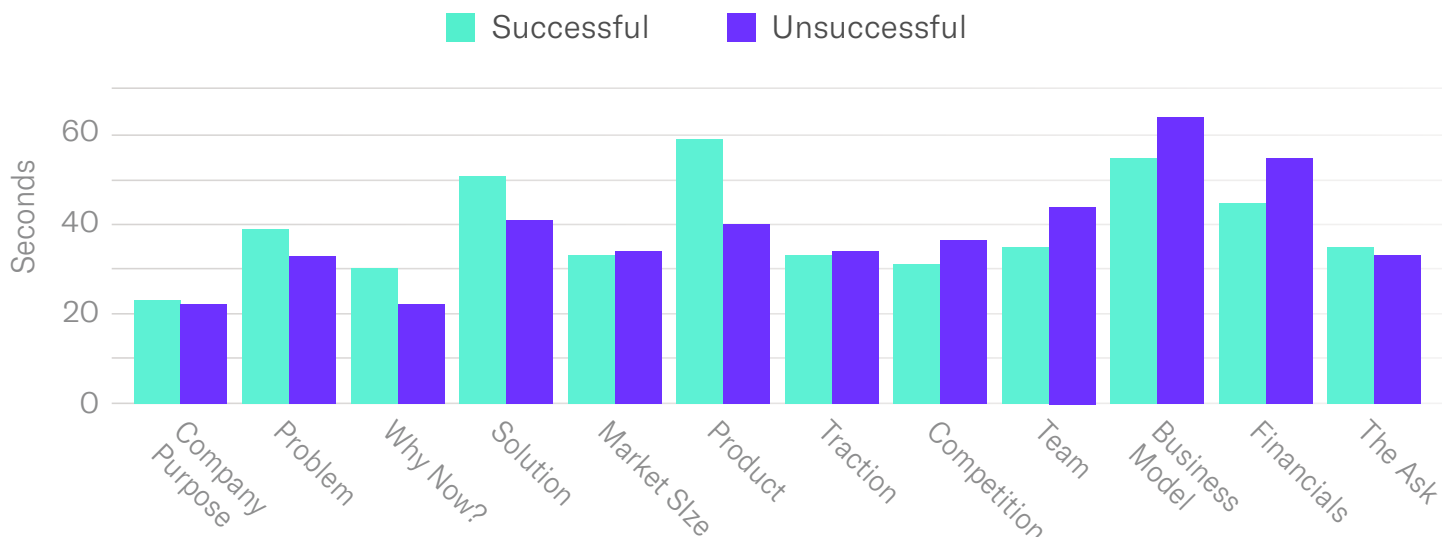
**ROW:** \$416,127

Avg time on deck



**3:21** Time in minutes a potential investor will spend on your deck

## Time spent: Successful decks vs. failed decks

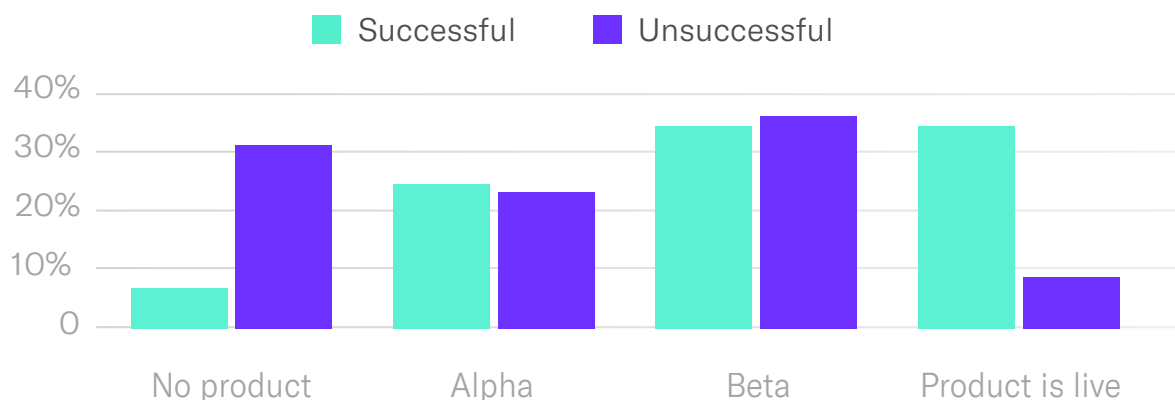


# The Sophistication of Pre-Seed (cont'd)

Our analysis reveals a shift in the level of readiness required by institutional investment in order to receive pre-seed funding. Companies can no longer get funded using just an MVPP (minimum viable PowerPoint). Investors are no longer funding ideas and are instead rewarding companies that have entered the market.

According to an analysis of successful and unsuccessful pitch decks, 92 percent of companies with successful pitch decks had either an alpha, beta, or shipping product, where only 68 percent of companies with unsuccessful pitch decks presented the same type of product readiness.

## Stage of product development: MVP vs. MVPP



With the added sophistication expected in this round comes added costs. While friends and family and angel

rounds tend to carry low equity and no closing costs, there are higher costs associated with institutional investments.

### Equity costs



**10%**

equity for investment



**10%**

in employee options pool

### Avg closing costs



**\$100-\$3000**

if using SAFE notes



**\$10k+**

to close funding

An additional **3.5 weeks** from close to having money in the bank

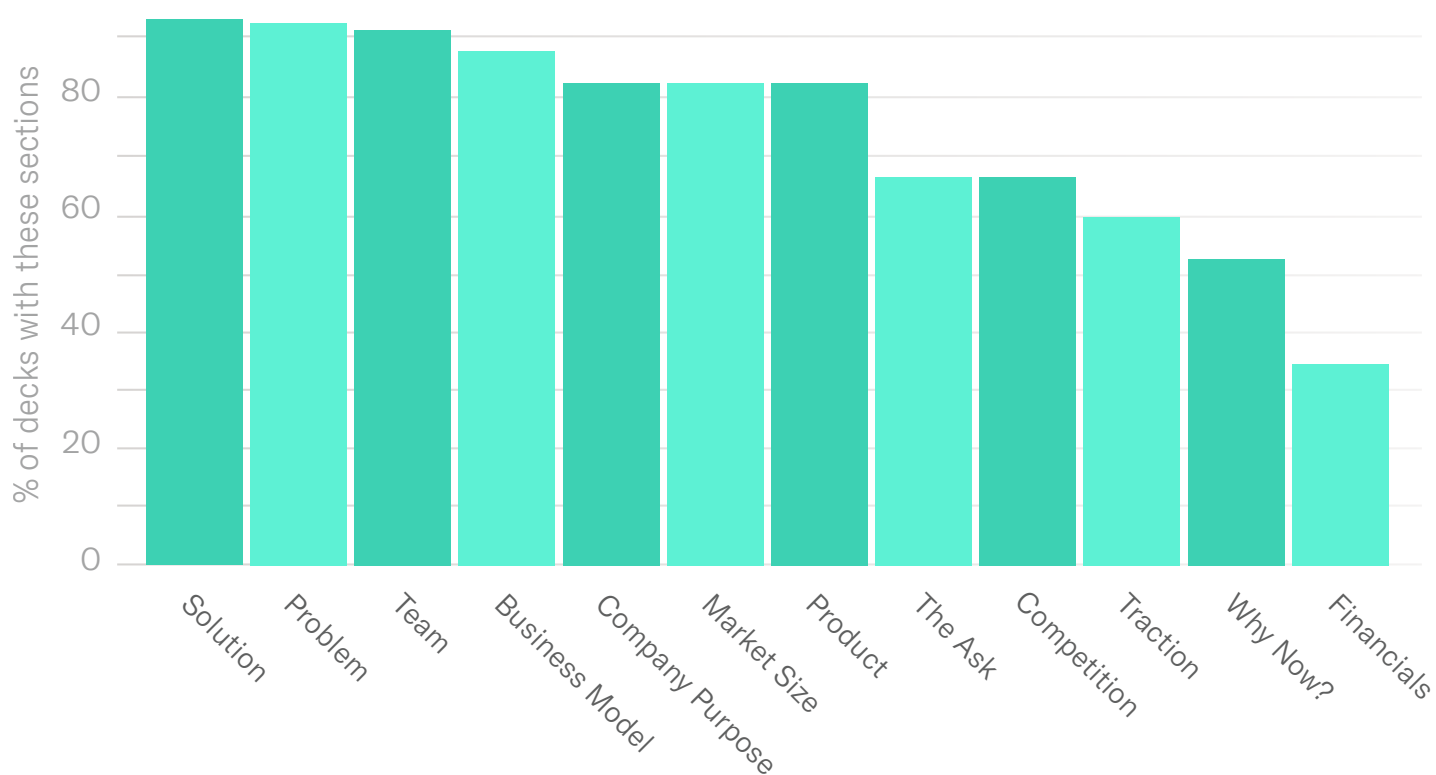
# Meeting a VC's Expectations

With VC expectations growing more rigorous, are the founders keeping up? Our analysis found that an investors expect the same type of pitch decks they have in previous years and for later rounds, but they're spending less time consuming them. According to the pre-seed analysis, the narrative and the order of the story makes a big difference in successful vs. unsuccessful decks. Potential investors also expect the founders to be clear about why now is the right time to invest.

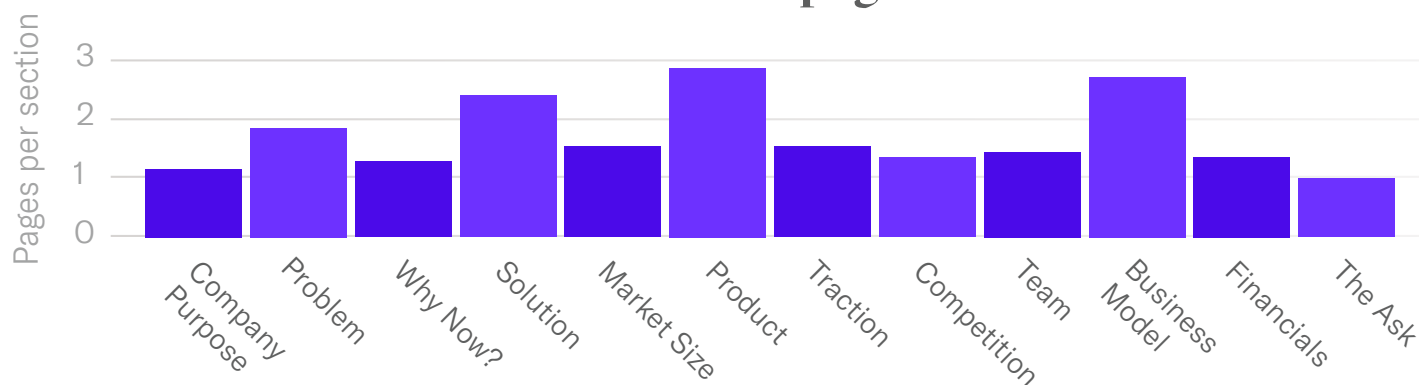
Our analysis also found that raising a pre-seed round takes much longer, and founders have to pitch more investors than what our 2015 DocSend Fundraising Report had previously shown.

The data also shows that founder decks are far more differentiated than in previous years, with no one section appearing in every deck:

## Successful seed deck sections...



## ...with successful order and pages on each section.



# Meeting a VC's Expectations (cont'd)

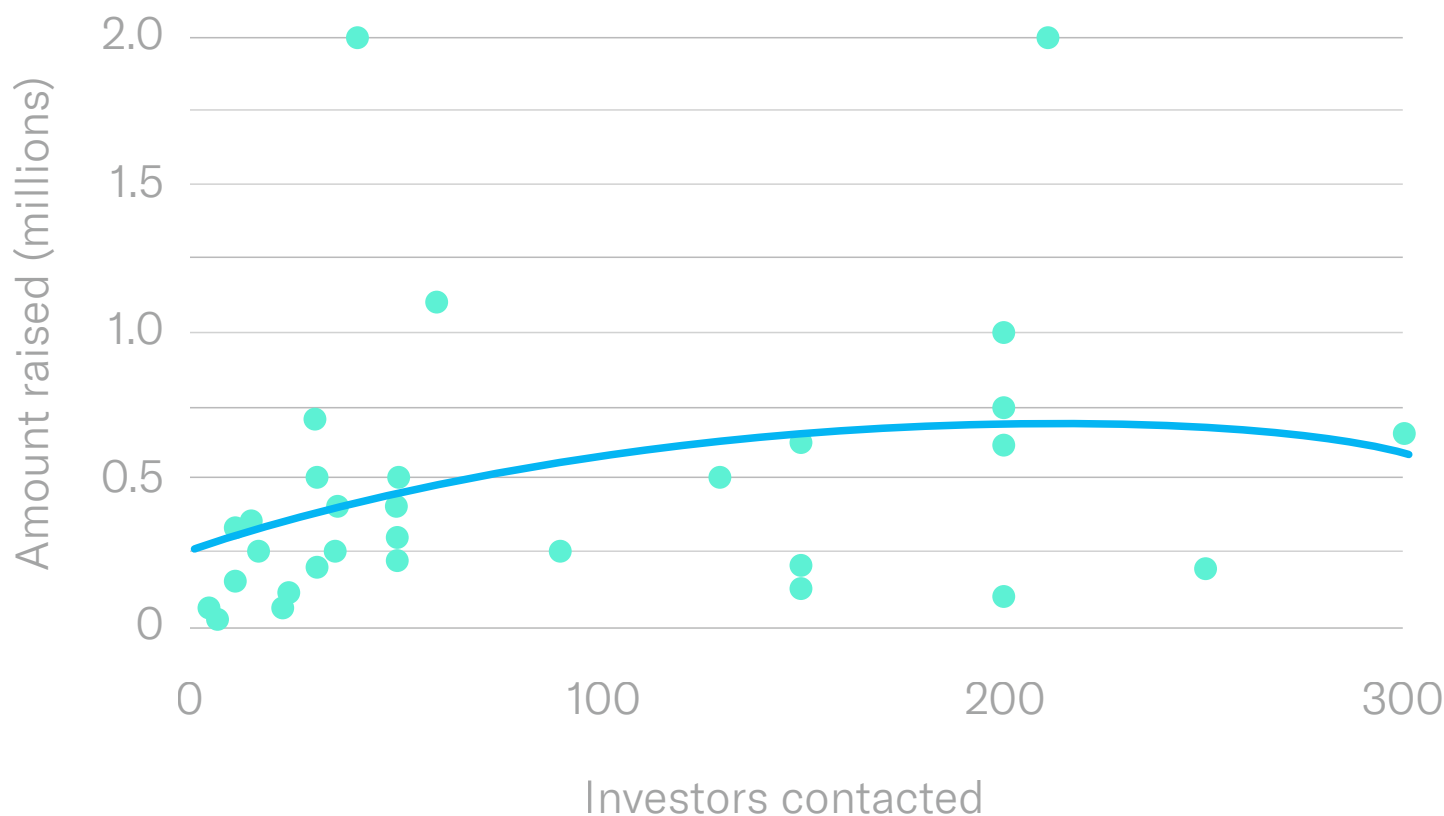
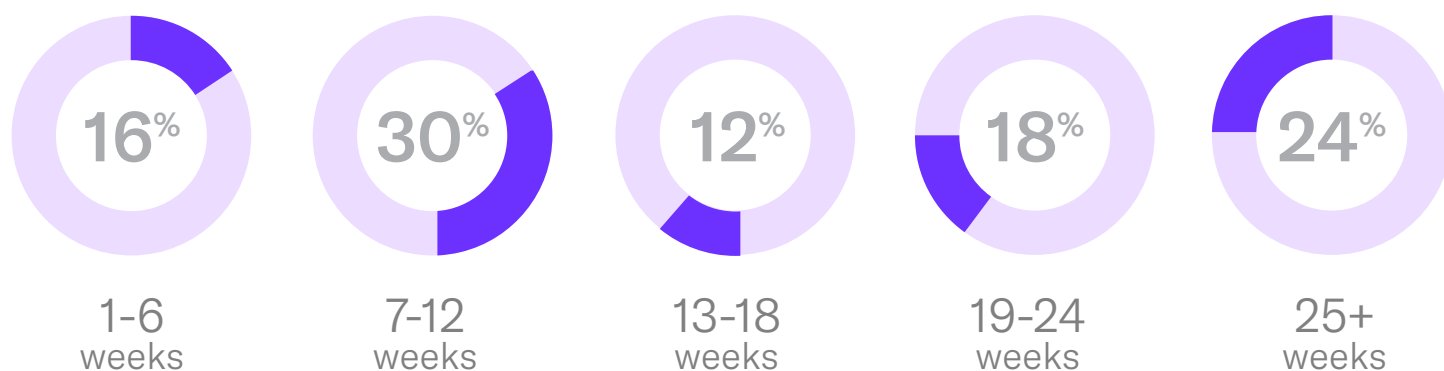
## Quality vs. quantity

After a certain point, contacting more investors and having more meetings doesn't yield better results for fundraising.

When it comes to engaging in fundraising efforts, the amount of time it takes successful companies to complete their fundraising can be a sign of whether it is time to keep requesting meetings or to go back and reevaluate

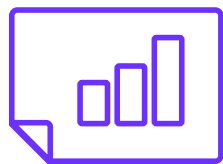
their pitch deck and strategy. The data is also a reminder to founders to pace yourself. Fundraising takes time, so work smarter, not harder. And don't cause burnout for yourself or your team in the process.

## How long does a PreSeed round take?



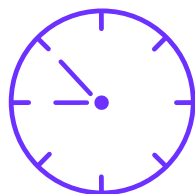
## Meeting a VC's Expectations (cont'd)

### Stats from an average pre-seed raise



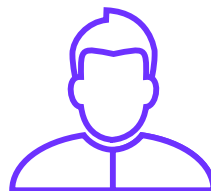
**20**

Avg. deck length  
in pages



**3:21**

Avg. read time  
in minutes



**54**

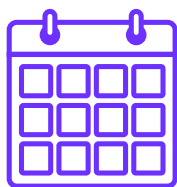
Avg. investors  
contacted



**26**

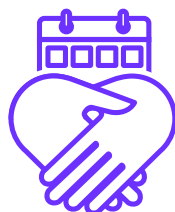
Avg. investor  
meetings

### Average times spent on decks



**20.5**

average fundraising time



**32%**

of pre-seed companies that are  
successful in fundraising will  
have completed their fundraising  
in **10 weeks**.



**51%**

of pre-seed companies that are  
successful in fundraising will  
take longer than **16 weeks** to  
complete their fundraising.

# Who are the Founders Benefiting from VC Funding?

Our data shows that the VC investment profile benefits a very specific type of founder and company. From the size of the founding team, to founding team age, to the location of the company, institutional investors showed a clear bias when offering term sheets. By raising the expectations for what a pre-seed company must accomplish before receiving an investment, the system rewards founders from the West Coast who work in teams of 2-3 and who

most likely have the resources to devote to their company through successful friends and family investment rounds.

## Team numbers matter:

Investors still prefer teams of 2-3 founders, though our data shows that being a solo founder is preferable to having too many founders.

## Meetings and amount raised by number of founding team members

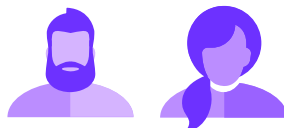


**\$273,443**

Avg amount raised

**33.92**

Avg meetings



**\$464,429**

Avg amount raised

**37.53**

Avg meetings

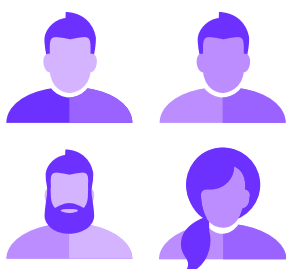


**\$511,522**

Avg amount raised

**26.61**

Avg meetings

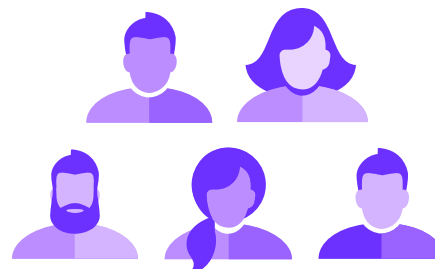


**\$227,142**

Avg amount raised

**22.29**

Avg meetings



**\$195,085**

Avg amount raised

**19.43**

Avg meetings

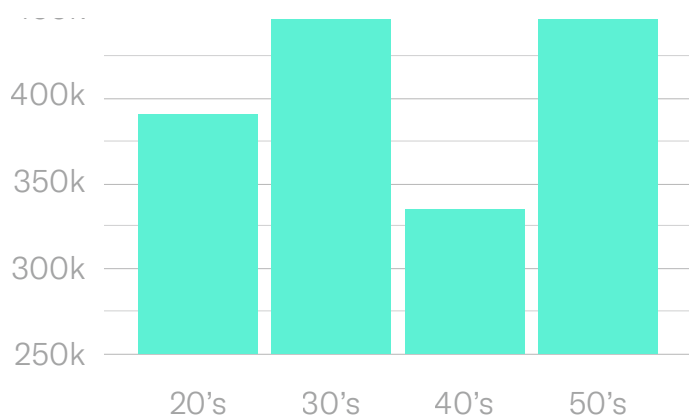


# Who are the Founders Benefiting from VC Funding?

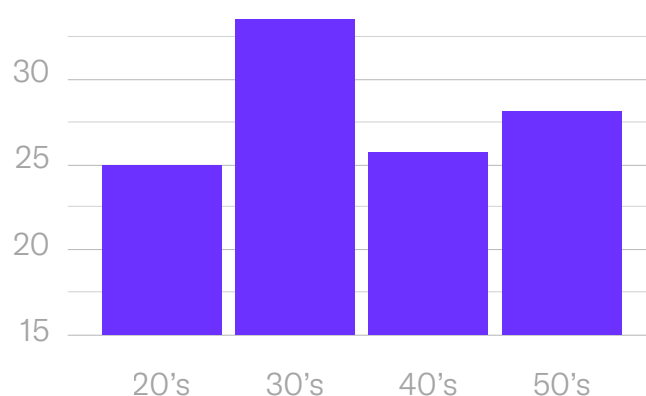
According to our data, the location and size of a founding team are not the only variables at play when raising funds. The data shows that gender and age both show a significant correlation to how much capital you can raise. Teams with an average age in their 30s were able to secure the most meetings, though they were outpaced by teams in their 50s when it came to raising capital. Teams

in their 50s were able to raise the most money with the least meetings and with the least amount of time spent reading their decks. If those teams were male or included both males and females on the founding team, they were able to raise 40-57 percent more than founding teams who were entirely female.

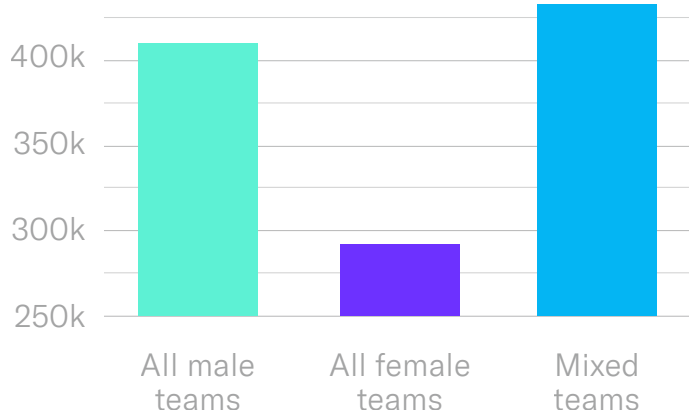
## Avg amount raised by age



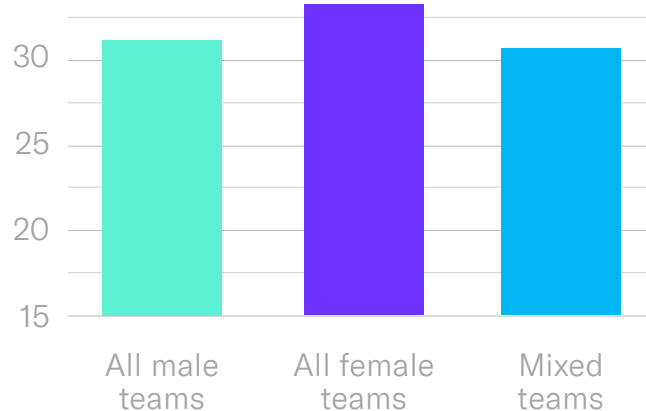
## Avg investor meetings by age



## Avg amount raised by gender



## Avg investor meetings by gender

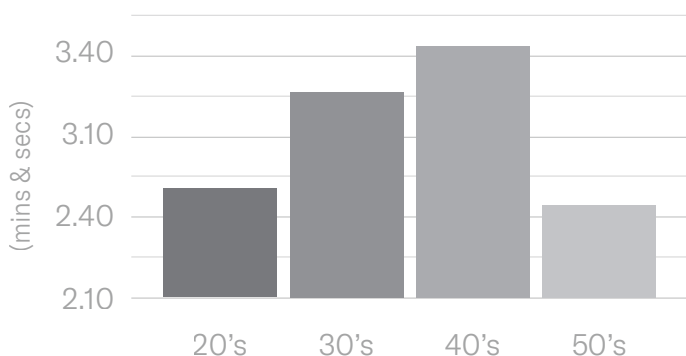


# Who are the Founders Benefiting from VC Funding? (cont'd)

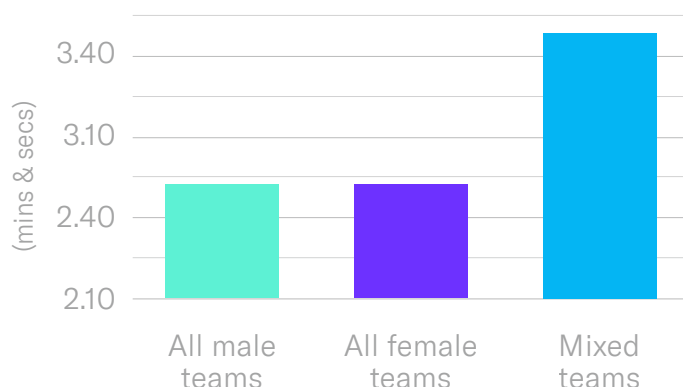
Based on our previous analysis, more time spent on a pitch deck isn't necessarily a good thing. In fact, unsuccessful pitch decks consistently had a longer average than successful pitch decks, 3:30 versus 3:21. But those trends don't always hold when we dig into the team demographics. Teams in their 40s had the most time spent on their decks, and as we would expect, they were able to raise the least. However, teams in their 30s

clocked in just near the average, and they were able to raise on average over \$450k. While teams with both male and female founders raised the most on average, they also had the most time spent on their decks. We also found that regardless of time spent on their decks, amount of investors contacted, or the number of meetings they had, no all-female team in our data set was able to surpass \$800k in pre-seed funding.

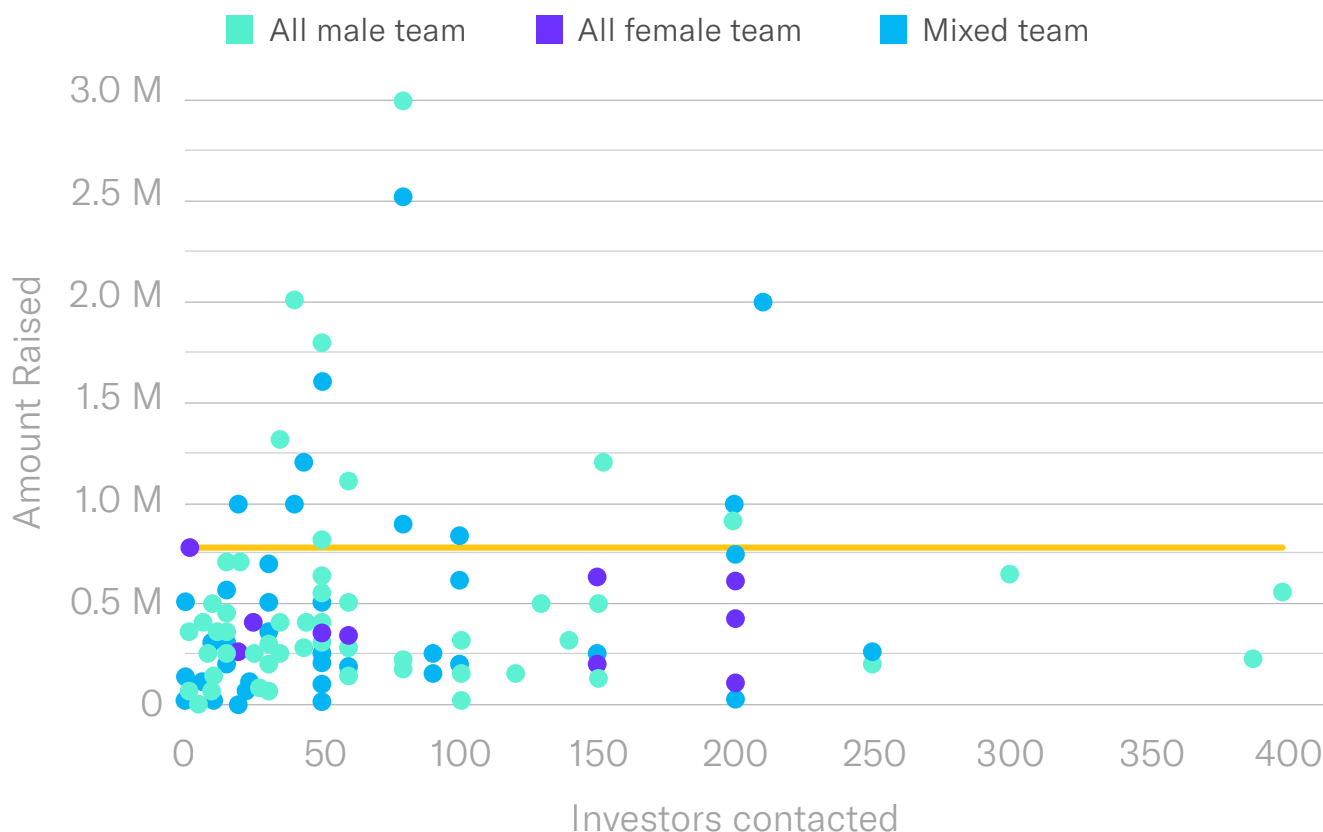
### Avg time on deck by age



### Avg time on deck by gender



### Investors contacted vs amount raised with gender mix



# Who are the Founders Benefiting from VC Funding? (cont'd)

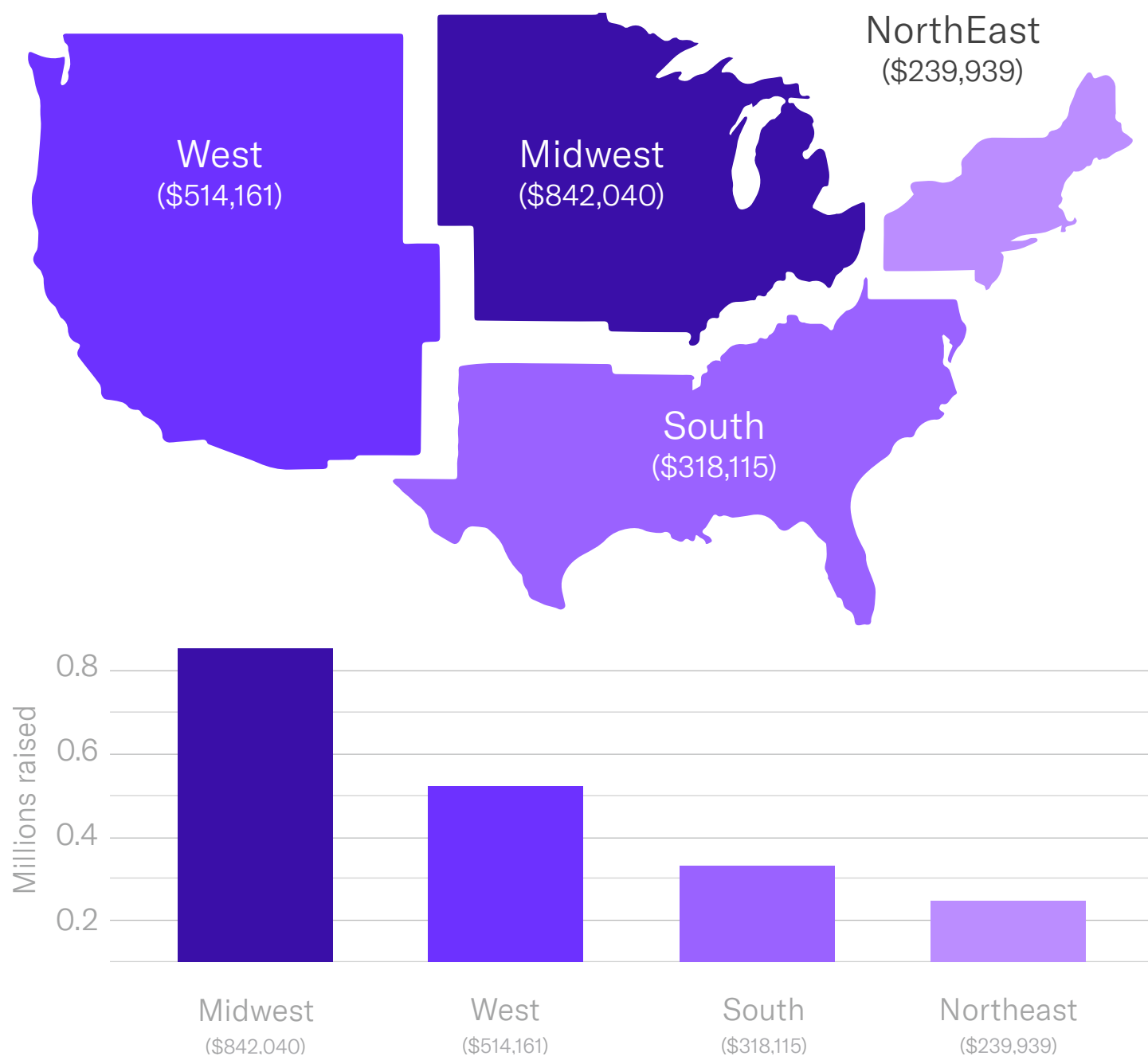
## Funding by Region

Outside of a small number of pre-seed startups that posted higher fundraising numbers in the Midwest, companies in the West on average raised more money (\$514,161) in pre-seed rounds.

When looking deeper at regional variations on pitch decks, founders based near San Francisco had more consistent pitch decks with clear narratives. They all included problem, solution, and team slides.

Nearly all of them included a section on the business model, and they spent more pages delving into their product, defining their market size, and showing where they were positioned against their competition.

In fact, the average VC will spend just 3:14 on a successful deck of a West Coast company, but 3:24 on that of a company based outside of the West Coast. This tells us that they may be lacking in narrative flow.

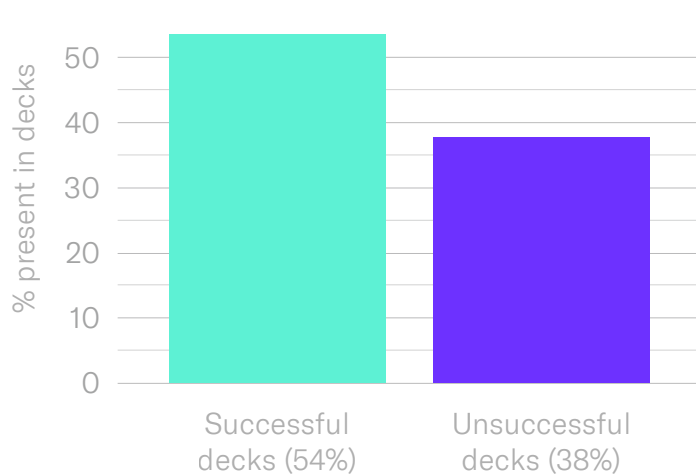


## How to best tell your story

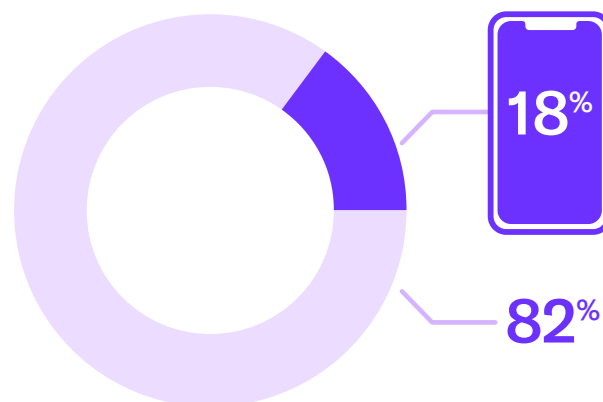
Based on our data, we know that narrative is important to investors. We've analyzed and identified the optimal pitch deck order based on the order most commonly seen in decks that receive funding. The data also shows a key slide that appears in far more successful than unsuccessful

decks. The "Why Now?" slide offers investors a clear reason why they need to invest now. The successful decks included this slide 16 percent more often than in unsuccessful decks.

### Decks with a Why Now? slide



### Mobile vs non mobile views

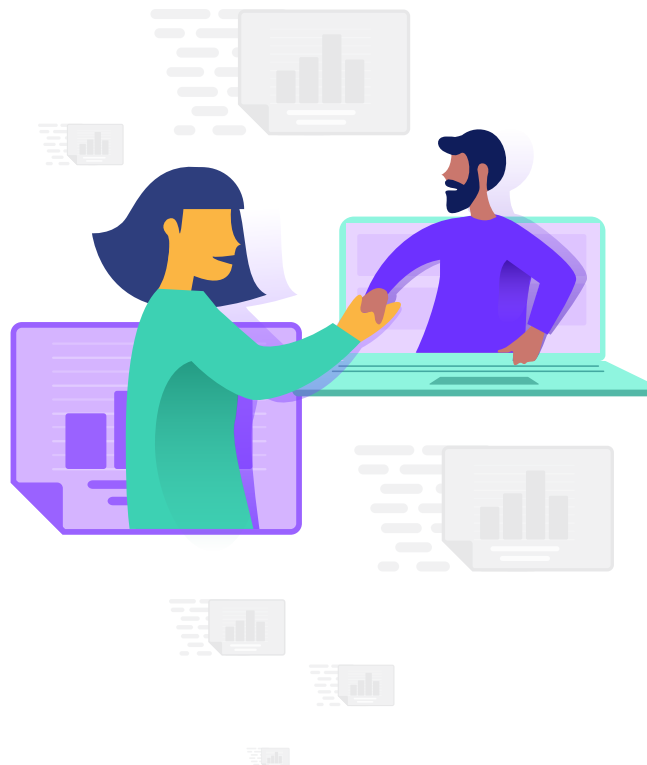


# Pitch Deck Analyser

Based on all the data points we've analyzed in the DocSend Startup Index, we've discovered nine key factors, from words per page to how you present your financials, that make pitch decks successful (i.e. more likely to get investors' attention and raise money).

If you're a founder looking for data-based feedback on how to improve your pitch deck, simply start a free trial of DocSend and send a [DocSend](#) link to your pitch deck to [pitchdeck@docsend.com](mailto:pitchdeck@docsend.com). Within 48 hours, you'll receive your results (which are all human-checked for consistency). To find out more go, to <https://www.docsend.com/pitch-deck-analyzer>

To apply for the DocSend Fundraising Network, go [here](#).



# Conclusion

The highly volatile nature of the venture capital sector is unlikely to change. Investors' expectations of entrepreneurs that come with each round will shift as more formalized funds and procedures crop up and evolve. Venture firms are continually adapting their models and approaches just as startups are utilizing more advanced technology and software to power their ideas.

In order for startups to be successful, it's important to stay tuned in to investor trends and modify and update your pitch accordingly. The expectations of institutional investors will be different from those of friends and family. And just because those expectations were one thing a year ago doesn't guarantee they will be the same now.

The pre-seed round is now more formalized and the expectations for pre-seed startups are growing. Startups need to bring more to the table than just an idea. For instance, based on our data, a minimum viable PowerPoint was enough for pre-seed startups just a few years ago. Now, companies engaging in this funding round not only need an engaging and effective pitch deck, but they also need to start showing progress on a product as well.

Data is at the core of these insights. With the rich amount of aggregated data DocSend is analyzing, it is now possible to identify the key requirements to be successful in various funding rounds, or even whether a pitch deck is resonating with investors. Startups and investors should be using all the tools and insights available to them to be successful in their ventures. The numbers suggest that the rules of engagement have changed, and startups should change with them.

## Methodology

DocSend analyzed pitch decks of 174 startups that identified themselves as pre-seed. DocSend also surveyed these companies to gather additional data and insights. All of the data analyzed comes from companies that opted into the analysis. The data was collected and analyzed in 2019.

