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Traction thresholds

Understanding Traction Thresholds for Effective Fundraising

DEFINITION

> Traction thresholds are specific milestones that demonstrate a startup's growth and potential. Meeting these thresholds can significantly enhance a startup's appeal to investors.

KEY CONCEPTS

Customer Acquisition

The process of attracting new customers is crucial for demonstrating traction.

Revenue Growth

Consistent increases in revenue signal to investors that the business model is viable.

User Engagement

High levels of user interaction and retention indicate a strong product-market fit.

Market Validation

Evidence that the market needs your product can help meet traction thresholds.

Scalability

The ability to grow without significantly increasing costs is attractive to investors.

EXAMPLES

→ Achieving 1,000 active users within six months.

→ Doubling monthly revenue for three consecutive months.

→ Securing partnerships with established brands.

MEMORY TIPS

★ Think 'C-R-U-M-S' for Customer, Revenue, User, Market, Scalability.

★ Visualize a ladder where each rung represents a traction milestone.

★ Use the phrase 'Show me the growth!' to remember the importance of traction.

COMMON MISTAKES

✗ Focusing solely on product development without tracking user metrics.

✗ Neglecting to communicate traction milestones to potential investors.

✗ Underestimating the importance of market validation.

QUICK RECAP

Traction thresholds are key milestones that demonstrate a startup's growth potential. Focusing on customer acquisition, revenue growth, and market validation can help meet these thresholds and attract investors.