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Hype: How Much is Too Much When Pitching to Investors?

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What sounds delusional from one company might sound visionary from another. A study of AI startups showed that context is everything.

EDITOR'S NOTE: This article was produced in partnership with the Journal of Business Venturing, a leading journal in the field of entrepreneurship, as part of EIX's mission to bring research-proven insights and practical advice to our readers. A link to the complete research can be found at the end of this article.

Every startup founder faces a fundamental dilemma when trying to raise the fuel for their business: How much should you talk up your vision of the future? On one hand, you need to paint a compelling picture that gets investors excited about your company's potential. On the other hand, if you oversell or exaggerate too much, investors might write you off as unrealistic or even deceptive. This creates a vexing dilemma, as many entrepreneurs need to stand out from the crowd by promoting their startup often well before they have an established track record of success.

We chose to study this problem because it is something every entrepreneur struggles with, especially in high-growth sectors like artificial intelligence (AI), where hype seems to be a common strategy among AI startups. For example, Open AI founder Sam Altman frequently makes hyperbolic statements about the 'glorious future' we can all anticipate as AI systems -- especially OpenAI's systems -- become smarter and smarter, solving difficult human problems, and leading to a new technological golden age. Yet, despite how hyperbolic his predictions sometimes appear to be, the company continues to raise billions of billions of dollars based on these promises of future success.

So is there a line? Is over-communicating enthusiasm and optimism about your venture a good thing? When does hype become dangerous exaggeration? And are there ways to make bold claims more believable to investors?

What We Expected to Find

Going into this research, we had a hunch that hype would follow what researchers call an "inverted U-shape" – meaning that a moderate amount helps, but too much hurts. Think of it like salt in cooking: a little enhances the flavor, but too much or too little ruins the dish.

We also suspected that context matters. The same level of hype that sounds ridiculous from an unknown founder might sound visionary from someone with a track record. Similarly, bold claims about AI might be more believable when the whole tech world is buzzing about ChatGPT than they would have been five years ago.

What We Studied

We analyzed 302 AI startups that raised 880 rounds of venture capital funding between 2011 and 2023. For each funding round, we collected all the press releases that these companies published in the year preceding their fundraising efforts. That gave us nearly 20,000 press releases to analyze.

We then used machine learning and natural language processing to measure two things:

- **What they said** - We counted words associated with hype like "revolutionary," "game-

changing," "unprecedented," and "transformative."
- **How they said it** - We analyzed their use of hyperbole, superlatives, and exaggeration as figures of speech

We compared the level of hype in their communications to their actual valuations when they raised money. We also looked at factors that might make hype more or less effective:

- How strongly the company emphasized its AI identity to differentiate itself.
- How much media coverage AI was getting at the time.
- Whether the company was actually growing its revenue.
- How many other AI companies were successfully exiting through acquisitions.

What We Found

In general, our findings confirmed the "Goldilocks principle" of startup hype: not too little, not too much, but just right. Companies using low to moderate levels of hype received higher valuations from investors. However, there was a clear tipping point at which additional hype began to hurt valuations instead of helping.

Yet, this is not a universal rule; it does not always play that way under all circumstances. In fact, here is where it gets interesting: We found several factors that can completely change this equation. When certain conditions are met, even extremely high levels of hype can boost rather than hurt your valuation:

Strong Identity Claims: Startups that consistently reinforced their position as AI companies, using analogies to facilitate comprehensibility in their product announcements, could leverage this successfully. It is like the difference between a random person claiming they will change the world versus Elon Musk saying the same thing: Credentials matter.

Media Momentum: When AI was receiving extensive media attention, investors were more receptive to bold claims. During AI hype cycles, what might normally sound outrageous starts to sound plausible, especially since the media played a key role in making the technology more comprehensible to various stakeholders.

Revenue Growth: This was not surprising: Companies that were actually growing could afford to generate more hype. Performance gives you permission to make bigger promises, especially when you have hard evidence to back it.

Industry Success Stories: When lots of AI companies were getting acquired, the whole sector gained credibility. One company's exit makes all other companies’ bold claims seem more achievable and relevant.

The most surprising finding? When all these factors align, the relationship completely flips. Instead of too much hype being harmful, companies with strong fundamentals and good timing can actually benefit from making increasingly bold claims. It is not just that they can "get away with it" – aggressive hype actually helps them achieve higher valuations.

Takeaways for Entrepreneurs

Know Your Hype Budget: Think of hype as a resource that needs to be managed carefully. If you are an unknown founder in a quiet market with no revenue, you have a small "hype budget,” so use it wisely. However, if you have strong credentials, growing revenue, and market momentum, you can afford to be even bolder in your claims.

Build Your Foundation First: Before you make bold claims, make sure you have something to back them up. This could be:

A strong founding team with relevant experience

- Early revenue or user growth
- High-profile advisors or investors
- Patents or proprietary technology
- Early customer testimonials

Read the Room: Pay attention to the broader market sentiment about your sector. When your industry is hot and receiving a lot of positive media coverage, investors are more likely to believe in bigger visions. When the market is skeptical or recovering from high-profile failures, tone down the rhetoric.

Be Consistently On-Message: Don't just claim to be an AI company (or whatever your category is) when it is convenient. Build a consistent and understandable identity across all your communications – including

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press releases, website, pitch deck, and product announcements. Investors notice inconsistencies.

Let Others Hype for You: Our research examined company-generated hype, but some of the most effective hype comes from third parties – including media coverage, customer testimonials, and industry analysts. Focus on generating authentic excitement from others rather than just promoting yourself; it will create momentum around your firm while saving you resources.

Tips for Startups and Later-Stage Companies

If you are running an early-stage, pre-revenue startup, your approach to hype should be fundamentally different from later-stage companies.

- Focus on demonstrable progress and specific milestones rather than painting grand visions of the future. When you do make comparisons, use concrete metrics rather than abstract superlatives. Saying "we process data 10x faster" is far more credible than claiming you have "revolutionary technology."
- Build credibility through strategic partnerships and respected advisors before making bold claims about your potential. Often, the most powerful approach is to let your early investors and customers tell your bold story for you rather than making grand proclamations yourself.

For growth-stage startups with revenue, the dynamics change significantly. Your growing metrics give you the license to be bolder, and you should take advantage of this opportunity.

- Connect your vision directly to your actual performance with statements like "We've grown 300% this year, and we're just getting started." Time your boldest claims to coincide with positive market sentiment when investors are most receptive to new ideas.
- Always use concrete data to support your ambitious predictions. Your track record of delivery earns you the right to make more substantial promises about the future.
- Differentiate yourself: Startups operating in hot markets face unique opportunities and challenges. When everyone's excited about your space, lean into that enthusiasm, but be specific about how you are different from the crowd.
- Refer to the broader transformation occurring in your industry and explicitly link your company's success to these larger trends. However, you must also prepare for when the hype cycle inevitably cools.
- Ensure you have real, authentic substance behind the hype, as market sentiment can shift quickly, and companies built solely on hype rarely survive a downturn, ending up a disappointment for all.
- There are also critical red flags every entrepreneur should avoid. Never make claims you can't possibly deliver on within your funding timeline. Investors remember broken promises.
- Be mindful that there is a fine line between hyperbolic promotion and deception. Crossing that line not only risks losing business opportunities and damaging your reputation but also creates serious ethical challenges that can undermine trust with investors and other stakeholders.
- Avoid using vague superlatives unless you can provide clear, specific evidence to support them.
- Avoid changing your story dramatically between funding rounds, as consistency builds trust, while pivoting narratives can destroy it. Be especially cautious about making bold claims while your metrics are flat or declining; this disconnect will immediately trigger investor skepticism. And if you do pivot your business model, don't try to hype it as if it were the plan all along; investors appreciate authenticity, honesty, and transparency about strategic changes.

The Most Surprising Insight

Perhaps the most counterintuitive finding is that there's no universal "right" amount of hype. The same message that sounds delusional from one company might sound visionary from another. Context is everything.

This means entrepreneurs need to be sophisticated about when and how they deploy hype. It is not about being honest versus being promotional – it is about understanding what makes claims believable to investors at a given moment in time.

The companies that master this balance do not simply

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turn the hype dial up or down randomly. They strategically build the foundations that enable them to make more aggressive claims over time. They understand that hype is a tool, and like any tool, its effectiveness depends entirely on how and when you use it.

The Bottom Line

Our research shows that hype itself is not good or bad – it's all about fit. The key is to match your level of bold claims to your credibility, performance, and market context. Get this balance right, and even audacious visions can boost your valuation. Get it wrong, and you will trigger investor skepticism that would be difficult to overcome.

The most successful entrepreneurs are not necessarily the most conservative or the most promotional – they are the ones who best understand how to calibrate their message to their situation. They know when to be bold and when to be measured. They build the foundation that lets them make bigger claims over time.

Ultimately, navigating the fine line between vision and credibility isn't about finding a universal formula. It's about understanding the dynamic factors that make investors believe in big dreams – and positioning yourself to capitalize on them when the time is right.

Explore the Research

The expectations game: The contingent value of hype as a rhetorical strategy in resource mobilization processes among AI startups (https://www.sciencedirect.com/science/article/abs/pii/S0883902625000278) . *Journal of Business Venturing,* July 2025.

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