The ultimate guide to finding investors for your business

For many small businesses taking on investors is an essential process. Many banks are reluctant to take a risk on startups with no parent companies and even established small businesses. This leaves entrepreneurs with very little choice but to look for investors who are willing to back their ideas.

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If you’re new to the world of startups and investing then the process can seem overwhelming. We won’t sugar coat things, it really can be overwhelming, even for those of us that have gone through it dozens of times. It can also be a time-consuming process and there is no guarantee of success.

So, why do so many people put themselves through this stressful process?

Well, it can have huge rewards – for both the business owner and their investors. Backing the right idea can lead to huge returns on investments. If you have a good idea for a business then it is very likely that someone out there will be willing to take a risk on you.

However, many people are unsuccessful in this process because they approach it in the wrong way. They either pitch to the wrong people, or they pitch way too early in the development process. Doing either of these can lead to instant rejection.

Even if you are successful in finding investors, you can also run into problems. Inexperienced entrepreneurs are often so desperate to find an investor that they take on the wrong type of investor.

Or even worse, they oversell the potential of their business and are left with a lot of angry investors who have lost money on them.

How can this guide help you?

This guide is going to help you streamline the process of finding investors for your business. It will help you to map out exactly what you need to do to be successful in this endeavor.

We will be talking you through the pros and cons of bringing on investors. We will be explaining the different types of investors that your business can take on. We will be looking at how to attract the right investors and what these investors will be looking for.

We will then be covering the most important part of this process – putting together a comprehensive business plan that wins your investors over. We will talk you through how to pitch to investors before covering a few alternative forms of capital acquirement.

Most importantly this is a guide that is designed not just to get you an investor, but to help you find the right investor for your business.

The pros and cons of business investors

If you're reading this guide, then you probably have your heart set on finding investors for your small business. We are not planning to try and talk you out of this. However, we want to share some of our experience of working with investors as a small business.

While taking on investors can be the difference between a pipe dream and a fully-fledged small business. We think that entrepreneurs should take the time to educate themselves on some of the downsides of working with investors.

That way you will be completely aware of what you are getting yourself into.

An investor is someone who provides capital in exchange for partial ownership in a business. If the business has any financial struggles later down the line, they can take on new investors or trade ownership for more capital from their current investors.

This type of investment not be confused with or treated as a loan.

The pros of taking on investors

Many of us don't have the capital that is required to launch a small business. Taking on investors can be a better option for many of us when compared to taking on bank loans.

Having investors backing you can remove a significant amount of financial pressure and give you time to establish your brand. Bank loans require repayment no matter how well the business is doing.

Many small businesses with loans are unable to reach their full potential before running out of capital. Taking loans out can also stifle growth in the long run particularly if your business has high overheads.

Investors take a share of the profits, rather than eating into any form of money made like loan repayments do. Investors also do not charge interest.

Investors take a risk when investing in companies. If you take out a loan you will have to repay it whether your company is successful or not. Investments are not required to be repaid if the business fails.

A silent investor is a name the industry uses to refer to as investors who want to fund the company but who have no interest in getting involved in the day-to-day running of your business. Many businesses thrive with the help of silent investors.

The cons of taking on investors

While this system does have many positives, the process is not always smooth sailing. Taking on investors can have some real downsides, especially for inexperienced business owners.

Many businesses are not able to find silent investors, this can result in the company being put under a lot of pressure to produce growth.

As we mentioned, for an investor supporting a company is a risk. One that could really pay off, or one that could lose them a lot of money. Because of this, they tend to want to see faster rewards than a bank would.

And they will often push for short-term growth that may not necessarily benefit the business in the long run.

This kind of pressure can make a business an unpleasant place to work. And the stress caused by the investors tends to trickle down through every level of the company.

Furthermore, if you decide to take investment from friends and family you may notice a change in your relationships. Especially if your business is struggling.

One of the most important things you can do when pitching to your investors is, to be honest with your profit predictions. Every business takes a different amount of time to start turning a profit.

If you give them a realistic idea about how long you will be *running at a loss* for they are less likely to pile on the pressure when you don't make them money on Day 1.

Different types of investors explained

Now that we have talked about what taking on an investor really involves, let's move on to looking at the different types of investors that are out there.

As a small business, you should be aiming your pitches at two main types of investors; Venture capitalists and Angel Investors. In this section, we are going to cover what these investors are and how they can benefit your business.

We will also briefly talk about another type of investor you may want to consider.

Venture Capitalists

> *VCs are the holy grail of investors for fundraising entrepreneurs. They come with the biggest checks, the most power to fuel success and gaining market share, and the most juice when it comes to achieving more credibility and visibility. - Forbes*

Venture capitalists most likely to get involved in funding business ventures as early as possible.

This is where they tend to see the best return on their investment.

Venture capitalists will most likely want to take an active role in your company. Whether it is as a board member, or by taking a job at the company.

They are typically experienced professionals and can be a great asset when it comes to turning a profit quickly.

Angel Investors

If you are looking for a more small-scale investment then you should consider pitching to Angel Investors.

Like Venture Capitals they are investors that are actively looking for investment opportunities.

And they are more likely to take a risk on smaller businesses and startups than a bank.

More often than not Angel Investors want to be silent investors, and your business will be a small part of their larger portfolio.

This can be both good and bad for the business involved. These investors tend not to take a very hands-on approach. However, they are quick to cut their losses and move on if a company is not as successful as they had hoped.

Another option – Corporate Investors

Many larger corporations are currently looking to invest in startups that they think can add something valuable to the portfolios.

There are definitely some benefits to joining a larger network of companies.

But the downsides of doing this tend to outweigh the positives in the long run.

These companies have a habit of buying up smaller companies and shutting them down if they don't perform as well as expected.

A prime example of this is the cosmetics conglomerate, *Estee Lauder.*

How to attract investors

'Attracting Investors' is a broad term that makes many entrepreneurs sick to their stomach. We have some good news for you – this is not as complicated as it sounds.

All this process involves is making your business as appealing as possible (to the right people) and actively pursuing the things that you want.

Here are our top four tips for attracting investors:

1. Know your purpose It is your job to convince your investors that the world needs your business to exist. To do that you need to be clear on your company's mission (or purpose). As the head of the company, it is your responsibility to understand and communicate this mission. You should be able to turn it into an elevator pitch that will leave your potential investors wanting to hear more.
2. Understand the power of branding When people think of your business, they are not thinking about the people who work for you and

your warehouse full of stock. They are thinking about your brand. Understanding your brand and its voice adds value to your company in the eyes of investors. The more time you spend developing your brand and capitalising on its benefits the more attractive investors will find your business.

3. Take every opportunity Mathematics tells us that the more times we try something, the more likely we are to succeed at it. This is a rule that you should apply to your hunt for investment. Take every opportunity to speak to investors, set up meetings, and pitch your business. Not only will it make you statistically more likely to succeed. But every meeting will teach you something new about your business plan or your pitching method. Learning these lessons will make your next pitch even better. Remember you only need one person to say yes.
4. Don't give up A 'no' from one investor isn't a 'no' from every investor. Rejection is part of the process. Some even see it as a rite of passage. You should see rejection for what it is – a small setback that you will work past. When we've experienced rejection, we like to take the time to read the stories of other people who have been rejected but have gone on to do amazing things. We like to do this to remind ourselves that rejection doesn't have to be the end of this journey. You wouldn't want to be any of the *12 Publishing Houses* that rejected Harry Potter. Or the TV network that told Oprah she just didn't have the right personality for television. When the rejections come, dust yourself off and keep moving forward.

Things investors look for before investing

We can boil down what investors are looking for into one every simple point. Investors are looking for a return on their investment – i.e. they want to make money from their investment in your company.

Unfortunately, that’s not something that is always in your control. So let’s look at some elements that you can tangibly harness to make your business a more attractive investment opportunity.

Data

Investment is a risk. All investors understand this. What that doesn’t mean however is that they are willing to invest blindly into companies. They are looking for attractive investment opportunities with good prospects. So, how can you show potential investments that your business is a smart investment opportunity?

With heap loads of data.

Investors want to make money, so it is your job to put together the data that will show them how they can make money with your company. This can be difficult for startups, but through extensive market research, you will be able to prove there are opportunities for growth in your potential market.

If your business has been around for a little while then the investors will be expecting to see an impressive performance for an extended period. One quarter isn’t enough, they’ll be looking for 6 or 7 impressive quarters consecutively.

A solid business plan

By the time you finish this guide, you will be sick of reading the words ‘business plan.’ But there is a reason why we won’t stop talking about them!

Having a solid and comprehensive business plan is essential when seeking investment.

A business plan shows your investors that you understand what you are talking about, that you are willing to invest time into your business, that you understand the market that you are entering, and much more.

Your business plan is your main opportunity to show how much of an asset your company will be to its investors. It is your roadmap to success.

Determination and hard work

Investors want to invest in entrepreneurs who are committed to and believe in their businesses. They want to know that you are going to invest in the company too. We don’t mean investing money, although many people do invest money into their own companies.Investors want to see that you are willing to invest your time and effort into your business. They want to know that you won’t give up when things get tough, which would result in them losing their money.

> *They want to know that you are determined and hard-working.*

Business-readiness

Investors are often looking for the quickest way to see a return on their investment. They are most likely talking to more than one company about investment opportunities. And how close a business is to launch is often a significant deciding factor for many investors. This is why we recommend avoiding pitching to investors too early. You really do want to have all your ducks in a row before you start looking for funding. Not being prepared will make you look unprofessional and could have the investors questioning your commitment to the project.

The uniqueness of your proposal

There are very few ideas out there that are truly original. So, part of your job as an entrepreneur is to set your business apart from the rest. You need to present your company in a way that leaves no room for doubt. In a way that leaves your investors with no questions about what makes you unique or exciting.

The easiest way to achieve this is to invest time into developing the ideas that you will build your business on. Do your market research. Get feedback. Talk to experts in the field. Be passionate about your business and that will resonate with your potential investors.

How to write your perfect business plan

We find that many entrepreneurs and future small business owners are reluctant to put in the time to create business plans. We still find this a little shock, as we think putting together a business plan is an essential part of starting a business. We are going to spend a lot of time talking about Business Plans in this guide because they are the most important element of securing finance for your business. The success of the advice in the rest of this guide relies on a well-crafted business plan.

We believe that all business leaders should be producing two types of business plans before applying for funding:

(a) a comprehensive plan that covers everything from market trends, advertising strategies, and management structure in great detail. And (b) a one-page business plan that they can hand out to potential investors and at business meetings.

Why do you need both?

Well, creating a comprehensive plan will help you to explore, flesh out, and fully realise all areas of your business. You'll learn a lot whilst doing this and it will be useful to have on hand when you investors want to know more about your plans.

Having a detailed business plan shows your investors that you are a professional and that you are going to take their investment seriously. If you can't boil your business plan down to a snappy one-page document, then you're not ready to pitch. You may be struggling to do this because you don't fully understand your plans yet, or because you haven't worked out the main strengths of your idea.

Creating this one-page document is an essential part of your preparation for a pitch. When you are able to present a punchy, streamlined version of your concept it shows your investors that you know what you're doing.

Is there anything I need to do before creating my business plan?

The majority of your business plan will be based on market research. If you haven't done any market research yet, then now is the time to do it. Not sure what to research? Start with these topics:

- Who are your competitors?
- How much do they make?
- How big is their staff?
- Where are they based?
- What are their reviews like?
- What are their weaknesses?
- What can your company learn from them?
- What is the market like for your product or service?

- Is it oversaturated?
- Are there any gaps in the market?
- Is there a lot of money in it?
- Is there a big market for your product or service?
- What should I include in my comprehensive business plan?

Executive summary

This will be an introduction to your business plan covering what the goals of your company are. You should cover what you feel the purpose of your company is as well as what the market for your product or service is currently like. You should briefly breakdown the types of funding you require, as well as mentioning your predicted growth over the first 1-5 years as a company.

Overview and objectives

This section will need to be quite pragmatic. You should cover what your target market will look like. You'll cover the number of staff you will require. You should also discuss anything you will need to run your business – like a physical store or equipment to make your products. Try to cover any imports and exports you will need to do in the future. You should talk about what products you will be making or the type of service you will be providing.

After that, you should talk about your business' goals. Here it is good to set out profit and market share goals. You may want to talk about any areas of the business you are looking to outsource in this section.

Products and services

In this section, you will go into more detail about the exact products and services you are planning to provide. Here you should talk about what you are planning to sell, the price at which you are going to sell it, as well as how much it will cost you to make it. Talk about how this compares to your competition and how you plan to distinguish yourself from them.

This is a good place to mention any areas you would like to move into in the future. Mention any new product ideas or services you hope to one day provide.

Market opportunities

In this section, you will want to focus on two things, your ideal customers and how you intend to grow in the market. You should have a detailed idea about what your ideal customer looks like. You should talk about how much they earn, their age, their interests, how you can get them to incorporate your brand into their lifestyle. When talking about market growth you should talk about the gaps in the market you are planning to fill. You should give an overview of where the market is now and how it has been over the past decade.

You should express concrete sales and profit goals and be able to explain how you settled on them. Talk about market trends you have noticed and share some of your predictions.

Sales and marketing

In this section, you are going to cover two things, your marketing plan, and your sales plans. Both of these should be at least two pages long. When thinking about your marketing plan remember that it should involve much more than just advertising.

> *Just including advertising will make you look like an amateur to your investors.*

Here, go more in-depth about your target market. Discuss how this relates to and has informed your pricing strategy. Then present your marketing plan, showing that you have taken into account your target market. Your marketing plan should cover:

- Your marketing budget
- What your brand is
- How does your target market fit into your brand?
- How your competition markets itself
- How you plan to portray your brand
- How you plan to advertise – online/events/in print?
- How you plan to build public relations
- How you will put together promotional literature
- How you will track the success of your marketing
- How you will adapt if it is not successful
- Will you outsource this process? Or take on in-house representatives?

Competitive analysis

This section should include very detailed profiles of your current and possible competitors. You should be able to share the strengths and weaknesses of these companies. Talk about how they advertise, their business structure, what kind of products or services they sell. You should also be able to explain how you plan to reduce their share of the market. You can break this list down into your primary, secondary, and fringe competitors.

Operations

This will be another pragmatic section where you cover everything you will need to run your business on a day-to-day basis. This can include where you will run it from, numbers of staff, any equipment, as well as IT and HR departments. You should also go into detail about how your day-to-day operations will look like. Talk about how you and your employees will spend their time. In this section, you should talk about any legal documents your company will have to fill in. For example, there may be international trading permits to acquire, you may need local licenses as well.

Here is also a good place to talk about your suppliers. Discuss who they are, how you will build and maintain relationships with them, and why they are the best fit for your business.

Management team

An inexperienced management team can put investors off. Even small startup businesses should try and bring on experienced team members. In this section, you should introduce your management team and show what each member brings to the company. Talk about their successes in the past, and explain what their role will be within your team. The aim of this section is to make your investors feel like their money will be in good hands.

Financial analysis

In this section, you are going to layout every financial detail that your investors will need and want to know about your business proposal. You should include the following five reports:

1. Cash Flow Statement
2. Break-Even Analysis
3. Balance Sheet
4. Income Statement
5. Operating Budget

What should I include in my one-page business plan?

You should think of this document like a CV for your business. It will need to be a short document that can secure your meetings with investors in less than a page. The good news is that if you understand your business (which you will by the time you have finished your comprehensive business report) you won't struggle to put this document together. Your one-page business plan should include the following:

- The purpose of your business
- An elevator pitch
- Who is your ideal customer?
- A summary of your marketing plan
- A summary of your financial plan
- SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats to your business)
- Quarterly projections for your three financial years

How to successfully pitch to investors

Now that you have put together your business plan and have set up meetings with potential investors, all you have to do is pitch your business. This is the part of the process that most people are terrified of. But relax, if you have put together your business plan then you have already done most of the grunt work. You understand your business and what makes it unique. You have all the facts and stats to hand. You even the structure of your pitch already laid out for you within the business plan.

There are just a few more things you need to do before you start pitching to investors.

Prepare an exit strategy

Having a solid exit strategy is a great way of showing investors that you have thought your venture through. Be prepared, they will ask you about it. Most entrepreneurs create a business with the eventual goal of being bought out for vast sums of money. You should go into your pitch knowing which companies you would be targeting in the long run and why.

Prepare a customer acquisition plan

This is another subject investors love to quiz applicants on, as having a customer acquisition plan is a true sign that you have thought *everything* through. Many people forget to take the time to work out where they are going to get their initial customers from, how they will do this, and how much finding them will cost the company.

Hit the investors with a fully realised customer acquisition plan and they'll definitely be impressed.

Prepare and practice your presentation

Having a meeting with potential investors is a big deal. You should treat it with the respect the situation deserves. This means going into that meeting completely prepared. If you don't your investors will think that you just don't care about your company.

You must prepare your presentation in advance. You must have practiced it multiple times and know all your points by heart. Your presentation should have gone through multiple drafts before the day of the meeting and you should have gotten feedback on it from multiple people.

How to write a presentation

We speak to many entrepreneurs that feel they don't know how to put together a presentation. Here is a quick guide that covers everything you need for a successful, easy-to-follow presentation.

1. Do your research The good news for you is that if you have put together your comprehensive business plan then you have done all the research you need to do already. If you haven't made your business plan, stop. You should not be pitching without a detailed business plan.
2. Pick the best cuts Go through your business report and identify the most important information within it. Highlight them or type the points up in a separate document. Do whatever you need to make these points easy to find as you write your presentation.
3. Make an outline You can use the structure of your business plan as an influence for your outline. Make sure you are covering every topic in the plan, at least briefly. You should also include an introduction, an outro, and space for the investors to ask you questions.
4. Write the presentation You may find you want to create a PowerPoint presentation to support your speech. It is most efficient to work on these at the same time. When you are writing, include different techniques that will help to keep your audience engaged. Rhetorical questions and audience participation are great examples of this. You should break down all your points into manageable and actionable chunks that you can recap at the end. Make sure to keep your tone professional and try to avoid patronising your audience.
5. Feedback and drafting Try to get as many people as possible to listen to your pitch and give you feedback on it. Once you have all this feedback it's time to head back to your writing desk.

Other Ways To Get Money For Your Business

Being unable to secure an investor through traditional means doesn't have to be the end of your journey. There are many other ways to secure capital for your business. Below we have covered four of the most popular ways of doing this.

Ask a family member or friend for a capital

Taking a loan or investment from friends and family can be one of the most beneficial ways of securing capital for your business. If you are lucky enough to know someone with the capital to spare you could get a loan from them. Or you could exchange some of your stakes in the company for a lump sum investment.

> *If you decided to go down this route, do not treat them any differently from the way you would treat an investor you didn't know.*

Pitching and signing legal documents with your investor(s) is a great way to express how much you value their investment and that you take it seriously. These types of arrangements can cause strain between you and your investor(s), particularly if your business starts to lose money. This is something you should bear in mind before going into business with your friends and family.

Contact businesses or schools in your field of work

There may be people in your industry who are looking for an opportunity to invest in a new or small business. These opportunities are very rare but if you are in need of capital, the effort you put in might pay off. Research, as always, is the key to this approach. As is persistence. Speak to everyone you know in the industry. Attend industry events. Look into people who are studying in your field.

You never know who might be looking for an investment opportunity.

Donation-based crowdfunding

Crowdfunding has a strange stigma in the business world. Many people roll their eyes when you suggest it. Many business leaders seem to think that Crowdfunding is in some way cheating.

We'd like to politely disagree with that.

Every day dozens of new businesses are able to launch thanks to online crowdfunding programs. Kickstarter alone has successfully funded over *198,000* projects and businesses since its launch.

Apply for a small business administration loan

Many people turn to investments because they are unable to get loans from their bank. However, there are other ways to secure a loan as small businesses. Groups like the *Small Business Administration (SBA)* offer small and medium-sized loans to small businesses that meet their criteria. In many situations, even a small amount of capital can make a difference. This might be a good avenue to pursue whilst waiting on larger investments. You might also want to spend some time looking into grants for small businesses.

Summary

Many businesses struggle to get off the ground because they are unable to secure capital. What many business owners don't realise is that bank loans aren't the only way to secure money for your business.

Many businesses may be able to secure capital from investors. This may seem like a daunting task, but if you follow the advice in this guide you will be setting yourself up in the best way possible.

By investing time in preparing a rock-solid business plan, an engaging pitch, and making your business as attractive to investors as possible… there is no limit to what you can achieve.

Brent Davis has been writing about the financial markets for 10 years and worked in research for the last five years at a Fortune 500 company. Brent's investing strategy is to buy high-quality companies and then let compounding do its thing.

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