

Community capital: Raising investment from your community

Max Cotton, CEO and Founder of Another Round shares his funding advice for founders and explains the role community has played in their fundraising journey.

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As a founder, I have always believed in the incredible power of community. It's not just about customers or clients; it is about building a network of individuals who share your vision and are invested in your success. When it comes to growth and funding, the involvement of our community has been nothing short of pivotal for us.

Our first raise in 2021 was 50% fulfilled by active, paying members, some investing £5K or more in our company and into a man (me) they'd never met in person. Over the years, member investment has provided the company with the fuel to keep going, both in terms of capital and motivation, especially recently when startup equity raising has been notoriously challenging.

A big part of my job as the CEO and founder of an invested tech firm is raising funds, so it's helped massively that I have a close relationship with many of our members. Their support and participation has contributed significantly to the overall funding we have raised. The role of our community's involvement in our fundraising efforts has been transformative. With each of our raises (three to date), I've found that momentum is key. No one wants to be the first to jump in, and once people start to commit, others are more likely to follow suit.

In April and May of this year, we received a remarkable injection of over £100K from our community members. This burst of funds acted as a catalyst for increased interest from new potential investors. As a result, our funding round is now on the verge of closing.

What I love about this approach is that you're offering a seat at the table to people who aren't already in this world with an investment they really care about. We hope to build not only a financially successful company, but also shared wealth for our community. By reporting regular updates on our tech advancements and prospective business deals, our members are, in turn, making introductions and moves in their careers, with mutual benefit. By becoming angel investors, they can be part of something extraordinary, a journey that would take us all to great heights.

Our community's involvement in the funding process yielded tremendous results, making it easy to keep going in an unforgiving environment devouring tech startups on a weekly basis. The impact was felt in the collective drive and shared sense of purpose that fuelled our fundraising efforts. It was an affirmation that we were not alone in this journey and that our community believed in us and our ability to execute our vision. Every time someone committed, it was a truly amazing feeling.

Reflecting on this experience, I think I can offer some *advice to fellow founders* looking to raise funding from their communities. In a lot of cases, it makes perfect sense to tap into your community for investment but you need to consider your approach carefully. If you do it wrong you might end up losing members and potential investment.

Never underestimate the power of asking. You don't know who in your community might be interested until you present them with the opportunity. I decided to avoid direct approaches that might have made them feel pressured or uncomfortable. I'd recommend presenting the opportunity and your plans to your community members, keeping them

BCC'd on an email, for instance. If your proposition is compelling enough, they will naturally express their interest and want to be involved if they can. Also, if someone shows interest but ultimately decides not to commit, you can't let that change your relationship with them. Instead be grateful they were considering it; it's not an easy decision, and you also don't want people investing when they can't afford to. Do not pressure them.

This was not a crowdfund, and I made that explicitly clear in the first email I sent out. We weren't looking for hundreds of people to invest small amounts, we were giving our existing community a chance to be serious investors in a Seed round of a tech company. I didn't use any vehicle or system for grouping them all together; they are individual angel investors now, just like all of our investors who invested before. This approach also allowed us to act with speed and flexibility, all I had to do was send an email, rather than apply to and then set up with a crowdfund platforming. We also saved on platform fees with this approach, which meant every penny of the investment goes into the business and not into paying for the raise itself.

The involvement and support of our community members has been transformative for our fundraising efforts and business growth and on a personal level, my morale and self-belief. It's also a bit more pressure but in a healthy way. I'll do whatever it takes not to let them down. Their belief in our vision, combined with their financial contributions, will provide the fuel and momentum needed to achieve extraordinary things, and ultimately stay in the game.

Startup investing is often based on trust in the founder's ability to execute. This type of investment doesn't always make sense on paper, and the journey will be filled with twists, turns and pivots. Who better to approach than the people who already know and trust you and have witnessed your drive and determination firsthand? Embrace your

community, present them with the opportunity to join your journey, and together you can build something amazing.

Max Cotton is CEO and Founder of *Another Round*.



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