

Pitching Tip 6: Research the 'flavour' and stage of investors

By Alon Raiz

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The saying that "all money has the same smell" is often used to describe the fact that it doesn't matter whether money comes from source A or source B because, at the end of the day, it has the same value. Nothing could be further from the truth when you, as an entrepreneur, are looking for an investor.



Source: www.pexels.com

My sixth pitching tip is you need to do adequate research before approaching investors.

I can't emphasise enough the importance of doing your homework on the following two key areas before presenting your pitch to a potential investor:

1. Identify their "flavour"

Take a look at the range of investors that are possible funders for your business. My experience is that there are, like in any industry, niched offerings when it comes to financing. Investors generally come with preferences, and their preferences generally relate to their expertise and experience in a particular industry.

There are investors that, for example, specialise in technology, agricultural processing or financial services, and they look for, engage with and only fund businesses that fall within the ambit of their focus area.

Too often I see young entrepreneurs wasting copious amounts of precious time compiling and sending prospectus after prospectus to investors who would have absolutely no interest in their type of business, based solely on the fact that they don't fund a particular industry. So it is incumbent upon you, the entrepreneur, to do adequate research on investors and their particular "flavours" before approaching them; it will save you a lot of time and effort when you are more targeted in your approach.



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2. Identify the type of funding you require

Assess the type of financing you require for the stage at which your business is currently at. The type of funding required by a start-up venture – which is little more than a sketch on a piece of paper, some nerves and a smile – is very different to that of a more mature business which is working on expanding into new territories.

Startup ventures come with higher degrees of uncertainty and risk, and mature operating businesses come with history, a proven team and an opportunity to scale something that already exists. In my experience, these two stages constitute different types of funders who specialise in the distinct parts of the lifecycle of a business.

Investors who are more prone to risk demand a higher return and will synergise more with a younger business. When it comes to more mature businesses, investors prefer to be more hands off and are more concerned about the fundamentals.

Once you've done the above mentioned research, identify the type of funder who specialises in your industry, and prefers to work with businesses at the same stage in the lifecycle as yours. If you, for example, are in the ICT industry and your business is still in the start-up phase, don't approach a funder who prefers investing in mature businesses in the finance industry. Rather look for a funder who is interested in investing in start-ups in the ICT industry.

The internet offers a wealth of information, and you can very often find out a lot about potential investors by reading interviews they have done, or researching the types of businesses they have invested in. Looking at the businesses they have invested in will give you a sense of deal sizes, the stages in the lifecycle of business, and the industries they prefer to fund.

Most investors are very specific regarding the industries they do or don't want to work in, as well as the stage the businesses are in. Before you send off your next prospectus to an investor, make sure you have done adequate research to ensure that you meet their flavour and stage; this will give you a higher probability of success.

ABOUT ALLON RAIZ

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

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