

How to Think Like an Angel

An angel invests in businesses that have a new technology; or a business established for several years and growing; or a firm that has out-run its owners ability to manage money and the business.

Clearly and succinctly describe your business or idea so it leaves no doubt what it is your business will do and how you will do it? Also, prepare an executive summary limited to three pages answering the following questions. (Take your time with each question and be sure you can backup your answers.):

- A. What is your product or service?
- B. Who is going to buy or use your product or service?
- C. Why are they going to use your product or service?
- D. When are they going to buy or use your product or service?
- E. Where are they going to buy or use your product or service?
- F. How much will they pay and how will they pay?
- G. Will they ever buy or use your product or service again?
- H. How much profit will you make and when?
- I. Who is your competition and where are they?

HOW MUCH MONEY DO YOU NEED AND FOR WHAT?

- A. What are your startup or development costs?
- B. What is your projected three-year revenue stream?
- C. How much are YOU planning on investing?
- D. What do your projected expenses look like for three years?
- E. What are your three-year sales forecasts?

Now assuming angels like what they see so far, can you convincingly answer the following questions they might ask:

Pluses:

- A. Can you provide evidence of customer acceptance?
- B. Do you understand angel investor needs such as Return on Investment or the need for liquidity?
- C. Can you prove you are focused on this business?
- D. What position will your business take in the industry or with competition?
- E. What are your leadership qualities and what proof do you have?
- F. If your business will be dependent on the competition to expand the market, what are your plans to take advantage of their leadership?

Negatives:

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- A. Lack of experience in running a business like the one you propose.
- B. Is special or custom technology constantly required?
- C. Over optimistic growth projections.
- D. Unrealistic financial projections and use of funds.
- E. Your personal infatuation instead of objective evaluation of your product or service.
- F. You are not willing to make personal financial sacrifices.

Most Angel Investors like to have hands-on relationships with their investments since most early-stage companies need help. Most firms that Angels invest in are small firms with few employees, providing incentive to Angels to offer their expertise in their areas of specialty. This gives the company highly experienced talent that it couldn't afford or sometimes doesn't even understand its value.

Angels look for somebody with a track record of previous successes. As an entrepreneur, you certainly do not want to engage with an Angel that hasn't had a winner. The Angels are generally patient with their investing; it takes time to develop the style of a business and the market for its product or service.

Lastly you must be sure that the Angels have sufficient funds to follow your needs. It is very traumatic for you to be spending your time always raising money. The obvious things that cause failure of a business are a lack of capital and poor communication with customers, employees and your vendors and keeping your investors in the dark. Do not accept less money than you need! If you are a poor communicator forget about being the boss. Sometimes it is necessary to hire a professional manager in order to make the business successful.

Here are some important thoughts to keep in mind:

- A. Experienced Angels receive about 100 deals every year and seriously look at three.
- B. Eighty-five percent of the executive summaries or business plans that Angels see are poorly written.
- C. Fifty percent of the entrepreneurs that Angels talk with do not have the ability to run a company and sixty percent of the balance fail at leadership in the first three years.
- D. You will need banks accounts to run your business so pick a bank that caters to small businesses.
- E. You need to promote your business so you must be active in the area where you customers are.
- F. Try to find your local Angel Group.

Don't give up! Good deals get funded.