Erasmus+

Creativity + Innovation & Technology

LESSON CONTENT TEMPLATE

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1. Lesson Document

Lesson 1. Topic 3: Know your Audience

Investors

Introduction

Investors are a source of financing to boost your business; They will not ask you for interest like the bank, but they will look for you to be in constant motion to get your company going.

Once this lesson is completed and approved, learners will be able to:

1. Identify investors
2. Adapt a pitch to this audience

In this lesson, we will learn to distinguish the different types of investors and what criteria they seek to invest in our project or business.

1. Types of investors:

Below we detail the main types of investors based on their way of operating.

Family & Friends

They are people close to the environment of the founder of the company that they finance with the main objective of helping him to carry out his project. They generally lend small amounts of money in the short term in the early life cycles of the company in exchange for a very small return.

Business angels

They are usually people who invest their assets in innovative companies, in their earliest stages of development. They don't perceive their investment as purely financial, but rather get involved in the project, contributing in addition to their money, their experience, contacts, resources, etc. Therefore, you will not convince them only with logical arguments: you have to excite them. There are several profiles: some are managers of a certain age who want to contribute some of their

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knowledge to younger companies, others are entrepreneurs who have funds to support other entrepreneurs, etc.

Family office

This is a little-known case of an investor: it is a group that manages the assets and investments of a family group, whether financial, real estate or business. It is not an entity that is dedicated to investing in startups, but only a small part of the equity (at most 10%) is allocated to high-risk investments... among which are startups.

Crowdfunding

Crowdfunding is a collective way of financing a project using a network, usually online. Investors will, through financial or other donations, manage to finance a certain project in exchange for rewards, or simply through altruist participations. The projects for which crowdfunding is used as a source of financing can be very varied: from audiovisual projects (getting money for a movie or a short production) to political campaigns, retail business or start-ups, among others. It is a particularly used tool in the creative industry.

Venture capital

Venture capital investment is made in companies with high growth potential by entering their shareholding. They usually provide a high capital when the company is already established, selling their shares in the short or medium-term to obtain capital gains.

There are two very different types of venture capital: (1) private equity that invests in consolidated companies that, although they are not listed, need capital for some operation (buy from another company, for example) (2) and venture capital, which does invest in entrepreneurial businesses: technology companies or startups. They tend to allocate smaller amounts of money, normally acquiring between 20% and 30% of the company

2. **What is an investor looking to hear? What criteria must you need to follow to be an investable company?:**

Ask yourself, before talking to an investor, if you have your clients and users: the investor will want to see that you have been able to get them with your resources. According to successful entrepreneur François Derbaix. "Success is getting users, customers and investors. In that order."

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When you explain what your project consists of, it affects how you are going to monetize your activity, that is, your business model. Keep in mind that the investor is going to trust you with his money and will want to know what risks he runs, and what means are you going to use to make the activity profitable.

On the other hand, when you talk to an investor, you have to specify how he enters the capital of the company, as well as the possible commitments of future investments if a series of milestones in the business are met.

Don't forget to have an “exit plan” prepared; It shows that there are potential buyers who in the case of success would be willing to put a lot of money on the table to acquire your company.

And remember, an investor is also a person, not just a source of financing, tell him about him: what he can contribute to the company beyond money, his contacts, his experience ... You will also show that you know him, that you have researched and studied their position.

Conclusion

Knowing the different types of investors and what each one is looking for will help you to know which is the most useful door to knock on, according to the development phase in which your project or business is.

Bibliography

¿Qué espera un inversor que le cuentes para invertir en tu start up?
Finanzas para emprendedores: ¿qué quiere oír un inversor sobre un proyecto de emprendimiento?
Tipos de inversores

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