

Forest Products Council
Attracting Capital from SRI
Private Investors

April 11, 2015

Questions Investors Will Ask

- Reputation: "What's your story? Who's on your team? What partnerships have you established? Who believes in you, and why?"
- Track record: "What is your experience in this market? What are your successes? Your failures?"
- Traction: "What momentum is behind your business? What are your goals? What progress have you made in reaching them?"

Why I Wont Invest In Your Startup (solve these and your chances of raising capital are MUCH greater)

1. **Proof of your potential success is missing.**

- There's no evidence that there's interest in your startup or that it has some traction. Have you sold anything yet? Have you run a successful Kickstarter campaign? Have you launched a startup before? Passing those tests would prove to me that you have what it takes to get this startup off the ground.

2. **I don't trust you.**

- I invest in people. You could walk into my office and pitch me one heck of a product. If I can't trust your character, judgment or leadership skills, forget about my investing in your company.

Why I Wont Invest In Your Startup

- 3. You have an inexperienced team/they don't work well together**
 - I need to be sure that members of your team have the qualifications and discipline to complete tasks, meet deadlines and follow through on objectives.
 - I don't want to risk an investment in a setup if the colleagues can't get along. Does everyone get along on your team?
- 4. You're keeping things from me.**
 - Investors want to know everything about your startup. Don't worry: I won't steal your idea. I'm too busy.

Why I Wont Invest In Your Startup

5. You don't have a business model or plan.

- You have failed to tell me how and where you expect to take your startup in the next couple of years - If I'm not impressed with your business plan, then I won't invest in your startup.

6. You Don't have much evidence that the startup will earn money

- There are no preorders or not many signups for your product or service. If you can't prove that people are willing to pay for your service, then why should I, as an investor, give you money?

7. I don't believe you can build your product.

- A great idea is one thing. Making it a reality is another. You haven't convinced me that your product can actually function. I personally need to see some sort of working prototype.

Why I Wont Invest In Your Startup

- 8. Your company is not the first to enter the market or unique.**
 - You must be first to market or have something different or unique than your competition.

- 9. The founder or CEO is uncoachable.**
 - You're not willing to listen to advice or suggestions and become defensive when I criticize an element of your business. I can't work with you.

- 10. You think your startup is worth too much.**
 - Figuring out the value of your startup can be a challenge. The value should be based on past accomplishments and the company's potential. If I feel that a startup is being assessed at a value that's too expensive, I'm going to look for another investment opportunity.

Why I Wont Invest In Your Startup

11. **You handle rejection poorly.**

- What happens after the pitch and rejection says a lot about an entrepreneur. Investors are watching, even after they've said no.

12. **You cold-called me/I'm not the right investor.**

- You sent your plan to every angel investor or venture capitalist for whom you could find contact information regardless of whether they invest in companies like yours. Your request is just going to be tossed into the trash. Instead approach investors through referrals or recommendations from people they trust and who can vouch for you.
- Your company is not operating in my area of expertise. Just like a doctor might have a specialty, so do investors. Do some research ahead of time and locate the investors who are involved in your field.

13. **You don't focus.**

- You're trying to launch every single product idea that you have. Instead stay on track and focus on creating the best product that you can release.
- You're not going to please every customer. But you do have to please the right customers.

Why I Wont Invest In Your Startup

14. **You're way too early for my money.**

- You wanted to develop an idea that could revolutionize your business niche. But your concept is too far out. I'm going to stay away until your product has traction with customers or other investors show interest.

15. **You're too slow to launch a product.**

- Your company is moving too slowly. Whether it's because you lack confidence or are a perfectionist, the longer it takes to launch your product, the longer it takes for me to see a return. Remember, there's nothing wrong with releasing a version 1.0 and making the appropriate adjustments at time goes on.

16. **You lack a marketing strategy.**

- Your startup is poised to begin selling a product but lacks a plan for how to boost sales and gain a competitive advantage. Have you set marketing goals? How will you promote your product?

17. **What problem were you trying to solve again?**

- When you founded your startup, you did it with the intention of solving a problem. But you, the entrepreneur, have shifted your focus from contemplating an idea to running an actual business, you have lost sight of the original problem.

Why I Wont Invest In Your Startup

18 **You don't understand the word "lean."**

- You're spending money on things like branded hats, key chains or coffee mugs. Why would I want to invest your startup? An investment is supposed to go a long way toward getting a product ready for launch. That means not spending a ton of money on swag. A couple of T-shirts for promotional purposes is fine, but don't go on a spending spree.
- Also, don't be paying yourself a big fat salary just because you're the boss. A study by Compass indicated that 66 percent of Silicon Valley startup founders using its benchmarking tool gave themselves salaries lower than \$75,000. The average around the world is \$32,000 to \$72,000, according to Compass. How much are you paying yourself?

19. **You're not concerned about tomorrow.**

- Your startup seems to be based only on a current trend. You can't expect a startup to have longevity this way. I know that we can't predict the future, but I want to invest in startups whose owners are thinking about the future, not just contemporary trends.

20. **There aren't any other investors.**

- I'm not finding evidence that others have invested in your business, even a couple of thousand dollars. Unless I'm a fervent believer in your startup, I need to see interest from other investors. The presence of other investments gives me an indication that someone else sees potential in your startup and that other people are support your vision. Having a couple of investors is good as they will help promote your business.