How to Attract Investors

Perhaps you have a great idea for a startup – a product or service you think could revolutionize your industry. But you need serious funds to take your startup to the next level and introduce it to a wider market. Before you start a...

Networking with Investors

1. 

Research potential investors who fund startups in your industry. Before you start talking to people, you need to have an idea of who's out there and what kind of money they're offering to startups in your industry. By searching online or talking to other entrepreneurs who've launched startups in the same industry, you can pull together a list of names of "angel" investors (wealthy individuals who invest in startups) and venture capital firms that might be interested in your startup.[2]

   1. Angel investors invest their personal capital in startups. While they do hope to make a profit, they're typically more interested in helping innovative products and services get off the ground. Venture capital firms, on the other hand, are primarily looking to make a profit. They tend to be more interested in startups that have already had some early success.
   2. The more you know about investors you might encounter, the more you'll know how to approach them and how to target your pitch towards their interests.
   3. Try to find information about other projects investors have participated in. That can give you an idea of the types of projects they're interested in and the kind of money they're willing to put out.

Tip: Try to focus on investors who are familiar with your industry and the type of product or service you're offering. They will be more likely to appreciate your startup idea and its potential.

2. 

Craft an elevator pitch by describing the problem your startup solves. Your elevator pitch describes your startup in 60 seconds or less. Identify what problem your startup is going to solve and how it's going to solve that problem. Use that framework to set up your elevator pitch.[3]

1. For example, suppose you've developed an app that makes it easier to share photos across devices and with other people. Your problem would be that it's cumbersome and difficult to transfer photos from a smartphone. Your app solves this problem by making it easy to transfer photos to other devices.
2. Make sure your problem is a real one. If you identify a problem that the investor has never faced, or doesn't see as a problem, you're already dead in the water.

3. 

Join small business, entrepreneur, and industry associations. Your local Chamber of Commerce, Small Business Association, and other organizations have resources to help connect entrepreneurs to investors. Ask your friends and colleagues what local organizations have helped them achieve their business goals.[4]

1. These organizations also have other resources you can take advantage of to develop your idea and help get your startup off the ground.
2. Depending on where you're located, there may also be organizations that are specific to your particular industry.

4. 

Attend events in your local startup or investor community. If you're located in an area where a lot of new businesses and startups are concentrated, there will likely be conventions or other events that promote startups to various investors. Investors also have organizations where they meet together to discuss their strategies and plans for investing. You can find out about these events by subscribing to trade magazines or email newsletters.[5]

1. When you attend events with investors, get to know them and the types of businesses they tend to invest in. You'll be better able to attract investors if you get to know them and understand the types of projects they like.

5. 

Mention your startup to investors at events and meetings. When you cross paths with investors, simply mention your startup casually. Use your elevator pitch, targeting it to the particular investor you're talking to. Don't be pushy. If they want to know more, they'll ask.[6]

1. Don't be afraid to show your passion for your project. Passion can be contagious, and if you're really excited about your project investors will be too.

6. 

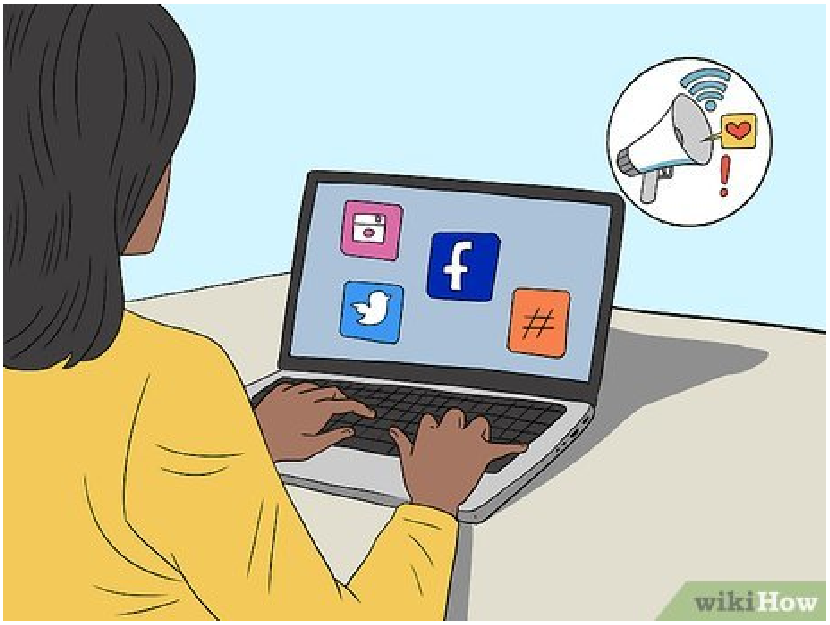
Follow up with investors who express interest in your startup. As you talk to investors, some may indicate that they want to know more about your startup. Have information prepared, including your business plan and data regarding your startup's performance and demand for your product or service.

Investors who are interested in your startup ultimately want to know that your idea will succeed and they will make money off of their investment.[7]

1. If you have information prepared, you can quickly and easily provide that information to investors who want to know more about your startup.
2. As with your initial mention, don't be pushy. Give investors time to review your information and make a decision. If you don't hear anything back, contact them again in a couple of days and find out where they stand.

Tip: Investors may ask you for specific information about your startup. If they do, make sure you get them that information as quickly as possible.

Using an Online Investment Platform

1. 

Create a social media presence for your startup. Before you even set up an account on an online fundraising platform, there should be plenty of information about your startup available on the internet. Assume that savvy investors will research you and your startup to find out whether they want to invest.[8]

1. Keep your social media accounts active, making at least 2 or 3 posts a day on each platform. Aim to increase your engagement with accounts that follow you.

Tip: Follow industry colleagues as well as leading investors who might potentially be interested in your startup.

2. 

Draft a formal offering circular that explains the investment opportunity. When you use an investment platform, you're offering investors equity, or shares of stock, in your startup in exchange for their monetary investment. The offering circular describes the value you're placing on each share of stock and the number of shares you're issuing. You must file this document with the SEC as well as state regulators.[9]

1. If you're classified as a "Tier 1" company, this is typically all you need. You can raise up to $20 million in a 12-month period. Tier 1 companies aren't subject to the auditing and reporting requirements larger companies are.
2. Tier 2 companies can raise up to $50 million in a 12-month period and are subject to auditing and reporting requirements with the SEC and state regulators.

3. 

Choose a platform that meets the needs of your startup. There are a number of different platforms available, each of which offers different ways for investors to put money into your startup. Some platforms attract professional investors, while others cater to amateurs who invest small amounts of money – typically around $1,000. If you don't have a lot of experience launching startups, you may be better able to find small investors than professionals.[10]

1. For example, AngelList is the oldest online investment platform. While the platform's minimum investment is $1,000, it attracts professional investors and the average investment is typically around $100,000.
2. If you have a consumer-facing startup in the tech sector, you might consider CircleUp, which allows investors to buy shares in your company directly through the platform.
3. Fundable is another online investment platform that also provides assistance with building your onsite profile, constructing your elevator pitch, and finalizing your business plan. If this is your first startup, you'll find a lot of resources there to help you.
4. 

Create the information page for your startup. After you've set up an account on your chosen platform, you'll have the opportunity to provide potential investors with basic information about your startup. Start with your elevator pitch, then add other details and information that demonstrate your startup is likely to be successful.[11]

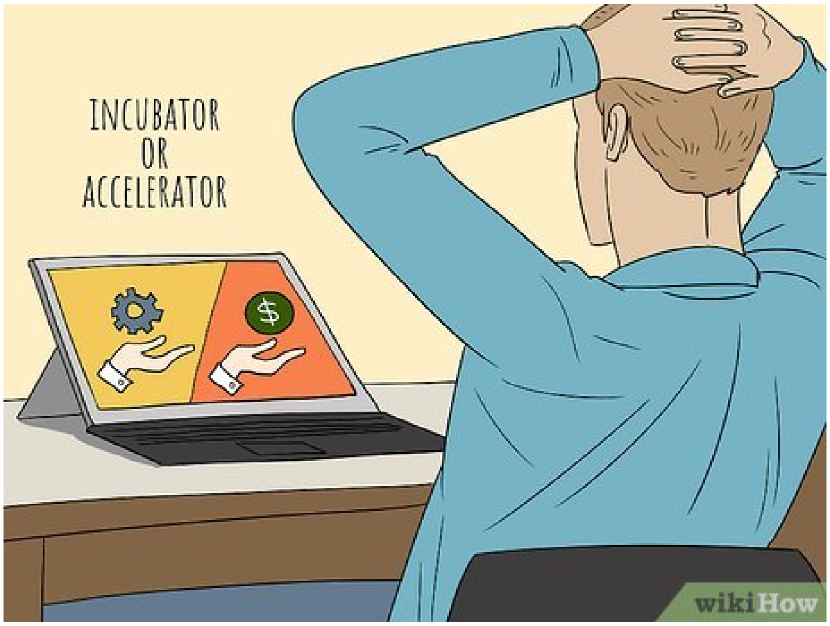
1. If you've already launched your product or service, include sales data and other information about consumer demand.

5. 

Consider crowdfunding for smaller amounts of capital. Not every startup needs millions of dollars of seed money to get off the ground. If you can launch your product or service with only a few thousand dollars, tap into your potential customer base to get your startup going.[12]

1. Some platforms, such as Fundable, offer both rewards-based crowdfunding and equity crowdfunding. If you anticipate doing another equity-based round at a later date, you may want to use a platform that offers both options.

Joining an Incubator or Accelerator

1. 

Decide whether an incubator or accelerator is right for your startup. Incubators offer facilities and tools to help your startup grow and get off the ground. You might choose an accelerator, on the other hand, if you don't really need help developing your product or service, you just need funding to get it going.[13]

1. Incubators are more appropriate if you need help developing your idea. For example, if you need to hire coders to work on your app, an incubator may be able to connect you with those employees or even provide them for you.
2. Accelerators take a startup that already has everything it needs to get off the ground and helps connect it to investors who are willing to fund it.

2. 

Search for local incubators and accelerators in your industry. Having potential access to incubators and accelerators depends heavily on your location. If you're in a small town or a rural area, there may not be any incubators or accelerators near you.[14]

1. For example, if you have a smartphone app you want to develop, you'll find lots of incubators in tech-heavy areas, such as Silicon Valley in California.

Tip: If you're prepared to move to advance your business, feel free to look outside your local area for incubators or accelerators.

3. 

Apply to join incubators or accelerators that spark your interest. Some incubators accept applications, while others are invitation-only. If you're trying to get into an invitation-only incubator, network with the people who run it. Accelerators, on the other hand, typically have an open application process. However, expect the competition for spots to be stiff.[15]

1. Even if you're facing an open application process, expect stiff competition. Accelerators typically only accept a small percentage of the startups that apply.
2. If you can talk to some of the entrepreneurs who have previously worked with the incubator or accelerator you're interested in, they may be able to give you some tips on how to prepare your application for a greater chance of acceptance.

4. 

Interview with the people who run the incubator or accelerator. If you make it past the initial application stage, the people in charge of the incubator or accelerator will typically want to meet with you and ask you questions about your startup. Prepare an expanded version of your basic elevator pitch to present and bring information so you can answer questions.[16]

1. Show your passion for your project. You're more likely to be accepted by an incubator or an accelerator if you're enthusiastic about your startup and its potential.

5. 

Take full advantage of the resources offered. If you're accepted into an incubator or accelerator, you'll have a wealth of resources available to your startup to help it succeed. You'll also have access to consultants and industry experts who can help refine your idea and take it to the next stage of development.[17]

1. Maintain your passion and enthusiasm for your project throughout the process, and don't be afraid to ask questions if you need help or don't understand something.

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