

# Ask the Experts: How should I approach an angel investor?

Raising seed capital is one of the most challenging hurdles for startups to clear

Tue May 15, 2012 12:01am PST

**Mike Volker, director, Simon Fraser University's Innovation Office**

An introduction is the best way – by someone who knows you and the angel investor.

Angel investing is a personal business in that angels invest in people, their ideas and their ambitions. If someone vouches for you, that's a great start.

What angels try to avoid are liars, quitters and jerks. So don't be one of those. If you don't know the answer to a question, say so. Don't fake it.

Quitters are losers. So tenacity, ambition and passion will serve you well – demonstrating this to an investor will serve you well. How? When they ask you for information, give it to them promptly; never make them wait.

Finally, don't be a jerk. A little humility can go a long way. Know what you don't know. Be coachable and amenable. Take full responsibility for everything. I always get a kick out of those jerks who blame their investors and supporters for their failings!

As far as making your pitch, make sure you can make the "business case."

Simply put: What are you selling, to whom, why will they buy it, how will you make a profit and what will the investors get in return for taking a big chance on you. It's amazing how difficult some people have in efficiently communicating their business idea.

Finding angels is not that difficult. Here in Vancouver, there are numerous networking events where you can find them.

One of the best is New Ventures BC – this will help you in defining your business, getting mentors and finding angels.

There are also two venues for meeting angels: the monthly Vantec meetings and the semi-annual Angel Forum.

**Basil Peters, M&A adviser, exit coach and angel investor**

Many entrepreneurs think the predominant source of financing for young companies is venture capital funds. A few years ago, the data showed that angel investors financed 27 times more seed and startup companies than VCs. With the global collapse of the venture capital industry, the number is probably now closer to 50 times more.

Angel investors are much easier to approach than VCs. In Vancouver, entrepreneurs are particularly fortunate. Vancouver has two of the oldest angel groups in the world – the Vancouver Angel Forum and the Vantec Angels. Both groups make it easy to apply and have fair, merit-based processes.

With these groups, it's not about whom you know, only how good the opportunity is.

Even better, according to research on Vantec presenters conducted by Thealzel Lee and Dave Thomas of Rocket Builders, once a company presents, the probability that it raises money is about 50%.

Vancouver entrepreneurs can also easily access money from the U.S. through the Bellingham Angel Group. From the last data I saw, about a third of the companies it invested in were in B.C. Angels are generally comfortable with cross-border investing.

Once the Bellingham Angel Group has vetted a company, it can be considered by the entire Pacific Northwest syndicate. This gives entrepreneurs access to more than 15 angel groups, representing several hundred high-net-worth investors.

Regardless of what you read, there is no shortage of capital available today for promising young companies.

AngelBlog.net has more information on how to find an angel investor in Vancouver.

### **Bob Chaworth-Musters, founder, Angel Forum**

Top six mistakes in approaching angel investors:

#### **1. Not knowing your market and buyers**

You must know everything about what constitutes your market: market size, market growth rate, competitive market share, buyer's problem, buyer's purchasing preferences and many more things about your market landscape.

#### **2. Not understanding your competition**

It's a bad day when your investor knows more about your competition than you do or identifies competitors that you have not considered. After all, your primary competitor is the status quo; which is however your buyer solves the problem today

#### **3. Being resistant to management change**

Investors are going to make sure that the right management team is in place. If you resist this by unrealistically insisting that you can play a role that you're not really qualified for, and you're not acting in the best interests of the company, investors will not work with you.

#### **4. Insisting that you are right**

Chances are that your potential investors know more about starting and running businesses than you do. If you come across as arrogant and not willing to listen and be coached, your potential investor will conclude you will not be a good business partner.

#### **5. Being disrespectful and pushy**

Be patient. Investors don't know as much about your business as you do, so they ask a lot of questions that might seem obvious to you. If you complain too much and push too hard, you will lose them.

#### **6. Not knowing what the money is for**

If you don't show that you know where the money needs to be spent, you won't get funded.

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<http://www.biv.com/article/20120515/BIV0115/305159942/ask-the-experts-how-should-i-approach-an-angel-investor>