'What No One Tells You about Raising Investment Capital'

By Terry Corbell
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Contrary to what you might expect in this economy, venture capital is available, according to leading consultant **Joey Tamer**.

Tamer consults to Fortune 500 companies and capitalized start ups to launch, build and expand technology companies. In fact, she advises consultants and service companies on their growth and profitability, and she's consulted since the early days of the PC through to her Web 2.0 and Web 3.0 clients of today.

Her clients have included: J.P. Morgan Capital, Sony, IBM, Apple, Hearst, Blockbuster, Technicolor, Harper Collins, NEC, Time-Warner, Agfa and Scitex, and many early stage ventures such as Earthweb, and iSuppli.

As you might expect, she's regularly invited to chair venture and investment panels in technology sectors.

"VC money is available from VCs who have raised their funds recently, in the past year or so, and have not yet deployed it all," said Tamer. "Funds that are at the end of their seven to10-year cycle will be used to safeguard existing portfolio companies and will commit to fewer, if any, new investments."

Tamer has proven approaches for raising money.

"These capital strategies allow the CEO to know what kind of money – private, angel, VC, strategic corporate – to take at what time to drive up the company's valuation, and to keep control of the board," she said. "I do not find capital for companies – that's the job of the CEO. Another major strategy is to identify sources of non-equity capital – strategic alliances and alternative revenue sources, rather than giving up equity at a low valuation."
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She graciously answered questions about raising funds:

Q: Regarding your five secrets for raising investment capital, you suggest creating a "unique product or service in an empty space."

A: I often help my clients define and present their unique value proposition (UVP) – the special technology or service offering or business model that makes their company different, more valuable, and more likely to succeed than their competitors.

Earlier this year, I defined one company's UVP and wrote its pitch piece for its first round of outside capital, and with these documents they sold the company within eight months – and this is a difficult investment year. This is a bit of optimistic news for all early stage ventures.

Q: You warn about defensibility.

A: The product or service must be defensible from "copy cats." Companies must beware of "proving the market", only to have a large company duplicate their efforts and take away their market share.

Q: What do you mean about scalability?

A: The product or service must grow quickly enough (scale) to offer investors a 10-times return on their investment in the first three to five years.

Q: What is your thinking about management?

A: Investors trust management teams with a proven track record of success. First-time entrepreneurs should gain commitments from experienced players and advisors.

Q: How much capital should be requested?

A: Companies asking for too-little capital often are dismissed as naïve. Capital strategies should define the current round and the subsequent round that will be needed to reach break-even and to predict profitability. Also, companies must understand the criteria required by each kind of investor – private, angel, boutique VCs, tier-one VCs, corporate strategic money.

Q: What do you recommend to get investors' attention?

A: There are four strategies.

- Master a 30-second sound bite of your UVP. CEOs must be able to speak and write the sound bite of their UVP in 30 seconds and in one sentence. For investors, this is the uniqueness that will result in a significant return on investment to the investors. Write a pitch piece – a business plan in sound bites. Long business plans are rarely read these days. Even 10-page executive summaries can be discarded.

- The powerful tool is to write a three-page pitch piece that covers the entire business plan in powerful sound bites. The secret sauce of this pitch piece is to tell the story addressing the investors' interests first, in clear powerful language.

- Don't apologize. Tell the plain truth. CEOs should not aggrandize their company or UVP. An investor will discard the offer if he or she needs to verify the truth of the presentation.

- Take a power position when asking for the investment. Don't be shy. CEOs should say what they have, why it is unique, why it will create an ROI, and what they need for capital, simply and with confidence.

Q: What techniques are best for presenting an opportunity?

A: I suggest three.

1. Ask for the money upfront – at the beginning. Investors want to know what you are asking for as soon as they understand the opportunity.

2. Present an overview of the ROI to the investor. Early in the presentation, the CEO should define the ROI, to keep the attention of the investor.

3. Back up your request with your pitch, in positive language. In the first few minutes, the CEO should define the UVP, defensibility, scalability and then back up assertions. At this point the investor may ask questions (a good sign) rather than listen to the pitch.

Disclosure: I write with utmost confidence about Ms. Tamer, www.joeytamer.com. I've had the opportunity to observe her and her expertise on many occasions. We're both members of Consultants West, www.consultantswest.com.

From the Coach's Corner, consider assessing your 2008 for a strong 2009. View your year objectively as though you were standing off to the side as another person.

Without making it an occasion for guilt or regret, start by answering these questions:

What progress have you made this year? How have you fallen short? What are your strengths and weaknesses?

And if you've never done so, I'd recommend a SWOT analysis – an inventory of your strengths, weaknesses, opportunities and threats. Then, follow it up with a strategic plan.