Excerpts
Dr Preet Deep singh
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"I Have A Great Idea, I Want Funds"

If you are standing here, where to head to next?

This and many variations thereof are the most common messages from startups to ... to anyone who would listen. This is almost always the number one rant. Thankfully, this is not a problem specific to India. World over, capital is one of the more sought-after things. There will always be scarcity. The entire study of economics is based on this. There will never be enough capital for every idea. Ideas will always have to compete for capital. Ideas will always have to and always have competed for capital, talent, customers and everything. Every time you pick Pepsi over Coke, that is an example right there for two products competing for a share of your heart. Each time you pick one friend over the other to tell a good news, it is a competition.

Are You Ready for Funds?

The process for raising funds usually involves pitching to investors. The two components pitch and investor are both important. Pitching means you have a solid deck. A deck is usually a PowerPoint Presentation with slides on team, idea, solution and financials. Each of these has to be very detailed and thought through.

Idea: Your idea has to be actually solving a problem. You need to analyze (and present that analysis) how your idea is different. It will not do to showcase that there is no other solution or that your solution is head and shoulders above the others. The investor will definitely make their own inquiries. But, your honesty here would help the investor trust you.

Team The team has to be full time and relevant. It is not uncommon for friends to start up. Each founding member should be relevant and be adding actual value. Otherwise, not only does the startup suffer, the person also starts feeling under-utilized and quits after souring of relations. Some members of the team cannot be working part-time (other than mentors of course). No one will give you money and put it at risk while you hedge your risk and have the cushion of a job. If you are building a core technology and your team has little to show for technological expertise, it would not reflect well.

Financials This is one area that clearly requires external help or at least expertise. If you are asking for 1m, you must know exactly what will get spent and when. You must know when and how you will start making money. Each component will have connections in five other places. If you make a sale, there is a person who will be hired, much before the sale for the same. Each sale would require a delivery, which requires a completed product and delivery mechanism. This means the marketing expense has to be factored in. If your sales are going up by 30\%, then how do your marketing and sales forces expenses increase. This is also the basis for valuation. Therefore there is no way out of this.

Why You This is the trickiest of all questions. This is a question a lot of 'okay-team-good-idea' founders face. What makes you the best people to execute this. The best may be to have a patent. However, very few Indian startups (in percentage terms) have a patent. There are many business model innovations which cannot be protected by IPR (and therefore founders are scared of their idea being stolen). You still have to answer how you are suited to execute this idea. The answer could be a mix of relevant education, relevant experience, on-ground network, trust among buyers, and having an established customer base. I would strongly advise against First Mover Advantage. Chances are, a lot of people are already in the market and saying such things only reveals your lack of knowledge.

Finding Funding Folks

You have to find someone who would listen to you and have the capacity to fund you. This person can be a High Networth Individual, an Angel Investor or a government body willing to give you a grant/seed fund. The first step for you will be to get to an incubator and fine tune your idea. Get mentors, tutors, teachers, professors, peers, experts to lay your idea threadbare and ensure that it is the best version that you can get. The second thing is to work out the team and financials. Get timelines and put it all in a beautiful deck. Then, after doing all these, and doing these well (process that can take 2-4 months), should you seek an investor. An investor can come from the incubator itself, through an Angel Network or other networking events. If you are on Twitter (you should be if not there already), you can find event information on their handles. These investors are looking for good ideas so it is not as if you are totally unwelcome.

If it doesn't work out

If you find an investor and tell him your proposition and she is still not ready to invest in your venture, chances are that your idea does not appeal to them. It would be intelligent to ask for feedback and ask what would make them invest. A number of startups that were rejected initially became big later. Rejections don't mean anything definitive but that should not be a shied to not better your idea or, at times, to re-evaluate whether what you are pitching actually makes sense. If you can do a pilot, ensure that there is some customer validation.

It will Bring Interference

If you do find someone who is willing to fund you, know that funding is a long process and it comes with something.

Imagine yourself giving money. Have you ever given money? If you have not, it will be very hard to understand this process. When you borrow sugar from a neighbor, you are socially bound to inform them of why you need the sugar and how many people need to drink tea. When you borrow a gas cylinder, the lender dispenses advise on how to use gas judiciously and you have to smile, even if they are wrong. It would not be smart to think that money would not bring interference.

Do you even need the money?

VCs want to invest in businesses that are not linear. If you are trading cats, then it is unlikely that you will get VC money. If you have potential to sell millions of cats, a VC might still be willing to look at you. You have to be disruptive. If you are a startup and you are reading this, chances are that you are not disruptive. There is nothing wrong with not being disruptive. The success rate for disruptive is less than 1 percent whereas the success rate for non-disruptive, well thought out idea is more than 40 times of this. You only need to align your expectations accordingly. Raising money is a sad process. Angels dont respond, VCs rarely open your email and every Tom, Dick and Harry will give you advice as to what you are doing wrong.