

# Startup Success Formula: 5 Reasons Why Investors Will Fund Your Startup



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Are you a startup founder, would-be startup founder, or considering investing in startups?

Want to better understand what investors are thinking about or looking for when they decide which startups to fund?

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**WE'RE HERE TO HELP**



In this article, we have pulled together a few key insights, primarily adapted from our interviews with seasoned investor Fausta Pavesio, who spoke with us about women leadership in the world of startups as well as our Generation Female Global Summit session on Investor Insights.

Our conversations with Fausta, and much more, can be viewed in full on our YouTube page, and we highly recommend checking it out for more insights. But for now, we're jumping into an Fausta's shoes to find out why investors will fund your startup and what they're looking out for:



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01

## Your Startup has a truly game- changing idea

What problem is your startup solving, and what's unique about your solution?

When investors look at startups, they look for companies that have a keen understanding of the sector they are operating in – the state of play, the needs and wants of potential customers, and how their product or service will significantly impact their target market and audience.

Investors are always on the lookout for startups with game-changing ideas – innovative, ingenious, impactful – that can fill market gaps, solve market needs, and significantly change market behaviors. If you can convincingly demonstrate how your product or service can successfully, profitably and comprehensively change your target market, you are halfway to success.

Former GE CEO Jack Welch once said, “if you don't have a competitive advantage, don't compete.

How will your startup outpace and outperform your current and potential rivals, both in the near and longer-term?

Your competitive advantage can be your technology, business model or your team – whatever it is that uniquely and advantageously sets you apart from your competition, and allows you to create a “market barrier” against your potential competitors.

But not all competitive advantages are made equal – the best competitive advantages are the ones that you can sustain, for example a patent or proprietary technology.

02

## You have a significant competitive advantage

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## 03

### You are able to scale fast and adapt faster

The COVID-19 pandemic has brought significant challenges to both founders and investors, not least the reminder that the world can and will often change drastically and rapidly.

– demonstrating an ability grow steadily and reach larger, international markets. But more than ever before, investors are placing more emphasis on finding startups that can respond quickly and nimbly to fast-changing environments.

Startups that stand out are ones that demonstrate an ability to understand the bigger picture macro environment and trends, scale fast, but also adapt and pivot flexibly to stay ahead of the curve or remain on track after any unforeseen setbacks.

As the saying goes, “teamwork makes the dream work”, or as Fausta quite simply puts it – “team, team, and team”.

You can have the brightest idea, the most secure patents and the best growth strategy – but none of this will ever work unless you have also built the right team. In fact, one of the most common reasons why startups fail is due to team-related problems.

For investors, the best startups have a diverse and great team of founders and leaders. Diversity brings balance to the table, and depending on the specific needs of each startup, can stem from diversity of backgrounds, identities and/or skill sets and experiences. A well-rounded and well-organized team can offer more skillsets and competencies, more diverse and innovative ideas, more sound strategies and plans, as well as be more resilient and nimble in the face of adversity.

## 04

### You have a diverse, great team of founders

## 05

### Your numbers add up

The numbers speak for themselves. At the end of the day, the numbers need to make sense before an investor will sign on the dotted line. And by numbers we mean sound market analysis, forecasts and projections to determine the prospects and profitability of a startup.

While your business plan may look very different depending on whether your startup is at early-stage or growth-stage, it's nevertheless a useful exercise to present your ideas, projections and strategies to investors in order to convince them of your commitment and potential. A good business plan should clearly and quantitatively demonstrate your understanding of your product-market fit, customers, competition, opportunities and threats, growth strategy, resource needs and anticipated returns.

We'll leave you with one last piece of advice from Fausta: "The first thing that I say to entrepreneurs is that you have to be the first investor of yourself...the most important thing to me is that the founder / teams put [their] time and money in the beginning... otherwise you will never find investors. I am always saying, why do [I] have to believe in you if you yourself don't believe in you?...You have to be really passionate about what you do and you have to put all your effort, all your resilience, whatever [is needed], in this mission, otherwise it is not going to be possible."



Game-changing idea + Significant competitive advantage + Ability to scale and adapt fast + Diverse team + Sound numbers and business plan = startup success – remember to keep this in mind before you go out and pitch!