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A Match Made in Heaven? Your Angel Investor and You

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How should an aspiring entrepreneur choose an angel investor? And, more importantly, how will an angel investor select you? Entrepreneurs need to gain access to the right angel - one that will add value to their growing enterprise. The top angels in the business, says investor Mike Maples, are seeking ideas that have been tested for market viability - an essential criteria before they'll consider cutting a check.



Transcript

So let's imagine someone in this room is starting some new venture and their doing it in their dorm room. And they want to get some angel funding, to get a little bit of escape velocity. How would they pick someone? How do you know someone's a good angel investor? What are the things I should think about or they should think about? Well mainly, an angel who will add value and and angel that you can get access to. I think the groups here have access to a lot of angels because you have forums like these. But what you want to do is get some in-road do an angel so that you can send some kind of an executive summary to them and get a meeting set-up. Then hopefully get the angels to fund you and then introduce you to the VC's as your next step in maturing the company. So when someone comes to you with an idea, what are you looking for? What are the key metrics. I'm sure you've got some sort of list that you go down, at least in your mind as you're evaluating these opportunities. Yes. There's three or four things that I look for.

And I should clarify there's a slight difference between how Ron and I approach things. So my belief is that there's a new kind of angel emerging that really sits in the gap between angels and VC. Isn't so Ron described an investing strategy of investing say \$50 to \$100, 000 dollars in a company. Typically the venture capitalist will want to fund the company in the multiple millions of dollars. Right, usually north of five. And so I look for entrepreneurs who want to raise more like \$1 million. And so very often I'll help by contributing something like \$500,000. And then Ron and I and other angels will work together to fill out the rest of the round. And so I think that's a key thing that I think entrepreneurs also need to look for is just how much money they need to raise to get to the next level. But to answer your question more directly, I guess a pet peeve of mine is that a lot of entrepreneurs approach me with just an idea.

And ideas are pretty cheap. And so we're now in an era where the cost of experimentation is very low. And so if you come as an entrepreneur to an investor and you haven't run a single experiment. Haven't done anything to test the market viability of the product, it reflects a lack on conviction on the entrepreneur's part. And if the entrepreneur does not have enough conviction to really test their idea in a low cost, low burn leverage efficient way, why should they propose that I should be excited. And so the one piece of advice that I would have, the one common mistake I think people make is that they want to have lunch and just talk about ideas. And you know heck if I know if it's a good idea! I'm not a customer. And my opinion is irrelevant if I'm not going to pay for the product to only customers matter in terms of evaluating whether it's a good idea.