

Hot Sauce! Secret Sauce for Entrepreneurs

Ten Big Questions

Potential investors want answers. In deciding whether or not they want to continue discussions, they generally want you to answer The Ten Big Questions:

1. **What's the problem?** Basically, if there isn't a big problem in the market - a major un-filled need - then there's no point in trying to sell a solution. So explain how people or companies are experiencing a significant level of pain because existing solutions are deficient.
2. **What is your solution, and what makes it special?** This one is obvious. Tell them what you do, and how your customers will benefit relative to existing solutions.
3. **How big / severe is the problem?** An attractive problem, from the investor's point of view, is a big problem - preferably one that the market will collectively spend a billion dollars or more to solve.
4. **How will you make money?** This may be obvious for some companies (we will sell widgets for \$10 each), but not so obvious for many others. Software, for example, can be sold on a per-user or per-site basis, with or without recurring licensing fees, with or without recurring maintenance fees, with or without installation or customization fees, and so forth. Or you could give away the razor and make your money on blades.
5. **Who will buy it, and how will you sell it to them?** That is, how do you segment your potential customers, and what is your plan to efficiently make them aware of your product and decide to give you their money in exchange for it?
6. **Why are YOU the best team to do this?** You may have a great solution to a big problem, but you won't get an investor if your team doesn't have the skills to be able to execute your vision.
7. **What are the alternative solutions, and what makes yours the best?** No matter what you may think, you do have competitors. If you've invented a teleporter that moves people from point A to point B, your competitors still include trains, planes, and automobiles (and bicycles and sneakers). What makes your solution better than the alternative solutions for getting from A to B?

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8. **What have you done, and what will you do?** Ideas are dime-a-dozen. Execution is what really counts. You need to show that you have the ability to make the right things happen. A good prior track record and aggressive future milestones (along with a realistic plan for making it happen) shows that you mean business.
9. **What are the economics?** Investors want a means of measuring your progress, often in the form of metrics that can be measured. Many of these metrics are economic - revenue per headcount, expense per headcount, marginal gross margins, revenue per customer, cumulative units to break-even, and so forth.
10. **How much do you need, and what will you do with my money?** Investors want to know if you have a realistic understanding of the costs involved in starting and growing your business.

These ten questions only scratch the surface of what investors need to feel comfortable with before they make an investment decision. However, if you can offer good answers to these ten, you're almost guaranteed to be invited in to their office for further discussions.