

GET FUNDED

CHECK LIST



**BEFORE YOU SEEK FUNDING:
THE 10 POINT CHECKLIST**



Compiled by Funding Connection | www.fundingconnection.co.za

You've got an idea that you're excited about. You've talked about it with your friends and family members. You might have even quit your job to start exploring the possibilities of entrepreneurship. You're on the verge of getting your company off the ground, but to do it, you need capital, and you can't front all the money yourself.

Your natural inclination is to go out and start seeking funding as quickly as possible so you can build some momentum for your business. That level of passion and enthusiasm is admirable, but if you start seeking funding before you're ready, you could end up wasting your time and heading toward disappointment.

Before you go out to seek funding, whether that's from a government grant program, a commercial bank or an equity partner, make sure you've satisfied all the key requirements.

We've outlined the 10 requirements in this list for you. As this is merely a checklist, we have kept the explanations brief. If you need a deeper understanding of what is required, you are more than welcome to contact us.

1. A COMPLETED BUSINESS PLAN

This is the first item on the list because it is, by far, the most important. Without a business plan, you can't have a business. It's the foundation on which your enterprise will be built. Accordingly, it may contain some, all or none of the points below, so keep that in mind when you put it together. Your goal here is to present an overall summary of what your business is and how it's going to make money. Drawing up the business plan will bring you to more clarity about the different aspects of your business.

2. MARKET RESEARCH

Market research is the verifiable data that demonstrates the need and viability for your idea. Without it, your idea may only be good in theory but may not be what the market actually needs or is willing to pay for.

You might have to pay to get access to the market data you need, or perform some research yourself, but you need to have this numerical grounding if you want to prove your potential worth to any funding agency or investor.

3. FINANCIAL MODELS

These should be a natural part of your business plan, but don't underestimate the level of detail required by most financiers. You will need full spreadsheets of projected costs, acquisitions, sales and revenue, including your profit margins, growth rates and when you expect the business to become profitable. This is going to be the proof that your business can actually make money.

4. ONE-, TWO- AND FIVE-YEAR PLANS

Entrepreneurs naturally think through how to get their businesses started, but many neglect to project into the future. Don't focus exclusively on how you'll build your business from the start. You'll need to chart out your projected growth over the course of the first year, the first three years and the first five years. Most investors want a long-term solution in a business with staying power.

5. POTENTIAL CUSTOMERS

Your market research should prove that you will likely have a customer - in theory, but once you have potential customers lined up, this will make a much stronger case. If you can acquire at least a handful of testimonials from your ideal type of customer or a major client that's interested in your idea, investors will be much more interested in working with you.

6. SKILL AND EXPERIENCE

You'll also need to make sure that you're capable of handling the first stages of development and business growth personally. If you have years of experience in the industry or other proven credentials, you will stand a much higher chance of funding. Otherwise, you'll need to undergo training or secure outside resources to help you along. Funders are very aware that a skilled and experienced person is key in driving a business towards success. In fact many of them talk about investing in the person, not just in a business.

7. EXISTING INVESTMENT

It looks good to potential investors if you already have some “skin in the game”, ie: some of your own capital towards the business. So take whatever savings you can spare and try to gather up some initial capital from family or friends. This will show potential investors that you already have some financial backing and that you believe in your business so strongly as to risk your own money too.

8. A BRAND

Typically, your brand will come into play during the marketing phase of your business’s development rather than the fundraising phase. However, a strong brand can help sell the viability and character of your business to potential investors. This typically includes a winning name, a logo and visual identity and visuals of how the branding will be carried across all your stationery, signage and across your marketing campaigns. It’s a demonstration of identity that can concisely and creatively drive your idea home.

9. A GOAL

Before you start asking for funds, you need to know exactly how much money you need and why you need that much. There’s a big difference between saying, “I need money for my idea,” and, “I need R100,000 for equipment, R240 000 for an office, R200,000 for a first run of products and R60 000 to start marketing.” The latter shows you have a plan, and lets your investors know exactly where the money is going.

10. A PAYOFF

Last but not least, make sure you have a specific payoff in mind. This is both in terms of your own business goals as well as for your investors. For your own goals it is handy to peg a timeframe by which you will for example break even, make a profit, and be able to bank your first R100 000. For investors, it will help if they know that you have addressed this question and according to your projections you will be able to pay them back within, say, 3 year or 7 years - depending on the investment and the accompanying conditions.

These 10 points will demonstrate to your potential funders that you are clear about your business and have done the necessary research to be confident that your business venture will be a success.

If you're missing one or two items, it's not a deal breaker, but be sure you satisfy most of the items on this list before you apply for funding. If you can do that, and your idea seems solid with the right people, you should have no trouble getting the money you need to launch or expand your business.

We wish you every bit of success with securing funding for your business venture.

Remember, if you need help with your business plan or funding application, we at Funding Connection have a range of services to help you with funding.

If you choose to steer the process yourself, you will find grateful guidance with our GET FUNDED DIY KIT which includes a step-by-step guide and a directory of financiers in South Africa.



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