



BROADOAK  
CONSULTING

## **Step by Step Guide to Crowdfunding**

Your business may wish to consider this sector as a potential option for raising funds. Some sites have their own guides, but we hope our own step-by-step approach below may help you.

**Prepare a business plan or pitch** - although there is no set format for a business plan there are a number of key elements to include: business goals, objectives, strategy, market analysis and a detailed operational and financial review. Background information such as trading history, your product and/or service and key personnel are also essential to providing context.

While we would be delighted to assist you, no one will ever know your business better than you. Use this preparation time to critically assess the business's weaknesses and vulnerabilities. Be able to address them.

Investment is a fundamentally simple process. Do investor's think that your product or service will be valued by your market and do they trust you to deliver your vision and achieve your business plan? From Day One it is imperative to manage your message and consider how your pitch and your business will be received.

**Meet other local businesses and investors** - this is an ideal opportunity to practice your "elevator pitch". If you wanted someone to remember 3 things about your business, what would they be? Going to networking events will enable you to not only practice your pitch but also to gain feedback and early interest. There are numerous business angel events to attend before going online. They may even wish to be your first investors. This will help your capital raising gain momentum.

**Keep your pitch brief** - some of us prefer to make decisions based quickly based on summary information and their initial feeling and some of us prefer to analyse detail so keep your pitch brief, clear and easy to understand. Further details should be available on request.

**Be conservative** - a conservative valuation will not only attract more interest, but will also demonstrate that you are a prudent, grounded business owner. Investors are also investing in you. We would encourage you to pick up the telephone and be as helpful as you can. Email is useful but a personal connection can be far more effective and memorable.

**Listen to advice from online platforms** - they want you to succeed! There are numerous sites available and although some are more well known than others, some may specialise in your industry or type of funding. They may also advise on how to manage your investor base. Consider the merits of either direct ownership or nominee structures (which generally suit smaller investors).

**Debt or equity** - this will depend on your business model and your business plan. Crowd funded debt is often more expensive than traditional lenders (>6%) however this is likely to reflect the higher associated credit risk. It does however appeal to smaller investors, given the record low yields in the market. While determining your optimal capital structure is a broader discussion, both forms of capital have its advantages and disadvantages.