

Questions Asked by Professional Investors

Top VC Questions

- Who is your real customer? [“Who Cares?”]
Why can’t they live without it?
How will the venture reach all the identified customer segments?
How much does it cost (in time and resources) to acquire a customer?
How long before the customer sends the business a check?
How many Widgets do you need to sell to break even?
What are the key customer tangible and intangible factors that anyone has to provide in order to succeed? [What is the “whole product”?]
What are your customer’s values?
How are pricing decisions made?
- What are your unfair or sustainable competitive advantages?
What are the barriers to entry?
What are the strengths and weaknesses of your competitors?
- What else do you have besides technology?
What do you do better than any other company?
Is this a product or a business?
- What do you consider to be your Company’s greatest weakness?
What has the key management team accomplished in the past?
Who else needs to be on the team?

Company:

- What do you do better than any other company?
What else do you have besides technology?
Is this a product or a business?
What are your unfair advantages?
What is your organization’s uniqueness?
What do you consider to be your greatest weakness?
What do you have that will enable you to shift gears if the market is a lot different than you plan on?

Customers:

- Who is your real customer?** Network Manager or Application Manager?
What industry groups are they drawn from and what are the overall trends?
How are they doing it today?
Why/how will they use your product?
Why can’t they live without it?

What does the market want?
What pain is so high that they are willing to come to you?
How intense is the pain?
What motivates your customer to buy?
What are your customer's values?
Who are your early adopters and why?
Who is your mainstream market?

Sales & Channels:

How will customers buy your product?
How will customers become aware of your product?
Who will they call for technical support?

How long does the purchase decision process take?

What are the key variables in the buying decision? (price, service, features, reputation, credit terms, delivery speed, or relationship with Salesman)?
Are buying decisions affected by advertising or sales promotion?
What is the degree of brand loyalty among customers? How is it measured or determined?
What methods are used to lock customers in?
What would be required to persuade the user of a competitive product to switch and how much would this cost?
How important is personal selling to this customer?
How good does the salesperson have to be?
* How many Widgets do you need to sell to break even?

The Whole Product:

What other products/accessories will customers buy to completely fulfill their needs?
What are your customer's intangible needs?
What is the "whole product"?
How is the product priced?
What are the expected future price trends?
How are pricing decisions made?
Is quality the key to the sale of the product?

Competition:

Who are the major competitors at present?
Are there any expected new entries or other potential competitors?
What is the financial strength of the present competition?
What is the relative ease of entry into the field?
What is the importance of intangibles such as lead time, goodwill, patents?
What are the barriers to entry?
List all of the major industries in which this product is sold:

How does the company compare with competition in each of the following categories?

- product features
- market share
- marketing capability
- production capability
- financial resources
- financial management
- R&D capability
- Overall management strength

HBR QUESTIONS:

People:

Where are the founders from?

Where have they been educated?

Where have they worked - and for whom?

What have they accomplished - professionally and personally - in the past?

What is their reputation within the business community?

What experience do they have that is directly relevant to the opportunity they are pursuing?

What skills, abilities, and knowledge do they have?

How realistic are they about the venture's chances for success and the tribulations it will face?

Who else needs to be on the team?

Are they prepared to recruit high-quality people?

How will they respond to adversity?

Do they have the mettle to make the inevitable hard choices that have to be made?

How committed are they to this venture?

What are their motivations?

Opportunity:

Who is the venture's customer?

How does the customer make decisions about buying this product or service?

To what degree is the product or service a compelling purchase for the customer?

How will the product or service be priced?

How will the venture reach all the identified customer segments?

How much does it cost (in time and resources) to acquire a customer?

How much does it cost to produce and deliver the product or service?

How much does it cost to support a customer?

How easy is it to retain a customer?

Cash Flow:

When does the business have to buy resources, such as supplies, raw materials, and people?

When does the business have to pay for them?

How long does it take to acquire a customer?

How long before the customer sends the business a check?

How much capital equipment is required to support a dollar of sales?

Competition:

Who are the new venture's current competitors?

What resources do they control?

What are their strengths and weaknesses?

How will they respond to the new venture's decision to enter the business?

How can the new venture respond to its competitors response?

Who else might be able to observe and exploit the same opportunity?

Are there ways to co-opt potential or actual competitors by forming alliances?

Characteristics of Sensible Deals:

They are simple.

They are fair.

The emphasize trust rather than legal ties.

They do not blow apart if actual differs slightly from plan.

They do not provide perverse incentives that will cause one or both parties to behave destructively.

They are written on a pile of papers no greater than one quarter inch thick.