Funder Form

Overview

To allocate money and make credible investment decisions, investors need to obtain certain information from businesses. This information includes not only the investment opportunity, but also information on internal factors such as production, sales and marketing, accounting records, and personnel, and external factors such as competition and market dynamics. The funder form on africube.com compiles this information in a standardized format and presents it via customizable dashboards to a range of potential investors including banks, asset managers, and development finance partners.

Format

In addition to the opening sections regarding basic background information, the funder form consists of **six main sections**: **(1) investment opportunity (2) business purpose and strategy (3) product (4) market (5) personnel and (6) financials**. The form has been specially designed to help investors to gain a holistic understanding of your business and to decide whether to conduct further research and due diligence. Completing the form fully will help your business create a comprehensive investment proposal.

1. Investment Opportunity

In this section it is important to illustrate the specifics of the investment opportunity such as how much funding is required, what is the purpose of the funding, an itemized expenditure list, and what is the preferred method of financing. In this section **clarity and details are paramount**; if an investor cannot understand what a business will do with funding, they will withhold it. Established businesses most often request funding to **purchase new equipment, vehicles, or land, expand their operating capacity, range of distribution and sales, or personnel, or develop new products, business models, or marketing and strategy tactics**. The strategic benefits of investing include expanding market share, staving off competition, and meeting customer demand among others.

Helpful hint: Determining which method is right for your business is not easy; in general debt financing is costlier in the short-term (interest rates and repayment terms) but gives you more control in the long term whereas equity financing costs less (there is no repayment) while providing access to advice and networks but reduces long-term control and profits. For more information this article and this article explain some of the pros and cons of both methods, and this article explains how to value your business when considering equity.

2. Purpose and Strategy

The purpose and strategy section provides an opportunity to explain the mission and impact of the business and illustrate some of its key achievements to date. In this section it is important to provide more information than just a general description of your activities and products; instead of explaining what your business does try and explain why your business exists. Businesses exist because they **fill a market need or meet customer demand, generate revenue, or have a societal impact**.

This section also tests management's strategic decision-making by asking questions about risk management and long-term planning. Common risks that businesses face include **competition on price and/or quality from established players or new entrants, cashflow shortages and bankruptcy, changes in policy and regulation, macroeconomic trends, and human resource gaps**. Overcoming these challenges and continuing to grow requires management to think strategically and set short and long-term goals.

3. Product

Producing enough goods and services to meet demand **requires reliable suppliers, operational processes, and distribution channels**. Even large international companies with innovative products such as the electric car-marker Tesla, can struggle to meet production quotas. Therefore, investors not only want to develop an understanding of the portfolio of goods and services offered but also an understanding of the production processes and their repeatability. For example, in addition to listing your suppliers, it is important to also discuss your relationship with them (ex. reliability, cost, method of delivery etc.). Like other sections, more production details will strengthen your proposal's competitiveness and likelihood of success.

4. Market

The supply and demand of goods and services are affected by a range of factors including **competition, operating costs, consumer preferences, supplier bargaining power, and macroeconomic and policy variables** among others. This section focuses on these dynamics and asks for more specific information about customers and competitors. When describing the customer base, it is important to provide information about **both demographics and consumption (ex. urban high-income women ages 18-35 buy our product twice per week).** For competitors it is important to determine how your product and/or service is different from theirs. Examples of **differentiation include price, quality, business model, market niche, marketing etc**. Two companies may produce the same good like peanut butter, but one company's product may be less watery and have fewer aflatoxins; therefore, its product has a competitive advantage based on quality and is more frequently purchased.

Helpful hint: The five forces analysis is a framework that is often used for assessing marketplace dynamics. This framework can suggest potential threats to business operations and opportunities for investment in new products and strategies.

5. Personnel

Someone can have a brilliant business idea, but if they cannot hire people with the right skills their company may struggle. Investors thus have a keen interest in understanding **the capabilities and skills of management and staff**. If there are two companies with similar businesses, investors are more likely to allocate finance based on the perceived capabilities of the directors and management. Furthermore, it is important to have employees with in-depth knowledge of and responsibilities aligned to the following tasks: **operations**, **product development, accounting & finances, human resources, and marketing & sales.**

Development finance institutions and impact investors are often interested in the **social impact of human resources (ex. youth and female employment),** therefore it is important to be aware of the business' statistics in these areas. It is highly likely that financial institutions will require **face-to-face meetings** as part of their **investment due diligence processes**.

6. Financials

For most investors, except those with a specific social impact focus, historic and more importantly projected returns are the most important metric. As a business it is critical to assign someone the responsibility of developing and actively using accounting tools and metrics to track and record financial performance. Without a financial track record, it is unlikely that investors will provide financing. Additionally, it is important to justify both historic and forecasted financial performance. Even if a company had a few years of poor financial performance, it is possible to explain why that may change. For example, external factors such as poor weather or a bad economic year which effects the purchasing power of customers may cause a temporary drop in sales that is not a product of systemic issue. Therefore, detailing assumptions used in financial forecasts, such as **increased market share or distribution networks, improved operating capacity and product development through investment, a new marketing strategy, changes in consumer preferences or policy and regulation, or changes in external or macroeconomic conditions** will enhance the competitiveness of your proposal.

Helpful hint: There are four statements used by companies to track their financial performance: (1) Balance sheet (2) Income statement (3) Cash flow statement (4) Statement of shareholder's equity. There are downloadable, pre-populated spreadsheets and online accounting software that can be used to facilitate the creation of these statements.