Newsletter: Marketing Your Offering by Bruce E. Methven

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The truth about marketing your securities offering is that you have to find investors yourself. Venture capital firms invest in only a tiny percentage of the companies that approach them. Groups that involve angel investors may work, but there is still lots of competition. Also, some angel groups seem to exist more for making money from companies presenting than actually getting the companies funded. It is very rare to find a stockbroker who will handle a startup or a relatively small offering. Finders – those who find investors for a commission but are not licensed securities brokers – are prohibited where there are investors from more than one state. California (and some other states) allow finders for single-state offerings but California restricts this to accredited investors.

So far equity crowdfunding, when it works, produces a slew of very small investors (average investment about $800); they take a huge amount of ongoing administrative time. Other offering types are generally better.

There are sites with investor bases that allow access for a fee. Prices range dramatically and it's not clear the high-priced sites have better investor bases. Paying for one can't hurt but there's no guarantee it will work. Companies should try to find a site that has had success with other companies in the same field or same type, as then it's clear that some of their investors are interested in those types of offerings. Investors tend to invest in what they know.

Real estate funds of course should contact people the principals have met or worked with before on real-estate matters.

Ideally, companies seeking money should begin a marketing campaign several months before starting the offering.

Companies making private offerings can talk about their offerings with people they reasonably believe meet the investor requirements for the type of offering they are making. Companies making private offerings can also communicate publicly about the company and what it does, but cannot say anything about past, present or future offerings. They can, though, allow people to complete an investor questionnaire and then, if the person qualifies, talk about the offering. This can be done on web and social media sites if extreme care is taken. (An attorney should be consulted.)

All companies should try to make contact with people in the field who have contacts and see if they can be persuaded to be advisors, evangelists or board members. The most effective way to connect with an investor is through a mutual acquaintance that the investor trusts.

Companies should seriously consider contacting current and potential vendors and customers. If they see they might get business from the company or the company has a product or service they could use, they may decide to invest.

In terms of social media, a company should start a web site and pages on Facebook and LinkedIn at least two to three months prior to the offering if possible. One key is to tell an effective story about the company. If this can be tied to a cause or passion, all the better. The company should also make blog posts regularly, participate in forums in its field, and prepare a video if at all possible. In some cases Twitter may be effective. The idea is to build a fan base that can lead to investors. Although other sources should be approached as well, companies should spend time on people in or with an interest in their field. They won't need the same education and are likely to see the advantages of the product or service better than others.

Marketers can be hired to help with this, but it's important to be very clear on exactly what they will be doing and what their charges are.

For companies raising money, the important thing is to recognize that finding investors will take a lot of time and energy. If it were easy, everyone would be an entrepreneur.

Bruce E. Methven

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