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Directions 2013: Investor Offers Tips for Successful Proposal

by Mark Robison

The UNR-DRI Technology Transfer Office wants to see more research make money.

One way it's making that happen is by getting industry involved earlier in the process with researchers. At the opposite end of this process, venture capitalists consider ponying up to fund startup companies.

We talked to Dusty Wunderlich of DCA Capital to learn what things he looks for in a startup pitch in hopes of giving ideas to researchers near the beginning of a project.

“It’s a cultural issue at higher ed institutions — some have been good with investors and taking research and applying it, such as Stanford and MIT, but the mass have not been good at accomplishing that,” Wunderlich said. “There tends to be a breakdown talking between researchers/professors and investors.

“The biggest thing to know about any investor is that you’ve got to look at the bottom line interest: it’s fiduciary, they have to protect their money. So first off: where’s the business model, where’s the profitability, where can I take it and grow it and get a return on investment. That’s got to be No. 1.”

Wunderlich said there have been some fundamental shifts in investing in recent years. One is that few projects in the early stages attract private investment, and government is increasingly taking on this role. Another is how much money needs to be allocated — research that requires less up-front investment is generally more attractive.

“I can look at 20 app-oriented companies that take only \$1 million to get to profitability or I can take two \$10 million companies,” he said.

Researchers tend to have a narrow interest and not look at the way all of the components come together, such as who they’re competing with, where the project is feasible to take to market, whether it’s serving a need in the market and how other players are viewing it.

Wunderlich was a judge on the recent Sontag business plan competition at the University of Nevada, Reno. The team he picked had beta tested its research with a real mining company to prove the project’s viability.

“That was head and shoulders above any other project,” Wunderlich said. “Any time you can get a big potential customer beside you when you’re doing research, that’s going to go a long way with any investor.”

On the flip side, some things will sour a venture capitalist on a project.

“I think with anything, you’ve got to have the right people in place,” he said. “A great researcher isn’t necessarily going to be a great salesperson and vice versa. And being prepared, having all the pieces in place, is very important from an investor point of view.”

He said that venture capitalists get a hard reputation but that they see thousands of projects and have to be extremely selective.

“They do want to help companies, and sometimes being honest is the best thing you can do for an entrepreneur,” he said.

One of the best intangibles for getting a project off the ground is to have had success with a previous project.

This tends to mean the researcher or entrepreneur already has relationships within the industry and has proven experience in spotting inefficiencies and making something work.

“It’s why you see repeat entrepreneurs get repeat funding from venture capitalists,” Wunderlich said. “First-time entrepreneurs have a really hard time getting funding.”