

Internet entrepreneurs should start with angels

Amir Goldstein, managing partner of angel group AfterDox, describes how "smart" angel investors can help entrepreneurs get their start-up off the ground and ease the way to attracting later venture capital financing.

One of the most difficult tasks in today's business world is being an entrepreneur. The entrepreneur must have numerous competencies without which he would not be able to succeed.

First and most important, the entrepreneur must be a visionary, as vision is the foundation of entrepreneurship, and the notion that dreams do come true must reside in his or her heart. However, having a vision is not enough. The visionary entrepreneur must truly believe in the idea, have the courage to plan a way to carry out the dreams and persuade others of the idea's merit.

Being visionary, courageous and persuasive is not enough either. The entrepreneur must have a whole range of other skills, such as technical, managerial, marketing, sales, financial and operational expertise as well.

The Internet, having penetrated every area in our lives, presents more difficulties to the entrepreneur. There are two basic differences between the Internet and "traditional" industries. First, entrepreneurs must deal with new terminology, such as viral marketing, clicks, communities, virtual communities, virtual world(s), affiliated junctions, search engines and now even peer-to-peer and Web 2. This is followed by new business models based not only on revenues, profits and multipliers, but also on clicks, referrals, actual referrals, communities, members and virtual and real members.

Internet entrepreneurs must have special qualifications, such as an understanding of the Internet world, the behavior of users and use of the Internet. They must understand the driving forces of the Internet: advertising, search engines, new browsers, communities and virtual worlds. Yet,

they must also have the wisdom not to fall into the trap of those "bubble" days of the past.

As it is very difficult to find a single individual that combines all these virtues, entrepreneurs need to search for appropriate partners. Venture investors generally do not come in at the seed stage, but rather prefer that the entrepreneur self-finance or work with angel investors at the start-up.

Finding the right angel investors is not an easy task, but once there is a match between the needs of the entrepreneur and the right angel investors, the potential to succeed is high. Few angel investors see themselves as strictly investors, but rather as true partners to the entrepreneur. Proper angel investors can fill the gap between the needs of the early stage entrepreneurship and its capabilities. But, not every angel group has the appropriate skills for the Internet.

As a result, there has been a trend for angel investors to join together in larger groups to maximize the skills they make available to entrepreneurs. Today, many angel groups possess not only financial capabilities but also direct access to relevant markets, experience to guide entrepreneurs in building start-ups and the ability to help create a winning business model and properly design and develop products.

AfterDox is a good example of this new-type angel investor group. AfterDox was founded by former Amdocs executives with close to 1,000 years of experience in the software, telecommunications and Internet industries and a deep understanding of how to develop a technology product that is marketable and saleable globally.

Of course funds raised in the early stage do not usually last very long. This is where venture capital funds come in. A start-up that presents itself with high-profile angel investors will have a major advantage in its later capital raising, as VCs prefer to invest in experienced people, and "smart" angel investors are the best partners to present to VCs. ■



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