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RESOURCE DATABASE](#)[FIELD PROJECTS](#)[KEY TOPICS
FOR ENTREPRENEURS](#)[FAQ
FEEDBACK/CONTACT](#)

Typical Questions Asked by Venture Capitalists

If you really want to impress a venture capitalist, you have to be quick with smooth answers to the grueling business questions they ask. Being prepared is your best defense, so study the following 74 questions and be prepared to answer all of them next time you visit a venture capitalist.

Armed with information as your defense, you're bound to get a better response.

1. What type of business experience does the management team have?
2. Are the members achievers?
3. What motivates each team member?
4. Can the team accomplish the job outlined in the business plan?
5. How does your company and product fit into the industry?
6. What are the current market trends?
7. What are the keys to success in your industry?
8. How did you determine total sales of the industry and its growth rate?
9. What industry changes most affect your company's profits?
10. What are the seasonal effects in your industry?
11. What makes your business different?
12. Why does this business have high growth potential?
13. What makes this business situation special?
14. Why will this business succeed?
15. Why is this product or service useful?
16. What will the product do for the user?
17. What is the expected life cycle of the product?
18. How do advances in technology affect your product and business?
19. What is the product liability?
20. What makes this business and product unique?
21. Why will your business succeed when it must compete with larger companies?
22. Does the product meet a specific need or perceived need of the customer?
23. Does the product have brand-name recognition?
24. Are there repeat uses for the product?
25. Is this a high quality or low quality product?
26. Is the consumer the end user of the product?
27. Does this product have mass appeal or single large buyers?
28. Who is your competition?
29. What advantages does your competition have over you?
30. What advantages do you have over your competition?
31. Compared to your competition, how do you compete in terms of price, performance, service and warranties?
32. Are there any substitutes for your product?
33. How do you expect the competition to react to your company?

- 34.If you plan to take market share, how will you do it? ·
- 35.What are the critical elements of your marketing plan?
- 36.Is this primarily a retail or industrial marketing strategy?
- 37.How important is advertising in your marketing plan?
- 38.How sensitive are sales to your advertising plan?
- 39.How will your marketing strategy change as the product/or industry matures?
- 40.Is direct selling necessary?
- 41.How large is the customer base?
- 42.What is the typical demographic of your customer base?
- 43.What is the lag time between initial buyer contact and the actual sale?
- 44.What is the capacity of your facility?
- 45.Where do you see bottlenecks developing?
- 46.How important is quality control?
- 47.What is the current backlog?
- 48.Is the product assembly line based or individually customized?
- 49.What are the health and safety concerns in producing this product?
- 50.Who are your suppliers and how long have they been in business?
- 51.How many sources of suppliers are there?
- 52.Currently, are there any shortages in components?
- 53.How many employees do you have?
- 54.What is the anticipated need in the immediate future?
- 55.Where does the labor supply come from?
- 56.What is the employee break down, i.e. full time, part time, managerial staff, support staff, production/service?
- 57.What is the cost of training?
- 58.Is the labor force primarily skilled or unskilled workers?
- 59.Is there a union and what is the company's relationship?
- 60.How old is your company's equipment?
- 61.What is the yearly maintenance costs?
- 62.What are your capital requirements over the next five years?
- 63.Do your competitors have an advantage due to equipment?
- 64.Do you lease or own the property/facilities?
- 65.What are the terms of your lease?
- 66.How much do you owe on the mortgage?
- 67.Are the facilities adequate for future expansion based on your business plan?
- 68.Will the expansion require relocation?
- 69.Who owns the patent?
- 70.What licensing arrangements have been made between you and the patent company?
- 71.Does anyone else have licensing arrangement? If so, how does this impact your company?
- 72.What is the current research and development?
- 73.What is the annual expenditure on R&D?
- 74.How does R&D impact future sales?

Source: Rainmaker Capital Group

