

>: My Thoughts on What are the first 3 questions you should ask before investing in a private company

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My first question would be what is the uniqueness of the product or service that the company is offering. There's always something that sets a company apart from its competitors, and it sure isn't always "we're cheaper" (there will always be some other company that comes up with a cheaper product/service/alternative to what you're offering). I like the MacDonald's example, where (it's said that) the food is not great but you know what you can expect, even in a foreign country, so although you may not habitually go to a MacDonald's back home, you would be more comfortable going to a MacDonald's in a foreign country rather than try some exotic (too exotic?) food.

The second question I would ask is whether they have done a proper study on some critical figures like target population (how many people will the company be able to reach out to), cost of product/service and related overhead expenses (such as rent, utility bills, wages, etc), how many customers does it take to breakeven every month (and is it feasible?), what are the activities required by the company every day/week/month in order to generate the sales to keep the company afloat and profitable (this should tie in to the number of staff required to do the activities). I guess part B of my second question is whether I can get access to the figures mentioned above so that I can get a feel of and understand where the company is going in its business, and whether I think the company will be viable in a few years' time.

My third question might be more selfish, as in "How do I get my money back and when?" I mean, this is a private company, so it's not as easy as selling shares of a public company. I suppose it's kind of like investing in the stock market, we need to have an exit plan BEFORE we even enter a trade.

Catherine L.