

How to Tell If Your Tech's Worth An Investment: 6 Tips from a VC CTO

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As investors, we want to choose winners.

We want to put our money on an excellent team and superior technology that's addressing a lucrative market with a unique offering. But how do we know if a team is excellent and if its technology is indeed superior?

When we first meet a team of entrepreneurs, we're at times tempted to invest because we see the potential — but we know there's still risk. So we ask many questions. We won't necessarily invest in a startup if the answers about their technology are rock solid, but we'll certainly feel uncomfortable investing if they're not.

Here are some of the questions we ask to gauge how promising a startup's technology is:

1. What's the purpose?

When pitching to investors, some entrepreneurs dive right into how they managed to accomplish a cool technological trick or crack a difficult challenge. That's great, but first help us understand why the problem is important to solve in the first place.

You should be able to talk about:

- What pain point your technology is addressing
- What product or solution you are offering
- What the market thinks of your offering
- Whether your product falls within a well-known category or whether you're claiming to define a totally new category
- Who the customers are, who the users are, and what problems you're solving for each of them.

2. Is it truly innovative?

Is it a shiny new algorithm that nobody has ever thought of before, or maybe a collection of insights or heuristics accumulated from domain expertise and many years of experience? Or maybe there's no technological innovation, just a new idea for a cool app that will capture the attention of millions?

As investors, we want to understand what makes your startup unique. If your technology isn't the real differentiator, that's OK, but then what is? If you can't answer this convincingly, then your dream of a startup may be over before it even starts.

3. Is it difficult to replicate?

Assuming technology *is* the core of your startup, how much of a barrier is there to replicating it? If it's fairly easy to replicate, then you may still succeed, but not as a result of a technological edge. Also, if you struggle to explain what makes it unique, then it probably isn't.

If your technology is difficult to replicate, that's great because it gives you a good lead over anyone else who wants to attempt it, plus you'll benefit from launching into the market a lot sooner than any potential competitors.

4. Can you convince us it really works?

Before we set measurement goals and priorities, we need to understand what your measurement goals and benchmarks are, whether they are even relevant, and whether you're measuring them the right way.

5. Who are your competitors?

We tend to be skeptical of the notion that no one else has already thought of an alternative to what you propose. Do you know who your competitors are, what their technological approach is, and whether they have good reason to feel confident about it?

Even if it turns out that your technology *is* unique, we want to feel confident that we haven't reached this conclusion hastily, which is why we must understand the competitive landscape to determine whether your technology or idea has an edge that gives your team a clear advantage.

6. Who are you?

Getting to know your team is one of our top priorities. Even if it seems to have nothing to do with the viability of your technology, it always does.

That's why we need to know that you are sufficiently knowledgeable in your domain, what your past successes and failures are, and what you've learned from them.

For better or worse, while evaluating your technology, we're also evaluating your competence as a team. Although our impression may sometimes be based on information gleaned from just a meeting or two, as professional investors we can't ignore any potential red flags.

In conclusion

Convincing us that your technology is solid and promising is a crucial step, but there are other critical aspects that we must consider during the due diligence process that may also influence our decision to invest in your startup (or not). So while you should most certainly be able to present an impressive technological pitch, don't forget to address all the non-technical aspects just as diligently.