



## video case

**chapter 5** E-commerce Business Strategies

**case 2** Angel Investing

**watch the  
video at**

<https://www.youtube.com/watch?v=40ra9LtmKfM>

**summary**

Angel investors are key to the growth of new companies. Here, Elizabeth Crowell, of the angel investing group eLuminate, discusses how entrepreneurs can find and work with angel investors. *L= 16:47.*



### case

While angel investors for online startups are a hot topic today, angel investors have actually been key to economic development for much longer, and for all types of industries. In fact, without angel investors, few companies would make it past the startup stage and to the venture capital investment stage, let alone private equity or IPO funding. Companies that found early funding through angel investors include Home Depot, Microsoft, Amazon, and Best Buy.

Although individual angel investments are far smaller than venture capital investments (\$1 million or less per project or so compared to over \$3 million for VC funding), angel investments overall contribute similar amounts to the economy as do venture capitalists (in 2012, \$22.9 billion, compared with VC investments of \$26.7 billion). And the importance of startups to the economy can't be overstated: Startup companies are key to job creation. Between 1977 and 2005, only six years would have seen net job growth from established companies.

Angel investors do more than just provide cash, they are typically experienced business professionals and entrepreneurs, and will mentor a startup, serve as board members or executives and help develop relationships with venture capital firms, and more.

Today, angel investment has become a trend in the arena of individual investing; and angel groups and networks have formed to take a professional approach to startup investment. In an angel network, members work as a team in screening deals, valuating firms, and due diligence (research, reporting, firm assessments). However, compared with individual investors, they are much slower to act, requiring more time to manage the investment process. There are over 300 angel groups in each state: the number of angel groups has more than quadrupled since 1999.

### video case questions

1. What types of people are angel investors, and how are they different from venture capitalists?
2. Explain Angel math and the 10X formula
3. Why is it recommended that a startup exhaust all other forms of investment before turning to angel investors?

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