Chapter 10

THE PITCH: LANDING THE INVESTOR

INTRODUCTION

Pitching is the term used to describe the art of asking investors for money. There are formal pitches, scheduled in advance, with time, format, and other constraints, and there is informal pitching. Informal pitching is the entrepreneur talking up his or her company at networking events, business and social gatherings, at ball games and anywhere two people meet. Entrepreneurs should be ready with an informal pitch anytime and anywhere. The key to an effective informal pitch is the fact gathering and preparation for a formal pitch.

What makes an investor likely to invest? What can an entrepreneur do to increase the likelihood of success? How long will it take to find funding and to how many investors will a company have to pitch? Who should pitch to Angel Investors, and who should go directly to Venture Capitalists? How long does it take to close a deal and get funds? How are deals screened? How can the entrepreneur get his or her proposal to rise above the noise of all the other proposals that an investor sees? The answers to these questions have one purpose, to close the deal on the best terms possible.

Venture capitalists, as professional investors, are much more sophisticated and driven than most other investors. They set the toughest standards and ask the hardest questions. This chapter focuses on what it takes to close a deal with a venture capitalist on the theory that if the

company's preparation and presentation are good enough to meet their criteria, it is good enough for the most other investors.

This chapter will also discuss a couple of keys to pitching. For example, it is important to think like an investor and put oneself in the investor's point of view. The entrepreneur, who understands investors' needs and wants, is more likely to close a deal than one who focuses on his or her own needs and wants. Another key is to have a well thought out business plan. Finally, the entrepreneur should develop evidence that confirms he or she knows what he or she is doing. A brilliant idea by itself, is never enough. Investors want to be shown, not told.

THRESHOLD CONDITIONS

To have a chance of raising capital, the following basic conditions are usually required:[1]

- Proven management skills and a competent management team
- Scaleable business model
- Compelling, quantifiable value proposition
- Proprietary technology, if your business model rests on technology
- Customers with real pain, and
- Customers with the money to pay
- Not entering a crowded or over funded market

There are important implications to each of these threshold requirements.

Proven Management

There is a widespread belief among entrepreneurs and would-be entrepreneurs that investors invest in ideas, the brilliant concept, the novel invention, the keen insight. This is wrong. Research shows that the most important factor in making an investment decision is the quality of