



VENTURENEER

BUILDING SUCCESSFUL ENTERPRISES WITH HEART

Getting Ready to Grow: The Tools You'll Need

An eBook from Ventureneer.com



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Vistas Ventureneer's blog offers practical insights for entrepreneurs and nonprofit leaders. The blog is written by Geri Stengel, Ventureneer's founder, who is a serial entrepreneur and nonprofit board member.

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You can grow your enterprise in a number of ways: offer new products, target new markets or expand geographically. To succeed at any of these strategies, you may need to attract outside money or partners. And to attract those resources, you'll need professional tools, tools to tell the bank, angel investor, venture capitalist or partner:

- the “must have” need that your product or service meets;
- how you fill that need;
- for whom you do it;
- why you do it better than anyone else;
- what is unique about your company and plan;
- your company’s financial stability;
- how much money you need;
- what you need the money for;
- when you need the money.

This ebook contains the tools to tell your story well, from making a quick verbal pitch to preparing for a formal presentation or a review of the financial documents you'll need.

A Reeling Them In: The Elevator Speech

B Magnetize Your Business Plan

C Developing Credible Financials

D Presenting Is More Than an Art, It's a Science

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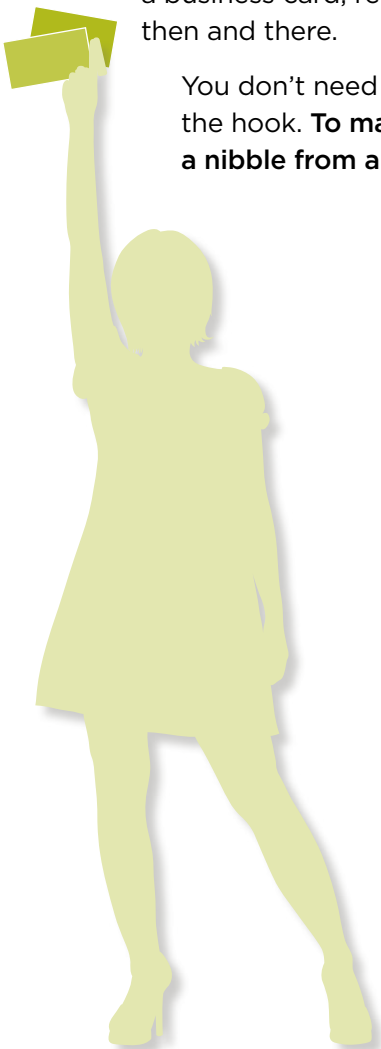
A Reeling Them In: The Elevator Speech

Pitching to investors, customers, employees, suppliers or partners is part of the job description for entrepreneurs who want their businesses to grow. Sometimes that pitch has to be made in the time it takes an investor to guzzle a martini or reach his floor on the elevator.

Hence the term “elevator speech.”

The goal of the elevator speech is to get your prospect (investor, strategic partner, customer) so interested that you get a business card, referral or meeting, right then and there.

You don't need to reel them in, just set the hook. **To make sure your pitch gets a nibble from a big one, follow these tips.**



Be Concise

An elevator pitch is a clear and well-practiced description of your company. It must be delivered in no more than 60 seconds. That's time for about 150 to 225 well-chosen words, spoken at a conversational speed.

Solve a Problem

Explain how your product or service fills a “must have” need. If you aren't filling a need, what's your point?

Tell Them What They Want to Hear

Describe your product or service and its benefits to your listener succinctly. Depending on your audience, you may have to:

- Define and size the market.
- Explain how you are going to reach that market.
- Show the muscle of your management, that is, give the listener reason to value the credentials you and your team bring to the effort.
- Frame the competitive landscape and your advantage in it.
- Note the revenue potential.

Speak in Plain English

Talk in tangibles, not abstractions, throughout your pitch. Bring it down to the man-on-the-street. If your product is complex, simplify it. You don't have to explain how it works, just what it will accomplish. Avoid MBA-speak or techno-babble.

Grab the Listener's Attention

Develop a tagline to pique interest, something enticing that captures the imagination, something short and provocative. Perhaps you can compare your company to a well-known company, as in “We’re the Google of distribution” instead of saying, “We’re building a distribution company that responds to change quickly and comes up with new and more efficient ways to distribute goods.”

Ask Qualifier Questions

Not everyone in the elevator is an appropriate target for your pitch. To ensure that you only target the “right” people and that you target them with the right message, ask a few questions.

- Ask potential investors, what stage, industry, and size companies they target.
- Ask potential partners about their areas of expertise, what their growth goals are, if they work with outside companies, and how they work with them.

Tailor Your Pitch to Your Audience

Investors and customers need different lures to attract their attention.

- To investors, the pitch focuses on your team and how you plan to make money.
- For customers, your focus should be the problem you can solve for them.
- Potential partners want to know what you’re building, why it’s important, and why you’re going to be a success.

Be Passionate!

A good pitch makes your heart race. Let them feel your passion to succeed. If your project doesn’t seem important to you, it won’t be important to anyone else.

Tell a Consistent Story

Conclude With a Call to Action

Always end your pitch with an action, usually getting a name and phone number:

- the investor’s card so you can make an appointment for a longer, more detailed briefing;
- a customer’s contact information so you can send marketing material or stop by to demonstrate the product or give an estimate for your services;
- from friend’s and acquaintances, the name of someone who might be a potential customer, partner, or investor.

If you’re really in an elevator and get a nibble, offer to walk straight back to their office to talk more.

Tell a Consistent Story

Make sure that your managers and other key individuals, such as investors and board members, can also give your company’s elevator pitch fluently.

Nothing sounds worse than fumbling, inaccurate or contradictory company descriptions. And you never know if one person will hear the same pitch from different members of your team. Make sure the value of your company is reinforced by each repetition!

B Magnetize Your Business Plan

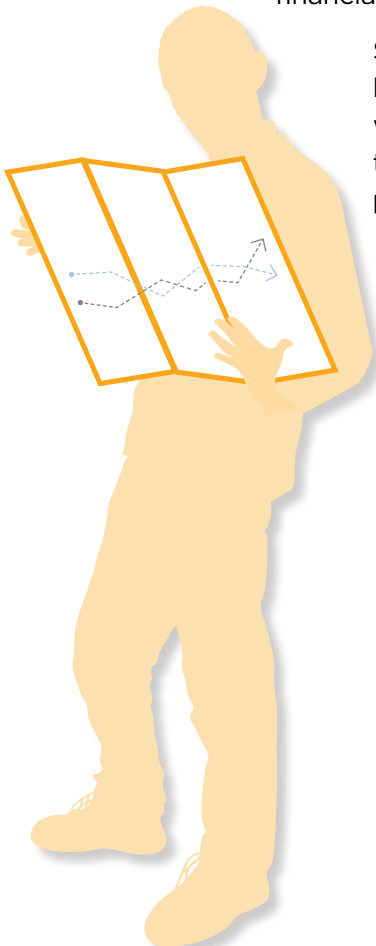
It is a rare entrepreneur who can raise money without a thoroughly researched business plan that maps out the road to success. The plan must convince investors and strategic partners that you know the best route.

Equally important, a well-prepared plan demonstrates that if there are twists and turns in the road – as there inevitably will be – you can navigate them with confidence.

Typically, investors and partners focus on:

- the management team,
- the idea,
- market opportunity,
- financials.

Since investors are deluged with business plans, they reject most within a few minutes of picking them up. **How do you make your plan stand out from the rest?**



Hook Them Immediately

Open with a few sentences that grab the investor's attention – a zinger – that entices them into reading more. Tell the reader you've turned a problem into an opportunity or you've filled a "must have" need.

Project Solid Management Expertise

The strength of your management team is absolutely critical to both your success and your ability to raise financing and find partners.

Investors and strategic partners seek people, not just ideas on paper. They want to make sure that your team can deliver, so investors and partners look for an effective management team that:

- has successfully started and run other companies;
- works cooperatively;
- provides a range of industry knowledge and functional skills;
- has integrity, passion, flexibility, and reliability.

It's important to include an overview of the team in your executive summary and to provide details later on.

Develop Captivating and Believable Financials

Investors and partners will read the executive summary of your business plan first, then your financials. You want to demonstrate financial stability and good financial controls. Know:

- How much you need;
- What you will spend it on;
- When you will spend it.

Set Realistic and Achievable Milestones

Set Realistic and Achievable Milestones

Many investors don't give a large sum of money in one chunk. You'll need to address how much will be needed, when each contribution must be made, and what the goals are in each funding period. If you don't achieve your goals, you may not get the next contribution, so make your milestones realistic.

Include a Well-Researched Market Analysis

Predicting the future is like forecasting the weather – an imperfect science. However, the better you know your industry, competitors, and the trends that will impact you, the more credible you appear.

Be concise! But provide a full analysis of the market's growth potential and trends. Include an analysis of competition that describes the strengths and weaknesses of competitors as well as your competitive advantage.

Create Competitive Barriers

You must have a sustainable competitive advantage. Do you have patents, copyrights, a proprietary process or technology, exclusive licenses or agreements? Are you the first to market? How long can you protect that lead if a big company enters the market? Do you have the best people? What's your differentiation?

Create a Flexible Road Map

Once you've hooked the reader, you'll need to explain how you will get where you're headed. While detailing every turn isn't necessary, you must provide the marketing route you plan to take.

Evaluate Your Staffing Need

As you grow your enterprise, you will need more people and different types of people.

- You're likely to need people with functional expertise as opposed to generalists who can do it all.
- You may need managers to take over some of the day-to-day operations from you.
- Expectations of employees will move from "good enough" to achieving perfection.
- You'll need a plan for hiring and retaining staff.
- Will your staff – and you – need training? How much training will be needed? Highlight your approach.

Keep Things Humming

You'll need to address how you will maintain, if not improve, operational effectiveness in a fast-growing, increasingly complex enterprise.

Monitoring performance is key. What metrics will you track? How frequently will you track each metric? How will you make adjustments to your plan if you don't meet your goals?

Attend to the Details

Venture capitalists and angels don't have time or patience. Your business plan should be:

- concise: about 15-25 pages (15 pages is enough for a banker; 25 pages, sometimes more, for a venture capitalist);
- consistent: numbers need to be consistent throughout the text of the plan, the financial statements, and the explanations of assumptions;
- well documented: footnote where appropriate;
- accurate: don't make things up;
- easy to read: use a legible font and type size; remember, most investors are over the age of 40;
- well laid out;
- written in an acceptable business-plan style;
- handsome: color on the cover and graphics are beneficial.

Include a table of contents (with page numbers) that provides a logical arrangement of the sections of your business plan. Believe it or not, entrepreneurs sometimes overlook these small details.

Getting funding is no easy task. Hard work, persistence, and following these tips will improve your chances of success.

C Developing Credible Financials

When you're looking for money, you need to present clear, solid financial data for your company.

You may be applying for a bank loan, seeking investors or being scrutinized by a strategic partner. In each case, the reader will focus on different aspects of your financial information:

- Lenders will look for a strong likelihood of repayment;
- Investors will calculate how much their ROI will be and when they'll see it;
- Partners want to see revenue growing and expense controlled.

But all of them will expect the same format for the information. **So, while creating a financial statement is not easy, following the rules can make it less daunting.**

Make Financial Statements Conventional

Bankers and investors, who examine dozens of financial statements every day, are accustomed to seeing expenses, margins, taxes, and other items identified in certain ways and in a certain order. This allows them to review a company's financial state quickly and easily, and to compare it's status with that of other companies.

With this in mind, your business plan should include the three standard reports: cash flow report, income and expense report (sometimes referred to as the profit/loss statement), and a balance sheet.

Cover Both the Past and Future

Business plans should include financials for the previous three years, if the company has been in operation that long. Based on those results, future financial statements can be projected. Since accurate forecasting is like predicting the weather, don't provide projections for more than three years, unless specifically requested to do so.

Provide Monthly (Short Term) and Annual (Long Term) Data

Use monthly data for the current year. For future and past years, use annual figures.

Since your financial results will probably differ from your projections, there's no point in spending time on monthly forecasts for the years ahead.

Project Realistic Numbers

All bankers and investors want to do business with ambitious entrepreneurs, but not ones who wear rose-colored glasses.



For example, it is not realistic to expect that your business can double in size every year.

It is also not likely that you will achieve economies-of-scale while growing rapidly. You'll be increasing fixed costs as revenues grow (bigger warehouse, utility bills, staff, etc.). If you're counting on economies-of-scale to kick in quickly, be prepared to explain why and how.

Consider Several Scenarios

One way to ease concerns about overly optimistic projections is to provide a worst case break-even scenario.

Include Only What Is Important; Summarize the Rest

Don't include every individual line item. Instead, show details about sales from major product or service lines, as well as the direct costs associated with them. Keep to the basics in other categories.

On the income statement, include reasonable interest expense for any debt you show on your balance sheet. Also, be sure the balance sheet includes any assets that you consider material, such as patents or licenses.

Explain Your Assumptions

Investors will want to know how you arrived at your projections, so your assumptions should be clearly spelled out.

Provide a one-page summary that explains your assumptions about:

- revenue growth,
- cost of goods sold,
- operating expenses,
- interest expenses,
- turnover of accounts receivable, inventory, and accounts payable, and
- capital expenditures.

Also include any ancillary information that may impact the financial success of your business, such as your projected employee head count and office or warehouse space requirements.

Consult a Professional

Ask your accountant to review your financial statements. Or, better yet, get your accountant involved in the process from the start. Since doing financials can be complicated, technical issues may arise with which you are not familiar.

Moreover, an accountant can assess how a banker or investor might view your financial statements and help you show your company in the best light.

Make Sure the Numbers Add Up

When assets don't equal liabilities plus equity, you may be tempted to plug a figure into the equity slot.

Don't do it.

Your banker is likely to check the math. If the equity numbers don't add up, you'll be asked to explain. Even though everyone makes mistakes, that's a particularly naive and careless one.

Know Your Numbers

Be ready to explain how each item in your projections has been calculated; any serious investor is likely to grill you, in detail.

If you're not yet profitable, you'll also be expected to know your break-even point and burn rate (how fast an unprofitable company is using up its investment capital). Be prepared to discuss when you are going to run out of money. Angels and venture capitalists will want to know what their exit strategy will be (buyout, IPO, merger/acquisition).

D Presenting Is More Than an Art, It's a Science

The art of the presentation is in the way you work the room, convey your enthusiasm, and show your skill as a presenter. The science lies in the format of the presentation and your use of PowerPoint/flip chart/slides.

Like all science, presentations have formulas that produce desired results. Combine the art with the science when presenting to investors and partners. **You'll increase your chances of getting your desired result: funding.**

Be Brief

Your presentation should be no longer than 12 to 15 slides. Your prepared comments should take no more than 15 to 20 minutes to deliver.

You may think it's impossible to condense your message. It's not only possible, it's critical.

And condensing the message doesn't mean saying-it-really-fast-so-you-can-get-more-words-out-in-a-minute. It means talking at a conversational speed to deliver a concise, to-the-point message.

Be Organized

Divide your presentation into sections. Open with a summary. Follow with the heart of the plan (the problem, the solution, the market, etc.). Then, cover the management team. Conclude with financial projections and a call to action that states how much money you want.

Arouse Interest Immediately

Because investors and partners make their decision in the first 30 seconds of your presentation, start your pitch with a "take-home" statement, a sentence or two that will stay with them after you leave and that contains the essence of your presentation.

It may cover the market potential and the share of market you expect to capture; the need for your product or service; the ways in which your business will transform that need into a business opportunity; your competitive edge; and the amount of money you'll need.



But keep it brief, concise, and hard-hitting, a zinger they'll remember. Believe it or not, it's possible. The zinger only has to hit the high point; the meat of the matter follows.

Provide Substance

Define the Market and Its Potential

Investors want to know that you understand the market. Describe its size, characteristics, growth potential, and trends.

Solve a Problem

Your project must solve a serious business problem. Venture capitalists and angels don't fund companies that provide nice-to-have products and services. They must believe the target market can't live without you.

Turn the Problem into Opportunity

Every problem offers the opportunity for a solution. Once you've presented your prognosis, lay out your prescription. Boil down the unique elements of your approach.

And if a problem might arise that affects your plan, don't pretend it isn't there; address it.

Analyze Your Competition and State Your Advantage

Nothing irritates an investor or partner more than hearing that you have no competition, then discovering an unmentioned competitor during due diligence. (Frankly, having no competition usually means that there is no market.) Explain who your competitors are, explore their strengths and weaknesses, and detail your sustainable competitive edge.

Include ownership of any patents, copyrights, proprietary processes or technology, exclusive licenses or agreements. Discuss core competencies that would be cost-prohibitive for the competition to develop.

Show Your Passion

Describe the business

Outline the features, capabilities and revenue streams of your product or service.

Marketing Strategy

Describe the strategies you'll use to reach the target market: positioning, pricing, distribution channels, sales, advertising, and publicity. Include strategic partnerships that will help you penetrate the market faster.

Project Solid Management Expertise

The strength of your management team is absolutely critical to your success and to your ability to raise venture and angel financing, and snagging a partner. Venture capitalists, angels and partners invest in people, not just ideas on paper. Make sure they "get" that your team can deliver.

Highlight management's experience, industry knowledge, and functional skills. If you have them, quickly mention your corporate and advisory boards.

Make Your Presentation Easy to Understand

Be specific. Use clear, common language. Avoid jargon, buzz words, acronyms, and technological terms. Short-hand and in-crowd jargon exclude people who don't know the terms. Even investors and partners don't want to hear MBA-speak. In fact, if you get technical, you are probably talking too much.

Make Your Slides Readable

- Use bullets.
- Make your points concisely. You don't have to use complete sentences.
- Use a type size and font large enough and clear enough to be read from the back of the room in which you are presenting. Calligraphy is not a good choice.
- Don't mix random fonts and type sizes; it creates a "circus poster" effect, lacks professionalism, and is hard to read.
- Do not use all upper case (unless for acronyms); it's hard to read.
- Use a type color that stands out from the background color to increase readability. Light type on a dark background works well. Dark type on a light background also looks good.
- Use graphics to make your slides interesting, but don't overload the slide. Just because you can do it doesn't mean you should do it.
- Keep it simple. The slide should not distract the audience from what you are saying. It should summarize the high points while you give the details.

Show Your Passion

A good presentation excites and energizes the audience. Of course, the financials, the competitive advantage, the market potential, and the idea are important, but you must also show that you have a fire in your belly, a passion to succeed at something that's never been done before. That passion must come across.

If you can't get the audience charged about your plan, it's over.

And you have to look like you enjoy and can handle the challenge of making the presentation. If you look nervous or lack confidence, you raise doubts about your ability to respond to the stress of running a business.

Mask your nerves and look like you're having fun! It's just one of the challenges you'll have to meet as an entrepreneur.

Conclude With a Call to Action

Always end your pitch with a call to action: the amount of money you want. You build to this conclusion by telling investors how you'll spend the money, how much money you're going to make, and how long it will be before you turn a profit. Be sure to include the investor's exit strategy.

Prepare and Practice

Develop a list of questions you might be asked and prepare answers in advance. Base your list on prior investor presentations, other meetings, and conversations you've had about your business.

If you're presenting as a team, agree beforehand who will cover which topic and who is responsible for answering each type of question.

If you're presenting alone but your management team is in the audience, let them answer detailed questions in their areas of expertise.

Practice! Practice! Practice!



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