



Strategic Marketing Management for Software Companies

## **Top Ten List on Pitching VCs**

**By  
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## Top Ten List on Pitching VCs

Raising money in today's technology industry requires a combination of art, science, and chemistry. As a strategic marketing consultant for software companies, I often support CEOs with fund raising by helping them build the plan, position the company with a compelling story, and communicate its unique value proposition. I also interact frequently with the VC community to understand their investment strategies and overall market trends, and to make introductions to interesting companies that fit their particular profiles. Understanding the art of preparing and delivering the pitch and the science of building a viable product/company are important to pitching VCs, but don't underestimate the value of chemistry.

After listening to dozens of CEOs present their plans and with my understanding of what VCs are looking for, I have compiled a top ten list of things to do if you want to increase your success in securing capital for your company. One note before we jump into the list. Before you even attempt to contact a venture capitalist, be really clear about what you want and what you are prepared to give up in return. Be realistic and honest with yourself and the team about where your company is in its evolution and why someone would want to invest in you. And understand the goal of your first meeting is to get the second meeting, period.

1. **Target your audience.** The mistake entrepreneurs make time and again is blitzing VC firms without doing their own due diligence. Make a short list of the best candidates for your company based on investment strategies (seed versus later stage), technology focus, potential fit with other portfolio companies, and the overall investment philosophy of the firm. Then, leverage your network to get a personal introduction to the right partner – don't shot-gun blast everyone who knows someone who is a VC. Your deal will quickly be viewed as being "shopped around" instead of a good investment opportunity. A good fit between your unique business and what a particular firm, or individual partner, is looking for is the key to improving your chemistry with the investor.
2. **Be prepared.** There are two things you must have before you embark on this process, an executive summary and a PowerPoint presentation. The executive summary is used to get you the meeting and is an essential document to provide to those making introductions for you. It should be one to two pages in length, max – it is just a summary, not the whole plan. It should be crisp, to the point, and compelling. Once you get the meeting, your PowerPoint presentation is a key visual aid to help you tell your story. Most CEOs know their business so well that they forget how to describe it to people who don't. A good presentation should communicate your plan clearly and simply, using plain English. It should be 15 to 18 slides max, feature key points as bulleted text, and effectively

- use graphics (but don't create eye charts). In preparation, CEOs should create a "Snappy Answers to Difficult Questions" list. Many executives believe that they can handle anything that comes at them and often return a poorly thought out response, or worse, say they will have to get back to the VC. You should have an answer prepared, even if your strategy is not complete, for all potential questions.
3. ***Present your opportunity, not your product.*** Another common mistake CEOs make is that they get really excited about what their product can do and focus the discussion around features and technical functionality, losing site of the bigger picture. Stay out of the weeds!! You may choose to show a quick demo or a few screen shots as part of the presentation (always ask if they want to see a demo - it may help or hurt and timing is important) but your goal in this first meeting is to convince your audience that this is a unique, compelling investment opportunity for them. Even in these post-bubble days, VCs are still looking for potential IPOs, not quick exits. What is your big vision - your story? What problem are you trying to solve and for whom? Where do you want to be in the future, and why is your company going to be the one to do it? These are the questions you need to be able to answer right away to get their attention.
  4. ***Sell Your Value Proposition.*** You only have five minutes to get your point across or the meeting is over. You should open your presentation stating who you are, what you do, what the business problem is, and why yours is the best solution. Don't assume that the problem you solve is obvious. Within the first few slides, have a 25 word elevator pitch that clearly states your unique selling proposition, because if you move forward and the audience doesn't understand what you do, their eyes will glaze over and well, game over. Support your value proposition throughout the pitch going into more detail about what is unique about your product/service and what kind of ROI your customers can expect with your solution. If it is highly technical, use analogies that the VCs can clearly understand. Your goal is to get the head nods here, but be really clear on what pain you are eliminating, and understand if your solution is a must have (painkiller) or nice to have (vitamin).
  5. ***Exhibit Leadership and Conviction.*** Sell yourself and your ability to execute - your leadership and team are the most important thing VCs are looking for. A proven track record of success is desirable, but energy, enthusiasm, and commitment are infectious so make sure you demonstrate these qualities. Highlight the executive team for their relevant experience, domain expertise, and industry contacts, and communicate the balance of the skill sets. They are evaluating you as a long-term partner, so your chemistry needs to work at multiple levels but begins here.

6. ***Identify your Market Opportunity.*** Clearly spell out where you fit within the industry and present a competitive landscape. What category do you play in and who else is in your space? How big is the market you are pursuing and how fast is it growing? Do you have a credible claim on being one of the top two or three players in this market? Most VCs cringe when someone says “we don’t have any competition.” That is either simply naïve or a signal that there isn’t really a market. First mover advantage is different and what you want, so be clear in presenting and supporting this distinction. When quantifying your market size, market data should be bottoms up – how many customers can you sell in which segments and at what price? If you can find credible third-party research to support your assertions, great. But remember, most VCs will tell you that if Gartner has already done a market sizing, the sector is no longer interesting. So use data wisely. Quotes are good to add to show traction and momentum in certain categories; customer statements validating market demand are great.
7. ***Know Your Customer.*** This seems obvious but needs to be right up front. Who is your target customer? What defines an ‘ideal’ customer prospect? Who in the organization do you sell to and who actually writes you the check? Focus on your existing customers (if you have them) and talk about the value you provide. Discuss what you’ve learned about the sales cycles and the product fit, etc. Use anecdotes and quotes from customers to make it as real as possible and avoid getting too technical.
8. ***Present a Clear Business Model.*** Even if you are an emerging company and are not sure which path to take, show conviction for what your assumptions and plans are today for the business – we all know they will change with more customer experience and the VCs will want to give input into this too. Show a clear path to the market including sales, marketing and partnership strategies. And highlight current traction! Some basic things to have answers for include: How do you make money? What is your revenue model? Are you a horizontal sell or a vertical solution? Are you selling direct or through a channel? How about OEM sales? Are you a hosted solution or on-premise? What is your alliance partner strategy? What is required to become profitable and when?
9. ***Stay Flexible.*** Your presentation needs to be flexible to adapt to each investor’s interests and meeting style, but be clear about what your key points and messages are - don’t let them derail you. Keep your presentation punchy and conversational and expect a lot of questions. VCs are always running 15 minutes late so don’t think you have a whole hour. Be conscious of the time and don’t let it get away from you. It’s easy to spend too much time up front and then have to hurry through key points. Make sure you practice your presentation out of order and interrupted. It’s also easy to get completely flustered if you get off track or

have to take things in a different order than planned. Stay relaxed, confident and focused.

10. ***Avoid Too Many Financials.*** Don't get lost in the financial data in the first meeting but instead convince them that they need to engage further with you. Don't make ridiculous assertions on how you are going to be a \$500 million company in 3 years; err on the conservative. Highlight your progress to date and make today's reality vs. the future clear in your pitch. I have a very useful "Metrics and Milestones" slide that helps you summarize where you are, your growth plan, and plans for the investment capital. It has been well received so if you would like a copy, just email me at [info@accelentmarketing.com](mailto:info@accelentmarketing.com). One last thought on financials, don't blatantly assert your sense of valuation at this stage unless they ask – and if they do, it is important that you have your own analysis of the industry and have some comparables. Often at this stage they just want to test your confidence or get a sense of whether you are going to be difficult to deal with. So don't get over exuberant about your expectations or they may dismiss you early for being too unrealistic.

If you run over an hour, this is a good sign that they were interested in learning about your company. By now you have hopefully been able to gauge interest, but avoid asking "So, what do you think?" because they won't answer you right away – you want them to get back to you. Instead, show interest in their firm. Ask questions like, How can you help us? How do you bring your companies the most value? How do you differentiate yourself from the other firms? It shows that you want to move forward with them, and hopefully, you'll all walk away thinking there is potential chemistry... and you'll get the second meeting.

### **About the Author**

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