

How to Successfully Pitch Your Business Idea to Investors



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Table of Contents

1. Introduction to SMEDA	3
2. Disclaimer.....	3
3. What is a Business Pitch	3
4. Create a Presentation	4
5. Practice your Pitch	4
6. Outline the Problem with the Story	4
7. Your Solution.....	5
8. Your Target Market.....	5
9. Your Revenue or Business model.....	5
10. Your Success: Early Traction and Milestones.....	5
11. Customer acquisition: Marketing and sales strategy.....	6
12. Your Team	6
13. Your Financial Projections.....	6
14. Your Competition.....	7
15. Your Funding Needs	7
16. Your Exit Strategy.....	7
17. Follow-up.....	8
18. Take Feedback and Refine your Pitch	8

1. Introduction to SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

2. Disclaimer

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision; including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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3. What is a Business Pitch

A business pitch is a business plan that you present to your potential investors to secure funding. The pitch helps you explain your business to investors to enable them to make the right decisions.

If you're an entrepreneur, you need to know how to pitch your business. Even if you're not planning to pursue funding, having a solid elevator pitch ensures that you know your business inside and out. This comes in handy if or when you eventually decide to seek out investment.

Creating a successful pitch starts with a thorough business plan. From there it's up to you to identify what makes your business valuable and worth investing in. You may have 5-pages of

proven financial history and a deep analysis of how you stack up against the competition across multiple industries, but you simply can't cover it all. Because, when you're pitching to angel investors and venture capitalists for the first time, you'll often only have around 10-minutes to make your case.

4. Create a Presentation

First, take the time to put together your pitch deck. The goal is to create a deck that is easy for you to work off of and gets investors excited about your business. Keeping that in mind, you should have a short version that you can speak to within 10-minutes as well as an extended version that includes everything you'd like to give potential investors access to.

5. Practice your Pitch

You need to practice your pitch. Not being able to quickly speak to each element of your business makes every other tip on this list virtually useless. Too many entrepreneurs think that just by knowing their business they can quickly and succinctly explain its' value. And having a killer pitch deck with eye-popping visuals will be enough to fall back on. So they go into pitch meetings unprepared.

Instead of being able to say, "I only need 10 minutes of your time," and actually only taking 10 minutes, you'll soon find yourself rambling 20 minutes in having only made it through slide 5. Take the time to practice, simplify your messaging, and only keep elements that build up your business. Leave everything else on the cutting room floor.

6. Outline the Problem with the Story

Begin your pitch with a compelling story. It should address the problem you're solving in the marketplace. This will engage your audience right out of the gate. And if you've done any testing try to include actual data here. If you can relate your story to your audience, in this case, the investor, even better. What industries have they invested in previously? What pain points do their

previous entrepreneurial endeavors have? Do some research about the investor, so you have a good sense of what they care about and can tailor your story to them.



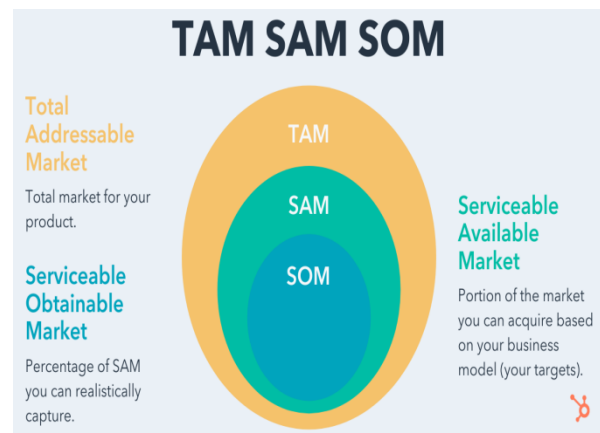
7. Your Solution

Share what's unique about your product and how it will solve the issue you shared in the previous slide. Keep it short, concise, and easy for the investor to explain to others. Avoid using buzzwords unless your investors are very familiar with your industry. Again, if you've done any testing beforehand, plugin results here to give your solution more credibility.

8. Your Target Market

Don't say that everyone in the world is potentially your target market, even if it could be true one day. Be realistic about who you're building your product for and break out your market into TAM, SAM, and SOM. This will not only impress your audience, but it will help you think more strategically about your roll-out plan.

If you can, try and develop a user persona or your ideal customer when speaking about your target market. This can help investors visualize the potential customer base and displays that you've thought intently about who your business will serve. It's also much easier to speak to a named individual in a quick pitch, rather than a broad demographic.



9. Your Revenue or Business model

Investors tend to care about this slide the most. How will you make money? Be very specific about your products and pricing and emphasize again how your market is anxiously awaiting your arrival.

10. Your Success: Early Traction and Milestones

Early in the presentation, you want to build some credibility. Take some time to share the relevant traction you've made. This is your opportunity to blow your own horn. Impress the investors with what you and your team have accomplished to date (sales, contracts, key hires, product launches, and so on). You've likely mentioned bits and pieces of this early on, but this is the point where you create a full snapshot of your business. But don't just leave it at what you've done; be sure to speak to where you're going. Show them a roadmap of next steps, additional milestones and even mention how funding will help achieve them.

11. Customer acquisition: Marketing and sales strategy

This is usually one of the most skipped sections of an investor pitch and a full business plan. How will you reach your customers? How much will it cost? How will you measure success?

Your financials should easily allow you to calculate your customer acquisition costs. But you should also mention how you intend to reach customers, which channels you'll be advertising on, and even present an example of messaging. You've done your research, you know your customer, why not show investors what that will look like in action.

12. Your Team

Investors invest in people first and ideas second, so be sure to share details about your rock star team and why they are the right people to lead this company.

Also, be sure to share what skill-sets you may be missing on your team. Most startup teams are missing some key talent, be it marketing, management expertise, programmers, sales, operations, financial management, and so on. Let them know that you know that you don't know everything.



13. Your Financial Projections

Show what you're projecting in revenue (per product) over the next three to five years. You must back up your numbers by sharing your assumptions. You'll see investors taking out their smartphone calculators to make sure your numbers make sense, so give them the information they need to see that your calculations are accurate.

If your financial chart shows "hockey-stick growth," be sure to explain what happens to cause those inflection points. Now it can be incredibly easy to spend a ton of your time explaining financials but keep in mind that you need to speak to them quickly. If investors want to hear or know more, add your full financials to the extended pitch deck or offer to answer questions after you've finished presenting.



14. Your Competition

Again, this is a very important part of your pitch, and many people omit this section or don't provide enough detail about why they're so different from their competitors.

The best way to communicate your value proposition over your competitors' is to show this slide in a competitive matrix format, where you list your competitors down the left side of the page, you have your features/benefits across the top, and place checkmarks in the boxes for which company offers that service. Ideally, you have checkmarks across the top for every category, and your competitors lack in key areas to show your competitive advantage.



15. Your Funding Needs

Clearly spell out how much money has already been invested in your company, by whom, ownership percentages, and how much more you need to go to the next level (and be clear about what level that is). Will you need to raise multiple rounds of financing? Is the investment you're seeking a convertible note, an equity round, or something else?

Remind the audience why your management team is capable of managing their investment for growth. Tell investors how much you need, why you need the money, what it will be used for, and the intended outcome.

16. Your Exit Strategy

If you're seeking large sums of investment capital, most investors will want to know what your exit strategy is. Are you planning on getting acquired, going public (very few companies actually do), or something else? Show you've done some due diligence on this exit strategy, including the companies you're targeting, and why it would make sense three, five, or ten years down the road.



17. Follow-up

Investors will want you to be able to back up your claims. Have a well-thought-out business plan on-hand to share, so investors can read more if they'd like to. The intention, after all, is that you deliver a powerful pitch, and by the end, their hands are out asking for either your executive summary or your complete business plan.

18. Take Feedback and Refine your Pitch

No matter what the outcome of your pitch is, whether you receive funding, another meeting, or rejection, look for areas to improve. Don't be afraid to ask for feedback and take that into account for the next time you pitch. Now if the investor isn't willing to provide any, don't push the issue. It is their time you've just spent and are asking more of, so it's a fine balance to achieve. If you can, have another team member there to take notes and review with them after the fact. Look for weak-points, areas you stumbled over, and slides that led to negative reactions from the investor. Keep refining, practicing, and executing even if you think you've found the perfect pitch.

You'll really never know how good your pitch is until you actually do it. Don't stress yourself out, and treat every investor pitch as a learning experience for you and your business.