

2004 EDITION

DO THIS. GET RICH.

7 Keys to the Perfect Pitch

VCs are finally in the mood for deals again, but they remain chastened by the bust. So how do you get their attention—and their money? Here are the secrets to tailoring your delivery for maximum effect today.

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- **Find the right VC.** Before the pitching even begins, identify the 10 VCs who have the greatest interest and track record in your type of idea and sector. Target those who haven't done a deal in the past six months, but whose firms have a lot of cash. They're looking to put their money to work.
- **It's all about the team.** Highlight the great people you've already attracted to your idea. Burned by flinging cash at naifs in the boom, VCs are looking for seasoned talent.
- **Bring more than just an idea.** Have your product or service ready or almost ready to go when you're hitting up VCs for seed capital. If you're past the seed stage but need more money, have actual customers. VCs want to know when your startup will become cash-flow positive.
- **PowerPoint with a point.** Keep it to no more than 20 slides, covering all aspects of your business, and make sure you can get through it in 45 minutes or less. Audio and fancy 3-D graphics only distract. Your PowerPoint should highlight these basics, in this order: the team, the plan, the market opportunity, competitors, and financials.
- **Be specific about the opportunity.** Describe as simply as possible what you offer and why it fills a burning need. Quantify the market size specifically; don't just throw out the "\$5 billion to \$10 billion" figure dangled by virtually every startup. Present the major market trends and shortcomings of existing products or services. And be honest: The VCs know the competition better than you do.
- **Master the basics.** Investors want to know that you can handle the blocking and tackling of everyday business processes such as payroll, order fulfillment, and customer service. Present a financial plan for the next two to three years. Cover revenue, cost of goods, profit, operating expenses, headcount, and cumulative cash burn rate. Show the VCs exactly how you intend to spend their money.
- **Don't promise the moon.** VCs love disruptive technology, but not as much as they love making money. They want ideas that can do that over the long haul. Stress controlled growth, rather than growth at any cost. Above all, remember: These days, if you mention it too early, "IPO" is a four-letter word.

BUSINESS 2.0

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