Peter Thiel's CS183: Startup - Class 8 Notes Essay

Here is an essay version of my class notes from Class 8 of CS183: Startup. Errors and omissions are mine.

Bruce Gibney, partner at Founders Fund, gave the lecture these notes are based on. Credit for good stuff goes to him and Founders Fund.

Class 8 Notes Essay—The Pitch

I. Pitching Context & Goals

One of the most important things to remember when thinking about pitching is that there are huge numbers of pitches in the world. Venture capitalists hear quite a few of them. And they find the process frustrating because it is such a low yield activity (a tiny fraction of first pitches lead to subsequent diligence and even fewer of those lead to a deal). So if you want VCs to listen to you, you need to *force*them to listen—to break through the clutter. Doing so requires you to hack into the VC mind.

Conceptually, pitching sounds easy. You are smart. You have a great idea and you tell people with money that great idea. They're rational; they give it to you.

But it's not that easy. What you essentially have to do is convince a reasonably smart person to exchange his capital for your piece of paper (a stock certificate) that is really nothing more than a promise about something that *may* be valuable later but, on a blind statistical basis, probably won't be. It turns out that this is difficult.

Humans are massively cognitively biased in favor of near-term thinking. VCs are no different. That's curious, because you'd think they would have overcome it, since good long-term thinking is sort of the entire nature of venture capital. But humans are humans. VCs are just sacks of meat with the same cognitive biases as everyone else. They are rational systems infected with emotional viruses (and infused with a tinge of wealth and privilege and all that implies). You must address both sides of their brains; you have to convince VCs that your proposal is economically rational, and then you must exploit their reptilian brains by persuading their emotional selves into doing the deal and overcoming cognitive biases (like near-term focus) against the deal. You should also offer VCs entertainment. They see several pitches a day (most bad) and that gets boring. Be funny and help your cause. In the tech community, even one joke will suffice.

Before you pitch you should have a clear goal in mind. What are you seeking to achieve? At first it seems obvious. The vulgar answer is that you're looking for money. Lots of money, at the highest possible valuation, wired to you as quickly as possible. But that's not quite right. You will be better off if you consider the many nuances to a raise.

First, you need to raise the *right* amount of capital. A small company shouldn't raise 100 million dollars, even if Great Late Stage Fund is very eager to cut you a check. Raising too much can haunt you. Map out your operating expenses for one year, multiply that figure by 1.5, and ask for that, as a first approximation.

Second, higher valuations aren't always in your interest. Valuations that are too high will deter other VC firms from investing. And they will expose you to all sorts of problems regarding compensation and expected future returns for your employees and investors. Be prepared to expect an offer that's objectively good, even if it's emotionally unsatisfying. On the other hand, valuations that are really low are obviously bad as well, since they mean that you get either got screwed or that there is something wrong with your idea.

Your subsidiary goal should be to keep control of your enterprise. This is very important. Some things you can't change very easily once they're set. You can't really change your core values. You can't really dump co-founders, unless you want to pay through the nose to do so. But hardest to get change is your VC; once they're on your board, they're there for good. So you have to choose very wisely. Think carefully about this as you put together a list of VCs to pitch. To the extent you want to keep control, e.g., you should perhaps shy away from certain firms who are more or less serial killers bent on replacing CEOs. Be careful about your voting structures, as well; these too are hard to change.

II. Know Your Audience

It's always important to understand your audience. To be clear, there are a few very successful, hyper-rational VCs who can see a great business even through the murk of a terrible pitch. If you are lucky enough to find one, no tricks or optimization are necessary. But such VCs are the very small minority and even they have bad days, so playing to your audience is always a sound strategy. You need to psychoanalyze your prospective VCs. Try to understand things from their perspective and present accordingly.

One of the most important things to understand is that, like all people, VCs are different people at different times of day. It helps to pitch as early as possible in the day. This is not a throwaway point. Disregard it at your peril. A study of judges in Israel doing parole hearings showed prisoners had a two-thirds chance of getting parole if their hearing was early in the day. Those odds decreased with time. There was a brief uptick after lunch—presumably because the judges were happily rested. By the end of the day people had virtually no chance of being paroled. Like everyone, VCs make poorer decisions as they get tired. Come afternoon, all they want to do is go home. It does indeed suck to have to wake up early to go pitch. But that is what you must do. Insist that you get on the calendar early.

A related point: It's also important not to provide too much choice. Contrary to the standard microeconomics literature which extols the virtues of choice, empirical studies show people are actually made unhappy by a lot of choice. Too many choices makes for Costco Syndrome and mental encumbrance. By the end of the day, the VCs have had a lot of choices. So in addition to getting to them early in the day (before they've had to make a lot of choices), you should keep your proposition simple. When you make your ask, don't give them tons of different financing options or packages or other attempts at optimization. That will burden them with a cognitive load that will make them unhappy. Keep it simple.

Finally, you should avoid being blinded by entrepreneurial optimism. The default thinking is seductive but too simplistic: you've created something wonderful, VCs like to invest in wonderful things, and therefore VCs will be desperate to invest in your wonderful thing. That's wrong. It's easy to fool yourself here. After all, it's a VCs job to wake up in the morning and deploy capital, right? True, but an interesting dynamic is that no senior VC *needs* to do your investment. You should never forget that. Any senior VC that you're talking to is already wealthy and has many famous deals to show for it. Your company is probably not going to make a material difference to him and but does present a significant chance of adding to his workload and failure rate; there will therefore be a certain amount of inertia against the deal since on average most deals don't pan out but do take time. Therefore, the affirmative angle may accordingly not be enough. But VCs, as we've seen, have their own biases and motivations. The question is simply how you can exploit them to your mutual advantage.

III. Mechanics

A. Who

Tactically, the first thing to do is find someone who *does* need to make investments. That can mean finding a senior associate or a principal for your first pitch, not a senior partner. This contravenes the conventional wisdom that holds that you should not to pitch junior people. ("Don't pitch someone who can't write a check themselves.") That wisdom is wrong. Junior people will give you a fair shake, because they need good deals to their name. If they don't find those deals, they won't become senior, and they very much want to become senior. So seek these people out – they are motivated in a way more seasoned VCs are not.

Eventually you will talk to senior partners. But you should not assume the affirmative argument will suffice. The logical merits of your business may convince the junior person to take you seriously; they want to. But given senior VCs' incentives (or lack thereof), affirmative arguments about the value of your business are perversely weak. Fortunately, VCs are loss-averse and very competitive. There is a wealth of psych literature out there that you can consult on this. But all you need to know is that VCs really don't want to lose a good deal to a competitor. So convince them that your company will be great *and* make them afraid of missing out. If it's at all plausible, make your deal seem oversubscribed. This tends to overcome what could otherwise be crippling inertia against any given deal.

B. How

There is a common misimpression that VCs are sufficiently smart that they can instantly understand any company. But at least at the beginning of your meetings with them, they aren't. Sure, they may be bright people with impressive tech backgrounds, but they're also very busy. The cognitive resources they allocate to any given pitch are—rationally—quite modest. *Early pitches must be simple*. Engineers who start by pitching complex products and business models lose their audiences early. Wherever you can, do the thinking for them. There are certain predictable things that VCs will want to know. [A list of these was made available to the class. Scroll down to the footnote at the bottom to see it] Make the calculations for them in advance so they don't have to do it themselves. Pretend you're pitching to an audience of moderately intelligent 9th graders—shortish attention span, no deep knowledge or intuition for your business. You can ratchet up the complexity as you iterate over time. (If all goes well, you'll have to pitch several times, anyway.) If data need to be analyzed, analyze them. Do not rely on VCs to draw key inferences; they may, but why risk it?

Once you've gotten the VCs engaged, you can expect the full force of their intellectual attention. Again, many VCs are very, very smart when they are engaged and you should be prepared to answer extremely detailed questions about your business – many of which you will never have thought of yourself. Answer these honestly and if you don't know the answer, be honest about that, too.

C. When

You should always try to pitch when you don't need money. That is when you are strongest. Short runways are often perceived as a sign of massive weakness. If everybody knows you're desperate, the best that can happen is you get screwed on terms. The worst is that there is no deal at all. VCs tend not to think that they can get away with murder when you have 6 months of cash in the bank. Otherwise, they can be ruthless. The average financing takes 1-3 months; if that's all the cash you've got, you're at the mercy of the VC. But a team that goes to pitch with $15m in bank, 8 months after it last raised does so from a position of strength. So don't be shy about pitching after you've just raised. At least your marketing materials will be current.

If you are the CEO, pitching is your job. There's a romantic notion that the only thing that matters is product and that you can devote yourself to that entirely. That is false. In fact, fully half of your job is selling the company because the CEO is the only one who can actually pitch effectively (no VC wants to be pitched by the VP of Sales). You are a salesman so long as you are CEO. Every quarter from now until eternity, Larry Ellison will have to pitch Wall Street on why people should buy Oracle stock, or at least not sell it. Warren Buffet is worth something like $46bn and he still has to pitch and has been doing so for five decades (for example, his annual letters). If people with tens of billions of dollars have to do it, you can assume the same will be true of you.

D. Elevator Pitch – The Classic First Pitch

Then there's the elevator pitch, which is somewhat ironic given that every building on Sand Hill road is 2 stories max. The idea, of course, is that your baby can be condensed into a pitch that lasts no longer than an elevator ride. The standard format is stringing together a few well-known products and services that you sort of resemble: "We are Instagram meets TaskRabbit meets Craigslist." You should reject the standard format. It works well in Hollywood, where people like reductive mashups and yearn from familiarity. It works less well in Silicon Valley. Your market is different. If you are just x+y, chances are you can be easily replicated – or at least, that's how it will seem. That should make most good VCs run away. Just make an affirmative statement about what you do and why it's important. SpaceX has a great elevator pitch: "Launch costs haven't come down in decades. We slash them by 90%. The market is $XXbn." (Contrast this with: "We're NASA meets Toyota!")

Some companies' elevator pitches will be similarly straightforward. "We cured pancreatic cancer in monkeys. We need cash for Phase II trials; if this works, it's a $10 billion market annually." Even if yours isn't quite as simple as that, you still need to make it simple. The equation form of a good short pitch would be problem + solution = money. Get this down, because VCs are floating around everywhere and you never know when or where you'll be pitching. Don't be pushy. Don't pounce on them. Certainly don't interrupt their dinner. But if you are in a good social context go for it.

E. Other Routes

Another route you could take is the cold pitch. It's very simple: You just e-mail your deck to submissions@givenVC.com or call their main line. The only problem with this route is that it has an almost zero percent chance of working. Your pitch will be ignored upon receipt.

You are at Stanford. You should be able to find a VC. Many VCs went to Stanford and only made it a mile across the road. It's easy for you to get an introduction; if you can't, people will assume there's something very off. Take advantage of your Stanford connections; it's a small world. Find someone who knows who you want to talk to and get a referral. At least you'll make it past the spam filter.

One alternative approach that *does* work well is the pre-pitch. Done properly, this can be very effective. It's basically PR. TechCrunch has to run 20 stories a day. Let one of them be about you. If you do it right, VCs might actually approach you. And you won't have to engineer an aggressive press strategy come product launch. The right e-mail naming conventions are easy to find. You'll find that the TC folks are quite sympathetic and very much enjoy writing about small companies. This "reverse pitch" is good jujitsu. Or good *matanza*, which, for those of you not familiar with the art of Sicilian fishing, basically involves skillfully inducing a small flock of tuna into netted cabins and then harpooning it to death. Much easier than rod and reel, one-by-one.

IV. The Main Pitch

A. The Set Up

If you're lucky all this leads to a classic pitch in a VC's office. This typically unfolds with Kabuki-like formality. Customarily, there will be a 10-20 slide deck. There will be 1-5 partners. After 40 minutes when a powerpoint is literally read word for word from a projector, in the dark, as people slowly generate alpha waves, there will be a Q&A in which the partners pretend to be interested, but of course they have been stunned into submission by the mindless recitation of the powerpoint. They will ask if you need your parking validated. And then you'll never hear from them again, because there's been no real engagement.

To avoid this fate, tell a story – and try to do it first without relying on your deck. People like stories. Our brains are wired to respond them. We recall facts better when they are embedded in narrative. Hollywood is the proof of their value. We pay lots of money for stories. Entertainment is a much bigger industry than venture capital because people like stories. Even a crappy game like Mass Effect 3 sells a million copies because it tells a story. So you should try to tell one, too. Why did you start your company? What do you want to achieve? Then drape the facts around that skeleton.

Fortunately, the framework for a good story has been long established. Aristotle figured out the elements of a perfect pitch thousands of years ago. He identified the principles of logos, ethos, and pathos. Logos is argument based on facts and reason. Ethos is argument based on character—*your* character. This is the credibility piece. Finally, pathos is argument based on listeners' emotions. Those are what you need to exploit. So think about your pitch in terms of logos, ethos, and pathos. There is 3,000 years of decent evidence that people respond to pitches that get these factors right.

B. The Pitch Itself – Mechanics and Customs

Presumably, you have good reason why your thing is going to make a lot of money – this is the logos part and should be straightforward for engineers.

First thing is first: you need a deck to explain your idea. Don't try to pitch without one. There will be *zero VC interest* without a deck, so you need to make one. A deck is written propaganda. It will be e-mailed around and therefore must stand alone. It is *not* (fundamentally)a presentation tool for projector-based meetings. It is a means of presenting data within a narrative that people read by themselves. All the nifty Keynote or PowerPoint UI graphics tricks don't matter. They'll probably just make things awkward during a live presentation. Even worse, they'll detract from what your deck is supposed to be: written information presented in thoughtful, easily-digestible way.

Again, your deck is your argument for your company. It is not primarily an animated presentation tool—most audiences are horrified by having to sit through dramatic builds of each bullet point in a slide. *Your deck is an info-rich manifesto*. One trick to further exploit the natural deficiencies of your victim: at some point, the junior analyst will be dispatched to analyze your company. You should thus write text that the junior analyst can plagiarize. Good, info-rich decks reduce the load on analysts. Make their work easier for them and they will do more of it. Help them make your case for you.

For the live pitch: the default mechanics are that you arrive 10 minutes early. The VC probably arrives 10 minutes late; don't be rattled. You plug in to the projector. The room goes dark and people have to start to fight the sleep-inducing effects. The first slide goes up. The VC comes in. Cards are exchanged. And so begins the VC equivalent of the Bataan Death March. Too many people are determined to finish: you made all these slides, and, dammit, you're going to get through them. And the VCs are fighting their own battle to stay awake. This does no one any good and is redundant if the VCs have already read your deck.

Your only chance is to have a straightforward, content-rich deck, *and then to leave it behind as soon as possible*. VCs will have looked at the deck before the meeting, because they don't want to waste their time and if your deck sucks they'd have alerted you about the terrible family emergency that just came up and dispatched a junior to meet with you instead. While you should have the deck up and be ready to talk about it in case some VC is masochistic and wants to parse bullet points, try to have a real conversation as soon as possible. It's just far more engaging for both sides. Also, there are actually two pitches going on; you're pitching the VC, but if you company is any good at all, that VC is also pitching you. Be alert to this dual dynamic.

Sometimes you should have two different presentations—the deck you sent earlier, and then what you show them in the office. It's possible that you have some multimedia that communicates something that can't be communicated another way; show, don't tell. Even better are prototypes that VCs can physically use or interact with. People like to play with stuff. So you're halfway there if you can get them playing around.

Remember, VCs see so many pitches and are so cognitively overburdened that their method of analysis at beginning is negatively driven; what is cognitively efficient for them is to find a way to say no. So try to be perfect. If you give them any reason to say no, they will.

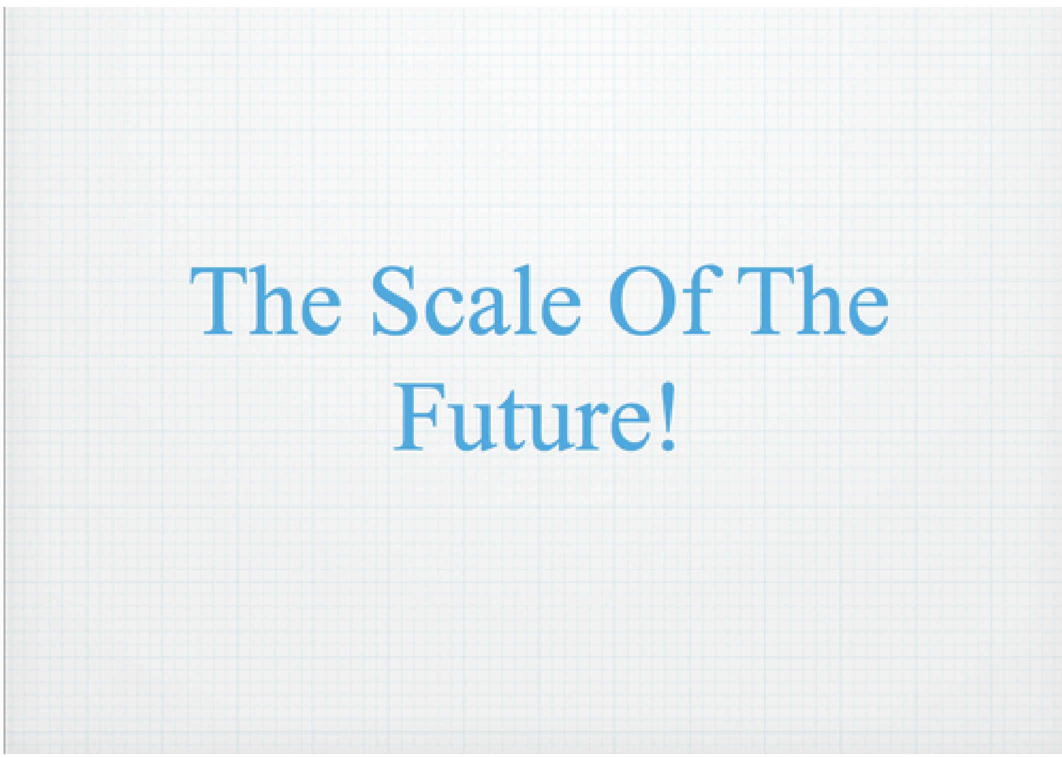
Another trick that smart law students understand is to underline key phrases. Professors never actually fully read exams or bluebooks. And there are only 10-15 important concepts in any given question on a law exam. So if you underline those concepts on the paper, the professor sees them. The professor probably won't even take the time to see if you correctly embedded those concepts. You've made grading easy, and you get an A. Venture Capital isn't that different. If you underline important stuff, you reduce the amount of effort the VC has to put in. That reduces friction in the decision making process, which is the goal of all this.

An aside: do not ask for an NDA. Ever. You will be perceived as a rank amateur. If you don't feel confident sharing detailed information about your company, don't. Go find someone else.

C. The Deck

[Gibney walked through two different decks for the same company, a good deck and a bad/traditional deck, explaining the relevant differences. These were made available to the class. Below are some]

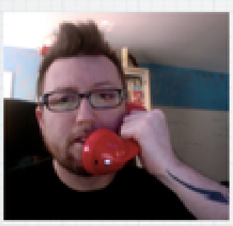
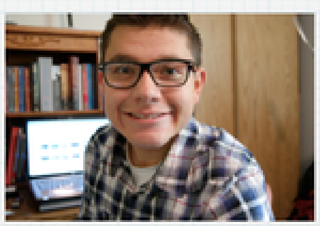
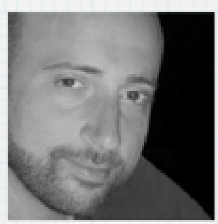
A bad deck might look like this:

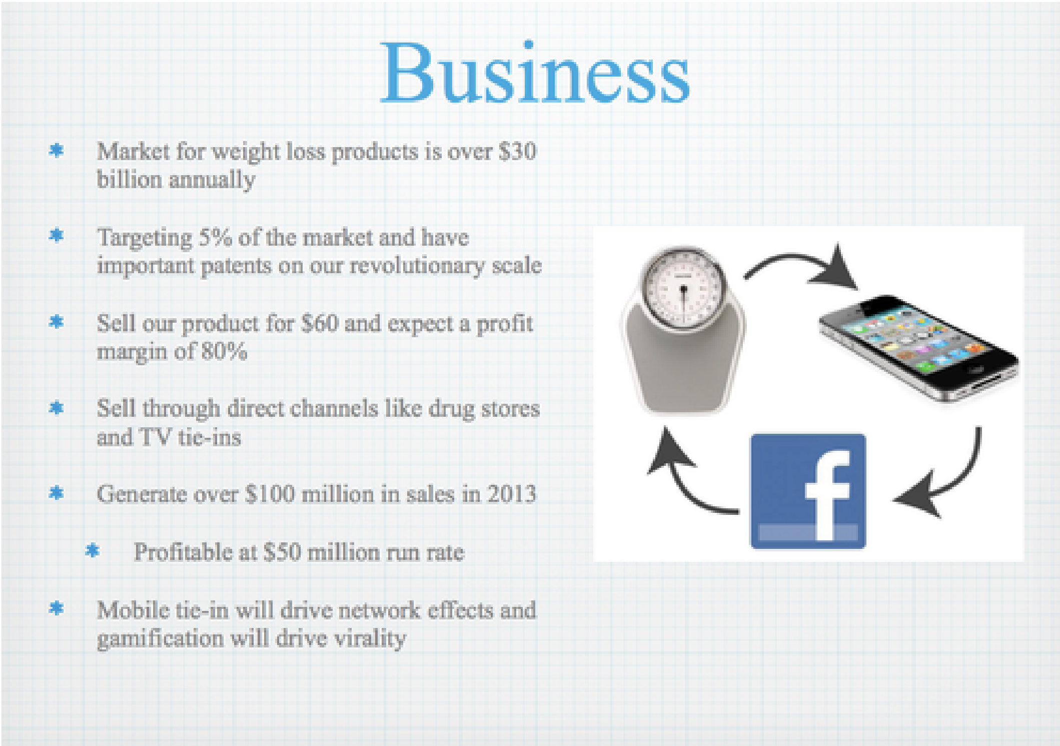


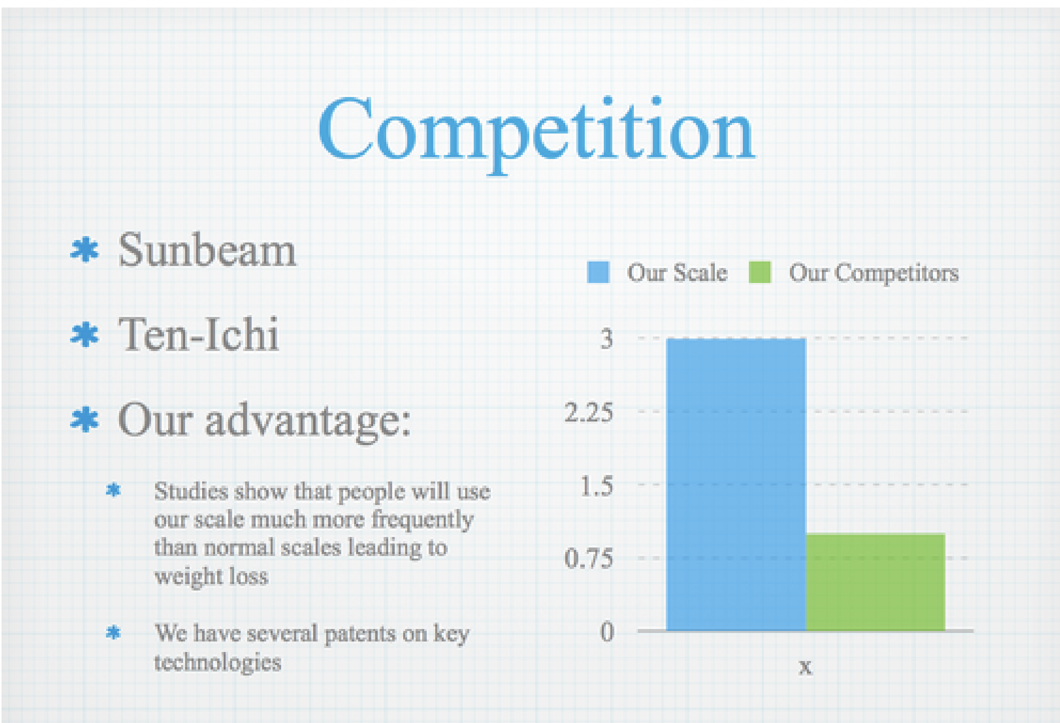
- Obesity epidemic
- People have difficulty losing weight
- Using a scale makes weight loss more effective, but people don't like getting on them
- Our solution: Make scales less scary!

Team

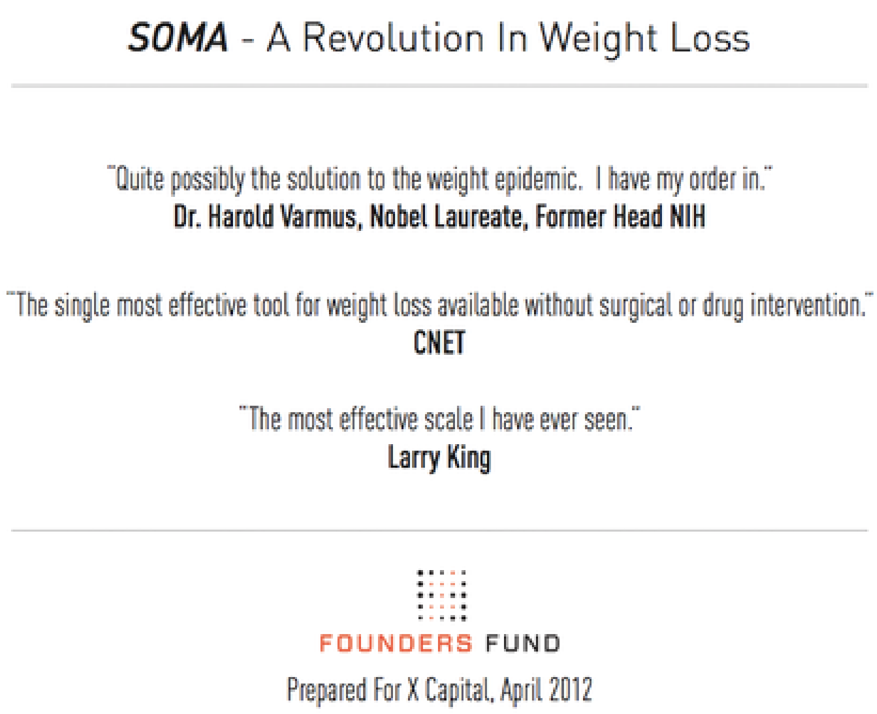
- Three experienced entrepreneurs
- Have developed multiple consumer products and have biomedical experience
- Dedicated to company mission
- All engineers from Stanford

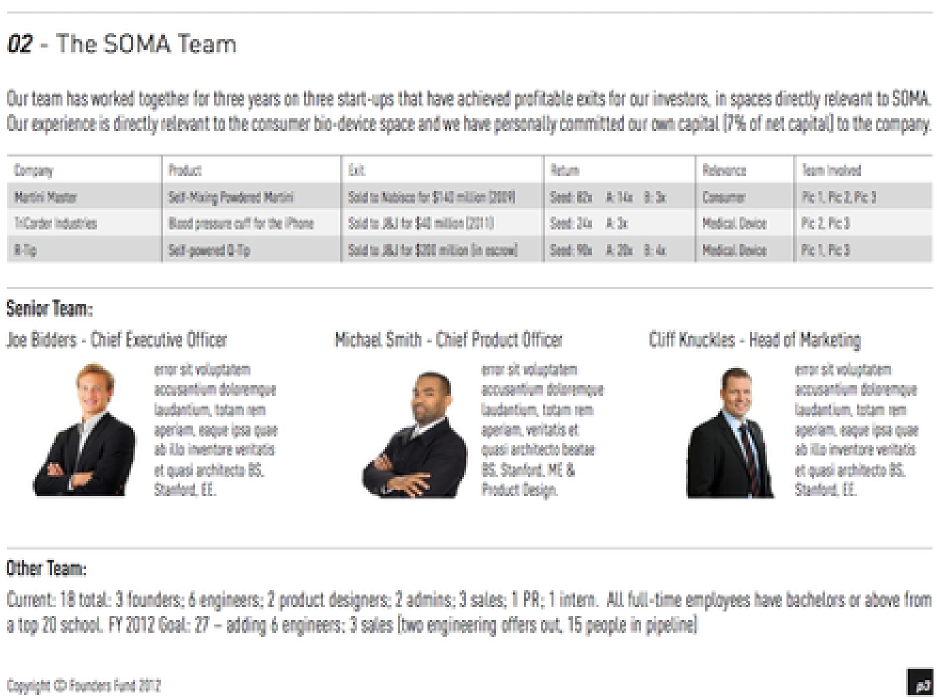








A better deck, by contrast, looks like this:





02 - The SOMA Team

Our team has worked together for three years on three start-ups that have achieved profitable exits for our investors, in spaces directly relevant to SOMA. Our experience is directly relevant to the consumer bio-device space and we have personally committed our own capital (7% of net capital) to the company.

Company	Product	Exit	Return	Relevance	Team Involved
Martini Master	Self-Mixing Powdered Martini	Sold to Nabisco for $140 million (2009)	Seed: 82x A: 14x B: 3x	Consumer	Pic 1, Pic 2, Pic 3
TriCorder Industries	Blood pressure cuff for the iPhone	Sold to J&J for $40 million (2011)	Seed: 24x A: 3x	Medical Device	Pic 2, Pic 3
R-Tip	Self-powered Q-Tip	Sold to J&J for $200 million (in escrow)	Seed: 90x A: 20x B: 4x	Medical Device	Pic 1, Pic 3

Senior Team:

Joe Bidders - Chief Executive Officer

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Michael Smith - Chief Product Officer

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Cliff Knuckles - Head of Marketing

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Other Team:

Current: 18 total: 3 founders; 6 engineers; 2 product designers; 2 admins; 3 sales; 1 PR; 1 intern. All full-time employees have bachelors or above from a top 20 school. FY 2012 Goal: 27 – adding 6 engineers; 3 sales (two engineering offers out, 15 people in pipeline)

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(You can access the entire "good deck" as a PDF here. Note that Gibney stressed that this deck is not perfect; rather, it is simply good enough to actually allow someone to form a basic opinion about the business.)

D. The Substance

Again, organic conversation is much better than talking through your deck. So break from the deck quickly. You start with the vision – what do you ultimately want to accomplish. Explain why you are a company, not just a product/feature? Then get into the business. What is it? Why is it superior? Why is it not likely to be displaced for some time? Be clear and concise. Your pitch will be recapitulated by people inside the firm. Give anyone on your side sufficient ammunition to defend your company to their co-workers. VCs love to poke holes in their partners' proposed investments— it's a critical part of the lemon detection process. Anticipate the holes and fill them.

The team is important. This is the ethos part of the presentation—why are you the right people for the task? Why should the VC trust you? Who (and what skills) do you have? Are you missing anyone? How are you going to recruit and convince that 20th employee to join? Also be prepared to talk about your compensation philosophy. Some VCs, you might have heard, have strong views on compensation.

The discussion should then turn to your market, and specifically the size of the "addressable" market and how you are going to grab it. How much of the market are you going to capture? How? What's your assessment of the competition? Be honest. It's almost always a mistake to insist that you have no competition. VCs will get that you think you're (going to be) better than the competition—everyone knows it's a pitch. But radically underestimating your competition will set off peoples' BS detectors.

At some point there will be talk about a business model. Just have something reasonable to say about this. For young companies, it's almost certainly a total work of fiction since it will probably change. But having a reasonable answer shows that you're thinking about how the product will become a business. "If we build it, they will come" is simply not true. Being able to talk about revenue, sales processes, customer acquisition, and barriers to entry/exit shows your VCs that you're not that naïve.

You also need to have a clear ask. How much are you looking to raise? What do you need it for? What's your burn rate? The one question that people don't seem to want to talk about is valuation, which, of course, is what people really want to know. You should discuss valuation early on—perhaps not in your first pitch, but certainly in your second. It's a gating factor, so there's no point in investing many cycles if you're orders of magnitude apart of price. And yet VCs and entrepreneurs alike tend to dance around it.

You should also talk about your funding history and syndication. Funding history is both important quantitatively and serves as qualitative validation (did you get good VCs in before? Are they re-investing, and if not, why not? How much did you put in yourself?). Syndication – the other participants in the current round – is also important, as it helps qualitatively validate the deal. Who else are you talking to?

VCs will ask you: "Why do you want to work with *us*?" *This goes to the pathos element and is crucially important*. You should have a quasi-tailored answer. But this is nothing new for you; it's the same as when you applied to all the elite universities. Why were you considering Yale? For the same reason you considered Harvard: it's a top school. But you have to offer the Yale admissions people more than that. You have to—you *did*—tell stories about the wonderful pizza in New Haven, or how it was your dream to work with Professor *X* in Department *Y* and this esoteric thing *z*. Yale, you had to say, was the only place you could truly be happy. And then of course you waxed on to Harvard about how much you love Boston. Actually, this is somewhat too sarcastic: you should have at least some reasons why you want to work with a given VC and don't be shy about stating those.

There are all sorts of small nuggets of wisdom that are worth remembering. Don't present data in weird ways. It’s a pitch, not a modern art class. Label your axes. Do not include charts or references to Facebook unless your thing honestly and actually has to do with Facebook. Though even the most out-of-touch VCs get that Facebook is catching on with young people and somehow important, none will be fooled by unrelated logos and clip art.

Again, all of these elements should be framed within a compelling story. VCs will remember stories. It may be easier or harder to frame your product in a reasonably compelling dramatic narrative, but you should definitely try to do it.

Finally, put together a data room for your investors. Almost no one does this. It’s hard to understand why. Not having a data room leads to 1000 emails asking for stuff that should have been put in a data room. Don’t make the VC fish through Outlook to find something. Because they won’t, which sucks for you, or they will, and they’ll be pissed about it. Don’t put PDFs of numerical data in the data room. Use a modifiable file format. Let the VCs play with and test your assumptions.

V. Pitching for Life

What happens after the pitch? If the VCs haven’t slipped into coma because the room is dark and you bored them to death, that is.

It is rare for a pitch to conclude with an offer when you leave office. Good VCs will take several days to several months to make a decision. This is not a bad thing. Your company is difficult to understand – all good companies are. In many cases, VCs still don’t understand all the pieces to the portfolio companies they’ve invested in for years – and there’s nothing wrong with that, because it means the companies have grown larger than the imagination of one person. If you have a genuine business, VCs need time to get a good understanding of your business. Sometimes more time spent in diligence is a promising sign.

You’ll want to pick someone in the room to be your evangelist. You need a champion in the VC firm, or else your deal will die.

Remember that pitches go both ways. Companies are staying private longer and longer now. You’ll be stuck with your VC for a very long time. Facebook has been private for 8 years now. The average American marriage lasts for about 10 years. You’d do more than 1 hour of diligence when choosing your spousal equivalent. So spend the time to judge your VC properly. Are they smart? Honest? Try to get a sense of what other deals that VC is looking at. See if they have any sort of relevant experience. Are they just peppering a space with a whole bunch of investments? You don’t want to be a lottery ticket.

Once you close a deal, get a press release out. Quote the VCs. Put them on your website. Get your logo on their website. And start thinking immediately about who your next VC will be in 18 months.

VI. Questions from the Audience

Q: When you’re pitching, should you focus on your initial product or your grand vision?

A: Founders Fund likes to start with the big vision. But many people are more narrowly focused and may well want to hear about the product first.

Q: How can one judge a VC without a lot of background in startups or VC?

A: Go with your gut. Evaluate their intellectual content, if any. Do a gut check. If you see some VC firm plop Facebook's logo on their front page when they got in at a $25B valuation and generic pap about investing in the future, move on. That's dishonest on their part. But if you come across someone like Brad Feld, who obviously knows what he's talking about, and who has made some pretty interesting deals, you can feel more at ease.

Q: Which VCs do you and don't you like?

A: The usual suspects. Sometimes you have little choice. If you're trying to raise $300 million at a $6bn valuation, there are only so many places you can go.

The truth is that most VCs are not very good at all. The objective verification of this is that the bottom 80% of industry hasn't made any money in the last 10 years. The compensation is that the ones that do are really very competent.

Q: When do you discuss important terms in the pitch process?

A: You should mention key terms or anything idiosyncratically important early on. If you want to control the enterprise mention that right off the bat. Sometimes it may kill the conversation and everyone can stop wasting time with further discussion.

Most terms don't matter. Economics and control matter; discuss those soon. As for the rest, outcomes tend to be very bimodal. If the outcome is zero, terms don't matter. If the outcome is huge success, terms don't really matter either. Only for little-better-than-mediocre-exits do terms matter much, and those outcomes are pretty rare in VC. So don't waste your time or $80k figuring out some particular term with WSGR.

Q: If you could radically alter or eradicate some part of the pitch process, what would it be?

A: The worst thing ever is when people who aren't yet a company pitch you for an investment. VCs are supposed invest in companies, not create and build your company for you. Do not pitch until you're a company. No one wants to get pitched just an idea or product. Even if VCs loved the product or idea, they literally can't invest, because there's nothing to fund. You need a company to wire the money to.

Q: How important is strategic advice from VC?

A: Probably 80% of the value add is capital, and 20% is advising. Superangels are very popular right now. Their pitch is that they can help you build your business. You look at their portfolio and its 150-deep. For the average company, how much time or energy can they actually devote? VCs have fewer portfolio companies, but they have the same constraints. They can add value by providing strategic advice, build syndicates for funding, and explain processes that are familiar to them but new to you. But in terms of the mythical model of the hybrid VC-McKinsey consultant helping you build your business, hand-in-hand, no. That doesn't happen for most portfolio companies. It's mathematically impossible. VCs who insist they do that for everyone aren't being honest.

Predictable things that VCs will want to know:

1) Macro
    a. Are you a company or just a product/feature?
    b. Your vision for the company
2) Your product(s)
    a. What it is
    b. What problem it solves
    c. Why it is superior
    d. Why it is not likely to be displaced for some time
3) Team
    a. This is the ethos part of the presentation – why are you the right people for the task and why should the VC trust you?
    b. Are you missing anyone?
    c. How are you recruiting/convince the 20th employee to join?
    d. What's your philosophy on compensation?
4) The Business
    a. Market size, specifically the "addressable" market
    b. How much of the market are you are going to capture and how
    c. Competitive analysis/advantages
    d. Business model
    e. How will you generate revenue?
        i. Sales process
        ii. Customer acquisition cost
        iii. Profitability
    f. Barriers to entry/exit
5) The Ask
    a. How much do you need and what will you use it for?
    b. What's your burn?
    c. Valuation

6) Funding History/Syndication
    a. Who else are you talking to? (This is the pathos bit)
    b. Why do you want to work with this VC?
    c. What do you want from the VC besides money?