How to Pitch Your Company

by **Michael Seibel**

It is much easier to talk to an investor if they understand what your company does. As a founder you'll have to pitch your startup countless times. To be effective, your pitch has to be clear and concise.

In this post I've condensed the pitch creation process to answering seven questions. If you can answer all seven questions succinctly you'll be well ahead of the curve.

The Seven Questions

1. What do you do?

Start with the name of your company and what it does. For example "Socialcam is a mobile app that makes it easy to take videos and share them with friends and family." There's no need to set up the problem, you can just get to the point.

Too many people spend too much energy trying to make their idea sound impressive. It's ok to keep it simple. Actually, it's preferable. You want to explain what you do in the simplest language possible. This needs to be predigested. Your elevator pitch should be like baby food.

If you're having trouble communicating your product simply, walking me through the user path can be an effective tactic. For example, "We're Google. We build a website with a box in it. You can type any question into that box and we'll show you websites that answer that question."

Walking me through the user path helps avoid explanations like, "We're Google. We organize the world's information by indexing the web." With that description I'm lost.

Your goal when answering this question should not be to have me understand your whole business but rather make me interested enough to ask follow-up questions.

2. How big is the market?

There are two ways to get market size. If you're entering a pre-existing space (like small business banking) you can research it. If you're creating a new product or space (like Slack), you can estimate the number of customers that would want your product and approximate how much you could charge them.

For example: Bellabeat makes an activity tracker for women. There are X women between 14 and 45 in the US. The lifecycle of our activity tracker is two years. Our market opportunity in the US is Y.

When you're estimating market size and what % you could own, there are two methods: top down and bottom up. With the top down approach you determine the total market and estimate your potential share of it. With bottom up you figure out where comparable products are sold, how many of them are sold, and what % of those sales you could take. I prefer the bottom up method because it helps you avoid a common top down pitfall, which is not narrowing down the customer enough. In the example above that could mean assuming all women are in your market - no matter their age or nationality.

3. What's your progress?

What I'm trying to understand here is how fast you produce work. What is the ratio between what you've done and how long you've been working on it?

I want to feel impressed with how much you've done in the period of time you've had to do it. This can apply to a company that's one week old or ten years old.

I also tend to value product development and customers first and other things such as fundraising or biz dev deals a distant second.

4. What's your unique insight?

This is similar to "What problem are you solving?" but the bar is higher. What I really want to understand is what you know about the problem that everyone else doesn't. This is usually derived from multiple conversations with customers, deep analysis of current products in the space, and often personal experience.

For example: Gmail. A unique insight was that the email inbox is a personal database of communication and documents. Why would a user ever want to delete anything in their personal database? Gmail gave people enough storage so they would never have to delete a conversation. It's not that people needed email. It already existed. And it's not that people needed better email. That's too vague. A unique insight is specific and doesn't contain complicated language.

Between your market and your unique insight, you have two opportunities to teach me something. A startup's unique insight often gives me more of an aha moment than the explanation of what the company does.

It's worth noting that passion doesn't help here. Saying a bad unique insight forcefully makes you look worse, not better. For example, "Dude, email today is fucking broken."

5. What's your business model?

There are two types of startups, those that know how they'll make money and those that haven't figured it out yet. By and large, if you're in the second category you're going to either make money by growing big and turning on advertising or you're going to copy the predominant business model in your space. A small subset of companies in the second category will propose a new business model that makes sense given how you product changes the market–freemium is a good example of this.

One mistake I often used to make at Justin.tv was offering a potpourri of business models (virtual goods, product placement, chat ads, contests, etc..). I was embarrassed to say Justin.tv would monetize with advertising when clearly that was the only answer. Own the simple business model.

6. Who's on your team?

I'm only interested in a few things: How many founders? Is there a technical co-founder? How long have they known each other? Is everyone working full time? What is the equity split among the founders (hopefully equal or close to equal)?

If there's an extremely relevant credential I also want to hear that. For example: You're building a rocket company and you used to be the rocket scientist for SpaceX. Basically, if you're focusing on a deeply complex or regulated space, having the expertise in house to plausibly tackle those problems is important.

You don't need to mention your GPA or that you once worked at Google.

7. What do you want?

There's no need to dance around the ask. If you want me to invest, ask. If you have a question, ask. Though to be clear, "What do you think?" is a bad question. "Do I have a good idea?" is another bad question.

Make it easy for me to help you. I want to help you.

Improving Your Answers

Once you have answers to each of the seven questions your challenge is to make the answers as clear as possible. To do that you need to eliminate jargon, acronyms, marketing speak, and any ambiguous terms such as "platform". Basically, make it sound dumber than you think it should.

One tactic you can try is what I call "The Email Test". Write up a two sentence explanation of what your startup does then email it to a smart friend. Ask them to explain it back to you in different words. If they ask any clarifying questions, you need to revise your pitch. It's important to do this over email because you can't add explanations as you would in conversation.

One thing we do during the YC batch that most people don't realize is we help companies with their two sentence pitch. The answer to the question "what do you do"? We work on it every group office hours for the entire batch. It's the linchpin of a good demo day presentation. If that's locked, writing a good demo day presentation is easy.

The real thing to remember when editing your answers is that you don't need to sound cool. You need to be clear. Don't try to have pizzazz. You don't want pizzazz.

Conclusion

I'm much more interested in progress than genius ideas. Most good ideas don't look like good ideas the first time you see them so your ability to show progress in your work and intellect in how you answer these questions are two very positive signals. Once I understand what you're working on it's all about making me believe that it's plausible that you can succeed.

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Thanks to Jared Friedman and Aaron Harris for reading drafts of this.

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