Demo Day Pitching, Part 2: Telling a Story

9-11 minutes

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Inside an Investor's Mind

Last week, I wrote a post about common problems I frequently see in demo day startup pitches. One thing that was intentionally missing from that post was _the _most common problem that I see, which I'd like to illustrate with a fictitious presentation:

> "Hi, I'm Joe and I'm the founder and CEO of Foobar. Foobar is killing it! We already have 8 pilot customers, and thirty more – including Yahoo and Dropbox – are in the pipeline. Our team is amazing. We've worked at huge tech companies like Facebook and Google, and two of us have built and sold HR startups in the past. My cofounders and I are building software that streamlines the performance review process. Our tool is extremely easy to use and cuts review times by 80%. It also allows employees to submit feedback whenever they want instead of during a magical once-a-year period. Research indicates that employees spend 3% of their year on performance reviews, which results in $15B of wasted productivity every year. Everyone hates performance reviews because they take up so much time and because it's hard to remember what each of your dozen coworkers accomplished last year. If you're interested, please talk to me, Joe, after the demo."

What's the problem with this [artificially constructed in order to be illustrative] pitch? It doesn't tell a story. The individual sentences make good points, but there's no cohesion. Let's proceed line-by-line and imagine what an investor might think as they listen to the this presentation.

Presenter: "Hi, I'm Joe and I'm the founder and CEO of Foobar."

Investor: "Foobar? Pretty good name – although it sounds kind of generic."

Presenter: "Foobar is killing it!"

Investor: "Killing what?"

Presenter: "We already have 8 pilot customers, and thirty more – including Yahoo and Dropbox – are in the pipeline."

Investor: "8 customers? What do you do? What are you selling? That number could be impressive if your software costs $1m/year or unimpressive if it costs $100/year."

Presenter: "Our team is amazing. We've worked at huge tech companies like Facebook and Google, and two of us have built and sold HR startups in the past."

Investor: "Good for you. Is it supposed to be important that you mentioned you founded HR startups and not 3D printing startups or social networking startups? Also, I still have no idea what you do."

Presenter: "My cofounders and I are building software that streamlines the performance review process."

Investor: "Ok, finally I know what you do. I wonder: is this actually a meaningful problem?"

Presenter: "Our tool is extremely easy to use and cuts review times by 80%."

Investor: "Okay, cuts times by 80%. Great. But does that matter? Do companies actually spend that much time on performance reviews?"

Presenter: "It also allows employees to submit feedback whenever they want instead of during a magical once-a-year period."

Investor: "That's nice, I guess."

Presenter: "Research indicates that employees spend 3% of their year on performance reviews, which results in $15B of wasted productivity every year."

Investor: "Ooh, that's pretty big problem!"

Presenter: "Everyone hates performance reviews because they take up so much time and because it's hard to remember what each of your dozen coworkers accomplished last year."

Investor: "That's very true. I remember hating the review process when I worked at XYZ Corp – that was painful."

Presenter: "If you're interested, please talk to me, Joe, after the demo."

Investor: "Meh. Hmm, I wonder who the next presenter will be…"

Now, imagine if Joe reorganized the exact same content to tell a story:

> "Hi, I'm Joe and I'm the founder and CEO of Foobar. Everyone hates performance reviews because they take up so much time and because it's hard to remember what each of your dozen coworkers accomplished last year. Research indicates that employees spend 3% of their year on performance reviews, which results in $15B of wasted productivity every year. My cofounders and I are building software that streamlines the performance review process. Our tool is extremely easy to use and cuts review times by 80%. It also allows employees to submit feedback whenever they want instead of during a magical once-a-year period. Our team is amazing. We've worked at huge tech companies like Facebook and Google, and two of us have built and sold HR startups in the past. Foobar is killing it! We already have 8 pilot customers, and thirty more – including Yahoo and Dropbox – are in the pipeline. If you're interested, please talk to me, Joe, after the demo."

Much better. What would our hypothetical investor think while listening to this pitch?

Presenter: "Hi, I'm Joe and I'm the founder and CEO of Foobar."

Investor: "Foobar? Pretty good name – although it sounds kind of generic."

Presenter: "Everyone hates performance reviews because they take up so much time and because it's hard to remember what each of your dozen coworkers accomplished last year."

Investor: "That's very true. I remember hating the review process when I worked at XYZ Corp – that was painful."

Presenter: "Research indicates that employees spend 3% of their year on performance reviews, which results in $15B of wasted productivity every year."

Investor: "Wow! I suspected the problem was big, but I didn't realize it was that big!"

Presenter: "My cofounders and I are building software that streamlines the performance review process. Our tool is extremely easy to use and cuts review times by 80%. It also allows employees to submit feedback whenever they want instead of during a magical once-a-year period."

Investor: "Streamlining reviews and making it possible to submit feedback frequently sound like great ideas. If Foobar can reduce review times by 80%, and reviews are a $15B inefficiency, then this can be a huge business."

Presenter: "Our team is amazing. We've worked at huge tech companies like Facebook and Google, and two of us have built and sold HR startups in the past."

Investor: "Wow, these guys have built and sold HR companies in the past and they worked at Facebook and Google? This team is amazing!"

Presenter: "Foobar is killing it! We already have 8 pilot customers, and thirty more – including Yahoo and Dropbox – are in the pipeline."

Investor: "Now I'm really impressed. If this company charges something like $100 per employee per year, then a customer like Yahoo would be huge. Let me email Joe to make sure he doesn't leave demo

day before talking to me."

Presenter: "If you're interested, please talk to me, Joe, after the demo."

Investor: "Ah, there's Joe's email address…"

The content of the pitches is exactly the same, but having a narrative makes a huge difference.

Pitch Recipes

The reorganized pitch follows a standard pitch recipe:

1. Talk about the problem.
2. Talk about the size of the problem (in $$).
3. Describe your solution.
4. Explain why you're the right team.
5. Highlight your progress so far.
6. Wrap up.

Of course, that is not the only possible storytelling arc. Here's a different recipe:

1. Talk about a problem you and your cofounders encountered and solved at a previous job.
2. Talk about the size of the problem (in $$).
3. Describe your solution.
4. Briefly recap why you're the right team.
5. Highlight your progress so far.
6. Wrap up.

In this version, your introduction explains both the problem and your team. For example: "Jane and I spent 9 years writing cloud software at Google. Deploying to the cloud was a pain: we had to maintain hundreds of configuration files, interact with dozens of sysadmins, and it was hard to avoid allocating too few or too many machines. We wrote software to address these challenges, and that software was quickly adopted by Google's entire engineering organization. Last year, after Jane and I left Google, we realized that software like this should be available to all companies. That's how we came up with Foobar…" This intro simultaneously sets up the problem and establishes the team's experience and pedigree.

Just for fun, here's one final recipe:

1. Talk about how much money and time are spent on a problem.
2. Explain why that is absurdly wasteful.
3. Describe your solution.
4. Explain why you're the right team.
5. Highlight your progress so far.
6. Wrap up.

Tell a Story

When you design your presentation, make sure you're telling a story. A story is much more compelling than a collection of facts, and that's true regardless of whether you're doing a demo day pitch, an one-on-one investor pitch, or a sales pitch.

If you're not sure whether or not you're telling a good story, boil down each slide to its essence ("This is the problem. This is the solution. This is my team…"). When you're done, check if reordering the slides would create a more compelling narrative.

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