

Transcription

Components of a Pitch

Components of a Pitch (i)



First of all I would like to say, you know in most cases perfect pitch is a myth, okay. I have tried to figure it out all that stuff, but what I have learned is, “if there are 3 ingredients a very few business end up having those. You know might never get to the point, those top 3 ingredients, but even if you have two, then might work.



So Step 1 - I would say product positioning to market fit. Then solution to the problem fit, that you tested it with 5 customer or 50 customers, whatever the number is for you. So that's the first point, the first ingredient I would say.

The 2nd is that your solution has to fit the market, but how large is such a market? Is it what 50 million dollar market max or is it 500 million or 5 billion dollar market. So that is a second one, hopefully the answer is

super large market, for example in case of “Uber” whatever, however the product market fit was, it turned out the whole world is a market and so on.

And the 3rd is, which I usually could not understand in early days people call it what’s your special sauces alright. But I would say it what’s you special sauce, in other words, what is you unfair advantage, that every day you do business, you are going to have it. Your competitor or whoever is going to start now, incumbent is not going to happen.

Do you for example have so many vendors on your platform that others are not going to have? So every day that you build your business, should be adding, to the overall competitiveness of your business. That is what are the unfair advantages and investors really want to see.



Solution fit, market size and competitive advantage all three them are critical when it comes to convincing your investor to provide funding to your start up. Since your pitch is a crucial occasion, where your investor in not only making his opinion about you but also making an opinion about your start up, it is very important for you to get this right and its going to help a lot if we can make sure the key hygiene factors are maintained

We just heard Harman from WizIQ to talk about his perspective on pitching but it’s also going to be very important to listen to an investor to talk about the key components of a good pitch.



Any investor will look at the team; try to understand who all in the team, who are all in the team. Will try to understand why these people are relevant for this problem, are these people right people to solve this problem and do they have the backing of the right advisors.



So when you are talking about your team, I would suggest go tell them about your background, typically it is relevant to talk about where you have worked in the past and what have you learnt in that particular job - if applicable to solve this particular problem. If you are a student then it might not be as relevant but it might be relevant as to what you were doing in college which led you to solve this problem. Second point is when you are talking to the investor; everybody is interested to know who your other team members are, how you know them? Are they the relevant co-founders, is this the team which has good commodore, is this the team which knows each other well. So in that particular case you should also talk about a softer angle a bit, you are friends for so long, this is how you got together, if you have done business in the past, how you gelled over there that might be a relevant thing to talk about.

If you have been third point, if you have been successful entrepreneur then it might be relevant or not so successful entrepreneur for that matter then it might be relevant to talk about what you did in that company. If you got an exit, how did the exit go, what were the challenges in that business and lastly I don't think it matters to you to talk about lot of things in the past? Don't go into details, for example I was in this IT Company where I did this particular project and Project 1, Project 2 and Project 3. That is not relevant, what is relevant is in your background what is relevant for the problem at hand that is one and how you know your team mates, how good is your commodore with them number two and then who are your advisors, are

they industry experts, are they helping you out in understanding how to solve this problem, are they good names to have, are they super angels, I think those are relevant points to talk about in the team slide essentially.



The second thing you need to talk about is the problem and the opportunity, so what is the problem you are trying to solve.

Is this the problem B2B, is this a B2C problem you could actually first start off with the market. So for example you could talk about e commerce market and say I am trying to solve e commerce problem, within e commerce you could have B2B solution, say I am not going after selling products to consumers which is B2C problem but I am trying to sell to all other e-commerce vendors, technology solution so that they can keep track of the billing which is a B2B problem. Both the problems are fine to solve but what you need to also tell them how big the opportunity is which essentially means can you do some sort of market sizing, is this a billion dollar market, is this a 500 million dollar market, is this a 300 million dollar market, that is one level and then second is you try to say within that problem what I am trying to solve so for example let's take the case of billing in a B2B e commerce solution are you saying payment by credit cards is high, may be I will create a pre-paid wallet, so what is that problem you are trying to solve is what you should try to focus on.



Prayank speaks about an important point, it is essential for you to understand and communicate very clearly with your investors the exact nature of the business problem that your start up is trying to solve because if there is no critical B2B or B2C that your venture is solving for then you don't have a viable business brand. It's always good to get into the detail of the problem at hand because it will help your investors ask the right question, it will also demonstrate to the depth you have thought about the problem and how your venture is solving it.

In the long run your venture or company can move ahead to solve multiple problems but to start with I think it's going to be significantly advantageous, if you stick to focusing on one problem - for example we know Dehlivery has evolved and moved towards solving multiple problems customers problems and not just on.



So, we are a four old company and there were 3 co-founders at the start, Suraj, Mohit and myself. And we were at Ben together. At Ben we had spent about 3 years looking at the Indian telecom market and I think what was becoming clear was that internet was going to be a fairly sort of large revolution over the next 5 years and this was about 2009-10. The three of us decided that we wanted to be a part of that story and not consult for it but actually do something more actively and we were looking at the options within the internet world. One of the options at that time obviously was that we go out and start something that would like a Flipkart or a SnapDeal or an Amazon but we decided that there would be enough players doing that anyway.

So we weren't that all these guys said - what are the big challenges that everybody faces in this space. And all the way from a Zomato who is doing this for restaurants to Flipkart to an urban Taj which was one of our first clients said logistics was one of their biggest challenges and so we said all right that looks like a very big opportunity and we can create sort of a channel neutral platform and that's how we started Delhivery by actually delivering food for multiple restaurants and then we started delivering medicines and then we started delivering flowers and eventually we moved away from that local market into full scale e commerce delivery. So that's really the genesis of the idea.



So let's talk about dos when you talk about your problem and opportunity.

So couple of things to keep in mind when you are talking about the opportunity and the problem, one is, try to keep it simple. You know can we put it on Twitter and everybody will get it, can you just talk about it in one sentence and not make it complex. So don't talk about you know I am going to create a flying car which works on no petrol but takes fodder as fuel, no point. You could just say I am going to create a flying car, right so that's one simple problem. Yes, flying car running on fodder is great so you might want to focus on that as a problem. But in the beginning a startup only has to have one particular focus area so please focus on that and keep it simple.

Second thing to keep in mind is how you tell the problem is very important. Can you make it interesting like we said in the past? So can you give an anecdote, can you say some interesting story around the problem and tell it to the investors because they might not have faced it before so you might be pitching let's say a dating app to investors, to an investor who never had done dating before so you have to tell them with an anecdote and explain this is actually a real life problem and get their belief into it.

What you need to don't do is don't over estimate your market size or under estimate your market size, be very realistic on how you figure out your market, be very realistic on how you make the size of the market, how many consumers might need it. Majority of VC investment decisions typically end up looking at the market size or potential market size. Even if you are saying market is not existent, you need to have a rational way of thinking what all could possible happen or how many consumers might end up using such a product. So have that in mind

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India Property's core promise to customers is kind of symbolized in our by-line is that we get you home. Now, we strive to do this both in the literal sense of the term and figuratively too and this was brought out of the realization that in the Indian context, property buying is truly a challenge in the last mile. It's not about the discovery, but actually getting the transaction to go. So, our promise is that we help you take a very informed, clean decision and we don't charge you for it and therefore, since we don't charge you for it, we are not truly having any agenda to drive in terms of influencing your decision which would – It is purely designed to help you buy as opposed to help us earn more. And that's our core promise. So on both the buyers' side and on the sellers' side, we have differentiated set of products and services which enables us to get best of breed out of the platform and deliver services which are truly unbiased – deliver services only to enable customer decision making as opposed to maximizing revenue.



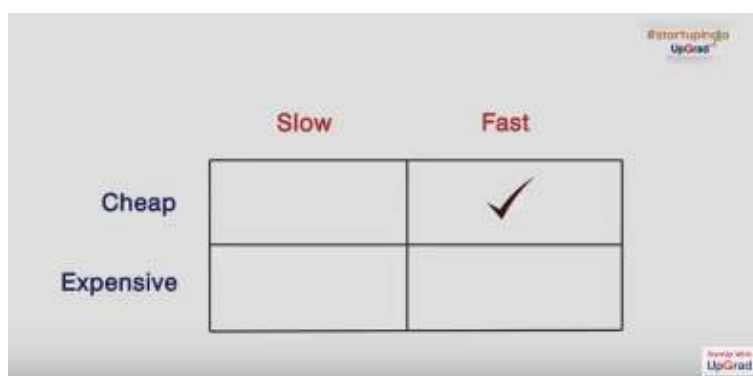
After the problem and the underlying opportunities have cleared been identified you can then bring ahead the value proposition of your product or service offer and of course it has to solve the problem that has been identified, if you have a demo for the product I think this is the time to actually showcase it and you can bring like case studies ,customer testimonials what's actually happening in the market to actually prove that there is a problem that your product or services is solving it effectively. Once you have established the problem and proved help address the problem particular issue the next obvious question that investors have

in their heads what are the other products that are already available that do the same thing and that is where product differentiation is going to be very important. For example - India properties has a differentiated offering but they not only did property discovery but also got into property purchase, and that it where it proves to us having a very clear idea of the complete landscape and having a very clear idea then of how the product is differentiated is going to be very important to convince investors .



One step is to explain the problem and the market to the investors, the next step is to talk about your idea. In talking about the idea you tell them – this is the market, this is the problem and this is how I am going to solve it. The interesting thing is that you might tell them how you are going to solve it but the same idea and the same problem can be solved in multiple ways so there might be a lot of competitors.

So one value proposition is inherent to your solution or idea and says this is how I am going to solve it and this is why customers will love it but then the customer has choice, so they can go to multiple people, they can go to multiple apps, they can go to multiple startups so how does your own value proposition or idea stand out from all these other guys? And that's why you have to have an idea or you have to explain to investors as to why the value proposition is fairly different from all the value proposition of all the other startups. The simplest way to think about it is you know you could say cheaper and faster, that's the value proposition that I have compared to everyone else.



You could create let's say a 2X2 matrix and plot your start up compared to eve-rybody else on that graph and you could say I am the cheapest one and I am the fastest one, so you come on the top. So if somebody is cheapest but not as fast as you and you would clearly differentiate your value prop-osition. So that is one way to go about doing it.



Let's talk about dos when you talk about idea and value proposition.

In dos again like all things in a pitch deck, keep it simple and keep it short, make it very crisp. If you have a product demo or if you have a dummy or even you have just plain screen shots or even hand written notes and drawings of what you want the product to be in case if you don't have a working product, please show it to investors, a picture is worth a thousand words, it makes a lot of sense to them and hopefully it will catch their attention better than you just explaining it to them, so that is one. Talk about the competition, talk about you have researched out your competitions.

What you need to do is take the top one or most relevant players, may be three and say hey you know this is what these guys are doing and this is why we are better. Try to stand out so it would not make any sense if you put 7 rows and out of 6 rows every-body has the same ranking. Try to have a stand out row separately and try to have multiple rows where you can actually shine your product. Lastly, you start off solving the problem with a small idea and over a period of time you keep on adding more things and refining that idea so it becomes bigger. Similarly your value proposition also becomes bigger and bigger to a customer. So you also need to talk about how you think your idea might evolve at this point so that it goes through evolution essentially. That is very important which essentially means you could say in phase one this is what I am going to do, in phase 2 this is what I am going to do, in phase 3 this is what I am going to do and this phases not necessarily might be let's say a month, it might be a year but you essentially need to say how it will build up. So the investor gets your vision of the company, your vision of the product.

You should understand you will thrown back questions anytime in the pitch investors will keep just throwing questions at you. So please don't disregard those questions, try to address those questions head on. An entrepreneur who can actually talk the talk with the investor tell him convincingly that you raise these points with these are the reasons why this is not valid or this is why I am better or at least you can put it most subtly

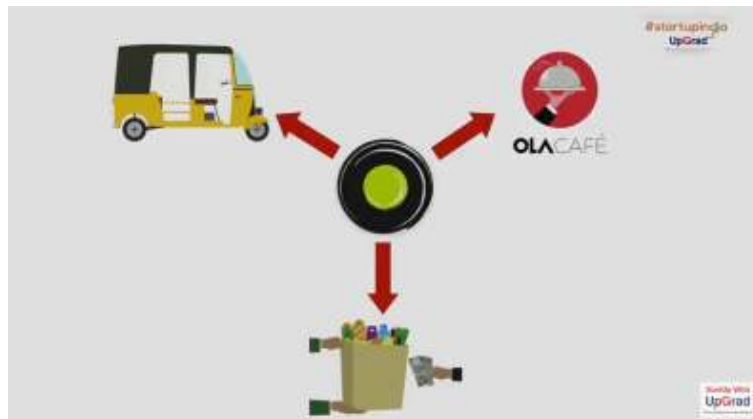
this is the way I think, yes there are multiple ways of solving this problem, that is a good way to explain. But just saying this is not relevant, I don't believe in this is not a good idea so please take that head on. Two you need to acknowledge that there is competition. We as an investor I could say for every idea you could come up with there will always be some sort of competition. So please understand who your competition is, it might not necessarily be another mobile app or website, it could simply be offline store, it could be offline business but try to acknowledge that and try to understand who that competition is and talk about it as well.



Investors essentially fund ventures cause they want to make an investment but that prospective the entrepreneurs should have a very clear idea of how the product or services how can It be monetized and what return can it give the investors. There are many business models like you have seen the module that you identify and investors appreciate the fact multiple revenue streams for your venture and clear timeline for each of these. The next thing to look at is the pricing of your particular product or service and how it compares with the market then they will want to evaluate the cost with customer acquisitions how many times is he coming back a lot more other operational cost to evaluate if the business is going profitable. So let us understand the approach evaluation approach investors go through by taking the example of OLA cabs.



Our business model is fairly simple. We take a commission from every driver, every trip that we send our drivers. We don't own the cars. We work with driver partners who own cars, and today we have around two and a half – 250000 car owners on our platform and every trip we send them, we earn a small commission from that.



Staying ahead is about innovation. The market leader always has to out innovate, and keep doing product innovation to make sure he is ahead and he is growing the market and he is delivering a better experience to customers. And we have done that many times in the- in our short history, For example, we launched auto rickshaws about a year back, 8 -10 months back. And that was unheard of and un-thought of back then and auto rickshaws is a fairly big business for us today. A few months back we launched a food delivery product, a grocery delivery product. So, this is how keep doing product innovation to keep building up your ecosystem and making sure that you are the first ones for consumers.



The next part of your pitch has to be discussing how you will make money which essentially means you discuss about your business model. So you talk about how will you make money from your customers or it could be let's say suppliers, it could be from advertisers either of these. This is the section where you will explain that as you built out your ideas over phases, how each phase enabled particular revenue streams,

how big each revenue stream can be, how profitable each revenue stream can be, why will you make profits this is that section so you have to start talking about those things in this particular sections.

What will be relevant in this particular section is you talk about monetization; don't leave the part that we will figure out monetization at some point of time. However that you can still ignore that if it's a completely new idea and nobody knows how will you make money but rule of the thumb almost 99% of the cases people will ask you how will you make money and you should have a good answer to that particular question. What you might not want to do in a case like this when you are presenting your business plan is have under cooked business mode; you haven't done enough research on your business model and figured out how will you present it or you have not done enough research to actually know whether people can make money that way.

For example it could simply be legal and regulatory compliance which stops you from charging customers for that particular product. So please be aware of that, please do your homework before you talk about any of these models.



The next section you have to focus on is talking about your financial model. The financial model is slightly more detailed or actually much more detailed than your business model. Here you start talking about your statements, how your cash flow situation is going to be, you start talking about your growth, how you see your growth happen, you start talking about your cost centers, where are you going to spend a lot of your money, how you see those cost going up or going down with the business, you might be asked question around what is your fixed cost, what is your variable cost going to be.

How will that scale with your business, so you have to be ready with those answers essentially. In the financial model what you really need to do is you need to have calculations consistent since it's an accounting model please take help of your friends or take help of a CA if need be or a consultant to help you

make the model properly. What you also need to know is how the assumptions are built up. So how many customers you are assuming every year, what is the growth you are assuming and then you will be asked questions around why is this growth sustainable. Essentially does this model look realistic or not that is very relevant so please take care of those assumptions.



As Prayank mentioned it is very important for entrepreneurs to talk about the venture quantitatively both from the revenue perspective and cost effective so for example planning to open an ecommerce platform selling electronic goods it will be important to talk about size of the market and how much can it go online what will be your mark up to give a strong sense of your mark up and also talk about the growth for the next 3-4-5 years. Similarly we also need to talk of the cost sides quantitatively of your biggest cost centers are it could be logistics, warehousing, advertising people cost and allot could help of these need to be laid out between revenue and cost for the investor to understand the business plan and the business model you are following in order to generate re-turns for them.

Additional care will have to be taken to make sure all the assumption both on revenues and cost are clearly laid out. In fact Bhavish Agrawal of OLA cabs believes that the biggest mistake entrepreneurs do while pitching and creating a business plan that they do not clearly list the assumption involved.



The biggest bucket of mistakes in building our budget are clearly not stating or understanding your assumptions and at different levels of the company, this mistakes keep coming back because if you don't put enough efforts in modelling out all the assumptions and understanding your business very deeply, you will un-der budget or over budget things which will you know on hind sight you will realize later.

So it's important to be very de-tailed when it comes to budgeting and planning. It is important to understand all the levers, all the assumptions, clearly state your assumptions, clearly state your risks, model them into financial terms and as you execute on that plan – once you have planned and once you execute on that budget, it is important for you to periodically in a structured way, keep revisiting these assumptions and keep validating on the positive and negative sides of those assumptions. That's something that we have learned from experience.

Summary – Components of a Pitch



So in this session we started understanding the various key aspects an entrepreneur should consider and think about while a pitch one we should talk about our team elaborate the experience that the team members bring to the table, second we saw its important to clearly lay out the problem that your product or service is clearly trying to address , once that problem is clearly laid out, then we discuss your particular business idea and how it has its differentiation compared to other competitors in the market

Finally we saw its important for an entrepreneur to quantitatively layout the number on the revenue side and the cost side so it gives the investor sense of how much funding is required to run the business and what there long term return could look like and we saw it's of the utmost importance to lay out all the assumption very clearly on the revenue and cost side. It was great meeting you for this session and I look forward for seeing you soon.

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