

THE PITCH DECK APPENDIX

1. Overview of the pitch deck
2. Pitch Deck slides
3. The Questions and Answer Period

LEARNING OBJECTIVES

1. Describe the pitch deck and its importance to potential investors
2. Explain the content of pitch deck slides
3. Discuss the types of questions that may be asked during the question and answer period.

H1 1.0 OVERVIEW OF THE PITCH DECK H1

LO 1.0 Describe the pitch deck and its importance to potential investors

The pitch deck is a brief presentation that highlights the essential elements of the TRIM framework (Team, Resources, Idea, Market) as discussed in Chapter 9. The pitch deck should articulate the purpose of the venture (the idea), who is served by the venture (market), how the venture will be successful (resources), and who will execute the venture (team). It's a story that is told to convince the listener that your idea is compelling enough to warrant further investigation.

As highlighted in Chapter 9, there are many types of plans. Historically, the business plan has been the most popular but in the past decade the pitch deck has become one of the most valuable tools an entrepreneur can have when trying to raise startup capital or find other types of resources. , aA pitch deck is a good way to describe your business to a potential investor, and can also be used for meetings with potential partners, advisors, employees or even a reporter who might be doing a story on your new startup! Any stakeholder that has a vested interest in your business could be an audience for your pitch.

Chapter 9 introduced Guy Kawasaki's 10 essential slides but there is no strict rules for length or style.

For example, some people suggest that the pitch deck should only have five slides while others recommend

six, ten, eleven, twelve, fifteen or even 30 slides.¹ Regardless of the slide count or style, all pitch decks need to answer the same fundamental questions. These include:

- What is the problem/need?
- How will you solve the problem or meet the need in a unique way?
- Who is the customer and are there enough customers to build a viable venture?
- What is the size/extent of the market for this product/service idea now and in the future?
- How will you reach, acquire, and keep the customer?
- Who will you compete with and how are you different?
- What is the revenue/expense model?
- What capabilities does the team have to execute on the venture?
- What is your call to action?

Typically, an initial meeting with a possible investor will be 30 minutes to one hour, but you should not use all of this time to present. Generally your pitch should not exceed 20 minutes, but we suggest preparing a 3, 10, 15, and 20-minute version. Different situations call for different pitch lengths.

Whatever time you are given to pitch, it's important to leave room for questions. One of the biggest mistakes entrepreneurs make during a pitch is failing to leave room for questions at the end of the pitch.² If you can anticipate the questions in advance, it is also smart to create some backup slides with the answers to show that you have done your homework.

H1 2.0 PITCH DECK SLIDES H1

LO 2.0 Explain the content of pitch deck slides

While there is no one “right” pitch deck format, we have provided you with a basic template to follow to help answer the essential questions.

Slide #1: Title

The title slide should include the name of the company, logo, your name, and contact information. This is the first slide your audience will see and will likely be on-screen the longest while they wait for you to present. Don't be boring here. Pay attention to slide design. In addition, consider putting your name and company on every slide so your audience will remember you and your company.

Slide #2: Company Purpose/Description

The purpose or vision slide is a quick overview of your company. Why does your company exist? Develop one sentence that describes what your company does. For example, it is a useful exercise to r fill in the following blanks:

{Company} is _____ for _____ that _____.

For example, FlowDog is an aquatic and rehabilitation center **for** dogs **that** suffer from physical injuries.

{Company} sells _____ to _____ in order to _____.

For example, VentureBlocks **sells** computer-based simulations **to** educators **in order to** help teach core topics related to entrepreneurship.

You could also include a type of comparison with a widely-known brand which will help the listener to immediately grasp the concept. For example, “we are the Uber for pets” or “we are the Netflix for video games.”³

Slide #3: The Problem/Need

Describe the problem that your company is solving or how you addressing a customer need.

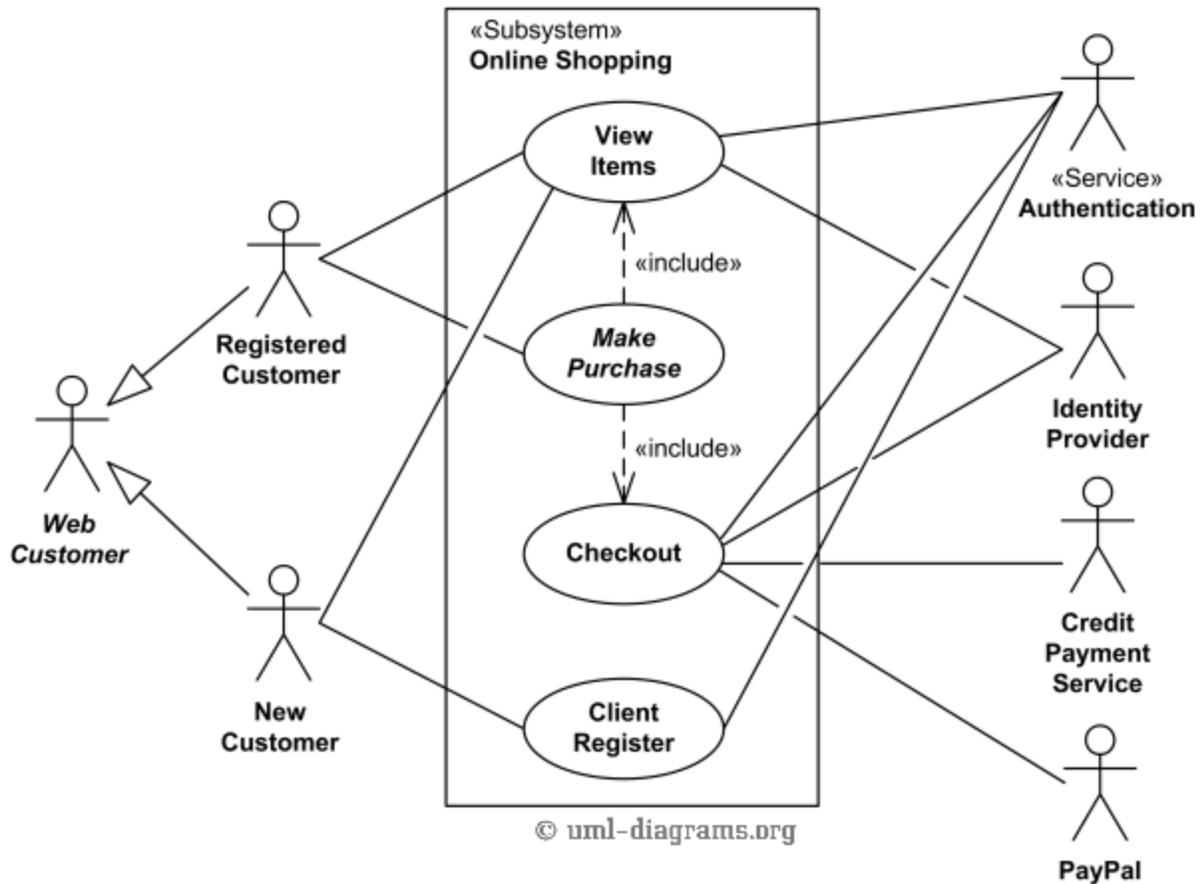
Additionally, you should describe how the problem is currently being solved by other companies, and point out any inefficiencies in how it is being solved, or why these actions are insufficient. Keep in mind that you need to prove to your audience that the problem is a big one. As venture capitalist, Skylar Fernandes, says you need to solve the customer’s #1 problem – not the #10 problem!⁴

Slide #4: The Solution

The solution is really your value proposition, because if you can solve the customer’s problem or fulfill their need in a unique way, then you are already creating value. Don’t just type the solution on a slide. If possible offer a live demonstration. If the product or service is not yet fully developed, show a prototype or a picture of a prototype. If the solution is web-based, a mockup landing page is a must.

Another option is to show a **use case**⁵ – a methodology used in the software industry to illustrate how a user will interact with a specific piece of software.⁶ Figure 1 illustrates a use case to show how different types of customers may interact with an online shopping system. For entrepreneurs, use cases are also a good of showing an audience how customers will interact with their products or services and how their lives are made easier through the interaction.

Figure 1. Use case for Online Shopping System



<http://www.uml-diagrams.org/examples/online-shopping-use-case-diagram-example.html>

Slide #5: Why now?

There is a window of opportunity for many new ventures. You need to prove to your audience that the time is now for your new product or service. This means discussing trends or changes that prove that your company is timely. For example, Chariots for Women is a new ride-sharing service in Boston similar to Uber but just for women. Both the customers and drivers are women, and the service also transports children under the age of 13. The time is now for Chariots for Women because it meets the needs of customers who have been put off by the many allegations and complaints against ride-sharing

service Uber involving rape and sexual assault, as well as Uber's perceived lack of thoroughness in carrying out background checks on its drivers.⁷

Slide #6: Market Opportunity

The solution is only powerful if there is a market of customers willing to pay for the product or service.

When it comes to creating your market opportunity slide, it is important to think through three important acronyms that represent different subgroups of the market – TAM, SAM, and SOM.⁸

TAM or Total Available Market - the total market demand for a product or service

SAM: Serviceable Available Market – the section of the TAM that your product or service intends to target.

SOM: Share of market – the portion of SAM that your company is realistically likely to reach.

To explain these acronyms in further detail, let's take the example of an entrepreneur pitching a gourmet donut cafe concept. The cafe will serve high-end coffee, tea, and unique-flavored, gourmet donuts such as maple bacon or ham and cheese, in addition to the traditional glazed and chocolate. The entrepreneur wants to locate the café in Baton Rouge, Louisiana.

The TAM market covers all the possible customers who visit donut shops or cafes in the United States.

If you were to open coffee shops all over the US, then you could potentially generate revenues from TAM. While your intention is not to run your business to this scale, you could always produce this statistic to your audience as overall evidence of the popularity of donut shops and cafes. .

The SAM is a little more specific than TAM as it describes the demand for your types of products within your reach; in this case the café or donut market in the Baton Rouge area. In other words, if you had no competition in the Baton Rouge area, then you could potentially generate revenues from SAM. Keep in mind, however, you always have competition.

The SOM describes the share of the market you can realistically reach with your café in Baton Rouge.

This involves working out the percentage of SAM that you could potentially service.

For example, in this case SOM may be a particular geographic radius in the city of Baton Rouge. You would need to figure out how much market share you could capture given the degree of competition, and the geographic radius. To better visualize TAM, SAM, and SOM for your audience, you could use something like Figure 2 in your presentation.

It is important for investors to see that you have thought through TAM SAM and SOM, so they have a better idea of the fraction of the market you intend to target. If you cannot prove that you have a good chance of penetrating the local market, then they will be unable to see the growth potential of your business.

Figure 2. TAM, SAM, SOM



(This image was taken from: <https://www.caycon.com/blog/2013/10/understanding-market-size-or-demystifying-tam-sam-and-som/>)

Slide #7: Getting Customers

. After depicting the market size and showing the target market, it is essential that you demonstrate an understanding of your customer – who they are and how you will reach them. This is where you talk about your interactions with customers and what you have learned about them during the planning process.

Using the café and donut example above, it's not enough to simply describe that your target market is comprised of 125,000 people living in a particular geographic area within the city of Baton Rouge. You also need to show that you have done your homework to better understand what kinds of people are likely to go to a café that serves high-end coffee and funky, gourmet donuts!

Additionally, you need to articulate how you will reach those customers, what they are willing to pay, and how you intend to keep them coming back. Here you can begin to really build a market size number in terms of dollars using a simple calculation. For example, number of customers x price x frequency of purchase = market size \$. You can do this calculation for a day, week, month or year and it should connect to your overall financials. Let's think about this for a single day. On an average day you may anticipate that 300 customers will enter the café and the average receipt based on 1 coffee and 1 donut is \$7.50. $300 \text{ customers} \times \$7.50 \times 1 \text{ purchase} = \$2,250$ total receipts for an average day. If there are 30 days in a month then total monthly receipts could be \$67,500. Annually this could be \$810,000.

Slide #8: Competitor Analysis & Differentiation

The competitor analysis shows how your company differentiates itself from others providing similar solutions or shows how it your business has carved out a unique space that meets unmet needs.

Competition is a good thing because it shows that there is a market for products and services. The key is to show how you are doing something better, different, and more compelling. A strong analysis will show your audience your company's competitive advantage – the source of why it will outperform others.

. The competitive grid analysis compares your company to your most significant competitors and details their strengths and weaknesses relative to your own business. Figure 3 illustrates an example of a competitive grid analysis of the entrepreneurial venture, "Best Cuts" which is compared to two different competing hair salons, in terms of pricing, capacity, location etc.

Figure 3. Example of competitive grid analysis

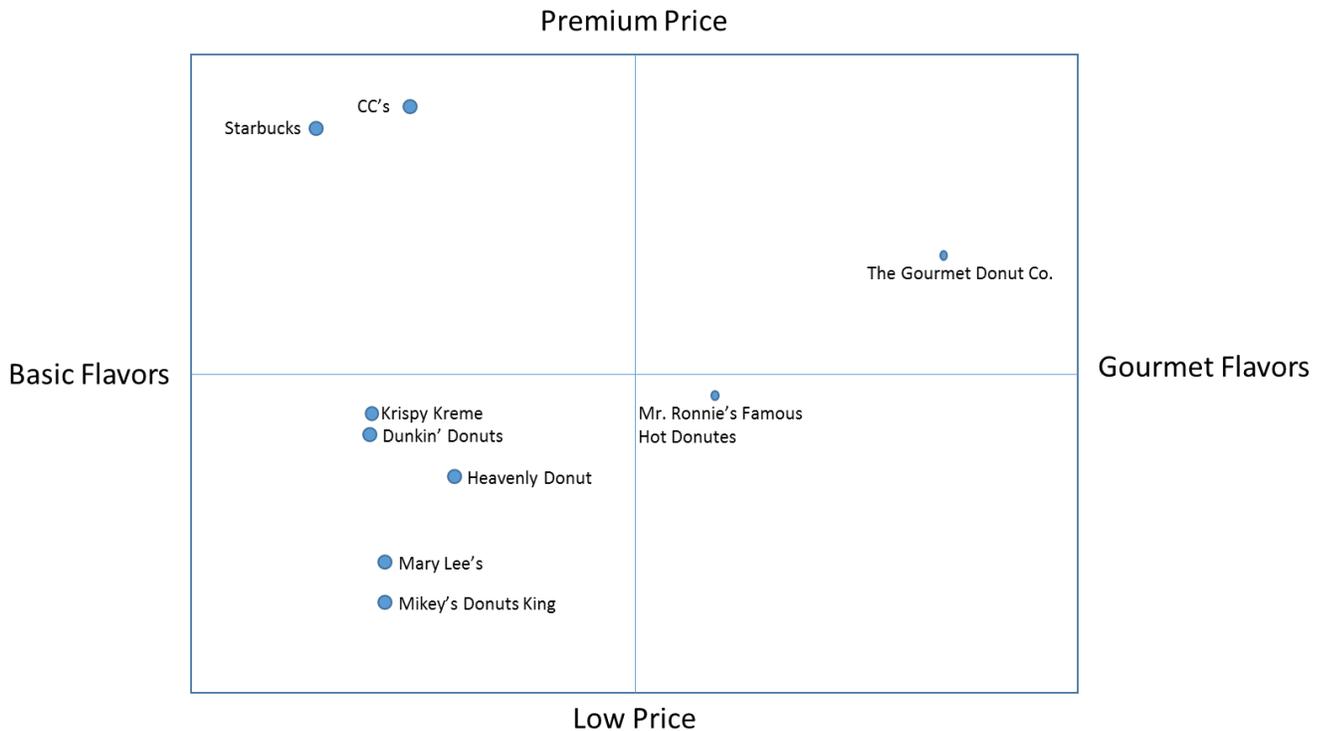
Competitive Grid

Competitor	Bobo Salon and Styling	Johnny's Hair	BEST CUTS
Offerings	Men's/women's cut/styles/color perms	Men's cuts only	Men's/ women's cut/ style/ color/ perms
Service Prices	Starts at \$38	Starts at \$50	Starts at \$30
Retail Prices	100% markup	100% markup	75% markup
Location	High traffic, highly visible	Moderate traffic, highly visible	High traffic, not visible
Expertise	20+ years, up-to-date trends	15+ years, young hairstylists	13+ years, up-to-date trends
Service	Set hours, little schedule flexibility	Manager never there	Custom hours to suit clients needs
Turnover	Low	High	Sole stylist
Capacity	11 active chairs	8 active chairs	1 active chair
Client Base	Over 4000	?	Over 300

source: <http://www.slideshare.net/smarty23b/sample-business-plan-presentation2>)

Another way to compare your company with the competition is to use a positioning matrix which illustrates how you intend to position your business relative to the competition. Figure 4 illustrates this concept with the gourmet donut example .

Figure 4. Gourmet Donut Shop Competitive Positioning



<http://www.dr4ward.com/dr4ward/2011/02/mkt4760-retail-market-strategy.html>

The competitive position matrix position your company is relative to the competition on selected variables. In Figure 3 we look at the competition for the gourmet donut company based on price and flavors. Other possible variables could be price and quality or flavors and healthfulness of ingredients such as processed versus all –natural. But in the example here we will stick with price and flavor. After analyzing the competition in the Baton Rouge market you can see that there are five donut shops that offer basic flavors of donuts at a low price such as Dunkin' Donuts and Krispy Kremes. Their coffee is also priced low as well. Starbucks and CC's offer expensive donuts, though basic flavors, and high-end coffee. You can see from the matrix that The Gourmet Donut Shop is positioning itself very differently with its gourmet flavors.

Showing that you have done your homework on the competition is essential. One of the worst mistakes entrepreneurs can make in a pitch is claiming they have no competition. You will always have competition and how you define that competition is important. Remember when you get a customer you are taking them away from someone else. Who is that someone else? For example, before there was iTunes, there were music stores. Though iTunes was a great innovation, it still had competition.

Slide #9: Traction

Traction describes all the work you've done to date to build your venture. Your audience, especially investors, want to see the actions you have taken to construct your venture and the milestones you have achieved. Examples of traction include:

- Early customer adoption and showing you have revenue
- Completion of customer research
- Working website
- Working prototype or minimum viable product
- Submission of patent application
- Formation of team
- Product testing
- Contracting of suppliers
- Creation of first batch of product
- Successful crowdfunding campaign (where relevant)
- Securing of space (in the case of retail)
- Securing of investment or loans

Other evidence of traction includes recognition and press. For example, if you have won pitch competitions or been mentioned in blogs, magazines, TV shows, etc. then you can talk about it here.

Slide #10: Financials

Your financials need to demonstrate that you have a clear understanding of cash coming in (revenue) and cash going out (expenses). It's important to highlight the key drivers of revenue and expenses but keep it at the highest levels for now. In other words, you should not present a detailed income statement, cash-flow statement, and balance sheet (see financial appendix for further explanation) but you do need to show at least three years of revenue projections (be realistic with these projections) and talk about how the projections were created. In other words, don't present detailed spreadsheets.

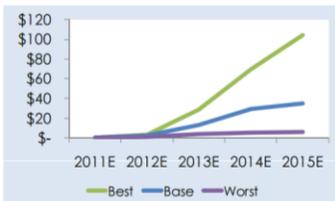
You should show three years of expenses and discuss the major expenses involved in running your business. These can be presented in a chart format. ,Figure 5 shows the financial model for Square – the popular mobile payment company. What's great about this slide is that they show three different possibilities in their graph – best case, worst case, and likely case. This shows that the company has done its homework and has thought about different scenarios that may occur in the future.

Figure 5. Square presentation of financials

Financial Model and Projections

□ Square will make for a lucrative investment even with conservative projections

By Year End	2011E	2012E	2013E	2014E	2015E
Payments Processed Per Day (\$mm)	1.1	7.7	23.1	41.6	49.5
Growth Rate	1000%	600%	200%	80%	19%
Annual Revenue	\$ 10.59	\$ 74.11	\$ 222.34	\$ 400.21	\$ 476.25
EBITDA	0.53	4.45	20.01	44.02	52.39
EBITDA Margin	5%	6%	9%	11%	11%
EBIT	0.32	2.96	13.34	28.01	33.34
EBIT Margin	3%	4%	6%	7%	7%



Assumptions

- Investment: \$20m
- Stake: 20%
- Hurdle Rate: 15%

IRR of 55%

- Sale or IPO at 2.5x 2015 Revenue

8

(source: <http://gsvc.org/wp-content/uploads/2014/01/Square-Pitch-Deck.pdf>)

Slide #11: Team

Showing you have a strong team with the right skillsets is more important than you might think. Your audience may not be convinced that the opportunity is there, but if the team is strong then it's more likely that the team will be able to pivot as necessary to give the business the best possible chance for success. ⁹The team slide should include a list of all team members, providing photos, their experience, and education. If you have a board of advisors then include those names as well. Talent attracts other talent so if you have an amazing team you might even consider moving this slide to the beginning of your presentation.

Slide #12: Call to Action

The call to action is often the most forgotten slide! It doesn't matter if you are pitching to a venture capitalist, an angel investor, an audience in a pitch competition, your professor, a friend, your class, or

your grandmother, you must always have a call to action. By this point in the presentation you've likely spent about 15 minutes presenting your idea, so now it's time to ask for something.

What you ask for depends on your audience. If you are presenting to an investor you are probably asking for money. If this is the case then you need to say how you plan use the money. If you are pitching to your classmates, you might be asking for feedback on the idea. If you are pitching to your professor you might be asking him or her to act as an advisor. If so, then tell your professor what you are looking for in an advisor. If you need team members, ask for them but be specific in the skillsets you are looking for. The bottom line is don't ever pitch without asking for something at the end because you could be missing a major opportunity.

H1 3.0 THE QUESTION & ANSWER PERIOD H1

LO 3.0 Discuss the types of questions that may be asked during the question and answer period.

The title slide should be showing during the question and answer period (Q&A). As we mentioned earlier, it is also useful to have a series of backup slides that can help you answer the most anticipated questions. For pitches in front of investors, or application to incubators, or pitch competitions you can be sure that some of the following questions will be asked.¹⁰

Team questions:

Why is the team capable of executing this plan?

How do you divide up responsibilities among the team?

What is the equity split among team members?

How are decisions made among the team?

Who is the boss?

Who came up with the original idea?

Who else do you need to add to your team in the short term?

What obstacles have you faced and how did you overcome them?

Are you open to changing your idea?

Product/Customer questions:

What makes customers try your product/service?

What is the technology behind your product?

How does your product work in more detail?

What are the risks?

What is the next step in your product evolution?

Where do most of your customers come from today?

How many customers do you have today?

Who is going to be your first paying customer?

How are you understanding customer needs?

How do you really know people want this?

Competition questions:

What competitor do you fear the most?

Are the barriers to entry high or low? In other words, is it easy for competitors to enter the same market?

How much money have your competitors made?

Why do you think you are more unique than your competition?

Can the competition do what you are doing if they want to?

Why hasn't this already been done?

Financial questions:

How did you calculate your market size?

What are the assumptions behind your revenue projections?

Are your numbers comparable to your competitors?

What happens if you don't achieve your projected revenue?

If I invest, tell me exactly what you are going to do with the cash and the impact it will have on the business?

What is the typical cycle between making initial customer contact and closing the sale?

How much does it cost to acquire one customer?

Growth questions:

If your startup succeeds, what additional areas might you be able to expand into?

Are there other applications for your product/service/technology?

How are you defining success?

How big do you want to grow?

What is a likely exit strategy for this business?

What competition do you fear most?

Where do your growth projections come from?

How are you and your team dividing responsibilities?

How are decisions made among the team?

Regardless of how prepared you may be, there may be some questions that still take you by surprise.

Two-time technology entrepreneur, Caroline Cummings who raised \$1 million for her startup wrote a blog post on the 10 most unexpected questions she was asked during her pitch to a venture capitalist:¹¹

1. Who believes in you and how can I get in touch with them?
2. What entrepreneurs do you admire and why?
3. How do you track trends in your market?
4. Can you tell me a story about a customer using your product?
5. How do you know how much money you need and could you scale your business with less?
6. How can I connect with 5 customer who have used your product?
7. What will your market look like in five years as a result of using your product or service?
8. What mistakes have you made thus far in this business and what have you learned?
9. What if three to five years down the road we think you are not the right person to continue running this company—how will you address that?
10. Have you ever been fired from a job? Tell us about it.

These questions show that investors are interested in who you are as a person and how you think just as much as they are interested in the opportunity you present to them!

The pitch deck process is essential to engaging an audience in order to generate interest, secure commitment and, where appropriate, investment. The key to a good presentation is preparation. By creating the number of slides that succinctly outlines the nature and of your company, presenting with passion and knowledge, and taking the time to prepare the responses to the questions you might be asked, you will have a better chance of engaging the right people to join you on your journey to entrepreneurial success.

1. **SUMMARY** Describe the pitch deck and its importance to potential investors

The pitch deck is a brief presentation that highlights the essential elements of the TRIM framework discussed in Chapter 9. It is one of the most valuable tools an entrepreneur can have when trying to raise startup capital or find other types of resources.

2. Explain the content of pitch deck slides

While there are no strict rules for length or style, your slides should include the following information: title; company purpose/description; the problem/need; the solution; why now?; market opportunity ;getting customers; competitor advantages and differences; traction; financials; team; and call to action.

3. Discuss the types of questions that may be asked during the question and answer period.

When it comes to the question and answer period, expect the unexpected. In this regard, it is useful to prepare a series of backup slides that can help you answer the most anticipated questions.

KEY TERMS

Use Case - a methodology used in the software industry to illustrate how a user will interact with a specific piece of software.

TAM (Total Available Market) - the total market demand for a product or service

SAM (Serviceable Available Market) – the section of the TAM that your product or service intends to target.

SOM (Share of market) – the portion of SAM that your company is realistically likely to reach.

¹ 5 slides: <http://techcrunch.com/2010/11/02/365-days-10-million-3-rounds-2-companies-all-with-5-magic-slides/>

6 slides: <http://avc.com/2010/06/six-slides/>

10 slides <http://guykawasaki.com/the-only-10-slides-you-need-in-your-pitch/>

11 slides <http://articles.bplans.com/what-to-include-in-your-pitch-deck/>

30 slides <http://www.slideshare.net/Sky7777/the-best-startup-pitch-deck-how-to-present-to-angels-v-cs>

12 slides <http://www.forbes.com/sites/chancebarnett/2014/05/09/investor-pitch-deck-to-raise-money-for-startups/#5dcf25b84863>

15 slides: <https://www.entrepreneur.com/article/240065>

² <http://techcrunch.com/2010/11/02/365-days-10-million-3-rounds-2-companies-all-with-5-magic-slides/>

³ <http://articles.bplans.com/what-to-include-in-your-pitch-deck/>

⁴ <http://www.slideshare.net/Sky7777/the-best-startup-pitch-deck-how-to-present-to-angels-v-cs>

⁵ <http://www.slideshare.net/PitchDeckCoach/sequoia-capital-pitchdecktemplate>

⁶ <http://www.bridging-the-gap.com/what-is-a-use-case/>

⁷ <http://techcrunch.com/2016/04/08/chariot-for-women-is-a-new-ride-sharing-service-for-women-only/>

⁸ Discussion of TAM, SAM, and SOM is based on the following:

<https://www.caycon.com/blog/2013/10/understanding-market-size-or-demystifying-tam-sam-and-som/>;

<http://leanplan.com/tam-sam-som-potential-market/>; <http://www.slideshare.net/PersianGuru/market-sizing-20130129>;

⁹ Sampson, M. "Invest in People, not Ideas," Michael Sampson, March 23, 2011

<https://michaelsampson.net/2011/03/23/invest-people/>

¹⁰ Question list was compiled from author experience but some questions may be found at

<http://techcrunch.com/2012/04/27/be-concise-the-top-questions-asked-at-a-y-combinator-interview/>;

<http://www.forbes.com/sites/allbusiness/2013/06/10/65-questions-venture-capitalists-will-ask-startups/#50987df18202>;

¹¹ <http://articles.bplans.com/the-10-questions-i-didnt-expect-to-be-asked-by-investors/>