Pitching for Money

ROI is not always the Priority.

You have been granted the opportunity to pitch to a wealthy firm or investor…. They fit the bill. They're smart and clearly they have the money……

You have worked for days on a killer presentation. You have a copy of your patent…. You have practised for three days and now you know you are totally ready.

About 30 minutes into the presentation, you are feeling really good about how this is coming across, but you notice that the investor group are starting to put their hands up around their faces and they appear to be stifling yawns…..

Houston…. We have a problem.

At the end of what you thought was your best presentation yet, you expected they would be rushing you for the paperwork, Instead they said "Thanks for that, we will review everything and ***get back to you***…."

Ouch…..

At that moment, you are looking for the parachutes - this pitch is going down in flames and although they haven't said no, the *"we will get back to you"* says it all…. Thanks but no thanks……

Have you ever wondered why investors say no when there is a very healthy return for them?

Today I am going to punch you in the face with some logic that no professional investor is prepared to tell you…..

And the more you push what you push (widget – people - high return) the more prospective investors you will burn.

…. And the more months you will lose pitching to strangers for money, when you could already have the cash in your bank and be taking your invention to the next level.

In a lot of cases, the prospective investors give you words of encouragement, but it's like telling you that you came second – when only first gets the money….. That is actually worse than telling you why they won't invest, but it doesn't have the awkwardness of truth….

What if I was to tell you that in the top 10 reasons that strategic investors jump into B2B invention investments, that return on investment is actually Number 6?

Would that surprise you?

It shocked me when I first heard this. I had positioned my pitch as real estate developers do when they pitch for mezzanine capital for a new construction. I covered off everything these people needed every time, and ***always*** got "second place" (words of encouragement).

It wasn't till a real estate developer (with some 20+ businesses to his name) set me straight. ***I couldn't believe it***…..

For nearly 16 years I was pitching the wrong message to the wrong audience – no wonder I was getting nowhere - with exceptionally good projects.

My colleagues and I spent the next 15 months carefully researching funded projects to find out what the real decision criteria was. We only looked at B2B (not consumer inventions – the "new potato peelers and mops are for TV shows and crowdfunding – emotional buyers) and we built and tested a list of the top 10.

The area of funding that I want to focus on is a cornerstone investor level. Cornerstone investors take project from a working prototype through the early-stage commercialisation, up to the point where you need to scale the project.

In inventors terms this means a cornerstone investor is your finance partner from $0-$10 million turnover and from that point, you will need a venture capitalist or private equity partner to scale the business to the hundred million dollar plus range. For further information on the different types of capital requirements in the commercialisation process, see my other articles or buy my book "Billion Dollar Napkin" (available HERE from Amazon).

Today I am going to present you with the top six decision criteria used by strategic investors, for investment in inventions at cornerstone capital level. I have only presented the top six so you can count down from ROI. If you want to know the full ten, then click on the comments box below and ask me for access to the 3Ps of Capital-Raising course or go HERE to get instant access.

If you haven't worked with me before, you are in for a big shock as to what Number ONE actually is…..

Number 6 – Return on Investment (ROI)

Making a profit in any investment is an expectation. Nobody expects to not get a decent return and most expect this return to be commensurate with the amount of risk they are asked to take. If you pitch a very high return, your pitch will get their attention but will lose credibility with the audience. If you pitch too low, then you are lost in the noise of competition. It is always best to not make capital returns a big issue.

Instead we focus on other elements of the return on investment, such as **when** and **how** their investment is returned to them, with the appropriate profits. If you are pitching to an investor and he has his advisers with him, you can be assured that those advisers will recommend he not invest, because investment in your project will take his cash out of circulation and give them less to play with or control. As most advisors and accountant get paid to move that money around, not having access to it may directly reduce their income.

Number 5 - Novelty

Novelty is the key element of most pitches done for cornerstone investment capital. Inventors believe that the widget is the biggest brightest and best in the world and can never be equalled to or bettered - especially with the patent they have committed to pay for.

If the novelty can deliver a sustainable competitive advantage for the project, it will have some advantages. The only other significant advantage is that it may be novel enough to draw publicity at launch. So although this will be the most exciting part of any pitch for the inventor, most strategic investors will get very bored very quickly, if you focus on this too long.

Number 4 – The Teams

Later in the commercialization cycle, the project leaders will need to pitch to venture capital firms or private equity firms, in order to secure the millions needed to scale the project. It is important to understand that VC analysts will look at five aspects of an investment. These are (1) the people, (2) the product, (3) the industry, (4) the market, and (5) the people. The people are featured twice because with every investment, it always starts and ends with the people.

This is a vitally important lesson to get right at cornerstone investment level, because if your project is commercialised using the same R&D team, the venture capitalists won't look at you. That would immediately suggest to a venture capital analyst, that the R&D project has a research team who won't let go.

I mention this because it is important to understand that at the cornerstone investment level, you are transitioning from an R&D project to commercialisation project. As such, there is going to be a completely different set of skills required to commercialise whatever the project is. In more than 80% of cases, the R&D team is not a suitable commercialisation team.

When you prepare your pitch, it is always good to offer the services of your commercialisation team, even though you have not necessarily confirmed contracts with these people. The cornerstone investor may actually play a role in the commercialisation with you, if both parties deem this suitable.

When you make your pitch, you need to show that you are covering off administration with a competent and experienced Chief Executive Officer and that you have your marketing channels covered off by somebody experienced in marketing more than the product.

This technical and skills focus goes for all of the commercialisation positions and the current R&D team future service to the project may just fill roles in engineering and on the strategic advisory panel. If you inject the R&D team members into the project going forward, any astute investor is going to realise they will be paying for you to learn how to commercialise, which does become very expensive.

Number 3 - Risk

This element is less about risk and more about the management of risk. Any astute investor is going to conduct due diligence on your project and your market. They are going to be looking at the players in the industry and how they are going to react to a new entrant.

They are going to want to see that you have assessed all their risk and have your strategic plan to mitigate that risk for the life of their investment.

Number 2 – The Business Model

One of the most significant failures in investor pitches made by inventors is the emphasis on the project at the expense of the business model which will make it work. However sexy the product is, it will not make money. The money is in the business model you wrap around the product and provided that is not too sophisticated or convoluted, investors will understand how the new technology will equate to lots of money.

Number 1 – LEVERAGE

Leverage is hard to understand but is always the most important at the cornerstone investor point on the commercialisation process. This is where traditionally the invention has completed its proof of concept and has a solid independent market validation which proves the costing and pricing and has explored how the product or service will be delivered to the buyers who need it. The most attractive prospective investor therefore becomes somebody who is aligned to the industry and will have less exposure to risk because of the number of customers they have who could automatically order this, once it is ready.

If that someone is already in the industry, it might be that your technology can enable them to extend a sales value in every quote, quote more features for every project or offer a cheaper option to their existing customers, with your technology.

If this company has thousands of client who would readily buy your new technology through them (given they already have a relationship) the entire investment will have very little risk. In most cases, the prospective investor's clients will buy an additional product from them, to enhance what they have already bought, based on the reputation they already have with these clients.

If your product has the ability to attract thousands of new clients who the prospective investor could sell to, they may be able to access these new customers to cross-sell their products. Depending of the number of customers you expect to gain in the first two years, the additional sales they could make from accessing these new customers will more than pay for the investment they make in your project.

In some cases, the strategic investor or cornerstone investor can also become a collaborative research partner and maybe claim research and development tax credits against their investment, if their investment is provided as direct payment to suppliers on behalf of the project.

Summary

Once you know what the investor needs, you have to prepare your pitch to give it to them. This is only to address only what matters to them, and leave out all of the praise you have for the invention and your team.

It is important to understand that you do not have their attention for more than 10 to 12 minutes and if you start a presentation with the intention of giving them an hour or more of information, you have already lost.

When I work with R&D teams, we focus on just 12 slides – 12 minutes – 6 points. If your project presentation goes to 20 minutes because they might ask questions, that is still within the range. If you pitch for more than 30 minutes, you just become entertainment.

It's not about how clever your ideas or how amazing your people are. It's about six main points, delivered in 12 slides, in around 12 minutes. I cover this in more detail in our 3Ps of capital raising workshop, which is available as a downloadable lesson. The three Ps are Profiling, Pitch and Presentation….

For more information on getting your pitch right, click on the link below and I will help you.

https://danielinperth.clickfunnels.com/sales-page

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