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A person in a dark suit and blue shirt is holding a white baseball with red stitching. The person's face is blurred in the background. The baseball is held in the foreground, and the person's hand is visible. The background is dark and out of focus.

# pitch PERFECT

BY TOM MARCINKO | Contributing Writer

Pitching to investors is daunting. Valley experts offer insights into the art of asking

**S**ooner or later, every entrepreneur has to do a scary thing: Ask for money. Inquire about pitching to Valley entrepreneurs, investors and mentors, and you'll hear consistent — but hardly identical — suggestions and perspectives.

Whether pitches are to angels or venture capitalists, each one is tough, said Jeffrey Jacob, chairman and CEO of Cancer Prevention Pharmaceuticals Inc. in Tucson. He has made at least 50 pitches in the course of building several companies.

"I'm not sure if there's ever been an easy one," he said.

SEE PITCH | 22



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Data used is reflective of average claim charges and discounts for the Delta Dental PPO Network (12/2012). This information is intended for illustration purposes only. Actual claims and plan premium may differ from the amounts reflected.

## PITCH: Finding the right mentors, recognizing weaknesses are keys to finding good investors

FROM PAGE 20

Fewer than one business plan in 250 secures venture capital, says Akira Hirai, founder of Cayenne Consulting, a California business-plan consultancy that launched in Arizona in 2001. Intuit Inc.'s Scott Cook was turned down by 39 venture capitalists, Hirai noted.

Yet in a slowly recovering economy, entrepreneurs are taking chances—and investors are listening.

"A motivated entrepreneur is going to start a company regardless of the externalities," said Curtis



Sebold

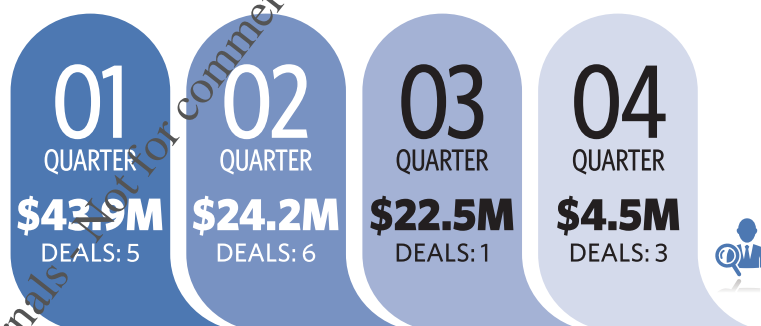
Gunn, chairman of Desert Angels, a non-profit investors group in Tucson. "We as investors always want to see great teams with capital-efficient models. That will never change."

Some angels in Arizona might hear from hundreds to thousands of pitches every year, said Sidnee Peck, director of entrepreneurship initiatives at Arizona State University's W.P. Carey School of Business. A venture capitalist might hear several in a day.

### ENTHRALLING INVESTORS

Brent Sebold of ASU's Venture Catalyst said entrepreneurs need to do two things when they're making a pitch: show a mar-

## Arizona venture investing in 2012



Source: PricewaterhouseCoopers / National Venture Capital Association

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ket exists for their product or service, and account for competition. Sebold listens to more than 300 pitches a year as senior venture manager for ASU's Edson Student Entrepreneur Initiative.

"If you don't have any competitors, that's actually a problem," he said. "(But) you have to make a compelling case that your solution is better than the status quo."

Brian Sherman, senior vice president of the Arizona Commerce Authority, notes that people who listen to a lot of pitches often look for reasons to reject them.

"A common mistake is to make a statement like, 'Here's the market, and we can only capture 1 percent of that market.' That is a huge red flag," he said. "The bad ones are argumentative. 'You've got money and I need it, and hopefully you're smart enough to understand that I'm the next (big) company.' You do see that dynamic, and it never works."

A successful pitch demonstrates not only a grasp of market realities, but also a compelling narrative, Sherman said.

"The really successful ones are the ones that show their assumptions — they identify risks, they identify the competition, they check the boxes they need to," he said.

A certain amount of empathy also can help, Jacob suggested.

"One key principle is putting yourself in the other party's shoes, and really trying to understand what their needs and desires and pressures and constraints and politics and personal issues are all about," he said. "You want to know if you want to live with these people."



Donkersley

Part of the job for entrepreneurs is to do their homework and understand the market in which they are playing. Tishin Donkersley, a mentor at Venture Catalyst and chief editor of AZTechBeat.com, said one entrepreneur she worked with recently didn't grasp that.

"I asked the founder, 'How are you going to rebut the environmentalists that are going to pretty much come after your product, and have you thought about different regulations in different states?' And they gave me a blank stare."

#### GETTING HELP

One of the biggest challenges entrepreneurs face is bringing in outsiders to help. Donkersley said many startups are afraid their ideas will get stolen, but that rarely happens.

"You need to ask for help, and pitch to

### Investing in entrepreneurs

Arizona has a reputation for being tough to get financing, and the numbers bear that out. Here's a look at the stats behind what Arizona and the Southwest are able to get in private financing.

# \$24B

Private capital investment made in Arizona companies in the past 10 years

# 578

Number of private capital deals completed in Arizona in the past 10 years

Source: Association for Corporate Growth

anybody who will listen ... they will offer you a different perspective," she said.

Many entrepreneurs go in with tunnel vision, thinking their audience shares the same level of knowledge or enthusiasm about their work, Peck said. It's best to keep the pitch on a basic level, and put it in perspective for the investor.

Entrepreneurs stepping onto the pitching mound can benefit from role models.



Gunn

"Any entrepreneur who was successful at raising funds from an angel, an angel group or a VC fund would be a good mentor or role model to help others,"

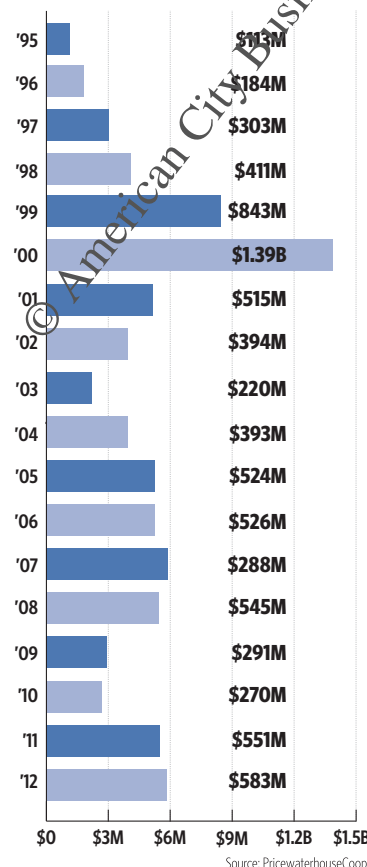
Gunn said. "I think the various incubators in the state might be of help in the process as well."

Reverse role models can be instructive, too. ABC's 'Shark Tank' is full of examples of great and not-so-great pitches," Hirai said. "One memorable pitch in the latter category was for socks that come in three-packs, so that when you lose one, you still have a pair. That pitch made almost every mistake you can imagine."

While most business owners may not think so, sometimes the first place to start a pitch is with the founding team, Sebold said.

"That's more common than you might imagine. One of the most important aspects is the team," he said. "If you don't have the right people on the founding team, or the right complementary skill sets to do that, oftentimes your pitch is going to tank right from the start."

### Venture capital investment in the Southwest, 1995-2012



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# Entrepreneurs evolving beyond 'pitch deck' with technology

Many samples and templates for a "pitch deck" — a video or slide presentation — have been developed in the past 15 years, but it will require a lot more to dazzle investors.

"We've evolved as a society" beyond a 1990s PowerPoint presentation, said Arizona State University's Brent Sebold.

Like most elements of pitching, the pitch deck can help — or, when done poorly, it can hurt. A common mistake is "a clash in the signal," such as talking while a video presentation is running, he said.

Pitch decks should be simple, said Brian Sherman of the Arizona Commerce Authority — but backup slides

are a good idea.

"It's really powerful if you get a tough question, and you're not only able to address it, but you're able to pull up a backup slide, just showing you're prepared for that," he said.

Curtis Gunn of Desert Angels noted some common pitfalls: too

many points per slide, too much text, type that's too small to read easily, spreadsheets crammed too tightly.

"Personally, I am not a big fan of video in pitch decks," he added. "There are situations that might warrant it, but I want to hear the entrepreneur present ... not watch a video."

"You rarely need more than five to 15 slides for a first meeting," said Cayenne

Consulting's Akira Hirai, "and you should always be prepared to go through your deck in a nonlinear order to go with the flow of the meeting."

ASU's Sidnee Peck said entrepreneurs should not lean too hard on their pitch deck.

"You should always have your pitch deck with you, and you should also be prepared to pitch without a pitch deck," she said. "If you happen to be at a happy hour or a coffee place and have the luck of running into somebody who will listen to you, you need to be prepared in a moment. Every conversation with somebody should be thought of as a pitch."



**'You should always have your pitch deck with you, and you should also be prepared to pitch without a pitch deck.'**

Sidnee Peck | Arizona State University

— Tom Marcinko

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