Four VCs on Evaluating Opportunities

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What makes for the ideal entrepreneurial opportunity?

To learn about the frameworks firms use when evaluating potential venture opportunities, Mike Roberts, executive director of the Arthur Rock Center for Entrepreneurship, and HBS senior research associate Lauren Barley recently interviewed four venture capitalists from leading firms in Silicon Valley. The following are excerpts from their responses.

Russell Siegelman (HBS MBA '89)Partner, Kleiner Perkins Caufield & Byers

The most important requirement is a large market opportunity in a fast-growing sector. We like a company to have a $100 million to $300 million revenue stream within five years. This means that the market potential has to be at least $500 million—or more, eventually—and that the company needs to achieve at least a 25 percent market share.

The second factor involves a competitive edge that is long lasting. It is usually an engineering challenge that is tough enough to give the company an edge, resulting in several years lead or longer, if we're lucky. We look for a tough problem that hasn't been solved before. The solution can't be so straightforward that someone can look at the blackboard and say, "I know how to do it."

The third thing is team. We look for engineering vision and

execution, sales, and entrepreneurship in a team. Typically, it's at least two people; sometimes it's three. In the early stages, I tend to invest behind an entrepreneur, not behind a professional manager as the CEO. Entrepreneurs have to have a clear sense of the opportunity and how to build the business. But the best ones are willing to reexamine their assumptions and are willing to veer left or right or pivot all the way around when the data suggests they're headed in the wrong direction.

So overall it's a funny mix. When we review an investment opportunity, entrepreneurs have to have a pretty good story to tell about what they want to do. I think it helps to be cocky, there's no doubt about it, but if you're not sufficiently confident, you're not going to be successful in selling your idea.

Sonja L. Hoel (HBS MBA '93)Managing Director, Menlo Ventures

I always look at the market first. By that I mean a strategic view that includes evaluating market growth, market size, competition, and customer adoption rates. If a company has a great market, it doesn't need to have a complete management team or positioning story or sizzle. The details can be filled in later.

We have a process here called SEMS, or Systematic Emerging Market Selection. We do a SEMS project for every investment we make. Twice a year at our planning meeting, we talk about new markets or problems that need to be solved.

We track four things and relate them to the success of our investments: market size, the team, unique technology, and whether the product is developed at the time we invest. We found proprietary technology is important but doesn't make much of a difference as a unique differentiator for significant returns. Market size and a developed product matter most. We have much better luck if the product is in beta or shipping, although we do invest in start-ups without a developed product. Often someone has a great new technology, but hasn't looked at the market the technology is going to serve.

In order to create a barrier, the technology has got to be hard to execute. Some companies have patents; some don't. We encourage them to have patents because it's a more litigious environment than it was ten years ago.

We also look at the management team. If we've got a founder who's in it for the lifestyle or unwilling to upgrade the team if necessary, we have a conversation about the willingness to hire new team members.

We also look at location. It is very easy to hire good people in Silicon Valley and in the Boston area. In other places, it's a lot more difficult.

Fred Wang (HBS MBA '92)General Partner, Trinity Ventures

In no particular order, for us they are team, market opportunity, and the product/value proposition for the solution. Technology differentiation or business model differentiation is also important to sustain a competitive advantage.

One potential point of differentiation between us and some other firms relates to how we think about the CEO. A couple of years ago, we analyzed our successful companies across multiple dimensions. The one trait of all our successful companies was that the CEO we backed at funding was still the CEO at the sale of the company or IPO. So now, to fund a company, we need to believe that the existing CEO could bring the company to a successful outcome.

As a result, we spend a lot of time focused on the CEO and the members of the management team: the quality of the people they attract, their biases, their strong points, and their overall depth.

We've also done some analysis that suggests another big determinant of success is the sector; it's a sector bet. If we're investing in the right sector—even if the team is more mediocre, or the execution isn't as good—the rising market lifted all the companies in that sector.

Our rule of thumb is we'd like the company to get to $100 million in revenue. Realistically, if we can see the company get to $50 million

in revenue and the valuation is right, it could still be a good venture deal. In a decent IT market, a $50 million revenue company should be worth at least a $100 million to $200 million outcome. At that point, we're making a good venture multiple, potentially a five to ten times type of return.

Here's one that we typically won't do: It looks like a great technology, really groundbreaking, could be a huge market, but it's a technologist—sometimes a wild-eyed technologist—who's driving it. The businessperson is either weak or not there at all. The hit rate and the time it takes to constantly arm wrestle with the technologist are issues we try to avoid.

Robert Simon Director, Alta Partners

There are two schools of thought in evaluating new opportunities. In the first, the venture capitalist says, "I invest in people first and foremost. Smart people will find great opportunities, and they will always know the sectors or technologies better than I would." In the other, the venture capitalist says, "I don't care about people; I care about markets. I look for big opportunities, big painful problems that customers have. If management doesn't work out, I can always fix management." The truth is obviously somewhere in between, but I tend to place more weight on the market opportunity versus the team. In our experience, markets trump people and technology.

When analyzing the market for a new product or service, we try to determine whether the product is a replacement for an existing product or whether the product is offering something new and previously unseen. The replacement product can be called the better, cheaper, faster model. With these opportunities you can estimate market size by looking at the revenues of the existing product shipments.

Conversely, a product that provides new functionality previously unseen, we call the brave new world model. Here, the market size and demand are really unknown. These often are in the consumer sector. Netscape, Yahoo!, and the Sony Walkman are examples. The brave new world model certainly has a greater market risk but not necessarily more technical risk.

Additionally, there are market timing issues. If we're too early, there's no market demand, and we have to survive until the demand reaches us. In that period of time, we have two problems: We have to keep the doors open and feed everybody, and we may be susceptible to being leapfrogged by technology. So we don't want to be too early, but we don't want to be too late.

Everyone wants the $1 billion market. We don't necessarily target market share for our companies; we target revenue. We expect north of $60 million to $80 million in revenue in three to five years. We get to market size by estimating how many customers feel the pain. We like customer pain.

We also look at the technology to see how proprietary and difficult the solution to the problem is. The ideal case is four Ph.D.s solving a problem they've been working on for two years, and somehow they've struck upon the magic solution. And it's two orders of magnitude better than whatever else is out there. Finally, we want the team to have conviction. We get a little concerned when the entrepreneur comes in and says, "I'm in this to flip it in a year." So if we get the impression they're not in it for the tough times, then it's definitely a problem.

About the authors

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Critical Factors for Obtaining Venture Funding

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Sometimes there is nothing more powerful than the passion and vision of an entrepreneur. But sometimes passion and vision are just not enough. It helps to understand the criteria that venture capital firms use to decide which companies to fund.

Some venture capital firms and corporate investors have very narrow criteria—specific technologies at specific stages in specific regions of the country. Others have broader criteria and invest across many technology sectors and geographic locations.

But all investors look for certain critical components in an early-stage company. Below is a brief summary of these critical criteria. If you meet these criteria, you may be able to continue to the next step in the venture financing process. If you don't, you are likely to receive a polite note passing on your opportunity.

1. Compelling Idea

Every entrepreneur believes his or her idea is compelling. The reality is that very few business plans present ideas that are unique. It is very common for investors to see multiple versions of the same idea over the course of a few months, and then again after a few years. What makes an idea compelling to an investor is something that reflects a deep understanding of a big problem or opportunity, and offers an elegant solution. This is the starting point for getting venture investors interested, but it is not sufficient. The idea alone does not make you fundable. You have to possess the rest of the ingredients below.

2. Team

You may have a great idea, but if you don't have a strong core team, investors aren't going to be willing to bet on your company. This doesn't mean you need to have a complete, world-class, all-gaps-filled team. But

the founders have to have the credibility to launch the company and attract the world-class talent that is needed to fill the gaps. The lone entrepreneur, even with all the passion in the world, is never enough. If you haven't been able to convince at least one other person to believe in the business as fervently as you, investors certainly won't. Winning over investors (and customers and co-workers) depends on your people skills, not just your technical prowess.

3. Market Opportunity

If you are focused on a product/market opportunity that is not technology-based, you probably should not be pursuing venture capital—there are different private equity sources for non-technology businesses. Venture capital is focused on businesses that gain a competitive edge and generate rapid growth through technological and other advantages. If you are focused on technology, you should be targeting a sector that is not already crowded, where there is a significant problem that needs to be solved, or an opportunity that has not been exploited, and where your solution will create substantial value. Contrary to popular belief, it's not about how big the market is; it's about how much value you can create. Brilliant new companies create big markets, not the other way around.

4. Technology

What makes your technology so great? The correct answer is, there are plenty of customers with plenty of money that desperately need it or want it. Not, there are some geeks with no money who think it's cool. Assuming you have a technology advantage right now, how are you going to sustain that advantage over the next several years? Patents alone won't do it. You better have the talent or the partners to assure investors that you are going to stay ahead of the curve.

5. Competitive Advantage

Every interesting business has real competition. Competition is not just about direct competitors. It includes alternatives, "good enough" solutions, and the status quo. You need to convince investors that you have

advantages that address all these forms of competition, and that you can sustain these advantages over several years. A few years ago entrepreneurs could get away with saying that "competition validates my solution," but today that's not good enough. Moreover, you have to show that you have a good way to reach your target customers and beat out your competitors. As a friend of mine has said, it's not good enough to build a better mousetrap; you have to really want to kill mice.

6. Financial Projections

If the idea of developing credible financial projections makes you wince or wail, or if you think it's a meaningless exercise, you are not an entrepreneur and you shouldn't ask investors for money. Your projections demonstrate that you understand the economics of your business. They should tell your story in numbers—what drives your growth, what drives your profit, and how your company will evolve over the next several years.

7. Validation

Probably the most important factor influencing investors is validation. Is there good evidence that your solution will be purchased by your target customers? Do you have an advisory board of credible industry experts? Do you have a co-development partner within the industry? Do you have beta customers to whom investors can speak? Do you already have paying customers? What other brand name validators can you offer? The more credibility and customer traction you have, the more likely investors are going to be interested.

To secure venture funding today, you need an excellent grade in all seven areas, and an A+ in at least a couple. It's a tough environment out there, so don't waste your time with a story that is not compelling and credible.

At Garage, we would love to help and support all visionary, passionate entrepreneurs. Of course, we can't work with everyone. But if you have the elements for success above, we would like to get to know you better.

If you have any questions about this article, or about Garage, you can contact Bill Reichert, Managing Director of Garage Technology Ventures (email: reichert@garage.com).

Perfecting Your Pitch

By Garage Technology Ventures

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Endless articles, books, and blogs have been written on the topic of business plan presentations and pitching to investors. In spite of this wealth of advice, almost every entrepreneur gets it wrong. Why? Because most guides to pitching your company miss the central point: The purpose of your pitch is to sell, not to teach. Your job is to excite, not to educate.

Pitching is about understanding what your customer (the investor) is most interested in, and developing a dialog that enables you to connect with the head, the heart, and the gut of the investor. If you want advice about pitching, you can ask a venture capitalist, but you probably won't get a very good answer. Most VCs are analytic types, and so they will give you a laundry list of topics you should cover. They won't tell you what really floats their boat, mainly because they themselves can't articulate it in useful terms. "I know it when I see it," is about the best answer you'll get.

What is the investor most interested in? Contrary to popular belief, the venture capitalist sitting at the other end of the table glaring inscrutably at the presenting entrepreneur is not thinking, "Is this company going to make a lot of money?" That is the simple question that most entrepreneurs think they are answering, but they are missing the crux of the venture capital process. What the investor is really thinking is, "Is this company the best next investment for me and my fund?" That is a much more complex question, but that is what the entrepreneur has to answer.

To win over the hearts and minds of investors, your pitch has to accomplish three things:

- Tell a good, clear, easy-to-repeat story—the story of an exciting new startup.
- Position your company as a perfect fit with other investments the investors have made and their firm is chartered to make.

Beat out the other new investments the firm is currently considering.

These latter two issues are beyond the scope of this modest guide. So for now, let's just concentrate on telling a good story.

Tell a good story

Most of the articles on pitching are generally right about the topics, even if they miss the nuance (sell, don't explain). But don't take any template as graven in stone. Your story may require a moderate or even a dramatic variation on the list of slides below. You may need to explain the solution before you can explain the market; or if you are in a crowded space you may need to explain why you are different than everyone else early on in the conversation; or you may want to drop some very impressive brand-name customers before you explain your product or your market. The one thing you may not do is expand the number of slides to 20 (or 30 or 50)! Other than that, let the specifics of your situation dictate the flow of your slides.

Nevertheless, it is useful to have a guide. With the caveats above in mind, here is a basic outline for your pitch:

Cover Slide: Company name, location, tagline, presenter's name and title.

If there are multiple team members participating in the pitch, put names on the next slide instead. Key objective: Everyone in the room should know the basic idea and value proposition of the company, including the target market, before the next slide is shown. All the words should not be on this slide, but with one or two sentences orally, reinforcing and extending the tagline, everyone should have a foundation for what is to come. Cardinal sin: Launching into your presentation with an investor at the table thinking, "I wonder what these guys do?"

Intro Slide: Team.

The three or four key players in the company. For some reason, everyone puts the team slide at the end, but investors almost always want to know

this at the beginning, and it is just common courtesy to make sure everyone is introduced. But make this short, crisp and relevant. This is not the time to share everyone's life story, or detail the resumes of all six members of the advisory board. Focus on a significant, relevant accomplishment for each person that identifies that person as a winner. In 10 to 15 seconds, you should be able to say three or four sentences about your CTO that says everything the investors want to know about him or her at that moment. Key objective: Investors should be confident that there is a good credible core group of talent that believe in the company and can execute the next set of milestones. One of those milestones may be filling out the team, and so it is important to convey that the initial team knows how to attract great talent, as well as having great domain skills. If there is a gap in the team, address it explicitly, before investors have to ask about it.

Slide 1: Company Overview.

The best way to give an overview of your company is to state concisely your core value proposition: What unique benefit will you provide to what set of customers to address what particular need? Then you can add three or four additional dot points to clarify your target markets, your unique technology/solution, and your status (launch date, current customers, revenue rate, pipeline, funding needed). Key objective: Flesh out the foundation you established at the beginning. At this point, no one should have any question about what it is that your company does, or plans to do. The only questions that should remain are the details of how you are going to do it. Another key objective you should have achieved by this point in your presentation is to make sure that if there are some compelling brand names associated with your company (customers, partners, investors, advisors), your audience knows about them. Feel free to drop names early and often—starting with your first email introduction to the investor. Brand name relationships build your credibility, but do not overstate them if they are tenuous.

Slide 2: Problem/Opportunity.

You need to make it clear that there is a big, important problem (current

or emerging) that you are going to solve, or opportunity you are going to exploit, and that you understand the market dynamics surrounding the opportunity—why does this situation exist and persist, and why is it only now that it can be addressed? Show that you really understand the very particular market segment you are targeting, and frame your market analysis according to the specific problem and solution you are laying out. In some cases, however, the problem you are attacking is so obvious and clear that you can drop this slide altogether. You do not have to tell investors that there are a lot of cell phones out there, or that teenagers like to socialize. Save yourself, and the investors, the pain of restating the obvious.

Slide 2.1: Problem/Opportunity Size.

Even if your market opportunity is not obvious, in most cases you can assert the size of your opportunity on slide 2. But sometimes you may need a dedicated slide to clarify the factors that define the size and scope of the opportunity, particularly if you are going after multiple market segments. Or there may be a unique emerging trend that requires explanation. Do not use this slide to quote the Gartner Group or Frost & Sullivan; show that you really understand where your prospective customers are from the ground up.

Slide 3: Solution.

What specifically are you offering to whom? Software, hardware, services, a combination? Use common terms to state concretely what you have, or what you do, that solves the problem you've identified. Avoid acronyms and don't try to use these precious few words to create and trademark a bunch of terms that won't mean anything to most people, and don't use this as an opportunity to showcase your insider status and facility with the idiomatic lingo of the industry. If you can demonstrate your solution (briefly) in a meeting, this is the place to do it.

Slide 3.1: Delivering the Solution.

You might need an extra slide to show how your solution fits in the value chain or ecosystem of your target market. Do you complement commonly

used technologies, or do you displace them? Do you change the way certain business processes get executed, or do you just do them the same way, but faster, better and cheaper? Do you disrupt the current value chain, or do you fit into established channels? Who exactly is the buyer, and is that person different than the user?

Slide 4: Benefits/Value.

State clearly and quantify to the extent possible the three or four key benefits you provide, and who specifically realizes these benefits. Do some constituents benefit more than others, or earlier than others? These dynamics should inform your go-to-market strategy, and your product/service roadmap, which you will discuss later.

Slide 5: Secret Sauce/Intellectual Property.

Depending on your solution, you might need a separate slide to convince investors that no one else can easily duplicate or surpass your solution (assuming that's actually true). If you are in a business sector in which intellectual property is important, this is where you drill down into your secret sauce. This is usually some combination of proprietary technology, unique team domain expertise, and unique partnership. Boil this down to simple elements and terms, devoid of jargon. Do not walk the audience through a detailed tour of your product architecture. Instead, highlight the elements of your technology that give you unique potential for leverage and scale as you grow. If you do slides 4 and 5 well, it will be easy to make the case for your …

Slide 6: Competitive Advantage.

You may be good, but are you really better than everyone else? Most entrepreneurs misunderstand the objective of this slide, which is not to enumerate all the deficiencies of the competition (as much fun as that may be). Just because you have really cool technology does not mean you will win. You need to convince the investor that lots of folks will buy your product or service, even though they have several alternatives. And don't forget that the toughest competitor is often the status quo—most prospective customers can muddle on without buying your solution or your

competitor's solution. The best way to convince an investor that you really do have a better mousetrap is to have referenceable customers or prospects articulate in their own words why they bought or will buy your offering over the alternatives. Use this slide to summarize the three or four key reasons why customers prefer your solution to other solutions. Many entrepreneurs have been coached to use a four-square matrix that shows that they are in the upper right-hand quadrant, but this has become a joke in the venture community. Check-boxes are better, if they are not abused. Make sure your check-box criteria reflect the market's requirements, not just your product's features.

Slide 6.1: Competitive Advantage Matrix.

Depending on how important the analysis of competitive players is in your market segment, you may need a detailed list of competitors by category with their strengths and weaknesses in comparison with your company. Preferably, you develop this as a "pocket slide" to be used for Q&A, if necessary. Whether or not you present this slide, it is important that you do your homework on the competition, and that you don't misrepresent their strengths or their weaknesses.

Slide 7: Go to Market Strategy.

The single most compelling slide in any pitch is a pipeline of customers and strategic partners that have already expressed some interest in your solution—if they haven't already joined your beta program. Too often this slide is, instead, a bland laundry list of standard sales and marketing tactics. You should focus on articulating the non-obvious, potentially disruptive elements of your strategy. Even better, frame your comments in terms of the critical hurdles you need to get over, and how you are going to jump them. If you don't have a pipeline, and there is nothing unique or innovative about your strategy, then drop this slide and make the elements of your sales model clear in the discussion of your business model (next slide).

Slide 8: Business Model.

How do you make money? Usually by selling something for a certain price

to certain customers. But there are lots of variations on the standard theme. Explain your pricing, your costs, and why you are going to be especially profitable. Make sure you understand the key assumptions underlying your planned success and be prepared to defend them. What if you can't sustain the price? What if it takes twice as long to make each sale? What if your costs don't decline over time? Many investors will want to test the depth of your understanding of your business model. Be ready to articulate the sensitivity of your business to variations in your assumptions.

Slide 9: Financial Projections.

The two previous slides above should come together neatly in your five-year financial projections. You should show the two or three key metrics that drive revenues, expenses and growth (such as customers, unit sales, new products, expansion sales, new markets), as well as the revenue, expense, profit, cash balance, and headcount lines. The most important thing to convey on this slide is that you really understand the economics and evolution of a growing, dynamic company, and that your vision is grounded in an understanding of practical reality. Your financials should tell your story in numbers as clearly as you are telling your story in words. Investors are not focused on the precision of your numbers; they're focused on the coherence and integrity of your thought process.

Slide 10: Financing Requirements/Milestones.

It should be clear from your financials what your capital requirements will be. On this slide you should outline how you plan to take in funding—how big each round will be, and the timing of each—and map the funding against your key near-term and medium-term milestones. You should also include your key achievements to date. These milestones should tie to the key metrics in your financial projections, and they should provide a clear, crisp picture of your product introduction and market expansion roadmap. In essence, this is your operating plan for the funds you are raising. Do not spend time presenting a "use of funds" table. Investors want to see measures of accomplishment, not measures of activity. And they want to know that you are asking for the right amount of money to get the company to a meaningful milestone.

Summary Slide.

This slide is almost always wasted. Most entrepreneurs just put up three or four dot points about how wonderful their investment opportunity is. Generally the words are the same words that investors hear from scores of other entrepreneurs, such as, "We have a huge opportunity, and we will be the winners!" Your key objective on this slide is to solidify the core value proposition of your company in words that are memorable and unique to your company. If the venture investor in the room has to give a short description of your company to his partners, these are the words you want used. This is a good place to reinforce your tagline, or mantra—the short phrase that captures the essence of your message to investors. The best solution to creating your summary slide is to imagine that this is the only slide you will ever be able to present. If you had to do your whole pitch in one slide (with 30 point font), this is that slide.

So here we have a good general outline for pitching your company. But remember, it's about selling your investment proposition, not about covering points. Don't get fixated on using this or any other template. You should know the issues about your company that investors are most concerned about. Those are the issues you need to concentrate on. Make sure you address all the predictable "burning questions" as early as you can in your presentation, even if it means violating the sequence above.

Tips on effective pitching

How do you turn a pitch from a monolog to a sale? Make sure every point you make connects with your audience. Keep your text very, very short. Really. Please. Use charts and pictures if you can. And engage your prospect. Ask questions. "Do you think this market opportunity is interesting?" "Have you seen anyone else addressing this problem?" "Do you think CIOs would be interested in a solution like this?" You may get some tough responses, but you will know a lot more about what is going on in the investor's mind, and you will be engaging them in your story—instead of letting them play with their Blackberries under the table.

Some additional tips to improve the effectiveness of your pitch:

Make sure that everyone in the room is introduced. Rarely do entrepreneurs ask the investors in the room to introduce themselves. While it is appropriate to be familiar with each investor's bio (assuming it is on the web), it's fair to ask something like, "What investments have you been looking at recently?" And if there are some other faces in the room, you should absolutely have them introduce themselves and provide a little background.

Don't use a feel-good, visionary "Mission Statement" on your overview slide. Mission statements have also become a joke in the venture industry. It's like saying, "Our projections are conservative." Focus on making sure your statement of your company's value proposition is crisp, clear, and unique.

Prepare good use cases. Sometimes, no matter how simple and clear the description of a product, what the investor really needs is a concrete example of how people will actually use it. In some cases there will be multiple different use cases. You may need to explain these to get your point across.

Drop names, early and often. If you really have some brand names involved in your company — as customers, as partners, as members of the team — don't keep them a secret for the first nine slides; make sure the investor knows about them early in the presentation. But be prepared for the investor to contact every single name you drop — whether it's a person or a company. If you are going to drop names, they had better be real.

Make sure you can tell the entire story in 10 to 15 minutes. Even if you have time, your total presentation should be no longer than 20 minutes. You want to have time to engage the investors and discuss their questions or concerns. If you think you have additional critical points that have to be made, prepare "pocket slides" that you can put up if the topic arises.

Average entrepreneur pitch: 38 slides. Average VC attention span/cranial capacity: 10 slides. Do the math.

Learn how to control the flow of the meeting, without seeming inflexible or anxious. Watch and listen. Body language and questions will tell you if you are okay deferring a point or if you need to address it immediately. If you let your audience take over the flow, you will probably wind up creating a confusing, incomplete impression of your company. But if you don't address the "burning questions" early and effectively, the investors won't hear anything else you say.

Don't lie. You would think this goes without saying, but in their enthusiasm for their creations, entrepreneurs tend to slip across the line all too often. Please do not interpret our exhortation to "sell" as an endorsement of hype, exaggeration, misrepresentation, spin, or lying. The best salespeople are credible and trustworthy. It is more important that investors trust you than that they understand every nuance of your business.

Pitching investors is different than pitching customers. If you have a sales presentation for customers, do not think you can simply modify it slightly for pitching to VCs. Start from scratch, keeping in mind with every slide that an investor has a very different perspective than a customer.

You don't have to be "conservative," but you do have to be realistic. Almost every entrepreneur fails to be realistic about how long things take in the real world (vs. the spreadsheet world). Whether it's the time to complete product development, or the time to close the next ten sales, entrepreneurs are pathologically optimistic. As with your financials, find examples of comparable challenges addressed by other companies, and use that data in your model.

Never ever put so much text on a page that the investor has to read it. Everything should be short, content-rich bullets in a font large enough to read without squinting. The words are simply reinforcement of the points you are making orally. Pictures, graphs, and charts should be uncluttered and make clear, compelling points. If they have to be deconstructed and explained piece by piece, you will lose focus and momentum.

And never use your presentation stack as a standalone document. It is perfectly okay if it is not readable when you are not around. That's the job of your executive summary or your business plan.

A good pitch is very rare. It is so hard executing on everything else that has to be done to build a successful company, pitching often suffers. But the ability to pitch is a key indicator for investors—if the entrepreneur doesn't know how to sell, how can he or she build a great company?

At Garage Technology Ventures, we appreciate how hard you have worked to get to where you are, and how hard you have worked to craft your investor presentation. We wish we could work with all the great entrepreneurs we meet, but unfortunately we can't. Please help us get to know you better by telling your story clearly and concisely.

If you have any questions about this article, or about Garage Technology Ventures, you can contact Bill Reichert, Managing Director of Garage Technology Ventures (email: reichert@garage.com).

Sequoia Capital

Elements of Sustainable Companies

Start-ups with these characteristics have the best chance of becoming enduring companies. We like to partner with start-ups that have:

Clarity of Purpose
Summarize the company's business on the back of a business card.

Large Markets
Address existing markets poised for rapid growth or change. A market on the path to a $1B potential allows for error and time for real margins to develop.

Rich Customers
Target customers who will move fast and pay a premium for a unique offering.

Focus
Customers will only buy a simple product with a singular value proposition.

Pain Killers
Pick the one thing that is of burning importance to the customer then delight them with a compelling solution.

Think Differently
Constantly challenge conventional wisdom. Take the contrarian route. Create novel solutions. Outwit the competition.

Team DNA
A company's DNA is set in the first 90 days. All team members are the smartest or most clever in their domain. "A" level founders attract

an "A" level team.

Agility

Stealth and speed will usually help beat-out large companies.

Frugality

Focus spending on what's critical. Spend only on the priorities and maximize profitability.

Inferno

Start with only a little money. It forces discipline and focus. A huge market with customers yearning for a product developed by great engineers requires very little firepower.