The Biggest Mistakes Entrepreneurs Make When Pitching Investors

When we say, "pitching investors," that means communicating with investors/lenders to raise capital for your business. It could be to raise an equity round (angel, seed, venture capital, or growth equity round), communicate with a lender to apply for a business loan, or prepare to sell your business. In our Foundation Course, we teach fundamental concepts of communicating with investors/lenders that apply across most situations.

The biggest mistakes that entrepreneurs make when they are pitching investors are the following:

1. They dive into creating the slide deck without a holistic plan.

When you write a paper (high school, college, or professionally) you usually start with an outline and then you begin filling in the details. The same is true for a pitch to investors. You need to plan out what you are going to say, why you are going to say it, and how you are going to say it. By jumping right into the slides, entrepreneurs can waste a tremendous amount of time. Creating slides is time consuming and when you are still in the draft process of your pitch, you will be making lots of changes and throwing out slides as you iterate toward a final version of your slide deck.

Please don't start with the slide deck when you create your pitch to investors. It would be difficult for us to think of a way to make the process ***more inefficient!***

2. They create only a slide deck.

At Pitch Creator we call the slide deck the, "Listen to Me Pitch," because it is a great tool to support your verbal presentation to investors. However, most entrepreneurs don't know they also need to create a "Read Me Pitch," which we call an Investment Summary. This document is like an executive summary but is designed specifically for investors and intended to be emailed or printed.

Since most entrepreneurs don't have a Read Me Pitch, they don't understand the importance of it or its hidden advantages. The Read Me Pitch is the first way an investor will learn meaningful information about your business. Then they will decide if they want to take the time to meet with you. Without a Read Me Pitch entrepreneurs are missing out on many potential meetings with investors ***and they don't even realize it!*** Also, there are multiple hidden advantages to a Read Me Pitch that we discuss in detail in our courses.

To maximize your probability of fundraising success, your pitch to investors must include both a specifically designed Read Me Pitch and Listen to Me Pitch.

3. They don't realize the most important job of the CEO/entrepreneur.

If you are the CEO and need capital to grow your company, then fundraising is your most important job. You are the only person who can do it (you cannot outsource it) and it is the lifeblood of your business. Without it you cannot hire or execute on your plan.

If you are a CEO/entrepreneur and determine that fundraising is currently your most important job, then you should be spending most of your time, energy, and resources learning and mastering that skill. It will not only help you maximize your chances of fundraising success in the near term, but also serve you well throughout your entrepreneurial career.

4. They don't think about their opportunity cost of time.

At Pitch Creator, we have seen so many entrepreneurs struggle for 6, 12, or even 18 months to develop a solid pitch to investors. This is usually for one of three reasons: 1) they don't know there are resources available to help them; 2) they try to save money by struggling with free information on the internet; or 3) they use information that is not curated, complete or effective.

The opportunity cost of time is by far the largest expense of your fundraising process because:

- It is time you could be spending on growing your business and leading your team; and
- Without the capital you need to grow, you are stagnant while competitors are capitalizing on market opportunities.

While fundraising is the CEO's most important job, the CEO also has the highest opportunity cost of time of anyone in the company.

5. They think if they have a good business then the way they pitch shouldn't matter.

WRONG!! The way you pitch is important because investors are inferring a lot of information from that limited time they spend with you! Investors are considering the quality of your presentation and inferring from that:

- Can you recruit the right team?
- Can you sell to customers?
- Can you raise money in the future? This is critical to investors because if you need to raise money in the future and can't do it then anyone who has invested in the business up to that point will lose all, or most, of their money.
- Are you passionate? If you are not passionate about your own company, then why should someone else put money behind it?
- Are you committed? No investor wants to back a CEO who will give up when going gets tough.

6. They don’t learn to speak the language of investors.

Pitching to investors is like selling to customers except that investors have their own language. Most entrepreneurs don’t realize this but it is not their fault because they have very limited interaction with investors during their lifetime. Even repeat CEOs may have not have been interacting with investors if their first business was bootstrapped (self-funded). They could be highly successful at starting, growing and exiting a business that did not need outside capital. These repeat CEOs who have bootstrapped are in a situation where they are pitching investors for the first time, but it is for the second or even third company they have founded.

7. They don’t have basic presentation skills.

You don’t need to be the world’s greatest presenter if you have developed a plan and at least the two types of pitches we discussed above. However, you do need to invest the time to have a minimum level of presentation competence. For some people who are naturally good at presenting and selling, this doesn’t require extra work. However, for other people it does. If public speaking is a weak area for you, then definitely invest time into it as a separate skill. Read books and articles or join toastmasters (most cities have at least one chapter). Our introductory courses include the minimum specific presentation skills you will need to pitch investors.

8. They don’t practice enough.

Giving a compelling verbal presentation to investors is like other public speaking roles, in which success is highly correlated to the amount of preparation and practice. Practice on colleagues, advisors, and mentors who understand your business and sector. Also practice on friends, who don’t understand your business as well or at all. This forces you to adapt your presentation to the level of knowledge of your audience. It also forces you to adapt to the amount of time you have with each type of audience. Practice a lot and ask for feedback.

9. They make basic tactical mistakes.

We put this last on the list because tactical mistakes like saying, “our company doesn’t have competitors,” are easy to correct. However, the previous eight mistakes have a much bigger impact on your ability to effectively pitch investors. Other common tactical mistakes include too many slides for the time that you have with investors, using jargon or acronyms that investors don’t understand, and having slides that are too cluttered with information and are therefore distracting to your audience.