Pitch & Coach

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Pitch & Coach is aimed to assist start-up's and aspiring business owners to create a pitch that clearly articulates and explains their idea's. Moreover, it is built to provide context and engagement in all business aspects so that readers may prepare themselves with a better business sense when applying for funding or communicating to stakeholders.

Read this document with careful analysis, question the logic and question the points made. Carefully question how they apply to your business or your pitch. Be mindful not to confuse business thought and business pitching. A pitch is all about what the stakeholder wants to hear while the thought is a sense check for your business. Ensure to use this document alongside a traditional pitch deck. This is not meant to replace a pitch deck, it is aimed to assist and guide thought.

Remember business is about people. Not only employee's or customer's but all stakeholders from suppliers to investors to government regulations, **so be nice**. **Be authentic**, **be vulnerable** and engage with people, for people make the world go around. The process of managing all these stakeholders makes for **a crazy world** and being a business owner means that at times things will be **chaotic and tough**, while others will be **magical and rewarding** so accept the crazy. Ultimately, make sure your **product is needed by consumers**, whether a service of cutting grass or manufacturing luxury handbags, make sure the market needs it. Equally important, **know your numbers**, not only financial but market statistics and realistic future predictions.

Most of all **believe in yourself and believe in your business**, you are often more capable than you think and you can achieve the goals you set.

How to think about business

Business can be described as a series of multiple small projects, however, to get to those projects to form a business, one first needs to start with a **vision**. The vision to change the business landscape in your environment is what creates the dream for entrepreneurs. The business as an entity should not be treated any different. Every entrepreneur needs to work **on** the business as much as they work **in** the business. The natural attraction to assist in getting everyday tasks done or fulfil internal roles as you grow is absolutely normal as well as vital. At the same time, an entrepreneur cannot ignore working on the business.

To assist, this document will provide a guide to break down working on the business into that series of smaller projects, so that owners can tackle things one by one and schedule working on the business. The below structure is designed to have one area or project worked on per month, hence twelve points. Alternatively, if time is an issue, it can be fulfilled as quickly as one wants. In terms of building a pitch for investors, each item should be considered with Aristotle's circumstance questioning of *who, what, where, when, why and how?* The answer of each question may not appear in the pitch but rather assist in terms of business think when pitching *(e.g. is this product scalable? To what extent? When will I scale it? Who will use it? Where will I scale it? How will I scale it?).* This will, in turn, allow clarity in your pitch as well as prepare you to answer any questions the judges may have.

Further, the methodology is based on the premise that every business owner will one day have to exit his or her business. Whether it is in form of retirement or handover to a family member or any other reason, at some point the owner needs to leave. The structure and content has been derived from the value builder system http://valuebuildersystem.com

REMEMBER: an entrepreneur starts a business to take control of their destiny. This is the **MOST IMPORTANT** part of any business. The **owner's conundrum** determines the size of the business in all aspects (reach, value, staff etc). This is often where mistakes are made, small businesses comparing themselves with large business etc. Remember, an investor wants a return on their investment and therefore if you look for an investment you must offer a return whether financial or impactful. The owner's conundrum determines the answer of all these business questions so **first think about what you want as an entrepreneur. What do you want to achieve?**

	Check your business value
1	In terms of business value, it is the starting point of working "on" the business. Providing a base to start from. A start-up or a young business will not be able to place a value on the business so the intent is to use this opportunity to understand the value that you want to achieve. Secondly, the value can be expressed in more ways than just financial value. Set qualitative targets, such as user adoption, recurring income and staff hired to represent achievements in steps toward your business. To complete this exercise if you cannot value the business, build current statistics or key performance indicators (KPI's) and set a one-year goal for them. The 8 key drivers of business as per the value builder system are scalability, customer needs, growth potential, recurring revenue, barrier to entry, owner involvement, risk management and cash flow. Each will be explained in depth as you work through the document.

2	Growth Potential Two terms that are often confused in the business world are growth and scaling. While both terms refer to an increase in a business' profits or revenues, there is a big difference between the two. When companies talk about growth, they are often talking about increasing revenue and increasing their resources or costs **at the same or a very similar pace**. For example, a growing company might add new employees to create or service its products at the same time it adds new customers. When a company scales, it increases revenue**, often at an exponential rate**. **But, the increase in resources required occurs at an incremental rate, if at all**. A company that is scaling effectively is able to bring in \$20 million worth of revenue for the same cost or nearly the same cost as it brought in \$10 million. Growth refers to gain of market share rather than revenue, with revenue being the by-product of growth. *A good example in South Africa would be that the market is dominated by Coca-Cola, therefore if Pepsi was able to grow in South Africa it would be taking market share from Coca-Cola*
3	Customer Score Your customer score is a reflection of your customer's satisfaction with your product or service. This can be measured in many ways, however, most simplistically, the question of recommendation: will someone who used your product or service recommend it to a friend? In the case of not having a running business, an interview of five to eight people about the product or service should be sufficient to give you an indication of adaptability and can be used instead of recommendations. These interviews cannot be family or friends, they need to be people that you have little or no interaction with. This is one of the **MOST IMPORTANT** points and too that you will see it repeat. Without customer adoption, your product or service will not sell. The **CUSTOMER IS EVERYTHING.**
4	Scalability Scalability refers to the ability of a product or service to be scaled. This should be plotted on an index of cost and ease. When scaling a product or service it must provide economies of scale meaning that as you sell more the cost must reduce *(e.g. it may cost you R10 to deliver 50 products, it should cost R15 to deliver 100 and not R20). This must reflect on the cost axis. In terms of "ease", it must reflect the difficulty. This is often the case with a service, generally reflecting a low cost but having difficulty in finding the right people.* In this exercise, the owner needs to determine which of their products are the best to scale and work on the top three. If they have not got products that scale then they need to think about adding some scalable items to their portfolio. Remember the owner's conundrum.

5	Recurring revenue Recurring revenue can be one of the best ways to stabilize and predict income as well as one of the most powerful value drivers. It allows a business to see their future income and predict seasonality. *Think of a gym contract or a cell phone contract. The owners know exactly how much income they will be receiving and when.* Of course, as a start-up, you will not have this proven yet, however, an entrepreneur needs to think about the split of singular and recurring income they will have. Will you have repeat customers and how often? Or will they all be once-off purchases and how will you sustain that? *Think about the construction industry. Very few people build multiple houses, it is a once off purchase therefore there needs to be enough new customers to sustain your business or if you cannot achieve this, you need to add different products such as repairs and maintenance.*
6	Barrier to entry The barrier to entry exercise is positioned in terms of competition. Here you need to identify your competitor's offerings in terms of price, reach, reaction and raw materials supply. Business' need a unique selling point (USP), which often leads owners to believe their business is unique, in that of price or service etc. While this is true, it does not mean that the business is unique and your competitors are no longer your competition, you are always competing as a business, no matter how big. **Competition needs to be thought of in choice**. *Using Coca-Cola as an example, the general first re-action of competition is cream-soda or dr. pepper. Again, while this is true, there is a broader context. The real competition is a beverage. Consumers have the choice of a milkshake, a glass of water or a cup of tea. So why do they choose Coca-Cola? This does create a broad context and the intention is not to confuse but rather to inspire thought.* When pitching stick to the traditional competitors, who they are, what they do and why you are different but keep in mind that you are not only competing with business offerings but also customer choice.
7	Owner involvement Owner involvement is a complex problem. For a small lifestyle business, it is perfectly acceptable for an owner to play a pivotal role in the business. Contrastingly for a medium to large business, especially when looking for investment, it is vital that the business can run for periods without the owner. It is important here to show you understand the business parameters and match a suitable plan. If it is a lifestyle business, make sure the owner is playing to their strengths and hiring for their weaknesses. If the intention is to scale the business ensure that the plan for hiring the right management team is in place. Clarity of thought is of utmost importance when answering investors, including stakeholders such as banks when applying for working capital facilities or loans.

8	Risk management To properly complete this exercise, you need to think of and mitigate the risks that pertain to your business. Everything from key employees to the bank pulling your funding. What are the critical failure points of the business and how do you mitigate them? Think internal as well as external, anything that contributes to your business should be considered and plotted on an impact and probability score. *For example, if the government were to collapse and no longer provide support, this would show that even though a risk may have a high impact, the likely hood of it happening is low.* If a risk is showing high impact, high probability, immediate action must be taken to mitigate.
9	Customer Score Here the consumer score comes up again. If the framework is followed in a monthly sequence this would create a bi-annual measurement. It is recommended that in a growing or scaling business it is measured monthly.
10	Cash Flow Many of us have heard cash is king! However, many of us underestimate the importance of cash flow or understand a working capital cycle. The essence of this exercise is to understand when you need to pay for your goods, how long those goods sit on your shelf waiting to be sold and when sold how long you wait for your cash. Again, this assessment can be done simply if you have an ongoing business but if you do not have any current business it is still as important to think about. At times this can be confused or coupled with your business model (how you make revenue/what revenue looks like). The critical part is to show or understand that if you need to buy goods or services upfront and earn later, you understand it requires cash flow and you have a way of working out how to handle it.
11	List Builder The list builder exercise is an exercise in thinking about who would buy your business and why they would buy your business. Are you looking to exit to a large firm at a premium or pass it on to a family member for a net effect? Either way, you need by having this in mind you are able to decide the operational and strategic growth needs of the business. For example, if you are going to pass it on to a family member, you have to have practices in place that ensure evolution with the changing of the time or another example, if you want to sell to a multi-national your systems would need to match theirs so that there is a seamless integration. This is more of a thought process to assist in decisions rather than an actionable item.

12	Envelope test
	Finally, at the end of the year, it is time to spend some reflection on what happened in all divisions of the business - Marketing - Finance - HR - Sales - Product development - Etc. And think about what could be done differently, why it should be done differently and how you will do it differently.

With this process complete, you should be able to build a set of **annual goals, monthly goals and daily goals** and then be able to turn these into an action list of when to get various things done.

Missing from here is all the challenging day to day items of the business, such as, how to deliver to five places at once and when to hire who etc. etc. These operational difficulties follow on from the **vision of the business** and the **vision of the owner**. To this, I have provided below, a basic organisational responsibility table, showing where business strategy fits (in-between support and operations), and that culture underpins the delivery of it. You can use this to think about the day to day operations and who needs to do what.

Business Support (Infrastructure)	**Business Management (Strategy)**	**Business Operations (Revenue)**
Accounting and Finance (Budgets/History)	**Vision** (Set by & Articulated to Team)	**Operations Management** (Resources, Procedures, Workflow)
Administration (Co Records, Office Admin)	**Capacity Planning & Strategy** (Future Plan/Capacity)	**Sales** (Making of, How Priced) New SM
Secretarial (Clerical, telephone etc.)	**New Products** (Research and development)	**Product Design** (Your 'Catalogue')
Human Resources (Human Capital, Well-Being)	**Positioning** (In the market, price, place, promotion)	**Product Delivery** (Client Experience)
Information Technology (Hardware/Software Infrastructure)	**Channel** (Sourcing New Clients, new channels to sell)	**Client Services** (Add-ons not paid for) SM
Legal and compliance (All Obligations Business Process, Regulation)	**Client Management** (Base Analyzing, Structuring)	**Marketing** (Lead Creation, New Clients, PR)
Premises management (Alarm, building needs etc.)	**Strategic partnerships** (Shared Equity or common goal Alignment)	**Training** (Internally)
Culture (Affects All Areas)		

https://themissingpiececompany.com

How to present an argument

Business pitches can vary from a 30-second elevator pitch to a 3 min high-level understanding or all the way to a 40 slide 25min full business pitch. No matter which type of pitch the structure below can be followed. An argument built on real-world data, an understanding of the company's landscape and the correct identification of the consumer need is very difficult to break. It shows that the business has thought through the idea and ensures that it has the is capacity for it.

In general, unless your company calls for it, do not make your pitch to flashy, do not make use of gif's and do not make them text heavy. Stakeholders want to see your depth of knowledge, they want to hear from you and they want to know you know exactly what is going on in the context of your business and surrounds. Use basic icons where they can assist you to contextualize or visualise your product or service but be careful not to provide a picture that stakeholders can make their own judgement from. *For example, many engineering firms like to use a gear symbol to represent engineering, however, many stakeholders will mistake the company for a gear manufacturing company rather than an engineering firm*. So, let us get on with it, how to pitch. Below is a description of the slide as well as detail explaining what is expected from that slide.

Cover page	KISS, a term founded in the navy, KISS stands for keep it simple sailor. Keep the cover page simple, make sure the name of the company is clear and make sure that there is a tagline with the name clearly explaining what the company does. *E.g. Vodacom, providing the largest cellular network in South Africa.*
Agenda = Value promise	In general, it is better to avoid an agenda. It becomes a text-heavy list that is inevitably read off the screen and just comes across poorly. Rather summarize your pitch and turn it into a value promise. *E.g. As Vodacom we believe we can achieve a 1.2% market share by 2020, translating into 1 million Rand revenue and a 12% net profit providing us with a strong foundation to grow our brand and product*. Remember, from here your pitch should explain how you get there. Only use this in an extensive pitch, in shorter pitches go straight to the current state analysis
Current State	Your current state is the start of your market analysis. Begin with the geographic region. If you intend the product to immediately have an international presence then you need to have a global analysis, however, more often than not start-ups begin small and are generally localised first and the international presence belongs in the future state. Therefore, begin with the local area and zoom all the way into the area of focus e.g. don't just say Cape Town, say: Newlands, Cape Town. The current state needs to include information about the geographic area, firstly in the context of the business. Any regulatory, environmental, social, legal and technological points surrounding the business. Secondly, who the competitors are and what their offering entails. Finally, about the collaborators, i.e. the businesses with complementary services, the suppliers of your raw materials and other services such as distribution or merchandising that you may need to help support your business.

Analysis	On this slide you want to begin talking about the customer you want to serve, be careful this is not your current customers as they may be the early adopters of your product but rather you want to describe your mass target. Be very careful here, you want to clearly understand what is meant by the target market. Stakeholders want to see that you understand your business cannot target the entire market but rather a specific segment in the market. *E.g. Vodacom cannot target the entire population, they need to identify firstly who can afford a cell-phone. Secondly, within the population who can afford it, who are the ones who actually want cell phones. Thirdly, of those who are the ones in the geographic region, you can serve. Finally, as we drill down, who would prefer Vodacom vs a competitor and why?* The consumer and customer can be two different people. Think about selling your product to Pick n Pay. Pick n Pay is your customer but their customer (the general public) is the consumer of your product. Understanding and clearly explaining who the customer and consumer is the **most important** part of the pitch. The ability to show your stakeholder you understand the consumer need of your product shows you understand exactly who wants your product or service and further shows that you understand the business model (how your product or service generates revenue). Look below at the market analysis picture and example profile
Implementation	Now you finally present your idea. Carefully follow the flow. We have explained what the market looks like in **current state**, who the customers are in **analysis**, thus now it is time to show how your idea fits into the environment and that it will meet your target customer's needs. After building out your idea on a high level, clearly explain how your product or service looks matching it with the analysis you have done. Furthermore, show some of the operational understanding in terms of logistics etc. as well as the promotional items to attract your customers (not discounts offered – the emotional connection linked to the purchase). Most importantly, ensure clear linkage between the current state, analysis and implementation. This does not mean repeat the items on the slides but rather means do not have an analysis or current state slide that does not talk to the implementation. This is a good part for you to do a sense check, make sure you have not added anything that is difficult to achieve or very complicated. If there is something complicated, explain that you understand it is complicated and make sure that it is clear.
Future state	This is now finally where the selling starts. It is time to get them to buy in, keep it short, show the stakeholder what a future market could look like with your product, service or solution. Show them why a world cannot exist without it!

Thank you	Put a single slide to close, thanking them for their time as well as displaying the most important part of the pitch you want people to remember and inviting them for questions

When building your pitch, it is important to keep a few things in mind. Even though you may not explain it your business idea needs to show the creation of long-term value, either in profit or brand building. It also needs to show a sustainable competitive advantage outside of price. Most business idea's start out wanting to do something cheaper, however, this is not sustainable as the business grows. Finally, the most critical is your business model, how your idea generates revenue. Each of these items will not be explicit but the stakeholders should get a sense of it from your pitch.

How to build LT Value?

1. Capital Gain, asset growth in terms of plant property and equipment or cash or business value.

2. Intangible Assets (Goodwill), useful life > 1 year
   - Brands (registered and protected)
   - Protected IP (e.g. patents, trademarks, copyrights, URLs)
   - Processes
   - Contract-based assets: licensing agreements, service contracts, broadcast rights, franchising agreements
   - Strategic assets such as customer base, retail listings, distribution network, property/rental agreements in strategic locations, etc.

3. Sustainable Competitive Advantage, i.e with Barrier(s) To Entry
   - Proprietary access to certain raw materials
   - Large Market share (EOS)

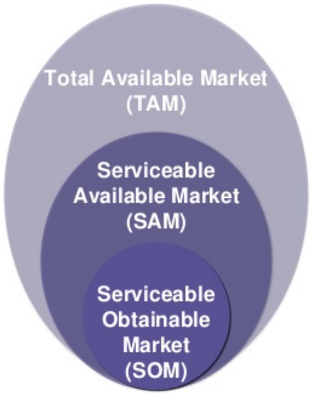
Often the best advantage is created by a combination of the above. Sustainable competitive advantages are company assets, attributes, or abilities that are difficult to duplicate or exceed; and provide a superior or favourable long-term position over competitors.

Sustainable Competitive advantage example

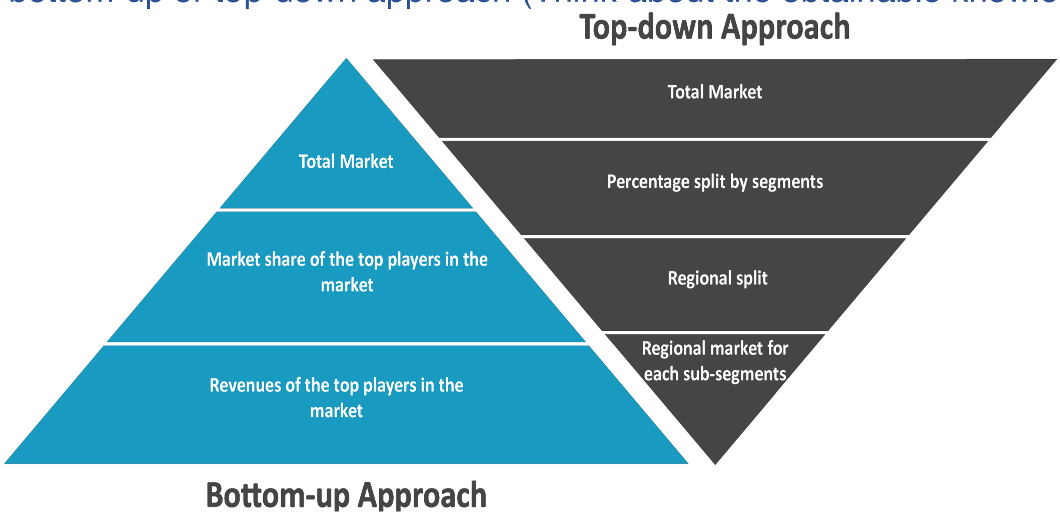
http://www.engen.co.za/Media/Default/PDF/034-2018%20Integrity%20Report%202017%20(web)%20(1).pdf

Market Analysis Understanding

- **Total Available Market (TAM)**
  - Typically a top-line industry figure
- **Serviceable Available Market (SAM)**
  - The market you can actually reach and serve based on your customer acquisition and sales channels
  - This is the number VCs care about
- **Serviceable Obtainable Market (SOM)**
  - The realistic market share you expect to obtain.



A bottom-up or top-down approach (Think about the obtainable knowledge)



Example customer profile (Think about the purchase journey)

Demographics

Gender: Male

Age Range: 25-60

Annual Income: 200K

Job Title: CEO of his Small Business

Interests

Traveling

Staying up to date on new tech

TOM

Background

Married with kids and at least a master's degree

Lives in a suburban area

Technologically savvy

Challenges

Wants to build a new website but does not know HTML or Wordpress

A real-world case of over-investment without knowledge

During his February 2018 budget speech, former Finance Minister Malusi Gigaba announced the development of a fund to benefit small, medium and micro-sized enterprises during the early start-up phase. The fund has been allocated R2.1 billion.

It is my view that, because of the 96% failure rate for small businesses, the government should be very careful about how they allocate this funding, and should be looking at the best return on their investment in terms of employment and future revenue.

They should also take into account the vast differences in issues facing a micro-business and those facing a medium-sized business. By lumping micro and medium businesses under the same definition of SMME, one does a great disservice to both. Micro-businesses struggle with registrations, finding staff and cash flow, while medium-sized businesses battle with BEE certification, staff retention, building systems, audits and so on. A national fund or strategy that indiscriminately deals with micro- and medium-sized entities is bound to encounter issues.
I believe the allocated funds would be better spent on the ten-man (or person) band because, implicitly, this size of business possesses the entrepreneurial constructs that provide a higher statistical chance of success. To develop a business into a ten-person band requires time, and time provides a good source of information about the business and its leadership.

First, it offers a perspective on the character of the entrepreneur; he or she must possess a level of tenacity and must have persisted through a number of challenges in order to reach this point. Second, the business has shown that it has a market. Great ideas do not necessarily have real markets but, by the time your business has grown to ten people, it has proved to some extent that there is a market that can sustain – or at least partly sustain – those people. Third, it demonstrates a level of sophistication within the business. A one-person band can run his or her business without any real systems to speak of, while a ten-person band requires a minimum level of systems in order to operate – be it payroll, accounting software, a website and so on. It shows that the entrepreneur has evidenced the ability to create systems on his or her own. Fourth, the shift from a one to a ten-person band over time also implies that the business has adapted from its original idea to a more commercial response to the opportunity. The entrepreneur has proved he or she has the ability to iterate, which is a critical entrepreneurial quality. Fifth, in most instances, the ten-person band has financial records which offer a good source for predicting whether or not the business will continue to be a success into the future. Early start-ups have a lower likelihood of financial records and history. Finally, there is a higher probability that a ten-person band will be operating from formal premises and not from home, thus incurring real costs. Many early start-ups that work from home and employ family and friends forget to include rent and market-related salaries in their financial modelling and, when they are forced to rent commercial space and hire professional staff, their business models collapse as the overheads often cannot be sustained by their margins.

I also urge the government to consider that money may not always be the correct solution when it comes to developing and growing small businesses. In fact, in some instances, it could be the death knell. I offer the real example of Joe Mkhize (not his real name), who ran an operation in Johannesburg that did vinyl sign applications on to containers and had contracts with a number of cell phone companies. He employed nine people on a full-time basis, generated around R400 000 net profit per year, and earned a salary of R60 000 per month. He then received the option of a grant for R1 million which he erroneously used to purchase a state-of-the-art, wide-format printer in order to print his own vinyl signage.

Unfortunately, his current premises could not house his new printer so he had to find larger, more expensive premises. Also, he did not have the ability to operate the printer so he required additional technical staff. He realised if his technician were to fall ill or take leave he would be unable to operate the printer and therefore needed a second technical person for redundancy. The new printer also had to be insured and so on.

The sum of all these additional costs instantly turned a profitable business into an unprofitable business. The additional funding, without the correct advice, derailed a business with huge hope for growth, and it closed down within the year. Money applied in a business in the wrong way can destroy it.

I believe that investing in ten-person bands and supporting them with the right business advice so they can appropriately scale with the correct systems, processes and financial structuring will ensure a higher impact on the South African economy than investing the same money in the one-person band. One hundred per cent growth in employment in a one-person band is one person; one hundred per cent growth on a ten-person band is ten people. For the government, the return on investment from an income-tax and corporate-tax point of view will be far higher if that investment is made at the right point in the entrepreneurial cycle.

https://www.raizcorp.co.za/why-government-should-be-investing-in-ten-man-bands/