

BUILDING HI-GROWTH VENTURES

V1.0

(90 -120 min)

Mark Robotham

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FAILURE TO ATTAIN HI-GROWTH

1. **Value Proposition**
 - Quantified Customer Gain
 - Succinct Pitch
2. **Business Model**
 - Not defined & developed
3. **External Critique – Board**
 - Control vs Growth - Founder Issues
4. **No Exit or Shareholder Wealth Creation**
 - Exploring Finance options
 - Unrealistic Valuation
5. **Adapt**



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Need Capital :

- 1: Get investment ready
- 2: Find investor




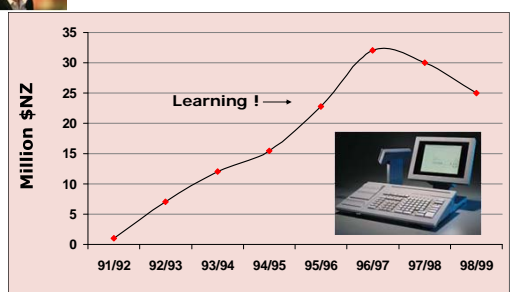
We'll help you lift your game...

Then we can help you find an investor

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TRADE & ENTERPRISE

MARK ROBOTHAM – "Survivor Of Growth"

www.SuccinctStories.com www.growthmanagement.co.nz

PEC Retail Solutions

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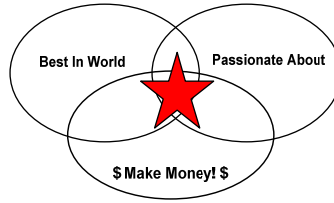
MARK ROBOTHAM

- Background
 - Electronics Design Engineer, International Marketing
 - NASDAQ - Silicon Valley, NZ bootstrap
 - GM Business Incubator - Wellington
 - Recent JAFA convert
 - Cyclist
- GM Escalator (EDANZ – Deloitte JV partnership)
 - GM NZTE Escalator Service - Investment Ready Programme
- Founder Growth Management Consulting LTD (GMC)
 - Facilitator – Trainer – Public speaker
 - Strategy review & development
 - SuccinctStories.com author, blogger: www.succinct.co.nz
 - Business Advisory Service
- www.growthmanagement.co.nz

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BUSINESS OR HOBBY?

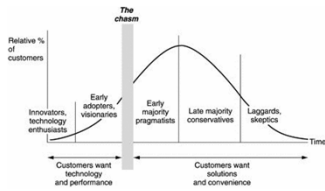


Are you 2 or 3 out of 3?

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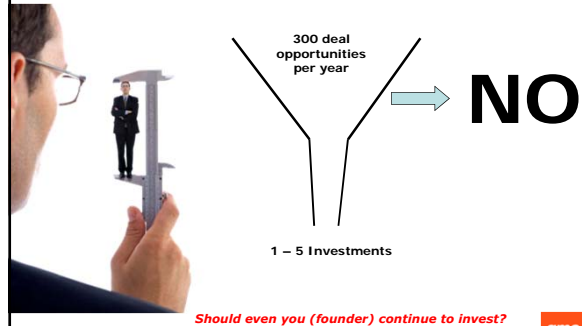
CROSSIN THE CHASM – Geoffrey Moore



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VIEW YOUR BUSINESS FROM INVESTORS VIEW POINT



Should even you (founder) continue to invest?



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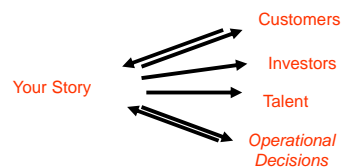
GATING DECISION # 1: SUCCINCT VALUE PROPOSITION OR NOT?



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POWER OF YOUR SUCCINCT STORY



Goal: To concisely communicate "Your Story" in less than 3 mins

ALWAYS DEVELOP SHORT PRESENTATION FIRST



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CRAFT VS PRODUCT VS BUSINESS

Product	Craft	Business (essence)
• Electric Drills	• Manufacture Power Tools	• Making Holes
• Mouse Trap	• Manufacturer	• Mice Problem
• CRM (software)	• Software Developer	• Increasing Sales - Customer Satisfaction
• Swatches	• Watch Manufacturer	• Fashion Statement
• Harley Davidson	• Motor Cycle Manufacturer	• Escape



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MY BUSINESS IS...

• Product	Craft	Business (essence)
-----------	-------	-----------------------



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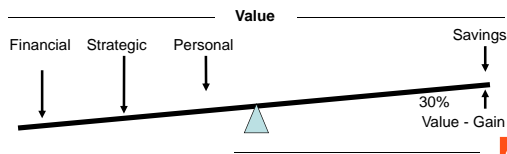
CUSTOMER VALUE DIMENSIONS

- Financial
- Strategic
- Personal

How much money will your prospects save or how much profit will they gain if they buy your solution? What is the ROI?

How will your prospects business benefit from your solution? Increased quality, shorter time to market, diversification, etc ...

How will your prospects life be better with your product? More fun, less stress, career enhancement, political advantage, etc ... Ego factors.

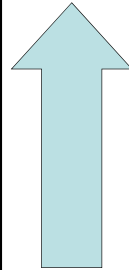


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VALUE OF PROOF



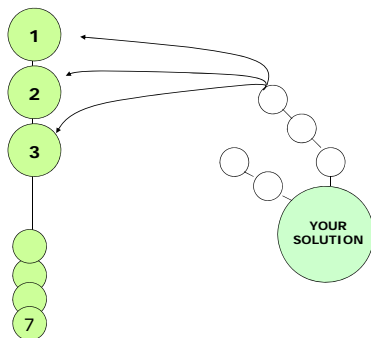
- Customer Case (80-100%)
- Demo (60-100%)
- Data (20- 60%)
- Vision (10- 40%)

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ARE YOU SOLVING A TOP PRIORITY BUSINESS PROBLEM?



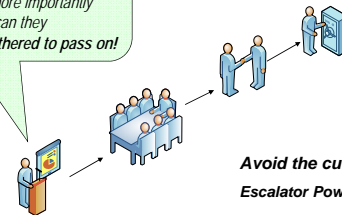
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GETTING YOUR STORY RIGHT!

*It's not what you say,
It's what they remember.
And more importantly
what can they
be bothered to pass on!*



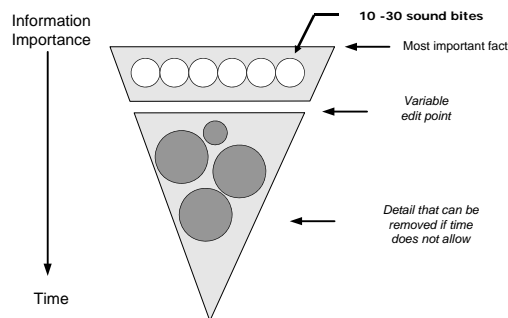
**Avoid the curse of knowledge
Escalator Power Pitching Workshop**

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INVERTED PYRAMID OF INFORMATION



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WHY WON'T THEY SIGN MY NDA?

Is there a market for the product?

Can we make money from this?

Will people deliver?

NDA

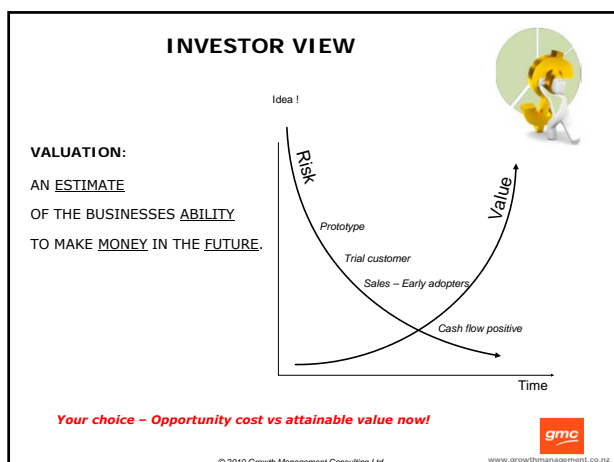
Lets Look at the Technology?




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GRABBING ATTENTION






What is your attention grabber?

Sound bite #1


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MEMORY HOOKS

- Stories
- Contrast
- Props
- FUD fear uncertainty doubt




**Ansett Airlines
"Fluffy the cat"
198-**



**Toyota Hilux
"Bugger"
1999**

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MADE TO STICK STORIES

www.madetostick.com

- **SUCCESS**
- Simplicity
- Unexpectedness
- Concreteness
- Credibility
- Emotional
- Stories

Find the Core

Get attention

Help people understand & remember

Help people believe

Make people care

Get people to act



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CONTRAST



WHICH TASTES BETTER?

It's obvious isn't it? Better environment means better results. At Dow, we understand the importance of environment on business performance. For 15 years we've helped executives transform their organizations by aligning existing investment with strategic direction - making a difference to how their teams measure and collaborate, and leading to a greater sense of community within their organizations. Research clearly links this to a 25% reduction in staff turnover - which, in an organization of 300 employees, equates to a saving of up to \$1.1m per annum.

Make results that last an investment. You make the call.
www.dowworkplace.com

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DANGER

Business Investor Required



YOU WILL GET THE INVESTOR YOU DESERVE!
Call the Escalator Investment Ready Service Now.

**ESCALATOR
SERVICE**

New Zealand
TRADE+ENTERPRISE

0800 822 748
www.escalator.co.nz

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CLEATs

- Increase power efficiency by 30% +
- Hidden and out of sight
- Walks in the dirt sometimes
- There in tough and fun times



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STORIES

Umbrellas & Cows Save Lives
Affordable Heart Surgery

Southern Lights Biomaterials

Succinct-Stories Pitch Workshop

PROPS

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POWERFUL SOUND BITES CUSTOMER VALUE

PRODUCT:
context
segment

PRODUCT:
Problem -
Solution

USP:

Scale:
Trends ...
validation

Single Focus:
Lead story
headline

Opening
WOW:
LISTEN UP!
Passion !!!

customer
story:
Outcome:
before-after

CUSTOMER
measures
success by...
QUANTIFY

Customer:
Price vs
payback

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Succinct Stories Recipe

- 3 Min Version first
- Choose one lead story
- Sound bite construction (10 - 30 sec)
- WHAT - not how
- Contrast (before / after)
- Customer Stories
- Language of customer

WOW opening - passion

USP

Customer Stories

Quantify Customer Gain

Acknowledge competition
don't sell them

MAX 3 - take away points

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GATING DECISION # 2:

BUSINESS MODEL

DEFINED & DEVELOPED

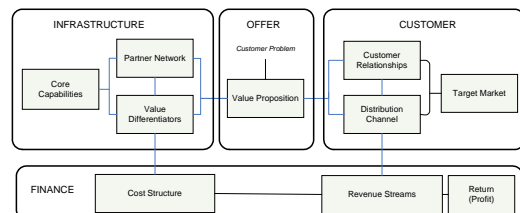


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BUSINESS MODEL



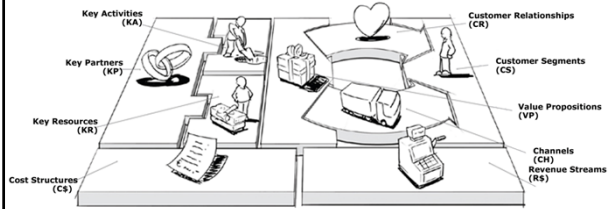
Components of a Business Model

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BUSINESS MODEL FRAMEWORK



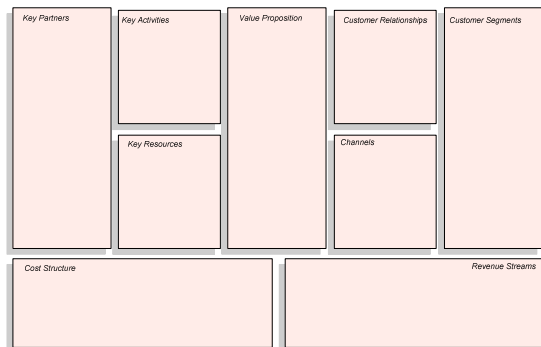
Business Model Generation
Alexander Osterwalder & Yves Pigneur



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CANVAS



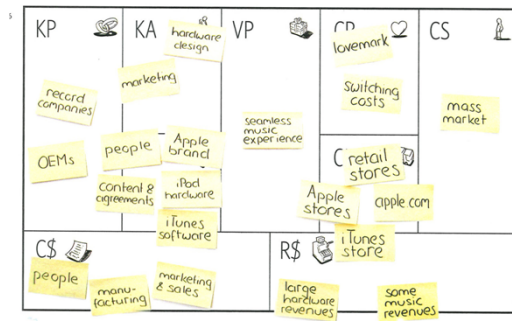
Business Model Generation - Alexander Osterwalder & Yves Pigneur



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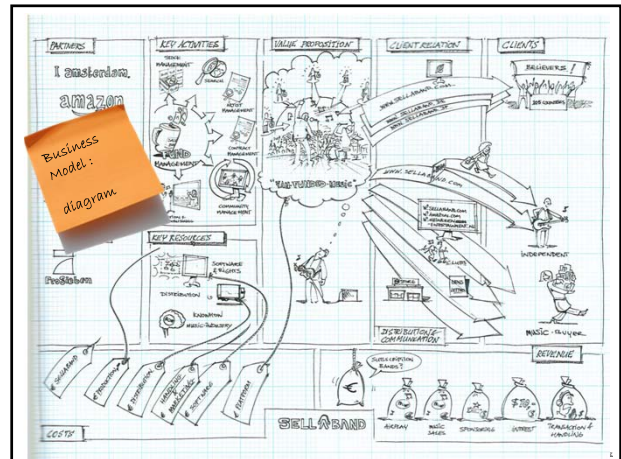
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APPLE IPOD - EXAMPLE



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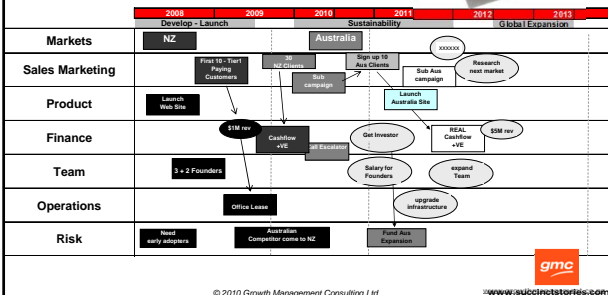
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ONE PAGE - BUSINESS PLAN



CoyX Business Plan - Overview



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GATING DECISION # 3:

EXTERNAL CRITIQUE



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SELECTING YOUR ADVISORS



- Use 2+
- Compatible experience
- Forward looking challengers
- Use an Advisory Board
 - Best HR spend



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TRADE+ENTERPRISE
Escalator
Service

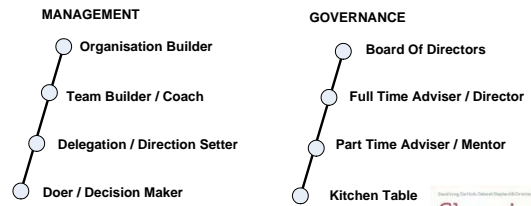
- Kea <http://www.keanewzealand.com>
- NZTE – Escalator www.escalator.co.nz



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EVOLUTION OF GOVERNANCE



David Irving – Changing Gears

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GATING DECISION # 4:

FINANCE OPTIONS
RAISING CAPITAL

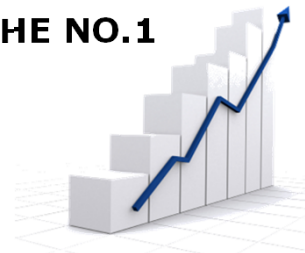


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FIRST WORD

**\$ALES ARE THE NO.1
SOURCE OF
CAPITAL**



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GROWTH FINANCE OPTIONS

- Sales Revenue – **No. 1 source of capital**
- FFFF – Founders, Friends, Family & Fools
- Boot Strapping – Creative cash flow funded
- Cash Flow Management
 - CAPEX, Debtor Mgt, Invoice factoring...
- Merger & Acquisitions - Strategic Alliances
- Capital Investment – Angel Investors
- Bank Debt



Growth vs Control Strategy?

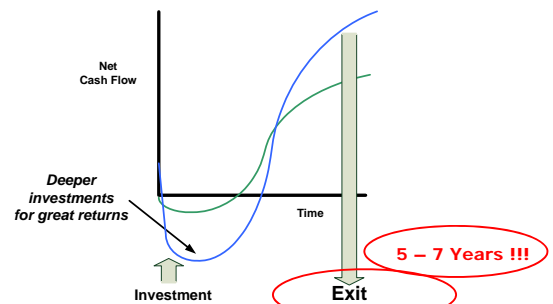


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EXIT

Fundamental focal point of investment



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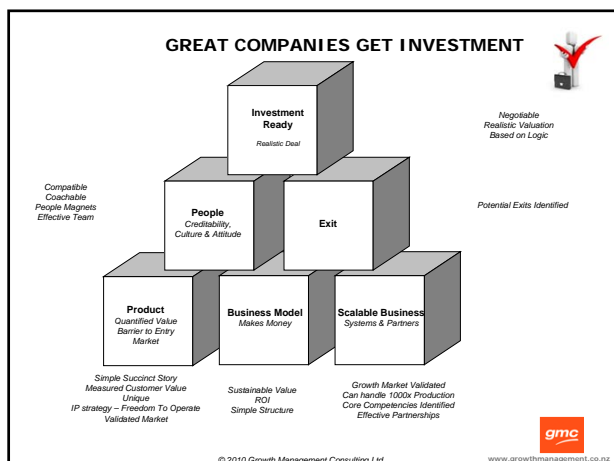
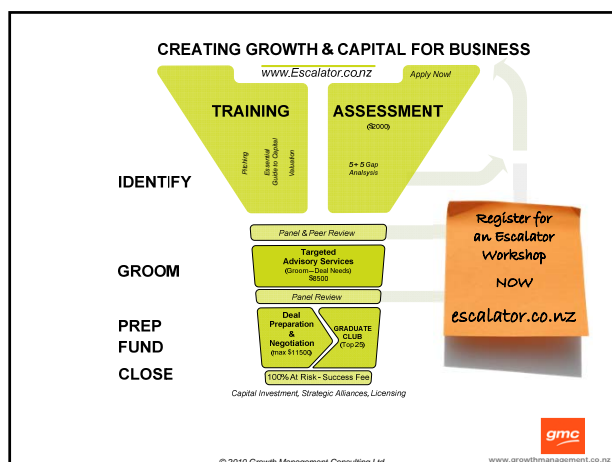
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Need Capital :
1: Get investment ready
2: Find investor

We'll help you lift your game...
Then we can help you find an investor

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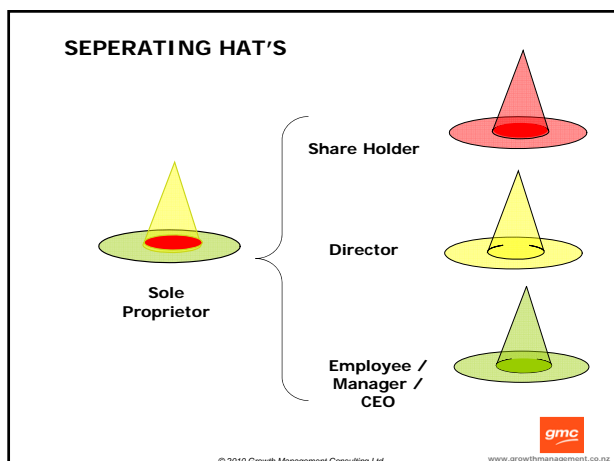
Infego CEO
Julie Gill on

Capital Raising with
Escalator Service
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CONTROL VS SHAREHOLDING

Shareholders agreement = control

- Most investors use preferential shares
- 50% ≠ Control

Equity position = exit value

- Focus on shareholder wealth not percentage

REALITY CHECK AHEAD

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RETURNS VS STAGE



Company Stage	ROI	5-year Increase in Capital
SEED	60% +	10x +
STARTUP	50%	8x
EARLY STAGE	40%	5x
2 nd STAGE	30%	4x
NEAR EXIT	25%	3x

Eg 60% increase in value for 5 compounded years = 1,000% Increase = 10X



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VALUATION - REALITY



*He with the money, sets the rules...
Take it or leave it ... opportunity cost*

- Do the maths 30 X post-money = exit price
...is there a market for 30x your exit
- Seeking more than \$1M pre revenue – go away
- "I typically"...
 - Have max. pre money valuation \$1M for early stage coy
 - Invest \$500K for 40% stake



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FAILURE TO GET INVESTMENT

1. Value Proposition
 - Quantified Customer Gain
 - Succinct Pitch
2. Business Model
3. No Exit or Shareholder Wealth Creation
4. External Critique – Board
 - Control vs Growth - Founder Issues
5. Unrealistic Valuation



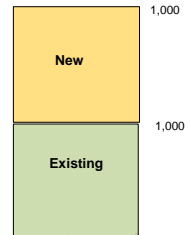
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DEAL MECHANICS



50% EQUITY
STAKE =
New Shares Issued



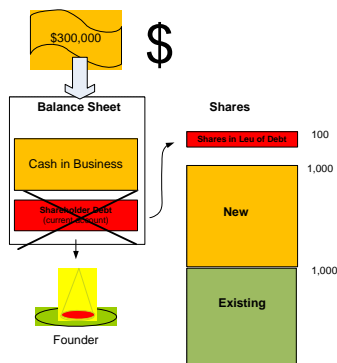
Equity deals = issuing new shares



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\$300K 50% Company



Clean Balance Sheet

New Shares

*You get money,
when investor does!*



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SHAREHOLDERS AGREEMENT (SHAG)

SIMPLE SHAREHOLDING

- Is a mechanism for distributing returns to investors
- Is a simple instrument for exercising control
- 51% gives a simple majority
- Directors decide dividend distribution policy
- 75% for 'major transactions'

SHAG

- Opex / capex decisions
- Right of veto on major decisions
- Anything operational / strategic
- Subscription for new shares
- Appointment of directors
- Settlement
- Further issues of shares and rights of sale
- Ongoing arrangements
- General provisions – dividends, major transactions, etc
- Schedules



50% ≠ CONTROL



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5: ADAPT

**BUSINESS PLANS HAVE A
6 MONTH LIFE !**



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TRUE INNOVATION

*'Genuine innovation: solves a customer problem **more delightfully and accessibly** than existing alternatives.*

*And as importantly, innovation **isn't a novelty, nor a response to a competitor move, nor a line extension** the core brand has no right to make'*

"Light small fires, check which ones attract people to warm their hands, then pour petrol on"

Steve Bayliss – Air New Zealand, Marketing Manager



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SOCIALNOMICS

"THE ROI IS YOUR BUSINESS WILL EXIST IN 5 YEARS"



LinkedIn

twitter

facebook

<http://www.youtube.com/succinctstories#p/a/1f0/WZ0z5fm-Ng>

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What there's more...



Patrick Renvoise
& Christophe Morin
www.Salesbrain.net
new title: Neuromarketing



Rob Adams
Kick in the Ass



David Irving
Changing Gears



Alexander Osterwalder
& Yves Pigneur
Business Model Generation



Blog: www.succinct.co.nz
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Is your business standing out from the crowd?

If your business is not firing on all cylinders – fix your pitch!

Most businesses suffer from the “curse of knowledge”, deluded in their own belief that their marketing messages work – hell they understand them, why shouldn’t their potential customers?



“I didn’t have time to write a short letter, so I wrote a long one instead.” Mark Twain

Are your sales not what they should be? Are you failing to get interest in your investment pitch or perhaps your business is just not firing on all cylinders? Then there is a high chance your elevator pitch is not working.

Check that your pitch doesn’t work equally as well for your competitor?

The trouble is you as the author, the one who has been working with this for years, is the worst person to craft an effective message to describe your business. You are leaving your audiences wondering “what the hell do you do, and why should I give a damn”

Clarity of purpose – creates better results No employee comes to work with sabotage in mind, yet most business leaders are not providing their staff clarity around what the focus of their business is.

Ask your business colleagues “what do we do?” - your elevator pitch. Ask your receptionist, bookkeeper, technical guy and CEO. Are the messages all the same? Are they all about an outcome that your customer will pay for?

Most businesses fail to reach their potential due to lack of clarity around what their purpose for being is, and more importantly not focusing on activities that add high value to their customers.

Take the Williams Formula one team mantra – “We make the car go faster”. Do I put part-a in the car or part-b? What makes the car go faster? Consider that with a smart elevator pitch everyone in your business is focused on the same outcome. Everyone is empowered to make smart decisions towards a common goal.

For too long elevator pitches have been the domain of sales and marketing departments as sales tools rather than core driving statements for the business and how it operates. Do all of your business (staff and customers alike) have a common view on what your business is all about? Smart pitches are the reason you get customers, investors, the best staff and your business achieves its goals.

Take the time out to focus on your core message and elevator pitch: it takes time, focus and the power of the outsider viewpoint to craft an effective business pitch. Invest in getting some outside help in this important area of your business.

Tips for Powerful Pitches

- Open with an WOW statement that gets peoples attention
- Build your pitch with sound bites - thoughts or points 10–30 seconds each
- Use the language of your target end customer
- Focus on WHAT rather than HOW
- Quantify customer value – using a customer’s measure of success. If the outcome result is a change of greater than 30%, you have a true compelling need that a customer will pay for
- Articulate what makes you different
- Keep it Short (60 sec – 3min max) and succinct



Use memory hooks:

- **contrast** - life before and after purchase.
- **stories** – relevant customer stories and endorsements are proven to close deals 80-100%
- **props** – Physical things to illustrate the point
- Once you have your message, play with the order of the sound bites to increase impact
- Remember to stand out from the crowd you must entertain and stimulate action
- If your product is technical, use a 10 – 30 sec “context” statement as an introduction, so anyone can understand relevance of your product or service

The Escalator Investment Ready Service is a NZTE funded programme that acts as an independent advocate and advisor, helping growth potential businesses prepare for and gain external capital investment. Escalator regularly runs 100% NZTE funded workshops on Pitching, How to gain Capital Investment as well as providing a capital raising service. Register online at www.escalator.co.nz

Mark’s Blog: www.succinct.co.nz Twitter: @mrobotham

Key Partners

Key Activities

Value Proposition

Customer Relationships

Customer Segments

Key Resources

Channels

Cost Structure

Revenue Streams