

Two Minutes To Win It

At venture conferences, entrepreneurs have to woo investors with sound-bite versions of their business plans. It's as hard as it sounds.

LIKE SPINTERS THEY CHARGED into the room—350 small-business proprietors, wearing dark suits and no hint of economic desperation. They queued up in lines two-dozen deep in front of folding tables, each waiting for a two-minute chance to make a pitch to a venture capitalist or angel investor. And two minutes really meant two minutes: A plastic yellow egg timer sat on each table.

The scene was a venture-capital conference in New York City, sponsored by the networking group FundingPost.com. These events might look familiar to anybody who's attended one of those employment fairs where businesses meet job seekers. At these affairs, in contrast, the entrepreneurs pay for a chance to pitch their ideas. And unlike job fairs, which have been dwindling as employers ratchet back hiring in a dismal economy, the numbers of venture investment conferences is holding constant, according to organizers like the FundingPost, Red Herring and the International Business Forum. It turns out the downturn hasn't derailed venture investing as much as it has initial public stock offerings or small-business lending. While venture investing in general dropped in 2008, "seed" investing focused on companies in their earliest stages rose 19 percent from the previous year, to \$1.5 billion, according to a survey by PriceWaterhouseCoopers. That's enough of a carrot to lure would-be billionaires and their business plans to conferences all over the country.

At this affair, in a cavernous meeting room lent by sponsor Credit Suisse, a \$125 ticket bought

wine, goat cheese crostini and the chance to court Mr. or Ms. Bulging Wallet. About 65 angel and venture investors stood ready to catch the pitches. These gatekeepers were unfailingly patient and polite—and young. At least half the venture capitalists were in their 20s, while the entrepreneurial faces across the tables were, generally speaking, at least a decade older. The pitchers were also, often, better dressed. One scruffy dude with a brown backpack was the odd entrepreneurial duck. The stereotypical college-dropout founder, à la Bill Gates, is so last decade; Howie Schwartz, of FundingPost.com, says the average age of the folks doing the pitching has been rising steadily.

Do these speed-dating sessions ever lead to pay dirt? Apparently. While the odds are lottery-like, the dozen or so venture capitalists we spoke to each had a story of someone they'd met at a conference and later funded. "It's a good way to start a relationship," says Jeanne Sullivan, of StarVest Partners, who attends a half-dozen shows a year.

We watched the evening's proceedings and then polled the investors for some tips on what impresses them—and what makes them wish the egg timer were a vaporizing gun. The consensus is that to win at this game, business founders must

The economic downturn hasn't hit venture and angel capital quite so hard, so there's funding out there to be tapped.

clearly but passionately explain who they are, what stage of development they've reached, how much money they seek, and what their company will do for the world—in two minutes, tops. "Fifteen seconds is even better," quips Sullivan. These tips can improve your shot at the brass ring.

■ **Know your stage.** "Many VCs are stage-specific," says Schwartz, meaning they prefer to get involved only at certain steps of a business's development. Firms like New York's Argentum Group, for example, want to invest in later-stage companies that already have \$5 million or more in sales. In contrast, First Round Capital, of West Conshohocken, Pa., will consider "prerevenue" companies that are still in the prototype phase. (Guess who had the longer line?) So entrepreneurs will want to look for investors that fit their place in the growth cycle.



Photograph by Evan Kaifka

I FINALLY
stopped
smoking!!!

I started using
my wife's treadmill
during commercials

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Smart Ideas

■ **Solve a problem.** In this cost-conscious climate, venture capitalists want products that solve burning issues. “Get to the pain point fast,” advises Maneesh Sagar, of Connecticut Innovations. You might say, for example, “My service automates data collection normally done by seven analysts and saves \$500,000 a year.” Try to avoid buzzwords that aren’t attached to specific goals. “People say they manage business intelligence or use a cloud platform,” says Schwartz. “No one really knows what that means.” Also be prepared to explain why you’d succeed even as consumer spending is taking a powder. At the New York event, a jewelry maker whose items cost \$65,000 each waited in line to speak to Phineas Barnes, of First Round. Barnes asked her why she wasn’t concerned about selling luxury goods in a recession. She stammered that her customers were so high-end they weren’t affected. Red flag.

■ **Go easy on gimmicks.** Some venture investors didn’t object to being given potted plants to promote an agribusiness or a cupcake for a bakery chain. But gimmicks can be risky. One guy at a Seattle event wore a costume to promote his publishing company, “but his Mickey Mouse ears were distracting,” says Schwartz. Sita Vasani, of Intel Capital-Digital Home, remembers when an overzealous entrepreneur promoting a Chinese clothing line insisted that she accept a silk tie. When she politely declined, he continued to push her. “It felt like bribery!” she said, wincing. Meet-and-greets are not tourist rug bazaars.

■ **Leave the business plan at home.** A one-page summary is all you need for an elevator pitch—and even then, ask if you may leave it. “People foist their paper on us,” says Vasani with distaste, adding that a business card will do. On that note, we shouldn’t have to say this, but if you want to make a businesslike impression, a casual e-mail handle—e.g., Stacyloveshorses@gmail.com—isn’t going to fly. To make a small business look bigger, founders can get an 800 number and a virtual recep-

tionist through customer-service company Angel.com for as little as \$40 a month.

■ **Leave time to listen.** After your spiel, take a breath and let the investor react. If the response is favorable, ask, “What’s the next step?” If it’s not, ask if he could refer you to anyone else. If after you’re done, your interlocutor won’t look up from his BlackBerry or his sandwich, move on.

Along with their tips, the investors we spoke to offered some foolproof methods for blowing your chances. Among them: claiming that your product is so unique that you have no competition, making hockey-stick revenue projections and stating that you will be bought by Google. A subtler flaw is to be young and inexperienced and to appear unaware of that. If it’s possible you could be perceived as wet behind the ears, acknowledge your inexperience; it might also help if you make it clear you’re looking for a better-seasoned teammate. Sullivan says she wants people with entrepreneurial spirit but who also have a track record of “making grass grow on bare ground.”

The odds of breaking through are never great. Schwartz says out of the several thousand entrepreneurs who traipse through FundingPost events each year, the moon and stars line up perfectly for about a half dozen, who find venture capital, and double that number, who secure smaller funding commitments from angel investors. At our New York meeting, one entrepreneur in his mid-40s seemed to have the right touch. He and James Lockhart of Greenhill Partners, a New York tech and business-services venture firm, spent a few moments watching a demonstration on the entrepreneur’s iTouch screen. Then Lockhart uttered the words that every entrepreneur in that room craved more than the sliced turkey and unlimited merlot: “Would you mind leaving us your information?” **S**

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