

Pitching Tip 9: The simpler, the better

 By Alon Raiz

20 Jul 2021

In the last of this series of articles, I share the last of my nine tips to help any entrepreneur to navigate their way around pitching to investors to scale their business.



Source: www.pexels.com

Is simpler better?

In my experience, passionate entrepreneurs are highly intimate with their business ideas. They have done all their research well in advance, have a good understanding of the market opportunity, and know how their product or service will fulfil the need or want that they perceive in the market.

When these passionate entrepreneurs develop their solutions, the models become increasingly sophisticated and intricate in order to ensure that they solve for anomalies and predictable risks. As the models evolve in their minds and on paper, the number of working parts that make up each solution increase exponentially.

Today's tip is one that all entrepreneurs should keep in mind when pitching to potential investors. When working on your solution, keep the number of working parts that make up your model as simple as possible.



Vusi's pool table model

The pool table industry started off many years ago when manufacturers started supplying pool tables to pubs and the like. As per the model, the owner and supplier – Vusi – would place a pool table in a venue and the revenues from the table would be split 50/50. Vusi would then arrive at the pub, count out the money, divide it in half, and come back the following week to do the same.

As pool tables became more popular, Vusi would supply a second and a third and a fourth table to other pubs, until he reached a point where his business was thriving and he required his first employee to go out and collect the money on his behalf. After hiring his first employee, Vusi now had to take into account an additional cost associated with collecting the money.

His new employee, Judd, faithfully went out and collected the monies weekly, just as his boss had trained him to do until one day Tom, the pub owner, approached Judd with a proposition. Tom instructed Judd to tell his boss, Vusi, that the pool table had only generated half of what it actually had, and that he and Judd would split the difference. Vusi, who trusted Judd implicitly with his new role, would have no way of picking up this fraudulent activity. And so, each pool table that was distributed became less and less lucrative as Judd became more dishonest and greedy.

The simpler the model, the better

A better model would have been for Vusi to rent the tables to Tom for a fixed amount per month, so that all the takings from rentals were for Vusi's account. This would also eliminate the need for hiring an employee, like Judd, as a simple monthly debit order would suffice. This rental model would allow Vusi to finance the tables and would also help him cover his overheads.

Too often, we choose verbose models which are overly complicated. When constructing your model, ask yourself the following: What business am I actually in? If Vusi had done this, he would have realised that he was in a finance business instead of a pool table business. Why do I say this? Because the pub owner could have bought his own pool table if he had had the finance to do so. The pool table is an expense and it's easier for him to rent the table every month and still make a profit from it. By keeping things simple, Vusi would be able to focus on the more important needs of the business, while creating a steady monthly income stream.

When preparing a pitch for potential investors, don't overcomplicate your model in order to sound experienced and better than everyone else. Rather keep things simple and manageable, and make sure you are certain of the business you are running.

ABOUT ALLON RAIZ

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum, and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

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