Ken Hubbard of The Pitch Company

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Need help in finding investors for your Startup Fund or Angel Group 10 Capital provides funding as a service, helping you find investors contacting capital gain access to investors for angel and venture capital funds, family office rounds and syndication raises. To learn more, go to 10 Capital Group. Hello, this is Hall Martinwith Investor Connect Day here with Ken Hubbard, CEO of the pitch company. As investors, the pitch company feels that business leaders would be more successful if they could get their company story out more concisely with the pertinent information they need in an expedited and organized, structured pitch. Company's frustration with the process led them to test over 60 different pitch templates for effectiveness. They realized it was not just the template that was the culprit, but the need for coaching by investors. That makes a difference. Ken, thank you for joining us now.

Speaker2: [00:01:13] Pleasure to be here.

Speaker1: [00:01:14] Can you tell me more about your background before founding Pitch Pro now?

Speaker2: [00:01:18] I'm sure so. Gosh, in the early days, I started a company back in the 80s and sold it in ninety one and felt like I needed to get into the world of computers because I ran that doggone company on one computer and it was quite difficult. So I ended up with a couple of big firms, one being a out of Japan at the time, the second largest company in the world. But now that we look back on that, even to the 90s, they were only one hundred and seventy six billion dollars approximately. In fact, that's what Apple has in the bank and then some. So I moved on out of that, took a little time off. I did some consulting for some companies, got involved in a very high tech startup, which was a data center in a box. You talk about referees back in two thousand seven eight. Right at the end of seven, we decided that we were going to raise money. Nobody knew the market was going to be as bad as it was. But that was kind of the genesis of putting together the pitch business back in those days. There really wasn't a great pitch model. So I was able to create a pitch model and we raised two million dollars at the beginning of twenty, eighteen, forty five days.

Speaker2: [00:02:40] So I realized at that point that the pitch was vital. I stayed with that company for a few years and then I moved into running an angel group and the angel group PC and I ran for about five and a half years. And in that time we started out with about 11 angels that were really investing. And I felt bad for the CEOs that were coming in. They were trying desperately to raise money and their pitches were all over the map. And they were making fundamental, very simple mistakes is really the wrong word, but assumptions. And so when they were pitching the angels, they thought, hey, the angel wants to hear. And it wasn't what the angel wanted to hear. And of course, as you have probably heard more than a million times, the product is neat, but you don't have to ramble on for an hour about it. So as I started looking at this, I thought, well, it's probably a good idea to train the investors a little bit because they were listening to everything. They were all over the map. But at the same time, I wanted to get the pitches squared away.

Speaker2: [00:03:53] So we started squaring away the pitches and getting a format. We realized they had to have input from the investors to get the pitch right. So what I did is I took my background. I took many, many pitch decks, refined it all the way down. I mean, I've looked at Kawasaki's, I've looked at Y Combinator, everybody, Sequoia included and said, you know, really a pitch needs to fall into the same slides they all time. It's roughly about 12 flights, but it needs to be a nice high level, you need to be able to deliver it at a cocktail party in five minutes without somebody realizing you're pitching them. But then you also need to be able to do it formally in front of a group. So after developing a pitch, so it's really more about the messaging, about putting this together. And as I left the Angel Investment management side, at that point, I did about three or four investments. And now today I've probably had a couple of zombies. I have still got a piece of about four companies and I'm looking at number one right now. So there's a little bit of history let's create.

Speaker1: [00:05:01] So you talked about how you got to work in this space by looking at the companies coming in to pitch and so forth. What made you decide to turn that into an actual business?

Speaker2: [00:05:13] And I got asked on a regular basis, would you tell us how you do it? Would you give us some background? Would you please coach us? And what I realized was a good CEO or entrepreneur, what they really want from an investor is just one that coaching can come at them from all different angles, different styles, different. But the reality is, if they don't have skin in the game, they don't listen, they just go, yeah, yeah, yeah, yeah, yeah, that's really neat. Now give me some. And I got to the point where I was saying, wait a minute here, I've got to help them listen. And the only way to do that is to put this into a business format. I've now put it as a software side. They can run it themselves. But the reality is there are I would say 98 percent of all businesses at some point are raising money at any given moment. Every business has to raise money, different types of money, of course, money from strategic investors, money from banks, lending, debt, equity. It doesn't matter, but they all have to raise money. Why not make it faster, help them expedite the process. And there's no way you or I or anyone could help enough CEOs one on one. It just can't be done. So I wanted to get it out there in a big format as fast as possible. We probably are close to two thousand CEOs now that we've helped personally up until a year or so ago. I was doing it one on one and two on one and 10 on one. But I think making it so it's scalable is always a difficult issue.

Speaker1: [00:07:07] Well, you see a lot of stripes and a lot of investors. What's your advice for people investing in startups? Well, you tell them to do before they write that first check.

Speaker2: [00:07:14] Oh, gosh, there has to be ten thousand pages written on this. You know, I my approach is different than everybody else's approach. When I look at a startup, if I don't have a background in that area and I don't have a friend or a trusted source in that space, then it's going to be tough for me to actually invest in that space. However, as I like to tell a lot of these CEOs, if you can compel me and you can mitigate that risk and you can show me that you're flexible and willing to learn, I'm willing to listen. And of course, in the angel world, we don't have any background on a company. We can look at somebody's personal background, but that doesn't give us depth. There's an old story I all but probably less than 10 years ago, big VP rolled out of IBM, started the company. He raised hundreds of millions, poof, gone. He did it again. This time he said, I only need seventy five million, Don. Now, this is a guy that you and I would invest in and a lot of people did, by the time he did his third round, his third actual company, he finally was getting it. And he realized halfway through that his software wouldn't work. So we end up giving back about half the money. I think eventually he finally did make some money. But it just tells you that even the best trusted people out there may not be great entrepreneurs. So part of what I look for is that great entrepreneur and I call it the person who can do a little bit of accounting. They can start making money with almost nothing.

Speaker2: [00:09:06] They can figure out how to get a person to buy what they have with almost nothing. When I hear that companies need a bunch of money up front to get an MVP build. I kind of have to go well, you know, unless it's really something like a medical device or something that takes an enormous amount of cash to create, I tend to want to see them do a little bit of alchemy. I want to see who they can get to buy into their story to create. And once that creation's made, now they've got something that they can take a little bit of pride into, and that's when I start seeing their desire and then I look at their ability to build a team. Are the people around them they're best friends or they talented people from the industry who have said, yes, I believe in you, I will follow them. So as I go through the process, I would say the weakest link. That I really don't put too much time into. And the reason I don't is because it is completely made up of the financials, I run my own numbers, I go do my own research on the market, I go do my own research on the customer, because I know that if I hear and it matches up to what they heard, then I've got a better shot of hitting a home run with this company. And realistically, if I can come out of things with four to six X, I feel OK. Know the convertible note model has been very good to me and some of the other things that I've done is fairly good.

Speaker2: [00:10:46] But the reality is that I'm looking at a five year to seven year window. I know they're not going to make it in two to three years. However, sometimes A walks through the door and takes out all the angels. That's not a bad thing. But when I look at a company, I look at it from so many different angles. And I do love to speak to each one of the executives, which in a startup, three or four guys. I like to speak to each one separately and then I like to speak to them and I'd like to see the fundamentals. How do they react with each other? What is it that they have as a goal, does it match the goals of the other guys because it's easy to pull apart a company when you have two or three people with different goals? So a lot of what I do when it comes to looking at a company and trying to validate that company, I'm doing this very personally, specifically to what I know how I think. And then the decision, again, probably similar to yourself and others, is you can try to logically put down why it makes sense. But the reality is there's a touch of greed, a touch of future possibility may be helping people, maybe not. And then there's that. Deep down, that that we all have a sense, will they make it? And if they don't, this is the one that. I play and if they don't, and I do something with what's left. So, you know, that's how I learned less great.

Speaker1: [00:12:29] Well, you've been in the industry for some time. How do you see the state of startup investing progressing here post covid where you think the industry is going and how is it evolving?

Speaker2: [00:12:41] Boy, that's a crazy question, especially after everything that I've read in the last 30 days, I look at voices having so much money and they've got to deliver for their lives that they've got a place that cash. A lot of them are doing some early stage investing. I see a lot of people with money that they've never had before. And I don't mean stimulus money. I mean, they've made money and digital currency. They've made money on their house that they never thought was going to go high. Vegas, for example, home sales are off the charts and numbers. However, there's just not a lot of home. So people are getting a premium. Twenty five. Fifty thousand more than they've ever had for the home or expected. So I see a lot of money floating in the market. I think it's a good time for startups. Startups need to be very keen on getting in front of investments. They need to have a programmatic process to reach as many as they can as quickly as they can. I should send you this mean that I saw today actually would mean it was a nice comment on LinkedIn. And he said after three years of pitching and finally got our first investor. Three years of kitchen. I had met them three years ago, it would have been less than six months unless they had a problem, but to think that somebody pitched for three years and finally got an investor right now, I believe investors are going to be fairly quick at putting money. And, of course, they have to go through the cycles because they don't know the startup's history. There is no history. So that's a little more difficult. But you need to engage them and build that trust, mitigate that risk and do it as quickly as possible.

Speaker1: [00:14:41] That's great. So what are the challenges you see starters facing out there when they go to raise funding? You said they have to reach as many as they can as fast as they can. What are you seeing these days with this when the world's going online?

Speaker2: [00:14:55] You know, I think online is great for them to a point. There are investors that like to shake hands. But when I look at the ability right now to speak to a large audience of investors. Zoom has created quite an anomaly out there. I was talking to a group that is only family offices, a very, very large, and they said they never thought in their lifetime that family offices would go online and watch somebody talk to invest. They said that just didn't seem like it work on average. About one hundred and forty people on every call. Of course, family answers, and that's different. But when it comes to start ups. Individuals within family offices put money in startups, many of them to do, they may not invest the family's money specifically, they may invest their own money, but a lot of them probably say one percent of their portfolio or half a percent of their portfolio, those in the early stage companies. Great.

Speaker1: [00:16:06] So tell us more about Pitch Pro and how you fit into the overall landscape from the start at sea.

Speaker2: [00:16:13] Well, I appreciate that us that question pitch pro for me is really kind of a labor of love. I love to see companies succeed. I love to see them raise money quickly. I've been there. I know what the frustration factor is. It's intense. And if you've never done it before, you think it is nothing but an uphill battle. And I don't mean slightly uphill. I mean 80 degrees uphill. So you just get nervous about it. Well, like anything, if you practice it and you practice the right thing to do. Then you're going to build your own confidence and you're going to move it, you're automatically going to have greater success. And that's what pitch was built around, it was built around the idea of giving the CEO confidence of being sure their message is something that an investor can grab on to instantly. When you talk about a problem, for example, and then you talk about your product as the solution, if you look at a lot of the problem, slide does not match up with the solutions lie. So the investors are going OK. The problem is we're running out of rubber trees and a solution is we have solar panels. How does that work together? I don't get it. And that's what happens in the brain very, very, very quickly of investors. They if they can't match the problem in a solution together quickly. Then they're thinking while the CEO is going on to the next slide. And by the fourth, this slide, all of a sudden, the CEO has completely disconnected from 30 to 50 percent of the audience and he can't figure out what happened.

Speaker2: [00:18:07] And it was nothing but simple, basic steps that people, you and I, we're used to seeing a lot of decks. So we think a little bit more quickly on trying to put the points together. But most investors don't they don't see that. So the whole point of the training process, the coaching is to, one, help the CEO get much more confident to mitigate the risk and the numbers and the information in the messaging for the investor. Three, How many times have you been in a room where everything's going great for the pitch and they get to what the deal is and it's like somebody popped the balloon and nobody understands how the money should go into the company and how the money is going to be used. What the vehicle, the financial vehicle is, what the comps look like in that industry, and all of a sudden it just washes away. So we also take them through the deal. And right now, I've got two coaches that train the trainer on board. Basically, they are certified coaches and certified our guys to go out there and be able to do this one on one. But the whole point being is getting that seat. Feel confident, knowing you can pitch, knowing that what he's got is the right thing to pitch. And as I say it, every year you're going to get advice out beginning. You're going to have advisors, you're going to have friends, mentors, everybody to throw advice that you and all I'm giving you a pitch pro is the foundation you use their advice for you wanted.

Speaker1: [00:19:53] Well, that's great. Appreciate you sharing that with us in the last minutes that we have here. Well, should we cover that? We haven't.

Speaker2: [00:19:59] Well, know, I'm not sure there's anything necessarily off the top of my head, but one of the things I would say is investors, not every deal is something you need to look at, pick and choose. You should just stay focused. And when it comes to CEOs, it's OK. If somebody doesn't want to invest in your company, go to the next person, move on, don't dwell. I was with a CEO recently, and after every pitch that he did, he wanted to go back and beat up every second. And I told him, stop, you should be taking a couple of minutes, decide what worked and didn't work. If you can even figure that out, because a lot of times investors are very kind. They don't want to give you a bad impression. They don't want to cause problems. But move on to your list and keep on going because that's how you're going to get the money in. And right now, valuations are, in most cases, over the top. I looked at a company yesterday and they have a 15 million dollar valuation. I think they have sales of about thirty thousand dollars total. And I said, you know, guys, your roadmap doesn't match up. I don't know how you're going to get a 50 million dollar valuation right now. But I also know that the valuations are absolutely pressed up against the ceiling. So I think reality is you might want to stairstep your cash raise. And instead of going after three to five million right off the bat, look at one one point five or less stairstep with another raise right behind it to get you where you want to be. And that first one, you might take a little bit of a minor haircut on. But on that second round, which is really piggybacking, that's where you're going to get that valuation you want, especially if you have been able to get some traction. So you maybe think a little bit differently instead of going after so much great advice.

Speaker1: [00:22:06] So how best to get back in touch with you?

Speaker2: [00:22:09] You know, you can reach me can at pitch pro dot dotcom is a great way to reach me. I don't have a problem with you calling either. Nine four nine three four two four four four nine will reach me. I try to take as many calls as I can during the day and try to answer as many emails as I can. But whatever I can do for you, be happy to help.

Speaker1: [00:22:38] Great. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:22:42] Any time. Thank you so much. Really appreciate it.

Speaker1: [00:22:50] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect. Doug Alti Martin is the director of Investor Connect, which is a 5.1 C3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.