

## Chapter 5 – How to get the cash you need – without getting eaten alive!

This chapter's very simple. I'm going to give you a piece of equipment – a powerful tool in the form of a 'magical pitch'. The pitch will do two vital jobs: it will ensure you get the money you need (vital, obviously), and it will do so in a way that you acquire it while retaining the flexibility you need to operate effectively as a start-up.

But before I give you the pitch, I'm going to take you through the how and the why of its design. First, it provides you with the intimate motivations and concerns of the funder – a massive advantage in negotiation. Second, it ensures you don't make any rookie mistakes – that is, it stops you saying or doing something that might instantly destroy any hope of funding.

I'll take you on a journey that will examine different sources of funding and their pros and cons. Those sources can include traditional plain-vanilla banking, other modern-day funders, such as venture capitalists (not my favourite people, as you'll see!) and more exotic business angels (henceforth referred to simply as angels).

Armed with your new-found knowledge it will become clear that the most profitable way for you to raise external funds will be using the magical pitch.

Getting funding is all about having the right pitch and props – which I'll provide for you. But there's one show-stopper not in my control. Fortunately, it's in yours.

### **Pitch of pure pain**

During my time at Virgin, I had literally hundreds of people pitch to me for funding. Despite the fact that we were desperately keen to find quality business ideas to back, we struggled to find suitable ones. This was largely because most of the individuals didn't really understand how to pitch for funding. As a result, they left empty-handed.

I remember one pitch clearly that typified the poor-pitch experience. From the moment this guy walked into my office, I could tell he was incredibly nervous. This was understandable so I tried my hardest to put him at ease. I offered him a drink and tried a little chit-chat. I was also deliberately dressed down so that I wouldn't come across as intimidating.

After a few minutes of faltering small talk, the man began his funding pitch. He still appeared extremely nervous and was struggling to look me in the eye. I had actually already read the executive summary for the proposal and quite liked the idea so I tried to coax him along as he stumbled a little in the delivery of his pitch.

The pitch continued for about fifteen painful minutes. No matter how much I tried with the guy, he seemed so uncomfortable that he just wanted to race to the end of the presentation. Towards the end of the guy's pitch, Richard Branson himself walked into the room. Now Richard always deliberately adopts a very non-threatening approach (it is hard to be too threatened by a man in a thick-knit jumper!) and tried to put the man at ease.

But despite Richard's best efforts, the nerves now really kicked in. He rushed through the remainder of his presentation, and concluded by apologising for the fact that the business required funding and that he had not been able to find any capital elsewhere. Having finally reached the end of his pitch, the guy seemed relieved and wanted simply to throw his business plan onto my desk and then make a rapid escape from my office.

Same old, same old. Once again, I was faced with a business idea that was actually quite good, but which would be very difficult to fund because neither Richard nor I could have any confidence that the guy could deliver what he promised.

Unfortunately, this tale is all too common. It happened to me repeatedly when I was at Virgin and it still happens now. But why is it that budding entrepreneurs have such difficulty asking for funding?