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Preparing An Effective Executive Summary — Or “Teaser” To Land Venture Capital Financing

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An effective executive summary — also known as a “teaser” — is a crucial tool that helps entrepreneurs catch the eye of venture capitalists and other sophisticated investors. Those venture capitalists and investors have the money that could make the difference between the success and failure of your fledgling business, but they tend to be bombarded with business plans to the point that they could not possibly read all the information they receive from business owners seeking financing.

A well-written business plan is also crucial, but it is generally premature at the start of the courtship — the right tool at the wrong time. A clear, concise, well-written teaser is an initial sales document and therefore the tool of choice to get a business owner from the start of the process to the point where an investor needs the more specific information that a business plan contains.

As legal counsel to many emerging companies, I have read hundreds of teasers and am all too often taken aback at how poorly they present the companies' initial case for funding. Owners of such businesses and their advisors must package the business and present its compelling story in such a way that it increases the likelihood of success in a capital raise.

As with most communications, business owners seeking capital should focus at least as heavily on the venture capitalists' expectations and desires as their own. A well-written teaser describes for a prospective investor the three main benefits that the business offers its customer base, in descending order of importance. From that, a prospective investor can weigh the likelihood of robust sales and revenue — crucial elements in the decision whether to fund. (An effective follow-up document, the business plan, will mirror this format with greater detail of the competitive benefits a company offers.)

For each benefit to the marketplace, the teaser should describe what customers' needs are met by the business' products and services; touch on whether the business model is sustainable and how revenue will be generated; and discuss why customers will pay for what the company offers. Opine on whether the company offers must-have or nice-to-have products and services. Does the company solve some crucial problem for its target customers? Don't exaggerate on any of these points and generally avoid unsupportable superlatives — the best, the only one of its kind, or self-serving phrases such as game-changing or life-altering — because savvy venture capitalists will see through that gambit quickly. Support your claims by providing supporting research — past performance, for example, or clients' testimonials and studies that buttress your claims.

MUSTS, AND MUSTS-TO-AVOID

As with any pursuit, there are some rules of the road to follow. I have observed over the years what tactics work and which ones fall short. Many of these suggestions may seem obvious, but they are worth repeating because following them should result in an effective teaser that might catch the eye of your next investor.

In clear, concise, jargon-free language, write a reader-friendly summary that an executive in any industry can grasp. Besides describing the benefits of your goods to your customer base, explain clearly the revenue model and value proposition; include information about your market, its size and demographics so investors can judge the scale of opportunity; pricing issues and competition. Investors know that virtually all companies have competition, so trying to convince them that you don't will damage your credibility from the outset. You should explain why you have or perceive a competitive advantage over your competitors and why you believe you will maintain that advantage, but avoid puffery and bluster.

Your management team will probably be of great interest to investors, so describe the people, their qualifications and their track records. Make projections, but make them realistic. State how you intend to use the proceeds of the capital raise, but keep that broad and flexible. Finally, state clearly how much you are seeking to raise and how you arrived at that figure.

Employ KISS twice: keep it simple, stupid and keep it short, stupid. Avoid highly technical writing because at this early stage, investors are trying to get a big-picture snapshot of your company, not what kind of alloy you use in your widgets. Technical writing will turn off an investor if he doesn't understand the teaser, which should appeal to a broad base of venture capitalists, not just those intimately familiar with your industry. So too will excessive verbiage; keep the document to four pages at the most.

Write in an active voice, not the passive. Be realistic, but avoid negativity of any kind. Avoid empty adjectives that carry no substance. And avoid the spell-check land mine; triple-check spelling and formatting. Venture capitalists have so many teasers and business plans — and underlying businesses — to choose from that they are likely to discard those that appear sloppy.

Finally, avoid the temptation to use a power-point display to supplant or accompany a teaser. Power-point presentations tend to be too long and, frankly, too dull for most investors' patience levels, particularly at the early stages of the relationship.