

SelfInformed

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Carl Surges



Out of the **SHARK TANK** & Into the Elevator (Pitch)

By Sallie Hyman

If you have seen the ABC Television show “Shark Tank,” you can picture the scene. An enthusiastic, passionate, entrepreneur is about to pitch his product to the panel of uber-successful investors, hoping to land that desperately needed funding to launch his business to the next level. With 22 million self-employed people in the United States, there are bound to be a fair number hoping for that big chance.

You’re nervous for the person as he or she steps up onto the stage and begins their pitch. This is the make-or-break moment for this entrepreneur. Millions of dollars are riding on how well they can present their business and interest the investors. Could you imagine yourself up there delivering a pitch? Some show participants nail it and walk away with huge business deals and others fall flat on their faces. Which one would you be?

The elevator pitch, so named because it should not be any longer than the average elevator ride, is an important part of your business strategy. This 60-90-second synopsis of your business concept is meant to grab the genuine interest of your audience. Most people have an attention span of only 30 seconds, so you need to be concise, intriguing, and get the facts across quickly.

For most business people, the elevator pitch will be used for gaining investors and clients. For startups, investors are probably the number-one audience. It can be very difficult to get the attention of investors to even get the chance to give your elevator pitch. Entrepreneur Chris Dixon of Kickstarter, Foursquare, and Skype fame, suggests that you get involved in the startup community before you even start pitching. By participating in online discussions, blogging, and being out there in the startup community, you develop a presence that will get you noticed by investors.

THE WINDUP

Now that you have been noticed, are you ready for the pitch?

The elevator pitch is not meant to be a comprehensive business plan. Don’t cram your pitch so full of superfluous numbers that investors become glassy-eyed and tune out. Also refrain from using too much technical terminology. You might think you sound smart, but smart investors know that people who don’t know their business very well hide behind big words. You are trying to get them to invest, not give them a dissertation.

But just because you have only 60 seconds, don’t think that you don’t need to know your numbers. If you don’t know or can’t convey how many people might buy your product/use your service, then why would someone want to give you money? This means you do need to have a comprehensive business plan in the wings. The elevator pitch should answer certain questions that will have investors wanting to see your full business plan.

Investors are going to want to know what your idea is. Is it a new idea? An improvement on an existing product/service? Tell them why you came up with this idea. This can be done as a (short) story or turn it into your hook. For example, “X” happened to me so I came up with “Y” to solve it. This is what really grabs the attention of the investor.

Next you need to let them know what is the status of your idea. Are you already in business? Are you a startup with nothing more than a dream? Even if you haven’t launched your business yet, you can still deliver a pitch. If you have done your homework and know your market, investors won’t run from an untried idea.

Speaking of the market, this is a very important area to cover in your pitch. You need to show an understanding of the market and where you fit in. What do you believe to be your advantage in the market in relation to competitors and market needs? Have you developed/improved on a product that fills this need better than what is currently available? Who is your competition and how well are they doing? If you know that they investor you are pitching uses one of your competitor's product/services, what are you doing better than they that would want the investor to switch to you?

You should include your revenue model in your pitch. Are you planning a retail, wholesale, or e-commerce type of business?

It is very important to let investors know who is on your business team. Let them know if you have any experts from the industry or the business world working with you, especially if someone joined your ranks from the competition. Even if you are all new at this, highlight strengths of each member. This will give them more confidence in your idea.

Lastly, investors want to know about what interests them most. The money.

How much money are you seeking? Are you expecting to get all of the money up front or do you have it set up in phases as the business develops? How are investors to be compensated for their investment? Are they acquiring equity or some other means of repayment?

Investors want to know that you have thought into the future and know if there is an exit strategy. Have you come up with profitability projections? When do you expect the company to reach profitability and how much? Are your goals to sell the company to a bigger entity once you are up and running? How long do you expect that to take?

Once you have the answers to all of these questions you are ready to organize it and get that pitch ready.

Pitchspring.com offers the following elevator pitch worksheet on its website. It helps you logically and briefly identify and answer the key elements in your pitch. Once you answer the questions, it puts them into a format that, with just a little tweaking to make sentences flow better, becomes your elevator pitch. You can also record your answers and the site will help you to make a pitch video. If you just need a little guidance, just answer the questions and use those answers to work through your own pitch.

ELEMENTS OF A PITCH

An elevator pitch should contain the following key elements:

1 An attention-grabbing 160 character Bitesize summary

Start your pitch with a statement or question that makes your listener want to hear more. Think about this opening line as you continue this exercise, but write this line last. It should be both an introduction and a summary.

ADVICE FROM THE SHARKS

ABC's Shark Tank investors include billionaire Mark Cuban, owner and chairman of AXS TV and outspoken owner of the 2011 NBA championship Dallas Mavericks; real estate mogul Barbara Corcoran; "Queen of QVC" Lori Greiner; technology innovator Robert Herjavec; fashion and branding expert Daymond John; and venture capitalist Kevin O'Leary.

They give advice on how to deliver a (positively) memorable pitch that just might land you a business deal.

What's your best advice on how to pitch?

Robert Herjavec, "Get us interested (quickly) – bored Sharks make snap decisions – and not always in your favor. Once you have us interested – know your numbers."

Kevin O'Leary, "Know your numbers. And if you aren't good with numbers, bring someone who is!"

Lori Greiner, "Be confident, and likeable, know your product inside & out. Be prepared & try to practice and be ready for any questions that could possibly come your way about you, your product, or your business idea."

Barbara Corcoran, "Over prepare, and practice, practice, practice. You've got to know your numbers well and have enormous energy in the pitch and passion for your product."

Do you have to be memorable to make a good pitch?

Robert Herjavec, "No – but you have to be able to make an impact while you are in front of us."

Barbara Corcoran, "It is very important to be memorable, but it is only one part of putting together a good pitch."

Kevin O'Leary, "Yes! And if you show me clear how I can make money, I'll remember!"

Lori Greiner, "It obviously would help if the person and the idea were something that were so compelling that they would be memorable."

Whether you are standing in the Shark Tank or pitching to a local investor, heed the advice of these expert investors and perfect your pitch.

2 A brief description of your product or service and it's market

Briefly describe what you sell, who will buy it and the channels you use. Explain how your product or service will solve a problem, meet an unmet need, or exploit an opportunity. Remember, you want avoid to talking about the features of your product or service and instead you should focus on its benefits.

3 A description of the team behind the business

Provide a little detail about your background and your team's strengths and suitability for the venture.

4 The benefits of investing in your business

Why would the investor want to take a risk with you? What are the benefits? Succintly communicate how you and your business are innovative and have an advantage over the competition.

5 Delivery

Show the uniqueness of your concept and your passion through the enthusiastic delivery of your elevator pitch. How can you sell yourself as entrepreneur to the investor?

6 A call to action

Finish your pitch with a call to action, what do you want from your investors – don't talk terms just establish what you need or want.

Now that your pitch is perfect, start practicing. You need to memorize it and become comfortable with it so that you can present it at a moment's notice. You never know when you are going to be in the elevator with your dream investor, or as some lucky entrepreneurs got to do, pitch their business ideas to Sir Richard Branson on a bicycling ride through South Africa. You need to know your facts and be ready to answer questions regarding the smallest details of your company.

Be sure to practice your delivery so that you don't sound like a recording. Have passion and enthusiasm, but not so much that you scare investors. Practice in front of a mirror. Videotape your practice so you can view yourself to see if you sound natural and relaxed. Once you have practiced enough by yourself, recruit your family, friends, and willing colleagues to practice in front of. Ask for feedback and modify your pitch accordingly.

Good luck. And don't let the shark bite! ■

Sallie Hyman writes on small business issues and owns and operates her own small business in Purcellville, Virginia.



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Ask The Experts

Q: *I have reviewed several resources regarding how a consultant typically sets rates. There are many variables to consider, including factoring in “down time” and determining profit levels. What guidance can you provide about setting consulting fees?*

A: Your question is a very good one and can be very difficult to answer since there are so many variables. Just like big businesses, the rates you charge for your products and services should be structured to cover all of your related business costs as well as an amount expected to compensate you, individually, for your time and effort. The corporate environment typically includes a “profit” factor in the development of their pricing strategy designed to compensate owners or shareholders for their investment in the enterprise in addition to the compensation for key employees. For the small business owner, the “profit” factor may already be included in that amount deemed as compensation or earnings for the specific owner.

Perhaps the most direct method to determining the rates you should charge for the services you provide is to estimate similar compensation that you might receive or have received in providing those same services as an employee. An apples-to-apples comparison must include both tangible and intangible benefits of operating as an independent contractor and as an employee. The intangible benefits of operating your own business include flexibility, autonomy, and a certain sense of control that is very important to many small business owners. The benefits of providing your services as an employee include some level of certainty, access to other resources, and some benefits such as vacation time, health insurance, etc., that may not be available to you as a sole proprietor.

Many of those benefits are indeed intangible, and therefore it can be difficult to apply a cost or price tag to those items, while other can be quantified. Vacation time for most employees can be 2-3 weeks paid time per year which represents about 5 percent of annual compensation. Health insurance benefits vary widely but can represent another 5-10 percent of annual compensation. Adding other benefits such as sick time, travel benefits, cell phone costs, and so forth can add another 5 percent of compensation for many employees. The comparison can vary widely but benefits such as those mentioned here can represent 15- 25 percent of compensation, per year.

GET MORE ANSWERS

The NASE’s small-business experts are here to help you understand the ins and outs of operating a successful small business. And access to these professionals is free with your NASE Membership!

Just go online to the [NASE Business Learning Center](#) where you can ask the experts questions about:

- Taxes
- Marketing
- Financial issues
- Employee relations
- Accounting rules
- And much more

The experts are available 24/7 and ready to help!

A specific tangible cost that should always be considered is the effect of self-employment tax that will be incurred on all net earnings from self-employment. From a technical standpoint, the self-employment tax is the equivalent of FICA and Medicare tax that is paid on wages by both the employee and the employer. The key difference for our discussion is that the employee must pay 7.65 percent of wages for these taxes with the employer paying a matching 7.65 percent. The self-employed business owner, however, must pay both halves of this tax – a full 15.3 percent of net earnings – from self-employment. The additional 7.65 percent represents an additional cost to the small business owner and certainly should be considered in setting your rates.

Combining each of the above, a reasonable average to consider is a 20-30 percent “markup” or difference in rates when comparing an employee position to that of an independent contractor. For example, an employee providing services at an hourly rate of say, \$50 per hour, might consider an hourly rate of \$60 to \$65 to provide an apples-to-apples comparison. Keep in mind that there are many other intangible costs that could be considered and ultimately, the market will dictate what you can charge for the services you provide, so the best advice would be to evaluate your specific situation, your clients, and your competition and then spend a bit of time to do the math to make sure the rates you charge will meet both your needs and the needs of your clients.

Keith Hall, NASE Tax Expert ■

Member Spotlight

Success of d'Nort

Carl Surges has been an NASE member since 2007 and is president of Pier of d'Nort, a company that sells lake piers that can be easily installed and removed.

Tell us about your business. When and why did you start your business?

In 2002 I decided I'd had my fill of back-wrenching pier installations, so I took a break from my sculpting career to make up a wish list for what I might like to see in a pier if I was able to manufacture such a thing. Allowing just one person to install the pier and not getting wet were the two top design priorities. How hard can that be?

You have a very interesting name for your company and you carry the theme of the name through your website. You also use humor very well. Tell us about that.

My friends and family loved my early miniatures so I knew we had a good design. I was a little intimidated by the competition, so I gave the company a dorky name so the big companies wouldn't take us too seriously. You know. . .kinda sneak up on 'em. I don't know if we're successful because of that, but that's what I tell everyone. Regarding humor, looking online for a product can get pretty monotonous. Humor punctuates that monotony and allows one to become engaged/attentive. On the way to the next joke, people are learning things.

The video on your website works well to show how easy your product is to install and use. What would you say to other small business owners about the value of video?

Video is worth a thousand pictures, and those are worth a thousand words. So video packs information pretty tight. With a product whose value is in its method of operation, and with buyers whose time is increasingly valuable, no other medium is as concise.

Which NASE member benefit is most important to you?

I'm not unhealthy, but a misdiagnosis a number of years ago was impossible to erase from my medical record. I don't believe I would have been able to afford health insurance had it not been for NASE, which connected me with someone who helped me get a new policy.



Member Spotlight

How do you market your business?

Primarily through Google Adwords and the [NASE Small Business Locator](#). We don't sell through dealers at all, so our store is our website. We've made it as informative and friendly as possible and amazingly, it works. Referrals, trade shows, magazines, and radio also play a small role, especially for the local market. We ship and deliver as many as four or five piers a day to everywhere in North America.

What challenges have you faced in your business? How have you overcome them?

In the early years, there was never enough money to do even the basic things: no economy of scale whatsoever, no stocking of inventory, and certainly no product development. Worse, our credit score was actually a negative number. Only grit and insane perseverance gets you out of that...and a lot of exercise to ward off the accompanying stress.

What's the best thing about being self-employed?

Not having someone to answer to is every bit as nice as one would think. Even though there are self-imposed responsibilities, no one yells at you when you make a mistake. They say stuff like, "Well, that's Carl alright." And they *think*, "Well that takes some of the pressure off me." The reason I know this is because I'm inordinately mistake-prone. But I have good employees who make up for that.

What's the best compliment you've ever received from a client?

Here's a direct quote: "We have just completed installing our new pier and we are still amazed that two octogenarians could do this so easily! Would you like a picture of the two of us – both to be 81 next month – standing with our pier? You would be free to use it for advertising. We are astonished at the excellence of the design."

Learn More in the NASE Small Business Locator

Learn more about [Pier of d'Nort](#) in the [NASE Small Business Locator](#) directory, where the company is listed in three categories: [Building & Construction: Construction Supply](#), [Building & Construction: Decks](#), and [Sports and Recreation: Facilities Suppliers](#). You can [add your own company](#) to the NASE Small Business Locator in up to three categories at no charge – it is a free benefit to NASE members.

What do you do to relax and get away from work?

Relax? Hah! The nice thing about a business like this is that it's seasonal. By winter, vacation away from the cold is my relaxer d'jour. I have a daughter in Australia and a lifelong friend in Hawaii. Can't beat that.

Do you give back to your local community? If so, how?

We are only just now in a position to even think about that. We've supported some local sports teams and our local chamber of commerce. This area's livelihood heavily depends on tourist dollars, so this summer we started supporting the efforts of our local water ski team. ■

GET PUBLICITY FOR YOUR BUSINESS!

Your business could be featured in the *SelfInformed* Member Spotlight or another NASE publication. Let us know you'd like to be featured and tell us more about your business on our [Publicity Form](#).

Rocky Start to Health Care Enrollment

By Katie Vlietstra

Millions of America's small business owners who were eagerly awaiting the opening of the Exchange Marketplace found themselves experiencing a computer system fraught with "time out" delays, broken links, and software bugs. In the end, very few interested individuals have been able to purchase health insurance on the Exchange Marketplace.

Already the Administration, under Secretary of Health and Human Services Kathleen Sebelius, has delayed key components of the Affordable Care Act (ACA), including the employer mandate requiring businesses with 50 or more full-time employees to provide comprehensive health care insurance or face stiff penalties and caps on limits for out-of-pocket expenses.

While significant technology challenges persist, equally damaging to the launch of the health care exchanges are the continued political challenges. The House Republicans forced a government shutdown that coincided with the official launch of the Exchange Marketplace and for almost 15 days they were unwavering in their calls for the ACA to be "de-funded" and/or delayed for one year.

However, in the end, the government re-opened with no significant hit to the ACA except those created by a still-dysfunctional website portal. Republicans still believe that even after their government shutdown stunt, Americans will demand the repeal of the ever unpopular health care reform bill in the months to come.

Regardless, the issues still remain – access to affordable and comprehensive health care coverage for every American. For the self-employed, the balance of affordable and comprehensive is where the "rubber meets the road," and the NASE believes there is a lot more work to be done to achieve those twin goals, something we continue to work for daily in our advocacy efforts.

Only time will tell if the Affordable Care Act makes a true difference in the lives of millions of Americans – we hope that with modifications and improvements it will provide a path for securing affordable and comprehensive health care coverage and be one less burden on America's 22 million smallest businesses. ■

Katie Vlietstra is the NASE Director of Government Affairs and provides critical insight to policymakers on issues affecting our nation's self-employed. You can contact her at advocacy@NASE.org.

"While significant technology challenges persist, equally damaging to the launch of the health care exchanges are the continued political challenges."

– **Katie Vlietstra,**
NASE

