How to Write an Executive Summary

One Page That Matters

The executive summary or "one-pager" is an essential document for start-ups looking to work with investors - this overview explains how to do one.

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Investors often talk about a "one-pager" and by that, they mean your executive summary. The executive summary is an at-a-glance fact sheet summarizing everything important about your business. Although it may be a hassle to create, it is vitally important.

What is the purpose of an executive summary?

An executive summary serves several purposes:

1. It provides a condensed quick reference guide to your business in a format the typical reader (an investor) is going to find familiar.
2. It is a chance to demonstrate the clarity of your thinking and your communication skills.
3. It is a piece of "collateral" that an investor can use to discuss your company with other investors and solicit their input--it reduces friction by saving investors the trouble of having to re-summarize the company themselves, keeping your description intact.
4. It gives visual learners an easy way to quickly absorb your business vs. having to read many pages of documentation.

How much weight do investors give the one pager?

They count for a lot. Executive summaries are the basic currency of the startup investing world. They are often the only material a potential investor will read before deciding whether to engage further. Nothing beats a face-to-face meeting if you can get one, and the executive summary is often the ticket to that meeting. And it can create investor-to-investor traction because it is the tool investor's use to pass the opportunity along and seek input.

Can I get by with just a slide deck?
No. You absolutely need a one pager, and you also need a slide deck. You need them both for one important reason: the process and discipline of preparing a very good one page executive summary will really clarify and tighten your thinking. The process of writing it will make you far more cogent in talking about your business--both in person and when using your presentation deck.

If the quality isn't great, does it mean I don't get a meeting?
Yep, pretty much. A really strong endorsement can *sometimes* save you, but a sloppy or bad executive summary is a big red flag. And justifiably so. You have all the time in the world to prepare your executive summary. You've had access to mentoring and advice received through networking. If after all that, you cannot pull together a good one pager it raises questions. Investors will wonder--Do you care enough about this project to bother? Were you unable to network or do the needed research or be bothered to find help? Are you un-coachable? Are you a poor communicator? The list of potential negative inferences is long (and there are pretty much no positive inferences). Good investors worth having in your company see a lot of executive summaries and plans every month. The sheer volume teaches them to look for signals to help figure out where to most efficiently spend their time. A low quality summary is a strong signal to focus elsewhere.

What needs to be in this thing?
The executive summary should include most of the same topics from a basic slide deck (which I will cover in my next column), but the details are tightly packaged and sparingly worded to fit on one page, or at most, the front and back of a single sheet. The typical format includes a box on the right with the company name, logo, URL, number of employees, key players and advisors and important investors. Along the bottom of the page a short, wide box shows at-a-glance financials: gross revenues, expenditures and net for the current year and the next 3-4 years. The middle of the page includes short 200-400 character paragraphs on the following topics:

- One Line Pitch
- Business Summary
- Management Team
- Customer Problem
- Product/Service

- Target Market
- Customers
- Sales/Marketing Strategy
- Business/Revenue Model
- Competitors
- Competitive Advantage

The one-page executive summary isn't easy. In fact you may get incredibly frustrated trying to boil down your big idea into only one-page. But taking the time to do it well is one of the most important things you can do. Remember, it just might be the one thing an investor reads right before deciding whether to move on, or to spend some time with you.

Tweet-length description of company:

What is your elevator pitch?

Sales/Marketing Strategy:

This is how investors will evaluate your Go-To-Market Strategy

What the Market Will Bear - Evaluating Go to Market Strategies

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This article is the seventh in an ongoing series on Due Diligence. To learn more about performing due diligence quickly and effectively, download this free eBook today Stones Unturned: An Investor's Guide to Due Diligence in Early Stage Companies or purchase our books at Amazon.com.

We are all familiar with how technology made dramatic changes in our lives over the past few years. Computers, the Internet, mobile phones, etc. all conspired to make our lives more efficient and more chaotic! And, these disruptive changes touched all aspects of how companies run their operations. It's not surprising that Sales and Marketing professionals have seen some of the biggest changes in how they operate their day-to-day tasks.

Marketing used to be all about PR and Advertising. Now, if you don't understand Content Marketing and how to apply Data Analytics to dig into your customer's behavior you won't be effective. With Sales, you need to understand that your customer knows a lot about your product even before you talk to them. Customers are able to research both you and your competition without engaging a salesperson.

As an investor in early stage companies, you must be aware of the new world order in Sales and Marketing before you are able to understand whether a company is well-positioned to achieve success in their Go-to-

Market Strategy. That said, many of the old rules about how to successfully go to market are still in place. Sales and marketing is still work and it still costs money. It is just different kinds of work and spend. So what are we looking for in an early stage company that may or may not have any customers?

Q: Ham, when a CEO is presenting the company's Go-to-Market strategy, what are some of the key points you are listening for?

The CEO has to be specific about how the company is going to crack their market. Selling is really hard, especially to certain types of customers. S/he will need to convince investors that the company has a very detailed plan or business model innovation that is going to allow the company to acquire their intended customers affordably (relative to their life-time value).

Key questions that an investor must ask include:

- Is the company selling with a direct sales force, over the web, through partners, through distributors?
- Where are the customers and how will they locate them, talk to them, and bring them on board cost-effectively?
- What is the customer acquisition cost (CAC) going to be relative to the lifetime value (LTV) of the customer? (Hint: LTV better be higher than CAC, or they're in trouble.)

There are many different Go-to-Market strategies and they vary from industry to industry. Since we can't dig into all the possible strategies, let me give one example from an industry that I know well, the Software-as-a-Service (SaaS) market.

If you are going to invest in a SaaS company, the CEO will need to describe which of the following approaches the company will use to acquire customers. In the list that follows, I name the approach and then put a dollar range that represents how much you should expect it will cost to acquire one customer (i.e. CAC).

- Freemium ($0 - $50)
- No Touch Self-Service ($50 - $250)
- Light Touch Inside Sales ($250 - $2,000)
- High Touch Inside Sales ($2,000 - $10,000)
- Field Sales ($10,000+)

Once you know how the company is going to sell product, there are a handful of metrics that you must understand to get a sense for whether the company has a viable, scalable Go-to-Market plan. The metrics are as follows:

- Customer Acquisition Cost (CAC) - This cost will vary depending on how the company sells its product (see bullet list above - but you will need to verify that their costs align with this list)
- Months to Recover CAC - In an ideal world, the company will be able to recover CAC in under twelve months. Anything greater than two years is a red flag.
- Customer Churn Rate - Companies with a low churn rate (e.g. under 1% customer loss per month) can grow faster without having to raise as much capital
- Life-Time Value (LTV) of a Customer - If you can find a company with LTV more than three times CAC, then you've found a great investment opportunity

For early stage SaaS companies that are just starting to ship product, it will be difficult to get accurate numbers for each of these metrics. That said, the company's financial plan should reflect the reality of these metrics. Make sure their assumptions in the financial plan are reasonable based on their Go-to-Market strategy.

Q: With an early stage company, what are you expecting to see when it comes to the Sales & Marketing team?

As an early stage investor, I am used to investing in companies where the team is small. In many cases the CEO is the chief salesperson and the company might not have any full time marketing people. But that lack of a formal sales organization shouldn't scare you away from investing. In fact, I am sometimes more worried when a company has a high powered VP of Sales who comes from a big company background and is accustomed to having a staff and doing things according to conventional wisdom.

In the early days of a startup company, you want sales people who are willing to do the grunt work of opening a new market and closing sales. You don't want a CEO who is looking to build a large sales organization before the company figures out a scalable Go-to-Market strategy. That's the fastest way to burn through your investment without producing results - nail it before you scale it!

Often, some of the dollars we are investing will be used to hire a few sales and/or marketing people. In an ideal situation, the initial sales talent are self directed individuals who don't need much training to sell to the target customer. And with marketing, the early hires are individuals with experience building compelling content and filling the top of the sales funnel with qualified leads.

Q: As we mention in the introduction, Marketing changed dramatically over the past several years. Can you be more specific as to what you look for in the marketing plan for a startup?

Isn't going viral how everybody grows these days?? Just kidding… I cringe when an entrepreneur proclaims the company will grow just by word-of-mouth. I know it can happen on the rare occasion, but I wouldn't want to bet the farm on it!

With early stage companies, it can take a while before you figure out what marketing programs will work best for the business. And, it's not unusual for a plan that's successful in the early days of the company to lose momentum as the company matures and the customer base evolves from early adopter, to early majority to mainstream.

So at the point in time when we are doing our diligence, I am not looking for a set of marketing programs with a detailed 12 month marketing calendar. Instead, I expect to see answers to the following questions:

- Market Segmentation: Who is the target customer(s)?
- Market Opportunity: How many customers are out there? How much are they willing to spend?
- Marketing Channels: Where will you find them? How will you reach them?

Or use this very rigorous but simple framework for defining the best GTM strategy:

https://a16z.com/2017/06/09/distribution-model-sales-channels/

Management Team:

Do any members of your management team have previous start-up successes especially the CEO?
Are there members of your management team with experience in this product category?

Read more at:

https://seraf-investor.com/compass/article/leaders-wanted-assessing-leadership-teams

Customer Problem:

Is the problem you are solving a real pain point for a sufficient number of your target customers? Is this problem so painful that prospective customers will immediately take your call or respond to your email?

Product/Services:

What does your product or service do? How does it solve the problem? What makes it unique?

Target Market:

How large is the total market and the Targeted Addressable Market (TAM) you are trying to serve?

Customers:

What companies are you trying to sell to? Who in the company will buy your product? How do they currently buy products like yours? Do they need to gain higher level approval before buying?

Business Model:

How do you make money? How does what you are charging compare to pricing for existing products? What are your customer acquisition costs (CAC) versus customer lifetime value (CLV)?

Competitive Advantage:

What are your sources of competitive advantage? IP? A strong partnership? First mover only potentially works in highly fragmented categories with no real leaders. In a market with a few large players, they will copy your product and wipe you out.

Use of Funding Proceeds:

Who are you hiring? Completing product development? What milestones will this achieve?

Anticipated Size of Next Fundraising Round:

What proof point milestones do want to achieve so you can maximize ease of next funding and support a higher valuation? What funding do those milestones require? Is this for scaling, people or GTM spending? A range like $1.8-2.5mm is acceptable.

Anticipated Date of Next Fundraising Round:

Make sure that the date of the next round provides ample time to complete the next raise so you don't run out of cash before the money is raised.

Estimated Total Capital the Company Expects to Raise:

For early stage companies, a wide range is acceptable.

Revenue:

Provide revenue estimates for the first three years. If you have a decent handle on product costs, marketing and overhead expenses, you can add expenses and net income projections. You should also know what share of your TAM you sales represent when discussing your company. If your sales are based upon achieving a high share of your TAM, they will not appear credible unless your product represents a tremendous step up in benefits.

Make sure that your revenue growth will support an exit that will be attractive to your potential investors.

Deal Terms:

Deal terms 101 is here:

https://seraf-investor.com/compass/article/overview-early-stage-deal-structures

Here's a great set of resources for a deeper look at deal term issues:

https://seraf-investor.com/compass/article/angel-fundamentals-understanding-equity-deal-terms-series

Valuation Amount or Range:

Understand that this is almost a black art but recognize that a common mistake made by entrepreneurs is placing too high a valuation on their company. Should the company struggle to gain traction and need to raise more capital, this typically ends up in what is called a down round in which all previous investors lose some part of their investment.

Stage:

How advanced is your company? Need to complete a minimally viable product (MVP)? Need to validate GTM and business unit economics? Scaling?

Capital Raised to Date:

This needs some thought. It looks good if the company has made good progress with minimal funding and conversely not so good if not much progress and a lot of money spent.

Capital Seeking:

How much and what form: convertible note or an equity round?

Monthly Burn Rate:

This is your monthly cash burn rate.

Members of Management:

If you have board members or advisors that can help you succeed, then mention them in this section.

Lawyer:

You need to have a good IP plan developed with good IP lawyers if you are a pharma or medical device start-up.

Accountant:

If you are an early stage company then you should most likely use a part time accounting service.

Previous Investors:

If you have well respected previous investors or investors who can help make your start-up successful, you should list who they are.

General Tips:

Regarding deal terms and valuations, these have to be good for both sides. Finalizing them should not create winners and losers.

Have a good sense of who might buy you, why, and comparable exits and at what valuations. Importantly, understand that the time for a potential exit and the valuation have to deliver a reasonable risk/return for your investors.

If there is a compelling story behind why you are trying to solve this problem, be ready to tell it.

This website is great resource for entrepreneurs and investors alike:

https://seraf-investor.com/compass/topics