

*An Innovative Method for*

**PRESENTING, PERSUADING,**

**AND WINNING THE DEAL**

**PITCH  
ANYTHING**

**OREN KLAFF**

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AND WINNING THE DEAL**

OREN KLAFF



New York Chicago San Francisco Lisbon London  
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For Dad, true north

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# Chapter 1

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## The Method

**H**ere's the “big idea” in 76 words: There is a fundamental disconnect between the way we pitch anything and the way it is received by our audience. As a result, at the crucial moment, when it is most important to be convincing, nine out of ten times we are not. Our most important messages have a surprisingly low chance of getting through.

You need to understand why this disconnect occurs in order to overcome it, succeed, and profit. This book tells you how.

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### **I Am Not a Natural**

I pitch deals for a living. My job is to raise capital for businesses looking to expand rapidly or go public. I am good at it. When companies need money, I get it for them. I have raised millions for deals involving Marriott, Hershey's, Citigroup, and many other

household names—and I continue to do so at a rate of about \$2 million per week. From the outside, the reasons for my success seem simple: I offer wealthy investors profitable deals that involve Wall Street banks. But others do that, too. Yet I raise a lot more money than they do. They compete in the same market. Do the same types of deals. Pitch the same kinds of facts and figures. But the numbers show I am consistently one of the best. The difference isn't luck. It is not a special gift. And I have no background in sales. What I do have is a good method.

As it turns out, pitching is one of those business skills that depends heavily on the method you use and not how hard you try. Better method, more money. Much better method, much more money. It's no different for you. The better you are at advocating your position, the more successful you will be. Maybe you want to sell an idea to investors, convince a client to choose you over the other guy, or even explain to your boss why you should be paid more. I can help you get better at it using the five methods in this book.

## **Pitching a Master of the Universe**

Over the years, I've pitched to—and closed deals with—some of the iconic businesspeople of our time, including founding members of Yahoo!, Google, and Qualcomm. But the story of what I can offer you cannot really be told without my explaining the day I went to pitch one of the guys Tom Wolfe would describe as a “master of the universe.”

“Jonathan” (never Johnny or even John) is an investment banker who controls vast sums of capital. He gets between 600 and 800 pitches a year; that's three to four every business day. He often makes multimillion-dollar investment decisions based on no more information than a few e-mails on his BlackBerry.

As a dealmaker, this guy—and I have absolutely no intention of giving you his name; he sues everyone and anyone at a moment's notice—is the real deal.

There are three things you must know about Jonathan. First, he's a math phenom who can calculate yield curves in his head. He doesn't need spreadsheets. He can instantly analyze what you are pitching him. Second, he's seen more than 10,000 deals and can detect any kind of flaw or BS no matter how well hidden. Third, he's tough talking and, at the same time, witty and charismatic. The upshot: When he's pitching you, *his* chances are good. When you're pitching him, *yours* aren't. Yet, if you want to be taken seriously in venture capital, you need to have done a deal with this guy. And so, some years ago, when I was working to raise money for a software company, I arranged to pitch Jonathan and his investment team. Given their reputation, I knew if I got them on board, it would be a lot easier to raise money from other investors who were still undecided. They'd say, "Hey, if Jonathan signed off on this, then I'm in too." But Jonathan knew the power of his endorsement—and he wasn't going to give me an easy win.

As my pitch got underway, he made things difficult. Maybe it was for sport. Maybe he was having a bad day. But it was clear he wanted to take—and keep—control of the whole presentation. I didn't realize this at the start, however, so, I began, as I always do, by *framing* (frames create context and relevance; as we will see, the person who owns the frame owns the conversation). I explained exactly what I would—and would not—be talking about, and Jonathan immediately started giving me a type of resistance called *deframing*, which is exactly like it sounds.

For example, when I said, "We expect revenues to be \$10 million next year," he cut me off and changed the frame with, "Who cares about your made-up revenue projections. Tell me what your *expenses* are going to be."

A minute later, I was explaining, “Our secret sauce is such-and-such advanced technology.”

And he said, “No, that’s not a secret sauce. That’s just ketchup.”

I knew not to react to these comments. I pressed on.

“We have a Fortune 50 company as our largest customer.”

He interrupted with, “Look, I’m done here in nine minutes, so can you get to the point?”

He was really making it difficult. You can imagine how hard it was to use all the right techniques: *setting the frame*, *telling the story*, *revealing the intrigue*, *offering the prize*, *nailing the hookpoint*, and *getting the decision*.

Collectively, I call these the *STRONG method* (you will learn about these soon).

Some 12 minutes after I began, what I had hoped was going to be my best pitch ever instead showed all the signs of being my one of my worst.

Put yourself in my situation. After just 12 minutes of your presentation, you’ve been told that your secret sauce is ketchup. Told that your projections are made-up numbers. And that you have nine minutes left to actually make a point.

I was faced with the *presenter’s problem*: You can have incredible knowledge about your subject. You can make your most important points clearly, even with passion, and you can be very well organized. You can do all those things as well as they can be done—and still not be convincing. That’s because a great pitch is not about procedure. It’s about getting and keeping attention. And that means you have to own the room with *frame control*, drive emotions with *intrigue pings*, and get to a *hookpoint* fairly quickly. (Details on those last two in a second.)

I reminded myself of these steps in the face of Jonathan’s interruptions. Then I swallowed hard and hoped my nervousness

wasn't showing. I went back to my pitch, concentrating on my three objectives. I was determined. When he deframed, I reframed. When he looked disinterested, I delivered an *intrigue ping* (this is a short but provocative piece of information that arouses curiosity): "By the way, an NFL quarterback is also an investor." And finally, I got him to the *hookpoint*, the place in the presentation where your listeners become emotionally engaged. Instead of you giving them information, they are asking you for more on their own. At the hookpoint, they go beyond interested to being involved and then committed.

At the end of the 21 minutes, my pitch was complete. I knew Jonathan was *in*. He leaned forward and whispered, "Forget the deal for a moment. What in the hell was that? Nobody pitches like that but *me*."

I tried to show no emotion as I told him, "*That*, in general terms, is called *neurofinance*, an idea that combines neuroscience—how the brain works—with economics. I have taken it a step further and have broken it down into five parts" (the method we talked about above).

Now, even though Jonathan has MENSA-level intelligence, he doesn't have much interest in concepts like neuroscience. He—maybe like you—had always believed that the ability to pitch was a natural talent. But given what he had just seen me do in 21 minutes—it changed his mind. It was clear my pitching was a learned skill and not naked, natural talent like his.

"You can do that all the time?" he asked.

"Yes," I said. "It's based on research about how the brain receives new ideas. And I'm raising a lot of money with it."

Jonathan hears a lot of big claims. When you listen to three or four pitches a day, your "BS detector" becomes finely tuned. So he asked, "How many hours do you have working on this neuro-whatever-it's-called?"



He was sure my answer was going to be 20 hours. Maybe 50. I shocked him when I said, “Over 10,000 hours.”

He looked at me with a wry half-smile. Giving up all pretense of being disinterested, he said, “I need you on my team. Come do this for my deals, and you’ll make a lot of money.”

I had never been more flattered. Not only had Jonathan, a guy who had been on magazine covers, offered me a partnership, he had given me an even higher compliment—validation that my method worked in high-stakes situations.

I turned him down. He had a reputation for being difficult to work for, and no amount of money is worth that. But his reaction persuaded me to try my approach as part of an investment company. I joined Geyser Holdings in Beverly Hills, the most profitable venture firm you have never heard of. Even as the economy cooled down (and then frosted over), I helped take Geyser from \$100 million to \$400 million in about four years. How I did that can serve as your blueprint for success. As you will see, it’s possible to use the PITCH method in any presentation where you need to be truly convincing. What worked for me will work for you—no matter what you do for a living.

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## **The Need for a New Method**

If ever there is a time to learn to pitch effectively, it is now. Funding is tight. Competition is more aggressive. On a good day, your customers are distracted by text messages, e-mails, and phone calls, and on a bad day, they are impossible to reach. If you’ve been in business for more than 10 minutes, you have figured this much out: The better you are at keeping someone’s attention, the more likely that person will be to go for your idea.

But what kind of advice is this really? Telling someone, “Keep the audience’s attention” is like telling someone learning to play tennis to “hit the ball with topspin when it comes.” *They know that!* What they don’t know is how to do it. But it’s worth figuring out. If you have to sell anything as part of your job—a product, a service, an idea, and we all do at some point—you know how the right pitch can make a project go forward and the wrong pitch can kill it. You also understand how difficult it can be to pitch to a skeptical audience that is paying attention to you one minute and distracted by a phone call the next. But we all have to go through this because we all have to pitch if we need something. And though most of us spend less than 1 percent of our time doing it, pitching may be the most important thing we do. When we have to raise money, or sell a complicated idea, or get a promotion, we have to do it. And yet we do it incredibly badly.

One reason is that we are our own worst coach. We know way too much about our own subject to be able to understand how another person will experience it in our pitch, so we tend to overwhelm that person. (We will deal with this in Chapter 4.) But the biggest reason we fail is not our fault. As you will see in the pages that follow, we don’t pitch well because there is an evolutionary flaw in our brain—a wiring kluge in our hardware—that we must understand and learn to deal with if we are ever going to pitch successfully.

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## Dealing with the Crocodile Brain

A brief history of how the brain developed will show

1. How the kluge got there.

2. Why pitching is so much more complicated than we first thought.
3. Why, as with any high-order skill, such as physics, mathematics, or medicine, pitching must be learned.

The three basic parts of the brain are shown in Figure 1.1.

First, the history. Recent breakthroughs in neuroscience show that our brain developed in three separate stages. First came the old brain, or “crocodile brain”—we’ll call it the “croc brain” for short. It’s responsible for the initial filtering of all incoming messages, it generates most survival fight-or-flight responses, and it produces strong, basic emotions, too. But when it comes to decision making, the croc brain’s reasoning power is . . . well, primitive. It simply doesn’t have a lot of capacity, and most of what it does have is devoted primarily to the things it takes to keep us alive. When I am referring to the croc brain, I am referring to this level.

The midbrain, which came next, determines the meaning of things and social situations. And finally, the neocortex evolved with a problem-solving ability and is able to think about complex issues and produce answers using reason.

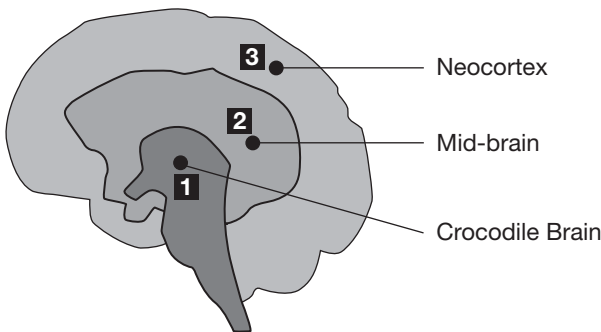


Figure 1.1 Three parts of the brain.

## The Disconnect Between Message and Receiver

I learned from molecular biologist Craig Smucker that when we pitch something—an idea, product, deal, or whatever—the highest level of our brain, the neocortex, is doing the work. It's the neocortex that is forming ideas, putting them into language, and presenting them. This is fairly intuitive.

### Three Brains Working Independently and Together

You can actually sense how the three parts of your brain work separately from each other.

When you are walking to your car and are surprised by someone shouting, you will first act reflexively with some fear. (This is the old crocodile/survival brain at work.)

Then, you will try to make meaning from the situation by identifying the person doing the yelling and placing him or her in a social context. This is your midbrain trying to determine if it is a friendly coworker, an angry parking attendant, or something worse.

Finally, you will process the situation in the neocortex, the problem-solving brain (which figures it out: “It’s okay. It’s just some guy yelling out to his buddy across the street.”)

Our thought process exactly matches our evolution: First, survival. Then, social relationships. Finally, problem solving.

Pitching anything means explaining abstract concepts—so it didn’t surprise me that ideas would be formed by the most modern, problem-solving part of the brain.

*But this is exactly where my thinking—and probably yours—went off track. I assumed that if my idea-making abilities were*