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INSIGHTS

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Food and Beverage Startups, Don’t Pitch Investors Without These 9 Data Points

Q: WHAT KEY POINTS SHOULD BE ADDRESSED BY FOOD AND BEVERAGE STARTUPS WHEN THEY PITCH INVESTORS?

JEREMY HALPERN: Like most high growth companies, innovation and differentiation are important in the food and beverage world. However, unlike technology or life sciences companies, food and beverage entrepreneurs are often making more incremental type changes in the core products with bigger changes occurring in the packaging, pricing, go-to-market strategy, marketing roll out, distribution methodology, and other business side activities. Also, unlike in other verticals, food and beverage entrepreneurs are expected to be in the market and selling product. As such, investors will want real data on 1) distribution footprint, 2) velocity per point of distribution, 3) gross margins, 4) cost reduction efficiencies at scale, 5) comparison data to key competitors, 6) consumer marketing reports, 7) key accounts, 8) unit economics, including wholesale price and suggested retail price (SRP), and 9) social engagement data and influencer activity. If the brand has already spun up an e-commerce solution, investors will want purchasing data, click-through rates, reorder rates, analysis of the costs, and methods of acquiring customers, review data, and other information that validates product-market fit and which provides insight into understanding the nature and habits of core customers.

Q: WHAT ADDITIONAL THEMES OR RISKS SHOULD BE TACKLED?

JH: Investors in food and beverage brands are thinking about whether the brand will gain consumer traction, whether the team can lead it to extreme high growth, and whether there is a market for acquisition within the larger consumer packaged goods (CPG) community. Investors are always thinking about not just the “products” but the “brand,” and how it will capture consumer imagination and provide the ability to extend the brand over time into new product lines or areas. In other words, the things that are valuable to acquirers. On the risk side, investors are seeking to understand whether there is a stable and scalable supply chain and the necessary infrastructure through broker and distributor networks in each case to support the brand if it were in fact to scale rapidly. They want to ensure that manufacturing, marketing, and distribution are in lockstep alignment as the company grows and to understand the cost to reach national scale.

Q: WHAT ARE THE ELEMENTS OF A SUCCESSFUL PITCH?

JH: There are three key pieces to any successful pitch. The first is the advance planning, thinking, and preparation that goes into a presentation. This involves identifying and testing the 50 to 150 hypothesis that make up the business plan. The second is to remember that the entrepreneur (not a deck or a summary or a document), is the pitch—the materials are just visual aids for telling a story. This means that the entrepreneur needs to be impressive and practiced in the delivery of the pitch. Rehearsal is key—it will help to hone the delivery and refine the story so that only the strongest, most essential points make the final cut.

Third, the pitch is the beginning of a relationship with a potential investor. It needs to be inspiring, enticing and to motivate investors to lean-in: to want to know more about both the entrepreneur and the business. It has to have the right combination of credibility and authenticity while at the same time showing the opportunity for outsized returns and for making a market impact. This is akin to saying, “there is a huge unmet need, and we, tiny startup that we are, are going to solve it, and here’s how.” And the pitch needs to do all this while addressing and alleviating the fear and cynicism of professional investors about the risks of every startup business.

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