

Why a standardised market will level the investment playing field

Private investment markets fail to provide people with equal access to opportunities due to their stringent regulation and archaic procedures. Standardising procedures such as the pitch deck will create a more equal, transparent and liquid capital market.

Temps de lecture : minute

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Over the last two years, more people than ever have become interested in investing. Both public and private markets have seen the effects of this new flow of capital and interest.

Private markets, specifically venture capital and private equity have outperformed public markets since 2000. The amount of venture capital investment reached \$643B just last year, whilst more and more people focus on becoming entrepreneurs.

This novel interest in investing – much of it concentrated around Web 3.0 innovations – is hugely exciting. If, however, we are serious about widening access within the private investment world, and therefore providing genuine opportunities for more people, there is a fundamental problem to be solved first.

Private markets don't have the infrastructure to accommodate new capital flows

Given public markets are not open to everyone on equal terms, it's no

surprise that private investment markets also fail to provide people with broader representation and equal access to opportunities.

One reason for this is the stringent regulations in place to ensure individuals do not fall prey to poor or highly risky investments. Another is the archaic investment process that has remained largely the same for decades.

The solution to this problem starts with bringing standardisation to the private markets, unifying investment networks on shared standards and information database, and helping people to scale their investments and value creation.

What are the advantages of a market with standardisation?

- Information flows freely between investment networks in a standardised format
- The information available on global networks would reduce investment costs and timelines
- Investors and founders could access a distributed deal network from one centralised point
- A universal reputation system would help the market hold players accountable

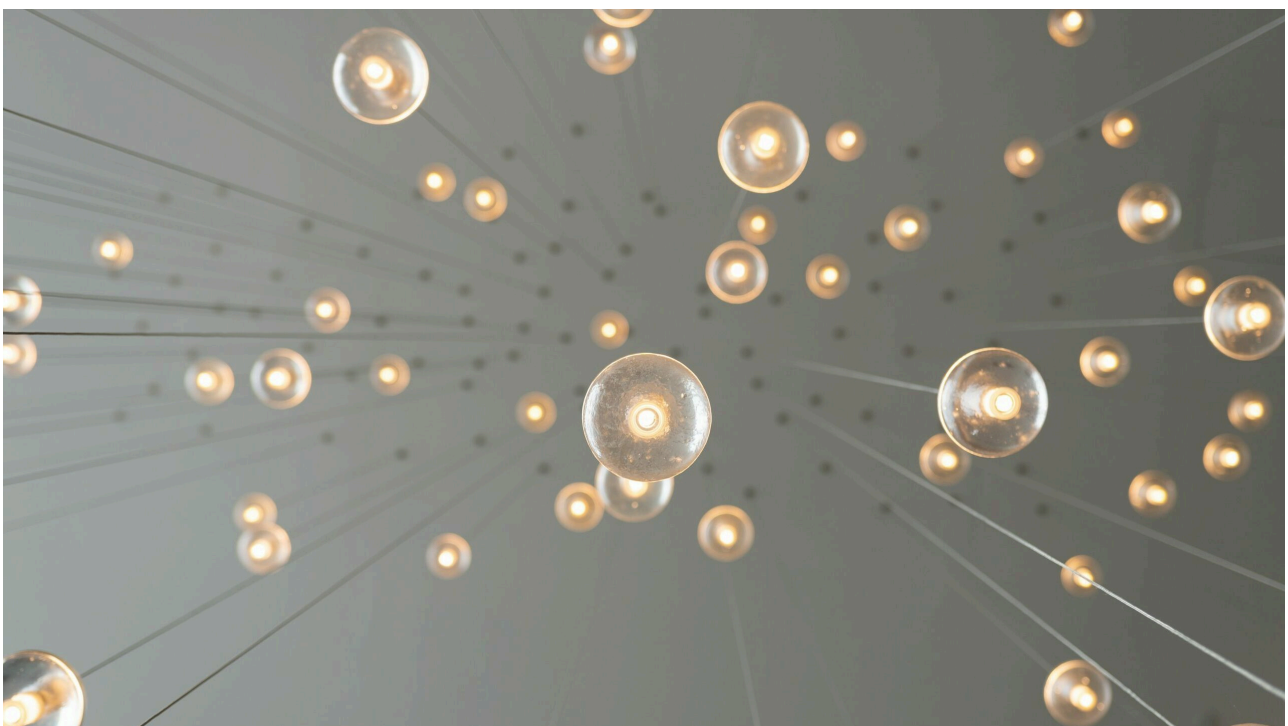
Ultimately, democratised access to information and the ability to participate in the market on a level playing field would help fight income inequality everywhere, and spread the wealth generated more evenly between global communities.

Markets need standardisation to solve their biggest problems and create greater value

Markets are working across fragmented networks that are not interoperable. That's why many good deals remain invisible to thousands of professional investors while founders struggle to distribute their deals efficiently.

92% of UK and 90% of American populations are being denied access to this high-performance asset class because of regulations. Although regulators are keen to provide more people with access to investment opportunities, they're struggling to find a standardised and transparent information flow to be able to protect market participants.

Only 11% of global venture capital investment went to founding teams with women in 2021 while black founders receive only about 1%. Many early-stage founders struggle to understand what it takes to raise capital, what makes an investor tick and how to access the best networks to distribute their deals. Not only do they lose their chance to raise money but also many investors often lose on good deals that are badly pitched.



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Enable transparency and accountability in private markets

As opposed to public markets, there's little communication between companies and their investors in the private markets.

Once the capital is raised, many startup teams bury their heads in work to grow the company and completely forget about shareholders until they need capital again. It is difficult for investors to understand how their investments are being used or whether the company is still aligned with their investment ethos.

In the absence of transparent and user-friendly access to critical information and experience to evaluate them, inexperienced investors have to make decisions based on hype. Blockchain claimed to solve these issues but *\$7.7B was lost in crypto scams in 2021* only.

A universal infrastructure would enable the market to share information in a standardised and automated format that is accessed via user-friendly interfaces and digested by investors and founders with different levels of experience easily.

A reputation system could be built on the same infrastructure to instil confidence in markets and filter out bad players from networks automatically.

Automate and standardise manual and repetitive workflows at scale

It's baffling this huge market still operates with many manual and repetitive processes that haven't seen any innovations since shared PowerPoint. It takes a team more than eight weeks to take a deal to the venture capital market and up to six months to close the funding deal. This can increase to ten months for M&A teams.

The investment teams carry out KYC, AML and DD processes multiple times for the same investors participating in different deals due to lack of information flow and disconnection between networks.

PitchSpace is an automated pitch deck building tool which defines a standard investment deck format for the industry. This allows deals to be brought to market weeks earlier - but it's only just one part of the process. There are many other overlooked workflows waiting to be automated and standardised.

Standardisation ultimately brings liquidity to private assets

Making private markets accessible, transparent and efficient by using standardisation and automation technologies will help open the market up to more capital.

Distributed ledger technologies and the digitalisation of assets can be one of the many ways to create liquidity on this universal infrastructure.

In addition, defining the standards of investing and value creation to build an ecosystem of interoperable networks will not only democratise the markets but also help investments scale.

I believe investment opportunities should become more distributed. This would mean both that more people are able to invest in high-return assets, and more founders can gain access to capital and therefore a fair share of the wealth generated globally.

Serkan Ferah is the founder of *PitchSpace*.

Article by Serkan Ferah