How to Raise Money for Your Data-Driven Startup

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[00:00:36] So welcome. My name is Jay Lyman. I'm a librarian here at The Seattle Public Library. I help people find information and things to help them be successful in business. I do that in a couple of different ways I run this library a business program where we will do one on one business information appointments. We will help people find their their customers there their competition information about their markets stuff that would go into your business plan that kind of thing. The other thing we do is we run programs help people with skills skill building type programs some around funding some around how do I create a marketing plan CEO that kind of stuff. And in the course the library also being a resource provider like books we certainly buy books that could be helpful e-books that kind of thing. But we also buy electronic tools which we have up here on our Web site SPL dot org slash business so we can save thousands of dollars if you're looking for you're out there searching on a on a Web site and you find a paywall around that perfect market research report. Come see me I might have a either access to that report or something similar that we can save you some money. You do not have to be a Seattle business to to take part of it. You would if you need to access it from home. You need to have a Seattle Public Library card. But we have agreements between systems like snow isle to the north of us or kids up county or King County or Pierce County so you can get a Seattle Public Library card and use those resources from home. So I'm just this is just a quick shout out to that libraries here to support you and your efforts. Talk to me. My core business cards are out here. Come see me afterwards. I'm happy to share more about that but thank you for coming today. I'm going to turn it over to me here.

[00:02:34] Who's going to take it from here. All right. There's this work. Yes.

[00:02:39] I love the sound of my voice. All right. Good afternoon everybody. Three people and their answers. Let's try this one more time. I'm so tired of the freeze. This is Seattle started week after all. Good afternoon everybody. All right. Who has no idea who I am. Everybody knows who I know most of you shouldn't know who I am. I'm not famous at all I'm not an important person. My name is Lee. This is my third year in a row doing Seattle startup week and this is the fourth year I think in general that we've had set the Seattle sort of week. First big shout out to J. And this year at a public library for allowing us to just use this space. I love this space it's beautiful it's gorgeous and there's a wonderful policy that the Seattle Public Library has which means which is you have to do your events for free and you have to make them open to the public as much as possible. So started we kind of fits really well into that mantra and. And this particular event you're in has been something that's been circling around my head for actually since the last startup week. Right.

[00:03:41] Does anyone know how much money like data science base or data driven based startups have actually raised in the Seattle area alone. Quickly if you want to look it out from one welcome to three billion dollars. All right. This has been a space of interest to people who are willing to give that money just to see what happens.

[00:04:03] And since then I've been just trying to figure out how to bring in people who actually got part of that 3 billion into their own pockets and to learn a little bit more about their stories. So this is very much both driven by my own interest in data science. I worked for Metis a data science training company but also prior to all this I used to be an entrepreneur and very much interested in the science or in the art of raising money. So without further ado I'd like to turn it over to our panel.

[00:04:30] I'm horrible at giving introductions so we'd like to do starting with the left. Please introduce yourselves and why you think you are on this panel go ahead Joy.

[00:04:44] Hey can you hear me. Actually what a great spot.

[00:04:49] The library. This is so cool to have a panel here so shout out to the library folks for putting this together. This is an awesome venue I've seen so many great events here so really cool to be part of one. Thanks to Lee and Metis for putting this together. Seattle startup week. This is pretty cool. My name's Joel carbon CEO and founder of ideal seat. We provide recommendations for live events using data came out of a career working on projects with teams like the Mariners and Seahawks. I see we actually have an L.A. Dodgers fan at the back of the arena there so what will ignore the Dodgers fan in the far back their

[00:05:31] 0 0 and why am I on here.

[00:05:34] It's a very good question because we're actually mostly a bootstrap company but we have fundraised with some success rate.

[00:05:43] I like it. Thanks to everyone and interest myself. I MEAN BLAINE And I have the fluffy title possible which is chief strategy officer at a company called Wicked labs and we are in the business of giving television and media companies insights into how to stay engaged with their audience and build our audience as that audience is fleeing traditional television to a world is not run by ratings but run by users themselves.

[00:06:13] So our job is to give them knowledge to go and act on that. And I'm here because we're kind of freshly minted as a company and raised around the summer.

[00:06:23] So we've just been through the process this is really a great space so thank you to the library for that. My name is Bill Hanks I'm founder and CEO of scoop that's with a q as Q Opie and we're a data aggregation service mostly used by newsrooms and so if you read about a crazy subterranean delivery system that Amazon is patenting or a in the data science space or Donald Trump getting sued the chances are that came from us. So we feed those newsrooms and also now hedge funds and others. And so I think I'm here probably for two reasons. One is Lee asked me five minutes ago to pinch hit and secondly I can fill in all the blanks of what not to do in fundraising since these two are going to fill us in on how to get that slice of the three billion dollars for some housekeeping bills very humble.

[00:07:22] He's totally awesome and has a wonderful story as to why he should be on the panel a little more housekeeping as well. We are missing a few panelists lamentably two of them dropped out recently because of scheduling conflicts and we're still trying to track down another. They might barge in at any moment and that would be totally fine. The other thing is we are we are podcasting aren't we. Yes we are. So this is an on the record panel which is kind of risky because we are talking about fundraising so. Panelists you've been advised know please disclose what whatever you're willing to disclose publicly. Also attendees as well if you're going to ask questions you are on the record too so please be careful take care of yourselves and each other. But let's get right into it. How much money I'm getting I guess you know the very first question I want to ask is like let's start from the beginning right let's start from really the origins of your startup.

[00:08:20] Before we get into the financial side to talk about just the passionate side of your company Bill let's start with you like you've been working on school for as long as I've known you last two years since I moved to Seattle and your company is gone through some amazing trajectories.

[00:08:35] Tell us about what started anyone's journey so when I first started I changed my description to unlikely entrepreneur. I have been a dedicated you know guy who goes to work and is grateful for a paycheck. I was a director at being Microsoft search engine and know I found myself looking at other job opportunities and realizing that the public relations industry which was my function there was really broken. And so initially I set out to solve that problem and build an automated kind of Match.com thing. So between businesses and reporters and we actually do have that today. But what I what I found was that when I talked to journalists that they had they suffered from a much bigger problem and that is trying to access business information and investigative information political information that isn't public records. And so I recognize it as a search problem. But the thing that really drew me to it. The thing that I became passionate about and even more passionate. The longer I stay with it is that I love journalists and seeing them break news that we've helped deliver is really really really rewarding. And I get like love notes reporters and it's really I just love it.

[00:09:58] It's a follow up given the status quo of journalism. What kind of challenges do you see right now that you could potentially resolve through your company.

[00:10:09] So is everybody knows the number of reporters particularly in paper based publications as opposed to digital has been in decline for almost 10 years past two years or so it's started showing up mostly in so-called digital natives. But the problem persists that fewer reporters are doing more work and there's plenty of stats to back this up. And so I think there is room to make journalists more efficient. And if you can make journalists more efficient they can deliver more content and if they can deliver more content that's more revenue. And so for behemoths like the Wall Street Journal and The New York Times it sounds like a wonderful objective to go after if your name is Todd Bishop or John Cooke not only you co editors of a wonderful publication and Esquire but they're also founders. So they think about it from a very real. Bottom line you know if they can get them and their journalists to deliver more content then that's more advertising space for those guys to sell. It's really. And I think we're going to. So we are part of a larger trend. Thompson Reuters is and others are doing so-called Robert robo reporting this notion of taking an earnings release and then essentially a computer writes the first draft of that earnings release which is really really interesting. So we've kind of actually plug into that too.

[00:11:36] Great. Great. Let's go to him.

[00:11:39] Let's talk about the start of this whole journey for you. All right.

[00:11:44] Well kind of a long arc that started I guess 17 years ago really because the previous company that I founded and built was focused on the media industry but more as a provider of technology to enable content to go to New devices and new services so a company here in town called the platform and we grew year over year got to a place where we got bought by a company called Comcast you've heard about. So I worked for a the empire

[00:12:18] And stayed there for several years after they bought us and got a chance to learn the incredible amount about the television industry from from many angles.

[00:12:29] And you know as a guy who's just responsible of getting content for one place to another I sort of watch on the sidelines about how the business was actually going and hear from the people we were working with.

[00:12:39] I often lamentations about not quite having a visibility into what's really working what's not working. And most importantly how is it working visa V. Live television because even ten years ago writing was starting to become written on the wall. That change was coming in the form of value destruction meaning if you're a big operator selling giant subscriptions to consumers that was going to come under pressure.

[00:13:05] And I think fast forward to now. It is very much under pressure in terms of where wallet gets applied to. So I left the platform I guess three and a half years ago and tried some other things along the way and didn't do great at them and sort of learned some lessons around jumping into new things which was fun but

[00:13:30] Based on really seeing the change in the market in the last two years especially around how much movement was happening from traditional subscriptions to new seem like timing was good to go and revisit this and it just so happened that a friend of mine had started a company called Wicked labs that had a slightly different focus before they were much more about measuring service availability is something up or not but they've done integrations with all of these data sources that were super interesting and long story short I decided based on my wife's gentle prodding to get out of the house to go and talk to him about how we might do something about pivoting towards a world where we could supply information was really hard to see when the data is all this aggregated so so imagine a company who's relied on ratings for their entire existence suddenly having to rely on on audience measurement or other things that they're not used to and thinking about lifetime value of a subscriber in ways that traditionally had to and having shifted towards online video they had their data in dozens of places.

[00:14:43] So it's a very difficult to see insight about what was happening and that's we decided to do and we felt strongly that we could unlock interesting secrets about what was going on at the business and ultimately get enough data to start applying machine learning to start realizing things that we couldn't realize ourselves to help these businesses get better and frankly move to a playing field is more level with Netflix Amazon Hulu and others who are completely data obsessed and to succeed today. I think you have to be that way and that's what got us excited is a chance to build something like that. And you know honestly connect what's a golden age for content right now and kind of a golden age for the consumer in terms of choice and actually make sure it's a sustainable business for the folks trying to serve that. So that's what we're about. That's why we got into it.

[00:15:38] Joel great answers mine's much simpler it's just a little bit of dumb luck just kind of I guess in a little bit of skill.

[00:15:50] I was very lucky I got to work Paul Allen's Vulcan on some projects for the Seahawks and Mariners about ten years ago and get into the stadiums and just absolutely geek out on sports and entertainment. How many folks here have bought a ticket to a Seahawks or Mariners game in the past year.

[00:16:10] It's how many just sports in general how about a music concert a musical a symphony. And where did you buy them like a ticket master. How about StubHub. Seat geek it is.

[00:16:27] Okay so it's about 10 years ago. Got to see that there was a big problem in the stadium environment in particular. How do you make a decision about what ticket to buy and at the same time we saw. Ticket prices were going up radically and the whole market was shifting to mobile and people wanted more information about their seat to buy that ticket and the ticket was escalating quickly. Twenty five fifty one hundred a family for spending four or five hundred to go out you're spending another dollar in merchandise it's easy a five hundred thousand dollar purchase to go out for the night which is a pretty big deal to be making a decision on you know in less than two minutes on your phone and then I met up with our CTO Spencer Fournier Chari who's over here if you wanna raise your hand. ANDRE Yeah one of our data scientists is over here as well.

[00:17:20] I think it is the World's Cup was it 2014 right. It's been 2014 World Cup.

[00:17:27] We were just you know watching and we had this idea brewing and then one night we were on ESPN when a fan caught four foul balls in a game one of our recommendations are the best seats to catch a foul ball at a baseball game.

[00:17:40] Seems like quite a geeky thing you would never focus a business on but we did and it turned out to be a good decision.

[00:17:48] We got some great PR and we saw that there was a much bigger problem in ticketing a whole range of variables family friendly best beer best food sunshade the fans just gave that to us and the rest was just you know hard work around finding the data all right.

[00:18:07] Thank you all. So I'm going to start off right about with just the question that early The question is very relevant to this panel is there are many schools of thought when it comes to financing.

[00:18:18] When it comes to seeking money. Some people say it's like the thing you do right off the bat you should never start having conversations and just always like. Always be closing those you're raising right. Others will say like hold off until you absolutely have to. I'd like to all. I'd like to know what you rethink and also what how it played out for you as well.

[00:18:40] And if it's not the same we won't judge I think the advice to go out and start raising right away is probably the worst advice you could ever give and it is the second mistake I made.

[00:18:53] So it was just an idea. It was barely even on sly.

[00:18:58] That's a stupid thing to say Leigh in your stupid.

[00:19:04] Remember this is on the record. Yeah. And so I went out and I started meeting with investors and most of them well all except one loved the idea and said Give us a call when you're ready. You know when you have any type of market traction even if it's not being you know it's not paid users.

[00:19:24] And so it was great and it felt really good about it until I went back and I started emailing these guys I'm like hey you know geek wire is using us hey these other publications just broke this news because of us crickets crickets and then we raised the other side of the marketplace.

[00:19:41] Now we're generally generating revenue a year or so later still.

[00:19:47] I think you get one at bat with these guys with investors one at bat. So make it count.

[00:19:53] And like we're thinking about doing another raise right now and people say well why don't you take an investor meetings like because I want to have Jeff Harris is a local investor and he likes to talk about in fact he just founded along with Heather Redman and somebody else fund called flying fish. But Jeff is a longtime Seattle Angel conference investor and just a really great guy in his mantra is come talk to me when you have a process that's repeatable.

[00:20:26] So whether it's you know traction that you can monetize or you know in my case looking to monitor actually monetize I'm not going to talk to a single investor until I can show off to three months of repeatable growth. And so that's that's what I look for.

[00:20:42] That's just my own experience good advice.

[00:20:49] I would say we fell maybe somewhere in the middle between early and waiting till the last possible moment to raise money. And I'll say it turns out other end of the spectrum. I don't recommend that.

[00:21:01] If it's the last moment there is the smell of desperation and you don't want that being part of the ingredient mix. When you're talking about how to move forward in a healthy way. So it happens. You may need to but I think there is a real balancing act between sort of readiness around all the things that were mentioned there but but also getting ahead so that you have time because it doesn't happen overnight. Raising money and so if you if you wait till you really need it let's just be let's be honest. You probably run out of time and just so put it in really stark terms. We took 42 meetings to raise the money that we did last summer. Now some of those are repeat meetings right. So it's you keep going with people but it's a lot and it takes time. So you want to make sure you're leaving yourself room for the way the process unfolds and the earlier you are. Of course ironically the more they want to the voices want to dig in and understand the market risk. So it's going to take more of your time.

[00:22:08] So. So I think the advice of of having worked on something for a while so that you understand the rhythm of it you understand who you're selling to. Even if you haven't successfully Ray made revenue yet you understand what the process is like. I think it is super valuable feedback and I would completely agree with that and we did that one small adjustment I'd say we made is that we have what I call Friendly's folks that we have known for a long time where you can kind of have an off the record conversation says I'm not pitching you I'm just actually trying to talk to you about whether this is even in the ballpark in terms of idea and you know if you've known that they'll tell you some of them will say everything is a great idea and I hope you go spend your time. But most will give you good feedback. So I'd say find that the happy spot for you. But but don't forget it's a time consuming process you've got to leave time for it. Well. How long did we leave.

[00:23:14] We gave ourselves three months and it took longer.

[00:23:21] Is the truth of it now. We gave ourselves that but it wasn't like we're done. We have to go home after that time but it's like OK do a hard look at whether you're going to be successful or not whether you're seeing real signs towards something good or not.

[00:23:37] And we did see enough of that by three months in that we remained optimistic.

[00:23:45] I say this because I feel like you should have a good estimate going in about your timeline. I feel like three three months is pretty ambitious. I feel like probably six months to a year in most cases right. And for some of the other ones you're developing relationships for years. I mean it. So take a step back. We're a very bootstrapped organization. We go by a lot of lean principles which I'm sure most folks in the startup world are very familiar with.

[00:24:18] How's that. How can you do something as quickly as possible as efficiently as possible. How do you know if you're doing the right thing or the wrong thing comes to really asking yes or no questions pretty quickly in a conversation.

[00:24:30] And then there's the long term game of How do you build these relationships for the much much bigger checks. So while we are bootstrapped in about three years and we have raised about a half million dollars mostly over this past year so we have now started to get some traction around the process really.

[00:24:49] A couple of the key things that we're learning right off the bat is know who your target is. I think in our when we first are raising a little bit we were just going out talking to every angel in Seattle which isn't necessarily a bad thing right. I think you can learn something in almost every conversation about your business you know because the questions start to repeat themselves. Okay what's your business model. Who are you going to sell to.

[00:25:15] What's the market size you're going to get the same 10 questions over and over and over. You want to dial those in so you can literally rattle it off. But over time I think what Spencer and I are team have gotten really good at is being efficient about who to chase down and be super targeted about finding those people for us as you can tell we're we're really pretty focused company right now it's really data for decision making around ticketing over the long term we want to build that data for decision making around a whole range of verticals.

[00:25:48] But for someone to really get into data and decision making for ticketing that to be pretty darn specific person they there have to be a really big data geek.

[00:25:58] They have to be in the sports business which is a whole unique world to itself. Ideally they combine that and they're in ticketing. So by far our smartest money is we're funded by three ticket brokers and literally there isn't better money than that because these are guys that have 5 10 million dollars plus in the ticket game every year and literally their decisions are going to cost them or they're going to win them. And if we can help them make better decisions they're gonna make more money and they're going to tell us now invested very very directly what they like and what they don't like. So finding those targets and really that's smart money. You know I'm happy that we've at this point taken a half million from this very smart money versus a million from us smart money because we've a given up less of the company and b the value they bring us is like a magnitude order more than just a bunch of a pile of money although money is nice and you do need it to grow.

[00:26:56] Guys.

[00:26:58] I have a question about you know the strength of the idea and especially the idea that right now there's so much investment going into things that are data related especially artificial intelligence machine learning natural language processing. What have you how much I guess to what extent is like there interest in just the ideas alone like can we get back to a point in entrepreneurship where people are willing to invest and just really great ideas and the team to back them or do this or do we still see that the need to make sure that the business model sound and scalability is potential. I love. The three of you give us more insight as to what the culture is like right now.

[00:27:42] I think the culture at least for me has been investors want to see real traction. Nobody was. That's not true. If there's one investor we raised one hundred grand from Seattle angel investor on the idea it was a pitch the guy over the phone and two weeks later he wired 100 grand. I thought Oh my God this fundraising thing is awesome. And I'm like the world's best pitchman. It has gotten exponentially harder since then and I've never met anybody like that. Everybody wants to see real traction. I have no idea whether we're going to get back to that. I think the exception to the rule is if the if the entrepreneur is a known entity and somebody who preferably has had a successful exit I think that that man or woman is able to get checks based on an idea. But you know for me as a totally unknown entity in the investment world around here and in Silicon Valley and New York and so no dice. And that's part of the reason I'm waiting business traction so profit. Not so much but certainly increasing revenue.

[00:29:05] Mostly there are some businesses where you know just strong performance of any other type of business metric. So for us it was number of registered journalists. And what that growth looked like. And one point we were growing that base you know 20 percent month over month then it went 30 percent month over month in its peak was 55 percent month over month. And I thought I could go raise money based on that. And I'd just gone through 500 Startups in Silicon Valley and met a bunch of investors and walked away with zero dollars after oh about 100 meetings. So that's why I say like the more traction you can have particularly associated with taking money in the door. That's been my experience and I hope you guys have had better luck while you you've bootstrapped mostly. So we'll see.

[00:30:01] Yes I totally agree with the notion that someone who has a track record of getting through an exit or two is going to have an easier time with an idea. But honestly today it is so capital efficient to prove an idea out that I think not doing that is you've got to wonder what is going on. Because unlike 10 years ago or even more it was so expensive to prove anything. There were not Amazon Web Services or the equivalents at Google or Microsoft that provided you the huge foundational Headstart to go and try your ideas on. Now that those exist and so you can rent almost anything and you can prove an idea pretty quickly. And to me I'm not doing that even for yourself it's kind of a disservice. You know just so that you have something to touch and feel. So I'd say I'd say just do that no matter what. I I feel that. You do not necessarily have to have revenue in order to raise money. There are many in the angel community that will certainly invest pre revenue. And I would say you can build a seed round pre revenue but there needs to be a pretty clear believable path to revenue. You have to have established your model. You have to established how you're going to sell who you're going to sell to. And you have to have established a pipeline of those that you could sell to in like a B2B business so or have an audience that you know is out there that you can prove revenue better financial traction is better but I don't think it's required to take a prototype or something and actually raise some money on the traction.

[00:31:44] That's a great question. You know what is traction. Because I think everyone has a different perspective on it. There's so many different forms of traction. I mean ultimately I think it comes down to what an investor is looking for either around the people.

[00:32:00] Right. A lot of people investors saying oh I invested in you or your team or your group. And that's why if you do come from some successful you know either high ranking position or have a great network or you've had ideally a couple of exits on something you know that that just gives you joy right off the bat. You can probably walk in on an idea and get some money to start building but probably most of us don't have that right.

[00:32:31] That's probably a smaller percentage of the world.

[00:32:34] I think the other three three things I think the other other than the people is the concept right.

[00:32:40] And I mean concepts are a dime a dozen but there's some really really good ideas out there you know. But a lot of ideas will kind of get repeat themselves and be clustered. How many people had the idea for some sort of car sharing. You know I'm sure at some point there was a thousand startups with some sort of car sharing or bike sharing or something sharing. So the concept though I think a really strong concept that you develop a lot a little bit and you can do that on your own you know just with a napkin and you know some collaborators. And I think that ultimate is the business direction. I think that's when we're getting into revenue users. I think could also cover because you can turn users into revenue and users can give you a amazing amount of feedback on your product you know getting into lean there's nothing better than users. And originally we were B to C we actually sold tickets as a platform. So we're B to C we got user feedback from thousands of users and that was awesome. But I can say it doesn't really even scratch the surface compared to having B2B customers. Now we sell data StubHub is one of our bigger customers.

[00:33:53] We just signed a WNBA team locally. Also there's a NFL team we're about to sign as well. So you know that that B2B those customers I feel like our you know because StubHub sells a billion and tickets they have a hundred million on their website a month. You know they put up a test for us and all of a sudden we just had 10 million people use our data and interact with it. I mean that just blows away. You know if that was magnitude order more than a year of running a platform. So I'm belaboring the point but there are many forms of.

[00:34:24] I think you can key on any of those three due to that of the three preferably as well as possible to cover one of the other ones which will probably weaker.

[00:34:33] That's just you know you have all three then you probably don't need to fundraise because you're doing so well you'll be just printing money. And then of course every single V.C. will want to throw 10 million dollars at you. So you get the picture.

[00:34:45] I would just add that that early on I think what venture capitalists are trying to determine is do you have market fit and there's all kinds of different ways to measure that and the interaction of various sorts but that's what they're trying to get their heads around is. Have you defined a solution to a real problem. And do you have an avenue to go do something about it that's going to matter and they're doing calculus on that every day across dozens of companies in their portfolio outside of it and they're trying to see pattern matching wise. Do you do you match a pattern that we recognize and we believe in and and so the more you can do to improve in your own mind that you have market fit. However that is I think the easier the conversation is.

[00:35:32] So I'd like to I was going to ask two questions but I want to give everyone here an opportunity to talk to you three as well. So I'm going to give you the option of two questions feel free to answer both. You can't answer neither you have do you can even answer neither if you really want to. It's you know it's a it's a it's I guess it's a Choose Your Own Adventure. All right. So you know given the excitement around data driven technology what would you three if you had the finances to do so not. Excluding your own. Would want to invest in. That's one question. The other is kind of drawing for what Bill said from the onset. What would you absolutely not do besides like punch an investor or maybe you should.

[00:36:15] I don't know but not do when it comes to approaching your it could be your greatest regret.

[00:36:21] Or it could just be something you've heard or whatever but like let's just kind of give people like the cautionary tales and the words of wisdom to go from your start with Joel because the space is cracking me up right now.

[00:36:34] I could go so wrong with both of these I just don't know where to not go wrong. Okay so what. I think you should take on the investor do's and don'ts.

[00:36:47] I think you should be as authentic a pot as possible about who you are who your company is. I don't think you should sugar coat it very much. I think you want to tell them about the upside. Tell them about the vision. Tell them what you're creating is the most amazing thing in the world and you're going to build this product and it's going to be fucking awesome. And that's the truth. I think for everyone here in this room could it create a fucking awesome product. I don't doubt that. So you should pitch that but you should also tell them about who you are where you come from what your business is really going to be about. It's not just going to be uber right. You're not gonna be uber in a year.

[00:37:24] That's just not realistic. So you need to be a little bit authentic and something that I'm very big on is. You do have to have.

[00:37:34] Yes or no conversations kind of like Lee do you like me.

[00:37:37] Yes or no talking in a week.

[00:37:41] Say I would. I'd say that's a no.

[00:37:43] And I'd say all right Lee sorry I'm moving up because you can get in some very bad loops with investors.

[00:37:52] I mean with customers with anyone in life right. If you're getting a lot of maybes let's have another meeting let's have another conversation.

[00:38:00] You don't have time for that. You need to get to yes or no. Pretty darn quickly. So you can have a couple of warm up conversations but by the third conversation you kind of know whether you like someone or not you kind of probably know whether you're going to invest in someone or not. You kind of know whether someone's going to be a customer or not. Right.

[00:38:18] So I haven't punched anyone so but I think you can seriously feel the right to be authentic in a conversation and if somebody sees investors can be very doing a power play.

[00:38:36] I think it's fine to step up and represent yourself and your company and the people who are working hard to get it done.

[00:38:45] Right. So I'll take the second question first which gives me more time to think about the first one in terms of don'ts. You know empirically I'd say based on the meetings we had an early trap that we fell into that we course corrected on was getting drawn into a discussion about total addressable market before having a conversation about the bigger market.

[00:39:11] You were having an impact on and so you know you're talking about a total addressable market. You try to build these bottoms up models that eventually someone can just Savage. And so you're just you're on dangerous ground if that's what you bring first. And so even if it adds up to something that's a great number you know it is something that is immediate going to draw attention to every little detail. Now what we decided to do is flip around and say hey television industry is one hundred and seventy billion dollar market. Wow isn't that amazing. It's huge. And don't we all know it's undergoing disruption. Isn't that true. And don't you believe that someone who has 170 billion dollars invested in something will spend some of that to make sure they keep getting it. I bet they will. And so will they pay for better insights. I bet they will. Can you squint your eyes and imagine them paying something along these lines. I bet you can. And suddenly the total addressable market thing kind of solves itself from the top down and you can prove it through the bottoms up. Having said that out there and so we got we just got really challenging discussions when we started with the minute detail and turned it around by painting a bigger picture first. I think you have to do both but I wouldn't lead with detail. Honestly at least for us didn't serve us that well.

[00:40:36] What would I invest in from a data driven perspective. Well one of two areas just because I care about them and I think data could help if we could do a better job of showing people seems like it's been done but not well enough.

[00:40:56] What needs to happen in the environment for the world for us to be here as a species. Five hundred years from now a thousand years from now I think there's there's big opportunity to simplify how we talk about that. So I think that's an interesting place and it matters because I have two kids.

[00:41:14] Second I think there's big opportunity in using access to data and the things you can do with it to improve diversity equity inclusion for people in our communities. And I don't know the exact application of that but to me there's a leveling the playing field that's possible with access to data and and really how to use it for good. That's I think is just on the front end of being tapped. So those are mine.

[00:41:49] I'm going to riff on things that both Joel and Ian have said since they're smarter than I am.

[00:41:56] Joel about being authentic in it's it's being authentic and being persistent also. So one of the things that I started doing again too early but it did help create some relationships is this idea of an investor newsletter.

[00:42:12] And I mean to be honest we're all you know in the room together. You know we've had more crappy months than we've had good months.

[00:42:21] And you know when I can send out a newsletter and say hey we're really struggling at this or we're running out of money or I mean it's just what's going on. And you know I get notes of encouragement sometimes or how can I help sometimes in many times like I ran into a guy last night. It galvanized for the Seattle startup week opening party. And you know he's a guy that I've seen again and again at events I've pitched him a couple times and he remembers me. Is he going to give me money. Who knows one day. But I similarly I ran into another guy at Seattle Angel conference at Seattle Angel conference event and the guy said Hey how you doing if you actually met this metric.

[00:43:04] And I said Yeah. And he says write a check. Crap that wasn't a ton of money but it was pretty awesome that that that happened.

[00:43:14] Now to build on something that Ian said about you know you know I mean the amount of hours typically over the weekend and typically late at night I've spent building out complex financial models. And by the way I'm a freakin communications major. I've got no business with a spreadsheet right. And here I am building these things out trying to do bottoms up and top down market analysis. Oh my God. In the slides that I've built for these investors are elaborate and ugly simultaneously and have resulted in very little are a away in terms of money coming in the door for me. And so I would put that nearly in the same category of going out and pitching poorly it's really focusing on the wrong thing first. What you should be doing is focusing on your business like I don't have a deck today and if I go out and I may not put a deck together for my next investment conversation but what I am going to do is walk in maybe with one slide that's got customer logos and I might have a revenue chart and that's it.

[00:44:18] And if they can't invest in that or you know then I really don't care. So I think that's great tips from these guys. What would I invest in.

[00:44:32] I would invest in some way to combat fake news is we saw just yesterday after the horrific shooting in Vegas trending stories in the early hours on Google on Facebook and on Twitter I mean manufactured news about the shooter his motivations his political leanings I mean really these are some of the three smartest biggest and most capable data companies of our time and they can't fight that.

[00:45:06] I mean that is just mind boggling. Now some of it I think is their priorities have been wrong. But at the same time man it probably is not a easy data science problem to solve. So that's where that's right.

[00:45:22] Put my money all right.

[00:45:25] Thank you. Let's go ahead. Oh I think we are in the queue and a portion. So. Let me play. Hold on one second. Do you mind being on camera because I also raise your hand if you also would like to ask the question is what will come to you or Mike over here with the awesome medic shirt by the way. What possible. I'll just come to you so that you can we can all hear your question. Is anyone else besides him

[00:45:48] 1 2 3 4. What does not serve Reverend Wright.

[00:45:55] It isn't a lot of the data that you were talking about concerning the shooter driven by searches that people make. It's not really driven by what data up the company's old. They hold vast repositories of data. But there's a positive feedback system going on that is driven by what people look for.

[00:46:21] That's a that's an accurate summarization of how search works. Right. But you can train an algorithm you can back test based on our corpus of the corpus of news that all three of those institutions have you can back test any number of scenarios to fight that. In the case of let's pick on Google the news source The first one that came out was from fortune right.

[00:46:51] A dubious site at best. And they they should know that right. They can train their algo so you know the one social network that was immune Snapchat because they have vetted news partners that they rely upon.

[00:47:07] So you know they've applied some human process for their technology. I mean basically they've I think of it as they've put put in you know parental guardrails that the other companies have failed to do.

[00:47:24] It's a good question. I had a wondering let's totally pick on Google. No way. This is this is in the public domain officially right. Yeah yeah. Okay great. I'm not protected.

[00:47:40] Is there anything specific about being a data centric company related to actually raising money such as the difficulty of getting the data the amount of data that you've gotten anything relevant to the actual topic.

[00:47:54] I mean that was a huge question through the course of raising money is how much friction there was around getting the data. Were there impediments either from a functional standpoint technical standpoint or business standpoint to pull it together. And how product sizable was the result. So you know there is the notion of getting data and then there's the act of doing something with it. And so we had to be able to answer both of those I think it's that was a number one thing that people either believed or didn't believe in in terms of people said no or yes was exactly that could we get enough data to do something interesting. So I think it matters a lot.

[00:48:40] Add to that it's a very good question. We talk about it a lot actually. You and I were talking early.

[00:48:46] You know what is the amount of data you need to get that MVP you out there and a lot of data products. The threshold is pretty low because there's nothing you know an hour where we were literally no one was doing any sort of recommendations that were database for ticketing. So you know we came out and said OK this is why we could bootstrap. We said okay what is the most basic form of data that we need. And it was essentially something that we could satisfy with a little bit of Internet research and a little bit of going to every stadium and that's just where we start and I was actually super super low cost and fun on top of that. Thank you.

[00:49:22] And we're always looking for researchers. We have 80 members of our research team around the country. And you basically get paid to go to games music concerts things like that and collect data for us which was a great hook to get people involved and engaged.

[00:49:35] But over time I have to give credit to Spencer and our data team coming up with this vision of OK now what does it really look like if we have the resources. What is the machine learning. You know what are the backend systems look like. And just over time we've kind of taken solid steps towards that and this year raising money was around this vision to create a really automated comprehensive system that was granular way beyond the level that we were operating at which I do think is a future. I think it is a great vision. So that makes it a lot easier to sell when you have that initial MVP and that traction and then you're like OK. Now if we have a little money we can do some pretty cool stuff question.

[00:50:22] Hi. So my question it may be just a matter of your different experiences but I'm listening to myself.

[00:50:32] Sorry.

[00:50:35] The quality of customers or clients that you have engaged in achieving around a fine or closing round of financing. Does it does it matter is it better. I mean a very large customer. The sales process may be very long and you may run out of runway trying to claw close. So is it preferable to just close anybody and say look we have revenue from customers they may not be great but you know with a little bit more cash we can get to the larger very reputable customers. And what is your experience with closing actual revenue.

[00:51:12] Great question. I have probably said the words StubHub one hundred thousand times over the past year

[00:51:24] You want revenue right. So I'm never gonna turn down a check period.

[00:51:30] But the marquee value of having a blue chip and recognizable customer that's going to go on your customer side. That's completely invaluable. Having the testimonial having that logo on your website for future sales even better. I don't think about it in terms of the investment. So my thought process right now is I think about around is I'm looking at my pipeline and if I can get you know two to three deals done in specific verticals that I'm chasing right now you know like revenue producing deals you know that's I will go raise money on that and I can I'm pretty convinced that I can raise money all day. And you know are they recognizable. No because they're. I mean there's the recognizable in the financial services industry but outside of that care.

[00:52:27] Super good question and I can tell you our experience kind of is a great example of what you're talking about where we the customers that we got we're not the marquees but they were small enough that we could actually execute with them both from a commercial standpoint we could get a deal done in less than six months but also they were someone working our arms around so we could prove the concept with someone all the way through. But what we did in addition to that was gained references from some of the Marty he customers that we had talked to and they were like Yes we are not gonna do a proof of concept with these guys but but we believe deeply in the direction and we see ourselves as future customers so that they would take reference calls from the VCR and that that helped tremendously because it filled sort of both. Right. We've proven we can make money. We've proven we've built something that actually works with someone and we have this notion that someday on the logo page are some big customers. I do want to be a little bit of a contrarian to something you said here which is I don't think you should take any revenue from anywhere I think and I don't think you actually meant that in its broadest sense.

[00:53:39] I want to take this outside.

[00:53:41] We have to have some kind of boring most polite way I've ever heard anyone say look I disagree with you. It's like I just have to be a slight contrarian. We're in Seattle for God's sake come on. I know

[00:54:01] Yes it's OK.

[00:54:06] The thing that can hurt you and this frankly happened to me at the last company I founded and ran is we did sometimes take revenue because we could and sometimes it's punishing because it takes you away from your vision takes you away from the thing that actually you should be doing and suddenly you have someone you're responsible to that that is a drag on your company and if it is unless it's a really big check then you can make it work but it but if it's not you're suddenly kind of begrudging your customer and that's a terrible place to be. It's not good for the customer it's not good for your company not good for employees who are being asked to climb a mountain. So in general I think generally if it's in the wheelhouse of course. Right. But it but if it's too many degrees outside of it I would think really hard about it about whether you can actually turn that into something that everyone's happy about. Or it could be something that drags you down a little bit.

[00:54:57] So just from rebuttal. Last word. Before we throw down here. Is absolutely right. I appreciate you clarifying that there is an instance where a I get really excited came into work and I looked at my dashboard like oh well this company is issuing a press release on our platform. And I didn't recognize a company which means you know it came from some other channel than my marketing. And I got really excited and then I looked up the company and I start reading stuff that they've posted I was like oh man this is these guys are

[00:55:31] Full of it man. They were basically pimping out a product that was crap and it was like I can not put that in front of our reporters. And to say no to that money was really really hard. Very painful. All right we have one last follow up on that.

[00:55:53] So Tim McCann is a local angel investor mentor a really awesome guy we've gotten to meet with him a couple of times. And just to kind of wrap up. He gave us really great advice which was fine three market segments or sub segments and ideally get you know three customers in one. That's kind of your strong suit then get one in each of the others. And what that does is it shows you can really sell in one grouping and that's really your prime market but then you're also diversified and you can also make money off of other markets or submarkets. And he's actually speaking tonight at the startup grind at 6 o'clock and he's he's very in tune with customer customer traction. How do you grow. So just a plug for Tim McCann and Startup Grind tonight we have time for two more questions.

[00:56:43] Yeah. Cool. Hi my name is Brendan region six ventures outdoor hospitality company. Okay got it. Thanks. My question is really around growth. So we're producing one unit self-funded you know asking for money is almost it's a requirement for us to prove our success. So we need to get to 10 units to kind of prove our operations model get to 100 units to get the economies of scale. What guidance would you have you know when we're making our pitch for money how do we talk about success when we don't necessarily have those additional units in play.

[00:57:17] And how can we kind of you know show that we're gonna be successful you define a unit. What do you what do you mean.

[00:57:29] Yes. So we're focused on tiny cabins in remote places paired with services. So we have one camper one one cabin on one site.

[00:57:37] Ok well I'll hold the mike first.

[00:57:42] Sure. Sure. Actually back to the question What would you invest in. I mean I like to invest in you guys. Are you raising money. Okay. I do love real estate and I live in a tiny house as well with my family and always tinkering with construction.

[00:57:59] And I do think that's a feature I think is gonna be huge growth in that. So I think you'd want to build your prototype

[00:58:06] Obviously get a couple of prototypes out there get people using it living in it you know testing it breaking it. We love people who break stuff

[00:58:14] Ultimately like your first users should be trying their hardest to break your stuff because when they break stuff they're going to give you an area to fix and improve even better.

[00:58:24] And that's right cool. As an entrepreneur and as product people and data scientists data geeks you know solving that problem is I'll get that prototype.

[00:58:32] You have a prototype where you guys that right now we're just out we're just outside off of 90.

[00:58:39] So we're on land that from warehouse or so releasing land.

[00:58:44] And how many units do you have. So where are you guys in the process of production.

[00:58:48] Just one we need we'd like to do three early next year and then we want to go to 10 to 20 and then 20 to 100.

[00:58:56] I love it too. I think it's awesome. And the question you need to think through is is there an economy of scale story going from one to three so that prototype. How many things did you break that you then learned how to fix before you try three because because what an investor wants to know is that you're not they're not spending money for you to break a whole bunch more right. That you've kind of done the heavy lifting of of the big problems right so that the next three are that much more capital efficient in the next 10 or even more so so that they see a path because like you can probably define the market for this right. I bet you have and I bet you can say we think there is you know enough of a buying market in this area that if we can do this in a capital efficient way it's a good business.

[00:59:49] So so you got to prove there's a market I bet you can but then it's really saying here is how we are going to improve ourselves as we build this with it over time.

[01:00:00] And here are the step functions that we need to take some of those are going to take money right. And that's that's that's not a bad thing to to say to someone look in order to achieve this economy of scale. We have to invest X but the result y of better margin pays it back. It's really it's a really good story. It has the benefit of being true. So I think about that and how you tell a story that so that when you're at a thousand or whatever the number is that is the sort of pinnacle of success. It hits on sort of the sweet spot around margin ultimately profit. And you know you may have to back into that a little bit and set some goals but that's going to sing to people who are trying to think about you know a longer term investment relationship where they put some in you do what you said you're gonna do. Then they want to put more in and there you go.

[01:00:55] That makes sense. Yeah yeah. Thank you. So I took your question to be a little bit of chicken and egg right.

[01:01:03] Like you need to show sale of a capital intensive unit compared to say software. Right to raise money but you need the money to build the thing in your market. The first answer is I have no idea because I don't really sell to consumers or real estate folks but team McCann again gave me a piece of advice just doing the thing we're doing. And he said that he doesn't. He's got all kinds of ideas for his current startup and what he does is he goes out and pitches us to customers and he says well you know we can only support some of these in the coming year if you want to be one of them you know give me a down payment give me a check. And he says sometimes he'll say I won't even cash the check. It's just going to go in a drawer. Right. But he's got something he's got two things. One is he's got product market fit in the sense that somebody is willing to write him a check. That's the only way that I now do business. But the second thing is even if that check isn't cashed he can credibly go to investors and say hey I've got customer commitments and that's something that I think investors favor you know more than say a good idea I think everybody should go away.

[01:02:29] We have one person right here. That's Robert sorry buddy. He wanted to make sure everybody should go get a team McCann story. Well you know it's not everyone has it's the best. What is their role. What is it. Twice already on the same question had they mentioned a McCann here McCain is a great serial entrepreneur. He's done a lot of great work and he's sweet. He always gives back especially during startup week. So check out whatever event he might be doing. He's also if you're lucky he mentors people and just helps you get to yeah.

[01:03:02] So right here.

[01:03:07] So my questions about the data point. So it seems that your training the machine machine learning that you need to have more data point in order to make errors and really personalize or more accurate result. And I think all of your company probably deal with some of that but if you don't have enough data point like how do you spend your data. Do you buy data us or just X your customer. Hey give me more give me more. How does that work.

[01:03:36] Because that's my current problems right now I want to expand the data points so it isn't our data acquisition isn't it like a gating business problem for us. We we do it ourselves and the more we get the bigger the business potential. Well the bigger the business and the potential become however one thing that I've learned that I think is kind of Pete your question is that we sell we now sell our data sets to hedge funds and hedge funds in order to determine value do something called back testing which is a way of trying to figure out if the data are actually valuable and they really want a lot of data you know and they used to say well we want five years and then you know in the past year I've heard oh you know two to three years is OK but then we've recently developed a truly alternative and unique data set for which we only have one year. And because the data so valuable that yes a year is fine whatever the hell you have. So kind of I guess it kind of depends.

[01:04:47] Is my long winded answer yes and this is a great question because you're connecting the threads of these past two questions which is how do you get off the ground with data and Spencer and I can tell stories about how much harder it was to sell tickets directly to customers who we didn't know who they really were vs. we pivoted in the beginning of 2016 to be to be. And now we have four business customers and those businesses they do two things one they really they basically pay for your development they tell you what they want which is a great signal about what the market wants. Plus you're also paying for it. On top of that you're not having to front the money. So obviously if you can have some sort of even a partnership as a startup data company can you find a partner find a program. I mean all the affiliate programs just even connect with Google Analytics you know find that like initial partnership or business relationship which is instantly going to allow you to leverage a much bigger trove of data that you can really analyze and who knows maybe that becomes a business relationship where you make money that goes into a partnership you know maybe down the road that you're acquisition. So you know I think pretty big on if you can find a good partner or another business or customer someone is going to pay for some of your development and connect you with some more resources.

[01:06:19] But you know you're just talking about this this morning with Andre who's one of our full time data scientists and it's like how do you get the data to really get a system off the ground and find that consistent data sources. I mean is literally what we were talking about this morning. So it's a constant challenge. So get to it as quickly as possible.

[01:06:41] The only thing I'd add is that I found I mean we've talked about this earlier there's this tendency to seek perfection in data but that's the mindset of a lot of people. And I think that that can actually take a lot more energy than it's worth. And there are good decisions that can be made on much less accurate data that's there sooner. And so in your own mind think about like really what's the minimum you need to see signal that you can do something better because that's only getting better as a signal as you add more data. But it gives you a strong thesis to begin with and that will help you then know if buying data is actually going to improve or not. So I think you better know that before you buy it you better have a strong thesis about what it's going to do. And you can only get that by starting to try to discern a pattern right. That's that's not perfect but enough to go test and then see you know is there an improvement based on my theory that's that's on you know a small data set. But I think you know you can supercharge that by partnership and I'd say if you can do that do that all day long but you can also begin just playing your own theory and and seeing it as it is a signal getting stronger or weaker as I add more to it.

[01:07:58] Just for the record in case any potential customers are listening. Our data is perfect and the best in the industry. Up until just recently I was of the school where you you build an MVP and try to generate revenue to then raise their capital a couple of months ago I met with someone who advised me that and what I showed him with our real estate tech startup he suggested something different he said don't build an MVP don't raise half a million go straight for five million because his theory is that

[01:08:37] If you build the MVP and you have half a million dollars you're going to have like ink to spend on marketing. So when you go to the next round they're going to look at you and say well what's your sales. Well we don't have really any sales because we haven't been able to afford marketing. That's part one of it. Part two of the question. My. Question Would be what's your thought on that theory. The second part of the question is with something like that you have to have a bad ass deck. And he suggested that I include a metrics of the risk assessment for the investor and do the work for them so that they could at a glance and then verify my numbers. Here's the the risk that you're taking with this investment with their known metrics. I haven't been able to find anything out about this. And I'd like to know if that's something that's familiar to you guys to think this second.

[01:09:39] Maybe maybe the guy who's advising you as some insight that I'm clearly lacking but this idea of trying to tell an investor what he or she should be investing in based on your risk analysis seems bizarre to me.

[01:09:57] With respect to trying to go out and raise five million bucks. I mean sure if you can. But I mean you better really have a damn good story. Have some really strong IP or other assets that you can justify that kind of a raise. You know the conventional wisdom is Go raise what you can to you know get that MVP going to get you know show some demonstrable you know repeat business based on whatever marketing you can do and by the way of first marketing is really sales that doesn't cost anything other than time and then go raise more money. I mean you know I've had a hard enough time raising the money that we've raised which is not 500. You know after some real business tracks and I think would be pretty bloody hard to go out and raise that kind of coin without without the traction so you know just thinking back over the past three years or raising money.

[01:11:05] You know now we have let's say about 10 investors most think convertible notes. So first thing is no money is free. You know there's no such thing as free money. It sounds like OK we're raising five million dollars here's a pile of money. It's there's gonna be strings attached. Right. Then you have people who you have to manage relationships. First off the bat if you're either sole founder you have a bunch of co-founders you're giving up a chunk of your company probably if it's an early stage you're giving up a very big chunk of your company and consequently a lot of control right off the bat which can be great if you have the right people backing you right off the bat.

[01:11:47] You could probably take it really far but if it's the wrong people at an early stage they can really limit your growth because maybe was and you see this other opportunity over here and like wow that's a 10x opportunity I want to move there. But that's a pretty radical shift from where we were originally pointed. And you have folks who are less you know less willing to take the risk than you might miss that opportunity over there I mean that has happened to us we literally made a pretty big pivot and luckily we only had one investor at that point who was in full support of us doing it. So know No no money is totally free. I think try and stay in scale with what you want to achieve. Keep as much as as of the company as you can. I would say right because you know for a lot of reasons a control and direction B should you get that nice acquisition or exit you're going to you know make money which at the end of day is one of the main reasons we're here at the table.

[01:12:53] The only thing I would add is that when you're talking about that much money prior to reaching an MVP or anything you are being given basically a forward investment in your potential.

[01:13:08] That's what it is.

[01:13:10] And so you have to you're being given a big forward investment in your potential. And so you really said sold shirts search about what you can turn this company in and can you with high confidence meet that potential because the drumbeat begins as soon as you take that money to achieve that potential and that means that with that kind of investment and valuation you have to grow into it very quickly. Right.

[01:13:32] So you're on a revenue path that you are that is very steep and the next time you need money if you haven't achieved that forwarding of goodwill around your about value based on revenue profit et cetera you might be treading water or going backwards.

[01:13:53] And so that's that's the real risk of taking something large when you know you're probably at a pretty early stage right. So you have to in your own heart and mind I think just assess your level of confidence that the time is achievable because you're doing yourself a big favor initially because you can go and spend money and build but everything comes home. The cows always come home and you know there's a lot of expectation. So. So I just be cognizant of that and leaven the excitement of that initial moment with what it means over the next three years or so I think that will just about do it. Please give it up for these three panelists or even though. Your time

[01:14:50] And we technically have the room until 2:00. Right.

[01:14:52] But probably best for you all to get out and go and explore this amazing week. Here's my little shameless plug. We've got plenty of other events in this space in the track of data driven that are happening largely at Metis which is over on First in King. But I actually don't remember the title of the next event. I remember the title the event after that but they're largely just any kind of questions around hiring. I'm doing a panel tonight on technology and the kind of technologies that one should use when operating in your data science company. So other than that gentlemen I hope you can hang for a little bit longer if anyone has any follow up questions. Otherwise enjoy the week. Thank you

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