

# Seed Investing is a B2C Business, While Growth Stage investing is a B2B Business



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The hardest part about true, early stage, seed or pre-seed investing is that VC's must invest in companies before they even exist. While the “companies” are just a human being or two in an office or home with an idea.

I had a friend ask me recently “how she was supposed to find deals that were raising at a \$3-\$4M valuation.” My response was to find the companies before they were companies, and before everyone else knew of them.

It's hard to look for something that doesn't exist yet. It's hard to be *proactive* or sell to a target while blind. So seed funds must market themselves so that they can be found. So that once someone becomes an entrepreneur the seed-stage VC firm is the obvious first, second or third call (hopefully the first :)

But later stage venture capital firms are B2B businesses. They sell to companies that already exist and market themselves accordingly. They can be proactive, they can pick entrepreneurs to do events with, or to invite to conferences, or to help. They network with seed stage VC firms for their deal flow — but are less likely to be shouting from the top of rooftops to a broader audience (even if they have more of the marketing budget to do so).

## There are Three Major Reasons to Market Yourself as a VC Firm

(1) For in-bound deal flow

(2) As a way to win a deal

(3) As a way to get a better price on a deal (founders will get up economics to work with Benchmark, Bessemer, Sequoia, etc)

For seed stage firms, reason number 1 drives them. And this is a broader, less targeted type of marketing. It's why many seed investors blog, show up to panels, write books etc. and it's why seed firms often act much like a consumer-facing business in how they brand themselves.

For growth firms, reasons 2 and 3 are the bigger reasons to market themselves. And these firms are therefore more targeted, and are built much more like enterprise software companies.

### **The Best Seed Firms are Really Good at Marketing Themselves**

But in thinking about marketing this way, we run into a problem. Marketing to the masses and to consumers is in many cases more expensive than marketing to “enterprise clients” (am I wrong here? looking for feedback...).

Yet seed stage funds have smaller fee streams and can't put as much money into marketing themselves as larger funds can. They must become creative and rely on branding and messaging over brute force strategies. They must be capital efficient in their marketing endeavors.

And the partners of those firms need to have a stronger presence on inexpensive distribution channels whether it be across social media, their blogs or the panels they speak on.

I bet most people can name the partners at Lerer, First Round, SoftTech and Union Square Ventures more easily than they can at NEA, Accel or Bessemer. And that's by design. It's also be necessity.

Making this happen takes serious skill — and I could probably argue good marketing is the core competency of many seed firms, even more-so than being a great investor — because marketing effectively and on a limited budget is so hard.

A lot of investors *don't like* marketing, and so they ignore it. They come up with excuses not to do it. They point to investors like Shana Fisher who have gotten away with

amazing performance despite nearly no outbound marketing. But there's a 99.9% chance you're not as good as her, so don't try to act like you are. What she does is probably not relevant for other seed investors.

A better playbook to follow and be inspired by is First Round. They've created a marketing machine (Dorm Room Fund, First Round Review, Blogging, Holiday Video, etc)

We're not necessarily great at marketing yet either. We usually get out deal flow from other VC's who send us stuff too early for them or from our current investor base (we now have nearly 100 investors who are all entrepreneurs or VC's who help us find stuff). But we need to get better at building a presence, and we will.

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