

Why investor updates are really, really important - Jason Calacanis

jasoncalacanis

5-6 minutes

I've spent 20 years as a founder, and during 10 of those years I had investors. My second (major) company was Weblogs, Inc. (Engadget, Joystiq, Autoblog, Gadling, etc.) and we had one investor: Mark Cuban.

Ten years ago folks didn't really write a monthly update to investors, since you normally only had one or two of them. This was long before today's party rounds, where you have a dozen, or two dozen, investors each putting in \$10-100k.

[Click to Tweet (can edit before sending) : <http://ctt.ec/5HPed>]

Back then communication was easy: we were in weekly — sometimes daily — contact with Mark. We needed his advice and he loved brainstorming with us over email.

Back then Mark didn't have a lot of investments, and we had only one investor: Mark! Simple days to be sure.

My third company, Inside.com (FKA Mahalo.com) has over a dozen investors — so it became important for me to keep in touch with them in a more systematic way. Seven years ago the state of the art was to do a quarterly or 2x per year update.

Investor updates weren't a big deal back then because folks just assumed you were having board meetings. Angels had only a few investments and would call you once per year, but often followed a "set it and forget it" program with small investments.

I've had to up my investor update game with Inside.com — and it's helped!

Why investor updates are so important in 2015

Today things are violently more active than they were 10 and 20 years ago. We all know this without even thinking of why. Here are four simple reasons why things are so active:

1. Startups can launch a product in a couple of months, as opposed to a year. So, there is a need for press, customers, and users right after angels typically invest. Emailing investors will get you customers, press, and users.
2. Since startups are launching faster they are scaling faster. If things go well, it's not uncommon for follow on funding to become necessary to keep up with growth.
3. Since markets are so robust, it becomes clear quickly if something isn't working ... which means you might need to do a minor or major pivot in your first year — perhaps two or three pivots!
4. Competition is fierce and there are many more startups out there. This means the reward for figuring something out might be 10 "me too!" startups.

All this put together means that monthly updates during your angel round are critical. If you did your A-round, you could submit updates every other month. If you have a B- or C-round, quarterly is fine.

Why Investor Updates are Awesome For Founders

Now, these updates seem to be hard for one group of people and super easy for others. I know this because as an angel investor I learned a hard lesson early — you can call it "Jason's Rule of Startups"

— it goes like this:

“If your startup isn’t sending you monthly updates it’s going out of business.”

I know this because with two of my investments I found out that they were out of business because I emailed them over and over asking for an update. When the update finally came it was, “can we talk?”

When someone says “can we talk?” it’s over.

Today I keep a spreadsheet. The columns are the months of the year and the rows are the startups I’ve invested in. We check off the date in the month that we got the last update.

When we look at this spreadsheet — and we look weekly — we know instantly who is in trouble and who is rocking. If someone misses their second month I instantly call them on the phone — so I can help!

And that’s the big lesson for founders: if you’re not sending the report because you’re ashamed of how bad your startup is doing, you’re making a big mistake. I know, you want to clean things up a bit before sending your update — that’s reasonable.

I get it.

I’ve done it.

Don’t do it.

When you have problems, that’s when you should lean on your investors most. Nothing is more refreshing than getting an update from a founder that says:

1. We lost our CTO to Google.
2. The product is four weeks behind schedule.
3. We have only nine months of runway left.
4. I’m really frustrated at how slow this is going.

Awesome! Welcome to entrepreneurship ... it’s really fucking hard! We know, we’ve been there and we know how to solve these problems. Let’s roll up our sleeves and get to work!

There is another really awesome reason to keep investors updated: they didn’t give you all of their money — they have more!!! They want to give you more!!!

If you keep your investors engaged with honest updates they will reward you by participating in future rounds.

This is true for \$2,500 investors, all the way up to \$250,000 investors. They always have more money to give you.

And never underestimate anyone because that little investor who gave you \$10,000 four years ago might have just made a bucketload of cash because they got into Twitter’s angel round and their lock up just ended!

Investor updates get people rooting for you, and in a crowded market you need people with big checkbooks rooting for you.

Start typing that overdue update ... right now! You’ll be glad you did.

best @jason

PS – Here’s what you should include in a [monthly investor update](#).