CHAPTER FOUR

Build relationships with investors

If you don't come from the startup world, there's a good chance that you aren't casual friends with any investors. So how do you meet angels and VCs?

Every business book will tell you to just go out and "network." To meet important people, you should just "go out and network with people."

When I first started my career, I thought I had to play golf with businessmen. Or attend every startup conference out there. Or somehow get invited to a pre Burning Man party.

Now having spent my entire career building communities of entrepreneurs, I finally understood what "networking" really meant.

Make authentic relationships in business

Networking is not about going to a bunch of conferences and exchanging business cards. Networking is simply about **making friends**.

Wait, that's the big revelation? OK stay with me. People do business with people they like and trust. And who do we like and trust? Our friends! If you reflect on all the people who've helped you and whom you've helped in business (or in life), what do they all have in common? If I had to guess, they're probably your actual friends.

The opposite is also true. Think about a time when you've worked with a client or a team member who you didn't like or trust. They probably didn't pass your "friend test." I bet doing business with them must have been extremely challenging.

So when you're meeting new investors, potential candidates for your team, or people to partner with, don't think of them as "contacts" to pitch later on LinkedIn. Try to be actual friends with them.

What most "business" people do:

- They hard sell right off the bat.
- They obsess about their own self-interests.
- They don't keep in touch with the people they've met.

- They spam their prospects with irrelevant marketing messages.
- They don't show any interest in the other person's hopes or dreams.

It's not a surprise that no one is responding to cold emails from these people. Instead ask yourself: what would a good friend do? A good friend would:

- Check in to see how they're doing as a human.
- Spend quality time together, in and out of the business world.
- Offer to make introductions to potential clients, hires, or partners.
- Share relevant news, books, or articles the other person would be interested in.
- Recommend the option that's best for them, even if that means going against your personal interests.

I especially love the last point. Good friends look out for what's best for YOU. For example, a true friend might recommend you accept a fundraising offer from a strategic partner over their own deal because it'll be the better decision for you.

Where to meet investors

Now that you understand why we should make friends over "LinkedIn connections," how do you actually meet investors?

Start with your current network

The best place to start is with your current network. Ask friends, family, and colleagues if they know any investors. Since investors come from all backgrounds, they could look like friends in tech, your local electrician, or the small business owner across the street. You never know who an investor could be so you may be surprised by the reach that you already have. Elizabeth has pitched her optometrist three times to invest in Hustle Fund. He turned her down. But maybe the fourth time's the charm.

Use LinkedIn, Twitter, and AngelList

Previously founders had to fly to Silicon Valley for a chance to meet with VCs. But with the power of the internet, we can connect with almost everyone. On AngelList, you can find investors who have previously invested in startups similar to yours. On Twitter, you can easily slide into investors' DMs. On LinkedIn, you can ask 2nd-degree connections for an introduction. Many investors even leave their email addresses in the "biography" section of their social profiles.

Attend relevant events and conferences

While meeting people online is great, nothing beats meeting people in real life. Find the gatherings where investors in your industry meet and make friends there. Sometimes these events might be in your local area. Or you may have to do some thorough research to see which gatherings are worth traveling to. Even though we have a pretty decent-sized audience online, our team at Hustle Fund loves hosting live events because we see the magic of connecting amazing people together IRL.

Host your own fiesta

The GPs of Hustle Fund got stuck raising money for our first fund. They didn't know what to do but Elizabeth had an idea: throw a rager.

I'm kidding. It wasn't a rager. It was just a fun gathering for their existing investors. They asked them: "Hey, we're pulling together a group of our favorite investors at a cool taco shop in San Francisco. Next Thursday at 7pm. You interested? " Tacos and meeting other investors? Heck yes!

After the guests confirmed, the GPs did one more thing. They asked each person to bring someone who might enjoy the party plus have some interest in investing in Hustle Fund. This strategy to pitch to a group of curated people worked well. And the tacos were delicious.

The “host your own fiesta” strategy works well once you have a small base of people to invite. We recommend doing this once you’ve already built personal relationships with the invitees.

Find warm intros or craft your cold email

You might not have heard of Kathryn Minshew but you probably know a job-search and career advice site that she started called The Muse. Kathryn and her team have raised over $30M. But before raising all that capital, Kathryn was rejected *143 times*. And when I think about how many cold emails she sent just to get 143 meetings, my head starts to hurt.

So this got me thinking… What can fundraising founders do to increase their chances of getting a meeting? Here are 5 things the Hustle Fund GPs suggest to increase your odds of landing a meeting with a VC:

1. Keep your message short

Most investors are constantly on the go, checking email on their phone between meetings. This means they likely won’t have time to read a 5-paragraph essay that outlines your company’s mission, business model, value prop, fundraising goals, and traction.

Our recommendations:

- Include one line about your business
- Use a few bullet points to indicate the value proposition, current pilots, and/or traction
- End with a clear call to action, like "Do you have time for a 15-minute call on Wednesday to talk about fundraising?"

Example of a cold email from a founder to an investor:

> Hey [NAME],
>
> In America, you can't buy food for your pet hippo in a store. FastHippo is an on-demand food delivery for your pet hippo.
>
> - In just the first month, we have done $4k per month in sales
> - Notable customers include Hilary Duff, Naomi Osaka, and David Chang
> - We have been featured on the NYTimes and WSJ
>
> I'm raising a seed round - what is the best way to talk about this?
>
> Thanks,
> Elizabeth

1. Highly fragmented – over 80% of hippo education is distributed through mom-and-pop stores and only 20% is branded, elite hippo education
2. Structurally inefficient – archaic supply chains require significant working capital for inventory and long lead times to launch new classes / educational content for hippos
3. Un-segmented – Product offerings are split mainly into expensive, elite hippo education or cheap made-up content for hippos with nothing in between

HippoCo has addressed these issues and created a direct-to-consumer educational brand that offers affordable, useful educational content for the millennial hippo. We co-design and market new educational products in collaboration with top teachers at traditional hippo schools.

The results are validating our model and popularity with hippos:

- Annualized revenue: $900K USD, growing +70% QoQ
- Margins: 50% – 60%
- Strong unit economics: CAC: $25, 25% repeat purchase rate in the past 6 months

Founders are third generation hippo teachers and technologists from the Bay Area.

Best,
Elizabeth

2. Get a warm intro

Investors are 93% more likely to take a meeting with someone who has been recommended to them. If you don't have a second-degree connection to an investor, one tactic is to reach out to one of the investor's portfolio company CEOs.

Start by introducing yourself and asking for their advice on something startup-related. Then once you've developed a relationship with her, ask the CEO for an intro to their investors. When an investor gets an introduction to an emerging startup from one of their star CEOs, they're more likely to take you seriously. If they say yes, write an email that makes it super easy to forward to that investor.

Example of an email that the CEO can forward to their investor:

Hi Jake,

Thank you in advance for sending this to Martha at BigCrazy VC. We're raising our seed round and I'd like to get her thoughts on HippoCo. Here's a quick background:

The $180B hippo education market is antiquated and ripe for disruption:

3. Do your research

VCs often tailor their investments around a certain type of business. Their focus could be an industry (VR vs. marketplaces), founder profile (female founders vs. founders in a specific region), or size (pre-seed vs. Series A). Many VCs won't take the time to respond to emails from startups that aren't in their sweet spot, let alone take a meeting with them.

As one investor told us, *"I'm far more likely to book a meeting from a cold email that seems like it could be a good fit for my firm's mandate than I am to book a meeting from a warm intro to a company that isn't a fit."*

4. Ask for intros, strategically

Most founders ask the same generic question at the end of their meetings. *"Here's our blurb, can you share it with anyone who may be interested?"* The founders or investors say, *"Sure, of course"* to be nice. But we all know they never actually share your info with anyone.

Now this isn't a bad question to ask, per se. The intent is actually great. But this question feels too general. Here's our advice: Change the way you ask. *"Can you think of one person who might be interested in hearing about my company?"*

This new question is wildly more effective. Most people can think of one name with ease. The hurdle is far lower and the ask is achievable. Oftentimes, that person is the richest person they know.

5. Reduce your red flags

As VCs, it's our job to ask the hard questions. To determine (quickly and fairly) whether a company is promising enough to warrant 45-60 minutes of our time. We review enough applications to quickly spot red flags in an application–things that prevent us from moving forward with a company.

Here are a few common flags that often prevent us from taking a meeting:

- If the founder isn't working on the business full-time
- If the revenue model is based entirely on ads
- If the team seems distracted with many different opportunities, rather than focused on the core business
- If we've already invested in a similar company
- If the company requires a huge amount of capital to be raised before you can take the MVP to market
- If the valuation is super high

Keep in mind that these "flags" are specific to Hustle Fund. Be sure to do your research (see tip #3) to find out what other VCs consider to be deal breakers.

Create your elevator pitch

OK it's unlikely you'll actually pitch your company in an elevator. But you will likely bump into an investor at a cafe where they'll eventually ask, *"So, what do you do?"*

Can you confidently and effectively communicate what your startup does in 30 seconds? Here's the structure we recommend.

Basic elements of an elevator pitch

1. Keep it short. Aim for 30-60 seconds.
2. Be straight to the point. Highlight 2-3 impressive things about your company, nothing more.
3. End with a specific call to action. Ask "Would you like to learn more?" to investors if you're looking to fundraise. Or ask "Do you have any feedback?" to founders if you're looking to improve your pitch.

Now let's see this in action. Imagine we created a company called The Well Crafted Adventure.

"Let's say you're traveling in the next 12 months and you have a few places picked out for business, family, and friends. You can tell the app more about the type of adventuring you like to do, your fitness level, where you plan to travel, etc. And this app will spit out recommended adventures in each location. It will connect you with a local expert and it'll provide a list of places where you can rent gear

or anything else that would make your adventure easy while you're on the road."

Here's how we would turn this generic company description into a compelling elevator pitch.

"I founded a company called The Well Crafted Adventure. Our app allows us to understand how people prefer to travel. Then we use our AI to spit out recommendations of things you can do, where to find the proper gear, and more info on how to maximize your time to enjoy the trip.

We've attracted 750k users in the second year alone, growing at a 35% month over month rate. We've been named App of the Year from both National Geographic and Outside Magazine. Founders have previously been the GM of Expedia and Tech Lead at JetBlue.com. We're currently closing up our round. If you'd like to learn more, let's continue the conversation."

The pitch is concise, it highlights a few impressive items (using AI, growth rate, and notable partnerships), and ends with a call to action.

Don’t try to close money off an elevator pitch

The goal of an elevator pitch is to leave the investor curious to learn more about your startup. It’s inappropriate to ask, *“Are you ready to put $100k into this idea?”* right after a pitch.

There’s not enough context or trust in the relationship yet. Remember: an elevator pitch is only the tip of the iceberg. Schedule a proper meeting with the investor and be prepared for the next steps.