

Ask a venture capitalist — Sarah Tavel from Benchmark Capital

What's your story?

I grew up in New York City, on the Upper West Side. I went to Harvard for undergrad and fell in love with Kantian philosophy. Somehow, as a philosopher, I ended up in the technology world. My first job out of college was a startup strategy consulting firm that went under. As it was spiraling out, I started looking for new jobs, and I'd always been interested in entrepreneurship and investing. A friend of mine told me I should look at venture capital – which I had never heard about! But it was one of those things where the more I read about it, the more I got excited by it. And I got incredibly lucky to land at a firm called Bessemer Venture Partners, in an analyst role, where I was cold calling startups.

What was supposed to be a two year gig at Bessemer ended up being a six year gig. I spent five years in the New York office, and then moved across the country, to San Francisco. And then, maybe a month after moving, I ended up investing in Pinterest's Series A. I loved the company so much that I ended up joining. We invested when there were five people and I joined the company when there were about 30.

I ended up being there for almost three and a half years, leading product for the discovery team. I was responsible for the search, recommendations, computer vision, and pin quality teams. I also led a few acquisitions while I was at Pinterest – when you're in a company that goes from 30 people to 650 people in just a few years, you end up wearing a lot of hats.

It was such an incredible experience, but venture capital called me back. I joined Greylock as a General Partner focused on consumer investing. I was there for a little over a year and a half and got to know the Benchmark team. The more I learned about how Benchmark practices venture capital, the more I realized that's how I want to practice venture capital. So I ended up making the very hard decision to leave Greylock and join Benchmark. And now I'm one of the General Partners here at Benchmark and have been for 8 months now.

At Greylock I spent a lot of time in the consumer space, but here at Benchmark I'm more of a generalist. So I focus on the consumer space but also the cryptocurrency ecosystem and software as a service businesses.

In a relatively short period of time you went from working as an analyst at Bessemer to working as a general partner at Benchmark. What were the pivotal moments for you?

After investing in Pinterest, I realized that venture capital could be my entire career. I also felt that I really wanted to be on the inside of a company. And as I spent more and more time working with Pinterest from the investor side, I realized that if I didn't throw my hat into the ring I'd always regret it. I knew that if I was an old lady looking back on a successful venture capital career, I'd always wonder "what if?" What would it have been like to work in a company? So I made the decision that would minimize the possible future regret in my life.

Each time I made one of those big changes in my career, it always felt like a risk. I'm going from this warm hug, where I'm established and I have credibility, to something I haven't done before. Each bet always felt like a bet on myself – and thankfully, they've paid off.

So looking back, you can say you made decisions in order to minimize regret. Do you have any other reflections in that vein?

To me it's all about what drives people. I'm driven by the pursuit of being the best. I don't want to work my butt off at something unless I can reach my fullest potential.

When I left Bessemer to join Pinterest, part of what drove that decision is I wanted to figure out whether I would be best in a company or in venture capital.

I played team sports and always had leadership positions. I always wondered if I should be leading a team. And then I tried it and as much as I loved product and being in a startup, I realized that I wasn't going to be the best product leader out there — that venture capital was actually what I would be the best at. And so for me it was that pursuit — being the best — the drove me. You have to figure out what drives you, and then be maniacal in pursuing it.

Looking back, why did you think “I can’t be the best product manager, but I can be the best venture capitalist?”

I loved doing product and I think I was actually quite good at it. But I was never obsessed with it. I was never the person who would download 50 apps. Ben, our CEO at Pinterest, was constantly downloading new apps, playing with them, learning and understanding the different interactions and mental models that people were playing with. That was part of who he was, but it was never something that was part of me.

But venture capital was part of who I was. I get such energy from meeting founders all day long. I just have such a reverence for them and for the opportunity to work with them and learn their businesses and help in any way I can. And I love the selling and closing processes, and in a Kantian way, adopting the ends of the company as my own and doing whatever I can to help make it successful.

So to me, venture capital is a core part of who I am. It's what I want to direct myself towards.

If you're making an investment, what are some of the things that you see that other people don't see?

I think overall, I'm a contrarian thinker. A lot of people make decisions about whether to invest in a space or a company by triangulating the opinions of other people. "Oh, well those people think this company is interesting ... so it is!"

I've sat in pitch meetings where other VCs ask the founder, "who else are you talking to?" as if it's a signal of how interested in the company they should be. It's not a question I've ever asked. If I'm meeting with a startup, I don't care who else they're meeting with. Those social proof signals are irrelevant to me. I try to evaluate the company in and of itself and make an independent decision that way. Independent thinking lets you make the investments that are rare, the ones that are contrarian and right. And I think that ability is something that allows me to see opportunities that other people don't.

Where does that ability come from?

I've just always been a contrarian. I never wanted to watch the cool show or do the cool thing. As a teenager, I had an affliction to cool things! That made it hard to be cool as a teenager but it actually serves me quite well in this job.

Since most VCs require warm intros and cold emailing seems very ineffective, how do you recommend foreign companies with no network in the US approach US investors?

I think there are three different ways. Two are proactive and one is just something that happens in the course of doing business.

Number one is: If you have local investors, the local investors should be good at building relationships with US investors. For example, we've co-invested with a European firm called Point Nine multiple times. We don't have a network ourselves in Europe, but Point Nine has an exceptional network in Europe. And so they often have investments in a lot of different European countries and when it's time for

those companies to raise money in the United States, Point Nine often reaches out to us, which is the warm intro.

The second thing I've seen is that venture capitalists like to blog. And I've definitely built relationships with people through the comments section of my blog. When you get a thoughtful email or comment or tweet, you're going to respond to that.

The third thing is more directly related to your business: It's just becoming known for what you do. The first investment I've made here at Benchmark, which isn't yet announced, is in a company I heard great things about and so I cold emailed them. If you become known for doing great work venture capitalists can reach out to you, even if you're not based in the United States.

My question is about your outlook surrounding automation and how that impacts jobs/future of work: what have you seen, if anything, as a response to the seemingly certain impending doom of automation displacing human workers? Have you talked with any companies that are proposing solutions to this problem or do you envision any solutions yourself?

The optimistic technologist would say that as we've automated jobs we've created new ones. When Photoshop came out people thought it would put graphic designers out of work, but instead it created a whole new class of workers and expanded the labor pool.

That said, you can't help but see the wealth inequality in our country, which is not just about tech automation. It's also about policy. There was this interesting article in the New York Times recently about people in Sweden and how they're not worried about automation because there's enough of a social safety net.

But I think it's on us as people who are innovating to think about the effects of our innovations. When startups that want to automate jobs pitch me, the thing I ask them is "why"? There's one company that wanted to automate the cafeteria checkout person. It was one of those things where we shouldn't decide to do something just because we can.

So I ask myself, should we? For example, I believe in autonomous vehicles because they will save lives — a computer driving should be far safer than a person driving. But that *will* put people out of work. Truck driving is one of the biggest employers in the United States. There is a real question of what happens to those workers, but because autonomous vehicles will save lives it strikes me as something we should do. But when you talk about cafeteria workers, is that really something we should automate?

So I do think we should be asking ourselves the question, "is this a problem worth working on, or are we doing it just because we can?"

You are part of a peer group invited to the office of the richest technology investor in the world. They ask you to name a technological breakthrough that you'd love to see come true. There are no restrictions on resources, money or knowledge. What's your answer and why is this breakthrough important?

I really worry about climate change. One of the innovations people are starting to make progress on is carbon sequestration. Essentially we can remove greenhouse gases like methane and carbon dioxide from our atmosphere, turn it into a solid, and then bury it. This is something people are starting to do, but it's really expensive and slow. If there was a magic wand to make it fast and cheap, that would make a dent in things.

You find an old dusty VCR in your attic, you decide to plug it in. As you start to fast

forward the tape inside you notice everything around you also starts changing. Your world seems to be fast forwarding into the future along with the tape. You stop after 20 minutes and you've fast forwarded 20 years into the future. Describe how the world looks?

I don't know. There are a lot of things to be optimistic about in the world but I can't help but be afraid right now. There are a lot of things happening — with global warming, with our president — and it's hard to be optimistic. I'm having a baby in April and I hope the world will be better in 20 years than it currently is, but I do wonder.

What's the difference between a good pitch and a great one?

A good pitch checks all of the boxes of a pitch. It's someone who has read all of the blog posts on what a good pitch is, and they have the right team and all of the right slides. But a great pitch is one that gets you to believe.

A founder's job when pitching is to describe a unique insight into the future that the company is going to pursue. It's one of those things where, until the founder describes it, you don't see it. Or you don't know it's possible, but somehow the founder gets you to believe it is. You can't capture that in a blog post or a perfect deck. It doesn't normally happen but when it does it's really great.

If you're unsure whether to invest in a company, what do you look at to help you decide?

There's rarely a deciding factor. There's always reasons to invest and reasons not to invest. Assuming I have all the information I need — I have all the data I want — it's a combination of talking through things with my partners and spending more time

with the founder and the team. And where I have doubts about something, pushing the founder on it and seeing if I get more comfortable.

What KPIs do you look at to understand the growth potential of a new venture?

It depends on the sector of the company. For example, if it's a consumer company, I love cohorts. I like to look at not just users who are opening the app but users who are performing the core action of the app. *[Editor's note: Sarah has blogged about [this here 5](#)].*

If it's a SaaS company, I look at metrics like monthly recurring revenue, lifetime value of a customer, and customer acquisition costs.

We're a couple that's been together for a while and recently decided to start a company together. We're thinking about approaching VCs for investment. How do we explain that we're a couple without setting off any red flags in VCs' heads?

I'd anticipate what those red flags are, and then proactively address them in your pitch. For example, what are you going to do if one of you isn't performing? How are you going to divide responsibilities? How are you both qualified for your respective roles?