Brandon C. White of Build a Business

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Interested in learning more about investing in startups, launching a new startup need to raise funding, the startup Funding Espresso is a daily podcast and a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso. You can learn about startup funding to subscribe, go to Invest, Connect Dog and put your email into the pop up box. Hello, this is Hall Martin with Investor Connect. Today we're here with Brandon C. White, host and editor of Build a Business. Build a Business. Success Secrets is a monthly print playbook, rebuilding the inner game about how to build a business. Readers get monthly articles on how to protect their mind and their body, investing tips, information on new and undiscovered products and services that have been tested and shown to increase sales and profits. And ultimately, How to build a successful business newsletter also sponsors a podcast called Build a Business Success Secrets that provide straight talk for entrepreneurs and business owners. Brandon, thank you for joining us.

Speaker2: [00:01:13] Thanks, hon. Thanks for that really kind introduction.

Speaker1: [00:01:16] You're welcome. And we're great to have you here. Let's start off with your background. And what did you do before you started investing in early stage companies?

Speaker2: [00:01:26] I was an early stage company, actually started my career two decades, almost a little bit over two decades ago. I started Bill crashed resole, bought back from investors and created the largest social networking site for an e-commerce site for sport fishermen on the Internet. And I sold it to a large media company. Luckily, I say gratefully in Canada, which got me to where I am today.

Speaker1: [00:01:55] So what excites you right now?

Speaker2: [00:01:58] Oh, gosh, that's a good question. You know, I'm still excited about the Internet and technology. I think that I, as a tech nerd, have always I don't want to I'm not I'm not a prophet. I'm not saying that. But I've been ahead of the curve and where I think technology is going and dug in as one of the early geeks and then never and then waited a long time to see that come to fruition. And I think what we're coming to see now is what I call sort of the third wave of the Internet technology, where we're starting to see mature business models of e-commerce and social networks and online businesses that actually make money and can work. And I think that's a function of back in the late 90s and middle 90s, we we just didn't have as many people Internet. So you could make money. And there were people like Amazon clearly make it well, they were losing money, but they were making money, but investing in themselves. But it was hard for the early delivery businesses like Peapod and these other models out there. Today's Internet doesn't look that much different to me all than the companies that we saw. It just that we have more people. Technology became more efficient. You don't have to run your own server farm in your in your house and call it with 50 air conditioners. I mean, I'm only half joking there, which I know you remember. But, you know, and I think I and I think that's overused term. But I think the ability to leverage big data with models that learn is getting better. And we're going to really see that within the next 10 years.

Speaker1: [00:03:47] I remember those times well, in the 90s, I used to watch pitch sessions and startups would stand up and say, I'm building a Web business, I need five million dollars. And back then they had to build their own server farm and hire American pay American wages for everything. And it was it was a very expensive endeavor for sure.

Speaker2: [00:04:04] Well, I think it was I can only call my bill for raising a million dollars back then with I don't know, should I say it's a national law firm. I won't say it, but was ninety thousand dollars. And I think that has changed for entrepreneurs as well. So I think nine percent on a million dollar raise seems high. But candidly, back then, we didn't have Ceric documents. We did not have the mature model. We didn't have the I mean, coulis was just getting ready. Lall out there was playing around at least on the East Coast in Northern Virginia. The valley, I think had a model, but it was still it was still expensive. I think that is an incredible thing for us as entrepreneurs. And I was I should I should tell people out there, that's how I got started. But I was a venture capitalist. I worked for two venture firms and I worked I was an early Guyatt, early Earth guy at America Online. And then went back. I say went back. I don't think I ever left. I think I just ignored my entrepreneurship and then went and then an entrepreneur ever ever since.

Speaker1: [00:05:16] Well, great. Well, you've seen a lot of startups and a lot of investors in those days. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker2: [00:05:26] Be prepared to lose their money. I mean, you and I laugh at that, but I think some angel investors, I don't know what you what you're seeing out there all as much as you and I talked and you're on my podcast and we did a panel together, so I know a little bit. But I think that the entry of unaccredited event investors is actually a really incredible opportunity for entrepreneurs. I think that that segment of the population that is not as sophisticated doesn't understand the true model, which is you will probably lose more more on a numbers basis than you gain. Is that when you hit the winning one, it pays back a hundred times? Or should what you've got and I think and I've experienced this I actually had an experience with angel investors early in the early days where I was like, oh, well, the company's not doing good. Can we get our money back like that? Money is gone that you know, and be willing to lose that money and understand, I think call what you know. And I'm not saying they didn't even teach me this in business school.

Speaker2: [00:06:39] I just learned it through having a family office and a private foundation and things like that over over many years is is that there's a certain segment of your portfolio, about seven percent that should be in alternative investments, which should include venture capital, leveraged buyouts or other risky. Maybe you put art into that, whatever your Bitcoin or whatever you want to put in there. But it's an alternative asset and understand that, that whatever percentage of venture capital or angel investing that's in there, that that's how it is. Don't take an exorbitant percentage of your money and expect that that's going to be your retirement. And I think that's just important on the expectation, because, as you know, have been in business for so many years. It's highly risky. I mean, there's no two ways about that. It's a high risk. You can mitigate your risks. But there's also in the early stages one hundred things that can happen to a company that I've experienced and been an investor and seen that, some of which you can't control, like Koban.

Speaker1: [00:07:49] Absolutely. So on the other side of that table, what do you what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

Speaker2: [00:07:58] One, before you need money, you should be talking to investors when you don't need money, you should be talking to investors. And when you start and here's my theory, I don't know if people agree or not, but I believe that you should go out there, talk to investors and tell them your plan, your story, and then keep them up to date on that story so that they can see that you are making progress and that you have a story. And and then when you need the money, you can say, hey, Hol, remember when I told you 12 months ago I was going to do this? Here's what I did, or here's what I missed and here's why we missed it and here's what I learned and here's how we mitigated that. That may be more important, at least to me as an investor. But the other thing that I'll tell entrepreneurs, and I've had bad experience, not because this person, what this investor was bad, but because we weren't a match for one another. I jokingly say I've accepted in my life that has sort of made my life better, that out of the seven point seven billion people on this earth, I accept the fact that I will not get along with all of them. And they all might not like me and and I might not like them. And that's OK. I think the same thing is true with investors.

Speaker2: [00:09:13] And as an entrepreneur and being an entrepreneur, I know this is true because it's still hard to fight, is that we think entrepreneurs think that because an investor has the checkbook that they're the king of the mountain because we want the money, because we think we're entrepreneurs think that the money is going to fix their problems, which you and I could probably have a long discussion on. But whether that's really true or not is open for debate. But I'm getting to the point that you need to interview your investor. Not just allow them entrepreneurs show up to angels and dishes and everybody else, and it's like we're trying to prove ourself to get the check. Well, what I've learned, which is really hard, is you need to interview that investor because you are getting married. Period. And and and some life changes, you might need an angel investor who says, oh, I'm just a passive investor, I'm going to give you 50 grand and, you know, give me an update every month. And then something happens and all of a sudden there are different type of relationship. So understand that. And I had such a bad relationship with one investor, mainly because our expectations were off and I didn't. And I take responsibility for that. I take responsibility for not doing the diligence on the investor to know what to expect and having wanted the money so bad, I paid him back here and we want to be paid back.

Speaker2: [00:10:44] I mean, it was hard to pay him back because he didn't want to be out of the deal. But I think, you know, that will that will derail your business. It will. It will cause you to spend an enormous amount of time as a CEO, entrepreneur, founder, whatever the right word is, that small business owner, that you'll take your eye off the ball, which is sales and product development, and that can hurt your business. So do your diligence on the investor. It's not going to happen over one meeting. You're going to want it to happen over one meeting, but you need to not. And I would say it's not an interview. It's a conversation over time. And don't just do it in an office, go for a walk, go for a hike, because that's when you start to see people's real self not sitting across from a lunch table that as an entrepreneur, you never get to finish your meal anyway because you're asking all these questions. Sorry for that. But that that's really that from from the battleground that I've been in the story is you've got to interview. You've really got to do your diligence on on investors because you are going to be married.

Speaker1: [00:11:53] Well, that's that's great advice. So you've been investing for some time. How do you see the startup industry move forward now? How you see it evolving from here for startup funding?

Speaker2: [00:12:06] Well, I think it's a great time to be an entrepreneur as it relates to crowdfunding and the access to capital. I think the danger is that you don't understand as an entrepreneur, potentially what the investor can bring to the table besides money. And, you know, if you just go after the money, I'm sure that you can get crowdfunding and things like that out there. But I think that what is potentially getting lost or the spotlight or I don't know what we call it, sensationalism of it all, what's getting lost is just make sure that you understand that if you you take those those opportunities, you can get the cash, then you better have a plan to execute with it on is because you're taking their investor and they're likely not going to necessarily help you. So I think that's an important dynamic going on. But I think it's a it's an incredible time. And also, I think call it up. Our game is angel investors to sell ourselves more to show entrepreneurs what we actually can bring. I have have built a little media property with a decent sized email list that I can offer an entrepreneur. Hey, if you if I'm in a competitive thing, if I can I can I get in on your deal? And if I can get in on your deal, by the way, I can send an email to over fifty thousand people that I have on my list that might help and that's a value add. So I think it's up at least for me. I feel like I've had to up my game to say here's what I bring to the table because deals are our competitive. Four good ones

Speaker1: [00:13:45] Were good, and so what do you think the biggest change you'll see over the next five years in this space?

Speaker2: [00:13:51] I think we're going to see some fallout from the crowd funding, I think is going to be so what's going to happen is we're going to have some really savvy Internet marketers who are going to create these really savvy companies that sound like Pied Piper from HBO. And they're not going to be real and people are going to get burned. And you know that the government isn't going to allow that. I hope it doesn't happen. I just feel like in situations where there's gold rushes, there's always a correction. And I don't think that correction is going to crush the opportunity. I think it's just going to help regulate it a little bit more so that everybody is protected.

Speaker1: [00:14:33] I see that a lot. I see many crowdfunding deals with 10k of revenue, but there were twenty five million dollar valuation and I wonder how they get there and will anybody ever get paid back and when they don't get paid back. You think government regulators regulation is going to solve that problem.

Speaker2: [00:14:50] Well, that's an interesting one for today's episode that we can talk about for a long time, I'm not big on heavy handed government. I think that that markets should be allowed to operate. Having said that, I think there's plenty of examples in in world history, not just the United States of America, but world history that show that without some regulation, people, non savvy, unexpecting people can be taken advantage of, which for those people can have detrimental consequences of which costs us as a society. So it's not that there's no cost to that. There'll be a cost to that some way. So I see you smiling there because I'm being very politically correct, I think. But the I, I don't I don't think government can fix it. I don't think government candidly, completely understands it unless we've got some voices which are like, what is there? One US Senator, Mark Warner, who was a DC, I don't know any of the other ones that were maybe one or two. I'm just saying, without that sort of expertise, it's very hard to regulate something. I don't know. And I know we have a lot of a really good government people out there who work really hard, but I just think it's going to be corrected. I don't know. The government's going to fix it. I think the government's going to react is what's going to happen. And that's going to and then and then will be will self correct somehow. But, you know, it's a I hope it doesn't happen because I think it's a I think that it's a good thing for us angel investors at some level in that we get leverage on our money.

Speaker1: [00:16:38] I once heard a investor, experienced investor say these new investors coming in here, now they're going to lose money. And I'm not talking about angels talking about crowd funders. Think about VCs talking about angels back in the 90s. And when angels came up, the very same thing was happening. They were putting money into deals with too high valuations, no exit strategy. And the usual thing. And it seems like every generation just has to learn all over again how to do startup investing. And we saw the VCs do that in the 70s, 80s. We saw the Angels do that in the nineties, in the 20s. And here in the 2010s and twenties, we're seeing crowd funders are showing that curve. And when you start losing money, you start to realize, wait, this is harder than it looks. Wait, I'm doing something wrong here. And then they have to self correct. And I just I've never seen government regulation really be effective at that level without hurting the existing companies at the same time. And so it just seems like the investors just have to put money in, lose it, and they realize this is this is not working. I have to do a better. And if they start to learn the lessons from the others as well. So and everybody moves up into the right angels because VCs, VC become private equity and crowdfunding become angels and the game continues on. In that case, we'll see how it works out. But I, I don't see a lot of these guys making money, in fact, out West right now, you know, of any crowdfunding deal that ever return money to the investors as an exit. Not not Kickstarter, but title three crowdfunding. Where is equity, as any of them ever made a return to an investor you could claim? Well, it's early days. It's only four or five years into it now.

Speaker2: [00:18:16] So I'm trying to think I'm trying to think, uh, I can't think of anything outside Kickstarter campaigns for sure.

Speaker1: [00:18:24] Yeah, I have. But you're just you're not getting equity. You're just paying for time. Get that now for equity deals when these get to an exit, what did that look like and how did they pay out? Like I say, it's still a bit early days, but two or three more years from now, if we don't start seeing exits, we'll have to start seeing what actually happened over valuation, I think is the big one. People just put very high prices on it. Investors not not aware that that's a key metric for getting paid back at the end of the day. But we'll see how it works out.

Speaker2: [00:18:58] But I have a question. I have a quick question for you, because I I think this is worth discussing. When we talk about trends is so that crowd funding idea, which is fast, low diligence and vast, right. You can put it on your credit card literally because I tried it and apparently I own some stock and something. But we also have the venture business and even maybe the angel and business it depending on what you want to call it, changing like the tiger fund. Right. Which is high velocity. We're going to do low diligence. We're going to pay high valuations. And at least their initial returns on that are showing high are high. I think the risk for the good news for them is they have the money in the portfolio to do it. I think the downside is, is that the crowd funding community won't do that. So I think to your point, they'll they'll lose money. I do agree with you that I haven't seen a time when the government can actually fix it. So I just think that they'll react because these people will lose money. So I tend to agree, and I think you did a great job summarizing sort of the evolution as I'm thinking of how people how it really works. So they'll get savvy because they they'll learn their lesson, that they should ask for the document and find out what type of stock they got and what where they sit in the cap table. And if they don't get that, then they're going to be in big trouble.

Speaker1: [00:20:27] Absolutely. So let's talk about your investment thesis. You've been investing for some time. What is your thesis and what exactly is your criteria for making an investment?

Speaker2: [00:20:38] Well, what I tend to like online businesses and I like technology businesses. I've done an enterprise software company. I if I were to invest in an enterprise software company, I want to see a repeatable sales process because I learned from pain that it's a long sales cycle. But I'll tell you, one of the key components for me in investing is an eye is I want to see how big their email list is. And the reason is I tend to invest more in consumer type businesses. I'm open to BMB, be to be, but even Inbee to be. I want to see what that marketing engine looks like. I think too many times where I've lost money or where I've seen companies fail is is that they believe that they're going to raise money and advertise their way into customers. And I don't think that you can buy your way based on your customer acquisition cost. And ARPA today, mainly because the platforms are you're going to advertise on Facebook, Instagram or Google for the most part. If you're doing an Amazon product, you can certainly do that on Amazon. I think there's tons of players in that Amazon market that drive your costs down and basically start you out of business on product in that in that specifically.

Speaker2: [00:22:00] But if we talk about the other platforms, the prices for most of the categories are relatively high. So buying your way into an app download doesn't work for me. I want to see a more I'm looking for a more almost old school marketing technique that works, meaning either direct mail or email list, because the email, if you have an email list and you've gathered that audience, whether you're doing lead magnets or something like that, you've got a customer base that you can talk to that you can control, because that way at least you can communicate with that audience regularly. So my biggest really my biggest thing is, is that I want to see the email list and I want to see some level of understanding of how they're selling their product. Of course, all the other things matter, right? Cost of product, your production, your people. But I'm really interested in the channel of how they're going to sell that product. And I look for people who are building their email us very well.

Speaker1: [00:23:10] So you see a lot of startups out there. What do you think is the main challenge startups today faced in launching their business?

Speaker2: [00:23:16] Well, I think the barrier to entry is so low these days and that you can it's really just execution on the plan and staying true and not getting off track. I think the other challenge is, is how are you going to do that? Marketing online through all of what unique thing are you going to use? Do you have SEO or do you have that magic? Because there's just everybody there's a there is a big flow online which is creating a lot of competition. So I don't think it's the lack of ideas. I think it's more the the execution of the idea. And in really understanding that sales and marketing channel and I hate to harp on that, but, you know, if you have the best product in the world and you can't you don't have a good sales and marketing strategy, just doesn't matter.

Speaker1: [00:24:04] And then what you think is a challenge the investor faces today,

Speaker2: [00:24:08] Understanding, finding the deals that are that that actually have that, I think here's the challenge challenges the companies that figure out their customer acquisition costs. No, there are people in customer lifetime value. They're not advertising necessarily that they need the money. You almost have to find them. And now do they need money? They probably are going to need money if they're growing rapidly for sure. And you might find them on the street. But I think the challenge is really digging through the the amount of companies. And there's been a surge, as you know, of people starting companies after covid. Everybody figured out that they need a side hustle. Now, whether it's a side hustle or real business, I think everything starts out as a side hustle. But there's a lot of deals out there. I mean, I see a lot of I don't know, I get deals every single day on LinkedIn out of the blue, which I think is sort of crazy because it's like grabbing somebody off the street and saying, hey, how, how or I don't even know your name. Hey, mister, you want to give me ten bucks for X, Y, Z? Like, I don't know that that's the right method, but it's just get it's cutting through that noise. I remember back in the day when I was sourcing for the two venture firms I work with, you know, it was we had a lot of deals, but it wasn't it wasn't this volume of deals that you need to go through really quickly.

Speaker2: [00:25:34] I mean, we were looking at the five hundred five thousand list or the in whatever, you know, whatever the lists were at the time and and then using our network to find these deals. But now there's just so many, at least for me, it's been hard without having an associate to actually call through and candidly and without that, I almost have just waived off because as you know, whether you're going to invest ten fifty or one hundred thousand or two hundred and fifty thousand or five million, the diligence generally is the same, at least for me. That may not be the case for all people because they have a different strategy. But for me, it's it's really getting through that noise and then understanding, can I help? Because if I can't help, you know, maybe I should just invest in a in a public stock company that is returning 19 percent a year and do that. I mean, I think that's the other thing entrepreneurs don't always take into account is who's their competition, their competition or other deals, which there's plenty of. And there's the public markets that candidly are returning a lot of money for people.

Speaker1: [00:26:43] Right, well, you see a lot of different sectors and applications out there in today's market, if you had to pick one or two to put at the top of the list that you think are good opportunities. What would you call out?

Speaker2: [00:26:54] Well, I think anything in the AI machine learning space is a lot of people say that. But for me, I think there is a ton of opportunity. And even in old markets, the introduction of the ability to get through that data and make recommendations and see things that you didn't see before, I think there's still a huge opportunity. I think there's a huge opportunity in space for sure. And I think there's some crazy things happening in health care. But candidly, as much as I like space, I don't understand it enough to invest in it. And health care, as much as I hope that they make you and I live for another five hundred years. I don't know enough about gene therapy and all of this stuff to really make a bet in that. So for me, being more of a tech person, I think there's just some that there's still a greenfield in that space in in industries that were old that are now getting modernized and have an opportunity to be disrupted.

Speaker1: [00:28:00] Great. When the last image that we have here, what else should we cover that we haven't?

Speaker2: [00:28:04] I think we've covered everything. Oh, yeah.

Speaker1: [00:28:08] Yeah, no, I think it was a good discussion. So how best for listeners to get back in touch with, you

Speaker2: [00:28:13] Know, the best ways they can tune into my website or dial in my website at Brandon C. whitcome that the R and D on C as in Christian White dot com or they can tune in to my podcast if they want. I'm on all the platforms. Just Google built a business Success Secrets podcast.

Speaker1: [00:28:33] Great, we'll put those in the show notes, want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:28:38] Thanks so much. I really appreciate you having me on.

Speaker3: [00:28:45] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect. Doug Alti Martin is the director of Investor Connect, which is a 5.1 C3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of

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