

JC Otero of Change4Change

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 here JC Otero CEO and co-founder of Change for Change, headquartered in Austin, Texas. Chainsaw Change. His mission is to democratize the political fundraising process by broadening the donor base, making fundraising more accessible to all while combating the influence of big money in politics is this monumental challenge that can tell J.C. to join forces with Nick Kokanee to start change for

Speaker2: [00:01:04] Change in the fall of twenty

Speaker1: [00:01:05] Eighteen.

Speaker2: [00:01:06] Jack, thank you for joining us. Yeah, we're going

Speaker3: [00:01:08] To be here. Paul, thanks so much for having me.

Speaker1: [00:01:10] You bet. So what was your background before cofounding change for change.

Speaker3: [00:01:14] Yeah, so I have a mixed background where I work with a variety of

Speaker2: [00:01:17] Startups at various stages,

Speaker3: [00:01:19] From early employee to the more mature startups

Speaker2: [00:01:21] That have raised several millions of dollars, but also

Speaker3: [00:01:24] Worked with big corporations

Speaker2: [00:01:26] Like Dell and Wells

Speaker3: [00:01:27] Fargo. And most recently,

Speaker2: [00:01:28] Informatica is I have a

Speaker3: [00:01:30] Strong

Speaker2: [00:01:30] Mix between a lot of kind of startups and big corporate experience.

Speaker1: [00:01:35] So whether you start work in this space, change for change.

Speaker3: [00:01:39] Yeah. So it actually I guess the space is like two fold. One is the mobile application space and the other one likes the technology. And so I actually started working in the mobile application space in 2009, 2010 when I was

Speaker2: [00:01:51] Involved with one of Austin's

Speaker3: [00:01:54] Early mobile app

Speaker2: [00:01:55] Development companies and over the

Speaker3: [00:01:57] Years and stayed involved in various projects with other companies as well.

Speaker2: [00:02:01] And it wasn't until

Speaker3: [00:02:02] One of my close friends, Nick, he was just kind of just seeing how much money was being

Speaker2: [00:02:07] Spent by kind of like dark

Speaker3: [00:02:08] Money and big corporations and things

Speaker2: [00:02:10] Like that to where he had

Speaker3: [00:02:11] This idea to do something about it. And I was around fall of twenty eighteen that I was transitioning projects.

Speaker2: [00:02:19] And so I partnered up

Speaker3: [00:02:20] With him to

Speaker2: [00:02:21] Get involved with this, to

Speaker3: [00:02:22] Do something about fundraising politics.

Speaker1: [00:02:24] That's great. And so what's your advice for people that are investing in this space? What do you tell them to do before they write that check?

Speaker3: [00:02:31] Yeah, so this is actually like I guess a very different

Speaker2: [00:02:34] Space compared to other,

Speaker3: [00:02:35] I guess, startups that I've been involved with, primarily just because of the political nature of it and also just the timing of it in terms of like the election cycles. And so those are big factors. And we just know we just had a super election.

Speaker2: [00:02:48] And so now we're entering the

Speaker3: [00:02:50] Beginning phase of the next cycle, which

Speaker2: [00:02:52] Is multiple years and so

Speaker3: [00:02:55] On this particular space, it's it's

Speaker2: [00:02:58] One on one, depending on

Speaker3: [00:03:00] What people's political views are and what it lines like. One of our approaches was to democratize political fundraising until

Speaker2: [00:03:07] Being neutral

Speaker3: [00:03:09] To a party. And so that that's something

Speaker2: [00:03:11] That definitely comes

Speaker3: [00:03:13] Up from an investor standpoint on how they stand politically.

Speaker1: [00:03:17] Great. And so let's talk about the sector itself. How do you see the industry evolving from here?

Speaker3: [00:03:22] Yeah, and so it's definitely real interesting in terms of how it evolves. I mean, just from the past election, you've seen

Speaker2: [00:03:29] That there's more

Speaker3: [00:03:30] Grassroots movements. There's also more people contributing a smaller dollar

Speaker2: [00:03:34] Amounts now, just

Speaker3: [00:03:36] A matter of making it more efficient and streamlined. And I think like in the next political cycle, you're actually probably going to see a lot more

Speaker2: [00:03:42] Involvement from fundraising

Speaker3: [00:03:44] On the on the micro scale. So, like my micro contributions.

Speaker1: [00:03:48] Great. What's the growth rate of the sector? How fast is it moving up?

Speaker3: [00:03:51] Yes, I guess the growth rates are really hard to pinpoint because it's being applied in different industries. And so, like, for example, in the financial sector, there's been roundups applied for, you know, well over five years now. And that's been going

Speaker2: [00:04:03] Tremendously by the political space. Fundraising cycle

Speaker3: [00:04:07] Over

Speaker2: [00:04:08] Cycle has just been more

Speaker3: [00:04:10] Than doubling in terms of how much funds candidates are raising

Speaker2: [00:04:14] Cycle. The very small

Speaker3: [00:04:15] Percentage of that is coming through like new technologies.

Speaker1: [00:04:19] Great. And how many companies are engaged in this space?

Speaker3: [00:04:22] Yeah. So in terms of like political fundraising, there's like one really big

Speaker2: [00:04:25] Player that's a

Speaker3: [00:04:26] Nonprofit,

Speaker2: [00:04:27] Selinda, like the Democratic Party, and there's a

Speaker3: [00:04:30] Few other maybe handful to niche players

Speaker2: [00:04:33] That help

Speaker3: [00:04:33] Fundraising and other avenues, whether that's providing maybe like an online website that has a process to do that. And so it's definitely not a space that has hundreds

Speaker2: [00:04:42] Or dozens of of

Speaker3: [00:04:43] Companies trying to provide the same solution. I think it's primarily because

Speaker2: [00:04:47] Of the nature that it falls within, like

Speaker3: [00:04:48] Civic technology,

Speaker1: [00:04:50] Where you talked about a moment ago about some of the political challenges. But aside from that, what are the other challenges in this space?

Speaker3: [00:04:56] So few things in terms of the challenges in the space is one thing that we've had to do as a company as well as expand

Speaker2: [00:05:03] The way that we are solution

Speaker3: [00:05:05] Offering to first, it

Speaker2: [00:05:06] Was primarily

Speaker3: [00:05:07] Just for political candidates and campaigns. And as we all know, that that has cycles and it goes and

Speaker2: [00:05:12] Ups and downs. So what we've

Speaker3: [00:05:14] Done, too, is we've been able to white label this

Speaker2: [00:05:16] Technology. And that way, we

Speaker3: [00:05:18] Can make it available to non-profits and so non-profits obviously fundraise year round all the time, even though political candidates

Speaker2: [00:05:26] Fundraise all the time, whether

Speaker3: [00:05:28] They're in office or running the office well in advance,

Speaker2: [00:05:31] They have much higher

Speaker3: [00:05:33] Influxes of fundraising efforts depending on where they're on in the election, whereas nonprofits need to raise funds all the time. And so that's one thing that we've been able to do because we've built this

Speaker2: [00:05:43] Round of technology engine that we've been able

Speaker3: [00:05:46] To design in a way to where now a nonprofit or political campaign can now have their own kind of fundraising at.

Speaker1: [00:05:53] Great, great. So tell us more about how change for change fits into this overall landscape in this space and where you positioned and how are you differentiated from the others?

Speaker3: [00:06:02] Yeah, and so in

Speaker2: [00:06:03] Terms of currently

Speaker3: [00:06:05] Right now, the way that people contribute

Speaker2: [00:06:07] Towards political

Speaker3: [00:06:08] Campaigns and they have to do it in one off

Speaker2: [00:06:10] Candidates and

Speaker3: [00:06:12] People that are involved politically,

Speaker2: [00:06:13] They oftentimes support. Several candidates

Speaker3: [00:06:18] Have different levels of the government, and whether we're different is we

Speaker2: [00:06:22] Actually provide a

Speaker3: [00:06:23] Platform that helps consolidate all that. So instead of having to

Speaker2: [00:06:26] Track five

Speaker3: [00:06:28] Or seven different candidates through five different

Speaker2: [00:06:31] Sources or so, you have that platform

Speaker3: [00:06:33] That centralize it all to where you can get all the news information of coming events and then also be able to contribute

Speaker2: [00:06:39] Either one time donations,

Speaker3: [00:06:41] Regular donations, or be able to round up or change on one fourth

Speaker1: [00:06:45] Grade. And what's the next step for you guys? Where are you taking it from here?

Speaker3: [00:06:49] So we're taking it right now is

Speaker2: [00:06:50] We're actually exploring options

Speaker3: [00:06:52] To license

Speaker2: [00:06:53] It to specific

Speaker3: [00:06:55] Candidates

Speaker2: [00:06:55] Or parties while at the same time to be in discussions

Speaker3: [00:07:00] With non-profits. White label on what scale?

Speaker1: [00:07:03] Great. And what do you think is the long term outcome for it? Where do you think it will go? Is it a company that will exit and who might buy it?

Speaker3: [00:07:11] Yeah, I think I think with how we've been able to

Speaker2: [00:07:14] Build the app on a

Speaker3: [00:07:15] Very kind of future

Speaker2: [00:07:16] Budget, that we have a working engine already that that

Speaker3: [00:07:20] Has the potential to make it a recurring revenue. I don't think it's going to

Speaker2: [00:07:23] Be something that the

Speaker3: [00:07:25] Ipo or anything like that. And so it's

Speaker2: [00:07:27] A business that is probably more

Speaker3: [00:07:29] Likely to get

Speaker2: [00:07:30] Acquired rather than having some type of

Speaker3: [00:07:32] Public debt like that.

Speaker1: [00:07:34] Great. When the last few months that we have here. Well, should we cover that? We haven't.

Speaker3: [00:07:38] The thing is, I guess your listeners that are investors, you know, as

Speaker2: [00:07:42] Long as you're working with entrepreneurs

Speaker3: [00:07:44] Early on in their fundraising, getting

Speaker2: [00:07:45] Something going,

Speaker3: [00:07:46] You definitely see it as a

Speaker2: [00:07:47] Journey and

Speaker3: [00:07:49] May not be the best opportunity to enter an investment

Speaker2: [00:07:52] Right away. But even that

Speaker3: [00:07:54] Ongoing relationship and mentorship, insights and even introductions to other people could then the relationship to where it might make more sense to invest so long. And so that just some some advice

Speaker2: [00:08:06] That I think would be

Speaker3: [00:08:07] Helpful is that instead of just seeing it as am I going to invest in this startup after the first conversation and see it more as like it's it's ongoing

Speaker2: [00:08:15] Rather than, you know, right off the bat

Speaker3: [00:08:16] Deciding,

Speaker1: [00:08:17] That's great. You know, you can turn those pitch sessions into more of a collaboration than just a money raising thing. And you do much more with it.

Speaker3: [00:08:26] Yeah, in fact, I mean, some of

Speaker2: [00:08:27] The a lot of big portion

Speaker3: [00:08:29] Of the money that we did raise

Speaker2: [00:08:30] Actually came

Speaker3: [00:08:31] From introductions, either like a first degree from someone we we first spoke to or someone

Speaker2: [00:08:37] That actually then introduced us

Speaker3: [00:08:39] To someone else afterwards and says do anything about just getting feedback and being open to it and then, you know, especially being open and meeting whoever someone thinks you should meet.

Speaker1: [00:08:49] Great. Well, how best for listeners to get back in touch with you.

Speaker3: [00:08:53] You can definitely visit the website Change for Change Botsio, as with number four, or you can just Google JSI. It's two letters, Otero or Tesauro

Speaker2: [00:09:02] And LinkedIn will

Speaker3: [00:09:03] Come up right away and you can just contact

Speaker2: [00:09:05] Them. That was just

Speaker1: [00:09:07] 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.

Speaker3: [00:09:12] Awesome. Well thanks so much and keep doing what you're doing. You're a tremendous asset and everyone loves you and Austin.

Speaker4: [00:09:21] 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. Paul Martin is the director of investor Canek, which is a 523 non-profit 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 Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.