Nicolas Colin of The Family.mp3

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin, I'm 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, you need to raise funding. The start of funding espresso as a daily podcast in 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 start up funding. To subscribe, go to Investor Connect. Org and put your email

[00:00:39] Into the pop up box.

Speaker1: [00:00:47] Well, hello, this is Hall Martin with Investor Connect. They were here with Nicolas Colin, co-founder and director at the family. The family nurtures entrepreneurs through education, unfair advantages and capital moving at startup speed. The family is transforming a portfolio of non-linear companies, special projects and virtual infrastructures into a connected community of entrepreneurs, operators and fellow investors who inspire and support each other. Nicolas , thank you for joining us. Thank you. Very glad to be with you today. So tell us more about your background. What were you doing before investing in early stage companies?

When I did several things, so I studied as an engineer, arrived on the job market right when the dotcom bubble was bursting, so there were not as many attractive opportunities as we expected, and so I decided to switch and to focus on another field that was interesting to me, which was public policy. So I studied public administration, joined the French government, basically spent 10 years in that world learning everything about policy and then came back to tech through policy, meeting interesting people, partnering with them to found a company 11 years ago. So I was a startup CEO for two years and you know, everything you can learn in this very hard tackling these very hard challenges and then switch to the investing side by co-founding the family. So what excites you right now? Well, we are about 18 months into the pandemic. Obviously, it has changed many, many things as I think accelerated the process of software eating the world to use more countries as well.

Speaker2: [00:02:34] And what we are seeing now is that tech has become kind of obvious for everyone around here, including well beyond the venture capital world. All kinds of investors are interested in or want to be exposed to tech. But on the other hand, tech is as it is eating. The world is going into so many different directions that it's hard to keep track. So we enjoy, you know, having been doing that for more than 10 years, knowing what sources to use, what people to talk to. So as I'm able to to keep track of everything that's happening and still being able making relevant decisions when it comes to investing or refining an investment thesis and so on. Right. We see a lot of startups and a lot of investors out there.

What's your advice for people investing in startups? What do you tell them to do before they write that check?

Well, I think my approach has always been, like, very systemic, I like to understand the direction an industry is going into. And I like to reflect on how exactly the process of software eating the world happens in a given industry. I think that if you do that kind of work like reading a lot about business strategy, we know a lot about the history of the of the particular industry that is of interest to you.

Speaker2: [00:04:00] Then you can draw conclusions as to what kind of startups have an opportunity to actually disrupt the industry and gain an interesting position in it. And then you can base your investment decisions on that. When looking at startups, you need to be sure they fit into the story. You've been telling yourselves yourself about where the industry is going, and then you have to look at other important things, such as the founding team product market fit. If it's already happened, the go to market strategy, which is very important and should be very different depending on if you're going to the US market or the European market, which is much more fragmented or Asian markets or beyond.

And then on the other side of that table, what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

I tell them that we are past so that usually a time when, you know, founders could be kind of naive and ignorant and the the ignorance was kind of an asset like they weren't trapped into everything you take for granted in a given industry. And that made it possible for them to innovate and to bring up new ideas and new approaches to doing things. I think today we're past that point. Tech has become. More mainstream incumbents know how to counter position when tech startups enter the industry, and so it's very important not to be as ignorant as founders were maybe 10 years ago, and it's very important to learn a lot about the industry you are trying to enter.

Speaker2: [00:05:47] Learn a lot about the background, the history, the players, etc. So that's the advice I would tell them. You know, expect investors who expect you to know basically everything about the industry are trying to enter. And so you should read a lot and you should talk to a lot of people and you should figure out the details of what makes your approach as solid and unique as possible. All right, well, let's talk about the state of startup investing.

How do you see the industry evolving from here?

Well, it's still it's evolving. I think we we should expect venture capital and up investing in general to to be more and more complex. I see a lot of diversification from a stage perspective, like from early stage to very late stage, where venture capitalists are effectively competing with more mainstream private equity funds or hedge funds or other non-traditional investors. There's also that diversification from a geographic perspective because tech is everywhere in the world, not confined to just a few markets, so they are effectively witnessing. I think it's a very important trend at the moment, witnessing a new round of emerging markets, but not emerging markets, as they were understood 20 years ago.

Speaker2: [00:07:17] But emerging markets for tech like tech is arriving on markets that are in countries that are less developed. Well, bringing about new usages, new new ways to use technology, a new breed of entrepreneurs, many, many new opportunities. But those are very different. So you should analyze those from a very different with very different lens as compared to those investing in Silicon Valley startups or even European startups. So more and more tech startups, more disseminated across the world, across borders, in very different contexts. Very different markets. It means lots of opportunities for investors, but investors need to learn a lot and to, you know, do the hard work to be able to take decision, take decisions when it comes to investing, not in a single ecosystem with which they're familiar, but in very diverse ecosystems. Some of them are far away. Difficult to understand from the outside, but also full of opportunities.

And so what do you think is the biggest change we'll see in the coming 12 to twenty four months?

I think the biggest change is so there's been a lot happening in terms of, you know, very high valuation because talk to any investor these days and they'll say, Well, I've never done as many deals as these is. The valuations are crazy. Founders are exceptional, et cetera, et cetera, et cetera. On the other hand.

Speaker2: [00:08:58] The founders and they say, well, it's hard, and I expected what I read in the papers, that is, every startup raising easily from eager investors effectively happened in reality. I still have to find those eager investors that will sign a check in an instant without even asking questions. And so I think what will happen in the next 12 months is a kind of a reckoning. We have to reconcile what you read. You know, the tech media about the craziness and what is effectively happening on the ground because the ground is broader and larger than ever. So what you read, the craziness that could happen happens at the core, like Silicon Valley, London and a few other advanced ecosystems, but everywhere else or at the earliest stages, like pre-seed, it's not happening. And so investors have to learn to recognize that they are missing a lot of opportunities by overlooking some markets or overlooking very early stages, and they'll have to do the hard work of learning how to how do we actually stop the right race rat race of ever higher valuations to refocus on where there are effectively overlooked opportunities?

All right. So tell us more about your investment thesis. What's your criteria for working with a startup?

So very effectively works as an accelerator, we take equity in exchange for various services and capital that we deploy in companies, but it happens very, very early, usually even before there's a product, the company.

Speaker2: [00:10:48] So what we're really looking for is. The mindset and because the family was founded eight years ago in Paris, France, and expanded from there so as to operate at the pantheon level from London, where we have our headquarters now, Paris, eight years ago was a very difficult, freaky ecosystem with many, many traps and many, many obstacles for ambitious founders. Usually in most cases, ambitious founders were told that they were too ambitious and they had to lower the bar in terms of the kind of goals they wanted to achieve. They had difficulties hiring talent. They had difficulties raising capital from smart investors. They had difficulties with the government because when you enter an industry where there are some regulations, usually the regulations work against innovative models and in favor of the incumbents. And the French government would typically side with the incumbents refusing to change those regulations that make innovation impossible. So it was very difficult and our core business as the family was to back those entrepreneurs nonetheless. Even if the context was adverse, even if it was harder than in more advanced ecosystems and to do the hard work so as to help them overcome those obstacles like rain, have it or not from local investors, but from the best investors, for instance, in London or in the US, and then hiring talent where it's available and getting some inspiration from innovative strategies in terms of going to market and, you know, dealing with regulators and so on.

Speaker2: [00:12:36] So our specialty, our investment thesis is we like to back very ambitious founders at a very early stage in difficult ecosystems when we're not everything is taken for granted and there's a lot of structural work to do at the ecosystem level rather than at a single company's level. Ray, can you talk about one or two startups that fit that thesis? Sure. One of the most impressive startup in our portfolio in terms of valuation growth is a startup called Patiente, which is specialized. It's very basic. It's payroll management. So when you say payroll management, you assume like, oh, it's very complex, it's very fragmented because the rules are so different from one country to another and it's boring. You have to deal with the accountants and you have to deal with lawyers, and you have to sell to very small businesses who don't like to use, you know, advanced tech products, et cetera. And what I realized is that the founders at Paysage realized was that it's still a big market, even if you only present in France. It's a huge market because so many companies employing so many people having to pay them every month. That's a lot of information to process, and that's a lot of business to be done. So today they're operating in France, U.K., Spain, other European countries.

Speaker2: [00:14:12] I very much like them because the thesis, you know, it sounds boring. It looks boring from. From afar, and it looks unwelcoming for ambitious tech founders, but when you get closer, actually, you do the hard work of, you know, entering the industry, starting serving customers, you realize there's a huge opportunity and there's no market that can ultimately resist the attraction of technology, making things cheaper, more seamless and more efficient. So that's a good example of what we do. Another example is a company called Hetch T PT. Effectively, a local French competitors. You remember when we started with them at a time ago? They had all the problems that we had with regulators and and many other things. The taxi taxi drivers and so on in France. But decided they had something like that, they had especially a very good relationship with drivers and ability to connect with this particular segment of the workforce that is, you know, kind of hard to address and hard to manage. And they decided to turn that asset into an opportunity that is still unexplored from a European perspective, which is spending it on African markets. So they are currently serving customers in Morocco. In Cameroon. Two French speaking African markets. And I really like that the company that went through such difficult phases that encountered such hostility from basically every. They called in the local industry in France, decided to still move forward and to explore the new frontier that is Africa.

Speaker2: [00:16:07] And it's the great growth opportunity that it represents.

Great. Well, what do you think is the main challenge that your stars face when they launched today? What you see is the current issues that are coming up.

I think the challenge today is is mostly about speed. If you have an idea and. There are probably a thousand people with the same idea on the same market as you. If you have good co-founders, a good founding team and senior employees, I'm sure they're probably exceptional. But there are many, many other exceptional people out there. And so. And because, you know, you can be very capital efficient, that is you can do a lot without raising too much money at the beginning. And or you can raise a lot of money early on because capital is abundant and cheap these days. That means that you have to translate all that you have into being faster. And if possible, more cost effective, more cost efficient than new competitors. And I think most entrepreneurs. Under estimate, the intensity and the speed that you need at the earliest stage when you launch, they have the impression that, OK, I have a product, they don't have customers, I have barely anyone to manage. So why being in a hurry? I have all the time in the world to figure out, like map out the market and getting to know people, etc..

Speaker2: [00:17:49] No, you really need to be to get fast because sure, there's the discovery phase, like learning more about the industry, learning about how the market responds, etc. But these days, there are so many people doing the same thing as you. And everything is so well documented by, you know, founders who have their personal blog, venture capitalists that do a lot of content marketing and write about the industry from every angle. Journalists are doing an excellent job these days covering tech. Whatever you discover is growing, the market won't be a secret for long. Soon, everyone else would discover it. So to be fast and you know, speed is a skill that you need to train early on. If you're not fast at the starting point, you won't be fast later on. So that's something that we try to see when we talk to an entrepreneur. Is there the intensity and speed that will eventually make the difference when things start to get tough? And then on the other side of that table, what's the challenge investors face in today's market? Well, the challenge, I think, is earlier I was talking about the diversification from a stage perspective, from a geographic perspective, from an industry perspective as well because tech is effectively entering every industry there is. So there used to be a time when you could be a generalist as venture capital, as a tech investor.

Speaker2: [00:19:30] You were in tech when others were in real estate or others were in private equity, focusing on retail, for instance, or restaurants or whatever. And tech was a specialty in itself. But today, tech is everywhere, so you have to be careful. You can try to keep up with tech, entering every industry and eating the world and still be a generalist in tech. But I think at some point it will make you a bad investor because there are so many details that you will overlook for lack of a specialization in one segment of the market. So investors that used to be generalists like in tech startups and I do a bit of sass and I do a bit of good places, and I'm also interested in so and so interested in so and so no, you have to decide, what are you focusing on? What's your thesis for this particular segment of the market? If you want to diversify, which is perfectly understandable, maybe it's not you alone that should do the diversification. Maybe you should build up a firm, assemble a team that will help cover the various segments of the market, or help cover a broad geographic area that is so fragmented that every national or local market is different and you can't build a good investors and design this entire space, right?

Well, you see a lot of different applications and sectors out there.

You had to pick one or two that you think are good opportunities to pursue today. What would you call out?

Well, good question, because I think there was a time like you could have a sense in your head like, OK, advertising is done, content is close to the end of being done. And now there are new opportunities like in financial services and maybe real estate and so on. I think now is really everywhere and the pace is increasing constantly and but clearly, on the other hand, if you take a look back at what the pandemic has brought about, you can realize that health care. Has seen a huge boost in terms of tech adoption. So I think lots of opportunity in health care starts from telemedicine to many other applications. And also retail, basically the pandemic with remote work, you know, the precautions that you have to take, like not not interacting with too many people. It has completely transformed the way we live in cities, which in Europe are very important. You know, Europe is a hub and continents. And so we Europeans have that advantage over Americans. That is we we know cities. We most of us live in cities. We're used to, you know, very dense urban areas with, you know, public transportation, scarce housing, proximity services and so on. And it's it's been transformed.

Speaker2: [00:22:45] It's upside down after the pandemic because retail has been transformed. Restaurants are completely different. The way we eat, the way we move around, the way we inhabit the city, the way we work, the way we commute, from work, from home to work, et cetera. And so I think cities as a system and cities outpace several industries that there's retail, that's transportation, there's proximity, various kinds of proximity services, many things real estate, obviously housing, et cetera. I think the whole system is completely transformed by the pandemic, and there's no going back to the status quo ante. There are many new things that we've learned to do during the pandemic that are here to stay that will call for new companies, new players, new business models and hence new opportunities for investors.

Right. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Well, I mentioned it in passing, but my focus these days is to look beyond the West and Japan and China like we've been learning to. To know more about China for maybe seven, six, seven years since Alibaba went public in 2014 and many people realized, Oh OK, there's something very serious that, like the giant company's highly successful entrepreneurs, new business models, new approaches to industries, to various industries. I think now a lot of people know a lot about China that are new. There's a new frontier emerging markets such as those in Southeast Asia like Vietnam, the Philippines, maybe Africa, obviously Kenya, Nigeria and Latin America. We barely know a thing about those areas, and yet we can be certain that it's there, that the multiple models of tomorrow and that the big players of tomorrow are, you know, being brought about. So we all need to. Well, I'm not sure if everyone should pay more attention, but that's one of my focus is these days, I really want to learn more about these emerging and frontier markets, and I want to grow networks that I want to do to many people. I want to read a lot about them because I think it's the next frontier for tech investing.

Right? So how best listeners to get back in touch with you?

Sure. So you have two ways the easiest ways to follow me on Twitter. Send me a tweet or a message on Twitter. And the other way is to subscribe to my newsletter, which is on hold at the moment, but will resume very soon. And I send an edition every week, basically providing an overview of my work and sharing a few ideas and perspectives on the current state of tech. Great. We'll include those in the show notes.

I want to thank you for joining us today and hope to have you back for a follow up soon.

Sure. Thanks for having me.

It was a pleasure.

Speaker1: [00:25:53] 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. Talk to Martin is the director of Investor Connect, which is a 501c3 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 Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.