

Robert Samuelson of SmallStart Ventures

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, and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three nonprofit dedicated to the education of investors and startups for fund raising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the donate button on the Investor Connect org website.

Speaker2: [00:00:44] Hello, this is Hall Martin with Investor Connect. I'm here with Robert Samuelson, president and CEO at Small START Ventures. Small START Ventures identifies high potential entrepreneurs and provides a structured launchpad for their business dreams. Small Startup Ventures expects to add \$315 million to GDP and 5500 jobs to the economy in five years. Robert, thank you for joining us.

Speaker3: [00:01:07] Thank you. I appreciate the opportunity to talk to you today.

Speaker2: [00:01:09] Great. So where are you calling from today?

Speaker3: [00:01:12] I'm calling from Tucson, Arizona.

Speaker2: [00:01:15] Great. So tell us more about your background. What did you do before Small Start Ventures?

Speaker3: [00:01:21] Sure. I've worked for three Fortune 500 companies NCR Corporation, AT&T and Roper Industries. I have started a number of different companies, most notably a company called Square Knot Ventures EVINE Avalon Wireless, which we just sold last year. Nava based and I've done some consulting under C Consultants, which is a company that I founded. I've also executed as an executive three turnarounds, and that is in many ways like a startup, but with all the baggage. So and I've raised through public sector and private sector about \$450 billion.

Speaker2: [00:02:01] Right. So you get a diverse set of experiences there and a wide range of applications. But let's talk about starting a business in the area of financial services. What do you see as the opportunity there?

Speaker3: [00:02:13] Well, I think for me it's been kind of a challenge, to be quite honest. We're trying to do a new concept and it's easy when you are trying to sell something that already people are familiar with. Everybody knows what social media is. But in 2006, when Facebook started, nobody knew what social media was to create a new a new category and I guess some sort. We're doing the same thing. We're trying to apply financial principles to the small business market, which is something that is unique into the financial services industry. And we think that there's a big opportunity there.

Speaker2: [00:02:48] Great. Then what's the challenge in starting a business here?

Speaker3: [00:02:52] I think the challenge is describing what we do in a way that people very quickly understand it because we just don't fit nice and neat into a bucket.

Speaker2: [00:03:01] You creating your own category, and if so, what would you call that new category?

Speaker3: [00:03:06] Sure we have an element of venture capital, of element of incubator, little element of score chapters or stage chapters. But we start I guess probably the best way is we help find high, high potential entrepreneurs in the small business space. We provide a launchpad for them and then we have a clean exit three years out.

Speaker2: [00:03:27] It sounds great. So what's the potential reward in a new model like that?

Speaker3: [00:03:33] It's really interesting when you look at our business model as a commercial enterprise, we have three revenue streams. One is we own the small business for that three period, three year period, and we get the operating profits, which will be small. The second is we do provide a back office support which we charge a flat fee for and we get a revenue stream from that that comes into the company. The third revenue stream is the interesting one, and at the end of three years we sell the business that we started with this

potential entrepreneur and then we get the capital gain at the end of three years. That's when the financial model starts to really look interesting because we have a capital event at the end of three years.

Speaker2: [00:04:13] Well, it sounds great. So how much your company is selling for in the space today and how does it vary from one type of business to the other?

Speaker3: [00:04:22] Well, we are portfolio companies, so but a portfolio of small businesses. So I don't know what the multiples are in the industry, but I think with the growth rate that we have, I think there's a very unique potential for that. And like I said, we're sort of starting a new category in a sense. So we would look for what maybe other portfolio companies sell for.

Speaker2: [00:04:45] That sounds good. And so what is the difference between you and your competitors? How would you describe the difference or your competitive advantage, so to speak?

Speaker3: [00:04:54] Sure. If you look at the venture capital world, they're looking for the home runs. They're looking for a big X ten x multiple or more. And we know that the results of that that in a portfolio of venture capital, there's one winner, a couple of the sort of muddle by. And then there's a lot that simply just don't succeed at all. If you look at the incubator space, there's I searched 100 incubators around the world and there's about a 10.2% exit rate from incubators. So again, relatively small in both of those models, they're looking for really the next big thing. The home run. I would describe us as a company that is looking to hit a whole bunch of singles and have a high exit rate instead of 10% or something in that range. We're looking at maybe an 80% exit rate because these are small businesses, they're more manageable and we exit in three years. So whereas the venture capital incubator, they go in, they have no idea who the buyer is going to be, nor do they know how much they're going to buy it sell the company for.

Speaker3: [00:06:00] And they don't have the time frame. They don't know the time frame when that might be sold. We know that when we start our businesses, we start with the three year window that is known upfront. The entrepreneur signs an agreement to buy the company at the end of three years. So we know the buyer, we know the timeframe and we agree to sell it at the appraised value, whatever that might be, which is an established marketplace metric. So

we know the buyer, we know how much they're going to pay, at least the methodology for it, and we know the timeframe. And I think that really separates us from venture capital incubator and that type of business. And then we have the element of score chapters or vintage groups. And in that they tend to be more not for profit, those types of businesses and we kind of want to stay away from that. But that is also, I suppose, a competitor and they do play in the small business space to a large degree. So we kind of blend those three concepts together and we have small start ventures.

Speaker2: [00:06:57] So what advice would you give to someone entering this category that you're in? What would you tell them to do before they jump in?

Speaker3: [00:07:05] What I think is important is in trying to be a portfolio company, you need to bring in sort of two elements. One is that corporate America experience really brings the rigor, the process, those types of things, the quality metrics that are important for any business. And those are typically metrics that small businesses don't have. They don't have good processes, they don't have good metrics. So that's one thing that we can bring in. I think the other is that when you are in a small business, you wear many hats where in a big corporation you wear one hat. So our ideal scenario is somebody that has big company experience and is familiar with quality processes and small business experience, which is familiar with washing the floors one minute and selling to your customers the next minute.

Speaker2: [00:07:54] It sounds great. So what online information source do you find most helpful in your work?

Speaker3: [00:07:59] We spend a lot of time at the Small Business Administration understanding the reasons for small business failures. We address the five main reasons for business failures. And that is part of the service that we provide and part of who we are. It's core to the principles of small start ventures. So we spend a lot of time there. We do also spend time looking at the financial markets and we look at incubators and vintage and score and all of those sort of play into our space. We also look at sort of in the conscious capital world because we can address some of the needs of maybe the nontraditional entrepreneur, people of color, single parents, immigrants and those types of things. So we can play to that, to our strength with unique demographic.

Speaker2: [00:08:44] Great. Well, you see a lot of different businesses and applications out there. If you can start a business tomorrow, not the one you're in now, but a new one. What would that business be?

Speaker3: [00:08:54] If I were to start a business tomorrow, I don't know. I mean, I have a master's degree in finance, so probably an area of personal finance would be of something that would be of interest to me. I have some ideas on things that aren't really addressed in the market today that I think would be interesting, but that's not my current focus right now.

Speaker2: [00:09:14] So that's great. So you've been doing this small start for some time now. What is one thing your business did that you didn't expect?

Speaker3: [00:09:24] I thought it would be easier to explain what we do. So I spent a lot of time. Usually you can say, Well, I'm a social media company or I'm a biotech company. For us, it's harder to say because some of the questions that I get from people is, Are you a venture capitalist? Are you an incubator? And we're we have elements of those, but that's not how we would describe ourselves.

Speaker2: [00:09:48] I see. Well, great. When the last minutes that we have here. Well, should we cover that? We haven't.

Speaker3: [00:09:54] Like I said, we are a portfolio company, so we're looking at companies from any diverse set of industries we're working on for an energy saving product. It's a home service. It'd be sold to the residential market. We are looking at a new product from two entrepreneurs actually that are in their eighties and they want to launch a product in their market, which is in the area of swimming pools and decks. We are working with a young man who is interested in opening up a dental prosthesis manufacturing company to make dentures and bridges and crowns and things like that. So you can see that it's a wide variety of businesses. They're all small businesses. It is small businesses represent 46% of GDP and there's about half a million new small businesses started every single day, every single month, and there's overall about 31 million in the US. And so it's a very dynamic market. It's a huge market

because it's almost half of our economy and I think we have a unique offering to tap into that huge market.

Speaker2: [00:11:03] Great. So how best for listeners to get back in touch with you?

Speaker3: [00:11:07] You can definitely contact me by email or by phone. My email address, I think is listed on the notes of the podcast, as is my telephone number, and you're welcome to call or try to reach me any time that is convenient for you.

Speaker2: [00:11:20] Great. We'll include that in the contact details. Thank you for joining us today and hope to have you back for a follow up soon.

Speaker3: [00:11:26] Great. Thank you very much. All I really appreciate working with Ten Capital. And if anybody has questions they're welcome to give me a call and I'm happy to talk to them.

Speaker2: [00:11:34] Great. Sounds good and have a good day.

Speaker3: [00:11:36] Thank you.

Speaker1: [00:11:39] 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 dot org](http://InvestorConnect.org). Martin Martin is the director of Investor Connect, which is a 503 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.