

IC Gale

Hall T. Martin: [00:00:00] Hello. This is Hall Martin with Investor Connect. Today I'm here with Gail Wilkinson, founder and managing partner of Vitalize Venture Capital. Vitalize Venture Capital is a pre seed and seed stage venture fund and angel community investing in the future of work.

Vitalize has offices in Chicago, San Francisco, and Los Angeles. Gail, thank you for joining us. Thanks for having me, Hal. So, where are you [00:00:20] calling from today?

Gale Wilkinson: I'm in Chicago.

Hall T. Martin: Cool. And tell us more about your background and what did you do before this?

Gale Wilkinson: Before I got into venture, I had started a few startups, both in HR tech.

And I also worked at Nielsen doing, research for new product launches. And then I also worked at Orbitz in their strategy group.

Hall T. Martin: Great. So tell us more about the future of work in today's [00:00:40] market. What are we seeing there?

Gale Wilkinson: Well, first I'll define how we think about work. We, we say that we invest in work tech and we define that as Any B2B software that improves work outcomes dramatically.

So we're looking for revolutionary business software opportunities that are truly different than what exists today. And when we think about that, it's a lot of horizontal software [00:01:00] that leverages data and AI to improve functional areas within business. so what I'm seeing in those areas are just, there's huge opportunity for new software options because, executives are really struggling with a few things.

One is the hybrid to work from home, to work in the office. What do they do? And most, most [00:01:20] companies are settling on working in the office somewhere between two and four days per week and at home the rest. So lots and lots of hybrid situations. There are some that are requiring everyone to go

in, and then there are some that are fully remote, but that's really the minority at this point.

And as they have this hybrid situation, they have to figure out how to leverage all their systems in a way that works both [00:01:40] in office and out of office. So that's a lot of what we see. but another thing that is really important right now in terms of future work is simplification. So execs and HR buyers want fewer systems.

They want Consolidation, they want easy integration, plug and play, and that's really impacting a lot of what they're buying now.

Hall T. Martin: So what do you see as the opportunity in today's market [00:02:00] for work tech as far as dollars, infested or revenue generated?

Gale Wilkinson: Yeah, it's a market that's going to approach one trillion in the next few years.

So tons and tons of investment is happening in this area. There's a lot of opportunity, I think to do. Some investing at this time. And there's actually not a lot of funds that do it.

Hall T. Martin: So what's the challenge in [00:02:20] starting a

Gale Wilkinson: business in this space? What specifically are you looking for with that question? Cause I don't feel like I answered it well.

Hall T. Martin: Well, for opportunity, I was looking for just what is the opportunity for a company starting a business in this area. And it sounds like there's quite a bit of market capability there for them.

And I just wanted to see, it sounds like there's several verticals they [00:02:40] could go after. But it sounds like it's just a very large market because of the change in the market itself.

Gale Wilkinson: I think a more interesting thing to talk about is the fact that a lot of entrepreneurs are trying to come up with AI generated hiring solutions and AI generated learning and development solutions and productivity and operations management.

So this is what I see [00:03:00] primarily right now, and these solutions are not really selling. Why are they not selling? the buyers don't want that stuff because

it's not proven. So they're relying on their old systems in these areas. And they will only try if the founders can truly prove that their solutions are really strong.

And another problem within the HR tech and future [00:03:20] work world is that, there's been so many different features and products out there that the buyers have tried a lot of it and it didn't pan out. So they're much more hesitant to try these, these new, you know, AI for X, Y, or Z options today than they have been in the past.

Hall T. Martin: Do you find AI really adding value in any particular place that stands out?

Gale Wilkinson: I haven't [00:03:40] seen pure play AI models being sold into B2B and in particular HR buyers at this point in time. But what I do expect to see is that any business within this space has some component of AI. For example, if you have a novel solution for recruiting, for example, like one of our companies is called Square [00:04:00] Peg Hires, they have a really cool solution that will serve up about 25 to 30 candidates for a job that you're hiring for.

And they're very relevant because they're coming from a pool of nearly 80,000 candidates. They're also using AI in some aspects within that. So for example, if you come to the founder and you say, Hey, I wanna hire A CFO, they have an [00:04:20] AI generated way to, to create the job description. So you can see that's a piece of their solution, but really their, their models and how they source those candidates and make it extraordinarily easy for their clients to hire.

Hall T. Martin: Well, it sounds like there's a great deal of potential reward here. for those that are exiting in the work tech space, what kind of multiples are we [00:04:40] seeing on the exits?

Gale Wilkinson: The last report that I saw 2023. And it was about a 5. 6 X on forward looking revenues. So, you know, the, the average that we see on software is six X.

So it's right around the average.

Hall T. Martin: And these are recurring revenue businesses, I would expect.

Gale Wilkinson: Yes. Okay. We primarily invest in recurring revenue.

Hall T. Martin: Do [00:05:00] you see that number going up now that we seem to be turning the corner on interest rates and the economy's going in the other direction now, or do you think it's going to stay there for a

Gale Wilkinson: while?

I think we'll see if we're looking at revenue multiples stay between six and eight X for the next several years until we get into another hype cycle, to be honest, which is a good thing. I think right now founders are really [00:05:20] returning to fundamentals and making sure that. They are growing but they're doing so in a cost effective manner and really thinking about when they can hit cash flow break even and make sure that they're running a real business versus just trying to grow at all costs.

Hall T. Martin: And so what are the differences between your VC fund and others?

Gale Wilkinson: We're an early stage [00:05:40] VC. Our fund too that we're investing out of now is 23 million. So one of the ways that we're different is that we have an angel network connected to our fund. It's a separate group, but if we see a WorkTech business that we really love, we think there's huge potential there, but they're a little bit too early, then we'll offer to let them pitch to our Angel Network.

Our Angel Network is [00:06:00] 500 plus people. We allow both accredited and non accredited people to participate. And we've done about 16 deals to date and invested just over a million dollars. So they're small checks, but it's cool because we get to help those founders and we effectively buy an option to invest in them in our next round, which would come out of the fund.

And

Hall T. Martin: so what's the advantage of having an angel network tied to [00:06:20] your fund? Is it just additional funding or are there other benefits?

Gale Wilkinson: I really think about it as community. If, if, if there was one word for our differentiator, it would be community. And we do that in a number of ways. So one is the angel group.

And the great thing about the community that we've built there is that these folks are from all over the place in terms of, you know, many different [00:06:40] countries, many different companies, many different functional

areas. And we've found that when you have a really diverse network like that, you can almost always find a way to help the companies when they come to us and ask for some kind of guidance or a connection.

the second thing that we've done in terms of community is, Build out a future of work expert network. This is [00:07:00] 45 HR professionals, CHROs. C. P. O. S. And H. R. Tech executives that we meet with on a quarterly basis to see what they are experiencing in the wild, and we want to know what's happening on the ground so that that informs not just our investments, but it helps our founders because we share that information out with them.

And then the last way that we leverage [00:07:20] community is through our social media. So we have about 90, 000 followers across Twitter and LinkedIn, and it's become a really valuable channel for us. to stay connected to that community, but also do things like post when one of our companies is hiring and we can almost always help them find really good candidates that way.

Hall T. Martin: Great. And what would you consider your main competitive [00:07:40] advantage in this space?

Gale Wilkinson: So the, in terms of VC, it would be the community in terms of our focus area, which is work tech. Our firm is one of about six that's focused solely on this area and that's out of three to 4, 000 seed funds. So it's actually quite, quite a small number of us that are doing that.

Our team is able [00:08:00] to really, excel in this space because my background is in starting two HR tech companies before, but we've also done a lot of investment in this space over the last decade. So we really know it, and it's something that we've got that community built, so we are able to understand what's happening in the work tech space day in and day out.

Hall T. Martin: Well, what advice would you give someone that's [00:08:20] entering the work tech space today?

Gale Wilkinson: That's a really good question. I think, I would say to think bigger because once again, a lot of what I'm seeing it's incremental changes, leveraging AI to just tweak things a little bit, make things a tiny bit easier.

That's not what we want. We want to see truly revolutionary changes. So I'll give you an [00:08:40] example. one of our companies is called spark wise and they are learning and development solution. I've looked at tons of learning and

development solutions and almost all of them have coaches. These are real people that need to be paid.

And that's not scalable. What Sparkwise has done is create a, a true software approach that allows [00:09:00] companies to have people go through their training in a group setting. And it's all done, on demand. So you don't have to have a coach that's doing it, but they've created a system where they can create, they can provide feedback, and they can track and monitor, and they can share with the manager.

Um, and companies are able to put their own L& D content into SparkWise, [00:09:20] which they absolutely love. So they're not going away from what they've already built, but they're, they're plugging it into this software solution that makes it way easier to deliver. That's the type of thing that I'm looking for.

Hall T. Martin: Well, so what online information source do you find most helpful in your work in WorkTech?

Gale Wilkinson: a good question as well. [00:09:40] So, we actually we're doing a lot of research on that now. So, I've got 25 influencers that I've started to reach out to.

the two conferences that we follow are SHRM and HR Tech in Vegas. So those are really the, the two main ways of getting content. But there are some influencers that we're starting to try to figure out who exactly do we want to [00:10:00] follow.

Hall T. Martin: Well, I always ask this question because you see a lot of new technologies in the space and oftentimes new business models.

If you could start a business tomorrow in this space, what would that business be?

Gale Wilkinson: We do some vertical SaaS that really transforms, you know, the workflows within that particular industry. And I personally really love [00:10:20] animals, so I would probably think about ways to reimagine something in the animal space, whether that's, that's veterinarians or animal, care, marketplaces, like there's so much opportunity and so much money in that space and there's still a lot of inefficiencies.

that's personally, if I were to found a company at this point, what I would try [00:10:40] and do.

Hall T. Martin: Great. We've seen quite a few vertical SaaS deals come through, especially around AI, because you can drive the technology deep if you narrow the focus or the sector range. What's your take on vertical SaaS?

Gale Wilkinson: Vertical SaaS can be really interesting if it's a space that is either really fragmented or very archaic.

But There's been so [00:11:00] much innovation across a lot of markets today that, we actually don't do as much vertical SaaS as we did, you know, five, six years ago, and I think you're seeing that with, maybe fewer firms that are doing vertical SaaS. It's a lot more horizontal at this point.

Hall T. Martin: Okay, Well, what's one thing your fund did that you didn't expect when you started [00:11:20] Vitalize?

Gale Wilkinson: One of the things that has been really fun to experience over the last, You know, five years since we've started the fund is that the broader community you think has really resonated well with what we're trying to do, which is increased access to this asset class by helping more angels come to the table.

And it's not just the angels that [00:11:40] appreciate that. A lot of our co investors appreciate it. And a lot of our founders will actually carve out space our angel group or our fund because of what we're doing. and I know that when I go out, for example, and try to get LP money, many of them don't many of the institutional piece don't understand what we're doing.

But I think a lot of a lot of folks who are, you know, [00:12:00] forward thinking in the industry, their founders, their entrepreneurs themselves. They really like this new approach and they see the opportunity and the arbitrage that's there because not many people are doing this, which means that there's money to be made,

Hall T. Martin: Well, in the last minutes that we have here today, what else should we cover that we haven't?

Gale Wilkinson: What do your listeners usually like to hear about? Like. [00:12:20] Challenges or, you know, forecasts of what the space looks like or what tends to resonate the best with them.

Hall T. Martin: I think the audience wants to hear about what is coming up in the next wave of technology, what's going to be successful, what's not going to be successful.

You're probably in a good position to see that because [00:12:40] you're seeing a lot of these early stage companies and you're seeing what's playing out and what's not playing out. both on the tech side as well as the business model side. There's lots of AI out there, but do get the question a lot from and angels is, well, is that real AI?

Is that true AI? Is that real machine learning or is it just a chat bot on top of an [00:13:00] existing system? So people are digging deeper into these systems, trying to figure out what is the element that's really going to make this thing go in the AI world. What I hear from some investors say is that is. The magic is going to be in the interfacing, the fact that I can just talk to it, I can just give it a, plain English query and it can write code for me, that, that's going to be the [00:13:20] magic.

And so, what do you think is going to be the magic around some of these systems that are coming up with AI and more tech?

Gale Wilkinson: I do think AI is here to stay, but in the short term, let's say the next two to three years, in my opinion, what will be most important is the data. We really look for companies that have proprietary data because that's what holds the value [00:13:40] right now.

In terms of truly novel AI solutions that aren't leveraging existing AI models, I think we're a few years out from that. You know, there are some deep tech spaces that are already creating those proprietary models and systems. but in my world within B2B software, I think we're probably four to five years out from seeing any of that.[00:14:00]

And so the adoption curve for SAS, it's going to, in the near term, be with, solutions that really let companies leverage their data in interesting ways. And then eventually, once the technology catches up and becomes so compelling, I think we'll start to see, The AI solutions that are more pure play be purchased at the B to B [00:14:20] level.

Hall T. Martin: Right. So we always ask that question of startups, you know, is your data proprietary? What kind of moat have you built around the business, especially an AI business? Again, getting to that core question, do you have real

AI or something that would really stand the test of time? Aside from proprietary data, what else can build a moat around an AI business?

Gale Wilkinson: It really [00:14:40] goes back to the The whole business offering. So you know what? What's interesting and unique about your business model in general? Back to the example. Square pig hires. She's built a community of 80, 000 people who are open to new jobs. So that's something that other solutions [00:15:00] don't have. There are a lot of hiring solutions that basically say, Okay, I'm gonna I'm connect into linked in.

Well, everybody's doing that. But what Square pig has done there is truly unique differentiator there, so we do look for that. I'll give you another example. We invested in a company called BetterLeave which is [00:15:20] a benefit play for, caretaking of elderly folks, so as the boomer generation ages Our view within Vitalize is that there's going to need to be a lot more focus on how to support workers who have to care for their parents. so that's, that is something that's just happening as time goes [00:15:40] on, but nobody's really thinking about it right now.

And this company has created partnerships with different, benefits companies, and they're seeing a lot of interest from the clients who are buying, because the clients that are buying are trying to differentiate benefits. And it's really hard to do that today because companies don't want more benefits [00:16:00] that are just like everything else.

They want things that are truly unique, that will keep their people there longer. in that has nothing to do with AI has nothing to do with data, but it's all about how the founder sees that opportunity and is able to execute against it. So we look for. product market fit. We look for traction.

It's just the typical stuff that you would look for. I think that still exists today. [00:16:20] And we, we only look at AI as a complement to those things.

Hall T. Martin: Well, I see a lot of companies adding AI to their current product lines. So it seemed to be a bit of a retrofit. And over time, I guess it'll become stronger and more standalone, but today is still augment is augmenting what they have at this

Gale Wilkinson: point.

I think that's right. That's what that's definitely what we see in [00:16:40] our space anyway.

Hall T. Martin: Okay, well, great. Well, so how best for listeners to get back in touch with you.

Gale Wilkinson: You can find me on X at Gale Force V. C. Um, and then we also have our angel group. If you wanted to check it out, we would be happy to offer any of your listeners a quarter for free haul.

so they can email Larissa L. A. R. I. S. S. A. [00:17:00] At vitalize dot V. C.

Hall T. Martin: Great. We'll put your contact details in the show notes. I want to thank you for joining us today and hope you have you back for a follow up soon. Awesome. Thanks.

Gale Wilkinson: I appreciate it.