

Transcript of Mike Vandenbos

Hall T. Martin: [00:00:00] Well, Hello, this is Hall Martin with Investor Connect. Today I'm here with Mike VandenBos, VP of Business Development of KingsCrowd. KingsCrowd aims to empower everyone to invest in startups confidently through a suite of products, including research, ratings, data analytics, founder interviews, and financial products.

Mike, thank you for joining us.

Mike Vandenbos: It's a pleasure, Hall. Thanks for having me.

Hall T. Martin: Great. So where are you calling from today?

Mike Vandenbos: Richmond, Virginia.

Hall T. Martin: Cool. Great. So can you tell us a little bit about your journey as a serial entrepreneur and startup investor?

Mike Vandenbos: You bet. Well, ~~uh,~~ in the startup world at all, it started, ~~uh,~~ I think it's 2008.

I was on a kind of a little sabbatical taking a break from work. And I was reading a book by Michael Lewis called The New New Thing. You may have read it. Read that off. ~~Uh,~~ it's about Jim Clark who started net Netscape with Andreessen and I was just really floored by the, just the incredible energy that a startup could have when there's a product market fit and there's an opportunity, there's a marketplace.

And after [00:01:00] putting that book down, ~~uh,~~ new, new thing, I just said, I want to be in this space. And I didn't know anything about coding or, Entrepreneurship. I knew nothing, but I just thought I've got to start somewhere. So I went to a conference called Northwest Entrepreneur Network. They were having an entrepreneurship conference and I sat there and it was, it was, it was enjoyable.

It was a one day conference. And after the conference, I noticed a small group of people gathering up in the front and I said, well, who's that? You know, what are they doing? The conference is over. So I walked up there and they said, Hey, we're doing startup weekend. And, ~~uh,~~ Mark Nager, who, ~~uh,~~ Just incredible work.

Him and Clint Nelson. They started the startup weekend movement with the Kaufman Foundation, and this was maybe the first or second year of it. So I said, well, sign me up. It was 99 and included free pizza and coke, and it was two days of building a company, build a company in a weekend and hall. When I was in that startup weekend, I just I had to pick up my jaw several times because I was like, Oh, my gosh, this is They let people pitch an idea, took, you know, they gave people [00:02:00] 60 seconds to pitch an idea on Friday night.

Then they formed companies, you know, going around the room. And then Saturday morning people showed up with their laptops and they started building a company. And I, again, I knew nothing about this. And I just kind of sat there and participated. And then, and then on Sunday night they gave demos. I was like, wow, they actually did it.

And so I continued to, ~~uh~~, Go to the startup weekends. And while I was there, a gentleman named Dave Parker, who's a very successful author and speaker in the startup world.

Hall T. Martin: Oh, great. So what inspired you to get into the field of business development, especially at King's crowd?

Mike Vandenbos: I noticed was there were, ~~uh~~, there was a lot of transferables from my background in, ~~uh~~, starting companies and sales. There's transferables to the tech world, primarily the how to build relationships and how to do consultative sales. And so I've always enjoyed consultative sales. And so that's what got me motivated to apply that into business world.

[00:03:00] And, uh, there's a few companies I worked with in Seattle that I got to actually build the sales team from the ground up. And And, ~~um~~, then move into enterprise and ~~uh~~, just very satisfying.

Hall T. Martin: Great. For those who might not be familiar, you can explain what King's crowd does.

Mike Vandenbos: Sure. So, ~~uh~~, probably the best way to explain it is if you think about how, ~~uh~~, entrepreneurs have accelerators, right.

You ~~uh~~, the mentoring, ~~um~~, The growth software platforms that will, you know, donate, ~~uh~~, their software for these startups, ~~uh~~, the office space and all that. They just empower these founders with incredible resources to launch. Well, on the investor side, there's not a lot there. So, Kingstroud came along and said,

let's build a due diligence platform so that investors can, you know, discover these companies in minutes versus taking months to go out into

so what sets King crowd apart from other investment platforms?

Mike Vandenbos: So King's crowd, we've been tracking, ~~uh,~~ [00:04:00] every reg CF and reg a plus going back six years.

So we've tracked over 8, 000 campaigns. And so it's allowed King's crowd to have some very meaningful, objective data. And we put that into our due diligence platform so that when an investor is looking at, they have a lot of benchmark data.

Hall T. Martin: Great. And so what is the potential reward? How much are companies selling for there?

Mike Vandenbos: Well, as far as the potential reward, you know, we're not a platform where you raise money. We do the investor provide investors with the due diligence, ~~uh,~~ data sets. So as far as the reward, it gives investors a much more efficient way to, ~~uh,~~ analyze companies and make an investment.

We also have a rating system where we have three senior analysts that will actually interview founders. They'll check the form C data, make sure it's accurate. And then we have a five star rating system. And so the rating system isn't, you know, it's not giving an investor advice. It's saying, Hey, we've done diligence at a very high level.

[00:05:00] And these are companies you want to make sure you don't want to miss taking a look at.

Hall T. Martin: And then how did King's crowds do diligence tools help both the retail and the credit investor make informed decisions? What, what's unique about it?

Mike Vandenbos: Well, If you think about at least from the online capital raise, you know, there's currently there's about 600 active raises and these are these are going on.

You know, there's 94 platforms out there, but about about a dozen of them really have 90 percent of all the raises. So to be to have to go out to each platform and study all the campaign pages. It's very arduous with King's crowd. You can do

that in literally 5 minutes. You can choose the filters you want, like, Hey, what's the valuation?

What's the revenue multiple? want to, you know, invest in minority founders? Do you wanna invest in experienced founders? What state do you want? We have about 30 different filters you can choose and, and due diligence in literally minutes, which would otherwise take months.

Hall T. Martin: how can the crowd help help with these

Mike Vandenbos: So, you know, the Jobs Act was, uh, in, I [00:06:00] think in 2012, and it really kicked off in 2021 when. The reg CF, uh, limit was raised to 5 million. And so there's been, I think, uh, close to 2 billion already raised using online capital formation. And one of the things we're hearing from founders that is that they're able to connect with investors like never before.

Right? I mean, investors can reach out to the founders on these campaign pages and have chat sessions. And, uh, founders can engage their customers to become investors, and investors will oftentimes become brand ambassadors. This is really the IPO as it was meant to be. Because when you think of the public's going IPO, very, very arduous, you know, uh, of dollars.

With crowdfunding, it brings the startup to the crowd, and it allows them to engage in a more intimate way. Thank you. And those campaign pages, you go to, you know, we funder, you go to start engine, Silicon Prairie, you, you know, when, when a raise page is [00:07:00] put up, it allows an investor to really get the whole story.

And that's, very special thing. There's videos, there's pitch decks, all those things. A lot of, a lot of resources there.

Hall T. Martin: And so what advice do you give to someone before they. Launch a crowdfunding campaign. What do you tell them to do before they kick off?

Mike Vandenbos: You know, uh, use Google and YouTube , Google, uh, really uh, really Google, uh, you know, uh, equity crowdfunding.

Uh, go to YouTube, watch some. I like your, your podcast. Listen to your podcast. As far as King's Crowd, though, I, I would say go to King's Crowd. We have incredible, uh, resources that are free. You know, we do have a monthly

subscription, our Edge product, that's once you're ready to invest. But up until that point, we have Chris Lestrina.

Our CEO has interviewed hundreds of CEOs. You get to meet CEOs that way. We have market data, ~~uh~~, Brian Belay, our VP of product. He's a serious OG in the equity crowdfunding space. A lot of great articles. Our senior analysts have written articles. King's Crowd is [00:08:00] a plethora of resources for someone that wants to invest in startups, in the online capital space.

Hall T. Martin: And so what are King's Crowd's plans for the future?

Mike Vandenbos: Well, I imagine I envision a world where investors can go into their laptop and in the system tray, there's a little icon. It's the king's crowd edge icon. They click on it. The king's crowd dashboard pops up and an investor can see all the active raises going on in real time.

And they can make a decision in literally minutes to invest in the next cool company. And they could, they could set the filter to say, I live in Virginia. So I want to see every company that's in Virginia and, you know, get involved. So I think that that's an exciting world where there's a due diligence at your fingertips and it's objective.

It's, ~~uh~~, it's, uh, very, you ~~uh~~, quality, you know, professional grade. And I think, you know, the big thing is that, uh, ~~uh~~, crowd is really, we're excited about equity crowdfunding because it has such can have such an impact [00:09:00] On local economies. And of course, you know, our nation's economy.

Hall T. Martin: So what companies do well on crowdfunding?

If you had to generalize what sectors you find doing the best?

Mike Vandenbos: Well, we actually had a team meeting about that. It would seem that typically like consumer product goods, ~~um~~, ~~uh~~, companies that would, you know, I mean, being able to tell a story is so critical because the key to equity crowdfunding is you have to have an audience.

If you don't have an audience, you're, you're, I think you're dead on arrival. So that doesn't mean it has to be like a, you know, a consumer product good or something like that. But, ~~uh~~, be B2B, you know, biotech is big. ~~Uh~~, there's a company out there that was, uh, ~~uh~~, ~~uh~~, raising for prosthetics is an incredible story.

Uh, company, uh, it's uh, called Pirouette Medical. They're displacing the EpiPen. Industry by creating a little hockey size disc that can, you know, give the injection of the treatment and in a much more safe way than taking a big pen and jabbing it in your leg. Parawet Medical is an exceptional.

They're a medical company. [00:10:00] There's really any industry to apply, but the key is that they have an audience. They've taken the startup has taken time to build an audience because for equity crowdfunding around to be successful. Typically they should have their whatever their target raises. Let's say they want to raise a million.

They ought to have about, you know, a couple hundred thousand committed just from their audience. And you can do that by testing the waters. These platforms will allow you to test the waters, which is get, you know, opinions from potential investors. But more importantly is that you nurture your audience before and tell them that you're going to do a campaign.

And, uh, yeah, because whenever a campaign has momentum. It, builds on itself. I think back in the day when like Kickstarter and Indiegogo kicked off, I remember they, there was a statistic that said if a campaign hits 22 percent of its goal, it has a 90 percent chance of raising its target.

Hall T. Martin: It seems like you need to have a pretty good network to run a crowdfunding campaign.

If you don't know more than five people, it's going to be hard. [00:11:00] What's your thought there about the size of network you need to run one of these before you jump in?

Mike Vandenbos: Well, it's a it's a typical funnel type equation where if let's say you like the average check is 1, 000 for equity crowdfunding, so we can take statistics in 2023.

I think there was about 1500 raises the median raise was 366, 000. I think the average check was about 1200. So let's say if you want to raise a million, it's important that, uh, uh, say you get, you know, several. People that, uh, uh, audience that you think that are, you know, true believers in your startup and that they would make an investment.

Hall T. Martin: Have you seen any conversion rates from number of contacts to number of investors?

Mike Vandenbos: You know, nothing that just anecdotal. I don't think anything I could really share about that, but I will make this point is that one of the questions that we, by the way, Kings crowd, we just launched a Educational programming for founders, uh, ~~uh~~, you know, we, we, we intensive bootcamp on equity crowdfunding.

It's a four [00:12:00] week bootcamp, two hours a week. We bring in all the industry experts to coach the founders. It's an incredible opportunity. And one of the main topics that we focus on is. You know, is it important to have a lead investor, right? Because with angel and beast, you know, angel rounds, typically elite investors is a game changer because, you know, they're all following.

Same with, you know, in the V. C. side, when a founder goes into, you know, on Sand Hill Road, they start making the pitch. You know, is in this round? Well, they're looking for a lead V. C. Same with equity crowdfunding. There's a lead investor that creates a lot of credibility because, you know, end of the day, most people, they don't have hours and hours.

So they're looking for a credible investor to put their stamp on it.

Hall T. Martin: noticed about crowdfunding campaigns that come to me is they tend to have very, very high valuations. What's your take on how they choose valuations in the crowdfunding world?

Mike Vandenbos: Oh, I love that question because I think that's what's given equity crowdfunding kind of a stigma.

That's why VCs, you know, and angels maybe not, don't even take it serious. In fact, [00:13:00] one of your Prior, ~~uh~~, uh, podcast. It was, uh, Louise ~~uh~~, Louise and Miriam Klein. Do you remember that one? Yes. So there's a quote there where Klein said that he was at a, ~~uh~~, a meet, a Koretsu meeting, and, ~~uh~~, asked in the crowd, they said, hey, what is the, what's the, the, the payback we can expect?

What's the, uh, ~~uh~~, multiplier here? And the said, You mean we have to pay this back? So, I mean, you know, we see, you know, we see valuations or we see founders who aren't really clear about, hey, investors want to know, will they get paid back? When? What's the multiple? In the equity crowdfunding side, yes, there has been a lot of high valuations.

However, uh, ~~uh~~, crowd, we believe that. Equity crowdfunding kind of 3. 0 is that's the next way where there's a lot of more rigor being driven into the equity

crowdfunding world because companies like King's crowd are providing due diligence.

Take more serious the return that they need to provide investors, right?

Hall T. Martin: And, uh, ~~uh~~, as you've seen the crowdfunding [00:14:00] space evolve, what's one thing that happened that you didn't expect it to do? What surprised you recently about this space?

Mike Vandenbos: Well, when you go back to the jobs act, uh, ~~uh~~. It took four or five years for the jobs that once it was passed for it to actually be, you know, executed on. And then it took another five years for some of the rules to really be meaningful for it to really get traction. then I think recently there was a company called main vest that went under, they were a crowdfunding platform, ~~uh~~, primarily on the debt side.

However, they seem like a, you know, a very qualified company and For, you know, for them to go under it, you know, one of the, as I was reading, you know, blog posts about it, it said, there's just a lot of regulatory stuff that these a lot of hoops they have to jump through. So, ~~uh~~, you know, I've only been in this space, you know, like, really full on for the last 6 months.

I've been studying it for 10 years, but I jumped into Kings crowd because I saw the importance of focusing on the investor [00:15:00] side along with the founder side. And so I'd say the big, the biggest surprise I found is that. You know, ~~uh~~, regulatory, uh, ~~uh~~, and burden, how it can, I mean, of course, that's important, you know, but you even take like, you know, the, the accredited investor, you know, definition, right?

200, 000, uh, ~~uh~~, income over two years, a million net worth, that's an incredible high bar for someone to, uh, ~~uh~~, qualified to invest. So there's a lot of rules that need to come back to, you know, what. makes sense for Main Street, you know, uh, ~~uh~~, as well as, you know, Sand Hill Road funded businesses.

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

Mike Vandenbos: Well, you know, there's two things is that I went to a conference a couple weeks ago, the reggae conference that deal flow put on, they did an excellent job. There's about 150 people there. A lot of the industry experts and great panel talks.

And I was just really, it was very satisfying [00:16:00] to, uh, ~~uh~~, back in real life and, you know, to be just having great conversations with people in person. And there's a gentleman sitting next to me. He was an investment banker. You know, I said, Hey, why didn't you come to this conference? You're an investment banking.

He's like, well, I've been seeing it pop up on LinkedIn everywhere. And I know that equity crowdfunding, you know, I, you know, it has so much potential. I need to learn about it. I said, he goes, You can only watch so many YouTubes before you, you need to get out and meet people. So I wanted to come to this conference.

So, you know, getting out there and, you know, going to these conferences and then whenever there's a showcase where you get a chance to meet a founder, because there's a lot of great accelerators out there putting on showcases, King's crowd, we put on a showcase in Chicago, very well attended, uh, just a ~~uh~~, of great reviews.

So getting out there in real life and meeting founders and meeting other investors, that's key. And then two. ~~uh~~, you know, and all you've done a just a, uh, ~~uh~~, remarkable with your investor connect your It's just [00:17:00] so it's incrementally giving investors the tools they need to really make informed investments.

And, you know, because there's such a long horizon, 8 to 10 year hold. Investors really need to continue to be tooled up and encouraged. So I say the thing that we need to keep focusing on is drive more resources into investor, uh, ~~uh~~, ~~uh~~, education and investor due diligence. And so, yeah, that's, I think those are, those would be game changing things.

Hall T. Martin: Well, that's a great point. So how best for listeners to get back in touch with you?

Mike Vandenbos: Feel free to shoot me an email, Mike at Kingscrowd. com or just go to our website. And check out our resources. And, uh, again, you know, if if you believe in that, uh, ~~uh~~, where, you know, due diligence with a couple of clicks, uh, ~~uh~~, a great software that, that provides, uh, ~~uh~~, with that capacity.

Hall T. Martin: Well, we'll include your contact details in the show notes. I want to thank you for joining us today. Hope to have you back for a follow up soon.

Mike Vandenbos: Thanks all.