

Karen Zelnick:

If you could peek behind the curtain of the funding world, do you think that would make it easier or harder to follow your passion and take that leap of entrepreneurial faith? Is there any truth to the idea that ignorance is bliss? Well, we'll find out today when we talk to the MarketDial CEO and Founder, Morgan Davis, and investor Curt Roberts about what happens when a venture capitalist becomes a founder, as we bring you both sides of a Perfect Pitch.

Karen Zelnick:

What is Perfect Pitch? It's a podcast from Kickstart that reveals the minds of both investors and entrepreneurs throughout a startup's journey. So whether that's uncovering what everyone's really thinking during a startup pitch or learning how entrepreneurs like you have managed their first major roadblock, Perfect Pitch offers an honest, quick, and tactical guide to help you on your startup journey.

Karen Zelnick:

I'm your host, Karen Zelnick, and I'm excited and ready to be here today with Morgan Davis, our CEO and founder, and Curt Roberts, our investor from Kickstart. Welcome, guys.

Curt Roberts:

Thank you, Karen.

Morgan Davis:

Thank you.

Karen Zelnick:

We'll tell everyone a little bit more about you, but before we do that I just have to say that this is going to be so fun. And I've been looking forward to this, because you two know each other really well, correct?

Morgan Davis:

Yes, we do.

Karen Zelnick:

How do you know each other?

Morgan Davis:

He was my boss.

Karen Zelnick:

Okay.

Curt Roberts:

Actually, no one is Morgan's boss.

Morgan Davis:

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That's why I don't work here anymore.

Curt Roberts:

Absolutely.

Karen Zelnick:

This is going to be good. This is going to be really good, guys. So for those of you who don't know them, Curt is a seed stage venture capital investor with an investing focus on consumer products, health tech, ed tech, and general B2B SaaS in the West. And also, Morgan, did you know this? That he's a collector of rare antiquarian books.

Morgan Davis:

I did know that. I have worn white gloves in Curt's house to hold books, to fondle books.

Karen Zelnick:

That's great.

Curt Roberts:

Let's not say fondle.

Karen Zelnick:

No, we're going to edit that out. We're going to edit that out.

Curt Roberts:

We can edit that one out.

Morgan Davis:

I handled books in Curt's house. They were very rare. Expensive.

Karen Zelnick:

Oh man. Okay. And Morgan, since you left Kickstart you founded MarketDial, which started out as a two person team on a mission to provide brick and mortar stores with software to bring online quality tools to their offline business, correct?

Morgan Davis:

Yep.

Karen Zelnick:

Great. That was four years ago?

Morgan Davis:

Feels like a million, but I think it was four and change. Yeah.

Karen Zelnick:

Any regrets? Maybe a little, if it-

Morgan Davis:

Oh, every day. Yeah. Every day.

Karen Zelnick:

And with that, let's just dive right into it then, on that note.

Morgan Davis:

Let's do it.

Karen Zelnick:

Okay. So you moved from VC into entrepreneurship. And most people try to do it the other way and break into VC. So question to the two of you, which way is better?

Morgan Davis:

It's hard to say. I think both, to me at least, have upsides and downsides. And the way I would typically say it is the days are better on the operating side. They're more fun, more exciting, there's lots more going on. But the nights are much worse. You don't sleep as well, you don't feel good, your stomach gets turned up. All of those kind of things. Obviously I wasn't in Curt's position as a partner, but I don't remember losing sleep once as a venture person. There's a big portfolio and you have a lot to worry about, but it's diluted in some way, whereas on this if I've made a big mistake or we have a big decision coming up then it's very potent and really intense.

Curt Roberts:

I think I agree with Morgan. He and I have now both worn both hats, one being the person with whom the buck stops, and you can't escape that responsibility. And if something is going to fail, it's going to be entirely on your head. And that's what Morgan's describing he's experiencing now. Coming over to the investment side, I would say that the stresses are just different. It certainly feels more secure. I watch what people like Morgan go through on a routine basis and find themselves with three weeks of cash, not sure whether they're going to be able to close the funding round. I don't know that I honestly would handle that very well. And so I had huge admiration for people who do.

Morgan Davis:

I will say, one thing that gets overlooked is raising a fund and managing the business of venture is really complicated, and actually quite analogous to running your own startup. And so I think that part of venture often gets overlooked.

Karen Zelnick:

So Morgan, what did you learn? What did you take from being a venture capitalist into being a founder that was helpful?

Morgan Davis:

One thing that I probably learned too good on the venture side was broad skepticism of big numbers, basically. So when I was an associate here at the fund, we'd get founder pitches all the time. And every single one, without fail is, "In three years, we're going to be doing a billion dollars in revenue and we're going to be the biggest thing in the world." And part of your job on the venture side is to look through there and lovingly pair that back to maybe a more realistic place, but still optimistic, obviously. The problem is, and I've run into this myself, is I try to get too much in the head of the venture side and say, "Well, they're already going to discount my numbers, so I'll just go ahead and discount them for them."

Curt Roberts:

"I'll just do that for them."

Morgan Davis:

And then I give them-

Karen Zelnick:

That's efficient. Yeah.

Morgan Davis:

I'm thinking, they see numbers that are reasonable and they're like, "Well, this guy isn't dreaming big enough. Everybody else thinks they're going to a billion dollars in two years. Why does this guy only have \$200 million or something tiny?"

Karen Zelnick:

Yeah. So Curt, dreaming big is a big part of it?

Curt Roberts:

It absolutely is. Morgan's comment is spot on. And I think the observation I would make on that is, it shows both the advantage and disadvantage of being able to put yourself in both chairs. It is definitely an advantage, I think, for an entrepreneur to have a first person perspective on how investors think. However, I think what Morgan's illustrating is that sometimes that means you might over-engineer the way you try to speak to the investor, which could end up disadvantaging you.

Morgan Davis:

The best thing is just to be completely earnest and sincere in you're doing, and paint your vision and paint the thing. And never a good idea to try to engineer the fundraising process, per se. It's to share your story, share the company's story, and find partners that align with that instead of trying to engineer your way into it.

Curt Roberts:

Wouldn't you say though, Morgan, that it has been a significant advantage to know how investors think as you go out to raise rounds of capital?

Morgan Davis:

Well, I will say it's a lot easier to hear words and translate them into you-

Curt Roberts:

Yeah. You can decode the language. Yeah.

Morgan Davis:

So it's a lot easier to know where I'm at in a funding process, where if we go to a partner meeting or something like there I take it a little bit more seriously versus if I hear, "Oh, we're really interested." Well, I'm going to wait until I get a term sheet until I believe that there's real interest. Entrepreneurs, super optimistic. And anytime anybody looks at you, you think, "Oh, they're going to give me money," or, "They're going to buy my product," or, "They're going to do this thing," when most likely that's not the case. And so that part is really helpful to have maybe more balanced expectations on the fundraising side.

Karen Zelnick:

Morgan, that's a great superpower to have. So why don't you share a little bit more about what you're able to translate, having the perspective that you have and when speaking with investors?

Morgan Davis:

Most of the value probably comes in the fundraising process side, essentially, where it can be really opaque and every different fund runs a different process to go from first meeting somebody to writing a check into their company. And oftentimes entrepreneurs get really excited about very small and inconsequential things, and maybe even underplay really important things. So when somebody digs in for diligence, you can, depending on the fund, get a really good sense that they're really excited about that, meaning they want to learn more, they want to dive in, they want to go deeper. Doing things like asking really intense followup questions around deal size and structure and use of funds is another good buying question because they're thinking about how that money will be put to work, and they're talking to their partnership about what their investment will do. On the other hand, yeah, people get really excited about hearing early signals.

Morgan Davis:

An associate will say, "Oh, I'm really excited about this, about your company. I really want to learn more." Or it's a new thing for people to get inbound pitches from Bay Area random venture funds. That means absolutely nothing. They don't care. They're not going to write a check in your company. But you get a million of these, and so it's easy to get excited about that at first. But knowing that that is completely just an outbound effort from that venture fund really helps you tamp those expectations. On the operating side, I would say it's really helpful as well to have this insight.

Morgan Davis:

We've had times when we've needed more money from our insiders, including Kickstart, and being able to understand what it meant for Curt to go back to the partnership and ask for more money for that company and how I can help him craft a good and compelling story around that makes his job a lot easier and, candidly, makes it more likely that we'll get more money. So I wish there was a list of 10 things to know and to translate, but it tends to be about reading the room a bit better on funding process of all type.

Karen Zelnick:

And how has that translated into action for your company?

Morgan Davis:

I think I've been able to more quickly weed through the funding process where we have a lot of inbound interest or I would try to drum up interest, and it became pretty quickly obvious that it wasn't going to work out. My co-founders were still really excited about working with fund A or B or C, but there just wasn't the interest there on that side. And so it saved a ton of time to be able to redirect effort to fund D that turned out to be really interesting. So I think prioritization of time and effort on the fundraising side, and candidly, I think it's definitely helped me be able to close the money that we have to date. And so that's directly impacted this.

Curt Roberts:

I would make one comment on something that Morgan said. It can cost an investor nothing to hang around the hoop. All it does is cost them time. And so having the perspective Morgan has helps him, I think, to separate noise from signal in the sense that many investors will want to preserve optionality. They'll want to stay in touch with the company just in case it starts to look really interesting. And so they will send positive signals that will get the company feeling like something might happen when actually the likelihood something will happen is extraordinarily low. So I know, as an investor, I try to be very careful about the language I use when I'm communicating to a company about our level of interest, because I know most founders will read way too much into what I say. And so the more clear I can be about a level of interest with no ambiguity about that, the better it's going to be for both the founder and for us as investors.

Karen Zelnick:

Okay. So for investors who aren't as transparent as you, and also for entrepreneurs who don't have Morgan's background and his knowledge, what can listeners do to get that savvy? Oh, Morgan's raising his hand. Go.

Morgan Davis:

I think two things. First, just a lot more at-bats. Just do it a lot, see the process a lot, have a big funnel, so to speak on, your fundraising process. The second, and probably my biggest clue on when somebody's really interested, is as soon as Curt starts talking about how awesome Kickstart is every time you meet, Curt's now selling his way into the company. And super, super important to pick up on that shift in tone when the interest is in them selling yourself to you. For example, when we did our last round of funding, normally I take Ubers to and from the airport, and they couldn't give two craps about how I go there. All of a sudden the partner that I was working with wanted to drive me to the airport, and the whole way we're talking about how great that fund is and what a great experience he's had being there.

Morgan Davis:

And he didn't say, "We're going to give you a term sheet. We're going to do this," but the conversation had definitely flipped. And ultimately they led the round and have been a great partner since. That was the moment that I kind of finally said, "Okay, I think we're making progress here."

Karen Zelnick:

Is that true, Curt?

Curt Roberts:

It's absolutely true. If you're an entrepreneur and you're talking to a fund, the first time you hear that start to talk about, and it probably won't be in the first meeting, but the first time you hear that fund start to talk about what great partners they are and possibly lining up CEOs they've worked with to do reference calls, you know something good's going to happen.

Karen Zelnick:

So hopefully everyone's been taking notes. I think we've had some really amazing insights in this conversation. Morgan, I have one last question for you. It's a doozy, because what I'm going to ask you is, what's the one practice you've implemented that has had the greatest impact on your success?

Morgan Davis:

To cover my bases, I'll start with marrying my wife.

Karen Zelnick:

Okay.

Curt Roberts:

Oh, there you go.

Morgan Davis:

Nothing could've been better and more impactful in a positive way. Aside from that, I think the thing that's been most consistently helpful for me throughout not just this phase of my career is to find people who you can earnestly do good things for, you can work your tail off and help them do good in their life or their career. And it always has worked out to where that relationship builds into something. As an undergrad, I went out of my way to be an intern for Gavin Christensen here at Kickstart. And that one hustle on decision on my part to do this unpaid thing has been infinitely valuable across the time. Being able to work for them later and raise money here. So finding good folks that you can work hard for and try your very best to do that. And it typically comes back in some way.

Curt Roberts:

I think Morgan is onto a really important insight there. College students in particular, people early in their careers will get advice about building a network. And networking events are all the rage, and people will show up at these events and try to meet people. The reality is nothing substitutes for competent work. And had Morgan just wanted to work at Kickstart and he would've met Gavin, let's say at an event of some sort, he would have no advantage in coming here. But the fact that Gavin had the opportunity to actually see his work, know what he could produce, then the relationship has a chance to pay off in Morgan's career.

Karen Zelnick:

I know that actually it ties into some of the best advice I ever got. When I moved to New York, didn't have a job, and someone was like, "Just be curious and helpful." And that actually landed me multiple jobs in my time in New York, which was very interesting. So I actually really agree with that. I appreciate that insight. So this has been a wonderful discussion. I knew that it was going to be, so thank you both

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so much for being here. And of course, thank you for listening as we dive deep into what it takes to create the perfect pitch.

Karen Zelnick:

If you want to learn more about our investor, Curt Roberts from Kickstart, or our CEO, Morgan Davis, and what he and his awesome team at MarketDial are doing to provide software solutions for brick and mortar retail business, we'll have the link to the company and a longer bio in our show notes at kickstartfund.com/perfectpitch. We'll be back next time with more insights from entrepreneurs and the investors who fund them, so be sure to subscribe so you don't miss a thing. You can listen to more episodes of Perfect Pitch wherever you listen to your podcasts, Apple, Spotify, Stitcher. And if you like what you're learning, leave us a review or rating. We'll catch you next time.