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Narrator: The Bonfire series where head meets heart in our regional tech industry. Bonfire began as a concept and wish to bring together industry experts throughout our region and beyond to infuse tech startups outside Silicon Valley, and it worked. Our monthly Podcast series, in collaboration with Seven Peaks Ventures, seeks to continue the conversation around the tech industry's current trends connecting with leaders ready to speak from the heart.

This Podcast is for visionaries, investors, CEO's and entrepreneurs ready to share stories, explore new solutions, spark real conversations, and maybe start a revolution. Join our host and General Partner, Corey Schmid, as she delves deeper into what it means to support startups in this current ecosystem: the Bonfire Series.

Corey Schmidt: Welcome back to the Bonfire Podcast Series with me, your host Corey Schmid, General Partner at Seven Peaks Ventures. Today we welcome a tireless startup advisor, mentor, inventor and entrepreneurial leader from Seattle, Dave Parker. Dave is a five time founder, entrepreneur, venture capitalist, and advisory board member to dozens of companies.

He is formerly the senior vice president of programs at Up Global, Startup Weekend, and Startup America which was purchased by Techstars in 2015. Dave helped launch Startup Week globally and served as the local director for four years. With his team he built Startup Next and launched it globally serving as the Seattle director.

Dave is currently launching a program in Seattle and up and coming entrepreneurial hubs across the United States called *6 Month Startup 'Road Map Ideation to Revenue'* a prescribed model for systematically incubating and launching new ideas. Dave is an active writer, blogger, and panelist on early stage startup in technology related topics. Recently, Dave joined Seven Peaks Ventures as our Seattle venture partner anchoring our Seattle office. When he's not starting, cycling or spending time with his family - you can likely find him reading. He has a second year running commitment to read a hundred books, so without further ado please welcome Dave Parker.

Dave Parker: This is awesome! Thanks for having me on the Podcast.

Corey: This is great! I'm glad you are here. So, Dave you've got a really phenomenal track record and startups and entrepreneurship and you've been at it sometime. I would love to hear a bit about your e-jay your entrepreneurial journey from the early days of Dave Parker to where you are now.

Dave: I started my first company in 1998 in Seattle with a guy that both you and I know Tom Gonser. Tom was running his first company at the time so we were in the same startup community ecosystem in '98, and sold that company in 2002. I was fortunate enough to grow it from zero to 32 million in revenue, and about 150 employees but if you remember in 2002 it wasn't a great time to sell a company - it was a little rough. Then following that built four additional companies with the ability to sell three of them having closed two of them, so from a startup math perspective not bad startup math.

Came out of the sales and marketing background which really was, I think, the innovation that we see consistently with Founders is the ability to see things that may not exist yet around problems that happen to be problems they know and industry segments they know. One of the companies I ended up I joining the board called Classmates.com, and we sold that company for a big number, but it was one of the early ones where I remember sitting in the board meeting and talking about two new competitors 'The Facebook'. I didn't have an Edu extension to get into and LinkedIn, and talking about how you go pivot to go and compete because they obviously tapped into a much larger market.

So, that started my professional board work so I ended up really around governance and boards because one of the things that we see as an investor now is that bad boards produce bad enterprise values, and dysfunctional boards are really hard. So, that's a little bit of both me personally and a five company process and then being a board member, and now stepping into a role joining the team of Seven Peaks as an investor.

Corey: Where you a born entrepreneurial or learned entrepreneur?

Dave: I think everybody is a learned entrepreneur. I spent a lot of time in the east and by that I mean Japan and China, and one of the things we tend to over-index on in the West is, "Wow that person is super gifted". So, for example my son plays lead guitar in a metal band and he's super gifted because he's spent 10 thousand hours becoming a great guitarist.

So, I do think the people are clearly born with great opportunities as well and we'll talk about that I'm sure later. Some people are born with big wing spans right from their parents but generally for entrepreneurship it's not about taking unreasonable risks, it's about mitigating your risks and I think that's one of the things entrepreneurs need to think, about how do they de-risk their startup and their investments just because their the biggest investor in their companies.

Corey: Where going to come back to that. I want to play a quick clip for you. This is from Brian Wong, the Founder of Keep, and you may recall he was one of our keynotes at Bonfire 2016. Just a little snippet about 'Passion & Drive' from Brian and I'd like to play that for you.

[Snippet Playing]

Passion comes with just recognizing the opportunity. So, the only way to differentiate is can I tell that you are truly passionate. Will you go above and beyond? Can I call on you? A client calls on you at two AM and will you get it done right. We have guys that are like so persistent and *really want to meet with me and really, really want to figure how they can help, and I love those people.*

Corey: I love Brian, he's a passionate young Founder. I want to hear from you, though, you're sitting on the other side of the table now you've been a five time Founder you've sat in his shoes and others, and now you're an investor, board member, and advisor. What are you looking for in investments and in a founder? What passion? What drive? What DNA should they be bringing forward to get the attention of Dave Parker?

Dave: We love passion. It's an important piece of the mix, but it's not the **only** piece of the mix. One of the things I always tell the Founders as we go through the process in Techstars, especially the early sessions in Seattle Cohorts, investors have opinions and you, as a Founder have opinions. Investors also have a checkbook and if you have data you will get to the check book, but if you have passion alone you won't get to the checkbook. What I mean by that is if you say, "I've gone out and done 50 customer interviews" and I come and pitch Corey on my idea, and Corey's like, "I clearly have an opinion about it." I know you know healthcare IT and then I say this is what we are going to do in healthcare IT and you're like, "But I don't get it. I don't agree with your opinion or my opinion and don't line up."

But, then as a Founder I say, "Corey by the way I've interviewed 50 customers who are prospects and they have expressed interest and they wrote me a letter of intent or they said if I built this I would pay for it." Then your opinion is willing to change to get to the checkbook, but without that data product Founders tend to be focused on Founders, engineer problems tend to be focused on engineers, and sales & marketing tend not to focus on product or engineering. So, those pieces really need to be pulled together and really answer the question of "Passion is important but not sufficient."

Corey: Do you see a different dynamic with single founder teams? Do you like to see co-founders that bring that diverse set to the table?

Dave: There are a lot of things I think as we look at Founder teams, and for folks listening if you are a solo-Founder the first sale you're going to make is to a co-Founder, and we see that as an investment. I had a Founder ask me at an event a couple of weeks ago. "Will you write a check before I leave my day job" and I'm like no are commitment to your business trails your commitment to your business.

Corey: Absolutely!

Dave: If you can't make the first sale to find a co-Founder that's a sign for us. If you haven't left your day job yet that's a sign for us. I think there is always more negative signs than there are positive signs, but we'll kind of talk about the 10 criteria that we either look at here in the program.

Somebody who knows there market and industry segment and who has a sense of enough real life experience especially on the business side which is where we trend. I've spent a lot of time at the University Washington and I always say students always have four problems they know well:

- Food
- Delivering
- Beverages
- Books returns & Dating

Corey: There's an App in there somewhere.

Dave: I think there is a bunch of Apps in that category versus older Founders and entrepreneurs have some industry experience around something complex, and they know the market well enough to figure out how they are going to change the market. I think those become more industry to us as we look at the B to B side for sure.

Corey: With your own path and journey what are you bringing to your new role as an investor full time, board member but you're really leaning in now?

Dave: Well I think for me I'm super geeky about metrics and if there's a growth curve of a business or proverbial J-curve of a startup, mature businesses know what there metrics are and they have them nailed. But, as you work your way backwards to a startup where you don't have product market fit yet the answer is they are really hard. Interestingly enough I think they are actually prescriptive and it comes back down to some of the work I've done around revenue models.

Each of the 14 revenue models actually has their own key metrics so while grow and learn about it that fact is I think it's very much like life where we are all born kind of the same but we mature to be unique people. When you look at the early stage for example of B to B subscription company there are six metrics that matter, and probably at maturity there still going to have a really tight set of those same metrics.

Corey: That's really valuable you hear that a lot at that early stage well where not there yet we can't measure it yet. I'd love to come back to some of the data you are seeing in metrics on getting to that mature stage to start raising capital because those metrics are absolutely; front and center.

Dave: The last class in Seattle for Techstars was in the first week and basically I handed them my marketing funnel with a table and they said, "If you expect to get a check from us in 90 days" and us being the generic us, "You at least have to have a hypothesis for all of these things and numbers that go with them." To your point the answer maybe, "We don't have them yet" and the answer is, "That's okay but you should at least have a hypothesis of them."

Corey: How are you going to get there? So, you've taken all this learning and you have churned on this for years in a lot of work in Startup Week and Beyond and your now about to, if I understand correctly a dozen cities here in the second half of 2018 with a program you've built called '6 Sixth Month Startup' from roadmap ideation to revenue which is really interesting as I've dug in and learned a bit more. I would love to hear a few things about this starting with what are the six months six stages that you walk through. And how is the program structured?

Dave: If you think about Startup Weekend in our last full year, we did 1265 events worldwide with about 74,000 attendees. People come out of that weekend and they are super excited, and the answer is don't leave your day job yet like go find out if people actually care about your idea.

So, the 'aha moment' for me was I was asked to judge a business competition in the central district in Seattle, and the challenge was is that nobody had given the participant the rubric that I was going to use to judge them. Which is just a bummer for me and frankly makes me look like an old negative dude, versus how I could help a young person be inspired about entrepreneurship versus feeling I just swatted their idea.

So, I went back to them and said, "Could I give you the rubric in advance?" I've actually blogged about that quite a bit because it's one of those where you are getting judged you just don't know what are you are getting judged against. So, that lead to this process of retooling the content into six monthly deliverables so month one is:

- Ideation research

As you know from talking to deals someone will say, 'What about this competitor?" And they're like, "I've never heard of that competitor." and the stuff that you should do in that first 30 days is go out and look and see if this is a good idea and what is the research? If people have died on this hill before why did they die? Crunchbase has some great research tools available you can look at so month one is that so month two is:

- Customer Development Research.

Month three we get into

- Sales & Marketing

So, there's a cost of building a product there's a cost of selling the product and then what we would look at from reasonable to exceptional profit. If you look at the three components of revenue it's:

- How much does it cost me to build it?
- How much does it cost me to sell it?
- What kind of return should I make on it?

At the very least it should be reasonable if you're not taking outside venture capital and it should be exceptional if you're taking money from an investor so; that's month three. Month four we go in to:

- Sales Models & Revenue Models.

So, the cool thing about that one is you don't actually have to create a new revenue model and you don't have to create a new sales model you just have to pick one, and there's fourteen of them from a startup revenue model perspective.

Corey: Does that cover B2B and B2C?

Dave: The 14 covers both B2B and B2C, though some are exclusive to one or the other category, for example, New Media is a B2C model, in that B2B companies don't have viral growth or use a k-factor.

Corey: It's been played right it's been there?

Dave: Yes and here's the metrics, and every once and a while I'll run into someone who's like, "I'm trying to figure out if I have a product market fit and I'm going to reinvent a new revenue model" and I'm no don't do that because it compounds the risk as an investor in a way you don't want to be taking that risk, it just takes the risk factor way up.

Corey: I would imagine it compounds it because they think they are doing this perhaps competitive advantage, over competition but it may actually create friction in their sales process.

Dave: So, the thing we really broke down in the 6 Month Startup piece is to say people talk about business models in general and business models have a number of factors. It's how you create value and how you capture value and that includes how you do marketing. It includes how you do sales. It includes revenue models. So, what I've really done is just broken down all of those pieces into sections with deliverable, and every month you have to go back and do those deliverables.

I want to say it with a shout-out to Matt French who helped me build Startup Next: it's not homework, this is your business. If you don't want to do the work for your business that's totally your deal right, but homework is an arbitrary that you get a grade to finish your class. In a startup the risks are a lot higher so getting a grade isn't really the issue, getting the data that allows you to make intelligent decisions and convince somebody to partner with you and write a check.

Corey: I would love to dive in I think there's a couple more I think month five 'Pitching' and then eventually 'Raising Capital' we'll dive into that a letter deeper. I'm [0:16:23.2 PH] who it's for so if I was interested and I'm a new entrepreneur or perhaps I'm restarting. Maybe I've exited a company and maybe I was a vice president of marketing and I have my own idea now. How is the program structured for those involved? How many are in each cohort? Who are you targeting this at?

Dave: It's designed as a meet-up so it's super approachable from a community perspective. There were just programs in the market and particularly in Seattle and other cities that I've been to, and that is Founders shouldn't be paying for this type of programming too early because you don't have a product yet you have an idea, so I think of this as Founder development rather than company building.

So, if it's a first time Founder or somebody who has an idea and they haven't left their day job yet or somebody who's coming from a corporate innovation side and really wants to say how do we make this work? We have a good chunk of youth in the program as well because we really want to inspire their thinking and is this worth me taking my time. So, the programs inexpensive it includes the meal for the evening so it's designed to be a community first program.

I'm also super excited that we are running just north of 40% women in the group which for Founders is super exciting. We are running about 20% plus people of color. Part of what we decided there was we really had to go and reach out to different communities we can't wait for people to come to us. We have to go to them and say we are here to help but we need you to come to this event as well.

Corey: I always say sometimes you don't know enough to ask and so you are being proactive. Have you launched any cohorts yet?

Dave: We just finished co-hort one and it averaged about 70 people a month to start and then got down to about 50 people at the end with about 15 pitches in the last night. We put together a rubric so we could score folks for both the mentors and the audience had a chance to provide feedback to the Founders.

That's one of the things I think as a Founder is super tough is VC's don't want to be wrong so they tend not to give feedback that's super helpful, and human nature is such that if you give people a 1-5 scale and they can pick three they will pick three because it's not pre-loaded to be a 1-4. We've actually changed some of those things up so you have to give either positive or negative feedback you can't give neutral feedback because neutral feedback doesn't help the Founders.

Corey: It doesn't move forward. I hear this and I think, okay how this is different than an incubator, accelerator or co-working lean startup, some of the things that are in existence and how you are holding folks accountable? I'd love to hear how this is a bit differentiated for a different target audience?

Dave: If you think of the continuum on your left-side would be inspirational events like a Startup Weekend or Startup Grind and then you have on the opposite side folks like Techstars, and others that are designed around company building. So, this falls into that category of Founder development that's more so about helping Founders think differently.

In this case in the first 70 teams that showed up we had teams get through month three and four and go, "We decided this is a bad idea" like we should kill this idea fast. Then we had one team that raised 550 thousand dollar which was just awesome, so I would so say those are the extreme outliers. If we help somebody kill a bad idea fast to me that's a win right so as a founder you aren't working on a dumb idea, and my original subtitle was 'How Not to Waste 66284 Hours of Your Life on Dumb Ideas.'

Corey: I love that.

Dave: At 80 hours a week times the average venture exit of seven years it's a freakishly long amount of time.

Corey: We had the opportunity to chat this weekend about this thing and sometimes the best advice you can give is don't go and build that business. Don't risk your life, second mortgage on the house and ruin your marriage and quit your day job, so this is a great way to do that. Something that really resonated with me that you said was this concept we hear all the time 'fail fast' in startups quickly, and a lot of that is good advice. But, you're changing the dialogue a bit and saying, "Versus failing fast its killing bad ideas early." I hear you started with 70 plus, and at the end there were 50 but not everyone followed through, and that maybe for a very good reason but how are they iterating along the way? How is the program helping to kill ideas?

Dave: The accountability of the program which has been great for the mentors as well is the way the program is set up, is the first 45 minutes to an hour of the program is the chance for the Founders to get feedback from the mentors. They have to share their work with their table mates so there's usually six to eight people at a table and basically if you didn't do the work for the month you don't get to talk to the mentors.

You get to listen to the other people talk to the mentors and talk about their progress but basically you don't get to have the same conversation with the mentor you had with the mentor 60 days ago which is good for me to protect the mentors time. Mentors will donate their time as long as you are doing the work, but if you haven't made any progress on your idea in 30 or 60 days the odds are you know you should kill the idea; that's just the math.

The monthly accountability provides you a cohort of people like you who are trying do something like you are trying to do, and one of the things I think from a Seattle perspective compared to the Valley is we just don't have as many cohorts of folks that know each other, and being a startup founder is a bit isolating. If we can give you a cohort of people who are making regular monthly progress like you even though their business is entirely different you now have a group of people that you got to know over the course of your own entrepreneurial journey.

Corey: You mentioned the percentages for women for people of color so what are you seeing as a different opportunity with 6 Month Startup to allow folks to iterate on these idea outside of what we may see as a stereotypical Founder?

Dave: I was just at South by Southwest and had a chance to make an announcement with Rodney Sampson's team in Atlanta's Tech Square, and a number of historically black colleges in the south east and we'll be rolling out 6 Month Startup in some of those colleges in a Tech Square.

One of the conversation I had with both Rodney and with Ross while I was here at South by Southwest was this concept you mentioned of 'failing fast'. So, there's lots of great buzz words that come out of Silicon Valley and the TV show.

Corey: It's a great show.

Dave: It is a great show and it's really true to life in some ways but for people who don't come from an environment where failures are an option 'Failing Fast' means that you don't take risks. I was raised by a single mom we were on food stamps when I was a kid and I had one shot to go to college. I was an Evan's Scholar, which if you remember the movie *Caddyshack* that's how I got to college; it's the only college that I applied to. What Rodney calls an under tapped community right, then the challenge is you won't take a risk because you can't afford to fail.

Corey: The stakes are too high.

Dave: And I'm not a trust fund kid right so if my Uncle was in commercial real-estate and my family wrote me a check for a 100 thousand dollars then I can 'fail fast' but if you're a single mom you can't fail fast. There is too fine of a line and you are flying too low and fast over the trees to fail so part of what you need to do then is 'de-risk' your decisions. So, what 6 Month Startup really is designed to do is to help you go and do that whether you're a service company, tech company or VR company it's really designed to say, "Go ask these questions" because this is what an investor will ask and you should know the answers for yourself for the number one investor first.

Corey: That's great I think it's fabulous advice. It does sound like a buzz word but walking folks through that process, I grew up career-wise in product management and you can sink millions of dollars and wake up one day and realize you are building the wrong product. Sometimes it's very hard to kill that idea you've put so much into it but the right decision maybe to move on or pivot or change.

Failure is hard for most people we don't have the wear-with-all or the bandwidth to do that so I think changing that a bit, and I love that you're working with under-tapped communities. That phrase alone sounds like there's potential there but it takes us to go in and pull some of that out.

So, you have the cohort, you've got these ideas and someone in your group raised 550 thousand dollars which leads me to say they're probably pitching and presenting to Angel investors, VC's. We've talked about this a bit but I'd love to hear what happens after you leave the room? What are investors actually saying? What are they thinking? What am I being judged on?

One of the key components, and gosh sometimes I feel it's gotten a bit diluted this idea of a pitch and you see folks so stilted, they've got it crafted but it's much more than that. It's your story it's showing what you are capable of and your putting your hand out to raise money from someone else. So, I'd love to hear what you are walking through in a 6 Month Startup and an investor, and mentor. How do you guide folks through that process?

Dave: We go through pitching and fund-raising in month five and then we actually do the pitches in month six, and the prior four months have informed you're decisions and the data that you're putting onto the deck. So, you have customer references and customer interests and you have commitments for revenue or LOI's. So, now you basically have the data to add to it and the marketing strategy and sales strategy.

That's why we don't do it weekly because you just need more than a week to get this stuff done and if you have ever tried to do 50 customer interviews and you're doing a B to B it's going to take you time to just get them scheduled in starting there. I'd say from a Founder perspective there's a couple of things there's some blocking and tackling stuff you just need to get done which are the 10 slides. Mine are slightly different than Guy Kawasaki's 10 slides but if you're going to default to 10 [0:26:52.5 SP] is a great 10 to default to.

A pitch program itself is really a contrived mechanism that we have created in "startupland" that doesn't exist in the rest of the world where normal people live - which is a conversation. I think it starts off having a good summer and kind of created mad-libs version of what makes a good summer?

Corey: I hope that's in a blog somewhere.

Dave: It is in a blog you name my names Dave and this is what we are doing? This is our secret sauce, and this is why we are the right team to do it? Why right now is the right time to do it. If you think about it it is truly the elevator pitch and you could deliver it in a minute probably less. That then gets you in a conversation where Corey goes, "Oh, that's really interesting" and what Corey is doing as an investor is signaling the question she has. If you finish your pitch and somebody goes, "I don't know what you do" that's a bad pitch.

Corey: That's a problem.

Dave: So, you're literally using the questions you are receiving from the investors to guide your dialogue. If you think about it as a story it starts off with a summary that helps give context to what you are doing, and then hopefully if you're in a conversation with a real investor you're not even going to use the dac you're going to have a conversation; that's the best pitch. Now we have 'Pitch Contests' and 'Pitch Events' so you have to walk through the contrived mechanics of it as well, and you need to always be ready to do that because you're really telling your story. The challenge is what happens after you leave the room? Well we force a 1-4 scale and this is what we will judge you on for scoring.

1. I really hate it (hate's such a violent word I hate using it but still I hate it).
2. I don't like it
3. I like it
4. I love it

It takes three out of it which is one of the lessons learned from doing this originally at the Founder Institute and then there's 10 criteria's:

- Team (the right team)
- Traction (how much revenue to do you have and progress you have in building the product)
- Market
- Customer (how big is the market)
- Timing

If you haven't listened to Bill Gross video on 'Marketing Timing is the [0:29:05.3 PH] Venture Capital and is probably the best seven minute son Venture.

Corey: It's number one and it is yeah.

Dave: He would put 'timing' as the number one thing but the challenge is that you're not generally in control of timing and you'll only know timing in retrospect. From a VC perspective we call the 'survivorship bias' and we just say we are good pickers, when the fact is we really just provide money for the most part and occasionally provide help.

I don't mean that for Seven Peaks but globally as an industry and I know I will have VC's who will ping me on that because they disagree but as a Founder I will tell you occasionally we add value but we will always write a check if we are investing in the company. So, things we also care about are things like intellectual property so we want to know about revenue models and how you are going to make money. We want to know about the product. There's a timing question that Gross also asks, and Jason Calacanis asks in his book, Angel Investing, Why Now. Which is a great question and then there's a clear ask.

I think one of the things Founders are challenged by at the end is there are 10 things you will get judged on at the end of the pitch, at the end of the conversation I have to go and tell my partner Corey, "You're amazing idea" and I can walk away going, "Well you're incredibly smart but I can't repeat your idea." Most of the time Founders are going to pitch a junior associate and his/her career at the firm is based on their ability to articulate your idea. If Corey says, "Did you see any good ideas this week" and I look dumb explaining your idea I will just say no I did not see any interesting ideas this week. So, is your summary clear and is your ask clear, if you are asking for investment or referrals, HR & jobs, or asking for customers but tell us what it is you want. I've been married for 30 years and I'm still not a good mind-reader.

Corey: I agree it's the train the trainer almost you need to be able to tell your story in such a concise and compelling way with the key facts that pop out that I can then carry forward to my partners, and I think that's a great cliché.

Dave: I make sure we share the blog posts with a link as well because it literally locks down how the sausage is made and what happens after we leave the room.

Corey: We spoke with GeekWire about this very thing saying, "What do we really talk about as a partnership after" so I think a little window into that for Founders is really important because we are looking for alignment in these investments. So, you do your pitch, you get some interest, right, you start fund-raising. The thing I'd love to pick your brain on a bit is what we are seeing in the current dynamic now in the Pacific NW, and probably across the country -more broadly is this gap.

Now you go and get your seed funding and maybe you get your friends, family and you win a competition and get some seed investment and you're moving along. It appears in the market that 'Series A' is getting further away the barriers are getting higher meaning the traction points where you need to be for revenue customer traction, business model, customers are getting a little more mature, and we are seeing funds go up extremely more. There's also a lot of opportunity and more money flowing into the Angel Market so you have this crevasse. I would love to know what you are seeing in that in Seattle and more broadly, and how do you encourage Founders to think about that. When should they be going out and seeking money from those different constituents along that continuum?

Dave: A couple of years ago there were a couple great articles about the 'Series A Crunch' and I think what was interesting is that the 'Series A Crunch' is now bigger than it's ever been because 'Series A' rounds have gotten super big. We are seeing eight to fifteen million dollar plus, but in the Valley trending towards the bigger ones and outside the Valley two new smaller ones, but the 'Series A' is now really a growth capital event rather than a risk capital event.

So, it looks more like what was traditionally 'Series B' when I went out and raised my first round. We also had this funny naming convention when I raised money in '98 which was we did a

‘Friends & Family’ or an ‘Angel Round’ and then we did a ‘C’ round and then we did an ‘A’ and then we did a ‘B’.

Corey: It seems very linear.

Dave: Well that’s not what is happening today. We have done a bunch of work on some crunch based data following twenty-six hundred funded companies over the last five year span. My original request from Crunchbase before they had the API was hey send me a list of every seed funded company in the last 18 months.

Corey: Across the country?

Dave: Actually it was global so it was a fairly broad mix and of the twenty-six hundred only 180 has actually failed which is interesting. It’s hard to categorize a zombies but I’m sure there’s much more zombie’s than the ones that failed which is a bigger topic that we won’t cover today. What was interesting about the data was you had a ‘seed one, seed two, and seed three’ and it went all the way to seed ten. So, basically what folks are doing is they are just delaying the series ‘A’ but the definition of what that seed round is, is in some ways more important to the Founder because there’s a sense of [0:34:39.4 PH] assigned with “Hey we raised a big series ‘A’.”

Corey: Some of this caught up in nomenclature or are we getting caught up in what do we call this? I hear this all the time from a Founder. Where not sure what to call it? If we call it a ‘Seed Extension’ we are worried that will impact our ‘A’. I try and change the discussion because it’s really about where you’re at it’s your traction it’s your revenue. What are those milestones you need to see to attract a proper series ‘A’ regardless of how many seed rounds lead up to that?

Dave: In one of those 6 Month Startup folks who had raised the cash in their round said, “If I go out and raise a seed round in 69 months what kind of MRR am I going to need to go raise a million and half to two million dollars?” My answer was you need twenty-five to thirty thousand dollars in monthly recurring revenue and there business happened to have an MRR component to it. And by the way each of the 14 models have a lots of overlap but there are some distinctions, and I bring that up because some people who are in transactional revenue models want to count there MMR and you don’t have recurring revenue in transactional business revenue models.

What people call is a unique nuance but it’s also hey go and hit your milestones and take the least amount of cash possible to hit the milestones. So, one of the things that I’ve learned from being around the fund as well as early Angel Investing is that our goals are really aligned with yours as Founders because if someone says, “Hey you’re raising a three million dollar round what if you take four?”

And the answer is: well do the napkin math as the Founder because you're going to give up between seven, eleven, and 12% more equity when you get to the 'B' round that you probably didn't need to give up at the early stage. And though it is great from announcement perspective the answer is, "Raise what you need to hit the milestones plus a little bit of buffer but do it for growth capital."

So, we are going to double-down on these things and here is what we are doing that's really working and then take the least amount of dilution you can. As a small fund that's important for us as a well because we won't likely be an investor in the 'B' round and we'll syndicate our pro-rata stake, but for the funds perspective we can't follow along on the 'B' rounds because they're just too big.

Corey: For the past several years and you're hearing eyeballs, usage, traction, and stickiness all still very important customer based but is revenue still king? What are the top three things that should be on your-?

Dave: On the business-to-business side for sure it's *yeah* revenue. I think it's a common misunderstanding that everybody wants to be in TechCrunch and go viral, and the answer is that's awesome if you are a B2C new media company like WhatsApp or Pinterest, but if you're a healthcare IT company, eyeballs are not you're metric, a revenue and customer commitment maybe time onsite. So, again they are kind of nuanced based on which of the fourteen it is but what you are really after is, if I gave you a check for 10 thousand dollars this month how would you spend it at the top of the funnel to drive marketing qualified leads to sales qualified leads to customers? Do you have a hypothesis for how you will do that? Have you gone out and tested it and do you know if it will work? That's really where you get to the base level of traction. Engineers and product teams will say, "Well we have traction because we have a product" but that's not traction that's a product and that's awesome, and we hope you have an awesome product as well.

What lean startup was particularly great at is that if you have a thousand visitors a day or month you can learn whereas, 6 Month Startup is coming in and saying, "Really you're pre-product and you want to figure out what the customers really want." And you're revenue still matters even if they are letters of intent or initial commitments so even backing up and saying, "I'm going to take you all the way through the checkout and give you a 404 error at the place where you put in your credit card because I just want to know from an AP testing on the messaging does anybody care about this idea or not."

Corey: I love it you know we always say they are doing the unnatural thing of buying something from you that they probably should have no business buying from a young startup. If you are really solving that pain-point and they're willing to pay for it that's still absolutely imperative and critical and I think it's becoming more so as we see these investment rounds go later and I'm curious what you would say in terms of finding the right match.

The homework you do when you look up investors I mean you see this all the time someone will come to us and you go, “We are busy” hundreds and hundreds of deals come across our bow, and there’s a lot of noise that you have to be able to parse through. Same for a Founder, make sure that you’re targeting and you do your homework and you’re talking to the right people at the right stages. Do you do any guidance at 6 Month Startup? I’m sure you do but finding the right partner because it’s a marriage really let’s not be fooled finding the right investors.

Dave: It starts from the Founder perspective helping them realize that your need for capital has nothing to do with your ability to raise capital which is why from a program perspective you go through the program to start with; the back of the napkin and a check just doesn’t happen anymore. If you’re a franchise player you know if from Expedia, Zillow and Glassdoor said, “I have an idea on the back of a napkin” people would write a check but there’s not a lot of franchise players out there.

For any repeat Founders this is a super tough market to get a check for that side so it’s really about knowing what you need that’s stage appropriate, and then figuring out what the average check is and the type of deals that VC’s invest in. Most of that information you can get on CrunchBase.

Corey: Is that your go-to tool you would recommend?

Dave: By default yes. If I wanted to know if there’s a company like this that has existed in the past and who invested in it then the age old example in venture is, “If you want money ask for advice, and if you want advice ask for money.” So, my encouragement to people is go and talk to investors who invested in like company’s where they were able to observe what happened and say, “I see that you invested in company X,Y & Z and I’m launching something similar. I would love to grab a coffee or phone call with you and talk about what you learned as an observer and get your feedback on what we should know about the growth.”

When you get the institutional investors so let me just stick with Angels for just a minute Angels are great because Angel doesn’t need to get anybody else’s opinion unless it’s their spouse to sign off and give you a check. Angel Groups are particularly useful if you have a lead investor and you’ve raised 50 percent of your round. If you haven’t raised 50 percent of your round AngelGroups are not very helpful for you, and you should never have to pay to pitch an Angel group anyway.

So, Angel’s fill that, they’re investing in your passion their super early and you don’t have to have a ton of revenue or product market fit, but you have to have a very convincing story. We are investing other people’s money and we have a charter of limited partners that come to us and put money as an investment that we turn around and invest on their behalf.

So, we have to have a reason for why we are investing. Do due diligence for why we are investing. So, you need to know based on what you need as a Founder? How much money do I really need? What milestone will it get me to? A lot of Founder's will say, "I need 12 months' worth of capital because I need to pay my bills for 12 months". We care about what milestones you will hit in 12 months and we know keeping the lights is important to you but we want to see it in terms of milestones, so just be aware that matching you're investor; all money is green but not all investors are good.

Corey: Good point. I would love to come back and tie things back to community because you mentioned this earlier on with some of the work you've done, and how you are rolling 6 Month Startup to other communities and community building. We actually went out and asked some of your mentors in Seattle about working with you and wanted to make sure we had the right Podcast candidate here. Amy Nelson, who is the CEO and Founder of The Riveter described you as an incredible mentor and leader in Seattle's growing startup landscape.

"Dave has been an advocate for us and a mentor always ready with tactical advice or willing to give an hour just to listen to our challenges"

So, thank you for that on behalf of the Seattle community, but what I'd love to hear a bit more about is you have been in Seattle a long time, and perhaps there's a play book there that can play into other communities you know. Portland is a thriving up and coming area and you've spoken about Atlanta, Dallas, we see this in Salt Lake. We hear about the ingredients that are needed for fostering thriving eco-systems and you and I were chatting a bit about the Techstars white paper on this that's backed by some data from Google. What are those key ingredients that it takes to build? It doesn't just take a Founder. It doesn't just take capital. It doesn't just take tech trends. What has to be fundamentally in existence for an eco-system to thrive?

Dave: First let me touch on it from a global perspective. I think the benefit we had for a Startup Weekend is that most of our events happen outside of the U.S., about 65% percent happen outside the U.S. in a 120 countries. So, we have a unique view of the world as it relates to that and then we'll bring it down to a very micro-levels in Seattle. The five ingredients white papers is great and if you're in economic development or if you are trying to figure out how to make these things at a more global level from your country, city perspective there's some things that are kind of required, so think of them as table stakes.

So, you need good talent startup companies thrive where there are solid universities and CS programs and things like that. If you see where cities don't thrive you see talent leaves. In a lot of those universities talent is trained there but then people leave and his is something you need to be aware of. The second issue is density and density is real practical [0:45:19.4 PH] Bellevue Washington but worked most startups in Seattle, and even in Bellevue we just don't have any class 'B' flexible office space.

Corey: So, it's everything from the physical facilities.

Dave: And there's a great benefit where you can bump into other people and co-working spaces are great at that, but you have to be walking distance to mass-transit and walking distance to food, and you can't be required to have a five year lease, that's why co-working spaces are so important. With my first startup I had two sub-leases we were carrying from previous locations because you have no idea how big you are going to be in five years let alone within a year. So, density matters and is you around other people from both a covert perspective and office space perspective.

In my case Bellevue has a bunch of really expensive 'A' class buildings that you can't get flexible terms on and the flexibility is important. Culture matters as you go from West Coast to East Coast. In Silicon Valley you can fail once or twice and it's tough but you can bounce back from it. In the North West if you fail once it's hard to bounce back but you can. As you go further east that math is tougher.

There are places where failures again kill bad ideas fast rather than 'fail fast', and then you get to some of the Eastern countries Japan, and China and loss of face in the family and all that kind of stuff becomes one of the reasons Japan's not a super vibrant entrepreneur ecosystem. It's not a system that takes a lot of risk. The fourth one is:

- Capital

You have to have access to early stage capital. I have friends who run a company in the South East, and there are a lot of people who have made money in real-estate down there but they don't understanding investing in Tech.

Corey: So, I just want to stick on that note for a minute because there was a recent GeekWire article about lack of capital in Seattle. So, there's this AngelCapital there's later stage capital and I think we are seeing and hearing the new from entrepreneurs and investors there's that gap with the seed and 'Series A'. How do you fill that gap? What needs to happen in these regions because if that's a key component and the money's flowing from elsewhere as opposed to recycling in that ecosystem what do you recommend?

Dave: I think from the Founder perspective the big thing is to know your data well because you can get on a plane and fly somewhere else right, so Seattle's 90 minute flight to Silicon Valley or if you're on the East Coast of New York, but you need to know you're data well so that you can match the investors and know where to find them. So, the nice thing is money is mobile so if it's a kick-ass company and they are doing great stuff you'll find a way to get funded.

Corey: Do you see that changing in Seattle? There's a lot more funds being stood up trying to fill that gap, are you optimistic?

Dave: Well I'm perpetually optimistic - I'm a Founder so I don't know any other way to do it. I think the gaps continue to be who will lead a round. There's capital available but the question is who leads the round and rallies that support for the rest of the round. Angels tend to over invest early and then get a liquid and as we wait for the market to open up for IPO's, and I think we are going to see a big stretch of MMA's here because of the tax law changes. The repatriation of dollars back to the U.S is going to create a lot of MMA opportunity but you have to be big enough to be acquired, so if you are under 10 million dollars in annual run-rate the answer is you're too small to be acquired and you might have ambitions to get acquired by Google but you're probably too small to do it.

Capital is always a challenge I think number one that story recirculates about every 24 months and Seattle is particularly bad because we have a chip on our shoulder that we are not the Bay Area. We have a chip on our shoulder that the VC's will say, "All good Founders get funded" and the Founders will say, "Yes" in the valley [laughter 0:49:26.9]. So, there's a he said she said that goes with that intrinsically and it sells news for sure, but I think there are new funds getting started and we are trying to add more value. As I look at the next 10 years for me in Seattle that's an interesting twist. I want to close the last one.

Corey: What is number five?

Dave: In the U.S. really that's not a big challenge for us from a regulatory perspective startups are well supported from that standpoint. That is not the case globally and I've been to places where we did a Startup Weekend in Moldova where it's even tough to incorporate a business. So, I'm like, "Why don't you blog about it" and they're like, "We're still scared of the police."

Whether you like what is happening in Washington this week or last week or last year or whatever we take for granted that we are in an amazing place and that we can do amazing things, and our outcome is really our own. So, yeah I'm perpetually optimistic from that perspective.

Corey: Well on that note and clearly folks like Amy Nelson feel you've been a great advocate for the Startup ecosystem in Seattle. What is number six? What's the cherry on top for Dave Parker in terms of an ecosystem that's not in the data? What is that nugget?

Dave: I think it's having a long-view and Brad Feld wrote about it in Startup Communities and Brad's been a great fan of that but I think for me over the last 10 years doing my own Founder journey working with Startup Weekend and working with programs, the last 10 years has really been about making Seattle an amazing place to do startups, so the next 10 years is all about how do I help level those things up?

I recently joined the board of the Washington Technology Association to help run their startup programs and the goal of this is to amplify the things that are doing really well, like programs and people, and also be honest with Founders about stuff that's not great. Like that's not a great program and don't spend money on that it's not a good use of your cash because every first time Founder is trying to navigate their way through this.

Corey: A deer in the headlights they need those filters.

Dave: I remember having one Founder who stood up at a Startup Week the first year in Seattle and said, “I’m going to move to the Valley because I can’t find any resources” and I’m like oh my God that’s why we are doing this. So, we do these two hundred and something plus events in the fall and so you can kind of navigate your way through the entire ecosystem in five days, and figure out what is helpful to you and not. The long-version of it is I had some friends who were like, “Why aren’t you charging more for 6 Month Startup?”and I’m like that’s not the goal the goal is to meet Founders two years before we are ready to invest in them, and help them navigate that in a year instead of two years and help them figure out what great resources are in Seattle for them.

It’s great that Amy and others say great things and I’m super flattered. Nobody owns community and I have to stand on the shoulders of giants like Arty Buerk, Buerk’s Center for Entrepreneurship and Arty and others did amazing things for the Seattle Startup Community. Hopefully, those that will come after me will get to stand on the shoulders of giants as well and say listen let’s keep talking it to the next level, but I think having a plan for that is super helpful.

Corey: That’s what I love and I’m grateful for folks like you who are now taking that and putting a playbook around it and bringing that to other communities across the U.S. I think it’s imperative for the next 10 years. We’d love to have you back sooner than 10 years to hear how it’s going, but I have one last question for you.

Rumor has it that you read a hundred books last year and you were on your way to another hundred books commitment this year. I think I fall asleep on page three of any book I start these days. I would love to know how far in are you? What are we March 19th 2018, so how far are you?

Dave: I’m five books ahead of schedule this year so if you want to track it on Goodreads. A couple of quick footnotes if you decide, so Dan Rossi from Geekwire and I were having dinner at one point before New Year’s Eve a couple of years ago, and it just sounded like a good idea at the time [laughter 0:54:05.8] and it turned in to a hundred book challenge. So, now I check out books I want to read in advance, if they aren’t rated four stars then I generally stay away from them unless they are highly recommended. I tend to rank all the books that I read on Goodreads as well, so I’m trying to help people who are also reading those books.

Corey: See now you’re in the book community as well. I would love to hear one recommendation for business or professional and one personal recommendation?

Dave: So, two on the business side I’ll just give you. I just finished Johnathan Sposato’s book called Better Together: 8 Ways Working with Women. In the startup community its super practical and well written, so shout-out to Johnathan for that one it was great. I also finished

Donald Miller's book Building a Story Brand which is particularly helpful for startups in the early stage around. How do you tell your marketing story because most corporate marketing sucks, and the reason it sucks is because corporations tend to make themselves the hero of the story and they are not - the customer is the hero of the story, so great book on that one.

And then the two I would say from a personal perspective Homo Deus was a great one which is a brief history of tomorrow with a follow up book, but really enjoyed that one. If you are just looking for one that will gives you a perspective then I'm a big fan of When Breath Becomes Air.

Corey: It's one of my favorites.

Dave: In the midst of chasing our tails - like we do in startups - there's always a deadline and having perspective is key. As you know, my wife's a cancer survivor and we are 20 years out now but having that perspective is useful, super useful because the stuff that you're working on today it maybe be brilliant and it may change the world, but make sure you have a good perspective as you go.

Corey: That's an absolutely perfect note to end on. Dave, a pleasure I get to see you and talk to you regularly but this was special to have the chance to hear you, and share what you are working on. Thanks for all your doing.

Dave: Thanks.

[Music Playing]

Corey: Bonfire is about head and heart. Thanks for joining us for our Podcast. We'll see you again soon.

[AUDIO ENDS]