



Stanford eCorner

How to Find the Right Venture Capitalist

Ray Lane, *Kleiner Perkins Caufield & Byers*; Ron Bloom, *PodShow*

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VC Ray Lane talks about why he chose to invest in Bloom's company stressing his belief in Bloom's vision for the podcasting industry. For Bloom, it was about finding a VC who knew what was going on in the industry and could be counted on to make the right decisions not only as an investor but also as a mentor.



Transcript

Now you lived these parallel non-intersecting lives, how did you end up meeting? So through a mutual acquaintance, the Jerry, right? So a partner at Bear Sterns sent me an email, I guess sent a couple of us at Kleiner Perkins an email and I'd read all my email by cell phone. I don't have a filter or anything like that. And so, I was going through this one day and I said, "This is interesting, podcasting, the world of podcasting." I really wasn't into podcasting, wasn't thing about but the idea itself I thought, "This could be intriguing depending on what these guys are doing with it." And so, I don't know may be I don't know how fast I responded or anything but it was then reasonable time I said "You know let's find out some more about this and I may have asked one of our associates to do that but basically, I took a personal interest in it and saying "I think this could be interesting." And reached out and said, "Why don't you come, you know, send me a plan or come in and see me." I can't remember exactly what it was, something like that. And that's how we met. So this is a unique opportunity we have, to have the entrepreneur and the VC who'd invested in them sitting in the same room and we can hear the story from both of you. What was the process like of making that decision to invest or your decision to let them invest? You know was this a long drawn out process? Was there a lot of vetting that went on? Maybe you could each tell a little bit of your perspective on what happened? Well, he just told a very vanilla story of how we met which I thought was pretty good and nicely done. When we decided to raise money, there's two things that happened when you decide to raise money, you give up control the process or you take control of the process and that's where your life changes. Either one can work but if you give up control you're surrendering it to someone else. We had a little more experience so we decided to maintain control. We made a list of the people not the agencies or groups or investors we wanted to speak with but the individuals from the top firms that we thought we might speak to, all on the East Coast, that's who I knew at that time this gentleman.

A mutual acquaintance say, "Why don't you try Silicon Valley?" And I said, "Well, I've been up there a few times." Totally did not relate to us. They don't understand media. They think of everything as an enterprise. Actually Ron was living in Miami. Yeah, I was living in Miami. Most of my work had been done on the East. This gentleman on the middle said, "You should just write down a list of people you'd like to speak to and Ray Lane I wrote on that list. I said this is a guy who's ran businesses. He'd made big decisions. He's taken turnarounds.

He's encountered in his world, the same thing I've encountered in my world. I would rather have his advice than some other media guy who has worked part time for AOL and thinks now they're a media guru. So we sent out these emails to the top six

firms only and only to the individuals in those firms. The individuals 100% of six came back and said, "Yes, we'd like to meet with you and all of them turned it over to an assistant whereupon I sent back an email and said, "No, thank you." If I wanted an assistant I would have called your assistant. I'm only interested in you and no problem we'll see you next time around." Except for Ray Lane. Ray Lane took it upon himself to see some of those dialogue and said, "You know I feel something's going on here. If you make the trip, I'll give you the time." And my partner and myself came up here and presented to Ray and the people he brought in the room. But we focused from day one the filtering process for us was to find a person who understood what was going on in his organization that we could count on to make a rapid decision for us. Yes or no was fine but all that googly move it's in the books. For me, it doesn't work too well.

We just wanted to find a powerful thinking person inside their organization and we're very, very fortunate to find Ray. He did not tell me I was being targeted. I had no idea. Yeah. I had no idea but this all came out after we made the investment and he said, "You know let me tell you the story." So that's when I heard that story is after we invested and he said, "I really want it." And he realized Ron had as much experience in kind of the IT world, in the software world so I thought he was coming from a world both he and Adam from the kind of media, music, entertainment world, and I didn't think he had a lot of familiarity with the kind of IT so I didn't talk a lot about, I mean, to me I didn't think Oracle had much relevance and all of the world I competed in. And it turns out he knew everything there was to know about me and he said, "You know, I think this would be a good fit." And so, right and it has been a great fit. What I saw on the other side was I had seen probably two or three podcasting companies who are just starting to get interested in this whole world of podcasting which is now worked its way into something much, much bigger. It's not about podcasting. But I've seen a couple of early stage venture, one of the campus here and all of these ventures were young entrepreneurs who were engineers and it focused on producing a directory or some kind of service that allow you to find podcast and maybe even make a few of them. They were way beyond that.

So there were two things, to them the directory and the tools that started to build the podcast were almost commodities to get to an end game. And both of them came from the business so they knew the end game. They knew the end game was entertainment. The end game was to build audience, to insert advertising, and all that. But it wasn't a technical thing. It wasn't you know, "I'm going to design it and build it and they will come." It was much more we understand how this business works and the Internet is simply a medium by which we create or shift audience. And we really like that approach. That's what I saw that said, "This is it" rather than you're kind of engineering approach or computer science approach to building a directory or some kind of podcasting service. I see a lot of the ventures come across my desk and what was it that was interesting about PodShow. Why did that make the difference? It really was a combination of their vision of how they thought this business was going to evolve and they were half right, they were half right.

But they were twice as right as anybody else I met. Now I can look back two years. I didn't know at the time. At the time, I thought they were 100% right because they were, and the second reason, they were media guys. They were entertainment guys that understood that the technology is simply a medium to get to that end goal. And so, that made sense. So a big determine for us is do we vet if we know we want to be in this market back then called podcasting, OK? Podcast, it's interesting. We don't use the term podcasting anymore. Pod is in our name but simply because we like the name PodShow but podcasting represents an audio feed that you can get through some kind of RSS or subscription service and all that. We do much more than, 90% of our business is video now.

A lot of it is music. And so, it is much more a social network. Well, these guys have watched the entertainment delivered and how it's evolving to young people. Although I think the average age of our audience is in the young 30s, right? Depends on this programming. OK, OK. So but it's going to be primarily young people that are aware. So you have to watch how that evolved and change with it. So we've blended video. A video became very, very important. So from entertainment perspective you got to do what the audience is buying.

What is the audience listening to? What are they tuning in to? If you're not going to be aware of that then forget it. I didn't see how a young team that was developing technology for podcast directories and content creation, how they were going to understand that as well as these two, Adam and Ron. So that made the huge difference to me.