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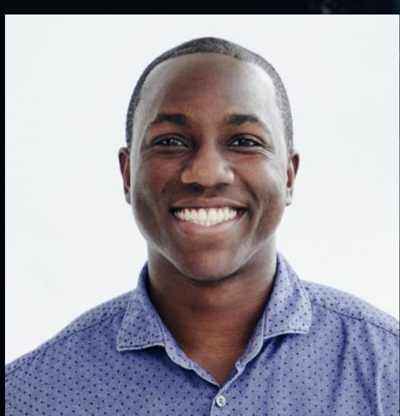
Virtual Event Series

Social Media for Deal Flow

Guest Speaker:



Jarrid Tingle
Co-Founder/Managing Partner
Harlem Capital

Hosts:

Kenny Estes
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Ayla Kremb
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DiffuseTap: Social Media for Deal Flow

Last time on DiffuseTap, Jarrid Tingle, Co-Founder and Managing Partner of Harlem Capital, talked to us about how to use social media to source deal flow, sifting through the noise to find diamonds in the rough, and how their firm blew up online through their influencer-type online presence.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas) … straight from your armchair like a boss.

Meet the Speaker

Jarrid Tingle is Co-Founder and Managing Partner of Harlem Capital, a NY-based VC firm that focuses on diversity. His day-to-day in Harlem consists of deal sourcing, organizational strategy, and due diligence efforts in leading the firm towards its goal of investing in 1,000 diverse founders over the span of 20 years. Jarrid was featured on the Forbes 30 under 30 list in 2019, and the Ebony Power 100 list in 2018. LinkedIn: @jarrid-tingle

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We are an alternative fund platform offering differentiated investment products. From digital assets to VC funds and beyond, we identify green field investment opportunities we feel will have market beating returns and turn them into professionally managed funds. For more information, visit www.diffusefunds.com.

KENNY ESTES: Today's speaker, and probably why most of you are here, is Mr. Jarrid Tingle. Jarrid, do you want to briefly introduce yourself?

JARRID TINGLE: Sure, I'm happy to. Hi, everyone. I'm Jarrid, co-founder of Harlem capital. We're a seed stage VC firm focused on investing in people of color, and women. Historically, we have been U.S.-focused, but now we're expanding.

We're currently writing checks of 1 to 2 million. Being diversity-focused, we are somewhat pro social media. It's not something that we focused on from the start, but rather learned about as we went on. We've received positive reinforcement for it along the way, and it's just made us more excited about it. I'm based in New York City. We're a team of seven, and we're currently investing out of our fund two, which is $134 million. I'm very excited to hopefully do some deals with you all.

AYLA KREMB: Thanks so much. Maybe we'll kick off with how you actually got started on using social media for your deal flow generation. It seems like you were just a standard regular fund previously and had standard strategies in place. How did you make that switch over?

JARRID: Sure. So I actually started out as an angel syndicate. In 2015, the other co-founders and I were working part time. Henri and I were working at a middle market private equity firm. We just started pulling money as friends, and we learned how to do it as we went through time. One of the things he wanted to do early on was to promote ourselves because we were starting from scratch. We didn't come out of a VC firm. And so, we needed to tell the world what we're doing.

That's really how we started. We are, I guess, 30 and under right now. Therefore, we were used to using social media for our own personal life. We were on Facebook and Instagram, for example. I think creating a website and social media profiles for our firm was a way for us to connect with the community, source deals, and tell the world what we're doing. So that's how we started.

In the beginning, I was very skeptical. I didn't even want to have a website or my picture on the website because we had full time jobs. I didn't know if my boss was going to be cool with this big firm. It's hard to say we were just doing deals if we had a whole website because that really indicates that you're a firm. I thought, this really could be tough to explain. But the pros outweigh the cons, and we got so much positive reception that we decided to continue to march on.

KENNY: That's great. And I see that Agha here in the chat describes you as super active on LinkedIn and Twitter. My experience with LinkedIn and Twitter is that there is a lot of noise. There's a lot of garbage that comes out of it, and things that you don't necessarily want. So, how do you go about filtering those once you have a presence? How do you manage that pipeline? Do you talk to them all? How do you separate the wheat from the chaff?

JARRID: It's gradual. If you start posting on social media, you're going to get floods of inbounds in a day. The learning process for us was gradual. We had to adjust and refine our strategy as we went on. The first thing we did was, again, we set up firm pages. We set up a firm website. We also created Facebook, Twitter, LinkedIn, and Instagram pages. We didn't know where the highest quality deal flows would come from, so we basically said “we'll just show the world we're doing.”

We did some press coverage to let the press know about our brand. One thing we did that was unique is that we actually had pictures of the team. One of our co-founders at the time was an influencer. He had expertise with Instagram, and he was promoting brands and getting paid for it. He said “Hey, we should get a real photographer. We should take nice photos walking down the street.” And that, again, was one of the things that just differentiate us from the market.

This year, we will check to see 3,000 deals. It's been growing about 2x or so a year. If you backtrack from that, we were seeing a couple hundred deals back in 2018. That was manageable. We had a team, and we went through all of those deals. Obviously, we prioritized deals that we get as referrals. The pure inbounds, we took a little bit longer on. Eventually we got back to them, though. But one of the things that helped was having our criteria on our website so that people could see exactly what we were actually looking at. That includes things like, what's our check size? What issues are we focused on? Which geographies do we focus on? What do we not do?

That provided, one, higher quality, if people could read that. And two, it gave us clear “pass” reasons. If it didn't meet our criteria, we said, “like we said on our website, this isn't a fit for our scope.” As we scaled, as we saw more and more deals and it became overwhelming, we decided to have a pitch form on our website. We originally didn't want to do that because we felt that it was more transactional. People may not like it, and it may actually create some barriers. But the results were quite the opposite. People loved it, and people actually felt more comfortable applying for the pitch form. The pitch form tends to be lower quality, but it's a good way to filter.

We're in an industry where you are looking for a diamond in the rough, so you have to accept that you're going to see a lot of bad deals. However, you need to see a lot of deals to be able to find those few. And so, we wanted to keep our communications line open to make sure we never miss something that we didn't know existed.

AYLA: And how do you manage that onslaught? Is some of it automated? Do you hire interns to sift through the 3,000 deals? How do you manage that actual workflow of inbound?

JARRID: We do have interns. We have about six at a time, three times per year. They're part-time and remote. We've got that down to a science. We also have a deal tracker on Google Sheets where we keep track of name, location, industry, fundraise amount, date we received it, etc. We also have a round robin, where we basically put the deal in, the name of the deal, and the interns will fill out all the rest of the information for us.

Right now, we’re integrating with Zapier. So if we add a deal name, it pings the interns on Slack. It basically automates the process a little bit, which is helpful. It's not a perfect process, but it saves us incremental minutes every time we look at a deal. And then on the other side, we have this pitch form, as I mentioned, and that's pushed to the Airtable with Zapier. Basically, if somebody fills it out, it all goes to Airtable. It automatically puts a deck in our box drive, and then we can look at them 50 at a time.

We have our associates do it, and we could push out automated responses, like "hey, we're uncomfortable with the market", and it still looks legit, like a real email. And then, we also recommend other VC firms. We want to make sure that it still seems personal enough.

And we've definitely iterated with it. If we had a message and we were getting negative feedback, we'll adjust it. For example, when we started the automated form, somebody said "I don't get it. Are you guys passing? Because it wasn't clear." And so, we have to continue to clarify and make sure that it is very easy for people to understand exactly what we're saying.

KENNY: That makes a lot of sense. A lot of the audience here are venture investors in one way or another. In other words, they're either a family office, individual, or out of a fund. If they want to start down this road, what advice would you give to somebody who isn't exactly proficient in social media? What are the first few steps or the most important things to keep an eye on in using social media for deal flow?

JARRID: I think people can't apply to things they don't know exists. Some people like to be private. But if you want to go down this route, you have to have, again, public presence. I think having a good website that is clear is important. Having as much investment criteria as you're comfortable sharing out there is important. That's one. Two, you need to have a page on every social media platform that makes sense for you. And then, start producing content.

It's easy to get bogged down in it or overwhelmed. But I would just focus on what you're already doing, and how you can publish it now publicly, or how you can take what you're already doing and promote it more. For example, when we announce a deal, we just do a blog post about it. If we did a research report, or do a market landscape, we'll just package it and promote it. That's an easy place to start. And then, if you want to have a podcast or newsletter, I think that's a good idea because it's a more established endeavor. Find ways to regularly post, and you've got yourself a firm strategy.

There's also the individual strategy. On the individual strategy side, just tell people what you're reading. Tell them what you're interested in. When we announced our fund two, that was a great time for people to know about it, and to start sending us deal flow. If you make any strategy shifts, let people know. You can say "Hey, we're now done investing in fund one. Now we're investing in fund two. Here's an updated check size, here's our ownership target, and here's where we're looking." Let the market know. I would assume that people don't know what you're doing at all unless you tell them publicly.

Just continue to post on a cadence that makes sense. I think posting once a week on LinkedIn is a good cadence if you commit to it. On Twitter, you probably should be posting every day. The hack, though, is if something performs well on Twitter, it probably will perform really well on LinkedIn. So that's helpful.

And then, with enough time, you'll figure out that certain platforms have better reach for certain audiences. For us, we found that LinkedIn is great for LPs and other VCs. There are also some founders there, and it's great for general networking. On Twitter, there are a lot of VCs and some startups. We don't really see many LPs there. What I'll say though is I would take more of the Coca Cola brand approach, which is don't assume that any one particular thing you do will lead to anything in particular. But if you generally have people know about you, you build brand awareness, and that leads to serendipity.

Right now, 40% of our deals come directly from management, but 60% of our deals are referrals. Other VCs seeing our posts means that they're more likely to send us deal flow because we're top of mind. So instead of just having those one-off conversations once a month or once a quarter with folks (which you can still do), now you're talking to 1,000 people at a time on your LinkedIn or Twitter. That just means more people are thinking about you and will send you deals when it's actually actionable.

That's my advice in a nutshell. Obviously, it's going to take some iteration. It's going to take some growth. Personally, I was uncomfortable when we were starting out, but I knew it was important to do. So I gradually got more comfortable. Also, the last thing I'll say is, you can ask for things from your network. If you need anything in particular, let people know.

We didn't have that many series A relationships when we were getting started. I literally did a tweet earlier in 2020 where I said "hey, I want to meet series A investors. Here's a screenshot of our portfolio." And I literally got hundreds of inbounds and had a couple dozen conversations as a result of it. Assume people are interested in what you're doing, and just let them know. I think that's a good way to approach social media.

AYLA: What are you seeing in terms of the quality of deals that are inbound versus referrals? When you think of fit or conversion rates, how many actually invest in?

JARRID: They're lower quality, for sure. You just have to accept that and deal with it. Out of our 28 fund one investments, I believe five or six were inbounds; the rest were referrals. That was how we went about it. They're definitely, again, lower quality. But you're in a game where you're investing in one in a hundred or thousand companies. You're finding diamonds in the rough. You're looking for outliers. So I think it's always worth it to filter, just to have the opportunity to invest in and see a company.

There are some people that get overwhelmed, and they only want to get deals from a handful of VCs. That can work, but you're definitely missing out on a lot. For us, because of our focus, we have to keep our net very, very broad, at least to start. And when we weighed the pros and cons, we found that there were a lot more pros. It's also important for us to do this approach to make sure that we are in line with our mission, which is again, to back diverse entrepreneurs.

KENNY: Love that. That makes a lot of sense. What about on the other side? I know a lot of people here raise money for their funds. You said you had some good success with LPs on LinkedIn, and I think you said your fund was 130 million. Did a lot of that come in from cold contacts, or did you find that those investments came from mostly warm, pre-existing relationships?

JARRID: The vast majority of our capital came in from warm introductions. No question. I think psychology probably dictates that people are more likely to take something seriously if it comes from somebody they trust. However, people are thinking about us because we post, and we have a public presence. Literally every post slightly changes some people's perception of us, and mostly for the better. That just creates a better outcome for us.

And so, when we do have warm introductions, or an inbound or something else, usually we enter every conversation with people who haven't heard of us before. Just having that recognition, our conversation with those companies goes so much smoother. Instead of educating people from zero to one, now you go from one to two. They already know us, and they already respect us, or even like us. Then, we can proceed to talk about our strategy, or about portfolio construction.

And so, again, it's intangible. It's hard to place actual value on it. But I'll say that it makes our fundraising significantly easier. Our first fundraise took us 18 months, which is brutal. I think a first-time fund manager will get that. But our second fund, we closed in five months. That’s because we had a lot of pre-existing connections come back. But also, it was because people have heard of us.

I also want to say that just because you’re in someone's network, it doesn't mean they’re thinking about you. But if they see you in their feed, you may be top of mind. I think it's a general brand awareness reminder strategy that can lead to some good outcomes if executed well.

AYLA: We have one question that's a bit more tactical. Where should someone really get started? For instance, what posts usually go viral? For example, I've seen that a lot of long form articles do really well. What is something that you know has gone viral and might be something for people to invest in, or start as a first step in their social media journey?

JARRID: I don't think the objective should be to go viral. It's nice to have a lot of engagement for your posts, but I don't think that should be an objective. If it happens, it happens. It’s really tough to tell what is going to do well. In general, things that are adding value to your network tend to do well. That includes things that are interesting, and things that have people attached to it. Things that have pictures of faces all do well, if that makes sense for your fund. For us, it did make sense.

If you have any unique insights on the research that you've done, some proprietary, that's valuable. That's helpful for us. We did a report about diversity in VC where we found that 105 Black and Latinx guys raised over a billion dollars. No one else did that at the time, and it was unique. We also did a report called “Power 200” where we looked at and mapped everyone who we knew was Black and Latinx in VC. And the market loved that.

Outside of that, though, good news is great. If you did something awesome, let people know. You can say “Hey, we closed our $134 million fund two shortly after our fund one, and we're young. We’re not like the regular VCs”, and people love that. I think when you have a company that raises a big follow-on round, when you have an exit, when you raise your fund, any key milestones are great. It’s going to feel like bragging, but people really love it. You'll get shares and claps. You’ll get comments. Those posts tend to do really, really well. I think it's always good to be more positive when you post. And yes, not everybody will love it. But again, more people will love it, and that will lead to a growth in your following, and very high engagement.

KENNY: That makes a lot of sense. And before we go to the next breakout room, what are you looking for specifically on these deals? Are there exit metrics or TAMs that you're seeking out? For anybody in the audience, if they have a deal for you, what are the key things you're looking for?

JARRID: We're focused mostly on strong teams and big markets. If you have repeat founders, or technical founders, that's always great, and I guess “strong markets” kind of speaks for itself. We're very excited about one, e-commerce enablement and e-commerce tech. Two, SaaS services, particularly b2b. And three, fintech. We're getting heavy into web 3 and crypto. That's taking up a lot of our attention now. We see that as being potentially the new internet. It’s high risk, high reward, but the outcomes can be very large. That's what we're focused on now.

Anything with big markets and strong founders, we’re happy to look at. Don't hesitate to send me anything. We're happy to. We literally look at everything. We're happy to say no if it's not a fit, but you don't have to ever hesitate to send us something. That's what we're thinking about. We do write checks of one to 2 million. We are targeting around 10% ownership. But for a competitive round, we're happy to reduce our ownership target if needed.

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