EPISODE 967

*"**KC**: No early, early-stage proof of concept founder should go into debt, funding their thing. You just shouldn't. 92% of startups fail, and that's totally fine. But what isn't fine is failing and going into credit card debt."*

[INTRODUCTION]

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FT: You're listening to So Money, everybody. Welcome back to the show. You just heard from Karen Cahn. She is the Founder and CEO of iFundWomen. Anyone out there looking to raise money for their startup and not sure what to do about it, because as we know, so few of the startup seed money goes to women, right? We're working on it. In the meantime, what do you do? Do you max out your credit cards? Do you take out personal loans?

Our guest today, Karen Cahn, says absolutely not. She is now providing an alternative called iFundWomen, a fundraising ecosystem for women-led startups and small businesses. I love Karen. I love everything that comes out of her mouth. I think she is a top-notch thinker. She is an icon.

She has spent years in her career, working at various major companies with top roles from Google to AOL. She's on the board of advisors of Girl Rising. She's also on the springboard media counsel. She's highly respected and she's making a difference. She's a wealthy woman, making a difference in helping the next generation rise up.

Here is Karen Cahn.

[INTERVIEW]

[00:01:56]

FT: Karen Cahn, welcome to So Money, my friend. How are you?

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KC: I'm doing great. How are you doing?

[00:02:01]

FT: Great! So serendipitous that we are doing this episode. I mean, we've ran into each other for the first time a few weeks ago at Women on the Move, which was I've been telling my listeners about this JPMorgan initiative to provide inspiration to their female employees and clients around career and professional life and personal advice. It was an incredible event. We were lucky enough to be seated pretty close to one another. I started talking. It turns out we were both fans of each other from afar.

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KC: Yup, absolutely. By the way, that JPMorgan Chase event was pretty unreal. I was kind of shocked. I was so inspired by it.

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FT: Me too.

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KC: They kind of – They set the bar. It's unbelievable. I loved seeing specifically how many diverse women, senior leaders that they had who roll up to Jamie. I didn't know that. I've been banking with Chase for both business and for my own personal stuff for, honestly, 20 years since I moved to New York. I didn't realize how misaligned they were to me and to iFundWomen and the things that I care about, which is obviously women in the C-suite, women investing in women, women entrepreneurs. So I was like fired up to be there.

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FT: Same. I mean, Gwyneth Paltrow. They had –

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KC: I was dying over her. I've been – I'm like the long-time fan like first-time long-time. Do you know what I mean?

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FT: Mm-hmm.

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KC: As an entrepreneur, I loved how she just kept it real. It really struck me when she was saying like she had a hard time raising venture capital in –

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FT: Yeah. People wanted to take selfies instead. They – It was like a bait-and-switch meeting. Sure. We'll talk about your business, but can I get a selfie for my wife?

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KC: Exactly. Well, that's what happened on Sand Hill Road. So she raised her first sort of angel friends and family around from her friends and family, because she is Gwyneth Paltrow. But then when she got into a real, her A round, she was going back and forth, schlepping down the Silicon Valley to Sand Hill Road and it's only take selfies for people's lives, which I think is really – I was quite astonished of that, and I appreciated her candor, because it is hard to raise capital for female founders. I mean, the numbers are egregious. We can just jump right into it.

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FT: Yeah. I mean, this is a perfect segue to jump into. iFundWomen, which is the company you founded. You're the CEO. iFundWomen is a fundraising ecosystem for women-led startups and small businesses. It kind of takes the crowd sourcing platform and translates it into the startup life, specifically women, female founders. How did you come up with this idea? I understand, because this is – We know these are startups and this is crowdfunding that the amount that you're raising – We're not talking millions of dollars, right? It's seed money.

[00:04:47]

KC: Yeah, absolutely. It's not just crowd money, which is the cool thing. So the problem that we're working on solving at iFundWomen is that – Every founder will tell you this. That there's a complete lack of funding options for early-stage entrepreneurs that don't put you into debt. So only 1% of all companies, regardless of the gender of the founder, will ever raise venture capital. 1%.

So what do the other 99% of startup founders do to get their visions off the ground? They max out their credit cards, and they take out loans, and we dogmatically believe at iFundWomen that no early, early-stage proof of concept founder should go into debt funding their thing. You just shouldn't. 92% of startups fail, and that's totally fine. But what isn't fine is failing and going into credit card debt.

The reason that my co-founders and I started iFundWomen is because we were our own customer. We are thy customer. This is our second startup. Our first startup was a spectacular failure, and we did everything backwards. So I grew up at Google and YouTube. That's where I worked for my mid-20s to my mid-30s. Then I went over to run video monetization at AOL. So it always worked in big tech companies.

I can tell you that working at Google did not prepare me to be a startup founder or an entrepreneur at all. In fact, quite the opposite. I was brainwashed into thinking that my tech product had to be perfect from minute one. So there was no like NVP beta testing, learning the way you really should do a startup, which is kind of lean startuping it. We can kind of get into that but just specifically why we started iFundWomen.

So I was this founder out of Google and really was unprepared to very scrappily and cheaply build an NVP that is ugly and put it out there for people to use and give me feedback on. Instead, I spent lots of my own money. I definitely went into debt, funding this very sophisticated software that nobody wanted. Yeah.

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FT: How do you go from that failure where you're in debt now to then willingly do it again?

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KC: Solid question. So as a Hail Mary, so we were – When I say going into debt, I was fortunate enough to have had my own money. So while, yes, I was putting money on my credit cards and I could pay them off, because I was an early Googler and I'm rich. But that's not most people, and it kind of doesn't matter to the story. I was still spending my own money out of my savings or out of my retirement account to fund my startup, which ultimately failed. So that's going into debt as well. Most entrepreneurs don't have the luxury of having my career at Google and are just putting it on credit cards, and they actually can't pay them.

So as a Hail Mary to save the company after two years of slogging it out, we did a crowdfunding campaign. It was then that I realized, "Wait a minute. Why isn't everybody telling entrepreneurs, especially women entrepreneurs who, by the way, are better at crowdfunding, because crowdfunding is about storytelling and marketing and selling? Why isn't everybody talking about crowdfunding as the first stop on every entrepreneur's journey to prove demand for their product or service before they invest in supply?" By supply, I mean wasting years of your life trying to chase an equity round or going into debt or just wasting your time putting out a product or service that nobody wants, which was in my case.

So I became like a crazy lunatic about the value of crowdfunding, and I started Googling like every startup founder does. Srowdfunding platforms for women came up empty, nothing. I was like, "How can this be? Why aren't there crowdfunding platforms for women?" Also, what I realized when we did our crowdfunding on another platform, there was no human there to teach us how to do it. We just had to figure it out on our own. There was nobody to help you with your marketing and your video and all the pieces that you need to crowdfund, because crowdfunding was honestly just sales and marketing. But nobody tells you that. So we pivoted our team and we built it, and that's how iFundWomen came to be.

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FT: Wow! Tell us how it works. So I go on iFundWomen. I'm a fledgling entrepreneur. I'm looking for capital. What are the success stories? I want to know how it works but also how to know if I'm actually the right candidate.

[00:09:21]

KC: Yeah. That's a great question. So our market is every single female entrepreneur who is ideating, building, launching, pivoting, or marketing a product or service. There are 111 million of us around the world. So in terms of qualifications, you can be idea stage or you can be a Fortune 100 brand doing R&D and anything in-between. So the premise is that you are raising capital to get your thing off the ground. You can be a side hustler. You can be someone with an idea, someone with a passion project. You can be a legit startup. You can be a VC-backed company, a brand. It really doesn't matter. The whole purpose is for you to raise debt-free capital to fund your project.

So anybody can come and crowdfund. So when you come to the platform, you have a choice of two paths. If you have crowdfunded before and you know what you're doing, you can get started raising money right away with our self-service platform. If you need help and you've never done it before, you can click the get coaching button, and you can sign up to get coaching from our humans who will literally teach you how to do it.

We've built a whole suite of tools and products and services, both free and very inexpensively-priced. You can go into different paths. But there's tons of free resources and tools and humans to just literally help you do it. This is – It's not rocket science. It's truly just sales.

That's what I learned about crowdfunding. You are selling your product, your service, your mission, your vision, or your dream to people who you know in your personal, professional, or social network who want to buy into it in exchange for cash. That is technically what crowdfunding is. On top of that, we also offer grants to our crowdfunders. So there's an extra layer of capital. If you're a high-performing crowdfunder, you will be exposed to both grants that iFundWomen does on a weekly – Oh, I'm sorry. On a monthly basis and also sponsored grants.

So there's brands all over that want to fund female entrepreneurs. So our sponsored grant program is relatively new. But it's taking off really fast, because we are the conduit to female entrepreneurs who are building cool stuff.

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FT: We're at this point now though in the fundraising era. It's been quite the boom for some people. For the 1%, it's been pretty good. But now, we're hearing about overvaluation. I think the next shoe to drop – There's been a bit of a bubble. It's been pretty frothy. People are just giving money. I mean, on the one hand, it seems like no one is getting any money.

On the other hand, it's like billion-dollar valuations. WeWork, Peloton, these are bigger companies obviously that are coming to you. But how do you think that impacts a platform like yours you think that actually helps your business in terms of being able to help people, because maybe now the traditional ways of getting capital are freezing up?

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KC: Well. So [inaudible 00:12:25] sort of chanting in the background was men, men, men, men, men. So, okay. Let's talk about the 1% of companies who are raising venture capital. In 2018, companies with a female founder received 2.2% of all venture capital dollars allocated. Companies with a founder of color received .2%. So we read the press, and we see all these. We see some great stories. So there is the Glossiers, The Runaways, 23andMe. There's a lot of awesome unicorn stories of women founders, which are amazing and we need more, more, more, right?

[00:13:06]

FT: Right.

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KC: Then there is a ton of terrible stories in the press like WeWork and Uber and Peloton and these super overvalued IPOs or non-IPOs in the case of WeWork but in Uber's case, that are tanking. So there's a lot of noise in the venture space, and we're really focused on women. Quite frankly, Farnoosh, we're focused on the 99% of companies that will never be VC-appropriate. Or I shouldn't say never.

Actually, it's interesting, because we just did a study on our alumni, on iFundWomen alumni and our first two years of being in business. 32% of our alumni go on to raise venture capital. So we're exponentially preparing entrepreneurs for their follow-on capital raises, more than other platforms are doing that. But just to kind of cap off the discussion around VC and the noise in the space, it's a few companies, male-run, that are creating the noise, and it's not great for anybody that's raising VC, and there are valuations that are way overinflated. We haven't heard of a women-run company with an overinflated valuation yet.

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FT: Bet on the ladies.

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KC: Bet on the ladies. We're always going to be more conservative with our numbers, which is I think a good thing in the long run, because our investors are going to see more return than they expected. In fact, First Round Capital recently did a study on the companies in their portfolio, about 300 companies. They found that the companies with a female founder on the team drove 63% higher returns for the fund than the all-male teams did.

So, women, we are – Our brains are functionally built different than men. Our synapses are longer, and we are more strategic and thoughtful and, yes, risk-averse. However, when we decide to take the risk and jump into the pool of entrepreneurship and running a business, we're exponentially more successful because we thought through everything. We're going to be more conservative in our projections and, yes, drive higher returns for our investors. I'd much rather be in that camp than in the opposite camp, which is what we're seeing with WeWork.

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FT: So if I am someone who is contributing to a startup through iFundWomen, what is the relationship? What am I expecting from giving money to a startup?

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KC: It's a great question. You are getting – Think of it as e-commerce. You're buying a product that they're selling, a service that they're selling. You're buying into their mission, their vision, their dream. So you're getting – You could get anything from a social media shout out to good feelings. It's not an equity investment. So there's two kinds of crowdfunding, and a lot of people don't know this. So I think it bears just talking about. There's rewards-based crowdfunding, which is what iFundWomen does and which is what Kickstarter does, which is when you're selling your product, service, mission, vision, dream to people who you know who want to buy into it in exchange for cash.

Then there's equity crowdfunding where you're doing the same exact thing literally in exchange for equity in your company. You could end up with 500 people on a cap table if you do equity crowdfunding. Seed investors love rewards-based crowdfunding, because it's a positive proof point for your business that, A, you have customers, B, you have revenue, C, you have traction. It's great marketing. Founders who can crowdfund have grit.

You know that someone that has crowdfunded and put themselves out there publicly to say, "I'm doing this business and I'm raising my first round of capital iFundWomen." A successful iFundWomen campaign is much more likely to go out and raise traditional VC, because those VCs love that grit and they love the traction that they're seeing. Conversely, when you're going to a VC after doing equity crowdfunding, they're looking at a very messy cap table, and it's not super appealing.

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FT: It's proof positive. They've already gone through that sort of foundational step. They've got traction. Shifting gears a little bit, I want to ask you a personal question, and you may not have even realized you said this earlier. A positive halo erupted in my studio here. By studio, I mean my bedroom. You said, "I'm a rich woman."

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KC: Yeah.

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FT: I love that. Can you please – Let's – Can you magnify this, because I think I just actually just posted on Instagram.

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KC: As long as my mother isn't listening, because she gets so mortified by when I talk about money on my Instagram or wherever. I have no problem talking about it. In fact, we should all be talking about it. So, yes, I'm happy to talk about it. Ask me any question you want.

[00:17:49]

FT: Okay. Because this dovetails an article that I just was quoted in Well+Good called Why all women should be saying they wanted to be rich. You're past that. You are rich and you're saying it without skipping a beat. Were you always comfortable with it?

[00:18:04]

KC: Well, I'm a self-made rich woman. I did not grow up rich. I grew up very sort of lower middle class in Canton, Massachusetts, two working parents. My biggest luxury, and I really – This is a luxury is I didn't have a student loan. But I am not 45-year-old woman. I was an early Googler and made a lot of money when Google went public. Then I went and rend video at AOL and made a lot of money over there. They had to buy me out of my Google golden handcuffs after 10 years. I went over to AOL. AOL stock was like in the toilet when I arrived and it 10X-ed by the time I left. So I made a bunch of money there.

So I am a self-made woman, very proud of it, and I have no problem talking about it. The reason my mother doesn't like me talking about it is because she thinks it's like – We come from very modest means, and that's cool, and she – I don't know. I think it just – It's unladylike. You know women of that generation, and Sally Crocheck talks about this all the time. It's not in the olden days and even now. There's a lot of shame around talking about money. People think you're being braggy, this, that, and the other. I'm not being braggy. I'm just stating facts and hoping to inspire other women to like feel that it's okay to just want to be rich. It's fine to –

I didn't want to be rich. I didn't grow up thinking, "Oh! I want to be rich." In fact, I didn't even know what I wanted to do. I was like the total – I wasn't aimless, but I really did not have a goal when I was a kid or a college kid. I was just having fun. I was just literally super basic Becky, regular kid from Canton, Massachusetts who went to University of Wisconsin, big state school. I went there, because it was the big 10. I was in a sorority. I partied a lot. It was like I literally – Not that I wasn't ambitious, but I wasn't one of those kids senior year in college who was interviewing at either going to business school or law school or interviewing at any of the consulting firms or the investment banks.

So the advertising agencies were coming to University of Wisconsin to recruit. I was like bartending and moving to Italy with my bartending earnings. My parents couldn't pay for it. So I was like, "I'm going to go live in Italy." I took Italian in my senior year of college. I'm like, "I'm going to live in Italy for a year." So that was like me. It wasn't that I wanted to be rich.

When I moved to New York at the beginning of sort of the digital revolution and then when I went to work at Google, I went to work at Google because I knew that the Internet was going to be driven by performance-based advertising. This was back in 1998. I wasn't at Google in '98. But I was at salon.com in '98, and I was selling banners. I noticed I was selling these banners, and nobody was clicking on them. The people that did click on them didn't do anything when they got to the websites. So I went to my media buyers at the agencies in New York. I was like, "Hey! What performs well on your media plan? Can I see your plan?" They showed me the plan. They're like, "The only thing that does well is search."

I sent my resume to Lycos, Alta Vista, and Google, jobs at google.com. This was back in late 2000, and I got an email back and was hired at Google in early 2001. So the rest is history, but I didn't grow up wanting to be rich. I didn't grow up rich. But in the process of becoming rich, I also became a feminist, because what was happening at the same time that I was sort of rising up at Google and getting rich through Google, YouTube was born.

YouTube was born or at least acquired by Google in 2006. I was watching just the complete misogyny and rape culture that was being birthed from the comment section on YouTube. I was working in sales at YouTube, monetizing creators. The only creators I had to monetize that had scale were young men, young white boys who are making gaming videos. That was my job, monetizing them. It was not fun, and I was like –

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FT: Justine Bieber.

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KC: Yeah, totally. I was like, "I'm a feminist now." All of a sudden, it all just came together. I'm like, "Wait a minute. I want to make money for women and women only. I have money. I know how that feels. It's freedom, it's power to make any decision you want, and I want that for female creators." So my story isn't one that's like I wanted to be rich. It was more like I got rich and I became a feminist at the same time, and I have a big mouth. So that plus that equals that.

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FT: Do you think you can be a feminist with a capital F if you're broke?

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KC: Yeah.

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FT: Yeah?

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KC: Yeah. Well, what does feminist with a capital F mean to you?

[00:23:01]

FT: Well, okay. So this comes from an article that I helped actually a friend of mine write. I didn’t write it, but we kind of came up with the idea together. She was trying to figure out – She was trying to jell her thesis around this, and we kind of – I was like, “I think what you're trying to say is that you can’t be a feminist if you're broke.” So to take a page out of that, what we really mean by that is at the end of the day, money is power and money – If you're a feminist and you don't have financial stability, it limits you from being able to create change for yourself and for others. You can't, for example, put money where your mouth is, right?

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KC: Right.

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FT: Put money towards the people you want to elect on. You can vote and but maybe you can't donate. You can’t give to organizations that are going to support feminist ideals. You can't invest in yourself, because you’re broke. So it's a very jarring statement like, “Really? What are you talking about?” Of course, you can be a feminist.
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KC: Here's how.

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FT: Philosophically but like – Yeah. Tell me.

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KC: So we, consumers, all of us, vote with our wallets multiple times a day. So the easiest and best way to be feminist is to literally shop women-owned companies and brands. It is really not as hard as we think to shop from women-owned brands or women-led brands. So if we're in the drugstore where it is a little harder because you've got like everything is very much owned by like Unilever, P&G, chlorine, Clorox, all the big CPG companies.

So making decisions about buying products that are in the drugstore really kind of needs to be looked at through the lens of which of these companies are treating their women employees the best, which have the best maternity leave policies, which are the most feminist companies from a big corporation standpoint.

Then there's the buying local. If you're buying shampoo and you're buying skincare and things like that, there are so many local women-made products that you can buy from. There's tons on Amazon you can buy from. So I think it's just being a more conscious consumer about buying women-owned as much as humanly possible. That's the easiest way that we can be feminist, because everybody buys stuff. Everybody buys stuff.

[00:25:30]

FT: Yeah. We hold the purse strings. That's for sure. It is November, and I have done research that finds that when we're more grateful for what we have, we actually can become richer because we have that consciousness and that appreciation. So this question is in partnership with our sponsor, Chase, asking guests this month. Karen, what is something that you're grateful for in your financial life?

[00:25:57]

KC: I love this question, and it's spot on. I am grateful for the seed investors that came on to iFundWomen cap table from the beginning and believed deeply in the mission and vision to bring early-stage capital to the female entrepreneurs who need it and who deserve it and who are outperforming their male counterparts but are working with so much less. So I am eternally grateful to our seed investors, and they know who they are. I'm not going to name them. [inaudible 00:26:28]. But that's what I'm grateful for.

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FT: Well, congrats to you and your team on this second act, this second time of charm. The first startup was actually probably – It was all supposed to happen this way maybe. I don't know if you believe in that.

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KC: 100%. Oh, definitely. If we didn't fail with the first one, we never would've started iFundWomen. I totally believe in that, and I believe in failure. If you didn't fail, you didn't try.

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FT: What's the next step? Do you see a future where you're going to go even more for the piece of the pie that is venture capital? Do you want to incorporate that somehow in iFundWomen or you want to stick with the platform that you have?

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KC: So it's a great question. So we're actually building more financial services and products and tech products for our entrepreneurs. We've got lots and lots and lots of women entrepreneurs in our platform who need funding across their entire funding journey. Well, it starts with crowdfunding to prove demand. Then we're also doing grants post crowdfunding to give them even more startup capital. Soon to come is going to be a loans product, which is going to really change the way women are taking out loans for their startups, which is exciting coming in 2020.

Also, shopping. So we talked about how anybody can be a feminist, no matter what socioeconomic status they have, by buying things that are women-owned. You will see a women-owned marketplace on iFundWomen coming soon. So very excited about it.

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FT: Karen Cahn, thank you so much. It's been a pleasure to finally have you on the podcast.

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KC: Thank you for having me, new friend. I mean, we need to take the show on the road or something.

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FT: I mean, I could talk to you for hours. I'm learning so much. Thank you.

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KC: You got it. Thanks so much, Farnoosh. I'll talk to you soon.

[END]

