



3 Things Investors Want Life Science Startup Founders to Know

This transcript was lightly edited for clarity.

Chris: Welcome to Life Science Marketing Radio. David Shifrin is the founder of Filament Life Science Communications where he helps early stage start-ups by crafting a unique and compelling story around their data, their technologies and their ideas. He holds a PhD in Cell Biology from Vanderbilt University and David is also a fellow traveler on this excellent adventure we call Pod-casting as the host of Science Writing Radio where he sets a high bar for the quality of his interviews and that keeps me on my toes. So David, welcome to Life Science Marketing Radio.

David: Hey, thanks so much Chris. It's great to be here, it's a pleasure to talk with you.

Chris: Likewise, so I am excited about this one. Today we're going to talk about start-ups again. So last week I interviewed Karen Cushman of Cushman Creative on branding for start-ups and today we're going to talk about a little more, well not more, but a critical event in the life of a startup and that is pitching to investors for funding, which is of course one of your first real marketing opportunities. So David if you would, just to get started, can you describe for the listeners what your role is in this process?

David: Sure, well you set a high bar with Karen last week, it's scary to follow her, she is fantastic, but what I do at Filament is come in and basically what you described, crafting a clear and compelling message around the data, the idea of the product and turning that into a story that scientific founders can make their work more accessible for their audiences and so whether that is a potential partner in development of the product or potential

customer or in this case what we will be talking about today, venture capitalists. A lot of times we as scientists assume that the data speaks for itself, but that is usually not the case. So I come in and help bridge the gap between the technical information, the science, the data and the story around it that gets people to take action.

Chris: Cool. So, can you give an example of a story? I mean, obviously I don't want to give away anything that you've been working on, but what are the elements of the story when you are looking at someone's data and they have an idea that we could develop a process or therapy or whatever it might be, how do you turn that data into a story?

David: Yeah, so what we are talking about here really is that kind of that classic idea in marketing, where you want to start with the pain point rather than what you are offering and then once you have that pain point, established a gap in the market, then you can bring in your product, your idea as the solution and so what often happens with scientific founders is that they start with their data, their idea, their product as the beginning point for this whole thing. And instead what they need to do is see that as the mechanism by which the problem is solved and so you know, this is like the classic example that everybody likes to use of the Hero's journey, the story arc whatever.

Star Wars is probably the most commonly used example with Luke Skywalker having everything seeming normal and then everything falls apart and then at that point he goes through this long process to solve the problem using the Force. And you know that is not an interesting story if you just start talking about this theoretical force that lets people levitate objects, instead there is this person behind it, Luke Skywalker, and so really in the example the product becomes...it's not a perfect example...but the product is the Force and you don't need a bunch of data about the physics behind all of this or the molecular pathway that you are dealing with. You want to know how does this solve problems, how does this help patients, how does this save time and money. So if we can get scientists to make that tweak again from having their product, their idea, being the focal point and instead making the pain the focal point you almost automatically fall into a story.

Chris: Nice, actually I love that. Of course, I am very familiar with the whole Star Wars story model but the way you described it and the use of the Force and how the product is a tool that takes someone along their journey to solve a problem, I really liked how you described that.

So you help companies create stories but I understand recently you have gone a little bit beyond that and you are actually sought out some investors to find out from them how founders can be more successful in terms of the mechanics and the content of their pitch, right?

David: That is correct.

Chris: So in general, how are people doing?

David: Well I think overall people are doing okay. You know that any given VC firm is going to hear dozens, probably hundreds of pitches or at least read hundreds of summaries every year and only a very small number of those are going to get funded. So the success rate is always going to be pretty small because there is just not that much money and there have been some numbers coming out recently suggesting that what had been for the last three or four years a pretty healthy bio-tech investment, life sciences investment landscape is probably going to be contracting a bit over the next year or two. That said, there are some things that I have talked to investors about that will hopefully increase founders' chances of, at the minimum, getting a second conversation with these folks and maybe getting some money, getting some checks written.

Chris: Right. So I am imagining like any product, the product itself does not stand alone, nor does your pitch. There are elements around that, that make a business successful. So what is the single biggest weakness that you hear from funders that entrepreneurs have when they are walking through the door?

David: Yeah, it's a great question and when I talk to partners at VC firms, one of the biggest things, and I did get a couple of different answers, but one of the biggest things, conveniently enough for those of us in the communications and marketing sectors, is that the scientific founders can't explain the science in a compelling way.

So what that means is again like we talked about before, the data doesn't necessarily speak for itself especially when you are in front of investors who don't come from your specific field and in many cases don't have the same scientific background, so you have to be able to express how your data translates into something that is better or different and significantly so than what exists. And how is that going to turn into a product that people will buy because the thing that we have to remember is when we go to a conference as scientists we want good solid data that is going to move the needle on our area of research and it may be

an incremental step forward. Investors want minimized risk and they want a big ROY down the road, you know, 10x or more and so you have to be able to again create that compelling story. That's the biggest thing, and if you are interested I can tell you about a couple of the other themes that came up commonly in some of the answers but that's one of the big ones.

Chris: Sure, so it makes sense. These people are in the business of investments. As scientists we start to think about “This is a cool new technology and look at all these things you could do with it,” but that itself is not sufficient. It's “what is one thing that this technology can do that is going to make me a lot of money?”

David: Exactly.

Chris: Right, and that is a different thing, because you need a very well-defined problem, a well-defined audience, big enough that people want to pay for it and different enough from whatever else is out there that is worth people switching because there is always that barrier, even when you have a better technology than someone else, there is always a cost to change.

David: Right. And what you are describing there is really important for all of us regardless of whether or not we are going in front of investors or doing anything else in our lives, but that's the focus. You have to be really clear on what you are trying to accomplish, if you start going all over the place and running off on tangents or in the case of a pitch it's not necessarily the best thing to go out and say we could do this or we could do this, you know have half a dozen or ten different options. You need to have a really clear focus.

Chris: Right. So how about one other thing, just what would be the next thing on your list as a challenge for life science entrepreneurs when pitching to investors?

David: Okay. This will probably ruffle some feathers but the one word answer is going to be humility. And that in some cases with some investors that I spoke with, they actually mean arrogance, they see arrogance in people coming through the door to pitch them but beyond that it means just having a willingness to know what you know and what you need help on. So going out and being willing to ask questions of mentors, asking questions of the VC firms themselves and a lot of cases they have the ability to help streamline some of the different things that you might be challenged with and the biggest thing that came up over and over in these conversations with regards to humility is being willing and being prepared to bring on a really good team. So if you are a scientific founder you have to have

somebody on board who understands the business side of it. You want to have access to resources for intellectual property, make sure that your portfolio is nailed down, have a good lawyer that you could contract out with, have somebody on speed dial who can help you with the regulatory issues, but you absolutely need to have somebody from the business stand point who can help you navigate that weird corporate world that as a scientist you are simply not prepared for.

Chris: Right, because I can imagine, I am certainly not an expert in this, but you can just observe people and understand this, that a person with something to pitch has some phenomenal technology is probably considered at the top of their field or near the top among the best, and has to recognize that they are moving that whole thing into a different world where other people are at the top and to be successful you need to work together and you will need lots of different types of expertise to make the whole thing work.

David: Right. And you will learn a lot of that business, you will learn the finance and regulatory pipeline and similarly the people coming out of Wharton with their MBAs are going to learn a lot of the science and of course it may never be 100% but you're going to get some cross pollination but that still means to be willing to listen to people who have done it as you said, people who have experience at spinning off companies and especially exiting who have run through that whole process because it's a different world.

Chris: Sure. Is there something that the funders or the investors would say to new entrepreneurs that they wished they knew before they came to the investors? Like what are they missing in their understanding of that world?

David: Yeah, a really good question. It relates to the previous answer about humility and getting help with a lot of the different aspects that they may not be prepared for but it's being realistic about what you are trying to do. So, one of the things that came up with a couple of the people that I spoke with was having realistic expectations on the valuation of your company. You know it is easy to look at a market place where...I don't have any hard numbers in front of me, so I am just going to make this up off the top of my head, but let's just say something like wound care or pain management where it is this multi-billion dollar industry and you are going to say we are going to capture X% of that, well you don't really know what that looks like and you may be way over inflating that and similarly that doesn't mean that your company is worth a huge amount of money. So you need to be able to do your homework, you need to understand how valuation occurs. You need to have a very

clear understanding of the market itself and what is realistic for you and this product that you are developing to have a chance at. No plan survives first contact with enemy, right? Even so, you don't want to walk in with a bunch of BS numbers because the investors are going to see right through that.

Chris: Right, and so where would somebody go to get that knowledge? How would they do that before they make first contact with an investor?

David: Yeah, that's a really good question. So I think there are a lot of resources available. I mean certainly there are plenty of books on the subject of pitching VCs but I would strongly recommend looking for people in your industry and some of this can even be just trolling around on LinkedIn, finding people in your area who have some experience who have executed a life science company. You know most cities at this point have...here at Nashville it's called The Entrepreneur Center, but we will have some kind of entrepreneurial hub where start-up companies meet and work with mentors. Again, here in Nashville it's heavily focused on tech and music and healthcare but we are starting to get more and more life sciences. So seek out the local resources because what I found is that people are incredibly friendly, people are always willing to sit down and talk over coffee and I can't speak for everyone but that is often available.

The other thing is more and more regions are putting together accelerator programs which of course you have to apply for, but then also like mentoring programs where you have access to a network of people who have done this and they can get you plugged in. And so again here in Tennessee we have the Life Science Tennessee organization recently started up a mentoring network that's built on the San Diego Connect model and so what we do is that we come in...and it's all volunteer, it's all mentoring, and we work with companies at this very early stage when they are just developing the idea and answer the questions that you just asked, you know, how do we figure out what the IP looks like? How do we get this experience before we go in front of investors? So dig around because there are a lot of resources out there.

Chris: Nice. I like that and I like the idea that if you found people on LinkedIn or somewhere in your local community that they probably be happy to talk to you because I can imagine some entrepreneurs would be hesitant to talk about their ideas for fear of many reasons but I can also imagine in that community that people are excited about new

technologies and they just want to help other people, someone almost certainly helped them they want to pay it forward, it's just an exciting community to be a part of.

David: Yeah, and I may be maybe naive in my little non-Boston, non-Bay Area bubble here in Nashville but I have never run into anybody who's had a problem with, you know, I have never heard somebody come out of a coffee meeting saying, "Well crap, they just stole my idea." I mean the reality is all people are interested in helping you, and they are not sitting there with a digital recorder under the table just waiting for an idea that they can then run back to the office and steal, it doesn't really work that way.

Which I should say for any lawyers who are listening, you know they are actually going to perk their ears up on that, I mean yes you absolutely have to have your Intellectual Property nailed down, you've got to have a good lawyer, you have to protect yourself and your company but when you are getting advice and ideas, people are actually pretty nice in this world of life sciences.

Chris: That's good to hear.

David: Or at least at the start-up level. People like to help other people as you said and you never know, there is a lot of physicians, dentists and people who maybe don't necessarily look like your typical business person but a lot of them have experience, some of them have invested pre-seed money and so you never know when you're going to run into someone who has some expertise so that you can tap into.

Chris: Nice, some of that I wouldn't have thought of. So, I love this conversation. I know it has been very helpful, I'm sure that is going to be very helpful for the start-up founders in the audience. So where David, can listeners go to learn more about you and the kind of things that you do to help them?

David: Sure, so I am at filamentcommunications.com and that is the website. You can also find me personally on Twitter @dshifrin right now if you go there you're going to see a lot about the Broncos Super Bowl and the British Soccer Club Tottenham Hotspur, so don't let that freak you out and then Filament is also on Twitter and you can find all those links through the website.

Chris: Yeah, and I will put those links in the show notes for this episode of course and I am laughing because I just watched Men in Blazers last night and there was something going on with the Tottenham Hotspurs, and I just love their name.

David: They have been phenomenal for soccer in America, these two ex-pat Brits who came in here and they basically gave us Americans what we think Brits should sound like. Actually it's funny, we talk about translating between two different cultures or two different environments, they are a perfect example of that, where they take soccer and they make it accessible to American audiences while keeping their British-ness, that's kind of the core thing so there you go, we have come full circle.

Chris: Yeah that explains it. We have a bunch of British friends in our neighborhood and I didn't realize they were ex-pats. Now it makes total sense how they described some team last night as having taken a great team and turned them into the Cleveland Browns of the Premier League. It hurts, but I definitely got the joke. All right, David, thank you very much. This has been a blast and it's been a great conversation and I really appreciate your unique insight on start-ups and giving a pitch to investors.

David: Thanks so much Chris, it's been a great pleasure, I appreciate it.

Chris: All right, talk to you later.

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