—— A GUIDE FOR VC

A VC's Guide to Setting Up Its First CRM.

In this ebook, we'll show you how a CRM can grow your portfolio value and help you build better relationships with the companies you invest in.

:copper

What is a CRM?

Think of Customer Relationship Management (CRM) software as an intelligent contact manager that helps you bring together deal data and manage your relationships with portfolio companies more effectively.

Today, many venture capital firms are keeping information about important clients and deals in spreadsheets and emails. Pitch decks and due diligence end up scattered all over the place, and there isn't a way to integrate with other essential company intelligence tools like Pitchbook or Crunchbase.

In this ebook, you'll learn how to use CRM as a competitive advantage for your firm, how to go about setting up your first CRM, and more.

So how do CRMs help VCs grow portfolio value? There are a few ways:

Organizing deal data: Deal data is often scattered across partners and associates, and in different silos. The best way to ensure that everyone has access to the most up-to-date information is to consolidate data in one place— a CRM can solve this problem and keep you on track.

Improving conversation visibility: Another challenge caused by scattered information: it's hard to know who's talking to who. VCs must often maintain long-term relationships to reliably find new investments and grow their funds. For example, a firm can go a year or more without talking to a potential investment—and even longer between conversations with their LPs. If you can use a CRM effectively, you'll avoid crossing lines and be able to know at a glance who's the point person—and which stakeholders have already been in touch.

Eliminating manual data entry: The best CRMs integrate directly where you work, for example in Gmail and other G Suite tools like Google Docs and Slides. Often, they capture and sync data automatically, meaning you won't waste time entering the same information into different programs. And an added bonus? You can be confident that it's accurate too since there's less room for human error.

According to Forrester, CRMs are only getting better at securing major productivity gains for their users. As the body of CRM-related research grows, one thing is becoming clear: VCs that want to grow and build longer-lasting relationships should consider implementing a CRM a top priority.

"Venture capitalists spend a lot of time talking about markets and technology.... and we have lots of opinions.

...But the decision should be around people.... about 90% of the decision [is people]."

—— MARC ANDREESSEN, GENERAL PARTNER, ANDREESSEN HOROWITZ

So much of venture capital is about relationships. That is why it's critical to simplify and automate business operations that aren't directly related to building these relationships (like data management, communication, and reporting). You need to get those barriers out of the way to be the first to the punch on important deals, and operating efficiently is the key to building relationships that make up a great portfolio. That's where a CRM comes in.

Why invest in CRM software?

	1	**2**	**3**
PROBLEM	Email and spreadsheets create silos of deal data that are often inaccessible	It can be difficult to play the long game (e.g. staying in contact and maintaining long-term relationships with companies to win deals and fundraise money from LPs)	Manual data entry is tedious and wastes time
HOW CRM HELPS	CRM brings together data and integrates with resources like Pitchbook and Crunchbase to provide a single source of truth	CRM provides visibility into conversations and relationship history with prospective and current investments as well as LPs when raising a vintage	CRM automates data entry (for example, scraping the internet for contact information and capturing emails' contents)
OUTCOME	More accurate information makes it easier for the whole team to start investments on the right foot	Stronger, more tight-knit relationships that give firms a competitive edge by helping them win more deals and raise strong funding rounds	Time saved from not having to do low-value tasks—which can in turn be spent on thorough due diligence and building relationships

Why invest in CRM software?

1

It unifies deal data in one place.

Deploying a CRM can improve your firm's data in a couple of ways. First, it brings together all your different sources of data. Second, it can integrate with company intelligence sources like Pitchbook and Crunchbase so that you have all of that information at the ready, whenever you need it.

VCs have many founder and CEO conversations, and have to do an immense amount of due diligence on companies before committing to investing. In every deal, there are countless contacts, spreadsheets, pitch decks, and documents that are often stored across emails, calendars, notebooks, documents, online storage, and more. This makes it much more difficult to find information quickly. According to Harvard Business Review, "bad data increases costs and weakens decision-making." For VCs, this can be particularly harmful, given that decisive action and timing is often critical to beating other firms to close investments.

Because CRMs can consolidate and organize data from numerous sources, VCs can act quickly—and reliably—with all relevant institutional knowledge at their fingertips.

But bringing data about all your different contacts and deals together is only the first step to tracking what matters: your relationships with those individuals and the companies involved.

"When I receive an email, I can actually see the activity that we had with that person through the years and who interacted with them, so I know who to go to if I have a question about that person."

——— OLGA, EXECUTIVE ASSISTANT, STORM VENTURES

Why invest in CRM software?

2

You'll be able to grow relationships and close more deals.

Trusted relationships matter more than ever. In an article on Inc, author Jeff Hayden cites a LinkedIn survey that found that "trust is the #1 most influential factor when closing a deal, ranking higher in importance than economic considerations like price or return on investment." He also highlights The Trust Barometer, an annual Edelman report that measures trust in businesses, governments, and institutions. Last year, Edelman found that overall, trust in all of three was declining.

So, trust is at an all-time low—yet it is valued more than ever. How are you going to ensure your firm comes out on top in building trusted relationships?

While it isn't a cure-all, the importance of building trust leads us to how CRMs can help VC firms nurture better relationships and ultimately, invest smarter. And for VCs, building long-lasting relationships often depends on effective collaboration across teams. CRMs are helpful here too, for example, by allowing you to quickly @mention (notify teammates) and auto-capture team activity, so you can communicate with your team easily and know what's the latest with every deal.

Trust is the #1 most influential
factor when closing a deal,
ranking higher in importance
than economic considerations
like price or return on investment."

"Years ago, when there were only a few firms in town, they could just show up and write a check. Today, you have to sing for your supper. You have to convince founders why they ought to work with you and that requires building a relationship... nurturing that community, spending time, and making sure that people know what you want to invest in and why you can help them be successful."

———— RYAN, FOUNDER AND MANAGING DIRECTOR, STORM VENTURES

Why invest in CRM software?

3

CRM automates tasks (that you shouldn't have to do to begin with).

Time is of the essence in venture capital. It can be the difference between your firm closing a big deal and missing out on a hot new startup. So it's critical to find as many time-saving opportunities as you can. The good news is that CRMs can help save a considerable amount of time for VC firms by eliminating hours spent on non-value-adding administrative activities.

In its latest report on automation, global consulting firm McKinsey & Company estimates that nearly 70% of data collecting and processing can be automated, yielding significant productivity gains for teams. But many firms have yet to take advantage of powerful automation, which is particularly concerning given that administrative tasks in a deal process can often take up to 46% of a sales rep's time—a stat that is likely comparable in the VC industry where partners and associates are in frequent contact with companies in the deal cycle. Given how little time professionals are spending on business development compared to administrative tasks, this could make a major difference in winning more high-quality deals.

How should your VC firm implement your CRM?

1

Set goals.

"What's the goal?" It's an important question to ask before starting any project and CRM implementation is no different. Ideally, goals should be SMART: **s**pecific, **m**easurable, **a**ssignable (or **a**chievable), **r**ealistic (or **r**elevant), and **t**ime-related.

Here are some examples of goals that a CRM can help your firm achieve:

— **Save 5 hours per week per user on data entry, to free up more time for relationship-building**

— **Enhance team collaboration by one third, to improve deal closing potential**

— **Improve accuracy of reporting on deals by 50%**

Once you've determined the goals you want to achieve, review your progress each week, even after you've fully implemented your CRM. That will help you to continue to adjust your approach and ensure that you're getting the maximum value out of your CRM.
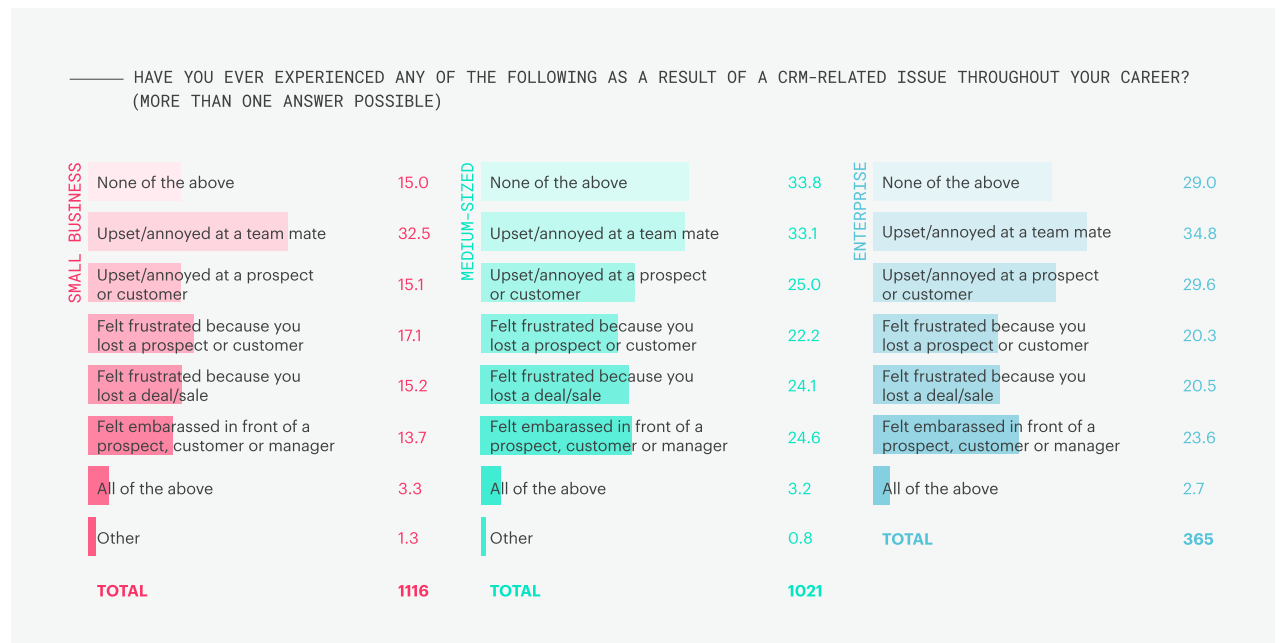
2

Take an inventory of your data.

The next thing you'll need to do before choosing a CRM is to figure out what integrations are important. That's a fancy way of saying, "Which software and apps need to work with the CRM?"

— **Gmail and other G Suite tools (Docs, Slides, Sheets, Hangouts)**

— **Mailchimp or other email software**

— **RingCentral or other VoIP software**

— **Dropbox or other storage platforms**

— **Typeform or other form creators**

— **And of course, Pitchbook and Crunchbase for company intelligence**

3

Consider usability.

One of the fundamental requirements of any tech platform is ease of use. If it's not easy to pick up and learn, you'll find it considerably harder to convince your team to adopt the tool. According to the CRM Benchmark Report, two of the biggest inconveniences of CRMs are the long implementation and setup period, and the inconvenience of using CRM with other tools.

—————— HAVE YOU EVER EXPERIENCED ANY OF THE FOLLOWING AS A RESULT OF A CRM-RELATED ISSUE THROUGHOUT YOUR CAREER? (MORE THAN ONE ANSWER POSSIBLE)

SMALL BUSINESS

None of the above	15.0
Upset/annoyed at a team mate	32.5
Upset/annoyed at a prospect or customer	15.1
Felt frustrated because you lost a prospect or customer	17.1
Felt frustrated because you lost a deal/sale	15.2
Felt embarassed in front of a prospect, customer or manager	13.7
All of the above	3.3
Other	1.3
TOTAL	**1116**

MEDIUM-SIZED

None of the above	33.8
Upset/annoyed at a team mate	33.1
Upset/annoyed at a prospect or customer	25.0
Felt frustrated because you lost a prospect or customer	22.2
Felt frustrated because you lost a deal/sale	24.1
Felt embarassed in front of a prospect, customer or manager	24.6
All of the above	3.2
Other	0.8
TOTAL	**1021**

ENTERPRISE

None of the above	29.0
Upset/annoyed at a team mate	34.8
Upset/annoyed at a prospect or customer	29.6
Felt frustrated because you lost a prospect or customer	20.3
Felt frustrated because you lost a deal/sale	20.5
Felt embarassed in front of a prospect, customer or manager	23.6
All of the above	2.7
TOTAL	**365**

Evaluate the CRM on usability from both a user and admin perspective. After all, you need your team to use it and it must also be easy for someone to maintain.

To maximize usability, consider what tools your team already has and find a CRM that fits into their existing workflows instead of competing with it. You'll also want to get a list of requirements from key stakeholders who will use the system, so that you can meet everyone's needs as best you can.

A few questions to ask at this stage:

— **Does it integrate where your team already works?** For example, does it connect with Gmail so that your team doesn't have to leave their inboxes? That way, they don't have to spend time toggling between tabs, going into the CRM, and entering information.

— **Does it automate data entry?** If your CRM can reduce manual data entry, it won't just save you time—it will also improve the accuracy of your contact details.

— **Does it track deals and relationships and keep your team on top of priorities?** If your CRM can show and easily summarize activity, it's less likely that deals will slip through the cracks.

4

Choose a CRM.

Once you've created goals, established the key users, and decided on integrations, you're ready to choose a CRM. You've done extensive research by now, so remember to choose the CRM that works for your team's specific needs. Instead of just going with the most well-known CRM, consider that CRMs made for Fortune 500 companies aren't always a good fit for certain industries and teams.

Here are some best practices when choosing a CRM that works for a VC firm:

Don't rely on Google search alone

The company that spends the most on SEO and paid marketing is the one that ranks highest on search engines, but that doesn't mean they're necessarily the best option. Look for third-party reviews on sites like Gartner, G2 Crowd, and ProductHunt to see what other users say and compare your options.

Try a couple of different options

Before you commit to a CRM, try a few different options to see which user experiences you like, what features are available (and actually useful), and how much time it takes to set things up. Some companies will make

you sign a long contract and pay upfront before you've had a chance to properly test out the product and get your teammates' feedback. Be wary of any companies that require a long contract to get started or don't offer a free trial.

Ask your industry peers

Some CRMs work better for VC firms than others. An underused way to find the best option for your business is to ask similar-sized firms about their experiences with CRMs. Consider going to industry meetups, posting a question on LinkedIn or Twitter, or asking questions on a message board like Quora.

Look for customizability and low-deployment time

Every firm is unique, and the best CRM is the one that can be tailored to suit your needs. Look for a CRM that you can easily customize without hiring expensive developers. To test this out, try creating a few custom fields or reports (more on how to do this below) and see how long it takes. If it takes longer than a week of your time or requires extensive outside help, you should probably find something that's more user-friendly.

5

Build your CRM swat team.

Once you've chosen your CRM, decide who will be involved in the implementation process. As they say, "When everyone is accountable, no one is accountable," so make sure you clearly outline who will lead the CRM implementation and what others will be responsible for. At small firms, this might just be one person. At larger firms, it could be a few people from different teams. Here are some questions to ask in order to build your CRM swat team:

— **Who will lead this project?**

— **Who will test the CRM before rolling it out to the entire team?**

— **Will that person be responsible for making changes to the CRM in the future?**

— **Who will be responsible for importing existing data?**

— **Who will be responsible for customizing the CRM to your firm's specific investing process?**

— **Who will be responsible for integrating the CRM with software you're currently using?**

— **Who will build out custom reports and dashboards that your firm may need?**

Another good way to think about this is to look at the goals you've set and ask who will be responsible for achieving each one.

Once you've done this, you're ready to invite your team and set admin privileges for those who need it.

6

Create your CRM properties and pipeline stages.

One of the first things to do once you sign up for a CRM is to personalize it based on your existing deal processes. You could also take this as an opportunity to refine and formalize your deal process so that it works effectively with a CRM.

Before you start this process, consider the main types of relationships that a VC firm has:

— **Prospective investments (founder, CEO, CFO)**

— **Current investments (founder, CEO, CFO)**

— **Investors and advisors**

— **LPs, LP advisors, potential LPs**

— **Potential talent and service providers (vendors)**

— **Industry contacts**

But simply noting these categories of relationships won't give you enough detail. You'll likely want to track a lot more about the contacts and companies that you interact with, if you want to sustain long-term relationships. That's why a strong CRM will enable you to create custom fields and properties so that you can effectively map and track your pipeline. Here are some key elements to configure and what they mean:

Pipelines

You're probably managing several types of relationships, so build a unique pipeline for each process or relationship type. Once you've defined your processes, assign a stage to each step of the process—these allow you to track the progress of deals. When in doubt, keep it simple: only set up stages that you need in order to keep track of a deal's progress.

For example, here are some potential stages for a *due diligence* pipeline:

Broad research —— For potential investment ideas, with the intent to narrow down your research to your best ideas or investment opportunities.

Preliminary research memo —— Your research team has begun initial research and started a formal process of evaluating companies or ideas.

Due diligence/financial analysis —— You've got a select number of ideas to pursue and begin due diligence. This can serve as a holding stage as the diligence process can be quite lengthy.

Meeting/follow up —— You've begun in-person meetings with representatives or investor relations contacts. Deals in this stage represent potential investments that have a high chance of ending up in your portfolio.

Legal/compliance review —— Investments are now up for legal review from your team.

Investment memo —— This could represent a completed deal and your team's final internal memo recommending and finalizing the investment.

Another set of stages to consider is for a fundraising pipeline (when your firm is raising a vintage). Not only will this ensure that you keep things moving forward with your investors, it's also useful for managing and tracking subscription, legal, and AML documents. Your pipeline might consist of the following stages:

Indicated interest —— Opportunities for any individual or investment entity that expresses initial interest in making an investment with your firm.

Initial allocation —— Investors have been accepted into your initial allocation.

Subscription documents received —— You've received completed subscription documents from investors.

Awaiting legal/AML documentation —— Investors may have outstanding AML or legal documentation.
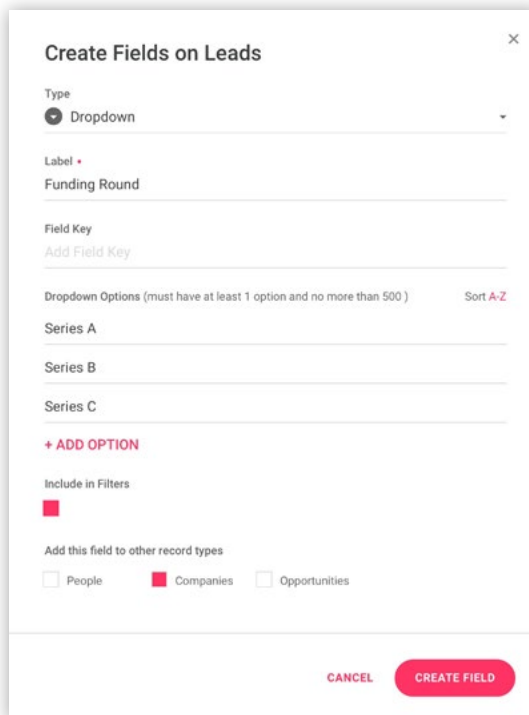
Subscription/funds received —— This is a possible final stage where you can track which investors have successfully funded their initial investment in the round or fund.

Custom fields

VCs track specific nuggets of information about companies that they're looking to invest in. With the flexibility of custom fields, you can capture all that critical information and make sure everyone can easily access it. When setting up your CRM, choose fields that represent information critical to your deal process and think about the information you'll want to analyze when building reports and dashboards. Here are a few examples of custom fields:

7

Import existing data.

Once you've set up your CRM, you're ready to start importing the contact and deal data you already have. There are three important things to consider at this stage:

Make sure your data is clean and consistent

The data in your spreadsheet columns should be in the same format. For example, don't import a spreadsheet with dates that are written as 01/01/2018 and also January 1, 2018.

Use virtual assistants

The task of cleaning and organizing data may seem daunting, but there are entire companies that help you do this. Consider hiring a virtual assistant to help you clean data and organize it all into one place. Arcgate is one such company that charges between $0.10–0.50 per record for data enrichment. Or you could use a service like Clearbit, which automatically enriches your data—though at a substantial monthly fee. Another example is Import2, which allows you to integrate various data providers into a CRM to improve your data accuracy.

Watch the tutorials

We can all admit to skipping the occasional product tutorial. But the two-to-five-minute video tutorials and robust help articles that some CRMs create for their customers are well worth the time, saving hours and headaches.

8

Create your first dashboard and reports.

Once you've imported your data, you're ready to start creating dashboards and reports. This is where you can look at trends that inform future investment strategy. Some CRMs have out-of-the-box reports that already give you a good amount of visibility into organizations, so make sure you explore them before spending hours on creating your own. Here are some examples of reports that firms use to grow their portfolio *(note that the time period should easily be adjusted by day, week, month, quarter, or year)*:

— **Potential companies contacted**

— **Opportunities created**

— **Pipeline created**

— **Term sheets signed**

— **Existing portfolio size**

How do you get the team to actually use a CRM?
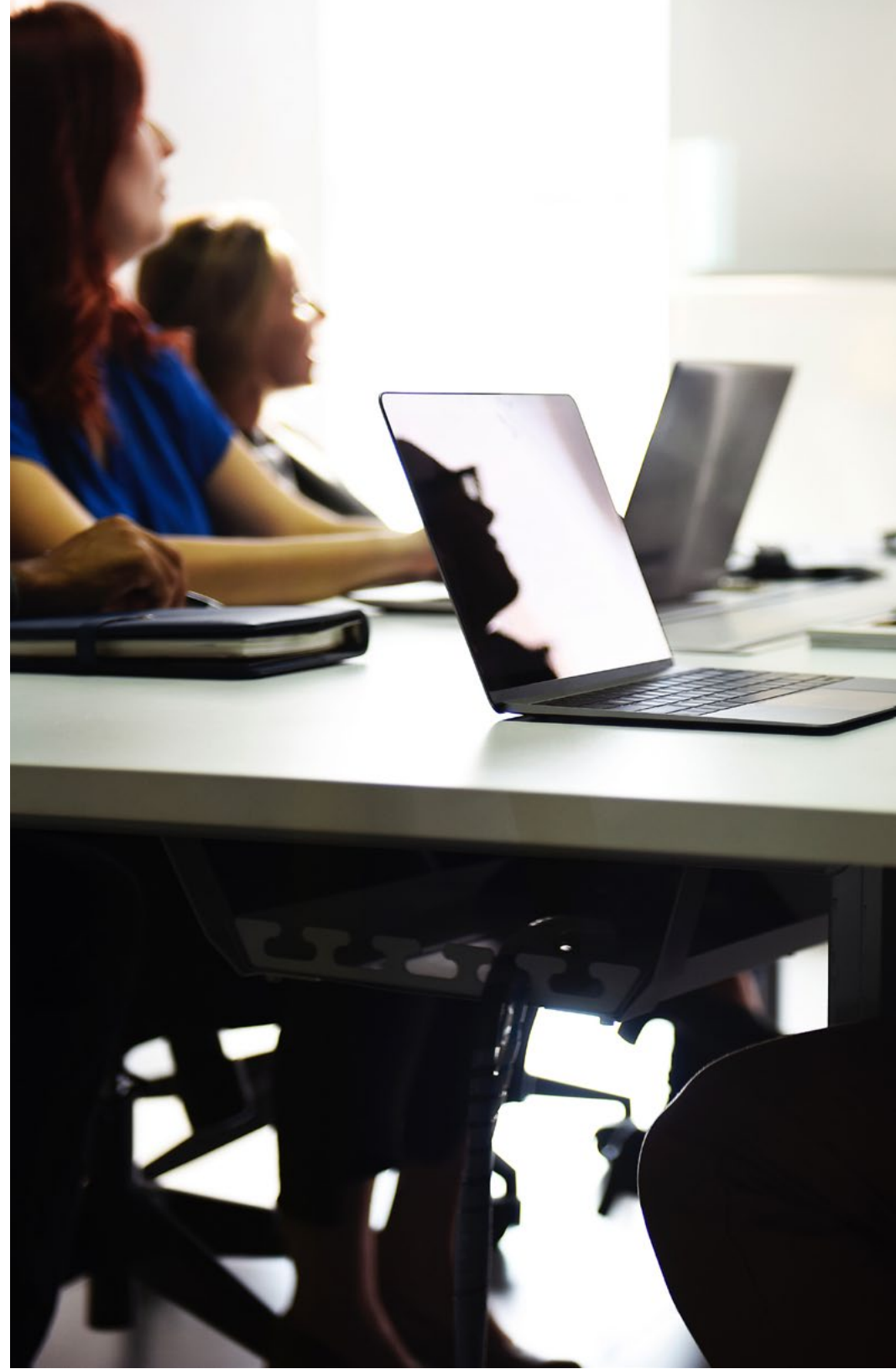
1

Figure out who should use the CRM.

Which teams should use a CRM at your firm? Every team that has a hand in building and nurturing relationships, whether it's with founders, partners, or other investors.

Pro-tip: It may be helpful to run a pilot with a small handful of these users and collect feedback from them as you're customizing your CRM.

Here are some team members who may also be relationship-makers (and not all of them are obvious right off the bat):

— **Partners**

— **Portfolio managers**

— **Associates**

— **Assistants**

— **Operations**

— **HR**

— **Finance**

2

Establish buy-in from key stakeholders.

In *The Tipping Point,* author Malcolm Gladwell popularized the theory that a small percentage of people set trends that most people follow. He wrote, "The success of any kind of social epidemic is heavily dependent on the involvement of people with a particular and rare set of social gifts." While he was writing about Hush Puppy shoes, the principle applies for product adoption of any kind.

Think about who is most influential at your firm and get their buy-in. This could be as simple as talking to principals. Or for smaller firms, it might just require getting the managing director bought in. These people will be key to encouraging adoption of the CRM once the rest of the team is onboarded.

3

Add your team. (Email them, meet with them!)

You're finally ready to high-five your CRM swat team, celebrate a job well done, and invite your teammates to sign up. A CRM is only useful if people use it, so start inviting some users. Many CRMs will have an area within the app or software where you can invite your teammates, which triggers a standard onboarding email—but consider sending a separate, more personalized email with specific details.

It's critical to build relationships with the team that implements your CRM, as this can often make or break the success of your CRM deployment. Adoption is key, so actively seek out the people on that team, make them feel important, and reward them as much as you can. It could also be helpful to run an initial training session while they're getting up and running to make they feel comfortable with the tool.

If you want to really ensure that different teams are using your CRM, bring it up in weekly deal review meetings to walk everyone through the benefits of usage and troubleshoot problems as they come up.

Use your CRM to build deeper, long-lasting relationships.

We now live in a world of not only increased deal sizes and abundant information, but also larger and more scattered teams. In a team selling environment, trust matters more than ever.

According to the CRM Benchmark Report, over 83% of professionals and business leaders work with at least three other people to manage relationships. That means it's important to build multi-threaded relationships between your firm and other companies.

Relationships are also lasting longer than they used to—68% of respondents in the CRM Benchmark Report stated that their business relationships last longer than two years: a 36% increase compared to five years ago. So more than ever, it's important that firms preserve institutional memory about relationships that can withstand factors like employee terminations and geographically widespread teams. To collaborate successfully, every team member should have accurate information about portfolio companies and partners at all times.

If you want to make your firm more competitive, building better relationships is essential. Let's take a more in-depth look at Storm Ventures and how they doubled down on relationships to become a top VC firm.

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OF RESPONDENTS IN THE CRM BENCHMARK REPORT STATED THAT THEIR BUSINESS RELATIONSHIPS LAST LONGER THAN TWO YEARS.

38%
INCREASE COMPARED TO FIVE YEARS AGO.

How Storm Ventures Uses a CRM to Build Better Relationships

Storm Ventures is a firm that focuses on early-stage B2B software-as-a-service companies. They have $800m in assets under management—and thousands of relationships to keep track of. Before Storm moved to a new CRM (their previous CRM was legacy software based on record rather than relationship management), the team was spending hours on managing relationship data. There simply wasn't enough time to spend on actually improving the quality of these relationships. Now, they're making more investments because their CRM has freed up significant time that can be better spent elsewhere

Here are just a few things they've been able to do more efficiently:

Quickly access relationship history

Storm Ventures looks at relationship history to quickly understand what's happening with all of their potential and current investments. Their Executive Assistant, Olga, uses Copper to see who belongs where and what their relationship is with Storm Ventures as she's helping partners at the firm. This saves her tens of hours each week since she no longer has to sift through hundreds of emails trying to figure out who is who. Whenever she receives an email, she can easily see years of past activity and who's interacted with them, so she knows where to go if she has any questions.

Eliminate data entry

Copper has also helped Storm Ventures eliminated intensive manual data entry. Instead of spending evenings manually entering business card information and searching for contact data, Olga has rebuilt her role to focus on high-value activities. Using Copper's automatic email ingestion and contact enrichment, the need to manually fill out contact details is dramatically reduced, leaving employees to work on more strategic and creative tasks.

Build better relationships

"Building and managing relationships has never been more important," says Ryan, Co-founder and Managing Director of Storm Ventures. "I can't imagine running Storm and not having a CRM like Copper to help us compete and win opportunities in the Valley."

Storm Ventures is now able to track relationships at all stages, which makes it easier to continue nurturing them over years. In the Relationship Era, a CRM has given them the edge they need in an extremely competitive industry.

Storm Ventures is an excellent example of how a venture capital firm can build valuable, longer-lasting relationships with a CRM.

Now, the team can be more strategic when investing because key stakeholders have access to all historical data for every relationship. They also look like relationship pros, because they're able to pick up right where they left off with every conversation—even if it's with an LP they haven't spoken to in years.

What's interesting about venture capital firms is that they often overestimate how much time they spend with their portfolio companies and the value that they add. According to a joint study by Henri Deshays of Newfund and Owen Reynolds from the University of Chicago, VCs dramatically overestimate their communication with their portfolio companies. In addition to staying in contact with their portfolio companies, for each vintage, it's important to maintain relationships with LPs as that can be critical to follow-on rounds.

Using a CRM helps VC firms to not only maintain communications with portfolio companies, but also track relationships with LPs over time, making it easier to know who in the firm has strong connections and where relationships might be dropping off.

Welcome to the Relationship Era.

For a long time, VCs have been able to get by with spreadsheets and irregularly tracked relationships. But in a data-driven and relationship-centric market, using a CRM the right way can bring together scattered deal data and improve communication. Better data will improve your team's ability to win deals, and accurate reporting on deals will make your whole organization more effective.

Armed with an action plan, it's possible to deploy a CRM seamlessly and in a (relatively) pain-free way, while reaping incredible benefits. Organizations like Storm Ventures are already part of this transformation. With less time devoted to administrative work and data entry, you can free up hours every week to build relationships that create long-term value for your business and your team.

CRMs are giving VCs an opportunity to transform their organizations and stay ahead of the competition. Are you ready to invest in your relationships?

Request a demo.

Interested in learning more about how Copper can help your corporate development teams build better relationships?

Enter your info in the form here and a VC Expert will be in touch shortly.

:copper