TEN CAPITAL NETWORK

eGuide

SECTOR REVIEW

VOLUME IV

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Contents

Maggie Sprenger of Green Cow Venture Capital

Advice for Investing in the Tech Sector

A lot of people are shying away from investing right now. This is understandable given the current world climate with COVID. It feels scary out there with all the uncertainty; however that doesn’t mean that there are no exciting opportunities left.

Some funds, like Green Cow, are currently focused on recession, resiliency and seeing meaningful growth. There are also interesting things happening in other verticals, like real estate. While it is important to avoid haste around any investment decision, people should be looking at the valuation dips as well as sectors that are seeing growth. There are some extraordinary companies doing extraordinary things. To be inactive out of fear or lack of research is a huge missed opportunity.

Investment Thesis

Green Cow Venture Capital invests in seed stage companies that are using technologies such as:

- AI
- Machine learning
- Robotics

They specifically look at companies that use these technologies to solve problems of scarcity or inefficiency.

One of the most important factors to Green Cow is that, in order for companies to be considered for investment, they want the potential companies to be recession-resilient. They started investing on this thesis more than 2 years ago, and now have 9 companies in the portfolio.

Surprises in the Space

There are a lot of different ways to be a venture capitalist. Maggie and her partner have chosen a community centric-approach. The community model was helpful to Green Cow in the beginning because they have experts in their advisory who can help a founder with a pricing model, talk through customer acquisitions, or distributions.

Since the beginning of shelter in place, Green Cow has been doing virtual happy hours and weekly check-ins looking for synergies or strategies. Maggie notes that this has all led to a greater connectivity for Green Cow and their entrepreneurs.

While everyone may be physically isolated, no one is alone. Maggie says the biggest surprise she's faced is that she thought she would spend her days doing diligence and planning. Instead she's part of a group of people that she cares about deeply. It's a consistent reminder that people are better professionally and personally when they work together.

Post-COVID Investing

In the future of work vertical, we're going to see companies have accelerated growth. A lot of founders will be tackling problems and gaps that are starting to be identified as people are figuring out how to lead teams and manage production services remotely.

As a consequence of this new idea that we don't have to be so centrally located, we will be looking at interesting integrations around home development and construction. Construction tends to be a lagging vertical when it comes to technical innovation. However, there is a real opportunity to change as things like home offices and strategies around managing a much more house centric existence as this continues to be something that drives innovation and thought for the next few years.

Another thing that we're going to see is a lot more automation across the board, whether it is the use of physical robots or how we're reinventing manufacturing to lessen that dependence upon people being physically at a plant. There is going to be a lot of focus around using AI and machine learning to drive processes around those productions. Conversely, there is going to be a significant amount of pushback from people who are nervous about losing jobs. As a result, there may be real opportunities in the learning verticals. Remote learning, like we've seen in Coursera and Khan Academy are likely to grow because, not only will people have to retrain for new jobs out there, but we've also seen that campuses and education are vulnerable in a way that we would never have imagined 6 months ago. The one thing we’ve learned from COVID is that so many industries are ripe for disruption in ways we would have never guessed.

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Listen to the full interview here

Pierre Rogers of Yahyn

Puro Trader and Yahyn

Yahyn is powered by Puro Trader (a premium cigar platform) and brings together retailers and vineyards with a focus on Amazon-like convenience to purchasing as well as providing the first true price and inventory discovery mechanism for these regulated industries. In starting Yahyn, Pierre notes that they took the lessons they learned from Puro Trader and extended their services from there.

They had always thought about extending from rare and premium cigars and moving into 2 additional verticals, whiskey and wine, and due to some regulatory changes, it became very clear to them that wine was the perfect match. They already had industry knowledge and when the regulatory environment around wine loosened up, they took their chance.

Moving into the Wine Space

For Yahyn, it came down to an extension of what they were doing before. When viewed from a marketing cohort standpoint, the parallels are similar to Puro Trader, but within wine, Yahyn got to add on some additional groups. They felt they had a lot of experience with selling into some of these groups and, more importantly, they knew that they had a lot of regulatory experience coming from a tobacco background.

They mastered those regulatory skills over the last few years and they felt that they could apply this to the wine market.

In a time when the internet has positively disrupted virtually every industry, wine has really not been disrupted the way that other industries have been.

In fact, only 5% of wine in the United States is currently sold online, which is a strikingly low number.

What we are now seeing in this industry is:

1. Millennials are early when it comes to getting on board and drive a large amount of sales. They tend to be much more digital and their buying habits tend to be more digital. This has led to a percentage increase that is double digits per year.
2. Due to the seismic shift that we've had because of COVID-19, there's been this massive fundamental change in buying habits across all demographics.

Moving Online During COVID

If you're a small business owner, vineyard, or wine shop, Yahyn is a way for you to continue sales and ramp up your sales in this market. The way Yahyn is structured for these retailers and vineyards makes the barrier of entry very low, which attracts a lot of retailers.

Yahyn is selective in terms of who they let onto the platform so that their users have the best experience possible. Retailers and vineyards are highly incentivized to come to the platform because when they integrate into the platform through a custom API, they can then sell their inventory in real time on the platform. These retailers get to wake up every morning, come in, and fulfill orders.

On the other side of things, for those sitting at home and trying to self-quarantine while still living a normal life and have a nice bottle of wine from time to time, it’s now only a click of a button away. You’ll find virtually any bottle of wine that you'd come across in any local wine shops.

Surprises in the Wine Space

One thing Pierre learned by moving into the wine space is that stores and vineyards are predominantly owned and run by immigrants. This tends to be one of the sectors that attract the American dream. Immigrants coming from around the world to the United States to start businesses tend to be very entrepreneurial. Wine stores and vineyards excel at being one of those entrepreneurial businesses.

What Yahyn has seen in their data is a minimum of 60% of both wine stores and vineyards are owned and operated by immigrants. Additionally, in certain cities that have a higher concentration of immigrants that number jumps up to 90%. What Yahyn didn’t realize in the beginning is that there is actually a huge social impact piece to this space because the cost associated for anyone to launch a proper eCommerce website to sell wine when there are state and federal guidelines and mandates is extremely difficult.

There is a big burden in this sector and that burden on average costs $30k to $50k minimum in order to build a proper basic eCommerce wine site. For many immigrants who might not be as tech savvy and/or just don't have the extra $50,000 lying around to enter into that market, it can be a big hurdle.

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Matt Gallant of tribeOS

Choosing the Adtech Space

Matt decided to move into tech because he saw a problem that needed to be fixed. Ad fraud, depending on the math, is the 2nd or 3rd most profitable crime in the world. This is a large problem that needs to be solved.

Fundamentally, platforms are all geared to serve the users first, then themselves. The publisher and the advertiser are last on the priority list. For example, when it comes to Google and Facebook, their number one priority is the user. They have to make sure that the user is getting a good experience; otherwise, you're not going to use the platform.

What tribeOS has done is put the advertisers first because they believe the advertisers are the ones with the power. **They're the ones spending the money on advertising**. By putting the advertiser first, it's changed the approach of how things are done because, ultimately, with a lot of the big platforms, their goal is to make maximum profit every millisecond versus figuring out how to get rid of the fraud.

tribeOS hopes to kick out the fraud and raise return on ad spend.

Advice for Investors

Make sure that you are looking at innovation because it is a technology driven sector.

You want to invest in people that:

- Understand advertising
- Have done advertising

- Are clear about the issues

Make sure these people have a clear understanding of the space and the structure to stop the fraud and improve performance. If you've never done advertising, you're not going to understand how to improve on what's already been done.

Industry Evolution

The sector is growing about at 7%-10% a year and it is projected to keep growing for the next 15 to 20 years. A lot of the money is moving from offline to online.

Adtech is fueling the online growth even more because newspapers are dying and fading. To a certain degree, the same thing is happening with radio. Additionally, TV has become fragmented with all of the streaming services. So, in terms of getting predictable performance and being able to find your audiences, online is superior to any other medium.

Another thing to note is that there are a lot of privacy concerns around data. It’s likely that people will want to be compensated for sharing their data, which the big players in this space have refused to do. At some point, there will need to be a big change in the space in order to address the concerns of the general public.

Solving Ad Fraud

For tribeOS, it’s about attempting to catch all of the fraud.

At its core, the way the ad fraud detection works is by looking at unnatural and natural behavior. For example, while some bots are smarter than others, overall they have patterns of behavior that a human being would not follow.

In order to find these bots, tribeOS have dozens of different algorithms that look at natural vs. unnatural behavior. Additionally, they work with blacklists of bad IPs and bad devices. These blacklists are critical to not bidding on the wrong impressions.

Overall, tribeOS is detecting ad fraud on 3 levels:

- The opportunity level
- The ad level
- The post-click level

Another thing tribeOS does is provide reports to their clients that shows return on ad spend over time. This is valuable because if you're doing a good job as a company, you might only break even on your first sale; however, if you do an exceptional job, the customer will come back and they'll buy more, subscribe more, and continue purchasing whatever you have to offer. The tracking provided by tribeOS allows a company to see that, for example, after 30 days, return on ad spend went up by 50%. Companies can also look at a 3-6 months range that allows them to make very smart and precise decisions on what to continue and what to discontinue.

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Eric Smith of AppBrilliance

Payments and the Fintech Space

One thing many people are unaware of in this space is how big of a costsink payments are. One of the interesting things about payments with debit cards and credit cards is that it sort of acts as an invisible tax on goods and services in the US. Most people are not even familiar with the fact that roughly 3% of what they buy ends up going to Visa and MasterCard and the payment processing companies for the purpose of processing that transaction.

The merchants that take debit and credit cards inevitably have to increase their prices to offset that cost. A lot of work over the last decade has been done to reduce and optimize the cost efficiencies around the world for companies and how they operate to the point where the contribution cost of that 3% processing cost for goods and services is now completely outsized.

For large companies like Amazon or Walmart that 3% processing cost represents a 30%-40% contribution to reduction of their net operating margins. It's a staggeringly large opportunity for cost optimization and savings across the board if we could just come up with a new technology that allowed people to move money in real time and have the same sort of level of user convenience the debit and credit cards do.

One of the reasons these costs are so high, especially in nontraditional areas like crypto, is that consumers in the United States have very broad rights to dispute transactions. This creates a lot of problems in markets like crypto or digital asset purchases where users have the rights to receive goods in real time and then can dispute the purchase of those goods. This leads to a tremendous amount of opportunities for fraud and abuse.

The Future of Regulations

US regulators have been pretty clear that they're taking a market based approach for innovation in the tech space as it intersects banking and technology.

There's a robust market in demand for these tech augmented services. In the US, the regulatory environment is very laissez-faire. So, tech companies are stepping up and innovating on top of the services that are provided by banks.

A trend that will be clearer over the next 6 to 12 months is banks starting to push back. This lack of clear regulation in the space has created some opportunities for banks to come back and to make it less easy for consumers to access these tech augmented services. The way that's happening is banks are being more aggressive in disallowing those interconnects from these tech augmented services. The larger banks are doing this under the guise of consumer account security because the traditional way of using these services is that your credentials go to servers in a cloud. The servers then use those credentials via integration with the bank and the bank responds to those connections in a way that allows for low risk transactions. However, if the service tries to do anything else, the bank responds with a pushback. It's like an immune system response and the bank comes back and says:

I need you to prove to me that you were the user.

The bank hits the service with a multifactor authentication request, or a two-factor authentication request, then turns around and breaks the connection. So, what we're seeing is these applications that require providers to provide services for account aggregation services are becoming more and more unreliable because banks are pushing back against those integrations and creating more fragility into those systems and interconnects.

Advice for Fundraising in the Fintech Space

It's always a real challenge to raise funding in a down market. The biggest thing that people need to focus on is just getting customers and differentiating their product from their competition in a way that's defensible and the interesting thing in these kinds of markets is that it creates pain and pain creates opportunity. So, as difficult as it can be to operate in a cash constrained environment, there are going to be very large customers out there that are experiencing a tremendous amount of pain.

Keep in mind that money is not going away and customers still need to buy stuff.

- They still need to make payments.
- They still need to get to work.

There are a lot of real world problems that need to be solved. What's changed is that the status quo is no longer good enough. There are going to be companies that are facing increased pressure from their investors, increased pressure from the market, and from macro-economic circumstances. These companies are going to look for cost cutting. They're going to look for efficiencies and new technology.

This is what great entrepreneurs do- they find opportunities. They identify those opportunities and they find those fits. They find those gaps in the market. Overall, some of the best and the most productive companies are born and grow in these kinds of challenging environments.

Try to find those areas that people are not really paying attention to and find out where those pain points are in those areas. Focus on driving innovation, cost savings, and revenue opportunities for the customers in those segments.

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Listen to the full interview here

Christopher Hugman of System Surveyor

Advice for Investors in the System Contracting Space

It’s always great to get to know a lot of different types of investors.

Investors often talk about product-market fit, but really it's about founder-market fit. The founder-market fit is really the key piece of the puzzle in just about any space. When you think of some of the global companies, a lot of the time, it is the founders of those particular companies that come to mind first. Mark Zuckerberg and Facebook is a great example of this- he founded Facebook as a college student because he had a need to create a social network. So, he fit his market. Even if you look under the business side, you’ll find people like Marc Benioff with Salesforce who was a sales star at Oracle and ultimately shot up the ranks, led that organization, then stepped over to develop a sales management platform.

It is critical when you're looking at investments that the founders are a fit for their market because there are so many nuances underneath the cover of a market that only an insider can get to.

Optionality is another thing to keep in mind when investing. Make sure the company has a couple of other options for when things don’t go quite as well as they could. These companies should also be thinking about what happens if things go *too well*.

Industry Evolution

The sector that System Surveyor is in is the electronic physical security sector. They are a SaaS company that sells into the sector. They are not the company that takes technology and delivers it to the market; rather their customers are the ones who do that. What Christopher notes is that the market has been very stable. It's growing at a 5% to 10% rate and even through the ups and downs; it's been stable and steady.

The interesting thing within this market is the Internet of Things. The evolution of the Internet of Things in the proliferation of those devices that are now within every corner of the facility, make the business much more challenging for these companies that are delivering service. On one hand, they have to keep up with the latest technology and on the other hand, they have to continue to service everything that went before. While this can be a challenge within the space, there are some great opportunities for innovative companies because the appetite for technologies seems to be getting bigger and bigger, especially with more employees moving toward remote work.

Impact of Remote Work

From the beginning, System Surveyor believed in the importance of collaboration and remote collaboration. Their platform facilitates this collaboration. For example, 2 users can be looking at the same screen, using a Zoom call, or using other technology to collaborate and work on the same thing. Essentially, the platform is a drawing tool for nontechnical people which facilitates collaboration. Given the COVID crisis that has led to people working from home, System Surveyor has had an uptick in people reaching out looking to better equip their teams with the tools that they need to do their jobs without being onsite with the customer.

Over the course of the pandemic, we'll likely see a lot of companies adopt processes and techniques that will ultimately provide benefits for years to come when it comes to remote work.

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Vikram Lakhwara of Green Cow Venture Capital

VC Advice

What drove Vikram to get into venture capital was realizing that he was fundamentally better at helping guide the builders from a practical and business perspective, rather than building and coding on his own. That passion pushed him to get into VC.

If you don't have that passion, don't get into VC.

Being a VC is not about playing golf and going to fun parties. It's incredibly hard work and not for everybody. However, for those that are really passionate about working with entrepreneurs it can be rewarding. Vikram advises the following:

1. Read everything tech-related and get a handle on market landscapes because that will help you adopt a very thoughtful and deliberate way of evaluating startups.
2. Find an area where you can be an indispensable mentor to founders and to your investor peers, whether it's a niche, an area of growth, or a technology.
3. Be proactive. There are so many organizations and funds out there that promote internships and jobs of venture capital, that if you really want to be a part of it, you can be. There are ways to get involved.
4. Hustle as much as your founders do.

Industry Evolution

One of the big trends we are seeing right now is really all about access. There are more investors, types of investors, investments, and business models, which means there is better access to funding methods than ever before for entrepreneurs.

The second piece to this is the ease of entrepreneur access to technology platforms which allow them to build solutions to problems. This has a number of ramifications. On one hand, entrepreneurs can build cheaply and they can fail or find success pretty fast. This also means:

- More people can become entrepreneurs.
- More people can gain access to capital to build these solutions to problems.

However, this is also creating a lot more noise as you have more entrepreneurs saturating markets. This means that VCs have to be more disciplined in their approach to investing, cutting through that noise, and evaluating startups.

Another thing to consider is that there is greater competition now at every stage for great deals. VCs like Green Cow have to provide value beyond the check in order to stand out amongst peers.

The Role of Revenue

Green Cow is fundamentally at the early seed stage of investing.

They know that a company's business model may pivot multiple times before they even hit series A. Keeping this in mind, Green Cow likes to position themselves at that inflection point. They look for the point where a company is starting to show real traction after proving out product market fit. Revenue is just one of the metrics that they look at. Vikram notes that traction and usage statistics are sometimes just as fundamental and necessary.

VC Challenges and Portfolio Wins

Starting a fund on your own is very difficult. Fundraising is not just for startups, but for investors as well and it is a difficult road to pave. At the same time, it's an exciting and worthwhile journey to take if you're willing to go through the pain points.

Vikram notes that finding investors or limited partners that their investment thesis resonates with has been the most gratifying piece of the process. Creating an investment thesis that Green Cow is very disciplined about enforcing and evaluating startups has been rewarding, even when difficult. Vikram says that it's exciting to see the companies they spent time building, in what they call a recession resilient portfolio, face an economic downturn and thrive.

Seeing these companies in a position to thrive and grow is a validation of the investment thesis that Green Cow has worked so hard to create.

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Dougal Cameron of Golden Section Ventures

Advice for Investing in the B2B Space

There are a lot of investments in this sector from people that like the returns that they hear about and the things that they read about the sector. The space inherently suffers from selection bias. As a result, a lot of people gravitate towards the shiny things in the B2B/SAS space or something that sounds sexy or is the topic of a Wall Street Journal article.

The shiny new thing might be cool, but this tends to lead to people investing in a software company without understanding the fundamentals of the business and how that software creates money and value. Golden Section Ventures believes that this is something people should avoid doing. A lot of times these companies can be forced to grow or expected to grow faster than they actually can and this leads to problems later on down the road.

Be careful about investing in shiny new things and make sure that the investment structure aligns with the incentives.

Industry Evolution

This is an industry that is maturing.

It's no longer a surprise to see a software product that works and provides value. However, the industry is still being treated like bringing a product to the market is a huge challenge. There are a lot of challenges in the space, but this challenge has more to do with the business model and to what degree the product is needed versus the belief that it's inherently difficult to build software. This obviously is not the case anymore. The technology production risk in software is more muted, which means that the traditional venture playbook might not be the right playbook for all B2B/SAS.

What the industry is seeing is a trend towards money that typically has been available in other industries that aren't ultra-high growth which is allowing for early stage bootstrap founders to get their company into a self-sustaining mode. The industry is moving towards adopting more of this model, whether that's recurring revenue based lending facilities, or other similar based lending groups that provide bootstrapping founders an alternative model.

Challenges in the Space

The primary challenge in this space is that companies need to understand the appropriate growth rate. More and more companies are trying to grow faster than they possibly can. The reason for this is the traditional venture playbook is about rapid market grabbing. It can work and it’s an easy to install point solution, but as a point solution for a sales rep lead structure, this doesn’t work because the company is just not going to be able to grow nearly as quick.

You can still achieve 100% to 200% growth rates per year, but doing careless things with the money that you've raised to try to get a large growth rate is often a bad move. There's a big challenge right now to rightsizing the growth rate and scale organization within a company.

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Stephen Rice of Upskill Enterprise

Advice for Investors in the Skills Space

Within this space, what is fundamentally important is that normally, technology companies are focused on pushing educational products towards businesses. Upskill Enterprise is doing that process in a way that is avoiding the elephant in the room. It’s about understanding the needs of the company and needs of the community. In this space, what they are looking at is the ecosystem of the community that surrounds the challenge.

What Upskill Enterprise wants to point out is that it is important to look at where companies may be struggling, for example, to find the right talent or where they're dealing with issues surrounding COVID recovery. You need to find the issue and then make sure the solutions are built around the issue. The community and workforce needs are the needs that are vitally important.

Industry Evolution

Coming into 2020 there were seismic shifts around HR tech, peopletech and edtech. Some of the main trends that we're seeing are open workforce models, on-demand talent networks, and response to the gig economy.

This all comes back to the rise of automation within the workforce. We've all heard things like **industry 4.0** and the **future of work**, but what does it actually mean for companies and businesses? The biggest trends within the sector are looking at ways in which we can dynamically match talent to where there is a need and doing it quickly and in a cost effective way. With the impact of COVID, we're also seeing more and more issues around helping companies get back to productivity as quickly as possible.

We have to think about this in a way that everybody's super busy. It's a point of survival for a lot of companies right now. They don't necessarily want to spend a lot of time and a lot of money on something that isn't going to give them a valuable return. We're also seeing a lot of movement around rescaling and repurposing employees and moving them from where they are to where they need to be. However, this causes a lot of confusion for employers because they see a lot of free training or opportunities for up-skilling, but it might not necessarily be a good fit. Employers don’t quite know how to unpack that and understand how it works for them.

Additionally, with the US recording over 43 million people unemployed across the COVID period, there's a lot of really good talent out there looking to get back into the workforce. Where we had a problem before with employers struggling to find the right talent, and that issue hasn't gone away, what we now have is employers struggling to find the right talent and thousands of CVs or resumes to sift through in order to find somebody who can come in and do the job that's required.

COVID Impact

We're seeing a rise in things like remote work, but we are also seeing a lot of unemployment. In this sector, there has been a rise in opportunities for upskilling for people who may be out of work or unable to work as a result of COVID. These people are looking at how they can reskill themselves in order to get back into work.

However, one of the biggest issues is that employers are in real need of support for recovery. They need help with understanding how they can get their people back in order to help their company grow. There are people whose livelihoods depend on their job and they want to see their company doing well. These are the people going to their employer and saying:

I have skills and I have talent. I want to help you.

What Upskill Enterprise tries to do is articulate those skills to employers and show them how the employee can help them get to where they want to be. What this means is that we're seeing a rise in support mechanisms for recovery and massive room for training opportunities.

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Smoke Wallin of Vertical Wellness

Advice for Investing in the CBD Space

You have to invest behind people who have a track record and have experience.

Keep in mind that when it comes to CBD the track record is unlikely to be in this space. The space is so new that track records specific to the industry have not yet been established. This means that you have to look at parallel industries.

Never underestimate how much the management and the team matters. The landscape is changing in terms of the regulatory structure, in terms of capital flows, and in terms of what is available. Given the constant changes, you need to have a team that is resilient and has experience dealing with lots of adversity. In this space, you'll want to place your bets on the people before anything else.

Industry Evolution

The farm bill of 2018 led to a lot of people jumping into hemp.

A lot of farmers grew hemp without a plan of what to do with it and during this time, a lot of money flowed into the space.

When we reached the harvest of last year, there was an oversupply and that was because a lot of people entered the space in addition to the FDA being less than helpful in terms of their guidance on what is permissible and not permissible with ingestibles, beverages, and food. As a result, this has slowed down retail adoption.

All kinds of factors hit the industry late last year and this has caused quite a bit of disruption. Seven of the largest companies who raised over $400M, went out of business in the last 9 months. This is a very serious matter, but it has also created a lot of opportunity for others in the space.

Challenges in the Space

Pricing in the market continues to be tough. Prices of hemp and CBD came down in the last year because of the slowdown in distribution and the significant amount of hemp growing that happened. We are likely going to see this issue continuing for some time.

It’s hard to tell when the FDA is going to change their position on ingestibles, but we know it’s going to happen. Congress is going to end up having to act if FDA doesn't and that could happen sooner rather than later. This is what the industry is hoping for, but that's going to continue delaying a roll out at large scale retailers like Walmart and Target. This being said, if you're well-capitalized and you've got a good business model that can make money in this environment, you can make a lot of money down the road.

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Spencer Graff of NFuzed

Advice for Investing in the Cannabis Space

Diligence, diligence, diligence.

When you think you've done enough diligence, do more.

Keep in mind that there are a lot of marketing efforts in this space. This marketing isn't just a catchphrase, it truly exists and it can be overwhelming. Some of this marketing is geared toward investors while some of it revolves around the product itself. The important thing to note here is that there is not a lot of substance behind the marketing. Keep this in mind when entering into the space and do your best not to fall for the tactics.

Industry Evolution

There is a lot of growth happening in the space and it's coming from different angles.

There's a national aspect to a growth play in that there are states coming online that are either approving medical licenses or adult use/recreational licenses. It seems like in every election cycle, there are more availability of cannabis companies and more consumers coming to the market.

Another thing to understand is the consolidation happening in the states that have already been a part of the space. Colorado was the first state to legalize in the nation and as a consequence it is the most mature market. Given its maturity, we are seeing massive consolidation happening at the retail level. The retail chains in these more mature markets started off with 1 or 2 stores and now there are chains that have up to 30 store locations.

There is an overall dominance aspect that is happening in Colorado while in California, it's still very segmented and you don't know who the dominant players are going to be.

Growth Rates

The growth of the industry is a very difficult aspect to quantify. One reason for this is because you have a very established black market within the space.

NFuzed, specifically has seen a 30% to 40% month over month revenue growth, whereas the industry in general is seeing about 15%-20% growth. The growth rates also depend upon what aspects of the market you're looking at.

Are you looking at flower retail, farming, or full verticals?

Depending on where you look, the numbers will change. While the numbers may change based on the aspects you're interested in, the market is still seeing growth at every single level.

Challenges in the Space

Banking is truly one of the most difficult aspects of this industry along with the IRS.

This is a result of dealing with and selling a Schedule I drug, according to the DEA. This means that anything that comes up on a federal level is very difficult to deal with. However, there are credit unions and banks that are now allowing cannabis banking, so this eases some of the stress in more mature markets, such as Colorado. A lot of companies are jumping onto the banking aspect which is good news for the industry as a whole. On the other side of things, California is still very heavy on cash. The problem with this is that cash is an expensive way to carry revenue, so we will likely see a shift in the California market in the future that aligns more with Colorado's progression.

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Listen to the full interview here

Brendan Manley of iCAMP

Advice for Investing in the Edtech Space

You want to talk to the parents in this space. Talking to your potential customers provides a wealth of information. Getting feedback from parents and hearing from parents who have taken the program is key. You want people to resonate with the brand.

Additionally, if you have kids, try enrolling in some classes. Now that teaching has really moved online, you can take a class from anywhere. Any chance where you can experience the space and its products firsthand will be beneficial.

The most important thing you can do in this space is listen to the audience, parents and kids alike. This will tell you if a company has staying power or not.

Industry Evolution and COVID

The space was hot even before COVID changed traditional learning. Projections for growth in the industry were at 11% a year for the next 5 years.

iCAMP is currently the busiest they have ever been and Brendan notes that just about every company working in edtech is busier than ever. However, the space is in a state right now where it is hard to know where things are going to settle. The one thing people can agree on is that education is not going back to the way it was before COVID, at least not anytime soon.

One of the big trends we are seeing in the space due to COVID is families building learning pods for their children at home. This is a huge indication that COVID is really going to challenge the way that people look at education.

What iCAMP offers is not along the lines of traditional academic subjects. What they focus on is offering education and topics that are practical for long term job security. Brendan says that he wouldn't be surprised if more and more parents start looking at alternative education as a way of filling the gap that's being left now that schools are no longer full time.

Challenges in the Space

Some of the biggest challenges in the space to overcome are:

- Instructor talent
- Training the instructors
- Having a consistent, uniform, experience from class to class
- Being one step ahead of what the consumer is asking for

Right now, these things are particularly challenging because the landscape is changing so quickly. Based on people's economic backgrounds and their views on education, every family is handling education during the pandemic differently. The major challenge right now is pivoting to provide the service that you know, as a company, are best suited to provide. It’s also about figuring out where you are likely to find the most success in your predictions in terms of what your audience is going to be asking for.

Contact Information

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Listen to the full interview [here]

About TEN Capital

TEN Capital Network provides funding as a service to companies anywhere raising venture capital. Its network of over 11000 accredited investors represents venture capital, angels, family offices, and high networth individuals.

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