

THE MONTH END

EPISODE 15

H Venture Partners



SHOW NOTES



SPEAKER BIO

Elizabeth Edwards is the Managing Partner of **H Venture Partners**, a seed venture and early growth equity fund that invests in next generation consumer brands, headquartered in Cincinnati, Ohio. H Venture Partners focuses investing in science-based consumer brands that are better for human health and the environment.

TAKEAWAYS

Background on brands the H Ventures looks to invest in:

It's a pretty big range. So we are geographically agnostic - we're investing from New York, to San Francisco, and everywhere in between, but then we're hyper focused on this consumer sector, and particularly consumer packaged goods. As for size, we'll invest in companies that are pre-revenue to zero revenue, all the way to \$50 million in revenue, although that's a bit more rare, I would say the sweet spot is that zero to 10 range.

What should companies be looking for in terms of how you can help them?

I advise startups to really look for those investors that are complementary to them. If you've got a great finance background, maybe you don't need to double down on that, maybe you need a marketing strategist. I think it really depends on the brand, the management team, and where their strengths and weaknesses are.

TAKEAWAYS (Cont'd)

Sales Channel Advice:

The channel strategy varies widely by category and in brand and it's driven very much by what the offering is, who the target is, whether it's a premium product or a mass product.

One big evolution that I've seen over the last seven years being focused on this base is that the direct to consumer business model has become much more expensive. That's because the cost of Facebook, Instagram, and Google Ads has gone up about 300% each year, over the past 10 years. So that's 30,000%.

Today we look at direct to consumer for the vast majority of brands as a test-and-learn, but do not scale because for most brands spending money on Facebook is like throwing money into a dumpster fire and that's really tough. We love omni-channel consumer brands that are diversifying their mix a bit. Still, the vast majority of food beverage grocery is bought in a bricks and mortar grocery store, and so we can't forget about those great partners.

Litmus test for working with H Venture Partners:

We have a couple litmus tests that we look at even before we talk to a brand, and the big litmus tests for me are:

- are you a CPG brand or not?
- is this a billion dollar category or not?
- is there a pathway to have \$1,000 lifetime spend on this product or on this brand?

There are lots of different things that don't meet that basic threshold, that's particular to us. I don't think if you talk to other consumer VC's they're focused on that. In fact, they know that they're not.

The last is:

- a pathway to a 50% gross margin.

TAKEAWAYS (Cont'd)

Recommendations for having good relationships with your investors or leveraging them:

Update your investors constantly. I think a monthly update is a great, even if it's a short one. The worst relationships that I've had are the firms that can't or don't, and usually those are related.

The way that I think a lot of the best startups engage with their investors is that they are crisp, they are clear. And I think the investors that are constantly updated, even when the updates are bad, are more likely to invest in future rounds, because they're up to speed.

How can CPG brands leverage inventory and supply chain as a core competency or a competitive advantage against their competition?

Startups right now have more supply chain challenges than I've ever seen before. So it's tough and yet, brands need to really be thinking about where they are making their product; is there any duplication, replication in the supply chain backup plans?

A lot of CPG firms before COVID didn't have to worry about that so much, and now they have to worry about that much more, which becomes a cash problem. It's something that almost only can be solved with more cash.



CPG BUSINESS DO'S AND DON'TS

CPG Business Do:

I would talk to customers before you launch. I would get consumers trying things, tasting things, reacting to messaging, doing consumer insight; interviews, primary interviews.

The more that you can research the category and really know the consumers and the retailers in that category before you launch, the better.

I know that a lot of people have this sort of like "Steve Jobs/ Henry Ford" approach, or like "I know I know more than the consumer" knows. I mean, Apple actually did quite a bit of consumer testing before they launched the iPhone, and Henry Ford was kind of flippant when he was like, "I'll tell them what color they want - it's black", but look at how many colors they have now. So I really do put a lot of stock in consumer insight.

CPG Business Don't:

The one don't: don't get over your skis too early. I think entrepreneurs are not the world's most patient people. Being impatient for growth and change and all of those things is wonderful.

One of the challenges that's particular to consumer especially, as you think about retail, is that just because you want to go to Target (and even if Target really wants you), doesn't mean that they're ready for you next month. There are category resets that happen on a certain schedule, and I have seen some entrepreneurs choose *now* versus *best*. Where it's, "well, this other retailer can take me now", but an exclusive at Target is best, even though you're going to have to wait for a period of time. I think that sometimes patience in this business can be a virtue.

NOTABLE SHOW QUOTES

Elizabeth on the meaning of "H Ventures":

"H stands for human, because when I think of myself, I actually don't think of myself as a consumer. It's kind of a weird word. We're not just these robots that buy stuff and throw it in a landfill, we're people with jobs to do, and we have these fundamental human needs. So we really focus on those consumer essentials."

Elizabeth on working with the right investors:

"I think the most important thing that startups really should focus on when they're raising capital is domain expertise."

Elizabeth on choosing your sales channels:

"There are lots of lots of landmines I think no matter what channel you choose, but to do so thoughtfully, carefully, and really understand the needs of your customer."

Brad on the importance of clear communication:

"Communication is key in any relationship, whether it's business or personal."

Elizabeth on the challenges of supply chain:

"Startups right now have more supply chain challenges than I've ever seen before."

Brad asking Elizabeth:

"You're not a big believer in that if you build it, they will come? No."

LINKS MENTIONED DURING THE SHOW:

- Information for [entrepreneurs](#)
- [Pitch H Ventures](#)
- Information for [investors](#)
- The [H Ventures Blog](#)
- The H Ventures Podcast: [Venturing Out](#)

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