The Life Science Executive's FUNDRAISING MANIFESTO

BEST PRACTICES FOR IDENTIFYING CAPITAL IN THE BIOTECH AND MEDTECH ARENAS

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CHAPTER 10

Phone Canvassing

For fundraising executives in the life science space, finding an interested investor with capital to deploy has become more challenging than ever, and savvy entrepreneurs must learn to adapt. The types of investors in the life science space have changed, and so too has the ideal mode of outreach by which to start a dialogue with these investors. You need to establish your presence before prospective investors in order to find the right ones for your company, and to accomplish this, you must conduct a concentrated outbound campaign encompassing both email outreach and phone canvassing.

Phone canvassing necessitates a comprehensive understanding of who you are targeting, requires both discipline and patience, and often demands a good deal of training. Phone canvassing is also not for the thin-skinned or for those who lack tenacity, as follow-up is the name of the game. Our research has shown that it can take as many as 10 to 15 calls just to receive one callback and an additional 10 to 15 calls in order to engage in a purposeful dialogue (see Figure 10.1). Even if you make 100 phone calls in a day and only get to engage in a real conversation once, you cannot get discouraged. After all, sometimes it only takes one investor to shift your company from underfunded to cash flow positive, so every meaningful conversation should be celebrated as an achievement.

Relationship Status	Number of Calls to Establish or Reestablish Dialogue
No Previous Contact (Cold Calling, Stranger to Stranger)	10–15
Contacted Once (Conversation Initiated)	7–10
Contacted Several Times (Dialogue Established)	5–7
Existing Relationship (Friends/Family/Acquaintances)	3–5

FIGURE 10.1: *General guideline for number of calls until contact*

Learning How to Canvass Effectively

Cold calling can be daunting, particularly if it is not something you consider part of your usual skill set. However, it's an essential skill to learn if you intend to raise a financing round for your company. If you are unaccustomed to cold calling, it's normal to find your first calls nerve-wracking. Just the idea of picking up the phone and calling someone they've never met sends many life science executives running for the hills. But even if you don't consider yourself to be a natural when it comes to telephoning strangers, cold calling is something that gets much easier with practice, much like every other business skill you've had to learn in your journey from the biology lab to the biotech industry. It helps if you can approach the task with an open mind and accept that you'll make mistakes as you're learning to canvass; while the stakes are high, it isn't any one individual phone call that will determine your company's survival but a lengthy process of marketing that will involve hundreds or even thousands of phone calls to a huge range of investors.

Even if you have experience with phone canvassing or an outbound fundraising campaign, your skills might need some brushing up or further refinement. Whether you do or don't have experience with this, the people you know in the industry who do can be a fantastic learning resource for you. If you're new to the phone canvassing game, it can be extremely beneficial to listen in on calls with a more experienced fundraising executive at your company; if you're the sole business development (BD) executive at your firm, you may need to reach out to savvy phone canvassers at other firms and ask for a chance to shadow them at work. If you are the CEO of a life science firm and have a science background, then it is best to learn from someone who has more of a business or sales background (perhaps the business advisor on your board). Even if your background is in sales or business, if you're the sole BD executive at a company where every other employee has a background in science, you may want to contact BD executives at other life science companies to see whether there are challenges specific to the life science space about which you must learn.

Shadowing more experienced BD executives while they are conducting a phone canvassing campaign will allow you to understand how your conversation should flow and also how to handle typical investor pushbacks. You'll learn more about the value of your own life science company and how best to pitch yourself to potential investors. Shadowing may also help you feel more comfortable and confident on the phone, especially if it's your first time conducting an outbound fundraising campaign. In addition to observing this executive's methods, you should also be paying attention to the responses that they are receiving from prospective investors. What's working? What's furthering the dialogue? What's landing on deaf ears? After shadowing the canvasser for several weeks, you should be able to discern what separates a good fundraising executive from a great fundraising executive when it comes to raising capital in the life science arena.

Once you have spent a good amount of time listening to phone calls made by fundraising executives, ask them to participate in mock calls with you. You should practice overcoming all the pushbacks that you heard in the fundraisers' calls with potential investors during these practice conversations. Being able to remain calm under pressure is one of the most vital elements of speaking with investors on the phone. Investors receive a lot of unsolicited calls and will try to weed you out; if you are able to overcome all of the hurdles they put before you, you will be able to successfully hold their attention, and they will listen to your company's value proposition.

Researching Potential Prospects

A lot of the vital work of fundraising occurs before picking up the phone. Although the "smile and dial" method of simply acquiring an investor list and calling each number on it may sometimes work, it's more effective to adopt a strategic approach to phone canvassing. Take a minute to understand your target before reaching out. What type of investor are they, and what is their firm's background? What kind of life science companies do they have in their portfolio at present? Have they made any successful life science exits? This information may be readily available on their websites, or you may need to look for media sources that have covered the investor's deals in the past. You also need to understand with whom at the firm you should speak and realize that this person's role or job title may not be the same for every kind of investor.

Many investors have a substantial Web presence. Look at the firm's press releases or the news portion of their website, and use LinkedIn to get a better understanding of who is the right person at the firm to contact as well as a broader look at the firm's structure. Sometimes finding the correct contact at the firm can be as easy as asking an administrative assistant to direct you to the person in charge of deal sourcing or the person who handles life science investments.

There is one pitfall in asking the administrative assistant who is the correct contact, however. Oftentimes this will be a red flag to them, signaling that you've not been in touch with the firm in the past. If they believe that you are cold calling, they are more likely to send you straight to the contact's voice mail or advise you to send an email to a general company mailbox instead of putting you directly in contact with the person. Administrative assistants are often gatekeepers for investors because these individuals get cold calls from hundreds of companies pitching investment opportunities every week. This is why it's best to do your research before calling.

However, sometimes asking for help can get you quite far—if you create a dialogue with administrative assistants and let them help you, you have a chance to build a relationship with them, which may lead to them ushering you through that gateway and introducing you to the person you need to reach. This dialogue could differentiate you from those hundreds of other companies reaching out with their life science business plans. Just know which approach you are going to take before placing the call, and if you are going to enlist the help of an administrative assistant, be prepared to engage with him or her.

Before you start calling, you should not only know the contact's job title but also try to discern the individual's role in the due diligence process for life science investments and ensure he or she is the person who evaluates investment opportunities. Sometimes you can easily figure out the right person's role from his or her title. For instance, at private equity firms, the person whom you will want to contact will generally be a VP or associate who specializes in life sciences, as these individuals are usually in charge of deal sourcing and typically consider investment opportunities in your sector. However, sometimes the person who plays this role is much less obvious, especially in the case of family offices. Thus, you should always check the investor's website to see if there is a description of this role; if not, look at how positions are categorized on LinkedIn. Sometimes even checking the groups in which different employees are members on LinkedIn can yield useful clues.

After doing some research on the person with whom you are trying to get in contact, the next step is determining the best time to reach this person. Catching the individual at the right time of the day is key; although this may seem obvious, you should first check what time zone he or she lives in. If you don't know what city he or she lives in but do have a phone number, you can Google the area code or country code and then check the time in that city or country. If you're reaching out to international investors, you may need to alter your own usual work schedule in order to have a chance of catching the people with whom you need to speak.

You must also be mindful of lunch times and summer hours. Many investors are difficult to reach between the hours of 11:00 AM and 1:00 PM or 12:00 PM and 2:00 PM, as they may have lunch meetings. Conversely, some investors may eat lunch at their desks, hoping for some peace and quiet while their colleagues are out, so it may be worth your while to try to contact someone during typical lunch hours. It can also be difficult to reach individuals late in the afternoons on Fridays, especially in the summer, so it is best to try to structure your call times so as to reach out to individuals in the morning or early afternoon, if possible.

Be aware of cultural norms affecting work schedules. In the Middle East, investors only work Sundays through Thursdays, so you should not reach out to investors in this region on Fridays. In Spain, lunch is the largest and most lengthy meal of the day; therefore lunch breaks last longer than they do in other countries. In parts of Europe, pension funds and government organizations close at around 3:00 PM, while in the U.S. they typically close at 5:00 PM. It is important to keep all of this in mind when reaching out to investors.

Being cognizant of holidays is also vital. There are several U.S. federal holidays, but also a few more obscure holidays that are observed on a state-by-state basis. The top U.S. hubs for life science investment, Boston, San Diego, and San Francisco, share many of the same holidays, but Evacuation Day is an example of a holiday that is only observed in Boston and some surrounding cities. Other countries obviously observe their own national or religious holidays. Dates for state and national holidays can be easily found online.

It can be hard to reach investors during the summer. This is especially true of European residents. Unlike in the U.S., every European country has statutory minimum employment leave, usually over 20 days per year (though leave may be paid or unpaid). Long summer vacations are therefore quite common. Also keep in mind that many people may use statutory leave days to take a break in December.

Staying Focused

It takes commitment to be a phone canvasser. If this is a new role for you, it may help to keep in mind how important this is for your company; the vital scientific work that you're doing will reach the market and have an effect on patients' lives only if you can raise enough funds to keep progressing. That means you have to focus on the campaign above all else. Ignore distractions, and try to avoid multitasking; you'll do better on the phone if you put all your energy into the task and get into the zone. Learn as much as you can from the new experience and take pride in your ability to create a dialogue with investors. Your positive energy and enthusiasm will be evident to the prospective investors with whom you are speaking; one key factor many investors value is the management team's commitment to the company, so it's vital to demonstrate to investors that you have a passion for what you do.

Structure your time; if you have other responsibilities within the company, make sure a certain portion of your schedule is dedicated to simply making calls. If you stay focused and your contacts are well organized, your number of calls per day can increase to 20, 30, and perhaps even as many as 50. As I said before, phone canvassing is by nature a numbers game; the more calls you make to qualified, well-targeted investors, the more likely you are to make contact with someone who has an interest in your company.

Streamlining Your Pitch

The most important stage of your campaign planning process will be deciding how best to pitch your company. If you're speaking to someone who's pressed for time and who has already received 100 cold calls from life science fundraising executives that week, how can you make your company stand out?

Your first step is to draft a concise and powerful elevator pitch that encapsulates who you are, the reason for your call, and your distinctive value proposition—in short, what makes you distinct from your competitors. Keep it short and to the point; your initial pitch ought to be around one minute long. The person to whom you are speaking has a thousand things to get done during the day, and listening to your pitch is low on his or her priority list. By being concise, you're demonstrating that you respect the person's time and you know how to make the most of that brief span of attention. Hit on the key points and offer to follow up by email with your 10- to12-page slide deck so he or she can learn more about your company. You should practice your pitch and be prepared to go off script to answer questions; try to avoid sounding stilted.

One common pitfall in life science fundraising is jumping immediately into the technical minutiae of your product during your pitch. That's not going to engage most investors and certainly isn't the best use of that one minute of time that they're offering you. Instead, think of your pitch as an introduction of yourself and your company, and describe your scientific work in engaging, accessible terms. If they're interested in your pitch, you'll have an opportunity to share your scientific results with them at a later time.

When creating your pitch, you must also be specific regarding fit; you can't follow the same script for each investor. Emphasize qualities that you know the investor values, such as a novel technology, a large potential market, or a shorter timeline to regulatory approval. You need to figure out how your interests are strategically aligned with the investor's interests. One way to do this is to look at the investor's current portfolio of companies and determine whether an investment could be complementary to the firm's current portfolio or could help to diversify the investor's current holdings. Stress how your firm is a fit for their interests; this will lead to a more meaningful dialogue and will undoubtedly make you more successful in gaining the investor's interest in your company.

Once you have your pitch down, it's time to call the investor. You need to be extremely on point and attentive to the investor's mood. Often investors may sound short or rushed on the phone. If this is the case, then you need to make sure that you cut to the chase in terms of your value proposition. If the investor sounds cheerful, then a lengthier approach may be appropriate; feel free to go off script, and respond to any comments they have. Just as no investor is the same, no conversation will unfold in the same way; being able to adapt quickly to the tone of the call is invaluable.

However, often the hardest part of the process is reaching the investor directly. You're unlikely to find someone sitting at his or her desk waiting to take your call. It's more likely that you'll be connected to the investor's voice mail, or that their executive assistant will offer to take a message. It's generally worth leaving an introductory voice mail, as an interested investor may very well call you back; however, in a voice mail pitch, you should be prepared to be even more succinct than you are in your usual elevator pitch. Try to keep it down to 30 seconds in length; at the end ask the investor to call back as soon as possible and tell his or her you're sending a follow-up email. Make sure the follow-up email includes all your contact information and a request to set up a time for a callback; busy people are more likely to respond to you if you propose an appointment within a specific time frame than if you leave an open-ended "Please get back to me." At LSN, we've found that many investors, particularly large institutional investors, are easiest to reach if you use email to set up a date, but of course it never hurts to call first and see if you can catch them in person.

Unfortunately, most people will not respond to that first voice mail or email. Don't let this come as a surprise to you or as a signal to go elsewhere. Lack of response to a first attempt doesn't mean that the investor isn't going to be interested—he or she might simply have been too busy to respond yet, or your correspondence could have been lost under a mountain of other work.

To be successful at raising capital, you must be determined. This doesn't mean that you should be pushy, but it means you need to be very diligent in your follow-up process. If you haven't heard back from an investor after two or three days, you need to give him or her another call, and again leave a voice mail (see Figure 10.2). The message you leave should reference the last voice mail that you left, as well as the follow-up email that you sent previously.

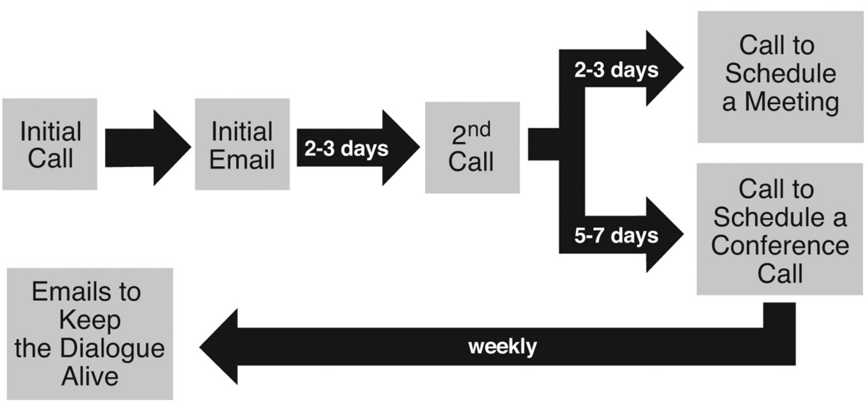

FIGURE 10.2: *Example of how to structure your canvassing efforts*

If the person you're trying to reach has an administrative assistant, don't fall into the rut of leaving repeated messages with that person in call after call. Instead, try to start a dialogue; note down the assistant's name and be sure to address him or her by it. Start a conversation and express interest in the investor; perhaps you can sympathize with his or her heavy workload and ask if there's a better way to reach out, such as by sending an email or scheduling a conference call. The administrative assistant may open up after you engage him or her in conversation and give you valuable information that will help you contact the person the next time you call. As a fundraising executive, you need to think outside of the box in order to get the right person on the phone; it's often not quite as simple as just dialing a number.

The Essential Follow-Up

Following up with targets is one of the most essential aspects of phone canvassing. Fundraising is an extremely time-consuming and lengthy process. It's easy to get caught up in a very good conversation and think that an investment is right around the corner—all you need to do is sign the dotted line, right?

While being optimistic about the fundraising process will certainly help you to keep your sanity, you should not underestimate the time that it will take for you to achieve your goal. A normal fundraising time frame is 9 to 12 months. A very lucky company might see an investment in as few as 8 months, an unlucky company might work for 18 months before receiving an allocation, and, of course, many fundraising campaigns won't result in an allocation at all. But you can greatly increase the odds of getting an allocation if you embrace the marketing process.

The goal of your fundraising campaign is not only to get cash but also to find the right partners to help you grow your business. Therefore the purpose you should keep in mind while phone canvassing is to establish a professional relationship with the investor. Even the investors who speak with you that are not a fit today may be a fit down the road; perhaps they want to see you hit certain milestones before they'll consider an investment. You also never know whom that investor may know; if you keep up a dialogue with interested investors who don't want to invest at present, they might offer you a referral to other firms with whom they've syndicated or made deals in the past and whom they know to be a better fit for your present profile than they themselves are.

How you follow up will depend largely upon your current relationship with the investor, his or her level of interest, and where you left off in your last conversation. Below are some possible outcomes with tips on how to handle your follow-up procedure. It is important that you establish a schedule for follow-up and stick to that plan; a consistent plan will help you to keep your prospects organized and ensure that the entire process is streamlined and efficient. Make sure you have up-to-date contact information for everyone to whom you're reaching out, including their present title, direct phone line, and email address.

Now for the possible outcomes:

- You speak with an investor and have a great conversation. This is, of course, the ideal situation. If this happens, then a follow-up call should be scheduled, or even a face-to-face meeting. You should not delay in following up; rather, it's best to set a date for follow-up at the tail end of the conversation. You should also email your investor deck and any other supporting materials that may be interesting to a potential investor immediately upon completion of the call, if you haven't already sent them.

- The investor is interested but doesn't seem highly compelled. In this case it is wise to follow up periodically. The ideal frequency for these check-ins will vary per investor; you want to be attuned to his or her preferences. Push it when you can, but in other cases be willing to have patience. Make sure before you conclude your phone call that you find out a general time that is good to reach him or her and coordinate a time to speak in the future. Also, you should try to see if he or she will be in your area at some point or attending any networking events or conferences that you could also attend. Face-to-face meetings are always more ideal than conversations over the phone; perhaps meeting this investor in person could lead to his or her mild interest turning into serious interest.

Thus, you should never pass up an opportunity to meet an investor in person, even if you believe he or she does not have a strong interest in your company.

- The investor seems to have little to no interest. If this is the case, it is important to find out why to help you determine whether attempting to maintain the relationship is worthwhile. Even though this may be extremely discouraging, it is still important to remember that valuable information can be obtained through every conversation, even if you get negative feedback.
  - Perhaps he or she is not interested in your particular disease area or not familiar with the indication you are targeting. If this is the case, then attempting to prolong the dialogue is probably not worthwhile. You should certainly make note of the points the investor found less compelling, because you may learn some valuable information about how to approach investors in the future that have not previously invested in your product's disease area, but then be sure to remove this investor from your global target list (GTL).
  - If he or she *is* interested in your disease area or indication, you must still have the courage to ask what it is about your company or pitch that turns him or her off. This requires toughness and the ability to hear constructive criticism. Although occasionally the cause of his or her disinterest might be out of your control (for example, the stage of your company or your particular management team might not be a fit for them), don't be tempted to make assumptions about the reason. Listen to him or her then use the information you receive to pivot your message or tweak your pitch and materials.
- The investor has an interest in your technology, but you do not have enough clinical data for his or her liking. If this is the case, then it is appropriate to follow up later down the line when you do have sufficient data. You should make sure to keep this investor on your list and email him or her when you have collected new positive data.

Gauging the type of follow-up that is appropriate thus hinges upon the amount of interest an investor expresses and your current relationship with the investor. You need to stay organized during this process and keep excruciatingly detailed notes. Don't try to force an investor's interest, and keep in mind that fit goes both ways. Try to structure your time in an efficient way and spend the majority of that time starting or keeping up a dialogue with investors who are legitimate prospects.

Summary

Phone canvassing can be one of the most effective ways to reach out to investors—if executed properly. You need to remember to stay focused, work hard, and, above all, stay optimistic. Know that it is a numbers game, so the more investors you engage the more success you will have. Focus on the positive conversations, not the negative ones. There is a perfect investor out there; your job is to find him or her so you can find cash for your company.