



An Interview with Mark DiPaolo

**Mark DiPaolo, Founder, Vantage Media, speaks with
Growththink University's Dave Lavinsky**

Dave Lavinsky: Hello everyone, Dave Lavinsky here from Growththink and I'm really excited today to be able to interview Mark DiPaolo. Mark is a very accomplished entrepreneur who has raised a staggering amount of capital.

He actually raised a \$70 million Series A financing for his marketing firm, Vantage Media Corp. back in 2007. Vantage Media is one of the fastest growing private companies in California, not to mention in the United States. But Mark is not only an entrepreneur with an impressive track record of raising capital, as president of D3 Ventures, he's also an investor.

Based on his background of investing, of growing companies successfully, I thought Mark would be a great person to interview about entrepreneurship and raising capital. So I'm really excited to speak with him today. Mark, thanks again, for taking the time to speak with me.

Mark DiPaolo: Thanks for having me, Dave.

Dave Lavinsky: Excellent. Mark I'd like to start back at the beginning. Maybe you can tell us about your very first entrepreneurial venture?

Mark DiPaolo: Sure. Well, I think your listeners may laugh when I say my first venture was probably about five years old when I bought some bananas, some breakfast cereal and some milk and opened up Mark's restaurant in our kitchen. I'd sell my dad breakfast every morning before work, off the menu I created.

Dave Lavinsky: Did he pay?

Mark DiPaolo: He paid. I collected my two dollars and got rich quick from a five year old's point of view.

Dave Lavinsky: That's awesome.

Mark DiPaolo: At some point I realized the entrepreneurial life was for me and that working for, as I call it, “The Man” probably wasn’t for me. I continued with a number of small ventures after that.

The real defining one for me was actually in late middle school, early high school when I started a voicemail company. Keep in mind this is in the late eighties, early nineties so voicemail wasn’t nearly as ubiquitous as it is now. I actually started a voicemail dating service in the early nineties with my voicemail company, despite the fact that I was twelve and had never been on a date.

That went well as well, made some money there and eventually sold the business to a customer. Again it kind of continued pushing me along the entrepreneurial path.

Dave Lavinsky: That’s very interesting. So in terms of raising capital, was Vantage Media the first time that you raised capital for one of your companies?

Mark DiPaolo: Yes it was. Mark’s Diner and Marks’ Restaurant didn’t really need capital. My bananas and cereal were financed through the previous day’s profits.

Dave Lavinsky: Excellent. But for your voicemail company – it was only up until Vantage Media that you actually required venture capital.

Mark DiPaolo: I’ve been lucky enough or smart enough to choose businesses that are self-funded essentially. It’s not because I have money, it was because the businesses just turned revenue early and I was able to reinvest that back into the business.

Dave Lavinsky: It's interesting you say "Lucky enough". I know exactly what you're talking about because of the hassle of having to raise capital. What do you consider as the negatives of requiring outside capital?

Mark DiPaolo: I think outside capital has its pluses and minuses. I think any business owner and entrepreneur should think carefully before taking outside capital. Like anything in life, I think, there are strings attached.

On the plus side, if you need it, you need it. If the only way you can grow your business is by raising money and you've exhausted the other alternatives like debt or small business associations, then you've got to go after it. But I think if you go after it, it's key to remember a couple of things.

First, who you take it from – I think who you take it from is going to be really critical to your ongoing happiness. After all, isn't that the point of running a business and making money and doing all this, is ultimately to be happier? I think if you take it from the wrong source you can end up making your life less pleasant.

I'd say be thoughtful – or "choiceful" is the word I sometimes use – about who you accept the capital from and second just be sure, be confident that what you're going to do with it will have the intended results. I'm sure the folks, the private equity guys or the venture guys that you talk to will help you focus that and also be sure in their diligence.

Dave Lavinsky: Got it. What about Vantage Media? How involved were you personally in that capital raise?

Mark DiPaolo: Very involved actually. We ran the company for ... since I founded in 2001 ... I was involved until 2008. Around 2005 or so we determined it was time to do a raise. It was going to be our first raise and it didn't come from necessity, so much as just giving me an opportunity as a founder to take some

chips off the table, as investment banks are very fond of saying, as well as to balance my life a little bit better and slow down the hundred hour weeks that I'd worked for five or six years up until that point.

Dave Lavinsky: Got it. So you were able to cash out a little bit when you raised that round?

Mark DiPaolo: Yes. One of the nice things about Vantage in particular is we were profitable from day one. At the time we were going to raise the round, we had something like twenty five or thirty consecutive profitable quarters behind us. That certainly helped investors' confidence and the raising of the round.

Dave Lavinsky: Got it. You guys went out there and raised \$70 million. In doing so ...

Mark DiPaolo: The largest Series A in the US and Europe in the two and a half years previous, and perhaps still one of the largest ones.

Dave Lavinsky: It's probably remained unbeaten. That's awesome. In terms of number of investors, was there a syndicate involved or was there one main investor?

Mark DiPaolo: There was a group of roughly three or four private equity firms that came in and did the deal together.

Dave Lavinsky: Got it. What was the process like? How long did it take you? How many firms did you have to contact? How was the negotiation phase?

Mark DiPaolo: I hate to say it but I think probably some of the folks listening will have had the same experience or it will be in their futures but raising capital is a real pain.

Dave Lavinsky: Right.

Mark DiPaolo: From the time that we determined we were going to do it to the time the money showed up in the bank was probably two years.

Dave Lavinsky: Two years.

Mark DiPaolo: We had some false starts. We actually got close a couple of times without getting across the finish line. That was exciting and discouraging – the standard emotions that entrepreneurs will face again and again.

But once we finally found the right folks, the folks that we ultimately did the deal with, the time from finding them to getting the deal signed and funded was likely about say five months or four months. Once we got the right folks it happened quite a bit quicker but it just took some time to find our right audience.

Dave Lavinsky: Got it. Were there a lot of no's during the process or was it mostly just speaking to folks you just couldn't come to terms with?

Mark DiPaolo: For a lot of folks, the valuation we wanted to get was either higher than the valuation they believed or they agree with the valuation and the deal was just too big for the kind of money they had available. There weren't a lot of no's around – the no's as I say came from just it wasn't a good fit.

Dave Lavinsky: Got it. You're a marketing guy. Vantage Media is a marketing company. Were you able to apply any of those marketing skills to the capital raising process at all?

Mark DiPaolo: Yeah, a few of them. The biggest one I think is really knowing your product. It's funny. Vantage was certainly a marketing company. I personally never have thought of myself as a sales person or a media person.

Vantage kind of started out of my computer nerdiness and my enjoyment of sitting in front of my computer all day and pushing buttons.

Becoming a salesperson was quite a challenge for me personally. What made it easy was I didn't have to sell much at all. Because I had created the idea of Vantage and the industry that Vantage plays in – which is customer acquisition on a cost-per-lead basis through search engines – I could go out and make phone calls and really educate people about what we were doing. And it was so interesting to them that they kind of automatically wanted to join.

I think that is applicable to the fundraising process, in that if you know your industry inside and out, and if you really are the expert in the industry, or one of the top experts in the industry, you know what's going on on a day to day basis, in fact, you're involved with what's going on, on a day to day basis, I think that will be clear to investors.

And I think that will give them a ton of confidence about backing you up and giving them a feeling that whatever you personally are involved in will succeed because you're doing it. I think that's why people purchased from me at Vantage, certainly not for my sales skills or lack thereof but just from my deep knowledge of the industry.

Dave Lavinsky: Got it. Any other aspects of marketing that helped in terms of the capital raise?

Mark DiPaolo: What else? I think really above knowing your business and your industry I don't have much additional similarities but that I guess the stamina required perhaps.

Dave Lavinsky: Right.

Mark DiPaolo: Whether it's marketing or a capital raise it just takes a lot of go-get-it-ness to get your message across because people don't always want to listen to you. In fact, let me modify that. People pretty much never want to listen to you until you start saying some really interesting stuff and then they tune in.

Dave Lavinsky: Agreed. Agreed. Good point. Can you talk about going from – I believe you were relatively young when you started Vantage Media and growing it, and correct me if I'm wrong, and bringing on some more experienced people. I look at the Vantage manager team now. It looks like it's slightly more gray-haired.

I was wondering if that's something that you did. Earlier on did you bring in people with more experience in certain areas? Maybe talk about how you did as a manager and recruiting and bringing on people with experience.

Mark DiPaolo: Yeah. It's an interesting question, Dave, because I think that is actually one of the things that really made Vantage different early on. That is. as I built the company, instead of trying to grab competitors or grab employees from competitors, or find people who knew the space really well, I instead found about nineteen out of my first twenty employees from Craigslist ads I posted – mainly because they were free to post and I couldn't afford to post on Monster at the time.

For your listeners who are familiar with Craigslist, I got quite a motley crew of folks that worked with me at the time. Very few of them had college educations. There were no MBAs and there was no experience in the internet marketing space or almost no experience.

The really nice thing about this, aside from the fact that I could afford to hire those employees, was that I could really teach my way of seeing things to the employees, have them really get that and then begin having them add their own creativity to it. I think that was extremely helpful for a young company because

we innovated a lot. We had a lot fun. We joked around that we could start a band because everybody seemed to play a different musical instrument. We had a number of actually signed artists that were managing search engine work – as I say, a pretty motley crew.

Dave Lavinsky: That’s really interesting. Are there any type of values you looked for when hiring people because they didn’t have the precise skill sets that you needed for on the job? What do you look for in terms of people?

Mark DiPaolo: Creativity. I think that was the big one. Because we were really kind of creating this new space and this new essentially sub-industry that hadn’t existed before, I wanted people A) that I could get along with but B) that thought creatively.

Once I kind of showed them the way we were doing things now, they could say, “*Hey what if you did it this way?*” or “*What if we added it that way?*” Or “*Have you considered x?*” I think that quality which I would say all of our early employees shared helped Vantage grow and kind of accelerate into the company that it was.

Just to illustrate the power that these early employees had, at a point shortly before we did our fund raise, we had about thirty-five employees who were pumping out about \$40 million in revenue per year. As I said, almost none of these folks were college educated. Instead they were just folks who were creative, were really invested in the job and gave it their hearts. We had good results.

Dave Lavinsky: That’s awesome.

Mark DiPaolo: To answer your earlier question also about the current grey hair ...

Dave Lavinsky: OK

Mark DiPaolo: I think it's a real natural progression from a young punk who started the company in 2001, 2002 to today. I think once we got to roughly, I'll call it, forty employees and the revenue numbers as I've shared, it was time to start bringing in folks, to bring in "grown-ups" as I'll call it, to begin to manage and to organize what we created.

We certainly had good stuff. We had good clients. We had good margins. But in order to grow from say \$40 million to \$100 million we needed folks who had experience at doing this.

Quite frankly I didn't have experience in doing it nor did I have interest in running a grown-up company. For me the fun is in the startup and building something new where there's nothing. It's not in starting an HR department and figuring out how we award options and how many sick days to give people. I get no pleasure out of that.

With the deal we brought in a senior management team. You can see their faces on the website now. We kept a number of best performers from early in the company who have actually joined the team which makes me happy.

Dave Lavinsky: Good. So you had no personal issues with your "baby" in terms of bringing in outsiders to help run the organization and take over some of the decision making?

Mark DiPaolo: I don't think it's fair to say I had no personal issues. I'll say that it's a difficult stage that I think many entrepreneurs need to go through, in which you know that you are not the right person to get the business to the next level. Either because you don't know how or you just don't want to. But at the same time it's difficult to watch outsiders come in and do it or try to do it.

That was something I faced. I chose to bring in outside management. When I look at the company now, do I say, “*Gee I’m glad I did it*”? Sometimes I do. Sometimes I don’t. It’s kind of an ongoing struggle as an entrepreneur. One thing I know for sure is I couldn’t have continued to work the hours that I was working. I think my life is better off because I made the decision to bring in a management team to run Vantage.

Dave Lavinsky: Got it. That’s a great point. What have you learned to date? You had a lot of success at an early age. Can you tell us some of the biggest setbacks, mistakes, failures and what you have learned from them?

Mark DiPaolo: I don’t know if we have enough time for the setbacks because there were plenty. When I first came to Los Angeles, it was to work for a big name strategy consulting company. I thought I had it made. This was going to be great. I’d learn on other people’s dime and figure out how the real business world works.

But what actually happened was after about two years, the dot com bust hit and they laid me off along with a number of other folks in the office. I certainly wasn’t happy about it back then, but as I look back, that and three or four other major setbacks really set the stage for Vantage. Without them I definitely would not be in the place where I am today.

After the consulting company setback I joined an actual startup which went bust after six months. What I learned from that was, I probably could have done this better myself. If I was going to work for a company that was going to go out of business in six months, it at least should have been my own company instead of one where I really didn’t have any control over the fate of the company.

Dave Lavinsky: Got it. Did you learn anything from that specific experience, from that startup?

Mark DiPaolo: You'll laugh if I tell you what I learned. The particular startup was a joint venture of two big public companies that had each put in I think \$5 million to start the startup. The idea was it's all the fun of a startup with the backing of two big companies, until we started not getting along with one of our parent companies. I was just a lowly analyst there. I had nothing to do with it. Then we sued one of our parent companies for \$100 million and then they shut us down the next day.

Dave Lavinsky: That's a lesson in don't do that. Don't sue your parent company.

Mark DiPaolo: Don't sue your parent company for \$100 million if you value being in business. All joking aside, who does that? I don't think any reasonable entrepreneur would do that. I think that there's really something to be said about, if you're a smart guy or gal, just going and doing your own thing.

There were a number of other setbacks, the most relevant of which was, when I started Vantage, all my sales work was essentially being outsourced to a company up in the Bay Area. They went and called on the customers for me. They got orders for leads, which were kind of our currency, and then I filled the orders for leads, which was perfect because, as I mentioned earlier, I got to sit in front of my computer and push buttons and figure out how to optimize things. I didn't have to pick up the phone or talk to customers or any of the perceived scary things like that.

About six months went by and I realized that I wasn't going to be able to do the kind of work I was doing for the leads, the cost per lead rate that I was getting paid. I went to negotiate with the outsourced sales company because they were determining how much I got paid. They didn't actually share with me how much they were getting paid. I ended up having a dispute with them over getting a raise for literally it was a nickel or a dime per lead. It was silly.

Later of course I found out they were taking 90% margins on what they were paying out to me. But at the time there was nothing funny about it and I parted ways with this company six months or eight months after starting Vantage and basically lost all of my customers in the blink of an eye. Eight months into things I was starting all over again, and had to deal with something extremely scary to me which was calling customers and pitching them what I do and why they should work with me. I'd never done that before and frankly I really didn't want to do that.

But the alternative was to get on Monster and start looking for another job or to do something I was just really afraid of. Luckily I picked doing what I was afraid of. Six, seven years later I can say I sold about \$150 million of our product in those intervening years from a dead start, didn't know anyone in the space, just cold calls. The lesson there is A), the bad things almost always happen for a reason and you can't let them get to you and B), sometimes it's the things you're most afraid of that really are breakthroughs. Once you get cracking on them you can make some real progress.

Dave Lavinsky: I agree. As a lot of people say, you really have to get out of your comfort zone to really achieve a lot progress. You sound like you were very far outside your comfort zone at this point.

Mark DiPaolo: I was. I had never really done a cold call before and now I had to do it or my business was gone.

Dave Lavinsky: Got it. Good for you for persevering and making it work. That's great. Have you ever done any angel investing as well since you've left Vantage full time?

Mark DiPaolo: Yeah I have. I've been selective about it. When I first thought about angel investing I said "*Hey, this is exactly right for me.*" I'll get exposure to lots of interesting business plans which I did, interesting people, which I did,

and kind of the state-of-the-art of internet and marketing space which is where my main interests lie. That was all true.

The thing that I didn't think about was one of the things I love most is operations and really making things work and seeing how things work on a day to day basis. Of course short of sitting in management meetings with folks you invest with, that's not really the role of an angel investor nor is it the role of even a board member. So I've not spent a lot of time doing angel investing but a few standout companies that have come my way I have participated in. They understand that they're going to get their share of operational advice from me like it or not on an ongoing basis. Luckily it sounds like they like it so far.

Dave Lavinsky: Oh good. That's actually something that I preach as a reason to get angels is to get that operational advice particularly for younger entrepreneurs that they can use that because most of it is going to be good advice.

Mark DiPaolo: Yeah. I do my best.

Dave Lavinsky: Got it. You mentioned standout companies. What are the attributes now looking at it from the investor's side of the table – what are the attributes that you look for in a company?

Mark DiPaolo: For me it's somebody who knows their industry well. You've heard me mention that a few times in our conversation but if it has really created a sub industry or I feel like there's almost nobody out there who has a better sense of it than them.

Somebody who can back it up so as they share observations or predictions about how things are going, is comfortable pulling up an Excel model and walking me through it, not necessarily having their CEO who built the model walk through it who doesn't understand the business, but somebody who both understands the business and can really kind of back up the data behind it.

Those are the biggest general things. Then aside from that, it would just have to be a business that interests me and that I know something about. I guess flipping to the other side from the entrepreneur's point of view you might choose to go after investors who already have kind of a general sense or general interest in what you do versus more generic investors.

Dave Lavinsky: Got it. What about this – a lot of entrepreneurs have the fear factor discomfort that hey I don't know any angel investors. If somebody was to get to you or has come that you've invested in, is it typically somebody that you have a preexisting relationship with or that is referred by somebody you're close with? How does that work?

Mark DiPaolo: In both cases I've made two angel investments in the last six months, in both cases, they were folks who were referred to me. I felt immediately that, because there was already a connection there, it was worth listening to their message. Don't take that the wrong way. There are plenty of deals that have been referred to me that I have had no interest in. That said, it's still I think it's a great pre-qualifier to be personally referred in and I think it certainly gets investors' attention.

Dave Lavinsky: Got it. As an investor what is your timeline horizon? Is your expectation that it's going to take five to seven years to possibly cash out? Are you under the impression that it's going to be shorter?

Mark DiPaolo: I'm going to guess that I'm atypical here. I don't have a set thesis around that. I'm really in it for the fun. I'm in it for the feeling of starting something new, the feeling of going against all odds and creating. I certainly hope to get a return but I wouldn't be totally truthful if I didn't say my real intent is just to be along for the ride, watch something grow, and have some influence on it.

Dave Lavinsky: It's a great point. There's definitely that aspect. I've spoken with a lot of angels, particularly ones that became angels after being entrepreneurs. It's not all about making huge returns. It's about getting involved. As you said with the operational thing, they like to get involved. You've learned a lot and you want to be able to impart that knowledge on companies that can use it.

Mark DiPaolo: Yes and I generally find entrepreneurship fun. That's why I do it and that's why I'm getting involved with these companies because I like the rush of creating.

Dave Lavinsky: Excellent. You set up a foundation. Is that very active or is that something you do on the side?

Mark DiPaolo: It's reasonably active. Following the Vantage transaction in 2007, my brother Todd and I set up a family foundation and endowed it with a number of million dollars to go out and really begin to address various social issues that were important to us personally and to our family and also to give thanks to some of the entities and organizations that helped us get where we were. For example UC Berkley where Todd and I both went to school has been an important recipient as has the YMCA where we spent a good portion of our youth.

Dave Lavinsky: That's awesome. Have you raised any money for the foundation or is it only money that you guys put in personally?

Mark DiPaolo: It's the money we put in personally. We're not contemplating raising money for the foundation because our foundation's goal is really to give away money to other 501(c) 3's. I don't think that would be our plan in the short run.

Dave Lavinsky: Excellent. Excellent. Very helpful. Maybe you can answer one more very broad question, which is, what other advice would you give to an

entrepreneur who's brand new to raising capital or brand new to just starting out and looking to grow a very successful company like vantage?

Mark DiPaolo: I've repeated it twice already and it bears saying a third time because it is so important to know their space really well. It's so clear to us on the other side of the table if you know what you're talking about or not. I don't mean just writing a business plan but really immersing yourself in the space, talking to other people in the space before you start going to investors and asking for capital. I think that's pretty critical.

Then another extremely important and possibly an area I would have done things a little bit differently in my own raise is being thoughtful about the team you put together to get the capital raise done. The team I put together was strong and very qualified and I interviewed a lot of folks to do it, but I'm not sure in the long run that they were the exact right team from a personality fit of some of the investors we were looking to talk to. They worked fine with me but what I didn't think about was what my potential investors would think of them.

I think if I had it to do again I might think more carefully of that aspect of the team I was putting together.

Dave Lavinsky: It's a great point. Excellent. Well Mark, I really appreciate your time and your thoughts. I think that the entrepreneurs and business owners that listen to this are going to get a ton of value from your experiences and once again I really thank you and appreciate your time.

Mark DiPaolo: My pleasure, Dave. Thank you.