

Finance: Celebs Step Up to Fund Minority Firms

Continued from page 1



Nichols

plc., Nichols told the Business Journal their buying power has been largely ignored.

"[Multicultural consumers] have proven to be early adopters of technology and consumer products," said Nichols, who is based in Studio City and also works at his firm's Culver City

office. "But they're buying stuff that isn't necessarily built or made with them in mind."

To leverage this disconnect, Cross Culture Ventures invests in companies across industries that understand how to reach these diverse consumer segments. One such startup is **Blavity**, a Los Angeles-based news and culture site aimed at black millennials, which Nichols' firm added to its portfolio last year. Blavity says it reaches more than 20 million monthly users. In July, it raised \$6.5 million in a Series A round of financing led by **Google Ventures**.

The site was co-founded by **Morgan DeBaun**, herself a black millennial, in 2014. Nichols said he seeks out founders such as DeBaun who have both the necessary business experience and deep ties to the communities they target. He credits Blavity's success to DeBaun's background as a product manager for tech companies including **Intuit Inc.** in addition to her innate connection to black culture.

"The content is community-sourced, so you're getting the perspective directly from those multicultural millennials," said Nichols. "Blavity gives brands the opportunity to understand the feelings and moods of that demographic so they can one, advertise to them, and two, build things that are for them."

DeBaun said Cross Cultural Ventures not only shares the site's vision but has been instrumental in facilitating new business opportunities such as the Google Ventures investment.

"Blavity crosses multiple intersections in tech, media and entertainment, so it's great to have an investor that has experience navigating these spaces," said DeBaun. "Cross Cultures Ventures is as flexible as an angel investor but carries significant influence in the venture capital community which is incredibly important as Blavity scales."

Access to funders

Gaining access to investors is often the main challenge facing entrepreneurs of color.

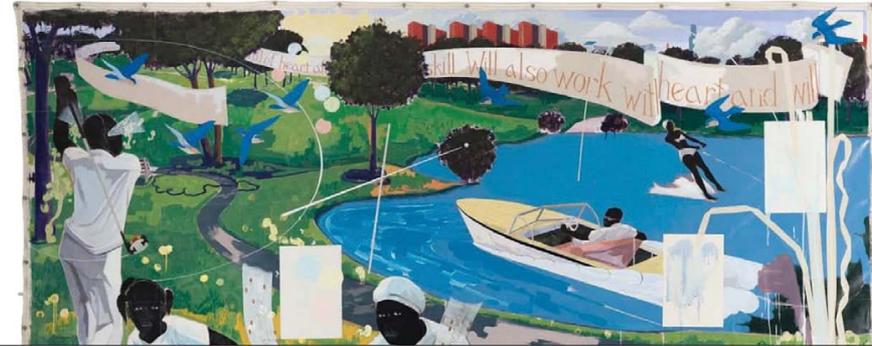
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Cultural Relevance: Blavity webpage appeals to Nichols' core millennial demographic.

According to a report by investment research firm **CB Insights** in 2015, just 1 percent of funded startup founders were black, even though African Americans made up 11 percent of the U.S. population at the time.

While some contend this funding imbalance is a reflection of too few qualified minority entrepreneurs, Nichols argues the issue is actually on the other side of the table.

"The problem is that [minority founders] don't have access to a network, so they can get in front traditional venture capitalists to fund their companies," he said. "Another thing is the path to creating a viable product or a successful beta takes longer because they don't have access to friends and family funding."

Panesis

Since venture capital firms are staffed primarily by white men often from affluent backgrounds, they tend to fund entrepreneurs who resemble themselves.

"There's a certain comfort that comes from being across the table with some you're familiar with," said **Michael Panesis**, executive director

of the Center for Entrepreneurship at **California Lutheran University** in Thousand Oaks and a long-time angel investor. "There's got to be some implicit bias; it's an industry built by white males for white males."

That bias might exist not only because white venture capitalists are more likely to attend the same schools and share the same social connections as white entrepreneurs, but because they simply fail to recognize how founders of color can help tap into a growing demographic market.

According to Nielsen, multicultural consumers in the U.S. account for \$65 billion in annual spending. And that number will only increase as the country's population is on track to become majority-minority by 2044, according to a report from the Census Bureau.

Nichols co-founded Cross Culture Ventures in 2015 to help prove to the venture capital community that so-called "diverse investing" represents a solid value proposition. Having already established successful careers in both media and venture capital – including managing a \$125 million diversity fund for Intel Capital – Nichols approached Los Angeles music mogul and investor **Troy Carter** about investing in his fledgling fund. Carter initially refused but was intrigued enough by the idea to agree to partner with Nichols to create the firm.

The two, along with third partner **Trevor Thomas**, raised money from established funds including Google Ventures and **Conde Nast's** venture arm. Cross Culture Ventures has since invested in 30 startups in industries ranging from cosmetics to financial services. They include mobile banking app **Good Money**, beauty supply platform **Mayvenn** and organic grocery delivery service **Thrive Market**. The firm plans to add another 10 to 15 companies to its portfolio.

Instead of remaining in Silicon Valley, where he worked at **Intel Capital**, Nichols decided to base the firm in the Los Angeles market to be closer to the multicultural communities he looks to invest in. In the San Fernando Valley, for example, Latinos make up 43 percent of the population, according to U.S. Census data.

"We believe that you have to get out of Silicon Valley to see what challenges are out there and which need solving," Nichols said. "We really believe that you've got to solve for the 90 percent as opposed to just continuing to solve for the 10 percent."

Money bridge

Nichols' goal is to invest in early stage companies before connecting them with larger institutional venture firms for additional funding rounds. He believes landing a few high-profile, late-round investments will help convince venture firms to take more chances on multicultural startups.

"Once some of these start really knocking it out of the park from an exit perspective, or hit a billion-dollar valuation, then I think we'll start to see more folks taking the meetings early on," he said.

Recently, some investors have taken a more serious interest in getting in early on underrepresented entrepreneurs. In May, Los Angeles-based **Backstage Capital** raised \$36 million to invest in founders of color, boasting limited partners including **Aaron Levie** of cloud storage company **Box** and **Marc Andreessen** of powerhouse venture fund **Andreessen Horowitz**. And earlier this month, Andreessen Horowitz launched a \$15 million fund for black investors backed by celebrities including **Kevin Durant** and **Will Smith**. The fund plans to donate investment returns to non-profits aiming to increase the black community's engagement with the tech industry.

While these funds account for a tiny fraction of total venture investment, Nichols is confident venture capitalists will soon realize this is a market they can't afford to ignore.

"It's about making an economic argument rather than a heartstrings argument," he said.

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Kung



Wilmington Trust has appointed **Irene A. Kung** CFA, CPA as Vice President and Senior Investment Advisor. She is responsible for developing customized investment portfolios for her clients based on their unique parameters for risk, return, liquidity, and other factors. After taking the time to listen to her client's objectives and to understand any tax, legal, and personal considerations, Irene then structures a diversified portfolio in keeping with the client's asset allocation plan. Irene continually monitors and periodically rebalances her clients' portfolios to reflect their evolving needs and to pursue new investment opportunities.

Irene has more than two decades of experience in the investment management industry. Prior to joining Wilmington

Trust, she launched the Investment Management function at City of Hope, a nonprofit cancer research hospital based in Duarte, CA. Irene provided portfolio management and oversight of City of Hope's \$2.6 billion endowment portfolio.

Earlier in her career, Irene served as a senior research analyst at Transamerica Investment Management, where she analyzed senior loans, investment grade and high-yield bonds, and convertible securities. While working at hedge fund firms, she focused on convertible arbitrage, capital-structure arbitrage, and event-driven strategies. Irene holds an MBA from the University of Southern California and a bachelor's degree in Business Administration from the University of California, Berkeley. She earned both the Chartered Financial Analyst® (CFA) and CPA certifications, and is fluent in Mandarin Chinese.

Kung is based in Wilmington Trust's Los Angeles office, at 10250 Constellation Blvd., Suite 2800. She can be contacted at (310) 300-3055 or ikung@wilmingtontrust.com.

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Robert Half, the world's first and largest specialized staffing firm, is proud to announce that **Alexandra Von Tiergarten** has joined the company as regional vice president overseeing San Fernando Valley and Ventura County operations. Alexandra will manage staffing, recruitment and business development for the Accountemps, OfficeTeam and Robert Half Finance & Accounting divisions.

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