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# Why Investor Updates Are Important (Even If You Don't Have Investors)



ALEX TURNBULL

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Every three months, I send an email to Groove's small group of angel investors with an update on our progress. Here's a behind-the-scenes look at how it helps us grow...

"We ran into a tiny technical issue last week."

*Bullshit. It was NOT tiny. Not even a little.*

"A small outage brought us down for a bit."

*Dude. Get real.*

I must've written, deleted and rewritten the sentence a half dozen times before I got the truth out: the server outage (the same one from [this post](#)) was *disastrous*.

I was writing my quarterly investor update, and I *had* to tell them the truth — the whole truth — about what happened.

But that didn't make it feel any less shitty.

These people believed in Groove enough to put their own money behind our dream, and every time I share a fail with them, I'm paralyzed by [my fear of letting them down](#).

Of course, sharing the wins feels *amazing*.

Over time, I've developed a system for sending investor updates that keeps them in the loop about Groove, maintains our strong relationships and helps us work through business challenges.

In fact, I've gotten so much from simply *writing* investor updates that I'd force myself to do them even if I didn't have investors.

More on that below...

## Four Reasons Why Frequent Investor Updates Are Important

Why is regular investor communication such an important entrepreneurial habit? There are four big reasons, one of which has *nothing* to do with investors:

1. The obvious one: it keeps investors in the loop. They want to know what's going on with their investment, and they shouldn't have to ask.
2. It keeps your startup top of mind. That means that if you have problems that you're asking for advice on, they'll be thinking about those problems. And if you have (hiring/funding/networking) needs that you've asked them to help you with, they'll be reminded to do that, too.
3. It shows that you're a communicative entrepreneur who respects their contributions to your business. Not only is that simply the right way to treat people, but it can be useful if you need to ask them for funding later, either for your current business or the next one.

4. For me, I find that writing these every three months creates valuable mileposts in the way I think about Groove. I reflect on our growth, think about our strategy and evaluate the business at the 50,000-foot level. When we're in the trenches, that macro perspective often escapes us, and if I didn't force myself to sit down and create these updates, I might not be so diligent about stepping back and evaluating our growth this way.

**Takeaway:** Writing regular investor updates is critical for keeping up your investor relationships, but it's valuable even if you don't have investors. It'll give you a birds-eye look at your business that many startup entrepreneurs I know struggle to get.

## How I Write Investor Updates

Here's an example of an update I sent earlier this year:

## Groove Investor Update: March 2014



Alex from Groove

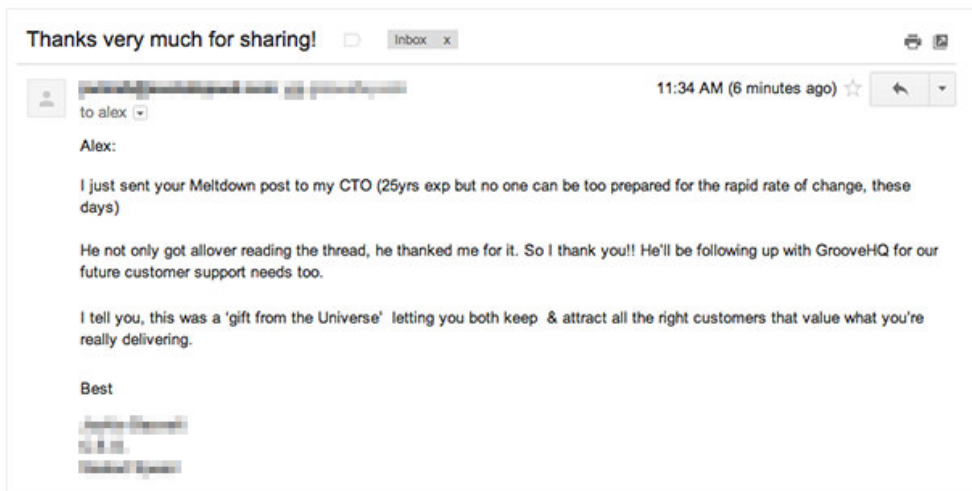


to [redacted], [redacted]

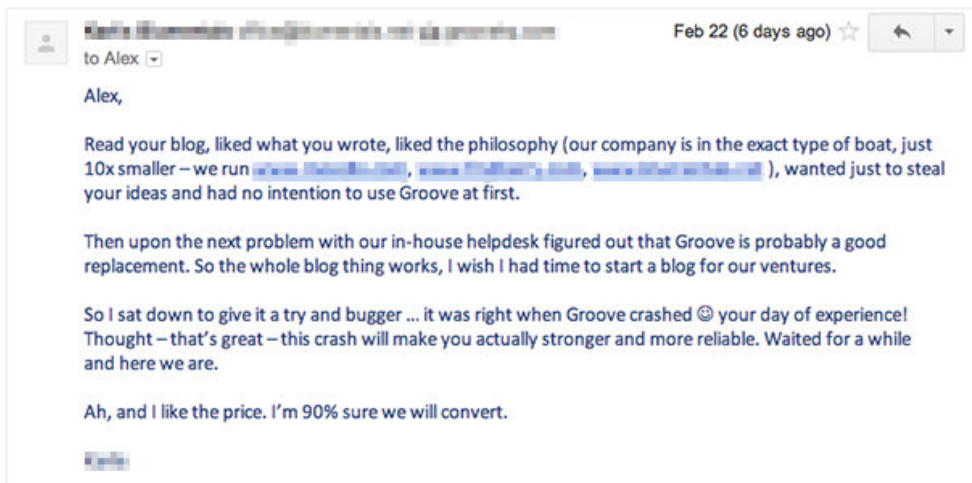
Since my last email, Groove's growth has accelerated at a rate that our whole team is very excited about.

### Done

- We experienced a terrible server outage two weeks ago. While we didn't lose any existing customers, it knocked out service to Groove users for about 15 hours. And while the outage itself was a disaster, we published a **blog post about it** (<http://www.groovehq.com/blog/downtime>), which led to overwhelmingly positive and promising emails like these (and further demonstrated to us the value of our efforts and investment in blogging):



- Our **blog** (<http://www.groovehq.com/blog>) has continued to grow quickly. We've now gotten more than 500,000 unique visitors, 8,000 email subscribers and hundreds of free trial signups, punctuated by dozens of emails like the one here:



- We launched a new initiative called the **Small Business Stack** (<http://www.groovehq.com/software-stack>), for which I've convinced more than 20 of the most popular business small business software companies to offer exclusive discounts and extended free trials to our members. We've had more than 1,750 people sign up for the Stack, and we wrote a **post about it** (<http://www.groovehq.com/blog/the-software-stack>), which includes the feedback we've received.

- We've released a new partner integration with **HipChat** (<https://www.hipchat.com/>), the business chat app used by thousands to communicate across their teams in real-time. The

integration allows HipChat users to receive Groove support emails in their HipChat window.

**More info on the integration** (<http://groovehq.com/better-with-hipchat>).

- We've continued to improve on the Groove user experience, and we recently pushed a major update to the Settings dashboard, which we've gotten tremendous user feedback about.
- We've hired another senior developer, an experienced and hungry programmer who deeply understands our technology and will help us to build faster and better.
- We've also gotten guest posts published on **KISSmetrics** (<http://blog.kissmetrics.com/using-red-flag-metrics/>) and **Shopify** (<https://www.shopify.com/blog/10747977-how-to-grow-your-ecommerce-business-without-new-customers>), two of the most prominent startup business blogs on the internet.

## On The Immediate Horizon

- On the software side, we'll be focusing more on infrastructure improvements and investing developer resources into preparing our infrastructure to keep up with our customer growth.
- We're exploring building a referral program that would incentivize referrals from within Groove, and hope to build it in the coming months.
- Next week, we'll be launching a product-focused blog for customers, with weekly updates on Groove's development, including new features, fixes and improvements.

## The Numbers

- Current customers: ~~604~~
- Current churn: ~~1.6%~~
- Monthly Recurring Revenue: ~~\$41,200~~
- Monthly ~~Revenue~~
- Current cash: ~~\$120,110~~

Thanks again for all of your support. I hope that you're as proud of our progress as I am.

I'll leave you with a **video recorded by one of our customers** (<http://groovehq.wistia.com/medias/dbu6lncffz>) for the groovehq.com site.

Cheers,  
Alex

Example Investor Update

Frankly, I don't know if my approach is the best one out there, but it works for me. The feedback I get from our investors is overwhelmingly positive and grateful for the over-communication.

There are four elements to the email above that I'd consider critical to any good investor update. And while I don't organize my updates in sections this way, it's how I think these updates through in my head:

## 1) Respect Their Time.

Much like with [landing page design](#), you'll have *readers* who want the full story, and *skimmers* who just want the top-level details.

For that reason, I always lead with the big picture, and then break up the update with bold headlines, lots of whitespace and clear, direct language. It's also worth noting that I use the same exact order for the categories each time, so that those who only want to see a specific section will know exactly where to scroll.

If I'm making a particularly important or urgent ask, I'll make sure to bold and emphasize it so that it can't be missed.

## 2) DDPN: Done, Doing, Planned & Numbers.

This is the core of every update I send:

- What we've **done** since the last time investors heard from us.
- What we're **doing** right now to grow the business.
- What we've got **planned** for the near-term.
- And of course, the **numbers**: number of customers, churn, monthly recurring revenue, monthly burn and cash on hand.

## 3) Other Wins, Fails and Needs.

Anything that doesn't fall under *DDPN* goes here:

- **Wins** that wouldn't be covered under stuff we've done, including great PR hits and growth milestones.
- Important **fails** like downtime, major lost accounts or anything else that might impact the health of the company.
- **Needs** that stand in the way of achieving bigger, faster growth. This might include hires you need to make, partnerships you'd like to explore or any other big strategic challenges you might be facing. This leads to...

## 4) The Ask.

Hopefully, your investors bring more than money to the table.

If they're passionate about helping your business grow, then they're probably happy to tap into their networks to help you solve your challenges. I almost *always* ask for something at the end of each email. It might be something small like an introduction, but it always helps us move toward our goals.

## 5) Above All, Be Totally, Uncompromisingly Honest. No B.S.

I'll admit, it can be *really* tempting, especially early on, to sugarcoat your company's struggles.

I *still* have to work to overcome that temptation, like in the story at the beginning of this post.

But every time, I remind myself that there are two huge problems with that:

First, any good investor will have been through the gauntlet, and will know how businesses grow from nothing. There are a *ton* of challenges, and for a while you may have more fails than wins to report. If you lie and pretend that everything is always sunshine and roses, your investors will either *know* you're lying, or they'll think you're delusional; neither is good.

Second, sugarcoating the bad stuff undermines the value that your investors can bring to the table. If they've been around the block before, chances are they might have some solid advice for working through whatever it is you're facing now. Sure, you don't have to *take* their advice, but skipping over your struggles means that you'll never have the chance to consider their advice in the first place.

## How to Apply This to Your Business (Even if You Don't Have Investors)

First of all, if your investors haven't heard from you in a while, use the template above to get them back into the loop. They'll appreciate your update, and it just could get you the advice — or favor — you need to break through whatever challenge you're struggling with right now.

If you don't have investors, I *still* recommend going through the exercise of writing a *hypothetical* investor update at least every three months.

As an entrepreneur, I get lost in the day-to-day hustle *all the time*, and I've found these updates to be immensely valuable for seeing the big picture of how your business is really doing.

Whether you have investors or not, my hope is that by sharing my approach to investor updates, I can help you evaluate your own business on a month-to-month level, no matter what stage you're in.



ALEX TURNBULL

Alex is the CEO & Founder of Groove. He loves to help other entrepreneurs build startups by sharing his own experiences from the trenches.

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**Lars van Wieren** • 6 years ago

Hi Alex,

Great read. At [www.starred.com](http://www.starred.com) I update my investors every 3 weeks. The most important reason: It stops them from calling me every week to ask 'What's going on with my money?' It's a proactive way to save myself a lot of time :-)

But once every 3 months sounds even better... Are they fine with that timeline? Or do they call you still often?

1 ^ | v • Reply • Share >



**KuH** → Lars van Wieren • 6 years ago

As someone who has sat on both sides of the table, as both entrepreneur and angel investor, I'd say that every month is best. At every three things, nasty shocks can occur. Ongoing monthly reports can get boring (and are often skimmed) ... and nothing comes as a shock then.

^ | v • Reply • Share >



**Lucas Arruda** → Lars van Wieren • 6 years ago

Hi Lars,

From a developer perspective, there are not some many things you can tell them you have accomplished in 3 weeks. Every 2 or 3 months seems better, so you don't also hurt their time with small updates.

^ | v • Reply • Share ›



**Alex from Groove** Mod → Lars van Wieren • 6 years ago

Thanks for reading, Lars!

I don't get a whole lot of calls in between...I think it's also important for investors to understand and respect that we've got a job to do, and fortunately all of ours do :)

^ | v • Reply • Share ›



**KuH** • 6 years ago

Agree completely. That's the whole basis of our company, VentureLynx.com (reporting as one of 10 modules, and 9 more modules to make your operations social, so that sharing - at the depth the receiver is interested in - is ongoing not just something you do once a quarter).

^ | v • Reply • Share ›



**Alex from Groove** Mod → KuH • 5 years ago

Thanks, KuH!

^ | v • Reply • Share ›



**Scott Welch** • 6 years ago

Alex,

Just discovered your blog a few days ago. This is excellent! I work as a project manager, so keeping everyone in the loop about all the different piece is challenging. I hope to glean as much as possible from your writings.

^ | v • Reply • Share ›



**Alex from Groove** Mod → Scott Welch • 5 years ago

Thank you, Scott! So glad you found it helpful, and I appreciate you reading.

^ | v • Reply • Share ›



**Gaurav Chandra** • 6 years ago

Great read. Definitely bookmarked. Even though I don't have

investors I will follow this practice. Thanks, Alex for the post.

^ | v • Reply • Share ›



**Alex from Groove** Mod → Gaurav Chandra • 5 years ago

Thanks, Gaurav! Let me know how it helps you.

^ | v • Reply • Share ›



**baadiersydow** • 6 years ago

Firstly, I think this is my first post here and I've been a reader since I first saw your journey to \$100k posted on HN.

I'm completely self funded and dont have investors to report to but I still found that the post resonated with me.

I believe that there is actually merit to putting together a report of this nature every quarter even if you are self funded as it keeps you focused on what is truly happening in your business.

It is really easy to get distracted with everything around you. I should be holding myself accountable seeing as I am investing in myself.

Keep up the great work Alex. Its been inspiring following along on this journey with you.

^ | v • Reply • Share ›



**Alex from Groove** Mod → baadiersydow • 5 years ago

Thanks, Baadier! Glad you've decided to come out of hiding :)

I couldn't agree more; getting distracted from the big picture is ridiculously easy. I'm happy that this resonated with you!

1 ^ | v • Reply • Share ›



**Kyle Van Pelt** • 6 years ago

Hey Alex-

Great stuff as usual. I have always thought that sending an update like this to your investors is the mark of an amazing entrepreneur.

I'm also a huge fan of CEO's who send a weekly update to their team in a short e-mail.

When you're running so hard at a startup it's hard to be on the same page as everyone else, communication is always the answer.

How much time do you typically spend crafting this e-mail to your investors?

^ | v • Reply • Share ›



**Alex from Groove** Mod → Kyle Van Pelt • 5 years ago

Thanks, Kyle! Agreed, more communication is ALWAYS better.

Probably spend a few hours thinking about the email and putting my notes together, and then another hour or so writing and editing.

^ | v • Reply • Share ›



**Spraak Conferencing** • 6 years ago

Great information Alex! As a new comer on your blog, this information has been extremely helpful. I update my partners on a weekly basis, in the same way you do your quarterlies, albeit different headings. (Highs, Lows, Updates) It has become an excellent way for me to keep organized and keep my partners involved in successes and issues.

Thanks!

Andy

^ | v • Reply • Share ›



**Alex from Groove** Mod → Spraak Conferencing • 6 years ago

Thanks for the note, Andy! Glad you get value out of updates, too.

^ | v • Reply • Share ›



**Mart Shark** • 6 years ago

A very interesting blog topic Alex, and with the usual takeaway for readers.

Just one comment about how you could improve the transparency of your investor updates: with the stats, include details of the change vs last month (in green or red as appropriate).

If you're going to be open and honest, you might as well make tracking as easy as possible as well!

Mart

^ | v • Reply • Share ›



**Alex from Groove** Mod → Mart Shark • 6 years ago

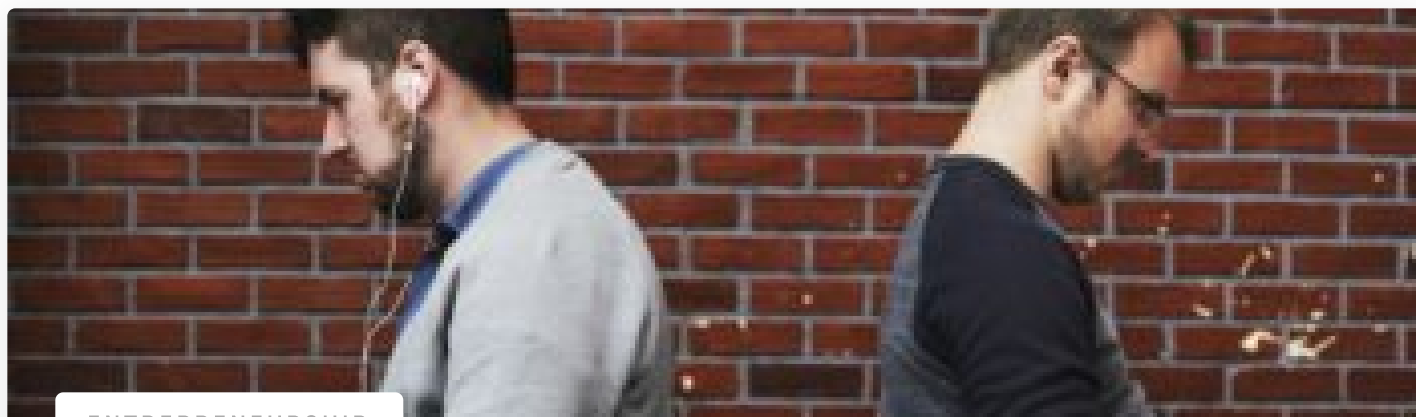
Thanks Mart!

That's actually a great call that I (somehow) have been missing. No clue how it slipped by. Thanks!

^ | v • Reply • Share >

 **Mart Shark** → Alex from Groove • 6 years ago

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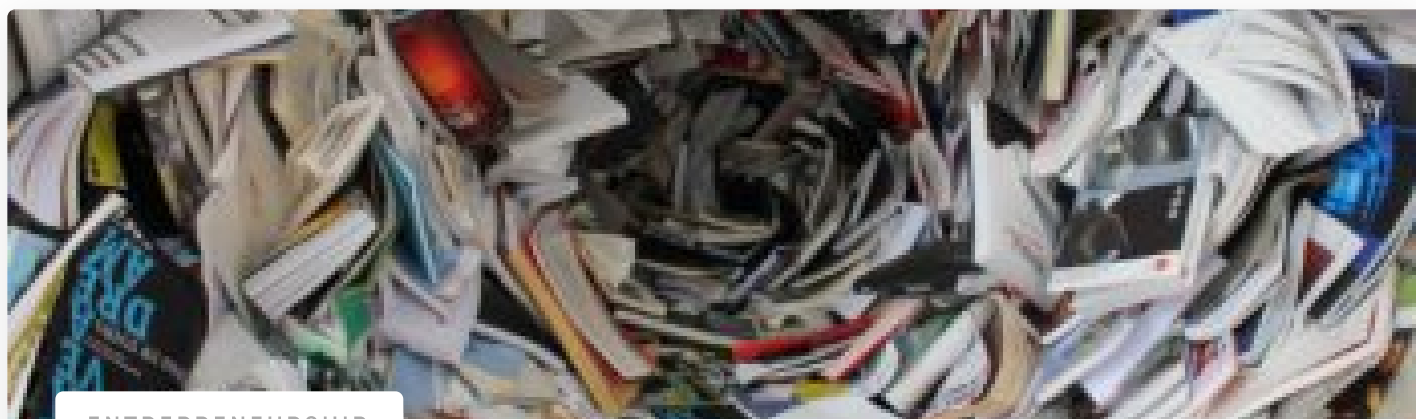


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