The Relationship Intelligence Benchmark Report

Unicorn Edition

An analysis of investment trends among top VC firms, the anatomy of the unicorns in which they've invested, and the role relationship intelligence played in discovering them.

Whether you're one of the smallest VCs, one of the largest, or somewhere in the middle, there's a daunting maze of emails, meetings, and networking events between you and your next investment opportunity.

An automated relationship intelligence CRM can help you navigate your network of business contacts and find your way to the next unicorn.

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Foreward

The turmoil of the past two years has given all of us reason to consider the importance of the relationships in our lives. We are social creatures, after all, and it's our relationships that support, motivate, and inspire us.

We once took for granted our ability to see friends, family, and colleagues, and to gather for events and meet new people; the pandemic has made all those things much harder. Yet many of us have found ways to maintain our most important relationships—business and personal—even when that meant conducting them virtually.

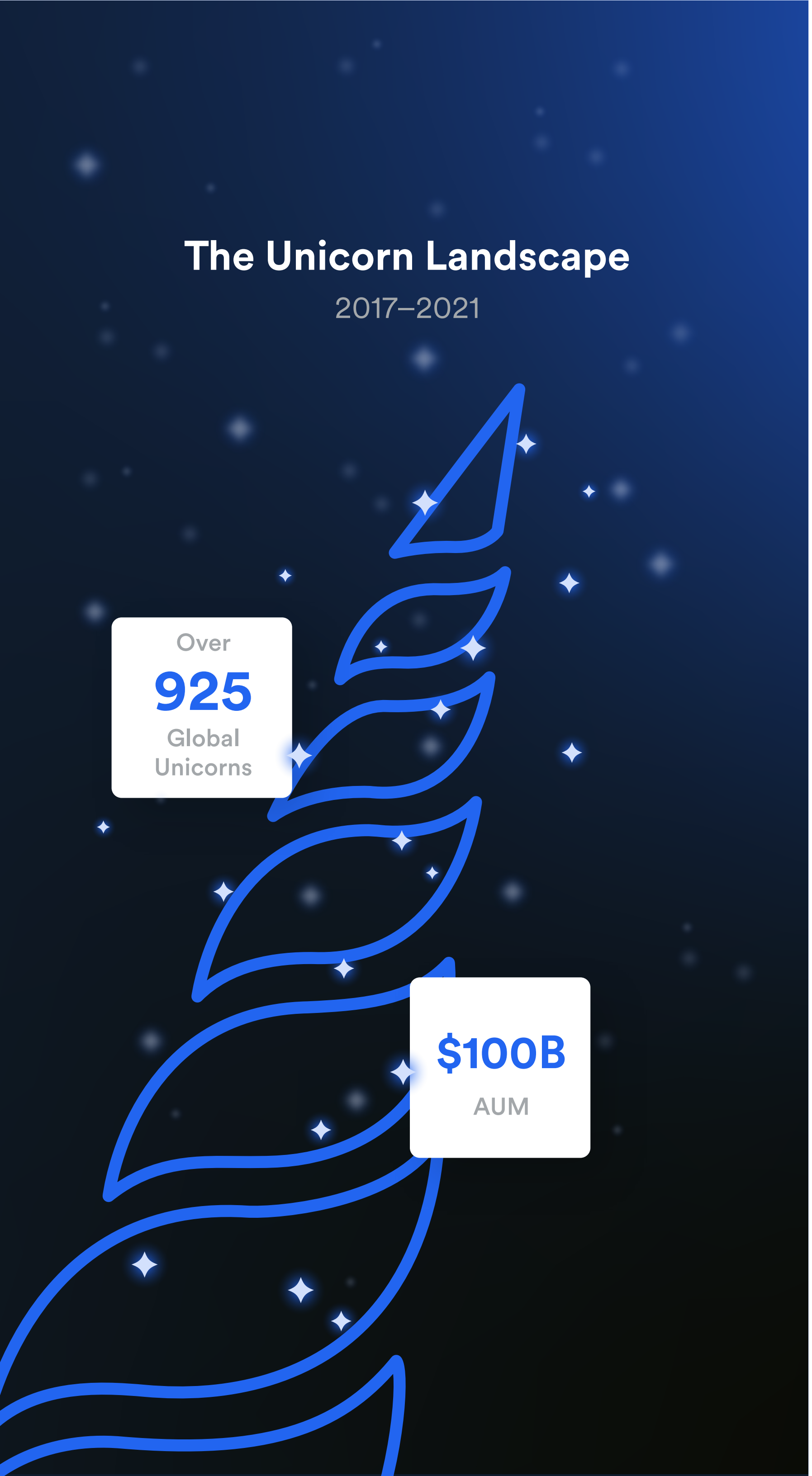
When the pandemic struck, few could have imagined that relationships of all kinds—including those that drive the world of venture capital funding—could be relocated successfully online. Yet there was more funding activity in 2021 than in the previous five years combined. What began with hesitancy to invest in founders with whom VCs had never met in person transitioned into an unprecedented acceleration of deal flow. To fuel those deals, VCs sent more emails, made more introductions, and held more meetings than ever before—despite the restrictions Covid has imposed on us all. So meetings once held over coffee took place online instead.

But what got us here won't get us where we want to go: finding someone's email and sending a cold pitch isn't hard, but identifying the partner with the best connection to a startup's CEO—that takes more than a Slack thread. The impact of a warm intro, powered by a trusted relationship that was easily surfaced through data, can be the difference between closing a deal or landing in the spam folder. So deals once tracked in multiple spreadsheets are more and more often tracked in relationship intelligence platforms like Affinity.

Relationships are essential when it comes to getting deals done, and this is even more true when it comes to funding unicorns. Because of the venture capital sector's extensive use of Affinity, we get a behind-the-scenes look at what it takes to power those deals.

At Affinity, our technology and our development philosophy are driven by the idea that relationship intelligence—insights derived from the automated capture and processing of billions of data points—can drive the VC industry forward and make all of us more successful by helping us understand and nurture our business relationships. In this report, we share those insights with you.

RAY ZHOU
CEO and co-founder of Affinity
San Francisco, January 2022



Introduction

First used in 2013 by venture capitalist Aileen Lee, the term "unicorn" refers to a privately held startup company with a value of over $1 billion. At that time, there were just 39 in the United States; today, there are over 950 unicorns around the globe—twice as many as just two years ago.

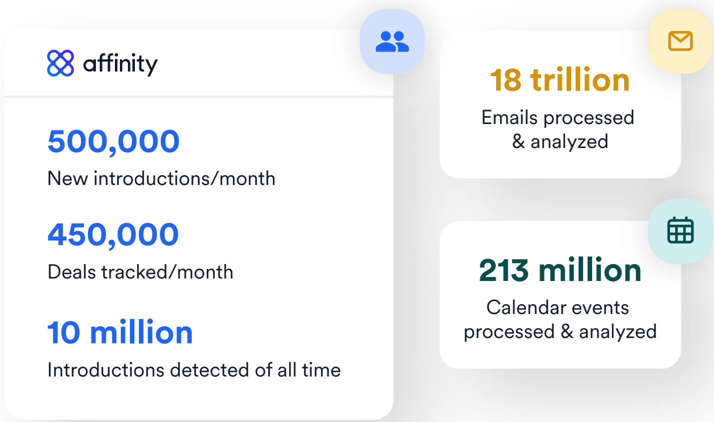
It's not just unicorns that are multiplying; venture capital firms now have more money for investing. In 2021, global financing hit a record $621 billion—more than double 2020's $294 billion, according to CB Insights.

But making the right investments is easier said than done. The questions facing many VCs are: how do you spot a unicorn, and what does it take to forge a relationship before everyone else wants in?

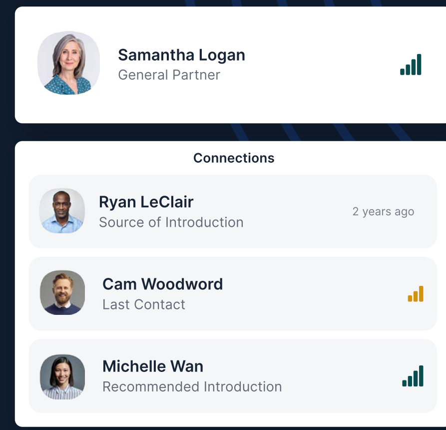
Over 1,700 venture and private capital clients use Affinity, making it possible for us to extrapolate industry trends from aggregated platform data. Across the Affinity platform, over 500,000 new introductions were made and 450,000 deals tracked per month[1]. To get an even clearer picture of trends and data that point toward future unicorn status, we used Affinity Data to analyze over 925 unicorns from the last five years (2017–2021), including a closer look at the top 100 to learn what makes them stand out.

This report, aimed at midsize and small VC firms, outlines where unicorns can be found and provides key data to guide you to the herd.

It covers factors like the key demographics and funding trends that might empower VCs to find the next unicorn. Additionally, we look at the role relationship data plays in building the relationship intelligence that can yield more potential deals and help close more deals faster. We even analyzed firms that invested in multiple unicorns, then benchmarked their relationship behaviors and deal flow to provide the most complete picture yet assembled of what it takes to find and fund the next unicorn.



[1] *In doing the research, we adhere strictly to our* ***security protocols****, so all data has been aggregated and anonymized.*



Relationship Intelligence

Relationship intelligence is the insight into your team's network, business relationships, and customer interactions that help you find, manage, and close deals. Affinity generates these insights through algorithms that analyze data from every email, meeting, and interaction between your organization and every business contact you've engaged with. It also enriches those insights with data from key third-party sources. The "intelligence" includes which contact has the best relationship with someone who can advance a deal, whether anyone on your team knows anyone at a target organization, and whether that organization has new hires with whom your firm can build new relationships.

Key Findings: Unicorns

Approximately [2.5% of startups have a chance of becoming a unicorn](). Despite these odds, the search for the next unicorn has never been more intense. Investing is at its highest point ever, and the number of unicorns is growing rapidly.

So, what is the landscape where unicorns roam?

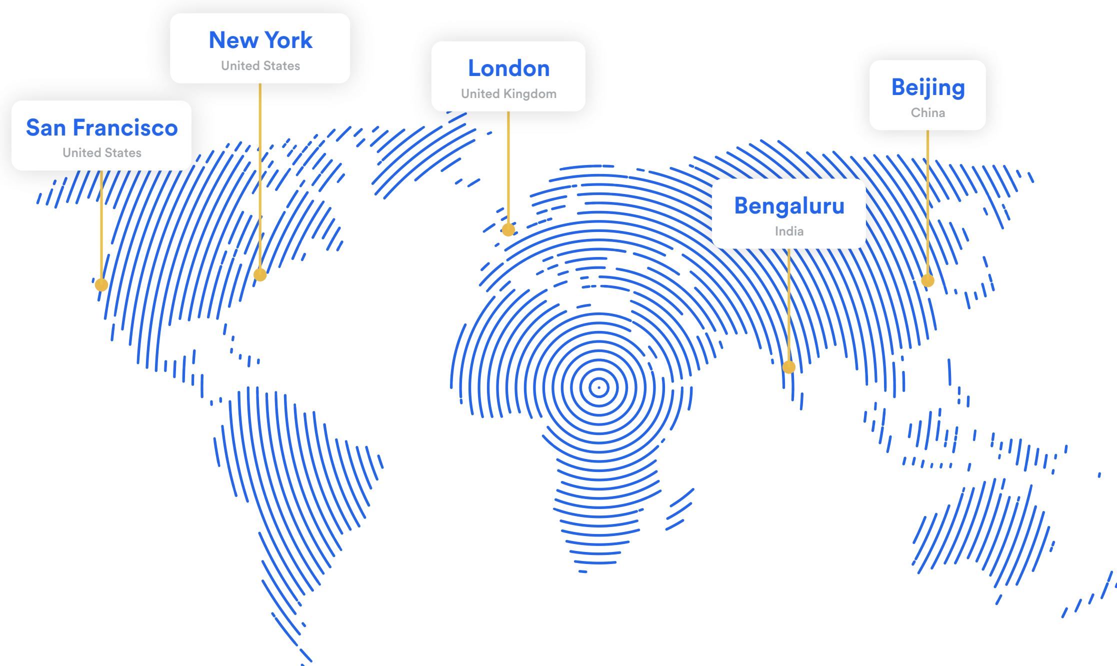
The U.S., and specifically the Bay Area, remains the primary location for unicorn headquarters. That has been consistent for the last five years, so it's there the next unicorn deals are likely to be found.

Unicorn Locations

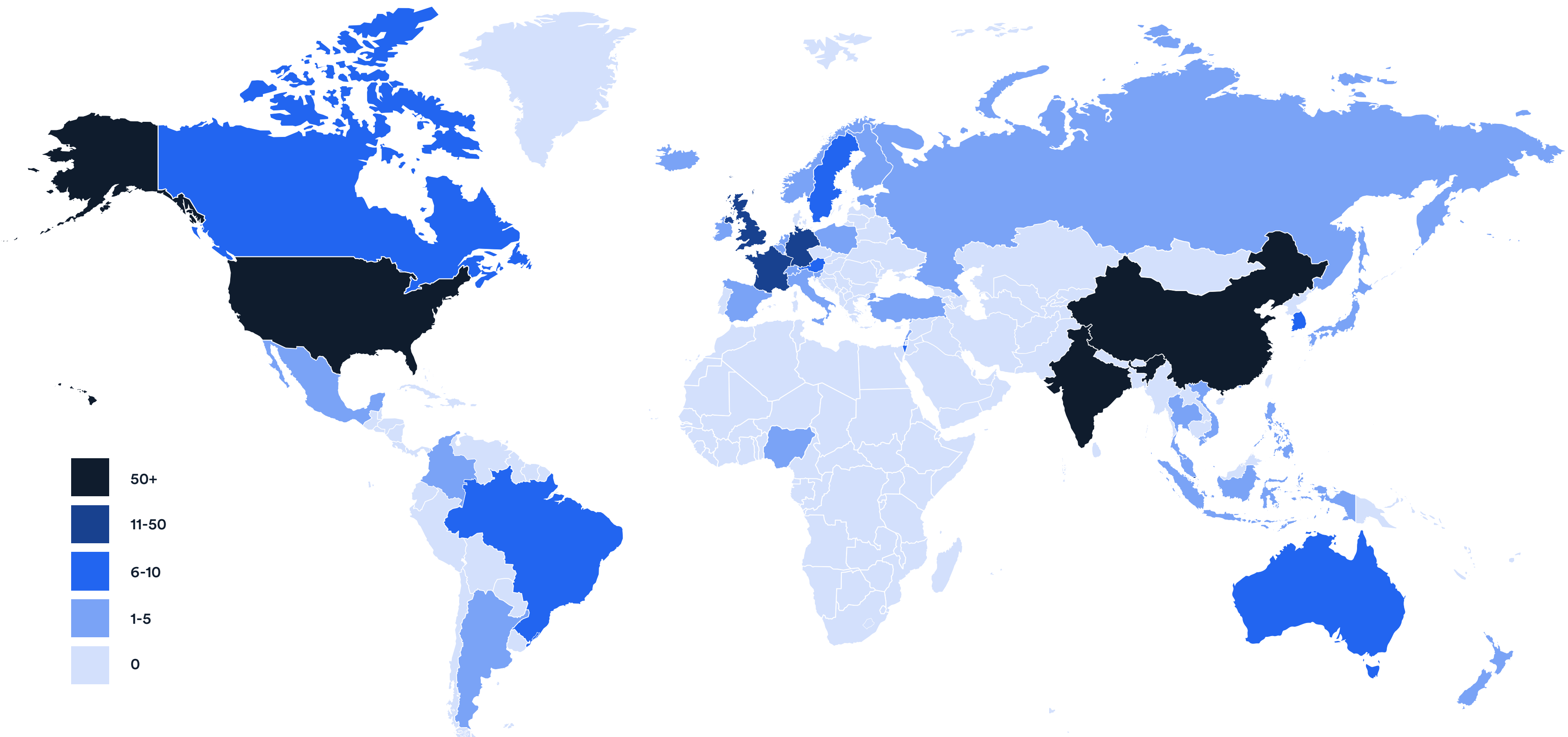
In 2017, 60% of the top 20 unicorns were founded in the U.S., 25% in China, 10% in the U.K., and 5% in Hong Kong. By 2021, the top 20 looked quite different. The U.S. remained on top but accounted for only 43%, while the U.K. had 19%; Canada, Indonesia, and Germany represented 10%, and India, Austria, and France 5%.

While the U.S. (57%), China (12%) and the U.K. (10%) make up the majority of the top 20 unicorns from each of the past five years (2017–2021), those unicorns are spread across 44 cities, from Bengaluru to West Menlo Park. If we look at the nearly 950 unicorns from the last 5 years, the picture is similar, with the U.S. representing the majority (59%), followed by China (13%), India (6%), and the U.K. (4%).

Top five locations for unicorns: 2017–2021



Unicorns by Country



Argentina: 2
Australia: 8
Austria: 2
Belgium: 1
Brazil: 11
Bulgaria: 1
Canada: 13
China: 122
Colombia: 1
Estonia: 1
Finland: 3
France: 13
Germany: 20
Hong Kong: 4
Iceland: 1
India: 52
Indonesia: 5
Ireland: 1
Israel: 10
Italy: 2
Japan: 3
Lebanon: 1
Malaysia: 1
Mexico: 4
Netherlands: 3
New Zealand: 1
Nigeria: 1
Norway: 2
Philippines: 2
Poland: 2
Russia: 1
Singapore: 16
Slovenia: 1
South Korea: 11
Spain: 3
Sweden: 4
Switzerland: 3
Thailand: 2
Turkey: 1
United Kingdom: 40
United States: 533
Vietnam: 2

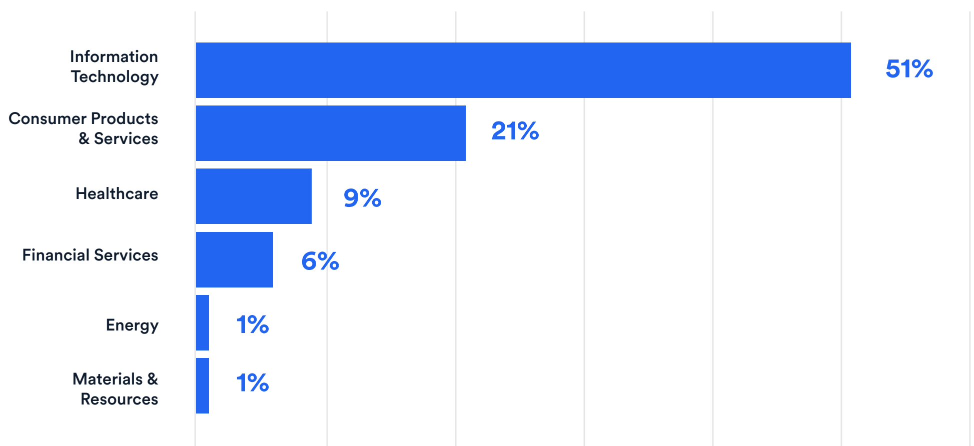
Unicorn Industries

Unicorns are still heavily concentrated in technology. Over the last five years, the majority (51%) of companies that reached unicorn status came from the information technology space. Other industries represented include consumer products and services (21%), healthcare (9%), financial services (6%), energy (1%), and materials and resources (1%).

Most VCs are focused in the tech sector, and many startups cross categories, but 25 of the top 100 unicorns consider their primary sector to be consumer products and services, not information technology. They're not tech companies: they're tech-enabled product companies.

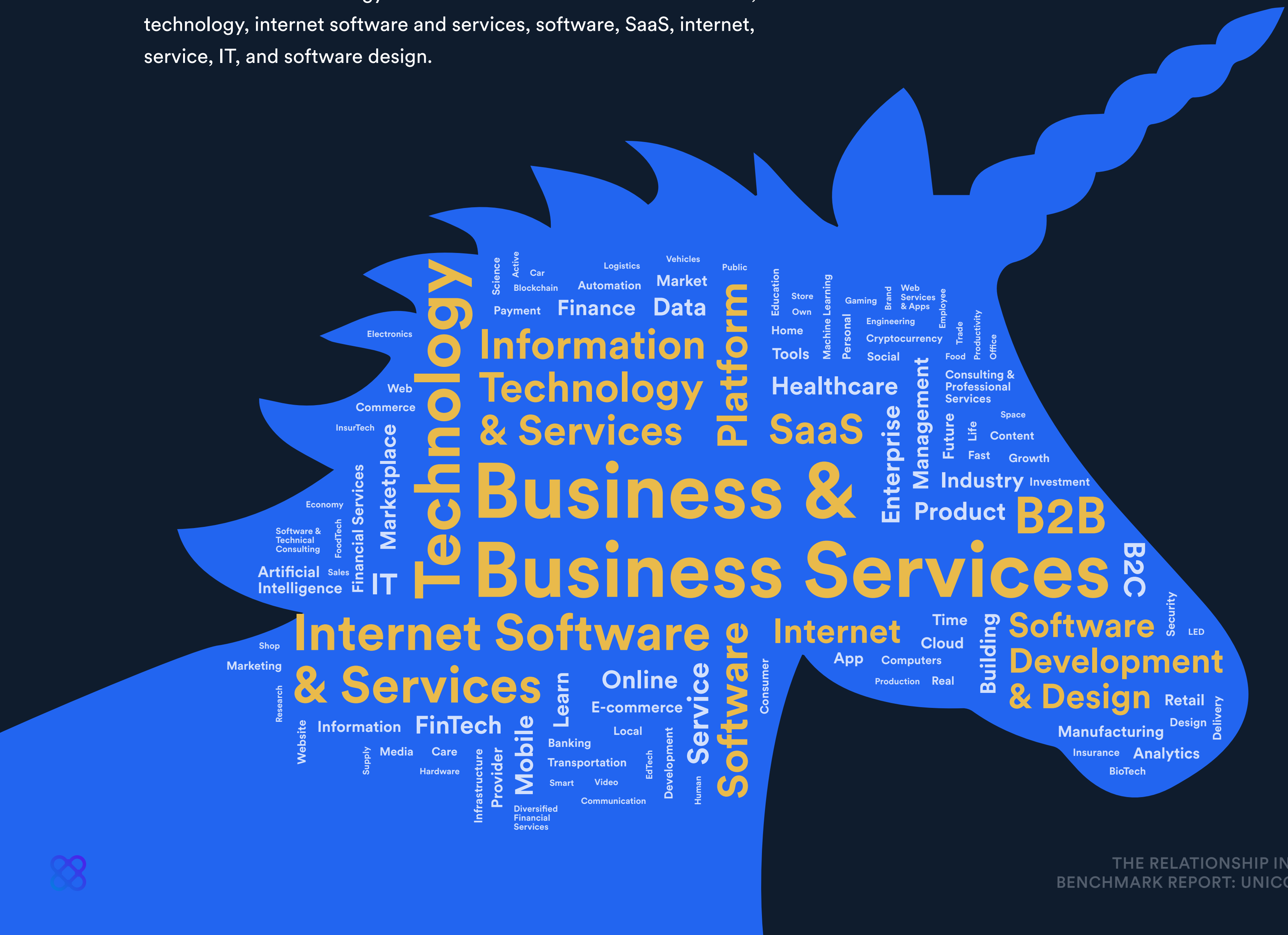
Unicorns by Industry

2017–2021



Top Unicorn Keywords

Unsurprisingly, the top 10 key terms companies use to describe themselves are technology-focused: business and business services, technology, internet software and services, software, SaaS, internet, service, IT, and software design.



HIGHLIGHT:

R/GA Gains a Deeper Understanding of Its Business Network

R/GA Ventures, a corporate venture fund launched in 2014 by R/GA, an award-winning digital marketing agency and consultancy, turned to Affinity to gain a deeper understanding of its network.

Affinity's People Dashboard gives the R/GA Ventures global team a comprehensive view of its business contacts, enabling it to effectively source new relationships among its existing contacts while also forging new professional networks. The entire team has complete visibility into where deals have transpired and where future opportunities exist. Affinity's filters enable the team to understand the composition of its network at a granular level. Using these filters, the team is able to effectively track deal flow by location, industry, sector, and other key factors, and ensure that it is sufficiently diversified and primed for continued growth.

Affinity's privacy safeguards were fundamental to R/GA Ventures' decision to adopt Affinity. As a corporate venture fund involved in sensitive discussions, their team needed widespread visibility into the firm's business relationships while maintaining utmost privacy for the specifics of their business conversations. As the team expands, Affinity will enable it to maintain a competitive advantage while remaining confident that its proprietary relationship data is protected.

Read the case study >

R/GA

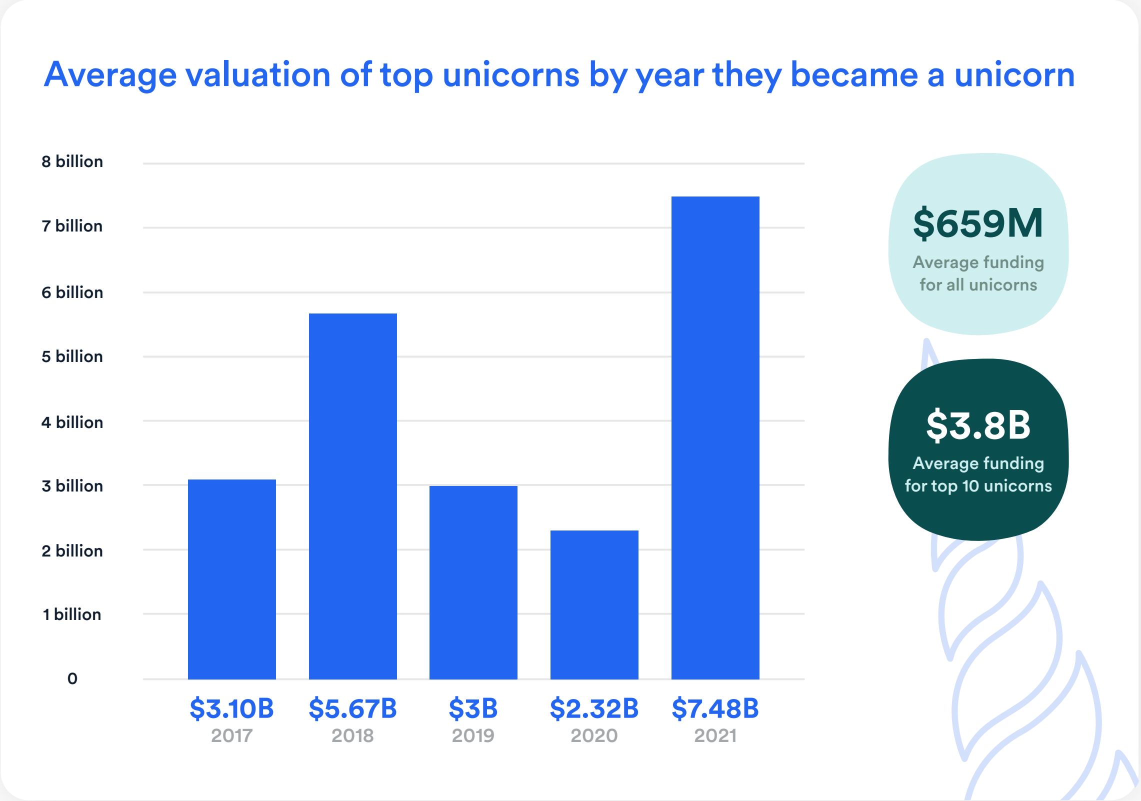
"The only value that I can actually control, maintain, and share is my network. Working in a distributed environment and in different companies around the world, if I can have better visibility into my network, I can provide better opportunities to our portfolio and our global clients and partners. At the end of the day, everything comes down to people and the relationships you have with them."

DYLAN BOYD
Director, New Programs Development,
R/GA Ventures

Unicorn Investment

The average funding for all companies that reached unicorn status over the last five years is $659 million; for the top 100 unicorns, it is $3.8 billion. Additionally, the average valuation of the top unicorns by year they became a unicorn is:

- 2017: $3.10 billion
- 2018: $5.67 billion
- 2019: $3 billion
- 2020: $2.32 billion
- 2021: $7.48 billion



Breaking down the total funding for the top 100 unicorns by industry, the areas with the most investment were:

- **Consumer durables:** average funding $1.8 billion (total funding $19.92 billion)
- **Services (non-financial):** average funding $1.76 billion (total funding $37 billion)
- **Restaurants, hotels, and leisure:** average funding $1.38 billion (total funding $11 billion)
- **Transportation:** average funding $1.23 billion (total funding $43.1 billion)
- **Commercial transportation:** average funding $1.1 billion (total funding $2.2 billion)
- **Retail:** average funding $1 billion (total funding $37.6 billion)

While the companies that reach unicorn status in under a year grab headlines, the data shows that in the top 100, the average unicorn is a bit more mature, with an average age of 7 at the time of achieving unicorn status.

2021 was a landmark year for startup funding, with more and larger deals being struck. The influx of capital translates to an increase in the number of unicorns. The chances of funding a single unicorn are increasing, but funding multiple unicorns or a top 100 unicorn remains the biggest challenge.

Total Funding for Top Unicorn Industries

Transportation

$1.23B Average Funding | **$43.1B** Total Funding

Retail

$1B Average Funding | **$37.6B** Total Funding

Restaurants, Hotels, & Leisure

$1.38B Average Funding | **$11B** Total Funding

Commercial Transportation

$1.1B Average Funding | **$2.2B** Total Funding

Consumer Durables

$1.8B Average Funding | **$19.92B** Total Funding

Services (non-financial)

$1.76B Average Funding | **$37B** Total Funding

Founder Gender Diversity

While the news is peppered with stories of how VC firms are eager to increase gender diversity among founders, using our proprietary data model, Affinity Data, we discovered that there's still work to be done.

Across all of the unicorns we analyzed, gender[2] diversity isn't increasing—in fact, it's decreasing sharply. In 2017, 87% of unicorns were founded by men and 13% by women; four years later, 94% were founded by men and just 6% by women.

The number of female-founded unicorns is decreasing. If the drive to increase that number is to be successful, understanding the reasons behind this data is critical. This data is for unicorns, which by their nature are mature organizations, so the metrics may not present a picture of early-stage startup funding today. We hope to see more gender equality in future reports.

Founder Gender Diversity

[2] *At present our data does not contain details of founders who identify with genders outside of this binary.*

HIGHLIGHT:

DCM Ventures Leverages Greater Relationship Data

DCM Ventures, a venture capital firm with over $3 billion under management, found it difficult to prioritize an avalanche of meetings, emails, and calendar invitations, which is when they sought help from Affinity's relationship intelligence platform.

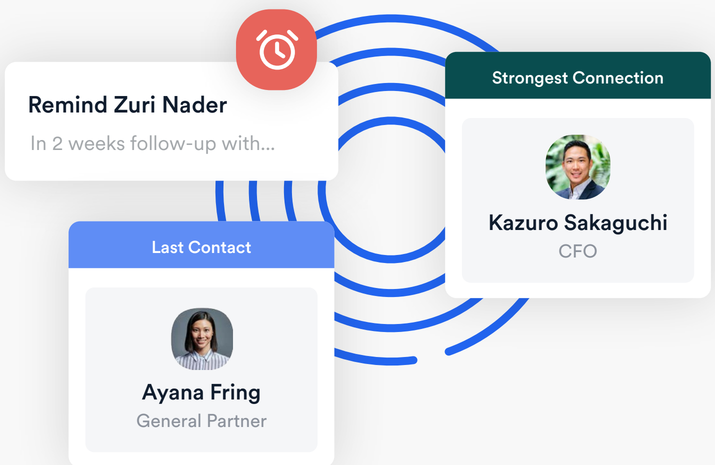
By linking directly with users' email and calendar data, Affinity captures every interaction with people and companies and auto-populates the information into an online dashboard. Using artificial intelligence algorithms, Affinity then calculates the strength of each relationship, helping DCM prioritize current interactions, identify new opportunities, and monitor future obligations.

The volume and speed of communication makes it nearly impossible to track manually. Affinity leverages AI and automation to ease the burden.

Read the case study >

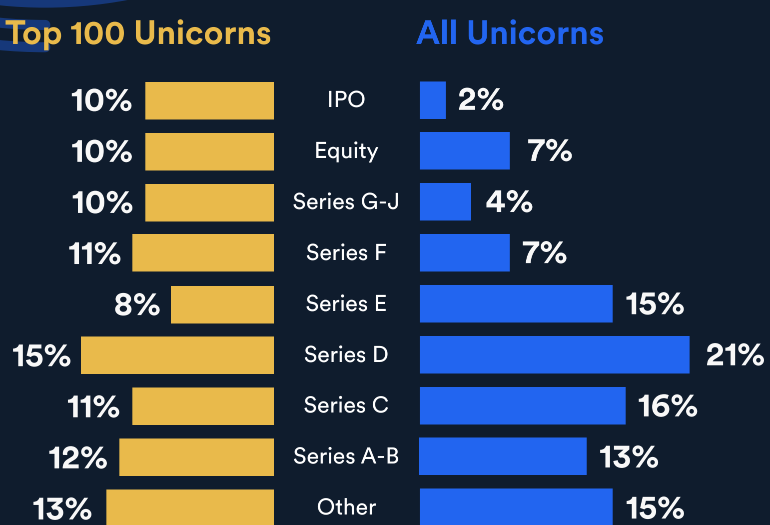
"The biggest problems Affinity helps me solve are how to track all my activity and how to prioritize time. It makes me a better investor. All of the things I need to do a day-to-day basis I now do in Affinity."

KYLE LUI
Partner, DCM



Funding Stage

(2017-2021)



Where Are the Unicorns Now?

"'Get big fast' has been a startup mantra since the 1990s," wrote the *Harvard Business Review* (HBR). To do that, according to a November 2020 Crunchbase article, "companies eventually have to either go public or get acquired in order to return value to their investors. For unicorn companies, going public is the preferred avenue by a ratio of 2-to-1."

In 2021, the initial public offering market was at an all-time high; over 900 companies went public and more than $350 billion was raised. However, even for unicorns, going public remains a lofty goal.

> **Of the unicorns over the last five years we analyzed, just 2% have gone public or are in the IPO process; that increases to 10% for the top 100.**

Instead, unicorns can be found in various stages of funding. Of all unicorns, 21% have raised Series D; for the top 100, 15% have raised Series D. Additionally, for all unicorns, the remaining have raised Series A-B (13%), Series C (16%), or Series E (15%).

With unicorns in various stages of funding and VCs competing fiercely for the front of the herd, the most successful VCs track and manage deal flow strategically by filtering out only the data they need to inform their decisions. This is critical, as very few deals are actually funded.

[According to an HBR survey](), for each deal a VC firm closes, it considers approximately 100 deals. Of those, 28 “will lead to a meeting with management; 10 will be reviewed at a partner meeting; 4.8 will proceed to due diligence; 1.7 will move on to the negotiation of a term sheet with the startup; and only one will actually be funded.”

The more funding a company has, the more likely it is to be a unicorn, and VCs are relying on data to find unicorns in earlier stages of their funding journey.

ERIC EMMONS
Managing Director,
MassMutual Ventures

HIGHLIGHT:

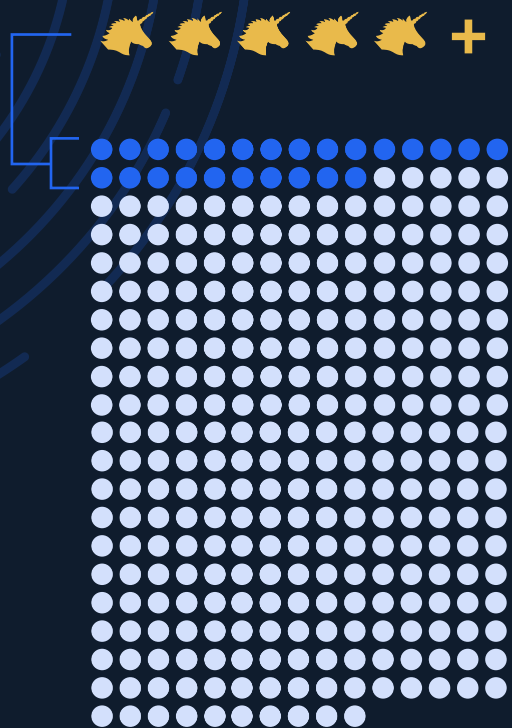
MassMutual Ventures Breaks Silos, Gains Relationship Intelligence

As a part of a 10,000+ person organization, MassMutual Ventures is replete with institutional knowledge. Prior to Affinity, MassMutual Ventures’ VC arm struggled to keep track of contacts, deal flow, pipeline, vendors, and other critical information. Affinity’s lists feature has helped MassMutual Ventures consolidate and centralize information and make it easy to share among all members of the global organization.

Before implementing Affinity, information about MassMutual Ventures’ relationships with its portfolio companies was siloed. With Affinity, MassMutual Ventures was able to break down those silos by instantly surfacing email communications with 20,000 individuals across 3,400 organizations over the past four years. All team members now have insight into the context and status of relationships with their portfolio companies. MassMutual Ventures has also leveraged Affinity’s Alliance feature to surface new relationships and nurture existing relationships with key entrepreneurs, future prospects, and current clients.

Read the case study >

25/310 firms
invested in 5+ unicorns



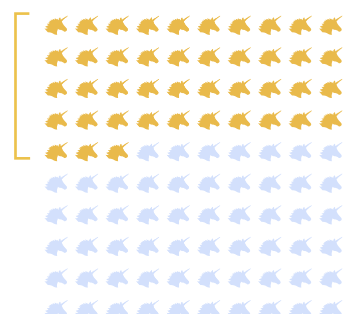
Key Findings: Investors

Past performance does not guarantee future returns, the caveat goes, but according to a [2019 Yale School of Management study](), VC is the exception. The top firms are repeatedly able to invest in companies that become unicorns. Affinity's analysis confirms this. The top 20 firms that invested in the most unicorns over the last five years make 43% of all investments in unicorns. Further, our data shows that over the last five years, 310 firms have invested in unicorns, but only 25 firms have invested in five or more.

Yes, it takes money to make money, and success breeds success. However, very few firms have invested in more than five unicorns, pointing to an ongoing opportunity for more firms to invest earlier in future unicorns.

43%

of all investments in unicorns are made by the top 20 firms



THE VC STORY:

The Funding of a Unicorn

Mar Hershenson, Founding Managing Partner at Pear Ventures, told Affinity, “As an early-stage investor, my constant focus is finding new ways to turn my connections into my portfolio’s next hundred opportunities.”

And that’s what finding the next unicorn boils down to: relationships.

In fact, according to HBR, “More than 30% of deals come from leads from VCs’ former colleagues or work acquaintances” as well as other contacts such as other investors (20%) or referrals (8%). Only 10% come from cold pitches.” Further:

> **“Few deals are produced by founders who beat a path to a VC’s door without a prior connection.”**

This is what our analysis shows as well.

We found commonalities in the tactics of top investors: a large network and a plethora of introductions and strategic meetings that, even in a virtual business environment, are converting into deal flow.

According to our research, the network size of the top VC firms—those that invested in the most unicorns over the last five years—investing in unicorns averaged a collective network of 88,774 connections per firm. That’s 2,293 per person—22% more than the average across all VC firms. Those top firms also make an average of over 2,500 introductions annually. Even more stunning, top VCs send more than 90,000 emails and have over 18,000 meetings each year—all while tracking 6,000 deals each month.

Most deals come from former colleagues or work acquaintances. To find those relationships, VCs are pulling from large collective networks of over 2,200 contacts per person. That means they are managing too much data to do so successfully without automation technology.

“As an early stage investor, my constant focus is finding new ways to turn my connections into my portfolio's next hundred opportunities.”

MAR HERSHENSON
Founding Managing Partner

Relationship Intelligence

The top VCs on average had:

	New Contacts	Outside Meetings	New Deals	External Emails
2020	2,993	15,736	5,167	2,678
2021	2,526	18,305	6,319	2,726

2020 2,993 contacts
2021 2,526 contacts

2020 15,736 meetings
2021 18,305 meetings

2020 5,167 deals
2021 6,319 deals

2020 2,678 emails
2021 2,726 emails

The Top VC firms had a **network 22% bigger** than the average across all VC firms.

Sent an average of 454 emails per month (compared with 175 across all VC firms)

Managed 26 deals per month (compared with an average of 24 across all VCs firms)

Met with people outside their firm 69 times per month (compared with 42 across all VC firms)

Relationship Management Technology

According to research done decades ago by Oxford professor Robin Dunbar of "Dunbar's Number" fame, the human brain can only keep track of about 150 personal connections. His research has since been called into question—in part by those examining the influence of social networking technologies, which extend the quantity, if not the quality, of relationships we can manage.

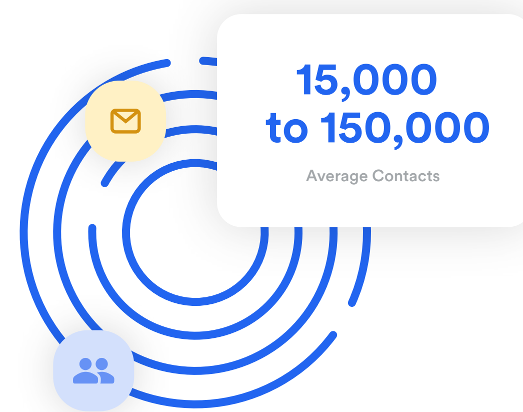
But whether or not Dunbar is correct,

> **"people on the outer edge of our networks often end up being the most helpful for career advancement or creative ideas,"**

according to one Columbia University Business School professor familiar with Dunbar's work.

How does this research relate to venture capital firms? For starters, VCs are more likely to have networks of 15,000 or 150,000—much greater than Dunbar's 150, which highlights the need to tap into technology to manage and leverage those extended business contacts. Automated data capture makes collecting that volume of data manageable. Technologies that automate and simplify tracking, surfacing, and elevating those relationships can help your team make sense of the connections among their collective business network.

Relationships are key to closing deals. Whether you're one of the largest VCs or one of the smallest, tapping into AI-driven relationship data is essential to finding the strongest link to the next unicorn. And the sheer vastness of the data that underlies that relationship intelligence can't be managed manually; automated data capture is needed to maintain data integrity and ensure VCs spend less time managing data and more time leveraging it to close deals.



Conclusion

Dropbox co-founder Drew Houston once said, "Don't worry about failure; you only have to be right once." This may be true for founders, but for investors who need to be right at scale the story looks a little different.

In fact, our research found that while over 400 firms have invested in a unicorn over the last five years, 74% have only "been right" once. The story changes for the top firms: the top 20 investing in 43% of all unicorns. But those firms have something in common: their investment decisions are informed by relationship intelligence.

Those same top firms have huge networks (2,293 per person) and make an average of over 2,500 introductions annually. That's a lot of relationships. As a result, they are managing more deals (22% more in 2021 over 2020). And with the average valuation of a unicorn in 2021 up more than $5 billion over 2020, there's a big upside to being right more than once.

It's clear that they are doing something different:

- **Managing data efficiently:** Freeing VCs from manual CRM data entry leaves them with more time for strategic endeavors, meeting key contacts—and hunting unicorns. According to a Forrester Report, nearly 70% of executives with CRMs believe that "customer, prospect, and account data comes from too many sources to easily make sense of it." And manual data entry—from one source or a hundred—causes productivity to nosedive. As a result, plans to leverage automation to improve productivity are widespread.
- **Tracking deals accurately:** Faulty, incomplete, and siloed data leads to missed opportunities. And a pipeline clogged with emails, notes from business meetings, and the news and financial data that inform a deal can lead to unreliable record-keeping. Successful VCs have gained confidence by moving beyond the spreadsheet. They track their deal pipeline on a centralized platform that ensures contact and company profiles are accurate, enriched with information from key third-party sources, and always visible to the entire team.
- **Finding the right relationships easily:** Relationships are foundational for every VC—whether you're unicorn hunting or just looking for your next deal. The most successful VC firms are moving beyond customer relationship management to relationship intelligence about their entire professional network. An automated relationship intelligence platform can help you find the right relationships, nurture them long-term, and open the doors that lead to successfully closing the next unicorn.

> **Get in touch with Affinity to learn how top venture capital firms are using their relationships to catch more unicorns.**