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Benchmark x Sketch

Sarthak Haribhakti

14-17 minutes

I am going to try to reverse engineer why Benchmark [invested](#) twenty million dollars in the European company Sketch that was founded in 2010 and share why I think it is a very counterintuitive bet. This was a very interesting investment given the [current state of design tools landscape](#) with both late stage, well capitalized, [popular startups](#) and a savvy incumbent led by one of most seasoned and well known [operators](#) and one of the most effective [turnaround public company CEOs](#).

Figma's \$40 million in Series C funding led by Sequoia was announced earlier this year. Figma has captured a vast majority of tech twitter's mindshare. Almost every designer I know uses it. Everyone online in my bubble raves about it. Companies like [Square](#), [Twitter](#) and [Uber](#) use Figma. Top tier investors like Greylock, Index Ventures and KPCB have led its prior financing rounds. KPCB's Mamoon Hamid who led the Figma investment has a stellar track record (Slack, Box, Intercom, Rippling, Front) in enterprise SaaS tools.

Here's Index's Danny Rimir on why he led the investment in Figma in [2015](#) :

"The visionary team at Figma has not only recognized that design (and designers) are going to be paramount to the future of the creative economy, but they have also realized that these designers need to work in a completely different way than what they've done in the past. Whether it's Adobe or Sketch, Figma is challenging and rethinking today's default design solutions. Figma has developed a design platform that enables designers to build and share their work collaboratively. No longer is design siloed-- no longer are designs an individual endeavor. With Figma, designers and collaborators can share and iterate in a synchronized manner.....Figma is professional-grade software built specifically to create interface design projects directly in a web browser. It offers the speed and stability of powerful legacy design programs like Adobe, but with the versatility and collaborative flexibility of online apps like Google Docs. With Figma, design becomes shareable across teams no matter where the members are located."

Here's Greylock's John Lilly who led the Figma investment on the problems in design tools landscape and potential and differentiation of Figma in [2017](#) :

"Designers must run them locally on their computers, syncing to file storage services and exporting inert versions to share with collaborators. In other words: in a world of collaboration, design has remained a stubbornly solo activity.....From the beginning, Figma had a lot of things going right for it. It broke down barriers to collaboration between teammates because it ran on any operating system, its files are always up-to-date, and multiple people could work together in real-time.....oday the company announced Figma 2.0, with prototyping and developer handoff integrated into the design tool itself. That means that for the first time, the entire product team can work together in one live, always up-to-date environment for ideation, design, prototyping, and code delivery. No other design tool today offers this."

Here's Sequoia's Andrew Reed who led the Figma investment in [2019](#) :

We checked the data: there are Figma users in close to 50% of Sequoia's US portfolio companies already. Product usage and revenue are growing at fantastic clips. Executives, product managers, designers, and engineers alike rave about Figma's immediate impact on their product velocity.....This wasn't always obvious. When Figma originally launched a few years ago, most people were skeptical. To be honest, I was a skeptic myself. "There's no way designers are going to spend every day working in the browser -- it's like asking someone in finance to abandon Excel." Back then when people tried it, it was missing a critical feature or two. The product wasn't quite responsive enough for consistent usage. The early numbers were small. But the Figma team kept pushing and improved and extended the product, day after day. A year ago, I called portfolio companies and they said "Figma's not quite ready." Three months ago, those same people called me back proactively and insisted we give Figma another look.

As one can tell, Figma is incredible. A lot of savvy investors and intended users think so. [Here's a progress report](#) on how far the company has come in 2018.

There is yet another incredible fast growing late stage startup that was founded in 2011 and that announced a series F financing led by Spark Capital end of last year. It's InVision!

Its customers include Adidas, Amazon, Netflix, Starbucks and Uber. Recognizable funds like Battery Ventures, Tiger Global and Accel have led their prior financing rounds. Spark's portfolio includes successful enterprise tools like Slack, Pendo and Trello.

Here's Accel's Vas Natarajan who led the InVision investment in [2015](#) :

"Collaboration powers the continuous innovation we see at today's best companies. But despite design's role as a "first-class citizen" in product, creative collaboration has been held back through a lack of tools and standards, yielding all kinds of messy processes that hamper teams. Managing design assets across web and mobile, version controlling with AI/PSD/Sketch files, building high-fidelity models, running usability tests, handing off from design to development — all are largely siloed today on emails, sticky notes and file shares. As design thinking becomes more foundational, product teams yearn for a better way.....InVision was founded in 2011 as a simple but powerful prototyping tool. In the years since, it's morphed into a broader collaboration platform that's now a hub for companies like Uber, Twitter and Evernote. Here designers, PMs, engineers, salespeople, and marketers engage in a common workspace to sync on everything from features-in-process to finished designs. Beyond being the system of record for creative assets, InVision is the system of engagement where conversations and ideas develop in real time. As such, it's become a lynchpin for how product teams do work."

Here's Spark Capital's Megan Quinn in [2017](#) :

"InVision originally started with a prototyping tool that enables design teams to create immersive, animated product prototypes without taxing scarce engineering resources. Customers love the ability to quickly create, share, and collaborate on product prototypes with decision makers across the organization.

Recently the company extended its product offering to become a full design platform for the modern workplace. [InVision Studio](#) and the [InVision Design Systems Manager](#) enable companies of all sizes to seamlessly collaborate at all stages of the product design process. Today InVision powers the product design workflow for more than three million people at tens of thousands of companies, including 80% of the Fortune 100 (and lots of Spark portfolio companies, too!)."

There is a lot in common in how both Invision and Figma have evolved over the years and what both of their lead investors have focused on in their investment announcement posts. Both are very strong cloud based tools that enable prototyping, team collaboration, code integration and file versioning. Both are marching towards becoming full fledged design operating systems in organizations. Both have a SaaS business model that is now widely understood and adopted by enterprise tools.

Here are some facts about Sketch that are worth keeping in mind :

- Sketch literally has none of the differentiators that seem to be the basis for why other design tools are so special, fast-growing and venture backable. It does not have a cloud based app. It does not have file versioning as a result.
- In this era of subscription based business model for enterprise tools, Sketch has always had an old school Microsoft-like business model of one-time licenses for its entire history so far. This is very strange in 2019 where we see so many SaaS companies growing like a weed and going public.
- Sketch is already profitable and has one million paying customers. It's a 50 person team (!!). Figma has announced it has 1 million total users. Invision has disclosed it has surpassed 5 million users. Sketch certainly has a bigger paying userbase than Figma and it is likely that it has more paying users than InVision.
- Sketch introduced a way for designers to quickly review and comment on designs via Sketch Cloud in 2018 while Invision and Figma were built with team collaboration and file versioning in mind from the early days.
- Sketch for Teams will launch this summer.
- Sketch does not have a browser app and will be launching it sometime soon.

Here's Benchmark's [Chetan Puttagunta who led the investment in Sketch](#) :

"It's remarkable what the Sketch team has built. Today, Sketch's rapidly growing and loyal user base is well over 1M paying users who engage with the platform every day as the genesis for their vision to become reality. Sketch gives its customers design superpowers."

Looking ahead, the Sketch team has an aggressive vision of how this powerful platform can be extended to small teams and large enterprises alike. It begins with continuing to make the Sketch native application the absolute best place to begin any design process.

From there, it's about a tightly integrated platform that enables designers, developers, and business users to work together and increase the clock speed of design by bringing collaboration into the native application and bringing parts of the Sketch app into the browser.

Specifically: as teammates make comments, annotations, suggestions - they will show up right in the Sketch application. And by the end of the year, Sketch will begin to extend into the browser for even deeper collaboration."

Chetan, just like the lead investors in Invision & Figma, talks about team collaboration. No surprise there. He also talks about a browser app. That isn't special either. Figma has always had it. What's fascinating here is that he is saying that Sketch will add those things in the near future as opposed to Figma and InVision investors talking about those things as reasons for their investment.

What's most important in what he says is just a one word ie. genesis. If I were to bet on what got Benchmark interested in Sketch and what makes Sketch really differentiated per them, it's that Sketch is where the design process starts. I am no designer but I have seen most of my designer friends start their work in Sketch and import their Sketch files into other tools.

Yes, they haven't had a cloud app, a SaaS business model or a focus on team collaboration or file versioning. But, what truly matters is that Sketch is where it all begins. It is important to note here that almost all the lead investors in Figma and Invision have made bets on horizontal enterprise team collaboration and communication products like Slack and Front. That could explain their focus on team collaboration. Benchmark partners have had an unbeatable track record in Open Source Software (MongoDB, Confluent, Elastic, Cockroach Labs, Docker, Horton Works) and they haven't made bets on any of the newer horizontal enterprise communication/collaboration companies. One could argue Quip and Airtable fit the bill and that Discord comes close to Slack. This could explain their focus on file formats and the genesis of design as opposed to team collaboration.

Benchmark obviously knows what the core differentiators of Figma and InVision are. They also get what Adobe is doing. Scott Beltsy, Adobe's CPO, is a Venture Partner at Benchmark! They are well aware of the growth and execution needed to build a top notch cap table like that of the competitive design tool startups.

It seems like they are looking at the core DNA (ie. team collaboration) of other tools as just features to be added. They are looking at the network effects and influence of Sketch in the design world as the core assets worth making a venture bet on. It should not be forgotten that Sketch is profitable, has one million paying users (they announced this number for the first time in their history), run by an incredibly competent team, based in Europe (both Chetan and Fenton sit on the board of an incredibly well known European company Elastic) and has a capital efficient business (this is their first round of external financing).

People often forget how companies like Atlassian and Adobe have transitioned successfully from licenses to subscriptions along with Microsoft which has also transitioned from solo players tools to team collaboration tools. It is important to keep those precedents in mind while evaluating Sketch's trajectory.

Sketch only has a Mac app. Despite that, they have a fantastic business and formidable position in the design landscape. If someone wants to work with their team and cross-platform, Figma's browser product is obviously what you would pick. If I were to make a venture investment in Sketch, I am most likely thinking that making Sketch cross platform would not only expand Sketch's addressable market but also eliminate a big reason for a lot of designers to switch over from Sketch to Figma and other alternatives. Sketch files are where most of design begins after all! Its the design version of Facebook introducing Stories and kneecapping Snapchat!

Given what the Sketch team has accomplished so far, there seems to be very little execution risk. With a well defined product roadmap and strategy (product and biz model), they might just be successful in reducing the core DNA of their competitors to mere features.

I very much respect the level of independent thinking and analysis they much have done to make a bet like this in 2019 in a market where a lot of techies will assume Figma and Invision to be market leaders. What fascinates me here isn't how Benchmark partnered with a player they likely thought was underestimated but how counterintuitive it is to make a bet on a company like Sketch because Sketch isn't exactly your typical Silicon Valley startup.

It is easy to go "of course, this makes total sense. Sketch is everywhere!". This would have been my reaction a couple years ago. But, investing in Sketch in 2019 is very different. Time will tell whether my thinking is correct and whether Benchmark's bet pays off. The Series A firm just made a "seed" investment worth 20 million dollars in a company that has never raised capital. That alone is incredible! I'm sure their peers tried to invest at different points in its history and eventually Silicon Valley reasonably made bets on homegrown startups. I am also quite sure a lot of investors were shocked by Sketch's paying user base number. Interesting times!

An update :