

what we're going to talk today about is how to build a product that scales into

a company it's a you know it's it's super it's super common that when you start a company you

start with the product so for those of you starting companies did you have a bolt of lightning where I've got a

product idea and that was the Genesis for starting the conversation ordered or did you spend time deep in an industry

where you understood a problem and decided to explore different products who who started their thinking with a

product as opposed to as opposed to a market by the way most

people do that's not just I'm not trying to I'm not trying to imply that that's not the right way to do it it's the

right way to do it um but it doesn't always scale into a company and so what we want to talk to

about today is about how you take that product idea and how from the beginning you can build in things like thinking

about go to market thinking about pricing all the stuff that turns it into a big company as opposed as opposed to

just thinking straight about the product to the agenda today is to talk about

something that we call the the company Gap um and then talk about how we actually design products from the get-go to span

to span that Gap and that involves both designing for product go to market fit and by go to market I mean you can

actually design products to make them easier to sell and that's super important and then you can architect a business model on top of that which

helps you scale your selling so pricing and all of that stuff so we're going to talk about talk about all that stuff

today so the problem you've heard the term minimum viable

product you've certainly heard the the term product Market fit um you know but it often doesn't get

enough momentum to build a lasting company product Market fit so in the VC business one of the things we're seed

investors at underscore and one of the markers we look for when a company is getting ready to a question number one

do they have product Market fit so I do not mean to imply that product Market fit is bad it's just not enough to build

a big company so when you're going out to raise a series a we want to see a little bit of Revenue we want to see a

class of customer at least a minimum viable segment we'll spend a much time talking about that for which that

product works and so you've repeatedly sold that product a couple times but there's a lot more that has to happen to

get to the next round of funding Beyond just that product Market fit so product Market fit is just one step just one

step along the way so the the challenge is something we call the The Product Company Gap and I

figured I'd you know since I I actually started a company I figured I'd tell you about a company that actually failed to get across that Gap um and that might be

useful I started a company called padient um it was a mobile payments company QR code payments before it was

happening in China and Korea like we actually had to write we had to code our own QR Code Reader we hired a satellite

imagery engineer to build our own QR Reader from scratch the idea was hey we

could use QR codes instead of credit cards to pay for stuff um we knew like we had we started

companies before and we knew that it was going to be hard to build a company a direct a consumer company how are you

going to get millions of people to stop using their cards and and start using QR codes so we took a different strategy to

try to address what I call this Gap to take it from a product idea to something that we can actually deploy at scale in

the marketplace and so we decided to go out after huge retailers we had success

signing Best Buy in Walmart and big retailers like that that would use our technology but build it into their own

app so we were like okay we're going to use a partner and they're going to be the ones that deploy it for us so we

don't have to do the whole direct-to-consumer thing the problem was we didn't we had no idea

how hard it was to get an I.T department at Walmart or at Best Buy or Target to

actually deploy this stuff and do the work see that little payment terminal right there that is a 10-year replacement

cycle doing anything on that payment terminal is like brain surgery for a

retailer and so although we ended up selling our company to PayPal because we had good kind of core technology we it

never got it never turned into a huge company we got a choir we were doing like 10 million in revenue and even at

PayPal with all those resources we couldn't get across the gap into it being a scalable company easy to deploy

millions and millions of users using it on the other hand so not all not all kind of bad news here's an example of a

company that did get across it so YouTube prior to Google it's founded in 2005 or

so in one year they're one of the fastest growing sites on the internet 20 million 20 million uh users a month

absolutely crazy and in less than two years they require a Google for 1.65 billion dollars which in 2006 was just

an absolutely astronomical amount of money they were growing so fast before

they were acquired the platform was falling down it was getting way too expensive to run there was no economic

model whatsoever and there was no prayer of getting across this Gap without someone like Google to come in and what

changed they figured out how to monetize it with advertising and YouTube alone

within the Google ecosystem is going to be like a 30 billion dollar business this year so there's it is possible to

get across that it doesn't have to be Google but you need to think about it's not just having the best YouTube was

amazing it was one of the best product in the world it was one of the fastest growing internet sites but just having the great product isn't enough to get

across this Gap so the whole point of today is to talk about the The Product Company get

so it's a it's all about the product right you know it's funny I'm showing the iPhone here Steve Jobs is

I don't know maybe you guys disagree but he's probably the greatest product manager that ever lived period right

he's all about the design all about the Aesthetics of the device so what do you do in this little we're going to try to

get a little interactive here and by the way feel free to interrupt me raise hands what was the big innovation for the

iPhone anyone I mean odd uh the touchscreen

touch screen touch screen so the second thing you said so touch screen clearly the hardware form factor was Innovative

they went for a full screen the device was gorgeous coming out of the gate it was the thing to have it was like a

luxury item it felt beautiful that it was packaged beautifully but I'm with you the real Innovation was

the App Store the ability to have tons and you know tons and tons of apps so that your device could be completely

customized to you and not just the App Store one year after the App Store launched you know what they did they

they introduced in-app purchases so the ability to and we're going to talk a lot about this notion of pricing your

products or making it very easy to deploy products this notion of hey I download an app it's totally free but

then you can upgrade and you can make an in-app purchase and they get 30 of all

of that so it's not always just the product it's not just Steve Jobs thinking of this you know beautiful

aesthetically beautiful device it's also the go to market and the pricing and all

of that stuff that turned it into what of course is just absolutely Blockbuster business um

so here's something here's something maybe it's surprising for you maybe it's not so you guys are early in your journey how many of those of you who

have started a company how many of you are like actually starting to write code and kind of doing all this stuff

anyone writing software yet okay so in the early days of a software

company certainly you spend all your money on development it's you know maybe one founder is a technical founder one's

a business founder but the first five hires are going to be more technical people to kind of build out the product and start to do it but as you scale the

company you end up spending way more money on sales and marketing than you do on on the product and I'll share some

share some data with you that kind of that kind of backs that up what will actually happen is that your expenses will flip so in the early days you've

got your team you hire five or six Engineers certainly as seed investors when we invest in when we invest in seed

companies very often it's you know one maybe non-technical person and the rest of the folks are Engineers for example

no marketing people no director of sales no customer success people but what happens is as you start to

bring your product to Market and you get past this kind of MVP and what we call founder-led sales where the founders the

one Founders the one sales person and they go out and close all the deals as you start to get past that what happens

is it flips you start to have to spend much more money on on marketing than you do on

development now what actually happens is that there's there's in the SAS business

and I'm maybe not all of you aren't creating SAS businesses um there's rules that have started to emerge about how you Benchmark companies

that are doing this thing there's a rule called 40 20 20 where for mature mature

companies in a mature line of business forty percent of the revenue is on sales and marketing 20

um is on product and research so it's actually sick it's actually 60 it's actually uh 60 to 20 60 to 20 in in from

SG a compared to r d for a mature scalable product and this is literally these are literally benchmarks that

people use to to more and more these days too especially since valuations are compressing and everyone actually cares

about metrics again these are benchmarks people use and certainly investors use to Value companies decide how much money

to invest in it this is data and I put a link down here it's actually worth kind of digging into um crunchbase did a survey across all

kind of software segments but SAS was one of the biggest ones but social networks and others where they looked at

how the expenditure change how the expenditures on R D changed as a company

approached a public offering and if you look Salesforce and log me in to kind of

put classic public company SAS Salesforce in fact invented the SAS business model and if you see you have

their their products spend as a percentage of Revenue changes as they approached IPO

just what I was saying right it's starting to go down both of those companies are profitable you look at a

more recent IPO mongodb they're not profitable even so heading

into the IPO they're kind of trending towards trying to get to that 20 percent but perhaps part of the reason they're

not profitable they're still spending a ton on R D and then when you look at someone like Twitter

um huge in the early days huge kind of r d expenses generally trending down one

of the ones I found super interesting though of course was meta so as meta was getting ready to go public they were a super efficient product organization

right the expenditure of Revenue 10 10 7 10 as a percentage of Revenue

when you compare it to what's going on now with like the metaverse like these guys that you probably you know you've

probably read some of the stories the stocks tanking and all this they're likely to spend 30 of their revenue now

on just the metaverse product and so that's an example of a company that was maturity

had kind of r d spent expenses in a more appropriate place but as they invest in a new product line you will see those

expenses go up so it's not that it's a hard and fast rule but on a per product

line and certainly when you're just starting up you have to be prepared for the fact that it's going to flip as you

start going forward any is there anything surprising there you what's you have a question question

on your last slide I think you have something called a g a yeah uh General General and

administrative expenses yeah it's just kind of back office stuff

so I'm sorry I should have I should be careful with my acronyms you're very right so it's software as a service

and so it's it's the notion where you software lives in the cloud typically a subscription-based revenue model

um it's generally the most popular software pricing model now very few people actually sell software that you

install on on premise and subscription revenues are great for predictability and all that other stuff all right let's

keep going okay so the purpose of this session is how do you think about this stuff up front and how do you build that

in to the products the products that you're creating so let's so what we're going to do for the rest of the session today is this is kind of the agenda of

the things that we're going to talk through to kind of guide us through this this this forethought of building

products for delivery really we're going to start talking about um just the design in the design stage of the

product how you actually design a product for go to market fit not just product Market fit but go to market fit

we're going to talk a little bit about value prop um a little bit but what we call minimum viable segment and then how you build a

build a repeatable product so when we talk about designing a product for um product Market fit the

first thing you do when you're building you know a product is you build an MVP it's called minimum viable product

um this will be a little bit of review just a couple slides I promise we won't we won't harp on it too much

um but it's super important you triple check your value proposition before you do anything before you spend any money

before you hire Engineers because if you're not solving a valuable problem nobody's going to pay for it and you

won't you won't build you won't end up building a a valuable company and viable

viable just means you can kind of build it and deploy it and the software works it doesn't mean people will pay for it

so it's important that you really double and triple check that value proposition before you spend even a dime so you have

that you have confidence in it this may look familiar to you this was part of the stuff that was discussed in that previous session two weeks ago you know

this is the framing that we use to talk about kind of to value proposition but is is this a product that addresses



a need is there an unworkable unavoidable urgent problem or an underserved Market we call it the four

use and then there's the 3DS is the solution the product that you've built is it discontinuous is it defensible is

it disruptive and again um I know this is a little bit of a little bit of review and we do those of you remember

we did we talk about something called the black and white framework is is the product you know on that you kind of you

get we have a nice two by two here where we talk about blatant latent aspirational and critical good example of latent and aspirational

Gucci it's it's obviously aspirational generally speaking you see products that

look like that more on the direct the consumer side consumers like it you can build gigantic multi-billion companies

with something that's latent and aspirational so that doesn't mean bottom left quadrant is bad at all in this case

um but it's not it's not um it's not blatant and critical on the other hand

um those of you who are old enough or as old as me remember when the cell phone came out cell phone was a status symbol

for a long time at first it was in the car you had cords and stuff there was no good reason to do that other than to

flex on your friends and especially when you know the phones were like this big and you had to hold them hold them with two hands it didn't take long and the

iPhone and the maturity of android devices really really changed it before it became absolutely blatant and

critical it's critical you know I have kids like kids get phones when they're 10 11 12 because you don't even know how

to pick them up at the bus it's blatant and critical for consumers it's blatant and critical for business so it is

possible for products to move from latent and aspirational up as they

mature and then I thought I'd just give a you know a little example of another one so

Oculus or VR glasses any of you play VR games guilty um it's latent and aspirational now it's literally a toy um or or is it

it's not this is an example of something that right now you might argue is still sitting in that lower left quadrant as

an aspirational product it's clearly going to move up up into the right and

not just because of what meta is doing with the metaverse but because of Industry um you know the ability to check this I

think one of that screenshot at the top was the ability to kind of check the skin of an aircraft with VR goggles that can kind of detect stuff that you can't

with your eyes to operate Factory machinery and you know not a pleasant subject but every day on TV with what's

going on Ukraine you see what's going on with drones and everybody is wearing VR goggles to Pilot those drones it's now

it's now a absolutely common part of War fighting question in India we have a defense incubation

Center called uh Forge okay and the weaponizing Drone part is something that

that is so deeply rooted with arvi and uh and uh and camera with his drones is

it's so critical that at any particular point of time there is a pilot flying that Dune and he or she is supposed to

neutralize some targets and even a latency lag of a microsecond can

can result in someone else being shot so this is how critical it is becoming literally literally life and death yes

literally life and death literally life and death and it's you know and look not everyone's building kind of you know a hardware product that that evolves and

maybe you are that evolves in that way the broader point is to think about how your product fits in this Matrix in the

late and aspirational blatant and critical Matrix as part of your envisioning your value proposition so

you understand whether you're building something that's valuable and that may be even more valuable as you as you kind

of grow into it so when we talk about bringing an MVP um to Market

minimum viable product you've built and I'll I'll continue to do software examples just since that's my word and I apologize if you're You

Know You're Building you're building something else or a piece of Hardware but you build something small typically you're building a fraction of your total

vision and you and you've got an idea of the people that you want to sell it to

but the most important thing is to be able to sell it to somebody repeatably and to be successful when you do that

and that almost always means you need to find what we call a minimum viable segment and what do I mean by that

what it means is of your Grand Market where you have a dream of you know building a deck of corn that could you

know sell all of your stuff to all of these people you find one segment of that that has consistent needs either

based on the four U's and and the 3DS and stuff that we talked about but it has consistent needs that you think you

can take your small product solve a problem that's important enough for them

and do it over and over again because one of the most important things when you're when you're starting a company is

to be able to prove to yourself and prove to eventually your investors that

you're solving a problem that's important enough even if that first segment is relatively tiny is not enough to you know do 100 million dollars of

Revenue at scale prove that your first idea either works or doesn't for a minimum viable segment

before you try to blow it out and create something much much bigger it's absolutely critical to think that way

and so you find the MVP you fit it into these needs and by the way you ignore

those other segments for now you've got your minimum viable segment and all you want to do is make them successful

question was the size of the minimal by all segment it depends on what you're

building ideally you want to be able to generate some Revenue in there but what but as investors we don't when someone

talks about a minimum viable segment we're not we don't ask about the Tam for a minimum viable segment so the way we

think about it is that the segment is small enough that if you're right for the problem you're solving you can

dominate you could actually dominate that market so you've kind of you've carved out a space that's like okay maybe there's not 100 competitors I'm

going right after this thing I'm solving a very particular problem and I can absolutely dominate it and by dominating

it it's viable you've proven you can succeed in this market with your first idea and by the way doesn't matter if

it's your first idea because you might try you might try it it might be a second it might be your third iteration but it's small bets you're not making

you're not betting the whole house kind of right out of the gate but you want to make sure that there that it's a

combination of pain points budget product use case Channel How would you

sell into them how would you sell into that customer profile and the the center

of the Venn diagram is your your MBS cluster of demand that was actually uh

actually coined by a um as trainer the founder of intercoms of deca corn out on

the west coast um and so and that's important right because what you've done is you've simplified the problem there's only one

channel you're only talking to one department for their budget it's a simple product use case but you want it

to be you want it to be big enough that you can prove those points but it's not about at this point it's not about

Revenue it's about showing that you that your basic idea and then

you repeat it and that you can repeatably sell it so you've got it you've found a couple customers that

want to take this product and then you find five more that look just like them and you're able to do that then you have

something and then you know you can put the pedal to the metal and be like okay I've got this like I'm dominating and by

the way sometimes you can actually go out and raise money just by if the segment to your point if that minimum viable segment is small enough and

you're getting just traction and and we'll talk about business models in a second if you've got a plg product LED

growth where it's free to try and all of a sudden people just order start coming in sometimes you can raise money on that

first shot because you've proved you've got something going especially if you have the vision the expansion Vision to

go along with it so here's an example um this is an example from our our portfolio

um a portfolio from a company that first did it the wrong way and then switched

and figured it out so it's a company called the ploy um and when they started what they do is they're um they're a health care hiring

and onboarding platform nurses doctors um you know a physician's assistant Etc

all of that stuff but they had a Grand Vision for what the platform was going

to do they had 20 different features they were going to have nurses doctors Skilled Nursing Home Health Care senior

centers vets like everything spent a lot of time trying to build the

product across it and did not do well they struggled struggled to raise money struggled to kind of get off the ground

they peeled the whole thing back and said you know what hiring nurses nothing else

and they had Tailwinds from the pandemic but they did this they've been they made that switch before the pandemic the

company started going like this and now if you go to their website guess what's back

Home Health Care Senior Living veterinary care because they prove to themselves prove to their investors that

they were onto something honed the value proposition then expanded tried to do too much at first went for the minimum

viable segment boom and now they're one of the best performing companies in our portfolio question yes the question I

have how do you determine the price for your MVP so we're gonna we're gonna talk a little bit about pricing so let

me I promise you we'll get we're going to do a whole little chunk on on pricing because it's it's it's really important

um so pause that and then you've hit me up if I don't get it right is there a question in the back how do you balance

simplifying the problem and going through the small segment um with I guess like pigeonholing yourself into one like solving one

problem when versus the multiple that you may have in your longer term Vision yes so I'll put on the investor hat so

when we really like to see people that in there because then seed investors so we're usually like the first real check

into a company and so we're we're betting on two things we're betting on

you and we're betting that the vision is big enough to build a big company and so

the vision is absolutely critical an understanding of what you want to become how big it is how you could that's what

you know that's when you get the questions on Tam and all this how big like VCS will come right out and ask you how big can this get sometimes they'll

turn you down and they'll be very blunt and just say I'm not sure this can be a big enough company so the vision is

critical but when you start spending money and you know hiring Engineers or other people to build something or a factory

Etc start with the small but always be able to articulate the big story

is that is that helpful another question about the town uh what

if you're doing well sure like there's lots of ways to do a company so um the VC rock kind of assumes you're

going after a large market right but you can still have a very successful business you know making dollars a year

to be a smaller company um but probably can't go to the BC Rob for that I'm assuming right

so so 100 and if you and I were having a beer together and you were talking about starting company we'd have a very

serious conversation about whether you want to build a VC backed company or whether you want to build a different type of business and the reason is

exactly what you said as Founders and this just goes against the business I'm in but as Founders you can build an

awesome business without taking VC money you can do SBA Loans you can do grants you can do all sorts of other stuff and

continue to own most of the company and build a company that would not be interesting to VCS but would be an

amazing outcome for you for your family for what and lifestyle so it's an

important decision like you shouldn't just assume that VC is the only I think that's what you're getting at right that's not the only like because because

I heard like a VCU might say no but then like somebody might take that as a value

judgment of their company even if a VC is not interested it can still be a very good company right yeah totally agree

and you know and certainly I try to be direct on nose and you know and it's and

it's worthwhile if you're having a conversation with the VC and they say no try to cut through

try to cut through the response right try to try to cut through the the kind of hand wavy response say no no I

actually would really love feedback I love when founders do that and I will I will flat out say hey

that sounds awesome that sounds like the kind of company I would want to work for here's how we think about investing in

businesses our business we're venture capital is largely a hits business you want to invest in companies

that can become very very large 100 million in revenue is kind of how we think about it we're like we want to be able to see a company that without

squinting at it could become 100 million company therefore worth a billion dollars or more and if you have

something that's a small a smaller market and it's you know you and the biggest company that's ever existed in that space is only 50 million that's

okay especially if you've got a better product but will tell you directly that it's probably not a the word we use is a

venture scale business but that doesn't mean it can't be an awesome business totally true

how do you carve out which is the minimum viable segment so in this case of the upload they have Veterinary

Senior Living Healthcare nurses all these like different segments that have different needs and different features

for the product they're building how do you choose one of them to start focusing or if you're building a fintech you have

low income middle income unbanked unemployed formal employees economy and you can build a product and solo problem

like for a whole lot of customers but depending on the segment your will look differently how do you

what is your criteria to choose one segment to start trying that MBS so the best answer is will be very unsatisfying

but it's talked to 200 potential customers and in your universe so if you

look at if you look at go back to kind of the big the big universe that we're talking about you talk to as many people in that

Universe before you do anything before you spend a dime before you drop out of HBS you talk to those you get on an

airplane you talk to those 200 you talk to those 200 customers and you start you start doing pattern recognition that's



the best way it doesn't cost anything other than time which obviously has value but doing that and understanding

where your idea resonates the most and and you guys I'm sure you've taken tons of classes on it but when you talk to a

customer you're not just saying hey what do you think of my idea you're saying how much would you pay for it or you're saying what are the four most critical

things in your organization that if I could solve them for you tomorrow you'd be willing to pay for it's that sort of

q a you do this you know you go on a you go on a tour and you talk to all these customers and from there you start to

make some guesses of what it would be and then you can do stuff by the way you don't need to build a complete product

either to do this we would do it PayPal as a PayPal for five years we can do paper prototypes like we would literally

bring people into our our focused you know with responsive focus group sessions but it doesn't have to be fancy

you can sit in a Starbucks with paper mock-ups with one of your customers and kind of describe what you were trying to

build to get feedback it can be very inexpensive it's it's like it's gorilla customer research

but that's the way to do it is to actually talk to them and then as if you have a workable prototype or a clickable

prototype something that doesn't have any code behind it then you can go back and refine and see if your original assumptions were right and wash rinse

and repeat until you feel confident enough okay I'm gonna actually spend some money on again in software real software development

approach them with an idea and see to which segmented resonates more or you approach to them just to understand the

different problems they have to then build an idea around them either it

depends on who you are and the type of company you're starting and how you want to start it's you know I asked everyone

to raise who started with a product idea right that a lot of people think startup is all about you wake up from a dream

I've got this product idea I'm going to build this thing right lots of people start companies by just going and

interviewing a segment like you might have an interest I'm interested in veterinary care or whatever just to harp

on a similar theme and rather than kind of trying to invent the product I'm going to have coffee with 200 vets and

ask them what their pain points are that's even ideally that's even better than kind of

dreaming up a product and going and test it to them because it's even cheaper does that make to make sense

how do you go about getting your 200 events

that's old that's old-fashioned pounding the pavement that's I mean there's there's no there's no shortcut to that

you can buy lists you can get on LinkedIn you can ask every single you can walk into where you dog where you

take your dog gets taken care of and ask them for introductions that's that's largely old school I mean other than

kind of buying a list the nice thing is that so much of that stuff's online it's not super hard to quickly generate a

list of folks to talk to you show up at a conference is a good one you buy just a you buy a guest pass to a conference

of vets and you start walking around and meeting people at the bar or whatever that's I actually like doing that I just

think that sort of thing you start to go to a conference I had a buddy who was trying to you know was going and starting to get into the contracting

business and he started going to architect conferences that was it he just bought a pass and he's not an architect and he went and he just

started meeting people and realized for this there was a segment that was underserved in construction

okay minimum viable segment crazy Venn diagram but what you're really doing is simplifying the problem

before you start pouring a lot of money into a hole it's not just about product Market fit narrow your target segment it

by need really really focus your product but this helps not just the product building part of the equation it helps

you start to hone your messaging and how you talk about it not just to potential customers but to investors it lets you

start to think about packaging and pricing because when you ask when you ask someone you're on your tour for 200 you know 200 people you're trying to

figure out your minimum viable segment hopefully your little 10 question list includes things like how much would you pay what do you have a similar product

today how is that packaged how does that priced what do you like about that what do you hate about that when you have

these conversations and you're narrowing your target you start to get answers to all these

questions doesn't mean you get it 100 right but you start to land on a place where you've got something you feel like

you can kind of wedge into this this minimum viable segment you start to learn things like channels and

distribution Partners I'm going to talk about all kind of all this stuff in a second and reference selling Network

effects viral business alignment we're going to go into all this stuff and so this is just a agenda slide we kind

of Hit the front part we're going to go into the back half getting to Market um

we're kind of trying around with this this word product facilitation um what we're really talking about is

getting facilitating getting your products into people's hands so that they so that they so that they purchase

it and you know what if you could literally slip into the lead in your minimum viable segment and so we've

created a mnemonic device here we call it slip and we're going to kind of walk through four key elements of this that

we think can really really help um how you it's a good framework for thinking about how you build a product

that will be very very easy to distribute um the four the mnemonic device goes

like this it's slip s is simple to install and use low to no initial cost instant and

ongoing value and plays well on the ecosystem this is very similar to and you can read all

sorts of books on the notion of product-led growth and so you'll see some similarities there it doesn't mean it's not meant to replace it's more of a

mnemonic device that that helps you think about the different components of product-led growth so simple to install

um you know one way to think about is out of the box experience and I don't necessarily mean I'm using that as a as

a metaphor it doesn't necessarily mean there's a box but if there is a box it does mean hey it's easy to open the

packaging it's easy to take it out it's easy to assemble but if it's software out of the box experiences hey how how

is this super super easy to install do I have to even think about it is the onboarding process really really really

really really easy and you want it to be simple to use as well it's not just simple to get going

but simple to use complexity is almost always bad in kind of an onboarding process of any sort for

software um and the first and you need to think about you know first principles Advantage disadvantage

the true competitive Advantage is a combination of innovation and

simplicity so you wanna you wanna innovate but it can't be Innovative to

the point where it's so complex that no one will ever use this thing because then you then you just get tripped up even even if you've been successful in

selling it right out of the gate less is almost always more I know we keep I know we keep talking about kind of Simplicity

Simplicity minimum viable segments and all this stuff you look at you know these two remotes one is clearly a

superior product easier to use and all of that stuff and you know it's like it's the reason why things like

software as a service like you know Google Docs and all that stuff like you know I don't know if any of you have used word recently it's like it's insane

like the number of menus and the number of features and all that stuff and people have kind of pulled back from that in general in the software world

and are really looking for products that solve basic problems super super super easy and this is just an obvious obvious

exam whoops wrong way obvious example um and simplify it and see to simplify

it to your core value again this is just focus guys especially for this first kind of wave

of investment that you're going to be making keep it simple minimum viable segment solve one or two maybe three critical

problems for this group that you've identified that has a handful of needs and nail it

oh the question Yeah question for you so the introduces showed

what the the remotes yeah so you said one is clearly the most Superior and

simple simple um to use but I don't know I would say maybe you could say one is

more Superior and the other would be more simpler you're right I made a value judgment

you're you're totally right like there in this in this particular case where

buttons versus control services and stuff happens to be a fairly uh

subjective uh subjective uh design principle um Apple historically absolute leaders

in design they create a device that's tiny the battery on that little thing lasts a year

um is it Superior design would you prefer to use it rather than buttons you're right it's personal taste I can't give

you like hard facts and data but I will tell you this that the notion of instant gratification in consumers has become

very very powerful um you kind of started with the internet and being able to get online instantly you can purchase something with you can

purchase something with one click you order something that's in your house in one day like this whole this whole push

towards everything is one motion economy of motion and then you get you get the

dopamine hit of your pet you know your Amazon package showing up within 24 hours of ordering it that is a trend and

that's that's clearly happened um there's also economies of economies of scale and building simpler simpler

devices that do one thing incredibly well um especially with consumer devices

though it is it's consumer consumer devices in particular are very taste driven do I think that we're gonna you

know go back to a world of you know giant phones with lots of buttons I don't um

I think that this this this technological move into kind of simpler

looking devices aesthetic devices is probably permanent

so is this framework part of testing the MVP because what I'm struggling with this

especially for Hardware products how to use these framework because initially

you are going to start with something over time it well well not necessarily I mean so

you're a hardware person is that is that why you're asking tell me tell me about what you're working on I'd like to

like like one thing but

but are embedded in Furniture yeah oh awesome right but then

the technology takes time to evolve but we

so so I think I think what you're referring to and correct me if I'm wrong is that when you design something

on a hardware basis especially electronic device you've got breadboards you've got wires coming out all over the

place it's maybe bigger than you want it to be at scale and all that stuff there's the complexity of a prototype

um what I'm more talking about is the complexity of the problem that you're solving so you could have this crazy

prototype that looks like look you know this rube goldbergian crazy thing that kind of came out of the lab and looks

like it but what you're really testing is if I put a piece of cloth over it and I just rest my phone on it that it instantly

starts charging and so it's it's the Simplicity of the use case more than especially in the early days of when

you're prototyping Hardware does that make sense is that a fair answer is it because it's not like is that because I

I'm what I'm if you had told me hey the first device we have is going to allow

charging in an armchair and charging on a refrigerator and it's going to have it's going to have a connection for you

know Apple watches and and airpods and all this other stuff I would actually say why don't you just start with the

let's make sure the armchair works and the consumers like it like someone a Furniture maker because you'd probably want to do that through Partners a

Furniture maker would actually embed your charging pad your charging pad into that get that question answered before

you start adding features to it that's that's the Simplicity that I'm trying to drive you towards does that make sense is it okay all right yeah yeah one of

the questions how do you think about MVP for such Hardware projects because you don't want to

invest so much effort up front before knowing whether there's a market already

right harder harder and Hardware because so

again I think I'd go back to the same thing again for um for let's just use your example for a

hardware charging device I would encourage you to find find a Furniture maker that's you know you know that's uh that's doing kind of a you know a kind of a group a group financed uh piece of furniture you find

someone in Etsy that's making something or you you work with wood you don't have something that gets covered with necessarily has to be embedded in the

manufacturing process perhaps it's something you could stick on you know a chair an adhesive with a battery that

lasts four years or whatever it is but again a simple use case as opposed to

trying to solve every problem that you're envisioning you can tell the you can tell the VCS that are going to back

you I'm going to solve this it's going to be in everything that's going to be in every Airline chair it's going to be in every chair every public space and

all that that's the story you tell when you're painting how big your idea could be but when you're first getting started

if you could have that giant vision but if you can't get a single furniture

manufacturer to agree to embed that thing in there it's not going to work and so you want to prove that first

is that I'm not a hardware guy so hopefully I didn't like step in it but it's a

so let's why don't we do we thought we'd do we thought we'd do a little um a session kind of breakout with each of your groups here

um one of the here's here's the first idea and we thought that you could maybe have a group discussion of what is one

way you can make your product super simple to install and since we have hard

Hardware people I think you can think about that expansively depending on what your company is you know is it is it

simple to install is it simple to deploy is it simple to use

but within your group have that conversation and then you know we can chat for five minutes is that we're



doing kind of five minutes ish and then we can kind of get readouts from folks on what they what they talk about it's also a great way you saw everyone kind

of raise their hands I I'm sure everyone doesn't know each other it's also a great way just to hear how other entrepreneurs think which for all for me

was always the most amazing thing so all right let's do it five minutes or so okay cool

I need one or two teams that came up with something interesting and unexpected in the conversation did

you learn something who wants to who wants to share we're not going to do everyone know we're gonna we'll pick as we we've got a few of these so we'll

pick on other people everyone will get a chance to talk but any volunteers to jump in out of the gate

I explained my company and what I want to get done and I don't think we talked

about like how we can make it simple we just talked about how how it's going to work so I'm sorry that we did not no

that's okay what's your company just uh because that might be interesting for everybody so my company is called the

pitch app I'm trying to design an app um that it's like a tinder for entrepreneurs and investors so you sign

up as an entrepreneur and you sign up as an investor much like Tinder uh you

upload a 45 second video of yourself pitching your idea and the investor is able to swipe left or right and connect

you um based on geo location and or category I do think this could get bigger I

eventually would like to to go to like music or actors so like if you're a

musician and you don't need a manager um the app can connect them that way but

I think the MVP or what I learned here with or my segment would be

um the investor entrepreneur um around that I would take super super

cool super cool thanks for sharing anyone else wanna we get one in the back why don't we so hi everyone my name is Bill Kirk so

my Venture is called foodie thank you Leo right now we're in in the process of interviewing restaurants so it's in the

food technology segment don't be stuck with the name because name name is gonna

change so it's an um it's an app that integrates processes at restaurant so

with the help of QR codes on the table QR code as well um you can it allow the app allows for the customer to browse the menu select their items edit their dishes place the

order and also make the payment and leave whenever they want so what we were thinking to make the

installment process simple is that overthinking is that why don't we remove the installment at all so rather than

starting with a full-on app proper ad with a lot of features keep it as simple as possible simple is good so we would

start with a web-based app in this way the customer does not need to download

the app they will probably not even know that it's an app or our company is called foodie they're just scan the QR

code on the table which will take them to the platform and they will just order and pay and leave

exactly exactly what we were talking about other things that came up actually in the group discussion uh we need to

make the QR code process ex frictionless as possible so probably uh put below the

QR code put the Wi-Fi code so everyone has the access make sure that actually the restaurant has Wi-Fi so we can uh

actually the app works it looks like there's a question right behind you or is it oh sure and I think you should

also talk about how you are going you should also mention your awesome idea of how you are going to integrate it

directly with the restaurants already existing systems so the cooks immediate

immediately yeah exactly there was a question whether we would have a second dashboard in the kitchen and the idea is

for us to integrate in because in the restaurants API or POS system so they would automatically get um the orders under one screen and they don't need to follow two types of screens or reporting it's exactly the type of thinking we want to be doing kind of at this stage thanks thanks for being brave enough to share all right let's keep going all right the

second so we're just to Circle back to the kind of simple to install was number one s now we're getting to El low

initial cost um and what does that mean it could mean frictionless trials it could mean free samples of textiles enough maybe to test manufacture some stuff it means lower cost of customer acquisition you can identify prospects with the freemium you know for everyone know what freemium is it's free and then you upgrade premium offering um but be careful

because free often people will often equate the value of a product with what you charge for it and so sometimes there are certain products that if they're free forever they start to think of it

as value less and so generally speaking a free trial period that emerges into you know into something that people have to pay for is is uh is preferable to kind of just going full free all the

time um because then also when it's free if there's a like a free version you have to you're constantly upselling to get

people to kind of to kind of uh to kind of upsell and an example of this is LinkedIn we all use LinkedIn it started

as a place to just upload upload your resumes I mean to basically have an online version of your resume quickly

became a social network but what these guys have done a brilliant job of is there's they built a giant they had all

the network Effects by having a free product and they have just piled on the the uh the premium products you've got

sales Navigator you've got in mail you can buy extra inmail messages you can have the premium version of LinkedIn

and so it creates this virtuous circle but they got the network effects get everybody hooked on it with the free

product to start so low initial cost

I instant and ongoing value so you want to reduce the pain and this is what I

think you were exactly what you were talking about when you were talking about you know your ideas and especially in a restaurant setting reduce the pain

for customers to try and adopt it pain is the single biggest barrier to

getting people to adopt your product and so you need to demonstrate enough gain quickly enough that you'll overcome

you'll overcome the balance and so if you think about the game we talk about it in terms of the gain pain ratio

you know this there's this thing that we call a nurture risk which is in the middle which is switching costs I've

already got something that does something similar it's kind of a pain in the butt to switch doing nothing is probably just an is easier than kind of

trying a new product or maybe there are other Alternatives that are good enough I don't want to risk I don't want to

risk a big license fee on a startup there's kind of this this inertia that can keep people from trying stuff so

your job um is to create the value proposition

that overcomes that pain gain ratio whether it's generating new Revenue savings you're saving time you're saving

the cost of hiring people a competitive Advantage reputation Etc to overcome the pain that it takes

people to discover something try it buy it implement it deploy it and own it

and if you can do this instantly it's incredibly incredibly powerful um you know we talk about instant

gratification I'll give you an example of a company that I think does this very well um but in the Enterprise setting if

you're selling something to a big company if you can we call we call it time to Value if the time to value is

sub three months that tends to be great um in the Enterprise world when you're selling to big companies because it

makes it easy for people to do um you know cost models on what it's going to cost to do this and when

payback begins if it takes longer like super long time to implement and you

know install it at the factory and all that other stuff it's much harder to get to get over the hump and so you want to

get this time to Value as short as possible and the ongoing value again make sure that you're delivering value

on an ongoing basis it's not just kind of a one and done increases Revenue reduces time drives competitive

advantage and in the consumer World consumers just simply can't live without it one one example this is an enterprise

Enterprise software company it's an investment that I made it's called Ai and one of the things that I like about

them is they've actually and before I was getting set up to do this I didn't realize they had kind of hit all of the

slips it was kind of baked into their baked into their DNA and there's a reason for that the guy who founded it

was one of the early employees at Braintree which is a giant payments company owned by owned by PayPal and

they basically decided to build a company of all the dozens of things that customers

complained about when he was at PayPal but PayPal could never get around to fixing they built a company that did all

that stuff and the interesting thing is that these guys so basically what they do is if you're a big e-commerce company

like Adobe or Ticketmaster or something you've got 10 different companies that process your payments all over the world

there's no way to analyze all that payment data yourself they aggregated all that payment data and do analytics

and all this other neat stuff but the neat thing the sales guys can onboard them in a phone call they

say hey give me the key to your payment provider you know the encryption key so they can get the data and they will

demonstrate their first demonstration will be ingesting the all the data into their product over the phone and they

get to see all their data in these dashboards and so it's literally instantaneous and so that means it's

easy onboarding and as you'll see when we talk start talking about pricing models low initial costs they do

something very close close to a freemium model instant value creation because people deploy it right away and start

saving money detecting fraud and all that stuff and um and and it supports all all of the payment platforms it

plays nice plays nice in the ecosystem so if you're so here's a startup secret

self-proving value if your product is about improving a process provide proof as part of the product

um these guys pagos they Baseline all the results of these payment processing companies then when they install the

product you actually start to see how you're performing against benchmarks provide key metrics and visibility into

the progress so people like oh this is working I can actually see so it's it's almost self-documenting it in the

product itself proves that what you're doing um what you're doing is actually delivering value that means analytics

and surfacing reports that prove the value kind of right right out of the gate so here's another quick exercise and we

may skip one or two of these just since we're we have so many we had so many questions and we're running a little short on time but I think this is a good

way a good one because when we you know I started talking to people about the last question you know one was how can

you make it easier to install good question well it's an app and apps are easy to install and so we had a follow-up in that another person shared

I'm building a textile product there's no installation so we had it we had a sidebar I think this particular one

um actually should work well against kind of all the different types of companies that we're talking about if for the company that you're building

what are different ways that you could streamline that time to value for your

first for your MVP and free for your first Market segment so why don't we take a quick five minutes on that and

then we'll hop back in and uh and and get going all right we got it we had our first

team talking here all right I'm working on a book for uh parents

that have children with learning difficulties and are having a hard time to learn how to read

so the idea is that with this book that we have actually developed and tested

but with professionals that work with children with learning difficulties

um to turn it into a book for parents so the things we were thinking of how to

make this instant value was maybe coupling the book with an app so parents

can test their children to see the progress and where they start so maybe

they can understand okay maybe my children is not at the same pace of reading as other children their age and

then see how they progress and that would also give us evidence that the book is actually working that is super

interesting bingo I think you nailed it what do you guys think well done

all right we're going to keep going thank you for that that's awesome okay the last part of slip P plays well

in the ecosystem and I'm going to talk to you a little bit about uh what that means I'll just I'll use another example

this company tetrascience they're they're local actually they came out of they came out of Harvard uh Harvard Business School they build a cloud for

the life sciences it connects all of the research devices collects data from all those research devices and builds a

cloud and if you start to look at the ecosystem that they play in so we're talking about playing nice with others

look at the complexity here and the way they talk about it is we're going to be

this Cloud that ties all these disparate platforms together and so they're part of their explicit strategy is to play

nice in the ecosystem not only that but be a Clearinghouse and a central point so this involves you know Partnerships

with all of these different companies technology Integrations but this is an example of a company that explicitly was

about the ecosystem and being a player in the ecosystem we talked about slip I'm going to skip that let's jump into pricing

um because I wanted to make sure we spent some time on this how you price your product is super important to

that early friction and you know I'll show you an example that you'll all be like oh yeah like every everyone does

this but the idea is if you can if there's a way I'm thinking textiles

again is is there a way but I think there's a way that you can provide things like free free samples and other

stuff or make your platform free or create developer kits for Hardware that

doesn't cost anything so that people can start to use your product test it out and then you have a way to step them

through increasing the value of your offering and increasing the price that



you charge them and what is that what's an example of that in this in the software world and even things like

Airlines everybody does this that's HubSpot that slack

that's Vimeo that's WordPress you guys I should have put JetBlue in there you ever seen what the JetBlue pricing looks like it looks like that too it's basically you get to walk through there's a way you can get

in cheap and then there's a way that you can upgrade and in the world of startups providing especially if you need if it's

b2c and you need lots and lots of users or it's or it's or it's um or it's you're selling into an Enterprise you

want to get them using your product as soon as possible but you have to have a

way to kind of walk them up the value chain and it's I think things like this this is what we call product-led growth

in the software business which is you can install the product it's free and as soon as people start using it you start

doing cha-ching as they upgrade for more seats and kind of all this other stuff very very important

um and talking again just going circling back to the ecosystem and playing nice with others it's not you don't have to

just think about being the center cloud of the ecosystem that's that's not always what it looks like there's a a

local company called clivio that does SMS marketing and

platform for SMS marketing and they were kind of selling it to e-commerce customers so you can kind of market and

send text messages to them and all that stuff but in order to do that they needed to have Partnerships both

Technical and business Partnerships with all the wireless carriers so that they could send text messages over over the

wireless network but the thing that made these guys made them into a billion dollar company was

their partnership with Shopify so they started off as a feature in the shop if you guys know what Shopify is the

e-commerce e-commerce uh platform they started off as a feature and then along the way Shopify blessed them as kind of

the the default standard the preferred I think they call it the preferred marketing and SMS platform boom unicorn

uh unicorn was born and so Partnerships it's not just playing nice in an ecosystem with the different Masters

that you serve and kind of a super complex like that life sciences product it's also picking partners that are part

of your product from day one that can help you grow they're either on the right side here they're necessary for

creating the business in the first place or they can be provide leverage for you to make the product product explode do

you have a question you're racing comment about that I do a lot of e-commerce Consulting with Shopify

customers yeah and I'm in a Facebook group and in the group it's like a free

CEO paid at least two thousand dollars a month to be on shopify's highest tier

and everybody in that an app provider in Shopify pays um so it's like a community yeah he paid

to be in the higher tier if you're in this tier here's this group so like all the users of Shopify who like the owners

of the companies they they're in that highest tier they talk in that group and that you could hear them always talk

about this tool plavia to each other yeah they're like what do I use use claudio I mean it was weird because it

was new at the time yeah they somehow managed to get into that like uh Word of Mouth well so they got

into word of mouth but then also so it was a combination it was Rising Tides right they were doing quite well and at some point Shopify it became a tight

partnership but Partnerships can change the trajectory of your business whatever the whatever your business is you know

you could have a partnership with the hardware manufacturer a partnership with the furniture manufacturer you know partnership on the on the textile

manufacturing side super super important way to think about playing playing

niceness to pee on the slip playing nice in the ecosystem so really good question I'll just repeat it for everybody do we

so and I think what you're talking about so one of the ways a partnership can take place is you can actually sell through Partners you could say here's my

product and the partner is going to do distribution for you and they kind of they end up being in front of you in in

between you and your customer potentially or is it better off to kind of just go it alone and kind of and and

launching your own that's actually it really depends on the business and what you're saying is true

um that said if you it depends on on how much you think a partnership could accelerate what you're doing and so you

have to kind of balance balance the the loss of a hundred percent of customer control if you have a selling partner

um with the acceleration of your business one of the common ways to solve for that is a short contract

if you really want to go it alone because that's that's a so that's exactly what my company we did we're like you know we actually partnered with

big big companies that were actually reselling our stuff and eventually we were able we got enough traction that we

were able to switch over and kind of cut the cut them out of it and go direct to our customers because we had built credibility

okay we're coming to the the home the home stretch here um so

let's let's let's do this I'm I'm set up doing kind of a proper breakout I'm going to just give you the chance just

to we'll do this kind of one in real time but for each of you think of one partner or two partners that you think

you should partner with for your particular idea and I'll give you like 60 seconds and then I'll just start

calling on you randomly you got one already all right what do you got so so with my

app idea I think I would be able to partner with LinkedIn and call it linked up but I can just add a feature and

it'll be a feature to their product that's already developed so linked up for pitch pitch decks or

pitching swipe right swipe left admitted LinkedIn I like it so I think I can partner with curriculum

Associates so what was quickly what's the business again so I helped um

classes diversify by bringing Experts of color into the classroom yeah

um so now that everybody there's a lot of conversation around uh diversity in

the classroom I could give the big textbook companies

to use my products to help Pearson MacMillan and like you know I was gonna bring that diversity in the classroom so

they integrate my own product directly into um their own products now it's a great

idea super big companies and maybe you partner with them in a way that it's not in all their textbooks you become you

you do it on a smaller publication that you can get them to pay attention to you at first then you work your way through

the organization but you have to find in these Partnerships you have to find a champion that believes in what you're

doing and has enough pull to kind of do something with it anyone else want to share a partnership idea we don't

I think we can partner with POS systems so toast is the market leader but the

market POS Market is extremely fragmented even though toast is market leader they only have 15 market share so

with any POS systems who are ready to take down toast with us I think they'll

be interested in partnering with us plus they're local you can just you can walk over there and just bang on their door if you want to you and I can have a

conversation an endless conversation about trying to partner with pause people by the way that's a super fun anyone else

all right home stretch guys um okay so we talked we talked about Bridging

the Product Company Gap hopefully you've kind of you understand how that's different from just product Market fit

right you get product Market fit and then you need to get over the Gap with a product that has a good value

proposition minimum viable segment keep it small repeat it and then you can kind of go

broader and then we the second half we talk about business model and you can build you can be doing this thinking of

business model from day one it's not something that comes later right you architect your product for slip super

easy to install low cost Etc that can all be part of day one planning it just

requires thinking it doesn't require a whole ton of actual kind of work to do it package it price it free to try for

actual pull make it very easy and make it very easy for people to to adopt it and use it

anything else I'll Stick Around by the way if you guys want to you know pick my brain I'm gonna drink a water and just

park for a bit if you guys want to chat and we'll I'll make sure that you also you guys I'll just send my email it's

Chris underscore.vc if any of you guys want to reach out I'm happy to chat happy to come on campus happy to spend

time or do a coffee hour or whatever all right thanks appreciate it

[Applause] [Music]

thank you