Lecture 19: Sales and Marketing, How to Pitch, and Investor Meeting Roleplaying

Tyler Bosmeny

Tyler: Ok. Great! Thanks for having me.

My name's Tyler. I'm the CEO of Clever. What I want to talk today is about sales. I graduated college, where I studied math and statistics, and thought I was destined for this world of finance. I was about to start at a hedge fund, but at the last second a friend of mine roped me into joining his startup to do sales, which I knew nothing about. I had to figure it out on the fly. I spent a couple of years there figuring out sales for this very early stage company. When it came time to start Clever, I started Clever with two co-founders who were very technical and very product oriented. We wanted to build this product for schools and I thought that experience would have no relevancy whatsoever. It turns out that what I picked up while doing sales at this previous job has been a huge part of what’s made Clever grow so quickly today.

A quick background on Clever: we build software for schools. We are an app platform for developers that is used today by about one in five schools in America. We started it about two years ago.

Sales has been key. I want to use this time to share some of the things that have worked for me along the way. Of course, there's a million ways to do this, so you'll find what works for you.

First I want to start about how I used to perceive sales. A lot of people see sales as having mystique around it. It's people who are articulate and impossibly charming. They have these killer closing lines that they use. This is how I saw sales. I think this is how a lot of founders I talk to see sales because they say things to me like, "You know, we're just going to work on the product and build a great product and then when it's finally finished, we're going hire the sales people." What I've learned is that when it comes to "hiring the sales people," as a founder, the reality is that it's you. Paul Graham likes to talk about how there's two things you should be doing at any point in time when you're starting your company. You should be either talking to your users or building your product. The talking to your users part, that's selling. This is intimidating to some people because they're like, "I've never done sales, and I wouldn't even know where to begin." It turns out that as a founder you have some unique advantages that make it possible for you to be really, really good at sales. One of those is your passion for the product and what you're building. The second is your knowledge of the industry and the problem that you're solving. Those two things actually totally trump sales experience from what I've seen.

This is actually my co-founder doing sales. This is what sales looks like in the very early stage of a startup. It's not Don Drapers. It's a lot of calls like these. This is something that even as a founder who has never done it before, is very easy to do but you have to commit yourself. What we did at Clever is we dedicated one founder, which was me, to peel off and say, "Ok, Tyler you gotta go figure this out and work on this full time because it's so important to our business."

The first thing that everybody knows about sales is it's a funnel. You have these different stages of the funnel and you move your customers through it. A pretty common category is the prospecting category. We were trying to figure out who's even interested. Then you're having a lot of conversations, which is the second level of the funnel. Then you're finding out who's really serious and you want to close them and sign the deal. Then you're in the promised land of revenue. I thought it would be interesting to talk about each stage and a couple of strategies that we've used at Clever that have worked well, so that these aren't abstract but hopefully lessons you can use at your start up.

Prospecting is the process of figuring out who will even take your call. There's this guy at Everett Rogers who has created a technology life cycle adoption curve. He describes it as a bell curve where you have innovators who will try new things, early adopters, mid-stage adopters, late adopters, and laggers. One of the things that was really helpful for me in understanding sales at an early start up is he's quantified the tail of this bell curve. This part over here are innovators, those are your potential customers. It might seem discouraging that only 2.5 percent of companies are your potential customers or would even consider buying from a startup that has no users and no revenue, but I found the opposite. I found it extremely helpful to have this frame of mind because when only 2.5 percent of companies will even take your call or consider using your product, you realize what a numbers game this becomes. If you want to reach that 2.5 percent and you want to get some early sales, you're hopefully starting to realize you have to do a lot of calling. You have to talk to a lot of people.

In the early days Clever, this was my job. In the first two months of YC I reached out to over 400 companies trying to to get them to take a call and talk to us about what we were building.

There are three methods that I have found to be most successful in prospecting and getting these people. One is your personal network. That's obvious. I'm not going to spend any time there. Another one is conferences, which is surprising to a lot of people. The one that people are most familiar with is cold email. When I say conferences, people think I am talking about CES or E3. The kind of conferences where sales happen look more like this. In the early days we would go to a lot of these because you've got to go to where your users are. If you're selling to CIO's and there happens to be a gathering of them at a hotel in Milwaukee, guess what? That's where you should be. So we went to conferences like these. We got the attendee list in advance. We'd email every single person in advance and try set up meetings so when we got there every single minute of that trip was was well spent. It was huge in Clever's early days. This is where met all of our earliest customers.

The second thing I mentioned is cold email. A lot of people don't know how to write cold emails. It's actually easy and the key is not to write a lot. Your email should be concise. This is an email template that I used early on. You're welcome to copy it but it's really short. Here's who I am. Here's what I'm building. I'd love to talk to you about this. Could we find time tomorrow? It's really easy and you can customize this for every business you want to sell to. Find out who the right person is to send it to and you can send out quite a few of these.

That's prospecting. The reason this so important is because you have to build that first layer of the funnel.

Then you have to get them to take your call. This is another place where a lot of founders have questions about what to actually do. The biggest thing to take away, in fact if you ONLY take away one thing from this presentation today this should be it, is when you get them on the phone, remember to shut up. That's really surprising to people. So many founders, when I help them with their first sales pitch, would finally get somebody on the phone who wanted to talk to them about their product and they'd be so proud of this thing that they'd been building for the last three months that all they wanted to do was get on the phone and talk about every feature and talk about why it's the greatest thing in the world. I have that temptation too. It's just part of being really proud of something.

It turns out that if you watch the best sales people, the top one percent, or you have a chance to listen in on a call with some of those people, the most surprising thing is how little talking they do. In fact I've seen calls where the sales person told me their goal was to only spend 30 percent of the call talking and have 70 percent of the call be the other person. They would ask a lot of questions. They'd say things like, "Why did you even agree to take my call today?" "This problem that we're talking about solving for you, how do you solve it today?" "What would your ideal solution look like?" They're not doing the talking. They're doing everything they can to find out what this person needs and hopefully understand their problem even better than they do. That's what really great sales is. This is something I drill into everybody at Clever. It's a really important part of sales. If any of you use UberConference, they have this amazing feature where when you hang up a call it sends you an email automatically and tells you how much you talked versus how much the other person talked. Looking at one of those emails, I can tell immediately how likely the sale is based on how much talking we were doing. Do a lot of listening. Really understand their problem.

The other part of this stage that surprises a lot of people is you have to follow up. Here's a lot of different steps that you go through: emailing somebody, not getting a response and emailing them back. Calling them, leaving a voice mail. Having a pricing call. There are probably sixty things on this slide that could be steps for closing a deal. These aren't random things -- this was the second deal Clever ever signed. These are all the different steps that we had to do in order to get this done. You can see there's a lot of really embarrassing things up there. I emailed somebody and they didn't respond. I emailed them again and they didn't respond. I emailed them again. This was from somebody who wanted to buy our product. Isn't that crazy? That surprises a lot of people. I see so many founders who think they have a great call with someone and send an email, but don't hear back. They say, "Oh that person might not be interested." Well guess what? This is what it looks like in the best case. You really have to have kind this unhuman and unreasonable willingness to follow up and drive things to closure.

I qualify with that with one thing which is to say when starting a company your time is extremely valuable because it's your only resource. You couldn't possibly do this for every single person who might buy your product. Your goal should be to get people to a yes or no as quickly as you can. Where you die is if you have a thousand maybes and sometimes I talk to founders who say, "Oh yeah I have this great pipeline of a hundred people who have expressed interest in our product." The maybes are what kill you. If you can get to a yes or a no, in some ways a no is even better than a maybe because it allows you to move on and focus somebody who might be a yes.

So, have a super human level of follow up and ambition, but make sure you're focusing it on the right pieces.

Alright, so you've talked to a ton of people. You've had all these phone calls. You've followed up with them to the point where they know you're not going away and they've got to sign an agreement. This final step is something if you haven't done before it might seem hard but it's actually really simple. It's called red lining. You'll send over an agreement and their lawyers will mark it up. Your lawyers will also mark it up and you kind of go back and forth. If you're part of YC this is really easy because YC has standard template agreements that they give you so you can just use those. But if you weren't part of YC you have to figure this out on your own.

One of the things that I am really excited about is as part of this presentation, YC has agreed to open source their deal documents. The documents that YC founders use are going to be available to everybody. So this should never be a barrier to anyone who wants to do sales for their start up. You've got some great documents. The other place where so many smart people go wrong is they don't remember what their goal is. Your goal is to sign some deals, get some reference customers, get some validation, and get some revenue. If you don't do that, your startup is toast.

In light of that it's really surprising how many smart people will want to do ten rounds of document review over the most minor points because of pride. Whatever. Make sure the agreement is the way you want it but then sign and move on. I've seen founders spend month quibbling over some indemnification clauses. Their business would have been way better off if they'd just signed the deal and moved on to the next one. That's one trap you can fall into.

Another trap that I see founders struggle with a lot is they're talking to a company who says, "I will use your product but I just need one more feature." Or they say, "You know I'd love to use your product but it doesn't have this one feature. So we're just not ready." To most people, especially if you're ambitious, when somebody says that to you, what you want to think is, "Oh. I can build that feature and then they're going to use my product." The problem is it almost never works that way. Somebody telling you that they want to use your product but it's missing this one feature, I would almost map that to a pass in your mind. Nine times out of ten if you actually build that feature and go back to them, there will be one more feature or some other reason that they're not using the product.

If somebody says to you, "There's this one thing that's preventing us from using your product." I would do one of two things. One say, "Well that's great! Let's sign an agreement and we'll put in the agreement that we're going to build this feature." In which case, if you build it you're off to the races. More commonly, what we did at Clever was we would say, "That's great. We're going to wait to see if we hear that demand from more customers." Once you have a lot of customers requesting it, then you should build it. Then you don't have to worry about doing something that's a one off, which is what you really want to avoid.

The other trap I would highly recommend you try to avoid is the free trial trap. The customer says, "Can I get a free trial?" You can't blame them that’s a totally reasonable thing to ask for. The problem is when you are starting a startup you need revenue. You need validation. You need users. You need commitment. Free trials get you none of those things. You do all this work and if you end up with a free trial, unfortunately you haven't made as much progress as you think, it's actually terrible. You think you've made progress but at the end of the free trial you’re going to have to sell them all over again. The way I handle this that has worked really well is that when somebody says, "Can I get a free trial?" you say, "We don't do free trials. We do annual agreements and what we'll do is for the first 30 or 60 days, if for any reason you're not happy, you can opt out." That's a way to get you the things that you need while giving them the comfort that they might need to take a chance on a startup. That minor change actually makes a night and day difference when you're thinking about these things.

Alright, so you've prospected. You've had a lot of conversations. Now you've closed people. You've gone through the red line process. You worked out the free trials. You're on your way to your first sales. Early on, you can think of sales as just like any other thing at a startup. You don't have to do things at scale. In fact you can purposely do unscalable things to try and get early customers. That's the fun part. The other thing that is important to keep in mind is once you've done this enough, what you should start thinking about is what aspects of this are repeatable. What aspects are we going to scale further? Christoph Janz wrote this really great blog post online about the five ways to build a hundred million dollar company. He talks about how he can have a thousand customers buy a product that costs a hundred thousand dollars. Or he can have ten thousand customers buy a product that cost ten thousand dollars. Or he can have a hundred thousand customers by a product that cost a thousand dollars. Even though you don't need to know on day one which bucket you're going to fall into, most companies do fall into one of these buckets. If you want to be in the elephant category of a hundred thousand dollar product, you're going to have a really high touch sales cycle. That's Salesforce. That's Workday. If you think that you're going to be a rabbit and sell products for a thousand dollars a year and your sales process involves flying out to see them, and eight demos, and three months of redlining, then you probably have to rethink something.

I see a lot of startups who want to be rabbits that don't think about how to do it in a scalable way. That's one area where you can get under water or it just forces you to increase your prices.

This is how I think about different businesses. It will be helpful for you when you get started and once you've done sales to say, "Ok, where am I?" The corollary to that is, "How do I have to price my product to be a viable business?"

Those are some of the things I figured out building sales at a few different companies, specifically on this very narrow stage of zero to one million. After you get to one million, you'll find there's a million blog posts about how to get from five million to fifty million or ten million to a hundred million, but not the zero to one step. I wanted to focus the presentation on that because there's not as much written about it and it is something that I think is very opaque to our founders. I figured this out just by doing it and I'm confident that if you're starting a company you can too. If for whatever reason you would like to join a startup that's figured it out and hone your skills and hone your craft, we are hiring at Clever. That's an option. If you do want start your own company and you have questions about sales, I put my email address up here. Feel free to reach out at any time. I am happy to help.

Thank you.

Sam: Thank you very much! That was awesome! Now we're going talk about a little more about how to raise money. Michael Seibel is first going to talk about how you give a pitch and then Qasar will do investor role playing.

Qasar: Yeah, so this isn't mind blowingly new. It really is a basic blocking attack. And the one point we wanted to make before we get started is we actually don't spend a lot of time at YC focusing on this. The main reason is the best way you can make your pitch better is to improve your company. If you - if you have traction and your product is doing well - these conversations are like the investors want to see you succeed. If you remember anything, it's make your company better and the pitch will be easier.

Sam: We're going to spend the time in three kinds of sections. Before the meeting what Michael will kind of focus on will do kind of a role play what meetings actually look like and then we'll just wrap it up. We are going to do Q&A at the end. We'll save five minutes. If there is something we don't cover please write down your questions and we'll go through them.

Michael: My name is Michael Seibel. I am a current YC partner. I started two companies. One was called Justin.tv, which I ended up selling to Amazon. The other was called Socialcam, which sold to Autodesk. What I want to do is break down and demystify the process of creating a pitch. What happens too often when I see companies coming to talk to me is that they don't know how to simply explain what they do or how to ask for money. That's basically what you have to do as a founder.

We're going to go over four things. The first is your 30 second pitch. You need to be armed with this constantly. This is basically how you talk about your company. It's magic. Whether you're talking to people who want give you money or don't want to give you money, this is your go to.

The second is your two minute pitch. This is for people who are more interested. This is people who you might want to raise money from or people who you might want to get hire. People with whom you need to get a little bit deeper. Notice that's where I stop. A lot of people practice ten/thirty minute pitches or hour pitches. That's all garbage. You can get everything you need done in two minutes. One thing I like to tell founders is the more you talk, the more you have an opportunity to say something that people don't like. Talk less and it will probably be better.

I want to tell you about when to fundraise because I think a lot of companies get this a little bit wrong. And then quickly how to to set up investor meetings.

The 30 second pitch is so simple. It's three sentences. You can take your time. You can breathe when you do this. You don't have to get that much information out. The first is one sentence on what your company does. Everyone I meet for the first time screws this up. You have to be able to do it in a way that is simple and straight forward, that requires no further questioning on my part. You have to assume I know nothing. Literally nothing about anything. This is how you make it super simple. What we tell people is apply the Mom test. If in one sentence you cannot tell your mom what you do, then rework the sentence. There is a one sentence explanation that your mom or your dad is going to understand. So really, really start there. It's ok if you use basic language. It's ok if you say, "Hey we're Airbnb and we allow you to rent out the extra room in your house." That's simple! You don't have to say, "We're Airbnb and we're a marketplace for space." I don't know what that is! That's going to require more time. Use simple language, it's very important.

The second is in a multi-billion dollar market, it's pretty simple to do this. You know Airbnb might say, "How big is the hotel market? How big is the vacation rental market? How big is the online hotel booking market?" These are simple numbers to look up on Google. It makes an investor understand, "Oh wait. If we're big, if we really blow this company up, it could be worth billions of dollars." Don't skip this up. Second sentence. How big is your market?

Third sentence, how much traction do you have? Ideally this sentence is saying something on the order of, "We launched in January and we're growing 30 percent month over month. We have this number of sales. This amount of revenue. This number of users." Very simple. If you can't speak to traction because you're prelaunch, you need to convince the investor that you're moving extremely quickly. "The team started working in January. By March we launched a Beta. By April we launched our product." Convince the investor that you guys are moving fast and that this isn't some long slog. You guys aren't thinking about this like a big corporation. You're thinking about it like a startup where you can move fast and make mistakes. That’s all you have to do in 30 seconds. Three sentences. From that basis you should be able to start a conversation about your company. From that basis I understand exactly what you do. You have no idea how valuable it is to be able to explain to someone what you do in 30 seconds. Internalize that. If you take nothing else away, that's going to help you.

Ok. Two minute pitch. Now you got someone you actually have to convince of something. Maybe even someone you have to ask for money. So I like to add four additional components. And these also go by very quick. The first is unique insight. Now if you talk to VC's they'll say stuff like, "What's your secret sauce? What's your competitive advantage? What's unique insight?" It's all the same thing. When I think about unique insight, what I think about is here's your opportunity to tell me something that I don't know. Here's your opportunity to tell me something that the biggest players in the market you're trying to enter don't understand. Or don't do well. This is the AHA moment and you better have it down in two sentences. The AHA moment. So you got to crystalize all the reasons why you guys are going kill the competitors or the really intelligent thought that got this business started in two sentences. And I need to AHA. You can see whether it's happening when you're saying it. That's why I like two sentences so you get in and out fast. So if I look at you and I'm like, "Uh." Then it's ok. You nailed it. If I look at you and I'm like, "I already knew that." Then you didn't nail it. If I looked at you and I just don't understand what you're talking about you definitely didn't nail it. So practice that unique insight. In your two minute pitch that's all you’re going to get - you're only going to get two sentences to get that out there. So it can't be complicated. And that's basically the theme of this whole thing right? It cannot be complicated.

Next - how do you make money? You know your business model. I see so many founders run away from this question because they think things like if I say advertising people are going to be like "Oh that's stupid." Just say it! Don't run away. If it's advertising - say advertising. Facebook's a massive advertising business. So is Google. If it's direct sales - it's direct sales. If it's you know a game and you're selling in app add ups - like that's fine. Just say it. Don't run away from the sentence. It only has to be one sentence long. Where founders get tricked on how you will make money is they say, "Well - we're going to run advertising. Maybe some virtual goods. We're going to figure out how to this. And maybe this. And maybe this." Well now you're saying nothing. Now you've told me you have no idea how you monetize this. This was a check mark that I just wanted to write. And then I am going to monetize it - instead I am writing a bug question mark. So do the thing that everyone else your industry does to monetize 95 percent of the time - say it and move on. Like it's totally ok. No one’s going to hold your feet to the fire and say three years later you didn't monetize this way. But it's much better to be clear and concise than it is to start spouting out every single way your company can make money.

Then next one is team. I think that this answer is actually really clear. I think you're trying to do two things. If your team has done something particularly impressive - you need to call that out. "We were the founders of PayPal." Probably want to say that. "We were the founders of Amazon." Probably want to say that. So if you guys have done something that is made investors money. You want to say that. If not, then please don't go on about the awards your team has one or the PhDs - I don't care. I don't care. What we want to hear is how many founders. Hopefully between two and four. We want to here is how many them are technical? How many engineers versus business people. Hopefully it's fifty/ fifty of more engineers. We want to hear is that how long have you guys known each other? We don't want to hear that you guys met a founders dating an even three days ago. Ideally you've known each other either personally or professional for at least six months. We want hear is that you're all working full time. It's really helpful. We're all committed to this business. And what we wanna hear is how you met. That's it. You can get in and out of that two sentences very easy. Your only way to build credentials is if you have accomplished something. And with an investor, typically if you accomplished something that's made someone some money. So don't try to over inflate yourself if you don't have that stat on your resume. Move on. The more you talk about a bad thing - the worse it looks.

So the last one is the big ask. When it comes to this, you have to figure out whether this is a conversation involves fundraising or not. What I tell people is like this is the time where you kind have to know what you're talking about. This is a time where you have to know are you raising on convertible note. Are you raising on a safe. You have to know what the cap of that safe is. You have to know how much money you're raising. You have to know what the minimum check size is. These are things where if you don't know these things, investors going be like, "These guys aren't serious. Or they haven’t done their homework." So where's the rest of this whole thing you shouldn't use any jargon. This part you shouldn't just be like "Oh we're just raising some money." Now is time to actually use a little bit of that jargon. If you don't know that jargon - Google search it. Like it's real simple. You'll guys learn it fast. That's it. That's all your pitch. Done. Game over. Now you let them talk.

When to fundraise? This is important. You've got this little growth graph here. Investors like to invest based on traction. It is literally always better to raise money when you have more traction than less. Often times though, you will be in a situation where you're just starting or you just launched. What you need to do is you need to think about how you flip the equation. Your entire mindset should be: you are the ones asking investors for money and therefore they are strong and you are weak. How do you create a scenario where you are strong and they are weak? That's where you want to be fundraising. First, how do you know that you're strong? If investors are asking to give you money, you're strong. That might be a good time to start fundraising. If investors aren't asking about giving you money, are you talking to people about your start up? Or are you running super stealth? If you're talking to people about your start up and you're getting the word out, either through the press or just through talking to your friends or people you know doing startups, that's a good way to start feeding that.

The second this is, have you created a plan so that you can launch and grow without needing to raise a bunch of money? 95 percent of the startups that I meet can get a product to market with a very little bit of money. Never put the investor in the ultimate position of power. "We can't do anything until you give us money." You always want to flip it around. You always want it to be, "This thing's moving. We all left our jobs. We're all working full time and it's moving. If you want to jump on, great. If not, there are a lot of angel investors." That's the attitude you want to have. That's the confidence you want to have. If you need money early, always plan on needing less money. Always be able to show that you've got a fully committed team that's working fast. That's going to be how you gain an advantage when you can't show traction. If you can show an investor that you haven’t launched yet but you've done eight months of work in one month or two months and you've got a great team that have all quit their jobs and they're totally committed, then you get some advantage back. You don't get all of the advantage unless you have launched and are growing.

Finally how to set up investor meetings. This is really, really simple but I'm surprised at how many companies don't get this right. The first is you want a warm introduction from another entrepreneur preferably. Or a previous investor of yours. That's where you want to start. If someone who's past on your company as an investor offers you to make introductions that's kryptonite. Don't touch that. So first warm introduction. Very simple. You don't want to cold call these people. You don't want to bum rush these people. The person - the credibility of the person who is introducing you to an investor is big part on whether the investor will take that meeting.

Second, think in parallel. So many people that I meet will run the fundraising the super slow process. We met with one guy this we. We're going to schedule a meeting with another guy next week. Another guy three weeks from now. When you're fundraising you're on. It's a sprint. It's not a marathon. So you want to schedule all of your meetings during the same week. It's extremely hard to do but here's one trick that I love - tell when you're emailing investors you getting those warm intros the investors email you back you say, "Hey we would love to set up a meeting but we're building like crazy for the next two weeks. So can we set it in that third week?" Right? So then you've emailed everyone that. Right? So everyone schedules that meeting three weeks out. It's better for them because their calendars open. It's better for you because you've got all you meetings in one week. And also what did you do? You hinted, "Hey. I am not desperate for the money. We're building. Like I can meet you in three weeks but we're building. We're busy." Like it's signally all of the right things. So, that's the best way to kind of go about how you're gonna do that. The last thing is one team member should be investing in fundraising full time. It shouldn't be something that takes over the whole company. Because it's very, very distracting.

So with that - let's kick it off to the next part of this. Who am I handing it to?

Dalton: Hi. My name is Dalton Caldwell. I'm one of the partners at YC and one of the things that we're going to do today real quick is a mock pitch. And first of all I know this is a bit contrived. This is - in this format of like a college class, we're going to do our best to have fun and kind of demonstrate what it's like. And I realize there's a million reasons why this - why you can say, "Of this isn't realistic of what pitches really like." But again there's a lot that we can show you.

Just in terms of my background - over my career I've raised 85 million over several companies so I've sat in a lot of investors meetings. So I'm going to be pulling as many things as I can. So again, we're just going to try to show you something to talk to and use it as a learning session. You already did your intro earlier Qasar right?

Qasar: I've done a couple of startups.

Dalton: Cool. We're going to do two pitches and go through them pretty fast. As Michael said, these tend to go fast. Let's go dive into the first one.

Qasar, I understand you're coming to pitch me today. What can you tell me about what you do?

Qasar: We're building a communication platform that will allow businesses and consumers to collaborate on one single platform rather than in the fractured state that they're in right now.

Dalton: I don't follow.

Qasar: Think about WhatsApp or Snapchat. Those are for consumers. We want to do that for businesses. I have to do this with a straight face. What that means is we want to enable consumers to talk to businesses. That's the goal of our business or what our startup is.

Dalton: Who uses this product? What does the product do?

Qasar: It’s for consumers and businesses. A messaging product that allows consumers to send-

Dalton: Why would a consumer want to use your product?

Qasar: Because they want to message a business.

Dalton: What can you tell me about the market and the opportunity? What's the size of this company?

Qasar: Messaging companies are really big obviously. WhatsApp sold for 19 billion dollars. Snapchat is really growing very quickly as well. We think the opportunity is very big.

Dalton: Can you tell me a little bit about your traction, your numbers. Have you given this to people yet?

Qasar: We don't want to open the kimono and go into all the details here. I had a high level hour live, we definitely have thousands of users in the Bay area. Hundreds of businesses.

Dalton: Can you tell me who some of those businesses are?

Qasar: There's ones that you've been to. We don't really want to get too much into the details because we're still early, we're trying to stay stealth.

Dalton: Ok well, can you tell me about what you've learned so far. What insights that you've had from the customers...

Qasar: Yeah the consumers are sending messages to these businesses. And we think that's great. So and these businesses are responding to the messages and we think that's - I don't think that's obvious that would happen.

Dalton: So can you tell me about what your business model is and how...

Qasar: Yeah so we, we charge businesses like a monthly rate. We haven't precisely figured out what that is. We - right now we're free for the few hundred companies we're in right now. But we’re looking to probably do a monthly...

Dalton: How much do you think a business would be willing to pay?

Qasar: We thing certainly ten to fifteen thousand dollars a month...

Dalton: Ok. So anyway can you tell me a little bit about your team and who you have working on this.

Qasar: Yeah we have five founders. Technically I am the only one who's full time. Right now. We're raising money. So we can get you know the rest of the team on board. Yeah

Dalton: Can any of the founders program or...

Qasar: Yeah. I mean we have - one of them has a Bio PhD but he's really picked up coding. The - I am a python developer. I did - I learned python the hard way.

Dalton: Look at the time. Well it's been really great meeting you. Please keep me in the loop. This sounds fantastic.

Qasar: I will send you an update.

Dalton: Just keep me in the loop as this progresses.

Qasar: I'll send you an update. Great. That was awful.

Dalton: Ok. So let's go through.

Sam: That's disturbing.

Dalton: That was obviously not strong. Let's talk about some of the mistakes. First of all, you need to make sure the person you're talking to knows what you do.

Qasar: This seems really simple but it's not.

Dalton: So many times people get flustered. They get nervous and they start talking really fast. There's no way you're ever going to convince anyone of anything if they don't know even what your app actually is. You have to know your numbers obviously. If you're very vague or evasive, don't even have a meeting. If you don't feel comfortable telling an investor what your numbers are, don't even meet with them. It means you’re not ready yet.

For market size, try to give some plausible bottom up analysis and don't just name drop big companies that aren't even related to what you're doing. People tend to do that a lot. Try to have insights. Try to convince me that there is something that I don't already know about the market that I learned talking to you. Also, why are you working on this? Why are you suited for it? Is it a good thing to do? Finally, he didn't drive the conversation anywhere. Obviously that went poorly and he just let the conversation flail around until I cut the meeting because I ran out of time as fast as I could.

That was not a good pitch. Let's try that again.

Qasar. Ok. Let's do this.

Dalton: Qasar, I understand you have a company. Can you tell me a little bit about what you guys do?

Qasar: Yes, we're a messaging product. That's kind of vague. What we allow you to do is essentially message a location. When you walk into a Crate and Barrel, you can send the Crate and Barrel manager a message like, "Hey. There's puke in the hallway." Or if you're in the airport "I am trying to find this specific gate 'cause I am not at this airport, "Where is the terminal for Virgin?" Or if you're at Target, "What aisle is the shampoo in?"

Dalton: So is this a mobile app?

Qasar: On the consumer side we have an iOS and Android app but getting consumers to download apps is obviously very difficult.

Dalton: I don't usually download app just to send a message to Crate and Barrel.

Qasar: Most businesses have a call to action which says text the owner directly. We tested a bunch of copy that works the best in small print. In small print we have the messages are anonymous. They also lower the barrier to entry. I think that most counter intuitive then we've learned in the kind of launch that we've had - in three hundred fifty locations in Bay. We've been doing this for about three months. We're about 11 percent weekly growth rate in terms of requiring businesses but most counterintuitive thing that we learned - Because we weren't actually sure is - Will people send messages while they walk it work...

Dalton: Do people send messages

Qasar: and they do.

Dalton: Like what's the number one type of message that people send?

Qasar: So originally we started the product thinking this is going to be like in location feedback. That was the premise. In location feedback. What we found is more than half the messages are actually not about feedback at all. They ask things like, "We were in this location in San Jose - this khaabob stand - Father and Son and we say messages that went through the satellite like are you hiring? And that's like very strange because you would think like why wouldn't you just ask the owner? But we realized that we know this is the owner and the person who's walking in doesn't and so they do prefer to actually just text the owner because I think that's an easier reading.

Dalton: Ok so it's like a suggestion box. It's like a way to just like message a business

Qasar: Initially that's what we thought what it was. But what we actually discovered was vast majority of - I shouldn't say vast majority. Over half the messages are just things like, "When do you open? When do you close? 'Cause that's not on Google. Do you - are you catering? Do you have any reservations available tonight?" etc.

Dalton: Ok look - in terms of your traction is sounds like you said some businesses. Like tell me about what you guys have right now.

Qasar: So we have three hundred and fifty businesses - all from San Jose to San Francisco. We sold them ourselves as three founders. We're all technical but we actually did all the sales because we learned a lot about how these businesses work. We actually come from a retail background. We originally built this product for large enterprise players like Starbucks and Walmart but we recognized at closing those contracts and our limited amount of runway wouldn't really be possible. So we wanted to get the product in the hands of users so we did S&B's. And that's when discovered, hey this like messaging product...

Dalton: Ok that sounds interesting. It sounds like you have customers. How can this be big though? Like ok - maybe you can get whole thousands of words....

Qasar: So in terms of like numbers - we see one and half messages on average per location per day. That might not sound a lot but for a business that's getting thirty messages - you take like a Yelp review or a Google review in a life time of business they might get five or seven. So they're getting a huge volume of messages relative to what they tend to experience and they're private so they are not public. So in terms of how do we actually make money, it’s not - you know frankly speaking we don't have a very clear answer there. The two pats are the S&B side or the LC side the large customer side. Large customers we know from a retail experience just regular feedback tools are are three to four million per per year. So like a Sears - where we came from. S&B's we've tested are willing to pay 50 dollars a month. So I, you know certainly I think this is - can be a large business but there's clear ways to make money but...

Dalton: I can see that. Just a couple things. Like, can you tell me about distribution strategy and also just a little bit about the team

Qasar: Yeah, so distribution - so the thing that we learned in selling through these S&B's is really freaking hard. The formula LTV minus CPA - Life time value minus Cost Proposition A in S&B is never going to work out. So we have two solutions - one is to go up market like we originally planned to Starbucks or Walmart’s. Or two is actually essentially pair with consumer facing companies Yelp, Google, Facebook...

Dalton: Have you been talking with them. Are they going to actually do it?

Qasar: Yeah - so we've talked to Google and Facebook. We're meeting with the Apple. We're basically want to introduce every time you search for a business there should be a message button. We want to get consumers in the habit of knowing they can send essentially a text message to any business. That can help us get broad distribution. Our real vision is to become kind of that infrastructure - that messaging infrastructure between consumers and businesses. If that doesn't work - Let's say Google, Facebook and Yelp don't want to give up that valuable property - it's really an add unit. We do just want to sell this an s feedback tool to large players.

Dalton: Alright. Can you tell me a little about the team - we're running low on time.

Qasar: There's three of us. All technical. Mike and I did a company before. Sonny was an ex school engineer. We come from retail. So our first start up was a failure. So I don't know if that's good or bad. We've worked together - we're all technical. We all built everything ourselves. And we sold everything ourselves.

Dalton: Ok.

Qasar: So we already had a couple of conversations with your firm. We're raising five hundred thousand on an 8.5 million convertible note. Of that five hundred two hundred -fifty is committed by Mike Maples, Eli Gill and Aden Sinket. And Mike with Floodgate is willing to fill the round. We think you're - you particularly - you and your firm can bring a lot to the team with your retail experience. Is this something that's interesting to you?

Dalton: Yeah - you know I think this is really interesting. I mean I would need to talk to a couple of more folks on my side but I do think that this - this could be pretty big.

Qasar: Yeah since we’ve had a couple of conversations before and we’re certainly willing to meet again. We are closing a round this Friday and so certainly take time and let you other partners know. I will be available between now and Friday. I'll give you another call before Friday before we close the round. But we’ve love to actually see you - see you in the run.

Dalton: Ok. Well it sounds good. I got to go but thanks for that

Qasar: Great. Thanks.

Dalton: So in terms of that one you know - some key points here is try to actually tell a narrative that makes sense to people. You noticed there was narratives there talking about people - how they really use it. We were able to like tie it down to the real world. Which is good. He was able to demonstrate insights and actually tell me something I didn't already know about the market. Like there were some tid bits. It was more of a collaborative meeting where it felt more like a conversation than just like I was interviewing about something in my opinion. He actually asked for money. You saw I could have easily been just like, "Ok. Got to go." But he did talk about fundraising as Michael mentioned. And he was able to provide all he context and all the the questions to actually have a serious conversation with him. If he was KG about it or shy about and clear on the numbers there's a very good chance I probably would have just ended the conversation due to time pressure.

Qasar: Yeah. It's interesting we sit on this side a lot. You really - you can tell when people are very passionate and know their business very, very well. And that's what you have to become.

Ok so closing thoughts here before we - what you want to do after the meeting. Before we get into Q&A. We're running a little short on time.

After the meeting the first just like Tyler said in the sales things follow up. This is important. Anything other than a check or wired funds is a no. So they we got to keep talking to partners - I assume that's a no. And so you do want to put some pressure. The way you can do that is get deal heat. A deal heat is just a term that means there's a demand to be in your round. This is the easiest way and important way to drive a price, etc. Do diligence on investors, So let's say you have that five hundred thousand to raise for your seed round on the 8.5 million like we used as an example, Do diligence on the investors - If you do find - I do the diligence on Dalton and I found that hey he's actually not great investor, I can get Millan or Mike Maples or whoever to actually fill the rest of the round. It's uprising to us how money entrepreneurs don't do this. You would - it’s like you would actually spend a lot of time hiring somebody - you’re selling a part of your company to somebody you should know who you're selling it to to make sure they're the type of people you think they are. And then last - know when to stop. So some founders get so good a fundraising they just want to it all the time because it’s much easier to do than actually building the company.

Dalton: Fundraising does not equal success. Nobody realizes that. We'll say this now but I am sure that everyone will still equate fundraising with success and read about someone’s fundraising and assume that means they're successful.

Qasar: My intuition about why this is true is because a lot of smart people applied to good schools and to good jobs and they think fundraising is just another application that they can check off. Building a company is much more ambiguous.

Sam: Can you guys just stick around for a few minutes after to answer questions?

Thank you guys very much that was great!