[01:12.8]

I don't think people understand quite how hard restaurants are. If you think about the moving parts at the average independent restaurant and how complicated the production and assembly and delivery of food is to the table, and you compare that to any other small business, it's orders of magnitude more difficult. I mean, you don't walk into a store and say, I need a pair of socks and sneakers and somebody down in the basement makes you the shoes and socks.

[01:32.1]

Yeah, but that's what happens when you walk into a restaurant.

[01:38.8]

Welcome to How I Built this, a show about innovators, entrepreneurs, idealists, and the stories behind the movements they built. I'm Guy Raz, and on the show today how Ben Leventhal's appreciation of restaurants helped him build Eater and then Resi, a booking service that over the past year has seated 350 million diners.

[01:58.8]

If you ask me to name my favorite restaurant, it's pretty easy. It's a place where they know me. Now, the food happens to be spectacular, but even if it wasn't, the fact that I'm a regular means my experience there is always great. And that's the thing about eating out. Even if the food's just average, but the overall experience is great.

[02:13.9]

You'll probably have a pretty good memory of the place. And that's what mattered and still matters most to Ben Leventhal. All three of the businesses he founded or co founded are ostensibly about food, but really they're not just about food, but about the experience of enjoying the place where the food is served. Back in the early days of blogging, Ben started writing about New York City restaurants, and the blog eventually became Eater, which is now owned by Vox.

[02:33.4]

Eater would report on the rise and fall of restaurants, much in the same snarky voice that Gawker used for celebrities. When Ben stepped away from Eater, he wanted to figure out a way to solve a problem he'd often run into how to snag a table at a hard to book restaurant. So in 2014, he partnered with Gary Vaynerchuk and Michael Montero to launch Resi.

[02:49.5]

Today, Resy is one of the big restaurant reservation apps, along with others like OpenTable and Tock. The original model for Resy was a little like Uber and surge pricing. If you were willing to pay a premium for, say, a Friday night, you could reserve a table at an in demand restaurant. Now, eventually that model didn't work out and Ben and the team had to make a hard pivot, which you will hear about.

[03:07.0]

Resi was eventually acquired by American Express for around $200 million. And today it lists around 16,000 restaurants on the app. Ben has also launched a third company. It's called Blackbird, and it's tapping into the world of restaurants, rewards, and virtual currency. But we'll get there a little later. For now, what you need to know about Ben is that he grew up in New York, studied finance at George Washington University, and out of college, his first job was working at VH1 in New York City.

[03:29.9]

The first thing I did there was I worked on the big show, sort things like storytellers and VH1 used to have a show called Divas, which was a big concert. And I got to meet all kinds of people. I was once, for all of five minutes, Madonna's security for one shoot. I had to escort her, get her safely from her car to her dressing room and back. Wow.

[03:45.1]

Yeah. Did you see yourself kind of climbing up the ranks and maybe want to be an executive? Or did you always kind of see, as a temporary thing? You know, what happened is I didn't see myself making any progress. Yeah, I held the executives there in extremely high. Regardless. Those were the days where MTV executives were just, you know, epic heroes of, I guess, the sort of early media, cable media environment.

[04:04.4]

I mean, Tom Fruston, Judy McGrath, and John Sykes. I mean, these guys were huge figures, and I held them in very high regard, and I did want to be one of them. And I spent a bunch of time at MVH1 on MTV, and I didn't really make any progress. Is it amazing just to think about it for a moment? There was a time in the early 2000s, even into the 2010s, where New York media executives were considered to be such a big deal.

[04:23.8]

They were so highly paid, they had drivers that would drive them to the. To the office. You know, it's just so crazy to think about it today because that whole business is just gone. And in part because they spent a lot of money in the 90s and the 2000s. They're spending it on private cars. It's just nuts.

[04:39.4]

Yeah. So you saw that. You felt like you were not going anywhere. So what did you do when you left? Well, one of the things that happened towards the end of my time at VH1 is I sort of didn't have very much to do. And the job that I was doing was pretty easy. So I had some time on my hands. And that's when I sort of initially started doing things on the side and started writing about restaurants and writing about the city and those projects just on a blog.

[05:00.9]

On a blog. It was initially a newsletter called she Loves New York, and that turned into Eater. Who was she? She was a, you know, the theoretical she. Just a woman in New York who loves the city. All right. It was a weekly newsletter, and every week I wrote about 10 or 20 restaurants somewhere in that range, places of interest.

[05:16.9]

And I categorized them around pop culture themes and moments. So if it was baseball season and you wanted to go watch the Yankee game, it would be, you know, four places with screens. But it developed a kind of cult following. And, like, how many people were subscribed to this newsletter?

[05:33.9]

I think at its height, it was 10,000. Wow. It was really just commentary and color and observations. She Loves New York initially was anonymous, and I thought that was an interesting kind of hook for it. And there was a sort of curiosity as to who's writing this and what is this? What's really going on here?

[05:49.2]

Was it, like, snarky? It wasn't snarky. The tone of Sheila's New York was really. It was insider y. It was awestruck in a way, really sort of a fascination with the city. But it wasn't really snarky as such. It was just kind of quippy and insidery. All right, so you're writing this, and, I mean, you're not making any money off of it, right?

[06:06.7]

No, you're just sending it out. This is just like, a thing to do. It was a thing to do, and it had no commercial value or potential at any point. Although I did think in the broadest possible sense, I said, well, maybe there could be something here, But I had no idea what that might be. And I was simply motivated by the fun of writing it.

[06:22.2]

Meantime, you meet this guy in New York named Lockhart Steele. Who's Lockhart? How did you meet him? Lockhart Steele was at the time doing two things that were interesting and relevant to me. One is that he was the managing editor of Gawker, and two is he was writing a blog called below 14th Street. And below 14th street was a very early blog.

[06:38.8]

I mean, he was blogging when I was still sending out this newsletter. But I used it as a source a lot. You know, one of the hooks of she Loves New York was that it was extremely up to date in terms of intelligence, what was opening and where. And so it was below 14th street was one of my sources, and we had been introduced through a mutual friend, and we hit it off.

[06:55.5]

So he was basically kind of doing a parallel thing. And he's also managing editor of Gawker, was Gawker in 2005 already a thing, or was it really just a kind of a New York insider thing? Gawker was an insider thing, but Gawker was pretty well read at the time. I mean, anecdotally, I remember that when Gawker would link to one of my she loves New York newsletters, they would really spike traffic.

[07:13.2]

Right. It would really be a big win for me. And Gawker was snarky. Gawker was very, very snarky. Yeah. And so how did, how did that, like, what do you remember about conversations that led one or both of you to say, why don't we join forces and do something together? I remember us having two seminal conversations about this.

[07:28.3]

We met at a bar and I said, I think we should do something and it should be about restaurants and it should be called Eater. And I said, we should call it Eater because one is, it sounds a little bit like Gawker, and two is Eater is the most dressed down way of thinking about people who go to restaurants. They're not foodies, they're not gourmets, they're not connoisseurs, they're just Eaters.

[07:45.5]

And I said, we should do this blog and we'll post about restaurants and we'll both do it. And Locke was much farther along in terms of his understanding of digital media than I was at the time. And of course in part because he was already at Gawker and he just generally was way more in the scene and already had a feel for it.

[08:00.9]

And he also was writing at that time a newsletter called Curbed about street level, neighborhood level real estate in the city. And he took to this idea of restaurants and he said, well, let's. We can. The easiest thing to do is to launch it off of Curbed and we'll make it eater.curbed.com and that's how that was. The first place that Eater launched was a subdomain of Curbed.

[08:17.1]

And we sort of mapped, sketched it out and essentially drew up a wireframe for it. And we both contributed some ideas as to how it would function. And Eater was going to be much more closer to a restaurant review site. Well, Eater was. The idea was let's put up a couple of posts a day and then it turned into six, and then it turned into 12 posts and it was a regular feed of content about restaurants.

[08:36.4]

Now we, we did say we're not going to write reviews, and we also said we're not going to post photos of food. And we said we're really not Interested in adding to the noise with more photos of food. And we're really not interested in writing reviews because we're actually not going to be any good at that. Because, as I still do at that time, we held the big time food critics in extremely high regard and had a ton of respect for what they do.

[08:55.7]

And we just said, we can't compete against those guys. But what we did have was we had the cadence of blogging, which was certainly a competitive advantage. We could post things whenever we wanted to. And we had, you know, our take on restaurants. We had our take which was that these places are these incredible, wonderful, magical places. And the chefs and the operators of restaurants were heroes and villains to be talked about.

[09:15.1]

So what was. Presumably you had to get a. You had to get paid. So how was it going to work? Were you going to become an employee of Curb to get a paycheck? Yes. And I mean, 2005, were advertisers spending a bunch of money on these sites? Like could. Could it? Was it possible? Because hosting a web page was very expensive at the time. Was the business model. I don't know.

[09:30.2]

Was it sustainable? Well, we had a couple of advertisers. And credit to Locke, he had attracted several advertisers through Curbed. And so there were companies like. My recollection is the New York Times was a company that advertised with Curbed. And when I left, what we decided to do was we decided to raise some money and we raised an angel round of funding for the enterprise, the Curb Eater enterprise.

[09:51.0]

And that's how we funded it. And we grew into it being a sustainable advertiser supported content business. All right, so you now and you became sort of the editor of Eater. Yeah, that's right. And you were the main writer. You were posting two or three pieces a day, or you had one or two people working with you. We started by both contributing, Locke and I.

[10:08.3]

My recollection is three or four posts a day. We didn't have any other contributors for the first year or two, but we just sort of went about posting. I mean, that's the thing about those days in digital media. The key to getting one of these things stood up is you just, in some ways, you just have to start posting. You have to start producing content. From what I've read, there was definitely an edge of snark to some of the reporting.

[10:28.7]

Yeah, you guys had like a section called Death Watch where you would like count the days before you felt like a restaurant would die. We did. You know, it was a lot of our Energy and our just unbridled enthusiasm for restaurants that was coming out, and it often showed up as snark. The idea of Eater was that we loved restaurants.

[10:47.1]

We were obsessed with restaurants. I think about my career as a hype man for restaurants, and Eater was the start of that. And. And we were just so. We were just so. It was just all energy. And I know that often showed up as snark. And, you know, knowing what I know now, I wouldn't do things like Death Watch, which in hindsight were harsh and cruel to the restaurants that became its subjects.

[11:07.8]

And we were outsiders, and we didn't know any better. And we didn't know what we didn't know. We just knew how much we loved the scene and how fun and fascinating and exhilarating it all was. Let me. Let me ask you about just the business side for a second, because I would imagine you're in your sort of mid to late twenties when you and Lockhart start talking about this idea, and then it became part of curbed.

[11:26.0]

You probably didn't think of yourself as an entrepreneur. You probably didn't think like, I'm starting a business, did you? No, no. It didn't even occur to me. We had a joint venture on Iter, and Locke did more of the work of building the business, and I did more of the work of building the editorial. But I was close to it and sort of understood more or less what was going on.

[11:42.4]

You know, it wasn't just sort of naive creative writing content. Yeah. But the passion for me was around the content, no question about it. And. All right, so you. So this becomes your thing. And Eaters growing. It's mainly in New York at the time. Yeah, we had San Francisco, we had la. But the gravity of the company was, you know, New York was the center of gravity of the company.

[12:00.3]

And was it profitable or at least sustainable? Or was it, you know, did it require, like, constant fundraising? Like, how was it keeping lights on? It was more or less sustainable. We didn't raise more money for quite a while after the initial angel round. It was a lean, small, lean company. You know, we ran it modestly, and we didn't have that many employees, and a lot of the writers were freelancers.

[12:18.0]

And it was lean. We ran it lean. From what I've read, publicists hated Eater because people said, well, they're not professional food critics, and they can really have a huge negative impact on a restaurant, but they don't know what they're doing. So when you would see stuff like that, did you just Think that was funny? Did you laugh? Did you.

[12:33.4]

Did it bother you? What do you remember about that? Yeah, we loved it. You know, I think one of the important things about being an entrepreneur is that you have to be willing to break the rules. And sometimes you don't realize the rules you're breaking until after the fact. And sometimes you don't realize that it matters until after the fact.

[12:48.7]

But, you know, at the time that we started Eater, there were rules about food content and there were rules about embargoes. And there was an unspoken understanding that if as a publicist, you gave Florence Fabricant a story, she continues to be a writer at the Times, the sort of news, she got the exclusive. If she had the exclusive, she had the exclusive.

[13:04.4]

And so we often ran into these things where we had the story because we walked down the street and we saw a construction project and we poked our head in it. It turned out that we got to see a restaurant before it was officially photographed and before it was officially announced, and we put those things on the website. Were you guys ever sued? You must have been threatened with lawsuits.

[13:20.2]

I think we got some letters over the years. Nothing that ever brought us down or became existential. We always corrected posts when we needed to. A lot of the current, I think, style and conventions around online media, I think it's fair to say the rules were being developed in that time, and there was not the same journalistic standard that exists for old school legacy media.

[13:41.3]

The priority was pace and speed, and certainly that took precedence over, I would say, accuracy in some cases. But, you know, if we posted a story about a restaurant and we said, this is opening next week, and the chef wrote us and said, you're wrong, it's opening in two weeks, we would update the story and say, it's opening in two weeks.

[13:57.7]

Yeah. And sometimes publicists, because they were playing by the old rules, would send us a press release and it would say on the top, on embargo until. But we didn't ask for the press release, and we got these things unsolicited. And so we kind of said, these are not our rules and we're going to post it now. And we drove people crazy with that stuff. We just, the publicists especially, just couldn't wrap their heads around what we were doing.

[14:15.8]

And certainly that changed, and they started to figure it all out, and we started to figure out how to play nicely with them. But, yeah, we just started by saying, these are not our rules, so screw it. When we come back in just a moment, how Ben moves on From Iter to start Resi and why its first business model falls flat.

[14:31.5]

Stay with us. I'm Guy Raz and you're listening to How I Built this.

[14:45.6]

Hey, welcome back to How I Built this. I'm Guy Raz. So it's around 2009 and Ben decides to step away from the website. He co founded Eater and move on to new things. He works for a while at NBC doing digital food content and then he leaves that job for a startup. You worked for a startup called Kitchen Surfing. It was like a private chef company and like you could book.

[15:02.9]

Yeah, you could kind of book a chef. Like you could an Uber. If you had a dinner party on Friday and you need a chef, you could go on Kitchen Surfing and make a request and get a chef. Yeah. Didn't work that well. It didn't work that well. In the meantime, Curb gets acquired by Box, I think reportedly for between 20 and 30 million dollars. It gets sold, I'm assuming out of that you get a check too.

[15:17.9]

Probably not enough to finance, you know, the rest of your life where you could just sit on a beach and drink, you know, pina coladas, but, you know, probably enough to maybe help you start something. Absolutely, yeah. So you had briefly worked at this startup, kitchen surfing. I have to imagine that that experience gave you some ideas or kind of got your gears in your head turning about food and a business.

[15:37.2]

Definitely that was a period of time where I, I learned a lot about startups in sort of a formal way. Like I learned about how Kitchen Surfing went about raising venture money and how venture backed companies have board meetings and think about roadma growth and things like that.

[15:52.5]

And out of Kitchen Surfing, I really didn't know what was going to come next and I didn't have any strong ideas about what that might be. And there's two ways for me that ideas mature. One is when I write about them and the other is when I talk about them. So I like to talk about the things that I'm thinking about with people that I trust and that I think have good, strong opinions on things because it helps me figure things out.

[16:10.2]

And so somebody I had gotten to know over the years was Gary Vaynerchuk. Okay, so Gary Vaynerchuk, we had him on the show several years ago. He's kind of a social media entrepreneur and he's done a bunch of different things. You guys are just batting ideas back and forth at the time. This is 2013. Uber starting out or it's starting to gain traction.

[16:27.8]

Yeah, iPhone apps are exploding. What Were you thinking about in terms of what opportunities there were around restaurants and smartphones? Yeah. Gary, in the years that I got to know him, I was doing Eater. He was developing Wine Library, which is the thing, in many ways, that started to put him on the map. Yeah.

[16:43.0]

And we were both at a point in our careers and the late 2013, where we had the headspace to think about doing something together. And we were sitting down at a restaurant on the Upper east side, and the chef comes over and he says, you know, it's. This is. I've got some amount of notoriety in the restaurant industry because it's this post Eater, of course, and.

[17:00.6]

And the chef comes over and is happy to say hello and is excited to meet Gary. And we've had a great meal, and we chatted for a bit. He was talking about how hard the restaurant was, how it wasn't working very well and wasn't very profitable. And we. That was a real provocation for me to say, you know, there's something.

[17:15.7]

There's something that's off here that these restaurants shouldn't be so hard. They're making people so happy. But if none of these restaurants are working, what's that about? Why is that the case? And that's how we sort of started to dig into it. And I think. I guess at the time, Gary had mentioned that he was starting a fund, like he'd raised some money to make investments.

[17:33.7]

That's right. And so Gary had some money to play around with and was looking for ideas. And so that's how these sort of two things came together. It's interesting, in 2013, you're hearing chefs talk about how hard the industry is. I can't imagine a good, even a very successful restaurant doing more than 10% in profit. No, that's. If you're running at 10% as an independent restaurant, you're crushing it.

[17:51.0]

Yeah. I don't think people understand quite how hard restaurants are. And that's always been something that, to me, is part of the fascination and part of the reason to fight for them and to partner with them is these businesses are 10 out of 10 difficulty. If you think about the moving parts at the average independent restaurant and how complicated the. The production and assembly and delivery of food is to the table.

[18:08.8]

And you compare that to any other small business, it's orders of magnitude more difficult. I mean, you don't walk into a store and say, I need a pair of socks and sneakers, and somebody down in the basement makes you the shoes and socks. Yeah, but that's what Happens when you walk into a restaurant. You say that you're hungry and they go down and they put a bunch of stuff together and they make you dinner.

[18:24.2]

And, you know, you also can't go from storefront to storefront browsing for things that you like. You know, you go and you sit down for two or three hours, you have a meal. That's. You get one shot at it. Yeah. And I think as we started talking about Resi, it was. It started to come into focus that this is just. This is impossible, what these guys are doing. And let's understand why and see where the opportunities are.

[18:40.3]

Yeah. I mean, restaurants, I think it's like a third or third or third. Right. A third for rent, a third for food, and then a third for your employees. And hopefully you can squeeze those down a little bit. So then whatever's left. Yeah. As the owner, you can pay yourself. But the reality is it winds up being more like. Well, you know, it's like you want it to be 30%. 30%. 30% and then 10% profit.

[18:56.2]

Yeah. But it's sort of. The reality is it winds up being more like 33. 33. 33. Yeah. I mean, every day I read articles about really great restaurants in San Francisco that closed down because the owners cannot. It's not sustainable. They're literally not making a salary and they're busting their butts. That's right. All right, so you. You start to think, well, what. What's the opportunity here?

[19:11.8]

How can. How can I maybe build something that will benefit restaurants and then that we can turn to a business. So what was the. What was the kind of the. The choke point, you know, the bottleneck that you discovered that could be exploited? Well, we thought that the choke point was that there was no variable pricing in restaurants.

[19:28.1]

And we were just talking generally, why is the price of the seat the same every day no matter what the demand is? Right. Because a Friday night at 7:30 is going to be a higher demand than Tuesday night at 5. Yeah. But it's 150 bucks either way. Yeah. And we were saying, how is it possible that restaurants haven't figured this out? The margins are so thin and it's so hard to generate revenue.

[19:45.5]

How is it possible the restaurants haven't figured this out? Right. And so we thought that was our wedge search pricing. And what we did was we. The first version of Resy was just paid reservations. $10, $20, $50, $100 for reservation. So when Gary agreed, the two of you agreed to work together.

[20:03.0]

Did he have an Office. Did you sort of, you know, set up shop in his office and start to just dig into this stuff? He did. He gave us a little group of 10 desks out in the middle of the floor, and we started banging away. And who was we? We had at the time it was me, Gary and Mike Montero who would become the CTO of resy.

[20:18.1]

Gary had known Mike and had talked to him about a couple of different projects because Mike's a really talented engineer and was looking for his next chapter. So the idea you started to develop was, hey, why don't we sell seats at restaurants? Like, you know, you pay a premium for a certain time of the day. Exactly, exactly. And how was it going to work?

[20:34.0]

I mean, just to get it off the ground, you had to get restaurants, presumably to agree to give you an allocation of seats. Right? Precisely what we did. We went to restaurants. I went around the city, went to restaurants where I knew the chefs. And presumably you had some credibility from your time at Eater. Yes, I brought to Rezi the credibility and the Rolodex that I developed at Eater.

[20:53.3]

And I think it's fair to say that as RESI grew, you know, I used my product instincts and my content experience and started to sort of round the thing out. But really, I went door to door with the restaurants and I started with the restaurants that I knew and really asked them to take a leap of faith and try this out. And what was your pitch to them? Like, you come into a restaurant, you say, hey, we're going to do this thing.

[21:10.1]

And I would say, well, what's in it for us? Like, I mean, we're just going to get to give you our seats. I mean, we're already selling these out. The pitch was airlines have first class and business class and premium, economy and economy. And when you go to a concert, there's front row and floor seats and second deck and third deck. But for restaurants, you have nothing.

[21:26.2]

You have one price. It's one size fits all. Everyone gets the same seat at the same price. And what if you could charge more for 7:30 on Friday night? It's only 50 bucks. If you wanted it, it's yours. 50 bucks for the, for the right to have the seat. But then obviously you have to pay for the meal. Yeah, and that was the pitch. You can generate revenue, you can make customers happy, and.

[21:42.4]

And all you have to do is you have to charge for your primetime inventory. So maybe like Tuesday night you could book it for 10 bucks for the reservation, but on a Friday night it might be 50 or more if it's a hot restaurant. That's right. And the restaurant will get a cut of that. The restaurant got most of that revenue. Most of it. Most of it. Oh, wow. Okay. My recollection is that we took 20% as a vague, and the restaurant kept the rest.

[22:01.5]

And were you getting traction or were you getting restaurants saying, I'm in. I'm up for trying this out? It was really hard. We got restaurants to say yes. I remember the restaurants that said yes to us first. Because, you know, when you're starting a business, the first five yeses are the ones that matter the most and. And are the ones that require a tremendous amount of leap of faith.

[22:16.7]

But there were lots of no's too. So it would be a mobile app. Yes. And people could basically buy this. I mean, it's a great idea. And I know there are people listening and I know that you guys got knocked for it because people like, oh, they're like ticket scalpers. But at the end of the day, like, that is for better or worse, how capitalism works, Right? Is that there's an opportunity, and if you can, if you make money off of it, it's reasonable and legal and ethical, you know, then it's going to happen.

[22:38.2]

Right. I mean, I just went and saw Taylor Swift. Most of those people in that arena probably bought from the secondary markets. For better or worse. Yeah. But there's something about hospitality that forces consumers into a different mental model than they are using for other entertainment categories. And I think it's the intimacy of it.

[22:53.9]

I think it's the legacy in the history of hospitality. Restaurants, in people's minds are first come, first serve, democratic places. When you start pricing them, everyone gets a little uncomfortable when you say to a customer, you can have this table, but you have to pay $100 more for it than the person sitting next to you that really, really bothers people.

[23:13.6]

Even though that might be the case at an NBA game or any concert they go to. Yes. For some reason, when it's a restaurant, people just, psychologically, they just, they cannot accept it. Yeah. I think it's about how bespoke it all is. I think it's about how intimate restaurants really are at the end of the day. I also think as time's gone on, I mean, this is the number one question that people ask me is the founder of Resi, like, why isn't there more variable pricing in restaurants?

[23:35.6]

And I think one answer is, because hospitality is not capitalism in a pure, pure sense. The other is that it's actually happening. But it's a little bit behind the scenes. You know, when you have credit cards who get. Get paid, allocations of tables, and you have VIPs and you have concierges, all those are entities that are benefiting the restaurant economically. And all those are entities that essentially help make sure that higher spending people are going to be in more valuable seats.

[23:53.6]

So it's happening. It just turns out that something as sort of RAW as Resi 1.0 is not the right. It's just not the right product for it. And so a lot of places told us, there's no way we're doing this. This is crazy. Because they thought people would hate them. They were worried about that. Yeah, but you got Minetta Tavern, you got Balthazar. I mean, you got some very hot restaurants.

[24:10.1]

Still hot restaurants, still a hot table to this day. One thing we did to make it more palatable is we said, well, look, even if you don't want to take the money, on the consumer side, this is beneficial. So charge for the table and we'll take your cut of it and we'll donate it to a charity of your choice. I see. So you could advertise that.

[24:25.4]

That's right. It sort of was a way. It was a landing zone for restaurants to be able to do it without worrying that they look like they were greedy. That's right. So I think Balthazar was donating to Food bank, and it was easier for restaurants say yes. If they could wrap their head around the fact that. Okay, well, if it's going to charity, it can't be that bad.

[24:40.7]

Yeah. All right. To get this off the ground, you had some financing from Gary's fund and did that finance the whole thing? I know you raised. You guys raised $2 million. Did it come entirely from the venture fund that Gary was starting? Yeah, that's right. All right, so you have this money and you've got to build an app, develop a team, and get the restaurants on board.

[24:57.4]

So, first of all, just from the technology perspective, building out a good piece of software, that must have eaten up a lot of your cash. Yeah, well, we had Mike, who, as I said, is a world class engineer, and he'd coded the first couple of versions of it, but we had raised this $2 million seed round. So our first two hires were engineers, one for iOS, one for web, and Mike was doing backend work, and that was the team.

[25:17.9]

And at the time, I mean, this was not a restaurant reservation site. The OpenTable had been around since 1998 already. I think even Yelp, you could, by that point, reserve a table at a restaurant. So you were definitively not in the business of competing with those, those brands. Yeah. And even in those days when we were starting Resi, a lot of people were saying to us, oh, this is an open table competitor.

[25:35.8]

You know, you guys are going after reservations. Yeah. But we still sort of said, no, no, this is different. This is not. We don't want to be open table. This is an Uber for restaurants. This is different. So, but, but like how big did you see the opportunity for what you were doing? I mean, did you think, oh, this could be, you know, a billion dollar business?

[25:50.9]

Yeah. Well, the thing is, when you're starting something out and you need to see it through to it being a big business, you can often kind of squint and see it. I mean, that's one of the superpowers of entrepreneurs. You're really squinting there. One of the superpowers of entrepreneurs is you can convince yourself of anything. Yeah. And so we had to squint a little bit, but we could see this being a big business.

[26:06.9]

And the idea was basically, we're going to roll this out and there's going to be this idea of variable price tables all over the world. And sometimes it might be a dollar and sometimes it might be 200, but there's always going to be a clearing price for reservation. And we were going to be that service that determined that price and made it happen.

[26:22.0]

Except the big, bad, 800 pound gorilla. I shouldn't say big and bad, but just a big, you know, player open table could have easily replicated that if it took off. I think that's true. I mean, I think the idea that, you know, your competitors can just rip off your products when they get big, I think that's true. But also it's just not the nature of how big companies work. I think you often find that they're focusing on other things and they're too busy to worry about, you know, a little sort of fruit fly buzzing in their ear.

[26:41.2]

But you're right, if OpenTable had seen what we were doing and said, oh, this is interesting, they easily could have stood it up themselves. The fact of the matter is opentable saw that we were doing a couple of things and entirely passed on doing them. They saw that we were pricing tables and we were also distinguishing tables. We said, you know, not all restaurant tables are created equal. There's bar seats and there's outdoor seats and there's dining room seats.

[26:58.8]

And when you go on open table and you make a reservation, you don't know what you're booking. Yeah. And we had brought Resi to market in the summer of 2014. And so we as really a hack to get the thing going. One of the things we did was we said to restaurants, well, look, we'll take care of your outdoor seats when they're available and people will know they're booking outside.

[27:16.0]

And in the middle of the summer in New York City, the idea that you could have a guaranteed table outside certainly was something that you could sell for a premium, which a lot of places did. But we did a bunch of things like that. But at the end of the day, all of that didn't amount to a real business. We couldn't, other than, you know, spreadsheets that had no basis in reality.

[27:31.0]

We couldn't see it through to the other side and build a big business around that. How long did it take you before you realized, you know, making 10 bucks here and bucks there is not, I would say by the end of 2014. Okay, so that was the, that was the only model for the first like five months. Yeah, that was the model. And it became clear that this was not going to work.

[27:47.0]

It became clear that this was not going to be as big as we thought. And yet we had the attention of the restaurant industry and we had their engagement and we had their urgings for us to build something else when we come back in just a moment, how Ben and his business partners ditch their first business model and come up with a better one.

[28:05.2]

Stay with us. I'm Guy Raz and you're listening to How I Built this.

[28:17.1]

Hey, welcome back to How I Built this. I'm Guy Raz. So it's late 2014 and Ben and his partners have realized that their initial business model for Resy is not going to fly. Meanwhile, the restaurants they're working with start to give them some well meaning advice. We got over and over again this same feedback in different ways.

[28:32.2]

But the feedback was always, you just should build out reservations like, this is cool, but we want table management and we want booking widgets. And if you can do those things, then we don't have to pay open table, a dollar per seat. And then you'd really help us. And that's how we crossed the chasm into what would become Resi. As we heard from restaurants, look, this is cool, but this is not what we really need.

[28:49.9]

Right. So I guess at this point you respond to this feedback that you're getting from restaurants and you start to build out your reservation system, right? That's right. And we went really fast to the widget. So now we had Resi with a widget deployed to restaurant's native website. Meaning when you click reserve on a restaurant's website, that popped up a Resi powered interface.

[29:09.5]

Right. That was the first really big unlock for us. That was where we started to see traction. And that was because the restaurants were asking for that. The restaurants were asking for it and it made sense. It's part of our core thesis. Restaurants should be in more control and should be able to book their own customers without having to pay a dollar per cover.

[29:24.8]

And so if you're on a restaurant's website and you want to visit the restaurant, of course you should be able to make a reservation. And for the restaurant, of course that reservation should be free. You weren't going to charge a per booking fee, it was just going to be a flat fee to use the Resy backend software. That's right. We said we're not going to charge per cover, we're going to charge you either $99 or $399 a month.

[29:42.0]

I think there was another tier in the early days that was sort of the enterprise tier where we would do some custom stuff for you. And that's it. You could do one cover or you could do 10,000 covers. It's the same price matter, doesn't matter. You're not going to be metered for demand. The idea that more successful restaurants pay more is insane. You pay us a flat fee, use the software as much as you want.

[29:59.1]

But the success of that model depends on getting a lot of restaurants to sign up. You need a lot, you need to convert a lot of restaurants from OpenTable or whatever else they're using to you guys. Because if you've got fewer restaurants but you're getting a per cover charge, you know, you don't actually need as many. But if it's just a monthly flat fee, the business depends on having a good salesforce out there.

[30:15.7]

Yeah. And so, I mean, we were mainly in New York initially. Right. But, but to really make this work, you had to be, you had to expand out. Where was the next place you went to? We went to la. We had restaurants coming to us because the offering was attractive, whether or not there was resi marketing behind it. So we had restaurants starting to pop up around the country.

[30:31.9]

But the next market that we went into from a sort of go to market perspective was la. And I know obviously in the first few months with the original business model, you could see that it wasn't going to work. Did you start to see it turn around. I did, yes. You know, in the first 12 months, we went from being Resi, the paid reservation service to Resi, the reservations and table management service.

[30:51.8]

And, and one of the things that you guys did pretty early on was you partner, you decided to partner with Airbnb. You get them to, you approach them and you say, hey, let's see if we can integrate this app into Airbnb for restaurants. Yeah. So Airbnb was thinking about how do we incorporate restaurants into our offering? Because Airbnb at the time was really focusing on going deep in every market from an experiences perspective, wanting to be, you know, sort of a one stop shop when you visit New York, for example.

[31:13.6]

And so they were looking for a partner here and they came to us and said, what would you guys be able to do for us from an integration standpoint? They went to some of our competitors too. They had a pretty considered approach and we won that business. Basically, we convinced them that we were the right partner for them. At some point in that conversation, we said, you know, we'd like this to be both an investment and a commercial partnership.

[31:31.1]

And they agreed. One of the things that presumably, you know, and I know this was happening at the time is like a CRM for restaurants. Right. Where they could know a lot about a customer. Because there are a lot of restaurants that I go to. Maybe you go to where you go a lot. Yeah. And then you'll go the sixth or seventh time and then you have a bad experience and then you don't go back and you're like, I've been there seven times.

[31:47.0]

They don't even. I've seen the same people there or the same food and they don't recognize it, which is fine. But, but if that happens and you have a bad experience, that's a big loss for a restaurant. But if they know that you're there on your fifth or sixth time, that could be a huge advantage. Right. And this was something that I guess you, you, you were. The restaurants wanted that. They wanted something like that. Yeah, for sure.

[32:02.4]

I mean, again, if you look at the history of this, it really comes down to us shipping features that our competitors didn't have or, and on that basis, convincing larger and larger restaurant groups to sign up with us. And one of those features was the universal guest database. Before Resi came along, every individual restaurant unit had its own customer database.

[32:21.2]

It was essentially a customer database on a local server. And from the start we said, your unit, you know, if you have four restaurants sell one database, it's One customer profile against four restaurants. So now you can start to track them across your group. And you don't have to worry about missing a vip. If they're always going to your uptown location, and then they some they come visit downtown, you don't have to worry about missing them.

[32:37.7]

That was a big unlock for us. That was a big unlock. And restaurant. It really mattered a ton to restaurants. It's so obvious now. That's the right way to think about the guest database, but that's not how the systems had been architected before us. So did you at any certain point, hit profitability? We were inside of it when we sold it to Amex.

[32:53.7]

We were not profitable. May 2019, American Express announces that it's acquiring Resi, reportedly for $200 million. The timing couldn't have been in some ways better because it was a little less than a year before the whole industry would collapse temporarily. But obviously with COVID you stayed on as CEO after the acquisition, and now it's part of American Express's portfolio of companies.

[33:14.9]

Yep, I stayed on for a year and a half. And you were there for the first six months of COVID for sure. So what did that do to them? I mean. I mean, I have to imagine part of you was relieved that you were part of a bigger company. Oh, yeah. I mean, better to be lucky than good, as they say. I think we, in hindsight, timed the exit perfectly. It meant that we could do some things for the restaurant industry that we would not have been able to do as an independent company.

[33:32.5]

We did two things, and we did them very fast, and the industry followed. One is we cut fees to zero. We thought it was really important, symbolically, to say we are not in a position to be collecting money from restaurants right now. And. And a lot of the industry, other tech companies, followed that. And I think it was important that we did that. And the other thing we did is that we said to restaurants where we had relationships, ones where we had marketing relationships, or we were going to.

[33:51.3]

We had signed up to, you know, maybe later in the year sponsor something. We said, well, we'll just advance you the money. You know, we're going to do this event with you all anyway, if we can advance you those funds and that can help you with payroll while the restaurants close. Great. So let us know what you need. And I'm certainly proud of having been able to do those things and getting them done while I was still at Amex.

[34:06.4]

When you stepped down In November of 2020, what did you do? I mean, did you Just take some time off for a while. I wish I had taken more time off completely. But being that I, you know, I'm a curious, ideas driven person, I started talking to people about what to do next. And one of the things that I started talking about was the idea of a restaurant currency.

[34:24.3]

You know, the thing that's happening in this to 202021 is obviously there's a lot of interest and excitement around blockchain tech and NFTs and cryptocurrency. And I started to talk about just this idea of what about currency for restaurants? There's a lot of restaurants, it's a trillion dollar industry. They pay a lot of money in fees to move money from point A to point B, from consumers to the restaurant units and, and back and forth.

[34:46.1]

Maybe there's a currency here, maybe this should exist. And that's how we started to slowly paint the strokes of Blackbird and, and, and Blackbird. Blackbird Labs, which is your newest venture, which you launched in 2023. This is, it's basically like a reward program for dine from a consumer's perspective. How does it work? Blackbird is a loyalty company for restaurants.

[35:03.2]

So you go into a restaurant, you earn points by using Blackbird, and then you can take those points and you can spend them like currency at any of the restaurants on our platform. It takes all the restaurants in the world and turns them into one big giant coalition loyalty program. That sort of feels like something you get in the airlines. And so when you go to the restaurant, you basically pay through the app.

[35:20.3]

Correct. And so if I go and I spend money at a restaurant in San Francisco and I gain points and then I'm in New York and I'm like, oh, I've got enough points for a free meal at this restaurant. How, how is that restaurant benefiting from that? We backstop all of the points with USD. So restaurants know at any time they can sell us their points for USD.

[35:36.9]

Got it. And, and it's priced essentially as a really cheap transaction. It's cheaper than the price that they pay for a credit card swipe. And so what they know is it's good as cash. And over time, what we hope is that they will hold it as points and use those points for future rewards. So effectively we're giving the restaurant industry a currency they can use to acquire and retain new customers.

[35:55.7]

And a currency is a, it's a cryptocurrency. It's really just points. When I say currency, I mean, you know, in the way that you go to an arcade and you buy arcade credits and then you go spend them in video game machines. That's the idea here. So it's like a bunch of airlines are part of whatever United's called. Mileage plus.

[36:10.8]

I can't remember what it's called. Yeah, the Star Alliance. Star Alliance. Forgive me. Yeah, it's kind of like that. Yep, exactly. And so the idea here is that there is a spread, and we make money on points going in and out of the system. Every time a consumer is rewarded points, some of those are funded by Blackbird, some of those are funded by restaurants. We take a vague on that outbound flow of points, and when they come back to the restaurants and come out of the system, we charge restaurants a processing fee for those points as well.

[36:33.2]

And so how many restaurants are participating? We have about 500 signed up across the platform. Wow. How big of an. Of an opportunity do you see here? Oh, I think this is. This is a massive opportunity. I mean, we want to create a global currency for restaurants. You know, I come at this from the perspective that restaurants are magic. Restaurants are places that make people happy, that create memorable hospitality experiences.

[36:50.9]

So we want, with Blackbird, we want consumers to feel our enthusiasm for restaurants, and we want to harness that magic, and we want to make the app as thrilling as the restaurants themselves. So we want every restaurant on the planet to be wired with Blackbird and to, in that way, create a whole new restaurant economy. When you think about what happened with the two brands that you started and now you got a third, how much of their success do you attribute to the work you put in?

[37:10.6]

How much do you think it had to do with the luck and the timing and environment, et cetera? I think luck and timing matter a ton. I mean, I think what you have to believe when you're starting these things out is that you have unique insights and that you have superpowers. And so I do think that there are some things that I've brought to each of these businesses and will continue to bring to the things that I do that create market opportunities and advantages.

[37:28.2]

But, I mean, these businesses are really tough. It's so hard to bring something like this to market. So with each of these businesses, we got a combination of timing and brand and strategy and execution. Right. Then those things have led to success. That's Ben Leventhal, founder of Blackbird Labs and co founder of Eater and Resi.

[37:44.6]

And according to Resi's website, in the 10 years since it was founded, it's made a total of 600 million restaurant reservations. Hey, thanks so much for listening to the show this week, Please make sure to click the Follow button on your podcast app so you never miss a new episode of the show. And if you're interested in insights, ideas and lessons from some of the world's greatest entrepreneurs, please sign up for my newsletter@guyraz.com or on substack.

[38:02.8]

This episode was researched and produced by Sam Paulson, with music composed by Rantina Rabloui. He was edited by Neva Grant. Our engineers are Robert Rodriguez and James Willits. Our production staff also includes Alex Chung, JC Howard, Carla Estevez, Devin Schwartz, Katherine Cipher, Chris Masini, Kerry Thompson, John Isabella, and Elaine Coates. I'm Guy Raz, and you've been listening to How I Built this.