Entrepreneur Journeys

Feminine Feminism

Sramana Mitra

To the daughter I might have had

Contents

I have not done it 'All'.
Some women CAN do it 'All'.
I have done 'All' that I have chosen to do.

- Sramana Mitra

Formal symbolic representation of qualitative entities
is doomed to its rightful place of minor significance in
a world where flowers and beautiful women abound.

- Albert Einstein

Talented Women: Please Do NOT Quit

Five years ago, a good friend of mine hanged herself.

I had coffee with her the day before.

She was married to a successful Silicon Valley entrepreneur who ran a couple of major companies and had a brilliant career. She did not work. But on the surface, they had everything.

I knew both of them well. It was a deeply disturbing incident that shook us all up.

Five years have passed. I have observed society around us closely. And today, I am writing this with a certain amount of lingering sadness.

One of the greatest defeats of the feminist movement in America has been the phenomenon that women in the thirties are quitting the workforce in large numbers. Many of them are highly educated, and just as they acquire sufficient experience to take on more substantial roles, the body clock sets off an alarm.

Time to have babies.

Women are programmed to want to have children. There is no point in denying or defying biology. Whatever it is that the feminists want women to do, asking them not to have children isn't something that will gain any traction.

And if you have children, those children need to be raised.

Unlike societies like India where the extended family is deeply integrated into the fabric of society, and where domestic help is affordable and abundant, Western societies tend to consist of more nuclear families. Help is limited. Childcare is expensive.

Faced with a complex juggling challenge, women, often, abandon their professional lives and become full-time mothers. Paying for childcare, feeling guilty about not being there for the children, peer pressure from other women who are full-time moms – all eventually catch up with them. They quit their jobs in search of a less stressful existence.

In some cases, and this situation is particularly prevalent in places like Silicon Valley and Wall Street where wealth flows abundantly, women quit because there is no real pressure to earn money. The husband earns enough. The family can afford childcare, but that doesn't put a stop to the hostile glares from other full-time moms. Even supposedly high-powered women like Sheryl Sandberg have been known to succumb to this kind of peer pressure and feel guilty. Once again, many women quit in response.

Also, some families do not believe in outsourced childcare. Especially, immigrant families who want to impart the culture of another country into the children, have to invest time and energy in doing so, personally. Children of Indian or French parents raised by Mexican nannies are subject to tremendous clashes of culture, not to mention language development challenges. Add to that the notion of cross-cultural families where there are already two different cultures to navigate. If the nanny introduces a third culture, kids can get utterly confused.

Then there is the option of a stay-at-home dad, of course. However, a large percentage of women are not drawn to the dynamic of a male partner not working. This is a bias that both nature and society have developed from the stone ages. Men are supposed to hunt. Now, in the twenty first century, it is okay for women to hunt, but my observation is that men who just gather do not turn on most women.

It is important to be turned on by your mate.

In short, raising children while maintaining a serious career is and will continue to be complex for women, forever. The temptation to quit will always beckon.

What happens if you do?

My friend Renee Fields worked in Wall Street. In her thirties, she married and supported the dreams of a man who has since become a successful Silicon Valley entrepreneur. Now in her fifties, Renee has raised four children, and along the way, gave up her professional career. She says that she has regretted giving up her career and staying at home, driving the kids around all day long to their schools and activities, feeling intellectually starved.

By the time her husband comes home from an exhausting day at work, Renee is longing for adult company, stimulation, and engagement. But her husband wants to chill.

The most telling observation from Renee's experience is the identity crisis that she has experienced. "From a Wall Street trading desk to this domestic swirl has been mind-numbing," she says. While most women are unwilling to admit to their regrets, Renee speaks of them candidly: "Going to lunch with other bored housewives is just not interesting to me."

It offers a window into the large-scale identity crisis that a generation of women is going through. They have made the choice to quit. They have raised children. In the process, they have lost one of the most fundamental secrets of human happiness: the sense-of-self.

My friend who killed herself had no sense-of-self left.

She did not do anything with her talents. She had raised two great kids.

Once they left, she had no identity of her own.

A few months ago, I met Jana Francis, founder and CEO of online daily deals site Steals.com. Her story is one that I find both inspiring and instructional to those women who have, perhaps, already made the choice of quitting, or are contemplating doing so.

The motivation for Steals.com came to Jana Francis right after she had a daughter, her third child, when she had to head back to work at the end of her maternity leave. She realized she was a smart, capable woman who could work from home. Once she started thinking along those lines, the ideas started to flow.

Jana was always the one you could count on for online shopping deals – her friends called her the dotcom princess. But when it came to online shopping in the baby space, she was disappointed. There was no website that would tell you the story of the product, why you would want it, what problem it would solve for you, and offer great deals. She developed a burning desire to create a new kind of website that would launch new deals every day – a steep 40% to 80% discount on premium baby products.

With a full-time career and three kids, one of which was a newborn, Jana took 18 months to go from concept to creation. She partnered with Rett Clevenger who at that time was an online media manager for a large e-commerce site, to launch Steals.com in April 2008. BabySTEALS.com was the first site to be launched and as the business became profitable, more sites were launched – scrapbookSTEALS.com, kidSTEALS.com, and sheSTEALS.com.

The revenue in 2012 was $16.4 million.

Jana now has over 70 full-time employees, most of them based out of Salt Lake City, Utah. Her Webmaster was a former colleague who had left the company after her maternity leave. About 70% of her employees are women and about 25% of them have had a baby in the past two years.

Being a completely bootstrapped company, Steals.com cannot offer its team the best possible pay. But for most of them the flexibility the company provides means a lot. Most of the customer service staff is able to work from home for 30 hours a week.

Jana says, “For me it is very rewarding to know that the situation I dreamed of for myself is being provided for so many moms in Utah who would not have a job if they were not working here.”

What I like about Jana’s story is that she has been able to have a flexible, but fully engaging career herself by moving over to the entrepreneurship side. Additionally, she has leveraged her understanding of women’s need for flexibility and desire to work, and created a uniquely appealing culture in her company that is allowing many other women to continue working, while raising children.

So my suggestion to all you talented women facing the same dilemma: Do not quit. Become an entrepreneur. Do not risk losing your sense-of-self.

Work is not just for livelihood. It is as much a source of fundamental life force.

Interview with Jana Francis, Steals.com

Jana Francis has bootstrapped a thriving, profitable company from Utah while raising children. She has also provided that opportunity more broadly to many women. This interview was conducted in August 2013.

Sramana Mitra: Jana, where does your story begin? Where are you from and where did you grow up?

Jana Francis: I grew up in Utah. My father was an engineer. I was raised in a household that had computers in every room when virtually nobody else even had one in their house. We had the original Apple, and my father would teach me how to write programs to get my name to flash across the screen. I was a very early adopter of technology.

I moved to Silicon Valley for four years to put my husband through chiropractic school. My time in the Bay Area was interesting. I became an eBay power seller.

Sramana Mitra: When were you in the Bay Area?

Jana Francis: I was there between 1996 and 2000. I was there in the good days. It was the height of the dotcom boom. I remember driving to work and seeing the eBay building go up. I looked it up and became a power seller before a lot of people were even buying online.

Sramana Mitra: What were you selling online?

Jana Francis: I would go to garage sales and find things that I knew were worth more money. I would take my own pictures, write my own descriptions, and resell them. That is how I paid my house payment. It was very expensive to live there, and my salary was not quite enough to cover the house and my husband's school. That taught me a lot about shopping and selling online.

Many other things happened while I was there to spark my entrepreneurial spirit. Fast-forwarding to 2006, I had my third child, a daughter, six years after my second boy. I had been working with KSL, a media company in Salt Lake City, and was heading back to work. A few things happened at that time. First, I almost did not enjoy my maternity leave because I was so focused on the day I had to go back to work. When I did go back to work, I pulled out of the driveway and felt very sad. I really wanted to be home to enjoy my motherhood, but did not have that chance.

Sramana Mitra: Is that what drove you to become an entrepreneur?

Jana Francis: As I drove away, I realized that I was a capable, smart girl who had been through harder things in life. I was perfectly capable of coming up with something that I would be able to do from home and make enough of an income to support the family. Once I had that realization, the ideas started to flow. I was not trying to think of an idea, they just popped in the back of my mind. I also really wanted to spoil my little girl. The reality is that they have cuter things for baby girls than baby boys. I started looking online for all the cute things there were for girls.

I was almost overwhelmed because a lot of the e-commerce sites were very generic. There was a picture, the same canned description, and possibly some measurements. There was not much there that would explain why I wanted to buy that item. It told me nothing about the brand.

My friends all called me the dotcom princess because online shopping was not mainstream in Utah, and I could always tell them where to go online to buy something for less. I have always been extremely frugal and I have always been looking for a deal. I have found ways to save money and make money. I went online to find the best things at the best price.

I always assumed a website existed that spoon-fed you the latest and greatest. I assumed there was a website in the baby space that would tell you the story of the product, why you wanted it, and what problem it solved for you. Once I started to do some research, I realized that it did not exist. I decided I needed to create it, and I had a burning fire to do it. I could not stop thinking about it. It did take me 18 months to go from concept to creation because I had a full-time career and three kids, one of which was a newborn.

Sramana Mitra: Did you start the website while you were doing your full-time job?

Jana Francis: Yes. I worked for KSL, the NBC affiliate in Salt Lake City. I had been there for eight years at the point that I left. I was in sales management running the Internet sales for our dotcom. That was a demanding career and that was one of the reasons it took me so long to make my dream a reality.

I did both for about five months. I really was the breadwinner in the family. My husband had graduated from chiropractic school, but he was still getting his business going. I did not have the ability to just quit my job and start a business.

Sramana Mitra: In our program, we encourage people to start businesses while holding onto a job. It takes a while for businesses to start generating income. Bills have to be paid. Starting a business on the side is a perfect way to bootstrap.

Jana Francis: I agree. I had to leave five months into the business to focus on my startup.

Sramana Mitra: What is the business model of your company?

Jana Francis: The business model itself is extremely demanding. The name of the company is Steals.com, and we have four niche daily deal websites that cater to women. The first one I started is BabySTEALS.com. We launch one new steal every 12 hours at 8 a.m. and 8 p.m. Pacific time. It is typically a high-quality product, most often a boutique or higher brand name product, at 40% to 80% off the MSRP [manufacturer's suggested retail price]. We run the product at that price until it sells out, or until 11 hours have passed.

BabySTEALS.com was the first site launched, but I now have scrapbookSTEALS.com, kidSTEALS.com, and sheSTEALS.com as well. We have launched a new STEALS site every year.

Sramana Mitra: Do you have a number of different items, or do you focus on just one item?

Jana Francis: We will typically stock multiple numbers of each item. When you come to one of our websites, you will see one brand item, such as baby swings. You will then see many different patterns and sizes available for selection. We may have a thousand total baby swings, but there will be a different combination of patterns and prints. Consumers never know how many we have, and you never know when you are going to sell out. We don’t know either because it depends on which items are popular.

We do buy the inventory in advance, which is unusual in the deal space. We were the first site for women, long before Groupon. We partner with manufacturers directly on the promotion of their products. It is really advertising for the manufacturers. We are giving them a stage, by themselves, in front of thousands of targeted customers. There are no competing products. There are no ads. It is just their stories, their products, and their brands.

We partner with the manufacturers in advance and select a date for the promotion. We buy the inventory that we select, and they ship us the goods. Our receiving department verifies the quantity, quality, color, and everything else. It goes through our photography department so that we can take images if necessary, which is almost always the case. We then send it through our copyright department. Since we have it in stock, we are able to ship within 24 hours of the purchase. The new deal sites that come up are really just middlemen; they place orders after the sale is over. That can take 14 days to 8 weeks to ship depending on fulfillment agreements.

We've named the company **STEALS.com**. Our tagline is that *it is not just a deal, it's a steal*. For us it's more than just price. It is about the overall experience and knowing you are getting a high-quality product at a great price. I would put our customer service department up against any e-commerce site, and I would bet that we would exceed expectations every time.

Sramana Mitra: You spent five months working a full-time job and working your starup business in parallel. What were you able to accomplish in those five months?

Jana Francis: Our deals start at 9 a.m. I would be at my desk job at work at that time. I would take a break at work and make sure every deal that was supposed to go off went off as planned. After that quick 5-minute break, I would work my day job until lunch, at which time I would run packages to the post office. I would also make phone calls to manufacturers and source products.

I would work until 5 p.m., and then I would go home and follow up on all of my emails. I would place one or two additional purchase orders for future deals. I would also go through my incoming shipments and verify that everything was in order. I would then have to pack orders that were sold that day and answer any customer questions that came in that day.

On the side I handled accounting and selected future manufacturers whom I would target for calls in the upcoming weeks. I also had to prepare everything for the website publishing. I would write all the copy and take photos and send them off to the webmaster.

Sramana Mitra: Did you do all of this alone? You have not mentioned anything about customer acquisition. How did you promote the website?

Jana Francis: I promoted the website in many ways. The month before we launched I took two weeks of vacation and went to a baby expo in Salt Lake City. I did not have a website yet, but I had a logo that I had made a banner out of and a PowerPoint presentation. I took my flat screen TV and set it up on a table under my banner and ran the PowerPoint presentation. I also made bookmarks asking people to bookmark us in their web browser.

I sat at that table for two days, and I told every woman who walked by my booth all about the business. I got a lot of feedback, and I could tell how excited people were. I got 160 people to sign up for my email list exactly one month before we launched. I encouraged them to tell their friends.

The night before I launched the site, I emailed my family and friends as well as everyone on that list. I encouraged them to share the website and spread the word. That is, with no exaggeration, the only thing that I have done to get the word out. Even to this day we have very little customer acquisition spending.

Sramana Mitra: How did you find your webmaster?

Jana Francis: She was the webmaster for the company that I worked for and she left on maternity leave a few years earlier and decided not to return to work. She started freelancing from home.

Sramana Mitra: Did anyone else do this venture with you?

Jana Francis: It was me and my business partner, Rett Clevenger. He is our CEO and the other owner of the company. Shortly after the baby expo, I got an email from Rett. We had never worked together, but my company had worked with his company, BackCountry.com, which was a large e-commerce site located in Utah. A few days after the baby expo I was trying to pick the back-end e-commerce solution for the shopping cart, and he emailed me out of the blue. I had narrowed it down to two options, and he sent me a recommendation for one of them. The next day we went to lunch and we walked out of that as full business partners. We launched the website on April 28th of that year.

Sramana Mitra: How did you fund the startup?

Jana Francis: I put it on my personal American Express card at first. I covered the first month of products myself. We have never taken any funding. I was able to quickly pay myself back for the products. I would say I put around $5,500 of my own money in before we started the business. I had to get the website built, the logo created, and pay for the baby expo fees. I wanted a self-sustaining business that was cool enough that people would tell other people about it because it was exciting and they were treated well.

Sramana Mitra: You started the business with an email list that had 160 emails. How did that list evolve and grow?

Jana Francis: Today we have 375,000 emails that are sent every day. We have shipped 1.7 million orders. That gives you an idea of the growth of the business. Our list grew very quickly at first.

Sramana Mitra: If you are sending out 375,000 emails every day, how many of them are transacting on the site every day?

Jana Francis: Many. The reason is that we have never bought any of our names and we do not require you to give us your email address in order to see our deals. We have a huge return rate on our database because those people chose to give us their email addresses in the first place.

Sramana Mitra: How much revenue do you do?

Jana Francis: The first year we did about $650,000 in revenue. The next year we did $2.4 million. Our third year we did $10 million and the following year we did $14.8 million. Last year we did $16.4 million.

Sramana Mitra: What kind of margins do you work on? You obviously are getting an attractive deal from the manufacturer.

Jana Francis: I have never shared that with anyone; however, our average discount to the consumer is 56% if you equal out all the deals. It has to be at least 40% off to make our site. We have usually only done less than that if it is brand new from the manufacturer. Many other deal sites buy wholesale at 40% off and are fine with a 10% margin. We are very different in that regard.

Sramana Mitra: The question mark around the entire deals category is whether there is enough margin to build a business. You can definitely get revenues. Groupon and LivingSocial are all struggling.

Jana Francis: You are exactly right. We are profitable and have not lost money. We don't have loans or investors. We have done business with 1,500 manufacturers, and we don't owe any of them a dime. We have over 70 full-time employees here in Salt Lake City. In general, deal sites are not profitable. They have focused on top-line revenue for so many years that they have lost sight of profitability. The sites you listed have left everything up to the supplier for the customer experience.

Sramana Mitra: Groupon and LivingSocial squeeze their merchants so much that they do not return. Do yours come back?

Jana Francis: I can't think of one manufacturer that we have worked with that would not want to work with us again. The reality is that we only have two steals a day on each website, so that limits the number that we can repeat with. There is a huge entertainment factor to our business, so I do not want to repeat. We try not to repeat brands. We do repeat some of the larger brands, and in some cases we have the product made specifically for us.

Sramana Mitra: You said you have 70 people working on this project. Tell me a bit more about how you have built the team.

Jana Francis: There was no pool of people that I could go hire from who had done this before. You have to find and curate an amazing product that has a story. Our buyers needed to have sales prowess and account management skills. Calling manufacturers and convincing them to give you a high volume of their product at a discount that they never would have considered selling at. They are essentially letting us compete against them for a day because they sell those products for full price on their website. It takes a skilled person to help a manufacturer understand that. Our buying team is full of talented women who are amazing at product selection and are in tune with their audience. I have found that people from media sales are great in this position. Perhaps that is because that was the career I came from and I knew the skill sets they came from.

Some of our best employees are also people who have been our top customers. I have recruited them over the past several years. Our customer service director was a fan of ours before she joined three years ago. Our vendor manager was one of our biggest local fans. She has moved up in our organization consistently since joining. All of our employees are based in Salt Lake with exception of one.

We have 18 people in merchandising. Each website has two buyers and then we have a few floaters who will buy for any of our websites. We have a lot of maternity leave here because 70% of our staff are women and 25% of them have had a baby in the past two years.

We have 12 people in our customer service team and 12 people in our shipping team. We have 8 people on our engineering team. We have one HR director and we have three people on our social media team and four people on our photography team. We have channel managers that focus on reselling inventory that we had left over. We have a few in returns, quality control and receiving.

Sramana Mitra: You seem to have found a niche in your business as well as your workforce. You have great loyalty and employee retention with a very stable team.

Jana Francis: We have been very fortunate, yes. We don't pay the best because we are a bootstrapped company. Our engineering team does well in terms of pay, and our customer service team does a bit better than an average customer service job. Most of our customer service staff is able to work from home for 30 hours a week. That is very nice for them.

Sramana Mitra: I think what you are doing is a wonderful thing. Women who choose to have children have to raise those children. A lot of them want to continue working and have that flexibility. You have created a culture that is accommodating of that. That is a very unique talent attraction position.

Jana Francis: It really is. I have two employees who brought their babies with them to work today. We use our team's babies on our website as models and we actually sign the paperwork for that. It's a lot of fun for our employees. For me it is very rewarding to know that the situation I dreamed of for myself is being provided for so many moms in Utah who would not have a job if they were not working here.

Sramana Mitra: I think what you have done is fantastic. Our ecosystem has created a talent war for the same people. There is talent everywhere and there are different niches and lifestyles. Being able to carve out a niche like you have is fantastic HR strategy.

Jana Francis: Two of our employees had a goal of working part-time only, but they applied for a job here because they were interested in what we do. Suddenly, they had full benefits, which previously were only available through their husbands. That has in turn allowed their husbands to go chase their dreams of becoming entrepreneurs because their wives now had health insurance. It is hard to afford quality health insurance when you are self-employed.

Sramana Mitra: How do you evaluate the venture capital opportunities when they are presented to you? I am sure they pitch you on the ability to grow faster and make acquisitions. You probably also get acquisition offers. How do you process those opportunities?

Jana Francis: I do respond to every inquiry. I have learned a tremendous amount talking with these people, and it has helped me understand the market better. They talk to my competition and a lot of people in the industry. I take every phone call. I also know that the time to ask for money is when you don't need it.

The relationships that I am fostering now may very well pay off in the future. I already have an idea who would be the best fit for us and what arrangements would be the best for us. The research that I have done just by taking calls and listening, as well as telling my story, has really helped me understand that venture capital is not right for our business because of what they would require in the next three to five years. Those requirements will not be met if I am not doing more than two sales a day, and I know that if I process more than two sales a day that consumers will get tired of us. I have seen that in our competition. They do 6,000 deals a day and we have 8.

I have even created a pitch deck and gone out and pitched to VC firms just because I wanted to know the process. I was very clear about that up front and they all knew I was not necessarily interested.

Sramana Mitra: That is a great method to clarify your own thoughts and understand your options and the limitations of your business model.

Jana Francis: Thank you. It really did reiterate for us that we are still excited about our business model five years in. They ask very hard questions, and when you are the owner of your company you don't have employees asking you those questions. It is really cool to get those questions. They push you a little bit.

Sramana Mitra: If you have a $10 million to $15 million business and you make 30% to 40% profit, then you have a fantastic situation.

Jana Francis: As long as I can keep it rolling. The Achilles heel of our model is what happens when you don't sell what you have invested in advance. Every day I feel like I am sitting at a roulette table in Las Vegas eight times. We put all of our eggs in one basket. If it does not go well, we can't put it up again. We have had to create other departments in the company to handle those dogs that don't do well.

Sramana Mitra: How do you handle those situations? Do you partner with Overstock.com?

Jana Francis: We partner with Overstock.com but we have not seen much success with them. Believe it or not, when we don't sell it half price we sell it for full price on Amazon. We have an Amazon store where we sell leftover inventory. It will eventually be a full-price boutique online, but for now it is an Amazon store that sells our leftover inventory. It does not work all the time, but it earns a couple of hundred thousand dollars each year. Our feedback rating there is phenomenal because they get the same support that our Steals.com customers get. The reality is that we usually have $2 million of unsold inventory at all times.

Sramana Mitra: This has been a fantastic story. Congratulations on your success. I look forward to following your journey.

Interview with Sara Sutton Fell, FlexJobs

Sara is the CEO of FlexJobs. Like Jana Francis, Sara too created a solution to a problem she faced herself – the ability to work from home, while raising children. This interview was conducted in October 2010.

Sramana Mitra: To start, tell us the genesis of your story. Where are you from? What kind of environment did you grow up in?

Sara Sutton: I had a wonderful childhood. I had more parents than fewer parents. My parents divorced when I was six and both remarried; I had four parents and four siblings. It was a nice, chaotic, busy life! We had our challenges but it was a very dynamic family life.

We grew up in Pittsburgh, Pennsylvania and I am the oldest. My education was interesting. I went to a small public school when I was a child, and then I switched to an all-girls private school for middle school. As much as I did not love the catty environment, it did prompt me to challenge myself academically. I had always loved school but that push was really needed. It drove me to seek out a great high school education and I ended up going to a boarding school in Connecticut. It was completely my own idea. My parents were not excited about it at all.

Sramana Mitra: Where did you go to boarding school?

Sara Sutton: I went to Taft in Connecticut. It is almost like a liberal arts college education. It was such a free, safe place to explore. They do a fantastic job of exposing kids to a whole bunch of ideas. It broadened my mind a lot more. I studied Chinese for three years and I really loved it.

When I went to college I realized I wanted something different, so I did the exact opposite of what Taft embodied in a lot of ways. I went to Berkeley, which was across the country and completely different. It was exciting, intellectual and international.

Sramana Mitra: What did you study?

Sara Sutton: I could not make up my mind. I started out focusing on political science and international relations. I did an Estagiar in Brussels at the European Parliament when it was just starting. I had a fantastic opportunity there for a semester. I came back fully expecting to go to the UN and focus on international relations. A semester later a friend and I started talking about what we were going to do after graduation and her father mentioned that there was no need to do a traditional job when you could start something on your own.

Sramana Mitra: What year was this?

Sara Sutton: This was in 1995. We were both juniors. We started brainstorming, and three weeks later had an idea driven by our experiences finding internships as college students. At the time the Internet was just coming out and I had a really difficult time finding an internship in California when I was back East. We thought that it would be great to do something around entry-level jobs for college students on the Internet. We spent our summer researching and building up contacts in various industries. Everyone told us we had a great window of opportunity and we were passionate about it, so we decided to do it that fall.

We started the company JobDirect, thinking that if we did it for a semester and if it worked we could go back to school and do it from our respective schools. Of course that did not exactly happen. We were naïve getting into it and found it to be a big challenge.

Sramana Mitra: I think straight out of college is a great time to do entrepreneurship. You don't have families to support or any big liabilities. If it doesn't work you can always go do something else!

Sara Sutton: Exactly. There was a freedom because we knew that if it did not work we would go back to school. As we started building it we started hiring our friends and we had internships on college campuses all over. The average age in our company was 23. We were all living in cheap apartments. We had a really fun experience there and that company was a huge college education in and of itself; I suppose it was an MBA.

Sramana Mitra: How did you fund the company?

Sara Sutton: Angels initially. We had some family in the first round and then we did a lot of networking. We tapped into a passion in a lot of our investors. Some were big financial industry guys in New York. I don't know why we decided to start the company in Connecticut because we really should have done it in California. A lot of investors had never invested in anything related to the Internet and certainly not with two 23-year-old women who looked like they were 16. They read our business plan and tapped into our enthusiasm. It was fun. We had 10 investors from a municipal bond firm who we ended up sharing office space with. They loved the entrepreneurial spirit.

Sramana Mitra: How much did you raise?

Sara Sutton: Ultimately about $7 million total. We grew it from the two of us to 125 people when we sold to Korn/Ferry. It was a crazy ride. We had some fun with marketing. We won an Inc award for our advertising campaign wherein we had an RV which we had painted by a graffiti crew. It highlighted our website, and we would take it to college campuses with laptop computers and have them sign up for our service. That is how we dealt with the chicken and egg problem that any service has. That generated a lot of press and excitement. We ended up with three RVs and did a nation-wide campaign.

Sramana Mitra: How many users did you get to?

Sara Sutton: We had 750,000 when we sold. The first semester we had about 5,000 resumes. We did the job drive with a single RV and by the end of the semester we had 30,000. We knew right then we had to do more of it.

Simultaneously we were working on selling to employers. We had some big sponsorships with Dell, Yahoo! and Microsoft. We really had some excellent sponsors.

Sramana Mitra: The companies were paying for job listings or for advertisements?

Sara Sutton: We went through a few iterations of price points but we ended up doing annual contracts with them. Online job boards were so new and HR departments were fairly slow to adapt, so we had to give them full support and training on how to recruit entry-level people using the Internet. At the time they did not know how to get through the firewalls, and some recruiters did not even have emails. We did some fairly large annual contracts with many of the clients.

I chose to leave about five years later. The company had evolved enough that we hired a CEO, which changed the vibe a little bit. It was a natural transformation that needed to happen. I felt I had worn all hats and I was ready for a challenge and something a little bit different. I left and went to work for a company in San

Francisco called MyFamily, which is now a part of Ancestry.com. It was a really wonderful concept to connect families.

Sramana Mitra: What role were you playing there?

Sara Sutton: I was hired by the founder without a role around 2000. We just connected and when it all settled I was a director of email communications. They sent upwards of 20 million emails a month but never had anyone cohesively look at them. They did not have multi-part emails yet and were not in line with all the spam rules. They needed one person to get their arms around all of that. I helped them build revenue streams around it with newsletters and integrated advertising efforts.

Sramana Mitra: You made that transition right before the bubble. When did you actually sell JobDirect?

Sara Sutton: The deal closed in July of 2000. It was hard to go from such optimism; it was a very difficult time. I was dating my husband at the time. We decided that after four rounds of layoffs at the company that it was time to leave. We then moved to Boulder, Colorado.

Sramana Mitra: Is your husband also in tech?

Sara Sutton: He is a civil engineer. He has a very different background and he really wanted to buy a house. We decided to get back to basics. We both loved the Bay Area but we had to look at quality of life. We made the move and landed in Colorado. I took some time off and traveled a bit. It was nice to take a step back and reconnect with what I really wanted to do. I had stumbled into the Internet; it had never been my plan to go that direction.

Sramana Mitra: You had a nice ride even if it was not intentional.

Sara Sutton: It was fantastic. It was absolutely exhilarating. A little later on I started to wonder if I had peaked at age 25. I was not sure if I would find that fire again. It was optimistic fire. Every employee in our company felt empowered to share ideas and collaborate. Even if the timing was not right for every idea, at least you knew it was listened to.

I then took a detour at a local culinary school. I ran their home cook programs and corporate events. I have always loved cooking, and it is something I am passionate about. It was a very balancing 9-5 job. It allowed me to see what my non-work life was like as well.

I then went to another startup. I was recruited to help start an Internet site in the US for a UK-based company. We were going to do a spin-off of a company that had been very successful in the UK. Two weeks into my first month the relationship went bad. Everything we had in place to get the operations running was gone. I was the only employee in the US. I scrambled as much as I could and got the company up and running.

Within six months I knew I would not stay with the operation. I was the VP of Operations and Sales and it was very challenging, which was good, and it did get my foot back into the entrepreneurial realm. The business ethics were the problem. The investor was more like a used car salesman, and I had a really difficult time with that. For me integrity at work is first and foremost in a lot of ways.

At the same that I realized I did not want to stay there I got pregnant. I started looking around for new jobs and was amazed at how difficult it was to find anything.

Sramana Mitra: Were you thinking of going part-time?

Sara Sutton: I was very excited about being a mother but I knew that I needed a work aspect. I needed something part-time which would fit. I figured I would take three to six months off after my son was born.

Sramana Mitra: But you did not want to give up your career?

Sara Sutton: Absolutely not. My husband and I discussed a lot of options and we both wanted a balance between work and home. I wanted something where I could work from home part of the week or have flex time hours and work three or four long days. I wanted something that would allow me to have balance at home.

Sramana Mitra: Did you feel peer pressure from people around to quit your job and become a full-time mom?

Sara Sutton: No. It was the opposite. My mom has lived vicariously through a lot of what I have done. She has always loved being a mom but has a part missing. Seeing her oldest daughter take the education and business path I did has let her see what is possible for women. She does not understand how I can do it all, and it is very difficult to do this juggling. You always struggle to be the best worker you can be and to be the best mom you can be. For me I realized that although it is a struggle to do both, I would be struggling more if I were not working. I would have a loss of identity and a loss of challenge in my life.

Sramana Mitra: I have noticed a trend where a lot of people are dropping out of their careers to become stay-at-home moms. What are your thoughts on that? What do you see happening?

Sara Sutton: Boulder is a very work-life balanced place. People move there because they want to be able to play. Local employers have more work flexibility than many other places in the country, even compared to progressive areas like the Bay Area.

Sramana Mitra: The Bay Area is very progressive, but I see a lot of people not working in the Bay Area.

Sara Sutton: It is really hard. If you are in a high-powered, challenging role it is very difficult to do both. I know more women who do not work in the Bay Area than I do in Boulder. As a parent, you go through a realization that if you are working it should be worthwhile. It is taking time away from your family, and often you need to be making fairly good money to even make it financially viable due to child care costs.

A lot of women go through an important decision-making process as to whether they want to take that step back. If they cannot find opportunities that are in line with their careers and are flexible, then I think the decision becomes even clearer. I do think it is a challenge to find those opportunities unless you happen to be with an employer who has some great policies in place.

I have a fantastic friend in the Bay Area who works and she is a mom. She is doing very well professionally, and she constantly feels the pressure that she is being compared to people who do not have kids who will work 80-hour weeks. She was not hired to do that and she is doing her job very well, but she feels pressured and almost guilty that she is not able to do more. There is a culture of comparison in most companies that women are penalized for wanting to draw their boundaries to enable them to spend time at home.

Sramana Mitra: When you were pregnant and you wanted to work flexible hours, where did that quest lead you?

Sara Sutton: I started consulting for a couple of different companies. I did 15-20 hours a week. One of the companies was LoveToKnow and the other one was YourDictionary, which were run by the same person. The chairman of those companies, Howard Love, ran those companies virtually. LoveToKnow hires about 50 writers but they are stay-at-home moms who want flexibility in their work. Howard was having a hard time finding them.

We started talking about the challenges we were facing. I wanted flexible opportunities and could not find them. He wanted employees looking for flexible work and could not find them. There was no place that put them together. I was really amazed at the low quality in this niche. There are 56 scams to every real job in the work-from-home/telecommute niche. In this work-from-home idea, it has gotten to be so associated with scams and non-professional opportunities, as well as stigmas that employees working from home would not be doing anything, that employers look at it as a feel good perk as opposed to an economic benefit to the company, which it very much is.

Howard and I kept talking about this for a few months. About four months after my son was born, we decided that with my background in the job industry and his history of starting and investing in companies, that we should start FlexJobs. He put in some seed money and I invested a bit as well. We decided to give it a go and see if we could create something in this niche.

Sramana Mitra: What year was this?

Sara Sutton: This was in 2007. We worked on building a prototype in 2007 and we launched a beta in May of 2007. Our business model at that point was that it would be free for the job seekers and we would charge the employers. It was similar to what I had done at JobDirect. I soon found this was more challenging because there is no one sandbox you go and play in to find people who hire telecommuters.

Sramana Mitra: How successful was your business model?

Sara Sutton: HR people are very difficult to get a hold of, and it requires a lot of relationship building. Our price point was too low to support a high-touch customer recruiting model. We felt our niche was with small to medium sized companies that did not want to go to Monster and pay $5,000 per posting for one virtual employee.

We actually soft launched and built the job seeker database and tested that model for two quarters. It just did not work. We were also having the problem that job seekers were coming to our site and applying to every job out there, regardless of whether they were qualified or interested. They were using a lot of partial resumes, and it was really a big clutter. There was not a whole lot of value for anyone. We were not creating what we had set out to create. We re-evaluated and decided we would flip-flop the model and charge job seekers.

We moved to a model which charged job seekers a subscription fee for either a month or a year. Doing that has definitely gotten us on the path towards our goal. We are able to provide a much better service for the job seekers. The ones that sign up with us are much more serious and interested.

Sramana Mitra: How many job seekers are signed up with you? What are their demographics?

Sara Sutton: About 10,000, of which 78% are women. When we launched the audience we had in mind were stay-at-home moms. They were the biggest, underutilized, well-educated workforce in the States. It was a big audience, but we also had secondary audiences of baby boomers who were retiring and wanted something to allow them to continue working. Students comprised another audience who wanted flexible work for obvious reasons.

Sramana Mitra: What kind of qualifications does your primary audience have?

Sara Sutton: It is a wide variety. We made a conscious choice not to pursue a singular industry. We have over 50 different job categories. What I really wanted to present, what I really felt was missing, was a job board you could go to for a professional job similar to a Monster or a HotJobs with the prequalification that the jobs would have an element of telecommuting or flexibility with them. It is almost like a vertical niche, but it is actually horizontal across vertical niches. Accordingly, the candidates are all different types, from entry-level to executive-level individuals.

Sramana Mitra: What do you charge people to register themselves?

Sara Sutton: It is $14.95 a month or $49.95 for a year. We have not done too much price testing, but we are probably going to do a little bit more. We have really been focusing on our service for the job seekers. We have absolutely no ads on our service and we have focused on developing a clean, professional user interface. That is different than anything else in our job niche.

Sramana Mitra: What kind of employers are working with you?

Sara Sutton: We work with employers like DealBase, which hires virtual researchers. There is a company called ChaCha which is a mobile device question answering service that utilizes virtual workers. We find most of these companies by doing a lot of research. We have a staff that hand- screens the job opportunities out there. We dig and dig to find the good opportunities, confirm it is a good company, and have the staff do a write-up of the job.

Sramana Mitra: Job advertisers are not paying. You are funneling and searching for jobs and consolidating them to a central database. Is that correct?

Sara Sutton: Yes. That is about 90% of our jobs database right now. We do have an employer component built, and it is available for employers to come and post for free if we approve them. It is our job to keep the scams out. In the future we will look back towards monetizing the employer side.

Sramana Mitra: When I look at your service, I think it provides women who are taking a break from their careers an opportunity to keep their resumes alive through flexible arrangements. Resume gap is a big problem.

Sara Sutton: In the last six months we have seen a big change. The primary reason people are coming to our site is that they need to help make ends meet. Previously, it was more about supplementary income and keeping the resume alive. Employers are looking for less expensive ways to conduct business, and they are finding that telecommuting arrangements work much better for their bottom line.

We are definitely focusing on jobs which would help with the resume gap. The work-from-home market has traditionally been virtual admin, data entry, and call center jobs. Those are legitimate jobs and we do have those on our site. However, we also have 50 other categories. A friend of mine is a doctor who left her practice to stay at home with her two kids. She was concerned about keeping up to date in her field with licenses and such. I was able to tell her about some good jobs with medical information, including one site who was looking for doctors and lawyers to answer questions for people.

Sramana Mitra: How do job seekers find your service?

Sara Sutton: There are three main areas to our marketing efforts. Initially it has been tied to organic search and search engine optimization. Another method has been relationship marketing, which means we work with other quality sites we have identified as being able to drive traffic.

Advertising really does not work. We have tried Google, but there are just too many scam jobs out there for us to compete with.

Sramana Mitra: What kinds of companies do you do partner with?

Sara Sutton: Some are other job sites which are much more niche-oriented. There is one site, FreelanceWritingGigs, which is for freelance writers. We work with them and help them identify our writing/editing/blogging jobs and send users over. The third area is press. It is such a topic in the news, and we have a really great opportunity to help spread awareness. We have gotten fortunate with different stories wherein we educate consumers about the scams out there. The scams have been increasing since the recession started and it has been a big concern.

SM: How does your site do with technology jobs?

Sara Sutton: There are a lot of technology jobs. Web and software development are two of our largest categories. There is also a lot of writing. Medical and education are growing fields.

Sramana Mitra: Does your candidate database have a lot of technology people?

Sara Sutton: It is one of our largest groups. I don't know that we have a single dominant group.

Sramana Mitra: I am personally, philosophically, against people staying home as moms because I think it leads to a huge identity crisis. It sounds like what you are doing is mitigating some of that. There is a book on the bestseller list right now called 'In Praise of Stay-at-Home Moms'. I was cringing when I saw

that. [Dr. Laura Schlessinger], who wrote that book, is the top women-focused talk show host on the radio.

Sara Sutton: It is really a challenge. I always try not to be a judgmental person. I can't be in everyone's shoes. The statement that it is best for women to stay at home is something that is just not possible for many families, particularly now. I do have friends who have chosen to stay at home with their kids. I know that they struggle with it.

Sramana Mitra: What do they struggle with?

Sara Sutton: Giving up their adult identity, the ability to interact with other adults on an intellectual, problem-solving level. You are certainly working with your spouse on a daily basis dealing with your kids. You are certainly working with your kids on a daily basis to solve problems. However, you are missing a part of yourself that is constantly challenged. I have friends who say they have not used sentences with more than four syllables all day long. I really think it takes a toll on your brain and certainly on your identity. For me, being a professional woman is not just about being a professional woman. It is about making a greater contribution to society and being a part of the working world.

Sramana Mitra: Your business gives options back and allows really talented people to have their career and their family.

Sara Sutton: Some of the biggest challenges in our society are parents not being there for their kids. They are not there for dinners, outdoor activities, or teaching kids how to be healthy. Kids are facing challenges with drugs, violence and education and need parents to be more involved; yet, if parents are more involved it means time away from work, but our society would benefit.

With all of the technology development that has happened, people work more hours as opposed to fewer. People never used to check email at night, but that is just common now. When I am letting my son cry it out at 3AM, I am working while trying to teach him to sleep through the night. That didn't used to happen.

There is a term 'mompreneurs'. Everything is redefined when you have a child. It brings into question where you are spending your time. If you are working and you do not believe in it or are not passionate about it, it is just going to drain you that much faster. Companies that do value employees give them that flexibility to allow mothers to stay challenged even while they are raising families. Those are the companies that keep their employees longer and are really beneficial overall. There are just not a whole lot of them.

Sramana Mitra: It sounds like you are saying that if there were a way of harnessing the talent that wants to engage with the working world in a more balanced format, it would benefit society.

Sara Sutton: Exactly.

Sramana Mitra: You have done something else with yourself which I find very interesting. You came back as an entrepreneur. That gives you control over your destiny. Can you speak about the merits and disadvantages of that?

Sara Sutton: Overall it has been a fantastic experience. I had not planned to start a company while starting a family. It has been very empowering and I am passionate about it, which has helped a lot. I am in a great situation because the investors and our team work very well together. I would say 90% of the people in the company are work-from-home parents. When I had my second son I had to take two months off and only work five or 10 hours here and there. In a lot of situations that would not have worked for an entrepreneur, but I had backup and a very supportive team to lean on.

Sramana Mitra: Would you recommend the entrepreneurial path you have taken to other women in your situation?

Sara Sutton: If they feel passionate about it, yes. When you are going through any phase where you re-evaluate your situation, there should be some creativity there. You have to take a step back and re-look at everything. You need to see if you are looking for something that is more than what you had, for something that makes the change worthwhile. I guess that is why there is the term 'mompreneurs'; I have never heard of 'dadpreneurs'.

Motherhood is so creative in and of itself that if you are going to do something, just be sure you are passionate about it. That is easy for mothers because once you have kids, you find all kinds of little things that you wish existed for them, so it would be really easy to do a product-based business. Motherhood generates creative energy. I have had a lot of friends who created companies when they had kids, and some of them were small companies.

Sramana Mitra: There is nothing wrong with small companies.

Sara Sutton: No, it is fantastic. It is a great outlet, but I know entrepreneurism is not for everyone.

Sramana Mitra: There is no one answer for everybody. It has to be a personal answer.

Sara Sutton: If I had guessed my story, this is not how I thought it would be. I thought I would consult and work part time more, and ideally I would like to get back there eventually. Right now I am definitely full time and loving it. I am completely motivated and inspired right now. Down the road there will be a time when I would like to spend a little more playtime with my kids. If there is anything I have learned through all of this, it is that women are really strong and amazing. We can juggle a lot and handle a lot. I do think we tend to sacrifice ourselves a lot.

Sramana Mitra: Thank you, this is a good story.

Five Mompreneurs Say You CAN Do It All

I sometimes facilitate discussions among female entrepreneurs around the company vs. children question. We've seen through conversations with entrepreneurial women like Jana Francis that not only is it possible to have both, you can also be incredibly successful.

To reinforce that point, I would like to introduce another set of *mompreneurs* who are charting their own ways in business while raising a family.

Julia Hartz, Eventbrite

Following her work with MTV and FX, Julia Hartz relocated to Silicon Valley with her fiancée in 2005. Kevin, now Julia's husband and business partner, was the catalyst for Julia's foray into the entrepreneurial world when he asked her to be a part of a new project. As the platform's main architects were working on another venture, Julia alone ran an early stage of what is now a highly successful Eventbrite.

Joined by Renaud Visayge of Zing in 2006, Julia and Kevin invested $250,000 in seed funding and went to work. In early 2008, Julia's daughter was born. Just days later, Eventbrite received its first round of angel funding and hired its first employee. Julia took no time off, working from home for five months before returning. But between a surgery for her child and being diagnosed with Graves disease herself, Julia accepted an offer from her mother to provide extra help. Her added support left time to raise a second round of funding in 2009.

In addition to the pressures of running a company with her spouse, Julia makes a concerted effort to put her family first. She and Kevin use a combination of family help and nannies throughout the week until Julia works from home each Friday. "I always wanted to be involved… I just want to help Eventbrite succeed," she says. Julia also reveals that she would not trade becoming President of Eventbrite for the chance to have another child. (As it turns out, she didn't have to: she retains her title as President and is now mother to two daughters.)

Julia is also working toward making women with children feel welcome in the startup world. "I feel very strongly that I can create an environment where women who have a skill and are talented and driven are welcomed at our company. I am, personally, making the commitment not to be a hypocrite."

Amy Pressman, Medallia

Though Amy Pressman attended Stanford business school in 1993 during the Internet boom, she found herself at a Norwegian-based consulting firm after graduation. There, she met her husband, who would become her business partner.

She returned to the Bay Area in 1999 to found Medallia. The company uses web-based surveys to track customer experience. Formed just after the burst of the tech bubble, Amy, her husband, and their CTO were forced to put off raising any funds. After a long period of bootstrapping, Medallia was profitable by the end of 2002. Since then, Amy and her husband have built a sizable company with over $30 million in annual revenue.

Amy not only continues to head Medallia with her husband, but is also a mother of three. She is a strong advocate of women in the entrepreneurial sphere as a member of the group, Women CEOs. Amy splits the position of CEO with her husband and uses her remaining energy to spend time with her children.

"Can you have it all?" Amy asks herself, and answers, "I think you can over a lifetime, but not all at once. The hard part is that something must be given up." Amy admits to early-morning laundry and late-night shopping, with the majority of her errands put off until weekends.

Therese Tucker, Blackline Systems

Growing up on a farm, Therese Tucker was the first in her family to go to a four-year college when she attended Illinois Wesleyan. There, she found her passion in an Apple programming class. She then transferred to the University of Illinois to study computer science, graduating in 1983. Her subsequent work in Southern California convinced Therese to strike out on her own, and in 1985 she began her own freelance programming company. While working independently, Therese met her husband and continued to learn about business.

But when Therese again considered full-time work she was five months pregnant. After going into labor at work, Therese gave birth to her son and headed back to work a week later. She managed to balance early childcare between a nanny and taking her son to work with her. During her employment from 1989-1997, she also had a second child. (Therese gave birth to her daughter on a Wednesday, and was back at work on Friday.)

But though Therese and her husband continued to put the children first, they eventually divorced in 2000.

BlackLine Systems, an account reconciliation and financial software provider, is what Therese terms the result of this 'midlife crisis.' Founded in 2001, BlackLine began as a wealth management company. In its current form, BlackLine merges Therese's expertise in technology and finance to offer a range of financial software. The company is well over $10 million in revenue.

Therese remained loyal to her role as a single mother and decided against separating her children from her career. She discussed work openly on the way to school; her son now works at BlackLine on his summer vacations. And with new perspectives following their divorce, Therese and her husband reconnected, and were remarried in 2005.

When asked if she thinks she's done it all, Therese is adamant that this is the wrong question. "If you think you can do it all, then you will not set your priorities and you will not do the things that matter," she claims. Entrepreneurs must above all be "comfortable with continuous change." For Therese, family comes first.

Wendy Tan White, Moonfruit

Wendy Tan White studied computer science at Imperial College in London before she was recruited to help build the UK Internet bank Egg.com. And when Wendy decided to begin her own venture, her boss at Egg.com agreed to help seed it. The bank also introduced Wendy to her husband, who joined her and her close college friend to found Moonfruit, an on-demand website development platform.

Even at the height of the dot-com boom, Wendy and her team worked for equity until they received their first investment. Moonfruit continued to fundraise until the crash, at which time they re-purchased their shares and Wendy's husband left the company to work for McKinsey. Through the help of freelancers, the company became profitable in 2003. Moonfruit then went on to raise another round of funding in 2005.

In 2004, it was Wendy's turn to take a break from Moonfruit. Her husband Joe returned to the business to take her place until 2008. But taking maternity leave didn't mean Wendy was taking a real break: she attended design school and began development of their successful 2009 Twitter campaign.

"I felt I had something to prove when I came back," Wendy explains. Upon returning to work, roles were shuffled, resulting in Wendy taking the CEO title with Joe acting as CFO. They handle running the business as a couple by working out of office one day each per week, arranging a date night, and leaving phones out of reach. Wendy draws additional childcare support from both her and Joe's nearby parents.

Women Entrepreneurs Continue To Dive Into Startups In Greater Numbers

Take Racheli Levkovich, who co-founded Zuznow with her husband in 2011. She is the mother of two daughters. Racheli says that while she envies both full-time young entrepreneurs and mothers who spend all day with their children, she thinks that her situation is the ideal mix: "I've learned that when I am happy and when I fulfill myself, I am simply capable of being the mother I want to be. And of course, when I feel good about my motherhood and my relations with my girls, I can devote my time and passion with no (or maybe less) guilt to our startup and lead it to success."

These women say that you can do it all: have children, and be entrepreneurs. May be you get help from nannies and cooks. May be you get help from in-laws living close by. But if you have the talent and ambition to be an entrepreneur, don't let biology stop you!

Interview with Julia Hartz, Eventbrite

Julia is cofounder and president of Eventbrite and is responsible for the overall vision and strategy of the company. Julia and her husband Kevin have built Eventbrite to a billion dollar Unicorn company. This interview was conducted in July 2010.

Sramana Mitra: Julia, let's go back to your story's beginning. Where are you from? Where did you grow up?

Julia Hartz: I grew up in Santa Cruz. My parents divorced when I was two, but they remained good friends and always lived within blocks of each other. My mother was remarried when I was five. I had one of those idyllic childhoods on the beach. I had no worries about safety like we do today. I was very focused on dance and spent four to five hours a day preparing for competitive dancing in multiple genres. I focused on jazz, but I did tap and ballet as well. Ballet offered the base training, and everything else was layered on top of that.

I went to competitions, and now that I am a mother of a girl I can see why it is villainized these days. We were just at Disneyland, and these girls walked by who must have been eight, and they were in full makeup with very skimpy costumes. The world I was in has blown into a pageant world where all the girls are over sexualized. I was in that world when it was focused on talent.

Sramana Mitra: I grew up as a dancer as well, and makeup was part of being on stage.

Julia Hartz: It was, but it was to deal with lighting. I remember the false eyelashes, but it was more about the form. I remember being annoyed by makeup. Like everything else, my views have shifted.

Sramana Mitra: The pace at which children grow up is faster today. That is not a good thing.

Julia Hartz: Exactly. I had more time to be a child, and I loved it. When I was seventeen I had a decision to make – to pursue a dance career or to go to college. My parents really did not give me any choice but to go to college, and that was something that I really wanted to do as well. Interestingly enough, my dance partner went the other route and she is now on Broadway. Every six months or so, I go and see her in a new show. It is fun to see where she has ended up. We feel that we have both been fulfilled on the two paths we have taken, which is amazing. It is very satisfying to see that.

I went to Pepperdine for college. I went to public school because there was no other alternative. I wanted to go to a private school for college. I wanted to be with twelve to fifteen students in a classroom. I got to choose my own major, which when you are seventeen is very early. I thought that I wanted to be a broadcast journalist, which is one of the reasons I chose Pepperdine. They have a very nice journalism school and their own studio.

I went and sat in my first day of broadcasting 101, and I looked around and saw a bunch of Texas debutantes. Pepperdine itself is an amalgamation of people from overseas and people from all over the United States. Most people are very, very wealthy. I was from a middle-class family. I had worked since middle school. I was the only person I knew who had a job in college.

Sramana Mitra: How did your middle-class background impact you at Pepperdine? Did you feel as though you belonged?

Julia Hartz: I went through stages. At first, I went through an envy stage. I have never told anybody this but hopefully you will understand. I felt like wealthy females always had this look on their face that was completely relaxed, as if they had no stress. I felt that I could tell from their outward appearance that they never had any sort of sorrow or anxiety. I felt they had never worried about anything. Obviously as I went through my college career and got to know those people intimately, I found out it is exactly the opposite. Strangely enough, in comparison I was the one with the ideal life.

As I sat in that first broadcast journalism class, I took one look around and realized that I could not, in good conscience, rack up as much debt as I was about to in order to seek a career on camera. I just knew that it was not something I was really into for the long run. I then switched my major to television production, and being in the environment I am in now I feel so unworthy with that major! I did parlay that into a career. I worked, and I interned during my first semester in L.A.

I was a set intern on "Friends," and I then went on to a few other internships which were all over the place. I found my niche in series development on MTV. Series development is analogous to being a VC in the cable television world. You hear pitches from the creative community and then purchase projects and develop them. I have always had an innate business sense from my parents, and I wanted to find a career that offered a cross between creativity and business.

My brother is incredibly creative. He is the artist of the family. I had this strange passion for business as well. Numbers are fun for me. I get basic business principles naturally. I really loved series development so I interned there for two years. My final year I was interning there five days a week, full time and taking night classes at Pepperdine to finish my degree. About three weeks before graduation I called my parents and told them that I was not really sure what I was going to do after I graduated but that my plan was to just keep going to MTV. I figured that nobody at

MTV knew when I was going to graduate so if I just kept coming they would eventually start paying me.

Sramana Mitra: I think unpaid internships are great. I see all this debate today about unpaid versus paid internships. You should be grateful to have the chance to work on something where you are given the chance to learn.

Julia Hartz: We have a dozen interns at Eventbrite right now and most of them are paid. That is one of the subjects on which Kevin and I differ. He thinks that in order to be competitive and attract the great talent, you have to offer paid internships. I am in the opposite camp because I had to pay for my internships.

Sramana Mitra: When did you graduate Pepperdine?

Julia Hartz: I graduated in 2001. A week before graduation I let those plans slip to an executive at MTV who was a mentor of mine. He said, "Hold on, you can't be serious that you are graduating and don't have a job here! You are a huge part of what we are doing!" I had integrated myself with the department, not because I was angling, but because I loved it. I still to this day feel guilty about this … but there was an assistant who was not pulling his weight and was a nuisance to the department got fired and I filled his position. I have not reconciled that to this day; it just felt wrong.

Sramana Mitra: Why should it feel was wrong if he was not pulling his weight? You don't get paid to exist.

Julia Hartz: Now as a manager I do not feel that it was the wrong decision, but I did not like the fact that I was involved. Either way, I graduated on a Friday and started work on Monday, which was perfect for me. I quickly rose up the ranks there.

Sramana Mitra: That is good, because 2001 was not a good time to graduate.

Julia Hartz: No, it was not. In some ways I was blessed to not be here in the Valley at the time. Before long, I went from assistant to head of the department. Six months after that I was promoted to an executive. My path to success there was hard work. The entertainment industry is very different from the technology industry in that hard work was a novel idea. Politics and positioning were very much part of the game. I just kept my head down and worked hard. I am a horrible negotiator and a terrible salesperson. I could not sell you money. That part of my brain does not work.

I could not really figure out how to position myself, so I just did my work and looked for more work. It was refreshing, and I was rewarded by moving up the ranks. Soon I was a protégée whom everyone wanted to claim as their own. I just ignored that.

It was a very difficult phone call to make to my parents that after all the time and work I put in, I was working on a show called "Jackass" and that they should not watch it. Your parents always want to see your work, and my mom has Google Alerts set so she is the first to see everything. If I speak she goes to watch.

After MTV I moved on to FX, where I worked on "Nip/Tuck" and "Rescue Me" as a current executive. When you oversee shows that are already on air that is what they call you. I was there for two years before I came up here to the Valley. For me that was the evolution of my career.

Sramana Mitra: Tell me about Kevin. He is your business partner and your husband. How did that happen?

Julia Hartz: I sat next to him at a wedding. My boss at MTV married one of his classmates at Stanford. It was in Santa Barbara. It was a very interesting mix of people. There were a bunch of technology people from Stanford and a bunch of folks from the entertainment area.

Kevin went to Stanford and studied history. He then went to Oxford and studied history there for a year. He came back and worked at SGI as a project manager, and that is when he fell in love with technology. From there he founded ConnectGroup with some classmates. That company provided high-speed Internet access for hotel rooms. They were acquired by LodgeNet. After that, he was a seed investor in PayPal. He had gone to school with a lot of those folks. He also joined Outlook Ventures for two years, where he became very passionate being an angel and investing in companies. He then went on to cofound Xoom, which offers international money remittance. At the same time they also developed the architecture for Eventbrite. When Xoom got funded by Sequoia they had to put all their effort into that company, which put Eventbrite on the back burner.

After two years, it was clear that Xoom was going to be a big financial services company. They decided to bring in a CEO who had done that type of work before. They brought in John Kunze, who was with Plumtree Software.

Sramana Mitra: Is Kevin significantly older than you?

Julia Hartz: Ten years. I met him when I was twenty-three and he was thirty-three. It was more significant for me because it curtailed a lot of mistakes I would have made. For him, at thirty-three, he had just begun to know exactly what he wanted. Our relationship began right when we met, and we were on a linear path that was free of drama and question. When I met him, he was just starting Xoom. We met in May, and they raised funding from Sequoia in the fall of that year.

I started to live the entrepreneurial life through his lens at that time. It proved to be a sneak peek as well, because we raised money from Sequoia as well. Right around the time we brought in James as CEO, it was clear that Kevin and James had different visions for where the company should go. To not be disruptive Kevin stepped out to the board. That was in 2005. I was still in L.A. at the time.

When I met Kevin, I knew that my career in television was on its last legs. I knew intuitively. It is not because I did not like it, but I knew that I wanted to come to the Bay Area. It was intuition; I just knew. I met him right when I was trying to make the decision to stay or leave MTV. I decided to just do it and not worry about career trajectory. In 2005 we got engaged, which was a pivotal point.

Kevin is incredible in the way that he is open to looking at many different angles. He never assumed that I would just leave and join him. He recognized that I had a great career. He was an entrepreneur and did not have a huge company, so he toyed with the idea of coming to L.A. Ultimately I am close to my parents and loved the Bay Area. When we got engaged, I knew it was time to make the move.

I had been having a year-long conversation with the people at Current TV. As they were putting together their team they found where everyone would fit. When they finally found the position where I would fit, they gave me a very low-ball offer. At the same time Kevin had mentioned that there was this platform that they had built for online event ticketing, and he wanted me to come work with him and not make any money. I thought that if working for no money sounded better than working for Current TV, then I was probably trying to force a square peg into a round hole.

Sramana Mitra: Had Kevin actually started working on Eventbrite?

Julia Hartz: Not really. He was still at Xoom. I started working on it during his last four weeks at Xoom. We had a rudimentary architecture based on the PayPal platform that was meant to sell tickets. There were early adopters in the tech community who were using the platform. Alan Braverman wrote the initial code for Eventbrite. Alan graduated from the University of Illinois around the Netscape days. He and Kevin met at SGI. After ConnectGroup was acquired, they joined up and started Xoom. However, they wrote the code for Xoom and Eventbrite at the same time. They were thinking about a lot of different businesses, and Eventbrite and international money transfers were ideas PayPal had but never actually implemented. They went ahead and did that out of Kevin's loft and they came up with a few different concepts, of which Eventbrite was one.

Sramana Mitra: During the early days, who kept the Eventbrite platform alive while Alan worked for Xoom?

Julia Hartz: Initially I did that just by answering customer service questions. Now that I think back that is when I began having dialogues with our customers.

Sramana Mitra: Who were your customers and how did they find you?

Julia Hartz: They were early adopters in the technology community. They were having paid meet-ups. There were enough users for us to get some indication and guidance on what type of product we should create.

This was at the end of 2005. We took a month off and went to Bangkok where we volunteered in an orphanage. My parents do this every year. We refreshed and reset our frame of reference in Bangkok and I am glad we took advantage of that time. We came back in January of 2006 and moved into a free office space.

Through somebody at Xoom we hooked up with Renaud Visage who is our CTO and one of the co-founders. He had just come out of Zing and was on his way back to France. We asked him if he wanted to work on this idea with us and we just hit it off. Kevin and I had never been together for more than two days and suddenly we were living together and working together all day in a conference room and Renaud was on his way back to France, so what better time to start a company together!

Despite the craziness, we just focused on building a great product. Kevin and I put in $250K in seed funding. It was the three of us working on the product for two years. The service was live and we iterated on the product by talking to our customers.

Sramana Mitra: How were you making money?

Julia Hartz: We were making money by charging a fee on top of the paid ticket price. In the beginning it was completely free. It lasted for about 6 months before we introduced a freemium model. If I had to tell you what one of our biggest failures was today it would be how we offered a freemium model. We wanted to give everybody all the features. We kept putting features in both buckets.

Sramana Mitra: Could you do freemium on volume?

Julia Hartz: Yes, and that has always been our goal. It was just a curt conversion and we did not understand that until we went to a completely paid service. We experienced very little churn but our event organizer conversions skyrocketed. They no longer had to sit there and make decisions between a base service or if they should choose the paid service. We had so many great features in the basic service that event organizers kept asking themselves what the catch was. That is our revenue model and it has remained since.

Sramana Mitra: What is your revenue structure? Is it a percentage structure?

Julia Hartz: We charge 2.5% plus 99 cents. It is an industry standard, we just priced ourselves on the lower end. As a startup it is important to get your product out there and get people using it. Initially we based it on the ticket price, but if event organizers entered the ticket prices as $0 then the service could be used for free. We did not think much of that until it because a significant value to us. Users were able to use Eventbrite and become intimate with how it worked, so it essentially became an open source model for us.

Sramana Mitra: How many paid events versus free events does Eventbrite do in a year?

Julia Hartz: Last year we did 46,000 paid events and 77,000 free events. We hope to grow both numbers. People have asked why we do not charge for free events, but we have always had a gut feeling that it is very important for our model. Our conversion rate is fairly high. I know that 20% of our free users who attend an event become a paid event organizer. This all stemmed from our being a young company that wanted to undercut the competition.

Sramana Mitra: Who was the competition at the time?

Julia Hartz: Between 2006 and 2008 it was just the three of us. The market was very fragmented. We did not worry about specific competitors. During that time I planned a wedding, had a baby, and worked on this company.

Sramana Mitra: When did you have the baby?

Julia Hartz: January 31, 2008. We closed our first angel round of funding from the European Founders Fund on February 2, and we hired our first employee on February 4. For whatever reason, things in life all happen at once. We were in the hospital room signing documents to receive our first $1 million in cash, and Kevin was running over to the office to give keys to the office to our first engineer.

Sramana Mitra: How did the European Founders Fund come about?

Julia Hartz: They are known for backing companies in Europe that are great concepts that have worked in the US. They had been looking at online event registration in Europe. They wanted to do the reverse and invest in US based companies and were very excited about the space. We had not been out fundraising.

Sramana Mitra: Where were you in terms of revenue?

Julia Hartz: We had less than $1 million. The model had been validated. We are very focused on volume. When I give the orientation to new employees I don't even talk about revenue, I talk about volume. I bet most of our company could not tell you what our revenue goal is, but they can all tell you what our volume goal is. Because volume is gross ticket sales, we are helping our customers sell more tickets.

Sramana Mitra: So in 2008 you were working in a free office space with just three of you, and you were pregnant. What else was going on?

Julia Hartz: The owner of the building let us stay there free, but he asked Kevin to help attract other startups to that building. Kevin took that very seriously and brought in nine startups to that space. I was there in my fortieth week answering e-mails while holding my stomach, without AC. It was an interesting time. We had Flixter, TripIt, Boxspeed, and Zynga get a desk. We did not know what they did; all we knew is that they were always collecting checks. We joked with Andrew Trader that all he did was go around collecting checks from everyone. It was a magical time.

We were also getting ready to focus on additional things besides the product. After we raised the money we started to expand our team. At the end of 2008 we had fifteen people. I took some time off to be with the baby, but I was also still working from wherever I was. I was always on my computer in the hospital, and the nurses threatened to take the computer away and move the baby to the nursery. I did not unplug from the business, but I did not go back to the office until I was ready. I worked from home for five months. That gave me perspective regarding our maternity leave in the United States.

Sramana Mitra: What role did your mom play during that time?

Julia Hartz: Two things happened. Emma was born with a birth defect. She had a cleft in her soft pallet that they did not detect in the ultrasound. We found that out the day after she was born. Kevin went into action mode, and he was meeting with experts all over the state within the week after she was born. When you find out about something like that you want to know all the options. Surgery was something she had to have. Her surgery was at nine months.

The second thing is that three months after she was born I was diagnosed with Graves disease, which is hyperthyroid [disease]. My mom had also had Graves disease. It is related to acute stress and hormones. Between the time Emma was born and her surgery, times were very challenging.

My mom was the backbone. She was the reason we survived it. We had a business that was taking off. Kevin and I have a motto which is 'divide and conquer'. He had to go to work the next week, and I had to get better. My parents live in Santa Cruz full time, but they rented a studio apartment across from us and they were going to be there for three months. They ended up extending their lease for a year. She lived around the corner from me.

Now we live in a place that has an in-law unit. She comes up one a week and spends the night as part of her regular schedule. Every three weeks she is with us all week because we are out of town for business or something. She is our backbone, and is the reason why we were able to do so much.

Sramana Mitra: You raised your initial set of funds at the time Emma was born. When did you raise money again?

Julia Hartz: Right around the time she had her surgery. The business was about break-even at that point, but we did not have a ton of cash in the bank. We thought that 2009 looked like it would be a bad year, so we thought we should raise some funds to survive it. That is when we went out to our friends and fellow entrepreneurs, and I point to Kevin as the source of this; he pulled together a very impressive list of angels. We raised another $1 million almost effortlessly, and we put in some of our own money again. It is another testament to Kevin's place in that community. He approaches entrepreneurship from the heart. He loves being an entrepreneur. We amassed a great advisory board from that.

We did not know what was going to happen in 2009. We had built a very lean, capital efficient business. Then something happened in January. That was the inauguration [of President Obama]. We had no idea how much related activity we would have on our site, and it was incredible. We saw DC explode after January 2009. It gave us rocket fuel to propel us through the year. We grew to 30 employees in 2009. In September of 2009 an advisor we had brought on our board encouraged us to raise our first round.

We had taken a bootstrapped philosophy as an almost academic decision. We had gone through the experience of raising a lot of capital. Xoom was very capital intensive and a lot of money was raised. In our case we wanted to see how far we could get with almost no money. We spent less than $250,000 in burn between 2006 and 2008. When we went out to raise money it was an incredible experience. With the guidance of our advisor we did something we never do. We went out for three weeks and told people when we were willing to accept term sheets. We were direct and confident.

Sramana Mitra: What was your revenue level when you did that roadshow?

Julia Hartz: We were around $3 million. More to the point, we were looking to process $100 million in ticket sales in 2009. We met with fifteen to twenty firms and knew most of them.

Sramana Mitra: Why did you approach so many firms?

Julia Hartz: We wanted the Eventbrite story out there. Honestly, it is a bit of a game. At that time VCs were just getting back to putting their money to work, and by our setting the dates we made sure that things did not drag for us, and VCs were able to make sure they saw us and did not miss a deal.

Sramana Mitra: Volume creates pressure.

Julia Hartz: We approached it more naively than that, but in the end that was one of the by-products. One of the things I learned that was astounding is that doing what you said you were going to do is rare, and it made a huge impact for us. We had been transparent with a few of the firms we had casual conversations with a year prior. Sequoia in particular had been tracking us, and they were really impressed that we did what we said we were going to do. I draw a parallel between that and hard work in the entertainment industry. It gives credibility. We ended up putting ourselves in a great position where we could evaluate several term sheets, and we did choose Sequoia.

Sramana Mitra: Did any of your investors question you about the married couple situation?

Julia Hartz: Yes, both times. I found the question to be direct and respectful. The question was asked and the answer was given, that was that. The question was always asked as "How do you work together as a husband-and-wife team?"

Early on in our career we had gone out to a dive bar with some of our friends who had worked together. They said to divide and conquer. Don't ever work on the same project, just the same goal. Work on different parts of the business, and if you have complementary skills that will get you from point A to point B faster. That was valuable advice. That is our motto and that is how we work.

Sramana Mitra: Did they ask you the question about what would happen if you broke up or if the business was not doing well?

Julia Hartz: Once we realized that Eventbrite was going somewhere and we hired people and became a company with employees, I sat Kevin down and asked him what our emergency plan was. For us, that was the prioritization part. We decided that our relationship comes first, and Emma was right there with us. The company had to be second. If anything did, or ever does, start affecting our relationship, I have already decided that I will leave the company. It is a good way to challenge yourself to work together. He would be equally sad if I were not there with him every day. We do a lot to make sure we work well together.

I learn a lot from Kevin. He has been my mentor. When we do come down to a key decision that we disagree on, Kevin is our leader. He is our CEO. There has to be a clear understanding of who is the boss. I am 110% satisfied saying that Kevin is our boss. He is credible and I believe in him. We have an extraordinary relationship because he does listen so well. He empowers me to do things I never thought I would be doing.

Sramana Mitra: How do you manage your time between your real baby and your business baby?

Julia Hartz: Our baby runs the house! Emma was born into this Eventbrite world of ours. When we talk about going to Eventbrite, she is excited knowing that mommy and daddy are going off together and that they will be back. She has been to the office plenty and has a lot of friends there.

It is not perfect. A week ago I was getting dressed in the closet when she said "Momma, I don't want you to go to work" and she promptly pulled one of her daddy's baseball caps over her face as if she were embarrassed to say that. I had a moment and had to hold her and maybe shed a tear. I knew that moment was coming. I did not know how I would react after she stated that. She just started a pre-school program two days a week, which makes her feel like she has her own thing.

We have a unique arrangement. Both of our parents are involved. On Mondays her nanny comes. On Tuesdays, Kevin's mother and father come over at 7 a.m. and Kevin and I go to staff meeting at 9 a.m. My mom comes up at 10 a.m., takes over, and stays with Emma overnight. That is Kevin's work-late night, although I come home and have dinner with Emma and my mother. Wednesdays are split between my mom and the nanny, and it is also our date night. Fridays I work from home. I take Emma to an activity in the morning and have the nanny over as well. That is our effort to not be absent parents in her life. Fridays are much more exhausting than just being at the office.

Sramana Mitra: How do you feel about your overall situation? Have you made the right choices?

Julia Hartz: I feel really good about it. I have had very little doubt. I am now terrified to see how we could include another child. Kevin is ready and I am sitting here going, "Hold on," because I just don't see how it will scale nicely and have it all go as well as it does now.

Sramana Mitra: What is your priority? Would you step back from Eventbrite?

Julia Hartz: I always want to be involved in Eventbrite. I think the compromise will come when I have to step down to a lesser role. The title thing is pointless, I can live without a title. It almost puts undue pressure. I just want to help Eventbrite succeed, whether that is what I am doing today, making large, strategic decisions such as recruiting actively and handling the PR as well as the operations, or whether it's processing checks. Truly in my heart, I don't care what my role is. That is what gives me hope. I don't ever want to hinder the progress. I sort of think that Kevin and I have a responsibility to get out of the way as we hire smart people in areas that we do not know as much about.

Sramana Mitra: What is your ownership in the company between the two of you?

Julia Hartz: It is not the majority, but it is sizeable.

Sramana Mitra: If you were both to make the decision to step back and be on the board, you would maintain a significant portion of the company, which is significant as your ramp is around $10 million right now. Is that a decision that is in the air?

Julia Hartz: No. We joke about who would be in charge if we got hit by a bus. We feel very confident that we have proper leadership in place. Julie Thompson is phenomenal, as are as some of our other great people can handle things. We have been through times when Kevin has questioned if he should stay or go on to something else. As a serial entrepreneur you are always going to be enticed by other projects, and he is a serial entrepreneur.

We will not think of an exit plan for ourselves or for Eventbrite anytime soon. We would not see that as a victory. We are not even thinking about it. If I can have another child, stay involved with Eventbrite, and keep everybody happy, then I would call that a win.

Sramana Mitra: Would you trade off the idea of having another child to remain the president of Eventbrite?

Julia Hartz: That is a good question. No, because I do want a larger family. I will probably put it off for a couple more years if I can, but we are a partnership and Kevin really wants another child. I do too, but I think the ten-year difference in our ages impacts his desires. We are a team and I am excited about another child. There are a lot of implications that Kevin may not be thinking about, but his optimism is so refreshing that it gives me hope.

Sramana Mitra: But you are the one who is going to make the sacrifice.

Julia Hartz: Exactly.

Sramana Mitra: A lot of women are struggling with that. They want to hear that they can do it all and nothing has to be sacrificed. I don't think that is the case, and I am sure you can tell them all about those struggles.

Julia Hartz: I recently asked my mom if she ever talked to me about having a family and getting married. She purposely did not talk about that because she wanted me to have my own idea of whom I would marry and if I would have kids.

Sramana Mitra: It is incredibly challenging to have a career, let alone be an entrepreneur, and have a baby.

Julia Hartz: I feel very strongly that I can create an environment where women who have a skill and are talented and driven are welcomed at our company. I just hired a head of customer experience who had a baby eight months ago. I have been talking to a lot of different candidates who had children nine to twelve months ago and feel they are ready to get back into the workforce. They feel that the maternity leave program we have set up in our country is not realistic.

I am personally making the commitment to not be a hypocrite. It is what it is, and I want to accept and acknowledge the fact that there is a huge amount of talent out there that has dropped out of the workforce. It is interesting because I am friends with a lot of women who are extremely talented and driven, and they put it into their kids. This may be controversial, but kids were not meant to be managed. People put their own ambitions into their children.

I think that everyone copes differently. What Kevin and I have cannot be replicated on a number of levels. At the same time, I feel there has to be a happy medium. It is not going to happen overnight. I feel as though women can be empowered, where they can have leadership roles and have a family, and I can be a part of that on a grassroots level. It is definitely not the easiest path to cut.

Sramana Mitra: The question that remains is if you can be an entrepreneur and have a baby on your own. This question comes up a lot among younger women in the workforce. They want to do it all and think they can. I am conjecturing quite a bit, but most women want to have children rather than have careers. If you are faced with one or the other, that is a difficult choice.

Julia Hartz: It is biology. There is not much we can do about that. I know a fair number of people who have one child because they want to go on with their career. They want the two-year disruption and not the six-year disruption.

I think there should be a partnership in every entrepreneurial venture. Saddling a project on one person has its faults. It does not necessarily have to be your spouse, but to make something really great you have to have more than one mind behind it.

Sramana Mitra: Evidence does not suggest that conclusion. The greatest entrepreneurs are solo leaders such as Steve Jobs. Obviously, you can be successful in other ways, Larry Page and Sergey Brin are not a solo act. If there is a failure in the relationship or partnership, it is much more complex to unravel. As you said, you need clear lines and a defined game plan.

Julia Hartz: Keeping that in perspective, I think we find that most women would choose their own families over their career ambitions. It is a unique situation for each person, but generally women would choose having children over having a career. I had my first child at 28. I was young, relatively speaking. Funny enough, what is happening now is that women are trying to delay having children as long as possible, and then they run into problems having a child.

It is a greater challenge. If you are an entrepreneur and you have your own family with a child, you have to instill principles of prioritization. My model is to find my vortex of happiness. A woman who is running her own company and has children at home clearly needs a lot of support and must also be willing to sacrifice.

Sramana Mitra: We live in a place that is full of immigrants without family around, or where people do not live near their parents. The situation you have with your mother and in-laws is not available to them, and there may be no choice but to pay for daycare or hire a nanny. There are a lot of choices that must be made that are suboptimal choices.

Julia Hartz: They are also very resource intensive. When you are not making a salary it is hard to pay a nanny. Kevin and I work for below-market salaries. I will never forget when someone who worked with us said, "Hey, Julia's salary goes toward the nanny." I had never thought of it like that, but people do.

Sramana Mitra: Childcare is a major item in one's monthly budget. People do have to think of it, because for most aspiring entrepreneurs, or indeed anyone who works, it is a huge issue.

Julia Hartz: To have your own company, and to be the solo leader of that company, while at the same time having a family and a happy marriage is nearly impossible. I don't want to concede.

Sramana Mitra: You have not had to go there all the way yet because your child is still so small. But the peer pressure . . .

Julia Hartz: I know! I am totally terrified! I understand what you are saying, but it makes me wonder if it is a human issue or is it "the system."

Sramana Mitra: I didn't grow up in this country. This kind of peer pressure did not exist in my childhood. My father was not coming to my athletic events. They were in the middle of the day, he was an entrepreneur, and there was no time for it. I had no expectations for him to be at my athletic events. My mom

used to come from time to time, but not always. I was never upset or focused on the issue. Here, there is the expectation that your parents will come to all of your games, all of your concerts, and all of your events. That is insane! How do we turn this around? Are children going to feel smothered and grow up resenting you?

Julia Hartz: Therapy bells up to here! We built Eventbrite by putting one foot in front of the other. Maybe that is all we can do in our parenting as well. Think about the challenges facing women. It can be so daunting that some do not even want to try.

Sramana Mitra: I can't blame the young women entrepreneurs who come and tell me that they can't take something on because of whatever list of circumstances they give. I can't blame them.

Julia Hartz: No, and you can't understand them until you have been in their shoes. Dana, who just joined our team, is away from her eight-month old for the first time. I am the only person in the company who asked her how she is doing because nobody in our company has kids. She confided in me that she cuts out at 5 but is back on by 7, and I had to reassure her that I do the same.

It is difficult, and I have the advantage of being part of the leadership team, and my schedule preceded most of the team. The amount of time that someone may spend going to lunch or playing pool, I am feeding my child, bathing her, and putting her to bed. You have to do what you have to do. I feel a bit guilty because I have not been hit with a really tough decision.

Sramana Mitra: I think that is fine. What I find healthy in your story is that you have made the best of the situation. You have taken the cards you have been dealt and you have played those cards optimally.

Julia Hartz: But couldn't that be applied to every situation? Yes, it may not be the most ideal situation. The most brilliant mind could wind up not running the company.

Sramana Mitra: Or the most brilliant mind could choose not to have a child. That is a perfectly fine choice.

Julia Hartz: Why would we think less of that person? That is not wrong.

Sramana Mitra: Society has created all these constructs where women are expected to have children. You are not a complete woman until you have a child. On the other hand, there is also this other monster going on that says you are not a successful woman until you have a career. If you look at women in their mid-forties and fifties, many of them were married to very successful men and chose not to have careers. Their kids are now going off to college, and some women have a complete identity implosion because they live in a very success-oriented social structure where they cannot hold their own. This is causing huge social problems, including suicide and alcoholism in some women, when they find their lives and their children are gone.

Julia Hartz: In my childhood, my mother always picked me up from school. It was not until I grew up that I realized that my mother picked me up from school on her lunchtime. It hit my like a bucket of cold water that my mother never had a career, rather a series of part-time jobs so that she could be there to pick me up from school. She had never spoken of it or mentioned it. It was not until I went to college that she developed her career as an editor. I am so proud of her, but sometimes I wish she had made me take the bus.

Sramana Mitra: It is a complex topic, and then there are all these men who want to say that we just need to put a network together and then everything will come into place. They don't have a clue!

Julia Hartz: I came into this conversation thinking, "I can't believe I am doing this, because I don't have the answer to these questions!" I can say that having the moment I had right before I had Emma was very powerful. To get to where I am now, I feel a great sense of accomplishment. What am I going to do? Imminently, I am going to have another child and try to one-up myself. It sounds absurd, but I am excited.

Sramana Mitra: You also have options.

Julia Hartz: I have a lot of options, and that is why sometimes I feel hesitant to speak to groups of people. All I can say is that what has worked for me and I will let others pull anything they can from my experience if it can help them in theirs.

Sramana Mitra: It would be grossly unfair for either you or me to sit here and say "you can do it, no problem." There is a huge problem!

Julia Hartz: Everyone's vortex of happiness is in a different place. It is so incredibly complex. Sometimes I just think we are going to evolve in a circle where women can stay home and men can go back and hunt and gather. We'll evolve in a circle. That does not make me happy, but at the same time having a child is so difficult. It is the most incredible thing to grow and conceive a child, let alone raise one. Are we being short-sighted trying to integrate children into our greater ambitions? I like to think that Emma is a part of our tribe and we are moving toward the same goal.

Sramana Mitra: I am probably ten years older than you are. I have to say that the conclusion I have come to is that you have to honor who you are and make your decisions based on that. If you try to live up to society's expectations, your parent's expectations, your family's expectations, your husband's expectations, or your friends' expectations, then you are bound to end up in a zone. You will be incredibly unhappy.

Julia Hartz: I think I have learned that along this journey as well. I have had to make uncomfortable decisions such as taking Fridays off. I took Fridays off to be a happy mom and wife. I had to have confidence and self-esteem to make those decisions.

Sramana Mitra: I think self-esteem is incredibly important. You have to have enough self-esteem to make the right decision as it applies to you and not to fulfill somebody else's expectations. Thank you for taking the time to discuss your story.

Note: Eventbrite has since raised almost $80 million in funding and crossed $50 million in annual revenue. An IPO is in the cards!

Interview with Amy Pressman, Medallia

Amy Pressman is the president and co-founder of Medallia, a company that she and her husband Borge Hald have built up to a billion dollar Unicorn as well. This interview was conducted in October 2013.

Sramana Mitra: Amy, tell me about the journey that led to your business career. Where are you from? What kind of childhood did you have?

Amy Pressman: I am from Boston, Massachusetts. I grew up in a family that did not do much in the way of business, so I sort of fell into all of this. I decided I wanted to become a businessperson when I was a Peace Corps volunteer. I was stationed in a town on the north coast of Honduras. It was the former headquarters of United Fruits, and even though it was not the headquarters any longer, there were a number of people there who still worked for United Fruits.

I saw how well the people who worked for the company lived compared to the [other] people who had good, stable jobs. Of course, there was a lot of history around United Fruits, and they were not necessarily the best employer all the time. I did see the positive way in which business can change people's lives. I decided at that time that I wanted to have that type of responsibility.

Sramana Mitra: Where did you go to college?

Amy Pressman: Harvard. I joined the Peace Corps right after that. A lot of people join the Peace Corps because they go to the career fair, and they are not sure what they want to do. I saw it and thought it sounded very interesting. I thought a lot about it, wrote a paper on it, and contacted the founders of the Peace Corps. I had been an exchange student during high school and had decided that I wanted to go back to a third-world country and live and work there, not just stay there as a student. I thought the Peace Corps was a good vehicle through which to do that.

Sramana Mitra: How long was the Peace Corps assignment?

Amy Pressman: They are typically two years with three months of training. I ended up staying an additional three months. I was there from 1987 to 1989.

Sramana Mitra: What did you do when you returned from the Peace Corps?

Amy Pressman: I started preparing to go to business school and I took my GMAT. I did have a political bug, so I worked on Capitol Hill from 1990 to 1993. I worked as an aide to a number of senators. I worked on healthcare and a number of children's issues. In 1993, I went to business school at Stanford.

Sramana Mitra: Going to business school at Stanford in 1993 means that you faced the Internet head-on.

Amy Pressman: Yes, but I was kind of oblivious. On my application to business school I wrote that I wanted to get my MBA because I needed to gain business credentials since I had not actually worked in business since graduating from college. My plan was to leave school and start a business. There was a high-tech club at Stanford, and I did not join it. At the time I was graduating I ended up in Europe trying to figure out what I wanted to do. I was trying to decide between business and journalism, so I was there talking to people at publications. In some ways, they had suffered from the rise of the Internet.

Sramana Mitra: Did you decide to go into the media industry, or did you decide to go somewhere else?

Amy Pressman: Unfortunately, coming out of business school in Europe I found that the only jobs that would pay the student loans were in investment banking and consulting. I did that for three years in Norway.

Sramana Mitra: Why did you go to Norway?

Amy Pressman: My husband is Norwegian. We run the company together, and after my second child [was born] he took over as the CEO. We met at Stanford and both ended up working at Boston Consulting Group together, based on Norway. However, I was staffed on international work cases.

While I was working at BCG, I was thinking about starting a company. One of the themes that was present when I was on Capitol Hill was that I worked with a group of senators that included Al Gore, and they were very concerned with high-tech development and keeping the country competitive.

A huge theme was why Japan was trumping the United States in electronics and in the automotive industry. At the time that I was living in Europe as a consultant. The Internet was coming of age and the services industry, a huge swath of the economy, was not addressed in the effort to improve quality of manufacturing. Part of the reason is that services do not come off of an assembly line. I felt the Internet offered a cost-effective way to improve the quality of that industry.

The idea crystallized based on work I had done while working on Capitol Hill, on work at business school, and then on the work I was doing as a consultant. I was working in a number of industries, including several projects in consumer packaging. They have a lot of rich granular benchmarking data. The original idea was about getting benchmarking data for services organizations such as hotels. Each hotel would know how it was doing in terms of customer satisfaction, not just compared to other hotels in their brand, but also compared to their direct competitors. That concept was virtually unattainable prior to the Internet. It would have been too costly to attempt to gather that type of data.

Sramana Mitra: Did you leave consulting to start Medallia?

Amy Pressman: I did finally decide to leave consulting to start Medallia. I also recognized that I needed to be back in the Bay Area. I will say that I now think that there are disadvantages as well as advantages to being in the Bay Area. I certainly think that entrepreneurs can start companies wherever they are and that they do not have to come here. At the time, I felt I had to move to the Bay Area.

Sramana Mitra: There is a misconception that entrepreneurs need to start a company in the Bay Area. Let's explore that more.

Amy Pressman: I left the Bay Area in 1995. I came back in 1999. It was as if I had landed in an alien land. I returned in the middle of the bubble. I started to drink the Kool-Aid. Everyone I went to business school with was working at a startup, and they were all worth millions of dollars on paper. Just as we were getting started the bubble started to burst. That turned out to be a wonderful time to start a company.

If you start a company while money is easy, you are expected to spend money fast and create value fast. It is hard to create the type of value in a company that the ridiculous valuations were predicated upon. I think having too much money does not force entrepreneurs to prioritize and make good decisions. It does not force innovation or creativity. In my opinion, it forces you away from true entrepreneurship, which requires a gritty method of solving problems.

Additionally, there is a lot of engineering talent in the Valley. A lot of the engineers who come to the Valley are attracted to being involved in the next big thing. It becomes hard for small startups to attract top talent. It was hard to attract great talent in the pre-IPO of Google period. If you are in other locations, there may be more talent available to you.

Sramana Mitra: What are the advantages to being in the Valley, from your perspective?

Amy Pressman: It is an incredibly energizing location. When you are feeling oppressed by the day-to-day challenges of a startup, it is great to be around other people who have succeeded and are willing to encourage you. There is an energy that is unique to the Valley. Even if people start their company somewhere else, they need to find a way to tap into this energy. We have never taken any funding. I know other entrepreneurs who have, and they think it is much easier to get funding here.

Sramana Mitra: How did you start your company? What were the beginning days like?

Amy Pressman: When we set out, we intended to use VCs like everyone else. We did get an angel investor and we were on that path. We felt we needed $10 million for the first round. Fortunately for me, the bubble burst, followed by 9/11. We had a big meeting with hotels interested in doing a pilot with us on September 10th, so 9/11 had a big impact on us. The prospects of raising money as a tech company in the middle of the bust that was targeting an industry that was having one of its worst economic records ever was daunting. We did not even bother to try to raise money at that point.

We had personal resources that we were able to live on while we got this off the ground. I remember being worried after 9/11 because my husband and I were both doing this full time. We were not working elsewhere. There was a great deal of uncertainty in the country at that time, but we both believed in what we were doing, and we really wanted to do it. We were not incidental entrepreneurs.

Sramana Mitra: At that stage what was your vision?

Amy Pressman: We wanted to build a company that leveraged technology to help service industry companies improve themselves. It was an incredible area of opportunity to apply concepts and methods used by manufacturing companies for quality improvement and apply them to a new industry. We have stayed true to that vision. Tracking customer experience is like tracking your temperature. If you have a steady fever, there is a larger issue that needs to be explored. Good customer experience is our window into how companies are faring in general. A company will not survive long if they are not delivering something of value to customers.

Sramana Mitra: How did you monetize that vision? How did you penetrate the market?

Amy Pressman: Historically, most companies have tracked their customer experience, but they have done it with things like comment cards and customer surveys. What they really had was market research data, which was sort of interesting and could help to form a strategy. It was not enough to be operational.

We make it operational. We help companies have dialogues with their customers in their marketplace. A store manager will know if the AC is down in the store before he or she even arrives there because the information comes via customer feedback. We let companies put their finger on the pulse.

Sramana Mitra: How do you enable companies to have dialogues with their customers? What is your method, and what technologies enable that method?

Amy Pressman: If you are a customer of one of our clients, then soon after purchasing that product or staying at that hotel you would receive a survey from us. More and more of our customers are exclusively doing Web-based surveys rather than mail and phone. As soon as the customer fills out the survey, it will immediately show up in our application.

The general and regional managers of the hotel chain see the survey results immediately. Each of our clients can specify who receives the results. That data will flow to the relevant people in the organization. A general manager then has a constant stream of information about his or her property or store. A lot of our customers have different rules about how to handle dissatisfied customers. Often a manager will call them within 24 hours. Companies also have five-minute morning stand-ups so that they can review the previous day's survey results. It gives them a tactical edge for the day.

We also have technology that allows managers to see what other managers in their company are doing to respond to similar types of issues. We focus on building operational tools that allow companies to be much tighter with their customers.

Sramana Mitra: I know you have hotels and retail companies. Are there any other verticals you focus on?

Amy Pressman: We do a lot of financial services, call centers, and business to business. We are very good with extremely distributed companies. We are also very good with extremely complicated programs, which have given us traction with B2B.

Sramana Mitra: It sounds as though your model is enterprise software sales. How did you get your first client?

Amy Pressman: I sent an email to a Stanford alumni at Hilton. I hit him at the right moment. He was thinking about that problem, so we were able to get a meeting with him quickly. We went in and hit him with an offer that he could not refuse which involved a free pilot. They had a vendor in place that was supposed to be doing this work.

After the pilot, they gave their vendor six months to come up with the technology to do what we did, and had they succeeded that vendor would have kept Hilton as a client. I actually appreciated that because I want to work with companies that value their relationships with vendors. However, their vendor was not able to come up with a product that was competitive to ours, so we were able to get in there with our product.

Traditionally, companies get customer feedback by using market research firms. Our early competition came from market research firms that tried to put together technology packages. We are first and foremost a technology vendor. The market researchers are primarily selling their methodology, while we have sold technology.

Sramana Mitra: You mentioned earlier that you were not a very technical person. Did you lead the technology development efforts?

Amy Pressman: No, we had a CTO for the first five years. He was a very strong, early startup type of CTO.

Sramana Mitra: How did you find him?

Amy Pressman: I found him through several degrees of separation from my Stanford network. I think that a key aspect of starting a company is to get out there and talk to as many different people as you can and then follow up on every lead. You never know where that will take you. If you try and predict beforehand which leads will pan out and which ones will not, you will probably guess wrong most of the time. Some leads that I thought would be worthless were invaluable, and some that I thought would be helpful were worthless.

Sramana Mitra: Was there anyone else on your startup team besides you, your husband, and your CTO?

Amy Pressman: I found one other person through the Stanford network. She was a colleague of a classmate of mine at business school. She had worked extensively in the hospitality industry. She consulted for us for a while and eventually joined us.

Sramana Mitra: What role did your husband play?

Amy Pressman: The reality is that at that early stage of our startup, we were all generalists. Titles were irrelevant. My husband was much more involved with the product and engineering side. I was more involved with identifying leads and facilitating sales. We needed market research and service industry expertise on every sales call. We were able to speak to both issues, which we combined with a demo. We hired people with broad skill sets. The idea of an organizational chart was irrelevant at that stage.

Sramana Mitra: What was the structure of that team like? Did everybody have an equity stake in the company? Were you paying them all salaries?

Amy Pressman: My husband and I were the founders, so we had founder shares. We gave significant shares to the others who joined us. We also paid them salaries, but those salaries were pretty low. Somehow we all managed. One of them was working for a Fortune 500 and we were not going to be able to match that salary, but we were not paying starvation wages, either.

Once we became profitable, we focused on paying in the 90th percentile and above. We want to hire top talent, and we pay for that talent. We were never interested in maintaining 100% ownership in the company. We believed that we were building it as a team and that the team should benefit. That goes to the core of who we are.

Sramana Mitra: Some people have reservations about that approach. If you set up a company with equity as compensation, then you have to either sell the company or give out dividends. Are you giving out dividends today?

Amy Pressman: We are not giving out dividends. We plan to have a liquidity event. We believe across the team that there is a lot of value left to create. Nobody is interested in looking for that event now. The assumption is that there will be an exit at some point. My sense today is that people are thinking more creatively about liquidity options.

Sramana Mitra: As an entrepreneur, how do you balance the equity stake of founders and early employees with the inevitable exit?

Amy Pressman: Silicon Valley is very much about technology and innovation. There is also a lot of innovation in how companies are started, run, and dealt with. If you look at more traditional liquidity events where you are bought by a larger Fortune 500 [company] or you go public, suddenly you have less leeway to experiment with innovation. Innovation is what makes companies strong, so that is a struggle that a lot of people face. The struggle for entrepreneurs is to get great returns for the people who built the company and everyone who invested in it while at the same time keeping the company on track in order to keep adding value.

Sramana Mitra: The longer we keep companies private, the better. Innovation and keeping founders engaged are easier to do with a private structure. That is what the Facebook structure is putting on the table. How long did it take to get to the point where you had revenue?

Amy Pressman: We had revenue from the beginning of 2002. We were profitable by the end of 2002. We had to be profitable quickly because we were bootstrapping. Early-stage startups that are funded spend a lot of time putting together a great team. We did not have the resources to do that, so everybody had to play multiple roles.

Sramana Mitra: That is one of the things I like about bootstrapping. Your priorities are focused on getting customers and revenues. That forces a level of discipline that is hard to reach when you have a lot of money flowing in with formal venture capital.

Amy Pressman: I think there is value in working multiple roles. Entrepreneurs need to get their fingers in all of the different parts of the company. We have a very strong culture as a company that works well together.

Sramana Mitra: How many people do you have today?

Amy Pressman: At last count, we had 115.

Sramana Mitra: How much money did it take you to reach profitability?

Amy Pressman: We were bootstrapped with one angel investor whom we bought out. The situation in the Valley was changing, and he had invested expecting VC investment to come. When that dynamic changed, we were not in agreement about how to proceed. It made sense to just buy him out and move forward.

Sramana Mitra: What are some of the other strategy milestones you have achieved?

Amy Pressman: We chose to focus on hospitality. If you don't have resources, you have to focus. That is very hard to do, especially in Silicon Valley where companies can explode overnight. We specifically targeted the leaders in the industry. I see a brand or two in every industry that other brands look up to. We wanted to work with those companies rather than the companies that nobody wanted to be like. Choosing well-regarded brands helped our sales. That worked well for us. Great brands care about customer experience, and they tend to be more innovative. They were willing to take a chance on a small startup.

We were very focused on being a technology provider. That allowed us to differentiate ourselves. At the time, I remember attending market research conferences. People were having long debates about whether the Internet was a good vehicle for surveying. They were worried about losing demographics. I had done some research, and I remembered that in the 1970s there were similar debates about moving to telephone surveys. In that context, we stood apart as a differentiated company.

The only way we were going to succeed was by delivering a hell of a product. We focused everything we had on great technology and service. Hilton went to a quality conference and showed our product to a group of other hotel companies. We immediately started getting phone calls. Every time that happens, the other companies in the room become our clients within a year.

Sramana Mitra: Your customers seem to be your best form of marketing.

Amy Pressman: We think about things like client services as a form of marketing. If you really wow your customers, they will take care of you.

Sramana Mitra: What was your revenue in 2002, and how did the company ramp?

Amy Pressman: In the beginning it was lumpy, but over the past several years we have been growing in the 40% to 50% range. Today we are doing over $30 million.

Sramana Mitra: Essentially you have built a $30 million company in 10 years?

Amy Pressman: We got a very late start in 2001, so I would say it has been nine years. We talked with Hilton in early 2002. Our first paying customer came in mid-2002 and we were profitable by 2003.

Sramana Mitra: A lot of my readers are young women and entrepreneurs. They are trying to figure out if they can be entrepreneurs and have a family and relationship. Would you talk about that?

Amy Pressman: I think that this is an ongoing topic. I am a member of a group of women CEOs, and we talked about it there. There is no magic solution. Some have stay-at-home husbands. Some are married with no kids. Some do the company with their husbands. Some just spend a lot of money on a lot of nanny help.

I have done the company with my husband. I don't have a lot of nanny service because I force myself to spend enough time with my kids. It works because I split the CEO job with my husband. We meet every morning for 15 to 30 minutes to talk about what happened the day before. We each feel that we know what the other side is doing. At the end of the day, all companies are run by teams. Sometimes women have a hard time delegating, and that is what must be done.

Sramana Mitra: How old are your children, and how does your household run?

Amy Pressman: My children are seven, nine, and 13. My house runs chaotically! I do laundry between 5 a.m. and 8 a.m. I do shopping as late as 2 a.m. I do a lot of errands on weekends. It is not optimal. I don't exercise enough, but I am passionate about the company and I do know my children very well. Can you have it all? I think you can over a lifetime, but not all at once. The hard part is that something must be given up.

Sramana Mitra: This is a great story. Thank you for sharing it with me.

Note: Medallia has since raised over $50 million from Sequoia Capital, and is also in the pool of pre-IPO companies in 2013.

Interview with Therese Tucker, Blackline Systems

Therese Tucker is the CEO and founder of Blackline Systems, an account reconciliation and financial close software provider. Therese bootstrapped the company till over $10 million in revenue and then raised capital from private equity partners to scale beyond. This interview was conducted in September 2010.

Sramana Mitra: Therese, let's start at the beginning of your story. What is your background?

Therese Tucker: I grew up on a farm in Illinois. I am the youngest of four girls. My parents did not have much money. My father was a factory worker and farmer. It seems today that everyone who is bright goes to college. Back then there were some very smart people who made their careers as farmers and blue-collar workers. College is a lot more accessible today.

I once asked my dad why he never went to college, and he told me it was about money. He was born in 1920, which is the year the farm depression hit. In 1929 the Great Depression hit. There were no such things as school loans back then. I learned from a very early age how to work exceptionally hard. I was herding cows and raising pigs. I had responsibilities from the time I could walk.

My oldest sister did what my parents thought she should do, which was to get a secretarial job and marry a factory worker. Ultimately she got divorced and became an attorney. My second sister passed away seventeen years ago from breast cancer. My third sister also did something that was deemed OK by my parents when she went off to become a nurse. Subsequently she went back to school and became a nurse practitioner. She was unhappy with the typical woman career. I was the first in my family who decided to go to a four-year college.

Sramana Mitra: Why did you make that decision?

Therese Tucker: Most of the people I knew in that very small town were getting engagement rings for their graduation presents followed by jobs in local department stores. I thought I would die if that is all I did with my life. College seemed like a step in the right direction. I still had no idea what I was doing when I went to college. I majored in business and French at Illinois Wesleyan.

Business and French was boring. I then thought about becoming an art major because I really enjoyed painting, but I figured that I was not good enough and I would starve to death. I then took one of the very first Apple programming classes. I fell in love with the ability to give a machine instructions and have it respond to me.

Sramana Mitra: What year was that?

Therese Tucker: That was in 1981. I fell in love with programming. The very first computer program I wrote was a blinking Christmas tree with asterisks. That was the only computer course that Wesleyan offered; however, the University of Illinois was a couple of hours away. They have a very good computer science program, so I transferred there to study computer science and math. It was terrible! I was using punch card machines, so I had to wait up all night to get my stack of cards, only to find out that on my third card there was a mistake. You would have to go retype that card and wait in line again. That was awful!

The things we were programming were boring. I just kept thinking that if I could just get through it, technology would be fantastic as a career. I barely scraped through, but I graduated in December 1983. There were not very many women in computer science, but I got a job in southern California as an engineer for Hughes Aircraft working on surface ship sonar and fault detection. It was pretty fun. It was the first time I ever saw a true application of calculus. Seeing how the waves going through water were able to map into an object was very interesting.

I stayed with Hughes for two years and then got bored. The amount of work they had slowed down while work in the computer space was really heating up. The most value with computers is applying them to real-world problems and using them to interact with people more, so I decided to start my own company in 1985 at the age of twenty-three. I was doing programming for different small businesses. I would completely under quote, but it made me a really good programmer. That also gave me the entrepreneurial bug.

Sramana Mitra: How long did you continue freelance programming?

Therese Tucker: Not very long, because I was truly starving to death. I only did that for a couple of years. It was during those years that I met my husband in a laundromat. He was a Marine on the U.S.S. *Missouri*. He paid my rent a few times and he fed me. I ended up getting associated with a mortgage company and working on real estate appraisal software. I stayed with that for a couple of years, and I built a great software package. It had started out as freelancing and then evolved into a partnership.

The mortgage company I was working with went under during the S&L scandal. I had appraisal software, but I did not know anything about business. Other businesses would ask me to FedEx something and I would pay for it myself. Then my husband and I got married, and I got pregnant with my son and my husband wanted to go to law school. I decided that I had been doing the independent thing too long, so I went and found a programming job.

Sramana Mitra: Where did you find a job?

Therese Tucker: I received a job offer from ADS Associates, but I was five months pregnant. My mother told me that I had to tell them I was pregnant; otherwise, they would never trust me. I gave them the option of rescinding the job offer before they put anything in writing. My manager told me that he had to think about it. I called the next day and he just asked me to promise him that if I was sick all the time that I would go away. I promised him I would not be sick.

That was in August 1989, and my son was three weeks early. I went into labor at work on January 5, 1990. I had my son, went home, and then had to figure out what to do next. I went back to work the next week. We had a nanny live with us who took care of my son, and I would also bring him with me occasionally. It was a terrific company and they had no problem with that. I stayed there from 1989 until 1997. I had my daughter during that time as well. She was born on a Wednesday, and I went back to work on Friday.

I ended up managing programmers, and I learned how to run a company. It was great getting that visibility. When I joined they had thirty employees, and it was a tremendous learning environment. They gave me visibility into all the areas. In 1997, the CEO sold the company to SunGard for $30 million. My boss stayed and ran a division doing M&A. I had options in the company, which converted to SunGard options where I became the CTO. My husband was an attorney by then. We had two little kids and he was in the Marine Corp reserves. We did not spend time on our relationship, and in 1999 we separated and got divorced.

Sramana Mitra: How was the relationship with the kids during your intense life?

Therese Tucker: We did a good job of putting the kids first. It was the marriage that suffered.

Sramana Mitra: Something has to give.

Therese Tucker: Yes. We worked very hard at the divorce so the kids did not suffer. We did a million hours of counseling, which helped me become a better manager. We both went through a mid-life crisis. He quit his law firm job and ended up doing consulting for the military. I quit my job and took a year off. I ultimately started BlackLine in 2001. My son was eleven and my daughter was six. The kids lived with me during the week for school and were at home every other weekend. It worked well.

Over time, my ex-husband and I came to better lifestyles. When you are divorced and have kids, you are never separated. You will always be a family. You may both find other people and bring them into this family, but you have to work together to not harm your kids. Over time, my ex-husband and I got to be the best of friends again. We go on walks together. He got engaged and was going to marry someone else, and then he was called to Iraq for ten months.

I knew I had made serious mistakes. I asked him if he was going to get married, and he told me that he was not sure how he could marry someone else when his ex-wife was his best friend. He went to Iraq and came home safely, and we got remarried. We have just passed our five-year anniversary for round two.

Sramana Mitra: Tell me about the origins of BlackLine. What was it and how did you get it started?

Therese Tucker: Officially I started it in 2001, but it really got going in 2002. I started it as a wealth management software company, and I used the money I made from SunGard to fund it. I don't like to be told what to do. During my time at SunGard it was a publicly traded company, and there was always a big push to make numbers. It did not always result in the happiest of customers. I wanted to have a company that built really good stuff that had incredible relationships with our clients. It was very important to me that we had no unhappy clients. That focus probably made our success take a bit longer.

Another issue we faced was that we were trying to break into the wealth management market, which is dominated by Thomson Reuters. At the time, Merrill Lynch also had a $1 billion wealth management software budget. They were not going to give that to a company with five people even if our software was fantastic. That is when I realized it was going to be a difficult market to be successful in.

One of our first clients was First National Bank of Nebraska. They were trying to do reconciliations in Excel, which was an error prone, tedious manual process. They used our wealth management application in a completely different area, which was financial close in accounting. That is when we found out there was nothing in the marketplace to do that reconciliation. It was not transaction matching. It is about knowing who owns each account, who does the preparation of the reconciliation, who does the approval, the review process, and how often all of those things happen. That is simple.

Sramana Mitra: That is not a problem specific to banks. That is everybody's problem.

Therese Tucker: As it turned out, it is a very large problem, so the market for what our software does suddenly became very large. We have since expanded our product offering substantially to include workflow enhancements, e-mail alerts, templates, automated interfacing and more. It is now a large set of functionality.

Initially our clients were companies that had some accounting scandals. HealthSouth was an early adopter. They had a huge accounting scandal and had to do two years of reconciliations. We built automation into the tool for them in 2005.

Sramana Mitra: How much money did you put into the company?

Therese Tucker: A couple of million.

Sramana Mitra: How long did it take you to start generating revenue?

Therese Tucker: We had little deals along the way, but it 2004 we almost went out of business. I was running out of cash, and my head of sales took the ideas we created for account reconciliation and outsourced it to India, created her own product, and sold it to Trintech for $5 million. That was devastating. I had thought she was a friend. She brought her son to my house for childcare to share my nanny. Greed won out with her.

As it turns out, that was a very positive thing. When you have a brand-new market, the vast majority of companies out there will not purchase a product unless there is a competitor out there to evaluate against. It actually had the impact of legitimizing the market, and that was the best thing that could have happened for us.

Sramana Mitra: What happened in 2004 when your competitor started out and you were running out of cash?

Therese Tucker: I wanted to quit a thousand times. I would wake up at 1 a.m. just worrying about the money and payroll. We cut people but still had a $50,000 payroll. I would call my friends from SunGard and ask for $30,000 loans.

Sramana Mitra: Do you have the better product?

Therese Tucker: Yes, we do. We are able to design software that is intuitive and easy to use. That is not an easy skill to acquire, but it is something I really enjoy. We have very good odds of beating them in the market any time we come up against them.

We have also migrated to a SaaS model. That is a tremendous competitive advantage. Corporate financial data is confidential, so we do use a SAS 70 certified data center and our product is SAS 70 certified. Getting companies comfortable with having their accounting information outside of their firewall took some time, but we almost never see opposition to that now. When we lay out an in-house analysis versus a SaaS analysis, and we illustrate how secure our environment is, companies become very interested in the SaaS model.

We can also guarantee companies do not buy shelfware. We recently had a very large corporation sign on as a client who had bought our competitor's software two years ago. They had never used it. With SaaS you purchase what you use and if you need more then you purchase more. It is a no-risk proposition. We give people a thirty-day out and a very direct, honest sales method.

Now the company is growing, and I have to make sure we scale properly. I have to make sure we have the right people and processes in place to grow gracefully. We have sixty people right now and twenty-one job openings.

Sramana Mitra: What do your revenue numbers look like now?

Therese Tucker: We did a shade under $7 million last year. We should close in on $10 million this year [2010].

Sramana Mitra: Is your revenue mostly from large or mid-sized companies?

Therese Tucker: I would say that perhaps half of our revenue is from large companies. We have over 250 clients now, and I believe we have sixty of the Fortune 500. We are having some nice headway with that.

Sramana Mitra: Who is your competitor today? Just that one company?

Therese Tucker: It is the same product, but the company has already gotten rid of my former VP of sales who created that offering. Oracle is now trying to build something, which has not been a bad thing either. They stir up the business for us.

Sramana Mitra: Do you still own the company 100%?

Therese Tucker: Not at all. Mario started the day that my head of sales threw a temper tantrum and walked out and is utterly brilliant and capable. I ended up selling him some stock. We also did a 35% option pool. I still own a majority. Our company is entirely employee owned.

Sramana Mitra: Going through the financial strains, running out of money, and wondering how to meet payroll really teaches you some fundamental things about business.

Therese Tucker: It sure taught me not to overspend. I cashed in my 401(k), I took a second mortgage on my house, and I would have gone into my children's college funds if I could have figured out how to get at it. Everything went into the company and there were no nest eggs left. I had no savings or retirement. I wanted to see the company succeed.

Sramana Mitra: When you were going through the financially stressful period, what happened with your family? One of your children would have been entering the teenage years at that point.

Therese Tucker: I have the best kids in the whole world. My son goes to UCLA and works at the company during the summer. I was single when I was starting the company, and he went to a middle school that was thirty minutes away from home. Every morning I would talk about the company as we drove to school. My son has grown up on business. He knows this company as well as I because it is all he has heard about for the past nine years. My daughter has no interest in anything I do. She is a musician, although I am sure she will be an entrepreneur. She has those genes.

It comes down to balance. As much as I love my little company, I know that if I don't put my relationships first I will lose them. The wonderful thing about being CEO is if my kid calls from school then I could leave and help them.

Sramana Mitra: What about the soccer games and school plays?

Therese Tucker: I went to those. I probably did not make every single one, but I made just about every one.

Sramana Mitra: I don't know about southern California but around here there is enormous peer pressure to be at every single game, especially from the stay-at-home moms.

Therese Tucker: Those parents are awful, especially the ones who spend ten hours a week getting their nails done. I love my kids to a distraction and they know that. I would make every game I could even if it meant working until 2 a.m. after they went to sleep. They mean a world more than any company and they both know it. They are amazing, smart, well adjusted, very different and incredibly interesting. I guess we were blessed by genetics because we were blessed with incredible kids.

Sramana Mitra: It depends on the values you impart on them. Some people are not available, so they shower their kids with stuff.

Therese Tucker: My kids always went to Catholic schools because [these schools] do well at education. They would go with a lot of other wealthy kids. Two years ago my son thanked me for never giving them money as presents because his friends who got money for their birthdays only valued money. Their parents taught them that a worthy present was a $100 bill.

Sramana Mitra: Clearly, the family experience was your backbone as you went through the ups and downs of building your company.

Therese Tucker: Definitely. We have a lot of fun as a family. We enjoy talking over the table about world affairs and politics. They both have clear viewpoints and they are willing to argue them. Some of the best conversations we have had were held at that table. I am so incredibly grateful for the second chance with my husband. It is such a blessing.

Sramana Mitra: How long were the two of you apart?

Therese Tucker: For five years. We were divorced in 2000 and remarried in 2005. I am so glad he did not remarry someone else! He is a great guy.

Sramana Mitra: You balance a lot with kids, husband, starting a company, running a company, and all the expectations that go with it. Do you think you can do it all? Have you done it all?

Therese Tucker: Absolutely not. If you think you can do it all, then you will not set your priorities and you will not do the things that matter. I do not get my nails done. I usually don’t wear makeup. That saves me time every morning. I know women who spend forty-five minutes a day putting on makeup. I could spend that time with my kids or at work. There is always too much to do, so you have to know when to go home. If you don’t go home now and have dinner with your kids, you will not see them. There are stretches where I have to live at the office. My family understands those times. You have to constantly evaluate your priorities.

Sramana Mitra: It seems like you are saying that you must set expectations with children so they do not resent that.

Therese Tucker: They know we love them. They know if they need anything we would be there in a heartbeat. We joke about some of the stay-at-home moms who bake cakes for the school and stay with the teachers. My kids are glad I am not that type of mom, that I have my own life and do not try and live theirs. They want to grow into people themselves.

Sramana Mitra: Your message is that you need to prioritize and that your priorities can change over time. Is that correct?

Therese Tucker: Yes, but you need to keep your family first.

Sramana Mitra: That is not always possible. If your company is going through a crisis you have to put it first.

Therese Tucker: For stretches, yes.

Sramana Mitra: Many people don't buy that argument.

Therese Tucker: Which relationship are you willing to lose?

Sramana Mitra: If you are the CEO and are willing to lose the company, it sends a very detrimental message to the rest of the people in the company. Your children and your company are both responsibilities.

Therese Tucker: I disagree. I think it sends the right message. You do everything you humanly can without killing yourself or your message.

Sramana Mitra: If a crisis occurs and you need to spend time in the office, it is what it is.

Therese Tucker: Short stretches of time are fine. If it is long-term, then you had better figure out how to balance everything.

Sramana Mitra: My point is that it is not always predictable.

Therese Tucker: It is never predictable. One thing about being an entrepreneur is that you must be 100% comfortable with continuous change.

Sramana Mitra: What I am deriving from your story is that you made a smart decision while working for SunGard. It is hard to be an entrepreneur while

having small children.

Therese Tucker: I could not have done it. They have very different types of needs. I completely agree with you. You cannot devote yourself to the level you need to. Somebody may know how to do it, but it would be incredibly difficult.

Sramana Mitra: There is a big activist movement where people are pushing for women entrepreneurs, especially in technology. There are reasons for the lack of women. Very few women are willing to say that they do not want children and want to be entrepreneurs, which is fine. Those who choose to be entrepreneurs have the right to make that choice as well.

Therese Tucker: I would have chosen my children. I am so incredibly thankful for the children I have. I have been very fortunate. I was able to start the company when I was a single mom and their father was a tremendous father. I had more alone time when I was single than I had at any other time.

Sramana Mitra: You had money, your children were older, and that helps a lot. You could set your own timeframe. The way your life played out, you were able to make those choices. You now have clear priorities in terms of relationships. How has that translated to your company?

Therese Tucker: Real intellectual property is not on servers. It is in people's heads. We treat people like they are the most valuable pieces in the company. We have virtually zero turn over. We do not have to re-train because people never leave. We do have parties for birthdays and things like that. We have swimming parties where I cook for everybody. The people are very important.

Sramana Mitra: You have built a great quality of life. You have a manageable sized company and you can personally nurture the relationships in the company. It is also a high-growth company, but you can control growth.

Therese Tucker: That let me take the time to call my customers and find out if they are happy. I called Sony last week because one of their team members put in a list of recommendations, so I called her personally. She was shocked to receive a call from the CEO. I am in a tremendous position. I can take an hour a day and call clients.

Sramana Mitra: I think built to enjoy is the real goal, the holy grail. You have that. Congratulations on a wonderful story. I think you have done it all! Thanks for taking the time to talk with me.

Note: In 2013, Silver Lake Sumeru has led an over $200 million investment in BlackLine.

Who Said Women Don't Raise Venture Capital?

There is a lot of talk about prejudices in the venture capital industry against women entrepreneurs. I don't buy into it. As long as you have a viable business, VCs will fund you.

Here is a woman that I would like the readers to get to know in-depth. Not only did she start a technology company, she raised venture capital, and has taken her venture through a successful exit.

Victoria Ransom never knew she wanted to be an entrepreneur. Growing up on a farm in rural New Zealand, surrounded by a small and supportive community, Victoria instead had her sights set on gaining admission to the exclusive United World College.

A network of schools founded during the Cold War era, the junior colleges emphasize a combination of community service, outdoor activity and academic study, bringing together students from around the world to foster a sense of international understanding. After attending United World College's campus in New Mexico, she settled in the U.S. as a psychology student at Macalester College, a school similarly focused on internationalism and with a diverse student population.

Rather than pursuing a full time career in psychology, it was business that piqued Victoria's interest. She traveled to London with a consulting firm before joining Morgan Stanley. There, her exposure to entrepreneur pitches – and a desire to take a vacation with her boyfriend – led to their departure from investment banking to begin Victoria's first business venture, Access Trips, in 2001. Access Trips, a travel planning company aimed toward young professionals, proved successful from the start and grew into a global network of trips with a strong customer base. In five years, it would provide Victoria and her boyfriend-turned-cofounder a strong understanding of business processes, send both back to business school, and serve as the instigator for their first software company.

In 2007, when Facebook expanded business presence with the introduction of fan pages, the opportunity to create a personalized software solution arose again. Victoria and her co-founder, seeking to give away a free trip to their online fans, created an application to run sweepstakes through their page – an application that soon began popping up on established enterprise sites like Kayak and Zappos. They responded by expanding the product to a standalone application and expanded it to include a variety of social networking capabilities. In 2008, Victoria applied for the Facebook Fund and received a $250,000 grant. Wildfire was in business.

Wildfire is a social media marketing provider that helps businesses run social media campaigns, manage analytics, and develop their online leads. It draws upon the viral effects of social media to spread, tapping into the user base of each campaign with a call to action. In addition to a strong presence on Facebook, Wildfire is fully integrated with YouTube, Twitter and LinkedIn.

As the original prototype Wildfire was free, Victoria and her boyfriend spent their first year of business building an expanded version of the product they could then charge for. Upon release, Wildfire became available on a per-campaign model, customizable, depending on the size and needs of the business. With credibility based on their funding from the Facebook Fund, they gathered customers quickly after launch and acquired both new employees and $100,000 in revenue within their first month. As Victoria herself says, “everyone needs social media.”

Since their start, Wildfire has grown to nearly 300 employees, and can include 30 of the top 50 global brands among its clients, including Facebook itself. Clients include

SMBs, and affordable options are available for small businesses and nonprofits, but their focus remains mid-size and large brands.

After raising a Series A of $4 million in May 2010, Wildfire continued to generate considerable revenue until its second round of funding in 2012. Victoria was expecting revenue to approach the hundred million mark by the end of 2012.

However, in July 2012, Google came knocking, and scooped up Victoria's company for over $350 million.

Victoria herself continues to work in Silicon Valley, championing the cause of women in technology after earning a place on the "25 Women To Watch In Tech" in both 2010 and 2011.

She has crossed all those supposedly insurmountable obstacles: starting up, bootstrapping to validation, raising venture capital to scale, building a solid revenue stream, and finally, achieving a successful exit.

I continue to be extremely bullish on the women entrepreneur issue, and stand firmly against the thesis that women face prejudice in the startup world.

The issue is not that women face prejudice. The issue is that not enough women become entrepreneurs. For those who do venture into this turbulent world, the rules of the game are the same as it is with men: Entrepreneurship = Customers + Revenues + Profits.

As long as women entrepreneurs remain focused on those fundamentals, we will continue to move forward as a society and as an industry. For those who choose to whine about prejudice and obstacles, you are wasting your time.

Interview with Victoria Ransom, Wildfire

Victoria has been an entrepreneur since her early twenties and has developed three companies. As founder and CEO of Wildfire, Victoria led the company to profitability in just one year and has built the company to tens of thousands of customers, over 250 employees, and eight offices worldwide. Eventually, Google acquired the company for $360 million. Victoria now has a new baby! This interview was conducted in March 2012.

Sramana Mitra: Victoria, let's start at the very beginning of your story. Where do you come from?

Victoria Ransom: I grew up on a farm in New Zealand in the middle of nowhere. There were 25 students in my primary school. It was a wonderful upbringing, and it was very beautiful. It was a very supportive environment and a small environment. I felt I could do anything. Neither of my parents went to college, but they instilled in me a 'reach for the stars' attitude. When I was in high school I learned about a scholarship to study at a network of colleges called the United World College.

The first college was set up in the 1960s during the Cold War. The founder believed that if you brought young teenagers together at an impressionable age, and if they did community service, intensive outdoor activities, and academic studies together, that you could create a new generation of international understanding. It is a phase between high school and college, kind of like junior college. I ended up getting a scholarship to attend the one in Las Vegas, New Mexico. There were 200 students from 90 different countries. It was an incredibly eye-opening experience. As a result I ended up staying in the U.S. and went to Macalester College. They also had a huge focus on internationalism and a diverse international student body.

I studied psychology and graduated in the summer of 1999. I wanted to help people, and that seemed like a direct way to do so. At the end of my college years, I realized that if I had a job in psychology it would not have stimulated me. I would have needed to get a PhD, and I was not sure that I loved it enough for that. At that point I had half a year left. I decided to get some business experience and I got an internship with a consulting firm. After college I went to London with that consulting firm. I spent six months with them and then I applied to investment banks. I did not know what to do, but I wanted to make sure that whatever was on my resume would prove to be a good stepping stone.

I got on at Morgan Stanley in their media group and I caught four months of the dot-com good days. I saw a lot of entrepreneurs coming in and pitching to Morgan Stanley. That was eye opening for me. I had never considered being an entrepreneur. I was not one of these kids who knew from day one that it was my career path. I realized that they did not have anything that I did not have. I worked at Morgan Stanley for two years and knew that it was not a lifetime career for me. My boyfriend at the time, who later became my co-founder at multiple companies, including Wildfire, was at a different investment bank. We decided to leave it during the heart of the recession to start an adventure travel company. We did that on September 1, 2001, which proved to be a very interesting time to start a travel company.

Sramana Mitra: Why did the two of you decide to start an adventure travel company as your first entrepreneurial venture?

Victoria Ransom: When we were in investment banking, we were both looking to learn to surf. We had tried to find a trip where we could do that, and everything we found seemed to be oriented toward college kids. It was a bunch of party-oriented camping trips. We felt there was an opportunity to create trips for young professionals who wanted to learn a specific sport while traveling. You could learn to surf while exploring Morocco, or go snowboarding in New Zealand or Japan.

We established our first trip to New Zealand. Honestly, it was a deal where we took a year off to see if we could get the business off the ground. If we were able to get that trip off the ground, we would have put someone in to manage it while we went to graduate school, where we could figure out what we really wanted to do with our lives. We ran that first trip, and it was very successful.

We had 30 people on our first trip. Everyone loved it and they asked us to set up another trip, so we established another one in Switzerland. A year later, we created five more trips. Before we knew it, we had created a global network of trips where others were leading the trips and we were in the office doing marketing and client services.

We ran that company for five years before putting a manager in place and going back to business school. One of the important things that happened with Access Trips was we ended up getting enough of a customer base that we needed a technology solution to collect payments, including deposits and remaining balances, and insurance information, and send out travel information. We looked around and could not find anything that we felt would meet our needs, so we built our own software product. We made a lot of mistakes but really enjoyed the process of building software.

It was eye opening to realize that in order to build a good software product, you don't need to be a good coder. You need to understand a business process very well and have a good intuition for a clear user experience. My co-founder went to Stanford for his MBA, while I went off to Harvard. We were both looking for the next new challenge. In business school we had a great experience, and we both realized that we did not want to get another job; rather, we wanted to start something else. We decided we wanted to expand our software product into something that could become a platform for small and medium sized businesses in the travel space. We wanted to automate the customer management process.

At the very end of 2007, in my final year of business school, Facebook launched their fan pages for businesses. We thought that would be a great opportunity to market Access Trips because it was the right demographic for us. We created a fan page for Access Trips, and we quickly realized that we had to figure out a way to get people to come and engage with our fan page. We thought about giving away a trip, but the problem is that in order to do that on Facebook, you have to build an application to run a sweepstake and have people share on Facebook. We felt that if it was a barrier to entry for us that it was a barrier to entry for a lot of other businesses as well. We felt it would be a barrier to entry for SMBs, so we decided to create an application that would enable them to run sweepstakes on Facebook. It was done as a side project, but before I knew it we had companies like Kayak and Zappos using our product. At that point, we realized that it was not just for SMBs.

Sramana Mitra: How did Kayak and Zappos find out about you?

Victoria Ransom: Zappos had an employee who went on some vacations with Access Trips. We reached out to him, and he put us in touch with the right person. Kayak had heard of us, and at the same time we were doing outreach through our business school networks. Once those two came, we realized this was more than just a side project and that we had a real product. We expanded the sweepstakes module outside of Facebook and made it a standalone application. We enabled the capability to run campaigns on different social networks, and we expanded to include any engagement outreach you wanted. No technical expertise was required to use the product.

I graduated from business school in the summer of 2008. I drove out to Silicon Valley largely because Facebook and our partners were out here. We worked out of a home office and bootstrapped the business. We ended up applying for the Facebook fund.

We went through the selection process, and at the end of 2008 we were selected as one of five companies, which gave us a $250,000 grant. We did not know that we needed the money, but as it turned out I don't know how we would have survived.

Sramana Mitra: How much did you charge for the product?

Victoria Ransom: We did not charge for the original prototype. We spent more than a year building an expanded version of the product. We were not generating revenues at that time. We had been self-financing and relying on funds from Access Trips. Getting the money from Facebook let us hire engineers and accelerate the project.

In the summer of 2009, we were ready to launch the expanded platform publicly. We had four engineers who were remote. We launched and immediately got good traction. The Facebook fund, helped grow interest in what we were doing. It gave us credibility. Our first customers signed up and got us more customers. Within the first month of coming out of private beta, we made $100,000 in revenues, which was enough for us to hire some initial people on the business side. We already had a person who was helping us with customer support. We hired our first sales person who is our VP of sales.

Sramana Mitra: What was the business model?

Victoria Ransom: At that time it was a per-campaign model. The entry-level option was 99 cents a day. Larger brands could be charged several thousand dollars for more complex campaigns. We had several small companies come to the site and establish their campaign without any customer support required. Larger clients were willing to pay more and wanted to have someone to talk to. Until the end of 2009, we had just a small team. We realized that the sales model was going to be a big driver for us, so we hired two more sales people in early 2010. Today we have almost 300 employees.

Sramana Mitra: Do you have a segmentation of your customer base?

Victoria Ransom: There are a lot of SMBs using our product but our focus has been on mid-sized and large brand businesses. That is where we have growth that is powered by our sales force. Our SMB growth does nicely on its own without any additional involvement on our part aside from providing good support.

We have scaled our sales team rapidly to meet the market opportunity with the mid-sized and large brand customers. We have 30 of the top 50 global brands as our clients. When you look at the world's 50 most valuable brands, you will see that more than half of them use Wildfire. Facebook uses the Wildfire platform itself.

Sramana Mitra: What type of sales are you doing?

Victoria Ransom: We have some senior account executives who are out meeting with clients, but we predominantly use telesales. We have offices in New York, Chicago, and Los Angeles. We also have an office in London and a presence in Germany, France, and Singapore. One of the great challenges of our business is that we could really be targeting any business in the world. Everybody needs social media. There are certain industries that have adopted social media faster than others.

Sramana Mitra: Where is your telesales workforce located?

Victoria Ransom: Predominantly they are in California. We have a great office in Redwood City. Our culture is something that I am passionate about. We do have some sales offices in other places, but primarily that is on account of our more senior sales people. We started with a campaigns product but we have now expanded our product offering.

We have a complete suite for a company's social media marketing needs. We run campaigns, we do content management across multiple social networks, and we keep track of what people are saying about those campaigns.

Sramana Mitra: Do you cover YouTube campaigns?

Victoria Ransom: Facebook is obviously number one. We are also integrated with Twitter, LinkedIn, and YouTube. Companies can also use us to publish content on their website and have it connected with Facebook so you can still get the social sharing.

Sramana Mitra: Would you give me a typical client's use case?

Victoria Ransom: There are a lot of different use cases because there are four different products. One example would be a client called Blowfish Shoes. They are an online shoe retailer and they are using Wildfire's suite which we sell on a subscription basis. We charge anything from $2,500 a month upward based on the number of social properties a company has. They use us to see what their fans are saying about them, and they use our analytics dashboard to understand how they are performing.

They use the Wildfire platform to run a year-long campaign on their Facebook page. Every day they use our content management system and they have promotions where they would give away a pair of shoes to one lucky person. That enabled them to highlight that particular pair of shoes and the campaign really became a window to their store. You could see video about their shoes. People could chat and ask photos.

What they needed was an easy way to change content on a regular basis and that is what Wildfire delivers. They promoted it through the newsfeed, and they had phenomenal results. They grew their fan base by 2500%. They grew their email database by 1000%. They also drove a considerable amount of sales. More than 64% of people who engaged on their Facebook page went to their website to browse. Almost 50% of the sales they generated during that one-year period came through the Wildfire campaign.

Sramana Mitra: Does Wildfire have good capabilities for small businesses, or is

it out of reach for them?

Victoria Ransom: We have the campaign capability that can be operated at 99 cents a day. We also have a small business option for our platform that is in the low hundreds for a month. We have small businesses using that product successfully. We have had a lot of nonprofits use Wildfire. The key to being successful in social is being able to tap into things people are passionate about. The more you can tap into things people feel good about, the more they are willing to share.

Sramana Mitra: What is the assumption in terms of whom you are reaching out to? Your technology is the management infrastructure. When it comes to trying to reach your potential consumers, where does the audience base come from?

Victoria Ransom: Wildfire is great at helping you build an audience, engage with the audience, build loyalty with that audience, and eventually sell to that audience. In order to grow that audience in the first place, you still have to drive initial traffic there. That is why Wildfire is so good to use in conjunction with Facebook. Running Facebook ads in conjunction with a Wildfire campaign is a great way to kick start your audience. You can also use your newsletter base or your website.

If you are running something outside of a social network we essentially run an iframe so they can embed a line of code. As long as you have the ability to take that code and embed it into an HTML newsletter, we can support it.

Sramana Mitra: Let's take 1M/1M as a case study. We charge a $1,000 annual membership fee for the incubator. Our audience is entrepreneurs around the world. We have a substantial presence online with a very active blog. My Facebook profile has about 3,000 subscribers and our newsletter subscribers number close to 25,000. How would we use Wildfire?

Victoria Ransom: You could use the campaigns piece of Wildfire to grow that audience more. You could generate a lot of engagement around a business plan contest. If the end result of that is funding, free subscriptions, or something of that nature, then there would be enough incentive to get a lot of interaction. You could also offer everyone who engages with that campaign a 10% discount off their membership. You would then get people to come in and vote for the best business model.

Sramana Mitra: Talk to me about the viral expansion. We have a community that is more than 100,000 people. How would we expand that audience to 500,000 with Wildfire?

Victoria Ransom: You have to engage them some way. Let's say you get people to do the elevator pitch option we discussed earlier. If the winner was based on 50% user judging and 50% of your evaluation, then all the people who enter would go out and promote their plans on Facebook. Any time you provide an incentive for people to share the site with their friends, you are off to a great start.

You can assume that most people on Facebook have around 150 friends. The potential reach you could get from that would be significant. The key is for you to have a call to action for all those people when they come to vote. Drive them to something that would allow them to subscribe. That engages the viral effect of the business.

Sramana Mitra: Tell me about your company's culture.

Victoria Ransom: In my opinion, one of the things we have done well at Wildfire is that we took time and effort to create a great place to work. People at Wildfire are passionate about being at Wildfire. The culture is a reflection of the initial people who joined Wildfire. We are very ambitious, hardworking, driven people who are also extremely collaborative and humble. People pick up on it and talk about it. There are no assholes. Our team is very young. Our team is probably in the mid-twenties.

The sales team is the biggest group, followed by engineering and product. Transparency is part of our culture. We encourage our team to ask questions and make suggestions. We really want to hear people's experiences and ideas. Those are the traits of our culture. We hire accordingly. Employee referrals are key to our hiring process.

Sramana Mitra: After the $250,000 grant, what else did you do from a financial standpoint?

Victoria Ransom: In May 2010 we raised a Series A, which was $4 million from Summit Partners.

Sramana Mitra: That is unusual; they are not an early-stage VC [firm].

Victoria Ransom: It was unusual. It was because we were profitable and they invest only in profitable business.

Sramana Mitra: What was your revenue level?

Victoria Ransom: That year we did several million dollars in revenue. When they invested in us, they could see how fast we were growing. We also raised another insider round of $10 million from Summit just recently. In terms of our size, we have been very capital efficient.

Sramana Mitra: Where are you at now in terms of revenue?

Victoria Ransom: We are approaching the hundred million dollar mark.

Sramana Mitra: Tell me about the relationship between you and Alain Chuard.

Victoria Ransom: He is from Switzerland. I think a lot of people wonder how we can be a couple and work together.

Sramana Mitra: It is pretty common among entrepreneurs.

Victoria Ransom: It is, so I don't know why people make such a big deal about it. Our skill sets are very different and it is very clear who does what in our company. Alain is a product visionary and he has a real eye for design. We both collaborated on the product, but he really ran the engineering and oversaw the development. I did the selling and everything else. What is critical for co-founders is to have different skill sets and a very clear delineation of roles. I think it works very well for us.

Sramana Mitra: There are people who are trying to create controversy by saying that Silicon Valley is biased against women entrepreneurs. I personally don't believe that. Do you?

Victoria Ransom: I have not seen that, either. I certainly have noticed that there are not a lot of women. There are times when I was raising money that when I met with 30 to 40 investors, most of them were men. However, I never felt I was being discriminated against or disrespected. I think the reality is that not enough women do it.

Sramana Mitra: It's a numbers game; 99% of businesses that go out to raise money do not succeed because it is too early or they do not fit the venture model for a variety of reasons. Some of those businesses should not be funded; they should be bootstrapped. There are a lot of women who do lifestyle businesses and they don't go for the venture route. That is fine. The tech venture game is something that not enough women play.

Victoria Ransom: I agree. I think it starts very young. Not enough women go into technology very early on. I was meeting with someone the other day who told an anecdote about her daughter that illustrates this. Her daughter is nine years old, very mathematically inclined and very smart. She joined the chess club and loved it the first couple of times. After the third time she did not want to go back because kids were teasing her. She was the only girl in the chess club. All the boys would continue, and she dropped out. That just creates an ongoing cycle.

Sramana Mitra: If you had a daughter in her early years of school right now, what would you do?

Victoria Ransom: I would encourage her to study sciences.

Sramana Mitra: You could encourage, but she might not respond. The peer environment does not always support that.

Victoria Ransom: Very true. It also may not be what her forte is. I strongly believe that you should do what you are passionate about. Encouragement is also important.

Sramana Mitra: What are you seeing in the entrepreneurial environment today? Do you run into a lot of women entrepreneurs?

Victoria Ransom: It is hard. I have heard that there are a lot more **women in Silicon Valley** starting companies today then there were 10 years ago. I wasn't here then, so I don't have anything to compare that statement against. I do feel that there are a lot of women who are starting companies. Some are getting great traction, others are running very young companies.

Sramana Mitra: The ratios do continue to improve in women's favor. I did my graduate degree at MIT in Computer Science. There were 20% women in the 1993-1995 timeframe. At this time, I believe the ratio is at 50% for Computer Science.

Victoria Ransom: That is fantastic. That is great because we struggle to find women engineers. We have some, but it is definitely a minority. We use Ruby on Rails, and there just are not that many RoR developers out there who are women.

Sramana Mitra: I was in graduate school in the mid-1990s. I met people who were much older. I met Janet Grosser, who was from Menlo Park, and she was one of the earlier women at MIT. Compared to her situation [there were 941 men and nine women in her class], we were doing much better. There were three or four women in my lab. I am sure that trend will continue to improve and as a result the number of entrepreneurs will increase.

Victoria Ransom: Being an entrepreneur is tough. It is all consuming. Trying to fit that in with family life is a challenge, but I think that is getting better as well. Men participate more in raising children and there are more childcare options.

Sramana Mitra: Julia Hartz [at Eventbrite] has a lot of family around. She and [her husband] Kevin are also a couple building a company together. They have several children, and in her case she says that having a lot of family on both sides is the key to success. You and your husband, like me, are foreigners and don't have that luxury.

Victoria Ransom: Rashmi [Sinha] is the CEO of SlideShare and she just had twins. I admire her.

Sramana Mitra: Amy Pressman runs Medallia with her husband. They have three children. I asked her how her house runs, and she said it is chaotic. There is no time for anything other than children and work. I have a life because I have chosen not to have children.

Victoria Ransom: Fair enough. That is a path that is increasingly being chosen. It creates differences in people's opportunities.

Sramana Mitra: Not everybody is good at everything. It takes a lot of patience to raise small children. Lives get hi-jacked by children.

Victoria Ransom: I have friends who are in that stage right now and it certainly seems that is the case! It seems like my friends' lives are thrown upside down.

Sramana Mitra: One of the points that I have made is that it is OK to not have children. It is a choice.

Victoria Ransom: I heard the other day that in Germany a huge percentage of women are choosing not to have children. Good for them. I do believe that is part of the reason you have not seen more women go into entrepreneurship.

Sramana Mitra: Women are biologically, socially, and culturally programmed to have children. Entrepreneurship is not particularly compatible with children.

Victoria Ransom: I think it is all consuming. You are in it or you are not.

Sramana Mitra: It is emotionally all consuming. I have no emotional bandwidth to do anything else!

Victoria Ransom: We give our company everything. If I have any free time, I find I am doing laundry or something.

Sramana Mitra: Congratulations, you are doing great. It is a wonderful story.

Note: Google acquired Wildfire for $360 million in July 2012. In 2013, Victoria and Alain got married.

Interview with Maxine Manafy, CEO of Bunndle

Maxine Manafy is the founder and CEO of Bunndle, an app distribution network. She has successfully raised money and built revenue, and doesn't believe there is a bias against women in Silicon Valley. This interview was conducted in May 2013.

Sramana Mitra: Maxine, where does your story begin? Where are you from?

Maxine Manafy: I was born here in the Bay Area, in San Francisco. I was raised in East Oakland. Both my parents are immigrants and entrepreneurs as well. My father is from Iran and my mother is from Samoa. My father built his own furniture business, so he had a furniture factory. My mother worked in the family business, and we all were raised around that environment. My interest in starting my own company has always been there.

Over time I have been in the technology sector. I studied at San Jose State for my undergrad and studied manufacturing engineering. I worked at companies like Intel and KLA-Tencor. I then went to graduate school at Stanford and got an MBA. I then went off and worked at Yahoo and a couple of startups like Mochi Media and Viximo before starting this company.

Sramana Mitra: What kind of positions were you working in when you worked for Yahoo and KLA-Tencor?

Maxine Manafy: At Intel and KLA-Tencor I was a manufacturing engineer. I was helping them build fabs, and I really focused on a few functional areas in the semiconductor fabrication area. After I received my MBA and I went to Yahoo, I worked in the Search Group and did business development. I went from being a manufacturing engineer to being in sales where I got in front of people and made pitches. Getting in front of customers is a very scary experience.

I was not outgoing, almost shy if you can believe that. I was not comfortable in my skin, but it was good and a learning experience. In life you need to face the things you are afraid of, and it turns out that I was good at sales.

Sramana Mitra: What was the time that you were at Yahoo and the subsequent startups?

Maxine Manafy: I was at Yahoo from 2005 through 2007. I worked at Mochi Media from late 2007 through late 2008. I then went to Viximo, in Boston, and was there from late 2008 to late 2009. I was with Xobni from late 2009 until I founded Bunndle. In June of 2010 I founded Bunndle.

Sramana Mitra: What was the genesis of Bunndle?

Maxine Manafy: After working at Yahoo for many years and doing distribution for their products, I got a lot of visibility into how distribution is done. When I went to the startups who didn't have the same brand reputation, I found that it was hard to get the same kind of deals and acquisition. It was very difficult for them to enter that ecosystem. Startups would hire me to come in and penetrate that market so they could get the scale, but it was very manual.

My dream was to not have to do all of that manual work. I asked myself what I could build to accomplish that and the idea of a platform that built an ecosystem where partners could connect with each other, big or small, is what emerged.

Sramana Mitra: How did you view the competition when you were starting Bunndle?

Maxine Manafy: When I started Bunndle there were a couple of competitors in the market. They were not so much concerned about performance, activation and retention. They were really just trying to get as much money as they could from smaller guys. As an end user, as a customer, I wanted to see that experience improved. I wanted something that worked so I built Bunndle as an ad network for applications. Big or small, you can have the same amount of distribution with the same quality afforded to the big guys.

Sramana Mitra: Walk me through your use case. I have tons of small apps in my portfolio. I have an autism app that sells for 99 dollars. How do we increase distribution of this through your platform?

Maxine Manafy: With any app the first thing we do is run you in the network and try to understand it. We try to figure out which categories your app fits best. We also look at the application to determine what the right audience is. We would partner your app and match your app with somebody else who has the same price point. We are not going to put a 99 dollar app with a 99 cent game. It would probably not be the same person pulling out their wallet for both of those apps.

In addition to that, we would want to target the types of end users who would use the app. For an autism app you are probably looking at an adult segment who would make the purchase on behalf of someone else, or a business. We would have to go and find the apps where adults and businesses purchase those types of things and we would intentionally match you there and run you over time. Sometimes we find good fits in categories that you would not expect. For example, we find that banking is a great match for security, yet gaming is a good fit as well. We would run your app for a while and let the app learn. Once it learns where you are best matched we would put you in front of end users who are best matched.

Sramana Mitra: Do you have access to the end users?

Maxine Manafy: We don't. We only have information from the publishers. We don't know anything about them. We have no personal information. We only know what they download.

Sramana Mitra: Does that information come from the publishers?

Maxine Manafy: Yes, exactly. Over time we learn what is matching well. Machine learning is iterative and improves over time.

Sramana Mitra: In this case that we just discussed, you would put this app in your network. What are the mechanics of that? For the app to gain adoption other apps are going to need to be relevant?

Maxine Manafy: Yes.

Sramana Mitra: So your network works only with apps?

Maxine Manafy: Yes, we work with mobile apps and desktop apps.

Sramana Mitra: What role does the publisher play?

Maxine Manafy: The publisher who would host your app and promote it to the end user would also be in our network. They have the ability to approve or disapprove the ad in their channel. They are also interested in how relevant the app is to their channel. They want the user experience to be clean. When they agree we show that ad to the end user, it is important to use intelligence in this space or you are losing your ad dollars.

Sramana Mitra: It's not clear to me that something as specific as an autism app would work in your network.

Maxine Manafy: That is a very specific case. We could certainly try. It would be a very different price point as well.

Sramana Mitra: Tell me, from your portfolio, what some of your use cases are. Where are you seeing traction?

Maxine Manafy: Our desktop and mobile both use the same model and algorithm. We have seen communication apps which are trying to target a user in email because their application is very email relevant. We target the users by the type of email client they are using. We want to know if they are using Outlook, Gmail, or something else. We can supplement or show the ad to the end user that is relevant to the type of email system they are using.

Another example is a banking application. If an end user is running a banking application then security is on their mind. We would offer them a security application such as an anti-virus or malware product. Business utility users are very heavily trafficked in our network so we are able to match a DropBox with an Evernote. We know there is a high correlation between those products. Those types of relationships are good for the advertiser. Eventually we help pay for their premium product.

Sramana Mitra: What does your operation look like? Do you have a regular ad sales force?

Maxine Manafy: We do have an ad sales force. We do direct deals with all of our partners. We do not buy traffic from partners. We work directly with the RealPlayers of the world.

Sramana Mitra: Which large publishers are part of that network now?

Maxine Manafy: Right now we have partners like WinZip, BitTorrent, RealPlayer, and many more. We have larger brands that resonate with the end user. We also have some smaller, newer apps like HipGeo which is a blogger travel app.

Sramana Mitra: What percentage of the ad revenue comes to you?

Maxine Manafy: We take 30% which is a traditional ad network business model.

Sramana Mitra: What was the beginning of Bunndle? What made you start the company?

Maxine Manafy: It was the idea that we would help developers acquire new users. I saw a need to help developers get into an area that was dominated by big brands and big money. I raised some seed funding from a few angels in the area for a combined $1.5 million. It was very difficult because I did not have a co-founder at the time. Although I had a technical background I was not a coder. I had my MBA and had worked in business development so nobody wanted to talk to me. Nobody wanted to talk to an MBA.

Sramana Mitra: Did you have anyone else on the team when you raised the $1.5 million from angels?

Maxine Manafy: I did not have anybody on the team when I got my first $500,000 from the investors. I did not have an engineer in-house for a year.

Sramana Mitra: This is rare because it was concept financing. What year was it?

Maxine Manafy: This was in 2010.

Sramana Mitra: That is extremely rare these days. What did you do with those funds?

Maxine Manafy: I spent the first year trying to recruit. I decided I was not going to wait to bring on someone else to start development so I started working with contractors. I built the product specifications myself and I focused on continuing to move the business forward. If there is anything I have learned it is that you have to keep moving the business forward. You cannot stop. I had customers before I had a business. I had customers before I had a website.

Sramana Mitra: Did you have customers before you had the financing?

Maxine Manafy: They were in the process of signing. That is part of the reason that my investors were interested in the business. If a customer signed an agreement with me then I had something that proved I had a business. I had some type of traction.

Sramana Mitra: Before you talked to the investors and you were approaching potential customers, what did you tell them?

Maxine Manafy: I described the idea and the business. I asked them if they were interested in it. I asked them if they would sign up if I had a solution to offer them that day. I asked them if they would sign a contract and they said yes, so we wrote a contract and I had them sign it. I developed a method to do this manually until I had the solution in place. Once I had clients signing contracts I was able to go to the investors and show them that I had proof. My investors actually talked to my customers before they gave me money. Once they saw that they realized that I had something that companies were willing to pay for.

Sramana Mitra: Your real value proposition is mobile to mobile ads, cross network. Is that correct?

Maxine Manafy: Yes, and on top of that we have targeting capability. There is an ability to have all of this data and leverage the targeting to make sure the ads were properly matched. One of our clients may not know that security goes well with banking, but we can provide that for them because we have seen that match work well. We can help the advertiser spend less time and money by targeting the user who really wants that app.

Sramana Mitra: Who were your first customers?

Maxine Manafy: Our first customer was WinZip, which is a Corel company. They are still with us, and we love them to this day because they took such a big risk on us. I had tried to do a deal with WinZip at a prior company and it did not work out. I reached out to them when I started this company and I asked them if they would be interested in working with us. They were very open, and the terms were very different.

Sramana Mitra: When did you start making revenue?

Maxine Manafy: We starting bringing in real money in June of 2011. We raised money in June of 2010 and again in July of 2011.

Sramana Mitra: Between June 2010 and April 2011, you said you did not have a real development team and that you used contractors. How did you find them, vet them, and manage them?

Maxine Manafy: I think contractors are a good use of seed money. That can't be your code forever, but it will get you started. I did a lot of research, asked for referrals and looked really hard. One of my investors ultimately referred me to someone and he was very solid. He built the very first prototype. I also outsourced to a contracting firm with engineers in Romania. That was really just to get a back-end website up to enable me to get deals done quickly instead of manually. We don't use any of that code base today. I used that code base to provide a minimum viable product.

Sramana Mitra: What happens after you started bringing in real revenue in 2011? What came next?

Maxine Manafy: I hired my first engineer. We continued to hire more engineers and built our analytics platform for our customers. Once we built that we developed the next generation of our SDK and installer. After that we built a self-service tool which allowed me to step back and not have to do a lot of that work manually. That allowed us to increase revenues and sell more.

Sramana Mitra: So at this point advertisers could go in and talk to publishers and make deals on your platform, and then use your platform for the integration?

Maxine Manafy: They would not even have to talk to the publisher. They could see the publisher listing there and send them a request. It made us more of a marketplace. At that point we had maybe 30 customers which was big for us. Now we have 150 in our network.

Sramana Mitra: How do you sell?

Maxine Manafy: We sell on a CPI (cost per install) basis. For the US, in desktop, it might be a dollar for an install. On mobile we are seeing up to three dollars for an install. Those are pretty good rates.

Sramana Mitra: How do you scale this business?

Maxine Manafy: It scales with sales and building out the sales force is important to grow out the ecosystem. We have created additional products. We started on the desktop and have now built a PC to mobile product that sends you from the PC to the mobile space.

The other way we scale is by continuing to offer a complete solution for our customers. All of our customers, in every segment, can work in both mobile and desktop. We continue to build our offerings so that we can be the sole source for their growth and monetization.

Building out the sales force is important, not only to address the existing customers but to bring in new customers. In mobile there are entire categories that we do not have on the desktop. There are lifestyle apps, sports, unique gaming and other markets that we want to address.

Sramana Mitra: Are you going to focus on any segments? It would seem there would be a lot of synergies in some of those areas.

Maxine Manafy: Initially we will focus on business utilities. We do well on the desktop, there is a natural extension into mobile, and it is an underserved market. Nobody addresses business utilities. We will focus there and expand that out into enterprise.

From there we will expand out into the lifestyle apps. We will expand into travel, restaurant apps, and we will continue to do media. Our area will focus on the highly functional. It is hard to discover a utility application. Gaming is interesting, but it is such a hit focused business and there is plenty of inventory. They really don't need any more help.

Sramana Mitra: What revenue level did you hit in 2012?

Maxine Manafy: Around $5 million.

Sramana Mitra: How do you calculate your TAM?

Maxine Manafy: On the desktop I look at the number of downloads or installations that occur on the paid and free applications and updates. There are 6 billion installs on the desktop. That is stuff we can track. If you add in free and update that number could be three times higher. In the mobile space it is less clear. We are looking at around 60 billion installs this year. We look at the number of installations or downloads because that is our inventory. We use downloads because we serve impressions from them.

Sramana Mitra: How many people do you have in your company?

Maxine Manafy: We have 12 people.

Sramana Mitra: What do you think of Sheryl Sandberg?

Maxine Manafy: I love the idea that she has stepped forward and is asking women to step up and move into leadership positions in industry. I think the structure could be louder. When I read her book and I see the advice she gives women I think it is amazing that she is telling people to step up. However, I want them to do it more.

If I am looking at a woman and you are telling me that you are going to put yourself in this box where you try to be nice as well as aggressive, reality is that something has to give. That will not work. I don't know how you try to be politically correct and jump in the leadership role. I think what she did is needed and that more women leaders are needed.

Sramana Mitra: I'm smiling because my observation is that she is afraid to say what needs to be said. I love the fact that she has re-opened the feminist movement. I like the fact that she is doing it in a feminine way. I don't think the pant suit is our generation of feminism. I believe in feminine feminism. I think she is afraid to take on the real issue which is that highly educated women in middle age are dropping out to raise children. It is happening in large numbers, but she pussy foots around that issue.

Maxine Manafy: Do you have an answer for the women who are choosing between career and family? Is that even necessary?

Sramana Mitra: This is not a choice as long as you are doing a job. Balancing between a job and a family is not that hard. Balancing between a career and a family is very hard. If you are trying to get to real leadership roles you will find that it is not that easy. You don't get to be the president of a multibillion dollar company by attending your kids baseball games. She does it because FaceBook lets her and she is the poster child. It's not real. I have seen a lot of

high powered friends' wives who are having massive identity crisis in their middle age. They are older than me and they have given up their jobs. They are talented women. Why sacrifice talent and identity? I asked Sheryl this question in a Facebook chat and she did not touch it with a 10-foot pole. I understand that she is following her script. You cannot move her off her script.

Maxine Manafy: She has too much to lose.

Sramana Mitra: She has a lot of money and a great job. What does she have to lose? If she can't take a chance then who can? I am very glad that she has put the issue on the table. I just want her to use the platform more.

Maxine Manafy: Her identity is wrapped up in all of that. If she says the truth she will lose her identity and the respect she is given.

Sramana Mitra: Women in our space are faced with the issue of being able to do it all. This is an issue because women are biologically programmed to want to have children, raise children, and nurture. What is the point of fighting biology? I have chosen not to have children and that is a very rare choice. That is a choice and I have made it. Most people want to combine it all. As you know, that early stage of business building is highly incompatible with raising children.

Maxine Manafy: That was definitely a choice that I had to make. It was a key point of my life. At that point I was in my early 30's. That was the time to get married and have children. I don't know that I would give up my child for my startup, or my startup for my child. How would you choose?

Sramana Mitra: Somehow the situation must be dealt with. Family or someone else needs to help. I have seen it work where the entrepreneur has had parents locally to help. I don't have that support structure here.

Maxine Manafy: I have local support but I doubt my parents would want to raise my kids. It is a very hard choice. For me it came down to that fact that while having a family and children are great, it does not define me. I don't need that to have a fulfilled life. I hope it happens someday, but if not then oh well. I am living my dream. This is the start of my life. I don't think most women are comfortable making that choice. It's a big choice.

Sramana Mitra: It has been nice talking to you. Thank you for sharing your story.

Interview with Ilana Stern, CEO of Weddington Way

There aren't that many venture-funded fashion e-commerce companies out there. The main reason is that the venture capital business is dominated by men, and typically, women happen to be more in tune with fashion. Ilana Stern is building a very interesting fashion company focused on bridesmaid dresses as the starting point. She will likely venture further later on. This interview was conducted in July 2014.

Sramana Mitra: Let's start with your personal story. Where are you from? Where were you born and raised and in what kind of circumstances?

Ilana Stern: I'm originally from Los Angeles. I was very close to my family. My dad is actually an entrepreneur of sorts. I was inspired by his hard work and passion for his work. When I was 18, I left LA and went to the University of Pennsylvania for undergraduate studies. I loved the life on the East Coast, so I ended up staying there after I graduated. I moved to New York to work as a buyer for Bloomingdale's. I had a phenomenal experience there. I really got a lot out of my time on the East Coast, but I ultimately decided to make my way back to California when I was accepted by Stanford for business school.

Sramana Mitra: What year are we talking when you were finishing business school?

Ilana Stern: I was finishing business school in 2010. I graduated from undergrad in 2005. Then, I worked at Bloomingdale's as a buyer for a little over three years.

Sramana Mitra: What happened after you graduated from Stanford in 2010?

Ilana Stern: I started working on Weddington Way full-time. When I was at Bloomingdale's, I absolutely loved what I was doing. I was young, in my 20′s, and had P&L ownership, and a budget in the high tens of millions. Around 2007, some really interesting stuff was happening at the intersection of fashion and technology. Some players were cropping up and disrupting consumer experiences around fashion, leveraging technology. I became really excited about that. While I was getting a lot out of my experience at Bloomingdale's and really enjoyed being there, the focus was definitely not on the intersection of fashion and technology. I realized that if that was where I wanted to focus, I needed to leave. That was what prompted my going to Stanford for business school.

As fortune would have it, at the Stanford admissions event in New York, I met Andy Dunn who is one of the founders and CEO of Bonobos. We were both passionate about the intersection of fashion and technology and really hit it off, and we kept in touch throughout my first year at business school. As I was trying to figure out what I was going to do with my summer between my first and second year, I reached out to Andy. Bonobos, at that time, was at an interesting growth period. I was lucky enough to get an opportunity to do an internship there. He basically gave me the freedom while I was at Bonobos to spend some of my time doing special projects for him.

During that summer when I was tinkering with ideas, one of the industries that I became really interested in was the wedding industry. While I was completely single and didn't have any personal experience as a bride, I was in graduate school amongst students in their mid to late 20′s. Everyone was target audience in that they were recently married, getting married, or attending weddings. It was just an observation really that a lot of my peers seemed to be deriving a lot of joy out of weddings, but they also seemed to complain about it a lot. It was that complaining that got me interested in the wedding industry and got me starting to dig that summer before my second year. What I uncovered that summer was basically just a really large industry in the US. It's a $100 billion industry that is largely undisrupted. A lot of it has stayed the same for decades now in terms of how it operates.

What was really interesting was that I saw this disconnect between the supply side and the demand side. If you took a millennial bride and looked at how she lived her life in general, it's very different from how her mother lived her life in terms of how she consumes media, how she connects and stays in touch with friends, and how she shops. If you put a millennial in the position of being the bride and planning a wedding, she could actually take her wedding and hand it over to her mom. Her mom could plan it the same way she did 30 years ago, and not much has changed. It was this disconnect between consumer behavior and what the industry was offering the consumer that got me really excited about the industry. I actually spent my second year at Stanford just doing consumer research – talking to engaged women, recently married women, and women participating in weddings and attending weddings.

Sramana Mitra: I have a question on that. In the first wave of the dot-com, I did one of the first fashion technology companies on the Internet in 1999. At that time, there were players like The Knot. There were a bunch of wedding-related e-commerce startups as well. When you were noodling with this idea in 2010, what did you find in the competitive landscape?

Ilana Stern: One of the first people I reached out to is a woman named Jenny Lefcourt who co-founded a company called Della & James with Jessica Herrin. It eventually merged with Wedding Channel and ultimately, The Knot. What I saw is that there were some changes that had happened in the media space and in the registry space in the first dot-com era, but not much else has changed since then.

We found our focus through the consumer research that I did in 2009 to 2010. One of the consistent things that I found was that the bridesmaid's dress was the worst part of the planning. That was a really interesting insight. It was a surprise. I had been a bridesmaid and I knew that the experience around purchasing a bridesmaid dress can be challenging. I didn't realize how difficult it was for brides as well and how painful they found it. What we had honed in on was this purchasing experience that was acutely painful for both the bride and the bridesmaid. The color palette is decided around the bridesmaid's dress and that dictates a lot of the other purchases the bride is going to make.

When we looked at the competitive landscape, majority of the purchases were still brick-and-mortar and highly fragmented. The shopping experience, therefore, was fragmented and difficult for the consumer to engage in. Each new bride is reinventing the wheel in terms of figuring out where to go and what to do. That landscape wasn't necessarily catering to the millennial bride and the nature of how she shops or where she and her friends live. That's where Weddington Way comes in.

Sramana Mitra: When did you launch Weddington Way?

Ilana Stern: It's been open to the public for a little over two and a half years now. When I graduated from Stanford, I maxed out my student loan and raised $300,000 in convertible notes just from classmates. I started out of my living room and engaged one engineer on contract to build a beta version of the site for $12,000. That first year, we were working with smaller groups of customers. The first version of this site was very basic in terms of the functionality and offering. We were just very lean and were learning from customers based on how they were engaging with the sites and with us. We had revenue pre-2012, but we were still in private beta and were focused on learning and iteration at that point.

Sramana Mitra: How did you select whom to put in the private beta? How were you finding these beta customers?

Ilana Stern: It started with my network. The fact that I am in the target audience is really helpful because I am the customer and the people around me are too. The first few customers came during the last quarter of business school. It was before the website even existed. One was my classmate from business school who was getting married after school. She approached me in the parking lot and said, "I'm getting married during the summer after graduation. I live in Palo Alto. Our friends live all over the place and are super busy. We are getting married on the East Coast. The logistics of managing all this is really difficult. I don't know how to go about the bridesmaid dresses." She knew that I was working on this idea.

The other bride was actually my high school teacher in Los Angeles who had heard from the grapevine that an alumnus from the high school was working on this idea. She emailed me with a very similar story. I was in fact able to serve these customers and the work with them laid the foundation for the wireframe of the first version of the site. I worked with these two customers on a paper prototype. I used Survey Monkey, Google Docs, and PowerPoint to create the shopping experience around the dresses, and then the collaboration experience for the group. The checks from those customers were the impetus for me to incorporate because I didn't have a company bank account to deposit them. That's how we started. It was casual—people in my circle on hearing about what I was doing, having experienced the pain of the shopping experience just reached out to me for help. It also involved leveraging my Facebook friends. Those two brides recommended other friends who were getting married. Some of the bridesmaids came back to buy again.

Sramana Mitra: What did you need to do in the back end? If bridesmaid dresses is the primary value proposition of your site, what did you need in the back end?

Ilana Stern: The primary value proposition of Weddington Way is that it is a place where friends can shop together. It's this collaborative commerce where friends are in fact shopping together. It's different from social commerce. Our first area of focus is around the wedding industry. We started with bridesmaid dresses because that was the most acute pain for brides. It requires collaboration and the bridesmaid dress purchase happens very early in the lifecycle of a wedding. We're building this relationship with the bride very early in the lifecycle and gathering data that will ultimately help her with future purchases beyond bridesmaid dresses.

The core focus was initially on solving the problem around bridesmaid dresses. What we needed to start was a network of vendors who made dresses so we could build out an assortment for the customer to buy. We needed to create a place where this group of friends could come together to collaborate around the selection and purchasing of dresses.

Sramana Mitra: This is not exactly a wedding planning site? It's a bridesmaid shopping site.

Ilana Stern: No, it's not. It's a rich collaborative shopping experience.

Sramana Mitra: Yes, but your focus is still on bridesmaid dresses or has it broadened?

Ilana Stern: Our focus is still on bridesmaid dresses and we'll be expanding beyond that. Earlier this year, we launched our own private label. We started to vertically integrate, which gives us the ability to get even closer. We're so close to understanding what our customer wants and what she's missing. We've got the power to serve that up to her through our private label collection. Over the next couple of years, we'll be launching new categories of merchandise that's still focused on the wedding industry.

It's leveraging two things. One is this collaborative experience, because even the most independent bride is involving others in pretty much every purchasing experience leading up to her wedding. Then we've also collected all this data around her aesthetics. We understand based on what she's shopping and buying. We know what her color palette is. Ultimately, we're going to be able to leverage all this data and our collaborative platform to offer this rich experience where she can build her wedding vision and execute on it. One of the challenges for brides, other than the collaboration and coordination, is actually turning that vision into a reality. Weddington Way is actually a place where you can turn the vision into reality with the merchandise we have to offer.

Sramana Mitra: In that process of building up to this point, we started with you getting convertible notes from your classmates and working with a couple hundred customers. You then launched this bridesmaid dress shopping at the beginning of 2012?

Ilana Stern: Yes.

Sramana Mitra: Take us through a bit more of the step-by-step business building process. What are some of the key things that happened once you launched? It sounds like social was a big customer acquisition strategy. What were the other strategic moves in the process?

Ilana Stern: On the customer acquisition side, what's interesting is we started with the consumer research. The time I spent doing consumer research acted as the building blocks for what we ultimately built and how we found our customers. We had very specific leads to find targetable customers. If you think about an engaged woman, for example, on Facebook, her status is engaged. Customers are really making themselves known in some of the digital channels. We were really focused on the highly qualified leads. Our focus was not on trying to get Weddington Way out there for everyone, but specifically on this customer and finding where she is.

Sramana Mitra: Was Google PPC the primary customer acquisition strategy?

Ilana Stern: That's a part of it – Google SEM, SEO, Facebook, and Pinterest. We were really focused on where she is, what she's looking for, how we can meet her where she is, and offer a solution. We did a lot of testing early on with customer acquisition just to understand how much it costs in different places to get her to come to Weddington Way. You need unit economics for an e-commerce business. It's part of the heartbeat of the business. So that testing on the cost of acquisition and the effectiveness of different channels and targeting was really important for us.

Sramana Mitra: What has been your inventory strategy starting from the beginning to where you're now doing private label. Can you step us through how the inventory strategy has evolved over time?

Ilana Stern: The brands that we launched with are special occasion dress brands that are all made to order. Essentially, it's a non-inventory business because the dresses are produced for a specific customer. What's special about that is that there's a tremendous amount of variety that we're able to offer a bride with the made-to-order model. We have dresses that come in up to 50 colors. It works for her because, on an average in the US, a woman gets engaged 12 to 15 months before her wedding. She's coming to Weddington Way about 11 to 12 months before her wedding. The lead time on our made-to-order dresses is around 8 to 12 weeks. She's able to get exactly what she's looking for.

For our private label, we've taken a different approach. It's a smaller, focused collection. Right now, we have six dresses that come in six colors. We do carry inventory on those dresses. What we're able to do there that is different from the rest of our assortment is that it gives us the ability to offer our customer something different, which is the ability to try on, return, and exchange. We're able to accommodate shorter lead time needs as well as the desire to try on a dress, and be able to return and exchange.

Sramana Mitra: Also, it has higher margin economics.

Ilana Stern: Yes, private label is definitely higher margin. The primary driver behind that collection is looking back to the customer and what she's asking for, realizing a hole in our assortment, and filling that need.

Sramana Mitra: It's the return and exchange capability. That's the issue.

Ilana Stern: Yes. For the bride who wants to be able to try a dress on, we're able to offer that to her easily with our Weddington Way collection.

Sramana Mitra: Let's talk about your financing strategy. How much did you raise in convertible notes from your classmates? How has the financing evolved from there on?

Ilana Stern: I raised $300,000 on a convertible note from classmates. That gave us the ability to bootstrap. It was me and one other person, who was a former employee from Bloomingdale's, who worked full-time in the first year. We were able to operate really lean out of my living room with no salary to get the business off the ground.

What we were proving in the early days was that there was something about our solution that was compelling and that customers were willing to buy from us. After that beta, we raised an institutional round. We raised a seed round. It was a $2.5 million seed round with three venture capitalists backing us.

Sramana Mitra: Who were those venture capitalists?

Ilana Stern: Battery Ventures, Trinity Ventures, and Felicis Ventures. That gave us the drive to really invest in growing the business. We brought on a Head of Marketing, Product Manager, and engineers in-house and built out this custom platform. Today, the Weddington Way that exists online is completely different from what it was initially. We're now a custom platform built on Ruby on Rails and provide a rich custom shopping experience.

After we raised that $2.5 million in the summer of 2011, we focused on building out the team, building out a new version of the site, and driving growth. Last summer, I raised another $1.7 million on a convertible note. All of our existing investors followed on. We had the opportunity to bring on some new angels. A couple of my former professors from Stanford invested and some entrepreneurs with relevant experience invested at that point. We're at a really interesting inflection point in our growth as we're gearing up for a $10 million run rate.

Sramana Mitra: How do you assess the TAM? How big is the bridesmaid dress category?

Ilana Stern: Bridesmaid dresses itself is about a $2 billion category housed within the $14 billion wedding fashion industry. Overall, the wedding industry is $100 billion.

Sramana Mitra: Your growth strategy is wedding industry merchandise or collaborative e-commerce?

Ilana Stern: I would say both. The long-term vision is collaborative e-commerce at a broader scale. Our focus over the next three to five years will be on the wedding industry and solving the pain with our collaborative solution.

Sramana Mitra: What beyond the bridesmaid dresses do you want to work on in the wedding industry in terms of the categories that lend themselves to your style of shopping?

Ilana Stern: It's around other fashion purchases. While a lot of the aesthetics decision starts with the bridesmaid dresses, there's a whole look across the wedding party that the bride is hoping to create including flower girls and ring bearers, and outfitting the groomsmen. So there's a lot in the wedding fashion space itself that has yet to be solved. Beyond fashion, there are a number of interesting opportunities. For everything from an aesthetics perspective, we have all this data that coordinates back to this palette that the bride is building.

Sramana Mitra: The flowers, runners, and everything, right?

Ilana Stern: Exactly. There are also other elements in the experience that are challenging with regards to collaboration. That's thinking about their bachelorette parties and bridal showers, and a lot of events leading up to the wedding that requires coordination across groups.

Sramana Mitra: What percentage of this industry has moved online at this point?

Ilana Stern: That's a great question. It's probably around 15% to 20%. Everything's pretty much private in the industry. That's based on triangulating data, but there's a lot of room for movement. We think that this is an industry that's actually really well-served by the Internet, given that you basically have a group of people who are often not living in the same place and who are trying to make a lot of purchases together leading up to this event.

Sramana Mitra: The trends are in your favor. The demographics are younger and younger and more native Internet users. What else do you want to share in the story?

Ilana Stern: Something that I think has been really important for me throughout this company building has been humility and just being really clear about what I know and what I don't know, and what I'm excellent at and what I'm not. I acknowledge what I don't know or what I'm not excellent at, and bringing people on who can complement me or seek mentors for advice. That piece has been really critical to me and it's reflected not just in my team but in the angel investors that I brought on into Weddington Way as well.

One of our investors is the Chairman of Jet Blue. He has managed thousands of people and dealt with all sorts of challenging situations and negotiations. For me, it's been really about looking at what are the challenges I'm going to face, where are the areas that I need advice, and finding experts who can help me and complement my skill set and knowledge base.

Sramana Mitra: What is your perspective on this theme that often gets discussed that there's a bias against women in Silicon Valley. Do you buy it?

Ilana Stern: It's a hard question to answer. I think I've been really fortunate in fund raising, team building, and getting support from my environment. I don't feel disadvantaged. I am a minority, so it's not unusual for me to walk into a room of a hundred men and I'm the only woman. I look back and thank my dad for being intentional with me from a very young age and challenging me to make my voice be heard and just helping me build my confidence. It hasn't been a challenge for me but it is very much a reality that I'm a minority.

Sramana Mitra: The fact that Silicon Valley is a male-dominated environment is absolutely true. There are no two ways about it. I happen to not buy into this often tweeted theme that there is a bias against women. I actually believe that if you're good and if you have the right goods basically, then there is no bias. But what you're describing is correct. You have to be comfortable in that highly male-dominated environment. If that freaks you out or intimidates you, that's a problem.

Ilana Stern: I think that's true. In some ways, what's been an interesting advantage for me is that I am a woman running a company targeting women. The majority of my investors are male. What's cool is because they are not my target audience, they actually defer to me and trust me as the expert in understanding my customer.

Sramana Mitra: Yes, which actually is true about most of e-commerce. A very large percentage of the target audience in e-commerce is women. As a result, if you're a woman doing an e-commerce venture, it's to your advantage because you understand the customer better than the investors do.

Ilana Stern: Yes, and as long as the investors are smart enough to defer, you're in okay shape. I will say that I talked to a lot of women in leadership positions over the years, one of their most important choices were their life partners. My husband has been a key success factor for me in that he does all the cooking and grocery shopping. He is super supportive. He is an enlightened guy. His support and understanding has been invaluable for me.

Sramana Mitra: Is he also from the industry?

Ilana Stern: He's an entrepreneur himself but he's in finance. He started his own investment fund. He understands the struggles of entrepreneurship from his own perspective.

Sramana Mitra: That's very good. Congratulations and wish you all the best.

Love and Startups

There was a time in Silicon Valley when VCs did not like the idea of funding couples. Nonetheless, Cisco and 3Com – two legendary Valley startups – were founded by entrepreneur couples. These days, the startup world seems to nurture a lot more romance … Sometimes he is the CEO, sometimes she. Sometimes they switch roles. To have a baby. Or a few babies. Or not. In any case, the bias against entrepreneur couples needs to be over. Entrepreneurship is a passionate affair. A powerful aphrodisiac. Better acknowledge that phenomenon.

Julia & Kevin Hartz (Eventbrite)

It took an engagement and the offer to work on a new business venture together for Kevin Hartz to bring his fiancée Julia to Silicon Valley. Julia's previous work in Los Angeles was solely within the entertainment industry, but she showed great enthusiasm for entrepreneurship by independently handling the early stages of the venture. In 2006, the couple enlisted a third co-founder and launched Eventbrite, an online ticketing site that also fosters user connections and local event discovery.

In early 2008, just days before Eventbrite received its first round of angel funding, Julia gave birth to the couple's first child. Determined to continue the momentum of their success, Julia continued to work from home for the next five months before returning. Kevin holds the position of CEO, and Julia retains her title as President while mothering the couple's two daughters. She and Kevin use a combination of family help and nanny care throughout the week until Julia works from home each Friday. Kevin and Julia continue to work as a team, balancing their business with life at home.

Victoria Ransom & Alain Chuard (Wildfire)

Like Julia Hartz before her, Victoria Ransom's interest in becoming an entrepreneur was piqued by her boyfriend. Victoria joined Alain Chuard to found Access Trips, a travel planning company targeting young professionals in 2001. In 2007, when Facebook expanded business presence with the introduction of fan pages, Victoria and Alain created an application to run a sweepstakes through their page. The app gained such traction that they quickly expanded to the standalone application Wildfire, a social media marketing provider.

Wildfire draws upon the viral effects of social media to run campaigns, manage analytics, and develop online leads. Wildfire grew to nearly 300 employees, and included 30 of the top 50 global brands among its clients. In July 2012, Google scooped up Victoria's company for over $350 million.

During their work together, the couple remained a strong team by playing to their strengths. Alain's skill set cast him as Head of Product with a focus on design, running engineering and overseeing development. Victoria's business sense saw her collaborate on the product but run the show, holding the CEO title. Victoria expresses admiration for mothers in business, but does not yet have children of her own. She continues to work in Silicon Valley, championing the cause of women in technology.

Collis & Cyan Ta'eed (Envato)

Collis and Cyan Ta'eed traveled from Papua New Guinea and New York, respectively, to meet and marry each other in Australia. Collis was independently pursuing design work and Cyan was working toward a design degree when the two were introduced, and in 2004 they began a freelance design business together. Their company, GoodCreative, was focused around charity design work. The sale of Flash files online prompted the move toward Envato, an online marketplace network to buy and sell creative services and digital goods.

Today Envato sees nearly 10 million visits per month, and a file is sold every 10 seconds. The largest marketplaces feature web design templates and Adobe After Effects templates, as well as a background music marketplace for use in advertising. In 2007 Collis' foray into blogging resulted in a second dimension for the site. Envato now has a total of 12 tutorial sites on every topic from game development to DJ-ing.

Cyan's affinity for project management creates a simple workflow for the couple, in which "Collis would create fantastic business ideas and [Cyan] would then take on the ideas and put a team around them." Collis thus heads the company as CEO, and proclaims himself much less lonely than other CEOs because he can work with his wife – though, like Victoria and Alain, the couple is so far without children. The two are extremely close, relishing the entire day together and sharing a passion for their work.

Amy Pressman & Borge Hald (Medallia)

Following her business degree from Stanford in 1993, Amy Pressman's work at a Norwegian-based consulting firm focused her attention on the falling standards of American manufacturing. While formulating a business plan to address the neglected sector, she fell in love with her husband Borge Hald, also working overseas after attending Stanford business school. The two returned to the Bay Area in 1999 to found **Medallia**. Medallia offers web-based surveys and related workflow to build customer loyalty for retailers, hospitality chains, and other services oriented businesses.

After a long run of bootstrapping, Medallia was profitable by the end of 2002. In the

10 years since their start, Amy and her husband have built a sizable company that does well over $30 million in revenue. Though Borge handles primarily product and engineering, while Amy facilitates sales and generates new business, the two split leadership of the company. Only when the couple's second child was born did the designation shift to Borge as CEO and Amy as President. The mother of three balances work and life through daily morning meetings with her husband to remain in touch with the progress of the company. "Life is chaotic," Amy admits.

Wendy Tan White & Joe White (Moonfruit)

After earning a degree in computer science from Imperial College in London, Wendy Tan White was recruited to help construct the UK-based Internet bank Egg.com. It was a project that would introduce her to Joe White, and what inspired her to begin her own venture. In 2000, Wendy founded Moonfruit, an on-demand website development platform providing a simple interface for users to share their passions. Both Joe and a close college friend served as her co-founders; Wendy and Joe were married soon after.

Moonfruit's financial stability wavered during the Dotcom crash, at which time Joe left the company for full-time work with McKinsey. Through freelance help and additional funding, Moonfruit was back on its feet by 2005. In the midst of their growth Joe returned, as Wendy took her turn away from the company from 2004-2008 to raise the couple's children. She continued to contribute to company growth, attending design school and developing media campaigns.

When Wendy returned to work, roles were shuffled. This time, Wendy took up the CEO title while Joe became CFO. The two handle running a business as a couple by each working out of office one day per week. They arrange a weekly date night, and leave phones out of reach upon coming home each night. It's a system that appears to work well, as Moonfruit's revenue for 2012 was over $5 million, with an 80-90%

customer retention rate on their e-commerce platform product.

So you see, love in startups is a real trend these days!

Interview with Collis and Cyan Ta'eed, Envato

Collis and Cyan Ta'eed are the founders of Envato, an online creative marketplace. They founded Envato together after having run a freelance design agency together out of Australia. This interview was done in November 2012.

Sramana Mitra: Let's start at the beginning of your personal stories. What leads up to Envato?

Collis Ta'eed: I am half Iranian and half English. My father is from Iran and my mother is from Yorkshire. I grew up in Papua New Guinea, which was one of the last places to be reached by the outside world. I was born in England, and when I was three my father moved to Papua New Guinea to run an IT firm.

Sramana Mitra: An IT firm in Papua New Guinea sounds like a story in and of itself!

Collis Ta'eed: He definitely has some interesting stories to tell. He was nominated for a Smithsonian award for the work he did there. I grew up there and did not leave until I was 17, which is when I came to Australia to do my university studies. During university I studied math and science and came to the conclusion that it was not for me.

I finished my degree, but after I graduated I managed to teach myself design. I went online and learned how to do web-based programming and design. I joined a group that was focused on design and that is where I met my wife. I did join that group to meet women, so I guess it worked! A few years later we got married and we started a freelance business that was the precursor to Envato.

Sramana Mitra: How about you Cyan, are you from Australia?

Cyan Ta'eed: I was actually born in New York. My father is Greek-Australian and my mother is French. When I was three they decided they wanted to move back to Australia because they enjoyed living there. I ended up growing up in Sydney. I completed high school in Australia and after that I started working on a graphic design degree. I met Collis a few years later and the story converges.

Sramana Mitra: What year was it when you started your freelance design business?

Collis Ta'eed: We started that in late 2004. Cyan had just graduated with her degree.

Sramana Mitra: What happened next? Was the freelance agency successful?

Collis Ta'eed: We started a company called GoodCreative. We wanted to do a huge amount of charity work, so we did design work for film festivals and homeless shelters. We did OK and employed one person. We made a lot of mistakes and learned a lot. We would often have a lot of rush jobs, and the stress was high.

Cyan Ta'eed: That stress led us to talk about a business that we could do online. We had been selling some of the things that we made such as Flash files on photography sites. Those sites were not exactly how we wished them to be, and there were things we felt we could do better.

Sramana Mitra: Did you start a marketplace for photography or for Flash files?

Collis Ta'eed: Selling Flash on a photography site did not make a lot of sense. It was not meeting our needs, but we were able to see enough of the Flash files selling that we could tell there was indeed customer demand. We built the marketplace to meet customer demands as well as to provide a service that was better for sellers of Flash.

Sramana Mitra: What types of things were sold on a Flash exchange?

Collis Ta'eed: These days Flash does not do as much as it used to, but back then it was all about site animation. From that Flash marketplace we branched out into other marketplaces and today we have nine of them. Today our largest marketplaces are for website templates as well as Adobe After Effects templates. When you go to the movies and see cool trailers, you are probably watching something that was made in Adobe After Effects. We also have background music marketplaces often used in advertising. The marketplaces are very much an exchange. We branched out from Flash into several design marketplaces.

Sramana Mitra: When you started the first marketplace, how did you get your buyers and sellers? There is always a chicken-and-egg question to be answered.

Collis Ta'eed: That is right, and it was a real problem. We were a bootstrapped company. We founded it with our savings and our credit cards. Our approach was to do a grassroots marketing campaign. We started with content we created ourselves, and we commissioned a little bit of content. Based on that content, we went over to other sites and started chatting with people to get them to check us out.

The first challenge is to get initial momentum, and then the second challenge is to ramp that up. A few months later we rolled out a strategy where we gave away thousands of dollars of free money on the marketplace. That stimulated sales for sellers and helped buyers see how they could use the site. Four weeks later we had reached a thousand dollars of revenue per week. That was a real turning point for me. It was around Christmas and we were on vacation, and it was exciting to log in and see an income report that gave us hope.

Sramana Mitra: That was essentially your business idea being validated.

Collis Ta'eed: That was exactly it. It was not enough for us to draw a salary, but it did show us that the business had legs and it could go somewhere.

Sramana Mitra: What were some of your early benchmark numbers?

Collis Ta'eed: It took us six months to build the site. The first night we sold $10. I was disappointed at the time, but looking back I am impressed that we sold something our first day. As a new entrepreneur, I had the idea that the world had been waiting for the product and customers were going to come flooding in. Of course, the reality is that you need to build it brick by brick.

By December we had reached $1,000 a week. We had close to 200 content authors at that time as well as several hundred buyers. We had a lot more people who had joined the site as members but did not transact. There is a group of active users and passive users, and it is interesting to look at that ratio.

Sramana Mitra: In December 2006 you were doing $1,000 of sales a week. How much of that was your content?

Collis Ta'eed: At that time our author commission was about 30 to 40 percent. We have increased that rate five times over the year. As we have gained volume we have looked to increase the wealth of the authors. Back then the author commission was low so when we did the $10,000 give away promotion most of that money came back to us. So, of the thousand dollars a week that we were generating in revenue in December of 2006 about half came back to the company.

We had a single part-time developer who worked as a contractor. I did the front end and he did the back end. During 2007 we grew twenty-fold, and were bringing in over million dollars a year. I remember when we hit $20,000 a week because I did the math in my head and realized that 50 times $20,000 was a million dollars a year. That was very exciting!

It was also exciting to see that we had grown twenty-fold in just one year. I remember at the beginning of the year I wrote an email telling Cyan and my brother, who had been roped into the business, and told them that we were going to grow twenty-fold. Miraculously, we did. The next year I thought we were going to grow another twenty-fold. We did not do that, instead we grew another fivefold, which was still quite exciting.

Sramana Mitra: What was the commission structure when you grew twenty-fold?

Collis Ta'eed: We increased commissions during that year for the first time. We increased it a few more times over the years. Today our exclusive authors make between 50% and 70% of sales. We use a ladder or incentive-based system so the more they sell the more they earn. It is almost like a game for some of them.

Sramana Mitra: Between 2006 and 2007 you grew twenty-fold. What strategies enabled you to grow to that level? How did you attract new authors and buyers?

Collis Ta'eed: In 2007 we did a lot to grow our customer base. Some of it was organic growth. The thing about a marketplace model is that buyers stimulate the seller economy, which stimulates authors, which in turn stimulates buyers. We also engaged in grassroots marketing, and we tried social media. We started talking about running competitions. Our software developer was having a huge amount of workload coming in from this business. I came to him with the idea about doing competitions and he told me that we should do our competitions on a blog.

That is when I started looking into blogging. At that time we started up FreelanceSwitch where we could put our lessons learned. We also started a tutorial blog. Those sites today receive close to 10 million visits a month. They have grown a lot over the years. The company today comprises two parts. We have the market places and 12 tutorial sites that cover everything from game development to making music sound like a DJ.

Sramana Mitra: The way you have grown this business is very interesting. Talk to me about content marketing. What kind of proactive content marketing did you do?

Collis Ta'eed: Every blog starts at the same place, which is absolutely nowhere. You have no visitors, traffic, or interest. For me the biggest challenge is that you are just getting your first visitors. I would go out and comment on other blogs and comment in forums to try and get people to visit my blog. When it came time to launch a new blog, we would harness traffic from the first blog to promote the second.

The second site we launched, which was based on Photoshop files, was vaulted into existence when it was featured on Digg during its second week of existence. That was a potent source of traffic back in the day. We have concentrated a lot of social media ever since. To do well in social media you have to build up a genuine profile. You have to get on sites and interact on sites as a real contributing user. You need to establish a network and feed in content. We did a lot of that.

We joined Twitter fairly early on. We built up profiles for the company as well as ourselves. I tried to think of Twitter using a 90/10 rule, meaning 10% might be something involving Envato and 90% of the time I wanted to be engaging followers with engaging content based on the topic itself. For a bootstrapped company that does not have money to spend on marketing, the important thing is to understand your customers. You need to know what they find useful.

When I look at our marketplaces, I look at the files we have which are handy to web designers. When I got excited about a particular file and I promoted that particular file, I noticed that the conversion was much higher. That was because we were speaking to genuine customer demand. I have always found it more difficult to do that in areas where I am not a subject matter expert. That is why I think it is important to go toward a customer demand that you inherently get. It is easier than trying to learn it.

Sramana Mitra: Where is your revenue at today?

Collis Ta'eed: It is in excess of $10 million. There is a file sold every 10 seconds in the marketplace. It is a bit mind-boggling.

Sramana Mitra: Is that $10 million figure before or after author commissions?

Collis Ta'eed: That is after author commissions. The authors in our marketplaces do surprisingly well. The top authors have takehome earnings in excess of $70,000 a month. We have had four people who have sold over one million dollars each. There are a lot of people who use it for extra income. I noticed one individual who came from a very low-income country, and he posted about his ability to earn enough money to cover his weekly expenses and food. I looked at his earnings and thought that they were meager for our standards, but based on where he lives it is very important to him to have a marketplace like this for him to be able to live.

Sramana Mitra: I have talked to a lot of entrepreneurs who are running exchange marketplace businesses. What you are describing is a phenomenon where people make a living from far away places and I think that aspect of these marketplace businesses is fantastic.

Collis Ta'eed: It is spectacular. I think it is about the Internet empowering people. All of our authors are entrepreneurs throughout the world. What is exciting about companies like ours is that these are companies that empower other entrepreneurs. It is a nice tie-in and a good way to stimulate economies.

Sramana Mitra: Have you taken any outside financing or have you grown this company entirely on your own?

Collis Ta'eed: That is correct. The company is owned by myself and Cyan. My dad is the Chairperson of the Board. Sometimes I think people get tired of all the Taeed's in the company! My little brother was doing customer support when he graduated. He left to become a doctor. I can't imagine why!

Sramana Mitra: How many people are in the company?

Collis Ta'eed: There are a little over 100 overall. We have 60 people in Melbourne and about 50 people working remotely doing all sorts of things.

Sramana Mitra: This is a 10 million dollar business with about 100 people working on it. What are the functions within the company that you need to deal with to run this marketplace?

Cyan Ta'eed: When the marketplaces started to take off I took over as the marketplace manager. When I had my first job as a graphic designer my boss quickly realized that my passion was project management. My ability to take that role suited us very well when we started Envato. Collis would create fantastic business ideas and I would then take on the ideas and put a team around them.

On the marketplace side we have a review team and an editor. We had a couple of people doing each in the early days as remote members. We kept responsibilities quite broad and we responded to customer needs dynamically. As time went on we expanded our development team in Melbourne. Collis and I decided to do our part of the business remotely as well. We did a lot of traveling and we worked remotely for a year and a half.

That stopped working well. The development team in particular needed to be a single location. We were in France at the time visiting my mother in Paris. We decided to return to Melbourne to establish an office. We then created a more structured development team. From that point on development has been centralized.

Collis Ta'eed: As you grow you expand your capabilities. Our headquarters also has legal, finance and HR. We still have a lot of remote functions that we pretty much hire through our communities. We would advertise in our forums and hire people who were using those forums as moderators and editors. The remote team is unusual as these people work out of the homes.

Sramana Mitra: That is a very common structure now days. Our team is entirely virtual. I find things like Google Docs very helpful for running a virtual team. Cloud computing in general is very beneficial. We use Zoho for our CRM. Everybody who needs an account on those systems can get it from wherever they are. We don't need to be co-located to access these systems. We use Skype a lot as well.

Collis Ta'eed: That is fantastic. We have an intranet with Igloo Software that really helps. Every week we have an all-hands meeting at the Melbourne office. We record that meeting and send it out to the remote staff. Being a 50/50 office is tricky because I want to make sure that all the people who are outside the office don't feel left out.

Cyan Ta'eed: We have a biannual meet up where we bring all of our staff to a different location. We did one in Chicago in 2010, and earlier this year we took the whole team in Malaysia for two weeks. That is great for bridging the gap between remote and on-site team members.

Sramana Mitra: Where are your remote workers from?

Cyan Ta'eed: We have lot in the U.S. and a few in Europe. There are also a few in Canada and Asia.

Sramana Mitra: You have a company with $10 million in revenue. Where do you want to go from here?

Collis Ta'eed: At the moment we are really concentrating on growing the marketplace platform. We are looking at moving into different markets. In a couple of weeks we are launching a new site called Crafts Tuts**,** which is focused on DIY crafts.

Sramana Mitra: Are you looking to compete with Etsy there?

Collis Ta'eed: Yeah. Anything that you would sell on Etsy could be learned on our Crafts Tuts site. We are branching out in terms of our audience, and we hope to be able to cross promote that into our core.

For our marketplaces we are looking at all the new e-commerce services out there like Shopify, Magento, and OpenCart, and we want to provide e-commerce themes for those sites. We want people to be able to get their theme up and running very quickly. A lot of our marketplace tools connect entrepreneurs and small businesses. It is a great way for them to find new tools and services.

Sramana Mitra: What is the global breakdown of your authors and your buyers?

Collis Ta'eed: Our author distribution is global. The top authors are in countries like the U.S. and Canada, but we have other top authors in India, China, Austria, and throughout Asia. When it comes to buyers, 40% are from the U.S., 40% are from Europe, and the rest of the world makes up the remaining 20%.

Sramana Mitra: What does the entrepreneurial ecosystem in Melbourne look like?

Collis Ta'eed: It is a growing ecosystem. I feel that I have seen a tangible growth in the number of businesses here over the years, and we have had some VC funds move in. We have an incubator and an angel fund here. One of the things I hope for is that Envato and other startups in Melbourne help create and foster a startup environment. We have had some employees leave and start their own film review company, and that is going reasonably well.

There are a lot of incubators and small startups here. The ecosystem is still growing. It is difficult sometimes to be far away from Silicon Valley, but that can also be a good thing. We may not have the connections, but we can also fly under the radar a bit and there is less competition for talent. We are a bit sheltered when it comes to hiring. Now, we're trying to get some press, and it is very hard.

Sramana Mitra: Technology media only covers startup stories based on funding announcements. That is ridiculous.

Collis Ta'eed: We should take a tiny round of funding just to get some press! I'm joking, of course.

Sramana Mitra: I play the triple role of being an entrepreneur, running a for-profit incubator, and being a journalist. I wrote for Forbes and my blog has been around since 2006. I have a very defined opinion on this topic. Most of the journalists do not have enough business sense to know what a good company is. They rely on funding announcements to determine what business is worth writing about. I don't need that endorsement. I can figure that out on my own. I may be the only journalist like that out there.

Cyan Ta'eed: I have never thought about it that way, but it really does make a lot of sense.

Sramana Mitra: How does it work for you as a couple to be in business together?

Cyan Ta'eed: We get that question a lot. Nobody can imagine wanting to live and work with the same person every hour of the day. The only honest answer that I can give you is that we are both incredibly clingy and enjoy sharing every aspect of our lives together. While we were operating the business and traveling at the same time, we spent about three months in Hong Kong. I went out to get my hair done and when I got back, we both realized that we had not been apart, other than those three hours, the entire time we were in Hong Kong.

Collis Ta'eed: It may not work for everybody, but I think it is nice to have some support. My father was the CEO of an IT company and once he asked me if it felt lonely being a CEO. I told him not really because I have my brother, my wife and my father. I have plenty of support.

Sramana Mitra: I write a newsletter every Monday morning and I wrote a trend-spotting piece about couples who do startups together. I see couples doing great startups together. I completely see that the passion required to start a company can be a great aphrodisiac!

Cyan Ta'eed: It is definitely something you can share as a couple if your passions are aligned. It is a wonderful thing to be able to do together. We talk shop all the time. It is good fun.

Sramana Mitra: This is a great story. Congratulations and best of luck as you continue growing your business.

Interview with Wendy Tan White and Joe White, Moonfruit

Wendy Tan White is the CEO of Moonfruit, a company she cofounded with Joe White, her husband. This interview was conducted in March 2012.

Sramana Mitra: Let's start by reviewing your personal backgrounds.

Wendy Tan White: I studied computer science at Imperial College in London. It was a great experience and a great college. I used to program really old assembly line systems, which is a far cry from where we are today. Both my parents worked in IT, which was unusual in those days, especially for my mother. She worked for DEK in Reading, England.

After college I ended up working for Arthur Andersen. It was good commercial experience although it was not my passion. I ended up in a financial services IT consultancy. One of my first big career step came when one of my clients headhunted me to help set up the Internet bank Egg.com. It was the first UK Internet bank and it came around in 1997. That is where I got the bug that led me to try to understand how communities work on the Internet. Initially I approached that from the perspective of banks, but I quickly started looking at how people shared their passions online. That is when I founded Moonfruit in 1999.

I was quite lucky that my boss at Egg told me that if I stayed around a bit longer, he would help seed the business, which he did. He also let me work part-time at Egg to give me the opportunity to get the business started while being able to maintain some income. He was a tremendous mentor.

Sramana Mitra: When you started Moonfruit, what was in your head?

Wendy Tan White: It has always been about democratization. As a developer, I realized that if someone wanted to publish something online, they could not do it themselves if they were not a developer. I wanted to give them a simple user interface to share their passion online. It did not matter to me if it was a hobby, business, or passion. These were the days before blogging and social media.

We ended up building something that was like a PowerPoint editor. It really was a SaaS product, which was not a common concept in those days. The idea was that it was a very literal editor. It was a visual editor to create a website.

Joe White: My story dovetails into this. I was at Cambridge getting an economics degree. In the summer I started working at a software company, which is where Wendy was in the graduate program. When she left that company to go to Egg**,** I was going back to my finals at Cambridge. One of the guys I met at that company was interested in setting up a web design agency in 1997. I told him that I was going back to school and that I could look for some clients with the intention of sharing the work with him if I were able to find some clients. The first client we got was The Big Issue, then we got the London School of Economics, Disney and a few others. By the time I graduated, we had a group of clients that included Egg.

I was traveling between London and Cambridge, balancing school and work. I got to know Wendy when I went to work on commissioned projects at Egg. Wendy was the one commissioning work to us. When Wendy decided she wanted to leave Egg to start Moonfruit she got me involved, along with Eirik, who is our other co-founder. This all occurred before we were married.

Wendy Tan White: Eirik Pettersen was my best friend from university. He was a physicist but would do programming on the side. We always talked about starting a business together in college but we ended up going our different ways after school. When we set up Moonfruit, I wanted him to come in as CTO, and Joe's agency built the prototype that we went out and raised money with.

Sramana Mitra: How much money did you put in to start up Moonfruit?

Wendy Tan White: We seeded the company with our own money. I put in $50,000 to start with.

Joe White: We basically worked for equity to a point of around $200,000. The first investment we received was from Bain, who put in $500,000.

Sramana Mitra: What was your customer acquisition strategy?

Wendy Tan White: The difficulty then was that not a lot of people were online, and there was not a lot of online advertising. We did a lot of offline advertising. We did print and some TV as well. We even raised some funds from LVMH during that period.

Joe White: This was at the height of the dot-com boom.

Sramana Mitra: I remember the era very well. I ran an e-commerce fashion company in 1999, and we also talked to LVMH.

Wendy Tan White: I know they invested in quite a few companies. Customer acquisition was completely different then. We relied on print and PR. We ended up getting 400,000 users at the time, but there was no business model. We offered the service free with the idea that we would generate money through ad revenues. It was a bad business model.

Joe White: What is fascinating is that at the time that was conventional wisdom. Even the investors encouraged us not to make money. The focus was on scale and numbers; worry about the business model later. Even better, sell the company before you had to think too hard about the business model.

Sramana Mitra: This is how confusion between business model and exit strategy develops.

Wendy Tan White: Exactly. Looking back it seems silly, but at the time it was conventional wisdom. We built a strong brand in the UK. Macromedia invested in us some as well. Then the dot-com crash hit. We were able to purchase our shares from investors at a fraction of the investment cost.

Sramana Mitra: How much money had you raised by then?

Joe White: We had raised £8.5 million. We bought the business back for an undisclosed sum that was much smaller. We were able to keep the users.

Wendy Tan White: The flip side of that is that we went from 60 people down to two, Eirik and me. Joe went off to McKinsey.

Joe White: Upon leaving Cambridge I had offers to join McKinsey and others, and I decided to try the startup environment for a while. When the company reduced, I felt it would make sense for me to get more experience in a real-world job. That was helpful when it came time to come out of McKinsey. When the business stabilized it was working on a subscription basis and it was growing. I came out of McKinsey to push that growth. That is when Wendy took some time out to have our two children.

Sramana Mitra: After you bought the business back and Joe had gone off to McKinsey, you were left with you two and Eirik. What did you do next?

Wendy Tan White: We scratched our heads for a bit. We told the customer base that the only way we could keep the service going is if they would be willing to pay for it. We had 5,000 paying users out of 400,000 registered users.

Sramana Mitra: That is right on target for free to premium conversion rates; 1% to 2% is standard, 4% is the maximum.

Wendy Tan White: Which is realistic. We charged $5 a month. It was enough to get us going again, and we went into bootstrapping mode. Over the years we built up to a team of 10 and we used a lot of freelancers. We got smarter about controlling our costs. We did not grow too fast. We built a real business.

Sramana Mitra: It was mentioned that in the early days you used a lot of freelancers. This is a common strategy employed by entrepreneurs. We recommend it heavily in 1M/1M. Would you talk more about that?

Wendy Tan White: During the first phase of our business, we learned that if you have too much money and hire a lot of people, things could go wrong fast. If you are not clear what you are going to use your staff for, people are not going to be satisfied working that way. If people are not satisfied internally, you can wind up wasting a lot of money. That means you don't get a return for the paychecks, which ends up burning your cash.

When you enter freelancing, you are forced into a relationship with someone. The delivery is very clear and the cost of that delivery is very clear. It is also a variable cost. If you need more, you expand the relationship. If it is not working, you just give notice and cut it off. If you have a good working relationship with someone, then you can pull her in full time.

Joe White: The challenge in the tech business when it comes to freelancing is keeping control over how the software is written. The danger is having disparate teams is that you have disparate coding styles. Some code may be poorly written. People may have just written it to do the job and then get out. With any tech business, you do know that whatever you write today is your problem tomorrow and the next day. Rewriting cycles are a part of business.

Sramana Mitra: Perhaps, if you are building a pure technology business you

will need a core technical team.

Wendy Tan White: What is interesting is that some of the people who freelanced for us were former employees who were very loyal to us. We just could not pay them anymore, so they went out and freelanced for other people and worked part time for us. We were lucky that even though the first business was killed, they were still willing to freelance for us. We did eventually pull two of them back in full time again.

Sramana Mitra: How long did it take to build the business up to the point that it was profitable again?

Wendy Tan White: It took two years. We were profitable with seven employees at that point. I would say 2003 was the year we were profitable and growing. We had not taken any more funding, so our growth was all organic.

Sramana Mitra: Who was your customer base? Were they primarily British customers?

Wendy Tan White: At that point it was still predominantly a U.K. client base. It was very organic.

Joe White: We stopped doing all advertising at that stage. We could not afford it.

Sramana Mitra: It is amazing how clear decision making becomes when you do not have any money!

Wendy Tan White: Yes, indeed! The thing that we did have was a strong community. We always created forums for our customer base, and what we found was that they were helping each other. Those customers became our advocates. We still have some customers today who were with us 11 years ago. They are power users and our strongest advocates.

Sramana Mitra: Who is your typical power user? Are they small businesses?

Wendy Tan White: Today it is predominately small businesses. In the early days we had a wide-ranging audience. We had hobbyists, home users, and small businesses.

Sramana Mitra: This is a crowded marketplace and has been for some time. How do you view your positioning? How did you navigate that landscape?

Wendy Tan White: After going through several business models, we became a subscription website builder. I left the business in 2004 to have our children, and Joe came in from McKinsey. At that point he did a lot of work changing business models from free to paid and trying to find the right balance for us. In the end we found that the freemium model worked best. Our degraded model is free and we have found that we can always get a certain percentage to upgrade their subscription.

Joe White: This is where my time with McKinsey helped. I came back and took a strategic view of the different processes and plans we could do. We did testing with the customer to see what we could do. We went from a single paid plan to one that was split into three different versions. You can tweak the feature set and pricing between them. We also reintroduced the free option, which really drove advocacy. People are excited about what they can do for nothing. They would tell friends, who could come back and create a site, either paid or free. It created a circle of advocacy and brand building. Because we were not spending money on advertising or sales, that is what drove our growth.

Wendy Tan White: Meanwhile blogging started to appear. That helped our business. People who became comfortable blogging also became more confident in their ability to publish on their own. Some of them needed more than simply a blog for their website as well. We actually started to grow again during that period.

Joe White: That was when we started looking at different ways to do distribution. We started talking to other companies about white labeling our service. We talked a lot to the European division of Lycos. One of the men who ran their paid services business was going to buy the business, but then Lycos abandoned a paid services business model. They focused only on advertising and closed down a few years later.

That man wanted to carry on in the domain hosting industry, and he ran into a French company that was for sale. He knew we had raised capital before, so he came to me and Eirik, and the end result was that we raised money to acquire that French business. We raised about $16 million. There was a period between 2005 and 2010 where we ran both businesses in London and Paris.

Sramana Mitra: What was the revenue level of Moonfruit in 2005 when you raised that capital?

Joe White: It would have been just around $1 million. The company we were acquiring was doing $6 million.

Sramana Mitra: Was the French company also building websites?

Joe White: They sold domain names, but they did not have a downstream after that. Domain names are the highest-volume, lowest-value part of that industry. Usually you make money from the customer by selling software services. We were taking Moonfruit, a high-value software product, buying a large domain base, then cross-selling the product into that domain base.

Sramana Mitra: Whom did you raise money from to buy the French domain name company, and what was the impact on Moonfruit?

Joe White: We raised it from U.S.-based VC firms, primarily Stevens, which is based in Arkansas. We saw the revenues of the firm we acquired triple once we were able to cross-sell the Moonfruit platform there.

Sramana Mitra: Why did you end up raising funds from a firm in Arkansas?

Joe White: Initially we tried to raise money from **VCs in Paris**, but the scene there is really bad. We spoke to a partner in the UK, Julie Meyer, who ran First Tuesday.

Wendy Tan White: She was the real driver of the instant networking scene and I met her during that period. She sold her networking group for a few million dollars and established a VC firm. She is tremendously networked and was the person we reached out to when it came time to raise funding.

Joe White: We probably spoke to 40 firms that were interested in bringing the deal together. It was highly complex to put together a French group via a UK company with American money. It worked, and we tripled the money. Wendy came back to the business in 2008, and the group was approaching $20 million. The **Moonfruit** part of that was smaller than the French domain name portion, but it was growing rapidly.

Sramana Mitra: Wendy, when you came back to the company, what changes did you notice?

Wendy Tan White: While I was on maternity leave, I went to design school. It was interesting going from an engineering degree to learning about the design process. The interesting thing about design is that there is no singular answer. You can have a great design and then break it and do it again. In Moonfruit we had a lot of graphic designers. Moonfruit was burgeoning again, and at the same time social media had kicked in. I started using Twitter, and we did a campaign in July 2009 that trended on Twitter for three days. We basically told our user base that if they did a creative Tweet about Moonfruit, we would put them in a drawing for a MacBook Pro.

We did that over 10 days. People started sending us creative Tweets about what they thought Moonfruit was. People started sending in pictures, videos, and songs about what a Moonfruit was. There were 500 YouTube videos created during that period.

That shifted our customer base into the U.S. It brought us an unbelievable number of U.S. customers. It also increased our subscriptions 20%. We spent £10,000 on the Mac Book Pros, but in terms of marketing for us it was huge. Our SEO also increased tremendously. That catapulted us into the U.S.

Sramana Mitra: You can't buy that kind of coverage. That's huge.

Joe White: The response was so tremendous we had to cut the campaign short. We cut it to seven days. For those seven days we were up all night. We handled the British market in the day and the U.S. market at night. At the peak, Moonfruit accounted for 2.5% of all Twitter traffic. We were getting 500 Tweets per second. It was intense.

Wendy Tan White: That taught us to respect the power of social media. Today we still have 20,000 Twitter followers. That made us look at things like Facebook. We have 11,000 people on Facebook. We also set up an open customer support system and a ticket system that allowed other users to chime in. Social media channels are very powerful and should be managed respectfully. We now do a lot of our product development using our communities.

Sramana Mitra: How do the two of you divide your roles in the company?

Wendy Tan White: I focus on the vision, brand, and growth of the company. Joe understands the operations and is strong on the structures of the business.

Joe White: That's why we demerged Moonfruit from the French company we bought once we realized Moonfruit had stable acquisition costs. We recognized the opportunity for growth was different for each company. As members of the management team, we felt our hearts were with Moonfruit. The French team is still doing very well and even today we sell each other's software and products.

Sramana Mitra: Once you reach the stage where you know how many

customers you will get and what your retention rates are, it is much easier to raise money.

Joe White: It becomes rational and mechanical.

Sramana Mitra: What kind of revenue levels did you have? What were the metrics of the business?

Joe White: We did the demerger in August 2010. In doing so, we took in $2.5 million from a U.S. investor. It was a clean, fresh start for us as a company. At that point revenues were about $2.5 million a year. We have more than doubled that over the past 18 months. We are on a 50% growth curve.

Sramana Mitra: What are your acquisition channels?

Wendy Tan White: The paid channels are primarily PPC. We have less than a $100 acquisition cost, and our LTV is closer to $450. We are in the situation now where we make money by acquiring customers.

Sramana Mitra: Is your assumption that the customer stays for multiple years?

Wendy Tan White: It is, but it is also discounted back.

Joe White: We have reasonably accurate retention rates for the products we sell.

Wendy Tan White: They are between 80% and 90% for the various products we sell.

Sramana Mitra: There are a number of small business commerce tools. What made you want to focus on an e-commerce solution?

Wendy Tan White: Our customers were clamoring for a simpler commerce tool. There are things out there today that require more work on the back end. Our customers wanted something that was more like Tumblr for shop building rather than a back-end commerce solution.

PayPal actually approached us because they noticed a lot of micro traders in the UK were onboarding through Moonfruit. Our UI tools are very good, and that attracted them. They asked us if they could help us launch that tool, so in October we launched ShopBuilder.

Our customers were also frustrated with having to deal with mobile solutions and Facebook and other social media solutions. They wanted to design their brand and presence only once, not three times. We built something that does exactly that. You can design your shop on your desktop, and it will automatically publish on mobile as well as directly to Facebook. The only place a user leaves Facebook is when he or she checks out. Around 10% of our U.S. shops have a Facebook presence. That launch went very well with PayPal. We have had 130,000 shops built since October.

Sramana Mitra: How has your latest product, ShopBuilder, impacted your business strategy and operations?

Joe White: It has brought us from a consumer website builder to an SMB website builder very quickly. The types of customers using our tool now are people whom we never suspected would be our principal users. They are people who want a more personalized experience. These are people who have either gone to marketplaces or big e-commerce systems. Kings College Orchestra uses it to sell tickets. Others use it to sell bundles of yoga classes or graphic design packages. It has made e-commerce accessible to people who would not have been in e-commerce any other way.

Wendy Tan White: It has definitely increased our LTV. The reason retention is high is that our customers enjoy playing with it. When TechCrunch covered it, they said it covered consumer sellers. It is the C2C business. A lot of Facebook shops sell to their friends and family.

Joe White: If you build a new site, a lot of your traffic will ultimately come from search. It might take a while to get listed. If you dump the shop into Facebook and push it to family and friends in a viral environment that can spread quickly. That multichannel approach to selling is what our customers like.

Wendy Tan White: Some of them will go to trade fairs with their products. When they get a customer who asks if they have a particular product in a particular color, and the vendor does not have it on them at the moment, that vendor can just pull up their mobile shop. They also use us as a payment gateway at those events. It has been interesting to see how they use it.

Now we are looking at ways to integrate with marketplaces. To date, our customers have been able to design and publish their own sites. Now we are trying to help them distribute their products as well. We are going to try to help them get involved in eBay, Amazon Marketplace, and Etsy. There is a big crossover when people produce visual products.

Sramana Mitra: You did this business as a couple. What are the challenges of managing a relationship in the context of a business?

Wendy Tan White: It is amazing. When it works, it is extra amazing. When it doesn't, it is extra difficult. We have gone through so many phases, and we have tagged in and out. We have a lot of respect for each other because we have played the same roles at different times.

Joe White: We met doing this. To some extent, this is a part of us. We worked together before we were married. We saw how each of us worked and acted. Given that we are running a venture capital–backed business, it was a serious decision to get together. We had to explain ourselves to both the staff and the investors.

One of the hardest parts we had was when Wendy came back into the business. She came back into something that we started together and we shuffled roles [in] together.

As a woman and a mother and having our children, there was an added dimension.

Wendy Tan White: I felt I had something to prove when I came back. I had been out for a period. I came back to support the French business, which I did. However, since I still had love for Moonfruit, I could not help but get reattached to the business. I could also see the opportunity and we all had to reintegrate again. Joe and Eirik had to see the same opportunity that I did, and that was the most uncomfortable period.

Joe White: When Wendy got a sniff of what was possible with Moonfruit in social environments, she really pushed that growth. Eirik and I had spent a long time creating a stable structure to allow us to scale the business, [and we] saw it suddenly get ramped up and pushed. I was sitting there as the CEO with Wendy shoving from behind. We had to go through a realization to decide what roles we were the best suited to be in at the time. The way we provide the most support and energy is for her to be the CEO, me to be the CFO, and Eirik remaining as the CTO. That configuration allows everything to be in the right place. Wendy's energy forges ahead, and Eirik and I shore it up.

Wendy Tan White: That was a challenge for us personally as much as it was for the business. You have to manage that relationship at home. We had some really tough moments. The worst part was in March 2011, which is when we had to talk to our investors about it as well. We have an extremely good business coach who is a life coach as well. She is also an entrepreneur and a mother. She had an understanding of the dynamic and helped us clarify our roles. She helped us avoid collapsing as husband and wife as well as business partners. She also helped us get separation because it is too easy to bring work life into home life.

Sramana Mitra: How do you separate the two?

Joe White: We do a few things. We will both work outside the office one day on different days. We have better habits about not checking email and Twitter when we get home. We had been at the point of talking about business until our heads hit the pillows. Then we would wake up in the morning and check the business stats for the previous day on our iPhones. There was no break, and it was all consuming. We had to create a bit of separation from work.

Wendy Tan White: Now I always leave my phone downstairs. We have a date night once a week. There are demands with the kids as well. We are lucky that both our parents live close by. We come out to the Valley once a week, and the only way we can do that is because of our parents. That creates the stability to allow us to do this. Our parents have been very supportive of us. They make sure we have enough time to go and do something that is creative for our relationship and our business. At some point as an entrepreneur, you have to realize that your real life is still happening.

Sramana Mitra: This has been a very nice story. Thank you for sharing it with us.

Interview with Valerie Holstein, Cableorganizer.com

This interview was conducted in May 2012. Valerie Holstein's story is a clear case for building self-financed 'lifestyle' businesses that can become quite large. What exactly is wrong with a $16 million revenue, highly profitable company, other than the fact that you do not have investors breathing down your neck? Valerie's husband joined the business as well, once she got it up and running.

Sramana Mitra: Valerie, let's start with your background. Where were you born, and where did you grow up? What was the path you took to arrive here today?

Valerie Holstein: I was born in Paris, France. I studied there until it was time to go to college. I decided to attend college in the United States because I wanted to improve my English, and I wanted to take a break from the French academic format. I came to the US as an exchange student and that is when I met my husband.

Sramana Mitra: Where in the US did you come as an exchange student?

Valerie Holstein: I came to Tampa, Florida in 1993. I enrolled in a community college in Ft Lauderdale. My fiancé and I decided to get married. He was already working because he is 10 years older than me. He was well out of college while I attended college. I did not study very much in community college because they had me take very basic English classes, which I felt was a complete waste of my time and money. As a result I quit college and got a job as a landscaper.

Later on I went back to a private school to study graphic design and web design. I graduated from the institute and I went on to work for a couple of Internet providers. I set up websites for Sandals Beach Club and FedEx Latin America. This was back in the day when websites were hand coded. I was not making that much money, so I went on to work as a drafting engineer for a screen enclosure company. I was making more money because I was allowed overtime. I also worked in the IT department of an insurance company.

I was job-hopping for many years. I was homesick, and I like to go back to France every year. In the US you only get one or two weeks of paid vacation. However, I wanted to take a month every summer, so I basically had to quit my job every year in June. When I returned to the US, I would have to find another job. Even if I took an unpaid leave nobody was interested in having an employee who wanted to have a month off. That was the case until we started CableOrganizer.

Sramana Mitra: When did you start CableOrganizer?

Valerie Holstein: We actually started the company 10 years ago when I was nine months pregnant with my child. I was still working full-time as a drafting engineer for a screen enclosure company. My husband was working more than full time at Computer Science Corporation. He was a trainer and consultant. He did two years in Toronto, a couple of years in Massachusetts, and he was scheduled to go to Brazil for six months. He was also scheduled to go to Taiwan at the time. I did not see much of my husband. We sacrificed a lot to pay off our house. My husband was working six days a week and I was working five days a week as well as doing extra work on the weekends.

I knew that when my child was born that I wanted to stay home and spend time with my child. I also knew that at heart I was a career woman. I could not be just a stay-at-home mom. I was still independent and felt the need to earn money.

I looked for customer service jobs for a long time with companies like American Express where I could handle calls from home. I was not able to find any job that I could do at home or on the Internet. I eventually gave up and my child was born. My husband and I were in the process of renovating our home office. We had a hard time hiding all the ugly cables we had behind our computers. We had two desktops and a few laptops as well as printers. We had a roommate at the time who had a computer, printer and hubs.

The room itself was very pretty. We had painted and put in crown molding and a new desk. All of the computer cables made the room look ugly. I was looking for products to conceal them, and I could not find anything. I looked for a month and a half and I finally got the idea of putting Velcro straps around the cables to bundle them. I then found a surface raceway at HomeDepot which we were able to stick the bundled cables into.

My husband and I thought that we could not be the only people who had that problem. A lot of people have more than one computer or a media center. There are a lot of cables in American homes. We decided, spur of the moment, to set up a website to tell people about a few products they could purchase to conceal wires. We only had a couple of pages on the website. After about a week I started getting comments on the website. People were asking us where they could buy the products, so my husband and I decided to purchase $40 worth of inventory in our garage, and we started selling the products online.

Sramana Mitra: In 2002 when you started selling things to hide computer cables, how did people find your website? Was it primarily via your blog?

Valerie Holstein: Yes, it was from the blog. I had a couple of pages that explained the issues we had and what products were helpful in hiding the cables. People started asking where they could find those products. I figured that if people were looking for the products, why not just sell them ourselves? I was hoping we could make a couple of hundred dollars a month. It was attractive because suddenly I had people calling me and asking me for the products. I was happy because it would give me something to do while I stayed home and raised my child.

I had no expectations or goals going into the business. I was dreaming about making $500 a month. A few months later, we started making real money. I had more and more inquiries, and people started referring products to me, hoping that I would carry them on my website. Everything grew via word of mouth. I kept adding products slowly but surely. That prompted me to make phone calls to a few big vendors who accepted our small business. They were large vendors in the cable management industry, and I think they were just tickled by the idea of selling something online. They did not have a lot of faith in it, but they thought it was interesting. They gave us a shot, which let us start distributing products. That put us in a different price bracket because before that, we were buying products at our local hardware store and marking them up to sell on our site.

Sramana Mitra: How did you finance the inventory?

Valerie Holstein: I just bought retail priced inventory and added a 20% markup. I really did not have to finance that inventory. People had no clue what to look for, so they were willing to pay for the products on our site because I made it easy for people to find what they were looking for. At the time, keyword analysis was not well known, but we focused on a lot of unique keywords that I knew people were using to try to find these solutions. Nobody knew to look for a surface raceway; they had no clue what they were called. I brought a packaged solution to people and they responded. When you make it easy, things happen. I was driven by what the customer feedback was.

Sramana Mitra: Was this all just you or was your husband working on the business?

Valerie Holstein: He was working on the backend of the business. His specialty is ERP, so he set us up with UPS and USPS. He set us up with a free shopping cart. There are a lot of shopping cart systems out there that are free if you transact under a certain amount of money each month. They are not very sophisticated, but they do exist. Amazon was already there and eBay was there, but nothing else sophisticated was really out there.

Sramana Mitra: Did your husband keep his job at CSC during this timeframe?

Valerie Holstein: Yes, he did. He was working full time for a year and a half, and I was still working 20 hours a week. We had 1.5 paychecks coming in.

Sramana Mitra: How much revenue did you generate from CableOrganizer.com during your first year?

Valerie Holstein: I did a little bit under $200,000.

Sramana Mitra: Wow! That is not bad for a garage, grass roots operation.

Valerie Holstein: Every penny that we made was reinvested in purchasing more inventory. Whatever was not reinvested in additional inventory was saved. We kept everything to pay off our mortgage.

Sramana Mitra: How many customers were transacting on your site?

Valerie Holstein: At the time, we probably had about 20 customers a day.

Sramana Mitra: Were they all finding you via Google searches?

Valerie Holstein: Yes. Google and word of mouth.

Sramana Mitra: Were you aware of search engine optimization and keyword optimization at the time?

Valerie Holstein: I was. By the end of the first year, search engine optimization had come on in a big way. By the end of that year, I had gone in and added it on all of my pages. I did heavy-duty keyword analysis. I went retroactive on my pages, which prompted more business.

At the end of our first year we also had another surprise. Somebody called to congratulate us on our article in the Wall Street Journal. I told them they must be mistaken because we were a very small company and we did not have any PR. Somehow somebody from the Wall Street Journal was writing an article about cable management and came across our site online. They did not call us but they mentioned our products in a one-page editorial. We had 90 sales that day. My husband and I were afraid that they were fraudulent orders, but they were not. We were shocked.

Sramana Mitra: That also must have driven your keyword ranking up like crazy.

Valerie Holstein: It did. Absolutely. Sometimes things happen that you are not even aware of. You don't know who is watching, and you get great surprises. By the end of the second year, my husband quit Computer Science Corporation so that we could work full time. I had a tough time juggling parenting and running the business. I did not have time to look for a nanny. It was hard to find time to take a nap. I was working from 8AM to 2AM or 3 AM every day. I had to do customer service, bookkeeping and do post office runs every day. I had to put my phone on an answering service so I could take care of next-day air shipments. I would then come back and answer the phone for another three hours. I would then come and take a break between 7PM and 8PM, which is when I caught a nap and got an energy drink. I did not even have time to do grocery shopping. My neighbor helped me out a few times and got me food.

From 8PM until midnight, I would be back on the phones handling the West Coast phone calls. I then had the military folks in Iraq or Afghanistan calling me at 2AM. I would pack orders at 3AM so they were ready for the following day. Once my husband quit his job I was able to dedicate more time to product development. I set up more product pages on our website and the business just grew very rapidly from that point on.

Sramana Mitra: How much did you do the second year?

Valerie Holstein: Close to $1 million. The third year we did $3 million. Now, we are out of our garage, and we have a 40,000 square foot warehouse. We have 47 employees. We are a global company with revenues at around $16 million.

Sramana Mitra: You had massive growth from $200,000 in revenue to $16 million in revenue. What did you do in terms of marketing?

Valerie Holstein: Believe it or not, I was not doing any advertising at that time. It was all organic growth and traffic. I could not go fast enough to serve the customer base that we had. I did not have a single minute to think about advertising. We started advertising and making a catalogue in 2005 after we were well into the company.

Sramana Mitra: How did you do inventory financing?

Valerie Holstein: We did organic financing. We have never been in debt. We do have a mortgage on the current building that we own, but other than that, we have never required financing. All of the inventory is based on revenue and cash. We have maintained that to this day. We have $1.5 million of inventory, and I have never taken debt for it.

My husband was a CPA in a previous life. He is a finance guy. He is one of the best CPA's I know to this day. He has a strong ERP and computing background as well. We were both brought up by parents who did not believe in debt. We don't believe in credit. I do have a credit card, but, we pay it off at the end of the month. To this day, we pay our vendors in advance and leverage that to get an extra 1% to 2% off. We just don't believe in debt.

I have no visibility or clue into what is going to happen with this economy. If I can't afford something now, then how am I going to afford it later with 30% interest and fees added on? I don't like to work that way. We have had plenty of opportunities to work that way; we just don't like to.

Sramana Mitra: How did you build your team?

Valerie Holstein: About a year and a half into the business I was beyond exhaustion. I could not function anymore. I was working 24/7. I worked weekends and holidays, including Christmas. If the phone rang, I picked it up. There is no 9 to 5 in my world.

After 2001, a lot of my husband's colleagues got laid off. One of them was one mortgage payment away from foreclosure and bankruptcy. We asked him to come on board. We told him that we had the money to pay him on a month-by-month basis only. The salary was low because we could not afford much.

We made the jump to hire him, and it was not an easy decision. The first employee and the first warehouse were both big decisions. We had to make sure we could make enough money to afford and sustain the employee. We knew we couldn't afford not to hire someone because we were growing too fast. If we did not start hiring, we would shoot ourselves in the foot. We would not be able to answer our customers like we should.

Once we hired one person we then grew by 1400% in one year. Once you make that jump, it is much easier to make the decision to hire a second, third and fourth employee.

Sramana Mitra: What are the functions that you staff for today? Customer support and shipping are obviously key roles.

Valerie Holstein: Right now it is mostly customer service associates and outside sales people. We have a reverse approach to business. We are technically 100% e-commerce, but we recognize that in order to leverage our exposure, we need to go back and find more traditional ways to reach the regional market. The international market is reached easily via the Internet. Over the years we have realized that people still like to be stroked on the back. They like to be visited.

Sramana Mitra: What kind of customers are you visiting?

Valerie Holstein: Local contractors. Ft. Lauderdale is the Venice of America. The marine industry is very prominent. We visit boat manufacturers as well as all the people who refurbish boats.

Sramana Mitra: Are you primarily focusing on Ft. Lauderdale and not other markets?

Valerie Holstein: We visit folks in the Tri-County area. Anyone in other locations, like the West Coast, is reached via the Internet.

Sramana Mitra: Theoretically, however, you could apply that model to sell with contractors in other regions as well if necessary.

Valerie Holstein: We could. We were thinking that in a few years we could open a fulfillment facility somewhere on the West Coast to alleviate shipping cost and shipping delays. That would allow us to be closer to our customers on the West Coast. We also have a subsidiary in France that handles all of the sales in Europe, Africa and the Middle East. That is all e-commerce business.

Sramana Mitra: How prepared did you feel to take on this business?

Valerie Holstein: I don't have an MBA. I came into this position by default. My husband said "congratulations, you are the President of CableOrganizer.com; get going" and that was it. We took off from there. I had to hire, do bookkeeping, supply chain management, logistics, inventory management, inventory control and everything else you can imagine. I had a lot of sleepless nights.

Sramana Mitra: You have much more than any old MBA. You have built a 16 million dollar business from scratch. How many MBA's know how to do that?

Valerie Holstein: I just don't know. I have never gone to school. I still think I might go do an eMBA. I come from a long line of teachers in my family and I think I am missing that MBA.

Sramana Mitra: If you are seriously thinking about heading out to get an executive MBA, then I will tell you to save yourself the money and trouble. Just do 1M/1M. We teach everything about entrepreneurship in a very efficient program for just $1,000 a year.

Valerie Holstein: Maybe I should do that. I will definitely look into it. Just last month I went to an accounting class that I did not understand. I will have to take it again. The course went too fast for me because I don't speak the accounting lingo. I do FranklinCovey Classes, and I am on various LinkedIn groups. I am part of the Business Marketing Association. I am all over the place. We have been a Top 500 Internet Retailer for the past five years.

Sramana Mitra: I know the numbers of the top 500 retailers, and that is great that you are there. Both you and your husband still work on the company full time. You have been doing business together for 10 years. How has that experience affected your relationship?

Valerie Holstein: In the beginning it was easy. He worked full time outside of the country. I saw him about 20 hours a week. Everything regarding the business was on me. After 10 years of traveling non-stop all over North America, he suddenly came back home, and he was home full time. Not only did he come back but he also had a job inside the house. It took us a year to adjust.

He had his own habits, and I had my way of doing things. When he came back, we had to adjust. It was definitely an adjustment period. Then we had the brilliant idea to have office space that was adjoining. That was a disaster because he could hear my conversations on the phone, and I could hear his. When we disagreed, it was done in public and out loud. It was making employees uncomfortable. It took a few years but we had to learn not to criticize each other in front of employees.

We had to learn to respect each other's positions as well as each other's personal space. The best thing that we did was to have offices on the opposite sides of the area. We also decided not to manage everything together and instead divided our responsibilities. IT, logistics, finance and accounting are his. I am the marketing, HR, business development, PR and trade show person. That is how we have separated it, and it is working really well.

Sramana Mitra: Thank you. I have really enjoyed your story. It is wonderful to see you succeed like this. I look forward to keeping in touch.

Interview with Amber Schaub, CEO of Rufflebutts

RuffleButts is a perfect story on how to bootstrap with a paycheck. Amber Schaub started RuffleButts, a children's apparel company, in March of 2007, backed by her husband's full-time job. He later joined in 2010 as the COO after the company had gained traction. This interview was done in January 2014.

Sramana Mitra: Let's start at the very beginning of each of your stories. I imagine you co-founded the company?

Amber Schaub: I grew up in Louisville, Kentucky. I had the entrepreneurial spirit from a very young age. I used to convince my cousins to help me start lemonade stands, baby sitting clubs, and we even tried to start a grocery delivery business in middle school. My dad is an entrepreneur. My parents were divorced so I watched what my mother had to do as a single mother. She worked a 9 to 5 job for a utility company and had to raise a child on that income. We did not live a lavish lifestyle, but I always had what I needed.

I knew that if I wanted to go to college, I was going to have to pay for that on my own. When I graduated from college I was very enticed by the money to take a job in pharmaceutical sales. I was not passionate about what I was doing but the company car and paycheck was good. That did not last all that long because I got enticed into real estate during the boom years, but once again I was not fulfilled. I was shocked by the lack of ethics in the business world. I made a decision very early on that I was going to run a business based on the golden rule. Ethics are extremely important to me and I attribute that to my mother.

Sramana Mitra: When was RuffleButts founded?

Amber Schaub: I founded it in March of 2007, which means I conceived the idea and got the trademark. I started down the path of teaching myself how to run a children's apparel company. I had no experience in retail, designing, or selling. I had no children of my own, so children's apparel was not something that I would have considered myself an expert at.

Sramana Mitra: So why did you decide to launch a company in children's apparel? I hear stories about this from moms who are passionate about their kids and that is what led them to start the business.

Amber Schaub: I get that a lot. I was passionate about children although I did not have any at the time. I was passionate about the business side and about creating a product that I could be proud of. I knew I wanted to start a business and it took me three months to figure out what business that was going to be. Mark was supportive of my quitting my job to start a company. I did a lot of research to decide what business to start. At that time, there were a lot of glossy stories about entrepreneurs who followed their dreams to start 10 million dollar businesses.

We had a longer road to parenthood than we wanted at the time. RuffleButts became my baby. The idea came because I wore ruffled bloomers when I was a baby and my mom always called them my rufflebutts. I went into a store looking for them when I was shopping for a gift for a friend. I asked the lady if they had them and she told me they did not, but she did not know why they did not carry them because people came in looking for them all the time. That is what spurred me to get into this specific industry.

I thought everyone called them rufflebutts and fortunately found out that nobody else knew about that name. The trademark and the domain name were both open. That is how the name of the company was born.

Sramana Mitra: You had the intuition to react to something that a retail salesperson was giving you. What did you do next? How did you go about setting up your business?

Amber Schaub: My first step was to go back to Mark and share my idea. I also had to get the trademark, which cost $400. I remember telling Mark that $400 was a lot of money to spend. Mark told me that I either had to go for it or do nothing, so I just went for it.

After that, I went full steam ahead. I started doing research and read anything I could get my hands on about how to design, how to get samples, and everything else you need to do in the retail space. I called everyone I knew who had knowledge of sample making and I took a sewing class. I had to be able to talk to the person who would make the product to describe the fabric and seams that I wanted to use.

Sramana Mitra: What about the website and transaction capabilities? When did you have a site online?

Amber Schaub: I immediately went down the path of development and production. That was ambitious, considering that I had no sales. I knew that I had to produce the product so that people could see it and purchase it with immediate shipment. I hired a small web development company and they designed a basic e-commerce site for me. At that point, I showed everything to Mark and he helped me take the website to the next level. We launched that website in August 2007.

I also attended a trade show, which is a common way to sell clothing in the children's apparel industry. I rented out a booth and asked my mom to fly out from Kentucky and help me, since I had no employees. We did our first trade show so that we could get feedback, and also to try to sell our RuffleButts wholesale.

Sramana Mitra: Where were you living?

Amber Schaub: I was living in South Florida when I started the business, but the trade show that we attended was in Las Vegas.

Sramana Mitra: In terms of the product itself, what strategy did you follow? How did you get the product built?

Amber Schaub: In 2007, information was not as readily available as it is today. When I went out looking for production partners, I could not just do a quick Google search to find partners to produce children's apparel. Today you could probably do that, but I could not do that in 2007.

I just looked for any factory contact I could find. I was fearful of producing overseas and my quantity was very low, so most overseas factories would anyway not produce at our quantity level. I ended up finding a gentleman who lived in South Florida who owned a factory in the Dominican Republic. He agreed to produce the entire first line for me.

Sramana Mitra: How many units were in your first line and who did the designs?

Amber Schaub: I did 100% of the design and still do today. I don't have a design background, so I had to figure out how to make that work. I designed from a common sense perspective. I just put myself in the shoes of a mother who will be purchasing and I ask myself what will be important. It has to be soft, it has to hold up in the wash, and it has to have quality. I cannot produce bargain apparel, but I still wanted it to be available and affordable to the masses.

Sramana Mitra: You said you designed the clothing yourself even though you did not have a background in design. Can you explain that process to us?

Amber Schaub: I would draw things up and take my designs to a pattern maker. She would take my designs and convert them into a paper pattern. I sent those paper patterns to the factory, and they cut the fabric based on that pattern.

Sramana Mitra: How many different design variations did you have in your first line?

Amber Schaub: The first line had a RuffleButt Bloomer, a RuffleButt Crawler which is a pants version of our Bloomer, T-shirts to coordinate with the RuffleButt Crawler and tops to match the RuffleButt Bloomers.

Sramana Mitra: How much did you have to spend to get that line developed?

Amber Schaub: Mark and I invested $40,000 to start the business. We decided we would put it all in and use that money to get the website up and going as well as place our first order. We had no outside investors.

Sramana Mitra: How much inventory did that get you?

Amber Schaub: At that time, we ordered about a dozen pieces of each item, per size, per color.

Sramana Mitra: It sounds like you had a pretty sizable inventory.

Amber Schaub: In the beginning when I started the business, I realized that in order to attract customers to my website I needed a full collection. I could not offer a bloomer in two colors and pretend that it was sufficient. I decided to go all the way and produce a full collection from the beginning.

Sramana Mitra: Mark, you kept your job during this time frame. It sounds like you were bootstrapping with a paycheck. Interestingly enough, there are a lot

of businesses founded by couples where one of the two keeps a job while the other develops the business.

Mark Schaub: It fit together like a perfect puzzle. I was in real estate development flipping homes, and then for the months in between homes sales, Amber would have the steady paycheck. It was a change of pace and role reversal for me to keep the steady job so that Amber could do the startup.

Sramana Mitra: What about customer acquisition? How did the first customers come to your site?

Amber Schaub: Looking back, it is still amazing to me. I had no marketing budget and I did not get to advertise. I just organically got the word out, which is amazing. We launched the website in August and the first shipment arrived in December. Everything I sold from August to December was a pre-sale item.

Sramana Mitra: Was that wholesale?

Amber Schaub: It was both retail and wholesale. We had the website, which appealed to retail but I was also selling wholesale. I spent a lot of time on the phone with stores trying to introduce them to this line. I was trying to convince them to order the product for their stores for a January shipment. I really focused on building the brand. I wanted to use the brand to drive traffic to the company.

I was very fortunate to receive a call from a stylist in LA with Celebrity Babies. I had called her in December to let her know about my company. She called and asked me to fly out to California the following week to do an event with a bunch of celebrities and their babies for the Golden Globe.

Sramana Mitra: How did you handle such a big event so early on? I imagine it was quite an ordeal to get ready for celebrity exposure.

Amber Schaub: I only needed 300 pieces to be able to do the event, so I had the factory send the completed work out to the hotel in LA. I was crossing my fingers that everything would be OK, and of course when I got there that was not the case. When I arrived and started going through the bloomers, I saw that half of them were made perfectly and the other half was a mess. I went through and found the best of the best so that the celebrities could represent our brand well.

We pulled that off and we made an impression on some of the celebrities. Ali Landry took her daughter to the beach in Malibu wearing our RuffleButt Bloomer. The pictures were on TMZ. She was just one of many who were very supportive of what we were doing. That catapulted our brand from the very beginning.

Sramana Mitra: Did that create buzz around the brand and draw traffic in?

Amber Schaub: Yes. I would also work with any publicist that would pay attention to me. I would email them my story and beg them to cover it. We were fortunate to get into Baby Talk Magazine as an editor's pick with a picture of a baby wearing our RuffleButts Bloomer. Back then, Mark and I would celebrate getting a couple of hundred orders. Today that is a slow day. With all the celebrity and press, the stores started to come to us.

Sramana Mitra: The e-commerce business you were developing was basically a shell business. It sounds like the retailers were the ones ordering products.

Amber Schaub: We had folks like Nordstrom's and Target call us. Mom and pop boutiques all over the country were applying to carry our products because customers were asking for our products. In the beginning, 95% of the stores we sold to came to us, which was incredible.

On the retail side, the publicity also drove consumers to us. They were very supportive of my story. They would promote us on their Facebook pages. They have always been very supportive of us.

Sramana Mitra: There is a built-in viral aspect to your product. Moms like to take pictures of their babies.

Amber Schaub: Exactly. We are so lucky that we have a product that is all about happy moments and childhood. When I started the business, I thought that moms and grandmothers would be fun customers. I wanted to have a product that would make people happy. You take your child out in RuffleButts and you will get compliments from everyone. We are very fortunate to have that organic aspect.

Sramana Mitra: You started in August of 2007. How did your business ramp during your first year?

Amber Schaub: When we received the first shipment, I faced the harsh reality of what entrepreneurship really is. When that first shipment arrived, half of the apparel was unsuitable to sell. Production was very bad. I debated whether or not I wanted to share that publicly because I did not want people to think bad about our brand. However, I wanted other entrepreneurs to see the reality of what starting a business is all about.

I had to fly my mother to Florida so that we could measure each garment. I was not about to sell products that did not meet my quality standards. I questioned if I was really ready to do this. We did not start selling until January of 2008. That first year, we sold about $100,000 of products.

Sramana Mitra: Did you gain traction with the brick and mortar retail stores?

Amber Schaub: We did get some good success early on. Nordstrom contacted us in late 2008.

Sramana Mitra: How big was your first Nordstrom order?

Amber Schaub: They did a 5 store trial order, which at the time, seemed huge to us since no stores had put us in. They ended up putting us in 50 stores and I thought that order was just incredible. Today that is pretty standard.

Sramana Mitra: You said you put in $40,000. How long did it take you to break even?

Mark Schaub: We operated in the red for about half of the year.

Sramana Mitra: What was your revenue number in 2009? How did the business ramp.

Mark Schaub: In 2009, we did $375,000 gross. In 2010, we did $1.1 million gross. In 2011, we did $2.5 million gross and in 2012, we did $3.7 million. We finished just under $5 million gross last year.

Sramana Mitra: What were the key milestones in 2009 and 2010?

Amber Schaub: On a personal level, we had our first child at the end of 2008. I had a big learning experience in 2009 where I had to learn how to be fully devoted to the company as well as my child.

In 2010, we hit the point where we needed help. Mark sacrificed his career to join RuffleButts to maximize the opportunity we had in front of us. By that point, I had a customer service representative and I had also hired an assistant. When Mark came on board, we did a big website upgrade and we moved into the wholesale arena.

Sramana Mitra: How did you manage a full year with a newborn while operating the company before hiring that help?

Amber Schaub: I hired a part-time assistant who worked half-time during the week. Looking back, I have no idea how I did it. You face what you have to face and you do it. After 5 months, I put her in daycare. My mother lived in a different state.

Sramana Mitra: What was your team growth like?

Amber Schaub: Our team grew quickly. In 2010, we hired someone to pass the orders and pull the orders. We hired someone to cover customer service.

Sramana Mitra: Were you still operating out of your home?

Amber Schaub: We were. We had converted our basement into the RuffleButts headquarter and we had fantastic team members who were willing to come to our home to work on a daily basis. My son was born in April of 2011. In May of 2011, we moved into our first office warehouse.

Sramana Mitra: How have you expanded your team from 2010 onward? What has your recruitment philosophy been? What positions have you hired for and how have those people helped you scale the business?

Amber Schaub: Throughout the process, we have hired on a need basis. We are a family business and we did as much as we could before we hired anyone else. We would almost be bursting at the seams before we brought on another team member. I suppose that is an entrepreneurial manner of working because the budgets in a bootstrapped startup impose that reality. Today we have 18 employees, including Mark and I.

Sramana Mitra: How are the roles of your 18 team-members divided?

Amber Schaub: Mark runs the operations and financial side of the business. I run the big picture, design, marketing, PR, and sales side of the business. Operations take up 60% of the employee base. We have people who pack and warehouse. They manage fulfillment. The other half of our team is sales, marketing, production, and customer service.

Sramana Mitra: I understand the pick, pack, and ship side of your business, that clearly makes sense. What is the sales angle for your team members? Are they focusing on wholesale deals with stores?

Amber Schaub: Yes. Our sales team has grown over the years. In the beginning, most of the stores came to us. Stores filled out applications and I would then sign the stores up online. We are a lot different than other companies in that we are e-Commerce driven. Traditional wholesale apparel companies are used to trade shows and faxed orders. We had our customers placing orders on our website from day one.

Our sales team is responsible for approving any applications from customers that may come in. They introduce our line to other stores where we may be a good fit. I would estimate that 80% of their time is spent helping existing customers and 20% of their time is spent attracting new stores.

Sramana Mitra: How many of these sales people do you have?

Amber Schaub: Three.

Sramana Mitra: What percentage of your business is wholesale?

Mark Schaub: We are about 60% wholesale.

Sramana Mitra: What do you do in marketing?

Amber Schaub: We do Google AdWords. We do some print marketing. Our marketing is somewhat traditional e-Commerce marketing. We have a Facebook page and manage our own social media.

I handle the majority of our marketing, print and social media. We have another person who manages the AdWords and online advertising. Mark manages that side of the house as well.

Sramana Mitra: Do you still do all of the design work yourself?

Amber Schaub: Yes. Hopefully not for too much longer! That is the driving force of our business, so I have maintained control over that aspect.

Sramana Mitra: Are you still working with the same factory in the Dominican Republic?

Amber Schaub: No. After all the mistakes that we had to deal with in the first order, we had to make a change. We worked with them for a short period of time. Over the years, we have developed relationships with manufacturers. Our product line has expanded significantly and we have different manufacturers in different locales.

That being said, our bows are still hand-made by the same lady who started making them on day one. They are hand-made here in the US. Our apparel products are made primarily overseas.

Sramana Mitra: Have you taken external financing?

Amber Schaub: No.

Sramana Mitra: What happened at *Shark Tank*?

Amber Schaub: We participated last October. We had an offer for 9% of the business for $600,000. That was a handshake deal on the show. We were in the *Shark*

Tank for 2 hours and they only aired 10 minutes of it. We entered the due diligence phase and we are still in that phase. I doubt that the deal will happen.

Sramana Mitra: What about *Shark Tank* interested you?

Amber Schaub: We were big fans of the show. I think a show that inspires entrepreneurs is a win. We put a lot of thought into our decision to participate in the show. We felt the ability to showcase the brand was a once-in-a-lifetime opportunity, as well as a chance to get a strategic partner. We are at the point in our business where we could bring on some major retailers to take us to the next level. We saw the show as a very good opportunity.

Sramana Mitra: A lot of entrepreneurs are building businesses as a couple, especially when it comes to capital-efficient businesses. What have you learned as a couple about starting a company together?

Amber Schaub: We use the analogy of the show *Survivor* a lot. We have watched time and time again that those who win are those who build an incredible alliance. Our partnership is an alliance. There is nobody I trust more than Mark. Trust goes a long way in this business.

The one lesson we learned early on is that we need two separate offices. Mark needs to run his area of the business and I don't get involved in the day-to-day operations there. We have strategic goals that are aligned, but each of us runs our own aspects of the business. We are fortunate that our talents align with our job responsibilities.

We do find that we sometimes fall into the pitfall of business talk during family dinners or vacations. We have had to learn how to draw the line when we can. My honest answer is that we have a hard time drawing that line, but we are both passionate about what we do. At some point in the evening, we have to stop talking business.

Sramana Mitra: I love these kinds of stories. Thank you for taking the time to share your story and inspire our entrepreneurs.

Interview with Sangeeta Banerjee, CEO, ApartmentADDA

Sangeeta Banerjee and her husband are the cofounders of ApartmentADDA. Sangeeta kept her job at SAP, while her husband went full-time with the venture. Eventually, both were able to go full-time, as the startup gained its stride. In a market like India where seed capital doesn't flow as abundantly, many entrepreneurial ventures have seen the light of day because they have been started in a bootstrapping using a paycheck mode. This interview was conducted in December 2013.

Sramana Mitra: Sangeeta, let's start at the beginning of your story. Where are you from, and what were the circumstances of your childhood?

San Banerjee: I am from Kolkata. I grew up in a very conservative environment. Where I was from, girls were not supposed to ride a bicycle. I went to school on the other end of the city, and I commuted to school by myself. I would ride a bicycle to a ferry, then once on the other side of the river I would take a bus to school. Many people felt that my parents were careless with their daughter's safety, but my parents really wanted me to be self-sufficient. They wanted me to know how to take care of myself. My belief that I can do anything I want to stems from my parents. I used to face a lot of ridicule for riding a bicycle. They would tell me to stay off the road and tell me to keep my cycle on the playground.

Sramana Mitra: What did your parents do?

San Banerjee: My father was a government employee who worked his way through the ranks to become a senior official. He became a Registrar of Companies. My mother was a homemaker.

Sramana Mitra: It sounds like you are the first entrepreneur in your family. Did your family have any entrepreneurial background?

San Banerjee: Not at all. I was the first woman who got an engineering degree in my entire family. My grandfather had a writing school, but that is the closest thing I had to an entrepreneur in my family.

Sramana Mitra: What did you do after your higher secondary education?

San Banerjee: Since my father had a government job, we moved around a lot. I lived in West Bengal, Delhi and Chennai. In every location I lived in an apartment. I did not live in an individual house my entire life. I have been a part of a community since my childhood. I did my college in Chennai, where my father was posted at that time. I went to the College of Engineering, Guindy. It is a top 10 engineering school in India. I earned a degree in electrical engineering.

Sramana Mitra: What did you do after you graduated?

San Banerjee: I went to work for Tata, where I focused on mainframes. I did a lot of work with Cobol and JCL. I was there for a couple of years and had a couple of promotions.

Sramana Mitra: What timeframe was this?

San Banerjee: I started college in 1995. I graduated in 1999 and I worked for Tata Consultancy Services from 1999 to 2003.

Sramana Mitra: You left TCS in 2003. What was the reason for that move?

San Banerjee: I got married in 2003 to Venkat Kandaswamy, and I also wanted to pursue my MBA. I had taken my GMAT earlier, so I applied to Louisiana State

University and was accepted there. My husband, who is my business partner now, was doing his MS there. I chose LSU for my MBA since he was already in school there.

Upon graduation I was recruited to work for Capgemini in the U.S. I did a lot of work there with SAP and ERP systems. In that job I essentially lived out of a suitcase. I would fly out on a Monday morning and return on a Friday evening or Saturday. I lived that way for one year before I realized that was not the way I wanted to spend my life.

We made that decision in 2006 which was around the time that India started to emerge with a great story for the world. Venkat and I both wanted to return to India. After we returned, the main difference we started noticing was that compared to the US, our people used very little tools/automation. I remember standing in the train station and watching the reservation list being put up on each coach of a train. The railway employee would dip his bare hand in a can of glue and then spread the glue on the wall of the coach, then stick the list to it. This he did for each coach. For the life of me I could not understand why he did not use a brush. Was he too lazy, or was it too hard to find the right tools for the job? I noticed this attitude in every walk of life.

We both settled down into our new lives. I started working with SAP in India doing ERP consulting. I still had quite a bit of travel. In 2008, we decided to stop renting and purchased our own flat in Bangalore. We moved in as the sixth family. There were a small group of us owners who had a lot of problems in the apartment complex. We had problems with things like plumbing, electricity and water supply. Some of the construction remained incomplete, and none of this was transparent from the builder. Different owners would receive different answers when they asked the builder a question. He did everything he could to keep the owners from coming together to talk to him.

By this time Venkat and I were used to global standards. We had plenty of exposure to life outside of India, so we decided to start to think about ways that we could fix this dilemma. We noticed that some of our neighbors started a Yahoo group to help owners communicate, but they quickly found out that as a solution it was inefficient. They wanted to know which owners belonged to which flat. When they were dealing with people through the Yahoo group, they did not know if they were talking to the owner or a tenant.

We really felt there should be a way for homeowners to discuss these issues in privacy. We found that we were spending every single weekend we had in various discussions with homeowners. We talked them through things like forming a homeowners association, how to collect money, and how to assess legal fees. There was no knowledge base for any of these topics online. None at all. Google came up with zilch.

Sramana Mitra: When you realized there was very little information available on the Internet to assist you with establishing an owners association, what did you do?

San Banerjee: We recognized that there was a huge vacuum. Apartment complexes were growing very fast in India and owners were looking for information. They were also looking for assistance with the processes for managing their complexes. Once an association was formed it was responsible for running the apartment complex. Associations had to pay for security, grounds maintenance, and everything else. There was nowhere for owners to turn to, to get assistance with those functions. This was frustrating, especially for first time homeowners.

Venkat and I looked for any software solutions out there for managing and association and we could not find any. Venkat had a high performance computing background and I had an ERP background. We realized that an online mini-ERP solution would be sufficient to help these various associations manage their complexes. We knew that if we built a solution it had to be low budget. Associations are non-profit organizations and they do not have a lot of money to spend.

In 2008, Venkat took a sabbatical and started working on the technical solution. We launched our solution in three months. We offered a prototype that had 5% of the functionality that we offer today. We went to the market with that. We showed it to our apartment complex as well as a few other apartment complexes around. People were very supportive. We then went out and contracted a graphics design firm to develop the UI. The owner of the graphic design firm loved it so much that he did a demo of our solution for his apartment complex. His complex was a bit of a high end complex and they went ahead and purchased a subscription for the product. Within two months of launching the site we had our first paying customer.

Sramana Mitra: How much does a subscription cost?

San Banerjee: Our fees were 100 rupees per flat, per year. Our first complex had 300 flats.

Sramana Mitra: Who was the customer? The association or the individual homeowners?

San Banerjee: The association was the customer. They represented the apartment complex. In India the Managing Committee is equivalent to a Homeowners Association in the US. The management committee is a group of owners elected by the other owners. There were typically 6 to 12 members on a Managing Committee and they are the ones responsible for selecting vendors.

Sramana Mitra: So your sales cycle was primarily focused on the Managing Committees?

San Banerjee: Exactly. They made all of the decisions for the properties as a whole. They were the ones who contracted for grounds maintenance or purchased contracts for security guards. It was a natural fit for us to sell our software to them as well.

Sramana Mitra: You had established your company and sold to your first customer by the beginning of 2009. Venkat was on sabbatical from his job. Did you keep working full time?

San Banerjee: I worked at SAP when we moved to India and stayed there through almost all of 2009. It was interesting for a while because we had our baby in 2008. At that point I basically became the project manager. I gathered the requirements and researched the market need. [My husband] focused on engineering and developing the product. I had to keep my job with SAP because it was the only income we had.

My mother-in-law was also living with us. She was the main reason why we came back to India. We originally planned to make a lot of money in dollars before returning to India. My mother-in-law, who was a widow, wanted to join us in the U.S. However, her visa application was rejected twice because she did not have a husband or any other source of income. That was a harsh reality for us. We had to stand and beg outside of the consulate of a foreign country to have our own parent join us. That was a big reason why we decided to return to India in 2006.

My mother-in-law is very efficient and is a person who loves owning the kitchen. Right from day one she took over that area. That arrangement enabled me to keep working and supporting our living expenses while we started our company.

Sramana Mitra: The *Entrepreneur Journeys* series has fabulous role models of female entrepreneurs. When I talked to those entrepreneurs, I asked them how they handled issues such as raising children. In most cases they were stories

where in-laws played a very big role. You are reinforcing everything else I have heard.

San Banerjee: I would not have been an entrepreneur without her.

Sramana Mitra: Your mother-in-law is a venture capitalist, and the other venture capitalist was your paycheck.

San Banerjee: Absolutely.

Sramana Mitra: In the 1M/1M program we have a formalized methodology of entrepreneurship that we call bootstrapping with a paycheck. We encourage entrepreneurs to hold on to their jobs and do the entrepreneurial tasks in a creative way until they have a steady revenue stream. There really is no substantial seed capital money in India. Investors want validated businesses which take time to build. That's true in the U.S. as well to an extent, depending on which geography you are in.

San Banerjee: There is another thing that worked out well for me. Our customers were managing committee members who also had their own jobs on Monday through Friday. Most of our customer demos happened during the evening hours or on weekends. I never had to compromise my primary job. Most of my work was done on Saturdays and Sundays.

Sramana Mitra: What was your sales process like?

San Banerjee: Our first customer gave us a lot of word of mouth [publicity]. People would approach us and ask us to show them what we were doing. We would go to their apartment complexes and present the product to them. In the early days we were more interested in their input than anything else. We received excellent inputs from each demo we conducted. For the first two or even three years, our sales meetings doubled as requirements gathering meetings.

Sramana Mitra: What property management function was the most important to automate?

San Banerjee: We learned very early on that accounting was a very important aspect. Neighbors were not comfortable asking each other to pay their maintenance fees. They would rather have a system that automatically reminds everyone to pay and informs them of the penalties as necessary. All of the money management features were important to our early adopters. Even today that is one of our most sticky features.

Sramana Mitra: Over the course of the past four years, what have you built into the product?

San Banerjee: The idea behind an apartment complex is that each family owns their own flat but the common areas have maintenance which is done by independent vendors who are paid by all of the owners. The associations cover the cost for housekeeping, grounds keeping, and security.

There are three main aspects of running an apartment complex. The first is communication. There is a need for private communications to allow neighbors to discuss their issues. There are also communications from the managing committee to the residents.

The second aspect is management and upkeep of the property. This involves servicing of the transformer or generator and handling the complaints of residents. There are also taxes to be paid and all of those decisions.

The third aspect is the billing and accounting. Each owner needs to pay their share of the expenses. All of the associations need to have their statements audited at the end of the year and filed with the registrar. It is very much like a small and medium sized enterprise.

We identified these three aspects as key areas to develop technology to fix. We built various applications for each area. For example, we have an online forum to assist with communications. We have a vendor directory to help people find companies to fix problems such as a broken sink. For the management aspect, we built an online help desk with a calendar and a meeting tracker. We also developed automated bill generation which emails every resident with an integrated payment gateway to allow online payments. We were the first ones in India to do that.

We spent a lot of time building a complete accounting system. That was very important to our customers. It was a lot of work because our only developer was Venkat. He had to develop that while sustaining the overall software. It took us close to two years to build out the accounting software.

Sramana Mitra: What happened in 2009 on the customer front? How many customers were you able to get?

San Banerjee: In 2009 we had a lot of free users. We operated on a freemium model. We ended the year with eight paying customers.

Sramana Mitra: How much were you making off your paying customers?

San Banerjee: They were paying us anywhere between 100 and 350 rupees per flat, per year.

Sramana Mitra: How much revenue did that generate in 2009?

San Banerjee: Our third customer was one of the most well-known communities in Bangalore. When we went there and did our demo, one of the people who heard it turned out to be a former entrepreneur. After we were done, he approached us and told us that our pricing was too low. They went ahead and bought a three-year subscription and paid for the full three years up front. That gave us 1.5 lakh ($3k) right there. We also signed on a complex that had 3,000 units. In 2009 all of our customers were marquee customers.

Sramana Mitra: In 2009 was it still just you and Venkat working on building the company, or had you started hiring people yet?

San Banerjee: In 2009 my neighbor, Ashika Sripathi, was just getting back to her career after having a child. She had a background in sales. We had a good discussion on our front terrace, and she agreed to join and head up our sales. In 2009 Ashika and Venkat worked full time and I was part time. Today Ashika is our COO.

Sramana Mitra: How long was your sales cycle?

San Banerjee: It took anywhere from four months to two years.

Sramana Mitra: That is a problem with Indian customers in general.

San Banerjee: Not only the traditional Indian customer, but people who were working as volunteers. They did not have a job description that told them they had to automate processes. There was no boss for them to show the value of their work and the ROI of the software they purchased and implemented.

We discovered that when we found someone who was passionate about our software, they did the job of selling our software to the association. Homeowners would push back against paying for software. Apartment complexes were not used to buying software.

Sramana Mitra: What was the subscription fee that the market was ultimately willing to accept?

San Banerjee: Over time we found that they were willing to pay 180 rupees per flat, per year. That becomes affordable for all apartment complexes.

Sramana Mitra: What happened in 2010? By then you had moved to an office and you were working full time for your own company.

San Banerjee: I hired another person to manage support functions. We were slowly approaching breakeven, and we were able to start paying people from the company funds. Venkat had a couple of colleagues join him for a while, but we could not keep them for long. We were paying them far below market wages, and we did not know of any way to offer them stock options or have any guarantee on what their value would be in future years. We really had no way to keep them with us. In short, in 2010 we basically broke even with the exception of personal salaries for me and Venkat. We were cash positive on the 2010/2011 balance sheet.

Sramana Mitra: How much of your own money did you put into the company up to that point?

San Banerjee: We put in 8 lakhs ($15k). I don't count our personal expenses in that number.

Sramana Mitra: In theory you put in a lot more than that then.

San Banerjee: Yes, especially when you consider the two salaries. In the middle of 2010 I called my bank and asked them what would happen if I stopped paying our EMI [equated monthly installment] for three to four months. That was during the time where we had sleepless nights about how to pay salary. That person asked me why I would consider defaulting on my EMI, so I explained what I was doing.

This was the same person we approached when we wanted to buy our home. At that time, this individual told us that with our salary we could purchase two large homes. We had a good relationship with the bank, and once they understood that we were running a business and trying to pay salaries he told us that he would put our EMI payments on hold for four months and then after that we would have to continue paying. Ultimately we did not have to do that, but I do recall that being a stressful time in the business.

Sramana Mitra: How did your business ramp the following year? How many customers did you end up with by the end of 2010?

San Banerjee: We had around 110 customers at that point. We made around 17 lakhs ($34k) that year. By the middle of 2011, Venkat and I started drawing a salary. We also noticed an increase in the number of competitors entering the Bangalore market. We had proven the market existed, and now we started to face competition. We saw 24 competitors enter the market in 2010 to 2011, and almost all of them targeted Bangalore.

Sramana Mitra: How did you compete?

San Banerjee: We had some of the most forward-thinking apartments using ApartmentADDA. We received great inputs and benchmarks from our customers, who had good existing processes. Our best approach to beat competition was to meet the demanding expectations of our customer base.

Our competitors started offering their software at half the price we charged. Our price was already rock bottom, so there really was no room for us to undercut them. We realized that this competition was in Bangalore. Mumbai was a larger market and a more mature market in terms of management committees. We believed that in order to make our product the standard solution, we needed to offer it in Mumbai.

In 2011 we started traveling to Mumbai monthly. That got to be expensive, so we rented a one-bedroom apartment there. Shortly after that we entered in the Grace Hopper Entrepreneur Quest for women entrepreneurs. There was a 5 lakh (~$10k) cash prize. Normally I would not have gone to a business pitch competition, but there was some real money involved.

We ended up winning that contest, and the money really gave us the boost to target the Mumbai area heavily for three months. We moved to Mumbai for three months and used the 5 lakh (~$10k) as a cushion. We figured that if things did not work out, we could move back to Bangalore. In May 2012 we packed everything, rented our apartment, and moved to Mumbai. There were four of us living in a one-bedroom apartment.

Our first two months in Mumbai were not very decisive. We could not tell if we had made a good move. By the time we hit the third month, we were confident that our solution was very well suited for Mumbai. We went out and got some office space and focused on selling the solution to Mumbai.

Maharashtra is the only state in India where there are standards for running a management society. Audits are mandated by law, and there are minimums for collections required. There are a lot of standards. Our customer base benefited because now they knew exactly how their apartments were run, and it made audits much easier.

Our approach in Mumbai had to be slightly different. There were a lot of offline software solutions for running apartment complexes. We had to adjust our sales approach to demonstrate the online solution we were offering.

Sramana Mitra: Who runs your Bangalore office?

San Banerjee: Ashika runs that office. When we relocated to Mumbai, we knew that our Bangalore office would fall apart unless somebody was running it. We promoted her and she is now our COO. She stabilized that office.

Sramana Mitra: It sounds like 2011 was a traumatic year. How did you end that year in terms of customers and revenue?

San Banerjee: We ended the year with over 200 customers and we had 35 lakh (~$70k) in revenue.

Sramana Mitra: Was the business cash flow positive?

San Banerjee: It covered all of our costs except for the founder salaries. We were able to recruit our workforce at below market salaries by showing prospective employees our potential. We actually showed a little profit that year as well. We had to amortize our subscription revenues which made us profitable. Some of the subscriptions span financial years, we were able to get credit for those in 2012 that had started in the prior year.

Sramana Mitra: What were the major events of the 2012 to 2013 financial year?

San Banerjee: That year was all about Mumbai. It was all about understanding the Mumbai market and how to sell in Mumbai. We made a strategic decision to forge partnerships with accountants who specialized in auditing management committees. We felt that the best way to grow the product was to develop the ecosystem. The whole ecosystem in Bangalore was spent trying to convince management committees that they had a need to invest in software. We find that a lot of auditors try to reject any accounting system unless it is a specific brand. We still fight that to this day to some extent.

In Mumbai, we found it easier to get the attention of accountants because they had been exposed to multiple software products. That was very good for us because they were willing to listen to what we are talking about.

Sramana Mitra: It's interesting you say that because FACT software had to gain acceptance in India as well.

San Banerjee: I have not heard of them.

Sramana Mitra: You probably have not in your ecosystem, but FACT is a very successful accounting software company in India. I can see that auditor acceptance would be challenging. Despite that you have a rather sizable customer base.

San Banerjee: We do have a good customer base. I think accounting is still a difficult area because we have to create the ecosystem. We need to ensure that auditors are willing to accept the data that they get from our software for their audits.

Sramana Mitra: Are you in other cities as well now?

San Banerjee: We have offices in Mumbai and Bangalore. We have customers across 70 cities in India, and we have paying customers all over India as well.

Sramana Mitra: Let's talk about funding. When did you receive your funding and what preceded your decision to raise funding?

San Banerjee: From the very beginning, we have sought out people who could serve as advisors for us. One of our earliest advisors was Sharad Sharma. We also had Manish Singhal, whom we met through our entrepreneur contests. He joined us after the competition as a formal advisor. In February of 2013 we decided that it was time to scale our business. The product was proven and mature. We had figured out the support process. We felt we could show value to investors.

We created our first pitch and gave it to Bhupen Shah, whom we were introduced to by Manish. In our very first meeting he committed to invest in us. We were very pleased with that because the purpose of the pitch was to get his feedback on the pitch itself.

Sramana Mitra: What was your pitch to the investors? Everything sounds great. You have a mature product with customers and a validated pricing model. However, there are two general questions which float above Indian SaaS deals. First, there are always concerns about the growth rate because the Indian sales cycle is abnormally long. Second, there are concerns about the Total Available Market. Tell me more about those two aspects.

San Banerjee: There are around 4 lakh (~400k) apartment complexes in India that hit our demographic. That became our TAM. Our software is sold to complexes where rent rates are above 26,000 rupees (~$500). On ApartmentADDA, each complex has its own secure ADDA. Every resident has credentials which allow them to log in and conduct business associated with their apartment complex. This is like the Facebook of apartment complexes with management capabilities.

There are other possibilities there as well. Suppose you want to open a new school in a particular area and you only want to advertise to apartment complexes in that area. Your only option would be to put up a billboard that is very expensive or to approach each management committee to put a notice on their board. We now have the ability to automate that with ApartmentADDA. Management committees are open to new revenue possibilities because management costs are sky rocketing. This gives them a new revenue stream.

Sramana Mitra: Are you doing revenue share deals with the apartments?

San Banerjee: Exactly.

Sramana Mitra: Is that a validated model or is it a concept?

San Banerjee: This has been verbally validated. We have had discussions with several management committees, and they are excited about it. We have become trusted advisors and they know that we are not going to sell their private data. There is a tremendous amount of trust that we have established. When we approach them with a new possibility like this they really believe in the promise.

Sramana Mitra: I like the manner in which you are thinking, and it would be good to get additional revenue streams. I would not let go of the subscription revenue stream by any stretch of the imagination. What is the TAM for the subscription business?

San Banerjee: There are 4 lakh (~400k) apartment complexes, and each has an average of 200 apartments. We could expect 180 rupees (~$30) per flat on average.

Sramana Mitra: How much angel financing did you raise?

San Banerjee: Just enough to carry us for another 1.5 years in our build out effort.

Sramana Mitra: Do you also want to experiment with the advertising revenue model with this round of funding?

San Banerjee: Yes, that is exactly what we would like to do. We will scale our subscription revenue with this round and validate our advertising revenue. If we raise another round in the future, then we can look to scale the advertising revenue with that round.

There are other integrations that we are looking at as well. More and more apartments are being occupied by parents while their kids are in the U.S. Those who are in the U.S. like the fact that their parents are in an apartment where everything is taken care of and they don't have to worry about plumbing, electricity, or security. However, they sometimes encounter problems that are not covered by the management committee, such as a broken TV.

We are thinking about a concierge service or a home appliance maintenance service. There are companies that provide warranties here in India. They will track down the right TV repairman to come fix the TV. A concierge service would be nice to help in other areas as well. For example, what if the Indian couple needs to renew their passports? They could call the concierge service and get that task accomplished that way. We could look to solve problems for grocery delivery services as well.

There is also the case of electric utilities in some areas. The utility will send a bill every month to the apartment complex with the appropriate meter number. They do not map it to the name of the person using that meter. That is done by the apartment manager. The apartment manager drops the bill in the appropriate letter box. This creates a lot of problems for the utility. If someone is not paying their bill, they do not have a way of sending a reminder to that person. The only thing they can do is unplug the electricity. The problem is that they unplug the electricity for the entire complex.

Sramana Mitra: It sounds like you are looking at ways to impact the style of living in these apartment complexes.

San Banerjee: Exactly. It took us one year to work on that, but we are nearing completion of our integration with a utility right now. They are going to be able to present bills to flat owners online. We have mapped each meter to its flat. We also let them make the payment online through our payment gateway.

Sramana Mitra: How does the relationship between you and Venkat work? I have done a lot of stories of successful startups founded by couples.

San Banerjee: I was brought up knowing that I was no different from a man. That was important for me when I was choosing a life partner. It is difficult for most men in India to accept that, although it is happening more often than normal. Venkat was very different. In our college, he was fine working for clubs or associations where he was the vice president and a woman was the president. I really appreciated that in him.

In the business, he has done all of the hard work. At times it seems that I get all of the credit for the business. He seems all right with that. He is dedicated to the company's success, and of course I try to point out that he gets credit for the technology. I think it is important to blindly trust someone else.

We talk business all the time. We have to work hard to talk about other themes so that we can stay interesting to each other! We also have to focus on keeping a distance at the workplace. We have to ensure that we talk to each other the same way we would to any other colleague. We have been very careful about that. People are comfortable working for us knowing that we are fair.

Sramana Mitra: I think it is a question of mature egos versus insecure egos. You have expressed excellent judgment in choosing someone who has a secure ego. He does not need external validation and realizes the benefits of each of you working in a way that maximizes your strengths.

San Banerjee: Thank you. That is a very nice way of putting it.

Sramana Mitra: Excellent. I think you will have a long haul ahead, but I imagine you are enjoying your journey. Congratulations. I really do look forward to following your success.

Interview with Michelle Munson, Aspera

After Michelle Munson was laid off from her second company, she continued to hear from former customers detailing the same ongoing problem. Then a chance encounter with one of the top sales reps at her former company confirmed her hunch that the problem she had identified was broadly felt in the customer base. The solution to that problem became the basis of Aspera. This interview was done in January 2009. Michelle ended up marrying her co-founder, and has since sold the company to IBM.

Sramana Mitra: Michelle, where does your story begin?

Michelle Munson: I grew up in Kansas, on a farm. My family is a five-generation farm family that raises Angus cattle as well as wheat, corn, and soybeans. There's a long-standing family tradition in both the line of business and the location. That's an interesting point with me: I was accepted to MIT, but went to Kansas State.

Growing up, I liked all subjects but had a particular interest in math. I also enjoyed English. I was very serious about school, and by college I had scholarship opportunities that made it possible for me to go to school anywhere. I chose Kansas State for a couple of reasons. I had a full-ride scholarship, and I'd taken several courses at the university during high school and had great professors. I was convinced that this could be a way I would be happy.

After that I went to graduate school. I did a Fulbright at Cambridge, in the UK. Between those two, I was involved in starting an ISP in this rural area. There was no AOL access because it was too small for AOL to justify putting in service.

I took a year off to run it, but it was a very small business. It was totally different from a technology business, like we have at Aspera. It was an interesting thing to do and to better understand what the Internet meant. But there was no clear future at all, which solidified my desire to go to graduate school.

Sramana Mitra: How long did you operate the ISP?

Michelle Munson: One year. We kept it for three years, and finally sold it to another ISP when I came back from Cambridge.

It wasn't very impressive. It had 700-800 subscribers, it was entirely local. It was nothing like a serious business. We sold it because there was clearly no future with it.

Sramana Mitra: But you learned?

Michelle Munson: Absolutely! It was an intersection between a business and a community service project for a rural community that otherwise wouldn't have had access to the Internet. There were 10 people who helped fund it and get it put together. I volunteered my time to work on it. The second part was it introduced me to an entirely new world. I ended up coming out to ISP CON here in San Jose. I took that time to visit Stanford and Berkeley. It just whetted my appetite for my future.

I then went to Cambridge for a year and did a really neat program there in computer science.

Sramana Mitra: Up to that point you had been in Kansas City the whole time?

Michelle Munson: Yes. I had traveled quite a bit growing up, and had been to lots of different summer programs, my parents traveled internationally, but we had never lived anywhere else.

And I almost stayed in England. I considered joining the company my master's thesis advisor had started. But I got offered a job with IBM at a research center, then moved to Silicon Valley in 1998. That's essentially what led to where I worked, what my expertise are, and ultimately to Aspera getting launched.

Sramana Mitra: What happened in 1998? IBM was not where the action was.

Michelle Munson: What an apt question. I stayed a year and a few months. On my last day we had a town hall meeting. The theme was on retaining people. I was shrinking in my chair as the speaker gave this lecture. My cohorts were looking at me – they knew it was my last day.

But my time there was a great transition to Silicon Valley. It's how I got my next two jobs. It's also how I got introduced to the technology/intellectual community that I consider my peer group. I ended up doing conferences and retreats with the Berkeley Systems Group. I met folks from the Stanford Systems Group. I was young enough that they treated me like a grad student of their own, and I got to know a lot of key people.

The first job I had was at a startup founded by one of the Berkeley professors who recruited me into it as an engineer. It was called FastForward.

Sramana Mitra: What did they do? MM: An application layer multicast product that was ultimately implemented into appliances. It was positioned at that point, 1999-2000, as providing high scalability streaming support. The twist on that technology is that it's interesting straight out of application level multicast, but it was before its time. This was one of my first realizations of the gap between concept and reality.

Sramana Mitra: Where does your interest in startups come from? That is not what a lot of people expect from a Kansas farm girl.

Michelle Munson: On the surface perhaps not, but that's exactly where it comes from. My dad built our family farm business into something substantial. He operates that way. And my mother is a university professor, which isn't an entrepreneurial life, but it's an independent life. Both of my parents are highly independent people, who raised my brother and me to be independent. My brother runs the farm and has his own business now, selling premium Angus beef. We're also involved in banking in Kansas, which these days is a technologically-driven business as well.

When I decided to start Aspera, they were the people who were the most important. It didn't seem crazy to them at all. They kind of expected it.

Sramana Mitra: After your FastForward experience, what was your next step?

Michelle Munson: I went to a very similar startup in the same application layer networking technology area. It was started by colleagues out of the Berkeley community, who were coding theory experts. It was application of information-coding theory for transport. It covered the area we're in now, except it was encoding-based. The main application area was reliable multicast, but in this case scalability was in a different dimension. It was for large numbers of receivers who needed to receive forward streams or data transfers without having much of a back channel.

These days you could think of it as video distribution over an unreliable connection, for a large number of diverse receivers. But they also had issues matching what they were doing to the marketplace.

Sramana Mitra: What year was this?

Michelle Munson: That brought us up to 2003, which is the year the Aspera concept got going.

Sramana Mitra: What was the Aspera concept born out of?

Michelle Munson: Two things. First, at the end of my time with the second company, I had a consulting engagement with one of their customers. They were trying to deploy this company's forward error correction technology for point-to-point transport. It was ill designed for the task, and technologically did not work very well. Productization was terrible, but the customer, who was a media company, really needed it. The customer would talk to me, and it was obvious from my time working with them that there was a need and yet what the company was offering was not the right solution. One of them pulled me aside at a dinner, and while they didn't go to the heart of what Aspera is doing with higher level file transfer workflows, this person did emphasize how a solution to their challenge was needed and asked why we could not do something about it.

The second thing was that at the end of my time with the second company, I was burnt out on startups. It was an ironic situation because startups are what I love. I poured myself into these companies. I worked almost as hard for them as I do now. But I was very disillusioned – I felt both had mismanaged their direction and their placement. They both went through the dark side of failure, firing everyone, going through hell.

But I wasn't interested in going to a big company; I really wanted to be a part of an entrepreneurial endeavor. That's why I joined two startups to begin with. Finally one evening I was sitting in my room, and it dawned on me that I needed to build a software layer transport, which was focused on this problem that folks in digital media had.

Sramana Mitra: What was the problem the digital media companies were facing that you wanted to solve?

Michelle Munson: I knew it was a problem in application layer networking, which was something I had always had an interest in. I liked the theoretical underpinnings of it. I could see there was a layer that was unsolved. They needed a software layer that would allow transfer of data between sites over distances.

Sramana Mitra: Was the problem large file transfer?

Michelle Munson: At that point and time, all of the applications I saw used were large data files. Media companies had large video files they needed to move and I thought the transport existed; I'd been through companies that claimed they had solutions for this. I also thought there were open-source ways to address this with UDP transports, peer-to-peer streams, and parallel stream transports. I took that inclination and started on a path that was more focused on workflow.

In my mind, the technical solution was solved and the problem was in the upper layer of the workflow. I did a project where I built a small software application and took it to NAB in a science fair/interoperability demo. I used it as a marketing exercise. It became a little prototype that I could show. And as I went around the show and talked to people about their opinions, I found out this file transfer problem was in fact affecting more companies in the industry.

Then a second event occurred, which reinforced my idea. A very successful salesperson in my prior company came to me and said, "You know, we really needed to have a software-based transport that allowed us to move large files with these characteristics," and he put it in salesman lingo.

This was all reinforcing and validating my concept. I don't feel like I initiated any of this. It all lined up.

That I decided to do it was the function of my liking entrepreneurship, having an epiphany moment, and having a strong desire to not work for someone else again.

Sramana Mitra: Necessity is the mother of all invention.

Michelle Munson: Yes. I went along this path for about four months, starting in November, and NAB was in April. I came back and talked to Serban. He is my cofounding partner, my best friend, my engineering mentor, and the person I knew could answer all of these questions. I told him the situation, and I described the shared problem and the gap all companies faced. I felt we needed to look at the fundamental problem and see if it was solved. I still wasn't working. Everybody who knew me thought I was nuts because I had no employment and I wasn't doing anything other than pursuing this.

Sramana Mitra: How were you financing all of this?

Michelle Munson: I lived off savings; I lived off very little for a year. My dad kicked in $20,000.

Sramana Mitra: In early-stage startups $20,000 is very useful.

Michelle Munson: It sure was! That was all I needed for this type of thing. I then did an independent study of what Serban and I thought were the ways of solving this problem. I evaluated what was available from other companies, and what was available via open source. The deeper we looked, the more we found there was nothing that solved the underlying transport problem at the technology level.

We analyzed everything and set out a certain set of design criteria that we wanted the transport to be able to do, and it did not measure up. I then started to look at the specifics as to why, and then we set up a set of experiments that looked at network delay and packet loss. This was all done out of my house, completely in the background, without any structure. I was doing it, and Serban helped me structure it.

By the time we were part way through, it was clear to me that we should simply focus on this problem. We found the best open-source incarnation of what we wanted to do, found its weaknesses, and that became the base. The specific weakness that it had in terms of dealing with delay and packet loss was an unsolved problem.

Sramana Mitra: You were able to find a starting point in the open-source community?

Michelle Munson: I found a good model from a different domain that we experimented with, and it worked well. That was the point at which we started making the protocol. At the point at which we started making the protocol Serban was still working, and he continued working at his job for the next six months. He left it in December of 2003. We launched the company in 2004 – it took us a full year to get the protocol developed.

We basically worked on that, and by the fall of 2004 we had two opportunities to present it. The first opportunity was with the media company that knew me and had pushed me in this direction, Warner Brothers Studios. The second one was a defense contractor that became our first customer. They were both impressed. The defense contractor benchmarked our prototype software, which was just command-line software, and said they would buy it if we ported it into Windows. So we started porting it into Windows as fast as possible.

Sramana Mitra: Were you then able to grow organically from that first customer?

Michelle Munson: The most significant day was the notice of our first purchase order on February 4, 2004. It was a $20,000 purchase order, which I think was end-of-year money for this defense contractor. They thought they would throw it our way, and that's what we used to get launched. That's how we went to our first NAB as a company; it's how we got our first business guy; and it's how we got our next batch of customers.

Warner Brothers became our first media customer that summer, although it was ultimately a different group that made the purchase. It was those two evaluations, the meetings, and follow-up evaluations that gave us the confidence to push through. We had better benchmarks than anything these guys had tried before.

Sramana Mitra: What were you being benchmarked against at that time?

Michelle Munson: Multiple things. Warner Brothers had TCP accelerators, which were devices they put in line to improve the flow control of TCP, and when FTP was run over that it resulted in a faster transfer. That's what we were up against, and we blew them away.

In the government case I never knew exactly what we were being benchmarked against, but what they did tell me was that we needed to run under heavy delay and packet loss. It was extreme, well beyond the commercial space. That actually turned out to be our advantage. We performed so well that they ended up deploying us in radical situations where they didn't have other solutions. It went into Korea and Iraq after that. They were very specialized scenarios where they had smaller links like microwave or RF links. They would write in with their problems – they were having tremendous packet delay and they had very dirty and high-loss links. The main issue was a reliable, consistent stream of data.

Sramana Mitra: What was your ultimate design goal?

Michelle Munson: The first problem we aimed to solve was how to make a retransmission machine, a control system that retransmits data at a rate that matches the channel capacity for any packet loss rate over the channel and any delay. That was our design goal.

After we got the essence of it, we began to discover various corner cases where it would begin to break down. It took us the better part of five months to get the basic retransmit algorithm worked out. Not only how it would work, but how to implement it in software. That final piece is to Serban's credit. The data structures do not slow down as retransmissions accrue.

Sramana Mitra: Good innovation.

Michelle Munson: The other great thing is that because we were precise about what we had decided to make, we had an easy way to measure it. We had our dummy net, which introduced LAN loss. Then we had our sender and receiver, which allowed us to set up experiments where we changed the LAN packet loss. We looked at the rates we were able to achieve, and we had counters everywhere.

Sramana Mitra: You built the algorithm and the simulator in the 12 months prior to launching the company?

Michelle Munson: Yes. That was all I was doing. I didn't have any other job. I was very excited about it so I did it non-stop. I give Serban full credit for his software engineering. The model is correct and has proven itself. The software engineering is what makes it run so well. Serban designed all of the algorithms we used, and the data structures, and he implemented it. He's an outstanding engineer.

We did a second generation on the bandwidth control, which was very interesting. That was also my idea to pursue, but once we got going it turned into the Socratic method with plenty of back and forth. We worked very well together – we've worked with each other so long that this is just a conversation we have all the time, every day.

We would challenge why we were doing something a particular way and why it was different from TCP. Sometimes you do things but you're not sure why you're doing them. You have to constantly reconcile.

Sramana Mitra: What is important is that you found your business soul mate.

Michelle Munson: Yes. We had done a lot of work at the prior company, where we stayed until midnight. And neither of us started Aspera for the sake of having a huge company. We were both extremely interested in this area, and we wanted to control our own destiny.

Sramana Mitra: How did you structure the company?

Michelle Munson: It's very simple – a near 50/50 split. Another very easy decision was regarding our manner of funding. We didn't want outside control.

Sramana Mitra: Did you give your father any equity?

Michelle Munson: He has a bit, as he should. If you looked at our equity structure, you'd find it matches our company history nearly perfectly. About 25% of our company is owned by our employees.

Sramana Mitra: Who are your customers nowadays?

Michelle Munson: They're customers who are largely involved in media. The big studios are the ones you think of, but there are plenty of folks down the chain now. There are video-on-demand players and online aggregators. We have DirectTV, Comcast, EchoStar, Time Warner, and others on the VoD angle. On the aggregators there's Amazon for the video store, Microsoft for the Xbox content, and others. Cloud computing, Amazon, and IBM are all of interest because what they're being asked to do has some digital media emphasis plus a large amount of other data.

Sramana Mitra: Your customers are mostly large companies, so I am assuming you have a direct sales force.

Michelle Munson: Yes. We're almost exclusively a direct sales force, although we're working on building up a channel. Today we have seven people in sales, one person in each region.

The company has changed, in the business sense, like night and day in the past two years. It has doubled in the number of employees each year. But because we never did the VC thing, we never had a big glut of hiring. The hiring just follows the business.

Sramana Mitra: That is the right way to do it, whether you have VC or not. Since you set up the company as an equity-based structure, you are going to have to exit.

Michelle Munson: Definitely. We would like to sell the company as a strategic acquisition to a company that can make use of the technology. The kinds of companies we're interested in are ones we naturally partner with – the biggest IT companies.

Sramana Mitra: But you are not in a rush to sell?

Michelle Munson: Certainly not. At this stage growth is rapid and fun. But there's a point in the adoption curve where things change. I think it's important for a company like ours to stay differentiated in terms of technology innovation. What we do now is gradually move into the mainstream, then we'll eventually need to be taken on by a larger enterprise, which will be able to do it at volume.

Sramana Mitra: In the process of building the company, how has your life changed?

Michelle Munson: Honestly, I don't know that it has changed radically. I've always been like this. I always wanted to have a channel of work that lined up with my personality. This is the first thing I've done that fits it perfectly. I've always been excessively busy and ambitious; I've always been stretching.

When I had to make the choice that this was what I wanted to do, it was easy for me – I love it, it's what I wanted to do. It was so exhausting, especially the way we did it with no money or backing, that it stretched me to my personal limit in every possible way. But I don't feel like I sacrificed anything. This is the first thing I've ever done where I get up and I'm not depressed because I don't have enough to engage in. Resistance in life is what makes it exciting.

Sramana Mitra: What is your message to the tens of thousands of engineers who are jobless in the midst of this crisis?

Michelle Munson: Look at Aspera. The company I was at canned us all, and that's how I got here.

That's the cavalier answer. The substantive answer is that part of it underscores exactly what is wrong with technology companies. I personally feel that the overcapitalized, fast growth/fast turnaround model is self-defeating for technology enterprises. And engineers are the victims. They care about what they're doing and want to make great products.

The good thing is that many new methods have opened up for people to start companies. There is a way to distance from VCs, and it works. I get calls from VCs constantly. I don't have a problem with venture capital, but that model can make businesses grow artificially. My message is that there are other ways.

The other refreshing thing for engineers is to feel the satisfaction of truly making an impact. There is no better profession for affecting the direction in which society is going, but I don't think engineers feel the esteem of what they're truly doing.

Sramana Mitra: Unless they take control of their destiny and really do something that they can completely align themselves with.

Michelle Munson: That is absolutely right. The irony of it is that in the end, the engineers are the essence of these companies. That's where those companies start and end.

Sramana Mitra: There are a lot of things wrong with the way compensation structures and organization structures are set up, where engineers do not get much credit even though they are the ones who build everything.

Michelle Munson: More and more people are starting to realize that they can take control of their destiny. They can do these types of ventures and succeed. There are folks who are technical by nature, who start companies and understand what engineers do intimately. Our company is set up in a way that engineers are fairly compensated for what they do, but Serban and I came into this with unique perspective because of our background.

I don't know Google that well, but I have always had the impression that culturally, Google is like that, too.

Sramana Mitra: There is definitely extraordinary respect for engineers at Google. But they have gone to the other extreme, which is not necessarily recommended either. Google has existed on a complete curve of success and has not experienced failure yet. That is not life. You cannot learn from someone who has never experienced failure.

Michelle Munson: Serban and I always talk about that with their products. There is no discipline in their ancillary products, which are not successful.

Sramana Mitra: Because they are so absurdly profitable – they can continue to do whatever they want. I am much more interested in your story and the process you described – I think it is much more plausible for people who are

sitting there trying to figure out what they are going to do now that they are laid off.

Michelle Munson: I would say it is exactly like that.

Sramana Mitra: Super. I love this story, thank you for sharing it.

Feminine Feminism

As you see through the perspectives of so many dynamic, highly successful women, entrepreneurship is not easy at all. Running a company, raising children, nurturing a successful relationship, typically constitute a chaotic cocktail. Nonetheless, all these women entrepreneurs enjoy what they do, and would encourage more women to plunge into entrepreneurship.

Of course, there are trade-offs, and all of us have made those trade-offs.

I have lived the life of a serial entrepreneur in Silicon Valley, while also keeping up a serious writing career. I decided not to have children. My parents live in India. My husband, a high level Silicon Valley executive who ran NeXT for Steve Jobs, is Belgian, and his parents have passed away some time back. We did not have any family in Silicon Valley where we live, and could not count on the kind of support network that Julia and Kevin, or Wendy and Joe rely on. On the other hand, we have a less chaotic life than many of the families you've read about in this volume. I still dance and paint at a rather high level, we cook, we entertain, we travel. Those have all been important to me. But, I never had any illusion that I could have it all.

I prioritized. I was willing to make certain sacrifices.

In the end, I was able to have ALL that I chose to have.

None of this is easy. Entrepreneurship is extremely challenging. But if you have the stomach for it, being an entrepreneur, building something from nothing, realizing your vision and see it blossom into something real, tangible, impactful, important – is immensely fulfilling.

I would never trade that core sense of purpose for anything in the world!

At the same time, I would also never trade-off my femininity.
I am not a believer in masculine feminism, where you need to behave like the 'guys'. Real power comes from that core sense-of-self – your deep self-esteem, your faith in your own work ethic, your talent, your vision, your conviction, your ability to influence people through the inherent positivity of your persona.

My leadership style is simple, clear, no-nonsense, extremely hard working, and it is also informed by an effortless sense of creativity, exploration, experimentation, and learning.

It is also feminine.

One of my startups was a high-end fashion e-commerce company. I enjoy style, art, culture.

I have never faced discrimination in Silicon Valley.

I have never apologized for any aspect of who I am.

I hope this short volume will give you the courage to be yourself. Pursue your dreams.

If those dreams veer toward entrepreneurship, and you need my help, please reach out.

Final Word:

Entrepreneurship = (Customers + Revenues + Profits)

Financing is Optional

Exit is Optional

You need to define your own success metrics, including what constitutes 'All' for you.

You don't HAVE to raise venture capital.

You don't HAVE to have children.

The rules of the entrepreneurship game, however, are not different for women. If you want to play that game, if you choose to raise money, you CAN.

At the end of the day, be a damn compelling entrepreneur, not just a damn compelling woman entrepreneur.

Author Bio:

Sramana Mitra is the founder of the One Million by One Million (1M/1M) global, virtual incubator that aims to help one million entrepreneurs globally to reach $1 million in revenue and beyond.

She is a Silicon Valley entrepreneur and strategy consultant, she writes the blog Sramana Mitra On Strategy, and is author of the Entrepreneur Journeys book series and Vision India 2020. From 2008 to 2010, Sramana was a columnist for Forbes, and currently syndicates to numerous venues including Harvard Business Review and Huffington Post.

As an entrepreneur CEO, she ran three companies: DAIS, Intarka, and Uuma. She has a master's degree in electrical engineering and computer science from the Massachusetts Institute of Technology, and a bachelor's degree in computer science and economics from Smith College.

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One Million by One Million Mission

One Million by One Million (1M/1M) is a global virtual incubator that aims to nurture a million entrepreneurs to reach a million dollars each in annual revenue and beyond, thereby creating a trillion dollars in global GDP and ten million jobs.

Founder

Silicon Valley entrepreneur and strategy consultant Sramana Mitra founded 1M/1M to create a framework for Capitalism 2.0, which she envisions as distributed, democratic capitalism. The program was born out of her 2010 New Year Resolution.

The Program

We offer a case-study-based online educational program, video lectures, lean, capital-efficient methodology guidance, online strategy consulting at public and private roundtables, as well as introductions to customers, channel partners and investors. The public roundtable is a free program accessible from anywhere in the world. The rest of the services are for our paying members only. Please note that we focus on business strategy and execution; capital is optional, and may or may not be appropriate for your particular business. Less than 1% of businesses that seek funding are actually fundable. However, we are perfectly happy to help the other 99% build sustainable businesses as well, irrespective of fundability or interest in external financing. 1M/1M is a for-profit business, not a foundation or a non-profit.

Meet some of The One Million Club members, and review the Quantified 1M/1M Value Equation.

If you are looking to start or expand an incubator, please look at our Incubator-in-a-Box program.

Free Public Roundtables

As part of the 1M/1M initiative, Sramana Mitra offers free online strategy roundtables for entrepreneurs looking to discuss positioning, financing, and other aspects of a startup venture every week.

Only the first five who register to pitch will be able to present their business ideas. These roundtables are public forums and recordings of all sessions are available here.

"There are large numbers of people that want to start web-based companies but don't know where to begin. Your curriculum should be mandatory. It has enormous value by itself, but when coupled with the Roundtables and 1M/1M community there is no substitute." — Dan Stewart, CEO, HappyGrasshopper

Sramana requests that entrepreneurs use the 1M/1M Self Assessment Tool to help to prepare their pitches. We strongly recommend that you address the following items in your roundtable pitch:

Your roundtable pitch should be no more than three minutes, and consist of four slides, as suggested above.

Register at http://1mby1m.com

Contact: support@1mby1m.com

Twitter: @1mby1m

Facebook: https://www.facebook.com/1Mby1M