Stanford eCorner

Selling Employees, Selling Investors, and Selling Customers

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In the beginning, the company had three points of focus: recruiting people, selling investors, and selling the products to customers. Selling the company to investors was initially the most difficult of the three and Peter discusses how difficult it was to secure funding.

Transcript

We have to sort of do like I guess three things in parallel in the course of '99 as we were getting the company started. One was recruiting people. It was a challenge because basically it was very hard to recruit people into this totally untried company. Besides selling employees, we had to sell investors and we had to ultimately sell customers to use the product and of course figure out a usable product. I spent as a CEO of the company, one of the less pleasant but fairly important job of spending an awful lot of time meeting with investors that play about a hundred different pitches to investors in the course of 1999. And while individually they all knew a lot less about what we're doing, you know collectively they were actually, somewhat informed and it was, it's an excruciating process. I mean '99 was supposed to be this incredible boom year but even so, at any given time at Silicon Valley, there are about 10,000 business plans getting circulated, maybe 300 of them get funded by Venture Capitalist in any given quarter and then you triple them, a new 10,000 come in the next quarter. So is this ongoing crazy process and you basically, it's a somewhat arbitrary process. You don't really know who talk to. It started with the first ground we did in February '99 was sort of angel, friends, and family.

One of the people I met at a Chinese food restaurant they told me, "I never know what to invest in. We will just see what the fortune cookie says." The end of the meal. And of course it was very positive but that was still apparently not the size and they ended up not investing. The most intriguing one, however, was a, there was a group of two Australian mathematicians who had decided that because it's so hard to figure out what companies to invest in, if they were going to come up with a mathematical formula to predict which startup companies one should invest in and which ones should not. And they started to fund what called Godel Capital named after the famous 20th century mathematician. The first meeting was 8 hours in San Diego in a stuffy room without any water pitching him on it. And the second one was a week later in Manhattan three hours walking in the freezing cold, one of them wanted to take a walk it looks like 20 Degrees Fahrenheit, I wasn't wearing any warm clothes. So I figured just after this endurance they should be writing a huge check and then they say, "Well, maybe I'm going to invest $50,000." but unfortunately the mathematical formula, you know, the mathematical formula always returned but they could never decide, which is somewhat, I guess it was appropriate yet ironic given the name of the fund they had set up. And it turned out that most companies were totally undecidable. And it was not totally intentional on my part but I told them it was such a great opportunity.

I'll let you invest and give you a two-week option to get your money back. Free option for two weeks you can take the money back but you have to decide now. Well they plugged that in. Mathematical formula told them you have free option, two weeks, that's fine. We'll put in the $50,000 and then two weeks later, predictably enough formula once again told them, they couldn't decide whether or not to invest. But at this point the default have been shifted, the money was in the company and they didn't decide to pull it out and so they stayed as investors. We were actually one of the very few companies Godel Capital invested in.