



Stanford eCorner

Attracting High Quality Business Opportunities

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January 31, 2007

Video URL: <http://ecorner.stanford.edu/videos/1674/Attracting-High-Quality-Business-Opportunities>

Bloom describes how he has been able to magnetize his company, Podshow, to advertisers by allowing only global brands, to the audience by allowing user-generated content, to producers by allowing the top level producers to make most money, and finally to the engineers by providing them with the right leadership. He also talks about the importance of user generated content, especially for advertisements.



Transcript

Do we attract business opportunities? Do you go out and find them or do a lot of stuff coming to you now? Very, very important to my mind as a business person is to magnetize your company and we very successfully attempted to magnetize our company to four constituents-advertisers. We made decision, only global brands. So it's nice to say we're going to do advertising but if we would have determined not to take only global brands but the first brands in would have been crap brands, then the difficulty in attracting global brands would have been monumental as even YouTube and MySpace are experiencing today. So we have 60 global brands and basically no crap brands on our network at a cost of revenue. That was the decision we made. By having that group of global brands we magnetize ourselves to more global brands. We magnetize ourselves to audience by passing through content even though we don't own it. And passing through other people's advertising to make sure audience is comfortable. A lot of people would say only our stuff on our network. To magnetize to the producers, we try to give the top level producers a way to make the most money and everybody gets access to the network for free.

So that's nice. To magnetize ourselves to engineers, interestingly enough, is the hardest part for me. Because until we grew to a certain extent, we were bootstrapping the kind of talent we want to bring in because we were defining an entirely new mental design engineering market space. So the DNA is really like to say of our company really lean toward the media side and the biggest challenge was leadership in engineering. We had plenty of good rank and file, and 70% of our company is in development of product. But to find the right leadership we understood what we're doing has been an ongoing, the most challenging of those four. We say two things. If you walk into pod show, you don't see your standard Silicon Valley company. You see people developing content. You see people, you all figuring out how will be listened to and how to be integrated.

Everybody is on headphones, everybody watching. I mean it's a very interactive, live, open-pit environment for the way this works. Secondly is when Ron first mentioned advertisers that a lot of these global brands bring really boring advertising. So if you take advertising off of television or radio and try to put it into this medium, it doesn't work and Ron and Adam are strong enough to say, "We want your brand, but let us help you develop cool advertising that people will listen to." Because if you just take, you know, like the CEO of Daimler-Chrysler, remember when he went on TV and he was doing these ads and so on. He thought that was really cool, it just wouldn't play on pod show, and so you've actually got into things like user generating advertising. Well, for the first time I understand, the Super Bowl is actually going to have some user generated ads. Ron was doing that a year ago for EarthLink. EarthLink had some really boring ads and good company. But they had a contest on like

Adam show had a contest, it's lasted quite a bit of time, to make advertising for EarthLink and the number one ad, the one that they started using. So they're sounding a lot cooler.

Well, now my favorite thing to do is set up Ron with some of the, you know, because I know a lot of CEOs in Fortune 500 companies that I've maintained relationship with. And I'd say, "We're getting into this pod casting stuff. You know, we've mentioned that we've invested in a pod show, pod casting company. We're getting into that. We're doing a lot of podcasting. You know Tina said, "We're doing a lot of podcasting here at Stanford." And if you let Ron look into your podcasting, chances are he will tell you why it is probably not. Other than just simply script, let's put on some kind of digital media and stream, you know, it's not entertaining. It's got to be entertaining if it goes into pod show including ads. The ads have to fit the entertainment, you know, kind of genre. And so, I think the big contribution pod shows going to make are to the development of advertising as to content that you want to listen to.

You know it's the same way, a lot of us watch the Super Bowl just for the ads, right? And it's that concept. This year one of biggest advertisers is GoDaddy. We created 60. They value a lifetime value of \$2-\$500 per customer. Four months, we've created 60,000 customers for them. That's a pretty interesting campaign. So we like them, they like us, they got a great product and we can sell it and they are open minded about how we sell it. They offered us the opportunity to influence the Super Bowl ad. The last Super Bowl ad we influenced was 1995, where we put two ads in the Super Bowl, one for Oracle. We had fun then, but we thought it was old school that influences the Super Bowl ad now.

It doesn't make sense for us. Everybody's doing it. So if everybody's doing user-generated fake Super Bowl ads, we don't want to do that. We have to find something else to do. One of the greatest joys in the world as an entrepreneur is the ability to say no. The minute you start saying yes to everybody and thinking there's a solution for everything, you're really messing yourself up because you get no respect in the community you're operating. We spend a lot of time, and we're proud of it, telling advertiser, no " No, I understand that's how you want to do it, but our audience won't accept it, and sometimes we say, "I'll tell you what, let us do the campaign, we'll run it for free and if you don't like it, don't pay us." We do a few of those. Sometimes we say, "We will not accept your advertising and they will come back in a month, in a week or a year and doubled up. So you know on the advice side to have a little bit of self-esteem about the brand or the product that you push out. To feel good about what you're doing, is a passion that communicates to the people to which you are going to sell.

I'm just curious. I'm just going to say that if the goal is becoming bigger and bigger in a company and you guys have like approval process to your advertisers? How is that the process to see a lot in the systems and it's more like that there's this really that's the basis where the place where to be processed when you guys have to want to make sure through advertising, you know. How do you feel about that? Well, I have a philosophy, kind of. Go ahead. How do you scale up if you're exercising editorial constraint if you're, you know? Why do you exercise constraint in a marketplace? Because you want to create an environment that opposes some other methodology. Right now, the online advertising marketplace is being driven by Google, which is having the absolute opposite effect which is selling links which is driving, in many cases, down the value of advertising and created a CPM market. We looked at that market and realized that that is a really good market for creating a baseline relationship, but a really bad market for creating a branding relationship. So we said, "That's a bad market. Who's going to have the good market?" We think we do have a pretty good market. Can we defend that claim? Yes, we have 50 million downloads.

We have loyal users. Top 20% of our network does 80% of our downloads, which means we have deep, lasting relationships we hit them again and again, it's not a one off at one off. So we go to a brand and say, "We go with a mentality that we want the brand to compete, to be on our network. That will scale when you have \$55 billion worth of advertising spent on television and radio and the audience is decreasing at 30% per year so those are the inverse economy of scale driving a decision-making process. Our gamble is that brands are going to want to connect with their audience. And if we could keep the quality of advertising, there's no law that says, "Somewhere in the last 30 years, advertising in content bifurcated." And if you go back and study radio and television, it's the slot law that changed it. Twenty four minutes of programming, 6 minutes of advertising, syndication, if you all of you study up on that, it's very interesting. The internet is we don't need that format's transportable and transmutable. We can incorporate advertising anyway we want, which gives advertising a chance to be content again. Brands realize that before advertising agencies, so you start by showing case studies.

To do half a billion dollars in internet advertising at one company and still have people have lined up outside the door for example is not going to be a problem. We also do our sales with a very small sales force increasingly large numbers, smaller and tighter brands. Music to my ear. We got a way to go but we're working on. What about the quality of the content that's on your site. Because many of these rated that usually it should be the content may not be good quality. How do you balance that? Well the audience, you want to know how do we understand if content is good quality. Well, the social media network in itself promotes what they think is good and identify what they think is interesting so content is good or interesting for a variety of reason like life is. This piece of content is good for today because it's topical and stupid and I'm going to dispose of it. But on the other hand this show is interesting and I'm going to dedicate 30 minutes of my week, each week consuming it.

We believe we should serve, this music is great so I'm going to follow this artist. All of that is on our content ecosphere but the topmost powerful content on our network is led by shows. And shows are what some of you will call podcast, but it is serialized content. So, the audiences have almost 5000 shows on our network. The top 300 really do the meat of the business. We watch the other 4000 or so, and we see what's beginning to percolate. As something look good or interesting based on audience response or our intuition, qualitative and quantitatively driven, we seek ourselves on that property as we call that immediate property and attempt to develop it. As the shows and program are learning from each other, we try to inject some fuel into them. We can also promote them across our network. So it is a qualitative and quantitative process that seems to be working now.

We also produce, directly produce 40 or 50 shows and indirectly produce about 200 shows that we watch every week. They are managed by producers on our network that make sure that at the very minimum across the food chain we have a decent program in every category.