



## Stanford eCorner

### Built to Flip Versus Built to Last

Steve Case, AOL, *Revolution*

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Video URL: <http://ecorner.stanford.edu/videos/2405/Built-to-Flip-Versus-Built-to-Last>

Looking back on his first 20 years with AOL, Steve Case reflects that he really thrived on the innovation of his first startup. His next project, Revolution, invests in people and ideas that change the world, which is the same mission of his philanthropic organization, the Case Foundation. Too many entrepreneurs, he believes, have a "built-to-flip mentality, as opposed to a built-to-last, built-to-change-the-world mentality." He says that the Internet has become a lot like the entertainment industry: it's easy to produce a movie but hard to build and sustain an audience.



#### Transcript

And as I reflected on that run over 20 years, as I said earlier, I realized that I really liked that first decade, the pioneering decade more, and so I decided to launch a new company, Revolution. And our focus, our mission is to invest in people and ideas that can change the world. And interestingly, that's exactly the same mission we have at the Case Foundation, which we launched, my wife Jean runs. Invest in people and ideas that can change the world. Sometimes you could change the world by investing through the prism of for-profit businesses and sometimes you can change the world by investing through the prism of not-for-profit, philanthropic organizations, but the core idea is the same. On the Revolution side, we focused in the last five, six years on a variety of different industries that we think are ripe for disruption. We really want to take risks and swing for the fences and try new things. We recognize we'll fail sometimes, but we'd rather take those risks. And frankly right now, there's too many entrepreneurs, too much venture capital that isn't taking a big risk. They're taking kind of a little risk.

And it's more of a built-to-flip mentality as opposed to a built-to-last, change-the-world mentality, which troubles me a little bit. It's actually become, particularly the Internet space, a little bit like the entertainment business. It's relatively easy to produce a record. It's actually relatively easy now to produce a movie. But it's relatively hard to build a big audience in a significant franchise. So the barriers to entry have come down. Now anybody can create a Web site. But as a result, there is significant competition. And real the battle is not just about the product. It's really about all for attention and being able to sustain that.

And as a result, there are relatively small amounts of money going into these companies, which is fine, but they genuinely don't have the ability to take significant risks. Our strategy is a little different. We're willing to take significant risks. Indeed, we want to find the opportunities that are going to take five or 10 years to really come to reach fruition. An example is we were focusing on the transportation sector. We backed a company called Zipcar, which is on the Stanford campus. Some of you may be familiar with it. It's a very basic idea that if you live in a city, you shouldn't own a car, but occasionally need access to a car, so we park those cars in a neighborhood and you'll use them whenever you want. It's more environmentally friendly. It's more economically sound for people.

People in most cities will spend a thousand dollars a month to have their car, if you look at the insurance and the parking and so forth, and use it four or five times. So it's crazy to own a car. Zipcar is a much, much better way to go. And the company has really taken off. There's over \$100 million in revenue now. I think something like hundreds of thousands of people are

sharing probably 6,000, 7,000 cars right now. And it's really the early days in terms of that car-sharing business. I wouldn't be surprised if the whole automobile business didn't migrate from a product business to more of a service business, a little bit more like cellphones. Right now you buy a car and then you just pay for gas. I could imagine models like Zipcar will become much more significant as Detroit tries to reinvent itself.

Maybe it's more like, you get access to the car at a lower price and there is sort of an ongoing monthly service fee.