



Stanford eCorner

The Value of True Partnerships [Entire Talk]

Wences Casares, *Bling Nation & Lemon Bank*

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Wences Casares and Meyer "Micky" Malka are serial entrepreneurs who believe in the fundamental power of partnerships. Empowered by working in close collaboration for years, these co-founders have started multiple companies including Patagon, Lemon Bank and Bling Nation. In this revealing lecture, Casares and Malka describe the value of over-communication, the decision process in making a pivot, and the challenges of entrepreneurial ecosystems outside the United States.



Transcript

They are the co-founders currently of Bling Nation and I can't wait to hear their story. Without further ado Wences and Micky. Thank you very much Tina. Uhm, thank you very much for having us. When Tina invited us to talk, she suggested ah, a theme that we have informally talked with Tina and with others about. That is the importance of an entrepreneurial partnerships. The partners you start something with. The co-founders if you will. And we've talked a lot about it and this is something that we've paid a lot of attention, Micky and I have been working together for over 15 years but we never given a talk like this about it, so you made it at the same time very interesting to do something that we haven't done before but also more challenging than repeating some talks that we have them before. We believe that uhm, that we do a lot of, or not a lot but a little bit of angel investing and we realized that when we look at, at a very early stage company we're considering on investing, or almost without realizing we pay a lot of attention about the founding team and especially the dynamics within the, the founding team.

And we think that it's something that is very often overlooked. Uhm, we, I like boat, sailboats in particular and I, I bought used sailboats a few times and I'd learned that sometimes instead of trying to go over and, going over the technical specs of what this boat has, when they added this, when they added that, how many miles it has, where it has been, if they tell me the story about the previous owners, it's much more easy to understand everything there is to the boat, everything sort of falls in place. You know, it's a couple and he really likes to sail but she didn't want to sail and so he put the air conditioning so she wouldn't leave and dadada. Everything, all of a sudden, things that were hard, very hard to make sense in the text spreadsheet, uhm, make a lot of sense. And I find the same thing with, with companies. A lot of things that are hard to understand make a lot more sense when you understand the, the partnerships that drive those companies and I think it's no coincidence when you look at some of the most important successes. In Silicon Valley but elsewhere, you see very strong partnerships at the core of those successes. And also when you see companies that fail, you know, the usual explanation is we ran out of money but that's, that's a consequence of something else. You know, of course we ran out of money but why did you ran out of money? And then they may follow that explanation by saying well we didn't get a good market fit or there was a problem with the product or a problem with the marketing and that's still a consequence. When you dig deeper and say why did you have that problem? Very often we see, we see problems that have to do with, with ah, with the dynamics between the partners.

And I think that that it is something that is very often overlooked. Much, many more companies fail because of the dynamics between people and then number one focus for, bad dynamics is the dynamics is between the partners. So this is very important on both sides and we, we sort of informally have talked a lot about this, uhm, about the many things that we

have done together with Micky over ah, a little over 13 years and so the talk today, we wanted to summarize what we think we've learned. This is probably uhm, a never ending task but there are some things that we think we learn or when we see a team that we can see as a strong team, as a weak team, what we like, what we don't and in our own sort of dynamics. Micky has a, Micky has ah, a lot of opinions about this. Some of them are similar to mine and some are very different. Yeah I think that what I, what we've learned in 13 years, I, I'm going to summarize it in five words and then we'll go over the, and give you the whole history. But it's, it's a partnership where it works because I have the looks and he has the brains. And that's, and that's the key for it. And we're going to go over it but you're going to find and you're going to come back and see some of the looks and the brains.

I have to let him say that because he wouldn't let me preempt that. Uhm, we met in 1997, ah, in Argentina. Uhm, I was starting a business. I was transforming ah, a very small online broker, a very small traditional brokerage house shut down the traditional brokerage operations and was relaunching it exclusively as a, as an online broker like an e-trade, the first one in Latin America to do that. And I had this crazy guy from Venezuela in our left, and are going to Venezuela or Colombia anytime before. So I assumed he had to be a Narco or something like that, uhm, waiting at my office. Do you remember Micky how we met? Yes we, we met in '97 and we had this very short meeting where I was doing the same thing he was doing but from Venezuela and we immediately clicked. It was, it was an immediately an action of looking for the same purpose. Both were from the same kind of backgrounds ah, both have started our own companies with what we had and we have to convince people to run it. And that, that same night, ah, something important that in retrospective we look back, it's it's one of the keys of our partnership.

That one night, that was probably the summer of '97, we, he was polite enough after me asked him to go out and have some beers because I took the flight all the way to Argentina to meet him. And when we're in the bar having some beers, a long story about we end up in a bar fight. And ah... I got beat up first. And then Micky saved my ass... and ah, and after, and after that process we ended up running together for like ten blocks away from the, from the guy. But something clicked there, ah, some, some important factor about trust. There we were two guys who met the same day and even after that we were covering one another's ass and trying to make it out of, out, out of the place alive. And ah, it's, it has, it has stuck to us. It was ah, it was an important component so I will guess that one of, one of the key learnings from that is, is that particular story for us.

Well we tell it as a funny story but it is true. When we look back that, that sort of has more meaning than it, than it sounds. Micky came to visit me, ah, out of the blue and he said, hey I've heard that you're a good techie and I thought I was a good techie. I can call they had done the first internet service provider in Argentina before this and I was trying to deploy this first online broker in Argentina but I don't, I didn't even have a bank account at the time and I truly did not know anything about finance. And that was something that he was trying to stress basically. He was saying, look, you may be very good at technology but you are clueless over finance, you need me. Micky had started the, ah, his first online broker when he was 17, which should be illegal but in Venezuela, he's uhm, have managed to have a broker. A broker and dealer at age 17 so by that time, he, we were 23 then? Yeah. So he was quite experienced for a 23-year-old with, with ah, financial markets and with broker-dealer houses in particular. So the, the proposal was you know, you do the technology, I'll take care of the, of the broker-dealer business.

And ah, it took a while for us to agree on terms and etc. but we agreed to merge the two companies. We fought, I wanted the headquarter to be in Buenos Aires, he wanted the headquarters to be in Caracas, so we agreed to have the headquarters in Miami. And uhm, and we use the combined entity to acquire a seat in every exchange. You've got to do, to buy and sell securities, you have to have a seat on that, in that exchange and it was ah, and it was ah, it's still is but then a more awkward process to get the seats and expensive. So we used the combined entity to acquire a seat in every exchange from Mexico down to Chile, a company who grew really, really fast for a couple of years and it was acquired by Banco Santander for a little over \$750 million in cash and Micky and I had to stay and work for them. For me the main lesson from, from when we were doing Patan in Latin America, is, and I, and I compare that to a lot of founding teams that we meet with, is that, in general I find a lot more success when the founding team has met and sort of chosen each other based on merit, on merit, in some meritocratic way. And maybe that then because of the things that you go through together starting a company, you sort of have no choice about but become friends. Often the opposite is not true when you start, when you see teams that started being friends and then they tried to also become good partners, I'm not saying it's impossible but it's ah, it's a, when we see teams like that it brings a yellow light, not the red one, but it's harder because you have to, uhm, you have to take a number of decisions that is very, very hard to take with someone who, you didn't choose based on merit but you chose based on, on friendship and attachment or emotion, etc. And in our case, it happened by chance the other way around and we think that there is something to that and to that way of becoming a partner starting with something that is based on merit and if it goes from there to friendship that's fine but don't go the other way around.

We have to stay and work for Banco Santander for four years. Uhm, but they won't let us work on the Latin American business that we sold them. And basically all of what we sold was a Latin American business so, and they were paying us a lot

of money to, to stay there. So they asked us, saying, look you guys come up with something else but they have very large operations in Latin America and they were handing those operations, the business that they bought from us. You guys come up with something else that you want to help with. And it was basically Micky that put up business for them together. We were ah, this was March of 2000 or April 2000 and we decided that the best business opportunity to do with them in Europe was trying to build the first online bank. There was ING doing it somewhere up in The Netherlands. There was a company in the UK trying to get online bank but there was no one, no one doing it in the Spain and Germany. So we put this plan together to do it with Santander and uhm, at that time, that particular process at the end, Wences was not there.

You were, you were sailing somewhere in the Antarctic and ah, he was, there was no cellphone at that time, there was no way to communicate and we had to make ah, a very last minute regulatory decision because we were getting a bank, we were buying a bank and were being named the CEO of the bank and ah, I just took the decision to put my name and be the CEO of the entire business while he was traveling. And uhm, when he came back and he opened his computer, first thing he sees is all over the place my name. And uhm, you know, many partnerships can have broken right there. It's like you stabbed someone in the back but I think that the formula for us is this, is the ego. We live, we have a lot of ego from the door out when we are doing businesses but when we're together, there is nothing like that. We leave it at the door. Yup. I still remember the shock, I left being the CEO and I came back and, and Micky was the CEO. But all it took me was a phone call to understand why it was the best decision and never doubting that it was done in the best interest of our, ah, of our company. And uhm, and it's a tricky thing because I believe that to be an entrepreneur, you need to have a high ego or at least a very strong conviction about what do you think that the world is going about your own abilities so it would be very hard to be an entrepreneur with low ego, I don't know if that's possible.

So like Micky says, from the door outwards, you need to have a very, very high strong ego, strong conviction but between the partners I think that the low ego requirement it's almost ah, a required, a good partnership cannot work without that. I need, it means not only at funny situation like this but in many other situations not needing to take the merit for the things that you think you deserve, whether you think you deserve them or not to be fine with the other partners taking that the credit and uhm, sometimes you see partnership when one of the two partners is OK not taking the credit and the other needs the credit, that can work. I think it's healthier when neither of the partners really cares who takes that as long as, as the partnership is successful. And we were 27 at that time and the things become a lot more clearer with time and with perspective. But I don't think we had it that clear at that time. Looking back I think we are convinced that that's a very important element. That bank, both in Spain and in Germany was the fastest growing bank for three years in a row. They grew to be nine billion Euros in deposits and when it grew, when it got to that size, the Banco Santander acquired our stakes and uhm, for a period of time we, we went on to do different things. You know ah, I remember when I was dating my wife for a couple of years and it was quite serious then we broke up and I remember my friends telling, don't get back to her because if you get back to her now you'll get married. And, and I had a number of friends from which that is true and then it was true for me.

We got back together and we got married. Then I 'll always say, that's what happened to me with Micky. We went on, after doing Patan, it was a very, very intense uhm, few years. I went on to start a video game company. At that time was acquired by ActiVision. Micky went on to start a classified company that was acquired by MercadoLibre. And we were very, we were partners in a number of businesses at that time and even in these businesses, he was an investor in my business and in the board and, and vice versa etc. But it was a very healthy experience to feel like you're choosing a partner. It was not imposed on, on, on us. And, uhm, and a very strong sense that the timing is right.

Right after that, actually it happened in between when we were still working on those companies, we started working on a, on a business plan that we had been toying around for a very long time, actually since the beginning of Patan, which was how to use technology to bring uhm, financial services to the under bank, to the bottom of the pyramid in, especially in Latin America. You want to tell the story how we got started with that Micky? So we have all of our experience with Patan our first company, we liked, the country that we had liked the most was Brazil. It was, it was, now in 2011 it's easy to say why Brazil? It's booming all over but this was, we were there in '98 to 2000, not particularly the best time. In 2002 when we decided to move there, it was a new president who was just upping the polls, a new candidate who was up in the polls who came from the left. It was a very contrarian time to look at Brazil. But that's what it takes. It takes as an entrepreneur, we both ah, get the appetite to, as partners also to go out when we see that there's nothing happened. We are contrarians by, by the sheer nature. That's what drives us, as a, as a partnership. And we went and we apply for a banking license.

We were 28 at that time and there was a regulatory compliance process that I can give you another lecture about. And ah, after it was given to us we started a business. We started a bank to serve that particular segment. I moved to Brazil. I didn't know the language. I had to learn Portuguese. The first words I learned was how do, how do you, how do you describe a balance sheet in Portuguese. And then I have learn about soccer and then the rest. So that's a little bit of ah, the business that we were, we were building there. I think there's, we were, we were not together at that time.

Yeah I... We didn't spend the whole time together. I took some time ah, to sail again and uhm, we were talking with Micky

everyday even when I was in the middle of the Pacific on a sailboat. And that one day, I was literally in the middle of a crossing, in the middle of the Pacific and my wife comes out, I was at the helm and she comes out and she says, the toilet stopped working, which, when you're in the middle of the Pacific it means go fix the toilet. Ah, so, so I go down and I pushed this button and it goes like pfff, pfff, pfff, I hear some pump must be somewhere I'm not so familiar with this boat and it doesn't work and you know, I have sort of a, windows training so I pushed the button again. Maybe this time it works and pfff, pfff, pfff. And I, I got exasperated, I'm pushing many times and it got like... and it wasn't going anywhere. So I had to, I lift the, the, the floorboards and there's this much space between the floor and the bottom of the boat where all the pipes and the cave, I was ah, I was trying to figure out what is what. Everything is very packed and I see these pipes and I figured this big one must be it and I knocked here and it feels like full and I knocked here and it feels like empty and I can see there's a Y dividing it, it must be stuck in there and I hit and, and then I loosen something and I pull out and the second I did it I thought, I realized that it was a bad idea but it was too late and it went, and it exploded on me.

And at that time, I was, ah, I was a bohemian face, I had long hair a beard, I couldn't believe what was going on. I had to jump on the ocean. I had to, it took like four hours to clean that boat. Uhm, and that night... And we were, we, we, you know, as a partnership when you are building a business, one of the things was talk. We talked every single day, everyday no matter where we were. And that day I was, I remembered perfectly I had this, I was in ah, I was in the northern part of Brazil where I've been there's have low income area. I was in the middle of a fabella area and we had had a very rough day. A very, very rough day in the business and ah, and that night I called him and he said, you know what I just had a very shitty day. I was so upset when he said that I, he's like, no, no let me tell you about the shitty day.

And so I, so it's, it's a communication. I mean that, that made my day looked like it was OK I could live for another day. And, and that's what it took. It took a lot of that. It's, it's being able to communicate more than, more than average. I mean we, we overcommunicate. And it's the way to have a very coherent ah, think through process and... So we, we, uhm, we had other times where uhm, we were going ah, overcommunicating I think he says. We are going for lunch everyday ah, just the two of us and going over all the issues that we had in our mind that we wanted to bounce back and forth to make decisions on etc. And at one point as it all got larger, ah, I said hey Micky you know what why don't we, why don't we start going to lunch.

You go with some people and I go with other group. It would probably be good that, that we don't do this lunch it's just, that, that you and I alone. It would be very helpful that we, we use them to spend time with the rest of the team. And, also at the same time we had ah, our desks in an open office but our desks were together and I said to put them on opposite ends. And it was a disaster of an experiment. In less than three months we were back to having the lunches just the two of us again and the desks together again and when we tried to figure out doesn't it work? It's because when, when it's very, we think it's very important that the partnership be perceived from the rest of the organization as one. To think I started a conversation with Micky and keep it going with me if, if they don't see me again the next day, etc. And he has to feel like one and for that you have to be really overcommunicated. Also, when we have issues between us and we have tons of them that they don't become uhm, public and open to the organization not for a matter of secrecy and not being transparent sort of the opposite. It is because it would be a problem for people to understand what to do, who, who, you know, who to, to follow direction from us.

So when you keep on or when you have all of this, uhm, disagreements to keep that just between ourselves but also always ah, when it's outward facing to show one face that, the one we agree. And if there's something I don't agree, I know that we are showing that other decision that I disagree with until I can convince him somehow but, but it would be very, very counterproductive to the partnership that we show those sort of different ah, uhm, faces and the of the organization doesn't know what to do with that, etc. But acting as one, we think it's super important and it requires overcommunicating to the point where it can be funny even if you are in the middle of the Pacific you may get a call at night to see what the day was like. Uhm, Bling Nation, you want to frame this Micky? Yes. Ah, in 2007, we were in ah, we were with our wives traveling and Wences come we're in, we're in... In India. ...we're in India and he said, you know I have this, let me put some context. This was before the iPhone even came out. We hadn't, the iPhone was not even in the market. I have this vision that we're going to be using the phone to pay and that the phone is going to become a very important instrument in our financial world.

And that ah, I think that if there's an opportunity that it's going to happen and we're going to be spending the next 38 years of our lives using our phone as much more than what we are thinking. And by the time there was no ah, software, the phones were all locked, they have nothing you cannot do anything on them so I looked at him and he said, what are you looking, what are you thinking. And ah, but by now after ten years together you build a certain level of trust, important trust at any level. I mean trust from, you know, being a CEO when he's not or vice versa, being able to talk and overcommunicate. And when you get one of the partners in ah, with that level of motivation, the trust becomes an important aspect for success. So this we, I was living at that time, I was in between Brazil and Venezuela, ah, we were both with small kids, and this was February of '07 and by August of '07, we both had relocated to, to Silicon Valley. We both had moved our families here. We had no clue what we're going to do with it but we decided that based on the trust that we have and our ability to work as a team, this was the place to do it. And we moved our entire personal, you know, personal circle with us now to here to start this. Uhm, it ah, it didn't feel so crazy at the time when we did it but as the time goes by we look back and it feels ah, like a crazier move.

We started uhm, shortly after we started, the iPhone came out and that pretty changed dramatically the, the mobile landscape. Uhm, we started issuing, we started focusing on enabling consumers to pay at the retail location by tapping their phones issuing these stickers that we call BlingTouch with an RFID sticker. And we do that, we started doing that with banks. We deploy with 17 different banks across the country in, in communities of less than 200,000 people. And we felt that that didn't allow us to grow that we wanted. We were at the mercy of the banks to acquire more consumers so we did a partnership with PayPal to go directly to the consumers through PayPal and bypass the banks. We did a pilot here in the Bay area with PayPal. And then we found the problem was ah, the cost. It was too expensive for us to acquire the merchants and we improved that a lot but we couldn't make it economic. We couldn't make it work.

We started focusing on very large merchants. And shortly after we started focusing on the large merchant, so did the very, very large companies like Google, AT&T and Verizon with iSys, with their joint venture and even PayPal itself going after these very large merchants with a value of proposition that we couldn't match, subsidizing Google alone is subsidizing almost \$500 million worth of hardware. A lot of iSys, subsidizing a lot of advertising dollars. And after, when that began to happen we decided to, to, to regroup and that's where we are right now and in Bling Nation taking some elements, some small elements that we think worked and getting rid of a lot of things that we haven't been able to work. Ah, to relaunch hopefully in a month or so. I also find in this, in this, in this process, uhm, that is a very hard process of iterating, changing, recognizing what, what has failed and go with something and having a partner who you can trust and, and, and share this impressions you have in an as intellectually honest way as possible it's invaluable. If we didn't have that trust, it would be much more likely that you're just, that you would just keep trying with something that maybe you know that is not the right thing, the right thing to do. And I think that has become very obvious in what we're doing in Bling Nation. I uhm, I tried to think why is that, we think that the importance of these entrepreneurial partnerships are so important. Uhm, why ah, sometimes we think that they are much more important than, than some of the individual skills and the management team is much more important than specific technology or business plan and we think that, that maybe the case because even though you only learn that by reading the books or in school or nobody taught you that, the hardest part of doing a startup is the, the emotional demands of, that you go, will go through.

And having the right partner, the right entrepreneurial partner allows you to, uhm, go through those emotional demands in a much healthier way where you can discuss all of the things that you are obsessing about. You can be much more open, much more open that you could be maybe with your investors or that you could be with your team and allows you to go through things not only, much faster than you would on your own but also with a much more high quality output of decisions. And it had definitely been the case in, in our case and we wanted to share that story with you guys. Thank you. That was absolutely terrific and I think you have some time to take some questions from the audience? Yes. Great. I'll let you moderate yourself. All right. Yes. Ah, at the bar fight, which of you guys started it? Ah, he has to have it verified which of you guys ah, did it? We were sitting at ah...

She, he started it. I didn't. He started it and I had to come in and yeah. We were sitting at ah, at the bar that you can seat on both sides just like it, that day Micky was sitting on this side and I was sitting on this side and it was very crowded. There were a couple of our friends around us. And we were talking and all of a sudden I saw a hand coming at me very hard and the next thing I remember is I was flying back and I hit the wall and uhm, apparently it was some girl I was looking at or something. Yes? What are some of the big challenges that you see retailers facing as consumers increasingly can pay by phone or other means? Uhm, what are some of the top things that that retailers are going to have to adjust to? So the question is what do you think retailers need to adjust as, as more people start to interact with our phones? I think that the retailers are in the best position of all. Ah, they control the experience at the store. They control the value that they're willing to give each one of us for our business, ah, for us doing our shopping there. So actually I, I, I will argue that they're right now if you look at the landscape they're being offered from ten different companies.

Access to more and more ways of generating value at the store. So it's the other way around. I think that the challenge is for anybody who wants to work with retailers is what do you have that is different that will find compelling value from them and interest from them to work with you. Especially the large retailer. I agree with that. I think that the retailers, especially the large retailers are in a unique position that they haven't been in a long time where ah, all of the players are going after them and in most cases they, they are exclusive offers. They have to choose to work with one or the other but not with more than one of, of these large plays that are going after them at the same time. So uhm, right, as the market is right now they seemed to be in a great position. I do see the combination of mobile and social creating more of a shift in consumer behavior and how we shop than ecommerce did and it seems like retailers, ah, or many, many retailers didn't take the threat of ecommerce seriously enough and they've lost ah, depending on the categories but anywhere from 6% to 15% market share to ecommerce because they didn't take it seriously enough early on when they should have taken it seriously enough. And I think a little bit of a repeat but probably with much bigger consequences maybe playing out right now where the combination of social and mobile may change ah, market share more dramatically than ecommerce did and the retailers are being even more passive than they were with ecommerce.

Yeah. So you guys have lived in Latin America, in uhm, in Europe, and now in Silicon Valley and I understand that there are three different, very drastic different cultural, you know, traits in all those three places. What do you guys think about entrepreneurship in Latin America right now, in Europe, and in Silicon Valley? Just because most of the people ah, each have been students, are from Panama. People want to come here to Silicon Valley to you know, start a business because there are so many people 21-22-year-old guys trying to start companies here. What do you think ah, a 21-year-old guy should do if they're from Europe, from Latin America? Should they come to Silicon Valley or is it good start to do it in your own country and then move on ah just to live in luck? You want to start? Or... Yeah. I think it's very difficult and maybe I respond to give sort of a blanket answer to that. It depends for each person, for each uhm, startup idea depending on what, what you're chasing or trying to accomplish. I think that one, uhm, the entrepreneurial ecosystems are incredibly different in Europe, in Silicon Valley and in Latin America. In Latin America, uhm, doing a startup anywhere in the world is hard.

It's again, the, the numbers do not look very favorable. If you, whatever it is, it's 1%, 10% if you want to be incredibly generous you will be successful. Uhm, let's say it's 1% and that's a chance of 0.01. When you, in Latin America any business forget about the startup, it has a 1% chance of surviving. The ups and downs of the, of the economy, the lack of a strong institutional framework or rule of law, etc. etc. It's much, much harder for companies in general to operate in this environment of very high friction than it is in the US or in Europe. And when you combine those chances or the sort of the startup chances times the, the Latin America where emerging market and high friction, the result, it's an exponentially low. If the risk gets compounded and the upside doesn't get compounded, at all, actually in many cases, the upside is less than it is in the developed world because the markets are smaller. So, so unless you, there is a very clear angle on how you know the market or a very specific opportunity, etc.

I think that, this trade off of going to emerging market because there's less competition is not necessarily a clear trade off that it pays off. There maybe more competition here but when you're exiting in a place like Silicon Valley, you're focused 80% of the time in creating value and 20% of the the time with dealing with the friction that comes with doing anything. In Latin America and most places, you're lucky if you come focused 40% of the time to creating value and 60% of the time is dealing with the friction, which for startup, it's, it's ah, it's asphyxiating, and can kill them very easily. There is some practical example that we learned when we moved here. In South America or in Europe as an entrepreneur, whenever you start a company and you believe in it, yourself, you typically put your own money to it. And you start and that gives you much more credibility than any other aspect. You know, that's what they want to see in those environments. Are you willing to risk your own net worth to build a business. In Silicon Valley, it's a very, it's wired differently. Here, to be credible, to, to be able to talk to a business or a retailer or anybody who want, that you want to build that company around, you need to show that you're venture-backed.

And that's just one little example of a lot of big difference when you get to choose a market, you know, those ah, the venture capital industry, it's not that sophisticated nor exist so well in Latin America, yet nor in Europe, it's there but it's not as broad as Silicon Valley. So those are some of the examples of things that you have to handle when, when you make a decision where, where you want to be based. I, uhm, if I were an emerging market entrepreneur who is very familiar with Silicon Valley, I would be looking at opportunities where I could develop a product and a business from Panama or wherever, it is, and using the local talent which sometimes you'll be surprised on the quality of the talent you can get there can be much better than, than what you can get in here because, and that's very counterintuitive but, but here talent is not only expensive but the best talent is often taken by the very large companies. So when you look at the startups, they will have one brilliant engineer for every four to nine good but average engineers. In Panama you may have the luxury of creating a team of nine brilliant engineers. That's very, very hard to do in Silicon Valley. And I think it's just a matter of time before we see a world class company addressing the world markets and develop the world markets from an emerged, from the emerging markets. Actually I think that the biggest reason why that is not happening is sort of self-imposed censorship if you will. There are, uhm, entrepreneurs who have the right ideas to do from Vietnam or from Panama or from Turkey and ah, they would like to launch them to the developed world from the market but they don't do because they haven't seen people do it before and they think it's impossible. I just think we have to see the first examples of that to, to begin see a big trend in the rest.

Especially, yeah, especially in mobile where I think some of these markets are very advance in how they use the mobile phone. There's a question over there. Yup. Can you tell a little bit about ah, the distribution of the work between you two especially now when you both know how to do anything and also ah, in decision making, process, and feasibility? Yeah. So the question is is how do we uhm, divide the roles between us and how, what's the decision making process? Yeah. We don't divide the roles. We, we always show one coherent, ah, owner. One coherent manager, one coherent founder, one coherent CEO. We, we will always try to be together, analyze and overcommunicate. So we will, if it's something that I hear from somebody talking to me about an issue about technology I typically would listen, will understand, we'll try to figure out an answer but I will most probably go back, talk to Wences define and come back.

Even if we don't agree, it's the answer that I took at the time, and vice versa. And we will try to, but when you overcommunicate you fix that. If you sort of divide roles we're seeing that that's a formula for, for lots of problems. Unless you guys, I mean unless the partnership is well enough built that you exactly know your expertise and each one is comfortable

executing on them. We, we sense that we are not good enough for that so we need the two of us to do one good guy and we do it together. I think that partnerships work differently and we, we've seen examples of, of people who work very, very differently and it works very well for them. But for us as Micky says, we try to have the company interact with us as if it were one. And it's not that they have to come to me with marketing issues and they have to go to Micky for strategic issues or what have you, they can come with either. And we know which ones I'd rather check and which ones I can just go and that's why this sort of overcommunicating is so important. But that's just the recipe that works for us and I wouldn't say that it's the recipe that, there are as many us, as there are people.

Yup? Wences you say that yo often disagree with each other. Can you give us 2 or 3 examples of times you disagree? Yeah. Uhm, we disagree. Yeah. The question is that uhm, if we could give examples of times we disagree. I have to pick the right ones. The ones that are favorable for me. Let me see. I mean ah, we recently did ah, took one of the hardest decisions that we have to take together which was to stop a lot of what we were doing with Bling Nation and uhm, one of us was of the idea that we had to keep trying that there were incremental improvements we could, we could do that would make enough of a difference. And I don't know what's the difference but it didn't matter how, how much of a, of a change we could do that the dynamic of the market was such that it wasn't a place for a startup to be there and it was, it's quite a fundamental discussion.

And the position wasn't like I believe this but I don't care, very strongly held positions and ah, it's a typical position that would be a problem for the rest of the organization to see through that. And uhm, and we can go in every business I mean, every week I can tell you what is it that we are disagreeing at that time, you know. And uhm, you have an example Micky? No I think that's, that's most recent one. Yeah. We, ah, we've tried to fix it by boxing. Too long for him. We have a ping-pong table now and no match. But ah, but the most, the, the, one thing that works for us very well is that we will, because it's two and because when each one has a strong opinion you are in and he's smarter than I am, remember the first phrase that I told you in the beginning? Ah, it makes you have to build your arguments better. I have to convince him or vice versa he has to convince me. And sometimes that takes a lot of time.

I have to, it's not about a thought that I had that oh, I'm going to make this shift now. No, no, this it's about sitting down and, and building your arguments and trying to convince your long-term partner that you're looking at stuff differently. That's the core of the process that I think leads to much better decision making and, and believe it or not faster than you would on your own. I think faster sometimes, on your own you would not have the pressure to, to react quickly enough. Yes? Uhm, you mentioned earlier that your partnership started based on merit and then became friendship, so would you give some advice or criteria for younger entrepreneurs who are also looking for new co-founders? Yeah. You know, uhm, it's, I think it's uhm, I see that's a very important question and I see here a lot of founders who are looking for a co-founder and asking what's the best way to go around finding the right co-founder. And I believe there's a little bit more art than science to it. It's, it'll be, ridiculous to put together a book that says the steps that you do this and week one, week two, week three, week five you have a right partner. It's uhm, part of it can be based on your skills and the complimentary skills you're looking for but a lot of it has to do with the right chemistry sort of the right uhm, experiences of each, etc. What I see that helps a lot is when you're looking for people that you respect and you trust and when that respect comes from having work together in some environment whether you said you were in the same company, you were in the same class, you were in different companies but working in a partnership, or he was your client or your vendor or what have you and, and it started with respect so that I really respect how the person works or make decisions, etc.

that's a really good way to start. And second, when there is the kind of trust where you where you think you know what? Even in, in a disagreement and when it comes with concrete examples not sort of a, when you see yourself disagreeing with someone you say, even if we had to do what she says, I would be OK because of that, of that trust that you have. That you wouldn't really care who, you know, if at times it was you calling the shots or at times it was the other person because that's the kind of uhm, of confidence you have in that person. And of course it's very, very hard to say all of this a priori, but when you have that sense or that gut feeling, with someone I think that those are ah, good indicators and very often these decisions are made with a lot less than, than that. You got to trust ah, you got to see other's, you know integrity. You have to, the first thing you have to see in whoever is that person is if his, if he has the integrity to be your partner for a long time. When you got this thing that is only for a long time and then if you're going to in a boat for three weeks, whatever he is doing or she is doing is, it's what you will be doing if you, if it were you sitting there. And ah, sometimes we overlook some of those basic human principles and we just go to some technical expertise, some more specific skills but I think integrity and motivation are by far the first key ones that you need. And I wouldn't, and I wouldn't rush this. I, we often see teams that were rushed that they are, someone is very excited with an idea and they need a technical co-founder and whenever someone can ah, write two lines of logo becomes the technical co-founder, it's like rushing getting married.

It's, it's non-trivial and I think there's too much of the success that depends on that so, it's better to wait and suffer all of the consequences of not having the right partner is better than having the wrong partner. Yes, what? As you, as you regroup with Bling, given the marketing position, how do you decide, uhm, it's good to be persistent and the market will, will, will be with us eventually versus being persistent is mostly throwing money down the drain? How do you know where do you drop the line?

You know, I think that's a great, great question, Unlike the previous questions. Right say it out loud. The question is how, you know, with the big change that we are doing in Bling, how do we know when you have to be persistent and how do you know that persistent is just throwing money down the drain? Uhm, I find it, the better I think the question is the less I know the answer but I think it's a really good question because, because see to address this decision I think to be an entrepreneur, you have to have some super strong convictions about, about what's the need on the market that you are addressing, how technology turns are playing and how they are going to converge with that need that you are supporting. Very strong convictions about your product, your customers but at the same time you have to have the humility to listen and change. And, and where, what do you have a strong conviction about and what do you decide to listen and change is not, it's a little bit of an art. And, and I wish I knew the answer but I think that's the, that's the most important work that we do as entrepreneurs so that weaving through that and decide on, look this is, this is really, we have a strong conviction about these needs to be done this way no matter what and these things, no it's obviously not working we have to change them. In the past when we look at things that have worked, persistence was always a very, very important factor. We were very close to giving up and we are grateful that we didn't give up and probably if we were on our own, we would have given up or I would definitely have given up. Maybe Micky no because he's very stubborn.

But uhm, but, but it's very hard to say and, and, and these things in perspective become very obvious and easy to talk about. You just say, oh, you know it was obvious that you had to do that. Things that are much closer like the decision with Bling right now, it's, you don't have that kind of certainty. I don't know if it's the right thing or not, it just feels that way and we looked, we think that we've been responsible and serious and thorough in looking at the different alternatives but, but, but I don't know what the answer is. Yes? I have a more personal question because I know I saw a lot of marketing for Bling earlier on in campus. I mean campus failed to giving out different claim tags out, what's your experience with marketing costs and some stuff here especially that Stanford is extremely tough to get the new students? What kind of experience you guys have with that? The question is what kind of experience did we have marketing to, to Stanford students because, because you've heard that it's really hard to market in, in, in college campuses particularly in Stanford? So what we've learned is the best way to market to students it's by students and here in the crowd we have Lisa and she worked with us ah, show your hand. She, she was with us during that process and she's ah, she's a student. She's finishing her last year now, her last semester and ah, it's, it's amazing what I, what we've learned is that there's nothing you can plan on a white board and all you need to do is to let the same crowd that lives, breathes, it's around here the whole time to be the ones that design it. And let them run give them creativity, give them leeway and just see them, see what happens, you know. We were warned about how hard it is to work ah, to market to Stanford and we were surprised with how well we did compared to that but it was mostly Lisa and her team's work.

And it's like they knew, we knew nothing about what the hurdles were and what the best way to approach this and it worked really well. Yes? With all the buzz of near field communications when do you think tap to pay will become a reality? And what shifts do you think have to happen for consumers to adopt it? You know... Question. The question is uhm, with all the buzz around NFC, near field communication, what will be the tipping point for consumers to adopt it? Uhm, I think sometimes focusing too much on the technology is a problem. It's, it's misleading. And we had probably a few dozen thousands of consumers using their phones to pay, tap and pay. Now we can tell you that the consumer experience it's ah, works very, very well across all kinds of ages, socioeconomic backgrounds, geographies. It, it's a lot more ah, intuitive as a gesture and the interaction, you know, to tap and to immediately know how much did you pay, how much you have left in your account, where, etc. than the credit card. So I, I see no hurdle from the point of view sort of the, of the, of the form factor the gesture, etc.

It is more of a, an issue of the infrastructure when it will be easy for you to link that to account you want to pay from and when will it be that the merchants have the right infrastructure to accept that and more and more it looks like a game of very, very high capital expenditure where very large companies are willing to pay, ah to play. And I can see them once the infrastructure is in place, uhm, some opportunities for startups to go in between sort of the spaces of the big ones but the big opportunity of just moving the money seems to be more of big company kind. Yes? So I want to ask the last question. All right. My question is, you guys have been really successful, with lots of ventures. What motivates you now? This is really, really hard work. What is it that motivates you to keep on going to start new companies? Will you start? I'll give you the wrap. Why not the both of you? Uhm, I don't know. And I wish I knew. Uhm, I think, I think to figure out the answer to that I should go to the shrink and I'm scared they would fix me so I won't go.

Uhm, no but, when, when I was in that sailing trip I started by thinking that I didn't want to do business anymore. I was tired of business. I grew the beard, long hair, got a guitar put it on a boat and start sailing around the world and said I'm never again going back to business. And if you are successful in sailing around the world you're starting exactly the same place you started and pretty much the same thing happened to my thinking. I, by the time I was done, we were starting. Already working with Micky and starting Bling Nation. Uhm, but it didn't feel the same. At some point I realized that I, you know, very early on I did this because I didn't have any money and it feels very oppressing and, and limiting to none. So money was a, was a, a big driver. But now I couldn't say the money is a big driver.

So for me, I remember being halfway around the world with my wife in India and she was asking questions about the

culture and the history and the great things that there are to learn about, about India. And I was asking the same people questions about their business and how was working and the margins and how it could be improved with technology. And sort of realizing that this is something that you do not, because you want to or not because you need to but because it is, what sort of comes naturally and that it gives you that, that's what, this is what you like doing creating, did you think these things from scratch and then they become something and it's immensely rewarding to work with teams you respect and admire, to create things out of nothing, I feel very fortunate to be able to do that and, and it gives me an energy. It's a, some of the same components but I will give you a very quick story. The other day, my daughter lost her first tooth and my mother sent me a letter that I wrote when I, when I lost my first tooth. And my letter said, "dear tooth fairy or he was, it's a mouse actually in South America but, ah, here's my tooth, uhm, you know our currency is very devalued could you please pay me in dollars?". He's a 5-year-old. So, and I was seven. So, I, I think that there is, there is a, there is a moti-- and I saw the letter and I, I couldn't show it to my daughter. I don't have the strength to show it.

Ah, but I think it's, it's, it's something that, you know, it's an energy that wakes you up. It's like you, every morning you put your fingers to a plug and you just get sparked when you get up. Ah, having the chance to work to discuss because that's what we mostly do everyday. It's something that ah, ah, it's, it's invigorating. Being surrounded by people that you admire. I mean, in this room I know a few of you and just, if I had written that someday I will have met some of you, had spent time, have read books about people here or, or just socially it will just blow my mind away. And ah, that's what drives me. It's this aspect that ah, there is a lot to be done and the question every time I see something, I'm always trying to figure out what's the business there. And what's going on. I can, you know, everything.

I mean even this campus. I was walking to this building. I was trying to make the mathematics work in my head. But ah, it's, it's it has to do with that. It's that motivation to really interact with people that you will like to learn more from. Ah, we do it ourselves. We do it with the teams that we, we surround ourselves with. We do it with the people that we want to invest with and go invest with, and it's just something that ah, my wife who's now she's given up and she just says, well let's go ahead whatever you say so. And it's just a lot of fun. terrific.

I'm sure you'll agree that it's just totally inspiring. Totally. Thank you. Thank you. Thank you. Thank you very much.