



Stanford eCorner

A Startup is a Learning Experience [Entire Talk]

Jessica Mah, *inDinero*

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InDinero Founder Jessica Mah discusses the realities of the startup experience, in conversation with STVP faculty member and entrepreneur Steve Blank. Sharing the early successes and missteps for her company, Mah honestly reveals the lessons she continues to learn while directing inDinero's path to success through its commitment to customers.



Transcript

So tonight I am incredibly pleased to introduce Jessica Mah. And she's currently the Founder and CEO of inDinero. And I thought we'd - maybe just start this conversation with kind of - tell me about your company. In short, you get 30 seconds to kind of give us the short version of what you do and why do we care? My name is Jessica Mah. I run a company called inDinero. And we started it about 18 months ago. I went to U.C. Berkeley and studied computer science. And while I was there, my best friend Andy and I were working on our past business and we thought it's really difficult to manage our business finances, we never knew how much money we were making, what our margins were, how much we were spending and I thought there has to be a better way than to use a complex accounting software like QuickBooks. So we started inDinero out of her dorm room and we're Y Combinator funded and then we raise a lot of money after that and we are still going strong.

Great. So let's go back to your days in college. Okay? Did you know you wanted to be an entrepreneur? I was pretty sure I wanted to be entrepreneur. And why was that? I started just building companies in college, like very small just for fun businesses, and I thought, it'd be really cool if I do this after college, like I won't have to work for anyone, little did I know how wrong that was. So you already have the bug, did you have the bug before college? I had the bug in elementary school. Did you have the lemonade stand? I actually traced drawings, so they looked really professional; I sold them for \$10, \$20, \$50. And so are there originals we could get now then on eBay? Oh god. You sold traced drawings for how much? \$10, \$20, \$50. In elementary school? In elementary school, I would take my portfolio of traced drawings and bring them to the playground and try to sell them to my classmates. Should we ask where they were getting the money from or...

Their parents. And so any other businesses when you were young? In middle school I helped design and program websites for other people. And just small stuff like that. And were your parents encouraging or were they confused? They were very encouraging. My mom still runs her own business and my dad's an engineer. So I got the engineer and entrepreneur side of my family. So by the time you got to college, you were kind of an experienced entrepreneur? Not quite, I thought I was, that's the problem and... Alright. Okay. So when you started this idea in college, did you know you wanted it to be a company or did you know it was just a good idea that you were solving a problem for yourself and your friends? I thought it was a great problem to solve and I didn't know if inDinero would turn into a real business.

But at the worse case, it would be a fun project to build, we use it help manage our own money for the future and if we could sell it to other businesses that would even better. Great. So you were an undergrad in computer science? Yeah. Alright. And so you have this idea. What did you do next? I mean did you code it and then went out and put up assignment, that said, need money or what did you do? Well... Was there an entrepreneurship club or how did you go from, you know, I am coding away until like - I think I want to start a company and raise money? We actually started building it to learn how to program in Ruby on Rails. Okay. Like we've studied computer science through our classes but we didn't know how to do web development

that well. And we didn't know how to make something that we could sell to other people.

So we thought let's just build it, let's program it for fun. So, are you saying you didn't learn anything practical in this school up north, is that...? Well, we learned like computer science fundamentals but we didn't really know how to build a product and sell it to people and iterate on it quickly. And so, then what did you do? You built it and...? Yeah, we built it, we started signing people up and one thing we did early on, which I still think was really smart to do was setup the sign-up page such that it would take in the credit card number and we would say we are charging \$20 or \$30. And see people would be entering their credit card number. And we did this without even showing screen shots, without having a fully built product and we just wanted to see people would put in their credit card number and we never charge them. But people put in their number and that's when we thought, wow, we could pull a real business out of this. And how many people signed up that gave you confidence, 5 or 50 or...? Over 100. Really? Yeah. Wow. Okay everybody now you know the first secrets, set up that webpage.

Right? And then what did you do? After that we decided instead of getting internships that summer, why don't we build this full time for the entire summer. So we started looking for money to fund our living situation and... And had you graduated? Not yet. Okay So, this was actually, at the end of my junior year at Berkeley and we found out about this cool VC program, Lightspeed Venture Partners offers a grant to students studying engineering up to \$36,000 and we applied for it with the idea of inDinero and we got the money and we decided to go forward with that. And so, what did you have to do for this internship program? It was pretty simple. We just had to fill out a few page applications saying what inDinero is and why we are passionate about it. And why we are qualified to actually build it. And we just waited and we got the money. And the money, it paid for our rent, it paid for our server costs and that was really great. And so that was your summer, you were starting to code the product even more...

Yeah. ...under this internship. What happened next? After that we thought why don't we drop out of college and do this full time. And we are going to edit this part out for the university... Well I didn't drop out. Say that again. I told my parents I was going to drop out, they were petrified and ultimately I got connected with a family friend, who was one of the early people at Rackspace, and he told me that he too was considering dropping out when he was running his company but he was convinced by another family friend not to do that. And the reason being is even if inDinero was a great idea which isn't that great, it's going to be there for many years and there's nothing more valuable than to finish college. Can you say that last part again? I mean I am not just saying that because I am here... Then give the money back.

...I truly believe that. I really believe that and I thought I could just learn a lot in that last year of college, have a lot of fun and when I finished, I would come back and proceed with my company. So you have the summer internship from Lightspeed, you went back to Berkeley for your senior year. I went back for college. And then what? And virtually no work got done that last year. We were just really focused on school, having fun, having that genuine college experience. Okay. And then we thought why don't we actually do this full time for a job and so we apply to Y Combinator, we apply to TechStars. And just for everybody else, Y Combinator, TechStars is what? Y Combinator and TechStars are early-stage accelerator programs that give you a little money to work on your company and they give you a lot of connections and help in just building a startup. And so, you applied, what happened? We put in our applications and it was pretty straightforward, we got in and...

Was there an interview? There was an interview. What was it like? It was really laid back, and straightforward, like we were really nervous about it and we, like, put up - we put together this list of at least 60 questions on what they might ask us. They asked us none of them. And... What did you think they were going to ask? I thought they'd ask like so why this market, like what's your total adjustable, like revenue per year and like all this - these others questions that I thought real investors would ask. But they just cared about whether or not we spent the time to build the product, whether or not we were passionate about it and whether or not we were able to get people to put in their credit card number for it. And I think that's what they were most impressed by. And how did they know you were passionate, what did you say? Well we told them the real story about we built the business because we had a problem ourselves and we just wanted to solve that and like no person and the right mind goes into the accounting business and says I am going to build accounting software, like that's just insane, so people like that. Alright. And so, what was Y Combinator like, what did you guys do? Y Combinator was a lot of fun, I actually really miss it, like the day of our graduation you just took a moving truck and moved down to Mountain View and every Tuesday night there was a dinner so we meet a lot of other entrepreneurs and it was just like going through college all over again but over the course of a summer.

So what did you do in the between the Tuesday night dinners? We would just program a lot. We program, we talk to customers. I would actually leave my living room office to do usability testing with customers. So every Friday I just line up a bunch of customers back to back and tell them to sign up for inDinero if they hadn't already and just watch them use their product. And that was the smartest thing we did. Great. So we'll get back to who the customers but more about Y Combinator. How long was the program? It was for three months. Great. And then you graduate? Yeah.

We graduated. And? And they have a Demo Day at the end which means they bring together a lot of investors and you try to pitch them and try to raise money. That's assuming that you actually want to raise any money and that helped us a lot. That

helped us find our \$1 million in funding afterwards. So, wow, you got \$1 million in funding? It doesn't last that long. But wait a minute. No, you didn't answer, whether you got \$1 million in funding from that Y Combinator Demo Day? Yeah. Okay. Now let's get interesting. So tell me about from college to Y Combinator, what was your idea of - just up to the Y Combinator Demo Day, what was your idea of the product and customers? What were those two ideas from your dorm room to the end of Demo Day? Did it change or was it the same or what did you learn? Yeah, there was a lot of back and forth actually.

From the day we decided we wanted to solve this problem, we talked to a lot of business owners and asked them what were they using and what do they need solved and we thought we were going to build a real accounting program like we thought we had to learn like how to take the CPA exam and just clone QuickBooks to make it easier but it ended up that no business owner really wanted that and most business owners weren't using the incumbent in the space. Who was? Who is Intuit's QuickBooks product. So you thought you were building QuickBooks on the web? Yeah, that's what we thought and - but very few business owners actually use QuickBooks then how could we do that. So why were they putting their credit card number in for? Well, they wanted a product that would displace their Excel spreadsheet actually. So, most of them were just using Excel for their books? Yeah. Interesting. And so that was your day up to Demo Day and thinking that that's what you were doing? Yeah. We thought we're building an accounting product and.... Right. Boy, were we wrong! Wrong, alright.

We'll get to the fun part in a second but this is a great story. So, wait a minute, how old were you when you got \$1 million? I was 20. Great. I would have been in Brazil with the million dollars. But, you instead thought the best use was to work 24x7 for that \$1 million. Yeah. So, tell us what happened when you were 20 and you got \$1 million. What did you do next? We sat on it for about a month. We thought we have \$1 million, let's not do anything stupid to spend it all away, and of course we have since spent it all away, and we started hiring people. So, how did you know what to do? Well, when we set out to raise the money, we thought we have to hire people with this money and we got to find a way to grow faster.

And, did you raise the money from one investor or a bunch or how did it work? We've raised it from a bunch of people and just like all the other decisions we made, we consulted a bunch of people. We got very conflicting advice and some people said, you have to just raise money from one or two VCs and call it the day and then others said, raise money from a lot of angel investors, you'll get more breadth and advice and expertise and we chose the latter approach. Okay. So, first; you chose one, in hindsight, right decision or wrong? I'm happy with it. Okay. Why? Because we did get a wide breadth and expertise and some angel investors who I thought would be super valuable ended up not being valuable, but others who I wouldn't have not let in, had I raised a small - smaller VC round, ended up being the most helpful people for the business. Cool. Okay. So, you got the \$1 million, you got some helpful investors. You start hiring people.

What were those people supposed to be doing? They were supposed to be programming and building product. Okay. And, building product for who? Building product for the customer and huge issue here was engineers as I'm sure all of us know, just really, like, filling elegant code and refactoring a lot and making it really fast and this was a huge debate and problem within my own company. I always wanted to just build lots of features for the customers and a few of my engineers just wanted to make a really beautiful code base and that's just not what customers want. And so, what did you find out and how did you find out what customers want? We got out of the building as your book told us to do and.... If I was smart, I'd have the book here 'Four Steps to the Epiphany' available on Amazon.com, but no - but I won't say that, no. It was one of - it was one of the only books I read about that first summer when we started the company. I read through Eric Ries' blog. He is another great entrepreneur and I.... The Lean Startup by Eric Ries, worth buying? And, I read through Four Steps to the Epiphany and that was actually our biggest concern because my co-founder and I, like, we had this great CS background, but we didn't really know how to build useful products that made money.

So, we decided to set up a very strict schedule for ourselves. Every Friday, we would get out of the building and watch people use the product and - even if there were still more features we wanted to build before we saw people use it. We found out that each customer led to a completely different set of insights that we wouldn't have gotten from past customers and we couldn't just do it for 10 or 20 or 30 people. We had to survey dozens and dozens and dozens of customers to really figure out what we're going to build. Wow. And so, what did you learn? What was the - I mean, this sounds perfect, right? I mean, nothing could go wrong. Well, I mean we find out that a bunch of the features you build they are not using. You find out that you wasted your time on just thinking about a product roadmap that doesn't make sense, so like one thing we learned early on was not to plan three or six months in advance because by doing these customer surveys, we found out that they urgently needed XYZ feature that we just didn't have in our plan. So, we had to be really flexible and now we only plan like two or weeks out. So, isn't that short-term vision in conflict of having a long-term vision for the company? I don't think they necessarily are.

How so? Like we have a long-term, very high level broad vision; we want to help every business owner better manage and improve their finances and whether that means going down the path of building accounting software or replacing, looking for some accountants or whatever, that's just a high level vision. But, the low level of how to get there is the hard part. And, did that cause any conflict with engineering of who wanted to build this perfect code? Yeah, it's really tough because what customers want isn't necessarily what you or your engineering team wants to build, like some of these features are really,

really, really unsexy like financial statements and stuff; I think they are awesome. But, like, they are not necessarily that exciting. Interesting. So, let me just ask, you are 20 years old, you have \$1 million, hiring people, finding about customers, sounds awesome. But, had you ever hired people before and...? No. I never hired people anyone before. And so, how did you do this? I mean, what kind of people were you looking for and how did you hire them and what did you find out? Well, I haven't always hired that well. Like, when I was in college, I always read about entrepreneurs saying only hire A players.

Sure. That's what you did, right? Only hired A players? Well, I - so I thought but when you are a first-time entrepreneur, you don't really know who an A player is. Don't they come with a sign? You think they do or you interview them and you think, wow, like they got perfect grades in college and they are super-smart, they aced all their questions. So, A players were their grades? Well, they're really smart. Right. But, doesn't mean they're a perfect fit for your company. Why not? You mean, you don't just hire for intelligence? Well, I - back then I only did. Wasn't that the Google model? Well, I really thought that hiring for intelligence was the most important thing but it's really the other non-tangible things. Well, tell me what you learnt. Like whether or not they could meet deadlines, whether or not they could build a product with a high-level goal in mind, whether or not they could go out and survey the customers themselves, whether or not they could build a product without requiring a full spec that you're given in an engineering assignment in college.

Wow. And, these things, you don't necessarily learn in college. And so, if you were interviewing people today, would you know how to ask those questions? I wouldn't necessarily ask questions to figure that out. I would.... How would you figure it out? A lot of these things you just have to try. You have to bring them in for a few days and just watch them in the battlefield. So, did you make any hiring mistakes? I made quite a few. And, how do you fix your mistakes? You recognize them, you accept them, and you try to part ways with the person who was a mistake. So, you had never hired people so that meant you had never fired people either? Right and... How was that? I remember like a few months after we had raised our \$1 million, one angel investor asked me if I had ever fired anyone before and I proudly told him, no, I never have had to and he said, well, you shouldn't be smiling because you probably hired someone wrong and you just haven't realized it yet.

And that really scared me. Okay. And so, you've now done that. Right. Like, I feel like if you are a first-time entrepreneur instead of just trying to only make A player hires, maybe it's better to think about hiring in terms of trying and then firing if you realize that you made a mistake. Right. Because that's just inevitable. And, you can't really learn who is a good fit until you try lots of people. So, it sounds like you fix your mistakes quickly. I have.

Right. It's costly not to do that. It's very costly - well, all the mistakes I made have cost us at least half our funding. Well, it's - glad you're still in business. Sorry.... That was half my funding too. So - but Jessica when you started, there is another piece of this story that I think is kind of interesting; you happened to get a lot of press. First of all, why was that, what was it like, and how did you deal with it and what did you learn? Well, getting a lot of press is a lot of fun. It's really good for the ego but.... And, why did you get all that press do you think? Well, we had an interesting story.

Like we were a 20 and a 19-year-old building a startup to help business owners and we were fresh out of Y Combinator and we had raised \$1 million, and it sounds really cool, but after we got a lot of this press, we realized that maybe half of it didn't really convert into signups. So - but the press felt good. Why did you care about signups? It was about you. I thought so and then I got your phone call. Steve called me after this huge wave of press and said, Jess, like, you have to really think about what you are doing to yourself and really make sure that when you are getting press it's actually leading to money, to business results because it takes a lot of time to go out and do speaking engagements and talk to reporters and if it's just about boosting your ego, it's just not a great use of time. But, feels good for a while, doesn't it? It does and then over time we had a lot of friends saying, how's inDinero? Oh, it's probably doing great. I saw you in Inc. Magazine or Fast Company. But, it really doesn't feel great because deep down inside you know how hard it is to build your company, and you know that you are not successful yet. So, you just feel like a con artist in a way.

So, did you feel that way for a while? I still feel that way. How come? Because people think you are successful when you are still struggling. Okay. And so, this brings us back to a funny conundrum. When you were in college and you were thinking about entrepreneurship and - what did you think? I mean, what did - how did you think it worked versus when you - what were the two biggest surprises about how the real world worked as an entrepreneur versus what you thought as a college student? I didn't realize how hard it'd be. Like, I always read about the success stories. Like, all the books you get on Amazon are from entrepreneurs who made it. And, you just assume you are going to launch your product, get on TechCrunch and then you are going to see a hockey stick in growth and then raise a million dollars and then be rich and then buy a Tesla. So, at least you did the million dollar part. Right? Yeah, well, I thought that life would be great and it's really, really difficult.

And, I thought a startup would be a lot of fun because when you hear about your friends running startups, it's all exciting. But, when you are running it yourself, the level of stress you have is just incredible. So, tell us about the stress, a 20-year-old being stressed; I am really interested. It feels worse than college. And why, what are you responsible for that makes you stressed? Well, you are responsible for your staff, you are responsible for meeting payroll, you are responsible for your customers and not screwing that up, you are responsible for your investors and then on top of that you have your own career to

worry about and your own ego and your parents and it's far more than just taking home a salary. Okay, so you thought you'd get this million dollars and things would go swimmingly well and you'd look like Facebook and the end of the year or two, right? I did. Alright, honest. And it didn't happen, right? I was really, really cocky. Yeah? I was on top of the world and I thought I had mastered it all and I was so wrong. And so when did reality set in? What didn't happen that you thought or when did you start going oh, oh? I think reality set in when that investor I talked about asked me if I'd ever fired anyone before and after that I went through each of my staff members and I really thought is everyone pulling their weight, is everyone an A player and if not like what did I do wrong or what are they doing wrong or how could we fix that? And I talked that over with my co-founder.

We sat down and we really thought about our hiring practices and we thought you know we are not moving really as fast as we should have been. We're not moving at the pace that we plan to. We weren't meeting our internal goals and that just felt awful. Yeah, because then you had to fix it. Yeah, you have to fix it. Like the first person you try to let go, that was just terrible because if I had to just let them go that wouldn't be so hard to do but, we had a lot of resistance from our other staff because everyone in a small startup is close friends to each other and they all like this person. So I had to explain to everyone why we are letting them go and then why - they weren't at risk themselves of being let go. Well, and did you any help doing this or did you have to figure it out yourself? Well, you could get advice from investors but ultimately you have to do it yourself. Great. And you have to learn the mistakes yourself.

And so the first level of reality was figuring out that you needed to change staff. And then what else, how about revenue and customers and products, what happened when reality met the road there? Well, so with the hiring and firing, that was just giving the surface and then I got wheelers after that. Wow! And why are you up here? Tell us the story. I think it's great. Yeah, well after that happened, we started - we had set goals for ourselves, for how many users we'd have or how much revenue we'd be making and the numbers seem impressive but a lot of them are just vanity metrics. They sound really good to TechCrunch and to Inc. Magazine, but they don't translate into business success. What's an example of vanity metrics? Say for example inDinero could say it's tracking tens of millions of transactions and billions of dollars of business assets, which is all true. But how many of these users are active and paying money and how much money are they paying and how loyal are they and are we solving real problems for them and that's where we really had to... And you were tracking those real numbers as what? Well, I track the real numbers too and like they were not as great as I wanted them to be.

Right. And so was that something that you had to fix or was it just kind of like you were stuck for a while? Well, we were - I think we were so unhappy during that time period because we kind of assume that we'd be successful. Like, we had raised expectations so high ourselves that when reality came to us we had no choice but to feel bad about it. Right, so how long did you guys feel bad? Well, my co-founder and I went through this six month bout of depression. We were just really angry at the world and we were just really upset. And what happened? And like we made personnel changes, we cut a lot of our costs, like we had a really nice office, we got rid of that. Remember that? I do remember that conversation. I got rid of it. Wait a minute - so just for everybody else, what did you learn about fancy offices? Well, I actually read your essay about it before I got that fancy office. And you still did it.

And I still did it. But what did you learn? Well I learnt that you just feel really scrappy and it's lot more exciting to feel poor and to feel like the underdog and to set expectations low for yourself because when we had that nice office, it wasn't just ourselves, you felt content, like guests will come in and think wow inDinero must be doing well. You have a nice office, you got a hot tub. It's really cool. But it made you feel kind of too content too, didn't it? Well I actually felt cool about it for about a month and then I started feeling like a con artist after that. I felt like I was wasting my investors' money and... Check. I feel really bad about that. Good, so what would your advice be on offices by the way? I really think this is an interesting one. I would keep my office in an apartment for as long as possible.

So, today our office is in an apartment, down the hall from my apartment. Cool. And it feels amazing. Because? Because it's cheaper, it's - everyone is in a small room together. So you're - you really feel like you're in it together and you have a kitchen, shower, it's convenient, you are just more productive. No hot tub though, huh? No hot tub. Okay. And so when did you start worrying about customers and products? How does it compare to your original idea of when you're building and for who? So I started to realize over time that we wouldn't just get an instant realization and build a product around that and for everything to be successful. When you're starting the company, I would tell my co-founder Andy, hey, Andy, after a month, we will have our product out and we're going to be successful like this is it and we've launched the product and it didn't really help that much. A month later, alright, Andy, this time it's it, like we've figured out what customers want, we're going to be making lots of money now and we did that like many, many times and that never came and then my co-founder Andy would say, Jess I don't think it's just going to happen like that and it's just going to be iterative and long and slow and we will learn new things along the way but we're not just going to have this overnight realization of what customers want.

And do you think that's how it's played out now that you've kind of learned over time? Well, it took us a long time to figure that out. Yeah, interesting. In fact, you mentioned something that I want to go back to, which is launch. And did you do a launch early on? Yeah, we've launched really early like we wanted to be the first company out of our Y Combinator batch to launch on

TechCrunch because we feel good about ourselves and we did and it felt great but the product which is not there yet like people would find out and they've complained about bugs and problems and they fall off. And I wished we had waited longer. Say that last part again. I wish we waited longer to launch... Why? ...and we didn't have till it publicly launched to get user feedback. I thought that's what you're supposed to do. We could have just talked to our friends and early customers and have them use the product and just use that for a longer period of time.

But you wouldn't have been part of the cool club. You wouldn't have been but I'd rather not lose your money than to be cool. That's an interesting lesson, isn't it? And could anybody have convinced you with that early on, honestly? Possibly, but I felt like there was just a lot of peer pressure to do otherwise. I think so. Like when you're surrounded by a bunch of other companies who are rushing to launch and your investors really want you to launch, you're just going to do it. Cool, interesting. So you just have to figure out like what you want to do and even if your investors tell you to do otherwise, you have to decide what's right for you. Well, this is interesting. And we're going to come back to this. You mentioned a couple of times your co-founder.

So first of all... Yeah. ...how important is it do you think to have a co-founder? Could you have done this yourself? No, not at all. I think it's super important to have a co-founder and I'm so thankful I have one. And why? What do you think you get from a co-founder? Is it just another pair of hands or eyes or something else or what is it? It's real-time sanity checks on all the decisions I make. My co-founder would often give a differing opinion like I'd say, oh, this guy is like so cool, he graduated from a top CS school, we should totally hire him and my co-founder would say, no, you don't want to hire him, here's why, or I would just say a bunch of things and he would just refute that and I'd say, wow, thank God I have you. And had you worked together before? We had throughout college together. So you had a working relationship before you did the company and you knew each other? Yeah. And how do you break ties? How do we divide up? No, how do you break ties? So he says one thing, you say another, how do you decide? Well, first, it was who is more charismatic and that was usually me. I would be like - I would just come up with a bunch of reasons and tell Andy why he is wrong.

But over time, I tended to be more wrong than he is. So... Sounds like a marriage to me. Oh. He is - well, now, we default to his decision. And you still like each other? Oh, yeah, we've actually gotten closer because of it. Interesting. And could you imagine having more co-founders or is two the right number for you, what do you feel like? Two or three might be right, four feels like it would be a lot, but it really depends on the people you're working with and with my co-founder, Andy, we're - like we are best friends, we live with each other and it just feels right. Cool. And how about you mentioned advisors and - as investors because that's the way you funded the company.

Yeah. Tell me about the type of advice you get, how often do you talk to them, weekly, monthly, every year, I mean different types, different times? It really depends on the person and before we took money from people, we actually would estimate how helpful we thought each one would be and based on that, we would determine how hard we try to get them in and I remember you on our list we thought impossible to get. So maybe we shouldn't even try. But we're really lucky to have you involved. Took one coffee, that was it, that was easy. And so what's the best advice you've gotten from other mentors or other advisors? What did they tell? I think the best help I get from advisors is the emotional support, it's - just knowing that they are there to help and they are not there to judge and even if you make mistakes on their dime, they are accepting and they want you to learn. And we realized that the best angel investors and advisors were those who had built their own company before. So they were their own entrepreneur, they work for themselves, and they didn't feel super strong about one's opinion. They always give you both sides of the story and trusting you to decide what was best. And so I really look for that in an advisor and now we only have maybe three or four who we speak with on a regular basis, maybe every few weeks and then the rest are super busy running their own companies.

Cool. And so were they helpful in raising the next round of money or did you do that by yourself? We haven't raised a lot of money. Oh, so you just raised \$1 million. Well, it's a little more. Okay. But we're still going on that \$1 million right now. Okay, great. And do you ever think you're going to need more or you're going to be done? Well, when we raised a million we thought this is going to be way more than we need like we're totally going to be done on that, right? In fact, we had only - we only sought to raise \$500... Okay. ...and we thought that was enough.

So what's your lesson in raising money here? It goes by faster than you think and it's always safer to raise more than to raise less. So if you could have raised - in fact, your probably could have raised more, would - should you have taken it? Absolutely. I was offered like over \$1 million more on, incredible terms... And? ...and I should have taken every penny. Because? Because it would give us more time to experiment, to iterate on the product and give us more time to make mistakes. Like of the \$1 million we raised, we had a plan and we thought we would meet each of the items in this plan, but we did account for the fact that half of that money would basically be spent on founder tuition and just mistakes we made and another problems. So you think you just kind of underestimated that the amount of mistakes and naivete that you would burn cash for. Yeah, I completely underestimated that. And you realize it's not just you. I do.

Okay. You do now? Well, now I do. Back then, I thought I was not going to screw up. Make the same mistakes. So let me

just ask the kind of two interesting questions. One is the - what are the things that people told you that you heard but didn't quite understand versus the second version of the questions is, what did you hear and did understand and to their - that is, there is two classes of you've got advice and you heard it and "yeah, but not us" and then you did it anyway versus "gee, that was good advice and that saved us whatever". Am I making... Yeah, I think that when you listen to advice that sounds rational, you don't just discard that advice because you disagree with it, you justify your circumstance. So for example, your essay on not getting fancy offices... Alright.

...we looked at a bunch of offices that were super fancy and had a guy on the first floor who would open the door and make everyone check in and you know, fancy like chandelier in the lobby and we are like, alright, like Steve told us not to get fancy offices. So we're not doing any of this, but the one with a hot tub didn't really fit into that pile. So you don't really... I'm going to add a hot tub clause. You don't discard it, you justify - you somehow justify around it or with Eric Ries' opinion on not launching so early. Alright. We didn't discard it but we justify not following it by thinking, well, it'll allow us to build up PR hype which will allow us to raise money which will help us be successful. But by launching too early, you kind of burn your only chance to get a lot of PR. Right. The heuristic there is you don't get to launch twice? Right, you don't.

And so they sound a lot like rationalizations? Yeah, you just justify it, like you just make it work somehow. And do you think being an entrepreneur now a second time, let's say, you did another startup, would advice like that register more? Oh, yeah. Because? Because, I mean, I made the mistakes and now it's kind of hard-coded into my DNA not to repeat them again. Interesting, okay. And what are some examples of advice you did take, that you think were useful? I think not settling on \$500,000 like that was just so easy to come by back when we raised and we had one very great angel investor Kevin Hartz from Eventbrite, he said take more money like this bubble is going down or whatever or maybe it will never go down, but what's the harm in taking more money just in case. So I followed that advice, I took over a million and although I should have taken more, it's better than if I had just ignored it. And any other good advice you got from others? Yeah, on like hiring and firing, on measuring more than just intelligence; on just closing angel investors when you were raising money. So we got a lot of good advice that we followed. Great, good. So maybe we'll just kind of wrap up and then take questions.

But for me the most interesting thing is you started a company pretty young in school. Do you think it would have been better if you would have worked for some other startup? At least for you in your case... Right. ...or would you still have gone out and become CEO and Founder, knowing what you know now, how hard and depressing, miserable and whatever. What was your choice, and why would you choose? I'm really happy that I went down this route of entrepreneurship because if I'd gone - went out to get a job I'd probably become a better engineer, but I wouldn't have learned about negotiating and hiring problems and dealing with the company budget and bringing out this investor, how to deal with investors and I wouldn't really appreciate how hard it was to start a company. So I might procrastinate starting a company if I have got a job, I'd say oh I could start a company in a few years and I'll do well and life will be great and it's easy to say that when you're not running a company. But when you are running a company, you intimately understand how hard it is and actually when I was going through that six-month bout of depression with my co-founder, I remember asking him like should we have just got a real job, should we have just returned all of our investor money and gone to work at Google or something. And that was when we really realized that we had to make the startup just fun for us to work in. What if inDinero never makes a profit. What if I could only make payroll and maybe make my investors a little money or none at all and just have fun with it and now my focus is on enjoying myself, I'm learning and I'm a lot happier now that, that I feel that way.

So you would do it again? Absolutely. Alright. So with that - so let's open it up for questions for anybody and you want to pick - why don't you pick? Sure. Hey Jessica, during our research looking at your background, you hit on a really important area which is looking at a room full of budding entrepreneurs what advice can you give them from getting to the idea phase and crossing that chasm into a product. You learned a lot of lessons, the product got out too early, is it doing an executive summary, Photoshop, starting the code right away, I mean, what tips can you give from a cool idea to actually crossing that chasm? So the question was - the short version is; what tips can you get or give from going from the idea into the execution? In middle school, I'd come up with a bunch of ideas for businesses, but I never actually went through with any of them. And I put together a business plan or executive summary and I put a lot of time into just planning out this operation, but none of them came through. So in college when I was starting inDinero, I thought why not take a completely different approach? Why not start with what's the most fun thing to do that would get this in the hands of a potential customer. So instead of coding we actually started with Photoshop. We put together mockups and we brought them to potential customers and we asked if they thought this would help them in any way and I felt that by going that route instead of doing the business plan or executive summary route we'd just get closer to figuring out what people actually wanted because, I mean, a business plan like if we had - if I had to look at our first executive summary and compare that to what we have now, it's completely different, so you can't really proceed based on just a plan. So no business plan survives first contact with customers? No, never.

Okay, good. Did that answer your ? Very good. Okay. Pick another one. Can you talk about your corporate culture, when you first started out, did you intentionally try to build any aspects of corporate culture other than the hot tub culture you mentioned? Yeah... And the question was about corporate culture. Did you intentionally when you started out, try to build the

corporate culture or was it - did it just happen? We didn't intentionally think about culture and that - that's probably a mistake, like you probably, you have to think a lot more about culture when you're starting off. But we build our company around friends, so we all knew each other and we all had this common culture of feeling like we're in college and we're building this for fun and, so it's pretty organic. And so would you have given when you knew now about hiring and firing. Would you have built the friends college culture or would you have built a different culture? I like the friends and collegial culture, but...

Oh, the but is important. What's the but? I had a few experiences where I would hire a friend who is really smart, which is not a great fit for the company and that would just really destroy our relationship. So I'm a lot more careful about that. And so what's the culture today? How would you characterize - if I had to give it a label or you give it a label. What would you say your inDinero culture is now? The culture right now is kind of like a clubhouse, like you know how in the basement of your parents house, you step up a little tent and you do stuff in there. That's what inDinero is like. Cool. Yeah, but with better employees? Yeah. Good. Hi, Jessica you spoke a lot about the benefits in regard to angel investors.

Could you just talk about some of the negatives when you had to give up for the - all the angel investors? So the question was that, you spoke about the benefits of angel investors, but what are some of the negatives and what do you give up from having angels instead of venture capital? Well, I'd actually prefer to compare raising money from angel investors against just bootstrapping it yourself. Okay. VCs it's obvious you lose a lot of control and a lot of equity. Angel investors you lose equity but not so much control. Some people say it's really difficult to manage investors. I think it's just not something you should worry about, like most of our angel investors, they're just so busy running their own company, that they don't have time to worry about how well or poor we're doing. By comparing it to bootstrapping, I would feel a lot more comfortable if we were bootstrapped and instead we had like great advisors, because there is a lot of pressure to grow the company, to make sure it's not just a lifestyle business that you're happy with, but one that will make a lot of money and I haven't completely figured that out yet. Yeah. But based on the company we are trying to build, I don't know how we'd just bootstrap it in an easy way. And did you get offered venture money? We were offered a little venture money, but we thought it'd just be smarter to take angel money.

And why, what was your thinking? Is it still the same? You're scared about signaling risk. If we went out to raise a VC round, but we had a venture capitalist invested in the company who didn't want to invest in the future, it would just make the company look bad -- I see. They didn't want to do a venture round. They wanted to do part of the angel round. Well, we weren't raising a VC round, like we were very adamant about just taking angel money. Yeah. And why was that? Why didn't you want VC? Because we didn't want to raise expectations first of all, we wanted to have the time and luxury of just figuring out who our customer was and if we have a VC involved, we'd be forced to spend our money on not necessarily the right problems. And I remember we talked about that when we first met, back in the summer we worked on the company for the first time, I went to Steve asking about raising money. We had actually tried to raise the money and we couldn't raise the money, and that was the big reason why we went to back to school also. And what you said was that by raising money too early you're likely to waste it on the wrong things, and I didn't really realize that until after we had wasted money on the wrong things.

Great. Next question. So you talked about some hiring mistakes that were made. Were these like full-time equity players or were these contractors. What kind of hirings - what's the nature of these hiring? So the question is; you talked about hiring mistakes. What was the nature, were they full-time employees with equity or were they just contractors or both or -- All over the board, contractors, interims, full-time employees with equity and it was really hard in every case, because there is pressure to move forward. There is pressure to spend your investors' money to make the company grow faster. And by firing someone who isn't like top notch, you're cutting away a lot of productivity and you want to move fast, but if you get rid of them then, oh well we're going to have to do a lot more work that we didn't want to do, but that always ended up being the wrong mentality. And so it's just better to fire as soon as we realized it wasn't a perfect fit. So you learned that it was better to have an empty seat than a seat that wasn't fully productive? Yeah.

I mean, I don't need to have all my weekends, like I'd rather have my sanity and just work more to make up for it than have only a half contributor. And were you still able to hire after people knew you were actually capable of firing them? Yeah, of course. Yeah and eventually how did the rest of your organization deal with the fact that you were not going to accept half productivity? People really think about what they're contributing, and everyone bounces back, like even after a good friend leaves the company you bounce back and I feel like you're almost stronger, because there are fewer of you and because you know that - like you know that you are the right team. Okay. Good. Next question. Was it difficult to make your customers talk about the quality of the product? So the question was. Was it difficult to have your customers talk about the product, and the quality of the product? It's really easy to get people who love your product to talk about it. It's really - it's a lot harder to get the people who don't like it to talk to you about it because they'll use the product and they'll stop using it and you'll never hear from them again. So we set up a little survey box on our dashboard that asks if they'd recommend inDinero to a friend, and it's simple.

Yes, I would. No, I think it needs more work. And we measure that every single week and that's allowed us to get in touch with the people who wouldn't recommend us and probably wouldn't come back. And so who do you learn the most from? We

learn more from people who find the product promising, but have a lot of problems with it. The people who don't find it useful at all just aren't the right customer at all. Interesting, and so how did you get a hold of the people who - that middle ground, how did you find them? Well, through the survey and through customer service. So, we get hundreds of customer service e-mails every single week. And a lot of them say, oh, I have found out about you guys through so and so magazine and I could set up my account for X, Y and Z reasons, and we'd get in touch with them and we'd learn a lot just from customer service. Okay. So, who talks to customers in your company? We've one full time staff exclusively working on customer service.

In customer service? He's not just customer service. He's not just answering support e-mails. It's a constant learning role. Right. And how often do you talk to customers? Pretty frequently, like, I'll talk to at least a few a week. A few a week, wow. Before I would talk to, like, a lot more potential customers and get them to be customers, but... It used to be called sales? Well, yeah. But for us, it was about usability, testing and research. Okay.

But yeah, customer services isn't just about service, it's about learning. Okay, good. Next question? Yes. So, you said you speak with lots of customers, and every customer will want something from you but they're all going to have different priorities, what type of mechanism do you use or what process do you go through to find out what features are going to go in the next generation of our product? Also can you talk about an occurrence where a paying customer asked for a feature that you had to tell them they wouldn't receive and how did that go? So, there were two questions embedded in there. One is, given that you have a series of customers who want stuff from you, how do you prioritize the customer requests? And two is, when you had a paying customer who asked for something but it turned out you couldn't get to their feature, how did you deal with that? So to your first question, I'd say the main process is get out of the building and actually watch them in person use the products. So, we didn't have any fancy software or process. It was just e-mail them and say, hey, I want to figure out how you're using InDinero and how you could make it better. Can we meet up in person over coffee? And a lot of our customers are in San Francisco or in New York and I live in New York, well my parents do, so I get the best of both. And that's always been the best way. The least successful learning we have is on the phone actually.

We can't watch them use the product, we can't watch them struggle, and that's just not as useful. Your second question was about paying customers who want a feature and we've had to turn them away. And we get then quite a bit. We have people who want us to build a feature that would make us too much like an accounting product all the time. And we just have to tell them, remind them that they signed up for InDinero because they wanted simplicity and InDinero gives them that simplicity and we can't just build everything for them. But we found out that a lot of our customers do ask for valid features and it's not that we won't build them but it's that it'll take us three to six months to get around to it and that's the more difficult scenario. But we found that most of them are pretty patient. They're willing to wait for us to catch up because they believe in the company. So who is the product steering committee in inDinero? Well, it's all of us. Okay.

Like, it's not really like we vote on features, it's just we talk about it over dinner once a week. We'll take the company out to eat at a restaurant and we'll go over the problems that customers had, and then based on that we'll just decide alright that sounds interesting I'll work on that. And was there ever a time so far that you've heard enough requests in a place you weren't planning to go where all of a sudden it was clear that you needed to make a shift in this area or has that not happened yet? Yeah. I'd say the biggest example of that is with building a mobile application. I never really thought strongly about going mobile because I thought that every web startup was just building an iOS or Android app because that was the cool thing to do. But, a lot of our customers expect that and demand that so that kind of brought us on to a different course. Cool. Let's take one last question. Is this the best question - best question in the room. Okay.

Have you noticed any similarities between the company culture meaning your employees and the way they interact, and your customers? Whether they value the same things or whether a lot of your employees just can't relate to your customers? Okay. So does the company culture relate to your customers? That is, can they understand your customers? Yeah, absolutely, and I actually meet a lot of entrepreneurs who say that their customers are completely different from who they are and they're not very intelligent or they ask for stupid features and they just don't get it. But I'm really proud to say that our customer base is really smart, really text savvy and they get it, and they're really fun to talk to, so -- That's a great sign, Jessica, because when you start hating your customers you're out of business. So, with that, I want to thank you very much for a wonderful time today and thank you very much. Okay. Thank you so much for having me.