



Stanford eCorner

The Number One Problem

Cyriac Roeding, *Shopkick*

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Using the original challenges faced by his company, Shopkick Founder and CEO Cyriac Roeding teases out the number one problem facing entrepreneurs: the chicken and egg problem. If you can't get funding without customers, and it's difficult to convince someone to be your first customer, how do you break through? Roeding explains why breaking the egg is the art of entrepreneurship.



Transcript

So what is the problem of an entrepreneur? The number one problem. What is always the problem when you start a company? Money. Actually that comes later. What's the first - what is it? An idea. A good idea. Right. So an idea, right? An idea is important and money is also important. And this is actually great. So if you had an idea, you could get money maybe, right? Maybe. And if you had money, you could get staff.

If you could get staff, you could build a site, could build an app, you could start a company. In my case, this was - it worked like this. The idea that I came up with for shopkick was: if foot traffic is the number one problem of one of the largest industries in the world, retail - \$3 trillion in the US alone, trillion not billion - then how come no one ever rewards anybody for visiting a store. Why only for purchases, why not for visits. Why not just for being there, for walking in. If that's the number one problem, and the answer to that question was because nobody has a clue that you're there. Until when? Until you buy something with your credit card, right? In other words, until you leave. So you walk up to the register, you swipe your credit card. They look at you and say, hi Robert, how are you today? And they look back and they say, I'm doing great, thank you. And then they say, bye.

That's a little weird, isn't it? To be greeted when you leave. 100 years ago, it would have been the opposite. You walk into a store, you're being greeted. How are your kids? Did you like the cereal we sold you last week? Nowadays they don't even know you are there? So I had this idea: rewards for walking in, just for walking in. Well, idea, cool. It might work. Big, large market, all that. Great. I'll get to that later. Then the next question was okay, if you want to get rewards for walking in, then you sort of need somebody to pay for these rewards.

Who should that be? And the people who want the foot traffic, right? They are called retailers. Okay, so the retailer should actually pay for this. All right, if that's the case, then if you need retailers then what are the retailers going to ask. Well, I thought okay, it might be much better for the consumer if it's the same points you get everywhere. Kicks here, kicks there. Not different kicks for a Macy's, Bestbuy, Target and so on. Always the same currency, that would be very powerful for consumers because every retailer that joins makes it better. And there you get to the problem. You go to a retailer and you say - this was in the financial crisis in '08. The world was coming to an end very soon.

It was just a matter of time. And you basically walk up to them and you say: I would love to start a cross-retailer rewards program and you get rewards just for walking in. That drives foot traffic to you. And they said, well that's great. Who else is in that alliance? Well right now, it's just you but that will change. Okay, why don't you come back if you have others? And then you go to the Sand Hill Road venture capitalist and you say: I have this idea, rewards for walking in. And they say, ah, that's not bad. Who is going to give out those rewards? Well, the retailers. Great. Do you have any yet? So if you had a retailer, then

we might actually fund you and then you go to the retailers and they say, so do you have any other retailers yet? It's just you but there are others interested.

Okay, do you have funding yet? Not yet but if you, then they. And they say well if they, then we. That's called the chicken and egg problem of entrepreneurs. It's the number one problem. And the number one job of the entrepreneur is to break the egg. Essentially that's the art of entrepreneurship. There is a lot of science but that's the art. How do you break the egg? There is always a chicken and egg problem because you have nothing. The art of entrepreneurship is to create something out of hot air.