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Making Complicated Things Simple [Entire Talk]

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Alon Cohen, co-founder and president of Houzz, a leading platform for home remodeling and design, shares insights on being an immigrant entrepreneur in Silicon Valley, and how the drive to work hard and persevere are more essential than mere talent. Cohen explains that success rests on building products that are both useful and simplify complicated tasks.

Transcript

Thank you. Hi, everybody. Thank you for having me here. It's a great honor. In fact, I went on the website and looked at the list of people that were speaking here and wow, it's amazing. Actually, you guys should give a check to everybody that comes in here. You will have the best growth fund in the world. So I want to talk to you about making complicated things simple, because I have been trying, I'm sure like you as well, to figure out what makes a company successful and I have done that in different phases in my life. And you look at things like what background people came from, did they go to Ivy school, universities, et cetera, and it's hard to find one thing that defines somebody that will be successful as an entrepreneur. And the one thing that I saw that was common though between everybody is that they took something that was very complex, that was complicated and made it much simpler.

And that's part of what I am going to share with you today. Before I do that, how many of you have seen The Last Lecture? Okay. A lot of you. For those of you who haven't, highly recommend it, a very strong piece. And the main theme there is that basically you spend your life trying to achieve your childhood's dreams, right? And that's kind of how it started for me as well. So this is second grade and I had a friend and we were into electronic kits. So what we did is just tried to make a bunch of alarm systems and amplifiers and things like that. At least we were thinking we were doing that. In practice, it wasn't really working that great. But as were doing that and spending a lot of time doing it, we talked about how awesome would it be to create a product, we started designing it actually, create an electronics product that we will then go and sell.

And my friend just came back actually from the U.S. where he spent a couple of years and he was telling me that, after we do that, we will be sitting on top of a skyscraper in Manhattan and we will be sipping cocktails and having a lot of fun. That was second grade, I didn't have - didn't know much about cocktails and had no idea where Manhattan was but it really sounded good. So I figured out that's something I want to do someday. I want to create product and start a company. But that was just kid's dreams, right? Fifth grade is when - a lot of things changed in my life. The first thing is that I got introduced to programming. I went to this class and we used this computer that, I am sure a lot of you are not familiar with, it's called a ZX81. It had one kilobyte of memory. And the biggest challenge there was how do you write something useful without running out of memory, of course.

And so I did that and that kind of started my love for computers. But also something else happened in fifth grade. I had this teacher, she took me and a couple of my friends and she had us help a few kids in the class that needed help with their homework and with just learning. And so we went to their houses, I had specifically like one child that was really not doing very well. And I went to his house a couple of times a week and helped him with things from math to grammar, et cetera. And so one day we had this grammar test and it was really a challenging one, a lot of people didn't do very well. But the guy I was helping, he got an A plus. And that was an amazing moment. I mean it felt just great. It felt better than like being successful

yourself, right? And later on, I went on and had a few other experiences teaching other people, teaching classes as well.

And that's one of the things that I highly recommend to everybody. First, it's a great introduction to management. So a lot of things that are very similar between teaching and mentoring people in managing. And the other reason that's especially important for people who are doing startups, or want to do startups, is that you have to learn how to take a very complicated concept and make it really simple, right, especially if you want everybody to understand it. That's exactly like creating a product, a new product that you need to make sure that you take a complicated problem and you make it really simple so that everybody understands. So, moving on to high school, there is this small insurance company that the owner there heard that I was doing programming and he wanted me to come in the summer vacation, come and help them build this software that will automate their business. And so I did that over the summer, it was for a kid it was great money. And it was a lot of fun too. Actually, the thing that was the most fun is when once the software was in place and the people in the office started using it, they started every time I came there, they started thanking me. And I didn't do anything new or extra every time I came there, right? It was still the same software that I built before.

But they started thanking me for, this is - the software they have been working with all the time. And that is one of the pleasures of building a product and actually that's the same thing that keeps us running today at Houzz. We have - there is a lot of difficult moments when you run a company. A lot of moments where you feel like everything is against you, nothing is working, everything is going to fail. And those moments, I go to the app store to look at our reviews. We're lucky enough to have five star average reviews, 200,000 reviews, so there is plenty to choose from. And you look at that, and it gives you the sense that you're actually helping somebody. Because making money at the end of the day is nice, you can look at the kind of the bottom-line, how much money the company is making, et cetera. It doesn't really give you that sort of gratification than people that actually say something nice in their review and they thank you for what you've done. In fact, my favorite review, not my wife's, you will see in a second why.

But my favorite review is somebody that wrote that if Houzz was a man, I would marry him. So I read that one at one of the company meetings and I spent that night on the couch. So, this is where you guys are. And this is the university I went to and I was in this program that - it was really this program that paid for my tuition and living expenses and stuff like that. But I learned a big lesson there. After a year and a half I got a mail and it said that I am getting kicked out of the program. And what happened is that I was an okay student, I did my job but I didn't really do enough, to be honest, right? I mean the whole idea there was that you're supposed to do extremely well and really get the best grades and take extracurriculum, et cetera, and I didn't do that. I was lazy. And so I got kicked out and I had to start working while I was at school, including, by the way, working as a teacher which was kind of fun. So I learned from that but the biggest thing I learned is that it's not enough to be talented in something.

You actually have to work very hard. And that's, I see a lot of startups that they don't get that, that's kind of a big piece, right? I mean it's not just about being able to do something, it's about being able to work through it night and day and it is hard. So it's something that is very important to keep in mind and that is something that cannot be simplified by the way, unfortunately. So I want to talk about how you select your partners. Let's say, you decide to do a startup. So I have had this idea for a startup in, I think, it was 1997 or something like that and I had worked with a friend of mine and we worked together before, I liked him, he liked me, everything was cool. And then we went to a VC and that VC said that they are willing to invest in me, they don't want to invest in that other partner. And so that thing didn't work out. So something wasn't right there either with the partner or with the VC but it just didn't work out and the whole thing kind of collapsed and failed and nothing happened. And choosing partners is something that's actually very, very difficult.

And I failed in that many times actually. That's just one of the examples. But I did get lucky once and that's when I went to Thailand. I went to Thailand and I went on a bus similar to this one because I had to get from Bangkok to Koh Samui which is in the south of Thailand. Usually, people fly but didn't have enough money to fly, so took a bus, it's 15 hours bus direct. And then I went, I sat in the back of the bus and then there was like my wife to be came onboard and she was with two other friends and they sat in the front of the bus. And so the bus driver comes to them and basically walk her by the hand and tells here, you have to sit here next to this guy because other people are supposed to come on the bus. So she is doing that, right, and then we start talking for 15 hours in - actually she did most of the talking. I have a hard time even talking 40 minutes straight like here. But it was a lot of fun and then we got married.

Not in Thailand, three years later. We moved in together before that and other things. And then I realized that maybe the algorithm for getting married is better than the algorithm for finding startup partners. And even though like I know 50% don't work out, but it's still maybe better than how we select partners and if you think about it, just dating first, right, and then moving in together, right? How many partners do that? Many times people just decide, okay, we're just going to do it and we're going to share everything and from that on - that day on, you guys are married, right, and everything that's happening with this company is kind of that's the way it is, right? So it's good idea, if it's possible, I never did it, but you guys should try maybe is to actually date and live in together with your - not literally, with your future partners, but invest more in that. It's very important actually.

The two most important things that I found in whether startups are going to succeed or not is, A, to pick the right people which are your partners and the first people you hire, right? And B is just work which we've talked about before. So sometimes it seems like there is - there are two options for people that - for students, just are about to finish their - just people in university, right? One option is you drop out of college and by the age of 25, you become a billionaire, right? And then the other option is you finish your school and then you go work somewhere and then you do that for the rest of your life and forget about the startup dream, right? Well, it's not really like that and we met this when Houzz was starting to get more steam, we met with a bunch of entrepreneurs and one of them is a guy named Amosvile Nayi and he has amazing story where he started his company in his 50s, okay? So that's when he started his company and became hugely successful. He went public, he sold his company for - eventually for $4.5 billion. And so he really was successful even though he started very late. So it's never too late.

I mean obviously, it's easier to do it before you have kids, Adi and I are doing it with - now three kids, when we started we had two, which is not easy. But there are some advantages too and one of those advantages is that you can actually learn on the way if you go work in some other places. So I joined eBay in 2001 and I have been there for a while. Originally, what I wanted to learn is why eBay became successful, right? How come the community kind of got together and became what it is. I was never able to figure that piece out. So it's kind of hard really. Now, in retrospect, when I look at Houzz, I kind of understand that it starts with building something that's useful and then there is just additional steps along the way. It happens kind of day after day, it doesn't happen overnight. But at the time I was really trying to figure out what's the secret sauce, what's the magic that makes it happen, right? And there really isn't at the end of the day a magic, right? It's just something useful and then just keep going at it, right? But I did learn a bunch of other things. So a few things that I have learned at eBay, the first one is that when you look at user flows, it's really important that you keep them really, really simple.

It's - there's a lot of jokes about users and how complicated different things are for users but the reality is that when people are using your product, they don't care about your product, they care about everything that's going on in their life and they have this little attention span for everything that's going on with the product they are using. And so it's really important to make it really simple for them and not let them guess. And I'll give you some examples later on when we talk about product design. So that's the first thing I learned. The second thing is a little bit unfortunate but I learned how to let people go. And that's something that is really easy to push away something you really don't want to deal with, everybody wants to be a nice person and wants to make things work out but the reality is that in most of those cases, it's best for the person you're letting go and for the company to just separate ways as soon as you realize that there is something wrong. I made the mistake of waiting too long and it was a disaster. I actually made that mistake not at the same level, but I let things go for a little bit too long, even at Houzz the first time, but since then it become kind of a little bit easier in a way. It's never easy. It's always a challenge.

But many times what your fears are, are much worse than what it really is. In most cases, the person anyway kind of realizes that it's better for them and they were just kind of waiting for that and all of the people that work with that person are just like, after that they come to you and tell you, why did it take so long? And it's kind of unfortunate but that's really the reality of things and it's best for everybody. So these are some of the things that are not so fun in having your own company. But it's something necessary. And many times, there is just no way around it. You can interview as much as you can, as much as you want, but you're going to make mistakes. So that was the second thing that I learned at eBay. The third thing I learned is maybe how not to do some things, right? When you're working at a big corporation in a company that's public, it's - things are kind of a little bit more bureaucratic, there have to be more checks and balances and it really is difficult to get people to feel empowered, right, to feel like they can actually get things going, they can actually come up with ideas and work on them. And that's one of the things that I really tried at Houzz not to get into that situation. We tried to hire people that are very entrepreneurial and let them run with it.

Obviously, it's a lot easier in a smaller company. But that's something that's extremely important is to trust the people that are with you and let them do what they realize is the right thing to do. Last but not least, we had this really great program at eBay called Leadership eBay and it's where you get a bunch of people together that - from different places in the organization and it's usually like small groups, five or six people and they talk about - basically there is a like a group leader, right? And you talk about things that stay within that room, that's kind of the understanding, right? And people share really big problems that they have. Sometimes even personal problems, I mean there have been even like tears in those scenarios. And I shared my thing, the problem I was having. Let me ask you first - how many people here were not born in the U.S.? Okay, so like more than half, right? So it's kind of hard to talk about those things, but sometimes you feel a little bit, as an outsider in some situations, and I think for you guys it's actually a lot easier because you came here when you - while you are still young and you go to school together and that actually helps a lot. I came in when I was 30, right? And when I was around engineering folks, it was a lot easier because we speak engineering. But when it comes to situations where you work with a lot of business folks and especially when I was not here, now I'm here for 15 years, but when I was here just like for a few years, and they talk about their experiences from school or sports or other things I wasn't really into, you really feel like an outsider. It's not their fault, it was my fault that I was feeling that way or at least that's how I thought. And so I shared that with the group and then one of them told me something that I will never forget.

And he said you're looking at it the wrong way, you're really the American dream. That's really what you are and that's how you should feel about it. You came here and now you're part of a successful company and you're doing so well. And that stayed with me, right? That actually helps a lot to see that, sometimes the things that you imagined aren't really there, right? So that was kind of a really good experience for me. So, let's talk about Houzz. So, how did it all start? We bought this house in not too far away from here. And it's an old ranch from 1955. You walk in, it was never touched. So you walk, you turn right, there is this white kitchen, never touched, it's basically like original the way it was back when it was created the first time. You keep going and going to this bathroom, it's a neon pink bathroom, right, and I tried - I am a little bit tall, so I tried to stand there and basically I hit my wall - my head on the ceiling all the time, right? So it had good bones; we went with it and a couple of years later when we had a little bit more money, we wanted to remodel it, right? So we started the process, we thought it was going to be a lot of fun, right, we all walked around furniture stores, right, and liked all the vibe there et cetera, we thought it was going to be a lot of fun.

And we started and we were looking for a professional, for an architect that had experience modernizing ranch homes. And you look at the Internet and it was like you get to this weird website, it's kind of loading really slow, it has flash and there was somebody that thought they will do something really cool with it, so you have to wait for 30 seconds until the animation starts. And you're trying to figure out like what's going on there and you can't really find out. Where are the professionals that I need, right? And eventually, we went with somebody that our friend recommended. And it actually didn't turn out that well. So we had to - after we did all the plans, we have to basically delete them and start all over again. And later on, when we talked to other people, they told us they had the same experience. And then they sent us to the bookstore borders when it was still in downtown university, right, to look at books and magazines, right and get ideas. So we would go there and buy a bunch of books and magazines and go page by page and try to figure out what is that we both like and that was a very inefficient process and we're like this is the 21st century. We do everything online, travel is online, why isn't this industry online.

And then we went and talked to our friends and they had the same problems, right, just other people in the neighborhood. And so we figured there's got to be a better way to do this. And this is how Houzz got started. So it really started as a fun project that this is actually the first version of the website that I, as you can see, designed, I'm not a great designer but actually the first designer that I worked with later on told me that for an engineer, it's not too bad. But the first thing he did is delete it - got rid of the black background so they can actually read the text. And so - but it was a really fun project. I just did it over the weekends and Adi working with the community after it was there. The development piece was fun because I was like managing group at eBay. I didn't really - have been doing coding for at least a few years and this was kind of back to basics, right, back to actually contributing something and doing something that moves the needle, right? And making all the decisions is fun, right? You don't have to go through a bunch of approvals, et cetera, to get something going. So that was great.

And then Adi was working with the homeowners, with the architects and started in the Bay Area, right? And we started having like a small community there, but then what happened next was really amazing because homeowners started telling other homeowners and professionals started telling other professionals as well as the other way round like professionals were telling homeowners, et cetera. So it started spreading and we started getting people signing up from New York, from LA, from Chicago, et cetera. And we started opening metro areas for them, I don't know if you can see here, but there is an option to browse by metro, we just started with like San Francisco and then we added up as we got more people asking us to add more areas, as well as more professional types, from architects to interior designers, to landscapers, to contractors, et cetera, as well as a bunch of them that we never knew even existed like there's a different kitchen designer, there's a different bathroom designer, it's different than a regular interior designer, so it's pretty - it's a very involved industry. And what happened one day is that we had a friend of ours like one of the parents from the kid's school, she came over to our house and told us all excited that her sister in Oregon just heard about this amazing website that helps you design your home and she should check it out and she was like are you kidding me, I was like one of the first people on the site, I know the people who started it, and we thought that's really awesome and maybe there is something here that's bigger, right? And at that time, we already started having like several hundreds of thousands of people on the site every month and several thousands of professionals. So we started talking to some other entrepreneurs and learned what we should be doing, right? And they gave us some really good advice like one of them said that don't enter if what you want is to exit, right? And that's really true and it rang really well with us because we started it as a fun project, we liked it, right, and it was solving our own need. And so we weren't really in this for the exit and that's a much better way to get into things, much more healthy, because if you're looking for the exit, you're not going to get it. Maybe, I don't know, there could be some businesses where it works but at least our experience has been that's a much healthier way to get into it and do something that you're really passionate about. So new beginning. So I have never done scary things like this. And so, taking risk is something that's hard, right? I mean you're giving up your full-time job and you have to go into this new exciting thing.

But it was a lot of fun. And I obviously, don't regret doing it, I had some trouble explaining it to my mum but it kind of worked out. And then the best thing about it was that I was doing it together with my wife, with Adi, and it's just this partnership where you really have the same interest. You don't have to second-guess your partner, you realize that's not for everybody. I have heard that from many people, that I can never do this with my wife kind of thing. But it really helps when you both have the

same interests and you're both looking at the same way, at the same time, we are very complementary, we were each coming at it from a very different perspective with different skill sets, et cetera. So it's always fun, of course, when you're doing it with somebody that you like. Raising money. So how do you simplify raising money, right? There is tons of books on that and lectures and everything, right? It's a complicated thing. So it seems, right, and it is complicated.

So there's one simple way I realized is you do one company that's successful and then it's easy to raise the next money for the next company. But that doesn't work if you don't have that first company. So that was ruled out. What's the definition of success? Yeah, I don't know, that's a great question. It's when the VCs are chasing you after that, yeah. So anyway, that doesn't work, right? So what do you do? So for us, it was basically us bootstrapping it solved a lot of the problems. And it's not for everybody, but it definitely is a very viable way to make things work. Because what happens is that you come to investors where you have something that's already there. It already has been proven, right? People are using it. And you've shown that you can - you and your founder - co-founders, right, were doing it on your own with very little budget.

That's really what investors are looking for, right? That's an indication that you guys can actually make it happen, right? And it made our life a lot easier. So the first investor that we found, his name is Oren Zeif he is a well known angel investor here in the Valley and he had a bunch of successes before and we really liked him because he was very much pro-founder. So we didn't feel like he was trying to get a better deal or something like that. He was really trying to help us. And in fact, to this day, he is usually helpful on a variety of different things and really just became a friend. And then a few months later, Oren talked to us about maybe we should get a VC to join and we were not so crazy about getting more investors but we agreed to just kind of have coffee with a few and things went really quickly, really fast, we worked with Sequoia, they were great and Alfred Lin, on our board, he was previously at Zappos and he's just become part of the family. So that's been really a positive experience for us. But it was made a lot more - a lot easier because of the fact that we bootstrapped the company. so building the teams, so these are our first two employees, they're still with the company. They started working out of our own house, this is our first engineer Ophira and Sheila who's our editor.

But really the first few people you hire are critical because you've probably it heard a million times that A players bring A players, it's really the way it is and we got really lucky, I hired a bunch of people actually, a bunch of them out of Stanford that are just really smart, really capable, really nice people and that's kind of what you're looking for when you are starting out because then they bring their friends and then people that come to interview, they see who you already have, right? And they want to come work with those folks, right? and the other thing is that they actually help a lot with setting the culture. They actually have the responsibility. They help with the culture just as Adi and I did, they set the culture, we have a family culture. There is like things that are symbolic like celebrating birthdays every week and having our house slippers so that you feel at home and having rooms in the office that are after rooms in the house. But really the things that make the most difference is just having nice people that everybody kind of enjoys and feels like they can just be themselves, they don't have to play games. So that's - you cannot underestimate how important that was at least for us. Hiring is another thing that's kind of very hard to do and it's one of those things that's very complicated and you cannot simplify it. Adi and I interview every person that joins the company, it used to be both of us. Now, it's one of us interviews every person that joins the company. And that really helps maintain the culture that we have and that's really important.

And you learn a lot from interviews actually. I actually learn more from interviews with people we didn't accept than people that we did. Actually the best idea comes from those interviews of people that you eventually - don't join the company. Somehow it happens that way, I don't know why. But it's really a good thing to do. When to monetize? So for us, we've started with just building, growing the company. We decided not to monetize in the first year or two and that turned out to be a good decision for us and investors helped us a lot with that decision. And so we started monetizing a little bit later on when we had Ikea and Lowes and others approach us and that give us the time to build a company. So if you have that, that's a really great luxury to have. Today, we have three revenue channels doing very well, we're doing commerce, we're doing - we have subscriptions for professionals as well as brand advertising and just the pro-subscription channel, it has over 200 people in Orange County that are managing that channel.

So it's become really big but that's because we've done it in the right time when the community was already big and very strong. hitting walls. So that happens a lot. So there's tons of moments where you're just like so frustrated, things are not working out, we had a lot of those moments. And so it's really easy to give up. That what happens with a lot of startups people give up and we were probably close to it a few times. But there's a few things that - just a few of those stories that kind of help us keep it together. So one of them, this is from The Last Lecture where he talks about how the walls are there for the other people so that they don't reach the goal before you do, right? That's how you think about it. So that's a very strong one. The second one is how many of you know the story about the two frogs? Just a few.

Okay. So two frogs jumped into a milk jar and they started drowning, right? So they start jumping and jumping and then one of them gives up. And they he drowned and died. And then the other frog keeps jumping through the night and the milk turns into butter and then they're able to jump outside of the jar and they stay alive, right? So I was telling Adi this story and then she

was telling it like we were telling it to the entire company and whenever we have those difficult moments, that's what we kind of remind ourselves is you just have to keep jumping. Eventually it will work out. the third one is this. I have this page bookmarked on my browser and every time I had a difficult moment, I was reading it. It's from a German VC, he's actually kind of calling it as it is and saying how founders are not necessarily really nicest people to kind of be around with. But what they are best at is moving walls and getting things done when others give up, right? So whenever I have a difficult moment, I look at this and say, what, then go ahead and quit, you'll never make it anyway, I'm not going to do that, right? We're just going to keep going. We'll find a way.

So these have been very helpful at least to me. product design. so product design is very important obviously for us, we're a visual platform we have these apps in the website and now one of the mistakes we've done that we haven't hired designers early enough and so we worked with an outsourced designer for a while and really that's one of the things you want to do is if design is a core part of your product, you want to get those folks to be full-time as soon as possible. Today, we have an amazing design team and that's really a huge benefit. The other thing is you want to be very involved in the design process. Still designers, for example, our designers are mostly in their 20s and so they can do things like buttons that have just icons on them. But without like text next to it, but that doesn't work for everybody. Maybe people in the Bay Area that are remodeling, you'll have a lot of 20 something, right, that have been successful in some startup and so they are now building their home. But most of the country, it's like people in their 30s, 40s, 50s, right? So when you have this button you kind of need to have a caption next to it so that people actually understand what it does. So things like that is where you want to be really involved in the process and that to this day, I'm very involved in everything that's going on, many times you cannot be involved in everything, of course, but many times, I would get involved in things like moving things two pixels around or things like that.

so this is the last slide. And it's like question that many times people don't really ask. Is it worth it? And it's not obvious, right? Today, it's easy to look at it and we've had great success, we have 25 million people on the platform every month, there is hundreds of thousands of professionals, et cetera, but it was a lot of hard work throughout, right, and so I think one of the questions that I was asked before is does it - what would you tell yourself when you were young or before you started Houzz. And the truth is that I wouldn't tell anything, because if I told it the way it is, I probably wouldn't do it. It's like sometimes it's just better to jump in and not think too hard about - too much about what's going to happen and just jump to the cold water. So that's it and I open up to questions. Go ahead. What was under the icon that says your house. What's that... What was under the icon, if you click your house what should happen there? So when click on your house, you get to see basically your own profile.

You can design it there? Sorry? You can design your own house there? You don't design your own house, no, but you can come up with ideas for it. So you mentioned feeling like an outsider. Some people say that could be an advantage. Do you feel like that? Can you repeat the question please? Yeah. So you mentioned feeling like an outsider. Some people say that could be an advantage. Do you feel like that way? No. I don't see it like that anymore, but at least at the time that was what was going on. Other questions. Can you tell us a little bit about the culture that the company and what you do to reinforce that? Sure.

So in terms of the culture, that's one of the things that are extremely important to us. At the end of the day, it's really about the people. So as much as we can do a lot of things, right, we do a lot of things. Right we, every week, we celebrate birthdays, we have people's pictures on the wall, like family pictures on the wall, right, we do a lot of other fun events, et cetera, but really it's all about the people that you hire, that's eventually what's really setting your culture, right? If you hire the right people, and that's why we're interviewing every person that joins, right? If you hire the right people and they're just getting into this culture where everybody feels good with each other and everybody is having fun, then it just happens by itself. So it's really, I think, most of the credit goes to the team who is creating the culture more than anything else. Yeah, go ahead. So you mentioned that during your childhood, you did have this vision of starting a product or a company some day. Yeah. But while you were working for eBay for nine years, and you had some CEO experience before that, were you thinking I'm probably going to try something again or were you like this is my life now and let's see what happens. What was going on in your mind that time? Yeah, I was thinking about it and it's very easy, of course, to get used to once you are in a big company that's successful, it's just easy to stay around.

So I stayed around for longer and it was also fun, right? I mean I enjoyed a lot of it and I had great friends there and we were doing some interesting things. But, yes, I did have this that sometimes it will happen, absolutely, yeah. Yeah, go ahead. You mentioned that in the first two years Houzz didn't think of the monetization model but was it hard like can you convince like people to work with you when your company don't have a monetization model yet; so employees would feel why should I work for a company that doesn't have a revenue model yet? Yeah, that's a great question. So I'll just repeat the question, right? So when we didn't have a monetization model in place yet, how did we convince people to join the company? I think the first people we are - first of all, some of them we have known, so that helped a lot, of course, to establish trust. And we did talk about the plans to monetize, right? And so that helped. But definitely in the beginning it wasn't easy like in the first few months, at least until Sequoia, once Sequoia came onboard, it will be - it was easier to explain to people that if Sequoia kind of has

invested in that, it's definitely something that's worth doing. But before that, it wasn't easy at all. So the first few hires were extremely, extremely challenging definitely and not just because of that reason also because we didn't prove ourselves yet. Although we could talk about the fact that the site was there, there were hundreds of thousands people on it, we could talk about the potential, et cetera, so that did help.

Yeah? The way you explained it it sounded like you just put up the website and users kind of suddenly magically appeared, is there something specifically that you can attribute to raising a lot of attention to your website? I think the main thing is that the need was there, right? People were having these problems just like we were having those problems, so they were just happy to have something that solves their problem, right? The other thing that helped us a lot is that the professionals, the architects, the designers, the contractor, they used Houzz as a tool, right? So they were going and telling their customers, you know what, why don't you first collect some ideas instead of trying to kind of explain to us what you want, some people say modern and they actually mean traditional, right, it's really hard to figure this out. And so for them, it has made their life a lot easier. In fact, we have a lot of testimonials from professionals that are saying that instead of a nine months project, it became like a three months project just because it helped so much explaining what you want. Yeah? In working with your wife, how do you stop from bringing work problems home with you? Say it again. How do you create the work/home separation? Yeah, yeah. We have three kids: 12, 8, and 1. And so 1 was obviously conceived while we were at Houzz. So we kind of insist on making it more complicated and it's not easy. There is no slam dunk answer. There's a lot of things we're trying to do like you try to put some limits although you cannot realistically not talk about work at home it's just too challenging.

But we try to put limits especially around the kids, right? So we try to make sure that we have our time with them that's just dedicated to them and we made a rule at some point that we're not going to work over the weekend, because in the beginning we were like seven days a week. And we made this rule that we're not going to work over the weekend, outside there may be a few specific hours. And that helps a lot too. But it's never easy. It's never easy and it's just a lot of you need to talk about it and come up with ways to improve it. And the other thing that we realize is that as you hire more people, there's 400 people in the company now, it doesn't come any easier. So you think it would, but it doesn't. So that's something that we're constantly working on and trying to get more help, et cetera. Go ahead, yeah. I want to ask about the future; how many times and research do you invest in planning the next step and how to keep being innovative and successful as you are right now.

Yeah. So it's a great question. So how much do we spend on basically planning the future and keep being innovative, right? So we have had a lot of copycats in the last few years and we had anywhere from sites in China that copied like our entire site including the JavaScript, including they copied the videos and they just put voice over and so obviously - and there were copycats also in the U.S. including by some larger companies. And so it's always important that you keep, right, investing in the future, right? And so that's really the thing that keeps us ahead of the game and we try to allocate, we kind of work on a - put forward a strategy, right, in terms of what we invest in and we try to allocate some significant amount of resources to kind of building the next thing and helping solve the next problem. And looking at both from the needs perspective and the technology perspective, so on one hand, you want to look at what problems are there in remodeling and design that we haven't solved yet. And on the other hand, we try to look at what new technologies exist. For example, around images, for example. There's a lot of things we're trying to do around graphics and figuring out what's in the image and things like that. What can we do around that and then figure out how it will work its way into the product.

Yeah? I associate a lot of the success of the platform with the simplicity you mentioned, but also the tasteful content; how do you arbitrate good taste? Yeah, good question. How do you make sure that the content on the site is the best content possible, right? So it's a mix of, first of all, an amazing community that by definition all the pros that are on the site have amazing work. So that has been the number one factor in all that. And also a great homeowner community that helps us by their choices, both implicit and explicit, helps us figure out algorithmically what is the best content. We also have an editorial team that's helping with a bunch of different things and helping curate our content. So a mix of all those strategies. Yeah, go ahead. Yeah. I was wondering would you say that you feel at home in the United States and have you ever thought about going back to Israel? Yeah, good question. So do I feel at home? Yes, I do now.

I have been here for 15 years and that's a long time. So I do feel at home and we've been living in this house for a long time and we have been working on it and so it does feel like home and Palo Alto like home. But I do have a place in my heart for Israel, my family is there. I love the food, I love the beach. I love different things there. So we go visit all the time, right? And going back is a question that I am sure that a lot of people here are thinking about, right, as well, right, at some point and from a startup perspective, I think, the U.S. has amazing opportunities, right, that don't really exist anywhere else in the world. I think the fact that you have so many people kind of around - what was - kind of an open-end towards innovation is really amazing. It doesn't exist in other parts of the world at least from what I have seen. But I can assume that for folks that are - that can go back to countries where there is a lot of opportunity and those are larger places, Israel is a small place, right, but places where there is a large community that's something that could be interesting.

That said, there's really nothing that compares to Silicon Valley in the world and coming here and being in Palo Alto has

been - it's been a great part in our, I think, in our success. Why have you decided to cross the ocean and go up to another continent given that I assume you still have a huge potential here in the U.S. and I have learned that you plan to expand in 15 countries, what was your rationale behind those? Yeah. So we recently opened offices in London and Berlin and Australia and Japan and Russia. And so we're expanding to Europe and some other parts as well. The rationale is that our design is something that is global, right, and actually we found that a lot of people in the U.S. like to see international design we have uploaded this amazing apartment that an architect in Milan put together and like everybody was like drooling over it, right? And so there's a lot of appetite for that. And so we feel that by going global, we don't only add additional markets to the platform, but actually this mix of styles and ideas from all over the world is creating something that is greater than the sum of its parts. In what ways do you feel like your career and success as an entrepreneur has been affected by the Israeli culture in your upbringing? So, yeah, a lot of people talk about Israel as startup nation, there is a book like that I think too, and there is a lot of reasons why that may be the case including investment in technologies and a bunch of other things that are cultural. But if you look at successes of startups, you see that it's all individual at the end of the day, right? Every startup is different.

So it's hard to say that there is like one rule of why one would succeed and then the other would not. I think it's all, at the end of the day, about you as a person and the opportunities you are exposed to and of course, how lucky you are too, that helps. Go ahead. Coming from a technical background what changes in your own thinking did you have to make to work on a design-oriented product? Okay. So the question was given my background as an engineer, I'm assuming, right, is what it was it like to work on a design-oriented project. I think I learned a lot. I think there was a lot to learn, I didn't know a lot in the beginning and I certainly made a lot of mistakes, I think I mentioned one before, right, not bringing more design onboard earlier on. But I also had a lot of people to learn from. We hired a bunch of people now in the design team but also in the editorial team and other places. And we work with our community as well, right? And they have a huge part in making this successful.

And so it was definitely a huge learning experience although I wouldn't still call myself like an expert designer in any way. You mentioned one of the hard things was learning to let people go quickly; so what are some of the signs you look for when making the decision and how do you convince yourself you've made the right decision. So the question is when you let somebody go, how do you make that decision, how do you know if it's the right decision or not. I think every case is different, to be honest. Sometimes, it's based on just cultural fit, sometimes it could be based on abilities, right, or performance. And it's never easy. So it's really all individual decisions. Other questions, there at the back. Given your experiences, when your kids go off to college what do you think will be the advice that you give them? Listen to your dad, that would the first advice. No, really just to do what they're passionate about, that's really at the end what it is because you don't want to live in a life that's fake, right? You want to do something you're enjoying and whether that's startups or something else, I think it's all good as long as you are enjoying it.

So that's the only advice I have. Houzz is in this very interesting spot right now where it's one of the darlings of Silicon Valley and it's all nice and shiny and bright right now, as opposed to the inside of it; do you think we have a tendency to just paint things as success and failure or just what insights do you have at this point of time in the story? Yeah. So it's definitely true that when you look from the outside, you only see the successes, right, you don't see all the difficult moments. You don't see everything that's going on. And that's why a lot of founders talk about this rollercoaster that exists, right? So when you're on the inside, you know that things are not always as they look from the outside, right? That said, now, it's - we're in a different phase in the company, right? So before that, it was really about are we going to survive or not, right? And now, it's really about are we going to be successful in this market or are we going to be able to succeed internationally like we were successful in the U.S., right? Our new initiatives, marketplace, et cetera, they're going great but can we get it to where we want it to get, et cetera, right? So those are the type of discussions that exist right now, but it doesn't change. It's still all about working hard and trying to move walls, that aspect of it never changed. Go ahead. Could you share with us one of these running against the wall situations? There's certainly a lot of those moments, right? For example, hiring people is always something that's hard to do especially hiring an engineer in this market as you guys probably know, is something that's hard to do, right? And sometimes you get pretty crazy, right? And so you want to - you look at that and you want to grow your team and you have more stuff to do that you know is going to create a lot of benefit for the company. But then you can only hire that fast, right? And you're trying to hire people that are very strong. So you don't want to compromise on that, right? So you have all those different things that are kind of working together and it just makes it a lot harder, right? And it is frustrating that you can't move as fast as you want to move because you can't hire people fast enough.

So that's just one example, there's a lot of other ones. Other questions? Alright, thank you so much. Thank you.