

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers.

And each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

And this is for our podcast, correct?

Or this is going on your podcast or both?

Good question.

Like we're open to whatever.

Yeah.

I think we should record it and see what fits.

But like by default, I think it'll definitely work on our feed.

If you guys feel good about it on your feed, I think great.

Still purpose it.

Great.

I love it.

Okay.

Are we rolling then?

Let's do a quick, quick intro.

So I've never, I've actually never met you guys, but like I think most people for this podcast, I've heard you guys talking and actually just say like five words into your mic.

Your mic setup is like godly.

I don't know what.

I don't know if it's your voice or your mic.

Yeah.

Something is perfect.

It's all Ben.

Yeah.

Listen to that.

If it were like, if I were running the tech side of acquired, we would still be like talking into our, into our MacBooks.

So yeah, but fortunately we have David's dulcet tones and buttery voice that complete the equation.

And Ben, you have the like kind of soundproof panels in the background and stuff like that.

I just like roll out of bed and push go and see if it works.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

All right.

So we have David and Ben here with us.

These guys host the acquired podcast, which is, we'll talk a little bit about that.

So you do that.

You're also venture capitalist from what I understand if I remember correctly in the, from the podcast.

Correct.

And the podcast, so I used to listen to a bunch of it at the beginning because I'll tell you a funny story.

We have a guy in our, in our office at our startup named Jason and Jason is great in all these different ways.

He's super enthusiastic.

He's a go getter.

He'll make shit happen.

He's very creative.

But the one thing that Jason was always like kind of the punching bag in the office was he would always say the wrong, like he would always have his facts wrong.

So he would be like, oh, um, you know, that's, you know, they got bought by this company and we're like, no, it was this other company or they raised this number and it's like, nope, that's not the right number.

So he was always like getting fact checked.

And then one day Jason started coming in with just these knowledge bombs and we were like, that's not right.

Wait, that is right.

And I was like, how did you know that backstory?

Like, did you research this?

Like, I didn't understand.

And then I realized the secret.

He was listening to y'all's podcast and he was, you know, basically what you guys do is you tell the story of great kind of acquisitions and tech history and, um, and you go through kind of like very methodically, you like research it well and you tell a very good linear story with no plot holes.

And so Jason all of a sudden had this superpower where he was telling these perfect renditions of what went down and I was like, what the fuck is going on?

And so that's why I was like, okay, what's this podcast that you listen to?

So I listened to a few of them.

I haven't listened recently.

I know you guys have been pumped out a ton of them.

We got to hop back in because we're not just acquisitions anymore.

We realized these stories, like we were limiting ourselves with just acquisitions because we'll get into this.

So what did you expand to?

You know, acquisitions are a limited part of the universe.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

So we just did Epic Games.

We did SpaceX.

Like those are like, so it's just like success story in addition to acquisition story type of thing.

So the goal is that we tell the story of like the obviously a very deep story of any sort of great company, but then also try and understand the playbook of why it worked.

Right.

I love, I love them.

I've listened to a bunch where you had like a three-parter and I'm like, oh man, this is so deep.

I love it.

And then I was like, and then I sort of switched my habits in general where I was like, okay, I don't want to get smarter.

I just want to escape.

So now my podcast listening is like, I need junk food.

That's how I listen to my podcast now and so I just go for like more entertainment, less information.

But I know there's a bunch of people who listen to this that would actually really dig that because they want to hear the stories.

They want the real information and that's what you guys provide in a very good way.

So anyways, that's my, my genuine shout out for the podcast.

Your guys show is awesome.

We love it.

And one of the reasons, A, you're just like good.

You guys have great flow chemistry like you're awesome.

But B, it's such a good counterpart to like what we do on acquired.

Like we tell this like, this like certain part of like the internet like history and like as it exists and it's like these big, huge flashy companies, but like there's a million ways to skin the cat and like there's so many other good businesses out there and so many other people working doing amazing things that are never going to be SpaceX.

But like that's cool.

Like, you know, I'll bend like your golden hippo episode.

I love that one.

Right.

Yeah.

On one hand you have the story of SpaceX and then the other hand you have like, you know, this guy who's in Iowa who's doing a drone light show company and just local, you know, rural, rural Iowa and, you know, making \$2 million a year and, you know, he quit his job as a construction worker before that, you know, that's the sort of other end of the spectrum of like cool success stories that are just different flavors.

Yeah.

It's so cool.

You guys find these and you, you know, bring these folks on the show and this is awesome.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

Okay.

So we agree.

Our podcasts are great.

We love it.

Sorry.

Go ahead, Ben.

I like that it feels more like classic, I'll say classic American, but classic entrepreneurship.

Like right, we've lumped in entrepreneurship to become this thing that involves tons of money, a winter take all market in all likelihood failing and flaming out, you know, fabulously and by telling everyone they should go do that, you just set most people up for failure.

Whereas it's not as long as you're really focused, you really listen to your customers, you really iterate, you're really capital efficient, like going and achieving a million dollar a year top line business, like lots and lots and lots of people do that and can do that and should think they can do that.

And so I love that reminder in our lives.

Yeah.

I would say like, um, Nevol has this really like money line when he's taught, or I don't know who he stole it from.

I think it was like Nassim Telve or something when he was like, you know, they're like, you know, what's your political stance?

He's like, well, with my family, I'm a communist with my friends, I'm a socialist with my, you know, my city or my town, I'm a Democrat, you know, I'm a libertarian at the federal level or whatever.

And it's just a great, it's just a money quote, but I have sort of a similar thing in entrepreneurship.

It's the, you know, the poor man's version of that, which is, you know, if I invest,

I go for the billion dollar, the potential billion dollar companies.

If I'm advising somebody to start something, I advise the types of things we brainstorm on the podcast all the time, which are these, you know, small niche businesses that can generate a ton of cash flow.

And then when I do it myself, I just go solo pernurship and I just create content that

I think, you know, a lot of people could love and I don't have to talk to it.

I don't have to like have employees or an office.

That's my dream.

Right.

And so there's, there's these different flavors that each is good for a different purpose and for a different person.

So anyways, that's my view on it.

And so you guys reached out the other day and you were like, Hey, it'd be fun to do kind of a crossover episode.

I think that's a great idea.

So you came on and I was like, okay, what are we going to do?

Are you guys going to come on and tell great stories?

And I'm just sitting here with my popcorn because I'm down for that.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

But actually you guys came with a bunch of ideas.

And so I want to jump in and riff through a bunch of these.

And like normally the way me and Sam do it is just like you have here, we just have a sheet with like a bunch of bullet points that like, you don't even understand the full idea just from the bullet point.

And we'll just say like, okay, what you got?

And then one person will riff on one and then when we're bored of it, we just say, all right, I got another one.

It's just because it's like, we don't get to do this on acquired anymore.

Like, this is awesome.

This is like, you know, when like a successful business person goes to Burning Man or Marty Gras or something, it's like, oh, I get to let my hair down and just, you know, shoot the shit on half baked ideas that will totally not work.

Most likely.

Yep.

That's what this is.

Awesome.

So, so when you guys get excited about ideas or, you know, some of the stuff you sent over, you know, what caught what's on your mind, what are you guys seeing as interesting?

Let's let's jump in with some of these different ideas you got.

Yeah.

So, I'll, I'll start because I have your, your Naval quote, sort of inspired.

I have a very bifurcated lens on the way that I look at ideas and I don't think I realized it until recently that, so I should give a little bit of background.

So I started a thing called Pioneer Square Labs five years ago.

We're a startup studio where we spin out companies, all of which go on to get venture backed.

We've done that 24 times in the last five years and we're based in Seattle.

So I'm really looking to make a dent in, in the entrepreneurial ecosystem in the Northwest.

So we're coming up with ideas all the time to, yeah.

So then we also have the venture fund, PSL Ventures, where we invest in early stage companies in, in the Northwest.

And so, and many that we have nothing to do with starting.

And so I sort of sit on both sides of the house of coming up with ideas and also evaluating ideas that are not my own.

And I, I have a massive bias with my own ideas where I'm excited about it, no matter the market potential, if I can fully conceive of how to build it in my head and how it will deliver value to me as a customer.

And like, I, it's probably the engineering background, but like I put on my blinders real quick and just go heads down and I feel like fight every instinct.

Like David will be like, Hey, I think there's this really big way we can move the needle for acquired and pitch me this big grand plan.

And I'll be like, yeah, but I need to fix the way that headers look at our website.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

And like, I have a really good idea for how to do that.

And sorry, I need two hours now.

And so like, I have a massive bias towards things I can fully conceive of and will be satisfied with.

But I think this idea you have is a really good one.

But the, I think, I think the way that I like think about or evaluate other ideas is definitely Sean in that same way that you thought about, like, you know, is this, is this winter take all, is this going to be a massive thing?

Is this a moonshot idea?

And the scary part that always comes along with that is like, well, if this is a really good idea and now just happens to be the perfect moment in time where someone can do this, are these people, the people that are going to pull it off out of all the other people who are also thinking of this rare moment in time where there's a good idea that hasn't yet been done.

And like that, that's almost disheartening, right, because then you scope down the universe super, super narrowly.

And, and, you know, most of the time what you're doing is saying, now I'll wait for the next one.

And that's a frustrating and sometimes disheartening job.

But I think that finding that spot in the middle where you can sort of believe in other people's ideas as much as you do your own that you get excited about and apply the same amount of skeptical rigor that you do to things you're being pitched to things you come up with, that's sort of where the magic lies in the middle.

Yeah, I would agree.

Also when you said that thing about like kind of the way you two are different, it reminded me of this, you know, all right, take a shot.

I said framework, framework that, that I heard one time that has always stuck with me.

And I don't know if you guys have ever heard this, but Bill Gross, who's the founder of Idea Lab, he's kind of like, yeah, you know, Internet OG, he gave this talk once and he talked about, have you heard this about the four kind of personalities that come together to make a company?

No, no.

So basically he says every company needs these four personalities and they come in a certain order.

So he's called EPAI.

So not a great acronym, but it works.

And so EPAI, so he is the entrepreneur.

So he gives us analogy.

So you're sitting in a room, so say you're sitting in a classroom and one kid is going to look out the window and it's just, you know, there's just grass outside, but somebody's going to look at that grass and say, you know what, there should be a parking lot there. And you know, we all come into work or we all come to school every day and parking is such a hassle.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

There should be a parking lot there.

It could be six stories high.

We should build a parking lot.

And so the entrepreneur comes up with a vision, see something before it exists based on, you know, a pain point or a personal dream.

Then they have P, which kind of sounds like you, Ben, which is the producer.

So a producer is somebody who gets along extremely well with the E. They're not usually the one necessarily to come up with the kind of visions every single time, but they're very good at downloading the vision.

They hear the vision.

They say, yep, got it.

Makes sense.

And their brain immediately goes to, oh, by the way, six floors, no, no, no.

What it should be is two different structures that each have this, you know, whatever.

They start immediately, their brain starts building, building that vision out and they're going to be able to take words and turn it into, you know, some form of action.

So he draws these curves, like if, uh, if it's just the E alone, there's this initial value because they come up with a vision and then it sort of peters out and goes nowhere because there's no production.

But then if you have the E and the P, the P jumps in after the initial value is created and takes it to the next level.

But then if you just have the two of them, um, your, your venture will be a mess because you need the, uh, A, which is actually an administrative type of person, a type of person who says, okay, great, we have a vision, we have a plan of production.

We're actually going, we have six employees.

But if no one's doing payroll, if no one's feeding anybody, if nobody's like writing things down about our plan, like we're screwed, we got to get organized here.

And so you need A, A takes it to the next level.

And then the last one is I, I is the student who's not even looking out the window.

It's just looking at the other three people being like, you guys need to learn how to work together as the integrator.

And so the I is this amazing person who can figure out, okay, how do we get this group of talented people to be cohesive, uh, over time and how do we, you know, one person's thinking one thing, another person's thinking another thing, how do we get alignment?

And so I, and I found this in my startups too.

And the reason I bring it up is because, uh, it's really useful to know which one you're great at, which one your superpower is.

So then you'll know who to partner with and when to partner with them.

And I at the beginning does nothing for you, but an eye is great kind of at the end of that cycle.

Um, you know, same sort of thing.

So anyways, I just wanted to share that.

When do you think you need the A's in the eyes?

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

Uh, so from my experience, you don't need them unless you hit product market fit. So sometimes the E is totally off base. You didn't need a parking lot at all, or, you know, you, you build the parking lot, but you didn't have a plan to, you know, get customers. So it's once you're, once your product has been pulled by the market. So once the demand is pulling, uh, more of the product faster than you can produce it or asking for more features than you can keep up with, but they're actually using your thing. That's when you start to need a, and then you need I as the team grows to a certain size, right? Because a two person team, you don't even need meetings. You're just constantly in sync. You're just sharing a brand message. And then once you, once you even get to six, six is like, Oh shit, uh, we all are doing different things. We all need to talk more. And then there's this rule. I forgot what it's called, but like every time the size of your team doubles, the communication required is like a square. So like, um, as you get, you know, from six to 12, you don't need double the communication you need, you know, quadruple the communication or whatever. Uh, and I've seen that to be true in a perfect world or a, a, uh, easy to model scenario where every person in the organization must communicate equally with everyone else in the organization. Uh, then the number of communicating lines is proportional to the square of the number of people in the organization. Exactly. Cause it's a network, right? So every node needs multiple connections to all the other nodes or at least to different hubs. And so it creates all these different lines that you need to, to work on. And that's where the A and the I help a lot because the A is like, Hey, let's write things down so other people can read this. And the I is like, Hey, here's like a common way to write things down. So we're all saying the same thing and have the same bar for, you know, what it takes to say yes to a project or whatever it is. All right. Today's episode is brought to you by tempo tempo.fit is the website. I actually use this. I've used this for a few months now. And it's this machine that has a touch screen and this 3D sensor. And what it does is they give you weights like 115 pounds of weights and it's for strength training. So what it is is it measures your body and it sees how much weight you're lifting.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

It sees how many reps you're doing and how much effort you're putting in, what your heart rate is.

It's pretty amazing.

And then you have a coach on screen walking you through what to lift, how many to lift, what workout to do, whether you want to do a 20 minute, 10 minute, 50 minute workout.

It's pretty amazing, but the best part is the leaderboard.

The other stuff, all the features that they have, that's cool, but I'm obsessed with the leaderboard because it measures how many reps you're doing and how much volume you're doing and you can compete with other people who have taken the same class.

So it's made me want to work harder, lift more weight or have more endurance.

It's just pretty freaking fun.

And the whole point of working hard is to have money so you can spend it on stuff that will make you live longer and this product tempo, it checks that box for me.

So they're our sponsor today.

If you use the code tempo hustle, you'll get \$100 off so tempo.bit is the URL and tempo hustle, one word, you'll get \$100 off.

So check it out.

I use it.

If you look me up on Twitter, you'll see I'm always filming videos where I'm talking to that company saying I'm trying to crush their employees on the leaderboard because I actually love this thing and I use it all the time.

So check it out.

Okay.

Framework hour over.

All right.

Everyone come back from business school.

That's actually.

Yeah, exactly.

I get real academic about these things in reality.

You don't need to know any of this shit.

You just got to go and when you look back on it, you'll say, oh yeah, that matches up to what I did.

But it's not like you go forward saying, I got to be a better P. You know, it doesn't work that way.

So anyways, you guys had a bunch of ideas.

Let's riff off the first one.

What do you got?

So we thought about talking about some of the stuff that's more directly related to our show here.

But people seem to come on your show and then throw out their latest like brainstormed idea and shoot the shit about it.

And so I figured that would be a fun thing for us to do here.

And so I tried to apply my own criteria of what's a thing that occurs to me that I want

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

in the world that the time is now and I can see sort of a path to how to accomplish it. And the gist of the idea is I want to book an Airbnb or a VRBO and all it tells me is whether it has internet or not. And that is completely useless in the world of I sit on Zoom for eight hours a day. And so I'm thinking this is like a totally bootstrapable, maybe even no code thing where you just say hey to get access to it's basically ways for Wi-Fi where whenever you're somewhere you upload the geo coordinates maybe you put the address and we'd have to figure out some security stuff around that. But you just take a screenshot of a speed test. And then we just have this big database of all these different places and anyone who stayed there and the screenshots they've uploaded. And yeah, that's the basic gist. So it's basically solving the problem of I need great internet because everything is done through Zoom. And so when I'm out and about I need a trusted source to know where my internet is going to be good versus okay versus whatever I have. Particularly when you're traveling, working remote. We did this. My wife and I went to Santa Barbara for a month, rented an Airbnb for a month. I bet you're doing this later. It's like tons of people are doing this now. Isn't Sam's doing this, right? Yeah, Sam's nomadically bouncing around every two weeks or three weeks, I think. Yeah, I mean it's this classic cold start problem of like what a useless website you've created, Ben. There's zero entries on here. So you got to figure out some way to sort of bootstrap that cold start problem. But I think the data entry is really easy and you can do cool stuff over time like charting how it's gone up and down and at the very least you can probably create like five to ten spots in every city where like super nerds who saw this on Product Hunt uploaded data for the first time. So it has like a pretty low bar for minimum efficient scale. Would you literally build it like based off of what Airbnb inventory is? So Airbnb tells you does it have Wi-Fi or not, which is kind of useless. It's like yes, if it doesn't have Wi-Fi, just take it off the site. If it has Wi-Fi, okay, that doesn't tell me if it's going to work for what I need. It could be the site glass coffee argument of like, oh, we've created this experience for you that is Wi-Fi free so you can, but yes, that's not at all we're looking for. Right. Right. So Ben put this on our list last night where we were brainstorming these ideas and I was like, holy shit, did you talk to this guy? We both know he's super awesome in Seattle because I just talked to him yesterday afternoon.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

He was also thinking about this idea and Ben's like, oh no, I didn't.
And I think it just speaks to like the timing and the need for this is so acute right now.
I mean, of the four of us on our two shows, three of us have done this in the past like couple months are going to do it now and COVID like this, this went from like, yeah, like it would be, you know, it's really nice when I get good air good Wi-Fi at my Airbnb to like, no, I need this.

Right.

Yeah.

Wi-Fi is, you know, up there with food and water as far as I'm concerned.

So we forget COVID, I always need great Wi-Fi and if I don't, I'm like, you know, I have to like, you know, take a time out for five minutes and be like, am I really this upset about the Wi-Fi?

I'm like, yes.

Okay.

So here's why I think it's cool to bounce back.

Totally doable.

You could stand this up on Webflow and, you know, do a little bit of other no code stuff in the background, maybe a little bit of code that you add over time.

This could be, this could be a wedge and there's something more interesting though, right?

Like, you know, on its own, great.

You can build this.

It's a little product.

Maybe you charge for it.

I think you probably better monetize this with affiliate for, for Airbnb listings and VRBListings and the like.

I wonder though, if you could actually use this to bootstrap inventory of places and have it then become its own network of like, oh, you want long term, you know, I bet my buddy was calling it workations, you know, you're, you're, you're doing this like here is where the best places for this are.

Well, you start to onboard a little bit of that supply and maybe all of a sudden it becomes its own network.

Just kind of like hip camp has kind of offloaded a lot of the, uh, the, you know, true camping type experiences off and glamping off of Airbnb, maybe you can start to disaggregate it.

Right.

Yeah.

You know, the, the two ways I was thinking about this when you, because you just wrote a very simple thing like Wi-Fi site for Airbnb.

I didn't know what that meant.

I thought my brain actually went to a different thing.

I didn't know you meant Wi-Fi website.

I thought you meant Wi-Fi site.

So like first, my first thought was around hip camp, which is like, is there just a cool outdoor area where I can be outdoors and sitting and comfortable, but have amazing Wi-Fi.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

And it's like, I don't actually want to go camping, but I do want to be like not in my room anymore.

And so like, you know, could I be outdoors, could I have great, could I be outdoors and have great Wi-Fi?

Like that already is like, I love outdoors and I love great Wi-Fi and they rarely come together.

And so if you could create these Wi-Fi sites that were awesome, that were just comfortable places to go sit.

Maybe there's little food trucks around there or whatever.

I think you could build kind of like this weird outdoor co-working thing.

I'd love to see somebody like take a take a shot of trying one of these.

The other, the other angle I thought you guys might be going is like sort of that Boingo wireless or whatever that's called, which is like, you know, they went to, you know, airplanes or, you know, there's a version of this for coffee shops, which is like, hey, look, everybody who comes here wants Wi-Fi and better Wi-Fi than you're providing.

We will give free Wi-Fi in exchange for, you know, their email.

And you could potentially do that with Airbnb hosts.

So you could basically say, hey, we will boost your Wi-Fi through either those are kind of mesh networks, mesh network routers or just like provide Wi-Fi where you don't have Wi-Fi.

And in exchange, so basically run this little service, either you charge five bucks a night for the, for Wi-Fi or you get that plus their data and then you use that as like kind of the way that Boingo does.

So that's actually what I thought you were, you were initially saying, but I don't know if there's a there.

I think that's like, that's a valuable service itself.

But if you did the, like, if you were trying to build your own network of longer term rental properties, this would be a great growth hack.

You'd say, come on my network, I'll pay for you to upgrade your Wi-Fi and, and then that's how you can onboard the supply.

Right.

Yeah, exactly.

Yeah.

So it's kind of like, how do you either onboard new supply?

Like, okay, you've got a, whatever, you've got a backyard and now that now backyards are cool.

Or it's, how do you give supply that was like unviable?

How do you make it viable with some like investment that you could pay back in two, two night visits?

You know, like, could you pay back, could you pay that back in that short amount of time?

I don't know, hard space, but there's, there might be something there.

Let's jump to a different one.

I'm going to pick a random, wait, can I go meta on this one for a second?

Go for it.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

I love, I guess this is moving to a different idea, but I love that we wrote down Wi-Fi site for Airbnb's and there was three different ideas that came out of that purely because there's insufficient information.

So you like apply creativity and fill in the gaps.

And the, it reminds me of, I had the very first time I did anything noteworthy on the internet was I made this website called it's this for that.com as a joke at a startup weekend because every single pitch was, well, it's this for that in like 2009 and it was like the first time I got tech crunch.

So we still maintain the websites, my buddy Eric and I, and it's like, it just comes up with random X for Y pitches.

And as you just like click to refresh, it's like a startup meme generator.

And I've like come up with some pretty decent ideas after looking at very few words and then trying to extrapolate from there.

Dude, I've been to this website, so I just went to it now.

So I went to it.

The first one is, so basically it's like Airbnb for stolen goods, the next one is.

So basically it's Salesforce for coffee shops, don't know what that means, can make it up.

And so actually we've played a similar game.

There's a, there's a game, I don't know if you've ever heard of it called PowerPoint karaoke.

Yes.

You ever played this?

Yeah.

It's, I think there's different variations of how you do this, but there's a startup variation of it, which is, you know, somebody gets up, there's a PowerPoint deck behind them and they don't know what it is, they come in totally cold.

And so they see the first slide and they just have to start talking as if this is their presentation.

And then the next slide comes up and they have to connect it to whatever the hell they were saying, you know, about the previous slide and like create a cohesive story.

It's a good muscle to exercise like improv for business.

And you know, you could do this with startup pitches as well.

You could literally just remix, you know, take one deck of cards, which is like successful internet companies.

And another deck of cards is just like niches.

And you could just like pull two different cards and pitch it.

And yeah, it's kind of surprising how some pretty viable ideas do that as a like startup comedy podcast.

Well, I guess you guys, I think you guys are ready.

You guys are ready to spin it off.

Oh boy.

All right.

What's so what we got, what we got up next.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

So you have one in here, SPAC index fund.

Tell me what you think.

Another band special.

So hear me out on this and I don't know how long the opportunity exists to do this, but at least for the moment, there's this rush of everyone who has sufficient connection to capital, raising that capital into a SPAC and hoping in the next two years that they can leverage relationships with entrepreneurs to get a deal done and take someone public. And you've probably talked about SPACs on your show.

We've talked about an RLP program, so I don't want to go into too much detail about the mechanics, but I think if you were to bet on SPACs as a whole and say they all go public, they trade right around \$10 a share because they're effectively worth exactly the amount of cash that they have in the bank, which is a trust in the Cayman Islands or something that's like untouchable.

And then at some point they announce an acquisition and you either can redeem and get your money back or you can roll it into the acquisition.

And so in general, I think we're going to see 20 plus of these series C or later startups go public through this mechanism of SPACs in the next couple of years.

And there's two levels of appreciation here.

There's the first one where you buy in at \$10 a share and then there's a pop when they announce who they're going to buy.

So you could play the pop game if you want to and then just cash out immediately after that.

Or you could play the longer term game and say, do you want to hold the basket of startups that went public in the 2020, 2021 vintage and hope that there's a zoom in there?

And I think it'd be, to me, it feels like a reasonable upside super mitigated downside type of way to index.

Yes.

I love this idea when I saw it.

This is the opposite where I had no, there was no question marks about what this idea was.

I was like, oh, good idea.

Interesting.

Also, I was curious.

I don't know if you guys know, what are the mechanics of starting an index?

Can I create an index?

Do you need to be a certain person?

Is there a certain bar?

How does that work?

Oh, damn.

Someone should create a angel list for public equity indexes.

Right.

I maintain an index and get some carry.

Yeah.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

Cause like, you know, a bunch of people are trying to do this with like, you know, Robinhood or public.com, this new website or whatever where it's like this new app where, you know, I go invest in a basket of stocks.

You can kind of follow me.

It's a social network.

Like fuck the social network part.

Like I think that's a little bit weak, honestly.

I think that more interesting is I listen to this podcast.

I'm like, wow, Ben and David are so smart.

You know what I want to do?

I just want to own whatever stocks that they own and I want to basically buy their index that they created and just roll with them in their portfolio, like kind of like a money manager.

But if you guys were basically curating an index over time, I think that that would be, it'd be interesting if you could create an angel is like platform where it was very trivial for somebody to create their own index and let others invest into it.

I might have also just invented a mutual fund.

I'm not sure.

This also feels like, so I don't know the answer to how you do this, although I should, but I used to work at Dow Jones and the wood, right?

He's talking about Dow Jones, which the Wall Street Journal is part of Dow Jones.

It's part of news Corp.

And while I was there, we sold the indexes business.

So the Dow Jones index is now owned, which is a garbage index and no one should pay any attention to it.

But, but it was a billion dollar business within Dow Jones.

So a billion dollar top line, basically no expenses.

Like it was all just pure mud.

And what it was, it was just a marketing thing.

It was like, you get to use the Dow name like that's.

So it's like a license.

It's like a licensing thing.

Yeah.

It's absurd.

Yeah.

Who's, who's paying for that license?

Who pays to be able to put the Dow Jones and is it like CNBC has to pay to put the Dow Jones index on the screen or what?

I don't know exactly the answer.

I think it's, I don't think like CNBC or like media properties have to pay for it because I think that, that they're just, that's just public.

But I think if you want to incorporate that index in your data of whatever like product you're using or whatever, right, then you got to pay that licensing fee or it might

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

also be the data stream like, Hey, you know, the Dow Jones was a powerful brand.

Like the Dow Jones XYZ, whatever mutual fund, blah, blah, blah, right.

That's interesting.

You know, this reminds me, I had this meeting once where this guy came to our office and he was like, yeah, I'm the CEO of NASDAQ.

I think it was NASDAQ.

Maybe New York Stock Exchange.

And I was like, I was like, wait, NASDAQ has a CEO.

I guess.

Okay.

That makes sense.

Like, you know, so NASDAQ, like what, wait, what the fuck is NASDAQ?

And he's like, well, because I just had always heard of NASDAQ.

Through the kind of like, it's kind of like you hear Dow Jones, it's like, oh, this is just a sort of a, a name we give to track the market.

And I didn't really fully, at the time, I had no idea that first of all, there's multiple exchanges.

They're highly competitive with each other.

They hate each other and they're constantly, you know, trying to fight for different IPOs.

And then, but the part I didn't, I kind of knew that part, but the part I didn't know was that they licensed their technology.

They're like, yeah, we power the stock exchange in Sweden and 40 other countries.

And we make, you know, a billion dollars a year or whatever the number is, just licensing our stock exchange technology to other countries for their stock exchange.

And I was like, wow, this is a, this is a great business, actually, because it has an ultra powerful brand in the US.

And then it just becomes like, you know, and they built this technology stack.

There's very few competitors to it.

And then it becomes kind of like the, you know, end of one company around what, what should I use to run our stock exchange?

And there's going to be no switching, I bet.

Like I bet nobody wants to switch the sort of full stack they're using to run their stock exchange.

That would be crazy, right?

So you have extreme pricing power.

And I was like, wow, this is an amazing business.

I was like, could you compete with this?

And that was right around the time that Eric Rees launched the longterm stock exchange.

Yeah, we had him on our show.

That's great.

Exactly.

Which is like just an amazing idea.

It seems like it's been a little bit slow to market as you would maybe expect, but.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

Turns out taking a stock exchange to market is not just putting up a website and measuring clicks.

Yeah, exactly.

You know, sort of, uh, you know, ironically for the lean startup guy to do, you know, it's like the ultimate I already, exactly no, no quick MVP, you know, just landing page with the, you know, smoke and mirrors where there's no, there's no product behind it.

You can't do that.

You know, Eric Rees will be in jail telling people about the lean startup in there, but but anyways, I think the whole idea of stock exchanges is just very interesting thing. I think a SPAC index fund is interesting and I want to know how you create an index fund. I also kind of like the idea of angel lists, but for creating private equities instead of venture funds.

Um, also, I just think like who out there, some, some, somebody out there is just doing like a SPAC newsletter right now, just taking advantage of all the SPAC keyword searches and, uh, probably has built like a 50,000 person pretty valuable email list.

There is.

Uh, it's called SPAC.

Is it SPAC report?

Let me look this up real quick.

SPACresearch.com, the, um, founders and acquired, uh, community member and, uh, uh, yeah, I think he's got, it's a, it's a paywall to business.

There's either some sort of trial or some sort of freemium thing, but yeah, he's building a real business on it.

Yeah.

I think totally you could do kind of the motley fool or whatever.

You know, basically it's, oh, this is old solution, new problem.

Right.

Okay.

Nice newsletter, paid newsletter.

That's old solution.

New problem.

Everyone wants to know about SPAC.

So there's not a definitive place to go find it.

Right.

Like I remember in the crypto boom, uh, I ran into this guy who.

You're referring to this, this past tense crypto boom?

Yeah.

Yeah.

Crypto.

Oh, the boom, the boom was a very specific time when, you know, money was flowing freely and my aunt in Virginia was like saying the word Ethereum in her Indian accent.

And I was like, Oh shit, what the hell's going on?

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

But there's this guy, his name's, uh, Shaq, Shaq Khan and Shaquille Khan and he, he was like, he's kind of this international man of mystery.

He worked at Spotify and he did a bunch of random things that like nobody knows who he is, but he's just friends with all the CEOs and like they hire him for like a special project or whatever that means.

He's the wolf.

Full fiction.

Yeah.

He's, he's exactly, exactly.

He's the wolf.

He's the one they call in.

So during the initial Bitcoin run up when it was going from like \$10 to \$1,000, everybody was trying to figure out how do we create Bitcoin products and he just created a coin desk.

He was helping create coin desk.

He's just like, Oh yeah, we should just create the news and information site and then we'll figure out from there what other opportunities we want to go to.

Like first things first, let's create Bloomberg or CNBC for Bitcoin.

And I was like, Oh man, such a simple idea that could be executed because you're nimble and you're, you know, very responsive to where the world is going.

Yep.

Totally.

Yeah.

I mean, it's, it fits.

It definitely fits into that for anybody who hasn't read this thing.

It's really, it's quite hard to discover because it's an archive of an old website, but it's pmarchive.org and it's, it's Mark Andreessen's, it's like a play on his handle.

And it's his old blog before he started Andreessen Horowitz and one of the amazing pieces of content on there.

It's like a five piece thing is his career advice, which of course starts with like, you can't plan your career.

So I refuse to give you any advice, but if I were to, here's five articles on it.

And one of the things is like, if your five smartest friends are getting together at two in the morning and going to Denny's because of something exciting that they're thinking about or something that's new in the world, go with them every time.

And it's such a good, like, if pro rata has written about SPACs every single morning for the last two weeks, then like, it's probably a good time to start a SPAC media business if you feel well positioned to do so.

Right.

Right.

Yeah.

That's a great call.

There's, there's the other one that's like, uh, what nerds are doing on the weekends will

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

all be doing, you know, five years from now, the Chris Dixon thing.

And, uh, you know, wherever, wherever a nerd engineer is spending their free time on the weekends tinkering, that's, that's the area of innovation because they just can't help themselves.

And, uh, what do you guys think would be that right now?

I think I know if I just think about my smartest friends and what they're doing, uh, I think I know one, one answer of what I would say, but it's there, there are lulls where there's just no clear answer.

And then there's like clear periods where, where something emerges.

Do you guys have something in mind?

Do you remember a time when, when that was happening and you either were aware of it or you missed it?

So I have, uh, I mean, there's some, uh, I'm going to give a little bit of a different answer than I think we're looking for here.

My smartest friends who have means are working on climate problems right now.

That's right.

And I think like we can talk about GPT three.

We can talk about crypto stuff.

We can talk about, um, there, there are other sort of frontier technology things at the moment, but probably five times in the last couple of months, I've had really smart people that I've tried to recruit to start something with me to join a PSL company who are saying like, uh, actually after doing some reflecting, I'm going to go work on some climate stuff.

And there's, there's no capital structure to support that.

I mean, we have a whole, David, we did that deep dive on how, how, uh, energy breakthrough energy stuff gets funded, which is completely broken.

But, um, that I've, I've got a, I've got a company to talk about it, but keep going.

Anyway, that, that's definitely the thing that occurs to me of like my smartest, most well-intentioned and people with means.

And yeah, throw out a couple of names that I've seen.

These aren't even people I know, but, uh, I know Jesse Jacobs just launched a rolling fund for, for climate.

Yep.

I know that, uh, Josh Felser left freestyle, I think to work on climate problems.

I know that you Sean Wong, who's one of the smarter people I like to read his, his writings on stuff.

He's been talking about this, working on this for a couple of years now.

It was the CEO of Reddit, right?

At some point either before or after.

It was the CEO of Reddit.

It was kind of like early-ish Facebook and then he became the CEO of Reddit for a while.

And he's got this very simple website.

I think it's just you Sean, you Sean Wong, which is hard to spell.

He should give, uh, give a shot of being CEO Twitter for a little bit, just to make it

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

round.

Round it all out.

Um, so yeah, he's, he's like buying a plot of land in Hawaii or something like that and doing some radical experiments.

Uh, there's also this guy who, the guy who created control labs, I think, um, which is they got bought by Facebook.

They're kind of like, I think he left Facebook and I don't know if he's working on this, but I saw him talking about or tweeting about like, you know, we really could just go put solar panels into space and harness the sun's energy that way and then beam it to the earth or something crazy.

Yeah.

What would it take to like, you know, throw a, you know, a giant set of solar panels into space and then, yeah, and I was like, what the fuck is this guy talking about?

Like this, you know, people with brain power, you know, 10 orders of magnitude more than mine.

I'm like, oh, wow.

I didn't even, I can't tell if you're joking or if you're serious, you're probably serious and it sounds like a joke to me.

That's how big the knowledge gap is here.

Yeah.

What's super exciting to me on this is, um, I have a friend who just started a company, um, that like there's, I mean, this is a double-edged sword, but it's just reality.

Like the problems are finally starting to get real with climate.

Like I think one of the reasons why there's no good funding structure for it and clean tech failed and all this is just like, everybody knows that this like wave of awfulness is coming, but like nobody feels it yet, you know, but, but the tip of the spear is fires in California.

Like those are real, real problems that we're all like, like can't go outside.

Like it's just terrible and like people are losing their homes and properties.

So I have a buddy who, um, started a reinsurance business for, uh, for fire risk in California.

And he's like, yeah, the insurance industry is like so backward on this, these old stochastic models, uh, from like past history of like, there's a terrible fire in California once every 30 years.

It's like, no, happens every year now.

So like, okay, let's deal with this problem.

And like that's going to be a great company.

It's going to be a great value capture mechanism.

I don't know.

I mean, how does that help us not burn down the planet?

Well, it's like, there's a, but there's a, there's a serious, but like you can't get insurance for fire in a lot of places in California anymore.

So like this is a serious problem.

Like, yeah.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

So it's a way to address the symptom of a problem and it makes you know what, you also can't get insurance for painful for lots of people, but it's still not addressing the problem.

Right.

You're not solving the fire problem.

You're, you're solving the, my house burned down problem and I'm, which is great.

And admirable to solve downstream problems.

But yeah.

Right.

Uh, also speaking of insurance, I tried to get insurance for an e-commerce business

I own and, um, dude, you can't get e-commerce insurance.

I don't know what the hell's going on.

You can't get business insurance for e-commerce.

It was so painful.

I thought I'm going to start typing the word biz and then Google's going to be like, oh, you want business insurance?

Cool.

Here's, here's 10 leads that will just call you incessantly.

And instead it was the opposite.

It was like business insurance, you know, for e-commerce business, uh, called 12 different companies, emailed a bunch of them and they're just like, Oh, do you, you know, is your product, um, oh, it's e-commerce.

It's not physical retail.

Oh, that's going to be tough.

And then they're like, you know, do you, is it manufactured in China?

I was like, everything's manufactured in China.

What are you talking about?

And then they're like, Oh yeah, it's going to be really, really tough.

Uh, it's like, who's this for then?

Right.

I was like, what's the, why, why is it going to be tough?

So they would just email me, they'd be like, we don't, uh, unfortunately we can't, uh, we can't find any underwriters that will underwrite for this business.

And I was like, I haven't even told you anything specific or scary.

I've just said e-commerce and made in China.

And like those are the, that's everything.

That's most things, you know, as far as I'm concerned, uh, and they were just like, yeah, we don't do much e-commerce.

I was like, who does fucking e-commerce then?

And so I don't know if I'm just a terrible Googler or not have a preferred partner for this.

Yeah.

So how does Shopify not just provide this as a service?

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

It's like, you know, totally, it's a nice high margin.

This is the best business ever were, were, um, uh, well, okay.

I won't spoil it.

I won't do a spoiler alert.

I'll do a teaser.

Are the fact that you said you won't do a spoiler alert means people are going to know what we're talking about.

Well, we're going to do a, uh, probably our season finale this year on acquired is going to be a well-known insurance business, uh, but it's like people, it's the best business in the world.

Right.

They literally, you get money that you can invest that you have to pay back at some point, but it's free money.

And to continue, David, cause you've given away so much of the story now that like we may as well round it off.

Like if you have a large insurance business that allows you to have a nice big float, you can invest that float in other things.

And it's, if you're a good capital allocator, it's, yeah, it's an amazing way to just go buy a bunch of other businesses, make more investments in non-insurance products.

It actually seems like a no brainer for Shopify because they do want to build more and more and more technology and that's going to cost cash.

Right.

Uh, and if it's not Shopify, then somebody needs to go do like clear bank for e-commerce insurance and do it extremely well.

I know there's a, I finally got one provider, but, um, the fact that it took me, the fact that I even had to try means somebody, you know, there's money on the table for someone somewhere, uh, you know, for this type of thing.

Um, okay.

So let's go back to, I think the thing you said is really, really interesting.

Like it really resonated with me when you said the, um, you know, if your friends are going to Denny's at two in the morning, uh, like just go with them.

Like that's literally the best career move you can do.

Um, I totally agree.

I fucked this up a ton, like in college, like I would, I wasn't really even excelling in class, but I always just thought, okay, class is where I should go.

That's where the value is going to be.

Right.

That's what I'm supposed to be doing.

And I ignored all these people.

I actually literally laughed at a whole bunch of people who I knew were just like working on random shit.

They weren't going to class.

They weren't going to parties.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

They were just like building and like now I'm like begging them to invest in their companies here in Silicon Valley.

Cause I'm like, oh dude, sorry.

I like, you know, you know, made fun of you in the hallway.

Uh, like, uh, you went to Duke, right?

I went to Duke.

Yeah.

With, um, with, uh, Stephen from cameo.

Uh, yeah.

He was a couple of years old of the BDS and he was actually, the funny thing is Duke is this school in Durham and Durham's not a, not at the time release wasn't a very cool city.

So there was only one club that anybody could go to one off campus bar basically called shooters.

Shooters.

I've been a shooter several times.

Did you go to Duke?

Uh, my, uh, why have you been to, yeah, I, I, this is like a small bar and a wedding at the Duke gardens.

Uh, my, uh, my sister and brother-in-law, uh, went to Duke.

So we were going to visit them a bunch of times and then, and then they got married.

So yeah.

So of course they take you to shooters because it's the only fucking place to go.

So Stephen from cameo at the time was my brother-in-law was in Wayne Manor.

Right.

Right.

So he used to just host parties at shooters.

He was just like a party promoter.

So I literally knew this guy as like, you know, fuck boy number one as like just throwing parties at shooters.

Just, he was always like texting people, you know, trying to hype up parties.

He was good at it.

I love it.

And, um, and now he's like CEO of like a billion dollar company.

Um, but you know, perfect company for him to be CEO like that is it, it pattern matches perfectly.

Exactly.

Yeah.

He's a funny guy.

Uh, anyways, forgot where I was going with this, but I guess what I was going to say is the follow your, follow your smart friends.

So step one, have smart friends that actually do this kind of thing.

And I think that's, if you just do that, you're 90% of the way there and the last 10% is like

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

listen to them and follow them and like be, be interested in their things that seem just like random toys right now, uh, because they will probably become big deal. You know, one of those is going to become a big deal soon. And so, um, I'll throw out three that I've seen as trends amongst my friends. I have basically tech friends and then I have like smart business friends. So of the top 1% of my friends, the tech friends are all about GPT three and they're all about a DeFi, which is the sort of crypto infrastructure for, they're doing things that like, I don't think these guys own a stock, but they're like, Oh yeah, I'm, you know, in this DeFi system where I'm staking and I'm yield farming and I'm like, you know, creating these really complex lending mechanisms and I'm like, what the hell's going on? Like, when did you turn into a finance guy? And it's because all of a sudden engineers who like money are like, Oh, I can use my engineering to make a lot of money. I bet the end of the crypto boom probably fueled this because people were just like making millions of dollars and like, Oh, shit. Well they're all flush with cash. They're all flush with, with not cash, they're all flush with wealth that is in Ethereum or is in Bitcoin or random ass, you know, shit coin. And, and so they don't want to take it out. They're not ready to like leave the crypto game, but they're like, well, I, you know, I was just trying to invest 10,000 into Ethereum and now I have 1.1 million. So okay, cool. This is a way I can stake my Ethereum or I can lend Ethereum and I can get 12% a year, you know, doing this. This is great. And I can kind of control the whole thing from my terminal and my computer. Like that's awesome. It's the same game that like multi-generational wealth have been playing within trusts in the U.S. for, you know, a couple of hundred years, but now like these crypto millionaires have the exact same problem of like, I'm sorry, I have to pay what taxes if I pull this out into cash? Well, how do I roll it into something that just kind of can spit off exactly as much cash as I need to live and I can leave it as an illiquid asset the rest of the time? Exactly, exactly. Like, you know, that is, that is what's happening. And so maybe, maybe more stuff needs to get built. That's the equivalent of a, of a trust or like the 1031 exchange of crypto. Like, you know, I think that's where a lot of potential is like, this is why the ICO boom happened was so many people had made so much money off Bitcoin and Ethereum. And, you know, to them, they're still thinking about their 10 to \$20,000 investment, but now it's \$200, \$500, \$700 a million, you know. And so they were like, okay, cool, maybe I could do that again. Like first con false confidence that I could do that again.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

I can invest in this new small thing and it could be a million dollars.

Right.

Exactly.

It was still not luck.

I mean, I don't want to pull this out.

And so you had just, let's like, when the Fed pumps in a bunch of money and the stock market goes up, that's basically what happened for crypto and why there was so much slush money to put into random ICOs.

All right, new ideas, opportunity zones for crypto millionaires.

Do you know about the tax treatment on that?

I've been hunting for ways to avoid paying taxes over the past year and people keep telling me about opportunity zones and how I should be investing in them.

And I only understand 20% of it so far.

I'll give you a very small amount that I know for sure and leave everything else unsaid.

So I don't say anything wrong, but I know you can roll appreciated stock in, which I think is similar to a 1031 exchange without paying tax on it.

So it's a new investment.

And then I think if you can defer your capital gains taxes for another 10 years and maybe and then there's some bonus on top of that, that's like, if you leave it in for 10 years, then there's some additional favorable tax treatment on top of that.

So it's like there's a lot of benefits to doing it.

So let's combine the climate change and tax idea here into one with an idea I've been trying to, I've been noodling on.

I actually have said this on the podcast before, but I need to say it again because I'm still thinking about it, which is not true of 99% of the ideas I say.

So one of the best simple ways to reduce your tax burden is to do a solar installation.

So there's a solar tax credit that the government gives and so you have a house, you put solar panels on, yes, you pay the upfront investment, but then you save on your utilities and you get the tax credit that you can use to eliminate a whole bunch of your earned income.

So essentially you can do it for free as long as you have the money to put up upfront.

And so I've been looking to basically do this.

Now, I don't have, I don't want, I need something bigger than just my house, right?

Your house might have like, I don't know, a \$30,000 or \$50,000 project.

I don't know exactly what it is, but it's like, what do you do if you need to?

Can I get like a million dollars of tax credits for this?

Can I do a million dollars worth of solar?

I want to farm, yeah.

And so I was driving with my father-in-law and he was like, he was telling me about this.

He goes, yeah, you know, like on every school you see these solar panels on the parking like garages or just like kind of outside of the school.

And he's like, yeah, this is part of like Chevron energy.

Like Chevron installs all these.

And from what I gathered was they have both a kind of a service provider, like they're

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

a vendor.

They get paid for that.

But the bigger thing is that they'll be like, hey, school, you don't need to put up two million dollars for the solar installation.

We will do it Chevron, you know, out of our profits from oil and gas.

So they get to say they're doing clean energy things.

They get to reinvest profits into something that they're going to be able to get favorable tax treatment on.

They get to help a school have solar solar power.

And then they become sort of a long-term, you know, landlord of the of a less or I guess of the solar panels and the school pays like kind of a small monthly fee.

But they are there from day one, you know, saving one under their utility bill.

So for them, it's like a net gain anyways, even if they pay for this is there's paying less for the utilities.

So I was thinking, why isn't there a marketplace where I can, I don't have to buy a building and like do this whole solar plan, but I just said, dollars, please invest that into the solar projects for me and give me my tax credits back and give me my kind of monthly recurring income from this, this is going to go on some farm in, you know, Idaho.

Yeah.

Yeah.

Like a mutual fund for this.

It's an asset manager.

Yeah.

It solves the same problem of like, I don't want to do the dirty work of finding those investments and operationally putting the money in, but like, I will pay you something.

So on one side, you have this sort of supply of project or let's say supplies capital and then the demand is people who want solar and like, whether this is commercial buildings, schools, farms, factories, whatever places that need that could use solar that don't want to put a quarter million dollar investment into their solar that like they are going to buy another machine to like run their factory better or whatever.

But they're happy to take a lower utility bill and they're happy to and then on your side, you're happy to get, you know, monthly income plus tax credits.

So seems like there's a business there, but and the net is, yeah, exactly.

And we're helping the environment.

So, so I like all of that.

Now somebody who's more knowledgeable than me probably in five seconds can tell me why this is not a viable thing.

But for now, I'm going to say it out loud until somebody points that out.

Or builds it.

I love it.

Well, this is part of, I don't know the exact history, but you know, solar city looked a lot more like this before it combined with Tesla, which was weird, you know, all in and of itself.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

But, but now I think Tesla's solar projects are much more about the roofs and solar roofs and power wall.

Sure.

Okay.

Climate.

Climate is one.

The other one I said was buying businesses.

So going more of the forget this venture capital game, I'm just going to buy all these profitable businesses or internet or our mutual buddies, tiny capital is kind of like probably the thought leader and has the longest running track record of doing this of, of like kind of people who are public on Twitter about it.

But then there's others like constellation software and, you know, there's a whole bunch of different, different folks that do this.

But a lot of my smart friends are going down this path of, Hey, I'm going to buy and then build rather than play the lottery and hope I find product market fit with a brand new invention.

Yeah.

Yeah.

I also think so many people, it became so sexy to be an early stage, to use the finance term, an early stage manager or emerging manager, or as people would call it, maybe solo capitalists in the sort of startup parlance or do a rolling fund or something like this. There's been so much of a rush to, I want to invest in my friends and relationships who are starting early stage companies that we're now into year five or so of the boom of that and people realizing how crazy hard it is to produce a market beating return or, you know, let's, let's say better than that.

That's a top, top, quartile return for your investors that unless you're really, really differentiated, and I think most people are kidding themselves on how differentiated they are in the, in the deals that they have access to, unless you're incredibly differentiated, you probably should go play a lower beta game where you can put in some sweat equity like having to use your PM or dev talents to rehab a business that is available to you for a below market price.

But like, I just think much like the way we started this podcast talking about classic entrepreneurship versus, you know, shoot your laser at the sun and hope, I don't know what I'm talking about there, but go big or go home.

I was trying to make a metaphor that totally didn't work.

I know, right, that, that it's, I think people are just realizing how crazy hard it is and they're like, wait a minute, if what I'm trying to get as an X percent annualized return, gosh, I know way better ways of doing that, that don't involve this crazy power.

Yeah, I think that's true.

If you wanted, if you wanted a, if I was saying, Hey, I have to over the next seven to 10 years, I have to end up with this amount of wealth or I die.

That's the path I would go, right?

Cause I'm like, okay, it's really de-risking the market fit side and it's all about execution

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

and growth.

And because the financing is so favorable, right?

Like most people don't realize this.

Most people, a lot of people listening to this are working at a job and they make a great salary, right?

They might be making \$200,000 a year and then they're paying kind of like, you know, income tax on that and how they're, you know, taking home 120 or whatever it is.

And yeah, exactly.

So, you know, what most people fail to realize is that for either no money down or like kind of like, you know, you could put down five to 10% you can buy a million dollar business with an SBA loan.

And by the way, if you buy it before September 27th, either first six months are going to get paid for you by the SBA.

So your first six months payback is taken care of.

Because, you know, including the sellers going to carry 10% of it themselves.

So that's how you get to the 15% down total.

You put five, they put 10, and then the SBA loan covers the rest.

And every month you're going to be making, you know, you're going to be making a profit on you're going to half the profits are going to go towards paying back your loan.

The other half are going to go to you within 12 months you paid off that whole thing.

And oh, by the way, if you improved operations doing one of three stupidly obvious things, you know, you've now created an asset that is worth two, three times what you bought it for.

And that path, it's like buying a house except the mortgage is like, you know, instead of you paying the mortgage.

Yes, exactly.

And, and unlike a house, it can appreciate at a rate that is uncommon.

I have a friend who bought a business, I think for 300,000, you know, on one of these websites, who's the first guy I didn't know I was like, you fucking buy off these random ass websites.

Like, you know, you love it.

Yeah.

And he's like, Oh, yeah, I bought a bunch of stuff.

I'm like, what?

And it's because he didn't have connections.

And so I was like, he's like, I didn't have funding and I didn't have connections.

So I just go to these places where I don't need a reputation or connections and I can get funding from these like very simple pools of capital.

But I have to buy profitable businesses.

Otherwise, nobody will lend me the money.

So I'm not taking big risks.

And so he brought this company that was small, but profitable.

And that company is going to do, you know, 30 million this year in revenue.

So he's going to literally take it from 300 that he 100 X this business.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

And I was like, dude, take me back when you were looking at this business.

What was the I was like, first, this is very uncommon.

You don't usually get this type of lift.

But I was like, did you know that there was this much room?

He's like, yeah, I talked to the owner and he was like, just always thinking about operations and how to like doing the shipping and the warehousing.

He'd never ran a Facebook ad.

You know, he never did any marketing and and also, you know, his SEO was a little screwed up and I realized that, you know, there's a lot of like late potential there.

And then also he didn't expand in anything, any adjacent, like he didn't launch one new product in four years.

And so, you know, just Facebook ads plus new product, plus, you know, improving the content SEO game and like just this insane lift, like he'll sell this company for over a hundred million dollars that he bought on one of these like flip a type websites.

It's insane.

Oh my God.

Wow.

Sean, I'm curious, like, do you think there is an opportunity to, if your skill set is like amazing growth marketer, to get really surgical about running ads against other people's products and trying to get data back from like, oh my God, I know something they don't send them traffic like it's hard because you don't own the pixel on their website.

But maybe as a part of like, hey, I'm interested in doing the deal, would you throw this pixel on so I can test some stuff and then I can tell you.

Yeah, I think that's a great way to diligence things.

But honestly, you don't even have to get that smart.

So like, there's a lot of these that they're just not doing one channel.

And if you know that that channel works, if you have experience in that channel, let's call it Facebook ads or Google AdWords or influencers or whatever, whatever's your, your growth thing.

And you know the characteristics of the type of business that works there, right?

So let's say it's Facebook.

You know that the types of products that work are like scroll stopping products.

Like it has to be visually appealing.

You have to understand the value through a visual in less than three seconds.

The slow mo of the TheraGun beating exactly like woman's ass in yoga pants does well like a baby.

It does well.

Like these things just do well on social networks.

So you're like, okay, cool.

I'm going to do that.

And maybe a little less like, I don't know, some other like some B2B thing that's not going to resonate in the same way.

The spreadsheet.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

Right.

There's a spreadsheet beating against your leg.

Doesn't do the same.

Oh, what is this?

You guys get these ads of like two MIT grads, you know, are got together.

All my ads are crazy because it's only for businesses that I'm looking at buying.

And so I just like, I like try to get myself covered in their pixels.

And then I'm like, yes, retarget me.

I want to watch everything you're doing and I want to see your ads and all the stuff.

So Facebook thinks I'm like a 40 year old woman.

I just picture you bathing in the same pixels.

Exactly.

So anyways, I think if you know the channel really well, it's really not that risky to to know, you'll know which type of products will work.

And you just know how much have they invested into doing this channel.

Okay.

You can sort of think about the lift you're going to get.

You could say, Hey, I'd love to love left around a trial, but what you risk is educating the operator of how good this is going to work, right?

And so, you know, I think it's a little bit dangerous to do that and you're better off, you know, betting on yourself in that way.

There's other kind of funny ways you could do it, but I won't go into those that are slightly in the gray area.

Well, as another topic, I'm going to, I'm going to steal the baton here.

A little bit and say, Sean, are you open to telling us a little bit about the story of Bebo?

Cause I think listeners of acquired, uh, probably don't know your background and might know an element or two of that story, but I think getting a little bit of, uh, of context around all that would be really fun.

Have you even told it on, on your show?

I haven't.

And you know, one of the reasons why I was initially, uh, I was pretty worried cause you know, when you get acquired, there's like these like pretty strict, like what you could disclose and not disclose.

So I've sort of over time figured out, okay, I can't say certain numbers.

That's fine.

No problem.

But I could just generically tell the story of what our company was and how this all came about and the kind of twists and turns of the story.

The hard part is I'm the host.

So it's always awkward.

Like what am I going to interview myself like, uh, so this is perfect.

You guys can ask me questions.

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

This is great.

We're hosts.

So you have two interviewers.

Um, yeah.

So I can, I can tell the story.

So the company, uh, so one of the companies that we're, that I can talk about is Bebo, which is the company that, uh, most recently I ran and Bebo actually has a really funny story and I only came in kind of at halftime.

So I'll tell the first half of the story, but the key disclaimer is I was not the CEO and founder during that first period, uh, which was a way bigger exit.

I wish I was the CEO and founder back then, but it was my, my partner, Michael was the CEO and founder of that time.

So for those who don't know what's that Michael and his wife duo who had built multiple companies together actually at Bebo was their sort of biggest hit.

And so I'll tell kind of the, the, the quick version that we could dive in.

So the quick version is, did you know there was this company back in the day?

When my space and Facebook were, you know, uh, taking off Facebook at the time was still in colleges.

My space was actually the biggest network and was famous and celebrities, musicians were all using it.

And so, uh, Michael, when he tells me the story, cause I've asked him a bunch of times like, you know, dad, can you tell me like, what was it like back then?

Uh, like tell me these internet war stories.

And so he was telling me, he's like, initially I was, um, actually let me finish the short short version.

I'll tell you the whole thing.

It was built to social network called Bebo, got really popular, but it became clear to him that Facebook was going to win this war and that like where he was now was like more like the top and was like, look, I should start looking at, is there an exit here for us?

Uh, because I'm not sure that what's that what year is this when this might have been 2007, 2008.

I think the deal closed in 2008.

So probably let's say 2007 started thinking along these lines.

Uh, Facebook had been out for three years, had expanded out of colleges, I think at this point and, um, was at high school level, I think.

And so basically it was like, look, we built a cool product, but man, um, we're, and was Bebo was big in certain markets like Europe, New Zealand, you know, if you're in Ireland, like, you know, Bebo was like more trafficked than, than Google at the time.

And so, um, decides to sell, sells the company for \$850 million to AOL, huge exit at the time sold for more than my space did.

And, um, and so amazing exit for Michael and Zochi and they went on to do a whole bunch of great things, both philanthropically as well as in business and they own 70% of the

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

company at the exit, uh, because of, and I, I, I just want to paint, I was going to say, I'll go into why they were able to own that and if we want to go into that detail too. But so they sell it then fast forward a few years. Facebook takes over the world. Eh, well, basically writes off Bebo kind of like a year and a half later as like a tax write off of like, it's worth nothing to us now. You know, we, we, we write it as essentially zero, um, product kind of dwindles obviously and now it's five, six years later, um, Michael comes to me and at this time I'm, uh, I'm running his idea lab. So a startup studio that he had built that he was basically funding him and Zochi were funding themselves. Michael originally was the CEO, um, and then I joined to work with him. I came to San Francisco to work with him and then a few months later he put me in charge of the lab. I go to the board and I'm going to, you know, me and Zochi, we're going to do cool billionaire shit. Like you go run this thing. Uh, and I was like, Hey, more power to you. That's what I would do too. I don't know if I would bet on me. I'm like a 25 year old kid, but like, you know, uh, thank you. I'll try my best. And, um, he comes to me at a certain point and he says, Hey, you know, we actually have the opportunity to buy Bebo back. I heard, you know, he, Bebo had traded hands. So a private equity guy had bought it off of AOL. He had invested in that and he knew that had gone nowhere. That guy didn't even really do anything. And then he's like, he knew it was going to go into bankruptcy and it was going to get bought by somebody. And he's like, we have the opportunity to buy it back. Would you be interested? We're already building social kind of consumer products. Anyways, that's the point of the lab. Maybe we could use this brand name. Maybe we could use the email list. Maybe we could use the servers. I don't know, whatever, whatever's there. Would this help us in any way, you know, get better distribution for one of our product ideas. So the, again, this is the longest short story I've ever told. We go buy it back for, we go buy it back for a million dollars. And so we go to this crazy ass auction I can talk about, but buy the, buy the company back

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

for one million.

So sold for 850, bought for, bought it back for one.

And then a couple of years later, we now sold it again, you know, to, to Twitch.

We got acquired by Twitch and we just owned by Amazon.

And so I'm currently at Twitch.

When you're buying for one, does it, does it come with like all of the data it's ever had, like all the email addresses from, it comes with whatever's still there.

So some shit gets lost along the way.

You can't recover that.

But yes, in theory, in theory yet.

So we got like a 80 million person email list, which was one of the assets.

Now what we found when we got that email, 80 million email list was, Hey, it looks like this email list might have been bought and sold before or something.

Cause this is not, this does not have a great sort of sender, send rating, essentially.

The other thing, the other key component was Bebo had started back when Hotmail and AOL were like the rage and then Gmail came and everybody switched.

And so what we had was essentially 80 million emails of which, you know, approximately 40 million were like my teenage Hotmail address that I never check in will bounce or just go, go, go into the, and so that turned out to be a lot less useful.

The funny thing, I don't know how much of this I can share, but the funny thing was one of the things in buying it was we actually bought two assets that we bought the company and that brand and the domain and the email list and all that stuff for a million bucks.

But in that same auction, we bought the sort of legal rights to sue the previous owner for, I don't know, 50,000 that actually they want to, they won the, the, the case.

They won the suit for like multiple, you know, multiple millions of dollars.

And so that asset turned out to be really, really valuable and have a great ROI.

And then the domain and the email list turned out to be a little less valuable than we originally had hoped. Wow. Did, did you guys use, to our previous conversation, an SBA loan? No, you know, Michael, you were like, Hey, straight cash, you know, I don't think it would have qualified necessarily, right?

It didn't have positive cash flow, it didn't have a lot of things that you would need.

And it was kind of a hairy deal going through bankruptcy.

So you needed to be an all cash buyer to, to buy it.

And so I cut you off a little bit. Take it. So, where is it eventually now and how did it get there and why? Okay. Let me try to pick that up.

Where is it eventually now? So we got acquired now.

And so the whole team that was working on it is now, you know, the majority of the team out 90, 95% of the team is at Twitch and got bought because we had built a whole bunch of things. So one of the things where we bought it, I'll kind of tell the story, it's kind of interesting entrepreneurial story. So when, when we were going to buy it, I got split opinions. I asked a few smart friends, Hey, do you think we should buy this back? And 50% of people were like, don't touch it with a 10 foot pole.

Like internet companies don't get revived. That's like not really a thing. The brand

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

is stale. It might be more baggage than it's worth. It's going to be constant confusion if you're launching a new thing under that old brand name.

And you know, you don't need it. Why would you pay for this? Go, go put the million dollars into ads and you'll get the same amount of users. And then the other people were like, I don't know what's going to happen, but what a challenge, what fun if you did it? And you are also going to get a lot of kind of people who are curious to check out what it became, whether they're actually going to adopt it or not.

You're going to, you know, the analogy is like, you know, you go back home to your parents, you know, to your original, you know, to your, your parents' house when you're after you're 30 years old and they say, Hey, we renovated your old bedroom. You're like, Oh, I want to go see what you do with my stuff. What does it look like now? That's essentially what we do.

Dude, I downloaded the dig reader in 2016. Of course. Right. Exactly. Even if you come in thinking I'm never going to fucking use dig, you want to see what are they trying to do with dig and laugh at it. So we were like, okay, at the very least we'll get that better than complete obscurity, I suppose. And so when we bought it, we did one smart thing, which was we had some predefined ground rules. We're not going to make, just bring it back as another social network. Like we had seen MySpace try that and we're like, no, that game is over. Facebook has won that game. Don't try to be like, Hey, we're cool again. 10 years later, like that doesn't work.

We also didn't have a new product. And so, but we had to close the deal given the timeline of the acquisition. We had to close the deal and we had to announce it and we had to turn off the existing product because it was going to cost a whole bunch of money every month to run.

And so we were like, okay, we're going to do three things. First, we're going to turn it off. Second, we're going to preserve the SEO because it has amazing SEO. And so we're like, how do we lower the cost by a hundred X while keeping the SEO that everybody's profile page alive? Cause you Google someone's name, their Bebo profile was like in the second or third. Yeah. So we created these like static frozen pages that would, that would remain, you know, uh, indexable. I don't know anything about it, but one of our engineers was like, nine engineers in the room were like, there's no way. And then our youngest engineer was like, well, why don't I just do this? And then all the other engineers were like begrudgingly like, well, yeah, if we just want to do that, we could do that. And I'm like, well, that accomplishes the goal. Of course we want to do that simple thing that accomplishes our goal. Anyways, so shout out to Quinn for coming up with that. Uh, the last thing was we came up with this video. We shot it in a weekend and it was basically like an announcement video of, Hey, the original founders bought it back. We're going to bring it. We, and it was kind of tongue in cheek. So we were actually, it looked like a serious corporate stock video of like, hi, I'm Michael, you know, and I'm the original founder of Bebo, you know, we had this vision and over the years, you know, it grew and, but then he, you know, like the video starts to make fun of the old Bebo. It's like, you know, we had great times and is basically pointing fun at like, you know, people used to like just, you know, go on each other profile page and draw dicks like on the whiteboard feature.

And so that was like, he's like, we have the largest repository of hand drawn dicks on the internet. And so this video kind of goes viral, which was our hope. So while the 80 million email list was dirty and pretty much unusable, we couldn't send from it. Um, we got a million new people to sign up to see what's the new Bebo. And, uh, we were like, okay, that's cool. And they signed up thinking like, this is funny. I like this guy. Um, this is like the, uh, that was our intent. Now it wasn't as successful as that, but we, it was close. And, um, so that was the, that was the, that was the goal there. And, um, then we were like, okay, well, we still don't know what product we're going to do. And I was still sort of of the mindset of we need to like test. We don't want to come back with this big bang and we don't know, you know, that's a one shot thing. So I was like, I started creating a little sub list, you know, groups of 10,000, 50,000 people that was like, Hey, do you want to, we're going to launch three new things. I want you to try them. You're, you're going to be our focus group. You're going to tell us if this is any good or if this is dog shit and, uh, whatever comes out of this will be the new Bebo, but you're sworn to ultimate secrecy and blah, blah, blah. And, uh, so we created these little lists and we launched different products to them. And we, you know, one was this messaging app with crazy avatars that look like Bitmoji. And then this other one was Blab, which you used, which is like this video chat platform. And then, and we were launching them under other names to test them first. The idea was, if it ever works, we'll, we'll brand it as be, but we'll email the whole list. Um, the last thing we did was we took, um, the live streaming tech we had built and we built a eSports platform where you would, uh, we built essentially high school eSports. So, um, the way you can go play in a football league or a soccer league or a base, a baseball league as a high school student, just like play versus we're doing, they were our competitor. Um, and so you could sign up to be in a fort night league and we were like, dude, fortnight's more popular than baseball. Like there should for sure be a play, a way, a way to join a team for your school, uh, or as a high schooler and play with other high schoolers and compete and play in tournaments. And because we had built all this streaming tech, we were like, this is cool. Like not only are you playing, but your friends or your family can watch, uh, watch you play. And, um, so that was really cool. And we hit, we were running the biggest high school eSports league in the country at the time. And then, uh, you know, a couple of the platforms, you know, came knocking and we told them, Hey, look, honestly, I, you know, I'm a realist. Like this is cool. The, the students love it. And the platforms are happy because we're bringing on tens of thousands of new young teenage streamers for streaming for the first time who would have never otherwise streamed because they don't want to be a streamer. They just want to play in tournaments and they're like, now they're getting the joy, the thrill of streaming for the first time. And so we were like, all the value is accruing to them. We should go try to sell this to one of them. And so we went to YouTube and Facebook and Twitch and like all the others. And we basically said, Hey, who wants to buy this thing? And, uh, ran a process, a pretty tight process over like 45 days and closed a deal and ended up selling the company. And had you already closed down the, the other experiments at this point or was we did them one at a time. So we learned that lesson the hard way running the startup studio in general,

which is kind of like parallel entrepreneurship, splitting focus is very, very dangerous not to be done unless you are somewhat much more skilled than me. And so we were doing one experiment all in. And if it didn't work, we would then cycle pivot to the next thing.

Uh, but we, we had shut them down by then, which was hard, right? Blab had four million users and was growing and some people loved it and used it eight hours a day. And like I got death threats and you know, somebody is actually kind of funny. Somebody sent to the office a 200 page, a script for a play that was using me as the central character.

My CTO is the second central character in our designer kind of community. The other people whose names they knew, and it was a, a script of us being, you know, it's kind of like the office. It was like us being dipshits, like making bad decisions because they were so angry. We were shutting this down that they sent us like a full play of our, you know, total ineptitude. And I read the thing and I was like, wow, someone took this much time to do this. That's, that's awesome.

So why did, why did you shut that one down? It was that like other messengers were just, you know, it was like a Facebook style situation. And by the way, can I take a stab at explaining Blab from my recollection? So I guess the three modern comps would be it's sort of like zoom meets Twitch meets clubhouse where it's like video collaborative chat in real time that has a broadcast.

The experience was like this. There's three of us on a zoom call right now, right? Three little squares. And so we would be doing this, but where our chat is in the, you know, the side of zoom, zoom is just for private communication. Blab was public. It was like a talk show.

So like we could have live people watching this, listening to this, typing in questions.

We could pull the question and put it on the screen and address it. Anybody could call in like an old radio show and like join the conversation. And so it was like this kind of live, you know, it was like, if Google hangouts had an audience or zoom had an audience, that was sort of toward the premise. And so we, we organically had a bunch of cool people use it. Like I said, the UFC used it when they wanted to do a virtual fight announcement.

We had Tony Robbins come on and do kind of, he would let people call in and tell them their problem and he would like kind of help him workshop him live just like he does at his big, you know, 7,000 person events. The Jonas brothers did that with their fans. ESPN would use it every Friday for their basketball show. But the problem was there was two groups of people using it. There was all those cool things I just talked about that make it sound legit, but those people would use it once a week for like an hour. They're like, okay, I'm doing my live interactive fan thing that's like hard to do. And like I'm on the spot, but like it's super deep connection with people. They love me if I do this. So I'll do it once a week for an hour Fridays at three. That's when my live show happens. And so we were like, cool, Fridays at three are awesome. What happens every other hour of the day?

Like how are we ever going to fill this up with good content? So then the, you had the Facebook same as Periscope, Facebook live, Mircat, and we were all at the same time.

Our thing was like, they were like a monologue, like you hold up your phone and you just talk, which we thought was really hard to do. We were like, dude, dialogue is way easier for people to create content, which was true. But the hard part was for any given category, like let's say business talk or sports or whatever, you had to have 24 seven interesting

content to build a habit for a viewer to just come and show up when they're bored. And if you just tried to get people to show up on demand, they were like, well, dude, I'm busy. Like the whole world is not like, I don't show up on a schedule anymore. Like I order things when I want it and I get what I want when I want it. This is the Postmates era. Like, you know, I don't want to have to show up when the creator decides to go live and I'm in the middle of dinner. And so that was always a challenge. And then the other side, we had people that just, they just use this as like, like you said, clubhouse, they just use it as a room to chill in. So it was just because there were people would meet each other, they would become friends. And then every day, some, some number of them would get online and it would trigger notifications to the other friends. And then the party would just rage on all night and you would just dip in and out as you were free or, or, or, or you were busy, you would leave and you'd come back and different set of people would be hanging out. So it was this hangout platform. And the cool thing about that was these guys were super sticky.

So we wanted people on all the time. They were on all the time. They would fall asleep on the platform. But the problem with them was the core value they were getting was they were making friends. So they didn't bring any friends to the platform. So that side was not growing. The celebrities grew, but we're totally, you know, using a one hour a week, the people using a 40 hours a week brought no friends. And then those two groups did not coexist at all. They didn't even understand why the hell they're on the platform. And so that was the problem that we were never able to solve. And why we ended up pivoting. Wow. Wow. Okay. So I know we've got some, some limited time left here. So bring it home. So Twitch buys it. What's the main reason? Like, what's the repurposed asset here? Is it mostly the team or is there technology?

Any time a company, I always differentiate a company can either get bought or it's sold. We were sold, not bought. Bought is your Instagram. You're hot. You're the next big wave. Everybody

recognizes it and people are banging down your door trying to buy you. We were sold in the sense of like, I approached a bunch of companies and I understood through kind of conversations was able to suss out, what are the things that are important to them? What are their big top three strategic priorities as a company? And then it's my little company, an answer to any of those problems. And I was fucking, I was doing some yoga poses to try to make that fit where I was like, Oh, you really care about this?

You're doing, you're doing, instead of customer, because I was like, I need to sell this company. It's not going to be the mega homerun we think, but there is some value here. So I don't, I don't want to stay and work on a mediocre, medium sized business for five years, nor do I want to just shut this down and like walk away from millions of dollars of value. So I need to learn a skill I don't know, which is how to sell a company. And so I, which is like longtime venture capital, like you are, you are falling into the 80% thick middle of entrepreneurs here. Exactly. So the first thing I did was I asked six entrepreneurs who had done this before, I was like, Hey, how the hell do I do this? And they gave me some tips and they became what I call my ideal doulas, which is like, if you've ever had a baby, like, you know, a doula, somebody who helps you birth that baby. And like these

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

were the guys who helped me birth this deal. They helped it, you know, go all the way from the tough part of labor all the way to the happy part at the end. And so, so, so essentially I found out what their top strategic priorities were. And what I, at first I was trying to be really smart about this, then I realized, Oh, here's how this market works. You have Twitch, which is the market leader. And they have strategic priorities about how to grow their business. Those are very specific to Twitch. I got to find those out and I took some people to beers and I asked a bunch of questions and sussed out that, Oh, there's this program that they've realized. And I'll give you kind of the, the rundown, which was they were sort of in the category of Twitch has gotten really, really big in the same way that Netflix got really big. But then the content costs start to go up. People start demanding more money, right? Famous streamers want more money. Esports tournaments want money. Yeah, they want exclusive deals and nint of moves. Exactly. Right. You got streamers getting paid tens of millions of dollars to switch platforms so that drives up prices. So Netflix had a smart idea to create original content and like, Hey, this stuff we own. So I realized that Twitch really needed original content. And it needed content that it could, it could basically not, it could control its costs better and drive a ton of viewership. And internally they had been practicing this, they had been doing this program totally manually. So they had no technology to do it. But we were lucky that they themselves had been thinking similarly, had been running a program very manually and had come to the conclusion that, Hey, this works. We need to scale this using tech. And then they looked inside the company and they're like, shit, where am I going to get a leader that I trust to do this really hard thing? We need engineers that know how to build this. And we need this now, not like 18 months from now. And so that's, that's a great spot to get acquired in because you say, Hey, I'm a leader. If you, if you meet me and you, if you believe in me as a, as a person, you think I could be one of the, you know, 10 leaders of your company, then the only way you can hire me, I'm an unhirable person. You've got to buy me to get, to get talent like that. Also, I come with 12 engineers that have been working on this for two years and we've already gone through the learning curve and figured out everything. You get the code and you get the learnings. And then, you know, in our case, we didn't have revenue or big user base that would matter to them. But they're like, don't, don't worry, we already have revenue and users. We just need the rest. So I figured out for Twitch, that was the, the kind of solution. And for everybody else, it was, I realized that the core problem was we want to beat Twitch. So I was like, Oh, this makes it really easy. I just need to pitch this as a way that you could potentially overtake Twitch. And, um, I need to spin that story. And then I need to tell you that Twitch wants to buy this. So that will automatically get you interested. And I, and so that big game, the sort of game you play as an entrepreneur to try to get multiple bidders involved. And part of it is persuasion, but you know, you can't just persuade, these are no dummies. These are CEOs of billion dollar companies. They know what the hell they're doing. So you, it's not about convincing of something that they don't want to do and making them do it. It's about finding out what they already want to do positioning art, like cutting away the fat of our story into just being the solution for that. And then connecting on a personal level and saying, would you want me as one of the senior leaders of your company? Would you want me kind of on your extended exec team?

[Transcript] My First Million / #108 with Ben Gilbert and David Rosenthal - Brainstorming with the Acquired Podcast

And if so, great, let's do a deal. It's so funny. It's fascinating. Well, we don't have time to go into it, but like that process is the exact same process of raising money from Patrick. You want to have a hot round? You want to have VCs competing over your deal? You do exactly what you say.

Yeah, Sean, I think we'd love to have you on the LP show at some point for the, to be our deal doula, to help, uh, help listeners understand like what are the levers you can pull? What are the ways that you can, um, sort of message different things at different times and different parties? I know we don't have time for it today, but, um, um, putting that aside, thank you for, for sure.

Yeah, for sure. I kept every email I sent and things like that because I was like, I want to help the next entrepreneur who's going to be like me needs this. This is seven years of effort that they just need to like cash in on and they need a successful outcome. They deserve it, but like they're going to be totally clueless. You don't take, get a ton of reps at doing this. And so how can I, I know when I Googled for it, I couldn't find jack shit. Everything was about the bought use case, which is like, should I sell my hot company when I have all these offers or should I stay independent? Like, yeah, there's a ton of content about that because VCs love to talk about that and they'll tell you to stay independent. Um, and then this is the other side that like is a little bit less sexy usually results in failure, but if you could thread the needle, it'll be life changing for you, your investors and your employees. Like, you know, there should be more content about this. And so I wouldn't make a course out of this probably because there's just not that many people who need to know this. Uh, it's like a very small, it's like a niche of a niche, but, um, I saved it in case people knock on my door and they're like, Hey, can you help? I'm like, yeah, here, here's some templates that I used and here's what worked for me. Amazing. And that's actually how the podcast started during the diligence period. I was, you know, the funny thing is when you're running your company, you just get so worn down. You're so tired over time, especially when it's not, you know, it's not a breeze when it's taken off or whatever. And then as soon as the sale process started, my creativity muscles just started firing again, started having all these ideas. And I was like, well, this is the worst time to have a startup ideas when I'm trying to sell my company. I need to like shut the lid on this and not get tempted to go start something. And, um, so I was like, Oh, maybe I could start something that's safe, a podcast. And so I started the podcast just for kicks during that time to keep myself busy, uh, because otherwise I was going to damage my own deal. Did you know what it would become? Well, listen, this was fun, uh, good dual episode. I appreciate you guys coming on. And I feel like we didn't even get to have these ideas on the list. So there's definitely more ammo if we want to do this again sometime. So that's it. That's a wrap.