

[Transcript] My First Million / #38 - Truth about ad agencies with Brendan Gahan + Brainstorming with Daniel Gross

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 I'll tell you why I wanted you on, so with this podcast, we talk about a lot of people starting cool stuff, and there's like three things or four things that like every person who graduates college, what they're going to start, and it's like a roommate-matching app, which I did.

It's like a way to like buy and sell stuff from college kids, and then it's like an agency.

And interestingly, I've actually noticed that a lot of my friends who started companies and sold them, they're starting an agency because agencies are interesting ways to make money while learning.

And so what I wanted to know, I just wanted to ask you questions about the agency business. And I think you should.

Yeah.

And we had sort of, we had a debate, a couple podcasts ago where we were talking about VaynerMedia,

and it's like sort of, is this a good business or bad business?

And so one thing is like, obviously, it's not a shit business in the sense that like it, you know, they have happy customers, they've got people, they employ a bunch of people, they make a lot of revenue, but we, you know, we're sort of talking out our ass in terms of agency, like, is, you know, what does an agency business model look like, right?

I know what a software company looks like.

I know what a restaurant looks like because I started one of those.

I don't know what an ad agency business looks like, so I don't know, talk us through like very simple.

You start an agency, you know, even before, even maybe the one you sold before the one you're currently at, what is that, what is like the first level of success look like?

Yeah.

Yeah.

Yeah.

I've been kind of like the typical agency model, but I think that's a good place to start for sure.

So when I started an agency, I actually didn't mean to set out and start an agency.

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I had joined a startup and left that, but throughout my, like, entire career, I'd been like the YouTube guy.

I was always pushing like, let's work with influencers, but you know, you've got to like implement best practices on your YouTube channel, and this is starting back in like 2006. So when I left my job and I thought I was going to consult and stuff, it was like, this was maybe seven, eight years ago, and it was like right at, like, I totally caught the wave of when all of a sudden brands and ad agencies were paying attention to influencer marketing.

They all needed the strategy.

And like, I've just been kind of hammering on that for years.

So like, kind of out of the woodwork, like all my old agency friends and friends that had been at brands were hitting me up and they're like, Hey, can you help us with this project?

Can you help us with this project?

So pretty quickly, I just kind of realized there's a bigger opportunity than consulting.

And so what I did was like, I would take on these projects and hire on, you know, I hired on a few people over time and help them with really two services.

One is influencer marketing.

So I'd, you know, work with them on my developing a strategy in terms of how to integrate the brand into YouTube channels, I do all the influencer identification, contracting, all that.

And then the other aspect of the business is basically implementing a lot of YouTube best practices for brand channels.

You brand spend a ton of time focusing on their Twitter, Facebook, you know, Instagram, but they don't really put a lot of time other than the video itself into the YouTube channel. So that was my model.

Is that a good summary, by the way, do you want me to go in and give, oh cool, cool.

That makes sense.

I'm curious, like when you get a, you get your first client, like with your other agency, how big was your first client?

Were they a small startup or were they like an established company?

So pretty big company is right off the bat.

Like one of my first clients was like Mountain Dew and Pepsi, Uniqlo, Anizer Bush and Bev.

Why are they going with you kind of like new guy, new agency?

There's a lot of other options.

Yeah.

I think because there weren't a lot of other options back then.

Like obviously there were social agencies and guys talked about Vayner, but I carved out a nice white space for myself in the sense that like there weren't really that many people just solely focused on, for example, like YouTube optimization.

So like I got in with a lot of the brands on like a really small retainer where like that was like our, like our entire role.

What type of retainer?

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What's a small retainer?

Oh, like this is when I was just getting started.

So it was like very, very small.

It was like, you know, three to five grand for that service.

And how many clients could you have at one time, five or six?

Yeah, we probably had five or six going at one time on that part of the business.

And then the other part was the influencer marketing part.

And then if you fast forward to like, okay, agency is mature now, you sold the agency.

Same types of clients, I assume, because you started sort of at the top of the food chain there.

And what are these, what are these clients paying you on retainer by the sort of by the end, by the time the agency is sort of mature?

Oh, before I sold it?

Yeah, like what if you started off with humble beginnings at 5k, what is 5k monthly?

What does the mature look like?

Is that 50?

Is it 500?

Like what does an agency typically get from these type of big brands?

Yeah, so, I mean, the high end of the big brands is, you know, millions in retainer fees a year.

And that's, you know, covering everything from, you know, they're doing strategy to the creative development, helping them plan production, you know, doing social media and community management.

So, you know, I mean, there are agencies getting paid tens of millions of dollars by massive Fortune 500 brands, and that's definitely like the top end, obviously, I didn't get to that level.

I sold my agency when we're still relatively small.

And so, fast forward to now you said, you don't have to refer to your company, I don't care, but a company that is a \$50 million range, what are the economics like these, these businesses?

I mean, with like a really profitable software company, you could have massive margins, would that be the same for?

Yeah, what's good margins, right, like when I ran a restaurant, if you, if you could get to 20% margins, you're crushing it, 10% like net income, like net margin, what would it, what would be good for an agency?

Yeah, good for an agency 15 to 25%.

Like that's, that's all, that's generally accepted as like the goal.

Well, 25 is good, 15 is fine, but that doesn't sound bad.

I mean, so then is that before and as these, let's say that you have partners in the business, is that where all of your guys's income or an owner's income come from is out of that 25% or is that before you calculate your net income?

It varies depending on the agency, so I'll like sidestep like us specifically.

But generally, you know, I know with like a lot of big agencies, and so there's like

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two types of agencies for a software, like independent agencies, and then there's agencies that are part of like a holding.

Yeah.

The big two or three.

Yeah.

The WPs, yeah, all those, exactly.

And so I would say generally is probably, you know, with a lot of the more independent agencies, it's going to be a combination of they, you know, get a salary and then out of that profit, get some sort of profit.

What would the safe cut on \$100 million agency, \$25 million in income, owned by one person, what do you think, would that person take \$5 million of that \$25 million home?

That's a good question.

I actually wouldn't know that for sure, but I would imagine if I was making that much money and I was the sole owner, that's probably the way I would approach it.

And our agency is trying to like, is the end game to be an agency or is it like, you know, agency, and then as we get sort of these clients, we start to see opportunities and we start investing off the balance sheet or we start creating our own products or like, what do you think is the sort of end game for the smart people that are in this business?

Yeah, that's a good question.

There are more agencies now starting to like diversify and like develop products.

I'm trying to remember, but there was one agency, I think out here in New York who recently got a bit of press and

Jen Lane did that.

Yes.

Yes, that's who it was.

And they did just that.

They were doing so much work with DTC brand and we're seeing so much success.

They decided to develop their own product.

And actually, we've got a mutual friend, I think, Tim, do you know Troy Osnoff?

Yeah, I do.

Yeah.

He's got an agency.

They're just a couple of walks over, you know, they've got a nice agency mostly focused on DTC clients.

They're about 20 people.

And they've actually acquired a couple of their, the brands that they're working with.

That's badass.

And that's what, I don't follow Gary Vaynerchuk too much, but I've heard that's what I used to try to do.

And in my head, I'm like, that sounds good.

What the hell you wait for?

Do it.

What he says is he's got my old IP that is like sort of low value now, but that carries

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me.

I heard him say that.

I'm like, just do it now.

Yeah.

Brands from the 80s.

Brands from the 80s, buy that IP and then relaunch it as a brand refresh with movies and products and whatever.

Yeah.

You know, the thing that's interesting is like, there's almost like, you can almost break the agencies up and I mean, you could break it up a million ways, but I kind of think you could bring it up into two kind of almost like generations.

And there's like the classic traditional agency model where they want clients on retainer. They want to be focused on like the big brand kind of equity building work.

And then there's like this, you know, over the last couple of years, you know, as people are focused more on D2C, it's relatively simple to kind of get a small shop up and running. You've got a lot of entrepreneurial minded people who maybe started out as, you know, they're just running, you know, Facebook ads for brands.

And so they understand a little bit more kind of like how to sell things.

And so I see more and more of those type of folks focused on broadening and building IP, maybe getting into software and expanding beyond the agency model because I mean, full transparency of the agency model.

Yeah, I actually, I want to ask about that, which is to me, this sounds like a cool business because you can kind of take whatever you're talented at and apply that to more people.

That sounds cool, but there's a lot of downsides.

Can you talk about the downsides?

Yeah, I mean, so yeah, at its core, you're selling through people's time, you know, like the traditional model is you get a client on retainer and you basically assemble a team based on the client's needs and build people out kind of based on an estimate of hours and incorporate kind of overhead and your profit margin into that.

Now, what's challenging is what if the client has a lot of ass, there's rounds of revisions like and then also like, you know, oftentimes it's not like you're perfectly 100% having people sold through.

Like maybe you need somebody who is like 50% on an account and their skill set is perfect for that, but then you can't place them on another account.

And so that balancing act of people is just fucking brutal.

Like there's no way around it.

It's really hard and especially if you scale up because then you're trying to identify like it just becomes a giant puzzle of like how to place people and get their time sold through as efficiently as possible.

And so that becomes really tough.

It's a services business at the end of the day.

So yeah, I mean, you haven't worked in the restaurant industry, you know what that's like, it's like, you know, you've got clients, they're people, you got to keep them happy.

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So it's a lot of late nights pitching and winning business is a huge, huge undertaking. You know, especially with the big brands, like they will go out and basically do, you know, RFPs with, you know, a handful of agencies and, you know, the whittle down from, you know, anywhere from five to 10, a handful that they like, you know, so maybe you're pitching against three to five other agencies for a retainer, which oftentimes you don't necessarily a hundred percent know what that final cost is that they're willing to pay. And so you spend at times several months working more often than not for free.

I have two questions to wrap it up.

The first one is then why, you know, so the, the profit here is in charge is to outsource, you know, outsourcing your people.

So paying them \$25 an hour and billing them out at \$50 an hour.

Why are you guys in New York then?

I mean, why aren't you in Toronto or St. Louis or Detroit?

That's a good question.

I would say probably the simplest answer is the fact that all the brands are here.

And you don't have to be there though, do you?

The brands are here and so you definitely need people, like you need boots on the ground absolutely.

The other thing is like this industry is super like so much stuff just happens on the fly in the office and so it definitely helps having people all in one place.

And then the other thing is the talent.

That said, I'm sure and there are agencies that have a distributed workforce.

There's not really any that are on a kind of like, I would say like a big significant scale, but I think eventually somebody's going to have to crack it because the overhead is really, really high.

And the other thing I was going to say is that there are other avenues to generate profit.

You can mark up media production in various services, but yeah, nine times out of ten, 80% of the time you're marking up staff.

And last question, and we've got to answer this in a short amount of time because we're trying to keep this under a certain time.

You did YouTube in eight years ago, what's the niche that you think is going to expand the fastest now?

I mean, TikTok is the hot thing right now.

TikTok and live stream gaming, which you know quite well.

TikTok and live stream gaming.

Yeah.

I mean, Twitter, obviously Facebook gaming, but oh yeah, the influence of stuff was going back to 2006 even.

Hold on.

We have a slight debate here.

Okay.

So our next guest actually is joining us.

He's in the seat.

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You can grab the mic.
But you can't hear him.
You can't hear you, but you hopefully will be able to hear him.
Or I'll relay it.
So you said you have the opposite of you.
This is like my experience on the internet, basically.
I can't hear the people disagreeing with me.
Right.
Wait, Brendan, can you hear Daniel?
Yeah.
Yeah, yeah, yeah.
Oh, he can hear you.
Okay.
What's, Brendan?
Yeah.
You're not going to be able to hear him.
Nice to meet you.
In theory, I mean, I'm sure.
I was just curious to get your take and I won't hear your answer.
But do you not, I mean, the U.S. military just banned TikTok for its soldiers and it does indeed seem, of course, that a lot of American software can't make it into China.
Would you now take the view then that TikTok would at some point get banned?
You know, if it's banned for the military, maybe that kind of expands over time.
And if that is the case, how would it become kind of more popular?
Wouldn't it just be relegated to China?
Or do you think that somehow the trade war doesn't shift from, how would you say, from Adams to Bitz?
Yeah.
Yeah.
I mean, I think that's, I actually just read the stealth war, which is all about that.
I'm trying to remember the office name, but I mean, if that's going to happen, then it's obviously gone, but there are alternatives like right now, like Triller is another one that's blowing up.
I think that format, even if TikTok was to disappear, is going to continue.
You know, there's, yeah, in addition to Triller, there's also a firework, which is an even small one.
If TikTok got banned, everyone in America would go to the next closest thing to Vine.
Yeah.
Lasso.
I don't think Lasso, but probably Triller.
Gotcha.
Cool.
Well, Brennan, thank you for the time.

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I'll holler at you after this, but this was a perfect segment.

I really appreciate it.

We're going to call this segment, we call you and you tell us all your numbers for your business.

Thank you for being the first of that segment because people like hearing, what is the income sheet, income statement look like for these types of businesses.

So appreciate the time, Brennan.

All right.

Appreciate it.

Thanks.

Thank you, man.

And I'll holler at you separately.

Thanks.

Okay.

I think we're still set up to just go, right?

Can we just go?

Wow.

Hey, dude, I'm Sam.

It's me, Sam.

Hey.

We've actually never really met either.

I'm Sean.

Well, you guys haven't met.

No, we're internet friends.

Now we're real world friends.

I am not internet friends with you, but I know you.

We're not friends because you and I have never interacted, but I share your stuff.

Well now we get to be friends.

It's great.

Okay.

So for those who don't know, we need you to basically brag for two minutes.

So like, brag for two minutes so people want to listen to you as kind of the shtick.

And welcome to our ghetto studio.

And we'll explain what the hell, what the hell this room is and what we do.

Okay.

Yeah.

So a bit about myself.

So hi, my name is Daniel.

I hope you're already listening to this at 2X.

I'm going to talk as quickly as possible as you miss this boring introduction.

But I came, I'm originally from Jerusalem, Israel, came out to Silicon Valley when I was, I think, 18 or 19.

I started a search engine called Q, which is kind of a machine-learn-powered search

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for kind of all your personal data.

So you could search Slack, Gmail, Salesforce, Dropbox, Evernote, Basecamp, all in one place, got acquired by Apple in 2013, or ended up kind of running search and machine learning across the company, across iOS, OS X, a bunch of other launched and unlaunched Apple platforms.

A lot of our product basically turned into and blended into spotlight search.

So that's kind of what we powered in addition to a bunch of other machine learning things.

Left Apple in 2017, was a partner at Y Combinator for about a year and a half, ended up funding, you know, I don't know, dozens, maybe even hundreds of companies through that.

And then obviously, started angel investing along the way as well, individually, I'm an angel investor in a bunch of different companies from, you know, crews to Coinbase to Uber to Instacard, Gusto, a bunch of others, Figma.

And kind of, I think, most interestingly, in last year, I started a company called Pioneer, which is kind of like part YC.

It's weird, I guess, merger mesh of my careers.

It's part search engine and part YC in the sense that we try to scout the internet for promising people around the world, working on kind of interesting stuff, and we spot them using psychometrics, a little bit of machine learning, a bunch of different things.

And once we find them, we, if they seem good, we create a company for them on the spot and then fund them on the spot and then try to kind of push them over the edge.

So this is kind of my view that one of the main constructions on societal growth and also as well as kind of the number of start interesting startups we see every year is self editing.

There's a lot of people, you know, that have this shower thought that they don't ever pursue.

And Pioneer is very much meant to be a kind of a platform where people can kind of experiment with their ideas and hopefully a sucking engine, if you will, I would say like a black hole force for good, where we can kind of pull people into our orbit and really almost radicalize them into starting their company, because I think the world could stand to have many more startups and many fewer kind of large companies.

It's really a sad place where we are today, where when you think of it, like, there are basically five large tech companies.

And then even in the startup world, there's like three good deals a year, there's three good deals a year.

Why shouldn't there be 20 or 30?

Why shouldn't there be kind of an hour per logo of startups, many more people working on other things.

And so, you know, a lot of people think of accelerators.

I really hope Pioneer is a generator, a thing that creates founders that otherwise wouldn't have been.

So anyway, that's a bit about me and how old are you?

Yeah.

I am still hanging on to my 20s, but towards the end, I'm 28 years old.

Wow.

Badass.

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I discovered Pioneer, I think I tweeted at you maybe a few months ago, because on one of my internet rabbit holes, I went to Pioneer.

Yeah.

And how many other browser tabs did you have open?

Like 65 of them.

Actually, Pioneer caused me to open like 65 because it's like meet the pioneers.

And then it's like, here's a list of 18 year olds.

And each 18 year old, it'll be like, I'm launching, you know, palm-sized satellites.

I'm creating a microwave that makes things cold.

On Pioneer, they were saying that?

Yeah, on Pioneer.

So all the ideas are like, sort of more on the, you know, sort of crazy sci-fi, I felt like.

That's the vibe I got.

Super interesting.

Yeah.

I mean, it's, gosh, I do think it's important to stress that we try to have a mix.

I mean, I think the one of the lies that Silicon Valley is very good at spreading is that, you know, everyone's working on large moon shots.

And the reason that's a lie is because every one of the successful moon shots often starts as a small, fairly stupid project, right?

Even SpaceX.

Good God.

SpaceX, the most moon shot, literal moon shotty company that exists today.

People forget, but it started as this thing called the Green Mars Oasis Project.

Send a plan and put it on Mars.

Do everything using Russian rockets be as lazy as possible.

Well, that's a huge project.

It sounds like a Hollywood stuntman.

Shut the company down afterwards.

Compared to like self-landing rockets.

Compared to the largest private space company in the world.

Yeah.

I mean, it was basically like a rich guy's practical joke or a rich guy's project.

It sounds like a type of thing.

Like building a home gym in your house.

If we lived in LA and, you know, we had hundreds of millions of dollars, it sounds like the type of thing, you know, you shoot around with a couple of friends over beers.

But of course, Google was a Stanford University project called Backrub.

There's wonderful interviews of Mark Zuckerberg from, I think, 2005, 2006, whatever saying.

There's no reason Facebook should expand beyond Harvard.

This is a great interview.

He's sitting on a couch in basketball shorts with a red solo cup and he's doing an interview

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and the guy's like, okay, you're in whatever, ex-college is now.

What's next?

High schools?

You know, anybody?

And he's just like, why does it have to be more?

Like it could just be a cool thing for colleges.

I think sometimes if you try to do too much, it makes it less cool.

And then like now he's giving internet to people so that they can use Facebook, like expanding beyond what you.

Yeah, totally.

I mean, arguably the most given the fact that they own Instagram and WhatsApp, the most important company in the world and some people look at that and they think, well, like if you look at the fully formed species, you're like, well, we're of a different genotype.

I mean, there is no way I can do what Elon is doing.

But if you realize where all of these people got started and you kind of look at the early variants of what they do, it's kind of silly almost.

And if you look at the old home pages of all these websites, I mean, it looks like a joke.

Go ahead.

Sorry.

So what's something that you personally invested in?

So like, I like the story about Facebook and SpaceX, but what's a company you invest in that today is seen as big, but you remember how humble the beginnings were.

So like, what's something that's big today that you remember how sort of small it wasn't?

The funniest example I have of this is a company called Notion.

And Notion is kind of a next generation confluence or wiki.

It's used by a lot of the companies in here in Silicon Valley.

I'm a user.

That's not how I describe it.

I describe it as like Asana, but better and a little bit different.

Well, I'm actually, yeah, I'm certain Ivan, the founder would shoot me from my description and very much endorse yours.

I'm a user.

I'm not affiliated.

This is the website of our podcast.

It's just a Notion doc.

Oh, okay.

That's one of the main points too, and it's just a Notion doc.

That's it.

So, I mean, Notion is kind of a funny one.

Ivan and I many, many years ago briefly worked together, which is how I got to know him originally. And we kind of kept in touch over the years and he mentioned he was kind of working on this thing.

And, you know, you can envision the initial pitch as it comes through is like, we kind

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of went our separate ways, he was kind of always very interested in the kind of cognitive kind of enhancing software, you know, hyper productivity, that kind of thing.

And for me, that stuff is super interesting, but kind of in kind of a weekend way, you know, during the weekday, I'm much more interested in figuring out how to like make some thing that will produce revenue, hopefully be successful that way.

And so we kind of kept in touch and he mentioned he had started to work on this and, you know, Ivan is the type of person who is very brilliant, but very focused on making the perfect thing correctly.

And in the back of my mind, I was thinking, well, there's no way like it'll just take forever.

And I mean, it did take him a couple of years to kind of, how would you say the 40 years in the desert of kind of, you know, wandering to Israel.

But you know, he got there for four instead of 40, maybe.

But it was definitely one of those things when I started, I was like, I'm not quite sure this is going to work.

And similar vein, I remember talking to Kyle vote to Kyle vote, who two days ago unveiled to the world, Cruz is private.

So Kyle's the guy who started, well, before that co-founded Twitch, which they sold to for a billion dollars.

And then now the Cruz, which I think was another billion dollar self-driving car company, got acquired, I believe by GM for a billion dollars, a billion dollars after 18 months or so.

And I remember he also bought the most expensive home in San Francisco, which made the news pretty funny.

Yeah.

Well, sure.

But anyway, the point is, I remember him kind of fundraising, and it was not an obvious thing back then.

This is before the autonomy hype.

He I think in many ways created the autonomy hype with the acquisition.

And here's a guy who like previously worked on software, Twitch wasn't super popular yet.

He'd like done in MIT, he was a safe cracker.

That was his hardware experience, who's pitching you on in building self-driving cars.

And bear in mind, again, this is 2013.

This is like before all the hype.

And I very much believe that it would be an obvious market of the future.

I remember that quote from Henry Ford of once the car was envisioned, it just had to exist.

And I think that is the same thing is true for self-driving cars.

Like once that concept leaves the drawing board and enters reality, mankind will create it.

So what are you saying that you weren't sure that you should bet on him?

I think the question was, is one of those very interesting situations where you kind of have a lot of emotional belief in the founder, the market is very unclear.

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And so at what point does the investor decide to kind of make the bet in on hard science on an unclear, capex intensive area, because they believe in the person.

And I think this is one of those things where you can afford to do this kind of stuff.

If there's a path forward, if you really believe in the person, and notably, if the price is low, where I probably would not do this is, if you told me, oh, I'm raising in the valuations a billion dollars, you know, obviously it'd be very different if I was Andreessen Harwoods had a giant fund.

But for me, the angel investor at that point, I don't think that's an angel in that one. Yes.

But it was one of those situations where super tenuous, super unclear.

I actually think all good investments at the beginning are super unclear.

A lot of the great YC darlings almost didn't get into YC, Airbnb was super on the fence.

I mean, even Stripe didn't properly do.

I see there's no actual batch they participated in.

And this is the truth about the world, I think, is a lot of the stuff that is great always starts humble and small.

Then, of course, their media teams get together and retrofit the whole narrative, and they'll tell you that, oh, Jeff Bezos was always into books as a kid, but it's very unclear at the beginning whether something's going to turn into something.

Let's fill him in on kind of who we are and what we're doing, and then I've got a few questions.

Yeah, let's do it.

You want to go first, Sean?

Yeah.

So I started this podcast when I was selling the company and I got really bored.

And I was like, you know what would be fun?

If we do exactly what we're doing right now, I was like, if I just take the interesting people that are all around me, some I know, I'll start with them, and then a whole bunch of other people who I just have one degree away that I could reach out to.

And let's shoot the shit together.

Maybe they'll tell their story.

Maybe we'll just talk about whatever the future looks like.

I don't know.

It'll be fun for me.

I don't know if anyone will listen.

Partner up with Sam because he's already got a bunch of people listening.

He's got a million people on his list who want to listen to him tell about the news.

And we said, hey, let's do this together.

Let's partner up on this.

So we started this podcast and it's grown pretty quickly.

But we started this, normally it was like the traditional interview style, hey, tell me what you did.

How did you start?

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How'd you get your first hundred customers?

Real tactical stuff.

We just started coming to this office here, which is outside of the normal studio we do the interviews in.

And we started shooting the shit and we call it million dollar brainstorm, where basically we just say, hey, here's something that's kind of interesting.

Hey, you ever noticed this?

Here's a problem I saw.

And they're actually pretty half-baked ideas.

The name is sort of goofy.

They're not million-dollar ideas.

They're like zero-dollar ideas.

But we have a lot of fun with it.

And this is actually what listeners like way more than the interviews.

And so what I thought would be fun is take people out there, take people who like to look into the future, people who are on the edge and observing new things, have them join us as guests because, A, we're going to run out of ideas pretty quickly, and B, it's just more fun to get better ideas.

I feel like if you're one of those people that have ideas, you do not run out of them.

Yeah.

Well, you just see them every single day.

Yeah.

You're like, man, that restaurant concept, I've had it with this.

That might be cool.

Okay.

So here's kind of an interesting thing at a meta level.

What do you guys think of, is it possible to give someone a startup idea or does it really have to, does the person really have to feel like it's their own?

No.

It is possible to give ideas.

And I'll tell you, I'll give you my reasoning.

So, the hustle, we have millions of people who sign up, we give them news, and then we also have trends where we just explore different stuff and we charge a premium.

It's like the hustle, but more in depth, like Harvard Business Review, it's like this, it's a cool thing.

I'll show you later.

And in doing that, I've met all types of cool people.

Me and Sean have a circle of friends, they're very badass, but they're different badass than your badass.

You are friends with these guys who-

You're a Silicon Valley badass.

Yeah.

I would call this like Austin badass.

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Yeah.

We have loads of friends that have started and sold companies in the \$1 million to \$100 million range, very successful, but nearly all of them bootstrapped.

And what they do constantly, and I do as well, I've bought and sold companies with these guys who are on my own, is they're businessmen or businesswomen and they seek opportunity, they make the products better by either buying or selling other companies and then they can sell the businesses.

And for many of them, they don't give a shit about the product.

I mean, they do.

It's not like they're a scam artist.

They like building things.

Product agnostic.

And they're totally product agnostic.

And so if you want to build a nine figure company this way, it works for sure.

I see.

So the other way I'd put it is, we talked about this last time during, we did a live show and a whole bunch of people showed up and one guy was like, do you have to be passionate about the idea?

Or somebody said something like that, somebody else raised their hand and said, you should absolutely be solving a problem that you're passionate about.

That's the way to do companies.

And we disagreed and he was like shocked that his, you know, why would this person say no? That seems like an unpopular thing to disagree with.

And what we said was the top of the hierarchy is you're solving a real problem.

You're very passionate about it.

It scratches a personal itch.

That is best case scenario.

That's the Gartner Quadra in toward winning all things, but your success bar is lower than that.

But if you want to make a lot of money and have fun doing it.

You don't necessarily have to have that.

You can and that may, it will maybe be better, but you don't have to.

And the last thing I would say is when we say these ideas, we don't, I don't think the people listening to this even expect to take that idea and go do it.

It just gets, trains their brain to constantly seek out ideas.

And that's the real value of it.

That's why I even like doing it.

Cause now all week I'm just jotting down ideas.

I'm training my brain cause I know every Thursday I got to come with something good.

So all the other days I'm like, so here's something that I've been thinking about on the whole jotting things down.

So I, like you guys, I actually, if you, it's funny, I view this as somewhat of a problem and a disease.

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I have this text file of ideas I've been maintaining, I think for 20 years now.

It's probably megabytes in size.

And for me, it's an important outlet otherwise it, I literally cannot stop thinking about whatever that thing is.

And it's actually a little bit more acceptable now in my profession.

But you know, I still run pioneer have to, I have like things I need to do.

I, you know, I have tasks, I can't start off, you know, just thinking about some, this random idea that I just had.

So I write it down.

But here's what I'm wondering on writing things down in general.

Okay.

Here's my contrarian, Silicon Valley contrarian view is writing down a terrible idea because I find the moment I write down an idea, it exits the rock tumbler in my brain and I get peace, which is the great thing, but I stopped thinking about it.

No, I don't think it's a problem.

And my opinion is because shouldn't you just keep it in your head, keep it jumbling around?

I think you should research it because, and I think that you should research it.

So, okay, so there's two types of people, those who like your, that, that actually will do shit and those who won't write, write, I mean, like, there's people who just take action and there's those who just talk.

What's going on with the talkers?

Are they too extroverted?

No.

Are they just talking?

Well, because they're afraid, they're afraid.

I think they're afraid, or they don't really want it, or they think it's cool to do this, but they don't want it.

They don't actually like it.

But my opinion is like, look, like, I think most cool ideas or successful things, they're probably not that original.

They're probably, if you wanted to, you could be like, oh, well, I stole that feature from that, that from that.

iPhone wasn't the first phone, Facebook wasn't not the first social network.

Yeah.

You just steal a bunch of cool parts and you can package it in a really interesting, creative, unique way.

Yeah.

And so what I think it's good is to actually write those down and do, you can even do a little bit of research knowing that you're not going to execute on any of them.

But what you do is you start seeing interesting patterns and best practices and sounds like for you, when you write it down, you're assuming the creative process stops at that point.

I find once I write, I have this for posts for posts, I'd like to write as well.

Once I write the thing down, it going back to it, yeah, it becomes like a thread task

almost.

This is like when, so we both like the UFC a lot.

We like, you know, fighting and this is old wives tale that they tell the fighters, which is don't have sex leading up to a fight.

And they're basically like, no, you need that pent up, you know, sort of testosterone aggression. There's no real science to this.

Yeah, bullshit.

But they, but the fighters follow it and they sort of feel like, okay, if you have sex, if you get that release, you won't have that same sort of hunger, that same tension built up.

It sounds like it's basically that like, you know, blue balls for the brain.

Yeah, I guess.

Yeah.

I don't know.

It's been something on my mind.

I actually, I think I will do a post about this.

And so I haven't written it down.

But you know, I grew up, I am not today, but I grew up as an orthodox Jew and in orthodox Judaism, there's a very interesting concept of the oral kind of Torah and kind of mosaic code is much larger than the Bible.

And for many years that was not written down by like sheer law.

And then at some point they decided to write it down and there are a bunch of reasons that are given as to why they didn't write it down.

Some obvious ones, like they just wanted to keep it private from the Christians, whatever.

But there's some kind of counterintuitive ones there.

One being that effectively things are much more plastic and malleable when you keep them in your head or when you just discuss them.

And writing has this kind of calcifying effect to it where you put it down.

One thing I was actually talking about to a founder recently of a fairly large multi-thousand person company that we're trying to figure out, you know, a typical thing you're trying to figure out at that company, that's how it's culture and values.

And you know, I always send people who go through this process the link to Enron's culture and values.

Enron, for those who don't know, is what used to be the largest, one of the largest companies in the United States, a little in the large energy company, turned out to be a giant fraud and you know, put thousands of people out of business.

But of course they had wonderful values they wrote on a piece of paper.

I think it's like, you know, excellence and integrity and honesty, none of that matters.

But I also wonder in general with values whether that whole thing, that whole process of writing it down doesn't work because again, I think writing strength is its weakness, which is it really calcifies things.

It instills things.

And sometimes you want things to be a bit more, this is a giant tantrum.

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I want to ask you a couple of questions.

So what is your, you took time away from, when did you quit working at YC full time?

I quit YC about a year and a half.

What is your day job now?

It's kind of split.

I mean, a lot of my time has been on Pioneer.

Who runs it?

Me.

Who works on it?

I was about four, six other people actually.

So you're the boss, but your hands off?

Yeah.

Yeah.

Was it like your hands on or not hands on?

Both.

I don't know.

You jump in and out.

Yeah.

You should really ask them.

Okay.

Does it make revenue or do you fund it yourself?

We have a bunch.

Well, it means it's partially funded by me with two other investors and Stripe and Mark Andreessen individually.

It's a venture capital shop, fundamentally.

I mean, it's powered kind of by software, not by people.

So if you ask if it makes revenue, no, but you know, Pioneer holds equity positions in companies that have since kind of.

So you have a fund?

Basically, it's a small fund on paper, I guess it has markups, but you know, as a business it looks more like an accelerator than any other thing.

A generator, please.

But yes.

So have you, how much money have you angel invested on your own?

Can you reveal that?

Um, I mean, in aggregate, large number, large number.

South of 10 million.

Yeah.

Um, like much significantly south of it.

Seven figures.

A decent chunk of change.

Has it returned?

I've had some returns.

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Has it returned to all of it, nor have you had a positive ROI across all?

I have invested more than it has returned, if that's what you're asking.

That was a really inefficient way of being asking.

Sorry.

What's your average check size?

Um, it depends.

Um, it depends.

Like, so I should, I should really classify two things.

I mean, if I'm kind of investing for me, for myself, it's, it's fairly varied.

It's anywhere from, uh, you know, \$20,000 to a million dollars, um, or if the company's really large, tens of millions of dollars, um, but, uh, Pioneer's investments in very interesting layer amounts are significantly smaller, but significantly larger.

Does your investments are tens of millions?

I think that's what you said.

I don't know if that's what you meant though.

Yeah.

Yeah.

Um, but I, I very rarely will do those.

So those will be very, very small.

But before you, do you get, catch what I'm saying?

Yeah.

Basically, earlier you said my total aggregate angel investing under 10 million.

Yeah.

No, I didn't, I didn't say under.

I didn't say under.

Okay.

I thought we said south, that's what you meant, like under 10 million.

I've invested north of \$10 million dollars just to, just to clarify.

Um, but, um, you're saying Pioneer is different than that and that it takes a small, put smaller bets in, but takes a larger position because it's early.

Yeah.

I mean, I think it'd be quite useful to clarify this.

I tend to do personally angel invest, uh, fairly rarely, um, we'll do a fairly small number of deals of people that I happen to, you know, know, or, or not know, but really believe kind of in the company and want to help, um, the majority of kind of the outbound investments that I'll end up doing are through Pioneer, um, which are very small in size, you know, tens of thousands of dollars, um, but much larger by total volume.

So Pioneer last year invested in about 90 people.

So the reason I'm asking this is I'm just trying to understand the structure of angel investing as a business.

Yes.

Um, I've had a few, I've done a few deals, Sean has done a few deals, I'm up, but hopefully we'll be up a lot.

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We'll see if it works.

Um, yeah, that hopefully is the important bit, hopefully is the very important bit.

Um, basically I did one deal in the earnings.

I just put all that back into different ones.

Um, and so what I want to know is how did you roll, did you roll that over with QSBS?

No, no, because it was under five years.

Um, yeah.

And so what I want to know is angel investing as a business, how, how that works for you.

And I, I imagine you get deal flow.

That's phenomenal given YC connections and things like that, um, but that's what I'm getting at.

Yeah.

I mean, I, I think as a, as a angel investor, um, I'm probably, uh, look, uh, I'm probably not as efficient as it could be, um, cause of, of, of really two things.

One, you know, Pioneer and two, um, I'm a bit of an introvert.

And so for me, it's actually much more satisfying, um, to do a small number of deals a year, uh, where I have the opportunity to work really closely with the team to have fairly significant ownership in the organization, uh, as opposed to kind of doing, you know, every single deal that comes out, you know, through my inbox and chasing things around Silicon Valley.

Um, uh, even though that latter format would probably, or maybe be better, depending on who you ask.

Um, you know, for me, it's much more satisfying to kind of work closer with a, with a small person.

Who's the best angel investor you know?

If there are a bunch, um, this is like asking what's the best movie you've seen.

It's hard.

Um, but if you ask me what's a good movie, rather who's someone you look up to, there are a bunch of, I would say, look, in my view, um, uh, the an investor I look up to just not necessarily just because of his legendary picking ability, um, his, uh, his ability to kind of be helpful to companies on boards, but more importantly, um, it's just someone super interesting.

I can't quite figure out in an interesting way is, is Mike Moritz, um, who is one of the preeminent partners at Sequoia Capital.

I find it a very interesting and, and in many ways kind of endearing person, um, uh, who's obviously has this fair share of, uh, you know, of correct bets, be it Yahoo, Stripe, uh, Google, um, uh, and, um, Cisco, I believe a bunch of others.

Uh, in the angel investing world, I think there's a lot of good people.

I mean, I think, you know, why combinator is probably the most durable animal you kind of look to.

And I think it's probably the most interesting thing in the sense that it is a, uh, platform, uh, and it seems to produce returns regardless of the partners that are there.

And that's quite interesting.

No one's really managed to do something like that.

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Um, uh, I think Allied Gill is quite good.

Um, it's top of mind just also because I haven't, I got a different question for you fairly closely to him in an office, but yeah.

So in the brainstorm vein, you posted this thing, which is why I reached out to you.

Yes.

2020 themes.

Yes.

Oh, I read that.

And your blog is good.

So shout out what's your blog?

What's the website?

Um, uh, it's dcgross.com, dcgross.com.

Okay.

So you have a bunch of good blogs.

This was one of them, um, where you had a bunch of themes and I want to hop around a couple of them and, uh, let's just chat about them.

Sure.

Um, so one, one that you had there was, uh, say yes to no code.

Um, yeah, that was a theme and we had it on the podcast, you know, founder of web flow came on and we've been talking a little bit about no code, but I thought one of the examples you talked about, which most, um, called right, you know, average people don't know too much about it.

It's a UI path, right?

Yes.

So talk about what is UI path and what is that sort of, what is RPA?

Uh, it's a, it's a branch of no code that's not consumer facing in the same way as web flow and zappier and other things that we talk often about.

So talk about those.

The whole no code thing is a circle jerk right now.

I can't dissolve as a religion or a circle jerk.

Oh, I called.

Yeah.

I, uh, well, I didn't use those, those creative words, but, um, uh, yeah, I made it very clear that it's overhyped, um, uh, which is, I believe my view, I still, I know, I, I still think there's more to be done there, but you have to be fairly careful when you're picking in an overhyped market.

Cause one of the things I tried to flag, fortunately I put this at the end of the post and, um, given, you know, if I had my own attention span, I wouldn't make it to the end of my own post.

Um, but, uh, one thing I tried to say at the end is, I think one of the most important things for, for, uh, the kind of asset allocated to realize is selection pressure.

Um, and one of the great things about underrated markets is, is you get free selection pressure there in the sense that if you're working on it, you're already interesting by virtue

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of the fact that you're working on it.

And if you're working on a hump market, you get the opposite effect.

Um, one of the coolest things about pioneer is no one really knows about it.

And so if you manage to make your way to a goddamn website, uh, the company that doesn't even own the.com, it's pioneer.app for Christ's sake.

Um, and you apply and you play like you're interesting through that effect alone.

And as pioneer becomes more successful, selection will get harder, counterintuitively, right?

Selection is really hard for Harvard because it's the preeminent brand used to be amazing.

Harvard used to be really weird.

What you're going to go to the new world, you're going to leave Oxford.

Let me get this straight.

You're going to leave Oxford and you're going to sail to the new world and go to this weird ass thing, same, same thing for Princeton, Sanford and Neil.

And so selection pressure is the most important thing.

The RPA scene, we'll tie this into your point now.

Um, the RPA scene and the no codes and used to have great selection pressure even 18 months ago because no one knew what it was.

And RPA stands for robotic process automation.

Um, and now of course everyone's talking about it.

We're about to talk about it on this podcast.

So you've got to be careful.

Once, once the club becomes popular, I very much want to leave.

I'm very much looking for the next club that no one's in right now.

Um, that being said, we should still talk about it.

So RPA, robotic process automation, uh, it's a similar concept to no code.

Um, but as you flagged, it's a little bit more enterprise facing.

And the darling of this world is a company called UI path, which is a European company funded by Sequoia and a bunch of others.

And, um, what they do and a bunch of others do is, um, it's like a \$7 billion company in where like Ukraine or something, I don't think it's Ukraine.

We're insulting them now, um, but it's, uh, let's just say it's in Europe.

Let's focus on continents here.

We're in America after all.

We don't know where the rest of the world is.

Um, and, um, uh, and what it does is the idea is this, the idea is, um, basically macros.

I don't know if you ever use that on your computer.

So, um, you know, you can kind of click, let's imagine there's a task you do repetitively at, you know, your large company.

So you're going through LinkedIn and you're copying the name from LinkedIn and you're pasting the name into the, you know, a Google spreadsheet.

So what they're going to do is they're going to write some, a macro that will basically watch what you're doing and then at some point just do it itself automatically.

Um, and that is much easier than writing software that does it.

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I mean, it's basically click, record, click, play.

So the pitch sounds pretty compelling, pretty interesting, right?

Like we've all done this in like in music where, where you have kind of loops and they're made all, you know, uh, by just watching you play and then playing it back.

And so doing that with software is interesting.

Okay.

Um, so the twist is this, the twist is that the macros are really brittle.

The really brittle in the sense that they don't really understand what you're doing.

Like if I watched you do something on a computer and then you said, just copy me, there's so much I'm able to do because I've used computers in the past.

I understand what LinkedIn is, it's a website.

And so like if the name of the person that I'm copying is a little bit different on that webpage, I'll figure it out.

The computer, most RPA is fairly brittle, won't figure that out.

Now UI paths work around for this is they have a lot of engineers do kind of the last mile, if that makes sense.

So it's kind of mostly recorded and learned by the computer.

And then an engineer kind of comes in and makes it a little bit more quality check quality check it, make it a little bit smarter, a little bit of a little bit of code dressing around the main dish to make sure the stakes not too bland, if that makes sense.

Now UI path can afford to do this because their deal is so big and the margin is so big, they can afford to pay an engineer to kind of take it the last mile.

There's a bunch of little teams and startups in Silicon Valley here trying to do UI path but not brittle.

Okay, so instead of having an engineer go the last mile, we're going to get some fancy machine learning to do it.

And I actually think there's a lot of interesting things you can do that aren't being done today.

I won't go into the details, but like that's that's kind of an interesting avenue.

But the thing to realize about UI path, the thing to realize about UI path that I feel like a lot of people miss in enterprise startups is the innovation here is not to the software, the innovation is the sales machinery and the sales channel.

And a lot of people in for every sales company, a common meme amongst founders is the look at and say, dude, dude, the software is awful, we're going to make better software.

And you forget sales force, the software is as just as good as it needs to be.

And the reason sales force is awful is because the innovation of that company is in its sales team.

It is not in the quality of sales versus a database for Christ's sake.

And so you got to be mindful of that.

So UI path does a lot of channel sales successfully.

And that's one of the reasons why they got big.

I don't think it's because they like, well, what's the path?

I mean, what's the, did they really innovate or they just did it well.

They did it first ish.

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They did it well enough and what's their sales system?

They have a sales team, but they for the most part do a lot of channel sales.

They do a lot of reseller sales through a lot of other folks.

So then why did you say, say yes to no code?

Well, it sounds like you're hating on it mostly or you just not that into it.

I think it will continue to be a fairly strong meme.

Yeah.

As far as I'm concerned, I think it's somewhat comical how hot it's gotten.

I mean, just literally in, through Pioneer, through my inbox, there's like, you know, a dozen companies or teams a month working on some type of no-cody thing.

Now I wouldn't become a bear on that because I do think Christix had made this point about cryptocurrency in 2012.

You cannot ignore a market if there's a lot of smart humans working on it.

You cannot laugh at it.

Like something will emerge.

There's just too many, there's too much IQ working on this problem.

So I'm sure the more stuff will emerge there.

I think that world is infinitely vast.

You know, I believe Deloitte does \$43 billion of revenue every single year.

That's not their valuation.

That's what they do in revenue.

And like 12 billion of that is in software consulting.

All of that can be eaten away by software that is kind of like no-code style software or RPA style software.

So the market is giant.

And it's quite possible.

You know how Mark Andreessen said software is eating the world in I think 2007.

We may kind of continue to see software eat away at the fringes of the world through things like no-code.

Right.

And just to clarify, the themes that when you wrote this post, you're saying, what's going to continue to emerge?

What are we going to see a lot of?

That doesn't necessarily mean there's good investment opportunities or entrepreneur opportunities because maybe that window was in the previous 18 months or 24 months where that was hottest.

And now the popularity will surge, but the opportunity window might be smaller than the popularity.

I think that's right.

I mean, I really wrote the post as an observer, hopefully sitting, maybe not front row on the court, but somewhere hopefully where I could still see the sweat on the players' faces.

And I'm just trying to give people a sense of what's going on here.

And you're very correct.

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Not all of them correlate, I think, to ripe areas investment.

Another one I spoke about that I think is super interesting, but I think it may be hard for a start.

But today to succeed it is radar.

There's a lot of interesting radar companies, and there's a lot of interesting radar technology that the large companies are working on.

Project Soli from Google allows you to effectively manipulate your iPhone with micro gestures from even across the room just by sensing the position, say, that your hand is in by using radar.

This company is called Zendar, which is building a better version of LiDAR for self-driving cars, one that can see through snow, which traditional LiDAR can't.

That being said, from an investment standpoint, you've got to ask yourself kind of a question of that's capital intensive, the use cases aren't that clear, and mainly the thing that's changed is the regulatory environment around various areas of spectrum has changed over the years.

When someone's working on that, a lot of the companies that we've started, I can spin this up on a weekend and see if it's interesting or not.

With these companies that you're describing, how on earth does someone even spot that that's a problem?

Right.

That sounds really hard, right?

That's kind of interesting.

Most people don't even know it exists, let alone that there's an opportunity.

To me, one of the most meta-interesting things of, I feel like if you're trying to figure out what company to start, it is very interesting to find some type of community where you could be at the real frontier of a thing.

For example, the two guys that started the radar company were previously working on radar, so they were sitting at the front of the radar game at Xandar, so they're very aware of what's going on.

If you're sitting in the club or in the chat room of Python, just Python, that's what you got.

There's a lot of people there, and so you really want to find some type of pocket of the world where you can be at the real edge where there are very few people there, and I think actually a lot of enterprise software is like this.

Sometimes you'll meet these guys where they start one enterprise company, they sell it to Cisco, and then there's literally over the course of their career, three or four of these spin-outs where they leave and then they start the same thing and it gets reacquired. What's going on here?

Okay, so one traditional answer is like, great man theory, the guy maybe just has an IQ that I don't have sad.

I don't really believe that.

I think what's going on here is very few people are aware of the problems, and so very few people build the software.

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I actually encourage a lot of people that shoot me emails and they're like, what should I do?

I think a very-
Look around.

Well, it's kind of look around at a meta level of get yourself into a place where you can be looking around where there are few people looking around.

What does that mean in practice?

You may want to go work at a large enterprise company and just observe what's broken there, and then you could literally leave after six months and start a company to fix the number one broken thing.

You'll observe it at an experiential, painful level where you'd be like, wow, it's really broken.

I'll give you an example.

I'll give you an example.

Sean's actually doing this.

Okay.

So we just got acquired.

So Twitch is now like about 2,000 people.

So that's, I don't know, 100 times bigger than any other company I've ever worked for.

I've only run my own companies and the max we got to was like 20 something.

So I sat there and I told the team on the first day because they just went in with the mindset of like, okay, we're here to fit into a job.

I told them, I said, you're going to get several valuable things out of this experience.

In my opinion, the most valuable thing that can happen in this experience is you sit at this company for a year and you observe and I said, we're going to make a list and we're going to share this list.

It's called import-export.

Import.

What are things that we see problems where we would buy the solution within this company?

We would import a solution to this if somebody could solve this problem.

Or what's some hacky thing that we built internally to solve our own problem that we're not productizing

and packaging for the thousand other companies that are going to experience a similar thing.

So we have this import-export list.

I'm basically the only one adding to it.

I've asked so long for you to give me that.

Yeah, I haven't given it out to anybody yet, but that's my mindset around it, which sounds similar to the advice you're giving somebody.

I think you're going to discover a lot of interesting business.

I'll give you an example.

It's so funny you mentioned that.

I had something fairly similar to Apple for me, which is I had this folder of manager scripts, and all the manager scripts I wrote are ultimately really good companies that

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should exist.

So here's one very simple one.

Broadly speaking, all internal HR software is awful, and as a manager, I just wanted this very simple thing.

I ended up writing software, which is I just wanted to know for everyone in my org, I want to know what are their important financial milestones?

There's Apple, 100,000-person company, there's no software that could tell me this, which is I want to know when is most of your stock going to cliff, because you would get these refresher grants every single year at Apple, and they themselves are on four to six-month milestones.

So every single employee has secretly done this math, where they're like, oh, January 12th is when most of the money is coming in, and so I'm going to quit January 13th.

So who wants to know that?

Every manager wants to know, what are the troops leaving?

Got it.

Especially with software engineers in San Francisco who are constantly looking over their shoulder to extend for another job, which is another terrible cultural affect.

But given the fact, what you want is a piece of software that just gives you this data of like, here is when you need to be checking in with people, because if they're financially motivated, here's when they're going to leave.

No one really does that.

Yeah.

And there's a lot of this stuff, performance review software.

We literally had to write our own performance review software at my startup, and then subsequently on Apple, because all the internal stuff is bad.

And another fairly classic one, stack ranking performance reviewing.

This doesn't exist at large companies, and people will never build it internally, because they don't like stack ranking, because it inherently pushes some people to the top, some people to the bottom.

But it's the best way to figure out who's the best performer.

But again, I was never exposed to this stuff before I worked at a large company.

So do you have a list like Sean does?

I have a general startup idea list.

You should share that.

Do you do that like request for startups sort of meme?

Yeah, we have also a little bit of that on Pioneer's website, where we put up a bunch of like fairly tractable, simple, I could do this in a weekend style.

And I saw your face just now when he said you should share that, you were like, internally you didn't want to.

What's the reason you wouldn't want to?

I'm happy to.

So I'm trying to figure out, no, I would, I'm trying to figure out how to convince myself to have your view that like you can actually give people startup ideas, and maybe I'm talking

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to the wrong people, but I've generally found that it's, well, it's more hard than not. Well, but my point is so that you have people who will and will not, the wills are, it's just a very few people, but the will nots, they could still apply that across other things that they're doing.

Totally.

Or you could like be like.

So at Twitch, they have this phrase, it's like, what do, what do creators care about?

And really this is what do people care about, which is the Emmett discovered early on, he's like money, fame and love.

And actually it's sort of the same meme that Dave McClure once said, people want to get paid, they want to get made and want to get laid.

It's sort of the same thing, just repackaged.

And so, and so, and there's a specific order for Twitch where it works, which is like you first want to grow your audience, you first want to grow your audience, and then you want to make money so you can do this sustainably, and then that all starts to feel shallow if you don't feel the love from your community.

And so, and he discovered a fourth one from the founder of Vine, I think he told him, he's like, there is a fourth one, which is inspiration.

And then it was like, ah, that's very true, because anytime one creator sees another creator doing something interesting, or they hear about an opportunity, it just gets them that motivation to just continue on because these are always long journeys.

I think Silicon Valley does a good job of inspiration because we tell stories through the media, sometimes this creates skewed versions of reality.

But there's a reason that exists is because A, it's interesting and B, people take a lot of inspiration from it.

And what I view when you share an idea that I, it's not so literal that you're trying to get somebody to do this exact idea.

It's trying to get people to see the, see the types of problems you see, use these as sort of starting points and then riff on it and end up wherever they will end up.

And so, I would think about it that way rather than saying, am I going to give this person an idea?

Are they really going to go be able to do anything with this specific idea?

Yeah.

I think that makes a lot of sense.

And I think that's right.

I mean, I think maybe the best outcome is someone finds their, some adjacency to the idea that you give them.

And so, you know, maybe this HR performance thing, you know, you don't end up precisely building that, but you build some other related piece of, I don't know, HR.

You said something earlier, you go, you can't ignore, you know, sort of the critics and what the nerds are doing on the weekend is where the trends are going.

You said, you said something like, if there's a lot of IQ at a problem, something's going to happen.

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What problem doesn't have enough IQ on it, in your opinion, give us, give us some things where you think IQ should go.

Well, okay.

So, I mean, one broad area is kind of the one we spoke about, which is I do think that like the, the, the, the kind of 20, 30 year old person who's kind of maybe even technical really wants to do a thing is just not exposed to enough enterprise life.

So there's a lot of unmet enterprise needs.

I'm going to give you another fairly simple example.

If you're a sales team really anywhere, you were trying to figure out the org chart of the company you were trying to sell to this, there's one company called the org that tries to do this.

I tried to do this.

I had the same problem when we were trying to sell.

There's or and we actually, we pay for software that does this, but it's all industry specific.

It's industry specific and it's like a weird sneaker net style thing.

And like, I think, I think someone could really knock it out of the park here and build something that over time maybe even becomes the next LinkedIn, just org chart as a service.

And the information does something like that.

It's only executives.

It needs to be UGC, right?

It needs to be where it's like, like a wiki.

You want to even think of it as a little bit of a deeper level, which is what is the incentive for the employee at the company just kind of to go anonymously update their own profile.

They do on LinkedIn.

And so I think if you could figure that out, great idea, you may build the next big social network.

We do use media radar and we pay them thousands of dollars and it's only people at ad agencies.

It's the same playbook as LinkedIn, right?

Which was let's put your resume online.

Certainly you want that so that you can get jobs.

Oh, what happens when everybody's put the resume here?

We can create the network of people on here and make this, you know, sort of the professional network.

Totally.

And so like that's the thing.

Another one that I think is super tractable.

I don't know how mixed money is and why are you guys familiar with Syhub?

What's it?

No.

Syhub is a very interesting thing.

It is Napster for research papers.

Okay.

So it is used by a small number of very smart, potentially very high net worth people, but

a small number.

So you can kind of think of the TAM math here of the total addressable market math here is much similar to like Gulfstream jets as opposed to Prius's small number of people, potentially very high pay.

And basically if you work at a university and want to access kind of a research paper, then your university pays for it.

If not, you're really, you're basically screwed.

Yeah.

And so Syhub is Napster for this.

It's a terrible website, like the domain is in Taiwan or somewhere.

It's not really hosted well.

If you were to build a better alternative for Syhub that had all the research papers,

I don't know about the legality of it.

I certainly think it would be moral that would be a separate issue.

I think you could, you would basically have the highest kind of intellectual under management website on the planet.

Right.

Like you would have hedge fund managers, you know, kind of leading scientists all using your website.

And you'd have to get clever on how you'd monetize them for boy, like, I think that's a, if you, if you want to become the star of the internet, the people that matter, that would be the number one thing to do.

There's a company that was doing something similar.

They were actually on Inc's 500 fastest growing companies by revenue, I'll have to remember what it was later.

It's a, this would be a little bit of a weird project because it's not going to be legal, because Syhub itself is not legal.

But again, I think things that are at the intersection of morally acceptable and illegal are often quite interesting.

You know, that's always an area where of course crypto has, you know, some space to shine.

Let's see, what else?

Like we're playing the game of you're the asset allocator of IQ.

You're just shuffling IQ around to different areas where you're like, we need some IQ over here.

Um, yeah, totally.

I mean, there's another thing, which is I think a pet pet peeve amongst a lot of us, which is just like better Goodreads, Goodreads is this company that was doing quite well until Amazon parted and folded it into Kindle has been awful sets, but inherently the experience of kind of reading material online today is very single player and should be significantly more multiplayer.

I mean, every time I highlight something or you highlight something on your Kindle should be shared kind of automatically into a group and we should be able to talk about it.

And I think this thing executed properly again, would be a social network for the air you

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died.

So like, I don't think you would get a billion people, but you could probably get a hundred million people that you could charge up like, I don't know, a hundred bucks a month from. Um, so you'd end up in the same revenue math or you'd end up actually with an audience base that you could sell incredibly high and that's to like, like the same way time a country does.

Um, but again, you could literally do that in a weekend.

You know, Mozilla owns this thing called pocket, which like, oh, they bought pocket.

What do they pay for it?

I don't know a lot, but it's like, no shit really, just make a better pocket for Christ's sake.

It's not that hard.

And pocket is not that good.

I think you, I don't agree with you on that because there's those types of businesses work really well.

They've worked so far really well in Japan and in China.

So smart news, uh, things like pocket.

So there's this thing called smart news in Japan.

Have you heard of them?

Um, they're, they either are valued or public at a billion dollars.

Um, and there's a three or four more.

Anyway, in America, we've tried to do that three or four different times.

Not once I don't think has it made a good business.

Maybe they've sold for a lot of money, but it's not made high revenue and profit.

That doesn't, of course that doesn't mean it can't be done, but I think, I think there's a class of products in, um, you guys familiar with super human super humans, this email client and the, it's like 20 bucks a month for an email client.

Like we remind you of emails free.

Do you use it?

No, but for separate reasons, um, it is used by a lot of people.

I don't think they're profitable, but they were definitely doing quite well.

Um, and I think to me that, that is kind of a model here going back to our, um, uh, Gulf stream or luxury software, luxury software was a great way of putting it.

Um, and I think no one's executed a pocket on that thing.

So that's cool.

Super high end, super fast, charge a thousand bucks a month and you're not going to get a lot of users, but you're going to get a few super high pay.

I think the high end businesses are better than, no, certainly easier.

I'd rather have less customers who charge or I charge more than a lot of customers who charge little and that, but that's like not what most people tend to do.

It seems I think that's right.

And another thing on the spirit of high end is I think better software for people to interface with their admins, uh, with on, I think should exist in the world.

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And so like today really, you're actually things again, really easy to do.

This is basically a messaging app that's really durable, really stable.

And the main difference you may ask, well, why is it different than what's up?

It's because the only person on the messaging app is your admin.

Right.

Um, it's like you've called the bat phone, whatever you want, but basically I think

messaging goes through these ebb and flows of saturation and de-saturation.

And right now everything is incredibly oversaturated and messaging in many ways is kind of becoming

the next social networks of these private groups.

And so it's really hard to keep track of everything.

And so, you know, you get message six different times, six different channels, but if you just have one app where it literally is the only way to reach you, um, I think that alone you could charge people for, um, that's a cool idea.

You would only see that if you're at a big company, probably, right?

Like I didn't have a EA to love that Twitch.

I wasn't going to have one at my startup.

You have one now?

Yeah.

Awesome or not awesome?

Uh, well, it's great.

Like, you know, it's a free perk, right?

Which is, which is awesome.

Um, and like I told you, I hired my chief of staff now.

So like I need the bat phone for him.

We have a Slack, which is just me and him, but that's like five layers I have to do to just get to my conversation with him, which is slow and also doesn't have any of the features that we would want for that use case, I guess.

Um, I think, uh, now I'm just really brainstorming.

Keep going.

Into deep space.

Um, uh, there's a lot of online forms, um, that are still quite active.

I'm talking things like flyer talk or, um, there's a similar one for running, let's run dot com.

I'm a huge let's run guy.

I've been on the front page four times.

There you go.

Okay.

So, okay.

So this will be contextual.

Bulletin.

It's a, uh, a software that was literally built when, you know, we were still, I was going to ask you if you're a runner.

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You look like one.

Yes, very much, I'm a runner, but the, like the bulletin, the bulletin is like the blank 182 of software.

It's awesome.

Like let's run of all the new forums.

That one that was launched in maybe early 2000.

I think it's still the best.

Well, the software is the best or the community is the best.

The community is amazing.

Please don't tell me the software is good.

It's, it's, if you try using it on your phone, if you use it on your phone, it sucks.

Yes.

But when it allows you to post without signing up, yes, very much, no old school internet.

Yeah.

And I think that's like, wait, I love that.

Anyway, what I would build is I would literally build a app that all it did was it was a professional scraper of the bulletin.

So you get really good at scraping all that stuff and then you turn all those things into like a wonderful, beautiful mobile app.

And just a client, a reader client, a reader client for all this stuff.

That's really smart.

That's really smart.

And I think if you did this correctly, you can start building the next Reddit.

Yeah.

Cause it's not, uh, owned by like a company that's just going to shut off your client.

Um, so quickly let's run, I don't even know who the let's run guy is.

Wojo.

Well, then John, I only, I have one forum that I used to go to this like a basketball one, um, called the Kali and this call see him.

And they basically, they switched off V bold into some other also really bad one.

And I remember over, I've never seen a community do this literally overnight.

Someone was like, you know what, we're tired of this mobile app sucks.

And this thing always crashes during big games.

I'm making a new one.

Come over here, everybody.

And literally overnight, everybody deserted that first place, went to the second place and they sort of referred to the old one, like the hamsters are still running the wheel trying to keep that other one still up.

Okay.

So that's very interesting.

And that we should remind us of a point that I think should inspire anyone who's thinking of building stuff.

Um, everyone forgets, everyone forgets that this exponential social network growth cuts

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both ways.

Yeah.

The decay, the decay.

And, and I don't know how you guys think about this at Twitch, but like, I actually think, um, these whole network effects, the concept of a network effects super overrated.

I think you build a better experience.

People just swim there immediately.

But yeah, I agree with you, but that just proves their strong network effects.

No, no, I see you're saying, you're saying if you build something better, people will swim there immediately.

I totally disagree with that one.

But I do agree that if you do the voodoo magic to get to the tipping point where the decay begins, uh, I've seen, we've seen the mass migration app in a couple of times, right?

Dig to Reddit sort of thing.

That was like one of them.

But they, they're very, very rare, uh, when they happen.

And that's why, but I believe that people are building better software solutions.

Like right now I'm at Twitch and I shouldn't say this, but like there's competing products that I think have cleaner interfaces, load faster.

And you know, if you just compare feature to feature, uh, better products, you're right.

Like you have to be in a club that is also getting bad and there has to be a better club available.

It's a composite function, um, but, uh, but here's, so here's the interesting thing.

I think, um, well, hopefully this doesn't happen to Twitch.

I am, and this was kind of in the post we were talking about earlier.

Uh, I think, um, we can have a guaranteed bet that all of the giants, all the large companies that their software will get worse over time.

It must get worse over time as, as, as, as durable as like Newton's law, uh, as durable as gravity, these guys must produce more revenue quarter after quarter after quarter.

And so I don't know if you saw someone actually posted this the other day, amazing graphic of how Google has changed its ads over time from like at the extreme when they got founded.

It was very clear.

It's nothing.

Yeah.

Today you literally cannot.

The first page is like, try buying something on Amazon, try buying like an electronic product on Amazon.

It is like stepping into a flea market in the middle of Shenzhen.

You've no clue what you're buying resellers, fake products, feel products.

Why do they do this?

They do this because in the short term, it creates more revenue in the long term.

It creates this kind of weird sense of like dissatisfaction.

Right.

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And I think I don't like, I don't follow Amazon reviews.

You don't trust Amazon reviews.

It used to be like Amazon roofs.

It was life.

Now it's, well, the Google search thing is interesting, right?

Cause you could see how much, what percent of the screen is an ad over time.

And it's like starts with 0% goes to 10%.

And now it's basically like 80% of the results you'll see on a, like without scrolling are going to be an ad, you know, from Google, which is crazy.

You can go back of course to 1992 and you can read the memo written by Larry Page and Sergey Brin about how our advertising models are at odds with the customer.

I'm almost quoting verbatim are at odds with the customer experience and search engines.

But of course these guys are checked out and now their own company is headed in that same exact direction.

So here's another tractable idea on this very concept.

Super simple to do.

Build the wire cutter for one specific domain.

So I've talked about this constantly on this podcast.

What do you mean by this?

Go on.

Well, like Amazon reviews are bad and what are reviews in a sense it's you.

How would you say sequestering your thinking on a particular topic to another brand where you say like, okay, this brand is trusted and so like, I don't have to think and we'll just trust that brand.

So you need to recreate that and you could potentially recreate that in many different ways.

But I think the simplest way is you focus on nailing it really in one particular domain.

Maybe one way to bootstrap this is you can get kind of celebrity endorsements because that's really what celebrities are, right?

They're known brands that people appreciate.

And no, these are bootstrapable companies.

So maybe you don't even need that wire cutter was bootstrap.

They sold way too early.

They sold for 30 million.

They should have sold for 200 million.

So a lot of people try to do wire cutter for for business software.

What email provider should I use?

Yeah.

Chat client should we use?

What if you go to like best CRM.com?

It's people who only talk about or I bet you there's if you type it in, I bet you there's pipe drive versus salesforce.com, right?

And I bet you that can make a million dollars here.

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Yeah.

People try to SEO game that, you know, yeah, X alternatives.

So problem is to two problems.

One, you should never or you could have in the past, I think it's scary to rely on Google now.

And two, you have to look at who your affiliate is.

If your affiliate is Amazon, Amazon could just say, all right, we're not giving for it.

We're not going to give Amazon gives 4% affiliates to wire cutter.

They would say, all right, we're done with this program.

And you lost.

Yeah, I would, I would actually propose with a little bit of ambition that the person doing this and tries to do without Amazon, you just try to sell the products yourself.

And that's why I think it's super helpful to focus on vertical and topic of running.

Like, I think if you focus on sneakers, which by the way, I totally agree, you have tremendous margin in sneakers.

Holy shit.

But if you Google like best cycling equipment or best running shoes for rainmaker, it's so, it's so answer.

Oh, I know I read him.

He's great, but he's good for like Garmin in Paris, just uttering away, but he's just a blogger.

It's, it's, it's a horrible site.

And I love it.

And it's, I'm, yeah, I'm sure the bank accounts not horrible.

I totally agree.

And what I would do is Joe Rogan needs to launch this Joe, somebody who's like an Oprah level Oprah level character.

Chaga supplements.

And yeah.

No, I think that they're, that's interesting.

I've never thought about shipping it out though.

That's kind of, that's a sounds like a pain in the ass, but it could be worth it.

You know, at the end of the day, like life's an adventure and you have to do some of the pain in the ass stuff.

If you want, I think if you want to like take some of these guys down and I think the trick and the reason why you want to focus on a vertical is that I think it's quite important as quickly as possible.

If you're doing a company in any related area to this, to do what Amazon did very effectively, just to get, to become a destination and to get out of Google search results.

I mean, we forget before prime, before prime, Amazon had this giant existential threat, which is I think 60 to 80% of its traffic came from Google.

And this is what killed the elk at the end of the day.

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Cause at some point Google was like, we're not going to integrate into maps and just promote maps to over Yelp.

And then, you know, Jeremy Stoppelman went to Congress to complain, but that never works. I worked in more for him.

Amazon did something much better, right?

They became a destination.

Now when you buy something, you go to amazon.com and then you search there.

I think the fourth largest search engine now.

So I think you must pick a vertical because it is easier to become in the consumer's mind a destination if you're particular vertical.

Like I associate this, this is the app that I go to to get sneakers, this is the app that I go to to get.

I wouldn't even say electronics too big to get like cables and dongles, cables and dongles.com.

And then I think you can become the destination and if you picked a small vertical, you can also handle all the shipping.

They're companies like Shippo, which will take care of the logistics for you.

It'll be hard to compete on the two day thing with prime that may be over time.

Here's a different angle at this.

What we talked about earlier about luxury software.

So sometimes when I want something, I just want to know what is the actual best?

What is the best that money can buy?

And like, what are the top three of like, the best money can buy?

And so, you know, whether it's socks or anything else, you basically just start to curate.

So it's not necessarily a vertical of products, but it's a vertical of like buying habits.

What's that?

It's like a top three.

Exactly.

What are the top three?

And we go to extraordinary lengths to identify, test and sort of and ensure that these are the top three at any given time ratings, but for products, yeah, that's interesting.

And to extend on the wire cutter point, the funny thing is, you know, you have to go to the bottom actually to get the best, best thing because they actually focused on value.

Right.

Well, they have a budget pick, a best for most people pick and a upgrade pick.

Right.

I remember I was buying an air filter and I was like, you know what, like it's the air that I'm breathing it now.

I'm willing to pay.

Well, I did this with a mattress.

I was like, I don't want an \$800 mattress like what's like the fanciest one I could ever get.

And they actually make me sleep an hour extra.

By the way, I mean, yeah, I mean, if, if that math is true, you should invest half your

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earnings in that because like a pound over time sleep is the, the drug everyone forgets to take.

Um, so, so yeah, top three is interesting because yeah, you'd also attract like, you know, the, um, the best customers.

The extreme variant of this topic, if you really want the craziest version of this is I think there's a, if you really shoot for super high end, um, I think you can take down all the traditional blogs on that are covering like the latest on private aviation, the latest on like crazy homes.

I don't think those guys are at the top of their game, um, and I think you'd probably build an alternative.

Again, you're going to get like 10,000 visitors a month, but I'd imagine a good month.

So there's this company I've brought up before.

It's called Informa.

It has a market cap of \$10 or \$15 billion, \$3 or \$4 billion a year in revenue and they own roughly a hundred brands and it's all high end.

So it's, um, like they own like, uh, I could be wrong, but the idea is right.

Like Monaco Yacht Week, right?

And they own like, um, uh, they own a magazine that probably reaches only 10,000 people a month and it's up for people who are buying hundreds of semi trucks.

And so they update you on manufacturers and things like that.

I think, so at HustleCon, one guy, uh, I think his name's Eric Ryan or something, the founder of HustleCon is the big event we, we host conference.

So, so he, he had this talk that I thought was the best talk there and he said something at the beginning.

It's like, yeah, he created method soap and like, you know, one in the soap category, then he created all the vitamins that he wanted, the vitamin category.

Now he's doing well.

He's going to win in the Band-Aid category.

And it's like, okay, what's the formula here?

Is it just like walk down the aisle and pick one, uh, of target.

And he said, yeah, pretty much, you know, you know, he's like, I look for a sea of sameness.

And he said, every time I see a sea of sameness in the, in the, in the aisle, I start to do it.

And he goes, the second thing is then I have to pair that with.

What's the culture shift?

Where's the culture going that these brands that succeeded 50 years ago and the culture was different that they don't understand.

So for method, it was, um, hey, the culture shift is now when we pick up a product, we don't look at the brand name.

We turn around and read the ingredients and hey, look, all these soap brands, uh, they, you can't recognize one ingredient because they're toxic chemicals that we use to clean our house.

So we should have, you know, chemical, you know, we should have cleaning products with

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chemicals you understand and trust, uh, for all the, on vitamins, it was like the culture shift is around, you know, getting these benefits around like, you know, I don't take biotin.

I want thicker hair.

Uh, you know, I don't do this.

I want better sleep, uh, you know, personal wellness as personal fitness, basically.

And uh, so he, so he started talking about this and I like this concept.

And I see this with like, when you're talking about taking down the incumbents.

So the way I look at this was Snapchat was probably the last big, let's say threat to one of the big companies, the most recent big threat to one of the big companies.

Cause A, they wouldn't sell to Facebook and B, um, they took them on at social and succeeded.

And what I think they did was they recognized that the, the pendulum had swung where Facebook was everything's public.

You're connected to everybody and everything's permanent.

Uh, we, we save all your photos forever and your posts forever.

And Snapchat just went and zagged, you know, they, they zigzagged where it was like, how about private?

How about photos that delete and they're not permanent?

Uh, and because the culture is going this way where when everything's online, you sort of want to be, you know, not everything wants to be sort of public and plastered everywhere. And so I think an important thing when you look at this is like, where's the culture going?

So when you said this about luxury brands, what I was thinking was I couldn't give less of a fuck about yachts or, or private planes or anything.

So what is luxury for somebody who's going to be, who's, who's 25 and getting wealthy and over the next 10 years, they're not going to buy fancy watches, maybe they want, what are the experience, luxury experiences?

Right.

I think the fire festival was closer to what people actually want.

That's supreme shit.

Well, supreme on scarcity, right?

But that's still like, I think sort of part of the old, old world of like, it's a, it's a physical material good that's scarce.

Now they did some things differently, but I'm curious what like, we know our, our generation cares more about experiences than material goods than any generation in the past.

So what is a luxury experience, right?

We've talked about museum of ice cream and all this other stuff.

What are these luxury experiences?

That's super luxury.

I'm very curious about ideas around that.

That seems like a fun company to run.

Yeah.

Yeah.

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Yeah.

I mean, I think there's a, I mean, in many ways, the real kind of rent seeker in this world is my old company, the Apple.

I mean, I think ultimate luxury is being, you know, having the AirPods Pro to whatever when it comes out.

And I mean, I think Apple will do well to price discriminate even more.

They should have some crazy AirPods variant that's like \$1,000.

Right.

And that it's not quite gold trim, not tacky, but it looks cool in some way.

The watch is a beautiful kind of exploitation of this.

And so that, that, that's probably the millennial luxury there's like Uber and Postmates, I think are millennial luxuries where it's like hyper convenience, like ludicrous convenience.

There's a company called puffs or go puffs, you know, this company, they basically, it's a little mobile vending machine that rolls around college campuses and will bring you like, you know, Cheetos and Red Bulls and condoms or whatever.

It's awesome.

And they're doing like, I think, I don't know their exact numbers, but I saw at one point, you know, hundreds of millions of dollars in revenue on this very simple business, which is what if the vending machine in your college dorm, what if you didn't have to like go across the quad and then walk into that, that building and get it?

What if we just rolled up to your door?

That's awesome.

You didn't have to have cash.

I was thinking about that at the airport last night.

I was like, oh, I don't want to walk all the way.

I saw some investor was like, when I saw that the convenience store was literally like steps away and still this goddamn machine kept rolling up to a dorm.

He's like, I knew that was like some weird phenomena that I didn't understand, but I needed to invest in.

I've just done the Apple point.

Here's an idea.

I have to, I've written down multiple times.

I cannot get out of my head after really just, I usually tell the team is to struggle.

Sorry.

I mean, it's my goal today.

I have to stay focused, but boy, I think it'd be relatively easy and so much fun to build a new laptop, to build a new laptop.

I actually don't think it would be that hard.

I think you could fairly easily, if you focus on a niche here of kind of the innovator, creator, founder, developer, we'd have built in LTE, it would have like LTE is a wireless.

You don't need to Wi-Fi.

Yeah.

You don't need to, the tethering is all that sucks is it has its own SIM chip inside.

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It has all the right cables.

It's a little bit thicker because the battery will last all goddamn day and it has some type of notable color.

I think you'd build something where again, you won't find this in Mumbai, but you will find this in every single coffee shop in New York City in San Francisco and I think that would be quite fun to do.

That's a cool one.

I like this idea.

Yeah.

That's a great one.

Yeah.

To your point about luxury, I think that that would be the real luxury.

I think you'd build a really good operating system.

This is where things get a little...

You would build the operating system and not just use Apple?

Well, you wouldn't be able to use Apple.

He would.

I think you'd have to use Linux, but I think you could build something really fast where everything was just focused on auto-complete and again, it would be the type of thing your mom's never going to use, but I think that's okay.

I think we can totally discriminate and build the right software for the right person.

The related thing to do is to, I think, to build a brand new messaging app.

Of course, the one point you may bring up is when we spoke about this a little bit with the admin messaging app, but it's directionally kind of the same idea.

I think messaging apps are basically like bars, and so even if the feature of one bar over the other bar is like the Delta is nothing, they're both going to serve you the Moscow Mule, but one bar just has a different community of people in it, different vibe, different feeling, and so again, I actually think Slack's position is quite vulnerable.

Like I mentioned, this stuff moves fairly quickly.

I hate Slack.

There you go.

Why do you hate it?

I hate it.

I hate it.

I hate my phone.

Did you hear when we were talking?

It was going off.

I hate that noise.

You hate the constant.

It's so annoying.

Turn off the noise.

I have no noise.

It's made so many fights with me and my coworkers because I get reactive.

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I find it, so I don't know if you have this experience.
Sometimes I'll come by, I'll sit by a colleague's desk, and they have Slack on with the notifications and the dings on every single message.
It's horrible.
And then I got Messenger up, and then I got texting, so I'm texting him.
I'm writing this other guy, and I'm, oh, I fucking hate it.
I hate Slack.
I want to get rid of it.
Well, so speaking to counterculture, I don't think you're alone.
Email is, I think, better because you have to, you don't write like a, hey, you there, or like, are you awake?
Like let's talk.
Like, you can't really do that in email.
It's more thoughtful.
I can't stand email or Slack.
I mean, that's very interesting.
So maybe we can envision.
I don't have it on my— This week's sponsor, Slack.
No.
Even if it was, I wouldn't care.
That's not what we do.
But I— That's real sponsorship left, right?
I would endorse it because we've paid them a lot of money.
I mean, and there is some cool stuff about it, but I fucking hate Slack, and I don't want to use it ever.
I don't have it on my phone.
I don't think you're alone, by the way.
Some lens on how to kind of do start-up ideas is really just focus on the kind of the availability cascade, if you guys are familiar with that, or the meme that's exciting.
Like I think if you— A simpler way of thinking about this, maybe, or a better way of thinking about this is, what is a good stand-up comedy joke?
Like I think if you went up on stage and you say, who here hates Slack?
Don't you hate it when Slack sends you the, everyone's laughing?
And so there's something there.
There's a lot of— There's truth there, yeah.
And I think you can light it up on fire, and so what would this be?
So maybe the messaging app is called Quiet, and yeah, maybe you just need to send things longer form.
I don't know exactly what it is, but you can take advantage of that energy somehow.
I have a hard issue coming up with those product ideas.
Those are, I think, are hugely challenging.
Like when I think of how they created Slack, I'm like, man, I created that from scratch.
It's challenging, whereas creating something else that's like slightly better version,

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like we were talking about sweet greens earlier, and I was like, oh, I could totally see that. That's so easy to make.

Envisioning software from scratch is so challenging.

Well, there's a difference, right?

So we talk a lot on this podcast about two types of businesses, but we use them interchangeably. There's businesses in the traditional sense, and then there's startups which end up trying to be hypergrowth, dominate their market.

The goal is monopoly, and the outcome is like multi-billion dollars, right?

I would say that for you and your world, the YC world, it's all geared to focusing on these hypergrowth startups, as most of Silicon Valley should be, and it's very exciting.

And then there's like, we have friends that go on Flippa and will buy a shitty FBA business and be like, oh, let me double the prices, and great, I turned a \$1 million business into a \$2 million business.

But they'll have 10 of them.

Yeah, and then they'll do that five times and whatever.

It's just two different worlds.

I like them both.

I like them both, too.

We've got to call them what they are.

He said it took two or four years for Ivan, I think his name is to make no shit, and I'm like, I can't even imagine where to start.

It's very different, yeah.

I think that's a very good distinction.

Really, the main thing going on here is, yeah, I think you put it very well.

Startups are, once they work, just meant to grow at a much faster clip.

We talk about five, 10% week over week, done, stop relentless growth, whereas traditional businesses, I mean, they may start that way, but they usually ask them to over time, and both are fine, right?

The thing the startup world needs to be careful of is venture funding is the incorrect financial instrument for most businesses.

I actually think there's a lot of founders that made the mistake of taking venture funding where they would have been much happier off taking debt funding from a bank, owning much more of the business, and just leaving an amazing life that many founders would secretly wish they have of just like, you know, I have a thing, and it meant \$10 million a free cash flow a year, and that's kind of it, and I own it, goodbye.

Startups are a thing where owning 2% of it should be enough for to never work again another day of your life, because it really has to achieve tectonic scale for it to work.

Did your search engine grow like that?

In many ways, yeah, I did.

We face this interesting challenge, which is it's a very, the way we ran it at our startup, all of our, the entire search engine was hosted on AWS and MSL Cloud Services, it became really expensive to run, and the way it runs on your iPhone today is it runs on your iPhone.

So it's much more efficient, if that makes sense.

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So we came up with, with a terrible business model, we ended up selling, obviously. You know, I think we could have crafted the company in other ways, and potentially taking it to greater heights, but yeah, I mean, it was my first radio, and so by no means did I know how to run a P&L properly.

I'd imagine your audience was probably better at me, you know, properly running a P&L, because I was very capable of taking all the extra money that we had, and sending it directly to Amazon.

A broker.

I mean, the, yeah, the real, liberal rent seekers, by the way, they're basically taking venture capital money, not stop, and not producing much societal value with it, are landowners in San Francisco.

That's really where it's, what I, my bet is I'm buying multifamily units in fast-growing B, B, C and B cities, like Nashville, things like that, because I think that remote work is going to change everything.

Yeah, remote work, that's an interesting one.

Certainly, I mean, I think you went another way, because whether it's remote or whether it's other startup hubs, I don't think we'll be able to pop the blister of San Francisco, so it's clear that the pressure is going to go elsewhere.

I think it'll be interesting to see how many companies are successful.

That's one of those, by the way, reverse network effects.

If the tide shifts and people from here leave, but go to a single destination rather than dispersing.

It'll happen quick, and people forget, but like, it is very clear that the decade of 2009 to 2019 was the decade of San Francisco, but like prior to that, it wasn't SF.

All the cool kids were in Mountain View, all the cool kids were in Palo Alto, and what really happened is there was a point, a tipping point, about from 2000, I think, actually 2010 to 2012, maybe, where it all very quickly moved to SF, because Airbnb was here, Dropbox was here, and then Stripe moved here, and Zynga, later on, maybe Pinterest.

Because they all moved and they became unicorns, people just assumed, oh, okay, Mountain View pretty much gone back to SF, but it could tilt very easily again.

It could tilt to like Redwood City, it could tilt to Austin, it could tilt to London.

So if you were a city, what would you do?

So that's funny, I was going to mention to you guys, the other podcast format that doesn't exist, I think, that would be very interesting is, in addition to brainstorming ideas, if you are the CEO of X, what do you do?

So if you're Evan Spiegel, what do you do?

Right.

So you're asking, yeah, if you're the mayor of the city, what do you do?

Or we get Evan Spiegel and say, if you're the CEO of this company back then.

Hey, CEO of X, if you were your competitor CEO, what would you do?

It's an interesting type of question, so like, what do you do, by the way, if you're Mark Zuckerberg right now?

What do you do?

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Fucking retire.

Fail.

Like, hide.

Yeah, I mean the guy is knee deep in a video game, he's not shutting it down right now.

Anyway, to your points, okay, so if you're the mayor, I think, let's take the most difficult version of this question, like, you're the mayor of a small town literally nowhere, but you're a really good mayor, because London's kind of easy.

Right, Lander, Wyoming.

Yeah, exactly.

What do you do?

So, I think you need, I think the way this, so, you know, a lot of people will say, well, you know, first you got to bring in the money and then everything will follow, wrong in my opinion.

I think the money pretty much follow, venture capital money at least follows wherever the startup seemed to be emerging from.

Venture capitalists, they're like water, they'll take the shape of exactly whatever cup they're being molded against.

So you have to very quickly get to a point where you can say, oh, we are a startup hub, look at X and Y and Z.

So how are you going to get X and Y and Z?

In many ways, it's the strategy Andreessen Horowitz took.

So Andreessen Horowitz is the largest newest venture capital firm to come out of Silicon Valley, really the only successful kind of mega launch in the last decade.

And what they did is to get big quick, the testosterone they took, the human growth hormone they took, is they did a call by the brand strategy where he went out of the gate and he put up on his website Skype and Facebook.

I think they bought secondary in both companies, which is not too far for me saying, welcome to my venture capital firm, Apple, Google, Amazon, because I own equity in those companies that I mentioned.

I bought it last quarter, but nothing to see here.

So I think if you're a city, you try to do that.

And so what you try to do is you try to, you call up, maybe Stripe is too big, but Stripe grew four years ago and he said, look, you guys will move.

Hey, air table.

You're going to make your main engineering office here.

I had people who recruited me and try to do that, Bend, Oregon.

They did the exact same thing.

They flew me up for free and hosted me for five days.

And the pitch is what?

Okay.

Okay.

So you're going to make what you're going to call your engineering capital here.

I don't care if you have a larger engineering office elsewhere.

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We will forgo taxes for you for, I don't know, five years, whatever, forever.

And housing for your employees.

And I don't know, some, well, I think, I think if you gave companies the ability to control and truly build a campus, especially those that have been dealing with the legendary California regulation kind of department and environment, and you tell them, look, we'll just work with you and move quick here, you pick up.

If you really want to light this on steroids, the really crazy thing to do would be to do some type of special economic zone.

I mean, that's how nations think about this stuff.

You set up a special economic zone and you can actually do interesting stuff here.

That's a little, like a lot of the stuff is federally regulated.

So like if you want it to be.

So which means what?

It's not a taxation thing.

You're talking about, you can, it's more like zooms here, left and right all day, you know, up and down in the air, basically the internet, you can think of the internet as the ultimate special economic zone where you can do whatever the heck you want pretty much on the internet.

But when the physical world is a little bit harder to do.

So for example, the airspace is heavily regulated.

There's a lot of things in biology that are heavily regulated, a lot of things in chemistry that are heavily regulated.

Now we've kind of gone from what should the mayor of the city do to like, what should Kyrgyzstan do, what should a country do?

But if you had a special economic zone where you could do more experiments with CRISPR, you could fly weird planes, you could really advance the frontier there.

And that would attract a lot of founders.

Self driving cars that don't work yet.

Let's go.

Bumper cars.

You know, you read research about, you know, America and its kind of frontier in 1960s, and to some extent the 80s, there was a lot of this kind of squash-buckling style of research. And literally every single artificial sweetener that exists today has the same origin discovery story, which would never happen in modern day world, which is scientists working on some other drug, like trying to develop something else.

Oh, it's sweet.

Oh, it looks their finger and it's like, oh, that tastes good, that tastes sweet.

That's interesting.

And so we have aspartame, and so we have sucralose, and saccharin, it's the same discovery story. And so things- Same with LSD, I believe.

Alfred Hoffman literally drank it like a Diet Coke one day.

The microwave itself, by the way, the microwave itself was a way to kind of heat up food.

I'm forgetting the name of the guy, but he's basically walking around a chocolate bar in

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his front- Yeah, melted.

And it melted.

By the way, always important to keep the chocolate bar in your front pocket.

And it melted.

By the way, you know what else was melting?

His heart, probably.

But this used to be the way we ran research, where things were a little bit more kind of- Fast and loose.

Yeah, fast and loose.

And so I think if- So this is like for crypto, when crypto took off in Zug, Switzerland, whatever that is, I don't know, I've never been, but they were like, yeah, crypto, we love it.

And Iceland, I think.

We love it here, right?

I think Iceland, too.

I just remember like, where is the Ethereum Foundation?

Zug.

Where is this new ICO happening?

I haven't been here.

Zug.

Why?

Because like free shelter for all of you crazy crypto kids.

And like, you know, it brought innovation because that's the edge that those people were on.

And you know, an incumbent did not want to take additional risk, but a challenger would take that risk.

I think it's very interesting to apply the models that we think of, that we think of so clearly for like companies, but to cities and to countries.

And they're not always the same, but there are some similarities there where, yeah, I mean, SF is basically an incumbent city.

It's very risk-averse, moving is slow, you know, kind of New York with all of its dynamism somewhat similar.

I was reading the other day, okay, I was reading the origins of HBO, which started out as a company laying cable underneath Manhattan.

And they're laying cable at, do you want to guess the cost per mile?

I have no idea.

I won't even have a range.

I don't know.

Okay.

So the cost per mile to millions.

Okay.

So he's laying cable at \$300,000 per mile, which inflation adjusted is about \$1.8 million per mile.

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If you tried to do this in Manhattan today, I guarantee you probably can't do it.

But even if you could, it would literally be 50 million.

Well, Google bailed on it because they're like, even this is too expensive.

Well, this is what with Elon with the tunnels, right?

He's like, look, the tunneling today costs, I don't know, whatever it was, a hundred million dollars a mile.

That's ridiculous.

There has to be a better way.

Yeah.

I find that the most.

Oh, wait, what are you getting at?

My thing I was getting at is, well, there's general kind of cost disease that can't everyone in the US, but like, that's in many ways because it's kind of an incumbent city.

People are risk averse.

It's harder to change things once you set that when Manhattan's kind of originally getting started.

But Chicago itself, the city, I believe late 19th century, literally the entire city was lifted three inches into the air so that they could build a sewage system and then like put back down again, building by building block by block by block.

You cannot do that, I think today in any modern city, but you can do that in the kind of early stage Chicago.

So cities in many ways are like startups and you know, an early stage startup, it's kind of hard to compete with on speed.

They're moving quickly.

They have no state, whatever, large city, like a large organism in any ways, like a large human body, like you develop a lot of cells and it's just like harder to do new things.

So yes, special economic zone, I think would be would be the real tricky thing to do as a city.

But but I think going all the way back, pulling the stack all the way back, your idea of just buying property in other cities is quite good.

And I think the related kind of interesting startup ideas, what is other, if you have the money to buy real estate, that's easy.

If not, I think there's a lot of other kind of adjacent stuff you can be building within those cities to prepare for the, how would you say, San Francisco going from like the sole capital of startups to one of many.

So dude, that was great.

Daniel Grosso president.

Yeah.

For for mayor.

I think I could do it.

I wasn't born here.

Born in miserable.

I'm a citizen, but I wasn't born here.

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So sad.

So was this what you expected?

Yeah, yeah, I was I didn't realize I'm in fact happy that that this was going to have the shape of like very tractable startup ideas.

That's very kind of inspiring to me.

I think you stay in San Francisco for too much, you get stuck with I spent a lot of time trying to tell people, you know, stop trying to do this like crazy, highfalutin, intellectually pleasing idea, just build a goddamn website that does 10k MRR and call me afterwards.

Well that's step one, the high end stuff is like, cool, worry about that at step 15.

Yeah.

Or even it's I actually think it's fine to have a big dream.

It's just like, what are you doing day one?

Right.

That's what I mean.

Yeah.

I think that's right.

And I think the trade, the problem that a lot of people get caught in is at the end of the day, like the interesting question I think for every single person that I at least ask myself in my head when I meet people is, who are you performing for?

Are you trying to please at the end of the day?

And the problem in itself, the strength of the culture is the weakness, which is that a lot of people are performing for kind of intellectual approval from from the elders of the community.

You know, I want to be known as the person who's working on the space satellite thing.

And a lot of those people get stuck in a black hole where they don't produce anything, which is of course the real way to get approval.

But then they kind of produce status in the form of Twitter likes and whatever.

And the problem with status is that it's infinite.

So it's very easy for me to give you a like.

It costs me almost nothing.

It's much harder for me to give you money.

That's why I think at the end of the day, revenue is a much healthier thing to chase because that's how you know you're creating something really useful for people.

Chasing status, you don't really know if it's valuable.

Oh, good.

You know, Paul Graham liked my tweet.

That didn't cost him anything.

I was trying to get Paul Graham to give you a hundred dollars for a thing you made.

So what's your what's your answer to that question?

Who are you performing for?

For me, you mean, I don't know, I think it kind of shifts.

I mean, early on, who did you perform for?

Look, well, I'll tell you the the so I I although I grew up in Israel, you know, was kind of

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born online, a child of the Internet was reading a lot.

And I remember I came to Silicon Valley, I was 18, and I met I had I met Mark Zuckerberg for the first time.

I came to speak somewhere.

And I viscerally remember kind of minute by minute that entire evening, because I felt like I was experiencing my entire brain reform itself, because I had gone from Mark Zuckerberg. I mean, it's basically not human as far as I can tell from Israel to Oh, my God, this guy's sitting in a room and oh, my God, he's just OK.

That's the greatest thing that's ever happened to me about moving to San Francisco.

Same exact thing.

I think you're human.

Yeah, I'm like, you're smart.

Not that much smarter.

Yeah, you're like, you're smart, but it's like the same thing that would go up.

Don't meet your heroes, because people say you'll get me disappointed and the exact opposite reaction, which is absolutely meet your heroes.

You'll realize they're not super heroes.

There's why a lot of professional athletes come from one neighborhood or why the four minute mile of three guys broke it in a couple months.

Yeah, by the way, I forgot the name of Bannister.

When he broke it, the story is amazing.

He was literally like, had a bunch of work at university, ate lunch, he only ran 35, 40 miles a week.

And then he was like, yeah, I don't know, take another stab at this, broke it, broke the four minute mile and then went back to class afterwards.

Anyway, sir, but you're, you're very, yeah, yeah, I completely agree with that.

Me, I've met a lot, I've had a lot of our, my heroes actually invest in our company and I talked to them and sometimes they'll ask me for advice and I'm like, wait a minute, you're Richard Branson.

Yeah.

I'm like, what are you, what are you, what are you doing?

The best one you said, you and the Pandora guy, you went to go get a haircut together.

Yeah, that was awesome.

Yeah.

So I want you to finish the loop on this.

The question I like, which is who you're performing for.

So early on you were performing for who and then what do you think is the right answer now?

Like something that people can, cause I think everybody, if they answer that for themselves, the first answer is kind of the embarrassing one, which is, you know, some people perform for their parents.

They were, they crave their love.

Some people who crave the love of their boss, their manager, their friend who's more successful,

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their mentor, whatever it is.

I find what's the answer.

Yeah.

What's happened for me is it's kind of, I mean, it, it, it, it shifts over time.

There's my goal, my dream, you know, from, for myself is I, I really care little.

In fact, I would prefer not to be known by the masses.

I really struggle with, I mean, in all honesty, I'm, you know, I'm, I'm kind of walking on the way over here, psyching myself up even for just a podcast like this, because I, I don't like the attention of the masses, but there are kind of a few people in my world that I think have been very successful, you know, Moritz, as we mentioned, as one of them, that I very much kind of look up to and it's the way I benchmark myself as a human in terms of like whether my career at least is going in the right place is I think, you know, what would they think of kind of where I stand, where I am, but it's very much not the masses, very much, you know, the few and I think it would do well for everyone to figure out who that is.

And, and to realize, okay, here's the most important thing to realize that the correct way to, like you have to figure out what type of performer you are.

If the way you're going to perform is through like tweeting or sending people ideas, like that's one thing, but I think the correct way to perform.

And the, the reason I know this is when I think of people that I find interesting, what I find interesting about them is their career success.

It's not that they wrote a really nice tweet or that they sent me a joke or a cute thing on WhatsApp, it's that they made a successful thing.

They're captains of a successful ship.

And so like my performance, if you will, you know, is the work that I make, are the investments that I make is pioneer.

And so that I use that as my north star, not as I think the, the, the important part of the conversation.

It's, it's like, regardless of who you're performing for, your performance should hopefully be, you know, I think in a thing that plays in the world of money, again, because money is scarce.

So that's how you really know that the thing you're doing is useful, important and interesting. More action, less captions basically.

Did you just make that up?

That's a Drake line.

Yeah.

Okay.

But nice.

If you didn't know that, you can attribute it to me.

I recognize the greatness of that line and brought it up.

I like that.

Amen.

We're going to wrap up because we went way over, but it was good.

[Transcript] My First Million / #38 - Truth about ad agencies with Brendan Gahan + Brainstorming with Daniel Gross

So I know you don't want the attention of everybody, but where do they follow you?

Check out pioneer.

If that sounds like something you're interested in.

Yeah.

So I think the easiest top level like thing to find that will give you links to everything else is just on Twitter, Daniel Gross.

And then pioneer is pioneer.app.

One day we'll buy the.com.

Who owns it?

The Japanese company.

Speakers.

The speaker guys.

Yeah.

Got some ways to go.

Yeah.

Exactly.

Good.

So it's a good goal.

And then yeah, I'm scattered on the internet.

Everything's linkable.

But I thank you so much for having me on this.

It was a lot of fun.

I mean, for me, it's, it was quite interesting.

I mean, maybe the listeners will experience this too.

I felt like it's always funny when podcasts start, there's like, I almost feel like it's the first few miles of a run when you're a little bit.

Yeah.

You get into it after about 20 minutes.

And I don't know what that is, that warming, but anyway, I felt like it happened.

So.

Thank you.

Yeah.

There's a, I bet this dude, he gave me this great insight.

He goes, there's two types of friends.

There's friends that you consume with and this is how most, most of your friendships are.

You go watch movies together, you eat food together, you're just consuming stuff.

And he's like, but the best friends I have, and if this was true for me too, is the ones you create with.

He's like, the simplest version of creation is just a conversation, which is kind of, you know, what this is essentially, but like people, you start companies with teams you're on where you create like a culture and, you know, you go and you play games or whatever. And those end up being the strongest and best friendships that you end up having.

And so, so, so find friends that you create with, not just consume.

[Transcript] My First Million / #38 - Truth about ad agencies with Brendan Gahan + Brainstorming with Daniel Gross

I think that's, that's, that's wonderful advice and we're going to end it in a second.
I think right now.