

[Transcript] This Week in Startups / NEWS: Anthropic targets \$20B+ valuation, Flexport chaos & more! | E1823

I have never seen a hired CEO and a founder go at it like this in history.

Yeah.

This is a one-of-one situation.

I mean, if the CNBC article that came out, if the reporting there is right, this is crazy.

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Hey, everybody.

Welcome to this week in Startups.

We're going to do a news show because you guys love when I do the news.

And there's a lot of news with us, producer Nick.

Everybody loves producer Nick.

You've heard him on the All In Podcast.

He is the man behind the scenes, producing five, six episodes a week for you absolutely grateful audience members.

You had a great summer.

You did an All-Star summer.

Congratulations, Nick.

You got a lot of big guests.

Yeah, now it's time to ramp it back up for All-Star Winter.

Well, we had a great run.

And I think there's a bunch of people who couldn't make it over the summer.

So, yeah, we take a second shot at them for the winter.

And we're going to be four days a week in the winter.

Is that correct?

We're on the four-day-a-week schedule right now for the twist.

From here on out, we are four days a week for the rest of the year.

There will be some special little episodes dropping on our days off from the great folks at Crews Financial.

We're doing a startup financial basics.

So, that'll be dropping on some days off.

But yeah, generally speaking, it will be four days a week.

Which is a choice by me, just so the audience knows, because, listen, doing six days a week

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twist and All In seven days a week, it was taking over my life.
And there's no opportunity for me to get sick or to have time off.
If I take time off, I literally have to do six episodes a week before.
Which means 12 episodes in a week.
Which I think we did like four times this summer.
And that was nuts.
So, I'm trying to get some of my time back.
So, we'll be doing four days a week plus All In.
So, you're going to get me five days a week, more than enough for y'all.
But, you know, the news is backed up and I wanted to go deep dive into this anthropic thing.
So, why don't you queue it up for us, Nick?
Yeah, it was a really big week at Anthropic.
A couple of things came out.
So, just so everybody knows, they're the startup.
They're sort of like the fourth or fifth player in AI, right?
So, you have open AI, you have Google, you have Microsoft.
Anthropic and I would say Inflection 2, Reed Hoffman's company.
They're sort of the next two up there.
Yep.
In terms of the major players.
Anthropic is led by Dario M. O'Day.
He previously led research teams at Google Brain and Open AI.
They have a chat GPT competitor.
It's called Claude.
And it's a chat bot based on Anthropic's model Claude 2, which launched in July.
Claude 2 is known for its massive context window.
It can intake 100,000 tokens.
That's the largest that I've seen or I can find right now.
It's about four times larger than what the largest offering chat GPT has.
And to explain that in English.
Yeah.
So, if you, the context window is the amount of text that you can input for an AI chat bot to intake, right?
So, for instance, when I really like using Claude because what we do at this week in startups is we find people's interviews, we transcribe them.
Then I take that entire transcription, I turn it into a TXT file, I upload it onto Claude.
Claude can actually intake that like an hour or two hours worth of conversation and then spit back out to me, you know, the 10 to 15 most interesting bullet points in like two seconds.
It's absolutely incredible.
So, if I was going to interview somebody on the program, you could find a previous interview say, hey, what are the highlights from when they were on Tim Ferriss two years ago or they were on this week in startups five years ago.
And you can just paste right into it.

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Literally copy and paste.

Literally copy and paste or you can do an attachment, right?

You can attach TXT file is what it turns into.

But can you do a URL?

Can I put a URL of an MP3 and say, transcribe this end?

No.

Tell me the five biggest.

Okay.

So, that's, that would take another step out of the process.

And I think that's coming, right?

Yeah.

Because we were talking about multi modal or multimodal.

Here's an audio file.

Here's a video file.

And then we just have to process it first, right?

That might take a little time, but it really is a great product.

Clawed.ai is the product and it's really great.

Yeah, I use it more than chat GPT just again because of that context window.

I think the barometer they use for it is they say it can intake the entire novel of great Gatsby and give you like Spark Notes basically, which is pretty amazing.

Wow.

Spark Notes for those of you who are Gen X is also known as Cliff Notes.

But in Nick's Millennial Generation, they were called Spark Notes, just a programming note there.

Okay. So, what was Anthropic's big news, the makers of Clawed.ai?

Yeah, earlier this year, they raised a bunch of money, \$400 million from Google in February.

And as part of that deal, they had this like pack to use Google Cloud, which will come up in a second.

And then they had another deal a month later where they raised \$300 million from Spark Capital at a \$4.4 billion post.

This was pre-revenue, I believe.

So, just last week, Anthropic announced this new deal with Amazon.

And here are the terms.

Amazon would invest an initial \$1.25 billion into Anthropic.

And then either party, Anthropic or Amazon, and Jason, I want to hear if this is like a standard deal, could trigger an additional \$2.75 billion investment from Amazon, bringing the total to \$4 billion.

Both parties declined to disclose evaluation.

As part of the deal, Amazon would start offering early access to Anthropic's models to its AWS customers

on this new platform that's called Amazon Bedrock, which is inside of AWS.

It's based, think of it as like a generative AI playground inside AWS, where they offer a bunch of different models.

Why are they calling it Bedrock?

They should call it Amazon AI.

Yeah, remember how they used it a couple of months ago?

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They announced that they wanted to be like the Switzerland of AI and allow all models. That's sort of what this is in product form. Amazon did announce, as I thought was pretty interesting, Lexus Nexus and Ray Dalio's Bridgewater Associates are already using Claude through AWS. Oh, okay. So, they did a little beta test. Okay, great. And Claude is, by the way, available now on AWS. You can go use it, Claude, too. Lexus Nexus, for those who don't know, is a legal system where lawyers, and they've been using it for decades. It was around in the 90s when I was installing local area network for lawyers. You could search case law. So, all those case law is up there. So, anytime anybody filed something or whatever, it goes up until Lexus Nexus. So, this should be incredible to put on top of Lexus Nexus, one of these language models. Yeah, I think libraries use it for citations, too. I remember learning how to use Lexus Nexus when I was like 10. And their competitor is Westlaw. And via Reuters, Anthropic, as part of the deal, committed to rely primarily on Amazon's cloud services, including training its future AI models on large quantities of proprietary chips that it would buy from Amazon. Hold on. So, my question to you is, does this sound familiar? Yeah. Wait a second. Didn't Amazon do a deal with NVIDIA and NVIDIA? Does Amazon make chips? Apparently, they're developing a proprietary AI chip. This is the first time I'm hearing about this, so that's fascinating. All right, listen, we work with super early stage companies at my investment firm. It's called Launch. I'm talking pre-series A, right? We're talking seed stage, friends and family. And you know what? At that stage, maybe they don't have insurance yet. In fact, just recently, we had an amazing startup. They didn't have D&O insurance. If you don't know what D&O means, that basically protects your directors and officers, directors, board of directors, officers, the people who run the company, your management team. So what do we do? We send them right over to Imbroker.

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And of course, this very podcast.

Great job, Imbroker.

Okay, so there's two very unique things in this story.

Let's start with the first.

I love this.

Either party can trigger another investment.

So let's say Anthropic does terrible and everything's a total mess and their product falls way behind other products in the market.

They can demand 2.75 billion from Amazon for a failed product.

According to Reuters, yes, that is true.

Or if things are going smashingly and they don't need money and they're just printing money hand over fist, things go great for Anthropic.

Amazon could put a gun to Anthropic said and say, we're buying, let's say this is at a \$10 billion valuation, we're buying another 27% of the company.

I would say that my guess is they can do that at a \$10 billion valuation or it could be stepped to maybe, but I've never heard of a deal like that.

It would normally be one sided.

Amazon has the right.

This would be called super prorata.

Prorata, you get to keep your percentage ownership.

Super prorata, you get to increase it.

And so my thought here would be the valuation would be enough that this would increase their ownership if they're investing 1.25 at whatever valuation this is.

Do we know what valuation this round occurred at?

It doesn't seem like here's the latest news.

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On Tuesday, just a couple of days ago, the information reported that Anthropic is in talks to raise another \$2 billion this time at a rate, this is reporting, they're targeting a valuation between \$20 to \$30 billion.

According to the article, and they saw some fundraising materials, Anthropic is currently generating revenue at a \$100 million annualized pace.

So that would be \$100 million out of the gate is pretty significant and there was a report, chat, GPT-4 and open eyes, we're getting is that a billion dollars?

So these things are being priced at a hundred times if the secondary at \$90 billion is true, let's call it a hundred X revenue, ballpark.

So if they're making \$100 million, a hundred times that would be obviously \$10 billion.

And this sounds like a \$10 billion, \$5 to \$10 billion valuation to me.

This people are ahead of their skis here, obviously, these valuations make no sense.

But in a hot market, you know, you give people a lot of credit as publicly traded companies, they might as SaaS companies be getting, you know, 10 to 20 times top line revenue, if they were high growth, high growth being their doubling every year.

And these things do seem to be doubling every year or at least 50% every year.

So congratulations to everybody all around.

I think these early language models are doing fantastic because they have two swings at that. You can make money from consumers, you know, everybody in our company pays \$20 a month for chat, GPT-4.

And you can make money because APIs are hitting these and people are building them into their products.

So it's a wonderful business.

It's a software business is a high margin business, with the only exception being the amount of hardware you need to run these language models, which I think we'll go down over time.

Yeah, whatever I read about Anthropic, most of their revenue comes from pay as you go API usage, and they have a small pilot program where they're testing like an enterprise version with select customers, sort of like chat GPT enterprise.

But you think it's the enterprise is the big win, by the way, enterprise is the huge win for all of this.

The fact that I can't see as the CEO of launch or inside, everybody's chat GPT stuff and it's all in one place and it's learning from everybody on the team.

So if you asked a question about this weekend startups, I asked a question, somebody asked a question about something else, that should all be going into the knowledge base and we should all be having discussions with our verticalized AI.

But go ahead, you had a question.

Yeah.

So the reported valuation that they're raising at is between 20 to 30 billion.

And they say by the end of 2023, they'll be on like a \$200 million annualized revenue pace.

So at the best case, the cheapest price would be about 100, 100 times revenue.

And the worst case would be 300 times revenue.

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Open AI, they're just, yeah, they're about 80 to 90 times revenue based on the Wall Street Journal report last week.

So do you think that that sort of makes sense to you, that number, because these are the top of the class in AI and they're really the only game in town right now?

It's ridiculous.

I don't think there's any logic to it.

It would take you, if these things double every year, it's going to take you a couple of doublings to get towards reality.

So you're probably giving them credit for three years of undone work, four years of undone work with a lot of risk and a lot of competition coming.

So I think these are strategic investors, not financial investors, strategic investors for Amazon to be able to sell their proprietary chips to a major player and get them to use them.

They don't need to make any money on this investment.

If they break even or lose half their money, they got somebody major to use their chips and to give them product feedback on it.

So again, they don't need to make money on this.

What if Amazon's

perform NVIDIAs and it's a strategic disadvantage for Anthropic to use them?

Isn't that a major risk?

That would be the major risk Anthropic's taking.

That's a really good insight.

Yeah.

I think that is a major risk.

If their chips suck and then I wonder from the contract, they have to say their chips have to be performant within X% of the NVIDIA ones.

So anytime you do strategic deals, things can get weird.

This is an example of that.

That's why in venture capital, we see strategic come along and want to invest in our startups that we're on the cap table of.

It's a major red flag.

Great.

They have different motivations.

Yeah.

It's that simple.

Now, listen, the press reports are probably, I would just say any press report that's based on rumors, you should as a, and I'm not picking on the information here, any press New York Times information, Washington Post, I would assume that in 50% of cases, they have wrong information.

And in the 50% of the case, when they have right information, they only have partial information about that, right?

They might not have the full context.

And that's how the press works.

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That's how it has always worked.
So I'm not saying it's gotten worse necessarily.
And these publications do the best they can.
But being on the inside now, I can tell you how little information they actually have.
If they got a leaked deck, that deck could be old.
It could be a draft.
It could have changed three times in the last three months because decks change.
It could be somebody with an agenda giving them wrong information specifically.
It could be faked information.
I've seen every single one of these things happen.
From both sides of the fences.
Remember, I was a journalist for a long time running a publication, whether it was in Gadget or This Week in Startups, or Silicon Valley Reporter.
And I was on the other side, as an investor, being on the board of companies.
I would say 90% of the time, the information is incorrect in some way.
50% is directionally correct.
And if it's presented wrong.
So anytime you're reading a newspaper or an information source, just understand that.
And I think they understand that and they would agree.
Do you think this is a good strategic move by Amazon to get early access for Anthropic?
Fantastic move.
Yeah, cost them nothing.
They'll make it all back on people using AI products.
It's a no-brainer for them, I think.
Because if you view squad, it's that good.
And if they're competitive out of the gate with ChatGPT4, they're not going to fall behind.
So here we are.
And I think you could assume there'll be 10 competitors in the space making serious progress.
I just got the pictures added to my ChatGPT4, the multi-bottle today.
And I used it today for the first time.
And I had a piece of electronics that I needed a special plug for.
I took a picture of it.
I said, what plug do I need?
It nailed it.
It's like, you have a model that you need this.
And I was like, okay, go buy it for me on Amazon.
Give me the link.
And it says, I can't do that.
But just go to Amazon and search for this name, power charger, and you should be able to find it.
So it was like, well, that's pretty scary.
It's funny you say that too because I noticed.

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So when we were on the show with Sonny the other day, he was actually using Code Interpreter, which is now called Data Analysis, I think, on ChatGPT, to review the image of the guy wearing the trousers and the nice white jacket. And remember, you said the thing about the tortoise shell glasses? It didn't pick up on that. So I got access to it yesterday. And I just, I sent the same image. I gave it the same prompt to tell me about all the accessories and stuff in this outfit. And it actually said there are also tortoise shell glasses in his pocket. Pocket. So I wonder if it's a different, like more advanced. No, no, no, it's just listening across the web to every conversation and throwing. It downloaded this week in startups and it fixed its own error. I mean, eventually it will be doing that, right? Eventually it'll be listening and it'll be like, oh, it's talking about me. I could have done a better job. Maybe you check that. No, I think it's, every time it does its analysis, I think it's doing it for the first time. And so if you, if 10 people upload the same picture and ask for, you know, feedback, it's going to give you different answers. And in fact, I have taken it, I've uploaded a picture and three different times asked the question three different ways and gotten three different answers. Yeah, well, and then every follow up question you give it is, is part of the reinforcement learning, right? So if you follow up and you say, what about the, did you miss the tortoise shell glasses? It will understand, oh, I did a bad job. Oh, sorry. Yeah, sorry. Bad robot. Crazy. Yeah. Poor bad robot. All right. Listen, congratulations. Great job for both parties. I think it's a big win. And just another check box that these are going to be commodities very soon. Now they, they may be revenue generating commodities, you know, like gold or diamonds are or wheat or oil, you know, I'm not saying commodities in a derogatory way. I'm saying commodities in that you can get storage on the internet from a thousand different sellers. You will be able to get a language model, I believe, from hundreds of sellers next year and thousands in five years.

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This will be, you know, something that many people offer at increasing lower prices with different levels of offerings.

And so this is great for humanity.

Everybody's going to be trying different ones.

Different ones will have different specialties or progress and let the games begin.

Great.

Great for everybody.

Can I ask you one question about strategic investors, by the way, too, just in case, in Anthropic case.

So now they have these two major strategic Google who was the earliest investor and now Amazon who's coming in with potentially up to four billion dollars.

How do those two investors talk to each other, if at all?

Well, it depends on if they have board seats.

And in this case, you said it was 400 million from Google.

And it was another 2 billion that's coming from Google.

Report.

Yeah.

So the question is, are they on the board or not?

And did they negotiate board seats and was Anthropic in a position to tell Google they didn't have a board seat?

So now let's say Google was on the board and this Amazon deal comes up.

That means Google would be in the conversation about this.

Should we take the money or not?

Or they would have to say, hey, Google, you cannot be involved in this because you're conflicted.

You can listen to it, but you can't vote.

Or we're going to have to do this around your back.

You can see how awkward that gets.

Now let's say Google doesn't have this and Amazon did negotiate a board seat.

Now you have the opposite.

Let's say they both have board seats and now you got boring factions on your board.

You can see how complicated this is going to get.

The same thing happened when Eric Schmidt was on the board of Apple and then Apple bought Android.

And then there's a famous photo.

You can look it up online or look up Eric Schmidt, Steve Jobs together.

There's a famous picture of them at the Stanford Mall.

And I think this was at the time this was going on.

And he felt super betrayed.

And so there's literally a picture of him being like, and Steve Jobs is doing the WTF pose.

He's like, what the hell?

There it is from Gizmodo.

And so I think that this was taken around that time.

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And then Eric Schmidt eventually went off the board.

Now he, obviously Google wasn't a strategic investor in Apple, but they had a pretty close relationship.

And obviously they had that very important search relationship, which has become at the center of the Google antitrust.

So just some research on Anthropic.

Google from earlier in the year and the information estimates they own about 10% of the company. That's their estimation.

Which would get you a board seat.

Yeah.

And here's just a paragraph from the information article from a couple of days ago.

Investors would also be buying into a company with an unusual corporate structure.

Anthropics founded in 2021 has an independent body of five individuals with no financial stake in the company who can elect and remove a number of Anthropics board members.

Anthropics said this group aims to align Anthropics goals with the interests of the general public. That's like a B corporation.

So there's a weird hippie-dippy thing called a B corporation, a benefit corporation.

The way corporations, like a C corporation, like a Delaware C, Delaware C has to do what's in the best interests of shareholders.

A B corporation, a benefit corporation, is another designation that's done by a third party.

And they're in the interest of the stated mission.

So the stated mission was, hey, we're here to help people get smarter.

And we want to help elementary school kids be better at math.

Let's say Brilliant.org came up with that.

Our goal is, we're a benefit corporation, Brilliant.org, which we're investors in, Brilliant Company, by the way.

Our goal is to make the world better at math.

Well, then as a B corporation, they would have to take that into account, that stated mission, whatever it is that the company states, and the best interests of shareholders equally, as opposed to just shareholder interest.

So if it wasn't a benefit corp, and then they said, hey, we want to get into, we want to stop doing math.

We want to start doing English, or we want to put 90% of resources into literacy.

Well, then you'd have to say, wait a second, I thought we're a B corp.

We had this.

We have to change our stated mission.

So this is kind of taking the benefit corporation and putting something weird into it.

I think anthropic when they started too, there was a big marketing push they had around like, what do they call it?

Constitutional AI.

I think they were the constitutional AI company, where they were saying, we're building a better set of ways to make AI more fair or whatever.

Whatever.

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I mean, listen, all this hand wringing, you can tell these people are completely insincere if they're selling their secondary shares at 90 billion.
Nobody cares about anything then.
Doe ray me.
Show me the doe ray me, the money.
People want the dough.
That's all that matters.
Doe ray me.
Being a founder is one of the most amazing journeys you could ever go on.
I suggest you do it, but you got to know it's going to be hard.
And sometimes it's going to be a little bit lonely.
But with Mercury rays, you don't have to go it alone.
This is an amazing new program for Mercury.
I'm part of it.
In fact, Mercury rays is a founder success platform that's built to remove the roadblocks at every step of the founder journey.
And this is going to help you with the number one thing that founders tell me they need, money.
Yes, Mercury rays gives you access to investors.
And then they give you access to industry experts.
And finally, they connect you with fellow founders.
What a great idea.
It's like what I do in my accelerator, except it's open to everybody, not just people we invest in.
So here's how you use it.
And a lot of my founders have been using it.
And I'm super happy about this.
If you're fundraising, you submit your pitch and you get in front of hundreds of investors who are looking actively to fund businesses like yours.
And I'm in that database and I have found good companies in there.
If you're looking for guidance, you can tune into unfiltered conversations with industry experts.
And if you're craving some community, which I know you are, you can meet fellow founders and navigate similar challenges.
So here's your call to action.
Mercury rays was created to help founders navigate obstacles.
So more startups can become success stories.
It's that simple.
They care.
And you can take your startup to the next stage with Mercury rays by visiting mercury.com slash rays.
That's mercury.com slash rays.
All right.

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You want to talk about Flexport and our guy, Ryan Peterson.

Yeah.

And by the way, we invited Ryan on the pod.

He might come on the pod.

I'll just leave it at that.

But yeah, catch the audience up on this because I have never seen a hired CEO and a founder go at it like this in history.

Yeah.

This is a one of one situation.

I mean, if the CNBC article that came out, if the reporting there is right, this is crazy.

And we're going to get.

Again, as I said, 50% is probably right.

Or directly correct.

And you can be sure there's a lot of genders sharing information with them on both sides.

And everybody in between.

Keep going.

Now let's tee it up for the audience.

Flexport, we know, is the logistics and freight forwarding startup.

Yes.

That's done incredibly well.

And I am friendly.

I don't want to say I'm like close friends, but I'm friendly with Peterson.

Yeah.

He's been on the podcast.

Pals?

This.

Yeah.

Aquaintus is pals.

Pals is good.

Yeah.

Pals.

Yeah.

Yeah.

Flexport, obviously, logistics, freight forwarding startup.

They've raised over \$2 billion from Founders Fund, Softbank, Andreessen, a bunch of others.

Last value to \$8 billion.

The company and Ryan Peterson gained a lot of notoriety during the pandemic because of their insights on the global supply chain shortages.

So I think even Ryan came on all in at one point to explain what was going on at the port of LA, I think.

Yeah.

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Yeah.

And then they were explaining how everything was backed up and then those shipping containers became super expensive.

Yeah.

And that was when-

Which was great for their business because they charged percentage fees on the cost of shipping containers, right?

So that was a thing that I didn't know.

No flat fees percentage.

That's why you go percentage, not flat fees, because you never know when all of a sudden things ticket prices could go up 5X.

Yeah.

And all of a sudden you have the beneficiary.

No flat rate price of people.

So in June 2022, Peterson announced that he was going to step down as CEO and transition into executive chair at Flexport.

Flexport then hired Dave Clark, who's a former Amazon executive, and he's most known for scaling Amazon's logistics business, right?

So kind of legend in that space.

Clark and Peterson worked together as co-CEOs for the first six months of Clark's tenure.

And then Peterson officially transitioned to executive chair in March.

In the first half of 2023, this is according to the information,

Flexport's revenue dropped 70% year-over-year to \$700 million, and that was mostly because the cost of a shipping container went from like the peak peak high of all time, and then it crashed down.

Yeah, like 10,000 to 2,000.

Exactly.

Exactly.

Which basically tracked what their revenue dropped.

In July, so this is when it got a little bit interesting for me because I remember this whole thing.

Peterson announced that he was joining Founders Fund as a partner in July, right?

And you kind of thought, oh, wow, this is someone who's very notable in tech.

He's clearly starting the next phase of his career.

He's still involved as an exec chair, but this is clearly his next thing that he's going to do.

On September 6th, a couple months later, Peterson announced that he was returning as Flexport CEO, and Dave Clark resigned on that same day.

Peterson notably also rescinded 75 job offers due to what he called like over hiring issues at Flexport, and he needed to get the runway tight, and he needed to get things back on board.

Ryan Peterson then started posting on X about sort of what he would do differently than Dave Clark, and it sort of seemed like you got the impression that Peterson thought Clark was running the business the wrong way.

At least that's what I gathered.

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Some of those posts have since been deleted, which the CNBC article also noted, and now here's where it gets kind of weird.

So it was reported that Peterson and the board basically told Dave Clark either on a Zoom call, either you can resign tomorrow or we're going to announce that you're fired, which maybe you can say that's like a gentleman's layoff or something like that.

Again, this is just reported.

It's a gentleman's firing.

A gentleman's firing, yeah.

Clark resigned, and the next day five of his key execs that he hired were also fired.

Is that standard when hired on CEO leaves?

Yeah, listen, it's kind of like when you take out a captain.

When you take out the boss, who are the captains going to be loyal to?

You better take out the whole crew.

Yeah, right.

Silvio's going if Tony's going.

Yeah, you can't have your constantly airy.

He's not going to make the jump in all likelihood.

Makes sense.

Yeah.

You remember when Junior got pinched, Bobby Bacala was like the last man standing, right? And then remember there was that famous scene at the pork store where he just told him like, hey, listen, Junior can still be the boss in name and he can keep the following, but I get everything else.

And then Bacala famously says to the victor goes to spoil.

And then he kicks him out of here.

It's a great scene.

So one major problem that led to Clark, Dave Clark's being ousted, again, according to CNBC, was financial projections to the board.

So Dave Clark thought that Flexport was being way too overly optimistic.

Peterson and his team was kind of reluctant to pair back their projections.

Clark eventually won, but it seemed to have, again, this is according to CNBC, pissed off Peterson in the process and some of the board members.

Any response to that, Jason?

Is that typical with CEO transition?

Okay, the existing board members are going to be loyal to the founder always, right?

You heard about founder friendly culture here.

So, you know, they're going to, they, you bring in an Amazon exec as a CEO for one reason and one reason only.

You want an operational machine who's going to aggressively hit targets.

And typically you're going to bring somebody like that in because you think,

hey, the creative founder, maybe they're tired, they've, they're exhausted,

or maybe they're not an operations person who's going to sit there and just grind.

And he was brought in there to grind and you're not there to grind it sideways.

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You're there to make it grow.

And so if this person started sandbagging, maybe their comp was based on, you know, and their equity and their targets correlated with the management team's bonus structure.

Now, if the board gives them, says, hey, this is the board, including the founder, says, hey, here's what we need you to hit, then that's going to be aggressive.

And then the person will be like, you know what, I want to sandbag this.

I can't hit that.

There's no way I can hit that.

I can hit half that.

And then what I do is they want to double it so they get into the bonus.

Because anytime you do these bonus structures, let's say the goal was to hit two billion, right?

You said they were at 700 million this year.

But let's say the goal had been two billion.

He negotiates it down to a billion.

They hit two billion.

They're probably going to get some massive bonus for anything above a billion in revenue.

And would you look up Dara, Kazur Sari, from Uber.

He had some crazy target of if he hit \$100 billion valuation.

He got some sick bonus.

And I don't think he ever got there.

He came really close.

So you want to incentivize and it's a bummer if they don't hit it.

It's fantastic if they do.

You get the idea.

So I think that's probably what was going on here.

Now, big picture, if the thing was growing, any was hitting targets.

And it wasn't for these, the recession looming consumers,

what do they call the backlog, the supply chain in digestion.

There was a term for it.

We were talking about supply chain, backup, whatever, during COVID.

All that kind of 900 ships waiting outside the port.

All that nonsense getting worked out was not good for the new CEO.

So I would attribute a lot of this not to either party being incompetent.

I would say this feels to me like the majority of this has to do with market conditions.

And big picture, what I've seen in business is everything's up and to the right.

Champagne quarks, everybody's great.

High fives.

Winning forgives everything.

You could be a jerk.

We could have gotten in a fight.

I could have punched you in practice.

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It doesn't matter.

Dreymon punches whatever that kid's name is in practice and they win the title.

Everybody's great.

Hey, you know what?

We went through the fire together.

You lose.

Okay, somebody's got to go.

This is not working out.

Right?

And so winning forgives everything.

And listen, they were losing.

It's got to be brutal to have your if this is in fact true.

And again, you heard my disclaimer, 50% of stuff you read in the newspaper or you read online is not true.

And the other 50% is partially true.

So who knows what the truth is here?

But the undeniable truth is the market changed dramatically.

Yeah.

So that's what we do know to be true.

You know, wrong place, wrong time for a hired gun CEO to come in.

Yeah, I mean, this is like when Marissa took over Yahoo.

You know, it's like, good luck.

Was that at the great financial crisis time?

No, it was after that.

But it just was, you know, Yahoo was in super decline.

You know, there's always this thing where like women get the CEO slot, you know, when things are in a turnaround, not when things are going up.

They've said that about Linda at Twitter slash X,

like the only time women and I don't think this is necessarily true.

But when it's a turnaround situation, when it's hard,

that's a tough thing to come into.

Now, I don't know exactly when Dave Clark joined, but I don't know if they were on the upswing then or if it was clear that things were going to be challenged,

you know, coming out of COVID, etc.

Yeah, it was late 2022 that he joined.

Yeah, so they knew.

They knew.

I mean, he knew well that they were in recession territory.

Things were brutal.

He took the job, but maybe it was more brutal.

But I saw also this stuff like Peterson, I don't know if we're ready to transition here, but Peterson came in like a raging bull here.

Well, you mean Clark?

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No, not Clark.

When Peterson took back over, didn't he come in like raging bull?

He said, get ready for layoffs.

He basically came in and was like, we need to cut, you know,

I think Dave Clark was sort of growing it like a company that was maybe in 2021-ish era or 2019.

And Peterson came in and was like, runway is tight.

Here are the layoffs that were expect layoffs where we're sending these job offers.

I'm so sorry.

And he actually did.

He did a bunch of tweets about it.

Yeah, he was posting about it or something for he said, you know, obviously feels terrible about rescinding the job offers, but I put together some program to help the people out that were getting affected.

But I want to just bring one thing from the CNBC story that I thought was really interesting.

So according to the CNBC article, which we'll link in the notes, on September 13th, this was a week after Clark resigned.

He resigned on the sixth, I think, Flexport's chief legal counsel contacted Clark and told him that his resignation actually was not accepted by the board and that the board had fired him for cause.

Can you just explain what for cause means?

Okay, yes.

For cause and not for cause.

Not for cause would be, hey, we're reorganizing.

You didn't do anything wrong.

For cause is you didn't do the job or and in like a CEO position in that contract,

it is very detailed of what cause is defined as and cause can be defined as

really dark stuff like sexual harassment, fraud, stealing, mundane stuff like not showing up for work, not doing the job.

And so for cause is extremely detailed.

Why is it extremely detailed?

Because of situations like this.

When you do get fired for cause, it means that we don't want to pay you severance and that we don't want to pay you your bonus or vest you your shares.

Now in the vesting of shares, these shares could be single trigger or double trigger.

There's a bunch of nomenclature here.

But just to explain it in layman's terms, if you were in the calendar year and you get fired, if you get fired for cause, no more vesting of your options.

Now let's say his options were vesting on a yearly basis or a quarterly basis or a monthly basis.

Let's just say he was in, was he at year one or year two?

He was probably right in between those two.

Starting year two, I think.

Okay, so we don't know if he was probably, he probably had a one year cliff, he's probably vesting monthly then.

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But let's say it happened before the one year vest.
You fire somebody in that 11th month for cause or for any reason,
you let them go because you don't like them.
They don't get that 12th month.
They get zero shares in the company.
That's why there's a one year cliff.
Let's say more likely he's on a monthly thing.
And let's say he gets fired not for cause.
More just change your mind.
Hey, it's not a fit.
They don't have a reason to fire you.
He may have one year of salary, maybe two, probably two in his case,
and he might have two years of vesting, which means he gets,
let's say they offered him 5% of the company and he gets 1.25 of that every year.
He might be forward vested for one to two years.
So he might have the 1.25 he got originally, one fourth of 5%.
And they probably don't want to give him another 2.5%.
And it's not that they can't afford to give him the 2.5%.
It's that they're really mad right now.
Yeah.
And that's an anger and it's a personal thing.
If he had done a great job and it wasn't his fault,
they probably would have just given him the 1.25 or the 2.5 that he's supposed to get.
I'm picking numbers out of the air.
Usually hired CEOs get about five points at a company this size, I would guess.
If it was a mega company like Google or Uber,
maybe they get 1% of the company over time, right?
All right, listen, scaling your business is hard.
It's not just hard, it's really hard.
Let's be honest.
So when you're growing, things that used to take a few hours,
they take a week, right?
You need to remain efficient.
One way to stay efficient is to understand your KPIs, key performance indicator.
These are important metrics that track the performance.
And then you can take those metrics and you can put them against your objectives.
So you set objectives and the KPIs should result in you hitting your objectives
or maybe even exceeding them.
Right now, you can download NetSuite's popular KPI checklist for free at [netsuite.com slash twist](https://netsuite.com/slash-twist).
Your KPIs, for one person, it might be your daily active users.
It might be your monthly active users.
It might be the session duration, right?
If you've got a podcasting app, you really care about how long people are in that app

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and they're going to be in it for a long time.

You might, at different points in time in your startup, switch what you're focused on.

Of course, your monthly reoccurring revenue for SaaS business or consumer subscription business, that's everything.

With NetSuite's KPI checklist, they're going to teach you how to identify and understand your strategic objectives and then how to collect and analyze data.

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That's [netsuite.com slash twist](https://netsuite.com/slash/twist) to get your KPI checklist.

So then on that call, he's offered Flexport's legal counsel, tells him he's been fired for cause, and then he's offered a package of two million Flexport shares, which are, we don't know the price per share, but that's millions and millions of dollars, if and only if he signs an NDA and a non-desperagement clause.

Standard.

Clark declines the offer.

Wow.

He says no, right?

I was like, oh, this is, I was reading the article.

I felt like I was reading great expectations or something.

I was like, oh, this is such.

That's crazy.

Then, so this is September 13th.

If CNBC is to be believed, later that same day, Clark takes the stage at a supply chain conference where Peterson had spoken earlier in the day.

We don't know if Peterson was still there in the audience, didn't say, but Peterson had spoken earlier the day and actually said not, he said nice things about Dave Clark.

And Dave Clark was in the audience for his talk.

Yes, he was, he was in the audience.

He was like first row.

Clark goes on stage and this is what he said.

And I quote from CNBC.

The only thing I really regret from the past year was I sort of picked the wrong founder.

Basically, it was a place of extending my reputational halo to a group that, in my opinion, did not deserve it.

Largely, because about half the team was let go last week on Friday, the most brutal non-severance packages I've ever seen in my life.

It was about as disrespectful a way as humanly possible.

How much money does this guy have that he can just turn it down?

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Or I guess he has the money to fund a lawsuit or maybe he's got some good-
Well, if he's been, if he was one of an Amazon executive-
Yeah, maybe he's got a billion dollars from Amazon, you know.
I mean, they had a huge run up from 2000 to 2015.
Well, maybe he thinks the two million dollar,
the two million Flexport shares are not going to be worth anything,
but this is as bitter and dark and crazy.
I have never seen anything like this.
And now again, there are some things we know as facts here.
That he said, she said, these guys are fighting,
they're saying nasty things about each other in public.
Okay, that's all facts.
And then we also know that the shipping industry was challenged.
The other thing we know of, I'll be honest here,
is Ryan is a great founder, super smart,
and he's coming in and he's going to save the company.
So I would say, I think Peterson's got a really good shot at saving the company.
Bummer for Founders Fund, they got a great partner in there.
I guess bummer for Peterson, but better to save the company than lose his fortune,
because I don't know how much he sold in secondary, if any.
I don't know if Peterson's cleared money.
I would think he sold 50 or 100 million.
Maybe in that soft bank round,
if the soft bank put in like 2 billion or 4 billion, right?
You would have think that he took some off.
I would think he peeled off a Hyundai.
That's my guess.
If 2 billion was coming in, I could see him peeling off a Hyundai.
As I said, the Masa Pio.
If he peeled off a Hyundai, great for him.
But I think he's got a lot of pride, obviously.
He's come back and he's become super vocal.
This happened with Travis getting kicked out of Uber.
I hope someday Travis gets to...
I'm not saying Dara's not doing a great job.
I think he's doing a great job.
But someday, Dara will want to do his next thing, I'm sure.
I would love to see Travis come back, like Steve Jobs did.
This has happened a number of times in our industry.
I think he'll do a killer job here.
And this is his Steve Jobs moment.
So make the most of it, Brian.
Yeah. Just wrapping up on the stuff from the article,

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Clark had his lawyer send a cease and desist letter to Flexport, basically asking the company to preserve and retain all communications involving his departure.
Yeah, he's just going to sue.
That's a preserved documents, moves.
That's sort of what it was getting at, yeah.
It's preserving documents.
It basically means the lawsuit's coming.
So we told you to preserve documents.
If you suddenly change your document retention policy, which you're allowed to do as a company, after we send you that letter, not a good look.
I don't know if it's actionable or not.
But listen, this is Rashomon.
There's always different views of who's wrong, who's right.
It didn't work out.
That happens and it got ugly.
And it shouldn't get ugly.
They should have had controls in place to not make this get ugly.
Apparently, they did not.
Yeah.
I think Founders 1 is okay, too.
Because I think they were the earliest investor in Flexport.
Trace Stevens is on the board.
And they have a big position in the company.
Shadow Trace Stevens amateur boxer.
Yeah.
I don't know about that.
Sharing your boxing videos on the internet.
It's a little dirty.
Let's keep going.
I don't know, man.
I have no qualms with anyone who...
I love those Zuck videos of him.
I think if you can fight and you can throw a good punch...
All right, fine.
I'm going to start doing mine.
I'm going to start releasing mine.
Flonin' is gone.
I'm going to be in the over 50 category of...
If I could dunk a basketball, there'd be a video of me dunking every day.
That's fair enough.
I did share my martial arts videos from my 30s on my Insta.

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And if I had videos of them, they would have shared the videos for sure.

But yeah, now that I'm fit, maybe I'll start sharing them.

I take one of those videos.

So last story of the day, Jason.

I guess you could call this a little big detail, maybe.

DoorDash is testing a really interesting new feature that they haven't actually publicly announced yet.

They're just testing it in some small markets,

but they're testing it in San Francisco

and obviously a bunch of people

that are like venture capitalists and stuff

have been screenshotting it and sharing it on X.

It's called Dineout.

And it's basically a rewards program

that offers DoorDash users with cash credit

for dining out at local restaurants.

John, if you could throw up the image here.

Oh, it's like a check-in.

So this is...

There used to be two apps.

One was called Goala and one was called Four Step.

These became a big craze after South by Southwest one year.

We were investors minor.

I think I put 10K when I was first started my angel career into Goala, which was bought eventually by Facebook.

And there was a mobile local social,

mo, lo, so.

Mo, lo, so was like an acronym that we used 15 years ago.

And you would check in

and it would automatically then tweet or Facebook,

hey, you just checked in.

And so I used to do this all the time

when I was in LA, I would just check in everywhere.

And it was like gamified, you get points or that.

Then people started showing up

with the places I was checking in.

So then I started checking in when I was leaving,

but it was fun to kind of bookmark these places.

But here, this isn't just bookmarking, is it?

No, you're getting cash credit in DoorDash credit, right?

So if you go and you eat out at this, like right here,

you see Pacific catch on Chestnut Street in San Francisco,

you get a \$20 credit.

That's basically an entree, you know?

Yeah, it's an entree.

It's an entree.

DoorDash credit to then use in the app.

And these screenshots were posted on X by Olivia Moore, who is a consumer investor at A16Z.

My question to you, Jason, is why would DoorDash do this?

What is the reason?

Oh, it's very simple.

This is to lock in restaurants.

DoorDash has a number of restaurants, and I think Uber Eats does as well, that are exclusive to their platform.

It's not a lot, but they do try to become the preferred, if not exclusive, provider.

And if you've ever gone to a restaurant or you know somebody who works in one, they'll have five terminals up and running.

Yep.

And you see them working them, and then their startups that consolidate the five terminals into one, it's a mess.

Now, what people will do is sometimes they'll simplify.

Let's say you have too many orders.

You're just like, I'll just use one or the other platforms.

What this does is it creates a deeper relationship with those famous restaurants.

And so that \$20 is probably being shared, that economics in some way.

So let's say it's a \$20 credit.

I bet you the restaurant picks that up because they probably make on average \$20 from somebody ordering online.

So that just incentivizes people to try doing and become more loyal to a restaurant.

So it's a no-brainer.

And you actually nailed it when you said, oh, that's an entree.

What that means is when people do it, they get home and they're like, yeah, oh, that's an entree.

You know, like, whoa, you know, like, but that was just that, like,

the way you framed it is perfect.

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Because for somebody who is like thinking about the cost...

Right, I think I'm their target audience.

Yeah.

Yeah, you're thinking about the cost of food.

You got a family, you got a budget,
and you're like, hey, whoa, that's the cost of an entree.

That's significant.

They put it at a dollar amount that's significant is my point.

I think that's being covered in some way by the restaurant
and maybe a little bit on DoorDash.

Maybe DoorDash waives their fee for that order
or something like that, right?

Now they got a deeper relationship.

They have information on when you're checking in.

And then eventually maybe DoorDash
will have a loyalty program.

And maybe when you sign into restaurants,
it will work the other way.

So if you've ordered online,
you get a \$5 credit to go to the restaurant
or you get a free drink in the restaurant.

All this does is is meant as a loyalty
to increased consumption.

What is Lina Khan claiming with Amazon?

Is that they created the Amazon program,
Prime, in order to make people more loyal.

Wow, congratulations.

You're a genius.

You just discovered airline miles and Costco.

If you're a Costco member, you shop at Costco more.

If you have Amazon Prime, you shop there more.

If you have DoorDash rewards,
you're going to use DoorDash more often.

So it's just a way to increase loyalty for everybody.

Yeah, I think it's brilliant.

If they're trying to recruit certain restaurants
to be DoorDash exclusive

and then they can say to the restaurant,

not only does being a DoorDash partner

or whatever they call it, increase delivery,

we also now have a feature that increases your dining rates
by 50% or 30% or 80% or whatever.

I think it's a very powerful message.

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I love this feature.

I love this when I saw this.

It's a great feature because it matches real world.

And this is something I think I've been telling Uber with their Uber one,

like they're going to really keep pushing that.

And I don't know if they're public

with how many people are using Uber one,

but it's not insignificant.

And I think Uber one saves you a lot of money

and you get a lot of cool upgrades

and they should keep following that string

because we saw where Amazon Prime went with it.

If you're an Uber one user, are you ever going to use Lyft?

No.

And I love two airlines, United and JetBlue Mint, which is like actually a class.

It's like their business class or First Fest come Mint.

And so anywhere I go, I try to do those two.

And when I do those two,

I love the service for both of them,

but I love the rewards too.

Because the United lounges are pretty good.

And United goes to a lot of destinations

from the Bay Area and I build up my miles.

And so all my credit cards are United.

And I use Bonvoy, which is Marriott,

which owns a bunch of brands,

but they bought SPG,

which was what I used previously,

which I think was the W Hotels, etc.

So when I was coming up,

I just always stayed at W Hotels

because those were hip and affordable.

And so I would always have a million

Bonvoy miles, a million United miles.

So if I was short on cash,

I could just use my miles up and get free trips.

And so I think these gamification things,

these loyalty things, they work on humans.

If you've ever played a game like Farmville

or any game with gamification in it, it works.

We all know that, right?

So this is gamification.
It's brilliant.
Congratulations on the DoorDash team.
Very creative idea.
And you know what?
Sometimes the best ideas are sitting
in the graveyard of startups.
And that's why startups kind of build on each other.
This check-in apps,
if you go back to the Four Square days
and people thought Four Square and Goala
were going to be multi-billion-dollar companies,
I thought it was the future,
it was going to change everything.
And it didn't.
But here it is again.
Pretty cool.
And then ultimately, what does Yelp do now?
I see Yelp.
And they already have the discovery built in part.
They have the discovery part of it.
They have the restaurants ingested.
That's why I love it so much.
And this is a broader societal point.
But I just think life is better
when restaurants are packed
and people are moving and shaking.
And there's nothing sadder than a Friday night,
7.30 p.m. and like half the restaurants
on the street are closed down,
which shout out San Francisco.
Great job doing that to your city
because I remember believing it was so depressing.
All of my favorite places were empty all the time.
And it sucks.
And I feel so bad for those people.
And I hope that this gets some asses back in the seats.
It's going to.
And I was in New York to your point.
And when I was in New York,
I had one night where I had like a meeting
and then I was free and I left it open.
I could, you know, I got a lot of people to catch up with,

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you know, family, friends, business, colleagues, founders, LPs.
And I just had, I knew I had this one night late, you know, after like a late meeting or something that I had online.
And I walked up to Soho and I had like the three best restaurants that I had written, I had read in Eater.
So I go to the first one and look and it's empty. I don't want to be alone in there.
And then I went to my second house, which I wanted to go to Balthazar and have the steak au poivre, which I love.
I go there, it's packed.
And there's a couple of seats at the bar, which is where I like to eat when I'm alone.
I eat that steak au poivre, I share it on my Twitter.
So I agree with you.
We need these restaurants to be hopping.
And it's absolutely fantastic if they can get that going.
So just great job to those team over there.
I think it's a great idea.
And you know, this is, I don't know if you saw, there was a report that Uber was going to launch a task rabbit type service.
I don't have any information.
I think that's going to be a big one.
So if I could click on Uber or you're with child right now, you know, you have your babysitter cancel last minute.
What would you pay for a last minute babysitter?
I pay 50% premium.
I mean, you'll see when you, if you need a babysitter and you don't have anybody to come, you'll pay a little extra.
And so I think that that like, you know, there's many different places for Uber and DoorDash and Airbnb to go.
You know, and I think this is where Elon saying he wants X to be the everything app.
I think you'll see DoorDash and Uber and Airbnb, you know, thinking about travel, transportation and food.
And you'll see X doing, I don't have any information here, but just publicly they've talked about having payments.
Uber actually did a payment thing.
There's a thing called Uber cash inside of Uber.
I don't think it's become a thing yet because Apple Pay is so great.

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And so ubiquitous that why would you need to open?
Why would you need to keep cash inside of Uber?
But they did seed it a little bit.
I don't know how it's going.
Uber cash, I don't know that one took off.
But Uber is doing, I think, trains and some other things.
You can do taxis in it.
Obviously you can rent bikes through the Lime Network.
And so all that stuff.
And then if they had, you know, like, you know, manual labor or-
Have they started flight working yet, Uber?
Because I saw an app the other day, they said something about like,
oh, book your full book, the entire itinerary on Uber or something like that.
But they're doing something.
Well, they were doing, they were doing Blade built into the app.
Yes.
But yes, I think they were doing some flights in,
they were doing some flights in Europe.
So I think that starts in Europe.
And I think trains in Europe is a big deal.
So I think you'll be able to book your trains and stuff like that.
There's no reason you shouldn't be able to do everything.
I should be able to take out my Uber app and take the New York City subway.
I was on the New York City subway and I saw people using their phones.
Oh, it's the best thing ever.
Yeah, that came in a couple of years ago.
Yeah, you just, if you have Apple Pay, you just put it right up to the thing and go,
there's no more waiting online for cash or get the metro card.
I'm such an idiot.
I just literally, I saw it and I just said,
let me buy a metro card to be faster.
Oh, Uber.
Oh my God, you look like such an old man.
It had some weird logo.
It didn't have an Apple Pay logo.
It had some like weird third party name.
And I was like, I got to sign up for this and get the app for that.
Yeah, but that's, that's bomb.
Oh, it's, it's the best thing ever.
And then the worst part, I used to live in Hoboken.
The path train doesn't have the Apple Pay.
So on the, to get the path back, you got to fill back up the metro card.
Like I'm in, you know, 1999.

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That was brutal.

Anyway.

Well, this has been a fantastic episode.

And we'll be back tomorrow with an all ass Jason episode.

So I'm going to do some ass Jason tomorrow.

Jason Unplugged is what we're calling it.

Jason Unplugged.

Absolutely.

We won't chill vibes.

I like it.

Yeah.

Just takes.

Okay.

Hot takes.

Just vibes and takes.

Vibes and takes.

Like the kids say.

We'll see y'all next time.

Bye bye.