SaaS Show 5 -- The Impact of COVID-19 on the SaaS sector
What Does the Startup Have to Do to COVID-19-Proof Their Business?

In today's show, you'll hear investor perspectives on the COVID-19 impact on the SaaS sector.

This is Investor Perspectives, I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

It's the time of COVID-19. Software as a Service is currently undergoing tremendous change across the U.S. The lockdown has disrupted many industries such as travel, hospitality, restaurants, and more. We have investors and startup founders describe the impact of COVID-19 on the SaaS market.

Our guests are:

1. **Matt Oguz, Chief Investment Officer, Iris Family Office and Founding Partner at Venture Science**
2. **George Spencer, Managing Partner, Seyen Capital**
3. **Chris Hall, Principal, Escalate Capital Partners**
4. **Nick Adams, Managing Partner, Differential Ventures**
5. **Jason Kraus, Partner, EQx Fund**
6. **Karey Barker, Founding Managing Director, Cross Creek**
7. **John Gu, Principal-Growth Equity Group, Spring Mountain Capital**
8. **JD Weinstein, Head, Global VC Practice, Oracle**
9. **Stuart Kime, Co-Founder, Chief Future Officer, hOp**

I hope you enjoy this episode.

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Our first guest is Matt Oguz, Chief Investment Officer, Iris Family Office and Founding Partner at Venture Science, Venture Science

Hall T Martin: [00:19:16] Well great. And so, what's your advice for startups about COVID-proofing their business? What should they look at to survive well in maybe yet another lockdown that may come in the future?

Matt Oguz: [00:19:28] COVID is terrible for everyone, whether that's a customer-facing business or otherwise, it's very scary. But, you know, if your company is based on personal interaction with a customer, in other words, you're going to see somebody face to face, you have a store somebody needs to come walk into, then those businesses are at a higher risk. Because if you're selling a digital product, you're sitting at home, you're not seeing anyone, so you minimize risk on all fronts. So, let's say maybe you have a wine store, maybe now's the time to think about putting out maybe a podcast about selecting different wines, your experiences about selling wines, maybe some stories around, you know, the customers that came into your store before, maybe even interview some of your customers in the past, you know? There's millions and millions of things you can do, but essentially everything's kind of if it's a physical product related, you now want to think about shipping that product, rather than hand delivering it. So, that's number one. So, maybe less people are going to come into your store, but you're going to ship out to more people. So with that, you might want to start thinking about maybe a subscription model, subscription programs. Parallel to that, you want to put out a message and you want to put out your experiences and thoughts in and around that particular business. So, that's how you would make your business kind of COVID, you know, nothing is COVID-proof unfortunately, but COVID-resistant, but also take your business to the next level.

Hall T Martin: [00:21:28] That's good advice. Well, one thing we hear a lot about is that the economy is in terrible shape, but the public stock market is doing great and for many, that's very confusing. How do you reconcile those two things?

Matt Oguz: [00:21:42] Yeah, listen, it's about supply and demand. So, I'd like to point out some numbers for all the listeners. So today, based on research done by UBS and many other reputable sources - and I'm happy to share that offline, please, all the listeners, again, my name is Matt Oguz and add me on LinkedIn, say hi, I'm happy to exchange notes and information. And so, there is about almost $400 trillion of global wealth that's out there in the world today. Yesterday I've seen a report under $20 trillion of wealth in all of U.S. households. Over the next 10 years, there will be $60, $70 trillion of inheritance, a wealth transfer from one generation to another, we're in the midst of that because of the

way the generations are kind of stacked up today. Now, our stock markets, I think New York Stock Exchange and Nasdaq combined is probably about $50, $60 trillion. So, our stock markets, our financial products, these stocks are the best of the best financial products in the world. Anybody around the world knows and it's generally accepted that the U.S. stock markets offer the best investment products in the world. And so, there are a number of things happening. All of that overseas wealth, all of the free cash that's pumped out into the system is looking for a place to go, it's not going to sit idle. And so, when that capital is scanning the landscape to figure out where to go, the U.S. public markets with all the companies, the Apples, and the Googles, the Microsofts, to exceed $1 trillion in valuation, the Amazons, these are the best of the best of the best in the world. So globally, there's an increased demand to our publicly-traded stocks here in the United States. On top of that, domestically, like I said, you know, the total household wealth is at its highest point, a lot more capital because of the fiscal stimulus plans, so a lot more capital out there. So, putting the fundamental numbers of those companies aside, the EBITDAs and so forth, putting that aside, there's just an overall increased demand into that, into the public stock markets. And so, when you have increased demand, what happens to the prices? Prices go up and that's Economics 101. And so, that's what's happening. So, as long as that's out there, we should see upward movement in the stock markets, and obviously, we will all reach a point where an equilibrium will have reached, and at that point, we could see a flattening of that and then perhaps a reversal where the prices start heading the opposite direction.

Hall T Martin: [00:25:01] And so, how does the private market where we deal with startups and so forth, how does that correlate to the public market?

Matt Oguz: [00:25:08] Yeah, excellent point, because the private markets are what fuels public markets, because any company that's publicly traded, used to be a private company at some point first, and then they go public and then they become publicly traded. And so, what I see happening is that because the publicly-traded companies, the public markets sort of like the semi-trucks on the interstate, set the pace of the road and they're going at a certain pace, and so, the private companies follow that suit. So, private companies, especially the ones that are best of the best, the ones that are not a unicorn, the ones that are unicorns, and the ones that have kind of exceeded that standard, you know. I'm not going to get into whether or not a company is overpriced in terms of its reaching $1 billion of valuation, that's a whole different, you know, two, three-hour discussion. But those companies, they have their eye on the big target. I mean, and it's no longer $1 billion that they target, it's really $1 trillion, because once Apple hit $1 trillion and then exceeded $2 trillion dollars in valuation, market capitalization, and we saw a bunch of others follow suit and then the companies that are below a trillion start approaching that. Perhaps your sales force, and perhaps some of the other companies are getting higher and higher in terms of their valuation. So, on the private side of things, when these engineers, the most brilliant

minds, technical minds in the world, working here in Silicon Valley and elsewhere around the world, one day they want to be a trillion-dollar company. And so, they're working with that in mind, they're working really hard, you know, they're creating amazing platforms, amazing products, but they have this big, big prize in the forefront always. And so, my recommendation would be whether it's publicly-traded, or whether it's public markets, or private markets, what has worked for us in the past is that we've always gone after the best of the best. Maybe one of the top three in that one sub-vertical picking the leader companies in that sub-vertical as investments. And, if you go all the way down to the end of that stack to the startup level, you need to look at the team, you need to look at the product, and look at the potential for them to be first a unicorn, and then from there, is there even a possibility for that company? I mean, I looked at a company a few years ago and they were making a very innovative cookware, which is great, I love to cook, but if they sold their cookware to everybody around the world, it's still a couple of no more than a couple of billion dollars. And then we're looking at trillions of dollars of companies. And so, the initial addressable market is always very important in my mind, at least, and many other astute investors that I know. So, it's a long, long discussion that I would love to talk about maybe at another session, but I am overall optimistic in the long run, but certainly cautious and perhaps a little bit scared, just like everybody else in the short run.

Hall T Martin: [00:28:34] Great. Well, absolutely, and you brought up some very good points there, helped make sense of the world that we see in the public markets today. And, as you said, our hearts go out to those who are impacted by COVID and looking forward to recovering soon and getting back to the next stage.

Our next guest is George Spencer, Managing Partner, Seven Capital

Hall T Martin: [10:28]: Ok and so what do you coach your companies to do to improve their business? What are you advising them to do in case there's another lockdown?

George Spencer: [10:36]: You know, I think the answer is you always want to be prepared and you want to have the plan that you've got that's going to work for you written down and put into a drawer next to you. You don't have to really think about it that much if the world goes to hell. I mean, you know, there's no playbook here. I mean, we can draw a lot on kind of what we learned. In 2001 after 9/11, we can draw a little bit on what we learned after the first Gulf War. We can draw a little bit on what we learned in the mortgage crisis in 2008 but this is a new_____ how do you treat employees in this world where they're working from home and they've got to supervise their kids, online learning to? It's, I think that there's a uniqueness to this, it’s unique.

George Spencer: [11:34]: But the question really is, the fundamentals are the same. If sales and marketing is working and you've got good sales, you've got to put your foot on the accelerator a little bit. But if it doesn't seem to be working, you need to tap the brakes a little bit. And that's kind of what we look by, what we look for and, if you're sort of on the wrong side of the aircraft carrier, when the tidal wave comes over, sometimes it's hard to hide.

George Spencer: [12:07]: Or I mean companies like I said, selling into the airline industry or the hotel industry or the restaurant industry, I mean that's just going to be really, really tough. And those guys are depending on how much skill you have. I would be just kind of retrenching as much as I can, preserving cash and getting the company to break, even if I could, and keeping it there or at least keeping the burn rate is as minimal as possible. And if you're not of a scale to be able to do that, then look for a merger partner I guess.

Hall T Martin: [12:45]: Well, that's good advice and the last minutes that we have here, what else should we cover that we have haven't.

George Spencer: [12:50]: You know it's a tough world. I think that as I look back, the best in a lot of the best investments I've made over the last 30 years have been in this period, in these periods of time when people were afraid to sort of step into situations just because it didn't look so good in Forbes magazine or Fortune magazine or Time magazine. But and I just think you've got to think for yourself, focus on the fundamentals and if it works, it works and trust your instincts.

George Spencer: [13:22]: And as a venture capitalist, we're always sort of looking for a primary data that we can look and interpret and see things differently than I'm doing the rest of the world.

Hall T Martin: [13:33]: Very good. Well, appreciate your sharing your thoughts with us today.

Our next guest is Chris Hall, Principal, Escalate Capital Partners

[00:14:30] Hall Martin: Great. And so in today's market, what does a startup need to do to COVID-proof your business? You talked a moment ago about you know, your customers and how if they're not COVID-proof, you know, yourselves are going to take a hit at some level, But beyond that, what else do you think someone should do to COVID-proof their business?

[00:14:49] Chris Hall: At a high level just the ability to be flexible and adapt quickly because it's COVID this time, who knows what the next one will be, you know? Being more specifically, you know, prioritize

profitability maybe over growth, at least in the short term. So it's certainly a combination of cutting costs, but you also want to stay in a position to once things open up and it is possible to grow, you don't want to be understaffed and, you know, not in a position to get back on track with growth. So, and also an element of this is to think of your variable versus fixed costs because fixed cost can't change, at least in the short term, variable you can, so that extends runway. And, if you're just even in the worst of times, if you're a well-run business that has, you know, recurrent revenue, predictability, strong retention, you can still raise money, just like we talked about the public markets and how up they are right now, but in other times of recessions there's usually a flight to safer assets, right? So companies that aren't over-leveraged, companies that are cash flowing, the equivalent of that in the startup world, you know, when companies are still just burning money is predictable revenue and strong customers and, you know, moderate burn. So, companies like that will still be able to raise capital and as long as you can keep doing that you should be okay. And then also it's a little harder to find but if you're a must-have as opposed to a nice-to-have, you know, product or application or whatever the company is, you should always be trying to be a must-have, right? Be mission-critical as opposed to just a nice addition. So, let's say if the sales staff or customer experience staff or whatever the company calls them, if you are in high touch, a high-touch organization with your customers, your customers have a champion that's well-respected in that organization, you know, you're more likely to be thought of as a critical component if you touch processes at your customers that they consider essential, but then you're less likely to get cut once budget cuts happen, and usage too, right? The more your products use, the more likely it is to be considered that mission critical and with certain applications you can track usage, so if you have a number of resources at your customer or logging in on a daily basis, like, you should have stronger retention. I mean, it's not always that simple one to one, but, I mean, even if, you'd be better off having retail customers that are struggling financially where you're absolutely crucial to running they're business because as long as they don't, even if they go bankrupt they come back after declaring bankruptcy because they need you to run the business as opposed to a nice-to-have in a company that's doing fine because you just might get caught without warning because who cares, because you're not necessary.

[00:18:11] Hall Martin: Well that's a good point. Well, in the last few minutes that we have here what else should we cover that we haven't?

[00:18:20] Chris Hall: I guess just back to COVID-proof, you know, PPP, that whole process was, you know, it was difficult and not exceptionally clear but also really impressive that it wasn't an idea that two weeks later you could apply _____, you know, theoretically apply for it but different _____ so, very complicated, very difficult, required a lot of hard work, but it helped save a lot of jobs in the short term. So, you know, there's certainly a difference between customers or portfolio companies that their CFO and CEO were really on the ball and put in applications the second it was announced as opposed to people who were like, "Oh yeah, we should really get on that when we get time", right, and that's kind of joking on the last one, _____ seriously but there's certainly different levels of prudency, it's usually it's just get the money back too, right, some companies did that when they really didn't need it, but the ability to, you know, adapt quickly certainly saved jobs at a lot of our portfolio companies and companies in general. So, you know, today it's how do you prevent COVID, but

tomorrow, again, what's the next thing? The companies that are built leaner and that have teams that can adapt quickly there's a noticeable difference, and as far as my career as an investor this is the first recession that I've been an investor through, I heard constantly like, "Oh, once your first recession happen you'll see the difference" and I just didn't see it. And then, you know, with the _____teams I've dealt with, you know, the gray hair, the experienced ones, they emailed me before I got a chance to email them, and they let us know about the change of plans, and the newer people which if i was in their position I'd be one of those new people, I've, you know, managed companies through _____I'd be still trying to figure things out. So, it really does make a difference on who you invest in.

[00:20:09] Hall Martin: Well that's great. Well that's good advice and appreciate you taking time to share that with us today.

Our next guest is Nick Adams, Managing Partner, Differential Ventures

Hall T Martin: [00:13:35] What does a startup have to do to COVID-proof their business going forward? How does that impact your investment decision? When you go look at a company, what are you looking for to make sure that they're not going to be disrupted by the next pandemic?

Nick Adams: [00:13:51]I think, you know, the short-term answer is, you know, don't give up on sales. I think there's an initial reaction for people to kind of pull back and stop and I think you get an opportunity to figure out what you want your company to be post-COVID, post-quarantine, and so forth, but you're also going to be measured on growth, without a doubt. So, to me, it's figure out what your best channels are to reach your customers and most importantly, find out who's still buying. As I mentioned, we have a few companies that pivoted pretty quickly or adjusted quickly and started building up their pipeline in some of these sectors that are still buying. So going through procurement processes still, _____checks, still working with startups and spending less time trying to close companies in the sectors that are clearly reducing headcount, cutting costs, and probably have reduced budgets in the near future. So, that's really it. I think it's just really shore up what you can do in the short term, maybe focus on a slightly different sector or size company as your target market, and just keep building up your pipeline for when these other markets come back.

Hall T Martin: [00:15:17] Well, that's good advice. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Nick Adams: [00:15:22] I don't have a whole lot else other than, you know, as horrible as this whole experience has been for a lot of people, you know, I'm optimistic for what's on the other end. I think technology is going to definitely play a big part in getting us all back into the world sooner than later, and I'm hoping it creates an awful lot of new jobs for people. So, I'm excited about retraining and getting

people back into good-paying jobs, through a lot of training and education platforms, and hopefully, we'll have a better work experience on the other side of this pandemic.

Hall T Martin: [00:16:10] Great. I want to thank you for joining us today and hope to have you back for a follow-up soon.

Nick Adams: [00:16:37] Great. Thanks so much, Hall.

Our next guest is Jason Kraus, Partner, EQx Fund

[00:15:36] Hall Martin: Great. And so when you talk to your companies today, startups that are raising funding or those that have raised funding, what do you tell them to do to COVID-proof their business or in the event we have another pandemic lockdown?

[00:15:52] Jason Kraus: Yeah, so one thing was, have a sufficient or have a sufficient cash pipeline, and some of that may be, like, a couple of our investments, we went in around the March timeframe, had to offer some other incentives to close quickly rather than delay and try to figure out how long the pandemic was going to last, and ease the concerns of investors there. So yeah, it could be warrants or slightly decreased valuations, other ways to get investors to come in today rather than waiting. On the other side too, some of it is managed, depending on the industry, managing what makes sense to budget out and spend in the short term or if there's certain areas that you can delay and put more into, if it's an industry that you're not going to get as much sales in the short term, maybe you delay some of the marketing and sales efforts and keep more of a budget for that later on. And on the other side too, it's like, a lot of companies have also tried to figure out, like, stay true to the, I think, it's important to stay focused on what your business is long term over the next three, five plus years, but see if there's other ways that make sense in the short term to bring additional revenue streams in. And yeah, like, our ecommerce fashion company there, it started offering masks, face masks people could buy. Other companies that shifted into, like, or one of our biotech companies started issuing scarring creams that can help with for some of the nurses and other employees that were affected by wearing something on your face 24/7 in the hospital. And other companies just sort of figured out what can we do over the short term, while still keeping our long term vision the same and keeping the company going in the right direction.

[00:18:36] Hall Martin: That's good advice. Well, the last few minutes that we have here today, what else should we cover that we haven't?

[00:18:43] Jason Kraus: Yeah, I think it's important for companies, or, sort of touching on what I was just mentioning there, like, stay focused on where you want your company to grow, like, what your vision of the business is, and make sure you bring the right people involved. I think the team is one of the most important pieces, so, bring cofounders, advisors, even your investors involved that share the same goals of the company; and there's a lot of different pathways with startups, so you can have a successful business that either bootstraps or raises a small amount of funding and gets acquired by a company and the space and has a good return on investment for everyone, and another company can raise a large amount of capital and either have a huge acquisition or IPO and it can be both situations, it can be good for all the stakeholders depending on what you want to do as an entrepreneur and where your strengths lie in the business.

[00:19:59] Hall Martin: Well, it sounds great. Well, I want to thank you for joining us today.

[00:20:07] Jason Kraus: Yeah, thanks again for having me on.

Our next guest is Karey Barker, Founding Managing Director, Cross Creek

[00:24:44] **Hall Martin:** Many investors talk about looking for businesses that are COVID proof – what do you tell startups to do to be COVID proof in order to raise funding or even survive another lockdown?

[00:24:58] **Karey Barker:** Well, the question, I guess, is we can try and be COVID proof. There's some industries that _____ if you need to physically deal with people – elective procedures, a lot of healthcare companies that do elective procedures, they can't be entirely COVID proof. So I think the main things to make your company sort of more prepared is obviously a flexible workforce, having your employee base prepared to work from home, flexible environment. We talked about supply chain, really understanding just in case, not just in time supply chain. Those are all things that I think you can do to maybe make your company COVID ready. I don't know that there's COVID proof, and probably, more importantly, is everyone's going to be ready for the next pandemic really thinking about, you know, it won't probably be a pandemic, next time it'll be something else. And so, I think we would counsel our companies to not focus too much on COVID. I think they've already dealt with that, and if we get another virus or a big resurgence of COVID, they've kind of dealt with that. I think we're really always telling our companies to think about other major, you know, whether they're subject to interest rates or oil prices or market swings, what are the other things or maybe a company that's subject to extreme, you know, we're having more and more extreme weather, business continuity, and all kinds of sort of preparedness is what we want them thinking about is what's next, not necessarily the next COVID.

[00:26:54] **Hall Martin:** Great. Well, the last few minutes that we have here, what else should we cover that we haven't?

[00:27:00] **Karey Barker:** Relative to I think these current changes, we've covered the ground really well. I think the one interesting change that's come out of these really volatile markets is what we've seen with IPOs and _____, and I think a lot of investors are thinking a lot about these shifts in the market. And as you know, the private markets continue to take a lot of share from the public markets and really gaining access to all these industries that have seen digital acceleration. Most of the companies that we feel have benefited most dramatically, while they're certainly the Zooms and the Teladocs that are public, the private companies as a group have benefited from COVID far more than the public companies, because of the industry, you know, cloud software, particularly, in all the other industries that are being driven from COVID are predominantly dominated by private venture backed companies. So I think that's going to be interesting to see, you know, how many of those companies sort of choose to become public companies for access for the majority of investors.

[00:28:21] **Hall Martin:** Right. Well, those are good points. I want to thank you for taking the time to join us today and sharing your thoughts. Hope to have you back for a follow-up soon.

[00:29:13] **Karey Barker:** Great, thank you.

Our next guest is John Gu, Principal-Growth Equity Group, Spring Mountain Capital

[00:09:32] **Hall Martin:** So how do you coach startups to COVID proof their business, what do you tell them to do in case there's another lockdown?

[00:09:40] **John Gu:** Yeah so I think agility and resilience are the two most important qualities for survival, especially, for something like this, I mean, like COVID-19, just thinking back to the beginning of 2019, I don't think anyone in any of other investment _____ thought that this was going to be a risk of some sort; and it was just almost a once in a lifetime sort of thing that we now have to wrestle with. For our startups, definitely, first make sure that the employees are safe, make sure they have a robust work-from-home process and framework in place, and then to look after both your customers as well as your cash balances, making sure that you're adequately capitalized to the extent you can, you are drawing down on the lines of credit that you may have access to, and also to make sure that you are being prudent about the spend that you're making, you know, cash is king and especially so during the pandemic, and so making sure that you have the operating runway to see it to the other side I think is really important. That does mean making some hard decisions, in a lot of cases, paring back on expenses. Oftentimes, that means laying off and furlough employees, and it's just a part of what needs to be done sometimes.

[00:10:54] **Hall Martin:** Great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

[00:11:00] **John Gu:** No, I think that's a pretty good discussion of SaaS. I think that was a really good conversation. Thanks for those questions by the way. I do think outside the pandemic, there definitely is a world outside of the pandemic and life after that. Well, I'm curious, for you, what are some of the things you'd be curious to explore?

[00:11:21] **Hall Martin:** Well, it seems like we're getting a lot of manufacturing reshoring coming back, manufacturing is coming back to the US, and seems like that's an opportunity for SaaS. I saw a lot of change or challenge with the supply chain during the COVID pandemic. We were using a just in time supply chain and I think we're going to be moving to a robust one, and so wanted to see if there's any movement in supply chain visibility systems and how that might be reoriented. Have you seen anything in those directions?

[00:11:49] **John Gu:** Yeah. So we spent a little bit of time _____ admittedly, we haven't actually done a deep dive in that space. For us, we do like to invest behind, I'd call it the, I guess, the slow chain adopter industry. So for companies that haven't fully come up, the industries that haven't fully digitized to the extent that others have so, for instance, logistics kind of fits in that camp, that's an industry that, compared to like media or financial services where it's almost completely digitized, it's an industry that in a lot of places is still going to find spreadsheets and pen and paper. But we haven't spent as much time there to really form out a thesis. One area that we are trying to just build a better idea is the real estate tech industry, because that's also like a huge _____ of GDP that historically has been under digitized, and just there are a lot of patterns that are waiting to play out in this sector. So I think with the pandemic, that's really kind of impacted that particular sector. We're still waiting to see how that kind of plays out, because with, especially in large cities, where commercial real estate is really being pressured, I could imagine that for the companies that serve as a sector that this may be a tough year for them as well. I'm interested to see how companies, especially in physical locations kind of repurpose their real estate, and it's not going to be a pure tech solution. I think that there's going to be a hardware

component to a lot of this _____ to see how commercial real estate evolves as the pandemic goes on.

[00:13:24] **Hall Martin:** Great. We also hear about an expanded use of robotics and want to see how SaaS might be playing into that – any insight there?

[00:13:32] **John Gu:** Admittedly, we haven't spent a ton of time on robotics. For us, we are more software investors, so we don't spend as much time on hardware. But when it comes to automating the economy, real robotics does have a real role to play. I know that within healthcare that there have been some experimentation of robotics, both in terms of robots for transportation, but robots also for sanitation, you know, these bots that patrol from room to room and actually use UV rays to sanitize an entire room. The one area I think within healthcare robotics has played a pretty tremendous is in surgery, and so you have had companies such as Intuitive Surgical, MAKO and whatnot, that have actually started to get real market share; and I think most of the surgical players out there, the Medtronics and J&Js of the world are investing pretty heavily in surgical robotics which is a pretty exciting field. But for my firm, we tend to spend most of our time in the tech services in the software field.

[00:14:39] **Hall Martin:** Well, that's great. Well, I appreciate your taking time to join us today, and hope to have you back for a follow-up soon.

[00:15:12] **John Gu:** Thank you, Hall, really appreciate your time for this podcast.

Our next guest is JD Weinstein, Head, Global VC Practice, Oracle

[00:13:46] **Hall Martin:** Great. And so you see a lot of startups come through, what does a startup need to do in order to become COVID-proof, so, in case you go to another lockdown, how do they COVID –proof their business and not be susceptible to that?

[00:14:01] **J.D. Weinstein:** This is a great question, and I think the short answer is it's really going to depend on the business, _____ business relationship too. However, something that I always suggest startups do, whether it be internal for your own strategy or for fundraising is to always have three different forecasts of scenarios. So one is selling the dream, what does everything go right, that's kind of that question that VCs ask, but the best VCs like, what happens if everything goes right kind of thing. And then this is how we become the multibillion dollar company. One, you need to have, which is conservative estimates to account for churn and turnover and other unknowns; and then number three which I think folks are paying a lot more attention to now is your disaster scenario. So how does your business respond swiftly and effectively to write another version of COVID happening in 12 to 18 months down the road? Of course, focus on automation where machines can rule _____ customer centric relations when relationships where humans can rule too.

[00:15:14] **Hall Martin:** Great. In the last few minutes that we have here, what else should we cover that we haven't?

[00:15:19] **J.D. Weinstein:** I think one idea within SaaS that has really picked up a lot of traction lately for your viewers that are not familiar is this concept of product-led growth, and so this is the idea of owning the end user. So companies that we use every day now like a Zoom or Slack or Dropbox or Shopify, these

companies all focused on capturing their end user first and having that market and growing with their product upwards, upstream, as opposed to selling to executives and pushing it downstream. So I think that's a really important shift that we're beginning to see – OpenView Partners has got a ton of great research out in the space; and a local plug for a company here in Austin called QuotaPath, which deals with sales compensation and commission tracking, they've innovated with adopting a lot of these practices too.

[00:16:20] **Hall Martin:** So what's the advantage of starting with the end user rather than, say, the decision maker – I go to a large company and I go to the CEO and I sell one person, everybody in that group is using it, otherwise I have to go and sell every individual user and then work my way up, what's the advantage of working your way up?

[00:16:38] **J.D. Weinstein:** Yeah, so you're absolutely right, in the short term, so looked at a short term strategy, it's going to be easier to get the one big signed contract. This is really looking at down the road where the most important part of your business and now more than ever is going to be looking at net retention and churn and really keeping your customers happy in owning that relationship. If you sell and you get your end users and customers on board, it doesn't matter, you've won. So wherever they are going to go, it's going to be widely adopted in the case of all those companies that I listed previously. But I think we're really going to start to see a much larger shift for this product-led growth market.

[00:17:46] **Hall Martin:** Great. Well, thank you for joining today and hope to have you back for a follow-up soon.

[00:17:51] **J.D. Weinstein:** Great. Thanks a lot, Hall.

Our final guest is Stuart Kime, Co-Founder, Chief Future Officer, hOp

[00:30:26] **Hall Martin:** That's great, that's good insight there. So we went through COVID and so forth, and we talk about one element of COVID proofing your business, own your customer, but what else can they do?

[00:30:38] **Stuart Kime:** Well, I think the another interesting aspect is how COVID is affecting SaaS startups internally, because there's a lot of – in software, it's so much easier for us to move our businesses online and for everyone to Zoom and Slack and use digital collaboration tools. But one of the things that we're noticing internally is it's not necessarily what people are saying, it's almost more like what they're not saying. And so, there's an element of what I would classify as a couple of areas that we are missing. The morning watercooler coffee talk that doesn't have a point, there's something about how it deeper connects people in real life, and the afternoon, like, birthday cake – how is it a birthday 300 days in a row? I don't know. But that that's actually really valuable. And so when you look at losing that time, the third area is these meetings that people used to complain, like, why did I have to be in that meeting? Well, it turns out that there was a lot of visibility that you probably didn't need to be in that meeting as a decision maker, but there was value in you being in there as an observer, because you noticed something was going to go wrong down the road a little bit later. So we're trying to figure out how to manufacture those and as a company that decided to make micro social networks with an algorithmic goal of in real life connection, we obviously are trying to figure out more ways of manufacturing opportunities to meet and know people in important and authentic ways.

[00:32:23] **Hall Martin:** Well, it's good to catch up with you and understand the shift in the market. It seemed like COVID, as you said, pushed things forward by many years from where it was going anyway. That's what I saw a lot, what was accelerated was going to happen anyway, it just happened faster; and what was deaccelerated, same thing, brick-and-mortar was probably overbuilt, was going down anyway. And this just took 10 years and shrank it into 10 months, and just made it happen much more quickly as well. In the last few minutes that we have here, what else should we cover that we haven't?

[00:32:57] **Stuart Kime:** I think that privacy is going to be big in the next five to 10 years. It's one of the things I'm personally investing in. And when you look at these platforms, one of the things that like, DuckDuckGo, for example, if people haven't heard of that, it's sort of like a Google, but instead of needing to know, like, instead of needing to read your Gmail and read your Google Docs to know more about you to put the right ads to mess with you, and what you're going to do next, DuckDuckGo just uses whatever your search term was, how to, you know, let's say it's like how to change a carburetor on an F-150 to put an ad related to that around you. So that's really how magazines used to work. If I bought Cigar Aficionado, there was a certain type of brand that wanted to be related to that, but they didn't need to know, for example, what Facebook is trying to know about you, which is like, they're one of the largest buyers of ovulation data from Maya, which is the largest cycle tracker for women. The fact that they needed to know that about which ad to put in front of you, I just think is ridiculous. So creating privacy friendly alternatives to these free tools that all of us are using on the internet is going to be probably one of the largest growth sectors to me in the next five to 10 years.

[00:34:22] **Hall Martin:** You think that's going to drive micro social networks, the fact that you have maybe more control over it, you can go to the community curator, and they can take care of problems and they can knock out bad actors, because you want to know who's in your network when it's a small one, when it's... ?

[00:34:38] **Stuart Kime:** Yeah, exactly...

[00:34:39] **Hall Martin:** You don't know who is in that network. But as a small one, you can actually control who that is and who shares that information, so you think privacy is going to be a big driver for that aspect of it?

[00:34:50] **Stuart Kime:** I think it's going to be huge because we got three patents around meeting other people in real life, because how do I know, like 6.6 billion fake identities on Facebook, how do I know the person I'm connecting to is a real person and really the person I'm trying to talk to? I don't know that the kid playing Roblox with my kid is actually a kid. It's sort of like we're letting children ride their bicycle on the interstate. So privacy to me is not just privacy, it's also a strong identity. And I think that when you look at the privacy opportunities going forward, it's going to be about how can you get a good return on privacy, not that it won't be there, there are so, you know, I am willing to give _____ Uber access to my location sensor, because they give me a very good return on my privacy. Right? So I think you're going to see a lot more like privacy guarantees, here's what we do with your photos, here's what we do with your location, here's what we do with all these things as an opportunity in the future.

[00:36:01] **Hall Martin:** Right. Well, that's a good view on it. It's certainly coming here faster as far as the future goes, and certainly seeing a lot of cracks in the big tech world and what it's _____ and just, you know, subscription seems like that's the answer, is charge for it and then it cleans itself up. I never saw LinkedIn really have the same issues that Twitter and Facebook had with rage and other things, which is why it's one of the few platforms I'm on because it business professionals doing business work,

and it seems like it has its place. But seems like there's going to be a major shift here in the next five years at all levels, government levels, user levels to get to a better place with it.

[00:36:42] **Stuart Kime:** Exactly. That's a great point about LinkedIn is, you know, there's a premium tier for people to dabble in, like we do for all users. Right? And then, but paying to get advanced features is a much better solution, much more elegant than trying to sell my identity.

[00:37:03] **Hall Martin:** Right. That's a good point. Great. Well, I appreciate your taking time to join us today

[00:37:34] **Stuart Kime:** Cool. Thanks Hall.