A Decade of Decision Points

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About Bob

CEO and Co-Founder of RJMetrics
• Emerging leader in cloud business intelligence
• 120 employees in Philadelphia
• Over $20M raised from top-tier VCs

Investment Analyst, Insight Venture Partners

ORFE, Princeton ’06

Hobbies: improv, travel, running, hip hop
At RJMetrics, our mission is to inspire and empower data driven people.

We provide a full-stack SaaS Business Intelligence Solution for online businesses.
Today’s Talk

This is not a talk about the things I’ve done right.

That would be really boring.
This is a collection of decisions that have shaped my career.

One per year, 2004 – 2014.
This was the summer after Sophomore Year.

The previous summer:
• 90 minute commute
• $10/hour, mostly went to gas
• Exposure to an entrepreneur, Jim Lesser
• Menial Work

It was good to do for one summer, but not two.

I had just learned to program for real. I wanted to build something.
Decision:

Spend one of my last free summers building something from nothing
2004: Take the Summer Off

Poker was huge.
2004: Take the Summer Off

I built **The Mooraculator**:

Odds calculation and play recommendation software

Used real-life lessons:
- Algorithms (shuffling and dealing)
- Data Structures (OOP)
- Probability (duh)
- OR (Monte Carlo simulations)
I got really, really lucky.

First mover advantage:
• 10 cent clicks in the early days of Google Ads
• Enormous search volume
• No competitive landscape
• Sold thousands of copies

Software margins:
• Zero marginal production cost
• Zero distribution cost

Was any of this by design? Absolutely not.
2005: Sign a Crappy Deal

I’m back at school, I’m campus rich
Moore '06 knows when to Hold 'Em

BY VIOLA HUANG • ASSOCIATE EDITOR FOR NEWS • SEPTEMBER 15, 2005

First it was campus rap fans, then high schoolers with Ivy-League dreams; now, poker players will know the name of Robert Moore '06.

Moore recently developed his Mooraculator, a device to assist in the calculation.
The Phone Rings. It’s Jim Lesser.

“I know a guy who builds products for the Sharper Image… could you turn *The Mooraculator* into a handheld device?”
2005: Sign a Crappy Deal
2005: Sign a Crappy Deal

Terms of the Deal:
• I have to do lots of work
• I get very little money

I’m completely at their mercy.

Nothing is negotiable… also, I’ve never negotiated anything in my life.
Decision: Screw the terms. I want to do this.
2005: Sign a Crappy Deal

Spent months managing a team in China from my dorm room...

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The hint of "INPUT NUMBER OF PLAYERS" will show after turning on the unit. Then user can press number key (2~10) to select the number of players (2~10).

After selecting the number of players, "SELECT YOUR POSITION" will show for user to press UP/DOWN to choose his play position of DEALER, SMALL BLIND, BIG BLIND or OTHER.

Then user can input POCKET CARD when LCD shows "ENTER YOUR POCKET CARDS". The first card input will flash to show with an arrow appears on the top of it, which indicates your current card input. At this time user can press A, 2, 3, 4, 5, 6, 7, 8, 9, 10, J, Q, K key and SPADE, HEART, DIAMOND and CLUB key to input the card you like. Press ENTER to input the second card after the first card is input already.

Press CALCULATOR key to calculate the odds. Also the RECOMMENDATION will show on the below LCD of two lines, such as "CHECK IF POSSIBLE, OTHERWISE FOLD." Press DOWN key to see another RECOMMENDATION on the two lines.

Press ADVICE/ODDS key to show user’s odds of getting each type of hand in the end, such as "ST. FLUSH 2.5%" on the LCD of two lines below instead of RECOMMENDATION. Each press on DOWN key will show another kind of odds. Press ADVICE/ODDS key to show RECOMMENDATION again.

Then user can input FLOP CARD using the same way as said before.

Note:
1. User can press BACK key to return to the last screen with last card input during the card is inputting.
2. Press CLEAR key at any time to clear all cards input already and start a new hand.

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2005: Sign a Crappy Deal

Eventually, it was done:
2005: Sign a Crappy Deal

Got a free trip to CES in Las Vegas to promote the product:
Sales were terrible.

“Who the hell is going to let you hold onto an odds calculator while you’re playing them in poker?”

-Everyone Ever

Total Royalty Payments: $0
2005: Sign a Crappy Deal

Sharper Image files for Chapter 11 bankruptcy
Wed, Feb 20 2008

NEW YORK (Reuters) - Retailer Sharper Image Corp has filed for Chapter 11 bankruptcy protection, citing declining sales, three straight years of losses and litigation involving its Ionic Breeze air purifiers.

The San Francisco-based company filed for protection late Tuesday in U.S. bankruptcy court in Wilmington, Delaware. Sharper Image said it had $251.5 million in assets and $199 million in debt as of January 31, according to the filing. Cash on hand totaled about $700,000.

Its shares plunged 92 cents, or 64 percent, to 52 cents on Nasdaq.

Not my fault, I swear!
2006: Get a “Real Job”

Here comes the social pressure.

2006 = good times for finance industry.

All of my friends were duking it out over 6-figure jobs at:
- Goldman Sachs
- Merrill Lynch
- Morgan Stanley
- Lehman Brothers ("the job security is great!")

OK, I’ll do some on-campus interviews… I don’t have to take anything I don’t like.
2006: Get a “Real Job”

I did about 10 interviews. They were all painful…

“How many golf balls fit inside a 747?”

“Explain the Black-Scholes Model”

“What is a… Mooraculator?”

(I’m sure I wasn’t their cup of tea either.)
2006: Get a “Real Job”

One place stood out…

**INSIGHT VENTURE PARTNERS**

The Job: Sell Money
• Learn about hundreds of software businesses
• Understand what makes for an attractive investment
• Convince the attractive ones to take our money
• Help make them successful
2006: Get a “Real Job”

**Pros:**
- Learn to sell
- Learn about exciting industries
- Expand my network

**Cons:**
- This is not entrepreneurship
- “Golden Handcuffs”
2006: Get a “Real Job”

Decision:

Go learn more first. Take the job.
Quickly Became a Data Analyst:

- Due diligence was a key part of the job
- ORFE was well suited to the task
- CS background gave me unique superpowers
- Companies had more data than ever
  - Cheaper to store
  - Cheaper to transfer
  - More third-party services
Who are my most valuable customers? Where do they come from? How can I get more like them? How does this change over time?

I could use data to answer these questions, which helps investors make smarter investment decisions and companies grow faster.
2007
2007: Start a Company on the Side

If you were good at my job, you got to watch entrepreneurs get rich.

You can only take so much...
At Insight, I saw a lot of “lifestyle businesses,” many of which were in affiliate marketing…

During a talk with my old math teacher, I got an idea…
Decision:
Start a company on the side while working at a competitive, full-time job
2007: Start a Company on the Side

No time, no money: I outsourced everything to the cheapest offshore vendor I could find

Things got painful fast:
• Had little technological control
• Wasn’t sleeping well, getting sick a lot
• Work was piling up
2008
SmartRaise’s unit economics sucked

Revenue Drivers:
• Average group had 10 active members
• Average transactions per member per month: 1
• Average order value: $40
• Average gross commission: 2%
• Charity payouts: 50% of commission
• Average annual revenue per group: $48
2008: Expand and Pivot

SmartRaise’s unit economics sucked

Expense Drivers:
• Cost to Acquire a Customer: $100+ per group
• Website maintenance: thousands per month
• Customer service: huge burden on me
• I was collecting no salary, couldn’t hire anyone
• No cash in the bank

In the first year, I recruited 500 groups, which seemed huge. Revenue was about $20k and I was burning cash.
I’ve told my friends, family, and coworkers that I’m working on this idea.

I can’t face the embarrassment of letting it fail… how about a pivot?
2008: Expand and Pivot
2008: Expand and Pivot

This time: customer development first

Met with several nonprofits, they were all interested in one thing:

*data analysis*
2008: Expand and Pivot

Who are my most valuable donors?
Where do they come from?
How can I get more like them?
How does this change over time?

Does this look familiar?

They wanted the same outputs as the manual analysis I’d been doing for for-profit businesses at work…
I wouldn’t be the first…

In the 1980s and 1990s, “business intelligence” took the enterprise software market by storm.
Their customers were the largest companies in the world.

The total cost of ownership for Business Intelligence software was often in the millions of dollars.
2008: Expand and Pivot

These companies grew to enormous scale...

Acquired by Oracle $3.3 billion
Acquired by IBM $4.9 billion
Public Market Cap $1.5 billion
Acquired by SAP $6.8 billion
Acquired by Business Objects $820 million

but the market evolved too.
2008: Expand and Pivot

Home Bandwidth Growth, 1970-2012

Source: BBP LLC
The internet made the collection and storage of data easier than ever.

Small-to-midsize businesses (SMBs) are now faced with a vast universe of data silos.
2008: Expand and Pivot

A $13B market addresses this problem for traditional enterprises.

Another enormous opportunity is emerging for the massive remainder of the market.

“The Long Tail”
This was a potentially enormous opportunity.

It would not be a lifestyle business.
2008: Expand and Pivot

Decision:

Pivot into business intelligence and pursue the venture full-time
Working at a mid-stage VC firm conditions you to romanticize certain kinds of businesses:

- Profitable
- High growth
- No outside capital (founder-owned)
- Enormous markets

And demonize others:

- Lifestyle businesses
- Companies that raise money early in their life
- Slow growers
2009: Bootstrap

We could have raised money from day one, but that felt like the wrong first step.

The right first step: prove to ourselves that this was actually a good idea.
Decision:

Do not raise VC. Bootstrap.
2009: Bootstrap

Staying above water:
- Leave NYC for Camden… yes, that Camden
- Add a co-founder
- Don’t take a salary
- Contribute $5k from savings
2009: Bootstrap

Confusing lean with cheap is bad

Lean:
• Minimum viable prototypes
• Pre-launch customer development
• Substituting humans for technology

Cheap:
• Should the company pay for coffee?
• 50 paper clips or 500?
• The day I bought my chair
2010
2010: Start Hiring

We were signing up real clients… and learning from our mistakes…

BONOBOS

 diapers.com

threadless

WARBY PARKER
At the end of 2009, we had reached a level of profitability that would allow us to either pay ourselves or one other person.
2010: Start Hiring

Decision:

Start hiring before paying ourselves.
We hired the least qualified person for the job we advertised.

He was exactly what we needed.
2010: Start Hiring

We started building a real technology organization.

Merrick brought us:
• Version control
• Continuous deployment
• Security
• Code reviews
• Hiring process – “you guys suck at interviewing”
2010: Start Hiring
2011: Leave Camden

Camden, NJ, One Of America's Most Dangerous Cities, Lays Off Half Of Its Police Force

Budget pain hit home in Camden, N.J., on Tuesday, as nearly a sixth of city employees lost their jobs in one of America's most dangerous cities, AP reports.
2011: Leave Camden

Hiring needs outpaced applicant flow.

We suspected Camden might be the reason. *But all tech firms have trouble hiring engineers, right?*

The lean solution: pretend we moved.
2011: Leave Camden

The results were pretty staggering...

Developer/Product Manager
- Philadelphia, PA
- RJMetrics
- Nov 09, 2010
- Filled
- 69

Software Developer
- Camden, NJ
- RJMetrics
- May 28, 2010
- Filled
- 9
2011: Leave Camden

Decision:

Move to Philadelphia.
2011: Leave Camden

We grew from 4 to 12, and made our first non-engineering hires: “Analysts” to help with customer support.

One of them had sales experience. We let him sell and it became clear we had been leaving money on the table.
2012: Take Outside Money

To date, we had been hiring people when revenue permitted.

This disregarded the “J-Curve”

If retention is predictable, why spend time waiting?

@robertjmoore
Decision:
Raise capital to grow faster.
2012: Take Outside Money

Venture firms were calling, but the terms we were offered were hard to swallow:
- Participating preferred stock
- Multiple board seats
- Give up 20%+ of the business
- $30k on legal fees just to do the deal

At the same time, the **convertible note** was becoming popular:
- Money now, dilution later
- One-page legal agreement
2012: Take Outside Money

After months trying to put a traditional venture deal together, we decided to raise $1.25M in a convertible note.

Thanks to our customers, we did it in a week.
2012: Take Outside Money

As it turns out, when you invest in growth you grow faster.

- Invested in Marketing and Customer Success
- Hired first real sales reps
- Hired more engineers to improve product
2012: Take Outside Money

Of course, now we had our own golden handcuffs.
Up to this point, I was still technically on the dev team.

Programming is **so** satisfying:
- Short feedback loops
- Solving fun puzzles
- “Magic Powers”

**Real companies need executives who provide strategic value.**

Just because we wish we had more programmers doesn’t mean the CEO should be one.
By design, I was also the worst developer on our team.
Decision:

Stop programming. Start leading.
2013: Turn in My Keyboard

I let it go...

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@robertjmoore

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@robertjmoore

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@robertjmoore

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@robertjmoore
2013: Turn in My Keyboard

I waited too long to do this.

Teams respect leaders who are busy focusing on the big picture and staying out of the weeds.

Time was now spent on:
• Keeping the business well capitalized (raised a $5M Series A in May 2013)
• Recruiting and organization building (brought in VP Marketing, VP Sales, VP Customer Success)
• Dealing with the press and closing key deals (NYT column, speaking gigs)

These are magical powers, too.
2013: Turn in My Keyboard

It was our biggest year ever.
2013: Turn in My Keyboard

Footnote: It’s not all-or-nothing. I’m still very involved in product decisions.

I just rarely push code directly (unless it’s a hackathon).
Big market. Huge growth. Great product. It was time to switch our mentality from:

“How do we keep the lights on?”

to

“What stands between us today and building a billion dollar company?”
2014: Go Big

Decision:

Go for the big win.
2014: Go Big

Staff doubled from 40 to 80 in the first 8 months of 2014

Customer count has also doubled in that same period

Moved into a new 13,000 square foot office in Center City Philadelphia
In September, announced a $16.5M Series B investment from August Capital.

Our team is currently 120 people.
What’s Past is Prologue
Bad Decisions?

Think about these decisions in terms of impact:
- Immediate
- Short-term
- Long-term

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<th>Year</th>
<th>Decision</th>
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<td>2004</td>
<td>Take the summer off</td>
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<td>Quit my job</td>
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<tr>
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<td>Go big</td>
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When you are in a position that makes it possible to take risks, take them.

Be intellectually honest.

Never discount the value of leadership and vision.

Be selfish about personal growth: take the path that allows you to learn something.

Do the right thing.
Please Do These Things

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