Success Strategies

SmartUp Foundations Course - Lecture 11 - Part 2

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Foreign. Okay, so we will try to discuss that case study of Metaverse, the company that I'm managing now. I will also show you our system and I will ask also try to discuss with your challenges, maybe, probably you will have good ideas for us. So let's start. So usually I like to regard startups as some kind of a telenovela. Always it's a story that someone loved something and then he was betrayed and then he loved another one and then they discovered that the long lost daughter was disappeared. So yes, this is basically startups. So in our case, the origin story of our startup, it's also actually started as a division of another company. There was a company all seated that Forbes said that they invented the Metaverse and they raised a lot of money. Why? And the basic business was designing of events.

Let's say you want to do a bar mitzvah, you come to this company and they show you the space and you can choose which kind of table, chair or whatever you want in the arena in the event. But then came the COVID and then all of the companies came to them and said, hey, you have already 3D models of our events and you're working with us as an event organizers, so let's do a virtual event. And this is when the company boomed and Forbes said it invented the Metaverse before Mark Zuckerberg and they raised $20 million without any challenge and life was very good. But then the COVID ended. So it was clear to them that they cannot continue doing the same and decided to spin out the company. Why? They spin out the company because they have 15 paying customers.

That mean when they made the change, when they announced the split and the change started negotiating with potentials and within a few months they gathered 15 paying customers. So when I arrived, they came to me and said, hey, we have 15 paying customers. Some of them are Fortune 500, Clesimmons and Citizen bank and Ferrero. And we have dozens of customers in Pipeline, but we don't really understand why they are customers of us. It's really strange approach to someone, especially when you're interviewing to be a CEO and they say, like, it doesn't make any sense. I asked them, okay, what is your positioning? So they say, we are an enterprise Metaverse and what is our usb? You don't need to install anything, you don't need a VR and we use video streaming instead of avatars.

So I had a small search, the way that I analysis such things. I checked how many people are interested in enterprise Metaverse, how many people search about it. In a year, 20 searches a year, more or less now, until now. By the way, everyone that searches for Metaverse Enterprise, I take him, I have an 80% conversion on it. That means if someone search for it, probably will be a client. But I spend $35 a month, that's it. So what did I do? I've done actually what Jonathan said. Rank the customers and ask them, well, why do you like us Naturally more intelligent way. And I noticed. Okay, just I will say something about very important because just as Jonathan said, product is nice, but marketing is the king. That means if you have a mediocre product, but good marketing, you will be a success.

If you have the greatest product ever alive. But mediocre marketing, nothing will happen. And I can tell you after two startups and two big communication companies in Israel, this is the story, just marketing good ideas. You get hundred in a dime good marketing ideas. Actually enough for Jonathan. I'm interviewing the best marketers in the country for over a month and we're still in a problem, but we have a solution. Okay, so another way for me to analyze the potential of the potential success of a company is. Okay, let's try to see the bits and bytes of the marketing. So they had the PPC marketing, what Jonathan like to call brute force for all the right reason. They spent about $7,500 a month and they had about one customer per two months.

That means that the customer acquisition cost was about $12,000 and the profit $20,000, which is good but not much. That means one customer per two months. When you spend so much money, it's a problem. Then the idea of abm, I don't know if you discussed here, ABM is like the buzzword now, which is basically cold calls, a sophisticated name for cold calls and cold calls. What is nice is apparently it doesn't cost you any money, it's for free, right? You don't have advertising budget, but you have personnel. So it actually was $16,000. They got over 100 leads per month, which is very nice. But one customer in a year, total failure. The first thing I've done was firing all of the ABM people. Five people were cut out of the company. And this is something I didn't notice at the beginning.

They had six customers and almost the best customers from business development. But I didn't took it into my

consideration. This is a hint, a spoiler to the future. So as I said, they don't have enough leads. They have very long sales cycle of over half a year. And also the Minimum requirement of the customers very high. Because you're working your enterprise solution, you need to be totally safe, totally solid. And actually I can tell from 20 years of experience going to enterprise customers as you when you start, probably will kill your company. It's like eating a fish which. Which is too big. It's a total mistake. So I said okay. I started interviewing the customers. Fifteen customers, I can interview them quite easily. I noticed that the two biggest one are doing training. And I even understood that it's not just training, it's training.

And now they call it also learning and development. And they're calling also organizational development. So okay, nice. Also five of my medium customers are. Are the same kind. So more the majority of customers and also the highest yielding customers, training and learning and development. So I said okay. I found the use cases, HR division that do training and what was. And then I started to interview them and ask them, why do you like us so much? So they told me something very interesting. They told me that their biggest problem is people leaving the company very fast. That means they invest a lot of time in recruiting, in training and all of the things. And then three months after the onboarding, the employee leaves. It's a huge problem for them.

But they found out that if while doing the onboarding, the employee will speak with other employees, the chance that he will leave is very low. And it makes sense if you have a friend in your working place, he will not leave it. So they said, in your system, people speak a lot. So we hit the benchmark. We have a lot of communication. We are doing a good job. Great. And then I use this. 12 billion working days are lost every year due to employees burnout and turnover costing a trillion dollar annually. We have a solution. The solution let's have connection between people. And when I look at the marketing, so suddenly the customer acquisition cost drop to $2,500 third of the previous one. Our average revenue per customer is more or less the same the paste.

Although we cut the budget to third doubled and the sale process is two months. It's very reasonable. We are currently speaking on a year because the company exists only for one year. So it's hard for me to do anything else. But what is the problem? Still there are we are not in 10 searches, we are in 100 searches. Again, we cannot build a deal on it. And also the conversion is more reasonable, which is 10%. That means I will get 10 leads per month. I can grow too two customers a month, three customers a month. It's not a real Business. At the same time, I still have to do lots of tests with cyber, I still need have a customer success that will manage them. And usually they want an event and not an ongoing activity.

And the thing that was most troubling for me, and I think that Jonathan didn't mention it, investors weren't interested. And you know, we need to always remember we're not only marketing to the market, we are marketing also to investors. And as a founder, maybe Jonathan, you would not like it. The majority of your work is marketing to investors. If you are lucky, the investor is professional and intelligent and your marketing to the investor will be relevant also for the market. But it's not always like this. So you know, I come here and say HR division don't have money. Okay, I can show you that they have budget. No, we leave us, we invested, they don't and that's it. You can't do anything from that point on, I cannot show them that actually HR division help project because yeah, we know they don't.

The favorite thing we invested five years ago in a company that was for hr. We lost a lot of money, so we're not going there. And also, you know, I can give you an example. And good companies. By the way, this was the answer I got from Pitango Upwest, you know, like reasonable startups.

So can I ask, it seems like your ICP was actually defined by the customers themselves.

It's a little bit. Again, I would say there is no standard way of building a startup. Okay. And in my case, I got a startup which was almost one year old and they asked me to move it forward. Now the majority of projects that I'm doing are like this. When I said that I founded X, in many cases they asked me to come and join in the founder level to do a pivot to the company. Like my biggest success was a hero video advertising company that lasted for 15 years. When I came to the company, it was a DRM company, not connected at all to the. But when I understood who is interested, what, where will it go and took me to that direction. So now we will do a short pause because now I explained to you the problem.

I want to show you the system and then maybe we'll discuss a little bit and then give you an example to which direction I want to take the company now. So this is an in. This is our environment that I built it actually for this demo. Just a moment. Yeah, I'm looking for a place that you'll have a nice view of the environment. So basically what you can See here is that we have a 3D environment that give a realistic feeling. We have people walking around and when I'm clicking on someone, then it opens a video stream so I can communicate it. So it's not like

a zoom that you are forced to be in a room with the people, but you can choose with whom you want to speak, where you want to speak, why you want to speak.

How much does it cost to build such an environment? In terms of expenses?

The real cost.

Yes.

I'm not saying how much I charge them, but how much it cost for me, like $1 per user.

You have to build this environment.

Yeah, but building the environment, this is what the nice trick here, let's call it like this. It's that most of the environment are pre built, a template build and then I'm just doing a small alterations of it. So the cost of building an environment is almost trivial. I charge for this. Yes, but it actually almost no cost for me.

No, I mean the environment, it's a real space.

It's a 3D space. Yeah.

How many hours you spend in building.

A whole new environment like this specific environment, two hours.

So if I'll go to you, for example, I have a viewer in Savion. Okay. I'd like to sell. I'll ask you to build my villa in this environment.

So if it is something very specific, again our main business, although I have one customer who is real estate. Yeah. Now most of our customers use it for, as I mentioned, for training conferences and things like this. And most of the spaces are more or less the same. If you want me to build you a specific house, it might take me a day. It depends how accurate you want it to be. Because if you want it to be really accurate, I need to bring a team and to do like 3D measurement and lasers and so on. I don't think it ever happened to us. Yeah, I even built once. I was ordered to build the temple of Herod's temple. So again, it took us a couple of hours. Why?

Because you have so many models of Herod's temple that you don't need to invest much.

Yeah, but if somebody really wants to sell his property.

Yeah, we have one.

This property costs for example, $10 million.

Even if it cost a lot of money, it will be hundreds of dollars. I have one customer, a big real estate company from Switzerland and they pay us like $1,000 a month and they get quite a lot. So it costs much less than it is perceived to be cost. The problem is that the biggest cost for us is training the people to operate the system. And this is a big problem. Yeah.

So if I go near one of the person in this metaverse, I hear things, the conversation.

Yeah, it's proximity based. Also by the way, if I will go to, I will show you a video of one of our events further to what so it start working as I get closer to it. And this is how an actual events looks like. So you see a lot of people, you have the main stage. When you enter the main stage, the CEO is speaking. So you cannot, you know, it changes to something a little bit like Zoom. So you're not bothering. Okay. Nutella is one of our biggest customers that now just now renewed again the license. Okay.

Do you have customers that use it.

As a virtual office?

So I think I will not show you much more than this. I think we have use cases here and so on. If you want I can show you by the way, an actual space of an actual customer and how it looks like this is a real customer. But you will not see now people because the event is closed. It's a big bank from Canada and their idea was that every salesperson is a rock star. So they wanted to build it as a rock arena. And then they have a merchandising shop and they have a bounty hound that you can play and you have the main event, you know, nice and interesting. But now after you show you've seen it, we try taking a Jonathan approach to how to build startups that again I strongly agree.

We try to think what will be our beach head. What will. What is the one solution that we can say that will make everybody interested in the company. So when I'm thinking about it, about training HR departments so I can do maybe a webinar about hr. I have a very known hr, several known HR people that I thought of maybe taking but it didn't filled enough. And again we don't think that it's big enough market. So I try to think, let's try to think what is the general case that the training is its specific case. Do you follow the logic here? Let's think that training is an example of a much bigger use case. Well, in the beginning the company thought it is Enterprise Metaverse but we understood that there is no market.

And also going to one of the questions here in Enterprise Metaverse you will have also office spaces and conferences and they simply don't work. So what is this case? So what I done this time I went to industry experts, not to customers because the imagination abilities of customers are limited. They know what they tried, they don't know what they'd never tried. So if I want something visionary, I need to go to a different angle. And then I went to industry experts, people that were seniors in Zoom in teams in on 24 and so on. They told me, well, the general space is a long session with high engagement. Why? Because Zoom teams and all of their other all of the other platform, they lose engagement after 40 minutes. All of them will tell you cannot have a session longer than 40 minutes.

But there are many cases in which you need session which will be longer than 40 minutes. Training is one of them, onboarding is one of them. But you have also e learning, you have also medical, you have many use cases. There is actually a very big need in the longer sessions and there is a big market for this. And then we try to think what is the product USPS in this section? So this is our brochures and you can say it's a 75 of video conference. Users lose engagement after 60 minutes. Metaverse keep them engaged for over 3 hours. Very simple message resonates with everybody because everybody trying to do a long session, everybody know it's relatively hard. And I try to understand why our engagement is higher. And I'm also doing a PhD in philosophy.

So somehow it connected to the my PhD is in philosophy of knowledge. Engagement is part of knowledge. So I knew that if I enable people to decide what they want to do, they will have higher engagement. I knew that if I enable interactions people will have higher engagement. Education is a social activity. If I let people discuss with each other they will have other engagement. And there is also a longer list of reasons. So I mentioned who needs a longer session. Webinars, virtual events, sales events, job interviews, onboarding. And then we needed to think who will be our potential customer. And then we had here also a nice insight because what we learned that in big companies, which was our original customers, it is their event division. But when you are going to smaller companies then you discover that they use content marketing agencies.

And it's a big segment in the US there are over 20,000 content marketing agencies. So now I think I know what is my market and I know what is the problem of the market. The market is content marketing agencies. The problem is that when they are trying to do longer events, the engagement is falling. And when I started calling content marketing agencies, tell me, what a coincidence. Last week we had a customer that just wanted this kind of a product and we told Them that there isn't such a product. We told them that there isn't such a thing as a webinar of over an hour. It's like a unicorn. So at this point I want to stop for a moment before I will tell you what is the direction that we are heading in trying to find the beachhead and the marketing engine.

It will be after you list following all of the lectures that you listen from Jonathan. It will be interesting for me to hear what are your thoughts? What would you do in order to create a beachhead? In order to infiltrate the market in the section of long session, high engagement with content marketing agencies.

Why not telemedicine in the healthcare?

First, there is no real reason, I must say. Second, sorry, yeah, I know telemedicine. I want to reduce the amount of approvals that I need to get for each one of my systems. My intuition tells me that medical care will require

for me quite a lot of preparation, cyber and so on. Yeah, and what I tell you. But there is another section of medical that we are working on. What they pay higher?

You can charge $2,000, you can charge $20,000.

No, but again, when you're speaking about medical devices. So it will be probably conference webinar training.

No, I'm thinking about that you're doing, for example, you want to consult an expert that's from the U.S. For example. I think it's much more logical to meet him like in this sort of platform, such as like Zoom or something like that. Again, you probably need to adjust it a bit with for example, you're going.

To show some cities, but you're not speaking about the target audience. I'm speaking about the marketing engine. That mean what? Manipulation. It's okay to call it manipulation. What manipulation strategy should I do? So he will be interested in me because as Jonathan said, yes, we can do ppc. I will show you in a moment the PPC result. They are good. We can do PPC, we can do LinkedIn, we can do webinars, we can do content marketing. We're doing all of it. It's okay. But this is brute force. We need to find the elegant solution. So this is what I'm trying. It's a very creative challenge. What about schools and universities? Again, it's target audience, it's not marketing engine. I say like all the target audiences that you mentioned are very good.

And the fact that I think now we should go to content marketing agencies and not do psychological sessions. I can explain why. Basically, let me just explain what Odette.

Is asking okay, when we build zoom info, that's okay.

This is what you wanted me to add.

When we built ZoomInfo, we built a directory of all the people that were in our database. So if anybody went on the web, didn't know anything about us, and typed in Jonathan Stern, the zoom in for page would jump on top of the list. So they clicked on it and said, what is zooming for? So that's how we reach millions of people. That's essentially the question we are asking in here, which is there any magic like that will make people encounter metaverse and say, oh wow, this is really cool, I can use it. That's the question.

And then we give another example that I like entertainment. Sorry, I was just a Docusan had a very nice engine that I liked. Every time that you use DocuSign it show you in a calculator how many trees you saved. And they sent both sides how many trees were saved. So you know you want to save trees. So it was very nice. And there are many companies. I also like what Daniel is doing, you know, as a promotion. If you discussed it already, who else said entertainment?

Yeah, what about entertainment? People spend tons of time in front of screens, all kind of screens to watch. Aha, the dog, the big brother or whatever. If you can create a metaverse that will provide entertainment to the crowd.

But the question I will give you an example of an idea that is based on. Yeah, I will give you an idea that is based one of your insight. Because remember, the objective of this game, let's call it like this, is bring us more customers. Yes, more customers from the segments that we devised. So going on your rationality, gaming, virtual casino or whatever, but playing with each other. But then you said, so that means that my target, the use case of the system is gambling. But what I thought it is a little bit like what you said is that I thought who are the people in the content marketing agencies? At the end of the day, we are working with people, you can say in very general terms that they will be in ages 25 to 35 with the college education.

These are more or less the people work. So I said, and probably from big cities Now I said, okay. So I said, I thought what is the media that they are using? So the most popular medium today for this age group is computer games. So I looked which computer games are the most successful for this segment? I found 10. So I went to Reddit and looked for the community and I found that each one of these games have more than 100,000 people in the Reddit community. So maybe I can do an event to the community of the game in our metaverse and then we'll get a nice portion of potential customers visiting my environment.

Not expecting that I'm doing a sale on them because one of the biggest problem with this audiences that are very sales reluctant, they can feel that you're going to sell to them something. I will jump a little bit and tell you what is our idea and I will love your thoughts about it. So what I said is that I checked it about the brute force

engagement. It's popular term engagement IDs how to increase engagement in Zoom. Nice bunch of terms over 600 in a month which means I'm starting to get into normal numbers I don't have yet what is my customer acquisition cost or even what is my cost for lead because we started it just two weeks ago and we're still paying but it shows potential. But it's a brute force. We are not here for this.

So what we said is let's take ownership on the term engagement. Let's try to position ourselves as the engagement company. Why? Remember we want to sell long session with high engagement. So if I take ownership on the term engagement it helps. It could help. How do you take ownership? The first phase that we want to do is something that we're doing in any case is establish ourselves as thought leaders, publish articles, webinars, post. If any one of you will search after me, he will see that I publish posts about engagement in any platform known to the humankind like bluesky, Twitter threads, Reddit, whatever, I'm there. But this leads us to the second level which is interesting. I think at least we said let's develop a plugin for Zoom. The plugin will know to do one thing. He will show your engagement score.

Okay, I still don't know if it will be in real time or just in the end of the event, but we can show you and we tested it. We can do it. We can analyze the participants in the Zoom event and based on this create engagement score. So you get Your engagement score is 86 and you are located in the top 20% of the market. You want to know how to increase the engagement? Do you not want contact our team? Do you want us to tailor fit to you to do a bespoke event with high engagement? We are here for you now. We are actually in discussion with Zoom to understand what can we do in order that they will promote us or at least will not make any problem to us. Now.

And by the way, we found a way I can tell you in advance, so what is nice here, I actually market a free software. I will not ask them even to put the credit card details, which is the most challenging part. I just want their email. Give me your email. You get this plugin, very easy to install. Usually customer acquisition cost of free plugins are quite low. So we actually can do it and it's relatively simple, frankly, next week I can develop it. So it's something quite simple. Now, the Holy grail. And this one, the Holy Grail, I didn't have time to write it is. We want to try and establish this as a metric toward advertisers. Also, one of the biggest challenges of virtual events is finding sponsors.

Everybody want to find a sponsor, but there is no way for an advertiser to know the quality of the event. Okay, you told me that 100 people came first. How do I know? And B, what does it mean that they came? If I can tell them, hey, I have an engagement metrics. I have an event of 86. Then suddenly the advertiser knows what to do with this, has something on his hand. So this is more or less the idea. So I will value your feedback on the idea because it's really fresh from the oven. We developed it during the weekend. Yeah.

This is engagement of the meeting of the zoo. The specific zoom meeting of each person, how that person was engaged.

Let me explain how we think it will work. So you are the speaker. Okay. So you start the zoom people, log into your zoom.

Okay.

All right. So you can see everybody on the screen. Remember, because you are the one that control. And so we will put a plugin that will go and check each of the participants. We'll look at the camera and see are you on camera or not on camera? Let's start with that. If you're on camera, are you looking at me or are you looking down? Or you're just walking, whatever you do. Okay, so we can start doing the simpler thing, which is like a teacher. I look at you, I look at you. I look at you. I see everybody with their eyes closed. I know I'm down. Right. If I see all of you looking at me, that's good. Basically the most simple thing.

But we can do also, we can.

Do it every 10 minutes, very easy. And we can start seeing how you know, we can tell you, listen, you're losing your people.

We can. We can also analyze the amount of questions being asked. The. The texts that are being sent, the emoticons that are being Sent people, living people joining.

So you're scoring the meeting.

Yes.

The meeting.

Yes.

No, no. The meeting.

The meeting.

The meeting. Because this is very important also to the person that is hosting the event who wants to know if people are concentrated or not. And if people are not concentrated, they want to know what to do in order to increase it. Now, I've done a search. There are 3,000 plugins for Zoom, and more or less the same number for teams. I found 10 plugins dealing with engagement. None of them gives an engagement score. All of them try to sell you engagement tools. So for that reason, I will not try to sell them engagement tools. I'm saying, you want advice, call us. And probably this is something you say in one of your lectures. Make your product a service, right? So this is how I'm making my product a service. Now, how does.

And naturally, at the end, we want to shove everybody to our system. And I will tell you that we found a way to implement Zoom inside our system. So we are not competing with Zoom, because the rule for Zoom, they are promoting things that are not competing with them. So we'll try this.

What happens many times is you start building these tools, they take life of their own. What happens is you start thinking, wait, what else can I add to it? And he started saying, I can give you a tool for advertisers, right? So I can start giving you something. And tools have a tendency to develop life of their own, which is why they are so interesting. All right, we'll take a break. Thank you again, Oded. And then we'll go to the second part.