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## Interview with Jason Fried from 37signals



**Adrian Bye:** Today, I'm here talking with Jason who is from 37signals and I mistakenly thought 37signals is a Web 2.0 company but I've now been informed by Martin who brought Jason here for us today that, that is not true and Jason is a Web 1.0 company.

So, Jason, why don't you take it away and tell us a little bit about who you are and what you do?

**Jason Fried:** Well, thanks for having me.

Yes. Actually in general, I think the Web 2.0 label is kind of silly to begin with so we're just a web company. So, we've been around since 1996...sorry, since 1999 – I've been doing this since 1996 but we launched the company in 1999 and currently we build web-based software products so we build software and service products.

We have seven different products. Our most popular products are something called Basecamp which is a project-management tool used by over 2 million now around the world. We have Highrise which is a contact manager and simple CRM tool, Backpack which is an internet and group calendar, and a few other tools.

But, they all are based around the idea for collaboration for small business and they're all based around the idea of simple tools to do a few things well and then, just get out of your way. So, it's all about, back to the basics – executing in the basics at a really high level, forgetting about all the bells, morsels and just getting things done so people can get things done and get out of their way and fundamentally, our products do less than the competition which is another thing that we're really proud of. We think software, generally – it's too many features, it's too bloated – too complex, too slow – it's too hard to learn. So, we just do a few things and just get out of your way.

**Adrian Bye:** ...and so, that's basically like what?

But before we go on and dig further than that, why don't you tell us a little bit about whom you are? How old you are, where you live, family – all that sort of stuff.

**Jason Fried:** Sure. So, I am 33. I live in Chicago, Illinois and I actually graduated with a degree in Finance but I realised that I didn't want to work in a bank or in the stock exchange or any or that so I started my own business. I've always been interested in design and around '96 when I graduated from college, the web was starting to hit as something that was commercially viable and so, everyone was starting out on the same page there and no one was an expert yet and I said, hey, I can figure this stuff out, too. So, I was sort of doing website design – freelance in college and then, right after college and just kind of learned on my own – figured things out along the way and it was a great opportunity for me to be able to design things and also, start my own business which is something I've always wanted to do.

**Adrian Bye:** So, where did you go to college, sir?

**Jason Fried:** I went to college at University of Arizona.



**Adrian Bye:** Okay. I went to Michigan State.

**Jason Fried:** Okay, yes. So, you're a Midwestern.

No, I'm from Chicago and I figured I'd end up back here in Chicago. So, I figured it'd be nice to get out of the Midwest for at least four years in my 20s so that's what I did. That's why I went out to Arizona.

**Adrian Bye:** Every so often, I'm back in Chicago and I'll go to like a bar or something and I end up knowing someone at the bar.

**Jason Fried:** Yes, scum-dig people.

**Adrian Bye:** I live in the Caribbean now. I haven't been in that area for a long time. A lot of Michigan Staters kind of...

**Jason Fried:** Tons of my friends went to Michigan State so there's a big Michigan State contingency here.

**Adrian Bye:** How is it out in Arizona?

**Jason Fried:** It was awfully nice. It was warm and sunny and above the desert. Everything about it was great.

**Adrian Bye:** Cool. So, you moved back and so, you started doing freelance web stuff in Chicago and you started designing things more and more and it just kind of took off. Is that how it happened? How did you get to where you are now?

**Jason Fried:** It's similar. Actually right after college, I moved to San Diego to work as a creative director in a small web design company and I realised about three, four months in, I wasn't really built to work for other people. So, I decided to move back to Chicago and start my own company. I

was freelancing on my own and that's how I met the guy who hired me when I moved to San Diego and then, I just told them a few months in, "This isn't for me."

So, it's kind of what happened and then around 1999, I met up with a couple of other guys. We got together and started 37signals.

So before that, I was just doing freelance web design on my own out of my house, basically...out of my apartment.

But '99, I hooked up with these two other guys and started 37signals and then for about the next four years, we just did web design for clients. We were doing design for hire.

But around 2003, we were getting really, really busy and we needed a tool to better manage our client projects and we looked around for a bunch of tools that existed – to Microsoft Project and a variety of others and we didn't like any of them. They were too hard. They were ridiculous. They're stupid. They didn't solve the problems. They created other problems and so, we decided to build our own tool and that became Basecamp which we started using internally with clients and they said, "Hey, I need something just like this for my own business. This makes a lot of sense." So, we decided that we can maybe turn this into a product that other people can use.

So in February 2004, we launched Basecamp as our first product. We just didn't have any real expectations, just kind of was curious to see what would happen and it turned out that it took off and within a year, we we're making more money off of Basecamp than we were off our consulting client projects so we decided to stop doing client work and focus exclusively on building software.

**Adrian Bye:** That's a nice way to have it all start. That's a smooth way.

**Jason Fried:** Yes, it just sort of happened by accident which is how I like everything to happen.

To be honest with you, we're not really big into planning here at 37signals. We like to just see opportunities as they come up and go after them. I think planning is akin to putting the blinders on and just saying, we know where we're going to be in the next five years and I think that, that's just not a really good approach. I think it's better to kind of know where you're going in the next 30, 60, 90 days – have a general idea of where you're going but for the most part, be open to opportunities that come along and that's kind of what we've done ever since we started the company.

**Adrian Bye:** So, who runs the company? Is it your company? Is it a group of you that owns it? How does that work?

**Jason Fried:** So, it's my company. I am the majority owner but I have one partner – a guy named David Heinemeier Hansson who's also a fellow who invented Ruby on Rails which is a very, very popular web application framework that tens of thousands of developers around the world now are using. Many of the Web 2.0 companies were building products or using Ruby on Rails to build their products. So, he's the guy who did that.

**Adrian Bye:** I'd say it'd be hundreds of thousands of developers, not tens of thousands.

**Jason Fried:** Yes, probably hundreds of thousands. I was being conservative. It's probably hundreds of thousands. I don't like to overestimate things but let's say, hundreds of thousands and it's been great. So, David and I are the two owners and we also have one investor which we took on in 2006. Prior to that, we've been self-funded and I still believe in being self-funded and technically, we are still self-funded because our revenues are generated by our customers. But, we took on one investor, Jeff Bezos. The CEO of Amazon.com came on as our only...

**Adrian Bye:** You have Jeff Bezos as an investor. Gee, that's tough. You really had to scrounge around the bottom of the barrel investments. I'm sorry that, that put up to that.

**Jason Fried:** Right, it's working out terrible.

**Adrian Bye:** Tough life for you, Jason.

**Jason Fried:** Yes.

Well, we've actually been pitched by about I would say, close to 30 different VC firms since 2004, I should say and we just didn't want to take VC money. We didn't need it. We were profitable. We were in the black and everything was going great. We didn't want VC money.

But when Jeff came along... You know, Jeff's a special guy, a special entrepreneur, a brilliant guy – super-nice, really down-to-earth, really insightful guy and after we met him, we realised that he'd be a great asset for our company. So, we worked out a deal where he came on as a minority owner and he's available to us for advice when we need it otherwise, he kind of leaves us alone and lets us do our own thing, and it's a perfect situation for us.

**Adrian Bye:** So, help me understand. I mean, that's really interesting because you're obviously in a good position with getting capital because you really didn't need it or did you. I mean, why did you accept capital? Did you want that to grow the company because you've given up some control? I mean, Jeff now has a say in what you do even though he's a nice guy and all that sort of stuff. He still is an investor. He might not really need his money back but I mean, you never know. Things could change and he might come after you and want you to cash out or something and have enough leverage to make that happen.

**Jason Fried:** Sure. We did it again, not for the money. We don't need money to run the business. Our business is quite profitable, our margins are incredibly high and things are going very well for us.

We're a small company. We only have 10 people and our profits would allow us to have many times that if we wanted to but we choose to keep our team small for a reason.

The reason we took Jeff on as an investor is mainly for his insight and his wisdom and he's someone who's been through what we're going through and we think that we're not that experienced in terms of how to grow a company long-term and he is. So, we just thought he'd be the perfect guy and we

also just match really well. His ideas are very much our ideas and we really like the guy. He's just a super-nice guy and the thing is that he has a lot of other investments. He has a lot of stuff. He's obviously CEO of a large corporation. He has a lot of other interests. So, he's not breathing down our necks which is something that we really like. He's not someone who has a short timeframe horizon to get out. He's not like a typical VC who might want to be on, three to five years. He wants us to grow this company over 20 years which is what we want to do. We want to build one of the great companies in the next 20 years. So, all those things kind of align for us and just made sense for us to work with Jeff and so, so far, we've been really happy with it.

**Adrian Bye:** So, did you actually need the money or did you not need the money at all?



**Jason Fried:** No, we didn't need the money. Again, it was a cash deal but it wasn't necessary to run the business. It was just again, mostly for the wisdom and experience in having exposure to someone of Jeff's calibre which is something very few entrepreneurs ever get so for us, it was just kind of a sweet deal in that way.

**Adrian Bye:** The quote I read about him that I like is after the IPO a few years ago. Someone asked him like, what's changed and he said, "Well, nothing, really. Everything's basically the same. The only difference is I just never look at the price of food on menus at restaurants anymore – on the menu."

**Jason Fried:** That does seem to be who Jeff is. He is really down-to-earth and really authentic and you wouldn't know if you ran into him that he's worth \$8 billion or whatever it might be these days. So, he's really a super-guy and that was very important for us because we just don't like the whole kind of typical West Coast VC scene. Jeff's just a down-to-earth guy. We really liked him so everything just worked out well and hopefully, it'll continue to work out. Who's to say what'll happen in the future but I think all of our goals are pretty well aligned and things have gone well so far.

**Adrian Bye:** What kind of access do you have for him? Could you get a hold of him in two hours if you needed to or do you have to plan a week in advance?

**Jason Fried:** Well, let's see. We can e-mail him if we want. He obviously gets a ton of e-mails so he's not going to respond in two hours. But, we know his people, so to speak or his business manager

and his investment manager. If usually we need to get in touch with Jeff, we get in touch with them first and they hook us up with Jeff if necessary. Otherwise, they can answer the questions for us usually.

So, there's very rarely an urgent need to talk to him. In fact, there hasn't been yet.

So if we need to weed a wake...wait a week or a month or three months, it's no big deal. But, he has some very capable people around him so it's not just Jeff that we have access to. It's some of the folks around him who are incredibly talented and skilled, and some very nice and insightful people, too. So, there's lots of advice to go around if we need it.

**Adrian Bye:** So, is it more the direct advice from him that you care about or is it the brand. I mean, you're already a good brand. Does that help more from that perspective?

**Jason Fried:** Ultimately, it is his advice when we need it. Again, it's not something we really need now. He's given us some really good advice so far but we haven't really reached that flashpoint where we absolutely needed advice from Jeff Bezos to do something. We haven't run into that. I don't know if we ever will but it's nice to know that someone like that is around. But he has given us some great advice and he's given us a lot of confidence.

His best advice for us so far has been, do what you think is right, and goes, I believe in you guys that's why I'm part of this thing – if you think you want to do something, I'm probably going to tell you to do it also because I think that you guys are pretty sharp and you know what you're doing, and that's why I'm here.

So, just a bit of confidence in that way and down the road, I'm sure as we grow the company that we'll have some more advice perhaps on hiring key people or key marketing decisions or whatever. I don't know what they're going to be down the road but he's certainly available to us.

But also, the people around him are very sharp and they offer us good advice as well when we need it.

**Adrian Bye:** Yes, that's great.

So, I ask a lot of questions about this. I actually had an interview similarly on this topic about two months ago with PV Kanan from 24/7 Customer. Have you ever heard of that company?

**Jason Fried:** I have not, actually.

**Adrian Bye:** They do call centre stuff.

**Jason Fried:** Okay.

**Adrian Bye:** He has about 6,000 seats around the world and they do call centre stuff for companies like Overstock. He was actually in a very similar position. I think they actually did need the money a bit but not too much. But, they ended up taking funding from Michael Moritz...

**Jason Fried:** Okay.

**Adrian Bye:** ...and the conversation I had with him was somewhat similar to the one you and I've just had.

**Jason Fried:** Yes, I think it's nice to be in the position where you don't necessarily need money which is our situation. But for those who do, I would advise everybody to weigh their options carefully because once you start going down that road, I don't know many people who take just one round of VC money. They always take one round and they go back for another round. They go back for another round and before you know it, you have sort of lost control. So, I would encourage every small business owner to bootstrap what you've got and to do the best you can on your own and hopefully, you never have to take anything at all. But if you do, be very careful about what you do.

**Adrian Bye:** Yes. Often in the direct response space, our guys don't need to take cash often. Their cash flow is positive right from the start.

**Jason Fried:** Yes, yes.

**Adrian Bye:** Not always so that's go advice.

**Jason Fried:** Yes, yes. Of course, every situation depends.

**Adrian Bye:** Yes. I've got a bunch of questions here for you.

**Jason Fried:** Sure.

**Adrian Bye:** What I'm really interested to know about – so, you have 10 guys. Now obviously, you only want to work with the smartest and the best. I mean, you're working with the guy who invented Ruby on Rails. What about the other guys on your team if they are the best guys. Are they all there in Chicago, hanging out in your apartment or do you find guys all around the US? How do you find guys? Do you work with guys in the Ukraine or wherever? Can you tell us a little bit about how your team works?

**Jason Fried:** Sure. So, we currently have 10 but just three years ago, we pretty much had five people. So, we've doubled in size.

We're still awfully small. We have five people in Chicago and then, five people in five other cities around the US. Actually, we have someone in Canada now, too. So, we're actually a very distributed team and we believe in the power of distribution in fact, so much so that when we're in Chicago, we rarely see each other. So, the five people who live in Chicago almost never see each other. Maybe once every two weeks, we all see each other. So, a lot of us work from home.

We do have an office. Anyone's free to go to the office if they wish but most of us work from home kind of on our own hours, whenever we feel like we're being productive and whenever we feel like we need to get the work done.

The other thing we do is on Fridays, we don't work. So, we have four-day workweeks which is something we instituted recently. Our feeling is that the same amount of work gets done in four days and it can really get done in five days mainly because there's a lot of wasted time in an all-week. So, we prefer everybody to be much happier. We think happier people do better work and so, everyone gets a three-day weekend at 37signals.

Out of the 10 people, we pretty much have seven programmers...six programmers actually, a couple of designers, a customer-service person, and some people who kind of move between the two roles of designer and programmer, and a writer. A lot of our people have multiple skills, basically. So, we don't for example, have just someone who's a designer. Like, our main designer also knows Ruby, also knows Rails. The guy who does a lot of our writing is also a designer. I design and I also do the business stuff. So, we have a lot of cross-disciplinary people and that works out really well for us which is one of the reasons why we can get a lot of sit-down with just 10 people.



But as far as the kind of people and how we find them – if they're programmers, we find them in the open-source world. We think the open-source world is just kind of a best-view...

**Adrian By:** Open source or free software? It'll favour someone to come after you.

**Jason Fried:** So, a great way to find great programmers is to look to the open-source world because you can see what people have been doing for years.

Normally, someone sends you a resume and I never read resumes. I think they're all BS. Almost all of them are completely BS and you don't even know what someone's really done at a company. You can't actually look at their real work because often times, it's proprietary and behind closed doors.

In the open-source world, you can review people's code. You can see people's documentation. You can see how they've worked with other people remotely around the world and in the open-source world, it's so distributed. So if people can get stuff done in the open-source world, they can certainly, certainly get stuff done with our small team and lastly, people who work in open source are people who love programming. They love the craft of programming because they kind of do it free and they do it on their own free time.

So, those are the kind of people we look for when we're hiring programmers.

As far as designers, we look for people who've designed stuff on their own that we're really proud of, that we really like and also, people who come at design from just a different point of view.

We don't hire people who went to art school. Not that we wouldn't but we're mostly interested in people who design stuff for real people and not for their peers. I think a lot of people who went to art school design a lot of things for their peers. They're interested in winning awards and things like that. We don't care about that stuff.

We care about people who understand what other people need to get done and those are the kind of designers we like to hire.

**Adrian Bye:** ...and so, that makes a big difference. What a lot of guys are just focused on – making cool stuff for their friends and that affects the quality of their work, does it?

**Jason Fried:** Yes and there's nothing wrong with that at all. If you want to do that, that's totally fine but that's not really what we're about. So, we're much more about building things that small-business owners can use, can understand quickly and get a lot of stuff done. It's not about bells and whistles. It's about actually getting stuff done and we've just found that the kind of people that we like to hire are people who are interested in that as well.

We're also trying to hire people who we consider to be managers of one basically meaning, they don't need to be managed. They can take care of themselves. It's important because since most of our workers are remote, they need to be self-motivated and they need to be organised and they need to get stuff done on their own without even asking a lot of questions of us.

So, those are the kind of folks we're looking for.

We also don't care about where you went to school or even if you went to school.

I think about half of the people at 37 signals never graduated from college and entirely fine with us.

It's more about the work you get done, not where you went to school and what your homework was.

**Adrian Bye:** So, you're not looking at a 4.0 GPA from MIT?

**Jason Fried:** I don't care. If you have one, that's great but I don't care. I'm not at all interested in that.

**Adrian Bye:** Interesting. Alright, I want to challenge you a little bit on the distributive work thing.

**Jason Fried:** Sure.

**Adrian Bye:** Actually, do you know where I'm calling you from?

**Jason Fried:** The Caribbean, I think, right?

**Adrian Bye:** Yes, yes.

**Jason Fried:** Lucky you.

**Adrian Bye:** Any idea which part of the Caribbean?

**Jason Fried:** The warm parts.

**Adrian Bye:** The warm parts. How do you know all of that?

**Jason Fried:** The sunny parts. I don't know.

**Adrian Bye:** I've got the airconditioning running. It's hot here.

**Jason Fried:** Okay.

**Adrian Bye:** We just had a barbecue lunch. I'm in the Dominican Republic.

**Jason Fried:** Okay.

**Adrian Bye:** I used to be out in California. I worked at Oracle. I've done all that stuff and like you, I found it wasn't for me as so I moved to the Caribbean, and I've really closely watched and seen which teams really succeed and which one don't, and I've become a really strong believer that you need to have a core group of people in one place.

If you look at traditional software development, Oracle has its headquarters in Redwood City – Redwood Shores and that's where all of their development's done. It may have changed over time. I mean, I haven't been with the company for a long time but they may be changing that.

But, Microsoft is another one. All of their core development is done in Washington.

**Jason Fried:** Yes.

**Adrian Bye:** I think that's an important trend when you look at those sorts of companies with those kinds of sizes. My feeling is by comparison in the free-software world, it does work and I've talked to some of the guys on the Linux Coronal distribution list. They make it work and I said, "Well, do you guys meet at seminars? Do you talk together by phone?" – any of that stuff and they're like, "Dude, we don't know anybody. We submit our patches and that's it." So, I think in that environment, it works.

But, I'm sceptical it works well in a commercial environment.

The biggest I know is one guy who's running a team of 80 people all around the United States and he got that working. But, my feeling is he could be five times more productive if he had everybody in one place.

I agree with the happiness thing so if you can get people and keep them happy in one place, surely that's got to be more effective. What's your thoughts on that?

**Jason Fried:** My take is that I kind of disagree with that fundamentally because I think that first of all, Microsoft, Oracle – they've certainly proven that most companies have everybody in-house. But, we're not Microsoft. We're not Oracle. We don't want to build this company like that. We don't want to build products like they build. We have a completely different approach to these things.

But, my feeling is that the closer people are physically, the more opportunity there is to interrupt one another. Interruption is the biggest enemy of productivity that there is so there is nothing worse for getting things done than having someone call your name from across the room, having someone tap you on the shoulder, having someone pull you into a meeting. All it does is it sorts of fragment your day into smaller and smaller and smaller chunks. Before you know it, you might have 45 minutes free a day just to get something done or you might have a 15-minute block and you have a one-hour meeting. Then, you have a 60-minute block and you have another hour meeting. Then, you have a 15-minute block if someone bothered you and you just can't get stuff done that way and if you ask people when they're most productive, they'll tell you, either early in the morning or late at night and that's because no one's around.

So, my feeling is that when you keep people apart, you reduce interruptions and you give people uninterrupted stretches of time so someone might be able to work on something for three hours straight which you can almost never do in a traditional environment if there was always someone there to knock on your door, there's always someone to pull you into a meeting – there's always someone to bother you in some way.

Not maliciously. They don't intend to bother you but they are bothering you and they are interrupting you.

So, our experience is then, the further away we are from each other, the less interruptions which leads to significantly more productivity. So, that's been our experience.

Other people may have different experiences but I think you're going to see more and more people come around into that way of thinking after they try it. So once you try it, you realise that wow, you know what, things are getting done.

It's so nice to have three hours of uninterrupted time which I can never have in an office.

So again, Microsoft, Oracle – most companies in stats. Whatever works for them is great but we're not really looking to do what works for other people. We're looking to do what works for us.

**Adrian Bye:** Sure.

How do you know you guys are getting stuff done? I guess, you're tracking it all on Basecamp. We can certainly talk about that. I mean, have you brought anyone onboard and you had to let them go because they weren't productive?

**Jason Fried:** We had one person. We've had to let one person go because it wasn't necessarily they weren't productive. It was mostly just because our motivations were a little bit different and we let him go but we're still best friends. We actually helped him find another job and we talk to him often. It just wasn't a good fit.

But, the way you know things are getting done is by looking at the products and we don't do things that take three months or six months or nine months. We do things that take a week. So, we keep our relief cycles really small. We keep our features really simple and so, there's no hiding behind the three-month deadline. If you haven't committed anything this week then we know things aren't getting done. So, that's pretty much how we keep an eye on that stuff and we also use Basecamp and other products to communicate all the time and to find out what's going on. But for the most part, you just know it's getting done because you have an eye on what's getting done and you use the things that are being built. So, I think short timeframes, small deliverables, small decisions – all those things help people get things done and help everyone know that things are getting done because first of all, there's nothing worse than working on a long, long, long project and second of all, you really can't get a handle on how much stuff's getting done if something's going to be due in nine months. But if something's due Thursday and today is Monday, you know if something got done or not. So, that's the kind of strategy that we employ.

**Adrian Bye:** One other counterpoint and then, we need to move on...

**Jason Fried:** Sure.

**Adrian Bye:** Are you familiar with the concept of a CPA network?

**Jason Fried:** No, I'm not.

**Adrian Bye:** It's a traffic network. They drive sales on a Cost Per Acquisition basis. Sometimes, it's an affiliate network.

**Jason Fried:** Okay.

**Adrian Bye:** So, let's say you know your average customer stays for one year. They pay \$20 a month. You might say that I am sending customers. I'll pay \$40 a customer and you go out and get me all the customers you can get and then, I'll go out and drive a lot of traffic for you.

**Jason Fried:** Sure, yes.

**Adrian Bye:** The really efficient ones are CPA networks and they just specialise in it. They're effectively sales teams.

**Jason Fried:** Okay.

**Adrian Bye:** The guys are just calling publishers all day long which are guys with traffic and getting sales for people like you.

**Jason Fried:** Okay.

**Adrian Bye:** So, one of them is named Hydromedia out in Los Angeles and they started out in the LA area, all working out of their homes all around LA and they're all commission-based, too when making these sales, and I was talking with one of the affiliate managers there about her time there and she was telling me how when they were working out of home that they were doing okay and then, from one month to the next when they moved into one centralised office where they're all working in one location, their commissions doubled because they just became so much more efficient.

**Jason Fried:** Sure, yes. I mean, that's sales. It's not software development. So, I think they're different things. I think it's kind of comparing apples and oranges and again, I'm not saying that the software companies can't make working together work as most do but I think that there's a new paradigm that's being unveiled right now which is basically, productivity comes from actually having uninterrupted stretches of time which you generally don't have together. If you're in the sales business – completely different scenario but if you're in software development, we found that staying away from one another is the best way to get work done.

We originally found that out by accident because David, my partner in the business – he's from Denmark and so, we worked together. He was in Denmark, I was in Chicago and we worked together for about three years that way, and we got a ton of stuff done and then, we're like, "Hey, David, you should move to Chicago. We'll get you a visa. We can be in the same office. We can collaborate and shoot ideas off one another and things like that." So, we got him a visa. He lives in Chicago. We started working together at the office and we realised that we weren't hardly getting any stuff done anymore because it was so easy just to interrupt one another. "Hey, David, check this out," "Hey, Jason, check this out," and we just started talking and BS-ing all day and not getting stuff done as much and so, we realised that and so then, we started splitting up again where David works at home, I might work at the office or vice-versa and we got more stuff done again and so, that's the system that works for us.

Again, I'm not suggesting it can work for everybody but I think people should take a closer look at it. Again, not in every industry – sales might be completely different but as far as software development goes, we found that it's really effective.

**Adrian Bye:** That's absolutely fascinating and so, how much time do you get together in a given month?

**Jason Fried:** Not very often. So, what we've actually been doing recently is having a catered lunch on Thursdays so everyone is kind of encouraged to come to the office for free lunch on Thursdays so we get to see everybody. But as far as working together – we almost never all work together in the same place. We use our product Campfire which is a real-time group chat tool to kind of be our virtual office. So, everybody is in Campfire all day long. Campfire is based a lot on instant messaging but for groups. Instant messaging is great for one-on-one but groups, it's not very good so Campfire is our persistent chatroom where anyone of 37signals can login and ask anyone else any other question. You can collaborate on stuff – “Here, check this out,” “Here, what do you think about this?” but it passes in that if I don't want to pay attention to it, I can hide it. I can put it away and I can come back to it a few hours unlike being in a physical space where I can't ignore someone knocking on my door, I can't ignore someone calling my name, I can't ignore someone saying, “You need to come to this meeting.” So, we are all...

**Adrian Bye:** Before you go on, could you tell me a little bit more about that. So, it's like an Instant Messenger and I looked at it. It shares not only text and images and all that sort of stuff.

**Jason Fried:** Yes.

**Adrian Bye:** So basically if you want to interact with the team, they're there in a window and they're all doing their stuff and saying, “Hey, Jason, what about (this)...and (that)...and (whatever)...” and if you say, “Okay, I've got to get some coding done for the next three hours,” you just minimise that window and then, come back and then, review it all later. Is that how it works?

**Jason Fried:** That's exactly right and there's a transcript of everything that was said so you can scroll back to see conversations you've missed and it's persistent so you can login at any time and jump back in time unlike instant messaging where if you close your window and two people are having a conversation, you can't see what they were saying before. So, it's a transcript. It's all logged. You can share files and real-time images and real-time code in real time, in fact, and just chat in real time.

But yes, many times, what happens is people are working and they said, “Hey, you know what?” they'll say in Campfire, “I'm going to close Campfire for awhile. I need to get some stuff down,” and that's what happens and of course if there's an emergency or something and someone really needs to get in touch with someone right now, that can happen, too. But, it's pretty rare like there's true emergencies.

**Adrian Bye:** Very interesting.

Well, I'm going to have to find out inside-out.

Okay, why don't you tell us about Basecamp. I mean, that's I guess, the foundation of your work. Why don't you tell us how that works for you?

**Jason Fried:** Sure. So, Basecamp is a project-management tool or actually, it's really called a project-collaboration tool. It's more about collaboration than it is about management because we found that most project managements were kind of focusing on the wrong thing. They were focusing on the management part of it, not the collaboration part of it. They were focusing on control and not communication. They were focusing on one-way broadcasting project plan, not two-way, back and forth collaboration in communication.

So, Basecamp is very simple. It has a few key tools – a message board where people can discuss things just like e-mail but instead of e-mail, it's all centralised in one place so you don't have to shoot e-mails back and forth which gets really messy really quickly, you can upload and share files, there're to-do lists so you can figure out what needs to get done and who's responsible for doing it and then, there are milestones which is like, this is due on this date, here's who's responsible for finishing that. So, it's about simple scheduling, simple to-do list, simple message board and simple file-sharing and there's some other stuff it does, too but fundamentally, that is the core of Basecamp and you can do almost any sort of project in Basecamp because of that. It's not tailored to one industry. It's not tailored to one technology. It's just simple things that every project needs to get things done.

So, there isn't any project on the planet that couldn't use a simple to-do list. It's exactly what needs to get done and there isn't a project on the planet that couldn't use simple scheduling or simple message board or simple file-sharing.

So, Basecamp is used by so many industries from design to publishing to teaching. A lot of lawyers and accountants use it so professional services. Manufacturers use it. It's just surprising how many different types of people use it and how many different industries are using it when initially, it was just built for us to manage our web-design project.

**Adrian Bye:** So actually, would that be a continuing theme through all of your stuff which is you eat your own dog food.

**Jason Fried:** Yes. In fact, that is everything about us. So, every product we build, we build for ourselves first. So everything we need, we build and we say, "Hey, look, we're not special or unique. We're a small company, there are millions of small companies just like us and if we need it, if we have these problems, it's probably pretty likely that other people need it and other people have these problems."

So for example, Highrise which is our latest product which is a simple contact manager and a sort of CRM customer-relationship management tool or something it could be because we were talking to the press a lot, we were talking to potential partners a lot and we needed a way to keep track of that – those conversations. Who talked to whom? What was said? What did they say? What needs to happen next? Where's that contract for that one person? All these things and we're keeping track of

these conversations either not at all or on posted notes or pieces of paper, or in our e-mail drafts, folder or wherever it was and there was nothing centralised. Who talked to whom? I don't know who David talked to last week and if David needed to talk to somebody I talked to last week, there's no way for him to know what conversation I had with this person so that's why we built Highrise and now, Highrise is used by tens of thousands of people to keep track of all sorts of conversations they have in their business – what vendors and leads and employees and suppliers and whoever it might be. Who talked to whom, what was said and what needs to get done?

So yes, we eat our dog food all day long and we wouldn't build something that we didn't use.

On the first product, there're some features that we don't necessarily use in our products but fundamentally, everything we build, we build ourselves first and then, turn it to a product for other people.

**Adrian Bye:** Alright. Well, let me ask the big user question which I'm sure you guys are acutely aware of. Is the contact management and Highrise going to merge with functionality in Basecamp?

**Jason Fried:** Well, it's not going to merge. There might be some integrations down the road but the products are not going to merge. Just like Microsoft Word is not part of Excel but they kind of talk together or can sort of be used together and Adobe Illustrator is not Adobe Photoshop but they can sort of talk to one another – that's probably where things are going to go down the road but we do not believe in the big, huge kitchen-sink product. I think that's what's wrong with many softwares. They try to do too many things.

So, there's plenty of people out there using the kind...

**Adrian Bye:** When are they going to talk together so that you can actually work with the contacts across each?

**Jason Fried:** I don't know. We don't have a product roadmap so we don't know when that's going to happen but it will happen when we get around to it, fundamentally, I guess is the right answer. I mean currently, you can import your Basecamp contacts into Highrise. You can't go the other way right now but you can at least do that. So if you've been using Basecamp for a few years and you have hundreds of contacts in Basecamp, you can pull them right into Highrise with just a couple of clicks. So, that does exist and we also have single sign on for all of our products already so if you login to Basecamp, you're automatically logged into Backpack and even if you have multiple Basecamp projects or accounts, you're logged into all of them by just logging into one of them.

So, integration is coming slowly by surely. We just want to get it right. We don't just want to do it. We want to make sure it's done right so we're thinking carefully about how to really make it valuable because a lot of ways...

**Adrian Bye:** How do you prioritise speeches? I know because I've been investigating this area myself. There's a lot of people who want that. Do you scratch your itches first? Do you look at where the most screaming is coming from your customer? How do you figure that out?

**Jason Fried:** Well initially, we scratch our own itch because we build the products for ourselves but once people are using them, we get tons of feedback from people – thousands and thousands of pieces of feedback a month on what people want. It comes in the form of e-mails. We have a forum – message forum so people can post.

We hear from a lot of people in all different ways and basically, we are paying attention to what they want, what we want, what's in the right spirit of the product.

For example, I wrote about this recently that we'd like to think of ourselves as chefs, fundamentally and we're cooking up software. So if you go to a restaurant and you don't really request how the chef should cook. You go there because you like the chef's cooking. Now if the chef is putting too much salt in his food or his food's too spicy and enough people tell him that, he might adjust the salt and might adjust the heat. But if someone comes up to him and says, "Hey, you need to put bananas in the lasagne because that's how I like my lasagne," he's probably not going to do that. He's not going to make a few people happy in spite of every body else.

So, we have to be careful about the touch of things we add to our product. Even if a lot of people want something, it may not make sense in the product, it may not fit the spirit of the product so we kind of have to be gatekeepers in that we have to be editors. Just like editors have to trim down a writer's copy, we have to trim down the features, we have to trim down the feature requests to make sure that they actually make sense. So, it's a delicate balancing act between what people want, what we want, what the product wants and then of course, what the product doesn't want. So, there's no real science behind it. It's just a matter of feeling.

If you hear a lot of requests for something like for example this week, we're going to launch a feature that's been private – one of the top requests in Basecamp for the past few years which is the ability to respond to the message via e-mail. Currently, you have to login to Basecamp to post a comment on a message but you'll be able to now, just e-mail the comment in.

So, that's something that's been requested for such a long time but we wanted to think about how best to do it and the implications of it.

So, we take our time to make sure that we do it right. It's really easy to get something wrong – really easy to get something wrong and much harder to get something right.

So, we were careful about that and we're constantly improving our products one little piece at a time and some of the improvements are very subtle but we think that those are often really important improvements. Improving speed of something so we can make something 25% faster – that's a much more valuable feature than a brand-new feature. Speed is like the number one feature so there's lots of things going on. We can improve the copy on the instructional text. There's a label of the field – little tiny things like that we think make a big difference. So, we're always looking at little things like that as well.

**Adrian Bye:** I was experimenting with Highrise and found that with tags, I couldn't rename tags as a group. So, there's an example of a little thing that I noticed.

**Jason Fried:** You can.

**Adrian Bye:** Is that the sort of thing that will come?

**Jason Fried:** If you rename a tag, it changes the tag for all of the...

**Adrian Bye:** For instance if I had 10 things that I wanted to attach a tag to, I had to go and do those once at one.

**Jason Fried:** Yes, both tagging. Sure. That is something we were considering adding next. We don't really comment on future features specifically but that's something we're definitely considering.

We recently added bulk delete so now that we have bulk delete, we have some UI controls for bulk stuff. So, tagging is probably something we're going to consider down the road.

**Adrian Bye:** Right. How do you acquire customers?

**Jason Fried:** Almost all – word of mouth so we don't really do any marketing or any advertising. We probably spent less than \$25,000 in four years on marketing and advertising so it's mostly through our...

**Adrian Bye:** Well, that's probably almost like about \$1 a month or something, isn't it?

**Jason Fried:** It could be. Yes, I guess so.

It's basically, we share a lot about what we do so our marketing is just talking about what we do, what we believe and sharing. We're big believers in sharing.

Again coming back to this idea of being a chef, a famous chef that you're aware of – people like Mario Batali and Emeril Lagasse and Jamie Oliver and these folks, you know their names because they're on TV, sharing their secrets. They've written cookbooks. They're sharing their recipes like they're sharing what they know and so, we do that. We wrote a book called *Getting Real* which is all about exactly how we do things – exactly how we design things and come up with features – feature stuff.

**Adrian Bye:** You have a book on this stuff? Do you have a book on how you run your team and all that sort of stuff?

**Jason Fried:** Yes, it's called *Getting Real*. So if you go to [gettingreal.37signals.com](http://gettingreal.37signals.com), you can read it. It's 190 pages. It's all about everything that we do and how we do it and so, we put that out there.

You can buy it as a PDF, you can buy it as a paperback or you can read it free online. We blog about the things we do, the mistakes we've made, the ideas we have all of the time.

So by sharing, you become an authority and people start paying attention to you and you start to reach people that you normally wouldn't be able to reach through traditional like, sales channels where people are just being sold to. We're actually teaching people and sharing and so, that's how we've done it and I mean currently, about 85,000 people a day read our blog so they're a pretty big audience there.

We just did a survey with Basecamp – customer-satisfaction survey and 94% of the people recommended to a friend or colleague, 96% would recommend Backpack. So, we have a lot of people talking about our products to the point of recommending them.

**Adrian Bye:** That's actually almost too high. Like when your customer satisfaction is that high, you're probably not charging enough.

**Jason Fried:** Maybe. I don't know but people like what we do and not everybody, of course. A lot of people don't like what we do and we're happy about that, too because they in turn, generate a lot of publicity for us, too.

But you know, most of the tools come out, and our products are collaborative in nature so people don't use them independently. They use them with 5 people, 10 people, 20 people and those 20 know 20 other people.

**Adrian Bye:** There is that built into them.

**Jason Fried:** Yes. So, that's kind of how that works and we've been really fortunate we've gotten a lot...

**Adrian Bye:** Do you believe it's something...

**Jason Fried:** Go ahead.

**Adrian Bye:** So, you're using public relations. We just hadn't had that much time. After using public relations, are you interested in using other methods for acquiring customers or is your focus going to stay on public relations?

**Jason Fried:** No, absolutely. We are interested in other methods.

So up until now, we've been completely word-of-mouth driven. We don't have a PR firm. We do all that stuff ourselves and we don't actually even do it. We just be ourselves and the press is interested in what we have to do and sort of write stories about us.

But, we are very interested. Probably this year and looking into more traditional sales channels and customer acquisition models just to kind of reach a whole new audience that we won't be able to reach just through word of mouth.

So, that's something that we're looking into this year.

**Adrian Bye:** Have you heard of the service called iContact – the mail service?

**Jason Fried:** You know, that does sound familiar. I'm not sure if it's that one or another one but I think that is familiar, yes.

**Adrian Bye:** The CEO is one of my interviews. I actually use it for my list. They do e-mail and they do a good job. They get their mail through which is why I work with them and he's actually become a client.

**Jason Fried:** Okay.

**Adrian Bye:** So, are you doing stuff with, where you go and talk to a guy like him that also works with small business audiences in doing cross-promotion?

**Jason Fried:** We'd like to, yes. We haven't done anything like that yet. But, we've just been focused pretty much in getting our products to the point they're at now and this year and moving forward. We definitely want to look at a variety of different opportunities for us to get out there and get in front of people who don't know about us.

Obviously, most people don't know about us so it's a huge opportunity for us right now and the fact that we've been able to build this business to where we built it without really advertising at all shows us that once we probably get out there and get a little bit of advertising – get a little exposure, reach people we haven't reached before, we can really kind of catapult this thing so we're excited about that.

**Adrian Bye:** Let me ask you the big number and tell me if I'm out-of-line. What's your typical customer retention?

**Jason Fried:** We generally don't share that sort of thing. We might share with a partner in total confidentiality but we wouldn't share that sort of information publicly.

**Adrian Bye:** ...because if you tell my guys and say, "Well, it averages like 24 months," or "Our average retention is like – they don't ever quit," these guys would be like, "My God," because the typical for an aggressive direct-response campaign or even a normal direct-response campaign like Tiger Gazine or something like that – a lot of those things... Actually, a magazine is not a good example. But for a lot of continuity programs, it's typical three to five months.

**Jason Fried:** Okay, I can play that we're above that but that's all I can say.

So, we're very happy with our retention. We're very happy with our conversion rates. Our numbers are very positive.

So, I think we have a formula. We just need to kind of expand that and get that out there in front of a lot more people.

**Adrian Bye:** Right.

So, you're in front of my group of about 450 guys and doing all kinds of different internet stuff. Anything in particular you want to tell them? I mean, you're interested in guys that you can do what we call a joint venture with like iContact so it's small-business customers. What are the things that you want them to know about or you want to share with them?

**Jason Fried:** Well, I think you know we're definitely interested in talking to people who have exposure to small businesses and when I mean small businesses, I really mean like truly small businesses – ten people or less, five people or less. A lot of our customers actually are individual freelancers. I think that, that market is so underserved – the idea of the independent contractor, the freelancer, the side-business person – the person who has a job from 9:00 to 5:00, comes home and works three hours at night on their own little side project. Those people are analysts. That market is huge and I don't think the software industry really goes after them.

When I hear about like you mention, companies like Oracle and Microsoft and Salesforce.com and a variety of other companies like that when they talk about small businesses, they're talking about companies with 100 people. Our customers are ten or less people, five or less people. We call that group kind of the Fortune 5 Million is kind of what we like to call them.

So anyone who has access to those sorts of folks, I think we'd love to talk to them and the other thing that we like is that the people who buy our products are the people who use our products which is not the same as it is in the enterprise software world which is you have a buyer who buys something and the users are completely different which is why most enterprise software is terrible. It's because the people who buy it aren't the people who use it. So, the people who buy it don't know how bad it is. They're just being sold on features and being sold by salespeople. They don't really care if it's hard to use. That's not their job. They don't use the software. So, our market – the people who buy it are the people who use it so there's a really close connection between value, usability, solving problems and affordability – all those things. So, anyone who has access to those sorts of folks, I think are definitely people that we'd love to talk to.

**Adrian Bye:** Have you thought about a particular revenue model like do you have a payout for a customer acquired or a revenue share that you do for sales that are made for you?

**Jason Fried:** Yes. So, we do that on a custom-basis. We currently have an affiliate program that's only for existing customers but we're going to expand that shortly. Basically, the way it's going to work is this and this is not official yet so it could change. It's TBD in some ways but the way we do it is this.

So, our products have recurring monthly revenue so people might pay \$49 a month for example to use Basecamp. If someone can send us a customer who signs up like through a refer code or something like that, we would pay the person who referred them to us half of the first month. So if someone's paying \$49, they'd basically get \$25 and we're also considering doing a 5% recurrent revenue string field for the life of that customer. So if that customer stays around for a year, you get 5% of the revenue generated over a year.

**Adrian Bye:** We're running out of time and so, we're going to have to wrap it up but let me just give you a little pointer on that to get guys really interested.

**Jason Fried:** Sure.

**Adrian Bye:** You would actually want to be considering like a 50% lifetime revenue share. If you did something like that, that's when you'd start getting a ton of people driving a lot of customers.

**Jason Fried:** Okay. Well, we're open to a variety of things, you know. We don't really know so much about what works, what doesn't yet so we'd love to talk to people about that. But, we're certainly open. I mean, we want to generate a lot more business and get a lot more customers so whatever works, certainly we'll entail to entertain that.

**Adrian Bye:** Cool. Anything you want to add in closing?

**Jason Fried:** No. I mean, check us out. If you have something that you think would be beneficial for us, we'd love to talk to you.

**Adrian Bye:** Awesome! Jason, thanks very much for your time.

**Jason Fried:** Hey, thank you very much. I really had a good time. Thanks.