Interview with Chris Dixon from Hunch

Adrian Bye: So today, I'm with Chris Dixon who I find it kind of funny. He's called the new Fred Wilson. Fred Wilson is the top VC in New York City and Chris has been writing some really good blog posts on investing and how stuff work which is where I've been following him. Chris is the co-founder of hunch.com and I've just walked into his office and met Caterina Fake who's the co-founder of Flickr and also Hunch. It's pretty cool to be here.

So, Chris, thanks for taking time for the interview.

Chris Dixon: Yes, thanks for being here.

Adrian Bye: Tell us a little bit about yourself.

Chris Dixon: Just very briefly, my background, originally I grew up in Ohio, and I moved to New York to go to college. I've been in New York for about 15 years now, I'm sort of one of those people who came to New York and immediately fell in love with it, just the vibrancy and all this sort of interesting things happening in the city. I was a computer programmer. To support myself for a number of years, I worked at a high-tech hedge fund right after college. I worked for a couple of years in venture capital at a firm called Bessemer Venture Partners which is kind of one of the big, old VC firms.

Adrian Bye: The big, old offices?

Chris Dixon: Well, not. I mean not. It's sort of a classic billion-dollar, early-stage venture fund. They've been around for a long time. They have offices in New York. They used to have an office in Boston. I think basically they have a small office in Boston and one out in Menlo Park.

So I worked there for about two years which gave me, I think, kind of an interesting perspective having seen the VC world from the inside. I'd left there to start a company which was around 2004, when, if you remember the section pre-Firefox, sort of spyware and phishing were at their peak, sort of when you were on the web you were going to Internet Explorer, ActiveX popups were popping up, spyware was everywhere, etc. The idea was that to start a company that tried to solve these problems by creating a reputation system for the web so basically saying, "These are the good websites and these are the bad websites," the idea was the existing security companies like McAfee and Semantic were very focused on kind of solving what are known as sort of technical threats as opposed to social engineering threats. So, they're focused on problems where the

browser is malfunctioning or being broken in two, etc and the idea was kind of that really a lot of regular internet users' problems were that they just didn't know whether they were dealing with a reputable website.

Adrian Bye: …and you sold that business, right?

Chris Dixon: That's right, we were acquired by McAfee.

Adrian Bye: How was that sale?

Chris Dixon: It was financially a very positive outcome. We raised money from VCs and they did very well. It was like approximately 10 times their money so that's what they kind of looked for in investments.

Adrian Bye: …and you didn't go and retire in a beach somewhere?

Chris Dixon: No, no.

So I had a 15-month lockup at McAfee, meaning I did work there and it was sort of strange because they really didn't want me to do much. I was the Co-Founder - CEO. They wanted my technical team. They wanted those guys to do work but for some reason they didn't really want me to do work but they wanted me to hang around. So, I did a little bit of work for them. I tried to do work for them. They also had three CEOs while I was there. They were part of the options. So while I was there, one of the things I got interested in doing was kind of helping out my friends with their startups and also investing in their startups so basically angel investing.

Adrian Bye: So, you were angel investing while you were working.

Chris Dixon: …at McAfee.

Adrian Bye: So, this is in your downtime?

Chris Dixon: That's right. That's when I kind of got into it originally, and then I continued to do it and so I've invested in about 15 companies since then.

Adrian Bye: What kind of investments size?

Chris Dixon: I will sort of be part of seed rounds or I'll do some piece of seed round which let's say the average deal size, the total deal, meaning the syndicate will be between $300,000 and $800,000 type kind of thing.

Adrian Bye: So you'd put in $50,000, $100,000? That kind of thing?

Chris Dixon: In that range, yes. It depends on the deal and things like this. But all this would always partly out of… because I have limits on what I can invest, also partly because it's good to have a lot of other people. We always syndicate these things, so we always get like a big group of people, especially people that are like relevant to the industry. They help the startups in, right?

Adrian Bye: You do that because then they effectively have a team of guys helping them.

Chris Dixon: Yes, that's right. That's right and the guys found that it's much better to have, if it's a person, it's easier to get someone, let's say you're starting a security company, to get an experienced security person to invest as an angel rather than sort of bringing them on as an adviser because then they have kind of skinned the skin in the game, as they say, and so we try to do that. Some people don't have, obviously, the financial resources to do that in which case then you work something else, let's just say a professor or something like this. But you know, many times these successful business people will and so you sort of try to bring in interesting groups of people. So, I kind of put a bunch of these together also help people. I've been through this early stage on both sides of the table kind of as an entrepreneur and as a VC. So, we try to help people both raise that initial round but then also get the company in the stage where they can then raise a proper VC round. Right. So, we are really focusing on that stage and helping in that way, like not trying to micromanage the product or things like this.

Adrian Bye: Did you know a lot about finance before you started doing that?

Chris Dixon: Well, I knew finance in the abstract from I'd worked at hedge fund post-college and actually I tried to pretend that I didn't but I went to Harvard Business School so I have the MBA.

Adrian Bye: Alright, so you did.

Chris Dixon: So I know something of finance. Then I worked in VC for two years, then I've raised money as a startup and then I've invested in that 15 times or so. I'm actually going to talk about this for the first time in my blog Monday and I'd ask you if you wouldn't mind just holding off.

Adrian Bye: I could.

Chris Dixon: This is going to be in a few weeks. I know. I know that you wouldn't but just so you know…

Adrian Bye: We've got secret stuff here, guys.

Chris Dixon: On Monday, I was going to say that what's happened is that the people I've been co-investing with, we've decided to formalize what we've been doing and we started an actual seed fund which we started about three months ago and are going to start talking about it pretty soon.

Adrian Bye: So, that'll be out before this. That'll happen by the time people will read this.

Chris Dixon: That's right, that's right. It's sort of, I think, as part of this.

Adrian Bye: So immediately, this is a breaking news site. You've heard it here first.

Chris Dixon: It's really doing what we've already been doing which is, I think, true seed investing. The fund is $40 million which is by VC standard very small.

Adrian Bye: Yes.

Chris Dixon: That means that our sole focus is, at this very, very early stage, putting in "small amounts of money" like a couple of hundred thousand dollars. That's our actual business as opposed to something I blog about a lot which is big VCs who have $400 million fund, who may put $100,000 into a company. There's just almost no way that $100,000 is meaningful to them.

Adrian Bye: Right.

Chris Dixon: So what they're really doing is they're getting their foot in the door to kind of do the next round. What we're doing is actually investing and caring about that first round which I already logged on my blog and I think it's true. It's far better for the entrepreneur because our interests are aligned with their interests.

So for example we in particular want to get them a higher evaluation in the next round whereas a VC will put in the reserve money in the next round therefore actually doesn't want to see that happen.

So there're all sorts of weird incentives that happen when you have these giant funds. So basically if you read about this kind of stuff like the VC world, there's basically a couple of things that happen that have caused the VC industry to kind of be in a pretty bad situation. The first thing that happened is that what's called the Yale model which basically David Swensen who was the fund manager at Yale – it's like 20 years ago or something – pioneered the idea of putting a lot of the university endowments into highly-liquid securities namely venture capital, private equity, real estate – the so-called alternate investments. The idea was because a college endowment, they take sort of a 10-year horizon. They have "patient capital" and they had outstanding results. He's had like 20-something percent returns year over year. Harvard did that and then suddenly every other university copied it, pension funds copied it. So everyone decided in the '80s, '90s, they'd put 5%, 10% of their money into venture capital, right? What that means is you have things like CalPERS, say, which is unknown – 800 California Retirement Fund. It's like hundreds and billions of dollars. If they suddenly decide to have $75 billion to $50 billion, say 5% into a venture and then suddenly $50 billion you're going to get a venture, you just have this massive inflow. Combine also the dot-com bubble where people made a lot of money in venture, you have this massive influx, right? Tons of VC firms were created.

Meanwhile, you have this opposite trend which is it can cost less and less to start an internet company, right? So you have these very capital deficient internet companies. So you have this real mismatch between these billion dollar VC funds that are structured around the world where you need to build sort of heavy hardware and…

Adrian Bye: So you think the next generation of seed funds will be like…

Chris Dixon: I do. I don't think we're the first, by the way. I think we're following footsteps of people like

Adrian Bye: Paul Rand and those guys?

Chris Dixon: Yes, the pioneers, I think.

Adrian Bye: Techstars?

Chris Dixon: He's in Techstars, but I think he's also doing in a little lesser number but they're doing similar things – Mike Peeples of Maple's Investments in the West Coast. Ron Conway has this thing Baseline although he's sort of separate from it now. They're called Micro-VCs. Sometimes First Round Capital is sort of doing this although they've got bigger fund now. David Werks in New York is doing some interesting stuff.

So there's like a bunch of people having new models that they're sort of experimenting and everyone's sort of doing it a little bit differently but I think these are all part of a trend and we're, not copying but sort of, following on that trend with our own variation of it which is that we have a fund but it's also everyone involved in the funds are entrepreneurs. Even full-time like me, me I'm a full-time entrepreneur. I'm full-time

at Hunch but I'm part of the fund and I help the fund make decisions. Part of the theory behind that is that practicing entrepreneurs are better positioned many times to sort of understand and lead investments in areas they understand versus somebody whose, say, background is in banking or anything.

Adrian Bye: You know when I worked in Silicon Valley in the '90s and I worked at Oracle, I didn't like it. But one of the things I really felt was every time I came across VCs is that they were just these finance people who not only understand finance. So it's just these finance geeks that didn't understand the business but were like really arrogant towards everything.

Chris Dixon: Yes, that's just the problem. Yes, I think something happens when you walk in with $1 billion and you've gone to these fancy schools. Unfortunately, there's a lot of arrogance. As someone who's raised money, also failed to raise money many times, I think I've been on the other side of that.

Adrian Bye: You failed to raise money many times?

Chris Dixon: Yes, sure. When I started my first company, I had to go out and pitch 30 VCs before I managed. I mean I did raise money but 28 said, "No." You know what I mean. Yes, I've been rejected plenty of times. It becomes easier with time.

Adrian Bye: Was that first side of those or is that something else?

Chris Dixon: Yes, before that I tried some stuff. I had my marketing company before that but yes, otherwise. So, yes.

Adrian Bye: You're experienced to fall on your ass.

Chris Dixon: You know Caterina who's my cofounder here at Flickr, they were laughed out of every VC in Silicon Valley for a long time until suddenly the site took off. They were actually originally building a game, a mass, multiplayer online game.

Adrian Bye: Yes.

Chris Dixon: So, I think we all have and I think that makes us kind of understand the predicament of entrepreneurs. I think just sort of more respectful and also more humble. We don't know everything and sometimes this sort of sit there and listen.

Adrian Bye: Is this a fund that you run or other people are going to run or…

Chris Dixon: No. There're two friends of mine who're serial entrepreneurs, this is their new startup in a sense so they're going full-time. So ,I'm sort of involved as, I guess you can say, on the side or something.

For me, there are a lot of entrepreneurs who do angel investing like in Silicon Valley, for example. This is just sort of a new vehicle for doing that angel investing.

Adrian Bye: …and maybe you can help strengthen the startup community in New York City.

Chris Dixon: Yes, that's part of the whole. Yes, I think that one of the things we need here is I think we have Fred Wilson who's a great VC. I think BetaWorx is doing some pretty interesting stuff. There are rather good VCs in New York. There are some angels here. There are a few sort of tech angels. There's a lot of other sorts of money here like hedge funds. People who have inherited money, things like this. I think that's not particularly good.

Adrian Bye: I just want to ask you because you posted on Twitter you were at an event where you felt like there were people asking questions of startups, they just ask them and I found that comment kind of funny. I think I challenged you on Twitter. I'm failing to see. I said, "Maybe they're learning," or something like that. I think I read on your blog. What was going on because that was a great exchange?

Chris Dixon: These were a bunch of TechStars type people. Literally I think it was TechStars and some companies that were based in New York, giving an event. This is one of the unfortunate things that happens in New York is that whenever you have this sort of angel events, there're sort of a few people that are like genuine tech people or investors but there're also just like a bunch of people who I don't know what, like they inherited a bunch of buildings on 5th Avenue or something. I don't know. New York is full of really…

Adrian Bye: …old money.

Chris Dixon: Yes, exactly. I think they think, oh, this is fun, you know. Let's go and invest in internet companies or something, and the questions! There are all sorts of reasons to be. These are interesting companies but like every startup, there're all sorts of good questions to probe and challenges to give the entrepreneurs. In this particular case, I think it was like they were doing lead-gen for I think maybe attorneys or something like this. The question was like, "Wait, so you're going to go and get some of the information about somebody interested in attorney and then sell that information?" which is a lead-gen business, which is like a multibillion dollar business. The person clearly is not aware that that was a multibillion dollar business. There're lots of reasons to say like in this particular case, "How are you going to build those?"

Adrian Bye: So they were outraged about those selling information?

Chris Dixon: They weren't even outraged. They just didn't seem to understand that there's like a huge business in stuff like this. They just didn't. Do you know what I'm saying? There're all sorts of things to challenge that person on including how they're going to get traffic, how are they going to go out and let's say find attorneys to buy into this.

Adrian Bye: Maybe that's the point where they learn about it and they start to invest.

Chris Dixon: Maybe, maybe. But I think there's…

Adrian Bye: You'd rather work with the guys to know what they're doing?

Chris Dixon: I think it's good for New York to have more people who are actively investing, who have direct experience in the industry. That's all. I mean I'm sure those people have direct experience in whatever they have experience in.

Adrian Bye: Right.

Chris Dixon: It's just a different level. I go out to California and you don't have those questions out there. It's much different. So you have some sophisticated people here but it's like…

Adrian Bye: I'll tell you what, though. Silicon Valley didn't really understand much about lead-gen until not long ago and even still today, I think there's a lot they're missing.

Chris Dixon: Actually they're looking for examples in lead-gen and advertising. New York is actually pretty sophisticated there. They just want the angel investor. There's lots of this sort of like scrappy, mom-and-pop kind of lead-gen shops here.

Adrian Bye: Right.

Chris Dixon: I don't know. Also the hedge funds, I mean that's died down a little bit with the financial crash or whatever but for a long time here when you see especially like in financial technology, which is an area I think is interesting like somebody, let's say, is starting a new market for trading whatever something or some new trading software – in theory, that would be an interesting area as an angel/venture investor to invest in. But the problem is that there is so much hedge fund money out there that those trading guys go to the hedge funds and they say, "Oh, this is interesting." Whereas if this was through seed investing, "Okay, this is like an early-stage company. They hadn't built a product yet. Let's do it a $3 million pre-money valuation." The hedge fund guys have no clue like what these ranges are or anything else. They'll just do it at $50 million pre-money valuation because these guys are used to numbers with billions at the end, not millions or something and like, "Wow, that seems cheap – $50 million." What that does though, I've seen this many times I've seen, then those guys go out, they build their software then they want to go raise more money.

Adrian Bye: And then they can't.

Chris Dixon: They can't because they go to professional tech investors and they're like, "50 pre? Are you kidding me? At this stage?" right? Meanwhile they go back to the hedge fund guys. The hedge fund guys are like, "I don't want to do a down round because I paid $50 million for this, and I want the price to go up. You're doing a bad job. Do a better job." You see this sort of stalemate happen and it's really not bad all around, I think. So all these things get screwed up by the excess, kind of, not smart money in New York. I think a lot of that's gone away now with the downturn because as I said, some guys have lost money or they're going to jail, I guess, If you've read the Times today or whatever else.

Adrian Bye: All the inside trading there.

Chris Dixon: So I don't know.

Adrian Bye: How does that fit in with Hunch and tell us a little bit about Hunch?
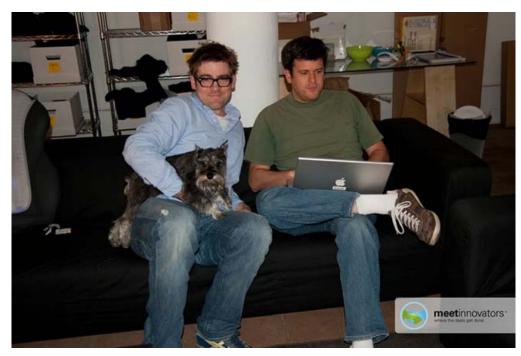
Chris Dixon: Yes, absolutely.

When we finished at McAfee, Me and Tom Pinckney who was my cofounder/ adviser, and two other guys who were our key technical guys decided Tom, Matt, Hugo, those two guys that are all MIT graduates who have a particular expertise in artificial intelligence areas – literally the day after we were done with McAfee, we rented an office in this temporary space and said, "We want to build stuff." Having interest in consumer internet and having technology orientation, we inevitably were drawn to things around search. That's sort of where the action is, obviously, and sort of tech-heavy, consumer internet. We're not the kind of guys to go build a new social network. It's just not our thing. We're kind of techies. So we had this idea that wouldn't it be neat if we could just…

Adrian Bye: You don't seem like a techie, though, like you're a chatty guy that I would see…

Chris Dixon: I'm a reformed techie. My technical partners are very techie, extremely techie. I used to program for years. I'm not a very good programmer. I'm sort of mediocre in a lot of things including technology.

Adrian Bye: Jack of all trades?

Chris Dixon: Yes. In other words, I just don't think that we would have a

competitive advantage like building a new social network, whatever. It's something like that, just to give you an example. I just think something that'd be sort of more technical.

So we had this particular idea which was wouldn't it be neat to build a system that kind of was modeled after how you interact with real human experts. In particular, imagine if I went to… An example I often use is like I was trying to decide which college to go to. I'm a high school student, I go to a college guidance counselor and I say, "I want to go to college." A good guidance counselor is not going to say, "You should go to "X" College or "Y" College," right? They're going to ask you a series of questions. They're going to say, "What do you want to study?" You say this. They say, "What part of the country where you're going to live in?" They're going to say, "What's your Grade Point Average?" or something and then they're going to ask you a series of questions because really like a lot of those questions will be conditions on how you answer the prior questions. Finally, they'll sort of give you a set of recommendations and those recommendations will be sort of based on your answers. In some cases, they'll tend to make tradeoffs because they can't find, let's say, a single university that satisfies all of your answers. But then they'll decide this is more than that or something like this. So we said, "So next, we should build a system like that because that's how real human experts do it."

Adrian Bye: Yes and I've used Hunch a couple of times. It's asked me different questions about iPhones, Twitter and stuff like that, and I've seen stuff you guys have posted on your profile. I found that the answers I've gotten have generally been accurate, really quite accurate except that I've found that sometimes the questions are leading and I felt the questions are inaccurate.

Chris Dixon: I think that's an issue. I mean it's one of the designs we wanted to make. It was that you can only click on one of the existing answers and sometimes people say, "Well, I want to say, 'Maybe,' not 'Yes,' or 'No,'" for example is that what you mean?

Adrian Bye: No, I found there's being questions like…

Chris Dixon: Like a Porsche and it says, "Would you like a Porsche?" or something.

Adrian Bye: Yes, sometimes it's like this. Well, it's a question like there's really only one answer to, like, "Is New York a really big city?"

Chris Dixon: Yes. One thing you should know is that everything on Hunch is usually user-generated.

Adrian Bye: Okay, so that means that would be…

Chris Dixon: Yes and so…

Adrian Bye: They all need a question in the end like were the questions on this accurate.

Chris Dixon: We do have these. For example, it would be actually helpful if next time you do that, if you can flag questions and things like that, and some of you do that.

Adrian Bye: I feel like I'm giving all the type of feedback because I haven't really used this like that much.

Chris Dixon: Potentially who give us feedback are people that are coming through for the first time.

Adrian Bye: Yes, I was at it like three times.

Chris Dixon: Yes. So the answer is user-generated and a lot of early but user-generated sites that are in the pretty early stage, the concept will vary so there're some really good content and some bad content. We hopefully have developed a system where the bad content gets better and gets surfaced so it's progressing and accruing knowledge.

Adrian Bye: Where did this business model come out of?

Chris Dixon: About half of our, what we call, topics which are like what college, half of them are things like "What camera should I buy?" These are sort of product-related.

Adrian Bye: Right.

Chris Dixon: At the end of it, like that there's a link that's sponsored links, very similar with Google which we click on and we get some percentage.

Adrian Bye: Are they generating revenue now?

Chris Dixon: Yes, they are. Yes.

Adrian Bye: This is actually like lead-gen sales process for affiliate marketing. So it's kind of like Epinions but more targeted than Epinions almost.

Chris Dixon: Yes.

Adrian Bye: And because it goes across every single type of question. So you've taken the best out of question sites like Yahoo! Answers and all of those, and then you've turned it into something that's going to become product-related. So you'll build a brand through everything that's out there like every kind of question but then it will tie it towards product questions and then in the end, you do have a good revenue model. That makes sense, yes.

Chris Dixon: I think we have the best revenue model which is Google revenue model, right? You think that Google's doing the same thing which is you can type a search on anything. But if you actually look at it, more than half the time, they won't show any ads, right? With all of these quality score of things, they just make the choice. They made a choice where if it's a really low effective CPM keyword, they'd rather not show an ad than show one and clutter the page.

Adrian Bye: Right. I mean I know a heck of a lot of guys that would love to be able to buy all that inventory from Google.

Chris Dixon: Right, but Yahoo! and Bing will do that, right? It's like a dead body and it'll say like, "I did buy it in eBay," like, "Who's going to be at home?" So who'll make a choice? I think it's a really interesting and brave choice which is to lose all the revenue on all of this.

Adrian Bye: That's always how they've done.

Chris Dixon: Yes, it's great. One of the great things about Google. So 70% of the time, you don't see ads or anything, right? In a way what they're doing is they're using all that stuff as a way to sort of lead general purpose thing and they're making their money on when you say like, "I want to buy a camera," or something, right? Very similarly on Hunch, a lot of time we aren't but then sometimes if you have purchasing intent, that's very valuable context. I think we do it. I think one of things in Hunch is we manage to do it in a way that's very natural and doesn't feel abusive at all, and it's like search. It's like somebody's coming to you and saying, "Help me find a camera." It's very inoffensive to have a sponsored link if you'd like this camera and care to buy it. We have good merchants. I think it's a good user experience.

Adrian Bye: Have you looked at what kind of conversion rates you're getting out of it?

Chris Dixon: We have.

Adrian Bye: Because that seems quite a lot right now or is it?

Chris Dixon: That's interesting. I'm curious. Why do you say that?

Adrian Bye: Because if I was investigating a camera, if I have my camera here and I was investigating cameras, I don't know if I'd make the final buy and decision with the camera.

Chris Dixon: You're exactly right. So the challenge that we basically have because it's such a good purchasing tech context, we have good CPM. It's not nearly as good as it should be and it's precisely for the reason we say that which we are the, as they say in the business, top of the funnel. Right. The average cam provider clicks on three of the eight links before they purchase it. The first two don't get paid, right? So the whole way, like the Amazon page is last two that gets paid.

Adrian Bye: Right.

Chris Dixon: For example the coupon sites are getting half of the revenue, right, because that's where you tend to go at the very end of the process. People helping you find the right merchant, Shopping.com, etc to do very well. I would argue that this is a misallocation of affiliate revenue attribution or something. It's a misattribution of affiliate revenue. You talk to the really savvy e-commerce sites, they will track all three of those clicks and try to allocate accordingly.

Adrian Bye: See now, there's a business model right there. So what you could do is there should be a company that put together advice newsletters. So you could then, instead of the person just seeing the site, they could go and buyer's newsletter on V700 cameras that would send an e-mail explaining more about it and…

Chris Dixon: That's just some of it. That's one of the things we're thinking of further down the road. What are the concept buildings, right, things that guess towards later in the process? So hey, I found a cool camera. Flag it here. Remind me in two weeks. Alternatively, we can add features which is like, "Hey, help me find a new camera," when you're actually going to buy it. You also have a good place for comparison shopping inching to buy one. Do you know what I mean? Things that are later in the funnel as well. So like once you've established an early relationship and trust, you sort of monetise it later in the process. That's the thing the world would change. I think that part of what we're betting on is that the e-commerce sites will get savvier and start correctly attributing the first, second and third place, etc. It's silly if it's the last spot on the space.

Adrian Bye: If that doesn't happen though, what happens to your business model?

Chris Dixon: We still get a good CPM because we still get enough people. I use RPM, revenue for a thousand impressions. I see it as it's basically like…

Adrian Bye: Isn't that CPM?

Chris Dixon: ECPM or whatever. You know what I mean. But people could use the type of CPM. When you talk about revenues, what you say is like the cost of a thousand. I don't know. Whatever.

Adrian Bye: It's just that. It's across all multimedia, that's all.

Chris Dixon: Again it's the same thing.

Adrian Bye: When you say RPM, does that mean CPM?

Chris Dixon: Yes, it means could be a CPA, CPC or CPM but it's the effective revenue I'm getting per every thousand impressions.

Adrian Bye: Does RPM have any effect in CPM?

Chris Dixon: Yes.

Adrian Bye: Okay, because that's the term that I'm used to. If we're going to use it's, that's cool.

Chris Dixon: Some people are doing it. Some people are now calling CPM. I just personally prefer it because I feel like it's loose. Okay, fine. I always say, "ECPM." It doesn't matter to me.

Adrian Bye: No, let's do. I'm in your office.

Chris Dixon: We're still getting like $20-plus ECPM so they're still good but if it could be $100, if we could really get the value that… Do you know what I'm saying? I still think if you kind of look at ECPMs in the consumer internet world, they're highly brigaded. People that are socialising on a social network, it tends to be $0.50 to $1 if that. People that are about to purchase a camera, it's much, much, much higher. I think we're getting kind of in the middle range because we still have the purchasing intent but we're high early in the funnel. Do you see what I mean? So it's still good but it could be better and I think part of that will be hopefully a change in the way people, their media-buying attribution and partly newer-built features that kind of make this slightly fun.

Adrian Bye: Cool.

Chris Dixon: Actually, I have a series of block list on this topic. Actually, it was inspired by maybe my blogging. The comments are often better than my posting, I think.

Adrian Bye: Right.

Chris Dixon: I blogged about basically this point I just made which is that if you have purchasing intent, the ECPMs are actually higher than if you don't, and some of these other points like intent generation versus intent harvesting and that was really interesting. Then I actually wrote a follow-up on that and then that lead to another post until the series of the triggered by, I think, the very astute comments of that.

Adrian Bye: You can get some interesting comments on your post.

Chris Dixon: Yes, that's right and they loved that DISCUS thing. It's really discussing it from one answer to the next.

Adrian Bye: Yes. I asked for it to have a name and he used DISCUS..

Chris Dixon: I really mispronounce it.

Adrian Bye: Yes, we all do.

Chris Dixon: Yes.

Adrian Bye: So how does all of that fit in with Hunch? Actually, I e-mailed with Caterina about, I guess, a post that she made which was that entrepreneurs shouldn't work themselves to death. I'm interested in your comments on that and then how it fits into angel investing, blog posting and what you're doing here because it does seem like you're doing a lot of stuff at the same time.

Chris Dixon: I love doing this stuff. For me, I don't know. For example, a lot of friends of mine watch sports. For me, talking about startups is like sports. On the weekends, I'll go and talk with my friends. It'll be like, "Do you see that startup? We can get this. We should invest in this." This is fun. This is like a hobby. Besides like spending with family and friends, this is sort of what I like to do. I don't really think of it as work and I probably work a lot of hours. I work pretty hard.

Caterina's point, I think, was actually triggered by a conversation she and I were having which is that on your first startup, I think there's sort of this mentality that if I don't stay up until 4:00 AM every morning pulling my hair out, I'm not doing a good job for the company. I think over time, you just realise that I've got to work smarter and you kind of learn what you're good at, what you aren't and how to hire people that are better than you at those things. You realise that freaking out all the time isn't always being in fire mode is quite counterproductive. I think she works 60 hours a week or something. It's not like…

Adrian Bye: She's a mom with one or two kids, right?

Chris Dixon: Yes, that's right. To still put it in perspective, it's still lucky enough. I think she's just working hard, saying like, "Don't work 120 hours work," whatever and just sort of know. I think you just sort of know what you're good at, what you're not.

So like for example this startup, I've hired people. For example my last one, I was the product manager and site adviser. Here, I joined up with Caterina who's a much better product manager than me and I instead focus on the things I'm good at.

Adrian Bye: …which is…

Chris Dixon: It has to be questioned. What am I good at? What I'm good at is I'm the sort of person to raise the money for the company and will raise future money, and kind of work on the business model. I work on sort of technical side of the product like this is a fairly technical product and I sort of manage that side of it. I guess sort of the liaison between the engineering group only I fail because we're a 10 person company so the engineering group is four people in a room. I kind of know a little bit about everything, I guess, and kind of bridge those gaps between the product, the engineering and the marketing, I guess. Then I'm responsible for raising money. I mean as the CEO, we have venture investors. I'm sort of the person they yell at if there's

something to yell about, you know? That kind of thing. Recruiting is a big thing. Recruiting and keeping people is a huge part of a startup.

Adrian Bye: What does Caterina do as her strengths?

Chris Dixon: She's a phenomenal product designer. You can just look at Flickr and see. That was a collaboration which she was a big part of that. She, I think, really understands how to build kind of a community of people around products. At Hunch, we have a very active community of people that are contributing content, and I think really feel a strong sense of identification in fact with each other and with Hunch. She's just a great speaker, and she goes out and talks to press. She's extremely articulate, thoughtful and all sorts of other things so I think everything on the product and the marketing. She's on the board, me, her and investors on the board, and helps when we sort of talk about strategy and what we should be spending our time on which we should have our employees spend their time on. What should we be? That kind of thing. She's great.

Adrian Bye: How did you guys meet and start to work together?

Chris Dixon: Reid Hoffman was an investor in Flickr and friends with Caterina. He of course founded LinkedIn and one of our investors, Bessemer is an investor in LinkedIn. I'm friends with this guy, Jeremy Levine who's a Bessemer partner who's onboard with Reid and so they know each other. So Caterina was living in California but coming to New York a lot because she's on the board of Etsy and was actually originally looking to join another board only. I met her in that context. It's sort of like she might get involved in a lower level which means kind of like consulting-a-couple-of-hours-a-month kind of level. Flickr of course subscribed to Yahoo! and one of the products she worked on for a long time was Yahoo! Answers which has been probably the most successful internally-built Yahoo! product this decade. I mean it's been very successful. But having worked on it, she recognized the shortcomings of it, in particular the fact that if someone has a question and someone else on the forum answers it then it sort of dies off. It's a problem. It's very specific questions. It was like going back to my college example, it'll be like, "I'm a 16-year old interested in Physics who wants to live in the North. Which college should I go to," and someone says, "(Whatever) MIT," and that's it. Next year, someone else just comes along with the exact same situation and that piece of text is counter-relevant to it. So the system itself while it serves a purpose – I'm a big fan of that website – it doesn't accrue knowledge and get better the way of Wikipedia. Wikipedia truly gets better over time. Yes, they just keep solving these problems and then they kind of come back.

Adrian Bye: While Google allows you. I was reading an interesting post talking about how we used to use Yahoo! Finance, MapQuest and all these other mapping services, and now we just use Google everything.

Chris Dixon: Seriously.

Adrian Bye: At what point does Google just really roll out its own version of Wikipedia and then Wikipedia is done.

Chris Dixon: They kind of tried the Knol, right?

Adrian Bye: A shot.

Chris Dixon: Yes, I mean it's true. It's hard though. Wikipedia has been 10 years in the making, and there's a lot of content on there and a lot of thought going into it. Google has shown a lot of phenomenal talent in a lot of ways but not around sort of user-generated stuff.

Adrian Bye: It's early in the game.

Chris Dixon: Yes, it's early in the game. Yes.

Going back to Caterina, I think had been working on that problem and saw that when she started our product, we've understood that we were trying to solve a problem which hadn't been solved and which she thought was important. She wasn't intending to actually join full-time but I think because of the product, she was kind of sucked into it and now it's full-time. So this means that she's full-time on this.

Adrian Bye: So you're a salesman and you got her onboard.

Chris Dixon: I think the product sold itself. I really do.

Adrian Bye: That's what a really good salesman is best in. Come on, Chris. Give me a break here.

Chris Dixon: Yes, it's also these things are kind of snowballing, too. It's like you recruit good people and they sort of help recruit good people. I think we had a good team and she saw that. She also in turn helped us get other good people.

Adrian Bye: Cool.

Chris Dixon: Yes.

Adrian Bye: So how do you manage your time between all this stuff or are you just saying you do it all just because you're doing all this stuff.

Chris Dixon: I'm fulltime. So I come into the office, then I do it fulltime and then I meet with people throughout the day sometimes, just interesting people like you and that is interesting to me, both you respected my job at Hunch and my investing, and just a lot of being in this startup world which is meeting interesting people. I just do a lot of that and investing so it doesn't take much time. I'm partnering with two people who are fulltime on it. An interesting company will come to me. If I think it's interesting, I'll pass it off to them, and they'll sort of due diligence and work on it with legal documents and all that, and I don't need to do any of that which is kind of the best of all worlds, I think. I do the fun part.

Adrian Bye: Yes, right.

Chris Dixon: Then they're like looking to hire a new engineer. I might know an engineer because I spend all my time meeting people like that. That's kind of where I'm helpful as kind of a connector or something mostly, yes. It's not like I need to be seen all the time. I meet with VCs. Part of that is because I'm going to, at some point, raise another round of financing for Hunch but also it's partly because of the startups I invested in and partly just to chat. There's all sorts of like this is a very small world and everyone chats with each other all the time. There's nothing, with the exception of a few blogs like Fred's or something, there's very little of this stuff that goes on in this world that's written down so you need to sort of talk to people all the time if you want to stay up-to-date on what's happening.

Adrian Bye: So you actually learn more about what's going on while the rest of it doesn't.

Chris Dixon: Yes, like what deals are at effect. I know all the deals happening in New York right now, what stages they're in and what the evaluations are. It's important to me because I have my own investments and by knowing all the benchmarks on like what the hell else is going on, you can kind of help your own investments strategically – here's what companies at your stage are with evaluations and terms they're seeing, etc. There's all this stuff you can only learn through the chatter. There's no one publishing this. Fred is incredibly open about everything he does publish. Does he ever publish evaluations or like all the stuff that people really… No, he doesn't. When he puts stuff together, it's like a grapevine.

Adrian Bye: So Silicon Valley is quite a bit in front of New York in terms of just the community and what's going on. What do you think needs to happen out here in New York to catch up or to be stronger? I mean New York, for me, it's almost like the headquarters of capitalism in the world. I mean this is it.

Chris Dixon: Yes.

Adrian Bye: This is ground zero but it's really not in the tech space.

Chris Dixon: I think the first thing that had to happen did happen which is the financial bubble collapsed because what that was is a giant sock of talent on the East Coast. Like I would go speak five years ago to a top computer science with students at MIT, let's say, and try to recruit them. They would just be like, "I will be insane to go work at a startup when I can go…" Literally in situations where you'd offer a guy whatever, $80,000 a year and he'd get an offer for $500,000 a year from a hedge fund.

Adrian Bye: That doesn't really leave them with any choice.

Chris Dixon: It doesn't. Even if they'd want to, their parents would be like, "What are you, fucking crazy?" It just doesn't, right? This is the environment and what that leads to is like in the same way that Silicon Valley everyone's sort of like integrating equity and all the other things, here they're all talking about their hedge funds, bonuses and all this. So this led to this environment where the only people we can really recruit were kind of eccentrics who just didn't care about the money or something like this.

Adrian Bye: Maybe some of the best people, too.

Chris Dixon: There are some good people. The pendulum is probably going too far back the other way which all these like X bankers are going to have these startups and that's probably a bad thing. But I think the good thing is the East Coast still is dominant in terms of, let's say, great universities, for example and that's often the source of lots and lots of startup talent. When it gets to the point where it's not like Facebook started at Harvard and moved west, and for the last 10 years it's been perceived you're crazy if you don't move west.

Adrian Bye: Right.

Chris Dixon: I think it's to the extent that we can kind of build enough of an ecosystem here including this kind of stuff I'm trying to do with the fund, Fred's doing, BetaWorx is doing and a lot of great startups are doing. We've like four square when you're talking about a bunch of other things going on. I think if we sort of have enough critical mass, it'll start to be that the next Mark Zuckerberg doesn't feel like he has to move to California. I think that's how we start to see… I think the other thing going for us is New York, besides being the centre capital, is the centre of media and advertising which more and more technology, and media and

advertising are converging, right? In the '90s, the internet was a lot about optical switching, infrastructure and all this other kind of stuff. That's kind of built. It's working and now it's much more what is required later if you're running an advertising. You think naturally it's going to play to New York's strengths, you know. I think New York is like Silicon Valley in that it's very immigrant-friendly, it's very diverse, people like to move here and start things. I bet you if there's some really big startups here, some of them will be through people who just moved here. But they won't be people that grew up in Manhattan, right? This is generally the case with New York, right?

Adrian Bye: Like you.

Chris Dixon: Yes. I think there's like the people who grew up in Manhattan, there's the commuters and there's the people that kind of come here because they live off the energy of it. They love it and they want to sort of make their mark here or something. I don't see why. I think if those people now shift away from finance, and shift away from that kind of traditional media and advertising, we're all going to think about this new one that it heavily involves technology – the tech companies you'll see here will be probably be different. They'll be sort of more Huffington Post than Twitter or something, right? It would sort of have a more media component. I think all the pieces in place for kind of a real boom here, I think. That's the sense I have and the sense, I think, other people have but you never know.

Adrian Bye: It seems to me it should be a lot stronger so what you're saying is maybe that's going to happen.

Chris Dixon: I don't know. That's what I'm betting. I'm putting my money in there. That things going to happen.

Adrian Bye: It's going to, yes.

Chris Dixon: So, yes.

Adrian Bye: So what's next from you? I mean you're going to do Hunch.

Chris Dixon: Yes, I love to do Hunch and hopefully I'd like to build a big, successful company. We'll see. I mean I'm sort of very happy doing this and investing on the side. Yes, I really like the people I work with and that sort of lifestyle working on a startup, and I'm going to continue doing that.

Adrian Bye: Anything we haven't talked about which you'd like to talk about?

Chris Dixon: No, I don't think so unless you have anything else.

Adrian Bye: That's all I can think of. Thanks.

Chris Dixon: Great. No. Thank you.