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## Interview with Fred Wilson from Union Square Ventures



**Adrian Bye:** So today, I'm here with Fred Wilson actually. I'm in the offices of Fred Wilson in New York City and it's a pretty interesting office space. I'm going to see if I can convince Fred that I can take a photo. It's a little bit like a kid's playroom in here. Now it feels very creative, just to kind of give you the context. Fred, thanks for joining us.

**Fred Wilson:** Thanks for doing it.

**Adrian Bye:** Fred, maybe you can just start off and tell us a little bit about who you are and what you do.

**Fred Wilson:** I am a venture capitalist which means I invest in startup companies. I've been doing that for 23 years now and this is the third venture capital firm that I've worked with. I've started two including this one and we invest in web services companies. So that means that any business that is built from the ground up to exist on the web and pretty much only on the web is something that we would consider investing in. In addition to that, I write a pretty well-read web blog called AVC. I'm also, I guess, a fan of

new technologies and constantly interested in what the next big thing is.

**Adrian Bye:** I'm an avid reader of your blog so for anyone who's interested, it's AVC.com. I was telling a friend about it last night and actually for me, it's the number one blog on the web. The insight and stuff that comes out of Fred's blog is not stuff that I find anywhere else so good job on that and that's kind of why here I've been stalking you for quite awhile now.

**Fred Wilson:** Thank you.

**Adrian Bye:** Maybe tell us a little bit about how you got your blog going.

**Fred Wilson:** You know I've always felt that, particularly investing in web services, the best way to be a good investor in web services is to be an active user of web services, and always trying to find and use the most novel and innovative new things that are getting launched on the web. It's a big part of what I try to do every day and back in 2003, I had been hearing a lot about web blogging. It had been going on and in some way, shape or form for three years by then. I was at an event that Nick Denton threw. Nick Denton is the Owner and Creator of Gawker Media, which is a media company built on top of about seven or eight popular web blogs, and Nick had a party and had invited the founders of Six Apart, Mena and Ben Trott, to the party. I was

talking to Mena and she told me that they were launching a hosted version of their movable-type platform. So in the early days of blogging, there were platforms like Blogger, MovableType and WordPress, and then they came out with hosted versions, which meant that you didn't even need to install any software. Blogger was the first web service that was really truly hosted. Then Six Apart launched TypePad and so she convinced me to try blogging, and they got...

**Adrian Bye:** Were you naturally a writer? I mean had you been writing before then?

**Fred Wilson:** No.

**Adrian Bye:** Was it hard for you? I mean you turn out a lot of writing now.

**Fred Wilson:** Yes, it's something that I just started doing. I hadn't been a writer for public consumption ever before.



**Adrian Bye:** You knock out 200 to 1,000 words every single day, you're Ernest Hemmingway, right?

**Fred Wilson:** I don't know.

**Adrian Bye:** I don't know what'd put you in as Hemmingway but, you know, you write intelligent stuff and that's non-trivial.

**Fred Wilson:** Yes. Well, that's what I found was possible. Writing on the web is a little easier because it's instant. You go, you write something, you get published and you're done.

**Adrian Bye:** Right.

**Fred Wilson:** There's no editor, there's printing required and you get instant feedback. So I just started doing it and I decided that I would try to write everyday.

**Adrian Bye:** You know you have like a dead blog with no feedback initially or did you have people posting comments?

**Fred Wilson:** I had people giving me comments pretty much right away. I mean it would be interesting to go back and look at the first 20 or 30 posts that I wrote. It was September and October of 2003. It would be interesting to look at that and see what kind of engagement I was getting. But I think I was getting three, five, 10 comments every post I wrote.

**Adrian Bye:** So you had attraction right away. So you were already like a brand in the New York City community, I guess, and so people would come in to...

**Fred Wilson:** I think what it was, was that I was a venture capitalist. I mean I think what it is, is that I am a venture capitalist and what it always has been is I'm a venture capitalist. There're a lot of entrepreneurs out there who want to be successful raising money from venture capitalists and being able to read the blog of somebody who's on the other side of the table I think has always been a great value proposition for the entrepreneur. So I think I was fortunate in that regard that there was a built-up native audience for what I was writing from day one and then I think what happened is just I tell people, "If you show up every day and there's a new post on the blog every single day, you will create a habitual readership who will come every day

and see what the latest thing that you're writing about is." It doesn't take that long to read one blog post. You can do it in 30 seconds or a minute so it's not a whole lot of time commitment for people and then people build that habitual readership. Then if you just keep feeding it then you've got something. I think also my writing has gotten a lot better so now I've written almost 5,000 posts.

**Adrian Bye:** ...and each post has 400 to 1,000 words.

**Fred Wilson:** But I know what it takes to write a good post now and I can bang one out in about 20 to 40 minutes.

**Adrian Bye:** You might be ready for a book. You can get an editor on it and turn the best posts into a book.

**Fred Wilson:** I have been offered book-writing opportunities consistently for the past probably three years and I always turn them down because what I tell them is that a book has an ending and a blog doesn't, and I would not know how to end a book.

**Adrian Bye:** Go read the blog.

**Fred Wilson:** Exactly. Why do the book then?

**Adrian Bye:** Yes. I mean if you had a book of your best, see here's what happens. When I was telling my friend about your blog last night, he's never heard of you so doesn't care about who Fred Wilson is. I was like, "Read the blog," and the blog when you look at it, it's not very impressive, right? I mean it's just, you know, a blog with not that great of a layout, you know. With all due respect, it's nice but it's not that amazing. I was like, "Look, it's not something you see right away. You have to go through and read a lot of the stuff, and then you really get what's going on." As you say, you have 5,000 back posts. If you had the very best posts turned into a book, I'd buy it.

**Fred Wilson:** Yes, I understand that and I think I just have some sort of a principle. I invest in web services, not publishing companies so I kind of like to do my business on the web.

**Adrian Bye:** Fair enough.

I'm interested in the New York City Tech Scene. You're a part of it. I went to an event last night, Tech Meetup. It's a big deal now. I went on Geeks on a Plane with David McClure and so I was blown away in Tokyo where there were 200 people in a room talking about tech stuff, and really, really impressed. I live down in Santo Domingo and I've been telling people down there, "We need to get something started in Santo Domingo." So this thing last night, I expected 150 people and I think there were probably 700 people.

**Fred Wilson:** I think they've had more than 1,000 at those. It is...

**Adrian Bye:** ...and they were sharp people. They weren't dummies and then these were...

**Fred Wilson:** Not only that but they broadcast the Meetup now live over the internet. So we have a group of people that come here, hang out and watch it live in our conference room. So we've got another 10 or 12 people who are checking into those Meetups here so there're probably another 20 or 30 groups like that that are doing it. So there may well have been 1,000 people who were engaged with that Meetup last night live. It's a real happening, and I'd say when people come to New York and they say, "I want to connect into the

Tech Scene,” the first thing I tell them to do is go to the Tech Meetup. The second thing I tell them is to join Next New York which is a group of entrepreneurs and people who work in startup companies that have a much more regular meet-up thing. They do sports. They play dodge ball together. They play baseball together or softball together. So Next New York is kind of more of they do meet-ups, too, and they have subgroups in it. But it’s very active and there’re meet-ups now. There’re lots of hack-a-thons where people get together and hack Facebook apps or iPhone apps, Android apps, Twitter apps. There’re meet-ups around different areas, people interested in cloud computing or hacking education. There’re lots of different things that that people are interested here in New York and there’s a pretty vibrant community. It’s not the same as what you have in San Francisco because the startup culture and the startup community in San Francisco Bay Area all the way down to the peninsula is probably five to 10 times the size of this community and so the density of people who are working in startups in the Bay Area and Silicon Valley is just...

**Adrian Bye:** It’s different though. I mean I was talking with guys about it last night because I lived out in Silicon Valley and I didn’t find it very fun to live there.



**Fred Wilson:** It’s not fun.

**Adrian Bye:** Maybe it’s because everybody’s into that whereas here there’s a part of the world that’s in that but then there’re normal people, too, instead of just nerds.

**Fred Wilson:** I think there’re a couple of differences. One is Silicon Valley, the peninsula itself is the suburbs and in a suburban lifestyle,

you’re driving around in cars, it’s kind of family-driven and it’s not as hyperactive as the urban lifestyle. So what you have here in New York is you’ve got a fairly dense population and people are bumping into each other on the street all the time. It’s a little bit more going on in the coffee shops, restaurants and bars here than what you have in Silicon Valley where it just permeates the entire culture. In Silicon Valley, you go to your kid’s soccer game on the weekends and there’re going to be three VCs and 10 entrepreneurs on the sidelines cheering on their kids. Here in New York, that doesn’t happen. I went to my son’s soccer game yesterday afternoon. There was nobody at that soccer game that was in technology industry. On the other hand, there is this really vibrant culture. The place that I go to, coffee shop I go to many mornings, there were two other VCs and probably 10 entrepreneurs having breakfast there today. So it’s a little different in the way that the communities work but there’s a really important and critical mass of entrepreneurs working in New York now.

**Adrian Bye:** So why do you stay here? I mean you’re an ambitious guy. Why don’t you move to Silicon Valley and do it in that? Are you sacrificing by living in New York?

**Fred Wilson:** I don't feel like I'm sacrificing by living in New York because a couple of things about that. I live here. My family's here. I've lived here for the past 26 years of my life and I like it here. I've been able to be part of two, I think, pretty influential venture capital firms. We have backed many, many interesting companies on the web and it's true that I haven't been able to invest in a bunch of great companies that have gotten built out in the Bay Area but I don't really feel like that has cost me hugely, and all things be equal, I kind of prefer to do it the way I'm doing it.

**Adrian Bye:** But my feeling is now that the influence that you're getting with your blog and the investments you seem to be getting are all over the country now, and maybe it's even mattering less because of the strength of the internet and then the brand that you're starting to build. Would you agree with that?

**Fred Wilson:** Yes. We can win deals in the Bay Area. My partner, Albert, and I were talking about a deal just now right before we started this interview, that's based in the Bay Area. They have multiple-term sheets and the entrepreneur told us that they'd rather have us. Now there are some great venture capital firms in the Bay Area and we do get beat by them so I'm not saying that we're the best venture capital firm in the country. That's not my point. My point is that we can be competitive anywhere in the country as a venture capital firm if we want to be. I think some of that is due to the blog. Some of that is also due to the portfolio that we've built. I think we have invested in a lot of really interesting companies and when entrepreneurs look at that list of portfolio companies, I think they say, "Hey, these guys are smart. They understand this business. They've picked a lot of winners. I'd like to work with them."

**Adrian Bye:** Yes.

**Fred Wilson:** So we have that now and I think that makes us a top tier venture capital firm.

**Adrian Bye:** How does that help you do deals or support your guys? I mean one example I find interesting is you're running DISCUS. I've never...

**Fred Wilson:** Yes, DISCUS.

**Adrian Bye:** Some people do anyway.

**Fred Wilson:** Some people call it DISCUS and some people call it DISCUS. Daniel, who's the Cofounder of the company, the CEO, says DISCUS so that's what I say.

**Adrian Bye:** So you were on DISCUS on your blog which therefore comments on your blog to start getting used to.

**Fred Wilson:** Right.

**Adrian Bye:** As soon as a new feature is there like we see it, naturally I have to start putting that onto my blogs and it just kind of follows really easily. So you're getting customers for the company without really even trying.

**Fred Wilson:** DISCUS is a great example of a company that I think we can help and have helped possibly more than any other venture capital firm could and because we have a focus on social media, because I have a high-profile blog, because I really understand the power of comments and I engage heavily in the comments, we can show thought leadership and lead by example with our support of that company and so that our support is more than just money.



I was on the phone with Daniel last night for about 40 minutes and we were talking through a couple of big strategic issues, and it was like he was talking to one of his top customers because I use the product. I'm a power user of the product. ...and it was also like he was talking to his product manager because we were talking about features and functions, and should we do this first or should we do this



first, and I just don't think that there're that many VCs who could do that for him, that company. So we are probably the ideal investor for their company and that's one of the things we look for. What are the companies out there that we can help more than other venture capital firm where we are the single best investor for that company? When we find those, we try to invest in them because those become franchise investments. Someday, I think DISCUS will sell for a lot of money and then when people look at that and they'll say, "Those entrepreneurs did a great job," and the entrepreneurs should and will get the majority of the credit for that investment but to the extent that any credit accrues to the venture firm, it'll accrue to us and everybody will understand why we were very impactful for that business.

**Adrian Bye:** I'm curious because you talk about these things related to entrepreneurship and being an investor. Why aren't you an entrepreneur? I mean you are obviously an entrepreneur but why are you not building companies rather than funding them because you're obviously excited about the product-development process and the stuff that goes with it?

**Fred Wilson:** You know I became a VC too early, I think. I got out of business school, decided that I wanted to be a VC and went into venture capital. I think that was a mistake. I think I could have been an entrepreneur, probably should've been an entrepreneur and didn't know it. But now the entrepreneurship that I do is starting venture capital firms – this is the second venture capital firm I've started – and getting involved very early on with companies and supporting entrepreneurs. I feel like I'm taking a fair amount of risk when we make our investments – taking financial risk, taking reputation risk – and I get a lot of the value that entrepreneurs get from doing that. So I feel like...

**Adrian Bye:** What do you mean you're taking reputation risk?

**Fred Wilson:** Well if we invest in a company that blows up and ends up being a really bad company, I think people will blame us for being involved in that. So that's reputation risk.

**Adrian Bye:** Right.

In the New York scene when I was asking some guys about you on the phone last night, their eyes were like lighting up when they were talking about Fred Wilson. They were like you're kind of an important guy, I guess, in the local community for them, and one of the comments that came up was the leadership and the things that you've driven here. They wanted to know what do you think you should be doing more of and what should they be doing more of to help grow the local community.

**Fred Wilson:** We've got to create some big companies. The biggest problem we have in New York is there hasn't been a Google, a Facebook, a Netscape, an Amazon or an eBay scale company to come out of New York. The closest is DoubleClick which Google bought for \$3 billion and DoubleClick really is the ad server for the internet. I really believe if you look at the internet, it's like an operating system and an operating system shifts with hundreds, maybe thousands of features and functions in the operating system. The internet shifts today with a bunch of stuff. The search function in the internet operating system is Google, the auction function is eBay, the payment function is PayPal and the e-commerce function is Amazon. Well, the ad server function is DoubleClick. So we have had a company that scaled at internet scale and touches maybe not billions but certainly hundreds of millions of users every day, and so that's great. But we haven't really built a consumer-facing internet brand here in New York of that kind of scale so that's what we have to figure out how to do. We have a few companies in our portfolio that have a chance of doing that and so we want to try to make that happen.

**Adrian Bye:** Why do you think it hasn't happened yet? What's New York missing?

**Fred Wilson:** Some of it is time. The startup scene in New York really didn't get going until the late '90s so we're maybe a dozen years into it now. Go back to Silicon Valley which got started in the '60s and by the early '80s, they've had a few companies of that scale – Intel, probably a couple of others. But Silicon Valley has really kind of hit its stride in the second and third decade where they're knocking out three, four huge-scale companies a decade, and so I think New York is now into its second decade as a startup culture and I think this is the decade we've got to start doing it. So that's part of it. The second part of it which is related is that we don't have the role models here. Role models can be companies or role models can be entrepreneurs but it takes a belief in yourself and the thing you're working on that can withstand a lot of pressure to get a company that scale. Google could've been bought by Yahoo! or somebody else and if it weren't for the fact that nobody was willing to pay them enough money, it would've been. But they stayed independent and now built a huge-scale entrepreneurship.

**Adrian Bye:** That's the story of all of these though, right, like Facebook could've been bought and Twitter could've been bought.

**Fred Wilson:** I'm not sure Twitter could've been bought. I don't think that anybody inside the Twitter management team really ever had any interest in selling the company.

**Adrian Bye:** Not really.

**Fred Wilson:** But it is true that Yahoo! had a handshake deal to buy Facebook for \$1 billion. They renegotiated it and that gave Mark the opportunity to rethink whether or not he really wanted to do that, and he walked away. So yes, Facebook could've been bought, Google could've been bought, and yet they weren't and they went on to be these \$10 billion, \$20 billion, \$50 billion, \$100 billion companies, and now the world looks up to them as examples of what you can do as a technology entrepreneur. Think in New York, we've been a little quick to... I'm saying "we". I'm not talking about Union Square Ventures necessarily but "we" as a community of entrepreneurs and investors have been a little quick to take the first opportunity to get

cached out, and not necessarily been patient and taken the 10-plus years that it takes to build an internet company.

**Adrian Bye:** Someone I was talking with last night made that point actually in a different way. He said that New York is more of a transactional city and Silicon Valley is more about building a big vision.



**Fred Wilson:** Yes, I think that's true, and I think that is changing and will change. This is a culture that's dominated partially by Wall Street, which is a highly-transactional culture and so I think that everybody likes getting a payday in this town. It's an expensive place to live. Money matters. If you say, "I own 20% of Twitter," which is worth \$1 billion, nobody cares because they don't know why Twitter's worth \$1 billion or even if it is. I'm not suggesting that it is. But if you say, "I manage a \$1 billion hedge fund," they'd go, "Whoa, that's amazing!" So it's just a different kind of community but it's changing and people are starting to care a lot more about the entrepreneurs and the investors in technology companies here in New York. The reality is our mayor is an entrepreneur.

**Adrian Bye:** Right.

**Fred Wilson:** Bloomberg is probably the greatest startup to come out of New York in the past 50 years and no one really thinks of it as that because he never took any outside investment, he built it all himself. It's kind of a company that's very Wall Street in a way that Google, Amazon and eBay aren't.

**Adrian Bye:** It's an interesting comparison.

One of the other comments I got last night was about Etsy and Etsy is like a company that you funded. I guess the founders have left and it's a new team. It seems like that's going through some tough times. Do you have any comments on what's going on there?

**Fred Wilson:** You wouldn't say that Etsy is going through tough times if you were looking at their financials. The thing that's amazing about Etsy is that from the day we invested over three years ago, every month the revenues go up and up and up, the profits go up and up, the number of sellers in the service goes up and up, the number of buyers in the service goes up and up. So if you were just looking at Etsy as a set of financial statements the way maybe an analyst on Wall Street would look at it, you would conclude that this is a fantastic investment and it has been a fantastic investment. But it is also true that Etsy has gone from being founder-driven, highly-creative, chaotic culture to one that's run by seasoned, experienced management that is not necessarily quite as entrepreneurial as the founding team was, and part of that is growing up and part of



that is realising that when you are running hundreds and millions of dollars a year through your marketplace and you have hundreds and thousands of sellers who are now earning some of their living or maybe all of their living on your service, you have an obligation to keep the website up, to generate as much money for these people as you possibly can and all of those things. Companies are like kids. There's the childhood years where everything is a possibility then there's the ugly adolescence where the child is trying to figure out who they are and there's tension with the parents, and then they come out the back and they end up being great adults. Etsy, I think, has gone through the ugly adolescence and I think it's now an adult. It's a different person or company than it was as a child. Not as creative necessarily but in many ways much better business.

**Adrian Bye:** Some of the big, successful companies over a long period of time have almost needed to have their founders around like Oracle with Larry Ellison, Microsoft with Bill Gates. To me, one of the most interesting ones is Apple with Steve Jobs. I mean he went for awhile. I think he was having a tough time. He got replaced and he's come back, and obviously that's a big success story. Do you think some companies have that the personality of their founders need to be there to keep things running all long-term?

**Fred Wilson:** It's certainly much better if the founders can find a way to stick around and continue to be either an active member of the management team, possibly the CEO or if not, an executive-chairman type role where they continue to be hugely influential in the company.

That is Dave Morgan who built TACODA, at some point turned TACODA over to Curt Viebranz but remained an executive chairman, Steven Johnson who started Outside.in has stuck around as an executive chairman while Mark Josephson runs the company on a day-to-day basis and the case of Etsy, it would be great if the founder of Etsy, Rob Kalin really wanted to do that but he has two other startups that he's working on now, and honestly not every founder wants to stick around and be part of the management team when the job goes from creating the opportunity to kind of...

**Adrian Bye:** ...maximising it.

**Fred Wilson:** ...maximising it – optimising it, I guess, is the right way to put it – and you know Rob is young. He's in his late 20s and he has so many great ideas that in some ways I would argue that the best thing for Rob is to move on and work on new stuff because he has two new ideas. He started two companies right now, both of which are really big ideas. So for him, that's the right thing. He's still on the board of Etsy and I think he's still providing a constructive role there but clearly not as active of a role as some of the other founders in our portfolio.

**Adrian Bye:** So the question that obviously a lot of people are going to have for you is how do you give them money. I know that's not a simple thing but that's the question you get asked a lot so I should ask that on behalf of people listening.

**Fred Wilson:** Yes. Well, I think the best advice that I can give to people is build a relationship with me, get me excited about what you're doing before you ask me for money and that's hard for people because, you know, they need money. So to say to them, "Well, I want to get to know you, I want to be able to follow what you're doing, I want to watch how you're executing, I want to see you launch something, I want to see other people using what you've launched, and then I'll give you money." You know that's a lot of hurdles that they've got to jump over just to get me to write a check so a lot of people will say, "You know, no thanks. I don't want to go through a year or two-year long dating experience."

But a good example is Avner Ronen. He's the CEO and Founder of Boxee. Avner came in here now two years ago with the idea to create a piece of hardware that would go in your media center in your living room that

would connect your media center and your TV to the internet, and provide services on that. The software that ran inside the box was actually quite interesting to me but I didn't want to be in the hardware business so I said to him, "I don't really like this hardware business model and there're probably some VCs out there who do so maybe you should go talk to somebody else." But he stayed in touch and about nine months later, he came back to me and said that they decided to get rid of the hardware and be an open source software company. So that excited me and I said, "Well, you haven't launched yet so why don't you launch it." He launched it. He came back to me about three months after that and said, "I've got 100,000 who are using this." I installed it. I started using it and eventually within the next few months, we were investors. So Avner took the time. He never got pissed off that I said, "No," and isn't it wrong getting pissed off. Every entrepreneur has every right to get pissed off when people don't want to invest in their vision and frankly when we were raising our fund back in 2003 and 2004, I used to take it personally when people would say, "No," to us, and so I totally understand that. But to Avner's credit, he was very positive. He managed to create a great relationship. He listened to some of the things I said that I think resonated with him, rejected many of things I said that didn't and built, I think, a really good relationship to the point where when we invested, I felt really good about being partners with him.

So to me, that's the best way to try to get us to invest money. But if you need money in the next month and you come knocking on our door, it's highly unlikely that we're going to invest. That's just not how we are wired in this firm and so...

**Adrian Bye:** Do you get that a lot, guys coming through and trying to push for dough right away? I mean...

**Fred Wilson:** Yes, sure because a lot of people need it, you know? They're running out of money and they can't keep the doors open unless they can get more money.

**Adrian Bye:** That must be stressful.

**Fred Wilson:** It is. It's stressful for everybody.

**Adrian Bye:** Actually we just started talking about Boxee. I actually started watching their movie, the Swedish movie that you mentioned and I think I ran into the exact problem that you had with it. You made a post in your blog about how it can handle subtitles and that was pretty interesting what you said like, "We will be able to soon get movies from anywhere in the world and watch them anywhere in the world with subtitle." That's exactly right. I got the movie and started watching it with subtitles, and the subtitles were wrong. Is that what happened when you watched it?



**Fred Wilson:** Yes, I had some problems with it. What Boxee's doing is Boxee is just software that runs either on your TV directly or on a device connected to your TV and they're getting the movie either from your hard drive if you've downloaded it or from the web if it's streaming it, and then at the very same time, they're going out to an open subtitles database like OpenSubtitles.org, pulling in a subtitle and matching them up, and that's not perfect yet. I think it will be perfect.

**Adrian Bye:** I got it with subtitles and so the subtitles I got, it's actually the first time it's ever happened. The subtitles were translated by someone that could only half speak English.

**Fred Wilson:** Aha.

**Adrian Bye:** So I was out watching all these people speaking, and it was like confusing as to who was speaking and all this stuff. I'm like, "Huh, maybe that's what Fred ran into."

**Fred Wilson:** Yes.

**Adrian Bye:** So I had to go out and find different subtitles for it. Now I'm not in that and now it's something like I'm speaking to someone with accent. It was very, very funny to have that. Is that what happened to you or is it...

**Fred Wilson:** It's a little bit different but pretty much a similar experience. But what's powerful to me is not necessarily the experience that we're getting today in Boxee but the idea that Boxee can connect all of these various services that are out on the internet whether it's Hulu, YouTube, Netflix, Amazon, OpenSubtitles.org or other kinds of things and you create an integrated experience for people that is better than the one they have today.

**Adrian Bye:** No, I mean I tried Boxee, I've switched to Plex and right now I really like Plex more. I've got it working with the proper remote and things that I couldn't do with Boxee.

**Fred Wilson:** Right.

**Adrian Bye:** I think overall it supports a lot of things better however the thing that Boxee did brilliantly was I could be watching a movie and then say, "Ha, these subtitles aren't very good. I want to go watch it in Romanian, I would go out on the web and it would give me Romanian subtitles.

**Fred Wilson:** Yes, I think the Plex user interface is better right now and I think that if you have a Mac then that may be the best solution right now. But Boxee is available on UNIX, Mac, Windows. Soon we'll be available on Broadcom, Nvidia and Intel-based devices which will include TV sets and possibly also a number of gaming consoles. So what Boxee is trying to do is be on every connected device including the TV themselves and that's a lot of engineering that they're doing that is really hard work. They also have completely rebuilt the user interface and the new version will be launching, I think, on November 19<sup>th</sup> and it'd be interesting to see what you think then about Boxee versus Plex.

**Adrian Bye:** Yes, I'll play with it. I mean the open source community tends to be not very good at URLs so my hope is that Boxee can really get it together and like totally dominate.

**Fred Wilson:** They hired a guy named Zach Klein who was a founder of CollegeHumor, kind of ran product at CollegeHumor and now is in a similar role at Boxee. In the past month, Zach has really made a meaningful

impact on the user experience. Actually I'm quite excited for when the new version of Boxee launches because I think people will be quite delighted with what the company is going to put out in the market.

**Adrian Bye:** I'll certainly play with it. It will be hard to get me to switch from Plex. Honestly, I really am happy with Plex because it does all the stuff I need.



**Fred Wilson:** That's great.

**Adrian Bye:** But one problem with it is it's pre-alpha and it's just not quite stable, and that's the problem.

**Fred Wilson:** I see.

**Adrian Bye:** So if Boxee can nail that down then that would be a good thing but they've got some work to do.

**Fred Wilson:** Yes.

**Adrian Bye:** Tell me. I'm interested from the perspective of being a VC. You have a finance

background. How critical is it to have a strong finance background to be a VC?

**Fred Wilson:** I don't think it's that important. You need somebody in your firm who has it though. So I play that role in this firm. My partner Albert is pretty sophisticated financially, too. My founding partner, Brad makes no bones about it. He's not a numbers guy. He's really a market-and-strategy kind of guy. So I don't think every VC needs to have that skill set but I think at least one of the general partners in the firm needs to be a finance-oriented mind so that the firm itself is always including the financial aspects of the transactions they're doing in the decision-making process. I don't think that the financial aspects of the decisions are necessarily as important as people and product or people, product and market but they're critical nonetheless and they need to be part of the investment process.

**Adrian Bye:** You made a post the other day talking about how good VCs need to be well-connected connectors and do a lot of introductions, and you had some concepts on how introductions should be done. I'm actually rethinking how I do some things because that was very, very interesting. What would you say the other key elements are for being a good VC?

**Fred Wilson:** I think rolodex and sale skills. So I think that what you need to be able to do before anything else in the venture business is you need to be able to reach lots of people, reach the right people. You need to do that to source deals, you need to do that to win deals and you need to do that once you've made the investment to help the company succeed. So to me, rolodex is the most important thing and then after that is salesmanship – the ability to convince an entrepreneur to take your money over someone else's money, and then also to help the entrepreneur convince people to join their company and to convince other people to invest in their company, and to convince business partners to do business. So those are really the two most important skills.

**Adrian Bye:** Interesting, okay.

Anything you want to talk about that we haven't covered?

**Fred Wilson:** I don't know. I think we talked about a lot of interesting stuff.

**Adrian Bye:** Okay, I'll ask you one last then from the guys from last night and it's, I guess, a standard VC question. What companies have you had a chance to invest in that you missed?

**Fred Wilson:** Well, I'll talk about a couple of companies here in New York that we missed that in hindsight we should've invested in. Two of the most exciting companies here in New York that we're not investors in are Huffington Post and Gilt Group. Huffington Post when it first got started, I thought it was a political blog and it didn't make much sense to me why it made sense for us to be invested in a political blog. Well, what I missed was that they were really using politics as the market entry strategy and what they were really trying to do was reinvent what a news service ought to be on the web. I think they've done a better job than anybody else in really using the power of the web. Everything from search, social media, user interface, commenting – they've just really done a great job there, and so now it's 20 million unique visitors a month and probably the fastest growing news site on the web. That was a mistake. In hindsight, we didn't really imagine what that could be properly and so we missed that one. The other one, Gilt Group is basically blowout sales on the internet. It's essentially a US-based knockoff, if you will, of the Bonfrivey model which is...

**Adrian Bye:** What?

**Fred Wilson:** Bonfrivey. Bonfrivey is maybe the most successful internet company in Europe right now. It's based in Paris and it means "private sale", and Gilt Group essentially is a US-based version of Bonfrivey and I think what we missed there was the power of kind of blowout sales. There's always been blowout sales, Loehmann's, the Barneys sale or whatever and the stores will say...

**Adrian Bye:** ...Thanksgiving.

**Fred Wilson:** Right, whatever. ... and people love that. But I think the interesting idea that Bonfrivey invented that Gilt Group and others have replicated is using the internet and the power of the real-time internet to say, "This is going to be available for the next hour and if you want it, you've got to come get it," and it's very powerful merchandising and marketing. They've executed brilliantly and it's a very big company now.

**Adrian Bye:** It came along and you just said like, "It's not a strategic fit."

**Fred Wilson:** Yes, we're not great e-commerce investors, to be honest. It's not our long suit and the whole notion of retailing low-margin, high-working capital business, the underlying financial fundamental dynamics, economics of that business has never been that interesting to us, and we let those biases against e-commerce cloud our view of what the Gilt Group opportunity could be and we're not an investor in that company, and I regret that.

**Adrian Bye:** Cool. Thank you.

**Fred Wilson:** Thank you.