Vickie Peng - Mic 1

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specifically an action in your product. So imagine any

time this user takes this action, they're pressing a button that says, This product is great. I love this product or I'm using this product.

So it could be an API

call. It could be, a dashboard

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Scarlett 2i2 USB: You are listening to 20 products with me, Harry Stebbings now 20 product is the monthly show where we sit down with the best product leaders in the world to discuss how they think about building the best product teams. Today, we have Vicki Pang joining us in the hot seat. Now Vicki is a product partner at Sequoia.

I'm the co-creator of arc, that company building immersion program for pre-seed and seed stage founders before Sequoia. Vicky was a product manager at Polyvore, which was acquired by Yahoo for $200 million. And before that was an Instagram where she grew SMB advertising from [00:01:00] 200 million to a billion dollars.

Scarlett 2i2 USB-5: But before we dive into the show, stay, we're all trying to grow our businesses here. So let's be real for a second. We all know that your website shouldn't be this static asset. It should be a dynamic part of your strategy that really drives conversions. That's marketing 1 0 1, but here's a number for you.

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You have now arrived at your destination.

Harry: Vicky, I am so excited for this. I have to admit, I'm not sure if I'm allowed to say this, but it's the end of the day here and I'm just feeling a little bit looser than

I normally do. [00:04:00] Alfred

normally sends quite curt emails, you know, he's a busy guy. And with you recommending topics, it was

like an essay of your brilliance, which, you know, I

wish he'd say such nice things about me. thank you for joining me

today.

Vickie: Thank you so much for having me, Harry. I'm so excited to be here.

Yeah,

Harry: I'm excited for this, and I want to kind of go through the different stages of your career until today, and just extract some learning. So, if we start on trial pay, much earlier in your career, I heard you joined when the social gaming was considered a bit of a distraction there, and you turned it into this massive revenue driver.

What was the single biggest product lesson from that experience with trial

pay?

Vickie: yeah, big question. So I've actually been in product now for, uh, you know, reflecting on it for about 15 years, which sounds like a very long time

when you say that out loud. Um, , I was originally drawn, I think, to the career mostly because I love.

Pulling order out of chaos, you know in the movie The Matrix where you see like

the lines of code floating in the air or in a

beautiful mind,

he sees math formulas? I hear a big

kind of like meaty question, I see bullet points. [00:05:00] Um, or like pillars, or two by twos, and I just need to structure

things.

Sometimes people would be in meetings with me and I just have to open my laptop and start typing in a dot because I just want to make bullet points. Uh, and so product I think was an area that, it's just like that. It's like the,

just this engine of being able to kind of take these problems and break them down and make them tractable and take action on them.

It's like the cycle of conviction and action. Build conviction, take action. Action helps you build conviction. It's just a cycle over and over again. Um, and I find it so exciting. So TrialPay was the first place that I was able to do that and just like jump into a

space where I was able to build some sort of hypothesis and then build an actual product that tested that hypothesis.

but as you said, the product that I owned was kind of, Like a side hustle for the company. The company was already a growth stage company. We had found product market fit in the, you know, space of e commerce and software. And there was this little nugget of a belief like, Hey, could we apply this business model to another

space? Um, which was social gaming, which was on the rise

at the time. I don't know if

you remember the times when everybody had their own. [00:06:00] Farm or aquarium or whatever they were

tending to in between, you know, their productive life, could this

be the

product that we

sell in

this, you know, kind of ad

marketplace instead? would this work? And so they kind

of pulled together this, Ragtag

group

of folks across the

company that were previously working on the

main business

and, and kind of pulled us into the side business and, dropped me in as a new person, a new to product, new to the company, Hey, here's like this,

side gig.

Let's see if you can make it a thing. the biggest lesson I learned there was, there's, of course, you build the product, you have to build a product that delights customers, that, actually delivers value. But you also, your job is also to

build belief.

As a product

leader this

belief

in the possibilities that, are unlocked

by that product. And sometimes you're building

belief for folks outside the building, like your customers and your investors. But sometimes you're building belief inside

the building, because like you said, there are folks that were working on the core business,

like best case scenario. This is an experiment that works.

Worst case scenario. This is a distraction. And we

took things away from the core business to try something

new. And so why would we be doing

that?

Harry: what Do you,

think's harder, [00:07:00] to build belief internally, or to build belief externally, and why?

Vickie: you know, I was actually reflecting on my career prior to this conversation, Harry, and I realized that I somehow ended up in situations

where I own the side hustle and like my whole challenge is actually at PolyRoyal it was the same, at Instagram it was the same, at Sequoia it's been the same, where there's this like initial thesis that is unproven and then therefore not only do I have to build the product but I have to build the belief.

Harry: And so for me I would say building the belief has actually been a through line in my career, more so than I think the average product leader. Do you not ever want to be somewhere where the belief just is from day one?

Vickie: I do. Yeah, it's, it's an interesting, to your point, yes, I think you hit the ground running easier and you say, Hey, we all believe in this, like, let's go. But at the same time, I think the, the act of seeing the tide turn, the feeling of being Kind of like a rebel or a pirate or a startup within a startup and then slowly you

see traction and slowly you see customers and slowly we start popping up in those farm games and people that [00:08:00] were sceptical saying, wait a second, this is us.

This is our product like this works here in this context and you see the wheels turning and people kind of opening their eyes to Oh, I see. I believe too. that is so rewarding. And I think during, you know, obviously I'm at Sequoia now and I work with a lot of our early stage founders, um, all the time and

for them, one of the through lines that we talk them through an arc, our pre seed and seed stage company building immersion program is.

the importance of story. Like, your job as a founder is to build the thing, but it's also to tell a compelling story to all the people that need to hear that story. And people underestimate the power of the story and the building of that story.

Harry: What do you think they get most wrong about the way that they tell stories?

Vickie: first thing I would say is framing it from their perspective rather than the customer's perspective. me versus the customer, and then solution versus problem, I think are the two main

issues, kind of issues that I see where it says, we do this, our company is the best, our company is the best in the

space because of this reason, we have this, we have that feature, as opposed to this is how your life

will [00:09:00] change. If you realize

the possibilities of my product, this is how your life will be better.

This is how your possibilities are opened. and then i think

the second thing is solution over problem. we have these features, this is what our thing does, here's a full demo, here's all the long list of superpower advanced user features that we have, as opposed to what problem are we trying to solve?

do you resonate with that problem? Are you deeply affected by that problem?

Like how do, how do, how does solving that

problem change your life?

Harry: I

think we need more purple cows as well. I don't know if you know the purple cow

theory, Seth Godin, it's like

just being

different is better. better in a

lot of cases and it's like there are so many like data lake products that i have no idea what they freaking do but they all sound the same and i just think that we need more difference to the way that we tell

stories

Vickie: But I think differentiation in the customer's voice, it's one thing for you to be able to say

why your data lake is better than the others. But if your customer can't parrot that

back to you in one sentence, then you

haven't done your job yet.

Harry: before we dive into that, because we could jump around, [00:10:00] Polyvore, did incredibly well. It turned a fashion community, into this incredibly monetized, largely by banner ads, 200 million acquisition by Yahoo. what was the biggest product lesson from that, in the experience with Polyvore?

Vickie: build only what you have to, I think is one of the lessons I learned.

At that time, there was lots of performance marketing ads. I mean, Google existed. Product listing ads existed. So there is a way to build a really, really sophisticated ad engine that we could have just taken a page out of their book

and really started there. We started with a spreadsheet. So we ran our entire performance marketing engine off of a Google spreadsheet for We did, I think it was a full year that we

ran it on

a spreadsheet and all the bids from all the advertisers, like you have

Saks Fifth Avenue, Neiman Marcus,

you know, these people are coming to

us saying, Hey, like they had to email their

account

manager to change their

bids. So they would say, Hey, can I change, but my bids for dresses up

from two 50 to

two 75 and the account manager would let us forward it to us.

And

then we'd jump into the spreadsheet

and change it

from two 50 to two 75. and I think that the lesson I learned was

just.

It's so [00:11:00] surprising

how far you can get

like building so little.

Harry: you, do you think you'll always be embarrassed by your V1? It's a common statement.

Some people agree, some don't. How do you feel.

Vickie: in general, I agree with the premise of that, that you are almost always going to overestimate

the amount that you need to build to actually learn the thing that you want to learn. I think the goal of building, like I said, this kind of cycle of conviction and action, the goal of building is to either move an impact metric that you care about, or to learn something about how to move the thing that you care about.

And both of those things require way less product than people think. Like, my job as a product leader is almost to Scope down the product that I build to build less product. I consider it successful.

Harry: Do you agree with the other statement that to scale you have to do things that don't scale? I think it's PG that commonly said that at YC.

Vickie: I

think so. I think, or at least open your mind to

the possibility. We actually do have this scoping MVP framework that we teach during ARC that I, teach during product week. And it talks about, there's three columns, of course, there's three

pillars, uh, that we [00:12:00] break it into. And the first is what does the product actually need to do?

And the second

is what can you fake? And that's when people say, Unscalable things. We're talking about things you could fake operationally, Wizard of Oz, Behind the Curtain. What are the things you can do that maybe someday your product can do, but it doesn't have to do it today for you to learn the thing that you need to learn?

Harry: That's a great way to phrase it. And of course there's threes. I feel like McKinsey could also have been a sponsor for this show. Um, but I, I want to move to the final

segment, really being Instagram in terms of the operating career.

Scaling, S and B ads from 200 million. to a billion. What was the biggest takeaway from that?

Um,

Vickie: once again this continuing this parade

of building belief, you know, most of the vast

majority of

the ads

business was focused on obviously make sense, more concentrated, larger,

deeper

pocket advertisers. And if you have any experience

with Facebook or Instagram's ad platform, it

is crazy.

complicated. It's very sophisticated. There are lots of,

you know, knobs and dials and levers that you

can pull. And when you apply that to the SMB space, you know, people are saying, Hey, this is a [00:13:00] long tail.

They're a

secondary audience. Like let's leave them by the wayside and maybe kind of just retrofit or dilute what we have and ship it to them and it'll work.

and so I think it was always a little bit of a

second order. and I inherited this team that basically was saying, you know, our goal is to grow because this is the long tail. We make up for price with volume, like they're not going to have the budgets, but there's millions of them. So let's go get a million of them.

Right? So the problem statement is acquisition. It's growth. Our metric is monthly active advertisers, and you just want that number to go up into the right. And I think the thing that I most learned there is the power of asking. The question, what problem are you trying to solve? at

Instagram, the problem statement being framed as acquisition, when I spent

some time digging into the numbers

behind the numbers, we had an awful, awful, awful retention problem, for

every 10 customers that tried the product. Six of them the next month would go away. even though, even despite that, the number of monthly active advertisers would keep going up because we're just pouring new advertisers in the

funnel. [00:14:00] I had to like evangelize the idea that the problem

is not acquisition.

It is retention. And if we don't fix

this retention problem, we are going to be at a serious. Cliff in some amount of time. I dunno if it's six months, 12 months, but eventually we are going to run out of advertisers to pour in the top of the funnel and we will have nothing. just reframing the problem, and really understanding what problem it is you're trying to solve, is probably my biggest lesson.

Harry: You mentioned that kind of the core metric of like actually focusing on retention, not on activation, or acquisition. we often hear about product missions. So what is a good versus a great product mission?

Vickie: actually taking from a framework that I do teach during ARC,

And so this framework aims to basically demystify and break down the act of product management into a framework, And so it's a four part framework. it has, as you

suggested, mission is that kind

of like the top of the framework and all of the remaining

factors kind of like cascade down from mission. So first you have a

mission. which is a qualitative statement

of

what

success

looks like. So we usually use an

image [00:15:00] of a mountain and it's like

the flag at the top of, the mountain. What does it look like to achieve, you know, to, to scale this mountain?

Harry: would an example of that be? Would that be like be the number one CRM provider for SMBs?

Vickie: perfect.

Yes. Okay. So, there's two core things I

think that make a

great product mission. One is that it's customer

centric. it should describe what it

changes for the customer and their world, how it changes the customer's world. Two is that it is a thing that you can imagine working against or working towards for the next decade, not the next quarter.

So one problem statement that a lot of early stage founders have is that they're so hyper focused on what's right in front of them. This week, this inbox, this meeting, this feature, this ship date. and it's really, really hard to think way bigger than that. I mean, we see way bigger. We don't mean before your series.

We mean. the

next decade

or two. the one great example, I

use that because, you know, most of us are

customers of this company is Airbnb. their mission is

belong

anywhere.

that just immediately kind

of like grounds

the idea of, okay, for you as a customer, they're hoping that they can produce experiences and

[00:16:00] places for you to stay that help you feel like you belong, wherever you go, wherever you travel in the world.

It is a customer focus statement, and it is Pretty massive in terms of, I can imagine 10 years from now, maybe Airbnb doesn't feel like that box has been checked, right? It's something that you kind of almost work towards, but never

achieve.

Harry: Is it,

measurable? Is there any, you could look at customer MPS, but different customers like,

different things.

Um, so it may not actually suggest Home from home.

How do

you think about the importance of whether it's measurable in a mission

Vickie: what a great segue, Harry. The next, uh, part of this framework, the four part framework is actually the metric. So the whole point of the mission is

inspiration, aspiration,

also clarity around what it is that you want

your team to achieve.

The metric is the quantification of that aspiration. So at any given point, there is one number that determinant. And if you're talking about the mountain analogy, the best. Compass to tell you what is up the mountain and what is down the mountain. And that thing can change over time. So pre product market fit, for example, we give, our arc founders, the strong advice to pick a number that [00:17:00] represents customer happiness.

And you mentioned NPS, I recommend not

using NPS. I recommend using for this purpose. I recommend using a metric that's

specifically an action in your product. So imagine any

time this user takes this action, they're pressing a button that says, This product is great. I love this product or I'm using this product.

So it could be an API

call. It could be, a dashboard

that's created. It could

be a query. It could be, image that's created. There's something that

they're doing in your

product that is the

core action of

your product that suggests that they're finding value out of it. and that is

the thing that is the quantification of

their happiness at this

current stage.

Harry: I so agree with you because I get so pissed off when I, and I shouldn't be as vocal as this,

but, uh, I

am anyway,

so fuck it Um, but, when people are like, oh, our, like, our, our metric is MRR. And I'm like, there's 10 different input metrics that lead to that as the output.

metric. It

means

nothing.

Vickie: Yes. if you're talking early stage pre product

market fit, the farther you are from customer happiness, and Like I literally imagine

them

pushing a button or raising their hand. [00:18:00] Like every time this thing happens, they're happy or they're getting value.

And there's, like you said, so many output metrics and downstream metrics that you can measure great measure, measure

them all you want, but goal on the thing that makes your customer happy. And one example from a recent arc company that I worked with is a robotics company. the whole point is that the robots are set up in your lab and helping you kind

of like automate what otherwise would be done by human work. And so they have, you know, they have a long sales cycle, they have a long implementation cycle, and you can go on any number of those sales cycles. things, you know, time to implementation, robots live contracts, you know, signed, things like that. But really what you should be going on is robot hours live.

How many hours, how many actions, how many things are the robots actually doing in the lab environment that are driving value? all those other things are either upstream or downstream of like the moment of value delivery for the customer.

Harry: we have the mission, we

have the metric.

Okay, product strategy wise, What's the

first step in

defining a

good product strategy?

Vickie: Yes. Okay. So it follows

from The mission

and the [00:19:00] metric. The product strategy piece is the most

mystical black box thing. Like

people either think you have product

intuition or you don't, or you can't follow a formula

because every

product is different.

So You just kind of wing

it.

From my perspective, you can break

it down into

its component parts. The first component is to have the mission. The second is to have the metric

and the third is to understand the metric. So basically let's say we have

repeat monthly active advertisers, or maybe it's

retention to pick a number.

You basically analyze your metric and determine why and what the gap is

between what the level is today and what the optimal or ceiling of that number is. So if you know

your monthly retention

is, 20 percent and you know that amazing world class monthly retention

is 60 or 70%

There's a

huge difference there. and so you have to

either break down the gap and

understand or have a hypothesis as to why there's a

gap. And the key there is

that

there's a

user facing hypothesis. So this is,

users are not coming back. They're voting with their feet and their behavior that this product is not

sticky and they don't want to

return.

What are the top three reasons why that is

[00:20:00] true?

Harry: How Do you find them out?

Vickie: how do you find out the hypotheses? good question. I think it's

through the feedback

loop into your business. so, it's the

data, it's their actual data. Where are they retaining? Where are they not? What types of users are retaining? What types of users

aren't?

It

could be by geo. It could be by platform. It could be by flow.

Step of the flow. So data is a really good tool here. and then secondly, actual qualitative feedback. When you,

Harry: do you, how, how

Vickie: they will tell you why they're not coming back.

Harry: What was the biggest product mistake that you made and what was your biggest lesson from it? If we think about tactics, hypotheses, I'm just intrigued.

I think we learn a lot from things that don't work out.

Vickie: Yeah,

I think I actually fell into the trap early on, um, when I was at Instagram, um, adopting the mindset of I kind of like failed one of the first tests, I would say, which is to build the product for the customer. Don't build the product and then find a customer for it. we really did just take this big, massive ad platform and try to water it down, for S and B's.

And you're imagining, you have big, deep pocketed advertisers that have millions of dollars, agencies, whole [00:21:00] teams that are working on their ad platform. Your whole job title is to work on Facebook ads on behalf of this advertiser and we're taking this platform and then we're shoving it into the hands of.

A baker who is running, you know, a local bakery and they're baking cakes and, and, you know, Queen Amman's. And then they're trying to figure out this like ad platform

during the day. In what world did we actually think that that would work? I think this was kind of before the awakening or the realization that

Hey, like diluting this

product

for this person is not going to work.

Even if that's the most efficient path, it is not the most

effective path. And I think it took a few cycles to actually break out of the

growth mindset and then break out of the, Hey, let's

take what we

have off the shelf and see

what we can do with

this.

Harry: That's what I find so funny about, like, product market fit in the way that I, I think it's such a challenge statement because product market fit changes with every segment, with Every product that you release, with every pricing, customer. You know for you going to SMB with, you know, the Instagram product, you had to re find product market fit in a new segment.

Vickie: And I think product market fit, I mean, this is

going to sound very meta, you know, it's a, it's a journey,

not a [00:22:00] destination. I mean, I truly

believe that even

growth

stage

companies, you're either, you're Finding product market

fit in a

new area, you're trying to, you're struggling and you're fighting to keep it because of what's

changing in the competitive environment, or you have, you're trying to expand it, um, to different places. And so nobody ever actually gets

and keeps product market fit. It is an ongoing battle, um, or an ongoing journey, that nobody ever really just conquers and

says, okay, I'm done. I've

done that.

Harry: Did you

really just say it's a journey and not

Vickie: not a destination? I really did.

Harry: Oh, no.

Vickie: That's also part of, yes, you know,

Harry: worry,

Vickie: Don't worry,

Harry: we'll put that as the title. Yeah, it'll be great.

yeah,

Vickie: Oh, yes,

Harry: We can do a mountaintop illustration as

well, it's great, Okay, I wanna move into the actual kind of

archetypes themselves. now, Because we've highlighted, if you can believe it,

three. so what are the

three different types of PMF?

Vickie: a lot of PMF content talks about Your product as if it existed in a vacuum.

It's like, how do you get your product in front of the right customer? How do you get your product used? How do you get your product to the retention number? How do you get your product to hit this [00:23:00] benchmark? But what about the market and specifically what about the

customer mindset? So that's

really what this

whole framework is anchored on is.

The product

that you build has to follow from the

mindset that your customer and the relationship that

your customer has

with the

problem that you're solving and how they, how actively

or either actively they're trying to solve it urgently. They're

trying to solve it or how even aware

of

the problem they are.

Really factors into how you build the right product And how you get to

PMF. So that's kind of the core

insight of the framework. and so there

are three basically archetypes of customer mindsets, So the three archetypes, uh, we'll start with the first one, which is hair on fire. I think that's That's pretty self explanatory in terms of a name. But this customer obviously is in the mindset of, help me now. Help me yesterday. I am urgently trying to solve this problem. I'm out there actively comparing my solutions that are available.

I'm, you know, doing feature comparisons I'm also probably inundated. You mentioned earlier, there's millions of data lakes, I'm inundated with messaging that all sounds the same. Um, but I need to solve this problem. So what do I do? the hurdle to

overcome [00:24:00] here mainly is it's a crowded marketplace.

You're not the only person that

has discovered this customer has a

burning need. Somebody else is tackling and maybe multiple people are tackling this problem as well. And so the key hurdle

is really differentiation and

overcoming noise. And we come

full circle. I know we, we touched on That earlier in our

conversation.

but. the nuance here is

not just differentiation in the product, which means that you're actually solving their, you know problem in a way that is

compelling, but also that they

get

the difference because, like we said, there's a million other people trying to sell them something that sounds the same.

I think the true test of this is whether the customer can say in one sentence clearly what is this point of differentiation and whether it is compelling. because, if you still have a gap to that, I think there's still a lot of work to do in a market like this and hair on fire.

Harry: Do

you not find that every founder overemphasizes their customers pain to the problem that they think they have?

Every founder I know is like, oh,

my customers are dying of this pain, and then you speak to customers and they're like, Yeah, It's like, top ten, but not massive. Do they not always overestimate

it?

Vickie: Yes, and I think that's [00:25:00] one of the things that we teach, uh, also in ARC, is ask the terrifying question. You want to believe, right?

We've talked about having a room of believers that is all kind of, you know, moving and rowing in the direction bringing that belief to reality. Sometimes you got to have

somebody that's sanity checking you, right? there's always at least one terrifying question

Harry: What sort of thing is a terrifying question?

Vickie: Is this problem actually that bad? if you got the real

answer to Exactly what you just said, that happens over and over and over again, like this problem

statement of

this is a huge problem, it is

a big deal, it is the most urgent number one problem, budgets are there, and you hear the customer literally tell you the

exact opposite, maybe top ten, it's not that big of a deal.

I think the terrifying question is does this problem actually matter in, in many cases? I think when you

face the terrifying question, you get answers very quickly. and I think on the hair on fire, in the hair on fire path, it is specifically the differentiation point, around, does this problem matter and are you solving it in a compelling way?

Harry: my trouble is like you said before, like, is your customer compelled by your difference, as a clarifying [00:26:00] statement around that. Again, the difference is the really hard part. Product marketing, I think, I think it's actually done really poorly today, again.

I'm going to get in trouble for this. How do you

think about advising founders on standing out in supremely

competitive markets? and what works and what doesn't?

Vickie: I think I would go back

to using their words, not your words. The number of times that I have seen a founder, you know, describe, this is what my product does, this is what it is, this is, you know, the category we're in, this

is, uh, the feature set we have. And then you go and ask

the customer and say, how would you describe this product? And it is completely

orthogonal to the way that the founder either describes it or thinks it exists in the world. for me, it

fits

here. For me, it is This useful for me, this is the

biggest benefit and the, the words just don't align

Harry: Question for you. What do you do when you've got horizontal products? you know, I look at your notions, I look AT& your air tables. . They're not vertically applied to problem statements, and so

it's like very difficult to come up with compelling, catch all statements that you can put on a [00:27:00] billboard.

How do you think about effective horizontal product marketing?

Vickie: I would actually, I would challenge that in that at least Every truly engaged and evangelist customer has a way that they describe Notion and why they think Notion is head and shoulders above the rest. basically, what you have with a horizontal product is you have to collect that data point across a lot of different customer profiles and use cases and pull together a thread of

similarity across those.

But you still have to do the work of understanding how a customer uses that product. Same thing with,

I always use Excel as the example because Excel is,

you know, there's so many different ways that you could use Excel. But it didn't

start as a, hey, here's a spreadsheet, use it for whatever you

want, right? There was somebody that was like a more compelling and deeper use case for that, whether that was, you know, financial analysts or people that really needs to manipulate data, to do their day to day job, you have to actually pull the true value prop and the evangelism out of people that actually see that value prop clearly.

Harry: Challenge accepted. J Haha! That was the most You're like, I'm challenging you. I'm like, [00:28:00] I didn't realise it was a challenge or a duel. how wonderful. Uh, I wanna go to the second, which is hard fact,

What's a hard fact, Vicki?

Vickie: Yeah, a hard fact. I

think I would, love that this comes right after hair on

fire because these people are, you know, please help me now.

Hard fact, customer mindset is literally we use the phrase. it is.

what it is. It's just resignation. It's not the best. Yes, it's a

problem statement, but I

hacked

together something. I'm using something that has existed for 20 years. There's no better way to do it. I've got what I've got.

It is

what it is. this is a hurdle

of not noise and crowded and

competition, but

this is a

hurdle of habit. It's

a hurdle of inertia. It's a hurdle of

people who have just lived their lives this way and they're not. this is,

I think, the most, eye

opening path, I think, for many of the

founders that we

walk,

through this framework

with,

that there is any

other path

outside hair on fire.

Because I think the conventional wisdom is build

something people want. And

so that means

you go out and build a

thing that people urgently are

saying that they

need. which is not what hard fact is. Hard [00:29:00] fact is, somebody has accepted that this is just a hard fact, a hard truth of their life. And you're trying to get them to accept that, no, this, is a hard problem that I have now solved for you

Harry: What do you think is an example of that? It is what it is.

Are

Vickie: I have so many.

So we, so we work with a

lot

of, uh, great marketplace companies. I think marketplaces actually fall into

this, um,

mindset very clearly in that, I need a cab

and if there's no yellow cab on the street, I'm

standing out here for five

minutes.

Can't find a cab.

Guess I have to take the subway or walk. And it's just like, it is what it is. That's just how it

works. Right. And you have something

like Uber come along and say, actually,

there's an, a completely

different source of supply that you have not thought of for getting you from point point a to point B. And that kind of, Jars you out

of?

I have a, I, I

actually started my career in investment banking. and I used to work in downtown San

Francisco and so I would get outta the office at two or 3:00 AM I would call up a

cab

company and I lived, um, not in the city, but I lived like across the bridge in, in Berkeley. And, these cabs would come and show up to the office and then they would see that I'm going over the bridge and they're like, I don't wanna go over the bridge.

And they would just leave me. and I'd have to [00:30:00] call off sometimes two, three, four cabs at two or three in the morning to get one to agree to

take me across the bridge. and that's how I lived my life. And I think that's one of these things

about hard fat companies is why was I living my life that

way?

Harry: they not

inherently so hard? Because you have to fundamentally reprogram human brains around habits.

Vickie: Yes, and it may sound almost like, I think as a founder, Oh, wow, there's not a bunch of competition to elbow out of the space. that sounds great, but no, I mean, I think breaking people's habits could in many cases be way harder than kind of standing out amongst competition.

Harry: Well, and I think there's like the inherently entrenched incumbents, which is, I think too, which is like banking traditionally was always, And phone contracts. It's like, you know, AT& T, it is what It is, They're a pain, the

customer service sucks, but whatever. But AT& T, the infrastructure requirements, the brand, I mean, it's just so entrenched.

Vickie: It's a hard fact. Remember, not just for the customer, but also for potential competitors, And so it's a hard fact for everybody. Everybody has just accepted it both as not a [00:31:00] problem they want to solve and also not as a habit that they want to change. And your job is

to shake them loose of that belief, it has its challenges for sure.

And I think the

two ingredients to really overcoming this habit, one. Once again,

pick a problem that people care

about. If I have a habit in a

space that, you,

know sure, It's, not the best, but I'm not trying to bend

over

backwards to

change my life over this behavior. If you pick a problem that is actually, you know, a

soft fact, I guess, using the hard fact analogy, right?

If it's a

soft

fact and not really a problem, then you're,

you know, dead on arrival. And I think the second one is to

actually have a compelling or

novel enough solution to shake them out of their habit. another example I often use

is Instacart. Prior to COVID, um, I have a, I have two

young kids.

At that time, my son was one year old and I used to before COVID, I would like schlep him to

the grocery store. I was like a first nervous, first time mom. So I would use the shopping cart cover and I have to

bring all the toys and the snacks

and prepare. It was like a whole journey just to get our

groceries for the week. and then because of

COVID, I tried Instacart. I think I have now, I don't know, 350 orders on Instacart [00:32:00] lifetime and is truly a.

Why was I living

my life that way? They broke this habit that

wasn't even, it wasn't great. I didn't

enjoy schlepping him to the grocery store and schlepping all the stuff back, but I thought it was just the way that I

had to live life. and

Instacart

broke me, out of that habit,

Harry: that but I think

also bluntly COVID also broke a lot of habits around consumer patents, which is a really interesting for an investor. Like the why now we always have to ask, and it's like an external event can cause a hard fact to become shakable.

Vickie: The hard to understand whether it's

Harry: The hard thing is to understand whether it's enduring. Like you've seen a lot of e commerce, which has not been enduring.

Vickie: been enduring.

Harry: That's the challenge. I want to move to the third, which is, again, kind of a completely different one.

It's Future Vision. What is Future Vision, and how does that compare?

Vickie: Yes, future vision

is for all the dreamers out there. so future

vision is a place where you have some deep expertise in some

area

that causes you

to see a world that

not everybody

else sees yet. think Elon Musk, think Jensen Huang, You know, [00:33:00] think these, these are the types of

folks that not

only

see

a product

That can change people's lives, but a paradigm that can change people's lives. the thing, you know, we said in the first

path, the hurdle to

overcome was

competition. And the second, the hurdle overcome is

habit.

In the

third, it's actually disbelief. It's, Sure, I'd love flying cars. I'd

love teleportation.

I'd love all kinds of things. Great. Yeah, but i'll

believe it when

I see it. and I think your job

as a founder

in

this path is is mostly validation, to

prove the validity of your vision of the future,

A, like almost literal technical validity. and then secondly, applying that and finding the right stepping stones to Your

ultimate vision.

I like to use

OpenAI as an example here. Their ultimate vision of the future is that AGI exists. And so it's crazy to think that chat GPT and all their GPT models were a

stepping

stone to realizing the vision of

AGI. They found a commercial application that solved problems

that people were compelled by, to adopt

for one use case or another on their way to the actual

ultimate future vision, which actually [00:34:00] hasn't come to fruition yet. And this is something

that, you know, future vision founders. There's one thing about going into a cave for 10 years and emerging and then everybody wants the thing that you have. But there's another thing to actually

prove the hypothesis in

bite sizes, and in

milestones, and

in stepping stones, and finding the right

stepping

stones.

Harry: I

would say 90 percent of The companies that

I see as an investor are

in the first category. which is obviously the Hair on fire.

Is that true for you? And is that reminiscent of how the art portfolio looks?

Vickie: that's interesting. When we

actually look through our

portfolio, I would say it was actually pretty

representative across The different paths, surprisingly enough, hard fact is

really, um, comes through a

lot, I would say, actually, surprisingly so. a lot of

founders find, that's why

I think a lot of founders found it so illuminating because they realized, wait a second, so all this struggle I have with skepticism

and kind of waking

people up to like, you doesn't have to

be this way. It's because I am actually not

on the hair on fire path. And so I think that was the biggest

aha moment I saw from founders that actually were on the hard fact path, [00:35:00] not realizing

that that path existed. so

the portfolio is actually pretty representative, I say, I would say across the paths. One interesting thing I would add

is that I would say both kind of from a founder perspective and also from an investor

perspective, certain investors kind of like really gravitate towards certain paths.

Harry: Oh

yeah, hair on fire, I think is an inherently shit one to be part

Vickie: off. Why do you say

that?

Harry: why? You require a lot

of marketing spend to actually differentiate. That's if you even have great product marketing, which I think is very rare.

You

have incredibly competitive markets and so your retention is generally lower and it's harder to keep them.

also, people forget about the marginal cost of software dev, and if there's hugely competitive markets, they will expect continuous, incredible improvements very frequently. Versus a much more stale market.

where there's not many alternatives. So actually, you your margin really changes because you have to have continuous, amazing software updates, amazing CS. They're

inherently worse businesses. Also, and then also, you've got no pricing. Sorry, I'm just really getting on a high horse. Your pricing

power

Vickie: I mean, [00:36:00] the

Harry: Yeah, the commoditization is real,

Vickie: But don't forget though, that the demand is given, there's pros and cons to each. Like it's kind of like, um, Oh, another thing that I, uh, you know, get, go really deep on the rabbit hole on his personality tests and frameworks, but, but there's not, you know, you say in those that there's not a good one or a bad one, right?

Like there's just pros and cons to each. And the pros here, like you said, you've run into so many founders that say they're solving a problem. That's number 10 on

people's lists. In Hair on Fire, in theory, the demand is clearer, which is why it is Hair on Fire. And then usually in that space that there is actual budget,

there's actual spend, there's people ready to write checks, which the other two paths may not necessarily see such a clear, you know, line towards.

Harry: I

get you, but like, I also, I have a very clear playbook for the deals that we do, which is like, I love huge markets with fuck all competition, no

competition,

Vickie: what are examples of, those? Okay,

Harry: pricing. It prices

the world's

Vickie: to the full circle with the commodities.

Harry: But like, there's like one big player in the world. That's it. And no, no engineers out [00:37:00] of Stripe like commodities. We're going to do commodities. None. and so I look for large markets with no competition.

huge market

Vickie: so to me that reads very hard fact, but how, how do those customers actually view, those problems? Like where would you put them on

Harry: It's kind of a combination of, hair on fire in terms of recognition of problem, but hard fact as well. so it's kind of, because they hate it and they are very aware of the need for change, but they're Like, but no

Vickie: one

is.

but it is.

what it is.

Harry: because no one's building for us. I almost like to build for The unheard,

What do software

engineers not I, I, you

know, bluntly in this I'm getting in trouble here. Like dev tools, what a shit market. Devs like to build their own tools. they don't believe anything you tell them

and So they just are inherently skeptical. they expect insane product. They're very cynical. Uh, the margins are generally quite crap.

The CS is required high.

Vickie: Ugh,

Ha,

Harry: crap, and

so not,

so that's how I feel. but I would say it kind of falls in those [00:38:00] two. but important, sorry, additions. the incumbents in these markets, they need to have terrible

talent brands, terrible talent brands, and they need to

be built on terrible infrastructure. so, many founders that we see are going after like, Shopify, I mean, or Stripe in some way, and I'm like unbundling Stripe and going up against the Colossans seems Like, a really stupid idea.

Vickie: would you believe that we have a framework for this? Uh, we've, we've taught, you know, we talk about,

Harry: there three? Is there

three?

Vickie: no, strangely, it's a number four. Uh, okay. It's the Delta four. And it's really simple. I mean, one of our partners internally just started calling, you know, coined this term, but basically out of a 10 point, you know, scale.

Are you at least four

points better? And I think to your point about unbundling and

taking on the Colossans, if they're an 8 or a 9, are you a

13? Is a very different question than if you are, the port operating system

of 20 years

ago is a

3 out of 10 and you can be a 7. Those are, those are very different kind of, um, beasts to tackle.

Harry: Okay, I've got another worry there. I don't think it [00:39:00] matters if your product is better. anymore.

Vickie: Whoa, hot take, Harry.

Harry: Distribution trumps all. We see so many products today where it's like, I've seen so many unbundled open AI

Vickie: solutions

But are they enduring? Are they enduring? It's because there's a hype, you know, now, and

Harry: no, but they are better products than, so medical transcription as

a market. There are 10 different medical transcription products that are better than Microsoft's But bundled into Microsoft's product suite, selling to large incumbents and enterprises, there's no way that they're going to go with some niche provider, which is 5 percent

better.

Vickie: I

would argue that's exactly the Delta four

test of

like, to your point, it's at 5 percent better. Is it five X better? Because these unbundled ones are not five X

better and therefore there's no reason for me to take on the

cost of unbundling that

suite

managing all the different types of disparate technology when I could just have

all in one here.

Same thing with like Google

Sheets and Google

Docs versus office, you know,

originally I

is definitely not Google spreadsheets are not better than Microsoft Excel, like period from a person that used to come

from

[00:40:00] finance. Um, I know, you know, what the power tool is, and people still in this building still use PC so that they can access Microsoft Excel.

That's how hardcore they are about it. But it was good enough for most of us, right? We didn't need a 5x better spreadsheet, we just needed to do a little quick math, you know, and so how about how much better does it need to be? I believe you. I think we agree, actually. Yeah,

Harry: I, totally agree. There's a magnitude of product difference there completely. How many products do you actually believe are 5X better though? Like honestly.

Vickie: that can happen.

How many products do you actually make with 5X? It probably depends on enterprise

Harry: then I think it probably depends on like enterprise buying cycles

versus

consumer adoption and probably two different magnitudes of product better.

Vickie: working on these frameworks, it's

just like a scaffolding to have

these

conversations, I think, and to think through all

the different nuances, but cause not everybody knows that product market, [00:41:00] there's no one path and there's no one formula, but the way that

we talk about it, I think is, is a little bit one size

fits all

sometimes.

Sometimes. So it's kind of nice to be able to. Identify patterns, but allow

for

nuance, I think And then you're bringing up some really great examples.

Harry: That's what I love about investing, being there's like no right way to invest. Okay, I want to do a quick fire round, so I say a short statement, and you give me your immediate thoughts. Now I have no friends and have probably lost every founder that's building

in dev tools for the rest of my career.

Vickie: for the rest of my

career.

Harry: No, I never

wanted

to meet them anyway.

it's fine. Ha ha ha ha ha. Literally, my team's listening to this and like, oh, Harry.

Vickie: Oh, Harry,

Harry: again, you

okay. first one. What's the most common reason you think founders don't get product

market fit?

Like, one reason.

Vickie: not solving a problem that matters with a solution that's compelling enough. you fail on part A or you fail on part B or you fail on both. I think it's as simple as that actually.

Harry: It's funny.

I sat down at the start of

the year and I said to the team, I want to have a smaller audience. I want us to deliberately get smaller as a media company because I [00:42:00] want to mean more to fewer people.

What's the biggest product marketing mistake you see founders make?

Vickie: I'll go back to, I'll say it again, say it in their words, not yours. Your words, the way that you see your product, you are too close to this thing.

It is not actually how they experience it. And in some cases, like in these markets that you're talking about, like DevTools, you know, where you believe

that you are your own customer because you are also an engineer. Like, I think we just have to break ourselves from that. Like you've got to hear it in their voice.

Harry: What would you say is the biggest mistake founders make when hiring product teams?

Vickie: the thing that I actually warn both founders and product operators against is joining as a product leader too early in a company.

And what I mean by that is there's kind of three layers of product. there's product vision, there's product strategy, and there's

product execution. And when you are very, very early on in a

company, I would hope that at least the first two come from the founding team. some is anchored on the founding team.

and if you're joining to provide one or more of those things.

there's often

some tension basically between what swim lanes people live in. and I've seen that happen where the

founder thinks that, they're ready to give up [00:43:00] product vision or product strategy, and it turns out that that's not actually the case. It's a

difficult conversation to have once you find yourself there.

Harry: Tell me, uh, what other function does product have the most

tension with?

Vickie: Ooh, these are spicy questions, Harry. I think it really depends on the context and it really depends on how willing the other functions are to step out of their own function. I, I believe in a cross functional team. Sure. You know, my job is to do product strategy. Like, I kind of set the stage for why we're solving this problem and what the problem is.

And then maybe an engineer's job is

to figure out. What we're actually going to do to solve the problem and how we're going to

implement that. But we all have a say in all of those voices and rooms. And so I think that the tension usually comes from, that's your lane, this is my lane, stay in your lane, here's the wall, you know, and, and, and I think that's even a bigger macrocosm when you think about product development versus sales or marketing or some of the more business functions.

you stay in your lane, I'll stay in my lane. I think many of the tensions arise there. And are easily, maybe not easily, but they are definitely, you know,

Harry: a friend calls you up, yeah, [00:44:00] and they've got their first day as a new product leader at this new job tomorrow, what advice do you give them going into day one as a new product leader?

Vickie: I would go back to conviction and action.

the first thing you should do is build conviction in

your problem and your customer. So probably meet a bunch of customers, figure out how to get in front of the customer, get absorb all the user research that's been done. What are we doing here? What does success look like?

Who, who is this person? What do they care about? And then the action side. So that's outside the building. I think action is more inside the building. How do things get done here? How do we make decisions? Who has influence? How does the process work? how do I fit into this thing to actually make things happen?

And I think that is, probably the more challenging, job for somebody just dropping into a role for the first time.

Harry: final one, Which product strategy recently have you been most impressed by?

Vickie: Linear is a really interesting one because they took this thing that is normally mostly used by, you know, issue tracking, mostly used by PMs and managers, EMS, and they targeted the engineer instead.

Because those people hate this thing. And I've worked with so many teams, and the [00:45:00] more senior I've gotten in my product career, the more senior

engineers around me have gotten, and the more jaded. Specifically around process, and stand up, and issue tracking, tickets, and things like this. They're like, they want none of it.

And I was in this position where we adopted Linear here at Sequoia with my team. And we actually had another issue tracking tool that we also, you know, had licenses for. Some teams use this, some teams use that. But EPD solely used Linear. And we were being, there was a threat of us consolidating.

You know what? There's more seats open here. Why don't we just take everybody from Linear and move them over here? My team revolted. They wrote a, four page manifesto on why you cannot take Linear from them. and like, literally it was a memo. We actually ended up sharing it with the Linear team. They cared about this so much.

They've been through the trend. These are jaded, big tech survivor type engineers. Like I've seen every issue tracking tool and like I've never actually not

hated one except for this one. And what's really fascinating is

I think from a product strategy

standpoint, most of these issue tracking tools go for PMs first, right? It's like you're the manager, you're the planner, you're planning the development, the roadmap, the

cycle, all this kind of stuff. That's the target [00:46:00] customer and the fact that they kind of flip that a little bit and like went for engineers. And now they're actually now able to expand up and down the stack, up and down the development process.

They are building products for PMs. They are building products for managers now, but they did it now from this core of like, love from engineers rather than hate. I find that super fascinating. I love

Harry: I love that, And I also love Carrie. And so, uh, I, totally agree with you in that respect. Vicky, I love this.

It's been a real discussion, which is always so much fun to have. So thank you so much for putting up with me. And you've been incredible.

Vickie: Thank you so much. Thank you for having me, Harry. this.

is great.

Scarlett 2i2 USB-3: I have to say, I really so enjoyed doing these vertical lad episodes on 20 product, 20 growth and 20 sales. I think there's so many tangible lessons for founders in scaling that businesses there. If you want to see more, you can check us out on YouTube and watch the full video interview by searching for 20 VC.

But before we leave you today,

Scarlett 2i2 USB-5: We're all trying to grow our businesses here. So let's be real for a second. We all know that your website shouldn't be this static asset. It should be a [00:47:00] dynamic part of your strategy that really drives conversions. That's marketing 1 0 1, but here's a number for you.

54% of leaders say web updates take too long. That's over half of you listening right now. And that's where web flow comes in. Their visual first platform allows you to build, launch and manage web experiences fast. That means you can set an ambitious marketing goals and your site can rise to the challenge.

Plus web flow allows your marketing team to scale. Without relying on engineering, freeing your dev team to focus on more fulfilling work. Learn why teams like Dropbox, IDEO and orange theory, trust web flow to achieve their most ambitious goals today@webflow.com.

AirTable: Half of product managers say bad processes and tools are their biggest challenges. That's why more and more companies are turning to Airtable to transform their product operation. As one senior product leader puts it, it's complicated to keep everybody [00:48:00] in the loop and Airtable really helps us stay in the loop.

With Airtable, you'll build the right products grounded in what customers really want. Unify your entire product portfolio and workflows in one place, and ship those products to customers faster than ever. In fact, one global financial services company cut its time to market for new features by half.

Maximize your team's impact too with Airtable. Give it a try for free today at airtable. com slash podcast. That's airtable. com slash podcast to get started.

Pendo: A really simple way to describe Pendo's value is to simply say, get your users to do what you want them to do. What is Pendo? The only all in one product experience platform for any type of application. What are the features that make Pendo so awesome? Pendo's differentiation is in its platform. Every capability from analytics to in app guidance, to session replay, mobile feedback management, and roadmapping are all purpose built to work together.

What is the social validity? 10, 000 [00:49:00] companies use Pendo, and we also manage Mind the Product, the world's largest community of product management professionals. Where do we want to drive people? Give it a try and visit pendo. io slash 20product hyphen podcast to learn how your team can use Pendo to start building better digital experiences.

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Scarlett 2i2 USB-1: To check it out. Simply head over to pendo.io forward slash 20 product hyphen podcast. That's two zero product hyphen podcast.

Scarlett 2i2 USB-2: As always, I so appreciate all your support and stay tuned for an incredible episode. This coming Friday with the founder of fresh works, one of India's most successful companies of the last decade.