mutiny

surviving as a start-up in the new economy

mutiny

Interview Transcript

Mark Joyner, Founder & CEO, Simpleology

Interviews

Jonathan Kay, Founder & COO, Apptopia

PART ONE: MUTINY INTERVIEW

MARK JOYNER: Okay, Mutineers, this is Mark Joyner and
                   I've got a really awesome guy. We kind of
                   had this instant connection when we started
                   talking to each other over the phone because
                   he's got this really great attitude. He's
                   really bubbly, energetic, he just goes out
                   and makes things happen. Super young guy.
                   Jonathan Kay was the Ambassador of Buzz for
                   Grasshopper. He is the guy responsible for
                   turning that into one of the largest phone-
                   answering companies in the world. And now,
                   he's in this new start-up called Apptopia.
                   It's one of the most innovative and
                   interesting ideas and I think necessary
                   ideas I've seen in a long time. And
                   basically, he gets a guy who's got an app
                   and he links them up with people who want to
                   buy that app. That's something that needed
                   to happen a long time ago. Here's the guy
                   that did make it happen. Jonathan, thank
                   you so much for hanging out with us today.

JONATHAN KAY: My pleasure, man. I mean, we had fun in the
                   15-minute phone conversation so I think this
                   will be a lot more fun.

MARK: I think so, too. I think so, too. So let me
                   just ask... how old are you again?

JONATHAN: I'm 26.

MARK: Twenty-six. And you've already done this much.
                   I'm blown away. I'm pretty curious to see what
                   you're going to do in the next 25 years of your
                   life.

JONATHAN: (laughs) Well, listen, hopefully, the success...
                   [inaudible] those 25 years will be fun.
                   Somewhere exotic.

MARK: I hope so. I hope so. So how... let's just dive
                   right into it. So how's Apptopia doing right
                   now? Are there any metrics you can share with

us, like financial numbers, traffic, anything that's relevant?

JONATHAN: Yeah, well, I'm telling you, this is like... I couldn't have planned it literally any better. We just put a $25,000 transaction into our site, not like 15 minutes ago. Literally 15 minutes ago. And it was completely organic and it was one of the biggest acquisitions that we've done without any human being involved. They found our site, they did the research. The developer and the buyer talked out their questions, and they made the acquisition. So I'm happy to share more. If that's not an unbelievable indicator, it's like, I'd shout, "What other business right now is getting people to spend organically $25,000 on their website?" Right? I don't know, right? Outside of that, we've sold hundreds and hundreds and hundreds of thousands of dollars of apps. In our first couple of months, I think we've sold, I think this puts us at about 90 acquisitions and we've only been around for five months. And it's a brand new marketplace. So traction is actually really good and it's moving in the right direction. I mean, we're selling eight to ten apps a week at this point and as you can see, the values are increasing.

MARK: That's pretty extraordinary, man. And I mean, just in six months. So where did the idea for this come? Is this something that just kind of came to you? Is it one of your team members? How'd that go?

JONATHAN: No, I'm not the idea guy, man. I'm the... I'm the... I'm the hustler. I'm the operations guy. I run... You know, I make it all tick, I make all the... I infuse the energy and what-not. My business partner, Eli... it comes from two places. One, I think there's a sense of logic around the idea. It's not like a brilliant idea. We didn't need to go to MIT to come up with it because in all sorts of places, there's a second market when the first market gets saturated. You talk about domains, enter Sedo. You talk about websites, enter Flippa. Right? You talk

about... I mean, Amazon and eBay took the entire consumer market that was oversaturated and now they just own it. So this idea's been happening. We just knew that it hadn't happened yet in the app world and we're educated and I guess crazy enough to kind of be the guys who did it.

More of a story format would be my partner, back in 2009 when there was 5... 10,000 apps, versus 1.5 million, the iPhone 3 launched. And every time an iPhone launches, there's a crazy opportunity 'cause they launch new functionality that allows developers to build new apps. And if you're the first of any type of app, you get a certain rank, you get a certain level of traction and ratings and reviews, and you can maintain a lot of really serious volumes of downloads. So he launched an app called GPush and so in the iPhone 3, this is when push notifications launched. So he essentially built an app that sent push notifications for GMail. He just built it before Google did and sold millions and millions and millions of copies in five, six months, and was making a good amount of money.

And one day, he's just like, "I don't want to maintain the service anymore. I don't want to do this anymore. This isn't fun for me. I have all these other ideas. But I don't know what to do. I don't know what my app's valued at, I don't know where to go, how do I find a buyer? Am I going to tweet about it, am I going to blog about it? Where does someone even go to have that happen?" It's most app acquisitions that you hear about... you just get lucky. The phone just rings, right? And so he was kind of tied to this, he almost had to ride it until it got to zero because there was no exit strategy. There was no modernization. He didn't even understand the value of what he had and that just doesn't make sense because in the business world... the app world is not much different than the business world. And in the business world, acquisitions are a major part of it. And so, why not also in the app world, right? And so I think, I guess, being a little bit crazy, a little bit attentive and observing the marketplace, and seeing the

acquisition of Chomp and Eli's experience with GPush, it led us to realize that we wanted to be the first to market with this type of idea.

MARK: That's an amazing story. How did you guys vet it? I mean, did you guys just decide yourselves? You know, "We did the market research and we decided it was okay." Or did you have to get a nod from somebody outside, something like that, to kind of let you know that you should indeed move forward?

JONATHAN: I got to to tell you, man, the vetting is my favorite part of the story. And maybe I'm biased because this is part of my value add, but this was really fun. So essentially what we did was we raised like $100k. We raised $100k while I was still working at Grasshopper, we raised $100k from people that knew that Eli and I were the types of people that if you invest in over and over again, eventually we will make you more money than we wish, right? We gave away a good percentage of the company just to start with $100k because inherently, Apptopia is actually a very, very technical product. We're screen-scraping a lot of data, we're dealing with a lot of data and a lot of screen-scraping. And these app sources don't have open APIs, right? It's not like... this isn't common practice. So we probably built for three or four months and it wasn't even clear exactly how to build. We probably lost four to six weeks, Mark, in just R&D, right? Which is sad and expensive.

So what I did was, is I had a really good network from Grasshopper, okay? So let's say I had 75 people who respected me from Grasshopper. I literally called every single one of them. I told them exactly what I was doing, exactly who I needed to talk to, and I asked every single one of them if they could just introduce me to three people who they thought were relevant in mobile. Three people who were involved in mobile or who they thought knew an app developer. And every single week for about six to 12 weeks, I had 40 to 50 phone calls a week, everyone I talked to I said, "Listen. I will do anything I can to

personally help you. I just need you to introduce me to an app developer. I need you to introduce me to someone in mobile." So from the first 75 people I talked to, they didn't know anyone. They knew someone who kind of did this. Then the next 100 people I talked to, they weren't developers but they knew app developers. And by the third or the fourth week, I was talking to app developers. And then app developers referred me to other app developers, right? And so I built up a network of a couple hundred app developers. You talk about the idea, you talk about the idea, you hear how people respond. Then we did the controversial approach of... and you and I talked about this, man. It's like, don't hide your idea. Don't not talk about your idea. Your idea is not that unique. You need to be the one who thinks that they can do it best. And so we got featured on TechCrunch in January. And our product launched in April. So we got featured in TechCrunch three months before our product even launched, okay? So between the network that I had built up and getting featured on TechCrunch, I was able to build enough traffic that I actually started brokering applications offline.

I put up a WordPress website with a password and put up a list of all the applications. And whenever someone emailed me saying they wanted to buy an app, I got on the phone with them, I walked them through the application, and I tried to sell it. Just like an old-school investment banker would. You do this for enough months, and you get enough pro-active emails and enough conversations, and you're like... Wow. Seventy-five guys in serious organizations with serious budgets emailed me after the Tech Crunch article, wanting to buy apps... that's pretty legit, right? Keep building. Keep pushing forward. And that's kind of the short end of the story.

MARK: Some pretty amazing hustle you put in there, man. That's great. I mean, that tells people it's so important to just get out there and believe in yourself and push the idea out. You just exemplify that. You don't hold anything back.

So, how did you guys finally actually really formally make the leap? Did you guys fund yourselves, did you get funding? Did you say, "Screw it, let's do it," and figure out how to do it all later? What was that initial impetus to finally make the leap from, "All right, it's just an idea and now we're really serious?"

JONATHAN: So it was probably my partner who took me me out to dinner... and he will never let me live this down... probably eight times. The amount of scotches he had to buy me before I actually told him, "You pitched me on 60, 70 different ideas." And eventually, he pitched me on this basic idea of a second market. And I was like, "This is good." Right? And then we went out again and we talked about it again, right? And we did a little bit of research if anyone else was doing this. No, no one's really doing this. We talked to a couple investors we know, just to get feedback. And then, you know what, man? It's really simple. It's just like, we pretty much... we're just like, "It would be more fun to do this than not to do this." We were worried about our bottom line. We knew that we were the type of hustlers that would, at the end of the day, if this fails miserably, we could get jobs. We just work harder. We care more than most people. So our bottom line was not so low. We weren't about paying rent. And we were just like, "You know what? It would just be more fun to do this and go down fighting than not." And you have to have that certain level of risk averse... you have to be risk averse. You have to enjoy the gamble a little bit. Otherwise, you won't enjoy this feeling every day that you have, you know?

And so we raised $100k from some real estate investors actually in New York who were looking to get involved in tech start-ups. And so we were kind of both taking a chance on each other. And then we built the product. It took us four months to build the product and that's kind of when, that four months when I was just selling apps offline, vetting things out, you know?

MARK: That quote, by the way, "It'd be more fun to do it than not to do it." That's fantastic. I think you guys are working with Mark Cuban now, right? Didn't he dump some money in?

JONATHAN: Yeah, man. He put in half a million dollars and that was a good one to check off the life resume. Just man to man, he's an idol. He's definitely an idol for me, both as a sports fan and as an entrepreneur. So that was a big one. Essentially we got to Mark because I kind of been one of the founding marketers for Chargify, which was a recurring billing system that launched in 2009, and I hustled really hard and helped them get a lot of traction. He actually invested in Chargify, and so I'm very close with the CEO of Chargify. So he made an introduction. When you pitch to people like Mark Cuban, you get all these emails, right? His email is publicly available, so he gets a lot of email. It's a two-sentence pitch. It's like, "We're building a second market for mobile apps." I have to tell you, man, I have his email saved in my phone. And he's just like, "I fucking love it. Tell me more." And we're just like, "Great!" And so idea and the connection got us in the door and got us to more. And then essentially, we were able to convince him that, hey, we were the right people to do it. And being that the idea was binary enough that it was either going to be really, really massive and really, really game-changing, or just fail. When you have $2.1 billion, you don't want something that turns a million-dollar profit. These lifestyle businesses, that's not what you want when you have two billion dollars. You want to be part of the big thing or you don't. And so he really liked the fact that what we were doing was going to go one way or the other.

MARK: So if you're ever feeling blue, you just pick that up and look at that email from Mark Cuban.

JONATHAN: I hold that true to my heart, man. I love that, I love that.

MARK: Do you guys get to work with him much at all? Or
                 did he just kind of dump the money and then said,
                 "You guys go?"

JONATHAN: It's really crazy, actually. I got to tell you.
                 I mean, face to face, we don't really work with
                 him. We don't even really get on the phone with
                 him. It's just like his personal preference in
                 terms of communication. But, I got to tell you,
                 he emails us all the time. Multiple times, we
                 get emails from him, introducing us to people who
                 want to sell their apps. And I'm like, "Mark,
                 how do you have time to be making these
                 introductions for us?" You know what I mean?
                 Every once in a while, he'll send us a mobile
                 investment and be like, "What do you guys think
                 of this company?" 'Cause he knows that we're
                 really in that foothold, we're in that industry.
                 So he's actually way more involved than I
                 thought.

                 And I got to tell you. The coolest thing
                 happened the other day. He was being interviewed
                 on CNBC and he pretty much listed us as one of
                 his top three investments, the ones that he was
                 excited about. And I'm sure [there're] the ones
                 that are doing better and making more money, but
                 I just think he honestly really likes the idea.
                 I just think he really believes in the idea
                 through and through.

MARK: Probably. I mean, I think it's the idea *and* the
                 enthusiasm that you guys put into it.

                 If you talk to Warren Buffett, he's all about the
                 people that he invests in. He'll go out and look
                 who are the people behind this because at the end
                 of the day, that's what's going to make it happen
                 and it's clear that you guys just have crazy
                 hustle.

                 When you guys got started out, did you start
                 working out of your homes? Did you set up an
                 office right away? How did that look?

JONATHAN: Pretty much we found friends in the venture
                 capital community that had way too big of an

office and just let us, for pretty much nothing, for advisor equity, to let us work out of their office for three to six months.

We currently work in Dogpatch Labs, which is a Polaris Ventures-sponsored start-up community. And I'm happy to say that I think in the next couple weeks, we'll actually be moving into our own... our own office, man! So I'm ecstatic... ecstatic about that. I got to tell you, man. Office space is actually a really interesting decision. I ended up reading... you know Joel [Spolasky] on Software? I'm going to pronounce his last name wrong, so I'm not even going to try... I'm going to stop. I'm going to stop making a fool of myself. He's brilliant. You hear him talk about office space. You can't even hire good talent if you bring them into a place that they don't feel they can focus. And office space... we were looking at it. You know, we can hire an entire another person if we don't pay for office space. But then you start to look at the productivity of your team and you realize that that money actually allows your current team to get more done. We really started to realize that recently and so we're taking the leap.

MARK: Right on. I know who you're talking about. I can't pronounce his name neither but... (laughs) Fantastic books. Fantastic books.

JONATHAN: No, he's a smart guy. Very a smart guy.

MARK: Really smart guy.

So one thing that happens to a lot of people in the start-up phase is that they get some really bad advice, or they hook up with a consultant that kind of takes them down the golden path and then they realize, you know, you've just spent all your money and got nothing out of it.

Without getting into specifics, of course, but do you have any horror stories about that that you can share with folks so that they can hear that and be a little bit aware that they need to look out for that kind of thing?

JONATHAN: So is this horror story specifically around advice or something that someone said?

MARK: Advice or even just an experience with a consultant where the consultant, you know, had you spend a little too much money on something. Anything along those lines that folks can learn about so that they can be aware that they need to avoid that.

JONATHAN: You don't need to hire a consultant who's going to promise things to you in order to have that. It's like those bad ideas come from within. You know what I mean? Most of the stories that I can think of are me or my partner just convinced each other that this was a good idea, right? Or one of your employees gets... Okay, okay, I actually have a really good story for you.

             So essentially, you hire employees, right? And it's a really interesting balance between wanting your employees to... you are so passionate about an idea, I want you to feel the freedom to go try that idea, and feel you can mess up and you're not going to lose your job, you might just have to work a lot harder to make up for the time and money you lost in messing up, right? But it's not like, you shouldn't feel in your quarterly review, make mistakes. I'm okay with that. So we had an employee that we hired who's really, really passionate about an idea. And we were almost too scared to say no to the idea, although we felt it wasn't going to be a good idea, because it was so important that this employee knew that they had the freedom to do what they want, right? That was so important to me as a person, as an entrepreneur. And I made a bad mistake because we ended up wasting five or six thousand dollars in four weeks on a project that I really pretty much knew... it was an unnecessary gamble. It's like, "Let's create a viral video! We're going to do really well!" And, you know what I mean? You know that that's bull shit but I got stuck because I wanted to support the employee more than I was thinking

about the right business decision. And I ended up losing time and money, and it was really bad.

MARK: I've done exactly the same thing. In fact, I even named one of our websites that we had based on an employee who was really in love with this idea. It was a horrible name and I knew it. And I didn't have the heart to just tell him. And I think he just kind of got it figure out. It's like, look, it's great to be respectful to your employees, but that does not mean doing stupid stuff, you know? That's a challenge. I don't have an easy answer for that. But I think that's really good that you bring that up, because folks need to be aware of it.

Let's talk a little bit more about your launch. So that sounds like in the beginning, you started networking out. Is that basically how you did it, just through networking to people and getting apps in? Or was there more to it for the actual initial launch impetus?

JONATHAN: Yes, so there's two things, right? I think the first thing is you got to build the demand and the market before you launch, right? Because you hear people say this, but it's the goddamn truth, man. When you push the on button, nothing happens. Nothing happens. Literally nothing happens. I don't know how else to harp that. You have to make it happen. So don't expect things to happen on launch. Make it happen *before* launch and just open it and show the world on launch day. That's all that it is. You're just pulling up the blinds. You're not building the house on launch day, you know what I mean? So yes, we built the network completely offline and so when I launched, a hundred-fifty apps to sell. Especially for a marketplace. I'm not selling a product, I'm not selling a fast product. It's not a blog. Why the hell would TechCrunch ever write about me and drive all their users to a website where there's nothing that they can look at and the only way they can use it is if there happened to be a developer who happens to want to sell their app? No, people need to visualize that. And so I think it's a

combination of one, build it beforehand, right? And if you can't build it before you launch your website, you need to have a whole different conversation with yourself because obviously you can't build it as big as the website, but you can build anything offline. You can build any online business offline. And you can prove it out and take it online on launch day.

The second thing is you got to build height, man, right? You have to build height, you have to do PR. That comes from my background. I'm not saying hire a PR firm. I personally don't believe in that. But I'm saying you got to drive eyes. We had more visitors on our website in the first month when we were doing nothing right than we did in the next four months, almost combined. And it's because we just focused on finding an interesting angle and pulling in favors and getting a lot of press and posting things in developer forums and just seeding the message, creating the hype. If you and ten friends were to go in the middle of Times Square... or not Times Square, like Central Park, you could probably be loud enough and do enough chaotic things that you could get the people around you to look at you and be like, "What are you doing?" How do you do that on your launch on the Internet?

MARK: Awesome. A lot of people, this was back in the early days of the web... I wrote this article saying, "The field of dreams is not the Internet. If you build it, they will come. It doesn't work that way. If you build it, nobody gives a damn. You got to go out there and you got to drive... you got to hustle." So how did you guys react to that immediate launch? It sounded like you seeded it pretty well and you got a pretty good kick in the first week or two there.

JONATHAN: Yes. So it was interesting, man. You know when you launch your business, right? And it's your first business, you're like... I've never learned as much as I know now. We just launched this business... these five months changed my life. Six months later, I must've been the stupidest

person ever in April. Now, I understand, you know what I mean? I feel like I've not had a second version of what happened to me five or six months ago 'cause when we launched, what we had is we had the most unique problem in the world. A problem everyone would never have guessed that we had. It's that we had more buyers than sellers. I actually had more money than I had people to take the money. I'm like, "What? Who ever thinks that that's going to be the problem?" Because I started this business under the hypothesis that if there's money somewhere, you can just get people to come. People will just come if there's money, you know what I mean? That wasn't the case because [there're] so many people trying to get into mobile that we had so much money and that what we almost started doing, that was a mistake, is we almost created like an account management, right? So I just took each person who had... "Okay, Jonathan, we have $20,000 and this is what we need." "We have $30,000 and this is what we need." I was like, "Great! Let me just go get that for you. Whatever you want, I'll just go find it and I'll get it." And because the mentality was if you have money, I'm just going to freaking find a way to take it, right? I'm going to find a way to just figure out what you want and go get it for you and do it all manually. And that was good and what it allowed us to do was it allowed me to sell $25,000 of apps the first month, $50,000 the second month, just over $100,000 in the third month, right? And then you look up on the morning of the fourth month, and you're like, "How many organic sales have I been having?" I've been trying to force these manual sales so much to the point to prove to everyone that I have traction that I forgot that at the end of the day, this isn't a lifestyle business. I'm not trying to sell $100,000 in apps a month, right? I'm trying to sell millions of dollars of apps every single month. You need to create an organic funnel. And so I literally took a step back. You'll actually notice that our sales dipped. And it's hard as an entrepreneur, especially an entrepreneur with my personality and, from what I gather, your personality to have

any period of time where you're not selling. But I had to really look back and be like, "No." You have to now focus on a product. You have to focus on automation. You have to focus on getting people and provide the type of education that makes people comfortable and makes people act without you needing to be involved.

MARK: Those are pretty profoundly important observations 'cause they're both important, right? I think you need to have that organic activity happening in the business. Obviously with one like yours, it's a marketplace, but if it's not happening, you got to jump in and you kind of give it a bit of the old... what do they call that? Defibrillator, you know? You got to bring them back to life. It's actually an apt metaphor. An energetic charge you got to kind of put into it.

So if you look back at the launch now, you're a changed person you said, right? Is there anything that you would do differently, looking back?

JONATHAN: Yes. (laughs) This is the stupidest thing that we ever did. Well, this is not the stupidest thing that we ever did but... so assuming you have investors. Investors don't know what's going on on a day-to-day basis, okay? They can be entrepreneurs themselves. They can be 19,000 times smarter than you, understand your industry better than you, know how to start your company better than you. But they don't sit in your office every day. They just don't understand the second-by-second things that go on. So oftentimes, either via investors, via people in the media, even as yourselves, people can push you to launch too soon and I'm a firm believer in launch a half-baked product. Launch a half-baked product. Do not make things perfect because you're probably making something perfect that no one even loves realistically, right? So launch right away, launch on [inaudible]. I believe that's my core. However, launch with a way to accept the money.

So one of the things that we didn't do day one was we didn't even have a way to accept credit cards. We were like, "You know what, auctions are three weeks. By the time someone starts an auction that means we'll have three weeks from launch date to implement credit card. Worst case scenario, what happens? Someone wants to give us money, we'll find a way to take it." Holy shit, man. This created a world of problems that I would never wish on anyone. So my advice would be if you're going to launch a product, launch it minimal, launch it half-baked, but always be able to take money from day one. Because your business is there to make money. You can tell as many Instagram bullshit stories as you want to possibly tell, Facebook stories... you're a business who makes money. You take money, you will have an easier time getting more customers, you'll have an easier time getting more investors, you'll have an easier time getting written up in the press. Take money day one. That would be my biggest lesson learned.

MARK: I guess a pretty important lesson 'cause, you know, that money's not rolling in. Hey, I'll tell you what. You guys did it, you know what I mean? And we all make stupid mistakes in this process. And it's the guys who have the guts to go ahead and do it anyway and roll forward regardless of that, you know? Hey, it's past, you know? And it's going to keep happening, we're going to keep making stupid mistakes, too.

                  What would you have an abundance of and what were you lacking when you were in the start phase?

JONATHAN: Oh, man. We had abundance of ideas and... I don't mean other start-up ideas. I mean, you talk about building a second market for apps... it's my biggest challenge is my business partner. It's just getting him to stop coming up with other ways that we make money. We have a board right now in our office that is literally filled with 15 to 20 different ways that we make money through Apptopia. Especially when you're starting off. Now it's okay. But when you're starting off, you got to be straight line, über-

focused. Because any focus... you're going to
end up building a confusing product. Do you do
this or do you do that?

So we had a lot of ideas and we had a lot of good
contacts, a lot of good marketing ideas. And we
didn't have a lot of technical talent. And I
wished that we had more technical talent. We
started a business without a technical co-founder
and it's one of the reasons why we had to raise
money upfront to have the product built and that
was hard. It's really, really hard outsourcing
the initial build of your product. It's very
hard. We are in a great spot now. It worked.
It absolutely worked. But there was a lot of
agony of having two founders that didn't have
overlapping skill sets, but weren't completely
different. My partner started off doing
requirements and product management, and I
started on the marketing and the sales. But we
could've flip-flopped, but neither of us was
really good at product management, you know what
I mean? We were putting ourselves in roles out
of necessity, not out of optimization. So that
was something I wish we had more of.

MARK: But it proves that you can actually do it without
                 that. And it's kind of cool. I mean, your
                 marketplace kind of ties into that, right? I
                 mean, you can go out and you can hire developers
                 to do things. You can buy stuff from developers
                 and it can work. I think that's really
                 wonderful. You got to be careful about a lot of
                 stuff but it is doable.

                 So did you guys end up pivoting at all? Did you
                 find you needed additional funding? What
                 happened afterwards? After the launch?

JONATHAN: Yes. Well, you know, [inaudible] we're going
                 through right now. And I think pivot might
                 actually be the wrong word because when I think
                 pivot, I actually think a bigger change, more of
                 a change. Essentially, what we realized... we
                 were the eBay for apps! We're eBay for apps,
                 this is awesome! And we realized not even a
                 little bit, not even a little bit like eBay for

apps, right? And what we realized really, really
quickly is that an auction model, bidding on apps
and having a time frame, is completely the wrong
way to acquire apps. Not only is it the wrong
way, it's just not what people want.

If people come to our site and say, "Why don't I
see a lot of bids?" And it wasn't because we
weren't doing a lot of transactions. We were
doing *a lot* of transactions. What was happening
is... and we were just reading the messages that
people were having, kind of being a fly on the
wall during these conversations. And every time
there was like, "Listen, man, I'm going to pay
you this for this app. It's the most I can pay."
And they're like, "Dude, I can't sell it for less
than $4,000." And he's like, "Okay, I'll do
$3,800 and I'll do 5 hours of bug fixes." And
he's like, "Great." And then he goes to his
listing, changes his listing to $3,800, and the
guy buys it. And so we realized it's a
negotiation. It's a negotiation, it's not an
auction. And we were just like... the timing,
the timing will urge people to bid and it will
urge people to buy. And it didn't. It didn't
require action at all. So what we're changing
to, and this is happening over the next couple
weeks, we've been planning for it, is we're
searching for a catalog model. So instead of an
auction-based model and being able to bid, you'll
be able to make offers and you'll be able to have
this private back-and-forth, offer-counter offer
negotiation within Apptopia because that's really
how it works. And what we realized is that an
app listed on our site... we had three apps that
listed day one, and they sold on their fourth
month of being listed on our site. And it wasn't
'cause they were good apps or bad apps. It's
because a lot of apps, they have specific buyers.
Because you either have another app that's
perfect to cross-promote with this app, or you
have a portfolio that this works well for, or you
have contacts in the education space, those
really niche buyers for niche apps. And by
putting a time-based model on it, I have people
emailing me. They were like, "My app didn't sell
in three weeks. I'm done." And I'm like, "Dude,

you think you're just going to make $5,000 immediately?" You know what I mean? It didn't make sense. So we learned, really from just observing trends and listening to these guys that auction's wrong and it's really more like a catalog and negotiation model.

MARK: You know, that's a very counter-intuitive observation, but it's one that you can only make from the experience. But it makes sense, right? Because there are going to be so many different apps out there in the marketplace. It's not like you're going to have a hundred people vying for the same app... well, a hundred serious people, right? You're really going to have maybe two or three serious people. And you got to kind of let that guy sort of manage that process on his own. Is that about right?

JONATHAN: No, no. I mean, it's exactly right and it's just... people want the reserve price hidden and it's just like bidding. It's just didn't work, you know what I mean? Because honestly, the reason we did bidding was because that's what marketplaces are, right? Like eBay, you bid for things. Everyone read on TechCrunch that an app got posted on eBay and 20 people bid on it. It's just... it's not real life. It's just not... it works for other models. It works when you know exactly what the value of what you're dealing with is. This is a ticket to a Celtics game. I know that I'll pay $100 for it, so I'm willing to bid anywhere between $50 to $100. That works, because it something that you understand and there's an accepted value to it. But the value... we're talking about intellectual property rights. It's so... it's just so not clear. It's not matter of fact in that regard that it just wasn't the right model.

MARK: I think this really underscores the importance of all these movements and agile, not just in software development but in business, you know? I mean, you can't know what's going to happen until you're out there and you got to be willing and able to adapt to that and change. And I think a lot of people come in with their idea and

they're married to it and they got this romantic notion that they have to fight that idea with their last breath. It's like, "No, if it [isn't] working, you got some things that are still good in your business. You've got a team. You've got funding. You've got whatever you have going on, completely okay to adjust and take what you've got that's good."

When we had our first conversation, you had some really interesting ideas you were talking about… about how you get the word out about things. So, can you talk about how you've been keeping the momentum going post-launch? Are there specific practices that you have?

JONATHAN: Yes. So I guess it's just important to note that we're talking about app developers and one of the very unique areas with app developers is there are 400,000 worldwide. And yes, 400,000 is a large number if you're dealing with bottles of wine. But at the end of the day, 400,000 is super small. It's a super, super small target audience. And so what we realize is that referrals are so huge in the development community and especially today... what you happen to have is that everyone and their mother trying to get something from app developers. Everyone is trying to get something from app developers. And so it's become so salesy and so spammy and everyone can build a tool that scrapes email addresses from Android and just blast these guys, right? So the second that you don't do that and that you start having organic conversations and read it, you start answering questions on quora, you're an iPhone [inaudible]... you're answering questions and you're helping people and you're offering to value people's apps for them just because it's something that you understand and they don't. And you're not selling to them. You start to get this organic interest around what you're doing. One of the coolest things that happened is that... it was like a Google group for iPhone development, and someone was just saying, "Guys, I don't know... what do I do? I need some money for my last year of college. How do I get money for this app?" And someone was

like, "You should check out Apptopia." And it's
so simple. It's a classic word-of-mouth case.
But for me this was such validation. You just
make people aware of what you're doing in an
organic way. And then when they have the
opportunity... as long as they trust you and they
think that you're a genuine person, when they
have the opportunity to tell someone else about
that, they will. And then at that point, you
just have to create a good website that when
someone gets there, optimizes and gets into the
right places, provides enough content and enough
education that they stay there, that they feel
comfortable either giving you their developer
credentials or giving you their credit card
information.

But other than that, it's just like seeding your
idea in a very non-sales-y way in your community.
For us, that was forums... it was a lot of tech
media. And what we realized is that the more
that we sold for our developers apps, the more
that they organically went into the communities
themselves and talked about it. Because what's
cool about this is... here's your listing page.
You want to sell your app? You should probably
promote it. And so that definitely helped and
again the more... the better we did at our job,
the more people talked about us. So it just
motivated our team to do better 'cause by doing
better, it compounded.

MARK: Interesting. So you'd bring a developer in,
                 you'd get them into the system. They've got a
                 page that they can use to promote stuff. Then
                 you'd go in to forums where people are talking
                 about stuff and you would sort of push individual
                 apps? Would you just come in and say, "I'm
                 Jonathan Kay, and we actually have an app over
                 here." What would that conversation actually
                 look like in the forums?

JONATHAN: I'm so happy you asked because I would never do
                 that. What you just said is selling the product,
                 right? And especially to developers. If you go
                 to a forum and you @ symbol the forum, the
                 developers [are] like, "This isn't Twitter. You

don't use an @ symbol." So that's not... this is their vibe, and that is awesome, and I love that. I really do. I've embraced it. It's just you got to understand where you're getting into. And so the conversation would be, "Hey, guys, this app is now available for acquisition." "You can buy the ownership of this app. Do you think it's priced correctly? Do you think this app is actually worth $20,000?" And that might be controversial, but people will be like, "No fucking way that's worth $20,000. I could build that for $7,000. Why would this guy do this? He has bad design." And they start to get into a conversation. And so it's being a little bit controversial and it's just asking opinion. Asking a question. And obviously if someone clicks on it and they go to Apptopia, they're going to learn about your brand. You don't have to actually say that. Keep it in your back pocket.

MARK: I'm really glad you said that, man, 'cause I was kind of silent and hoping in the back of my head, "I hope he's not going in there and spamming the forums."

JONATHAN: It doesn't work.

MARK: It absolutely does not work and it's actually counter-productive. But you get that. And I think that the way you framed it is really beautiful. You're going in and you're asking relevant questions. And I think it has to be an organic genuine question. What is a real problem you're having on that page? Is there a genuine difference of opinion that you have? Or something that you could genuinely use help on? Is that the sort of approach that you use?

JONATHAN: Yes. Let me just tell you one quick story 'cause I think this is cool.

MARK: Please.

JONATHAN: I hired this guy called Jerry who I've known for a couple years. He's 24, I think. Just a hustler, you know what I mean? Hustler in

training. Really, really good kid. I hired him to run an acquisitions team. So to interface with developers and make sure, outside of all of my motives to make money, that he just takes care of developers. He just helps them with anything that they need. That's his job.

In the first month that he got hired, he went in a LinkedIn group for iOS development and he said, "Guys, I just got this new job at Apptopia. Here's what the company does." Full disclosure. He's like, "I'm just curious as I'm starting this career. Is this something that people even know? Is this something that people are even interested in? Did I get into the right job that you guys even care about?" And it was so real and genuine and innocent that it started this whole big conversation. And we probably got 15 or 20 apps that came from this, and it wasn't even his intent. And it's so awesome that it came from that, but it just goes to show [that] you can replicate that organically. Does that makes sense? I just think that's a really interesting example.

MARK: It makes perfect sense. And, I mean, something that I do... let's talk here in a minute about social media.   I am pretty active on my Facebook page. And in fact, I've got a fan page... I haven't really pushed them out. I've got about 5,000 friends, 1,000 subscribers, and 5,000 on the fan page. I want to merge the fan page over to my personal page because I don't like this idea of a fan page anymore, you know what I mean? These are other human beings on the end of that computer that I'm talking to and it's my personal page. So I talk about all kinds of controversial stuff. I'll talk about my political views, I'll talk about this, talk about that. I don't care because I want to connect with people on a human level and when it's time for me to talk about something about business, it's something I'm passionately doing as part of my business and I'll share that. And sometimes people care, sometimes they don't care. But people listen because they know I'm not going to bullshit them. And you find that's true too? You have to really

push yourself to make sure that it's an organic conversation?

JONATHAN: A little bit. You know, it's a personality thing. I know you well enough to this point that I know you're saying that not because you necessarily think that's the best thing for your business, but it's because it's who you are, man, it's what you want. I don't want to fucking go on a fan page. I don't want to have a business hat and a personal hat. When someone asks a question about Apptopia, sometimes I'll just answer from my personal account and it's not for a strategic reason. It's because this is who I am. This is who you are. We're real people. We happen to build a brand because people believe in the same things that we believe in, but it doesn't mean that we need to change that. I think it's just being who we are and I think that's why people like us, right? So why necessarily change that?

MARK: I think that's the trend that things are moving toward and it used to be that you got a business persona and you got to sanitize things. It's like... I think Richard Branson said it beautifully. He said, "There is no work life and *life* life. It's all life. And if your life is any other way, that's a pretty miserable life." I would hate to wake up in the morning and go, "Oh, God, I got to go spend eight hours in my crappy life so I could go do my happy life over here." I think it fits.

On social media, do you guys use social media? I know you're doing forums, but have you done it on Facebook and other places as well?

JONATHAN: Facebook's kind of a funny one. For the first five months of our website, we had a Facebook link on our website. If you clicked it, a pop-up came up and said, "We don't really get Facebook. Why would I send you to another web page that's not my website in the hopes of then getting you back to our website? You're already on our website." This is kind of... a little bit controversial, a little bit of a jab, a little

bit of, "I don't understand it." Like, have you ever been to eBay's Facebook? Absolutely not. It doesn't make sense. Unless you're like Coca-Cola, unless you're this consumer brand. And I'll say... you know what, I was probably a little bit wrong. I was probably up really late one night before a launch and I thought it was funny. And I think it was kind of funny but Facebook is actually a great tool. And so we do use social media, that's the bottom line, right? And we use it for a couple reasons.

One, people are organically spreading these listings on social media. So for us to not have a presence there would be insane because someone's talking about that they're selling an app on Apptopia on Facebook, then you go and you look for Apptopia and you don't find it. And it's not like there's so much value from our page. But just seeing the page builds a level of credibility is what I realize. It's establishing that if you go to Facebook.com/Apptopia, I exist. I'm real. It's like I tell my father all the time. He's an older guy. He runs his own insurance company. You don't need a real website. You just need if someone types in your name, [then] they come to your website on the Internet. You just need to know that you're legitimate. So we use Facebook for legitimacy purposes.

Twitter, believe it or not, is actually an unbelievable promotion tool. So we tweet out apps that we like. Apps that if it was ethical for us to buy, if we could participate in our own market, apps that we would buy. It really drives traffic. Fifty to 60 people look at the listings we tweet about every single day. And that's good in terms of people actually taking action on a tweet. That's actually a very high engagement number. And so we use it to promote things that we like.

And like the other day. The girl who runs my marketing team tweeted out, "Listen. If anyone wants help with app valuation, you should just email us at valuations@apptopia.com." And I had

three developers who emailed me, asking about app valuations. I wouldn't have connected with them otherwise. So respect to that communication method.

MARK: That's it. You just got to pay attention and see. Sometimes the notions that you have about things are wrong. So, man, we're blazing through this first half so fast. I had other question that I want to ask you, but I'm going to ask you just one more about marketing because we've gone so much in that direction. I think that's kind of where your passion is. So is there any other marketing advice to these young start-ups, particular tactics you're using that work really well or things that they should avoid or things they should be doing?

JONATHAN: Yes, and you know, this is more of a general thing. It's really hot in my heart right now because I just had a meeting where I was reviewing PR pitches from someone in my marketing team. And she wrote seven or eight pitches, and I marked them up like a teacher. And the consistent theme was pitch less. It's a PR thing, but it's also a marketing thing. Just sell less and you'll get what you want more. I was just explaining to her, "You know what, you don't need to email someone in the media and tell them what your business does right away, tell them what they should write about your business. Why don't you just tell them what you're interested in? Do you agree with what they wrote about? If you don't agree with what they wrote about, why do you feel that way? Have a real human conversation. Prove to them through words that you not only respect their time and you understand them, but that you're intelligent and you have something valuable to add that they might not learn." And you know what happened? One hundred percent of the damn time, they ask about your business.

It's like when I go to networking events and I throw events, I never talk about what I do. I will stand up and give an entire presentation in front of three or four hundred people, and I'll

spend probably 10 to 15 seconds talking about what I do. And you know what everyone does? They come up to you right away, and they're like, "Jonathan, you got to tell more about Apptopia." And it's because humans instinctively... like if you go to a bar and you meet someone, the first questions they ask is, "How old are you?" "Where are you from?" or "What do you do?" It's like the basic three questions. It will come up. They will find out. The more aggressive you are with talking about it, the less interested they'll actually be in it. And what I found out is that it puts you in a position where instead of being the guy who's pitching his business, you're just answering someone's questions. And they feel they wanted to know and you're telling them, versus you just forcing what your business does on them.

I just got off a sales call and I treated it almost like a first date. And that for the first 20 minutes, I didn't even talk. I just listened. I didn't even talk about Apptopia. But I got a sale! Because at the end of the day, this is what he was interested in, and I knew that. And so I guess what I'm saying is if you just sell less, you actually sell more. As silly as that may sound, I've seen that in every facet of my business experience.

MARK: I think it's a sage advice. And I think it fits in perfectly with the trends that you and I are seeing and that the whole world is seeing right now. Again, it's about these human connections and people don't want to have ideas crammed down their throat. They want organic, genuine, meaningful connection with other human beings. That could be with a PR guy, that could be with a potential customer, could be with a lot of things, and I guess the thing is that people don't genuinely care about people. Maybe they shouldn't be out there trying to hustle their business.

JONATHAN: (laughs) Completely agree. Completely agree.

MARK: I want to ask you two different questions to
                round out the end here about slightly different
                stuff and it's about team. So Jim Collins has a
                really interesting theory about team and he says,
                "Get the right people on the bus and then you can
                shift them around in other positions because it's
                important to have the right people." Do you
                believe in that philosophy? Is that something
                you guys follow?

JONATHAN: Yes, and I wish I could dive into more specific
                situations. I'll tell you, so far, in the 11
                months that I've been a business owner, there's
                been two separate people that instead of letting
                go, we first put them in different situations.
                There's very few situations where I would
                actually let someone go before giving them an
                opportunity to be in another situation. And
                that's a little bit of a different answer than
                what you were asking, but it just goes to show
                that that's so valuable.

                And at Grasshopper, they hired someone named Mike
                Carson. He applied for an SEO job and the kid
                had no idea how to do SEO at all. But they were
                just like, "We need to hire you." This kid ended
                up being one of their most valuable employees and
                has since left to go start-up a company.

                And so, yes, I often just rip up resumes. I
                don't really look at resumes, really, because my
                belief is that often times your previous
                experience, it's not going to be valuable. Did
                you do mobile app valuation in your last job?
                Probably not. But are you a good person? Did
                you read a lot of books? Do you care about your
                family? Are relationships important to you in
                your life? So I really very much hire on a
                personality skill set for that exact logic. And
                if I have a really good human being in the door,
                that will take a bullet for Apptopia, it's like,
                if I didn't think I could train you, I wouldn't
                be in this business. I can train you. I can put
                you in the seat. It's just a matter of what that
                is. So the short answer is to my core run our
                business that way. I completely, completely
                agree.

MARK: So... I do as well. Now, there are exceptions,
                 right? So Bill Gates, he's got sort of a
                 different philosophy. He believes that some of
                 his biggest mistakes have come from thinking that
                 way and that he brings all these people on and
                 sometimes he tries to move them over to another
                 area and they're just not suited for it. Have
                 you had any experience with that where you've got
                 somebody who's only really good at one thing and
                 you kind of need to leave him there?

JONATHAN: Yes, I had a situation where we hired someone,
                 again, for that exact reason. Moved them around,
                 still didn't really work. And the bottom line
                 was just that the skill set that this person
                 brought, I just didn't need today. You know what
                 I mean? I just didn't need the skill set today.
                 So I think where Bill Gates is correct is that
                 hustlers are valuable, but having a team of 10
                 hustlers isn't good. You need four developers,
                 you need a designer, you need someone who cares
                 more about people than someone who kind of a
                 hard-ass who can do the sales. You should hire
                 on personality. You should hire the right
                 people. But as a business owner, you have an
                 obligation to build an org chart. You have an
                 obligation to say, "Here are the main functions
                 I'm going to focus on. I need to hire someone to
                 fill this function." And they don't have to have
                 any experience in that. You can hire just base
                 on personality, but the personality needs to
                 match up with that need, right? And so we've
                 hired very much based on... we have four needs.
                 And I want to hire people that I know who can own
                 these needs with the least amount of effort from
                 me.

MARK: What are those four needs for you?

JONATHAN: Yes, so it's... developers is one need. To the
                 core, having Jerry who just takes care of them.
                 And when I can't worry about them, there's always
                 someone there to make sure that developers are
                 taken care of.

There's marketing, which to its core... you can build the most beautiful product in the world but if you don't have people there, it doesn't matter at all. Like zero percent, right?

Third is sales. And sales is important because we worked with Home Depot, eHarmony, Match.com, Game Show Network... hopefully we're going to be working with Reebok soon. These guys, they won't organically reach out to you. They completely understand it. After an hour of conversation with me, they're like, "Holy shit! Let's do this! How do we get involved?" With a little bit of consulting, they're ready. But those guys need to be brought in. They don't just come to you. And so having a sales guy who can, not necessarily have those calls, because I think being founders should have those calls at this point, but navigate the enormous abyss, stand out from all the other sales guys, and set up these meetings, to start to build... if we're talking about crossing the chasm for a second, build your next set of customers is really important.

And then the fourth is you got to have a product. You have to have someone who understands what the customer wants, knows how to design it, and then knows how to develop it.

And so for us, those are the four main functions.

MARK: It's really great to hear, man, because every business is different and people walk into business thinking there is *a* one way to do it. And it's like, "No, man. There's your way to do it because it's your business." I've never heard that precise structure, but it makes absolute perfect sense to me, especially with the way you guys are modeled.

So one last sort of a binary question here before we go into the second half... and so the first thing is how do you determine whether or not your employees are going to work out? And how do you keep the ones who are going to work out motivated?

JONATHAN: Yes, holy shit, man. Me and my partner were
                   talking this weekend and we realized that we're
                   actually just glorified psychologists. We're
                   actually not skilled in the business at all and
                   at this point, our entire game is this question.
                   If you do this question while you run a business
                   well, and I'm sure that's why you're asking it.
                   You're obviously a very smart guy in that regard.

                   So the answer to the question, at least in my
                   opinion, is we do trials. So almost every one of
                   my employees I hired, I said, "Listen. You want
                   equity in my start-up, you want to be along for
                   this ride? Work for us for two weeks, three
                   weeks, four weeks for free. Show me that you
                   understand my business. Show me that you're a
                   good fit and after the trial period, if we hire
                   you, I'll retroactively pay you. So I will pay
                   you as if that was your first day. I will start
                   with your healthcare as if it was that first day.
                   I will make it as if that was it. But you
                   essentially need to show me that you're willing
                   to take a chance on me as much as I'm willing to
                   take a chance on you." And it's not for the free
                   work. It's not about that. It's about the fact
                   that the right type of employees fucking *love* the
                   challenge. They love the challenge because they
                   know that it's not like the challenge of going to
                   a casino or it's not like the challenge of
                   playing a sports game. It's a challenge that is
                   fully in your control. It's like, I want to hire
                   you. I know you can do the job, just fucking do
                   it. Show me that you can do it and then we're
                   done. It's an end of discussion. I'm not trying
                   to get free work out of you. I'll pay you back
                   to that point, you know what I mean?

                   And so we do trials. And honestly, almost
                   everyone, other than one person, who has accepted
                   the trial has ended up being a good employee.
                   It's been people who've been wanting to push back
                   on wanting to do the trial that actually... you
                   can actually see how people respond to the idea
                   in general, to see if they're a good fit for the
                   personality.

In terms of keeping employees motivated, I think it's a couple things. At least for me, it's all psychology. One of my employees, I emailed them at 10:00 P.M. the other day. I actually texted. I'm like, "Listen. I just want you to know that Eli and I think you're doing a good job." And I didn't say it then because I wanted them to stay on. In that moment, I just felt that. I was just so happy to have that kid on my team. And instead of just thinking that, I just sent it. I didn't think if it was the right thing to do. I just sent it. And he's like, "Oh my God, is everything okay? Why are you saying this?" I'm like, "I'm just saying it because I felt it, man, and you're doing a good job and there will be times where I don't remember to say that because things are so busy and today I thought it, so I shared it." That's what I do with my parents and my brothers, you know what I mean? That's how I treat my family and that's how I treat my employees. And I think that just raw openness makes people know that you're willing to work for them, right?

And another thing I would add is that we don't do incentives based on performance. So I would never go to someone and say, "You sell a million dollars in apps, I'll give you $10,000." What I would do is after they sold the million dollar app, I would pull them into my office and I would say, "Go take a week vacation, put it on the company credit card, and don't come back for a week 'cause you just made us a hundred thousand dollars." So I would do something after someone has done something good as a way of saying thank you, but not as using that to motivate them. Because if you need that to motivate you, then I'm not going to be able to always provide that.

MARK: I think that's a great answer on many levels.

Listen, Jonathan, thank you so much for this first half. And for the guys who are premium members, you guys are going to see another half here where we get into some of the more hardcore lessons. I'm going to ask even tougher questions of Jonathan 'cause I know he's ready for it and

I'm so grateful that you're sitting here, so open about all this stuff.

And for you guys who are free, that's totally cool too. You know, stick around for some of the other interviews. We've got more and more coming in. And I hope that you really enjoyed what Jonathan just shared because this is the real viable stuff. Here's the guy again who's in the trenches, he's really doing it. This is what's working, this is what's not working. This isn't the theoretical stuff. This is what we tried, this is what broke, this is what we did do that did work. I hope you understand you absolutely valuable this is and how generous Jonathan is for sharing his time with us. So thank you so much.

JONATHAN: My pleasure, man, I love it.

PART TWO: IMPLEMENTATION LESSONS INTERVIEW

MARK JOYNER: Okay, Mutineers, we are back with Jonathan Kay
                 again for Part 2. This is the harder, scarier
                 part with Jonathan. Available for our premium
                 members. We really appreciate you guys
                 participating at this level. And I hope that
                 you're really going to enjoy this.

                 Jonathan... he is kind of one of the guys who
                 started the tone of this thing. Now Jonathan
                 said something early on in our discussions, where
                 he was like, "Hey..." You know, I don't even want
                 to... I'm not going to use your words. I asked
                 you if you would share really intimate details
                 about your business and you gave an answer that I
                 think the world needs to hear. Could you repeat
                 that?

JONATHAN KAY: Yes, I mean, I think just that what I said was I
                 call bullshit on anyone who won't talk about
                 their ideas, right? Or who won't share these
                 types of things because by being the person who
                 shares that idea, people forever associate that
                 idea with you, right? You become the expert of
                 that idea and if you don't think that you can do
                 it better than anyone else in the world, why are
                 you doing it in the first place, right? Don't be
                 scared that someone's going to take your idea
                 because you can do the idea best or you should go
                 start another idea.

MARK: You know, and you were also saying like, "Hey,
                 you could be talking to people who could be
                 evangelizing that idea for you."

JONATHAN: Yes. Well, hey, it's just a missed opportunity,
                 right? Like by you not telling me your idea...
                 I'm going to dinner with three entrepreneurs
                 tonight. I don't know what we're going to talk
                 about but for all I know, they need your product,
                 right? And if I don't know what your product is,
                 I don't even have the opportunity to share that
                 with them. Or I don't even have an opportunity
                 to be an ambassador for you. So, yes, that's
                 exactly... Exactly the point.

MARK: Right on.

                 Okay, now I want to ask some really tough
                 questions and... So we'll see how far we're going
                 to push that... Right into it. And by the way,
                 folks, if you didn't see Part 1 of this, I really
                 recommend watching that. Jonathan had some great
                 insights about the way that they market Apptopia
                 and I want to try to dig a little bit more even
                 into that in this one here. But let me ask this
                 first. So what were some of the biggest mistakes
                 that you made starting out? And if you could go
                 back and sort of do it all over again, what would
                 you do differently?

JONATHAN: So, I mean, I'll say, you know, definitely the
                 thing that we mentioned in the first half, which
                 was not charging money when you launch your
                 website. That's a bad one. So if you missed the
                 first half, definitely make sure that your
                 website can accept money.

                 I would say the second thing is that we made some
                 assumptions around what is and is not possible,
                 right? So like app acquisitions, there's a
                 certain level... there's a technical barrier in
                 that. You need to work with Apple, you need to
                 work with Google in order to actually transfer an
                 app from one account to another. We made certain
                 assumptions based on what was and was not
                 possible. And we kind of sold on those
                 assumptions before we had done them ourselves,
                 right? So I was like, you can sit in this chair,
                 and by sitting in this chair, it's going to heal
                 this muscle on your back, and base on X, Y, and
                 Z, I know that's true but I hadn't actually had
                 someone sit in that chair and heal their back,
                 right? We hadn't actually lived it ourselves; we
                 were just making assumptions and selling those
                 assumptions. And we got ourselves into a little
                 bit of trouble as a result of that. I'll even
                 say that there [were] a couple acquisitions that
                 I brokered where I had to just give the money
                 back. I remember... I'll never forget these
                 phone calls. I had to call them up and be like,
                 "I fucked up. I failed you. This is isn't
                 possible. I'm sorry. Here's your money. And I

hope you know that I'll do anything I can to..."
It's just... you just have to... you do your job
well and to go back on these deals and do that,
especially if it's one of your first deals...
what a bit of emotionally difficult thing to do,
you know what I mean? From a pride perspective.
So I would say just make sure you know what you
can do, you know, before you start.

MARK: But I tell you what, man, it's a stand-up thing
                what you did. Not everyone would have the
                intestinal fortitude and the ethical backbone to
                come in and say, you know, "We're going to take a
                cash hit," but it's the right thing, to give this
                people their money back.

JONATHAN: Yes, yes. But you look at that today, and you're
                like... I'm so happy that's how I handled it.
                I'm so happy I did that. I think in most times,
                you just take yourself out of that moment. You
                know what I mean? Because you're so like... this
                is your second sale. This is the only thing that
                you have for the last four months of your life.
                You got to just step back from that for a second.
                And be like... You're building a business; you
                need to handle this the right way.

MARK: I could not agree more. So how do you prevent
                that from happening now? Are you guys vetting
                the apps a little more carefully before you bring
                them into the marketplace?

JONATHAN: Yes. So it's funny, man. It's like you almost
                still feel that happening now. I can think of
                situations that I've actually gotten myself into
                where I had to stop it. Because people like us,
                we have so many ideas. And they're such
                interesting, good ideas based off of real
                experiences and real demand. You just get so
                excited about telling them that you forget that
                sometimes, you have to develop it and test it
                first. And so what we've done is we actually
                bought a couple of apps ourselves for the sole
                purpose of that whenever we have an idea, we now
                test it on these three apps. So that when I
                actually can go... or vice versa because that's
                kind of an easy answer.

The first person I tried this idea with, I'm very
open and the fact that... "Listen, guys, we
haven't done this before. Here's why I think
it's going to work. Here's what I am basing it
off of. Here's everything that's in my head, why
this should work 70% of the time. But it's 70%
of the time and I just want you to be aware of
that. And as a result, listen, like, we're not
going to take any profit on this. We'll kick
that back to you as a result of that. I just
want to be clear before I do it." And so it's
either testing it ourselves internally or just
being so stupidly open with them. Not trying to
seem cool or bigger than we are that we can just
do it. Taking the very transparent approach was
actually the winning strategy.

MARK: Think that's a really a great lesson. On the
                 flip side of this, what are... what would you say
                 is your biggest triumph?

JONATHAN: Biggest triumph... I almost feel like it's
                 selling this $25,000 app today but it's not.
                 It's not. (laughs) Let me think of something
                 actional, just give me one second.

                 You know what, man, I'm going to repeat something
                 because it's something that I'm really, really
                 proud of. And it's been on launch day, we had
                 activity. We sold something on our first day.
                 We had thousands of visitors our first day. We
                 had 150 apps listed our first day. And that's
                 something I'm proud of. To my core, I am proud
                 of the fact that I build traction around an idea
                 before I ever launched it. And there are very
                 few people that do that. I am proud of the fact
                 that we made money. Day one. When I went to an
                 investor, I didn't go to the investor and say,
                 "Hey, I have 35,000 subscribers. We have all
                 this traffic. We're going to figure out how to
                 monetize them." I said, "No. I sold $15,000
                 worth of apps already. And I have 100,000 more
                 committed that I don't even have the time to go
                 find. So you should invest in me 'cause I make
                 money. Definitely I make money. It may not be
                 as much money as you want, but I make money, and

I could prove it. People will take out their wallet for me." And I was so proud that even when everyone doubted me, I could say that I lost with traction and I actually made money.

MARK: That's something definitely worthy of being proud about.

This is a sort of a delicate question now. And doesn't have to be about Apptopia. It could be Grasshopper... any of your previous ones. And obviously it has to be phrased a certain way. So everybody has an employee or team-member horror story in their past. Everybody. And it's not appropriate to talk about specific people of course, right? But I do think it's appropriate to talk about, in a sanitized way, about the general experience so that other people can hear that. And it's not about people being bad people. You know everybody... they are at different points in their life. It's not about judging that person, but sometimes that interaction just doesn't work. Do you have one that you want to share?

JONATHAN: Yes, I have two. (laughs) I have two. I'm just trying to think, as you said, how to phrase it delicately.

Okay, so when you start a business, oftentimes the people around you are very interested in this. They've very driven by this. They're very much attracted to this because starting a business is this cool thing. You have Mark Cubans; this is so interesting. I would never have the balls to do this myself, right? And so in your life, there's a lot of excitement about this, right? And so what happens is that people want to like get involved in that, right? And so, how can I help your business? Can I work for you? How do I get involved? And so I'm not going to say that I hired a friend, but I hired a contact in the entrepreneurial industry that was very close to a friend. Like was a good contact of mine and someone that I know that if I call that I needed something, they would have provided it. If I was in their town, they would've let me

sleep on their couch, right? You know what I
mean? So not a friend in a sense that we didn't
hang out all the time, but definitely a real-life
acquaintance. You know what I mean? Someone
that I could call. And I hired them because they
were very, very, very talented and they reached
out to me. And they wanted a job. They could've
gotten a job in so many places getting paid way
more than I could've paid them and they wanted
this. And they believed in Apptopia. And I
hired them because at that time, it seems like I
have so much water pouring into this boat and I
see how this person who I trust could come in and
just start patching up all these holes. And I
made a short-term decision, and it negatively
affected this relationship through and through,
forever and forever. I mean, the relationship is
gone. It didn't end up working out. I mean,
it's sad. It doesn't keep me up at night, right?
I made my decision. I have my own personal
priorities. But I definitely made a hiring
decision that definitely affected negatively a
relationship in my life. I'm sure it will be
years before I can approach that relationship
again before it's not sour. I mean, that sucks,
right?

MARK: Hey, don't feel too bad about it. I mean I've
               done... Look, I've got twenty years on you. I
               did the same thing just a couple of years ago,
               you know? And, I mean, I knew better and I did
               it.

JONATHAN: Right.

MARK: The temptation was so vast. I mean, I bet you
               were thinking, "Oh, this guy's going to come in
               and solve all these problems for us." Was that
               kind of the seduction?

JONATHAN: Yes, that was like the analogy of the water
               coming into the boat. It's like, "I can't
               breathe." I go to sleep every night and think I
               don't just have too much work to do; I have so
               much work that's not getting done that it's not
               even okay. You know what I mean? Like, holy
               shit. And especially when you have someone that

you trust. That's the allure of bringing in someone who's a friend. You already know what to expect. You know the bottom line. You trust them and so you see how them coming in just makes the bad situation less bad. That was it for me, at least.

MARK: So you said that there were two. (laughs) It's a big of two of these.

JONATHAN: No, no, it's okay, it's okay. (laughs) So I'll say, in my previous life, I have worked with a manager. This one's a little bit more sensitive, so I won't... 'cause it's not my business. I'll just say what didn't work for me. But what didn't work for me was that the manager saw their employees as a way for all his ideas to get done. As a manager, he has all these ideas that he can't get done and by having this team, it allows all these ideas to come into fruition. It's a little bit of a selfish, a very close-mind viewpoint. Because I'll be very clear, man, this is *my* business. I started it. I make all the decisions. As far as anyone's concerned, I'm like the god in Apptopia. But I'm not the smartest person. I'm not even fucking close to the smartest person... I'm not even close to the smartest person in the company, okay? And that's how I want it. And so to think that just because I'm the manager of everyone, that their job is to make all my ideas come to fruition. It's terrible. It's like, "No, my job is to move these five numbers forward, to move this objective forward. And it's how well do I take my ideas, of course, with your ideas and how do we somehow combine that to just move this forward." Like I don't care if you read something that Joel from Software wrote and you want that idea. Where the idea starts is complete bullshit, right? And so I guess this is a lesson learned. But this starts to really make your employees, like, "Was that you?" Because what comes from just pushing your ideas is no one can do your idea as well as you do it. So as a result of that, what you end up doing is, is you end up micro-managing. And now you are a micro-manager who feels like their employees aren't

doing it as well as they can because they're not doing it the way that you want to. And it all comes from the root of you wanting to push your ideas on your team, too hard. And I guess I'll stop at that. But [there're] just a lot of bad things that come from that. If you're a manager on any level, may it be a founder or a lower-level manager, your job is not to be the idea guy. Your job is to be a psychologist. Your job is to be a support system. Your job is to have ideas but also help other peoples' ideas come true.

MARK: Thank you for sharing those two, man. I know exactly how emotionally charged these stories are, man, because there are still some I look back, even from like 15 years ago, and you just think about it, you want to grit your teeth a little bit 'cause it really smarts, you know?

                But... so let's talk about... we learn from these things and we move forward, right? I mean, that's how people succeed. Were there warning signs that you should have noticed that would have helped earlier on that could have allowed you to say, "You know what, man, this is going that way. Let's cut this thing before this becomes a really toxic relationship?" Is there anything like that?

JONATHAN: Yes. Yes. And I think in a situation, if we're talking about the one with the manager, there's a ton of signs, but what do you do in that situation, right? You don't want to be the lower-level employee who makes the guy who's above the manager's job worse. That's how you get on the fire list. So in that situation, how do you find a delicate way to tell management's management what's going on and use a business objective?

                In that situation, when I inspired change, I did it not because it's affecting me. It's affecting *your* company. Having this person in this seat is affecting your company. So I think that's one thing.

The other thing with the friend... Yes, you know what, there [were] warning signs looking back. But that's the other problem with hiring a friend is that harder to see those, right? You don't want to really see those signs. And I'll tell you, to this day, I tell my partner Eli, "You really saved me on this one." This is where having... He really saved me. He came to me and... You know, not all the time founders come to each other and they're like, "You know what, dude, I'm fucking putting my foot down a little bit." I just... "For all intents and purposes, I'm telling you, we need to do something. And I'm telling you that like man to man, brother to brother. We need to just do something." When he came to me like that with this employee, I'm like... to this day, I thank him for that. 'Cause I could not do it myself, right? It's not 'cause I'm not a good person or not a strong person. I wouldn't have gotten there as quickly as he did, you know?

MARK: It's hard when you got emotional connections with people. I don't know if there's any easy answer to any of this. It's something... we constantly have to fight it, it seems.

             So can you identify specifically what some of the warning signs were? Like were there particular behaviors or particular interactions that kind of got you feeling it in your gut like, "Wait a minute. Something's not right here."

JONATHAN: Yes. Trying to think how to put it... So it's like... So... This is tough, man. They really are tougher questions. Before, you were like, "I'm going to ask you tougher questions." I'm like, "How tough can the questions really going to be?" Turns out, they're a little bit tougher. Respect. (laughs)

             So essentially, one of the biggest warning signs for me is that, while I don't think that only my ideas are good, I think that one of the things that needs to be consistent from a management team, from business owners, is that you need to set the goals, right? Because you see the bigger

picture of where the business needs to go in one, three, 12, 18 months, right? And so when I set goals, I'm setting goals because I need somewhere... I need this function to go somewhere. I'm open to your opinion, so when I set goals, I set goals *with* my employees. But once we set goals, let's fucking go do the goals, right? And don't come to me a week later and say that, "No. You're actually doing *this*." And so one of the biggest red flags for me was I set goals and I set priorities within those goals, and the person still wasn't working on what... I was like, "Listen. For the next two weeks, I need you to do this." And they were like, "I did a little bit of that, but I did this!" I'm like, "But... I literally told you that all bullshit aside, I just... that this is important for the next two weeks." And when someone who owns the company tells you that, you need to respect that 'cause I'm not saying... I'm saying that for the good of all our equity. Our interests are aligned. I'm not saying that 'cause I work at some big company. I'm saying that cause I really know that we need this, you know what I mean? And so for me, that was when I started to question my own decisions.

MARK: Hey, again, I have done *exactly* that in exactly that kind of interaction and we blind ourselves to it. And that's... This is part of the purpose of these interviews. This is why it's so important because when you hear somebody else say it, you see that in yourself. You go, "Okay, I'm not insane. I'm not incompetent." You know, these are common human problems especially with start-ups.

So, let's sort of shift gears for a little bit. And again, I really appreciate you opening up so much on that personal stuff.

Another type of error that we make in business is... the Kaizen's guys talk about muda, which is waste, you know. Every company is bleeding time, energy, and money somewhere and part of the whole concept of Kaizen is making these incremental improvements so that you can shore those things

up so that you're no longer bleeding those things.

But every now and then, we look at something and we discover that we're bleeding time, energy, or money or resources in a major way. We're hemorrhaging. And then we didn't even know it for a long time. We look over and go, "How? How was that happening?" Do you have an experience like that?

JONATHAN: Yes. I did. I knew when you started this exactly where I was going to go. That's how clear it was. It's time. It's time, man. And I tell all my employees this, right? They're like, "Can I write this blog post? I'm going to do it in my free time?" And I'm like, "Yes, you can absolutely do that. But let me just warn you that you only have so much time. You only have so much time for free time. You only have so much time for work. You can do whatever you want in your free time, even your work time, if you want. But you only have so much time and you need to pick your battles." And I'll reference at least a little bit on an example from the first half. But we were doing a lot of account management, right? And so what happened was I was doing this to drum up sales in the first couple months. Then I had so many buyers that when I hired the team, I'm like, "Okay, you need to take these relationships off of my plate. You work with these relationships and do whatever they want. Go source the apps yourselves. Go pay someone on oDesk to source the apps for them. Do whatever you need to do. We'll just figure it out when we take these big buyers' money." And I turned around one day and months later, we've lost a lot of time and not made a lot of money. And it was because, you know what, having someone account manage five accounts, six accounts, seven accounts... it's not valuable. It's like account management works when you're managing 50 accounts, 60 accounts, 70 accounts, right? And the amount of money you're making far pays for that persons salary, right? That's when that type of model makes sense. It doesn't make sense now that I had employees. It made sense when I

was doing it. It didn't make sense to hire employees and bring them into this role. And, you know, at first I thought it was the employees who was doing it, so I put someone else in that role. And it turns out that it was just not the right way to be doing it. And we move towards a little bit of automation and we just moved away from that a little bit. But, yes, you know. It was a solid three or four weeks where I lost a lot of time and I didn't make the money back from that that justified the time that went into it, you know? Especially when you, as a start-up and you start measuring, "Okay, I'm paying this person this many thousand dollars this month and this person this many thousand dollars this month. And this person spent a month on this? They certainly didn't bring that many thousand dollars worth of profit. Holy shit. So not only did they not pay for their salary but they didn't bring in any profit. That starts to freak you out, you know what I mean? So, yes, I've absolutely had that experience.

MARK: Again, another thing that everybody is experiencing and they can hear that and go, "Okay, I'm not crazy." But you have to pay attention to that. Simpleology, the company that we're building now, which we're going to be rebranding and pivoting here soon, similar sort of a model but much better and I love to talk with you about it at some point.

JONATHAN: Please, please.

MARK: I think we got a lot of synergy coming up here. But it's part of that whole idea, you know, that we want people to be really conscious of where they're spending their time because it gets away from you. But if you do spend some time consciously thinking about what you're spending your time on, "Hey, I want to head over here. What kind of incremental steps do I have to take to get over there?" And really deliberately put your time in that direction and not have a scattered shuttle all over the place, I really think it's kind of like one of *the* big secrets of life. You know, there are people who do that

well and who are immensely successful and there's everybody else, really. You know, I mean I don't know many successful people who don't have that. I mean, there are, there's the random da Vinci type who can scatter themselves all over the place but we're not da Vinci, you know. We are who we are.

So let's get into a separate sort of a thing now. I want to talk about the systems you guys use specifically, and if any of these stuff is like private, I mean, that's cool, too. I know this is getting real, real intense here. So, what kind of a server infrastructure do you guys use? Are you guys hosting somewhere else? Do you have your own server farm? What do you do?

JONATHAN: Yes. So, today we use Scirocco. Just because it's stupid simple. I'm happy to pay a little bit more money a month to not have to deal with downtime and I have to have, you know, I have five full-time developers. And I'm still not even moving at a quick enough pace, to be completely honest with you. For us, almost all of our tools are plug-and-play and cloud-based because today, I don't have the time. They all know how to do it. They're all just like, "Jonathan, if you ever need us to get your own servers, we all have sys admin background." But it's like, I just don't have the time for that. The extra money it costs to not worry about that gets paid for ten times over in the amount of extra time I have for my developers. So from a development standpoint, we use as many plug-and-play tools as we possibly can.

MARK: What kind of development methodology do you guys use? Are you guys following Agile? What are you doing?

JONATHAN: Yes. It's interesting and it's changing actually, right? So we were doing consistent two-weeks sprints using Pivotal Tracker and by doing that sort of thing... and we realized that's not great for our style because it doesn't always fit in two weeks. You know, we write... we have this 150-page requirements document,

right? And you write out requirement. And you talk it out with your developer. And then you break it into tasks. And then it gets designed. And then it gets implemented. And then it's on staging. And then it goes to production. We realized that, yes, you have to write a requirement beforehand but based on how we're moving and because we're doing something new, the requirements are really changing a lot as we're developing products so we've almost built more of a fluid development cycle now. So where for launching big features, we would actually say, "Okay, this is going to take three weeks. In three weeks, we're going to launch this big feature. Let's put it in this development branch. And when it's ready, we can launch it to staging." But outside of that, we're kind of just trying to knock off all these small- to medium-size tasks. And when we have enough bunched up, we will just more fluidly push it to production... Push it to staging and then to production because we needed to move quicker with some things and slower with other things. And we felt like on a two-week sprint, we felt like we were constantly behind. We kept feeling like we're failing because we couldn't get it done in two weeks. But it just wasn't designed to be done in two weeks, right? So we're mashing up a little bit, but we're doing what works for us right now.

MARK: Right on. And again that's, you know, one of the big lessons here is you've got to adapt these systems, you know. There's no dogma here that's going to work for everybody.

            What about commerce? I know that you didn't have commerce on that launch day, which was... Props to you for admitting that. That is a big boy who can say that in front of a massive audience. So what are you guys using for commerce now?

JONATHAN: So we use Authorize.net as our credit card platform. They have an API and so we can accept credit cards.

Honestly, we work with Silicon Valley Bank and we do a lot of stuff via bank wire because for us, it just doesn't make sense to do a lot of credit card stuff. If you're doing an acquisition of over $5,000 dollars, it's just not what the credit card system is built for. You can't deal with charge backs. I can't be giving away three percent when we're talking about tens of thousands of dollars, right? So we deal with a lot of bank wires, fortunately.

We use Authorize.net but I've no problem in saying that I would never ever re-work with Authorize.net in any company I ever started again. Ever, ever, ever, ever again. And I'll even go as far as to say that I get a monthly email from my developer that asks me if I'm ready to change off of Authorize.net because their API documentation is so poor. And their support on that documentation is so poor that it actually negatively affects our developers' experiences implementing with it.

MARK: That is a bold statement. So what are your developers recommending you move to?

JONATHAN: So... Oh, man I'm trying to think what the... I really forget, man. I'm going to send you an email afterwards. If you want to post it somehow in the interview page, I know exactly what it is. I'm going to make a note right now. I know there's a really, really good one. We're thinking about testing out Fee Fighters, which is kind of an interesting one, but there's one really good one that like...

MARK: I can email you about it.

JONATHAN: I'll send it to you. But, really, in more simple terms, it's just like, it makes sense to work with a gateway that is more up to date. Because Authorize.net was designed way before APIs were designed. They say, "We can give you a credit card machine that you can use and you can take money on." And [there're] all these new companies that are completely API focused. And there's so many things that you have to do via

the API that having a poorly documented APIs makes core business functions extremely difficult. So I would just say make sure you work with a more modern company in that regard.

MARK: Well, just so you know the history of that, I mean, back in the early days of the net, when I was doing this in the early, early 90s, when we didn't even have e-commerce, I mean, I was sitting there and I had a Tranz 330 swipe machine, you know, and I had to key in, I got phone calls from people who's taking orders that way, I mean, we were one of the earliest people that ever do e-commerce in that sense. Authorize.net was one of the first ones. So, but you're right, they are dealing with all this legacy stuff. They haven't really thought about the new way of doing things. So it's really good for you to bring that up so folks are aware.

Another thing that people do, that some folks do really well... I think most people do it enough, but managing process. There are processes that we have to follow in a business. Do you document it on a process map? Like, you know, flow-chart style? And just kind of have that as a physical document? Or is there any kind of electronic system that you use to make sure that people are following a particular process precisely?

JONATHAN: No, actually. And I'm assuming you're talking about internal processes this way.

The most formal process that I have is in products and it's because developers like having... They like structure. Developers love structure. They want to come in and know exactly what tasks they're supposed to work on. And if they see that next week they don't know what tasks they're going to work on, they're uncomfortable about it this week, right? And for me, I was like, "Next week? I don't even know if I'm going to be alive next week. I can't even think about next week." But for them, it's so important that things are structured and they're planned out. And so for development cycle, we have... things are very planned out in that

regard. You almost heard me say it before, right? It's like requirements, what are the edge cases, like refine the requirements, you know? Use a mark-up tool. Use a mock-up tool to build a wireframe. Get the wireframe design. Give the design and the requirements to the team. They break it up in tasks. They put it on staging. It gets QA-ed and tested. And then it goes live to production. So there's a very structured process in that regard.

For the rest of our team, it's not as structured. What I try and do... I try and do one-month sprints with them. And so I try and just give them goals that they can shoot for, for a month because it seems like that's how relevant goals can be in a start-up company. Like, two weeks, do you really have enough to get things done in two weeks? Three months, it's like... Our business is completely different in the next three months, you know what I mean? But a month, we can probably sit down and have a conversation right now and know what you should focus on for the next month. And so we do that.

And the only other structured thing that we do is every Monday morning, we get bagels and cream cheese – 'cause I love bagels and cream cheese – and I make sure that every person in my company... Developer, designer, I don't care who you are or what your skill set is. We sit in a room, you're on Skype video, and we all talk about what we did, what we're doing, and any question that we have. And so it's one time that you know that everyone's in the same room, everyone's on the same page for one hour every week.

Other than that, I'm not sure. There's too much process.

MARK: Right on. And that's great, man. That's kind of, you know... Especially in the early stage, I think, it's totally adequate to do it like that. So you do that on Pivotal Tracker, you were saying, for the dev guys? What about for

everybody else, do you have a project management platform that you guys enjoy?

JONATHAN: We tried. So we use...

MARK: Everything sucks, right?

JONATHAN: It's just... Dude, it's not that it sucks. It's just using a process tool takes fucking time. It just takes time and of all the things that I want to do with time, I'd rather that my employees go home and sleep for 30 minutes, to be completely honest with you, than like spend time inputting something somewhere, at least today, right? We're 11 people, soon to be 13 in like... I know at some point that's going to need to change. I completely... I'm not ignorant. I understand that.

We tried using Trello. And Trello is like... I don't even know how to describe it, but it allows you to create columns of notes. And so I would have a column for an employee and I would put their goals there. And it would just be a place that I could put notes so we could see... They could go back and just reference what their things are, what their goals are. But I just don't think... It's not what people want, you know what I mean? They want the goals. They don't need the structure. I mean, we use a CRM tool 'cause it helps our guys who are building relationships keep track of it. But I don't think there's really any process... There's no Pivotal Tracker for non-technical employees.

MARK: Yes, right on. I mean, there's nothing that that's good. I mean, our software's like for individuals but it's not project management. But we're constantly on the hunt for the perfect project management tool, you know. There are some good attempts out there, I got to say, but nobody's really nailed it yet.

JONATHAN: So let me ask you a question about that. Just one question. 'Cause now you piqued...

MARK: Please.

JONATHAN: You piqued my curiosity. When you're building
               these tools, are you thinking about the fact that
               time spent inputting is time wasted?

MARK: Definitely.

JONATHAN: Is that a major... that has to be like a major
               part of the logic, right?

MARK: I tell you what, man, and thanks for turning that
               around a little bit. We use our tools, right?
               And every day, we're feeling the pain. Like if
               something is taking a long time, we got to fix
               it. And that's part of our pivot right now is
               that we're making that even easier and better.
               We don't want people to spend time. The one
               thing we ask people to spend time doing is
               processing their stuff. So we have everybody
               dump stuff as thoughts come to mind. We have
               something called the Dream Catcher, where you
               kind of take a little note and then you go back
               to doing what you are doing because if it sits
               there and it weighs down on your mind, you're not
               going to be productive. So you dump it in, get
               back to what you are doing, and then the next
               day, you go through a little process we have
               called "Start My Day." And it just takes you
               through a very logical process. It's like, which
               of these stuff are you going to do? Which of the
               stuff should be stored somewhere? Which of these
               things should be scheduled? Which of these
               stuffs should be delegated? And you walk through
               that and before you know it, instead of this long
               insane to-do list that's got "solve world peace"
               and "take out the trash" on the same list, you
               know, you have like, "Okay, this is really what
               I'm going to do today." I can honker down, role
               up the sleeves, and bam! I could get stuff done.
               And I tell you what, it really helps your mind,
               you know, be more at ease. And you genuinely get
               a lot more done. But I do think it is worth
               spending a little bit of time. It's almost like
               a little mini-scrum for the individual. And it
               does take a couple of minutes to do but I do
               think it pays off, personally.

JONATHAN: Right. No, but it's just good that you guys...
               Like once you told me that you use your tools, I
               was like, "Okay, you get it." Right? Because I
               would hope that you hired the type of people
               that, if they're being slowed down by one of your
               tools, they're yelling in your ear about it. I
               immediately feel more confident.

MARK: I tell you what. Our senior developer, he's
               like, "Hey, guys, when are we going to fix this
               one thing?" You know, he's super fired-up about
               it all the time. I don't think there's any other
               way to run the business.

               So, one other question about systems for you.
               Analytics. What do you guys use for analytic
               tracking?

JONATHAN: So we use a tool called Woopra.

MARK: Woopra.

JONATHAN: W-O-O-P-R-A. And I have to tell you a funny
               story about this. So we pay for Woopra, okay?
               Probably costs me like $400 dollars a year, like
               $35 dollars a month. Not super expensive tool.
               I happen to love the UI. It gives us live
               analytics. So you can see as someone comes on
               our site, I can watch them go through a certain
               path on our site as they're doing it. Tons and
               tons of information about it. Really good
               design. Good UI. Good tracking. And I was
               working on Saturday and someone came in the
               office. We're like, "Jonathan, I see you're
               using this analytics. So why are you using this
               versus Google Analytics?" And I had no valid
               response to that. Like I could not pitch why to
               pay for this tool versus Google Analytics. I
               couldn't pitch for it. I know when we first
               started paying for Woopra, Google Analytics had
               not yet implemented live visitor tracking. But I
               know that they since have. I don't know why I'm
               paying for the tool. But I like... I'm a happy
               Woopra customer. I just don't know exactly why.

MARK: Super honest answer, man. (laughs)

JONATHAN: (laughs)

MARK: You know, we've done that so many times, by the
                 way. You know, and it's not a whole marketing
                 truism that people make decisions by emotion and
                 they justify them with logic through the process
                 of cognitive dissonance. And we do that with all
                 of our buying decisions. And we got to kind of
                 talk ourselves out sometimes. It's good that you
                 have the presence of mind and the self-awareness
                 to say, "You know what? I don't have a really
                 good answer for that."

                 But so let me ask you, so, you're still going to
                 use Woopra? And is it because of the pain of the
                 switch?

JONATHAN: I made a note... I made a note that this needs to
                 be revisited. But, yes, I would pay $35 out of my
                 own personal pocket right now to not bother my
                 developers with cutting one piece of code out and
                 pasting another piece of code in. Whatever their
                 hourly rate is, which I don't even want to share
                 because that would make me feel a little bit
                 uncomfortable and nauseous right now. It's
                 like... I can't... I don't want to even bother
                 them with that. It's actually worth... I know
                 that this month, it's worth $35 to continue to be
                 happy with analytics always set up. Yes,
                 definitely worth it not to deal with it. As
                 ridiculous as that sounds, right?

MARK: Not ridiculous at all. Everything has a cost,
                 you know, and you've thought about that. And the
                 cost of your developer's time and their emotional
                 cost of those guys being messed with about that?
                 It's like, "I'm doing all these other important
                 stuff and you want me to constantly switch all
                 these things around?" Demoralizes them.

JONATHAN: Dude, that's actually an unbelievable point. I
                 didn't realize... sometimes, people don't think
                 about developers as real people. And this is
                 such a weird thing to say, but they're such a
                 rare valuable commodity. That they're talked
                 about like they're a precious metal more than
                 they are like people. But, man, my developers

are motivated by the business needs. And so we've worked into our requirements process. Not only do I write technical requirements, I give them a paragraph about the business need of every technical requirement and it makes them more motivated. I just wanted to reinforce your point. I think, they're more motivated when they understand what they're building and why they're doing it.

MARK: On what you just said, by the way, in the military, that was one of the really important lessons, you know. I actually had the real privilege of being able to work under the guy who wrote the Army Leadership manual.

JONATHAN: Wow.

MARK: And one of the things that he said was, "Helping your people understand why they're doing something is so vastly understated, but it is absolutely essential because if people do understand, they will fight. They will follow you." I mean, there are other dynamics involved, but it's just one of these key foundational ideas that is so often overlooked but if you don't do it right, it's kind of a non-starter.

                So I want to kind of wind things down with a few last questions here to close this out. If one of our viewers had a worthy idea, a really worthy idea for a start-up, what three to five things would you recommend they do immediately to set themselves up for success?

JONATHAN: (laughs) It's like a book. That's four books right there we can write.

MARK: Right?

JONATHAN: But it's funny, man. Someone actually asked me this question recently, so I have a pretty decent answer.

                The first thing I would do is tell someone about it. I would say tell 10 people about it. Just feel peoples' raw reaction is to your idea before

you even try and tell me that it's a good idea.
Just go get raw reaction to it.

And the second thing, and you're going to know
it's a common theme here, is test it. Really
test it on the Internet. Build a landing page.
Drive traffic to that landing page with AdWords.
Do the old-fashion Eric Reese start-up test. Put
a fucking idea on the Internet. Drive targeted
traffic there and just see what happens. See how
people react to it.

If you've gotten past that point, I would say
hire a designer, okay? Work with the designer
and have the designer actually build your idea.
Take your idea out of your mind and put it into
an image. And working with that designer will
make you think about requirements for your
product or your website or whatever it is you're
building at a level you hadn't thought about
before. And when you're working with the
designer, you'll quickly realize that you haven't
thought this idea out at all. You only kind of
had an idea what you're talking about. Then by
the time you're done working with the designer,
not only would you have you thought out the idea
and built some of the requirements, but you
actually have a visual representation of not only
what your product looks like from the inside but
from how it looks on the marketing. Then you put
that up on the Internet and you drive people to
that. And you'll see how do people respond to
that.

Then the fourth thing I would is I would put a
call to action on your website. I don't care if
that call to action is an email, but test
multiple calls to action. Have one being
email... Have one being email and their phone
number. Just keep requesting more information so
that you can see what peoples' threshold is. Do
they like the idea enough to give their email?
Great! Do they like the idea enough to actually
take out their wallet? Well now you maybe have a
business idea, right? And there's tons of smoke
tests that even I've been part of doing where we
have people enter their credit card information

and then they're actually not getting charged. They're not even getting charged. And when you call up and you're like, "Listen, don't worry, we didn't take your money. We're going to give this product to your for free in the next month. We just wanted to better understand the demand for this." Right? And a hundred percent of the time, people understand. And so what I'm essentially saying in four or five steps is "test your shit" 'cause it is probably a shitty idea. Right? And hopefully it's not. I'm not pessimistic. I'm actually quite an optimistic person. But there's only so many ideas that succeed. There's only so much money that can be spent. You want to make sure that what you're building, what you're devoting your life to is one of those things. And if it's not, maybe it's one step to the right or one step to the left, and you will learn that then, before you hire four developers and spend $100,000 to build the products, right? So that would be my recommendation.

MARK: Spectacular recommendation, I have to say. I think it's right on the money. Okay, two last things here. So one is... say a guy gets to a point where he's ready to start hiring people. What kind of advice would you offer, just general leadership advice on leading well and leading poorly? What's the difference?

JONATHAN: In terms of actually leading your employees? I'm going to say one thing, and it's that you don't get any respect for your title, right? You get no respect through your title. And in this case, that's founder... sweet. And if you email someone from TechCrunch, they'll respect you more because it says founder down there. Probably not because anyone could write founder down there. You could write "God" as your title, whatever you want. But your title doesn't get you anywhere, like paying someone's salary doesn't get you anywhere. Sometimes you hear bosses say to their employees, "I fucking pay your salary. Listen to what I'm saying." And that doesn't work in a start-up company. It doesn't work in a small business. Because the types of people you're

hiring, if you're hiring correctly, these people can get jobs anywhere. You're lucky that this person is working at your company. These people can get jobs anywhere. The threat of the money is not a big threat to them because, again, like me. I'm not scared of not making money. I know that if Apptopia sells, I know how I can make more money. That's not hard for me. That's not a scary thing to me. So the lesson is, the leadership lesson is the title doesn't get you anywhere. You get respect for what you do. And so, I expect my employees to work harder than anyone and I expect myself to work harder than my employees. And so I show my employees how hard I work for this company and how hard I expect them to work. And by showing them how much I put into this, and I'm the founder, I make a nice salary. I have real equity, you know? I'm like... when the guys from... the GM of Microsoft wanted to talk to me yesterday, I go up and talk to him. But I fucking work longer than everyone. I stay up later than everyone. I get up earlier than everyone. When some bullshit paperwork needs to be done, I fucking do it myself. I show them through my actions that I'm like... I don't need you in this company. I'm a hustler. I built this company and I still build it every single day. And that's why you should respect me, not for any other reason.

MARK: Questions? (laughs)

JONATHAN: (laughs)

MARK: Beautiful. Alright. Any closing advice you want to share with folks?

JONATHAN: No, nothing , man. Just to... You know, start-ups are fun. This whole lifestyle, it's fun. I enjoy it. But don't fall into the trend. We're kind of going into this strange period in society where start-ups are really, really trendy. Colleges, they're now saying, "Send thank you notes in the mail." These things that colleges didn't use to say, they're now saying, right? Saying start-ups are cool. There's entrepreneurship degrees. Just be careful.

Because I will tell you. Mark, you probably know
this to your core. This is a lifestyle decision,
man. This is not a career decision. You know, I
have hurt people in my life as a result of
Apptopia, and not maliciously, right? It will
affect relationships. It will be hard to keep a
girlfriend or a fiancée or whatever it is. Dude,
this is your life. This will be your life. And
I don't regret it. I love it. It is fun. I'm
proud of myself when I go to sleep every night.
But do not kid yourself that this is not a
serious-as-life decision; not a career decision,
not a business decision whatsoever.

MARK: Spectacular answer. Jonathan... Man, I'm a
               Jonathan Kay fan now. And I thank you so much.
               You've been extremely generous with your time.

               And I just want to call something out here. I'm
               kind of disillusion with the sales and marketing
               and advertising world so much. And it's not
               because there's something inherently wrong with
               that, I don't think. It's because of the way
               people are doing it. And what you exemplify to
               me is you are a guy who hustles. You have that,
               you know. But you're a guy who obviously has
               heart and has integrity. You *can* go out there
               and sell and not lose your soul. It's going to
               take a constant amount of checking yourself out
               and checking in with yourself to make sure that
               you are doing the right thing every day. But you
               exemplify that and thank you so much for being a
               good example and for sharing that with everybody
               today.

JONATHAN: It's my pleasure, man. It was fun. And I hope
               it helps. Go check out Apptopia!

MARK: Apptopia.com. A-P-P-T-O-P-I-A. And I'm sure
               that will be all over the website. And we'd be
               talking about you guys to the gills. Thanks
               again, Jonathan.

JONATHAN: Alright. Thanks, Mark.