



**GE 245: How Animoto's Brad Jefferson
Raised \$30M and Reinvented Video
Creation Service
[podcast]**

Growth Everywhere Podcast Transcript

GrowthEverywhere.com

Brad: We don't want people to think like video editors, we want them to think as a builder of a message. It's just you want to communicate in this language of video that's been made even more popular by Facebook, and we want to give you that voice to help you speak video without knowing that how difficult it really is.

Speaker 2: Do you wanna impact the world and still turn a profit? Then you're in the right place. Welcome to Growth Everywhere. This is the show where you'll find real conversations with real entrepreneurs. They'll share everything from their biggest struggle to the exact strategies they use on a daily basis. So if you're ready for a value packed interview, listen on. Here's your host, Eric Siu.

Eric: Before we jump into today's interview, if you guys could leave a review, and a rating, and also subscribe as well, that would be a huge help to the podcast. So if you actually enjoy the content and you like to hear more of it, please support us by leaving us a review and subscribe to the podcast as well. Thanks so much.

Alright, today we have Brad Jefferson who's a CEO of Animoto, which turns your photos and video clips into professional video slideshows in minutes. Brad, how's it going?

Brad: It's going great.

Eric: Yeah, well thanks for joining us, Brad. Why don't you tell us a little bit about your company, what you guys do, and I was just ... Brad and I were just talking right ... Literally right before we started, about how I was using Animoto about seven years ago when I first started learning digital marketing. So Brad, take it away.

Brad: Great, yeah, so Animoto helps businesses of all sizes create marketing videos, and in that end, you were an early doctor of using Animoto for that business purpose seven years ago. We've been around for 11 years. So when we started the company, we were really focused on the consumer opportunity. Youtube had just come out, we felt like the clips on Youtube were boring and not professional looking enough, so Michael [inaudible 00:01:58] and I came together and said, "Man, imagine if we could allow anyone in the world, just point to there, their photos and video clips and a song, and we would automatically turn it into a TV quality video production." So that's what we created from the very beginning, or video slideshows, and ... But over the course of the 10 years, we have catered to a lot of different use cases and a lot of different types of customers, but we're ... There's the biggest traction today is really helping businesses create marketing videos for social media, to help stand out on social media.

Eric: Got it. That's incredible. You guys have raised what? 30 million total?

Brad: That's right, yeah.

Eric: Got it. So what have you guys ... I guess how did you guys discover that it was time to make sense to pivot over from consumer over to business? What'd you guys see?

Brad: Yeah well, so in the early days, when we were focused on the consumer customer, we didn't feel ... One thing that we got right from the very beginning was we had a business

model. We said, "If this is quality enough that people should be willing to pay," and that was pretty bold. So we launched in August of 2007, and we launched with a subscription service, and luckily that came true, is that people did view it ... At the time there was competitors set with something like Slide and Rock You, if you remember those companies. So luckily people did view us different enough, and were willing to pay, but our price for a consumer was \$30 a year to create as many videos as you wanted.

So the interesting thing was we started to create a business, we started to bring in some cash, and we got this cohort of customers, at the time it was professional photographers, and they said, "Wow, this is perfect. But if you add this feature and that feature, we'd be willing to pay 10 times more than you're charging." So based on the data and the input, we said, "Well, we'd be foolish not to do that," so that's when we started to watch the data, make sure we're talking to customers and figure out what their needs were and adapting accordingly.

Now I think this actually turned into a challenge for us because you fast forward to that several years, and you can lose your identity, and I'd say that happened to us when we realized that in 2011-2012, is we were catering to a lot of different kinds of customers, a lot of different kinds of use cases, but if we were really true to ourselves, we weren't perfect for any target customer. When we looked at where the future was going and made some bets, we said, "Okay, we're pretty confident that there's gonna be a business demand here. We're pretty confident that the cloud providers that allow you to store their photos for free are gonna give services like this to consumers for free."

So we made our bet, and it was 2011-2012 that the future of the company would be helping businesses. Now, we still have the very big robust business helping consumers, so from a total strategy perspective, that's important to us, but we know where the future is, so in a way, it's only important to us be to really ... To catapult our business focus, so we'll continue to help consumers for a really, really long time, but our focus is really helping businesses stand out on social media.

Eric: Got it. So what I'm hearing is obviously starting any kind of business, you have a hypothesis in the beginning, and then you took some time, looked at the data, and then you decided to focus in another direction. How long did that whole process take for you to transition over from hypothesis to moving in another direction?

Brad: Oh man, probably longer than it should have. It's really hard because you fall in love with all these different kinds of customer types, and for me as a consumer and an avid user of our product, the use case of if I want to use it for, was the one that we were pivoting away from. So there's always a lot of strain in that process, so I think it's been an evolution for us. But I'd say really ... For our ... Probably something like five years it's been gradual 'cause we've been trying to de-risk it as much as possible throughout the process.

But the cognitive switch ... I think that the key is when the cognitive switch happens, and that took six months of data and then the cognitive switch happened, and then it was all about how do we do this in the most responsible way so that we can continue to grow, continue every year grow as a company, but that are the most chips on the

biggest opportunity?

Eric: Right, okay. Yeah, the reason why I'm getting at this is 'cause it just it takes time at the end of the day, right? People want things to happen tomorrow, but the fact of the matter is it took you guys five years to make that transition. I think it's okay for people to just hang back a little sometimes and then just be patient and good things will eventually happen, right?

Brad: Yeah, I think it's right. It's harder ... If we were pre-revenue at the time, it'd be so much easier. But because we actually had solid lines, multiple solid lines of revenue, we couldn't just kill those lines of revenue and do a pivot massively.

It's funny, we were written up in Tech Crunch in ... I think it was 2011, and Ryan Lawler, who's the writer of the article that covered us, the title was, "Animoto Pivots to Businesses" and I was so careful in my interview with him not to ever say the word pivot 'cause for me it was just a focus. We're gonna focus more here, but I think he understood what I was saying, and in some ways I feel like I probably should've been in some ways more bold of making that prediction at that time.

Eric: Got it. Okay. Makes a little sense. I'm curious, what's your background? What's your story?

Brad: So let's see, went ... My first job out of school was with an enterprise software company called Onyx Software, and we were a CRM, a customer relationship management. We competed with [CBull 00:07:31], and Salesforce.com. We ... I was with that company for eight years, so I saw it really grow. Actually as an intern, before that, I saw it grow from 17 people, all the way to 800 people and through an IPO, and I did a variety of roles through mostly in professional services helping big companies like Starbucks and AAA implement this enterprise software, but also did stints in sales and operations.

So that gave me the business experience, but it actually ... The roots of Animoto trace back all the way to high school, is I have three friends I went to high school with. Two of 'em went to college with me, and we had done a couple projects before, and my favorite was at Dartmouth we ... I graduated '98, we had created a ... something called a Dartmouth interactive directory. Dartmouth had a link called the Facebook, we called the Green book, which was a printout Facebook thing. So we were the first to put that online and in a very primitive form of social network, but it was really awesome, and the students used it.

Once we graduated, it died down. The same people that created Animoto created that, and I think that gave us the bug to realize there's some big opportunities here. It's really fun to work together, and while that wasn't ... We never thought of that as a commercial, we thought it was a non-profit-y thing for the college. It's funny to look back, I don't lose sleep over this, but 'huh, what if we had thought bigger? What if we had thought outside of the bounds of our school?'

Now the reality is I think it was what were the social networks that came out after that? Like Friendster, and Myspace, so it was still six years before Zuckerberg entered

Harvard, but ... So we had the bug, we had the bug to do something again, so we all went our different ways.

The way my background is not in video, but all three of my co-founders are in entertainment video and music. So some of their paths, one was a producer at MTV for some shows, MTV and VH1, both. Then another was the lead editor at Peter Jones Productions, which was a part of ABC at the time, so he was doing all the motion graphics that would go into the long form documentary. That's where the idea and the vision came from, was the two of them were chatting at a sake bar in New York City, and they would chat about different startup ideas, and CDR, our founder, our technical founder said, "I'm creating a lot of the same sort of video editing styles, and I can ... In my mind, I can see what I want it to look like very, very quickly, but the tools ... There's zero scalability in the tools that I have to use to actually produce that and turn it into video."

So he startin' to think about using the CS background to automate some that, and Jason, who's our president and really the visionary for the product from the beginning said, "Man, imagine if anyone in the world could tap into your sort of video editing skills without doing anything about the sophistication of the software." So they pitched that idea to me, and I didn't know if it was possible, but I did know I'd seen some of the videos that they had created in their free time, and thought to myself, 'This is a product I would use. I don't know if it's a business per se, but I wanna use this product,' and I knew my mom wanted to use it, I knew my friends would want to use it, so that's really what we rallied around.

Eric: Got it. So how is it to work with your three high school buddies? How the experience been?

Brad: It's been great. We've been at it for 11 years now, and I think ... So for me, 'cause I went into it with eyes wide open. In fact, one of my mentors, the former CEO of that company Onyx, I asked him when I was about to start this any advice I'd have and he basically said, "Do you like your people that you're interested in co-founding this company with?" I said, "Yeah, they're my best friends." He's like, "Well, be really careful because more times than not, it's gonna turn out negative and you're not gonna be friends at the end of this."

So that was ... I went in with eyes wide open of that, and we made sure that we setup our partner ... We lawyer-ed up a little bit, and made sure our partner agreement upfront was fair and that in ... We tried to contemplate all the different scenarios, all the different downside scenarios, make sure that we all felt like those it'd be fair how things would play out. So I think if you can get it right, if you can set it up right, you had that foundation of trust from the very beginning, and that can permeate through the whole entire organization. So it really becomes ... As you build trust across the whole org, it's really about the vulnerability based trust and if you have that at the core, I think it makes it a lot easier for the whole company, so I think there's a big influence on culture because there are such great friendships at the core, and we continue to be great friends today.

Eric: Yeah, that's interesting. I've ... You hear from the Bill Campbell from the past telling F. Williams, "Don't work with your friends, duh, duh, duh, duh, duh," and I've seen more ... I've personally work with a couple of friends in the past. Some have gone well, some haven't gone well, but yeah, I think ultimately what you're getting at is alignment at the end of the day. Just making sure that you guys are all on the same page?

Brad: Yeah. One of the four of us left a year ago, and it was ... I felt like the way that it was done, and the way that we approached it, and the way that everything was done very maturely, and he's gonna be one of my best friends for the rest of my life. But I think you'd have to go in with ... You have to have those hard conversations upfront, you have to play through the downside scenarios and make sure that you're all comfortable what would happen in those cases, and I think if you do that maturely and set it up right, it can be great.

Eric: Awesome. So I wanna talk about the company a little more now. How do you guys make money? How do you guys charge? All that kind of good stuff.

Brad: Yeah, so it's a subscription service. Consumers pay us \$99 a year to make as many slideshow videos as they want. Businesses pay us on average \$250 a year to create as many marketing videos as they'd like. The product itself from a marketing perspective is its akin to Square Space or Canva.

So the idea is you go in, and it's a builder project and by that I mean it's ... There are ... We call 'em starter story boards. We have a lot of different videos that are already produced, so you just look at a few of those you can filter or search. When you find one that you want, you say, "Oh, I wanna create that." Then it's a simple drag and drop interface where you just drag and drop in your own logo, maybe a few photos, maybe keep the photo that's in there.

Within a few minutes all of a sudden you have this professional looking video, so the trick of it is that we don't want people to think like video editors, we want them to think as a builder of a message. It's just you want to communicate in this language of video that's been made even more popular by Facebook, and we want to give you that voice to help you speak video without knowing the how difficult it really is.

Eric: Awesome, okay. So how's the company doing today in terms of whatever numbers you can reveal around revenues, number customers, things like that.

Brad: Let's see, so we had over ... We have over 20 million people who've tried the product. We just launched this new marketing video builder product about a year ago. We've already had a million businesses create a video on that new product.

Eric: Wow, okay. So it sounds like this is ... When you talk about Canva and Square Space, this is like when people are looking to get started and to have a simple way of putting a video together, right? Not going all out with a video production company, things like that.

Brad: That's right. Yup, yup, so it's so interesting that videos blown up so much, with so many

categories of video. So we're not the company that is gonna create the cartoon video for you to demonstrate how to use a product. We're not gonna bring actors on site, we're not the lighting people, we're not all that stuff. If you want to create a video like the video's that you see on Facebook, whether it's the Tasty food videos, or how they present news, or just that eye catching content with your own logo in it and your own photos and your video clips, and your own message really. That's what you wanna use Animoto for.

Eric: Got it. Okay. So how did you ... Let's go back to the early days. How did you go about acquiring your first, let's say 1,000 customers?

Brad: First of all, I think ... Well, so we ... This is 2007, and we were pretty naïve. We felt like, 'Oh man, if you created a great product that all of a sudden all these people will show up ...' So the first 100 people were family and friends that we begged to use the product. Luckily they liked it.

We were picked up early by USA Today, they had a tech blog, or they still do, so that then drove ... I think that was responsible primarily for that first 1,000. But I think it ... We were a bit naïve, we felt like, 'Okay, so if we just get these PR hits, that's how you grow.' What we didn't realize was the product itself should and can really drive growth itself. So we're trying to figure out, 'Okay, what's the distribution channel? What's the distribution channel? How do we get in front of customers?'

So we are seduced by a few things like if you remember Google created a social network called Orchid, way back when. We were one of their launch partners on Orchid, and we thought, 'Okay, this is great. We're gonna get in front of all their customer.' That did not work. We were actually surprise that when they released their launch partners, we were one of 250 launch partners, so it brought in zero customers.

However, we then said, "Well we gotta put our destiny in our own hands. Let's create a Facebook app." We had seen things like how ... I think it was called, "I like the Music Service" on Facebook that went really viral. So we created a Facebook app and similar thing. If you build it, 'Okay, are they gonna come?' No, they did not come, so we started to play around with some of the ... Some viral hooks within the app, and we played with it a lot. At one point it got a bit spammier than we necessary had intended, but it led to a lot of interesting outcomes.

So I'll give you an example. We ... This Facebook app ... This was in 2008, you could ... When you installed our app, it would automatically create a video for you from all your photos. So stuff that Facebook's doing today, however they make it private and you have to share it. We would automatically share it on your behalf. Then when somebody else wanted to see that video, they'd have to install the app, and it would create a video, and then we'd share it on their behalf. So that got a little ... That got pretty spammy.

Eric: I think I remember that. I actually remember that. I was like, "Wow, this is actually pretty affective."

Brad: We ... I think we hit ... We might've hit every person on Facebook in 2008 with that. Back before it was how big it is today, but it led to some interesting things. One is we realized holy crap, the ... You can create ... There are ways to build virality into products, and that was more spammy than we wanted to do, but we're like, 'Whoa, holy cow, this is ... This concept of internet, you can touch a lot of people around the entire globe really quickly.'

So then we wanted to harness that for good. It also led to investment by Amazon.com. We had ... Our steady state of video creations ... I can't remember the numbers exactly, but we were ... We had maybe 200 servers, EC2 servers, and this was early in '08. This is the early days EC2, S3 had been out a year or so, but EC2 was ... There were not a lot of customers on EC2. In order to handle the spike, we had to scale our server count to 5,000 over the course of a few days. That was really exciting because Amazon was in the process of trying to figure out how to tell the story of EC2. So Jeff Bezos was on the road, so they ended up using the Animoto case study of the fact that you can scale.

It's not like the ... There's a famous story of the 'I Like' guys the [inaudible 00:19:21] was they had to drive up and down in Silicon Valley with their U-Haul truck to get servers from all their friends to ... In order to power theirs. For us, it was just instantiating new instances of EC2 servers with a few clicks of a button and hope that Amazon had enough power behind it, and luckily they did, and luckily it all worked out. But it really was this new case study of the ability to scale fast and using cloud computing from a compute side. So we were really excited to be part of that history and again it led to good things with Amazon. They became an investor of Animoto back then.

Eric: Got it. That's incredible. Okay, well what's working for you nowadays in terms of customer acquisition?

Brad: We are constantly trying all channels. Yeah, we're either optimizing certain stuff like paid search like Google paid search, or we're experimenting with stuff like Facebook advertising videos. But we're not doing much brand stuff, it's all performance based. So we're not on billboards or sides of buses, or any of those kinds of things. We really like to track the return on investment of our spend, and stay tight there.

Eric: Got it.

Brad: But, yeah all sort of channels where you can measure we're dabbling in.

Eric: What do you think's the most effective channel right now?

Brad: Well when products are good, word of mouth is what you see people say and how they heard about you. That's the one we want to be the highest in terms of how people heard of us, but we're really pushing to make sure that that's the one that we want to grow the fastest. The ones that we feel like we have more control over are paid search, putting it through Google, email marketing is very effective for us.

Eric: Got it. Okay, great. What about one big struggle that you faced growing this business. I'm sure you faced a ton of them, but what's the biggest one that you can remember?

Brad: Wow, the biggest struggle I can remember. Well there's the identity crises are the ones that are interesting to me. I think I talked about this a little bit earlier, but when you try ... If you're trying to appeal to all customers, you're not gonna be perfect for any single customer. There might be more bigger identity crisis over our years, but I feel like that's the one that we're really focused on right now is how do we be perfect for a certain customer, which means that we're not gonna be great for others. But versus being good for everybody, we wanna be great in singing from the rooftops great for a certain, particular customer. So I'll use that as an example.

Eric: Makes sense. They say the richest are the niches, and sometimes you can apply that to certain niches of customers, right? And focus on those, and then that's where the 80% or 80-20 roll, right? That's where the revenue comes from.

Brad: Yeah, exactly.

Eric: Cool. Just a couple more questions here as I work towards wrapping up. What is one new tool that you've added in the last year that's added a lot of value to your life? Could be like Evernote.

Brad: Let's see, one new tool. Well I ... Well one ... It's a product. I got a Pelaton Bike earlier this year, and I actually feel like that's improved my work in business quite a bit because I'm on it all the time, and I ... A, the endorphins are runnin' and it's been really effective as a personal hack for me from a fitness perspective.

Eric: That's so funny.

Brad: Did that count, or do you wanna-

Eric: Yeah, that totally counts. I was just talking to somebody else about it yesterday, and then ... God, who was I talking to about it? I think it was some VC maybe, but it's amazing because it's basically you're able to ... You buy it and then you pay a monthly subscription and you're basically doing soul cycle with people across the world, right?

Brad: Yeah, yeah, exactly. Exactly, it'd be fun to get ... To get their CEO on your show.

Eric: Yeah?

Brad: They are ... Yeah, I think going back to word of mouth, they're touting their NPS score is 90. It's only eclipsed by Apple and Tesla. I don't know if that's true or not, but here I am on your podcast telling a lot of people that that's been a really effective life hack for me this year. So I won't be surprised if it's that strong.

Eric: So are you able to work on it while you're workin' out?

Brad: No. The thing for me ... One of the things I really focused on this year is ... I think there is ... My own health, and it's not that I was unhealthy, it's just that I felt like health was on the sidelines compared to my business, and I've been in this long enough to realize that

it's not a sprint. It's ... This is a marathon, and I need to make sure that I'm in the best possible health so that I can be there for company, I can be there for my family, so I've really focused on a few things on the personal side just around ...

It really comes down I guess to three things, which is what I put in my body, exercise, so calories in, calories out, and then sleep, which the sleep one was a surprise for me this year. I always felt like you just didn't need a lot of sleep, and I typically would be up until 2:00 AM working, but I change that routine quite a bit so I can get up now early to do the Pelaton before work. I feel like it sets me up with the right endorphins and just getting enough sleep and then exercising first thing in the morning. Now I'm at my best at when I get to Animoto in the morning, and that I've just seen positive feedback loops because of that and lots of different ways in my life.

Eric: That's so interesting.

Brad: It's either that or it's like take care of yourself if you wanna take care of others.

Eric: Yup, I'm gonna have to maybe replace my standing treadmill desk with the Pelaton, but I think you turned my towards that. I'll take a look at that afterwards. Final question for you, what's one must read book that you recommend to the audience?

Brad: The one that I've used ... The one that I recommend, and will even buy for people is called The Advantage by Patrick Lencioni. He's the one that wrote, what seven dysfunctions of a team, and some of those other books, but I think The Advantage really wraps a lot of these messages. The message that I love the most in it, that we use it almost as bible at our company is that companies that stand the test of time aren't just smart with the right strategy, they're all also healthy. That's the culture and the values, and the diversity. That's something that we've lived by at Animotos. We don't just wanna to be the smartest, we also wanna be the healthiest company to really stand the test of time through natural ebbs and flows that happen with any business. I think The Advantage really outlines that really well, and gives a lot of helpful tools just to even how to run an executive team effectively that I use a lot of them.

Eric: Great, well that's two things I need to look into now. So we'll add the Pelaton, and we'll add The Advantage into the show notes. Brad, this has been awesome. What's the best way for people to find you online?

Brad: Yeah, Brad Jefferson on Twitter is easy. I'm also on Facebook, and then you can always send a note to me at Animoto. Brad@Animoto.com.

Eric: Awesome. Brad, thanks so much for doing this.

Brad: Thanks Eric.

Speaker 2: Thanks for listening to this episode of Growth Everywhere. If you loved what you heard, be sure to head back to GrowthEverywhere.com for today's show notes, and a ton of additional resources. But before you go, hit the subscribe button to avoid missing out on next week's value packed interview. Enjoy the rest of your week, and remember to take

action, and continue growing.

