

Peanut Labs: Turning Surveys Into Currency – with Ali Asghar Moiz

Three messages before we get started. First, who's the lawyer that tech entrepreneurs trust? Scott Edward Walker of Walker Corporate Law. Here's what Neil Patel, founder of KISSmetrics says about him. Scott is a great lawyer. He is affordable, responds fast, doesn't charge you for five minute phone calls and always gives great advice, Walker Corporate Law.

Are you still coordinating projects by e-mail and wondering why you're not productive? Would you check out teamworkPM.net? TeamworkPM.net is trusted by Universal Studios, the University of Texas at Austin, the U. S. Army and other large organizations. But if you're just trying to coordinate with a small company, maybe, two people, it'll still help make your team more productive. How much more productive would you be if you used TeamworkPM.net.

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Here's your program.

Andrew: Hey, everyone. My name is Andrew Warner. I am the founder of mixergy.com, home of the ambitious upstart. How do you go from zero to over \$10 million in annual sales? Today's guest did it by creating a clever monetization technique and offering it up to companies, like Facebook.

Joining me is Ali Moiz, founder of Peanut Labs, which allows companies to get paid every time their users fill out surveys. He recently sold his business. I invited him here to talk about the company and how he grew it, and specifically I want to talk about two big topics as we discuss the story behind the business.

The first is, I want to hear how he pivoted and adjusted and went through many iterations of his business until he found his company's mojo and profits. And the second big topic that I want to address here in this interview is about business development because I know that he and Peanut Labs do an incredible job at business development. I want to find out how he does it, and I want to learn some of his ideas. Of course, I want you to learn his ideas, use them in your business and hopefully grow it so big that you can come back and be in the same position here and you tell your story.

So welcome and thanks for doing the interview.

Ali: Thanks, Andrew. I'm happy to be here. I'm a big fan of Mixergy and what you do. So I'm happy to share my ideas and be here.

Andrew: Thanks. I really appreciate it. Thanks also for the compliment. It means so much to me as I'm doing this interview that it's not just anybody who's out there listening, but it's people like you that you specifically, someone who's built such an incredible company, that you can find value here, means that I just have to keep going here because we've hit on something here with Mixergy.

The first question I have is about the product itself. Can you tell me a story of how the typical user might interact with your business? How would they come across your business? What kind of interaction would they have? How would you leave them afterwards? Help me understand the product.

Ali: Sure. In the last few years online gaming, social networking, social gaming, all of these categories have become really popular. Companies like Zingo, RockYou, Playdom, Rock Star, Crowd Star, Playfish, EA, Ubisoft, Gem Digger. Facebook gaming has become very popular when you hear about FarmVille and Frontierville and popular Zingo now.

So what we do, what Peanut Labs does is we provide alternative monetization to these game companies and the social networks. Let's take an example. Let's say you're playing a Facebook game, something similar to FarmVille. The way the game makes money, you keep on playing. You run out of points, and then you give them your credit card to buy more points or more currency or a plow for your farm.

So you can do that. You can pay with your credit card, say, \$5 or \$10, or you can take a survey with Peanut Labs and get that currency or get those points for free in your game. We've also added it as an extra adoption to a lot of the partners that you work with.

Andrew: And so, what kind of survey would somebody be taking?

Ali: The surveys are typically market research surveys. They're not marketing. They're from Fortune 500 brands. We work with Microsoft. We work with Wal-Mart. We work with a lot of movie studios, large CPG companies.

Andrew: What would a movie studio want to survey your audience about?

Ali: That's a good example. So the last Harry Potter movie that came out, for example. Movie studios are typically investing tens of millions of dollars in marketing a new movie. However, before they do that, they allocate some fraction of that money towards research around that marketing.

They want to figure out what is the best trailer for this movie? They have ten different versions, and they'll go to a company like Peanut Labs and say, help us figure out. Then or their research agencies will come to a company like us and say, help us figure out which of these ten trailers is going to be the most effective.

So we run all ten trailers for Harry Potter first and show them to 100,000 people online and take the ratings, and then the movie studio will decide based on those ratings which trailer they should run with.

Andrew: And so, each person would see one trailer, give you feedback on that, and based on that you decide which one is the most effective trailer. Is that right? That's essentially it.

Ali: Yes.

Andrew: These aren't marketing. We're not talking about a survey that really is trying to get somebody to buy something.

Ali: No, these are not marketing. These are pure market research surveys where there's no PI that's collected. So, it's pure anonymous questions. You just answer the questions, and then that's all you do.

Andrew: OK. I want to learn how you got here and go back in time and hear the story, but one more thing about where you are today. I mentioned that you've earned over \$10 million in revenue, as I'm here looking at my notes. That's from surveys? People are paying you money to get online game players to fill out surveys, and that's what that over \$10 million in revenue is coming from?

Ali: Most of it, yeah.

Andrew: What's a survey worth? What does a company like a movie studio pay to have a survey filled out?

Ali: If you are able to scientifically target surveys, just remember, there's two kinds of surveys, right? There's general polling. That's very unscientific that you can do for a few cents on the Internet, and then there's research surveys that are very scientifically targeted.

For example, Microsoft was doing a research project around some new games that were coming out in the Xbox. Their research agency was working with us on surveying 18 to 24 year old male gamers in California, and they were going to use that to build a model to predict how well certain games would do, as part of business projections.

So that process is very scientific. It's very similar to how political pollsters try to predict the results of future elections, and they control for demographics. They control for all of these variables, such as income, ethnicity, education, and we do that as part of our surveying. Once you do that, you can command higher prices.

So, the prices for surveys can go anywhere between \$3 for a completed survey all the way up to \$20 for a completed survey.

Andrew: \$3 to \$20 for a completed survey.

Ali: Mm-hmm.

Andrew: OK. And you're doing how many a day?

Ali: It depends on the day. Some days we do a few hundreds. Some days we do a few thousands.

Andrew: And what's your split with the publisher?

Ali: That also depends. It ranges anywhere between 50-50 to much more aggressive ratios.

Andrew: Much more aggressive in your favor?

Ali: In their favor.

Andrew: In their favor. OK. All right. So you started the business. In fact, why don't you say it? What was the original name for the company?

Ali: Well, when we incorporated the company I was still back in college at Williams near Boston on the East Coast. A friend of mine from college had this website called hardcampusparties.com. We figured that it's a site about partying and it's kind of social, and Facebook was really small back in the day. So we figured we'd just run with it and try it out.

So the name of the company when we first incorporated it was Hard Campus Parties which, let me tell you. If you go try to open an account that says Hard Campus Parties, the bank manager will look at you funny.

Andrew: Because?

Ali: Yeah, they thought it was a porn site.

Andrew: They thought it was a porn site. What was it actually?

Ali: It was just a college site. It was about finding parties at your campus or other campuses around you.

Andrew: OK.

Ali: We went through a couple of iterations, turned it into an events site and turned it into a sort of college social networking site similar to Facebook called XuQa, X-U-Q-A.com. Eventually, Facebook got to the point where all of the other second year social networks, XuQa, hi5, Bebo, even MySpace later on by '09 and '10 started getting eclipsed. And Facebook started getting into everybody's Facebook user bases.

So we turned to a social gaming site that had points called peanuts. And that's where the name for Peanut Labs comes from. The idea was, well, we have a few million users on XuQa. I think we were somewhere around five million users, about a billion page views a month. But we weren't making money off of these users because in display advertising you need to have massive volume to make serious money.

So we introduced virtual currency called peanuts into the site. Users could use peanuts to play games. We had card games, blackjack, poker, backgammon, and they could use it to bling out their profile. The inflection point between that sort of business and what Peanut Labs is today came about when we made peanuts scarce. So you couldn't get as many peanuts as you wanted. You had to do things to get them, or you had to pay for them.

And girls on the site suddenly started calling up our engineers, my co-founder and the other engineers we had and saying, hey, guys, we'll go out on a date with you for 10,000 peanuts or they'd do a live webcam, kind of like this, for 5,000 peanuts. That got me thinking. Maybe, there's value here.

Andrew: The girls on the site would say, we would go out with you in exchange for peanuts?

Ali: Yeah.

Andrew: They wanted it so badly, they'd say it. Did anyone on the staff actually go out with one of the girls from the sites in exchange for peanuts?

Ali: Somebody actually got married to one of the girls on the site, one of our engineers.

Andrew: Oh, that's awesome.

Ali: Yeah. I don't know how many peanuts were involved in that transaction.

Andrew: That probably might not be peanuts any more. Let's unpack what you've said so far. First, you said you started out with Hard Campus Parties, and you said you pivoted from there to an events site. Why? Why didn't you stick with Hard Campus Parties? What were you discovering?

Ali: We were running into people using the site, and they weren't coming back and they weren't seeing value there.

Andrew: Hang on. I've got to take my jacket off. It's 6:00 here on a Friday night, and I think they're cutting the air conditioning off. It's exhaustingly hot here. I'll keep the jacket over to the side. Back to my t-shirt, OK. So you were just doing your own parties on hardcampusparties.com. People were coming there once to find a party and they weren't returning?

Ali: Mm-hmm.

Andrew: But the business was about promoting your own parties.

Ali: The business was about putting up all the parties on campus, being a central place for all the parties that were listed because in college you have all of these house parties and you may or may not know about most of them.

Andrew: OK. So I would go on the website. I would find the parties, and then I wouldn't come back. Why? I would think that if someone found a party they would want to come back and find another one and another.

Ali: There is a problem of the network effect. You need to have people who list parties, and then you need to have people who care enough about parties and sort of get it into their daily habit to keep coming back. That was a problem we didn't completely solve.

People on the site always sort of started as we went through these different iterations. People would always give us clues about what they wanted next. When we were doing parties, people, users, were saying they were more interested in more non-party events as well, such as who was coming to speak on campus, or what else was going on, music performances or meetings.

Andrew: And so, when you say it became an event site, you're saying you started adding everything. It didn't even have to be on campus. It didn't have to be a hard party. It just had to be an event that was relevant to your audience, and you started adding them onto the site.

Ali: It was still college focused. So everything we did right down to Peanut Labs was very college focused. But we started adding non-party events, and at the event site we did some interesting viral marketing things there. This is still 2006, give or take, '05, '06. We had some really cool e-mail import systems going where you could import your address books and contacts from Gmail, HotMail, Yahoo as well as Facebook back in the day.

You're not going to believe this, but back in the day Facebook actually had an export feature where you could export an Excel CSV of all your friends and their e-mail addresses. This was publicly accessible to each user. You could go to your Facebook account and export an e-mail list of all your friends.

Obviously, we took advantage of that to try and populate our own user base. It worked really well for XuQa. When we went from the events site to the social networking sites or the gaming site, that was a great way to acquire users, and since then that technique is used in a lot of sites. You see e-mail imports pretty much on every major social networking, social gaming site these days.

Andrew: I work with a sponsor called CloudSponge.com. They have a tool that lets anyone automatically create one of these importers on their website. It's extremely popular.

But I want to go back. I want to go back to why you didn't then stick with an events site because there were lots of events sites and there still are. They're trying to crack into I don't even know how to explain this, but they're trying to get into the events space, and very few of them succeed. I can think of upcoming.org that sold to Yahoo and a couple of other sites, but not one has taken off really, really big. Why? What's the issue that you faced in that space?

Ali: I don't know if I have a good answer to that because you're right. Nobody has really sort of become the "go to" place for events. Even today in San Francisco there's no central website that lists everything accurately, all the events happening here. You have to go to ten different places and cobble things together. With us, we saw that people were more interested in talking with each other and looking at pictures of each other and photos than events.

Andrew: How did you know that? How were they starting to talk to each other before you made the site about connecting and being social?

Ali: We had basic versions of profiles. We had photos. People could upload pictures of events, and we saw just basic analytics that people were spending a lot more time on those pages. And they would contact us requesting those sorts of features. And another thing, I was still in college. Facebook was still less than a million users, and I was just funding this with lunch money. I wanted to do something more interesting. The social networking thing at the time seemed a lot more interesting than building an events site.

Andrew: I see. So it's not just that the audience was pushing you towards that. It also was you said that's a much bigger business. That's a much bigger opportunity. That's much more exciting. And so, you started shifting them towards that. How do you shift from Hard Campus Parties to Cora? Am I pronouncing it right? Cura?

Ali: It's XuQa, X-U-Q-A.

Andrew: XuQa, right. I've got X-U and I'm pronouncing it like a K, XuQa. So how do you end up with a brand new site called XuQa?

Ali: We made that transition. We built a social networking site, and we were initially just responding to what we thought users were saying. We had some great viral marketing things going on. And at the time we were also self-funding this. So I was on a scholarship at college, and I didn't really have a lot of my own money to put into this.

So I dropped out of school and also saved some money by shifting away from the college meal plans. So I'd go and eat at Subway every day or buy Ramen noodles, and then saved a few hundred dollars that we'd use to buy servers and what not.

Andrew: Did you quit school so you'd have money to fund your business?

Ali: Yes.

Andrew: So you quit school to have money to fund your business, and you quite going to the school cafeteria so that you could save some money and plow the savings into your business.

Ali: Yep.

Andrew: Were you onto something at that point yet, or were you saying, I'm going to quit and focus on this fully so that I will be onto something that will be successful at some point? Was there traction?

Ali: There was some traction.

Andrew: Why? What was it about the business at that point that made you say, I got to focus on this full time?

Ali: A couple of things happened. I think we did a really good job viral marketing using e-mail imports. And so, we were getting tens of thousands of new signups per day at the time. That was the first thing that happened, which was sort of like, hmm, this is interesting.

The second thing that happened was a VC called us just because that particular VC was tracking the space. They called us up, and they offered us some seed money. That investment went through. So we had some cash in the bank, and we also had something that was getting traction which gave me confidence to go ahead and make that risk. I dropped out of school based on this thing seems to be stable.

Andrew: OK. You said that you had a lot of viral marketing techniques in the business. One of them is grabbing people's e-mail addresses out of Facebook, grabbing them out of Yahoo e-mail, HotMail, whatever they happened to have. What else did you have that helped you become more viral?

Ali: That was really the big one.

Andrew: That was it, that at the time if you were pulling in people's address books you were miles ahead of everyone else, and it was giving you a lot of traction almost instantly, that one tool.

Ali: You've got to remember, Andrew, this was back in '05 and '06, right? Everybody else wasn't doing this. So when we were sending those e-mails, they were getting 30 percent response rates because the whole idea of getting an e-mail from your friend in the subject line where your friend has added you or invited you to some other cool site was very novel.

I guess it was part of the novelty, part of sort of being there first is we got really high response rates. These days, if you do that, it's far less effective and the response rates are sub one percent.

Andrew: What was the incentive for people to invite their friends to join?

Ali: There really was no other incentive other than having your friends on the site as well. There's an interesting story that I remember from Michael Birch of Bebo. He was a friend, and he kind of talked to me a little bit about how to do this e-mail inviting thing. Small things you do make a huge difference to managing these e-mail viral things.

When you, for example, ask people to import their contacts from Yahoo and then if you don't select any of those contacts, when the user hits next, sort of an opt-in versus opt-out, that was one of the really small key things that made Bebo and before that, Birthday Alarm, that Mike was working on go viral versus not go viral. It was the same thing with us.

Andrew: I see. So it was just the way that you presented the information. If you assumed that they wanted to invite all of their friends, unless they specifically told you which ones they didn't want to invite. If you assumed that and invited them all, you were going to do much better than if you had them go through the list and select the friends they wanted to invite to.

Did you have to tell them, if you invite your friends you'll be able to chat with your friends? Did you have to tell them, if you invite your friends you'll

be able to invite your friends to events? Was there anything like that, or was it at that point if you're presenting them with an address book collection system they were just going to use it?

Ali: Most of them just used it.

Andrew: They just used it.

Ali: They just used it. It was part of the registration flow. We experimented with certain things later, such as giving people peanuts or points on the site to go ahead and invite their friends. But that didn't come until much later.

Andrew: OK. One more thing before I continue with the story. You're very popular on Skype. If you put your account on "do not disturb" mode right now, whenever people send you a message, it won't make the sound that people are hearing as we're talking.

All right. So that explains how you got to XuQa. How did you get the XuQa name? What is a XuQa?

Ali: It kind of rhymes with hookah which is a smoking pipe.

Andrew: Yep.

Ali: One of the other founders, my brother, is thoroughly in to. And it was a four letter domain, and we just figured, heck why not. Let's go with it.

Andrew: All right. So you're getting traction here. You found a way to get people to invite their friends. They're actually inviting their friends. That's a lot of progress. Why stop there? Even though Facebook is doing well, why not say, we're going to be number two to Facebook? We'll be the Pepsi to their Coca-Cola.

Ali: This is a market where I think it's sort of a winner take all scenario, social networking because if you look at what's happened to most of the other social networks, whether in the U. S. or internationally. One by one everybody else has ceded market share to Facebook and slowly become irrelevant.

Hi5 is a great example. Hi5 was huge, bigger than Facebook back in the day. And then they started losing market shares to Facebook, and eventually decided to turn into a social gaming platform to try and make money off the traffic that they did have. Bebo. you know, AOL bought Bebo for \$800 million a couple of years ago and recently, last year, they sold it off for tens of millions to a private equity group, writing off \$750 million in loss. This market is very volatile. It's winner take all.

Andrew: Here's what I don't understand. I've heard this a lot in the interviews. People say, it just didn't make sense, so I moved on. We're entrepreneurs. It doesn't even make sense to start a business. It doesn't make sense intellectually to quit school so you can start a company now instead of waiting two or three years until you're done with school to launch a business.

Why not, with the same confidence and the same overlooking of the odds, why not persist with this one business and compete with Facebook or compete with everyone else who's trying to be number two to Facebook? Was it that you suddenly hit on the peanuts and that they did so well that they diverted you from that goal and made you think this is where the pocket of opportunity is? Or was it something else that made you sit back and say, let's look for an alternative?

Ali: That's a good point, Andrew. Had the peanuts not happened, I may still be doing that site today. What we do as entrepreneurs is always a cost benefit sort of equation. You look at what you can do better. So XuQa was losing users to Facebook, and at the same time peanuts were really interesting. They were doing well. We were experimenting with surveys. That part of the business just organically started to get more traction.

So some of my friends who were running other social networks or games looked at what we were doing and said, hey, can we use some of what you've got going with these surveys and just plug them into our sites? And before we knew it, we had five or ten other people using this thing that we hadn't really built out, and that's really where peanuts got started.

Andrew: I see. So as you're building this one thing and you suddenly found another opportunity that was doing so well, it had to take your attention away. Am I right?

Ali: XuQa was losing users. It wasn't continuing to grow. That weighed into the decision as well.

Andrew: Gotcha. How long did it take you to launch the peanuts system?

Ali: A couple of weeks.

Andrew: No more than 14 days to launch an award system based on peanuts as points?

Ali: Yeah, yeah. We just got together and hacked it out over a couple of weeks.

Andrew: And what were you giving people points for at the time?

Ali: Our job was to bring surveys and offers and make that inventory available to a publisher and provide the technology to allow them to instantly reward users every time somebody completed a survey. We were not and we're still not in the business of creating our own points.

If we work with a game, the point system is a game that is being used. It's their own virtual goods that are being used. It is their own currencies because that has a lot more appeal for users than a third party system or a third party rewards program. It's that simple.

Andrew: All you do is take the user to the survey, and then when you return them back, you signal to the site that sent them to you this person needs whatever points you want to give them. This person took this action. Now you handle the points.

Actually, you know what? If it took you two weeks to create it, there's something about it that was magic. There was something about it that resonated with your audience. What was that little thing that was a germ of a much bigger idea?

Ali: We just happened to hit a market need, the right place at the right time, I think. Our first partner was a Facebook application called (fluff) Friends. It was started by this guy, Mike Sego, who is now CEO of Gaia Online. He was doing this application on Facebook, and he had millions of users and he didn't know how to make money off of them.

He had just introduced these points and plugged our thing in and voila. He's making money, and we're making money. I still remember looking at the numbers and wondering if this is real. So we called him up and we called our clients up to see if the numbers were real, and they were. And the model worked really well. So we just extended it from there.

Andrew: Why didnt he do it himself? Why did he have to use your system, your surveys? Why not just throw someone on the phone, get the people who are feeding you surveys to work with him?

Ali: It was hard to get surveys, even today. Right before we were acquired, if I look at what our biggest issue was trying to scale this business, it was getting more surveys because getting surveys is a very brand sensitive process. It's very similar to how you would sell grants trying to get ads. If you look at the display ads, you could get display ads from a thousand networks, but if you wanted any premium inventory with higher CPMs you have to go sell direct.

Surveys, for good or for bad, were very similar to premium ads. You have to go account by account, company by company and sell them. And so, I thought I was going to build a technology company, and it turned into a company that had more sales people than engineers.

Andrew: Really? How many sales people now?

Ali: Right before we were acquired, we had about 40 people, and more than half of them were sales people.

Andrew: OK. So this is why when we talked in the pre-interview BizDev kept coming up over and over, that this is a business driven by the business development department. How did you get the first surveys?

Ali: We partnered with some other companies that would become our competitors later. They were already doing surveys in this space. There were some companies that had been around for 10-15 years. They were doing about \$40-50 million in revenue at the time, so we figured, why bother building our own sales force? Let's just partner with these guys.

But they were very old school, and their technology system just didn't work. They didn't send us enough surveys or the right surveys. We had a little bit of success there, partnering with some of them. But eventually we had to build out our own sales force and go after the space.

Andrew: OK. When you build up the first sales force, when you went out for your first direct sale, how did you do it?

Ali: We went to some conferences, met a bunch of people. Most of the real sales actually started when we hired sales people who are from within the industry because this is sort of research, market research. Sales is very much relationship driven. It's very old school. You need to have some sort of research experience or background in order to sell effectively.

For example, if you call up a prospect, they will ask you if your sample is balanced, if you cap your quotas, if you allow for this or that, or what sort of advice is present in your methodology. They'll ask you these very statistical sampling questions that's it's hard to get around unless you have that background.

We hired people from the industry. So our first sales guy was based out of Seattle. We hired him from a competitor, and he was the head of West Coast sales. So we brought him in, Shawn, and then with his help we eventually, over the next couple of years, built out the team.

Andrew: Before Shawn came in, was there someone else that you were using, or was it you directly who was making sales, or was Shawn the person that brought in the first direct sales that you guys did?

Ali: Shawn really brought in the first direct sales.

Andrew: Shawn? You were doing well enough by using somebody else's surveys that you could afford to hire a guy with experience and you hire Shawn, and that's when things turned around. But that's when things, maybe, not turned around, but that's when things started to move further much faster.

By this point, did you have any outside funding?

Ali: Yes, exactly. This is the point where we raised some seed money. In total we raised about \$4 million.

Andrew: At that point, how much had you raised?

Ali: At that point we had raised about a million.

Andrew: About a million.

Ali: About a million in seed money, and then we raised another \$3 million, \$3.2 million after that. So in total about \$4.2, \$4.4 million.

Andrew: On what basis were you able to raise a million dollars? What did you have that the investors, aha, I want to be in business because they have this thing. What's that one thing that you had that got them excited?

Ali: It was really promising results for our early partners, that Facebook application I mentioned.

Andrew: (fluff) Friends.

Ali: (fluff) Friends, yeah. Another early partner was a Korean gaming company called NHN. They're very big in Korea. They're based out in LA. We've been working with them almost three years now, and we were their very first survey offers partner. They plugged us into several of their games. It resulted in a significant revenue boost for them. Those early results were great. We just needed more surveys.

Andrew: I see. So you were able to go to an investor and say, look, I've got gaming companies that want more of this stuff. I've got survey companies that are happy to pay for this. What I need now is for you to super charge what I already have, and the way to super charge it is help me hire more sales people who will bring in more surveys because that's what's going to drive this business forward. Is that right?

Ali: Mm-hmm.

Andrew: What about the need for gamers, for game companies? Were they hard to convert, or was it a matter of just showing them the surveys, showing them the offer and they would test it and be happy?

Ali: Oh yeah. That was hard to convert as well. Initially, it was really easy because we were one of the first companies to do this. And then back in '07 we were the first company to do this. By 2009 there were about 15 other competitors, just copy pasting this model. So that's why a lot of our head count was sales, whether it was on the service side or on the publishing side for printing partnerships at social networks and publishers.

Personally, I was responsible for printing partnerships on the publishing side. So I did deals with Electronic Arts, Ubisoft, RockYou, Playdom, and Facebook, a bunch of other partners. And then Shawn and some of the other guys would do deals with survey companies.

Andrew: I see. So teach me about that. How do you do business development well? What are some of the tactics that you've used that have worked?

Ali: Uh, jeez. I think the first important one is something we refer to internally as the large numbers. There's always a sales funnel, and you need to have enough prospects going in at the top of the funnel to result in a sale at the bottom of the funnel.

Andrew: OK.

Ali: And so, building a target list of hundreds of prospects, researching them, getting their contact information, finding out the right people to contact and making sure that you are contacting enough companies at the top of the funnel is important.

There's an interesting story. One of the other founders did this way back when we were still in college and we were looking for seed money. We were college kids running on lunch money, and we needed some money in the bank, like, for servers.

He e-mailed 2,000 college alums telling them about the startup and hey, if you're interested, help us out. It was because of the fact that he contacted 2,000 people that we ended up getting seed money. Similarly, with publishers at any given time you might have 50 to 100 prospects in your pipeline, and you may be closing one or two deals a month.

Andrew: How do you get so many people in your pipeline?

Ali: You prospect. You research online. You figure out who these companies are. You look at news articles, blogs, fund raising. Fund raising is actually a very good indicator of what companies are doing well.

Andrew: I see.

Ali: So just scan the news. And after you've been doing it for a few months with us, at least, we built up a network of people who are then tell us. I would know when a new game company was starting out or how well they were doing, or if they were hiring people or firing people, or what their gender revenues were. So, I would know who to try and work with.

Andrew: How do you keep them in the system? Do you guys use an Excel spreadsheet? Do you use Highrise? What's the system that you use to make sure that you're collecting all of these contacts and that they're being follow up on and moved down the funnel properly?

Ali: You use two different systems. The survey guys use Salesforce.

Andrew: OK.

Ali: I hated Salesforce. I still hate Salesforce. It is just so hard to, like It's so painful to work with. So I just use Google Docs. So, everybody who is selling to the publishers just ended up using Google Docs. And we just had this one giant spreadsheet. If you wanted to know if you could go after somebody, you did a control S and find on it. If that person was on somebody else's list, you don't go after them. That's pretty simple.

I found it was a lot easier to use that than Salesforce if you're not in the tens of thousands of entries range. If you're in the low thousands, Google Docs works fine.

Andrew: So you had low thousands in a spreadsheet in Google Docs, and everyone was able to tag the company that they wanted to work with and follow up with them and see where they were in the process, and that's how you started off the top of the funnel. Once you get them in the system, how do you know who has to follow up with whom? How do you know who gets to tag the person?

Ali: A lot of it depends on who is having more success with what prospect. So who has a stronger personal connection? I think this is sort of the second important thing about BizDev is building personal connections.

Andrew: How do you do that well in such a big How do you do that well with a large number of people?

Ali: We did a lot of events. Back a couple of years ago, I was trying to figure out how do we get through to the CEOs of all these companies. They are major executives of all of these companies because you can, obviously, call them with a simple sales call. They're just going to They have secretaries who have secretaries who turn you down. That's their job.

So I started organizing events. It initially started off as small dinners for senior executives. We would get a group of like 10 to 15 people together

for dinner somewhere, and I found that people who would never respond to me on e-mail would respond to invitations to events, high quality events. Because when you do these events, they're not interested in you, they're interested in meeting everybody else who have come to this event.

Andrew: I see.

Ali: So we started doing events. We started doing parties, started doing happy hours, started partnering with other companies to produce these events every quarter. We have events we do with Google, with RockYou, one of the larger gaming companies. We have happy hours that we do on a monthly basis at our office in San Francisco.

We have a bi-annual cruise where we rent out a luxury yacht in the Bay here and put 400 people on a yacht with drinks and food and casino tables, and everyone goes for a good time. Every year on the yacht I end up signing a contract. But it's really good for personal connections.

It's sort of like that old maxim, more deals are done on the golf course rather than in the board room. Where if you can meet people outside of work in very personal relationships, those are far more important.

Andrew: OK. And so, through these events, you would get to meet people. Your sales people would get to meet the publishers, and relationships would happen that would lead to sales. How do you ensure that? It's one thing to just have a good conversation with someone. It's another thing to get that person to trust you with their business. How are you guys doing that?

Ali: I feel like that, at least, for us that wasn't a huge challenge because what we were offering was interesting. We weren't going to be blunt saying, hey, we're a cost center for you. We're selling this piece of software that's going to cost you tens of thousands. Please pay us. We were actually generating revenue for them.

Andrew: I see.

Ali: At the end of the month we would give them a check, not the other way around. The reason it was hard was there were so many other companies competing.

Andrew: How do you differentiate yourself and get people to work with you as opposed to all the others?

Ali: If you look at the space, our competitors are companies like Super Rewards, Offer Pal, Trial Pay, Summetrics. Noah Kagan, who is a friend of yours, is actually The last company he was doing before

Andrew: Gambit.

Ali: Gambit. It was also a competitor.

Andrew: He did surveys, also?

Ali: He didn't do surveys.

Andrew: But he was a competitor in the sense that he was helping game developers monetize.

Ali: Yes. So the other part of the business that I didn't mention earlier is we did surveys, but we also did advertising offers, similar to what Gambit was doing which is where we would take pay per performance campaigns from advertisers, like Netflix or Blockbuster or Columbia DVD or Disney and plug them into the games alongside our surveys.

They differentiate from us because we were the only company that was very focused on getting surveys. We're the only company that had a branded sales team going after the survey vertical. Everybody else was, more or less, picking inventory from third party affiliated networks and plugging them into games. We tried to differentiate ourselves by having exclusive survey inventory that nobody had access to.

Andrew: OK. I understand that it's easier to get publishers to work with you because you're writing a check to them. What about surveys? The companies that need surveys are giving you a check. They're trusting you with their data and with the data collection process. How do you convince them to work with you? What was the process you went through there?

Ali: I can say we did a good job, but when I look at market sizing and the larger scheme of things, online surveys in the U. S. is close to a billion dollar a year market.

Andrew: There's a billion dollars going into getting people to fill out surveys?

Ali: Yes.

Andrew: What's included in that number? Is Woofu and Survey Monkey, are they included in that number, or are we talking about companies that paid to have surveys done?

Ali: Survey Monkey is not included.

Andrew: Survey Monkey is not. We're not talking about price of tools. We're talking about companies, like Columbia Pictures and NBC who are paying to have surveys filled out.

Ali: It's either them or their research agencies, like Nielsen or TNS or GHK or Kantar. Some of these are large companies. Nielsen and Ipsos, for example, are publicly listed companies, right?

Andrew: How do you break into them? I understand it's easy to get them into Salesforce, but to get them to take our call and to get them to give you their business that's a tougher process. Walk me through that part of the process.

Ali: We didn't manage to get a huge share of that billion dollar market. Last year we got, maybe, \$15 million.

Andrew: \$15 million.

Ali: And so, we did OK, considering that we were selling into the service space for two and a half years. That is still a very small piece of the billion dollar market. It was a hard sell because researchers are very traditional. They take months, if not years, to decide on new methodologies. Believe it or not, even as far back as 2009, the research industry was still debating about using the Internet to collect research.

What we were doing was an even more specialized form of using social networking and games to collect research rather than e-mail. It took a long time to sort of do data analysis and to convince people through case studies and independent studies done on our data that this data was the same, if not better, than data collected through other mean.

Andrew: You had to do independent studies to prove that your data was worthwhile. All right. I see that. What do you do with that data? How do you take it, then go into the survey companies and you say, I've got this data, pay attention?

Ali: Yeah, that helps. That helps a lot.

Andrew: Is it a matter of cold calling? Is it a lot of that?

Ali: It is. It's traditional sales. It's everything that anybody else has done.

Andrew: Tell me a little bit about that because I understand one technique of having Shawn go back to his old clients and say, hey, I'm at a new company. Do you still love me? Do you still trust me? Trust this and test it out with me. That gets you pretty far, but beyond that, how do you get more people to open up their doors and then eventually open up their check books to you? Walk me through some of the traditional part of it.

Ali: Sure. A big part was that you just mentioned. Of all the sales people we hired, most of them were from the research industry, already coming with a knowledge of what to say and when to say it and a Rolodex.

Beyond that, it was the function of cold calling, getting a ton of people churning out 20-30-40 calls a day, going to meetings, flying around the country all the times. If you're a sales person, you live half our life on a plane and then going to a lot of conferences, talking to people there.

We won a couple of awards. We're trying to also be innovative and sort of position ourselves as social media experts within the research industry. But that ended us getting the Advertising Research Foundation, which is the body that looks at research and advertising based out of New York, give us an innovation award, their annual award in 2009. That helped.

Collecting awards, doing research on research, getting third parties to verify your data, all of this contributes to trust building. Then outside of that, the numbers game, right? How many people do you put in at the top of the funnel? How many cold calls? How many meetings?

Andrew: OK. Here's what I've got so far. I'm taking notes on what we're talking about to make sure I give my audience what I promised them at the top of the interview, which is techniques for Biz Dev based on your experiences? Number one, log large numbers. You go after as many people, get them in your database, as many of them as possible.

Second is personal connections, and you said you did that through parties. You throw these parties with Google, with others. You make them kind of interesting, interesting locations like the one on the yacht. And you make sure that everyone else at the part wanted to meet everyone else, and that was a much a draw as coming and hanging out with you and having a free party, free drinks.

The next thing you said is you set yourself up as the expert. In this case, you said we have a disadvantage because we're online, but you can also use that an advantage because if they're not online yet they're going to see us as the experts online. And you set yourself up as social media experts. Is that right? OK?

So that's the next thing you did? You did research on research to show that your research actually worked and get third party verification on that, a whole lot of cold calling and a whole lot of working with people who are already in the industry, who already had contacts. You hired them, and they bring their contacts over. True?

How do you set yourself as the expert in this space? Of all those, that's the one that I'd like a little bit more info on.

Ali: Speak at conferences.

Andrew: Speaking of conferences.

Ali: Speaking at conferences.

Andrew: I see. OK. How do you do that? Tell me a little bit more about it.

Ali: You contact the conference organizers, typically, six months to a year ahead of the conference. You build a relationship with them. You talk to them on the phone. You try to meet them in person, if you can. Try to figure out what topics they're interested in and if there is a match between your expertise and your background and the kind of topics they're interested in.

So both on the publishing side as well as the service sales side, we always had somebody who was working on getting us conference speaking spots because if you go up on stage in front of a few hundred people and you're talking bullshit, they'll still believe you just because going up on stage gives you credibility.

Andrew: Right.

Ali: It's the same as writing an article in a magazine. Just because it's in print, it gives you credibility.

Andrew: Right, right. When somebody goes up on stage, they look one way. And when they come off the stage, they look completely different. It's like there's a halo on them. And you're saying, it's not so much to do with what they say on stage, it's just the fact that they were on there. But that's a big help.

What else? What did I miss from this list that I summarized? BizDev is something you spend a lot of your time on. What else can we teach my audience here?

Ali: There is something also to be said about being at the right place at the right time. If you look at five years of Peanut Labs and what we were doing and different things we worked on, the first couple of years were a struggle because we had some successes, but we never had a great market product fit. I think you've talked about this with some of your other interviews, but with Peanut Labs, because there was a great market product fit, the right product at the right time to the right people, it made my job much, much easier.

I didn't put in more hours. I'm still working the same number of hours. I'm still trying to work as hard as I could, but being at the right place at the right time, the end result was very different. The first two, three years we, maybe, got from zero to a million dollars in revenue, and then from there to today we went from there to \$15 million.

Andrew: That's interesting. That happened to me in my life, too. In the beginning of my career, you and I were talking before we started the interview, I was doing e-mail newsletters. People signed up, and then they stopped because, I guess, spam was becoming a problem. No matter what I did, I couldn't get them to sign up. I could beef up the quality of my newsletters, nobody would sign up. I offered to give money to charity for every new registration. No one would sign up.

I was working really hard at something that just the world didn't want at the time. We shifted to greeting cards, and despite what I did, despite mistakes we kept growing because online greeting cards were just naturally viral because the world wasn't looking for newsletters, but they were looking for ways to interact. And they were looking for greeting cards.

It's amazing that when you find that one pocket, you're able to just grow and grow. That's why I asked you earlier. As an entrepreneur, we're

stubborn. I kept thinking I just didn't find the right incentive when I was in the e-mail newsletter business. I said, maybe, I need to find a better newsletter. Maybe, I need to find a better charity to give money to. We stick with it.

I kind of shifted to greeting cards because I ran an experiment and it worked, and it took so much of my attention that despite myself I was forced to move. Is that what happened to you? Is it the peanuts did that? I know I'm asking a question I asked before, but I think it's an important point.

Ali: Yep, that's exactly right.

Andrew: That's it.

Ali: The same thing happened with us is at one point when we transitioned to Peanut Labs, we had a waiting list of 30 companies that wanted to work with us. No matter how bad you are, how bad servers kept going up and down, tech issues, under stocking, whatever, people still wanted to work with us because we happened to come across something that worked pretty well for them. So, it's a parallel to your experience.

Andrew: And then when you were at XuQa, were you coming up with other ideas that flopped, kind of like my idea of giving money to charity every time someone joined my newsletter?

Ali: Yes, everybody was. I was prosperous, my other co-founder

Andrew: Give me one of the good ideas that you had that you were throwing on the market that the market just wasn't ready for it and didn't want it. What else did you come up with that was clever that didn't work because you were trying to compete with Facebook?

Ali: That did not work?

Andrew: Yeah, only because you were trying to compete with Facebook. It was a great idea, but it didn't work.

Ali: Do you remember the early days when How long have you been on Facebook?

Andrew: I had a friend who was in school to give me access to it, so before they opened it up to the public, before they opened it up to companies. It was colleges, high schools, companies, the rest of the world. I was in the college space, and I didn't get it because my college friends weren't on there, of course.

Ali: But you were there pretty early then, right?

Andrew: Yes.

Ali: College days. So back in the day Facebook only had a profile picture for each person. They did not have, like their massive photos application. You couldn't upload more than one picture even if you wanted to.

Andrew: I don't remember that, OK. I didn't know that.

Ali: We figured, hey, why not let the people upload unlimited amounts of pictures on our site? So we did that and it became super popular, and we started growing again. And then, lo and behold, six months later Facebook decides that's a new important feature. And they add that to their site, and poof that stops working for us.

I realized that you cannot, in this sort of business, social networking, you cannot be in a feature world with someone who's bigger and more powerful that has a lot more users because there's nothing to stop them from simply copying your features.

Andrew: I see.

Ali: Feature development, after a lot of failed attempts, we realized would not be a differentiator.

Andrew: Wrong place, wrong time. All the innovation in the world is not going to undo that. You have to shift to something else. I've got here in my notes that from our pre-interview and, maybe, e-mail exchange, you grew from zero to eight figures in two years, mostly done personally. Is that you personally were bringing in the revenue, or was it the sales people in the beginning who were doing it?

Ali: It was me and the other founders as well. So we were responsible for most of the early publishing partnerships before we added more sales people, but we didn't do a lot of the survey sales on the other side.

Andrew: What were you selling at the time that you guys got to eight figures with?

Ali: It was still Peanut Labs, and it was Peanut Labs that grew to eight figures. It was sort of two sides of the same coin. To make that revenue, we had to sell successfully to publishers as well as to survey clients at the same time.

Andrew: How did you guys sell to survey clients when it was just you before you hired Shawn?

Ali: We did deals with other companies. We weren't selling direct, so there were some third party intermediaries. They didn't have a lot of volume. There wasn't a lot of inventory, but that's how we mostly did it.

Andrew: I see. So you got to eight figures, over \$10 million without reaching out directly to the survey companies by going through third parties that essentially made you into an affiliate of theirs. And you just cranked those into your system, and you made those available to publishers, and that's what got you over \$10 million, 10 or over.

Ali: I've got to make a correction there. At that time we were still low seven figures.

Andrew: Low seven figures, OK, only a few million dollars. I see.

Ali: We didn't get up to where we did without direct sales.

Andrew: OK. So you got to over a million dollars before you hired professional sales people, when it was just the founders essentially?

Ali: Mm-hmm.

Andrew: What was that first million like? What was it like when you looked down and you saw a million dollars in sales?

Ali: Very good.

Andrew: Can you describe that moment? Do you remember it?

Ali: I don't remember it very well. It was a while ago. I think it was two, three years ago. That's what helped us raise money from investors is having a great product and having customer is one thing, but being able to show on your P & L that you've got the numbers to prove it, also puts a lot of confidence in with investors. So that was around the same time that we raised most of our money.

Andrew: Why did you decide to sell the business?

Ali: Like I said, this is a billion dollar market, and we are a small, tiny piece of it. It was hard for us to be able to grow that substantially very quickly. We had a lot more deals on the publishing side than on the service side. What we needed was a good way to solve that problem. The company that bought us is a company called e-Rewards. They are the world's largest online survey company. All they do is online surveys.

They have 1200 people globally. They do more volume than most of their competitors combined, like the next five companies combined. So, they looked at us and said, hey, these guys are solving a problem that we have, which is access to people through social media and online.

E-mail response rates have been in decline for a long time, and these guys were doing most of their work through e-mail. So they looked at us as sort of the next generation or the next way to access people online. It's a good fit. We had more people on surveys. They had more surveys than people.

Andrew: What was the day like when you sold for cash, right?

Ali: We sold for a mix of cash as well as stock.

Andrew: All right. When you saw that cash hit your bank account, do you remember that day?

Ali: Yeah.

Andrew: Tell me. Tell me about it.

Ali: It was great. It was more relief than happiness because I've been doing this for a while, I guess, five years. I dropped out of college. I didn't have savings. I put on life on hold. My brother did the same. The other founders did the same. And so, it was more relief because we had managed to land this plan. The investors made money. It was a positive outcome for everybody, some savings.

It's a funny thing. Right off of the exit, one of my other founders ends up getting married. My brother ends up getting engaged, and then the third one actually also got married earlier that year. So it was sort of like, everyone was waiting for this to happen and move on with their personal lives. Everything was on hold before then.

Andrew: And as soon as that happened, you guys were able to go and spend time on yourselves. What did you do?

Ali: I'm not married yet, so.

Andrew: Not married? Did you start dating?

Ali: Yeah. I do have more time to date, to hike, to run, to read, just be less stressful. My hair doesn't turn white as much any more.

Andrew: What's the best thing that you did since then?

Ali: I'm an entrepreneur. I can't sit at home. I can't watch TV all day. Even if I didn't have to work, I think you're like that, right? We're always interested in new things and building new things. These days, I'm working on a new product called Survey Tool.

Andrew: I see it right behind your head, www.surveymonkey.com, well positioned.

Ali: Yes. It's similar to Survey Monkey, and the idea is we're going to do something that hasn't been done in the online survey software space which is take survey software and combine it with the ability to get answers to your questions in an automated, real time fashion.

A good parallel is what the online ad space was like before Google AdWords. In order to get your ads up and running, you had to reach out to an ad network, talk to somebody on the phone, negotiate a share, and then

they'd send you a contract. They'd send you the code to put your ads on your site. Google AdWords automated that, right? It connected people with ads through a bidding system. So, what we're working on does that, and we're very excited about it.

Andrew: I see. So now if I'm a research company, I can come to survey-tool.com. I can put together the survey that I'd like to have filled out, and you'll find people to complete it for me and get back to me with the completed forms at a price that I get to pick online, or get to see online. Is that right?

Ali: Yep. So with Mixergy, for example, if you wanted to do a survey of 500 young professionals about any topic, let's say, you're trying to figure out what your market thinks is the next big issue. You could do that with Survey Tool. You could create your survey, and you could say, I want this demographic.

Andrew: Can I say entrepreneurs between 21 and 30?

Ali: Yes, you sure could.

Andrew: I see. So find entrepreneurs between 21 and 30, and I could ask a survey about what their biggest issues are. Do you care about SEO? Do you care about finding your first customers? Do you care about how to blog and ask more granular questions than that. And you come back to me with a meaningful, statistically meaningful answer to that question.

Ali: Yes.

Andrew: That's interesting. I like that a lot.

Ali: They're hard to find. They're harder to find than

Andrew: Entrepreneurs aren't playing video games in the middle of the day? Not the good ones?

Ali: They're harder to find, but we've done those before as well.

Andrew: OK. I see. So one of my viewers is the guy who runs ties.com. If he wants to find out the tie buying habits of men in their 20s, he could come and find men in their 20s on your website, find out when they buy ties, why they buy ties, what words maybe resonate with them. Do a survey with you. You price it before he gets started. You guarantee that the survey is completed and is accurate, I mean, it's statistically accurate. And then you come back at him with the answer. Is that available now?

Ali: That is almost there.

Andrew: Almost there.

Ali: We've got most of it done. We haven't integrated it into our sample pool yet. So you can create the survey. You don't have automated access to those people yet. That should be coming in the next few weeks. You can link to it on your site or check it out, if you'd like.

Andrew: Survey Tool, we'll link to it. If I don't link to it, let me know and jab me and I'll do it. Otherwise, people are going to go directly to it. I'm going to ask you about one more story, and then we'll say good-bye. The story is about your trip to Miami. Do you remember this? You and I talked about this privately. Tell people about that. Let's end with that one.

Ali: It's one of those crazy stories, and there's been a lot like this. When you do BizDev, sometimes you move to do things without knowing whether they will pay off. I was at a conference in Miami, and after the conference typically people like to go out and party. They'll go to a bar and drink, or they'll go to a club.

And so, I was hanging out with some potential clients. Of course, I'm new to Miami. I don't know what club is where or how expensive they are. So we go to this fancy club. We get bottle service. We have a table. I thought there was something funny because not only did we get bottle service but there were all these cute girls that kept coming to our table and dancing around and keeping the clients company.

I figured, well, maybe this comes with bottle service. I don't know. But at the end of the night there were six people, and I've done bottle service before. I figured each person is going to pay, maybe, \$500, \$1000, \$1500 tops. And we ended up getting a bill that was close to about \$20,000 for four hours spent at some club. I saw that bill and I was like, oh shit because we're a small company. I can't afford to blow 20 grand at a random party

from which I'm not even sure we're going to get anything out of this. I ended up paying about \$4-5000 off that bill.

Call it coincidence or whatever, but one of the guys who was there was also a large prospect client. And he ended up calling me two months later saying that they were ready to integrate a survey offer solution, and he really liked me because I was a cool guy. And I had paid for that party, so he wanted to work with us. So we made our money back on that.

Andrew: Unreal. It's like a compact car, what you spent on one night. That's what Miami is like then.

Ali: Yeah, I guess. I don't have

Andrew: For that, you get bottle service and the girls don't come with the place. It's just the girls happened to see that you've got bottle service, and they come over and say hello?

Ali: I would guess, yeah.

Andrew: That's it. I've got to stay away from Miami, actually. Actually, I think I might be in Miami in about a week for a conference. SuperConf, I think, is in Miami. I'll go, but I won't be buying any one drinks.

Ali: Go to South Beach.

Andrew: Go to South Beach. I think I might need to stay away from South Beach. Based on your story, I'm going to stay away from South Beach.

The company is Peanut Labs. The new tool, the new site if you guys want to spy on what the founder of Peanut Labs is about to launch or has launched and what he's building up, it's Survey Tool, singular, dotcom, true?

Ali: Mm-hmm.

Andrew: Thanks for doing the interview.

Ali: Yeah. Thanks so much, Andrew, and best of luck with Mixergy.

Andrew: You bet. And thank you all for watching.