

Singapore Management University

## Institutional Knowledge at Singapore Management University

---

Perspectives@SMU

Centre for Management Practice

---

9-2017

### From Capitol Hill to Venture Capital

Singapore Management University

Follow this and additional works at: <https://ink.library.smu.edu.sg/pers>



Part of the [Entrepreneurial and Small Business Operations Commons](#), and the [Technology and Innovation Commons](#)

---

#### Citation

Singapore Management University. From Capitol Hill to Venture Capital. (2017).

Available at: <https://ink.library.smu.edu.sg/pers/385>

This Magazine Article is brought to you for free and open access by the Centre for Management Practice at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Perspectives@SMU by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email [cherylds@smu.edu.sg](mailto:cherylds@smu.edu.sg).

# FROM CAPITOL HILL TO VENTURE CAPITAL

**Published:**  
29 Sep 2017



*The CEO of Y! Combinator on how a 'dumb idea' became the world's top videogaming community, the core of being an entrepreneur...and pizza*

On the website of Twitch, the “world’s leading social video platform and community for video game culture”, are some impressive numbers: 10 million daily active users; 2.2 million unique content creators per month; 106 minutes watched per person per day. Its closest competitor in live streaming is none other than YouTube who, according to TechCrunch, is still [a long way behind](#).

The same TechCrunch report reveals that “the money (and crowd) is still at Twitch” despite YouTube’s best efforts, which would be music to Twitch’s parent company, Amazon, which paid US\$970 million for the video streaming platform in 2014. Not bad for a website that started with founder Justin Kan’s idea of broadcasting his life 24/7 from a webcam mounted on a baseball cap, heralding the start of lifecasting.

“Justin told me about this idea [in 2006] with me over dinner with his dad in D.C. and I said, ‘That’s the dumbest idea I’ve ever heard,’” recalls **Michael Seibel**, one of the four co-founders of Justin.tv, which went on to become Twitch.

## THE BEGINNING

Seibel, now CEO of startup incubator Y! Combinator – Y! Combinator was an early investor in Justin.tv – recounted how he got into the tech business in a fireside chat at the sidelines of the recent Lee Kuan Yew Global Business Plan Competition.

Seibel had just completed his stint as the finance director for former NAACP President Kweisi Mfume’s unsuccessful campaign for the U.S. Senate when Kan, a schoolmate at Yale, invited him on a road trip to San Francisco with Emmett Shear, who still serves as CEO at Twitch.

“I didn’t know at the time that they’d packed everything they owned into Emmett’s Honda Civic,” Seibel recounts of the four-and-a-half-day drive to start Justin.tv in San Francisco. “To give me a

seat they had to throw away a quarter off their belongings,” he tells the audience, sparking chuckles. After spending a couple of weeks helping Kan and Shear find an apartment and buying the budding entrepreneurs a futon, Seibel returned to D.C. despite Kan’s invitation to join the company. A week and a half later, Seibel got an email from Kan.

“They said they found this other guy, Kyle [Vogt, now CEO of Cruise Automation], and he’s gonna build our camera. They sent me this 16-page PDF complete with prototypes of the camera and it looks legit. I thought, ‘Maybe this could work.’”

Turning down an opportunity to work on what would be the Obama campaign – “I didn’t know it at the time” – Seibel “had to sell everything I owned, basically break up with my girlfriend, and two weeks later I’m sleeping on the futon that I bought for them in the living room of the apartment I found for them.”

## PIZZAGATE

Once settled in, the co-founders settled into their roles: “Justin was the frontend guy, Kyle ran video, and Emmett ran backend” of Justin.tv, which soon attracted up to 30 million unique users.

“One weekend, the video system goes down hard and Kyle’s out of town – he’s in Tahoe,” Seibel says. “Emmett’s doing this thing that I always love, which is, ‘It’s not my system and I don’t know how to fix this but I’m gonna try,’ and he’ll bang away at the keyboard and every five minutes he’ll go, ‘Michael, find Kyle!’”

“We’re in San Francisco, Tahoe is a three and a half hours’ drive. I’m thinking to myself, ‘How do I physically touch somebody who is three and a half hours away?’ Then I thought, ‘How do you get something to someone’s house quickly?’ And the only thing I could think of was pizza. Pizza gets to people’s house pretty quickly.”

He continues: “So I called up a local pizzeria at Tahoe and I told the guy on the phone, ‘Look, here’s what I need you to do: Go to this address, knock on the door and tell the person who answers that the website is down.’ The guy replies: ‘This sounds serious. I’m gonna get my manager.’”

*Manager: “OK, and do you want us to send a pizza?”*

*Seibel: “Hell no! This is an emergency!”*

*Manager: “To do this we have to put a pizza in the system. What kind of pizza do you want?”*

*Seibel: “Cheese pizza.”*

*Manager: “Unfortunately a cheese pizza doesn’t meet our delivery minimum.”*

“I was screaming for him to put extra cheese,” Seibel recounts to roars of laughter in the audience. “This poor guy gets sent out to Kyle’s house. He knocks on the door and he says, ‘I don’t know if you know what this message means but the website is down.’ Kyle starts swearing and he turns round and ask the delivery guy, ‘Is there a pizza?’”

## GROWING PAINS

From Justin.tv’s inception to 2012, the company’s valuation went from US\$1 million to US\$24 million. However, the company was losing US\$250,000 each month with a million dollars in expenses but only US\$750,000 in revenue in August 2011. The co-founders corralled the 40 employees into “a horrible back closet that served as a conference room [where no one would

leave] until we write enough ideas on the whiteboard that can either makes us money or save us.” By the end of the year the company was a million dollars in the black.

Seibel and the rest also realised that “we’re not interesting to watch” and decided to become “a website so anyone can broadcast live video.” However, copyright issues prevented the vast majority of videos that people wanted to share.

“There was always this small group,” he continues, “about 10 percent of our traffic that was videogames. We just ignored them for years. Then Emmett pointed out that the videogames were the only content he enjoyed watching. Think about it: We had this website that had hundreds of hours of video and the only content that any of the founders watched were of these kids playing videogames.”

Following a visit by former Facebook CFO Gideon Yu, who predicted the company’s death “within three years” if nothing changed despite the million dollar profit, Twitch was created to focus on streaming video games. “You know when somebody says something you don’t like but you know in your heart to be 100 percent true? That’s exactly what it was,” Seibel mused, who revealed that SocialCamp, which was billed as the ‘Instagram for video’, was the other idea that the co-founders hoped would save the company.

He continues: “Here’s to show you investors know nothing. We thought we’d talk to investors on which idea was better. All the investors thought the videogame idea was terrible and a complete waste of time, and they all thought the Instagram for video was the best idea ever. To this day there hasn’t been a successful startup that’s done Instagram for video.

“SocialCamp came out of that and sold for 60 million dollars. Twitch, that sh---y live streaming company, sold for 970 million dollars. If you’re asking investors if your ideas are good, you’re literally asking to be lied to.”

## SCALING THE ENTREPRENEURIAL MOUNTAIN

Seibel, who also helped advised AirBnB founders Brian Chesky and Joe Gebbia at the very beginning, also highlighted his experience with the accommodation sharing app’s creators to share his thoughts on two critical factors to a startup’s success: persistence and scalability.

“They didn’t have a technical co-founder [at that time] – Nate [Blecharczyk] was in Boston then,” Seibel recalls. “They’d come by once in a while to show us what they’ve done and we would give them some advice. The thing that got us to work with them was every time they came, they made progress. They built something, they changed something, they talked to users.”

About scalability: “The typical investor will look at an idea and go, ‘That’s not going to scale. It’s gonna get you to 10 users but not 1,000, so don’t do it.’ The AirBnB guys thought differently. They thought, ‘Hey, 10 users is better than zero users. And unless you have users, you’re not going to make your product better.’ So it’s ok the first 10 users aren’t scalable because interacting with customers is better than not interacting with customers.

“They’ve been online and poaching hosts from other products. They said, ‘We will go to your house. We will take professional quality photos of your couch or your house, and you can use it on any other platform but only if you set them up with us.’

“They tells us this crazy story where a user told them, ‘I’ve been renting out my apartment out for 10 years, and I have a notebook of all the things that are great for online sites that your product should have. Would you like to see it?’ They were like, ‘Of course!’ For two hours, he basically laid out his experience as a host etc.

“If they had been relying on Facebook ads or an outsourced sales team etc. doing all the things to look like they’d scale, they’d never have had that interaction.”

From joining a venture that he thought was “dumbest idea I’ve ever heard” to becoming a multimillionaire after selling it, what does Seibel have to say about being an entrepreneur?

“A lot of investors over-emphasise solving a personal problem as the core reason of starting a company,” he advised. “I do think that there is a negative deeper truth there, which is there has to be something that keeps you working on that company when it sucks. When the company is not doing well, it sucks. When it’s doing well, it sucks. There is no time when your company doesn’t suck. There’s gotta be something that keeps you in.

“For me it was working with friends. That was the thing that kept me in it. I didn’t want to let my friends down. This was the first thing I’d done. It was a grade of my life. The way Justin.tv turned out was a grade on how Michael Seibel’s life has gone so far.”