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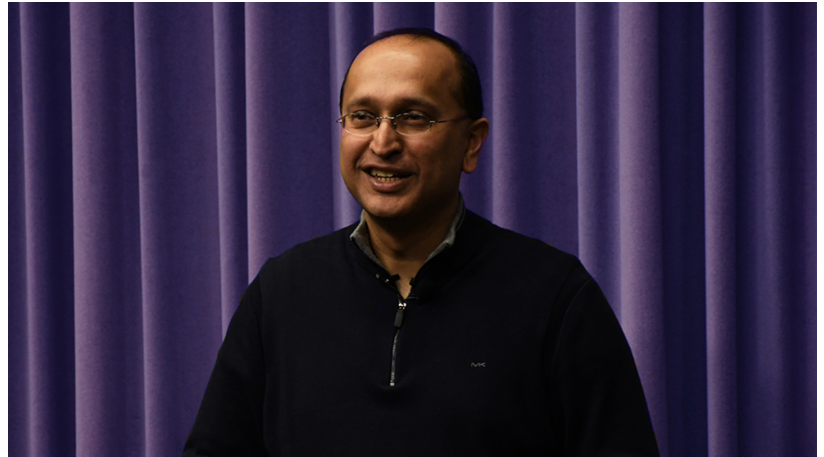
In the early years of the home solar panel market, systems cost upwards of $30,000 and took 15 years to pay for themselves. Navin Chaddha, managing director of Mayfield, explains that SolarCity's innovative financing solution had nothing to do with technology. He encourages entrepreneurs to think about gaining market advantage through nontechnical means.

Transcript

- My third story is about SolarCity.. Today, seeing solar panels on homes is becoming fairly common.. However, that was not the case in 2006.. For that reason, Lyndon and his brother, Peter, and their cousin, the famous Elon Musk, came up with SolarCity.. The initial idea was, they would install and maintain solar panels on people's homes.. But there was one problem with it, everybody had to fork out 30, 50, 100K up front, and the ROI was 15, 16, 17 years, and people didn't want to do that.. So their initial business met with limited success.. Not unlike other entrepreneurs, they said, "Hm, what can we do?" So they did the same thing.. They went and talked to customers, they talked to advisors, they talked to mentors, and they came up with a simple business model in 2009, 2010, where they said, "Why don't we go back to customers and say, "you pay us on a monthly basis, on a leasing model, similar to what you pay your electricity company?" What followed, people were used to buying electricity in that way.. The example I would give is, I want to have a pizza, I know how to pay for it..

Rather than selling me a pizza, which is already ready to eat, you're giving me all the ingredients and saying make it on your own and pay for it up front.. Neither do I have the time, neither do I have this acumen.. So, sell products in the way people are used to consuming.. So, what's the summary? This non-technical innovation made SolarCity a breakout company.. They generated billions of dollars in revenues, went public in 2012 and achieved a market cap of over five billion and were eventually acquired by Tesla.. So as you look at starting your next company, I know it's Stanford, I'm a EE, don't just think about technical innovation, broaden your horizon.. Think about other forms of innovation.. I already talked about one with business model through SolarCity.. Think about innovation in go-to-market and distribution, similar to what leading open source companies are doing.. And at the same time, think about innovation in delivery models for companies like Salesforce and AWS are doing on the delivery front..

So, think, innovation has many forms and you can innovate across the value chain...