

URL: <https://stvp.stanford.edu/clips/proving-product-to-investors>

Houzz Co-Founder and President Alon Cohen recalls how building a product first, and being able to show investors how much people use it, eased and simplified fundraising. While “bootstrapping” isn’t always seen as the best approach to starting a business, Cohen says it proved to investors that his team could build a viable product with limited resources.



Transcript

So how do you simplify raising money, right? There is tons of books on that and lectures and everything, right? It's a complicated thing.. So it seems, right, and it is complicated.. So there's one simple way I realized is you do one company that's successful and then it's easy to raise the next money for the next company.. But that doesn't work if you don't have that first company.. So that was ruled out.. What's the definition of success? Yeah, I don't know, that's a great question.. It's when the VCs are chasing you after that, yeah.. So anyway, that doesn't work, right? So what do you do? So for us, it was basically us bootstrapping it solved a lot of the problems.. And it's not for everybody, but it definitely is a very viable way to make things work.. Because what happens is that you come to investors where you have something that's already there..

It already has been proven, right? People are using it.. And you've shown that you can - you and your founder - co-founders, right, were doing it on your own with very little budget.. That's really what investors are looking for, right? That's an indication that you guys can actually make it happen, right? And it made our life a lot easier...