URL: https://stvp.stanford.edu/blog/videos/the-concept-behind-buzzsaw-com

Bartz discusses Buzzsaw.com, a company created to provide a hosted environment for the construction industry. Because Autodesk had no experience in the construction industry, the company spun out Buzzsaw and then bought it back after a successful fundraising round with VCs.

Transcript

For those of you who don't know what it is, actually, three years ago now.... It can't be three years ago.. Two years ago now, November, so about right now, we spun a company out called Buzzsaw.com.. And it was around the concept of "Can you provide a hosted environment for the construction industry?" because most of you know enough about construction to know that people come together on a one-time project to work out a building, and then they go away and then never together again.. So you have a combination of architects, structural engineers, other kinds of engineers, civil and land people, you have the contractors, the sub-contractors, the owners, and that culmination of people makes a building, and that's it.. And then they go away.. There's no central IT group.. And 40% of any building project is cost overrun and time overrun because people have the wrong information.. Think about the rolls of drawing.. If you've ever walked in a construction trailer, there could possibly be a hundred sets of drawings in there..

"Which was the right one again?" So there's a lot of bad information.. Voila, a hosted service where you always have the project hosted, permissions, etcetera, who can get it, notification, all that stuff you might well imagine.. And it was an area of business we weren't in.. It was in the middle of the heyday of dot-coms.. And we said, "You know, our shareholders will never abide that we spend as much money as it will take to get this off the ground.. We'll never get the kind of people.... you guys wouldn't come work for us because we didn't have all those dot-com shares.. We wouldn't get you guys to work 24 hours a day and wear beepers and ruin your life for a while.. And, frankly, we wouldn't get the attention.. So let's spin it out." The idea was to spin it out..

We got venture capital money.. I'll fast-forward for you.. They ended up spending $90 million--thank you very much -- of which about 20 was Autodesk money.. Thank you very much.. There were about 270-some competitors.. They are really the last -- there's about two standing.. We spun them back into the company in August.. They brought with them 30,000 projects.. For instance, all the Gap stores are managed up there, all the Toys R Us, the new Intel fab, the GM Lincoln 300,000-square foot building in Southern Cal, airports.. So the concept just worked..

What happened, what I always said, when we spun them out, is one of three things were going to happen.. Well, we first had to get through our first OR gate, and that is, "Does this concept even work? Does anybody care? Will people take a hosted solution?" And if that was the case, one of two things were going to happen.. There would be a rich IPO market and we would have an enormous asset on our books of which we owned 40-something percent company.. Or it worked, but there wasn't an IPO market.. We'll buy it back, get it back in the company, and we'll run it as a business.. So it's back in the company.. It's in the vision of the company.. And it is part of our collaboration story now in our architectural building-design business.. So, what did we learn? Oh, tremendous things.. We learned how to host something 24 by nine with at least four-nine's reliability..

That's a big job.. We learned how to rev software online.. Again, we thought we were clever doing something every three months.. You put a hosted solution up, your temptation is to roll it every night because you've got a new great idea.. Well, can

you do that or can't you do it? How stable do these things have to be? What has to happen? We've learned an awful lot about that.. We learned how to price.. How do you price? You price by the megabyte.. Boy, that's a new concept.. So pricing, how you market, the kind of partnerships you form -- it was like an instant Ph.D.. in how you do an online business versus, at that time, a traditional software business..

We spun out a second company, by the way, Red Spark, in manufacturing.. Spun that out a year later.. Just folded that.. It never got off the ground.. Great software.. It came into the manufacturing sector at probably the worst time ever.. It's being in the process of being closed down this month.. Didn't make sense to bring it back in because we can actually duplicate -- we know a lot from Buzzsaw now, number one, and we think we can duplicate these efforts internally.. And so it just shows you, here's two experiments of the same kind of variety.. One worked, one didn't...