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Jaime Masters: Welcome to Eventual Millionaire. I am Jaime Masters, and today on the show, I am so excited to have Steven Hoffman. You can check him out. He created Founders Space. You can check him out at CaptainHoff.com, which I think is the best domain ever. He has had an epic career both in Hollywood and Silicon Valley. Thanks so much for coming on the show today.

Steven Hoffman: Jaime, it's fantastic to be here.

Jaime Masters: Your career has spanned so much, from Hollywood to Silicon Valley. You've done so many different things. You have two podcasts right now. How have you decided to change avenues so much?

Steven Hoffman: So, I like to say I've had more careers than cats have had lives, so Hollywood, Silicon Valley; I'm a venture capitalist; I've also been a game designer, an electrical engineer, a manga rewriter, a voice actor. You name it, I've tried it in my lifetime, and that's just scratching the surface of the many things I've done.

But one thing has been consistent. So, I've always been passionate about being creative, creative in business and creative in producing products, creating products.

So, my work with entrepreneurs that I do today is an extension of all that. I've done three – I've founded three venture-funded companies in Silicon Valley, two bootstrap startups, and I really understand what entrepreneurs are going through because I've gone through it.

And today, running Founders Space, I coach literally hundreds of entrepreneurs around the world, and I see all the pitfalls they have, all the places they run into roadblocks, and I try to help them around those.

Jaime Masters: So many people listening are like, "I wanna do that. I wanna go from idea to idea." Normally it's ADHD and squirrel, and none of them get off the ground. How did you actually make yours actually successful?

Steven Hoffman: Well, not all of them were. Let's be honest about this. When you try a lot of stuff and you're really creative and experimental, they're not all gonna work. However, I've had more than my share of successes, and there are certain things I do, and I will tell you. And I write about this in my new book; Harper Collins just

published it, *Surviving a Startup*, because most startups fail because they don't do these things.

So, when you are starting a new venture, the most important thing is not your idea. Everybody thinks, "I have to have that epiphany, that brilliant idea, before I dive in and become an entrepreneur or do some project." You don't actually.

What you need to do – there are two things you need to do. And first I'll tell you what you don't need to do. You don't need an idea. You don't need to go out and raise money, and you definitely shouldn't be building anything.

The first thing, if you wanna be successful, you should do is surround yourself with amazing people, literally people who you – not people who you can get, who happen to be available, but those people who you really admire, those people who have talents you don't have and complement you. If you can build this team, your chance of success triples just instantly.

Second thing you should do is don't think of an idea. This is counterintuitive. Instead, pick an area that your whole team, all of you together want to work on. And then you go into the real world, and instead of trying to prove this brilliant idea in your head works – because more often than not it doesn't – instead of proving this, you actually go into the real world and you start to what I call hunt for demand.

Now, great ideas, like you could have the best idea in the world, you could have the best team in the world, you could have the best product in the world, you could have all the money in the world, but if there is no demand out there for what you have, it'll go nowhere.

So, I'll give you an example. Let's say you want to change the fishing industry, and you wanna do good. You see that there's a lot of bycatch; the fishing industry is very inefficient; the fishing industry is decimating our fish stocks around the world and polluting the oceans. Wow, there's a lot that can be changed. However, you could have the best idea in the world to change it, but if the fishing industry doesn't want it, it'll go nowhere. It doesn't matter. They won't adopt it.

So, really great entrepreneurs say, "Okay. I wanna change the fishing industry," then they go into that industry, and they start

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really understanding what the people in that industry want, what they need, and how new technologies or new processes or new business models could change how they do their business.

And if they can align the goals, that pent-up demand in the fishing industry for certain things, like maybe they wanna be more efficient, more profitable, they wanna do certain things, they wanna accomplish things, and you can align those with other benefits that this new technology and new way of doing things does, boom, you can unleash that demand and grow a startup.

So, don't go out there with your idea, trying to sell it to people. Instead, go to where people are having pain, having problems, wanting something, and then you start to experiment with lots of different ideas and see which ones actually unlock the demand like an oil gusher. That is the key to starting.

Jaime Masters: Being actually open and flexible, which is hard for entrepreneurs, especially if they already have an idea, right?

Steven Hoffman: No, honestly, too many entrepreneurs fall in love with their idea, and they fall in love, so they first of all block out every other possibility. They're not looking for other things. Once they've fallen in love, they just wanna make this idea work.

Secondly, they're trying to sell their idea to people who don't necessarily love it, but they're not listening to the feedback. So, that's why I say, with your team, pick a direction, not an idea. There are so many ideas out there.

And honestly, I wanna give you some examples. There are great companies out there, and most of them did not succeed on the idea they started with. So, look at Google, Google, one of the most profitable companies in the history of humankind. When Larry Page and Sergey Brin started Google, they thought they were doing a nonprofit, a nonprofit. It's ironic. But that was because their original idea was to help academics find research papers online. That was a nonprofit idea.

Jaime Masters: Super sexy, yeah, yeah.

Steven Hoffman: When you look at YouTube when they started, their original idea was a video dating site. It was only – most people don't know it –

Jaime Masters: No.

Steven Hoffman: – but that was failing. Nobody wants to video-date. So, it was only later that when they were running into problems with their company, it wasn't working, and then they wanted to share a video file. Video files are large, and they said, "Oh, we built this platform where you can upload videos. What if we just shared the link?" That simple idea became YouTube, on and on and on.

You look at Skype – I mean Slack, the company Slack. That was a game. It was a game that failed, and then they had this internal messaging system that the engineers had built. That became the company. So, when you're going into the world, don't fixate on the idea, honestly. You will figure something out. It's a journey.

Jaime Masters: You start walking the path, and the path shows you which avenue to take on the scenic route, right?

Steven Hoffman: Right, because I have a rule, fundamental rule. Entrepreneurs can never manufacture demand. You cannot make somebody demand what you have.

Jaime Masters: A hundred percent.

Steven Hoffman: You can build whatever, but there is demand out there, and your job is to find it.

Jaime Masters: Okay. So, this is a bit of a random question because I wanna go into that space in just a second, but I have a client who I made just buy your book just right before our call actually. She has a seven-figure company, and she has an idea and she wants to get investors for it. So, I totally believe you on the feedback and getting more – she's got a big customer list. What should she be doing with that customer list, and how should she be trying to get investors?

Steven Hoffman: So, first of all, you need to understand your business. So, certain businesses out there are investor-friendly; investors love them. Other businesses, they don't work for investors.

So, first let me tell you, if her business is linear growth, like it's gonna be steady growth, most venture capitalists, most big investors will not touch it. And you're like, "Why? She could have a great business, all these clients, but it's just gonna grow steadily."

And the reason is because those businesses, when an investor puts

money in your company, the first thing that investor wants is to get their money back out of your company. And they don't want just what they put in. They want tenfold. So, how do they get that? They only get that if the company's growing exponentially because exponential companies tend to get acquired for lots of money, or they can IPO.

Linear-growth companies, well, maybe 30 years later something will happen. But most of these investors, they don't wanna wait 30 years. It's too long. A lot of them might be dead; they're older. Others have funds, and the funds have lives that are usually not much more than 10 years, so they need to get their money back within that time period.

So, she has to look at her business, and if it's not right for getting investors, she shouldn't waste her time, honestly. It's just a waste of time.

The businesses that investors love right now in Silicon Valley and just in general, they want a company first of all that is not doing what everybody else is doing. If she is doing what everybody else is doing and has really no distinct core, what I call a core value that she is offering her customers that they can't get anywhere else, why should they invest in her because she's gonna be competing at the end of the day on price, and there's a lot of competition.

What they want is somebody who's figured something out, usually through technology or a new business model or even a design innovation that allows people to do things radically differently.

And really, there are only two ways that a startup breaks out for exponential growth. One is that you do things exponentially better than your competitors. So, it's like, "Oh, my God, this is so much better. We can't keep using the old product." If it's incrementally better, nobody will switch it. Like, we're not gonna switch. We're not gonna leave Gmail because there's another email software out there that has another feature. It's just not gonna happen, right? It has to be like, "Wow, this is so much better."

The other way is if you do something that they're not doing. You identify something that they need, they have this extreme need that they're just not getting. And you enable them to do that, and then they use your product usually in addition to whatever else they're using. So, if she doesn't have one of those two, again, investment is out. The bar for investment is really high.

And then the third one is there has to be a big market there. There has to be enough customers and enough demand to fuel this into a fairly large company, hundreds of millions in revenue, billions of dollars in valuation. That's where investors make their money because they don't expect every investment to pan out, honestly. Smart investors know they will always make mistakes.

So, they do it on a portfolio model just like you do with stocks. And a few – and really, in Silicon Valley in a venture firm, they call that company that goes boom, that just takes off, the Googles that they invested in, the Facebooks, whatever they are, those companies are called fund-makers.

And they are happy if out of 10 or 20 companies, they have one fund-maker because that one fund-maker literally becomes worth more than all the other investments combined that they've done. So, every bet that they place, every investment that they place, they have to believe your company or her company could be a fund-maker.

Jaime Masters: Yes. So, she probably will not be going down that route, like I assumed. How do you figure out the feedback though because there's lots of different ways right now of talking to your customer and blah, blah, blah. What do investors want to see so they know you've sort of carved out your own space and your niche?

Steven Hoffman: Okay. I write a lot about this in *Surviving a Startup*. Really, investors, there are two things that investors wanna see. So, actually there are several things. I'll go into all of them.

First of all, you catch investors by telling a great story, honestly. People respond to stories. Everybody says they're analytical, but I know investors. They want a story that resonates because if it resonates with them, it's gonna resonate with the customers, it's gonna resonate with the press, it's gonna resonate with employees. These things build on each other. So, we understand the world through storytelling, so they want a great story.

But a great story isn't enough. A great story and a great idea are not enough. The thing that the smart investors – you can sell a stupid investor on just a story and an idea; they'll invest in anything. But really smart investors, what they want is some sort of proof that they can extrapolate from that, yes, it meets my criteria. What's solid proof? And there's really no more solid proof

you can get than the customer, how the customer engages with the product.

So, if you're going out to customers at the very beginning and your customers are looking at your product going, "Oh, that's really nice, that's really nice. Come back when it's ready and we'll adopt this," or, "That's great to have," as soon as somebody says, "That's nice to have," you are dead in the water, like, dead. Nobody buys nice-to-have products. We all use them. You know all those apps you download on your phone? You download them. "Oh, that's kind of nice. That's really nifty." You forget about it the next day, and then a month later it's deleted. That's what happens to nice-to-have products.

So, what you need when your investor, if they can talk to your potential customer, what they want to see is that your customer doesn't go, "Oh, that's nice to have." They're like, "Oh, my God, I need this yesterday. I have to have this. How do I get it? I'll pay for it. I'll do whatever it takes. Get me on board with this product." That is the reaction they need because honestly if what you're offering them isn't in their Top 5 priorities, Top 5, they will never get to it.

And honestly, the companies that really explode, it's in somebody's Top 3 priority. So, whoever is making that buying decision, whether they're a person at a big corporation or an individual, consumer, if it's not in their Top 3 of things they want, they're just not gonna deal with it. We're all too busy.

So, the biggest criteria is: Can you prove to this investor it's in their Top 3? A simple way before you even build the product is go out to your target customer if they're other businesses and videotape them or get testimonials or get them to actually write you a check in advance or do something that proves that this is in their Top 3, that they are going to take action on this, and you show that to investors.

Other ways, crowdfunding, like people put these out on Indiegogo, Kickstarter, great way to show that consumers before you build it, with just the video, wow, they are putting up their money. They're putting their money where their mouth is. That identifies it.

And in addition to that, investors also wanna see your business model because I will tell you, if you have a model, even if people are nuts, like you put something up on Kickstarter and people go

crazy and they're giving you money, we've seen companies like this fail over and over again. They have a spike where they sell a lot of these gadgets, and then they just go away. Like, you saw Pebble, the watch, it was a while – they raised \$10 million on Kickstarter; it's gone.

Even Oculus that was founded, they raised tons of money on Kickstarter, they got acquired by Facebook for billions of dollars. But honestly, if Oculus hadn't been acquired by Facebook, it would be failing now. Facebook has just been pumping money into that company.

Jaime Masters: Wow.

Steven Hoffman: It's not a moneymaker. People buy it, but they didn't really need it. Now, what proves that a company will really sustain itself is the core business model, and that is recurring revenue. The hardest thing you ever do as a business is to acquire a customer. That, it's the most expensive thing you do; it's the most difficult thing you do.

Now, when you acquire a customer, you wanna make sure that the customer doesn't just buy your product once and you never see them again because that means you have to go out and acquire another customer and another customer and another customer.

The great companies of the world – and look out there at all of the very best companies – the very best companies in the world have what's called recurring revenue. When they get a customer, they get that customer, they keep paying them over and over and over, doesn't matter if it's Microsoft, if it's Apple, if it's Google, if it's Facebook. You know, Facebook does it through ads, but they are always getting more money from their customer.

And the second thing they do, which is really important, what venture capitalists wanna see, is that your business locks in the customer. Your business makes it so that the more time, the more a customer's time they spend with you, the more money they spend with you, the more they engage with you, the harder it is for them to switch and move to another product.

So, the great products out there, like once you get your iPhone set up and everything, you know you don't wanna switch. You have your apps; you have everything; you just wanna keep using it.

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When you go to Facebook, once all your friends are on there and you start posting and forming all these relationships, very hard to transport those to another one.

You go to Amazon, once you get it all set up on Amazon, there are all the buyers and sellers, they're creating more and more value for everyone. The more buyers there are, the more value to sellers. The more sellers there are, the more value to buyers. That ecosystem becomes incredibly powerful.

So, you couple all the things I've been telling you with those things, you have a winning model for investors.

Jaime Masters: Yeah, it's a recipe pretty much for exponential growth. You're like, I keep my customers and they pay me all the time. That's great, yeah.

Steven Hoffman: Yeah, they never leave me, and then you know, the venture, it's very simple for them to do the math. They're like, "Wow, if I give you this money now, you acquire all these customers, you won't be profitable right away. But, look, over five years, you're gonna make a ton of money."

Jaime Masters: So, what about early adopters? So, VR, I'm super obsessed with the future of tech and stuff. So, you'd assume that Oculus would be making money. I mean, it's taken forever for us to even get the technology this far, and where it's going is insane. So, why are they failing? Is it just early adopters? Tell me a little bit more about what you think about that.

Steven Hoffman: Okay, yeah, so I am obsessed with technology, too, and I have another book that just came out. I've been very prolific. It is called *The Five Forces That Change Everything*, and it is all about these new technologies and how they're totally going to transform our world, like, completely. And I write a whole section on VR and AR, virtual reality and augmented reality.

Now, I just dissed VR that Facebook bought, not because VR doesn't have potential, which it does, but because VR is still early. It doesn't deliver on the promises that people want. It's honestly just too bulky for most people to wear, too time-consuming, and the UI, honestly, navigating it is not easy for the average person.

Like, to pick up my phone is easy. I have a rule: It has to be braindead simple. People don't want anything complex. If it's not

just like – everybody will gravitate towards the simplest way to get something done, whether it's entertaining themselves, whether it's communicating, whether it's buying a product, they will do it the simplest way. VR simply doesn't meet that threshold yet, or if it's not gonna be the simplest, it has to do something amazing that this device cannot do.

So, when you look at VR, the future of VR is in totally immersive experiences in the future, experiences you cannot have on a phone, on a laptop, in any other way. These are experiences that are going to be – at some point, we are gonna get there. They are going to be as lifelike as life itself, literally whether it's virtual reality where you're completely immersed or augmented reality, you're layering over the real world.

You know, we're gonna live in the future – and this is really cool; this will happen – we are gonna live in a layered world, a world where we have layers of reality. Like, you are in a room, and that room might look different to me and different to you even though we're in the same room because our basically devices are going to be reformatting the room, putting in information in certain places, maybe changing the colors, maybe changing – our bodies will be avatars, our literal, physical bodies, we'll be able to redesign in avatar. You could buy very plain clothes because everybody's gonna see you in this virtual space.

It's gonna be really a fascinating world out there. I call it a multimodal existence. You will be existing on many plains at once, and so will other people, and then you'll find these intersections where you will gather, and different people will have different personalities.

And literally, different groups of your friends will see and interact with you different ways, even though you're in the same physical space as other people. So, your business friends will see you in kind of business attire, all formal, whereas your punk rock friends will see you in the same, you know, walking down the street in a totally different way.

So, it's gonna be very, very cool. We're still a ways away from that. That value proposition is so compelling, people will do it, we know. But that value proposition, we just don't have the tech yet and the ecosystem yet to deliver on that.

However, one of the things – and this is another piece of

technology which is coming, which would just transform us, is brain-computer interfaces. So, right now we use our phones, very clunky devices. It takes a long time to do stuff on them, and we're tapping away. It's very slow.

But there are companies out there, Elon Musk included, he's one of many. He has Neuralink. There's Kernel. There are so many other companies out there that are now working on devices that can actually allow you to communicate directly from your brain to the internet. And if you think this is science fiction, it's not. It happens in the lab.

So, there are people who have had strokes, and their body is completely paralyzed, but they have these brain chips in their heads. They can literally talk. They can text over the internet just by thinking. They can control an iPad. They can control a wheelchair. They can control a robotic arm.

That technology exists today. We will get that consumerized. That will be commercialized for consumers in the coming years. And you won't necessarily need a chip in your brain. They are working on new technologies. DARPA's funding this, they funded the internet, the US military. They are funding a non-invasive, meaning no drilling holes in your skull, ways to have high-speed, two-way internet connections. As soon as that happens, instead of iOS or Android, you're gonna have a brain OS. Somebody's gonna build a brain OS, totally transform this world, honestly.

Jaime Masters: See, this, I love this stuff. Our sci-fi novels are finally coming alive, right? But the timeline is really interesting, right, because it's so exciting and we talk all about it, and you're waiting and waiting for technology to actually catch up, and we have no idea how long it'll take. How can business owners now sort of capitalize, knowing this is where we're going, because they might be building a business that might not exist in the future?

Steven Hoffman: Yeah, we've seen this happen over and over. Everybody had to jump on the internet, first of all. Then they had to jump on mobile. And then everybody jumped on social networks. What's coming next, and how do you take advantage of it?

Honestly, being an early adopter sometimes works, and it sometimes doesn't. You can jump on VR, and you could have spent a lot of time, and it is actually cool. VR today, if you try it out, is really cool. It's just not broad enough application and

compelling enough for a mass audience. But for niche audiences, it's really cool, and for niche applications, like business, there's a lot of uses for VR, so I'm not dissing it. It's here; it just hasn't hit the mainstream.

Jaime Masters: It's an Atari at this point, right? We're at Atari.

Steven Hoffman: Yeah, it's an Atari compared to what we're gonna get, compared to the latest Sony PlayStation 5. It's not a Sony PlayStation 5. But Atari, even from Day 1, honestly, they nailed it. People love games.

So, how you can take advantage of it is, one, when new things come out, try them. Honestly, don't be the last to try. You can gain a lot of traction just by being early. Now, don't invest huge amounts of time into them. But try them, make sure you know about them, and if you see them accelerating, proportion your time compared to the growth. If you see it taking off, boom, start investing a lot of time.

Getting in early allows you to build your brand in a new space that isn't crowded, so that's really, really important. This is true for new social networking platforms that are popping up all the time, enabled by new technologies, and new trends. If you get on a trend early, that trend itself, without any technology or anything else, we know can just propel a brand.

Look at Lululemon, right? They just hit the yoga trend at the right time, boom. They didn't need special tech to do that. You don't need special tech, but you do need to be aware. Don't close off possibilities. That's really important.

The entrepreneurs, the people that break through, are always open, always sucking in these things, always experimenting, always interacting with other people. Even if you don't do it yourself, surround yourself with people who are, so that they can alert you, "Oh, my God, you should be on this thing." And you're like, "Oh, if Janet says so, then I know because Janet's always on the latest stuff."

Jaime Masters: I love that. It's so difficult with business owners right now that don't have a lot of time, right, because not all of them are startups, so a lot of people are working 50 hours a week and sort of chugging along, going, "Okay, it's kind of good right now," right? And they stay up to speed on the new technology.

What do you suggest for somebody like them because they might wanna go somewhere else, but they're holding this big rock on their shoulder that they can't necessarily just go somewhere else, right? How would they be able to do sort of both of them at once?

Steven Hoffman: That is a challenge for everybody. It doesn't matter if you're in the tech industry, if you're a consultant, if you run a family business. We never have enough time. Like, we never have enough time. I'm, like, I don't have enough time to even check out all these new platforms. Every day we're being bombarded with something new. You can't always have enough time, and you are not always gonna be the first one to try it out or even in the beginning.

But there are certain things that I recommend you do prioritize: anything that can automate your business, anything that can save you time. We know time is your most precious thing; save you time.

So, right now the calendaring apps, like Calendly, are really popular, and they just exploded overnight, literally overnight. Why? Because they hit that extreme need. All of us, like, we were wasting so much time doing that.

I tell entrepreneurs the biggest thing you can do to impact your business – now, there's all these new kind of fun platforms out there. Those are hard to know, right? Those require a lot of time. But anything that comes that you hear about other people using and you see other people using them that can save you time, just invest the money. Do not hesitate. Those things deliver exponential returns. Even if it's a little time every day, adds up to a huge amount of time.

And like you said, then you have more time actually to think about ways to improve your business. And I don't wanna give people other advice. If you really wanna innovate, if you really wanna get ahead of your competition, which is what I think you're saying, like, you wanna innovate, the way to do it is to go to your customer. Go to your customer, not once, not twice, not once a year, but early and often.

And always ask them, what are things that you would want that we're not giving you or other people aren't giving you? What do you want? What do you need? And listen to them. A lot of times, they won't tell you what to develop, like what product or service to

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offer them, but a lot of times they will just tell you the outcome. They'll be saying, "You know, when I do this, it's hard for me to keep track of everything." And then you're like, oh, they wanna be able to keep track of things in our flow that I'm servicing them. How could I make that more efficient? How could I make it more transparent for them?

Then you don't have to develop new technologies. These technologies are out there. There's project management softwares that are out there like Asana. There are just simple things like Google Docs and spreadsheets that you can literally make shared online, and you can have one of your assistants list all the things that are going on so that they have visibility into it. And they can keep track and check it off, and you can see what they're doing, they can see what you're doing.

Just simple things like that can totally differentiate you from a competitor. So, both of you offer exactly the same services, let's say, but you offer a way, you've figured out that your customers want transparency, they wanna be able to track things, they want timeline updates, and you use these really basic technologies that you didn't develop, you just use, to actually give that to them. And then they're like, "We love you," and once they love you, that's your best marketing you can ever get.

Jaime Masters: Yes, it's like not rocket science, but still a lot of people won't do it. Do you recommend surveys, calling people on the phone? Do you have sort of a system for this because it can get crazy?

Steven Hoffman: I hate surveys, I hate surveys. First of all, surveys limit you because you are putting down what's in your head. So, you're not getting at what's in their head. Everything on your survey list might not be anything that they actually care about. And honestly, when I get a survey, I either ignore it, or I fill it out super quickly; very few times, unless it's a close friend, that I'll actually take the time to really give accurate responses.

So, my gut feeling is surveys are worth a little maybe on a mass scale, like if you do a – but for smaller businesses, just talk to them. Honestly, whenever you're engaged with them, give them time to tell you what's in their head. Are there points that are frustrating you? Are there things that you need? What would you like to have happen in the future? What outcomes would you like? What would really benefit you and your life or your business?

And if you listen carefully and then you come back to your team and you start discussing, we'll list all these things out that our customers are saving, are there ways we could deliver these? Are there new or even existing or old technologies and platforms that we could use in new ways to actually get them to deliver this value? At the end of the day, I always say your job is to deliver more value to your customers than anyone else, so that they can't leave.

And you look – someone like Amazon, you know, Amazon, we all use Amazon. Why do we use Amazon? We could switch to another online store. It's not that hard. It's a click away. Why do we use Amazon? Well, Jeff Bezos was brilliant. He literally said, "I am always – no matter what, I'm gonna deliver more value than anybody else."

He was the first one to pioneer free shipping. He was just like, "Free returns, free shipping, make returns super easy, even if it costs us money." People thought he was nuts when he did the returns, making it easy. Everyone – like, in the old days, they would hide – they would make it as difficult as possible to return a product because it costs them money.

Jeff Bezos took the opposite approach. Why? Because his guiding principle: "I'm gonna add value. If I add more value than anybody else, they won't leave. They can't leave." And in your business, you should be doing the same.

Jaime Masters: Yes, he has trained us very well, I know. I can't go anywhere else now. How do you know how many are statistically significant though because you could get a bunch of customers, you could talk to 20 of them and be like, oh, well, two of them said the same thing or 20 of them said the same – like, is there a specific number that you use to know that it's actually statistically significant?

Steven Hoffman: Yeah, if it's one customer with a very specific problem that only applies to that customer, you don't wanna waste two months reorganizing your whole business to service that one problem. You really need to find out if other people have the same concerns or the same desires, and you need to filter those out. So, that's part of the process.

So, part of the process, the first thing is to get them to talk to you, right, to get that information down. Then once you start seeing a pattern of customers – and when you say statistically significant, it

depends on the size of your customer base, right? So, if two customers say it out of 200,000, that's nothing. But if you have four customers and two say it to you, well, you just hit 50 percent. And you wanna grow your customer base to 20. Maybe there are a lot of other customers who need that.

Then you need to go out to potential customers, if you don't have them, and get a number where you start to feel confident that, wow, this isn't an aberration. It's a pattern, and there are enough customers out here to justify whatever the – if it's a small change, you could just make it, right? If it's something that will take you a couple hours and it makes your customer happy, just do it.

But if it's something that's gonna take a significant amount of work, then the bar goes up, like a much higher percentage of your customers need it, and it's not just that they need it; it has to be really important to them, right?

So, like I said, if it's just a nice-to-have to them, well, if it's easy to do, do it, right? You always wanna be nice to your customers. But if it's hard to do, find out the things that are really important to them, and that requires you to dive deep, maybe going back to the same customers over and over and over to figure out whether this is really one of their – you know, something that's gonna affect their decision to stay with you or move to another partner in the future, that's the answer.

Jaime Masters: Perfect. That's what I was looking for because if you already have a customer, they're already paying, they're gonna go, "Yeah, I want that, too. Sure, give me that, too." And that's that nicety where I'm like, oh.

Steven Hoffman: Right. Why wouldn't they? If it doesn't cost them anything, "Give me, give me, give me." And again, you're only gonna be able to charge more. You don't want people to compete – you don't wanna compete on price at the end of the day. You wanna compete on value, right? So, a lot of us are willing to pay a significant premium if we know the person is reliable, they're communicating well, they're trustworthy, all these different things.

So, as part of your package, they need to be able to – this has to be important enough to them that ultimately your value increase, and you can raise your prices because your prices shouldn't be dependent on what the market is. They should be dependent upon what value you're delivering to the customer. And you need to

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make sure that the customer understands that upfront and it's part – and whatever they're asking you to change really affects that.

Jaime Masters: Yeah, the only way you'll know what the value to the customer is, is asking them what value it is to them. We could make up everything in our head and be like, "They're gonna love this," and that's why people waste a lot of time.

Steven Hoffman: Yeah, they're gonna love – Jaime, you may well be overvaluing what they're saying, so you need – but, look, if you are always engaging with all your customers and all your potential customers, and if a potential customer goes to somebody else, don't just let them go. You should have a follow-up call and be finding out, why did they choose that other person? Did they choose it just on price, or was there some value that that customer was providing that we're not providing? Really important stuff.

So, the data is all out there. The information is all out there, but the people who build the great businesses that you're like, "How did they do that? They're pulling in millions of dollars every year, and I'm only pulling in six figures. How did they do that?" Well, they did that by being smart, right, by actually always engaging with everybody they meet at not a surface level, at a very deep level, taking advantage of those opportunities.

Jaime Masters: They're detectives. They get really good at detective work, right? It's already there.

Steven Hoffman: Exactly, and they use every touchpoint that they have with their customer, not just to kind of go through the routine that you always go through, but every touchpoint. Every time they're touching a customer, every time one of their employees is, they have it drilled in their head that this is a discovery process.

We are not just servicing them or delivering something to them. We are figuring out more stuff about what we can do for them, what they need, and we're gathering data. And then you have a process to incorporate and analyze and evaluate that data.

Jaime Masters: And that is opening up where the path goes, so whether you turn left or whether you turn right.

Steven Hoffman: Exactly. These ideas, a lot of people think you should have an epiphany. These ideas never come out of thin air. They never do. They come out of a disciplined interaction. Like, if you're gonna

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consistently – you know, randomly you could come up with good ideas, but if you’re gonna consistently improve and iterate on your business, which is what – if you wanna earn more money, this is what you need to do, then it comes from every – it’s a systematized process that you have to put in place.

Jaime Masters: I love all of this because I love data, and it’s much easier if you just get the data and then do what they say, instead of being like, over here and over there. And I get the creative process can be a lot of different things, but when you –

Steven Hoffman: Yeah, you don’t just be reacting. That’s right. You wanna be putting – every time one of your team is gathering this, you have a whole database or at least a simple spreadsheet online where you are recording it and measuring it against everything else, and that’s when you see the patterns. This is what makes AI so smart. Humans are actually not good at this. We are not good at seeing these patterns. We are somewhat good. We’re better than other animals on the planet.

Jaime Masters: That’s saying a lot, no.

Steven Hoffman: No, your pattern-match machines, AI takes it to a whole new level. So, that’s why when I – there’s other things, like you want technology, look for AI that can find these patterns. That’s why AI is making businesses smarter. It’s doing exactly what we’re talking about now, gathering data and looking for patterns, it’s doing exactly that on a very deep, massive scale.

Jaime Masters: Way better than we ever could. Where does the creation come in though? I know you were talking about being creative and creation. Where does that come in if all we’re doing is sort of a feedback loop?

Steven Hoffman: Where does creation come in? Creative process is when you are engaged, curious, and experimental. Now, creation doesn’t mean like you’re an artist just splashing paint on something – that’s not being creative – or sitting and dreaming up a story.

But really, really great creators are people who are disciplined, and they are disciplined, but they are also very open to new things. And they are always, in whatever they do, designing new experiments to figure out what works in the world. Think about it. Even artists that are successful, some break through randomly, right? But you know the story of the starving artist. For every artist that breaks

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through, there are 10,000 that make no money at all. So, you don't wanna have –

Jaime Masters: I'm an art major, so, yes, yeah, that's it.

Steven Hoffman: Okay, but you don't wanna have those odds, right? So, that's kind of just – well, it's a statistical thing. But there are certain artists who are kind of destined to break through, and those artists are great promoters. They are always looking at the market. They are always trying new things, and they are looking like they do exactly what we're talking about in business, but in art.

And you're like, "How did they break through?" Like, how did Andy Warhol break through? He surrounded himself with amazing people. He tried all these different things. Then he mass-produced it on a systematized way, all this artwork, and he used the media. He was destined to break through.

In your business, when you are doing this, you have to – you asked, how do you be creative? Everything you do is creative. If you are curious, if you are experimenting, it is creative. It doesn't have to be something else. It is creative, as long as you are asking questions, you're going in and you are pushing deeper and deeper.

Always be learning. Great – being creative is about learning and then synthesizing that knowledge and trying things based on that knowledge that you otherwise wouldn't have done. That is creativity.

Jaime Masters: Man, I love conversations like this. Okay. I know we have to start wrapping up though, so hopefully you'll come back on the show at some point, so we can go even deeper and talk about all the other books.

Steven Hoffman: Sure.

Jaime Masters: You also have a podcast called Mentors and Masters, which is like – of course, that's amazing. Everybody should go check that out. But what is one action listeners can take this week to help move them forward towards their goal of a million?

Steven Hoffman: So, one action – I've already given you like 20, but I will give you one more action that you could take to move forward, and that is personal. So, we've talked about all the things you can do with your business. Now, let's talk about what you can do with yourself.

I always say if you aren't learning, if you aren't challenging yourself to learn new things on a daily basis, you are missing out. And by challenging yourself, I mean not going to all the same sources that you've always gone to. It means picking areas, domains that you don't know a lot about and exposing yourself to them.

So, for example, you're a business person; you're a consultant; you're a small business owner or a big business owner. What about psychology, human psychology? Do you know much? Maybe you took that course, that one elective in college, but really a lot probably has changed since then, and there's a lot more. You could just get some books out now, right now on psychology, go to a seminar, go online – there are a lot of people – and figure out psychology of people, and then it will start to open doors for you.

Sociology, design and design thinking, do you know anything about – I'm not asking you to be a designer. But the whole process of design thinking is absolutely fascinating, creating user experience, customer experiences, wow.

You can – the beauty of the internet is all this is there. It's there on TED Talks; it's there on YouTube; you can download audiobooks. And I download literally audiobooks – I do at least one audiobook a week. I do it at double speed because I'm sucking in information, and I do it as I do chores and exercise. So, it takes up actually no time because I'm a busy person, and I'm still feeding my brain.

You know, travel; if you've never gone to the opera, just go to the opera, right? Who knows? Great thinkers – and Einstein said this – coming up with truly great breakthroughs is called combinatorial play. And the more things you can combine from different disciplines coming in, the more new ideas you will get.

Jaime Masters: I feel like I need to drop the mic after that one. That was awesome. Everybody go get an Audible book, one of the new books that just came out. We will definitely link to them. But where can we find more about you and follow you on social?

Steven Hoffman: Sure, I'm super easy. Go to FoundersSpace.com, and when you come there, we have lots of free material, lots of videos of me talking and different things. My books are there, *Make Elephants Fly*, *Surviving a Startup*, *The Five Forces*, they're all there. And you can reach out to me also on social. So, LinkedIn – I'm on all the social networks – LinkedIn's probably the most easiest. Search

for Steve Hoffman, Founders Space, you will find me.

Jaime Masters:       Awesome, and now I have to add you also. Thank you so much for coming on the show today. I really appreciate it.

Steven Hoffman:     Thank you, Jaime.

**[End of Audio]**

**Duration: 43 minutes**