POWDERKEG PODCAST TRANSCRIPT : SAMEER DHOLAKIA

Intro: It takes guts, grit, and an uncommon dose of wisdom to lead a business team. Sameer Dholakia has all three qualities, plus two decades of leadership experience in enterprise software.

Dholakia is the CEO of SendGrid, one of the world's premier email delivery services. SendGrid serves 50,000 customers and delivers 1.3 billion emails each day—more than double Twitter's daily Tweet volume. In addition to its classic transactional email API, SendGrid more recently rolled out an email marketing product that has already been adopted by 5,000 users.

Dholakia is an experienced tech executive with a love of history and a passion for building strong teams and big businesses in the enterprise software industry. In our interview, he shares his most effective leadership habits, including the importance of humility, how to foster an outstanding company culture, and strategies for turning around a dire financial situation.

I'm so grateful Dholakia took the time to share so much of his knowledge and experience with the Powderkeg community, and I admire his resolve to always keep improving himself and his company. Connect with him on Twitter @spdholakia to share your appreciation, and enjoy the show.

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Matt: Sameer, thank you so much for taking time out of your day to connect with me here at WeWork in New York. Have you been here before?

Sameer: I have not, but this is cool. What a beautiful setup.

Matt: It's pretty awesome, right? This is, I think, our fourth meeting room we checked out this morning, before this interview. I think we found just the right one. I feel like Goldilocks and the Three Bears.

Sameer: Our porridge is good. I'm excited.

Matt: Well, I'm here to ask the tough questions, Sameer. So I'm going to put you on the defensive right off the bat. Ready?

Sameer: OK, hit me.

Matt: Clearly, email is dead, from everything I've seen from the headlines.

Sameer: Clearly. [laughing]

Matt: How do you deal with that, being, clearly, in a dying industry, and struggling to take advantage of a dying industry?

Sameer: It's so challenging, I tell you. It's remarkable. Our email volume year-over-year is only growing 50%. [laughing] Clearly it's dying. It's remarkable. There's no question: that perception is broad. I get it every time we talk about the business to folks that are outside of the world of email. Totally understandable. I hear questions like, "Gosh, my teenage kids—they only text. They don't even know what email is. They're on Snap, or Messenger," or whatever, "so email must die." I think it's still—particularly in the western world—the online identifier. It is still the way...when you sign up for services, by and large, it's still your email address. You don't change your email address as often as you change your phone number. You probably don't change your email address as often as you change your physical home address. Think about...I've had the same email addresses for 25 years now. It's not something you change a lot.

Matt: Well, you guys are sending more emails daily, now, than tweets on Twitter. Is that a correct stat that I've heard?

Sameer: Over two times the volume.

Matt: Over two times the volume? Not just over, but more than twice.

Sameer: By a lot. By factors, yeah. So, it's 1.3 billion emails every day, which is about two times—more than two times the volume of Twitter, which is about half a billion tweets a day. We're touching 1.7 billion unique emails recipients, which is, like, basically, plus or minus half the world's online population. And we're doing that on behalf of nearly 50,000 paying customers.

Matt: It's good to have paying customers.

Sameer: Yeah, which is also helpful. But, nearly 50,000...you've got a lot of organizations and companies who still recognize the incredible importance and efficiency of using email as a channel to reach your end users. So, if you talk to the entrepreneurs and the startup communities that are listening-in here, they know you gotta keep people engaged. You want to send out your updates, and "How are we doing?" and "Hey, I've got this new feature."..."I've gotta make sure I'm building a community of people who care about what I'm doing," and email is always going to be one of—at least one of—the major mechanisms or channels through which you do that. Does that mean that new modes of communication—whether it's a push message to your phone, or an in-app message in a mobile app, or a browser notification on a desktop—aren't important? Of course not. Our view...it's an "and," not an "or." But, if you were to ask most marketers, "What do you use—what's the most ROI efficient channel for you to use to go reach your users, subscribers, customers, consumers," whatever they're calling it, they'll always say, "email."

Matt: Absolutely. It's definitely the most powerful channel for our community at Verge and the Powderkeg podcast.

Sameer: I believe it.

Matt: So engaged. Who in your ecosystem—maybe they don't even use SendGrid—but what emails...well, I don't know if that's possible, because it seems like everyone uses SendGrid. But, who in your ecosystem is doing email marketing right? It could be a startup, it could be an enterprise company.

Sameer: I love...we have so many great customers to highlight. Some that I think do really well...some of our music customers, Pandora and Spotify, I think do an extraordinary job of leveraging technology to drive engagement and growth within their consumer base. At the end of the day, if you look at the SendGrid mission statement, that's what it says. You won't see the word "email" in there. It'll say, "Delivering customer communications that drive engagement and

growth." Because the email channel is just the channel, but the end goal that we want to orient our entire company around is...the reason we do what we do is to help our customers engage and grow their business. In the case of, like, a Pandora and a Spotify, what those guys do brilliantly is take in a gazillion different data points—

Matt: That's a lot of data points.

Sameer: "Gazillion" is a very technical term. A gazillion data points to figure out...the next email I'm going to send Matt about what he should listen to next is going to incorporate what you've been doing in their app, what songs you're listening to...who else does Matt look like, and what are they interested in? What's he liked and not liked? And then they tailor that email specifically to you, based on everything they know about you, and then they send that through SendGrid. I just think...of course, everything about it is great. In terms of the layout, it's beautiful. The imagery, the text, the taglines and the subject lines to get you to go into it in the first place. They do a great job with all that, but I think that what's most compelling about it is that they've found a way to make it very personal and tailored. At the end of the day, as we move forward...to get the most out of this email channel, and this generation, it is about being specific. It's about feeling like you're getting a personal conversation via that email, and you're not one of a lot of people receiving the same generic message. I think the people that are using email marketing well are recognizing that, and I think those are two examples of people that are doing that well.

Matt: I really like those examples, because you hit on a couple things that are obviously important. The personalization, but then also the intelligence behind it. Meaning: right time, so it's not too creepy—because there is that element, where it's like: I just was in a shopping cart. I abandoned it. And now, fifteen seconds later, you're like, "Come back!" Maybe a little too in-your-face. But if I got that same email the next day with, say, a 10% discount...might be back in that shopping cart.

Sameer: Might actually be a welcome thing. A lot of what we focus on with our customers is...we're like, "Look, we believe in this channel. We think it's highly effective." Digital Marketing Association cited a stat like: every dollar that you spend in email, you'll get a $38 return, on average.

Matt: I like those returns.

Sameer: It's a highly, highly efficient channel, but that channel will get destroyed if people are getting spammed. If you're getting unwanted mail, you just stop using the medium. You stop checking. So, we're really vigilant about our customers sending wanted mail. We watch their engagement rates, opens and clicks, their unsubscribes. How many people are saying, "Nope, I didn't want this. This is not wanted mail"? What percentage of the time are the ISPs—the Gmails, the Hotmails, the Yahoo—dropping the mail coming in into the spam folder? If those numbers get out of a very small tolerance—for us, it's, like, single-digit, tiny percentages—we will actually terminate customers. We fire 15% of customers of any given cohort in a month,

because we're like, "Based on our view of the signals, you're not demonstrating best practices in how you're using email. It's not engaged, wanted mail."

Matt: Yeah. I want to make sure we dive into that, because I'm sure you've got a ton of perspective on that, from deliverability to engagement. But I'm curious to know...as a founder, maybe at a startup...email, you're saying, is the most engaged marketing channel. I would corroborate that. But as a founder, I'm making sure payroll happens, I'm making sure people are getting engaged with the company, I'm making sure customers are taken care of, and you're telling me I need to also do email marketing? Talk to me about how startups can start to leverage email marketing if they're not doing it, or maybe they're barely doing it?

Sameer: One of the things we're doing a lot...and SendGrid is a company that literally was built on startups. That's how we...they remain our lifeblood.

Matt: It came out of the Techstars accelerator, right?

Sameer: It started as, obviously, a startup—2009, through Techstars. An incredible training program for our founders, who are three developers who faced the same problem. They were trying to get started up, and the experience they had in previous companies—that, perhaps, some of your listeners might have experiences back in the day—was every single application you build—every website, e-commerce, anything you're going to go try to do—is going to have to communicate with the user in an automated fashion. So these developers were like, "We wanted to build this e-commerce business back in the mid-2000s, and I had to make sure that when they signed in, I could send them a confirmation email." If they forgot their password...when you hit that "forgot password" button, the app has to do something. It has to send an email back. If they click "buy," it has to send them a receipt. In order to do that, they had to go set up an email infrastructure on the back end. The complexity of that is just bizarrely...you just wouldn't think, "Why would that be a hard thing to do?". You gotta go set up servers, and understand the SMTP protocol, and understand what an SPF record is. And what is DKIM signing? Literally, it's like this random, black art of email. The average developer—to your point, and founder that's trying to build a business—could care less about. They're like, "I don't want to learn all this random, esoteric email crap. I just want to get the email…"

Matt: I want it to work.

Sameer: I just want it to work. I just want it to get there. And so the founders were like, "OK, I gotta get this right. We're gonna expose our API as a service," so that founders and developers—and startup CEOs in your listener base—they're like, "OK, we gotta make this simple so that"...they need to worry about all the other things you described, not making sure that the email gets to the inbox. At a basic level, for transactional stuff. Where we start with startups, always, is: "Just plug our API in for the automated, system-generated emails. It takes no human involvement, and I know you've got 90 other things to do, so just make sure your developer plugs in our API in the back end so that anytime they're doing something on your site

or in your app that can be a system-triggered thing, we'll take care of that for you." That's where they usually start with us. Now, as the startup moves along its lifecycle, and the CEO starts to...the idea is taking fold, then it really is, "OK, now I can take advantage of this channel. How do I start to engage people in and around this business—my customer base—either for acquisition or retention?". I've kind of split it into those two buckets. Are you going to use the channel to acquire more customers, or is it about those that have already been engaging with you, and you want to retain them and get them to come back and buy more, or engage more? Obviously, we believe you ought to use email channel for both. It's just a question of where you are in your lifecycle. For a startup, you're probably going to be very focused on the acquisition side. How do I get more people into the house to understand what I'm doing? Then, over time, it's retention. We added a capability on top of our automated, system-generated, API-based infrastructure that is an email marketing application. That thing is just super simple for CEOs and founders. Like, literally, startup CEOs. Everything we do at SendGrid, we do by personas. User personas—let's build for that person. So, we have a persona named Jared who is our startup CEO. And we build, and Jerry is one of the profiles that we build this email marketing product for, because we know they have 18 other things to go do. It's super simple and easy to be like, "You know what? I'm going to create"...they can go into that tool and create simple buckets—or segments—of people that they want to message to, and send campaigns to, and the tool just makes it really easy to go look at who's engaging, and when. It takes care of—it's all dynamic. It makes it easy so that a startup CEO founder that's got a lot on their plate doesn't have to spend a lot of time on it, but I would encourage them to spend some time on it.

Matt: I love that you have the email tools for Jared. When did you launch that part of SendGrid? Historically, it's been mostly email tools, right? More API based.

Sameer: That's right. You're absolutely right. By the way, that persona, Dewey—we call Dewey the Developer. And Dewey the Developer has been a core of the business for many years around that API. So, they plug our API into the back of their application, so it's literally embedding in their code. That really has been the history of the company. Maybe a year and a half ago now, we launched his email marketing product on top of this infrastructure.

Matt: I have to apologize—I missed that when that happened. It was only in researching for this interview that I discovered that..."Wow, OK."

Sameer: No worries. We're just starting to dial up the noise around what we've done here. We're really excited about it. We've already signed up over 5,000 customers—

Matt: That's great. Congrats.

Sameer: Thanks, man. It's been great—on that new product. And what's even more remarkable is that the vast majority of those customers are actually net new to SendGrid. It's not that they were using our API product, and then this thing came along, and they're like, "Oh, I'll use that, too." That's happening in reasonable percentages, also, but the majority are new to SendGrid,

were not using the...because Dewey the Developer, they don't know Dewey the Developer. That developer's down the hallway.

Matt: Yeah. They don't like marketing.

Sameer: [laughing] The marketers are finding this tool and saying, "Oh, this is a beautiful, simple, easy-to-use product. It's a great value." And because of SendGrid's heritage on the infrastructure side, we can do scale and reliability in a fairly unique way. There are just not that many

Matt: Two extreme...you kind of glossed over it, but those are, like, the most important things in email, right...are scale and reliability—deliverability being kind of synonymous.

Sameer: Yeah, absolutely. And we leverage all of that expertise, I would say, that we've developed over the past seven years. All the relationships we have with the ISPs, all of the knowledge of what best practices are, all the guardrails and defenses that we put in place against bad senders, and against spammers and phishers—all of that is 100% leverageable into that new category around email marketing. For B-C marketers, in particular, who want to be able to do scale, we can do scale for them. What they consider scale is typically very small for us. Like, we have customers that we send over a billion emails every month. So, whatever list size they have is not going to strain the system at all.

Matt: Going into a new product...in some ways, it is a new product, right? Because you've got a new customer persona, and you've gotta develop this brand awareness around an entirely different thing. You used to see SendGrid only at, like, hackathons and more developer-oriented conferences. In terms of marketing, I'm seeing SendGrid in some places...it all makes sense now why I've been seeing SendGrid more frequently, because I'm Jared. I'm not Dewey the Developer. So, I was like, "Why am I in tech?". The challenge there being: you've got this really strong brand on the developer tools front. How are you going about extending that into, "Oh, but we're also good for marketers"?

Sameer: It's a great question, because, one: it's very important to the business that we retain the strength of our focus on, and brand in, the Dewey the Developer world. That has always been SendGrid's bread and butter, and there's no chance that we're going to relinquish that. That is the, "dance with the one that brung ya." We're not going to forget who got us here, so we going to continue to invest an extraordinary amount into the Dewey the Developer landscape. To your question: how do you even leverage that strength, and that brand, with a different persona, in a different buyer, in a different market? That can be tough. The thing that we love about it is, as I said, the leverage we get. One: the leverage and the brand is still...there's a brand halo around SendGrid and email. People...when they hear "SendGrid," the first thing they'll think is "email," not "developer." It'll probably be a developer thinking that, but there's a halo around the notion of email. Even for the tens of thousands of companies that use us, when we go and meet with many of them, I'll end up going in and meeting...I remember when I first

joined the company—it was about two and a half years ago—of course, the first thing you do as a CEO is you say, "I want to go talk to the guys first." And I how how we're doing. What are we doing great? What do we need to get better at? They set up the meetings, so I'm assuming I'm going to go step in and meet lots of Jareds, lots of Deweys. And it turned out that I met lots of Olivias. Olivia is our multi-hatted marketer persona. We met lots of Olivias, and I was like, "This is interesting." And they'd say, "Yeah, Dewey set you guys up when we were a startup—five guys in a garage. But ultimately, somewhere in the company's lifecycle, they hired me—Olivia, the marketer—because the business was taking off, and we needed to be more proactive about our marketing communications. I said, 'What are we doing to communicate with our end users?' and they usually said, 'Not much, but we are sending these emails—system-generated emails—through SendGrid.' " The Olivias know who we are kind of in that brand halo of, "Oh, yeah, I think our Dewey set you guys up, and it just works." There's no better phrase to a CEO, when you hear your customers say, "Oh, yeah, our other guys say it just works." That's a beautiful thing. You get this very positive disposition there. Now, in order to really leverage it, we're clearly going to have to do a lot more marketing. We're dialing up our spend, our volume, our presence and language around the marketing persona, in a very meaningful way. And I do believe...I'm absolutely convinced that...we're building a multi-hundred million dollar business with our Dewey the Developer, API, transactional email business. We're going to build a multi-hundred million dollar business around email marketing that is right on top of it.

Matt: And when you say that multi-hundred million, are you talking about total valuation? Like, do you see this as a billion-dollar company, or do you see this as another metric that you're shooting for?

Sameer: I believe that these are big markets that give us the opportunity to build towards—and this is a decade-long vision. This is not the kind of thing that you expect to hit next year.

Matt: It's your BHAG.

Sameer: It's our BHAG. I told the company...we have our annual kick-off. Every year, we go to Mexico. We take the entire company down, and get everybody...both celebrate what we accomplished together in the last year, get aligned on the plan, and the strategy, and the initiatives that we gotta execute in the next year. As part of that trip, and that messaging, is that we've gotta move beyond a view towards a BHAG that was, "Let's create a billion-dollar-valuation company," towards a BHAG of, "We're going to create a billion dollar revenue company." It's going to take us a decade or more. I don't know how long it's going to take us. But that's where we're going, because the markets that we play in now, and that we can envision extending to over the future...we'll absolutely be able to build a billion dollar revenue company. It's on us. Opportunity is there, and whether we get there or not is entirely dependent on our execution. But the opportunity is there.

Matt: It's an exciting goal. I want to come back to the team section of what you just talked about, because taking the whole team of—what, 350 employees?—to Mexico is...I don't think

every tech company is doing that kind of a retreat. So, I want to make sure we talk about that, but you talked a lot about the markets, right? How the market is moving. Are there other markets—maybe in entirely different industries, maybe it's not even in tech—that you could correlate to how email is evolving in the marketing world?

Sameer: I'll tell you the macro storyline or, I guess, picture that I orient to and, again, shared with the whole company when we talked at our kick-off...was about the history of enterprise software. If I zoom out for a little bit to your point about how other markets evolve: how can that be instructive to SendGrid and our strategy? In the macro...if you take a look at enterprise software for the last 35 years, it has had a history of creating multiple multi-billion dollar revenue businesses within every business function. Start it off in the late sixties, when computers were actually becoming useful and not taking up whole rooms like this. They're like, "Hey, what are these computer thingies good at? Well, they're pretty good at math—the zeroes and ones. How can we apply that to business? Well, accounting is all about lots of math, and we've got lots of people with pencils behind their ears. Let's go see if we can automate some of this stuff." So, every company started to build homegrown accounting software, and then this company called McCormack & Dodge came along in the late '60s. They're like, "Hey, we're going to go build a single one, and it's going to be great, because we'll get feedback from all of these companies. Our pace of innovation will be faster than your homegrown thing." It's sort of the business case for why enterprise software should exist. That began the birth of enterprise software, and they went through, literally, function by function. Back then, accounting was first. Then, Oracle Financials, *N*-number of years later, becomes a multi-billion dollar business. And it just goes in subsequent generations. You end up with the PayPals, and the Stripes, and the Anaplans, and Adaptive Insights. There's a whole...the innovation continues, and generation after generation—and it's usually about every decade, or every ten to fifteen years—a new crop of multi-billion dollar businesses is created in these functions. So, first, finance. Then, HR. So, McCormack & Dodge, late '60s. Then they were like, "Hey, these computers are getting better at routine things, like routinized tasks, and they can store data." Somebody said, "How about payroll? That's a routine thing that happens every month, and we can store this information—instead of in filing cabinets—we're going to put this in the computer."

Matt: "This is really nice."

Sameer: "This is great!" And an ADP-type company is born. ADP and Reynolds & Reynolds both become multi-billion dollar companies. Then, another guy named Dave Duffield comes along 15 years later, and he's like, "Hey, there are all these other HR processes. I'm going to go build a company around that, called PeopleSoft." And then he gets acquired into Oracle, and he's like, "I'm going to go do this again. Next generation. We're going to go create Workday." It's just generation after generation. You go through function by function, whether it's in finance, HR...sales is when I joined in enterprise software, in the mid '90s. There were, like, hundreds of little sales force automation tools.

Matt: Sales force the category, not Salesforce the company.

Sameer: That's right. Sales as a function, I should say. Sales as a function, they looked at. And there was a lot of sales force tools, like a sales rep being able to track their conversations. Instead of them writing down in a notebook, now they were going to store it in a little tool on their giant desktop, which is what most people had back then. Out of that emerged a company called Siebel. Siebel became a multi-billion dollar revenue company, and then a guy over down the road, named Marc Benioff, saw what they were doing and said, "How about if I do that, but I'm going to do it as a rented thing from my own data centers, and they won't have to worry about it anymore? And we'll call that Salesforce.com." So, you build another multi-billion dollar revenue company. Then you get to marketing. What are the multi-billion dollar revenue companies in the marketing function of business? You could certainly say Google, Facebook, in terms of advertising dollars. First one to go down, by the way. Biggest line item in marketing spends: advertising. Not surprising that's the one that went out first. It's sort of like the HR one. You're like, "OK, so what about all the other marketing processes?" You have lots of companies that have been going down that path. ExactTarget, Responsys, Marketo, HubSpot—fill in the black. Lots of M&A around this activity. Salesforce buys ExactTarget. Oracle buys Responsys. Marketo goes private. IBM buys Silverpop. Adobe has picked up a bunch of assets. It's not lost on people that this is where the next major multi-billion dollar enterprise software companies will come from. We just think there's a great opportunity over a decade-long journey to go create the [inaudible].

Matt: It's cool that you're paying attention to trends outside of marketing to see, "How is this market moving in similar patterns?". Are there certain books that you've read, or people you've talked to, that have kind of instilled this interest and knowledge in the history of software?

Sameer: I've been blessed to have had great mentors all my career. I would say I've always been a nerd. I've always been a student of history. I do believe that history informs the future. I remember literally in the ninth grade, I had this history book that on the...the quote, the inscription on the first page, for Ancient Civilization—I was like, "Why are we reading about Mesopotamia, and Ancient Egypt, and fill in the blank"—and it had a quote that said, "We are what we were, but with a frosting of changes." And I remember my 13-year-old self going, "Huh, that's pretty profound." [laughing] That's a deep insight, that these people that lived thousands of years ago—they were just people.

Matt: Say the quote again.

Sameer: "We are what we were, but with a frosting of changes."

Matt: I like that. That's poetic.

Sameer: Very little has changed. The DNA, the dispositions, our political nature, our aspirations and dreams, our hurts, and sadness, and fears—it's just all the same. We're people. It's in different context, different generations, different eras. But anyway, in that context, I've just

always loved history—as a predictor of what is likely to come in the future. Frankly, it's a lot easier to look back at history to help you predict the future than look into a crystal ball.

Matt: Try to guess it?

Sameer: And try to guess. My first CEO and mentor...the company I joined straight out of college was called Trilogy. The founder and CEO there...a guy named Joe Liemandt, a brilliant businessman, best software operating executive I've ever seen, by far.

Matt: Why? What made him such a good operator?

Sameer: That would be a long conversation in itself. He was a student of history, and a student of enterprise software history. Knew a lot. When we were 21 years old, coming into enterprise software in the mid '90s—1995—he would give us talks—lectures—on, "Let me tell you about the history of these other companies that came before us." I've always had that great luxury of learning from software leaders generations ago, that would then explain what happened before, and what they think is going to happen next. Then you live through the rest of it, and you start to form your opinion. Things that made Joe a distinctive software operator, I think—and I say "businessman" in particular, because Joe always had a great quote—and I hope this is one that many of your listeners will take to heart—which was, "Sameer, profitability is a choice. It is not an outcome." He was incredibly disciplined about building a great business.

Matt: [sarcastically] I thought it was all about just user growth at all costs.

Sameer: [laughing] That is some of the differences in the way that software and tech companies have been built. And, look: there's certain situations where, I guess, user growth and eyeballs matter, if it's going to get monetized via an app model. Maybe that's the right approach. In traditional enterprise software businesses, keeping your eye on your acquisition costs, sales and marketing spend relative to your profitability, and not burning a ton of cash in that process, is just good business. Is it a more conservative way to build a business? One might say "yes." I've seen lots of people do that very, very successfully. And what that allows you to do, if you've been through a couple cycles...I don't know how many of your listeners went through the Great Recession of 2008, or were there for the Dot-com Bust of 2000-2001...you gotta be able to weather those cycles. Those aren't "ifs," those are "whens." When is the next one, and is your business prepared to withstand that? One of the guys on Joe's team—a mentor—was the CFO, and he said, "Sameer, building businesses is really hard. We will make mistakes—lots of mistakes." Because you're in a world of unknowns. You're listenership, I'm sure, will relate to that. He said, "There's only one mistake in business you cannot come back from. Do you know what that is?" I thought long and hard, and I said, "What is the one mistake in business you cannot recover from?". I couldn't think of it, and he said, "Running out of cash." Every other mistake you make, you can fix—truly. But you run out of cash, and it's game over.

Matt: Cash is king.

Sameer: Cash is king. Anyway, I learned a lot of great lessons from Joe and my Trilogy days, and many mentors subsequent to that. That's where...the history of enterprise software, and that passion, came from Joe.

Matt: I think that's fascinating. Do you have a favorite history book? It doesn't even have to be about software. Or documentary, or...

Sameer: I love them all. Like the Ken Burns documentaries are awesome.

Matt: Those are amazing.

Sameer: I love reading the stories of leaders, and biographies of various kinds. One I'm reading right now that I highly recommend to people—I haven't even quite finished it yet, I've got a couple more chapters—is *Shoe Dog*, which is the memoir of Phil Knight.

Matt: Yes. I'm right in the middle of that one, myself.

Sameer: All of those are just great. They're just instructive. You hear from people that have been fortunate to have accomplished great things, and I think that anyone in—one of the things I love about reading those histories is that the best among them will invariably talk about how they were fortunate. That these other external factors all came together in a confluence of events that they couldn't have orchestrated themselves, and were outside of their control—but thank goodness that they did—and because there was a platform for us to go and accomplish X, Y and Z. There's a deep humility that I find in reading the bios of the greatest leaders, because they all recognize it wasn't just them. As great of a leader as they were, it wasn't them.

Matt: Why else do you think it's important to be humble, whether you're a leader, or a teammate, or an investor?

Sameer: With experience...I think life humbles us all. We find we will all hit challenges, personal or professional, that you realize how little you do control. How things are outside of your control. How sometimes, despite best efforts, things won't play out your way. I think that the humility that comes with that is an important recognition—I think, one: for sanity. When I did my first startup as a CEO of a 20, 30-person company that later got acquired...I'll tell you, there were some dark days in the middle of that effort. It was really important to not internalize that as, "I suck. I'm failing." Because you feel that way, and I'm sure your listeners that are or have been startup CEOs and founders will relate to this. It can lead to depression. It can lead to scary places. You gotta have the humility to understand your place in all this. You're trying to create change in a world of chaos. Lots of things that you don't control. Anyway, I think that's one dimension to the humility that I think is helpful for a CEO founder. Another is just...I believe it engenders the right kind of culture and team dynamics, at least for me. This is a personal choice. People have different personalities. There's no one right way to build a culture. There's no one right way to

build a company. For me—like, at SendGrid—the humble "H" is literally built into our value system. We call them the "Four H's." Happy, Hungry, Humble and Honest are our four H's. I think our humble "H," as a company, is, frankly, the most distinctive characteristic of the company, of all the people that we hire into the company. I think they appreciate that their leaders—from the CEO, to the executive team, to the VPs and the senior directors—that everyone understands that we actually are there to serve them. That the individual employees of our company, 350 of them...there are probably 20 or 30 of us that are, what I describe as: we're not at the top of the org chart. We're at the bottom of the pyramid. We're there to support them doing their best work.

Matt: That's an interesting reframe.

Sameer: I can't remember the name of the book off-hand now, but the concept of servant leadership—

Matt: It might just be called, "Servant Leadership."

Sameer: Maybe that is the name of the book, but that concept is very powerful and, I think, is the right way for leaders—again, works for me—to think about your job and your role. You gotta have the rudder, the oar that you're steering. You gotta make sure you're pointing the ship into the right markets. You're making the strategic decisions. You're making sure you've got the right financing—you're not going to run out of cash. You're building the right unit economic model. All those things are on you, as the leadership team. But the people that do the real work every day in your company are the people that are picking up the phone and dealing with an unhappy customer on a support call. It's the sales rep that's got a quota to hit to bring in new customers. It's the marketing team that's gotta go get the word out about, "Hey, we've got a new product," and the world doesn't know that yet. They're the ones who do the real work of the company every day. Our job's gotta be, "How do we remove obstacles that get in their way?". How do we support them? How do we get them the right resources they need, the work environment they need, the culture that they want to be in so that they can go and have a career high? So they can go do their best work. Because, I'll tell you: if you do that as a leader, the rest of the shit takes care of itself. Bill Walsh, the great football coach, said, "The scoreboard will take care of itself" if you do those types of things. If you have excellence at the individual level, that will lead to excellence at the team level, that will lead to excellence at the program level. I think that is every bit as true in business as it is in sports.

Matt: I like the focus and intention around the team. I imagine in some of those moments when...you mentioned some of your darker days in that early startup of 20 to 30 people. Can you remember a specific moment when you were humbled, and maybe a little less happy, in that first startup?

Sameer: Oh, for sure. The specific example is: 2007, the company's taking off, we had come out of the gates, new customers were adopting quickly. Lots of interest from partners and

strategics around what we were doing. We were building this disruptive technology. This was back in the virtualization software market. Everything was exactly as we had planned. We're hitting our numbers. Everything's feeling great. We're in negotiations, literally nine months in, to get acquired by a company that could give us incredible distribution. It's the summer of 2008, and we're negotiating the deal, and for anybody that remembers their history, back to history, will remember Lehman Brothers happening in September of '08. And everything falls apart. We had built our plan assuming we were then investing.

Matt: That contingency wasn't built into the plan.

Sameer: I had forgotten Joe's very important lesson. I hadn't internalized it deeply enough. So, all of a sudden, now we were in a financing crunch. Because it was the Great Recession...

Matt: "We could run out of cash."

Sameer: And we could. We still had enough, because I had learned it enough to...it wasn't going to happen in the next few months, but it was going to happen in the next nine to twelve if we didn't come up with a solution.

Matt: That's scary.

Sameer: Those were dark days. Again, having lived through the Dot-com Bust in 2001-2002, I knew...when Lehman happened, and the fall of '08, I'm like, "Oh, this is not going to be short-lived. We're going to be in this for a while. I've gotta figure out an answer." And it wasn't clear what the answer was going to be. We figured out an answer. It ended up working out great, but—

Matt: Talk to me about that, because a lot of times, you see: Point A: scared, humbled, and Point B: happy we found an answer and a solution. What were some of the mental games that you did with yourself, as an operator, to get out of that?

Sameer: The two things you have to do, I think, in a situation like that, that we were fortunate enough to be able to execute...one was you get very disciplined on your costs and your spend, and everything about that, which we did. The other is you get very creative, and you try to find, "What else could we do?" There's not VC, in the fall of 2008, that was going to fund anything. The VC market's shut down. The doors are closed. Now you gotta figure out how else you're going to go do it. Cost containment is going to help you drive towards a cash flow neutral situation, but you're not going to get there overnight unless you're willing to do something really dramatic. We still believed in the business, so we weren't. And in our case, we got creative. In our case, we went back to the strategic acquire we were talking to and said, "Hey, we both want to get married. We can't get married now, so let's get engaged. Our need right now is capital. Your need remains interest in our product and technology. Instead of a marriage, we'll do a pre-paid, royalty-based OEM software deal. You can white label our product and send it through

your distribution channels every time you do. But, you're going to give us capital up-front, and then we'll decrement the prepayment."

Matt: Oh, that is creative.

Sameer: You get creative. You figure out ways of doing it. But it's not easy. I just summarized that in three minutes. There's probably about six months, nine months, of pain, and dark days around it, to get there.

Matt: Yeah. I bet it felt good to get out of the valley.

Sameer: It did. And I'll tell you: when I talk about life humbling you, it makes you appreciate the good times all the more.

Matt: Yup. That much happier.

Sameer: That much happier. When everything is up and to the right, you're like, "Wow, this is really special getting to enjoy this." Because you know that the possibility is always around the corner, so you better keep...it keeps you both enjoying it, and keeps you with a healthy bit of paranoia to make sure that you're looking for what could be around the corner this time that I wasn't prepared for last time.

Matt: I'm sure that your experience, and your studying of history, and everything that you've done to prepare yourself for this particular venture that you're leading, has a lot to do with SendGrid being up and to the right.

Sameer: I appreciate that. I wish I...I feel fortunate to have joined a company that had so many of the fundamental right long before I got here.

Matt: What were the fundamentals that they had right?

Sameer: The two that I would focus on, I would say, are the business model/unit economics, and the second one is the culture. These are two things that...I remember when I was doing diligence on whether or not I should join the company—because when you become the CEO of a company like this, as you know, for any time when you're in that CEO spot—it becomes personal. It becomes a thing that you're taking on. So, you do a lot of homework before you sign up for that. I fell in love with SendGrid with head and heart. The head—analytically, the business—was extraordinary. The thing that makes...well, one, it's a SaaS-based business, which is dramatically better than the enterprise software, perpetual license and maintenance model of what I grew up in for the first 20 years. So, that was an improvement in and of itself. Moreover, even better than that, SendGrid's business model enjoys a couple aspects of it that solve for the biggest problems of most SaaS companies. Most SaaS companies struggle with two challenges. One is CAC, your customer acquisition cost. The percent of your revenue that

you have to spend in sales and marketing is oftentimes half. Like, 50%. Some, more. Maybe some, a little bit less. But that's probably...40-50% is probably the median spend.

Matt: At least for the healthy companies.

Sameer: For those healthy companies. That leads to a very difficult situation, because now it's hard to profitable. If you're spending that much in sales and marketing, that's a tough place. The second problem that most SaaS companies wrestle with is a "leaky bucket" problem.

Matt: Tell me about that.

Sameer: On the sales and marketing problem—and I'll explain how SendGrid is different on both of those dimensions. On the CAC and the sales and marketing spend, SendGrid is spending probably half of what the average SaaS company does in sales and marketing, and it's because our model is a self-service one. Our developers, and now even our marketers—they come and find our solution.

Matt: They've got a pain point. They're out searching for a solution, and you guys are one of the first in that marketplace to really service that.

Sameer: That's right. So, they come and find us. We're not doing expensive field sales organizations, six to twelve month sales cycles—all the traditional stuff that even SaaS companies, today, selling into the enterprise, often deal with. Because we're serving SMB mid-market, we don't, so our costs are dramatically lower. That allows us to achieve profitability at a very early stage relative to most SaaS companies. On the second one, that "leaky bucket" problem: the leaky bucket problem for a SaaS company is, if you take any given cohort, and say, "I signed up this many customers in the month of January 2016." A year later, January 2017, the metrics that most SaaS companies would look at is, A: what percentage of those accounts' logos are still with me, and how many have churned? And then, of those that are still there, how much are they spending with us relative to how much they were spending with us a year prior? The leaky bucket problem is that on a dollar basis, most SaaS companies are making a little bit less from that cohort a year later. What you're trying to do is either cross-sell them, upsell them, or get them to expand in some way to get it back to break even, because otherwise, the only way to make up for that leaky bucket is, "I just have to keep spending MORE in sales and marketing to get more people into the top of the bucket." To make up for what's fallen out of the bottom of the bucket. SendGrid, by virtue of a transaction-based pricing model, doesn't have the same challenge. Because those customers—we do, we have plenty of people—customers who leave the system—either because we asked them to, back to my original determination of bad senders comment, or because their startup doesn't work out, or they get merged or acquired, and they're using some other thing, etc—but those who stay are sending so much more in volume—and they're thus paying us more because our pricing is tied to how much they're sending—that we actually, on a dollar basis, are making more, not less.

Matt: That's a beautiful thing.

Sameer: That is a beautiful thing. So, you have efficient acquisition with an inherent growth vehicle for your cohort. It just build a...there's an inherent growth model built into the business.

Matt: Well, and if they're using your email marketing tools, your product is actually helping them spend more money with you, by helping them grow as a company, then sending more transactional emails.

Sameer: Absolutely. It's this great virtuous cycle. Analytically, I loved the business. I loved the business model, and that was long before I got here. I'm very grateful to our founders and the initial management team that took the company from two million in revenue to forty, when I joined. They did an extraordinary job with those things. The other thing they got incredibly right, which I was happy to join, and frankly, I wouldn't have come to the company if I didn't so deeply believe in the culture.

Matt: That's the heart.

Sameer: And that's the heart part. Head and the heart. I literally fell in love with the company because of those four values—those H's. Happy, Hungry, Humble and Honest. Each of those resonated with me. We were talking about mentors earlier. I had a mentor at Citrix, the company I was at just before I joined SendGrid. He was the CEO there, named Mark Templeton. Mark was a deeply—he is an extraordinary business leader. Built a business from 50 million in revenue to a two and a half, three billion dollar company over the span of two decades. There are so few human beings on the planet who can scale through all the different challenges that occur through those different lifecycles. So, incredible businessman, incredible leader, but also, just an incredible human being. He was a deeply humble person. I'll never forget...the example that is so stark in my mind was—and he would never even, probably, remember this—but, we were at our annual customer event. Five thousand people come in to hear about the future of the company. We have our customer advisory board, the top CIOs of the Fortune 500 companies that we're serving, and he's standing at the buffet line at lunch, handing them their plates as they're coming through the line. He never had to say what was obvious to everybody, which was, "I am here to serve you. Not just physically. Metaphorically—in every way, we are here to serve you as customers." That humility permeated our company—and Citrix was a seven thousand person company at the time. It permeated the company, and I assure you that company's success was in no small part due to that culture, and channel partners and customers wanting Citrix to be successful because they appreciated the humility. It was the antithesis of so many other tech software companies who thought it was all about them, and that it was about their growth, and what a rocket ship they were. It wasn't about serving the customer. Anyways, these values that my predecessor and the founding management team imbued into this company just deeply resonated with me. I saw the power of how humble "H" can matter to a business and to a company that I wanted to work at.

Matt: How do you try to teach, or cultivate, or empower the leaders at SendGrid to be more humble?

Sameer: We talk about it a lot. And it sounds funny...

Matt: You brought it up before you even brought up the four H's.

Sameer: Yeah. It's just so core to what we do. I think...it gets so baked-in from everything in our interviewing process. We have people that are assigned to interview for each of the H's. We have questions that will try to suss out, "Are they our kind of humble 'H,' or not?" When they're describing their accomplishments off of their resume, is it "I," or was it, "we"? Literally just the pronoun difference as they're describing their achievements tells you a lot about their mindset of where they are. When they come aboard, I meet with every new employee of the company in an orientation session and describe to them our four "H" values, and why it's so important to sustaining our success, and implore them to be owners of the culture, to be stewards of the culture, that those values can't just be things that sit up on the walls, but things that have to show up in our meetings. That when they see deviations from our culture, that they use the language of the culture to self-correct. Either to use it...like, "Hey, Sameer, honest 'H' feedback on that presentation: that sucked. That was not clear," or, "Hey, we're behind on that customer commitment, and that's not OK. We're going to have to show some hungry 'H.' It's going to take some nights and weekends for us to catch up." Or, "This is not a humble 'H' demonstration of 'we,' not 'I,' as our language," in a team meeting. You literally want to hear it in dialogue, in meeting rooms. That's when you know that the things are alive. We hand out, at our monthly all-hands meetings, our four "H" awards. The four "H" awards are—the origins of them—are peers nominating their peers, people that they believe are exhibiting those four "H" values. And we do videos of the nominations, of the people that are saying, "Hey, Caroline exhibited...let me tell you an example of how Caroline exhibited our four H's. I just love working with her for these reasons, and she has been a great steward of our culture." And we play those videos for the entire company to see, so they realize this isn't lip service. We believe in these values deeply. We interview against them. We celebrate them. We use them in language in our meetings. We will fire against them. One of the things of the humble "H" that's hard is we will lose very talented people who are not humble "H."

Matt: Most of the people in the software industry don't have the humble "H."

Sameer: They're very talented, and frankly, they know it. And that's a hard thing. We've had some very, very talented people that...it's like organ rejection inside of SendGrid. They're like, "Yep, no, this is just not going to work."

Matt: Yeah. Well, and it probably equally doesn't work for you as it doesn't work for them.

Sameer: That's right. And by the way, that is the key for all your listeners, I believe, around culture, is that it has to have some edge to it. If the culture you have defined would be awesome

and amazing for everyone you know, then it's like motherhood and apple pie. You've put no edge around it. You haven't carved out a culture that is distinctive, and you can't think of a company that is world-class that doesn't have a distinctive culture. Think about Apple's culture. Think about Amazon's culture. Think about Nike's culture. Those are cultures that are distinctive, and frankly, there are lots of people that would hate them.

Matt: Polarizing.

Sameer: Very polarizing. And believe me, I know lots and lots of very talented software professionals who would hate working at SendGrid. It would be seventh hell for them. It really would. And that's good, because that means there's a self-selection mechanism towards, "This is the kind of environment we want to be in." I think that's usually important to set up in any culture you're building.

Matt: Well, it's clear that you've got a powerful culture and just a crazy momentum behind what you're doing. What's next for your, and what's next for SendGrid? I'll ask the question that I'm sure you get asked in every interview, but...what are you most excited about right now?

Sameer: I am most excited about the fact that we are hitting on all cylinders right now. We have a team that genuinely loves working with each other, and I cannot overstate how important that is. I described, like, falling in love with it head and heart. The heart part...I've been in places where people view their job as a job. The people they work with are coworkers, or colleagues. I've been in places where people come in and view their work as a joy, and the people they work with as teammates and friends. The difference between A and B is night and day. I love that we have...that is working and scaling. That's the hardest part, is scaling a culture. So far, we're scaling that culture. I'm really excited and proud of that. The market opportunity in front of us is great. We've been executing against that. I think this adjacency for us in the marketing realm, above what we do in transactional, is extraordinary. The initial execution has been really exciting and really great. What gets me most excited, I guess, is all the things we haven't done yet. All these things...we're hitting on all these cylinders, and yet I wake up every morning, jumping out of bed, thinking about the other eight things we can go do. Man, we gotta go faster. I get fired up, I do. There's lots we can go do, still.

Matt: And the focus...there are eight other things you can do in that day, and as an executive, I think—I'd almost like to close on this—get an idea of how you're starting your day, and plotting your day. Because you could do eight different things, but you probably can only do a handful, if you're lucky. How are you going through that process, and how might some of our listeners, whether they're a CEO or not...

Sameer: Yeah. By the way, this was a tip that another mentor of mine, who's actually currently a board member...my first boss out of college is now one of our VCs.

Matt: That's pretty cool.

Sameer: It's pretty great. But, I remember…in my early twenties, as the first product manager of this software company. Same thing, even then. Like in any role. There's always more you can do. How do you prioritize your time? That's the most important thing that you can do, is figuring out how to get the most leverage and impact from the precious hours and minutes that you're working. It's coming up with a gameplan on Sunday night or Monday morning. For the week, what are my big rocks? Because the old adage of, "You can fill it with sand," but what are the big rocks that I gotta move this week? And then holding yourself accountable to them. I do that now both for the week, but also, for me, for the month and the quarter, so that I make sure that I can stay focused on the biggest, highest leverage things. Because those are the things that I need to worry about. One of the areas that I always need to grow and develop in myself—you always keep growing and developing—I love all the details. I love all the operating stuff, so I can reach into the weeds. I need to not be in the weeds in stuff. So, it's a helpful course-correcting mechanism for me to be like, "OK, what are the big rocks for today, for this week, for this month, and this quarter?", and just make sure that I'm coming back to that, looking at my calendar, going, "Does it match up or not?" You'd be surprised at how often the answer is, "It does not match up."

Matt: Do you course correct at that point?

Sameer: Yeah, and then I'm like, "OK." And I've got a wonderful executive assistant that helps, and I'm like, "I need your help. We gotta reshape this week. I gotta pull those four meetings off the calendar. I need these work blocks to focus on these things." It's very important.

Matt: I appreciate you sharing that, because from afar, sometimes the executive at the top of the mountain seems like they've got it all together, and they've got it all figured out. I also struggle with that, but on a much smaller scale, as we're still a small company. It's good to hear that there's some similarities in terms of focus, and that it's never going to go away.

Sameer: It's all the same, I'm not kidding, from when you're an individual contributor and 22 years old to when you're an executive of a company. How do I focus on the highest-impact things that I can do for my role? Making sure you're doing that, and spending your time in those places. Saying "no" to the stuff that isn't that. That is true in every stage in your career, and it doesn't go away when you're leading the company, big or small. It's all the same.

Matt: So, important to build that habit now, and just get better at it.

Sameer: Absolutely.

Matt: Well, thank you, Sameer, so much, for taking the time to connect and share your story personally, and then the story of SendGrid, as well. It's pretty exciting.

Sameer: Thank you, Matt. I loved the time. Thanks for having me.