

Karen Zelnick:

While all startups hope to be unique enough to stand out from the crowd, there are often multiple startups within the same category. But what if your company doesn't fit into a standard category? What if your mission is so unique you have to trail blaze your own path in the startup world?

Karen Zelnick:

To get a better sense of how one niche company successfully did this and grew from seed money into a series A all within 20 months, join us in our conversation with Claravine, CEO and Founder, Verl Allen and investor Gavin Christensen as we bring you both sides of a Perfect Pitch. What is Perfect Pitch? It's a podcast from Kickstart that reveals the minds of both investors and entrepreneurs throughout a startup's journey. So whether that's uncovering what everyone's really thinking during a startup pitch or learning how entrepreneurs like you have managed their first major roadblock, Perfect Pitch offers an honest, quick and tactical guide to help you on your startup journey.

Karen Zelnick:

I'm your host, Karen Zelnick. Verl and Gavin, thank you so much for being here today.

Gavin Christensen:

Good to be here.

Verl Allen:

Good to be here, Karen. Thanks.

Karen Zelnick:

And before we jump into the discussion, I just want to tell our listeners a little bit about you. Verl, before Claravine, you served as both the director of corporate development and business strategy at Adobe. Is that correct?

Verl Allen:

That's correct. Yes.

Karen Zelnick:

And you also held various leadership roles across companies like Omniture, [inaudible 00:01:16] and LocalWorks. And I've heard you're an avid skier and a cyclist enjoy spending lots of time in the outdoors. What else should we know about you?

Verl Allen:

Spending time on my bike is probably where I'm happiest. It's one of those things that provides me grit and opportunities to grow personally. But the other interesting thing about me as I spent 12 years raising three kids by myself while I was at Adobe, that in and of itself was a pretty unique adventure.

Karen Zelnick:

Absolutely. I think we could have an entire podcast session just around that. Really appreciate you being here today. And Gavin, of course, it's great to have you back. Always a lot of really deep, amazing

insights when you're on the show. We have a tradition of asking you what you're reading. You're just always reading something really interesting. So what are you currently reading?

Gavin Christensen:

What I do is I kind of alternate. I go something that's educational and helpful, and then I jump to just pure fun, sci-fi fantasy. So I'm actually in the middle of this series, it's called The Powder Mage series, which is sort of like a steam punk sort of magic/gunpowder. It has a ton of fun.

Karen Zelnick:

That does sound fun. Well, we will have a link to files for both Gavin and Verl in our show notes at kickstartfund.com. So to learn more about them, check that out. And we're going to now dive into the discussion. It's going to be a really good one. And Verl, the first question's for you. I would love to know while you're working in corporate development and strategy roles at Adobe you evaluated hundreds of tech vendors in the marketing space. How did what you saw there inform your inspiration for Claravine?

Verl Allen:

I think in a couple of ways. One, I had the front row seat to a big evolution that was happening in the enterprise, especially across enterprise marketing organizations. A lot of that was driven by applications and by systems integrators, so this kind of cabal. And those groups were really focused on addressing this huge shift that happened in the enterprise as the explosion of digital occurred. And you had this huge fragmentation of the customer experience and it was software driven to address that. What I quickly realized though, is that as you saw this explosion of SAS applications and this fragmentation there wasn't a huge focus on the data side. It became clear that there was an opportunity we're shifting from this decade of the 2010s which is around SAS and software to the 2020s, which is really around data. So it was me kind of looking around and saying, "It's a good bet to make going forward."

Verl Allen:

Cloud infrastructure on the data side was in place. There were huge opportunities that I saw and just an interesting shift on and way to leverage that experience I'd had at Adobe. So as you think about this fragmentation that happens in the enterprise, the average marketing organization has around 80 point SAS solutions to the enterprise. Each one of those applications has a unique data model and it data structure they're dealing with. Those applications were never architected to work together, all sorts of different vendors. As we collapse that data down now into a single data instance in the cloud, a data lake, there's huge problems with data quality. So as your enterprise is trying to automate the creation of digital experiences, you're trying to do machine learning and AI, business intelligence, other sorts of analytics, there's real challenges with data quality. So we're helping those enterprises solve a big data quality problem that exists and trying to move away from ETL, which is a much more reactive solution to a proactive solution around data standards and data quality.

Gavin Christensen:

And one way to think about that is what's going on with data now is kind of like American auto manufacturers in the 70s where they have a assembly line and they're so focused on getting cars out the door that they're not worried about quality of the door and the quality of the steering wheel and the quality the motor. And by the time it gets off the assembly line, you're cranking out cars, but they're crashing and the doors are falling off and they don't work. So the quality is really low. So what Verl and Claravine are doing is trying to ensure quality of all those inputs while they go through the assembly

line. So that the stuff you get out at the end is actually high quality. Like cars are now today because they implemented total quality management and quality at source.

Karen Zelnick:

What were your initial thoughts when you learned about Tracking First, now Claravine? Did this unique category fit, raise any concerns? I'd love your thoughts.

Gavin Christensen:

So when I first met with the Tracking First founders, what struck me was these are some gritty founders who know the space well coming from Omniture and other related companies and the quality of the customers for a company that was bootstrap was pretty unparalleled for what I had seen. And as we dug in and understood more about the product we realized, "Oh, back in those days, there really wasn't much of a product." And then when Verl came into the mix, as they were starting to look for a CEO really felt like, "Hey, this combination of these gritty founders who have found early product market fit without really a product in this incredibly experienced CEO who has this great background and is now ready to do something entrepreneurial, we feel like we can navigate this together."

Karen Zelnick:

And Verl, what kind of roadblocks did you run into and how did you work through them?

Verl Allen:

Yeah, it's interesting because I wasn't coming in as a classic founder. So I came into a situation where it was a five person team and I'm coming from an 18,000 person company down to five. We had some real challenges on the product side and it was one of the situations we came in and realized very quickly, we can't scale this thing. Money's in the bank and I'm on the hook. And it became quickly apparent to me that the product was not in a place to scale. And we didn't have one person in the organization writing code, it's all kind of outsource. So quickly. One of the big things was just starting to assemble a team that I thought we could build on top of. And that was kind of the first big challenge I think for us. But the other part of this is you're going from a very early product situation where you're solving a specific use case and what the company was doing at the time was focusing more on the use case they were solving rather than the underlying problem.

Verl Allen:

And that's what kind of what brought me in. I started looking at that underlying problem of really around data quality and data standards, but to go from a use case to a much broader enterprise solution, you've got to really build a company. And it all started for me with that first understanding of where we were going to take the business and then really looking at how do I get the right team in place. And it's tough when you're talking about trying to hire in an engineering leader. I'm not an engineer by training. So that first hire for me was a really, really critical hire. Had we got that wrong, we probably wouldn't be here talking today.

Karen Zelnick:

I love that you pointed out that you weren't trying to tackle it all at once. You identify what we needed and then hired and then worked on the product. And I think that's an important clarification to make for

people who are working on starting a business. And Gavin, going along with what Verl just said, do you have any concerns about the hiring process at Claravine?

Gavin Christensen:

So specifically as it relates to Verl, him joining the company prior to us funding was a really strong signal from a few perspectives. Certainly the first is that Verl's job was to buy companies for Adobe and looking at hundreds of startups a year for a decade. So really understanding what startups were compelling, both for acquisition and understanding what opportunities were compelling. So the fact that after all that time Verl was like, "Hey, this is the one." And it was one that was as early as it was, was just a really strong signal. And then second, Verl was a different kind of archetype of CEO, coming in with tons of experience, having a lot of success and saying, "Okay, now I'm ready to do a startup." So the big question in our mind was, "Okay, could someone who's had that kind of success on all metrics be able to scale down into a startup where it's five people?" Obviously it's played out really well.

Gavin Christensen:

Verl, he had this gritty aspect to him despite having lots of success in big jobs. He'd been pretty financially conservative, which is a big deal. The way you treat your personal financial situation is a huge weapon in your ability to kind of be patient with a startup. So that was part of it. And then also just whether it is the cycling or the single parenting, whenever it was, Verl had this grittiness of like, "Hey, I'm going to figure it out. And I'm not afraid of the risk and the drama of a startup." Since then we've invested in other people just like Verl, because if you can get that experience in that network and then still be gritty and determined, that's the best of both worlds. It's hard though.

Verl Allen:

And there's some similarities between Gavin and I in some ways we've talked about this. I always describe myself as a kid from Kennewick. It's a small town, farm town in Eastern Washington and always had a little bit of a chip on my shoulder. And I know Gavin, I've talked about this, he kind of came from Eastern Utah. And some of this is for better or for worse, I feel at times like I sell something to prove. I don't look back and go, "I've had all this success, I'm entitled to things." And I've been really fortunate as we built this company, we've been able to find like-minded folks that we've hired in leadership roles.

Verl Allen:

So we kind of started with that as the archetype, I guess, and have built it out through the organization. We have no drama. That's the other part of this is it's just a really interesting and fun for me opportunity. And to find this opportunity in my 50s, I kind of started on the other side of this where I got to a point where I had enough money in the bank where I was three years from retiring, my kids were leaving the home and I still had a lot of energy. So I don't think of myself as 50, I think of myself as 20 year old, just kind of figuring this out, but you have a bank account to back you up just in case.

Karen Zelnick:

Verl, you've clearly been successful at trailblazing this niche market. What advice would you give to our listeners who feel their company sits in the category of its own?

Verl Allen:

First off, we spent a lot of time thinking about what the problem is we're solving. The other part of that is getting alignment with the team around an agreement on what that is, what really opportunity is that you're going after, and then making sure that you architect the company and the organization to meet that. So when I first came here with the original problem and the use case they were solving, I thought maybe we get this 30-\$40 million in recurring revenue. As we've built and not even pivoted, just extended the use cases and extended the solution, that numbers continues to get bigger. But what I would tell people is, "It's one of these things where you have to keep your eye on how do I continue to increase the size of the opportunity, but at the same time stay really focused on solving the near-term problem."

Verl Allen:

It's really easy to take your eye off that ball and go after the big opportunity too quickly. And then you start having problems with attrition and other kinds of customer issues. Get the problem right, get alignment in the organization around the problem and not just with your team, but with your investors. But you have to be really clear about what the opportunity is, get aligned with the team and then lastly, really be focused on, are we disrupting or are we creating something new? Because it does change the way you think about building the organization

Karen Zelnick:

And Gavin you've been nodding your head a lot. So I'd love to know what you're thinking.

Gavin Christensen:

I think Verl's right on with this idea of being focused on the problem. Certainly one of my mantras is, I'm so much more interested in than pain than product or anything else because no one really wants to deal with a startup. No one wants to put their neck on the line to pay money to this new vendor that's not proven, et cetera, et cetera. So the only reason you do it is because you have such a burning pain that has not been solved, that you're actually starting to try to solve with your own cycles and your own team and doing it badly. So I do think this North Star of saying, "What's our insight? What's the pain?" I think Verl's really brought that to Claravine. One thing I like to do in due diligence on a company like Claravine is to keep asking myself, "Why, why?" And you come back to, it's some kind of emotional need that the person has that is not getting satisfied and that's why it's a top priority. Ultimately there's no technology problems, there's human problem. And I think being focused on that, it's just really important in startups.

Karen Zelnick:

And Gavin, what percentage of companies that you see would you say have really figured out that problem, versus they're just solving the obvious thing?

Gavin Christensen:

Certainly we've had companies with lots of revenue that have realized that what they're doing is too obvious or too easily copied, or that it's just not as critical to the business of their customers or their consumers as they thought. So I think every company is wrestling with this that is being very self-aware always and saying, "How do we do more? How do we get customers to rely on us more, tell us more?" It's kind of like being breakeven or profitable is as much a cultural phenomenon as it is a financial phenomenon. And I think it takes leaders who are just listeners.

Karen Zelnick:

Verl, do you have any thoughts on that?

Verl Allen:

We talked about people problems before. Well, it really internally, a lot of times in organizations and companies building your own company it is solving those people problems. It's getting the right people, in the right seats, at the right time. And part of that as a leader is being aware of what your strengths are and what your weaknesses are, and really being willing to hire people that compliment you. And to be honest, that maybe better than you and more qualified than you. And if you're self-aware enough to do that, that's where I think the value, because I couldn't have done this by myself. There's no way.

Gavin Christensen:

It's another theme that we've talked about on the podcast is best leaders we work with have that mindset of, how do I get the best players in my team who have diversity of background, of insight and are not afraid to have people outperform them in various areas? In fact, the best CEOs literally should have someone outperform me in every area of the business. It's hard even for the best CEOs to kind of continue to remind themselves, "That's okay." It takes a lot of maturity, humility I think, to get to that point.

Karen Zelnick:

The more and more we talk internally or evaluate companies and talk on this podcast, the more it just stands out to me that self-awareness is critical for startup founders, that humility and that self-awareness and being able to continually check yourself, it's something that needs to be cultivated because it doesn't always come naturally. I've loved this discussion on disruption and forging a new category. And I want to wrap up Verl, you have so many great insights and I'd love to know what's an effective practice you've implemented in your work or personal life that has contributed greatly to your success?

Verl Allen:

A couple of things I would say is this. I've had some probably unique life experiences and at the time they seem like trials or really, really tough things to go through, but I've been fortunate enough to kind of be able to reframe some of those situations and to really think about them more from a growth perspective. And some of those experiences I went through a really tough divorce in 2002, and I spent 13 years raising my children myself. And then I've sought out experiences on my bike, really tough things I've done there. But what I've learned is those experiences give me confidence when things get really tough.

Verl Allen:

This last year was not a cakewalk and Gavin's well aware of this, but I feel like those experiences are the foundation to build on when things get tough to drop on saying, "I can do this." And when you go through it you don't see it that way. But I think as you get a little bit older, you start to look back and go, "Wait a second. I've had all these really difficult things that haven't broken me and in some ways have really made me much stronger and probably a better person coming out of the other side." But that's not always the case.

Karen Zelnick:

Yeah, absolutely. I was like to remind myself that I've already survived 100% of my worst days. So I can do it again. You mentioned that the last year wasn't a cakewalk. You wrote a really great article and we're going to link to in our show notes because I think listeners would benefit from [inaudible 00:17:15] fundraising and COVID. So be sure to check that out. And Gavin, I would love your thoughts on what Verl just said and how you've seen it play out in his ability to lead Claravine.

Gavin Christensen:

Yeah. It goes back to what I was alluding to earlier, which is the best leaders that I've worked with have this great combination which is confidence and humility. Those people that in their life experience have adversity and they've learned how to struggle through it and grind through it are much more prepared for startup life, much more prepared to enjoy and understand that journey, that struggle is part of the experience. Those are the best leaders. I think Verl is a great example of being able to keep that through a successful career and then apply it in a unique way in a start up.

Karen Zelnick:

What a great insight. And it's so interesting. We have this human nature of trying to run from pain when really leaning into it and learning and growing from it is actually going to be the most beneficial instead of avoiding it. So really grateful for your time today. Thank you so much for being here Verl and Gavin.

Verl Allen:

Thank you Karen.

Gavin Christensen:

Thank you.

Karen Zelnick:

And of course, thank you for listening as we dive deep into what it takes to create the perfect pitch. If you want to learn more about our investor, Gavin Christensen from Kickstart or our founder Verl Allen and his team at Claravine, we'll have a link to the company and a longer bio in our show notes at kickstartfund.com. You can listen to more episodes of Perfect Pitch wherever you listen to your podcasts. And if you like what you're learning, leave us a review or rating. We'll be back next time with more insights from entrepreneurs and the investors who fund them. So be sure to subscribe so you don't miss a thing.