Twitter Thread by Andrew Chen



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■ Thread. New deck getting published this week: "Consumer startups are awesome, and here's what I'm looking to invest in at Andreessen Horowitz." If you want to read it, subscribe to my newsletter here: https://t.co/262t8eh0wf

Consumer startups are awesome, and here's what I'm looking for at a16z (70 slide deck)



Above: New technology has always captivated consumers!

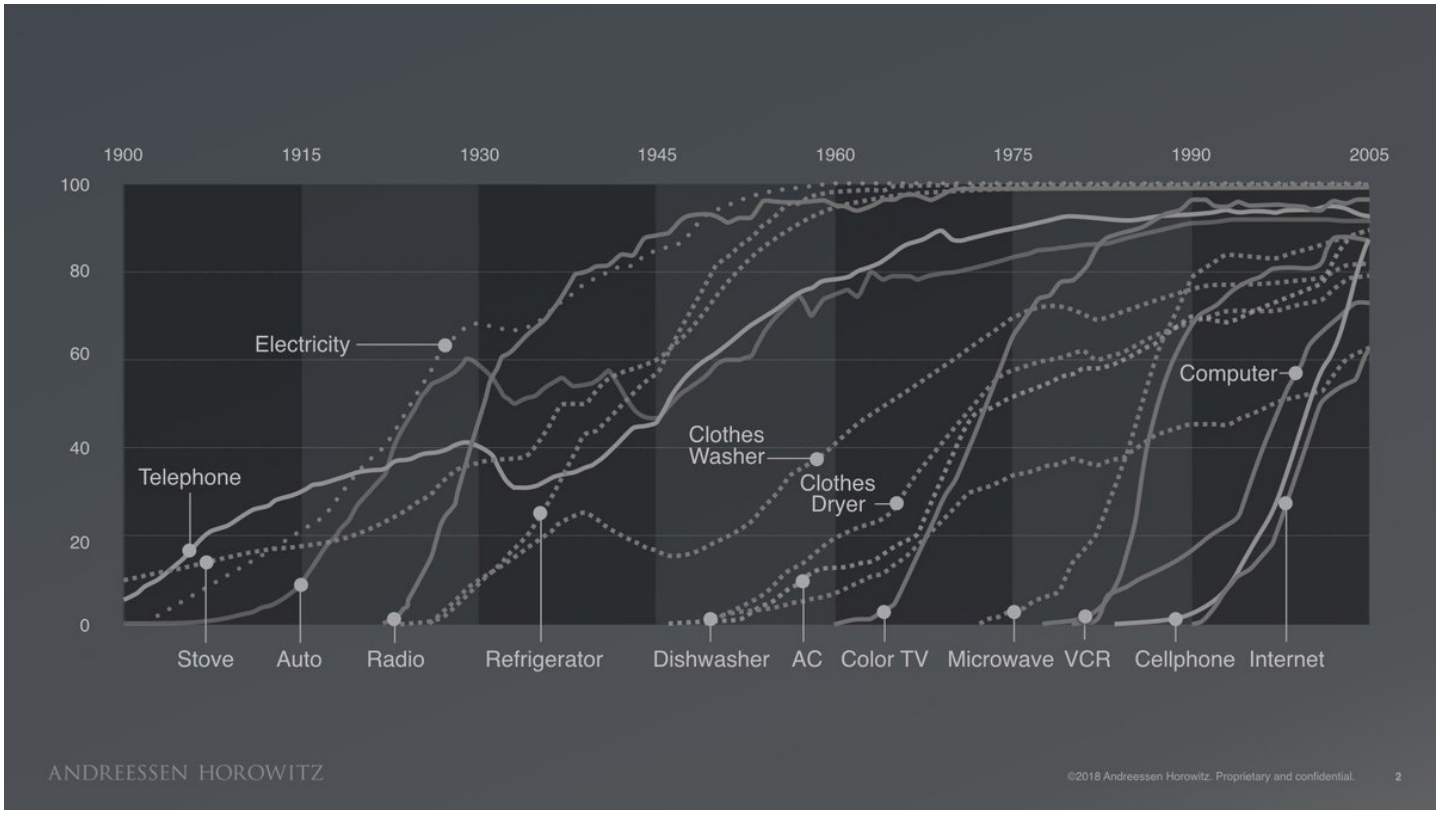
Dear readers,

I'm often asked- so what kind of startups are you investing in at Andreessen Horowitz? And since I'm focused mostly on consumer companies – is there anything exciting happening? After all, if we're "between" platforms, and there isn't something as big as the iPhone coming up, is there anything interesting left?

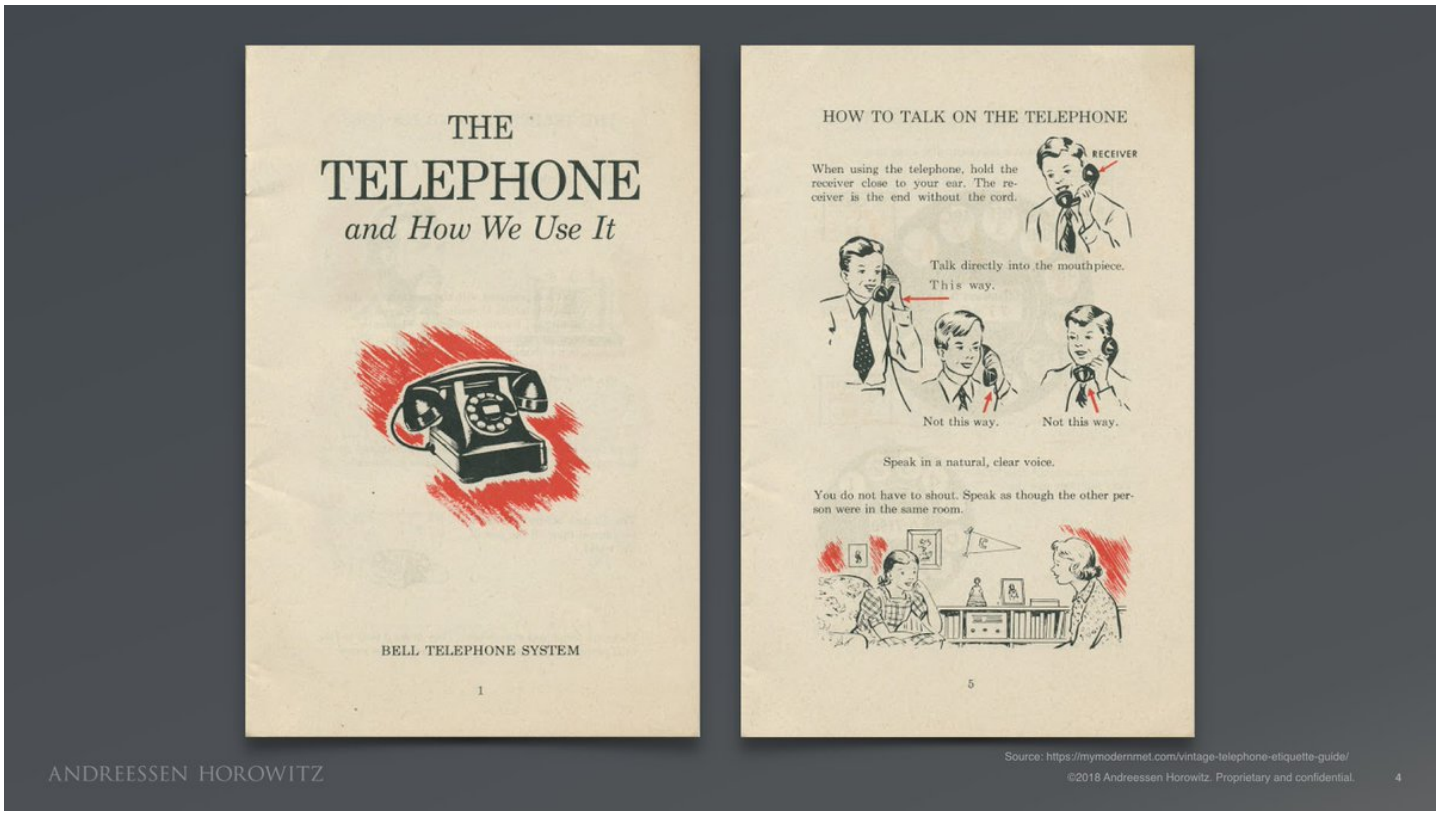
I'm really bullish about what's around the corner – and I want to unpack what I'm looking for, how I've drawn insights from history, and what's around the corner. In the 70 slide deck below, I cover a couple key concepts:

- **Accelerating technology adoption**. Why the telephone took 50+ years to adopt, but the mobile phone was <10 years
- Three historical examples and their modern antecedents
  - **Content marketing**. The origin of the Michelin Guide and why content marketing still works
  - **Viral growth**. How chain letters were invented and rethinking its effectiveness in the framework of viral growth
  - **Marketplaces**. How to bootstrap marketplace businesses and the cold-start problem, and what the story of toothpaste can tell us about that

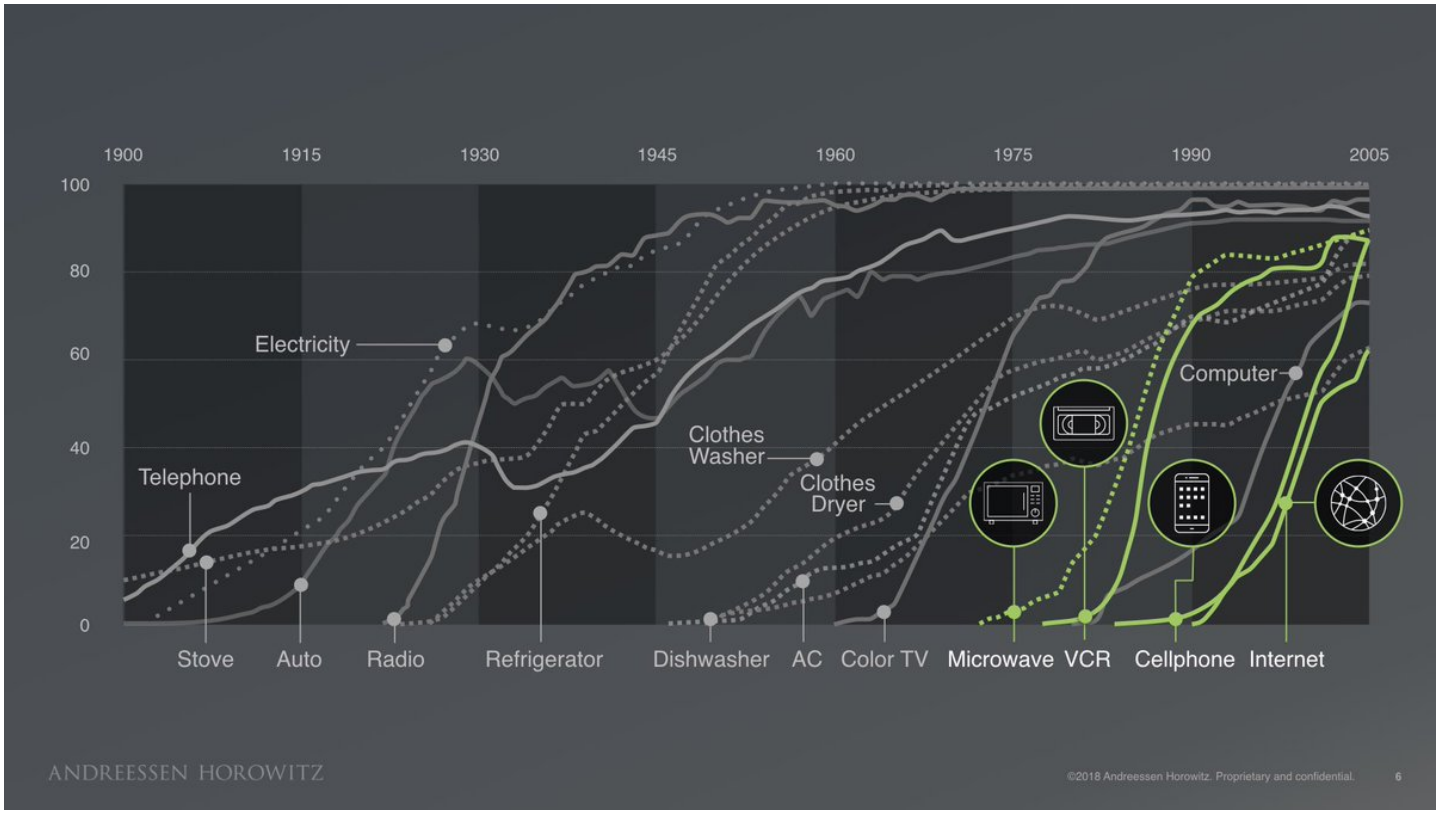
1/ A lot of new consumer technologies have been introduced to US households in the last 100 years. But it's taken many of them - like the telephone - more than 50 years to get to the majority of the US. Why is that?



2/ We had to literally teach people how to use phone. Which end goes to your mouth, which goes to your ear. Say "hello" when people call. The motivation of consumers to talk to their friends has always been there, but we had to teach the behavior



3/ If you compare phones to the latest technologies, there's been a huge shift. Things are being picked up much faster.



4/ Even while there's been all this innovation recently, physically speaking, we are still the same human beings from 100,000 years ago.



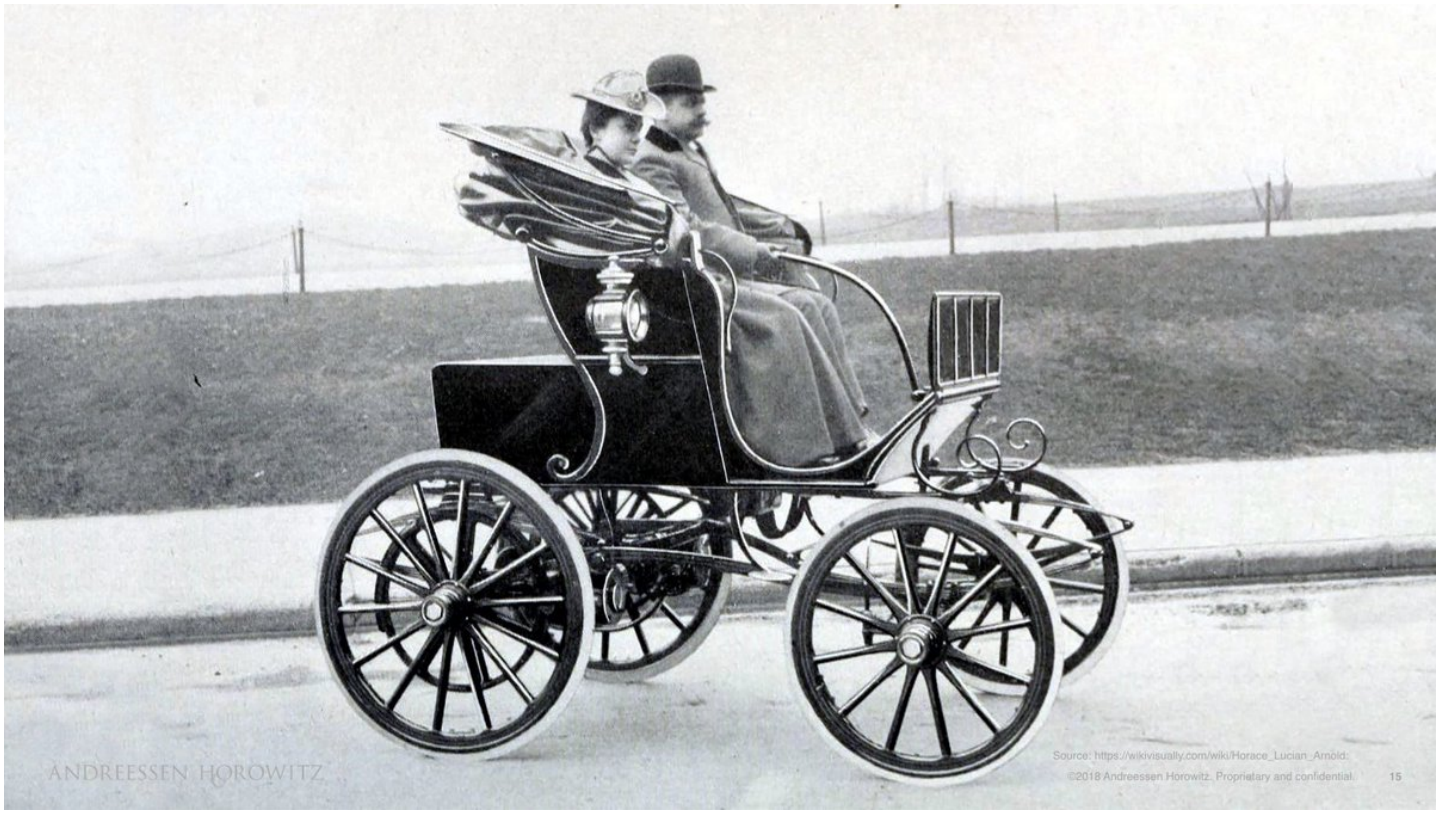
5/ We are the same humans who painted on cave walls because we love creativity. We are the same humans who built theaters because we love to be entertained. We took selfies as soon as the technology allowed. And we've always loved scooters.



6/ Technology changes, but people stay the same. And at the intersection of that, when startups find growth hacks that get them going with a killer product, something magical can happen.

7/ I have a bunch of case studies. First, the car industry in the 1900s, and the Michelin Guide. Second, the US postal service and the first chain letters. And third, the invention of toothpaste, CPGs, and how to solve the chicken and egg.

8/ (I'll unpack these in the actual essay. But here are some cool pictures)



9/ And for these historical case studies, I talk about their modern antecedents - what does modern content marketing look like, for Michelin? Chain letters are kind of like referral programs in their mechanics. And how do you think about bootstrapping marketplaces today?

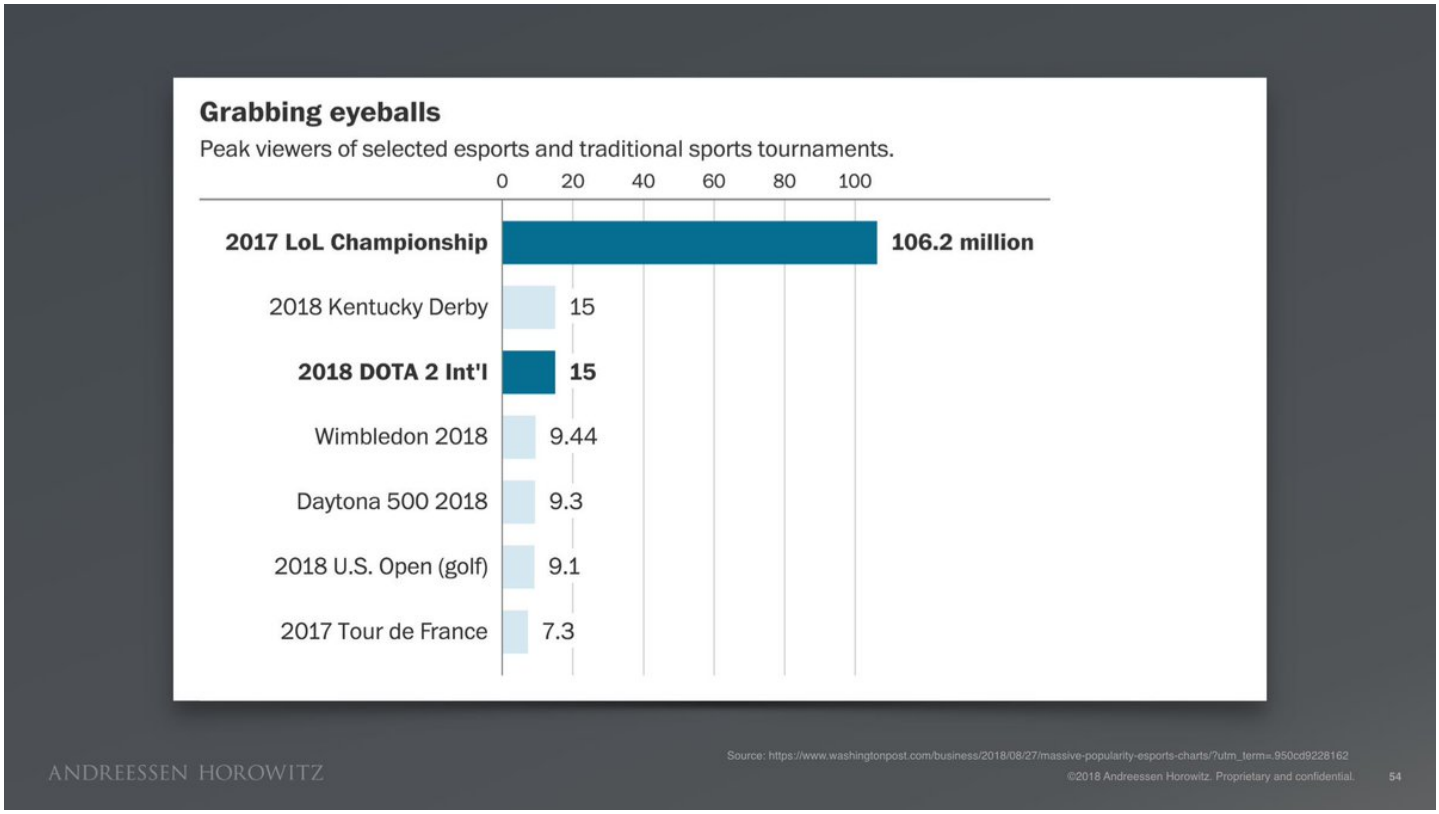
10/ Ultimately, it's all about tying all of these ideas today. 1) A killer new product enabled by an emerging technology or platform. 2) Pre-existing consumer motivations. 3) An insight on growth to kick it off



11/ I run through a bunch of emerging platforms/tech that's interesting to me, and then deep dive on two areas where I'm in particular excited. (Again, actual details in the thing I'll publish)

12/ Two visuals I want to share from the section of the deep dive though - which fascinate me and where I'm digging in...

13/ First, check out this amazing graph on the number of live viewers of Riot's @LeagueOfLegends (100M+!) versus Wimbledon (9.4M). Wow.



14/ Second, check out this amazing photo of tens of thousands of people at a Pokemon Go event walking around, looking to catch them all.



15/ Hope you enjoy the deck - will be publishing it shortly! As I mentioned, please subscribe to my newsletter here to make sure you get it: https://t.co/tzmBSVaMDd

PS. Worth mentioning that this is kind of the qualitative mirror of the quantitative approach that I published here - "The red flags and magic numbers that investors look for in your startup's metrics": https://t.co/CGR2Mf3mX5

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>
> Published a new essay: The red flags and magic numbers that investors look for in your startup\u2019s metrics \u2013 80 slide deck included! pic.twitter.com/w6HRD4o22f
>
> — Andrew Chen (@andrewchen) November 1, 2018

Ultimately you have to believe there's a breakthrough, an insight, a story about why a particular new startup is going to succeed. And so the deck I'm publishing this week is about some of those soft factors that come into play when looking at a new product

However, once you get interested, then you use metrics and frameworks to check that your intuition is in the right place. There are plenty of new products that have a great story, but have terrible metrics. You want to really make sure you understand what's up

That's why analyzing things like acquisition channels becomes so important: https://t.co/5f0m5qZI7B. If a product is supposedly so cool everyone's telling their friends, but 80% of new users are coming from ads, that's a problem

> From a metrics standpoint, it's important to analyze the acquisition mix, the quality of the signups, and the platform dependencies. In the deck, I talk through a bunch of the red flags I'm looking for. pic.twitter.com/5eXkLB0aYQ
>
> — Andrew Chen (@andrewchen) November 1, 2018

Ultimately you need both. A great story and vision for the business. And metrics that are real. I think you can probably invest in a company if you have one of those two things, but if you have both of those things, it's magical.

UPDATE: It's been published! Here it is: https://t.co/q4ONJn8c8g