Brian Gracely (00:03.982)
Good morning, good evening, wherever you are and welcome back to the Cloudcast. We are coming to you live from the massive Cloudcast studios here in Raleigh, North Carolina. Hope everybody is doing well. is the gonna be the 15th of December, month of the year, last couple of weeks of the year, halfway through the last month of the year. Hope everybody's doing well. Hope everybody's starting to wind down for the year. Hopefully you're making plans for the holidays, making plans to spend some time with family or get away, maybe go on vacation for a couple of weeks, whatever you might be doing.

Hopefully everybody is winding down. Hopefully we've had a good 2024 looking forward to 2025. You know, not sure if this is going to be the last weekend perspective may do one more trying to give everybody, you know, in this last month of the year last couple weeks enough content to sort of you know, get you through if you're making a long car ride if you want to get away from family for a little while if you need to, you know, maybe do a little exercising if you've eaten a little bit too much at the holiday dinner table or something along those lines. Also want to try and have you know, a little bit of fun these last couple of shows because there isn't

necessarily tons and tons to talk about, but there's always a little bit that, you know, are worth having a conversation about, or at least sort of, you know, kind of discussing an idea. And one of the things, and I've mentioned this on the show quite a few times, kind of the process, if there is a process for putting together these weekend perspectives. And, you know, I'm always, you know, kind of looking for, you know, some interesting through lines between a couple of, couple of things that I might have been looking at rehearsing or researching all those types of things.

And this one was a little bit unique, a little bit weird. I feel like maybe it has some applicability. And anyway, so here's what I'm thinking. Last week or so, there was a documentary that came out. It came out on HBO Max or Max, depending on the streaming service that you use. But it basically came out on what used to be called HBO. And it was a documentary called Yacht Rock. It was put together by a

you know, some folks who looked at essentially this period of time in the late 70s, early 80s, mid 80s, when there was a set of music by a number of artists, you know, folks like Steely Dan and the Doobie Brothers, Kenny Loggins, Christopher Cross, Toto, a whole bunch of bands, know, probably, you know, a couple of dozen bands or so that, you know, was kind of a phenomenon. One, you know, record of the year, Grammys, won a bunch of awards in the 80s and then kind of disappeared. You know, the

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the trends in music sort of changed as we got into the mid to late 80s, some different things came along, MTV came along. The idea behind the documentary, and I won't go into all the detail of it, but essentially was we had this music from a period of time. It was interesting. was kind of new and different from what had been having it in like the late 70s with stuff like disco and so forth. And what was interesting about the documentary,

and why I'm bringing it up today was they really kind of focused on this idea that at least for this period of time, call it a decade, maybe a little bit less than a decade, you had this really interesting intersection of a bunch of bands and a bunch of bands names. So I mentioned, you know, people like Steely Dan and the Doobie Brothers and, you know, there's whole bunch, you know, Chicago, and you could kind of go into a bunch of them. But, and that wasn't so interesting. It wasn't interesting that there was a period of time when there was a bunch of

bands that were making music that was considered interesting by some or award-winning or whatever it might be. What was really interesting was they really looked kind of behind the scenes. And what they kind of discovered was so many of the musicians that were playing on these albums essentially were studio musicians, right? They were essentially people who were great guitar players and pianists and drummers and they played saxophone and all sorts of different musical instruments.

But the majority of the work they were doing was behind the scenes, right? So a band like Steely Dan had a couple of people who were sort of the lead of the band. But if you, you know, if you listen to the music, if you looked at them on tour or how they were playing, there was, you know, seven, eight, nine people playing all the music to make up their songs. And really what they were trying to highlight in this documentary was this period of time in which this set of people, you know, maybe seven or eight or 10 of them,

was playing on all of these different albums. Essentially, they were the backup band, or they were the band for so many brand names, essentially. And in some cases, they were completely behind the scenes. In some cases, they went on to have their own solo careers, people like Michael McDonald or Christopher Cross or Kenny Loggins. But they also talked about how much they would play on each other's albums, right? And be the backup for somebody's albums. In some cases, they would collaborate with them.

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What was interesting to me and the reason I'm going into all this stuff, it has nothing to do with the yacht rock. For those of you that don't know what yacht rock is, don't worry about it. I'll put some links in the show notes if you want to listen to it. You can go on Spotify or Apple Music or wherever you go, type in yacht rock. You're very likely going to recognize a bunch of the songs. You might recognize them as what you might think of as elevator music. You might think of them as really interesting music. You might think of that as something that your parents listen to, whatever. That part doesn't matter. But what got me thinking and the reason I'm kind of doing this weekend perspective.

is we just kind of went through a period of time from let's call it like 2018, 2019 through about 2022, 2023, 2024, in which in the cloud native space, a lot of open source related companies, but in the cloud native space, we had a huge, huge number of startups, a lot of VC backed companies, a lot of startups to the point where we were

talking in any given day, in any given week, the number of unicorns that were being funded and being expanded upon. So we had this huge, huge number of companies that were spinning out technology or bringing open source technology into the commercial space, whatever it might be. And the reason I say that we're sort of at the end of that period is because so many of those companies didn't necessarily find exit velocity. They didn't necessarily find

commercial success per se. And many of them are still plotting along and a few of them have been acquired and we very well may see a whole bunch of them get acquired in 2025 and 2026 as they either run out of funding or some of the concerned about antitrust and acquisitions calms down or becomes less of a concern with things like government regulation. But why this is interesting to me is having been at one of those companies,

and sort of seeing the behind the scenes operations and watching, because so many of these companies were started by founders who were like, look, I want to build products, right? They didn't necessarily want to necessarily like think about all of the operational mechanisms of a company, but they wanted to build products and they wanted to, you know, they wanted to build a company and so forth, but really kind of think about the company from the perspective of build the product, sell the products, or really mostly build the products, right? And if you think about what a successful company looks like,

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There are so many aspects of it that are really pretty common, right? And I know this just from having lived in at least one of those startups and having run the sales and marketing, not really the sales, but the marketing and a number of the organization, that there just are so many things that you have to do that you sit there and you think about, like, why am I looking for a good go-to-market person? Why am I looking for a person that knows how to run HubSpot and Marketo? Why am I looking for somebody

that's good at ordering stuff for events and setting up booths and doing lead generation also. Why are we doing all these things when none of those things are going to be unique differentiators for the business? I they all have to be done. Yes, because you need to be able to get in touch with customers. You need to be able to gauge their interest and help them kind of move through a pipeline and a funnel. And you need to be able to pass it along to salespeople or whatever the mechanisms are of the business.

But none of them are differentiated, right? There is no differentiation in you putting out a white paper or an ebook, collecting somebody's contact information, sending them a dozen emails, trying to get them to come to a webinar, putting them into Marketo, calling them a lead, having a salesperson, all that kind of stuff that goes on behind the scenes. There's absolutely new differentiation in it. And what kind of got me thinking was,

You know, we, we lived through this sort of cloud native, you know, unicorn journey, interest rates were low. Lots of companies got funded. And I do really wonder, you know, I know there's a certain amount of it is like they built technology that they thought was really cool and, you know, didn't necessarily pan out. Right. But there's also a lot of those companies that burn through a whole ton of money and probably spent ungodly amounts of hours hiring, going through resumes, trying to find somebody to do stuff.

doing things like, well, we started on HubSpot as our backend marketing system, and then we grew enough that we now have 100,000 contacts in our database as opposed to 10,000 contacts in our database. And now we need to move into something like Marketo because it allows us to do omni-channel marketing at a much higher level or be able to go to five or six CNCF events and order all this stuff for it. And just the amount of overhead they had to go through.

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in order to be able to do stuff that is completely undifferentiated. And I don't mean to sort of draw the analogy that the backup singers or the backup guitar player or whatever were undifferentiated in the the yacht rock era. But it did get me thinking, you know, we had an era in which, you know, if you ask bands, bands are like anybody else, they're competitive, they want to make money, they want to be well known, they want to be recognized. But for at least a decade or so there, they were perfectly fine with

utilizing sort of experts behind the scenes to help them, you know, create the thing they wanted to. And they were able to direct it to a certain extent and, you know, bring their unique flavor to all these things. But they were also, you know, willing to say, hey, I don't necessarily need to have, you know, eight different people that are all going to give me, you know, all their different opinions. Or, you if you ran a company, several hundred people. And it got me thinking, if you were in the VC space,

or you were trying to be part of fostering the next wave of startups, right? Why would you be going through the same mechanisms? Why wouldn't you be, if you were in recent Horowitz or you were any venture company at this point that is going to be investing, why wouldn't you be also investing in a backend organization that had a bunch of experts

right, especially for the things that, again, I don't want to say aren't differentiated, but really aren't differentiated, and begin thinking about how can I not just help a single company, but help a dozen or two dozen or 50 of my portfolio companies in ways that they don't know anything about. They don't really want to have to become experts in this stuff. They don't want to have to go through the hiring process. They don't want to have to go through the tools picking process and all that kind of stuff.

And given how much AI stuff there is now, for whether it's content creation using generative AI or whether it's being able to, whatever it might be, right, making content, helping drive sales, helping have tools that are analyzing what sales calls look like and trying to feed things into it. I would think that there is an opportunity for a smart VC to go about building something that looks like

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the backend of studios that went on in the Yacht Rock era, right? The ability to have some number of people and then some number of systems that are multi-tenant, you're keeping isolation between the companies, but you're not multi-tenanting or isolating the expertise in that and making each one of them come up with their own expertise. And I know there's always a certain amount of, it's not the VC's job to run the company and all that kind of stuff, but it just does feel like an extreme inefficiency to me.

And, you know, having sort of watched this and again, maybe the analogy is horrible and it makes no sense whatsoever because we're dealing with a creative process or whatever. But to a certain extent, you know, it does feel like there is the possibility that we would have a far greater number of positive outcomes or move further along and waste less money if the backend of these systems were run by experts as opposed to, you know, a

a diversification, a dissemination of experts in terms of being able to do back end things. This doesn't mean you have to outsource engineering, but even simple things, like even within engineering. I have to imagine that every single small company is going to be going to Amazon or Azure or Google or any of the GPU providers and being like, we need some GPUs.

Well, if somebody was negotiating that on your behalf, negotiating pools of available resources, or negotiating or putting together systems that just did CI-CD really well, and so that you didn't have to spend all this time being like, we built our own bespoke way of doing CI-CD, and we had to go out and evaluate the various tools, you could just sort of go, the system's just there for you, right? And I just feel like having watched this movie, having watched these, and I know part of it's, it would be a little bit,

You know, there's you people talk about well, we wouldn't be able to build culture when we're doing that You know I look at this and I'm like each one of those bands had their own unique culture they were able to mentally draw the line between where they wanted to be who they wanted to be bring their own creativity and Where they were able to say no, I don't I don't need that to be some unique differentiation. I don't need that hassle I don't need to go find another bass player or another, you know guitar player or somebody

Brian Gracely (14:24.612)
They could just sort of go, I know these guys and they're capable and they're flexible and they're able to adapt to the things that we want to. anyways, long story short, I think there is an opportunity that if somebody is looking at this next generation of unicorns that they're going to go fund and they're gonna look at the types of activities that happen on the back office, it is an opportunity to.

leverage the technologies that are starting to emerge around generative AI and all sorts of aspects of that, know, cross marketing and cost content creation, it costs, you know, IT operations and all those sorts of things. And, you know, being able to, you know, get greater efficiency out of the backend because just there's just so much churn and so much, you know, well, we'd like to get this started, but, you know, we can't necessarily hire somebody with 20 years experience because they don't want to work for a startup and

They're not going to get paid enough or whatever it might be or, they all don't want to be in the same location. And so we're having to deal with coordinating. Why are we doing that? Why is that happening? So anyways, that's my sort of startup idea or investment idea based on having watched the Yacht Rock documentary and sort of trying to connect the dots between here was a decade of success, a decade of interesting collaboration in ways that you wouldn't necessarily expect to see with really, really

successful outcomes, success being in terms of lots of people liked it, lots of people paid for it, lots of people went to concerts, and then really wondering like why is the tech industry who is always ruthless about efficiency and all that sort of stuff, why aren't they sort of following this path? anyways, that's your 15 minutes on Yacht Rock and why it relates to the startup industry and how AI could potentially help in that space back there.

Anyways, a little goofy, but I do think it's something that would be interesting to explore. Would love to talk to some VCs about how that wouldn't work for them, but would be interested to talk to somebody who might be interested in that. anyways, end of the year, trying to have a little bit of fun, trying not to go too long with this show, but hope you all are doing well. With that, I'm gonna kind of wrap it up. Hope you all get a chance to listen to some Yacht Rock. If you haven't before, it's a good time. It's toe tapping music or is.

Brian Gracely (16:44.378)

as they say in the trailer. It's the kind of music that you can dance to while sitting down. It's kind of music that, you know, is fun. You know, it rocks, but not too hard. So anyways, hopefully your holidays rock, but not too hard. Hopefully you're able to do some dancing while you're sitting around with your family. And with that, I'll wrap it up and we'll talk to you next week.