

Transcript Interview

Manuel Bönisch / Robin Dechant

Robin: Hi Manuel - thank you so much for joining today. I'm really excited for this interview. To get started, I think it's always interesting to share your personal story about the early days of ProGlove.

Manuel: Yep, pleasure, Robin. So we, the founder team, we officially always say we are 4 founders, but the extended team is actually even 6 or 11 people. We've known each other from entrepreneurship centers. And we have one very gifted person in our team, and that's Paul. He is actually a genius and the creator behind the idea. He was giving tours at the BMW production facility in Munich for 3 years during his studies. So he knew exactly how a BMW production line looked like, and he also knew that there are not a lot of robots but rather a lot of humans doing something with their hands. And then he heard about a competition in Silicon Valley by Intel which was called the "Make it Wearable Challenge". And he thought: hey, I actually know a lot of people who do something with their hands. They are all wearing gloves at the BMW production line. Why not make these gloves intelligent? So he pitched that idea to us and we were kind of like, yeah, Paul, it's a very dumb idea. We're not gonna do that. He still did it. We flew to the Valley. We pitched it there. We won there. And we got a big prize and that's the huge difference to Germany or Europe - we got a quarter million prize money.

Robin: Wow. That's a lot of money, especially during these times.

Manuel: Yes, a lot of money with which we could start the company.

Robin: In 2014 or when was that?

Manuel: In 2014, Yeah. And that was kind of, like, the first start. So then we built this glove which could do everything. It could track the movement of the hand, It could read RFID tags. It could measure voltage. Then we won the prize with that. Because it was super fancy and everyone was totally hyped, and then we flew back to BMW, and pitched it there. And they were kind of like, yeah. Okay. So RFID tags, we don't have them. Measuring the movement of our people, you're not gonna do that here in Germany. And measuring voltage with your hand I mean, you get that, guys, that's obviously a very dumb idea. But we have barcodes everywhere. So why not build a glove that can make barcode scanning way faster? And that's basically how we got to know the first product with what we planned to build. It took us from prize money to we know we only build a barcode scanner roughly 6 months. And then another 12 months from now we have the first functional and design prototype.

Robin: I love that story, thanks for sharing it so openly. It's one of these ideas that sounds obvious initially and then you discover some more details and iterate on it.

Manuel: Yes and the first iteration was quite ugly. Until we have the 1st pre-series it took us another 12 months.

Robin: That's a long time. Was this all financed by the prize money? Or did you raise money from investors in between? Because in total that's 18 months, right?

Manuel: Yeah. We've also raised money. So the first money we got was the prize money of 100k. Then there was 150k as a convertible loan by Intel. That's a total of 250k. And we already sold customer projects in the beginning even though we didn't have anything to sell.

Robin: So you sold the first projects on a PowerPoint presentation without showing them the first iteration of the glove?

Manuel: Yes we did. But the customers could see the glove or at least our prototype. We just put together a paper prototype or a 3D printed prototype in the middle of the table and told them, imagine this glove could solve everything. And then we've asked them, what should it actually solve for you?

Robin: That's cool. I know that some of you have a design thinking background where this probably came from.

Manuel: Yeah. And we've called this an "evaluation project". And depending on the budget that you had as a customer, if you only have €5,000, then we make a short project. If you have €20,000, then we even do testing of prototypes. It really depends on how much money the customer has. And that's what we did for the first year which gave us an additional I would say €100k in the first year. With that, we were able to fundraise because we could show some traction. So we didn't have a product yet. We could show some traction. We could raise money. And with that money, we then built what was our first seed round.

Robin: Cool and sounds very lean. What happened after that?

Manuel: With that money, we were able to build a pre series and this pre series already got us to a million in revenue. We sold all the units we had to sell within 2 months.

Robin: Oh, wow, that's amazing. When you share this story, I'm always wondering - how was it to start a hardware startup in 2014/2015? Today building a hardware company is still very difficult but has become much more sexy. During your time, many investors were still focused on eCommerce or Software. So how were the investor conversations back then? What was your experience?

Manuel: It was super tough for us as first time founders.

Robin: I can imagine.

Manuel: We had no experience in fundraising. We had a bit of a network, but we had never done it ourselves. It's super difficult to get into the market to also fully understand how VC works. So that's big advice to everyone. If you want to play the VC game, first, think about

whether you really want to play it? And if you want to play it, figure out what the rules are and then play by the rules.

In our case as an example, we never really calculated our market size. We just told them: "hey, guys. Let's figure out there are so many people out there in production and logistics. It's big enough". And then there were a couple like: "yeah, but we need this diagram with the TAM and SAM". And so then we drew it. At some point in time, we just made it big enough.

Robin: I think today first time founders have many more resources to educate themselves about the VC market and what playing the VC game means. But in 2014 as a hardware startup in Germany that's of course a different story.

Manuel: Yes. And the other thing was we always presented ourselves as a team of 4 people, and we never gave us any titles. We just said, that's the guy who's gonna tinker with the product. That's the guy who is selling. And then there were always the questions from investors: "okay, but who's the CEO?" And so then we've just decided that Thomas, you will be the CEO. Done.

Robin: Haha. I remember many conversations about this question at my time at P9 Capital. Even when the company scales we've had discussions on roles, in particular on Co-CEO setups but that's a different story.

Manuel: While there were the issues mentioned, you have to imagine that the good thing back then was there was a lot of money in the market. So everyone wanted to finance startups. And we had a lot of traction and we had all the big brands as customers. Like, every automotive customer already bought something from us. We had a lot of logistics companies. We had this amazing brand also in the public. We were always very good with branding, We took every stage we could get. We went to every competition, so we had so many batches and prices and stuff in our office and publications in magazines such as Handelsblatt, Wired, TechCrunch. And then you take a lot of time talking to investors and they were like: "sorry but we don't know hardware".

Robin: How many investors directly told you that it's not for them?

Manuel: Unfortunately, not many. Because we were very persistent and they were very attracted by the traction and by the brand. So everyone talked to us, but actually we should have said "no" to them. I think we've talked to the whole Silicon Valley, to all the likes of Bessemer, Sequoia, all of those guys. And all of them were like: "hey, that's super interesting. German tech, blah blah blah". And then you spend so much time with them and then they only answer: "but we don't do hardware". And the same here in Germany and Europe. I think we've entertained a lot of people. They should have just said in the beginning that they don't do the deal.

Robin: Oh that is so painful. What a waste of time. I guess many investors already knew in the first few minutes of your pitch that they're not going to invest into it, especially because of the hardware component. I think this goes back to your advice of knowing the VC game and the rules, right? I think the better you know that already or some of the funds and their investment scope, the more confident you have of saying no to them.

Manuel: Yep, correct.

Robin: But luckily, you ended up raising a round.

Manuel: Yes.

Robin: So it worked out fine for you. With having all these nice logos that you've mentioned, what helped you to close the first few customers? Were there already some similarities how you could close them? Or what basically convinced them that they need what you've developed so early on?

Manuel: Nope. It basically all starts with that we were very good at building that brand. And being visible out there. And we had the advantage that everyone wanted to do Industry 4.0. And that may be the time when you started your newsletter.

Robin: Ah, I remember that time. My newsletter start a little bit later around 2017 - but all the companies still wanted to do Industry 4.0 by then.

Manuel: Okay. Well. In our early days, we really went to every event that was out there. These events were large ones or small in-house events. We took every stage in every competition. We just did a lot of work on visibility. And we leveraged our skills. The advantage of hardware is you can touch it. So at an event, at a trade fair, at competitions, you could always run around wearing gloves. That's your advantage as a hardware company, so we've used it. We always showed the glove. We always gave the people something to touch that really kind of, like, catches your attention. And the other thing we were really good at was there's a guy in our team, Carrick, he's with us since day 1. He actually studied communications design and he is very good at directing videos. He's the typical person who self educated him on all of that stuff. So we used his skill set. To every customer we've offered to do a customer video together. The customer doesn't have to do anything. We come with the full equipment. We come with an art director. We do all the cutting and everything. And what you can do is you can leverage our brand by putting your name next to one of the most hype startups in all of Europe. And that worked super well. And we still use it today. We call that our USP artifact. So an artifact that transmits our unique selling proposition. And the videos are always the same. And our most famous one is the video with BMW. It's a 60 second video and it starts with one of the board members of BMW sitting in the very iconic tower of BMW holding a wooden glove that could do exactly nothing. And he basically says: "that's the next big thing on earth". And then you see a small video sequence like 20, 30 seconds how the product is actually used at the production line. And then at the end, you see our internal champion. He basically tells you how much money you're saving with that in his own words and in his own business case. And everything we needed afterwards was just to share this when we had inbounds through these events. And the only thing we basically did is we sent that link to the video and said: "hey, just have a look at here's best explained how the product works". And the first thing you see is not how the product works, but a BMW board member who says that's the next big thing.

Robin: Another one of these great stories of the early days. Thanks a lot for sharing it so openly. I think every manufacturing startup dreams to have a board member of one of the

largest automotive companies advertising the startup. How did you convince the BMW board member to do that?

Manuel: That's what you always do when you're doing sales. Understanding the needs and interests of the other person and making it special when you work with a big enterprise. Make it completely risk free. Cost and risk free. So what we basically did is we said, we've got a strong brand. And we really had that brand even that early already, but we obviously pitched it even bigger. And we thought, you as BMW, you're currently really struggling. It was 2014 before the electrical vehicle hype. There were many big discussions at BMW such as, do they even want to produce electrical vehicles? Do they build a full on platform for that? There was so much noise around the company, which made it very unattractive. There was this scandal with the diesel stuff. And we basically told him, we give you an opportunity to brand your company as an innovative future driven company that is working with startups. Everyone wanted to do startups, and everyone wanted to do industry 4.0, remember? We give you that. If we do that, we easily make it into Handelsblatt or a similar magazine. And imagine how difficult it is for an enterprise customer to get a publication in those leading magazines. And 50% of the time or more than that's probably negative press. I mean, every press is good press, but if you can direct it and make it positive - why not make it positive? And they usually have a whole set of PR guys just working on that. They cost a lot of money. We basically told them, it's for free. We do the video. We do everything. We distribute the content. All we need is seconds of your attention holding the glove. And then we needed to give him credibility so that he knows he's not on something super super stupid. And we did that, for example, by leveraging Intel. We told them that we had this competition with Intel in Silicon Valley. We won a lot of money. There's a picture with the Intel CEO showing our device and they've invested in us. That was the check for him. If the Intel guy is doing it, it's not a complete scam.

Robin: You've basically completely de-risked it for him doing it, right?

Manuel: Yeah, exactly.

Robin: Cool. Thank you for sharing. I think this sends a really strong message for other companies in the same industry. If you can show that, especially early on, this is really powerful. And videos are always very easy to share and very easy to consume. Following up on your first customers, how important back then the discussions around ROI? To get sign off by either the sponsor or even the CFO, how did you convince the people who have the budget? They all wanted to do Industry 4.0 but still need a business case I assume?

Manuel: I would say the single most important thing is the ROI calculation. It's the business case. There's nothing more important if you're selling a product. I mean, it's if you are good at pitching, and then you have this glove I could get you interested in any kind of shit. I could easily get you, Robin, to say, that's super cool, man. But you are not gonna buy it. If there is no business case. I mean, inspiring people and getting all that interest is so easy.

Robin: Yeah. And then many companies end up in the "pilot purgatory" where there is interest but they are not going to continue the pilot and buy.

Manuel: Yep. I can do that with almost everything that you give into finance. But the only way that people buy it is if you use it to make more money or you save them money. That's the only thing that the customer is interested in. We are on the saving money side and this was clear from the beginning. We knew we needed to know exactly the metrics but we did not know which metrics will they evaluate the tech on. The good thing in the automotive industry is that they are very meticulous on those calculations. They know exactly how much time they need to scan and put a part away. There are measurement teams just for that. They just look at the processes and measure things. So we knew exactly how many seconds we could save with our glove and it was very easy to calculate how much a second costs. So you just ask your champion how much is it? And then you figure out what the cost of our product is, and how much it can cost. So that we still have and we always had amortizations below 6 months. 3 to 6 months in the best case. If we would have pitched anything beyond 12 months, they would probably not have bought us.

Robin: I completely agree. A lot of manufacturing companies were willing to do pilots even I think without a clear ROI. And then I think the ROI question was probably the most important reason why these projects did not move from a pilot to production. And I think one of the metrics I think is the most important one besides the ROI question, is the time-to-value. Most often projects or new products take way too long in this industry until the customer sees the value. So the shorter the time to value is, the easier to sell.

Manuel: Yes and one way to avoid it is you need to be very close to the customer. And what I mean by that is imagine you got in contact with the person. Imagine you have that video. You showed it to them. Imagine they are really interested. Imagine you understand what your product really is and what value it drives, And then they say: "cool, can you send me a sample? I'd like to do a pilot". Please don't just send them your product! Sit next to them when they pick the use case, and implement it. And educate the users using it. That's like the most important thing. We still do a lot of pilot projects even though the technology is very mature now and people are familiar with it. We still go to new customers and we take them by the hand, and we select the use case together. Why is that so super important, especially in enterprise? Because they would usually pick a use case where it's easy or the total edge case. So the number one thing that they always wanted to solve but never made it to solve. And the super edge use case, you don't want to be the guy who's solving the edge use case. You want to have the main use case, right?

Robin: Yeah. I know this well from my time building Kwest where we were developing a workflow builder. Our prospects often shared with us their most complex workflows they run infrequently instead of the main workflows they run many times per day.

Manuel: Yes, right? And for us customers often then put the glove in a test environment and we needed to ask if this is where you are scanning? When they test it in some innovation lab or some edge use case where they only scan every 20 minutes instead of several times a minute. Why should they use it? I mean, there is no real advantage. And then you get exactly that feedback back from the user. And the user will tell this to his champion: "I don't really see an advantage". The champion presents it to his manager: "yeah, there's no advantage". And all of this is only because they selected the use case.

Robin: I think this is super interesting feedback and advice. If we tie this back to the ROI question, do you calculate the ROI also closely together with the customer? Do you sit down with them, get numbers for them, and then calculate the ROI together with them? Sometimes maybe you don't even get the data. How did you do this, especially in the early days? I think now you probably have a model and everything, but I think you need to develop this. And I think many founders struggle with that.

Manuel: Yep. I hope that we still do it as we did it and that is to figure out who your champion is at the company. Like, the person you talk to, we have champions in our clients from the early stages when they were so in love with ProGloves that it felt like that they should actually be on our payroll.

Robin: Haha.

Manuel: No joke. They really loved it and still love it. We usually sit down with them and we ask them about the ROI. Usually the champion is the one who presents it to whoever holds the budget, who has the power, etcetera. We always go into these talks with the mindset that they have never done it before. So they have never worked with a startup before. They have never bought a solution like ours. So you sit down with them and basically educate the person and say: "hey, if we want to be successful, if you spend so much time on ProGlove, success means you can buy us and your manager ticks off all the boxes, and he buys you that. Then we have the same interest"

You need a business case. You can't just tell your manager, hey, ProGlove is cool. I mean, have you met those guys? They are cool. That's not working. You need a business case. So you sit down together and you help him build that business case. And in the times where it worked best, we wrote the business case together with the champion. We both had an Excel file open. We did the calculations. We were putting in the corporate numbers that the people already knew. We calculated it. They put it then in their slide deck with their own words and presented it to their management.

So that's not a business case written by ProGlove, but they have written it and that was the case where this where the deals went through the easiest.

Robin: That's cool and sounds so smooth but I'm sure it wasn't always the case. I want to follow up since we already talked a little bit about the scaling phase. Many companies and many founders in the industry are always attracted by large enterprises that run multiple factories. Because they see basically a nice land and expand strategy. And I understand it, it sounds nice, right? Investors love it. But how do you do it? How do you approach it? Have you followed a land and expand strategy, ie., sell to one factory but you already try to speak to the leaders of other factories in the beginning or do you first prove the value and then do it talk to others or do you try to sell to multiple factories at the same time?

Manuel: Yeah, there's probably no game plan that always works best I would say. First of all, consider what your product is and who is your ideal customer? What problem are you solving? Because not every product is an enterprise product. In our case, it is like that. Because we are in a market which we call hyper-efficiency. Where you already have almost perfect processes and we add the last we add the cherry on top. And that only works for customers with very good processes already and with a lot of these processes and that means enterprise customers. With different facilities where they do the same everywhere.

That's where we really provide the most value. I can give you a very tangible example. Not every big name is a big enterprise customer for us. In our case, for example, we work with clients like Bosch, and Siemens. They are small clients for us. And why? Because every factory at Bosch and Siemens looks differently. It's always different. The opposite is true if you go into a client like IKEA, every distribution center is the same.

That's why IKEA is a big key account for us, and Bosch is a smaller one. I think that's the first thing, figuring out who is your ideal customer. And then the second is if you want to sell to a client like IKEA, again, go there with the mindset that you need to sell to every site. Point. For enterprise customers, especially in our industry business, every site manager is kind of like their own CEO. And they react very energetically if the headquarter or other site members tell them what to do. That's not benefiting their ego. So you really have to work with every site and if you get lucky, you have the advantage of synergies. That's the only difference between selling to various customer sites at an enterprise compared to selling to us to a single site customer. The only advantage maybe that you get lucky but then you are lucky that something in the headquarter happens that makes it faster. So you get IT approval that's worldwide, you get a supplier number that's worldwide certified. You get someone from the management, from the headquarter, like the BMW board member to say: "hey, that's the next big thing". Because if he says that, again, it is de-risking for everyone else. If I'm a plant manager and my board member says, that's the next big thing, I don't have to do a risk analysis anymore. Because I can definitely blame it to the top. And that's everything that counts in enterprise. Avoid risks but still climb the ladder. So figure out what you can do for your champion so he climbs the ladder. Without taking any risk.

Robin: Now that's a really nice sentence to sum up how to sell to enterprises. Easy, isn't it? We've talked a lot about selling to enterprises and one remaining bit I want to talk with you about is internationalization. In Europe, Germany is very proud of having a very big manufacturing industry. That said, the American market is just one very big homogeneous market. And they all speak one language. How did you approach initialization? I mean, you started in Germany. You actually went to the United States to get the first money and win the prize. Did you go to the US straight or did you first build a stronger footprint in Europe?

Manuel: Our only connection to US money was the prize money because all the fundraising happened in Europe, with European offices except for one investor whom we are very proud of, which is called GETI Labs. So there was no connection and no one basically pulled us into the US market because we were always a European company or even a German company. We didn't go to the US for the first few years. Because we first wanted to get everything done here in Germany and in Europe. Europe is quite a big market.

Robin: It is!

Manuel: I would say even in Europe we thought that it's kind of easy just to send some people there from Germany who speak the language. But we've learned that you really need to be in the market, have local people, and a local culture. So today, I would better pick markets in Europe and not do all the markets at once.

Robin: So how did you approach another European country, let's say France?

Manuel: What we did there was we went with our European customers. That's the good thing, again, about enterprises. So we sold to BMW and Volkswagen, so we went into plants there. And we've sold to their first factories outside Germany. And even though these are German companies with a lot of German management, we still struggled with it. If you go there as Germans I mean, yes, we think it's the same culture. But you should think about it and treat it like it would be a French company. It really kicked off as soon as we had a local captain on board, a local VP sales. Still a founder needs to do all the setup. Like it doesn't work if you just hire someone in the US and he builds the business there, the legal entity and everything, that person will just die. No way to do that. And so many decisions you have to take so much trust you need to have from the founding team in Germany. So a founder needs to set it up, but that person should hire a local salesperson very fast. And that local sales person builds the US sales with everything that the US needs and that's different to Germany.

Even if we think we speak English and therefore we can rock the US market, but then it works. And then it happens what you just said: scaling in the US is so much nicer. I mean, talking to all American IKEA facilities compared to talking to all different countries.

Robin: Agree with your experience. We often heard the same advice at P9 capital, ie. that if you go to a different country or continent like the US, always pair a local person with one of the founders or might be also early employees. But at least someone who understands the business in and out, and also your culture. If you don't do that and if it doesn't work you don't know if it's about the new hire, or if just the market is just, like, really difficult for what you're selling. Right? So I think it's another point why the combination of, like, hiring someone locally, paired with the founder, early employee, is so crucial for internalization. So, I have two more questions I wanted to ask you before running out of time. First, and this is one of my favorite questions, what was one of the most surprising learnings for you during your time with ProGlove? Something where today you look back and you think, I would never have thought about this.

Manuel: I would never have thought that I would do sales at ProGlove and that I could have a lot of fun and how impactful it is. And how underrepresented it is in German startups and in the whole entrepreneurship education.

Robin: Well, it comes well across that you really like it. And I agree it's a problem, especially with technical founding teams. Doing sales often has a negative image, right?

Manuel: It has a super negative image. I mean, I did the sales and I only did it because I was working at our clients before we started ProGloves, so I knew the language. And if you know the language or the technical terms, you get a lot of credibility. And with credibility, you can sell.

Especially in the beginning when you do a consultative selling, which every enterprise startup needs to do. But I always told everyone I don't want to do sales because it had this super bad image. I had zero education on that topic. It was just not attractive for me. And today, it's the main reason why we don't invest in teams if they don't have someone in the founding team who takes clear and full responsibility of the sales, because everyone can build nice products, but without traction, without customers, yeah, screw that.

Robin: Agree. I still wonder why we have this very negative image in Germany about this. But, it's really underrepresented. I think, especially manufacturing, there's no way around doing sales. No factory will buy software just by looking it up online.

Manuel: Yeah!

Robin: Cool. And then the final question, I think you shed a lot of advice already to fellow founders. Like understanding the VC game if you want to go that route. And pair someone locally, if you go internationally with a founder, the ROI topic and how to approach it. Is there anything else that if you would start over again, you would recommend to fellow entrepreneurs who want to start something in manufacturing?

Manuel: Yeah. If it would only be one advice and we didn't touch that point at all yet, then get a founder associate. Early on already. So if you are a founding team, and it also doesn't matter if you're in the industry or not, everyone out there starting a company should get one person that does all the shitty work for them. Like, as a student and intern, whatsoever, a right hand who extends your desk so you can get double the work done. And that will just boost your company enormously because you can just push that person who's really mirroring you, who's standing behind you, watching what you are doing. By that learning, by building trust, you can just gradually push more and more jobs to that person. And you have so many things to do as a founder. And in our company, the founder associates or executive assistants did so much stuff for us. We had my first founder associate build our whole CRM tool. I mean, he had no idea at all what to do. But together, we managed to build Salesforce from scratch. With the full CRM process. Or we had one, we had one guy who was the founder associate for Jonas, our technical founder. He did build all the agile workflows. Every meeting, everything that we are doing, the whole rhythm of business he did build that. He did build all the templates, and he also made sure that we are doing this and by that, you get a very trusted person who you could put later into very like, into key positions within your organization.

Robin: Cool. Thank you. I think it's a role that is more and more common. At least I see with more companies. I think most of these founder associates also then end up doing at some point different work, leading a department or leading a specific business area. But I can totally see also from my own journey how you know, there's a lot of work that needs to be done where you can go much faster if you have some support.

Manuel: Exactly, right?

Robin: Well, we're running out of time, unfortunately. This was incredibly insightful. Thank you so much for the interview and all sharing all these insights. It's always super fun to chat with you. And, yeah, thanks so much for sharing everything so openly.

Manuel: Thanks for taking the time, Robin.