

Office Hours at Startup School 2013 with Paul Graham and Sam Altman

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Interviewer: We have to sit up straight. We have lower seats. This is not right. Admiral Rickover would not stand for this. Um, okay. Uh, George Nick. Um, what are you working on?

Paul Graham: So, we are building a multiplayer programming game for teaching people how to code. So, like Code Academy, but actually a game.

Interviewer: A game. So, how do you how do you win the game?

Paul Graham: So you just beat more and more levels until you're an awesome developer. So you sort of get points somehow for it. It's like it's competitive learning. Like you learn a program, you get more points or competitive. So there's multiplayer.

Interviewer: Is it like write code to kill a bad guy?

Paul Graham: Yeah. So the first level you got your guy, you write code to move him around and then you kill another guy. So it's like right in the middle of you're killing dudes. All right. So you're motivated. Yeah. Instead of you know what is your name? What's the length of your name as a string? Yeah. Okay, that's cool. But like no, I kill that ogre. Yeah. What you do right away? It's not just badges. Not badges. Um, is it launched yet?

Paul Graham: It is actually. We launched it yesterday.

Interviewer: Oh, well the beta things move fast around here. Check it out. Did you launch because we told you you were going to be in office hours?

Paul Graham: Actually, no. We just a coincidence. It is somewhat unfortunate because we didn't have time to prepare. The launch went crazy. Yeah. But they were I got home uh from the from the dinner last night and I get on a hangout with these guys and they're just at the server terminal control seeing and restarting the server because it's under so much load.

Interviewer: Uh so how's it doing now?

Paul Graham: Not much better unfortunately. We can only serve a certain fraction of the traffic

that we're getting and that's been going on for 24 hours.

Interviewer: How did you start working on this?

Paul Graham: Um I wanted to learn to code about a year or two ago. I had been a semi-technical co-founder at my first startup and I tried Code Academy. I tried a whole bunch of these and I just couldn't stay stick with it. It wasn't engaging enough for me. And so these guys, my two co-founders were like, "Hey, why don't we actually make a game?"

Interviewer: So you were the original guinea pig.

Paul Graham: I was. They thought you can't keep motivated using existing stuff. We'll make a game where you can kill people. Well, you know, it was it wasn't just that. Our first startup, the customers kept coming to us and saying, "We keep using your product because it's like a game." And we hadn't intended that at all.

Interviewer: And what was it?

Paul Graham: It's a company to teach people Chinese characters. I see. And so we thought, well, if we can do that inadvertently, what would happen if we actually made a game?

Interviewer: So how far can you learn how to program by like how much can you teach people, right? Because I can remember the kind of crappy programming I did when I was in high school where I didn't really understand what I was doing. Um, so if you look at the stuff that's on, you know, top coder or Hacker News, how can you force people to learn advanced concepts when all they really need is like to have the right library calls, right? Can you make advanced concepts produce advanced weaponry?

Paul Graham: So the uh the software engineering part of learning to be a developer, that's something we can add later. Focusing on core programming for now because once you get motivated enough, it's like, "Okay, now I want to build this app." But you have to get through different levels, right? Presumably, you get more and more sophisticated. But you could get more sophisticated just by writing more and more access force to learn more about programming in order to make more powerful weapons. Uh so you can have things like, "Okay, your code needs to run this fast in this one, you need to learn how to use recursion." This is the only methods available to you in this one. You need to figure out how to do like an anonymous function passing method here. And generally, if you make the levels hard enough, which you're able to do when they have a reason to complete it, they try really hard, then you can get them to do harder and harder stuff is natural progression of the game.

Interviewer: Have you run beta users through this yet?

Paul Graham: Uh, quite a few actually.

Interviewer: What did you learn from it? Like what went wrong?

Paul Graham: Well, the first thing that went wrong was that we started at too high a bar because I had worked in a kind of a semi-technical role in my first startup. We assumed a whole bunch of prior knowledge that was totally untrue for our beta users. Um so you know we started out like writing for loops which were like, "Oh, well that's simple," and then we got people with no programming background and they didn't even know how to complete a line like they didn't know the concept of formal notation is the single biggest obstacle.

Interviewer: Correct. Right. What's the most advanced concept you're teaching now?

Paul Graham: So so far we had some dev levels where it was like, "Okay, you're going to need to figure out the targeting strategy for your artillery." So you're going to fire into the center of a group of dudes and your soldiers backed up by the artillery have to avoid your shots. So you have to make sure that they don't chase into your like line of shooting.

Interviewer: What era of technology is this? Wait, so it's a web game and you're doing everything in JavaScript. No, no, no. What? What era of like combat?

Paul Graham: Fantasy. So you're a wizard and you're casting spells to control your soldiers and your heroes and that sort of thing. I see.

Interviewer: How many users did you guys? There's no Apache helicopters or anything like that.

Paul Graham: No, unfortunately we don't have the pre-industrial plus magic. Yeah. People keep saying do robots. We could do robots. It's one fantasy. You can make up anything. Yeah. Right.

Interviewer: How many users did you guys get yesterday?

Paul Graham: So, we maxed out the server at 15,000 people. We had 200 concurrent, but we really don't know because we were actually people were just getting 404s.

Interviewer: Why not just spin up a bunch more servers?

Paul Graham: We weren't architected that way. We didn't think we get nearly this much traffic. We just posted it to Reddit. That's it. Yeah, we posted it to Reddit and we got swamped. Not even

the main Reddit. We actually people on the Reddit threads were just like there were repeated things that were saying, you know, like, "Oh, the hug of death. Hug of death. Hug of death." and you know 404 not working. So that's they were scrambling all last night to do that.

Interviewer: Do you know if it's people that didn't know how to program before that are mostly doing this or if it's just people that want to play a fun game?

Paul Graham: So the people that know how to program already, they're like, "Okay, when's it on GitHub? When can we this is awesome. Let's get on here." We had like 20 people yesterday being like, "Oh man, I want to help out and when can we pull when can we clone?" Yeah. So we're thinking open sourcing in the next couple months to really capitalize on the interest. But most of the people, yeah, they're on the learn programming subreddit. They're like, "I don't know any programming. This is great." And they beat all our levels and we're like, "Crap, we need more levels." We're just trying to focus.

Interviewer: Do you guys know anything about the gaming business? Like, do you know how to make games?

Paul Graham: We're learning is the quick answer there.

Interviewer: Okay. Because there's probably certain best practices in the gaming business and probably whatever they do would be the first would be the starting point. Yeah. So, if you're just wondering how much to open source, I don't know how much they open source things in their world, but whatever they do is probably the default thing to start with.

Paul Graham: Yeah. We actually that was the first thing we did when we started the company was we realized wow none of us are professional game designers. Let's find and talk to game designers and so we had uh we've got this kind of core group of people that are advising us mostly just telling us when what we've built sucks but um it's been very helpful thus far.

Interviewer: Is there anything they told you that changed what you were doing?

Paul Graham: They said make robots and said people understand robots. Yeah. They said make robots because when you have like controlling your units via code, people think, "Okay, that's natural if you're a robots." When you say, "Oh, it's a spell. You're a wizard." You're adding to the fantasy. And it's like, "Oh, it's a little bit hard to understand." See? Okay. So, is it robots now? No. Oh, so that's hard to change the art, right? The art is Yeah. All right. And are you guys now just going to create as much content as you can while people are Yeah, we just finished the level editor. So now the hope is we can finally turn out three levels a week using our awesome live coding drag and drop thing as opposed to like hard coding all the coordinates and be like, "Ah, does it work

now?" Yeah. So growth first.

Interviewer: How many people do you have? Is it just you two?

Paul Graham: No, we have one guy that's manning the servers right now. He's keeping it alive. Hopefully keeping it Scott keep it alive. This is the same team from the first startups. We've been working together for six years now. Yeah.

Interviewer: How did you originally meet?

Paul Graham: So I was his roommate and I lived down the hall from my co-founder. College roommate.

Interviewer: Did you guys study? Were you guys programmers?

Paul Graham: Yeah. So, Scott and I did CS and George is the econ film guy. And then we graduated like, "Oh, let's not get jobs. That's going to suck." What are you talking about? And then and then we did the startup and then three months later it crashed and like a lot of the reason people startups is because they don't want jobs. Yeah. Right. No. Seriously, if we are looking at someone's application and they worked for a long time for a large company that's actually bad to us because the best startup founders probably could not stand that. Three months at IBM did me in sophomore year like, "Oh no more."

Interviewer: How are you guys going to make money with this?

Paul Graham: So it's a recruitment model basically. The leads that we generate through the coding challenges provide us with the opportunity to qualify people before we even get in touch with a potential company.

Interviewer: And can you possibly train these people good enough to make them valuable employees?

Paul Graham: The recruiters we talked to said yes absolutely companies are interested in the developers on your site and we're interested and so let us know when you have something.

Interviewer: Recruiters famously say all sorts of crazy stuff.

Paul Graham: Yeah, they do. So that's yet to be validated. Yes, indeed. The other people in the space that we talked to also say the same things. People running coding challenges and doing placements and the boot camps and that sort of thing. Yeah, we spoke to actually one Y

Combinator company and we asked him how he had done his recruiting. He said, "We sent a group of qualified recruiters a spreadsheet." I said, "How did that turn out?" He said, "Oh, we had 50 placements in six months."

Interviewer: I said, "Okay, is it is it time?" You're out of time. All right. Nice meeting you, guys. Thank you.

Paul Graham: Thanks. Yeah. Okay. Okay, guys. You guys wait come back back for a second. Uh you didn't realize that but that was your Y Combinator interview. Um you're in the next batch. Uh you are applying right. Nice. Awesome job. No pressure I guess. Nice show. We just sort of decided to do that on the fly. I mean that was the that was the first time I talked to them. Um Awesome. Hi Karen. Hey I'm Finnbar. We are making give100.com. give100.com.

Interviewer: What what is it?

Paul Graham: Give it 100. No, you can look at me. Okay. We're making a video site where you sign up, you choose something that you want to get better at, and then you share a video of your progress every day.

Interviewer: So, what would be a typical example? Like what's the most is is it launched now?

Paul Graham: It's in private beta right now.

Interviewer: Okay. So, what do you anticipate being the typical use case? Like what sort of thing would people get better at?

Paul Graham: The most common one right now is dancing. The reason for that is because I made a video of myself learning to dance in a year and I put it online. It ended up going

Interviewer: You mean you spent a year learning to dance?

Paul Graham: I did spend a year learning to dance.

Interviewer: What kind of dancing?

Paul Graham: Uh, robot dancing.

Interviewer: Okay. It's all robots today. Um, Ron Code, you hear this? This is the new trend, robots. So, I ended up getting several hundred emails from people who said, "Hey, because I saw this video." It wasn't a video of an incredible dancer, but it was someone who started off not

knowing how to do it and getting better.

Paul Graham: So, was this a video you put on YouTube and a lot of people looked at it?

Interviewer: Yeah.

Paul Graham: So, was this what led to the startup?

Interviewer: Yeah.

Paul Graham: Okay. So, you made this video of yourself learning to dance and then you thought if other people did something like this, it would encourage them to dance, too.

Interviewer: Yes. Ah, what what sorts of things are people mostly showing themselves besides dance learning? Um, they How many beta users are there, by the way?

Paul Graham: We have a invite only beta 50 people and then we have Yeah, there's like 4,300 or so on a waiting list. Yeah. Um, they are um there's a nine-month-old learning how to walk. There's a woman who's recovering from a multiple sclerosis exacerbation. She's relearning how to walk. There's people who are learning how to ride a unicycle. Um, learning a new language, uh learning how to code, learning design.

Interviewer: Why haven't you accepted the rest of the wait list?

Paul Graham: Um well, we're kind of just like ironing out some kinks in the product and getting it to the stage where we think it's going to be really engaging.

Interviewer: Is it not engaging enough now?

Paul Graham: Well, it is. We actually have some really awesome engagement stats.

Interviewer: Well, if it's engaging enough now, you've ironed out enough kinks.

Paul Graham: Sure, we have. I think really the major things that I'd like to see personally are the kind of social sharing features because when we kind of open the floodgate and have lots and lots of people come onto the platform. We want to kind of maximize on that and you know if a lot of them come on and share it and then leave like they could have got a lot more people to come in by that point.

Interviewer: So so they're not sharing it enough now.

Paul Graham: Well, there's no way for them to share it right now because it's totally a private closed beta. Like nobody else can see it, right? We really just are we're kind of just experimenting on our first batch of people getting their feedback. Um, and then we're going to launch in the next couple weeks.

Interviewer: Do they always make videos of their progress?

Paul Graham: Yes, it's video. That's how it works. We started off as a photo and video site, but then we cut out videos. We cut out photos because the videos were more interesting.

Interviewer: So, how do people make videos of themselves learning to code? Look how much faster I can type.

Paul Graham: You know, there actually there is someone who's learning how to touch type. Um, but they they sometimes talk into the camera. They talk about what's challenging, what they're struggling with, um they'll show actual code, they'll show what they actually built.

Interviewer: How many views does an average video get out of like a potential 50?

Paul Graham: Um so the view counts, we're seeing about a thousand views a day. Uh and we have roughly between 20 and 30 of our kind of small group of users are coming back to website every day. Um 20 and 30 out of 50 come back to the website every day. So unique kind of unique visitors. It's not like the same 20 to 30 every day. It's like people will kind of wait a few days and then upload a batch of videos at once.

Interviewer: So, so the videos are hosted on your site, not YouTube.

Paul Graham: That's right. Yeah. But we want to use YouTube, we want to piggyback off of YouTube as a marketing channel the same way we did with my video. So, we'll take really compelling um 100 day challenges and we will turn it into a viral video. We'll put it up on YouTube and say made with 100.

Interviewer: It seems like that would have been really important to test during the beta is will people share these on YouTube and do they get watched?

Paul Graham: Well, I guess our our test for it is my video which has um 3 million views and was shared widely.

Interviewer: But you don't put it on YouTube.

Paul Graham: Well, the video clips themselves are on our site, and that's something that you can go on every day and see the same people every day, see their clips.

Interviewer: No, Sam was saying you should have tested putting it on YouTube specifically.

Paul Graham: Oh, the clips, the 10-second clips themselves. Yeah. I mean, I think like the kind of format that we have on the website where you kind of have this gallery of 10-second clips and you can just kind of see them all and consume them all kind of in context and in a sequence is like really powerful. So you have a view with a page with a whole bunch of little videos on it and you can see from the beginning to end person's progress story that's the most compelling part about it. If you envision like Paul Graham I am learning to like pick which startups I'm learning to pick I'm learning to pick which startups for Y Combinator for 100 days. Then you see day one, day two, day three and then as you hover over each video it just starts playing. So you can watch it for a second or for 10 seconds. We cap it at 10 seconds because I have a short attention span and I'm building this for myself.

Interviewer: What do you think will be the most popular things? I don't mean the most popular things by number of people who do them. I mean what will be the most popular things for third parties to come and watch? That's a really good question. Like people who are not the people who are practicing like what do what you've said you built this yourself. What do you want to watch? Like what are you excited about watching other people learn?

Paul Graham: I want to see a good story. I want to see someone who is struggling and is against all odds, like doesn't think they want to do it. I want to see like Phil Libbon at his 3:00 am hour saying, "I'm out of money and I just got an email from this investor and I want to see video of that rather than just hearing him talk about it." I think like today we I don't think he would have used your system. No, seriously. Not for like starting a startup. Maybe someone in this room will. More for learning how to how to dance or something like that, right? Um, but what do you think will be not I I mean what specific type what genre of stuff will it be people learning how to dance? Do you think that will be the most popular stuff or will it be babies learning to walk?

Interviewer: I think there's some we're seeing some because the babies learning to walk part actually sounds pretty exciting. Like parents would love to be able to document their kids' progress. I'll tell you the thing. If you don't have kids, um, one of the big problems about being a parent is the memories of the current kid overwrite the memories of the more recent the sort of recent past. No, like I it's I'm so sad. I can't really remember what my four-year-old son was like when he was three. I see three-year-olds and I think, "Oh, yeah. I remember when he was like that, but only vaguely because my god, I got this four-year-old like jumping up and down in the on bed in on the bed in my mind, right?" Um, they're very if you wait till you have kids. I mean, I

think there's going to be like a number of real kind of killer categories which would be very interesting. The children one is certainly very very compelling when you see this kid like crawling learning to kind of open a door and then like his parents hold his hands and he's kind of taking baby steps. And you do you have videos that implicitly have these the structure of like sequences, right? But they're not organized that way. They're they're not organized that way. They're just like on your iPhone, right? In chronological order, you know? They're not like the series of the kid trying to say some phrase or something like that.

Paul Graham: How good are the users at sticking with the whole 100 days of making a video every day?

Interviewer: So, good question. Um, so out of the users that we have, there's an average of uh around 18 videos uploaded per user. Um, so I guess we have some people who actually our kind of earliest implementation of the product was send us videos via Dropbox every day. Uh, so we have some people now who are actually up to kind of in the 80s. Yeah. So was a guy beatboxing who we've got him from day one through to day like 85 I think and he's pretty awesome. But he's like beatboxing. Beatboxing. Yeah. So yeah, exactly on day one. Yeah. Exactly like that. So he he like starts off and he's like not very confident, not very good, but you really see like over time the amazing improvement in him and that's like what we're trying to get at.

Paul Graham: Are people like encouraging each other to stick with it? Is the is the point of this that the community will make you be more likely to

Interviewer: Sure. Sure. Absolutely. So that's definitely part of it as well. So we have these kind of commenting and kind of propping features where people say, "Oh, this was a really awesome day." Uh actually I think like our most commented on and most kind of liked video we've got somebody learned to unicycle and one day she uploaded a video where she had kind of a bad fall and kind of fell over and everybody was like oh that looks really sore but you know keep at it keep going you're getting there.

Paul Graham: You really can you can people make their stuff semi-private?

Interviewer: Yeah, there's a feature to make your all your videos private because a lot of people they don't want to share when they're going through it but maybe once they're good they're or they want a group of their friends to be able to see it like it's their kid. Yeah, that'd be an interesting thing for us to implement. You know, the kid thing, the kid walking is very different from someone teaching themselves how to unicycle. Don't be don't like like um overoptimize too early. Like let it grow into whatever it's going to grow into. Maybe it'll end up being kids or the big thing or maybe not. Who knows? But be empirical about it and don't don't like [unclear]

Interviewer: Like empirical about it and don't don't like wire in some outcome too early. All right. Is it time? Thank you. All right, you guys. Thanks. [Applause] Sounds pretty good, too. Hey, Ryan. Hey, Paul. Hey, Ryan. Hi, Sam. You don't know how odd this is for us. This is the brother of someone we funded in the past. And except for having a beard, he seems identical. It's very disconcerting. Um hopefully that's a good thing. Yeah. Um he meant Yeah. All right. What are you working on? It says, "Oh, that's your username." What's the startup?

Paul Graham: Uh, it's called Flexport. We're the first licensed US customs brokerage built around a modern web application.

Interviewer: A customs brokerage.

Paul Graham: Yeah. Whenever you import a product from another country, you have to clear it through customs.

Interviewer: What does a customs brokerage do?

Paul Graham: Collect tons of documents and organize them and file uh forms with US customs to clear your goods to show that this is a legal product and you pay the right taxes, etc.

Interviewer: Is it is it one of these things where dealing with the government is so awful that you need like a specialized group of people whose whole job which is also a field of licensed uh Oh, they're they have to be licensed. Oh, yeah. Heavily licensed. It takes years to get the license. So, the government trusts them. Yes. They're not going to lie. Correct. Right. So, the government kind of rubber stamp the paperwork. You go through an FBI background check as well to get the license. I see. And what do you actually do? You like file forms for this import?

Paul Graham: Yeah. So you anytime you there's based on what the product is, there could be like 120 different forms you have to file. So we have to take the what the product is, determine which forms are needed, fill those out for the customer, file them electronically with the government.

Interviewer: So there are existing customs brokers, right? And you are going to somehow you're going to take you're going to be an instance of software eating the world. Yeah, like you're going to eat customs brokers. Uh yeah. Um so what do you do like is it is it somehow scalable if you write software? Like what what do you do differently than an existing customer?

Paul Graham: Um, well, first of all, we don't use a fax machine. Well, unless the customer really wants to. All right. Um, so yeah, it's it's an online dashboard to allow you to organize all these documents and help you understand which documents are needed. And then we actually collect those documents for you instead of asking you to go get it. Um, and then we'll file it.

Interviewer: So I I can just come to a website, type in what I'm importing, and have it come in the US, and you'll take care of everything else.

Paul Graham: Yeah.

Interviewer: Will the experience for users be as simple as a customs broker? Or are they going to have to do a little bit more work?

Paul Graham: No. No. Way less work. It's less work. Oh, absolutely. I mean, we do the work for you.

Interviewer: But doesn't a human customs broker like sort of interview out of people what they're importing? Like the person says they're importing.

Paul Graham: We're not removing the human element. So, we're pairing you with a licensed customs broker. We have customs brokers on staff and it's more of a communications tool to like enable it.

Interviewer: It's sort of like Uber.

Paul Graham: Uh, yeah. I haven't used that analogy. It's kind of like teleporter for products instead of for people.

Interviewer: Okay. If Yeah. Yeah. How much does someone pay a broker to import like a million dollars of goods?

Paul Graham: Uh, it's usually it's not dependent on the value of the goods, but it's like between \$100 and \$300 per shipment. And there's 30 million shipments that enter the US every year and are filed with a customs entry.

Interviewer: 30 million. Yeah. And then that's just tip of the iceberg. So really, I mean, the logistics, how many of them use customs brokers? Yeah. Yeah. Use a customs broker. I mean, you can have a if a big company will have a customs broker in staff. Yeah, I would think like Apple scale. You got Yeah. You hire customs brokers. We'd like to make it so you don't have to hire a customs broker because our software is easier to use than maintaining that division of your company. Do you have customers now?

Paul Graham: Yeah, we have three customers right now. Um that are importing stuff. Yeah, we actually have a waiting list of like 300. The biggest oil company in the world signed up. Uh we

were a little scared of like creating an energy crisis, so we told him to hold off for a bit, but we have a super tanker approaching the port of San Francisco right now.

Interviewer: Um how did you get those customers?

Paul Graham: Um I so I was in the industry for like 12 years and I know a lot of importers.

Interviewer: Are you currently a customs broker?

Paul Graham: Uh I have a I'm not a personally I do not have a customs broker license. I have a customs broker that works for me and they're kind of teaching me everything.

Interviewer: So you guys have you already been doing the manual version of this?

Paul Graham: So uh over the years I've probably imported about a thousand containers and cleared them through customs. Okay. my companies that I've worked with worked for my brother's company is one of them I used to work for my brother so yeah so you do know how to do this yourself yeah sure why has no one done this before um well why the existing companies haven't done it before is kind of obvious there if you go to a customs broker convention you work by 40 years probably um the uh why no startups have done it well first of all I mentioned it's highly regulated it's hard to get the license and actually Until recently, it wasn't possible to clear a shipment except at your local port. So, if you built a software startup to do this, you could only help people importing into the port of Oakland, unless you had an office in every port. Really? Uh, in 2007.

Interviewer: If you're not doing the clearing, though, aren't you just matching them up with a customs broker?

Paul Graham: No, no, we are a licensed customs brokerage. We actually do the clearance and file it electronically with customs.

Interviewer: Okay. So, you guys are kind of the customs broker of record.

Paul Graham: Yes, we are the So, it's not quite like Uber. Yeah. I didn't quite get that analogy to be honest. You have the same mortant sense of humor as your brother too. Office hours with him always a little bit prickly. Um. All right. Uh, so how are you going to get all of the customs, all the importers to switch to this?

Paul Graham: Um, well, presumably they have these like long-standing relations with their custom brokers. Yeah. and and the kind of importers to a large degree have this figured out to by

definition, right? They've been doing it. They know how to import goods. Um so, but every every time you import a product into the US, it's public record that product. And my last company actually sells that data. We we aggregate every time you import something. Yeah. We've collected 300 million of those shipping manifests and sell subscriptions to access it. So, we know every single America.

Interviewer: So, you have the customer list.

Paul Graham: Yeah, we have every importer in America in a database. So we can Wow, that's very convenient. That helps. Wow. Um, so how far along are you? Have you got sort of this like a sort of beta version that um the MVP product, it's a web app. You can sign up for it. Um, we're not taking new users right now. Um, but uh that's just a matter of me wanting to feel like everything's super tight and nice user experience, but it has the it has the functionality initial version is going to have to have.

Interviewer: How how many shipments have you done with your first three customers? How much what how many inbound shipments have you done?

Paul Graham: No, so the first clearance is happening in November. So we've got these guys lined up ready to go. We've got the uh but the first shipment actually the government shut down 3 weeks ago stopped us from they won't take a new broker. The guy whose like job it is to onboard us was furloughed but he's back in his office and I filed the forms on Monday. That whole I was hoping to have that done and be able to come up on YC app and say hey uh cleared our first shipment already. See you idiots in the government, you are actually slowing down innovation. [Applause]

Interviewer: How how much do you make? Uh do you have a sense of like on average how much you'll make per customer?

Paul Graham: Yeah. So, well, for each clearance, the gross margin should be about 75%. Uh it doesn't take a lot of time to It's kind of So, you can be like really hands-on and hire a lot of people to help through the process. It depends.

Interviewer: How much do people pay for one clearance?

Paul Graham: We're going to charge \$100 to to do it. Um, no matter the size of the shipment. Yeah, pretty much. It's actually not about the size, but like there's some things you might charge extra for like clear certain if you want to do an F something that has to clear with FDA, there's extra paperwork. We might charge extra.

Interviewer: It seems that people would pay a lot more for like a 777 full of iPhones than, you know, like one little shipping for the Well, now they're going to pay more in taxes to the government, right? But as far as the broker, it's still just one form or whatever. Do current brokers charge flat rates no matter what the shipment is?

Paul Graham: No, they charge more. And you know, I'm kind of looking at a little differently where the brokerage is just the way that we enter the much larger logistics space because once I'm your customs broker, I know everything about your supply chain. So you sell you freight, warehousing, inspection, you hook them up with trucks or something like that. I someday I would like to be doing all those things, but are other brokers doing that sort of these services after you get it into the country? Um yeah, but I don't know that they look at it as like their their primary way that they're going to make money. They would never go into it as a loss leader, for example. And I don't know if I'll do that either. I like I don't like burn rates, but H.

Interviewer: So, how much do you think you'll be able to make like in, you know, once the thing launches?

Paul Graham: Yeah. Well, the um logistics globally is a \$2.3 trillion industry.

Interviewer: No, no, I just mean when you do, the customs broker. I just like to say the word trillion. Yeah. You know, really big markets are bad for startups, not good. Yeah. If you say a too big number, the investors just hey just don't believe it, right?

Paul Graham: You know, it's it's really hard to say. I mean, I I I've kind of modeled out and say like, okay, we can make about \$30 million a year in profit just being a customs brokerage if you get say 1%. I don't like to do that kind of compound analysis, but you know, each customer is probably worth maybe \$200 or \$3,000 a year and I think we can get as many customers, but the whole business is three billion a year. Yeah. 30 million is 1%. Yeah, exactly. The customs clearance business, it's about five billion a year, right? Based on the number you said earlier, the whole US customs about three. Yeah. Um, now I don't have exact figures for that, but based on the number of shipments that are cleared and what people charge for those shipments, are you going to hire just an army of sales guys and go down that list?

Paul Graham: Um, possibly.

Interviewer: My last company had an army of sales guys and it wasn't that fun to manage, but um, things that aren't fun are still sometimes working sometimes. It's the way to make the most money. So, I'm not, you know, I have to do it better than I did the last time. So, it's more fun.

Paul Graham: We got We got to end. All right. Boy, that was an interesting. Yeah. All right. Thank

you for coming.

Interviewer: Thanks, guys.

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