Podcast Episode #011 - Accelerate with an IoT accelerator, with Bay McLaughlin of Brinc, Hong Kong

RAW TRANSCRIPT OF INTERVIEW

Balint: In this interview the first hardware accelerator on this show is featured: Brinc from Asia. For those of you, listeners, who are relatively new to the hardware entre- preneurship scene, an accelerator is an entity that accepts teams which have been already working on an idea for some time and they have shown already some valida- tion, of some sort, for their business idea. My guest will explain it surely more in de- tails how this concept is implemented in their case, at their accelerator. I'm very glad to talk to you now, Bay McLaughlin, co-founder and COO of Brinc. Welcome to this episode.

Bay: Thanks for having me.

Balint: It's really awesome to have you on this show because, first, you're working with many interesting startups, and second, you are focusing on a subcategory of hardware, which is quite a popular one nowadays. I like to actually let you continue this thought. So can you tell us about the Brinc briefly?

Bay: Sure. So Brinc started a little over two years ago here in Hong Kong, Shenzhen and Guangzhou, China. And we really sought out to really just help IoT founders be- cause we really believe that the future of the world is going to be better when it's connected and allowing us to get the data out of our bodies, our locations, and the world around us because without data it's very hard to make informed decisions that make the world a better place. So we're now two and a half years old. We've had 14 portfolio companies. We've watched 22 products. We have growth programs, China trips, some corporate partnerships, and our teams are raising lots of cash, profitable, shipping around the world, winning bunches of awards. So we're very happy. And I definitely appreciate that this world is getting more and more exciting every day and we have a small part to play in it.

Balint: Can you step us through the process you follow when taking on some star- tups? So, basically, from submission to selection all the way through the program, because different accelerators have different way of working, or even the criteria they're looking at when taking on the startups and throughout the whole program, how they structure the program.

Bay: Absolutely. So we're a lifecycle platform, we're happy to work with teams in their early or the middle of their journeys, or even much later. Our accelerator focus is at the early stage. So if you're working on what the idea is, try and identify the problem, doing prototyping, interviewing customers, that's a perfect stage for you to apply for our accelerator because we really focus on the customer discovery, customer devel- opment and prototyping phase, because you really want to make sure in hardware,

especially compared to software, that you really understand the customer problem and that you really do need to make a piece of hardware, to begin with, to actually solve or alleviate that problem for the customer, because hardware is not as hard as everyone says. It's damn near impossible.

And it's easy to make a product, it's very challenging to make a company that's profitable, sustainable and scale in the hardware world. So that first phase is really, really, really important. So we offer, we tell people, "Join us or join some other program but be smart about it. And please apply to an accelerator that focuses on the customer discovery and customer development phases because it's really hard to pivot in hardware once you've made the decision to make that product." The next part of the lifecycle is they now need to launch and manufacture that product, and that's really heavy and challenging for most startup founders because most people don't come from a physical goods background. They haven't done mass manufacturing, they haven't done product development and R&D and design, thinking about scaling to tens of thousands, hundreds of thousands or millions of products around the world. So there's a lot of just sort of experience and thought process that people don't have.

So our studio is a service-based platform. We have seven teams right now, we've just signed a couple new million dollar, multibillion dollar crowdfunding campaigns, and we support them dealing with China, overseeing the source and supply chain, merchandising, manufacturing, and actually shipping products around the world. And the last stage, once you've manufactured, is now you have to learn how to scale your products around the planet because, as everyone in software knows, if you build it, unfortunately they do not come. So you can't just throw up a website and think that you're going to start getting hundreds of thousands of orders. So what you have to do is you have to learn how to do retail. You have to learn how to trade, financing, logistics and supply chain. And that's something that a lot of founders also don't know.

So we have Go-to-market boot camps that we run here in Hong Kong. Right now they're free so you can apply if you're able to ship your product in the next three months. We asked people to apply but obviously if you can't ship your product, it doesn't make sense to join a Go-to-market program yet because you're going to be a little too early. But then we help teams sign big contracts with retailers and distributors all over the world. So we'll continue to evolve, we will always say that we're just here to help hardware founders throughout their lifecycle and right now these are the three stages that they've told us they need the most help. So we're open minded and continuing to listen, and we'll probably evolve even further. But those are the three stages and programs that we offer now.

Balint: Before we proceed to looking at these topics a little bit more in detail, I was just wondering, going back to the beginning of Brinc, forming Brinc, what was your motivation for co-founding it?

Bay: When I moved to Asia from San Francisco, in San Francisco for almost 10 years and I've only worked with startups. Even when I was at Apple, I built the division that worked with startups and investors, and all I ever wanted to do and all I love to do with my every single day is to support other people achieving whatever their

vision of the future is, their dreams. And I've done that with SaaS companies, offline companies, film businesses, music companies, now hardware businesses. But I saw an opportunity where hardware is very process oriented, and I'm really good at operations so I figured you know what, I think I can actually jump on this way of learn hardware. When I got to Asia, unfortunately I learned that you can't do this by yourself. So you have to find partners. China's really hard. Physical is really hard. So when I got here I started reviewing the various stages and opportunities. I was very fortunate to find one of my co-founders who had a piece of the puzzle that I didn't have. So it wasn't some master plan leaving San Francisco, coming days and saying I'm going to take over hardware. It was more of a kind of like a process of I know that my skills of supporting founders can be supportive of hardware just like it has been proved in the last 10 years to be digital companies. But in order to do that I can't sit in San Francisco. I need to move to China. So my wife and I kind of had that moment, she had the opportunity to transfer her work, I was consulting with my own business at that time, jumped in a plane, moved here, one way ticket and we started figuring it out. And here we are, almost three years later, and we've got this big company on our hands, and that's how it evolved naturally.

Balint: Yeah. It must have been steep, this climb, because you said you started two and a half years ago and you had to build basically a company, and helping not in building your company but helping other companies to build.

Bay: Right.

Balint: Amazing.

Bay: We actually are a company that builds companies. So it's kind of like to the second power.

Balint: Yeah, exactly. You mentioned it during this interview that you're focusing on IoT. So you're an IoT accelerator, but you're also concerned or you're focusing on the bigger category, so hardware as well. And do you think there is competition in the IoT field regarding accelerators? And also how do you see the competition for hardware accelerators? What I see is that it's quite saturated. It might be already saturated the market for hardware accelerators worldwide. And I was wondering how you are differentiating yourself from other accelerators to stand out?

Bay: So in the last three years there's been, not an explosion, but certainly a growth, but the same players exist. It's Brinc, it's HAX, it's Bolt, it's Highway1. It's sort of all the same names. So all of us are still here. There are some other smaller players that have started up. However, we always kind of come back to "Do you have access to? Are you in? Can you manage China?" And that doesn't mean everyone should be manufacturing in China. But the reality is if you're doing electronics or you're doing things at scale, there's some aspect of China that you're going to have to deal with. So that's kind of my first level of kind of questioning when I go to people is, "Awesome, so you must be in China?" And if they aren't in China, that's kind of my first thought, "Well, you either are or aren't in China."

And not that you have an office or you come here once a year. We've been in China for four decades. One of my co-founders' family has been doing this for 40 years.

So it's really do you understand China, first and foremost. But I think that it's beneficial. Hardware is so unbelievably challenging and it's unfortunately not going to get easy overnight. So I think it's actually the best thing for the entire environment to have more and more of these programs local cities around the world that are educating hardware founders or people that are interested, like the maker community on the basics, because in hardware, like I talked about earlier, you make mistakes today and unfortunately you don't know if those mistakes are going to kill you until two to three years down the road. It's not like software. So I think it's actually really good that we're seeing a lot more front-end programs, like Startupbootcamp IoT. They have one in London. There's groups in New York that have popped up, that are… Even agencies like product development companies are starting accelerators to educate founders. So yeah it's definitely growing, it's not growing fast enough probably. I think we actually need more.

Balint: And how do you differentiate yourself in this field?

Bay: Two main things. We're a lifecycle program. There's actually no one in the world that does what we do. So we start at the early stage of the accelerator, the middle stage when you have to manufacture with our studio, and our growth, and go to market teams on the later. We're the only company on the entire planet that does that. The second part is, I think, the depth. We're the only group that looks end to end. So most accelerators, and this is not wrong it's just the current design, is that most accelerators focus on getting your positioning, understand the problem, interviewing customers and then getting ready for Demo Day. And that's important.

Being able to position and explain what you do quickly, getting investment, all that is part of the process. However, right now I don't think there's anyone that actually looks at the entire cycle. Day one in is giving you the feedback in the ideation phase of what's going to happen two to three years down the road when it comes to price point distribution. And now you can't focus on all that when you're first starting out. But we look two to three years down the road when we're giving people advice at day one. And I haven't met anyone that does that.

Balint: All right. Okay. Sounds very interesting. You mentioned that you have a couple of locations. So two in China, right? So Shenzhen and Guangzhou, and one in Honk Kong. Can you tell us about that a bit more about this set up?

Bay: Yeah. So it started out as a lifecycle approach but we didn't really know it back then. So Hong Kong was more of a way to interact with the Western world and China, which is pretty much the main reason everyone comes to Hong Kong is the gateway to China. Shenzhen, obviously, is there for manufacturing, Guangzhou is the trade capital of China. So it was one of those kind of same process. It's you start in Hong Kong, you walk through the ideas, do the prototyping, do the customer discovery, customer interviews. When you're ready to manufacture, you go to Shenzhen. When you're done manufacturing and you want to go interact with the world's distrib-

utors and traders, the largest trade fairs in the world and you go to Guangzhou. Now we have evolved in that sense, in Shenzhen we spend a lot more time in our factories than we used to spend in the office, so that's transitioned a little bit. But we've actually evolved and now we have a partner in London and we have some presence now in the Middle East, and we'll be announcing some more space in India sometime this year, too. So we are slowly evolving and reviewing this process of what do founders need, where are the founders, what are the ways that we can connect them to the right resources at the right time.

Balint: I was wondering that again going back to the beginning, how did you validate your idea that you could become an accelerator and it could work out well?

Bay: Well, I think it was less of a validation, more like a trial by fire. We looked at the resources and the experience that we had. It was myself, Manav, Bashar, Nick, David, and a couple of the early guys at Brinc, and we just looked at all the skill sets and we figured, "Man if we had had these people where we were starting our company is, we could have killed it." And so we figured why not just start doing some investments. So Soundbrenner and Aumeo, one of our first two investments, and there wasn't some master plan. It was we all are good at it for different part of this life cycle or process of building a business. So if we just spend individual time with them, connect them to our networks, give them some money, they should be fine.

And it's obviously evolved to be much more pragmatic, a lot more documentation, a lot more support than it needs to be. But, certainly, I mean any accelerator or an investment is actually wondering this today. I looked at all the other accelerators right now, I don't think anyone's had any exits in hardware from any of the main names. So I still think it's very early, whether the idea of an accelerator from a financial perspective only makes sense. Right now we're self-funded. So we still don't have any LPs whereas every other group does. So we're actually quite flexible in our thinking and trying to figure out what's the best model, and having equity investing in businesses makes a lot of sense for the right company and the right founders, you want to have shares in the investment in that business. But we're still all playing a very long game because most times this equity or these investments don't materialize for five, seven, ten years yet.

Balint: Yeah. So this is now your business model currently. And you said it's kind of evolving that you're investing into startups, for certain equity you're giving them all your skills to support them. And then, at some point there might be some exit when you get the money back. Right?

Bay: Well, that's the hope when you have equity in companies.

Balint: It's hope. Yeah. Some other questions that I have is when a company goes through the process, your process, what are the major challenges that they encounter?

Bay: Wow. So hardware is all about challenges. So, man, there's thousands. I would say the biggest thing that we see, and this is fairly consistent, is if founders are open-minded and coachable, they can overcome just about anything. If a founder is not

open-minded and thinks that they read some stuff on the bolt blog or they watch something on TechCrunch, or they met one other founder, that they're going to know what to do, they're probably in deep trouble. Because every product is different. Every product coming to a market and every retailer is different. It's really challenging to know everything in hardware. So the best thing I always say is you can be open minded and be coachable, first and foremost. But a lot of the challenges that I think most founders run into is they only focus on maybe the next challenge that's just ahead of them and they're not seeing the entire chess game. And this is one of those parts where it's really hard if you, let's say I use an example of someone that knows how to play chess and all of a sudden they want to play golf, it's not even the same basic strategy, more or less the rules of the game. So people approach hardware with a software mentality. That's not going to work.

So if you come in with the current way you think and think that you can apply that to hardware, you sort of you're not even playing the same game. So when you think about manufacturing you're thinking about it from a prototyping perspective in Boston. Or a prototyping perspective and the maker space you're in in Berlin. Guess what? That's not how people think about in China when they're going to actually manufacture your product. Or talk about the features you have and if you're going to Crowdfunding, you go on Crowdfunding and you literally pack your product with 15 features when your customer only needs two. And then, when it comes to going to a retailer in two years you can't put 15 figures on the pop display. You are going to pick one headline. So people just unfortunately aren't looking far enough down the road. And one of the things that I learned in business school, which seems old school but I tell founders, is what's your business plan. I'm not looking for a 75-page document. But, please, walk me through the chess game. Like how are you going to win? Because you can't just do a software game and start pivoting every time because after a couple of pivots in hardware there's no more plays to make, the game's over. And so I really just help hardware founders, as you've just got to think a lot more critically about how you're going to win in three, four or five years. You can't just say, "Well, I'll figure it out when I get there."

Balint: Yeah. Very good point, this long-term thinking. And also, as you said it concentrating on not pivoting so much on a smaller time scale. So the IoT field that you're focusing on it's becoming big and in the hardware space inside, and there are a lot of applications coming up. Maybe even too many applications sometimes, because there's even this famous Twitter account that you've probably encountered, it's called Internet of Sh, with almost 200000 followers which is mocking IoT that there are too many applications. How do you pick the topics that you want to concentrate on, the applications?

Bay: We look at a couple of things. When we first started it was more about us learning with our founders. We had a couple of instincts, like how health technologies or medical technologies seems to have an obvious long-term defensibility to it that we need to learn how to live better. We need to be healthier. That's just sort of obvious. However, maybe you don't need to connect your toaster, or maybe your slippers, or your door mat in front of your house. Maybe that doesn't need to be connected, and

that's a fair argument. Some things are better not being connected. I think the Internet of Sh Twitter account is hilarious. I love it. So I think that's actually kind of important in some ways because you do need to laugh about stuff that's silly, but at the same time I think that a lot of people just don't understand what's inevitable. The reality is, I mean I obviously believe this, but I think it's really hard to argue, that the physical world will become connected in our lifetime. All of it. The seeds and the dirt in the fields, the lights, the power grid, the pipes, everything is going to be captured, some data is going to be captured. So if that's the case, well then we need to actually start learning how do you apply that to make our life better and for us, I think, health tech is very near and dear to our heart. So how do we help people live healthier happier lives. But at the same time when it comes to big problems, like we look at houses, I mean houses are all about silly things now, like the fridge telling you you need eggs or milk, like yeah sure you could do that, but that's probably not as profound as let's figure out how to actually better utilize energy, let's actually figure out how to better connect and make things like, let's say, our security in our homes. That makes a lot of sense.

Balint: More impact.

Bay: Yeah, exactly. And I mean one kind of thing to really think about, and this is okay, it's all part of the transition process, is you either recognize this is happening and you're going to participate, like be one of these early programs like us and our friends HAX, Bolts and all these other guys, or investors. Investors right now are actually kind of scared. There's things like Pebble has just happened, and Lily Robotics just happened, Skully happened. So there's a lot of fear in terms of, "Oh, man, are we going to be able to exit? Should we even be investing? Is this really happening?" The reality is whether it happens in two years or 20 years, this is a foregone conclusion. The physical world will become connected and the world will be better because of it. And I think it's really important that you think about the applications that are near and dear to you and spend time there, instead of joking and laughing about the whole thing. Sure, like maybe you'll buy connected water bottles but maybe you don't. Maybe that's not going to change the world. But we have 63% of our portfolio is actually in health technologies. So for us I think that's probably today what we think we can have the most impact is supporting how to live happier and healthier lives.

Balint: Who are the other people you're looking at for sources of inspiration in your field or outside your field?

Bay: Well, from a personal perspective, I always look for people that can help push me. If you knew me, most people would tell you, I don't have many super close friends and that's because I don't like spending a lot of time with people that I don't get inspired by being around. So, generally speaking, I look for different categories in my life that I need inspiration and I focus heavily on that. So right now I spend a lot of time from a marketing and sales perspective, I look at Gary Vaynerchuk. When it comes to hacking our bodies, I look at Timo who's one of the world's most famous bio hackers, and Tim Ferriss. And when it comes to hardware, I think I'm just really inspired by the people in the game right now. I really love Scott from Dragon innovation. I love the guys at Bolt, I think they have a really good perspective on the world

and how hardware is made. So I'm one of those people who, probably like you're alluding to, is I very purposefully pick people that I look up to and I consume all of their content, I try to spend as much time as I can with them when I have the chance. And from an investor perspective some of favorite mentors in San Francisco, I spend a lot of time with them when I'm back in S.F. because they just see the investment game in 10 years plus longer than I have, and I can learn from them. So I'm a huge fan of that idea of having mentors and then other people that are ahead of you and I'm trying to learn from them.

Balint: Yeah. Again now changing a little bit the gear of the topics, I would like to move on now to the ultrafast round of questions.

Bay: All right. Here we go.

Balint: That is I'm going to ask you questions, so four questions that it'd be good to get some short, relatively short answers.

Bay: Perfect, let's do it.

Balint: The first one is if you could time travel back to the time when you were younger, maybe in your 20s, early 20s, what notes would you give back to yourself so that you can improve or you to know more then?

Bay: So easy, that you don't have to be a founder of a company until you have such clear passion and belief that its the only thing you should be doing with your life, that you can always be a founder later in life. You don't have to start a company in your 20s.

Balint: The second question if you had to name one book or even just a few books, which ones had the biggest impact on your carrier, on your entrepreneur your carrier?

Bay: The only one that I keep coming back to is *Influence* by Cialdini. It's a book that talks about how humans actually, like the psychology of human behind behaviors, which is great for anyone that's doing marketing and sales.

Balint: Yeah, I've read that. It's an excellent book. By the way, there's another good book connected to that. It's like a continuation of that thought but more from a scientific perspective, and also with other applications, it's *Unconscious Branding.*

Bay: Awesome. I'll definitely take a look.

Balint: Yeah. The third question. I'm amazed by habits, what kind of habits people have and how they help us reach our goals. What kind of a habit routine do you have in your life?

Bay: I'm super extreme, I come from a military background, every guy in my family is a military guy except for me. So actually I just I just wrote this. You can check it out on Medium @betabay is my handle. I am publishing every week a series of life hacks for entrepreneurs, so the first one is about my morning routine. So I break it down

minute by minute for the first two hours of my day. So I'm all about regiming, I'll just give you two quick thoughts here. I think everything that you can optimize or get minutes back in your day you absolutely should because time is the only thing you can't get back in your life, and you should do everything you can to routinize everything. And then, the next part would be your health. If you aren't taking care of your body and you think that this is a sprint versus a marathon, there's no way you're going to have the impact in the world that you think you're going to have because you're going to burn out. Your body will shut down. And I think that us as entrepreneurs really, really, really underestimate how important it is to be healthy.

Balint: I also place a very high importance and focus on health, it's like the number one, I agree with that. The last question. In your work, because you work across cultures being in Hong Kong, working in China, but you also mentioned San Francisco and other countries. What kind of cultural differences have you seen and which ones would you identify as critical ones or something that are memorable that you wish you knew about before?

Bay: There's no question. The only thing that I wish I could have learned and I don't think you could do this from reading a book, you have to actually come and experience it, is how people think when it comes to negotiations and building business relationships in China. It's nothing like any country I've ever been in my entire life. And the reality is they're not going to educate you. They don't think it's their job to educate you. They don't care what you think is right and wrong. If you don't understand their rules, you're not even playing the game.

And so I know people that have listed public companies that have been in China 19 years and still get burned at a deal because they put their guard down and start thinking like a westerner does when they're there. And remember, it's not right and wrong, it's just a different way of doing things. So I really wish I've known that but, frankly speaking, I don't know how I could have ever learned it if I had not moved here. I think the only way to do it is be doing business here.

Balint: Interesting point to make. To close off this interview, of course, I would have many more questions, but we should also be time efficient as in one of the questions we referred to this, habits and time efficiency. What is the best way for listeners to reach you?

Bay: Twitter @Betabay And that actually goes everywhere is the same thing for Medium, same thing for my website betabay.me. So Twitter is my favorite place because it connects the dots of all the other platforms.

Balint: Yeah. I'll put it into the show notes so listeners can contact you.

Bay: Yeah. Happy to answer anything.

Balint: Yeah. I very much appreciate this conversation that we had. Hopefully, you listeners, could learn something from Brinc, the notable accelerator from Honk Kong. Thanks a lot.

Bay: Awesome. Thank you so much.