



## **Korean Entrepreneurship, Global Reach**

**with**

**Bernard Moon**, CEO of Vidquik and Co-founder of SparkLabs

**David Joo**, Co-founder and Co-CEO of KnowRe

*Moderated by Nikita Desai, Director of Policy and Corporate Programs, The Korea Society*

**NIKITA DESAI:** (Moderator)

Welcome to *Studio Korea* and welcome to The Korea Society. I'm Nikita Desai, director of policy and corporate programs. Today's program, "Korean Entrepreneurship, Global Reach," is a continuation of The Korea Society's commitment to represent the theme of global Korea and Korea's growing role on the international stage.

With us today are two very talented entrepreneurs. Bernard Moon is CEO of Vidquik and co-founder of SparkLabs, a Silicon Valley start-up accelerator that provides support to Korean entrepreneurs and helps them expand their businesses globally. David Joo is co-founder and co-CEO of KnowRe, an educational technology company that provides learning experiences tailored to individual students. Welcome to you both and thank you for being here.

**BERNARD MOON:**

Thank you.

**DAVID JOO:**

Thank you.

**NIKITA DESAI:**

I'd like each one of you to tell us a little bit about your background and how you became an entrepreneur. Bernard? Would you like to start?

**BERNARD MOON:**

Thank you, Niki. I currently run Vidquik, my own start-up. Vidquik is still at an early stage and has recently launched our first closed beta. I also co-founded a start-up accelerator in Korea. We just finished

working with our first class of start-ups and are now working with a second class.

Between 1996 and 1998, I attended graduate school at Columbia University. This was the period when start-ups became really popular. I was VC-pitched by two groups of friends. That caused me to shift the direction I was taking from the policy and government route to the world of start-ups.

**NIKITA DESAI:**

David?

**DAVID JOO:**

I'm co-CEO of KnowRe. I have a diverse background. I have a degree in biology and spent twelve years working in finance and investment banking. I had always wanted to do something entrepreneurial and was interested in the education sector. Being an entrepreneur wasn't something I planned, but when the opportunity fell in my lap, I seized it.

**NIKITA DESAI:**

Bernard, SparkLabs is unique in that it is the only incubator for Korean companies looking to take their businesses global. Could you tell us a little bit more about the creation of SparkLabs? How are you able to provide benefits for start-ups, and how did you obtain such a high-level advisory board?

**BERNARD MOON:**

Niki, it all started with my friend HanJoo, who co-founded a Top 5 global hosting company named Hostway in Chicago. About three years ago, he started Hostway Korea and built it into a pretty good business. He then approached me about creating a start-up accelerator business. At first I was hesitant, but another friend, Jimmy Kim (CFO of Nexon, the largest gaming company in Korea) and I had already created two start-ups. I told HanJoo I would help as long as Jimmy was onboard and we'd have a full-time staff.

Everything just snowballed. Like anything in business, it's all about relationships. I talked to some friends in Silicon Valley. It just so happens that I play poker with the founders of Guitar Hero. I asked David Lee of SV Angel (one of the most influential angel funds in Silicon Valley) to be a mentor. Within three weeks, we had forty world-class mentors agree to come onboard.

I contacted Vinton "Vint" Cerf, one of the fathers of the Internet. He agreed to be a high-level advisor. Mark Cuban agreed to work with us. Ray Ozzie, who replaced Bill Gates as chief software architect at Microsoft was interested. Tom Peters, author of *In Search of Excellence* agreed to help us and everything snowballed. There was a lot of buzz and the momentum was there. By the time our first accelerator class was ready to start, there was an amazing amount of interest in SparkLabs. We had an excellent first year.

**NIKITA DESAI:**

You told me that you were attracted to the Israeli accelerator model and used that to get SparkLabs off the ground. Could you talk to us a little bit more about that?

**BERNARD MOON:**

In the United States, the best known cookie-cutter model for accelerators is that of Y Combinator. TechStars is another model with its standard three-month mentor-driven program. We invest \$25,000 into each company with an interest rate of 6 percent or less. In terms of the long view we follow the Israeli model, as Israel and Korea are very similar. Both countries have highest PhD's per capita along with strong engineering capabilities.

Most Israeli start-ups build their companies in Israel. They then transplant the company to Silicon Valley. By the time they hit their Series A or Series B venture financing rounds, they bring in a local CEO to help the start-up get to the next level. This model has been very successful. We see Korea's start-ups as very similar to those of Israel because Korea has a very strong engineering base along with significant design talent—something that is so important today. We see the Israeli model as the best way our start-ups can take their businesses to the next level. When they are ready to enter the United States, we help them find that next level CEO.

**NIKITA DESAI:**

We know a little about your education technology company KnowRe, David. Tell us about some of your experiences starting a young company like KnowRe. What were some of the challenges you encountered?

**DAVID JOO:**

The way our business is structured is that the parent company is in the United States and the R&D development is done in Korea. This kind of cross-border interaction between different regions can be a real challenge for start-ups (and for all companies, really, whether they're start-ups or not). I wake up at 7:30 in the morning and the first thing I do is check my email so I can respond to anyone in Korea while they're still awake. At nine o'clock at night I'm part of a video conference. I literally work twenty-four hours per day. That is a big challenge.

The second big challenge is the cultural aspect. Bernard mentioned that having good designers is an integral part of a start-up, and Korea has a lot of great designers. In contrast, there has to be a certain level of cultural awareness, because what works from a design perspective in Korea doesn't necessarily work from a design perspective here. Having that awareness of localization requirements while maintaining that cultural balance is a challenge, but that's what makes it fun.

**BERNARD MOON:**

To add to what David just said, the start-up companies that interest us know how to cater their product to different markets (whether that market is the United States, Japan or China). We specifically look for companies that know how to develop what are called "culturally neutral products." These are products that can go global almost immediately while remaining intertwined with cultural nuances.

**NIKITA DESAI:**

Bernard, when I first contacted you in December of last year, you talked about your first class of start-ups

and their preparation for Demo Day. Tell us about Demo Day. How did your first class do?

**BERNARD MOON:**

The first class was interesting for us because there are already four or five established incubator companies in Korea. I think the buzz we created, along with positioning ourselves as an accelerator looking to help companies go global, attracted a large number of companies that were further along and that typically wouldn't seek the assistance of an accelerator. Four of the six companies in our first class had raised, in a seed round up to their Series A, between \$500,000 and \$3 million. In addition, a fair amount of applicants had already earned between \$1 million to \$3 million in revenue, more than most seed stage companies. They came to us because they wanted help entering the United States, Japan or China.

The Demo Day program went really well and succeeded beyond our expectations. There was great media coverage both locally and internationally. Investors came from all over the world—from the wealthiest family in Indonesia to some Hong Kong billionaires to people from China and Japan. We were approached by local Korean VCs such as Softbank Korea and Stonebridge along with some other players. From that perspective it was a great success, and the start-up companies did very well with their presentations to these investors.

**NIKITA DESAI:**

Tell us about KnowRe's experience during Demo Day, David.

**DAVID JOO:**

We worked so hard to prepare for that. Before I actually made the presentation, I practiced it at least a hundred times. Thankfully it turned out very well. Having the chance to tell our story and promote what we are trying to do to a group of investors was a great experience. And as Bernard mentioned, we had a lot of great press. TechCrunch from San Francisco came out along with the local press. It was a good experience, overall.

**NIKITA DESAI:**

What companies at Demo Day have a model or strategy that really excites you?

**BERNARD MOON:**

Well, we like them all. We like KnowRe because we like the education tech space. Globally it is a hot market. We also like their product, which we think has successfully differentiated itself from others in the same space. We also like NFLabs, a big data company. We like them all. [Laughs]

**NIKITA DESAI:**

SparkLabs helps companies expand globally. You talked about China and Japan. Where are some other hot markets for Korean start-ups?

**BERNARD MOON:**

It really depends on the stage of the company. If they are at a prelaunch level or at the alpha stage and just developing their product, we get involved at that level. We do hands-on product and UI testing and provide feedback. Part of our program is the involvement of mentors. We have about ninety mentors right now, and each company works with five or six of these mentors based on the company's needs.

Some companies are further along. They've launched products and created some revenue. These companies might be looking to expand globally, and we serve more of a business development role—introducing them to people on our Rolodex and giving them advice on partnership deals and the like. The stage of the company determines what we do to meet their needs.

**NIKITA DESAI:**

Can you tell us about any global strategic partnerships that have been formed by some of the start-up companies you've been working with?

**BERNARD MOON:**

I can talk about one company. Memebox (comparable to Birchbox in the United States) is just killing it. The company provides beauty products on a subscription basis. What's amazing is this company has a churn rate of 1 percent. That means only 1 percent of their customers have cancelled their subscriptions. Memebox has curated their products very well, and that has garnered a lot of interest from Japan, the secondary market they're targeting. We introduced Memebox to Rakuten, the leading e-commerce player in Japan, as well as some other companies there. They're currently working through the details of a launch in Japan right now.

**NIKITA DESAI:**

Could either one of you talk about growing sectors for start-ups? What opportunities are there for expansion?

**DAVID JOO:**

Definitely education technology for one.

**NIKITA DESAI:**

You'd like more competition?

**DAVID JOO:**

It's really a booming sector. Education has reached the inflection point where schools now have an infrastructure and hardware is getting cheaper. In addition, developers like ourselves are becoming more sophisticated with both technology and content. The industry is really changing, and this is having a major impact on education.

We're currently looking for a pilot program for schools, and all of the schools we've talked to have shown a lot of interest. There is a pilot program that involves one-to-one computing. Each student is given a computer by the school (a Chromebook or an iPad). Many teachers have access to great technological

products, but don't know how to take advantage of them. There isn't a lot of great content out there, and that makes this a very exciting time to be in the education tech space.

**NIKITA DESAI:**

I'm sure you've been asked this question a million times, but what advice would you give to other entrepreneurs? What have been some of your best lessons learned?

**DAVID JOO:**

The first lesson I learned is to remain humble. After being in banking and finance for twelve years. I thought I was a master of the universe. Starting KnowRe has been, far and away, the hardest thing I've ever had to do. At the same time, it's been the most rewarding. I feel like I've finally found my goal in life, and that is to be an entrepreneur. It is extremely rewarding.

Another piece of advice is to maintain a lean methodology with your start-up. The idea is that if the first product you promote isn't absolutely terrible, then you've done something wrong. You want to get that product out there in order to learn what customers like and don't like. Once you figure that out, iterate that aspect. Putting yourself out there through your product is very difficult to do. On the one hand, you want to start with a product consumers will like. On the other hand, until you actually get the product out there, you're not going to know how to make it great.

**NIKITA DESAI:**

It's a testing phase...

**DAVID JOO:**

Exactly. That's my advice. Be humble and iterate.

**NIKITA DESAI:**

Bernard?

**BERNARD MOON:**

My advice would be to focus on creating the right team for your start-up. You'll never get it 100 percent right, but you should definitely take the time to know who's going into battle with you. Someone might look great on paper or even be a friend. The question is whether you can get through difficult situations together. A lot of yelling and hating on one another can happen and you have to be prepared for that. It's about how you respond to each other. Knowing you're working with the right people, along with an understanding of each other's weaknesses and strengths, will allow you to balance out your team in a way that is very important.

**NIKITA DESAI:**

We'll now open up the floor to questions from our studio audience. As we are recording this, I will be

rephrasing each question for both you and our online viewers. The first question is, could you tell us a little bit more about KnowRe and what exact service it provides? Also, the Korean education sector is overcrowded with a lot of competition. How do you target that competition?

**DAVID JOO:**

KnowRe is an online adaptive learning program. Essentially we have a unique technology that allows us to discern gaps in a student's knowledge and we do this using an algorithm. We've taken the paradigm of a teacher standing over a student helping to solving a problem and actually digitized that paradigm.

The algorithm of our program actually determines where, in the process of solving a problem, the student got it wrong. That data then allows us to provide each student with a personalized curriculum based on their individual weaknesses and strengths; and enables us to provide their teacher with data so that the teacher can intervene.

In terms of how we compete in the Korean market—we're actually not in the Korean market. We are only in the US market, and there are several reasons for this. The first reason is that the online education space within Korea is still very new. Some co-founders of our company actually have a hagwon in Korea, and so we have a lot of qualitative data from both parents and students. What we realized about the Korean market is that Korean mothers only relate computers with games. It's a reality and a big hurdle to overcome in terms of trying to launch this type of product in Korea.

That's one of the main reasons why we haven't pursued Korea yet. Obviously Korea will change and the online education market will begin to grow. That could happen very soon. It could take a few years. We're not sure. The goal of our company now, however, is to focus on the United States.

**BERNARD MOON:**

I believe one of the factors leading to Dave's understanding of their visibility in Korea is the uniqueness of their product in the Korean market. They've already garnered interest from large education companies but that's not their focus. We've compared KnowRe to other players in the United States within a similar space and they're still different and unique. In fact, KnowRe has received a lot of press and awards from the Korean government, including joint contests sponsored by the Korean government with Google.

**NIKITA DESAI:**

Could you tell us a little bit about how many applicants there were for this award?

**DAVID JOO:**

The award sponsored by Google and the Korean government was called Global K-Startup. It was awarded October, 2012 and KnowRe won first place. There were over 260 start-up companies that applied for this award. From our perspective, it was validation that the business, along with its technology, is going in the right direction. The beauty of our technology is our ability to localize the product to the United States, Korea, China, or Japan with their different languages. It is very easy because of the way our technology is structured. Eventually we will definitely go into the Korean market.

**NIKITA DESAI:**

[Joon's] question is about your emphasis on being humble. Could you elaborate on all of the failures you made before reaching success?

**DAVID JOO:**

[Laughs] I'm failing right now. There is a constant stream of failures, and I mean that in the best possible way—because that's the only way you're going to learn. An entrepreneur has a to-do list of a thousand things, and obviously you only have twenty-four hours in a day. You have to choose the one most important thing to do amongst those thousand things, and you have no idea whether or not the one thing you choose to do is the right thing to do first.

Trying to operate a start-up business is, in a sense, working in a haze of uncertainty. You have to get down into the weeds of doing that before you realize how difficult it really is. It might be that the top ten things I've selected as the most important things to be done are the right things. I don't know. But not being sure of that, along with the realization that you don't know and the uncertainty that comes with that brings humility into the process of starting a business.

**NIKITA DESAI:**

There's a follow-on question. How long have you been in this business, and how long can you continue to "fail?"

**BERNARD MOON:**

Well, let's see. You have to gauge your own risk profile and market factors, as well as other things. I have a funny story about the best experience I've had yet with my start-ups. The first start-up Jimmy Kim (my partner at SparkLabs) and I did was a video-on-demand service. Initially, we totally bootstrapped it. We begged our parents for money. We ate into our savings. We signed up for twenty credit cards. It took so long to get our first \$600,000 from seed investors.

Right before we got that big chunk of money, my father came into my room and said, "You know, Bernard. Business is like poker. You have to know when to fold. So, when are you going to fold?" I said, "Dad! You've got to give me six more months. Six months! I promise!" Luckily we closed that round and then received subsequent financing. It's not easy to answer. You just have to gauge the market, the competitors and other factors. I can't really give you a straightforward answer.

**NIKITA DESAI:**

I think Paul Graham started Y Combinator. He said that a start-up isn't about starting or creating a company. It's not about whether it's a tech company or whether you have an exit strategy. It's all about growth, growth and more growth. I thought that was interesting.

Here is another question. In the LMS space, are you a content company or are you a platform company? Sometimes you have to make a choice.

**DAVID JOO:**



We're an education technology company [laughs]. I think it goes back to what Bernard was saying. Companies evolve. Right now we are a content company. We're putting out great content and we have a very unique assessment technology. Will that be the only thing that we do? Will we allow other people to put their content on our product in the future? Probably not, but who knows? Where we stand today is we are a content company.

**NIKITA DESAI:**

This is a great question. Thank you Mr. [Hong]. As a start-up, you are seeking out venture capitalists to finance your operation. How do you protect your intellectual property while you are communicating with potential venture capitalists? Could you talk about some of the legal issues involved?

**BERNARD MOON:**

First of all, I don't think you select venture capitalists. It's really the other way around. I would say less than 2 percent of start-ups get funded by venture capitalists; so you're basically begging for money and you're just trying to hit everyone. It's not a matter of you being selective. If you're that rare repeat entrepreneur that's had three IPOs; then sure, you can select them and you just try to find someone that matches you personality-wise.

It's the other way around for about 98 percent of start-ups. You're begging for money anywhere you can get it. It's like a typical sales funnel where you're hitting a hundred VCs, maybe ten will respond and maybe one will invest. You're just hoping for that.

As for the IP question; typically people outside of Silicon Valley don't realize that for every one idea any one person has, there's probably fifty people thinking the exact same thing and there's probably ten people trying to execute on it. At that point it's a race to execution, so it doesn't really matter about patent protection for the majority of start-ups.

Also that's why no VC is ever going to sign an NDA. You talk to a VC based on faith and faith alone. You can do a little homework by checking out the venture capitalist's portfolio. You might see that they've invested in a direct competitor. In that case, you wouldn't pitch to them. But you do pitch to other people. You can't worry so much about IP and have that be the real differentiating factor. It isn't. It's all about execution.

**DAVID JOO:**

I think Bernard makes a really important point here. There is a real cultural distinction between Silicon Valley and other start-ups all over the world. I think a lot of it has to do with the evolution of the start-up community within Silicon Valley. This notion that somebody else already has the same idea you have—it's not the idea itself that's important. It's about how you execute that idea.

I have spoken to a lot of people in Silicon Valley. One of the things you realize is that people are very open about their ideas. *I have this great idea to do this*. At the end of the day, that idea may be great; but until you can actually take that idea and create a product from it; then that idea is meaningless. And by actually networking through that idea, you find the right partners and the right people to actually execute on that idea.

I tend to be much more open about what we are because it is about execution. Of those thousand things on your to-do list, which top ten things are you doing and are you making the right judgment by choosing those top ten things?

**BERNARD MOON:**

Look at examples of hot, crowded spaces. When YouTube launched, there were thirty companies trying to do exactly the same thing. How do you know who is going to succeed? If you asked the YouTube founders, they probably can't even describe their secret sauce. You can estimate in hindsight, but YouTube just took off from the other thirty. The same thing happened with online storage services like Dropbox and Box. Many of my friends passed on investing in Dropbox. No one knew. They said, "Oh, I don't know. I passed on it. It looked like everyone else." There were thirty competitors that were all the same, and it was all about that race to execution.

**NIKITA DESAI:**

This question is for Bernard. What makes or breaks a company? What is the key ingredient necessary for success?

**BERNARD MOON:**

At our stage, since we do look at very early-seed or later seed-stage companies, I think it's what they say about their team, their product and their market size. The market size is mostly a given. All these companies we look at are trying to target a big market and make a big play. For us, then, it really comes down to people: the people, the team, and assessing what type of entrepreneurs they are.

My co-founder Jimmy always likes to ask if these are 'ramen guys.' Are these guys willing to eat ramen for a year? How much are they willing to sacrifice? Also, are they flexible thinkers? I don't mean to stereotype anyone, but some start-up CEOs in Korea are a little more stubborn than I find in Silicon Valley. We also are looking to see if the principals are flexible in their thinking.

A great example for us is Memebox. It's a subscription e-commerce play which we were positive about, but we had some concerns because there has been a downward trend in that space in the United States. We actually told them we weren't big on that space. Right away the CEO responded that he was willing to pivot and willing to change.

Also during that initial feedback meeting, Jimmy told them he was concerned they had no mobile strategy for their product. They said, "We're on it," and by the next day they had mapped out a mobile plan. We like the type of entrepreneur that is a go-getter—people that are willing to run through brick walls yet are also flexible and willing to pivot and change their model. We also take a close look at the team in terms of their ability to execute, their chemistry, their background and again, their flexibility in thinking.

**NIKITA DESAI:**

Would you please join me with a round of applause in thanking our speakers today?

[Applause]