

Masters of Scale Episode Transcript – Adi Tatarko

“Frustration is your friend, w/Houzz founder Adi Tatarko”

[Click here to listen to the full Masters of Scale episode featuring Adi Tatarko.](#)

KAREN KAVETT: The Puzzler: a jigsaw puzzle of a jigsaw puzzle. The cut in the image isn't how the pieces are actually cut out, very confusing to look at. The first third of the puzzle took me literally all day, probably like eight hours. The second third of the puzzle probably took me two hours. And then the last third probably took about 15 minutes.

REID HOFFMAN: That's Karen Kavett, known to her hundreds of thousands of YouTube subscribers as Karen Puzzles. Her channel is dedicated to – that's right – watching Karen complete jigsaw puzzles.

Some of these puzzles are so fiendishly difficult that they can take Karen days to complete.

But Karen has no problem letting her viewers see when she hits a wall of frustration. In fact, it's something that helps bind the community together.

KAVETT: My audience loves to see me frustrated. They love to see a puzzle that gives me a lot of trouble that I'm just having a breakdown over. And of course, I amp it up for the camera, like everyone does on YouTube. I think that's a way that I've taken the frustration of some of the harder puzzles and turned it into a product that people want to consume.

HOFFMAN: Hundreds of thousands of people consume Karen's jigsaw puzzle videos. And because of this, Karen puts extra care into turning this frustration into a product.

KAVETT: I know which ones will be frustrating. And I want to do something that's a little more interesting and different.

The things that make jigsaw puzzles frustrating is when you can't trust that the piece that you're putting in is correct. When the shapes of the pieces are so similar to each other that you put a piece in the wrong spot, and you think it's correct. And then later down the line, you realize that it's wrong. And then you second guess every single other piece that you've put in.

HOFFMAN: We usually think of frustration as a negative thing. But solving a frustrating situation can be cathartic, especially when you share the experience with others.

And frustration is something you should be attracted to as an entrepreneur because it is often the first sign that there is a problem that needs to be solved.

But for a truly transformative boost, you want to build a community that is brought together by your solution.

That's why I believe you should embrace frustration because its flipside – opportunity – can be a shortcut to scale.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe you should embrace frustration, because its flipside – opportunity – can be a shortcut to scale.

Imagine the scenario: you're in the middle of a gruelling day of back-to-back meetings, and your blood sugar is running low. During a precious five-minute break, you rush to a vending machine, feed coins into the slot, punch in your selection, and watch as the coil turns and whirs your snack forward towards its inevitable encounter with gravity.

Whir. Whir. Whir. KERCHUNK.

Instead of falling into the delivery bin, the snack is caught at the end of its coil, mocking you.

You can take the path of avoidance, turn your back on the machine, and find another food source. You could take the path of anger, rocking the machine in an attempt to dislodge the snack. Or take the c'est la vie approach, and just accept that sometimes vending machines will be vending machines.

But then there's the entrepreneur's approach. The experience might lead you to make a better vending machine. Or a totally new, even more convenient, way of delivering snacks to the hangry masses (for example: tactical Kind Bar-depositing drones, anyone?)

However, I'd push you to go even further. If your frustration-lancing product simply solves a problem, then it is simply a tool. But if your product flips that frustration-point on its head in a way that delights and brings people together, then its potential for scale is increased by orders of magnitude.

To show you what I mean with a real-world example, I spoke with Adi Tatarko. Adi and her husband Alon Cohen founded the online home-design site Houzz, as a direct result of their own frustration. They were trying to renovate their new home in Silicon Valley. What they were expecting to be a joyous experience turned out to be filled with frustration – from coming up with designs to finding the right professionals to help them realize these ideas.

So they started Houzz, H-O-U-Z-Z, as a way to find and share home design ideas. It has since grown to a bustling platform and marketplace with over 40 million users, bringing together people who are renovating their homes, designers, architects, and craftspeople.

Adi and Alon first came to the U.S. for their honeymoon, after marrying in Tel Aviv. They began dreaming about moving to the U.S. but quickly discovered a point of contention in their new marriage: East coast versus West coast.

ADI TATARKO: Our reaction was so different to it. Alon said, "Oh my goodness, look at all these companies. You drive on the 101. It's like in the movies. Oh my goodness, this is so awesome." And I said, "Don't even look at me, over my dead body." And he said, "Why?" I said, "This is the suburb. No, if you want to ever move to the U.S., it's going to be to the city, to New York, not here. Don't even think about it."

HOFFMAN: For Alon, Silicon Valley meant limitless opportunity. For Adi, it meant stifling suburbia. When they decided to leave their tech jobs in Israel and move to the U.S. a few years later, New York won out.

TATARKO: It was such an amazing experience because we did everything that we dreamed about. We only ended up living there one year, but we said, "We're not going to go back to the same restaurant the whole year. Let's just try different things. Let's just go as much as possible to the theater, to museums, to the symphony, meet different people, meet different friends."

HOFFMAN: But Alon still yearned for Silicon Valley. Adi agreed to make the move on one condition.

TATARKO: "I'll do it if you're allowing me to get out of tech. I am done with it." He asked me why, and I said, "Look, I'm working 16 hours a day, and it's around the clock. I want to have a family. It's impossible to have it all. So I'm going back to school. I'm going to have a little bit of a different career path. I want to study financial planning. I want a life that will allow me to have kids and a career without killing myself."

HOFFMAN: Adi put aside her frustrations with suburban living and embraced it. They bought a house.

TATARKO: We are going to create this beautiful house that we will enjoy entertaining and raising the kids and all of that. We started working on this project, and reality was so far from this dream. I always say it was almost like a nightmare because we were trying to explain to professionals what it is that we want to do. We didn't have the language. We didn't have the money. So when we ended up getting plans, we couldn't afford doing this, not even that we liked the plans that much. So we were very frustrated from the process.

HOFFMAN: Here's where Adi and Alon could have just accepted that frustration – as thousands upon thousands of other people have done. Renovating and redecorating is a famously frustrating process. You need to decide exactly what it is you want for your property – this

involves time consuming research. Then you have to decide which parts of the project will require professional help, and then find the right contractors. You then need to communicate your vision to them, figure out supplies and costs, and then manage the project, including delays, cost overruns, and compromises to your vision.

But not Alon.

TATARKO: Alon, with his practical, technical mindset started looking into, okay, there must be a better way of doing it. The more he explored, the more he realized there wasn't.

HOFFMAN: Most people grit their teeth and push through the frustration. They don't even imagine there could be a better way to do things. They just accept it as one of the many frustration points they just have to live with. But this frustration is the bedrock from which so much entrepreneurial invention springs.

TATARKO: And so that prompted this original project. Again, there wasn't a company, no investors, no other people, and we were working full time. But the idea was, well, if everybody is complaining, and we want a better way to do it, then we better do it ourselves.

HOFFMAN: Adi and Alon wanted to find a way to preserve the initial enthusiasm they had for their renovation project right through its completion, rather than seeing it wither up in the face of frustrating reality.

They knew that people love planning and talking about their interior design projects long before they embark on them. So they set up a website that would let them – and other users – collect and share pictures of interior design inspiration.

TATARKO: I say, "Okay, let's talk to homeowners, let's talk to professionals, see if it's really something that everybody would enjoy collaborating around." It started with a community here in the Bay Area. The first users were 20 parents from our kids' school and architects and designers from the Bay Area. Before we knew it, we found ourselves working nights and weekends, put the kids to bed and responding to support@houzz.com.

HOFFMAN: What was really smart about this initial move was not just that it created a community of people who would help build one another's enthusiasm for their home renovation projects.

It also encouraged designers, decorators, and other professionals to share images of their work. Enthused homeowners could reach out to these professionals and enlist them in their projects. This in turn attracted more professionals to the site.

Houzz had turned a classic frustration point into a joyous sharing of ideas, recommendations, and business. But Adi didn't realize the scope of Houzz's appeal until she got a call from a friend who was among the very first Houzz users.

TATARKO: She said, "You won't believe what just happened." And I said, "What?" She said, "You have to see it." I said, "Okay." And she said, "My sister." I said, "What about her?" She said, "She lives in Oregon, and she just got a house, and it's a fixer-upper. Her realtor told her that she has an amazing tool she's going to connect her to to take her over the entire remodeling process."

HOFFMAN: That tool was Houzz.

TATARKO: It was all growing by word of mouth. But that was the first story when I realized what word of mouth means. That was amazing.

HOFFMAN: Many, many people shared the same frustration that Adi and Alon had faced. So when some of these people discovered Houzz, their frustration was flipped to delight. And this meant they told other people in their networks about it.

TATARKO: We built it in the community for the community and not as a company. So the idea from the beginning was, "Okay, we are the homeowners, we are the first users."

HOFFMAN: Adi decided to reach out to the contractors using Houzz – architects, designers, and artists – to see if there was a similar enthusiasm.

TATARKO: The interest was very mutual from the beginning because the frustration but also the opportunity lived on both sides. So when we as homeowners said, "We want to do it, but we want to do it right. Teach us, educate us, give us the visuals and explanations and access to what exactly we need here," the pros said, "Educate these homeowners and connect us to those that really understand what they want and why we are a good fit for them."

HOFFMAN: Houzz went beyond the classic entrepreneurial move of solving a frustration point for one group of people. There was frustration on both sides of the house renovation equation. And these frustrations were two sides of the same coin. What Adi and Alon did was alchemy, fusing these two sides to form gold.

But what about when customers come to you about a frustration point that they have hit with your product? Often, this is the kind of frustration you want to avoid; you want to be solving a pre-existing frustration point, not creating a new one.

However, sometimes a customer's frustration with your product will actually show you that you are on the right track. This is what Eventbrite co-founder Julia Hartz discovered in the early days

of the ticketing platform. I spoke with Julia about this in our episode titled "[Let Your Customers Be Your Scouts.](#)" Let's listen...

HOFFMAN: You got an angry phone call, or maybe it was an email, from a customer who was very irritated that Eventbrite had its listing far above the actual event description, that customer's own event listing.

JULIA HARTZ: She said, "When you Google the name of my company, the Eventbrite listing is coming up higher than my own website." I remember I had one of those headsets because it was a customer service department. I was walking around doing like victory fist pumps in the air because I felt that sense of "I figured it out. I did it. I actually did it."

Then, the next thing I could think of to do was to teach her how to do it the way I had done it, and how to optimize her site, and get her back to the number one organic search result for her own company. But that was just one of those moments where we knew we had something because people were organically adopting the platform outside of our own community.

The notion that we have all this great user-generated content with links in and out. This isn't any color of hat tactics. This is just who we are, and with three million events last year, that's a lot of goodness.

HOFFMAN: This angry customer call had Julia fistpumping because she knew its wider significance. Of course she wasn't pleased that her customer was frustrated. But she was pleased with what it signified: her SEO efforts were paying off. Google was seeing Eventbrite as the go-to for event listings and ticketing.

Now let's shift back over to Adi and Houzz. It wasn't just proving a wild success in solving the frustration points homeowners faced when they wanted to renovate. It was also helping the other side of the marketplace – the contractors.

TATARKO: So for the professionals it was from the get-go, it's an ability to build a brand in a way that never existed before. This is not a blind connection to somebody, this is a true prestige – this is how they refer to it – way to build their brand in a very effective way, and on the way educate the relevant clients that will connect to them. We have to have both sides in order to create that magic.

They uploaded their portfolios one after the other. Each picture was connected to the rest of the house with all the data attached to it; cost, materials, what they used, how they thought about this space, why it worked.

HOFFMAN: This is what got the magic of the network flywheel spinning. For homeowners, it was the ability to enthuse with other homeowners over their design ideas, and then connect with

contractors to make them a reality. For professionals, they now had a totally new way to build a brand and lasting connection with a far wider base of potential customers. Houzz had, in short, taken frustration and flipped it into multiple opportunities.

However, the huge potential wasn't immediately apparent to Adi.

TATARKO: There was a certain point where I remember us thinking that this is pretty much it. I think we were around 20,000 users, and it got stuck there for a while. And we thought, "Okay, so maybe this is the potential of it. It's expanded way beyond our original community but that's the level of interest."

HOFFMAN: This is a plateau that many founders have reached – but that a relatively small number have crossed. It's a classic point of frustration. But when you have had organic scaling to the degree that Houzz had, this is a sign that you can push things much further.

TATARKO: But then we looked at it again, and we said, "No, it can't be because it expanded in so many different directions, so each one of these directions can expand and scale so much more." But you have these moments where you look at it, and you said, "So this is it?"

Frankly, you don't have the ability to invest much more. There are no other people working with you. There is no money for marketing, so all the exploration needs to happen with: Can we expand that love? Can there be more people that would love this? Is that going to grow?

HOFFMAN: And this is an important way to think about scale potential when you've reached your bottleneck.

I like to call it the taxonomy of scale. Just like the tree of evolution, it's not linear. There are branches, dead ends, and narrow passages that will suddenly open up to grand vistas. Traversing it can be frustrating. Adi's solution is ... to think like a frog.

TATARKO: You know these two frogs that fell to a bucket of milk, and they start jumping. That's natural, you don't want to drown. They jumped and jumped. One of them gave up at some point and unfortunately just died. But the other one didn't lose hope, and she kept jumping and jumping and jumping until the milk turned to butter, and she climbed on it and got out of the bucket.

HOFFMAN: So they kept jumping.

TATARKO: If you have the mindset that something big is there waiting for you and you have the conviction in this, you can't give up.

We had so many levers there because we were growing the community on both sides in parallel. There were homeowners sharing the love organically, and there were professionals bringing other peers from the same industry and other industries, and it came from different cities. We realized that we can be in each one of these levers a little bit more proactive in the way we do it, both with the product and funnels there.

HOFFMAN: By pressing on those levers – and continuing to jump – Houzz unlocked its next wave of growth. Twenty thousand users turned into two-hundred thousand, as solving multiple frustration points spawned more love across the community.

TATARKO: This love is not something that you can buy or replicate. If it's there, it's our job to identify how to continue scaling this and not give up.

HOFFMAN: But love alone wouldn't be enough to propel Houzz through the next bottleneck. A new frustration point was looming.

[AD BREAK]

HOFFMAN: We're back. Before the break, we saw how Houzz had solved the frustration point of two groups of users, and this had sparked rapid organic growth to 200,000 users. And this was how they intended to continue until Adi spoke to an entrepreneur friend.

TATARKO: He said, "Listen to me, if it scaled at that level without money, what's going to happen is pretty quickly others that will see this opportunity will raise money, and that will be a race, and you're going to lose your momentum. You need more engineers, you need more money, you need the ability to scale it. You can't do it with just both of you. Go and bring money from investors."

HOFFMAN: And this is the problem with turning a frustration point into an opportunity – that opportunity is now open to everyone, including your competitors. So Adi, who had declared she never wanted to work in tech again, decided to put her own frustration aside.

TATARKO: The one thing that I learned: never say never, stop making these declarations, always look at opportunities when they come your way, and make the best decision from that moment going forward versus just justifying what you said in the past.

Yes, I did say I don't want to move to the Valley. I did say I don't want to work in tech anymore. I did say I don't want investors there. I basically went against all these saying, and only good things came out of it. So be open-minded to change, and stop making these crazy declarations. Be open.

HOFFMAN: Well, it's because you're smart and you're a learner and you saw it, and also it was something you loved. It was like, look, this is actually a part of culture. It's part of people's identity, part of the place they live. In Maslow's hierarchy of needs, that's very

fundamental. I don't think you could have been persuaded to come out for enterprise software company number X, it's like, "No, no, no, I'm totally good where I am." But something you love is totally different.

HOFFMAN: Houzz had a huge – and unexpected – head start thanks to its growth powered by solving these frustration points. But now they needed to move quickly to maintain their first mover advantage – and to scale this advantage.

So they went to investors.

TATARKO: When we talked to investors, we already had hundreds of thousands of homeowners and thousands of professionals that dedicated their time to upload portfolios and were engaged in the community. The investors said, "Oh my goodness," exactly like this, "Oh my goodness." Our first investor will say today, "What I saw was, well, if this is what this couple is doing at their spare time when they put the kids to bed, imagine how much more this can scale? The idea is definitely working without marketing or dollars behind it, and they obviously proved that they know how to do something with it."

HOFFMAN: One question they hadn't thought much about was how much to raise. Up to now they had been working on a bootstrap budget in their spare time. So Adi went back to her entrepreneur friend who had initially suggested she seek investment.

TATARKO: Now, us being so frugal and running it just paying for service \$2,000 a month at the peak, we thought, "Oh my goodness, can you imagine how much we can do with \$1 million?" Again, the mindset and the Valley didn't look crazy like it is nowadays. \$1 million for us was, "Oh my goodness, what we can do with \$1 million" His advice was to ask, "Well, if you think that you want one million, at least raise two. You never know." So we ended up raising \$2 million. For a long, long time, the money stayed in a bank. We were very, very careful.

We got the money pretty quickly. We couldn't believe it. Six, seven months later, Sequoia joined at 10X of the first round that we did. We felt so blessed and fortunate.

HOFFMAN: Funding in hand, Adi and Alon were now ready to push their scale advantage. Alon focused on the tech while Adi focused on Houzz's community of enthused homeowners and professionals.

TATARKO: One thing I said, "Bringing the experts that will see the future and the vision of: How do you leverage content for community in a very different way? How do you take the data that we have and give it back to the community so that it'll come back even more?" So I actually expanded on both front, bringing folks on the editorial and content front and community builders front.

HOFFMAN: Houzz brought together people who had been frustrated trying to realize their dream homes, and transformed the process into something fun.

TATARKO: In fact, until the end of 2012, there wasn't even one finance person in the company. I really, really focused on, "Let's continue expanding on this community, synergy, flywheel, professionals, homeowners, and the content we create with them and for them."

HOFFMAN: Houzz leaned into this flywheel by identifying and solving even more frustration points. These included a tool that let people project the total costs of their renovation – based on information crowdsourced from the community, and a tool for professionals to create websites based on their Houzz profiles.

And these frustration points, it turned out, were global.

TATARKO: In 2013, we actually noticed that about 30% of our audience, both pros and homeowners, are coming from countries outside of the U.S. It was very interesting because from some countries the proportion between homeowners and professionals and that flywheel of creation of content and uploading portfolios and providing data and homeowners engage with it is very similar. That was very interesting.

HOFFMAN: Adi discussed the international growth with one of their board members, Alfred Lin of Sequoia.

TATARKO: I remember his thought of, "Look, there are great companies that are not global. There are great companies that are global. Global is not a must-have. Even if we go global, nobody says it needs to be at a certain moment in time."

HOFFMAN: This is true, you never have to go global. But if your growth is based on compounding network effects, growing that network beyond your home country's borders will be a net gain for you. And if the frustration point you're solving is universal, then you stand a good chance of replicating your success. Adi and Alon could see the potential from their user stats.

TATARKO: In board meetings we kept bringing up the stats and not pushing to do it, but saying, "Look, it's there. At some point we will need to decide: are we going to be global all the way or are we just going to keep the U.S. platform open to everybody but not go all the way with localization?"

I was also pregnant when we had to make this decision, which was kind of, "Wait a minute, what am I doing here? I'm pretty controlling here. If we do it, I actually want to go there to all the markets and meet with the professionals and understand it all the way and choose the team members. Wait a minute, I'm pregnant, I'm about to give birth, so how is all this going to work together?"

But at the end of the day, if you feel that something is right, you go ahead and do it. I did give birth to our third son at the end of 2013, and we ended up launching our first countries outside of the U.S. mid-2014, and from there every year added more countries. I ended up traveling with that baby, and we are closer than ... Any imagination you can have of how this is working, a mom flying with a baby all over the world, but it worked. He's a happy child, I'm a happy mom, and international is one of our greatest pride in this company.

HOFFMAN: Adi was right to trust that feeling. Because going global compounded the network growth effect. There was a self-reinforcing loop driving Houzz international – homeowners wanted more international inspiration; designers wanted more opportunities to work on a broader range of projects.

HOFFMAN: One of the other things that I don't know but I speculated as watching your guys' amazing entrepreneurial journey from outside was that you actually had one of these benefits where you actually had an increasing compounding value to the product and the community from going global. For example, U.S. folks might really like European designs or Asian designs or this really interesting new set of design happening in Scandinavia could be really good in Sydney or that kind of thing. Did it play out that way?

TATARKO: We always thought of our business as a business that will have a lot of impact on local professionals, right, because in nature this is a local thing. But then you discover that design is crossing borders, and people want it to cross borders. It started even before we turned Houzz into a company and raised the first round where we got the initial feedback from the community members, and we said, "We are tired of seeing these Bay Area houses. Show us what's going on in Milan. Show us what's going in Sweden. Show us."

HOFFMAN: Note the frustration point – people weren't just frustrated by the process of renovating their homes. They were frustrated by the choices available to them. But this had another knock-on effect.

TATARKO: What we didn't anticipate beyond the inspiration and the global community growing is that people not just literally leverage the pictures to get the ideas and transfer them crossing borders, but also the services and the products and materials will cross borders. And this is absolutely not something we anticipated.

I think when we started hearing stories from our professionals in the community that they were hired to do landscape design in Dubai, flying all over to Australia, between countries in Europe, being hired remotely to do things, a pro in Australia being hired by a husband and wife in Singapore that are planning to move to Australia, so everything is being done remotely.

HOFFMAN: Before, hiring someone from the other side of the world to design your window sashes would have been an expensive, time consuming, and frustrating process. But now, homeowners could easily seek out and hire contractors from the other side of the planet.

TATARKO: I know of an architect from Japan that did work for a homeowner in Portland, Oregon. Why? Because he wanted the Japanese home, and he said, "I should go to the source and hire those that know how to build Japanese homes and Japanese gardens and all that." Yeah, you can go that far to get exactly what you want. It's all possible.

HOFFMAN: Houzz had solved multiple points of frustration in the home renovation market for multiple stakeholders and flipped them into opportunities, even internationally, powered by the community it had built.

Adi and Alon know that this is key to powering their growth, which is why they continue to build out new opportunities. Their latest initiative – Houzz Pro – is both a natural extension of their efforts and a whole new innovation. Houzz Pro is an all-in-one tool for marketing, project, and client management built specifically for remodeling and design professionals.

TATARKO: You know what, Reid? I want that transparency. I don't want the unexpected items that will find their way to, "Oh, that wasn't included, so now pay \$5,000 for it." I want every single item to be listed, and I appreciate it when it's listed. Then I can decide I want it or I don't want it.

I want to know exactly when I need to pay, for what I need to pay, who else is going to come next, when they're going to purchase for me. And so that control and transparency when it comes to such a huge project is important to me as a homeowner as well.

I think for the professionals, it puts them in a completely different league.

HOFFMAN: Whether you're a founder, an executive, an intrapreneur, Karen Puzzles, or a frog in a milk bucket, this is what you should strive to do: Approach frustration as a tool, as a signal of possibility. If you can look at frustration points from a completely different angle, a world of opportunity can open up.

I'm Reid Hoffman. Thanks for listening.