**Mike Knoop:** 0:00

To me, some of the companies in the mid-market and the growth stage are probably most advantageous because they are willing to take some margin hits to get growth, but they have a big enough distribution to actually bring some of the new AI and LLM products and services to their customers and actually get adoption of them. Their customers are willing to go wrong for the right and try new stuff that they bring to market because they trust that brand. We serve about over two million in the business these days. We have, you know, close to 10 million people who've used Zapier. I think, empirically, the thing we set out to do is where we found most of our success as well which non-technical employees are building these automations. We offer the software for $20 a month, and the reason we're able to do that is because over the lifetime of the company, we've been able to reach customers in a very low cost like user acquisition way through research and through partnerships. And in order to satisfy a user who's going to buy software for $20 a month, the product has to be really, really good.

**Craig Smith:** 0:54

Hi, I'm Craig Smith and this is my AI. This week, I talked to Mike Knoop, CEO and co-founder of Zapier, one of the leading business automation tools leveraging AI. I've been interested in Zapier for a while and why I tried to avoid having founders on the program. Simply because there's so many and it's too early in most of these companies' trajectories to know who's going to be around in 10 years. I was interested in hearing about Zapier and I thought you might too, so I hope you enjoy the conversation as much as I did. Before we begin, I want to give a shout out to our sponsor, youai. They're a fascinating company that does a number of things, but I'm most interested in their Mind Studio, which is a platform for building AIs on top of large language models that you can deploy for free or for profit. Think back to the days when smartphone apps were first getting started, and if you were able to have been among the first couple of thousand people to build a smartphone app, you would have learned a lot and may have earned a lot of money. So give Mind Studio a try. Visit youai slash Mind Studio to build your own AI today.

**Mike Knoop:** 2:30

Yeah, so I'm like one of the co-founders of Zapier background in engineering. I actually went to school for a mechanical engineering degree at the University of Missouri, Mizzou if you follow SEC football at all. And of the three co-founders, I have two co-founders, brian and Wade, and of the three of us, I'm the one that gets the card of saying I dropped out of college to start the company, though it was grad school, not undergrad, so you have to tell me how cool that is, craig. That doesn't make me not quite as impressive as it sounds, but I actually got into sort of startup stuff through the middle of college. I had always been working on sort of side projects, self-taught programmer, and did a lot of web development. I was really big on the Facebook platform when they first launched in 2009, 2010. So I got a lot of contract work that way in building like Facebook apps for sort of clients, and I got connected up with Brian. We all met at the University of Missouri, so all three of us went to the same college, though Brian and Wade are a couple of years older than I was and we all worked at the same company in Columbia, Missouri, which is where the university is. It's College Town and it's called Veterans United, and they did basically VA-backed mortgage loans and we all worked on the marketing side of that firm, building communities for veterans to exist, but basically like lead generation for the sort of loan generation side of that business. So we have sort of this like a marketing background and I was doing a lot of the Facebook stuff and we were doing all these like very we're kind of building the same thing with all these APIs. Like, I was doing a bunch of Facebook API stuff, brian had been building a bunch of stuff with like other third party SaaS APIs, wade was like using all of these things, and the event that brought us all together was a startup weekend actually in Columbia Missouri, the first one they ever helped, and Brian was the one who pitched the idea for this, which was API mixer, this idea that like hey, like APIs are really cool. They're starting to become more popular. Every business software seems like it's starting to offer an API. It wouldn't be cool if, like, more people could actually like to build with them. Though you know we were all three of the builders. We had to get a technical background. We're engineers, people hiring us to build these APIs. We thought like, if you need, if you could put, like you know, a user interface over the top of that and let business employees who are non technical be able to stitch together their own use cases for APIs. And so we got started separately and that was their initial thesis and very quickly we found, you know, I think, residents in the market and like to search for users who were wanting that. But that was the very niche genesis. The company was actually started. We can all go back in 2011.

**Craig Smith:** 5:03

And to my initial question, how were you then? How?

**Mike Knoop:** 5:06

old were you then? Oh, so I would have been 21, probably 20, when I first met Brian. We'd known each other. I'd known Brian for about a year before that startup weekend. I didn't know Wade, though I met Wade at startup week.

**Craig Smith:** 5:20

We found out we had a lot in common.

**Mike Knoop:** 5:21

We worked at the same company, but, yeah, that was the first event that brought us all together.

**Craig Smith:** 5:25

So, yeah, really, and so you started out as an API mixer. Does that mean to put it in sort of another way? I think of it as kind of an orchestration layer where people can pick and choose APIs that they want to integrate into their software, whether it's an app or something more internal. Is that essentially what it was?

**Mike Knoop:** 5:57

Yeah, you've got the right idea, at least broad the assist. The space that we sort of built the product in is not a new one. Integration has been around for decades. Before the 80s, 90s they typically required integrators. They had to go to a higher custom development shop. You had to bring in higher engineers, higher consultants who come in, look at the software, look at the tool stack used as a business and build a custom solution for you then and deploy it in your organization and what we were seeing was more and more line employees were going to places on the internet such as these like forums, community forums that were hosted by all these like new SaaS. Got to remember 2010. This was just the advent of the explosion of business SaaS software. So you could go find these communities of people online begging these SaaS, early SaaS providers for integrations with other software. So I remember that I started with SaaS. We found, you know, wufoo. Was this like forum software? You could find these threads on their user support forums that were 100 pages long with users that were just like begging them, like, hey, can you add a Salesforce integration or can you integrate with SMS or can you integrate with like this other Zendesk product that I have and these individual SaaS providers sort of are incentivized to build a few of those right Like, if they're smart, if they hit through a lot of users asking for the same thing, they're going to go build it. And so they'd prioritize the top one, two, three native integrations and build those. But because of this like it's honestly just like a math problem, because there's this explosion of niche SaaS software that's sort of a common here, common tutorial problem where, like every new app that exists in the world, introduces this edge between two apps. It's not going to be very popular except for like five or 10 people in the world. And so that was our thesis, it was like well, we'll probably never, you know, be able to compete with like those native top of head use cases that vendors are willing to build for their users directly. But if we could build a generic platform that covers the long tail, maybe there's a bigness, maybe there's enough of a product that people are compelled to use and there's a business sandwich is what ended up being true.

**Craig Smith:** 7:57

But it has evolved. Is that right? Because I don't subscribe to Zapier. I have heard a lot about it, largely from people that are pushing into your space and with the advent of generative AI, but my understanding is you're sort of an easier to use UI path that people can build automations with. Is it Zapier or Zapier?

**Mike Knoop:** 8:33

You got it Zapier, zapier makes you happier than the phone.

**Craig Smith:** 8:36

Yeah, okay, zapier makes me happier.

**Mike Knoop:** 8:38

But you know, as long as you're talking about us, I don't care what you call it. Yeah.

**Craig Smith:** 8:43

That people could build automations putting together APIs to different SaaS offerings. And there's a company called Bardeen I've had them on the podcast and there's a new one that I've actually been using and I'm not going to remember the name right now it's Pixie Bricks and these guys not entirely successfully yet, because you still need somebody on there and to walk you through how to do it right, unless you're a programmer that allows you to build these automations using different APIs. Yeah, and what I've been the big differentiator that I've been told between these and Zapier are that they are context aware, so I can build an automation that's going to read my open email and compose, using GBD4, of a coherent response, and that Zapier is really a trigger based platform where you build an automation that then is triggered by some event that doesn't have access to, that isn't content aware, so to speak. So maybe describe what Zapier does. If I've got it right, that is primarily for building up automations, how it differs from your iPad and how you see these new offerings, context aware offerings fitting into the market, whether you're going that direction and that sort of thing.

**Mike Knoop:** 10:52

Sure, yeah, so Zapier. It just says, like background too, we serve about over two million in the business. These days. We have close to 10 million people who use Zapier. I think, empirically, the thing we set out to do is where we found most of our success as well, which non-technical employees are building these automations. So we've surveyed our user base quite a bit and about four out of five would not self-describe themselves as an engineer or developer or technical. These tend to be folks who are still builders. They have a builder mindset. There are folks who live in operational roles sales ops, marketing ops, support ops, cs roles, management roles, folks who are looking across business processes and they're savvy enough with software that they're probably like power users of other software tools, but they don't self-describe in a technical way, which is the bread and butter folks we've re-reached, as I actually tend to best describe Zapier by actually showing these cases. It's a very hard thing to describe generically An automation platform Okay, great. What are the types of things you can automate? I can actually probably even do a quick little screen share and show you one of the ones that I use for myself here. This is a Zap that I have that allows folks to put emails in my inbox, draft outbox, basically to other folks on my behalf. Basically, this is one of those use cases where it's really really effective in CS and partnerships, where folks want to make an initial connection with somebody outside Zapier and they sort of want me to be doing the initial outreach just because they're going to be able to get a contact there at a higher rate. This is one of the things where most of the people in Zapier just don't even think to do this. It's like there's such an activation energy to ask Mike, like, hey, do you know anyone at this company? Can you send this message on my behalf so I can see if I can get a response? I set up this app that triggers. I set up a little internal form using Google Forms that whenever someone fills this out, it automatically puts a new draft email in my inbox, sent to the person that they want to send it to, with the body of the email they want to send, with the subject line, and then it notifies me in Slack, which is sort of what I use as my sort of daily operating system, just as, hey, mike, there's somebody else wants to send this email, click this link to go review it and gives me a chance to edit it, change the tone, make sure it's an email I actually do want to send and isn't just something that's not a great email to be sending to someone outside the company. This is an example of an automation that I have set up. I like to show it because I think oftentimes automation gets thought of in time-saving ways and certainly there are a lot of people on Zapier who use automation for saving time. I don't have to copy and paste stuff anymore or I can run this business process in a more automated, hands-off fashion. But I like to show these kinds of use cases too, because they're more zero to one. There's a lot of use cases on Zapier that just generally it's not like oh, did I do it easier? This just wouldn't likely have happened. I'm actually enabling people within our business in order to get more leverage by having me send emails and it gives them an idea. It's like oh, I can actually do that Mike's willing to send an email because he's got this system in this app set up to do that thing. The magic of Zapier obviously is we don't just support those three apps I showed. We support over 5,000 apps for pretty much any software use for your business. We have integrations with and you can mix and match and choose exactly what use cases you want there. I don't have to talk more about concrete use cases, but that's a broad pile of over.

**Craig Smith:** 14:14

Then I would imagine that you're integrating the chatbots that have appeared since chatGPT. Can you talk about this context aware as opposed to the trigger function that others are talking to me about?

**Mike Knoop:** 14:36

Yeah, I think the main thing I've seen folks because we actually have about 58 AI native apps using open AI chatbots, barred, clod, anthropic replicate, hugging face. There's a bunch of apps that are on Zapier now that we have integrations for. Back in March we actually called a bit of a code red moment for us. We realized, wow, language models are going to have a really significant impact on automation. In fact, I think to the extent that this term of AI and automation are mode collapsing into the same thing, ai has been clearly that is the term that business users are starting to understand in terms of software that can do things for me on my behalf, which I think is pretty cool. We see a lot of users start to prototype and bring language models into Zap. We've pushed our internal teams to try and discover those. If we want to be able to help our customers figure out what to use AI and automation for, we've got to be able to be good users of ourselves. I've got a really good close-up look at how folks are starting to bring out language models into automation steps. The biggest one is that there's probably two main things. One is there's a bunch of new capabilities that language models offer in a workflow that apps today, or workflows or even code, don't offer because they're extraordinarily rigid. You can think of writing a Zap building. One of those innovations is almost like writing code, in the sense that it's fragile and rigid. It's very prescribed to the exact trigger, the exact action and the exact way you want to map data from that input to that output. If anything changes, there's a good chance that that's apps going to bring, or that code you wrote is going to bring. It's quite fragile. It's not reliable or flexible. That's where language models get really, really cool is they are able to be a lot more flexible in terms of where they can sit in the middle of a workflow. Oftentimes we'll see folks insert language models in the middle of these steps in order to do summarization, text feature extraction, identifying, let's say, a good example you like. Take an unstructured lead form on your website where someone just writes in a paragraph of text about their problem. You want to be able to pull out the relevant features of that say, like their name, their phone number, their problem, how important is the problem, maybe even assign a priority to that lead. Then you want to put that in a structured format, maybe inside Salesforce or in a Google Sheet or inside of a Slack message somewhere that's going to go out to a team to kick off a process. That's a problem that's basically intractable with historical deterministic code or even Zaps up through a year ago. That's something language models do a really good job of is taking that unstructured content coming in through a workflow and extracting, summarizing, doing some sentiment analysis on top of that. Then being able to have that structure to kick off some internal workflow where the structure is required or necessary to do that thing. That's how we're using it largely. I'd say that's the head of the use case as well, and inside Zapier is. We just get, at this point, volumes of unstructured user feedback every day, either from sales calls, where those have transcripts, or from Zendesk issues, where we get thousands of new issues a day, or from product surveys that we send out on new features, where we're getting raw feedback from customers and users on new features releasing. Being able to have language models analyze, extract features and even apply time analysis to that by saying, oh okay, here's the top three issues from today, here's the top five from this week, here's the longest running issue from the last 30 days. Then being able to raise priority or bump priority by sending that to the right place inside the company is one of the biggest most general use cases we found that's giving us a lot of value for AI right now Going back.

**Craig Smith:** 18:18

You started as a platform for integrating APIs into software. Then you moved into being able to build automations or build software by putting together these APIs into a stack. Where is the AI for Zapier within that process, first of all? I mean, is there AI in that and now you're integrating external generative AI models into these automations, and are our business process automations the primary use case, or are there other applications that people are using Zapier for?

**Mike Knoop:** 19:16

Primary business automations and internal automations are the biggest ones. I think about that as the end of a business process or we're set up. There are some cool use cases. We have our own data storage mechanism as well, where we saw people using Zapier beyond business process stuff. They were using Zapier to prototype building products. There was this one that stuck with me from a few Probably the first one I saw which is like why it stuck in my head so much. It was called a sign felt text. This guy built a website using a static website generator. The website had a phone number and a strike form. You typed in the phone number and paid five bucks. The idea was a prank website. It would send a random sign felt quote to this phone number every hour for the next 24 hours. It was a college student or something like that. He was making some six legitimate money a few hundred bucks a month from this thing. The entire backend was entirely on Zapier. There was no actual code. He never wrote a lot in code. It was self-service website builders plus Zapier doing all the logic. It was a spreadsheet and it was used for the logic running and stuff. We've had quite a few users who've done really cool stuff, like where they start prototyping products and businesses using Zapier. It's an easier way to get started and show hey, is there value here, should I go hire an engineer and rebuild this? There was another story. I talked to A founder who I think was called Halo Cars. His name was Canaan. It was a startup out of New York. They were doing the advertising on top of taxis. They had a really heavy driver onboarding process where every time a new taxi driver said, hey, I'd like to put your hardware on top of my vehicle, they had a big intake process where they had to vet the driver and evaluate whether the car was good enough for what the signage was, and meet them and sign all the paperwork. It was a very manual, high-touch process. The first few people he obviously just did it totally manual. He's building a process. Then he immediately switched it over to Zapier to do all of the back-end automation for that entire process. He didn't have a human managing environment for himself. Zapier was basically proof of concept for his business. I think within less than 12 months he had sold the company to Lyft. I think he still works in the head of the media now at Lyft. Some really cool stories like that, where folks go beyond just it, goes beyond the time-saving, that's somebody who's going zero to one on an idea or doing something that they otherwise wouldn't have felt capable of doing. Those are typically the folks that I get most excited talking to, because they're usually the most passionate and excited about what they've been able to accomplish with Zapier.

**Craig Smith:** 22:34

Going back before the generative AI integration. What was the AI within Zapier? Or was there no AI?

**Mike Knoop:** 22:47

There were two ways language models get used on Zapier today. The first is we have customers bringing them into workflows themselves. That's the use case I was talking about for us, where we do customer feedback, summarization and feature extraction and route that to an internal modification store somewhere in the company. That's us as just an end user of the platform, picking off the shelf and saying, hey, I'd like to use this open AI completion step in the middle of a workflow in order to do something. That's like classic Zapier, but plugging in this new language model or AI capability into the middle of a workflow somewhere. The other place we're starting to explore we have some examples of data that's on our website. It's actually using LMS to help people build and discover use cases for Zapier as well. I think this is actually one of the things I'm most excited about and, frankly, bullish on. We've been at this problem for 10 years. How do you let non-technical folks effectively build code, write code? That's what Zapier does if you abstract it all away. We've been having that problem for 10 years. I'm proud of the progress we've made. I think we've reached more people than I thought we would at the very beginning of the business, 10 million folks. We've reached a lot of folks with this paradigm. I do think that we're hitting diminishing returns on. How many people can you reach by just blanketing nicer user experience and error correction and easier setup over the top of traditional deterministic software and code? At the end of the day, that to me does feel like oh man. We are hitting that diminishing spot where I just don't know if we're going to be able to get to, say, 100 million more users with that paradigm. Language models are the first thing that I've seen in a long time. That I actually think offers a step function increasing the amount of people that can actually take their squishy idea and business problem that's in their head, which is generally who's coming to Zapper. Usually, when most users who show up at Zapper's door have some idea of the problem I want to solve. It's usually not a totally blank slate. They know what tools they use, they know the problems that they're trying to solve for their business or their team or themselves. But they have trouble then learning okay, how does Zappier work with triggers and actions? How do I map my business problem or my problem into Zapier? And then I have to learn the software and I've built it myself. So there's these two really important moments where folks tend to get dropped off. Language models address both those things. It can help you translate that unstructured, loose idea in your head. If we can get that at least out of your head and on paper and in a text box, we can translate that into things that Zappier can and cannot do, so we can show you okay, here's what Zappier can do, we can solve that and here's what it would look like. And then, once they're like, great, that sounds good. We're using language models to ease the setup process then as well. So we can drop a user into a workflow that's entirely configured and entirely set up, where they just need to turn it on or I think in the ideal world they don't probably have to even deal with some of the complexity around building and setting up. It just feels like, okay, let's click this button and let's turn it on, that's it. So we're using language models to actually assist in the more top level of setup and monitoring. I call it the workflow lifecycle as well, and that's what I mean.

**Craig Smith:** 25:53

a lot of people are doing that sort of bolting on this conversational interface. So, with Zappier, instead of I mean again, I haven't used the platform, but instead of dragging or dropping or trying to figure out the order in which you stack APIs or that sort of thing you just state your goal in text through conversational interface and then does Zappier build an automation for you and then you work from there, or how does that?

**Mike Knoop:** 26:32

work. Yeah, that's right. That's one of the things we actually have on. Our onboarding experience is basically exactly what you just described. It's essentially an AI bot that we have grounded in a bunch of Zappier use case data. So we have like millions of use cases. We know what successful zaps look like from the last 10 years of experience, so we ground these bots in those use cases and then use that list of apps and the user's role, what company they work for, and match those up with use cases that we've seen to make recommendations. Then we drop them into a set of processes where the scaffolding is already done for them so they don't have to start with one campus, like what I was showing you on my use case.

**Craig Smith:** 27:10

Do you have something? I've used a product and I've had them on a podcast called Accio. I think they have a Zappier integration Very possible.

**Mike Knoop:** 27:23

Yeah, the 5000 apps. I've lost track of them.

**Craig Smith:** 27:26

Yeah, no, I don't expect to remember the specific one, but they're a no code platform where you drag your structured data in and drop it in, and then it analyzes the data and you decide. You pick columns within the data, for example, you train the model and then you tell it what you want to predict out of that data. I actually used it for horse racing. I did an article. Nice, yeah, pretty classic T&N use case yeah. It worked pretty well, except that, of course, most of the picks were the favorites and you can't make money by betting on favorites because the favorites don't always win. Then I lost access to the data. I really would like to go back and do it and then just bet on the long shots that Accio predicted would win, I think because it pays higher returns, that over time I would make money. It was really just an experiment, but do you have access to predictive models like that? Does Zapier itself have predictive models, or do you have access to sites like Accio, I imagine? As I said, I think they do have a Zapier integration. Where you're building something and you want to predict revenue going forward, that's one of the APIs that you pull into the automation.

**Mike Knoop:** 29:27

Yeah, we actually built an app called Lead. I think it's called LeadParser by Zapier. It's one of the more popular built-in tools that we offer. Where one of the common use cases around that business users often have, especially in marketing and sales pipelines you want to qualify leads when they come in or if you just get an email from someone, you want to be able to hydrate that email address into more relevant details and ultimately make a prediction score about how likely is this person to buy something from us effectively at the end of the day. We've got a tool that can do that. You can put the lead score in the middle of a pipeline where you collect an email address and get a score of how good this customer is for my business? There's a few products that I know of on Zapier. Madkudu is another one that does a very similar thing where you actually can train that. It's essentially doing lead scoring, but you can train it based on buying signals. You could actually associate email addresses with Stripe checkouts or PayPal purchases and they'll start building their own predictive model to say, okay, these types of people at these types of companies tend to buy at a higher rate. Let's give that lead a higher score. Essentially, we definitely have some folks who are into really cool use cases around prediction stuff, typically in lead management use cases.

**Craig Smith:** 30:42

Yeah, your space is getting crowded. You guys are one of the big players. I mentioned the UI path. I'm sure you're not eager to talk about competitors, but from people that have used Zapier, one of the advantages, I'm told, is it's a lot easier to use a UI path. You need less coding knowledge, yeah, but how do you see that market evolving, particularly with you.

**Mike Knoop:** 31:16

I think there's like yeah. Well, maybe I'll start with this. I think one under-appreciated innovation of Zapier is that it's fundamentally like a business model innovation. We offer the software at $20 a month. The reason we're able to do that is because, over the lifetime of the company, we've been able to reach customers in a very low-cost of user acquisition way through search and through partnerships. In order to satisfy a user, an end user, a line employee of a business, a prosumer who's going to buy software at $20 a month, the product has to be really, really good. So I actually think Zapier. When I think about Zapier's business and product, I tend to think about it more like a consumer business than I do a B2B business, even though most of our users are in use cases, and are in a business context. But the way that we tend to think about Zapier from a funnel standpoint is like we're reaching a lot of folks, millions of folks, every single month. How do we shepherd them down the funnel through, finding a use case, getting that turned on and working for them. That's like getting them to ah okay, my first task is on me, because that's what I haven't done anything useful for you if we don't actually automate something. So I think it's underestimated just how much different Zapier's users are than almost every other company that focuses on automation. I'm not aware of another one outside of yeah, really outside of anybody who's like focused on sort of and has made as much debt with the user segment we have, largely because of the easy use of the software and the price point we can offer that. So it's always just reaching this like an underserved segment of the market, I'd say, and still underserved. When I talk to our users about alternatives, most of our users don't have alternatives. It's not like oh yeah, I put Zapier up against these three or four other options and I chose Zapier. Most of our users don't have an alternative. They're like I just didn't think I could do it. I'm not technical. I don't have a budget to hire an employee. I can't hire an engineer to go do this stuff, like it's very much going from zero to one for them and sort of their business or their team, as opposed to I've got a bunch of options out there and I'm picking the best one for my sort of business at this point Right, except that with generative AI that's changing, because you can go on.

**Craig Smith:** 33:35

You don't necessarily trust chat, gpt, but you can go on Bing and say that you want to build an automation that integrates these, that does something. It'll give you that, step by step, you better have the right code. That's right.

**Mike Knoop:** 34:01

Also very impressive capability. Yeah, that's effective with what Zapier does. It's like translating user problems into code and we're hosting it running for you, right.

**Craig Smith:** 34:11

I mean, I haven't fiddled around with it recently, but my experience in having an LLM right code has not been very successful for anything of any complexity. Maybe that's getting better where there are, and if you know of some, I'd love to hear about it.

**Mike Knoop:** 34:31

They're really good at writing blue code, which is what Zapier is. There's definitely a lot of overlap in the types of code that users would try to build or use that right Zapier for with it. I've definitely seen some examples that are pretty impressive. I wouldn't say they're human-level yet but given other turn-or-to-a models, I think it's going to be there.

**Craig Smith:** 34:50

Right. Given that, how does Zapier compete when suddenly everybody who has one is up? Yeah?

**Mike Knoop:** 34:58

I'll tell you that you threw away any forecast about our business 18 months ago. I honestly believe, like Zapier, we're either going to figure this out and we're going to be one of the folks that helps bring that new paradigm to tens of millions, hundreds of millions of more actual customers and users, or we're going to decay into irrelevance. I would really like it to be the former. We're going to try our darndest to help folks figure this out. This is what I've been spending my entire summer on, like going and talking with a lot of customers and trying to figure out what are you using AI for? What aren't you using it for? What are your blockers? What is the cut through the height? Basically, the thing that I see is like there is a huge awareness about AI language models. Chat with the open AI amongst business users. Actual adoption of real use cases is like less than one or two percent really, really, really low. That to me, there's like this huge gap in understanding. What can I use the technology for? What? Do you have to learn what it's good at and what it's bad at in order to pick the problems that you have to say, okay, I'm going to go solve this one, but not this one. I'm going to try and solve this problem with 60 percent completion, because that's all that just sort of technology can do these days. I think there's like one of the things we've been really focused on is like okay, can we sort of help be a shepherd for our users and customers around navigating the sort of problem space of what can the language models do? What can it do? How do I actually get that set up and turn on for me and my business and actually give me sort of start getting the ROI and like positive benefit? I think everyone has this uncertainty of like who is AI for? Who's going to use it? What use cases are going to sort of emerge from? I think we started to figure that out Exactly. We have over close to 50 percent of our internal employees using AI language models daily workflows now. Yeah, so like we're starting to lean on our own expertise and usage to help our customers figure that out, yeah, literally. Yeah. I think we have to try. Otherwise, I do think we will likely decay into sort of the relevance of the folks with catching up.

**Craig Smith:** 36:58

Yeah, that's interesting, that whole question of penetration and dissemination, or dissemination and penetration and technologies generally. You know there are the early adopters that get very excited and then the general population, whether it's business users or the public, take a lot longer to really start using the product. But that said, I mean, for example, the internet took a fairly long time for adoption. I was in the New York Times, the O195, Google in 2004,.

**Mike Knoop:** 37:45

Right Like almost a decade.

**Craig Smith:** 37:47

That's right. And did you say AOL? Because I was going to say that I mean that's kind of the caution. I mean they made a lot of money. But AOL made it easy for, you know, my mother to use the internet. She didn't have to think about it. There were no confusing DOS codes or popups or anything and people hung on to that for a very long time. My older brother still has an AOL email address which is, you know, really dates you, but in the same All the name users are.

**Mike Knoop:** 38:33

For a long time. In fact it was a funny anecdote AOL and semester was one of the first apps we built on Zapier. For a long time it dominated the Because we had our apps sorted in alphabetical order on our homepage. It was like the top left app, which was just sort of hilariously naive in retrospect about what people actually wanted to use automation for in a business context and we were promoting AOL as the top left corner. But it definitely holds a spot in my heart.

**Craig Smith:** 39:03

But as the adoption of the internet and other browsers and products made it easier and easier to use, it kind of Well, it didn't. Kind of eclipsed AOL, which became kind of a dinosaur. So that's what you're talking about, or rather, you have to. You're early, but you have to innovate in order to stay at the cutting edge of that adoption. Is that right?

**Mike Knoop:** 39:37

It's interesting to think about the AOL, because I haven't done a lot of thinking like how did AOL come to get replaced? You'd think that they should have been, like still should be relevant at this point, like given how much dominance, at least in the US, like internet space, and like it does seem like Google basically replaced them right, like there was this transformational shift in the maybe matter of information that existed on the internet and what people actually wanted to use it for, and Google figured out how to serve that user need in a way better way than AOL did. But like boy does it seem like they sort of Definitely something surprising happened there in terms of how they sort of lost the lead that they did. But I do think it goes to show that story of startup to finding success, massive penetration, massive traction. Rest on your laurels, don't continue to innovate. That's like the story as well this time, basically in terms of like why startups even can find wedges against big company players. There's like a lot of natural just forces sort of working against them in a lot of ways Legacy, momentum and customers. Nonetheless, I definitely think you have to like to find weird ways to continue to innovate over time or decades if you want to keep growing. Actually, internally, I actually wrote a, I actually spent some time on this. I have looked at companies that have continued to find sort of like decade on decade success in the cloud software industry and I try to separate them into companies that it'll be a little spicy. Take some strong opinions on this and here's like a good set that have continued to find decade on decade to cut against submission. Here's ones that did, and the ones in my good list are probably ones you do agree with things like Atlassia and Salesforce, things like that. On the bad list I had things like GitHub and Slack and you might say, well, those companies existed for billions of dollars. How could you argue that those are sort of not successful? But if you look at like their sort of total enterprise value, which is a crude proxy for sort of mission success but it's the best one we probably have, so let's use it you see those companies basically flatline a few years before they implemented and got acquired by Microsoft and Salesforce in both their cases, and the reason why they couldn't continue to get independent sort of success and it was because I couldn't reach more customers. They didn't get brought in these bigger distribution portfolios in order to reach more end users. I went and did an analysis. You set these companies and just look at their home pages side by side, set the GitHub and Slack's home pages against the Stripes and the Atlassians, and just side by side. There's one really really obvious thing that stands out, which is the like getups of the world and Slack's of the world. They have one product and they sell features. That's how they talk about themselves. It's a singular product, it's a singular thing and here's all features we support, whereas if you go like Atlassian and Stripe and HubSpot, they sell products. They have made room in their like brand architecture, their like understanding of who they are to make space for them to be able to deliver multiple products and services to the world. Now, obviously, those are like unevenly allocated. It's like, yeah, they probably have two or three of the best ones at all the moneymakers and they're just kind of aren't quite as successful, but like they had to try and that's the reality around. Like startups, you have to try a lot of different stuff to find the one that works. And that's what most stands out, I think, is these companies that continue to find decades of success just keep finding ways to push new products and services that are useful to the world, and it shows up in sort of the home pages.

**Craig Smith:** 43:05

Yeah, you mentioned early in the conversation sort of a combinatorial explosion. I just wrote a short piece for Forbes about business. Users are overwhelmed and soon to be even more inundated with new offerings as well. Yes, I've heard that all summer. Yeah, because everyone's busy. There's a billion AI startups.

**Mike Knoop:** 43:37

Yeah, that's right. And actually there's this question of like well, AI startups win or incumbents will win, Like how will the value be distributed across that spectrum? Here's my take of what I'm seeing so far is I think startups are going to have a really really tough time because they're undifferentiated enough and they don't have distribution advantage, so they're not like able to get these photos and most consumers minds there's just too much noise for them to make a smart selection. So paralyzing that's a great choice, Exactly. And then on the largest incumbent and the Googles of the world, the Microsoft of the world, they take a huge margin hit on deploying AI. Yeah, effectively, it's AI's margin destruction for a company like that, and that's why they've sort of been as slow as they have, probably Google, to name the most. It's one of the reasons they've been as slow as they have to start deploying this stuff particularly in the search cases is like that's their moneymaker. So like even one, two, three percent loss and sort of margin there they're really really a big deal. You're talking tens of billions of dollars. So I think so you're going to see like slowness and sluggishness on some of the largest end and, to me, some of the companies in the mid market in the growth stage are probably most advantaged because they are willing to take some margin hit to get growth but they have big enough distribution to actually bring some of the new AI and LLM products and services to their customers and actually get adoption with them. Their customers are willing to go wrong for the right and try stuff that they bring to market because they trust that brand.

**Craig Smith:** 44:53

From the consumer's point of view, though, how do you deal with that paralysis? What would be your advice? I'm a consumer, and Zap here is a good example. I've heard a lot about it. I've heard a lot about Pixie Bricks. I've heard a lot about Bardeen. I've heard a lot about UiPath. I haven't really put my toe in the wrong on any of them, because it's just I don't know which one I should. I'm busy anyway. Yeah, yeah.

**Mike Knoop:** 45:25

I mean I, in my experience, have been trying to tell people and teach people about Zapier over the last 10 years. It is nearly impossible to talk about it in the abstract, right? You almost. I have to go into the concrete. I have to ask you, Craig, what's the stack for your business? What tools do you use? Do you use, like, the Google suite, gmail, google Sheets? How do you keep track of your podcast leads? How do you track and start going down that line of thinking? I can. I'm sure if I spent 10 minutes here, I could probably find you a use case for Zapier and I bet you'd be excited to be like oh, I should go check that out. That's great. That is honestly like the only thing that I've ever found really works to get folks hooked into the concept of like how can this help? Like I got to connect it with a problem that I have. Yeah, I think that's why most of our customers, you know the most high intent ones, the ones that are the most successful at using Zapier tend to come in through avenues like partnerships and search, where they have a problem already. Like I'm trying to connect these two apps together. I know what I want. I'm already at a point where I know what I want and it's a problem for me and I want to solve it. And yeah, in the most general sense, I think it is very tough to like, especially in a consumer context. Talk about, like you know this, even AI kind of reaches this little bit too. I see this a lot when you talk with folks who are trying to explore and use chat. You know I think it's one of the reasons penetration is so low on actual use cases for it is they're given this like sort of magical black box and sure, like friction is a lot lower to start interacting with it. Like what, what are they? What are the use cases? What can I actually do? For me, like one of the things I've just heard this summer that most folks are discovering is that prompt sharing basically is one of the best ways that they self discover or they discover how to use AI language model technology like chat. He is. They have coworkers, friends, websites where they're just seeing what are the prompts other people put into working and they get inspired by that. So like that's probably my, that's what I'm empirically seeing.

**Craig Smith:** 47:21

I don't know if that could translate into prescriptive advice, but that's what people are telling me yeah, yeah, yeah, well, and I would imagine I mean the way I see things developing if we're so early. But in 10 years, you know, AI automation is going to be second nature to most people and your day is going to be filled with interacting. I mean certainly people in the knowledge economy there and days will be filled with interacting with different automations.

**Mike Knoop:** 48:06

I would be surprised in 10 years if it's not an assumed skill set in some way like, or at the very least an assumed skill set for the best employees. If you'll certainly have employees that sort of haven't haven't figured out how to use the technology super effectively for themselves. But I think you're going to see more stratification amongst the folks who have learned how to adapt the technology and accelerate themself. It's just going to start seeing a bigger and bigger gap, sort of separate there. That's mine, that's my instinct at this point.

**Craig Smith:** 48:32

That's it for this episode. I want to thank Mike for his time. If you want to read a transcript of this conversation, you can find one, as always, on our website. I'm EYE-ONAI. And remember, the singularity may not be near, but AI is about to change your world, so pay attention. That's it for this episode. I also want to thank our sponsor, mine Studio by UAI, which is giving creators the opportunity to build and deploy generative AI apps for profit. Uai has an emerging AI marketplace and Mine Studio is the best way to build apps with generative AI. Anyone can do it. Mine Studio uses conversational language to program incredibly powerful AI tools. No coding knowledge is needed to start your AI business today. Check them out at UAI that's Y-O-U-A-I dot AI and start building your AI app today.