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When they were young

When Twilio was young: the early years



Contrary to expectations, the cloud telephone company repeatedly reduced prices as it scaled

Innovation series by [Ronny Kerr](#)
 November 4, 2016
 Short URL: <http://vator.tv/n/480f>

Editor's note: Our Post Seed VC event is coming upon Dec. 1 in San Francisco. We'll have Chamath Palihapitiya (Founder of Social Capital), Aydin Senkut (Felicis), Jeff Lawson (Founder & CEO, Twilio) and more. [Check out the lineup](#) and agenda [register for tickets](#) before they jump! Post Seed is brought to you by Vator, [Bullpen Capital](#), [Havstack](#).

As our readers know, Vator has started a series called [When they were young](#).

It's a look back at the modest days of startups, what traction they had in their first few years, and how they evolved. In the end, we hope to provide a glimpse into what great startups looked like in their first three years.

Stories like these are always well received because it reminds us that anyone, regardless of pedigree and environment, can rise above the noise and have great influence. They show us the value of being resilient, persistent, and committed. If we can follow their footsteps, maybe we too can have similar success.

My last segment in this series focused on [Munchery](#). This segment is on [Twilio](#).

— Twilio's First Year —

Founded: June 2008

Founders (ages at the time): Jeff Lawson (30), Evan Cooke, and John Wolthuis

Initial company description: "Twilio provides an in-cloud API for voice communications that leverages existing web development skills, resources and infrastructure.



CONNECT AND COORDINATE BY VOICE: Build sales automation systems, order inquiry lines, CRM solutions, call routing apps, phone trees, appointment reminders, custom voicemail apps, and a whole lot more.

SIMPLE, POWERFUL, PAY-AS-YOU-GO: Everything you need in just 5 API building blocks. Reduce the cost of developing, deploying and managing voice apps by paying for capacity when you need it, not before."

In short, Twilio let developers create apps to make and receive calls for a wide variety of purposes.

Private beta launch and first press - at five months from founding: In November 2008, Twilio [launched](#) in private beta. The company's CEO Jeff Lawson said he was hoping to commodify other existing phone services by making them accessible and customizable by developers. Twilio was originally sold through a cloud-service model with no contract required and flat fees for calls.

A couple days before the news, Dave McClure (angel investor and founder of [500 Startups](#)) used the service to [rickroll](#) Michael Arrington of TechCrunch, resulting in the company's [first press hit](#).

First funding - at nine months from founding, at four months from launch: In March 2009, Twilio closed a [\\$600,000 seed round](#) led by [Founders Fund](#) and Mitch Kapur with participation from David Cohen, Manu Kumar, Chris Sacca, and other angel investors.

<http://vator.tv/news/2016-11-04-when-twilio-was-young-the-early-years>

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At that point, customers of the company included Cheetos, Earth911, Sony Music, and Tumblr. The company also updated its pricing to a "pay-as-you-go" model:

- 3 cents per minute
- 5 cents per minute (toll-free)
- \$5 per month per phone number

Though Twilio has since updated those figures, its pricing model has largely followed this early structure.



[Twilio Closes Institutional Financing and Customers](#) from [Twilio Inc](#)

— Twilio's Second Year —

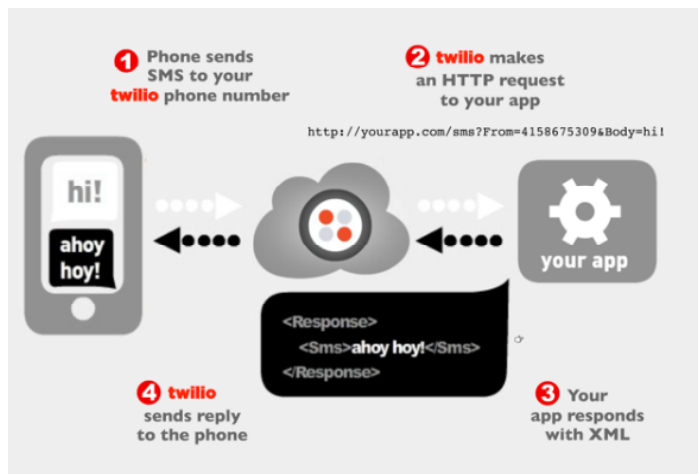
Product update - at one year and two months from founding, at nine months from launch: In August 2009, Twilio announced a [private beta for international service](#). A month later, international outbound calling was made [available to all users](#).

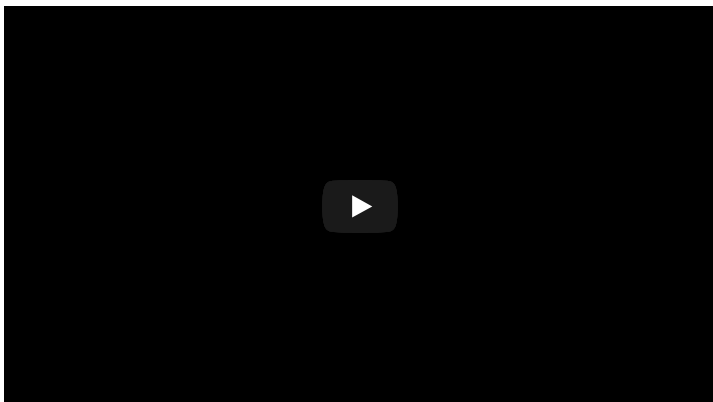
Second funding and traction - at one year and six months from founding, at one year and one month from launch: In December 2009, Twilio announced [\\$3.7 million in Series A funding](#) from [Union Square Ventures](#). As part of the deal, Union Square Ventures' Albert Wenger and Founders Fund's Dave McClure joined the company's board of directors.

In addition to earlier named customers, Twilio said it was being used by one the major political parties for advocacy efforts. At this time, the company was serving approximately 4,000 developers.

New product and pricing update - at one year and eight months from founding, at one year and three months from launch: In February 2010, Twilio launched [Twilio SMS](#), allowing customers to send and receive text messages from their Twilio phone numbers. In effect, it took the fundamental idea behind the service—allowing developers to create tools for sending and receiving phone calls—and applied it to SMS (see infographic below).

In addition, Twilio announced a price reduction to \$1 per month for local numbers and \$2 per month for toll free numbers. Text messages sent to and from the service would cost 3 cents per message, the same price per minute for phone calls.





— Twilio's Third Year —

New product - at two years from founding, at one year and seven months from launch: In June 2010, Twilio [launched OpenVBX](#), which it described as "Google Voice for businesses."

The open-source, virtual phone system essentially bundled up some common features from Twilio's voice and SMS APIs within an easy-to-use, drag-and-drop platform. With just a few clicks, for example, you could set up a menu system for when somebody calls a certain phone number (see video tutorial above). Additionally, OpenVBX integrated with plugins from companies like Foursquare, Zendesk, and Highrise.

Product update - at two years and two months from founding, at one year and nine months from launch: In August 2010, Twilio launched the [first major revision to its APIs](#), consisting of more than 100 improvements requested by thousands of people from its developer community.

Pricing update and traction - at two years and three months from founding, at one year and 10 months from launch: In September 2010, Twilio lowered prices yet again, this time for its per-minute rates:

- **Inbound to U.S. and Canadian numbers:** \$0.01/min (previously \$0.03/min)
- **Outbound to U.S. and Canadian numbers:** \$0.02/min (previously \$0.03/min)
- **Inbound to toll-free numbers:** \$0.03/min (previously \$0.05/min)

At the time, Twilio said it was serving nearly 20,000 developers—a figure that had grown fivefold since the beginning of the year. In a single day, it said it was connecting the same volume of calls that it had connected in all of January.



New fund - at two years and three months from founding, at one year and 10 months from launch: In September 2010, Twilio and 500 Startups announced a [\\$250,000 micro-fund](#) designed specifically for Twilio-powered startups.

The early-stage venture fund and startup accelerator said it would invest \$10,000 in up to 10 companies for a one percent stake in each company. Additionally, it would select one or more companies for a \$50,000 investment and invitation to participate in its accelerator program.

Third funding and pricing update - at two years and five months from founding, at two years from launch:

In November 2010, Twilio secured a [\\$12 million Series B](#) round of funding led by [Bessemer Venture Partners](#), with participation from Union Square Ventures, 500 Startups, and angel investors. The company planned to use the new funding to fuel product development and to

make new hires in sales, marketing and engineering.

As part of the deal, Ty Wang (former senior director of the business communications unit at Oracle) joined Twilio as vice president of business development and Bessemer Venture partner Byron Deeter joined the company's board of directors.

Later in the month, Twilio would [reduce its prices](#) once more: this time for Twilio SMS, from \$0.03 per message to \$0.02 per message.

First micro-fund investments - at two years and six months from founding, at two years and one month from launch: In December 2010, Twilio and 500 Startups announced the [first three investments](#) made by the Twilio Fund:

- **Order Mapper**, which allowed restaurants to build mobile applications that power food delivery. One of its customers was Round Table Pizza.
- **Textaurant**, a tool for restaurants so they can text people in queue when their table is ready.
- **Voicendo**, a tool for small and medium sized businesses to manage their incoming phone calls and text messages

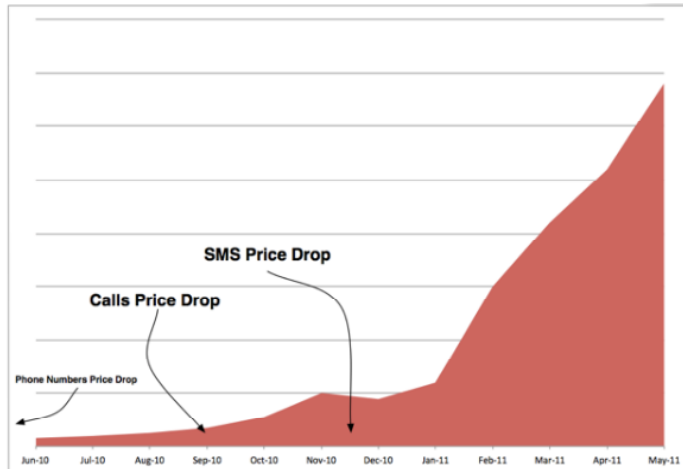
It's worth noting that the first and third companies are now defunct, and Textaurant ended up selling to [QLess](#) in 2013.

Product update - at two years and eight months from founding, at two years and three months from launch: In February 2011, Twilio launched an [OpenVBX app for the iPhone](#), letting users access the same features available through the web app. That could mean everything from listening to voicemail, assigning messages to coworkers, and return calls and texts directly through the app.

Second micro-fund investments - at one year and nine months from founding, at one year and four months from launch: In March 2011, Twilio and 500 Startups announced the [next seven Twilio-powered companies](#) to be funded by the Twilio Fund: FastCall411, Callyo, Knockknock, Magnolia Prime, Qwipd, Volta, and WorkersNow.

Traction - at three years from founding, at two years and seven months from launch: In June 2011, Twilio made yet another price reduction: dropping the price of each outbound SMS message to one cent (previously it was two cents). The company said its increasing momentum (and therefore volume) allowed it to wrangle better deals with telephony companies, and then it passed the discounts along to customers.

The graph below (via [TechCrunch](#)) charts Twilio's relative growth in comparison to price changes, demonstrating that those discounts typically spurred on additional growth for the company.



At the time, Twilio said it had 10,000 developers using Twilio SMS alone.

— Twilio Today —

In its eight years as a private company, Twilio raised over \$233 million from Union Square Ventures, Bessemer Venture Partners, Founders Circle Capital, T. Rowe Price, Fidelity Investments, and many others.

On June 23, 2016—eight years after the company was founded—Twilio went public on the New York Stock Exchange (NYSE) [surging 92% to \\$28.79 a share in its first day of trading](#). The company had set its IPO price at \$15, above the expected range of \$12 to \$14.

Today, Twilio's stock is up 14.9 percent (for the year) to \$33.12 (as of Friday, November 4). After a market downturn that affected public markets as well as the startup investing climate, Twilio's successful IPO was seen as a hopeful sign that other unicorn companies (valued at over \$1 billion in the tech industry) could also start going public. Uber, Airbnb, and Snapchat are some of the biggest names on deck.

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