Update: The Cost of Cheap / Free
September 9, 2021

I'm reflecting on what I call "The Cost of Cheap" or, "The Cost of Free." I wrote a web page about it five years ago (below).

What has me thinking about it now is the recent introduction of new work flow and accounting software that is propped up by VC money, presenting unsustainable, artificially low prices, if investors are to have any hope of return on their investments.

These companies tend to be staffed by really glib, cocky people in their 20s who don't yet have a proper appreciation for continuous time series, for the importance of continuity in work flow and accounting tools, because they haven't lived long enough to be that circumspect. They're proud of being "disruptive." Everything is new to them; and to them, New = Good.

So their salaries burn through that VC, that OPM (Other People's Money). Work is a big party to them, like a game of volleyball on the beach. And if the business fails, no big deal. It was a fun run. No skin off their noses. "Fail forward" as the saying goes.

And when they reach the end of their funding, investors start pressing them for revenues and profits, at which point they must raise prices . . . a rude awakening for their customers.

It's a highly competitive space with a lot of talent, and a lot of casualties. Noisy, too. So many choices.

Disruption is a two-edged sword. If you're going to disrupt your customers and your competitors, you had better be sure that it's worth it; that in the end, your customers really will be better off.

I wish I saw more humility and respect for the awesome changes they're asking their customers to make, more complete disclosure about trade offs and lingering costs. For example, it isn't just about the cost of the software; it's also about the ongoing cost of the talent you'll need to understand, run, and maintain it; the risk of depending on a company whose revenue model is not sustainable, the internal investment in onboarding across the whole organization, scalability, etc.