

Google

A dorm room is as good a place as any to start a multibillion dollar business

GOOGLE CAME RELATIVELY LATE TO THE INTERNET PARTY. IN the mid-1990s, search engines such as Yahoo!, AltaVista, and Lycos were generally regarded as equally useful and there didn't seem a particular need for a new one. Nobody was making much money out of search engines anyway.

In 1995, two twenty-something PhD candidates in computer science at Stanford University, Sergey Brin and Larry Page, the sons of a computer professor and a math professor, began exploring the relationships between pages on the Internet for a research project.

Looking at the hyperlinks that led from one page to another, they realized these formed a huge informal ratings system that funneled users towards useful pages. Using a computer-powered tool to crawl through the Web and evaluate the importance of these links, they built a search engine, initially called BackRub, which provided uncannily good results for users. With nobody interested in buying their idea, they decided to go into business for themselves.

Page found ways to build computer servers using cheap, easily available parts, rather than custom machines specialist companies charged hundreds of thousands of dollars for. Brin recalled in 2003: "We'd go down to the loading dock in the computer science buildings, sort of borrow the ones that were sitting there before, you know, the people who had really got them on their grants, like, got around to it. But eventually, that became kind of unscalable, and we decided we could get better resources if we started a company."

Page and Brin constructed their first data center in Page's dorm room from cheap PC parts and \$15,000 borrowed on credit cards. They then moved to a Menlo Park, California, garage in September 1998 with four employees and \$1 million in capital from friends, family, and investors who included Andy Bechtolsheim, one of the founders of Sun Microsystems. As Brin recalls on Google's website, "We met him very early one morning on the porch of a Stanford faculty member's home in Palo Alto. We gave him a quick demo. He had to run off somewhere, so he said, 'Instead of us discussing all the details, why don't I just write you a check?' It was made out to Google Inc. and was for \$100,000."

In June 1999, Google announced it had secured seed capital including \$25 million from venture capitalists Sequoia Capital and Kleiner Perkins Caufield & Byers, a stake that is now worth some \$4 billion.

They rented the smallest space available, and ripped apart cheap computers to make their own space-efficient servers.

They were soon answering 10,000 search inquiries a day. By the end of 2000, that had increased to 60 million a day. By 2005, Google—the name comes from the number googol, a 1 followed by one hundred zeroes—was fielding over 200 million requests a day. For an Internet company, Google became profitable relatively quickly: after losing a reported \$6 million in 1999, it turned a net profit of \$6 million in 2001, up to \$399 million in 2004, on revenues of \$3.2 billion. Unlike the majority of Silicon Valley start-ups, Google resisted the temptation to go public early. Following a blaze of publicity, Google had its IPO in 2004 and was valued at \$23.1 billion. In November 2005, the company was valued at \$111 billion, making Google the world's largest media company by stock market value. Page and Brin, at least on paper, are multibillionaires.

So how did an Internet start-up with no obvious revenue stream succeed? From the outset, Page and Brin focused on a single goal: efficient search results. That meant accuracy and speed. Like a

Formula One racecar, where a few grams of unnecessary weight can mean the difference between pole position and also-ran, Google's home page is fanatically spartan: no images, no flashy graphics, and just thirty-seven words. Compared to the opposition, such as Yahoo!, who filled their home pages with graphics, newsflashes, and directories, Google was refreshingly simple.

Not to say it is perfect: Google indexes some four billion web pages, but that's a fraction of the total out there, which are constantly multiplying. And its machine-driven page ranking system is vulnerable to distortions such as "Google bombing," in which canny users link sites together for fun, political ends, or malice: in 2003 Google users who typed in the words "miserable failure" were directed to George W. Bush's biography on the White House website; and, prior to the Iraq war, entering the words "weapons of mass destruction" brought up a "computer error"-style page that read "These Weapons of Mass Destruction cannot be displayed." Still, most of the time it works pretty well: type in "Google critics," for example, and it will immediately find you the virulently anti-Google site googlewatch.com.

In the early days, Google spent virtually no money on marketing, relying initially on word of mouth among early adopters who loved its quirky, non-commercial look. Yet Google was anything but. Instead of amassing a paper fortune through a premature IPO, Google found a viable revenue stream from selling its search results to other search engines, including market leader Yahoo!, and from advertising, which it developed in its typically counterintuitive style. Ads are unobtrusive text-only affairs linked to search terms (type in "holiday," for instance, and travel company promotions will appear alongside your search results). Ads are limited to a handful down the right-hand side of the page; advertisers bid for the best positions. Pop-ups, graphics, streaming video, even logos are banned: too time-consuming, too irritating. Yet advertising doesn't have to occupy acres of real estate to succeed and Google claims a click-through rate

five to ten times that of typical banner ads. They're neatly targeted and in style and content they appear more useful than annoying (to the extent some critics complain some users may confuse them with regular search results). Moreover, even in this typographical straitjacket there is room for ongoing improvement. Two Google employees constantly experiment to see which combinations of words work best: a Valentine's Day ad for flowers that read: "Fast. Fresh. Guaranteed" was changed to "Fast. Safe. Guaranteed" and sales doubled.

As a workplace, Google is obsessively focused on the core product, yet flexible enough to encourage a constant stream of new ideas. Engineers work in small, autonomous units, rotating the leadership and doing pretty much whatever they think needs to be done. Reportedly, nobody is allowed to talk in meetings for longer than ten minutes.

Google's headquarters in Mountain View, California, called the Googleplex, is a one thousand-employee paradise with free food, unlimited ice cream, pool and ping-pong tables, and complimentary massages, plus the options to spend 20 percent of work time on any outside activity and bring their dogs to the office. Before they moved in there was talk of doing without conventional telephones altogether, since everybody would be using their cell phones. Page and Brin completed the image of a "workplace of the future" by riding around on matching Segways.

Though it's not all frat-room stuff: Page and Brin hired former Novell CEO Eric Schmidt to run the operation as the "designated adult" (CEO and chairman). Page, who was Google's first CEO, became president of products in April 2001.

Google's approach to new technologies is freewheeling yet conservative. New ideas appear all the time on a part of the site called Google Labs, yet just a handful are allowed to pollute the purity of the home page.

Similarly, Google guards its core—the basics of the business—like virtual crown jewels, but it allows any developer out there to down-

load the search engine for use in their own applications. Some might view giving the product away as insane but Google's hope is that its technology will wind up integrated in something interesting.

Going public has opened Google to criticism: some investors are nervous about the dot-com-boom-style workplace and the unorthodox management style. Others question whether the extraordinary growth can continue with one major product. But Google's dot-com-style work habits also mean exacting standards and an environment that attracts the best employees, in an industry that relies entirely on sharp minds. And while Google still sits behind its Spartan home page, in the background it is constantly launching new applications, such as desktop search, maps, free webmail, Blogger weblog software, and Picasa photo software—all of which move Google beyond search and into broader, perhaps even Microsoft, territory. In 2005, it announced an ambitious project to scan millions of library books around the world and make them available online, including titles from the New York Public Library, Harvard University, and Oxford University's Bodleian Library, causing a stink about potential copyright infringements and vague unrest about Google's growing scope.

Critics have also raised concerns about Google's email service, which offers users a large amount of free storage space, in return for which it attaches ads to emails that reflect the content of the message. Google claims its privacy policy is watertight, and that it would never release your personal details to anybody, but there is something slightly spooky about an organization keeping tabs on your Internet search habits and your emails—information that could both identify you and prove embarrassing if it fell into the wrong hands.

Still, if you don't like Google, there's a simple solution to the problem. "Some say Google is God," Brin once said. "Others say Google is Satan. But if they think Google is too powerful, remember that all it takes is a single click to go to another search engine."

NOTES

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Seinfeld

“Originality is more valuable than plutonium”

NEVER THINK ABOUT THE MONEY. THAT’S THE RATHER IRONIC piece of advice Jerry Seinfeld gave when asked by a reporter in 1998 how he made his hundreds of millions. “I have never considered money,” he said. “That’s the most financially sound approach you can take in my business. When you don’t consider money, then you make the right choice. And that always leads to money.”

Was Seinfeld, then worth some \$500 million and fast on his way to a billion, being facetious? Probably: this is not a man who likes to give a straight answer to anything. But it is true that in the early days, being on TV probably cost him money—it took him away from his day job.

In 1988, when he was first approached for a TV role, Seinfeld was already making a reported \$2.5 million a year as a successful stand-up comedian, working as many as three hundred dates a year around the country. He had made some thirty appearances on the Carson and Letterman shows, doing his stand-up routines, and had appeared in his own television special.