

Young Leaders of Silicon Valley

VLAB kicked off its 2007 season by presenting some of Silicon Valley's youngest and brightest entrepreneurs who have had great success in starting and growing their online and mobile startups on January 16th, 2007 — Tellme, AdMob, Meebo, and 4INFO. They are also familiar faces of the Web 2.0 movement.

Moderator Ram Shriram quizzed the panelists about what it takes to not only create the right buzz for their products and companies, but also to secure the funding and build upon it.

How did you select your market space?

Zaw: In 2004, it was hard to do SMS.

Seth: We wanted to do something helpful for consumers, and one of our team liked to IM, but had problems doing it everywhere.

Omar: We accidentally discovered the need.

Angus: With the power of the Internet, we thought it was silly that everyone was chasing the Palm. We saw the phone as being the major thing people wanted, in essence we wanted to be Yahoo for the phone. But we ended up going to enterprise applications, but now we're coming back to our origins in providing mobile search.

Garrett: We wanted a tool for finding great sites.

How do you get users from a standing start? How do you get the flywheel going?

Garrett: We invited all of our friends, we found a Firefox plug-in really helped, as did word of mouth.

Angus: We had a very low barrier to adoption, and we allowed users to share their experience easily.

Omar: We don't have direct customers, rather our challenge was how to grow advertisers? We started by going to some mobile sites and seeing if they would let us run ads, than went out and found likely advertisers. It was basic guerrilla marketing.

Seth: Initially we found 2 bloggers that had significant traffic that mentioned us, than the rest was word of mouth.

Zaw: We partnered with media companies and provided an open platform for web services.

How did you select your venture capitalist?

Seth: talked to friends who had raised money, learned a lot, and set four criteria: (1) terms and conditions and valuation had to meet or exceed what we wanted, (2) Did we like the personalities of the firm, i.e. could we work with them an on-going basis, (3) Was their vision of where we should go, consistent with ours, (4) Were they in agreement as to how we should get there?

Omar: My criteria was very simple, did they email me? It was only with a lot of persuasion by a friend that I talked to Sequoia, but they were able to do a deal in 24 hours, flew out on Thursday night and signed on Friday night.

Argus: It is a sales process. We had a lot of buzz, so we ultimately went with Benchmark and Kleiner Perkins.

Garnett: We didn't raise money from a venture firm, rather we obtained more interest from angels, and ultimately 10 of them put money into us.

What concerns do you have, what do you worry about?

Omar: It is a lot more difficult to hire people than I expected. It took six months to put our management team together. I also worry about what happens when times get bad.

Seth: It is very hard to hire rock stars, I'm spending 40% to 50% of my time on hiring.

Zaw: Human resources is my biggest headache, it is hard to compete with Google.

Garrett: Our head count is up to 12 over the last year, I'm worried about how to be agile as we get bigger.

Argus: Keep thinking it will get easier as we get bigger, but it doesn't.

What are three metrics that you track continually?

Note, these were spoken very rapidly, so we didn't identify the speakers.

- The number of users,
- Ratio of messages to logins
- Number of impressions, clicks
- Unique users
- Number of calls per day
- Number of users per day
- Profits per day

What was one mistake you would avoid?

Garrett: We should have put more social features into the product earlier, and should have invited our friends to participate.

Angus: We shouldn't have raised \$230M up front. If we had raised less money, we would have made some decisions earlier.

Omar: When you think that a feature is going to be small like paging, and plan accordingly, it is hard to undo.

Seth: We didn't do enough planning, we didn't farm for the future in hiring the necessary people.

Zaw: We didn't have sufficient analytics and reporting to understand what was happening to our systems.

Do you think about exits?

Zaw: We would consider being acquired if it came along. When you have raised \$20M, there are not many \$300M to \$400M exits that are available.

Seth: If you optimize for an exit, you take your eye off the business.

Garrett: We are more focused on our product in trying to make it easier to use.

Angus: When you have size 14 shoes that we need to grow into, we have to get to \$100M / year revenues in order to be successful. In any event, Sarbane-Oxley is retarding the ability to go IPO.

What is one service you love that isn't your own?

Note: didn't get the names of the speakers, but the companies / services that were mentioned included:

- Last.fm (like Pandora)
- Flickr (best photo site)
- Google maps and gmail
- YouTube
- Google RSS reader
- The Rondale self-cleaning toilet!

How would you describe your culture?

- Hungry
- Team
- Results matter
- In progress

How did you cope with out money?

- We started in our bedrooms
- Asked for donations

What is your take on the Asian market?

- Mobile is big in China
- We have a lot of users in both China and the Philippines

What are your thoughts on the consumer versus the enterprise markets?

Angus: We were surprised to find that the time to do a small or large deal in the enterprise market is the same.

Microsoft really sells to the enterprise, not to the consumer.

What is the impact of Sarbanes-Oxley on you?

- For the most part, not being public companies, we don't think about it.
- You have to put barcodes on everything.
- There is an opportunity for companies that make it easier to do expense report processing

What is your attitude regarding IP protection?

Seth: It is easy to copy us on a small scale, but really hard to scale.

Angus: It is a waste of time to be worrying about IP when you should be focusing on building your product and team.

Any overall advice?

- Success if largely based on execution and your ability to scale, not upon your idea.
- When you focus on one thing, you can innovate faster than a large company that is doing many things.
- Ideally, you should have two technical people and one marketing / business person. You have two technical so one person never gets stuck, and you have the business person to shield them from the outside world so they don't get distracted.

Panelist	Biography
Ram Shriram, Founder, Sherpalo Ventures (moderator)	Ram Shriram is a founding board member of Google Inc. and 247 customer.com. As a technology industry insider for over 25 years, he has worked in companies large and small across all functional areas and through fluctuating business cycles. Shriram started Sherpalo in January, 2000, with the goal of applying his wealth of operating and company building experience to promising early stage ventures. In 2006, Shriram was named one of the top three dealmakers in high-tech by Forbes magazine.

Panelist	Biography
Garrett Camp, Founder, StumbleUpon	<p>Garrett is an adaptive information systems researcher who completed his Masters degree in Software Engineering at the University of Calgary. He has researched evolutionary algorithms, knowledge retrieval and web usability while at UofC, and voice recognition as an intern at Nortel. At StumbleUpon, Garrett fulfills a key technical role: he is responsible for the high-level design of StumbleUpon's client-server applications.</p>
Angus Davis, Founder, Tellme	<p>Angus co-founded Tellme with Mike McCue in February 1999. He works across the company to develop business and technology strategies to guide Tellme's products and strategic direction. Prior, Angus facilitated Tellme's entry into the travel and transportation markets, managed Tellme's product line transition to serve Fortune 500 clients and led production of the 1-800-555-TELL consumer voice portal.</p> <p>Angus joined Netscape Communications in 1996, bypassing college after an initial summer internship to become the company's youngest fulltime employee. While at Netscape, Angus was a product manager for the Netscape Communicator Web browser. He was responsible for fostering developer relations, prototyping next generation browser technology, representing the company on standards committees, contributing to company strategy on legal matters and working on the AOL/Netscape merger.</p> <p>His first telecommunications endeavor began mischievously at Phillips Academy Andover, where he hacked into a campus phone system so fellow students could make free long-distance calls. A native of Rhode Island, Angus lives in Providence.</p>
Omar Hamoui, CEO, AdMob	<p>Omar is an entrepreneur with deep roots in the mobile industry. After earning a degree in Computer Science at UCLA, Omar founded and ran several companies in mobile software and services. At the time, he was frustrated by the lack of available options when it came to promoting and monetizing mobile products. Omar realized that mobile service and content firms needed better ways to advertise and make money on the mobile Web. While earning his MBA at the Wharton School, Omar began to think more seriously about the untapped potential of mobile advertising, and created AdMob to address this growing opportunity. Today, Omar has taken a leave from Wharton to focus on AdMob, and is now running one of the fastest growing and most innovative companies in the mobile world.</p>
Seth Sternberg, CEO, Meebo	<p>Seth is responsible for all things business at meebo, which he co-founded with Elaine & Sandy. Prior to meebo, Seth worked at IBM in Corporate Development leading M&A transactions and working on strategy and venture capital initiatives. Seth flies airplanes, rides motorcycles, and rollerblades. Seth majored in Political Science at Yale, and withdrew from Stanford business school during his second year to concentrate on meebo.</p>
Zaw Thet, CEO, 4INFO	<p>As the CEO and co-founder of 4INFO, Zaw Thet sets the company strategy, oversees product offerings, corporate alliances, business development and corporate communications. Prior to founding 4INFO, Zaw led business development at Spoke Software, a leading Silicon Valley CRM solution provider, and was the general manager of the company's flagship Team Edition product. He has held positions within emerging technology management for IBM and was the CEO and co-founder of GetInventory, a web-based supply chain management company. Zaw has also held special consulting roles with numerous organizations including a past advisory role with the San Francisco 49ers. (Also see http://www.zawthet.com)</p> <p>Zaw holds an MBA from the Stanford Graduate School of Business, where he was a Soros Fellow and the youngest person to ever graduate from Stanford's business school. He received his BA from Stanford University in Political Science with a minor in Computer Science, where he was a President's Scholar.</p>

Companies Vie For Ad Dollars on Mobile Web

As More Surf Internet On Phones, Start-Ups Race to Broker Deals

By Amol Sharma, Wall Street Journal, January 17, 2007; Page A1

A company called AdMob Inc. opened for business in January 2006 as a middleman for ads displayed on mobile-phone screens. A year later, it has distributed ads nearly a billion times, attracted big-name venture-capital funding and enlisted talent from the likes of Yahoo Inc. and Google Inc.'s YouTube.

It's the next Internet gold rush: With two billion cell-phones around the world, upstarts and technology giants alike are scrambling to find ways of making money from cellphone ads. "Everybody's just trying to dip their toes in the water and figure out what's going to work," says AdMob's 29-year-old boss, Omar Hamoui.

- **The Situation:** The advertising market for the mobile Web is heating up as more people surf the Internet on their cellphones.
- **The Players:** Start-ups are acting as middlemen between Web sites and advertisers. Google, Yahoo and cellphone carriers also see opportunity.
- **What's Next:** If TV on phones takes off, companies will try to put ads in it.

Viewing Web sites on cellphones isn't a mass pastime in the U.S. quite yet. Screens are tiny, download speeds are often slow and fees can pile up. Yet a sliver of people -- about 15% of U.S. cellphone users, according to research firm M:Metrics Inc. -- do surf online via their phones, checking out entertainment, news and other sites. The experience is similar to surfing the Internet via a personal computer, except the number of sites that are fashioned for cellphone screens is much smaller. The owners of these sites have a supply of viewers, and there is plentiful demand among advertisers to reach young, tech-savvy people.

AdMob and another upstart, Third Screen Media, act as middlemen in the business. Advertisers need these companies' help in harnessing technology to deliver an ad on a phone without glitches. Site owners often prefer to

turn their supply of ad space over to middlemen rather than trying to beat the bushes for potential advertisers.



Omar Hamoui

Along with start-ups, a host of more established players are trying to profit from cellphone ads. Google is testing a service that offers ads alongside search results on a cellphone screen, a counterpart to its flagship business of selling ads linked to regular Internet searches.

The big cellphone carriers -- among them Sprint Nextel Corp., AT&T Inc. and the U.K.'s Vodafone Group PLC -- all have ad initiatives that threaten the rise of the smaller fry. Cellphone carriers have a lot of information about their customers -- such as their location, buying habits and mobile Web-surfing patterns -- that might be useful in selling targeted advertising. However, technology and privacy issues have prevented that information from being used so far.

Advertising on cellphones is sprouting thanks to advances in phone technology. Early models were designed solely for calling, not for downloading data. Today's phones, with their color screens and data connections, have come to resemble small portable computers -- clearing the way for Web sites and Web advertising that parallel the PC experience.

Still, some in the business remain cautious about whether consumers who think of their cellphones as private possessions will tolerate ads. "It's terrific that you can target people in their environment, close and personal," says Steve Calder, executive media director at Mediahub, a media-services unit of Interpublic Group of Cos.' Mullen agency. "How do you do so in a way that doesn't feel like it's an unwanted intrusion?"

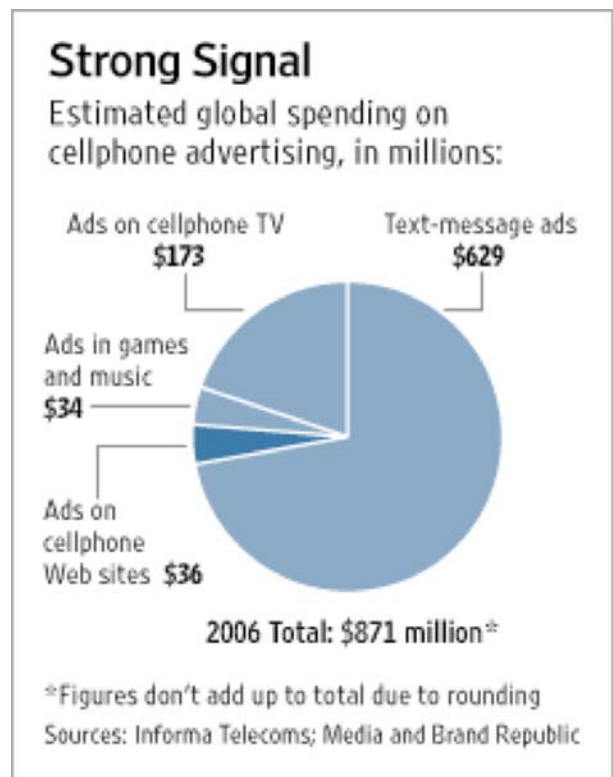
In 2006, mobile ad spending was an estimated \$871 million world-wide, according to data from research firm Informa Telecoms and Media. Most of the money went into text messages, the mobile equivalent of sending people ads by email. Spending on Internet advertising was about \$24 billion world-wide in 2006, according to ZenithOptimedia, a unit of Publicis Group SA.

A Latecomer

The U.S. is a relative latecomer to mobile-phone advertising. Japanese carrier NTT DoCoMo Inc. has been posting small banner ads on mobile Web sites since 2000. It says it displayed 1.5 billion ads to subscribers last year.

Upstarts like AdMob think they can beat the bigger companies by specializing in services tailored to little screens. Mr. Hamoui's idea for AdMob grew out of his frustrations in an earlier venture, called Fotochatter, a service that allowed customers to share photos using cellphones. Mr. Hamoui tried advertising linked to Google search results, but he says it cost \$30 in ads to attract a single customer.

Then, through a friend, he was able to place ads on the mobile Web page of a gaming company. That was much more successful: Mr. Hamoui reached people interested in his product and converted more of those who clicked on his ad into users. The cost to acquire a customer was just 10 cents. He quickly saw a business opportunity. "You had companies out there willing to pay to reach users on the mobile Web and companies out there with mobile Web traffic," he recalls, "but nobody connecting them."



Putting Fotochatter aside, he started AdMob in his Philadelphia apartment when he was still a business student at the University of Pennsylvania's Wharton School. He quickly caught the attention of Sequoia Capital, the Silicon Valley venture-capital firm that was an early backer of Google and Yahoo. Sequoia agreed to invest in Mr. Hamoui's start-up, which is now based in San Mateo, Calif. A person familiar with the investment says it was about \$4 million.

"He had struggled as a mobile entrepreneur," says Jim Goetz, a Sequoia partner, who approached AdMob and now sits on the start-up's board. "We always look for that when we're making investments: Did they design a system to solve their prior pain?"

Last fall, Warner Music Group's Atlantic Records called on AdMob when it started selling cellphone ringtones to go along with an album by hip-hop artist Sean "Diddy" Combs. AdMob served up an ad reading "Get Your Diddy Ringtones Now" 715,000 times on cellphone screens over a three-hour period. More than 20,000 people around the world clicked on the link, taking them to Atlantic's mobile Web site. The record company was so happy with the sales the campaign generated that it is planning new campaigns through AdMob.

Under AdMob's system, as with Google's on the Internet, advertisers pay only when a user clicks on the link. Advertisers go to AdMob's Web site, fill out a form, and make a bid for a click in one of several categories, such as news, entertainment or communities. The bids for a click generally range from five cents to a dollar.

AdMob has delivered ads for other big brands, such as eBay Inc., Adidas AG and Nokia Corp. The former head of ad sales at YouTube, the video-sharing site bought by Google last year, now works for AdMob.

Despite the big-name customers, Mr. Hamoui says the company's bread-and-butter is serving start-ups that don't have six-figure marketing budgets. The average cost of an AdMob campaign is \$5,000 to \$10,000. AdMob is able to target ads to users in a specific country, a feature that has attracted some advertisers. More than a third of the ad traffic goes to cellphones in developing countries such as India.

One small company that is using AdMob's low-cost ads is Orb Networks Inc. Orb's software is for people who have video or audio clips on their computer and want to enjoy those clips on their cellphone. When installed on a computer, the Orb software allows users to stream the clips over the Internet and onto their cellphones.

In the past, Orb advertised its software through Google but got little response. Within weeks of starting the campaign via AdMob, thousands of consumers visited Orb's Web site and downloaded its software for their PCs. "For those of us trying to reach the mobile consumer, this is the best way," says Ian McCarthy, Orb's vice president of product marketing.

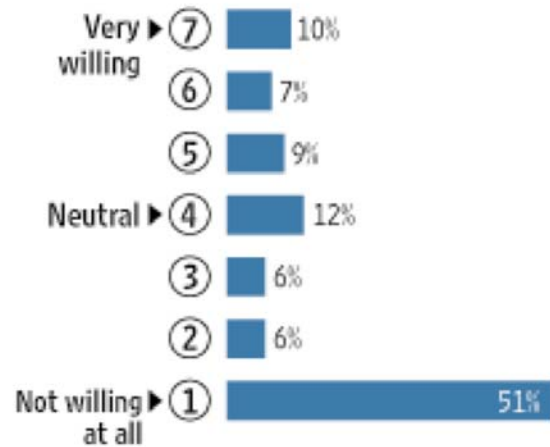
Intense Competition

AdMob faces intense competition, in particular from East Coast rival Third Screen Media in Boston. Third Screen's founder, Tom Burgess, previously was president of CollegeLink.com Inc., an Internet portal with college information that was acquired by Monster Worldwide Inc.

Unlike AdMob, Third Screen seeks deals mainly with big advertisers and well-trafficked mobile Web sites such as Walt Disney Co.'s ESPN. In a typical recent case, Third Screen served banner ads for Ford Motor Co. and Bank of America on the mobile Web site of the Weather Channel. Others that have advertised through Third Screen include companies in consumer goods, hotels and soft drinks.

Cold Reception

Responses to a survey question asking: "How willing would you be [on scale of 1 to 7] to watch advertising on your cellphone if in return you were to receive free applications for your cellphone?"



Note: Numbers don't add up to 100% due to rounding
 Source: Harris Interactive August 2006 survey of 1,125 U.S. adults

Mr. Burgess says the typical ad campaign arranged by his company now costs about \$200,000, up from \$35,000 in 2005. He predicts some mobile advertisers may spend as much as \$1 million on a campaign this year. Mr. Burgess says Third Screen displays 350 million ads every month on the phones of more than 10 million unique cellphone users. Microsoft Corp. considered acquiring Third Screen last year, according to a person familiar with the situation, but the talks fell apart. Microsoft declined to comment.

Piece of the Market

Several other start-ups are trying to grab a piece of the market. Greystripe Inc. helps advertisers embed ads in downloadable cellphone applications such as games. Rhythm NewMedia Inc. of Mountain View, Calif., has developed technology to insert short video spots before mobile TV segments. The company is planning to cooperate with several wireless carriers in the U.S. and Europe and has attracted \$27 million in venture funding.

Mr. Hamoui is tweaking his technology to attract higher-end advertisers that prefer something fancier than a mere text link. Future versions of AdMob software will be able to serve banner ads and video ads, he says.

Along with the start-ups are established Internet players, the companies that themselves were newcomers to the ad business just a few years ago. DoubleClick Inc., which provides software to display Internet ads such as the ubiquitous banners on Web sites, is gearing up to enter the mobile market, a person familiar with the company's plans said.

Google, which has about 25% of the \$16 billion U.S. online ad market according to research firm eMarketer, is also working on adapting its technology to cellphones. Google offers a search engine tailored to cellphone users and has begun displaying ads linked to these cellphone searches. The phrase "ringtones," for example, brings up sponsored links to companies selling ringtones for cellphones. Some of the Google ads give users the option of clicking a link to call the advertiser.

Then there are the large telecom operators such as AT&T, Sprint and Verizon Wireless, which is a joint venture between Verizon Communications Inc. and Vodafone. These carriers typically maintain a limited zone of sites in categories such as sports and finance that users can easily reach.

'Walled Garden' Model

One uncertainty about the mobile Web is whether this "walled garden" model will last. On the regular Internet, service providers such as America Online originally tried to keep users within a similar zone of approved content, but that system didn't endure. If walled gardens survive on cellphones, that would make it easier for the telecom giants to control the flow of mobile ads and profit from them. Sprint demands a substantial share of ad revenue on mobile Web sites that consumers access through its portal, regardless of who delivers the ads, people familiar with the matter say.

Sprint began putting banner ads on some partner sites last fall with the help of a start-up, Enpocket. The carrier has a separate arrangement with Internet ad broker Ingenio for a service that lets businesses bid to be listed when users tap a word like "pizza" into a Sprint search application. The model is "pay per call": Advertisers pay only if a consumer clicks on the link to call them. Alltel Corp., the fifth-largest U.S. wireless carrier, recently struck a similar search advertising deal with start-up JumpTap Inc.

AT&T hasn't said whom it will team up with, but the company is already ramping up staff to help sell ads on cellphones, says Scott Helbing, executive vice president of entertainment services. In Europe, Vodafone is tapping into Yahoo's sizable sales force for a service expected to start this spring that will likely show ads in formats including banners and short video spots. Voda-

fone has said it intends to reduce prices on ad-supported services such as mobile TV and games.

Mr. Hamoui doubts the big carriers will be interested in playing middleman for hundreds of small mobile Web sites and advertisers. He also thinks advertisers may prefer to deal with a single broker for a cellphone ad campaign rather than striking deals with individual carriers across the globe.

With the role of carriers uncertain, Mr. Hamoui is hedging his bets. AdMob plans to announce shortly that it is hiring Niren Hiro, an executive from Yahoo's mobile division, as a vice president. One of Mr. Hiro's jobs will be to build AdMob's ties with carriers.

— Brian Steinberg contributed to this article.