

Tim Draper discusses funding Hotmail and Skype, and how it changed the world.

Let's talk about your investment strategy over the years You've looked at I think over 100,000 pitches you've probably funded over 1000 companies What's the process here You said you don't find it worthwhile to figure out how a company could fail before deciding to invest Instead you ask yourself what if it works And you've also funded companies with no revenue We'll talk about Hotmail later but had no revenue I have no plans for the revenue I know we're gonna know what we were gonna do and we were burning money like crazy So we got the more we burned Let's let's let's talk about that one for a second Uh youtube was the same way and they sold the company for a huge amount of money But let's talk about that one in particular So you funded the company you meet uh Sabir and his partner two brilliant guys What did you see And what what did why are you funding a company with no business model and no plan for revenue That as you said it was just churning cash It was a what if it works because what happened was they came to us with an entirely different idea And then as they were walking out the door they said well we do have this other idea and it's free web-based email and and we kind of looked at each other and said and then and it was like how are you gonna make money And uh and they didn't really know but they were very straight of them and they just said we don't know but we think this is an important thing to do and we backed them and then they were gonna um uh they buy a bunch of advertising so that people knew about web based email And I said wait wait wait can't you just get it out to all those people on the web And they said oh no that would be spamming And then I thought well you're giving this away for free Can you put a little message at the bottom of everybody's screen that says P si love you get your free email at Hotmail And they didn't like the idea at first and we I had to fight fight fight finally said OK we'll do it But no P si love you to this day I think we would have had a more peaceful and loving world if they kept it But anyway no P si love you but but it spread because it had a um it was as though your customer was selling your product for you because it just it was on the bottom of everybody's email and uh it spread to 11 million users in 18 months And the founder Xavier Bao was from India and then he sent one email to his friend in India and there were 100,000 registers hot hotmail users from India in three weeks Uh It was a it was a really amazing

transformation It was a big deal and I actually think hotmail was possibly the most important thing I helped with because uh it allowed everyone in the world to communicate for free And that was unheard of before that It was so expensive to make a deal with somebody from another country before that because you had to go there three times You it was 80 cents a minute for long distance calls It was really tough to do business overseas and all of a sudden it was just an email away and that I think has had a big impact on the world and then Skype did the same thing in a bigger way right You invented viral marketing I don't think a lot of people know that you encourage them to put this footer on the bottom of every uh account in an email Did you know you were doing something huge at the time which today people take for granted I mean I I don't know what the value of viral marketing is today but it's in the trillions of dollars And you invented that Yeah Um I knew it was kind of important I didn't know it was this big a deal but I knew it was kind of important and and it got you know the way I thought about it was like I played chess when I was a kid and I I thought well if I send it to you and then you send it to your friends and they send it to their friends they send it to their friends then it starts to grow like a virus and it grows it grows and grows and then it's gonna go to everybody And then and I did it a little bit Invention of the or uh the necessity is the mother of invention I didn't want to spend \$5 million advertising free web based email I wanted to something better to do And I remember back at the Harvard Business School there was a case on Tupperware where the women were not allowed to buy the product unless they were also selling the product or forced to be a distribution channel for the product And they all love the product And so there were these Tupperware parties and it spread and it was the cheapest marketing ever And uh so I did kind of have that in the back of my mind thinking you know this is sort of like a Tupperware you know but but thinking three or four moves ahead realizing that it's uh it can grow to the whole world in a pretty fast way Uh That did get me pretty excited although I had no idea that it was gonna grow that fast and and be that kind of an have that kind of an impact on the world