

Star Gazer Tim Draper – Founder and Managing Director of Draper Fisher Jurvetson

Tim is the Founder and a Managing Director of Draper Fisher Jurvetson. He was an original venture capital investor in Parametric Technology, Tumbleweed Communications, Overture.com, Digidesign, Preview Travel, Four11 Combinet, and Redgate. His original suggestion to use "viral marketing" in web-based e-mail to geometrically spread an Internet product to its market was instrumental to the successes of Hotmail and YahooMail, and has been adopted as a standard marketing technique to hundreds of businesses. He was also an early investor in Skype.

[start box] "For me, it is all about the people. Are they leaders? Do they have a mission in life to do what they are proposing to do? Will they continue to pursue this vision against all odds, with no money, when life gets them down? And is their vision clear? Does it eventually become profitable?"

To find a great company, I'm looking for something that gives them an unfair advantage. For large companies, it is dominance in a marketplace. For start ups it is stealth, or quickness. I have always loved business models that eliminate one balance sheet item or income statement item. For example, Hotmail and Skype grew their businesses through viral marketing, and that allowed them to be able to reach hundreds of millions of customers with zero or near zero "Marketing" dollars. Software in general eliminates most of the line called, "Cost of Goods Sold." Companies like eBay that broker goods and services eliminate "Inventory." Parametric Technology kept their development team small and focused to minimize "Research and Development."

In assessing great people, I test them. I see what makes them tick. I ask the tough questions even if they might be embarrassing. There is no 400 lb. gorilla left in the room when I am finished. I look for the passion for the vision. I ask them why they do what they do. If it is about the money, that is usually not enough. We saw that en masse with the crash of 2001. The people who did it for the money, generally gave up. The ones that were in it for the vision are mostly still around.

I don't really count success in dollars. I think the greatest thing I have been fortunate to be a part of is "viral marketing." When I came up with the concept to put an ad in the signature of every email sent, it was met with a lot of skepticism, and when Hotmail finally did it, it took off like a rocket. Allowing a product to spread that easily that allowed that many people of the world to communicate for free is a major success in my mind. Being a part of Skype was also very exciting for me for the same reason. The company allows the world to talk over the internet for free. Skype also had the added benefit of encouraging European entrepreneurship, since there were no entrepreneurial companies in Europe that have ever grown that fast to be worth that much. And of course, being a part of GoTo/Overture, whose paid listing business model became the model for all profitable search engines, was another enormous success. And since search engines could now be profitable, combined with the Network Affiliate model for venture capital spearheaded by DFJ allowed us to also succeed with Baidu, the search engine for China.

But we've missed some, Xilinx, Yahoo, Google and eBay. We had a shot at all four. Oh, yeah, and not buying Microsoft at the IPO.

But if I had been their investor, maybe they would not have become the successes they became. Different decisions create different outcomes in life's fractals." [end box]