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A THOUSAND FLOWERS, BLOOMING

PayPal, AdWords, Google's IPO and Blogs

Netflix's successful IPO on May 23, 2002, was an early sign that the Internet was not over as a wealth-generating machine, and though it was one of the first Internet companies to go public after the bust, it was not *the* first. That was probably PayPal.

PayPal began life as Confinity, launched in July of 1999 by Peter Thiel and Max Levchin with the immodest proposal of disrupting the global financial system. From the first days of the web, people had wanted to use the Internet to create some form of ecurrency. "As far back as 1995, there were a hundred companies that used cool technologies for moving money and that were going to change the world," Thiel recalled.[1] In the midst of the bubble, there were well-funded digital money schemes like Flooz.com and Beenz.com that did not survive the nuclear winter. PayPal's crucial insight was that payments in cash could be beamed directly to your virtual person: your email address. By the end of the nineties, everyone had an email address. PayPal simply turned your email address into a virtual bank account routing number. Need to send me $10? Use PayPal to send it to my email address.

Where the virtual-bank-account-tied-to-your-email-address really found traction was among web users who were already doing a lot of virtual transactions over the web: eBay buyers and sellers. On eBay, 90% of transactions took place via check or money order.[2] Credit card merchant

accounts cost hundreds, even thousands, of dollars to set up, and were designed for actual businesses. But what if you just wanted to unload your used record collection on eBay? There was no mechanism to take easy payment via credit card for the eBay hobbyist.

Enter PayPal. Sellers on eBay simply asked buyers to “PayPal” them the payment for a successful auction to their email address. PayPal would withdraw the funds from one, and forward to the other. Among the eBay community, PayPal quickly generated a strong network effect: the more sellers asked to be paid via PayPal, the more buyers were incentivized to sign up for a PayPal account, and vice versa. Just as Hotmail had advertised itself with every email sent, PayPal attracted users with every auction that was settled using its service. PayPal quickly registered 10,000 users only two months after launching, and 100,000 a mere month after that.[3]

PayPal had early competition from another company that had neighboring offices in Palo Alto. X.com was founded by a serial entrepreneur named Elon Musk, who had a vision that was just as grandiose as Thiel and Levchin’s: a next-generation suite of banking and financial services that would be entirely virtual. For a while, the two competed fiercely for users, but in March of 2000, X.com and Confinity merged, eventually adopting the PayPal moniker for the combined company.

PayPal was initially completely free to use, but the service eventually charged sellers 2.9% and 30 cents per transaction—still less than credit card companies charged small merchants, and without any of the overhead or complexity. Very quickly, PayPal discovered how lucrative merely acting as a commercial middleman could be. By the fourth quarter of 2001, PayPal was profitable, thanks to facilitating payment for roughly one-fourth of eBay’s total auctions. After a mere twenty-six months of operation, there were 12.8 million PayPal accounts. It had taken eBay more than four years to reach 10 million accounts.[4]

On Friday, February 15, 2002, PayPal went public and enjoyed a 55% first-day pop. The financial press, which had been so instrumental in cheerleading for the bubble, now proved downright hostile to the return of Internet IPOs. “It’s an anachronism—straight out of 1999,” the *New York Times* quoted a stock analyst as saying. “It’s like we’ve kind of forgotten what got us into this situation in the first place.”[5] But doubters were proved wrong a mere five months later when eBay acquired PayPal for $1.5 billion, one of the biggest acquisitions in the wake of the dot-com implosion.

PayPal showed that the web was still fertile ground for innovation, but

perhaps the greater legacy for the company was how it proved to be the finishing school for an entire generation of entrepreneurs who would go on to lead the renaissance of the technology industry. Elon Musk, of course, went on to found Tesla. Peter Thiel became the first major investor in Facebook. Early PayPal employee Jeremy Stoppelman founded Yelp. Max Levchin founded slide. And PayPal alumni had a hand in founding, funding or contributing to the development of so many subsequent companies (LinkedIn, YouTube, Yammer, Palantir, and Square, just to name a few) that folks in technology often refer to a "PayPal Mafia" that runs Silicon Valley today.

THE SUCCESSES OF NETFLIX and PayPal were beginning to banish the ghosts of the dot-com bubble, but it wouldn't be until the undisputed star of the final wave of web startups found its footing that people were willing to believe in the Internet again.

Google was the one service that had the greatest impact after the nuclear winter, but there was one important trait that Google shared with the departed dot-coms: it wasn't making very much money. It's somewhat forgotten now, but Google existed for several years without much of a business plan. The vision Larry and Sergey had sold the venture capitalists involved a three-pronged strategy. First, Google would license its search technology to the major portals. Second, the company would sell its search technology as a product to enterprises. And third, there were some vague promises about selling ads against searches on its own website.

The young company made major progress toward the first goal by finally convincing some of the portals to use Google's results on their search pages. The first deal was struck with Netscape for its Netcenter portal, but the really big coup came when Yahoo was finally convinced to use Google for its search results (previously, a company named Inktomi had been Yahoo's search partner). The partnership with Yahoo was announced in June of 2000, and was an enormous deal for Google at the time. Part of the arrangement allowed for a "powered by Google" logo to appear on Yahoo's search pages, thereby introducing the Google brand to millions of mainstream web users. Daily searches served by Google swelled from 18 million a day before the Yahoo deal, to 60 million a day afterward.[6] In early 2001, Google would pass the 100-million-searches-per-day milestone, answering 1,000 queries a second.[7] Yahoo seemed not to mind that Google was essentially stealing its search audience because at the time it didn't feel search was a core product. It was still pursuing

its portal strategy. Yahoo did, however, purchase a $10 million equity stake in its new partner, thereby tying the two companies closely together in ways that would later become important.

What Yahoo didn't know was how important the partnership would prove to be for Google's overall product. Remember that Google's algorithms improved in direct relation to the number of searches it performed and the amount of data Google's computers could hoover up. The flood of queries from Yahoo not only took Google to the next level in terms of search market share, but many Google engineers would later credit the Yahoo traffic for fine-tuning Google's search engine into its mature state. Google was essentially improving itself on the back of its biggest partner.

But the problem for Google was that the Yahoo deal simply wasn't lucrative. The fees that Yahoo coughed up were barely enough to cover the increased processing and bandwidth costs Google incurred to service the traffic. The Yahoo deal taught Google that licensing alone wouldn't be a big enough home run to build a company around—or at least, not a very big company.

The second leg of Google's original strategy was proving little better. Google produced an actual hardware device, known as the Google Search Appliance, which was a rack-mounted box meant to be installed in corporate data centers. It was designed to provide corporations and other organizations with large amounts of data and the ability to organize, index and search that data the same way that Google did with the web. But even though Google continued to produce the Search Appliance until 2017, it never became a breakout hit.

By the end of 2000, Google was in a bit of a crisis. With monthly expenses of more than $500,000, the $25 million from Kleiner Perkins and Sequoia was starting to run low, as Google launched international versions of its website and continued to hire, taking total headcount past 100.[8] "There was a period where things were looking pretty bleak," Google board member and investor Mike Moritz admitted later. "We were burning cash, and the enterprise was rejecting us. The big licenses were very hard to negotiate."[9] And since Google had yet to earn a dime on the 70 million daily searches it was getting on its own site, by January 2001, Google's out-of-control growth was actually a problem. While the service was becoming so popular that its very name was becoming a common verb, "There was genuine concern (at the board level) about where the revenues were going to come from," says early Google investor Ram Shriram. To make matters worse, it appeared to Google's venture backers that the company's founders were reneging on their commitment to bring in a "grownup" CEO. If Page and Brin didn't recruit someone who could turn Google into a real

company with real prospects to generate cash, there were rumblings that either Kleiner or Sequoia (or both) might pull out of the investment.

Of course, advertising, the third leg of Google's theoretical business model, was still an option, but in spring 2001, the existing advertising model of throwing banner ads at the top of every web page had imploded. Web advertising in general was in a deep freeze, the overall online ad market plunging to $6 billion in 2002, down from $8.2 billion in 2000. All the surviving portals were suffering because of this state of affairs.[10] In the midst of the freefall in its stock price, Google's erstwhile partner Yahoo was forced to lower its revenue guidance to Wall Street by 25% *twice* in a single quarter as the dot-coms went bankrupt and advertisers ponied up 50% less for online ads.[11]

Google had never really experimented with ads, because the company's founders were originally firmly against the idea. In their 1998 academic paper introducing Backrub/PageRank, Page and Brin had attacked the very notion of search companies relying on advertising to generate revenue because it made them "inherently biased towards the advertisers and away from the needs of the consumers."[12] In other words, ads guaranteed bad search results.

But at this very moment of crisis, a revolution in online advertising was taking place that would ultimately prove to be Google's salvation.

LAUNCHED AT THE TED CONFERENCE in February 1998 by entrepreneur Bill Gross, GoTo.com was conceived of as a completely new type of search engine. Instead of search results generated by spidering the web and returning pages based on an algorithm, GoTo returned results that were almost exclusively provided by sponsors. GoTo served up text ads designed to look like search results, but which were paid for by advertisers who bid for position. It was an eBay-like auction model. For any given keyword, a company could pay whatever it cost to rank first for that search term. If you wanted to show up first on a search for "flowers," you could bid, say, 10 cents a click. If someone bid 7 cents, they were listed second. Bidding a nickel might get you third place, and so on. If you wanted to go crazy and bid $1,000 a click, you could theoretically rank number one for any search term you wanted.

The idea of a "search" engine that only returned ads was extremely distasteful to most; indeed, Gross was nearly hissed off the TED stage during his presentation. But advertisers loved the idea, and signed up in droves because they quickly intuited that Bill Gross had stumbled upon one of the greatest

advertising models in the history of the world. Paid search represents a uniquely powerful nexus point for advertisers to insert themselves into. Users who search are searching *for* something. You don't perform a search like "hotels in Marietta Georgia" without having at least some passing interest in booking a hotel in that city in the near future. Advertising around search allowed marketers to reach consumers at the very point of intentionality, at the very moment they were either researching a purchase or actually looking to buy.

An important component of this entire process was the ability to "pay per click" —as opposed to paying based on the number of people who (theoretically) viewed your ad, as every other online advertiser did in the dot-com era. This was the second key innovation: with the GoTo model, an advertiser only "paid for performance." If no one clicked on your ad, you paid nothing. This was a radical but extremely enticing option at a time when click-through rates on banner ads had dropped to minuscule percentages.

Gross had intended for GoTo to become a shopping destination, thus the active tense of the name. And yet, even though advertisers eagerly signed up to hawk their wares, the consumers didn't follow. Undeterred, Gross had the brilliant idea of chasing the traffic he needed. GoTo approached nearly all the extant portals and search engines and offered them what was essentially free money: GoTo would "syndicate" its paid search results so that for almost any keyword on a site like AOL Search, the first three or four results would be GoTo's text links which, though they looked just like the other search results, would actually be ads. When searchers clicked on these paid links, GoTo would share the ad revenue with the portal, thereby instantly monetizing the search traffic.

GoTo succeeded in signing deals with all the major portals, and at a stroke, turned search—which had been a loss leader for portals throughout the nineties —into a cash cow. In 2002, GoTo changed its name to Overture to better reflect its true business model of introducing customers to advertisers. The company was earning more than $78 million dollars a year on $668 million in revenue—all from paid clicks syndicated to the likes of Yahoo, AOL and MSN. Overture saved the portals by fixing a fundamental flaw in their business model. Portals had sprung up in the first place because they needed to be "sticky." None of the early search sites could make money when they sent users out onto the web, so they attempted to hoard the eyeballs and keep them on-site in order to create impressions for banner ads. But now, clicking itself was finally worth something. As the writer John Battelle has put it, Overture could generate billions of dollars, one click, one nickel, at a time.

GoTo/Overture came along at a very opportune moment for the Internet. As the bubble burst and the advertising market cratered, paid search stepped into the breach to replace the lost revenue from all those bankrupt dot-com advertisers. In the case of Yahoo, by the summer of 2002, the paid links it was getting from Overture accounted for more than 10% of the ailing portal's revenue, and almost all of its much-diminished profits.[13] It's not an exaggeration to say that Overture and paid search saved the portals and the search industry in general. Lucky for Google, there was now a very lucrative new advertising model it could copy, and what was more, this new form of ad had proven the immense value of search, Google's crown jewel. But since Larry and Sergey never met an idea they didn't think they could improve upon, Google was not interested in merely copying. If Google was going to have ads, the ads would have to be better than traditional ads; they would have to be *useful*.

GOOGLE'S FIRST EXPERIMENT with advertising came in January of 2000 when it began showing unobtrusive text (in keeping with its minimalist aesthetic) links above certain keywords. But the ads were still priced like flashy banner ads, on the traditional CPM (cost per impression) model. Page and Brin wanted something more scientific, more automated. They liked how anyone could buy an ad through Overture by simply using an online form. In October 2000, they launched what they called AdWords, which allowed any advertiser, no matter the size of their operation, to purchase search ads online in a matter of minutes, using a simple credit card.

As GoTo/Overture had discovered, advertisers were eager to get in front of Google's burgeoning search traffic, and the first influx of AdWords advertisers put an end to Google's immediate money issues by bringing in $85 million in 2001. But since the ads remained CPM-based, advertisers were still paying for impressions, not for actual clicks. Google was missing out on the performance-based advertising revolution, and it showed. Overture's 2001 revenues were $288 million, and that number was growing at a faster rate than Google's.[14] In February 2002, Google unveiled a new version of AdWords that copied Overture's cost per click and auction-pricing model. In typical Google fashion, however, its Overture clone had a key innovation that made all the difference in the world.

The new version of AdWords had advertisers bid against competitors' ads, but Google's system was not strictly pay-for-placement. Ever enamored with math and the power of algorithms, Google introduced an important new ranking

factor for the ads that it called a "Quality Score." In essence, Google's system took into account how often that ad was actually clicked on, *in addition to* how much an advertiser was willing to pay per click. Each time a search was run and AdWords results were generated alongside the search results, the ranking of the eventual ads decided how relevant the ads actually were. This prevented deep-pocketed but ultimately irrelevant advertisers from dominating every keyword. You could no longer guarantee to rank high just by being willing to pay the most. Your ad also had to be *clicked on the most* in order to rise up the rankings. Successful advertisers paid *less* per click, but ranked higher. If your ad was of good quality, and tended to get clicked on more often, AdWords trusted that it was more relevant for that search phrase and would therefore rank you higher even if you didn't increase your bid. Google did this because, almost counterintuitively, it knew that it stood to make more money when the ads were ranked this way. Over time, more money would come in from a 5-cent ad that was clicked on twenty-five times—than from a dollar ad that was only clicked on once.

From a searcher's perspective, the ads felt less annoying the more relevant they became. To a certain extent, Google's AdWords began to seem almost as useful as the organic search results for certain keywords, because the quality score kept them germane to the searcher's original query. And on the advice of early Google advisor Yossi Vardi, the bulk of the AdWords appeared on the right-hand third of the search results page. This had the consequence of increasing the amount of ads delivered per search, all while seeming to make them less intrusive. The original, organic search results still filled the main two-thirds of the page, pristine and untarnished. When Google ran limited control experiments where it showed one group of searchers results without the ads, and another group search results *with* the ads, users who saw the ads actually searched more.[15] It became a classic win-win-win: Google started making more money per search than Overture did, advertisers felt like they were paying less per click while reaching more potential customers, and users felt like they were getting supplemental search results, in the form of ads that were often quite useful.

Overnight, Google's fortunes were transformed. Led by a new hire named Sheryl Sandberg (later, more famous for her leading role at Facebook), AdWords became the blockbuster success that Google had been looking for all along. It helped considerably that Google had what Overture didn't: its own highly trafficked search destination. Google didn't have to cut syndication deals with other portals in order to get traffic for its ads, since its own website was

already servicing hundreds of millions of searches per day. It didn't *have* to cut deals, but it did anyway, especially a partnership with AOL, announced in May of 2002. Google would not only provide organic search results to AOL, but paid search results as well, stealing the business away from Overture, which had previously provided AOL's paid links. Two thousand two would become Google's first profitable year, with $440 million in sales and $100 million in profits.[16] By 2003, profits were more than $185 million and the AdWords program could boast more than 100,000 advertisers, all without a commensurate rise in Google's head count, because the AdWords sales system was automated.[17]

In retrospect, going into advertising played into Google's deepest strengths. For a company full of data-obsessed nerds, Google looked at advertising as just another problem smart algorithms could solve. Indeed, serving the appropriate ads alongside the organic results, running auctions in real time for billions of searchers, and reranking the ads according to their performance became an even more complicated algorithmic trick than even search had been. But then, Google's entire infrastructure was devoted to crunching numbers and organizing vast amounts of data, so it was uniquely positioned to get this sort of thing exactly right. Just as with web search, when Google turned on its new advertising algorithms, it found that the ads got better over time; so much so that Google's computers could eventually predict with stone-cold accuracy which ads would work and which wouldn't.

Google can be thought of as a company born from two miracle inventions, one of which it came up with itself, and the other of which was cribbed from Overture. Definitively solving the problem of web search is obviously the miracle that has made the largest impact on our society. The web and the Internet itself are now so big that without decent search, it's easy to imagine that the whole edifice would have collapsed under its own complexity by now. But by improving on Overture's pioneering work with paid links, Google was able to achieve something just as amazing: it made the Internet profitable at scale and for the first time. Paid search would prove to be the greatest advertising engine yet devised by man. Furthermore, algorithmically served ads would support nearly every product Google would release subsequently: Image Search, Google News, Gmail, Google Maps, Google Books. In a few short years, search ads would surpass traditional banner or "display" ads, and within a decade, Google would be generating more than $50 billion in revenue,[18] having captured nearly 50 cents of every dollar spent advertising online. Today, most advertising is automated in ways similar to what Google pioneered, and even now the largest

market for online advertising remains tied to search. It turned out that the gold mine on the Internet was search all along, as Yahoo and others had first intuited, but had subsequently forgotten.

BY 2003, GOOGLE WAS OBSESSED with one thing: keeping all this a secret. As ever, Google feared tipping Microsoft off to the value inherent in search. Sure, Microsoft was ailing from the antitrust trial and was already entering its lost decade, but it was still the only technology company that had the resources, talent and size to do to Google what Google had done to Overture.

Helping to keep Bill Gates and company in the dark was Google's new "grown up" CEO, Eric Schmidt. Schmidt had been a longtime Microsoft adversary going back to the 1980s, when he was an early manager at Sun Microsystems, and then briefly in the 1990s as CEO of Novell. Years of experience managing a relationship with Microsoft no doubt played a role in Schmidt's eventual selection as CEO, but a willingness to swallow his ego was probably what put Schmidt's candidacy over the top. Becoming the Google CEO meant having to share the limelight—as well as some degree of the decision-making process—with Google's founders. Indeed, the working relationship Schmidt would go on to form with Page and Brin evolved into a sort of triumvirate where all three had meaningful say. Though, if push came to shove, the founders could outvote the CEO. Page and Brin's dream candidate for the job had been Steve Jobs, but it's hard to imagine the Apple founder being willing to take a back seat to two twenty-seven-year-olds, as Schmidt eventually agreed to do.

Capable management was crucial as competitors circled. Thanks to its investment in Google, Yahoo had the best inkling as to what was really going on behind the scenes at the Googleplex. In the summer of 2002, only a few months after the new version of AdWords debuted, Yahoo made a $3 billion bid to buy Google outright. Google, with Schmidt newly at the helm, turned down the offer. Too late, Yahoo realized that search was the motherlode of business models, so it canceled its organic search partnership with Google, purchased what was widely considered to be the company with the second-best search technology, Inktomi, for $257 million, and in 2003, paid $1.4 billion dollars to acquire Overture. The idea was to combine the two properties under the Yahoo umbrella and replicate Google's algorithms-and-advertising juggernaut, complete with a quality score and bidding systems that mimicked AdWords in efficiency and effectiveness. Called Project Panama, this next-generation system was not

released widely until February of 2007, by which point Google had run away not just with search market share generally, but virtually the entire search advertising market.

By then, the whole world knew what Yahoo had intuited: Google was printing money. On April 29, 2004, Google filed for an initial public offering of stock. It would be the highest-profile technology IPO since the dot-com bubble burst. When Google released a snapshot of its financials so that potential investors could evaluate the company's prospects, both the technology and financial worlds were amazed. Venture capitalist Mitchell Kertzman told the *Wall Street Journal* that Google's numbers were "stunning."[19] Google's PR head David Krane remembered the general response being " 'Holy shit!' "[20] Google had generated more than half a billion dollars in cash flow in 2003 and its operating margins stood at an astounding 60%. These were Microsoft-level numbers.[21] The online market for search ads had reached $2.5 billion in 2003 (nearly tripling the size of the market from the $927 million spent a year before), and Google had captured approximately $1 billion of that.[22] A lot of this success was thanks to the fact that 35% of all web searches were now being done through Google, surpassing Yahoo's 30% market share for the first time.[23]

Brin and Page had not actually wanted Google to go public, having filed only because financial rules put into place after the dot-com bubble burst would soon compel them to do so. In the letter the founders wrote to prospective investors, which they called " 'An Owner's Manual' for Google's Shareholders" (and which the *New York Times* declared to be "part financial document, part populist manifesto")[24] Google's founders began with a simple statement: "Google is not a conventional company. We do not intend to become one."[25] Brin and Page went on to state their intention to continue to operate Google in the service of their own lofty ideals, to "develop services that improve the lives of as many people as possible—to do things that matter" rather than bow to the quarterly whims of Wall Street's expectations. Throughout the coming months, as the ramp-up to the IPO began, the Google guys were accused of "thumbing their nose" at Wall Street and its traditions.[26] Larry and Sergey demanded that the underwriters of the IPO receive a fee of only 2.8% for their services, about half the rate bankers usually expect.[27] During the "road show" when the founders crisscrossed the country, ostensibly to sell the company to investors, Larry and Sergey drew fire for flat-out refusing to answer specific questions about Google's operations or future plans.[28] Even the amount of shares Google was offering to the public was a bit of a prank. Google wanted to sell exactly

$2,718,281,828 worth of equity. Math geeks (like the Google founders) knew that this number represented the first 9 decimal places in the mathematical number *e*, which is, of course, an irrational number.[29]

On August 19, 2004, Google went public at $85 a share, and rose 18% on its first day of trading, to close at $100.34. The 38 million shares that Larry and Sergey each held in the company were worth approximately $3.8 billion at the close.[30] Google was valued at $27 billion,[31] more than a bit behind Yahoo's $38.7 billion market cap. But that disparity wouldn't last long. By the time Google's first quarterly report as a public company revealed that sales had doubled from the previous year, Google stock passed $200.[32]

It is impossible to overstate how important Google's IPO was to the Internet, Silicon Valley and the stock market overall. As the *New York Times* said on the day after the company filed to go public, it was "as if the dot-com glory days never ended."[33] Google's success was validation that the Internet as a social, cultural, and (most important) a financial phenomenon was not dead. The revolution had merely been regrouping. Google was also proof that not only were some of the original ideas from the dot-com era still valid; some new ideas might also be out there ready to build on the dot-com era's faded promise. Within Google itself, there were whispers of exciting new projects, like, some sort of a Google "phone" so that searchers could get answers to queries at any moment no matter where they were.[34] More than anything, Google's success provided the template to make these new ideas profitable. Just as with the Netscape IPO nearly a full decade before, a new generation took notice: there was fire in Silicon Valley again.

GOOGLE'S UNORTHODOX TRANSFORMATION into an advertising juggernaut had further, unexpected outcomes. Millions of small and medium-sized businesses eagerly signed up, advertisers who, in a previous era, might have paid for an ad in the Yellow Pages or taken out space in a local newspaper's classified section. Now they were able to design and implement advertising strategies that had the same global reach as the web itself. The erosion of traditional advertising channels that had begun because of sites like eBay began to accelerate in the first half of the 2000s.

This digital economy didn't just flower on the marketing side of the equation, because Google had developed a way to monetize content as well. This was AdSense, which Google launched soon after AdWords. Google engineers

dreamed up ways to syndicate text ads not just to major search sites and portals, but to the entire web itself. “The idea of putting ads on nonsearch pages had been floating around here for a long time,” Google executive Susan Wojcicki said later. Google already had basically the entire web in its index, so if it could find a way to match relevant ads to the content on other people’s web pages (just as it had matched relevant ads to search queries), Google could, in Wojcicki’s words, “change the economics of the web. You do the content and leave the selling of the ads to Google.”[35]

When Google announced in February of 2003 that it was purchasing a small company named Pyra Labs, a lot of people were confused. In August of 1999, Pyra released a software program to help people “blog”—a phenomenon that was becoming popular at the tail end of the nineties. But then the bubble burst, venture capital dried up, and despite the fact that in one year, Pyra’s blogging platforms (Blogger, and later, Blogspot) went from hosting 2,300 blogs to 100,000 (and 700,000 a year after that), the company was on life support.[36] Pyra’s cofounder Evan Williams (who would go on to be a cofounder of Twitter) laid off every employee of the company except himself and continued to run the sites on his own computer, on his own dime, from his own home.

Google swooping in and rescuing Blogger seemed odd. Pyra Labs was a failed (failing?) company. Blogging was a new phenomenon that smelled very much like a fad to a lot of people. Pundits speculated that Google simply wanted Blogger to improve its algorithms. When AdSense was announced soon afterward, it suddenly all made sense: Google was now in the business of monetizing content on the web, and the long tail of content generated by the millions of blogs coming online from sites like Blogger and Blogspot would be the quickest way to scale up rapidly. It turned out that blogging represented the vanguard of a new kind of web, one that built off the original promise of the web as an interactive medium, but now in a new, more personal way. There was a whole new world of content being created on the web, and the creators were the web users themselves.

THE ROOTS OF BLOGGING are obscure. Perhaps the earliest version of the format came from a programmer at the University of Pennsylvania, Ranjit Bhatnagar, who, beginning in November of 1993, started posting, in reverse chronological order, what he had for lunch every single day at “Ranjit’s HTTP Playground.” Credit for coining the term “weblog” is generally given to the site Robot Wisdom WebLog, launched on December 17, 1997, by Jorn Barger. Shortening

the term to “blog” is often attributed to Peter Merholz, who ran a personal website at Peterme.com.[37] But it’s not entirely clear when simply publishing a webpage or a “homepage” morphed into publishing a “blog.” Ever since the web was born, the idea of webpages as individual soapboxes was one of the most obvious and enticing use cases for the technology. It all tied into the original utopian ideal of the web: anyone with an opinion or an insight could broadcast their truth to the entire planet, free from the oversight of the traditional gatekeepers who told you what you could and could not say. But blogging was somehow more personal and more purposeful than simply having a homepage. The whole point of having a blog was to share something with the world, anything from links to things you found cool, to the most intimate details of your life, to your manifesto for world peace. As Merholz himself said of the blogs, “These sites (mine included!) tend to be a kind of information upchucking.”[38]

Justin Hall was one of the earliest “proto-bloggers.” On January 22, 1994, when he was just nineteen years old, Hall set up his own personal webpage, eventually named Justin’s Links from the Underground, using his student Internet account at Swarthmore College. More than most early web publishers, Hall’s subject matter for his website was himself: links, diary entries about his love life, gossip, pictures of his genitalia, *etc*. In 1994, he begged his way into an internship at *HotWired* and was present for the launch of that pioneering website. While at *Wired*/*HotWired*, he fell in with the Suck.com crew, who encouraged him to post to his website daily, as Suck was just then attempting. Hall took up the challenge and for an entire decade, nearly daily, links, photos, musings, diary entries, correspondence with readers, personal triumphs and mental breakdowns, all flowed freely on Hall’s homepage. Like Ranjit Bhatnagar, Hall felt there was nothing too personal or too mundane to share—even lunch. “It’s so much fun,” Hall would write, “putting everything out there.”[39]

Dave Winer was a veteran software developer who simultaneously became entranced by the web’s promise of unfiltered honesty and discourse. Proprietor of a popular technology email discussion list read by industry insiders including Bill Gates, in October of 1994, he moved his musings to the web at DaveNet (eventually, Scripting.com). Like Justin Hall, Dave Winer was in love with the democratizing platform the web provided. “Imagine being able to find out what’s (*)really(*) going on in anyone’s life. What if everyone wrote about their issues. We could all learn from each other.”[40] Winer became a vocal proselytizer for using your personal platform to engage; not just to publish, but to share, debate, argue, respond, provoke and question. DaveNet was his own personal

soapbox, but he encouraged others to launch their own soapboxes. And because he was a gifted programmer, he was able to do more than just encourage others, he gave them the tools to do so as well, creating software programs like the NewsPage Suite, Radio UserLand, and Manila. These programs helped people set up their own soapbox-like websites, and helped formalize conventions we now understand as "blogging" like the reverse chronological format of updates, webrings and blogrolls to link to likeminded sites and the ability for readers to post comments on posts. Most crucially, he helped advance and popularize RSS (short for Really Simple Syndication), which helped bloggers alert the world when they had published something new.

It was the new publishing tools, like Winer's and like Blogger's (eventually, there would be many more, such as Moveable Type, LiveJournal and WordPress), that really helped the medium of blogging take off. Even though creating a website was relatively simple from the very first days, publishing on the web still required some level of technical nous. Thanks to the explosion of blogging software, by the late nineties, you could push a button and, presto, you were published online.

Matt Drudge was a twenty-eight-year-old sales clerk in the CBS studios gift shop in Hollywood when, in 1994, he launched an email newsletter focused on Hollywood gossip, some of which he overheard on the CBS lot, and some of which he later admitted had been pilfered from CBS's mailroom wastebaskets. The newsletter evolved into a blog, because Drudge intuited that the web provided him with a platform that was as powerful as any news organization in the world. "I have no editor," he would later tell *Newsweek*. "I can say whatever I want."[41] In a speech to the National Press Club after he had become world-famous, Drudge declared: "With a modem, anyone can follow the world and report on the world—no middle man, no big brother."[42]

Drudge gained his notoriety in January 1998 when, after *Newsweek* had determined the story too dubious to publish itself, he released the first rumors about Bill Clinton's affair with a White House intern on the Drudge Report. One man's digital soapbox nearly brought down the President of the United States. Within 6 months, the Drudge Report claimed 6 million monthly visitors, which represented a greater readership than *Time* magazine.[43] By 2007, with the help of a single employee by the name of Andrew Breitbart (later, founder of Breitbart News), DrudgeReport.com made millions of dollars a year from advertisements on the site from the likes of the *New York Times*.[44]

Matt Drudge's ascendance into the top ranks of newsmakers and publishers

caught the attention of other Internet-savvy hustlers. Nick Denton had been a journalist at the *Financial Times* in London when the budding blogging scene caught his fancy. He began posting nearly daily on his own NickDenton.org. “You could express yourself,” he said of blogging’s simple appeal. “I could express opinions.”[45] Feeding off the newness of blogging, and referencing the Fleet Street–style tabloids from his native Britain, as well as satirical publications like *Private Eye* and *Spy*, Denton launched a series of blogs under the umbrella company named after the first one to debut: Gawker.

Launched in 2002, Gawker was a straight-up tabloid, covering the foibles of the New York media industry. “Nick had the brilliant insight that if you want to get people to read something, the easiest way is to write about them,” remembered Lockhart Steele, another early blogger whom Denton would eventually hire into the Gawker stable of writers.[46] But, it was Gawker’s voice and attitude, its much-commented-upon “snarkiness” that really drew attention. Gawker had a habit of commenting on the news broken by other publications, linking to published pieces and offering commentary on them. Gawker also critiqued other publications themselves, often with viciously biting commentary. The editorial attitude of Denton’s publications drew a lot from the spitballing-from-the-back-of-the-classroom Suck.com. Indeed, when Denton launched the blog Wonkette, to lampoon the Washington, D.C., establishment, he hired a Suck alumna named Ana Marie Cox to do so.

“EXCLUSIVE: The Condé Nast cafeteria”

Filed to: Condé Nast

> *Gawker had reported previously that the Hamburger Guy in the cafeteria had been fired after impatiently tapping the glass partition between himself and The Anna* [Wintour, legendary editor in chief of *Vogue*] *an act of insolence not to be repeated by any cafeteria slave wishing to end his or her day in the employ of Si Newhouse, Jr. Not so, said the mole. “He just wanted to learn how to make pasta, so they moved him.”*

GAWKER, MARCH 24, 2003, 1:22PM[47]

Soon, Denton had his portfolio of blog publications covering a universe of topics from personal productivity (Lifehacker) to Silicon Valley (Valleywag) to

video games (Kotaku) to sports (Deadspin). Denton kept expenses low, paying his bloggers a couple thousand dollars a month (at best) but expecting a dozen or more posts from each blogger, each day. By providing always new, always updating, always up-to-the-minute content, people would return again and again to Gawker's blog feeds to find out what was going on in the world. "Immediacy is more important than accuracy," Denton would say, "and humor is more important than accuracy."[48] Traditional journalists would scoff at the shoddy editorial standards of blogs like Denton's, but they couldn't argue with the way blogging began to drive the daily conversation in ways that traditional publishers couldn't. By keeping his expenses low and taking advantage of the new advertising technologies like AdSense, Denton created a media empire one blog at a time. By 2007, Gawker had grown to around 100 employees and $10 million to $12 million a year in annual profits.[49]