

Dropbox co-founder aims to build his own Google, not sell to them

January 18 2012, By Jessica Guynn

Four years ago, Drew Houston was just another super-smart hacker with ambitions of starting his own company.

He'd strap on headphones to block out everything but the endorphin rush as he cranked code late into the night on a new service that instantly syncs all of your files on all of your devices.

Houston, who played guitar in a '90s rock cover band at Boston bars and college parties, dubbed it "Even Flow" after one of his favorite Pearl Jam songs. On a white board in his Cambridge, Mass., apartment, he calculated that he'd need several hundred users to "not feel like an idiot" quitting his \$85,000-a-year job as a [software engineer](#).

Today, Houston needs software to track how many people use his service. Dropbox has more than 50 million users and adds another every second. It's one of the fastest-growing companies [Silicon Valley](#) has ever seen. Both Apple's Steve Jobs and Google's [Sergey Brin](#) sounded out Houston about buying Dropbox.

But Houston says he's determined to build the next Apple or [Google](#), not sell out to them. And some of high-tech's smartest money is backing Houston's vision.

Dropbox has figured out an elegant solution to a vexing problem. With the explosion of smartphones and tablets, people have more devices and more apps than ever before. How can they get access to the latest version

of all their stuff - photos, music, videos, documents, spreadsheets - no matter what device they are using and no matter where they are?

For millions, the answer has been Dropbox. Every day, 325 million files are saved on the service. Dropbox has become a verb as in "Dropbox me."

In September, Houston pocketed \$250 million from seven of Silicon Valley's top [venture capital firms](#). That eye-popping sum pegged the value of his company at \$4 billion and his own net worth - at least on paper - at an estimated \$600 million.

Now this 28-year-old chief executive has to make sure Dropbox becomes the next [Facebook](#), not the next [MySpace](#).

Dropbox faces potentially lethal competition from some of the world's largest tech companies and dozens of startups packing piles of cash and top engineers. It may have won over consumers for now (without spending a cent on marketing, just giving away free storage as an incentive for people to tell their friends).

Homeowners who are remodeling use the service to pore over contracts and tweak design plans from architects and contractors. Couples planning weddings swap drafts of invitations and wedding cake photos. Astronomers upload and share giant telescopic images of the heavens taken all over the globe. Walter Isaacson even used Dropbox for his bestselling biography, "Steve Jobs," even though Apple runs a competing service.

But consumers can be fickle. What will happen when Apple, Google and Microsoft point their big guns at Dropbox in the fight to become the spot that houses everyone's digital stuff?

"It is clear that Dropbox is going to have serious competition not just from the Apples of the world but everyone else," said Tim Bjarin, president of technology consulting firm Creative Strategies. "It needs to innovate to stay ahead of the pack."

Houston knows Dropbox can't afford to coast. He says he wants Dropbox to find its way onto every device you use, be it your smartphone, camera, TV remote, even your car, and to become the way you collaborate on files, listen to music or share photos.

"People may know us today as the magic folder on their desktop or the app on their phone. But we see ourselves as building the Internet's file system," he said.

One reason people are betting on Dropbox is that the technorati have so eagerly embraced it, reminiscent of the cult-like enthusiasm for Apple products. And they have embraced Houston, who these days is the tech world's equivalent of a rock star.

Strangers stop him on the street and in Starbucks. The guy who used to grub on Hot Pockets in his lean startup days has rubbed elbows with wealthy donors at a \$38,500-a-plate dinner for President Barack Obama, and he and his tech pals broke bread with California Gov. Jerry Brown. And Houston got to meet Pearl Jam lead singer Eddie Vedder backstage at a benefit concert last year.

Houston, who has spiky Elvis Costello hair and rarely deviates from his uniform of jeans and a Dropbox hoodie, says he gets his biggest rush from peeking over someone's shoulder in a coffee shop and spotting his company's logo on their laptop screen.

At Dropbox's San Francisco headquarters, Houston (pronounced like the Manhattan street, not the city in Texas) sits in a sea of engineers under a

neon sign that reads "ITJUSTWORKS" with "just work" flashing in blue. His desk is blanketed in a flurry of resumes an inch thick and his attention constantly darts between four 24-inch monitors.

His former roommates say that maniacal focus on Dropbox meant Houston never paid the rent on time. It took him 15 months to replace the driver's license he lost at Burning Man, forcing him to carry his passport as ID to get served in bars. He rarely shows up at his apartment except to shower and sleep, instead embedding himself in his Aeron chair at the Dropbox office.

That's the kind of obsessive-compulsive attention to detail that Houston and his team needed to pull off a technical tour de force: making Dropbox work on any device, with any operating system, on any browser and in any country. Dropbox engineers even hacked their way into Apple's file system to make the Dropbox icon appear on users' menu bars, a bold feat that blew away Apple's cloud team and caught the attention of none other than Jobs.

The Apple co-founder summoned Houston and his co-founder, Arash Ferdowsi, to Apple's Cupertino, Calif., headquarters in December 2009. They zipped down U.S. 101 in a rented Toyota Prius and nervously sat down in Jobs' conference room.

Jobs, in jeans and black turtleneck, cupped his tea. He warned them he was going after their market. And, in a jaw-dropping moment for Houston, Jobs made a pitch to buy Dropbox.

But Houston inherited his dad's cool-as-steel temperament and didn't fall under Jobs' spell (although he admits to having a sinking feeling in June when Jobs in his final keynote announced Apple's iCloud, which could eat Dropbox's lunch).

"I'm a Windows guy anyway," Houston said with a smile.

Reared in suburban Boston, Houston began playing with computers when he was 3. His dad taught him to program when he was 5. Even when Houston was solving math problems in high school, he would do it his own way. As a computer science major at the Massachusetts Institute of Technology, he hacked for fun, building an online poker bot that could automatically play and win multiple hands.

Houston had aspired to be an entrepreneur before he was old enough to shave. The kid who scored a perfect 1600 on his SATs dropped out of MIT for a year to start an online SAT prep company, but it wasn't the game-changer he was looking for.

Sitting in Boston's South Station in November 2006, Houston opened his laptop and realized that he had left his USB memory stick at home. So Houston said he did what any self-respecting engineer would do: He spent the four-hour bus ride to Manhattan writing code so that he would never find himself without his files again.

Houston teamed up with Ferdowsi, an MIT computer science student and the son of Iranian refugees from Kansas. They interviewed for and got a coveted spot in Silicon Valley incubator Y Combinator, the launch pad for many Silicon Valley companies. One day, they returned to their rental car to find the door ajar and their laptops stolen, but all of their work safe on Dropbox. They knew they were on the right track. Ferdowsi dropped out of MIT one semester before graduation.

With \$15,000 from Y Combinator, they spent four months cranking out code 15 hours a day in a cramped apartment. In September 2007, they moved into a San Francisco apartment building filled with Y Combinator companies that Houston dubbed "Ellis Island for startups." They hired the smartest engineers they could find, mostly fellow MIT students, and

started scaling the business.

Word of Dropbox reached the ears of Michael Moritz, the Silicon Valley venture capitalist famous for backing Apple and Google. His firm, Sequoia Capital, wrote Dropbox a big check and requested instructions for the wire transfer.

Houston and Ferdowsi just looked at each other. They walked over to the Bank of America branch near their apartment in North Beach and peered at the tellers standing on one side, the leather seats with account managers on the other. They slid into the leather seats and asked tentatively if there was a limit to how much a bank account could hold, and then watched goggle-eyed as their balance shot up from \$60 to \$1.2 million.

In March 2008, they posted a demo video to Digg and got 70,000 users overnight. Six months later when they launched, they had 100,000 users. Then came millions. And millions of dollars more from investors.

"Dropbox has an immediate 'aha' moment for everyone who uses it," said Forrester Research analyst Ted Schadler.

Dropbox is already profitable and making money (although Houston won't say how much). Every day thousands exhaust their free 2 gigabytes of storage on Dropbox and upgrade to 50 gigs for \$10 a month or 100 gigs for \$20 a month.

Next month, Dropbox is moving into an airy, 85,000-square-foot spread with views of the bay and its own cafe and gym. It will have enough room to grow from less than 100 to a few hundred staffers in the coming year. This is where Dropbox will make or break its future. It's little wonder that Houston's hair has begun to prematurely gray.

Houston says he stays grounded by hanging out with pals who are fellow entrepreneurs. Twelve of them rented apartments in the same downtown high-rise in San Francisco this year. And he still makes time for music. After all-hands meetings on "Whiskey Fridays," Houston gets out his dad's old acoustic guitar and jams with the other resident musicians at Dropbox.

Houston gets a wistful look as he thinks back to the early days of Dropbox when all he had to do was down an iced mocha and hunch over his keyboard all night long.

"You'd just sit down, do something, get it done, have it work and move onto the next thing," Houston said. "The joy is less immediate as things get bigger."

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