The ‘Facebook Class’ Built Apps, and Fortunes

ALL right, class, here’s your homework assignment: Devise an app. Get people to use it. Repeat.

That was the task for some Stanford students in the fall of 2007, in what became known here as the “Facebook Class.”

No one expected what happened next.

The students ended up getting millions of users for free apps that they designed to run on Facebook. And, as advertising rolled in, some of those students started making far more money than their professors.

Almost overnight, the Facebook Class fired up the careers and fortunes of more than two dozen students and teachers here. It also helped to pioneer a new model of entrepreneurship that has upturned the tech establishment: the lean start-up.

“Everything was happening so fast,” recalls Joachim De Lombaert, now 23. His team’s app netted $3,000 a day and morphed into a company that later sold for a six-figure sum.

“I almost didn’t realize what it all meant,” he says.

Neither did many of his classmates. Back then, Facebook apps were a novelty. The iPhone had just arrived, and the first Android phone was a year off.

But by teaching students to build no-frills apps, distribute them quickly and worry about perfecting them later, the Facebook Class stumbled upon what has become standard operating procedure for a new generation of entrepreneurs and investors in Silicon Valley and beyond. For many, the long trek from idea to product to company has turned into a sprint.

Start-ups once required a lot of money, time and people. But over the past decade, free, open-source software and “cloud” services have brought costs down, while ad networks help bring in revenue quickly.

The app phenomenon has accentuated the trend and helped unleash what some call a new wave of technology innovation — and what others call a bubble.

Early on, the Facebook Class became a microcosm of Silicon Valley. Working in teams of three, the 75 students created apps that collectively had 16 million users in just 10 weeks. Many of those apps were sort of silly: Mr. De Lombaert’s, for example, allowed users to send “hotness” points to Facebook friends. Yet during the term, the apps, free for users, generated roughly $1 million in advertising revenue.

Such successes helped inspire entrepreneurs to ditch business plans and work on apps. Not all succeeded, but those that did helped to fuel the expansion of Facebook, which now has nearly 700 million users.

Venture capitalists also began rethinking their approach. Some created investment funds tailored to the new, bare-bones start-ups.

“A lot of the concepts and ideas that came out of the class influenced the structure of the fund that I am working on now,” says Dave McClure, one of the class instructors and founder of 500 Startups, which invests in lean start-ups. “The class was the realization that this stuff really works.”

Nearly four years later, many of the students have learned that building a business is a lot harder than creating an app — even an app worthy of an A+.

"Starting a company is definitely more work," says Edward Baker, who was Mr. De Lombaert's partner in the class and later in business. The two have founded Friend.ly, a social networking start-up.

Still, many students were richly rewarded. Some turned their homework into companies. A few have since sold those businesses to the likes of Zynga. Others joined hot start-ups like RockYou, a gaming site that at the time was among the most successful Facebook apps.

The Facebook Class changed Mr. De Lombaert's life. His team's app, Send Hotness, brought in more users and more money faster than any other in the class. And its success attracted the attention of venture capitalists.

"The class, more than anything, set the tone for us to try to start something big," says Mr. Baker, 32, Friend.ly's C.E.O.

When the Send Hotness app began to take off, Mr. Baker encouraged Mr. De Lombaert to treat himself to a new car. Mr. De Lombaert settled for a laptop. (He also put some money aside to help to pay his Stanford tuition.) They eventually sold the app to a dating Web site.

Facebook did not actively participate in the Stanford class. But some of its engineers attended sessions, and it benefited from the success of the students' apps. "It really felt like an incubator," says David Fetterman, a Facebook engineer who helped develop the applications platform.

The startling success of some of the class's projects got Silicon Valley buzzing. The final session, held in an auditorium in December 2007, was attended by more than 500 people, including many investors.

"The Facebook platform was taking off, and there was this feeling of a gold rush," said Mike Maples Jr., an investor who attended some of the classes and ended up backing one of the start-ups.

THE Facebook Class was the brainchild of B. J. Fogg, who runs the Persuasive Technology Lab at Stanford. An energetic academic and an innovation guru, he focuses on how to harness technology and human psychology to influence people's behavior.

Mr. Fogg thought that the Facebook platform would be a good way to test some of his theories. Creating a new model of entrepreneurship was far from his mind.

At first, university administrators pushed back. "Facebook was not taken so seriously in academic circles back then," Mr. Fogg recalls.

But there was no hesitation among students — from undergraduates in computer science to M.B.A. candidates — who were spending much of their lives immersed in Facebook.

From the start, many approached the class from a business angle. Mr. Baker, for instance, was a graduate business student but lacked technical skills, so he spent his first week interviewing engineers. "I wanted a technical co-founder," he says.

He settled on Mr. De Lombaert, and the two, along with a third student, Alex Onsager, created Send Hotness. It let users send points to friends they considered "hot" and to compare "hotness" rankings.

Soon they found themselves in a proverbial "the dog ate my homework" situation. Three days before a

presentation was due, Mr. De Lombaert accidentally deleted the computer code he was tinkering with. “We kind of freaked out,” he recalls.

Rebuilding the app would take too long. So, working around the clock over a weekend, they built another version, with a more rudimentary algorithm.

The stripped-down app took off. In five weeks, five million people signed up. When the team began placing ads on the app, the money poured in.

They had stumbled upon one of the themes of the class: make things simple, and perfect them later.

“The students did an amazing job of getting stuff into the market very quickly,” says Michael Dearing, a consulting associate professor at the Institute of Design at Stanford, who now teaches a class based on similar, rapid prototyping ideas. “It was a huge success.”

DAN GREENBERG was sitting at the kitchen table one night when he and another teaching assistant decided to get into the app game. Mr. Greenberg, a graduate student who had done research for Mr. Fogg, hadn’t planned to get app-happy. But the students’ success whetted his appetite.

Four weeks into the quarter, he and his colleague, Rob Fan, set out to create an app that would let Facebook users send “hugs” to one another.

It took them all of five hours.

The app took off. So they moved on to apps for “kisses,” “pillow fights” and other digital interactions — 70 in all.

Their apps caught on with millions of people and were soon bringing in nearly $100,000 a month in ads. After the class ended, the two started a company, 750 Industries, named after the 750 Pub at Stanford where Mr. Greenberg and Mr. Fan where drinking when they decided to become business partners.

But juggling the business and schoolwork was too much for Mr. Greenberg, then 22. So he called his father.

“I said, ‘Dad, it is 10 p.m., and I’ve got so much stuff to do,’ ” Mr. Greenberg recalls. “ ‘We’re running this business, and I’ve got customers, and we are earning money, and we got financing and we have people to hire. But I have to write a paper tonight, and I just don’t have time for it.’ ”

His father advised him to pull a Mark Zuckerberg and drop out. The next day, Mr. Greenberg did just that.

Now 25, he works out of a glass-walled corner office in San Francisco. He is C.E.O. of his company, now called Sharethrough, which uses social media to distribute videos across the Web for companies. It employs 30 people and has raised about $6 million in venture capital. “It feels like a fairy tale when you look back on it,” he says of the class.

He has upgraded his lifestyle somewhat, but still doesn’t own a car. “I have a Vespa and skateboard,” he says.

“LOVE CHILD.” It sounds like an unlikely name for an app. But Johnny Hwin and his Stanford class team set out to build an app of that name, one that would let two users create and raise a virtual child. It never took off.

“We were overly ambitious,” Mr. Hwin says.

Seeing his classmates strike gold with simpler ideas proved to be a valuable lesson. In 2009, he began working on Damntheradio.com, a Facebook marketing tool that helped bands and musicians connect with fans online.

It opened last June and was acquired in January by FanBridge, where Mr. Hwin is now a vice president, for a few million dollars, he says.

Mr. Hwin, who is 26 and also a musician, now lives in a loft space in the Mission neighborhood in San Francisco. He uses his place as a kind of salon for late-night art shows and concerts.

“With Love Child, we wanted it to be perfect,” he says. With Damntheradio, he found his first clients by showing mockups of the product. “We were able to launch within weeks,” he says.

Another class member, Robert Cezar Matei, says he had only modest success with his projects. One, he said, allowed users to send “cheesy pickup lines” to friends; another encouraged people to reveal something about themselves. After graduating from Stanford, he wanted to earn some money to go traveling, but instead of getting a job, he decided to write Facebook apps. “I’d seen my peers being so successful with apps,” he says. “If they could do it, I could do it.”

After a few false starts, he created an app that let people send points and “kisses” to friends. It struggled until Mr. Matei, who speaks several languages, translated the app. The next day, traffic jumped fivefold. He added games, and employees, and the app became one of the most popular Facebook programs in Europe. In late 2009, he sold to Zynga for an undisclosed sum.

Also in the class was Joshua Reeves, who built an app that created animations that Facebook members would send to one another as birthday greetings or other messages. It made enough money for him to quit his job in 2008 to start Buzzeo, a content management system for Facebook. A year ago, Buzzeo was acquired by Context Optional, where Mr. Reeves, 28, is now a vice president. Last week, Efficient Frontier, a digital marketing company, acquired Context Optional for an undisclosed sum.

ONE recent afternoon at the headquarters of Friend.ly in Mountain View, Calif., 10 engineers worked away as two employees turned their attention to a companywide project: a 24,000-piece jigsaw puzzle.

For much of the past year, Friend.ly has worked on developing its service, a social network for meeting new people, without much success. A few weeks ago, the work appeared to pay off: traffic took off, growing to nearly five million monthly users.

Mr. Baker says the Facebook platform is a magnet for young developers, even though the kind of simple apps that were the focus of his Stanford class now face bigger hurdles. Facebook has made it harder to develop big-hit apps by controlling how apps spread virally.

But Mr. Fogg, says that for those who were at the right place at the right time — in late 2007 — things were different. “There was a period of time when you could walk in and collect gold,” he says. “It was landscape that was ready to be harvested.”