**Audio file**

**20220204 goodreads.mp3**

Transcript

00:00:02 Speaker 2

I would come home every day and he'd be like, oh, look at what I'm working on. You know, it was really ugly in the beginning and there were spelling errors. And you sent out an activation e-mail and it said, what is it? Let's read together. Otis. Is that what it said? Let's.

00:00:18 Speaker 1

Or no, that was the friend connection e-mail saying let's let's compare books or let's be friends or something like that. But I forgot the apostrophe and let's.

00:00:26 Speaker 2

And he he got just reams of emails that just said things like I refuse to join a book site where you can't use an apostrophe correctly.

00:00:38 Speaker 3

From NPR, it's how I built this a show about innovators, entrepreneurs, idealists and the stories behind the movements they built.

00:00:52 Speaker 3

I'm Guy Raz, and on today's show, how Otis and Elizabeth Chandler launched a social network out of their LA apartment, turned it into the hugely popular book review website Goodreads, and how they sold it to the biggest bookseller in the world.

00:01:11 Speaker 3

As I've said many times on this show before, some of the best business ideas aren't necessarily about inventing something new, but rather improving or sharpening an existing concept. Tim Leatherman didn't invent the pocket knife or pliers, he simply combined them into a single tool.

00:01:30 Speaker 3

And called it the Leatherman multi tool before Missy Park launched her apparel brand Title 9, Women's Athletic Clothing was out there but no one was focused solely on.

00:01:41 Speaker 3

That type of.

00:01:42 Speaker 3

Peril and Don Katz didn't invent books on tape. He just made it a much easier and more user friendly experience by coming up with audible. It's the same principle for today's episode. Good reads the idea. Otis and Elizabeth Chandler came up with, was inspired by the growth of social media.

00:02:02 Speaker 3

That works back in the early 2000s.

00:02:05 Speaker 3

The success of Friendster and Myspace, and eventually Facebook, led to hundreds of other social media startups, especially niche oriented sites, many of which we've forgotten by now. Networks like Eons, which was specifically for baby boomers or capezio for sharing music and photos.

00:02:25 Speaker 3

Are delicious where people shared website bookmarks Otis and Elizabeth Chandler were, and still are big readers, and that big idea was to build a social network for other.

00:02:36 Speaker 3

Lovers.

00:02:38 Speaker 3

Initially in 2006, Otis started the site on his own with no strategy, no business plan, no office and no employees. Elizabeth helped out in her spare time and they managed to attract a few 100 users basically by reaching out to everyone they knew, but eventually they reached over 100.

00:02:58 Speaker 3

1000 users without hiring a single employee.

00:03:03 Speaker 3

Today, Goodreads is part of Amazon and now has more than 125 million users. Otis and Elizabeth sold it in 2013, but they stayed on running it until 2019. And as a review site alone, it has the same name recognition as Yelp or TripAdvisor, but good reads.

00:03:23 Speaker 3

Isn't just about reviews, it's also a place where books are celebrated. It's the world's biggest site dedicated to one of the world's oldest hobbies. Both Otis and Elizabeth grew up in California, Otis in LA, where he was a descendant of the renowned Chandler.

00:03:40 Speaker 3

Her family and Elizabeth in Palo Alto, where her dad taught electrical engineering at Stanford and when she was growing up, she wanted to be a ballet dancer.

00:03:49 Speaker 2

I got into it when I was about 12. I did gymnastics before that, which I was really.

00:03:55 Speaker 2

Really terrible at I think I broke several bones and my mom finally said you've got to stop this. And so I decided to try ballet.

00:04:04 Speaker 2

And.

00:04:05 Speaker 2

Immediately it was.

00:04:07 Speaker 2

Just a really good fit and I I fell.

00:04:09 Speaker 2

Pretty deep into it pretty quickly.

00:04:11 Speaker 3

There's, there's a lot of kind of mythology around what that means, right? They've been films obviously and and that could mean an intense, just punishing kind of life.

00:04:24 Speaker 3

Did that in any way reflect what your experience was?

00:04:26 Speaker 3

Like.

00:04:27 Speaker 2

Not at all, I think it.

00:04:29 Speaker 2

Was a great passion.

00:04:32 Speaker 2

It was a great way to express myself, I.

00:04:35 Speaker 2

Learned a ton about discipline, mastery, resilience. I mean, when you're learning to dance, you have to learn to fall down. You can't learn how to do a pirouette without falling. And for me it was a fabulous experience that I think taught.

00:04:46 Speaker 3

Yeah.

00:04:50 Speaker 2

Me a lot.

00:04:51 Speaker 3

So were you so committed to it that you thought that that's what you would end up doing as an adult?

00:04:57 Speaker 2

Yeah, I didn't want to go to college. I just wanted to be a ballet dancer. But I was a really good student and a test taker, and I always, you know, did.

00:05:06 Speaker 2

All my work.

00:05:07 Speaker 2

And I got into Stanford and my parents were very insistent that I needed to go to college. So my plan.

00:05:14 Speaker 2

Was to go for a year and then drop out. So I I did my freshman year at Stanford and then I went to the Boston Ballet School. I was dancing in the highest level in the school, and the plan was to audition for companies, and I injured my hip socket really badly. It was so bad I I couldn't cross my legs for like a year.

00:05:34 Speaker 2

And it made me hate dance, being in that much pain. So I went back to college and decided that I probably should stop.

00:05:43 Speaker 3

Well, alright. So you you go on to college and I think I think you're an English major.

00:05:48 Speaker 2

Is that right? Well, after I injured myself, I decided I.

00:05:53 Speaker 2

Should become a doctor and I actually was pre Med and an English major.

00:05:58 Speaker 2

And I loved reading books and analyzing stories.

00:06:03 Speaker 2

I just loved it.

00:06:04

Hmm.

00:06:05 Speaker 3

I want to I want to turn to you, Otis, for a minute, because I I want to ask you about your upbringing. I know you grew up in LA, and I know this because I grew up in LA and and you.

00:06:14 Speaker 3

Are part of a.

00:06:15 Speaker 3

A really well known important LA.

00:06:19 Speaker 3

Family. Your family ran the Los Angeles Times. Your grandfather, Otis Chandler.

00:06:25 Speaker 3

Was a public.

00:06:25 Speaker 3

Interior the famous Dorothy Chandler Pavilion, named after your grandmother. Tell me about.

00:06:31 Speaker 3

What? What was your childhood like?

00:06:33 Speaker 1

I would say I had a lovely, wonderful childhood and I really had no idea that my family was well known. In some circles. I knew my dad worked at the Los Angeles Times.

00:06:45 Speaker 1

And would take me to work sometimes and I'd go run around the printing presses and try not to get in trouble. But you know, later in life, I think I started to realize I had a famous name. I would go to the dentist and they would go. Are you related to the youngest? Chandler? And I would be like, yes, yes, that's my grandpa.

00:07:02 Speaker 1

Mother.

00:07:03 Speaker 3

But when you were a kid, you were not, you know, conception of that was not part of your consciousness.

00:07:08 Speaker 1

I mean, abstractly, I kind of knew that he was a big important guy because he had, you know, he hopped up with presidents. He'd go to his house, and he'd have a pictures of him with all the presidents and tell stories about hanging out with Lyndon B Johnson naked in the pool. I don't know why they did that, but they did.

00:07:25 Speaker 1

And and he was.

00:07:26 Speaker 1

Like an Ernest Hemingway type guy.

00:07:28 Speaker 1

Yeah, yeah. Hunting. He drove exotic cars and had had a huge collection of them.

00:07:35 Speaker 3

Were you close with him?

00:07:36 Speaker 1

I don't think anybody was terribly close with him and my dad when I was growing up told me all the time. Like, I'm not going to be like my dad. I'm going to be a good dad and be around for you.

00:07:48 Speaker 1

And big O, we call them big. OI was I was. I guess that made.

00:07:52 Speaker 1

Me little O.

00:07:52 Speaker 3

You're a little low.

00:07:52 Speaker 1

But the family called him Big O. He was a very competitive guy. One day when I was about 15, we were at a family gathering and we were staying. I don't know, 20 miles from where a party was that everyone was going to. And he said he was going to bike.

00:08:08 Speaker 1

He said. Well, I'd like.

00:08:10 Speaker 1

To bike too. And he said, well, why?

00:08:11

Don't.

00:08:11 Speaker 1

You bike with me and I was on an old mountain bike and he was on a top of the line Fast road bike and so we set off and I'm 15, you know, I have no phone. This is before phones and Google Maps. I didn't have a map. I don't know where I am and he's going pretty fast and I'm having trouble keeping up. And I'm like.

00:08:28 Speaker 1

Well, surely he's not going to drop me.

00:08:30 Speaker 1

And he dropped me. And then I thought, well, surely he'll be up ahead waiting at some point. Nope. He just took off, left me in the dust and left me to find my own way to this party, which, like, 3 hours later, I finally.

00:08:44 Speaker 1

I did almost crying because I was like, I don't know where I am and but that was big O if you got on the bike.

00:08:50 Speaker 1

With him it.

00:08:51 Speaker 3

Was a race. Wow. I could never imagine doing that to my child or grandchild, and I have one.

00:08:55 Speaker 1

Right.

00:08:58 Speaker 3

I know that when you were a little kid, your dad was diagnosed with cancer and and terminal cancer. How did that begin to change? Presumably everything about.

00:09:08 Speaker 3

About home life.

00:09:09 Speaker 1

Ohh that was a huge change so I think I was 10.

00:09:13 Speaker 1

And my mother came to me and told me that he had cancer and.

00:09:17 Speaker 1

Was going to have to move out for a week for some treatment and he basically never moved back in and they told him he had two years to live and he ended up doing chemotherapy that put him into remission and and ended up living, I think another 15 years, which was great. But he went from, you know, a present father who lived with me to.

00:09:39 Speaker 1

A sick guy in a wheelchair who lived two hours away in Ojai, CA.

00:09:45 Speaker 1

And it was a very different relationship. And I think what it caused me to do is just grow up a little faster. I think it just kind of causes you to take a little more responsibility, a little more earlier.

00:09:56 Speaker 3

So it was mainly you and your mom and any siblings at home.

00:10:01 Speaker 1

Three younger siblings that my mom had to raise, all four of us.

00:10:04 Speaker 1

Now by herself, which she did an amazing job of.

00:10:08 Speaker 3

Tell me about what kind of student you were. Were were.

00:10:12 Speaker 3

You.

00:10:12 Speaker 3

Committed to school? Were you pretty good? Good.

00:10:14 Speaker 3

School from from a young age.

00:10:16 Speaker 1

I was. I was one of.

00:10:17 Speaker 1

Those.

00:10:18 Speaker 1

Straight A kids I guess, though I didn't get the journalism gene. I got the engineer gene from my other side of my other grandfather, who was the civil engineer and so.

00:10:27 Speaker 1

That's what I ended up focusing on. But you know, some entrepreneurs, they have that story. It's it's in a lot of books and interviews where, you know, they had some sort of business selling candy in elementary school and and learned that they could buy it from here and sell it for more over there and make their first business. I I never did that instead. What I did is I took apart every single thing I could get my hands on.

00:10:39 Speaker 3

Yeah.

00:10:49 Speaker 1

And sometimes I would put stuff back together, but mostly I just disassembled stuff because I was. I just wanted to know how stuff worked. I was very curious.

00:10:58 Speaker 3

So you never felt like you had to?

00:11:02 Speaker 3

Just at a family tradition, follow in along that path and and join the newspaper.

00:11:08 Speaker 1

I never felt the pressure to join the newspaper. I think that that I actually remember a specific moment. Yeah, I think I was in high school and I went and asked my grandfather, you know, do you think I should go into the family business because, you know, it's it had been a business.

00:11:22 Speaker 1

Handed down generation to generation four times and then he said no. Stay away. Wow, I recommend you go follow your passion and then maybe go work in that Internet thing that that thing is up and.

00:11:35 Speaker 1

Coming, you know, probably 1998 ish. But I did feel pressured to go to Stanford. I was a fifth generation Stanford graduate.

00:11:43 Speaker 3

All right, so.

00:11:44 Speaker 3

You you go on to Stanford and and your objective like your when when you got there were you thinking I'm going to become an engineer after this is done.

00:11:53 Speaker 1

Yeah, I put down that I thought I would major in mechanical engineering and I did major in mechanical engineering and I.

00:11:59 Speaker 1

Love to building things. I actually thought that I would maybe work on cars someday. I.

00:12:04 Speaker 1

But when I graduated with a mechanical engineering degree in the year 2000, Silicon Valley was just abuzz with.

00:12:11 Speaker 3

It was on fire.

00:12:13 Speaker 1

You know that is the height of the tech boom, and he would Stanford. You were full of these stories of people who got a job at a tech company that was bought for a lot of money six months later and suddenly they're millionaires 6 months out of school.

00:12:27 Speaker 1

So somehow I I got a job as a software engineer even though I had only taken 2 courses in software engineering at a start up in San Francisco that had 20 employees. When I started it was called emode.com and it later rebranded to tickle.com.

00:12:37 Speaker 3

It was called that was tickle.com.

00:12:44 Speaker 3

And what to do it built.

00:12:46 Speaker 1

Personality tests, so the founder was inspired by the Myers Briggs Test, but that's copyrighted, so we couldn't call it that. So we built the ultimate personality test.

00:12:56 Speaker 1

He went here to basically observed at Harvard Business School. Of course his that when people took a test together, it was a social event. People were talking about it for like 10-15 minutes after taking it. And that's it's it's rare to actually find something that that's powerful, you know, ironically, I think books are like that, but you kind of have to have.

00:13:16 Speaker 1

Spends a lot of time with something that taps into your emotions to have that powerful experience.

00:13:22 Speaker 1

And so he launched this company with that intent to do serious tests. And then, of course, what we found out was that serious tests were that popular and what was popular were fun tests. So our first viral test was what breed?

00:13:36 Speaker 1

Of dog are.

00:13:36 Speaker 1

You we built this test and it went instantly viral all over the Internet.

00:13:41 Speaker 3

What you would ask? Oh, you would answer questions and that would tell you what kind.

00:13:44 Speaker 3

Of dog you are.

00:13:45 Speaker 1

Yeah, I'm a St. Bernice mountain dog because I'm hard working and loyal. So we had a PhD psychologist on staff who would write these 20 questions and then break it down into like 8 or 10 result types.

00:13:58 Speaker 1

That would tell you something about your personality, right? What color are you? What kind of color are you? What kind of, you know, hundreds?

00:14:04 Speaker 1

Of them.

00:14:04 Speaker 3

And and I'm not and this is no judgment.

00:14:07 Speaker 3

At all, but like.

00:14:08 Speaker 3

Wow, that Harvard Business School, the Stanford engineers.

00:14:12 Speaker 3

They were all.

00:14:13 Speaker 3

Taking their brain power and and making that product.

00:14:16 Speaker 1

Well, what ended up happening was the fun test got us a lot of traffic, right, because they were inherently.

00:14:23 Speaker 1

Zero. I think we maybe had 400 phone tests and 80 serious tests by the end of when I left tickle. So it was kind of a traffic acquisition funnel where where you take the fun ones and then and then we try to see if you're interested in any of the serious ones.

00:14:37 Speaker 3

Was it like start up craziness like were you working from morning till night and sleeping at your desk and eating pizza out of a box was was it? Was it like that?

00:14:47 Speaker 1

Yes.

00:14:47 Speaker 1

Yeah, it was a fun startup. It was a big floor. There's a whole bunch of us in our 20s, programmers working.

00:14:53 Speaker 1

There and the other cool thing about tickle was they didn't just build the personality test, built a couple of other products too, including a dating site and an early social network. So as soon as we saw Friendster taking off.

00:15:09 Speaker 1

We built a social network as part of tickle, so it went from you could take those tests and see what kind of dog you were to. You could take the tests and compare what kind of dog you were with all your friends. We built a social network, a photo sharing social network called Ringo dot.

00:15:24 Speaker 1

Which was kind of like a early Instagram, but it was not on mobile because there was no mobile in.

00:15:29 Speaker 1

2004.

00:15:30

Right.

00:15:30 Speaker 1

Or five. And it was really a fun time to kind of learn from the inside.

00:15:35 Speaker 1

Like.

00:15:36 Speaker 1

How do you build a social network?

00:15:37 Speaker 1

How do you?

00:15:38 Speaker 1

Make it viral. How do you do all that really fun engineering challenges?

00:15:43 Speaker 3

All right, I want to come back to you, Elizabeth, because when we left off, you were at Stanford and thinking about pre Med and then went to English and. But but after you graduated, I I read that you kind of went through the the Post college exploratory phase, which is not uncommon, right? Like most people don't know.

00:16:00 Speaker 3

You want to do and just kind of try different things and and I guess.

00:16:03 Speaker 3

If you you.

00:16:04 Speaker 3

Try to sort of took some science classes at a Community College in Palo Alto but but also started to to gravitate towards journalism.

00:16:12 Speaker 2

Oh yeah, I quite liked science, but I I I wasn't sure exactly what I wanted to do, and I also got an internship at the Palo Alto Weekly while I was living at home again.

00:16:22 Speaker 3

Which is like a free weekly alternative newspaper.

00:16:24 Speaker 2

Yeah, it's a, it's a. It was my. It was actually. Well, I was kind of placating my parents, saying I was going to apply to medical school, and it was really the first time.

00:16:34 Speaker 2

I had found a job besides dancing that I liked and it it suited me that you go out in the world, you interact with people, and then you come back and you write because I really do enjoy writing.

00:16:44 Speaker 2

And I think because I had done dance for the love of it, I had a really hard time compromising in a job like you don't become a dancer, to become rich or famous. You really, most of the girls I know that I danced with women I danced.

00:16:59 Speaker 2

With did it because they.

00:17:01 Speaker 2

Loved it and journalism felt.

00:17:03 Speaker 2

Like like a fit. I liked the other people I worked with. I loved the diversity of it. You know, you throw your into yourself into something new and you try and learn everything about it. It felt it felt right.

00:17:15 Speaker 3

So you are back in Palo Alto and Otis, you are working at the start up in.

00:17:23 Speaker 3

In San Francisco, the two of you did not know each other. In college, you been at Stanford together, but you know each other. You actually met.

00:17:26

Correct.

00:17:29 Speaker 2

Yeah.

00:17:30 Speaker 3

After you graduated a party, I think in Palo Alto.

00:17:33 Speaker 1

Right. Yeah. I think Elizabeth was a year and a half out of school and I was six months out and we both met at my good friend's house party and she walked in the door and sat down right next to me and.

00:17:47 Speaker 1

I couldn't tell you anything else about what happened at that party because I.

00:17:51 Speaker 1

Was.

00:17:51 Speaker 1

Immediately captivated by this beautiful.

00:17:55 Speaker 1

Girl who sat next to me and then she told me she's a journalist and also taking physics classes at night. And I was like, well, that's just the coolest.

00:18:03 Speaker 1

Thing I've ever heard.

00:18:04 Speaker 3

And apparently you told a friend that evening that I think she's the one like think about. Marry her.

00:18:12 Speaker 1

Yeah, I I was in the habit at that time in my life of.

00:18:16 Speaker 1

We're all through College of sleeping out for Stanford basketball games. We were super fans and and always first in line. And so after that party I I went to the sleep out and we were, you know, having a beer and sleeping bags. And I told a friend I met this really amazing girl.

00:18:31 Speaker 3

Where you would stay, you would sleep outside the box office to get tickets. Was it that hard to get tickets?

00:18:34 Speaker 1

We would, we would.

00:18:36 Speaker 1

Not to get.

00:18:36 Speaker 1

Tickets. No. We had the tickets. We would sleep out.

00:18:39 Speaker 1

To be first in line for the game.

00:18:42 Speaker 3

Because because it was just open seating.

00:18:44 Speaker 1

The student section is open seating, yeah.

00:18:46 Speaker 3

And Elizabeth?

00:18:47 Speaker 3

When Otis said. Yeah, I come here and I camp out at the gates to go to the basketball game. You're like, oh, this is the guy. He's the one.

00:18:57 Speaker 2

He was he was pretty nerdy, I mean.

00:19:00 Speaker 1

Where was our first kiss, Elizabeth?

00:19:02 Speaker 2

No, we're not putting that in this. I do remember, I think we all went out to a club afterwards was that the first time or the 2nd?

00:19:11 Speaker 2

Time notice that was the 1st.

00:19:12 Speaker 2

Time and and he was dancing. And I remember thinking I could marry that guy. I just liked how steady he was and sweet. What? I also really liked was he was very direct. I mean, he called me up and was like I want to take you out. I'm going to take you out.

00:19:18

Hmm.

00:19:30 Speaker 2

This.

00:19:30 Speaker 2

Time it was.

00:19:32 Speaker 2

Definitely very clear that he liked me.

00:19:34 Speaker 2

And I really liked that because I think probably even more so now people are so wishy washy and I found that really attractive.

00:19:43 Speaker 3

All right. So the two of you started today, this is in 2001.

00:19:47 Speaker 3

You're working at the startup tickle.com.

00:19:50 Speaker 3

Elizabeth, you are applying to Graduate School to study journalism. And from what I read, Elizabeth, you get in to USC to study journalism. And and you moved down there in the fall of 2001. So presumably you guys start along distance relationship.

00:19:59 Speaker 2

M.

00:20:07 Speaker 2

We did, yeah. So we.

00:20:09 Speaker 2

Hadn't been together very long when we when?

00:20:11 Speaker 2

We started long distance relationship.

00:20:12 Speaker 1

We, our best friend with southwest.com and we we just booked every weekend and probably flew 3 out of four weekends a month and I think we did that for like 4 years.

00:20:24 Speaker 3

And then eventually I guess it it just the strain of the.

00:20:28 Speaker 3

Cracked and and you guys split up around around 2005?

00:20:32 Speaker 2

Yeah.

00:20:33 Speaker 3

What? Yeah, Elizabeth. What?

00:20:34 Speaker 2

Happened. Well, it just wasn't really going anywhere, so I broke up with him.

00:20:43 Speaker 3

What did you do, Otis?

00:20:45 Speaker 1

My response was to tear my hair up for a couple of months because she wouldn't take my calls and then I went to coffee with my boss, who's now my good friend. His name is Stan Chudnovsky, and I I you know, kind of told him what was going on. And then and I said, I don't know what to do. I think I maybe need to go down to LA because I can't get around.

00:21:05 Speaker 1

And he said, well, leave tomorrow morning and let me know next week how it went.

00:21:11 Speaker 1

So I just drove to LA and she kind of opened the door and gave me a hug and basically the end result was we I said I'm going to quit my job and move to LA because you know, I'm still, I would like to be in this relationship.

00:21:25 Speaker 1

Still.

00:21:26 Speaker 1

I remember the boss actually, Stan told me another thing that was smart, which was.

00:21:31 Speaker 1

Like who you marry is the most important decision of your life and the number of times you run across another soul that.

00:21:38 Speaker 1

Is in the camp where where you.

00:21:40 Speaker 1

Think they could be that? Don't let that.

00:21:42 Speaker 2

Go. I never heard that before, Otis. That's that's a nice story.

00:21:47 Speaker 1

Yeah. So then I told them, I think I need to move to LA.

00:21:52 Speaker 1

And he said, great, I'll process your resignation next week. And I said, actually, I had a thought I'd like to work half time from LA and he accepted that.

00:22:01 Speaker 1

And so then I think around Christmas, I moved to LA and got an apartment across the street from Elizabeth.

00:22:08 Speaker 3

And meantime, Elizabeth, in that period you you actually got a job in LA at the LA Times is it?

00:22:13 Speaker 3

Is that right? Yeah.

00:22:15 Speaker 3

And and at that point this is, I think, 2005. Otis, was your family even involved with the LA Times anymore?

00:22:22 Speaker 3

At that point.

00:22:23 Speaker 1

No, they were there. The Tribune Company had bought it. Or my family had sold it to tribune. I think around 2000.

00:22:25

No.

00:22:30 Speaker 3

Right. And what what were you doing, Elizabeth, what was your job?

00:22:33 Speaker 2

There I got hired as an assistant editor in the Sunday magazine. So it was me and one other editor who were running the whole kind of feature section of the of the magazine and I.

00:22:42

MHM.

00:22:45 Speaker 2

Planned and was the editorial person on photo shoots. And then I also wrote features and I I planned 4 fashion magazines year two men's and two.

00:22:54 Speaker 3

Women, I guess. Otis. Not too long after you moved to latickle.com, got acquired.

00:23:03 Speaker 3

Bymonster.com.

00:23:05 Speaker 1

Jokers, we became tickle monsters.

00:23:07

Tick.

00:23:07 Speaker 3

Tickle monsters became tickle monsters. They bought it for like $100 million. You were not obviously a founder, but presumably you got some.

00:23:13

We did.

00:23:15 Speaker 3

Cash out of that.

00:23:17 Speaker 1

I did and it was a Seminole moment. I remember my boss coming around and or the CFO coming around and handing me a check and.

00:23:25 Speaker 1

Well, I mean before that when the CEO announced, you know, we're being acquired for $100 million, we thought this was the best. You know, we thought we'd won the Super Bowl. Yeah. And so then a couple weeks later when the CFO gave me the check, it was a number was $80,000 post tax. So tax had already been taken out. And so it was kind of like doubling my software engineering.

00:23:45 Speaker 1

Valerie.

00:23:46 Speaker 1

At the.

00:23:46 Speaker 1

Time.

00:23:47 Speaker 1

And I was like, I had two reactions. I was like, wow, this is great. And then the other reaction was, like, this doesn't change my life at all. And I realized that, yeah, you have to be a founder to make life changing money.

00:23:57

Hmm.

00:23:58 Speaker 3

So what? When, when did you start to think that you were ready to start your own business after you got that $80,000 check?

00:24:06 Speaker 1

I mean, what I knew I always wanted to start my own business. I had no idea if I could actually do that, or if if you know what it would be.

00:24:15 Speaker 1

But what it was, I mean, I I grew up with two grandfathers who were CEO's of their own companies. And, you know, I think the positive side is you look at your grandfather and you can read about him in the press and read books about him.

00:24:29 Speaker 1

And on the other hand, when you go to Christmas with him and you realize he's a real, just normal person.

00:24:36 Speaker 1

And it gives you a sense of belief that if he can do that, that I could do all that. And I think that was honestly one of the.

00:24:45 Speaker 1

Core things that led me to think I could be an entrepreneur was he did it so I can do it.

00:24:51 Speaker 3

And at that point.

00:24:53 Speaker 3

Did you have an idea for for what you were going to start like what you were you were going?

00:24:58 Speaker 1

To work on well, I think at some point in 2005 I had maybe what you could call an inspirational moment.

00:25:05 Speaker 1

Which was I was in a friend's apartment in San Francisco, and when I walked in.

00:25:09 Speaker 1

He.

00:25:09 Speaker 1

Had you know his bookshelf in the living room?

00:25:12 Speaker 1

And and if you're like me and and Elizabeth, you know, whenever someone's got that bookshelf on display and you see it, you kind of gravitate right towards it. And. And so I had the opportunity to just kind of grow my friend.

00:25:24 Speaker 1

About.

00:25:25 Speaker 1

Every book in his bookshelf, you know, did you like this one? And what? What about that one? And oh, this one was interesting.

00:25:30 Speaker 1

What? What was this one like?

00:25:32 Speaker 1

And I walked out of there with like five or six books that I was excited to read.

00:25:37 Speaker 1

And you know, because of my day job, I was building these social networks that have profile pages. And in our case, it tickled the profile pages full of personality test results. But I was.

00:25:46 Speaker 1

Kind of like that would.

00:25:48 Speaker 1

Be kind of amazing. If I could just like break down the door of all my friends houses and grill them about every book that they've read in their bookshelves, I'd probably have like.

00:25:57 Speaker 1

You know more book recommendations than I could ever read.

00:26:00 Speaker 1

And that would be awesome. Well, maybe I could just build a website where that's the profile page. The profile page is your bookshelf. The same one you've got at home, and people would just put it there and we could browse each other's bookshelves. And like, we'd never lack for a good book recommendation again.

00:26:15 Speaker 3

So you were thinking about some kind of social network?

00:26:19 Speaker 3

Idea that you wanted to build in.

00:26:21 Speaker 1

General. Yeah, because I knew how to build 1 because we were building two of them, right? Tickle was 1, Rinko was one. And I think like much, much later on, I landed on the really geeky terms social objects.

00:26:24 Speaker 3

Yeah.

00:26:33 Speaker 1

Objects that people like to talk about that therefore can be the basis for sharing on a social network. Photos are super strong for that. Articles. Cooking like anything that people could kind of experience together or separately but like have the same experience and and then want to talk about afterwards.

00:26:42 Speaker 3

Wrestling.

00:26:50 Speaker 1

And you know, I think maybe subconsciously I was looking for books because I was a huge reader when I was a kid. I was the kind of reader, like my 10 year old daughter is now, who's reads under the covers at night.

00:27:03 Speaker 1

And then when I got to Stanford it, I kind of had to stop because you can't go to Stanford and read for pleasure. And then I went to tickle. And I also kind of didn't get back into it because I was working so hard.

00:27:15 Speaker 1

And I was kind of, I kind of didn't like that about myself. I kind of wanted to get back to reading more books. And so I think maybe subconsciously it.

00:27:23 Speaker 1

Was.

00:27:24 Speaker 1

There was the idea that, hey, if I do it around.

00:27:26 Speaker 1

Books I'll have. I'll probably be.

00:27:28 Speaker 1

Able to read a lot more books and that.

00:27:29 Speaker 3

Would be cool, but you knew that social networks. I mean, they were popping up, you know, left and right and they were becoming more and more niche. Right? Like a social network for dating and then a social network for specific types of dating. And then right.

00:27:43 Speaker 1

Exactly. And so I could kind of see that social networks were going to probably start to do the same.

00:27:49 Speaker 1

And I remember I took out the CEO of tickle for lunch and I told him I think I might do Ringo. But for books and he.

00:27:56 Speaker 1

Was.

00:27:56 Speaker 1

Like, that's a good idea. It's probably a really small idea. You know, there's probably not a very big market there, but it'll probably work. And I was like, hey, I was like, very encouraged by this, and BI was.

00:28:07 Speaker 1

A little bit like.

00:28:09 Speaker 1

Small. Yeah, that's OK. I'm OK with small.

00:28:12 Speaker 1

And maybe I'll prove it wrong.

00:28:15 Speaker 3

When we come back in just a moment, how Otis launched his new website with no investment, no employees and no business model, and why he decided to add an S to the end of the word. Good read.

00:28:28

Stay with.

00:28:29

Us I'm guy.

00:28:29 Speaker 3

Raz. And you're listening to how I built.

00:28:31 Speaker 3

This.

00:28:43 Speaker 3

Support for this podcast and the following message come from Clavio, the e-mail and text marketing platform that puts creators in control. If you're the creator of an e-commerce brand, you need a platform that hustles as hard as you do. Clavio unlocks the power of your e-commerce data so you can personalize and automate messages.

00:29:03 Speaker 3

That keep customers coming back. Creators communicate with Claudio, get started for free at klaviyo.com/NPR.

00:29:14 Speaker 3

This message comes from NPR sponsor NUM. NUM is an award-winning weight loss program that uses psychology and personalization to help you lose weight and keep it off. Noon gives you knowledge designed to help you make informed choices that fit you and help you reach your goals. Sign up for your trial and get psychology based weight loss support at.

00:29:35 Speaker 3

Noom.com/built.

00:29:45 Speaker 3

Hey, welcome back to how I built this. I'm Guy Raz. So it's around 2006, and Otis Chandler has decided to take some of his savings and launch a website for people like him, book lovers.

00:29:59 Speaker 1

And then I just started coding and spending all day like sketching out what the future said could be.

00:30:05 Speaker 1

And I think for most of 2006, that's what I did is I went to the cafe every morning, Elizabeth went to her job at the LA Times. She'd come home at, I don't know, 678. We'd have a quick dinner, and then we'd both crank a little bit more.

00:30:20 Speaker 3

Where were you guys living in LA?

00:30:22 Speaker 1

In Santa Monica, kind of, two tiny little apartments, which had roommates. Yeah.

00:30:28 Speaker 3

And initial.

00:30:29 Speaker 3

It wasn't called good reach, right?

00:30:31 Speaker 1

Yes. So initially I had a working name never used called bookstore.com which you know stirs were hot back then. The person who owned bookstore wouldn't want to sell it to me. So we did a, you know, bunch of brainstorms around names and. And one of my coworkers at Tickle said, you know, I think I said like.

00:30:36 Speaker 3

Right.

00:30:38 Speaker 3

Yeah. Friendster.

00:30:50 Speaker 1

Good books and and she was like, how about good read? And I was like that sounds good. And then I tried to go buy good read singular. And it was like $50,000 and I was like, OK, forget that. And then I tried the plural good reads.

00:31:04 Speaker 1

And it was not available, so I just bought good reads with z.com for, you know, just to use while I built.

00:31:11

Hmm.

00:31:13 Speaker 1

It, yeah.

00:31:14 Speaker 1

But then I renegotiated for good reads with an S and and I think the negotiation over e-mail went like this. It's $5000. And I said, well, that's a lot of money.

00:31:25 Speaker 1

Working out of my savings here, so how about 2500 like a few?

00:31:29 Speaker 1

Later 5000 and I said how about 3500? Few days later, 5000, I was definitely like not rich enough for wanting to spend my savings that that I would that I thought $5000 was a small amount of money. I thought that was a quite a large amount of money. And I remember calling my mom and being like I can buy this thing for 5K. Like, do you think I should do it? And she was like.

00:31:41 Speaker 3

Yeah.

00:31:50 Speaker 1

I don't know, honey, you gotta decide.

00:31:53 Speaker 1

It sounds like a.

00:31:53 Speaker 1

Nice name.

00:31:55 Speaker 1

But I'm super glad we did it because we ended up having, I think the best name.

00:32:00 Speaker 3

So 2006 you finally get it. Get a sort of a beta version by the end of that year and just to kind of understand the idea was this was going to be a social network site where people could upload their favorite books and write reviews of them. Essentially. That was the idea.

00:32:14 Speaker 1

Yeah, that was the idea that you could search for any book in the world, add it to your profile and kind of say I read this, give it a rating and say something about it, and then you'd have your your collection and you can browse other people's collections on their profile and and then.

00:32:29 Speaker 1

Build, you know, didn't call it that at the time because Facebook hadn't coined the term.

00:32:33 Speaker 1

But at the news feed.

00:32:36 Speaker 1

On your homepage where you could see like all the recent updates.

00:32:39 Speaker 3

And did you have in your mind any business model around this? Did you did you? No.

00:32:45 Speaker 1

Not at all.

00:32:46 Speaker 1

I mean, I suppose I had watched Tico have a business model of advertising plus lead Gen. and paying for premium tests. And I thought maybe I could put ads.

00:32:55 Speaker 1

On it or I really wasn't thinking about that, to be honest. Like I I had no, no business model documents or spreadsheets or any any real thought about it at all.

00:33:05 Speaker 3

So when you when you finally had a beta site up in December of 2006, what did it look like? Was it it was a website with a bunch of different images of of book covers.

00:33:17 Speaker 1

Well.

00:33:18 Speaker 1

It was about the ugliest website you've ever seen, but it worked. And then I remember I went to one of my to go designer friends and said hey, do you think you can do a side project and design this thing I made?

00:33:33 Speaker 1

And he said sure. And so we iterated a little bit and he came up with the logo and the design.

00:33:39 Speaker 1

And then, like a week later, it transformed from the ugliest things ever seen into something that looked quite good.

00:33:46 Speaker 2

I remember it was green when he showed it to me the first time. It was this horrible green and and I remember that.

00:33:54 Speaker 2

We had to tell the designer, you know, what should it look like? And I think we just found some sight on plants. Do you remember this, Otis? It was like grow or something. And it had all these pretty kind of soft greens and soft Browns and we thought, can you just make it a little bit look a?

00:34:03

Yeah.

00:34:11 Speaker 2

Little bit like that I guess.

00:34:13 Speaker 3

Like just a couple months.

00:34:15 Speaker 3

Before you launched, you discovered that there were competitors doing looking to do the same thing. Some of them were well funded. I think 11 had like a.

00:34:24 Speaker 3

$1,000,000 in.

00:34:25 Speaker 1

Funding, right? Yeah. We had two moments building it where we kind of had like.

00:34:30 Speaker 1

We discovered a competitor, so the first was library thing and I discovered it maybe four months into coding and I was like, oh man, someone already built something like this, but they're really much more focused on cataloging and and problems that people with really large bookshelves have. And I realize this isn't really the problem I want to solve. You know, I I.

00:34:46 Speaker 3

Right.

00:34:50 Speaker 1

I really believe that the best way to find good books was through your friends and and I I think that's.

00:34:55 Speaker 1

Still true.

00:34:55 Speaker 1

Today and then literally two weeks before we were going to launch, we discovered shelfari, which had two Co Founders, 3 employees and $1,000,000 in seed from Amazon.

00:35:07 Speaker 1

And I was like, oh, man, it's over. We're about to launch. And these guys have already launched, and Amazon's just going to King make them. They're going to put them on the book page on the Amazon book page and link to them.

00:35:19 Speaker 1

And they're going to win.

00:35:21 Speaker 1

Yeah. But you know what kind of again, I kind of tore into their product and and realized well, it doesn't really quite do things the way that I think they should be done.

00:35:30 Speaker 1

So I'm just going to carry on trying to solve the problems that I think we should solve and but it was definitely.

00:35:35 Speaker 1

A scary moment.

00:35:36 Speaker 3

When you were about to launch, did you have any employees? Was it still just you?

00:35:40 Speaker 1

It was just me and and then I secretly coerced the partner.

00:35:45 Speaker 3

And your partner was Elizabeth.

00:35:47 Speaker 1

My partner was Elizabeth, but she had a full time job.

00:35:50 Speaker 3

So what did you start to do, Elizabeth? How are you? How did you start to?

00:35:53 Speaker 3

Get involved.

00:35:54 Speaker 2

Well, I would come home every day and he'd be like ohh, look at what I'm working on and I'd look at the stuff and.

00:36:02 Speaker 2

You know, it was really ugly in the beginning and there were spelling errors, and I remember we used to joke because everything said after you had any action successfully updated, it wasn't friendly. It was very functional. And I was like Otis.

00:36:19 Speaker 2

You've got to fix this like.

00:36:21 Speaker 2

This language needs help.

00:36:23 Speaker 2

And I think you turned to.

00:36:24 Speaker 2

Me and you said, well, I kind of need a Co founder and I was like.

00:36:28

Ohh.

00:36:29 Speaker 2

Well, I'll be your Co founder. And I mean one of our favorite examples is you sent out a activation e-mail and it said.

00:36:39 Speaker 2

What is it? Let's read together. Otis. Is that what it said? Let's.

00:36:43 Speaker 1

Oh no, that was the friend connection e-mail. So if I clicked on, I want to be your friend. It sent an e-mail saying let's let's compare books or let's be friends or something like that. But I forgot the apostrophe and let's.

00:36:54 Speaker 2

And and he he got, you know, just reams of emails that.

00:36:58 Speaker 2

Just said things like.

00:36:59 Speaker 2

I refuse to join a book site where you can't use an apostrophe correctly.

00:37:04 Speaker 2

So I got kind of roped.

00:37:06 Speaker 3

In so how did you get to to make the site successful? You need users on there uploading their books and talking about them and talking to other people and getting other people to do it. And so how did you get the initial group?

00:37:20 Speaker 3

Of people on.

00:37:21 Speaker 1

Well, we wrote an e-mail to everyone. We knew every e-mail address we could find and we BC them and said, hey, we built the.

00:37:30 Speaker 1

Thing come check it out and I think people started to sign up and I would sit there watching the logs and ohh, someone's on. And I think it got up to about 800 people that way. And and then I said, you know, kind of in January 2007, I was like Elizabeth, do you think we can, like, get some press?

00:37:47 Speaker 1

And so she wrote a press release and pushed out to a couple of.

00:37:51 Speaker 1

Places and Mashable Run run a story saying that we had just launched and our growth went from 10 years a day to 100 users a day. But actually that the first growth wave really didn't come from from that. It came from discovering that there was a huge community of book reviewers who were existing on kind of the blogging.

00:38:11 Speaker 1

Platforms of 2000, you know, 6-7 and what they were looking to do was just connect to other people who were reading the same stuff as them. And when they found good reads, they started adopting us in droves because we we were better at that than the blogging platforms.

00:38:26 Speaker 1

You know, you could just go to the book page for the book they were reading and they could find everybody else who would read that book.

00:38:31 Speaker 3

And they loved that. As you, I mean early on, you know, after that Mashable article came out, you're getting 100 users a day. Presumably you had costs like server costs and and other attendant costs. So.

00:38:45 Speaker 3

How are you paying?

00:38:46 Speaker 1

For that server, costs were never super huge, but I did put on advertising some ads. Just Google AdSense tags were in the beginning because I got the advice from one of my advisors that get your users used to the fact that they're.

00:39:01 Speaker 1

That, and I think in the beginning maybe for the first year to the ads covered the cost of the servers.

00:39:08 Speaker 2

And well, and also I think we had affiliate links if you wanted to.

00:39:11 Speaker 2

Buy the book.

00:39:13 Speaker 2

But we realized pretty quickly those were not very significant and would not be funding the business.

00:39:18 Speaker 1

But you know, we got it up to 100,000 users I think registered users by the end of 2007 with no other employees, no other help. It's just just the two.

00:39:30 Speaker 3

So what did that mean? Having 100,000 users? You're doing tech support and also improving the site and also I mean, I can't even imagine but and you were a full time job at the LA Times.

00:39:42 Speaker 3

You were going?

00:39:42 Speaker 2

To work every day, right, Elizabeth? I was. And I was planning a wedding. And it was, yeah.

00:39:48 Speaker 3

For the two of you.

00:39:49 Speaker 2

Planning our wedding? It was also a really complicated time at the LA Times. It was during the Sam Zell I.

00:39:55 Speaker 2

Think being sold to him.

00:39:58 Speaker 2

So it was kind of crazy at the office. I mean, I was working really hard, but I also was able to squeeze out a little bit of.

00:40:06 Speaker 2

Time to be working on our project as.

00:40:08 Speaker 3

Well, so, Otis, tell me about your day day-to-day schedule. I mean you, you're you've got 100,000 users by the end of 2007 and it's just you full time on this job.

00:40:20 Speaker 1

Correct. Yeah. He wasn't saying it was fun. I mean, I would just wake up, go get a big cup of coffee and put my headphones on and code. And I I was kind of happy doing that, that I didn't mind that I quite liked it.

00:40:32 Speaker 1

Really, I actually really loved doing the customer service. When you do your own customer service you you learn so much about what's working and not working for your.

00:40:42 Speaker 2

Product and I feel like I feel like we started to get to know a lot of our users and they were very, very passionate. We had this whole librarians group to have people help us.

00:40:53 Speaker 2

Manage the metadata on all the.

00:40:55 Speaker 2

Books and I think one of our first employees, Rivka was this super librarian who was just incredibly passionate about making sure that the data was correct and eventually we hired her to be like the chief customer service librarian.

00:41:10 Speaker 1

We should clarify that super librarian was was a status on the site. So we had librarians.

00:41:13 Speaker 2

Yeah, great.

00:41:15 Speaker 1

To where people we approved to edit the catalog, they could actually go edit the title of the book and add a cover if it was missing.

00:41:23 Speaker 1

And they had full power, just like Wikipedia and and I think by the end of good news, we had maybe 40,000 of them were making 10s of thousands of edits a day, which is why Goodreads has one of the best catalogs out there in the world.

00:41:37 Speaker 3

And they were all volunteers, all.

00:41:38 Speaker 1

And they were all volunteers. And and Rico Rifka was like their leader. And so we eventually hired her.

00:41:44 Speaker 3

So by the time you hit 100,000 users right, at what point did you were you able to hire your first employee?

00:41:52 Speaker 1

So I think there was a moment where I went back up to San Francisco where I used to live and and I met with James Currier, that the tickle CEO who, who was not who I now would agree to be an advisor.

00:42:05 Speaker 1

Two good reads and I showed him my traction and he was like, this is pretty impressive. I think you can raise some money on this.

00:42:12 Speaker 1

Action and I said cool. How do I do that? And he said, well, I'll lead an Angel round. I'll put you in touch with four or five other people I know.

00:42:21 Speaker 1

And and we'll.

00:42:22 Speaker 1

We'll raise you a couple 100,000.

00:42:23 Speaker 1

Dollars and I said great.

00:42:26 Speaker 1

And so he made a couple of e-mail intros. I went talk to those people and showed them the product. I had no deck.

00:42:31 Speaker 1

And they all liked it and said yes. And so then after that we were able to finally go and hire some employees.

00:42:39 Speaker 3

And did you move, I mean at that point, cause I'm assuming in 2007 you're still doing this out of your?

00:42:44 Speaker 3

Apartment. When did you first get like office space?

00:42:48 Speaker 1

Everybody worked from home and we were, you know, like super early to the 2020 trend of working remotely. We used Skype and we used IRC chat boards, which are kind of like an early version of Slack. And Michael was up in San Francisco, our first engineer. And but then I found a couple people in.

00:43:08 Speaker 1

LA to do sales and to do another engineer.

00:43:12 Speaker 2

And when when we first started, so Otis was working from our especially we had a couple of employees after we were married.

00:43:19 Speaker 2

And in our apartment, you would work on Skype.

00:43:22 Speaker 2

Every day and the people who live below us thought that we were illegally operating a business from our apartment because I kept hearing Michael's voice. Yeah, over Skype with some pretty nasty. So a guy from the city came to inspect. He's like, I looked up your site. It looks pretty cool. And notice. It's like, yeah, no one's working.

00:43:30 Speaker 1

Over Skype.

00:43:43 Speaker 2

Here I don't have a bunch of employees.

00:43:46 Speaker 1

Once I had two people in LA I think I was like, let's get in office.

00:43:49 Speaker 1

And so I looked around for the cheapest place I could find that was within skateboarding distance of my apartment. That was important because I didn't want to drive a car and we found a DMG little office above the liquor store on like 10th and Wilshire in Santa Monica. And I remember the guy at the liquor store was like, just wanted to shake my hand. And I was like, no, I need a document saying I have a lease.

00:44:10 Speaker 1

And so he tore off a piece of cardboard from a beer container and wrote something on it and gave it to me.

00:44:17 Speaker 3

All right. So meanwhile the the site is getting noticed. Start to get thousands of users. But when did you start to realize that that this actually could make some money?

00:44:26 Speaker 1

So I think in 2008 I went to this entrepreneur gathering and and I met a guy named Neil Neil Patel, who was like one of the top SEO's in the world. And I was telling him about the site and he was like how many page views?

00:44:38 Speaker 1

You have and I. I forget the number, but I was like 2 million a month or something and he was like, Dang, you got an SEO.

00:44:44 Speaker 1

Site and I was like, what does that mean?

00:44:47 Speaker 1

Because I kept looking at my Google Analytics and it kept saying we have a lot of traffic, but I didn't really understand where it was coming from and we had this unique content that was really good and I think that's why why Google was algorithms kind of recognized that and started throwing us more and more traffic. You know it wasn't overnight. It was like over years.

00:45:06 Speaker 1

And so, you know, completely unwittingly we've made a site that started ranking really well for every book title.

00:45:13 Speaker 1

And so then what we did is every time the advertising revenue got big enough where I could afford another developer, we added another developer. And I think it took us several years until we had like 6 or 7 developers.

00:45:25 Speaker 3

And clearly it was going to be ad supported, right? Because the site wasn't there was no way for people to subscribe or pay more to be a super user or anything like that, right?

00:45:34 Speaker 1

No, no. So that we I think we kind of stumbled onto a business model early on. Someone at Random House said the very nice woman named Julie Sills paint desk and say, hey, I love your site and you know I'm I'm at Random House I in charge of marketing books. Is there any way we can work with?

00:45:50 Speaker 1

You and so she set me up with the guy at Random House. Who who does that? And he said I'd like to do a $10,000 campaign. And I was like, whoa, you know, that will pay for months of servers. But I kind of just calmly said great, and then I hung up the phone and I was like man, now I got to figure out how do you serve an ad campaign. And so I googled it and I.

00:46:11 Speaker 1

Found that there was this new thing called Google ad platform. Something like that was about to launch, but it was in private beta and I pinned an old roommate who worked at Google and was like, can you get me into?

00:46:22 Speaker 1

This and he got me into that and it took me a whole day to set it up. And and that was kind of the beginning of realizing that we had an audience. That book publishers loved.

00:46:26

Hmm.

00:46:33 Speaker 2

And and we got better and better at amplifying a good book through, you know, a whole array of techniques as the company progressed. But also I think the audience was very attractive to all kinds of advertisers because they knew it was a highly educated audience.

00:46:49 Speaker 2

I think we had a lot of statistics on on our users in terms of just education, gender of the site, 75% women. So advertisers who wanted to attract educated women knew that this was a good place to get eyeballs. So I think our our audience was always very attractive.

00:47:08 Speaker 1

But.

00:47:08 Speaker 1

I mean also the the deeply targeted nature of what we're able to do. So we we don't we're not able to just tell you that you're getting book lovers. We're able to tell you do you want to advertise the fantasy book lovers do you want to advertise to World War 2 history buffs.

00:47:22 Speaker 1

We knew who these people were and what they read and and we could design ways to put books that we think they would like directly in front of.

00:47:29 Speaker 1

Them.

00:47:30 Speaker 1

And it quite works well.

00:47:32 Speaker 2

Also, because I think we were respectful to the users as well, so you know the advertising was always clear that it was advertising.

00:47:42 Speaker 2

And it was tailored in a way that I think that users found it useful.

00:47:46 Speaker 3

From what I understand you over the course of the several years before you acquired, we're going to talk about this like you didn't raise that much money, right? I.

00:47:55 Speaker 3

Think you totaled?

00:47:56 Speaker 3

About $3,000,000. Is that right?

00:47:58 Speaker 1

Yeah, we didn't raise that much. No, it was a 2 or $300,000 seed and a $2,000,000 Series A from True Ventures. And like like most startups, we gave our employees a good amount of equity and that incentivized everybody to, you know, be an owner in the company and and believe in.

00:48:15 Speaker 2

It and I also just.

00:48:17 Speaker 2

All of our employees were real book people. We had people who were all just former bookstore employees, engineers that reached out to us wanting to work for us, like our 2nd engineer, Louise, right? Otis. She found us because she was a user.

00:48:34 Speaker 2

And she wanted to work.

00:48:36 Speaker 2

For us, I think we were incredibly incredibly fortunate. So it was a really happy.

00:48:40 Speaker 2

Work environment too, I think.

00:48:42 Speaker 1

Yeah, we talked about books at every lunch.

00:48:45

And you guys?

00:48:45 Speaker 3

Actually reached profitability within I think what three or four years, right?

00:48:50 Speaker 1

I actually don't remember the moment, but I remember that I kept a spreadsheet the instant revenues went up enough, we could afford another engineer. I'd be like, let's go get another engineer. You know, we we weren't like Twitter.

00:49:03 Speaker 1

Which kind of exploded over 2 years into a huge company. You know, we were growing slowly but steady.

00:49:08 Speaker 1

Really, over, you know, a period of four or five years, but the growth was very consistent and so we kind of just kept it right at that profit level.

00:49:17 Speaker 1

And I remember when we.

00:49:18 Speaker 1

Were looking at the Series B, we still had most of the Series A.

00:49:21 Speaker 1

In the bank. So.

00:49:22 Speaker 3

When you when you guys by 2012 let's say.

00:49:27 Speaker 3

You've got a, you know, at this point it's like 20 million monthly web visits. You've got 10 million registered users by the middle of that year.

00:49:36 Speaker 3

You're based in San Francisco now. You've got 3035 employees. Do you remember what your annual revenue was at that point?

00:49:44 Speaker 1

I don't remember.

00:49:46 Speaker 1

It was enough to cover the salary of 30 engineers or 30 people.

00:49:50 Speaker 3

So probably what like just cause? I'm just curious like because some people, you know, they think Ohh tech company, you're doing billions of dollars, but probably you were probably doing like what 1015 million in revenue a year that much?

00:50:02 Speaker 1

Not.

00:50:03 Speaker 3

Not even that much. And all this was coming from advertising.

00:50:07 Speaker 1

Advertising and affiliate. So affiliate was we get, you know, an 8% cut of a book. When we refer a customer to Amazon and Barnes and Noble or somewhere where?

00:50:16 Speaker 1

They buy a book.

00:50:16 Speaker 3

Presumably the two of you were not the highest paid employees.

00:50:19 Speaker 1

Oh no, I think for the first year of Goodreads, I had no salary.

00:50:23 Speaker 1

OK. Then I had like maybe 30,000 a year and then I just once we had enough money where we were hiring some people, I I just kept my salary at the top persons level. I never paid myself more than the top person we had.

00:50:37 Speaker 3

But at this point, 2012, you had to make some decisions because you're profitable, but not you don't have enough cash in the bank to.

00:50:46 Speaker 3

To do the kinds of things that you need to do to get bigger, like huge marketing campaigns or maybe to introduce expensive features or you know, I don't know video or whatever. So I'm I'm assuming that at this point you're thinking about what maybe raising more money.

00:50:51

Right.

00:51:02 Speaker 1

Yeah, we were looking at raising more money because the growth was.

00:51:06 Speaker 1

Accelerating and that was pretty exciting. And then we moved to San Francisco and I started talking to lots of venture capitalists.

00:51:15 Speaker 3

When we come back in just a moment, why Otis and Elizabeth wound up not needing that VC money, and why they decided to sell Goodreads to an 800 LB gorilla. Stay with us. I'm Guy Raz, and you're listening to how I built this.

00:51:40 Speaker 3

This message comes from NPR sponsor Squarespace. Squarespace has the tools you need to get your business off the ground, including e-commerce templates, inventory management, a simple checkout process and secure payments wherever you sell. Squarespace has merchandising features to make your products.

00:51:57 Speaker 3

Look their best online. Check out squarespace.com/NPR for a free trial and when you're ready to launch, use the offer code. NPR to save 10% off your first purchase of a website or.

00:52:11 Speaker 3

This message comes from NPR sponsor Burough, a new kind of furniture company. When its two founders pondered why there wasn't an easy way to get an affordable, high quality sofa without long trips to warehouses, inconvenient installation or expensive shipping fees, they started borough with a borough.

00:52:30 Speaker 3

Purchase you can put together an entire sofa by yourself without using a single tool and every single item ships for free to learn how listeners can get $75 off their first order, visit borough.com/built.

00:52:54 Speaker 3

Hey, welcome back to how?

00:52:55 Speaker 3

I built this. I'm Guy Raz.

00:52:57 Speaker 3

So it's 2013, about six years after launch, and Goodreads now has all the things it did not have in the beginning and office in San Francisco, millions of users and hundreds of millions of book titles. But what it needs now.

00:53:13 Speaker 3

His money, in the form of a sizable investment.

00:53:18 Speaker 3

And what how much money were you?

00:53:19 Speaker 3

Looking to raise.

00:53:20 Speaker 1

I don't think that was ever disclosed. So, Guy Raz has the exclusive. I think it was 10 or 15,000,000. I actually don't remember, but.

00:53:26 Speaker 1

One of those.

00:53:27 Speaker 3

Right. So you were going to really be able?

00:53:28 Speaker 3

To scale.

00:53:29 Speaker 1

Yeah.

00:53:30 Speaker 3

But at this point I think 2013, I mean you guys were, you were getting more views on your book pages than Amazon. There's a New York Times article around that time came out and.

00:53:42 Speaker 3

You were rivaling Amazon as a platform for promoting new books, so they must have been. And Amazon had acquired similar companies like yours previously, right?

00:53:51 Speaker 1

They had acquired our.

00:53:52 Speaker 1

Yeah, shuffling who we talked about earlier that they had seeded for $1,000,000, they ended up acquiring. But yeah, it's funny and that New York Times article you just referenced, I remember going to New York and going into their building for that interview because I was there for a.

00:54:06 Speaker 1

Conference and I told them how many how many page views or monthly unique visitors we had. I forget what it was at the time, maybe 30 or 40 million monthly uniques and they were like, that's more than the New York Times has. And I was like, oh, that's crazy, you know, like, I kind of knew that we had a lot, but to hear it compared it that way, you're kind of like, that's one of those moments where I was like, oh, we have.

00:54:28 Speaker 1

We have something interesting here.

00:54:30 Speaker 3

So had Amazon, did they just come out of the blue? Had they been kind of pinging you in previous years? Cause I remember when I interviewed.

00:54:39 Speaker 3

The late Tony Shea, you know, he had been approached by Amazon a few times because Amazon tried when when he said originally rebuffed him, they tried to build their own version of Zappos and they couldn't.

00:54:51 Speaker 3

Had they come to you before?

00:54:53 Speaker 1

Yeah, we talked to them like once a year for the past four or five years. I think you know we when Kindle launched, which was also late 2007, it changed the book industry. Yeah. You know, not overnight, but it started. It started the path where a lot of book discovery.

00:55:10 Speaker 1

Moved online. That was pretty exciting to us because one of the problems we had at Goodreads was sometimes people wouldn't remember to come back to us after they finished the book. And what I really wanted to do was pop something up at the end of a book saying, hey, what do you think? Give it a reading? Write a review share.

00:55:26 Speaker 1

Share.

00:55:26

Right.

00:55:27 Speaker 1

Your thoughts and you could do that in a Kindle.

00:55:30 Speaker 1

And so we had this strong vision and we met with Amazon. Like I said four or five times over the years kind of talking about would we do this? And they were always into it. The issue was it required deep integration to pull off and they weren't comfortable with doing that unless they owned a piece of US or all of us. And every time we talked about that.

00:55:50 Speaker 1

The numbers just weren't there and we weren't interested in selling a piece of us for the wrong number.

00:55:56 Speaker 3

Oh, yeah. So meantime, you're you're trying to raise $15 million and you're going to raise it. You're getting all these term sheets cause you've got incredible traffic.

00:56:03 Speaker 3

And what what happens? I mean, again, just a routine call with Amazon and.

00:56:08 Speaker 1

Well, somehow their corruptive guys knew to ping us.

00:56:12 Speaker 1

And so they they said, hey, we want to have you, we've talked about this exciting idea in the past. We'd like you to come up to Seattle and meet some of the the team and.

00:56:20 Speaker 1

And chatted about it again. And so I flew up there and I met with the Kindle leadership team. And you know, there's there's a saying in business that companies are bought, not sold. And I think that's really true.

00:56:32 Speaker 1

To any entrepreneur who's ever like, how do I sell my company? Like that's the wrong mental.

00:56:36 Speaker 1

So so we weren't trying to sell we we kind of sketched out these ideas and I think they like them and I think more to the point, they got to the place in their road map where they wanted to invest in social and they therefore I kind of said, hey, we're either going to build something in social or we're going to.

00:56:51 Speaker 1

Buy.

00:56:52 Speaker 1

Something in social and this time you know it.

00:56:55 Speaker 1

Turned out that.

00:56:57 Speaker 1

We were able to get to an agreement on the numbers and more to the point, I was super excited about the vision we had. We had sketched, on the other hand, I was not sure at all what to do. This was the hardest decision. I think. Hands down I've made in my life.

00:57:12 Speaker 3

On the one hand, I'm thinking, why was that a hard decision? I mean, Amazon, the biggest bookseller in the world, and you guys have this great platform, and I mean, working with Amazon, you would reach exponentially more people, and you could do things that you could not possibly do with a $15 million raise. On the other hand, you were an independent, trusted brand and.

00:57:32 Speaker 3

And and you know, fair, unfair. Amazon is seen as the the 800 LB gorilla, right. Even more so today than in 2013.

00:57:39 Speaker 3

And and that might have made people angry.

00:57:42 Speaker 2

I think either way, raising a series B or selling the company was a lot about the kind of giving away our baby, and I think that was painful for us. Both paths felt painful because it was our it was our first child in many ways, and we'd spent so many years attending.

00:57:59 Speaker 2

And then taking care of it.

00:58:00 Speaker 2

And that was really.

00:58:02 Speaker 2

A source of tension.

00:58:03 Speaker 3

I mean a source of tension, but I think somebody listening to this would say, but you guys are going to get a payout, you were going to finally get some money.

00:58:10 Speaker 1

From this thing you've been working on? Yeah, but we we owned most of the website that was one of the top 100 websites in the US by traffic like we kind of knew we'd, we'd do well off it somehow. It was more just like what's the right thing to do.

00:58:24 Speaker 1

For the product, for the for the customers.

00:58:26 Speaker 2

For our employees, yeah.

00:58:28 Speaker 1

I mean, but I think Elizabeth's right. I think it was. Do we want to be captains of our ship or do we want to give up that control so we can go after a bigger vision faster?

00:58:38 Speaker 1

But I will say Amazon made it a little easy in that they told us they would want to run us as an independent subsidiary and an independent brand just like they run audible and IMDb and Zappos and now Twitch and they have a long.

00:58:53 Speaker 1

List of yeah.

00:58:54 Speaker 1

Track record of doing this.

00:58:56 Speaker 1

That felt right.

00:58:58 Speaker 3

What kind of things were you thinking about at the time or what kind of advice did you get about making this decision?

00:59:04 Speaker 1

Well, have you ever heard of the regret minimization framework?

00:59:08 Speaker 3

I haven't no tell me about that.

00:59:10 Speaker 1

It's a really geeky phrase coined by actually Jeff Bezos, which is basically a framework that says, imagine yourself as 80 years old, looking back on your life.

00:59:20 Speaker 1

Would you regret doing or not doing the thing you're contemplating right now? Like, what would you regret more? Yeah. And that turns out to be a great way to make decisions.

00:59:29 Speaker 2

Right. It was interesting to me too, just growing up in Silicon Valley cause my dad.

00:59:36 Speaker 2

He definitely said to me.

00:59:39 Speaker 2

You know, I know so many CEO's who have an offer and they say no, no, no, I'm going to in 10 years, I'll do it and you know the company will keep growing and he he was just very, very measured about, you know, you should really consider offers when they come because it's not like they happen at every moment.

01:00:00 Speaker 2

We have just seen it over the past, you know, several decades in Silicon Valley, silicon.

01:00:04 Speaker 1

Valley is funny because for every.

01:00:07 Speaker 1

Everybody's got a story, so I remember somebody told us the story of the Cliff bar and and how he walked into the meeting to sell his company for a life changing amount of money didn't sign it, walked out and kept it independent. And another person told me the story of Foursquare, who you know, Once Upon a time had it huge.

01:00:27 Speaker 1

Offer to sell for a lot of money and and then the deal blew up and and then and then they were looked at the time like it was going to go to 0. Now, now. Now they've turned it around and.

01:00:36 Speaker 1

Into something again, I think, but.

01:00:38 Speaker 1

You know, there's always the story of, like, the company who should have done this, but but the opposite thing happened. And yeah, I think in the end you have to do what you think is right for yourself and for your your company.

01:00:50 Speaker 3

Amazon announced that that it would acquire good reason in March of 2013, but presumably I mean, those conversations started maybe in early 2013 and I have to assume you have to be totally silent about it. Like you, you had to still run the company, but you couldn't.

01:01:03 Speaker 1

You do? Yeah, I think it was late 2012. I flew up to Seattle and I think it was.

01:01:06 Speaker 3

Talk to anybody about it.

01:01:10

Yes.

01:01:12 Speaker 1

There was definitely a month which was probably the most stressful month of our lives where we couldn't talk to anybody. We had to stop talking about the VC's. We had to stop talking to anybody else, and all we did, probably 18 hours a day, was due diligence.

01:01:27 Speaker 3

And you were just ghosting the VC's. Like they'd be like, hey, man, what's going on with the term sheet and you would just what?

01:01:32 Speaker 3

You wouldn't respond.

01:01:33 Speaker 1

Couldn't respond. That's common, but it.

01:01:35

Was tough.

01:01:36 Speaker 3

Did you feel?

01:01:37 Speaker 3

Like because Amazon, with all of its resources and and all of its creative talent.

01:01:43 Speaker 3

Has the ability to do something like this.

01:01:47 Speaker 3

Was part of the equation in your mind? Cause I think it would have been. In my mind, we have to do this because if we don't, Amazon can just make it on their own and could basically unravel this thing that we've worked on for so many years, right?

01:01:59 Speaker 1

Well, most people would think that and I thought that, but no, I mean, it turns out Amazon could not have built a successful social product because they are wired for commerce. This is my impression.

01:02:13 Speaker 1

You know, they they shared with us a bunch of thinking they had in the social space and it was just clear that they what they were thinking wouldn't have worked because they were so geared to think about commerce and not social metrics as success. Right. Success to them, the bottom of the funnel always had to be a.

01:02:32 Speaker 1

Purchase.

01:02:33 Speaker 1

Not like a user engagement or a recommendation or a like. And I don't think that they were geared to like under.

01:02:37 Speaker 3

Right.

01:02:40 Speaker 1

And that or act on it to be more fair.

01:02:44 Speaker 3

When you sold.

01:02:46 Speaker 3

To Amazon, the sale Price has never been disclosed, but there's been all kinds of reporting on it, and I think some good reporting on it. So usually when that happens, they want to bring on the executive team and the and the team to keep it going.

01:03:01 Speaker 3

And usually the commitment is 2 to three years. So you guys now become Amazon employees and did a whole lot change. I mean, were you able to?

01:03:12 Speaker 3

Do did Goodreads feel different after that?

01:03:15 Speaker 2

I mean, well, it grew a.

01:03:16 Speaker 1

Lot. Yeah, I think that was the big change is Amazon wanted to invest in social. And I finally had permission to go unprofitable. So we we grew from 35 employees to over 100, I think in two or three years.

01:03:16 Speaker 3

Hmm.

01:03:31 Speaker 3

Wow. So once you once you were an Amazon company, did it kind of take the pressure off in a sense?

01:03:36 Speaker 3

And did did you feel like a weight was lifted because you didn't have to?

01:03:40 Speaker 3

Hit certain benchmarks and be on calls with.

01:03:42 Speaker 3

Investors or or were.

01:03:44 Speaker 3

There other pressures that actually increased.

01:03:47 Speaker 1

Yeah, I don't know how I did this to myself, but I started working harder than I'd ever worked. After the acquisition, Amazon was not a place where you go to Cruise. I actually remember I had coffee with another friend who sold his company too, and he'd sold it to another big, slow moving company.

01:03:52

Huh.

01:04:06 Speaker 1

But I was like, how's your day going? And he was like, well, I play golf every morning and then I go in the office for four hours, and then I go for yoga and I'm bored out of my mind and.

01:04:15 Speaker 1

It's.

01:04:15 Speaker 1

Only been a year.

01:04:16 Speaker 1

Since we sold and I was like, wow, I'm.

01:04:19 Speaker 1

Working.

01:04:20 Speaker 1

12 hour days as hard as I've ever.

01:04:22 Speaker 1

Worked.

01:04:23 Speaker 1

It's stressful, but it's super fun and.

01:04:26 Speaker 1

You know, I think.

01:04:27 Speaker 1

The learning curve of learning Amazon, the learning curve of, you know, learning how to be not just a manager but a manager of managers and then a manager of managers of managers was immense.

01:04:39 Speaker 3

You guys stayed on for both of you, stayed on full time for six years, I think with.

01:04:44 Speaker 3

Amazon.

01:04:44 Speaker 3

Who over six years that is right.

01:04:46 Speaker 1

That is correct. Yes, it was funny. I kept having friends go like, why are you still there? Right. You know, once you're not over. Ohh. You passed it. Why are you still?

01:04:54 Speaker 1

There and I was like, I'm having fun. I like it. And they were like.

01:04:57 Speaker 1

I don't get.

01:04:58 Speaker 1

It, but that was just the nature of Goodreads so.

01:05:01 Speaker 3

So I I know that you you both stepped away in 2019. I'm speaking to you in France right now. You've moved to France with your kids for, I guess, for a year to just move to France. I mean, I do that in a SEC and to kind of just maybe be a family for.

01:05:21 Speaker 3

For a year and focus on kids and and but you are both young. I mean, you're in your 40s, first of all, do you do you miss either of you do miss the grind? Maybe it grinds on the right word, but do you miss?

01:05:32 Speaker 3

That adrenaline rush of going to an office and being around people and working.

01:05:36 Speaker 1

On a project every day, of course you do. I think that was actually a lot of my fear of stepping away is. But I was kind of like, you know what? I kind of want to be creative again. Like I I value and miss that part when I had time to think.

01:05:52 Speaker 1

You know, you you you don't want to see my calendar from when I was at the end of running Goodreads and I had every square inch of the calendar was full with the 30 minutes of something and oh, it was fast-paced and crazy. But it was busy and you didn't get time to.

01:06:08 Speaker 1

Tinker on something.

01:06:09 Speaker 3

Yeah.

01:06:10 Speaker 2

Elizabeth. Well, I probably should have left maybe a year earlier than I did. I ended up having three kids in five years and I ended up developing pretty serious health problems in which I would go in and out of the hospital and they would write papers.

01:06:10 Speaker 3

With.

01:06:28 Speaker 2

On me, and it was pretty, yeah, it was pretty unpleasant. So.

01:06:31 Speaker 3

Wow.

01:06:34 Speaker 3

How are you doing?

01:06:34 Speaker 2

Now I'm fine. I'm actually great, but I really needed to stop like I had just not listened to my body for.

01:06:44 Speaker 2

For years and for me, I was also as a as a parent, I was at a place where I was really unhappy with the.

01:06:54 Speaker 2

Balance I had between my work life and my life with.

01:06:56 Speaker 2

My.

01:06:57 Speaker 2

With our three kids and I, I knew that it was absolutely essential that for me to be happy and to.

01:07:05 Speaker 2

Just.

01:07:06 Speaker 2

Give them the attention they deserve that I had to stop.

01:07:11 Speaker 2

So no regrets.

01:07:12 Speaker 3

You guys are now, you still have the rest of your lives ahead of you, and you probably have enough money to fund a a new business venture. If you wanted to. Is that something you're thinking about? Is this something you might do? Start a new business?

01:07:26 Speaker 1

It, it turns out it is. So I'm actually starting to tinker work for the last six months, I've been starting to tinker on on a new project, which has been exciting. I I don't have anything to announce and but it's in the space of.

01:07:38 Speaker 1

And to address the problem that I think the the how people get their news and information today is is broken perhaps is is the word. I don't think people are reading the right content. I think the right content is often not the content put in front of us by the various algorithms and feeds. And I think that can be improved.

01:07:47

Yeah.

01:07:58 Speaker 1

So I'm kind of grateful and having fun just going on a learning journey.

01:08:03 Speaker 1

And reading a lot of books.

01:08:05 Speaker 3

How how much of of what your success would happen with good reads you tribute to how hard you worked and is your intelligence and the decisions you made and how much do you think has to do with just being lucky?

01:08:15 Speaker 2

The one thing that I always was really humbled by with good reads is.

01:08:21 Speaker 2

It feels like we got so much of the glory, I guess because we were the founders, but the people that we worked with, they were all really, really incredible people that worked just as hard as we did and and are really a big part of the success story too, of of Goodreads.

01:08:39 Speaker 2

So I don't know if it's just luck, hard work. It's also, you know, the people.

01:08:44 Speaker 1

I I was once at a tech gathering and this the exact question came up and I think the consensus in the room was we were about 50% lucky and 50% because we worked hard and were smart or or earned it.

01:09:00 Speaker 1

Because I think luck matters and we did work super hard and we did get lucky in that. I worked at tickle and was connected to an amazing set of advisors that all helped me in different ways and I attribute a lot of our success to having those people to go ask what do I do. But if Kendall hadn't launched in 2007.

01:09:21 Speaker 1

And moved and we started the digital reading revolution. I don't think Goodreads would have.

01:09:26

Yeah.

01:09:27 Speaker 1

Flourished industry trends have to align, and if that hadn't happened, you know, my old seer would have been right. It would have been a small.

01:09:35 Speaker 1

Site.

01:09:36 Speaker 1

It wouldn't have grown like.

01:09:37 Speaker 1

It did.

01:09:39 Speaker 3

That's Otis and Elizabeth Chandler, cofounders of Goodreads. And by the way, even though they both obviously love books, they often disagree.

01:09:48 Speaker 3

About what a good read actually is.

01:09:51 Speaker 3

And they realized that early in their relationship, when one day they were browsing the books at Barnes and.

01:09:57 Speaker 1

Noble. I saw a dude and I was like oh.

01:09:59 Speaker 2

There's my favorite book and I said I've.

01:10:01 Speaker 2

Never heard of this book? What is this?

01:10:03

Book.

01:10:03 Speaker 2

And he got very agitated and said, what do you mean? You've never read dune? And I said, OK, how about this? I'll read that.

01:10:11 Speaker 2

If you read pride and prejudice, so we bought the books. He read Pride and Prejudice in one night, he stayed up all night reading it. Meanwhile, I suffered through doing for like 3 weeks.

01:10:13 Speaker 3

Fair enough.

01:10:23 Speaker 2

And he wrote a review on Goodreads about Pride and Prejudice. And then I wrote this review in good reads about how Dune was and not my kind of book. And I gave it one star. I did the first stroller.

01:10:34 Speaker 3

Doing one star that is just, that's trolling. That's serious trolling.

01:10:46 Speaker 3

Hey, thanks so much for listening to the show this week. Please do follow us on your podcast app so you always have the latest episode downloaded if you want to contact us, our e-mail address is ehib.t@pr.org.

01:10:58 Speaker 3

And if you want to follow us on Twitter, our account is at how I built this and mine is at Guy Raz. Our Instagram is at how I built this NPR and mine is at guide dot Raz. This episode was produced by Casey Herman, with music composed by runtime Erebuni. It was edited by Neva Grant with research help from Claire Morishima our production.

01:11:18 Speaker 3

Staff also includes Farrah, Safari, Liz Metzger, JC Howard, Julia Carney, Kerry Thompson, and Elaine Coates. Our intern is Margaret Sereno. Jeff Rogers is our executive producer. I'm Guy Raz, and you've been listening to how I built this.

01:11:28

OK.

01:11:40 Speaker 3

This is NPR.