Stanford eCorner

Selling Investors: Beaming at Bucks

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To mark the first major funding round, the Paypal founders staged the famous Beaming at Bucks, where the Paypal money encryption technology was used to send the funding money from one PalmPilot to another across the room in a publicity demonstration. There was a mad rush before the demonstration to get the technology working and there was consideration of faking the event, but they decided to stick to the plan and miraculously pulled off the money transfer successfully.

Transcript

So continuing on the theme of investment in July... The first major... One of the first arrivals of PayPal on the scene other than the parties that were thrown was this infamous or maybe famous Bucks, Wanted Bucks. We disclosed the venture, round with Nokia ventures because Nokia is building Palm Pilot product. All right. So Nokia guys were going to actually beam the money. The first products had this beam functionality where two Palm Pilots with the IR ports, sort of face each other, you type in your pin, type in the amount, hit enter and 30 seconds later because IR is really slow that it is implemented on the Palm, the money will actually migrate from my Palm pilot to your Palm pilot Cryptographically- secured, signed, verifiable, unbreakable, what consumers need today. It's definitely not as easy to reach into your pocket and pull out five dollars but we thought that was not a good turn. It's a little bit harder, yeah. Oh, sarcasm.

Anyway, so we go to Buck and we are going to beam the money. I guess we are really cool to have a venture capitalist actually use our won product to give us the money. So, I was extremely keen on having a fully-functional prototype so clearly were not actually going to make the product function exactly as it had to but I really wanted a prototype that didn't just say, you know, I could really fake it up and just have a screen on the Palm pilot go "Yes, money has been transferred." But that wouldn't be engineering, that would be fake. That would be marketing. I've decided that marketing is okay now but for a while, I was not. But at the time, I was not thinking that. Anyway, so engineering way was to actually have a work, to have the signatures work, to have the keys properly distributed. You know. Cryptographically- secured... So, for about three months, the three of us, Russ, Yupen and I were coding like mad, all these things-- the software for the Palm pilot, the software for the server side, the software for the window side.

Lots and lots of codes, maybe hundred thousand lines of codes. Three nights before the Beaming at Bucks, as the event was called... This is restaurant in woodside... Yes. That's right. For those of you who are not in the Silicon Valley... It's a cafe in Woodside where a lot of venture capitalists would hang out. There's less to it than it sounds but it's a cool place. The PayPal side of the story was not so much in Bucks. At least not for me.

And I'll tell in a second why that's interesting. So three days before the event, I'm basically doing the roll call, you know, is everybody ready? Russell, like, "Yeah, I've been ready for three days." I've been ready for three days and Pen says, "Yeah, I'm pretty much ready but I just need to compile." So the guys who has been coding for three months never compiled his code. For those of you who don't know what compile means, basically, not even if it works, but try if it actually makes sense what he's coded so far. So of course we tried to compile and he has something like a thousand errors and from that point on, the insane

mad rush to the Bucks Beaming begins. The three months did not sleep at all and Pen was basically near catatonic by the end of the third day. None of us has slept. None of us has done anything but sit in the office, stare at the screen, just trying to figure out what's wrong. By the night T-1, we basically had to rewrite a very large component because the IR was not working. The way it was not working, it was not secure. And of course, anybody but PayPal would say, "Well TV crews are not going to know if it's secure or not." But you know, we have to have it right.

So we'd rewritten it, 8:15 in the morning. Both Russell and Pen were basically passing out on the chairs the software written. We had exactly two copies that actually were working because at a certain point, we stopped using version control. We were just hacking code. So we have two Palm pilots that actually functioned at two exact copies and then two more to receive the money. We tested it about ten times and I figured, you know, that's it. Actually, I marked the Palm pilot physically with one and two. If one had failed, we'd go to two. And if two have failed, we're screwed, you know. Then we've had to fake it.

And it was really for real. I kid you not. It was a real encrypted transaction. At this point, the Beaming was set to be at 9:00 am and I was basically dressed like this but much sweatier and much smellier. So I dashed back home, strictly didn't shower, changed into something far more decent or maybe like this, drove to Bucks, maybe five minutes late, there were nine TV crews there and Peter, very, very nervous Peter looking for me. "Where are you?" You're always late. I'm always late. Anyway, so I showed up there and yes, it's done. So Bucks is this insane collection of paraphernalia from, it's Americana galore. It's very much worth going there to check it out.

It's sort of pretty crazy. Things like cowboy hats hanging from the ceiling and sort of a one-tenth scale Statue of Liberty with an ice-cream cone instead of the torch stands in the corner. It's really kind of an interesting place. The guys who owns it, James is been on for a very long time and he's got pictures of him on the walls with anyone from Yitzhak Rabin to I don't know, George Bush. He's really been around. He knows a lot of people, he's a staple at every party. Anyway, so from that point on, Peter gets the Palm pilots, the beaming occurs, hitch-free, everything works, beautiful. Max is asleep in the chair. Yes. So, I don't know about anything.

I woke up with my face in a plate because I was so tired. Everyone is gone. This guy ditched me. Well the press people of course asked me, "Who did that again?" Get the cameras to really show at this time which of course was not possible because had been secured; the money was transferred. But that was the first question. But it was phenomenal, successful event. And one of the things that is always tricky in this business is you need to somehow get them on the map. And it was a phenomenal way of breaking through the clutter, you know. Three million dollars, Palm pilots, breakfast at Bucks, it was actually a technology story that sort of made sense and got written in a number of papers, number of press coverage. And at the that point on the investor side, people just started banging down the door and I remember the range from sort of the very respectable, sketchy, and the seemingly respectable but really sketchy.

I remember the classic example of the second type was about a month later, we installed this one thousand square foot office, we had about fifteen people working at the company in a thousand square foot office at University Avenue in Palo Alto and this delegation from Japan showed up, Six Japanese business suits and ties and "We would like to form a relationship with your company and we read about you in the newspaper and we like to invest." Over the next three, four months, it was this iterative process. We fly to Tokyo a few months later and one of our Japanese advisers told us, "Hikari Suchen, they're a very aggressive company and many people of Japan do not like them." And I thought, "That's great! We want people who are aggressive and who will be able to move quickly." And two months later as we were ready to close another round, they called me up at midnight and said, told me, "I've been getting orders from Tokyo. I must invest $20 million in your company." And I said, "Well, I can't really take any of your money right now but can we rest half a million..." It was just, it was really, really crazy. Although, a few months later, we figured out that they were actually a front organization for organized crime in Japan. And of course we've been warned very clearly by our Japanese adviser although the slight translation problem didn't quite catch it.