Video URL: http://ecorner.stanford.edu/videos/1199/The-Early-Career-of-a-Serial-Entrepreneur

Randy Adams, founder of AuctionDrop, talks about his background, including growing up in Maine, attending MIT, and his realization of his love of creating companies.

Transcript

So, a little background on me. I'm not from California. I'm from the East Coast. I grew up in a little resort town called Northeast Harbor Maine. Actually, it's "Northeast Hah-baah Maine" as we would say it there. And what was interesting about that town is it had 600 people in the wintertime and I was there all year-round and 6000 people in the summertime. And some of the summer residents were fairly well known. The Rockefeller clan was there and the pioneers of the industry in the East Coast. And I got to watch these people come in and I thought, "Wow! These people are from a different world." And I became impressed with the fact that they'd all sit there. Most of them were Kelloggs, the Rockefellers, on and on and on.

They started these big businesses or their parents or their grandparents started these big businesses. I became really entranced with this whole concept of starting companies and getting the heck out of Maine, which was very cold in the winter. So, that led me to go out and get as far, at least as far as Cambridge, Massachusetts and go to MIT. I did an undergrad there and I got a degree in electrical engineering. And from there, I sort of migrated down to Washington, D.C., where I worked at NIH for a while, which was a fine job because I got to travel all around the country and evaluate the use of NIH grant funds in computer or IT projects. And it was really great because if you're an NIH evaluator and you go walk into some research laboratory, they treat you like you're a king because you control their money. But it was fun. I got to learn about what went on and how the whole grant process worked. And then I got a little sick of that and I decided to go on the private sector. I worked for Booz, Allen, Hamilton in the management consulting division in Washington, D.C.

And that was interesting because again I got to get back into the whole business side and learn about businesses and how they worked and charged them exorbitant rates for consulting and work new MBAs to death, which is what they do pretty much. And then I decided that I would leave that firm and go join a high-tech firm in Washington, D.C. This was in the early '80s. And I decided that, well, I'm going to get a job and I'm going to get in. And I joined as a general manager of this firm. I didn't do my homework very well because this was a public company. It raised money about a year prior to my joining the firm. And it had about 750,000 left in the bank. And it was burning about 500,000 a month. So, when I got in I looked at all the books and I went, "Ugh!" And a lot of the money was going to another company of the senior vice president of engineering.

"Oh, this is not good." And then it turned out as I learned more, the CEO had a little bit of a drinking problem. And he would just sort of disappear for weeks at a time. And so I thought, well, this probably wasn't one of my better decisions to join this company. Maybe there's something I could do. I thought of fixing it. So, OK, back in my late 20s or early 30s, I thought, "Oh, I can change everything. So, I'll go in and I'll fire the CEO." So I went in. I got to board there. And I think the CEO was locked up

in the Waldorf-Astoria Hotel in New York on the floor or something. And I said, "He's not the board meeting.

If you want me to stay with the company, make me the CEO." And they said, "OK, fine. You're the CEO." That may be wasn't a good decision, either. But I eventually was able to build some contract work for this company. They were doing interactive video disc work and they were doing training films or training videos that were interactive. And my friends in Booz, Allen, Hamilton told me about this postal service contract. And I booked some work for this company and ended up closing a $100 million contract. And I thought, "Wow! That's great. I've just booked $100 million." But what I didn't realize is the CEO that I had kicked out and his buddies had controlling interest in the stocks of the company even though it was a public company. And so, they had to cross the battle, kicking me out off guard once I booked the business. So, I got a little disillusioned.

This is not really a fun way to get my first taste being a CEO. So, I said, "What am I going to do? I'll move to California." It's what I did and I wrote a software. And I've been in California since. And I started six companies up here since 1985. And it has been great. I've also brought up six kids so that has been great also. I'm going to tell you a little bit about the background of the company. Then, I'm going to go into just a list of some of the things that I have learned. So, first startup was a software company I created in 1985 or 1984. I saw the Macintosh come out.

I thought, "Hey, I thought you can do this in the PC. I bet you can do Windows in the PC." So, I wrote this base level software pad. It turned out to be the first desktop publishing package for the PC. And my friend Heidi Roizen under T-Maker published it. And then we eventually took over his software publishing corporation which was around at the time. I put about 100K into it. They ended up buying the package by a million bucks. And I thought, "Whoa!" This took about a year and I thought, "This is great. You just kind of do this. You're in California and you sell things.

You make a million bucks. How easy could that be?" So, I thought a thousand percent ROI. I'll do another company. So, I started Emerald City Software. And I thought, "Well, I did a PC software. Let's do a Mac software." I wrote some of it myself and I realized I didn't have the expertise in the Macintosh to do that. So, we hired some programmers and we got some money. And we raised about a million bucks and raised it at $1 million pre-money. And I didn't know anything about establishing valuations of the company using stock and preference and preferred and all this stuff that you get into when you start building this kind of VC-backed companies. But I did know I trust the people.

A guy named Peter Zildman, who now works for 21st Century Internet. When I founded the company, he was with another firm at the time. And he did a $1 million pre-money valuation. He put a million bucks in. And we sold the company to Adobe for 12 million bucks nine months later. And I thought, "Whoa! This is really great." And I had the great opportunity to go work for Adobe and work for John Warnock and serve as the director of engineering at that time for applications products. And I got an opportunity to put a C-team together and develop after that and PDF. And we were doing Photoshop and Illustrator. It was awesome. But after about six months, I got really bored because it was a starting company and taking risks.

So, I thanked John but I said I've got to go out and start another company. Steve Jobs at the time was singing praises to NeXT. And I thought, "Next computers? Yeah, it's going to be like Apple. It's going to be incredible." And he said, "You know, Randy, what you have to do is you have to start a software company that sells applications products for the next platform." So, I started a company called Appsoft. We went out. We bought software. We developed software. We had a spreadsheet. We had a word processor. We had a layout program.

We had an image processing program. We had a couple of other programs for a full suite of products. We were preparing to launch just when Steve said, "Hey, we're not producing hardware anymore." Well, I got Sequoia, Mike Moritz as a matter of fact, to put 2 million bucks into this company, crashed and burned. This isn't so fun. Will Mike ever speak to me again? And it turned out he did speak to me and I'll tell you about that in a little bit. But I learned something, I was kind of for learning. When you launch a company that's dependent on another company, you better be sure that company is going to be successful because you won't be successful if they aren't. So, then I went on and I started a company after licking my wounds with Appsoft because I had to fire everybody about a week before Christmas with no severance. And so, I moved all the furniture and stuff into Mike's garage. I was kind of depressed because I was thinking, "All of these people are out of work.

It's terrible." And then I saw again on the Internet I started selling some of the assets on the Internet. And I thought, "Wow! The Internet is selling stuff." This is like 1993. "This can be good. I bet you can sell stuff on the Internet." So, Mosaic kind of came around, the first browser didn't come around just yet. But in the fall of that year it had. A friend of mine, Bill Ronson, we decided, "Hey, let's start a company. We'll sell stuff on the Internet. What a great idea! There's millions of people out there. We can sell stuff on the Internet." So, we went around telling everybody that we wanted to sell stuff on the Internet. And they went, "You're insane.

You're crazy. Why would anybody on the Internet buy stuff?" But we went down to Ingram Micro and we said, "We want to open a computer software store on the Internet." And they went, "No, we don't want to do that." So, we went, "OK, We'll go back to this one again." So, we went back to it again and said, "We want to open a computer software store." And he said,

"OK." And so, they said, "Give us your list and we're going to do a mail-order company. We'll send you the orders that you have to ship to people. And I said, "OK." So, then we put Web pages with all this software. And in January of 1994 we brought out the first e-tailer on the Web and we started selling software. Ingram Micro still thought that we were running catalog. They didn't have any idea we were selling on the Internet. But that started to go crazy. And after about four months we went to the first Internet World in San Jose. And the Home Shopping Network approached us and said, "Hey, you know what? We were thinking of doing something like this.

Why don't we just buy you guys?" Four months, we put hardly any money, OK. And they said, "We'll buy you. How much do you want?" "I don't have any idea. Five million?" And they said, "OK, we'll write a check. We'll write a bigger check." And I went, "Did I say 5 million? I meant 50 million." That was already done. Home Shopping Network bought us and very later sold the assets of the company or traded them for $500 million. So, I felt I kind of left a little money on the table there. But the thing that happened as a result of that was that we ended up being branded as the first M&Aactivity in the Internet space, which actually Jerry Yang and David Filo came to me and said, "Hey, can you give us some money?" And I thought, "OK." And he said, "Would you have any VC that you trust?" And I said, "Hey, I lost $2 million of Mike Moritz' money. He still talks to me. Let's go talk to Mike." So, I took him over to Mike and the rest is kind of history.

I sat on the board for the first year and it was a real fun time at Yahoo! And Mike thanked me a lot. He just said he was unable to make money off me personally but the referrals were very, very good so that worked out well. And I went on to start a company called Navitel, which was a Windows software company, basically Windows CE telephony, which I sold to Spyglass. It had a pre-money evaluation about 5 million. And we raised about $6 million and ended up selling it. It's hard to say we sold it before but it was about $200 million, so a pretty good ROI. And then, finally the company that I started just recently called AuctionDrop, which was started in 2002, it's basically eBay-assisted selling. If you want to sell something on eBay you don't want to list to yourself, you drop it off. And right now you can drop it off to anyone of 3600 UPS stores. And they will ship it to our hub and we process it, put it up on eBay, do all the work and send the seller a check.

Exit? Who knows? We never know. This isn't where we want to exit. And that's kind of one of the things I want to talk about when you're thinking about companies. You kind of have to think them through. When you start a company, you know that not everyone's going to buy or that it's not going to build to a point where you can do an IPO. Pre-money evaluation the last time was 16 million. We raised about $16 million.