Rapid Response Transcript – Sridhar Ramaswamy

"How to scale tech responsibly"

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> I found that a terrifying prospect. We created a product, which is an ads free, private, subscription search engine.
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> This is not a science experiment. This is not really about uprooting Google. This is much more about showing that with a different model, you can create a better product.
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> I think very large companies that begin to rival the size of governments are just hugely problematic because companies by definition are autocratic.
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> With scale, the bar for better decision-making is really, really important. The problem that most startups have is no one cares. And so, iterating quickly to find that product market fit, being nimble, taking shortcuts. You don't want your system to crash and burn.
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> And that is something that we've been very, very conscious about. I'm a tech optimist. But we all need to be conscious of the good and the bad that can happen with tech, and we need to try harder at creating just a more equitable society, country, and hopefully world.

BOB SAFIAN: That's Sridhar Ramaswamy, the CEO of Neeva, a new subscription-based search engine.

Sridhar used to run Google's huge and lucrative advertising business, but now he is trying to prove that his old place is doing things the wrong way.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Sridhar because he's become an outspoken critic of big tech companies – even as he remains a champion of tech itself.

He's had a front run seat at how big tech truly operates, and his insider stories and perspective on responsible scaling are eye opening, from Google to Facebook.

He's also got great lessons about what it takes for smaller businesses to compete against the big platforms.

He admits that running a startup is harder than he'd imagined when he was at Google. But by walking what he calls the very thin line between optimism and delusion, he says we can deliver positive impact that really makes a difference for the economy and the world.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Sridhar Ramaswamy, the founder and CEO of Neeva and former Head of Ads at Google. Sridhar, thanks for joining us.

> **RAMASWAMY:** Bob, super excited to be here.

SAFIAN: So what you're doing at Neeva is fascinating – to create an ad free private search engine, not built around personal data. It's even more so because you personally were at the heart of the Goliath of ad-based search, overseeing Google's hundred billion dollar plus ad business. And it seems like you had to have a conversion, a spiritual experience, I don't know, to swap from one side of this, to the other. Where did this come from?

> **RAMASWAMY:** Yeah, some things are a slow realization. I joined Google, believe it or not, in 2003, as an individual software engineer. I was very lucky to join the search ads team, which as you know, has become one of the largest businesses ever in human history. Just that team makes over a hundred billion dollars. And early on, Google and the team were kind of embarrassed by how much money they made. They were like, "Ah, it's a lot of money." Google prided itself as a search company. And so running ads to make money was always like, eh, I guess we have to do this.
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> But you know, 10 plus years is a long time. And so there is always the pressure to make more revenue. We all want to be growth companies. And so we made a series of decisions that increased ad load, that tilted the field slowly and surely towards becoming more advertiser focused. And there are sort of really interesting changes that happened on the organic side. People will be surprised to know that Live.com – which then became Bing – had better image search in the beginning than Google. But Google of course caught up, using the power of the platform. And the same thing repeated itself in flights, in local. I came to the realization along the way that Google, honestly, as a company, felt that it had manifest destiny over all information.
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> It wanted to be the ultimate arbiter of information. I put the two together. At some point, my head exploded. I said, I am looking forward to a world in which if I ask a commercial query, that search page is pretty much only going to have ads. If I ask a non-commercial query, Google, the company, was going to tell you what the truth was going to be. I found

that a terrifying prospect, and remember, in between, Google also established 90 plus percent market share. And the combination of all of these made me think, I don't want to be a part of this. I need to reset. I need to think about what I want to do. I played around with two or three ideas.

I want to create a product that my mom will use, or my kids. A product that was going to be committed to one true north star as the company grew. And that's why we created Neeva, which is an ads free private subscription search engine. It is the best way in our opinion to align what our customers and users want with what the company wants. And so it's a two-year experiment.

SAFIAN: And so the idea is that, if you're unshackled from the demands of advertising or unshackled from the need to extract data from me, that the results I'm going to get back are going to be different, going to be better.

RAMASWAMY: Oh, 100%. That's the magic of giving up on big assumptions and starting over. Let's start with the obvious. Not having to show ads is a nice benefit. So the top result is an organic result. The search engine now thinks about how it can put you in control, how it can serve you. So the kind of things that we do are, we let you customize the search. We all have our favorite subscriptions, for example, newspapers that we actually pay for. And when we search for things, all things being equal, you can prioritize those. Plenty of people have asked us for, hey, when I look for a product, I do not want to see big box retailers. I just want to see small retailers because those are the ones that I want to support. You know what? A commercial search engine has no hope of doing any such thing because it is going to show the ad from the biggest merchant that is out there – by the way, it's called Amazon – up there on top. And that's how a commercial search engine operates.

On the other hand, we are working on features where you can get smaller retailers out there. More and more, the product is attuned to: what does the user want? I'll give you another simple example. If you now search for a medical query on Neeva, we give you, we call them, facets. They're just literally chips on top that will tell you, hey, you just want to look at government websites? No problem, tap on that, we will filter out everything else. Or do you want to look at ad-supported websites? If you want, you can do that as well. Again, this puts you in charge. It turns out that the entirety of the internet, it's not just Google, has been running on this ad supported model. And more and more, it's very hard to tell what is real information from an authority.

Freed of the constraints of showing ads and supporting that model, we go all in, how do we support you? How do we give you privacy? How do we give you agency over how you get information? That's the part that excites us the most.

SAFIAN: You described this initially as a two-year experiment. And I'm curious, how much of this is about setting an example, so that maybe the business moves in a broader sense in a different direction, versus really expecting that you're going to be able to unseat Google with their tremendous market power and penetration and resources?

> **RAMASWAMY:** Great question. This is not a science experiment. If I wanted to do a science experiment, I would set it up as a nonprofit and have been clear about it from the beginning. We want this to be a successful company. And here's the magic of subscription businesses. They create a very predictable revenue stream and with a far smaller fraction of market share. And there are tons of examples like this. The ultimate subscription company, funnily, is Costco. It turns out that Costco doesn't actually make a whole lot of money on the products that they sell you. Most of their profit comes from the yearly membership fees that you pay. And they have a 91% retention rate. People renew their Costco memberships because they like Costco.
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> So with something like a 1% market share – which is very small and would be considered a failure anywhere else – they can actually be an enormously successful SaaS subscription company. And subscription companies are also valued on revenue while ads companies are valued on EBITDA. So if you look at the enterprise value of, let's say companies like Walmart, you will find that they are valued at a fairly constant percent of EBITDA, kind of like the net revenue that they make.
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> Whereas subscription companies are valued more at a multiple off their top line revenue. That just speaks to the part of the model. My point here is, this is not really about uprooting Google. This is much more about showing that with a different model, you can create a better product and still create a successful company, even if the market share is not that big.

SAFIAN: I know there are other changes that you hope will happen in the world of technology. In recent years, and particularly since the pandemic, we've seen the large tech platforms become even larger, even more dominant, and you've expressed some opinions that change is necessary. What does responsible scaling look like for a tech company?

> **RAMASWAMY:** First and foremost, working in tech, people like me have the opportunity to touch the lives of many, many, many people. And companies, when they start, start out with simple principles. But the world is more nuanced, more complicated, and has a combination of wonderful people, great people, and not so good people. We used to be very proud of the fact that on YouTube you could express yourself. That was the motto. Then we would tell people, "Anyone on the planet can upload a video into YouTube and get it watched by lots of people." Sounds really cool.
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> Then you realize, "Wait, you mean everyone on the planet can be on YouTube? That's a thing?" And so, to me, especially as the company gains scale, I would not do it too early.

It's silly for Neeva to worry about the entire suite of all of these problems that can come on because we don't have that many users. You have to be successful first. But with scale, the bar for better decision-making is really, really important. The realization that companies need to have, which is that as they scale, as they become important platforms, their societal responsibilities are just as important. It cannot be the case that decisions are solely made with the purpose of driving one metric – call it attention, call it engagement, call it revenue. The world is a complex place, and leadership needs to evolve as we go along.

As you know, computer scientists, as a country, honestly, we like to simplify things. It's like, be as rich as you can be, your company should be as large as it can be. Why stop at a trillion? Let's go to five trillion. But I think we need to understand that there is more and more responsibility that comes as companies grow. I think a lot of tech companies really, honestly, have trouble figuring these kinds of things out.

SAFIAN: As you're talking, I'm thinking about the recent *Wall Street Journal* series about Facebook, and its inability to control its own platform and the ramifications. Just devastating. What's your reaction to those allegations, to that? Are you surprised?

RAMASWAMY: I think there are a set of people that react with, what? You're surprised by this? And at some level you have to give Facebook credit for even allowing these studies to go forward. There are quite a few companies that would be like, "Ah, don't look. Because if you look, I have to deal with what you found." They had the wisdom, the guts to have these kinds of studies go forward. But time and time again, what we are also finding out is that when it comes to balancing engagement, versus vitality, versus revenue, generally it's all towards engagement and revenue. Things like, what is the impact? Especially long-term impacts, because they are hard to measure, are typically not given a lot of importance. Here's how a typical meeting for something like this will go. I've been in a bunch of these.

Okay. Team comes in. They say, "Oh, we think we have the following unintended effect because of this feature. We can't quite measure it and confirm for sure what the long-term effect is going to be. We can give up 2% of revenue in one of these metrics that we think should go up." Let's call it, like, a happiness proxy metric – can go up. So for giving up 2% of revenue, you can raise this other thing by quarter percent. Okay. An exec dealing with a question like this can say, "Okay, is this the best you can do? How long have you worked on this? Prove to me beyond an iota of doubt that you can't do better than this."

It's a perfectly logical question with a perfectly predictable outcome, which is, the thing never launches, because no scientist worth his salt will be able to tell you, "I can guarantee that we cannot do better." Okay. They're going to say, "Fine. We'll go work some more," or they'll get frustrated and quit as a bunch of Facebook people have done.

And so, this is where leadership, again, plays a crucial role in understanding what the trade-offs are in saying, "These are good trade-offs to make," and then sticking their neck out and actually making the change.

I'll point to one example from my own career. The topic of porn ads in search. No one really wants to talk about a topic like this. What porn ads represent is the next level. It's like the unimaginable things that people are actually willing to pay money to run ads for.

Was there a way to prove that this made humanity better, this change? Of course, not. And yet, the leadership at the time. We bought into a qualitative argument. And so, we walked away from... This is like nine-digit revenue. I absolutely think it was the right call to make for Google then, for Google now. These decisions are hard, but I think it behooves leadership to be able to make these kinds of trade-offs.

[AD BREAK]

SAFIAN: Before the break, we heard Neeva CEO Sridhar Ramaswamy talk about responsible scaling, the downside of Google search, and the limitations faced by platforms like Facebook. Now he gives us detailed examples of how best to compete against the Goliaths, the humbling nature of startup ambition, and the thin line between optimism and delusion. Plus, why he believes this is a pivotal moment in tech history.

I want to ask you, you've argued that some of these big tech platforms have become monopolistic, that in some ways they're too big, that Google Cloud and AWS need to be separated from the mother ships. Is that connected to this issue of tech responsibility, or is it about competitiveness, or is it a little bit of both?

> **RAMASWAMY:** That is actually a larger topic. I think tech responsibility needs to apply at several scales. What I mean by that is I think by the time a company gets to be even $10, $100 billion market cap, I think responsibility issues come into play, because you're affecting significant numbers of people, hundreds of millions of people. I would say it starts there. My different point would be that by the time the market cap of companies begin to rival that of the entire GDP of the country.
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> I think it's just very problematic for society. Companies exist to further themselves. A company only thinks of what is right for me, the entity, which means employees and shareholders. The current crop of companies are not in the business of making democracy better for you and me.
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> I think very large companies that begin to rival the size of governments are just hugely problematic because companies by definition are autocratic. They report up to a single person. I'm not saying anything fancy here. And so, to me, that is the reason why competition law exists. That's the point of the Sherman Act. Where we say we don't want

very large things to exist. Now, this will sound like anti-free market, but the free market only goes so far. And as I said, a country run by a company is going to be a pretty terrible place. I think that's where our government needs to step in.

The biggest worry that I have with Neeva is not that we cannot create a great product. We will absolutely create a great product. But getting it in front of people, getting things like that prized search option position on the browsers is the part that is hard.

All the defaults are locked up. All the doors are shut. I think we need to understand that large monopolies will both try to extend their monopoly, and preserve what they are good at.

SAFIAN: Lots of folks listening may be at businesses small, startups, bigger also, that are competing with these big platforms, with Google, or Amazon, Apple, Microsoft, what have you. Do you have any advice for them in that competition? You know what advantages you had at Google that you may not have now. Are there insights you can offer us about how to think about that competition in a way that can turn to your advantage?

RAMASWAMY: One of the reasons why we picked the principles for Neeva was so that we would both distinguish ourselves from how Google's search operated, obviously. But also, we're going to make it really hard for Google to copy. And so, if you're first of all competing head-on with someone who's really good at something, it is not something that I would recommend to anyone. It's just really, really hard.

With Neeva, we are very clear that we are for the people that care about search, that want to have agency over it, that care about privacy, and yes, are willing to tolerate the fact that we have to catch up on quality in a few areas, even though we are much better in other areas. It's that segment that likes us that is going to help us grow. If you're competing, hopefully you're competing not in an area that they are directly involved in, and that gives you a certain amount of space.

Having these distinguishing factors, and making sure that you're not in the center lane of where they are operating, are the kinds of things that can be helpful. And the other thing is, even if the big companies were to announce that they're interested in something, they get bored very quickly if things don't reach big size very quickly.

If you are outside Google, you cannot tell whether Google has 2,000 people working on a project, or two people working on a project. It all sounds the same outside. And so, just doing an amount of intelligence to try and figure out what is actually going on will be helpful.

SAFIAN: Operating a team as part of a big organization versus a startup. Is that leadership challenge different? Is it the same, but you're just applying it in a different place? How do you think about that part of it?

> **RAMASWAMY:** Yeah, it's one of the most humbling experiences that I have been through. I think when you're operating a startup, a lot of the advantages, the incredible attention that you get if you are part of a Google, a Microsoft, a Facebook, you just don't get any of that. You really have to hustle for attention, and you also have to be very picky about what it is that you work on, and progress is slow. If you're working with a 500-person team, stuff happens. Yes, there is friction, but things happen.
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> On the other hand, if you have a 10-person startup that's a whole different story in terms of how prioritized that you have to be. The problem that most startups have is: no one cares.
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> And so, iterating quickly to find that product market fit, being nimble, taking shortcuts. You don't want your system to crash and burn. But I would say, especially people from big companies will overplan things when they move to startups, and that is something that we've been very, very, very conscious about.

SAFIAN: But it sounds like as you're talking about this, running this business, it's harder than you thought it was going to be. You knew it was going to be hard, but harder than you thought?

> **RAMASWAMY:** It's terrifying. There are great days in which you're like, we can move on a dime, we can release stuff very quickly, and people care. That's like the stunning part. I'm at a conference today, and the host of the conference says in public, "Oh, I am a big Neeva fan." And just that one moment is going to keep me going for a week or two. But then on the other hand, my marketing team is two people. Creating companies is hard. I'm really glad that I did it, but it's 100% way harder than I thought.

SAFIAN: You have to find those moments of optimism to keep your energy up because it's not coming at you all the time that way.

> **RAMASWAMY:** You have to stay optimistic. I think that is an important characteristic all startup founders have. They have this maniacal belief that things will work out. And completely transparently with some founders, including myself, I go like, "I wonder where the line is there between being optimistic and being delusional?" I never drink too much Kool-Aid. You have to walk that very thin line between optimism and delusion.

SAFIAN: I want to bring you back to the overarching framework of what's going on in the tech world that you talked about. The tech industry has been so central to the economy, to progress, to our ability to weather the pandemic and remain productive, new breakthroughs continue to

roll out, but there are these other challenges at the same time. Given all that, what's at stake in this moment?

>RAMASWAMY: I think we are at a pivotal moment in tech history. I think we have gone through 20, now 25, years of essentially unchallenged tech growth and influence in our economy and society. In many ways, I think this is the decade where tech is going to be spoken of in the same way that, I don't know, plastics, petroleum were spoken of before, hopefully not cigarettes. But I think this is a decade of reckoning for tech. I think it's also equally important to understand that while tech has benefited us in significant ways, I think it's also a system that primarily benefits tech.

>The big three tech players in the U.S. are a tax collector for every new relationship between a potential customer and a potential merchant. What I mean is one of those connections usually goes through Google, Facebook, and Amazon. And if you add up just the ads revenues of these companies, it'll come out to several hundred dollars per person. And so I think we've also created a situation in which they're essentially like this alternate government levying a toll on the world.

>I am tech positive. I think tech can do good things, but I'm also a realist, which is that tech can also be used for bad things.

SAFIAN: Do you think government is getting more sophisticated about its understanding of what's happening and the way tech works? I guess my experience has been that government is always behind. And even when tech executives are called to testify in Washington, it's almost like they are instructing folks about something that maybe you wish they knew beforehand. In Silicon Valley, there's certainly a deep sophistication. Do you see that sophistication growing in other places?

>RAMASWAMY: I don't think senators and congresspeople should be in the business of talking to tech execs. You need a specialist agency. There's a reason the FDA exists. FDA approves drugs. Congress doesn't approve drugs. Similarly, the FTC exists. We also have the FAA for the airline industry. You need a bunch of professionals. We have a ton of examples for how this is done. This is not a new problem.

SAFIAN: Well, this has been fascinating, Sridhar, as always talking to you, and I appreciate your candor.

>RAMASWAMY: As I was saying earlier, I'm a tech optimist. I think there's lots of stuff that there is to be invented. Both my children are computer scientists, and I'm happy that there are computer scientists for the simple reason that I think this is a very young science. Lots of things are still changing. There's lots of cool stuff still to be done. But I do think that we all need to be conscious of the good and the bad that can happen with

tech, and we need to try harder at creating just a more equitable society, country, and hopefully world.

SAFIAN: Yeah. Well, thank you so much for doing this, Sridhar.

RAMASWAMY: Thank you, Bob. This was fun.