

EPISODE 06

[INTRODUCTION]

[0:00:00.4] JM: Big technology companies have so much going on at any given time that a journalist can tell any type of story they want to about it. Depending on what angle you observe the company from, you can write a story depicting that company as good, evil, growing, or about to crash. The truth only becomes apparent to outsiders with time.

Amazon's culture and business strategy were detailed in *The Everything Store*, a 2013 book by Brad Stone. I read *The Everything Store* before working at Amazon, and then I read it a second time after working at Amazon. The book is an accurate and balanced depiction of Amazon's ethos. Brad's new book, *The Upstarts*, documents the rise of Uber and Airbnb, two companies with a similar controversial valance to Amazon.

It was a pleasure to speak to Brad, because I admire his engrossing storytelling as an author and his strategic analysis as a business journalist. After discussing business and technology with him, we explored journalism. Brad is a senior executive editor at Bloomberg, and it was a real treat to talk to him.

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[INTERVIEW]

[0:02:56.1] JM: Brad Stone is the author of *The Upstarts* and *The Everything Store*. Brad, welcome to Software Engineering Daily.

[0:03:00.9] BS: Thank you, Jeff.

[0:03:01.7] JM: I worked as an engineer for Amazon for eight months, and I read your book, *The Everything Store*, which is about Amazon before I started. I left Amazon 19 months ago and then I read your book again last month. When I compare my perception of the book before and after I worked at Amazon, I'm struck by how well you captured the company. When you look back on that book, are there any specific areas of Amazon or Jeff Bazos that are still a mystery to you?

[0:03:32.9] BS: First of all, thank you for the double read. The main thing is I feel like it is, in some ways, a different company. When that book originally came out at the end of 2013, I'm in the market cap. It's, I think, three times what it was back then. They've grown into significant areas; one in the artificial intelligence with Alexa, and then two into, really, the physical retail, which is so surprising sprouting not just these bookstores all over the country, but now a whole new set of grocery stores to try to stimulate their Amazon fresh business.

None of that is particularly surprising. Amazon, as you may be even experienced, thrives on internal competition. If you have a healthy ecommerce business, the thing to do is to start a whole other division of physical retail to go compete with them for the best way to serve customers.

I guess it is amazing to me that a company that was fundamentally like an online retail company and then even a cloud services company; they keep expanding along these other dimensions. How Amazon competes for and retains artificial talent in AI when they're going against Google and Microsoft and these other giants is remarkable.

[0:03:32.9] JM: How do you think they do that? Because Google and Facebook offer perks and perks and perks, and if you work at Amazon, you get lord of the flies, basically. How did they retain so many people? What is their differentiating strength from the outside-looking at it?

[0:05:13.6] BS: As your eighth month 10-year shows, they don't retain everyone. There's high turnover, but that senior lead team is remarkably consistent. They've got a couple things. They've got that equity that has been going up in value, and that's of course allure, but then they have the secret weapon, which is Jeff. People want to work with him. He runs a large organization but he gets very involved in things that excite him. Over the years, that has been Kindle. Back in the day, it was the new jewelry category, and now, very clearly, you can see where he is making his impact, is in robotics, and drones, and AI in Alexa. I guess if you're an AI researcher, and you have Jeff Bazos himself making the hard sell, he is very involved in these divisions.

I would say Larry Page had Alphabet as maybe more of a remote presence across the company, but you go and you work in the Alexa division – At Amazon, I would imagine you're spending a fair amount of time with one of the smartest people in the world, and that's a draw.

[0:06:20.7] JM: When you think about it from a business management perspective having studied a lot of different companies, what do you think are the pros and cons of those two approaches; the great leader approach where you are relying on the presence of the great leader versus the more institutionalized sensibilities that a place like Google might have?

[0:06:44.4] BS: It feels like Amazon does both. They have a set of values and a culture that does incentivize ground-up innovation, but then at the same time, you've got the innovator and chief who kind of comes in and makes his presence felt sometimes in uncomfortable ways.

You can't argue with the results at Amazon. As a retail business, that spawned in enterprise computing arm, and now it had spawned an AI division and a robotics division. They come up with a lot of great stuff even though the culture gets criticized for being hard-driving and relentless.

Look, the Google approach works well. Apple's a good example of a company that really did have a top-down, fearless leader culture. Of course, after Steve Jobs died, it had to evolve. You can criticize them for maybe not coming up with a strong second act after the iPhone, but the company's financial performance has been pretty stellar. Obviously, the iPhone is more popular than ever. I think there are lots of different models, and the tech companies embody different flavors.

[0:07:59.9] JM: One thing I noticed at Amazon, and I certainly saw this reinforced reading your book the two times I read it was long-term thinking, basically, as a religion within Amazon. Do you think that's an overstatement and do you think that there are other companies that have this ability to think long-term to the degree that Amazon has been able to?

[0:08:21.8] BS: I would say that everybody wants to do it. Everyone has the religion to some degree. You could say it started with Amazon, but really, it was Warren Buffett before him. The mentality is around and popular, but you need license to do it. You need permission to do it from your investors, really. Bazos, who was just very smart very early on and signaling that this was going the approach that he wanted to take in that first shareholder letter. Anyone who wasn't interested could just go away, could get off the bus.

Amazon, you see them missing quarters, you see the stock will dip after an earnings report. There is some volatility, and then people come back, and the big shareholders are relatively stable. It's because they understand.

Now, you have you to be able to do that. If you're Walmart right now, or let's say Verizon, getting buffeted by your shifts and investor's sentiment around your stock price, if the CEO says, "Well, we have a long-term vision. We're building things for the next five years." Investors probably, "I'm going to go along with that." That's not who their investor class is and they want to see gradual process, and so you have these CEOs that end up managing quarter to quarter.

Jeff is in this unique category of being the founder-operator. I would say Mark Zuckerberg is there, Larry Page is there, and they're just given more leeway, more room to run, so they can say they're long-term oriented, they can do it. Jeff probably spends only a few hours with investors all year, very limited. He really doesn't care and doesn't have to care. He's a huge shareholder in the company, too. There're a lot of different elements that allow him to not only have the religion but to implement it.

[0:10:19.0] JM: The boomerang investors that leave Amazon and then they come back to it, that seems to mirror the employee base. You have all these employees where you look at their resume, it's like, three years of Amazon, and then two years elsewhere, and then another eight years at Amazon.

[0:10:35.7] BS: Jeffrey, are you foreshadowing your next career move?

[0:10:38.0] JM: I'm absolutely not. I will never be back at Amazon. My criticisms of Amazon are so different than ones I read. I thought your book was very impartial, and I think that's the word to use, but this notorious piece that came in The New York Times; *Inside Amazon: Wrestling Big Ideas in a Bruising Workplace*. This was the super famous Amazon article out of The New York Times by David Streitfeld then a co-author of his. Did you feel that this article was disjoint with the material in your book, or did you feel it was a compliment?

[0:11:18.2] BS: Good question. No, I felt like I had flagged some other things but maybe been a little less – Framed in a little bit less of an adversarial way. Not to say that The Times didn't hedge a bit as well on that piece, but you have to start by acknowledging that, one, it's an achievement culture. The company has done amazing things and does succeed in its primary goal, which is to serve customers. Two; that you can't necessarily make broad judgments based

on anecdotes. You can find people at every company that have had hard experiences. I'm sure there are employees at Bloomberg that have cried at their desks.

To make sweeping generalizations about them, I think, their anecdotes can be interesting, and they can tell you something about the overall character of a company. For every person who has been unhappy at Amazon, you could probably find someone who has had a very fulfilling career there. I don't know. I think I raised some of the same issues about how hard driving that culture can be, but maybe I was a little more careful.

The other thing is that it's such a large company now, there are so many different kinds of experiences. I think culture at AWS is a lot different than culture in retail. Culture in an area where Jeff has a particular interest, Jeff Bazos, probably, life there is a lot more uncomfortable than if you're in one of the other parts of the business that he maybe sees once a year.

It's really not. I don't know what you think about this, but it never felt to me, as I was looking at it that it was a one-size-fits-all-culture, things that are common traits across the organization, but lots of different kinds of experiences.

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[INTERVIEW CONTINUED]

[0:14:33.9] JM: I think the things that are present across the organization, broadly speaking, are those management principles. I don't know how much time you spent looking at those and scrutinizing them, but those were fundamental to how Amazon works these management principles.

I've ended up asking a lot of other companies when I do interviews like these, like, "So, do you have these management principles in —" Before you work at a tech company or maybe before you study them, you think these things are anodyne, bland, useless phrases.

[0:15:01.6] BS: They are at a lot of companies, but not at Amazon.

[0:15:02.7] JM: Not at Amazon.

[0:15:04.8] BS: Yeah. Some of those I disagree and commit are specifically tuned to create a sense of discomfort in the organization. Jeff never wanted the company to turn into a country club where people just got comfortable and coasted. He also thought there is this human inclination to just get along with people. That probably sounds good, right? We should all be singing in harmony, but he believed that that stood in the way of finding out the truth.

This thing that's in one of those principles, social cohesion, he feels can be harmful to a company that meetings should be combative. There should be disagreement. You should be able to disagree with your boss. Some of these things that he built into the company are the things that maybe the pressed points to as making the place an uncomfortable one to work.

[0:15:54.1] JM: Speaking of the press, *The Everything Store*, your book, seemed like such a balanced take. You hear Bazos say things like — I think he said, “We should be scrutinized.” I think he said that — I don’t remember what the interview was, but he was talking about, I think, Trump, Trump’s response to the press. Obviously, he loves journalism because he wouldn’t have bought The Washington Post otherwise, but Amazon has this allergy to journalists or just doesn’t deal with journalists. Is there some disconnect there?

[0:16:30.3] BS: I think there’s a nice little paradox, because he is the owner of the Post, which has been very aggressive in its coverage of President Trump, and very admirable, I think, in the way it covered the campaign and the administration. Then, Amazon is so difficult to cover. It provides so little access and transparency. It’s an extremely competitive organization in very competitive markets. It really counts its perspective on things and its future plans as company secrets.

Jeff prefers to talk for the company almost alone. Andy Jassy gets some attention and some other executives you’ll hear from, but really — Basically, Jeff is the face of the company. Yet, when he does talk, it’s unsatisfying. He can repeat the same thing again and again over the years.

[0:17:25.7] JM: It’s a Jeff-ism.

[0:17:26.6] BS: Right, a Jeff-ism.

[0:17:27.6] JM: That’s [0:17:27.7].

[0:17:29.4] BS: Yeah, and he says, “Oh, well. We’re just misunderstood.” It’s not like he’s done a great job of helping people understand. I don’t think he wants journalists to understand the company. Yeah, I think that’s a great paradox. You could say that the president has an obligation to the people to be transparent. Whereas, the company really doesn’t — If anything, it’s as an obligation to its shareholders as to create value, and sometimes that is done just by being very discrete. As with all things, Amazon is very good at that.

[0:17:59.4] JM: Your book was basically chronically Amazon, but I feel like if you would have had the chance to chronicle Bazos more, you would have. My sense is that this guy is infinitely

cagey. If you compare him to Elon Musk, and Elon Musk in that *Ashlee Vance* book — Did you read that book?

[0:18:18.0] BS: He actually works with me. Yeah.

[0:18:21.0] JM: You would at least talk to him, but Musk was fairly open with that book, or as far as we know, he was fairly open. I think we know he's at the level of caginess of Bazos also, but he was very open with his biography although there were certain parts of it that were extremely shadowy. Bazos is the same, actually, probably to a much higher degree, the degree of shadowiness — I don't know. Were you disposed to —

[0:18:45.7] BS: Discretion, I would say.

[0:18:45.7] JM: Discretion, right. I don't want to put a negative spin on it.

[0:18:49.8] BS: And discipline.

[0:18:50.8] JM: It's totally understood.

[0:18:51.8] BS: And discipline. I just think, Jeff, he's still writing the story of his life, and he's looking forward, and he's got his goal on the next product and the next service, and probably he doesn't see much value in revisiting the past.

He did talk to me. He let me talk to his colleagues, some members of his family, but they were all fairly disciplined. It was years of chiseling out stories and truth from other people, often, those who had left Amazon.

That book is, I feel, like a Jeff biography as well, and there were fascinating parts of his early life that I discovered and some of his side interests in space that were just so fascinating to me. The funny thing is the biography of the company and the biography of the man are, in some ways, the same thing. The company is his life's work and its identity is really his identity.

[0:19:53.9] JM: Let's get into Uber. Your newest book is *The Upstarts*. It's about Uber and Airbnb. You published this book right before there were several controversies that erupted out of Uber. These were stories about Uber's culture being cutthroat and sexist stories about its self-driving technology that acquired through Otto, eventually being stolen by Google, which there is article this morning that shed a little more light on that stolen, maybe an overuse of the word steal. We'll get in that, but given what you learn about the company from writing your book, and then the volume of information that came out right after that; we're you surprised by that knowledge?

[0:20:38.6] BS: No. I think that a lot of it is in the book. The fact that this is a company that grew from 500 employees to 11,000 in the span of two years. They did that without creating the guardrails of a professional HR organization. They were focused very much in just building the team with a God-given mission. They felt that they were improving transportation in a lot of cities.

In the book, I do chronicles, some of the cultural things that they did where they would bring employees to parties in Las Vegas or Miami. There were some people that felt uncomfortable by that, certainly, if you add alcohol to the mix, these are not situations that lend themselves to very professional interactions, but it's also a startup where people were living and fighting and working together every single day. I think they got lost in what the needs were when you build a professional organization at scale.

So I just said visa-vie Amazon, that we can't really judge a company by its worst anecdotes. I think the sexual harassment allegation, while awful what that person experienced, it's like there are women in leadership positions at Uber, and I don't think it's a universal experience. But clearly, it showed, and Uber owned up to some serious deficiencies in the way that they had built their HR organization. That's one piece.

I think the second piece is Travis fighting with the driver, which we published here at Bloomberg. That's just like, "What is he doing there?" When you assume that everyone's got a dash cam these days, and the drivers are his customers.

[0:22:31.7] JM: You could never imagine Jeff Bazos do that.

[0:22:33.2] BS: No. That's a lack of discipline right there. Uber's now in the mode of falling on their swords and he went and said he is going to hire COO, which is a story we're obviously covering pretty closely.

The third piece is the Google-Uber legal battle over the driverless car technology. On that one, Business Week has a cover story out about the roots of that. I would say one thing is we've heard one part of the story. Google has filed a claim. Uber will, at some point, file a counterclaim. The fact pattern that Google presented looks bad for Uber.

It sounds like Anthony Levandowski, who left Google and went to Uber, brought along some technology. It's also true as the cover story in Business Week shows that Levandowski was a lighter at Google. Some of it – And it was sort hazy, because he had a lot of startups on the side, what was his and what was the company's.

[0:23:32.7] JM: Right. What you're talking about – Anthony Levandowski is a genius. This guy is not just thief of information. He's been working intensely on self-driving technology for a decade.

[0:23:45.3] BS: In some ways, he's the father of the industry.

[0:23:48.1] JM: The father of the industry. You have Sebastian Thrun who's more of an academic character, who, Levandowski studied under, basically. Then, for the last 10 years, Levandowski has had one foot in Google, one foot in whatever business he's been working on and he's just trying to get self-driving to market almost in — This is why he's a nice spiritual cohort to Travis Kalanick. He's certainly not a COO, but he's a cohort. It makes a lot of sense that such an executer would want to go to Uber.

If we talk about the Otto case, is the way that Otto was structured where she talked to Travis I think before he left to Google. Then, Otto was started, and it was acquired. Is that smoking gun, or does Otto just look like a thing that he started, and he was trying to get some optionality, trying to get his evaluation up?

[0:24:56.8] BS: Right. What we're talking about is the timeline when Anthony Levandowski left Google, started a self-driving truck company Otto, and then Uber bought it. As we reported in the story, the timeline is hazy and Anthony may have been visiting Uber before he really started Otto. Maybe, even Travis and Anthony had decided that Uber was going to buy Otto perhaps even before or right after Anthony left Google.

Let me just unpack that and say, sort of simply, I think there are two possible scenarios. We'll need to find a little bit more about which is the right one. To me, it seems more likely that this was a way for Uber really to just financially reward Anthony on par with what his enormous skill set and what driverless car researchers and leaders in the field could command.

This is a field where lots of companies are interested, and he's a pioneer. I think the timeline shows up perhaps what they were doing is giving him a real payout to go and join another company as opposed to just starting something himself.

Now, the other possibility, the more darker scenario, is that this was a little bit of a conspiracy to go and cleanse this IP. To me, that's a little bit more of a stretch. That's certainly, I think, what Google's asserting. It's more likely that if there is a quiet conspiracy, instead coming to Uber and getting some options that may or may not be worth anything, we want to make this worth your while. We want you to come work for Uber. Why don't you start this company, and we'll buy it, and this is going to be an enormously lucrative transaction for you? Are you buying that?

[0:26:41.6] JM: I think only time will tell. Both of the scenarios you presented are plausible. The more I think about the conspiracy to start Otto with the knowledge that it would get acquired to cleanse the IP, I don't think Uber and Levandowski would be that sloppy. I think it is — I don't know. Maybe they are, and they were just like, "Well, Google will never go after us." I don't know. It's all hearsay.

[0:27:11.3] BS: Two things. One; Levandowski was saying all along, asserting in interviews that the "IP was clean". He knew that the potential charge was out there. He has said in interviews, even last year that. "This is all my stuff, and it has nothing to do with Google." He knew that they were susceptible to that accusation.

Number two; let's put this in perspective that Google right now is at the risk of being in the phrase of a quote from the Business Week story. Seen as the Xerox park of driverless cars. The organization that really —

[0:27:47.9] JM: First Uber disadvantage.

[0:27:49.0] BS: The organization that initiated all this interest but then has failed to capitalize on it. I think they are operating right now from a position of weakness. They see a lot of the momentum shifting not only to Uber but to Tesla and Baidu, which is working on this as well. There's probably a little bit of animosity there that they have suffered from a lot of defections, a lot of the energy in self-driving cars is moving elsewhere. I think that plays into it as well.

[0:28:18.4] JM: I thought it was interesting that Levandowski left Google because of the “slow pace of innovation” and he was uniquely enticed to join Uber. It's easy for people to criticize Uber for the fast and risky culture, but this was actually something that attracted Levandowski although maybe this fast and riskiness will undermine that, too. I don't know. Interesting trade-off there.

One thing I see when I'm looking at these different companies like Uber and Amazon and Facebook and Google is that the company culture is informed by the marginal profits of the company. If you look at Facebook and Google, the company culture is luxurious, because the profit margins are so high. You sell bits on the Internet. You control the advertising industry. It's a really good place to be. You make tons and tons of money, so you can have a luxurious culture.

At Amazon, I think if you build a retail business off of super low margins. The only way to compel people to stay there for a long time and to have vision to be motivated is to have this long-term vision where you're like, “Okay. You have a stock price, it's just going to go up and up and up and up and up. It's a low margin business though.

How do the profit margins of Uber shaped its company culture? This also seems like a business like Amazon where it's ultimately low-margin commodity business differentiating on technology or network effect.

[0:29:50.1] BS: Yeah, I think that's right. I think in a lot of ways Amazon is the model for Uber, and it's not just low-profit margins. It's the fact that what they do is essentially a commodity. Amazon never really had a big advantage. Anyone could sell books. Anybody could sell toys. Your relationship with your customer was only as good as the last experience they had with you.

If you met your promises and fulfilled their expectations, and they would come to you again. There's a little bit of stickiness over the fact that you've got their credit card information, and they're familiar with your site, but the switching cost aren't that high. It's two things. It's the fact that you don't have a big advantage, and the profit margin is low.

Amazon created a culture tuned to moving fast and constantly expanding the breadth of offerings and then doubling down on the lock-in. Prime is all designed around lock-in particularly for a phase in the company history when they didn't have the sales tax advantage. They were losing a little bit of the pricing advantage that they had, and so Prime kind of obfuscates the price of things and just creates this obligation to shop at Amazon.

It's funny. There are private companies, so we don't quite know what the profit margins are. Like Amazon, it generates a lot of cash. They push, they funnel that free cash flow back into expanding the business in the new markets. We've reported that they're unprofitable. I think if you just look — If you take San Francisco or London, it's a profitable company. We don't yet know how big the margins are.

Again, Lyft, or Addison Lee in London, these are our options are really as good. There's a little stickiness around putting the app on there. There really isn't a technology advantage. I think the culture then becomes similar at high volume, low margin, inventing new things, trying, in constant search of creating lock-in.

[0:32:03.4] JM: What are the opportunities for a moat at Uber?

[0:32:07.7] BS: It's funny. I think they have constantly talked about ways to use technology that improve the customer experience. I don't really see much of a difference yet. Developing their own maps so they can make the driving experience easier for drivers, or the pickup experience

easier for passengers. Lyft is doing a very good job innovating along those lines as well. It's really not clear that Uber Maps will deliver that much greater value than Google Maps.

They say that Google Maps aren't really made for drivers and passengers meeting each other on the side of the road, and so they can develop something differently. They have been investing a lot of money in that. If that's a mode, it's probably a relatively shallow one. What else can we think of in terms —

[0:32:51.2] JM: The logistics network idea?

[0:32:53.6] BS: Here's another one.

[0:32:54.3] JM: The last mile logistics.

[0:32:54.3] BS: I was going to pool. That can scale deliver a moat, because when you've got more drivers and more riders, you can do things on top of your network. Logistics and food delivery are one, but also carpooling and commuting together is another.

The thing is in a lot of markets, the Lyfts or Ola in India are now big enough even if they're the second player to deliver some of those same add-on services.

It's interesting, Uber Food — They call it UberEATS. What's always talked about is another thing you could do with the network. In a lot of cities, they're using different kinds of drivers, because you can't put cars on the road with food. You have nowhere to park, so you've got motorbikes, or bicycles in a lot of cities. I don't know. I think it's one of the challenges of their business, that they haven't really created a differentiator.

Now, capital has been the differentiator. They have raised so much money and then they go and subsidize the rides. In a way, they sort of punish the competition, because they'll lose money more painfully if they go and match the prices.

Lyft has done a great job differentiating on brand. A lot of people — Maybe it's more here in the tech people, but a lot of people see them as the kinder, friendlier, gentler alternative, even though they're doing the exact same things.

[0:34:22.0] JM: As a consumer of the services, do you think that's accurate or is that just branding? The Uber drivers, I have seen pretty nice.

[0:34:31.1] BS: I think it's 90% branding. If anything, Lyft was more aggressive as I talked about in the book. Lyft was more aggressive in propagating the legally ambiguous idea of ride sharing than Uber was at the beginning. Then, Uber kind of took it and ran with it.

John Zimmer and Logan Green, the founder of Lyft, would never be caught yelling at a driver. Not only do they have kind of different personalities, but I actually think that they — Everybody business needs some idealism, and the idealism around ridesharing is all around eliminating traffic and taking cars off the road. They come to that idealism a little more organically.

Logan Green was working on this stuff 15 years ago in Sta. Barbara when he was in college. Travis Kalanick at Uber kind of adopted some of the rhetoric, I think, when he heard Lyft talking about it. I think being ruthless, but also being idealistic, is like the sweet spot. Jeff Bezos does it very well. I think the idealism of Uber has always seemed a little more superficial than the idealism of Lyft.

[0:35:46.2] JM: Do you think it's a binary outcome where either Uber finds a moat, whether it self-driving cars, or a logistics network, or something else, flying cars. Is it either they find a moat, and they succeed, or they fall completely on their face and go bankrupt, or is there a middle ground?

[0:36:06.0] BS: I think there's a middle ground. I think that we're often maybe in the press mistaking Lyft's success for Uber's failure, the same in India and China. The fact is, is that this is an exploding market. That has increased opportunity for drivers everywhere dramatically. This was a supply that was capped by a regulation and served customers very poorly, the taxi industry. These companies have sort of unleashed supply and then increased demand and motivated a lot of people to leave their cars at home, carpool to work. I don't even know that we've reached the upper limit of what these companies can do in a lot of cities.

Yeah, I think there's room for multiple players. There's just not one taxi company in every town. The question is, I think, is more in the middle. What does it mean for Uber's valuation? That's a whole other discussion, but if this is a \$70 billion company, did those investors — Were they betting on a monopoly? I think it will be a fairly large business. If they go public and their valuation declines, it might be sort of framed temporarily as a disaster. Some of the late stage investors that didn't get protections might take a little bit of a haircut. That valuation is pretty high.

I guess the question is, is when we get into driverless cars in 5 or 10 years, does that become a winner-take-all scenario? If you've got one network that managed to get the technology right, and that's why we're seeing Uber invest in it so heavily, because they have to be a part of that conversation.

[0:37:47.8] JM: Airbnb seems like a company that thinks long-term. That is another company that is framed in your book, *The Upstarts*. Just to get right into it, the big bet that Airbnb is placing right now is on “experiences”. Do you have a picture in your head for how this fits into a big long-term play? If you look at Airbnb and you're like, “Okay. Wow! They're doing this incredible thing with space.” You could imagine them going into all kinds of things, like real estate, or data on real estate, but they go into experiences. Do you have a picture for how that fits in to the long-term?

[0:38:34.3] BS: Yeah. The mission of the company is to create a more authentic travel experience for people. They'll say you belong anywhere. It is true, I think, that travel for a lot of people is staying in a hotel that could be anywhere and going and visiting the tourist traps of a particular city. I like the idea of experiences. To be able to go and have a marketplace of really authentic, legitimate, fun, highly rated things to do in a place that make you feel like you've actually visited there and interacted with the people as supposed to just sitting at the top of a double-decker bus looking at the sites. Maybe you wanted to do a little bit of both.

There's also a part of the vision of trips that maybe creates tourists destination out of cities that you maybe otherwise wouldn't visit. I'm from Cleveland, Ohio. I cannot imagine that it's very high on anybody's travel list, but lots of cool history, and immigrants to Ohio. Amazing

neighborhoods, and history, and places to eat. You might not find that in a guidebook. Can you create a marketplace of things to do in a place like Detroit, or Cleveland and make those interesting places to visit?

I think they're releasing it in an interesting time. The home-sharing category might be slowing down a little bit. A lot of cities have placed regulatory limits on how many nights somebody can share their home. In places like San Francisco, the city has gotten very strict about people listing on Airbnb more than one property at a time. They don't want illegal hoteliers going and having a network of the dozen places and taking those places off the housing market.

Airbnb, over the years, has had to be a little bit of a better stricter enforcer of these laws. Early on, it sort of said, "Well, who are we to be policemen?" Now, they've got a put up or shut up so to speak. Trips, I think, is an expansion of their platform at a time when maybe the opportunity, their core business, is slowing down a little bit.

[0:40:43.6] JM: Okay. It probably makes more sense to lever up into something in the travel industry, where it's a little safer, a little weaker — Probably, a weaker competition, less complex business than getting into something like real estate, or commercial —

[0:41:00.3] BS: They might do that too.

[0:41:01.4] JM: They might do it eventually.

[0:41:02.0] BS: Yeah. The thing is, and it is a big challenge, they need to create — I would say the original business was like a global marketplace. You had visitors travelling, and hosts, and cities, and the thing kind of went by itself. This is a much larger challenge. They've got double-sided marketplaces that they have to create in every city, in hundreds of cities around the world. Stimulating tour operators, and restaurant tours, and gallery owners to go and list experiences on their platform.

Then, they've got to get a customer set who is fairly acclimated to using Airbnb in one way to expand their conception of the company. It's interesting. It's really ambitious. Once again, they turned to Amazon as a model. It's so funny how — It's Amazon, not Apple; Bezos, not Jobs.

That has become kind of the canonical entrepreneur and tech company of our time. Airbnb says, “This is akin to Amazon going from books, to everything.”

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[0:00:00.4] JM: You are building a data-intensive application. Maybe it involves data visualization, a recommendation engine, or multiple data sources. These applications often require data warehousing, glue code, lots of iteration, and lots of frustration.

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[INTERVIEW CONTINUED]

[0:43:39.6] JM: One of my favorite stories that you shed light on in this book is the Samwer Brother’s story. These were these German brothers that have been making a lot of money from standing up businesses that are clones of other businesses. I think their first couple where they cloned eBay in a German market, or a European market. Then, they cloned — What was it? Groupon.

[0:44:02.4] BS: They’ve cloned everybody.

[0:44:03.3] JM: They cloned everybody. Right. They did not successfully clone Airbnb. The narrative is that they failed to successful copy it, because it was a community and they don't understand — You can't copy community. They didn't understand community. Do you have a more general thesis about what are the kinds of internet businesses that can be copied and which ones can't?

[0:44:23.4] BS: Yeah. I think this idea — Yeah, they didn't get the community right. It was a little bit of — It's a little bit of spin, because Airbnb does like the call attention to its community, but we can say that and acknowledge that. Some of that community are folks that are just pure commercial operators and don't really want to be a part of any community.

I think, also, the character of their business probably hurt the Samwers. Airbnb, as I just said, is like a global network, and you fundamentally, on one side of the network, have people that are crossing borders and travelling.

Airbnb started with a position of strength in the U.S., and U.S. travelers, when they go to Europe, they were just going to open the Airbnb app. Already, Airbnb had a fairly large advantage.

I also think when we talked about the balance between idealism and ruthlessness, the Samwers were really like lopsided on the side of ruthlessness. There wasn't really enough of a mission there about what they're trying to accomplish, why people should buy into it —

[0:45:32.6] JM: From an employee point of view.

[0:45:33.2] BS: Yeah, from an employee point of view. I paint this picture in the book of their army of ants, young people just soldiering away in this superhot warehouses over their computers. Basically, with Airbnb opened on one browser screen, and the Samwers website on another kind of copying features. It's a bad way to run a business.

I think Silicon Valley, for a long time, allowed itself to be held hostage by this approach. Maybe it wasn't really as much of the wisdom of Airbnb. Although I think that they handled it very well, but

they could look at how badly the Groupon integration was going with the company that Groupon had acquired from the Samwers and say, “This model hasn’t really worked all that well.” It hasn’t served these companies well, they just go acquire their clone and use that as an international — A vehicle for international expansion. It’s almost like Silicon Valley had developed some scar tissue around this approach, and Airbnb benefited from it.

[0:46:30.4] JM: By the way, I think that the difference between average Silicon Valley company, or you take Google and Samwer Brothers running a hot warehouse of developers that are cloning a website. I don’t think the difference there is as big as it seems, because, basically, Google says, “Okay. Let’s pay this big fixed cost of air-conditioning, beanbag chairs, catered food.” Ultimately, all of that stuff is a fixed cost. Then, they get the best engineers in the world and they get to make huge margins off of them. We don’t need to go into that.

I want to talk about journalism with you a bit, because I’ve kind of gotten into the journalism business since kind of leaving engineering. There’s a lot of interesting stuff going on in journalism right now, and one thing I noticed is that, historically, there’s been kind of a partitioning of journalists into silos whether we’re talking about the publication that they work for, or the type of material that they write about.

I look at a journalist like you, or Kara Swisher, or Ezra Klein, and there seems to be a multi-faceted ability to report on stuff, where it doesn’t matter — If you were reporting on politics, I would read your stuff. If Kara Swisher is reporting on politics, I read her stuff. If you’re reporting on tech, then I’ll read that. Is this a new thing? Are we seeing the rise of a polyglot personality of journalists?

[0:48:08.3] BS: Thank you for including me in that very esteemed group. It is true that at one point, we had more narrowly defined lanes. You were a magazine writer, or you are a newspaper writer. I think it’s led by the interest of the reader, the subscriber and the fact that we’re all sort of reinventing ourselves as digital media swarm that sort of subsumes analogue media and we’re trying to figure out new ways to create things.

I don't consider myself to be a natural podcaster, or radio person, but I have a podcast. We do a decrypted podcast of Bloomberg. I was always uncomfortable with the idea of being on TV, but you got to do it now, and so I go and do it.

Yeah, I think it's like the media — The mediums had converged and we're trying to entice our readers at a time where there's an explosion of competition for their time and attention. It's like we're all now — The landscape has become our Twitter and Facebook feeds. We're all sort of waving our arms furiously saying, "Hey, pay a little bit of attention to me right now."

That's not going to be a 3,000 words story often. Sometimes it might be, but sometimes it's a little video clip, or an audio podcast for somebody's drive. You're trying to grab people when you can grab them. If anything, folks like Kara Swisher, and Ezra Klein have done that with remarkable sort of fluidity, and that's hard. It's exhausting. It takes a certain kind of talent, I think, to go and do the acrobatics required to be fluent in all these different mediums. I really do find it to be completely exhausting, but it's like the game that we're playing now.

[0:49:56.3] JM: I did ask you this before the show though, you're having fun though, right?

[0:49:59.3] BS: Yeah, it is fun. It's definitely fun. The idea that we get to experiment now and be sort of media innovators is a lot of fun. It's a treadmill though. It never stops. When I started at Newsweek Magazine back in the day and you did a story and you got it into the magazine, which was difficult, because there was a lot of competition. You took a victory lap. There was a week where you didn't pitch anything, you just basked in the glow. Now, the glow expires in about 20 minutes, and it's like, "What's next?"

[0:50:35.0] JM: The treadmill is always there to run them.

[0:50:36.2] BS: It's always there. The treadmill is always there. I think, actually, you need to be careful about it, and I kind of counsel other journalists —

[0:50:44.7] JM: Like burnout-wise.

[0:50:45.1] BS: Burnout-wise and mental-health-wise. There is something about this attention and the ease with which we will now get feedback, or we will know how people read our stuff. It's just like, back in the day, you really didn't know. You were spinning into the rain and there was some big sense that your magazine was delivered to the doorstep of the power brokers and that was enough. Of course, the world read everything. Now, you know pretty specifically.

[0:51:12.8] JM: Now, you're a power broker.

[0:51:14.3] BS: You know it pretty specifically who is or who isn't reading that thing. The constant clawing for attention, I think, can be — It's a little destructive.

[0:51:27.3] JM: It doesn't have to be. It's destructive if you let it be. It's destructive if you let it cater to your id, or whichever one of those, ego.

[0:51:33.7] BS: Yeah. There are certain journalists that perhaps have — Under that limelight, have allowed it to kind of change their sensibilities, and they almost abandoned the role as journalists and become kind of professional pontificators existing only in the bubble of social media. I personally never wanted to do that.

[0:51:59.6] JM: Yeah. The New York Times, the Washington Post, Bloomberg, what is the value of the vaunted institution these days? Why don't all the best reporters just strike out on their own, set up Patreon channels? Why doesn't that happen?

[0:52:18.4] BS: These are powerful platforms with global reach. They can pay you, which is important. There is a guaranteed income, there are health benefits. At a place like Bloomberg, we have got a TV channel and resources to do. Resources to do multimedia in a way that —

[0:52:37.7] JM: Facebook has all those things now, right?

[0:52:38.4] BS: In a way that feels professional. Not to say that this — This, of course, is very professional operation, but you can tell the difference between something that's well-produced and has TV values.

[0:52:51.3] JM: Do people want that? Do they want professionalism, or do they want to authenticity?

[0:52:54.2] BS: That's a good question. Ideally, you give them both. I think professionalism still counts. If we're steering into the teeth of the unbundling of the cable networks and that maybe we are going to be veering in the direction of authenticity.

[0:53:07.9] JM: Especially if you look at Donald Trump as the leading indicator.

[0:53:10.3] BS: Yeah. There's a fine line between authenticity and Wayne and Garth. It has to be —

[0:53:21.9] JM: Like broadcasted from the basement?

[0:53:24.2] BS: Yeah, exactly. Exactly. I think that the news organizations — I think the great sort of sadness right now is that the list that you just made of The Times, and The Washington Post, and Bloomberg, and there are a lot of other professional news organizations, but then the list kind of drops off and we are seeing our smaller local news franchisers kind of wither, and so we're losing the diversity of kind of local news that I think has informed and grounded people.

[0:53:57.9] JM: Maybe, but then I think of this business, my business, Software Engineering Daily, mostly one person business. I've done some outsourcing. I just hired somebody else fulltime. I'm able to produce a lot of content. A lot of people listen to it. I would say — I could do my best to present a real version of the truth. I would argue, what else can you do? Even if you're The New York Times, you get stuff wrong sometimes.

Isn't that where we're headed, where it's actually — Maybe this is a beneficial thing, where we get rid of this notion that New York Times is the arbiter of the truth, or Washington Post is the arbiter of the truth, or anybody else on this shortlist. Maybe the reason this list is shortening is because people are fed up with the idea that there is a source of truth. Instead, you just have as many opinions as you can fit in to your treadmill day, and that asymptotes towards your sense of reality. Is that such a bad thing?

[0:54:55.5] BS: I don't know. This is a different — What you described feels exhausting to me, because the truth is the truth. It's not — Truth cannot be endlessly litigated, and facts can't be endlessly litigated. That's what we're seeing right now with the presidential administration. Sometimes you do want — You want to mainstream media, I think, to — If everything is up for debate, even a common set of facts. We're sort of heading to a world of endless division between our political parties, and the political extremes and we're just going — This country will get more divided. I worry about where that ends.

[0:55:41.8] JM: What do you think of Instacart?

[0:55:43.8] BS: Instacart. They recently raised money.

[0:55:49.5] JM: Billion dollar valuation.

[0:55:50.3] BS: Yeah. My girlfriend uses it. In some ways, it is the perfect Amazon hack. It's like the perfect anti-Amazon strategy for supermarkets that you can serve customers without building your own delivery mechanism.

Amazon still hasn't figured out grocery stores. In fact, you could almost say Amazon Fresh is a little bit of a failure. Now, they're starting physical grocery stores. If you're a Costco or a Whole Foods, you worry that one day Amazon will get it right.

I think we haven't seen very many of these independent operators syndicate physical retail to go and present — Like a company called ShopRunner tried it a couple of years ago with their own Amazon Prime.

[0:56:44.4] JM: Enjoy is kind of doing it.

[0:56:46.0] BS: Yeah. I don't know much about them. It feels like Instacart has been successful in some markets. They've got a kind of labor thing to figure out with contractors versus employees. They do deliver a great service, and that, of course, in eCommerce, is the main thing that matters.

[0:57:02.7] JM: Agreed. Brad, I want to thank you for coming on the show. It's been great to talk to you. I really enjoyed your books and I'm looking forward to continued journalism.

[0:57:09.3] BS: Thank you, Jeff.

[END OF EPISODE]

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