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Behind Instagram's Success, Networking the Old Way

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SAN FRANCISCO — Past midnight, in a dimly lighted warehouse jutting into the San Francisco Bay, Kevin Systrom and Mike Krieger introduced something they had been working on for weeks: a photo-sharing [iPhone](#) application called Instagram. What happened next was crazier than they could have imagined.

In a matter of hours, thousands downloaded it. The computer systems handling the photos kept crashing. Neither of them knew what to do.

“Who’s, like, the smartest person I know who I can call up?” Mr. Systrom remembered thinking. He scrolled through his phone and found his man: Adam D’Angelo, a former chief technology officer at [Facebook](#). They had met at a party seven years earlier, over beers in red plastic cups, at the Sigma Nu fraternity at Stanford University. That night in October 2010, Mr. D’Angelo became Instagram’s lifeline.

“Adam spent like 30 minutes on the phone with us,” Mr. Systrom recalled, “walking us through the basic things we needed to do to get back up.”

Mr. Systrom, now 29, offered this as a parable for the roomful of would-be entrepreneurs who came to hear him talk [at Stanford last spring](#): in the intensely competitive start-up scene here, success is as much about who you know as what you know. “Make sure to spend some time after the talk getting to know the people around you,” he told his audience.

Those people, he might have added, might one day shape your destiny. They might one day press money into your palm. They might nudge you to quit your day job and gamble on a vague idea. This week, barely 18 months after that night in the warehouse, Instagram was [scooped up by Facebook for \\$1](#)

[billion](#), turning Mr. Systrom, Mr. Krieger and several of their friends-turned-investors into multimillionaires.

The extraordinary success of Instagram is a tale about the culture of the Bay Area tech scene, driven by a tightly woven web of entrepreneurs and investors who nurture one another's projects with money, advice and introductions to the right people. By and large, it is a network of young men, many who attended Stanford and had the attention of the world's biggest venture capitalists before they even left campus.

Among this set, risk-taking is regarded as a badge of honor. Ideas are disposable: if one doesn't work, you quickly move on to another. Timing matters. You make your own luck.

"There is some serendipity for entrepreneurs, but the people who are the rainmakers are the ones who entrepreneurs need to meet in order to make those connections that lead to success," said Ted Zoller, a senior fellow at the Ewing Marion Kauffman Foundation who studies economic development around entrepreneurship. "The social ties that you make are directly correlated to success."

For Mr. Systrom, the connections forged at Stanford were crucial.

Mr. D'Angelo, a 2006 graduate of the California Institute of Technology, helped him find engineers, set up databases and flesh out features. Soon after Instagram came out of the box, he put his money into it. So did Jack Dorsey, 35, a founder of Twitter; Mr. Systrom had been an intern at the company that became Twitter.

A colleague at Google, where Mr. Systrom worked straight out of college, introduced him to Marc Andreessen, a venture capitalist who had already invested millions in Facebook. In the spring of 2010, even before Instagram was born, Mr. Andreessen wrote him a check for \$250,000.

The hothouse for many of these vital connections was a competitive work-study program for budding entrepreneurs called the Mayfield Fellowship Program. Mr. Systrom was a 2005 fellow; Mr. Krieger followed two years

later. It was equally important in putting the two men in direct contact with new, hot start-ups in the Bay Area, along with venture capitalists looking to seed newer, hotter start-ups.

“There’s ample opportunity to meet V.C.’s and make connections,” recalled Becky Neil, who was in the Mayfield program with Mr. Systrom in 2005. “We treat them as our peers.” (Mr. Systrom and Mr. Krieger declined to comment for this article, citing regulatory restrictions in advance of Facebook’s public offering.)

Mr. Systrom grew up in a Boston suburb and attended the Middlesex School, a private academy in Concord, Mass., with 375 students and nearly that many acres.

In 2002 he enrolled at Stanford, majoring in management science and engineering, a program created for those who wanted to be knee-deep in the business world. He joined the Sigma Nu fraternity, which, as Ms. Neil recalled, was known for its relatively tame parties, the kind that didn’t end with anyone being rushed to the hospital. They were promoted with [music videos](#), some of which feature an impish Mr. Systrom.

His peers recall Mr. Systrom as having an eye for photography and design, with class presentations that were among the most beautiful. He was naturally gregarious and also keen to be an entrepreneur. He briefly ran a Craigslist-type marketplace catering to Stanford students. As early as 2005, recalled one classmate, Alex Gurevich, Mr. Systrom had his eyes on mobile phones as the wave of the future.

Mr. Systrom wasn’t quite ready to break out on his own.

After graduation, he went to work for Google in neighboring Mountain View. By the standards of his peers, it was considered a good and safe job, though not terribly cool. And he joined years after Google went public, which was too late to make a windfall. He lasted there less than three years and moved on to Nextstop, a travel recommendation site that was founded by former colleagues at Google and was eventually acquired by Facebook. But Mr. Systrom, as Mr. Gurevich recalled, was “antsy.” He had made

enough investor contacts from his Stanford days, and by early 2010, he had a germ of a business idea.

His big break, if there was one, came at a party at the Madrone Art Bar in January 2010, with a start-up called Hunch as the host. There he met Steve Anderson, 44, founder of Baseline Ventures and an experienced investor who had by then banked on Twitter. Mr. Systrom pulled out his iPhone and showed him something he was building, called Burbn after his liquor of choice.

As Mr. Anderson recalled it, Mr. Systrom had a prototype and a vague idea. He wanted to build a service that let people share their location with friends, like the popular app Foursquare, with some photo tools attached to it. He was testing the prototype with friends.

“We knew mobile was going to be important, and we knew there was an opportunity to create compelling experiences for mobile devices,” Mr. Anderson remembered of their initial conversations. “But we didn’t know a heck of a lot more than that.”

Mr. Anderson worried about one thing: the echo chamber that can plague a one-person start-up. He suggested that Mr. Systrom find a business partner. Mr. Systrom agreed. Within days, Mr. Anderson wired \$250,000 to a newly hatched company, set up by a lawyer whom he had recommended to Mr. Systrom. Mr. Andreessen would soon add \$250,000 from his firm. Mr. Systrom could then quit his day job.

His search for a partner naturally led him to the Mayfield network and to Mr. Krieger, an immigrant from Brazil known as Mikey and, in Mr. Gurevich’s words, “a stud engineer.”

Mr. Krieger brought different skills. He had majored in symbolic systems, an interdisciplinary program that blends coding with psychology, linguistics and philosophy. One of Mr. Krieger’s projects, as his professor Clifford Nass recalled, was to design a computer interface to gauge human emotion.

“He clearly was very interested and thoughtful about psychology,” Mr. Nass said. “You see that in Instagram. It’s not a technology triumph. It’s a design and psychology triumph.”

The two men began working out of [Dogpatch Labs](#), housed in an old pier, with fishing nets on the walls and long tables that functioned as shared office space for aspiring tech companies. Julian Green, who briefly worked out of Dogpatch, recalled that the two men were unusually obsessed with design detail. Once, he said, they spent two hours perfecting the rounded corners of the app’s icons.

One of the crucial lessons of Instagram is that its founders did not spend a lot of time fussing over their original idea.

Soon after they started working together in March 2010, Mr. Krieger and Mr. Systrom decided that Burbn would not work. It had too many features. It was too close to what Foursquare was already doing. They quickly moved on — pivoted, in Silicon Valley jargon. They decided that photos, popular with Burbn users, would be front and center.

The release of the iPhone 4 gave them a perfect hook: it had a high-performing camera and could display higher-resolution images. Users could take a picture, tweak it, write a caption and send it out to the world. They gave it a new name: Instagram.

“We renamed because we felt it better captured what you were doing — an instant telegram of sorts,” Mr. Systrom [wrote on Quora](#), a question-and-answer site that his friend Mr. D’Angelo had started. “It also sounded camera-y.”

The men worked into the wee hours on Oct. 6, 2010, to get Instagram up and running. At 4 a.m. Mr. Systrom wrote on his Twitter feed, “Well there goes that night of sleep.”

Rob Abbott, one of the advisers at Dogpatch Labs, who was keeping them company that night, said, “I remember them just sitting side by side, phones all over the desk, and cans of Red Bull.”

Instagram took off like a rocket, in part because Mr. Systrom had whipped up demand. As he explained [in an interview](#) with the Internet television network Revision3 in January, Mr. Systrom let some influential technology bloggers and contacts, like Mr. Dorsey of Twitter, try a test version of the app before its official release. Soon Mr. Dorsey was using it to send photos to his Twitter followers, and word spread.

But the frenzy was as much blessing as curse. The heavy load prompted an all-night effort to switch to Amazon.com's rent-a-server service, which made it easy to add capacity to keep up with growth.

Mr. Systrom and Mr. Krieger soon took to carrying MacBook Airs and wireless cards everywhere. If there were glitches, they could quickly get online and troubleshoot. "Which happened a lot, due to the influx of traffic," Mr. Abbott said.

From 25,000 users in the first 24 hours, Instagram grew to 300,000 by Week 3, and then into the tens of millions.

With its quirky borders and filters that gave photos extra punch or a nostalgic glow, it [tugged at heart and soul](#). Celebrities got on board, including the pop star Justin Bieber last July. On Twitter, he posted an Instagram photo of [traffic in Los Angeles](#). Teenage girls screamed — and then checked out Instagram. An [Android](#) version of the app, released this month, brought in one million people in its first 24 hours.

The founders kept their team lean, adding just 11 people since the app's initial release, including several Stanford graduates. Investors lined up at the door.

Benchmark Capital, whose partners Mr. Systrom had met while in college, led an investment round of \$7 million in February 2010. Mr. Dorsey and Mr. D'Angelo joined in. Last week came a second round of financing that valued the company at \$500 million. Mr. Systrom told associates in recent months that he was not interested in selling.

Then Mark Zuckerberg called.

When he and Mr. Systrom talked last Friday, Mr. Zuckerberg, Facebook's chief, was blunt: Facebook wanted to buy Instagram. Over the next 48 hours, the two companies hammered out the details for a \$1 billion cash-and-stock deal, according to people with knowledge of the matter who spoke on the condition of anonymity because the discussions were private.

To toast the occasion, Mr. Zuckerberg wrote a lengthy post on his personal Facebook page, calling the transaction an "important milestone" for the company, which has been eager to get a stronger foothold in mobile apps. The deal, and the speed with which it came together, implies that Mr. Zuckerberg saw Instagram's meteoric rise as a potential threat, whether as a stand-alone service or in the hands of one of its rivals like Google or Twitter. A Facebook spokeswoman declined to comment.

Mr. Systrom did not end up beating Foursquare. As it happened, he and Dennis Crowley, one of Foursquare's founders, grew up in neighboring towns in Massachusetts. Over Christmas break two years ago they met at a local pub. Last month they met up on a business trip to London, where they [met the prime minister](#), and decided to take a short vacation to Scotland together, complete with Scotch tasting.

Mr. Systrom may have lost one connection in the deal: Mr. Dorsey of Twitter. His company, according to several people briefed on the matter, had expressed interest in buying Instagram in recent months. Mr. Dorsey once used Instagram daily to send [photos to Twitter](#), but he has not been back since the deal was announced, perhaps a sign that he is not happy to see it in the hands of a competitor. A Twitter spokeswoman declined to comment.

The Instagram team showed up at Facebook this week, [as documented](#) by a Facebook vice president on — where else — Instagram. Whether Mr. Systrom will stay there for long is anyone's guess. With a public offering imminent, there is the risk that Facebook may soon become what Google was — a safe place to be, but not terribly cool. And Mr. Systrom may again get antsy.

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