

How A Startup No One Would Touch Crushed The Silicon Valley Mafia And Is Haunting Them Forever

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Most people don't know it, but online genealogy is big business on the Internet. One of the leaders, Ancestry.com, has a market cap approaching \$2 billion. But the company in the space everyone is scared of is Israel-based MyHeritage.

MyHeritage Founder/CEO Gilad Japhet Gilad Japhet/MyHeritage

MyHeritage now has 57 million registered users, 18 million family trees, 800 million profiles, hundreds of millions of photos and adds almost a million new profiles each day, Founder/CEO Gilad Japhet told us in an interview.

The company, which has close to a hundred employees, is profitable and backed by blue-chip investors like Facebook-backer [Accel Partners](#) and original [Skype](#) investor [Index Ventures](#). For MyHeritage, the sky seems to be the limit.

It wasn't always that way, however. For the first three years when MyHeritage got started, no one would touch it. Here's that story.

MyHeritage's founder Gilad Japhet has been passionate about genealogy since forever, he tells us. He was mapping his family's origins when he was 13. He got his start in an unrelated field, however: computer security. While studying computer science at Technion, the hardcore Israeli engineering school, he worked nights at antivirus company BRM. After [Symantec](#) bought that company's technology, he joined another computer security startup and worked in Silicon Valley for a couple years.

After getting married, Japhet cashed in his stock options and took six months off, in part to study his family's history. In a classic entrepreneurial move, he started coding his own

genealogy software because he was frustrated with the existing services, and then decided to build a company around it. He named the company Inbaltech after his daughter Inbal.

There was only one problem: this was 2002, the worst ever time to raise money for a consumer internet company.

Particularly in Israel, no slouch when it comes to startup funding, but where investors ran away from consumer internet after the dotcom bust. Particularly for a genealogy company, which most people didn't think is a big market. Particularly for a first-time entrepreneur who'd never worked in genealogy *or* consumer Internet.

"There were no social networks, not even blogs, and the world did not recognize the power of genealogy and family history as the bond that connects all people worldwide. Family is the most natural social unit, but people did not realize yet how the Internet will transform the social world and the importance that families play in that," Japhet told us.

Japhet nevertheless soldiered on. He built a team of ten people and bootstrapped the company. MyHeritage, which at first was download software, grew very popular. One of the reasons it was so popular was because it was free, which didn't exactly

warm potential investors to the company. When money began to run out, Japhet stopped taking a paycheck. And then mortgaged his house. And then his wife freaked out.

In 2005, Japhet was able to scrape by angel funding and keep the lights on. MyHeritage, now a website on top of a piece of software, was roaring. The service went from free to freemium, with a basic free version and premium subscriptions.

MyHeritage's headquarters on the outskirts of Tel Aviv MyHeritage

Japhet tells us the free version of MyHeritage was better than all the other (paid) services on the market at that time. But beyond a great product, being global from day one helped as well, he says: "The first version of the product in 2003 was already available in 6 languages, then quickly up to 16, and support for multiple languages and cultures was built into the DNA of the company from day one. That allowed the company to have a strong penetration globally and in many countries we

were (and in some cases still are) the only properly localized product available."

On the way, MyHeritage had to fend off a company whose birth story is the antithesis of his own: Geni. Geni was founded in 2007 by [David Sacks](#), the former COO of [PayPal](#). Sacks is part of the PayPal mafia of entrepreneurs who led the payments company to a \$1.5 sale to [eBay](#) and now build and invest in some of the biggest companies in Silicon Valley. [LinkedIn](#) founder [Reid Hoffman](#) is part of the PayPal mafia. Facebook's first investor [Peter Thiel](#) is the "Godfather" of the PayPal mafia. While Japhet had to scrape by for nearly three years without funding, Geni launched right out of the gate with big VC funding and a \$100 million valuation.

Geni failed to make a dent in MyHeritage's growth. Now Sacks has moved on to [Yammer](#), a very successful enterprise social network. Japhet calls Sacks "excellent" and Geni "very high quality", but says it didn't get very far because its founder didn't have his consuming interest in genealogy. In particular, Geni doesn't support existing family trees—you have to build or type in your family tree from scratch instead of just being able to upload your work like on MyHeritage. "People who've already built their tree were not amused," Japhet says with understatement. What's more, Geni wasn't global. "It took them 2-3 years from launch to add support for any language

other than English," Japhet says. That matters a lot when your family tree may be spread over several countries and the site with the most family tree data can build a network effect.

All in all, MyHeritage's story is that impressive entrepreneurial story: someone with a passion who just won't give up, and who beat bigger and badder incumbents.