Look out, Google: Siri is poised to take Apple into search (q&a)

Siri's initial investor and former board member says Google should fear Apple's sassy digital assistant.

by Paul Sloan | October 20, 2011 12:28 PM PDT

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Apple's virtual personal assistant, Siri, has led to an avalanche of buzz. Siri's ability to interpret natural language--something that other voice recognition systems just don't yet do--has won plenty of praise. And her sassy personality--yes, she seems to have a personality--has created quite a few fans. Just check out the popularity of the Tumble blog, S*** That Siri Says.

Yet entertainment value aside, Siri is serious business; and depending on how Apple plays it, Siri gives Apple a big opportunity to go after Google's core business of search. That, at least, is the opinion of Gary Morgenthaler, a partner at the venture capital firm Morgenthaler Ventures in Menlo Park, Calif. Morgenthaler was the first investor in Siri, sat on its board until it sold to Apple in April 2010, and was on the board of voice-recognition company Nuance Communications, which provides the underlying technology for Siri.

I asked Morgenthaler to make his case for Apple's opportunity.

VC Gary Morgenthaler says Siri could upend the search market.
(Credit: Morgenthaler Ventures)

Q: First off, what makes Siri better than other voice-recognition systems?
Morgenthaler: There's hardly any comparison. Siri is built on top of the Nuance speech recognition engine, which they use and licensed. But Siri adds a layer to it. What is different is that Siri brings this natural language understanding and various pieces of artificial intelligence that allows it to understand what you meant rather than simply recognize words and convert it into text. That makes it the most advanced artificial intelligence commercially available on the planet...It really represents the way I believe most people will interact with computers in the future.

So the ability simply to talk to the computer, or a phone, and get useful answers is where the search opportunity comes in.
Morgenthaler: Search is limited. When you search, what you want back is not a million blue links. What you want back is one correct answer. Siri, because it has the semantic layer, is not just responding to keywords; it's responding to a conceptual understanding of what it is that you said. And therefore it's able to retrieve for you exactly the right information you want. Or, better still, if you intend to do something with that information--to make a transaction, say--Siri could take you all the way to that transaction.

That's fundamentally new and fundamentally different and it is potentially very disruptive to the search industry. Apple is holding a very important card. What they will do with it, we'll see. This is an existential threat to Google. But it's in the very early days.

But Google has voice recognition features as well.
Morgenthaler: Right now they have Google Voice Actions. It's to send a text message or call so and so. It's a variety of automated actions. So if you know exactly the function and exactly the keyword, you get a planned response...It doesn't provide a natural language understanding so you can say the intent any way you want...That's the breakthrough here, and it keeps Apple ahead several years. Also, Siri is designed in way that can expand the functionality of the system.

So Apple could pretty quickly add more capabilities?
Morgenthaler: Honestly, as implemented by Apple, Siri is de-featured. Siri [before Apple integrated it into the new iOS] used to get you flight information. You could say, 'When's the next flight leaving SFO arriving JFK?" and it would immediately pull up a whole list form United, American, and other carriers that travel on that route. Apple elected not to release that in the initial version.

And that's where the commercial potential comes in.
Morgenthaler: It's easy to imagine things like: Send my wife a bouquet of flowers. Buy me this book on Amazon. Book me tickets to the A's game on Saturday. And Siri did most of those things--they were up and working--and Apple didn't put them in the first release...The system is capable of all those things and many more.

It sounds like advertisers should be excited?
Morgenthaler: Because Siri provides that semantic layer that can take you all the way to the specific goal you are seeking, cost-per-action ads become much more achievable for service providers--in this case, Apple--and also for e-commerce sites. If you're an e-commerce site, why do you want to sprinkle ads everywhere in hopes of bringing someone in the funnel if you have someone right here who wants to make a transactions?

Among many other things, you can use Siri to update Twitter with an SMS workaround.
(Credit: Screenshot by CNET)

The cost-per-action model is very powerful. If you provide a hotel booking, for example, you can get $50 for a booked room at a high-end hotel. It's remarkably lucrative if you can get all the way from intent to transaction. Well, Siri has just demonstrated it understands your intent. And if you apply that to search and e-commerce transactions, that's a cash register.

As it is now, Siri is billed as a personal assistant that's tied into the iPhone's features. But you're arguing that Apple could unleash a torrent of innovation by opening up the system to outside developers?
Morgenthaler: That's the next leg of this revolution. Look what happened when Apple opened the API for the iPhone gestural user interface. Suddenly, it had a hundred thousand developers and 500,000 apps. My argument is that Apple has the same opportunity to open the API to its developers so that their apps can be conversationally enabled. Apple can do this soon if it chooses. And that would excite the developer community because they all want to work on the new new thing. It's going to be years before Google can do this.

You think the risk for Google is that big?
Morgenthaler: Look what happened to RIM when RIM failed to follow the gestural user interface revolution. Now RIM is really also ran in the market, and I really think Google runs that risk.

This is all speculative, of course. Apple has not opened the API. But Siri has incredible implications for the industry. It has incredible implications in the smartphone race. It has implications in that this interface can be brought across multiple devices in multiple contexts. And it has implications for the advertising business and Google.

I'm guilty of having some skin in the game and I have some pride here. But this is a fundamental change, and I would argue that Siri, in some meaningful sense, introduces the 21st century.

About Paul Sloan

Paul Sloan has been a San Francisco-based correspondent for Fortune magazine, an editor-at-large for Business 2.0 magazine, and a senior producer for CNN. He's now an executive editor at CNET News, overseeing startup coverage. When his fingers aren't on a keyboard, they're usually on a guitar. Email him here.