



# Startups in Action

The Critical Year One Choices  
That Built Etsy, HotelTonight,  
Fiverr, and More

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JP Silva

Apress®

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## ***Startups in Action: The Critical Year One Choices That Built Etsy, HotelTonight, Fiverr, and More***

JP Silva  
Toronto, ON, Canada

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*To Andre, Matilde, Teo, and all the dragons.*

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# About the Author

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**JP Silva** is a fellow of the Royal Society for the Encouragement of Arts, Manufactures and Commerce. He has a PhD from the University of Cambridge, where he spent several years researching the development of several technology startups based in the United Kingdom and the United States. When he is not learning from successful technology startup founders, you can find him working with early-stage entrepreneurs, another of his strongest passions. To bounce off ideas on how to get started on your new side project or share the first year of the technology company that you sold or took public, drop him a note at [jp@startupsinaction.org](mailto:jp@startupsinaction.org).

# Acknowledgments

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I would lastly like to thank every reader. I hope you find in these ten stories the inspiration and insight that they were set out to convey. And if you are starting or about to start your entrepreneurial journeys, I am genuinely excited that you may well be where once were many of the successful entrepreneurs and startups that you will read about. Godspeed.

# Introduction

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Stories are works of sense-making and weaving, of bringing together dates, subjects, objects, facts, actions, causes, and consequences. Unsurprisingly, we are all very drawn to stories as they inform, inspire, engage, and encourage. Stories about founders and startups are no exception. Entrepreneurship has always been understood as a very strong social and discursive phenomenon, with the process of founding a startup being deeply rooted in social interactions and accounts. Entrepreneurial narratives live off this social embeddedness of founders and startups as they expose and frame the moments of individual and collective success and everyday struggle, the webs of relationships, or the flows of information, capital, and other resources. The dense articulation of knowledge and reflection on experiences, whether wounding or uplifting, renders entrepreneurial stories into potent motivational instruments. Even if they might sometimes suffer from exaggeration and concealment, the portrayal of founders and startups as they act, struggle, reflect, grow, or pivot is tremendously looked for and valued.

The active search for insight from founders and startups, and their elevation into role models, typically starts with the detection of idiosyncrasies and behaviors (the role aspect) and the possibility to gain insight and be inspired from (the model aspect). In order for this to happen, some degree of similarity with the role model is expected, even if the role model may likely occupy a far more desirable position. Without such possibilities, it is difficult for any compatibility to be perceived. While exposure to potential role models through mainstream media has increased substantially during recent decades, these entrepreneurial icons have not always been taken up as role models. As the degree of affinity and relatedness often cannot be established, for numerous reasons including media accounts being too broad and atemporal, most new entrepreneurs end up electing next-door examples that can be more easily observed, approached, and probed.

The choices of new entrepreneurs when choosing influencers and role models should not be limited to those in their communities. The preference for geographical proximity and social accessibility does not always offer a useful range of possibilities for examination of entrepreneurial identities, for comparison of tacit principles and attitudes, and more importantly for exploration of self-determination and self-direction principles. With so many new founders struggling to navigate extreme ambiguity and uncertainty across a global geography, the range of options that can inspire and energize them needs to

be enhanced and expanded. In the absence of having direct (literal or virtual) access to influential founders, new entrepreneurs need to at least have access to purposely curated resources that they can use to compare their own journey to the journeys of influential startups and founders, so that they can build their simple or blended role models.

In putting together this book, the objective has been to create a foundation for such a curated resource of dates, subjects, objects, facts, actions, causes, and consequences that can engage and encourage new entrepreneurs to draw insight and inspiration from influential startups and founders and eventually identify tried heuristics and debunked myths to include in their blended role models. In this, the intention is not to encourage imitation of idealized traits and behaviors, but quite the contrary. The detailed and timestamped account of what ten very successful startups and respective founders went through in the first year is to encourage relatedness by way of revealing how close they once were to where many new entrepreneurs and their startups may find themselves at present.

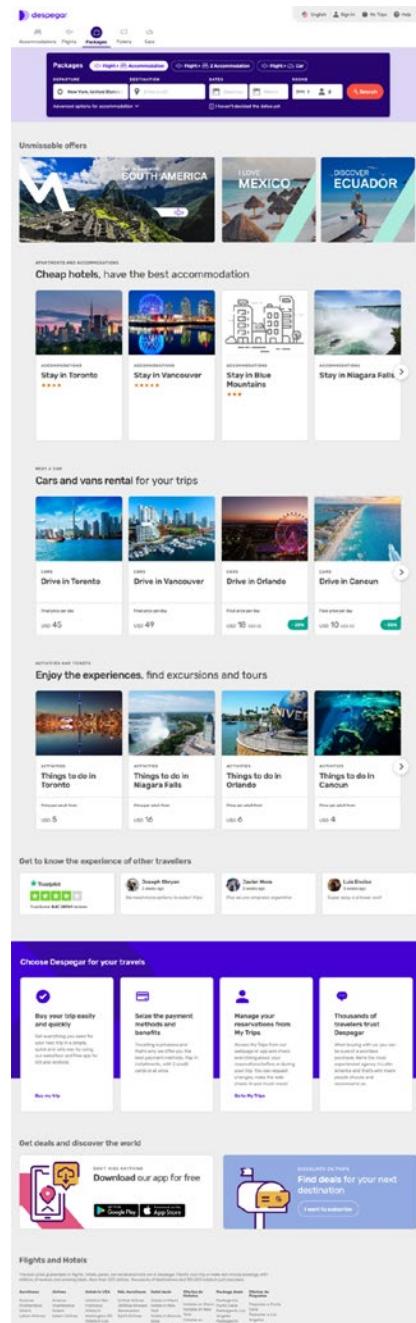
Through timestamping and framing, this book may eventually render entrepreneurship as more or less daunting, as more or less desirable. Fortunately, any personal interpretations emerging from this book, whether encouraging or discouraging, will have to contend with the underlying social, cultural, economic, technological, environmental, legal, and political forces surrounding new entrepreneurs and their startups, just like with entrepreneurship itself.

# Year One of Despegar

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Despegar ([www.us.despegar.com](http://www.us.despegar.com)) is an online travel booking service founded by Roberto Souviron, Martín Rastellino, Ernesto Cadeiras, Federico Fuchs, Christian Vilate, Alejandro Tamer, and Mariano Fiori. On September 2017, when it started trading on the New York Stock Exchange (NYSE) at a valuation of more than \$2 billion, it was generating gross bookings of more than \$3.2 billion annually.

Figure I-1 shows Despegar's landing page as of January 2020.



**Figure I-1.** Screenshot of the landing page of us.despegar.com as of January 2020

The first year account that follows is based on a phone call and several e-mails exchanged between March and October 2019 with one of the founders of Despegar, Martín Rastellino.

## Month 0: June 1999

As their MBA program at Duke University drew to an end, Souviron, Cadeiras, and Rastellino started discussing what they were going to do after their graduations. Most likely they were going back to their native Argentina and work in consulting or banking. Still, they all felt that they should start a business of their own. Being in the United States and at Duke's MBA program had exposed them to new Internet companies that were growing at lightning speed. They wanted to go through the same experience; they wanted to start an Internet company and join the rapid pace of building and launching products, opening and expanding international offices, and designing and launching marketing campaigns—they wanted all of it. They hurriedly started bouncing off ideas from each other, discussing what opportunities they were aware of across North and South America. In these discussions, Vilate and Fuchs also took part, as besides being very close friends of Souviron, they also had the same motivations and ambitions. Many ideas were exhaustively discussed, reviewed, and rejected. After many conversations, Souviron eventually proposed establishing an online travel booking service. They all had been through the hassle of booking flights to go back and forth between Argentina and the United States, and how hard it was to find accessible options that didn't involve five layovers or breaking the bank. The more they discussed it, the more they felt that online travel booking had been waiting for the moment they would think of it. Convinced that it was an extremely promising idea, they all agreed to band together and give it a go.

## Month 1: July 1999

After several weeks of extensive research and analysis, the findings confirmed the team's assumptions. There was not a single international company commercially present in South America or a single regional company operating across multiple countries. Most international companies, if not all, were only active in Europe and/or North America. Regionally there were just a handful of companies offering online travel booking, but the offerings were very

fragmented and country specific. With the competitive landscape free and unimpeded, the team decided that the next step was to incorporate and sprint to be the first regional company.

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**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, and Fuchs

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## Month 2: August 1999

Before incorporating, Souviron, Cadeiras, Rastellino, Vilate, and Fuchs decided to put together \$15,000 of their own money, so that they could have funds to pay for the initial needs and expenses. Shortly after, the company was incorporated in Delaware, as the United States offered much higher legal protections than Argentina. Given the costs incurred in pursuing an MBA at Duke, jobs had to be secured almost immediately. Soon enough, Souviron returned to his career in Argentina while Cadeiras, Rastellino, and Fuchs stayed in the United States to work. During the following months, the team would work on Despegar during evenings and weekends. The plan was to raise a friends and family round of capital before the end of the year, which meant building a solid business case and plan that could address every possible concern and question from investors.

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**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, and Fuchs

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## Month 3: September 1999

Anticipating the need to access a real-time inventory of flight seats available to and from South American airports, contacts were made in order to see which companies could be interested in reaching an agreement. Although the team did not expect that customers would want to buy their flights off the web site, at least not initially, it was fundamental that they could search, check prices, and make reservations. To this end, the team engaged in discussions

with Sabre and Amadeus, the two biggest global distribution systems connected to the reservation systems of airlines. After many meetings and negotiations, an agreement was finally reached with the latter. The prospect of Despegar becoming a regional company in South America was a very compelling argument (first mover advantage, rapid market penetration, scale, market power, economies of scale, etc.) when it got to negotiate the final terms and conditions with Amadeus.

---

**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, and Fuchs

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## Months 4 and 5: October and November 1999

Souviron, Cadeiras, and Rastellino started working toward defining a roadmap, scoping resources, assessing operational requirements, identifying potential sources of financing, profiling individual investors, among many other efforts. In this, the team benefited a lot from Duke's MBA alumni network. From the first day, the team had decided that Despegar would be a regional player, which meant that the online service was going to be launched across several South American markets. As the team only knew the Argentinian market well, the alumni network was instrumental to assess various regional market possibilities as well as identify barriers and opportunities as well as potential partners, investors, and employees.

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**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, and Fuchs

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## Month 6: December 1999

From the start, the team knew that launching as a regional online travel booking service would require significant amounts of capital. Even though the ambition was very high, Souviron, Cadeiras, Rastellino, Vilate, and Fuchs believed that investors, particularly those in South America, would not be interested in financing ventures like theirs if Despegar was not committed to operating

across all of South America and, most importantly, did not have an extensive and detailed plan on how, when, and at what cost it could be achieved. Moreover, they also did several financial simulations and realized that it would be very hard for Despegar to be profitable if it only operated in one or two countries.

With the plan being pieced together, investors started being approached with investment offers. As the entire team was going to be reunited in Argentina for Christmas and New Year's, several back to back meetings were scheduled for the last weeks of December. In one of these investor pitches, and upon agreeing to launch in Argentina and five more neighboring countries in less than 6 months, a group of wealthy Argentinian industrialists and angel investors decided to invest \$1 million. The clock started ticking and the team had to execute if it was going to have a chance to enter six different markets in less than 6 months. If the situation was not very challenging already, the team was informed that a new online travel booking service was going to be launched in Argentina before the end of the year. As being first to market was very important for the team and the new investors, a decision was made to launch before the new competitor.

Before the end of the month, Despegar.com was launched in Argentina even if the web site was far from being fully functional. Still, customers were able to search for flights, check prices, and go to partnering brick and mortar travel agents to pay and get their tickets printed. In those days, the regional airline industry required credit card vouchers to be signed by customers, which meant that the payment and issuing process could not take place online. The commercial launch was closely followed by an aggressive marketing campaign across national newspapers, magazines, radios, and TV. First and foremost, it was about letting everyone know that they could now look for flights and prices and make reservations online and from a reliable source, but it was also about making sure that Despegar had a much louder head start than the competition.

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**Products and services:** 1

**Customers:** Data not public

**Staff:** None

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, and Fuchs

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## Month 7: January 2000

Once Despegar was launched in Argentina, there was no time to lose. With the opportunity provided by the \$1 million investment, the entire team was able to quit their day jobs and start working on Despegar full time. In order to not place itself in a position to be supplanted by an unanticipated competitor,

the team decided not to spend any time improving the web site, the processes, or the operations before launching in a new region. In fact, once a functional bare minimum was achieved, the company launched in Uruguay in the beginning of January and toward the end of the month in Brazil.

Even though the back end was the same, a fair amount of effort had to be made not just toward setting up local operations (renting an office, hiring a country manager and 1 or 2 staff, and partnering with a local travel agent), but also toward adapting the offering to local preferences. This was not just a case of language (Brazil was not a Spanish-speaking country) or currency but also colors, colloquialisms, top destinations, and preferred packages. To help with the increasing marketing and communications efforts, a friend of the group, Alejandro Tamer, joined as a co-founder.

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**Products and services:** 1

**End-users:** Data not public

**Staff:** Data not public

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, Fuchs, and Tamer

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## Month 8: February 2000

Launches in Argentina, Uruguay, and Brazil were followed by Chile, Colombia, and Mexico during February. In 2 months, the company had achieved what it had been required by investors to do in 6 months. One of the reasons to again accelerate the rollout of new operations was because of the competition. In the Mexican market, another company had been already operating for a few of months, and it had just raised a massive round of investor financing. South American markets were visibly catching up, and so the team decided that there was little time to lose.

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**Products and services:** 1

**Customers:** Data not public

**Staff:** Data not public

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, Fuchs, and Tamer

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## Month 9: March 2000

With the commercial launches across Argentina, Uruguay, Brazil, Chile, Colombia, and Mexico, the company rapidly ran through most of the \$1 million that it had secured in December. Spending was being closely monitored, but still setting up offices and call centers, hiring staff, and running marketing campaigns were quite costly, particularly when being done across six markets.

As spending could not be slowed down without sacrificing growth, the team increased the efforts to raise a new round of investment. Several institutional investors in the United States were contacted, as this time the round would have to be much larger, which was much harder to accomplish in Argentina. The indicators were very positive, but the industry was already going through tremendous turmoil; the NASDAQ had been falling for several straight sessions and posting some of its biggest point losses on record, which made investors very wary of investing in Internet companies, particularly those that were consumer facing.

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**Products and services:** 1

**Customers:** Data not public

**Staff:** Data not public

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, Fuchs, and Tamer

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## Month 10: April 2000

Business was starting to grow on the back of the marketing campaigns, but the numbers were still very low. In effect, only about three to five purchases were happening every day, which was a start, but very low for the company's ambitions. In any case, the priority was not to grow sales and revenues. In effect, while in the first months the priority had been to launch across Argentina, Uruguay, Brazil, Chile, Colombia, and Mexico, later the priority was to grow traffic. The team knew that consumers across most of their footprint were not comfortable to purchase tickets online, so the focus was to simply bring them to Despegar.com and make them comfortable and trust the brand. To this end, the company retained several travel journalists who began writing articles about trends, destinations, activities, and advice to appear on the web site on a daily basis.

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**Products and services:** 1

**End-users:** Data not public

**Staff:** Data not public

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, Fuchs, and Tamer

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## Month 11: May 2000

When it looked like the company was going to run out of money, the team providentially secured a \$10 million series A round, with Hicks, Muse, Tate & Furst being the lead investors together with local private equity firms Newbridge Andean Partners, Merrill Lynch, and Accord. Worried that it would take longer to formally close the round than the runway that the company had, investors decided to advance \$1 million, just in case.

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**Products and services:** 1

**Customers:** Data not public

**Staff:** Data not public

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, Fuchs, and Tamer

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## Month 12: June 2000

With money in the bank, the company went back to meeting its two key priorities: entering new markets and increasing the number of visitors to the various national web sites. To this end, it started preparing its entry into the US market and the launch of the first marketing campaigns in Brazil and Mexico. At the end of the first 12 months, the numbers had started to become somewhat significant: over 25,000 daily visitors and over 5 million monthly page views.

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**Products and services:** 1

**Customers:** Not public

**Staff:** Not public

**Founders:** Souviron, Cadeiras, Rastellino, Vilate, Fuchs, and Tamer

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## Beyond the First Year

In November 2000, Mariano Fiori joined as the 7th co-founder.

In July 2007, Despegar raised an undisclosed amount of funding from Tiger Global Management, which became the majority shareholder.

In October 2009, it expanded into hotel booking.

In January 2012, it added the sale of packages.

In March 2012, it raised \$21 million in a series B round of funding led by Sequoia Capital.

In September 2012, it started offering car rentals.

In April 2013, it expanded into cruise booking.

In November 2013, it added vacation home rentals. See Figure 1-2.

**Figure 1-2.** Landing page of Despegar for Colombia as of December 2013<sup>1</sup>

In December 2014, it added destination services and travel insurance.

In March 2015, it accepted \$270 million from Expedia in exchange for an undisclosed equity position.

In June 2016, it added coach booking.

In September 2017, it went public and started trading on the NYSE.

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<sup>1</sup>Internet Archive: Wayback Machine, [www.despegar.com.co](http://www.despegar.com.co), archived December 31, 2013, <http://bit.ly/37wgYh1>.

Table I-1 shows the evolution in the number of offerings, gross bookings, and staff up to Despegar's IPO (initial public offering) in 2017. Unfortunately, the year-on-year evolution cannot be effectively gauged, as additional data was disclosed in press releases, annual reports, or conversations. Still, it's possible to note that when the company went public on the New York Stock Exchange, it had already achieved very significant milestones, that is, grown its offerings to multiple products/services, its gross annual bookings to over \$4 billion, and its staff to over 3,000.

**Table I-1.** Evolution of key indicators until IPO

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Number of Offerings</b>	1	1	1	1	1	1	1	1	1	1
<b>Gross Bookings</b>	*	*	*	*	*	*	*	*	*	*
<b>Number of Staff</b>	*	*	*	*	*	*	*	*	*	*

	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Number of Offerings</b>	2	2	2	3	5	7	7	8	8
<b>Gross Bookings</b>	*	*	*	*	*	*	\$3.6 B	\$3.3 B	\$4.4 B
<b>Number of Staff</b>	*	1,500	*	*	*	*	*	3,000	*

\* data is not public

## Today

Despegar is one of the leading online travel booking services in the world today. It has operations in 20 countries and is one of the few companies providing an extensive range of services to consumers and businesses including flight and hotel booking, car renting, cruise booking, among others.

## Reflections

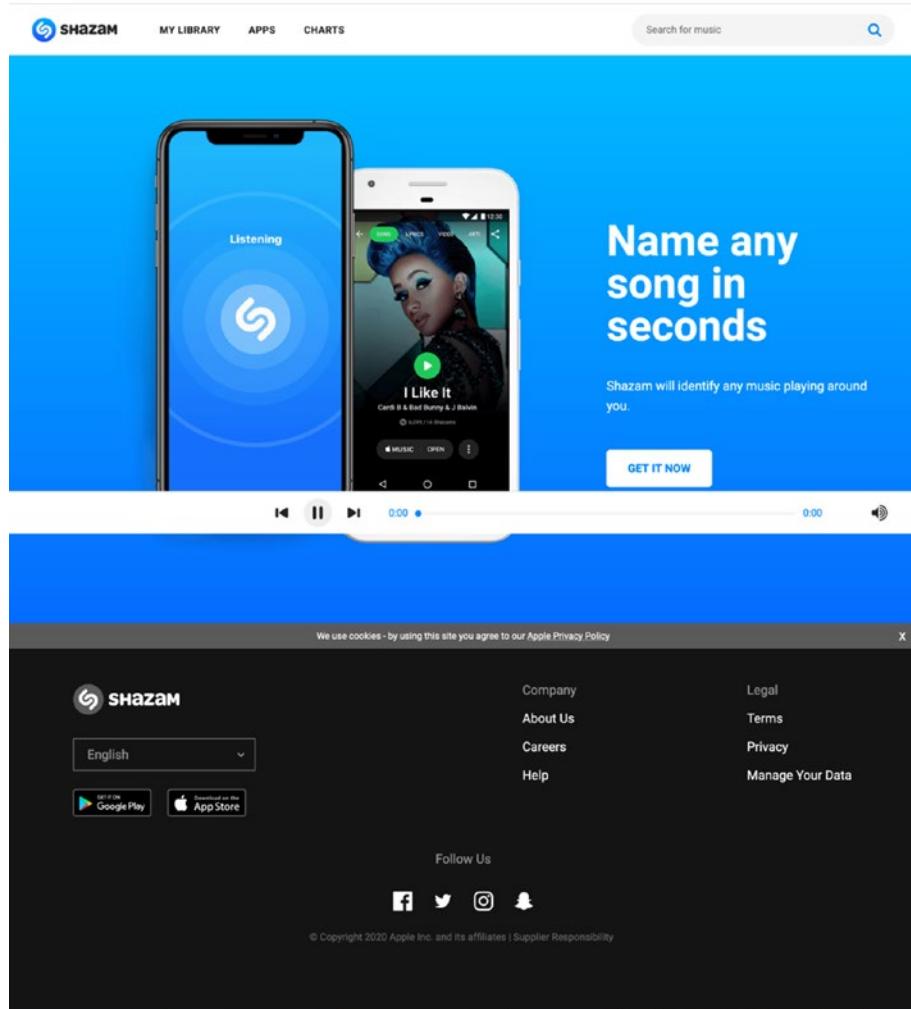
In studying the beginnings of Despegar during its first year, the month by month account revealed the following:

- **Successful technology companies can be started as side projects:** The founders of Despegar spent a large proportion of their first year (until month 6) working on their new company only during evenings and weekends, as there was just too much uncertainty and too few resources at their disposal to be able to commit full time.
- **Successful technology companies can be started with many co-founders:** One of the initial strengths of Despegar was the close-knit group of co-founders, particularly when the company raced against the clock and launched operations across six different international markets in just 2 months. If it wasn't for the diverse set of skills across the many founders as well as their strong capability of staying coordinated and accountable, Despegar would have required far more resources, human and financial, to achieve the same objective.
- **Successful technology companies can be started as slowness in action:** Even if at the end of the first 12 months, when Despegar was already generating over 25,000 daily visitors and over 5 million monthly page views, it still wasn't generating consistent sales. With the majority of customers still new to online travel, Despegar had to be patient and supportive of the slow changes in consumer behavior.
- **Successful technology companies can be started as automation in action:** During the course of its first year and beyond, Despegar went through a gradual effort to have technology replace the manual work of the founders, from interacting with local travel agents to adapting offerings to local preferences (languages, currencies, colors, colloquialisms, top destinations, preferred packages, etc.), not to mention marketing and communications efforts and a lot more.

# Year One of Shazam

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Shazam ([www.shazam.com](http://www.shazam.com)) is a music recognition service founded by Chris Barton, Dhiraj Mukherjee, Philip Inghelbrecht, and Avery Wang (Figure 2-1). In September 2018, Apple Inc. completed the acquisition of Shazam. The value was not disclosed, but TechCrunch reported it to be around \$400 million.



**Figure 2-1.** Screenshot of the landing page of shazam.com as of January 2020

The first year account that follows is based on a phone call and several e-mails exchanged between January and November 2019 with two of Shazam's founders, Chris Barton and Dhiraj Mukherjee.

## Month 0: September 1999

Barton, Inghelbrecht, and Mukherjee had been talking about starting a company for several months. Although the conversations between Barton and Inghelbrecht had been separate from those between Barton and Mukherjee, the three of them knew that they were eventually going to work

together. In fact, they had verbally agreed halfway through the summer of 1999 that they were going to start a business together, once they came across an idea that interested them.

Barton and Ingelbrecht met in August 1998 at the start of their MBA at Berkeley, while Barton and Mukherjee had met in the early 1990s, when they were both living in San Francisco. Mukherjee meanwhile had moved to London to set up the UK operations of a US technology company, and Barton was also in London for the summer in between his first and second year of business school. Barton was doing an internship facilitated by Barton's MBA program. As part of the program, students were encouraged to spend the summer break with companies interested in having them as interns, and Barton decided to spend some time at Microsoft in their London office.

During the summer of 1999, Barton and Mukherjee spent many hours in London cafes and pubs talking about their interest in technology, startups, and constantly brainstorming ideas for businesses that they could build as well as discussing their feasibility. Barton and Ingelbrecht continued to have the conversations that they had at Berkeley, although with Ingelbrecht having stayed back in California, they were less frequent, but still not less intense and lively. Moreover with the summer of 1999 somewhat being the height of the dot-com euphoria, Barton, Ingelbrecht, and Mukherjee were especially motivated. They felt that there was so much opportunity for startups to be established and to thrive.

The decision to go ahead with developing what would become Shazam came toward the end of September 1999. Barton, Ingelbrecht, and Mukherjee had discussed tens of ideas over the previous months, but they were not sure which one to pursue. As both Barton and Ingelbrecht wanted to use their second year at Berkeley for startup development, they all decided that they had to make a decision before the end of the month. As they couldn't pursue several distinct ideas at the same time, they eventually agreed to pick one and focus. At this point, the idea that gathered most consensus was one that Barton had been brainstorming for some time on his own: a music recognition service.

For the longest time, Barton had been fascinated with sound and music recognition and the possibility of identifying songs when they were played on the radio. In his first conception of a service, a piece of software would be built, which would be provided to all radio stations to help them track their programming in real time, so that they could improve internal record keeping and royalty payment purposes. Barton was excited by the fact that this real-time data could then be used to provide a music recognition service to anyone with a mobile phone who wanted to know what was playing on a radio station. One evening in September 1999, Barton was thinking about the "defensibility" of this novel approach and tried to think of ways a competing service could leapfrog access to the real-time playlists of radio stations. He then suddenly

realized that someone could simply identify the music via a mobile phone using the ambient sound in the air. He realized that this would leapfrog the original idea of software inside radio stations. He also realized that it would enable mobile phone users to identify music in places where the source was not radio such as TV, movie theaters, clubs, bars, stores, and others. He became obsessed with this as the breakthrough idea that he wanted to tackle.

Barton enthusiastically convinced Inghelbrecht and Mukherjee that they should develop a technology that could enable ambient music recognition via a mobile phone. Barton's vision was greater than the feature of music recognition. Once a song was recognized, people could eventually have access to a whole host of related features such as buying songs, watching music videos, reading lyrics, creating playlists, and so on. Moreover, it was a mobile-first idea, and the entire team believed that mobile phones would soon become the default access device to the Internet. It was an idea for the future.

## Months 1 to 3: October to December 1999

Barton, Inghelbrecht, and Mukherjee realized that they first had to understand the domain that was relevant to music recognition. To this end, they spent several weeks looking into academic research related to the analysis of sound and music. They eventually realized that the most relevant domain was called audio signal processing, which was a subcategory of digital signal processing. The next step was to find an expert that was not only able to develop a robust audio signal processing algorithm but also keen to become their technical co-founder.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, and Mukherjee

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## Month 4: January 2000

Upon completing the exchange program, Barton went back to the United States to join Inghelbrecht in their final semester at Berkeley, and Mukherjee stayed in London to continue working for his employer. While Mukherjee typically could only afford to work evenings and weekends, Barton and Inghelbrecht used the idea in as much MBA coursework as they could, which allowed them to make significant progress researching the problem,

understanding what the addressable market could be, who were the potential competitors and substitutes, and so on.

Mukherjee worked on a potential business plan in his spare time, while Barton and Inghelbrecht plowed ahead on the search for a technical expert and eventual co-founder. They were able to reach out to more experts who were all PhDs in electrical engineering from institutions such as MIT and Stanford that had focused on audio signal processing. However, no one seemed to have any idea of how to tackle the problem that involved inventing music pattern recognition technology that would work while facing the challenges of both noise and scale. The most encouraging conversations were typically that it was a very interesting and intriguing idea, but also extremely challenging.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, and Mukherjee

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## Month 5: February 2000

Invigorated by the commitment of his co-founders, Mukherjee decided to quit his job to work on the project full time. After several months of working together, their relationship had become very close and solid. Mukherjee also had a good financial safety net, as he had saved a fair bit of money over the years and he could afford to spend a year or more without earning an income. If eventually he had to look for a job again, his MBA from Stanford, a consulting background of several years, and his involvement on several leading edge projects and initiatives would most likely make the search brief.

At this point, Barton and Inghelbrecht had already approached most people in their list of audio signal processing researchers in the United States who had specialized in music. One of the people that they had approached, but had not responded, was a professor at Stanford's Center for Computer Research in Music and Acoustics (CCRMA). After asking a Berkeley professor for an introduction, they finally managed to get their meeting with Julius Smith. The meeting with Smith was very positive, as he was immediately excited with the idea. Even though he didn't know of any technology that could be used for music recognition in a noisy environment with sound recording over a mobile phone microphone, he nonetheless felt that it could be invented.

During a subsequent meeting at the CCRMA, Barton and Inghelbrecht were able to get Smith to review their list of thirty or so most relevant digital signal

processing researchers in the United States and rank the top 5 most talented candidates. In this, the intention was not just to assess the list based on acoustics signal processing expertise but also on theoretical, strong mathematical and statistical background, as well as software development skills. The person that ranked number one was a previous student of Smith, Avery Wang. Smith connected Barton and Inghelbrecht with Wang, and the three met. Upon hearing about the problem and the possible solution, Wang suggested that a technology could eventually be invented, but the chances of coming up with something effective in a reasonable amount of time were actually pretty dismal.

With Wang possibly being the only chance to make the music recognition service a reality, even if still very improbable, Barton, Inghelbrecht, and Mukherjee decided to invite him to join the founding team. The amount of due diligence research that was presented to Wang, not to mention the detailed analysis of the competitive landscape, business modeling, and operational planning, strongly impressed him. He was an entrepreneur at heart, someone that wanted to build a company from the ground up and who happened to be struggling with his own audio hardware startup. More importantly he was utterly curious to see if the problem was solvable. Wang accepted and jumped on board as the fourth co-founder.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, Mukherjee, and Wang

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## Months 6 to 8: March to May 2000

Wang started working on a solution on his own while brainstorming with Smith as frequently as possible. Progress toward developing an algorithm was almost nonexistent however. The challenge was immense. The solution that had to be produced had to be able to quickly search a database of songs that would eventually be in the millions, have a high recognition rate, have a low false positive rate, be robust despite noise and distortion, be very tolerant to room reverberation, and be able to work with the limited audio data caused by voice compression.

Mukherjee, on the other hand, had made quite a bit of progress on the operational front, as he managed to eventually incorporate the company in the United Kingdom, open a bank account, find an accountant to do the

bookkeeping, investigate interactive voice response (IVR) systems, and start looking for a small office space.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, Mukherjee, and Wang

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## Month 9: June 2000

As soon as Barton and Inghelbrecht completed their MBA in early June, Barton moved to the United Kingdom and joined Mukherjee in London while Inghelbrecht remained in Berkeley not too far from Wang's home in Palo Alto. The team had decided that the company was going to be based in London, as the mobile communications market and industry was far more developed in Europe than in the United States at the time. If there was any chance to convince mobile network operators to deploy a mobile music recognition service, it would be those in the United Kingdom—the most innovative in Europe. Unlike US mobile operators, European mobile operators were already offering premium SMS, which allowed third parties, such as ringtone companies, to use it as a billing mechanism. Also, the music market was very strong in the United Kingdom, with greater music purchases per consumer than anywhere in the world. Finally, investors in Europe were attuned to business models targeting the consumer mobile market, whereas the US investors were not yet there.

With Mukherjee, Barton, Inghelbrecht, and Wang all working full time on Shazam, the company needed to quickly fundraise in order to keep going and limit personal burn rates. In preparation, Mukherjee worked on writing the business plan, Inghelbrecht on the financial model, and Barton on the slides and the pitch. In parallel, some meetings with potential partners were organized, but they were unwilling to make any commitments as Shazam did not have a proven technology, a commercial product, or even significant funding to build these.

In mid-June, Wang was staring at some graphs when he realized that there might be a very elegant and simple solution ahead. He recognized that there was a certain trace and a scatterplot of matching audio fingerprints. He was also able to realize that his finding could be a very strong statistical indicator toward recognizing a song. He quickly ran his hypothesis through several songs and found that the algorithm was actually able to properly recognize them, even if in some cases there was a lot of noise in the background.

Although it could be premature, Wang became confident that the new solution could scale to possibly millions of songs and thousands of recognitions per second, without the need for massive amounts of computing power.

Once Barton, Inghelbrecht, and Mukherjee had a chance to celebrate, they immediately started requesting meetings with mobile network operators and investors. They knew that even if there could be eventual scalability issues in the future, the demo could be sufficient to convince the mobile network operators. With one or several operators on board and signed letters of intent from them, the chances of securing funding from venture capital investors had to improve dramatically.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, Mukherjee, and Wang

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## Months 10 and 11: July and August 2000

With Wang confident about scalability, everyone agreed that he should immediately fly to London to quickly build a prototype. Meanwhile, several mobile network operators and investors had replied positively to meeting requests as well as asked for demos.

Barton, Inghelbrecht, Mukherjee, and Wang eventually secured several letters of intent from UK mobile network operators. In their perspective, the technology was very promising and there was very little risk for them, so they enthusiastically agreed to sign them. Investors also reacted very positively, and soon several business angels had agreed to invest about \$1 million. The demo was of course central to it all. Going through the demo and witnessing the technology recognize music in a real environment recorded over a mobile phone microphone and search against a database of songs in just a few seconds was nothing short of wizardry. Everyone was astounded, as they had never experienced anything similar, and they had never thought it would be possible.

Barton wanted to raise the initial seed funding from high-profile angel investors, people that were known in the mobile and music industries, as they could help validate the business in the eyes of the venture capitalists who would be the next round of funding. In fact, when the angel round was finally closed, the investors that committed, all had relevant professional backgrounds, as they had been executives at the major record labels such as EMI and BMG or at technology companies such as Amazon Europe and British Telecom.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, Mukherjee, and Wang

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## Month 12: September 2000

September ended up being consumed with paperwork, talking to lawyers, discussing with investors, checking and signing up documents, and getting everything lined up so that the money could be transferred into Shazam's empty bank account. Still, there was no time to lose, as Barton, Inghelbrecht, Mukherjee, and Wang had to start discussing how they could take the technology from the prototype to the commercial release. They had to figure out how to build a database of millions of songs, not to mention how to make the service available across all the mobile operators in the United Kingdom.

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**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Barton, Inghelbrecht, Mukherjee, and Wang

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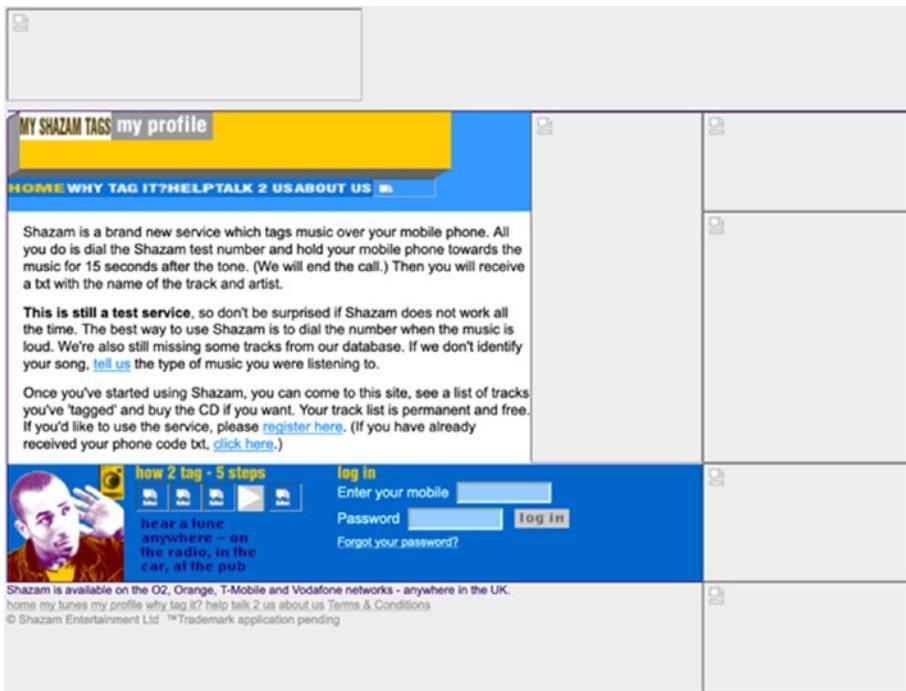
## Beyond the First Year

In November 2000, Shazam raised \$350,000 in a second angel round.

In February 2001, it raised \$1 million in a third angel round.

In July 2001, it raised \$7.5 million in a series A round from three venture capital investors: IDG Ventures Europe, Lynx Capital Partners, and FLV Fund.

In August 2002, it launched commercially across all four major UK mobile network operators, thus available to be used by virtually every person with a mobile phone in the United Kingdom on the day of launch. See Figure 2-2.



**Figure 2-2.** Landing page of shazam.com as of August 2002<sup>1</sup>

In October 2002, it raised \$2 million in series B round from several undisclosed investors.

In August 2003, it raised \$4 million in series C round from several undisclosed investors.

In August 2009, it raised \$5 million in a series D round from several undisclosed investors.

In April 2011, it raised \$32 million in a second series D round co-led by Kleiner Perkins and IVP.

In April 2013, it raised \$40 million in a third series D round led by Carlos Slim.

In December 2014, it raised \$50 million in a series E round from several undisclosed investors.

In December 2017, it accepted an acquisition from Apple for a reported \$400 million.

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<sup>1</sup>Internet Archive: Wayback Machine, [www.shazam.com](http://www.shazam.com), archived August 2, 2002, <https://bit.ly/313mrJC>.

Table 2-1 shows the evolution in the number of offerings, number of monthly active users, and staff up to Shazam's sale to Apple in 2017. Unfortunately, the year-on-year evolution cannot be effectively gauged, as additional data was not disclosed in press releases or conversations. Still, it's possible to note that when the company was acquired, it had already achieved significant milestones, that is, grown its number of monthly active users to over 300 million and its staff to over 250.

**Table 2-1.** Evolution of key indicators until acquisition

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Number of Offerings</b>	1	1	1	1	1	1	1	1	1	1
<b>Number of Monthly Active Users</b>	*	*	*	*	*	*	*	*	*	*
<b>Number of Staff</b>	*	10	25	*	*	*	*	*	*	*

	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Number of Offerings</b>	1	1	1	1	1	1	1	2	2
<b>Number of Monthly Active Users</b>	*	*	*	*	*	*	*	*	300M
<b>Number of Staff</b>	*	*	*	*	*	*	*	251	*

\* data is not public

## Today

Today, Shazam is one of the most recognized services for mobile music recognition. There are a number of competing services, but Shazam is still the most popular and recognized option, to the point of being one of the most downloaded apps of the decade in the music category. In fact, it has become so ingrained in popular culture that new startups often refer to themselves as the “Shazam for clothes” or the “Shazam for plants and animals.”

## Reflections

In addition to exposing the in the making of Shazam during its first year, the month by month account also revealed that:

- **Successful technology companies can be started as empathy in action:** Shazam started off from a strong desire by one of the co-founders to develop a sound and music recognition service and allowed anyone to identify songs when they were played on the radio. In this, it was not just the yearning for a service that flawlessly worked, but more importantly one that was seamless and easy to use (what if someone could simply identify the music via a mobile phone using the ambient sound in the air?).
- **Successful technology companies can be started as side projects:** The founders of Shazam spent a large part of their first year only working evenings and weekends in their new company. They eventually concluded their graduate degrees (Barton and Inghelbrecht) and left their full-time jobs (Mukherjee), but not before they saw momentum being gathered.
- **Successful technology companies can be started with many co-founders:** One of the initial strengths of Shazam was its close-knit group of co-founders, particularly when they were simultaneously looking for a technical co-founder and talking to potential partners and investors in the United Kingdom and the United States. If it wasn't for the good relationship as well as the very diverse set of skills, the initial momentum might not have taken place, which most likely would have discouraged Mukherjee to quit his job or Wang to join later, once he realized the complexity of the algorithm that had to be developed.
- **Successful technology companies can be started as slowness in action:** Shazam took several years to be commercially unveiled. Although there was an expectation that the technology was very complex and was going to take time to develop, the founders never expected that it would take almost three years from start to commercial launch, from October 1999 until August 2002.

# Year One of StubHub

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StubHub ([www.stubhub.com](http://www.stubhub.com)) is an online ticket marketplace founded by Jeff Fluhr and Eric Baker (Figure 3-1). In January 2007, when it was sold to eBay for \$310 million, it was about to complete its 10 millionth ticket sale.

The screenshot shows the homepage of stubhub.com. At the top, there is a search bar with the placeholder "Event, artist or team". Below the search bar are navigation links for "Sports", "Concerts", "Theater & Comedy", "Gift cards", and "Top Cities". To the right, there are links for "Sell", "My tickets", "Sign in", and a dropdown for "Select dates" set to "Toronto, ON".

The main banner features a large image of a person in a baseball uniform with the number 29, overlaid with the text "RAMMSTEIN, HALL & OATS AND MORE ON SALE NOW!" and a "Get tickets" button. To the right of the banner is another section with the text "SEE YOUR FAVORITE GRAMMY NOMINATED ARTISTS" and a "Get tickets" button.

Below the banner, there are sections for "Concerts" featuring artists like Green Day, Halsey, Ali Gatie, BTS, and Nickelback, each with a thumbnail image and a "Get tickets" button. There are also sections for "Sports" featuring the Toronto Raptors, Toronto Maple Leafs, Toronto Marlies, Toronto Blue Jays, and Barrie Colts, each with a thumbnail image and a "Get tickets" button.

Under the "Theater" section, there are thumbnails for Ricky Gervais, Blippi Live, Hamilton Toronto, Come From Away Toronto, and Theo Von, each with a "Get tickets" button.

At the bottom of the page, there is a call-to-action: "Epic events and incredible deals straight to your inbox." followed by a form with fields for "Email address" and a "Join the list" button. The footer contains links for "FanProtect", "Our company", "Have questions?", and "Live events in over 50 countries". It also includes social media icons for Facebook, Twitter, and Instagram, and download links for the App Store and Google Play.

© 2000-2020 eBay. All Rights Reserved. Use of this website signifies your agreement to our User Agreement, Privacy Notice and Cookie Notice. You are buying tickets from a third party. StubHub is not the ticket seller. Prices are set by sellers and may be above face value. User Agreement change notifications.

Figure 3-1. Screenshot of the landing page of stubhub.com as of January 2020

The first year account that follows is based on a phone call and several e-mails exchanged between March and September 2019 with one of the founders of StubHub, Jeff Fluhr.

## Month 0: January 2000

Fluhr and his classmate Baker, both MBA students at the Stanford Graduate School of Business (GSB), were having lunch on the Stanford campus one day, and they started discussing how both of them wanted to do something entrepreneurial, how both of them wanted to start a company. The backdrop was that of the very rapid growth of the first generation of Internet companies. Amazon, AOL, eBay, Netscape, and Yahoo! were dominating the news as they had reached untold levels of market capitalization. AOL, for instance, had just announced its intention to purchase Time Warner for \$165 billion, which at the time was a record-breaking acquisition.

The more Fluhr and Baker discussed the tremendous 5-year run that the AOLs and Yahoos of the world were having, the more they were convinced that the Internet was the best medium for them to explore their entrepreneurial aspirations. A few days later, they were again having lunch on campus and they instinctively started bouncing off business ideas from each other. At some point in the conversation, they got to discuss tickets, ticket purchasing, and selling. Baker's father was a season ticket holder for the Los Angeles Lakers and Fluhr's father for the New York Yankees. Through their parents, both knew about the hassle of selling unused season tickets. Typically, their parents would have to take a number of steps in order to be able to sell any ticket. They would start by asking family members if anybody wanted unused tickets; if not, then they would ask friends and other people; and if at the end no one wanted a ticket, they would visit ticket brokers.

Fluhr and Baker also went on to talk about the large quantity of tickets for other events such as concerts and musicals that would likely never be used, because there wasn't a simple and convenient channel for these tickets to be resold. eBay was too complicated and ticket brokers were too fragmented and often too unpredictable to engage with. The conclusion from those and several subsequent conversations and passionate discussions on the topic was that there was a pressing need for a more efficient solution, possibly an online service.

Before the end of the month, Fluhr and Baker joined some friends from their MBA class on a weekend trip to Las Vegas, during which they discussed detailed possibilities and potential plans. Eventually, they settled on the decision to start an online ticket marketplace together.

## Month 1: February 2000

The first decision that Fluhr and Baker took once they returned from the Las Vegas trip was to submit their online ticket marketplace idea to the GSB's annual business plan competition. While waiting for the selection process to take its course—about 60 applications were submitted in total—Fluhr and Baker decided to do some market analysis. The intention was to collect as much information as possible to determine if the opportunity indeed existed, if it was a sound idea from a regulatory perspective (at a state and national level), or if it was a minefield and it made more sense to abandon the pursuit altogether.

Halfway through the month, the GSB informed them that they were one of the six finalists. Fluhr and Baker were extremely excited, as being part of the finalists was already a (small) form of validation. As they discussed the details of going to the finals as well as possible outcomes and implications, they realized that the attention that they would receive could potentially get them some unwanted attention and eventually competition. The six finalists had to present their business plans to a panel of judges mostly from the venture capital industry, and there would be lots of entrepreneurs, Internet companies, and media in the audience.

Feeling the need to focus and be cautious, Fluhr and Baker decided to pull out of the competition and concentrate on the market analysis that they were conducting. In fact, they did so with renewed determination to the point of actually hiring a law firm, so that they could benefit from a professional assessment of the entire regulatory landscape, as well as receive advice about the risks and implications of setting up an online ticket reselling business. The results of the regulatory and legal study pointed to both opportunity and risk. The law firm did not find any federal laws regarding the resale of tickets, but many states did in fact have some restrictive laws. In most of these cases, the state laws dictated price caps relative to the face value of tickets. The final recommendation was for Fluhr and Baker to move forward.

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**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Fluhr and Baker

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## Month 2: March 2000

Encouraged by the recommendations of the law firm, Fluhr and Baker quickly took the next step of incorporating the company in Delaware as I-Drenalin.com Inc. As they were preparing themselves for the journey ahead, word started going out around the Bay Area that the entire Internet economy was about to implode. In fact, in a matter of weeks, Yahoo! and eBay had ended their merger talks, Barron's had featured a cover article titled "Burning Up; Warning: Internet companies are running out of cash—fast," and investors had become uneasy about investing in new Internet companies. In addition, Baker decided that he didn't want to abandon his MBA halfway. Upon some discussions and negotiations, Fluhr and Baker decided that Fluhr would leave the MBA program immediately to become the full-time CEO of I-Drenalin.com, and Baker would finish his MBA and consider joining full time in July 2001. In the meantime, Baker would still be involved, but only part time, in between classes and course work.

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**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Fluhr and Baker

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## Month 3: April 2000

The concerns of the entire Internet industry were finally materialized in April. The NASDAQ Composite Index started falling rapidly and by mid-month had lost 25%. The outlook that took over most financial markets was that the Internet was not going to be the new economy after all. Fluhr and Baker didn't let themselves be too consumed by what was happening around, as they had to make sure that their company was not going to struggle as many others. To this end, they hired their first two employees who would be responsible to start marketing and business development efforts. They joined with the promise of a generous package of stock options, as the company did not yet have funds to pay for salaries. To make sure that it would eventually, Fluhr and Baker started talking to investors, angel investors, and lots of friends and family, about the possibility of raising their first round of capital.

Interviews with engineers and software developers were also started, in order to quickly find someone to get product development off the ground. Toward the end of the month, a strong candidate was finally found. Jeff Lawson had a strong technical background as well as the immensely valuable experience of having started a technology company himself.

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**Products and services:** None

**Customers:** None

**Staff:** 3

**Founders:** Fluhr and Baker

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## Month 4: May 2000

After Lawson joined, two more engineers were recruited to work with him. With three people working full time on the technology, the estimation was that, in 4 to 5 months, a beta version would be ready. As Fluhr and Baker had not yet been able to raise the seed round of capital, all the employees were still working for equity.

As the technology began to be developed, Fluhr and Baker decided to focus on a B2B go-to-market strategy targeting partnerships with media companies and sports teams. The dot-com meltdown had left most institutional investors wary of funding consumer facing companies. For venture capital firms, consumer Internet companies were the ultimate example of irrationality, responsible for creating the bubble, and ruining the new economy. Fluhr and Baker decided to focus on a partnership-driven strategy that allowed for tickets to be listed on the portals and web sites of partnering media companies and sports teams. As a secondary strategy, the two founders decided that they would also launch a consumer destination site, but that they would focus most of their energies and efforts on partnerships. They called the consumer destination site StubHub. Still, with investors they focused their pitch on the partnerships with media companies and sports teams.

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**Products and services:** None

**Customers:** None

**Staff:** 5

**Founders:** Fluhr and Baker

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## Month 5: June 2000

The team continued to do what it had to do in order to raise funds: build the engine and secure customers. Fluhr and Baker continued talking to investors, angel investors, and lots of family and former colleagues, and Lawson and his team were sprinting fast to have the engine ready by September.

---

**Products and services:** None

**Customers:** None

**Staff:** 5

**Founders:** Fluhr and Baker

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## Month 6: July 2000

As the technology was being rapidly developed, Evans began meeting with ticket brokers across the Bay Area in order to be able to list their tickets for sale. The conversations with individual brokers were lengthy; the value of an online ticket marketplace was not yet evident, but slowly partnerships started being agreed to. There were lots of fragmentation in the ticket brokering business, which led to more work but at the same time provided more ample opportunities for agreements to be secured.

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**Products and services:** None

**Customers:** None

**Staff:** 5

**Founders:** Fluhr and Baker

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## Month 7: August 2000

Despite the dot-com crash that kept making casualties, Fluhr and Baker were able to eventually raise a \$550,000 seed round of capital. There were no institutional investors involved, only several business angels and many of their former colleagues from McKinsey, Bain Capital, Thomas Weisel Partners, and The Blackstone Group.

Lawson and his team had eventually decided to use ColdFusion technology to build the engine, as it was the best technology for fast deployments. However, ColdFusion was also known to be challenging in terms of stability and scalability as well as to generate many deployment issues. Understanding these issues, the decision to go ahead with ColdFusion was still made, as its fast deployment trumped all else at the stage that the company was at.

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**Products and services:** None

**Customers:** None

**Staff:** 5

**Founders:** Fluhr and Baker

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## Month 8: September 2000

As agreed, Lawson and his team were able to deliver a first version of the engine and the services in September. It was very basic, as it only allowed consumers to search and buy tickets, whether they accessed the marketplace via StubHub or via the portals of media companies or sports teams. In order to launch as quickly as possible, Fluhr and Lawson had privileged the development of a minimum viable product, and not wait longer and build features that they didn't know if customers would eventually value and use or not. Also, because there was a larger emphasis on the B2B partnerships, the form was less relevant as core functionalities would be integrated and embedded into the portals of media companies and sports teams. The products were extensively tested for the remainder of the month, so that they could be unveiled during October.

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**Products and services:** 2

**Customers:** None

**Staff:** 5

**Founders:** Fluhr and Baker

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## Month 9: October 2000

Extensively debugged, both the business and consumer services were launched in October. For Fluhr, it was critical to have a soft initial rollout. Rather than build a national brand right out of the gate, he decided to focus on the Bay Area. By having a contained geographical focus, any issues and complications could be easily isolated and understood. Also in terms of operations, marketing, and business development, focusing in the Bay Area allowed to more effectively use resources as well as more quickly build momentum. Expansion to other metropolitan areas would happen, once product-market fit was reached and the necessary financial resources were secured.

---

**Products and services:** 2

**Customers:** None

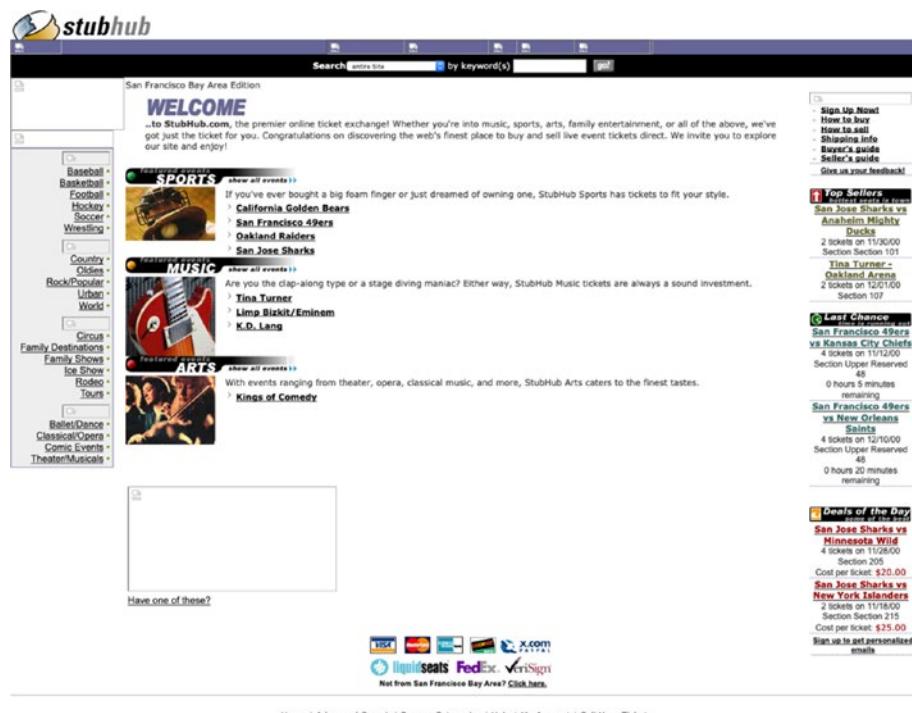
**Staff:** 5

**Founders:** Fluhr and Baker

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## Month 10: November 2000

With the business and consumer services live, the immediate priority became securing partnerships with pro sports teams, artists, venues, sports content sites, music content sites, local area content sites, corporate intranets, and general news portals in the Bay Area. (Figure 3-2). A few small agreements had already been signed during October, but the company needed many more. These agreements were largely revenue sharing, which meant that the company only had to pay after transactions took place. This was very opportune., as the company still had not secured any additional funds to the \$550,000 raised over the summer.



**Figure 3-2.** Landing page of stubhub.com as of November 2000<sup>1</sup>

## **Products and services:** 2

**Customers:** None

**Staff:** 5

**Founders:** Fluhr and Baker

<sup>1</sup>Internet Archive: Wayback Machine, [stubhub.com](http://stubhub.com), archived November 10, 2000, <https://bit.ly/2uJjFx2>.

## Month 11: December 2000

By the end of the year, the situation was very positive. The company was partnering with an increasing number of small media companies, and more ticket brokers were listing their inventory in the marketplace. The consumer service, StubHub, was still a second thought. Still, they hired a head of customer service and a customer service representative. Also, the team was still putting an effort to supporting purchases and deliveries of tickets to consumers. The three to five transactions that took place every day came through the partnerships with local media companies.

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**Products and services:** 2

**Customers:** <100

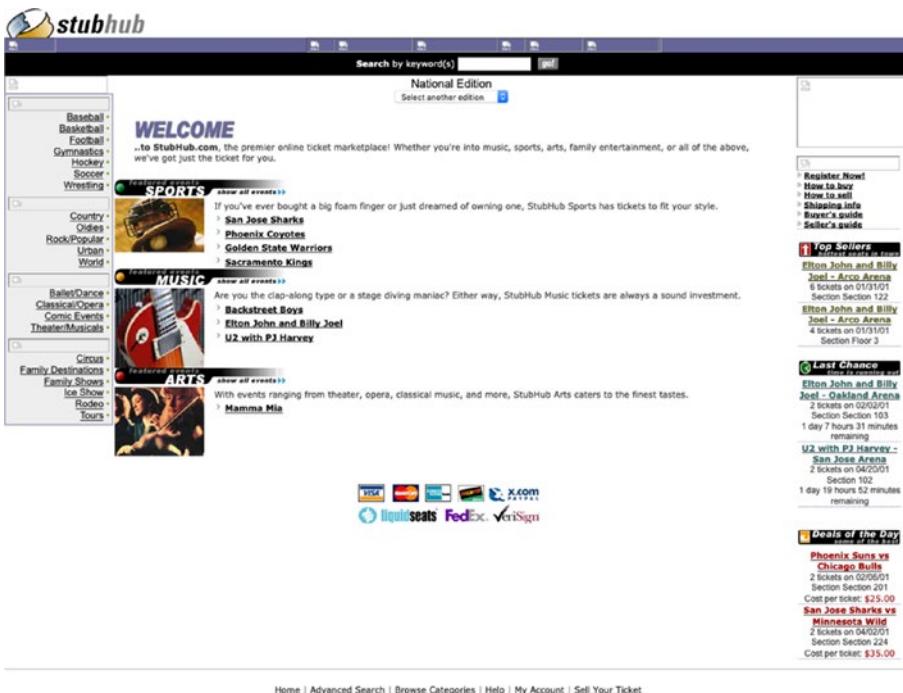
**Staff:** 7

**Founders:** Fluhr and Baker

---

## Month 12: January 2001

The new year saw the company double down on its business development efforts. In January, it announced a contract with the New Orleans Saints, a National Football League (NFL) team. As part of the agreement, the company was to handle the online suite ticket sales for the year's Sugar Bowl. The agreement with the Saints also signaled the first geographical expansion beyond the Bay Area and the creation of a national section on the LiquidSeats engine as well as on the StubHub web site (Figure 3-3).



**Figure 3-3.** Landing page of stubhub.com as of January 2001<sup>2</sup>

Supporting these deals in multiple ways was the advisory board that Fluhr had been putting together for some months. The group, which had been encouraged to provide suggestions to the strategic direction of the company, included veteran sports and media figureheads and executives, namely, a retired San Francisco 49ers player, a partner in Mosaic Media group, a former manager of Aerosmith and AC/DC, a general manager for eBay Inc., among several others.

<sup>2</sup>Internet Archive: Wayback Machine, [stubhub.com](https://web.archive.org/web/20010126000000/http://www.stubhub.com/), archived January 26, 2001, <https://bit.ly/20mjcbt>.

The first year of StubHub was concluded with Fluhr and Baker finally closing a much needed first round of institutional financing. In the \$2.1 million series A round, the lead investor was escottVentures, a venture capital firm based in Los Angeles and headed by BEA Systems Inc. co-founder Edward Scott.

---

**Products and services:** 2

**End-users:** Not public

**Staff:** 5

**Founders:** Fluhr and Baker

---

## Beyond the First Year

In June 2001, StubHub saw Baker become involved full time and take the role of president.

In March 2002, it raised an undisclosed amount in a series B round of funding co-led by Allen & Company and some individual investors.

In November 2003, it closed the LiquidSeats side of the business to become just a direct to consumer online ticket marketplace under the StubHub brand (Figure 3-4).

Have questions about how to buy tickets or sell tickets? Email or call us toll free at 866.StubHub (866.788.2482). Customer service will help you buy tickets or sell tickets from 7:00 AM - 8:00 PM PDT weekdays or 11:00 AM - 7:00 PM PDT weekends.

©2000-2004 StubHub, Inc. All rights reserved.

StubHub, HubHub and Ticket Design are trademarks of StubHub, Inc., used under license. StubHub.com is powered by StubHub.com technology, which is owned and operated by StubHub, Inc.

You are buying tickets from a third party; neither StubHub.com nor StubHub, Inc. is the ticket seller. Ticket prices are set by the seller and may differ from face value. ALL SALES AND BIDS ARE FINAL. No refunds, transaction cancellations or exchanges will be issued for date/time changes or partial performances. Cancelled events will be handled on a case by case basis. All prices listed are in US dollars.

[Contact Us](#)

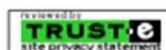
[About Us](#)

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[User Agreement](#)

[Jobs](#)

[Affiliate Program](#)



Use of this website signifies your agreement to the [User Agreement](#) and [Privacy Policy](#).

Figure 3-4. Landing page of liquidseatsinc.com as of November 2003<sup>3</sup>

<sup>3</sup>Internet Archive: Wayback Machine, LiquidSeats, archived November 30, 2003, <http://bit.ly/2GrCrf4>.

In March 2004, it raised \$4 million in a series C round of funding co-led by several undisclosed investors.

In January 2006, it raised \$12.5 million in a series D round of funding co-led by several undisclosed investors.

In January 2007, it accepted a \$310 million acquisition offer from eBay.

Table 3-1 shows the evolution in the number of offerings, annual gross merchandise value, and staff up to StubHub's sale to eBay in 2007. Unfortunately, the year-on-year evolution cannot be effectively gauged, as additional data was not disclosed in press releases or conversations. Still, it's possible to note that when the company was acquired, it had already achieved significant milestones, that is, grown its annual gross merchandise value to over \$400 million (400% growth between 2004 and 2005) and its staff to 350.

**Table 3-1.** Evolution of key indicators until acquisition

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Number of Offerings</b>	2	2	2	1	1	1	1	1
<b>Gross Merchandise Value</b>	0	\$1.5 M	*	*	\$40 M	\$200 M	\$400 M	*
<b>Number of Staff</b>	0	20	*	45	100	*	*	350

\* data is not public

## Today

Today, StubHub is a well-known leader in online ticket reselling. Although it has been involved in numerous controversies over the years, it is by far one of the world's largest and most profitable online ticket marketplaces, to the point that activist investors have been increasingly requesting StubHub to be either sold or spun off as it's currently significantly undervalued by being under the eBay Inc. parent company.

## Reflections

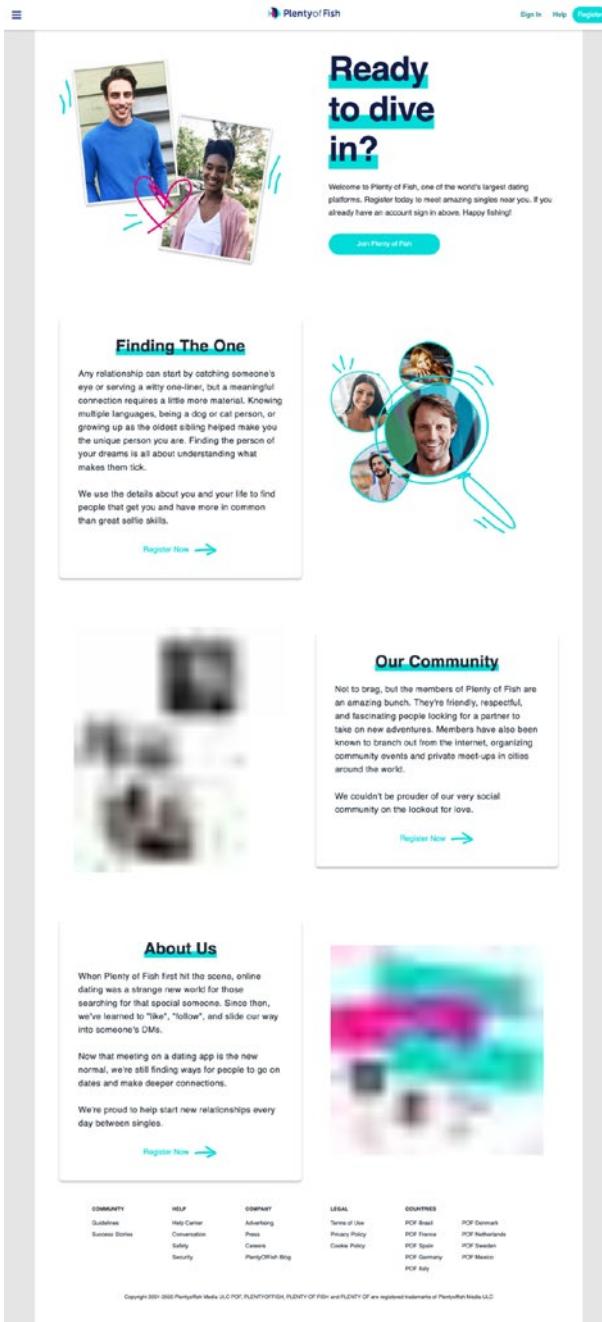
In addition to exposing the making of StubHub during its first year, the month by month account of the first year also revealed that:

- **Successful technology companies can be started as side projects:** During the first year, one of the founders of StubHub was only involved part time. While Fluhr quit his MBA program at the GSB almost immediately to be the full-time CEO, Baker stayed at Stanford for another year and later joined the company full time as president.
- **Successful technology companies can be started as reframing in action:** StubHub started out of a contrarian spirit, with its founders rejecting the exhausting procedures for reselling unused tickets and believing that technology could enable better solutions. Knowing about the inconvenience that their parents systematically went through whenever they wanted to resell tickets, not to mention their overwhelming experiences with ticket brokers, Fluhr and Baker were firmly convinced that the entire experience of reselling tickets had to be moved online and in the process be completely reframed.
- **Successful technology companies can be started as experimentation in action:** If StubHub had not built an engine that allowed it to sell tickets both through partners and directly to consumers and continued to run experiments on both sides, it would have probably never encountered the massive growth opportunity that became that of acquiring consumers directly through ads and reselling tickets to them through its own web site and with its own brand.
- **Successful technology companies can be started as adaptation in action:** The decision taken by StubHub to exclusively focus on reselling tickets to consumers directly ended up being a significant change, somewhat of a pivot, and part of a constant predisposition to adjust and adapt, as soon as new experiments proved far more effective and productive than directions and decisions previously pursued and made.

# Year One of Plenty Of Fish (POF)

---

PlentyOfFish (POF) ([www.pof.com](http://www.pof.com)) is an online dating service founded by Markus Frind (Figure 4-1). In July 2015, when it was sold to the Match Group for \$575 million, it was serving close to 100 million end-users globally.



**Figure 4-1.** Screenshot of the landing page of pof.com as of January 2020

The first year account that follows is based on a phone call and several e-mails exchanged between November 2018 and August 2019 with the founder of POF, Markus Frind.

## Month 0: January 2003

Frind started the new year with some apprehension that he might be made redundant at work. His employer had let go quite a few of his colleagues during the second half of 2002, and he was worried that he might be next. In order to increase his qualifications as well as his chances of keeping his job, Frind decided to learn how to use ASP.NET. Also if he was eventually fired, knowing how to use .NET would likely increase his chances of getting a new job quicker. In order to make the process less dry and unappealing, he decided to revive a project that he had tried to put together a few years before. In early 2001, Frind had been introduced to online dating by some friends. Immediately shocked that the majority of online dating services were charging for almost every form of interaction, he had decided to build a free online dating site himself. Thinking that there would be lots of like-minded people, he bought the PlentyOfFish domain name in May 2001 and quickly put together a web site (Figure 4-2). The web site had an index page, which was as far as he had been able to get in building it. The motivation to continue was eventually lost, as personally more important interests and concerns had come around.

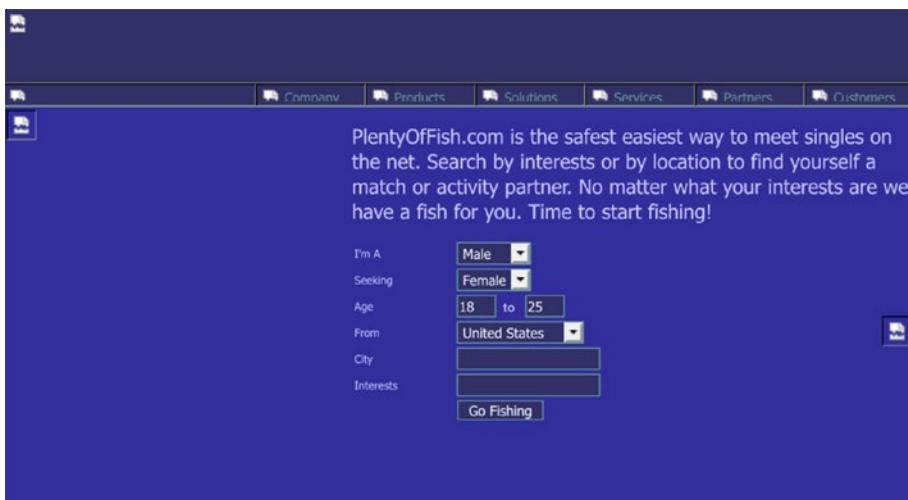


Figure 4-2. Landing page of plentyoffish.com as of January 2002<sup>1</sup>

<sup>1</sup>Internet Archive: Wayback Machine, plentyoffish.com, archived January 19, 2002, <https://bit.ly/2RWqH9J>.

## Month 1: February 2003

Using his earlier concept for PlentyOffFish as his training ground, Frind built a completely new web site using .Net in about two weeks. The new web site essentially picked up where he had left off before. The functionalities available included signing up/signing in, searching, and publishing a personal profile page. The possibility of uploading a profile picture was not included in this first version. The new PlentyOffFish went live on February 20. During the following weeks, Google eventually indexed the site and Frind told everyone he could think of about the existence of PlentyOffFish.

---

**Products and services:** 1

**End-users:** None

**Staff:** None

**Founders:** Frind

---

## Month 2: March 2003

Frind continued to let everyone know about PlentyOfFish, and by the end of March, about 40 people had registered as end-users. The realization that he had 40 people committed to using his free online dating service even without the possibility of uploading their personal pictures somewhat took Frind by surprise. Even if he had put some effort into it, he never thought that PlentyOfFish would be anything more than a sandbox to bolster his .Net skills and save him from being made redundant (Figure 4-3).

Username	Gender	Ethnicity	Headline	State	Profile
...man...	Male	European	Toronto	toronto/Ontario	
...t	Female	Caucasian	TO-LICIOUS	Toronto/Ontario	
...administ...	Male	Caucasian	Administrator	North Vancouver/British Columbia	
...daughter...	Male	Caucasian	Married guy	Toronto/Ontario	
...andrea...	Female	Indian	It's Hot in T-Dot	Toronto/Ontario	
...Samantha...	Female	Caucasian	T.O. VIXEN	Toronto/Ontario	
...TOM...	Male	Caucasian	nashville	tn/Tennessee	
...x-mom...	Female	Caucasian	Lonely in Toronto	Toronto/Ontario	
...jigga...	Male	Asian	up for anything	Toronto/Ontario	
...Jigga...	Male	Other Ethnicity	Hi	Jigga/Massachusetts	
...virginia...	Male	Caucasian		Virginia	
...virginia...	Male	Caucasian	I WANT SEX	London/Ontario	
...ashley...	Female	Caucasian	Ashley Needs A man	New Westminster/British Columbia	
...digs...	Male	African		British Columbia	
...victoria...	Female	Caucasian	WITTY MALES ONLY	Vancouver/British Columbia	
...louis...	Male	Caucasian	Chat me	Los Angeles/California	
...victoria...	Female	Caucasian		Texas	
...victoria...	Female	Caucasian	I dare you to keep up	Vancouver/British Columbia	
...louis...	Male	Caucasian	let's play	Halifax/Nova Scotia	
...louis...	Male	Caucasian	Good looking Male	Richmond/British Columbia	

Figure 4-3. Landing page of plentyoffish.com as of March 2003<sup>2</sup>

**Products and services:** 1

**End-users:** 40

**Staff:** None

**Founders:** Frind

<sup>2</sup>Internet Archive: Wayback Machine, plentyoffish.com, archived March 25, 2003, <https://bit.ly/2t0TS6V>.

## Month 3: April 2003

Compelled to put more effort into PlentyOfFish and meet the expectations of his 40 registered end-users, Frind set out to build a feature that was being requested by everyone: the possibility to upload personal pictures. Frind also decided to push himself further and learn about search engine optimization, in particular how to improve page ranks and other related techniques in order to get more people to find PlentyOfFish when searching for free dating services online. If he was going to put more effort into it, POF might well be used by more people.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

---

## Month 4: May 2003

As Google typically updated page ranks every 30 days, the so-called “Google Dance,” Frind eventually had some time to learn the multiple ways about how he could improve the page rank for POF. In addition to learning on his own, Frind posted a considerable amount of questions in technical forums, for which he got a lot of advice. As a result, POF’s page rank increased visibly, which led to far more people to find the site and register.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

---

## Month 5: June 2003

As he started getting a good understanding of search engine optimization and saw sign-ups increasing, Frind turned his attention to online advertising and the Google AdSense program. Google had just launched it in the middle of the month, and Frind immediately added POF to the network of sites that Google was using to serve ads based on site content and audience. By the end of the month, POF had generated almost 500 page views under AdSense, which led to 7.60 CAD in ad revenue. Although the sum was insignificant, Frind saw it as a means to potentially generate some income, which would be extremely useful to keep POF going.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

---

## Month 6: July 2003

In order to be able to better understand end-user needs and behaviors, Frind built a POF forum (Figure 4-4). Only being able to work on POF during evenings and weekends meant that Frind had very limited opportunities to have direct conversations with his end-users. Once the forum was unveiled, he started receiving increasingly more messages from end-users, as they felt more encouraged to share their comments, their complaints, and their matching successes. Interestingly, it also became quickly apparent to Frind that the more active end-users in the forum were not necessarily representative of the larger group of end-users.

The screenshot shows the homepage of forums.plentyoffish.com. On the left, there's a 'Forum Login' section with fields for Username and Password, and checkboxes for 'Log in automatically' and 'Create a new account'. Below it is a 'Search Our Forums' bar with a 'Search' button and a link to 'More search options'. A 'Forum Statistics' box displays user counts and activity. On the right, the main content area is titled 'Plentyoffish.com Forums' with a 'Current time: 3:27, 3:24 AM'. It lists several forums: 'Dating' (with sub-categories 'Fishing Jars', 'Flirtations', 'Relationships'), 'Relationships' (with sub-categories 'The Beach', 'Seasend', 'Let Me Chat!'), 'Forum Battlespace' (with sub-categories 'Dating Advice + Dating Books', 'Current Events', 'I am bored', 'Intimate Encounters'), 'Fly Fishing' (with sub-categories 'Come Get Me', 'Comments & Suggestions'), 'Comments & Suggestions', 'Tasks Box', and 'Site Additions'. At the bottom, there's a 'Who is Online' section showing 8 users online and 4,484 registered users, and a 'Users' section for moderators.

	Threads	Posts	Last Post
Dating	3	47	23 Jul 2003 09:57 PM Re: CIRCUS
Relationships	22	100	26 Jul 2003 03:25 PM Re: MISTER
Relationships	2	12	23 Jul 2003 03:13 AM Re: offi
Relationships	1	6	19 Apr 2003 01:12 PM Re: brian000000
Forum Battlespace	1	4	28 Mar 2003 02:22 AM Re: matthe
Forum Battlespace	2	9	23 Jul 2003 03:25 PM Re: offi
Forum Battlespace	3	27	23 Jul 2003 03:40 PM Re: GINGER
Comments & Suggestions	1	6	23 Jul 2003 03:08 PM Re: CIRCUS
Comments & Suggestions	17	63	23 Jul 2003 03:40 PM Re: matthe
Comments & Suggestions	4	26	23 Jul 2003 03:42 PM Re: CIRCUS
Comments & Suggestions	3	28	26 Jul 2003 03:49 PM Re: offi

**Figure 4-4.** Landing page of forums.plentyoffish.com as of July 2003<sup>3</sup>

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

## Month 7: August 2003

Frind decided to start experimenting with buying traffic from a handful of sources. These were sites that indirectly had something to do with dating, typically running some sort of hot or not competitions. The idea was that if POF made more money in ad revenue than it spent in buying traffic, the approach could prove to be worth pursuing in the long run.

The magnitude of traffic acquired eventually resulted in thousands of visitors per week, with the majority of them successfully registering as end-users. At the end of the month, Frind had only spent a portion of the 1,500 CAD made in ad revenue. The experiment proved to be extremely successful, setting a template for future growth. Frind decided that he would use some of the

<sup>3</sup>Internet Archive: Wayback Machine, forums.plentyoffish.com, archived July 27, 2003, <https://bit.ly/2GuUAsv>.

proceedings from Google AdSense to buy traffic, which would eventually lead to more growth, which would necessarily lead to more ad revenue, and so on and so forth.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

---

## Month 8: September 2003

As growth started accelerating, Frind began to understand that the value of POF came down to being free of charge and doing five things very well. The first was to encourage end-users to create a personal profile, including the ability to upload personal pictures. The second was to offer them the chance to message each other. The third was to allow them to search for each other. The fourth was to enable them to rate each other. The fifth and last was to inevitably match them with people that they would be keen to meet. Although the last one kept evolving and improving over the years, the other four were stable almost from the very beginning, which may even be one of the reasons why POF was able to retain its end-users for longer than the majority of competing dating services.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

---

## Month 9: October 2003

Understanding the importance of placing new end-users into homogeneous groups, Frind started putting more and more effort into behavioral segmentation. As new end-users signed up, they would be asked during onboarding about who they were, what they wanted from online dating, what they wanted from POF, among a number of other profiling questions. Based

on their preferences and requirements, end-users would then be placed in different groups and cohorts so that their permanence in the service could be compared and contrasted to the changes that they would be exposed in terms of matching efforts as well as features and functionalities.

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

## Month 10: November 2003

November was a pivotal month. As POF drew close to generating 4,000 CAD in ad revenue (see Figure 4-5), Frind decided that it was about time to quit his job and dedicate his full attention to POF. His startup was now making him almost as much money as he was earning from his employer.

Year	Period	Page views	Clicks	Page CTR	CPC	Page RPM	Estimated earnings
2003	Jun 18 to Jun 30	493	12	2.43%	CA\$ 0.63	CA\$ 15.41	CA\$ 8
2003	Jul 1 to Jul 31	182,404	2,093	1.15%	CA\$ 0.82	CA\$ 9.42	CA\$ 1,719
2003	Aug 1 to Aug 31	213,161	2,213	1.04%	CA\$ 0.65	CA\$ 6.79	CA\$ 1,447
2003	Sep 1 to Sep 30	276,794	2,552	0.92%	CA\$ 0.64	CA\$ 5.89	CA\$ 1,631
2003	Oct 1 to Oct 31	444,234	4,326	0.97%	CA\$ 0.66	CA\$ 6.46	CA\$ 2,868
2003	Nov 1 to Nov 30	888,072	6,246	0.70%	CA\$ 0.62	CA\$ 4.38	CA\$ 3,890
2003	Dec 1 to Dec 31	982,732	7,128	0.73%	CA\$ 0.62	CA\$ 4.46	CA\$ 4,387
2004	Jan 1 to Jan 31	1,687,976	17,577	1.04%	CA\$ 0.51	CA\$ 5.30	CA\$ 8,940
2004	Feb 1 to Feb 29	2,084,251	26,309	1.26%	CA\$ 0.48	CA\$ 6.05	CA\$ 12,604
2004	Mar 1 to Mar 31	3,396,481	40,890	1.20%	CA\$ 0.42	CA\$ 4.99	CA\$ 16,937
2004	Apr 1 to Apr 30	4,459,734	55,708	1.25%	CA\$ 0.48	CA\$ 5.98	CA\$ 26,676
2004	May 1 to May 31	6,285,067	61,187	0.97%	CA\$ 0.60	CA\$ 5.88	CA\$ 36,983
2004	Jun 1 to Jun 30	7,971,841	81,121	1.02%	CA\$ 0.59	CA\$ 5.98	CA\$ 47,683
2004	Jul 1 to Jul 31	10,662,384	93,033	0.87%	CA\$ 0.59	CA\$ 5.11	CA\$ 54,521
2004	Aug 1 to Aug 31	12,447,822	99,198	0.80%	CA\$ 0.55	CA\$ 4.36	CA\$ 54,307
2004	Sep 1 to Sep 30	25,704,435	117,080	0.46%	CA\$ 0.46	CA\$ 2.08	CA\$ 53,550
2004	Oct 1 to Oct 31	26,538,367	128,052	0.48%	CA\$ 0.34	CA\$ 1.63	CA\$ 43,382
2004	Nov 1 to Nov 30	18,026,395	107,969	0.60%	CA\$ 0.32	CA\$ 1.93	CA\$ 34,723
2004	Dec 1 to Dec 31	22,166,755	120,961	0.55%	CA\$ 0.32	CA\$ 1.75	CA\$ 38,693

**Figure 4-5.** Ad revenues from PlentyOfFish (shared by Frind in November 2018)

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Frind

---

## Month 11: December 2003

2003 drew to a close with POF generating about 4,500 CAD in ad revenue and having more than 10,000 end-users. The behavioral segmentation was by now also revealing very interesting data points. POF had a small group of end-users that were perpetual daters, which were typically those that were making complaints in the forums most of the time, and two large groups of end-users, one that included divorcees that were not yet looking for long-term commitments, and another that included divorcees and non-divorcees that were looking for long-term commitments. See Figure 4-6.

**User Login**

Username   
Password

### 100% Free Online Dating Service

Join other **singles**, browsing our online **personals** for love. If you love this free online dating service then [Bookmark Us](#) and [Invite your single friends](#) to join. Are you tired of the clubbing & night life scene? Instead of visiting singles bars and night clubs, join thousands of men and woman who have discovered **Online Dating** and found their perfect match. Below are the latest 1800 Free Personals ads, from online singles looking to chat with you.

[Singles Start Dating Online Now!](#) | [Search FREE Personals](#) | [Free Singles Chat](#)

 18 *I'd rather be anything but ordinary*	If you want to know more about me.. your just gonna have to ask me yourself FSM - Dating :-() Coral Springs Florida	
 25 Real Mr Goodwrench	I guess im a hard working honest guy. Love the satisfaction from finishing something. And the recognition from the people around me. Holt Michigan MSF - Talk/E-mail	
 35 Tired of looking.....Are you the one	😊 I am a fun loving woman who has what she wants except someone to share it with. I enjoy all outdoor activities, gardening stuff like that if we chat I will tell you more. Tall, dark, and handsome I Edmonton Alberta FSM - Dating	
 41 Lets chat	I like country and southern rock music. I like to go out and have fun dancing,movies.I like to take drives in the mountains,picnics in the park.Or romantic dinners.I enjoy sewing and different crafts Harrisonburg Virginia FSM - Talk/E-mail	
 18 Fun Single	I like to play all sorts of sports and just have a good time with friends and stuff like that. I know how to have fun and can be a really good guy to get to know so send me one. Allen Park Michigan MSF - Dating	
 49 kitchener	Hi; MAIL: E-mail: kitchener@attbi.com; e-mailbox.chat: kitchener.TIMER OF THE SCABY VEND FSM -	

Figure 4-6. Landing page of plentyoffish.com as of December 2003<sup>4</sup>

<sup>4</sup>Internet Archive: Wayback Machine, plentyoffish.com, archived December 30, 2003, <https://bit.ly/38JP2Xa>.

---

**Products and services:** 1

**End-users:** About 10,000

**Staff:** None

**Founders:** Frind

---

## Month 12: January 2004

By the end of the first year, Frind had been able to conduct a large number of experiments that had suggested a number of levers that he could use to keep POF going and growing. The first was to make sure that POF continued doing the five things very well. The second was to only deploy new features and functionalities that at least 10% of end-users wanted. To this end, there was no need to build them. If more than 10% clicked the links and buttons suggesting the new features and functionalities, Frind would build them; if not, they would be immediately discarded and forgotten. The third was simply to proportionally use fewer resources to grow. For Frind, scaling was a consequence of being better at listening, better at engaging with end-users, better at building, better at streamlining, which meant to proportionally use fewer resources, not more.

---

**Products and services:** 1

**End-users:** More than 20,000

**Staff:** None

**Founders:** Frind

---

## Beyond the First Year

In December 2008, POF introduced paid virtual gifts. Prices ranged from 12 CAD for a Beginner Orchid to 30 CAD for an Elite Rose.

In March 2009, it launched a premium membership, which provided “Serious Member” badges to paying customers. Part of the value proposition was that end-users that paid for online dating would be perceived as more serious about their dating pursuits.

## Chapter 4 | Year One of Plenty Of Fish (POF)

In September 2010, it debuted eVow, a new dating web site that allowed singles to find long-term relationships only, and it launched mobile apps for iPhones and Android phones.

In October 2011, it rebranded as POF (Figure 4-7).

Figure 4-7. Landing page of pof.com as of October 2011<sup>5</sup>

In September 2013, it acquired FastLife, a speed dating and singles event company.

In April 2015, it folded eVow back into PlentyOfFish.

<sup>5</sup>Internet Archive: Wayback Machine, pof.com, archived October 2011, <http://bit.ly/2Uiqb8R>.

In October 2015, it accepted an acquisition offer of \$575 million from the Match Group.

Table 4-1 shows the evolution in the number of offerings, number of monthly active users, and staff up to POF's sale to the Match Group in 2017. Unfortunately, the year-on-year evolution cannot be effectively gauged, as additional data was not made available in press releases or conversations. Still, it's possible to note that when the company was acquired, it had already achieved very significant milestones, that is, grown its number of monthly active users to 100 million while having less than 100 staff.

**Table 4-1.** Evolution of key indicators until acquisition

	2003	2004	2005	2006	2007	2008	2009
<b>Number of Offerings</b>	1	1	1	1	1	1	1
<b>Number of Monthly Active Users</b>	*	*	*	*	*	10M	*
<b>Number of Staff</b>	1	1	1	1	1	2	5

	2010	2011	2012	2013	2014	2015
<b>Number of Offerings</b>	1	1	1	1	1	1
<b>Number of Monthly Active Users</b>	*	20M	45M	55M	90M	100M
<b>Number of Staff</b>	*	40	*	*	70	75

\* data is not public

## Today

Today, POF is widely considered to be a pioneer in the history of online dating services. Not only it was able to validate a business model that was somewhat overlooked, that of offering online dating services for free, but it did it in a way that was unique and unprecedented.

## Reflections

In addition to exposing the inner workings of how POF started, the month by month account also revealed that:

- **Successful technology companies can be started as side projects:** For most of the first year, Frind only worked on POF during evenings and weekends. Only by month 10 did he quit his day job, since POF began to make him almost as much money as he was earning from his employer.
- **Successful technology companies can be started by focusing on only a few things:** Frind largely attributes the success of POF to focusing on doing only a few things and doing them very well. To a large extent, it was because of this principle that Frind never accepted outside investment, kept hiring to the bare minimum, and never launched new features and functionalities that did not appeal to at least 10% of POF's user base.
- **Successful technology companies can be started as automation in action:** For the founder of POF, scaling was a consequence of being better at engaging with end-users, better at listening, better at building, better at streamlining, which meant automating increasingly more activities and using proportionally less resources. In fact, it was because of this disposition that Frind could not find a strong reason to accept venture financing.
- **Successful technology companies can be started without venture capital:** Frind was approached several times by venture capital firms interested in investing on POF. However, investors were never able to mention any significant reasons for accepting their investments. For Frind, if growth was largely a function of automation and doing more with less, accepting risk capital could do more to compromise the future of POF than otherwise.

# Year One of Etsy

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Etsy ([www.etsy.com](http://www.etsy.com)) is an e-commerce web site focused on handmade or vintage items and supplies founded by Robert Kalin, Chris Maguire, Haim Schoppik, and Jared Tarbell (Figure 5-1). In April 2015, when it started trading on the NASDAQ at a valuation of more than \$3.5 billion, it was generating total merchandise sales of more than \$2.3 billion annually.

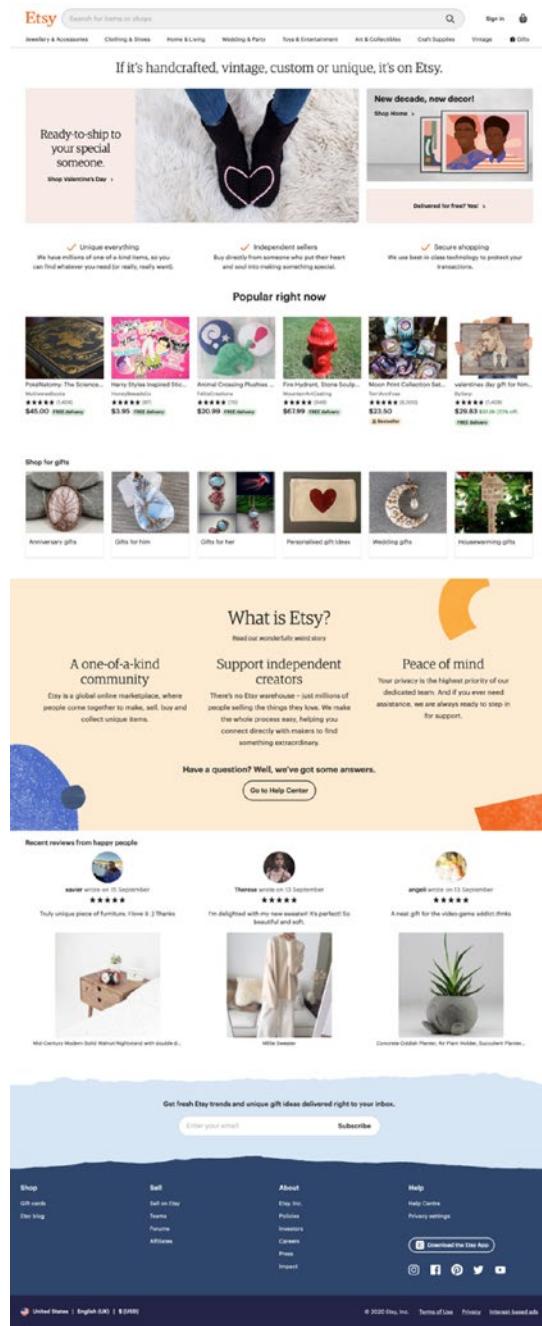


Figure 5-1. Screenshot of the landing page of etsy.com as of February 2020

The first year account that follows is based on a phone call and several e-mails exchanged between February and July 2019 with one of Etsy's founders, Chris Maguire.

## Month 0: November 2004

Kalin and Maguire worked together for most of 2004, doing freelance web development for various New York businesses. Not only did it help pay bills and student loans, but it gave them plenty of time to brainstorm new ideas. Kalin had decided he wanted to design and develop a new product or service with Maguire—they just needed a good idea. One of the ideas that solidified very rapidly was that of creating a social network, but something different than Friendster, Tribe.net, or Facebook.

Kalin and Maguire wanted to build a service that was very simple for end-users, as they wanted to cater to end-users that were not of their generation, but that of their parents and grandparents. At the time, social networking was a relatively recent phenomenon, which for Kalin and Maguire meant that they still had a chance to be impactful and build a popular service. Toward the end of 2004, Kalin and Maguire started making some progress toward developing the social networking service.

In parallel, they continued doing contract work and signing new customers. One of their new customers was Getcrafty. Getcrafty was an arts and crafts forum that at the time already had over 10,000 members and thousands of messages posted every week. As Kalin and Maguire started redesigning and recoding Getcrafty, they started engaging with members and asking them questions about what issues needed to be solved, what was accessory and what wasn't, etc. From these conversations, Kalin and Maguire realized that there was a significant problem that many members of the community were facing, but couldn't be solved by Getcrafty.

Many members wanted to sell their products online, but didn't want to set up their own web site or use eBay, which were pretty much the only options available at the time. Among the reasons for not wanting to use eBay was that the platform did not cater to crafters and handcrafts, it was too complicated to use, and that fees and commissions charged were prohibitive.

As Kalin and Maguire started to realize the extent of the problem and how much crafters were desperate for help, they started to discuss between themselves if they should do something about it. They had not been able to build momentum around the social networking service, and now almost every crafts person around was asking them to launch an e-commerce web site for the crafts community.

## Month 1: December 2004

After many months of working with Kalin and Maguire on contract work and on their initial social networking service idea, Haim Schoppik finally decided to join team and create something entirely new together: Etsy. From the start, they decided to not reuse anything developed for the social networking service or for their contract work, as they realized that they would move faster if they started with a clean slate. All the designs and code for Etsy would be new.

---

**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Kalin, Maguire, and Schoppik

---

## Months 2 to 4: January to March 2005

The first months of 2005 were spent mostly brainstorming and working on some rudimentary designs and coding tasks. Kalin, Maguire, and Schoppik still had to do contract work for Getcrafty and other clients, as the very small investment they had secured from a friend to build the social networking service was not sufficient for them to be dedicated to Etsy full time. As such, they only worked on Etsy whenever they could, which was mostly during evenings and weekends. From January to March, progress was steady but slow.

---

**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Kalin, Maguire, and Schoppik

---

## Month 5: April 2005

It was only in early spring that Kalin, Maguire, and Schoppik started working on Etsy in earnest. The amount of contract work decreased substantially, which gave them an opportunity to double down on Etsy. In just a few weeks, they defined the user flow, designed the fundamental user interface elements, and hurriedly started coding. They decided that their goal was to launch in early summer.

---

**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Kalin, Maguire, and Schoppik

---

## Month 6: May 2005

The workflow between Kalin, Maguire, and Schoppik eventually got to be like clockwork. Kalin would design the static user interface elements, and Maguire and Schoppik would implement them, Maguire at the front and Schoppik at the back, that is, Maguire building the markup and Schoppik working on the database. Once Maguire and Schoppik were able to complete their respective parts, they would get together to figure out the logic in PHP.

As Etsy started taking shape, a handful of people started being consulted. These were people that Kalin, Maguire, and Schoppik respected because between them all, they had decades of interactions with over 100,000 people from the crafts community. All of them knew the arts and crafts world inside out, all of them had strong opinions about what was needed and not needed, and all of them were very enthusiastic to help Kalin, Maguire, and Schoppik build something impactful for their community. None of them had ever considered getting themselves involved in e-commerce, as they were mostly interested in production not consumption.

---

**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Kalin, Maguire, and Schoppik

---

## Month 7: June 2005

As Kalin, Maguire, and Schoppik had promised themselves, Etsy was launched in June (Figure 5-2). The effort was gruelling in that for two months—they hardly left the apartment that they were using as an office. They basically spent over 1,000 hours coding, feeding themselves, and sleeping on the floor. Among the functionalities available to sellers were those of listing items for sale in one of the more than 25 product categories as well as selling the items and collecting

the money through PayPal. Buyers were able to search for products across various categories as well as purchase items and pay for them electronically.

How Etsy Works | FAQ

Login | Register

**Etsy** beta

**BUY**

- Categories
- Shops & Sellers
- Materials & Tags

**SELL**

- List an Item
- How Selling Works
- Seller FAQs

**SEARCH**

Your place to buy & sell all things handmade.

We just opened! 1st month special: no fees at all

List items for free, and no sales fees either! Until July 31st, 2005.

It's been a busy couple months, and we're proud to announce our grand opening.

This is a site by crafters for crafters, made by the creators of [GetCrafty.com](#) with help from Leah of [Craftster.org](#).

As you can see, the site looks a bit empty at the moment. So please sign up and start listing your items!

We'll be promoting this site at the Indy Craft Experience fair in Atlanta and the Renegade Craft Fair in Brooklyn, just to get started. And we're throwing a [party](#) in Brooklyn on June 25th for crafters to meet each other.

If you have any questions or suggestions, we'd love to hear from you. Stay tuned over the next month for lots of enhancements and snazzy new features.

[Start selling now!](#)

Soon we'll be featuring your items on the homepage, so list something now and see it here soon.

**Categories**

- Accessories 36
- Art 49
- Bags & Purses 63
- Basketry 0
- Bath & Beauty 14
- Books & Zines 19
- Candles 4
- Ceramics & Pottery 2
- Clothing 8
- Craft Supplies 8
- Crochet 2
- Everything Else 11
- For Children 2
- For Holidays 9
- For Pets 3
- For Weddings 0
- Furniture 0
- Geekery 1
- Glass 0
- Housewares 4
- Jewelry 78
- Knitting 23
- Music 2
- Needlecraft 8
- Paper Goods 28
- Patterns 7
- Quilts 1
- Toys 22
- Woodworking 0

**Popular Materials**

- silver
- paper
- yarn
- cotton

**Popular Tags**

- cute
- crochet
- earrings
- silver

About Etsy | Terms of Use | Privacy Policy

brought to you by lospace

Figure 5-2. Landing page of Etsy as of June 2005<sup>1</sup>

<sup>1</sup>Internet Archive: Wayback Machine, [etsy.com](http://etsy.com), archived June 25, 2005, <http://bit.ly/2RQpPoJ>.

Having told many members of the crafts community about the launch, they had hopes that some of them would try to register on the launch day and eventually list their own products to sell on Etsy. In order to encourage the more reluctant crafters, the team promised that during the first month, selling through Etsy would be free; no commissions would be charged. Another reason for the promise was because the team had not had the time to build a billing system before launch, as it was a very resource-intensive task, and they were not sure if they should commit to it before a proper amount of traction and validation took place.

The launch ended up being a lot less nerve wrecking than Kalin, Maguire, and Schoppik had anticipated. In the first few hours after going live, a handful of people registered, and before the end of the month, about 100 sign-ups took place. To make the launch even more auspicious, the team was able to secure a much needed seed round of financing from several individual investors, namely, Stewart Butterfield, Caterina Fake, and Joshua Schachter, as a result of the very promising launch.

---

**Products and services:** 1

**End-users:** 100

**Staff:** None

**Founders:** Kalin, Maguire, and Schoppik

---

## Month 8: July 2005

Seeing that people were acting on the needs that they had shared months before, the team decided to not wait any longer and reconnect with a friend that they had wanted to bring into the team for the longest time, Jared Tarbell. They had worked together in the past, and Tarbell had always showed a natural talent for turning raw data into very colorful and meaningful pixels. Tarbell was also very good with Adobe Flash. At the time Flash was very important on the Internet, which meant that Etsy had to have a specialist in the team, someone that could create the interactive interfaces required to have in order to look fresh and current. Upon analyzing the progress made and the enthusiasm of those that were already using Etsy, Tarbell joined the team as the fourth founder.

July was also the month in which the team unveiled a new feature called forums ([Figure 5-3](#)). In order to replicate the initial experience they had with the Getcrafty community, the team decided to create a forum in which buyers and sellers could talk to each other as well as to the Etsy team. Being able to have conversations with end-users all the time was critical for the Etsy team to understand what was working and not working, what was critical to build and what was secondary. The forum quickly became the primary means of

communication between the team and the end-user community, with Kalin, Maguire, Schoppik, and Tarbell spending a lot of their time responding to questions, raising questions, engaging in conversations, etc.

[Home](#) | [Blog](#) | [FAQ](#) | [Forums](#) | [Contact](#)

[Login](#) | [Register](#)

**Etsy beta**

**BUY**

- Categories
- Shops & Sellers
- Materials & Tags
- Colors + Newest

**SELL**

- List an Item
- How Selling Works
- Seller FAQs
- Featured Sellers

**SEARCH**

or try an advanced search

Locate a seller Now!

[Home > Forums](#)

## Forums

This is where you can ask for help, share ideas about how to make Etsy better and report any bugs you've found while using the site. Etsy helpers regularly browse and post in the forums.

Search the Forums:

**Help** stuck on something? ask Etsy staff and your fellow crafters

Title	Author	Replies	Latest Post
Photography Tips		12	10.14.2005 4:52 PM
Need an avatar? Or want a new one?		2	10.14.2005 1:18 PM
new and needs help		3	10.13.2005 3:00 PM
Who wants to make me a new logo?		3	10.12.2005 11:57 PM
Emailing my shop to family and friends		4	10.12.2005 11:14 PM
unusual feedback problem		6	10.12.2005 6:16 PM
I'm sure I'm just really dumb... please help!		1	10.12.2005 12:16 AM
selling cruises? got real!		21	10.11.2005 3:58 PM
Are outside links allowed?		2	10.10.2005 10:56 PM

[View all posts in the Help forum](#) (or add your own)

**Ideas** have a way to make Etsy better? let us know!

Title	Author	Replies	Latest Post
Additional jewelry category		2	10.14.2005 7:30 PM
Pricing Feedback?		10	10.14.2005 5:02 PM
Random item browsing		4	10.14.2005 9:52 AM
site referrals for sold items		3	10.14.2005 3:09 AM
New Feature -- Improved Feedback		3	10.13.2005 10:29 PM
Reusable item description text/shipping info		2	10.13.2005 10:19 PM
Searching Sellers/Shops by State		7	10.13.2005 1:06 AM
Featured Items...a little rotation maybe?		23	10.12.2005 10:56 PM
Temporarily hide items		4	10.11.2005 8:24 PM

[View all posts in the Ideas forum](#) (or add your own)

Figure 5-3. Landing page of Etsy Forums as of October 2005<sup>2</sup>

<sup>2</sup>Internet Archive: Wayback Machine, [www.etsy.com/forums\\_home.php](http://www.etsy.com/forums_home.php), archived October 14, 2005, <http://bit.ly/2vF2Dkg>.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** None

**Founders:** Kalin, Maguire, Schoppik, and Tarbell

---

## Month 9: August 2005

During August, growth in registrations started to accelerate rapidly. By the end of the month, Etsy had over 1,000 registered sellers. Sales were still not growing consistently, as Etsy still had to solve the major challenge with billing and payments. In effect, because Etsy had not built its own functionality and was using PayPal, buyers could only buy items from one seller at a time. This was hampering sales growth, as buyers couldn't add products from different sellers in the same shopping cart. If they wanted to buy from different sellers at any one time, they had to carry separate transactions with each seller.

---

**Products and services:** 1

**End-users:** 1,000

**Staff:** None

**Founders:** Kalin, Maguire, Schoppik, and Tarbell

---

## Month 10: September 2005

As registrations and sales were growing, Etsy eventually had to hire someone to take care of marketing and communications. Quickly an agreement with Matthew Stinchcomb was reached, and he joined Etsy as the first employee. Even though Stinchcomb was not a marketing professional, after school he had spent most of his time performing with his rock band; being Kalin's roommate and knowing almost everything about Etsy and the team allowed him to jump immediately into the role and learn about it while performing it.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** Stinchcomb

**Founders:** Kalin, Maguire, Schoppik, and Tarbell

---

## Month 11: October 2005

Shortly after Stinchcomb was hired to become head of marketing and communications, the team decided to hire a second employee, Emily Bidwell. Bidwell became the first person to be responsible for customer support, which, up until her hiring, had been shared between Kalin, Maguire, Schoppik, and Tarbell. October was also the month in which changes were made to how products could be listed and searched, as buyers and sellers were allowed to do it based on their color, location, time, and material (Figure 5-4).

Home | Blog | FAQ | Forums | Contact      Login | Register

# Etsy beta

**BUY**

- Categories
- Shops & Sellers
- Materials & Tags
- Colors + Newest

**SELL**

- List an Item
- How Selling Works
- Seller FAQs
- Featured Sellers

**SEARCH**

Go  
or by an advanced search  
Locate a seller Now!

Your place to buy & sell all things handmade.

Figure 5-4. Landing page of Etsy as of October 2005<sup>3</sup>

<sup>3</sup>Internet Archive: Wayback Machine, etsy.com, archived October 25, 2005, <http://bit.ly/2UkKAtw>.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** Stinchcomb and Bidwell

**Founders:** Kalin, Maguire, Schoppik, and Tarbell

---

## Month 12: November 2005

In November, Etsy was finally able to deploy its much anticipated payments and billing infrastructure. The first weeks of charging listing fees led Etsy to close the month with \$2,662 in revenues.

---

**Products and services:** 1

**End-users:** Not public

**Staff:** Stinchcomb and Bidwell

**Founders:** Kalin, Maguire, Schoppik, and Tarbell

---

## Beyond the First Year

In November 2006, Etsy raised \$1 million in a series A round of funding led by USV.

In January 2007, it raised an undisclosed amount in a series B round of funding co-led by Mosaic Ventures and USV.

In July 2007, it raised \$3.25 million in a series C round of funding co-led by Manatt Venture Fund and USV.

In January 2008, it raised \$27 million in a series D round of funding led by Accel.

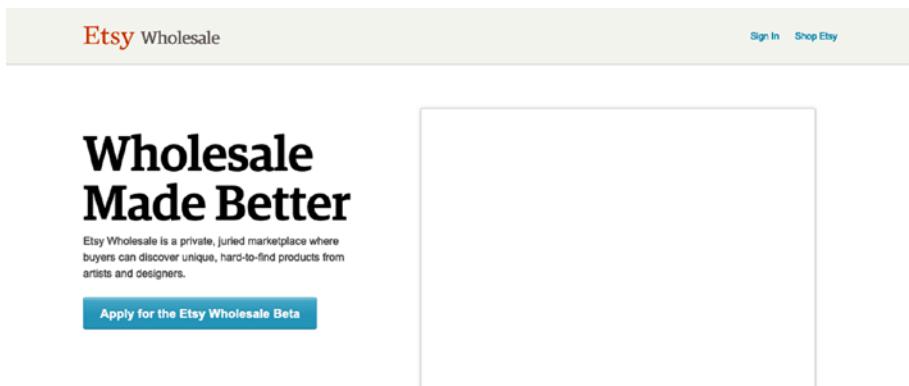
In December 2009, it acquired Adtuitive for an undisclosed amount.

In August 2010, it raised \$20 million in a series E round of funding led by Index Ventures.

In May 2012, it acquired Trunkt for an undisclosed amount, raised \$40 million in a series F round of funding led by Index Ventures, and became B Corporation certified.

In January 2013, it acquired Lascaux Co. for an undisclosed amount.

In May 2013, it launched Etsy Wholesale, a private marketplace for buyers to search for unique and hard to find products. See Figure 5-5.



**Figure 5-5.** Landing page of Etsy Wholesale as of May 2013<sup>4</sup>

In April 2014, it acquired Grand St. for an undisclosed amount.

In June 2014, it acquired A Little Market for an undisclosed amount.

In October 2014, it introduces Direct Checkout.

In April 2015, it started trading on the NASDAQ.

Table 5-1 shows the evolution in the number of offerings, total merchandise sales, and staff up to Etsy's IPO in 2015. As most of the data could be gathered from press releases, reports, and conversations, it's possible to note the extraordinary growth rates in total merchandise sales of the first years (more than 6,000% between 2006 and 2007) as well as the extraordinary milestones achieved toward the end of the period, with total merchandise sales and staff surpassing \$2 billion and 600 staff.

<sup>4</sup>Internet Archive: Wayback Machine, [etsy.com/wholesale](http://etsy.com/wholesale), archived October 31, 2005, <http://bit.ly/37SBwR4>.

**Table 5-1.** Evolution of key indicators until IPO

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of Offerings	1	1	1	1	1	1	1	1	1	1	3	3
Total Merchandise Sales	0	\$170 K	\$3.8 M	\$26 M	\$87 M	\$176 M	\$306 M	\$525 M	\$895 M	\$1.35 B	\$1.93 B	\$2.4 B
Number of Staff	0	2	*	47	60	125	165	275	400	495	685	*

\* data is not public

## Today

Today, Etsy is widely considered to be the pioneer of online marketplaces for handmade and vintage goods. Not only it was able to detect a problem that was very significant and had been ignored for quite a while, but it did it in a way that was very distinctive, imaginative, and creative.

## Reflections

In addition to exposing the inner workings of how Etsy started, the month by month account also revealed that:

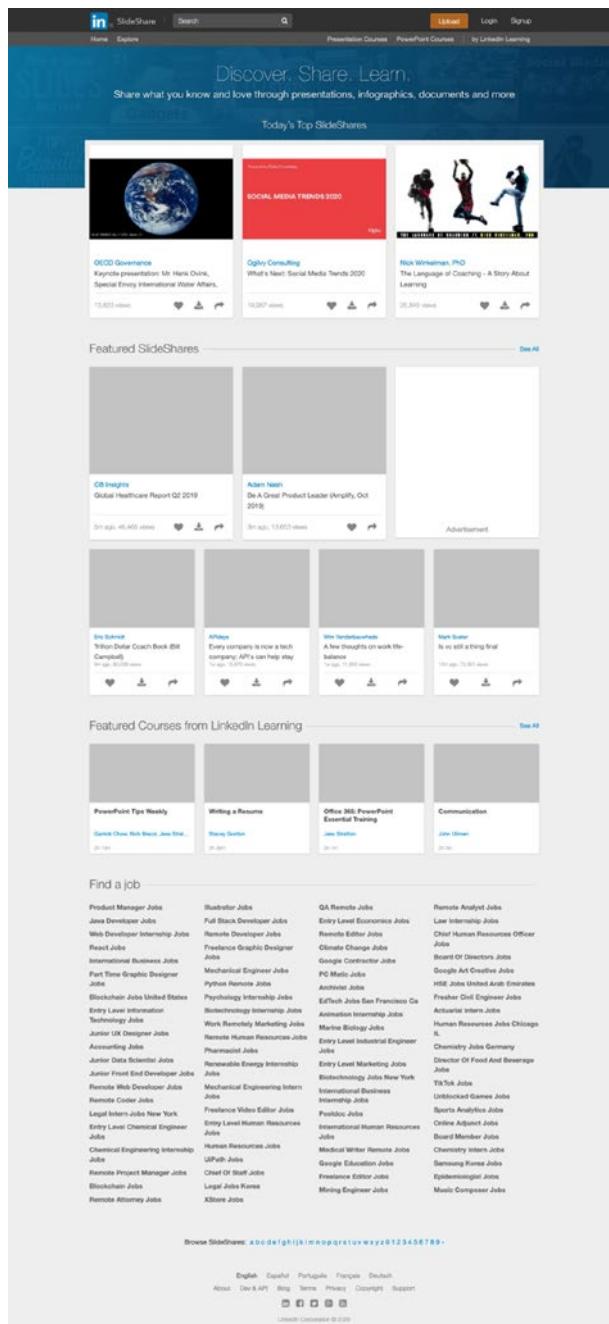
- **Successful technology companies can be started as empathy in action:** As Kalin and Maguire started to realize the extent of the problem of the crafts community to sell their products online and how desperate they were for help, they decided to do something about it. The decision to build Etsy was not necessarily born out of the detection of a massive business opportunity, but more from a combination of empathy with a spirit of contrarianism, curiosity, and experimentation.
- **Successful technology companies can be started by solving problems for “small” communities:** When Kalin, Maguire, and Schoppik started Etsy, they did not necessarily have the foresight to know that it would start trading on the NASDAQ 10 years later at a valuation of more than \$3.5 billion. In fact, it was completely the opposite, in that they thought that they were starting to solve a problem for a small community that could not grow much bigger.

- **Successful technology companies can be started as side projects:** For many months Kalin and Maguire simultaneously worked on Etsy and several freelance projects, which was not necessarily negative or defeating, as it allowed them to stay afloat financially until when they were able to raise a seed round of financing under terms that they were very comfortable with. Also, being able to work on various projects simultaneously was what gave Kalin and Maguire the opportunity to identify the problem that led to Etsy, and eventually to set of features and functionalities that resonated with millions of people.
- **Successful technology companies can be started as experimentation in action:** When Kalin and Maguire started or even when a few months later Schoppik and Tarbell joined, there was not a clear notion of what was going to happen with Etsy or even what was the underlying vision and to some extent the underlying mission. They knew they were inside a maze and that they had taken the path B (Etsy) instead of path A (social networking service), but they didn't know much else. Over time they ended up succeeding not necessarily because taking path B determined their future success, but mostly because they made sure that if they came across a dead end, they would just retrace their steps back and find an alternative path that allowed them to move ahead.

# Year One of SlideShare

---

SlideShare ([www.slideshare.net](http://www.slideshare.net)) is an online service for hosting and sharing professional content such as presentations, infographics, and documents (Figure 6-1). It was founded by Rashmi Sinha, Jonathan Boutelle, and Amit Ranjan. In May 2012, when it was sold to LinkedIn for about \$119 million, it had about 53 million monthly visitors.



**Figure 6-1.** Screenshot of the landing page of slideshare.net as of February 2020

The first year account that follows is based on a phone call and several e-mails exchanged between July and October 2019 with one of the founders of SlideShare, Amit Ranjan.

## June 2004 to February 2006

In the summer of 2004, well before SlideShare, Sinha, Boutelle, and Ranjan quit their full-time jobs to start their first business together. They wanted to be more impactful and build products and services that were meaningful and delightful, as their full-time time jobs were offering everything but such an opportunity. They didn't have a very clear idea of what they wanted to do or how they could achieve it, but such open-endedness was far more exciting than worrying.

One of their first decisions was that the new business, Uzanto, would be based in the Bay Area, where Sinha and Boutelle were living. However, its technical team would be based in New Delhi, where Ranjan was living. There were a lot of cost advantages in having operations in India, and given that they were bootstrapping, stretching their runway as much as possible was essential.

The choice of setup was followed by the decision to build their first product around the research and consulting work that Sinha had been doing while studying at UC Berkeley. For several years, Sinha had conducted quite a lot of research on human-computer interaction and consulted on user experience design for several tech companies in the Bay Area. After many discussions and brainstorming sessions, Sinha, Boutelle, and Ranjan realized that the majority of professionals that were building and designing Internet products and services lacked tools to quickly test usability (the ease of use of their products and services) at an early stage of design/development. In conversations with some of these professionals, they understood that a survey tool that was able to help them collect feedback and ask very specific questions about very specific characteristics of the products and services that they were designing and managing would be extremely valuable.

The decision to build MindCanvas was reached very quickly. Once the user experience and user interface were designed, four software developers were immediately hired. Overall, 18 months were necessary to put together a working prototype.

Once launched, all the many months of struggles were rapidly forgotten (Figure 6-2). As Sinha and Boutelle were quite known in the design and technology communities, MindCanvas rapidly generated a fair bit of curiosity and interest across the Bay Area. In fact, after a few months, the customer base started to grow very consistently. Even if buying software as a service was still atypical, MindCanvas appealed a lot to design professionals, across both medium and large technology companies.

MindCanvas BETA  
A research service from Uzanto

Home Solutions How it Works Knowledge Center About Us MindBlog

MindCanvas Reimagining what research can be...

check out demos Learn more

**How MindCanvas is different**

- Everybody hates surveys. Everybody loves games. With **game-like elicitation methods** users enjoy giving you design feedback.
- Research results you can interact with: "**visualizations to-go**" that you can explore, embed into presentations or email to colleagues

**You can use MindCanvas for...**

**Designing Information Architecture**

Learn how to structure your website, catalog or application menus. Compare user thinking across cultures. Learn user vocabulary. Do A/B testing of IA redesigns. [more...](#)

**MindBlog (news, opinions...)**

RSS

- What about the data: Do game-like elicitation methods get good user data?** (Nov 23rd)  
One question I have been asked about game-like ...
- Enthiosys: offline game-like elicitation methods** (Nov 21st)  
I went to the SDForum "Foundations of Innovation" event ...
- MindCanvas is on del.icio.us popular for the tag "research"** (Nov 19th)  
Ok, its not that many people who have ...
- Is MindCanvas a service or a tool?** (Nov 16th)  
This question has cropped up a few times. ...
- Kapil blogging the MindCanvas launch** (Nov 14th)  
Kapil has been blogging the MindCanvas launch. MindCanvas ...

Figure 6-2. Screenshot of the landing page of theMindCanvas.com as of November 2005<sup>1</sup>

The growth of MindCanvas ended up not generating the fulfillment that Sinha, Boutelle, and Ranjan were expecting however. MindCanvas did not feel like the meaningful and delightful service that they were looking for. The situation was further aggravated with the excitement taking place around the social Web. Services like Flickr, Typepad, Delicious, and others were very fresh and exciting, which made the team become completely enamored with them. In fact, they started blogging regularly in their spare time, weaving their curiosity about the social Web with their own personal interests.

Sharing their thoughts online and engaging with like-minded people all over the world was extremely stimulating and rewarding for Sinha and Boutelle, as well as Ranjan. In fact, they soon felt that the social Web was far more rewarding than the engagements and interactions that they were having through their own service. MindCanvas was a business service, with far more limited draw and appeal, which was slowly becoming a frustrating handicap.

<sup>1</sup>Internet Archive: Wayback Machine, themindcanvas.com, archived November 25, 2005, <http://bit.ly/2GK1SzW>.

In order to reignite their excitement and dedication, Sinha, Boutelle, and Ranjan started looking again for new ideas and possibilities. They didn't ignore or abandon MindCanvas. They just decided to keep their ears, eyes, and minds open and look for interesting phenomena happening around them in the context of the social Web.

Toward the end of 2005, as Sinha and Boutelle noticed that the format of unconferences, user-generated conferences primarily focused around technology and the Web, was becoming quite popular in the Bay Area, they decided to introduce it to the New Delhi tech community. Uzanto was now known in the New Delhi startup community, and everyone was eager to see the team bridge some of the more exciting developments taking place in the Bay Area. As Sinha and Boutelle personally knew Chris Messina, who had helped create BarCamp (one of the most popular unconferences), the first BarCamp in New Delhi was immediately scheduled for the following March, with Messina himself attending and speaking at the event (Figure 6-3).

The screenshot shows the homepage of the BarCamp New Delhi website. At the top, there's a navigation bar with links for Home, Discuss, Changes, All Pages, and Log In to Edit. The main header features the Barcamp logo with the text "BarCamp | BarCampDelhi". Below the header, there's a large banner with the Barcamp logo and the text "NEW DELHI". The main content area contains several sections: "BarCampDelhi: what is it?", "BarCampDelhi is BarCamp's first foray into Asia and we are proud to be the torch-bearers.", "BarCamp is a new kind of technology 'unconference'- organized by attendees, for attendees. It's an open, welcoming, once-a-year event for geeks to hang out with wifi and smash their brains together. It's about love and geekery and having a focal point for great ideas.", "Attendees are strongly encouraged to give a demo, a session, or help with one. You can help by taking notes on the wiki, blogging the event, helping to promote the event, or helping with logistics.", "The theme of BarCampDelhi will be "Next Generation Internet: Web 2.0, mobile computing, and other cool stuff".", "This wiki is a living document. Feel free to edit it! [tutorial on wiki editing here](#)", and "It was a success!". There's also a "Jump below to read blog entries about the event." link. On the right side, there's a sidebar titled "SideBar" with a heading "Upcoming Camps" and a link "+Subscribe to iCalendar (that's this)". It lists several events: "4/04-05 - BarCamp WestDC", "4/08 - BarCampChennai", "4/09 - BarCampHyderabad", "4/22 - BarCampOttawa", "5/05 - Minnebar", "5/13 - DnabotCampNY", "5/13 - 5/14 - BarCampTidbit", "5/20 - BarCampBrisbane", and "end more...".

**Figure 6-3.** Screenshot of the BarCamp New Delhi web site as of March 2006<sup>2</sup>

The first New Delhi BarCamp ended up being a daylong event, with about 60 participants from abroad and across India. The newness of the format, the broadness of the theme (“Next Generation Internet: Web 2.0, mobile computing, and other cool stuff”), and the diversity of participants led to lots of interactions, discussions, and presentations about technology, entrepreneurship, digital media, and many other issues. At the end, most

<sup>2</sup>Internet Archive: Wayback Machine, [barcamp.org/BarCampDelhi](http://barcamp.org/BarCampDelhi), archived March 26, 2006, <http://bit.ly/2UiJSgN>.

participants tried to hand out their slide decks, so that they could be shared with the other participants. Most attendees also requested that specific presentations be shared with them, as they had either appreciated the content, the speaker, or both. As the presentations were in multiple formats and mediums, a more straightforward way to sharing was looked for instead of putting them into an FTP server. As there was a Flickr for photos and a YouTube for videos, the assumption was that there would be a comparable online service for slide decks. A quick search was run, but nothing could be found. The next day, a more thorough search was carried out, but again nothing was found.

Over the following days, Sinha, Boutelle, and Ranjan kept asking themselves why hadn't anyone developed a "Flickr" for slide decks. In fact, upon more online searching, they realized that lots of people across the Internet were asking for such service to be created. Galvanized by this realization, they decided to take a step forward and build a working prototype of a "Flickr" for slide decks themselves inside Uzanto.

## Months 1 to 3: March to May 2006

While the majority of the Uzanto team continued to work on MindCanvas, Sinha, Boutelle, and Ranjan started spending some of their time on conceptualizing SlideShare, its technical, user experience, and user interface elements. In May, one of the engineers working on MindCanvas was asked to help and a junior engineer was purposefully hired. Shortly after, the first lines of code started to be put together.

Underlying all the design and development work was the premise that slide decks could be uploaded and displayed by and to any end-user. To this end, a decision was also made to build an engine that converted every slide deck into a single format, so that it could be displayed in the same way across any device, any operating system, and any browser.

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**Products and services:** None

**End-users:** None

**Staff:** 2

**Founders:** Sinha, Boutelle, and Ranjan

---

## Months 4 to 6: June to August 2006

The development of the engine became very challenging, which led to the team taking more than 3 months, until mid-August, to put together a working prototype. The rest of the month was spent testing the engine to the limit, so as to make sure that it would always perform. By the end of August, the team was firmly convinced that the engine was robust enough to withstand most use cases.

---

**Products and services:** None

**End-users:** None

**Staff:** 2

**Founders:** Sinha, Boutelle, and Ranjan

---

## Month 7: September 2006

Once the team was confident that the engine was solid and scalable, it moved to putting together the user interface and the user experience, that is, the buttons, features, user flows, and others. Sinha was of course particularly involved in the process, as the user interface and the user experience were personally very important elements to her and to the service as well.

Having a very user-friendly interface and a very simple and straightforward user experience were critical to any online service, particularly as the Internet was transitioning to the social Web. The purpose was also to stay close to what end-users were getting accustomed to while using services like Flickr or YouTube. SlideShare wanted to be part of the social Web, and to this end the team was keen to adopt the language already developed by existing services that included profile pages, notifications, etc.

At the end of the month, the alpha version was finally ready. Sinha, Boutelle, Ranjan, and the rest of the team started contacting friends and acquaintances across India and abroad, in order to have them try SlideShare and provide feedback.

---

**Products and services:** None

**End-users:** None

**Staff:** 2

**Founders:** Sinha, Boutelle, and Ranjan

---

## Month 8: October 2006

In the run up to the launch, Sinha and Boutelle tried to reach out to Michael Arrington, founder and co-editor of TechCrunch at the time, through a common friend. They informed Arrington of the imminent launch of SlideShare and asked if TechCrunch would be interested in seeing a demo of it and writing about it, which he personally accepted.

After the demo and a lengthy discussion about the appeal that the service could have for professional speakers, educators, conference organizers, and others by way of making presentations permanently available on the Internet for easy access and reference, Arrington realized that it could quickly become the YouTube of PowerPoint, and decided to write an article introducing SlideShare to TechCrunch readers.<sup>3</sup>

The article on TechCrunch turned out to be an extraordinary launchpad, as in a matter of hours, hundreds of visitors flowed to SlideShare and signed up to be able to upload slide decks and share them online (Figure 6-4).

Most initial subscribers kept emphasizing how much they had been looking for such a service and that they were extremely pleased that the team was offering it for free. It was the sort of service that they had needed for a long time, but that they never thought that anyone would bother to design and build in such an easy to use way.

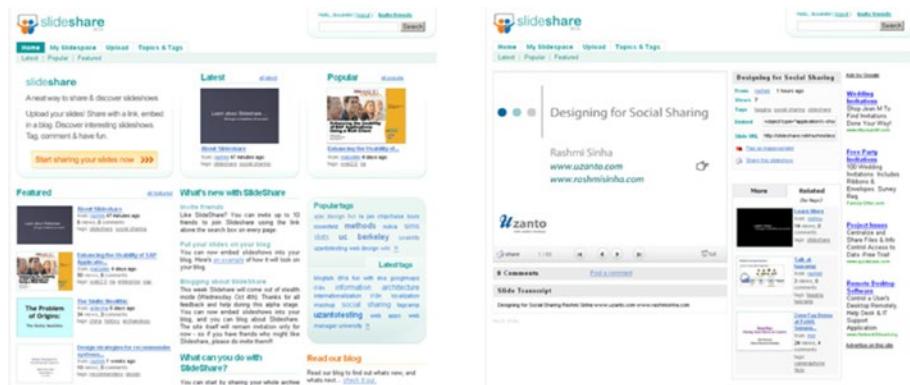


Figure 6-4. Screenshot of the SlideShare web site as of October 2006<sup>4</sup>

<sup>3</sup>Michael Arrington, “Introducing SlideShare: Power Point + YouTube,” TechCrunch, October 4, 2006, <https://tcn.ch/36SRs15>.

<sup>4</sup>Internet Archive: Wayback Machine, amitranjan.com, archived February 8, 2007, <http://bit.ly/2UiJSGN>.

In the following weeks, the team realized that the decision to build SlideShare had been the right one. SlideShare rapidly proved to be that delightful and full of promise online service that they had dreamed of building and offering to users around the world. Still, the rapid growth of SlideShare came as an absolute surprise, as expectations had never been given any thought at the very beginning.

Eventually growth became so strong that a decision was made to start redirecting resources away from MindCanvas. It became very clear to the entire team that spending time and effort on MindCanvas was undermining SlideShare. Before the end of the month, all development work on MindCanvas was halted and the rest of the team started working on SlideShare full time.

---

**Products and services:** 1

**End-users:** Hundreds

**Staff:** 5

**Founders:** Sinha, Boutelle, and Ranjan

---

## Months 9 to 12: November 2006 to February 2007

Fueling SlideShare's growth was blogging and the need that people had to illustrate their posts and articles with videos, photos, and eventually slide decks. To this end, the possibility of easily embedding SlideShare presentations into posts on Blogger, LiveJournal, and most other blogging services became a very significant driver. Embedding slide decks was SlideShare's main use case as well as an extraordinary means for viral growth. Every time users embedded a SlideShare presentation on their blogs or web sites, they were exposing SlideShare to all their friends and readers, which of course led to new sign-ups and a further snowball effect.

Before the end of 2006, more software engineers had to be recruited. SlideShare needed more technical help in order to support growth, so two new engineers joined the existing staff of five (two original and three that were redirected from working on MindCanvas)

The process of winding down business activities around MindCanvas would take a few more months until April, as remaining customers had to be supported until the end of their contracts and/or reimbursed.

**Products and services:** 1

**End-users:** Thousands

**Staff:** 7

**Founders:** Sinha, Boutelle, and Ranjan

## Beyond the First Year

In August 2007, SlideShare Inc. was incorporated (amended from Uzanto Consulting incorporated in February 2003).

In January 2008, it raised \$300,000 in a seed round of funding co-led by multiple private investors.

In May 2008, it raised \$2.7 million in a series A round of funding led by Venrock.

In August 2010, it launched PRO accounts.

In May 2012, it accepted a \$119 million acquisition offer from LinkedIn.

Table 6-1 shows the evolution in the number of offerings, number of monthly active users, and staff up to SlideShare's sale in 2012. As most of the data could be gathered from press releases, reports, and conversations, it's possible to note the extraordinary growth rates in the number of monthly active users of the first years (more than 100% between 2008 and 2009) as well as the extraordinary milestones achieved toward the end of the period, with the number of monthly active users surpassing 50 million and the number of staff increasing more than tenfold vis-a-vis the original team.

**Table 6-1.** Evolution of key indicators until acquisition

	2006	2007	2008	2009	2010	2011	2012
<b>Number of Offerings</b>	1	1	1	1	1	1	2
<b>Number of Monthly Active Users</b>	*	4 M	7 M	15 M	22 M	37 M	60 M
<b>Number of Staff</b>	7	10	15	25	40	60	75

\* data is not public

## Today

SlideShare is today somewhat of a shadow of its former self. Traffic is still very high, but its relevance was withered considerably. LinkedIn never got close to fully appreciating SlideShare's value to professionals. This disconnect became even more significant, almost insurmountable, after LinkedIn's acquisition of Lynda.com and Microsoft's acquisition of LinkedIn. Even if for a brief moment LinkedIn tried to close the gap and make extra features like analytics free for all, it quickly lost its hand again, as it eliminated very popular features with power users, like the lead generation capability for collecting e-mail sign-ups in exchange for content. In fact, many of these power users who were a key driver of its virality have now veered off the service. Hopefully the continual requests by professionals for it to reconnect with their needs and expectations will sooner than later be heard by LinkedIn/Microsoft, and SlideShare will be back to being one of the most visited services by professionals online.

## Reflections

In addition to exposing the beginnings of SlideShare, the month by month account also revealed that:

- **Successful technology companies can be started as empathy in action:** When Sinha, Boutelle, and Ranjan decided to start what would become SlideShare, they just wanted it to be a meaningful and delightful service for professionals. They wanted it to be far more social than their other venture, MindCanvas, but more importantly they wanted it to become a vehicle to connect with and support professionals.
- **Successful technology companies can be started as side projects:** Heavily involved as they were with MindCanvas, Sinha, Boutelle, and Ranjan were only able to commit part time to the development of what became SlideShare. Being a side project within MindCanvas allowed them to spend more time than just evenings and weekends, but still it was largely a side project until month 9.

- **Successful technology companies can be started as reframing in action:** Sinha, Boutelle, and Ranjan quickly realized that there should be a “Flickr” for slide decks, so that a more straightforward way for sharing slide decks could be offered, instead of putting them into FTP servers. However, instead of voicing online their need for such a service, as many had done before, they decided to create it. As there was a Flickr for photos and a YouTube for videos, they were certain that a comparable online service for slide decks was necessary and should be built.
- **Successful technology companies can be started without a business case and model:** Being a side project, SlideShare was never started with a business case and model in mind. MindCanvas was to be the true business for Sinha, Boutelle, and Ranjan, and SlideShare the empathetic and giving back side project. Very quickly SlideShare proved to have tremendous growth and business potential, but it was all unprompted and unexpected.

# Year One of Heroku

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Heroku ([www.heroku.com](http://www.heroku.com)) is an online service that allows developers to deploy, manage, and scale applications in the cloud (Figure 7-1). It was founded by Adam Wiggins, Orion Henry, and James Lindenbaum. In December 2010, when it was acquired by Salesforce for \$212 million, it had about 100,000 customers.



Figure 7-1. Screen shot of the landing page of heroku.com as of February 2020

The first year account that follows is based on a phone call and several e-mails exchanged between August and October 2019 with one of Heroku's founders, Adam Wiggins.

## January 2005 to May 2007

A few months after exiting TrustCommerce ([www.trustcommerce.com](http://www.trustcommerce.com)), a payment processing service for online credit card transactions, Adam Wiggins and Orion Henry decided to start a consultancy together called Bitscribe (Figure 7-2). They wanted to build a tech startup together in the first place, but none of the ideas that they were coming up with seemed to take off. Until they could figure out something that got traction, running Bitscribe would keep them busy and help pay the bills. After a few months of work, Wiggins and Henry ended up finding a niche market in the Los Angeles area helping fulfillment houses build systems to manage their shipping, receiving, and logistics activities. While initially it was just the two co-founders, business started growing consistently, which meant that by the end of 2005, they had incorporated Bitscribe and hired several developers.



Figure 7-2. Screenshot of the Bitscribe web site as of November 2005<sup>1</sup>

<sup>1</sup>Internet Archive: Wayback Machine, [bitscribe.net](http://bitscribe.net), archived November 2, 2005, <http://bit.ly/395vwoq>.

During 2006, Bitscribe continued to focus on building systems for fulfillment houses, even doubling down and developing its own web framework in PHP, called Bitscribe Naked. In 2007 however, when Wiggins, Henry, and Lindenbaum came across Ruby and Ruby on Rails, they immediately decided to reassess their approach. Meanwhile, James Lindenbaum had been hired into the Bitscribe team.

For Wiggins, Henry, and Lindenbaum, Ruby on Rails was an extremely systematic and effective framework. It allowed them to build applications so much faster and easily. Soon, Bitscribe Naked was scrapped in favor of Ruby on Rails, and Wiggins, Henry, and Lindenbaum started wanting to contribute to the Ruby on Rails community, getting involved, and going to Ruby on Rails events.

The first big Ruby on Rails conference that Wiggins, Henry, and Lindenbaum attended was RailsConf in May 2007. During the conference, after many conversations with other attendees, they realized that there was something very special with Ruby on Rails and the community. The framework was encouraging very strong attitudes, almost philosophical, not just about how to code but also how to build companies.

In parallel to Ruby on Rails, Wiggins, Henry, and Lindenbaum also noticed the emergence of virtualized servers and in particular Amazon Web Services' Elastic Compute Cloud (EC2). EC2 was offering developers the chance of bypassing the hassle of acquiring, installing, and maintaining servers, by way of having metered access to virtual computers on which they could run their applications.

From the overlap between the emergence of Ruby on Rails and virtualized servers with EC2, as well as their own frustration with the increasingly tedious work of setting up servers for their consulting clients instead of developing applications, Wiggins, Henry, and Lindenbaum decided to run a little experiment as a side project inside Bitscribe.

## Month 1: June 2007

The side project, which Wiggins, Henry, and Lindenbaum named Heroku, was essentially an editor that would let developers edit a Ruby on Rails application on their browsers, publish it, and immediately see it running online. They gave themselves 6 to 8 weeks to build a working prototype, launch it, and then take stock and decide what to do with it.

Before Wiggins, Henry, and Lindenbaum could start working on Heroku, they decided to hand most of the day to day of Bitscribe to a couple of partners they had at their firm. In mid-2007, the project load at Bitscribe wasn't too heavy, which justified and eased the handover.

The technical development work for Heroku was quickly split between the three. Wiggins worked on the editor, Lindenbaum on the design, and Henry on the server virtualization, as they had decided that Heroku would not have its own servers but instead use EC2. Amazon's EC2 was a new thing that hardly anyone understood, but in which Wiggins, Henry, and Lindenbaum saw a lot of promise.

---

**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Wiggins, Henry, and Lindenbaum

---

## Months 2 to 4: July to September 2007

The decision to use EC2 delayed the launch of Heroku considerably. Wiggins, Henry, and Lindenbaum underestimated how much of a challenge it was and how much effort it would actually require on their part. They had to build a whole server management dashboard, which was quite complex and had to be built from scratch. During the process, Wiggins, Henry, and Lindenbaum never reached out to Amazon Web Services in order to see if they could help with the task at hand. In fact, it never crossed their minds to reach out to anyone for help, as they thought it was an integral part of their efforts to building Heroku.

---

**Products and services:** None

**End-users:** None

**Staff:** None

**Founders:** Wiggins, Henry, and Lindenbaum

---

## Month 5: October 2007

Wiggins, Henry, and Lindenbaum were eventually able to launch Heroku in private beta at the end of October (Figure 7-3). A few invitations to friends and to members of the Ruby community were sent, as well as to some high-profile developers that predictably never replied.



Figure 7-3. Screenshot of the Heroku private beta web site as of February 2008<sup>2</sup>

The objective with the private beta invitations was essentially to reach out to a few people in the Ruby community that could potentially be not just end-users but also strong feedback providers. Wiggins, Henry, and Lindenbaum also made available an option whereby people that had been invited by them could also invite other people themselves (Figure 7-4).

<sup>2</sup><https://tcrn.ch/2RTcrzG>

## Heroku News

### Hosting is obsolete.

#### The Big Kickoff

Posted by [Adam](#) on [October 30, 2007 at 07:00 PM](#)

Unless you're a big company with lots of marketing dollars, rarely does a product launch start with a bang. It's a gradual process - first you show a few close friends and family members, then some coworkers from your previous job, then some friends of friends. The word starts to spread as you and your partners furiously hack away, trying to make the product stable enough to stand up to a pummeling from the general public. So there's no big kickoff; just a quiet emergence. And if your product offers something of real value, awareness in your target market will grow steadily and strongly over time.

So it is with Heroku. [James](#), [Orion](#), and I have spent the last several months developing what we think fills an important niche in the Rails world: a hosted development environment that is dead-simple to get started with. How many people have gotten excited about learning Rails, only to be stymied by the complexity of installing local development tools - before they even get the chance to write a "Hello, World" program? Or how often have you thrown together a small app for personal use, something that would be really useful to a few friends - but it's too much bother to deploy it onto a public-facing webserver? These are some of the problems that Heroku will be able to solve in the very near future. (We have grander plans for the long term, but we'll save that discussion for another day.)

This blog will serve as a changelog for our product. As we deploy new features and other changes we'll post here. Incidentally, this is as much to coordinate between ourselves as it is to communicate with our users.

If you don't have an account on Heroku yet (as of this writing, only a handful of people do), [sign up on our waiting list](#). We hope to be able to start slowly sending out invitations within the next week or two.

Comments: [0](#) ([view/add your own](#)) Tags: (none)

News and updates about Heroku.

You can [search this site](#), view [posts by tag](#) or [by author](#) and [browse the archives](#).

Subscribe to the [full-text RSS feed](#) or the [comments RSS feed](#).

Search:

Results (escape to close):

Tags: There aren't any tags yet.

Authors: [Adam](#), [James](#)

Powered by [SimpleLog](#)

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**Figure 7-4.** Screenshot of the blog post announcing the private beta, archived by the Wayback Machine in October 2007<sup>3</sup>

**Products and services:** 1

**End-users:** Tens

**Staff:** None

**Founders:** Wiggins, Henry, and Lindenbaum

<sup>3</sup>Internet Archive: Wayback Machine, [blog.herokuapp.com](http://blog.herokuapp.com), archived November 8, 2007, <https://bit.ly/2Hd0UDw>.

## Month 6: November 2007

Through the option of inviting other people, Peter Cooper, a British developer with a very popular blog among the Ruby community called “Ruby Inside,” ended up getting an invite to the private beta. He quickly tested the service and wrote a blog post suggesting that Heroku was a very exciting development and that every of his readers should register for a private beta invite.

In the following weeks, the post drove a lot of Ruby Inside readers and members of the Ruby community to register for the private beta, which led to over a thousand pending applications by the end of the month. The soft private beta that Wiggins, Henry, and Lindenbaum had anticipated quickly turned into a frenzy out of their control, which was extraordinary, as more and more developers wanted to sign up to Heroku.

In the process of discussing next steps, Wiggins, Henry, and Lindenbaum realized that it was probably about time for them to move to the Bay Area. Being based in Los Angeles would soon start working against them. The city was not a known hub for software development, and they wanted to be surrounded by peers, people who were going through the same, not to mention potential investors.

The thought of moving to the Bay Area soon led to the thought of applying to Y Combinator. Even though they were experienced founders and had thousands of people waiting to become their end-users, the \$20,000 seed investment as well as the access to a network of high-caliber investors was expected to be very valuable in the near future. Wiggins, Henry, and Lindenbaum eventually applied to Y Combinator, after talking to a few people and reading a few of Paul Graham’s blog posts.

---

**Products and services:** 1

**End-users:** Hundreds

**Staff:** None

**Founders:** Wiggins, Henry, and Lindenbaum

---

## Month 7: December 2007

Before the end of the year, Heroku was accepted into Y Combinator, and Wiggins, Henry, and Lindenbaum had to start preparing their move to the Bay Area. They continued to work on Heroku, moving people from the waiting list into the private beta, but an increasing part of their attention had to be

dedicated to managing the logistical process of moving to the Bay Area and joining Y Combinator.

---

**Products and services:** 1

**End-users:** Several thousands

**Staff:** None

**Founders:** Wiggins, Henry, and Lindenbaum

---

## Months 8 to 10: January to March 2008

In the first week of Y Combinator, during one of the habitual cohort dinners, Paul Graham stood up and gave one of his speeches. One of his most categorical requests was to ask everyone to quit what they were doing outside Y Combinator, whether that was school, freelance work, or a consulting gig. For the next 3 months, Graham wanted everyone to be fully committed. For Wiggins, Henry, and Lindenbaum, the request was a wake-up call to wind down their role at Bitscribe. They quickly went back to Los Angeles and wrapped it all up. They talked to the entire team about their new priorities, and essentially transferred ownership of the business to the team that had largely been running Bitscribe since July.

For the remaining 11 weeks at Y Combinator, Wiggins, Henry, and Lindenbaum continued working on the service, attending fairs and conferences, and growing the user base. In the process, Heroku started also attracting international end-users, from Denmark, New Zealand, France, Russia, Brazil, and Japan. In fact, by the end of their time, half of Heroku's end-users were from outside the United States.

Before leaving Y Combinator, Wiggins, Henry, and Lindenbaum launched an API and external Git access. It was essentially a command-line Ruby client that allowed end-users to deploy their apps on the Heroku cloud via Git, without using the online editor. The API was mostly an experiment, as at the time it was quite popular to launch APIs as experiments, just to understand what end-users could do with them, which could eventually lead to new products and services. In the first weeks after being launched, hardly anyone noticed it or in fact used it.

---

**Products and services:** 1

**End-users:** About 10,000

**Staff:** None

**Founders:** Wiggins, Henry, and Lindenbaum

---

## Months 11 and 12: April and May 2008

The combination of facing significant user growth, being experienced founders, and having been through Y Combinator quickly led to lots of meetings and discussions with interested investors. In May, at the very end of the first year, Wiggins, Henry, and Lindenbaum raised \$3 million in a series A round from Redpoint Ventures and several angel investors.

As the team started to plan new hires and accelerate growth, it began noticing that although there was growing excitement around Heroku, end-users were typically trying the editor, talking and tweeting about it, but they were not consistently using it to build and deploy new apps. If anything, they would quickly forget it. Most end-users did not really use it after the first time. It seemed that they were just checking it for its novelty and to inform their own technical curiosity, but not because of a particular and pressing need.

Wiggins, Henry, and Lindenbaum started collecting and analyzing the logs, and soon enough confirmed their most dreaded assumption. Heroku had sparked curiosity, excitement, word of mouth, but it didn't have product-market fit.

---

**Products and services:** 1

**End-users:** More than 10,000

**Staff:** 2

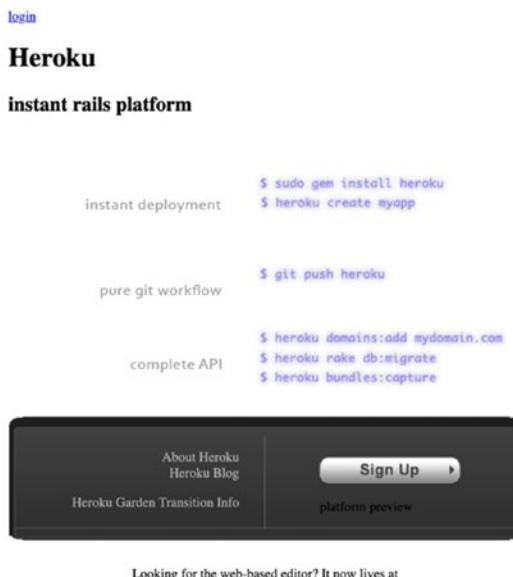
**Founders:** Wiggins, Henry, and Lindenbaum

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## Beyond the First Year

In June 2008, several of the Bitscribe team members joined as Heroku staff.

In January 2009, Heroku pivoted to offering a service that allowed developers to deploy, manage, and scale applications in the cloud (Figure 7-5). The pivot was the culmination of the experiment started a few months before with the launch of the API and external Git access.



**Figure 7-5.** Screenshot of Heroku’s web site post-pivot as of February 2009<sup>4</sup>

In April 2009, it exited the private beta and started charging for its service.

In October 2009, it hired Byron Sebastian, a founder and a former chief executive of open source company SourceLabs, to become the CEO of Heroku.

In May 2010, it raised \$10 million in a series B round led by Ignition Partners.

In December 2010, it accepted an acquisition offer from Salesforce for \$212 million.

Table 7-1 shows the evolution in the number of offerings, number of customers, and staff up to Heroku’s sale in 2010. As most of the data could be gathered from press releases, reports, and conversations, it’s possible to note the extraordinary growth rates in the number of customers (more than 180% between 2009 and 2010) as well as in the number of staff.

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<sup>4</sup>Internet Archive: Wayback Machine, heroku.com, archived February 25, 2009, <http://bit.ly/394nWKm>.

**Table 7-1.** Evolution of key indicators until acquisition

	2007	2008	2009	2010
<b>Number of Offerings</b>	1	1	1	1
<b>Number of Customers</b>	*	20,000	35,000	100,000
<b>Number of Staff</b>	0	10	*	30

\* data is not public

## Today

Today, Heroku is one of the leading platforms as a service globally. It is no longer the only one, as several startups and incumbents (Google, IBM, Microsoft, Amazon, etc.) have entered the market. Still, it commands a significant market share, which suggests that it's still very much in tune with the needs and requirements that developers have for deploying new applications in the cloud.

## Reflections

In addition to exposing the beginnings of Heroku, the month by month account also revealed that:

- **Successful technology companies can be started as empathy in action:** From the work that they were conducting at Bitscribe, Wiggins, Henry, and Lindenbaum were able to understand how hard it was to write, edit, publish, and manage Ruby on Rails applications online and how other developers could be having the same struggles and frustrations. The decision to do Heroku was as much as a little experiment as a vehicle to contribute and give back to the emerging Ruby on Rails community.
- **Successful technology companies can start as side projects:** Heroku was started as a side project within an existing company, Bitscribe. Wiggins, Henry, and Lindenbaum did initially dedicate most of their time to building Heroku, but they still had executive responsibilities at Bitscribe. In fact, only by month 8 when they joined Y Combinator did Wiggins, Henry, and Lindenbaum

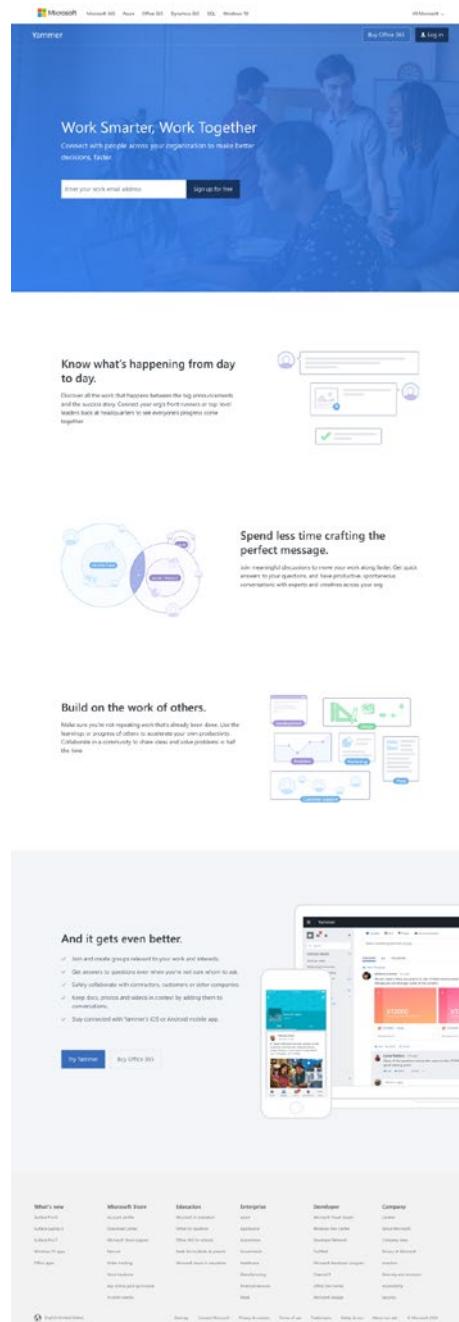
relinquish their responsibilities and transferred the ownership of Bitscribe to the team that had largely been running it since month 1.

- **Successful technology companies can be started as experimentation in action:** Heroku started as a question, as an investigation to understand a new context brought by server virtualization and Ruby on Rails. Wiggins, Henry, and Lindenbaum did not know if Heroku was going to resonate with the Rails community or not. However, they were certain that they wanted to give it a try and see what would come out of it.
- **Successful technology companies can be started as adaptation in action:** The private beta that Wiggins, Henry, and Lindenbaum planned to be a soft one quickly turned into a frenzy, as thousands and tens of thousands of developers wanted to become Heroku end-users. However, by the end of their first year, the founders realized that they had lots of curiosity, excitement, and word of mouth, but little product-market fit. Fortunately because of their API experiment, they were able to identify an alternative direction, which in fact led them to find product-market fit for Heroku and grow faster than ever before.

# Year One of Yammer

---

Yammer ([www.yammer.com](http://www.yammer.com)) is an online enterprise social networking service used for private communication within organizations (Figure 8-1). It was founded by David Sacks and Adam Pisoni. In June 2012, when it was sold to Microsoft for \$1.2 billion, it had close to 8 million end-users.



**Figure 8-1.** Screenshot of the landing page of [yammer.com](https://web.archive.org/web/20190401000000*/yammer.com) as of February 2020<sup>1</sup>

<sup>1</sup>[https://web.archive.org/web/20190401000000\\*/yammer.com](https://web.archive.org/web/20190401000000*/yammer.com)

The first year account that follows is based on a phone call and several e-mails exchanged between July and December 2019 with one of the founders of Yammer, David Sacks.

## July to December 2007

While Sacks was growing Geni, a family social networking service that enables family members to collaboratively build online family trees that he had founded the year before, he remained a careful observer of the very distinct approaches that were being followed across the consumer Internet industry. News Corp had acquired MySpace in the hopes that it could capitalize on social networking becoming a new form of entertainment, Twitter was staying focused on microblogging and was being spun out of Odeo, and Facebook was turning social networking into a utility and growing at a tremendous pace.

Sack's observations led him to a number of concerns, particularly with Facebook. For Sacks, it became increasingly plausible that Facebook was going to enter family social networking and compete aggressively with Geni. New members were not just students anymore, which meant that sooner or later families were going to be encouraged to join Facebook. At the same time, Sacks started thinking about enterprise microblogging and social networking, and realized that no one was offering it. Yet companies and professionals needed other communication tools in addition to e-mail. If it was about contacting just a single person or two, e-mail was fine, but if companies were looking for more, that is, sharing information with a lot of people and having discussions about it or getting help, e-mail was painful.

During the Christmas break, Sacks finally decided to take a leap forward and put together a 50-page spec document for Workfeed, the code name for the new enterprise microblogging service that he was going to build. In the document, Sacks listed all the features and functionalities as well as designed mockups and wireframes in detail. Guiding the user interface and user experience design work was his appreciation of user psychology and behavior from having worked with and observed professionals in small and large companies for many years.

In addition to psychology and behavior, there was also the belief that the new service needed a hook and a trick. The hook was essentially a clear and simple feature that was able to encourage users to embrace it, whereas the trick was essentially a mechanism to make it grow virally. For Workfeed, Sacks realized that an approach being followed by other social networking services was very effective, so he decided that Workfeed would encourage users to post updates into a feed by way of answering the question "What are you working on?" The trick was to offer the service for free to professionals while asking

them to use their corporate e-mail addresses, and if IT departments wanted to get administrative tools to remove messages and users, set password policies, set IP ranges, and so on, they would be charged a monthly subscription.

## Month 1: January 2008

When Sacks returned from his Christmas break, he approached Adam Pisoni and Zack Parker, two software engineers that worked at Geni, to help him build Workfeed. Pisoni and Parker continued to work on Geni, but they started spending some of their time building Workfeed.

Even if Sacks was very excited about building Workfeed, it was still just a side project. There were no changes at Geni. He continued to be CEO and everyone including Pisoni and Parker continued to work toward developing and growing the family social networking service. There was no plan beyond the immediate goal of building Workfeed.

---

**Products and services:** None

**Customers:** None

**Staff:** Adam Pisoni and Zack Parker

**Founders:** Sacks

---

## Months 2 and 3: February and March 2008

By the end of April, Sacks, Pisoni, and Parker were able to build a working prototype (Figure 8-2). It lacked lots of features and functionalities, but it was already at a point that it could be used internally at Geni.

WorkFeed: Home

<http://www.workfeed.com/yahoo-inc/home>

Profile | Account | Invite | Sign Out

**WorkFeed**

**yahoo-inc** Home | Members | Tags | Popular

find person, group, post...

**What are you working on?** tips

**all** **sent** **received** **following** +

**elohman:** yup. 3:56 PM - Feb 29

► 6 replies: elohman, apisonetti, zparkour, noahx 2 seconds ago

**zparkour:** Whoops. Meant to add that that's a post by Curt Monash about Enterprise Twitter and what it would need. 3:31 PM Today

► 6 replies: elohman, apisonetti, zparkour, noahx 10 minutes ago

**azadikafka:** tree merging flows 2:26 PM - Mar 29

**elohman:** hmm. so i can update a Page, but it won't show up as a (system-generated) update unless i am a member of that Page's group. 2:26 PM - Feb 29

▼ 6 replies:

- saxon:** but it will appear in discussions because that page is referenced. this seems right to me 2:28 PM - Feb 29
- elohman** in reply to **saxon:** i just sent this on my #iPhone 2:28 PM - Feb 29
- zparkour:** but it will appear in discussions because that page is referenced; this seems right to me 12:22 PM - Mar 5
- saxon:** but it will appear in discussions because that page is referenced. this seems right to me 9:07 AM - Mar 25
- noahx:** but it will appear in discussions because that page is referenced. this seems right to me 9:22 AM - Mar 25
- saxon:** but it will appear in discussions because that page is referenced. this seems right to me 41 minutes ago

**elohman:** figuring out new #product: conferencing for Y!Live. 2:10 PM - Mar 29

**appleman** to **product:** meeting about Y!Taxes in 10 minutes! 30 minutes ago

► 6 replies: elohman, apisonetti, zparkour, noahx 20 minutes ago

**elohman:** yup. 3:56 PM - Feb 29

► 6 replies: elohman, apisonetti, zparkour, noahx 2 seconds ago

**zparkour:** Whoops. Meant to add that that's a post by Curt Monash about Enterprise Twitter and what it would need. 3:31 PM Today

► 6 replies: elohman, apisonetti, zparkour, noahx 10 minutes ago

**azadikafka:** tree merging flows 2:26 PM - Mar 29

**elohman:** hmm. so i can update a Page, but it won't show up as a (system-generated) update unless i am a member of that Page's group. 2:26 PM - Feb 29

▼ 6 replies:

- saxon:** but it will appear in discussions because that page is referenced. this seems right to me 2:28 PM - Feb 29
- elohman** in reply to **saxon:** i just sent this on my #iPhone 2:28 PM - Feb 29

**Welcome** Elliot Lohman (edit)

You're now viewing feeds in **threads mode**. You must refresh the page to see new threads.

Don't show this again. vs. Groups.

**To Do**

- Specify org chart
- Download desktop client

**Network**

Name: geni  
Members: 35  
Updates: 1,064  
Started: January 1, 2008  
Online Now: Elliot Lohman, Adam Pisonetti, David Saxon, Noah X  
6 replies

**Following** edit

- bugs X
- saxon X
- c3 X
- engineering X
- exec X
- product X
- random X
- testing X
- qa X

**Popular Today**

apisonetti Engineering Elliot Lohman Giacomo DiGripolano Jim Product noahx search Y!Live

This feed has 14 new threads. Refresh to see them.

**Figure 8-2.** Screenshot of working prototype in April 2008 (shared by Sacks in December 2019)

---

**Products and services:** 1

**Customers:** None

**Staff:** Adam Pisoni and Zack Parker

**Founders:** Sacks

---

## Months 4 to 8: April to August 2008

All of the staff at Geni, about 30 people, were asked to start using Workfeed to share information across the company, have discussions, inform of status updates on projects, ask questions, post interesting news articles and reports, anything that could be internally helpful. The expectation was that extensive feedback would be provided by Geni employees, which would help Pisoni and Parker improve and iterate the service. In effect, lots of comments and suggestions were offered during the following 3 months, which led to Workfeed changing and improving very quickly and decisively.

The reactions from Geni employees to Workfeed were so positive and enthusiastic that Sacks decided that there was possibly a significant opportunity to immediately start offering it to other companies. An application to the TechCrunch50 competition was quickly put together, so that Workfeed could be launched at the event in front of hundreds of influential executives and investors as well as journalists. Before the end of the month, Sacks was informed that Workfeed had been selected to compete with 51 other startups at TechCrunch50, from among thousands of applicants.

---

**Products and services:** 1

**Customers:** None

**Staff:** Adam Pisoni and Zack Parker

**Founders:** Sacks

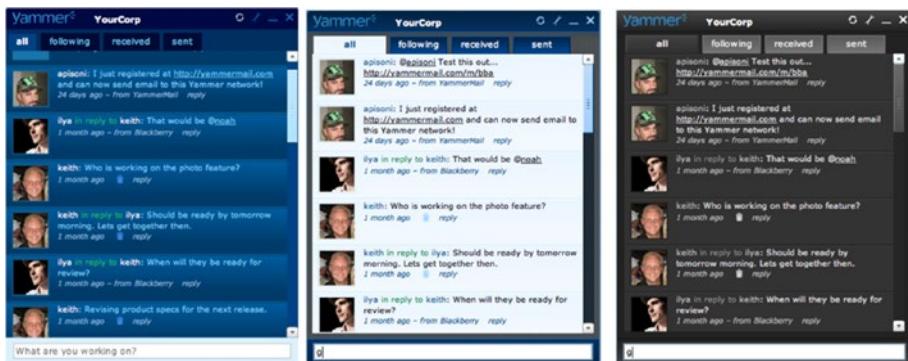
---

## Month 9: September 2009

Before Workfeed could debut at TechCrunch50, several changes had to be made. The first was the name. Workfeed had worked well as an internal code name, but Sacks felt that it was somewhat boring and unappealing. Yammer was the new name chosen. The intention was to convey continuous and lively communication. The second change was to spin out Yammer from Geni and incorporate it as a separate entity. In this, Sacks invited Pisoni to be his co-founder and chief technology officer. The cap table of Geni was largely carried over to Yammer, which was very appreciated by investors, as they got to invest in two promising companies for the price of one.

The demo at TechCrunch50 ended up being so strong that Yammer ended up taking the Top Prize.<sup>2</sup> Among the other 51 contestants were companies like TrueCar, Fitbit, and Dropbox.

The interest generated during and shortly after TechCrunch50 with attendees and executives was so significant that the day after the event ended, 10,000 people and 2,000 organizations signed up. See Figure 8-3.



**Figure 8-3.** Screenshot of Yammer desktop application at launch on September 2009 (shared by Sacks in December 2019)

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**Products and services:** 1

**Customers:** Less than 10

**Staff:** 15

**Founders:** Sacks and Pisoni

---

<sup>2</sup><https://techcrunch.com/2008/09/10/yammer-takes-techcrunch50s-top-prize/>

## Months 10 to 12: October to December 2008

Yammer continued to grow quite rapidly for the remainder of its first year. The approach followed created a fair bit of controversy, however. In 2008, software was still mostly sold to companies in a very top-down slow manner, typically negotiated with executives over a period of time, and later installed on premise. In fact, that was how Jive Software was selling Clearspace, a product that was a director competitor. Yammer, on the other hand, was letting employees sign up directly on its web site, completely bypassing IT departments.

A lot of sales were lost because of Yammer not being available on a disk, and for a while Sacks and Pisoni were not completely sure if the freemium business model was going to help them build a scalable and sustainable company. Still they decided to commit to it, at least until the market overwhelmingly proved them wrong.

The service also started changing quite noticeably after the launch and TechCrunch50. The team started receiving vast amounts of feedback, suggestions, and feature requests. One of the top requests that was quickly implemented was a Groups feature, so that members and messages could be organized by groups as opposed to the entire network. See Figure 8-4.

The screenshot shows the Yammer desktop application interface. At the top, there's a header bar with the Yammer logo, a search bar, and links for Profile, Settings, Invite, Admin, and Sign Out. Below the header is a navigation bar with tabs for Home, Members, Groups, Tags, and Links, along with a "About Yammer Groups" link and a "NEW" badge.

The main content area features a "Share something with Your Corp:" input field with a blue "Update" button. To the right of the input field is a "tips" link. Below this is a list of posts from users Noah, Ilya, and Ashiya, each with a profile picture, the user's name, a timestamp ("3 hours ago"), the group ("Your Corp"), and a "reply" link. Each post also includes standard social sharing icons (envelope, link, etc.).

On the right side of the screen, there's a sidebar titled "Get Started" with three items: "Complete my profile", "Add mobile phone", and "Add IM". Below that is a "My Feed" section with a list of categories: All, Received, Sent, Engineering, Marketing, and Sales, each with a three-dot menu icon. At the bottom of the sidebar is a link "Add Group >>".

**Figure 8-4.** Screenshot of Yammer desktop application at launch on October 2008 (shared by Sacks in December 2019)

**Products and services:** 1

**Customers:** Less than 10

**Staff:** 15

**Founders:** Sacks and Pisoni

## Beyond the First Year

In January 2009, Yammer raised \$5 million in a series A round of funding co-led by Founders Fund and CRV.

In July 2009, it left Los Angeles and the office it was sharing with Geni and moved to its own office in San Francisco.

In January 2010, it raised \$10 million in a series B round of funding led by Emergence.

In November 2010, it raised \$25 million in a series C round of funding led by USVP.

In September 2011, it raised \$17 million in a series D round of funding led by Social Capital.

In March 2012, it raised \$85 million in a series E round of funding led by DFJ Growth.

In June 2012, it announced its acquisition by Microsoft for \$1.2 billion.

Table 8-1 shows the evolution in the number of offerings, number of customers, and staff up to Yammer's sale in 2012. Although some data could not be gathered, it's still possible to note the extraordinary growth rates in the number of customers as well as in the number of staff between 2008 and 2012.

**Table 8-1.** Evolution of key metrics between 2008 and 2012

	2008	2009	2010	2011	2012
<b>Number of Offerings</b>	1	1	1	1	1
<b>Number of Customers</b>	*	*	3 M	4 M	8 M
<b>Number of Staff</b>	15	*	*	*	450

\* data is not public

## Today

Yammer is today still a leading enterprise social networking service. However, it's no longer a stand-alone service under a freemium business model, but part of Microsoft's Office 365 and Microsoft 365 suite of enterprise plans. This has possibly made Yammer less relevant, as several new services have entered the market in the last several years, using the very same viral freemium business model that made Yammer so popular and valued in its early years.

## Reflections

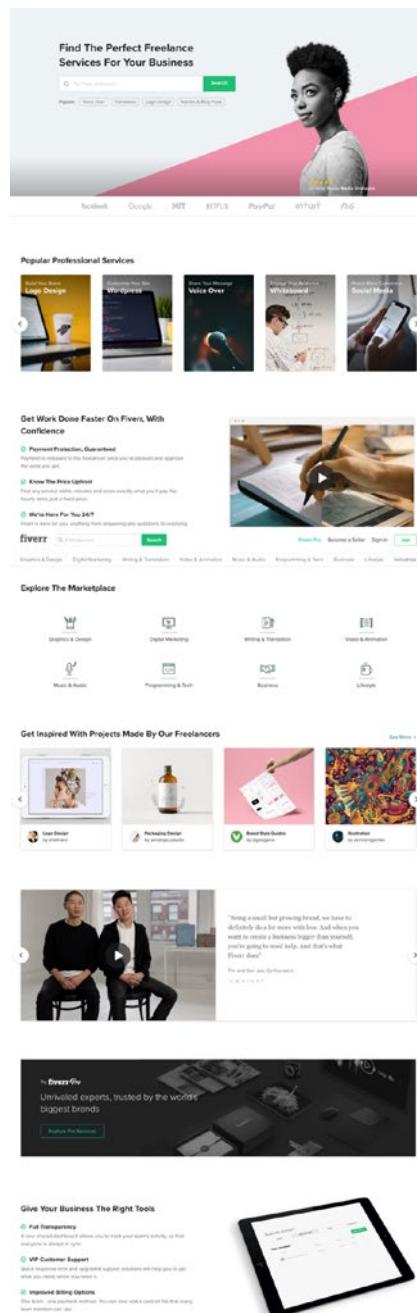
In addition to exposing the beginnings of Yammer, the month by month account also revealed that:

- **Successful technology companies can be started as empathy in action:** Yammer came to be largely to better support professionals and their communications, especially those that were already using consumer services such as Myspace, Facebook, and Twitter and wanted to take advantage of similar features and functionalities in a business context. Sacks had the intuition that there could be a business opportunity around such a need, but at the same time he wanted to build a service that was able to improve the daily routines of companies and professionals.
- **Successful technology companies can be started as side projects:** Yammer was started with its co-founders only being able to commit part time to its development. Even if they spent a significant part of their daily routines on Workfeed/Yammer initially, they still had executive, managerial, and technical responsibilities at Geni.
- **Successful technology companies can be started as adaptation in action:** Yammer did settle on a business model early on, but for most of 2008 and 2009, Sacks and Pisoni were not convinced that its viral freemium business model was going to turn it into a highly scalable and sustainable decision as it did.
- **Successful technology companies can be started as slowness in action:** While Yammer went viral very quickly and lots of professionals started signing up, the paid package took quite a while to get traction. At the end of the first year, Yammer had tens of thousands of free end-users, but less than ten companies paying for the premium features. In fact, the paid packages only started growing consistently once Yammer started putting together a sales team with a long accumulated experience in selling to business customers.

# Year One of Fiverr

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Fiverr ([www.fiverr.com](http://www.fiverr.com)) is an online marketplace for freelance services. It was founded by Shai Wininger and Micha Kaufman (Figure 9-1). In June 2019, when it went public on New York Stock Exchange, it was valued at \$800 million.



**Figure 9-1.** Screenshot of the landing page of fiverr.com as of February 2020<sup>1</sup>

<sup>1</sup>[https://web.archive.org/web/2019070100000\\*/https://www.fiverr.com/](https://web.archive.org/web/2019070100000*/https://www.fiverr.com/)

The first year account that follows is based on a phone call and several e-mails exchanged between June and December 2019 with one of Fiverr's founders, Shai Wininger.

## August 2008 to July 2009

In the summer of 2008, Wininger and Kaufman decided to build a company together. They had known each other for many years, had worked together on multiple occasions, consulted for each other, but had never found an opportunity to make the old promise of working together on a tech business happen. Still, Wininger was continuously researching ideas for new businesses. Most of his professional life had been spent starting new businesses, so the ideation of a new project was a process that he relished and was very comfortable with. Wininger was drawn to concepts that he had explored in the past, focused on developing new transaction models and marketplaces. He spent months learning about monetary economics, commercial systems, retail stores, fairs, and more.

Wininger was also very much drawn to what was happening in the creative industries. His first business in the early 1990s was a creative agency. From the experience, Wininger was left with the sheer frustration of trying to scale creative services. His and all the other agencies always suffered from the dreaded linearity between the maximum number of clients that they could service and the amount of talent that they had at their disposal. If they wanted to provide services to more customers, they always had to increase their talent pool. However, Wininger knew that there was a lot of talent outside of agencies, talent that was often struggling to get access to business opportunities beyond their local markets.

Wininger eventually found himself determined to build a marketplace for creative services, one that was open to talent and customers from all over the world. The first person he discussed the idea with was his wife, Shirley Wininger, who often served as a sounding board for ideas, and she liked it. This was the trigger that got Wininger to start looking for a co-founder that was open to serve as CEO. Wininger wasn't eager to be the CEO. He much preferred to lead product and broad development as well as the technology behind it. So, he asked Kaufman to be the CEO and co-founder. Kaufman was immediately captivated by the notion of a global marketplace for creative services. Their first decision was to bootstrap and self-fund the project. They decided that they would not look for VC funding until they felt that there was proof that the idea was working, and they had reached product-market fit.

## Months 1 to 3: August to October 2009

The development efforts were kicked off with the hiring of a freelance developer. The objective was to build a very simple version of the marketplace. Regardless, it was still a demanding task which included building an order management system, a payment processing platform, and negotiate service terms with PayPal, which, at the time, didn't have a micropayments solution ready off the shelf. After evaluating several different platforms, Wininger decided that Ruby on Rails was the one that would allow them to get to market as fast as possible. While the developer started working full time, Wininger and Kaufman were only dedicated part time, as they were still involved with their previous venture. Shirley Wininger, Wininger's wife, also joined the team as content moderator. She would later become the head of content moderation, until she left Fiverr in late 2014.

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**Products and services:** None

**End-users:** None

**Staff:** 2

**Founders:** Wininger and Kaufman

---

## Month 4: November 2009

While technical development continued at a rapid pace, Wininger and Kaufman started discussing naming and branding. Although they had initially chosen the name Gainbox, after using it for a couple of months, both realized that it probably wasn't the best choice. Many alternative names continued to be tried, but still none fitted the nature and qualities that they wanted to associate with the project.

In the run up to sharing a working prototype with friends and potential customers, expected to be available sometime in early January, Wininger and Kaufman realized that they had to start doing something about their "empty state," that is, the fact that they had nothing to display on the marketplace when it went live. At this point, both Wininger and Kaufman were already working on the project full time.

To solve the "empty state" and the "chicken and egg" challenge, Wininger and Kaufman decided to focus on sellers first, that is, to recruit creative professionals to sign up and profile themselves and their services. The reason for this was twofold: typically, sellers have more patience and are more forgiving when offered an additional outlet to market their services, and also

in order to attract buyers, the most reluctant party of the two, a significant number of services would have to be listed in the marketplace beforehand.

---

**Products and services:** None

**Customers:** None

**Staff:** 2

**Founders:** Wininger and Kaufman

---

## Month 5: December 2009

After many more naming exercises, Wininger and Kaufman finally came across Fiver, a slang term for the British 5 pound bill. Although fiver.com had been taken, it occurred to them to use Fiverr alternatively, as it was a bit zestier and catchier.

The choice of Fiverr also came from the realization that the hiring of creative services had to be done in a different and more empathetic way. Instead of simply indicating how much was their daily rates, for instance, creative professionals could inform potential customers how much they were willing to do for a fixed amount of money, say \$5. For potential customers, the focus moved from having to find creative professionals that had the best offers in terms of price and quality of work (two dimensions) to having to find creative professionals that had the best quality of work for \$5 (one dimension).

In order to recruit sellers, Wininger and Kaufman spent a fair bit of time looking for creative people online. In fact, they spent an entire month addressing the “empty state” challenge. In this, several approaches were carried out—one involved creating profiles on social networks like MySpace or DeviantArt, inviting creatives to sign up for Fiverr and list their services, another involved messaging creatives directly on their blogs and web sites.

The initial plan was to launch with 11 categories (Funny and Bizarre, Social Marketing, Graphics, Advertising, Writing, Tips and Advice, Business, Technology, Programming, Silly Stuff, and Other), but realizing how hard it was to have hundreds of listed services per category, Wininger and Kaufman eventually decided that if there was commonality, services could be listed across multiple categories.

**Products and services:** None

**Customers:** None

**Staff:** 2

**Founders:** Wininger and Kaufman

---

## Month 6: January 2010

As planned, Wininger and Kaufman started sharing a working prototype with friends, the majority of them entrepreneurs and business owners, in the beginning of January. In fact, it was less a prototype and more like an alpha version, as most functionalities were already fully functional.

The first pieces of feedback received were mostly about profiling. Initially the process of listing a service and a seller was designed to be open-ended. Creatives were free to choose whichever qualifiers they preferred to use in order to describe themselves. The only mandatory requirement was to choose a title. However, the overarching feedback suggested that open-endedness was problematic, as it led to too much variance and inconsistency. Buyers would have to spend too much time to compare and contrast creatives and services. Based on the comments, Wininger and Kaufman eventually decided to develop a template, whereby sellers had to state what they would do for \$5 ("I will [ ... ] for \$5").

---

**Products and services:** None

**Customers:** None

**Staff:** 2

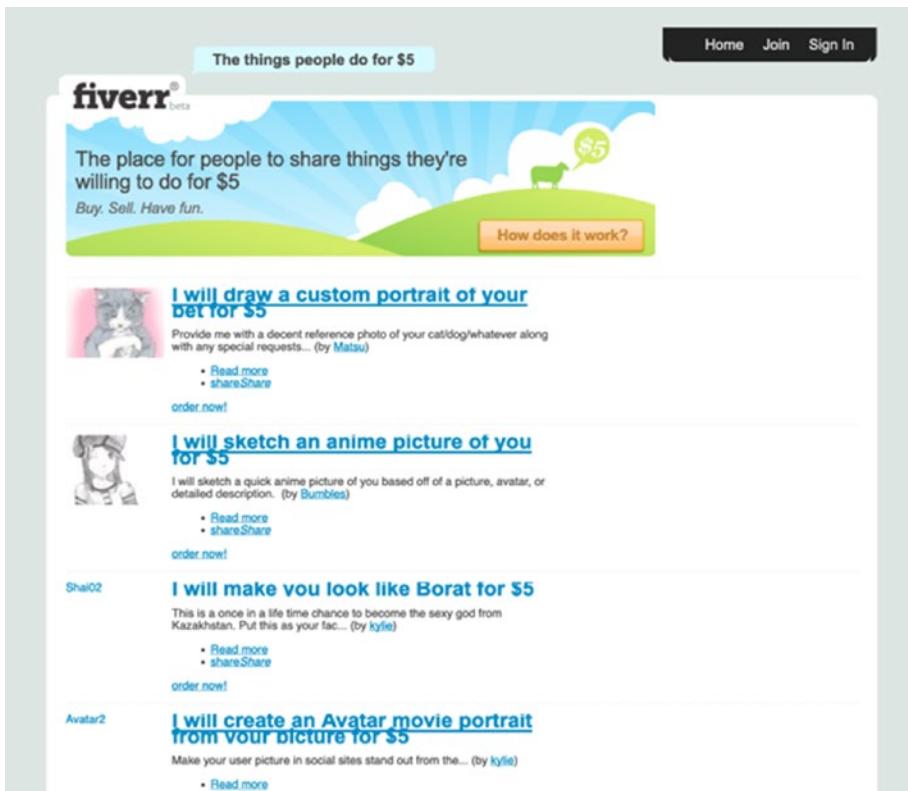
**Founders:** Wininger and Kaufman

---

## Month 7: February 2010

A reporter working for TechCrunch eventually got access to the prototype that was being shared with business and entrepreneur friends (Figure 9-2). Because it was such a new and interesting concept, the reporter eventually reached out to Wininger and Kaufman in order to write a first article about Fiverr. As they were still going through the process of testing, tweaking

features and designs, expanding seller and service listings, and working on the server setup, Wininger and Kaufman asked the reporter to postpone the article, at least until they were ready to launch.



**Figure 9-2.** Screenshot of the Fiverr web site, as of February 2010<sup>2</sup>

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**Products and services:** None

**Customers:** None

**Staff:** 2

**Founders:** Wininger and Kaufman

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<sup>2</sup>Internet Archive: Wayback Machine, fiverr.com, archived February 28, 2010, <http://bit.ly/39mXKeq>.

## Month 8: March 2010

Even though the reporter agreed not to write about Fiverr, a 200-word article was eventually published in early March on TechCrunch.<sup>3</sup> Without any preparation, Fiverr went from being exposed to a handful of friends to being highlighted on TechCrunch and having to deal with thousands of visits in a matter of hours. The scale at which end-users, started to engage with the service meant that the team was constantly trying to keep up with issues, to keep up with technology, to keep up with scaling, which ended up becoming the default long-term approach.

A few days after the publication of the TechCrunch article, Fiverr was also profiled on the Yahoo! Finance web site. The traffic brought by Yahoo! ended up being even more challenging to manage than TechCrunch. It was several orders of magnitude more significant than TechCrunch. For a service that was not yet ready to launch, having 8,000 concurrent visitors was both a curse and a blessing. Obviously, the site went down and much of the traffic was lost.

---

**Products and services:** None

**Customers:** Tens

**Staff:** 2

**Founders:** Wininger and Kaufman

---

## Months 9 to 12: April to July 2010

The impacts of the TechCrunch and Yahoo! Finance article had been barely assimilated, when another debacle took place. Because of Fiverr's rapid growth, PayPal, which was being used for money transfers, flagged Fiverr for suspicious activity and shut down Fiverr's account. The algorithm from PayPal was programmed to look for behavior that could be induced by bots, which meant that a merchant coming out of nowhere and trying to handle hundreds of \$5 transactions could only be fraudulent. Because Wininger and Kaufman didn't know anyone at PayPal at the time, it took a few days for Fiverr be able to use PayPal and facilitate transactions again.

In the following months, Fiverr continued to be mentioned in the press internationally, which proved to be a gift, as Wininger and Kaufman were determined not to pay for user acquisition. Besides still being bootstrapped,

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<sup>3</sup><https://tcrn.ch/2UAuw09>

Fiverr needed to find how to grow organically, to generate network effects as soon as possible, and to this end, running ads was just going to muddy the process. Moreover, if they were to spend significantly on user acquisition, it would probably mean that Fiverr would not be financially sustainable, as the commission charged on transactions was too small. Fiverr had to succeed or fail on its own merits.

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**Products and services:** None

**Customers:** Thousands

**Staff:** 30

**Founders:** Wininger and Kaufman

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## Beyond the First Year

In June 2010, Fiverr raised \$1 million in a seed round of funding led by two angel investors.

In January 2011, it raised \$5 million in a series A round of funding led by Bessemer Venture Partners.

In May 2012, it raised \$15 million in a series B round of funding led by Bessemer Venture Partners.

In August 2014, it raised \$30 million in a series C round of funding led by Qumra Capital.

In November 2015, it raised \$60 million in a series D round of funding led by Square Peg Capital.

In June 2017, it acquired VeedMe for an undisclosed amount.

In January 2018, it acquired AND CO for an undisclosed amount.

In November 2018, it raised an undisclosed amount in a series E round of funding led by ION Crossover Partners.

In January 2019, it acquired ClearVoice for an undisclosed amount.

In June 2019, it went public on the New York Stock Exchange and was valued at \$800 million.

Table 9-1 shows the evolution in the number of offerings, customers, and staff through 2019. Although little data could be gathered, it's still possible to note the extraordinary growth rates in the number of customers as well as in the number of staff between 2009 and 2019.

**Table 9-1.** Evolution of key metrics between 2009 and 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Number of Offerings</b>	1	1	1	1	1	1	1	1	1	1	1
<b>Number of Customers</b>	*	*	*	*	*	*	*	*	*	2 M	*
<b>Number of Staff</b>	1	*	40	*	*	130	*	*	*	*	363

\* data is not public

## Today

Today, Fiverr is one of the leading online marketplaces for freelance services. Although various alternatives have emerged over the years, Fiverr appears to continue growing faster than its competition. The expansion into new categories and new markets has led to sustained double digit in customers and revenues.

## Reflections

In addition to exposing the beginnings of Fiverr, the month by month account also revealed that:

- **Successful technology companies can be started as empathy in action:** Wininger was very drawn to what was happening in the creative industries. His first business in the early 1990s had been a creative agency. From that experience, Wininger remembered the sheer frustration of trying to scale creative services. However, he also knew that there was a lot of talent outside of agencies, talent that was often struggling to get access to business opportunities beyond their local markets. It was with the perception that clients and talent could be better helped and supported with the creation of a marketplace that Wininger and Kaufman decided to create Fiverr.

- **Successful technology companies can be started as side projects:** Fiverr was started with its co-founders only being able to commit part time to its development. Even if they were already winding down previous businesses, they still only worked part time on Fiverr for the first 3 months.
- **Successful technology companies can be started as experimentation in action:** After the publication of the TechCrunch article and the imposed launch, Wininger and Kaufman largely stopped being able to plan and control events and had to accept that the foreseeable future was going to be very ambiguous and uncertain and require a large dose of experimentation and improvisation.
- **Successful technology companies can be started by limiting risk.** The decisions to bootstrap, invest the least amount of resources, limit personal and financial costs, not pay for user acquisition, and not muddy the process were decisions that clearly tried to limit the exposure to risk. While high growth and high risk are often considered synonymous, Fiverr purposefully tried to achieve one without the other.

# Year One of HotelTonight

---

HotelTonight ([www.hoteltonight.com](http://www.hoteltonight.com)) is an online service that allows users to find and book hotel accommodation (Figure 10-1). It was founded by Sam Shank, Chris Bailey, and Jared Simon. In March 2019, when it was sold to Airbnb for an undisclosed amount, it was estimated that it had surpassed \$100 million in annual revenues.



**Figure 10-1.** Screenshot of the landing page of hoteltonight.com as of February 2020<sup>1</sup>

The first year account that follows is based on a phone call and several e-mails exchanged between August and December 2019 with one of the founders of HotelTonight, Jared Simon.

## January to September 2010

In early 2010, Shank realized that on any given night, a lot of hotel rooms went unsold. In fact, for many hotels it was almost one-third of all rooms. While browsing through the Internet, he was also surprised that no one was addressing the problem. In particular, as he looked into the Apple App Store, he was astounded with how few apps in the travel category were inherently taking advantage of changing consumer behavior and putting an emphasis on immediacy and mobility. Most of what was available was a mobile app version of web sites developed for desktop and laptop computers. Realizing that there was an opportunity to connect last-minute hotel booking with mobility, he decided to start working on it.

In the following months, Shank together with Bailey, the CTO of Dealbase, the online discovery service for travel deals that Shank had co-founded, started brainstorming, ideating, and producing some wireframes of what the new side project could look like.

In August, when asked by Simon if he knew anyone that was looking for a partner to start something new, Shank seized the opportunity to tell him about his new last-minute hotel booking side project. The two had known each other for many years, had many common friends, had been to the same business school, and had almost worked together in one occasion. Simon, on the other hand, was considering leaving the startup that he was at the time and was looking to join or start a new one. Simon immediately signed on to work with Shank and Bailey. The notion of starting a new business to offer instantaneous hotel booking was inspiring and appealing. He had had a number of recent personal experiences during which, on hindsight, he had actually wished something similar was available.

The majority of people that they mentioned the project to early on suggested that they were too contrarian and crazy. No one had built something like it because consumers most likely didn't need to instantaneously book hotel rooms through mobile apps. Shank, Bailey, and Simon didn't know if the project was going to succeed or not, but they were certain that they were going to go above and beyond in their efforts to see how the market was going to respond. They didn't have much to lose, just a few months of grind, and if it turned out not to be a promising business, it would still offer them an opportunity to learn and do some exciting work together.

## Month 1: October 2010

Simon joined Shank and Bailey at Dealbase and immediately started working on HotelTonight, the name that they chose for the new project. Still, only Simon worked full time. Shank and Bailey still had their responsibilities as CEO and CTO of Dealbase, so they could only work part time.

In spite of their commitment and enthusiasm, Shank, Bailey, and Simon were well aware of the uncertainty surrounding HotelTonight. To minimize their personal and financial risks, they decided to give themselves 3 months to build and launch the service. The plan was to launch before Christmas, measure reactions during Christmas and New Year's, and, if there was market pull, determine whether HotelTonight should continue as part of Dealbase or be spun out as its own entity.

Before any code was written and any consumer or hotel was contacted, several brainstorming sessions were held. The objective was to discuss target segments, value propositions, why consumers would want to use HotelTonight, why HotelTonight would be so valuable to hotels, etc. As soon as Shank, Bailey, and Simon got to an understanding, they all went their separate ways. In this, Simon took responsibility for supply, Shank for demand, and Bailey for development.

---

**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Shank, Bailey, and Simon

---

## Month 2: November 2010

The hotels that started being targeted were mostly boutique hotels located in three cities: New York, San Francisco, and Los Angeles. Shank, Bailey, and Simon quickly decided that as they were still testing the potential of HotelTonight, three markets were more than sufficient. The choice to focus on boutique hotels was mostly because they were typically independently owned and could move quickly, in addition to being appealing to the initial target market of early adopters of technology products and services.

The targeting process for hotels typically started with cold calls to identify the right individuals and to convey what the December launch was about. The calls were followed by visits to the hotel premises to present a slide deck that included the latest well-polished wireframes of HotelTonight. From the calls

and visits, Shank, Bailey, and Simon rapidly realized that hotels were suffering from severe deal fatigue from the recent online flash sales trend. They were extremely wary of any proposals that involved offering deals or discounts to consumers. Still, they were slowly willing to engage as they often had lots of unsold rooms, and they were extremely curious about apps and mobility.

Offering a business opportunity at zero-risk, low-time investment, and in nonthreatening way soon started to produce results, and by the end of the month, the targets had been achieved. As HotelTonight was certainly not going to get a lot of bookings at the outset, 5 to 10 hotels per city, that is, 15 to 30 hotels in total, were more than reasonable.

In the consumer front, quite a lot of efforts were also made. These typically involved building some interest and commitment by way of offering credits toward bookings, generating interactions through social media accounts, working contacts across the industry, influencers, and public relations professionals so as to get their support to the December launch. Technical development was also moving ahead. Trying to build a marketplace in less than 3 months was not a small task, but it all seemed that it was going to be possible. Unlike generic online travel booking services, the mobile application being built was not going to be bloated with features and functionalities, but very simple and easy to use. See Figure 10-2.



**Figure 10-2.** Screenshot of the HotelTonight web site as of November 2010<sup>2</sup>

---

**Products and services:** None

**Customers:** None

**Staff:** None

**Founders:** Shank, Bailey, and Simon

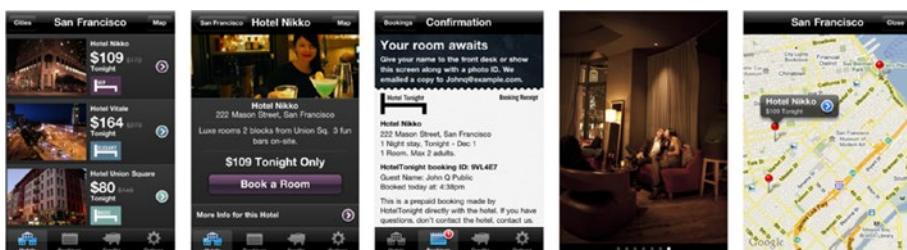
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<sup>2</sup>Internet Archive: Wayback Machine, [hotelttonight.com](http://hotelttonight.com), archived November 14, 2010, <http://bit.ly/3bpaAKK>.

## Month 3: December 2010

As planned, development was finished in early December. The HotelTonight mobile application was immediately sent to the Apple App Store for review. It was imperative to submit the application in time for it to be assessed and published before the holiday closure, which typically happened 2 weeks before Christmas.

A positive assessment was quickly communicated by the App Store, and the mobile application was eventually published and launched on December 15 (see Figure 10-3). The decisions regarding which hotels to display on the app and how many rooms were to be listed for each hotel were discussed by Shank, Bailey, and Simon the day before. In fact, in the days leading up to the launch, the team had called all the committed hotels to figure out how many rooms were going to be offered, individual prices, and respective discounts. If an attempt to automate the process had been made, it would have meant that hotels had to make a fair bit of effort on their part, which of course would have been a nonstarter. Almost everything at launch was unscalable and manually accomplished by Shank, Bailey, and Simon.



**Figure 10-3.** Screenshots of the HotelTonight mobile application as of December 2010<sup>3</sup>

The reaction to the launch and to the mobile application was very positive. A lot of effort had been put into generating some anticipation, which led to a fair bit of press covering the debut of HotelTonight as well as to a lot of people downloading the app, particularly tech professionals.<sup>4</sup>

While traffic ended up far exceeding the initiative expectations and in the process generating a lot of interest and curiosity with participating and nonparticipating hotels, bookings were almost nonexistent. By the end of the month, the concern was significant.

<sup>3</sup>Internet Archive: Wayback Machine, <http://itunes.apple.com/us/app/hotel-tonight-ny-la-sf/id407690035?mt=8>, archived December 24, 2010, <http://bit.ly/39KgaFS>.

<sup>4</sup><https://tcrn.ch/3796IdL>

Why were consumers not booking, when they were downloading the application, saying that they liked it, and recommending it to other people? Moreover, the partnering hotels were quality boutique hotels, the discounts were competitive, the press was talking about HotelTonight, and even social media was expanding the buzz. What Shank, Bailey, and Simon eventually realized was that they needed to be patient and wait until downloaders were gradually presented with the need for instantaneous booking and have a reason to use the HotelTonight mobile application.

---

**Products and services:** 1

**Customers:** Very few

**Staff:** 2

**Founders:** Shank, Bailey, and Simon

---

## Month 4: January 2011

Given all the traffic and excitement generated, Shank, Bailey, and Simon decided that they had to press on and keep the momentum. Eventually the use cases would emerge and the bookings would start taking place. Fortunately, HotelTonight was able to keep the listings and the discounts in between. The good relationship that had been established with partner hotels as well as their newfound interest for all things mobile were crucial.

The waiting was quite nerve wrecking, but toward the end of the month, bookings started happening. It was still just one or two per day, but they were consistent. The perception that the company was an authentic and legitimate business began to take hold, which allied with the need for instantaneous hotel bookings, inevitably led consumers to gradually trust and rely on HotelTonight. With bookings happening in a consistent manner and hotels very much onboard to continue, Shank, Bailey, and Simon decided to add three more cities (Washington D.C., Boston, and Chicago) and do an official launch at the end of the month.

---

**Products and services:** 1

**Customers:** Tens

**Staff:** 5

**Founders:** Shank, Bailey, and Simon

---

## Month 5: February 2011

In February, Shank, Bailey, and Simon eventually decided to spin out HotelTonight. In this, numerous discussions had to be carried out with Dealbase shareholders and venture capitalists to raise financing so that hiring, technical development, and geographical could be accelerated.

---

**Products and services:** 1

**Customers:** A few hundred

**Staff:** 5

**Founders:** Shank, Bailey, and Simon

---

## Months 6 to 10: March to July 2011

Launching across more cities required more hires, so that relationships with hotels could be closely managed, not to mention all the implications in terms of consumer demand and technical development.

Hiring was purposely slow because Shank, Bailey, and Simon wanted to be very careful about who they brought into the company. One of the main reasons why HotelTonight had been able to build such a great inventory was because it had been extremely careful when establishing and maintaining relationships with hotels. A few bad hires could completely jeopardize the accumulated capital. In fact, the company soon decided that they were not going to hire anyone working at other online booking services. HotelTonight was going to develop its own culture. The company needed empathetic relationship builders and creative problem solvers.

In May, the company was able to raise \$3.6 million in a series A round of funding led by Battery Ventures and participation from Accel Partners, First Round Capital, Rich Barton, Erik Blachford, Brad Gerstner, and Hugh Crean. Energized by the new funding and added staff, the company was able to add ten more cities before the end of the summer: Miami, Seattle, Dallas, Philadelphia, Atlanta, Denver, San Diego, Phoenix/Scottsdale, Orlando, and Las Vegas. In fact, Las Vegas was a major milestone, as hotel chains in the city were much more difficult and demanding than hotels elsewhere.

---

**Products and services:** 1

**Customers:** Hundreds

**Staff:** 15

**Founders:** Shank, Bailey, and Simon

---

## Months 11 and 12: August and September 2011

Before the end of the first year, six more cities were added: Anaheim, Honolulu, Houston, Miami, New Orleans, and San Antonio. In the process, the company also started building and offering tools to hotels, so that they could manage some of the back-office processes themselves. While all of it had been manually done initially, it became unwieldy to do daily calls with tens and hundreds of hotels spread across more than 20 cities. In building a management system for hotels, the company was guided by the same principles that had framed the development of the mobile application, that is, extreme usability and simplicity.

Development efforts continued to be placed into the mobile application, by way of improving access to deals from nearby hotels, as well as into systems and tools to deal with fraud and other cyber issues, as they were becoming more common with growth and expansion.

---

**Products and services:** 1

**Customers:** Low thousands

**Staff:** 25

**Founders:** Shank, Bailey, and Simon

---

## Beyond the First Year

In November 2011, HotelTonight raised \$9 million in a series B round of funding led by Battery Ventures.

In June 2012, it raised \$23 million in a series C round of funding led by US Venture Partners.

In October 2012, it acquired PrimaTable for an undisclosed amount.

In September 2013, it raised \$45 million in a series D round of funding led by Coattue Management.

In March 2017, it raised \$37 million in a series E round of funding led by Accel.

In March 2019, it accepted an acquisition offer from Airbnb.

Table 10-1 shows the evolution in the number of offerings, revenue, and number staff up to HotelTonight's sale in 2019. Although little data could be gathered, it's still possible to note the extraordinary growth rates in the number of customers as well as in the number of staff between 2010 and 2019.

**Table 10-1.** Evolution of key metrics between 2010 and 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Number of Offerings</b>	1	1	1	1	1	1	1	1	1	1
<b>Revenue</b>	*	*	*	*	*	*	\$60 M	*	*	*
<b>Number of Staff</b>	2	40	90	*	185	150	*	*	*	*

\* data is not public

## Today

HotelTonight is today one of the leading online hotel booking services globally. No longer just serving technology professionals, it has expanded into becoming a generic all-purpose hotel booking service. In the process, it has expanded its reach (it's now in hundreds of cities across North America, Europe, Central and South America, and Australia), its booking window (up to 100 days in advance), and its channels, as it shed the mobile-only motto to add a web site for desktop and laptop access.

## Reflections

In addition to exposing the beginnings of HotelTonight, the month by month account also revealed that:

- **Successful technology companies can be started as side projects:** HotelTonight was started with two out of its three founders only being able to commit part time to its development. Even if they spent a significant part of their time working on HotelTonight, they still had daily executive and managerial responsibilities at Dealbase.

- **Successful technology companies can be started as experimentation in action:** When Shank, Bailey, and Simon decided to build what would become HotelTonight, it was essentially an experiment. They didn't know if the project was going to succeed or not, but they were certain that they were going to go above and beyond in their efforts to see how the market was going to respond.
- **Successful technology companies can be started as slowness in action:** Although HotelTonight was generating thousands of bookings by the end of their first year, it was not an instant phenomenon. Even though there was significant press coverage around the launch, only after a month or so did bookings start happening in a consistent manner, but still not more than one or two per day. The perception that the company was an authentic and legitimate business began to settle, which allied with the need for instantaneous hotel bookings, inevitably led consumers to gradually trust and rely on HotelTonight.
- **Successful technology companies can be started as automation in action:** For most of the first year, the work on the demand and supply sides was largely done manually. It needed to establish and maintain direct rapport with hotels as close relationships were critical, and any attempt to automate the process would have meant that hotels would have to make a fair bit of effort on their part, which of course would have been a non-starter for them. It was not until it started to become unwieldy to do daily calls with tens and hundreds of hotels spread across more than 20 cities that it was decided to start automating the process.

# Conclusion

---

The guiding intention for this book has been to share as much as possible the month by month developments in the first year of ten very successful technology companies. In doing this, the expectation is to encourage relatedness by way of revealing the extent to which very successful startups start in the same way as almost any startup. As such, the conclusions listed as follows are put forward not as recommendations but as mere reflections that will hopefully dislodge as many myths.

- **Successful technology companies can be started as empathy in action:** More than half of the companies profiled (Shazam, StubHub, Etsy, SlideShare, Heroku, Yammer, Fiverr, and HotelTonight) started off from a deep and empathetic connection of some or all the founders to the underlying problems that they were addressing. Even in the cases in which the personal connection wasn't necessarily profound (Despegar, POF, Yammer, and Fiverr), the underlying problem was one that drew a lot of sympathy and understanding from the founders.
- **Successful technology companies can be started with single or multiple founders:** Across the ten companies profiled, the composition of the founding team varied considerably from a single founder at POF to three at SlideShare, Heroku, and HotelTonight, to seven at Despegar. In none of the companies it was ever mentioned that the number of founders was a hindrance,

but quite the contrary. In the case of POF, being a solo founder led to a lot of automation and development of systems to sustain scalability and a low headcount; in the case of Despegar, having seven founders led to the company being able to race against the clock and establish operations across many international markets in the span of a few months.

- **Successful technology companies can be started and subsequently add additional co-founders:** Almost half of the companies profiled (Despegar, Shazam, Etsy, and Yammer) had additional co-founders join after the very start. The reasons were essentially the same, the need to add distinct capabilities and expertise to the founding team.
- **Successful technology companies can be started as side projects:** All ten companies profiled started off as side projects, with founders working on them while carrying out other professional commitments, which often times took a large proportion of their working weeks. The length in which they worked part time on their ventures varied considerably, from 2 months in the case of one of the co-founders of StubHub to about 17 months in the case of the other co-founder of StubHub. Worth mentioning is that the choice of companies to include in the book was completely random.
- **Successful technology companies can be started as reframing in action:** Almost all the companies profiled (Shazam, StubHub, POF, Etsy, SlideShare, Heroku, Yammer, Fiverr, and HotelTonight) were started with a contrarian and can-do spirit, with founders rejecting or even opposing the status quo. In this, the motivations were numerous, whether because the founders felt that there was a better way of solving the underlying problem (Shazam, StubHub, SlideShare, Yammer), a better business model (POF), and an underserved market (Etsy, Heroku, Fiverr, HotelTonight). Still, the contrarian attitude was balanced with a grounded and end-user centric approach, in which decisions were validated by evidence.

- **Successful technology companies can be started as experimentation in action:** All the companies profiled started off as genuine open-ended experiments, with founders not knowing what the outcome would be, even though they were certain that they were going to go above and beyond in their efforts to find out how end-users would respond.
- **Successful technology companies can be started as adaptation in action:** All ten companies profiled went through numerous adjustments and adaptations in the course of their first year, as the direction pursued and decisions made often proved underwhelming or even unproductive. In fact, in two of the companies outlined (StubHub and Heroku), the founders actually spoke of pivoting; in the case of StubHub, it was a business model pivot; and in the case of Heroku, it was a product/service pivot.
- **Successful technology companies can be started as slowness in action:** More than half of the companies profiled (Despegar, Shazam, StubHub, SlideShare, Heroku, and Yammer) got to the end of their first year far from meeting their expectations, not just because they had very small numbers of end-users and/or customers but also because they had quite inconsistent month-on-month growth. Even in the case of Despegar and Heroku, which had thousands of end-users by month 12, the number of paying customers was still very low.
- **Successful technology companies can be started as automation in action:** All ten companies profiled went through a progressive effort to automate activities manually carried by the founders and early staff. In some cases, activities were largely automated in the first year (POF, Etsy, SlideShare, Heroku, and Fiverr); in other cases several years were needed to reach for full automation (Despegar, Shazam, StubHub, Yammer, and HotelTonight). The reasons for this varied considerably, from self-service being a nonstarter for customers (HotelTonight and Despegar) and technology development being protracted (Shazam) to established business practices being largely face to face (StubHub and Yammer).

In closing, it's important to reemphasize some of the opening remarks and the importance not just of using the first year stories and the preceding observations for inspiration and insight but also that no matter how encouraging or discouraging they might be, there will always be a wealth of social, cultural, economic, technological, environmental, legal, and political forces that will be constantly operating to reconfigure, amplify, or mitigate them, just like with entrepreneurship itself.

Accepting the constant and inevitable struggle between the overwhelmingly uncertain and disquieting against the faintly recognizable and reassuring was what inevitably freed many if not all the founders included in this book to build the companies that Despegar, Shazam, StubHub, POF, Etsy, Slideshare, Heroku, Yammer, Fiverr, and HotelTonight have eventually become.

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