WHAT WENT WRONG?

Why a Company that Solved a Problem With a Great Product Went Out of Business

In 2009, Pierre-Olivier Latour spent some time traveling through Asia with a friend. He became frustrated with how difficult it was to store and organize all the photos he was taking. When he returned to the United States, he discussed his frustration with Kevin Quennesson, a fellow French engineer. Quennesson had a different frustration with photos, noting that the more photos he took, the less likely he was to go back and look at them. Quennesson saw this likelihood as a paradox. The more he documented his life, the less likely he was to enjoy what he had created.

Latour and Quennesson saw the combination of their frustrations as a problem. There wasn't a good solution on the market to store and organize photos in a manner that would encourage people to go back and look at them. The two decided to start a business and build a prototype of a photo storing and organizing service that potentially solved the problem. In June 2011 they met Wayne Fan, who was working at a San Francisco firm doing interaction and visual design, and brought him in as a co-founder. The three spent the next several months building a prototype of their service, which they named Everpix. The service seamlessly found and uploaded photos from your desktop and from online services, then organized them to highlight the best ones. The service was fast, the design was clean, and it was simple to use.

Everpix raised a total of $1.8 million from angel investors and continued to work on the product. The first version of Everpix 1.0 rolled out in March 2013. A free option let you see all your photos from the past year or longer if you connected to Everpix's app. For $4.99 a month or $49 a year, the service would let you store an unlimited amount of photos. One cool feature, called Flashbacks, sent users daily email messages of their photos from the same day in prior years. The overall service got rave reviews, and its users seemed to love it. The Everpix app had a 4.5-star average rating (on a scale of 1–5) out of more than 1,000 reviews. It seemed as though the founders were solving the problem they had set out to solve, with an attractive and solid product. Then, in the summer of 2013, Everpix closed. What went wrong?

In a nutshell, Everpix's founders spent too much time and energy perfecting their service at the expense of building a business. The service wasn't viral, meaning it wasn't easy for Everpix subscribers to share photos with friends and encourage them to become Everpix members. The Everpix team realized this was a problem and kicked around ways to make the service more viral. One idea was to require a subscriber's friends to create an account to download any photos that the subscriber shared with them, but the idea was killed as just the type of self-serving design choice that the team prided itself in avoiding. It also spent almost nothing on advertising or promotions. It had spent the $1.8 million it raised building the service. So at the time when other photo apps were attracting millions of users, Everpix had fewer than 19,000 sign-ups.

In the weeks prior to closing, Everpix's founders scrambled to raise additional funding. Because they were well-connected in the angel investing and venture capital world, they got a number of meetings. They were consistently praised on the quality of their product and the quality of the team they had assembled, but the business was the problem. Investors were getting spooked, in part, by the sheer number of apps that were being created and the ease with which consumers could switch between them. In addition, a number of Everpix's competitors were giving their services away for free, while Everpix's business model relied on paid subscriptions. One by one, the investors turned them down. Several overtures were made to potential acquirers, but none panned out. Eventually, Everpix ran out of money and didn't have the capacity to continue.

Questions for Critical Thinking

1. In the context of this chapter, make a list of three "takeaways" from this feature that you can learn from and try to avoid if you set out to solve a problem by launching a business.
2. To what degree is there a difference between pursuing an opportunity to solve a problem and building a business? In what ways did Everpix fail to do both?
3. According to the feature, Everpix spent almost nothing on advertising and promotions. How large of a role do you think that decision played in Everpix's failure?
4. Venture capitalists are often accused of swinging for the fences—in other words, they don't invest in firms that are hitting signals, doubles, or triples. They want home runs. In hindsight, do you think Everpix was building a business that had the potential to hit singles, doubles, or triples, or a business that had the potential to be a home run? Explain your answer.

Sources: C. Newton, "Out of the Picture: Why the World's Best Photo Startup is Going Out of Business," The Verge, originally posted on November 5, 2013, Available at http://www.theverge.com/2013/11/5/5039216/everpix-life-and-death-inside-the-worlds-best-photo-startup, accessed March 19, 2014; The Sublog, "Everpix, Snapchat, and The Startup Life," November 7, 2013, Available at http://subimage.com/blog/2013/11/07/everpix-snapchat-and-the-startup-lie/#.Uym15qMo670, accessed March 19, 2014.