50 STARTUP FOUNDERS REVEAL WHY THEIR STARTUPS FAILED

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Failed Startup Lessons.

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Content

Introduction

Failure sucks. Startups are dying in numbers every year. Greater percentage of them shutdown and the founders move on to something else. The good thing is that most entrepreneurs don't give up that easily. You can easily start a new business but maintaining it is where the real deal is. These reasons are common with failed startups or those that are about to die: we need more money, we need more traction, we need growth, we need to start making money or else..., we don't have enough buzz, we have management issues and founders have lost interest in the idea. Startups need to have the same kind of urgency to get things off and working as soon as possible, otherwise doomsday will be closer than they think. The money of your customers is the life-blood of your business. Not the money of investors. Not the money of your family or friends. Without paying customers, your startup starves, suffocates and eventually dies by suicide. Justin Kan, the founder of Justin.tv and Socialcam, wrote an enlightening essay a few years ago about how startups don't die, they commit suicide. In this essay, Justin gave an example of AirBnB founders Brian Chesky and Joe Gebbia, who tried to make AirBnB work for years. They racked up thousands of dollars of personal credit card debt. It wasn't until they got into YCombinator and really focused on generating revenue and hitting profitability that they really started seeing product traction. Here is why greater percentage of startups are more likely to commit suicide.

1. They lack product traction. Justin writes, "When startups commit suicide, often the root problem can be traced back to a lack of product traction — it's rare to find people willingly quitting companies with exploding metrics. But one thing that many entrepreneurs don't realize is that patience and iteration are critical in achieving product market fit. Overnight successes might happen fast, but they never actually happen overnight."

2. Many have plans with no visions. Many products have plans but few have visions. They have endless lists of features and capabilities but no unifying vision that

everyone is working toward. A product vision is a high-level view of the value you want to provide and an understanding of who you want to provide it to. It’s really that simple — in fact, the simpler the better.

3. No Revenue Model, Ever. OK, I understand many startups may not have a revenue model from day one but will try to quickly build up a large audience and monetize it later. But, there better be a clearly communicated revenue plan for when that day happens down the road..and that day will definitely come. And, that revenue plan needs to be material enough, based on credible assumptions, to make it enticing for an investors to get excited and to justify your current valuation. For some products, consumers will never pay for them based on free alternatives available online. So, if you are hoping for advertising to make up the shortfall, you better have a clear and affordable roadmap to millions of users to get the attention of advertisers.

4. They get in the ring but can't stay in it. "Persistence isn’t just key — it is everything. Getting in the ring is hard, but staying in the ring is even harder, especially when you feel beaten down, tired and alone. Successful entrepreneurs will readily tell you about the good times, their secrets to success, and even their mistakes (with a ready helping of how they overcame them), but they will rarely mention the times they were ready to throw in the towel and do something else. The truth is that everyone has those moments, and the guys you read about on the cover of Fortune were the ones that didn’t quit at them", says Justin. Nobody can promise you will succeed if you stick with your startup. What I do know is that if you give up, you won’t possibly succeed.

This document is a collection of what went wrong with 50+ startups. Most of these reasons for failure were shared by the founders in various post mortem posts.
Inspired by CB Insight’s Startup Failure Post-Mortems.

1. Pingjam (a monetization solution for Android app developers)
Within 6 months of our public launch we had: Over 6,500 apps integrated our SDK into their apps. A run rate of over $500k earnings for year 1. 60% monthly growth rate in users and revenue. We had bootstrapped our company to that point and hadn't raised any external funds. We were one month away from "Ramen profitability". It all came crashing down in November. On November 1st Google Play kicked out over 1,000 apps that worked with us from their app store. That was the beginning of the tailspin that's ending with our closing today.

Throughout our product development process, we constantly consulted Google developer relations, sales teams, marketing, technical, etc'. We were consistently assured that we are fully compliant with Google's Play store terms which governs our ecosystem. Our EULA was written by a senior Google employee and at the time that Google kicked us out – we were being hosted at one of their incubating facilities. Google proceeded to send threatening emails to our remaining developers that unless they stop working with us their apps would be banned. They even kicked out apps that hadn't worked with us in 3 months. Don't operate in a market where a single player can arbitrarily decide to kill you.

2. StartupSQUARE (a platform for helping entrepreneurs)
We've demonstrated that there is significant demand for this type of service, we have 46% product / market fit based on Sean Ellis' suggested measurement method, and we have users so enthusiastic about the idea that they just send us money. Still we're shutting it down. One thing that came up again and again in our discussions is that we were trying to do too much at once given our resources. By trying to tackle too much at once, we bypassed our Minimum Viable Product by several orders of magnitude and in doing so, we didn't focus on enough basic value to keep our users coming back.

3. Cusoy (restaurant meal planner based on your dietary needs)
I didn't want a startup, but an actual business that generates revenue, and Cusoy would not fulfill that personal goal for me without a full-time team, 1-2+ years of funding, multiple years of hard work (3-5+ years at the very least?) trying to answer the if/when questions of whether or not Cusoy could make money (very expensive questions too, might I add — not only in money but time, my most valuable asset). While I know there might be a possibility I could hustle incredibly hard and try to set up partnerships, the time investment required far outweighed the already incredibly slim chances of generating revenue.

4. Unifyo (a tool for high performing sales team)
We built a 7 people team and increased our total investment amount to $700,000 in total, adding investors like Seedcamp, EC1 Capital, Firestartr, Angellab and Tom Blackie. Ultimately Unifyo failed to find a product market fit and should have not tried to overstretch the technical possibilities of being able to support different email clients and browsers. We had deployed solutions in big professional services companies to even a Fortune 500 bank, but ultimately did not have the bandwidth to succeed with an enterprise sales approach.

Apart from committing typical startup sins like not being focused enough and occasionally trying to scale prematurely, we learned a ton of lessons. We couldn't empathize with big corporations and heard only scary things about the long sales cycles. However, every company we have kept track of in the 'relationship management' space has either shut down or moved at least into the B2B space (as opposed to targeting consumers). Even though we felt we had product market fit with an amazing user experience in demos, in practice our tool mostly underwhelmed users — and there was no easy way to test and plan for all the edge cases with organic data that was out there and always evolving.

5. Everpix (photo hosting service)

Everpix attracted 55,000 users and earned enough each month to cover the cost of the service, if not employees' salaries. But while its talented team obsessed over the look and features of its product, user growth failed to keep pace. They failed to effectively position themselves against giants like Apple and Google, who offer fairly robust — and mostly free — Everpix alternatives. And while the product wasn't particularly difficult to use, it did have a learning curve and required a commitment to entrust an unknown startup with your life's memories — a hard sell that Everpix never got around to making much easier. Everpix is in the process of selling off its technology in order to cover the costs of ending the service.

6. Gowalla (location-based social network)

While Gowalla continued to grow, the trajectory was not what it needed to be. At least not in terms of winning the game we had chosen to play. We were the younger, prettier, but less popular sister of Foursquare. And even that had changed. In time, Foursquare had dramatically improved the design and experience of its service. This was no longer a defensible platform for us as a company. We felt that in order to survive we had to get our numbers up. We tried just about everything to juice growth, some ideas being more successful than others.

7. Sonar (social discovery app)

We received conflicting advice from lots of smart people about which is more important. We focused on engagement, which we improved by orders of magnitude. No one cared. People didn't like the bland "@Sonar" text string so they stopped sharing updates from Sonar. Their friends never engaged with our updates in the first place. Facebook noticed this and started hiding our posts. Instead of optimizing for actual user behavior, we spent countless white boarding sessions trying in vain to design an alternative.

8. Formspring (Q&A social network)

We protected anonymous content to a fault and out follow-model shot us in the foot. We spent a lot of time on anonymity. It was our sacred cow. Looking back, we should have spent that time finding ways to gracefully degrade that feature instead of finding ways to keep it alive. Formspring had clearly struck a chord with people aching to share more about themselves with their friends. And instead of making it apparent that they were achieving their goal, we put an artificial barrier in place and prevented them from knowing if Formspring was working for them or not. The company raised a total of $14 million in venture capital and shutdown on March 31st 2013.

9. EventVue (online community for conferences)

We made deadly cultural and strategic mistakes. We tried to build a sales effort too early, with too weak of a product after initial financing and waited too long to address the "nice to have" problem. We didn't make Eventvue self-serve to let anyone come and get it. We didn't focus on learning & failing fast until it was too late. And didn't care/focus enough about discovering how to market eventvue.

10. Devver (developer coding tools)

We focused on engineering first and customer development second.
Most of the mistakes we made developing our test accelerator and, later, Caliper boiled down to one thing: we should have focused more on customer development and finding a minimum viable product (MVP).

11. FindIt (universal search across files stored in the cloud)

Starting a company and trying to change the world is no easy task. We had a vision to empower people with simple and intuitive search on their phone. Many of our users told us incredible stories about FindIt helping them in moments of need, but in the process we learned that the majority of our users did not need FindIt often enough to justify our continued time and effort on this problem.

12. Canvas Networks (image-centric social website)

It may seem surprising that a seemingly successful product could fail, but it happens all the time. Although we arguably found product/market fit, we couldn't quite crack the business side of things. Building any business is hard, but building a business with a single app offering and half of your runway is especially hard.

13. Blurtt (photo sharing app)

I started to feel burned out. I was Blurtt's fearless leader, but the problem with burnout is that you become hopeless and you lose every aspect of your creativity. I'd go to work feeling tired and exhausted. I was burning the candle at both ends. Do not launch a startup if you do not have enough funding for multiple iterations. The chances of getting it right the first time are about the equivalent of winning the lotto.

14. Admazely (advertising for web shops)

We ran out of funding and didn't manage to raise more money. We had product problems. We had sales and marketing problems. We had people problems. We had process problems. Startups have problems. It's a grind - that's the nature of it.

15. Pumodo (mobile sports platform)

Pumodo was a product where people wanted to consume the live matches, player data and history but players didn't want to supply it. The reward wasn't high enough compared to the effort. Our biggest self-realization was that we were not users of our own product. We didn't obsess over it and we didn't love it. We loved the idea of it. That hurt.

16. Dijiwan (digital marketing company)

Dijiwan raised 0.5M€ in January 2012 from French public investors to develop its business within a year. Djiwan requested bankruptcy protection in September 2012. One of the failures was clearly the will to spend all the money rather than to spend it wisely. The primary objective should have been to generate more revenues or to sustain the innovation — if it broadens the business reach and simplifies customers acquisition. Around 600K€ were burnt in 6 months if you consider the revenues and the funding. For a 10 people company, this is a lot! We granted a lot of discounts to get customers on board. For the sake of signing new and more cyclic contracts afterwards. The contracts never happened. We built a nice piece of software. But we never acquired any additional customers by polishing a line of code or by adding a new feature. Because those lines of code never faced anyone willing to sign a check.

17. Prim (laundry delivery)

The YCombinator-backed laundry pick-up and delivery business barely lasted seven months. Prim tried to be the Uber for people with dirty clothes: It was a marketplace that enabled easy payments, pick-ups, processing and delivery. When Prim shuttered, it was seeing 1,000 pounds of clothes from 40 clients a day — and growing. The real issue had been working with laundromats — the smaller ones couldn't handle much additional laundry, while the larger ones often offered delivery service on their own. We realized that for us to have a sustainable source of supply, we'd need to go and open our own laundry facilities. Running our own laundromats still would have made a profitable business in five to 10 years, with revenues of $10 million to $15 million, but it was a direction we didn't want to go.

18. InBloom (student data management)

It is a shame that the progress of this important innovation has been stalled because of generalized public concerns about data misuse. In New York, these misunderstandings led to the recent passage of legislation severely restricting the education department from contracting with outside companies like inBloom for storing, organizing, or aggregating student data. We stepped up to the occasion and supported our partners with passion, but we have realized that this concept is still new, and building public acceptance for the solution will require more time and resources than anyone could have anticipated.

19. Outbox (mail digitizing service)

After raising $5m in June of last year, we set out to onboard the 4,000 individuals we had amassed on our central-San Francisco waitlist. We projected converting a large percentage of these individuals, and planned to scale our marketing efforts at a projected cost of $20 per acquisition. However, after an extensive email marketing campaign to our waitlist, total yield from the waitlist was under 10 percent. And as we started marketing outside of this network, we had difficulty finding a repeatable and scalable acquisition channel. Our monthly operating deficits were too high, and even though we continued to get better at acquisition, each small success actually saw our cash curve decline further because our density remained flat.

20. Argyle (social media marketing software)

We made a good go of it, for sure. But today's social media management space is becoming more and more dominated by large companies with very large marketing budgets and sales teams. On top of this increased competition is the high cost of maintaining integrations with the ever-changing social media networks. It's a lot for a small team. We've tried a number of things to make it work, but in the end it looks like it's not in the cards.

21. Bloom.fm (mobile music service)

We were very close to coming out the other side of this. But, alas, it wasn't to be. After Bloom.fm was placed into administration we received incredible amount of support from our users and a lot of commercial interest from prospective buyers. One offer stood out in particular, as it would have allowed Bloom to continue in the spirit we originally intended. We have worked furiously on finalising it but unfortunately, due to very tight timelines and complexities associated with the administration process, the deal fell through at the last minute.

22. Stipple (Image-tagging advertising)

Stipple Inc. has called it quits, shutting its doors less than 18 months after raising capital at a valuation just south of $25 million. We had turned on revenue, but did not scale fast enough. We were not yet profitable. Like many companies we got into the Series A crunch and we weren't able to raise more money. We simply weren't able to get dollars flowing from the marketplace to line up with our expense structure.

23. Delight (usability testing for mobile apps)

Our most expensive monthly plan was US$300. Customers who churned never complained about the price. We just didn't deliver up to their expectation. Customers pay for information, not raw data. Customers are willing to pay a lot more for information and most are not interested in data. Your service should make your customers look intelligent in front of their stakeholders. Follow up with inactive users. This is especially true when your service does not give intermediate values to your users. Our system should have been smarter about checking up on our users at various stages.

24. How.Do (DIY crafts ideas and projects)

Our goal was now to transform that passion into a sustainable platform. We have failed to make this possible and without the resources needed for development. It has been a difficult decision to close the platform, made with every consideration of alternative ways to continue. Together we created more than 1.7 million learnings, and over 7 thousand projects.

25. Readmill (social reading app)

Many challenges in the world of ebooks remain unsolved, and we failed to create a sustainable platform for reading. Unfortunately, it is not possible to sell books on Apple's platform at a competitive price. We also considered the book subscription model but did not find it to be a viable option for us. Finally, even if all users paid for the app, it would not provide the necessary resources to sustain and develop it. We considered every option before making the difficult decision to end the product that brought us together. Readmill was subsequently acquired by Dropbox.

26. Plancast (social site for planning events)

Along the way my team built a minimum viable product, launched from obscurity, raised a seed round of funding from local venture capitalists and angel investors, and worked like mad to translate our initial success into long-term growth, engagement and monetization. Alas, our efforts began to stall after several months post-launch, and we were never able to scale beyond a small early adopter community and into critical, mainstream usage. While the initial launch and traction proved extremely exciting, it misled us into believing there was a larger market ready to adopt our product. Over the subsequent year and a half, we struggled to refine the product's purpose and bolster its central value proposition with better functionality and design, but we were ultimately unable to make it work (with user registration growth and engagement being our two main high-level metrics).

27. Flud (social news reader)

It was also a surprising conclusion, considering that Flud had managed to raise $2.1 million in seed financing. In fact what eventually killed Flud, was that the company wasn't able to raise this additional funding. Despite multiple approaches and incarnations — including a pivot toward enterprise — in pursuit of the ever elusive product-market fit (and monetization), Flud eventually ran out of money — and a runway.

28. DrawQuest (drawing app / game)

No soft landing, no happy ending—we simply failed. It's been a long four year journey, full of highs and lows. I am simultaneously incredibly proud, and incredibly disappointed. I'm incredibly proud of an amazing team and all that they have accomplished. In the past year it's been downloaded more than 1.4 million times, and is currently used by about 25,000 people a day, and 400,000 last month alone. Retention and engagement are great. And yet we still failed. It may seem surprising that a seemingly successful product could fail, but it happens all the time. Although we arguably found product/market fit, we couldn't quite crack the business side of things. As we approached the end of our runway, it became clear to us that DrawQuest didn't represent a venture-backed opportunity, and even with more time that was unlikely to change.

30. Standout Jobs (recruiting portal)

I raised too much money, too early for Standout Jobs (~$1.8M). We didn't have the validation needed to justify raising the money we did. Part of the reason for this is that the founding team couldn't build an MVP on its own. That was a mistake. If the founding team can't put out product on its own (or with a small amount of external help from freelancers) they shouldn't be founding a startup. We could have brought on additional co-founders, who would have been compensated primarily with equity versus cash, but we didn't.

32. Flowtab (mobile drink ordering)

We hired a local operations manager in Denver (Sasha Juliard) and soon launched at Shotgun Willie's (the highest-grossing strip club in CO) and two other bars. We made about $1,200 on each deal (50% went to DexOne, we spent $800 on each launch event and we had $500 in hardware costs), this was the only sales revenue Flowtab ever made. We were tightening up our sales process, but it was hard to market ourselves properly in those bars without being there. It quickly become a distraction to our operations in San Francisco.

33. Shnergle (real time reconnaissance platform)

Does your idea only monetise at scale? If your idea can only be monetised at scale, head to San Francisco / Silicon Valley. There isn't enough risk capital, or enough risk appetite, in the UK/EU venture market to pour capital into unproven R&D concepts. If you want to build in the UK, find some way of charging money from day one. You can still use a freemium structure to up-sell later. Shnergle was never going to monetise before it had scaled fairly significantly. Fail!

We thought we had validation of the student market from our developers; we didn't. They worked crazy hours for very little return, based purely on pursuit of a vision; that is NOT standard student behaviour. Fail! Build a community before you even start the company. We were far too secretive. Fail! A small core of our friends were huge advocates, but the majority completely ignored Shnergle. It's not personal; they just weren't buying what we were selling....even for free! Fail!

34. YouCastr (video platform)

The market was not there. The thesis of our current business model (startups are all about testing theses) was that there was a need for video producers and content owners to make money from their videos, and that they could do that by charging their audience. We found both sides of that equation didn't really work. I validated this in my conversations with companies with more market reach than us, that had tried similar products (ppv video platform), but pulled the plug because they didn't see the demand for it.

35. Admazely (tools for re-targeting advertisement)

We ran out of funding and didn't manage to raise more money. We raised a seed round in April 2012. And we formally filed for bankruptcy in May 2013. As mentioned, our cash-out-date was approaching. We'd joined the Accelerace program based on a recommendation from our chairman and representative of our lead investor, SEED

Capital. The program does a lot of good things. The reason we joined was that it has a loan option for program alumni companies. The people in the program has to recommend you, you jump through a few hoops, you pitch and negotiate and finally you present to their equivalent of the infamous partner meeting - the Investment Committee.

36. Meetro (multi-network social messenger)

We could have gone about trying to fix Meetro but the team was just ready to move on. Raising money on the flat growth we had was nearly impossible. Plus I knew that in order to keep the tight-knit team we had built together, we needed to shift focus for sanity sake. People (myself included) just felt beat up. We knew that fixing these issues would involve a complete rearchitecturing of the code, and people just weren't excited about the idea enough anymore to do it right.

37. eCrowds (on-demand content-centered community platform)

As the product became more and more complex, the performance degraded. In my mind, speed is a feature for all web apps so this was unacceptable, especially since it was used to run live, public websites. We spent hundreds of hours trying to speed of the app with little success. This taught me that we needed to having benchmarking tools incorporated into the development cycle from the beginning due to the nature of our product.

38. Backfence (hyperlocal news sites)

Hyper-local is really hard. Don't kid yourself. You don't just open the doors and hit critical mass. We knew that from the jump. It takes a lot of work to build a community. Look carefully at most hyper-local sites and see just how much posting is really being done, especially by members of the community as opposed to be the sites' operators. Anybody who's run a hyper-local site will tell you that it takes a couple of years just to get to a point where you've truly got a vibrant online community. It takes even longer to turn that into a viable business. Unfortunately, for a variety of reasons, Backfence was unable to sustain itself long enough to reach that point.

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Our timing was terrible. We launched the paying version of our application in the fall of 2008 about 5 minutes before the economy collapsed. We knew the economy was heading south, but we had no idea how bad it would be and how long it would last. And we failed to react quickly and aggressively enough.

40. Inhabi (a matchmaking service for renters and landlords)

It wasn't about the quality of the cofounders' working relationship. Inhabi had always been self-funded, so the matter at hand was of a more practical nature. We weren't really listening to our customers enough along the way. Inhabi should have focused on the lower-tier landlords, or those who have a harder time finding tenants, rather than the high-end landlords. Sometimes businesses are not supposed to work and it has nothing to do with how smart or capable the entrepreneur is. We didn't push too hard on finding the next step for Inhabi because we both found great opportunities.

41. 99dresses (Buy, sell & trade fashion)

Growth started to slow down. The average value of items listed steadily declined and our fees were based on this value, so although we were growing transaction volume our revenue wasn't budging. We started to see some holes in the business model.

Whilst our retention was great, we worried about our activation rate. We only had one institutional investor in our previous funding round, and I was so relieved when they told me they wanted to lead this bridge. Boom! It looked like we were going to live to see another day. It's incredibly frustrating to try and try and try, and when you finally start to get some good traction you fall off a cliff. Our business still had problems.

42. Zillionears (flash sale platform for musicians)

Our first beta test was a disaster when Amazon (who was our payment processor) suspended our account for not complying with money transfer issues. Fans were able to participate in the sale, but we were unable to capture their billing. We ended up paying the artist out of our own pocket and giving everyone his music for free (and we never told him that happened until now). From that beta test we found out that our software needed to be rewritten to comply with Amazons terms. More importantly though, people really didn't really LIKE anything about our product. No one that used the service thought it was that cool. In fact, some people that participated in the sale didn't even like our "dynamic pricing" system.

43. Springpad (one-time Evernote rival)

The six-year-old Boston company, which raised more than $7 million, had around 400,000 people using its digital notebooks to save tasks, notes, checklists, and more. There was a need for people to store their stuff and sync it across multiple devices. But that does not a business make. We built a cool product, but we didn't build a business. Do you build a user base and then worry about making money, or vice versa? We went back and forth. But unfortunately we didn't grow fast enough to roll out an ad-support model. We were not able to secure additional funding or scale to become a self-sustaining business.

44. Vinetrade (building and managing wine portfolios)

We had raised a seed round from some reputable investors on the back of small, but decent, early traction. Unfortunately, over time we found that while people used the site once or twice, they quickly reverted back to emails and phone calls. We always knew that people bought this wine for fun. The buying process, and talking to others about the wine, turns out to be part of that fun. We tried to abstract these problems (hold wine on behalf of others, change owner in our database when it's traded), but it was a huge headache and we couldn't find a way past the human errors, and need for human reconciliation. We wanted to be a marketplace, but in reality we were turning in to a normal wine merchant, masquerading as a marketplace.

45. Turntable.fm (streaming music service)

A big part of what doomed Turntable was trying to play by the rules. We wanted to do it all the right way, nothing shady, always working with the labels. That meant paying every time a song was streamed, not simply piggybacking on copyrighted music hosted by sites like YouTube or SoundCloud that might have been uploaded illegally. The company also cut off access to its international users in areas it hadn’t yet signed deals. That really curtailed our growth. Fans used Turntable to create 1 million virtual DJ rooms and play more than 400 million songs — but it hasn’t made for much of a business. At the height of its popularity, Turntable raised $7.5 million.

46. Tab (prepaid loyalty app)

We raised seed money from a local angel investor early on, joined an accelerator and started to grow the team. We encountered a lot of issues that on their own we could have tackled, but together set us on a path to failure that we struggled with. Investors wanted to see former payments, daily deal and retail executives as the team behind Tab—not three random guys trying their hand at “disrupting a crowded space”. It was not that this was a deal breaker for investors, but because of some of the other mistakes we made, it played a major part in the slow demise of Tab.

The problem was that we wanted all the bells and whistles from day one: payment processing, account profiles, multiple locations, transaction histories, email receipts and more. The result was that we ended up building something completely different than what we tested and we built too many features without validating they were needed. We did not build any real financial models until one of our existing investor asked us for one. Once we started scaling-up shops and building a sales team, we were no longer raising money on a vision — we were raising money on our metrics. As we only had several months of runway left, we did not have the cash to keep our early growth levels and quickly picked all the low hanging fruit we could.

47. Intellibank (sort of like Dropbox)

At Intellibank, we did not achieve product-market fit. Every customer was asking for something different and we gave it to them. We had six markets with 40 different types of customers, and in hindsight, we should have developed just one product. We couldn't be all things to all people — and by failing to declare our major, we created a world of chaos for our sales, product and marketing teams. We raised money and could have been the next big thing, but it never happened.

48. Teamometer (online team diagnostic tool)

I had all those people who were interested in the product. I judged the product "validated" (WRONG! WRONG! WRONG!) and went on to build it. Looking back, I cannot believe how stupid I was. I had all those people who said they were interested and the obvious next step was NOT building the product, but TALKING to the people who were interested.

49. Tutorspree (online tutoring marketplace)

We learned about how to make the toughest decision of all – to shut Tutorspree down, not because it was not a business, but because we could not make it the company we wanted. Tutorspree's mission was to match up quality tutors with students. Simple enough. It has accumulated 7000 tutors on its platform after raising $1.8 million. The problem, observers say, is that the company's founders, Aaron Harris, Ryan Bednar, Josh Abrams had little experience in the education category and not enough time to gain domain expertise. Beyond that, marketplaces are difficult and tutoring is competitive. It is seasonal and it has geographical limitations. Once Tutorspree matches a tutor with its tutee, there is little to stop them from paying the tutor in-person and cutting Tutorspree (and its fees) out of the picture.

50. Exfm (browser-based music discovery)

The high costs of processing millions of new songs every month while attempting to keep that data relevant and useable is monumental. The technical challenges are compounded by the litigious nature of the music industry, which means every time we have any meaningful growth, it's coupled with the immediate attention of the record labels in the form of takedowns and legal emails. All this adds up to a very challenging position for a small startup with grand visions to make any real headway.

51. Grooveshark (music-sharing service)

We started out nearly ten years ago with the goal of helping fans share and discover music. But despite best of intentions, we made very serious mistakes. We failed to secure licenses from rights holders for the vast amount of music on the service. That was wrong. We apologize. Without reservation. As part of a settlement agreement with the major record companies, we have agreed to cease operations immediately, wipe clean all the data on our servers and hand over ownership of this website, our mobile apps and intellectual property, including our patents and copyrights.

52. Secret (anonymous sharing app)

After a lot of thought and consultation with our board, I've decided to shut down Secret. This has been the hardest decision of my life and one that saddens me deeply. Unfortunately, Secret does not represent the vision I had when starting the company, so I believe it's the right decision for myself, our investors and our team. I believe in honest, open communication and creative expression, and anonymity is a great device to achieve it.

But it's also the ultimate double-edged sword, which must be wielded with great respect and care. I look forward to seeing what others in this space do over time. Innovation requires failure, and I believe in failing fast in order to go on and make only new and different mistakes.

53. Trada (paid search crowdsourced marketplace)
Trada began its truly innovative approach to managing paid search campaigns in 2008. Our expert community and software tools helped enable thousands of advertisers to reach new customers. We recently became unable to pay Trada's creditors who have rights to all of Trada's assets as collateral. Today these creditors have instructed us to cease operations of the Trada marketplace. We truly regret the difficulty that this will cause our clients and community and we are working within the confines of the creditors' rights to mitigate these difficulties.

54. GigaOm (pioneering technology blog)
Every founder starts on a path — hopeful and optimistic, full of desire to build something that helps change the world for the better, reshape an industry and hopefully become independent, both metaphorically and financially. Business, much like life, is not a movie and not everyone gets to have a story book ending.

Gigaom recently became unable to pay its creditors in full at this time. As a result, the company is working with its creditors that have rights to all of the company's assets as their collateral. All operations have ceased. We do not know at this time what the lenders intend to do with the assets or if there will be any future operations using those assets. The company does not currently intend to file bankruptcy. We would like to take a moment and thank our readers and our community for supporting us all along.

55. 12 Lessons on Closing Down Your Idea

Semi-anonymized (but brutally honest) lessons from three top entrepreneurs

Contributors: Evan Baehr, Ofo Ezeugwu, Sebastián León. Compiled by: Brian Truong

Lesson 1: Two founders is the best number of founders (not one, not three, and most definitely not five).

"First of all, don't do it alone. When you're alone, you have no one to bounce ideas off of; you don't have someone to tell you you're wrong. When you have more than two founders (e.g. 3), you can have two founders team up against the third one. Factions can form. One super-angel once told me that of all teams with 3 co-founders he invested in, 90% of them bullied one of the founders out. Once you have more than two, you have a lot of personal politics come into play. With just one co-founder, you can sort through issues together. You want a partner, someone who is a majority stakeholder like yourself who shares in the decisions. You can make decisions more quickly."

Lesson 2: Companies die for two reasons: you either give up or run out of money.

"Looking back, I guess you could say that things did not look promising when I had to push my co-founder(s) to work. If your teammates judge whether they will stay based on hitting certain benchmarks month to month, it won't work out. You can't really have partners who are in it conditionally because if things go south, they are the first ones out. You want people who will work on this unconditionally even if it goes nowhere. Ultimatums are not how companies should live."

Lesson 3: Don't be too fast when bringing on teammates.

"When we first started out, our process of building the company was to first define the product, talk to customers, and then try to find people to plug in. This is wrong because rushing to find people to fill roles results in bad hires. What you really need to start with is a concept and the right people to do it. Be slow in bringing on team members and only bring on people you absolutely need because if not, you end up with many people who can't execute but that you have to manage"

Lesson 4: Believe what customers do, not what they say.

"When we were building the product out, we were received with great fanfare with bloggers, tech CEOs, and writers. People were really excited to talk about it, and everyone signed up on the list with a "We love it. We want it." mentality. But when we launched and finally asked our sign-ups to actually use the product and give us their personal information, people no longer wanted it. Customer acquisition costs shot up. The lesson here is that it is one thing for customers to think it's a good idea and another if they will actually use it."

Lesson 5: Cultivate deep relationships with your investors.

"Because we had a trusting and deep relationship with most of our investors, there was a level of confidence from them that clearly this was the right thing to do [to shut down the company]. Invest in your social capital account with them, so that when you face a difficult decision, they will help process your decision and trust you with their money. The last thing you want are your investors angry at you as you close down your company. "

Lesson 6: Limit what you offer.

"We failed in that we tried to tune our product to everything we thought the client needed rather than what we ourselves could build well. The hardest part when offering lots of features is that clients continue to say that they like what you offer, but at the end of the day, it won't work out unless you can do 1–2 things absolutely right and expand from there. There's just not enough time in the world to do 40 things well right from the start."

Lesson 7: Your 2–3 sentence pitch needs to make sense.

"If it takes 15 minutes to explain your idea, it's probably not going to work. You can't recruit anyone if you can't explain your idea in 2–3 sentences. That's what happened to us."

Lesson 8: Friends don't always give "honest" feedback.

"We asked our friends for feedback on our initial idea. And on one end, it was great! They were very willing to try things out and were patient with us. We knew all the people, and we could be comfortable asking them for advice. However, they had a friendly bias that they wanted to say nice things to us. They were what friends were for, but they were not people who had a reason to be very very honest with us."

Lesson 9: Starting with the technology first rather than problem first is a bad idea.

"It's hard to be motivated when you aren't passionate about a problem. You don't want to retrofit. As technologists, start with the idea and problem first and work back the technology to fix the problem."

Lesson 10: In-house talent reigns over outsourced consultants.

"Don't ever outsource your main functionality. Your core product or service shouldn't be outsourced because even if it is great, you still won't make much profit because you just become a middleman. Basically, who needs you if you aren't the driver of the main product?"

“Pull as much in-house function as you can because any function that is critical to achieving product-market fit, you need to have someone on the team who is the owner of that. This includes anything related to user acquisition or product or marketing. With someone who is not working with you every day, it massively delays the product-market loop; you need to spin that loop as fast as you can and as many times as you can in order to get things right.”

Lesson 11: Don’t start a company with someone you wouldn’t want to hang out with.

“I previously made the mistake of starting a company with someone who I could not spend time outside of work with. I just felt weird around him. Even though he was one of the best at what he did and was crazy intelligent, it didn’t matter because I never felt like we were on the same page. Some people are very different one-on-one versus within the context of the whole team, so it’s good to measure how they act in the context of their friends and peers. My advice would be to spend a weekend outside of work with your team. Check the chemistry of the whole team together, and see if you can hang out with them even if you weren’t starting a company together.”

Lesson 12: Try to understand your gut feelings.

“A compelling argument can be made either way in making it work. It [closing down] kind of came down to a gut decision. In your core, do you believe that this can work? Is your heart in a place to make it work no matter what? For us, we were very much at peace in saying that we gave it our all, learned a lot, and have no more passion or confidence to run after this and believe that we can make it work. That’s when we decided to shut it down.”