

Twitter Thread by Gagan Biyani

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Nobody talks about failure in Silicon Valley, yet 90% of startups fail.

Why?

3 yrs ago, @neerajberry and I shut down @Sprig, which raised \$60M from @GreylockVC + @socialcapital & grew to \$20m revenue.

Then, it all fell apart.

For an honest story about failure,

****Read on****

In 2013, I was @lyft, envious of how fast it was growing!

What about @lyft for food?

We looked @Postmates + thought:

- the food arrived sloppy / restaurants don't care about delivery
- it took forever (1hr)
- too expensive

We struggled through product iterations until we found "magic":

3 taps and \$15 for a healthy meal delivered in 15 min

To make it possible, we had to run the restaurant ourselves; it would be expensive but worth it

We recruited @n8keller, Morgan Springer + @mattkent as founders

We launched and had immediate success. The buzz was unbelievable. Within months we were on track to do \$1M revenue/year.

Our Series A was a hot round. I did 4 partner meetings on the same day. Raised \$10M.

Great investors, great team, off to the races - [@omal](#) and [@simonrothman](#)

2 challenges arose:

1) Govt. SF health + planning made our lives hell. They didn't like our innovations. We had to bribe officials ("lobbying").

2) Gross Margins (GM). As we grew, our burn rate grew too. We were losing money on every meal. If only we could get to critical mass.

We had epic revenue growth w/ burn rate growth. Soon we were burning \$1.5-2M/mo!

We were always "1-2 months away" from managing the burn.

We finally got some progress on margins, but it meant degrading the product: food is fickle.

Less money in, worse food out.

Nonetheless, it was a ■. Growing 3x faster than [@udemy](#) did. Margins were improving; we were down to losing just \$1/meal.

Sprig's peak was Feb 2016:

4,500 meals per day (largest restaurant in SF)

\$22M run-rate (SF + Chi)

1,300 employees (incl delivery)

\$60M raised

I had never felt better. I was confident and getting super strong reviews from my team.

The public treated me like a star, which was both uncomfortable & awesome.

Even my dating life felt like it had improved 2-3x.

But secretly, I was nervous - it didn't feel like a done deal.

All of a sudden, everything changed.

On Feb 22, 2016: our growth curve inverted. +2%/wk became -2%/wk.

We scrambled to figure out why.

Was it seasonality? Was it our rising prices? Was it the quality of the food?

Everyone was running tests to figure out why and what to do.

OH

■

It was UberEATS, which launched that week.

Fucking Uber. After hearing all the war stories from [@lyft](#), I knew they were unsavory competitors.

Super smart, ruthless with big coffers.

Board meetings were tense: should we restart? We had \$15M in rev still; if we closed, we'd lose it.

What about pursuing a sale? If we do layoffs, then we can't sell. If we don't, we may die trying.

We decided to pivot to a new offering that focused on food quality.

It was all fucked.

Everyone (fam, friends, investors) thinks you're doing well and you can't tell them you're not.

We were in pure panic mode.

We launched Sprig 2.0, shut down Chicago and laid off 1/3 of HQ staff to conserve burn.

Managing external and internal parties was tough.

I shut down external activities, such as talks and press, so we didn't become a Theranos.

Internally, I leaned on my executive team. They were honest and kind with our employees. Through it all, we had only 1 departure.

Sprig 2.0 wasn't enough.

We got to \$0 margins, but the traction didn't improve.

The board asked us: what would it take to be fully profitable?

We were running a restaurant doing \$6M in revenue but paying real estate for a place that needed \$20M in revenue to be profitable.

The team had fought hard - but we were all completely exhausted.

After 3 pivots & multiple layoffs, we faced a final decision. We had \$8M left and knew we had to restart or quit and return the money.

@neerajberry & I made an exec decision: we shut @sprig down on May 27, 2017.

3 causes for failure:

- 1) In 2013, we mistook present for future. Delivery apps got better w scale. We got worse.
- 2) The profit equation was off. The market size in SF was too small for our big kitchen. We blitzfailed.
- 3) Cap Table + Burnout. Hard to restart after losing \$50M.

I'm grateful for the experience.

Learned way more in 4 yrs @sprig than 4 years @udemy or @UCBerkeley.

Few grudges were held & we took care of the team. They mostly landed on their feet (Silicon Valley embraces failure).

A classy ending helped sow the seeds for forgiveness.

All told it was just 4 years.

If you're gonna fail, do it fast.

If you're gonna succeed, do it slowly.

In startups, remember to watch your flanks. Your competitors are not your direct competitors, but the whole market.

After @sprig, I took off and traveled the world. Will be sharing a lot more on Sprig and other stories at <https://t.co/ZlqQt0cadZ>.

Thanks to everyone who believed in us.

Follow me to read more honest takes from a recovering founder ■■■

Thanks for the amazing feedback!

Here's an equally honest thread about @udemy going from 0 to \$2B valuation:
<https://t.co/mc9Dd8A6xl>

I\u2019m biased but @udemy is a true underdog story + thought I\u2019d share details we\u2019ve never shared before.

ICYMI, we announced a \$50M raise at \$2B valuation.

Udemy almost died at least 5x. We got rejected by everyone in the Valley. Startups are never a straight line.

Read on

— Gagan Biyani (@gaganbiyani) February 20, 2020