Co-Founder Adora Cheung explains why her Startup Homejoy failed

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SUMMARY

The speaker reflects on the reasons for their company's failure, emphasizing that rapid scaling of a flawed product and aggressive pricing strategies led to unsustainable growth. They suggest that a focus on improving product quality and retention, rather than chasing growth, might have changed the outcome.

- *Rapidly scaled a broken product without addressing fundamental issues.*
- *Initial success in limited markets (San Francisco and LA) did not translate to larger scale.*
- *Ignored declining retention rates, which indicated customer dissatisfaction.*
- *Communication and operational challenges increased with company growth to nearly 300 employees.*
- *Entered a price war, offering unsustainable $19 cleaning services.*
- *Competing on price rather than quality diluted the brand and profitability.*
- *Emphasized the importance of focusing on product quality over competitor benchmarks.*
- *Suggested that pausing growth to fix issues could have led to a different outcome.*

Speaker 1: Another question I usually don't ask about, but I'm going to ask you because I trust you to be honest about this. Why did your company fail?

Speaker 2: I used to think when companies fail there's like probably this like one, one thing that caused it to happen. But the more I look back on this, I just think there are a number of things, but I can maybe I can just like highlight two or three of them if. Yeah, because I don't have the time to go through all of it. The number one thing is we rapidly scaled a broken product essentially. And so I think it's okay to scale a product that's not fully there, it's a little bit broken, stuff like that.

Speaker 2: But we were just pumping the growth on something that wasn't clearly working. And what do I mean by that? So the product itself was people essentially booking cleaning and the cleaning get done. And that worked really well. When we were just in San Francisco and la, that was the first two markets. But once we started getting more cleaners on the platform and more jobs getting done, that product, when you scale that product, you have to have different features and you have to have different operational techniques to get that all done in a smooth manner.

Speaker 2: Instead of pausing or maybe just slowing down growth a little bit, we were just essentially scaling up this thing that just kept getting worse and worse and worse. And so you can sort of see it in the numbers like I tell most people who are just sort of building marketplaces like, or any type of consumer type company. Like you can look at retention, you can look at your review ratings like 1 star to 5 star, you can look at NPS and all this kind of thing, but ultimately you just go back and look at retention.

Speaker 2: And like I said in the beginning of retention was great. And then I think it just like started slowly going down. And then I think there's always this threshold that it's different for every company. But if your retention numbers get below a certain point, like you should stop, you should stop and fix the thing and go. But I think as a first time founder, it's just, you're just addicted to growth and you want to keep growing.

Speaker 2: You've got investors who are telling you, yeah, keep growing, keep growing, keep growing. You can fix it along the way, but you know, it just gets complicated. Our company, I don't know, it got to almost 300 people at some point, not including the contractors, the cleaners on the platform. And as you add more people to it, the communication overhead gets a lot harder and it's just hard to fix things. And so even something small, like putting in one new feature took weeks of rollout.

Speaker 2: Because it's not just. And we were just in a lot of cities. And so it's not just like, let's roll out to everyone in San Francisco. You got to have this whole plan to roll out to everywhere. And then you can't iterate because did that feature work or not? That took about a month to figure out. And it's just like rolling back or just trying to improve on it was just very hard. And so I think if we had done the thing where we just like we're in three or four cities, really got the product, grew really fast in those cities, figured out how to get to some level of growth with those good retention numbers, we would have been much better off going to like, the 30 other cities that we went to.

Speaker 1: Oh, wow, you went to 30 other cities?

Speaker 2: Yeah. And so it was just too aggressive. I mean, we were in Europe at that time. Oh my gosh. We were just everywhere very fast. And then there was also. We got into a price war like this. The whole cleaning thing became like a bunch of companies started coming into the space. And yeah, we got into price war. Like, we started offering $19 cleanings. Like, how can you make money on $19 cleanings? So the answer is you can't, because you got to.

Speaker 2: You got to pay, you know, the cleaners to do the job, and they're not going to do that job for $19. I mean, the idea was get them in the door and then get them to, you know, book the next cleaning. But if your retention numbers aren't there, then that next cleaning sometimes doesn't come, or a lot of times doesn't come. And so the companies we're competing against, we just all end up like around the $19 price for some reason.

Speaker 2: And I don't think that worked out for anyone. Honestly, the lesson learned there is you should know what your competitors are doing. That's smart. But you shouldn't be, you know, measuring yourself against them. Like, build your own high quality product. The prices don't have to come down. Like people will pay for high quality. And so that was the mistake there. Yeah, I would say those are the two main things that really, if we had maybe paused a little bit and turned the corner a little bit and stopped doing those things, would the company still be running?

Speaker 2: Maybe. I'm not sure, but it would have definitely helped a whole lot.