Shpock: Building the Boot Sale App

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This case has been written solely for classroom discussion and is not intended to illustrate effective or ineffective handling of a management situation.

This case study is based exclusively on publicly available information and is not endorsed by Finderly GmbH or its founders. All verbatim quotes, however, are actual statements of the respective persons.

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The idea

In the spring of 2012, Katharina and Armin were sitting in a little cottage in the Austrian Alps with their team. They reminisced about the times when you could still find cool used items on online platforms. A time when you needed to know where to look for things and you needed to spend time to search online 'flea markets' for interesting stuff. It took time and patience, but you would be rewarded by finding rare, vintage things. A time when eBay was not yet overrun by spammers and professional power sellers. Most of the team members fondly remembered these days and their online purchases from that time. Suddenly, it hit them: How cool would it be to start a new platform that would bring back this spirit? Since the world had moved on since the desktop computer days of when eBay was founded, it would of course have to be fully mobile.

This is how Shpock, the boot sale app, was born.

Of course, the initial idea behind the team weekend in a cottage in the Austrian Alps had been an entirely different one. Finderly, the product recommendation and information service that Katharina Klausberger, Armin Strbac, and Stefan Fleig founded in 2010, wasn't developing exactly as they had envisioned. They wanted to review the last months, analyze their mistakes, and map out a new path forward for Finderly.

Prior experience

Both Armin and Katharina had come from entrepreneurial backgrounds. Not only were their parents self-employed, but Armin and Katharina had also gained personal entrepreneurial experience prior to founding Finderly. As teenagers, Armin and a friend founded a small media firm that produced 3D computer animations for a small advertising agency. They had limited success and, at some point, decided to shut down the business. Ever since that time, however, Armin had been writing down business ideas in a small black notebook. It was only that he felt he was missing the right partners to start something, and so he continued to work as a management consultant for the Boston Consulting Group (BCG). He had joined the prestigious consulting firm about two years ago, right after graduating from university.

Katharina had founded the furniture crowdsourcing platform meublounge.com in 2008. She had started the venture together with a graphic designer and a graduate student she knew from university. The idea behind meublounge.com was to connect young designers and potential customers. The designers could publish their ideas and designs for pieces of furniture and other users could provide feedback and rate the designs. Meublounge.com would then produce the pieces and sell them through its online store. Katharina and her team had come up with the idea when they had noticed what was happening around them: young designers they knew—and who were good at what they did—struggled to find jobs. In a way, meublounge.com set out to solve that problem. However, after some initial success and positive media buzz, meublounge.com failed.

The Finderly story

In the spring of 2010, Armin was browsing the web. He was overwhelmed. He wanted to buy a small laptop computer suitable for travelling, but he had a hard time deciding on a particular model. The internet was full of information, but after he had read through test reports, customer ratings, online forums, and professional magazines, he was more confused than when he started. He had spent a lot of time without any tangible result. He thought to himself that there had to be a way to make this process more efficient. After all, there are probably experts for every specific question on the internet somewhere—and frequently there might even be an expert within his own social network.

Armin talked to Katharina about his problem. They had known each other for ages. Katharina was a doctoral candidate and research assistant at Vienna University of Economics and Business. She and Armin had worked together on other projects and got along great. Katharina was writing her doctoral thesis on crowdsourcing—something that could solve Armin's problem. Finderly would crowdsource recommendations! They would build an online shopping platform that simplified online research for consumer electronics through personalized recommendations from friends and experts. She was immediately hooked and Armin felt that he had finally found the right partner. Shortly afterwards, Stefan, a programmer and designer, was on board as the third co-founder.

Armin had saved some money, which he invested it in the venture. He was aware that he might lose it all, but he felt that he could take the risk. He was young, had no family to support, and he could earn the money back in a few years in a normal industry job. From the beginning, the team worked full-time on Finderly. At first, they didn't have to quit their day jobs. Armin, for example, was on a two-year Leave of Absence from BCG at the time. The original idea was to work on his doctoral dissertation on "The Forgotten Potential." He intended to study how the labor market opportunities of people with migrant backgrounds might be improved. The topic was dear to his heart since Armin's parents had come to Austria from former Yugoslavia in the '70s. But Finderly was more exciting. After he had written 70 pages, he began to focus exclusively on Finderly. Once the two years of his Leave of Absence were up, he quit his job at BCG.

On October 10th, 2011, a beta version of Finderly went online. By the end of 2011, it was fully online. This is how Finderly worked: Imagine you are looking for a new mobile phone. On Finderly, you could post a request stating that you are looking for a new mobile phone with any specific preferences, e.g., that you need a good camera, but that battery life is less important. The request would then be distributed to your friends and acquaintances on the social media platforms you frequented (e.g., Facebook), as well as to additional outside experts. You could also involve people via e-mail. All these contacts could then provide you with their recommendations on what to buy. Finderly would aggregate and analyze the recommendations and tell you which mobile phone

would best suit your needs. As additional features, Finderly would show other users' requests, the products that were most frequently recommended, and where users could buy the products.

Help from outside

In the beginning, Finderly was developing very well. Finderly received first funding and grants from state-sponsored Austria Wirtschaftsservice and the Viennese incubator INiTS in 2011. Both organizations provided funding as well as strategic support. Austria Wirtschaftsservice, for instance, offers to review a startup's strategy and provides advice on how to develop it successfully. INiTS supports a startup by sharing experience, providing office space, and connecting the startup with established companies and investors. Funding was not the only reason this early support was welcome. Katharina remembers, "Grants were not only important from a financial point of view. For us as founders, it was a mark of confidence in our skills, and an additional motivation to get the startup going." Additionally, the founders established first contacts to the U.S. startup world when the Austrian Chamber of Commerce sponsored an extended trip to Silicon Valley.

Later in 2011, business angels Speedinvest and Johann "Hansi" Hansmann provided Finderly with seed funding. External observers estimate that Speedinvest invested a high six-figure amount, and Hansi put in an additional amount somewhere between €75,000 and €200,000. Beyond the financial means, the business angels also offered strategic advice. Speedinvest, for instance, enabled the founders to get in touch with experts for important various topics they had no expertise in. Hansi also provided advice, but did not get involved too deeply in management tasks. He explains that he has a strategy to ensure this: "My ownership stake is never greater than that of the founders." One additional way in which he supports the startups he invests in is by joining them into what he calls the "Hansmengroup," a loose organization to connect the founders to enable and encourage knowledge and experience sharing.

Motivated by their investors, Finderly established a connection in July 2012 with Austria's two leading electronic retailers at the time, Niedermeyer and DiTech. From then on, when you would ask Finderly which mobile phone you should buy, experts from Niedermeyer and DiTech could also weigh in and provide you with custom recommendations. In addition, as soon as you decided on a mobile phone, you could make an online reservation in the shop closest to you. Damian Izdebski, DiTech's founder and CEO said, "Personal advice, exceptional service, and immediate availability are the foundations of DiTech. Finderly.com enables us to prove this even outside our own company boundaries." Werner Weber, managing director of Niedermayer seconded. "Finderly.com enables us [to provide service and advice] beyond the boundaries of our retail locations."

Enter Shpock

But over time, Finderly's future began to look increasingly bleak. The Pinterest hype was at its peak and it dawned on the Finderly team that Finderly had to become more 'mobile,' more up-to-date, more visual. This was when they decided to have the team retreat in the Alpine cottage—where the company history took a different turn when the idea of Shpock was born.

Everyone was enthusiastic about the idea, but the team decided to develop the boot sale app as only a side product of Finderly. Originally, the idea was to develop the app only for the team's friends, so that the team members would be able to use it in their own social circles. When the team discussed possible names, they agreed that the name should immediately explain what the app was about. The app should bring second-hand shopping into the 21st century.

They chose "Shpock" – the "SHop in your POCKet."

The app would allow users to simply use their mobile phone to take a picture of any item and put it up for sale online. At the same time, the app would show the user items that other people had put online in his or her proximity. Items would be sorted by distance between a user's current location and the items' locations. If a user was interested in an item, he or she could engage with the seller in a chat to agree on a price and a pick-up time. This way, Shpock felt like a local flea market. Payments would be made in cash at the time of pick-up. Armin explained the reasoning behind this. "Unfortunately, I have already been involved in a case of fraud on another major platform. Ever since, I have only been seeking out offers close to me so I can pick them up personally."

About half a year later, on September 17th, 2012, Finderly launched Shpock for iOS and Android. After Shpock's launch, the team realized that their friends were no the only people regularly using the app. "And in contrast to Finderly, everyone understood immediately how it works," Armin explained. "We initially tested the app with 200 products. After the first week, it went down constantly. The reason was that there were suddenly more than 500 products online. That was a good sign for us." Oliver Holle from Speedinvest put it like this: "[The team] went from a dead end to finding the sweet spot and creating a service people love."

One month after launch, Shpock had been downloaded 10,000 times. By January 2013, Shpock had been downloaded 100,000 times and 50,000 products had been put up for sale by users. The rapid growth was a major surprise to the team. It was a positive surprise, of course, but it also created new challenges. They had to add new servers to make sure the app would stay online. At some point, simply adding new servers was not effective anymore. The amount of traffic the app generated required that they re-build the entire software system underlying it. The team's engineers worked day and night to keep up with the growing number of users.

In 2012, Shpock was—despite its explosive growth—a far cry from being an established product. The founders frequently had to tackle unexpected problems. Many times, multiple issues arose simultaneously and threatened the company's existence. When the team had to make quick decisions, they frequently asked themselves "What is the worst that can happen?" and made the decision so the company could survive even if the worst-case scenario materialized.

Outside observers credit the success of Shpock to multiple factors. First, the team members had learned from the mistakes they had made in the process of building Finderly. These experiences prevented them from repeating the same mistakes when creating Shpock. Katharina explained that "negative experiences got us to where we are today. Without the mistakes we made with Finderly, our first product, Shpock would have never been so successful."

Second, they had launched Shpock without any pre-tests, long product development processes, or market research. They did not predict how people would use Shpock, how people would adopt it, and who would want it. Instead, they tried to control Shpock's development based on feedback from their users. The team members realized that they could not know everything and that users might have great ideas about what the app should do. Consequently, they listened very carefully to users' feedback and reacted to it quickly. The team implemented features the users wanted to have and removed features people did not use. This way, the team—together with the users—developed the app in the right direction. A considerable number of updates reflect this constant development. In 2014 alone, Shpock was updated more than 20 times. For example, when users wanted the app to be more visual, the team updated Shpock to allow for a larger number of pictures to be uploaded per item offered for sale. They also adjusted the design to make it more reminiscent of Instagram, an app that was highly popular at the time.

Third, the team itself was key to success. When Hansi decides whether to invest in a startup, he focuses on the team. "The very best business model works only partially or not at all with an average or even a good team. A great team, however, gets something even out of a bad business model. And if that is impossible, they change it until it is possible," he says. Speedinvest's Oliver Holle adds, "It's exciting to experience all these transformations that new startups go through."

Letting go

In mid-2013, the founders had to make a tough decision. Shpock was growing and growing—unlike Finderly, which saw its user numbers dwindle. The team had to decide whether to shut down Finderly. While all team members were fond of the Finderly product, and everyone had invested a great amount of time and effort into it, the numbers were clear. People loved Shpock and did not understand Finderly. The investors saw that, too. After some deliberation, the team pulled the plug on the Finderly product.

Simultaneously, Katharina and Armin had been in talks with Norwegian media group Schibsted Classifieds Media as well as several financial investors. Schibsted was the world leader in the classifieds business and held shares in companies spread across 30 countries. The company indicated a long-term interest in Shpock. In September 2013, Armin and Katharina turned down the financial investors, and Schibsted invested a seven-figure sum in Shpock in exchange for 82% of the shares. The Finderly team used the new funds to bring Shpock to more countries and to hire additional staff. Like Finderly's prior investors, Schibsted also provided strategic support. This was valuable for the team since their old investors had been helpful for the Finderly product, but with Shpock, the firm had entered the classifieds business. And this was Schibsted's home turf. Katharina explained that "In Schibsted, we found a partner who knows the classifieds business like nobody else. In return, we bring our know-how in mobile and an extremely motivated, talented team to the table."

On September 4th, 2015, Schibsted effectively took over Shpock by increasing their ownership stake to more than 91%. Industry observers believe that Schibsted paid €17 million for the additional shares. In the process, both Speedinvest and Hansi sold their shares to Schibsted. After the deal, Armin and Katharina each retained 4.5% of the shares and stayed on as CEOs.

By September 2015, the Shpock app had been downloaded 10 million times. In January 2016, Shpock was the most popular shopping app in Austria, Germany, and Great Britain. By February 2017, Shpock had seen more than 30 million downloads.

At that time, Armin and Katharina decided that it was time to open a new chapter in their lives—and in that of Shpock. They passed on the CEO position to Bernhard Baumann. Armin and Katharina had known Bernhard for a long time, and they felt that his experience as a consultant at BCG and his track-record as the head of Shpock's marketing team made him the perfect candidate. After leaving, Armin explained that he needed to let go of managing the details, but that he still felt deeply connected to the firm: "It may sound arrogant, but I'm convinced that Katharina and I are good founders. [In our new role,] we will continue to support Bernhard and the team and deploy our strengths where it makes the most sense, without driving everyone involved insane ;-)"

Appendix

Year	Shpock and predecessors	eBay Kleinanzeigen	Stuffle	willhaben.at
2006	-	-	-	willhaben.at is founded
2008	meublounge.com is founded and enters beta testing	-	-	-
2009	April: meublounge.com receives MINGO award	Becomes available in Germany	-	-
2010	April: Katharina Klausberger finishes doctoral thesis on "Fair Play? The importance of fairness in the decision for taking part in crowdsourcing systems" Future founders have idea for Finderly	Launches iOS app	-	-
2011	Finderly receives financing and strategic support from Austria Wirtschaftsservice and INiTS, as well as seed funding from Hansi Hansmann Finderly launches	-	-	-
2012	Finderly team has idea for Shpock June: Finderly cooperates with Niedermeyer and DiTech July: Finderly conducts product tests with Webstandard (online newspaper) September: Launches Shpock app for iOS and Android; servers frequently crash due to overload November: Finderly wins Futurezone Award	Launches Android app	May: Company is founded by Digital Pioneers, launches iOS app November: Becomes independent with Morten Hartmann as CEO November: Receives six-figure funding from Tim Schumacher, founder of Sedo, to develop Android app	-
2013	January: Reaches 100,000 downloads May: Shpock becomes second most-downloaded classifieds app in German-speaking region May: Finderly is taken offline; website says: "We are working on improvements and will be available soon" August: Shpock reaches 1.0m downloads September: Schibsted Classifieds Media buys 82% of shares for seven-figure amount November: Reaches 1.2m downloads; 8,000-12,000 products are online daily; receives MERCUR prize December: Finderly website forwards to Shpock	May: Becomes most-downloaded classifieds app in German-speaking region	November: Reaches 400,000 downloads; 5,000 products are online daily November: Tivola Ventures buys 25% for high six-figure amount; Leverate Media buys over 20%; intends to use proceeds for expansion to Switzerland	June: Launches iOS and Android apps
2014	Expands to Great Britain Provides 20 updates to the app over the course of the year	-	Reaches 250,000 active users Immobilienscout24 buys ~50% of shares for seven-figure amount	March: Reaches 1m downloads; becomes most successful classifieds app in Austria
2015	Expands to Norway, Italy and Sweden September: Schibsted buys additional ~10% of shares for €17m September: Introduces native advertising in app September: Reaches 10m downloads	-	-	November: Reaches 2m downloads; every second Austrian uses app regularly
2016	Becomes 10th most downloaded app in Germany	Becomes 7th most downloaded app in Germany	-	October: More than 4m users are online simultaneously for first time
2017	February: Reaches 30m downloads February: Founders hand CEO position over to Bernhard Baumann	Reaches 17m monthly users in Germany, two-thirds use the app	February: Immobilienscout24 sells back shares to founders	-

Exhibit 1 – Selected key events in company history of Finderly and key competitors in German-language online classifieds market

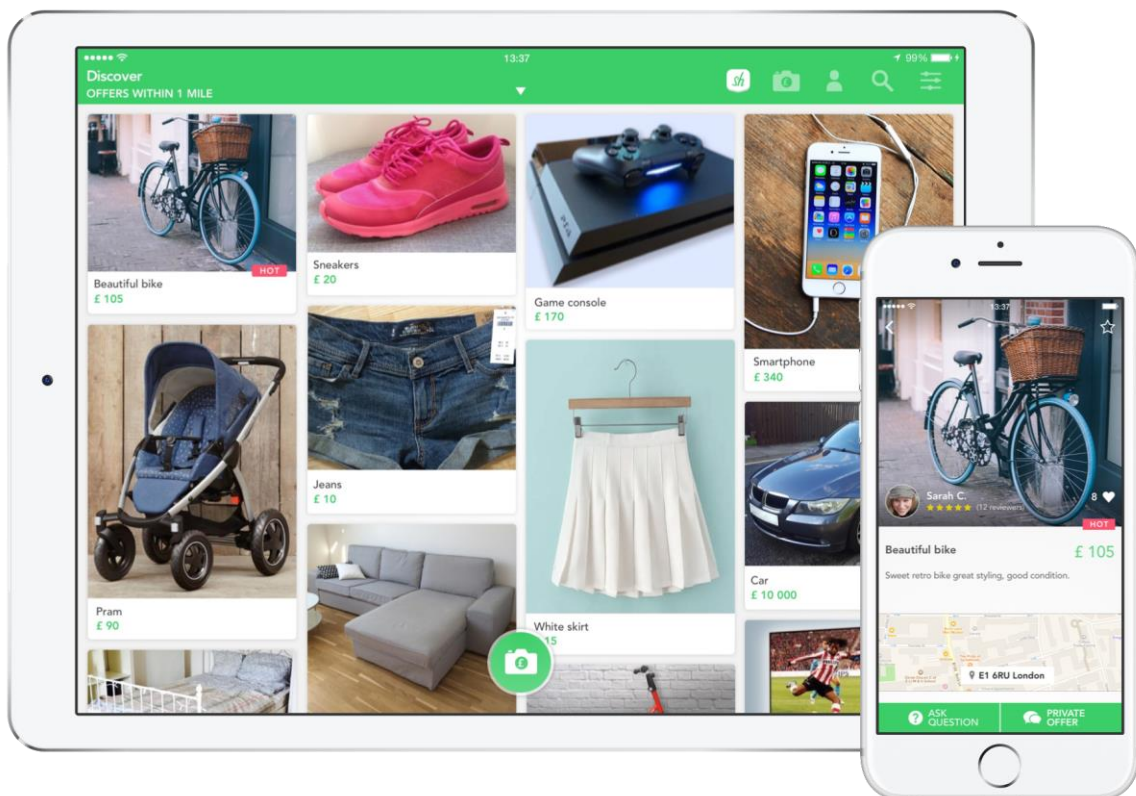**Exhibit 2** – Welcome screen of Finderly in web browser (Source: futurezone.at)

Exhibit 3 – User interface of Shpock app on iOS (Source: Finderly GmbH)

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