



Stanford eCorner

Acquisition After Honest Feedback

Phil Libin, *Evernote*

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Serial entrepreneur Phil Libin shares the unusual story of how his first company, Engine5, came to be sold. After being forced to improve a product from a third-party company, and subsequently writing to complain about their experience, the third-party company ended up acquiring Engine5 three weeks later.



Transcript

And the way we sold our company is we wound up doing a - we wound up doing this project, we did ecommerce sites. Back then, ecommerce wasn't really - it was just getting started and we build shopping carts and websites where you can buy stuff. And we did a really big project for - I think it was Nokia, so one of the major companies at the time. They wanted to sell stuff online. And the client had decided that they were going to give us this thing called Vignette Story Server, which was this giant content management package from a big company that has just gone public. And we beg them not to use it, because we looked that and we said, like, this thing, the Story Server, like you paid \$1 million for it, it doesn't do anything. Like we know, we're technical guys; we were in charge of implementing it like I am telling you it doesn't do anything. I mean it costs money but it doesn't actually accomplish anything, so still need to customize it for a year but like we can do that year of customization, without that thing it will be - it will be just as good, please don't use it, just give us the \$1 million instead, and they said no, no, a strategic decision, CEO played golf with somebody, we need to do it, we said alright. So we had to build this very big complex site using this technology and it was impossible because the thing didn't do anything. More than it didn't do anything, it kind of prevented you from doing anything and so we had to fight uphill to actually connect it.

We had to build all this plumbing to connect this Story Server thing to real things that actually did something, so you can have shopping carts and inventory and whatever, and it was really difficult, far harder than it would have been without it. And - but it worked and we launched the product and then we were sitting around right afterwards we were just kind of joking around and one of my friends suggested, hey, we should send a letter to Vignette, we should say like, dear Vignette, just thought you would like to know that we had to do something with your copy of product and we managed to do it and it worked but like boy it was difficult, your product sucks. And we were sort of laughing about that and then I thought why not, let's do that, so I wrote a letter to Vignette. And I wasn't quite as rude about it but I based - that's what exactly what I told them. And three weeks later they bought the company. Because they immediately wrote back like, really? We would love to get it to do something and yeah we know that it's - back then everything was booming so fast, right, they didn't have time to - like to actually write a product, they were too busy selling it, they were too busy growing and they knew it. And they were actually really good about it and they bought us pretty much immediately. And then we helped kind of redo the architecture so that a couple of years later it actually did do something. And so the lesson we apparently learnt from that is like hey this whole experiment of like just really trying to not tolerate stupidity and not have any assholes, that worked really well although we may have just gotten really lucky the first time around, and B, like we were just be direct about what you want. Like we had a thing that we thought we should - there will be useful information to tell this big public company and we did it, we told them.

And they did the right thing and they bought us and everyone - it kind of worked out well for everyone.