

Inside a Silicon Valley startup's explosive demise

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Behind Kanoa's slick promotional photos and videos, lofty promises to revolutionize music listening, and countless reassurances to customers, the warning signs were there - the startup was in trouble.

The [company](#) missed deadline after deadline. Its manufacturer never had plans to make more than about two dozen of Kanoa's high-tech wireless earphones - far fewer than customers had paid for. A contractor who helped design the earphones said the founder never let him test a working pair. And one of only two people known to finally get their hands on the headphones said they didn't come close to working as advertised.

But interviews with people who had business dealings with the company's founder, Cival Van Der Lubbe, as well as a review of documents he sent customers before going out of business in August, show that even as red flags piled up, the San Francisco-based startup continued to market its product and take customers' money. Now thousands of customers who preordered the headphones for \$150 or more likely will never receive the product they paid for.

The ruined startup leaves behind a warning to future founders and consumers alike, highlighting the dangers of crowdfunding and preorder campaigns. It's a classic Silicon Valley tale of an inexperienced entrepreneur, a grand vision and a business venture that ended in disaster.

"Some of these young founders are just way too aggressive in terms of what they commit to the market, and it just sets up false expectations," said Carlos Rodriguez, an adviser for startups focused on hardware and the internet of things, who was not involved in Kanoa, "and they've done it over and over and over again." Rodriguez, a former executive of San Francisco-based smart motorcycle helmet company Skully, saw the same story play out a year ago when Skully crashed and burned.

Van Der Lubbe didn't respond to multiple email and LinkedIn messages seeking comment. No one answered the door at the San Francisco apartment he listed as his residence on Kanoa's California business registration form.

The founder, who hails from the tiny Caribbean island of Curacao - Playa Kanoa is the name of a beach on the island - dropped out of Northeastern University in 2013 and started Kanoa two years later. He promised "earphone innovation that sets a new standard in true wireless audio performance," and showed off slick photos of wireless earphones with a unique pentagon shape and an eye-catching turquoise center.

The earphones would have been ahead of the game - they were supposed to ship months before Apple released its AirPods. Van Der Lubbe launched a preorder campaign on his company's website, and customers started forking over cash. Early buyers received up to a 50 percent discount on the \$300 purchase price. But Van Der Lubbe quickly started postponing the shipping date.

People who ordered in early 2016 were supposed to have their headphones by April; then it became June, and then September, and then spring 2017, according to Kanoa's correspondence with customers.

But Kanoa continued taking orders even as it failed to meet deadlines. After postponing its shipping date at least twice, Kanoa in September

2016 sent out an email blast saying there were just 50 units left in "Batch 2," urging customers to buy before the price went up to \$199.

Kanoa published what would end up being its last blog post on Aug. 10 before shutting down: "Yes, we're shipping," the company trumpeted. "Being able to announce this is truly indescribable."

But Flex, the manufacturer Kanoa was working with, says the Flex team had no plans to make nearly enough headphones to fill the preorders. Kanoa struck a deal with Flex in June to assemble fewer than 25 prototype units in a "non-production environment," according to the manufacturing company.

"Nothing else," Flex spokeswoman Renee Brotherton wrote in an emailed statement.

One person with whom Van Der Lubbe discussed his business plan this summer said Van Der Lubbe claimed he'd sold 50,000 pairs of preordered headphones - bringing in at least \$7.5 million. But Van Der Lubbe told the person, who asked to remain anonymous and wasn't authorized to share Kanoa's financials, that he'd spent the money on research and development. Van Der Lubbe told the person it would cost \$50 per unit to make the headphones, so he would need \$2.5 million.

Kanoa was trying to raise that money from outside investors, but a pending deal fell through at the last minute, forcing the startup to shut down, according to a note posted on the company's website in August. Van Der Lubbe had originally launched Kanoa with his own money, according to the note, but that capital went primarily toward market research and a feasibility study. Startup database Crunchbase says Kanoa received a \$150,000 seed investment in June 2014.

Kanoa had been trying to raise more cash for several months. In the

spring of this year, the startup approached San Francisco-based hardware startup accelerator Lemnos, as well as other investors, said Lemnos partner Eric Klein.

Kanoa did ship at least two pairs of headphones before shutting down, to tech product reviewers Andru Edwards and Cody Crouch.

Crouch, who posts video reviews on YouTube under the name iTwe4kz, called the headphones "trash" and said they continuously cut out when he tried to use them to play music. Edwards, CEO and founder of Gear Live, had a better experience. "They work fine," he said in a phone interview. "They don't blow me away."

But both Edwards and Crouch noticed that, despite Kanoa saying it passed Federal Communications Commission testing "with flying colors" in June, the products they received had blank spaces where the FCC ID, HVIN and serial number should be.

Wireless earphones would "absolutely" require FCC certification before being sold, said William Graff of TUV Rheinland North America Group, one of the private labs authorized to grant FCC approvals for products. The FCC website has no record of an application submitted by Kanoa or Van Der Lubbe, but Graff said an application could have come in under a different name.

To Eric Bergman, a design consultant who worked with Kanoa, the company's failure is an example of young entrepreneurs getting in over their heads. "The combination of lack of experience, poor decisions and mismanagement led to Kanoa's failure," Bergman wrote in an email.

Bergman, who says he lost tens of thousands of dollars in unpaid compensation for his work when Kanoa shut down, takes credit for coming up with the headphones' pentagon shape and turquoise color. He

says he worked with Kanoa for two years, but was never allowed to test a functioning product.

In the spring of 2016, as Kanoa started missing shipping deadlines and Bergman began questioning its business practices, Van Der Lubbe and the rest of the team grew reluctant to talk to him. By the end of the year, Bergman said, they weren't returning his calls or emails.

Nevertheless, Kanoa included Bergman in a "meet the team" note to customers last year, which introduced 10 people in the company's management ranks. But conversations with the people and research into their LinkedIn and other profiles reveals that the majority were never actually employed by Kanoa - like Bergman, they were independent contractors or consultants.

Some Kanoa customers complain the company misled them from the beginning. In its farewell note, Kanoa called itself a crowdfunding campaign - suggesting Kanoa's customers knowingly assumed a certain level of risk. But earlier marketing materials reviewed by The Mercury News never mentioned crowdfunding. And the headphones were sold on the Kanoa website, not an online platform known to host crowdfunding campaigns.

Bill Schlachter says he wouldn't have bought a pair of Kanoa headphones for \$159 last year if he'd known he was supporting a crowdfunding campaign. After he paid, he received a receipt thanking him for his preorder.

"It doesn't say, 'Hey, thanks for being part of our crowdfunding opportunity, you may or may not get [headphones](#),'" said 34-year-old Schlachter, who lives in Pittsburgh.

At least one Kanoa customer complained about the company to the

California Attorney General's office, but it doesn't appear the AG will take action. In a letter responding to the complaint, Xavier Becerra's office said it would file the information away, but the office only takes on "cases of statewide significance." In a statement to The Mercury News, an AG representative said the office can't confirm or deny an investigation into Kanoa.

Van Der Lubbe appears to have vanished after shutting down Kanoa, leaving nothing but broken links where most of his social media profiles once were.

On a recent afternoon, Kanoa's office in San Francisco's SoMa neighborhood was locked and the curtains were drawn in the upstairs window. Van Der Lubbe recently emailed his landlord to say he was moving out.

Sang Yuo, who works at the auto repair shop next door, said he saw Van Der Lubbe a few weeks ago, as the Kanoa founder was getting ready to leave town.

Yuo said: "He told me, 'I'm getting out tonight.'"

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