

## Mixbook: “We Make Beautiful Design Easy”

“The idea for a company can come from anywhere”, and it did for Andrew Laffoon, the 34-year-old co-founder and CEO of Mixbook, a website and service that allows users to use an interactive and collaborative software to create physical photo books.

### Background

Andrew Laffoon has been fascinated with engineering since his childhood. It was not hard for his parents to see his interest develop at a young age, as he would constantly deconstruct and then reconstruct electronics. His father bought him a computer when he was nine years old, and Laffoon taught himself how to code, pursuing it as a hobby and source of pocket-money in his teens. Laffoon was also quickly exposed to design. Although he does not consider himself to be an artist, he grew up surrounded by music and art which naturally developed his creativity.

While he was a child of many talents, Laffoon knew since he was twelve years old that he wanted to become an entrepreneur. At fourteen, he combined his passions for coding and entrepreneurship to start a computer consulting business with a friend from high school, creating HTML and Flash websites for their clients. In 2001, Laffoon enrolled in the University of California, Berkeley and continued to operate his computer consulting business as a student.

As his passion for tech entrepreneurship grew stronger at Berkeley, Laffoon decided to major in Industrial Engineering and Operations Research (IEOR). It was in IEOR 171, the technology firm leadership class, that he met someone that would change his life: Professor Jon Burgstone. Burgstone approached Laffoon and a couple of other students in the class to see if they would be interested in a program he was starting: The Entrepreneurship and Technology program. Naturally, Andrew Laffoon accepted in the blink of an eye.

This was a great opportunity for Laffoon. At the time, it was hard for engineering students to take entrepreneurship classes at Berkeley’s Haas School of Business since they would fill up very quickly. The Entrepreneurship and Technology program and classes it offered (IEOR 190A and IEOR 190B) helped Laffoon develop his business acumen. The classes allowed him to interact with actual venture capitalists and CEOs from the industry, giving him insight into what challenges and decisions one would have to face and make as a tech tycoon in Silicon Valley.

In IEOR 161 (Stochastic Processes) and IEOR 171, Laffoon met Aryk Grosz, a like-minded entrepreneur and classmate in the College of Engineering. The pair worked very well together

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This case was prepared in the Sutardja Center for Entrepreneurship & Technology by lecturer Stephen Torres, editors Thomas Ferry and Mudit Goyal, and case team Yoonji Lu, Nitin Manivasagan, Neha Burli, Monica Kumaran, and Aneesh Chimbili prepared this case. It was reviewed and approved prior to publication by a company designate. Funding for the development of this case was provided by the University of California, Berkeley and not by the company. Berkeley Engineering cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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and decided to compete in the Cal Case Competition. They won, beating several established consulting teams in the process. Once they realized that they would make great partners, they met with entrepreneurship professor Burgstone to brainstorm ideas for a new startup.

Laffoon notes that both he and Grosz liked having discussions with Burgstone: “Our debates were for fun and to help us come up with new ideas. We never argued solely for the sake of arguing.” After going through many ideas with Burgstone, Grosz came up with an idea for yearbooks. Laffoon says:

“Yearbooks had been controlled by a small group of companies for a long time. We thought, coming from Berkeley, what if we could democratize the yearbook? Instead of ten kids making a yearbook for two thousand, what if we could have a band, a sports team, or even a group of friends create a yearbook that tells their own story? Then, they could customize it however they like. We thought that would be kind of cool. If I were a high school student, I’d want something more personal than the non-personal yearbook. So, we started to explore that, and we started to build the software.”

Burgstone, who usually shot down many of the ideas Grosz and Laffoon brainstormed, really liked the online yearbook idea. He strongly encouraged the two of them to start this business: creating an online service for school yearbooks. After a couple of months of meeting up with potential customers, and after carefully constructing a business plan, Laffoon and Grosz founded Mixbook in June of 2006. (See **Exhibit 1** for the founders’ portfolios).

## Disrupting the Yearbook

As an avid gift giver himself, Laffoon understood the pains that came with the gift creation and giving experience:

“I made two photo books before, and I found the gift giving experience to be awesome. So, I would give photo books away as gifts. I made one for my girlfriend at the time, now my wife, and for my good friends from Cal when they went back to Singapore. I found that experience to be awesome, but I found the creation experience to be terrible. Better software could simplify the creation process, expanding the market and enabling a lot more people to tell their story.”

Understanding this pain enabled Laffoon and Grosz to develop an idea that resonated with them and thousand others: an interactive platform to create a collaborative yearbook. It would allow high school clubs, departments and individuals to collaborate personalize yearbooks to their liking. Laffoon says: “We spoke to a high school administrator about it and he said ‘I will absolutely not use this product. You will displace many jobs’”. That comment was the first of many motivators for sticking with the idea: The potential for disruption was enormous.

## Democratizing Storytelling

While the original photo book idea seemed revolutionary in theory, venture capitalists were hesitant to invest because of the competitiveness of the industry: Shutterfly and Snapfish captured a majority of the market in 2006. What Laffoon found, however, was that photo book technology at the time had glaring problems:

1. It had an awful design, for both the website and actual products. Customers were not happy with their product when they received it in the mail.
2. Products were neither customizable nor personal, making the photo book feel like another stock item purchased from the mass retail store.

3. It did not support the ability to use photos from Flickr, Google etc., prolonging the creation process and centralizing photo uploads to one computer hard drive.
4. The process was not collaborative, making the task long and arduous for the individual designing the photo book.

Within one year of founding Mixbook, Laffoon and Grosz had created a product that addressed all four of these issues, resulting in a comprehensive photo booking service that was beautiful, creative, and enjoyable for the customer. (See **Exhibit 2** to see what Mixbook's current website looks like).

## A Change of Heart

Initially, Laffoon and Grosz aimed to bootstrap success by building a company and selling it to start another venture. However, two years into running Mixbook, the co-founders received an email that changed everything. A customer wrote to them about how Mixbook kept her family from shattering after the loss of her dad. She explained that he was the glue of the family, and after his passing, her sister and her mother started drifting apart from each other. After a friend inspired them to build a photo book, she and her family found Mixbook and started creating a book filled with her father's memories. The whole family worked on the album, and together they laughed and cried, reliving cherished memories. More than merely the final product, the process brought them closer together. Laffoon stated that "for us it was a sixty-seven-dollar purchase, but for them, it was a transformation of their life and relationships."

Laffoon and Grosz realized that they were doing something real and powerful - something that fostered human connection. This encouraged them to set two goals for Mixbook: to empower people to be creative and connect with those they care about most. For Laffoon, design and development went hand in hand. He had a creative side that he could express, and knew that everyone else had that same creative side and story yearning to get out. For him, the greatest disease humans face as inherently social beings is loneliness, and the only way to cure it is to be with others. What motivated Laffoon and Grosz in the early stages of their company was remembering the moments when they felt connected to people.

## Generating Profits

Laffoon understood early on that Mixbook's revenue would come from the profits of the printed photo books. Mixbook's core business model was printing products. While most photo book companies signed a deal with one printer, he realized that if he partnered with several printing companies, he could have them compete with one another, allowing him to get better prices. Laffoon and Grosz wanted to deliver the highest quality of photo books, so they were very selective about which companies they let into their network. If the printer did not work out, they would shut it off.

What differentiated Mixbook from other photo book companies was that Laffoon and Grosz invested a lot of resources into assuring quality. They believed that the product with the highest quality and the best experience would win. The story of the customer bonding with her mother and sister over her father was not only a moment that solidified and reaffirmed Laffoon's core business value, but also one that solidified his choice to stay away from advertisements in Mixbook's services and products:

"No one wants to see periodic ads when they are designing this piece with their loved ones nor do they want to see every other page be an ad in their photo book."

## Challenges in Traction

In June of 2007, Laffoon and Grosz launched their product with the \$100,000 that they got from angel investors who told them to focus on photo books instead of yearbooks. Initially, however, only friends and family used the product. Laffoon and Grosz decided to capitalize on the rise of Facebook as a platform to gain traction. They created an application called Photobooks within Facebook. The application would allow a user to tag friends into a photo, and the friends would be sent a link to download the application to view the photo. This created a chain of users. Within 2 months, the number of users using Photobooks organically grew to 2 million.

While this method added more users to the network, not many paying customers converted to Mixbook from the Facebook app. Laffoon and Grosz brainstormed other ways to gain traction. They decided to incorporate Automix, which used photo metadata to arrange the pictures users chose to put in their photo book, to add more ease and variety in the user experience.

Laffoon and Grosz then sought out to get direct user feedback by calling users who converted to paying customers. They found that the users who converted to customers loved the design and the simplicity of Mixbook's user interface. In July of 2008, Laffoon and Grosz started generating more revenue. However, when they went to pitch to 50 venture capitalists, the venture capitalists said that Mixbook needed to be profitable to get funding. Therefore, the pair continued calling users to find out what to add to Mixbook. They found that customers wanted more features, more hardcover books, and more design options while creating their books.

Laffoon and Grosz also reached out to the Band of Angels, who funded them solely based on the success of Photobooks. (See **Exhibit 3** for funding information). However, they only received one term sheet, and while negotiating, even that deal fell through. Luckily, Laffoon and Grosz knew the principals at that firm from Berkeley. One of the investors, Ian Sobieski, was the professor for IEOR 190B at Berkeley when Laffoon was a student. Together, they were able to get the deal done just weeks before the financial crisis hit in July of 2008. Laffoon realized that:

“Who you know matters, so much. I try to keep in touch with the people I met at Cal, and a few of them are venture capitalists, entrepreneurs, etc. One of them even ran the app store at Google Play for a while, so I literally would call him and ask him to feature Mosaic [a mobile version of their scrapbooking product]. If I hadn't known him, I wouldn't have gotten that opportunity”

## New Technologies

After raising capital in 2008, Laffoon and Grosz began experiencing success. Annual revenue increased from \$1 million to \$4 million, and by the next year it further increased to \$15 million. Additionally, Shutterfly acquired a major competitor for \$300 million in 2012, which led to major venture capitalist interest in their field, resulting in an additional ten million dollars of funding for Mixbook. It went from a “no-success” startup to Forbes' “30 under 30”. (See **Exhibit 4** and **Exhibit 5**). This inspired Laffoon to further expand Mixbook.

In 2012, Laffoon and Grosz created Mosaic, a mobile version of their scrapbooking product, which generated 5 million dollars in less than 2 years. Laffoon notes:

“When we tried to create Mosaic, there was a whole bunch of other things going on at the time. There was the fact that we wanted to prove that men could actually make photo books. We also didn't know how scalable our market was.”

Shortly after Mosaic was released, Laffoon and Grosz began working on Montage, an AI powered algorithm behind scrapbook creation.

## “Rebranding” Mixbook

Laffoon’s and Grosz’s investment in new technology and poor hires led to a move away from Mixbook’s core business. While Mosaic and Montage were growing nicely, they were still not as effective as their core business. In the process, Laffoon had stopped calling customers and was losing touch with their thoughts and complaints. This was a mistake and early numbers proved it: by focusing on its core audience, Mixbook was able to grow from \$300 revenue/month in 2008 to \$90000/month in 2009. Moreover, by figuring out how to market to their customers, Laffoon and Grosz were able to grow Mixbook from \$75,000 annual revenue to \$1.18 million over the same period.

Upon that realization, they began realigning the company’s vision to focus more on their current customer base. In this process Laffoon found that despite Shutterfly’s competition, Mixbook was able to attract customers who preferred Mixbook’s unparalleled quality. Nearly 80 percent of their new customers start with Shutterfly’s product and make the switch to Mixbook. The core business continued to work even though they had shifted attention away from it while designing Mosaic and Montage.

Laffoon embarked on a process to rebrand Mixbook and the logo was changed. (See **Exhibit 6** and **Exhibit 7**). Laffoon realized that the main things customers were looking for were better design and customization flexibility. The reason why they came to Mixbook in the first place. When he questioned Shutterfly customers and Snapfish customers, they had the same complaints. This was the “aha!” moment for Laffoon: “If we just double down on our core audience, go back to our original vision, and actually just re-embrace that, we are going to get pretty good results”. The rebranding doubled Mixbook’s year-over-year growth.

## Lessons Learned

Laffoon emphasizes time and time again that the “idea for a company can come from anywhere”. In the case of Mixbook, Laffoon and Grosz identified pain points in their own lives, and figured out a way to remedy those pains.

It is also important to realize that not all products are going to be immediately recognized as the “next big thing”. The entrepreneur should not get discouraged if the idea does not gain traction at first or if people do not catch onto the vision. Mixbook did not do very well initially, but it slowly started taking off. Laffoon created a business that excited him personally, incentivizing him to keep pushing through the hard times.

Mixbook wouldn’t be where it is today without the risks Laffoon and Grosz took. Laffoon specifically encourages taking risks, especially those that “diverge from the conventional”. He also stresses not to do it for the money, as “the best ideas come from personal experiences and ties that [one] has to the company.” By disrupting the photo book industry, Laffon and Grosz were able to create a product that is still breaking new grounds.

Understanding the needs of the customers is also a huge point of emphasis for Laffoon. When Mosaic was released, Laffoon states that he had stopped calling customers: “I wasn’t in touch with what the customers were talking about”. It is a lesson that he reflects on to this day, because “losing touch with the customers means losing touch with what the business is all about”.

Finally, “Trust your gut” is something that Laffoon stresses time and time again. When dealing with so many different people and opportunities, it becomes hard to figure out the right path. Most people, have a gut instinct that tells them what to do. Laffoon says without his gut instinct, Mixbook would not have been the successful company that it is today.

## Future

Shutterfly no longer poses a threat to Mixbook and customers prefer Mixbook's product, software, and customer experience. These are very hard to replicate and Mixbook is committed to keeping its core audience, the design loving public, happy. For Laffoon, the best way to keep Mixbook's core audience happy is to find new and unique ways to incorporate Mixbook's mission into everyday business. For instance, Laffoon and Grosz revisited Mosaic and are currently working on aligning it with Mixbook's core product to expand its user base even further by making scrapbooking easy for casual photographers who use their mobile phones for pictures.

Laffoon is constantly thinking about the future. "What keeps me up at night is Amazon entering the market, and how people will respond. Is it going to lead to a massive price war?" Amazon is growing very fast and is making its mark on many markets. How would they fare in the photo booking business? It can compete with Shutterfly and other companies by offering lower prices and by shipping the photo books much faster. However, Laffoon believes that Mixbook will be able to compete: Mixbook's margins are very good, and are substantially better than Shutterfly's.




Moreover, since Mixbook's software, business model, and user experience will be difficult for competitors to replicate, Amazon's entrance into the market will not have as severe of an impact on Mixbook as it will on Shutterfly. Those companies that offer photo books at a mediocre quality will have a much more difficult time dealing with the low prices and faster shipping speeds that Amazon will bring to the market.

Laffoon also notes that Mixbook has a loyal and growing customer base, a growing niche of people who care about design and want to express themselves creatively. The smaller size of operation and attention to customer experience are Mixbook's biggest strengths. Laffoon's focus for the future is on the people who already love Mixbook. By staying true to the company's original vision, Laffoon aims to continue launching lovable products that will empower Mixbook's users.



Mixbook faced many challenges in the past and prevailed. Future challenges and changes in the photo book industry will merely be another test for Laffoon, Grosz, and the Mixbook team.

## Exhibit 1 Andrew Laffoon's and Aryk Grosz's Portfolio

### PORTFOLIO

		
<b>Yobongo</b>	<b>Scrapblog</b>	<b>Wheelhouse</b>
ACQUIRED	ACQUIRED	INVESTOR
Investor	Wheelhouse	
Acquired	Yobongo, Scrapblog	

### FOUNDERS

	<b>Andrew Laffoon</b> CEO and Co-Founder of @Mixbook, Serial Entrepreneur, @university-of-california-berkeley Engineer.		<b>Aryk Grosz</b> CTO Founder @Mixbook • Investor @Dealflicks
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## Exhibit 2 Current Website

**Mixbook**  
PHOTO CO.

[Sign Up](#) [Log In](#) [Help](#)

[PHOTO BOOKS](#) [CARDS](#) [CALENDARS](#) [HOME DECOR](#) [PHOTO PRINTS](#) [GET INSPIRED](#) [DEALS](#) [Q](#)

# Everyday Photo Books

Starting at \$15.99

Fully customizable designs.  
[Learn More](#) or browse the themes below.

BOOK SHAPE: SORT BY: **All Designs** [START A BLANK BOOK](#)

- All (360)
- Everyday (101)**
- Family (95)
- Kids (35)
- Seasonal (35)
- Romance (12)
- Wedding Photo Books (37)




Minimal White Photo book

Bold White Photo Album Photo book

Full Photo Photo book



## Exhibit 3 Funding Information

<p>Series B</p> <p><b>\$10,000,000</b></p> <hr/> <p> <b>Level Equity</b> New York City</p> <hr/> <p>INC.COM</p> <p><b>Making Photo Books With a Social Spin</b></p> <p><i>"One of the most common words we heard [during] our first two years in business was 'no'," says Andrew Laffoon. He and his partner, Aryk...</i></p>	<p>Aug 1, 2011</p> <p><a href="#">Read Press</a></p>
<p>Series A</p> <p><b>\$800,000</b></p> <hr/> <p> <b>Band of Angels</b> Seed Fund · Menlo Park</p> <hr/> <p> <b>Greg Baszucki</b> Silicon Valley</p> <p><a href="#">View all 3 investors from this round</a></p> <hr/> <p>INC.COM</p> <p><b>Making Photo Books With a Social Spin</b></p> <p><i>"One of the most common words we heard [during] our first two years in business was 'no'," says Andrew Laffoon. He and his partner, Aryk...</i></p>	<p>Jan 1, 2008</p> <p><a href="#">Read Press</a></p>

### INVESTORS from previous rounds



**Brian Flynn**

Founder of @Relevad  
@Wheelhouse @IMsecure  
@AdMovate @Founder Partners  
Investor in @Mixbook @Pixoart  
@Infinity Venture Partners @Pinkoi  
@Ultris @GlobalEnglish



**Stephanie Tilenius**

Investor @Nextdoor @Citrus Lane,  
@Mixbook, @MyFitnessPal,  
@GemShare, experience at KPCB,  
Google, eBay/PayPal



**Mike Bates**

Angel Investor at Band of Angels  
and Life Science Angels. Finance  
guy with 4 exits as CFO. 30+ angel  
investments.



**Eric Tilenius**

3x Startup CEO (all successful  
exits), 2x Founder, VC, Angel  
Investor + Zynga, Intuit, Oracle



**Greg Baszucki**

Investor  
Investor in @TrialPay, @Mixbook,  
@Roblox, @Godengo.



**Band of Angels**

[View all 10 Past Investors](#)



# #43 Mixbook

Revenue As of February 2013

**\$25.1** Million

Industry	Retailing
Founded	2006
CEO	Andrew Laffoon
Website	<a href="http://www.mixbook.com">http://www.mixbook.com</a>
Employees	60
Founders	Andrew Laffoon, Aryk Gosz
Fiscal Year End	Dec 31, 2012
Headquarters	Palo Alto, California


## Mixbook on Forbes Lists

#43 America's Most Promising Companies (2013)


A website and mobile application for creating photo books, cards and calendars. Customers use Mixbook's design software for free, but pay for print services. Prices range from \$6.99 for mini photo albums to \$54.99 for hardcover coffee table books. Founders Andrew Laffoon and Aryk Gosz began the company after winning a business competition as undergraduates at UC Berkeley in 2005.

Exhibit 5 News Article on Andrew Laffoon

ABOUT    Q SEARCH

 **FREE ENTERPRISE**  
Presented by the U.S. Chamber of Commerce

DOING GOOD    CREATING OPPORTUNITY    TRUE INNOVATION    SMART GOVERNMENT    AMERICA AT WORK



**7 BUSINESS LESSONS FROM  
MIXBOOK CEO ANDREW LAFFOON**

FREE ENTERPRISE STAFF | APRIL 25, 2016

**GET OUR NEWSLETTER**

**Exhibit 6** Mixbook's Old Logo



Exhibit 7 Mixbook's New Logo



## Exhibit 8 The Sutardja Center for Entrepreneurship and Technology



20-170-001

November 26, 2017

STEPHEN TORRES  
YOONJI LU  
NITIN MANIVASAGAN  
NEHA BURLI  
MONICA KUMARAN  
ANEESH CHIMBILI

### Mixbook: “We Make Beautiful Design Easy”

Andrew Laffoon is the 34-year-old co-founder and CEO of Mixbook, a website and service that allows users to use an interactive and collaborative software to create physical photo books. Mixbook’s office is located in Redwood City, CA and, according to Crunchbase, has approximately 50-100 employees. Through Mixbook, a customer can load photos from either their own computer or through various sources such as Facebook and Pinterest. Choosing from various templates, customers can jointly design their own products. A few days after the customer completes the design, Mixbook prints and assembles the design into a customized, high-quality photo book. After its founding in 2006, the company transformed from a yearbook-based model to scrapbooking, all supported by the same notion of making beautiful design easy and simple.

#### Andrew Laffoon

Laffoon was fascinated with engineering since his childhood. It was not hard for his parents to see his interest develop at a young age, when he would deconstruct and then reconstruct electronics and toys in his house. His father, a pastor, bought him a computer when he was nine years old. Since then, Laffoon taught himself coding and pursued it as a hobby as well as a source of extra income in his teens. Laffoon was also exposed to design at a very young age. Although he does not consider himself to be a designer, he grew up around music and art, and creativity came naturally to him as a result.

While he was a child of many talents, Laffoon knew since he was twelve years old that he wanted to become an entrepreneur. At the age of fourteen, he combined both his passions of coding and entrepreneurship to start a computer consulting business with a friend from high school. The business was creating HTML and Flash websites for clients. In 2001, Laffoon attended the University of California, Berkeley (UC Berkeley), and during his time at Berkeley, he continued to operate his computer consulting business.

Since his passion to become a tech entrepreneur gained even more traction during his time at UC Berkeley, Laffoon decided to major in Industrial Engineering and Operations Research (IEOR). This allowed him to combine his passion for technology and business. It was in IEOR 171, the technology leadership class, where he met Professor Jon Burgstone. Burgstone approached Laffoon and a couple of other students in the class to see if they would be interested in an entrepreneurship program he was starting: The Entrepreneurship and Technology program.

This was a great opportunity for Laffoon. At the time, it was hard for engineering students to take entrepreneurship classes at UC Berkeley's Haas School of Business since the classes would fill up very quickly. The entrepreneurship program and the classes it offered (such as IEOR 190A and IEOR 190B) helped Laffoon develop his business acumen. Such classes allowed him to interact with actual venture capitalists and CEOs from the industry, giving him insight into what challenges and decisions one would have to face and make as a tech tycoon in the Silicon Valley.

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to be terrible. Better software could simplify the creation process, expanding the market and enabling a lot more people to tell their story.

Understanding this pain allowed Laffoon and Grosz to develop an idea that resonated with them and others who also experienced this pain: an interactive new platform to create a collaborative yearbook. This would allow many high school clubs, departments and individuals to collaborate together on the yearbook. It would also allow them to personalize the yearbook to their liking. Laffoon says: “ We [Aryk Grosz and Andrew Laffoon] spoke to a high school administrator about it and he said ‘ I will absolutely not use this product. You will displace many jobs’”. That comment was one of many motivators for sticking with the interactive product aspect of Mixbook.

Laffoon and Grosz knew they had the potential to do something very special after witnessing the administrator’s shocked reaction. However, while students were very excited about telling their personal stories through the interactive yearbook, teachers were not so keen on a fully student-run yearbook. They preferred an administrative oversight of the yearbook in order to generate revenue for the school. Teachers and school staff members also disliked handing over most of the creative control over to high school students.

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### Issues in Photo Book Technology

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## A Change of Heart

Initially, Laffoon and Grosz saw themselves getting to bootstrapped success by building a company, then selling it to start a new venture. However, two years into running Mixbook, the co-founders received an email that changed everything. They got an email from a customer who wrote about losing her dad. She told Laffoon and Grosz that her father was the glue of the family, and after his passing, her sister and her mother grew apart from each other. After getting inspired by a friend to build a photo book, she and her family looked up Mixbook and started creating a photo book filled with her father’s memories. The whole family worked on the album, and together they laughed and cried while making this book about their dad. Rather than looking at her father’s life and grieving over his death, the customer and her family were able to revisit memories through their photo sharing experience. Laffoon stated that “for us



[Laffoon and Grosz] it was a sixty-seven-dollar purchase, but for them [the customer and her family], it was a transformation of their life and relationships.”

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## Generating Profits

Laffoon decided early on that Mixbook’s revenue would come from the profits of the printed photo books. Mixbook’s core business model was printing products. Laffoon realized that most photo book companies signed a deal with one printer; however, he realized that if he partnered with several printing companies, he could have the printing companies compete with one another, allowing him to get better prices on printing. Laffoon and Grosz wanted to deliver the highest quality of photo books, so they were very selective about which companies they let into their network. If the printer did not work one time, they would shut it off.

What differentiated Mixbook from other photo book companies was that Laffoon and Grosz invested a lot of resources into the metrics of quality. They believed that the product that offered the highest quality and the best experience would win. The story of the customer bonding with her mother and sister over her father was not only a moment that solidified and reaffirmed Laffoon’s core business value, but also one that solidified his choice to stay away from advertisements in Mixbook’s services and products: “No one wants to see periodic ads when they are designing this piece with their loves ones nor do they want to see every other page be an ad in their photo book.” Clearly, Mixbook sought to offer an uninterrupted customer experience.

## Challenges in Traction

In June of 2007, Laffoon and Grosz launched their product with the \$100,000 that they got from venture capitalists who told them to focus on photo books instead of yearbooks. Initially, however, only friends and family used the product. Laffoon and Grosz decided to capitalize on the rise of Facebook as a platform to gain traction. They created an application called Photobooks within Facebook. The application would allow a user to tag friends into a photo, and the friends would be sent a link to download the application in order to view the photo. This created a chain of users. Within 2 months, the number of users using Photobooks organically grew to 2 million.

While this method added more users to the network, not many paying customers converted to Mixbook from the Facebook app. Laffoon and Grosz brainstormed other ways to gain traction. They decided to incorporate Automix, which used photo metadata to arrange the pictures users chose to put in their photo book, to add more ease and variety in the user experience.

Laffoon and Grosz then sought out to get direct user feedback by calling users who converted to paying customers. They found that the users who converted to customers loved the design and the simplicity of Mixbook’s user interface. In July of 2008, Laffoon and Grosz started generating more revenue. However, when they went to pitch to 50 venture capitalists, the venture capitalists said that Mixbook needed to be profitable in order to get funding.

Therefore, the pair continued calling users to find out additional features to add to Mixbook. They found that customers wanted more features, more hardcover books, and more design options while creating their books.

Laffoon and Grosz also reached out to the Band of Angels, who funded them solely based on the success of Photobooks. (See **Exhibit 3** for funding information). However, they only received one term sheet, and while negotiating, even that deal fell through. Luckily, Laffoon and Grosz knew the principals at that firm from Berkeley. One of the investors, Ian Sobieski, was the professor for IEOR 190B at Cal when Andrew was a student. By working together, they were able to get the deal done just weeks before the financial crisis hit in July of 2008. Following the economic collapse in 2008, board members challenged Laffoon and Grosz to bring Mixbook to profitability. Just one year later, Mixbook was able to grow from \$300 revenue/month to \$90000/month by focusing on its core audience. Moreover, by figuring out how to market to their customers, Laffoon and Grosz were able to grow Mixbook from 75,000 customers in 2008 to 1.18 million customers in 2009.

## New Technologies

Laffoon and Grosz began experiencing success in 2008 after raising capital. Annual revenue increased from \$1 million to \$4 million, and by the next year revenue further increased to \$15 million. In 2012, Shutterfly acquired a major competitor for \$300 million, leading to major venture capitalist interest in their field, resulting in an additional ten million dollars of funding. Mixbook went from a “no-success” startup to now getting press through Forbes’ “30 under 30”. (See **Exhibit 4** for the Forbes article, and see **Exhibit 5** for a news article published on Andrew Laffoon). This inspired Laffoon to further expand Mixbook using the latest and trendiest technology.

In 2012, Laffoon and Grosz created Mosaic, a mobile version of their scrapbooking product, which generated 5 million dollars in less than 2 years. Laffoon notes:

When we tried to create Mosaic, there was a whole bunch of other things going on at the time. There was the fact that we wanted to prove that men could actually make photo books. We also didn’t know how scalable our market was.

Shortly after Mosaic was released, Laffoon and Grosz began working on Montage, an AI powered algorithm behind scrapbook creation.

## “Rebranding” Mixbook

Laffoon’s and Grosz’s investment in new technology and marketing troubles due to poor hires led to what, in hindsight, was a move away from the core business of Mixbook. Laffoon’s next great realization was that while Mosaic and Montage were growing nicely, they were still not as effective as their core business. He also realized that he had stopped calling customers and therefore was losing touch with their thoughts and complaints. He and Grosz began realigning the company vision to focus more on their current customer base. In this process Laffoon found that despite Shutterfly’s competition, Mixbook was able to attract customers who preferred Mixbook’s unparalleled quality. Every year, around eighty percent of their new customers start with Shutterfly’s product and make the switch to Mixbook. The core business continued to work even though they had shifted attention away from it while designing Mosaic and Montage.

Upon coming to this realization, Laffoon embarked on a process to rebrand Mixbook. The logo was changed. (See **Exhibit 6** for the old logo, and see **Exhibit 7** for the new logo). Mixbook, Montage, and Mosaic still existed, and it was difficult to manage all three of them. So, Laffoon tried to think of ways to continue carving out a niche for Mixbook in the market. As an engineer, Laffoon initially thought that building the best product was all that mattered in order

to survive and grow in the industry. However, he realized that this was completely untrue: “Who you know matters, so much. I try to keep in touch with the people I met at Cal, and a few of them are venture capitalists, entrepreneurs, etc. One of them even ran the app store at Google Play for a while, so I literally would call him and ask him to feature Mosaic. If I hadn’t known him, I wouldn’t have gotten that opportunity”.

During this rebranding process, Laffoon realized that the main things customers were looking for were better design and customization flexibility. That was why these customers came to Mixbook in the first place. When he questioned Shutterfly customers and Snapfish customers, they had the same complaints. This was the “aha!” moment for Laffoon: “If we just double down on our core audience, go back to our original vision, and actually just re-embrace that, we are going to get pretty good results”.

The rebranding launched a month and a half ago. So far, the rebranding efforts have doubled Mixbook’s year-over-year growth.

## Lessons Learned

Laffoon emphasizes time and time again that the “idea for a company can come from anywhere”. In the case of Mixbook, Laffoon and Grosz identified pain points in their own lives, and figured out a way to remedy those pains. Often times people get carried away with trying to find the right idea in the right place at the right time, but Laffoon says that there is no such thing.

It is also important to realize that not all products are going to be immediately recognized as the “next big thing”. It is important not to get discouraged if the idea does not gain traction at first or if people do not catch onto the vision. Mixbook which did not do very well initially, slowly started taking off. Laffoon created a business that excited him personally, which incentivized him to keep pushing through the hard times.

Mixbook is also where it is now because of the risks Laffoon and Grosz took. Laffoon specifically encourages taking risks, especially risks that “diverge from the conventional”. He also stresses not to do it for the money, as “the best ideas come from personal experiences and ties that [one] has to the company.” By disrupting the photo book industry, Laffoon and Grosz were able to create a product that is still breaking new grounds.

Understanding the needs of the customers is also a huge point of emphasis for Laffoon. When Mosaic was released, Laffoon states that he had stopped calling customers: “I wasn’t in touch with what the customers were talking about”. He notes that it is a lesson that he still reflects on to this day, because “losing touch with the customers means losing touch with what the business is all about”.

“Trust your gut” - something that Laffoon stresses time and time again. When dealing with so many different people and opportunities, it becomes hard to figure out the right path. Most people, however, have a gut instinct that tells them what to do. Laffoon says that if he had not listened to his gut instinct, Mixbook would not have been the successful company that it is today. That being said, it is still important to set boundaries for risks and to make sure that the decisions being taken are reasonable.

## Future

Shutterfly no longer poses a major threat to Mixbook. Customers are much more satisfied with Mixbook’s product, software and customer experience. These are core aspects that are very hard to replicate. Mixbook is committed to keeping its core audience happy- the design loving public. Laffoon notes that one of the ways to keep Mixbook’s core audience happy is to find new and unique ways to incorporate Mixbook’s mission into everyday business.

For instance, Laffoon and Grosz revisited Mosaic and are currently working on aligning it with Mixbook's core product. They are doing so by integrating Mosaic with an easy-to-use software interface, applying aspects of Mixbook's streamlined web application to the phone. This approach to Mosaic would allow Mixbook to expand its user base even further by making scrapbooking easy for casual photographers who use their mobile phones for pictures.

"What keeps me up at night is Amazon entering the market, and how people respond. Is it going to lead to massive price war?" Amazon is growing very fast and is making its mark on many markets. How would they fare in the photobooking market? It can compete with Shutterfly and other companies by offering lower prices and by shipping the photo books much faster. However, Laffoon notes that Mixbook would be able to deal with the potential issues through a tech investment he made earlier. Mixbook's margins are very good, and are substantially better than Shutterfly's. Moreover, since Mixbook's software, business model, and user experience would be difficult for competitors to replicate, Amazon's entrance into the market would not have a severe impact on Mixbook. Meanwhile, companies such as Shutterfly that offer photo books at a mediocre quality would have a much more difficult time dealing with the low prices and faster shipping speeds that Amazon would bring to the market.

Laffoon also notes that Mixbook has a loyal and growing customer base, a growing niche of people who care about design and want to express themselves creatively. The smaller size of operation and attention to customer experience are some of Mixbook's biggest strengths. Laffoon's focus for the future is to focus on people who already love Mixbook. By staying true to the company's original vision, Laffoon aims to continue launching products that Mixbook's users would love as well as be empowered by.

Laffoon faced many challenges in the past and prevailed. Future challenges and changes in the photo book industry will merely be another test for Laffoon.

## Beyond Mixbook

As a UC Berkeley alumnus, Laffoon also has plans for the Sutardja Center for Entrepreneurship and Technology (abbreviated SCET). (See **Exhibit 8** for the SCET logo). The SCET is UC Berkeley's center for the study and practice of entrepreneurship - specifically, entrepreneurship in the tech industry. Although the SCET was founded towards the end of Andrew's time as a student, he still benefited from several of the programs. Courses such as IEOR 190A and IEOR 190B were key in helping Laffoon achieve his dream of becoming an entrepreneur in the tech industry. Laffoon is making an effort to speak at the SCET at least once a year, to inspire and educate students who have similar aspirations.

One of Laffoon's major concerns about the SCET is the availability of resources. He says: "I think Sutardja Center does not have enough visibility. It does not have enough resources, and it does not have enough professors and classes. It also does not have enough VCs to go around. That's something I really want to work on improving." He notes that the SCET is one of the most exciting things happening at Berkeley right now, so he wants to find ways to get the IEOR department more resources. Laffoon states that the promotion of Phil Kaminsky to Associate Dean of the College of Engineering is a "step in the right direction, since he is more inclined to funnel resources off to IEOR, which will make it to SCET".




A final issue that Laffoon points out is Berkeley's location.

The reason Stanford gets more resources is because all of the VCs are right there. Even when we were in Palo Alto, I was going to teach and mentor Stanford students since it was so easy. It's sad to say, but it's so hard to get to Berkeley. I try to make an effort to come back, because most people don't, since they don't live there.



He notes that by getting more students involved in the SCET, venture capitalists will be more inclined to come to Berkeley to offer resources and mentor students. He believes that if entrepreneurs like him take the initiative to come to Berkeley and get more students interested in tech-centric entrepreneurship, then the program's popularity will increase, which will, in turn, get more venture capitalists interested in funding the program.

## Exhibit 1 Andrew Laffoon's and Aryk Grosz's Portfolio

### PORTFOLIO

		
<b>Yobongo</b>	<b>Scrapblog</b>	<b>Wheelhouse</b>
ACQUIRED	ACQUIRED	INVESTOR
Investor	Wheelhouse	
Acquired	Yobongo, Scrapblog	

### FOUNDERS

	<b>Andrew Laffoon</b> CEO and Co-Founder of @Mixbook, Serial Entrepreneur, @university-of-california-berkeley Engineer.		<b>Aryk Grosz</b> CTO Founder @Mixbook • Investor @Dealflicks
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## Exhibit 2 Current Website

**Mixbook**  
PHOTO CO.

[Sign Up](#) [Log In](#) [Help](#)

[PHOTO BOOKS](#) [CARDS](#) [CALENDARS](#) [HOME DECOR](#) [PHOTO PRINTS](#) [GET INSPIRED](#) [DEALS](#) [Q](#)

# Everyday Photo Books

Starting at \$15.99

Fully customizable designs.  
[Learn More](#) or browse the themes below.

BOOK SHAPE: SORT BY: **All Designs** [START A BLANK BOOK](#)




- All (360)
- Everyday (101)**
- Family (95)
- Kids (35)
- Seasonal (35)
- Romance (12)
- Wedding Photo Books (37)

Minimal White Photo book

Bold White Photo Album Photo book

Full Photo Photo book

## Exhibit 3 Funding Information

<p>Series B <span style="float: right;">Aug 1, 2011</span></p> <p><b>\$10,000,000</b> <span style="float: right;"><a href="#">Read Press</a></span></p> <hr/> <p> <b>Level Equity</b> New York City</p> <hr/> <p>INC.COM <b>Making Photo Books With a Social Spin</b></p> <p><i>"One of the most common words we heard [during] our first two years in business was 'no'," says Andrew Laffoon. He and his partner, Aryk...</i></p>	<p>Series A <span style="float: right;">Jan 1, 2008</span></p> <p><b>\$800,000</b> <span style="float: right;"><a href="#">Read Press</a></span></p> <hr/> <p> <b>Band of Angels</b> Seed Fund · Menlo Park</p> <p> <b>Greg Baszucki</b> Silicon Valley</p> <p><a href="#">View all 3 investors from this round</a></p> <hr/> <p>INC.COM <b>Making Photo Books With a Social Spin</b></p> <p><i>"One of the most common words we heard [during] our first two years in business was 'no'," says Andrew Laffoon. He and his partner, Aryk...</i></p>
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### INVESTORS from previous rounds



**Brian Flynn**

Founder of @Relevad  
@Wheelhouse @IMsecure  
@AdMovate @Founder Partners  
Investor in @Mixbook @Pixoart  
@Infinity Venture Partners @Pinkoi  
@Ultris @GlobalEnglish



**Stephanie Tilenius**

Investor @Nextdoor @Citrus Lane,  
@Mixbook, @MyFitnessPal,  
@GemShare, experience at KPCB,  
Google, eBay/PayPal



**Mike Bates**

Angel Investor at Band of Angels  
and Life Science Angels. Finance  
guy with 4 exits as CFO. 30+ angel  
investments.



**Eric Tilenius**

3x Startup CEO (all successful  
exits), 2x Founder, VC, Angel  
Investor + Zynga, Intuit, Oracle



**Greg Baszucki**

Investor  
Investor in @TrialPay, @Mixbook,  
@Roblox, @Godengo.



**Band of Angels**

[View all 10 Past Investors](#)





# #43 Mixbook

Revenue As of February 2013

**\$25.1** Million

Industry	Retailing
Founded	2006
CEO	Andrew Laffoon
Website	<a href="http://www.mixbook.com">http://www.mixbook.com</a>
Employees	60
Founders	Andrew Laffoon, Aryk Gosz
Fiscal Year End	Dec 31, 2012
Headquarters	Palo Alto, California


## Mixbook on Forbes Lists

#43 America's Most Promising Companies (2013)


A website and mobile application for creating photo books, cards and calendars. Customers use Mixbook's design software for free, but pay for print services. Prices range from \$6.99 for mini photo albums to \$54.99 for hardcover coffee table books. Founders Andrew Laffoon and Aryk Gosz began the company after winning a business competition as undergraduates at UC Berkeley in 2005.

## Exhibit 5 News Article on Andrew Laffoon

ABOUT    Q SEARCH

 **FREE ENTERPRISE**  
Presented by the U.S. Chamber of Commerce

DOING GOOD    CREATING OPPORTUNITY    TRUE INNOVATION    SMART GOVERNMENT    AMERICA AT WORK



**7 BUSINESS LESSONS FROM  
MIXBOOK CEO ANDREW LAFFOON**

FREE ENTERPRISE STAFF | APRIL 25, 2016

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**Exhibit 6** Mixbook's Old Logo



Exhibit 7 Mixbook's New Logo



**Exhibit 8** The Sutardja Center for Entrepreneurship and Technology



Pantas and Ting

# Sutardja Center

for Entrepreneurship & Technology

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Berkeley Engineering