

# In an era of cheap startups, Color is thinking big

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March 31, 2011

The launch of mobile photo-sharing startup Color last week polarized Silicon Valley insiders in a way I haven't seen in years.

The furor centered around Color's announcement that it had raised \$41 million in venture capital right out of the gate, a stunningly high amount, in the view of critics, for a company building a mobile application.

How could a smartphone app justify such an investment? Does this mean we're in the midst of another bubble? And just what the heck does the Color app do?

All good questions, but I was intrigued by something else. By raising so much money so early, Color seemed to be challenging the conventional wisdom in Silicon Valley, which emerged following the dot-com bust, that companies are supposed to start cheap and keep costs low.

The social media hits of today, like Facebook and Twitter, launched under the radar with almost no funding. And companies building apps typically start with around \$1 million or less. Color, in sharp contrast, seemed eager to get big, in a hurry, in a very public way.

I stopped by Color's offices in downtown Palo Alto to see if this really was the intention of founder Bill Nguyen, 40. All I had to do was step into the company's spacious offices at the corner of Hamilton Avenue and Emerson Street to erase any doubts.

The company has been in the 2,200-square-foot location for several months now. With only 30 employees, but room for 200, it feels cavernous. The main floor is at street level, and it's a gorgeous, hardwood-floor space with giant bay windows lining one side, allowing pedestrians to gaze right in.

Everything about it screamed, "We're looking to grow."

The controversy of last week hadn't dimmed Nguyen's spirits. In 11 years of covering Silicon Valley, Nguyen might just be the most upbeat, enthusiastic person I've ever met.

He may also be one of the most direct. Yes, he said bluntly, he absolutely wanted the company to move fast and get big. The \$41 million was essential to winning.

"If you're looking at a space and want to attack it, you have to come with a lot of resources," he said.

So what is the gigantic opportunity that Color and its generous venture capital backers see?

Nguyen said Color is based on the idea that we are just at the start of the "post-PC" era, in which gadgets like tablets and smartphones will dominate. The Color app is an attempt to present a radical new notion of how we will use those devices to share information, build different kinds of social networks, and experience new types of advertising. You open the app,

and it automatically connects you to anyone else nearby using the app. The version of the app released last week, in which your photos are shared just by virtue of being in proximity of others using Color, was the first step toward realizing this much bigger vision.

Money aside, there was also a heated debate last week because Color challenges our notion of privacy by connecting you to strangers without asking you to accept them as friends or not.

"It's a polarizing idea, and a polarizing company," Nguyen said.

Whether or not Color succeeds, Nguyen believes strongly that in any technology space, there will be only one winner. And to be the winner, he needs to attract the very best engineers, and lots of them, by paying competitive salaries. The infrastructure needs to be in place for the app to work. And rather than building one app at a time for each mobile platform, as many other companies do, Color needs to be on all the major ones, with as many features as possible.

"The 24-year-old version of me would have built one version of the app for one platform," Nguyen said.

But not the current version of Nguyen. Not the one who has started four companies, including Onebox.com, which he sold for \$850 million back in 2000, and Lala.com, which he sold to Apple in 2009 for an undisclosed sum. Nguyen had the pedigree to get Bain Capital to give him \$9 million last year in seed funding before he even had a specific product in mind.

And once it got a sniff of the app that was going to launch last week, Sequoia Capital chipped in \$25 million.

It's a risky bet. Eric Ries, one of the leading advocates of the so-called "lean" startup model, said he was less concerned about the amount of money raised by Color than the amount of attention it drew to itself.

Ries tells companies to launch fast, get customer feedback, and then adapt quickly until the product is ready for a wider launch. Getting so much attention means the failures for Color are going to happen under intense public scrutiny and criticism.

"The really great companies launch without great fanfare," Ries said.

While Color did some media briefings and put out a news release last week, Nguyen said the tidal wave of attention was unexpected.

He acknowledged that in hindsight, the company didn't do a good job explaining what it wanted users to do with its app, something it's working to change with a small update. Still, he claims the criticisms have been helpful.

In fact, Color wants to build its product in full public view, in a sense, to practice the kind of radical transparency that it's asking users to embrace with a photo-sharing app that will link people to strangers. Color's offices include space for building a cafe where the public can mingle with the company's staff, test demos, talk about the product and give lots of feedback.

The launch and the attention it attracted has set the expectations ridiculously high for Color. Nguyen, it seems, is ready for the pressure, by acknowledging that Color will either be a massive hit, or a spectacular flop.

Color, he said, "is one of these all-or-nothing bets."

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