

Forbes

Why Evernote Is Winning With The Soft Stuff

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By NICOLE PERLROTH

Editor's Note: This guest post was written by Gary Little, a partner at [Morgenthaler Ventures](#), who just invested alongside Sequoia Capital in the new \$50 million financing of [Evernote](#).



Evernote announced their new \$50 million round of [funding](#) led by Sequoia Capital today. I am thrilled for the team and can't help reflecting on Evernote's tremendous growth from 1 million registered users in 2009 – when we first invested – to 11 million users today. I could dwell on Evernote's user adoption rate, Freemium model, cohort analysis, growth projections, and other hard metrics used to measure a business. But I'm just as intrigued by the soft stuff. How has Evernote been able to reach 11 million users through largely word-of-mouth and get an ever-increasing percentage of them – already 23% of their

oldest user groups – to voluntarily pay for their service? It’s a squishy, touchy-feely word, but I think it has a lot to do with community.

What’s noteworthy is Evernote – which is a “remember everything” global memory platform – has none of the social ingredients of say a Zynga, Twitter or Facebook which led to their viral spread. As the company CEO, Phil Libin, likes to say, “Evernote is anti-social” and that it was created “for you, not your friends.”

For the Uninitiated

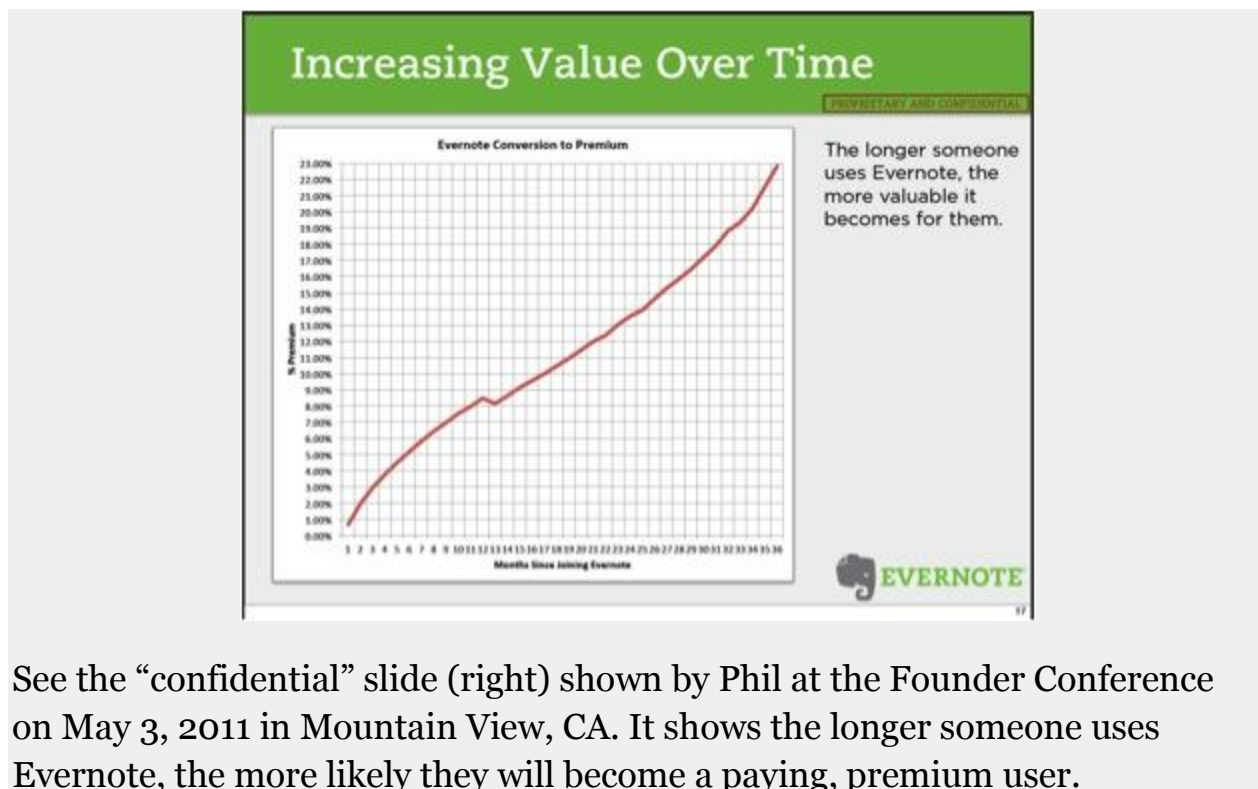
If you haven’t used Evernote before, then you’ll need some context. A “global memory platform” probably means nothing to you. So imagine keeping all your notes (typed or handwritten), Web clips, business cards, voice memos, to-do lists, receipts, passwords, cooking recipes, tax and health records, photos of wine labels, etc. in the cloud, and being able to search and archive any of these “notes” using virtually any device; and they will always be synched and secure.

Evernote aspires to be “your permanent, trusted, ubiquitous destination for lifetime memories” – another choice quote from [Phil](#). We all know Google owns search. Facebook owns social. Evernote wants to own memories.

Freemium, Premium

Now here comes my point about community. Evernote is a free service. They only make money when someone chooses to subscribe to a premium package. Just like most communities – schools, clubs, churches, public radio – you are not obligated to pay unless you want to. Good communities grow and increase in value when people participate and give back. They work best when they are open, trustworthy and importantly – fun. We support our schools, clubs and favorite public radio stations because we want to give back and see them thrive. Evernote’s community of users is almost as zealous about the company. In Evernote’s most recent survey, the number one reason users pay for a premium service was, “We want to support the company and we love the product.”

The team at Evernote has a degree of openness that is unusual, and I'm sure their users take notice. What company would share revenue, usage, conversion and other proprietary data like Phil has with the press and at public forums? I remember seeing a slide filled with company-confidential stats from one of our board meetings flashed on stage at an industry conference by Phil to my surprise. Of course Phil is the guy who made that slide confidential in the first place, so it was easy for him to decide to share it later. But it makes sense. If a company is asking you to trust them with your lifetime of memories, you want to know how they are faring and what they have planned.



See the “confidential” slide (right) shown by Phil at the Founder Conference on May 3, 2011 in Mountain View, CA. It shows the longer someone uses Evernote, the more likely they will become a paying, premium user.

Apart from the important but standard declarations of privacy and security, a company like Evernote must continually prove they are good stalwarts of users’ valuable data. Guido Appenzeller, a former Morgenthaler EIR and co-founder of Voltage Security and now BigSwitch, runs both his personal life and business on Evernote. Guido keeps everything – from birth certificates, marriage license, tax records, business plans, etc. – on Evernote. When Evernote unveils their proprietary data to the world it is implicitly saying, “Thanks for trusting us with your personal information, I trust you with ours.”

The 70 people currently working at Evernote also make the community fun. They joke around on their [podcasts](#) (which are [hilarious](#)), [blogs](#), [social media](#), and at their [developer conferences](#) and [meetups](#). Phil and his team work their tails off but mix things up with a healthy dose of humor and humility. Maybe it comes from knowing how close they came in 2008 to shutting down the company because funding disappeared in the wake of the financial meltdown. Phil was getting ready to “do the adult thing” and wind down the company before they had to miss payroll when he received an unexpected email from a Swedish user who he had never met. The user talked about how much he loved the product and wanted to invest in this unknown startup. That \$500,000 [check](#) helped Evernote weather the crisis and grow to where they are today.

To be sure, the community extends to third-party developers – more than 5000 API keys have been downloaded by developers, which is the first step to developing applications for Evernote’s [Trunk](#) collection. Trunk currently includes more than 200 third-party applications, services, and devices that connect with Evernote in various ways. And, with [sponsored accounts](#), Evernote premium accounts can be purchased en masse by groups at work, schools, families or any organization.

Obviously, Evernote could have the best community in the world but have no paying customers if their product wasn’t useful. The product is ultimately the message. And it’s a good one. There’s a lesson from Evernote for other startups: be rigorous with your analytics, get good at the hard stuff required to build a product, but don’t forget to get good at the soft stuff too. It’s the soft stuff that gets you.

[Gary Little](#) is a partner at [Morgenthaler Ventures](#), an early-stage venture capital firm based in Menlo Park, CA where he focuses on investments in the mobile, ecommerce, Internet & media space. He serves on the boards of Evernote, NexTag, Rhythm NewMedia, Jaspersoft, MuleSoft, Adara Media and Voltage Security.

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