Innovative Clusters & New Work: A case study of TaskRabbit

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**Introduction**

In the past five years, San Francisco has become home to dozens of new online and mobile “service networking” companies that claim to be “revolutionizing” the way work gets done. Making up what has come to be known as the “platform economy,” these technology companies provide the platforms for online and mobile marketplaces in which users can buy and sell their goods and services. Together, these “platform economy” companies make up a concentrated innovative cluster in the San Francisco Bay Area, and, more specifically, San Francisco proper.

One of the sharing economy’s pioneers and largest success stories, TaskRabbit Inc. allows users to outsource small jobs and tasks to local contractors—or, in company lingo, neighborhood “Taskers.” Launched out of Boston in 2008, TaskRabbit is just one of many tech startups that have left Boston for the San Francisco Bay Area. Since relocating to San Francisco, the company has received $37.5 million in venture funding, is available in 20 cities, and reportedly has 1.25 million users and over 25,000 Taskers. Indeed, TaskRabbit exemplifies the immeasurable benefits of strategically locating a firm in an industry cluster.

In this essay, I trace the evolution of TaskRabbit and explore the ways in which its San Francisco cluster location has contributed to its success, making the company what it is today. Specifically, I look at how the company’s location has facilitated its growth, especially through venture capital, and prompted changes in its business model. I argue that TaskRabbit’s move to San Francisco early in its development has allowed the company to profit and develop from exposure to the cluster’s locally-embedded knowledge and buzz and its “entrepreneurial support network” composed of willing venture capital investors and advisors. Ultimately, I conclude that TaskRabbit represents the newest wave of technology focused on cloud-based applications and
the importance of the “creative class” in developing these firms and determining their geographic locations.

**Company History**

**2008: Early History of TaskRabbit**

TaskRabbit was founded in February 2008 by Leah Busque in Boston. At the time of its inception, the company was called RunMyErrand.com and its mission was to solve a simple problem facing Busque and her husband one night: the couple was ready to leave their apartment to meet some friends for drinks when they realized they had run out of dog food for their lab Kobe. Without time to do it herself, Busque conceived the idea of an online auction marketplace for those in similar situations: people with money to spare but no time could post odd jobs, and local people with time to spare could bid on the task. The company’s core mission revolved around the idea of “neighbors helping neighbors,” which has continued to be a guiding theme throughout the company’s evolution. Before quitting her job as a software engineer at IBM to build the platform, Busque met with Scott Griffith, who at the time was CEO of Zipcar. Griffith, highly impressed with the concept, encouraged Busque to pursue it and became the company’s first informal advisor, providing Busque free office space at Zipcar’s Boston headquarters.

After completing a beta-version of RunMyErrand in September 2008, Busque enlisted 100 “runners” in the Boston-area to test out the company’s concept. The service was well received and the months following were successful, with the company raising $150,000 in an early round of angel funding from investors the following spring. (Tsotsis 2011)

**2009: fbFund REV**

Despite the company’s initial successes, RunMyErrand was failing to gain the traction Busque and Griffith had been hoping for. This changed in the summer of 2009 when
RunMyErrand was chosen as one of 20 young companies to participate in fbFund REV, a 10-week development program in Palo Alto for promising startups that plug-in to Facebook. The fbFund program was overseen by Facebook, Founders Fund, and Accel Capital, which made a $25,000 investment in the selected companies. During the fbFund development program, Busque met Tim Ferriss, a prominent Silicon Valley angel investor and tech entrepreneur, who agreed to join the RunMyErrand Advisory Board. Through Ferriss, Busque was introduced to various venture capitalists and Silicon Valley industry insiders. By fall 2009 RunMyErrand had raised one million dollars in venture funding from two Bay Area venture capital firms, Baseline Ventures and Maple Investments, located in San Francisco and Menlo Park respectively. Both firms focus on seed-stage investments, and both have prominent Web 2.0 and social networking startups such as Twitter and Digg in their portfolios (Roush 2009).

2010-2012: Relocation to San Francisco & Venture Capital

In June 2010, after receiving the one million in seed funding, Busque decided to relocate the company headquarters to San Francisco, setting up offices in Dogpatch Labs, a group workspace with free rent operated by Polaris Venture Partners (Kutz 2011). This move proved to be a very good one for the company—within twelve months of moving to San Francisco, the company grew tenfold and, in May 2011, closed a $5 million Series A financing round led by Shasta Ventures and followed by funding from First Round Capital, Baseline Ventures, FLOODGATE, Collaborative Fund, 500 Startups and The Mesh author Lisa Gansky. Along with the new venture capital, the company added Sean Flynn, Managing Director of Shasta Ventures, to the TaskRabbit Board. (Newton 2014)

At this point in the company’s development, TaskRabbit had 13 employees and 2,000 participating Taskers in Boston and San Francisco, and was looking to expand into other
markets. According to the TaskRabbit blog at the time, “The new [Series A] capital will be used to grow our Service Networking platform and support aggressive expansion into new cities” (TR Blog). Indeed, within twelve months of the $5 million Series A funding, TaskRabbit expanded its operations to New York, Los Angeles, Chicago, and Orange County.

In December 2011, TaskRabbit closed an additional $17.8 million in a Series B round of funding, this time led by Baseline Ventures and FLOODGATE. Within six months of the Series B funding, TaskRabbit expanded their market further to Seattle, Portland, and San Antonio. The next round of funding came in July 2012, bringing in $13 million led by Founders Fund. As expressed on the company blog, having the support of Founders Fund marks a huge milestone in the company’s evolution because it added Rob Chesney, former Vice President of eBay to the TaskRabbit Board (“Founders Fund Leads TaskRabbit's,” 2012).

**2013-2014: Realignment & Business Model Reboot**

Despite the company’s market growth and infusion of venture capital, during the summer of 2013, executives at TaskRabbit began to notice a problem in the system: The percentage of completed tasks posted to the service's auction house had leveled off and was beginning to decline. Individual tasks were seeing fewer bids, as well as a decline in completed and accepted tasks. Busque and her team were stumped as to why this was occurring. TaskRabbit had added 1.25 million users to its system in 2013 and doubled its force of contractors to 25,000. Supply and demand were as big as they had ever been, but something wasn’t working.

To address this problem, the company reorganized its staff, leading to a layoff of about 12 employees (about 20% of the company at the time) and expanding the company’s marketplace operations team, which was tasked with sorting through company data until they found the culprit for the problem. After weeks of data analysis, the team concluded that the
auction model, in which contractors seek out and bid on tasks they’d like to complete, was unsatisfactory to both the Taskers and the TaskPosters. Looking through customer feedback, the company realized that users posting tasks had difficulty knowing what starting price to set, and were frustrated with how long it took for contractors to bid on their jobs. On the contractor side, Taskers had complaints about how long it was taking them to find jobs on the platform—on average, they were spending two hours a week scrolling through endless pages of open tasks looking for matches. (Newton 2014)

In July 2014, TaskRabbit announced that it would be completely reorganizing its auction system, instead instituting a direct-hire only system that matches people assigning tasks and workers seeking to complete odd jobs through an algorithm. Instead of Taskers using the platform to look for posts to bid on, the new model functions in such a way that task-posters open the app and directly assign tasks to random Taskers. This reversal in marketplace direction was accompanied by a number of other changes: Taskers are asked to wear a uniform; Taskers must use the Tasker mobile app for scheduling, chatting and booking tasks; Taskers must use an in-app calendar for availability and scheduling; and Taskers must respond to all assignments within 30 minutes, even if it is not in the Tasker’s chosen area of expertise. These changes enforce more control over Taskers and cut back their autonomy as “entrepreneurs.”

TaskRabbit first rolled out the reboot in London, and within a few weeks, data on the new model looked good: the number of users grew three times faster than it did in New York and San Francisco; the number of users who used TaskRabbit more than once was 50% higher than in U.S.; the amount customers spent on tasks doubled; and the percentage of tasks completed doubled—reversing the decline that prompted the reboot. (Newton 2014)
Clusters, Networks, and Innovation

The evolution of TaskRabbit—its relocation from Boston to San Francisco, and its subsequent venture capital and market growth and business model changes—serves as an excellent example of how influential locating in a cluster can be in determining and shaping a company’s trajectory. The benefits associated with locating in the Bay Area attracted TaskRabbit to the region, and those same benefits subsequently shaped its development. In the following sections, I examine the underlying forces that have contributed to TaskRabbit’s geographical changes over the course of the company’s development. First, I analyze the forces that pulled TaskRabbit out of Boston, primarily drawing connections to increased venture capital opportunities in the San Francisco Bay Area. The second part of my analysis tries to answer the question of why TaskRabbit chose to locate in San Francisco instead of the Silicon Valley. Drawing on the existing theories of Jane Jacobs and Richard Florida’s “creative class,” I argue that the “urban shift” of tech companies and startups into San Francisco proper can be explained by the new and changing demands of modern technologies and the intrinsic benefits of cities as economic clusters fertile in diverse talent, dense in human interaction, and open to new ideas and innovations.

Agglomeration Economics: Definitions & Literature Review

Before delving into an analysis of TaskRabbit’s evolution, it is important to establish the basic definitions and theories of agglomeration economics and industry clusters. According to Porter (1998) clusters are “geographic concentrations of interconnected companies and institutions in a particular field” (p. 78). Clusters include firms working in related or supporting technologies, and an infrastructure of institutions and social relationships that provide resources and promote the interests of the whole cluster. Clusters can include suppliers of specialized
inputs, and can extend downward to channels and customers and horizontally to manufacturers of complementary products and to related industry companies by shared skills, technologies, or common inputs. Moreover, clusters encompass many institutions that support it with specialized training, education, information, research, and technical support. These cluster-supporting institutions primarily include universities, trade associations, and economic development agencies. Putting together all of these components, clusters are the geographic hubs of innovation. As I will show in the following sections, the story of TaskRabbit demonstrate the enormous benefits afforded to companies that chose to locate in innovative industry clusters.

1. Boston vs. Bay Area Tech Cluster

As James Temple documents in his Re/code special series on the Boston Tech cluster, Boston has a long history of technological innovation, perhaps dating back even further than the Silicon Valley’s. Boston emerged as a high-tech cluster in 1945 with the MIT development of Whirlwind I, one of the first large-scale high-speed computers, which began as a wartime effort to build a flight stimulator (MIT 2009). Eventually the program, using an analog computer, changed into the development of a high-speed digital computer. Today, Boston is one of the world’s largest, strongest, and most innovative high-tech regions in the world. As Richard Florida details in “Startup City,” the Greater Boston area is the second leading region for venture capital investment nationwide, trailing the Bay Area. In 2011, Boston attracted $3.3 billion in venture capital funding and is home to the nation’s first ever venture capital firm, American Research and Development (Florida 2014, p. 25).

*Why did TaskRabbit leave?*

Given Boston’s seemingly fertile ground for venture capital, why did TaskRabbit and so many other startups (i.e. Facebook, Dropbox, Evernote, myLingo, Pymetrics, Handy) move
elsewhere? What is Boston missing that is pushing so many successful startups out? James Temple argues that, while Boston gave birth to the foundational technology—the machines, systems and software—that eventually gave rise to the PC revolution, the region has ultimately lost “the business war” to San Francisco: “It stretches back to the minicomputer boom and forward to the very recent past, when bright young minds founded Facebook, Dropbox and TaskRabbit, but heeded the call to “go west” when it came time to build the businesses.” Indeed, Busque has commented on how she had a great deal of trouble finding willing investors in the Boston area, speculating that, “In Boston, maybe we [were] too early for folks” (Kirsner 2010). While Busque did find some early supporters and angel investors, specifically ZipCar CEO Scott Griffith, who provided Busque free office space, the investors in Boston were largely unresponsive to the concept of RunMyErrand.

**Boston’s Response**

The city of Boston has taken note of the high number of successful startups that are founded in Boston but eventually leave. Since TaskRabbit moved to San Francisco, a number of initiatives from Boston businesses and local institutions have been created to increase the number of “consumer companies” in Boston and to encourage existing companies to stay in the region. These initiatives include new venture capital firms, incubators, workspaces and startup contests such as Hack/Reduce, the Artisan’s Asylum, Bolt, Greentown Labs, Learn Launch, Smarter in the City and more (Temple 2014). Jason Jacobs, founder of RunKeeper, explains this new impetus to promote regional “stickiness” in the Boston tech cluster: “People probably got sick of watching people start here and go west. It’s like, how much value are we, as a region, going to just keep let slipping through our fingers?” Perhaps these initiatives have made an impact: Since TaskRabbit left Boston, venture capital going to consumer startups in Boston has
increased by nearly 15%, raising nearly $4 billion in the last four quarters of 2014 (Temple 2014).

**Investors & Advisors: fbFund**

The experience Busque had with Boston investors stands in stark contrast to the strong support she received from Silicon Valley investors and industry insiders while participating in the fbFund. Through her participation in the Facebook incubator program, Busque met productivity guru Tim Ferriss, who became an advisor to the company, and “was the one who introduced [TaskRabbit] to some key investors,” Busque says. Not only did Ferriss agree to become an advisor for the company, he introduced Busque to Maples managing partner Mike Maples and Baseline founder Steve Anderson, who together financed the million-dollar Series A round.

Entrepreneurs from prior waves play a particular role in what Henton and Held (2013) call Silicon Valley’s *innovation habitat*: “a complex ecosystem of relationships among entrepreneurs, researchers, venture capitalists, service providers, lawyers, accountants and marketing professionals that is constantly shape-shifting” (p. 539). Many of these experienced innovators, such as Tim Ferriss, have become serial entrepreneurs who apply the wealth earned in prior waves to fund new start-ups as angel investors. For example, Marc Andreessen, founder of the first Internet company Netscape, has become a major angel investor in social media companies such as Facebook and Uber. These industry insiders and venture capitalists are fundamental to making the San Francisco Bay Area the thriving cluster it is today, in large part because they have the “insider knowledge” to recognize a potentially good idea. Naturally, the connections Busque made at fbFund, and the funding that it led to, significantly influenced Busque’s decision to move west and set up shop in San Francisco permanently.
Complementary: Facebook Connect

Moreover, fbFund is emblematic of how similar firms within a cluster can come together to enhance and complement each other’s businesses. Zysman and Kenney (2015) explain that, as one of the major players in the “platform economy,” Facebook has a vested interest in the development of apps that can plug-in to Facebook and provide a service to Facebook users because, in exchange for using the Facebook plug-in (called Facebook Connect), these apps must pay a percentage of their revenue to Facebook (p. 11). In terms of TaskRabbit, users of the service must sign-in with Facebook Connect to create a TaskRabbit account. This is beneficial to Facebook because it means that the platform can remain relevant and potentially gain new users, and it is useful to TaskRabbit because it allows the company to gain access to user information (analytical information such as age, gender, friend network, ‘likes,’ etc.) while also giving users a seamless registration process. Using Facebook Connect is also beneficial to TaskRabbit and other “application” companies, such as Spotify, Tinder, Uber, and Airbnb, because it is a simple way to “verify” users and guard against fraud and spam by ensuring that only real people can register for the service and making it difficult for a single person to set up multiple accounts. This is an example of a “complementary,” which Porter (1998) defines as “a host of linkages among cluster members that results in a whole greater than the sum of its parts” (p. 81), making both the industry and the individual firms more successful and promising long-term sustainability as a result.

Local Buzz and Competition

Following fbFund and the Series A funding, Leah Busque decided to move the company permanently to San Francisco. This in turn afforded the company many benefits that it might not have had access to in Boston. One of the biggest benefits of locating in a cluster is the local
rivalry and peer pressure that amplifies competitive pressures within a cluster, even among noncompeting or indirectly competing companies (Porter 1998, p.83). This is especially true for TaskRabbit. The map in Figure One shows TaskRabbit’s location in the South of Market neighborhood of San Francisco, and indicates the similar startups that are located in this neighborhood as well. Together, these firms create a dense innovative cluster of platform applications.
Sharing this space with so many other social media and service networking companies has likely inspired TaskRabbit to stay competitive. Indeed, in the summer of 2013 when TaskRabbit began to see a stagnation and decline in completed tasks, they abandoned their auction-house model and adopted a direct-hire model. As many commentators have pointed out (Newton 2014), this new system is almost identical to the system employed by Uber, which has had massive success and is located just down the street from the TaskRabbit offices. As discussed earlier, if TaskRabbit had not made a change to its model, the company likely could have crashed. The July 2014 “reboot” not only saved the company, but also was likely inspired by rivalry and competition. Had the company stayed in Boston, it perhaps may not have been as inspired or able to model its system off of a competitor’s.

Moreover, as Bathelt, Malmberg and Maskell (2004) explain in “Clusters and Knowledge: Local Buzz, Global Pipelines and the Process of Knowledge Creation,” locating in a cluster exposes firms to “local buzz”—the information and knowledge shared in an ecosystem that can only be transferred in face-to-face interactions or co-presence. The authors explain that local buzz consists of:

…intended and unanticipated learning processes in organized and accidental meetings…as well as shared cultural traditions and habits within a particular technology field… Actors continuously contribute to and benefit from the diffusion of information, gossip and news by just ‘being there.’ (p. 38)

Not only is TaskRabbit competing with its neighboring startups, the company also inherently benefits from the local buzz and gossip that naturally spreads when located in a cluster with such high concentrations of competing and complementary firms.
2. San Francisco vs. Silicon Valley

While it may be easy to understand why TaskRabbit would move out of Boston, what might be less obvious is why TaskRabbit chose to move to San Francisco proper rather than the Silicon Valley (Palo Alto, San Jose, Santa Clara, etc.). Although both San Francisco and the Silicon Valley belong to the “San Francisco Bay Area,” Silicon Valley has a much longer history of concentrated high-tech innovation and development. Only recently has there been a migration of startups moving north to the city-center. In an email to the Wall Street Journal, San Francisco Mayor Ed Lee describes the shift to San Francisco:

"We will always be a regional economy, but the epicenter of technology is rapidly shifting north to the city. With our creative talent pool, diverse international cultures and pro-tech economic strategies, we are working hard to make San Francisco the innovation capital of the world" (Vara 2012)

While this ‘urban shift’ into the city may seem illogical given Silicon Valley’s dominances as the ultimate center for technological innovation and entrepreneurialism, it is actually in-line with existing theories about urban development and industry clusters, namely Jane Jacob’s theory of urban centers of innovation and Richard Florida’s theory of the “creative class.” These theories state that dense urban cities are desirable to firms because they are more productive, have high concentrations of highly skilled talent, are more diverse, create “knowledge spillover” effects, and facilitate professional networks, all of which promote innovation (Jacobs 1961; Jacobs 1969; Florida 2003). Moreover, dense urban cities are attractive to individuals of the “creative class” because they are places where people of diverse backgrounds can interact and share ideas

As Richard Florida argues in The Rise of the Creative Class, “creativity has become the most highly prized commodity in our economy” and, as such, “access to talented and creative
people is to modern business what access to coal and iron ore was to steelmaking” (p. 6). This has become especially true for the tech industry in the past five or six years as the changing nature of technology has enabled new startups to succeed with fewer capital-intensive inputs. As Figure 2 indicates, we are now in a “social media” wave of the digital revolution. Each of the previous technological waves (Defense, Integrated Circuit, Personal Computer, Internet) demanded at least some degree of physical capital. Whether it was developing software systems, designing and manufacturing chips, or building computers, firms had to enlist large teams of engineers and invest in huge campuses to accommodate the infrastructure and the employees. These capital-intensive demands are what explain the otherwise counterintuitive expansion of fast-growing high-tech companies like Apple into the sleepy suburbs of the Silicon Valley.

![Evolution of Silicon Valley 1950–2010.](image)

*Figure 2 Source: Henton and Held (2013) p. 544*

However, as personal computers, the Internet, smartphones and social networking have proliferated into popular consumption, the focus shifts away from engineering-intensive technology products, and the new end-goal becomes creating and applying technology to create
widely accepted platforms in the consumer market. This new technological shift has created what is known as the “App economy,” and has in large part been enabled by the “Cloud” and cloud-based applications, which allow “new start-ups to succeed more quickly, with smaller teams and much smaller footprints” (Florida 2012). The app/platform economy embodies Jane Jacobs’ theory of “New Obsidian”— the process of adding new kinds of work to other kinds of older work (p. 49). Figure 2 illustrates this concept: each new phase of technological innovation builds upon existing work, and creates new work in the process. As Zysman and Kenney (2015) discuss in “Sustainable Growth and Work in the Era of Cloud and Big Data,” this new “app/platform economy” will likely follow the processes of creative destruction in which jobs are both destroyed and created—but to what extent is still unknown.

How does this explain the migration of tech startups to city centers such as Downtown San Francisco? Creating platform applications such as TaskRabbit, Uber and the hundred of similar startups requires high levels of creativity. The success of these new startup companies depends on their ability to create a user-friendly and well-designed interface that is appealing to consumers. As such, because city centers have higher concentrations of creative young people and design talent—those members of the “creative class”—it is no surprise that firms are choosing to locate in dense urban cities. As Richard Florida asserts:

The nation’s geographic center of gravity has shifted away from traditional industrial regions toward new axes of creativity and innovation. The Creative Class is strongly oriented to large cities and regions that offer a variety of economic opportunities, a stimulating environment and amenities for every possible lifestyle…Today’s professionals see themselves as members of a broad creative force. (p. 11)
To summarize, the migration north to San Francisco can be explained by (1) low levels of capital-intensive inputs thanks to new cloud-based technology, and (2) the new increased demand for highly creative and design-talented people, who overwhelming chose to live and work in dense urban centers.

**Conclusion: TaskRabbit’s Impact**

As a case study, the evolution of TaskRabbit reveals substantial insights into how technology, work, and urban development intersect to create and sustain innovative clusters. As technology develops and changes, so too will the character of work and life in our urban cities. While these processes of innovation, creation, and destruction are driven by macro-forces of capitalism, it is the decisions and movements of individual actors that shape these macro-forces. Examining Leah Busque’s decisions and movements as CEO of TaskRabbit not only illuminates how and why the company has evolved as it has; this examination also sheds light onto the ways in which “corporate” decisions made by rationale economic actors impacts the social, political, and geographic landscape of modern life for millions of people living and working in urban and rural communities across the country and around the world.
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