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Gadget Startup Quirky Goes The Way Of The Sharper Image: Bankruptcy

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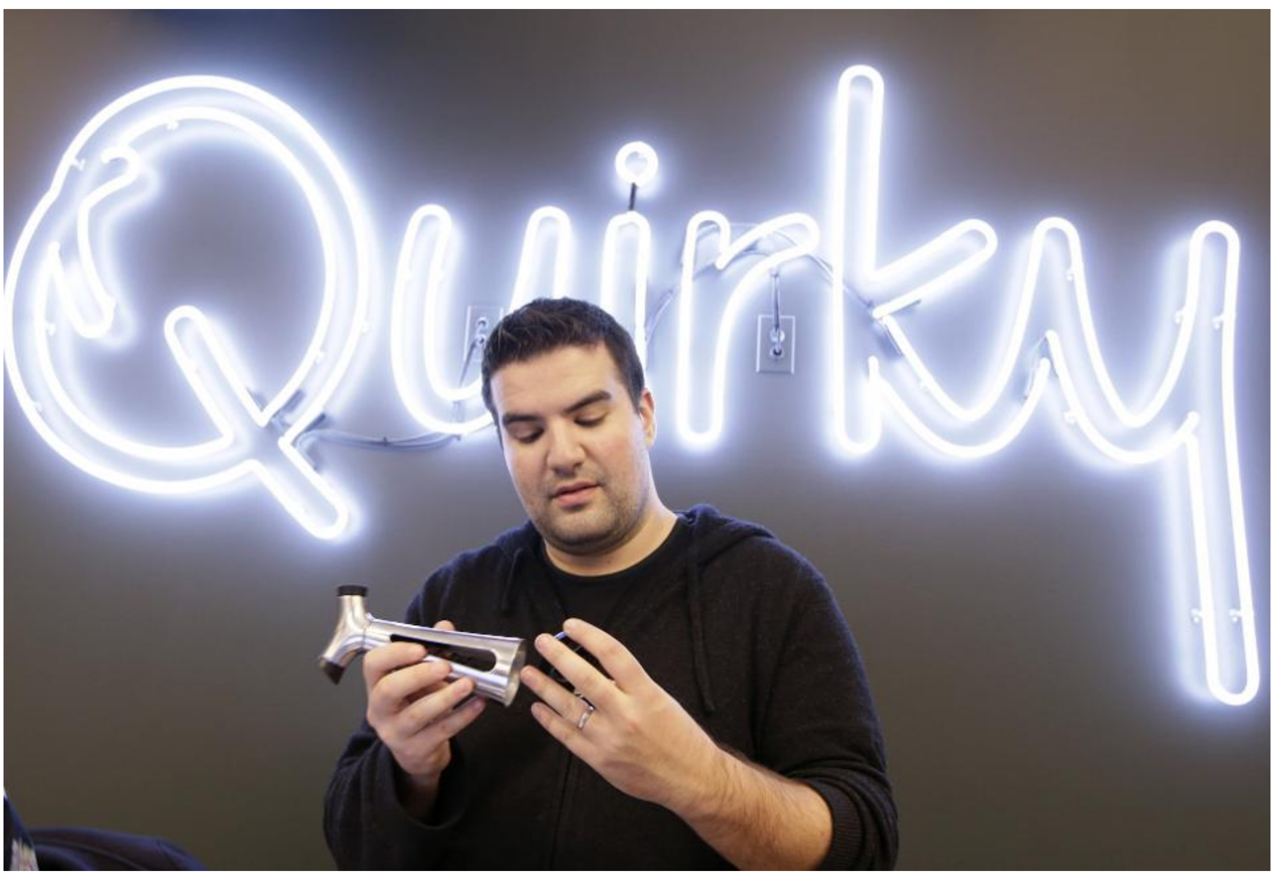
Quirky , a New York City croudsourcing startup many dubbed as the Uber or Airbnb of invention, has filed for bankruptcy protection and agreed to sell its smart-home unit Wink to Flextronics International for $15 million. While the filing is a stinging result for the company and its high profile CEO Ben Kaufman, it follows a series of bankruptcies for makers of exotic gadgets and home appliances including The Sharper Image and Brookstone.



Quirky CEO Ben Kaufman looks at a wine and bottle opener his company markets. (AP Photo/Kathy Willens) [+]

On Tuesday morning Quirky filed for Chapter 11 bankruptcy protection in New York and put up all of its assets for sale. Already, the company's received a bid from Flextronics for its home appliances unit, and it has launched a sale process for its namesake Quirky online community and brand, intended to garner stalking horse bids that could be closed within 60 days.

"After carefully examining the various alternatives available, the Company concluded that Chapter 11 provides the most effective and efficient process to facilitate sales of substantially all of its assets and provide potential suitors with certain advantages only available in Chapter 11, which will enhance the value of the Company’s assets," Quirky said in a statement Tuesday.

Those words are a far cry from the expectations many had for Quirky.

Founded by serial entrepreneur Ben Kaufman in 2009, Quirky was supposed to create an online community for inventors where they could share concepts ranging from smart floors and air conditioners to chargers, solar installations and a range of hundreds of other gadgets. Quirky's pitch to inventors was it could help design and manufacture their ideas and use its partnerships with retailers such as Amazon, Home Depot HD +0.49%, Target TGT +1.44%, Bed Bath and Beyond, and Best Buy to quickly bring products to market.

FORBES summarized Quirky's business model in a May 2013 profile:

> Here’s how it works. Once a product is out of the chute, Quirky sells it to retail partners at wholesale. Ten cents of every revenue dollar is held as a royalty for those who contributed to a product’s creation. The inventor gets 42% of royalties; the community that tweaked designs, voted on names and responded to market research surveys splits the rest. For sales from Quirky’s online store, the group divvies up a more generous portion: 30% of sales. Quirky, meanwhile, makes a 20% to 60% margin on each item sold to retailers

At the time of FORBES' profile the company and its founder Kaufman had already raised $91 million in venture financing from firms such as Andreesen Horowitz and counted 405,000 online members and over a hundred products with millions of units sold. Andreesen Horowitz partner Scott Weiss told FORBES in 2013 he believed Quirky could easily become a $1 billion company given its reach. “He’s disaggregating the entire process of invention… Could this be the next Procter & Gamble?” he said.

By 2014 Quirky's funding had swelled to $175 million, drawing investment from appliance makers such as General Electric, and at its filing on Tuesday morning the firm counted over 150 products developed and 1.1 million community members. Instead of turning to a billion dollar startup, as some prominent venture capital investors believed was possible, the company is now seeking scavenger bids for its assets.

While its unclear exactly what led to Quirky's demise, perhaps the company's outsized ambition didn't match consumer demand in the marketplace.

Quirky spent millions on television ads for its Quirky+GE Aros smart air conditioner, which featured founder Kaufman rubbing the feet of inventor Garthen Leslie, however, reviews of the air cooling unit generally panned its performance despite low costs and a sleek design. Quirky, with its over million member community and hundreds of inventions, may have also pushed its reach too far.

Kaufman told FORBES in 2013 Quirky's strategy would be to churn out more products than its sales channel could handle, instead of managing inventory like a traditional retailer. “There’s no store big enough in the world,” says Kaufman, “that’s going to be able to launch three products a week.” But despite a business model that brought hundreds of products to market with a seemingly high margin sales channel, Quirky appears to have run aground in keeping up with its growth. As with the Sharper Image and Brookstone perhaps demand for its re-imagined -- or quirky - appliances and gadgets wasn't there.

Last summer, the company was also a reported bidder for GE's home appliances unit, which ultimately entered into an agreement to be sold to Electrolux for $3.3 billion. The firm's bankruptcy, however, indicates such a deal was far more than the company could handle.

Quirky has engaged Cooley and Klestadt Winters Jureller Southard & Stevens as counsel, FTI Consulting as its restructuring advisors, Centerview Partners as investment banker for Wink assets, and Hilco Streambank for Quirky assets.