

A Quick and Dirty Guide to Starting Up

Venture  Hacks

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venturehacks.com

“We are faced with insurmountable opportunities”

- POGO

“It's never been done before”

We are lucky to live in this place, in this time. Silicon Valley is the closest thing to a meritocracy. It's never been done before is a compliment, not a put-down.

Some Principles

- Focus on counter-intuitive and practical
- Ignore outliers - be successful despite luck
- Web focused, but generally applicable
- Start at the beginning

Going to focus on the counter-intuitive and the practical.

Ignore the stories. Ignore the outliers. We want you to be as close to 100% successful as possible.

My experience is in the web but many of these principles should apply in any industry.

I'll start at the beginning – those of you already past the initial phase, bear with me.

WHY ?



Tradeoffs

- Compress Forty years into Four
- Deferred compensation, higher risk
- Non-linear, lumpy payments
- If you're not working, the competition is
- Ventures often fail; entrepreneurs don't

Do you actually want to start a startup? What it amounts to, economically, is compressing your working life into the smallest possible space. Instead of working at an ordinary rate for 40 years, you work like hell for four.

In a startup, you're many times more productive, work much harder, defer compensation, take risk, and get paid nonlinearly. Probably not worth doing unless you're willing to do another one if this one fails. You can't land on the moon with one shot.

During this time you'll do little but work, because when you're not working, your competitors will be.

“The price of being a wolf is loneliness; the price of being a sheep is boredom. Choose one or the other with great care”

- HUGH MACLEOD

The best reason is self-discovery and self confidence. You will learn to follow your heart.

THE MOST IMPORTANT THING

~~IDEA~~
~~INTELLIGENCE~~
~~CONNECTIONS~~
~~EXPERIENCE~~
DETERMINATION

You can get anything that you want out of life, if you want it badly enough.

Must love what you do because it's all about determination.

Hard Choices

- Quit the day job
- Make public commitments
- Get a partner



Quit your day job. There are no great part-timers. Those are apocryphal. and it causes IP issues if you have a day job. Remember, determination wins.

Motivate yourself – publicly commit yourself.

I: ~~PICK AN IDEA~~ MARKET

The idea doesn't matter – the market is what matters.

“Start where you are”

- ANONYMOUS

The Market

- Pick the biggest possible addressable market
- Learn everything about it
- Ideas, and therefore NDAs, are worthless
- No niches
- Gmail: “Mail that doesn’t suck”
- Most successes were hobbies or different businesses

Pick an idea – just a placeholder. A stake in the ground. You're going to iterate out from here.

If the space requires specific knowledge, go work in that field for a while. Autos are big, but only auto parts are accessible by you.

Keynesian beauty contest. Biggest risk for angel is downstream financing.

Changed ideas – MS, Youtube, Paypal.

Started as hobbies – Google, Yahoo!, HotorNot, etc.

2: FIND A FOUNDER



“...as in all matters of the heart, don't settle”

- STEVE JOBS

A Founder...

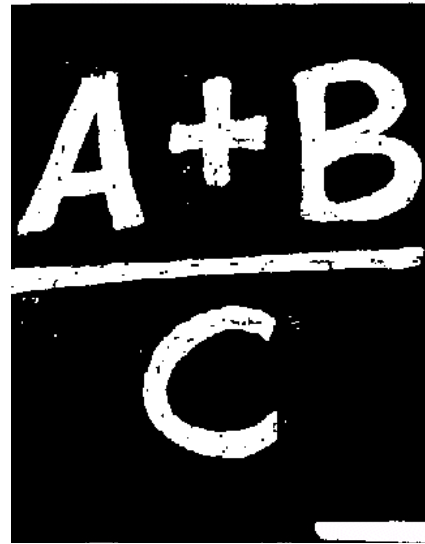
- Works before the money is available
- Will do ANY job
- Won't give up
- Doesn't need to be managed
- Intelligence; Drive; Integrity
- Vests!

Your Co-Founder..

- Someone you already know
- Just two people
- Split the equity
- Complementary - one for sales / marketing, one for product / tech
- Domain expertise is overrated
- Biggest failure mode

If you're starting a tech company, be technical. Or have someone you really trust who is technical do the hiring for you.

3: SOME BASICS



“If you are facing in the right direction, keep walking”

- BUDDHA

Traps

~~LEGAL ADVICE~~

~~PARTNERSHIPS~~

~~FINANCIAL ADVICE~~

~~CONFERENCES~~

~~OUTSOURCING~~

~~CONNECTIONS~~

~~PLATFORMS~~

~~PATENTS~~

Platforms only work if they bring eyeballs – MS, Google, Paypal, Facebook, Twitter.

Do...

- ...something difficult / defensible
- have a clear path to making money
- develop proprietary distribution
 - SEO, SEM, Viral Marketing, Partners
 - Monster Cable, Red Bull
- Be cheap!

Cheapness – Peter Thiel CEO criteria

Competition

- Best to ignore them
- Don't do what they can't do - do what they won't do
- “Why won't X just do this and crush you?”
- Good indicator that you are in a big market



4. Experiment

“All great truths begin as blasphemies”

- GEORGE BERNARD SHAW

Testing

- Markets are relatively efficient - so you are likely wrong at first pass
- Buy ads against non-existent products
- “Coming soon”
- Talk to the customers directly
- Ship immediately and often

Product / Market Fit

- Simplify, simplify, simplify
 - Beware tacit knowledge
 - Trade technology for simplicity (iPod, Google, remotes, HoN)
- Single-purpose (no citrus)
- Innovator's dilemma - go for the low end

Simplify – cut words out of your slogans and your marketing messages. Remove features. Make the product trivial to use. Attention to detail is for intuition, and to make it easier to use, not harder. iPod speaker, iPod headphones, iPod wheel. Apple remote. Samsung TV remote.

In technology, you always shoot for the low end – easier and cheaper – since you can always add features later, but companies can't simplify or remove cost structures (Just saved you having to read the innovator's dilemma).

“Perfection is achieved not when there is nothing more to add, but rather when there is nothing more to take away”

- ANTOINE DE SAINT-EXUPÉRY

5: RAISE MONEY



“Trust in Allah, but tie your camel”

- ARAB PROVERB

How

- 10-15 slides, know your stuff
- NO business plan
- Micro-economics, not Macro
- Get introduced; create an auction

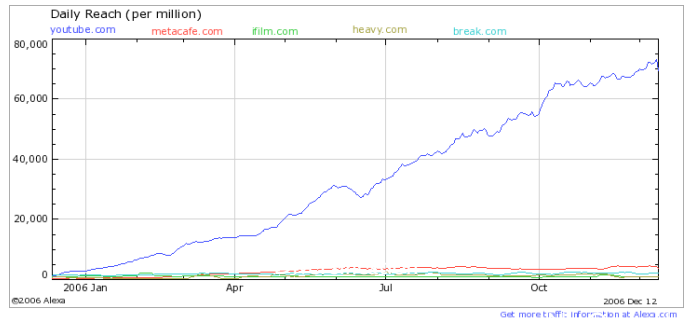
Investors

- Trust people they've backed
- Know within 10 minutes (usually)
- Market is hit-driven (clears non-linearly)
 - Blockbuster or Indy film
- Resist outside CEOs
- Valuation is irrational
- See Venture Hacks

Are You Sure?

- Investors demand C-Corp
- Exits are much harder
 - No cash businesses
- Committee-based strategy
- Hiring pressure
- Valuation is temporary. Control is **forever**

6: SCALE



Recruiting

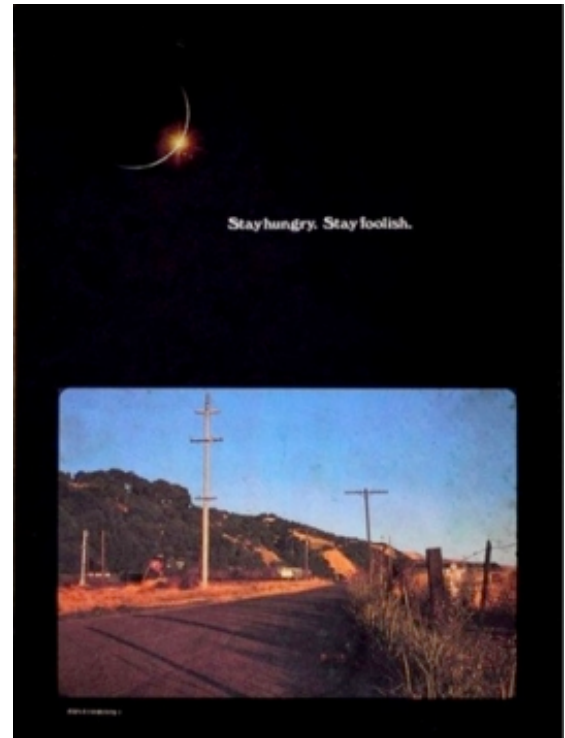
- Referrals or “Freshers”
- No multiple accountability
- Success determines morale
- Be generous with equity, but vest
- Understaff; no managers
- Break bread together



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STAY HUNGRY

STAY FOOLISH



Reason most artists don't have two hits is because they aren't willing to start over from scratch.