3054

DIRTY LESSONS EVERY ENTREPRENEUR SHOULD KNOW

JEFF SCHEINROCK
MATT RICHTER-SAND

WILEY

QUICK AND DIRTY LESSONS EVERY ENTREPRENEUR SHOULD KNOW

JEFF SCHEINROCK MATT RICHTER-SAND

1400HG BALHOT CORD HERE P A KON 180HG TÂM THÔNG THY TH' VIỆN - 07 07 03054

WILEY

Cover Design: C. Wallace

Cover Image: Titamium © iStockphoto.com/ranplett

Cover Illustration: Łukasz Zaręba and Magdalena Busłowska

Copyright © 2013 by Jeff Scheinrock and Matt Richter-Sand. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey. Published simultaneously in Canada.

Special thanks to the illustrators Łukasz Zaręba and Magdalena Busłowska.

Thanks to Craig Finster, Matthew Pierce, and Matt Levin for helping with illustration revisions.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers. MA 01923, (978) 750-8400, fax (978) 646-8600, or on the Web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at http://www.wiley.com/go/permissions.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at http://booksupport.wiley.com. For more information about Wiley products, visit www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

ISBN 978-1-118-54826-4 (Hardcover); ISBN 9781-1-11874448-2 (ebk); ISBN 978-1-118-74472-7 (ebk)

Printed in the United States of America.

10987654321

Contents

Why You Should Read This Book xiii The Entrepreneur's Life Cycle xv	
AGILE PHILOSOPHY	
Rule #1 3	
What's Your Why? 4	
You Are Wrong 7	
Heaven and Hell 8	
You Get Only 15,000 Days 11	
The Entrepreneurial Method 12	
Focus on Problems, Not Solutions 15	
Three Requirements for Success 16	
Dreamers versus Doers 19	
Get Out of the Building 20	
Business Plans Are Worthless 23	
Let Them Steal It 24	
Embarrass Yourself 27	
Fail Fast—and Often 28	
Contain Risk as Early as Possible 31	
First, Decide What Not To Do 32	
Rules? What Rules? 35	
FOCUS—Follow One Course Until Successful 36	
Don't Drink the Kool-Aid 39	

40

Get in over Your Head

There Is No Silver Bullet 43
It Ain't a Problem 'Til It's a Problem 44
Launch to Learn 47
Resourcefulness, Not Resources 48

CHAPTER 2

MAKE IT FEASIBLE

Is it Feasible? 53

ASS Out of U and ME 54

Three Questions You Must Answer 57

Double Your Worst Case 58

Five Risk Factors 61

Product 1.0—A Brochure 62

Good Ideas, Bad Businesses 65

Wrong Questions → Wrong Answers 66

Vitamin, Painkiller, or Cure? 69

Create Massive Value 70

Why Won't It Work? 73

Show Me the Money 74

Does It Pencil? 77

Play Dumb 78

Take a Haircut 81

If You Build It, Will They Come? 82

Buying Customers 85

 $CLV >= 2 \times CAC$ 86

Cash Is More Important than Your Mother 89

Think Like a VC 90

CHAPTER 3

CUSTOMERS AND COMPETITION

Break It Down 95

Ride the Wave 96

Know Thy Market 99

WII.FM—Your Favorite Radio Station 100

Tell Me What Sucks 103

You Can't Boil the Ocean 104

Reframe the Competition 107

Make a Competitive Matrix 108

Differentiate or Die 111

Competition Is a Good Thing 112

Follow the Leader 115

Fast Followers Finish First 116

10× Better 119

You Need a Moat 120

Zero Degrees of Separation 123

CHAPTER 4

MAKING MONEY

What's Your Business Model? 127

The Best Source of Capital 128

How Do You Make Money? 131

Gross Profit Margins 132

Prefer Variable to Fixed 135

Go Bootstrap Yourself 136

The First Rule to Making Money 139

The First Dollar Is the Hardest 140

Bottoms Up 143

Build a (Bad) Financial Model 144

How Much Runway? 147

Know Your Do-or-Die Numbers 148

CHAPTER 5

MARKETING

Luck Is Not a Plan 153

What's Your Positioning? 154

Hold the Presses 157 Old Meets New 158 Sell Wants, but Deliver Needs 161 How Can I Help You? 162 Turn \$1 into \$2+ 165 166 Do It Twice 169 Perception Is Reality 170 Be a Guerrilla Marketer The Secret to Writing Copy That Sells 173 Promise . . . Then Overdeliver 174 Your Brand Talks 176

CHAPTER 6

TEAM

Not So Fast, Partner 179 Get a Pre-Nup 180 ABCs of Hiring 183 Your Startup Is a Boat 184 187 The Build/Sell Team Make Sure You're Aligned 188 How to Get the Best People 191 Fire Yourself 192 You Are Not Scalable 195 Mess with the Vest, Die Like the Rest 196 199 Delegate, Don't Abdicate Form an Advisory Board 200 Who's the Boss? 203 The Right Partner Formula 204 Hire Slow, Fire Fast 205 Sharing a Submarine 206

PITCHING YOUR STARTUP

Get Your Story Straight 209

Get to the Next Step 210

Half as Long Is Twice as Good 213

First Rule of Elevator Pitches 214

Get Used to Rejection 217

Use the Use Case 218

Make It Stick 221

Name It and Frame It 222

Find the Hot Buttons 225

Fake It 'Til You Make It 226

Be Simple, Not Simplistic 229

Don't Bury the Lead 230

Back of a Business Card 232

CHAPTER 8

INVESTORS

You Are the First Investor 235

Got Traction? 236

Passionate Obsessed 239

Pigs Get Slaughtered 240

Investors Are Not Created Equal 243

Do You Want to Be Rich or Be King? 244

When No Leads to Yes 247

The Train Is Leaving the Station 248

Calling All Angels 251

The Lemmings Need a Leader 252

Don't Expect to Hear "No" 255

Save the Best for Last 256

Contents

Get to Your Next Milestone 259

Fuel to the Fire 260

A Demo Is Worth 1,000 Words 263

Money Only Buys Time 264

If You Want Money, Ask for Advice 267

The Investor Triad 268

The Day You Take an Investor's Money 271

What's the Business Worth? 272

Valuation Isn't Everything 275
Friends, Family, and Fools 276

CHAPTER 9

BUILDING THE BUSINESS

Nail It before You Scale It 279

Tipping Point 280

Think on Paper 283

The First Question to Ask 284

Make Meetings Matter 287

Hope for the Best, Plan for the Worst 288

Expect the Unexpected 291

Be Your Own Customer 292

Think Big, Execute Small 295

Forget the Mission Statement 296

Metrics Matter 299

Your Network Is Your Net Worth 300

Who's the Bad Guy? 303

Your Reputation Precedes You 304

Build It Like You're Going to Sell It 307

Be Frugal, Not Cheap 308

When the S#!t Hits the Fan (and It Will) 311

Know When to Fold 'Em 312

WHAT TO KNOW BEFORE YOU GO

Startups Are Boring 317

Young at Heart 318

Your Three Hats 321

You Are on Your Own 322

Dangers in the Moonlight 325

The Part-Time Entrepreneur 326

A Family Affair 329

Congratulations, It's a Boy! 330

Ten Things You Should Never Do Before Starting 333

The Five-Year Overnight Success 334

Conclusion 335

Acknowledgments 337

Recommended Reading 339

About the Authors 341

Online Course Offer 343

Index 345