Blitzscaling Summary

1-Sentence-Summary: _Blitzscaling_ is the strategy some of today's most valuable companies have used to achieve huge market shares, insanely fast growth, big profit margins, and become corporate giants in a very short time.

Read in: 4 minutes

Favorite quote from the author:

At its peak, PayPal was growing 10% per day. Not per month or per year. Per _day_. That means for a while, every week, PayPal _doubled_ its user baser. After one month of such growth, your customer base would have increased by a factor of 16. Imagine having 20 customers on the 1st of November, and 320 on the 30th. That's how insane exponential growth is.

It's exactly this kind of growth that fascinates Reid Hoffman, the billionaire co-founder of LinkedIn, angel investor, and former COO of PayPal. Having been part of some of history's most impressive growth and success stories in business, he now wants to share everything he's learned about scaling a company and doing it fast.

In _Blitzscaling_, a book he co-wrote with Chris Yeh and that is based on a class he taught at Stanford, he explains how founders can set up their businesses to quickly capture large market shares, leave the competition in the dust, and reap huge profit margins as a result.

Here are 3 lessons about what blitzscaling is and how you can improve your chances of pulling it off:

1. The definition of blitzscaling includes growing rapidly, but also requires your company to stay sustainable at all times.
2. Businesses who quickly want to reach massive scale must maximize four different growth factors.
3. Two big obstacles to achieving blitzscaling are product-market fit and operational

scalability.

Want to start a company that'll change the world? In today's environment, blitzscaling is the solution you need! Let's see how it works.

Lesson 1: Blitzscaling is not just about growing fast, it's about doing so while staying sustainable.

Exponential growth is what every <u>startup</u> dreams about. But achieving it is neither simple nor always healthy.

A friend of mine has <u>a Leonberger dog</u>. It's one of the largest breeds and looks like a lion. In its first year, the dog grows to about 75 cms in height and up to 70 kg in weight. Imagine your newborn baby growing to that size that fast. As a result, these dogs often have problems with their bone structure and need extremely good food to be able to survive the transformation.

For companies, similar side effects can occur when reaching one, ten, one hundred million users within just a few months. That's why Hoffman coined the term 'blitzscaling' to describe what it takes to survive this growth and mature successfully.

'Blitz' is the German word for 'lightning' and hints at the speed of the expansion. 'Scaling' separates into two components. First, it's about developing a company while keeping all parts in proportional sizes. Second, it's about reaching a massive scale of operations, serving thousands of customers or millions of users.

As a result, blitzscaling **is the process of quickly scaling a company to a massive size and customer base while ensuring its sustainability of operations during exponential growth.**

Lesson 2: There are four growth factors companies must maximize to achieve blitzscaling.

Until recently, exponential growth was mostly about virality. A few smart <u>growth hackers</u> could balloon a new company to a huge size with clever tricks and then the team could figure out a business model. But it's not so simple anymore.

According to Reid, there are now four growth factors, which, if combined well, can lead to blitzscaling. Their distinct mix will be different for each company, but businesses should seek to maximize all of them, if they hope to succeed.

1. **Network effects.** The best networks become more useful for all involved participants with each new member. A fax machine, for example, is only good if the people you want to send faxes to also have one.
2. **Market size.** Startups need to select and dominate a niche to <u>cross the chasm to mainstream consumers</u>. But if your total addressable market isn't big enough, for example because it's not online, you'll soon run into growth limits.
3. **Distribution.** The channels you pick for spreading your product must suit the speed of your expansion. You can pick an existing distribution network, like Amazon did with the United States Postal Service, bet on organic virality thanks to word-of-mouth,

or incentivize people to pass on the good word, like PayPal did with its $10 sign-up bonus.

4. **High gross margins.** The more money you make per item sold, the better. Sales is one of the hardest parts of scaling, so the more money you have left over after each transaction, the more you can reinvest.

If you want to go big and go fast, these are the four things you should pay attention to.

Lesson 3: The two biggest growth limiters for blitzscaling businesses are product-to-market fit and operational scalability.

Just like there are factors that facilitate blitzscaling, there are also limiters of potential growth which could stop you in your tracks. According to Reid, two of the biggest ones are product-to-market fit and operational scalability.

Since it's hard to guess exactly what your users want, there's a high chance **you'll have to adjust your product after its release.**

Many famous startups have pivoted several times before eventually finding the offering that allowed them to win. PayPal switched its core strategy four times, Instagram went from local networking app to only picture sharing, and Medium went from ads to content subscription. This isn't a bad thing, it's necessary, but founders have to be willing to do it.

The second factor, operational scalability, mostly depends on **how much infrastructure, employees, and resources you need to deliver your product to more people.** For tech companies, this is often less of a problem than the manufacturers of physical goods. If you can't find enough suppliers, workers, or raw materials, those can quickly cut you off at the knees.

Make sure you address these issues from day one and maybe, you and your company can achieve blitzscaling.

Blitzscaling Review

Blitzscaling is a refreshing perspective from Silicon Valley on the world of startups. It feels very professional and balanced, unlike the usual hyped, but unfocused startup advice. Reid has a lot of fun stories to tell and they're all ones you can learn something from. If you're fascinated by the biggest business successes in recent history, I highly recommend you check out this book.

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What else can you learn from the blinks?

- When Amazon's peak blitzscaling period was
- Why blitzscaling requires embracing uncertainty and risk
- What the first-scaler advantage is and how you can get it
- How high gross margins help attract investors
- Which seven proven business models blitzscaling companies use

Who would I recommend the Blitzscaling summary to?

The 19 year old college freshman, who spends most of her time dreaming about having her own startup, the 39 year old who thinks it's finally time to start his own thing, and anyone who loves learning about startups.