

STARTUP STARTER KIT
THE BOOK (Began: 2/26/2011)

DESCRIPTION

With the supply and access to angel and venture capital at an all-time high, the iPhone and Android app stores that continue to pick up momentum, and the ability to bring internet and mobile technology to market at an alarmingly fast pace, learning a few secrets of the most successful entrepreneurs is critical to following your own dreams. So let's stop talking about it and start making unicorns cry, eh?

AUTHOR BIOGRAPHY

You've never heard of me. And this is the section where I could go into great detail about how awesome I am, all the various businesses I've started, academic achievements, press coverage, and blah blah blah.

Traditional book editors would say this adds things like "credibility" and would make you more likely to buy the book if you read it. I don't think it's as important as they say. However, if you're so inclined, you can do it on my personal grand central station: www.SeanMEverett.com.

That said, here is a brief history of my life's timeline in reverse chronological order:

2011: Took an Internet Startups class, taught by the Groupon co-founders and 20-year entrepreneurs, Brad Keywell and Eric Lefkofski. Graduated from the University of Chicago Booth business school with my MBA, did a lot of charity work, and wrote this book.

2010: Managed part of a major \$3 billion post-merger of equals integration effort and sold half a million dollars in Fortune 1000 client business. Quit my six-figure management consulting job to focus on my startup, Evelyte, started building a vast Search Engine Optimization network of websites, and wound down BlueStone Investments.

2009: Started Evelyte by talking to augmented reality developers and mobile app analytics companies about taking their census data to an exponentially higher level (i.e., markov logic/neural networking behavioral ad targeting). Experienced a second economic downturn.

2008: Moved to Chicago to start my MBA at University of Chicago Booth, made a +43% return above the market benchmark at BlueStone Investments.

2007: Started BlueStone Investments, a high-frequency algorithmic trading firm, and created the Alpha 2.0 Challenge that open-sourced algorithm development to the financial engineering industry: your

algorithm, our infrastructure and capital (Columbia team named the victor).

2006: Studied for and took the CFA (Certified Financial Analyst) exam.

2005: Started working at the management consulting firm, designing incentive plans for executives and employees at the world's largest companies.

2004: Retail, retail, retail. Managing store operations, front-line sales, and motivating 18-year olds to show up to work on time and actually do the work they were hired for.

2003: Graduated with a BS in Mathematics and Actuarial Science, with minors in Business and Statistics from the University of Iowa, moved to Chicago, then moved to Dallas. Started my third entrepreneurial endeavor, selling bespoke, three-story, racing beer bong to the Iowa Hawkeye football team (shh...). Entered first business plan competition, and just now realized it was about the bicycles again.

2002: Intern at Buck Consultants, a Mellon Financial company, which bought Unifi, took first entrepreneurship class. My second taste of corporate America and my first economic downturn.

2001: Intern at a PricewaterhouseCooper's portfolio company. My first taste of corporate America. Nominated as one of the only student's on the school's Financial Aid Advisory Committee.

2000: Took and passed my first Actuarial Science professional examination (it wouldn't be my last), helped build the largest student organization ever at the University of Iowa, spent some time on the President's campaign plane.

1999: Graduated high school, played in my second state baseball tournament, freshman at the University of Iowa.

1998: Played in my first state baseball tournament. Hit the go-ahead homerun in a district tournament game.

1997: A four sport athlete, finished first in the 400 and 4x400 on my 16th birthday. My first car was a 1976 two-tone Caprice Classic that cost \$600.

1995: Learned to parallel park a car.

1993: My second taste of entrepreneurship, involving pencils.

1989: My first taste of entrepreneurship, involving bicycles.

1981: born on May 8th to two loving parents who have been happily married for 35 years.

FOREWORD

If you've ever heard of the master writer and marketer, Seth Godin, then you're familiar with the style of writing you can expect from this book, namely simplicity and storytelling. Seth has spent decades scientifically analyzing the specific methodologies that both sell a lot of books and are easy to read and learn from.

I've interpreted his mechanics and given them my own sort of spin, along with a splash of the SUCCESS model (hang with me for a minute), I think the most efficient way to introduce a new concept, whether academic or a new startup, is with the following methodology:

1. Theory: hit 'em with the academic concept or methodology first, such as this exact model I'm trying to explain.
2. Analogy:
3. Theory: repeat the methodology so it sets in a bit more.
4. Story:

SUCCESS MODEL

Taken from the book, How To Make Ideas Stick, the SUCCESS model says the following:

S Storytelling:
U Unexpected:
C Concise:
C Concrete:
E Emotional:
S :

WHAT CORRELATES TO ENTREPRENEURIAL SUCCESS?

From the book Illusions of Entrepreneurship by Scott Shane

1. Focusing on a single product/service in a single market
2. Emphasizing marketing early
3. Stressing financial controls
4. NOT competing on price (rather service, quality, uniqueness, availability)
5. Professional experience such as management, industry, P&L, entrepreneurial
6. Organizing systematically through opportunity identification, business planning, resource acquisition, prototyping, and launching
7. Getting a professional degree

This is scientific research, NOT anecdotal. So to all you people still debating MBA versus Startup, why not just do both?

WHAT IS EFFECTUAL ENTREPRENEURSHIP?

I'm guessing 99% of you have never heard of Saras Sarasvathy or the Effectual Entrepreneurship methodology. There's nothing wrong with that, but I'm going to ask you to STOP SKIMMING, SLOW DOWN, AND READ THE FOLLOWING:

Saras is a professor who has been studying entrepreneurship and what creates successful entrepreneurs. Her study started with a few hundred financially successful entrepreneurs meeting a few specific criteria. Namely, selling a business for more than a million dollars, operating a current business with revenues greater than a million dollars, and having multiple startups on their resume.

The findings are absolutely striking. It's time to throw away all those books about entrepreneur's personalities and the 10,000 hour rules. The only thing that matters is what's called Effectual Thinking.

The concept is simple: your expertise + your network = success.

Here's an example from my own experience.

For a week over 2010's Thanksgiving, Black Friday, and Cyber Monday, we built an eCommerce store selling Apple iPads at up to \$100 off retail. We built it in two weeks, spent one day marketing it, and received nearly 20,000 pageviews and \$30,000 in reserved sales. Not too shabby for a side project over the holidays to showcase our behavioral marketing and web design/development skills (you can read more about it at evolyte.com).

It was successful for a number of reasons after we had the initial idea, which I'll get into later, but the real gold was effectual thinking, leveraging our capabilities and our personal and professional network. We had a close relationship with a major wholesale Apple distributor and our business was all about building web apps and marketing them, and we knew the iPad was going to be the hottest Christmas gift of 2010. After some initial marketing work, most of the marketing took care of itself. And that was what Fred Wilson (one of the partners at Union Square Ventures, a major Venture Capital firm who has Zynga, Foursquare, Twitter among others in their portfolio) was referencing on his post about startup marketing (http://www.avc.com/a_vc/2011/02/marketing.html).

THAT WORLD CHANGING IDEA

Let's start with the idea then, shall we? If you talk to 100 people involved in the internet startup industry, they'll tell you (and I've

even twittered this on @seanmeverett):

"Ideas are easy, execution is hard."

I've come full circle on this. Execution is just standard project management and getting things done. Having a great, world changing business idea like Groupon or Facebook is hard. The thing you'll find, however, is that taking the idea of Groupon or Facebook to market is hard.

This brings us to our next topic. Marketing.

MARKETING

There are only two functions in any business. Manufacturing and marketing. First you have to build the product or service, and then you have to sell it. In 2011, "manufacturing" a web or mobile app is surprisingly easy and cost effective.

As Brad Keywell, one of the co-founders of Groupon and owners of many successful internet businesses, including a \$100 million venture capital firm (www.lightbank.com), will tell you:

"2011 is the greatest year to start a business, only to be beat by 2012. What used to take an entire engineering team months of hard coding to develop an online shopping cart, my 8 year old can use open-source or free software already built."

As a side note, if you're looking for a very easy online store, check out www.shopify.com.

JUSTIN BIEBER IS THE GROUPON OF ENTERTAINMENT

So it seems that none of us can stop wearing purple. Or at least the Tweens and teeny-bopper set. Before you dismiss the fact that I went to watch Bieber's movie, Never Say Never, in three dimensions consider this:

JUSTIN BIEBER

1. His video with an Atlanta rapper (Ludacris) is the most viewed YouTube video of ALL TIME with nearly 500 million views
2. He sold out an 86 venue tour in 2 hours
3. He sold out Madison Square Garden in 22 minutes
4. The veteran and respected record label owner in the game has said, "I've never seen fans like this" and he's managed Usher, Beyonce, N Sync, etc.
5. He's only had a record released for around two years.

GROUPON

1. The fastest growing company in the history of man
2. 2009 revenue was approximately \$30 million and 2010 revenue was

approximately \$770 million.

3. Hiring 400 people per month
4. A presence in nearly 50 countries
5. Has only been in existence for around two years

The parallels are striking. So how did this sort of craziness happen, and what can we learn from it when trying to create our own successful startup?

Built In Virality

*Groupon: It's easier said than done, but Groupon executed this feature beautifully. The only way to unlock a deal is if enough people sign up for the deal, so as one of the first to sign up, I'm going to share not only the deal, but also the Groupon brand with my friends.

*Bieber: He first started gaining awareness by uploading home made videos to YouTube. Bieber's current manager came across him randomly on YouTube and was so moved by his vocal and instrumental talents that he tracked Justin's mom down to ask if he could manage him. Similarly, they continued their social media efforts of uploading content to YouTube for free, and tweeting when Justin would be at local radio stations. It quickly got out of hand as radio stations and malls couldn't handle the hundreds of super fans showing up to these venues.

*Concept: Make sure sociality is not an afterthought; build it right into the heart of the product. Make the core something emotional or something built directly into social media, like the Facebook Breakup Notifier written by an independent developer that gained millions of users in a week, which Facebook subsequently shut down, citing too many API calls. Suspect Facebook. Suspect.

Super Fans

*Groupon: Venture Capitalists continued to ask the founders of Groupon when they were raising a billion dollars (you read that correctly. One. Billion. Dollars.) what the barriers to entry were. The founders response was "We don't know, but people use us, keep coming back, and tell a friend." Sounds like a pretty powerful business to me.

*Bieber: I think this goes without saying. Teen boys want to be him, and teen girls want to be with him. He's like the teen Shaft of pop music. John Shaft. The girls in the movie theater were literally screaming at the screen when just the NAME Justin Bieber popped up, not even him. That's craziness. It's absolute marketing genius. Bieber tapped into young love, before these teen girls have ever experienced heart break and men cheating on or lying to them. Justin represents the perfect gentleman. The hair. The voice. The purity. The small town morals. If Bieber ever breaks this "branding promise", the brand will die instantly.

*Concept: Find a market fraught with inefficiency or an underserved market, and again, play on the emotion. Groupon used

technology to provide online marketing for small businesses with a nearly 100% conversion rate (by comparison, online banner ads will net you only about a 0.1% conversion rate). Bieber took the underserved female teenage market and played on the emotional guitar strings of love. Do the same for your business.

WHAT I'VE LEARNED ABOUT CONSUMER BEHAVIOR...FOR STARTUPS

I thought I'd write down a few operating principles I've come up with over the years, before my alzheimers kicks in. Hopefully, I can continue to add to and refine this list over the years. You'll likely not agree with all of these, but it represents a summary of my experiences, my formal education, anecdotal evidence, and a bit of hocus pocus I've seen work. Let's dig right in, shall we?

1. Lazy, Stupid & Egocentric

It's sad, but true. Facebook hit the ball out of the park with all three, and they now have 500 million users. The population of the USA is only 300 million. That's almost twice the size of every man, woman, and child on the planet. Seems like they're doing something right.

- * Profile pages, comments, and likes make you feel like a celebrity (i.e., egocentric)

- * The interface and concept is extremely easy to use and explain, upload pics and connect with friends (i.e., Keep It Simple, Stupid)

- * We love reality television, hate reading books, and would rather scroll through the Facebook feed 50 times per day than work, sleep, or learn (i.e., lazy)

The difference with Twitter is they didn't get the "stupid" part right. The uninitiated user just doesn't "get it".

2. Unexpected Gift at an Unexpected Time

Foursquare started this trend with unlocking badges. You don't know when, how, or if you're going to unlock another badge, but you just keep checking in with them so you don't miss another one. It's like pulling the lever on a slot machine. It's less than two years old and already has 7 million users, even with the huge privacy concerns your parents are likely warning you about (i.e., sharing your location).

3. I Want to be Creative

Instagram executed this principle wonderfully. You upload some crappy picture you took to the iPhone app, click a visual filter, and blammo, you look like a ridiculously awesome Photoshop expert or premiere photographer. The other thing they did right was put a "download" button on any picture shared through the internet (twitter, facebook,

etc). These are the ONLY two reasons the company is blowing up so quickly. They got the lazy, stupid, and egocentric part right too (i.e., I'm perceived as creative).

4. I Need A Real Answer To a Real Question

Quora is your friendly, neighborhood superhero in this case. Google helps you find content on the internet, but it doesn't nor will it ever be able to answer granular questions better than a human. I've been on Quora since they were in beta, and they'll never explode like they could unless they figure out the "Lazy" principle. I never use it because finding content is hard, there's no iPhone app, and I have to read pages and pages of answers to get one I really need. Short and sweet wins the race, folks.

5. I Love a Big Discount

You didn't think I'd leave out Groupon did you? They're hiring 400 people a month and are approaching \$1 billion in annual revenue after only 2 years. They're the fastest growing company of all time. Let me say that again so it sinks in. In the entire history of trade and commerce, there has never been another business that's grown more rapidly than Groupon. Why? Two reasons. As a consumer, I love a sale. As a business, I need ROI for my marketing dollars. Groupon was the middle man, and used technology to do it. Incidentally, this is the exact same business model Eric Lefkofski and Brad Keywell (co-founders and initial investors in Groupon) have used successfully in multiple other billion-dollar businesses.

6. I Want Privacy Unless I Get A Benefit

I'm actually taking a class at the University of Chicago Booth business school with Eric and Brad. They asked a question during class to about 80 intelligent, technologically advanced, internet entrepreneurs. The question was about Blippy, the startup that lets you connect your credit card account and share all your transactions with friends. Why would anyone do this, you ask? Well, that's exactly what Eric and Brad asked us. Only a few people would actually use it, but when asked if using Blippy would provide you with discounts on the things you buy all the time (e.g., target, wal-mart, restaurants), then every hand in the class went up saying we'd use the service.

So, while most people would never say they'd give out their financial information, well they've never seen the millions of people using Mint.com or never received a BIG discount on something they buy all the time by using the service. So, I want privacy unless I get a benefit from it.

7. I Want to Take Online, Offline

This is a trend I've been seeing more and more of, and maybe it's just my own social network, filled with Gen Yers who've been using technology most of their lives and been on most of the social networks for years. The issue is most people are fed up with facebook, bored with foursquare, unfollowing over tweeters, and wanting to build stronger relationships with the closest people in their lives, offline but with some online assistance. Startups like Path are starting to tap into this counter-social trend.

The Evolyte team is also working on a few ideas in this space.

8. I Want a Second Opinion

Regardless of whether I'm buying clothes or electronics, deciding what new restaurant to go to, or where I should stay on my vacation, I almost always want a second opinion from someone I trust. These people are typically friends, but can also be experts in the area, which is why Consumer Reports, and entertainment and food critics have been so popular over the years.

There isn't one startup that leads the pack in all these areas. There are siloed websites and review sites all over mobile and the internet, but not one has figured it out yet. A bunch of people smarter and more experience than me are working on this concept.

Namely, how do I tap into my social network, reach only those people who are the "experts" in that specific area, and get their opinion on the best way to proceed (buy or not, stay here or there, eat this or that, etc).

I've got a few ideas on how to execute this, including the mathematical algorithms necessary to make it happen, so feel free to give me a shout if you're working on this problem.

9. What Else???

This list is incomplete and all that I could think of off the top of my head while writing this. More to come as I ponder...

Note: I've left off "I want to connect with others" because Facebook and Twitter pretty much have that market locked down, for the time being anyways...

10. Steven Reiss's 16 Basic Desires

From Wikipedia:

Starting from studies involving more than 6,000 people, Professor Steven Reiss has proposed a theory that find 16 basic desires that

guide nearly all human behavior. The desires are:

- * Acceptance, the need for approval
- * Curiosity, the need to learn
- * Eating, the need for food
- * Family, the need to raise children
- * Honor, the need to be loyal to the traditional values of one's clan/ethnic group
- * Idealism, the need for social justice
- * Independence, the need for individuality
- * Order, the need for organized, stable, predictable environments
- * Physical activity, the need for exercise
- * Power, the need for influence of will
- * Romance, the need for sex
- * Saving, the need to collect
- * Social contact, the need for friends (peer relationships)
- * Status, the need for social standing/importance
- * Tranquility, the need to be safe
- * Vengeance, the need to strike back/to win

In this model, people differ in these basic desires. These basic desires represent intrinsic desires that directly motivate a person's behavior, and not aimed at indirectly satisfying other desires. People may also be motivated by non-basic desires, but in this case this does not relate to deep motivation, or only as a means to achieve other basic desires.

11. Base Layer Below Emotion

I heard an interesting framework from Eric Lefkofski in class last night that I think directly applies as it seems to be the base layer below the emotional drivers of behavior layer. Here it is:

Social + Local + Mobile + Global

I'll leave it to you to apply it to the various startups listed above.

HOW TO INCREASE CREATIVITY

Based on academic research and published in the Harvard Business Review in August 2002:

The two factors that increase creativity are as follows:

1. "On a Mission": high time pressure – people can focus on one activity for an extended period of time, believe they are doing important work and are challenged resulting in creative thinking that both solves problems and generates new ideas.

2. “On an Expedition”: low time pressure – people tend to collaborate with one person rather than with a group resulting in creative thinking that generates ideas rather than solves problems.

HOW TO INNOVATE

Stop producing the same content: Twitter, Biz, Life. Be different, get creative & innovative. Apply fundamentals from other disciplines. Do Judo.

WHY DO PEOPLE GIVE UP ON THEIR DREAMS?

One of my good friends (jeffreyryanwho.com) replied with a pretty insightful answer:

“...because they can’t hang on to them long enough to realize the possibility of reaching them”

NAMING YOUR STARTUP

In the very beginning, this can be the most agonizing process a startup team will go through, so prepare yourself for the following furious five factors:

1. Cooks in the Kitchen – how many people have to agree on the name? In our case, we have a handful of stakeholders.

2. B2C – we’re a business-to-consumer, disruptive technology company, not B2B, so it helps that the name be descriptive, easy to spell, and make sense. If we were a B2B company, we could basically name it whatever we want and build the service brand around it.

3. Double Entendre – Jay-Z likes to brag that he writes lyrics that can be understood from multiple levels (sometimes 3 like on Drake’s new album). I don’t think he’s the best at it but he tries. In the startup world, it’s akin to DropBox. I mean, what a perfect name for their auto-syncing, file sharing, “networked server” consumer & small business service. You physically drop files into their digital box and it syncs auto-magically across multiple computers, mobile devices, friends computers, etc.

4. Coke Vs Pepsi – no, we’re not competing in the CPG (consumer products group) industry, but we are competing in an area that’s been around since the mid 80s and one that marketers have used nearly since that time. Good luck finding literally any available keywords in these circumstances, let alone the available domain to go with it. In 2010, “.com” availability is going to be BY FAR your biggest hurdle; it was certainly ours.

5. Verbs – notice how people use the term Google both as a company name AND as a verb, as in “I’m going to google that”? Yah, incorporating the same concept was something we hoped to do as well, but is one of those difficulty 9.5 sorta things where the stars have to align just right to work.

So given these limitations, how did we possibly come up with a name you ask? Well, it sure wasn't easy. We scoured the internet, thesaurus, dictionary, wikipedia, and google for keyword ideas. We thought in terms of physical and intangible objects, we thought of scientific names, the periodic table of elements, space, quarks and quasars, verbs, and on and on, ad infinitum.

After logging hundreds of flight hours on domain.com searching for available .com keyword phrases, we finally settled on one with the mission critical keyword in it. We came up with some other really catchy names, but they simply weren't available as a .com and we simply weren't willing to settle on that 4th factor.

In the end, we're satisfied with our choice, as we now have to build the identity, brand, and service to support it, which are much more important than the name in the end anyways.

The problem however, quickly became a numbers game. We simply couldn't overcome with variable costs associated with building out this revolutionary new consumer-to-consumer communication technology. Note: I realize that revolutionary is probably the most over-used word in the dictionary, and something that comes with every single startup on the planet. However, this truly required no change in user behavior, has a 97% usage rate, and has a glaring flaw that everyone seems to miss, which we corrected.

Thus, and sadly, you'll probably never get to hear the creative name we came up with (unless some technology changes in the short term). However, I will say that naming and branding is another specialty of ours so if you need help, just give the Branding Experts at Evolyte a shout.

BEHAVIORAL DECISION MAKING FOR YOUR STARTUP MARKETING

I've been thinking about the human decision making process lately, especially as it relates to influencing actions in sales situations. I'm specifically interested in the non-logical, subconscious drivers and how businesses can exploit this knowledge for their own profit.

In layman terms, how do you get someone to spend more money on your product or service without him/her realizing it?

Note: I've left much of the technical and scientific background out of this post for the sake of simplicity and conciseness. If you're curious about digging deeper in this area, feel free to give me a shout on twitter or through the contact form and I can send you the relevant academic research.

First, The Background

If you've ever seen print ads from 50 or 100 years ago, you've seen the direct (e.g., "Eat at Joes"), and often less effective, methods that were used. They started to get better by tying in spokespeople and/or expertise. Painfully inaccurate comes to mind...

The real insight came when FMRI studies were conducted (basically MRI scans of your brain to see which areas were activated while decisions are made). Researchers in behavioral marketing found that while people will give logical reasons for explaining purchases, it's actually the subconscious, emotional reasoning that drove their behavior.

Second, The Emotional Drivers

Take, for instance, the marketing for Coca-Cola. If they simply showed you the features and benefits of Coke, you would never buy it:

"Buy new coke featuring brown food coloring, sugar water, and carbonation!"

Instead they focus on the experience of drinking Coke. A major example you're likely familiar with is the "Coke Side of Life" campaigns that play before movies showing three teens drinking Coke while their environment changes from a movie theater to a forest, consistent with the movie they're watching. In a nutshell, Coke is saying subconsciously that if you're going to watch a movie, you need to drink Coke to get the best experience. Smart, eh?

Ok, that's an obvious example, but what about a more subtle example? Enter the genius of Alka-Seltzer. Yah, who'd of thought...

Introducing The Champ: Alka-Seltzer

The marketing/sales Money Mayweather wizards that got everything right: Alka-Seltzer. Let's break down their tagline for a minute, which, by the way, is only peeling back one layer of this perfectly marketed onion:

Plop, plop, fizz, fizz, what a relief it is!

- * Sound: this is so genius I need about an hour to describe all the nuances...I'll keep it brief. Studies have shown that consistent sounds exponentially increase consumer awareness and therefore sales (think of the Intel Inside 5-tone dings at the end of all their commercials). Alka-Seltzer's genius was to translate the sound into print (and they did it before scientific evidence was ever produced)!

- * Usage: the tagline also showed consumers how to use their product. Plop 'em in, watch 'em fizz, and boom goes the dynamite.

- * 2 Versus 1: did you notice how each of the tag line, print ads, and tv ads always show two tablets being used, not just one? Guess what, this simple move made consumers think that it required two tablets for relief and subsequently doubled their sales overnight!

* Emotional Tie-In: finally, note the last part of the tagline. They directly tie their product to the emotional and physical benefit of relieving heart burn so you can relax again. Who doesn't like relaxing? What other product can you think of with this strong of a tie to heart burn?

The lesson is pick one emotional attribute your product solves and create a tie so strong that when anyone thinks of that emotion, they immediately think of your product!

The Now: Current Behavioral Ads

If you've been following the huge internet/tech battle between Adobe and Apple, you may have come across the Ad adobe published today (from Engadget post):

If you're reading Engadget today (and let's be honest, you're reading it right now), then you might have noticed that Adobe has launched a pretty full-force campaign to call out Apple on its anti-Flash mission. If you don't know what we're talking about, it's the advertisements that start with "We [heart] Apple." Along with the web ads, the company has also snagged a full page in today's Washington Post to address the battle in which the two companies have been engaged. All of this links back to a new statement from Adobe, as well as an open letter from founders Chuck Geschke and John Warnock ("Our thoughts on open markets"), addressing Apple's recent spate of clear and direct attacks against the company and its products.

Mel Gibson, He Likes Freedom

Now, what Adobe has done is pretty clever. They've actually thrown Steve Jobs open letter back in his (and Apple's) face using an emotional response. They're relating to customers to who love Apple (not trying to compete against the brand) to get these customers on Adobe's side. THEN, they go on to tug at our "freedom" heart strings circa Mel Gibson's Braveheart (though he looks a little constipated)...

Anyways, the lesson here is that you need to connect with your customers on an emotional level and express empathy for their concerns (or maybe educate them on what some of those concerns should be). If you're successful at this, then slowly, over time, you can even convert the most die hard competing fans to come to your side.

Don't believe me? Let's put it this way. Only a few short years ago, most of the US population was referring to Apple as Mac-in-trash. Now they're the darling of Wall Street with a market cap bigger than Microsoft, and have produced the two most innovative products probably ever.

Million Dollar Question: How Can I Use This Info?

This is the place where damn near every blog post stop shorts or fails, and it f*ing continues to piss me off. I'm going to do my best

to describe in three simple and actionable, yet detailed steps how you should use this information to drive your own top-line revenue growth (i.e., make it rain and make babies cry <- duh).

First, a disclaimer. As you can see from the various real-world examples I outlined above, much of the detail for why these things work are extremely situational dependent (see: Alka-Seltzer discussion). Unfortunately, I can only give you the somewhat theoretical next steps since I don't know your company, brand, or product/service as intimately as you, so I'm going to continue to use The Champ Alka-Seltzer ("AK") as an example. Here we go...

1. Features, Benefits, & Use Cases – sit down with your business partners and brainstorm the various features and benefits of your product and relate them to actual use cases. For AK, this is reducing the negative symptoms associated with heartburn and indigestion from eating triggering foods, like an entire Lou Malnatis deep dish pizza (Chi town!).

2. Emotional Aspects – now, brainstorm all the emotional aspects of your product solving those specific use cases and rank according to prevalence in the marketplace from highest to lowest. For AK, this is the relaxation and relief feeling after the burning sensation is reduced or removed. There are also sub-emotional benefits like knowing you can eat an entire deep dish pizza without worrying about the awful side effects (aside from the high cholesterol, obv).

3. Sensory Overload – finally, you want to bring each of the above together in the most simple explanation possible for your customers. Be sure to use an unused or very low prevalence emotional tie-in so your customers relate that emotion only to your brand. For AK, this was the “plop, plop, fizz, fizz oh what a relief it is” tagline. This jingle included the sound effects too, which you get extra bonus points for doing, but is often extremely difficult to execute effectively.

I promise that if you do these things, you're going to be lightyears beyond your competition, especially if you're running a startup or small business. Most of these folks simply don't have the resources, mental capacity, or see the value in emotional decision making. But you do, don't you, cuz all you do is win! So go put your hands up, and make em stay there! (Please note the horrible DJ Khaled reference. Kthanks.)

OVERNIGHT SUCCESS

There's no such thing as overnight success.

As Kanye said in his debut album, off the “Spaceship” track:

Y'all don't know my struggle,
Y'all can't match my hustle,
You can't catch my hustle,

You can't fathom my love, dude
Lock yourself in a room doin five beats a day for three summers,
That's A Different World like Cree Summers,
I deserve to do these numbers!

There's days, weeks, months, years, and sometimes decades of struggle before someone "makes it". Malcolm Gladwell says it takes 10,000 hours. Whether your chosen field is acting, music, business, or athletics, you can't just show up one day and expect to blow the world away.

You shouldn't have a problem if there's a burning desire to surround yourself in this field like a maroon-colored Snuggie. Shove your arms through the sleeves of perseverance and cover your legs with the warmth of passion.

In the end, even if you are the only person that believes in your vision, you'll still have the respect of your friends and family for taking a risk, pushing it to the limit every single day, and embracing the breaths of disdain from your detractors.
A Marathon...of Art & Emotions

It's a marathon, but people only see the successful sprint at the end. Don't give up at mile 10, 15, or 20. Persevere, push, and finish. Winning isn't always a fame or monetary thing. If you create something from nothing, that's not negligible, that's a work of art. Believe. It will happen.

I believe you don't truly become a man until you've lost someone so close to you that you die a bit inside and are forever changed. Similarly, you don't become an entrepreneur until you fail. The more you die, the closer you get. It's not about the end game, it's about the journey.

Live. Push. Persevere.

I CALL IT ANGLES, NOT PIVOTING

Have you looked at your business model from EVERY possible angle? What have you left on the table? Because whatever it is you slacked on is the exact same thing that's going to kill your business.

We're talking vertically, horizontally, and diagonally from a customer, operations, investment, communications, and management perspective. Your competitors are smarter, faster, and richer than you, and you better believe they're going to exploit any weakness you have. Or maybe you've just gotten the customer fit wrong and they won't even show up at your door.

PRINGLES, PIVOTS & BRAD PITT

So what do Pringles have to do with angles besides their shape? Well, let's journey back to P&G's creation in 1968. It took until the mid 1970s before they decided to release broadly throughout America. So what did they do all those years? The issue was P&G tried to market these new "chips" in much the same way as classic potato chips – to the moms and pops of the home. But there was a problem, which wasn't uncovered until performing in-depth market research techniques such as laddering that uncovered the mismatch between consumer perceptions and the appropriate target market.

Because the Pringles chip was standardized (not chaotic like most chips) and came in a surgically precise tin can, the "old" consumer felt that the chips tasted "bland and generic", echoing the design of the product and packaging, even though blind taste tests found Pringles preferable to classic chips due to less breakage and less grease. What Pringles finally realized was they were marketing to the wrong customer segment. They needed to pivot to find one that embraced being different and preferred bucking authority. So who fit the bill? Teens, of course. Have a look at the following commercial to see where they landed:

Little known fact: Brad Pitt starred in one of the early Pringles television commercials in the 1980s.

EPIPHANY

The rest, as they say, is history, and Pringles now enjoys over \$1 billion in annual sales. To think, it all started because they didn't just run to market with something they "hoped" would work, but tested it, got feedback, and refined the message so the product fit the customer, not the other way around.

You can call this customer development, a lean startup, pivoting, or whatever you want. But at the end of the day, it's about spending the brute force time to think through your business from every possible angle, talking it over with your associates, advisors, and customers, then making a decision.

Be prepared to change or pivot in a moment's notice. Your customers will.

Build. Test. Iterate. Rules to live by, methinks.

BUSINESS IS WAR?

Was Gekko right? Is business war? And if so, is Sun Tsu's Art of War still the answer?

OLD MANTRA: PROFIT MAXIMIZATION

It's true that the only goal of business is to maximize profit.

However, businesses are led, operated, and funded by people. Yet it's these same people that have emotions. If you squeeze every last nickel out of your suppliers, bring emotional artifacts into negotiations for financial gain, and correlate the level of service for your customers only by wallet size, you may have a financially successful business in the short-term, but you also may be mortgaging your reputation and long-term prospects in the process. And your reputation, my friends, is the only thing you truly have in this life.

Eventually, every company becomes a buggy-whip business (i.e., obsolete); the large turnover in the Dow Jones over the last century is testament to that fact. Your business won't last forever either, so it begs the question: in your next endeavor, will the people you marginalized for short-term profit be willing to go to bat for you again?

Here's an example. I was talking to a friend this weekend about a real estate "startup" (they've been around for a number of years, growing rapidly, and may not be classified as this any longer) he is part of. He told me a story of a potential client they did some work for, closed a deal, and were arguably owed a significant fee. Now, instead of operating with integrity and keeping the relationship at the forefront of their operating protocols, this company decided to play the business is war card, never paid a fee, and leveraged the information received to broker a deal with a competitor. My friend then told me how they've blacklisted this company internally and tell other acquaintances in the industry not to touch this company with a 10-foot pole.

To me, the long-term loss far outweighs the short-term gain.

NEW MANTRA: RELATIONSHIPS

I say nay to operating any of my businesses solely for the almighty dollar. I'd rather create meaningful relationships with my internal team, outside advisors, Board members, clients (I don't like the word "customer"), partners, and suppliers. In the end, it's these folks that will go to battle with you, fight with you, and help you when you need it most (i.e., not when you're on top).

Now, time is a valuable commodity, so how do you prioritize? I take the following approach to the entire team:

1. Co-workers come first. Many people will say customers, but if the folks on the front line aren't happy, engaged, and aligned, why will they treat our clients well? In terms of a startup, you may have some external partnerships, but may be core to what you're building. For example, if you're building an iPhone app, an agreement with an outside development team is critical to the success of your business, so clearly these folks come first.

2. Clients are next. Some reasons are obvious (e.g., they pay the

bills), but I tend to think of it in different terms. These are truly your brand ambassadors. You know the old story, a customer with a negative experience is 10x more likely to talk about your company than a customer with a positive experience. Start treating every customer like a client. They won't care how big, profitable, or famous you or your company is. They will, however, care a great deal about how genuine you are. Be genuine!

3. Everyone else. This includes other external consulting, partnerships, and outsourcing arrangements you may have that are not central to the business (e.g., outsourcing accounting isn't as critical as a partnership with an iPhone app developer).

KARMA, PERHAPS?

Lets put it this way. Don't talk down to the janitor because someday he may be your boss. You can't always value a business (or a person for that matter) strictly by what's on the financial statements. Many times, the selfless assistance of others can reap far greater returns than any capital investment, whether internal or external to the business. Call it what you will, but karma plays a much larger role in our success or failure than many of us would like to acknowledge.

As for me? I choose giving One Hour and building relationships any day of the week, and twice on Sundays, over sticking it to someone for a few extra shekels.

CAN ONE HOUR CHANGE THE WORLD?

Aside from information, time is the most valuable commodity I know of, so I'm devoting one hour per day to anyone who needs help, whether mental, physical, or introductory.

I heard a quote once that went something like, "The human race is capable of such breathtaking compassion yet also such horrific terror." If we each gave up one hour (or even 15 minutes) of our own time to help another human being, wouldn't we all be happier, feel more connected, and grow faster as a society? Could we end war, famine, and genocide?

Sometimes the hardest step is the first step, but it starts with caring, and I want to contribute.

- * Need help lifting a box? I have a strong back.
- * Need expertise in a specific area? I have friends who have friends.
- * Just need to chat? I love Starbucks.

You have my time, and my attention. You decide how you want to use it. Email me at sean.everett@evolyte.com.

HOW TO BUILD A GREAT STARTUP TEAM

This is arguably THE most important aspect of any startup.

The answer is easy, though admittedly, the implementation is a bit more difficult:

- * Design: both graphic designers (Photoshop experts) and front-end developers (experts in HTML, the code that runs the website, and CSS, which identifies the look and feel such as colors, placement, font, etc). These folks should also be experienced in UX and UI (user experience and user interface). This team member's value is extremely important, yet also the most easily critiqued (cut your designers some slack!). Compare the Google homepage to Yahoo's and you'll recognize the value.

- * Engineering: these folks engineer the algorithm/code and develop it into a workable application. If your idea is technology-based (e.g., mobile apps, web apps, software), then this will be the most critical team member in the beginning. They'll need to know languages like Python, Ruby on Rails, and/or PHP.

- * Business: obvious. Someone with the expertise to manage cash flow (i.e., the number 1 reason new businesses fail), establish pricing strategy, sales/marketing/advertising, legal issues, and most importantly, customer development (i.e., establishing market fit).

I'm lucky enough to be surrounded by a great team covering each of these specialties.

Oh, and one last thing. While most people believe that going into business with friends can be troublesome, I disagree if it's with the right group. The team needs to have a thick skin so when the heated arguments arise (and trust me, they will), egos are not bruised and the team becomes closer, not further away. Again, I'm lucky in this area as I've known a few of my team members for a few decades (and one since I could barely walk!).

If you need help finding the right person, feel free to contact me and I may be able to set you up with someone in my network that can fill in your professional gaps.

IMMERSION

"Immersion" Merriam-Webster Definition: instruction based on extensive exposure to surroundings or conditions that are native or pertinent to the object of study. μ

Take a page from Lil Wayne's playbook. Say what you will about him as a person, but in terms of immersion I doubt there's anyone on the planet (other than maybe pre-scandal Tiger Woods) that's more intensely focused on his or her craft.

"Weezy" records music. All day. Everyday. He carries a large black bag around with his recording gear (a mic, mic stand, simple CD player, etc) and records, whether on the bus traveling or in a hotel (he's never at home). He's rumored to have recorded over 100,000 tracks.

You can now imagine how, after this intense immersion for over a decade, he can recognize an issue with one of his songs as second nature. His ear is so finely tuned and requires such perfection that he burns through Producers faster than...(well, that's NSFW).

Translate this level of immersion into sports, your business, or your startup, and you begin to get a picture of how Steve Jobs has made Apple so successful, or how Shawn White or Michael Phelps can make the best in the world look like novices.

Malcolm Gladwell's book Outliers calls it the 10,000 Hour Rule, but I just call it Immersion. If you're truly passionate about and love the subject, hobby, or business you're involved in, this should happen naturally. It shouldn't be work, it should be exciting. So go ahead, immerse yourself in something you love and see what happens...

WRITING FOR THE WEB

Many businesses often blow the prose written for their website by targeting the wrong reader, especially startups. The following is an excerpt from a Web Copy Plus blog post titled, "Web Writing: The Good, Bad and Ugly":

Take a page from psychologist Abraham Maslow, who spent his life researching and compiling the human hierarchy of needs. Here's a breakdown of the needs and desires people try to fulfill, as compiled neatly in the New York Times bestseller Made to Stick:

- * Transcendence: help others realize their potential
- * Self-actualization: realize your own potential, self-fulfillment, peak experiences
- * Aesthetic: symmetry, order, beauty, balance
- * Learning: know, understand, mentally connect
- * Esteem: achieve, be competent, gain approval, independence, status
- * Belonging: love, family, friends, affection
- * Security: protection, safety, stability
- * Physical: hunger, thirst, bodily comfort

SEVEN DEADLY SINS

Your marketing strategy should incorporate at least one of the seven deadly sins.

1. Wrath – from Sun Tsu's The Art of War: if angry, then provoke. An

example is Southwest Airlines's Triple Crown advertisement in which they called out Northwest Airlines for "lying":

"After lengthy deliberation at the highest executive levels, and extensive consultation with our legal department, we have arrived at an official corporate response to Northwest Airlines' claim to be number one in Customer Satisfaction: "Liar, liar, pants on fire." Pretty ingenious.

2. Greed – save money or make money (if you're having trouble with this one, make checks payable to Sean Everett, contact me for the address)

3. Sloth – the strategy to use for laziness is simple – show how easy the product/service is to use. This sin also helps determine a monetization tactic: subscription-based payments come to mind.

4. Pride – ah, the ego, which is likely the easiest to exploit. Just give someone a reason to feel important, and they will throw their time and money at you. Thanks Foursquare for allowing me to check into the hottest place in the city.

5. Lust – sex sells. The panel on creating viral videos at SXSW 2010 made this video called Boobies & Kittens to prove a point: sex + cute = marketing juju

6. Envy – greed is a subset of envy, which is a more emotional than material state. Exploit this sin by using the others-have-it-why-don't-you tactic.

7. Gluttony – mmm, delicious. Try watching the Food Network on an empty stomach and you'll understand this one.

THE PROBLEM

It all starts with the problem. If you don't know what problem you're addressing, then you can't hope to know how to solve it.

- * bit.ly solved the problem of sharing long links on Twitter (i.e., 140 character limit) by shortening them

- * Gmail solved the problem of finding specific emails years later by using their advanced search algorithm

- * Facebook solved the problem of the need for human connection by exploiting the laws of 6 degrees of separation and by incorporating picture uploading and tagging

Your "start"-up should start with the customer problem and build out from there. The closer your problem is to the top of the pyramid below (the classic Maslow's Hierarchy of Needs), the better off your business prospects.

INSERT MASLOWS HEIRARCHY OF NEEDS GRAPHIC FROM BLOG HERE

COMFORT ZONE

If you're not operating at least 10% outside your comfort zone, you're not living, you're already dying.

Whether you're about to give a presentation in front of a large audience or just accepted a new project that you have no clue how to do, that knot in the pit of your stomach means one thing: this isn't a typical day. Instead of fearing this feeling, try turning it on its head and realizing that it's making you feel more alive than normal.

I've tried living my life over the past 5 years using this one fundamental methodology and it hasn't failed me yet. It's allowed me to meet incredible new people, learn extremely complex and diverse topics, and accomplish things that my 21-year-old self would have balked at.

In the end, it's not about taking a huge leap into the unknown. Instead, it's about small moves. Push yourself. Stop living your life looking in the rearview and start living it like a rock star.

As Jay-Z says, on to the next one...

NINE BUSINESS MODELS

There are 9 main business models you can choose from as an entrepreneur. This guide gives you a succinct definition, example, success factors, and monetization tactic for each.

If you don't know your business model's strategy, then you don't know what it takes to win.

Geographic

- * Definition: a brick-and-mortar business with physical location(s)
- * Example: a retail store
- * Success Factors: site selection (i.e., who can move next door and how can you block competitors?)
- * Monetization Tactic: sales

Channel

- * Definition: eliminate or add a middleman
- * Example: Apple eliminated the chip manufacturer middle-man when they built the iPad (they manufactured their own A4 chip)
- * Success Factors: need extra capital or extra expertise
- * Monetization Tactic: margin

New Technology

- * Definition: any scalable technology (i.e., most of the technology companies that Silicon Valley VC's fund)
- * Example: Evolyte Analytics, any web app or mobile app
- * Success Factors: does it work and can you protect it? does the market care?
- * Monetization Tactic: sales (the hockey stick curve)

Image Marketing

- * Definition: luxury goods or services
- * Example: Louis Vuitton, Rolex, Armani
- * Success Factors: better, cheaper different (always choose better & cheaper); how do you create & maintain it in the face of a fickle public?
- * Monetization Tactic: margin

Brand = Awareness + Positive Meaning

Your brand must represent uniqueness and offer value to customers. In addition, it should meet all four of the following criteria:

1. True
2. Good
3. Beautiful
4. Simple

Low-Cost Producer

- * Definition: produce a high volume of a product at a cost lower than competitors
- * Example: the off brands of products you find at the grocery store
- * Success Factors: how are you cheaper? remove waste (anything not adding value to customer, like Toyota's jidoka system of continuous improvement); commit to high volume; how easy is it to leapfrog competitor?
- * Monetization Tactic: margin

Social Network

- * Definition: social structure made of individuals or organizations connected by one or more specific types of interdependency (i.e., friendship, financial exchange, beliefs, knowledge, hobbies, etc.)
- * Example: Twitter, Facebook
- * Success Factors: get big fast; must establish a trusted peer-to-peer relationship network; can you monetize it?
- * Monetization Tactic: margin

High-Performance Image

- * Definition: a premium product or service that needs a "standard" competitor to establish "high-performance" value in customer's mind
- * Example: Rolex Submariner vs Seiko 100 meter diving watch in 1950s (Seiko's release a few years after Rolex allowed Rolex to be viewed as a premium and high-performance product)
- * Success Factors: objective measures; committed to low volume (high margin); patient capital (need time to build)
- * Monetization Tactic: margin

Commodity Producer

- * Definition: a product that is exactly the same no matter who produces it (i.e., lacks qualitative differentiation)
- * Example: paper, coal, copper
- * Success Factors: control input or output prices
- * Monetization Tactic: sales

Be A Crook

- * Definition: performing any act that's against the law
- * Example: white collar crime
- * Success Factors: none, just ask yourself "when do I go to jail?"
- * Monetization Tactic: sales

Important Note: for any type of fad or inherently unpredictable business (e.g., fashion, financial services, etc.), these strategies reach their limits

Special thanks to Greg Bunch (masterplanworks.com) for compiling some of this information.

HOW TO GET A GOOD IDEA

So you want to become an entrepreneur and are intrigued by the supposed "freedom" it allows you. First, read my other post, Dreams, and if you're still convinced, then keep reading. Now, you just need to figure out an appropriate idea that you can exploit profitably. The few steps below will show you how to do just that.

The Idea

1. First you need to pick an industry or a field. This shouldn't be too difficult because it should be an area you're already passionate about (e.g., Apple products, fashion, music, etc).
2. Then, immerse yourself in this area. Find the most relevant blog posts, comment on them, and start tweeting about it. Join a few of the most popular Facebook fan pages and take notice of the strategies and conversations taking place.
3. Next, you need to start expanding your knowledge from the most popular sites, blogs, and fan pages to the more obscure yet still highly touted experts in the area. If you're not following at least 50 blogs and 100 twitters in your specific niche area, and reading most of the information, then you're not fully immersed yet.
4. By now you should be auto-magically identifying shortfalls, holes, and gaps in the industry. These areas will soon become your playground because you've just found the un-tapped niches containing no competition.
5. Now all you have to do is find the one that most appeals to you and you believe you can create an impact in.
6. The rest is just details and execution.

THE REST

One piece of advice, though. As you start to explore your new found idea, figure out a plan that gets you to the end goal as efficiently and cost effectively as possible. You will not have the time or energy to go down side paths. That's not to say your idea will not change, however. I have iterated multiple times before finally finding the appropriate idea that resonates with the market. For more detail in this area, read my other post, Entrepreneurship, which will show you how to develop the customer fit.

HOW TO SELL IN PERSON, BECAUSE YOU HAVE TO

Selling isn't about telling.

Selling has become a dirty word because the mind's eye instantly sees some old, fat and grungy guy trying to hard-sell you on a VW Beetle from 1978. Um, no thanks, and no I don't want to shake your hand.

The key isn't practicing your pitch a million times and have a file-of-facts of how to answer objections. No, it's much, much simpler than that. Ask questions. That's it.

If you know the product or service you're promoting, then it's much easier to let the conversation happen naturally. Besides, people like to talk about themselves and their problems even more, so let them. Then, when you hear an opening where your product/service can solve one of these problems, they're much more willing to listen for two reasons:

1. They're already engaged in the conversation
2. The context has already been established (their problem, your solution)

And boom goes the dynamite.

TO FUND OR NOT TO FUND

The timeless question: do you give up equity in your startup in exchange for some cash? Well, the facts show that the number one reason new businesses fail is due to a lack of cash flow so that points to yes if you can't fund it yourself. I take a contrarian approach.

Some people say the irony of funding is that you can't get it until you don't need it anymore.

I believe that the vast majority of startups, especially those that are not capital intensive, should not spent the ridiculous amount of time trying to woo potential investors for two reasons:

1. Spend the time and money investing in your business and talking to customers about what they want in your product/service

2. Money isn't the answer and it makes you lazy. Instead of finding creative solutions to your problems, you'll just throw money at them and burn through the cash (and therefore equity) much faster than you would otherwise.

I believe that the best businesses are those that create recurring revenue streams. Things that you spend the time setting up once, then the marginal cost for selling an additional unit is zero. An example is a subscription-based web app. You sign up and until you cancel, they continue to charge your credit card every month.

You keep leveraging past successes in this area (in terms of profits, experience, and reputation) to build your next venture and so on, and so forth. Here's the theory I use:

- * I like to start one type of business: low barriers to entry
- * I compete and win based on two basic principles: simplicity and exponentially better execution

BUSINESS PLANS FOR INVESTORS

Investors, whether venture capital, angel, or the triple Fs (friends, family, and of course, fools) want something easy to digest.

SIMPLICITY

Simplicity, simplicity, simplicity! I feel like I'm beating a dead horse to death, but there's so much complexity still out there I feel it's my mission to keep breakin' it down like a fraction.

EXECUTIVE SUMMARY

INSERT GRAPHIC FROM BLOG

If you do decide to go the VC roadshow route (and that's a post for another time), they do NOT want yet another 80-page plan to slog through. Try boiling everything down to 10 slides, and better yet, into one page. Below is a great example of an easy to use one-pager, in web app form. It's called plancruncher and was created by a division of Lunatech Ventures.

TEN SLIDES MAXIMUM

Courtesy of the man Dave McClure (@DaveMcClure), an early investor in Twitter among other famous startups you've heard of, here's what should be in your ten slides:

1. Elevator Pitch
2. The Problem
3. Your Solution

4. Market Size
5. Business Model
6. Proprietary Technology
7. Competition
8. Marketing Plan
9. Team/Hires
10. Money Milestones

Here's his famous "How To Pitch A VC" slide deck if you want more details.

INTEGRATE YOUR STARTUP WITH TOOLS ALREADY USED THE PROBLEM

My problem with the various to-do and project management apps out there (read: Basecamp), is that they don't move as fast as your brain or the real world. They quickly become an administrative burden requiring you to constantly log into the app (whether web or mobile) in order to update status, comment, or crossing things off. So how do you fix this? I think I may have a solution...and it has to do with integration.

The Idea

First, consider the things most people are plugged into all day. In descending order of prevalence, it's likely the following web apps:

- * Gmail
- * Facebook
- * Twitter

Next, instead of having people logging into your own native app constantly, why not leverage those technologies that people are already using. If they don't have to leave these places to interact with your solution, then it's more likely your rate of usage (and therefore value in the customer's mind) will be higher. It all comes down to integration.

The Solution

If I was to build a simple web app to track my to-do list, I would do the following:

1. Build the simple web app (something like Teux Deux)
2. Next, integrate Twitter's O-Auth and API
3. Develop a Twitter syntax to allowing the user to send tweets to add and cross things off the list
4. Finally, and this is key, provide daily DM (direct message), showing the status of the current and most pressing to-do list items

One company that does integrate with Twitter using 3 of the 4 techniques is Evernote.

Note: I realize that Basecamp and some others have integrated email replies to post comments, but you can't send or reply to an email to add an item or cross something off.

SELLING THINGS ONLINE

Selling products or services online is difficult. There's a LOT of competition. However, here's a few best practices from the master Frank Kern himself (you may have never heard of him, but he's made a killing and focuses on building customer email lists, then how to exploit them into sales).

You can check out a few of his how-to videos here. Or get the synopsis below:

1. Know your customer's desired outcome (so you can figure out a way to help them)
2. Overcome skepticism by providing some valuable aspect of your product or service for free up front
3. Demonstrate that the customer can achieve their desired outcome (get past their own self-doubt) by showing successes of others using your service/product
4. Give the potential customer the tools and show these people how to use them
5. Give them a reason to take action and sign up now

Here's a link to his how-to use the proper email structure in PDF format for the 4 Day Cash Machine.

STORYTELLING

You stumble upon a dark cave lit only by faint, flickering torch light. As your eyes start to adjust, you notice a group of people shackled to the wall, and discover they've been here their entire lives, never experiencing natural sunlight.

You feel it's your duty to unshackle these men and women so they can escape the confines of the darkness. You move towards the man closest to you as he's the only one making eye contact and furiously try to unshackle him from the wall while excitedly telling the group about the "outside". He, as well as the group, is a bit startled by your strange, confusing descriptions.

After much struggling, you're finally able to un-cuff the man and start beckoning him to follow you out of the dimly lit, dank cave. He says no one's ever been away from this wall and would rather just stay. Not one to give up easily, you continue telling him about the beautiful landscape, the sunrises and sunsets, and the fields of green. You realize fairly quickly that something's being lost in

translation and think, "How do I explain something so majestic and awe-inspiring to someone who's never even seen a sunset before?".

Luckily this man is a bit more fearless than the rest, you discover he has always taken a few more risks than the others (or so he tells you). You've found your man. As you woo him about the benefits of the "outside", he asks curious questions like, "What will people think of me if I go to this "outside" world?", and "Why should I go when I'm perfectly comfortable here?". You stumble through a few answers but manage to bring him to the mouth of the cave as you talk.

As the man rounds the corner to the exterior of the cave, he shrieks "My eyes, they're burning from this fire!". You tell him soothingly to calm his nerves and let his eyes adjust to the light. He rubs his eyes and begins to blink. Then something magical happens. You witness him begin to experience the "outside" and can tell he's in absolute shock. "I can't believe I've been in that cave my entire life and have never seen this!". You want to give him the I-told-you-so bit, but remain silent. "We need to tell everyone about this and get them out here!", he proclaims. You think to yourself that this isn't going to be easy, remembering the struggle it took just to get the most fearless of the bunch "outside".

Just then, the man races back inside to where his friends are, but he hasn't had time to let his eyes re-adjust to the darkness, so he's stumbling, frantically feeling the walls to lead him back. As he enters, talking excitedly and appearing blind, the group wonders what horrible things could have happened "outside" to make him like this. The man prods them to join us "outside" as we furiously unbind the rest of the group's shackles. They are now more skeptical, however, due to this curious behavior. Most are reluctant to join us, but a few of the braver souls begin to creep towards the "outside"...

THE ANALOGY

As an entrepreneur, the most difficult job you have is leading people satisfied with the status quo into the light, explaining something as beautiful as a sunset to a blind person, and getting them to do the same.

I've always said, "There are only two functions in a business: manufacturing and marketing". They both never end, and adults learn through stories. You don't think the Odyssey and the Illiad were just for entertainment, do you?

DATA VISUALIZATION

PowerPoint often adds complexity rather than taking it away. Similarly, the charts and graphs most "practitioners" produce require a PhD to decipher.

Why not make it easy on the reader and add a “call out” box detailing exactly what you want him or her to take away from the chart. A few examples are shown below for inspiration.

INSERT GRAPHICS FROM BLOG HERE

INCHES, THE DIFFERENCE BETWEEN SUCCESS AND FAILURE

Inches: “The margin for error is so small...”

“On this team we fight for that inch. On this team we tear ourselves and everyone around us to pieces for that inch. We claw with our fingernails for that inch. Because we know that when we add up all those inches, that’s the difference between winning and losing, between living and dying!”

“In any fight, the guy who wins is the one who’s willing to die for that inch.”

The parallels to entrepreneurship are striking.

"I" VERSUS "WE"

If you’re on a team, whether business, social, or athletic, the only time “I” should ever be used instead of “we” is when expressing your personal opinion or accepting fault:

Don’t: “I did this awesome thing.”

Do:

“We did this awesome thing.”

“I think that this is the process we should use, but we will need to all agree.”

“I apologize for not meeting your expectations.”

As an aside, I respect people much more who are quick to accept blame, but slow to accept praise.

CUSTOMER DEVELOPMENT

After years of strategizing, doing, failing, iterating, and finally succeeding, this is the most concise yet accurate way to approach any startup I’ve found to date.

Via @skmurphy:

Get the Product Right

- * Find 30 prospects. Set up meetings.
- * Demo your idea / alpha / beta / product.
- * Ask questions (lots of questions).
- * Take copious notes. Score your results.

Ask Critical Questions

- * Do you have this problem?
- * Does this solve your problem?
- * How much would you pay for this?
- * Base hit or home run?
- * How would you spend \$100 of our money?

Some call this the new Lean Startup religion based on building a Minimum Viable Product (MVP). I just call it efficiency.

MEASURING PERFORMANCE

Of people: Don't measure number of meetings, or time commitment, but value added.

Of debt: If you can borrow at a lower rate than you're earning, then that's positive arbitrage.

Of efficiency: Producing the highest quality output with the least number of iterations (but only if you do it faster).

Of athletics: The reaction of the loser.

Of life: The number of people crying at your funeral.

TERM SHEETS

This information was delivered by Eric Lefkofski, the billionaire owner of Groupon and Lightbank, a \$100 million venture capital fund.

1. Value: pre-money valuation
2. Dilution: option pool, warrants (e.g., cap tables = CapControls.com), 1x liquidation preference, preferred return, participation preference (like a liquidation preference, only twice).
3. Restrictive Covenants: sell, raise more money, dividends, salary, registration rights, redemption rights, change to charter (e.g., increase option pool). This is why you need an AMAZING startup lawyer that understands the nuances of these term sheets, because saavy investors will write "controls" in so they end up on top.
4. Lock Up: What are investors doing to you? Salary cap? Others?
5. No Shop: While investors are doing due diligence, they often require a period where entrepreneurs cannot share term sheets with other investors to drive up the valuation. Entrepreneurs want the time frame as short as possible, 30 to 45 or 60 days max.

You will typically sign a purchase agreement, Investor Rights Agreement (IRA), and Charter (i.e., Articles of Incorporation), voting agreement, right of first refusal.

DILUTION EXAMPLE -- Cap Table

Person A

\$1,000,000

10% equity interest

+\$9,000,000 Pre-money valuation

=\$10,000,000 Post-money valuation

Option = 5%

Sell company for \$10M (1.5x participation preference, investor gets

Person B

\$1,000,000

9% equity interest

Lightbank has none of this noise (i.e., preferences, but you have to give up 33% to 50% of your business in common stock. Lightbank's sweet spot is investing approximately \$500,000 for pre-revenue businesses with a great idea (typically between \$200,000 to \$1,000,000).

This gets pretty complex pretty quickly so my advice to you is to just hire an amazing entrepreneurship law firm. One of my best friends I've known since diapers works for one, and they're pretty amazing. One of their clients made a little video game you might have heard of: Halo. Oh, and they also made the Call of Duty franchise.

I asked Eric how much money it takes to build a good internet company, both the technology and the marketing/advertising. He said it takes at a minimum \$300K, but typically takes closer to \$500K. Here's a little inside information (shh...):

Lightbank will typically invest between \$200,000 to \$1,000,000 (typically \$500,000) for between 33% and 50% of your startup in the form of common stock, but does not have any restrictive covenants.