DIANA KANDER

Foreword by Steve Blank

allin startup

LAUNCHING A NEW IDEA

WHEN EVERYTHING IS ON THE LINE

WILEY

Contents

-					- 1
н	U.	rp	W	N	r٨

A Letter from Thom Ruhe

Introduction

Chapter 1: First Appearances Can Be Deceiving

Chapter 2: You're Not Fooling Anyone

Chapter 3: You Can't Sell Anything by Doing All of the Talking

<u>Chapter 4: It's How Well You Lose, Not How Well You Win, That Determines</u> Whether You Get to Keep Playing

Chapter 5: The Real Pros Don't Play Every Hand

<u>Chapter 6: Vanity Metrics Can Hide the Real Numbers That Matter to Your Business</u>

Chapter 7: You Won't Find a Mentor if You Don't Ask

<u>Chapter 8: Put Your Customers and Their Needs before Your Vision for a Solution</u>

<u>Chapter 9: Don't Gamble—Use Small Bets to Find Opportunities</u>

Chapter 10: Even Experts Need to Prepare for New Terrain

<u>Chapter 11: People Don't Buy Visionary Products; They Buy Solutions to Their Problems</u>

<u>Chapter 12: Only Customers Can Tell You if You've Found a Problem Worth Solving</u>

Chapter 13: Hoping and Praying for Luck Is Not a Strategy

Chapter 14: It's Never Too Late to Test Your Assumptions

<u>Chapter 15: The Secret to Customer Interviews Is Nonleading, Open-Ended Questions</u>

Chapter 16: The Only Way to Get Good at Customer Interviews Is to Practice

<u>Chapter 17: Finding Out Your Assumptions Were Wrong Is Just as Valuable as Proving Them Right</u>

Chapter 18: Don't Pivot to a New Idea without Testing Your New Assumptions

<u>Chapter 19: Save Your Chips for When You'll Need the Least Amount of Luck to Win</u>

<u>Chapter 20: Successful Entrepreneurs Recognize Failure, Fold, and Live to Fight Another Day</u>

<u>Chapter 21: Test Your Assumptions before Committing Any Resources to an Idea</u>

Chapter 22: Luck Can Be Engineered if You Take Emotion Out of the Equation

Chapter 23: Every Successful Entrepreneur Has More Failures than Successes

Chapter 24: The Harder You Work, the Luckier You'll Get

<u>Chapter 25: Opportunities to Find Prospective Customers Are Everywhere—</u> <u>You Just Have to Look</u>

<u>Chapter 26: The Best Feedback from Potential Customers Comes from Meticulous Interviews</u>

Chapter 27: Recognize the Vanity Metrics to Avoid Big Losses

<u>Chapter 28: Keep Interviewing Customers until You Find a Migraine Problem</u> <u>Worth Solving</u>

<u>Chapter 29: People Can't Help Themselves from Sharing When You Bring Up a Migraine Problem</u>

Chapter 30: Stay Objective in Your Interviews Whether You Are Getting Good or Bad News

<u>Chapter 31: Nothing Else Matters until You Can Prove That Customers Want</u> Your Product

<u>Chapter 32: Luck Makers Seek Out New Experiences and Find Opportunities Wherever They Go</u>

<u>Chapter 33: Luck Is Not a Good Strategy for Poker or Business—It's the Outcome of a Good Strategy</u>

<u>Chapter 34: To Prove Demand, Find the Shortest Path to the Ultimate</u> Customer Action

Chapter 35: Prepare for Bad Luck by Building Up Reserves

<u>Chapter 36: Fear and Inaction Are the Two Greatest Threats to Your Business Idea</u>

<u>Chapter 37: Understand Your Tendencies On Tilt So That You Can</u> Compensate for Them

<u>Chapter 38: There Is No Mistaking It When You Uncover Migraine Problems</u>
<u>Worth Solving</u>

Chapter 39: Get Comfortable with Being Wrong

<u>Chapter 40: Don't Go All-In without Confirming Your Assumptions through Smaller Bets</u>

<u>Chapter 41: Second Chances Are Rare—Make Sure You Get It Right the First</u> Time Around

<u>Chapter 42: Even When You Find a Migraine Problem, Crafting a Solution Requires Vigilance and Readjustment</u>

<u>Chapter 43: Don't Commit All-In until You Prove That Customers Want Your Product and There's a Business Model to Support It</u>

<u>Chapter 44: The Strength of Your Initial Idea, or Starting Hand, Is Always Relative</u>

Sam's Journal

Acknowledgments

About the Author
End User License Agreement

all in startup

LAUNCHING A NEW IDEA WHEN EVERYTHING IS ON THE LINE

DIANA KANDER

WILEY

Cover Design: courtesy of the author

Copyright © 2014 by Diana Kander. All rights reserved.

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

Published simultaneously in Canada.

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 https://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:

Kander, Diana.

All in startup: launching a new idea when everything is on the line / Diana Kander.

pages cm

ISBN 978-1-118-85766-3 (hardback)

1. Entrepreneurship. 2. New business enterprises. I. Title.

HB615.K355 2014

658.1'1-dc23

2013050101

ISBN 9781118857663 (Hardcover)

ISBN 9781118857762 (ePDF)

ISBN 9781118857670 (ePub)

To my best friend, Jason.

Thanks for picking me for this crazy adventure every day.

Foreword

A lot has happened in the field of evidence-based entrepreneurship since I first published the *Four Steps to the Epiphany*. In it, I first proposed that startups weren't smaller versions of large companies, and that the traditional advice from investors—write a business plan and execute the plan—was wrong. The reality is that startups needed to *search* for a business model rather than *execute* a business plan.

Over the past decade, the concepts outlined in the book have grown into an international Lean Startup movement. The Lean Launchpad curriculum I teach at UC Berkeley, Stanford University, Columbia University, and UCSF is now being taught at hundreds of universities; over 250,000 students have taken the online version of the course, and the National Science Foundation is using the course to commercialize science as part of the NSF Innovation Corps program.

Even large companies facing continuous disruption have begun to understand the need for continuous innovation and the value of "getting out of the building" and testing their assumptions.

Despite all the progress we've made, there remain hundreds of thousands of would-be entrepreneurs who have yet to learn the concepts of evidence-based entrepreneurship. That's why this book is so important.

All In Startup makes lean concepts more accessible through a simple but powerful allegory to which readers will easily relate. Diana Kander helps readers understand the value of the lean approach by tying it to a memorable story.

While the other books in the evidence-based entrepreneurship field, such as *The Startup Owners Manual*, *The Lean Startup*, and *Business Model Generation*, explain the "how to" of this methodology, *All In Startup* explains the "why." Go behind the scenes of a startup and understand why the protagonist, Owen Chase, struggles to get his concept off the ground by following a traditional approach of starting a business. Then see the value that a lean methodology can bring to his enterprise as he learns a faster, more efficient way to launch companies.

This is a must read for anyone interested in launching a new product or business.

Steve Blank

A Letter from Thom Ruhe Vice President of Entrepreneurship at the Kauffman Foundation

Stories are powerful teaching mechanisms because they engage more parts of our brain than traditional educational tools. When we read a textbook or attend a lecture, we use the language processing centers of our brain to translate words into meaning. But that's only a small portion of our brain. When we read a novel, our brains are firing on all cylinders. Our brains react to the story as if we were in the middle of the action, experiencing it ourselves, and our brains connect the material to our personal experiences.

This linkage of new knowledge to our own memory bank makes new information relatable and easier to retain. That's why I'm so excited about Diana Kander's use of a novel to teach modern entrepreneurship principles. It's just brilliant.

Entrepreneurial science has come a long way over the past 10 years. We've learned a lot about how to significantly reduce the number of startup failures and yet we haven't been able to properly communicate these lessons to the entrepreneurs that need them most. Until now.

All In Startup is the best explanation I've seen of the entrepreneurial process behind turning ideas into profitable businesses. Diana masterfully uses fiction to illustrate important concepts aspiring entrepreneurs must master while providing her readers with a taste of the emotional roller coaster endured by those launching something completely new.

This compelling story lets the reader see entrepreneurship through the eyes of a first-time entrepreneur. How many of us wish that we had a do-over where we could utilize the valuable lessons learned from our first adventure? *All In Startup* gives readers a safe view into what happens when you launch your venture in the wrong way. It vividly demonstrates the challenges entrepreneurs must overcome both in their venture and in their personal lives to find success, and it gives us a common language to understand and communicate startup challenges.

This book offers anyone thinking about launching an idea a road map for significantly reducing the risks along the way. Don't daydream about your idea any longer. Stop wasting valuable time and money planning for someday. Read this book and start acting on that great idea.

Introduction

This book is unlike any business book you have ever read. It's sexy and suspenseful and designed to "show you"—rather than "tell you"—how to turn an idea into a profitable business.

If you are thinking about starting a business or you're having trouble getting one off the ground, this book was written for you.

As an entrepreneur, an investor, and, most recently, a senior fellow for the Kauffman Foundation, I've spent thousands of hours working with entrepreneurs, only to find that the vast majority of people starting businesses are doing it wrong.

The statistics are scary. The overwhelming majority of startups fail. Even startups funded by outside investors, the cream of the startup crop, fail a staggering 75 percent of the time.

What causes all this failure? First, let me tell you what does not cause startups to fail. They don't fail because the founders lack passion or a willingness to work hard. They don't fail because the founders refuse to risk their life savings or because no one is willing to invest. Startups don't fail because the founders couldn't build the software or product necessary.

Truthfully, most failing entrepreneurs are passionate, hardworking dreamers who will risk everything, and try anything, to make their startup a success. They are great people. Great people pushing flawed concepts for which no one was ever going to become a paying customer. Startups fail because by the time the founders figure out that their idea isn't good enough, it's too late to make it better. They only realize that no one actually wanted their product or service after they've already run out of money.

Seriously, it's that simple.

But why does this happen?

How is it possible that with so many available resources and "How To" guides from successful entrepreneurs and investors, so few individuals are able to find success?

What can you do to significantly decrease a business's chances of failure?

This book answers those questions by telling you the story of Owen Chase. Owen's entrepreneurial journey is an amalgam of both my own experiences launching companies and those of the hundreds of entrepreneurs with whom I have worked in my role at the Kauffman Foundation.

I've learned that you can try to explain business concepts in a million different ways, but entrepreneurs really learn these lessons only when they witness or experience failure and success themselves. With that in mind, I wrote a novel instead of a textbook. Within these pages, you can live the startup experience and learn these lessons without actually having to go half-broke and full-crazy.

Owen's story communicates four simple but profound ideas that anyone can employ to

significantly increase their likelihood of success.

You can choose to put down this book and ignore these ideas, but the statistics speak for themselves. Ignoring these four principles virtually guarantees that you'll join the hundreds of thousands of people every year who put their life and soul into a new venture only to watch it fail. And if you don't fail right away, your company will meet a fate that is arguably even worse: wandering the Earth for years as a zombie startup, never growing or making any money, just barely surviving.

Don't be a zombie. Open your mind to these four ideas:

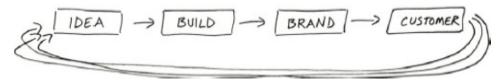
IDEA 1: Startups are about finding customers, not building products.

No entrepreneur fails because he couldn't build his product. He fails because no one wanted to buy what he built. 1

Here's how a startup typically works:

- 1. An entrepreneur gets an *idea* and his mind starts racing with all the possibilities of what it could turn into, the impact it could have on the world, and all the money it could generate.
- 2. Next, the entrepreneur *builds* his idea. He spends a lot of time and money trying to build the most comprehensive version of it, rarely showing it to anyone because he wants it to be perfect before potential customers see it. First impressions are everything!
- 3. Then, the entrepreneur *brands* his idea. He develops a catchy name and a logo. He purchases a domain and builds a web site. He creates marketing materials. This has to look professional, he tells himself.
- 4. Finally, he goes out looking for *customers* and, more often than not, strikes out big time, causing him to realize that something is wrong with his initial idea. He revisits the *idea* and starts brainstorming how to make it better. And then he repeats steps 1 through 4 all over again, spending a lot of time and money, without making any forward progress.

This is the *startup loop of despair*. It can last anywhere from a few months to a few years, all before the business generates any substantive revenues.



But successful entrepreneurs know that the startup loop of despair is completely avoidable. They know that once you come up with a great idea, the very next step should be to find potential customers and determine if your product is even worth building.

Finding customers before building your product will guarantee that you will build a

product people actually want by figuring out which features and benefits are the most valuable. Above all, this means your startup will actually generate revenue.

IDEA 2: People don't buy products or services; they buy solutions to their problems.

People don't go to the store looking for features and benefits. They don't walk down the aisles or surf the Web looking for the longest-lasting this or the least expensive that. They have problems that need solving. They shop because they can't get a stain out of their carpet, they can't reach their kids when they are out at night, or they are worried about having enough money for retirement. People look for things that can solve these problems, and they will pay money for them. These people are called *customers*.

The trouble with customers is that they are totally irrational and unpredictable. You can't assume that because you've diagnosed a problem, customers will agree with your assessment. Or, if they do consider it a problem, you can't assume that it's the kind of problem they'd pay money to solve.

For every Instagram or Pet Rock, there are hundreds of thousands of failures that never made a dime. For every Facebook or Snuggie, there are hundreds of thousands of zombie startups lurching around, mostly dead, clumsily bumping into one another at networking events.

The only way to find out if your customers have a problem worth solving and whether your idea solves that problem is to directly interact with them.

IDEA 3: Entrepreneurs are detectives, not fortunetellers.

Developing a business model that makes money is not a creative writing exercise. You can't just put your best guesses down on paper, wait for a bank or investor to believe your story, and then start executing on your plan. Unfortunately, no matter how smart you are, you can't predict the future.

What separates real entrepreneurs from daydreamers and wanna-preneurs is the search for facts. Successful business owners understand that their initial ideas are filled with a number of assumptions, many of which, if guessed incorrectly, could change the entire trajectory of their business. The only way to determine whether your guesses are right is to test them in the real world.

Think that you can sell your product online rather than with a sales force? Test it. Think that you'll be able to find a huge partner that will distribute your idea for you? Test it. Think you can charge \$49.99? Test it!

Don't waste time debating with investors, partners, or employees whether your guesses are right or wrong. Instead, spend the least amount of time and money gathering evidence that can prove or disprove your assumptions.

IDEA 4: Successful entrepreneurs are luck makers, not risk takers.

Most people assume that successful entrepreneurs are a lot like professional poker players—gamblers who take huge risks with their capital. The analogy is a good one because successful entrepreneurs and professional poker players do have a lot in

common, but it's not what you'd expect. In reality, neither views himself as a gambler or a risk taker.

Instead, they have learned how to minimize risk and generate luck. They do this by making a series of small, calculated bets to test their assumptions and find new opportunities. Each small bet is something they can afford to lose because it's a small investment of time or money. Eventually, these strategic bets yield opportunities that both professional poker players and successful entrepreneurs will use all of their resources to exploit.

To the outside world it looks like they just get lucky a lot, but to the trained observer, they only go all in when they know they have the best chance of winning.

• • •

There are plenty of books written for those that want to chase the entrepreneurial dream. This is a guide for those that want to achieve it.

There is no secret DNA sequence or genetic lottery ticket necessary to find success at the end of the entrepreneurial path. No academic pedigree or corporate background can prevent the zombification of your startup. Learning and applying the lessons in this book will be the difference between playing entrepreneur and creating a real company.

By the time you finish this story, you'll be well on your way to finding customers and generating revenue—the only important measures of entrepreneurial success.

Note

1. Read that again. Because it's really important. You may have read studies that explained away business failure due to the founder's experience, lack of capital, poor location, management, and so on. But these are all just excuses for the real reason businesses fail: not enough customers.

Chapter 1

First Appearances Can Be Deceiving

She was at the bar. Owen immediately knew it was her. He hadn't gotten the greatest look at her face on the treadmill at the gym, but he could tell from the hair and the shirt. Natural blonde and she was wearing another Sparksys shirt. Was she a sales rep? Owen wasn't as familiar with the company as he should have been. Having your own business really puts a damper on learning about other companies, especially ones where nobody is exactly sure what they do.

He knew Sparksys made an important part of microprocessors for smartphones and that somehow they'd managed to make that sexy. It wasn't deliberate advertising on their part, but they were known and featured in many magazines for the ridiculous perks their employees received. Owen wasn't sure, but he had read something about their offering something called the 7 C's, where every year for seven years they'd pay for a week or two-week or something visit to a different continent. That's insane. How much does that cost? Wait—that's just the kind of company that'd buy bicycles for its employees.

"Hey."

Owen looked down. The woman had approached him. She was definitely a sales rep. Women don't approach you in Vegas unless they're offering up some sort of service. Maybe it was callous, but the first thought that flashed through Owen's mind was: couldn't they pick a sales rep with bigger boobs? Oh well—he'd listen to her pitch, pretend to sound interested, and then possibly pick up the name of somebody he could contact about ordering bicycles. Maybe this was a win-win. Or a win for him at least. Not like she had a chance of selling him anything—ReBicycle didn't need smartphones for its employees. It barely needed employees.

"Hey, I'm Owen. What is Sparksys doing at the World Series of Poker?" A good leadin question, Owen thought.

"How do you know I work for Sparksys?"

Shit. That quickly backfired. Owen didn't want to say he saw at her at the gym. That might come off creepy. At the same time, if she's in sales, she probably won't care. She wants people to look at her.

"The gym. You were wearing a Sparksys shirt there, too."

"Oh, was I?"

"Yeah. I mean I think it was you. Unless you have a doppelganger hanging around this hotel."

"You were at the gym?"

"Getting a little cardio in." Owen patted his stomach, "I'm playing in the World Series tomorrow and didn't want to overdo it, but at the same time, you can feel the stress in

this place. Got to burn it off somehow."

"I agree. But it seems like most people here fall into the 'eat your stress' category." She gave him a big smile.

Owen responded with a nervous chuckle. It was a decent line. She was game. Laid-back approach for a salesperson, too. Owen liked and disliked that. He had dealt with enough people coming into ReBicycle trying to sell him dumb things he didn't need that he was constantly on guard. He knew she was going to ask him if he was aware of Sparksys's latest offerings and that she currently had one of their microprocessors in her contact lenses because they were so small or something like that.

She nodded toward the insignia on his polo shirt. "So what's ReBicycle?"

She was going for the sale. Owen could tell.

"ReBicycle? It's my company."

Owen had thought of plenty of good ideas for companies. His MBA and his Deloitte consulting job had put opportunities in front of him on a regular basis. He'd frequently think of startup ideas that might be worth something, but the more he slept on the ideas, the more doubt he developed about them. He'd never had that doubt with ReBicycle. It was solid. He could see it perfectly. He could hardly think about anything else. He knew people would love the value he was creating. He could provide for his family on his own terms. He could provide for a lot of families.

"I figured as much. So what is it? Should I have heard of it?" A nice unhurried question. She was good.

"Well, do you ride road bikes? Or do CAT races? We advertise all over the place. We're an online-based company that takes slightly used bike parts and we build custom-made bikes and then we sell them for a fraction of the cost of what the big bike companies do. It's all about delivering like a really amazing product. And at an affordable price point, which is a big problem in the cycling world."

She was quiet. Probably gearing up for the big pitch.

"Great, so how is it going?"

Ha! How's it going? Well, should he tell her that he's unable to make the payments on either his first or second mortgage? Maxed out on two credit cards? On the brink of laying off six people who put their faith in him, who put the well-being of their families in his hands?

Dammit! The bikes are ridiculously good and ridiculously cheap. How is it not growing? Shit, how is it not surviving? The bikes are literally half the price of the ones people can buy in a store. Half the price! We're talking 500 to 600 bucks. That's not chump change—that's a cruise.

His initial plan was flawless. Identify a problem. Check. Bicycles are expensive and good bicycles are really freaking expensive. Identify a solution. Check. Build bikes by hand from slightly used parts that are available and cheap. Identify a market. Check. People who are cost-conscious but know quality. Identify a way to reach those people.

Check. Advertise on all the largest cycling forums, send free samples to the big magazines, set up booths at large trade shows. Generate word of mouth.

Check, check, check. ReBicycle had done all of those things. And yet ReBicycle had also sold only eight bikes in the past week. Eight bikes was what Owen had envisioned moving on a slow Monday morning. Not an entire day. Not an entire week. What the hell was going on? Sometimes when reading cycling forums where people bragged about their new bikes, he'd daydream about ringing the doorbell of that person's house and then physically shaking them and showing them just how much money they'd wasted. He'd written some nasty comments on those forums recently. Someone had called him a troll. He didn't tell Lisa, his wife, about that. He didn't tell her much anymore.

Their strained communication over the past few days was nothing new, and Owen knew he was responsible. Whenever he looked at Lisa now, he no longer saw the twinkle in her eye that used to always make him smile. He only saw the reflection of a man who was putting his family in financial peril to chase a dream. He just couldn't overcome the enormous sense of guilt. He wondered whether their marriage would be able to survive all of this.

"Uh, how's it going? Really well. We've been fortunate enough to get some really incredible publicity, and traffic to our site is increasing virtually every month." Owen gestured an increasing growth curve with his arm.

"You must be pretty successful. I mean the market must be pretty big if you're coming out for the World Series of Poker. Is it international or just domestic?"

What a fraud. Owen couldn't afford a ticket to the World Series of Poker. He could barely afford the drinks at this bar. He was only here because last week, his best friend, Pitchford, entered a last-chance \$300 buy-in tournament at Island Resorts, the local Columbus casino, where you could see from one end to the other and no drinks were free. Owen hated the place. It was a 200-person tournament and the top three finishers got a place at the World Series of Poker instead of cash. Pitchford had told Owen he was entering it, which was nuts because Pitchford was in the middle of getting ready to leave on a consulting project in Japan for six months. Pitchford had also told Owen that if he won, he was going to give Owen his spot at the WSOP. He placed second and kept his promise.

Owen didn't want to go. He couldn't go. It wasn't right to go. He told Pitchford as much. Pitchford told him he was an idiot if he turned down the deal of a lifetime. A free trip to Las Vegas and a free entry into the World Series of Poker, usually a \$10,000 fee. Pitchford told Owen that they could split the winnings. Whatever Owen won, he could keep half. It'd be like they were playing on the same team.

Lisa was also surprisingly supportive . . . cautiously supportive. She said she thought the trip would help Owen clear his head, maybe figure out the best thing to do with the business. Who knew? Owen could actually win some serious money. It was an opportunity they really couldn't afford to pass up.

"Well, right now, we're just domestic. And the market is there . . . but uh . . . we've

had some difficulties tapping into . . . uh . . . well, we are still pretty new and we haven't made the dent on the market I was hoping for. But we're getting there. Like I said, the web site traffic is up 50 percent this month alone, and the press has been great. It's just a matter of time. And what do you do for Sparksys?" Best to just change topics.

"Not much of anything anymore. I'm here to play in the tournament."

A genuine laugh from her, though Owen didn't mean it to be funny.

"I'm not a pro. I'm not sponsored. I am sober, though. I'm going to grab a drink. You need one?"

"Sure. I'd love to pick your brain on how Sparksys chooses its vendors."

A look of disgust flashed across her face. Disgust equaled wrinkles. Maybe she was older than her early thirties. Thirty-seven tops. Owen prided himself on being able to tell demographics. Why was she disgusted that he asked about Sparksys and potentially doing business with them? Definitely not a saleswoman. The chest, age, and demeanor ruled that out. What was she?

[&]quot;You?"

[&]quot;Yeah. Me. What's the matter? Never met a girl who could play poker?"

[&]quot;So are you like a pro and you're sponsored or something?"

[&]quot;What's your name?"

[&]quot;Sam."

Chapter 2

You're Not Fooling Anyone

Sam had immediately recognized him for what he was. He was in shape, wearing a work polo with sleeves that were too tight. The company logo and lack of funky glasses ruled out advertising industry. The tip-top shape, khakis, and polo screamed some hip business. He was a small-business owner who had hit it big or at least big enough to come to the World Series of Poker. Sam hadn't even really wanted to talk to him, but across the bar she couldn't make out the logo on his shirt. So she had approached. As she approached, he kept staring. An introduction was going to happen. She wasn't shy about that.

ReBicycle? What was that? Since selling Sparksys, Sam had followed plenty of startups. She was sure she had never heard of ReBicycle. She would have recognized the terrible name immediately. Was it possible she was losing her grip on startup news?

Sam's interest in ReBicycle was piqued. She had a feeling it was used bicycles of some sort, but the ambiguous name left it unclear. She was willing to put up with his small talk to find out. Plus, he was ultra-fit, although a little thin.

Sam's theory was confirmed when he didn't offer to buy her a drink in the first sentence. If he was looking to do the horizontal mambo with her this evening, he would have tried to pump alcohol in her at the earliest possible opportunity. As it was, she was going to have to pump alcohol in herself. Jeez, wouldn't founders like this guy ever learn to have fun, too?

After getting drinks—Sam noticed the man got Jack Daniel's straight. She liked what little she knew about him. He said he spied an open high table. Whatever. She'd sit with him for 20 minutes. What was his name again?

"What was your name again? I'm sorry. I'm terrible with . . . "

"No, it's okay. Owen. Sam, right? Short for Samantha?"

One strike against him. Captain obvious. She had a half-a-dozen witty responses to that very question, but she quickly spied his wedding ring, strike two. The allure was beginning to wear off. Probably just another successful businessman.

As he started talking about his business, however, Sam noticed that something was definitely off. His replies hit almost every red flag out there. Every entrepreneur wants to tell you they are doing great. It's the facade they have to create for potential customers, their employees, their investors, pretty much everyone they meet. Sam knew it all too well because she spent so many years telling everyone she knew how well things were going when she was on the very cusp of losing it all. She wondered if she could crack him. Figure out what was really going on.

"Well, obviously, you've been very successful with your company or you wouldn't be

here. Cheers to the profits." She lifted her glass.

He didn't cheer. He just stared at her for a moment as if he was scrolling through a Rolodex of possible responses.

"We've still got a long way to go."

Ha! . . . that didn't take very long. He's already starting to crack. This guy must be pretty new at convincing others of how well things are going.

"I've actually been thinking a lot about expanding our business to corporate clients, and I don't know much about Sparksys, but I do know that they are known for taking care of their employees. What better way to encourage fitness than giving them bicycles? Or offering them at a subsidized rate?"

Damn. This guy didn't seem interested in opening up, nor was he trying to get in her pants. He was just going for the hard sale quick. Time to burst his bubble.

"Well, that's great—Owen, right? But I don't work for Sparksys. I didn't really maintain any ties there after I left."

Visible disappointment.

"Oh . . . so let me ask you, if they treat their employees so great, why did you quit?" "I didn't quit."

"Oh, they . . . let you go?"

Ughh. Sam rolled her eyes. This was always hard to explain without being totally honest.

"I sold it, okay? I'm the founder."

Visible surprise.

She hadn't been meaning to tell him she was the founder, but now she had and she knew he'd have a ton of questions. She wasn't going anywhere for a good hour. It didn't matter.

And that was the problem Sam was having with everything right now—not much mattered. For seven years Sparksys had been her life. She finally sold it two years ago after her marriage ended and was still suffering heavily from seller's remorse. She thought about the company a lot more than the marriage.

She had been at fault for the breakup. Not only did Sparksys eat up every hour of her life, but she had made out with the reporter from *Wired* who covered the company. A little more than made out actually. But whatever—cheating is cheating. It was a moment of weakness on her part. You make amends and move on—that was her motto. So why couldn't she move on from Sparksys?

Her business card now listed her as "Investor," but she was often one of many investors in a deal. She couldn't drive ideas the way she had with Sparksys. More worrisome, she didn't have the desire. She blamed that on the fact that she hadn't counted on people having so many terrible ideas when she decided to become an

investor. (But then again, the guy who invented the Snuggie made a fortune, so who knows what counts for terrible anymore?)

At Sparksys, Sam had always considered herself a good boss. She was a big proponent of not just caring for people but caring *about* people. She stayed on really good terms with many of her ex-employees. When she started investing, she thought that she could act the same way. Friendly, cooperative, offering constructive criticism. She quickly learned that did not work with entrepreneurs. People are so tied up in their ideas, that they take any positive language as a green light for full-steam ahead. They just couldn't hear what she was really trying to tell them. In the first six months, she found herself nodding her head a lot, offering a lot of advice, but not committing any money.

By the seventh month, something clicked—or snapped, depending on your perspective. She remembered the first guy that got a dose of what she now called "the treatment"—he had invented some lawn thing. He was a weekend gardener and he was convinced that his invention was the second coming of the cotton gin. Within five minutes Sam knew it would fail.

She asked the guy how many customers he had. He said he needed capital to get started. She asked how many potential customers he had spoken with, and he replied that he wanted to wait until he could show them the finished product, but he was confident it would be successful because of his expertise in the industry. The product would "sell itself."

Sam let him have it. She explained that the invention wouldn't sell itself. That the product was not the business. He had no business model to speak of and no interactions with potential customers to let him know whether he was on the right track. He needed serious help. He didn't even argue back. Pansy.

An Allman Brothers' song came on at the bar. It was a nice reprieve from the Radiohead and other depressing music the bar had been playing. Why play depressing music the day before the WSOP? Most of these people were going to leave depressed anyway. Sam figured she would enjoy the song before Owen's questions started.

She still couldn't tell if he was the type that would cheat on his wife.