

# FOREWORD

I think being a successful entrepreneur is just a matter of perseverance. I've started eighteen companies—five were not successful—but I've had my successes. I've been in this game for a while, and I've received funding before. Many entrepreneurs believe it's only a matter of strolling into a VC's office, pitching them, and then getting money in your account three days later. That's not the way things happen. It's going to be difficult, and you have to be relentless—and most of all, you have to listen. Funding is there if you really figure out what you're doing wrong. Look at each presentation you make and every business plan you write as a learning process, and seek experienced people to give you honest feedback. This is going to be very hard, especially for new entrepreneurs who think they have it all figured out.

As an entrepreneur, you also have to really understand the economics of your business; there are too many ideas that aren't thought through. Many entrepreneurs don't understand the business end of starting a company.

Whenever I hear an entrepreneur say, "I have a great idea," I say, "Tell me about the economics." They answer, "I'll hire an accountant to do that for me one of these days." When you're in France, you better speak French. Before you think about starting a business, you better know the economics of your revenue model.

Many business plans talk about a great product, but they don't talk about a great company. Some products are not sufficiently large enough to be a great company. There are also a lot of product ideas that are fundamentally not defensible, even with patents. Patents are difficult in such a fast-moving world. Often enough, the life cycle of a product is shorter than the patent process. And sometimes you can't get big enough with the product without the danger of a bigger company coming in and taking over the market. I see business plans all the time that are nothing more than marketing research for the big corporations. You have to think all of these

things out and make strategic partnerships early if you want to succeed.

New markets are also difficult to target. For instance, when I started Atari, the board game industry was under a million dollars. Now the video gaming industry is worth about \$23 billion—three to four times the theatrical ticket sales of the movie industry. But at the time, many of the investors I went to didn't see that vision down their shotgun barrels. How could you see that coming at the time? How can you foresee these types of trends? You have to know in your gut that your plan will work, and build a well-structured company that will produce profits.

And even if you've been starting up companies as long as I have, something may happen to broadside you. Even large corporations make bad decisions; every decision has the potential of being a mistake. Things happen. I remember talking with Bob Noyce about such an event in Intel's history. I was a chess player, and he was a chess player—a good chess player—and we had become friends. It was after Intel had taken a big write-off. They had manufactured the Michroma watch modules. He said, "You know, just as the other guy's business looks too easy, it just means you don't know enough about it."

There are natural limitations to fantasy; reality will finally set in. There will be a natural shakeout because companies have to be profitable. Right now there is a tremendous bubble of money going into companies for capital spending to support losses, and this will not continue indefinitely. The market will cleanse itself, and there will be a shakeout, a consolidation, and a contraction. This has happened several times. I remember when there was 23 million square feet of unused light industrial space in the mid-'80s. The market went up and then crashed, because a lot of companies that were venture-backed or IPO-funded didn't make their projections, and all of a sudden the buildings that were full of people one day were empty the next. It's a cycle—it'll happen again.

The reality is when you're playing chess, you win some and you lose some. But you have to set the pieces up and start a new game. Life is a process, and it would be really boring if it was just

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one win after another. You don't really want to struggle, but it's part of the process. My dad used to say, "If it was easy to make a million dollars, there'd be more millionaires."

As an entrepreneur, you have responsibilities to yourself and others. You need to know, as much as solid research allows, that you have a solid business plan that has an opportunity to make a profit. Then you can go out and pitch your dream—your company—to others. It's not an easy process by any means, so be prepared to work harder and dig deeper than you ever have before. Being an entrepreneur is difficult; if it weren't, there'd be more of them out there.

Good luck in your entrepreneurial endeavors!

Nolan Bushnell

Founder of Atari and CEO of Uwink.com

## WHO LOVES YA, BABY?

When you're obsessed, you're obsessed. I see it in the eyes of people coming from the offices of the VCs and angels I visit. I see it in the vacant looks of people (wearing dot-com T-shirts) shopping for groceries at 2 A.M. at Safeway and in the eager hand gestures of people in team-packed SUVs that pass me on Highway 101 on their way to pitch sessions.

If you're reading this book, chances are that you're obsessed with the whole idea that you, too, will one day become one of those dot-com millionaires who are a bit more difficult to find these days. It used to be that you couldn't stand on a street corner in Palo Alto without throwing a rock and hitting one of them—not that you'd do that on purpose. It's gotten to be more like *Where's Waldo?* these days.

So how will you hone your concept and all of its finer points to get it in shape for the *Big Pitch*? The reason I wrote this book was because I was getting so many phone calls and e-mails from friends and complete strangers asking me to read their business plans and give them feedback. Basically, I saw a great need. Calling endless numbers of people back and giving them advice is a great thing to do if you're independently wealthy. Then I could sit around all day on a chaise lounge next to the pool, pop bon-bons, and turn the pages of business plans I was reading purely from the goodness of my heart. *Not*. I wrote this book because now, when someone asks me to take a look at their plan, I can say, "Hey, I wrote the book on it. Here's the Amazon link (assuming Amazon is still around when this book is in its heyday). Knock yourself out!"

People need mentors, especially when they're not familiar with the terrain. And I always end up passing the good teams on to other people who might be able to mentor them through the process. Recently I thought, *What I need is a manual full of mentoring advice from people who really know what they're talking about*. So I went about the task of finding these people and making this book happen.

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Sherry Bonelli, my acquisitions editor at Sybex, saw what it was that I was trying to do and immediately put the wheels in motion to publish the book. Sherry went on to another publisher halfway through the book, and I was extremely lucky to have Cheryl Applewood take over the editorship of this project. Both Sherry and Cheryl are women ahead of their time when it comes to choosing books that are on the cutting edge, and they are both dot-com savvy. And I love that they're women. In this industry, women seem to have an intuitive sense about what the future will look like, and we're starting to see many more of them taking the helm of dot-com companies and the industries that support them (many of whom I've interviewed for the book). This book provides many mentors—top CEOs of major dot-com companies, as well as others who are leading the industry in peripheral dot-coms.

I skulked around dot-com parties and was invited to the insider meetings to help get my head around the entire process, and at times I found many contradictory truths that lead to many layers of complexity. I had to peel back the layers, one by one, until I found that there were no truths in this business except that Lady Luck plays a very grand role.

For your reference, dot-com companies not only are ones that have “.com” after their names, but also the companies that support the industry. So there are companies included in this book that do not do e-commerce, but instead are symbiotic to the dot-com industry. Many of the dot-coms that survive the upcoming consolidation and fallout will be these strong, symbiotic companies. There are many changes ahead for the industry, and the winners will be those who saw the stuff coming down the pike and water-proofed their dot-coms for the future.

I wanted to write you a book you could pop into your backpack, take to work (hopefully you'll still have a day job at this stage), and read bits and pieces at a time to inspire you on this road you've decided to take. I hope you get what you need from *Dot.com Success!* and will continue to be inspired when you've finished it.

If there's one thing I've learned from all of the people who've generously given me interviews for this book, it's that you absolutely, *positively* must have passion for what you're doing. If

you're doing it for the money, you may get there, but it will probably be as painful as using a stick in the eye, instead of an alarm clock, to wake up in the morning. If you do it because you're passionate and believe your dot-com baby will grow up to do things that will change the way your market does business on the Web, go for it. But most importantly—*you must have fun*.

This industry will chew you up and spit you out without a second thought if you're not doing this work from your heart. Just because people are out to kill you—I mean the competition, not *you* personally—you need not stress out on this business of being an entrepreneur. People have done this kind of thing for millennia in every way, shape, and form, so put this into perspective. Get a grip. You're not going to die if your company doesn't pan out. You will do what an entrepreneur does best and reshape your plan, or start a whole new business where you didn't see a market need before, and *keep on keepin' on*, as Bob Dylan, the original entrepreneurial musician of the '60s—the one with the long and money-making career—says.

This business of being the boss comes with a lot of responsibilities. You need a few mantras to get you through those long nights of sitting up with your coders (or all alone, if you are the coder). Just as those noir detectives like Sam Spade lived and died by an unwritten code, you too will have to develop a code to get you through. I kept hearing the same things from successful people, and I made a list of the most common:

- Be tough.
- Never give your company away for bad terms just to get cash. A startup is very much like a book—if you have to self-publish, chances are your book isn't good enough to interest a publisher. So get some feedback, and change it to fit the market.
- Put your foolish pride in a paper sack, and leave it in the attic.
- Work hard at building relationships and good ideas so you won't have a problem finding fair term sheets.

- Be completely honest and open during due diligence—all it takes is one little lie or withholding to blow your deal so completely out of the water that you'll need to move to Ohio (sorry to those of you who are reading this in Ohio).
- If you don't like an investor, don't take their money. This isn't brain surgery. You will be working, in most cases, very closely, with that person for a long time. Remember that *having fun* is part of the entrepreneurial journey.
- Don't be afraid to have an exit strategy. You'll need it for your business plan, so think beyond an IPO. The words "merger" and "acquisition" are your friends.
- Be in love with everything about your company. And yes, just like lovers, you will have fights and want to walk out on your company from time to time. But never lay your head on your pillow without settling a disagreement or getting something out in the open. You will feel better about it in the morning when you have to speak with your company again.
- Be generous with your stock to those who help you build your company.
- Be patient, but not complacent. If, in your gut, you feel that the market is going somewhere else, cut it off at the pass. Take risks—that's what this whole thing's all about. If you do it right, you'll be a visionary. If you completely blow it, hopefully you'll live long enough to prove what they say about you is wrong.
- Make technology and market shifts from the strength of research and feedback, not from fear. Failure can smell fear 10,000 miles away... and it *will* get you. Knowledge is power.
- Never demand someone's help—it is not their duty, or your god- (or goddess-) given right to ask for it. People will help you because you've sold them with your

passion, concept, and vision. And when someone does help you, make sure you are one day in a position to offer them something in return, not because you have to, but because that's the way it's done.

- Never expect more from your partners, employees, VCs, or angels than you would expect of yourself. You'll have a real problem here if you're running yourself into the ground with expectations. Pace yourself—you have a long road ahead.
- Make sure you provide your employees with coffee (the good stuff) and bottled water. If it were me, I'd bring in a few cases of Jolt cola each week, too. And push them to get out of the office every few hours to get some fresh air. Praise them when they've done good work. And if you can afford it, take them out to lunch once a week. These people are in partnership with your dream—they care, nurture, and embrace your company just as you do your own dream. And after your company gets too big to do weekly lunches, make sure they get powerbars, popcorn, soup, and hot cocoa in the kitchen. You would want someone to do the same for you.
- Pay fair wages. People cannot live on stock options, free soup, and pipe dreams for very long before they start to wander over to the company down the road for an interview.
- Build loyalty with those around you. These people are your friends (or should be). Treat them with respect and generosity, and take their personal feelings and needs into great consideration.
- Revel in your small successes. Even if you don't win the wars, celebrate the battles won.

These are some pretty tough mantras to live by. Can you do it? You'll do it if you want to keep your sanity, or you'll find some other reasonable facsimiles of these all on your own. How important are the things I've mentioned? I have known companies to lose people only because they didn't provide sodas and coffee. These



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are the basics of life. If you're expecting people to give you 120 percent for your dream, you should at least give them the basics.

There's also a bit of a disclaimer that I must stick in this preface. This book is a living, breathing part of history. We're livin' in Internet time, baby. By the time this book comes out, anything could have happened, and it will. Be flexible and learn from the lessons in this book. Some of the people in these pages may be out of business, or extremely rich, by the time your eyes hit this page, so learn. And most of all, enjoy yourselves. Grasp the fundamentals of what these people are telling you; I've chosen a lot of people who've shown incredible chutzpah, so I have a feeling everyone within these pages will land on their feet. And hopefully, so will you.

Being an entrepreneur is the best job in the world—you need to be brilliant, passionate, fair, honest, and forthright. Expect to fall in love with your company, and everything else will follow.

Happy e-trekking in this wonderful space we call an industry!

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A lot of really wonderful things happened when I did the research for this book. The greatest thing of all was the opportunity to meet the people who make up this incredible industry in which all of the players are bent on winning and go to extraordinary lengths to do so. All of you welcomed me into your garages, offices, homes, lofts, and limousines, and you leveled with me about what was really going on in this space. I interviewed hundreds of people for this book, and not all of your interviews got in. I’m sorry, maybe there’ll be a sequel.

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This book was written for all of the green entrepreneurs who will go forth and persevere in this harsh environment to become dot-com successes. You will be the next generation who were inspired by the greatness (and luck) of those who got in under the wire and tempered with the humility of the failed dot-bombs you see all around you. Take wisdom from the people in this book, find a market, build a brilliant business plan, go forth, and conquer!

And let's not forget the beautiful UPS man who broke up my days and weeks of writing in solitude with his gorgeous smile and quirky sense of humor. Thank you, Jeff Bezos, for partnering with UPS and having a great service in which I could find the books I needed and have them sent overnight (I hope you can pull it together). Thank you to the people at Waiterson-Wheels.com, who made sure I was fed and wouldn't be found

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