Introduction

This book will help your dreams come true. It will give you a shot at a better life. It will greatly increase your odds of success as an entrepreneur and business owner. And it will motivate you to take the steps necessary to get on the path to being your own boss. Let me be clear, you can do this. *You* can do this. It’s not magic. It’s not pure luck. It doesn’t require rich parents or an MBA from Harvard. Success as an entrepreneur requires following certain steps, more or less in order, to achieve a desired outcome. It’s kind of like following a recipe to cook a wonderful dinner. It’s not easy; it requires focus, planning, the right ingredients, and hard work. But if you have the recipe, and follow it, your chances of success increase exponentially. This book will give you the recipe.

Let me say up front that what you are about to read is not based on esoteric academic business theories hatched by Ph.D. professors at an Ivy League business school. The information in these pages, in my opinion, is way more valuable, because it comes from someone who’s done it; someone who started with nothing, had a dream, slugged it out in the trenches, learned from his mistakes, and by sheer desire and persistence made it happen. This book contains what I’ve learned in my career as an entrepreneur. And I’ll share it with you, using many of my own stories to illustrate key points.

But first, let’s take a step back. If you’re like hundreds of millions of people who work for someone else as an employee, your life probably looks something like this: you drive to work all stressed out, worried about getting reprimanded for being late or for making a mistake on the job, scared that your boss is going to pass you over for a promotion due to office politics, and dreading a mountain of busywork because the VP you work for is lazy and incompetent. You also know in the back of your mind that all the hours you put in are underappreciated, and your hard work is going toward building someone else’s asset, someone else’s dream. And the day you quit or get fired, your paychecks stop. Forever. You may spend thirty years dedicating your life to building someone else’s company, only to get downsized and find yourself out of work and without a paycheck at age 55. When you work for someone else you have no income security, and little or no ownership.

Now let’s change-up that narrative and imagine for a moment that it’s three years in the future, three years *after* you read this book and implemented the steps and strategies in these pages. What does your life look like now? With a little bit of luck and a lot of hard work, you are now the *owner* of a small but successful company with ten employees. You’re the boss. You’re the CEO, in fact. You have the respect of your employees, your friends, your family, and your wife. You’ve never worked harder in your life, but you’ve never been happier. Maybe you’re still not making as much money as you did at your old job, but guess what? You *own* the company. You spent the last three years building something that is yours. And it has value. On paper, you’re a millionaire. But you’re not resting on your accomplishments; you’re more energized and more enthusiastic than ever before. You can’t wait to get to the office in the morning. You’re on your way to building a multi-million dollar business, and a net worth that could last for generations.

Whether you’ve spent the last twenty years working for a big company, or you’re still in college and just beginning your career, if you’re reading this book you share the same dream that millions of people all over the world have… the desire to start and own your own business. The desire to work for yourself, to be your own boss. To succeed or fail on your own terms, based on your talents and work ethic. The desire to build an asset that has value and that you own. If that’s your goal, you’ve come to the right place.

I’ve spent my life as an entrepreneur, started multiple businesses, and made millions. Sure, I’ve had my fair share of failures, but as you’ll see in these pages, a failed business idea is just an opportunity in disguise. I don’t dwell on failed ideas, and neither should you. Always focus on the future, and finding that next success.

But to realize the dream of owning your own business, you must take action. There’s no way around that one. And those early steps right out of the starting gate are crucially important. Almost everyone has an idea for a business they dream about starting some day, but most people don’t know what steps to take early on to start down the path of entrepreneurship. That’s where this book will help you. Think of it as a road map.

Like I said earlier, neither one of us has the time for complex, academic business theory or esoteric mumbo jumbo. You want to build a million dollar business. And I want to share everything I’ve learned doing just that. What you are about to read are tried and true, tested in the trenches, real world processes. No BS. No wasted words. Straight to the point. Let’s get started.

Chapter 1: Planning Your Business

There are two main reasons why people read books about starting a business. First, they are tired of working for someone else and they want to start their own company, but they’re not sure what kind of business to start. Or second, they have already come up with a brilliant business concept or product idea that they believe will make millions, and they want a roadmap to make it happen. This book will help both cases. If you already have that genius idea that can change the world, or even a small part of the world, we’ll walk you through how to evaluate that idea and launch your company. If you don’t know what kind of business to start, this book will help you with that, too. The information contained in these pages will show you how to look for market opportunities and find and evaluate new business ideas.

Let’s begin by assuming that you already have some sort of idea for a new product or business. Maybe it’s just a vague concept at this point, or maybe you’ve already created detailed product sketches and pricing models. Either way there are a few steps that have to happen before you invest too much time and energy. First you have to do some simple market research and testing to evaluate the overall idea or concept. Second, you need to determine the size of the market. If the market is too small it’s not worth your time. And third, you have to evaluate the competition. If your product or business idea makes it past those three filters, it’s time to jump in with both feet and start a company.

Objectively Evaluate Your Business Idea

First things first. Let’s talk about the idea. Before you dive into a new business and spend a lot of time and money on it, you want to do some basic market research to make sure it’s a good idea. And you start by asking the people around you. Pitch your friends and acquaintances on your idea. See how they react. Do they laugh out loud, or are they intrigued and interested? What questions or objections do they raise? Make sure that not just your friends and family like your business idea, but random people like it too. And by “like it” I mean they think it’s a solid, realistic, and achievable business idea.

As you know, sometimes your mom or your aunt Millie will just tell you want you want to hear, “Oh honey, that’s the best idea I’ve ever heard.” That is not helpful. So expand your circle by asking other business people what they think. Go to people who are acquaintances but not close friends; people you know well enough to call or text, but who are not in your inner circle. You want them to be honest with you. If you pitch them your idea for a social network for prison inmates, you want them to tell you that you’re crazy. On the other hand, if you pitch them an amazing idea, you want to feel pretty confident they are not going to rip off your idea and run with it.

Try to canvas a wide variety of people. Some should be potential customers. Some should be business people. And some should be random people you’ve never met. Ask open-ended questions; tell them your idea in one or two sentences then say, “What do you think?” Then shut up and listen. Two or three people is not a big enough sampling to draw any conclusions. Shoot for a few dozen. And as you continue doing this basic research, you will refine your technique and learn to hone in on what you really need to know.

If you ask two dozen people, ten of whom are business people, and two of whom are entrepreneurs themselves, and most of them like your idea, then that’s a great start. You are probably on to something. But if the majority of them look at you like you have two heads, and they just don’t get it, maybe it’s time to go back to the drawing board and come up with a new idea. The more you do this, the more you will grow and gain experience as an entrepreneur, and the better you’ll become at discerning which ideas are crap and which are worth millions.

When evaluating your business idea, keep in mind your own knowledge base and experience. If you have spent ten years working as a lifeguard, but your business idea is to start a product for veterinarians and animal hospitals, well, you will have a lot of research and learning to do about that industry. On the other hand, if you’re a lifeguard and your business idea is a new safety device for surfers, then you probably already have a useful knowledge base that you can expand upon. I’m a big believer that practically anyone can learn a new business from the ground up, but just know that it will take longer. And you may want to take on a partner, advisor, or co-founder who has the industry experience that you lack.

Determine the Size of the Market

The next key piece of information you need to gather is the size of the potential market for your product. A market that is too small will likely not provide enough sales and profit for you to meet your business goals. In other words, it might not be worth your time. Why spend your valuable time and money to create a product for a small market, when you could be spending that same time and money to create a product for a huge market?

Examples of large markets include: automobile owners, home owners, sports fans, college students, people with pets, people who want to lose weight, families with children who live at home, and so on. These are large markets because there are hundreds of millions of potential customers. Examples of small markets might include: the Amish, Navy fighter pilots, Siamese twins, astronauts, drag racers, Olympic gold medalists, and people who collect meteorites. These are small markets because their numbers can be measured in the thousands, not millions.

If you are going to spend the next two years creating and selling a new product, would you rather create a product for the 200 million homeowners in the United States, or for the 290,000 Amish? It’s fine to create products and businesses for small markets, but just realize going in that your growth will be limited. For that reason, many professional investors will not fund companies where the market potential is small. Market size is a key factor in determining whether or not to go forward with a new idea.

Let’s look at an example in detail. If you want to start a business selling products specifically for owners of 1958 Corvettes, you need to know exactly how big that potential market is. In other words, what’s the total number of potential customers that could realistically buy your product. Common sense will tell us that 1958 Corvette owners are a very limited market. But we need more than guesses and gut feelings.

Start with an Internet search. See if you can find statistics on how many 1958 Corvettes were manufactured, and how many still exist. Then go deeper and get creative. Contact local Corvette clubs and ask them about their members. Find out if there is a club just for 1958 owners. If that doesn’t work, find out if there is a Corvette museum, and call the director or curator. You could even contact Chevrolet directly, and try to get ahold of their archivist or records department. This will take some legwork, but it’s valuable information that will inform your business decisions.

For a more general business category, like coffee shops or food trucks, your Internet search will have to include creative keywords next to what you're searching. I have found the best search term to write is the word “millions.” See what happens if you write "Coffee drinkers Seattle millions" or "Food truck Chicago millions." When you write that word millions, articles will come up about what other competitors in your industry are doing in total revenue, how much investment money they have raised, and additional information on the size of the market.

If this search technique doesn’t reveal any pertinent information, you may have a very small market. There are very few industries or markets in which there are no companies that do millions in revenue. If there are no companies in that industry with at least a million dollars in sales, you may want to seriously re-think entering that market. It may not be worth your time and effort. Even if the industry is a notoriously low revenue generator like yoga studios, it’s almost certain that at least one company is franchising or raised outside money and opened up 40+ locations. It doesn't matter what vertical it is, it’s likely that somebody did something pretty big in that space. So doing an Internet search with keywords like millions will almost always turn up solid information.

You can also buy formal research reports on different industries. In virtually every single market vertical or business category, there is formal research for sale on market size and demographics. I don't care if you're coming up with a new design for a bowling ball or indestructible luggage, there is research that can help you. Regardless of what industry you’re interested in, there's almost certainly research analysis available.

Companies that prepare these industry research reports include LexisNexis, Hoovers, IBIS World, Radius-Global, First Research, and others. LexisNexis, for example, offers coverage of over 80 million companies, 70 million executives and 1,100 industries. You can search their database for company, executive, and industry information, and financial reports. The downside is these reports are not free, they usually cost a couple hundred dollars, and sometimes require a subscription. It's money well spent, however, because you can instantly download the full report with charts and analysis. You’ll get to see details of almost every competitor that's doing any kind of real sales in your vertical.

Another good resource for establishing market size and competitor information is trade organizations, labor unions, trade publications, and industry conventions. The United Association of Plumbers and Pipefitters can tell you exactly how many members they have, as well as give you an idea of the size of the total dollar value of their industry. The Independent Petroleum Association of America can provide you will all kinds of information on the oil and gas industry. Restaurant Magazine is a reliable source of information on the food service industry. The annual Bass and Saltwater Fishing Expo can provide lots of information on the number of attendees, demographics, and fishing product sales numbers. As an added bonus, most professional associations, conventions, and trade publications offer industry information free of charge on their websites.

After you determine how big the market is, you can estimate your total potential customer base, revenues, valuation, and what your true potential upside is. Your objective is to assess how realistic it will be to achieve your business goals given the size of the market. One of the most important questions you want to answer is this: is the market big enough to justify the time, energy, and expense it will take to launch my business? Back to our 1958 Corvette example. If you determine that there are only 60,000 1958 Corvette owners, you must decide if that market is big enough to support your business.

Don’t necessarily be scared off if the size of the market appears small. You have to take into account your business model and pricing structure, along with market size. You may well be able to build a highly profitable business in a smaller market, especially if your concept is truly new and different, and you’re going to be the market leader.

Let’s look at two examples. If you’re selling a cheap Chinese-manufactured product that nets your company $1 per unit in profit, and you think only 10% of the 1958 Corvette owners will buy it, then that’s $6,000 in yearly profit, and likely not worth your time. However, if you’re selling a subscription to a 1958 Corvette Owners eNewsletter for $100 per year, your product cost is essentially zero, and you think you can get 2,000 subscribers, it may well be worth your time. A $200,000 a year business that’s pure profit with one employee working out of a home office ain’t bad! Again, market size must be considered along with other factors.

Once you have a good idea of market size, do some basic math to calculate the best case scenario, worst case scenario, and most probable scenario for your business’s total revenue and profit. After running these numbers, you may well determine that the market simply is not big enough to reach your goals. In which case you must either look for a new business altogether, or find a way to broaden your product or business model, perhaps to include *all* Corvette owners and all model years, which is a much bigger market.

The good news is that, in my experience, most markets are more than big enough to establish and support a profitable business. This is a direct result of how huge our population is. Whether it's a yoga mat company or a bowling ball manufacturer, the market for your product will likely end up being in the millions or billions.

Remember, at this point you’re just trying to make sure that the total reachable market is big enough for you to achieve your business goals. If your goal is to have a successful small business with no employees and make at least $100,000 per year, you probably won’t need a large market to accomplish that. But if your goal is to own a business with a billion dollar valuation, then your market will have to be large indeed.

Be careful not to be enamored just because a market seems enormous. A common mistake first-time entrepreneurs make is to assume, for example, that since plumbing is a $95 billion a year industry a new start-up plumbing company can get a small .1% of that market and easily become a $95 million company. Large markets are almost always highly competitive. So your new plumbing business will need some unique, differentiating factor that will help it gain market share and compete with long-established competitors. Which leads us to our next topic.

Identify the Competition

Another critical step that you’ll want to do as soon as possible, maybe even first before you do anything else, is research the competition. Find out how many competitors there are, and how intense the competition is in that marketplace. If there is a large market for your business or product, there will likely be a lot of competitors. If there is no competition, it may be because the market is either very small or simply does not exist.

The ideal situation for any start-up business or new product is to find a large market where there are few competitors. While this is difficult to do, it happens all the time. And if you’re able to do it, great fortunes can be made. But most of the time there will be many competitors. One of the worst things you can do is enter a business where you thought there were no competitors, only to find out later there are some very shrewd competitors indeed. To avoid a situation like this you need to thoroughly research the competition ahead of time.

Let me explain through an example. Let’s say you came up with what you think is a brilliant new business idea for a food truck that specializes in grilled cheese sandwiches. You know that practically everyone loves grilled cheese, so the market is large, and you’ve never heard of a grilled cheese food truck before, so you assume no one else has thought of this. At first glance it sounds like a great idea – a big market with little or no competition. Your head is filled with visions of a fleet of grilled cheese trucks traveling around the city and raking in the cash.

But are you *sure* there is no one else doing this? You think to yourself, “Well I love grilled cheese so if there was a grilled cheese truck out there of course I would have heard about it.” So you decide to go for it, and you build out your food truck to make it all about grilled cheese. You paint it yellow. Pay someone to design large grilled cheese logos and decals. You negotiate with cheese suppliers. You spend weeks product testing grilled cheese recipes and deciding on your favorites. You even buy special grills to put in the truck.

Then one week before launch you read a local newspaper article about a growing fleet of grilled cheese trucks in your area. Your heart sinks. Your palms sweat. How did you not know about this? This doesn’t mean your business is doomed, but it is absolutely critical information that should have known. You failed to sufficiently research the competition.

The good news is researching the competition has never been easier. Start with an Internet search. Look up what you want to do and then search for variations of that and see who else is doing it, or doing something similar. You really want to be thorough in researching the competitive landscape. You don’t want any competitive surprises the week before you launch.

After the Internet search, you should dig a little deeper still. I’m a big proponent of surveying the competition with your own eyes. If you’re launching a food truck business, spend a few weeks going to every food truck event in your city. Talk to customers and owners. Ask if any of the trucks serve grilled cheese. Photograph the trucks and their menu boards. Study their artwork and design. Study their pricing. What brand are their ovens and cooking appliances? Who are their food suppliers? See if you can find out which manufacturing company builds the best food trucks. Then make an appointment to visit those food truck manufacturers. Do they know of any trucks that specialize in grilled cheese? Are there any food truck companies that keep buying more food trucks? You can gather a tremendous amount of information by physically going to see your competition in action.

And this applies to many types of businesses. Go try out the competition for yourself. If you want to open a health club, car wash, or bead store… go study the ones that are already out there. If your business idea is unique, then research products or businesses in similar categories, or businesses that service the same customer demographic in a different industry.

Don’t be surprised or disheartened if you do in fact find plenty of competition in a market where you thought there was none. There is going to be competition 99.99% of the time. But that’s not what really matters. What matters is that your business idea has a key *differentiating factor* that sets you apart from the competition in the minds of your customers.

Here’s an example. When Lenscrafters prescription optical centers launched in 1983, there were many, many places to get prescription eyeglasses. In other words, there was a ton of competition. But Lenscrafters had a novel idea. They set themselves apart with the concept of prescription eyeglasses made in about an hour. All the other eyeglasses retailers would take several days or a week to deliver the glasses. At Lenscrafters, customers could walk out the door with their new glasses in one visit. There are now more than 850 Lenscrafters locations and it’s a billion dollar company. We’ll talk more about differentiating yourself later. But the takeaway here is that you don’t need to find a market where there is no competition; you just have to be better than the competition in some important way that matters to customers.

If there's not competition, and you launch into that market and succeed, there is soon going to be competition, especially if you succeed big. When the ridesharing company Uber launched in 2009, it took them a few years to prove their business model, but as soon as they did, a competitor called Lyft quickly entered the same market. Even if you have limited success, you're going to see a ton of knockoffs and copycats. That's fine. It's going to happen, and all it can do is increase the size of the market around you.

Would-be entrepreneurs get scared of competition all the time. Don't be scared. Competition is good. It makes you better. It's rare that competition will crush you and force you out of business. I used to compete with the 800-pound gorillas of the energy drink market – Red Bull, Monster, and Rock Star. I fought with the big online poker websites. I competed against Full Tilt and Poker Stars, and these were all multi-billion dollar companies. I did just fine. It didn’t force me out of business; it raised my game and made me more competitive. So you *can* fight against entrenched competitors and do just fine. Now I'm not saying you should blindly open up a coffee shop next door to Starbucks, but if a Starbucks comes to your town, it doesn't mean you need to close up shop and put your tail between your legs.

Commit Yourself and Go For It!

Let’s say you’ve done all the research I described above and things are looking pretty good. You consulted with two dozen friends, business people, acquaintances, and entrepreneurs and 20 of them thought your new business concept was a winner. Then you researched the market and learned that it’s big; there are tens of millions of potential customers who might buy your product. And then you spent weeks identifying competitors; none was offering your exact product, and the ones who were selling similar products were poorly managed and underfunded. This is a pretty appealing scenario for the launch of your business.

So now it’s decision time. Are you going to do this? Are you sure you want to start down the exhilarating but exhausting path of entrepreneurship? We’ll talk more about whether this is the right path for you toward the end of the book, because there is a lot to consider. But for now let’s assume you’re all-in and you’re going for it. Here are the steps you need to take.

Come Up With a Name

Do not underestimate the value of spending some time coming up with a good business or product name. This is one of the most important things you’ll do when you're starting your business, especially if it’s a consumer product or online business. You’ll want to come up with a name that is unique, available, memorable, easy to spell, easy to search online, and ideally describes your business or product in some way.

Sometimes a great name will just pop into your head one day. Other times you have to work for it. Creative brainstorming is the best way to come up with a catchy business name. You can do this by yourself or with a few trusted friends or family members. Here’s how.

On a whiteboard or plain piece of paper, start writing down any and all words related to the area of business you plan to go into. For example, if you’re launching a SCUBA diving business, write down: SCUBA, fins, dive, bubbles, fish, shark, waves, coral reef, tank, compressed air, mask, regulator, snorkel, sunshine, boat, captain, and so on. Next, add in geographic names where the business will be located, such as: beach, marina, Santa Monica, pier, wharf, boat, bay, peninsula, Los Angeles, Southern California, Western, Pacific, and so on. When you have a list of the obvious words, start combining them together in pairs. Say the pairs of words out loud. Then start thinking about the reactions you get, what feels good, what feels right, and what's catchy.

This may take some time. If nothing pops, put the project aside for a while and come back to it later or another day. Once you start the brainstorming process your mind will subconsciously continue thinking about the words, and one day the name may just pop into your head.

Another good idea is to search the Internet for both words and images related to your business. It can be very helpful to the brainstorming process to do an image search for “SCUBA diving” and related terms. Images, signs, names, logos, t-shirts, and other visual elements will likely show up in your search results. These can be very helpful in brainstorming.

Coming up with a name can take a few hours, or it could take days, weeks, or sometimes even longer. Don’t rush it. Your business name is critical because that name is your calling card. It's your brand. It’s your baby. In a way it's like naming a child, because most likely whatever name your business launches with will become the name for several years or even decades to come. Plus, if you're going to be behind this business for the next two, five, or ten years, it's very important to have a name that works and that you enjoy.

Let’s talk about Internet domain names for a moment. You may have noticed that many companies are using sort of ‘made up’ names, or names that are based on creative misspellings of common words or combined words. For example: Tumblr, Pinterest, Spotify, Jango, Songza, Vube, Reddit, and Instagram. That’s primarily because almost every normal word or combination of words is no longer available as a URL domain name. Someone else owns it. For example, if you think you are going to find the URL “TheDiveStore.com” or “DiveWorld.com”… good luck. Most obvious word combinations are already registered. So you either have to try to buy the domain from the owner, which can be *very* expensive, or come up with something original.

There is a creative solution this problem. During your company name brainstorming sessions, also consider creative misspellings of common words in your industry. Sometimes you can just change a letter or two and the meaning will be retained. To revisit our SCUBA business example from above, what about “Scooba” or “Skuba” or “DyveMasters” or “DyveTanks.” Add these misspelled words onto your white board, and keep brainstorming.

If you can’t get the exact domain name you want even with creative misspellings, try this tactic. You can add a simple twist to the name by adding a number or phrase behind it. Many companies add simple things like 360 or 365, or the word “My” or “online” or “digital.” So if Scoobah.com is not available, try Scoobah360.com or MyScoobah.com or ScoobahOnline.com. You get the idea. Be creative. And write down these add-ons on your whiteboard for further brainstorming. Sometimes adding or dropping a word from your original name can lead to greater success; remember Facebook started out as TheFacebook.

The last thing you want to happen is that you launch your business, spend money on trademarks and logos and signage, then you learn that the domain is already taken and is for sale for $30,000. To avoid that, all of this company name brainstorming and URL planning should happen simultaneously with your other research, as early as possible, to avoid problems later.

And there’s one more criteria for a good company name. Ideally your company names fits within the parameters of social media handles. Most social media sites have a 15-letter maximum. So keep that in mind because that's going to be very important for the future. All your social media names should be identical, so that people can find your company across multiple platforms including: Facebook, Twitter, Instagram, YouTube, LinkedIn, Google+, Pinterest, and so on. “DyveMasters” fits within Twitter’s 15-letter maximum, but “DyveMastersSkoobah” does not. This will help in your final decision about which company name to select.

Throughout this process, you should be looking for other companies with similar names. You want to be continually doing Internet searches around the prospective names that you’re considering. Search the name, different spellings of the name, and variations of the name that are close or related in some way. Look for other businesses or organizations that sound similar to yours. If there is an existing company or organization with a name that is too similar to your name, then you should find another name. For example, you can't name your business Koka-Kola because it’s too similar and could be confused with Coca-Cola, even though it’s spelled differently.

But how do you know if the two names are too close? Fortunately, there is a helpful rule of thumb regarding similar business and product names. The simple way to determine if your business name or trademark is too close to an existing name or trademark is if a fifth grader can't determine the difference. So if an 11-year-old, a fifth grader, might confuse the two, then the names are too similar. An adult surely can determine the difference between Koka-Kola and Coca-Cola, since one is a soft drink and the other is, let’s say, a t-shirt line. But an 11-year old probably wouldn’t know the difference. Just keep this in mind as a basic guideline.

Also bear in mind that a large existing company will likely have a legal apparatus in place to defend their intellectual property from infringement. Considering that a trademark litigation can cost tens of thousands of dollars, you will want to avoid this at all costs, and simply choose a different name. I’m sure someone, somewhere has come up with the idea of launching a new search engine called Guugle.com, but they quickly realized it would be impossible to out-litigate Google. You get the idea. It’s always better to find a company name that is uniquely yours.

When you have your list of potential names narrowed down to a few of your favorites, or maybe even just one favorite, you need to go to the United States Patent and Trademark Office website (USPTO.gov) and do a basic trademark search. Trademark searches can be complicated and you should consider hiring a trademark lawyer. But the first step is to do a simple search yourself. By following the instructions on the USPTO website you can get a good idea if there are other registered trademarks similar to yours. If there are, you can either find a different name, or consult an attorney for more options.

Even if you see your exact business name on the USPTO website, all is not lost. Trademarks often become inactive or even abandoned due to lack of use, or are invalidated for various reasons. So if it’s a name you really love and you feel you just have to have it, then hiring a trademark lawyer may be necessary. If you decide to hire an attorney, tell him or her about the basic research you have already done at USPTO.gov and what you found. This may save you one or two hours of billing time. And since you’re probably going to be billed at between $200 and $500 an hour, it will save you some money.

My own experience with Trademarks proves that your name does not have to be a totally original and unique creation, like Yelp or Mozilla, in order to get it trademarked. I trademarked the common catchphrase "Who's Your Daddy?" even though people have been saying that phrase casually to their friends for decades. It wasn’t an original creation of mine, but no one had ever applied for a trademark on it. So I did. And now I’ve licensed the phrase for 300 products on five continents, and it’s resulted in millions of dollars in product sales. But I had to work with a lawyer to do it. In fact, I've spent six figures on trademarks over the years.

What’s in a Name?

There’s a good lesson here for anyone naming a company or product, so let me explain why I spent a lot of money to secure multiple international trademarks on “Who’s Your Daddy.” I used to hear my friends say that catchphrase and then watch as people would laugh, smile, be shocked, or have some odd response. But there was always an emotional reaction when someone said it. That caught my attention, because there are very few things that you can say universally in almost any situation to cause people to react strongly, one way or the other. It caused an emotional response, and that has value.

I’ve always believed that people *buy* off of emotion, that most purchases are driven by some sort of emotional *feeling*. No one buys a $10,000 watch because it tells time better than a $100 watch. They buy it because it offers some emotional benefit; maybe it looks cool, or provides status, or prestige, or it will impress your friends, or signal to the world that the owner has worked hard and achieved his goals and his parents are proud of him. Whatever the psychology is behind it, humans make most purchasing decisions emotionally.

So knowing that customers buy based on emotion, I was intrigued when I saw people emotionally reacting to the phrase “Who’s Your Daddy?” My gut instinct told me to act. I immediately wanted to see if we could register the name. Somehow, miraculously, it wasn't trademarked. To this day I'm still shocked because there are pop music songs and movies and TV shows that used it. So when we applied for and received the trademark, our attorney said, "When you guys get big, and you will, you're going to need this trademarked in different countries and you're going to need it for all different product categories.” So it wasn’t cheap, but that’s what we did.

We trademarked “Who’s Your Daddy?” in many different product classes, to protect and own the name in multiple industries and across many verticals. You can't just apply for a general trademark on a name and then expect that trademark to protect your name across the board in all areas of business. Even if you came up with Twitter you still have to trademark everything around Twitter. The US Patent and Trademark Office requires that names and logos be trademarked within certain classes of business. We trademarked “Who’s Your Daddy?” in the apparel class, which includes sweaters, t-shirts, socks, hats, everything that goes with and around clothing, *and* other classes including electronics, printed goods, automotive, broadcasting and media, food service, transportation, and so on.

So you always want to trademark your company or product name in the main category of business that you'll be doing. But don’t necessarily stop there. If you think the name could have wider appeal across multiple industries, then you should consider additional trademark classes. Think of it this way, if you create a really cool and catchy name, other people are going to try to use it in other industries. Especially if you think that some time in the future you may expand your business or product line into other product categories, you should think about locking in those trademarks now.

Let's say you start with a cool name for a hip new waterproof outdoor clothing line. If the business succeeds you may expand into skateboards, surfboards, boats, fishing gear, and waterskis. So ideally you would trademark all those classes early in the process. Now if you don't have the money, you may not be able to do it right away. That’s okay. Just don’t make this common mistake: three years into your new business when you're doing $3 million in sales, you realize you forgot to trademark skateboards and all those other categories. I hate to give disclaimers, but you should at least consult a qualified patent and trademark attorney early in this process. Intellectual property is a complex and ever-changing area of the law, so consult a professional.

Because I was in the licensing business, the trademarks were a key element of my business model. Depending on your industry, and whether you’ll be a global, regional, or only a local enterprise, trademarks could be less important. But if you’re building a brand that you're planning to sell nationally to retail or online, your trademark is critically important.

On the other end of the spectrum, if you’re business is a one-off location, like a small restaurant or pub, you have a little more leeway in how soon you apply for intellectual property protection. But it’s still a good idea. The restaurant Montgomery Inn started as a small, local ribs and chicken joint in Cincinnati, Ohio. But it grew to a regional chain with multiple locations, and then started bottling its famous recipe rib sauce and shipping around the world. Montgomery Inn sauces and products are now available in hundreds of supermarkets. It’s a good thing they trademarked that name in multiple categories.

Even if your company starts out as a small local business, like a neighborhood snow plowing company or a college bagel shop, always think big and plan for expansion. If you think you may franchise your business in the future, you should definitely trademark the name. Back to our food truck example for a moment. If you launch a food truck and your goal is to open seven of them, you should trademark the name. So as a practical matter, there are not many businesses in which you're not going to want to trademark the name. Most businesses have at least the *potential* of licensing, franchising, online sales, ancillary merchandise, and national expansion. You just never know what is going to catch on. The majority of the money we made with "Who's Your Daddy?" was from licensing all over the world.

If I didn't own that trademark on "Who's Your Daddy?" in different countries, I probably wouldn’t be writing this book right now. The trademark was a critical part of my success as an entrepreneur. When I was 18 years old, we got a $9.5 million licensing deal with the Starter Apparel Group because they loved the name “Who’s Your Daddy?” And I owned it. These guys owned Starter and four other brands in the UK. I never would have gotten such a big deal at 18 years old if I didn’t have the foresight and gut instinct to secure that trademark. Prior to the Starter deal, we were in just six department stores in the US and doing maybe a couple million dollars in total sales. We were nowhere near a $9.5 million three-year licensing deal. In that Starter deal we got 8% of the gross sales. It’s no exaggeration to say that a trademark launched my career. Then for years to come I used that Starter licensing income to fund my other ventures and start-ups. So that was one of the most important things I ever did in my life was trademarking the catchphrase.

Assess the Strengths and Weaknesses of the Competition

After you have identified your nearest competition, it’s now time to dig a little deeper into *their* business. What is your competition doing right, and what are they doing wrong? What are their strengths and weaknesses? What is their market strategy, if they even have one.

Now at this point, be careful of a common pitfall. When analyzing the competition, many would-be entrepreneurs view their competitors through an emotional lens, instead of an objective one. Specifically, a lot of people subjectively jump to conclusions and say, "My competition is doing this wrong, and they're doing that wrong." Now that may be true, but it may also be just because you’re subconsciously determined to find fault with your competition. You’re being a hater. Don't be a hater. Don’t be emotional. Look at your competition subjectively and realistically. Chances are if the competition has been successful, they’re doing a pretty good job. To check yourself on this, involve your friends, or your parents, or business advisors. Have someone you trust other than yourself look at the competition as well to see what they like and don't like.

Your goal here is not to find fault with your competition where there is none. Guard against this by understanding that you have different glasses on. You're looking at your competitors in a different light. You *want* to find fault. You don't want to conclude that your competition is ineffectual and doing all these things wrong, when in fact they may be a very formidable competitor that you should not underestimate. If you hear that Starbucks is renting the space next door to your small coffee shop, don't dismiss them saying, "Oh, Starbucks will never succeed in this neighborhood because people here hate big chains and we’re the cool independent coffee shop in town.” You have to really look at your competition pragmatically. Look for what they're doing right *and* wrong, because both things will help you.

When you determine what they're doing right, you should vow to do the same thing, but even better. When you learn what they're doing wrong, that's where you should try to go for the kill. That's where your greatest opportunity lies. In the coffee shop example, if your competitor has a bad customer setup, poor service, and long wait times... you should be overdoing your customer service, striving for the shortest wait times possible, and then market that, make that what you're known for. Then whatever they're doing good, you've got to match it; do it as good or better.

The point of this competition research isn't to make snap judgements like, "Oh, no, there is already a company doing this, so I can't do it." The result you should be striving for is to say, "Let me get a feel for the competition, how good are they, what can I learn from them before I get started, and where do my opportunities lie." Just because there are a zillion yoga studios, it doesn't mean you shouldn't open a yoga studio. But you should know exactly what your differentiating factors are that will help you succeed in a competitive marketplace.

Search for O.P.P. (Other People’s Patents)

If you are starting a business that is based on a new kind of product design or a new technology, it is advisable to make sure there are no similar products in existence or in the works at other companies. Because a patent on a product close to yours can prevent your product from ever reaching the market. One way to do this is to conduct a patent search. I mentioned earlier that anyone can get on the United States Patent and Trademark Office website (USPTO.gov) and search through the *trademark* database. However, searching *patents* is much more complicated, and almost always requires a patent attorney. Depending on how complicated your product design is, a patent search can cost anywhere from $800 to several thousand dollars. A patent search on a simple design for a new toothbrush, for example, would cost less, whereas a patent search for a complicated new chemical process used in refining petroleum would likely cost way more.

The main reason it’s best to have a qualified attorney conduct a patent search is that patent law is complicated, and it’s possible that your new product design might be infringing on existing patents filed in multiple or unrelated industries. For example, if you're coming up with a new design for a hookah tobacco pipe, you may want to patent your proprietary smoke cooling system. So you look up existing patents on hookah pipes and you don’t find any. But what you don’t know is that there may be a similar patent on smoke cooling in an unrelated industry, such as an e-cigarette company or a refrigeration company. A good attorney will be able to find those other patents.

Most patent attorneys are used to meeting with first-time clients who have ideas or prototypes for new products. The good news is that you can usually get a one-hour consultation. The bad news is that it will probably cost about $250. During the consultation, make sure you use that time wisely by being well prepared and having a list of questions already written down.

Also keep in mind that patents take a long time to issue. So after you apply for a patent you’ll have to be patient. But once you get in line, you're in line first. So even if it takes 18 months to get your patent approved, it's okay because you were first in line and no one can jump ahead of you and patent that type of product.

You cannot, however, just trademark or patent something without any intent to use it in commerce. You actually have to be actively working on it. These are some of the finer points of patent law. Fortunately, there is a wealth of information on the Internet about the technicalities of both patents and trademarks. The more you research, the better you’ll be equipped to make the right choices when it comes to your intellectual property. So do your research first, then consult an experienced intellectual property attorney.

The cost of applying for and getting a patent can vary widely, again depending on the complexity of the product or process. On the low end, for a simple product, assume the cost will be somewhere between $800 and $1,200. It is also possible to apply for a patent by yourself, without a lawyer, which can save a lot of money. But of course there are risks associated with this. Do your research, and consult an attorney first. They can advise you on how to apply for a patent on your own.

Personally, I always use an experienced trademark and patent attorney because IP protection is simply too important for me and my businesses. I'd rather pay the extra $500 to $2,500 than risk jeopardizing my entire business down the road because I did something wrong, or I didn't do something basic, or I didn't fill in the form properly. There are some basic, simple things that can trip you up on a patent application. But if you’re a determined do-it-yourselfer, you can certainly go that route.

Estimate How Much Money You’ll Need to Launch

Now that you’re starting to get a clearer picture of your business and how you plan to move forward, you’ll need to get out your calculator or spreadsheet. Different types of businesses require different levels of capital to get started. A rule of thumb that I believe, states that you should do your best to estimate how much money you’ll need to start your business, then double it. That's not a reflection on you or your abilities. It's because of the other people that you'll have to work with, like vendors and suppliers, and city officials and clerks in charge of licensing and permitting, and lawyers and accountants. There are many costs that are unrelated to your business plan and out of your control. Simply put, you're probably going to end up needing more money and more time than you initially estimated.

So if you have $50,000 to cover cash flow and business expenses for the first year, understand and accept that it's probably only going to last six months. When I first started with "Who's Your Daddy?" for example, I put in $44,000 of money that I had saved for college. I was working three jobs in high school, and saving, saving, saving. My mom was also helping as best she could, but despite working hard she didn't have much money. So I had saved $44,000 and I thought it was going to be enough money to last a year or two. Just five weeks later, after one convention and a bunch of samples, and some trademark attorneys fees, we were basically broke.

Luckily we had made a bunch of sales and signed orders for product at the convention, so at least we had some revenue on the horizon. And we had people who wanted to invest in us. But if we didn't have those small successes or if we didn't go to that convention we would have been flat out of money. So when you're figuring out how much start-up capital you’ll need, you have to be ultra-conservative with your numbers, expect the unexpected, and plan for the things you wouldn't normally expect.

If you're opening up a restaurant, you can't just add up the costs of the lease, the kitchen equipment, the furniture, the cash registers, the dishes and the other basics. You have to assume your health inspection will be delayed three months, that your food supplier will raise his prices at the last minute, you’ll have to re-model the bathrooms, and your employee costs will be 50% higher than you planned. Most people don’t plan for hidden expenses.

There are unlimited factors that can come into play and cost you money. For example, you always have to pad for legal expenses, bookkeeping, and medical insurance. And you're always going to need permits, licensing, trademarks, and so on. Plus, whatever business you're in, the government has their hand out and you have to figure out ways to keep them happy; those ways usually cost money. The last thing you want is a problem with the city inspection two days before your grand opening party.

To estimate the amount of money you’ll need to open your business, you can start by doing online research. In the search field, type in your business or industry plus the words “Start-up amount” or “start-up capital.” For example, you might search “food truck start-up capital.” This will give you a ballpark number, such as $125,000 on average to launch a food truck. It’s also a good idea to try to get an advisor with industry experience to be your mentor. Or go to one of the conventions or small business events or networking breakfasts that are offered in your industry. You can learn a lot simply by mixing and mingling with people in the industry. You can also research companies that sell franchises in your industry. Call them up and ask how much the initial investment is.

Cash is King

One truism in the start-up world is that cash is king. Cash is your fuel. It doesn't matter if you have the coolest Ferrari in your town, if there's no gas in it you can't go anywhere. Cash is critical to almost every step in launching your small business. You need it to last as long as possible. The worst thing you can do is underestimate the amount of cash you need, and then run out of funds early.

Estimating costs is actually a pretty straightforward process. Do some research to figure out average costs to start a business in your chosen industry. Then try to find someone who’s been through a similar start-up process and ask for their advice and guidance. Find an accountant or bookkeeper that has similar companies as clients. And then after you list all the categories and add up your total costs, whatever your final result is, add a little bit more because it's going to be more expensive than you think.

Plan for How Much Money It Will Take to Get to the Next Level

After you calculate how much money it’s going to take to *start* your business, keep your spreadsheet program open because there’s another task you should start thinking about at this point: expansion. As soon as you have one successful yoga studio, how much money is it going to take to get your business to the next level? How much will it cost to open four more yoga studios? How much will it cost to expand nationally? Will you ask investors for money to grow, or will you self finance? Are you going to seek venture capital at some point?

Most people don't realize you could open a business and do a million dollars in sales in year one, be very successful, but still be strapped for cash. Just because you succeeded in proving your business model works, you may be growing but not making any money. In any business there is a large amount of overhead that goes along with that million in revenue. You have to pay commissions and salaries to your staff, insurance, rent, product cost, and many more expenses. So it's not likely that you’ll be able to take that million dollars in first year revenue and invest it into opening six more locations. That money is tied up in the business; you can’t take it out. In the early years of your business you’ll be plowing every penny back into the company just to meet current cash flow needs. Any additional growth will probably have to come from outside investment, instead of ongoing operations.

So you have to be thinking from the very beginning, "What if I succeed? What if I need more money to keep up with my success? Then what?" Our biggest problem in the early days of the energy drink company was that one day we got a huge order that took us to the next level practically overnight. It was an order from Costco to supply 42 of their stores with a pallet of product at each store. I remember thinking through the math on that order, “Whoa, a pallet is 80 cases. 80 cases times $16 a case. Oh, my gosh, what are we going to do? That's $1,280 per store. And they want one pallet *per day* and they’re ordering a two-week supply. Wait a minute. That's 14 pallets per store times 42 stores. That’s a huge amount of money!” At the time we were in Albertson's, Ralph's, and some smaller chain stores, but none of them had ordered the sheer volume that Costco just did.

I started doing the math on even bigger orders. "Well, if we have a million dollar order, we need to come up with $500,000 to produce that order." So it's wonderful that we got a million dollar order from Costco, but here's the thing. We didn’t have $500,000 sitting around. So we had to go and get a factoring company to finance us. Factoring is a financial transaction and a type of debt financing in which a business “sells” its accounts receivable to a finance company, called a factor, at a discount. Businesses use factors to meet immediate cash flow needs. Factoring is basically borrowing money at high cost from a financing company based on a firm purchase order from a reputable company. Costco is certainly reputable. And I had the purchase order in my hand. So I could factor that $500,000 order, pay a 3% fee, about $15,000, and the finance company covers our costs with a short-term loan.

That helped us alleviate our headache of "Where do I come up with $500,000 for that million dollar order." But there was another problem. The big retailers don't pay you for 30 to 90 days, depending on the business segment you're in. And there's not a thing you can do about it. You cannot rush Wal-Mart or Ralph's or Costco or any big chain that’s buying your product. You have to play by their rules. The big guys just take 30 to 90 days to pay, and you have to figure out a way to deal with that hit to your cash flow.

And, sadly, some customers don't pay you at all. There were many small boutiques and liquor stores I was in that just never paid us. We tried to put them through credit, which costs a lot. We finally realized it’s a losing battle to go chasing $400 of energy drinks out of a local liquor store in Utah. We just gave up on getting paid by many of them. And that was another hit to our cash flow. The point is, you have to start thinking in advance about financing your growth.

So pretty soon we got another million-dollar order from Costco. We came up with $500,000 from a factoring company so we could afford to produce the product. And they're not going to pay us for 60 days. So now we have to come up with another $1.5 million to produce the next order. How the heck are we going to do that? We've still got to pay on the first order. You can't tell Costco no. This is your dream, this is your moment. You have to find a way. I'm just using this as a dramatic example. The same exact thing can happen if you're a small surfboard maker, or a t-shirt company and you get a $50,000 order. How do you come up with $25,000? Same concept. The answer is, you have to plan for it; you have to think well in advance about how you’re going to finance your success and take your business to the next level.

If you don’t have a plan, your success could actually cause your failure. You have to spend time in planning and preparation for future growth. Thankfully, we had predicted this problem in advance, so when it happened we already had a finance company lined up that was willing to factor us. If we hadn’t planned for this and we were caught off guard, we would have had to beg and borrow money from our friends and family, or told Costco we can’t do it. Because we planned for it, in a two-week period we literally went from a one million dollar order to nearly a $4 million order.

Find a Lawyer and an Accountant

As a business owner, one of the key members of your team will be your attorney. A good lawyer on whom you can depend and who is going to be loyal to you is a tremendously valuable asset. So let's talk about why you need a good lawyer, and *how* you should do it.

First off, not every type of contract or paperwork requires a lawyer. There are many do-it-yourself legal websites, such as Legal Zoom, to help you with routine paperwork and simple contracts. I’ve used Legal Zoom many times. It works great for straightforward, easy to understand contracts. But not everything is simple and straightforward. The decision as to when to bring in a lawyer is fairly easy to make, because usually it’s pretty obvious when you’re in over your head and need professional legal advice. As a general rule, if you don’t fully understand what’s contained in the contract then you should have a lawyer look it over. If you can afford it, it’s always better to be safe and have a lawyer advise you.

There are three strategies that I recommend for finding a good lawyer. First, and perhaps the best way, is to ask for referrals. Talk to business people you know, talk to friends who are lawyers, and especially talk to anyone who owns their own company. All you need is one recommendation. Then call up that lawyer, tell them who referred you, and explain what you’re looking for. Even if that person is not the right kind of lawyer, he or she can probably refer you to either another lawyer in their law firm, or to a friend from law school or a professional contact. If they tell you they can’t help you, be direct and say, “I could really use your help for a referral, is there anyone you’d recommend?”

The second way you can find a lawyer is to contact the American Bar Association in your state. The ABA has an entire web page that lists tips and FAQs on how to find a lawyer. On their website, AmericanBar.org, they also have a Lawyer Referral Directory that lists local bar associations by state and city. So if you’re looking for a lawyer in, for example, Santa Monica, California, first click on the State of California, then browse for the Bar Association nearest to where you live. In this case, there is a Santa Monica Bar Association which has it’s own web page and contact information. The ABA makes it pretty easy.

And the third way to find a lawyer is to use one of the online referral sites. There are many of these, including: Lawyers.com, LegalMatch.com, BestLawyers.com, FindLaw.com, and even ConsumerReports.org. Simply go to these websites, enter your zip code, then choose a category from a list of legal areas. The most likely legal categories you’ll want to start with are Business, Products and Services, and possibly Intellectual Property, depending on your needs and type of business.

Regardless of which method you use to find a lawyer, you’ll eventually set up an introductory phone call with an attorney. So here are some tips. When you call up lawyers for the first time, be prepared with a succinct, clear description of what legal services you think you’ll need, and what your budget is. Some lawyers charge $250 an hour, some charge double or triple that amount. In most cases, there will not be a fee charged for an initial phone consultation. But to be on the safe side, ask if there is a consultation fee before setting up your phone appointment. There is an excellent resource page on the AmericanBar.org website that you should read, it’s titled “How Do I Know if a Lawyer is Right for Me?”

Ultimately, you want to pick a lawyer that you actually feel comfortable with, not necessarily the person who comes recommended as “the best” or the most expensive. You’ll need to feel comfortable with this person on both a professional and a personal level, because your lawyer becomes deeply involved in your business. They will know more about your company than anybody else other than you.

You will also spend a lot of hours with your lawyer, at some time or another depending on your business needs, and you should genuinely like them. When problems arise in your business, you and your lawyer will have to be able to sit there for hours together and really talk through important situations, good, bad, and ugly. This is a more pleasant task if you’re doing it with someone who you’ll enjoy grabbing a beer with afterwards.

Ideally, your lawyer is not somebody who views you simply as a paycheck, and is always billing you every 15 minutes and saying "I charge $500 an hour, so every 15 minutes is $125," and they're looking at every phone call as if it's another 15 minutes of billable time. That'll add up to be very expensive and it also won't feel good. You don't want to be hesitant to call your lawyer. Choose someone with whom you think you can build a personal relationship.

Once you have a lawyer, there are two topics that he will need to advise you on right away: incorporating, and business permits and licenses. Incorporating, licenses, and permits have very different rules and requirements depending on the state, county, and city in which you live. This is why lawyers practice locally and regionally, because the laws vary widely from location to location.

There are always going to be licenses and permits regardless of what business you're starting. Make sure you get them right out of the gate. Unfortunately, these can be expensive… $500 here, $1,000 there. But they're absolutely critical; you do not want the government to be a headache a year from now because you didn't file the proper paperwork and permits for your food truck. I know of businesses that were literally shut down for a month because they didn’t have a simple food handler's license or some paperwork on file with the city. Don’t risk it.

On the other hand, most of the information on permits and business licenses is easy to find online. The city where you are starting your company will certainly have a website with information on the permits and licenses you’ll need to operate there. The city wants your money, so they generally make it pretty easy to file the right paperwork. You should do the research on your own, then discuss it with your lawyer and your advisors.

Incorporating can be tricky, but many entrepreneurs choose to do it themselves anyway to save money. You can use LegalZoom to incorporate your business, but doing it yourself means you’re taking a risk. A good business lawyer who knows the local statutes and requirements will be better able to advise you on the best way to proceed based on your business, and your goals. Especially if your company will have multiple shareholders you will want to consult your attorney.

If you incorporate through your lawyer, it will probably cost between $800 and $1,200. There are also additional fees paid to the state in which you are incorporating. The safest way to make sure you’re in compliance with all state and local laws is to have your lawyer involved.

Open a Business Bank Account

After you file for incorporation and are approved, you will receive a corporation number or tax ID number. Once you have this, your next step is to open a business checking account as soon as possible. This should be kept separate from your personal bank accounts, because deposits into and withdrawals from a corporation account have different legal and tax implications. Keep them separate.

Technically according to most state law, you can’t open a corporate bank account without showing the bank your officially approved incorporation documents and tax ID number. You will eventually receive these in the mail. And your bank will ask to see them. But, in the real world, as a practical matter, you may be able to open your corporate checking account before you receive your incorporation documents in the mail. Most banks will open the account for you with just the tax ID number and a copy or a screenshot of the filing paperwork. This can save you time and get you up and running faster.

Build Your Network

One of the greatest strengths you can have in business is a good professional network. Even if you don’t have one now, you can start working on your network right away. You want to build relationships with investors and advisors, customers and suppliers. This is why I always say the most important thing I have in my career is my network.

Perhaps you’ve heard this saying, “Your network is your net worth.” I believe that's true. The reason I am sought after as an advisor for companies is because of my network of contacts and business associates. One of the companies I advise could say to me, "Hey, I need a trademark lawyer for my t-shirt company. Then I need a manufacturer, and I need to get into Macy's." Within moments, I'll email a guy who is a huge supplier of t-shirts, introduce him to a friend who’s sold apparel to Macy's for the last 14 years, call up my trademark lawyer, and so on. This is possible because I've developed and kept those business relationships for years.

So you have to build a network, and you should be doing this prior to and during every phase of your business. Especially within an industry you're planning on staying in for a while. You have to attend those conventions and conferences. You have to be there because the people you need to meet with, those factoring companies, or those manufacturers, or those screen printers, or the chemists, or designers, are at every single one of these shows. Conventions and conferences are a great place to build up your contacts list. We’ll talk more about conventions a little later.

Find a Business Mentor

One of the most important people in your network is your business mentor. A mentor can guide you and give you suggestions and be a sounding board at all of your major decision points. Their value cannot be overstated. And experienced mentors are easier to find than you might think. In my experience, some of the biggest and most successful entrepreneurs in the world love giving advice to other entrepreneurs. It's really strange. But it’s true.

I think this is because no matter who they are or how successful they’ve become, they all started at the bottom when they launched their first company. For example, every one of the sharks on the television show *Shark Tank* started with nothing, and they respect other entrepreneurs who do the same. It's not like any of the sharks inherited a fortune and now they're just some rich kid faking it on the show and playing with their father’s money. Mark Cuban and Daymond John went through hell and back to get their first businesses off the ground. They spent years begging and borrowing, and working hard until they hit something huge.

So in a way it’s not surprising to me that entrepreneurs of their caliber you can actually reach out to and they might just be willing to give you some advice. There are thousands of business people and entrepreneurs in cities around the world who are willing to advise passionate entrepreneurs who are trying to change the world. There's a mini-Daymond John or a mini-Mark Cuban in almost every city. No matter where you live in the world, there are successful business people and entrepreneurs who are grateful for their own success and are happy to help the next generation of entrepreneurs.

How do you reach these people? All you can do is make the effort. Ask people in your network if they know any successful entrepreneurs, then ask for an email introduction. Chances are good that somebody in your network knows the right person for you to meet. So reach out to potential mentors, reach out to successful business people. The worst-case scenario is they say no. The best-case scenario is that you form a life-long friendship and mentor relationship.

Attend Conventions and Conferences

A great way to meet advisors and potential mentors, and learn about an industry, is to attend annual conventions and conferences. No matter what your industry or business vertical, there is going to be a conference or convention for it. Food trucks, extreme sports, big game hunting, dairy farming, plastics, footwear.. you name it, there is a convention for it.

Conventions are worth your time and money for three reasons. First, you will see the latest trends and technologies in the industry. Second, you’ll learn a lot and be on your way to becoming an expert in your space. And third, you will gain access to meet and socialize with the top people in that world.

Conventions are also full of smaller social gatherings, dinners, cocktail parties, and organized lectures and product demonstrations. All are great places to meet powerful people who can help your career. There are also tons of keynote speakers that lead breakout sessions. You can be in those rooms and then once they're done talking, you're allowed to and encouraged to go up and speak with them. Take full advantage of this.

And once your business has cash flow, you may want to explore renting a booth at your industry’s convention. But if cash is limited, save that idea for later on when you’re more established. For now, attend the convention, meet people, make connections, and network. But stay in a cheap hotel and try to save money wherever you can.

Let’s say, for example, that you’re about to open a new steakhouse restaurant in Chicago and you're looking to hire a chef. If you go to a restaurant convention, you can start meeting dozens of chefs and steakhouse managers. Make it your goal just to collect as many business cards as you can even if you don’t need them at the moment, because six months from now you might. Then reach out to them after the convention, thank them for their keynote lecture, and ask if you can stay in touch. Then when you contact them six months from now they'll have recommendations for you and they'll have friends they can refer to you.

Obviously, if you hear Gordon Ramsey speak on a panel and you get his business card, you're still not going to get Gordon Ramsey to be the chef at your restaurant. But Gordon Ramsey knows hundred of chefs and he could recommend someone. All you have to do is email and say "I'm in Chicago. I have a steakhouse. Could you help me find a chef?" You'll be very surprised at how open people are about helping you out when they know you're trying to add value, build something, and invite others along for the ride.

Validate Your Product

Before you spend a lot of money on developing and manufacturing any new product, you need to validate the product and get feedback on your design. This is an important process, but there’s a way to do it cost effectively. It takes time, but it’s basically common sense. There are simple, concrete, and effective ways to do it.

Essentially, validating your product means conducting informal or formal market research to prove that your product is a good one, and that there is actually a market that will buy your product. The first step is simply talking to potential customers about your product. If your product is a new kind of coffee cup, go to Starbucks and casually strike up a conversation with the customers there. Ask them about their coffee drinking habits. Then show them a picture of your product. Ask them open-ended questions like, “What would you think about a product like this?” Ask them if they’d buy one, and at what price. When you eventually have a working prototype, show it to people and ask for their feedback. Let them touch it and play with it. You could easily talk to a dozen potential customers per day this way. That’s a lot of market data. I recommend doing this type of informal product research throughout the product development cycle and all throughout the launch of your business.

The next step is to organize informal focus groups of potential customers. These focus groups should not be just your friends and family. The first round can be, even the first two rounds; this will give you an opportunity to improve your skills as a focus group moderator. But eventually I'd like you to put together small groups of people you don’t know, so they will be completely honest with you.

How do you get a bunch of strangers in a room? There are many ways. Run an ad on Craig's List and invite 20 people to a restaurant and offer to buy them dinner in exchange for giving feedback on your product. In the ad write something like, "I'm going to provide dinner for everybody, all I need is two hours of your time to try my product and give me your opinion on it, tell me what you love and hate about the product." Or try to invite people to attend your focus group through civic or religious organizations that you belong to, like your Church, book club, local library, or Rotary Club. Attend networking events and breakfasts, then collect business cards and call people up. There are plenty of very basic, creative things you can do to get people in a room.

Social media is another way to invite people to a focus group. If you post an invitation on Facebook and promise refreshments, I guarantee 10 or 15 people will show up and sit in your living room while you cook them spaghetti and meatballs. For the cost of a couple bottles of wine and a cheese plate, they'll gladly sit with you and talk about your product. Try this a few times and pretty soon you’ll get really good at conducing informal focus groups.

You will hear all kinds of feedback and comments in a focus group. So take those comments for what they are worth. You want a wide array of people and opinions. Because if you just have two or three people those people could be haters who criticize everything. Or worse, they could be the Pollyannas who believe the world is made of cotton candy, unicorns, and butterflies and tell you that you’re going to be bigger than Facebook. After you do a few focus groups, you’ll learn to spot the optimists, the pessimists, and everyone in between. As a general rule, pay attention to the ones in the middle. You’re trying to get a feel for how the average customer will react to your product.

When it comes to evaluating the information you collected during a focus group, you will have to trust your gut instinct. And the more focus groups you do, the better you will get at evaluating data, and the more clear the picture will become. If everybody in the room is negative on your product, find out why. Is it the color? The Design? The size? Or do they have no interest in a product like that?

I was once told by a focus group that I have absolutely no chance of success in the energy drink market. They basically all said, "What the hell are you doing? There's Red Bull, Monster, and Rock Star." Well, I knew I was never planning on being the biggest energy drink in the world. I just wanted to the best tasting one. So that’s what I asked my focus groups about. I let them sample those big brands, and then compare them to my energy drink. When they realized mine was the best tasting by far, their opinions changed. That’s a great example of how a focus group can help you. Let them actually try your product if you can, and invite them to compare it to the competition.

So after many focus groups, when I launched my cranberry pineapple flavored energy drink it won Flavor of the Year against 900 other drinks. I wasn’t surprised. I had done my market research. I knew ahead of time I had the best tasting energy drink, hands down. I knew I could attract customers. So I persisted even though everybody told me over and over not to go into the energy drink market because it's too huge and too competitive. They predicted that I was going to get squashed by the big guys. So what happened? We got our energy drink into 55,000 retail stores within a year and a half.

So if that roomful of 10 or 20 people are negative on your product, you do need to listen to them. If you have a wacky product like a new t-shirt with electronic letters that light up and every focus group says it’s awful, you should be listening. But it does not mean that your dreams are squashed just because people are not singing praises. Dig deeper. Ask them why they don’t like it. Maybe all you have to do is change the colors of the light-up letters and then they love it. Whatever the case, information from focus groups can be worth its weight in gold.

Now on the flip side, let’s say everybody in the room loves your product. That's what you want. You're almost always going to have a few haters or negative people in the room, but if the majority of them are in love with your idea throughout multiple focus groups, then you probably have a winner. You should dive in. And those people now become your champions. They will want to know when the product is coming out, where they can get it, and how they can help spread the word. Those are the people who now are singing your praises on social media, online, and to their friends and family. And they may even give you product or market suggestions that you never anticipated. So there are double or triple good things that can happen from talking about your idea to a roomful of 10 or 20 people in a focus group.

Another way to conduct product research is to do it directly on social media. Of course no one can taste an energy drink over Facebook, but they can critique your packaging, slogan, logo, pitch materials, design, product videos, and market strategy. You could also just do a big organized group chat or do a Facebook fan page for your product and just ask people to bluntly and openly talk about your product.

Keep in mind that focus groups and product testing should not just happen in the pre-launch and launch phase of your business. It can be done at any stage. Coca-Cola still does it 90 years later. They still hold focus groups. They still solicit feedback about new products that they're coming out with or new commercials. So don't be shy about asking for customer opinions at any time. People want to give their opinions. The enjoy talking about what they like and don’t like. People want to feel like they’re on the inside of something that’s going to be big.

Create Your Business Plan

Now let’s talk about business plans, both the real world version and the academic Ivy League MBA version. Any business school graduate with an MBA will tell you that your business plan needs to be a formal document of at least 35 pages, include lots of business theory, spreadsheets, graphs, charts, diagrams that go up and to the right, and it should be a beautifully written and professionally edited work of art covering every nuance and every tiny little aspect of your business. Hogwash!

As an experienced entrepreneur and veteran angel investor, I am telling you not to waste your time padding a business plan with useless fluff just because it looks impressive. Experienced investors can see right through that. And any investor who has half a million dollars to invest is going to be way to busy to read 35 pages of fluff. They’ll stop reading after ten pages, if not before.

A real-world business plan should be a brief and straight-to-the-point working document that describes only the key elements of your business, and clearly explains how and why your business will succeed. An effective business plan will drill down and focus in on just a few key things: market size, competition, and what is your unique competitive advantage that will make you stand out from the competition and attract customers. That’s it. And it should be no longer than ten pages. If you can’t explain what’s unique and different about your business in ten pages, then you need to rethink it.

There is a lot of information on the Internet about how to write a business plan, and there are plenty of examples. So do your research, read some sample business plans, and get a basic understanding of the form and function of these documents. But in the end, I want you to distill everything down to ten pages or less. If you want to make it colorful with graphs, charts, and images, that’s fine. But make sure you include the following key elements.

1. Overview of the business, and how it started
2. The market size and how you intend to reach that market
3. The competition and their strengths and weaknesses
4. Your unique competitive advantage which is going to allow you to succeed in a crowded market
5. How you’re going to execute on your vision
6. Who you are and what your background is, and if you have relevant experience
7. How much money you’ve invested in the business and how much additional money you will need, and how it will be spent.

That’s it. That’s what you need to include. Everything else is fluff. So really put some thought into your business plan and make every word count. This document should have maximum impact in the minimum number of words. A huge bonus of spending time researching and writing your business plan is that it forces you to get crystal clear in your mind about the key elements of your business. If you just have sort of a vague understanding of your competitive advantage, writing that section of the business plan will help you clarify and distill your thoughts into a laser focused plan of execution.

As a potential investor, the section I turn to first is how much money they need. That's one of the first things I need to know because I want to see if it's an amount that I am willing and capable of investing. If I'm only looking to invest $100,000 and they're looking for $3 million, I know I’m not the right investor for them. But I also know I still may be able to help them by introducing them to the right people who can invest that much. But either way, the dollar amount is the first thing I look at.

Another important thing I want to know is the story behind the business. How did the entrepreneur come up with this idea? Was it based on a need she observed in her own life? I want to know why they want to do this, why do they love the idea, and why do they think this is the next Airbnb? But remember, you only have ten pages. So I don't want to hear the half-hour version of the story. I just want to know why you came up with this business concept, how you're going to execute it, who's going to help you, and how much money you think you’ll need?

One of the common mistakes I see entrepreneurs make in a business plan is not being realistic in terms of their funding goals. When describing how much money it will take to execute your vision, it doesn’t do you any good to high-ball your potential investors. You have to realistically believe you can actually get that kind of money. For example, if you live in rural Minnesota and you have an idea to start the next Uber for farmers, but you need to raise $15 million, ask yourself if that is realistic based on your business plan, experience, and contacts. Do you have a network that can realistically help you raise $15 million? You have to be honest with yourself, with your potential investors, and with your network. If you have an idea for a new medical device that will require $180 million to get off the ground, you’re going to be playing in a completely different league.

I don't mind shooting for the stars, but you also have to be realistic. It has to be something that's achievable. If you way over-value your potential market or potential revenue and ask for too much money you will look like an amateur. That can hurt you. Just because a friend of a friend of yours knows a venture capitalist whom they met in a bar 12 years ago in Silicon Valley doesn't meant that person's going to go wire you $10 million for your new idea. So before you spend too much time on a complicated product that can’t launch without millions and millions of dollars in funding, ask yourself if you can legitimately raise that much money. And if you can, keep in mind that you will have to give up a big chunk of your company in order to do it.

So during the planning phase and while writing your business plan, always be assessing what you can and cannot realistically accomplish. Having lofty goals is a good thing. I love entrepreneurs who think big. But you still have to be able to execute on those goals. Your investors will demand it.

Build a following before you launch

After you’ve decided that you’re definitely going forward with your business idea, start building a following *before* you launch the business. Let’s use the example of starting a grilled cheese food truck business. You should start building a mailing list and Twitter followers and a Facebook page for the business before the food truck is even operational. So literally the day you put down a deposit on the food truck, the day you commit, that’s the day you start building a following. If it will take another 30 to 60 days before the truck is up and running and all the permits are approved, that’s one or two months that you can be building awareness and gaining an audience. Most entrepreneurs make the mistake of waiting until the business is actually open and operational before attempting to build a following.

One of the best bootstrap (i.e. free) tools for building a following is social media. For little or no money you can create a lot of buzz with Twitter, Facebook, Pinterest, Instragram, Tumblr, Google+, and YouTube. Social media is a powerful way to exponentially spread the word about your business. Think of it this way, your friends have an average of 333 friends on Facebook, and they usually have Twitter and Instagram accounts, too. So if you have a few hundred friends, you can probably reach several thousand people, and possibly many more. Ask your friends to share your posts on Facebook and to retweet. Use as much free social media as you can to build up the hype and buzz about your business.

There are unlimited creative ways to use social media to get potential customers attached to your brand ahead of time. For example, come up with three different logo concepts for your business and put them on Facebook and ask people to vote on their favorite. Keep track of everyone who votes, they may be potential customers. Or use social media to ask people to suggest locations where the food truck should go. Or run a contest asking people for menu suggestions, and tell them you’ll put their name on the menu item if you use their suggestion. Or enter food and cooking contests with recipes that you plan to sell on your food truck; then if you win an award, you can blast that news out to all of your followers. If you win a contest you can call your food truck “award winning” from now on. You can even pre-sell products or pre-sell reservations, or just get peope registered on your mailing list. Mailing lists are great because collecting that data is important to your future growth.

This pre-launch promotion is a valuable way to spend your time because engaging with potential customers and asking for their opinion makes them passionate about your product. It makes them feel like they're a part of your brand. I’ve had customers write me long emails about my products and how I should change them. If those customers weren’t passionate about my product, they wouldn’t spend the time. And it’s often the people who engage with you the most who become your loyal customers.

There is another huge advantage to this strategy of building a following before you launch. It provides free market research! Few start-ups have a budget for market research in the pre-launch period, so this is a way to bootstrap it. As you are building your mailing list, promoting your Facebook page, doing online contests and surveys, tweeting, and asking people to vote online, you can also use this time to *learn* about your customers. What kind of a product do they want? What do they like about food trucks? What do they *not* like about food trucks? How important is price, cleanliness, location? Do they want to pay with a credit card or with a cell phone? Do they want dessert? As you are communicating with your potential customers to build your following, all kinds of market research data can be collected which you then use to inform your product decisions.

This bootstrap market research will help you understand your customers better and then build the best product for them. In the world of start-ups there is a concept that entrepreneurs hear all the time. Build something great. Essentially, this means build a product that your customers love. A product to which they will become loyal. That they will drive across town to get. The best way to do this is to really understand who your customers are and what they want. Pre-launch market research will give you a tremendous headstart at this.

Market research is not the only thing you can bootstrap with little or no budget during the pre-launch period. You can also do product testing. You don’t need to have your retail space open or your food truck operational in order to test your products. If your idea is a food truck that sells grilled cheese sandwiches, you can make different kinds of grilled cheese at your house and have friends over for a taste testing. If your idea is a new type of nail polish, invite your friends over to your house and have them test it. Then follow up several days later for feedback. There are a lot of things you can do to test your product that don’t cost much money, and don’t require your business to be open.

So take advantage of as many of these free things as you can. Questions and surveys are great. And getting people signed up for your email newsletter is important no matter what your product is. Get their email addresses or get them logged in to your website so you have their contact information and you can keep them updated. But do not spam them; just send them an email once a month and only when you have really relevant content to share. Give them an update of what's going on with the business, what you're doing, when you're going to launch, where they can find you, and when your grand opening is. Invite them to your grand opening party. Invite them to your VIP friends and family party. Since they are your earliest customers, treat them like gold. Offer them coupons and specials. Tell them about new products before everyone else. When you get people involved in your brand you’ll be so shocked at how much they will want to share it for you.

Chapter 2: Warnings

Now since you have boldly started down the path of entrepreneurship, you need to know about some of the pitfalls that may await you. So let’s talk about some common mistakes that entrepreneurs make. This chapter is all about warnings. And since I’ve made most of these mistakes myself, I know how they happen and how to avoid them.

But don’t be afraid of making mistakes. Everybody screws up. The key is to avoid the ones you can, and learn from the ones you can’t.

Don’t Buy Yourself a Job

The first mistake to avoid as an entrepreneur is called buying yourself a job. You do not want to do this. Buying yourself a job means you're investing your time, money, and energy to launch a new business that will still require you to do all the actual work, instead of managing and growing the business. This is setting yourself up to work way too many hours, without all the benefits of being the owner of the company.

Let’s say you work for a commercial janitorial company doing all the cleaning at a small office building. You decide to quit working for someone else and start your own commercial cleaning business. But after investing all of your savings, buying all the supplies, equipment, and a truck, it turns out that *you* are still doing all the actual cleaning. You have spent a lot of money to buy yourself a job. Your goal from the start should be to hire other people to do the cleaning while you concentrate on managing and growing the business. Once you have ten clients and 20 employees, you have no longer just bought yourself a job, you are now on your way to being an entrepreneur.

At one point in my career I bought myself a job. For some deeply personal reasons, I started a high-end jewelry store at the Hard Rock Hotel in downtown San Diego. Right away I put up a bunch of money. I found an 8,000 square foot gorgeous space and built out the store. I hired the best jeweler and the best sales staff, and even hired my mom and my girlfriend. I brought employees in to work as salespeople at this store, but I didn't hire a manager to run it. I had to manage the place by myself. We did millions in sales. But unfortunately, I found myself working long, long hours. I didn’t have time for anything else. I had bought myself a job.

If you lock yourself into a business that requires you to work long hours because you’re the one who has to do all the work, you have bought yourself a job. If you start a plumbing business and you're going to do all the plumbing yourself 12 hours a day every day... you have bought yourself a job. The only time this makes sense is if you are truly passionate about your work and you genuinely love doing it all day long. Some people love woodworking, or glass blowing, or restoring old wooden boats. That’s what they love to spend their time doing. If they want to invest their money to start a business that allows them to do that all day, good for them. But running the retail jewelry store was not my passion.

Make Sure It’s Scalable

This leads us to a discussion of scalability. One of the goals of every business should be growth. In order to grow a small business into a huge business, it must be scalable. In other words, you have to be able to hire employees to do the work just as well as you can. You want to make sure that you're replaceable, so that you are able to spend your time working on managing and growing the business instead of doing the actual day to day work.

Here’s an example of a business that is not scalable. A world-class organ transplant surgeon is very well compensated, but his income is not scalable. Patients are only willing to pay his high fees if *he* is the one actually doing the surgery. He can’t charge his full fee then hire a less talented surgeon to do the surgery while he’s drinking daiquiris on the beach in Maui. And he certainly can’t charge his full fee to 100 different transplant patients who are having surgery all at the same time in different hospitals around the country. His income is limited because he himself must perform each surgery, and one man can only perform a certain number of transplant surgeries per year.

Now compare that business model to a medical device manufacturing company. Once the owner of that company has a patented product to sell to surgeons, he can hire 500 sales reps to sell the product to 5,000 hospitals all over the country. The owner can concentrate on managing the business, developing new products, and growing the company. That is a scalable business model.

So before you commit yourself to any business, you want to make sure that it has the ability to scale and grow regardless of the amount of time you yourself are spending on it. If you start a business that is not scalable your potential growth will be severely limited.

Partner Carefully

Another common mistake in start-ups is choosing the wrong partner or co-founder. Think of it like this, the person that you're going to partner with will become like your husband or wife. You will literally spend more hours with them than with your spouse. So it always makes me chuckle ironically when entrepreneurs will spend years and years going on thousands of dates to find the ideal spouse, but then they’ll partner in a new business venture with some guy they met in a bar and had lunch with twice. Don’t do this!

You’re very selective in whom you marry, so you should be the same way in choosing your business partner. I tend to look for people who are hardworking and smart and I can gel with. Because if we're going to start a company together, there are going to be many long nights and early mornings and we’ll be traveling together. So I always ask, "Do I want to be in a hotel room with this person in three months?" Above all, I want to like them.

There are plenty of articles online that discuss the subtle qualities and talents you should look for in a partner or co-founder. But based on my experience, one characteristic is most important. You're looking for people who aren't lazy. You need people that have time on their hands and are willing to spend that time working hard on the start-up. Start-ups take a lot of time and energy up front before you ever make a penny. And then when you succeed, they take even more time. I have seen too many instances when an entrepreneur wants to partner with some pretty girl, or with somebody who has a full time job and four kids. I'm not saying that a person with four kids is lazy, but they're busy and probably won’t have much time to invest in a start-up.

I have also found that start-ups work best when both partners have some sort of side income. This is a catch-22. A partner with a full-time job will have less time to spend on the start-up, and will not be flexible time wise when it comes to attending meetings and putting in long hours. But he will at least have an income. There is nothing worse than a partner who is broke and stressed about money. The ideal situation would be a co-founder who does consulting a few days a week to pay the bills, and spends the rest of his time on the start-up.

If you have two, or three, or four partners, things become even more complicated. Ideally each of the multiple partners will have strengths that are complimentary to the others. By the way, never have more than four if you can help it. And not everybody has to be a full partner. Just because you're at a frat house and you had some idea with a couple of your beer buddies, that doesn't mean every member of the frat house has to be a partner in the business. And not everybody needs to have an equal share, either. Percentage of ownership should be merit-based.

You should determine what ownership percentage each equity partner has based on how much value each person brings to the business. So if one person has all the money to finance the company, that’s a tremendously important element and should lead to a full partner share. If someone else does not have money but they had the genius business idea that lead to the company in the first place, that too is tremendously important. Another partner may be the one who’s going to do all the actual work. These are all important elements of the company.

On the other hand, if there's one guy who’s just a friend of the founders and hangs around the office a lot trying to bum a free lunch, he does not deserve 25% of your company. So determining what those percentages are is a little tough at the beginning because you're deciding based on expected future contributions. If the expected contributions aren't clear then you have to determine in writing who is expected to do what. Usually the person who came up with the main idea, the person who has the responsibility to execute, and the person who has the money are all going to have an equal share, or they're going to have one of the biggest shares. You should also have some room in your equity to be able to attract other talented employees in the future by offering them a small equity stake.

Get It in Writing

It's very important to have all this in writing and legally agreed upon. It doesn’t matter if it's your brother and sister or your wife, or a girlfriend. It doesn't matter whom you started the company with. Ownership, decision making, financial control, investment, compensation, responsibilities, expectations and many other variables must all be agreed upon and put in writing at the outset. It doesn't have to be some long, drawn out, $2,000 legal document. It just needs to be clearly written down and drafted up and signed by all parties and dated.

This simple document will prevent costly legal battles later. At some point in most business relationships, whether it's six months down the line or six years down the line, something is going to change. Somebody's going to think they deserve more ownership, or that someone else deserves less ownership, or one of the partners is not pulling his weight, or whatever. These types of disagreements among partners are common. A written document among the founders won’t prevent those types of uncomfortable situations. But at least if everything is clearly defined in writing, and signed by all parties, then these discussions and outcomes will be far easier to manage.

Disagreements among founders are usually triggered by an event. For example, when you start raising venture capital money, or there’s a lawsuit, or something big happens like an acquisition, that's when this stuff comes up. Unfortunately, it’s usually in major failure or in major success, that's when people change. And during those conflicts, similar to a marriage pre-nup, having everything in writing and agreed upon is critical. Because, sadly, when there’s big money on the table, those business partners that you were with for years and went through everything with are now thinking only about themselves. It happens.

Here’s the best way to put it. Years down the line, after the company is well established, something significant is going to happen, either good or bad, and it will lead to strife. I'm not trying to be a pessimist. I'm just saying at some point something is going to happen that will test the bonds of partnership. A detailed, specific, document as described above will go a long way to making sure any situation is resolved fairly and expeditiously, with minimal harm to the business.

Don’t Waste Money on Swag

Many new business owners are proud of their start-up, and they should be. It’s taken a lot of work to get here. But I strongly advise entrepreneurs to resist the temptation to waste money on swag and silly trinkets in the early days. The common mindset is, "I'm a business owner. I want everyone to know about my company. I should hand out t-shirts."

I know you’ve worked hard on your start-up, but let me be frank. As much as you love your brand and your company name and your new product, no one else cares about a t-shirt with your company logo on it. They'll accept it just to be polite. And they might even wear it once to show you that they wore it. But then it's going to be the shirt that they sleep in or the rag they wipe the table with. So don’t waste your money. Feel free to make a little bit of swag for yourself, your mom, your friends, and your co-founders, but keep it to a dozen or two dozen units. It should cost no more than a couple hundred dollars. Definitely do not spend thousands of dollars on buttons and key chains that you plan to hand out to everybody at the next convention. I promise they don't want your key chain. And they don't care about your t-shirt.

Don’t get me wrong, people might love your products. Everybody loves Beats headphones. But how many times have you seen people wearing a Beats t-shirt? For that matter, have you ever seen anybody wearing a Facebook t-shirt? I love Yoplait yogurt, but I don't wear strawberry yogurt t-shirts. Same goes for notepads, sticky notes, pens, magnets, ball caps, USB drives, and shoulder bags. Save your money.

Do ***Not*** Be Profitable In Year One

You read that right. This idea may sound a little odd to most people, so let me explain. When I say that your start-up should not be profitable in its first year, I mean that you should be investing all your money back into the business. So even if you score a big sale or sign up a huge customer, any revenues that come in to the company should stay in the company.

I do want entrepreneurs to be able to live, but I want them to live frugally off a couple thousand dollars a month. I want them to barely be able to pay their bills. I want them to *survive*. Mark Cuban frequently talks about this on *Shark Tank*. He says, "I want the founders of companies that I invest in to eat cup-o-noodles." He wants that because then he knows they're starving for success. So if your business is succeeding and you are actually making money you should be reinvesting it back into the business. If you are profitable, even if you're profitable by one dollar, every single penny should go back into building the business.

So if you launch that food truck and you do $188,000 in sales your first year when you predicted you were only going to do $140,000, you now have an extra $48,000. That means your idea worked. You proved your business concept. Yes, you can celebrate… for one night. But that does *not* mean you should put $48,000 in your bank account and go buy some shoes. You should be thinking about ways to use that money to expand the business. In one more year you'll have enough money to launch a second truck, or to go borrow money, or get investors. Forget about taking a payday. Use that money as fuel to build the company.

In year one, any profits should be reinvested completely into the company. Maybe it buys more advertising and marketing, hires more staff, or brings in a manager to help you expand, or lawyers to help license and franchise your business. Do more of what you're doing right. All those things can help your company grow.

In contrast, if you pocketed that $48,000 it might be fun to spend at the mall, but it is not going to change your life. If you invest in expanding your business and opening new locations, pretty soon you might be able to make $480,000 a year in net profit. Now *that* could change your life.

It’s worth delaying that gratification. Once you start succeeding and become a profitable company, watch how quickly things change for the better. People will want to invest in you. They’ll want meetings with you. The banks will want to loan you money. Your friends will want to be a part of it. It’s an absolute blast. But to get there, you have to expand on what you're doing right, and invest every single penny back into your business. Don't worry about buying shoes.

Don’t Spend it All in One Place

When you reinvest profits back into your company, be careful how you spend that money. Company cars and catered lunches are wasteful. But marketing is a usually a sensible expense. If your food truck is making that extra $48,000 this year, imagine what would happen if you spent an additional $48,000 on marketing for the coming year.

One of the common mistakes I see is when people blow all their marketing dollars on one thing, like a full-page ad in a single publication, or on a billboard. A far better plan is to find out what's been working the best so far and spend more on that. Ideally, you want to mix it up so if one thing stops working or if your Facebook ad isn't working any more, you have marketing dollars left over to try something else. Even if Twitter and paying influencers to post about you is still working well, that doesn't mean you shouldn't also do a local ad buy or a radio spot promoting your business. Strive for a marketing *mix*. Don’t spend it all in one place.

Chapter 3: Securing Money for Your Start-up

Now that you’ve done your research and thought through the strategic plan for your business start-up, let’s discuss one of the most important topics in any new business… initial capital and ongoing funding. Every new business requires money to get started. And some require a lot more than others. There are five options for financing your business start-up. Let’s examine each one.

Use Your Own Money

The first option is to simply use your own money. There are two key advantages to using your own money in your start-up. The first is that since it’s your money you get to call all the shots. No one is going to tell you what you can and cannot do with your own money. This puts you firmly in control, and allows you to make decisions quicker and be more nimble. When you take other people’s money you often have to seek their approval and justify how you plan to spend it.

The second advantage of self-financing is that you retain more ownership of your own company. When you start using other people’s money you usually have to give them equity. This can add up over time. By the time many well-known start-up companies accepted seed money, a series A round, and a series B round, the original founders owned less than 30% of their own company. If you use your own money you’ll own the whole company.

Self-financing has some important advantages, but there are other things to consider that you may not have thought about. First, when using your own money you need to understand and accept that you probably don't have enough. If you are not a millionaire and you are not an accredited investor, just realize that your current savings will likely not be sufficient to fund the business. Whether your company is big or small, remember what I said earlier, it takes double the money and double the time. This is because vendors, suppliers, contractors, brokers, and all the other people you work with usually end up taking longer than you expect and costing more than you budgeted. Same goes for lawyers, permits, city officials, and hundreds of other expenses that are out of your control. Starting a business simply takes longer and costs more than most entrepreneurs expect. So keep this in mind if you plan to use your own money.

It's also good to have a consistent job or side income until you are ready to work at your start-up full time, or until your start-up is profitable and generating cash. Ideally you will have a secondary income source that you can work at part time. Whatever your skill set is, learn to be an expert in that field and try to develop some kind of consulting gigs or speaking fees or whatever you can to have some kind of income source to cover your bills while you’re working on your start-up. I don't care if you are babysitting or painting houses, do whatever you have to do on the side in order to have a consistent secondary income. This is so you will always have cash coming in, which is the fuel of your business.

You don't ever want to put yourself in a really bad spot where you can't afford next month's rent or next month's overhead for your company. Either one of those can cripple you mentally, emotionally, financially and physically. So if you put up your own money to get started, make sure you don’t put everything you own on the line. I hate hearing those sob stories on *Shark Tank*, where the family is going to lose their house next month if they don't get funding. You don't want to be in that place. That means they just had bad planning.

Friends and Family

The second option for funding your start-up is money from friends and family. Millions of businesses have been funded this way, and it’s a viable, socially acceptable way to finance your start-up. But a word of caution here, you want to be very careful about taking money from friends and family. These are people you love and care about, so you don’t want to let them down. Plus, you have to see them for the rest of your life. So if you lose their money it’s going to make family gatherings really awkward.

If your start-up fails but your family knows that you made a valiant effort and put everything into it, they will be slightly less upset. But regardless, if you lose their money there will be tension and stress. Even if they are gracious enough to never bring it up, you just know they are still thinking about the food truck or the nail salon you failed at three years prior. This is not a position you want to be in, and in my opinion, it should be avoided if at all possible.

You’ll want to be picky about which friends and family you take money from. You don't want to put anyone in a bad spot by accepting money from someone who really can’t afford to part with it. I have seen plenty of times when people took a large sum of money from their retired grandmother, only to find out later that’s all she had to live on. In other words, don't take money from anyone who can't afford to invest in you. Generally, your friends and family are not going to be experienced, accredited investors, so you don't want to take a huge chunk of cash from any single one of them. And never let a friend of family member go into debt, apply for a home equity loan, or take a cash advance on a credit card in order to fund your business. Only take money from someone who is well-to-do and who can afford to lose it all.

Having said all that, I don't want to scare people too much. Because I actually believe friends and family are your best route to funding in the early stages. This is because professional investors usually are not going to fund the very early beginnings of a start-up, especially your first three to six months in business. So at this stage it’s usually going to be you funding yourself, or your friends and family emptying their piggy banks. Strategic investors typically don’t enter the picture until you have either shown some significant market traction, or proven your business model with revenue, or built out something like a product prototype or a working software program.

When pitching friends and family on investing in your business, you need to approach them the same way you would approach a professional accredited investor. You should give them the same respect and show them the hard work you’ve put into your business plan. Discuss with them your market strategy, where your location is going to be, or what website you are going to launch, or the key details of whatever your business is. It will make them feel better and it will make them respect you more. It will also increase the likelihood of getting the money you need.

If your friends and relatives agree to fund you, be well prepared before you take their money and really know what you are going to spend it on. Don't just take somebody's $25,000 or $50,000 to build your dream and then waste it all on one TV ad in Milwaukee, or on a booth at the bowling convention, or on something else you don't need. Friends and family *do* want to give you money because they want to see you succeed and achieve your dreams. They want to have that story to tell their friends. So having friends and family invest in your start-up really can be a fun experience, just make sure that it's done properly, with due respect, the same way you would pitch any other investor.

Kickstarter and Crowdfunding

This method of raising money started in the shadows just a few years ago, but is now so mainstream that even major corporations and A-list celebrities are using it. Actor Zach Braff raised more than $3 million on Kickstarter for his independent film *Wish I Was Here*. Thanks in part to headline-making projects like that, crowdfunding campaigns are getting more and more popular. So now there are a several competitors popping up to rival Kickstarter, which is great for everybody. At the time of this writing, I still prefer to use Kickstarter or Indiegogo, but if you go the crowdfunding route make sure you research all the options.

Here’s how it works. You set up a page on the Kickstarter site which describes your product and how much money you are trying to raise. Then you promote your Kickstarter page to everyone you know. As people visit your page, if they like your idea they can pledge a certain amount of money. If you reach your fundraising goal within a certain period of time, then you get the money. If you fail to reach your goal, you get nothing. So the way it’s designed you’re never in an awkward position of having to refund everyone’s money. If you fail to reach your goal, everyone who supported you will automatically get their money back on their credit card.

The number one rule for starting a crowdfunding campaign is to make sure you are fully prepared and *ready to launch* before your campaign begins. Don’t put your business idea out on Kickstarter prematurely. Make a really good video, create a compelling story, craft a solid pitch, and be prepared to talk to the media right when you go live.

Your goal is to attract as much media attention and publicity as possible, because this may lead to your getting more money than you asked for. Not a bad problem to have. Some of these products get way more funding than the original goal, primarily because the word spreads and when that happens you can become a featured profile on the site. Then people want to share your page more and you’ll get more traffic. So the better you make your pitch look the more chance of success you have. Think of your crowdfunding page as a tool for pitching serious investors. If you do this right, and you pre-sell enough products to meet your fundraising goal, you now have something even more valuable than money… you have proof of concept.

Let’s say you are coming out with a new type of phone charger. If you sell 1,400 units on Kickstarter and get your idea funded, you have sales *and* you have credibility. Now you can tell retailers and investors, "We sold 1,400 units in 20 days on Kickstarter." That's proof of concept because 1,400 units clearly is not just you getting your friends and family to buy one. Most of those 1,400 people are strangers or friends of friends that you don't know personally and whom you’ve never met. But they were willing to actually hand you $40 for your product. This will let investors and retailers know that your product is already succeeding in the marketplace.

Here’s a real-life example. I consult for a company call Hyperice, and they did a Kickstarter campaign for their new fitness product. The company has been around for years, but they launched a new product called Vyper. They recently finished their Kickstarter campaign and raised a quarter million dollars in a month, all from real sales. Their goal was $100,000 but they made a quarter million. That’s significant revenue, positive cash flow, and tremendous credibility. A key part of their crowdfunding pitch was their product video. It was professional looking and very effective. You should check it out, just search online for “Hyperice Vyper.”

Kickstarter is not just a great tool for funding and establishing proof of concept, it's a really great tool for market research. Through a crowdfunding campaing you will get to hear what people like and don’t like about your product. And you’ll find out what price people are willing to actually pay for it. Plus, the customers who support you during your crowdfunding campaign are passionate customers who are likely to stick around for years. They feel like they are part of your company because they were early adopters of your product.

Crowdfunding tends to work well for physical products, and for anything that can give something back to the people. If someone actually wants to use the product that you’ve designed, they’re often willing to pay up-front for an item that will be manufactured and delivered at a later date. So new consumer products that solve a problem or fill a need usually work best.

Films and music can also do well. If you have enough friends who want to get behind your movie or your new album, and they’re willing to spread the word, go for it. Art products and tech gadgets of all kinds also tend to have success.

Unfortunately, crowdfunding does not work quite as well for an online retail store or online businesses or apps. And highly localized businesses, like a corner bakery in Ovid, New York, have a harder time because only people who live in that neighborhood will benefit. But the crowdfunding marketplace is changing rapidly, so this may be different in the future.

Regardless of the type of business you’re launching, crowdfunding is something you should definitely consider. I tell young entrepreneurs that it’s like a free roll. Nothing bad will happen if you don't reach your goal; you just won’t raise any money. But if it works, it works. If it doesn't work, there is no harm, no foul. Even if you do not reach your funding goal, it’s a great excuse to do a ton of free marketing and get in front of a lot of people to raise awareness for your product. Since there is very little downside to crowdfunding, I say go for it.

Government Grants

Is there anything better in the world than free money? Well guess what? It’s out there and it may be available to you and your business. Government grants are incredible, because all it takes to apply for one is time and energy. There is little or no cost. Unfortunately, dealing with the government can be quite time consuming. But just like crowdfunding, government grants are a free roll. If it works, great! If it doesn't nothing bad happens; you’ve just lost a little time and effort. So why not spend an extra hour or two each week filling out different government grant applications. Or have your mom or girlfriend or an intern help you. It could pay off big.

The government has thousands of different agencies and departments, many of which offer grant money to small businesses, depending on your industry. And it’s not just federal, state, and local governments; there are many non-government organizations, non-profits, and think tanks that give away money every year. Some of them give away tens of millions or hundreds of millions of dollars each year. If you don't apply, they are just going to give the money to somebody else.

Most government grants are funded by federal, state, and local tax dollars. So the government demands strict compliance and reporting to make sure the money is spent according to the grant issuer’s requirements. This creates a lot of paperwork. But if you get a $50,000 grant to fund your solar panel company, it’s worth it.

Grant money is typically more readily available for some industries than others. Industries that often qualify for grant money include child care centers, job training and education programs, clean energy, transportation technology, tourism, national security, and others. Government grant money tends to favor industries that will help the general public and the economy. There are also grant categories for minority owned businesses, women owned businesses, and so on.

Keep in mind that all grants are not necessarily free money for your business. They often require the recipient to match funds, or even to combine grant money with other forms of financing like commercial loans or lines of credit. For more information on small business grants, check out the US Small Business Administration at SBA.gov. You can also search through a database of existing grant opportunities at Grants.gov.

I know I must sound like that commercial you see on late night cable TV with the guy covered in green question marks all over his costume, but trust me, grant money is a viable option for many small businesses. There are grants available of all shapes and sizes so you should just go for it. As an entrepreneur you have to be creative and take full advantage of the resources that are available to you. Grant money is just another possible option, another route to get you closer to your dreams.

Accredited Investors

Seeking funding from accredited investors is something you will most likely do at some stage in your career, possibly sooner than you think, so you should understand how it works. But first, what is an “accredited investor?” This is a term used in the federal securities laws of the United States (and other countries) that refers to professional, institutional, or individual investors with a high net worth and extensive investing experience. In other words, a bunch of rich business people who are professional investors and understand the risks and rewards of funding small businesses.

Daymond John, Mark Cuban, and the other sharks on *Shark Tank* are extreme examples of accredited investors. If you watch the show, you can see how they decide to invest, and how they help businesses get to the next level. Accredited investors all over the country do much the same thing, except without the cameras and lights.

First, they have money. Second, they have the know-how and experience to advise you on your business. And third, they have the relationships and the network. It's important to get those types of investors. They can change the whole scope of your business. And when you have one accredited investor, it’s much easier to get more investors. If you have Daymond John investing in your clothing company you can now get any other investor you want because they feel comfortable since Daymond John is a part of it, whether he's an advisor or an investor.

The reason you want accredited investors is not just for their money. You want their relationships, their experience, and their expertise. You have probably noticed that when entrepreneurs pitch to the sharks on *Shark Tank*, they offer the sharks a significant discount because they want more than money; they want the sharks’ help and their connections. Daymond John has the network, and he has the experience. He can call his friends who run J. C. Penney. He can call his friends who run Macy's. Or he can call his friends that own manufacturing plants. He can pretty much call anybody and get a meeting. For the average entrepreneur to build a similar relationship could take years. And getting that high-level meeting could take you six months. But accredited investors can make things happen fast.

As your business begins to grow and you become successful, word of your company’s success is going to spread. Soon you are going to be introduced to accredited investors who may want to finance your future growth. These introductions often happen through your lawyer, accountant, a college buddy, vendors and suppliers, your banker, or by friends and family recommending you.

This doesn’t just happen in Silicon Valley. No matter what city you are in, there are millionaires and accredited investors. These people read the local business publications and websites, and will eventually hear about you. Many wealthy investors often prefer to fund local companies in their own towns in hopes that they will grow and create jobs in their community.

Let’s talk about geography for a moment. If you live in the Midwest, I do not recommend that you cold call hedge funds in New York City looking for investors. It doesn't quite work like that. A far better way to get investors is to build something that is successful and gets covered by the local or national media, or recommended to investors by somebody in their network. That’s how most accredited investors get involved in deals. They either read about an investment opportunity, or someone in their network recommends it to them.

For these reasons, I believe it is best to focus on potential investors within your own city first. If that doesn’t work, expand your search to Silicon Valley, New York, and Los Angeles. But make sure you have someone with credibility recommending you. Don't just cold call Sequoia Capital in Menlo Park and ask for an appointment, and don’t send business plans out in the mail.

Keep in mind one caveat about seeking funding from accredited investors. They want to invest big money in the hopes of making huge money. So if you need to raise between $25,000 and $100,000 you should probably be asking friends and family for chunks of $5,000, $10,000, $15,000, or $25,000. When you are raising $100,000 to $1 million, this is the realm of accredited investors. Most accredited investors really aren’t interested in investing less than that because they don’t feel the potential payoff is worth their time. When you start needing to raise $500,000 to $5 million that's when you really start focusing on institutional and strategic investors.

So if you pitch a top investor like Peter Thiel, he might not be interested in your food truck business right now because it's too small for him. But you should still form a relationship with him and stay in touch. Because four years from now when you come up with foodtrucks.com and it's the food truck directory of the world and you need to raise $5 million, you can call him up and pitch him again. And this time he might say yes. So forge those relationships with investors even if you are not a fit for them right now.

One of the things that makes an entrepreneur attractive to accredited investors is a track record of starting a company and selling it. Peter Thiel says that if an entrepreneur has successfully built a company in the past and sold it, he will almost certainly invest in that entrepreneur again, almost regardless of their business concept. Because Peter Thiel knows that if an entrepreneur started from scratch, built a business and launched a product, went through the roller coaster ups and downs, and was able exit profitably, then he can do it again. Because he already went through the process once and learned the ropes. So if you’re getting ready to launch a start-up, whether you succeed or fail, one of the most valuable things you will receive is the experience of having done it.

How to Pitch Investors

When you have sincere interest from a potential investor, you will meet with them in person. In that meeting you will want to show enthusiasm, energy, and confidence in yourself and your business. But you also need to be respectful of the investor’s position, power, and prestige. There will be a little small talk at the beginning of the meeting, and then they will want you to get to the point and sell them on your company.

To do this, you will need to prepare a Powerpoint-type presentation to show them. This is commonly called a “pitch deck” or simply a “deck.” The deck is a very important sales tool, so let’s talk a little more about it. Your goal is to sell the investor on you and your company.

The pitch deck will highlight some of the key points from your business plan. It should be catchy and not too long. Nobody wants to see 44 slides about your company, I promise. Besides, these investors are going to go through all of your financials anyway, so no need to bore them with endless financial details in your presentation. Your objective is to impress the investor, and try to connect with him or her on an emotional level. Tell your company story. Inspire the investor with your passion and your vision. And show them how you are going to execute for future growth. Investors are most concerned with future growth.

Most of the time when you're an early-stage startup or seeking a series A round, before you go to second round financing, potential investors’ decisions are going to be based on emotion and gut instinct. As the investor is listening to your presentation, she will be trying to determine: (1) how you're going to perform as CEO, (2) who's going to do the work, (3) why you're better than the competition, (4) whether there's a market for your product, (5) how well you're going to execute on your vision, and (6) is there enough growth potential to justify the risk.

One of the key elements of your presentation is how much money you need and why, what you're going to spend it on, and how you're going to achieve your goals. You’ll also need to state your estimated future revenue and profit, without exaggerating. Don’t try to predict that your tanning salon is going to do $6 million in sales next year when other tanning salons in that market do $400,000. It doesn't impress investors when you arbitrarily pull unrealistically high numbers out of a hat. In fact, it makes us wary of investing with you. I think you are either dishonest, unrealistic, or naïve. Or all three. So keep your numbers real.

The general rule of thumb for pitch decks is 10-20-30. There should be ten slides. Your presentation should last 20 minutes. And you should never use a font size smaller than 30-point. It’s far better to keep it short and sweet and leave them wanting to know more, rather than boring them with a 45-minute lecture. Most investors get pitched every week. So make your presentation stand out.

If at all possible, make your pitch deck visual. Use photos and maybe even videos. I'm a big believer in this because I get pitched so many things and most presentations put me to sleep. When I see a mundane, boring Powerpoint deck or business plan filled with plain text, it's just not interesting to me. I don't think you put time and effort into it, and I worry that this is how you're going run your business. Put some creativity and hard work into your pitch, because you're asking for people's money.

Start your presentation with a short overview of what you’re going to talk about. Then give a clear and concise description of your business. There's no reason that you can't explain your business in a single paragraph. Many entrepreneurs can explain their business in one sentence. If it takes you more than a paragraph, there's something wrong. Most of the time you should be able to do it in a few sentences. A full paragraph should be able to cover everything about your business and why it’s going to succeed in the marketplace.

Next, give an overview of who's on your team, what the market is, why you stand out, how you're going to achieve success, and what your goals are. And be clear about exactly what you're raising money for and why, and if you plan to raise more money later. Describe your competition, and don't say you don't have any. Also be realistic about what you can and can't do, what your competitors are doing, and why you're going to do it better or different.

Your financials are going to be one to four pages; these should include your projections. You want to show very clearly what your market advantage is and how you are going to capitalize on it. And make sure your slides and your entire presentation looks good. If you have to hire a graphic designer, do it. If you have to use a business plan program or buy special software, do it. There are many business plan and pitch deck websites where you can look at good examples. And there are plenty of graphic artists who you can hire pretty cheap to custom design the look of your deck. Make it look professional. Put some time and effort into it, and make sure there are no spelling errors or typos. Remember, first impressions are very important.

You should also watch some real pitch sessions in action. *Shark Tank* is a fun way to watch both good and bad pitches to investors. You can go back and watch old *Shark Tank* episodes online. You can even search for pitches that are in your industry because there have been so many different products pitched on that show. It's helpful to watch other people’s presentations. And pay attention to how the sharks react when they feel an entrepreneur is asking for too much money. It’s not pretty. You can also look for sample pitch decks online at TechCrunch, as well as attend different events for entrepreneurs, like the Launch Festival.

YouTube is a tremendous way to learn about pitching investors. You can watch videos of entrepreneurs in action pitching their start-ups. I enjoy finding pitches from companies that are huge now, but I go back a few years and look at their old pitches. You can find entrepreneurs who have raised millions in funding, and watch what they did back when they were trying to just raise six figures. In their presentations, you'll be able to see how they pitched, and usually you can see their pitch deck, because they always do a slideshow up on the stage.

What happens when an accredited investor hears your pitch and then says no? You thank them for their time, and then you ask them to be an advisor to your company. The next best thing to getting an experienced investor to fund your company is to have them serve on your advisory board. This is a big win because you get access to them, and they may end up investing in your company later, or they may recommend you to their friends who might invest. Don't think that just because someone didn't invest in your company now that they might not invest in you in the future. Keep that relationship, and build on it.

Chapter 4: Start Executing

Now that you have your funding and you’re ready to get started, you need to follow your business plan and start executing immediately. Don't delay. Don’t procrastinate. Because the second you start spending somebody's money, or your own money, the clock is ticking. You now have a completely different added pressure on you. Everything that you said you would do should start happening immediately. If you raised $100,000 on a business plan that said you would immediately purchase a food truck, you need to do it.

As previously discussed, all of your permits and licenses, and finding a lawyer and an accountant should already be completed by the time you launch. In particular, the lawyer and the accountant should already be on board. Because if you have taken investor money, there will be contracts that require a lawyer. And as soon as your funding is deposited into your bank account, the accountant will have to be involved.

Once you have accepted your funding and paid all of your legal requirements, licenses, and permits, it’s time to reach out to all the vendors and the people that you will be working with to let them know you have your funding and you are ready to rock. Basically your dream is coming true. But remember, people are counting on you, so now it's time to roll up your sleeves and get to work.

Secure a Location

With practically every business, even a food truck or a mobile pet grooming van, there are mountains of paperwork and office work to be done. It is very helpful to have an office space dedicated to the business. If all you can afford at the outset is the kitchen table, that will work. But at some point you’ll need to rent a small office space to give the business a physical address and a home base.

When it comes to a hard office location my first piece of advice is to be careful with your lease. Try to keep your lease term as short as possible, and negotiate hard. One strategy is to try to find a small office to sublease from a larger company that has excess space. You can often find a one-year lease or even better, a month-to-month lease in these situations. Perhaps most importantly, try to avoid signing a personal guarantee on a long-term lease. If you sign a 10-year lease with a personal guarantee and your business goes under, you will end up with a huge debt hanging over your head for years. Be wary of long-term leases on office space, warehouses, equipment, company vehicles, or anything else. You don't want a failed business to haunt you for years because you owe six figures to a landlord or leasing company. If the office building you love is demanding a long-term lease and a personal guarantee, move on and keep looking.

But don’t take too long, either. It’s important to get your office or warehouse lease locked-in very soon after your funding comes through. Investors don't want to hear that you are negotiating your lease for the next three months when you should be spending your time building the business. If your investors give you the money on January 1st they don’t want to hear on April 1st that you are still waiting on your lease. This would not look good.

As soon as you are confident that you will be funded, you should start negotiating your leases well in advance. Be honest and up front with the landlord and tell them that you are going to sign as soon as you complete your funding. You should be negotiating as if you are going to be moving in on x date. The same thing goes for equipment and vehicle leases. Be prepared to hit the ground running as soon as the funding comes in by doing the negotiations, discussions, and paperwork ahead of time.

Pinch Pennies and Keep Your Start-up Lean

One of the important skills you must learn to be a successful entrepreneur is how to be cheap. It’s human nature to want to spend money when you have a big chunk of it in the bank. “Hey we have all this funding, let’s spend it!” New desks, new computers, company cars. Bad idea.

Experienced entrepreneurs know that cash is the fuel of any new business start-up. And the faster you blow through all that investment capital the quicker you’ll be out of business. So learn to be obsessive about keeping your overhead as low as possible. Rent the cheapest office space you can find that will serve your needs. Buy second hand desks and chairs. Keep furnishings to a minimum. Conserve your cash every way you can.

Venture capitalists often worry that entrepreneurs in their portfolio are burning through cash too quickly. One of the ways this happens is by hiring too many employees too quickly and paying them too much. Don’t fall into that trap. New hires cost a lot of money. If you can avoid hiring another employee by doing the work yourself, do that for as long as you can.

Some of the most successful start-ups in history, like Instagram, had only 11 or 12 employees, even though it seemed like one of the biggest companies on the planet. What it really comes down to is finding the right elite team to build your business, not hiring dozens of average employees. Instead of a dozen run-of-the-mill workers I'd rather hire just three talented all-stars who will outwork everyone else because they believe in the mission of my company.

Be militant about what you're spending money on. And be especially wary of frivolous expenses that don’t drive revenue. Do you really need a new 4K big screen TV in your office? Do you really need new carpeting. No you do not.

The exception to this rule is sales people. As an investor, I don't mind if you hire five sales reps even if you're spending a lot of money on them because they're going after sales. Sales people drive revenue, so hire them. But in the early days of your company you do not need to hire a director of marketing, or a chief technology officer, or a CFO, or an IT manager. They’re too expensive and you're not ready for them yet. As the founder of your company *you* need to be the CEO, CTO, CFO, the marketing VP, and the IT guy. That’s what being an entrepreneur means; you wear many hats. You only need those C-level executives when you have a large company for them to oversee.

If you don't have any sales yet, or you don't have the concept yet, or you don't have a proven business model, then you have no reason to hire employees. That applies even if you've taken in $250,000 in funding. *Conserve your cash*. As long as you have cash you can sustain your business and keep operating through many changes and pivots. You don't need a huge swanky office that holds 60 employees. You're going to get there at some point, but not right now. I have seen too many first-time entrepreneurs get funding money in the door and then just blow it all on hiring executives, an overpriced office lease, and… perhaps worst of all… on marketing. The dreaded M-word.

Marketing is such a broad, broad term that people often don’t understand it, so they foolishly waste a lot of money on “marketing.” Inexperienced business people think that if you throw enough spaghetti against the wall with marketing dollars, and you spend large amounts of money, that it’s definitely going to drive revenue. My experience is that running an expensive advertisement or commercial may have an impact for that moment, but it won’t last. We live in a very ADD society where people see an average of 3,500 brand impressions per day. So just because a potential customer sees your billboard on Sunset Boulevard that you paid $25,000 a month for does not necessarily result in a sale of your product. But it does result in your being broke in a year because you spent $300,000 on a billboard.

I don't care how much money you have, you cannot afford billboards on Sunset Boulevard. If you raise seven figures or less, you cannot afford billboards on Sunset. Too many times I have seen start-ups with fresh rounds of funding immediately start wasting their precious cash on billboards and other grandiose marketing schemes. I think a lot of it is to stroke their own ego, and to create a perception that their company is a huge success. That same $25,000 could have a much bigger impact and reach tens of millions of eyeballs online through Facebook ads, Google ads, or a marketing campaign that intelligently targets their customer base.

So whatever you do, don’t waste your money. Be frugal. Pinch pennies. Your investors will appreciate it, and so will your customers.

Chapter 5: Start Selling!

In any business, selling is what really matters. Some people might say it’s the *only* thing that matters. As Mark Cuban often proclaims, "Sales cures all." In other words, even if you’ve made a bunch of mistakes, you hired the wrong people, you screwed up your business licenses, you over-spent your investors’ money… it can all be cured by selling a lot of product and bringing in revenue. From an investor’s standpoint, the founder of a start-up can be just shy of an ax murderer as long as the company is making sales and generating solid revenue. Okay, he probably *could* be an ax murderer.

My number one strength in my business career has been my ability to sell. When I was launching my energy drink I went to all 43 beverage distributors, and all 11 chain stores, and I personally sold us into 55,000 retail stores. With my company Victory Poker I went out and met face-to-face with 221 affiliates and sold each one. With my company MoPro I went out and got us 1,100 accounts in four months, which resulted in $5.4 million in sales. Every single one of those success stories comes from selling. Everything else to me is bullshit. Because nothing matters until somebody's willing to write you a check for what you're trying to sell.

If nobody is willing to pay for your amazing cake pop, or your artisan grilled cheese sandwich, or your household product, then nothing else matters. You will soon be out of business. If you start Bikinis.com with $10 million in funding but your bikinis are ugly and no one is buying, the $10 million doesn’t matter because you’re going to fail. If your grilled cheese food truck is shiny and clean and looks amazing but you're selling your grilled cheese sandwiches for $14 instead of $5, it doesn't matter. You will fail.

Nothing matters but actually selling product. You have to prove yourself in the market by attracting paying customers. If you can show that you have sales people will invest in you. If you can show that you have revenue, banks will loan you money. If you can show that your product is selling well companies will want to partner with you. Everything, and I mean everything, is about sales.

When I wanted to launch a new product into the highly competitive energy drink market, people told me I was crazy. They said it would never happen. They told me to not even try. But I knew I could *sell*. And I knew if I made a good product, I could get distributors to carry it and customers to buy it. So let me share with you now the details of what happened.

Our very first distributor was Budweiser in Orange County, California. These guys were selling about six million cases of Budweiser a year just in Orange County. That might intimidate some people. But I talked my way in and I went and met with them. My goal was to sell them on buying two truckloads of my energy drink by promising that I was going to get into Seven Eleven, Albertson's, and Ralph's. I hadn't even met with Seven Eleven, Albertson's, or Ralph's at the time, but I knew that I was going to go see them the next day. And I knew I needed a distributor in order to be able to deliver those products to the chain stores. So it was that classic catch-22, the chicken and the egg.

I was so passionate about my product, and I was so determined to succeed I knew what I had to do. So I convinced the Budweiser distributor that I was going to have all these stores carry my energy drinks and I need somebody big like them to distribute. I said I would give them the best deal possible, whatever it took. My first two truckloads I sold to them at cost, because I just wanted to get in there. I didn't care about profiting from that first sale because I knew if I got that distributor to carry my product I could get those chain stores signed on. And once I had those accounts signed up, I could get other Budweiser, Coors, and Miller distributors around the country to carry me.

So the Budweiser distributor ended up paying full price for our energy drinks at $16 a case wholesale, and the next day I went and met with Seven Eleven, Albertson's, and Ralph's. Three separate meetings, and every single one of them I told that I was in with the Budweiser distributor in their territory, and they have two truckloads on standby ready to deliver. I knew my product was good, so I had them taste it, and instantly everything changed for my company. The chain stores bought in, and over the course of the next two months I flew around the country and signed on 43 different distributors, and 11 other chain stores all based off that one initial order.

As they saying goes, the first sale is always the hardest. But once you get that first sale all the other sales come easier. Once I got that first Budweiser order everything changed because from then on I said, "I'm in Budweiser Orange County," and it earned me instant respect. So once you have that first account it changes how you do business. So find a way to get that first customer, even if you have to sell your product at cost, because you will use that first order to bring in future accounts and orders.

The very first account is the hardest because nobody wants to be first, nobody wants to risk their job. To help eliminate that risk I actually said this in my sales pitch, "I'll go with your drivers and I will personally go stock 20 new stores a day myself. And I’ll bring my team of six people, and we'll all go open up 120 accounts a day for you." I was willing to do that because I knew that they were taking a risk on me. I told them, "I'm going to get you in the stores. I will personally drive with your drivers. I will train your sales reps. I will give them bonuses. I will give them iPods and Best Buy gift cards. I will incentivize them because I know their focus is on selling six million cases of beer per year in this territory." And it worked. Why? Because I made it a no-brainer for them. I made it risk-free.

Whatever your business is, getting that first account is absolutely, positively the most important step. Focus on that. Get those first members to sign up or those first customers to come in the door. Those early success stories are what you build off of, so do whatever you can to get those firsts.

When you sell, speak with extreme passion, show your belief in and enthusiasm for your product. But then after the sale make sure you deliver. Do not put somebody’s job in jeopardy by not delivering. Do not say you're going to be the best wedding planner and then not throw the best wedding. I did not want that Budweiser executive to lose his job by taking a chance on my start-up, and then letting him down. So try to take away as many risk factors as you can. And whatever you're doing, do it to the absolute extreme as if you're life and company is on the line, because it is.

Chapter 6: Grow

If you’ve been following the advice in this book, soon you’ll be moving from the founding stage of your company, to the growth stage. The founding stage is about writing and executing your business plan, defining your goals, finding funding, keeping costs down, setting up shop, refining your product, honing in on your market, hustling to get that first big sale, and shipping product.

Once you’re company is up on its feet and walking, it’s time to focus on growth. This means expanding sales in existing markets, finding new markets, launching new products, expanding, and growing revenues. There are some key steps you need to follow in the growth stage to maximize the returns on your time and effort. Many of these steps are not obvious, and are often overlooked by first time entrepreneurs.

Create a Good Story and Publicize It

Once your product is out in the marketplace and customers start using it and talking about it, momentum and word-of-mouth will build. Your product will begin showing up in social media. Soon you will get requests from journalists for interviews. Mainstream national media, local broadcast media, podcasters, bloggers, online media, and others will contact you and want to write an article about you and your story. Your story is an important building block of your company’s brand. So it’s time to build your story.

The most effective way to build your story and get it out in the media, is also the most expensive. Hiring a professional, experienced publicist or public relations firm can pay off big for a new business by getting you national news coverage. But PR firms can cost between $5,000 and $10,000 per month. Nevertheless, a good publicist might be worth every penny. They will help you craft a company narrative that not only sells you and your business, but also your product.

Publicists are good at working with new clients, digging for the right details, and finding a “hook” that will make your company attractive to media outlets. If you start calling around to local TV stations and pitching them on doing a news story about your new food truck, they’re going to pass because there are hundreds of food trucks in town. You must have a hook.

A publicist will know how to find that hook. For example, a publicist might learn that a client has a background in the military and that his food truck is a family business. There’s the hook! So when the publicist calls the local news to pitch the story, she says, ”I have a fascinating human interest story about two brothers who served together in Iraq as cooks in the mess hall, then returned home to launch a food truck together cooking the same military style food they made for the troops.” Now that’s a hook! Pretty soon your food truck is all over the local news and everyone is talking about it. Other effective hooks include overcoming adversity, comeback stories, helping the less fortunate, rescuing animals, or unique situations like triplet sisters starting a daycare center together. Publicists bring value through their experience and creativity.

There are many different angles to explore when trying to come up with your company’s story. And a good PR firm can help you with that. Unfortunately, to get that level of expertise will cost a lot of money. But keep in mind that you may only need the PR firm for three to six months during the beginning of the growth stage of your business. You don’t need to pay $5,000 to $10,000 per month for years and years.

If you can’t afford to hire a PR firm, another option is hire someone with less experience part time to do your publicity. That could be a part-time employee for a couple days a week, a short term contract worker, or it could even be an unpaid intern. Then have this person pitch you to local and national media. Whatever your story is, whether it’s a nail salon, a dog walking business, or a new pizza place, with the right story pitch there's some media outlet or publication that will write an article about you, or put you on the local news. Reporters and media outlets need content. And a well-crafted, clever pitch has a high likelihood of being successful.

Be creative in coming up with your story pitch, and where you pitch it. Adding a charity component to your business is a tried and true way to attract the media. For example, if you’re a t-shirt company, organize a day where your company distributes free t-shirts to homeless shelters. If you own a surf shop, organize a clean up the beach day with prizes for whoever collects the most trash off the beach. There are infinite ways to get creative and craft a story the media will want to cover.

When deciding where to pitch, it generally makes sense for local businesses to pitch local media, and national businesses to pitch both local and national media. Obviously you're not going to call CNN about your dog walking business in Cincinnati. But if there’s something new or different about your product or service, your local news might be interested. Nobody can tell your story better than you, so if you have the time, you should call and pitch yourself. Even without a professional publicist I bet you can come up with a clever story about your business that will make a great pitch to the media.

As you know, getting local or national media coverage is a far more effective (and low cost) way to tell your story than simply paying for ads. There's a huge difference between the local newspaper assigning a reporter to write a story about your business, and you just buying an ad in the local paper. There's a big difference when you're in Maxim magazine as an article, or you're in Maxim magazine as an advertisement. Both are good, but the article is just way better. Building a good story around your business will help you get that free media coverage.

When I launched my online poker business I would organize a charity poker tournament a few times a year. That gave me an excuse to get a lot of free media coverage, and get together with friends, business associates, clients, potential clients, and people that I wouldn't normally be able to meet with. I was able to forge some of my most important business relationships that way. It gave me an excuse to call them, email them, and invite them to come to my high-end event. What happened because of that is it got eyeballs on my company. But it also got eyeballs on the charities I was helping promote and raise money for.

Over the years we raised a lot of money for different charities. And then in 2010 I realized that I didn't get to see the effectiveness of those charities as much as I would have liked. So I decided to start my own nonprofit. I founded a charity for the homeless which I called ModelCitizenFund.org. I wanted something very simple and basic that I knew I could accomplish and that people could feel good about because we were truly making a difference.

ModelCitizenFund.org soon became the official charity of the Espy Awards, the Teen Choice Awards, and the official charity of the World Series of Poker in Europe for the last three years. This was a big win-win-win for everyone involved: my company got positive publicity, the charity got positive publicity and a nice check, and our donors and customers attended a fun event.

Network

We touched on this in an earlier chapter, but I want to elaborate a bit. Now that you're in mid-swing, your product launched, you have revenues, and your business is growing. The next step is you really, really want to attend any kind of convention or conference in your market or industry so you can network with the key people. No matter what your business is, there's a convention for it. Every single industry has a convention that most people never hear about. You only hear about the big shows like CES and SEMA. But there are thousands more. Many of them are mini shows that have between several hundred and several thousand attendees. The people who attend conferences for your particular industry are the people you need to be meeting, no matter what size your business is.

The networking that happens at industry conventions can fast forward your business tenfold. If you have a clothing line and you go to the apparel convention, you might meet that one buyer who can double the size of your business. Or you might meet a key executive for Nordstrom. These are people that you could cold call and pester for a meeting, but there's a huge difference when you meet them in person verses cold calling out of the blue. If you can get that personal introduction, if you can attend that seminar with them, if you can be at that networking event and get their card, it will be much easier to form a relationship with them.

Every convention and conference has a schedule with the agenda of what's going on, what time it is, and which room it's in. Bring a stack of business cards and do not be afraid to walk up to the keynote speaker or the panelists after the session. You cannot be scared and you can't pass up the chance to meet people that could help grow your business. Treat it as part of your job. Most people go to a convention, walk around the show floor for a few hours and then go back to their room. Don’t waste your time. You have to be there with a plan, and the plan is to meet as many of the key players as you can. And never be afraid to ask for a business card or ask to set up a meeting.

Keep Selling!

All of these things are setting the groundwork for growth. You're putting your story out there. You’re getting national news coverage. You’re attending conventions and conferences. You're meeting the key people in your industry. And every day you are selling. Selling your product, selling your company, and selling yourself. Pretty soon you’ll be very good at selling.

But in today’s connected world, selling involves more than just the traditional sales skills of phone calls and face-to-face meetings. There's a very important word in the present-day sales landscape; the word is “affiliates.” Affiliates are people who don’t work for you but they send you business, or they send you customers, and you compensate them for it by paying them a commission. The theory behind affiliates is simple. If you can incentivize other people to send you business, your company will grow even faster. Affiliates could be your friends and family, your suppliers, they could be your customers, your customers’ friends, industry blogs, or anyone in a related business. Of course, affiliate sales does not work in all industries, and it works better in some than in others.

Affiliates can promote your company on their websites, they can do it in person, they can do it on their Facebook, YouTube, and social media pages. Affiliates can help expand your brand locally and outside of your city. You cannot be everywhere, so you need people to help promote your product. If you have the best grilled cheese food truck, you need people out there talking about you, promoting you, writing about you on their food blogs, tweeting out coupons and discounts, and driving new customers to your truck. Or if you have an online clothing store, you can give out affiliate codes and discount codes to fashion bloggers so they will send you traffic. In return you pay them a small commission. Everybody wins: the affiliate makes a commission, their customers get a discount, and you grow your business.

As your business gets bigger and bigger, you will need other people out there selling for you, talking about you, and working for you to help you expand. That is the genius of affiliate sales. In order to expand that growing snowball that you're pushing up the hill, you need other people to push it with you. You need those affiliates because very soon your business is going to become bigger than you.

Affiliate sales often has a ripple effect. The more affiliates you have out there talking about you and promoting you, the more good things happen. You don't know what's going to trigger that one big thing, that big national news article, or that big sale or that big investor. It could be because one of your affiliates told somebody about your amazing grilled cheese sandwiches, and that guy happens to be a major investor and now he wants to help you open up seven more trucks. So a wonderful thing that can happen to your business is that your affiliates are always out there talking about your products and your company, because that can trigger the next big expansion for you.

Stay in the Trenches

As an entrepreneur, you will have unlimited demands on your time. No matter how many hours you work in a day there is always more to do. And as your company grows, your duties will change. But when you're still a small to medium-sized company with less than a million dollars in sales, I want you in the trenches every single day. You should be working on product, selling, marketing, overseeing shipping, managing the warehouse, and staying in the thick of the day-to-day business. Many young entrepreneurs think that when they're doing seven figures in revenue, they've made it. But remember that famous line from the movie *The Social Network*, “A million dollars isn’t cool. You know what’s cool? A *billion* dollars.” At some point you may be able to oversee your empire from your cell phone on the golf course in Maui, but not just yet.

There’s another reason why you, as the founder and CEO, have to keep your foot on the gas pedal. As soon as you let up, and you start vacationing in Hawaii, two things can happen. First, your competitors will creep in and try to steal your customers. And second, your employees will notice that you’ve lost your intensity, and they, too, will dial down their own efforts. If they sense that you are no longer 100% committed to the vision, then they will drop their guard too. It’s human nature. So even though you're at the wonderful stage where you're now living off of your business, and you're covering your bills, and you're able to grow, this is no time to relax. There is still a lot of work to do.

Until you start really hitting the eight figure gross sales range and you have executives helping you run the business, I expect entrepreneurs to be there. Every day. If I invested in you or I'm advising your company, I expect people in a seven figures or less business to be in the trenches slugging it out every single day. I want you working right next to your staff, the assistants, the sales reps, the hourly workers in the plant, the vendors. You should be involved in every facet of the business. Once you grow out of that seven figure range only then should you start bringing on seasoned managers to help run the show.

I’ve launched several companies that grew will into the seven figures a year in revenue, and I've had a few that did eight figures. But even then, I was still the one cleaning up around the office and mopping the floor in the break room. I was still going to the grocery store in the morning and bringing in bagels and getting the juice from the refrigerator for my employees. My philosophy is there's nothing beneath me when it comes to my own company.

So how do you decide where to spend your time in a growing company? Follow this principle: spend 80% of your time doing things that *drive revenue*. In other words… sales, sales, sales. Sales is the most critical job of a founder-CEO because that’s what drives the business. Yes it would be nice to spend three days writing up a fancy policy and procedures manual, but do that on the weekend. Monday through Friday should be focused on selling and growing revenues.

Chapter 7: Tips While Growing

So now you know what your mission is and how to achieve it. And you understand that this new business start-up is going to monopolize most of your time and energy. But in the midst of all that, you still have to strive for some kind of balance so that you don’t burn out.

There are many stories of entrepreneurs who become so obsessed with their start-up they forget to eat, forget to sleep, stop seeing friends, stop exercising, and eventually wind up in the hospital. Don’t let this be you. It’s not fair to you, your family and friends, and it’s definitely not good for your company. I’ll take a healthy, energized, well-rested, in-shape, and enthusiastic founder-CEO over a stressed out, fast food eating, basket case CEO any day of the week. Here are some ways to make sure your start-up doesn’t take over your life.

Maintain Relationships

Personal relationships are important during a business start-up. You're going to be spending so much time on your business that family and friends are going to feel neglected, jealous, or even upset. You have to try to keep your loved ones happy as best you can, but there really is no way around the long hours required to launch a business. Try to explain to your spouse and children that what you are doing is for the good of the family, and all the long hours and hard work is a temporary situation.

There are some clever things you can do to spend time with your family while not taking your eye off the ball. Invite them to the office in the evenings to watch a movie while you keep working on your laptop. Have food delivered and host a family dinner in the conference room at the office. Get your spouse and your children involved in the business. Ask your spouse to proof read your marketing materials. Put your kids to work in the warehouse. A great example of this is in the movie “Chef” starring John Favreau. The main character loses his job as a high-end chef and decides to start a food truck business. When his teenage son starts feeling neglected, the chef invites the teen to work on the food truck with him. And the teen loves it. By doing some of these things, your family will feel like they’re more involved and they’ll better understand and tolerate what you’re doing.

You need to keep the relationships that you can alive and happy because if your significant other, wife, husband, girlfriend, boyfriend, family members, kids, or friends are not feeling the love or attention that they need from you, it can lead to resentment. That will affect your home life and your emotional status at work. Unfortunately, you’re never going to be able to please everybody. And another problem will begin to appear once your business really starts to take off. Friends are going to become jealous of your success. There's not much you can do to stop that from happening, because people that don't have a successful business may start to feel inferior to you.

I’m a big believer that any problem can be solved with some thought and creativity. If your family and friends are getting frustrated that they never see you any more, there are ways to spend time with them. Wake up an hour earlier to see the kids, or come home in the evening for dinner, and then go back to work when the children are asleep. Invite your friends and family to the office. Have a poker night for your buddies in your office conference room once a month; your friends can play cards while you keep an eye on the business between poker hands. When you attend conferences (which are often in Las Vegas) bring your spouse or invite your buddies. They can run around the strip while you’re working the convention.

So no matter how busy you get, find a way to spend time with your friends and family. But don’t make commitments that you can’t keep. If you say you’re going to be at the little league championship game and you don’t show, that’s worse than saying up front that you can’t go. Try to reserve family commitments for Saturday and Sunday, when you will most likely be able to get away. And if you commit to something on Saturday or Sunday, make it. Be there for them. Business problems are always going to pop up. But if it's not absolutely, positively critical that you handle it immediately, don't cancel on your family or friends.

When it comes to significant others, you need them to be your strength, your backbone. You need them to be your support system. If your girlfriend does not see the value in what you are doing and demands your time, you need to have a frank discussion with her. Tell her you are going after your dream, you’re committed to it, and that you need her support. Remind her that if you work really hard for a few years then you may be able to work a lot less in the future.

Be Smart with Your Hobbies

When you spend so much time focused on one thing, it helps to have a hobby to relieve stress and get your mind off work. You won’t have a lot of free time, but carving out a half hour each day or a few hours on the weekend for something you enjoy can be tremendously beneficial. First, it will allow you to shut down your engines and get yourself back to neutral, so you can regain perspective. Working 70-hour weeks can cause you to lose perspective. Second, when you allow your mind to stop thinking about work and relax, that’s when great ideas and creative breakthroughs happen.

Whatever your hobby is, get really good at it. You need to have a mind release. Put your phone away for an hour and focus on your hobby. If you love chess, if you love cooking, or photography, whatever your passion is, you need to use it as a stress reliever. One of my hobbies is playing basketball. Often when I go play basketball, I have creative bursts. I just get into a zone where I kind of see clearly, and from a different perspective. I couldn't see that way when I was inside my bubble with my nose down buried in work at the office. That has actually triggered some pretty big things for me and my business.

Hobbies also help you avoid becoming a one-dimensional person who is focused only on your business. Every entrepreneur needs a recreational outlet. So don’t give up your family or your friends, and don’t give up your hobbies.

Dealing with Failure

Failure is a part of life. There is no one in business, and I repeat, no one, who has not had his or her fair share of failures. Look at the billionaires on the *Forbes 400* list of richest Americans; every one of them has suffered failures and defeats, often very public ones. I absolutely guarantee that failure is going to happen to you at some point. If you don't fail as an entrepreneur, you're not trying hard enough.

Dealing with my own failures in business is how I created my personal motto: don't sit on the floor and cry about it. When things go wrong, when you don’t get that big sale you were expecting, when your partner stabs you in the back, when failure happens, get over it and get back to work. Don’t sit on the floor and cry about it.

Here’s a very common story: you work hard building up a company and then something happens that jeopardizes everything. My most memorable example of this was Victory Poker. We were so excited because we raised $2.5 million to launch the company. Within just nine weeks we were live and had a fully registered, fully active poker site. Within only 10 weeks we hit our year one projections. On month 14 we were the third largest poker brand in the world out of a total of 550 sites. And we were growing fast.

In April, 2010 we were supposed to get $3.5 million in additional equity funding in return for only 15% of the company, plus an additional $200,000 a month marketing budget for the next three years. This huge deal was scheduled to close on April 19th. Everything was so exciting, and we were flying to Costa Rica for the closing.

Then… boom! Our entire world was rocked. April 15th, 2010 was something now known as Black Friday. It was the darkest moment in online poker history. Many of the top online gaming sites were completely shut down. Bank accounts all over the world were frozen. Hundreds of millions of dollars were seized by the government, and online poker effectively came to a screeching halt. This happened four days prior to my big deal closing. I was devastated.

In that moment I could have done a lot of things. There were options. Sitting on the floor and crying about it was definitely at the top of the list. But instead, I kept myself busy so that I wouldn't think about what just happened. If I took the time to sit back and survey the damage I probably would have burst into tears and cried for a month. We had built the company up from nothing to tens of thousands of players. We had a huge deal just four days away from closing with millions guaranteed, and potentially hundreds of millions of dollars in the long term. We were an emerging global brand that was getting millions of views every month. We were doing everything I wanted to do and we were in a business I loved.

Now, I could have sat on the floor and cried about it because there was a lot to cry about. We knew this was the end of the company we worked so hard to build. But instead of wallowing in misery over the next four days, I decided to take the high road and do the right thing. Even though I didn’t get the funding, I paid back 41,000 of my customers around the world, unlike my competitors. And although the government didn't force us to close down, I willingly shut down my poker site on my own. One of the most difficult decisions I ever made.

Instead or wallowing in misery, I started talking to the media and I did 83 interviews over the next week talking about what happened. Because of those interviews, casino companies all over the country started to know my name. So I created a website with my resume on it designed to sell my services as a consultant for land-based casinos and future poker sites. I knew at some point online poker would come back. So I took that humongous failure, and turned it into another profitable business.

Victory Poker was such a catastrophic failure in my life because I had all my eggs in that basket. I had just put up even more of my own money to help push the company along right before that deal was scheduled to close. I truly bet my entire future on that business, and then kaboom, it was gone overnight.

Failure can happen in many different ways. But it is absolutely going to happen. To you. I promise you every major entrepreneur you've read about, the titans of industry, whether they had a failure along the way or they invested in failures after they became billionaires. All of them have had major, catastrophic failures in their careers. Just like I did. So don't be ashamed when it happens to you, and don't cry about it.

The only time you should feel bad about yourself is if you failed because you didn't put in the effort, you didn't put in the work, or you didn't put in the time. If you do all the right things and you reach out to the people who can help you and then something beyond your control happens to ruin it all, you can't cry about those failures. What you have to do is get up, dust off your ego, and get back to work. If you can persist through a major failure, or multiple failures, I promise you will succeed.

So how do you get back up after failing? Take a big white piece of paper or a dry erase board and start writing out all the things that you love, that you're passionate about, and that you’re grateful for. Write out all the different things that make you tick, and what you loved and hated about your last company. And while you’re doing this exercise, I’ll bet you even money that you’ll start jotting down ideas for new products and new businesses. When you're busy figuring out what you're going to do next the wheels start turning, the creativity flows, and you’ll soon be excited about your next new venture. You’ll be up and running again soon.

It's kind of like you're starting over from scratch except now you have a big advantage, you have *experience*. Because even when your company fails, you have gained knowledge, skill, experience, networks, contacts, vendors, relationships, and even confidence. So if you're going to launch a new company in a similar industry, you now have a head start. If your clothing line failed, and now you want to start a clothing retail store chain, you have a lot of that knowledge and all those relationships.

If you’re not ready to take on another start-up, you can always go to work for someone else for a while. You now have experience on your resume. That’s what I did after shutting down Victory Poker. I went out and consulted for four land-based casinos, until I was ready for my next start-up.

Your Reputation is Your Most Important Asset

In business, one of the most important things you can do for your career is to maintain a good reputation. Most industries are actually much smaller than you think. People talk. At conventions, conferences, and trade shows there is a rumor mill. You want to keep your name out of the rumor mill, and stay away from gossip. The best way to do this is to build your reputation as an honest, hard working, reliable business owner who follows through on what he promises. This means being fair when it comes to your contracts, honoring your agreements, treating people with respect, having integrity, paying your bills, and delivering on time. Whatever you do, you have to make it your top priority to keep you and your brand as clean and clear as possible.

If you make a promise to a customer, like "I'm going to manufacture your 1,000 t-shirts by next Saturday," then that customer is counting on you. You must deliver on time and on budget. If something happens and it's outside of your control, be up front and honest and call your customer or supplier immediately. The last thing you want is the reputation of being a non-performer, or always being late, or not paying your bills, or not showing up.

It doesn't matter what kind of business you're in, people gossip about other people in the industry. They see one another at industry conventions and conferences. And there's usually drinking involved. So whenever your name comes up, you want as stellar a reputation as possible.

Chapter 8: Raise Money or Liquidate

Everything up to this point has covered the steps that you should be going through as you're starting and growing your business. At some point you may decide that in order to take your business to the next level it will require additional capital. You may need outside investment money. Or you may want to sell your business and cash out.

So the last two sections of this book are designed to help you decide if raising additional money is the right decision for your business; and if so, when and how you should do it. And the final section will help you decide if and when you should sell your company or be acquired by a bigger corporation. These are important decisions that you will eventually have to make, so I want to get you thinking about these things early.

When Should You Raise More Money?

Let's start with raising money first. During almost every phase of your business, from initial concept, to startup, to six figures to seven figures or even eight figures in sales, you will wish you had more money to grow the company. So I believe you should always be considering the option of raising additional money. I'm not saying you should go out and spend a lot of time looking for investors, because that does take a lot of effort and it's very labor intensive. But it should always be an option for you to seriously consider, at the right time and at the right valuation.

Let’s say your business is now wildly successful and you've reached 90% net profit, you're the most amazing business case study that ever happened. Many conservative business minds would tell you *not* to bring in outside investors, and to just grow by reinvesting your own profits back into the business. I disagree. I think you should still consider raising outside money, no matter how profitable you are, because it can help you fast-forward that success by reaching bigger and broader markets faster.

For example, outside money can help you expand internationally, and open offices overseas. It can help you develop new products. It can finance acquisitions of other companies to help you grow even faster. Whatever your business, outside investment can help you expand more rapidly than you could on your own. In fact, if accredited investors didn’t believe that they wouldn’t invest. So whether you have a typical 10% or 20% net profit, or you're the most amazing business ever and you have 90% net profit margins, you should always be open to outside funding.

I'm not saying you should rush out and sell a chunk of your company for a pile of cash that you have no idea what to do with. I'm saying you should always be open to the right financing options, and only if you see the value in how that outside money can help you expand. If there's something in the terms of the deal that you don't like, or somebody you don't want to work with, don't take their money. But if a reputable investor like Mark Cuban or Daymond John wants to buy a piece of your company at the right valuation, be open to that at any stage. Even if you don't feel you need the money, you may get a strategic investor that helps you in ways that you never imagined.

Being open to taking outside funding under the right circumstances is very different than being desperate for cash to survive. If you need money just to survive then you should aggressively go after investors immediately. Sometimes rapid growth leads to cash flow problems that can literally jeopardize your entire operation. I know this from personal experience.

If your company has plenty of sales and is growing fast, you are eventually going to bump up against a cash flow issue. Cash flow problems usually result when your suppliers or manufacturers need to be paid right away, but your customers take between 60 and 90 days to pay you. If you have large accounts receivable and you're not getting paid until a few months after you deliver, but you're also growing fast, you should be aggressively trying to raise money because you know your business works, but there are cash flow challenges on the horizon.

Unfortunately, this happens quite often; somebody's success becomes their failure. Here’s how it happens. A huge customer like Wal-Mart all of a sudden places a $3 million order, which takes all your cash to fill that order and deliver it. Then the product sells really well in Wal-Mart stores, so they place a follow-up $6 million order. You still haven’t been paid by Wal-Mart for the first order, and you’re out of cash. What do you do? This situation can literally lead to insolvency and destroy your company.

The only solution is raising outside money from an investor or a bank, or using a very expensive factoring company like we talked about earlier in this book. Your first reaction to a huge order like that will be, "Wow I just did $9 million in sales. Oh my goodness, this is amazing." But then reality hits and you realize you don’t have enough cash to deliver those order and keep paying your employees and your rent.

Cash in king. So if you anticipate a possible cash flow crunch on the horizon, you should be hyper-aggressive and focused on raising money in preparation for that. The key is to be prepared in advance. Even if you just had an introductory meeting with Costco or Wal-Mart or another huge retailer, and a big order *might* be on the horizon, act right away to line up your financing.

As I described earlier in the book, this exact situation happened with me and my energy drink. Costco placed an order for 41 stores in California and every store wanted four pallets. So that ended up being a multi-million dollar order. It was unexpected and came out of nowhere. But when you have a multi-million dollar order fall into your lap, somehow you've got to make it happen. This is what you’ve worked for. You have to come up with 50% of that to manufacture the product. Doing that will be a lot easier if you plan for it in advance.

We rallied and were able to fill those orders, and it turned out to be the best thing we ever did. I'll never forget it. Costco put all four pallets right on the floor and by Saturday in most of the stores, we were sold out. I was so proud. I took pictures. We didn't even know why they sold so fast. We just thought, "Holy shit, what just happened?" We found out later it was liquor store owners who were coming and buying 10 or 20 cases at a time for their stores because they could get it at Costco for $18.99 compared to $23 from their distributor. Costco was getting cleared out by liquor store owners at an astronomical rate.

It sounds like a good problem to have, except for the fact that now Costco wanted a couple million dollars more product, and they wanted it by *Friday*. We had to scramble to figure out how to come up with more than a million dollars to manufacture it. We still hadn’t been paid on the first order. So we called everyone looking for money; we called 7UP, we called the bottling companies, we called canning companies. This got so down to the wire that we literally had to warn Costco, "Don't do this for the next order. We need to get paid faster." They said they no! They said they physically can't pay us faster, that's not how it works. They have to go through their processes and every one of their suppliers gets paid on the same schedule. No favorites.

Then Costco placed a third order. We actually had to tell them we can't do it for a month. We just physically couldn't do it. By the way, I was 24 years old at the time. And I’ve learned a lot in the years since. If that were to happen today it would be different. I would know to plan for this situation ahead of time, so I could come up with the money much faster. The moral of that whole story is that my success could have been my biggest failure. If I didn't have the money to manufacture my product, I was at risk of losing my biggest client and going out of business. But as an entrepreneur, you always find a way. You have to find a way.

Where to Find Investors

When you are starting your first business, you won’t have the connections or the relationships with investors or factoring companies. You will have to find those people and build relationships with them. So let’s talk about factoring first. If it's a situation where a customer is going to owe you money, and a large amount, factoring is your best option.

When you factor your accounts receivable, you just pay a small percentage based on the purchase order. Factoring companies will only factor a purchase order from a well-known retail chain or company, not from a guy that owns four neighborhood grocery stores. If your customer is Seven Eleven, Home Depot, West Marine, Procter and Gamble, GE, Microsoft, Costco, Toys-R-Us, or Target, any factoring company will want to work with you. But you have to have a hard purchase order. They'll factor it very quickly because your credit check is not as important; it’s all about the company issuing the purchase order. And it has to be a pretty big order. Factoring companies make money on volume, so a $30,000 purchase order will not be as attractive as a $300,000 or $3 million order.

So what do you do if you only have a five-figure or small six-figure order that you can't afford to fill without outside financing, and it’s too small for a factoring company? You have to reach out to people quickly and effectively in order to either raise money from a private investor, or try to get a loan against that purchase order. Even if you have to pay a high interest rate or factoring fee, it's worth it because you need that business. You never want to turn down an order. You have to find a way.

The best way to do that is to reach out to your network and industry contacts as soon as possible and say, "I have a good problem." Because that's what it is. It's still a problem, but once you solve it you’ve just grown your business.

So whether it’s a million dollar order or a $100,000 order, it's still a big problem if you don't have the money to make the product. It's both exciting and terrifying at the same time. The big order proves someone really believes in your product, and it’s a lot of money that will eventually come in. But right now you can't manufacture it and you can’t wait 30 to 90 days to get paid. And by the way, it's 30 to 90 days from when you *ship* your product, not from the date the order is *placed*. So if you get that order and it's going to take you a month to manufacture and deliver it, it will be *another* 30 to 90 days from then, not from the day you got the order. So in reality you’re out that cash flow for almost three months.

Cash flow crunches are another reason why I say you want to attend all the networking events, conventions and conferences in your industry. Who better to loan you money or to finance your accounts receivable than the president of a company that is a major supplier to your industry. Even if they can’t fund you directly, the contacts you make at conventions will know where to refer you. The chances are good that anyone who built a business in that industry has faced and overcome the same problems that you’re facing right now. They know exactly what you're going through and they know people who can help.

In addition to asking for referrals from your network, you can also search for factoring companies and investors through an Internet search. A personal introduction is always better, but when you’re doing this for the first time you might have to make some cold calls. Type in the word "factor," "accounts receivable," "loan," and whatever your industry is in front of that. You can do the same with “private investor,” and “angel investor.”

There are factoring companies and angel investor networks that specialize in most industries. Try to find an investor who is both in your area and in your industry, so that you can meet them in person. You will have to show them your purchase orders, sales figures, and some other paper work. Factors are usually eager to help you if your purchase order is from a reputable company, because they know that if you got a $300,000 order from Macy’s, you’ll probably get a $600,000 order from Macy’s soon after that. Regardless of how you go about it, just know that if you have a hard purchase order of decent size, you will be able to find someone to factor it so you can fulfill the order and grow your business. But plan for this, and don’t wait until the last minute.

Now let’s talk about a totally different case where a growing new company might need outside investors. Let’s say you started an online business and your user base is expanding but you don't have any significant revenue coming in. Even though your website isn't profitable yet, but you're getting 600,000 unique visitors a month, you will probably be able to raise money to keep the operation going. If you're growing fast but you're not profitable, you definitely need to be raising money because the only way you survive is to keep gas in your tank.

As a general rule, you should be thinking about money that you need three to six months in advance. And when you raise money, you should raise enough money to fund at least a year of overhead. At least. Ideally you'd like to have two years. But in reality most startups are really only able to raise about a year's worth of overhead money from investors. Investors want to see that the company is headed in the right direction before committing to it long term.

As you already know, the single biggest reason that businesses fail is they run out of capital. The gas tank goes empty. So it bears repeating what I said earlier, don't overspend, don't pay high salaries, don't lease a fancy office with expensive paintings on the wall. Those things are cash killers. That $3,000 mahogany desk, those catered lunches, and that $10,000 a month employee could mean the difference between success and failure. *After* your company has proven itself, then you can splurge a little. But skip the artwork.

Investors are looking for certain benchmarks in companies before they will agree to invest. These include: a proven business model, demonstrated traction in the marketplace, fast growth, competitive advantage, and an experienced management team. If your company is growing so slowly that you need outside capital just to keep it afloat, that is *not* going to be attractive to an investor. If you’re looking for funding because you’re still trying to figure out a business model that works, that is *not* going to be attractive to an investor.

In contrast, if you’re new website is gaining 50,000 new customers every month just on word of mouth, you will find an investor. Rapid growth is like ringing the dinner bell for investors, even if you’re not making any money. If you can continue to grow, the profitability will come later. And if you can show rapid growth in a huge market, investors will be beating down your door.

If you're a business owner and you tell me, "We're growing so fast I need to hire five more staff. We're getting so many inbound sales calls from customers, our call center can’t handle all the volume." I will want to invest in you even if you're not profitable. I'm way more excited to invest in a company that’s working and is growing, and needs money to meet increasing demand. If your business isn’t growing and you're not hiring more employees, but you need money just to survive, that's not attractive to an investor. That's more like life support. You have to show an investor that your company is on track to a profitable future, even if it takes years to get there.

We talked earlier about the best ways to find investors. Contact people in your network, people you met at conventions and trade shows, industry-related people like vendors and suppliers, and search for people who invest in your business category. You should also look into using AngelList (Angel.co); this is a website specifically designed to connect investors and start-ups. Ask your lawyers, business advisers, and friends if they know anyone who is an active investor in small businesses, or any entrepreneurs who have raised venture capital for their own start-ups. Even investors who don’t have experience in your industry, or experience with start-ups at all, are sometimes interested in investing when it's the right valuation and they see what you're trying to do.

So now let’s say you’ve put together a list of ten potential investors. Should you shop the deal around? Or just pitch one or two investors and let them decide before going on to the next? Some advisors will suggest the former, some will suggest the latter. Personally, I don't think it's bad to shop the deal around… unless you're shopping it all over Silicon Valley where everybody talks and knows one another, or all over the same group of investors in New York. When you're shopping your deal to every venture capital firm in Silicon Valley, then you're probably not going to get the deal you want because people in the VC community talk to each other. And if everyone knows you’re out shopping everywhere, it's not as interesting to them.

On the other hand, if you’re shopping around to your friends, your friends’ parents, or a bunch of local business owners in your town, go for it. Outside of Silicon Valley and the New York venture capital scene it's fine to take every meeting you can get in Los Angeles, Chicago, San Diego, Dallas, or wherever. You're just trying to succeed in your business. So don't be shy about leaving no stone unturned.

But you should be doing this well in advance. Don't start looking for money when you only have two months of overhead left in the bank. That's going to put you in a desperate spot. It takes some time to close a funding round and actually getting the money.

As for how much of your equity you have to give to investors, that depends on many factors. When you're a new startup or in your first round of funding, you're usually going to be selling 10-30% of your company. This is because in the early days of a company your valuation is lower and risk is higher. You will need to offer that much equity just to get investor interest and to get the kind of money you're looking for. Nobody wants to sell that much of their company right off the bat, but most start-ups really have no choice.

Valuation

One of the important steps in seeking funding is to estimate your company’s valuation, or fair market value. This will determine how much money you will receive in exchange for any given percentage of your company. For example, if you determine that your company is worth $1 million dollars and you need to raise $300,000 in capital, you will have to part with 30% of your company in exchange for that money. $300,00 is 30% of your $1 million valuation. Arriving at your valuation number is something that needs to be done before you go out and pitch investors. Unfortunately, it’s not an easy thing to do.

In the very beginning, before launch, when you have no way to prove your business model, and you have no sales, no website numbers, and no data showing growth, then you're really just guessing at your valuation. It’s okay if you have to guess. But at least make it an educated guess, and make it a conservative guess. The only thing that a wildly unrealistic valuation is going to do is turn off investors.

The best way to guess is to compare your company to other similar companies in your industry. But choose a fair comparison. As the saying goes, compare apples to apples. Too often I see entrepreneurs try to compare their tiny fledgling start-up company to one of the giants in their industry. If you’re creating a social network for Navy fighter pilots, don’t compare yourself to Facebook. If you have an energy drink company, don’t say, "I'm raising money for my energy drink, and since Red Bull, Rockstar, and Monster raised this much money, I deserve that too." The investor will be chuckling to herself and thinking, “What about the other 885 energy drinks that are out there on the market?”

Many times people have pitched me with a presentation showing what the most successful companies in their industry have done and how fast they grew. They’ll say, "I've got a new clothing line, so look at this chart of how fast Spanx went from nothing to $100 million." But everyone knows Spanx is that one amazing success story out of the hundreds of clothing start-ups that failed. When dealing with savvy professional investors, you need to come up with a conservative valuation based on comparable companies.

You can usually find sales numbers and even funding information for companies in your industry by searching online. If a simple Internet search doesn’t turn up what you need, you may have to pay a couple hundred dollars for an industry report. Sometimes you can find out exact numbers, but you can usually find out roughly what they did. Then compare yourself to that using realistic numbers and come up with a valuation from there. You may need to add to or subtract from that valuation based on differences in market size and demographics. For example, if a country music radio station in Indianapolis received a valuation of X, and you own a similar radio station in a city that’s three times bigger, your valuation would probably be 3X or more.

Once your company is more established and you’re going for series A or second or third round financing, you'll have numbers and data to share. The general way, outside of Internet companies, to come up with a valuation is eight times your EBITDA, or double your gross sales. That's a ballpark, generalized idea of what your valuation should be.

Selling Your Company

After spending years working hard to build and grow your company, there may come a day when you decide it’s time to take a break or step away. If you have followed the steps in these pages, and with a little luck, you will have built something with lasting value. Something that another company will want to buy from you. This may be your time to cash out, take an extended vacation, an early retirement, or just take a few months off then start another company. Or maybe you’ll just become an investor in other people’s startups. Either way, you will have the deepest sense of pride that you created something. You made the world a better place. You created jobs. You helped grow our nation’s economy. And you made a lot of money for a lot of people.

But before you start counting your millions and shopping for a bungalow in Maui, you have to sell your company.

When it comes to selling the company, your most likely buyer is going to be one of your competitors or your vendors. This is because your competitors and vendors already know a lot about you. They know how you operate, who’s on your team, what products and distribution you have, and what value you provide in the marketplace. When your business reaches seven or eight figures in sales, you're like the new pretty girl at school. Everybody's going to take notice, whether they admit it or not. So once you’re big enough to be sold, most of your potential buyers are already well aware of you. And you’ve been written up in the news media many times.

This may sound funny, but the best way to have other companies interested in buying you is by just building an awesome business. Go out there and make a splash. Sell as much as you can. Make as much noise as you can. Get attention. Achieve. Grow. That's what happened with my poker site. We were getting millions and millions of views. I was getting poker players all over TV wearing our Victory Poker patches. And then out of the blue we just started getting phone calls from our competitors looking to buy us because we were making such a big splash. Just be awesome, it's one of the best ways to get people interested in buying you.

When you decide to put your company up for sale, this is a critical time to attend those conventions and conferences we talked about because the big players are all there. The executives from other companies who could buy you are there. You want to have access to those people to let the word out that your company is for sale. If you meet those key people, or your company has a big fancy booth in the convention hall, or you're sponsoring a social event there, then you're in the mix and your name is circulating. People are talking about you. That will put more eyeballs on your company and give you visibility to the people capable of buying you.

In order to find the potential buyers who are big enough to purchase you, you've got to be at the big boys' table at those industry events. Make some kind of noise there. Stand out in some fashion and your story will spread. And try to be interviewed in whatever media that covers those events and your industry. This will help you get noticed.

You're not going to call up a competitor, or an investor, or call up a hedge fund and ask them if they want to buy you. It doesn't work like that. People have to *want* to buy you. They want to buy you because you did something that made you stand out. Maybe you took some of their market share, or you made a big splash in the media, or you're doing sales numbers that stand out, or you took up shelf space in their department store, or you took shelf space away from a competitor. Or maybe you developed some proprietary technology that they want for their business. Whatever it is, they’re going to buy you because you have something they want. Usually it’s your customers, your distribution, and your market share that they want. But it could also be your reputation, your manufacturing facilities, your patents, or your retail locations.

Or maybe they want your executive team. There's something called “acqui-hire.” Acqui-hire is when they *acquire* your entire company primarily because they want to *hire* your executives, including you. You'll often see a company get acqui-hired before that company has hit huge revenue numbers, because they have some awesome programmers, developers, and engineers with a very specific area of expertise. When Google and Apple were building out their competing mobile maps platforms they acqui-hired several smaller mapping companies just to get their engineers and employees. Like I said ealier, whether it’s your patents or your employees, it goes back to just being an awesome company with value in the marketplace. That's what makes people want to buy you.

A note of caution, if it is a competitor or vendor that is interested in buying you, make sure you know how serious they are about actually buying your company before you hand over all your books and all your secrets. You have to make sure they can actually afford to buy you, and that their interest is real. You should go there and meet with them in person, and probably bring your lawyer on that first meeting as well. Don't just hand over all your private records and documents, because the deal could fall apart and then you’ve just given trade secrets to your competitor. In that first meeting also try to gauge whether the selling price and terms they are proposing are in the ballpark of what you think your company is worth. You don’t want to spend a lot of time going down this path if they aren’t going to make you a realistic offer, or if they are demanding deal points that you cannot live with.

Here’s how I’ve seen this go. They call you and ask to meet with you. In that meeting they're going to bring up the subject of possibly acquiring your company. If you react positively, the discussions will continue.

Most of the time this should be an exciting time for you to have a big exit, a liquidity event. They're first going to want to know your general revenue and profit figures. This is private information, so make sure your lawyer is involved in this process and is watching your back. Once you give them the overall figures, if they are still interested in moving forward they're going to want much more information about your company. They’ll want to see your detailed financial statements, information on your customers, marketing strategy, new product pipeline, cost structure, debt, leases and obligations, patents pending, and employees.

The process is going to get very, very detailed and it always takes a lot of time, usually between one and six months depending on the complexity of the business. This is normal. No one writes a multi-million dollar check without appropriate due diligence.

On a personal note, selling your company can be emotionally taxing. Try to keep a sense of humor about it and put ego aside. The buyers are likely going to ridicule parts of your business, criticize decisions you made, and call into question your leadership. But don’t take this personally. It is a negotiating tactic designed to lower the selling price. There will be a lot of going back and forth, questions about what you did, how you did it, what your future sales are going to be, and what your expansion plans are. It's going to be very in-depth, with many requests for additional documents and paperwork. It almost feels intrusive. So stay positive and just realize that this is how the game is played.

During this process, keep running your business and keep moving things forward. Just because there's an imminent sale in the works doesn't mean it's definitely going to go through. Something could derail the process at any time; this is common. So don't put running your business on hold or stop focusing on sales for two or three months because you thought you were going to sell, and then the buyer backs out and you just wasted a couple months. Keep working business-as-usual during the sale process.

Conclusion: Is This For Me?

After reading this book you now have a lot to think about. In addition to providing you with specific, real-world how-to advice for the different stages of starting and building a business, I’ve also tried to paint an accurate picture of the entrepreneur’s journey. What you need to decide now is whether or not this journey is right for you.

No one is forcing you to start a company. This is not a path you must go down. Millions of people find success and happiness working for someone else. If you work for someone else you won’t have to worry about finding investors, paying lawyers and accountants, securing business licenses, and all the little headaches that come with being a business owner. The entrepreneur’s journey is one of the most stressful and difficult paths in business. It’s not for everyone.

But here’s the flip side to that. The entrepreneur’s journey is also one of the most exhilarating, thrilling, and financially rewarding paths in business. It’s difficult to become a millionaire working for someone else. But as an entrepreneur it’s almost expected that you’ll build a million dollar net worth. If one of your goals in life is to create significant wealth, entrepreneurship is perhaps the most effective route to reaching that goal.

In his book *The Ten Roads to Riches*, billionaire Kenneth Fisher examines all the routes to becoming wealthy, including marrying well, becoming a famous celebrity, creating patents, and working your way up to becoming the CEO of a large company. He makes it very clear that most of the ten roads are quite simply not available to or not realistic for the average person. What are your real odds of moving to Hollywood and becoming the next George Clooney? What are the chances you’ll meet, fall in love with, and marry a billionaire’s son or daughter? Pretty slim. According to Fisher, the absolute best and most likely way to become rich is through founding and building your own business. I agree 100%. That’s why I’ve chosen the entrepreneur’s path.

By the way, Fisher’s book stands in stark contrast to most of the other how-to-become-a-millionaire books on the market. The vast majority of how-to-become-a-millionaire books are personal finance books, not business start-up books. They preach that the way to become a millionaire is to live frugally for decades, invest wisely, buy a modest home, and after 50 years of scrimping and saving and paying off your mortgage you may reach a combined million dollar net worth. That’s not bad advice, but it’s a very different path. All of the entrepreneurs I know are on a mission to change the world, build value, and create wealth; they don’t want to wait until they’re 75 years old to be a millionaire.

But being an entrepreneur is risky. There’s no getting around the age-old risk-verses-reward equation. The higher the risk, the greater the potential reward. If you’re afraid to invest all your savings in a new venture, then maybe entrepreneurship isn’t for you. Or maybe you just haven’t found that one idea that you’re totally passionate about bringing to life.

Since you’re reading this book I’m going to assume you’ve already wrestled with the decision of whether or not to become an entrepreneur, and now you’re interested in learning *how*. The best way to learn entrepreneurship is by doing it. Armed with the information in this book and everything else you’ve read, it’s time to jump in.

I’ve met hundreds of people who *say* they want to start their own business. But when I ask them what steps they’ve taken to get started, the answer is always the same, “Umm.. uh… well… I’m still thinking about it.” Just thinking about it won’t get you anywhere. If you actually want to accomplish something, even if you don't think you know everything you need to know, just start. Just build the website. Build a prototype of that product that’s in your head. Then take it out and show it to people. Start the process. Even if you only spend an hour a day on your idea, take those first steps.

If you can spend one hour in the morning and one hour in the evening on something, you’ll be surprised at what you can accomplish in just a few months. You don't have to quit your day job or stop going to school. I'm not telling you to drop out of college, at least not right now. Work on your business idea as a side project until you realize it's time to actually raise some money or open up the retail location or dive in full-time and get started.

You can spend the first month, three months, or a year, depending on the kind of business, just setting aside one or two hours a day to work on it. It doesn't matter what age group you’re in, when you're going to graduate, or when you're going to retire. If you start working on your idea as a side project you keep your risks low while you figure out a few important things. Is there really a market for your idea? Do you enjoy working on it? Are you willing to risk your time and money on this?

If you keep procrastinating and you can’t commit to getting started, then maybe you’re not an entrepreneur. But that’s not necessarily a bad thing. You can still make it happen. There are millions of people who have great jobs that they love or jobs where it makes no sense to leave, like doctors, lawyers, or executives. In this case, find somebody who is an entrepreneur to do it for you. If you have a great idea for an innovative new product that nobody's ever done, but you don't want to leave your job and you don’t have the free time yourself, hire someone. I guarantee you there's a college student out there, or an entrepreneur out there that will go do it for you for low pay and a piece of the company.

The important thing right now is that you stop just talking about it and actually start working on it. This idea could be your future. It could make your dreams come true. It could make you and your family wealthy. No more excuses. No more delay. Take that first step. Entrepreneurs will always find a way, so what are you waiting for? It’s time to get started.