NPR’s How I Built This: What I Learned from 51+ Episodes

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https://www.allencheng.com/how-i-built-this-podcast-guy-raz-episodes-what-i-learned/

How I Built This is a popular NPR podcast featuring founders of world-class companies like Spanx, Southwest Airlines, and Starbucks. Each episode covers one founder’s story at a high level - how they arrived at the company idea, how they started the company, and how they struggled through calamity to break into success.

How I Built This features a wonderful diversity of companies, along multiple dimensions. The founders span a wide range of **industries**, including consumer goods/retail (Dyson, Spanx, Home Depot), food (Five Guys, Samuel Adams, Clif Bar), and tech/software (LinkedIn, Wikipedia, Stripe). Also wonderful is the diversity of **company age** - from old stalwarts like AOL and Starbucks to fresh young things Slack and Stitch Fix.

Having a wide range of companies to study lets us tackle the perennially interesting question: **how do you build a successful company? What do successful companies and founders have in common**, regardless of what product they make?

Inversely, **can you succeed by breaking commonly accepted “startup rules”?** (like how many founders to have, how much money to raise, how quickly to grow)

I listened to **51+ episodes** of *How I Built This* with these questions in mind. I found patterns of traits and behavior that were nearly universal to all the companies profiled. I also found surprising variation in some factors around how the companies started and eventually reached success.

In this *How I Built This* summary, learn:

- The 3 traits that successful founders almost universally have
- How founders get their breakthrough idea and push it through to success
- 4 key differences that split companies surprisingly evenly
- Why you should be careful about your takeaways from success stories like *How I Built This* (and this analysis)

Caveats

Before we dive into studying *How I Built This*, we need a big dose of qualifications. If you understand the biases at play that can skew what you take away from the podcast, you can skip this section.

First, this is a **nonscientific** interpretation. I don’t quantify traits and run regression models. These are just patterns found through my own imprecise neural network (brain).

Next, the specific companies featured on the *How I Built This* podcast are subject to loads of **selection bias**. These stories were selected by NPR and Guy Raz for reasons opaque to us, but likely companies and founders they like, and whatever best grows their audience. They may not be representative of startups as a whole, or especially your industry.

Next, the **founders may themselves be heavily biased**. Founders generally have the incentive to make themselves and their company look good, especially if their company is still operating. Founders may portray themselves as more responsible for their companies’ success than they actually were (due to luck, or contributions of others that were discounted). Sometimes, the entire origin stories of companies are warped to suit a narrative. All of this may be conscious posturing, or, more innocuously, **availability bias/hindsight bias**. I take their stories at face value.

Next, any profile of successful companies is subject to **survivorship bias**. *How I Built This* doesn't attempt to study the vast majority of companies that failed, and figure out how they were different from the companies that succeeded. Further, many of the newer companies (Stitch Fix, Buzzfeed) have unproven longevity. (see the criticism around bestseller *Good to Great* for the difficulty in finding consistent outlier performers.)

By extension, **description is not correlation is not causation**. Without knowing the attributes of failed companies, the traits below may merely be common to successful companies, while also being common to failed companies.

- Example: "All startups profiled in How I Built This were started by humans." But all companies that failed were also started by humans!
- Less facetiously: "Successful founders solve their own problems." But most failed founders may also do this, and it may not correlate with success.

Then, even if some traits correlate with successful companies, it's not clear these were the causative factors. Optimism might be correlated with success, but maybe optimism is linked to some other thing (like tendency to push through obstacles) that matters more.

Finally, even if a trait is causative, it's unclear how much the trait is heritable or molded by early environment, vs. how much you can actively change. For example, optimism appears to be a nearly universal trait among profiled founders. But optimism might in be heritable, and a naturally pessimistic person may find it 1) hard to become more optimistic, 2) even if she becomes more optimistic, this "learned optimism" might not be the same as natural optimism. The same applies to willpower, delayed gratification, risk tolerance, and general intelligence.

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With all of these caveats, what's even the point of studying *How I Built This*?

- First, just listening to narratives can be entertaining and motivating. Knowing how your favorite company founder went through hell to get her company to work can push you to do better. Who cares if it's not scientific?
- Second, if companies vary widely among a particular trait, then it suggests the trait isn’t *necessary* for starting a successful company. For instance, you don’t *have* to raise money to start; you don’t *have* to have a co-founder. This should lower the barrier to your starting a company
- Third, observing a variety of how companies grow places your own path into context. For instance, you might learn that nearly every company faces tremendous difficulty at some point, even mega-companies. If you know it’s not supposed to be easy up-and-to-the-right, you should be more motivated to push through hard points.
- Fourth, the conclusions seem directionally true, even if you have to discount them a bit. I suggest some safe and meaningful takeaways below.

1-Page Takeaways from How I Built This

Commonalities among successful companies

These are qualities that over 80% of the founders demonstrated. While each commonality has exceptions, these reliably show up on most episodes of *How I Built This*.

- Demonstration of grit, hustle, or aggressiveness. A large fraction of companies don’t succeed right out the gate, and founders need to push through to find the truth of whether their companies will actually work.
    - Founders had to hustle to generate early success - doing sales personally, learning an industry they had little training in, finding clever ways past roadblocks.
    - Also common is a significant failure or existential risk that the company pushed through.
- Optimism. Generally, the founders seem to have perennial optimism that things will work out. Guy Raz himself pointed this commonality out as “absolute, unshakable optimism.”
    - Southwest founder Herb Keller: “I don’t get down easily. I like the stress.”
    - Beyond Meat: “There’s an inevitability about what we’re doing.”
    - Atari founder: “I view business like a game of chess. You play hard, sometimes you win, sometimes you lose. Then you set up the pieces and you play again. You don’t have angst and think, oh I lose, what do I do?”

    - Clif Bar: “I don’t remember a day when I didn’t believe we wouldn’t get through anything.”
- Personal experience with the problem. Generally the founders solved a problem they felt themselves, rather than canvassing all possible ideas and picking the one that would earn the most money. (More commentary below on why this is common, and its benefits.)
- Fast, lean launch. Most companies started relatively small with a simple product, then compounded on early success year after year to get big.
    - Relatively few spent years building in private before launching a product (and those that did often faced regulation, like financial companies Stripe and Betterment.)

Variation among successful companies

These are qualities that varied significantly among the companies. The safe takeaways here: any one of these factors isn’t *necessary* for success, and your company doesn’t have to fit the mold of a consensus “right way to start a company.”

- Time to success. Some companies took off immediately within launch (like Instagram). Others took months of iteration to get the right product/market fit. Still others took years to get meaningful traction.
- Prior founding experience. The majority of successful companies were started by people without prior founding experience, but a meaningful fraction had started prior companies before their big success (Mark Cuban, Reid Hoffman of LinkedIn, Tony Hsieh of Zappos).
- Funding status. The companies were fairly evenly split between being bootstrapped; starting lean and raising money soon after, and immediately raising money.
- Number of founders. While many companies started off with two or more founders, almost half either had one founder (e.g. Sara Blakely of Spanx, Ethan Brown of Beyond Meat) or started with one, then another joined early on (e.g. Drew Houston of Dropbox, Richard Branson of Virgin Group).

Commonalities

Commonality 1: Hustle/Grit/Aggressiveness

A large fraction of companies don’t succeed right out the gate, and founders need to persevere through the difficulty with grit and creativity.

Persevering is not a *guarantee* of success - some strategies just don’t fundamentally work. But an idea needs enough effort to collect enough data to reach a conclusion - will it work, or will it not? Giving up early by definition causes failure.

Giving up too early stifles an idea from being mutated enough to find the right fit, or prevents it from getting early traction that compounds into growth.

Below are examples of how the founders had to hustle to generate early success. Often this includes building the product personally, doing sales door-to-door, learning an industry they had little training in, and finding clever ways past roadblocks.

Examples of Hustle

- Sara Blakely of Spanx
  - had to find a manufacturer to make her design, but they wouldn’t accept over phone. So she drove to North Carolina factories directly cold-called.
  - wrote her own patent, with sketches from her mom. Got a discounted price for claims from lawyer.
  - To sell first Spanx, cold-called Neiman Marcus hosiery buyer. Offered to fly to Dallas to show her. When the meeting was going lukewarm, she asked her to go to bathroom. Show before and after. She says “wow, I get it. I’ll put it in 7 stores.”
  - To pump up sales, paid friends to buy Spanx at the representative stores. Demoed the product in store. Put Spanx on stands around cash register, where no employee thought to question it.
- Cathy Hughes: “You don’t stop based on what the clock says, you stop based on the accomplishment of the task.”
- Clif Bar: Went to bike races, marathons to pass out bars
- VICE: started a magazine called “the Voice of Montreal.” When buying back the magazine, they fabricated a story about being sued by The Village Voice to require changing to VICE - it was for publicity.
- Airbnb:
  - Rode the wave of press from Obama at DNC, July 2008. Sold 500 boxes of Obama-O’s

    cereal for $40/box. Sent free boxes to press.
  - Users were in NYC, so Paul Graham told them to go to NYC. You shouldn't solve all your problems in a scalable way. Took photos for listings.
- Dermalogica:
  - For 3 years, ran classes personally and worked hard, saving money.
  - When starting their product line, had low money. Went to contract manufacturer and begged to start a sample run. "For some crazy reason you've got something interesting so I want to be along on the ride."
  - Didn't hire a classroom teacher until 1987, year after launch. Taught classes and shipping product at the same time.
- Samuel Adams: Beer distributors wouldn't take his product, so Jim Koch went from bar to bar with cold beers in a suitcase.
- Southwest:
  - Under lawsuit, ran out of money two years after founding. Board wanted to shut it down, but Herb volunteered to buy court costs out of pocket.
  - Herb still practiced law to earn money while Southwest was getting off the ground. Only stopped practicing at 1981 (14 years after starting).
  - Company started with scrappiness to make their low fares work. Had to run 4-plane routes with 3 planes, which was possible only through fast turnarounds.
  - Continues to be lean, minimizing debt and funding plane purchases with internal funds.
- Melissa & Doug: Started with a self-produced TV show for kids. Went door to door at kids' stores and begged them to sell their tapes, since distributors wouldn't carry their one product. When the tapes didn't sell, they realized they had to redesign packaging and educate buyers by organizing play dates at stores.
- Zumba:
  - Got up the chain at an infomercial production company. The company asked if Beto could speak English, they said yes and had to teach him English in 2 months. They didn't get very far, so they just had him say "Hi, nice to meet you, sorry I have to go."
  - One promotion had them film a DVD to include in cereal boxes for Latin America. On set with Tony the Tiger, Beto saw how poorly he danced and insisted he wear the Tony costume and dance.
- Honest Tea: After first production run of 15k bottles, they had to give out samples at the store, otherwise there'd be little awareness.
- Zappos: Launched without inventory by taking pictures of shoes and putting them online.
- Kate Spade: Learned to craft handbags by hand. Had to cobble together suppliers who were willing to sell an unknown brand small quantities. Showed at trade shows.
  - As fashion editor at magazine, learned to be resourceful: "do not come back to me with no. Figure it out."
  - Were shipping bags out of their apartment for 2.5 years.
- Lyft: Wore beaver costume at Cornell to get critical mass of people using Zimride. Sold hundreds of universities a subscription model to get program on campus. When launching Lyft, evaded regulation by allowing riders to give an optional tip, instead of a required payment.
  - Got cease and desists from California government. Tried to understand their priorities (rider safety) and pointed out how they went above and beyond existing regulations.
- Beyond Meat: Ethan Brown had little food background (had background in clean tech), but was driven by the vision of a plant-based McDonald's. At nights researched who was taking protein

from plants and reorganizing into muscle, found [academics at U Missouri who were restitching plant proteins to be more meat-like]. Got grants at U Maryland to extend the research and get ready to market. Sold house to fund company.
    - Also on the side, imported soy-based food from Taiwan to resell in Whole Foods. This relationship later gave him credibility.
- Crate & Barrel: Went to Scandinavian trade commissioners in Chicago. Got names of factories. Found old factory space to open shop. Because they were on a lean budget, they had to dress up the decrepit factory cheaply with lumber. Used the crates and barrels that inventory arrived in and turned them out (wood wool and all).
    - A few years after starting, traveled to Europe to tour factories and study retail stores. Took inspirations back to Chicago stores.
- Atari: When Pong became a success, they decided to manufacture their own machines instead of licensing to Bally. Had to build a makeshift factory, ship machines in trucks without crates.
- Chesapeake Bay Candle: Mei Xu called the candle buyer at Target and left messages for a year.
- Stripe: Despite the hurdle of regulation and large financial institutions as competitors, the Collisons realized building Stripe would be difficult, but not impossible.

Rejection/Failure

Along these lines, here is a list of setbacks and failures the founders had to endure before or while their company grew.

- Instagram: Kevin Systrom started with checkin app Burbn. Lack of momentum got to 100 users. Found out they loved the photo aspect.
- Airbnb: After DNC peak, 0 investors invested in Airbnb (the concept was too weird at the time). They maxed out their credit cards.
- Dermalogica: Their chemist who fashioned the starting product line believed the business wasn't going to work, asked to be paid out 2 months before.
- Samuel Adams:
    - Went for the best brewmaster in the country, who rejected the idea at first. Gave him 2% of the company.
    - When selling beer, top 5 beer distributors turned his product down. When selling to individual bars, got 95% rejection rate before named best beer in America.
- Southwest: When airlines were deregulated, Southwest faced endless skepticism for not being able to compete outside their home base of Texas, then Sun belt.
- Patagonia: Made mistakes when growing too quickly (50% a year) on retained earnings, had too much inventory and went through recession.
- Melissa & Doug:
    - When their first tapes didn't sell, they realized they had to redesign packaging to show what it was, educate buyers by organizing play dates at stores, and have a direct

relationship with customers rather than go through distributors.
    - They've produced hundreds of toys they liked theoretically but didn't work. Puzzle world was an expensive new product line ($200) that stores never pushed enough to get buyers interested. Melissa keeps the failed toys behind her desk to remind her.
- Warby Parker: They got cut at semi-final round of business plan competition, put chip on their shoulder.
- Zumba: Gyms had their own brands (Salsa Dance), didn't want to have Zumba courses. Didn't understand the students Zumba could attract beyond their own classes. 24 hour fitness later signed on, and other chains joined soon after.
- Drybar: Alli Webb was the "underachiever" in the family, parents didn't know what she was going to do. This seems to have put a chip on her shoulder and made Drybar a big validation.
- Honest Tea: Had broken glass in bottles in early 2000s at two Whole Foods locations, which had a 3 strikes policy. Withdrew all bottles at the cost of several months of sales (at the time, $3MM/yr).
- Virgin: Virgin has had dozens of high-profile failures. Folding is "a necessary decision to protect the rest of Virgin."
    - Per Branson, Virgin Cola launched to great success but Coca-Cola undermined them at retailers and forced them to stop stocking Virgin Cola. Branson learned that they wouldn't go into business where they didn't have a palpable advantage.
    - "You're not pushing the limits" if you don't have failures, if everything you touch turns to gold.
- Atari: After developing first home console Home Pong, went to toy show to recruit vendors. None of them wanted to sell anything over $35, whereas the machine cost $79. While disappointed, this conflicted with the fact that their neighbors were willing to buy the machine; so they thought their distribution channel was wrong.
    - With a long list of business failures: "A good failure is good for your soul. There's nothing worse than feeling invincible and entitled. Then it's not about what you do, it's about who you are."
- Chesapeake Bay Candle: Their second trade show was a sales disaster, after a very successful one. Thought the first might be a fluke. But this prompted them to rework their candles.
    - She had to find a way into Target, but she put a bad taste in the buyer's mouth by calling the buyer's boss after getting rejected for months. Kept calling until a new buyer was hired.
- Stripe: Many investors turned down Stripe's first round, thinking the existing payment systems were good enough, that Paypal would take care of the problem.

Commonality 2: Optimism

Most of the founders profiled in *How I Built This* say some version of "I had no doubt that this would succeed," or "what I'm trying to do is inevitable," "even if I fail, I pick myself up very well." Guy Raz points this out himself, saying it's common to have "an absolute, unshakable optimism."

Sometimes it gets into questionably delusional territory (did you really never, even *once*, doubt whether the company will work?) Be wary of founders having hindsight bias once their companies did work out.

Optimism likely improves success in a few ways.

1. It makes you more likely to start a company to begin with. Given the statistical chances of success, you need some willful ignorance to not take a cushy job instead.
2. It pushes you past barriers, setbacks, and criticism. If success is inevitable, it just becomes a matter of finding out *how* to make it work. You don’t get paralyzed about *whether it will* work.
3. Optimistic messaging is more attractive to other missionaries who believe in what the company’s doing.

Examples of Optimism

- Radio One: Cathy Hughes had no doubt it was going to work, even through financial difficulties. “You know that the day is going to arrive [when success comes]...that’s what you have to believe.”
- Clif Bar: “I don’t remember a day when I didn’t believe we wouldn’t get through anything.”
- VICE: Why did you survive when all the other cool magazines from the 90s didn’t? “We refused to die. We found a way.”
- Dermalogica: Even when their chemist dropped out, they had to believe it was going to work, otherwise it’d be the biggest disaster.
- LA Reid: Even after their first 2 years of failing to produce hits, “I never had a doubt that it would work, but I knew we needed a different strategy.”
- Southwest: Herb Keller fought lawsuits stifling launch for 4 years. “I don’t get down easily. I like the stress.”
- Mark Cuban: When starting audionet, knew that streaming audio was the future. The Internet would broaden distribution to any radio station on Earth. Same with Mavericks - when he paid the highest price ever for a sports team, everyone thought he was a moron.
- Instagram, Kevin Systrom - it’s not just about luck, it’s what you do with it. Whether you can realize you’re lucky and chase it through
- Patagonia: “I didn’t know anything about clothing. If I get an idea, I immediately take a step forward, and I see how that feels. If it feels good, I take another step forward. If it feels bad, I take a step back. It’s different from people with a scientific view where they think everything to the nth degree before stepping forward.”
- Virgin: when 15, Richard Branson started a magazine and was able to get star contributors - “I suspect that I didn’t know failure so the idea that someone would say no was something I

couldn't understand."
- Beyond Meat: "You don't know what you're capable of doing until your back's against the wall. Put yourself in that position. Let go of that safety net and you'll figure your way out." Also "Are you convinced this thing is going to be successful?" "There's an inevitability about what we're doing. My anxiety is more about execution."
- Crate & Barrel: "The value of being young is that you have a lot of energy and passion and no wisdom" and "you know you can start over."
  - Every time they opened a new store, they were betting the company because of their leverage on loans. If the store failed, they would go down.
- Atari: [When Home Pong failed to get distributor buyers] "I'm not easily depressed. I'm very easily challenged, so I thought there's something not right here. We haven't found the right distribution channel."
  - When fired from Atari after acquisition: "I view business like a game of chess. You play hard, sometimes you win, sometimes you lose. Then you set up the pieces and you play again. You don't have angst and think, oh I lose, what do I do?" [He was also developing Chuck E. Cheese's at the time.]
- Betterment: On starting during the recession and having to wade through regulation: "I'm an opportunist. When everyone's running the other way, maybe there's an opportunity that's been missed."
- Chesapeake Bay Candle: "It's good that you don't know how hard it is, you just know in your gut it can be better. No amount of research can prove an idea except taking it to market."
  - "Immigrants are a self-selected group for taking big risks already. They choose the unfamiliar because they have more confidence and curiosity."

Exceptions to Optimism

Here are examples of founders who expressed doubts the company would succeed, or thought about quitting before the company got real traction.

- Angie's List: She didn't have full conviction it would work. Thought about packing it in multiple times and was miserable as a salesperson, but still persevered.
- Patagonia: Through ups and downs and running out of money, "we didn't know if we were going to make it or not."
- Zumba: After recording their DVDs, were selling some but not enough to fund salaries. Not sure it was going to work.
- Kate Spade: Founders didn't tell anyone because they were afraid it would fail and it'd be embarrassing. Over 3-4 years, didn't make enough to pay salary. Were thinking of quitting but recent employees who joined for equity said they weren't ready to leave yet.
- Stripe: When considering idea, thought often about whether they were missing something, whether there was a good reason this didn't already exist. Are we wrong or is the world wrong?

Commonality 3: Personal experience with the problem

Solving your own problem is common advice for new founders looking for an idea (see Paul Graham). Most of the founders from *How I Built This* had a story about how had the very pain point they were solving, then realized they could build a business around it.

As a founder, solving your own problem has these benefits:

- Because you have the problem, you'll be more motivated to solve it (contrast this to solving a problem you don't care about).
- You build a product that actually is useful and solves a problem. If you’re an outsider to the problem, it’s harder to tell if your product is actually useful.
- Then, it’s a matter of how many other people have the same problem you do. If it’s a lot (like with Spanx), then you can sell a lot of your product.
- You also become better at marketing. A genuine story of why you started your company resonates with your target users and feels like a faceless corporation stealing from wallets.

Keep in mind that most founders, successful or not, probably start off by solving their own problem, since those are the opportunities that come most easily to mind. (Hence the number of social and dating apps by young tech founders; most people don’t think about how to make better equipment for sewage treatment.) So this doesn’t mean you’re destined for failure if you don’t know much about the problem space.

Examples of founders solving their own problem

- Sara Blakely wore hosiery as a salesperson. She couldn’t wear a particular pair of pants because it showed underwear, while shapewear was thick and overdone. She liked the control top pantyhose and cut the feet out of it.
- Instagram - after pivoting from Burbn, Systrom was on vacation with wife, who complained about not taking good enough photos to post. Realized professionals use filters, and they should make photos easy enough to share.
- Clif Bar: Gary Erickson was on long 175 mile bike ride, brought 6 PowerBars. Never tasted good.

“I can make a better energy bar than that.”
- VICE: How do you create real content, reflecting experiences that are underrepresented in media (eg being brown)
- Airbnb: Rent was raised on their apartment. Had to figure out a way to pay rent. Met a stranger who didn’t have lodging, let him sleep on an air bed.
- Dermalogica:
    - Jane Wurwand was a trained beautician, moved to LA in the 80s. When trying to get a job, noticed all the ads were for haircare, the few skincare salons were in Beverly Hills. At the time skincare was all about makeup. Visited and saw that the service staff were all Europeans, the sales staff were Americans - because Americans don’t have good skincare training, and Europeans can’t sell.
    - Epiphany: we can teach Americans how to do proper skincare - take licensed aestheticians, train them for 2 years in skincare and operations to let them build their own business. Built International Dermal Institute for classes.
    - After teaching classes for 3 years, they realized the people they trained were all using European products. Why aren’t there any American products in the salon industry? Created products with their own specifications (cleansers that would wash off with water). Tested on herself first. Then sold to the beauticians they were training.
- Samuel Adams: Jim Koch came from a lineage of brewmasters. Went into the business even though his father recommended not joining the craft. Started with family recipe for flavorful beer.
- LA Reid: Was drummer, part of band The Deele, started touring. Became more interested in finding talent than being a promoter.
- Jose Andres: Was a chef, then created restaurants.
- Angie’s List: Started when BIll Oesterle was renovating house, and they realized it was hard to find reputable providers in each city. Indianapolis had a model called Unified Neighbors.
- Patagonia: Yvon Chouinard started in 1957 by thinking he could make better climbing gear (that could be reused instead of left in the mountain, following John Muir’s philosophy), so he learned to forge gear. When later selling clothing, he created clothing that he wanted to wear himself (as an avid outdoorsman).
- Melissa & Doug: Three of four parents were educators, and they settled on doing something interactive for children. They brainstormed creating toys from their childhood that they liked (tactile reading books like Pat the Bunny) and settled on making fuzzy puzzles.
- Warby Parker: Founders had felt pain of losing glasses worth $700 as students, compared to a $200 iPhone. Why couldn’t you buy glasses online? Neil Blumenthal had worked at an eyeware nonprofit so had experience with industry.
- Zumba: Beto Perez was an aerobics instructor during day, and production dancer by night. One day he forgot his aerobics music, he brought his latin dance music. It became popular in Colombia.
    - Partner Alberto Perlman had a VC firm for Latin American entrepreneurs. Was out of work in 2001, and his mom suggested he get together with Beto, who had taught classes she attended. Went to class and noticed everyone smiling, a rare sight in a gym.
- Honest Tea: Seth Goldman wondered why there wasn’t any tea beverage that wasn’t 100 calories per 8 ounces, just a little bit sweet.
- Virgin: Branson starts businesses out of frustration with existing businesses. “Screw it, we can do better than this.”
- Kate Spade: Was accessories editor at magazine. Knew handbag industry completely. Felt bags

were too complicated, would be simple architectural shapes.
- Lyft: Started as Zimride, where Logan Green shared rides between Santa Barbara and LA (to visit girlfriend). First used fleet vehicles first like Zipcar, but then inspired by sharing owned vehicles in Zimbabwe.
- Beyond Meat: Ethan Brown is now a vegan. Grew up a meat-eater but lived on a farm, had a complex relationship with animals (nurtured them, but also killed them for meat). Got vision of starting a plant-based McDonald’s. Worked in cleantech, and felt they were missing the big picture (met to squeeze % out of a lithium cell but went after to have a steak dinner).
- Crate & Barrel: They liked European furniture designs but couldn’t afford them in the US. On honeymoon in Caribbean, there were European housewares stores. Shocked at the low prices, they learned the stores bought direct from European factories. They wanted to make beautiful design available for non-wealthy young people like themselves.
    - Also, Carole’s family was in retail, Gordon’s was in restaurant business. Those businesses are all about selling, so they had confidence.
- Atari & Chuck E Cheese’s: Nolan Bushnell started in the carnival as a college student. Saw coin-operated games (pinball, mechanical games) and how much income they generated. Saw Space War game, played for hours. Thought, if the cost of computers can come down, this can work in an arcade.
    - Chuck E Cheese’s: Nolan knew the economics of an arcade machine (buy for $1500, would earn $30-50k). Wanted to create new location, family-friendly, free-standing arcade, with food, with animated mascots.
- Stripe: When building Auctomatic, they knew integrating payments was a terrible experience for developers.
- Betterment: Interested in helping people make better decisions, from the econ/psych background. Had 7 brokerage accounts, bought Enron on the way down and lost his money, thought I’m subject to the same biases as everyone else - if it’s so hard for me, how impossible is it for the general population? Wanted to combine the ease of a savings account on ING with the low cost of Vanguard.

Exceptions: founders not directly solving their problem

Here were exceptions - founders who weren’t inspired to start the company because of the personal pain point.

- Southwest: Business partner came to him with opportunity to start discount airline. Realized there was opportunity to put flying within reach of mass population, non-business flyers. Incumbent lawsuits invigorated his mission of making free market work.
- Mark Cuban: For Audionet, a friend came to him to try to get audio into pagers, and he turned their attention instead to the Internet.
- Zappos: Tony Hsieh isn’t really into shoes. Is more into customer service. Original founder Nick

Swinmurn hired a shoe person from Nordstrom.
- Chesapeake Bay Candle: Mei Xu was driven by the disconnect between beautiful fashion and stodgy home goods. She brainstormed a variety of goods (fake plants, car seat cushions, dolls). Seemed more business driven.

Commonality 4: Great ideas start out polarizing

A common thread was how the business idea was unusual, contrarian, or polarizing at first. As Peter Thiel describes, an idea that’s too popular will usually have been competed away. To build a successful company, you should build on a “secret” that few people know.

Examples of polarizing ideas

- Airbnb: idea of staying in someone’s house was crazy
- Sam Adams: American beer at the time were watered down lagers. Didn’t want to compete with Budweiser.
- Southwest: Violated all the “rules” of airlines. Discount airline (some tickets cost $10), no frills, direct routes between second tier airports. Focused not on market share but profitability.
- Jose Andres: Did crazy things in the kitchen at El Bulli with Ferran Adria. “Don’t take things for granted. You have to discover things for yourself. If you only follow the teachings of people before you, you are only following others.” Also was part of the tapas sharing-food movement in the US - “just move your plate 20 inches to indicate sharing.”
- Patagonia: “If you want to understand an entrepreneur, understand a juvenile delinquent.” If you can’t win at a sport, invent your own sport that you can be best in. Don’t go head to head against Coca-Cola, they’ll kill you. Do it differently. Figure out something that no one else has thought about.
- Melissa & Doug: In the digital age, they went retro, building physical toys that gave parents nostalgia. “Don’t go with the tide. If we copy every good model out there, we’re going to be mediocre by definition.”
- Warby Parker: Got a lot of feedback of glasses being weird to buy online, people wanted to touch them. They offered free shipping and returns for home trial program.
    - Price was believed to be signal of quality. Would be absurd to consumers that a comparable product was sold at 10% of price. $100 presents a psychological barrier, so they priced at $95 so it looks deliberate (as opposed to $99)
    - Conventional wisdom was to either build a brand or ecommerce site, not both. They wanted to build a vertically integrated brand.
- Zumba: Novel in how much fun people had while exercising. Make it easy so your mom can do it.

Don’t use microphone or it’ll interrupt the music - cue visually.
- Drybar: Gave blowouts at $40, in between the expensive $100+ salons that would guilt you into cutting hair, and the discount Supercuts experience (classic Blue Ocean).
- Honest Tea: Saw there was a sweetness gap, between unsweetened and super sweet. Also made its tea by brewing, not by powder. People who liked the tea were loyal since other teas tasted so different. But distributors for Snapple etc. rejected them thinking there wasn’t a market for it.
- Zappos: Seemed like classic bad dotcom idea - no one wanted to buy shoes without trying them out. But footwear was a $40B industry in US, and mail order was fastest segment of shoes.
- Kate Spade: Felt handbags at the time were too complicated, wanted simple architectural shapes.
- Lyft: In 2012, saw Uber with elite black cars picking up on demand. Thought, we should do this for personal vehicles. Getting into a stranger’s car was absurd at the time (like Airbnb) and regulation was heavy. Even as they gained traction, other companies were waiting to see how the regulatory problems would resolved.
- Beyond Meat: All an animal is doing is taking in plant matter and water and creating protein and lipids. Why can’t we do this too outside the animal? Wasn’t a big hit among investors until Kleiner Perkins got involved.
- Crate & Barrel: European furniture was expensive and out of reach of young couples. In addition to their direct-from-factory purchase model, a few trends grew the market - jet travel to Europe, food culture (eg Julia Childs), and America was getting wealthier.
- Atari: Home arcade machines were completely novel. Toy vendors didn’t think people were willing to pay much for them.
- Stripe: Around the time of founding in 2010, payments seemed like a relatively solved problem. From the consumer side, payments (eg to Amazon) were already frictionless, investors thought Paypal would take care of developer ease.
    - Also, Stripe targeted developers rather than businesses through a salesforce, which was of unclear value to investors and competitors. Stripe assumed that targeting developers would let Stripe grow with their customers (as did happen with customers Lyft and Shopify).
- Betterment: Starting a fintech company required wading through regulation, something many tech entrepreneurs were unwilling to do. Around 2008, faced some criticism around starting a financial company around the time of the recession, but they believed it was the best time, given the confusion around what to do with money then.

Commonality 5: Fast, lean launch

Many founders started quickly and launched quickly. Sometimes this was by necessity - they didn’t have much money and needed to generate cash to survive. Or, they started as an extension of a previous career, and branched out into business.

The alternative is to build privately for years, then launch with a big splash. While this works for established companies with a proven history of great products (eg Apple), for startups it can put you out of touch with your customer(eg Segway).

Examples of fast, lean launches

- Sara Blakely created her own Spanx by cutting the feet out of existing control top pantyhose and sewing together pieces.
- Clif Bar: Created recipe in home with mother, shared with fellow bike riders who gave feedback.
- Airbnb: Started a website, rented out 3 airbeds during design conference for $80/night.
- Dermalogica: When first selling training programs for skin therapists, got a list of all licensed aestheticians in the area and sent out postcards with a free 1-day class.
- Samuel Adams: started brewing beer in leased space without an office, telephone. Ran out of pay phones.
- Angie’s List: Started going door to door manually selling memberships to the club. If they sold 2 memberships a day, it was a banner day.
- Warby Parker: Launched by getting manufacturer run of ~10k pairs, getting PR in GQ and Vogue, having simple ecommerce website.
- Zumba: Beto Perez was teaching his zumba class in Colombia and decided to try in the US in 1999. Went to Miami, wanted to get job as manager of gym.
- Drybar: As a stay-at-home mom, Alli Webb was doing hair for her friends casually. She posted to the mom community (a Yahoo group) about $40 for a blowdry business, would anyone be interested. Got 500 emails.
- Virgin: Started with an ad in his newspaper that sold records for 10% off retail price. Would take orders and then bargain with record shops. Later put out first album after getting a recording and wanting to produce and distribute the record.
- Kate Spade: Created small early run of handbags with savings and launched at trade show.
- Lyft: Zimride started by advertising sharing cars on Craigslist. Developed Lyft app over 3 weeks, invited few friends.
- Atari: They had to reduce the games to bare essence because of hardware limitations. | Pong was written up in a matter of weeks. | With a Home Pong proof of concept, they went to Sears to suggest buying 75k; Sears requested 150k. They had no ability to manufacture these at the time.
- Chesapeake Bay Candle: started by selling imported goods instead of manufacturing own. At a trade show, candles sold the most, so they focused on that.
    - Manufactured first candles out of Campbell’s soup cans. Forgot an ingredient, the wax took on a distinctive texture.

Exceptions to fast,lean launches

- Dermalogica: launched their product line with a full suite of 27 products (cleansers, moisturizers, peels), believing that too few products wouldn’t capture attention of beauticians
- Drybar: launched the first brick and mortar store as a full location in Santa Monica, had an architect, etc.
- Stripe: Built prototype in Oct 2009, then thought about what it would take to reach scale. Took almost two years of full time work before launching product. Felt there was complexity around regulation and partnerships with financial institutions.
- Betterment: Built over 2 years, joined FINRA. Wanted a big launch at TechCrunch Disrupt NY.

Miscellaneous Commonalities

The below commonalities didn’t appear explicitly in all episodes, but they seem directionally correct.

Obsession with product

Guy Raz: "The other thing is, whether its’ Vice Magazine, or Spanx, or Sam Adams beer, or Southwest airlines or Patagonia, every person who is involved in creating those things loved the actual thing. I mean, any other person other than Herb Kelleher would have given up on Southwest airlines…he really believed that people should have this option of flying for much cheaper than was available, that the monopoly should be broken."

- Urban One: Cathy Hughes knew from childhood she wanted to be a radio host, even when there were no black voices on radio.
- Samuel Adams: Jim Koch wanted to become the largest and most respected of the high end beers. Knew they only had to focus on two things: continuing to brew great beer and selling it.
- Zumba: Cared about making fitness fun, combining with music. Helping students avoid the stress of real life for an hour. Want dance and music to bring people together.
- Honest Tea: Received advice from investors, distributors to follow the trends of the day in 1999 (make tea sweeter, cheapen it to get better margins, go dotcom). They had to be patient and stick by their principles so change things.
- Zappos: Wanted to center brand around customer service. Did things that were nonsensical for competition to do (eg free 1-day shipping). Became a service company that happened to sell

shoes.

- Lyft: Founders cared about sustainability problems and using unmobilized resources (personal vehicles) all the way to mission of helping people avoid buying cars in cities and reorganizing cities around people instead of cars. Cared about making customer and driver experience great.
- Beyond Meat: “Passion takes you a long way. I just wanted this more than anyone else.” They want to make plant-based meat the majority of consumption over decades. “We have to create great products so there’s no tradeoff” with vegan products.
- Stripe: Patrick Collison has seen his projects as a pattern of building tools that created leverage for others to do things - first with his creation of a Lisp dialect, then with Shuppa/Auctomatic to help vendors sell more efficiently on eBay, then Stripe to help developers integrate payments faster. Famously allowed developers to accept payments with 7 lines of code. Obsessed about developers as their target customer.

Customer research/using customer feedback to improve

- Sara Blakely went to Neiman Marcus and asked salesperson if anyone would want a footless pantyhose. She said not only yes, but other people were already making their own homemade versions.
- Airbnb:
  - They thought their main business would be servicing events. After their 2008 SXSW launch sputtered, their customers asked to stay at locations outside of conference.
  - They flew to NYC to take photos of places and talked to customers, asking them to walk through their workflows.
- Melissa & Doug: Test toys with their own kids and other parents. Feel that you know quickly if a toy is going to be a hit.

Early marketing ideas

The founders often shared some unique way to market their product that gave them initial traction.

- Airbnb
  - Most of their listings were in NYC, but it’s such an international city that users started flying back to their homes and wondering, why don’t I list my place?
- Samuel Adams: Early radio ads declared independence from foreign beers. Were traded 2AM ad spots for beer, which worked for them since bartenders were getting off shift.

- LA Reid: Built music label out of soundtrack for a movie. Launched Toni Braxton and TLC off that album.
- Southwest: The first flight was branded David vs Goliath, had a lot of free press as an underdog story.
- Patagonia: Culture around reusing and repairing clothing. Have a truck going around the country repairing clothes, Patagonia or not. Have changed clothing to use fibers that can be reused.
- Warby Parker: Wanted first publicity push in premier magazines, GQ and Vogue. Pitched the magazines as exclusive launch partners.
    - Why did these magazines give them the time of day? Pretty novel idea: selling glasses online, home trial program, price point.
- Zumba: At scale, they had enough captive listeners that they became a way to promote new music. Partnered with Pitbull, Daddy Yankee, etc. Every month they select 13 songs.
- Honest Tea: Got a meeting with buyer from Fresh Fields (marketing director was also a Yale MBA).

Differences Between Companies

Below are major differences between companies featured in *How I Built This*.

Difference 1: Prior founding experience

Obviously everyone has a first company at some point. So this categorization is relative to their "big success" that they're best known for.

- No prior founding experience
    - Sara Blakely sold fax machines door to door before Spanx. No business training.
    - Kevin Systrom started Burbn while an engineer, had not founded company before.
    - VICE: had no prior writing experience. Started alt weekly magazine (the Voice) in Montreal after heroin rehab, which later became VICE. (though co-founder Shane Smith was said to have done many lucrative deals)
    - Airbnb: Joe Gebbia, Bryan came from design school. Gebbia started a small business selling butt cushions.
    - Dermalogica: Jane Wurwand was a beautician.

  - Sam Adams: Jim Koch worked in BCG for a few years, decided he didn’t want to do it for the rest of his life, so why do it for another day.
  - LA Reid: Were music producers and songwriters, decided to strike out on their own.
  - Urban One: Cathy Hughes, managing radio station before founding Radio One
  - Southwest: Herb Keller was a lawyer in Texas. One of his clients floated an idea of setting up a local airline in Texas. Knew nothing about airlines, which helped them.
  - Angie’s List: Angie Hicks was an intern at a VC fund under Bill Oesterle, who suggested she start a business with him.
  - Melissa & Doug: She was a banker, he had worked for a marketer. They hadn’t built a business before.
  - Warby Parker: Were all students at Wharton MBA, built the business plan as part of a course.
  - Zumba: Beto Perez was a dancer/aerobics instructor. Did not have prior experience.
  - Drybar: Alli Webb had gone to beauty school, was a stay at home mom, but got the itch to start a business around blowouts. Brother was exec at Yahoo.
  - Honest Tea: Seth Goldman had an MBA, was working in finance, had an itch to start something.
  - Virgin: Richard Branson started a magazine at 15 to campaign against the Vietnam War.
  - Kate Spade: Kate worked as fashion editor in magazine, Andy worked in advertising.
  - Lyft: Zimride started by Logan Green after college as a side project. John Zimmer worked in finance in NY.
  - Beyond Meat: Had worked in clean tech before starting the company.
  - Crate & Barrel: The couple was 23, one working in real estate and the other a teacher.
  - Atari: Nolan Bushnell got job at Ampex (made video tape machines). Had entrepreneurial itch and saw the computer that might make an arcade machine.
  - Chesapeake Bay Candle: Mei Xu was an immigrant in US working in medical devices, was miserable and quit to pursue home goods.
  - Betterment: Jon Stein had worked in consulting, went to business school where he started developing the idea.
- **Little founding experience**
  - Clif Bar: Gary Erickson was working in bicycle factory, started a small bakery selling mother’s Greek treats
- **At least one company before the big success**
  - Before Mark Cuban founded Audionet, he founded MicroSolutions, a software reseller. This sold for $6 million, and Cuban pocketed $2 million.
  - Patagonia: Yvon Chouinard started by selling hand-forged climbing gear. Then branched into clothing.
  - Reid Hoffman had done socialnet paypal before LinkedIn
  - Zappos: Tony Hsieh designed websites for local small businesses, then built LinkExchange (middleman between publishers and advertisers) then sold to Microsoft in 1998 for 265 million. Then created a VC firm with $27 million (half his money).
  - Chuck E. Cheese’s: Nolan Bushnell had founded Atari and sold it within 5 years. After getting fired, he started Chuck E Cheese’s first location a year later.
  - Stripe: Patrick and John Collison had founded Shuppa, which merged with Auctomatic and then sold for $5 million in 2007.

Difference 2: How the company was founded

- **Entirely bootstrapped/founder savings/low money (implies needing to be profitable)**
    - Sara Blakely started with $5k savings. Worked on idea while selling fax machines still.
    - Clif Bar: didn't raise, used funds from bakery and $20k from father. Arranged with manufacturers, distributors to pay after selling bars
    - VICE: Started with $10k and some computers. Couldn't get a loan.
    - Dermalogica: two immigrants, had no funding. Started their classes business, then 3 years later launched the product line. Later, were able to fund expansion with sales.
    - Samuel Adams: profitable from the first full month.
    - Patagonia: Yvon Chouinard still owns 100% of the company.
    - Melissa & Doug: Bootstrapped from savings. Raised investment over a decade after founding to expand.
    - Zumba: They were self-funded, got revenue from DVD royalties, fees from instructor network.
    - Kate Spade: Was being funded by Andy Spade, who kept working full time job in advertising and funneling savings into company.
    - Crate & Barrel: Needed $20k to start and started with $10k in savings. Raised $7k from father. As they got momentum, they funded with bank loans. Stores became profitable. "We didn't want investors - we felt they would have different motivations. Our goal wasn't to build a chain store, it was to find the best merchandise at the best price that would excite our customers."
    - Atari: Started with $250 from each founder. VC wasn't available at the time. Later funded Pong machines because machines had 30 day terms and parts had 60 day terms.
- **Started lean, then raised money after**
    - Airbnb: started working without any money in 2007-8, struggled to take off until getting into YC winter 2008, then raised $600k from Sequoia right after in April 2009, then $7.2MM in November 2010.
    - Warby Parker: Founders pooled $120k to begin. Got SBA loan in 2010 to avoid dilution, also got paid by a logistics partner for PR consulting. Raised funding in 2012.
    - Drybar: Founders (Alli Webb, husband, brother) pooled together money to start the first brick and mortar store in 2010. Wanted to grow, so raised money in 2011 to franchise.
    - Beyond Meat: Started with savings, sold house. Raised friends & family round and got research grant from U Maryland. Later got large rounds starting with Kleiner Perkins.
    - Betterment: Funded business out of savings from prior jobs.
- **Immediately raised money (usually before launch)**
    - Instagram: Burbn gets $500k. After Instagram launched, raised $7MM within a year.
    - Radio One: Cathy Hughes wanted to buy a black radio station, needed $1MM. Got a bank loan.
    - LA Reid: Funded by parent record label.
    - Southwest: Raised $500k in 1967. Have been profitable for over 40 years since 1972.
    - Honest Tea: Started in 1998 with $50k check from dad, then raised $500k from friends and

family.
        - They implemented an equity structure where as the equity grew in value, the founders received more equity so didn’t get diluted.
    - Zappos: Nick Swinmurn raised $2 million from Tony Hsieh and his VC fund. It was otherwise hard to raise money at the time (not just because of 9/11 but also because large retailers Pets.com had failed) so they didn’t raise until 2005 with $35 million from Sequoia.
    - Stripe: Joined YC for a seed investment in June 2010; raised $2 million in May 2011 from Peter Thiel, Sequoia, A16Z.

Difference 3: Number of founders

In tech startup circles, it’s common advice to start a company with at least one co-founder. Dropbox, for instance, started with just Drew Houston, but YCombinator suggested he bring on another founder.

Across companies in *How I Built This*, there was a variety of founder count, including several that had just a single founder or began with a single founder.

- Solo founders
    - Spanx: Sara Blakely
    - Urban One: Cathy Hughes
    - Clif Bar: Gary Erickson
    - Patagonia: Yvon Chouinard
    - Beyond Meat: Ethan Brown (with help from academics)
- Solo to dual
    - Instagram: Kevin Systrom -> Mike Krieger
    - Dropbox: Drew Houston -> Arash Ferdowsi
    - Samuel Adams: Jim Koch started himself, but brought on his BCG secretary
    - Zappos: Nick Swinmurn started, then Tony Hsieh joined as co-CEO.
    - Virgin Group: Richard Branson started his magazine alone, then started Virgin Records with Nik Powell
    - Lyft: Started with Logan Green and Zimride, then John Zimmer joined.
    - Betterment: Jon Stein started by himself and thought he could do it all, but recruited his roommate engineer Sean Owen and Eli Broverman, attorney for biz dev.
        - Initially split equity ? each, but Jon later felt this unfair given how long he’d worked on the idea.
- Started as dual

    - Airbnb: started with Joe Gebbia and Brian Chesky, then brought on Nathan later.
    - LA Reid started talent building with a songwriter Kenny Edmonds
    - Dermalogica: Jane Wurwand and her then boyfriend.
    - Kate Spade: couple Kate and Andy Spade
    - Southwest Airlines: Herb Kelleher and Rollin King
    - Angie's List: Angie Hicks and William Oesterle
    - Honest Tea: Seth Goldman with adviser professor Barry Nalebuff
    - Crate & Barrel: Gordon and Carole Segal
    - Atari: Nolan Bushnell and Ampex colleague Ted Dabney
    - Stripe: Brothers Patrick and John Collison
- Started as multiple
    - VICE
    - Drybar: Alli Webb with husband and brother
    - Zumba: Beto Perez teacher, Alberto Perlman and Alberto Alghion
    - Warby Parker: Neil Blumenthal, Andrew Hunt, David Gilboa, and Jeffrey Raider (4 Wharton MBA students)

Difference 4: Time to success

Some companies launch their product to immediate success and keep compounding from there on. Others struggle for months or years to get their product/market fit.

The takeaway: if your company isn't an immediate success, you may need to keep pushing to find the tweaks that will get you traction.

- Immediate
    - Instagram got 25k users in 24 hours. 1 million users a month after launching.
    - Dermalogica: did $1 million in sales in the first year.
    - Samuel Adams: six weeks after it came out, got picked as the best beer in America. Sold $1 million in give months.
    - Warby Parker: Thanks to their PR push in Vogue, they got immediate sales. Within 4 weeks, sold tens of thousands of pairs, had waitlist of 20k.
    - Drybar: Alli Webb gave blowouts at $40 to neighborhood moms in LA; she quickly had too much business to service herself. Then when launching the physical store in 2010, they were featured in Daily Candy, a daily newsletter about trendy things to do. Appointments were fully booked from the beginning.
    - Honest Tea: Had 15k first order from Fresh Fields (later acquired by Whole Foods). By

    end of summer, was best selling tea in those stores.
  - Lyft: Lyft app launched to great traction, tens of thousands of installs in first year. Sold Zimride and shifted team to Lyft.
  - Atari: [Relative success] Made Computer Space, the first commercially available video game. Successful in college campuses, but performed poorly in bars; made $1 million in sales and got royalties. Manufacturer felt this was a flop. Later, Pong was an instant hit, which prompted Atari to make its own machines instead of licensing it.
  - Chuck E Cheese's: first store was a hit, generating $500k in sales per year. Franchised 2 years after launching.
  - Stripe: While it took 2 years to launch their product publicly, upon launch they gained traction rapidly because of their ease of use, receiving a $18 million Series A 5 months later.
- Months
  - Clif Bar: took months to refine recipe, but afterward quickly got positive feedback on taste and quality of bar
  - Angie's List: Signed 1000 members in first year, and decided to acquire United Neighbors (the original model)
  - Crate & Barrel: Figured they needed $100k in sales per year to make salary. Had a good first month (part of local retail walk tradition) but suffered in cold weather. Met first year goal, then increased by $100k per year each year. Took 6 years to open their second store, and another 3 to open their third store.
  - Betterment: After TechCrunch Disrupt launch in June 2010, they got 400 customers, but this slowed down. Raised from Bessemer in December 2010 and by end of year had 1000 customers. Takes time to build trust in finance.
  - Chesapeake Bay Candle: $500k in sales in first 4 months after starting sales, but these stopped after the holidays. Second trade show was a failure. Motivated her to discover new designs, create in-house candles, and new fragrances. Then got big orders from Bloomingdale's.
- Years
  - Airbnb: didn't take idea forward immediately after the initial experiment in Sept 2007, brainstormed other ideas. Launched at SXSW in Mar 2008, had 6 people put up listings and 1 non-founder book. A breakthrough came in Obama DNC in Denver in April 2008, going from 0 to 800 homes in 4 weeks, but the stats plummeted after. Went through trough of sorrow until YCombinator in Winter 2008.
  - LA Reid: After starting record label, didn't have hits for 2 years. Felt they needed to sign better talent.
  - Southwest: 4.5 years between incorporating and flying first flight. Incumbents through a lot of regulatory challenges.
  - Melissa & Doug: Took two years to produce a children's video product that didn't explode. Then created their fuzzy puzzles, which organically gained traction.
  - Zumba: After combining in 2001 to record DVDs, they didn't really have meaningful success by selling to consumers. Until 2005 when they got some interest from fitness instructors; they then pivoted to target instructors using videos and infomercials, giving them a business in a box. Grew organically until 2008, when the recession caused people to use Zumba to be happy, and instructors used it for income.
  - Kate Spade: [Not clear on exact timeline but] after launch, they were picked up by

    Barney's and Fred Segal, and shown in fashion magazines because they were doing something different, in terms of architectural design and material. But growth was gradual, took 3 years before paying themselves $15k a year salary. Things turned around when the buyers increased their orders for more stores, and they won a prestigious design award.
  - Beyond Meat: Took years to go from research to production to store shelves (launched in 2009, first products in Whole Foods in 2013).
- Unclear/unstated
  - Patagonia: The roots started in 1957 when Yvon Chouinard began crafting mountain climbing gear - eventually capturing 80% of the market. In 1970, he sold rugby shirts from Scotland which became the top selling item.

Difference 5: Ultimate outcome and motivation

Successful companies vary in their ultimate outcome, varying between being acquired, going public, or staying private. This is more a Maserati problem (it's a great problem to have, and not worth more than daydreaming about in the beginning.)

- Acquisition
  - Instagram: Sold at the right price, but also helped with server stability and scaling.
  - Dermalogica sold to Unilever. After 30 years of running the company, founders were getting older and needed a succession plan, but children weren't interested. Hired CEOs for 8 years, didn't work out because of them.
  - LA Reid: From beginning wanted to follow model of building record and selling it.
  - Honest Tea: Coca-Cola bought 40% of company in 2008 (10 years after founding in 1998) with option to buy rest of company in 2011, which they did.
  - Zappos: Turned down Amazon a few years earlier, and Amazon went to war with Endless. After several years, Amazon agreed to acquire Zappos for $1.2 billion.
  - Kate Spade: They sold 56% at >$30 million to Neiman Marcus for a safety net, and because NM would be a good partner to grow. NM pushed them to expand into new categories. Then sold rest in 2007 when NM was selling itself and they had a child.
  - Crate & Barrel: Segals were getting older (60's) and wanted to retire. Were told to sell company 5 years before retirement to help transition. Also, company was strong in retail but weak in direct marketing (catalogues then). In 1998, sold Otto GmbH (then a large mail order company) ? of Crate & Barrel, with contract to sell the rest in 10 years. Otto pushed them into internet, which now is about 40% of sales.
  - Atari: In 1976 Atari was looking for more money to expand. Warner Communications bought company for $28 million.
- Going public
  - Samuel Adams: wanted investors to be able to exit. Didn't want to work with bankers

    (who seemed to just want to make their buddies rich); put coupons on beer packages to buy shares at a certain price, just send in a check. Got $65 million from 130k people.

- Staying private
    - Clif Bar: had offer to sell and was on the last day, but founder realized it wasn't right. Bought out his partner and took a while to pay back the loan.
    - Patagonia: happy staying private, no plans to go public, want the business to last 100 years.

Misc Notes

Here's a mishmash of notes from various episodes that don't fit cleanly into the categories above.

How companies named their products

- Spanx was one syllable, had a K sound (comedians say it makes audiences laugh). Made up words are easier to trademark, more distinctive. A little naughty and risky.
- Samuel Adams: meant to convey America strongly, and had historical significance since Sam Adams was a brewer and revolutionary. Jim Koch wanted to start a beer revolution.
- Zumba: Rumba was the name of a style of latin dance, so they went through entire alphabet to generate variants.

Marketing channels

- QVC
    - Spanx (though some thought it would kill brand)
- Word of mouth
    - Spanx - has not ever done paid advertising
    - Instagram launched deliberately to be open, didn't require login to see photos
    - Clif Bar: went to bike races, running events, started passing out bars.
- Authority figures/influencers
    - Oprah recommended Spanx

    - Instagram launched by targeting journalists, influential designers. Then celebrities started using it incessantly

Fun product details

- Drybar: Part of the charm from Alli Webb’s mobile blowout business was working on hair in the living room, then the customer seeing the big reveal in the mirror. They kept this concept in the physical stores.
- Beyond Meat: Don’t talk about eating meat or not meat. We’re making plant-based meat. If you love meat, I can give you more of what you love.

Interesting perspectives/tactics

- Nolan Bushnell: Forces himself to write 11 things outside his comfort zone. Put number on them, and that year have to do what the dice tell him to.
- Patrick Collison: Why can’t people just copy Stripe or any other app? You cannot turn money into great products. If this were true, you’d have a lot more iPhone and Facebook competitors. You can use money to make money through manufacturing steel, but you can’t use money to create successful novels. Google had a ton of advantages over Facebook, but it was never able to replicate it.
- Patrick Collison: As a company grows, it never gets easier, you just move faster. Much like cycling. You never feel successful in a growing company, there are just always things that aren’t good enough.
- Don’t ask why people aren’t using your product. Ask why people who continue to use it.
- Don’t sell past the close. Cathy Hughes
- Gary Erickson of Clif Bar felt he always climbed better on “sharp end of rope,” leading in front, since there was more danger, more focus.
- Some things are dangerous but not scary (staying in a secure job); other things are scary but not dangerous (starting a company). Jim Koch

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