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Australian & New Zealand Edition

Successful Online Start-Ups

FOR

DUMMIES®

Learn to:

- Launch your online start-up
- Attract the right backers
- Grow your business strategically
- Know where to go for support and advice

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Successful Online Start-Ups For Dummies[®], Australian and New Zealand Edition

Visit

www.dummies.com/cheatsheet/successfulonlinestartupsau to view this book's cheat sheet.

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by Stefan Korn



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About the Author

Stefan Korn is a New Zealand–based internet entrepreneur who is passionate about online technology and enjoys the challenge of getting new businesses off the ground. Stefan has a PhD in artificial intelligence and machine learning, an MBA in international business and an honours degree in computer engineering. Before becoming an entrepreneur, Stefan held senior management roles for large international corporations in the IT, telecommunication and hospitality sectors. In 2007, Stefan set up WebFund, a private incubator, to provide a vehicle for investments into online start-ups. Over the last five years, Stefan and his business partners at WebFund have worked with hundreds of entrepreneurs, helping them get started on their start-up journey and, for many of them, avoid financial failure with their ventures. In addition to running WebFund and serving his board duties for WebFund’s investments, he is also actively engaged in community education — and enjoys producing trance music tracks with his son, Noah.

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Thank you and best wishes for all your start-up ventures!

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Introduction

Successful Online Start-Ups For Dummies is the first book written for entrepreneurs of technology start-ups in Australia and New Zealand. The content represents a summary of the last ten years of my life working in e-commerce and helping entrepreneurs get their businesses off the ground.

In 2007, I started WebFund, a private incubator for web-based start-ups, to formalise my efforts to help local ventures become wildly successful. Despite building up a portfolio of investments quickly, the experience of running an incubator is somewhat challenging because I get many more requests to help companies and entrepreneurs than I can accommodate with our resources. Unfortunately, many entrepreneurs approach me at WebFund at a point in their start-up journey when they've already made many common mistakes and have basically run out of resources or energy. At that point, I can really only help them realise the 'lessons learnt' and motivate them to keep going as an entrepreneur — potentially with a different venture.

With this book I hope to help entrepreneurs avoid some of these mistakes, and to either get off to the right start or never start the new venture in the first place. Fortunately, many tools now exist that make starting up far less expensive and risky than it used to be. Obviously, the start-up landscape is also more competitive but the rewards are greater than ever. As I finish writing this book, Facebook just bought Instagram for around \$950 million after only 18 months in business. What an amazing start-up journey for Instagram and what a fantastic motivation to get going with your own start-up.

If you've been thinking about starting your own online venture, don't procrastinate — get going! There's nothing like running your own start-up and, no matter what happens, the experience

beats working in a nine-to-five job, hands down. I truly believe that start-ups offer the fastest and most direct method for personal and professional growth. If you follow the suggestions in this book, you can also gain this experience without taking huge risks or potentially losing a lot of money.

About This Book

In this book I share my experiences at WebFund and what I have learnt about starting new ventures successfully. The book also contains case studies, templates and lots of tips on what to do (and what not to do) when you're starting your own tech start-up. Sometimes you may find that there isn't really a clear path available for you to take your business forward. This book describes the shortest paths I've found to be most useful in my career. These might prove useful for you to find out where you currently stand, or where your next step might lead if you've already begun the journey.

So, why this book? Because

- ✔ Entrepreneurs still keep making the same mistakes when starting new companies and as a result experience unnecessary financial or personal crises.
- ✔ Starting your own company is one of the most exciting things you can do in your career and professional development — and it's so much easier if you do it right from the beginning.
- ✔ Australia and New Zealand need entrepreneurs and start-ups. Most of the truly life-changing technologies originate from start-ups. Wouldn't it be great if Australia and New Zealand had global start-up success stories like Pinterest and Instagram?

- ✓ You may be missing out on ‘the time of your life’ if you keep thinking about starting an online venture but never actually do it.

The tips and advice offered in this book can help you quickly move through the initial stages of evaluating your idea (and perhaps ditching it early if the fundamentals don’t stack up), and then testing and validating your assumptions. By closely following the concepts and techniques in this book and avoiding the common mistakes I outline, you may even be able to have your concept investment ready in as little as three months.

(**Note:** Getting your concept ‘investment ready’ in three months is the aim of specialised accelerator programs for entrepreneurs, and I briefly cover these programs in this book. If you want to ensure your concept is ready for investors in this time frame, an accelerator program may be a good option for you — in which case, *Successful Online Start-Ups For Dummies* is the perfect companion text!)

What You Don’t Have to Read

Although I hope you read every paragraph I’ve included in this book, I understand your life is busy and you want to read only the need-to-know info. You can safely skip the sidebars, which are shaded grey boxes and mostly contain case studies. These provide supporting or entertaining information that isn’t critical to your understanding of the topic.

Throughout this book, I provide website addresses of a number of useful start-up related websites where you can find more

information on some of the topics I discuss in the book. Although you don't have to go to these websites, it's well worth your while having a browse through them.

Foolish Assumptions

I assume that you're reading this book because you've just heard of an amazing start-up success story that inspired you or because you've been thinking about a groundbreaking idea for a new website for a while and just don't know where to start. Perhaps you have already started a company and you're experiencing some challenges, such as attracting funding, defining a sustainable business model or gaining traction with your products and services. I assume that you're somewhat overwhelmed by the demands of running your own start-up.

This book is for you if you're

- ✔ Concerned about your lack of knowledge and experience around all legal- and governance-related issues of being in business
- ✔ Confused about how your start-up journey has unfolded so far and looking for a structure to make sense of where you've got to with your business
- ✔ Deciding whether to enter a structured start-up program like an accelerator or incubator
- ✔ Depressed about a recent venture you were involved in that went belly up and keen to figure out what you can do differently next time round
- ✔ Excited about a web-based or mobile-based business idea but freaked out by the thought of actually running your own online business

- ✓ In business with a number of entrepreneurs and want to skill up on managing and growing a rapidly growing venture

How This Book Is Organised

This book is divided into five major parts with numerous chapters. You have everything at your fingertips to help you on your start-up journey — all the way to selling your business or listing on the stock exchange. While this book is organised in a chronological order, from preparing a start-up to a successful exit, I fully understand that start-up life is typically quite chaotic, if not messy. So don't be discouraged if your own start-up experience doesn't line up with the textbook-like structure I present in here — that's just life. However, the chapters are written in a way that you can 'pick and choose' — so you don't need to read the book from the beginning to benefit from techniques or advice I provide in later chapters.

Part I: Following Your Dream

Part I of the book covers all aspects of the start of your start-up journey. Before you dive into the nitty gritty of setting up a start-up, I begin by dispelling a number of common myths around tech start-ups and entrepreneurship. I also outline all the preparations that need to happen before you actually start your start-up.

Part II: Getting Your Start-Up Started

This part is where things get serious and I sketch out what you need to do to start a company. I provide an overview of useful techniques to define products and services, how to identify suitable business models and how to get to grips with basic company finances. I also share some secrets about increasing your chances to succeed with your start-up before discussing the launch of your product or service. Finally, I cover what you need to do to ramp up operations and scale your business quickly.

Part III: Growing Up

In this part, I provide some guidelines on managing the next stage of your start-up journey — the transition from cash strapped start-up to profitable and established business. I look at what you can do to increase the value of your company strategically, how to expand your operations (without killing your company) and what to do when your business is under threat.

Part IV: Chasing the Pot of Gold: The Reason Your Start-Up Exists

This part covers the final part of your start-up journey, where you're preparing for a potential sale of your business or a listing on the stock exchange. I discuss the various preparations you need to do to achieve a successful 'exit' or equity event. And I

take a closer look at the steps involved in selling or listing your business.

Part V: The Part of Tens

The Part of Tens is a standard in all For Dummies books. This part is a great place to summarise many aspects of the start-up journey in a nutshell. Here you can find out about common mistakes that cause start-ups to fail, what you can do to boost the resources available to you in your start-up and what investors want to see when investing in start-ups.

Icons Used in This Book

Icons are those little pictures you see sprinkled in the margins throughout this book. Here's what they mean.



When you see this icon you can read about what happened to other entrepreneurs or organisations in the situation I'm discussing in a particular section of the book. Case studies provide a great way to learn from others; however, bear in mind that hindsight is a wonderful thing and seemingly obvious mistakes were probably difficult to spot at the time.



This icon denotes critical information that you really need to take away with you. Considering the state of my own overcrowded memory, I wouldn't ask you to remember anything unless it was really important.



This bullseye alerts you to on-target advice, insights or recommendations that I've picked up over the years.



This icon serves as a warning — telling you to avoid something that's potentially harmful. Take heed!

Where to Go from Here

You choose what happens next. This book is packed with information to help you at whatever state or stage you are on your start-up journey. You can go directly to the topics of most interest to you, or you can start at to the beginning and take it from there. With the information in *Successful Online Start-Ups For Dummies*, I'm confident that you're going to be able to master most challenges start-up life throws at you.

Part I

Following Your Dream

Glenn Lumsden



'That's the 6000th pre-purchase on my new app in the last 24 hours . . . I quit! The next time you'll see me will be on the cover of "Time" magazine!'

In this part . . .

Some people go through university, job after job and perhaps most of our lives feeling like Neo at the beginning of the film *The Matrix* — they're part of a life that's not for them. Perhaps you feel that you need to do something important and that the missing piece may well be executing a business idea that's been bubbling in your head. Typically, that feeling doesn't go away (whether you're 17 or 70) and so you might as well explore it further — but not blindly! The media generally only reports spectacular business failures or successes but it's hard to find out what to do (and what not to do) when starting out.

This part is all about starting an online business the right way (without ruining your life). I cover the essential ingredients you need for a business, how to define and research a successful product or service that customers want, and how to start approaching investors and securing funding.

Chapter 1

Understanding the Start-Up Journey

In This Chapter

- ✓ Getting real about your start-up and the work that lies ahead
 - ✓ Understanding success or failure can come quickly
 - ✓ Finding help and information
 - ✓ Looking towards becoming profitable and expanding
-

So you've picked up a book on start-ups — great! Perhaps one of the following relates to you:

- ✓ You've just seen *The Social Network* on DVD and think you're the next Mark Zuckerberg (if you believe you're the next Jesse Eisenberg, please check out *Breaking Into Acting For Dummies*).
- ✓ You've just read about an amazing trade sale, IPO or exit of a local businessperson you went to school with (and remembered that you were better at everything back then).
- ✓ You're a second-year Bachelor of Business student and think your course is pointless and that you already know everything there is to know, and that you just want to get your start-up going.
- ✓ You've had an idea for a website that is going to be bigger than Twitter.