

What Valuable company nobody is building?

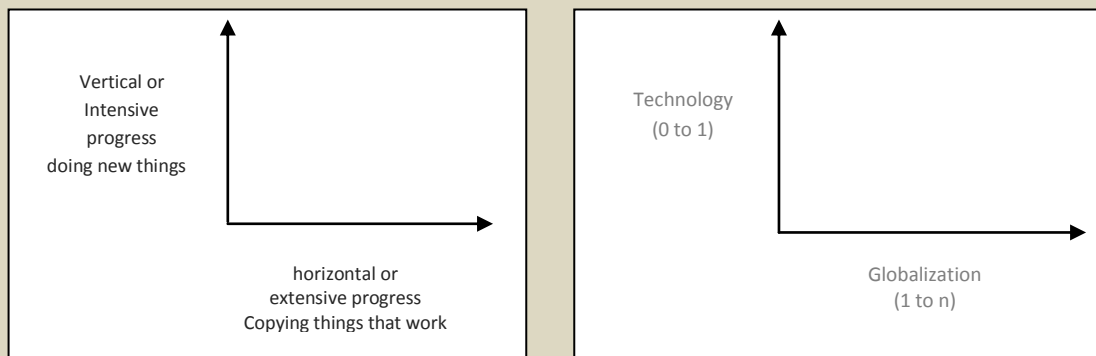
The next Bill gates will not build an operating system. The next Larry Page or Sergey Brain won't make a Search engine. If you are copying these guys, you aren't learning from them.

It's easier to copy a model than to make something new: doing what we already know how to do takes the world from 1 to n, adding more of something familiar. Every new creation goes from 0 to 1. This book is all about to get there.

Who is Peter Thiel

Peter Thiel is a billionaire entrepreneur, investor and big thinker. He was the founder and CEO of PayPal among other billion dollar companies, and one of the first investors in Facebook. This book stems from a course about Start Ups that he taught at Stanford University in 2012. You can find his lecture at Stanford [here](#). Zero to One is about how to build companies that create new things.

ZERO TO ONE: THE FUTURE OF PROGRESS



- Horizontal or extensive progress means copying things that work—going from 1 to n. The single word for horizontal progress is Globalisation.
- Vertical or intensive progress means doing new things—going from 0 to 1. The single word for Vertical progress is Technology.

Most people think the future of the world will be defined by globalization, but the truth is that technology matters more. Without technological change, if China doubles its energy production over the next two decades, it will also double its air pollution.

So without technology enhancement you will not be able to change the world. New technology tends to come from new ventures - start-ups.

A start up is the largest group of people you can convince of a plan to build a different future. A new company's most important strength is new thinking: even more important than nimbleness, small size affords space to think. This book is about the questions you must ask and answer to succeed in the business of doing new things: what follows is not a manual or a record of knowledge but an exercise in thinking. Because that is what a start-up has to do: question received ideas and rethink business from scratch.

Here are 6 questions that you're Start Up must answer:-

The six questions that every business must answer

1. The Engineering Question	Can you create breakthrough technology instead of incremental improvements?
2. The Monopoly Question	Are you starting with a big share of a small market?
3. The People Question	Do you have the right team?
4. The Distribution Question	Do you have a way to not just create but deliver your product?
5. The Durability Question	Will your market position be defensible 10 and 20 years into the future?
6. The Secret Question	Have you identified a unique opportunity that others don't see?

Above 6 question need to be answered before starting a venture. Whatever your industry, any great business plan must address every one of them. If you don't have good answers to these questions, you'll run into lots of "bad luck" and your business will fail. If you nail all six, you'll master fortune and succeed. Even getting four or five correct might work. Now, we are going to discuss these elements one by one with **Tesla Motor** example. About Tesla Motor & Elon Musk you can read [here](#).



1. The Engineering Question

(Can you create breakthrough technology instead of incremental improvements?)

Proprietary technology is the most substantive advantage a company can have because it makes your product difficult or impossible to replicate. As a good rule of thumb, proprietary technology must be at least **10 times** better than its closest substitute in some important dimension to lead to a real monopolistic advantage. Anything less than an order of magnitude better will probably be perceived as a marginal improvement and will be hard to sell, especially in an already crowded market. Companies must strive for 10x better because merely incremental improvements often end up meaning no improvement at all for the end user.

Suppose you develop a new wind turbine that's 20% more efficient than any existing technology - when you test it in the laboratory. That sounds good at first, but the lab result won't begin to compensate for the expenses and risks faced by any new product in the real world. And even if your system really is 20% better on net for the customer who buys it, people are so used to exaggerated claims that you'll be met with skepticism when you try to sell it. Only when your product is 10x better can you offer the customer transparent superiority.

Six Questions

1. The Engineering Question
2. The Monopoly Question
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6. The Secret Question

Tesla's technology is so good that other car companies rely on it: Daimler uses Tesla's battery packs; Mercedes-Benz uses a Tesla power train; Toyota uses a Tesla motor. General Motors has even created a task force to track Tesla's next moves. But Tesla's greatest technological achievement isn't any single part or component, but rather its ability to integrate many components into one superior product. The Tesla Model S sedan, elegantly designed from end to end, is more than the sum of its parts: Consumer Reports rated it higher than any other car ever reviewed, and both Motor Trend and Automobile magazines named it their 2013 Car of the Year.



2. The Monopoly Question

(Are you starting with a big share of a small market?)

Brand, Economics of scale, network effects, and technology in some combination define a monopoly; but to get them to work, you need to choose your market carefully and expand deliberately. Start Small and Monopolize.

Every startup is small at the start. Every monopoly dominates a large share of its market. Therefore, every startup should start with a very small market. Always err on the side of starting too small. The reason is simple: it's easier to dominate a small market than a large one. If you think your initial market might be too big, it almost certainly is. Once you create and dominate a niche market, then you should gradually expand into related and slightly broader markets.

Facebook started with just Harvard students-Mark Zuckerberg's first product was designed to get all his classmates signed up, not to attract all people of Earth.

Six Questions

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Tesla started with a tiny submarket that it could dominate: the market for high-end electric sports cars. Since the first Roadster rolled off the production line in 2008, Tesla's sold only about 3,000 of them, but at \$109,000 apiece that's not trivial. Starting small allowed Tesla to undertake the necessary R&D to build the slightly less expensive Model S, and now Tesla owns the luxury electric sedan market, too. They sold more than 20,000 sedans in 2013 and now Tesla is in prime position to expand to broader markets in the future.

3. The People Question

(Do you have the right team?)

Six Questions

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- 3. The People Question**
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6. The Secret Question

People are very important part of any business, because standalone technology will not create a sustainable business model but it is the people who make business highly scalable. As a start up you need to build up a team. A team of highly skilled, hard working professionals those are on a mission.

On a long run you'll attract the employees you need only if you can explain them why your mission is compelling: not why it's important in general, but why you're doing something important that no one else is going to get done. Explaining your mission is very important because talented people don't need to work for you; they have plenty of options.

You need to differentiate your team from inside and outside view.

What makes a startup employee instantly distinguishable to outsiders is the branded T-shirt or hoodie that makes him look the same as his co-workers. The startup uniform encapsulates a simple but essential principle: **everyone at your company should be different in the same way**-a tribe of like-minded people fiercely devoted to the company's mission.

And on the inside; every individual should be sharply distinguished by his work.

When assigning responsibilities to employees in a startup, you could start by treating it as a simple optimization problem to efficiently match talents with tasks.

Defining roles leads to employee's satisfaction and reduce their internal conflict.

Tesla's CEO is the consummate engineer and salesman, so it's not surprising that he's assembled a team that's very good at both. Elon describes his staff this way: "If you're at Tesla, you're choosing to be at the equivalent of Special Forces. There's the regular army, and that's fine, but if you are working at Tesla, you're choosing to step up your game."



4. The Distribution Question

(Do you have a way to not just create but deliver your product?)

Superior sales and distribution by itself can create a monopoly, even with no product differentiation. The converse is not true. No matter how strong your product is even if it easily fits into already established habits and anybody who tries it likes it immediately - you must still support it with a strong distribution plan.

Two metrics set the limits for effective distribution. The total net profit that you earn on average over the course of your relationship with a customer (Customer Lifetime Value, or CLV) must exceed the amount you spend on average to acquire a new customer (Customer Acquisition Cost, or CAC). In general, the higher the price of your product, the more you have to spend to make a sale - and the more it makes sense to spend it.

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Most companies underestimate distribution, but Tesla took it so seriously that it decided to own the entire distribution chain. Other car companies are beholden to independent dealerships: Ford and Hyundai make cars, but they rely on other people to sell them. Tesla sells and services its vehicles in its own stores. The up-front costs of Tesla's approach are much higher than traditional dealership distribution, but it affords control over the customer experience, strengthens Tesla's brand, and saves the company money in the long run.



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5. The Durability Question

(Will your market position be defensible 10 and 20 years into the future?)

You've probably heard about "first mover advantage": if you're the first entrant into a market, you can capture significant market share while competitors scramble to get started. But moving first is a tactic, not a goal. What really matters is generating cash flows in the future, so being the first mover doesn't do you any good if someone else comes along and unseats you. It's much better to **be the last mover**-that is, to make the last great development in a specific market and enjoy years or even decades of monopoly profits.

Every entrepreneur should plan to be the last mover in her particular market. That starts with asking yourself: what will the world look like 10 and 20 years from now, and how will my business fit in?

The way to do that is to dominate a small niche and scale up from there, toward your ambitious long-term vision. In this one particular at least, business is like chess Grandmaster José Raúl Capablanca put it well: to succeed, "you must study the endgame before everything else."

Tesla has a head start and it's moving faster than anyone else- and that combination means its lead is set to widen in the years ahead. A coveted brand is the clearest sign of Tesla's breakthrough: a car is one of the biggest purchasing decisions that people ever make, and consumers' trust in that category is hard to win. And unlike every other car company, at Tesla the founder is still in charge, so it's not going to ease off anytime soon.

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6. The Secret Question

(Have you identified a unique opportunity that others don't see?)

There are two kinds of secrets: secrets of nature and secrets about people. Natural secrets exist all around us; to find them, one must study some undiscovered aspect of the physical world. Secrets about people are different: they are things that people don't know about themselves or things they hide because they don't want others to know. So when thinking about what kind of company to build, there are two distinct questions to ask: What secrets is nature not telling you? What secrets are people not telling you?

The best place to look for secrets is where no one else is looking. Most people think only in terms of what they've been taught; schooling itself aims to impart conventional wisdom. So you might ask: are there any fields that matter but haven't been standardized and institutionalized?

If your goal is to never make a mistake in your life, you shouldn't look for secrets. The prospect of being lonely but right—dedicating your life to something that no one else believes in—is already hard. The prospect of being lonely and wrong can be unbearable.

Tesla knew that fashion drove interest in cleantech. Rich people especially wanted to appear “green,” even if it meant driving a boxy Prius or clunky Honda Insight. Those cars only made drivers look cool by association with the famous eco-conscious movie stars who owned them as well. So Tesla decided to build cars that made drivers look cool, period—Leonardo DiCaprio even ditched his Prius for an expensive (and expensive-looking) Tesla Roadster. While generic cleantech companies struggled to differentiate themselves, Tesla built a unique brand around the secret that cleantech was even more of a social phenomenon than an environmental imperative.

Conclusion: - In the end I would like to conclude that if you want to start your own venture the above mentioned six questions would be the receipt for you, in building a scalable business model. And if you don't have genuine answers to these questions, you would be dogged by constant instances of sheer bad luck and your business would fail. If you manage to nail all the six questions, you'd master fortune and succeed in your venture. In fact cracking four to five questions might work in your favour. By going through these questions you can analyse your business in different scenarios. With the help of these questions a start up can build up a **moat** around its business. Mr. Buffett describes the term moat as:

"We like to own castles with large moats filled with sharks and crocodiles that can fend off marauders- the millions of people with capital that want to take our capital. We think in terms of moats that are impossible to cross, and tell our managers to widen their moat every year, even if profits do not increase every year. We think almost all of our businesses have big and widening moats."

This book can be a subject of interest to everyone and I advice to all to give "[Zero to One](#)" a shot once.

Good Luck!

Disclaimer: - All information is extracted from book "Zero to One". MFP has deliberately given reference of this book only for information, not for any business purpose.

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