

Strategy Drives Success

Brad Harkavy
President, Harkador Partners
brad@harkador.com
www.harkador.com
 harkador



**BUSINESS
FUNDAMENTALS
BOOTCAMP**

What is Strategy?

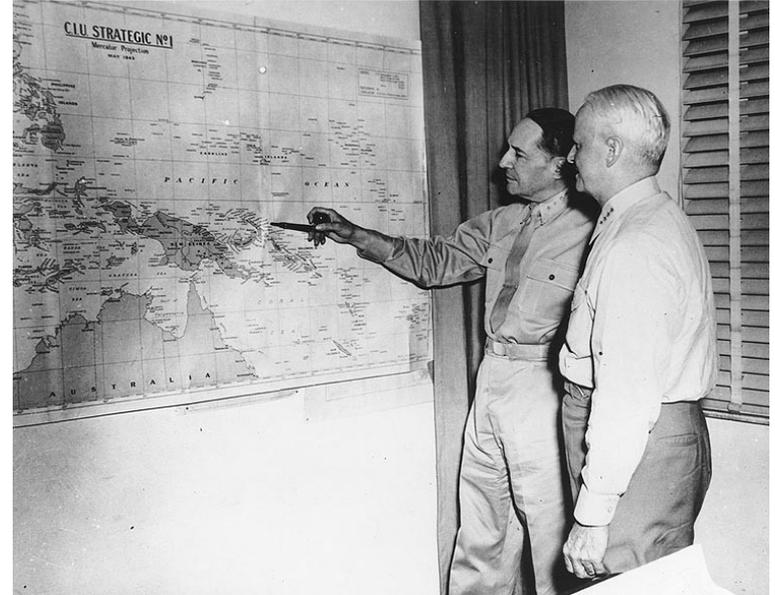
strat·e·gy/'stratəjē/

Noun:

- A plan of action or policy designed to achieve a major or overall aim.

- The art of planning and directing overall military operations and movements in a war or battle.**

Photo # SC-190409 Gen. MacArthur and Adm. Nimitz at Brisbane, Australia, March 1944



Strategy

From Wikipedia, the free encyclopedia

For other uses, see [Strategy \(disambiguation\)](#).

A **strategy** is a [plan](#) of action designed to achieve a vision. It derives from the [Greek](#) "στρατηγία" (*strategia*), "office of general, command, generalship".^[1]

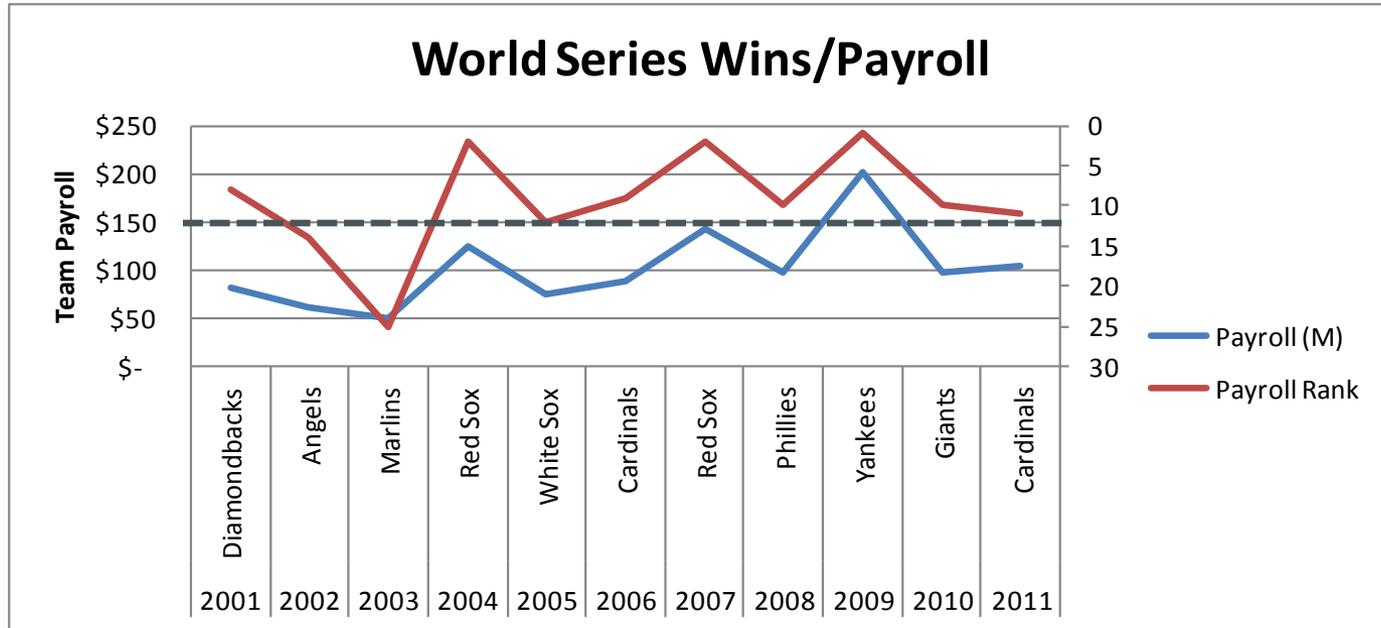


Yankees world series wins:
1996, 1998, 1999, 2000, 2009.

Strategy = spend more \$\$\$

**BUSINESS
FUNDAMENTALS
BOOTCAMP**

Your strategy will not always work



- Highest payroll won once in 10 years
- Top 10 payrolls generally win
But not #1 payroll
- Sometimes alternative strategies win
2002, 2003

Strategy = Focus



Not Focused

The Case Study:

"Ok, now what exactly do you do

"Hi my name is Lori, I teach computer skills, but I also make jewelry and I even work with seniors teaching art."

Shelly Berman-Rubera **Small Business Results-Monday's Tip**



When we started, we were going to be a media company, an advertising company, an Internet software company design and build hardened display systems to show video ads on top of taxis ... and rent taxi roof top space from tens of thousands of unaffiliated taxi owners.

<http://harkador.com/why-10-slides-5-minute-pitches-and-one-pagers-really-matter/>



Strategy – 5 minute pitches matter to all businesses

- 5 minutes pitches, 1page exec summary
 - Are hard, but critical
- Quickly communicate with all stakeholders
 - Investors, Employees, Customers
- Playbook to make decisions
 - Hiring, Product, Prioritization.



Focus

Dropbox Forced To Settle For \$4 Billion Valuation After Markets Tank

et Alyson Shontell | August 30, 2011 |  5,239 |  3

 Recommend

 Share 0

 Tweet 1

 +1 0

 Email

Rumors have been swirling about the massive round Dropbox is raising.

Today, [TechCrunch](#) zeroed in on the final valuation and the lead [investor](#). [Index Ventures](#) is leading a round that will give Dropbox a \$4 billion valuation, says Mike Arrington.

The valuation falls at least \$1 billion short of earlier reports. At one point Dropbox was rumored to be getting offers at \$8 billion.



(Flickr BabyBen)



Pro 100

\$19.99/month

Focus - Media coverage is really fun, but also a huge distraction

- The Uno has been featured in 25+ sites, magazines, online, Discovery Channel, Engadget, CNET.....

- Over one million views of the video since CES January, 2011

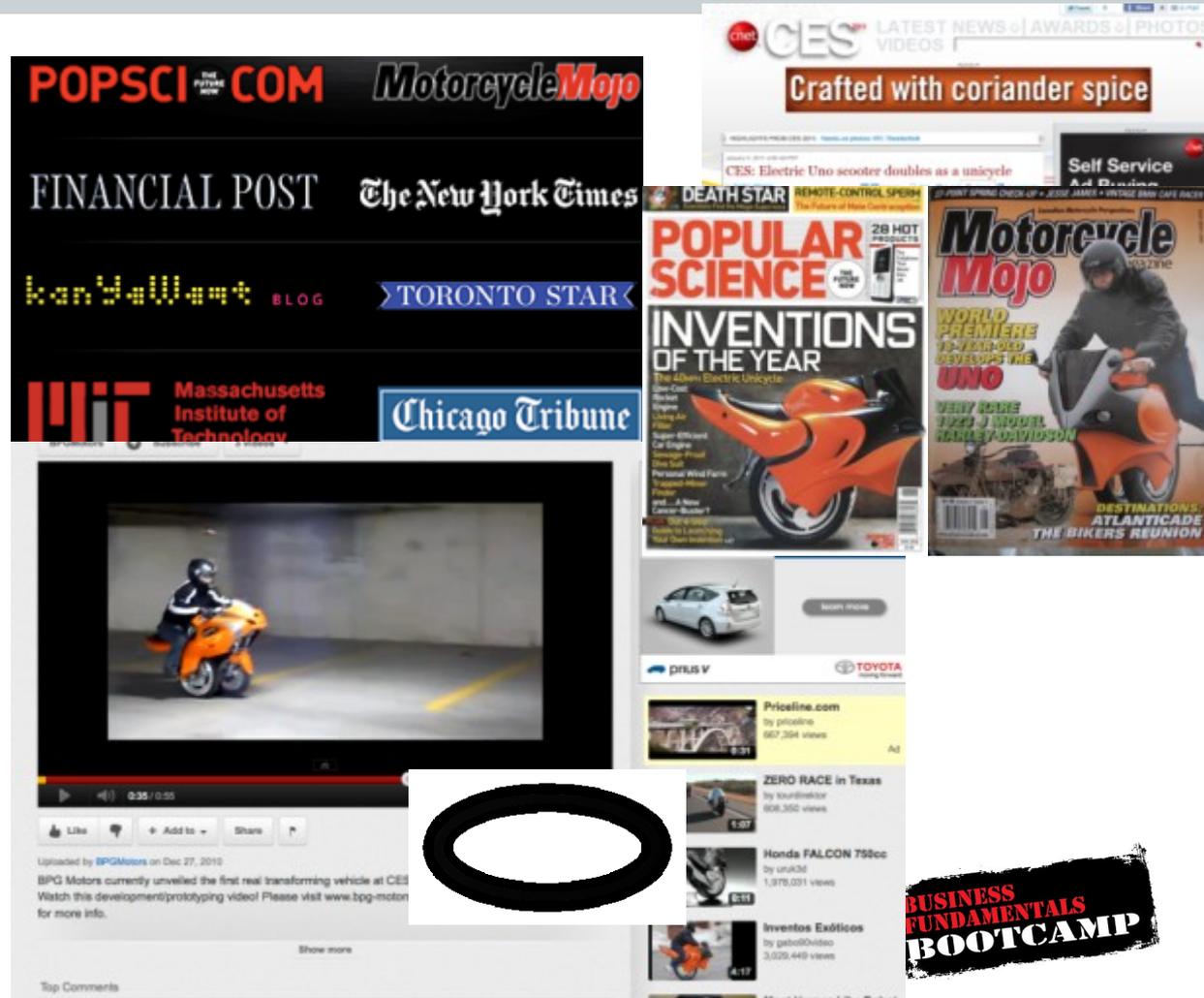
- With Vert Brad was:

- On the cover of New York Times, Wall Street Journal, TV, tons of trade magazines

- Use media exposure as a tool to grow real business

- Stay focused on the “business”

- Selling widgets



Focus on the business, everything else will fall in line

"It's taking a staid (advertising) environment and busting it up," said Brad Harkavy, Vert CEO. Internet company Terra Lycos is Vert's first client, paying for several rotating ads during a two-month pilot run that started last week.

Vert plans to have billboards on 100 Boston cabs by August. The next target is New York City, home to some 12,000 cabs. **By 2002, Vert wants to go international, in high-density, taxi-heavy cities such as London and Sao Paulo, Brazil.**

Brad Harkavy – Seattle Times 1/16/01



- Use the media, but don't believe the hype
- Vert did not enter New York City until 2005



Strategies need customer validation

- Get it out there, test the market
- Planning is great, but you learn tons when you deliver product
- A strategy without customer validation is just a dream



"[In 2001], Before he'd sold a single one, Kamen blithely forecast that by the end of 2002, his enterprise would be stamping out 10,000 machines a week. Meanwhile, his best-known backer, venture capitalist John Doerr, predicted Segway would rack up \$1 billion in sales faster than any company in history."

<http://www.wired.com/wired/archive/11.03/segway.html>



Your strategy will change

- 12/1/99
 - Vert to give away electric cars subsidized by ad revenue
 - Advertisers bid for time of day or location of ad
 - Vert is a media sales company, and hardware company, find the people to drive company
- 6/6/00
 - Fleet vehicles only
- 12/31/03
 - Vert owns hardware, network
 - Clear Channel
 - taxi relationships
 - sales channel

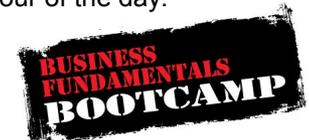
Figure 1. By bringing several emerging or recently affordable technologies together to create I-Surfaces, *Vert* will create a new advertising medium that benefits:

1. Consumers: By allowing their cars to host I-Surfaces, city residents can get absolutely free (possibly electric) cars. This, in turn, results in greatly reduced pollution due to the immediate impact of free electric cars. The program will get special political boost in the designated ozone non-attainment areas.
2. Small store-front businesses: ability to advertise in geographically targeted mini-neighborhoods surrounding their storefront while spending as little or as much money on advertising as they want on any given day or week.
3. Large, nationwide businesses: I-Surfaces provide capability to spend ad dollars most effectively by targeting narrow geographic markets (with the grain size of a city block) in real time for as few or as many minutes or hours as they want.

Vert Business Plan 12/1/99

Vert will sell geographically-aware full color advertising on I-Surface displays. I-Surfaces will be placed on taxicabs, delivery vehicles, and other merchant fleets. The ads will update from hour-to-hour, and will change as the vehicles move from block-to-block, as determined by GPS readings. A wireless communication network will be used to deliver the ads to the display surfaces in real-time. Local ad buyers will pay Vert to display ads on all fixed signage and vehicles within a particular city block or neighborhood during a particular hour of the day.

Vert Business Plan June 6, 2000



Your strategy will change

- Ben developed the Uno to decrease the smog level in China

- Target market today is Europe
- 3 different designs in 3 years
- U2 designed, built and ridden in 105 days from hiring the team
- No way to figure out Uno use case without “Agile” hardware development

UNO I

What began as a high school science fair project has quickly turned into an international sensation.

Four years ago, a then 17-year-old Benjamin Gulak travelled to China with his father on a business trip. When he saw the incredible pollution in Beijing, Shanghai and Hong Kong, much of it produced by smoky two-stroke scooters and motorcycles, he knew that electric scooters would make ideal substitutes—if they were cool. He set out to create a practical, non-polluting vehicle with style.

Working with an inherited set of tools from his grandfather, he built an angle-iron frame, attached wheelchair motors, batteries and gyroscopes and arrived at the moment of truth – the test ride.

Since then, the now named Uno has accelerated at an incredible rate. After winning a Grand Award at the 2007 Intel International Science and Engineering Fair, the Uno was awarded one of the Top 10 Inventions of the Year by Popular Science magazine. Gulak's Uno started to appear in newspapers and magazines around the world – leading to the start of EPC Motors.

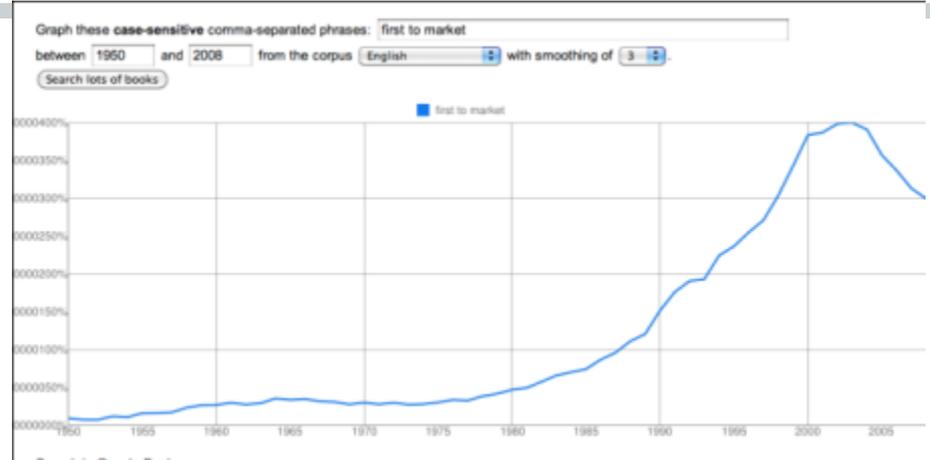
Like 2,040 people like this.



**SINCE
FUNDAMENTALS
BOOTCAMP**

First to market is rarely a winning strategy

- Groupon, Google, Ebay, Facebook, Vert, BPG were not “first to market”
- The Internet boom sparked the term “first to market”
- Priceline and Netflix are the only two TECH 25 companies that may have been first to market
- Why is Groupon printing money?
 - they out executed the competition !



Business Week -- Tech 100

Rank	Company	Country	Tech Sector	Revenue (\$MM)	Revenue Growth (%)	Operating Income (\$MM)	Shareholder's Return (%)
1	BYD	CHN	Electronic equipment	5777	50	713	246
2	APPLE	USA	Computers, peripherals	42905	14	11740	107
3	TENCENT HOLDINGS	CHN	Internet software, services	1821	77	860	136
4	AMAZON.COM	USA	Internet, catalog retail	24509	29	1129	70
5	TATA CONSULTANCY	IND	IT services	8096	8	1448	150
6	PRICELINE.COM	USA	Internet, catalog retail	2336	24	471	170
7	CENTURYLINK	USA	Diversified telecom	4874	91	1233	37
8	COGNIZANT TECH.	USA	IT services	3279	19	618	106
9	INFOSYS TECH	IND	IT services	4754	15	1415	84
10	SOFTBANK	JPN	Wireless telecom services	26709	10	3588	36
11	WPG HOLDINGS	TWN	Electronic equipment	5960	31	135	146
12	MEDIATEK	TWN	Semiconductors, equipment	3499	22	1102	60
13	NTT DATA	JPN	IT services	11382	21	985	35
14	RAKUTEN	JPN	Internet, catalog retail	3192	32	606	47
15	NINTENDO	JPN	Software	18371	25	5648	24
16	SAMSUNG ELEC-MECH.	KOR	Electronic equipment	4374	10	366	176
17	WIPRO	IND	IT Services	5632	13	986	105
18	CHINA MOBILE	HKG	Wireless telecom services	66179	12	22439	19
19	YAHOO JAPAN	JPN	Internet software, services	2655	15	1345	48
20	ORACLE	USA	Software	23252	4	8655	35
21	RESEARCH IN MOTION	CAN	Communications equipment	11985	84	2722	-12
22	GOOGLE	USA	Internet software, services	23651	9	8312	33
23	MPHASIS	IND	IT services	875	45	190	205
24	NETFLIX	USA	Internet, catalog retail	1670	22	187	118
25	KDDI	JPN	Wireless telecom services	34947	11	4428	8



Understand your market size (TAM)

Confidential – not for distribution

Vert Business Plan v. 3.1 12/1/1999

Financial Projections and Requirements

Vert expects to triple the size of outdoor advertising market [redacted] will roll out the first 2,000 I-Surface equipped electric cars and 500 taxis [redacted] greater Hollywood, California area. First year projected profit is \$8.1 million on \$20 million revenue. **This will require an initial VC round of \$15 million by May 1, 2000.**

After the first production year, Vert will gradually withdraw from the business of building car-top boxes or other Intelligent Surfaces. An Open architecture will be announced and innovators will be free to build the best car-top box they can for the least amount of money. Vert will channel 80% of revenue from advertising to the car owners and will control the interface between the advertisers and the I-Surface owners. **If even 1% of American cars in our targeted urban areas [redacted] market, the value of the market [redacted] in size metropolitan area will be [redacted] per year per city. There are [redacted] metropolitan regions in the United States [redacted]**

- Out of home advertising market about \$5B in 1999
Who was going to spend the other \$10B dollars ?
- Worse yet, taxi advertising TAM was about \$50M
- Zero → \$15B in 2 years ??

Patents are a marketing tool Not a strategy

Vert first provisional patent 1999

May 2000 Adapt Media

- Patent 6,060,993
- Filed: Nov 3, 1998

December 2000 Vert

- Patent 6,812,851
- Granted November 2, 2004

January 2001 Polyakov

- Patent 6,414,602
- Granted July 2, 2002

- 3 Patents on almost the exact same concept of geo-targeted outside of vehicle digital advertising
- None of the companies could afford to defend or overturn the other patents
- Adapt's patent made it harder to sign a deal with Clear Channel
 - BUT, not impossible



HARKADOR
PARTNERS

Unless you are a biotech, patents alone are rarely a winning strategy



Secrecy rarely helps

- NDAs and secrecy slow down early stage businesses dramatically
- Secrecy promotes not talking to your customers
- Did secrecy help Vert ?
 - BPG took the exact opposite approach once patents had been filed
- Early stage businesses typically have less than 2 man years invested when they release a product.
- Competitors can shrink 2 man years into 6 months or less of calendar time
- Is your business success tied to a 6 month or smaller lead on your competitors ?



@danmartell If you ask someone to sign an NDA, and they laugh and ask if you're kidding, the best response is "yes, just kidding".





Focused strategy wins

Year	Milestone
1996	Larry and Sergey, collaborating on a search engine called BackRub.
1997	Larry and Sergey decide that the BackRub search engine needs a new name...after some brainstorming, they go with Google
1998 (Aug)	Sun co-founder Andy Bechtolsheim writes a check for \$100,000 to an entity that doesn't exist yet: a company called Google Inc.
1998 (Dec)	PC Magazine" reports that Google "has an uncanny knack for returning extremely relevant results.
2011	96 % of \$38B annual revenue is search http://venturebeat.com/2012/01/29/google-advertising/

Apple's (unconventional) Strategy



- Success came to Apple by having successful products and strategies, not by chasing metrics.
- He did not waste time on the delicate distinctions among "missions," "visions," and "strategies."
- Growth was the outcome of successful product development and accompanying business strategies.



He did not seek to engineer higher margins by chasing rust-belt concepts of "economies of scale." He left such antics to HP



Harkador Partners

Bringing innovative products to life

- We help growing companies focus their big ideas into deliverable products.
- Harkador Partners stays engaged to actively assist in the product and business development process.
- Twenty years of experience in launching new products and businesses in start-ups and large companies.
- Brad Harkavy has raised \$10M+ in start-up financing, CEO of 3 start-ups, and board member and advisor to 20+ start-ups.

