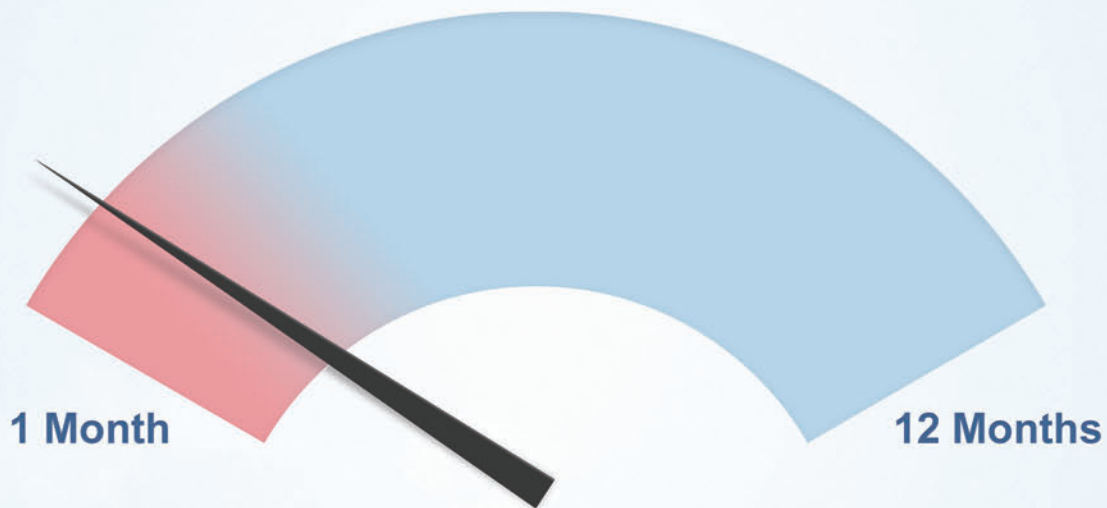




HACKERMONTHLY

Special Issue May 2011

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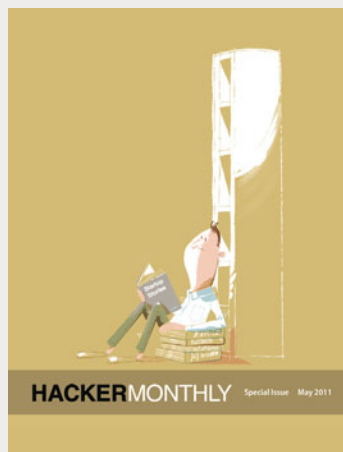
Curator's Note

I LOVE READING STORIES about startups and can't seem to get enough of it. Founders at Work and Do More Faster are the favorites on my bookshelf, and a new book released recently called *Startups Open Sourced* looks promising, too. Oh, and don't forget Andrew Warner's *Mixergy*.

As if all of these weren't enough, I present you the 3rd special issue of Hacker Monthly — Startup Stories. All of the stories are written by the founders themselves, rated highly by the Hacker News community, and handpicked by myself. Among all the articles, I enjoyed reading the part where founders talk about the ups and downs of running a startup, especially the sweet taste of the first sale (how could anyone forget that?).

I hope you enjoy this special issue.

— Lim Cheng Soon



Cover Illustration: Marc Aspinall

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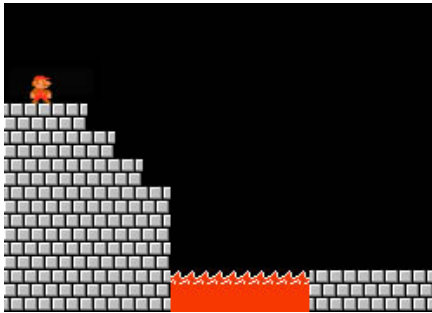
By JASON JACOBS



Bootstrapping

By MATTHEW WENSING

SO YOU WANT to start a startup?
Great. You are here:



Unfortunately, unlike the path our hero takes from left to right, there's no formula for how you're going to get to the princess. By definition, bootstrapping is an any-way-you-can-make-it-happen adventure. And here's what it feels like:



The platform below you is about to give way! Will you jump in time? Will you land on that little platform? Will you slip? Unfortunately, you really don't have time to calculate all of that. You have to jump now. Did you make it?

I will add: I'm not always thinking, "Oh man, I eat risk for breakfast! I'm so made for this!" I may have been born with the gears arranged so that when I see something that most people would turn away from, I jump in, but when I get halfway through the air I am still wondering how things are going to land. And beneath it all, I have to say that if I weren't able to do this in faith that it's all for a higher purpose in my life, in my character, in my family, in my soul, then I wouldn't be doing it at all.

A little over 2,200 days ago ...

- **July 2004.** My first child, a daughter, is born.
- **September 21st, 2004.** Stormpulse germinates in my brain as an organic startup idea. Dismayed by the havoc of the 2004 hurricane season and eager to find an idea for a web project, I write: "I'm tired of the cartoon renderings that currently pass as meteorological forecasts and have embarked on a journey to bring information-rich interactive displays using hurricane data to the general public." I figured it would only take a few weeks, maybe a month or two, and then die, just like all of the other small projects I've dabbled in.

2004 ~300 hours \$0.00 invested \$0.00 revenue

- **2005.** Still fascinated by this web project I've started, I listen to Tom Coates' "Web of Data" talk at the Future of Web Apps London, which serves as the catalyst for my thinking about what would become Stormpulse's reason for existence and its design philosophy. I listen to it many times while commuting with my iPod. It sinks deep. Lots of synapses firing around weather data.
- **Summer 2005.** The most active hurricane season in recorded history. Katrina leaves an indelible mark on the consciousness of hurricane country natives.

2005 ~600+ hours \$0.00 invested \$0.00 revenue

- **August 2006.** I leave my software developer job at McMaster-Carr to move to Florida. Stormpulse, a directory of PHP scripts for scraping data, is the only thing I've got going. At this point it's a bunch of PHP code I'm converting to Python (TurboGears at the time). No Flash component (map) yet. Brad (my manager at McMaster) decides to become a seed investor and my co-founder while remaining at McMaster for now. His seed investment will be used to pay my family's living expenses for the next year, and remains our largest single cash infusion to this day (roughly \$50K out of a total \$75K).

2006 1,000+ hours \$50K invested \$0.00 revenue

- **February 2007.** Brad leaves his job at McMaster-Carr to work on Stormpulse full-time.
- **March 24th, 2007.** Brad and I go west to Startup School 2007! Distinct memories: meeting Jessica Livingston, Drew Houston, Justin Kan, Kyle Vogt, Sam Odio, Trevor Blackwell, and Barry Hess. Inspired by the whole experience. Paul Bucheit's talk was great. Got to tell him I didn't like Gmail.
- **April 25th 2007.** Our first 42 visitors. Having finished the first cut of the interactive map (from scratch, no third-party APIs) and main page design, we begin emailing our first demographic — the cutting-edge of hurricane tracking and research — NASA, NOAA, et al. The site crashes as a couple dozen people try to access it simultaneously. I learn what it means to close database connections and gladly hand the CTO reins to Brad.
- **May 16th, 2007.** We attend the Governor's Hurricane Conference in Ft. Lauderdale, FL. On a shoe-string budget we bring a 30" LCD monitor, a laptop, and a few fliers and draw some meager attention to ourselves in the weather industry. Spending lots of time devouring all of Paul Graham's writings.
- **June 25th, 2007.** We post a link to Stormpulse on News.YC and get solid, useful criticism on our need

to simplify the presentation for the average Joe and also make the site year-round useful. We would spend the next three years doing just that.

- **Spring 2007.** Turned down by YCombinator for Summer 2007. Realize that living in South Florida is a funding problem, but I'm resolved not to relocate.
- **June 2007.** Initial funds run dry and it's time to get a day job again. I start working at The Palm Beach Post, which is ironic, given their position as a competitor to Stormpulse. What would I learn on the inside? Meanwhile, I learn and begin to adore Django. I email Adrian Holovaty to tell him about Stormpulse and that if I had to do it all over again, I'd use Django. Looking back, I'm really glad we didn't.
- **Summer 2007.** Hunting for revenue, Brad and I put together a proposal for the Post to exclusively license our tracking map for embedding on their website. It would have been a \$2K-3K per month deal. Better than closing up shop, right? Deal fizzles as Editor shows no interest (presumably due to price).
- **Winter 2007.** With traffic still flat (<100 visits per day on average), I'm pretty close to thinking Stormpulse is dead. Brad starts dabbling in other projects while I step away from Stormpulse and plug away learning Django and geospatial databases at the Post ...

“We learn that 51% is a popular equity amount among “strategic” investors this early in the game.”

2007 3,000+ hours
18,233 uniques
\$0.00 revenue

- **February 2008.** My second child, a son, is born.
- **Spring 2008.** We continue making small changes to the site, making it less and less intimidating/confusing (moving away from weather nerd market and focusing more on the mainstream type of user). Starting to seriously apply the mantra of “engage beginners while attracting experts.”
- **July 2008.** EUREKA! What if we offered Stormpulse as a freely-embeddable widget? I pitch the free idea to my managing editor. He says, “Yes!” Maybe hearing Chris Anderson at Startup School 2007 was having some kind of lasting effect on us?
- **July 19th, 2008.** The Post embeds our map, which means instant brand exposure to tens of thousands of people. We think this could be big.
- **August 2008.** Dozens of major newspapers and radio stations embed our hurricane-tracking widget, which fits the “ten times better” requirement versus existing solutions. And it’s free! All we ask in exchange is that sites link back to Stormpulse as a “hurricane-tracking” site. Major SEO boost ensues.
- **August 15th – September 15th, 2008.** The Atlantic hurricane season catches fire and our site gets visited 11.2 million times by 3.3 million people (without crashing—thanks Amazon Web Services!). 58% of this traffic is direct, and the top two searches from Google are “stormpulse” and “storm pulse”. In a lazy effort to monetize we add a Tipjoy widget and later a PayPal “Donate” button to the site. Tipjoy widget gets some press. PayPal calls to find out what we’re up to (tripped some red flag somewhere apparently).
- **September 2nd, 2008.** I get an email from a weather producer at CNN just in time to get up from my cube and walk over to a flatscreen where I watch the CNN meteorologist using Stormpulse on live TV. About as surreal as it gets, really.
- **September 5th, 2008.** My co-worker at the Post tells me that Stormpulse is on TechCrunch. TC referrals make very little marginal difference to our traffic at this point.
- **September 18th, 2008.** Tim O’Reilly shows Stormpulse as an example of “what might be Web3.0” at the Web2.0 Expo in NYC. This is getting weird.
- **October 2008.** The former founder of a telecom company and current Palm Beach billionaire resident courts Stormpulse after Hurricane Ike brings the site to his attention. The idea of a strategic investment and partnership falls apart when we learn he wants 51% of the company in exchange for guaranteed jobs to work on his current financial project. It was educational, but no thank you.

“If you’re going to bootstrap: Product first, value-based pricing second.”

2008 2,500+ hours
13.6 million visits
4 million uniques
\$125.00 AdSense revenue
~\$2k PayPal donations

- **January 2009.** I watch the inauguration of Barack Obama with an attendance of 4 million people. It dawns on me that the crowd I’m seeing on CNN is the same number of unique people that have used Stormpulse this year. Mind blown!
- **February 24th, 2009.** A strategic investor in the weather industry proposes an arrangement wherein they would own 51% of Stormpulse. We consider the idea but place a much higher value on the company than the potential investor and the deal is preemptively killed. We learn that 51% is a popular equity amount among “strategic” investors this early in the game.
- **May 2009.** I quit my day job to work on Stormpulse full-time and I give the Post my two weeks’ notice. Before my exit, I discuss the possibility of COX Enterprises investing in Stormpulse, but no agreement is reached.
- **June 2009.** While feverishly working on premium account features to be launched ASAP, I learn to sell, sell, sell ... advertising on Stormpulse on a CPM or CPC basis, which keeps us afloat. All of the leads are coming to our inbox without any prompting, which is ... nice.
- **July 11th, 2009.** We become legitimately freemium by launching our Pro accounts, originally under the name of “Stormpulse Advanced” (now simply Stormpulse Pro). We sell a couple dozen on the first day, which gets us excited. Original price was \$3.95 per month or \$19.95 for the hurricane season. Most sales were the latter. We have cash flow!
- **September 2009.** We pitch Stormpulse to a Chicago VC. Our conversion rate is too low for his tastes.
- **October 2009.** I pitch Stormpulse to the investment arm of a gigantic media enterprise in NYC and find out we’re too early for them. Should have known better going in, but it was educational. Investor said that if I could come back with monthly uniques of say, 100K, it might be interesting. I tell him we already have that, but that doesn’t extend the conversation.
- **December 1st, 2009.** The 2009 hurricane season officially comes to a close as the quietest storm season in 12 years (interesting timing).
- **Late 2009.** Looking for funding, we find out that the few angel investors we had hoped would come through ... weren’t going to. Stormpulse opportunity doesn’t make sense to them. Why not?! It makes sense to us! Oh well ...

2009 4,000+ hours
6.7 million visits
1.8 million uniques
25% of the way to year-round break-even cost vs. revenue.

In other words ...



- **January 2010.** I test the waters and start looking for contract work. The ideal contract gig (solid hourly pay, remote OK, weather-related [?! — yes, seriously]) opens up and then after three rounds of interviews with glowing endorsements ... falls through. This cycle then happens with two more contract opportunities. I'm left with just Stormpulse. Again. Lots of existential questions coming to the surface: What do I think I'm doing and who am I?!
- **February 2010.** We get introduced to a very well-known early-stage VC. Top three on your wishlist kind of thing. Amazing. After a couple phone calls and a face-to-face meeting, we are told via email that we're getting a seed stage term sheet this week (YES!!!!). Then it becomes the following week. And then the following. And then, after another video conference, it becomes, "sorry, but never

mind" (NO!). The main problem: our disparate geography (did I neglect to mention, dear reader, that we've built Stormpulse with Brad living in Chicago and me living in South Florida?). The most difficult let down yet. I really thought this was going to pay my/our bills.

- **February 2010.** We scramble to find a handful of family members willing to invest just enough to stay afloat another few weeks. Brad antes up a final time (at least we believe in us!). I find out my third child is going to in fact be twins.
- **February 2nd, 2010.** Using up our funds, we broaden the site to include year-round weather. Some might call this a pivot.
- **April 2nd, 2010.** With no income, no insurance, three dependents, and twins on the way, I pray for some idea of what to do. The answer I hear is, "stop asking for money and you do it." That's all I needed to hear. I put the pedal to the metal, and in a major flood of inspiration I stay up all night and manage to design and build a high-resolution, animated radar feature (#1 request at the time) and we add it to our Pro accounts. I email 3,980 registered users and go to bed.

- **April 3rd, 2010.** I do the math and figure we need to sell an average of at least 4 Pro accounts per day to pay the bills. Incredibly, the Super Radar feature starts driving subscriptions at this rate or better. We're alive again!
- **April 2010.** My family temporarily relocates to Atlanta, GA for the birth of the twins. I dive in to the Atlanta tech community and meet Paul Freet, Ben Hill, and the awesome fellows at Georgia Tech/ATDC while attending a couple of Bootstrapper Circle meetings on Wednesday mornings. Meeting other entrepreneurs is a breath of fresh air at the right time.
- **April 2010.** During a Bootstrapping Circle I mention our business and the fact that the Weather Channel is nearby (I'm secretly hoping for a meeting). It just so happens that one of the founders of the Weather Channel is across the street at the B&N at GaTech. We're introduced and I have 90 seconds to pitch Stormpulse. A few days later I learn that he's not really interested in the weather sector anymore.
- **May 2010.** We pitch Stormpulse to a very well-known early-stage VC entrepreneur-in-residence in NYC. No follow-up/interest at this stage.

- **June 2010.** We completely redesign our product pages and introduce B2B-level plans. We sell one of each package (trying to validate interest and pricing) before launching these plans to the public.
- **June 2010 – August 2010.** Self-service B2B accounts gaining traction with emergency managers, government agencies, and Fortune 500 companies. Running a single graphical ad on the site with the occasional premium direct sale.
- **August 2010.** Send in application to AngelList. No bites. I'm pretty sure our nearly empty "Social Proof" form field didn't help.
- **August 2010.** A North Carolina millionaire businessman contacts us about introducing us to enterprise clients of his. In exchange for selling our service for an enterprise-worthy price, he would like to split the business in half and own 51% of the enterprise corp. We decide we've come too far to stop now. No deal. What is it with these people and 51%?

2010 3,000+ hours
13 million visits
4 million uniques
3x revenue increase over 2009

So what now?

We're taking a step back and seriously evaluating our value proposition in light of what we've learned in the last 3 years.

We're being deliberate about our pricing so we can continue to hold this tiger by the tail.

A couple weeks ago, another founder that heard our story told me he's shocked at how backwards we've done things. I immediately took it as a compliment (which is what he intended). I guess the norm is: team (which often means funding) first, product second.

But I like the way we did it. Don't wait around. Solve a real problem with a simple product, now. Then talk to others that have the same problem (these people exist, right?) so you can correctly estimate the opportunity. I think there's a tendency to overestimate existing solutions (competition) and therefore underestimate the opportunity. I never thought that first silly PHP page could become a real business.

The only thing I regret is that we took so long to understand and establish pricing. So in closing may I suggest:

If you're going to bootstrap: **Product first, value-based pricing second.**

And I really think the rest will follow. ■

Matt Wensing grew up in South Florida, studied information design at the University of Chicago, and then wrote software at McMaster-Carr, where he met his co-founder. He currently acts as CEO of Stormpulse, which allows companies to make better decisions about weather-related threats to their supply chain, without the aid of a meteorologist. He lives in Jupiter, Florida with his wife and four children.

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First appeared in hn.my/bootstrapping.

The First 100 Sales

By JOHN FORSYTHE

FIVE MONTHS AGO, with no prior sales experience, I launched a new startup selling Photoshop Layer Styles. I've been building ad-supported sites for a few years, but this was my first attempt at actually creating and selling my own product line.

Last week I made my 100th sale. To celebrate, I'm publishing my sales numbers and sharing some lessons I've learned along the way:

Things That Worked

An Intense Focus on Product Quality

I spent the vast majority of this summer photographing wood, marble, and metal surfaces, importing the images into Photoshop, processing the heck out of them, and turning them into layer styles. I literally shot thousands of pictures, edited thousands of textures, and created thousands of styles.

In the end, almost none of them made the final cut.

The problem with repeating the same process over and over is you eventually get better at it. Suddenly the work you did last week doesn't look as good as the work you did today.

I'm a bit of a perfectionist and don't like to ship anything but my best work, so, naturally, I ended up redoing everything multiple times. Drop shadow not quite right? Redo everything. Colors too dark? Redo everything. Resolution too low? Buy a new camera, revisit every location, reshoot everything! Yes, I really did that.

Ultimately, I think this dedication to quality paid off. I really believe I've created the best collection of layer styles ever made, and my customers have been echoing that sentiment in the comments and emails I've received.

Going Indie

I wasn't interested in signing an exclusive contract and giving up half of my profits to join one of the popular digital marketplaces. They might have more traffic, but most of it goes to the guys entrenched at the top of the sales charts. I knew I could do significantly better opening my own shop, so that's exactly what I did.

Fortunately, I'm fairly skilled with Drupal, and putting a site together was actually pretty simple. My biggest win here was going with FastSpring. They take care of everything from the shopping cart to sales tax to payment processing to file delivery. I haven't had a single major problem and they even pay out on time, directly to my bank account. I can't recommend them enough.

Drupal

One of my big successes was getting on the front page of *Drupal.org* (I wrote a detailed case study). This early exposure drove most of my first sales (thanks Drupal fans) and kept me motivated as I worked on creating additional products for the site.

Hacker News and Reddit

Both of these communities provided me with invaluable early feedback. Reddit was especially harsh. Nobody wants to hear “your site is ugly and you charge too much,” but committing to an early site redesign probably saved my business. If your landing page doesn’t inspire confidence, no one will buy your product, no matter how good it is.

AdWords

Roughly a quarter of my sales came directly from advertising on Google. This is a complex topic and I hope to devote an entire article to it in the future, but for now I’ll just say: It’s easy to make sales with AdWords, but hard to make profits. Expect to throw away money learning the ropes.

Mistakes and Failures

Understanding the Market

I dove into the layer styles niche with a lot of optimistic naivety. I knew people would be willing to pay more for a superior product, but I overestimated by how much. Style packs I thought would go for \$50 ended up selling for closer to \$20. One of the problems with niche markets is the difficulty of exploring the demand curve. Getting enough data points to support or reject your pricing strategy can take weeks and you’ll probably be losing money in the meantime.

I also put too much faith in Google’s Keyword Tool as an accurate representation of market size. When I started this project, Google was reporting 33,000 monthly searches for “photoshop layer styles”. Today they’re only showing about 6,600. Based on my traffic, I’m confident this is just Google improving their estimates, and not an actual decrease in demand. The market still exists, but it’s just smaller than I expected.

Understanding the Customer

Another mistake was approaching the market from an expert’s perspective. I’m deeply familiar with layer styles, but most of my potential customers aren’t. In fact, the majority of Photoshop users probably don’t even know downloadable layer styles exist. My marketing and advertising strategies really failed to take this into consideration.

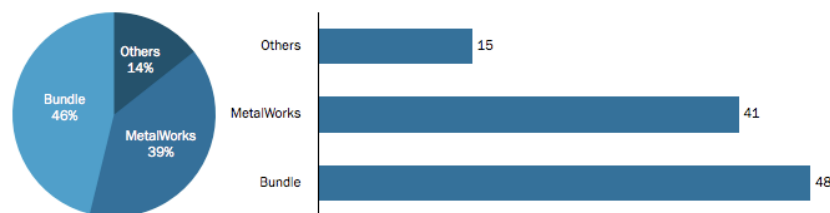
To make matters worse, Adobe ships some pretty ugly default styles with CS5. It’s easy to see a few 90s-era “glowing text” styles and dismiss the whole concept as junk. In reality, you can create some amazing effects with enough time and skill.

Getting Coverage

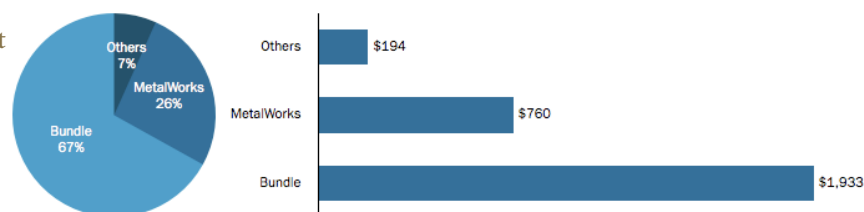
If I want to expand my business in 2011, I need to find better ways of reaching the average Photoshop user. So far, this has been my toughest challenge.

I’ve had particular trouble getting coverage from blogs. I spent a few days tracking down about 40 Photoshop bloggers and sent each one a personalized email with an offer of free products to give away. Only one of them bothered to reply: “I’ll do it if you send me \$500 first”. Paying to give my work away seemed kind of ridiculous, so I declined, but given the lack of responses, maybe these kinds of bribes are the norm?

Units Sold



Revenue by Product



Revenue by Country



Organic Search Traffic

I figured with an exact-match domain in a niche market like mine, getting to #1 for “photoshop layer styles” would be easy, but it just hasn’t happened yet. Lack of coverage hurts here, but so does the newness of my site. It’s particularly annoying being outranked by an obsolete .edu page written 10 years ago.

The Numbers

Total sales since launch topped out at just under \$3,000 USD. It’s a small start, but it was enough to pay my rent most months and I have ambitious goals for the next year. Above’s a breakdown of the exact numbers.

Everybody Loves Bundles

I must be doing something right because most people buy the complete collection. It’s my most popular and highest earning product. In fact, I’ve had several customers purchase individual

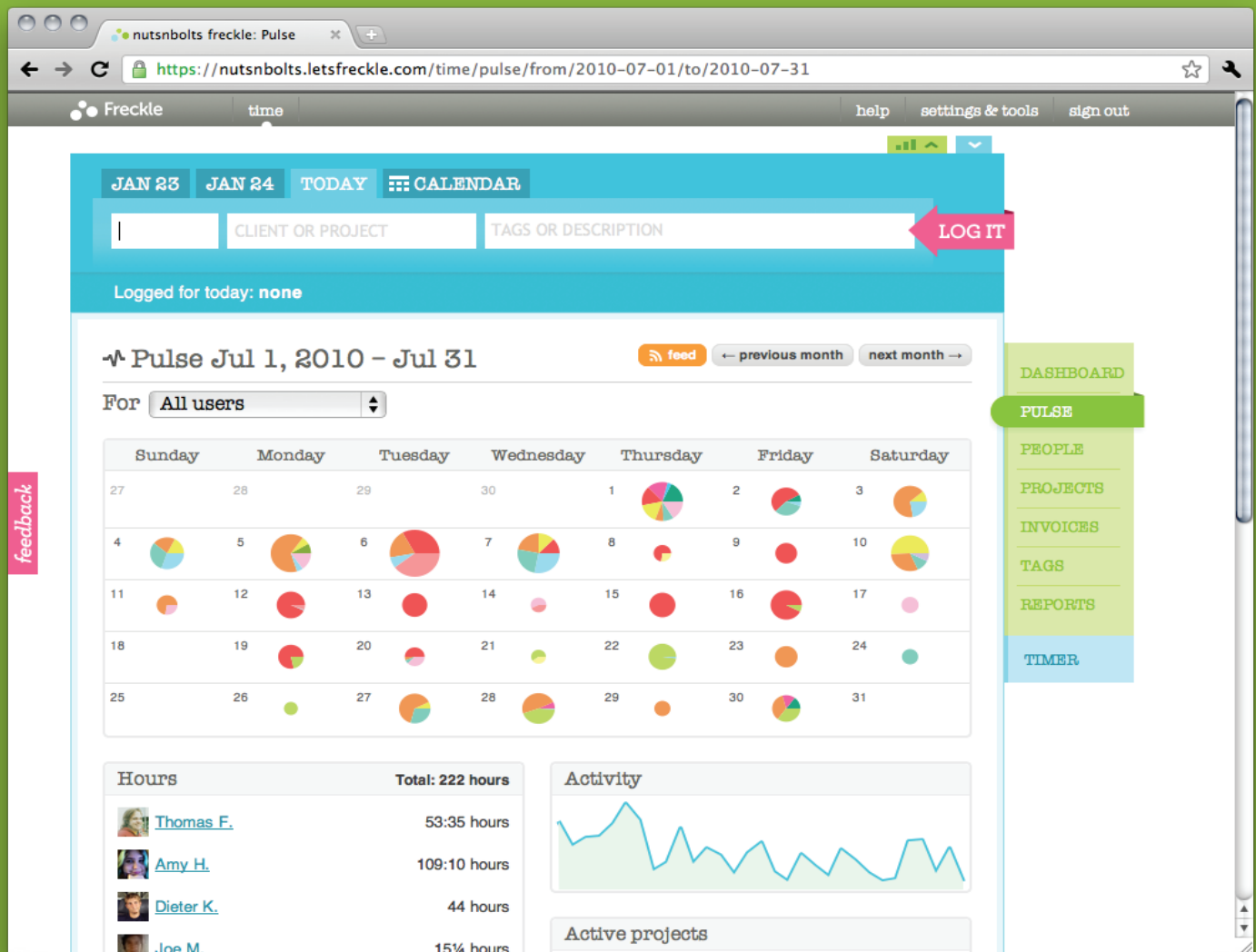
packs and then come back the next day to buy the whole bundle, even though they’re essentially buying one of the packs twice. Clearly, I should implement some kind of discount for past purchases.

Conclusions

I’m only five months into this project, and I still have lots to learn and improve on, but I’m generally happy with the direction things are going. The business is almost “ramen profitable,” and I have some great ideas on where to take it in the future. Now if I could just figure out how to get links from other bloggers... ■

John Forsythe left a job in tech support to become a full-time entrepreneur in 2006. Since then, he has launched multiple small businesses, including *Impossibility.org*, *BigBookSearch.com*, and *StartupGods.com*. He’s currently working on a new startup that aims to revolutionize the music business.

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First appeared in hn.my/first100.



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How to Get 18K Beta Users in 4 Weeks

By PATRICK SWIESKOWSKI

WE GOT 18,000 users in our 4-week private beta by emailing relevant bloggers demo codes for their readers. In a Hacker News thread about getting users there were some recommendations to start your own blog and build an audience, but it's much easier to just borrow other peoples' audiences when you need them.

Find small blogs (10K-50K subscribers) relevant to your market and offer them 100-1000 signups with a custom-branded demo code. The blogger likes getting an exclusive for readers and the readers like getting insider access to a hot new tool. By contacting a bunch of them at once, we reached a roughly 20% hit rate.

To find these blogs you can try using Google blog search [blogsearch.google.com], although it frequently returns a lot of spam sites. We found searching delicious tags [delicious.com/search] was a better way since it has more of a human filter around it.

The best way to find blogs is to give personal demo codes to people who missed out on a blog code in exchange for a list of blogs they read. This demo code application form can also get you a wealth of other market information if you ask more questions. It was on a form like this that our users told us what our premium/pay features should be.

Keep track of the contacts from the blogs that post your demo codes. When you launch, email them again and they'll cover you once more. This also results in a burst of coverage around your launch so you seem to be everywhere.

Patrick Swieskowski is a co-founder of *ninite.com*, the easiest way to install software.

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Launching a Profitable Product in 3 Hours

By AMIR KHELLA

I PRESSED THE UPDATE button and took a deep breath. The website was finally online and a surge of questions rushed to my head: What if it's not good enough? What if people call me an opportunist for redirecting the blog post to a product page? What if no one wants to buy it?

I reminded myself that it took me less than 3 hours to put that website together, so it wouldn't be so bad if no one bought the product. I glanced at the time on my laptop: it was 1:38 am and my stomach was growling loudly. I put the laptop on the couch and went to prepare my favorite late-night-raisin-oatmeal.

A few minutes later, I was staring at the boiling water on the stove, entertaining the thought of taking down the website to do some more work on it and re-launch it few days later when it's more ready for the public. I wasn't used to putting half-baked products out in the wild and it made me feel uncomfortable. Then I remembered a quote from Reid Hoffman: "If you shipped your product and you're not ashamed of it, you've probably shipped too late." Pouring the oatmeal into the pot, I started thinking how this all started...

It had been less than a month since I wrote about how I've been using Apple Keynote to prototype iPad applications. I debated whether or not I should publish the post, thinking there was nothing new or useful about it. Yet, I decided to do it for the fun of it. What I didn't expect, though, was for the post to be picked up by some of the most respected bloggers, becoming popular among the design and iPhone communities. In less than three weeks, the post generated more than 10,000 visits and 500 downloads of the iPad keynote templates I posted.

I became curious to find out whether people were reading the post and downloading the templates because it was a useful idea or just a cool one. I wondered if they would pay for these templates and how much they would be willing to pay. Since I asked people to subscribe to the blog before downloading the templates, I could just email everyone and ask. I could create a survey and ask them to fill it out, promising some freebies in return. But people are generally too busy to fill out surveys.

“**Instead of a coming soon page, start a conversation. There is no reason to wait for a product to be ready in order to have customers.**”

Then I thought about building a minimally viable product that would help me answer that question and concluded that I could put something together quickly using WordPress. Three hours later, I had a WordPress website with an e-Junkie shopping cart and few screenshots of the templates.

DING!

My thoughts were suddenly interrupted. It was the Mac Mail client, which I'd set up few minutes earlier with my PayPal email. I walked back to the couch and stared at the laptop screen. I had an unread email. The subject: "Notification of Payment received."

Keynotopia [keynotopia.com] was in business!

Lessons learned:

Sell your byproducts

Become aware of the value of internal tools, processes, or even hacks that you developed while working on your main product. In my case, I've been using many of these templates for my client work, and hadn't thought about selling them until recently.

Kill the "Coming Soon" page

Many startups are technology-focused, believing that a blog is a way to tell customers about their product once it's launched. Before launch, they put out a "coming soon" page with an email sign up box. But that page has no value for potential customers and little incentive for them to give out their email address.

Instead of a coming soon page, start a conversation: talk about your story, share your process and findings, and provide value even before the product is ready. There is no reason to wait for a product to be ready in order to have customers.

And if you write a blog post that becomes popular, use it as a conversion funnel for your product.

Focus on benefits instead of features

I tested over 10 variations of the tagline on Keynotopia's landing page. The ones that performed best stated some tangible measurable benefits for the user (interactive prototypes in 30 minutes or less). The ones that had the worst performance stated what the product was (a collection of interface templates for Apple Keynote).

Give away a valuable freebie

I gave away the original toolkit I've been using for my work. In return, I asked for people to subscribe to the blog. The perceived value was worth giving out an email address for.

Later on, I created another wireframing set and released it for free on SmashingMagazine. This helped tremendously with traffic and branding, and many people who downloaded the free templates come back to buy the full bundle.

Create a list and start talking with customers

Many companies use lists to inform people about new features. I end up unsubscribing from most newsletters because they feel like ads; they feel like they are sent from a business to a business, not from a human to a human. In their attempt to sound professional, companies ignore the human side of business.

In my case, I wanted to have a conversation with everyone who had signed up. I wrote a simple, personal text-only newsletter, told them what I've been up to, and asked them for feedback and ideas. I wrote it the same way I write an email to a friend and many subscribers replied back thinking I sent them a personal email.

Create embeddable media

Almost every blogger who mentioned my original blog post embedded the YouTube video I posted along. Having a YouTube video or a SlideShare document in a blog post helps spread the word. In addition to being good for SEO, it provides a good snapshot of your post to be embedded by anyone who wants to link back to it.

Never stop testing

For the blog post, I tested about 5 variations for the sign up form. Changing the title from "Enter your email to download the files" to "Subscribe to this blog to access all downloads" increased sign ups more than 500%.

For Keynotopia's landing page, I had over 29 iterations for the language and arrangements, reducing the bounce rate from 59% to 12% in less than 30 days.

Don't be afraid to charge for your product

Having a product is a good excuse to talk to your customers. Charging for your product is a good excuse for customers to talk to you. When people pay for a product, they become invested in it. In my case, many people who bought the templates email me frequently to share requests for missing UI components or ideas for new templates that I wasn't even considering.

Additionally, charging your customers helps you find out if there is a real pain point that your product is addressing and if people are willing to pay to solve that pain point.

Keynotopia may not be a "startup" in the typical sense of the word. To me, it was an experimental project to teach myself many things I've always wanted to learn. It shifted my perspective from a service-oriented mindset (getting paid for my time) to a value-oriented mindset (getting paid over and over for a value that I used my time to create). My true epiphany happened when I woke up one morning to find few hundred dollars deposited in my bank account because while I was asleep, the value I had created was hard at work. ■

Amir is an entrepreneur, hacker, designer, and artist. He enjoys simplifying complex problems and launching small profitable products. His latest venture, Keynotopia, was launched in 3 hours with a \$47.50 budget and had its first paying customer within 10 minutes of launch.

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First appeared in hn.my/keynotopia.

HARVEST



TIMESHEETS



INVOICES



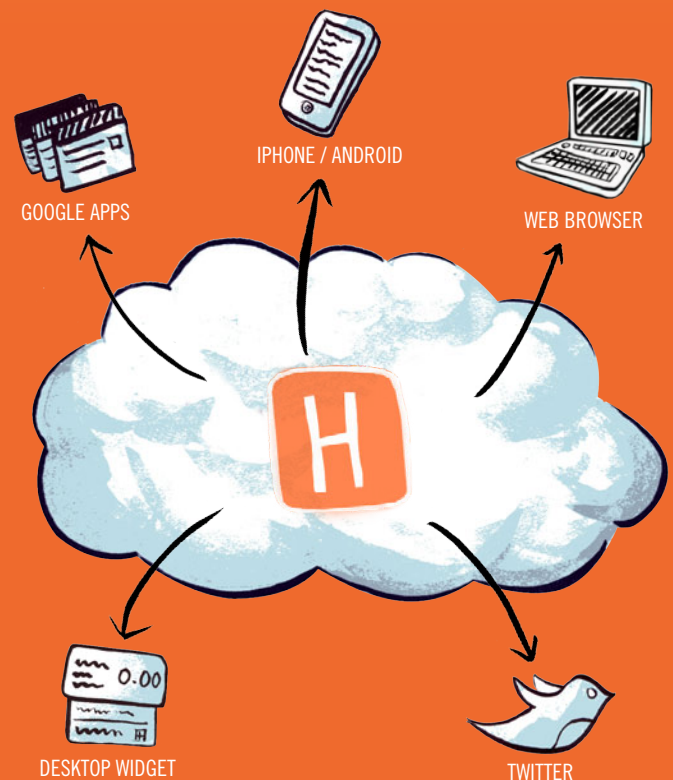
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From 0 to 100K Users in 72 Hours

By DAN LOEWENHERZ

THIS IS THE story of Breakup Notifier: when I made it, my inspiration, how I handled it, and anything else that might be relevant. I'm writing this not only because a lot of people asked me to, but also for myself. The past month has been a little out of this world, and there's a ton of stuff that's been sitting in my head just waiting to be jotted down on paper (or in this case, Vim). On another note, I still can't get over that Breakup Notifier was on Jay Leno [goo.gl/zcCLY] a few nights ago (skip to 8:42 on the monologue). Insane.

Thursday

Unique Visitors: 0

It was a pretty normal night. My fiancée, her mom, and I spent a few hours earlier that evening watching the season finale of Spartacus. After the show ended, I got back to work. A few minutes after getting back on the computer (which is also in our TV room — noise canceling headphones FTW!), I started listening in on a conversation they were both having regarding my soon-to-be sister-in-law.

So there was this great guy who they thought was a great match for her. They were talking him up to each other, convincing themselves he was probably the perfect guy. Their hopes were dashed after checking his relationship status on Facebook (yup, he was "In a relationship").

This was a problem just itching for a solution. Since programmers are kind of like real life superheroes, I decided to do my part. I proposed a system where they would get an email the instant said guy changed his relationship status. They absolutely loved it.

Friday

Unique Visitors: 0

Here's the first chat I had where I talked about the idea.

Me: i'm going to take an hour break

i want to make a joke website

Christopher: haha

Nice

what's the idea

Me: *breakupnotifier.com*

login through facebook and mark hot girls you're interested in who are in a relationship

it will email you when they break up

Christopher: thats brilliant

im waiting out like 5 relationships

Me: haha

i'm giving myself a time limit of one hour

Christopher: you got it

Me: will let you know when its done

Christopher: sweet

Somewhere in the middle of this conversation I purchased the domain *breakupnotifier.com*. And no, I didn't follow through with my initial time estimate.

I had enough feedback to actually build something. The git repo was started at 12:40pm with the intent to actually work on this thing the next day.

In the meantime, I thought it would be fun to get some more feedback from some other friends. I thought the idea was hilarious so I naturally wanted to tell as many people as possible.

Me: *breakupnotifier.com*

lol

Richard: dude i think it can go even further than that – check out what im about to send you

Me: haha

quick which icon set do you like better

hn.my/photo1

hn.my/photo2

Richard: *hn.my/photo1*

gives you more choice right?

Me: yeah agreed

i'm going with it

I purchased \$18.50 worth of credits on iStockphoto and downloaded the Valentine's Day icon set. After it was downloaded, I spent about 30 minutes inside of Fireworks turning this:



into this:



I went with the Facebook color scheme primarily because I figured it's what people are accustomed to and comfortable with.

I think I spent the next few hours working on some other things. At 3, I started tinkering with the Facebook Graph API. Here's a chat from around then.

James: are you up to anything?

Me: making a silly web app

breakupnotifier.com

my break for the day

James: hahaha

what is it?

Me: rachel (my fiancée) was talking with her mom last night about her sister, and how they wanted to set her up with this guy

they checked on facebook and he was in a relationship

so i was like, would you guys want to be notified when his relationship status changes?

they were like YESSS and an idea was born

James: hahaha

so whenever your friends relationship status changes you get notified

Me: well you can pick and choose

James: haha thats funny

Me: so you can pick only the hot girls or something

James: i like it

Me: hah cool

it'll be on hn in a few hours

James: did you start building yet?

Me: i hope

yes

James: the fbook api is pretty easy right did you use a library

Me: yeah, it's super simple

although it's being annoying right now with the permissions crap

James: oh

Me: i'm asking for certain permissions but the api isn't giving me the info i asked for pretty weird

James: thats annoying

Me: i wonder if its because of my draconian privacy settings eff this

i give up

Yep, believe it or not, Breakup Notifier almost never happened. I worked on Crate [letscrate.com] for the rest of the day.

Saturday

Unique Visitors: 0

I decided to finish what I started. I knew there was something here and I was not going to give in so easily. I figured out what my issue was with the Facebook API pretty quickly (I was asking for the wrong permissions).

I finished the web application sometime around mid-afternoon Saturday, tweeted about it, and then submitted the post to Forrst. I knew this site had some major potential, so I was seriously pushing it to my friends and followers.

Despite all this, no one really cared.

Sunday

Unique Visitors: 15

The next day, I wanted to give Breakup Notifier one last chance.

I submitted Breakup Notifier to HN at about 4:00pm. I distinctly recall that it almost fell off the new page and sat at around 2-3 upvotes for about an hour. I think by the time an hour passed, I'd given up on it and started watching Batman Begins with my fiancée. I checked on my computer halfway through the movie and somehow it made it to the front page!

Carter: kudos on the hn post

Me: haha wow

it's gotten on the front page?

Carter: yeah

Me: oh wow

James: dude!

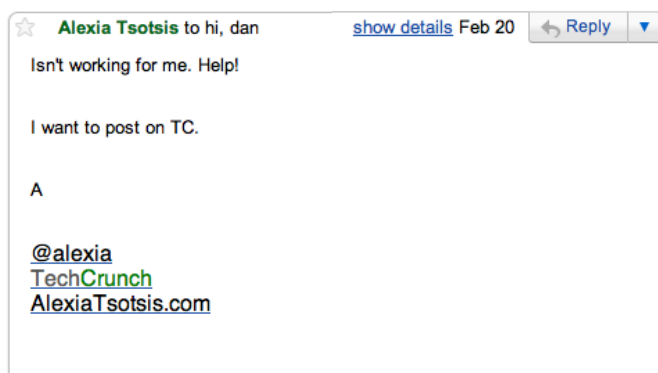
breakup notifier is 3rd on hn

thats awesome

On Sunday night at around 7:30pm PST, it had reached the #1 spot; by 9:19pm, the site had over 12k unique visitors.

At 11:12pm that night, the impossible happened.

BreakupNotifier The Notifiers X



Holy. Shit.

I knew what the problem was. Alexia wasn't getting emails since I was only checking for relationship status changes once every 24 hours. As a test, Alexia broke up with herself, saw no email, and was very sad.

I promise, this was the closest I've probably ever gotten to having a psychological breakdown. I definitely remember my hands shaking as I wrote the code to increase the polling frequency. My adrenaline levels must have been through the roof. I knew the site had viral potential — I just couldn't really believe it was actually happening.

Monday

Unique Visitors: 18,805

I pushed the new code and waited. And waited. Next morning, at around 11am, it happened...Breakup Notifier was crunched [hn.my/stalkbook]. On another note, this is the point where I was also introduced to all the wonderful TechCrunch commenters.

I was blown away by the malice of some of these people. It's really kind of depressing, but that's the subject of another post. Moving on...

Matthew:hn.my/cnn

Me: holy shit

CNN!

Shit got real right about now. Within a few hours, I was contacted by ABCNews.com, MSNBC, GlobeAndMail, Technorati, PC Magazine, The New York Daily News, Information Week, the Huffington Post, The Washington Post, The NY Times Magazine, the International Business Times, and the list goes on.

Tuesday

Unique Visitors: 116,669

It may seem crazy, but by Tuesday I was in a state of immense denial. I truly could not believe what was going on. Every morning for the next few days, I felt like I was waking up to a dream. It was all too surreal and odd for me to really explain. It was kind of like a ton of eyes were on me and what I was going to do. Hell, a bunch of people thought Facebook would ban me (lulz).

I teased fate a little bit when I commented that I would feel honored if Facebook were to ban Breakup Notifier. Heh.

Wednesday

Unique Visitors: 164,309

I woke up to learn that Breakup Notifier has been disabled by Facebook.

I suppose I was overstepping my bounds ;). I would later learn that the reason the application was disabled was because of a little “Share” button. When a Facebook application uses the feed dialog to publish a story through an application, it’s actually a wrapper over the Facebook API. So when a user hides or blocks content from one of these posts, it can actually penalize the application that allowed the user to share.

Apparently, a lot of people were hiding these shares from friends, so the application was banned automatically. I didn’t have as large a problem with the reason it was banned as much as the amount of time it took for Facebook to communicate this to me.

I immediately sent an email to Alexia at TechCrunch letting her know what was going on. I figured this would be an interesting story and I was lucky enough that she decided to write about it.

I don’t like sitting around like a lame duck, so I did what any self respecting hacker would do. I decided to channel the traffic to Breakup Notifier to another website while all this Facebook stuff was being sorted out. I would call it Crush Notifier [crushnotifier.com].

Amidst all the press craziness that was happening about now (and a packed inbox), I pumped out the site.

Friday

Unique Visitors: 197,999

Breakup Notifier traffic was really dying down by now, especially since the site hadn’t been able to do anything for about two days, per Facebook’s ban of the application.

With Crush Notifier, I planned to integrate Facebook Credits, write a revamped backend (to handle a lot more users), and basically make everything faster. It took a few hours, and by evening, I was ready to launch the site. I wrote a blog post, submitted it to HN, and braced myself.

TechCrunch soon posted about it. Nothing really prepared me for the sort of vitriol that I would soon be the target of. In the TechCrunch post, I was called things that I’d rather not repeat on this article.

I went to bed feeling extremely depressed that night. Rachel told me not to worry — this is just how some people are, and there’s not really much one can do about it. It still just stuck with me. There isn’t really anything much worse than random people accusing you of being a cheat, liar, and fraud.

Saturday

Unique Visitors: 203,171

I could never have predicted what would happen next.

A fellow HNer, jarin, wrote a post entitled Crush Notifier backlash: if Dan Lowenherz is a crook so is your favorite company [hn.my/crush]. He spelled my last name wrong, but it really didn’t matter. I know this might sound bizarre, but I never felt more at home in any community of people. Everyone chimed in about how this happens to everyone; it’s just how the world works.

Main thing I learned from this experience is that you just have to ignore everyone who tries to put you down. It *will* happen. As Chad Etzel remarked: “Haters gonna hate.” Nothing you can do about it.

Conclusion

Unique Visitors: 237,851 and counting

You’re probably wondering how much money I made with all this attention. Short answer: nothing. Long answer: had I chosen to put ads on the site as it was exploding in popularity, I believe I would have probably made a few hundred dollars.

As for Facebook’s ban of the application, it was revoked on Sunday. On Monday morning, I re-launched the application (it goes without saying that I removed the “Share button”).

I also would like to add that I am so incredibly thankful for the HN community and the positive energy that it promotes. There is nothing quite like it. I love all of you. ■

Dan Loewenherz is a programmer and lover of fine beer. After studying Applied Mathematics and Warm Climate Appreciation at Yale, he moved to beautiful Los Angeles and hasn’t looked back. He juggles his time between working on Crate, various other projects, and open source. Get in touch with him via @dwlz on Twitter or email him directly at dan@dlo.me.

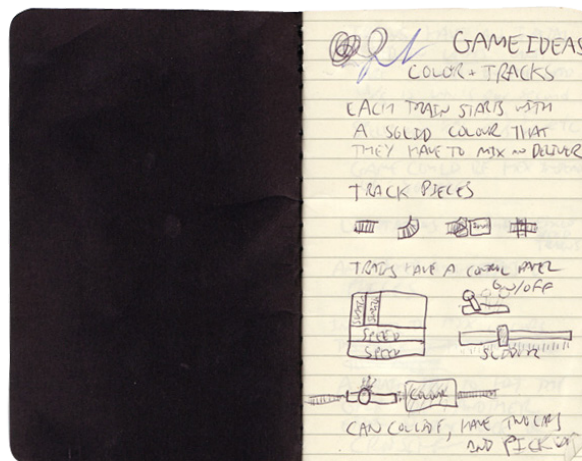
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How to Make a Popular iPhone App

By MATT RIX

TRAINYARD STARTED OUT as a couple of scribbles on a notepad in May of 2009. At the time, I was prototyping ideas for Flash games because I'd been doing professional Flash development for four years and so it was the only game-making technology I knew really well. I had plans to make a game and maybe make some money by putting it on Kongregate or selling it on FlashGameLicense.

One day, while sitting on the train during my daily commute, the concept for a game involving trains filled with paint came into my head. I did a bunch of paper planning and eventually coded up a quick Flash prototype nicknamed "PaintTrain." It was awesome. I set to work making puzzles every day during my commute for the next few months, still thinking I was making a Flash game.



The Familiar

As an avid iPhone user since it first came out, I wanted to learn to develop for it, but I thought it would be way too complicated. Talk began at my work about doing some iPhone projects instead of doing all Flash work. We were given a solid week to look into iPhone development and see what we could do. I didn't make anything substantial, but I did learn a lot and I discovered the excellent Cocos2D for iPhone framework [cocos2d-iphone.org].

After fiddling around with Cocos2D and seeing what it could do and how similar it was to Flash, I realized that I could definitely make iPhone games. I decided that PaintTrain would be my first iPhone game and I also decided, thankfully, to name it Trainyard.

Preparation

One of the key things I've learned is that the first project you make with any new technology will be awful, or at least full of issues and problems. I didn't want Trainyard to be awful, so I decided to make a simpler, smaller game first.

I spent a couple weeks creating a game with an interesting tic-tac-toe-ish mechanic called "Quaddy". It actually wasn't that bad, but I didn't feel comfortable releasing it as my first game. Through the process of making it, I learned a whole lot more about Cocos2D, Objective-C, and iPhone development in general. I was ready to make Trainyard.

Winter

At this point, it was October 2009. I figured I could finish the game in 3 months, using Christmas break as a final polishing time. Oh how wrong I was. It wasn't that development was particularly slow, but that I kept adding little features and tweaking other ones. By January 1st, the core game was playable, but the menus were sketchy, the graphics needed work, and the end was still a long way off.

At Indusblue we were building our first major iPhone app, the official Olympics app for the official Canadian broadcaster of the Vancouver Olympics, CTV. It was a huge project for us, so I spent most of my time on that and really didn't have time to dedicate towards Trainyard. The CTVOlympics app was a massive success, both for CTV and for our company, but I lost a couple months of Trainyard development time.

New Life

Being motivated about a project after a couple months away from it is usually tough, but with Trainyard, I was excited. I began to work feverishly in every moment of spare time to try to complete it. I made a huge amount of progress on everything from the graphical style to the solution sharing backend. By the end of April, the game was looking a whole lot better.

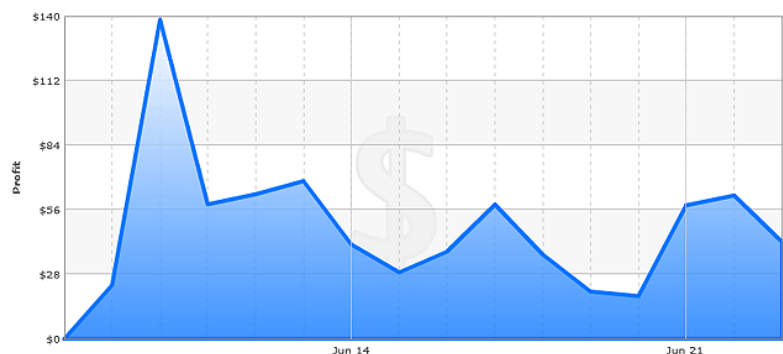
Meanwhile, my wife and I were expecting our first baby. His due date was June 11th, so I was working hard to finish Trainyard before he was born. He had other plans. Toren Rix was born May 12th, 2010, almost exactly a month before his due date. I could write many posts about how awesome he is, but I'll save that for another time.

My work gave me a month off so I could help look after my newborn son. It was great to have some time off and I know my wife was very glad I was around. Toren slept a decent amount, so I had more time than ever to work on Trainyard. By the end of the month, the game was done.

The Marketing Machine

I submitted the game to Apple on May 30th and began my marketing preparations. I created an "upcoming games" thread on TouchArcade, made a great trailer, and sent dozens of emails to major iPhone game sites and blogs. The trailer really helped to get a small core of people excited about the game. I posted on Facebook to tell my friends that the game was coming and told every iPhone owner I knew to get ready for the game.

Trainyard was approved by Apple seven days after submission, but I delayed the release because I'd heard that you should "always release on a Thursday". Trainyard was released on June 10th for a price of \$1.99. I discovered AppFigures [appfigures.com] and began to monitor my App Store rankings obsessively.



Acceptance

I don't really remember how well I expected Trainyard to do right away. The reviews from blogs and on the App Store were great. I knew people would like it, but I wasn't sure how quickly they would tell their friends about it. It turns out that people did like it, but they didn't have nearly as many friends as I expected. Or something like that.

I tried a variety of mini-marketing escapades, including spending \$50 on AdMob, \$50 on Project Wonderful (Axe Cop, specifically), and \$50 on Google Adwords. None of that worked. Fifty dollars is almost too tiny an amount to spend, but it became immediately obvious that any ad campaign within my budget would have no effect on sales whatsoever.

I should add that I definitely wasn't disheartened. I knew it would take time and that I had a great game that would eventually be successful. I just really wasn't sure how to get there, but that was part of the adventure.

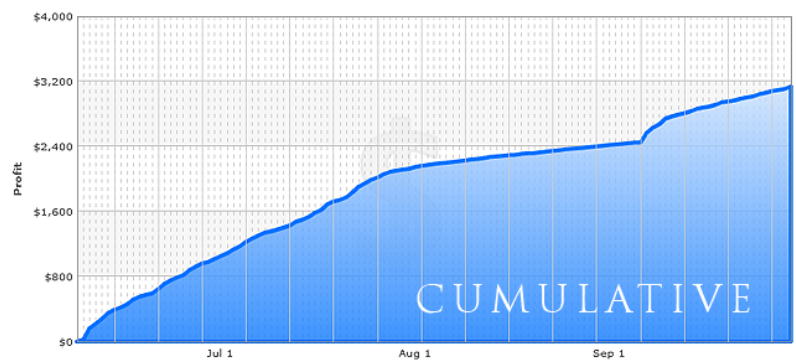
Jealousy

In my mind, there were two things that could happen to help Trainyard be successful. One was to be featured on the App Store and the other was to be mentioned on TouchArcade. Sadly, Trainyard was never mentioned on TouchArcade. I figured they didn't think it would appeal to their target demographic, so I forced myself to move on. I also believed (and still believe) that Apple monitors TouchArcade much more than any other site when deciding which games to feature, so that made not being mentioned an even harder pill to swallow.

Meanwhile, I had seen other similar games get on TouchArcade and featured in the App Store. Games like Kieffer Bros' brilliant Aqueduct seemed like they'd appeal to the same types of people as Trainyard, and yet they'd be reviewed and featured while Trainyard went neglected. Rather than let this discourage me, I turned it into motivation to try harder to get the game noticed in spite of (what I perceived as) impossible odds.

Keep Calm and Carry On

It's not like the game wasn't selling any copies. In the 4 months between launch and the end of September, I sold 2338 copies and made \$3200. Not enough to live off, but decent part-time residual income. I kept working on the game, releasing two major updates, one with over 40 new puzzles and the other with full retina-display support. I also raised the price to \$2.99, as I figured that the "risk difference" for a potential buyer between \$1.99 and \$2.99 really wasn't that high.



The Right Lite

I'd always planned to make a lite version, but I wanted to make sure that the game was as good as possible before I did it. I went through a careful decision making process and ended up making Trainyard Express, which had 60 puzzles, all of which were completely new and different from the puzzles in Trainyard. I knew I was including too much content, but I figured that any buzz was good buzz, even if everyone was only downloading the free game and ignoring the paid one. At that point, less than 3,000 people worldwide even knew what Trainyard was, so more people knowing about Trainyard couldn't really be a bad thing. That being said, it was still weird to pour dozens of hours into something that I knew wouldn't make me any money directly.

Building Up Steam

I released Trainyard Express on September 30th, the day I'd nicknamed "Trainyard Thursday". A day later, an editor at a prominent Italian blog discovered the game and wrote a fantastic article about it [hn.my/ispazio]. The game shot up the Italian charts and quickly became the #1 free app in Italy, netting 22,795 downloads in its first day at #1.

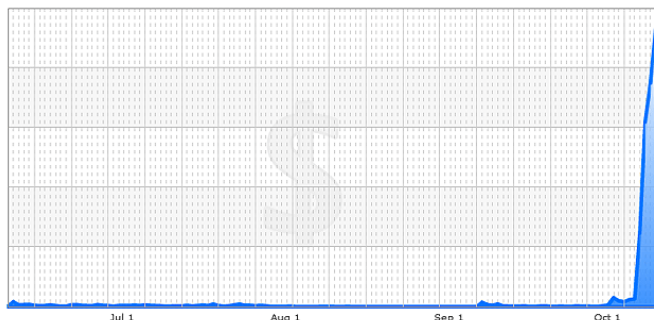
Along with the Express downloads, the paid sales in Italy also started getting higher and within a day of reaching #1, I had beaten my single-day launch profit record of \$140 with \$240 in a single day. It was awesome to know that the up-sell was working.



Game Asplode

Word of the game gradually spread to the UK and by October 5th, it was climbing its way to becoming #1 in the UK free charts as well. I mention October 5th because it's also the day Apple wrote me an email saying they might want to feature Trainyard, the paid app. I knew what that meant; the Trainyard Express experiment had officially paid off.

Trainyard was added to the featured list on Thursday October 7th at 4pm EST and it quickly climbed the charts. Being featured is one of those things that's hard to really understand until it happens to you. It's like winning a lottery, but a lottery where you work really, really hard to buy your ticket. I spent hundreds and hundreds of hours working on the game, but all that time paid off when I saw Trainyard's silly little icon in that featured apps list. I made it.



You'll notice that the image above doesn't have a legend. I've been advised against posting specific numbers for various reasons, but I think if you compare this graph to the earlier ones, you can figure out approximately just how much a feature from Apple can affect your bottom line.

It's pretty epic, isn't it? ■

Matt Rix is the creator of Trainyard [trainyard.ca], a popular iPhone game that he made in his spare time. Matt graduated from the "Multimedia Design and Production" program at Humber College in 2005 and then worked at Indusblue in Toronto as a Flash Developer for five years. In January of 2011 he founded Magicule [magicule.com], a game development company, where he's now focused on creating innovative mobile games.

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First appeared in hn.my/trainyard.

The Power of Core Peer Groups

By BRIAN BALFOUR

The \$5M Keg

In 2007 I was 23 years old, working full-time as a product manager at ZoomInfo while moonlighting on a number of entrepreneurial side projects. I had previously started a few companies with angel funding and a couple small exits, but certainly nothing of scale. In a whirlwind of a month, all of that changed based on an inebriated conversation while standing over a keg of beer. This random keg conversation transformed into finding an amazing technical co-founder, building a prototype, and raising \$5M dollars in VC funding. These major events that typically take months (sometimes years), happened in less than 4 weeks.

While I don't consider these items as the definition of startup "success," it does represent a period of my life where I made a giant leap in progress on my professional career and passion. Consequently, I have invested a considerable amount of time thinking about what caused this leap of progress and if it can be recreated. What I found isn't a short answer, quick fix, or a hack to starting a company and raising money. Instead, it's an answer that if we invest time in, will lead to progress in our personal and professional goals that are unachievable through other common avenues.

Following Success

Many entrepreneurs (including myself) spend time following and reading other successful entrepreneurs. Whether it's countless business books, blogs, or Quora, there never seems to be a shortage of content of someone telling their success story and how they got there. We try to emulate aspects of these success stories in our own life. However, most success stories are told in hindsight with a predefined ending in mind. In an effort to tell a good story, they often gloss over the real learning experiences, such as near death experiences, failures, and moments of luck. We can find great inspiration in stories like these, but we will never find the answers to our entrepreneurial challenges.

Workaholics

While some have their head in a book, others just have their head down. It is easy to think that the more hours you put in the more progress you will make, but this leads us to incremental and linear progress when we need to be on an exponential path. Ultimately, the progress produced by working harder is limited by the hours in the day and the capacity of the human body. The entrepreneurs who brag of 100+ hour work weeks are also the entrepreneurs that burn out the fastest.

Networking

For every entrepreneur with their head down, there is another competing in an endless of game of "who can collect the most business cards." It's not what you know. It's who you know. Right? While it is great to have a large rolodex, these types of relationships are extremely limited. You may get introductions and other light help from these relationships, but when you or your business faces real challenges and problems, are these going to be the people that are able to help? Most likely not. As a result, a large network of light relationships leaves us feeling like something is missing.

Mentors

In addition to a large network, every successful entrepreneur has great mentors in their life, but this is even limited. A mentor relationship is typically one-sided. The flow and balance of knowledge and experience is heavily weighted in one direction and we become limited to the mentor's availability and generosity.

Linear Progress vs. "Scale"

The startup world talks about how startups and their business models need to "scale." Scale is depicted by the typical "up and to the right graph" where the return on investment is exponential, not linear. Similarly, our path to success requires exponential personal progress where every unit of investment we put in results in more than one unit of return. All of the activities described above share the same limitation. They lead to linear progress, not exponential.

"By Our Powers Combined..."

If all of these avenues are limited, what was it that led to my whirlwind of 4 weeks in 2007? Six months before starting Viximo I was lucky enough to be one of the original members of Betahouse, the first ever co-working space for technology entrepreneurs in Boston. It was a diverse group of individuals who were each working on individual projects, but there was no hesitation to collaborate and overcome problems on each other's projects. We were invested in seeing each other succeed. Everything that happened in the early days of Viximo I can credit to Betahouse. The original idea was formed by Greg Gibson, another Viximo co-founder, and myself. Betahouse member, Dan Choi, built the early prototype of Viximo and my technical co-founder, Sean Lindsay, was introduced to me by another Betahouse member. The funding came from VCs within the network of Betahouse members. Oh, and that famous keg conversation? It was at a

“Core groups are composed of a small set of exclusive relationships that provide unfiltered, honest, and deeply invested relationships.”

Betahouse party. It wasn't the skills, network, mentors, or great beer selection from Betahouse that was the catalyst to this leap in progress. The catalyst was the relationships between members of the group. At the time, Betahouse was the beginning of my first Core Peer Group.

Core groups are composed of a small set of exclusive relationships that provide unfiltered, honest, and deeply invested relationships. Core groups become so invested in each other that a positive feedback loop occurs. As one person gains success, so do the others. They build off of each other's knowledge, networks, and brands, leading to exponential progress. As a result, core groups can help achieve things that an entrepreneur can't on his own, producing results unattainable with the largest network or list of mentors.

One of the most widely known examples of a core group is the “PayPal Mafia.” These early members of PayPal have continually invested in and alongside each other. Post-PayPal they have gone on to found (with each other's help) companies like YouTube, LinkedIn, Slide, and Yelp. Most attribute the ongoing success of the PayPal Mafia to the success of PayPal; however, the reason they are successful in the first place is because of each other.

Changing the Economics For Entrepreneurs and a Tech Community

The concept of core groups for personal growth isn't new. Multiple books have been written about the subject including *Who's Got Your Back* by Keith Ferrazzi, *Vital Friends* by Tom Rath, and *Think and Grow Rich* by Napoleon Hill. I am realizing the impact these types of groups can have for early-stage entrepreneurs, and furthermore, a startup community as a whole. Yet, core groups don't get as much attention as they should.

The books about core groups discuss high level effects such as personal accountability, motivation, and achieving your life goals. Betahouse and other experiences have shown me that core groups also have very practical effects for early-stage startups. They help raise funding faster, find co-founders and early employees, and acquire your early customers. These are often considered the toughest items in starting a company. As core groups help you increase these components, it can increase the probability of success, and therefore the economics of entrepreneurship.

“Core groups go well beyond your average professional relationship or even friendship. It’s a unified bond with one common goal: Excellence.”

As exemplified by the PayPal Mafia, the effects of core groups impact more than just individuals of the group. The benefits created overflow and become a cornerstone of a successful community. As the PayPal Mafia continues to invest in each other, their success helps fuel the entire technology community, creating a new breed of entrepreneurs, angel investors, and ultimately core groups.

Core groups have substantial impact, but they aren’t easy to build. They require a significant time investment. The people, elements, and expectations are a unique combination of four principles that form an unstoppable force:

Deep Relationships

Core groups can’t exist without deep relationships between each of its members. These are relationships that go well beyond your average professional relationship or even friendship. It’s a unified bond with one common goal: Excellence.

These relationships aren’t built over coffee, lunch, or networking events. They are built over repeated interactions with each other within, and well outside of, the professional context. They take time and investment in each other.

When interacting with people in our network, we often discuss what we want to achieve. In core groups, the conversation is focused on why we want to achieve these goals. Knowing why requires understanding someone’s motivations, personal history, family background, and impactful life events. Knowing why leads to a deeper sense of investment in each other and paves a clearer path to actually achieving those goals.

Any path to great achievement isn’t easy as it faces great challenges and failures along the way. While it is difficult to discuss these things, they contain the largest opportunity for progress. With deep relationships, we can openly admit our challenges, weaknesses, and failures and quickly get on the road to growth.

Brutal Honesty

Oddly, we tend to lie to ourselves more than anyone else in our lives. It is extremely difficult to be brutally honest with ourselves. Much of the time what we think is the truth is just emotional rationalizations. We’re human. Everything we do, especially in startups, contains components of emotional investment. But emotional investment is not rational investment.

One of the golden rules in sports gambling is to never bet on your favorite teams. You know the most about that team so theory should have it you have the best chance of winning with that team. But too often the emotional stake skews your decision-making ability. We also see this in romantic relationships. We've all had that "friend" in a detrimental relationship who ends up rationalizing the relationship for longer than they should. Emotional investment, once again, skews our ability to see the truth.

Furthermore, the people that we typically go to for advice in our lives aren't able to provide us with brutal honesty. Parents, siblings, friends, advisors, investors. Most of the time they aren't knowledgeable enough about our specific goals to truly help. Even if they are, their opinions and advice are biased with their personal incentives. While they have good intentions, they subconsciously push you in the right direction for them, not the right directions for you.

We avoid brutal honesty with ourselves and others because it's uncomfortable, but the truth isn't going anywhere. If you turn your back to it, it will bite you in the ass. Avoid it, and it will surface eventually. Accept the truth, and you can start to move forward.

The deep relationships between members of core groups allow us to be brutally honest with each other. We can remove the filter that prevents us from saying what we really think because we can challenge each other without fear of alienating others. With brutal honesty, interactions become more blunt and genuine. We can get to the core of issues much quicker and focus on solutions. We push each other to the max and keep each other on course for what truly matters. As a result, real progress is made quicker than you could ever make it before.

Peers

As you search for your core group, it is easy to become engrossed with brand name individuals or those that have had more success. Most assume a positive correlation between how successful a person has been and how much they can help you.

However, success is a large misleading indicator of one's ability to help you. In hindsight, people tend to take more credit for success than is actually due. There are a lot of factors that go into being successful, one of them being luck, whether they admit or not. Most commonly, those that have been successful in the past aren't in touch with the current challenges you will face in today's rapidly changing market.

We underestimate what we can learn from our peers. The path to success is one giant obstacle course. Just like an obstacle course, those that are at a similar point on the obstacle course are in a much better position to help you than those already at the end. The power of core groups is evident when members can all help and challenge each other as equals; it leads to deeper investment and relationships in each other.

When we see previously successful people achieve something new we tend to attribute this achievement to something we don't have ourselves. But when you see a peer who is on the same playing field as you overcome a challenge and achieve something, we have no excuses for why we can't do the same. It makes us more aware of what is possible and motivates us forward.

Diversity

We naturally gravitate towards building deep relationships with those that are similar to ourselves. We do this because it's easier. While it's easier, these aren't the relationships that will challenge us the most. We end up doing the same things, having the same conversations, and getting opinions too close to our own. Einstein summed the result of this by saying, "Insanity is doing the same thing over and over, and expecting different results."

Core groups thrive on diversity of skill sets between its members. It isn't about surrounding ourselves with people smarter than us; it is about finding people who are smarter than us in different areas. This gives us the opportunity to invest in our own strengths, yet fill holes where we are weak. Trying to be strong in every skill set on our own just leads to mediocrity.

Those with different skill sets have a different perspective of the world. They analyze and approach problems from a very different direction than we do. As a result, they often end up at a solution that we would never come to on our own. We typically attribute this to someone "thinking outside of the box," but in reality a person is just approaching a problem from the same lens they always do. It is just different from our own.

I have benefited from having a great professional network and personal mentors throughout my professional path, but as I wrote this post, I discovered that I could tie every period where I made giant leaps in progress to the fundamentals of core groups. As for what happened after those 4 weeks, Viximo quickly outgrew the space available at Betahouse so we had to move out. Viximo is now about 30 employees and one of the premier publishers in the social game industry. Nevertheless, we have never forgotten our roots and as a result, have housed numerous startups within our office space. Betahouse lived on for a few years and went through various evolutions through the leadership of Jon Pierce, but it is currently on hiatus.

Beyond Betahouse I have continued to facilitate the strengths of core groups through organizations such as PopSignal and reCatalyze. I truly believe the next great companies and entrepreneurs will be born from core groups. The closer we are to having the deep, honest, and diverse peer group relationships, the closer we are to building the most successful and innovative companies of our time. ■

Brian Balfour is serial technology entrepreneur and angel investor. Most recently Brian was the founder of Viximo, PopSignal, and reCatalyze. Brian blogs about life as an entrepreneur at *BrianBalfour.com*.

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From Big Idea to Thriving Business

By MICHAEL RAKITA

IN THE SUMMER of 2003, while still working for my first startup, I got a “big idea”: social news reader. Imagine something like Google Reader with Priority Inbox and social recommendations. I was thinking about it day and night. I couldn’t sleep and was working through it in my head while lying awake in bed. I had The Madness [hn.my/madness]. It’s going to be huge, I thought. This was the kind of idea you’re supposed to seek venture funding for. But I was in Windsor, Canada, far away from Silicon Valley, and didn’t know anything about VCs or funding, so I was going to build everything myself.

In 2003 there was no Google Reader, no Facebook and hardly any RSS feeds. No RSS feeds? OK, I’d have to build an intelligent scraper that can crawl websites and gather news/updates. No Facebook to pull social data from? That was a problem. I couldn’t build anything social without the people. I’d need users to make it work, and a lot of them. My “big idea” was going to take a long time to build, so I decided to make something simple and give it away for free to attract users. I had some experience with computer telephony, so a small desktop app to show caller ID was easy enough to develop. Two months later, PhoneTray Free was born.

So, 2003 was a tough year. My first startup was going from moderate success to disappointing failure very fast and I couldn’t do any consulting work because of my visa status. Needless to say, I wasn’t making tons of money. I was very close to giving up on startups and accepting a full-time job offer. But my wife had a job and we had some savings, so we decided to tough it up so I could continue with my own business.

I was working on my “big idea” and on what was left of my first startup, and people were downloading PhoneTray Free. I started getting emails from PhoneTray users who liked my little app. “Hey, I get annoying calls from my ex,” one email said, “Can your program block calls from him?” Why not? So I implemented blocking of calls from specific numbers. And it was the feature that everyone wanted. PhoneTray Free was becoming popular. By the end of 2004, I was getting a couple hundred downloads per day and tons of emails.

“I like your program and all,” another email said, “but what about us dial-up internet users? We miss important calls when online!” Um, really, I thought, is dial-up still alive?

A quick Google search told me that over 65% of US internet users were still using dial-up at that time. But wasn't it a solved problem with modem-on-hold and V.92 standard? Apparently not, as I quickly found out. V.92 standard describes how to implement call detection and modem-on-hold in hardware, but nothing about software or API. Windows doesn't have built-in modem-on-hold support. There are a couple of modem-on-hold apps provided by modem manufacturers, but they only work with specific modems and most modems don't come with any modem-on-hold software. Could I add something to PhoneTray to make it work for the dial-up users?

Well, turns out it wasn't so easy. There is no standard way to implement modem-on-hold. Existing apps were talking directly to the modem driver using internal API. Undocumented, of course. And each modem chipset vendor came up with its own API. Plus, some vendors decided not to bother and didn't implement any API. That looked like a challenge to me, and who doesn't like challenge? So I got my old x86 assembler books and trusty IDA and started to look into how the modem drivers worked. I disassembled several modem drivers, read up on driver development and figured out what I had to do. I had to make my own kernel driver that sits on top of the modem driver and monitors what the modem driver is doing. Then, PhoneTray can communicate with my driver and control the modem.

Did I say that I like challenge? If you ever tried to develop kernel mode drivers, you know what I'm talking about. Remote kernel debugger, BSOD/reboot cycle, kernel memory dumps... I was having so much fun that my big idea was forgotten, at least temporarily. It took 5 months to make my driver work with all different modems, but in May 2004, the first version of PhoneTray Dialup was ready. It was a product solving a real problem for people and I was going to charge money for it. Sales were slow in the beginning and PhoneTray Dialup had bugs, but by version 2.10 it became a solid product and sales were ramping up quickly.

By the end of 2004, PhoneTray Dialup was making a couple thousand dollars per month and growing. I became a permanent resident of Canada and could do consulting work and make some money. Things were looking up! I went back to working on my big idea, doing some consulting work and updating PhoneTray Free and PhoneTray Dialup from time to time. Then one day, I got an email from the owner of a small ISP who wanted to offer PhoneTray Dialup to his users.

"Of course! Why didn't I think of it myself?" I thought, "That's the whole new market!"

I quickly made a fully customizable version that ISPs could offer as their own software, got another person on board and started selling it. During the next 2 years, we licensed it to a couple dozen ISPs. The biggest one was in Saudi Arabia and had 300,000 users.

Our business was doing well and I had tons of things to do. My wife left her job and joined Traysoft to help out. My big idea was forgotten, again. But dial-up was slowly dying and we had to do come up with something else to make money. Over the years I was getting emails from different businesses asking us to develop a custom version of PhoneTray Free for them. I wasn't going to do that, but I wanted to help developers with building what they wanted. I took the core telephony features of PhoneTray, ported to C#, added some extras and built telephony library for .NET. It became a successful product accounting for over 50% of our company revenue. PhoneTray is still going strong and we have advanced call management software, PhoneTray Pro, coming soon.

So here I am, 8 years later, with a thriving small business that supports me and my family. Business that started with a little free app. And my "big idea"? I will make it happen. Some day. ■

Michael Rakita is the CEO/Founder of Traysoft Inc., a small company that develops computer telephony software and tools for programmers. Michael is an active member of the StartupGuild, where he helps fellow entrepreneurs with launching and growing their startups.

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When Giant Arrives

By JASON JACOBS

Illustration: Yngvar Asplund, yngvarart.daportfolio.com

AS SOME OF you know, the idea for RunKeeper came from when I was using Nike+ to train for my first marathon, which was Chicago 2007. I was amazed by how powerful it was to take a sensor, collect in-activity fitness data, and integrate it back to a web service that allows you to monitor your progress over time, get coaching so you continue to improve, and provide social features, community features, and competitive features that help make fitness fun.

I remember wondering why Nike was the only company doing this. Someone needed to carve this out and build an independent fitness technology company across multiple devices, multiple data types, and multiple sports.

I quit my job in May 2008 to do exactly that. RunKeeper was one of the first 200 applications on the iPhone and enabled iPhone-owners to do GPS-based fitness tracking, eliminating the need for a separate sensor or pair of shoes. It worked for not just running, but sports like cycling and skiing as well. At the time, Nike was

nowhere in sight and everyone called us a great alternative for iPhone-owners looking to use their phones to track their fitness. Articles like this [hn.my/rkwired] and this [hn.my/rkcnet] came out, and this little company from Boston was on the map.

Then, in June 2009, Nike finally did show up, coming pre-installed on every iPhone & iPod Touch. Unfair advantage, right? That's OK, their solution was still tied to a separate piece of hardware and shoes, as they stayed away from implementing a GPS-based application. After all, they are a footwear company that needs to sell shoes, so how could they untether users from the very shoes they are trying to sell?

Everyone, at the time, dubbed Nike as the "RunKeeper killer". Which, by the way, was pretty cool for this little company from Boston. But quite the contrary, Nike's arrival did nothing but help RunKeeper. Nike poured their huge marketing budget into educating people on why to run with their phone and as a result, RunKeeper's numbers more than doubled.

And flourish RunKeeper did. We gained more than 2 million iPhone users, we were named by TIME Magazine as a top 10 iPhone app of 2009, and this big, passionate, global community of runners rallied around the RunKeeper system on the social web and at *runkeeper.com*. We also ported our solution to Android, enabled manual map creation on the web, and integrated with a wi-fi scale so users could send their weight data to *runkeeper.com* as well.

Along the way, other footwear companies like New Balance tried to get in the game with the “NB TotalFit” app, but didn’t make a dent (white labeled from our “big scary” competitor). Then, Nike’s arm got twisted even further when Adidas came out with their MiCoach system in August 2010, which is a GPS-based system. Here was another running shoe company jumping into the mix with a reasonable attempt, this one without tethering users to a specific pair of shoes. And Adidas came in with full guns blazing, running TV ads, sponsoring major races/events that featured MiCoach prominently, and investing heavily in trying to unseat RunKeeper as the go-to smartphone fitness tracking platform. So, one month in, what are the results so far? As of today, Adidas is ranked #18 in iPhone health/fitness and RunKeeper is ranked #14. Not bad for this little startup from Boston with zero marketing budget. In fact, MiCoach was #61 until last week, when Walt Mossberg’s column gave them a big (and arguably misinformed) plug in the WSJ.

So, what is Nike to do? Well, as of today, they have jumped into the game with their own GPS fitness tracking application. Bravo, it is about time Nike! Except for one problem. All of you big guys jumping in with major marketing budgets are doing this as a brand play. We are not. You are doing this to try to ultimately sell more people your footwear/apparel. We are not. You are big and slow moving. We are not.

So, before anyone asks, our plan is this: We plan to stay intentionally independent and avoid aligning with any one major brand or equipment maker. Instead, we will integrate with everyone, so no matter what device/equipment you use to collect your data, you will ultimately be able to participate in the RunKeeper system. We will make bold moves with how we capitalize the company and we will plow forward with a slew of new improvements, many of which are well underway. And in the end, our input-agnostic approach, our headstart, our ability to move quickly, and our ability to push the envelope in areas that would make big companies uncomfortable, will prevail. And while it is scary to have these big, well-resourced competitors jumping in, we believe strongly that our approach is the right one and that the independent system will win in the end.

It won’t be easy, but if it was easy, everyone would be doing it. ■

Jason Jacobs is the co-founder and CEO of RunKeeper, a mobile fitness platform for runners and other fitness enthusiasts. You can learn more about the company at *runkeeper.com*.

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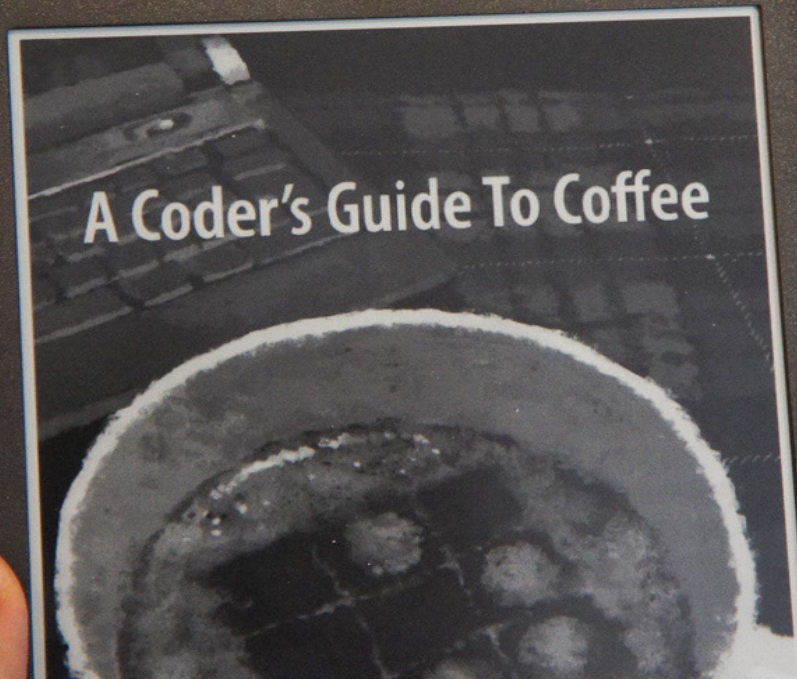
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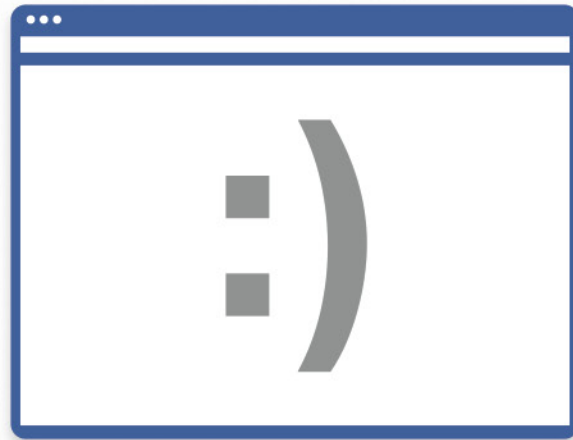
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