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ENTREPRENEURS | 9/29/2012 @ 2:00PM | 1,030 views

## Barnacles, Diamonds and Cows: 5 Startup Failures--My 5 Lessons Learned

In past columns I have promised I would outline not just my successes, but my own five business failures as well. Today is that day. It is my hope that the lessons I learned can influence your future successes, as they have influenced mine. Here we go:

I am a serial entrepreneur. I have been an innovator for four decades. It's in my blood. It's in my DNA. I was born with this unflagging desire to solve problems for potential customers. Ideas flow into my mind with ease. By nature, I am observant, a dreamer and I see opportunities. In fact, during the course of a week, I will formulate several new business ideas.



You didn't do your homework on dairy cows before you began?

Over many years, I have launched at least ten new companies. As I look back on these initiatives, I note that at least half have failed. The five that imploded were my first efforts. In each case, the businesses unraveled quickly and at a financial loss. Why was this the case? I thought I was doing everything right. I was engaged heavily in all five enterprises. I spent endless hours giving each opportunity my best effort. Moreover, I believed I had developed excellent products that would be well received by eager customers. Even my financial forecasts seemed reasonable and achievable. Also, I had sufficient funding to cover expenses until I reached profitability. What was I doing wrong? How did I fail time after time?

Consider the clever ideas I pursued that failed. The first one focused on

helping ocean bound private boats remove barnacles from their hulls by sending a diver into the water below the boat with a high pressure hose. Second idea; buy a Holstein dairy bull and sell ampoules of semen. Third, use synthetic diamonds to make dental drills. Fourth, sell diamond rings to college students and fifth, send computer data over copper electric wires. For this column, I won't describe in gritty detail every situation, but I will summarize what I learned from each attempt.

**Lesson #1 [Launch](#)** a business in an industry or market that you know and understand. Consider knowledge and experience to be your best friends. In today's fast moving environment, it takes too long to comprehend the nuances of an industry, its people, and routes to market. Generally, entrepreneurs who are highly successful are those who have spent significant time in a given marketplace and know everything about its products, competitors and customers. Had I know something about cows, I might have succeeded. Sadly, I knew nothing about dairy bulls and the milk industry.

**Lesson #2** Listen to potential customers and learn about their needs, problems and current solutions. Talking to customers is the most important primary task an aspiring business builder should complete. Founders should dedicate most of their waking hours to visiting with individuals they consider to be their source of revenue. [Entrepreneurs](#) should study at length what's on the minds of potential buyers and to understand their frustration, pain, and wishes. They need to clearly understand how prospective customers currently solve their problems and what improvements they might seek. Without such knowledge, an innovator will be unable to develop and build the proper solution. In my case, using high pressure water under a boat to remove barnacles was not a complete answer to the problem. Once the creatures are gone, they take paint with them. To wit, boats are dry docked for a fresh coat of paint. Paint can't be applied underwater.

**Lesson #3** Build a product after speaking with customers, not before. Most business fail when the inventor makes a product that no one wants to buy. This notion is a common and deadly mistake many founders make. Large and small developers alike miss the mark when R&D creates the next great thing without a clear idea who will buy it. I like the axiom of *sell first, design second, then build*. This approach envisions an entrepreneur who sells his or her terrific product and then hurriedly returns to the lab to draw a blue print, make and deliver it. Our great error in developing the technology of sending data over a power line using advanced signal capabilities, was that potential customers had other, better options for data transmission and saw no need for our products.

**Lesson #4** Know your competitors. Clearly understand why they win business. Every entrepreneur should spend time learning about companies with competing offers. They should learn about their products, their features and benefits. They should understand their pricing schemes, their marketing and sales efforts. They should talk to customers who buy their products and should understand their competitors as well as they know their own companies. My inability to sell diamonds to college students was based on a complete lack of knowledge of how retail jewelry stores brand their offerings. I spent no time trying to understand these fundamental concepts.

**Lesson #5** Win with a truly disruptive technology. Harvard professor [Clayton Christensen](#), author of **The Innovator's Dilemma**, has identified the battle plan to building a truly great company: Design and build

an innovative product at the low end of the product line that every customer can buy, and offer a compelling price that can't be beat. [Nucor](#) replaced [US Steel](#) using this formula. Nucor entered the market with a new way to manufacture rebar at reduced costs and offered deep discounts to all customers. US Steel did not respond and lost this market. Over time Nucor repeated this process on every steel product until it owned the market from top to bottom. My idea of putting synthetic diamonds on a dental burr versus the natural diamond burrs of competing brands was not disruptive, wasn't cheaper, and had no real advantage.

As you can see, of the 10-plus businesses I have created, it was the 5 failures that created the greatest lessons I've learned. Since that time, I have created multiple successful companies—in fact, [MarketStar](#), [Island Park Investments](#) (angel investment) and [Mercato Partners](#) (venture capital) have been home runs.

Much has been written about my winning companies. But perhaps you can learn even more from my greatest failures. By doing so, perhaps my most difficult entrepreneurial lessons can be experiences you won't have to repeat. It is my sincere hope that this is the case.

I welcome your own stories, and I welcome your thoughts. You can reach me here, at [@AskAlanEHall](#), or via my personal website at [www.AlanEHall.com](http://www.AlanEHall.com). Thank you for reading.

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