



## Big Mistakes of an Entrepreneur

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By attempting to start up 50 digital businesses in Switzerland, plus a cardboard-saving toilet paper roll venture, came the wisdom and savvy to develop a profitable, steadily growing online retailer in the highly competitive consumer goods segment.

In early May, Alan Frei, Co-founder and CMO of Amorana, a 5-year-old online sex toy retailer, employing 27 people, and shipping 100k packages annually, led alumni through the highs and lows of his entrepreneurial journey.



The INSEAD alumni event was organized by alumnus Bruno Rambaldi, MBA'02J, at Westhive, the co-working office business that he co-founded and runs. It is located in the trendy Zurich West district, home to the Museum of Digital Art (MuDa), Maag Music & Arts Areal, and Technopark.

### Serial Failure as The Foundation of Success

Alan Frei says that he is not a serial entrepreneur, he is a serial failure. He speaks at networking events about mistakes he made for several reasons. It's educational. By being candid about what can go wrong, he can teach himself and others important entrepreneurial lessons. It can help others avoid the pitfalls. Sharing that kind knowledge is important to him because he believes the country needs more entrepreneurs to create jobs, to keep the standard of living high as the country's traditional economic engines get disrupted. "There are still too few great entrepreneurs in Switzerland and too many people are still working in large established corporations," said Frei who added that talking about failure is also "good therapy".

### The Temptation of Partnerships

A Swiss platform matching tutors and parents launched by Frei while still studying attracted a large German educational publisher to underwrite the development of a marketplace in Germany. The

team was able to recruit tutors across the country to participate but by the time they developed the marketing tactics, and traffic started to increase, many of the tutors were no longer available. That led to disappointed potential customers.

It turns out that the conventional wisdom of building inventory and then creating a market does not work for digital marketplaces. A hyper-local approach at the start would have been smarter, which is what companies like Uber and Airbnb did, pointed out Frei.

The partnership itself delivered some further lessons. The publishing house quickly asked Frei's team to develop other e-commerce applications. At one point it was like running three different startups, an impossible task. The experience made clear the importance of choosing investors that are aligned on what the focus should be.

It means that investors and founders need to form partnerships on equal terms, according to Frei, so that the founder has the power to resist special requests. It happens, but not because they are evil, it is because corporate investors have their own needs.

Today, Frei is a strong believer in bootstrapping startups and keeping expenses minimum, including his own personal expenses. "Having no money as a startup makes you creative and courageous," he said.

Investors do not solve problems, they create new ones, even if it is just a five-figure sum they have invested. The trouble is the dependency and time required to nurture the relationship.

More lessons were learned from a toilet paper roll without cardboard business, a mango schnapps business with a brand story like Red Bull's, an online marketplace for buying and selling companies, and several Facebook social applications. A platform for death-related services, digitalized death, also failed to take off.

### **Do One Thing Well: Focus**

Being a part-time entrepreneur, active in more than one venture, is going to lead to failure. Friends will advise against it, but the entrepreneur is the one that will learn this the hard way. "You tell yourself that the side projects are complementary and feeding into each other, but they are not. You end up with a to-do list that leaves no time to think of good ideas to grow the business," said Frei.

Case in point: it was during idle time in the early days that the founders of Amorana came up with an idea to create public interest and put them on the path to higher volume sales. The idea was to market a package for girlfriends and wives of young Swiss recruits who were leaving for several months to do their mandatory military service. A news item about the recruit package in *20 Minutes*, a commuter newspaper, generated thousands of orders.

Courtesy of the INSEAD Alumni Association Switzerland

Even today there is temptation to lose focus, by pursuing ideas to expand into foreign markets or create another shop. The only way to do multiple businesses or multiple projects is if you are an investor or a board member, but not the founder.

### **Persistence Can Trump Talent**



Referring to the formula  $\text{Time} + \text{Talent} = \text{Success}$ , Frei asserted that if a founder lacks talent, then time (persistence) will do just as well. Even when a market is already very crowded, persistence can make the difference. He pointed out that when the Angry Birds game launched, the company [Rovio] had already developed 50 other mobile games that had failed to generate high-volume downloads.

Persistence has a time limit. An entrepreneur needs to know when to persevere and when to quit developing a venture idea, especially when you really love it. He said that this is a skill that comes from experience. But it does not have to. First time entrepreneurs can take counsel or seek advice from experienced professionals, even friends, to get a more objective perspective on such decisions.

### **Love What You Do for Your Customers**

Copying digital business ideas, and scaling fast, the model refined by Rocket Internet and the Samwer brothers, is a path chosen by many founders. A lot of money can be earned that way. But the problem with opportunism, as opposed to passion, is that if successful, you end up committed to something that you are not really interested in. You have responsibility for employees and are investing years of your life in something that is not interesting. "It would be difficult to imagine being happy for seven years in a digitalized death company," said Frei.

Given that life is short, entrepreneurs should do something that they like. After trying the copycat type of disruptive entrepreneurship many times, Frei learned that for the long haul, a venture must be something you care about.

With Amorana, the founders indeed copied an established business model, but along the way they discovered that their products help people to have better relationships. Customers are grateful or happier, and that kind of goodwill makes being part of the company satisfying.

### **Establish Team Spirit on Day One**

Company culture and team spirit are established early on. Starting from day one with a written code or manager manifesto will help startup founders to retain employees. A hard-driving, cutthroat culture at start up makes it extremely difficult to attract employees. Such a culture might work at big-ticket investment banks or private equity firms, but it does not work in startups. “It is very hard to change if mistakes like that are made in the early days,” said Frei.

### **Know Your Numbers**

Know the big picture but master your “small numbers”. It is essential in digital businesses. There are three sets of numbers to care about: traffic, conversion rate, and lifetime value of a customer. Before starting to spend money on driving traffic to the site, it is essential to achieve a healthy conversion rate. It means understanding how to keep people on the site but also how to reduce clicks to convert visitors to customers. A tool called FullStory is useful for tracking what people do, according to Frei. He added that learning what kind of payment methods fit your market the best can have a huge positive impact.

Once the conversion rate is healthy, then the numbers related to the cost of acquiring new customers can be worked on. “You can actually afford to spend a lot of money on marketing [to drive site traffic] if you get the conversion rate right,” said Frei. Later, marketers can analyze sales figures and test ways to foster repeat customers, to upsell, and increase the value of those customers over time.

In conclusion, Frei’s experience in over a decade of digital entrepreneurship taught him the importance of focus and the implications of partnerships. It gave him a sense of timing about when to give up and when to persist, and which numbers to care about. Mistakes taught him to be mindful of team spirit from the start. And lately, success has taught him to shun opportunism in favor of passion for a great business idea, or at the very least, like what it does for your customers.

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Impressions

