



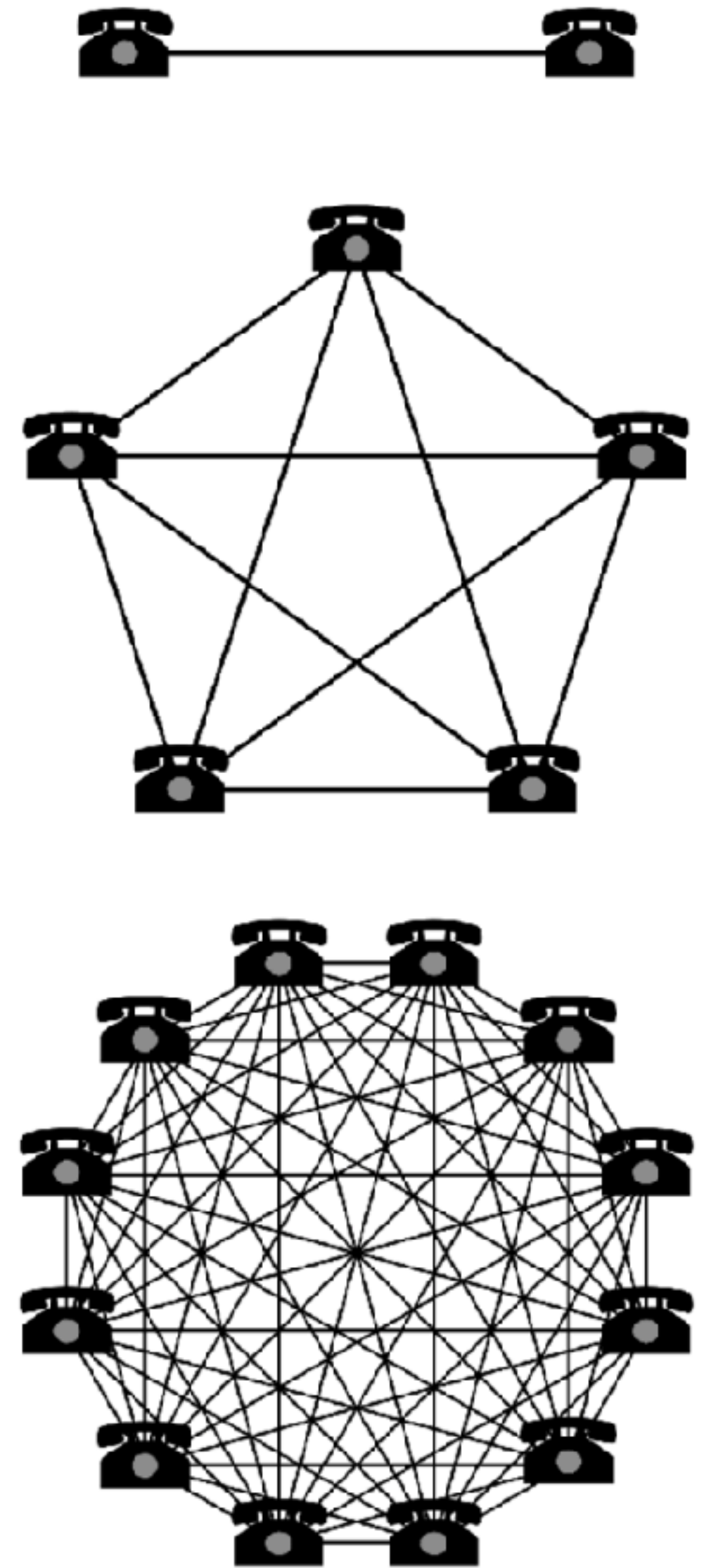
# How & Why Establish Beachheads

# Network Effects

- When we start building our communities, there will be no one in them.
- This means that the total value we're providing to our customers is less than the ultimate vision, because we're only offering them the product/service, and not whatever other type of value that could be added to them because of the community.
- An example would be, the co-working space you're given as being a part of BetaBlox is valuable when it's empty. It's a place to work. But when it's full, it's a place to work, and a community to meet people, learn, and find happenstance value for each of your companies. Each of your businesses has your own version of this.

# Metcalfe's Law

- The greater number of users with the service, the more valuable the service becomes to the community.
- Facebook wasn't cool until your friends were on it. EBay didn't work if there was no one there to buy your stuff. Uber wouldn't work if there was no one driving cars.



# Critical Mass

- BetaBlox define critical mass, from a startup standpoint, as the “product/market fit” of network effects.
- Meaning it's the time in which your community has enough people, engagement, activity, whatever, that a new and emerging side benefit of joining your community is unleashed.

# Escape Velocity

Once you've reached a minimum amount of critical mass inside of your network, things should start to grow even faster because of the newly unlocked value. We call this escape velocity.

Could a lack of the above laws be the reason  
your experiments aren't working?

# What's The Quickest Way To Make A Party Feel Full?

- Throw the party in a smaller room
- What would feel more lively and fun, a party with a thousand people at it in a three-thousand person capacity bar, or a hundred people at a party at a hundred person capacity bar?
- What is your businesses version of making the room smaller? Some people call this niching.

# Beachhead Strategy

- Some people refer to radical niching as beachhead strategy
- It's a metaphor from Normandy when America stormed the beaches (picture first scene in Saving Private Ryan).
- The defensive country has major advantages. They can build defensive structures. They don't have to travel. They have places to sleep and rest. The list goes on.
- The offensive country, America, could have sent some troops in from the North, some from the West, some from the East, and some from the South. But that would have diluted their efficacy, which wouldn't have surpassed the advantages of the defensive country.
- So instead America sent absolutely everything they had into one very small area. All our resources combined were enough to surpass the advantages of the defensive country and get on the beach.
- Once we were on the beach, we had a safe entry point for the rest of our army and resources to safely get into the country.



# Radical Niching

- Sometimes it's best to go even beyond “niching” and into what we refer to as radical niching. This is done in the pursuit of throwing a party in a smaller room to make it feel more full.
- We can niche in a handful of ways:
  - Concentrate on a certain geographic market
    - BetaBlox starting in Kansas City
  - Concentrate on a certain target demographic (gender, age)
    - Facebook catering to just college students
  - Concentrate inside of a certain community
    - Paypal starting inside of Ebay

# Why Is Beachhead Better For Bootstrapping?

- In the same vein as an invading territory attacking the beachhead, and not diluting their resources, the same thing is happening with our money.
- We have to buy less ads
- We have to create less partnerships
- We have to service less customers
- Our processes don't have to be big, rigid, complicated - things can just be done manually at first.
- In other words, the strategy is incredibly conducive to allowing us to remain frugal and spend precious money where it counts.

# This Will Make Your Value Proposition Tighter

- Because we're drawing a line in the sand about who we are, and aren't, it becomes much easier to nail the value proposition.
  - Pricing becomes easier
  - Writing website and marketing copy becomes easier
  - Your elevator pitch is less fluff and more punch
  - Your core audience will resonate with a message like this much easier.

# It Will Create A “Monopoly”

- The smaller the market we attack, the more easily we can own the market.
- If you keep niching until you're the top dog in the market, you've created a “monopoly”. Not because you've beat all your competitors, but because you've created a story, and a market, where no one else is competing.
- When you're the top dog, momentum is easier to pickup. With that momentum, you'll more easily be able to create a network effect within the small market you're attacking.

# Growth In Concentric Circles

- After winning and monopolizing your extremely small market, find “neighboring” markets to grow into. Sometimes this means physical and geographic areas (if you were concentrating on Overland Park or Broken Arrow, now go after the whole city of Kansas City or Tulsa), and other times it’s more figurative (if you were concentrating on 21-23 year olds, now add in 24-26 year olds).
- The momentum from winning the first market will make going after the slightly larger market easier to win. It’s like the first go around gave you street cred to enter the larger market.
- Once this new and slightly larger market is won, grow again. To a slightly larger, but still adjacent market. Once again, it will become easier to win this market because of the momentum from the previous two.

Another way to visualize this is called The Bowling Pin Strategy. Each segment becomes increasingly easy to knock down if you've nailed the first one correctly.

