



## **“ZERO to One” by Peter Thiel**

**Book Review & Summary**

**Sanjeev Verma**

Samsung Research America

**“Zero to One is about how to build companies that create new things”**



# Perils Of Globalization or Sameness

INDIA

40 % of Total World Population

China



**Living in Delhi like living in a gas chamber: Delhi High Court**  
 Economic Times - Dec 3, 2015  
 NEW DELHI: Observing that the current air pollution levels in the national capital have reached "alarming" proportions and it was akin to "living ..."



**AAP Govt. Turns to Startups To Solve Delhi's Pollution W...**  
 Trak.in (blog) - Dec 1, 2015  
 Arvind Kejriwal led AAP Government in New Delhi is no doubt ... for any startup which introduces a solid solution to bring down Delhi pollution.

**AAP govt to provide Rs 2 crore seed funding to combat pollution in ...**  
 International Business Times, India Edition - Dec 1, 2015

ASIA PACIFIC

**Beijing, With Red Alert for Smog in Full Force, Closes Schools and Limits Traffic**

BY SCHWAB KING, 100 L, 2015

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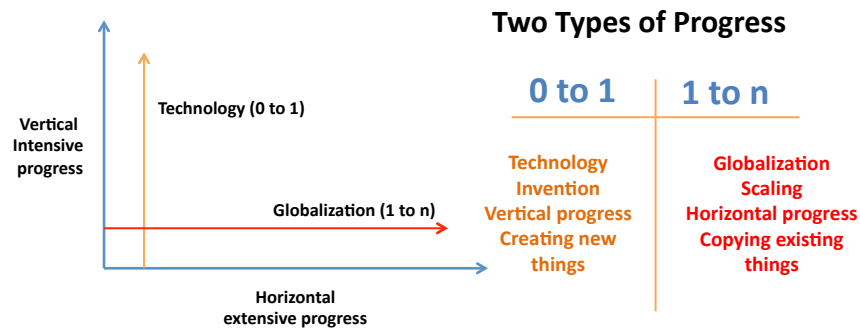
**China's Red Alert on Air Pollution Puts Focus on Regulators**  
 Beijing issues a red alert over pollution levels after its reluctance last week when the air-quality index surpassed 500

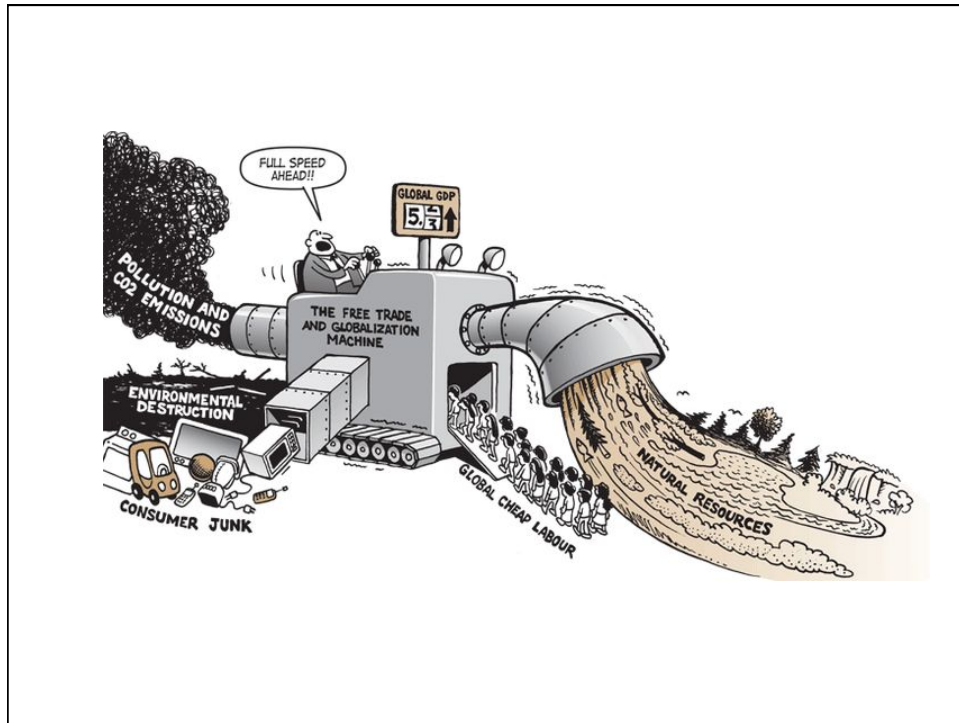


**Most Popular Videos**

- 1. China's New Program for the Biggest Fight of the Year
- 2. Russia: Apple's Whistle-blower is the Heart of the Matter
- 3. Facebook, Twitter Face Pressure to Police ISIS Posts
- 4. Young Defends Plan to Kill All Machine Guns, Banning U.S.
- 5. Apple's New Computer Has Design Portage

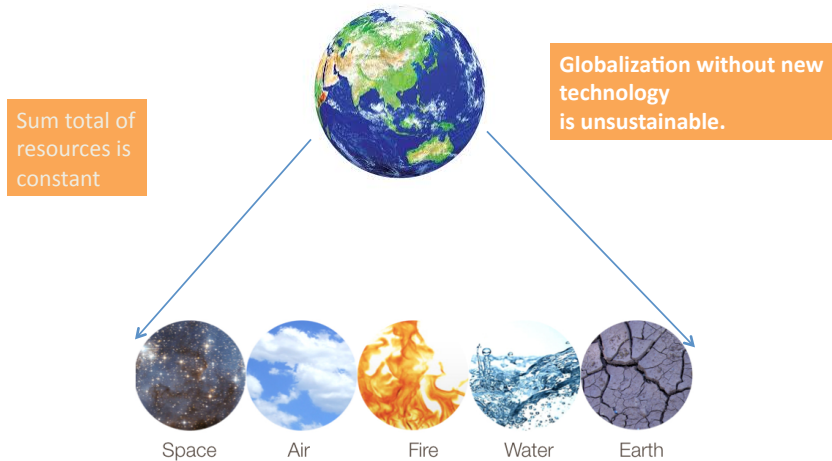
## Technology versus Globalization





	SUPPLY (of labor)	DEMAND (for resources)
GLOBALIZATION (Other Humans)	Substitution "The World is Flat"	Mimetic Consumer Competition
TECHNOLOGY (Better Computers)	Mostly Complementary	Machines don't demand: all value goes to people

## Global Resources Are Scarce:



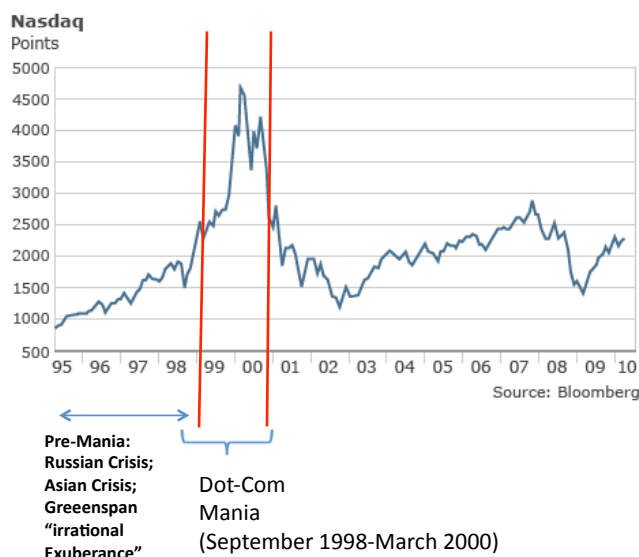
How to use limited resources efficiently for the benefit of mankind?

## History of Globalization & Technological Advancement

- History
  - 1815-1914
    - Rapid Tech Development & Rapid Globalization
  - 1914 (World War-I) – 1971(Kissinger's trip to reopen relations with China)
    - Rapid Tech Development but not much Globalization
  - 1971---
    - Limited Tech Development limited to IT with Rapid Globalization

“The 1<sup>st</sup> step to thinking clearly is to question what we think we know about the past”

“if you can identify a delusional popular belief, you can find what lies hidden behind it; the contrarian truth”



## 4 Big Lessons from Dot-Com Crash vs Zero To One

### Dogma after Dot-Com Crash

- Make Incremental Advances
- Stay Lean and Flexible
- Improve on the Competition
- Focus on Products-Not Sales

### Zero To One

- It is better to risk boldness than triviality
- A bad plan is better than no plan
- Competitive markets destroys profits
- Sales matter as much as product

"Iteration without a bold plan won't take you from '0' to '1'"

"Leanness is a methodology, not a goal"

*"Startup is the largest group of people you can convince of a plan  
To build a different future"*



## **CHALLENGE:**

*Both imagine and create new tech that can make 21<sup>st</sup> century  
more peaceful and prosperous than the 20<sup>th</sup> century.*

## Zero-To-One: Startup Thinking

- New Ideas Tend To Come from Startups
  - Bunch of People come together with a mission to change the world for better:
    - Founding Fathers in Politics
    - Royal Society in Science
    - Fairchild Semiconductor's traitorous eight
- Mantra for the success of Startup:  
"Monopoly"

## Monopoly versus Perfect Competition

### Monopoly

- “Monopoly” is the kind of company that is so good at what it does that no other firm can offer a close substitute.
- Benefits everybody and sustainable profits for the creator.
- All happy companies are different each one earns a monopoly by solving a unique problem.

### Perfect Competition

- “Perfect Competition” is about making undifferentiated product. In long run, no company makes an economic profit.
- No profit for anybody, no meaningful differentiation and struggle for survival.
- All failed companies are same, they failed to escape competition

## How to Create Monopoly?

- Characteristics:
  - Proprietary Technology
  - Network Effect
  - Economics of Scale
  - Branding

## Monopoly: Proprietary Technology

- **Proprietary Technology**

- Rule of Thumb

- Proprietary Tech must be at least 10 times better than its closest substitute in some important dimension
      - Example: Amazon vs Barnes & Noble
      - Counter Example: Solyndra—cylindrical cells are  $1/\pi$  as efficient as flat ones. Solar cells efficiency has only moved from 6 % in 1954 to 25 % now.

## Monopoly: Network Effect

- **Network Effect**

- Network Effects make a product more useful as more people use it.

- Paradoxically Network Effects businesses must start with a small niche market with no competition. This is why Network Effects Monopoly are hardly started by MBA types.
    - Example: Facebook started with just Harvard Graduates.



## Monopoly: Economics of Scale

- **Economics of Scale**
  - Monopoly business gets stronger as it gets bigger- a good startup should have the potential for great scale built into its first design.
    - Software Startups enjoy dramatic economics of scale since the marginal cost of producing another copy is minimal.

## Monopoly: Branding

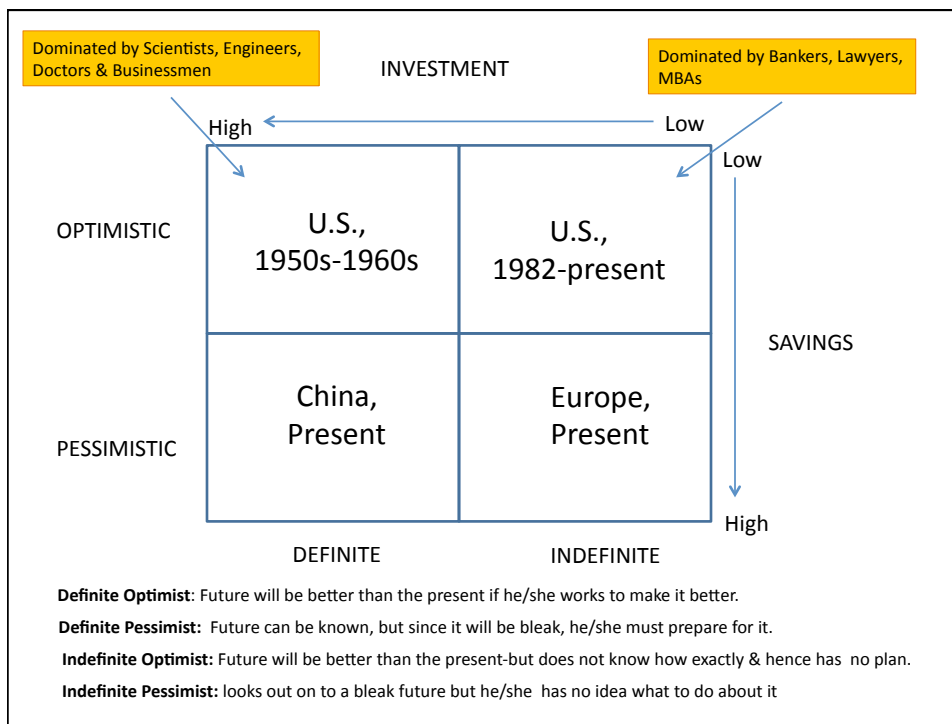
- **Branding**
  - A company has a monopoly on its own brand by definition, so creating a brand is a powerful way to claim Monopoly
    - Branding without substance is dangerous-no Technology can be built on branding alone
    - Example: Apple Inc.; Yahoo is a counter example.

## Startup: 3 Steps to Monopoly

- Three steps for Startup
  - Start small and Monopolize
    - Target Market for startup-small group of concentrated people with little or no competition.
  - Scale Up
    - First dominate a specific niche market and then scale to adjacent markets.
  - Don't Disrupt
    - As you craft a plan to enter into adjacent market-don't disrupt-avoid any competition.

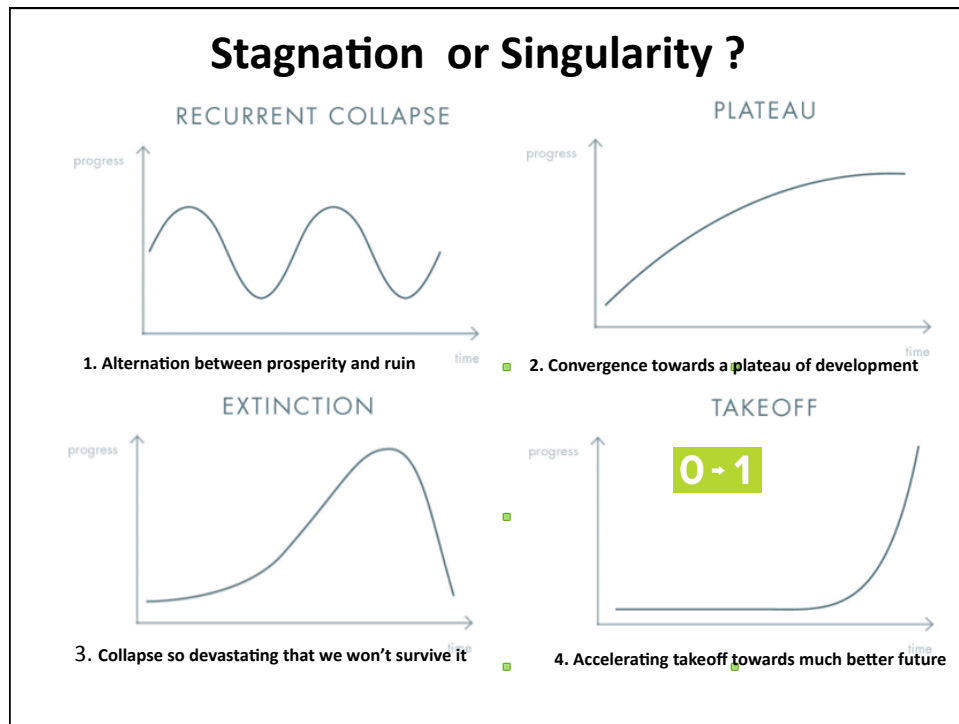
## 7 Questions: Every Business or Startup Must Answer

1. **The Engineering Question**
  - Can you create breakthrough technology instead of incremental results?
2. **The Timing Question**
  - Is now the right time to start your particular business?
3. **The Monopoly Question**
  - Are you starting with a big share of small market?
4. **The People Question**
  - Do you have the right team?
5. **The Distribution Question**
  - Do you have a way not to just create but deliver your product?
6. **The Durability Question**
  - Will your market position be defensible 10 and 20 years into the future?
7. **The Secret Question**
  - Have you identified a unique opportunity that others don't see?



**CONCLUSION: STAGNATION OR SINGULARITY?**

## Stagnation or Singularity ?



## Conclusion

- Horizontal extensive progress or globalization is a path of self-destruction.
- Vertical intensive progress or Innovative Technology (*Zero to One*) is a path of progress:
  - Future won't happen on its own.
  - Our task as a human race is to find singular ways to create the new things that will make the future not just different-but better.

## No company *has* a culture; every company *is* a culture

Key alumni of the online payment company have formed one of the most influential networks of entrepreneurs and investors that Silicon Valley has seen during the Internet age. These are some of the most prominent members.



Source: Mercury News reporting

ANDREA MASCHETTO/MERCURY NEWS