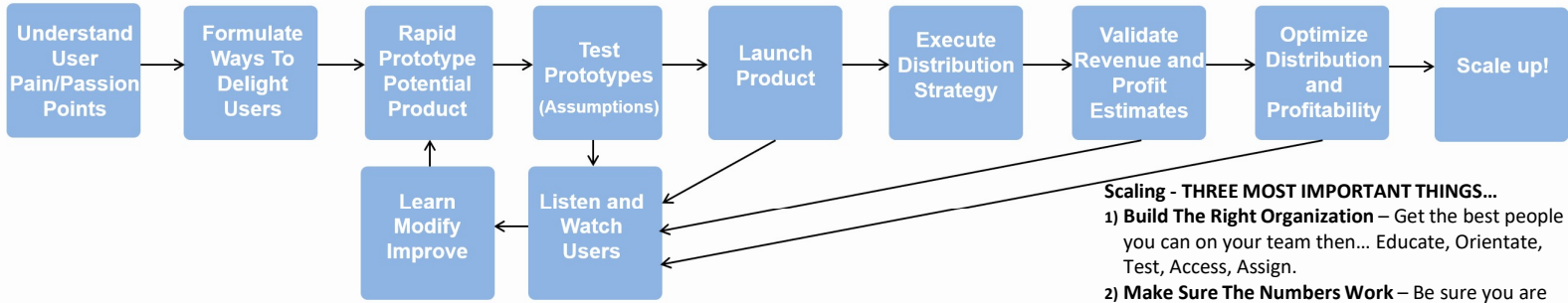


# Scaling CheatSheet – How To Survive Scaling



## Scaling - THREE MOST IMPORTANT THINGS...

- 1) Build The Right Organization** – Get the best people you can on your team then... Educate, Orientate, Test, Access, Assign.
- 2) Make Sure The Numbers Work** – Be sure you are profitable and the business can actually scale. It's all about the numbers... You need to know what makes profit and what is a waste of time/money?
- 3) Constantly Pivot** – Be ready to change things based on customer feedback and your numbers.

## The Constant Relentless End-To-End Process Of Turning An Idea (Vision) Into A Scalable Company

### Scaling – Essential Tools, Tips, Tactics and Strategies

#### ESSENTIAL PRE-SCALING CHECKLIST – Don't Scale Until You Are Ready!

- Your idea addresses a clear USER Pain/Passion Point.
- You can clearly explain (pitch) your product in less than seven words.
- You have at least one experienced mentor as an advisor.
- You have the best staff possible and ready list for staff expansion.
- Your numbers (break even) work out. You can make profit.
- Assumptions -> Testing -> Proof! Your key market, product, and distribution assumptions all prove true. It's repeatable.
- Your Minimum Viable Product is tested and operational.
- You have a clear plan for product expansion.
- A pilot launch has been successful.
- All of the above are checked off... Time to scale!

#### WHAT DOES A SUCCESSFUL SCALE UP LOOK LIKE?

- An excited, happy, engaged, and growing customer base (and staff).
- Competitors are left behind playing catchup.
- Capacity limits are manageable and expanding as expected.
- All assumptions continue to prove out in the real world.
- The company is profitable.
- You have enough cash or access to investors for expansion.
- New unexpected opportunities emerge.

#### ESSENTIAL ASSUMPTION TESTING

- Sort through the product and distribution ideas/attributes/strategy and pick the ones that are the most essential, inspiring, exciting, and cool.
- Make the idea tangible. (A prototype)
- Identify the key assumptions. What user or market behavior needs to happen? Find a way to quickly/cheaply/accurately confirm or refute the assumptions. What are the key assumptions that absolutely need to be true for this idea to work?
- Assumes you are making a well-informed guess on what people (target customers) desire or value and what they will pay... Now prove it!

#### HOW TO TEST ASSUMPTIONS – RAPIDLY/CHEAPLY

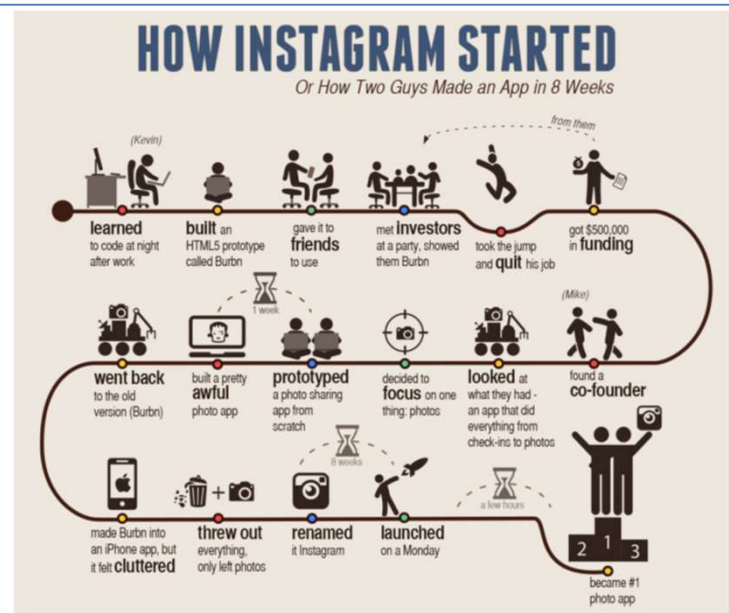
- Surveys – Live and online. Small and large. Must be diverse. Get out of the bubble. Try to disprove your assumptions.
- Test Ad campaigns. Watch the numbers.
- Look for similar stories.
- Try to disprove your key assumptions.

#### TESTING ASSUMPTIONS GO DEEPER – PROVE IT!

- Go deeper with assumptions. Must fully understand user.
- Really push the limits.
- Only move forward to full prototyping with ideas that have assumptions that prove out and meet or exceed your criteria.

#### BREAK EVEN – Can you make money when you scale?

- Breakeven Analysis – A numerical analysis that shows how many “Units” you need to sell in order to breakeven.
- Breakeven (BE) – The point of no profit or loss.
- Unit of Sale (US) - A single product or service your business offers.
- Price/Sales (PS) - The Price of your Unit of Sale. Amount paid for each product.
- Direct Costs (DC) – The per unit costs involved only with the creation of a single unit of sale.
- Indirect Costs (IC) – Monthly total cost that are not dependent on the amount of Unit of Sales you produce. (Rent, salary, Advertising commitment, etc...)
- Gross Profit (GP) - The money remaining after you subtract Direct Costs from Sales. (PS – DC)
- Net Profits (NP) - The money remaining after direct costs and indirect costs have been subtracted from Sales. In a breakeven analysis, this will always be 0.
- The result of the following formula will tell you the number of products you need to sell to break even. (No loss or profit)
- Number of Units Sold (BE units) =  $IC / (PS - DC)$  or  $IC/GP$
- Example: You sell your service for \$50/month and it costs you \$5 per unit to sell (commission), service, market the product. Your gross profit (GP) per unit is \$45 = \$50 - \$5. It cost you \$25,000 a month for fixed salaries, hosting, rent, etc... You will need to sell 556 Units to break even. (\$25,000/\$45)
- For handy spreadsheet go to <http://bit.do/BreakEvenTool>



## How To Survive Scaling Strategies, tactics, and potential pitfalls