URL: https://stvp.stanford.edu/clips/three-necessities-for-start-up-success

Seasoned serial entrepreneur Marc Andreessen shares his three criteria for a successful start-up. He states that there must be a substantial market opportunity, a product that's a 10x better solution, and an outstanding team. Andreessen goes on to state that there can be some compromise in the product area, but that the other two legs of a burgeoning business must stand firm.

Transcript

So the general criteria for a successful high-tech startup in my view, you see different rules of thumb for different people.. But the three big things you always come back to are, is there a big market? And by the way, that comes in two parts.. Is there a big existing market that you think you can go after and displace incumbents? Or do you believe there will be a new market that will be big? So a big market.. Is there a fundamental technology or economic change that causes you to basically justify having a new company? And that's really important.. And we always think about that as, is there a 10x change happening in the technology landscape? Is something 10x faster, 10x cheaper or 10x better? And if is not 10x, we as VCs or entrepreneurs really have to ask ourselves is it really worth doing.. Because it's really hard to start new companies.. New companies generally shouldn't exist.. Existing companies are usually pretty good at what they do.. And so for a new company to exist, it not only has to come in, go into business and bring a product to market.. But it has to bring a product to market that's so much better than what already exists, that it punches through the status quo..

Most customers in most markets are pretty happy buying from the current suppliers.. So there has to be a real edge on the thing.. And we look for that in either a technology change, usually a technology change or an economic change, which are often the same thing.. The third is team.. Is the team outstanding? And if you think about this as an entrepreneur, it becomes a question of the founding team.. Some companies are solo founders and they can work.. But generally most of us like myself, we're human beings, we're mortal, you want to have a founding team of complementary skill sets.. So you want to have at least one super strong technologist, quite possibly more than one; some of the best startups, actually, are more than one founding technologist.. And then it often helps to have somebody who is a market or a salesperson or has a really good understanding of business on the team.. It certainly helps a lot..

And so we started looking at market, product, and team.. The reality is you need all three.. I would say, interestingly, if you're going to compromise as an investor, if you're going to compromise on one of those, it would be actually be the product.. And the reason I say that it's because a great market is a lot easier to make up for with iterative product execution than a poor market, because the problem with a poor market, a small market, is even if you do a great job on the product, there just aren't that many customers.. It's hard to ever get big...