Zero to One

By Peter Thiel

Key Takeaways

1. To create something truly scalable, you must be able to *capture* some of the value you create. (the easiest way to do this is to create disproportionate value)

2. Successful companies *are* monopolies. Whether small or big, they have taken over a certain niche within a larger market to successfully differentiate themselves and capitalize on their proficiencies.

3. If it creates positive value, focus relentlessly on that with which you are proficient.

4. There are four primary barriers to success: incrementalism (feeling you should take it slowly, step-by-step), risk aversion, complacency, and the perception the world is homogeneous (that if an idea were worthwhile, it would already be out there).

5. Your business *must* provide more value than just its product or service.

Notes & Thoughts

- Great Quote: "Our *ancestors* lived in zero-sum societies… we no longer have to seize things from others to achieve success."
    - We have inherited the idea that we must be the sole recipients of the positive results of our work… why not lever up and democratize the fruits of our labor?
- Peter *HATES* college – don't go to school kids
    - Gives young adults too well-rounded a basis. If you want to be successful, find your niche and get after it
    - Quote: "All Rhodes Scholars had a great future in their past."
- If you want to read a true story about faking it 'til you make it, look up John Reber and the Reber Plan

Summary

Chapter 1: The Challenge of the Future

When creating businesses, you have two options: either copy things that already work or you create something completely new. Most value and highly successful businesses operate doing the latter. Creating something new is difficult, but it's necessary.

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Chapter 2: Party Like it's 1999

Upon the rapid increase in innovation with the advent of the dot come era in 1999, the doors to create monumental value propositions were opened to the entire world. Easier access to clients, easier communication across time zones, and easier access to boundless information among other things allowed virtually every user to benefit and be able to create value on his or her own. Although the confidence exhibited by most participants was popped along with the dot com bubble that followed, the value proposition of the internet is not to be taken for granted. The boundless possibilities opened up by the technology persists today and that's only one corner of the global market. Opportunities are *everywhere* to be had.

Chapter 3: All Happy Companies Are Different

The key question to ask before embarking upon any entrepreneurial journey is "What valuable company is nobody building?" Simple enough on its face, the question is actually far from easy. Creating value with an enterprise is not enough; it must be able to capture some, if not all, of the value it generates in order to be viable. Monopolies are companies the generate value and are able to recapture the vast majority, if not all, of the value they create. Successful companies are monopolies: they have a monopoly on solving a *unique* problem.

Chapter 4: The Ideology of Competition

Thiel argues competition in itself is a false pretense; an ideology that pervades and distorts our thinking. Perfect competition leaves little room for growth, that's why the Apples, Amazons, and Googles of the world are constantly on the cutting edge. They are monopolies that have become experts at solving specific problems. Tearing them apart would thereby decrease their ability to innovate and add value to society as a whole. With competition, each company begins trying to figure out how to beat their competitor rather than focusing on innovating – fighting for things that don't matter. Don't fight over competition, fight over innovation.

Chapter 5: Last Mover Advantage

Why does innovation matter? Because businesses, regardless of type or market, are valued by their ability to generate future cash flow. Moral of the story: don't solely focus on optimizing profitability in the near term. Being the final mover in a trend might not be too bad a place to start – you have more time to figure out the market and strategize your own monopoly, optimizing technology, building the network of users, scaling up, and branding in itself. Start small, focusing on one thing. Whatever market you are trying to get into, there is a high likelihood that one or few entities control the entire market. Therefore, focus on your *small niche* and become an expert and you will be able to monopolize on that part of the market.

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Chapter 6: You Are Not a Lottery Ticket
Life is not a game of chance. You must develop expertise in order to become successful. Thiel suggests that successful people determine the one best thing to do and then do it, “Instead of working tirelessly to make herself indistinguishable, she strives to be great at something substantive – a monopoly of one. Don’t be overly optimistic – *you must plan*.

Chapter 7: Follow the Money
To begin, Thiel mentions Paredo’s Principal (80-20 rule) and applies it to venture capital. 80% of returns come from 20% of a VC’s portfolio. This is important to consider because the reality is in VC, it’s more like a 90-10 rule. Therefore, Thiel reiterates his suggestion to focus on that which you are good at. Even though we have been taught not to put all of our eggs in one basket, the best way to optimize returns is to pick the fewest number of baskets to achieve the required diversification. If you invested $100 in Google, Yahoo, and AOL back in the day, you would have still greatly outperformed investing in a perfectly diversified portfolio. Moral of the story: specialize.

Chapter 8: Secrets
“What important truth do very few people agree with you on?” This question helps to frame how companies are born. Said differently, “what valuable company is nobody building?” The biggest obstacles to people answering this question and consequently creating the company are incrementalism (the feeling you should take it slowly, step-by-step), risk aversion, complacency, and the perception the world is homogeneous (that if an idea were worthwhile, it would already be out there). The latter is false. It’s been proven with the advent of psychology and behavior economics that humans are in fact not rational, therefore markets are not efficient, and the world is not flat. It’s up to you to overcome the other obstacles.

Chapter 9: Foundations
Just like the framers who had to sit down multiple times over several years to agree upon the framework on which the United States would run, the founders of any company must take steps to ensure the company has a strong foundation before growing. Thiel suggests that a startup that is screwed up from inception cannot be fixed. Therefore, ensure you find team members who are truly committed and share the same vision. Find that which they are passionate about and frame their role in the company so that they can execute that passion. If there is no possible alignment – they don’t need to be on the team.

Chapter 10: The Mechanics of Mafia
What does the ideal company look like? Not all couches and white wall offices with full-service cafes (cough cough Google). A mafia has conspirators. People who share the same vision and depend on the success not of themselves, but the success of the company as a whole. You need people who have such a fiery passion for your business’s mission that they don’t mind spending extra hours on it – it’s like a baby and each of your team members is a parent. How do you ensure people stay passionate: give each person one responsibility they are solely in charge of.

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Chapter 11: If You Build It, Will They Come?
There are three groups of customers that will always have a demand for useful products, services: the government, big businesses, and consumers. Small businesses are a black hole. Sales and distribution are *key* to a company's success. A company can have strong success if their products suck but their sales strategy is good; the converse is not true. Selling isn't only relegated to customers. Companies must have a strong sales pitch not only to get customers, but to get new (and retain) employees and to receive investment. Sell yourself (not in that way lol).

Chapter 12: Man and Machine
Thiel uses this chapter to address fears that AI and robots will take over the world: they won't. They will only help us become more efficient, giving us more time for innovating and creating.

Chapter 13: Seeing Green
A personal favorite chapter, Thiel covers past failures of green tech companies and points to the fact that the exorbitant number of entrants into the market lead to a bubble that popped, killing most companies that were in it even though some of them had long term promise. Rising from the ashes, Tesla recovered and has gone on to become the most successful green tech play of all time. Thiel reiterates at the end of the chapter that innovations in this space are a requisite if we desire to continue living on this Earth, especially for the generations that will succeed us.

Chapter 14: The Founder's Paradox
Founders tend to be a little crazy, quirky, or a little of both. Steve Jobs, Sir Richard Branson, Howard Hughes, Bill Gates, Elon Musk…

Conclusion: Stagnation or Singularity
We each have a choice: we can replicate, or we can create. Given the society and world at hand, we have no guarantee that things will be better in the future. In fact, on the environmental front, if we continue to replicate, the earth will be uninhabitable in the next century. That is why creation and innovation is a necessity.

> "The essential first step is to think for yourself. Only by seeing our world anew, as fresh and strange to the ancients who saw it first, can we both re-create it and preserve it for the future."