

THE VENDOR'S DILEMMA

**Why Your SMB Strategy
Is Failing and How to
Fix It**

Cracking the SMB Growth Code

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LAUNCH

Failing to engage the SMB market is a strategic error with financial consequences. As competitors aggressively target this lucrative sector, companies that fail to engage risk missing out on global customers, revenue and losing ground to smart and innovative vendors.

For years, companies have struggled to effectively service and grow their SMB customer base. These customers are often perceived as too difficult, complex, and costly to address. Simply selling them a product doesn't guarantee they'll find value. Without perceived value, churn is inevitable. This short vendor focused story presents a simple, sustainable solution that turns this challenge around into a significant revenue stream.

Our extensive global experience in Software, SaaS and Service firms has shown us the potential of the SMB market. By addressing this sector effectively, you will be able to get ahead of competitors and ramp your revenue.

Be brave, be curious & act with urgency. The upside is significant.

★★★★★ "A transformative read for vendors, this book reveals the untapped potential of the SMB market with actionable strategies and a sustainable solution for driving significant revenue growth."

— Justin Vaughan-Brown, CMO Basis Technologies

What's in this for me? Tapping into Unprecedented Growth

CloudWorks an SMB Growth Case Study.

*Operating under the code name **CloudWorks**, this vendor has developed a business collaboration suite. Initially focused on enterprise clients, they have also made significant strides in the SMB market.*

CloudWorks had thoroughly researched the SMB market. They recognised its immense potential, accounting for 44% of global tech spending and 80% of partner-transacted business.

Recognising the immense opportunity presented by the \$2 trillion SMB IT spending market and a potential customer base of 138.3 million businesses worldwide, CloudWorks knew they had to succeed in this sector.

Like many other SaaS companies, CloudWorks faced common challenges in the SMB market, including improving trial conversion rates, boosting customer satisfaction scores (CSAT), and reversing declining retention rates. To address these challenges, they sought a partner with expertise, scalability, and a proven track record.

Enter Sustentus, partnering with the team delivered world class service-excellence through its community of certified experts, nominated CSMs and a service delivery & ecommerce platform that promised seamless integration with CloudWorks management dashboards. This partnership was seen as a pivotal step towards transforming CloudWorks SMB growth strategy.

A Proof of Concept was initiated in the UK, a key market for CloudWorks. The PoC validated the detailed feasibility of Sustentus' services.

Even though CloudWorks could have pulled Sustentus dashboard data directly into their own dashboards they initially decided to use the real-time dashboard provided by Sustentus. It allowed CloudWorks to make instant adjustments, ensuring that services were precisely tailored to meet customer needs.

This transparent, data-driven approach minimised risks and maximised benefits, validating the effectiveness of Sustentus' SMB solution.

CloudWorks scaled the partnership with Sustentus across multiple regions. This systematic rollout, informed by PoC insights, ensured a smooth and rapid expansion.

Real-time dashboards provided CloudWorks with unparalleled visibility into performance, customer satisfaction, and financial metrics.

The impact was transformative. Conversions increased significantly by 47%, retention rates improved, and the effectiveness of the CloudWorks SMB sales team skyrocketed.

Revenue from the SMB segment grew exponentially, contributing millions of dollars within the first year.

Sustentus' service platform provided critical insights, enabling CloudWorks to optimise SMB offerings and consistently delight customers.

Several key outcomes emerged from the collaboration between CloudWorks and Sustentus;

☞ Sustentus tailored its service, experts and dashboards to meet CloudWorks' specific needs, ensuring high relevance and effectiveness.

☞ The initial paid PoC validated service feasibility, data flow, tailored the system for the vendor, mitigating risks and bolstering partnership confidence.

💬 Detailed dashboards offered crucial visibility and control over key service and SMB metrics, enabling data-driven decision-making.

💬 The scalability of Sustentus' solution facilitated CloudWorks global growth, ensuring consistent service quality worldwide.

💬 Quality assurance was embedded in Sustentus' platform, with success measured by consistently high customer satisfaction scores.

The future looked bright for CloudWorks, with new markets on the horizon and an ever-expanding customer base. The collaboration with Sustentus was a testament to the power of strategic partnerships and the potential that can be unlocked when two visionary companies join forces.

Let's take you through CloudWorks journey to see if their experiences resonate with yours.

THE JOURNEY

1. A SaaS underdog

- 2.** Stuck in the growth rut
- 3.** The Million-Dollar Blind Spot
- 4.** A Different SMB Growth Solution.
- 5.** About the Authors.

Chapter 1

CloudWorks, a SaaS underdog determined to challenge industry giants.

The Illusion of Early Wins

Early successes often colour a startup's initial days—like the MVP, first order, and first happy customer. CloudWorks experienced rapid user adoption and investments, creating an illusion of unstoppable growth. However, scaling issues loomed despite the promising pitch decks and sales playbooks.

The Reality of Cash Burn

Like many startups, CloudWorks faced cash burn as they ventured into new markets, investing heavily in innovative features to attract and retain customers. Each new market, while promising, demanded substantial investment, escalating costs and draining marketing budgets. Investor patience dwindled as revenue targets loomed. The initial excitement gave way to the challenges of balancing growth and financial viability.

Shifting to the Enterprise Market

Initially, CloudWorks accepted any dollar, regardless of the prospect's size. As they gained traction, they shifted focus to enterprise deals, which, though slower, offered significantly higher returns. CloudWorks invested in self-serve options for SMBs to reduce costs, allowing more focus on

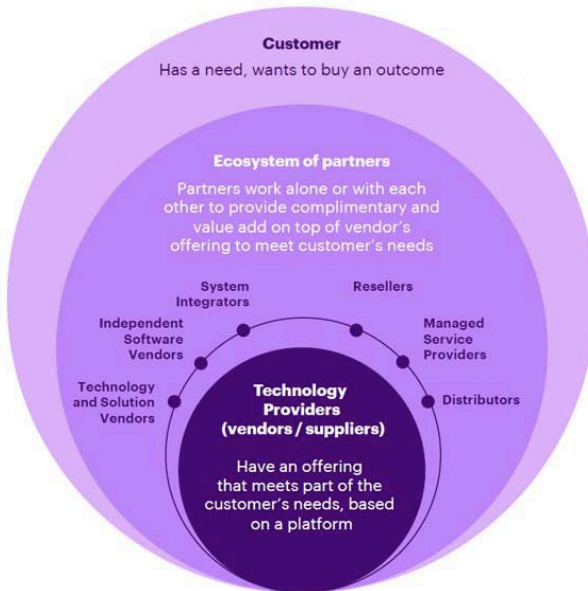
large customers. Service delivery also became lighter for smaller customers, prioritising enterprise clients.

The Hidden Pitfalls of the Partner Model

CloudWorks initially relied on geographic partners to expand its customer base, a common industry strategy. However, this approach unveiled significant challenges.

Like nearly 50% of SaaS vendors, CloudWorks used trial accounts to attract prospects, they couldn't pick & choose who takes up the offer so the net of prospects was often very mixed. Enterprise sales teams focused on qualified leads, leaving a pool of predominantly SMB prospects for partners.

Interestingly, CloudWorks partners were quite a mixed bag. A high percentage were resellers who only cared about transacting the licence. Those who had service skills were fewer and often inconsistent (a small number of super-stars & the remainder lukewarm or dare they admit it fairly hopeless).



While marketed as plug-and-play, CloudWorks' platform, like many others, required customisation for each customer, often necessitating system integration and robust onboarding. CloudWorks underestimated the prevalence of existing customer technologies and processes that required integration.

The CloudWorks sales teams and their partners gravitated toward the larger deals as SMB customers were known to be as equally fickle and difficult as enterprise.

At the lower end of the SMB market (under 250 employees) customer IT teams were generally very small & comprised of people doing it as a side-job. Typically SMB organisations had very tight budgets with decisions being made by CFO's.

As CloudWorks partners were themselves businesses they too had cost overheads (admin, management, systems etc) the these are factored into pricing, which can take the price of implementation out of reach for cost conscious SMB businesses.

This created an opportunity for platforms like Fiverr and Upwork, which experienced significant growth.

Due to time constraints, CloudWorks directed smaller customers to these online channels.

While pricing was competitive for the SMB market, service delivery and quality assurance were lacking. Projects often suffered from inadequate skill assessment, absent project or customer success management, and no customer satisfaction metrics.

Consequently, CloudWorks was unaware of widespread customer dissatisfaction until churn rates increased.

★★★★★ "As a SaaS specialist, I've seen the focus on enterprise support. This book's model ensures all customers, especially SMBs, achieve the best outcomes—a win-win!"

— Andy Hawkins, VP EMEA
Robusta Dev Inc

Chapter 2


Stuck in the Growth Rut: Why Our Scaling Strategy Needs a Rethink

Recognising EMEA's diverse markets and strong software demand, CloudWorks' CMO and CRO targeted the region for growth. To seize this opportunity, CloudWorks partnered with DWCC, an international sales development outsourcing firm, to build pipelines and generate opportunities in Germany, Benelux, and the UK.

DWCC concentrated on the early stages of the customer journey, with their SDRs initiating conversations so that CloudWorks' sales teams only handled qualified leads. SMB leads were usually passed on to reseller partners who, after securing the licence contract, showed little interest in post-sale activities. This often left customers to either self-serve or hire local engineers from platforms like Fiverr. While DWCC effectively generated revenue, it exacerbated CloudWorks SMB dilemma.

Chasing Ghosts: Navigating growth through Partnerships.

A Tweet caught CloudWorks eye's.....

 Jason ✨🚀 SaaStr.AI Sept 10-12 ✨ Lemkin ✓
@jasonik · Follow

SMB SaaS has a lot going for it:

- Millions of them
- Short sales cycles
- Easier compete

But, it's often hard to get to \$100m ARR selling just to SMBs

So I took a look at the BVP Nasdaq index

Only 11.8% sell just to SMBs

<u>Total Mkt Cap*</u>	<u>\$1,344,476</u>
SMB Mkt Cap:	\$158,904
SMB + Mixed	\$231,719
Enterprise:	\$953,853

* excluding Adobe +
Paypal

As the pipeline grew across both Enterprise to SMB, CloudWorks impressive licence revenue pleased investors. However, SMB feedback revealed issues: the platform didn't meet expectations, as it wasn't tailored to their needs plus end users found it unfamiliar. This led to high churn and jammed support lines at CloudWorks.

CloudWorks needed a partner similar to what DWCC did for new sales leads, however it needed to address the post-sales service delivery phase. The impact of ineffectively servicing 40% of their addressable market was having a significant impact on their growth goals.

Scaling by dashboards and metrics.

CloudWorks implemented a global metric-driven dashboard to gain a comprehensive view of customer experience. By capturing data from marketing, sales, enterprise, customer success, and support, the company analysed metrics such as CSAT, NDR, ARR, and CLV by region and sector. This analysis highlighted the SMB segment as a drag on overall business growth.

The Talent Crisis: Why Our Growth was Stalling.

Finding, educating, and retaining talent in the extended community was tough for CloudWorks. With fluctuating supply and demand, they experienced a roller-coaster of talent. High demand and low resources drove the hourly skills prices up which made implementations expensive.

As innovation with CloudWorks was constant the mix of knowledge & skills in the market varied enormously making the task of resource supply a constant headache. This skills pool dichotomy made for choppy growth, especially when in fast-scaling territories.

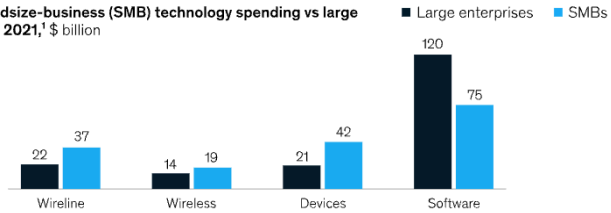
CloudWorks struggled to effectively transfer internal professional services expertise to partners and customers. Best practices and methodologies were often diluted when disseminated, and training updates frequently lagged behind product releases. As a result, SMB customers received subpar service compared to direct CloudWorks implementations.

We know top skills carry a high price ticket (especially as they work for partners that need to not only cover these costs but strive to meet consultant utilisation targets and profit goals too). CloudWorks were finding themselves swimming against the tide to effectively service the SMB segment.

Big Rewards, Limited Risk: Cracking the Global SMB Code.

Small and midsize businesses outspend large enterprises in most technology categories.

Small-and-midsize-business (SMB) technology spending vs large enterprises in 2021,¹ \$ billion



¹Large enterprises defined as businesses with 1,000 or more full-time-equivalent (FTE) employees. SMBs defined as businesses with fewer than 1,000 FTEs. Source: Mario Allen Clement et al., "IDC's worldwide ICT spending guide by industry and company size taxonomy, 2022: Release V1, 2022," IDC, Apr 2022; US Small Business Administration

McKinsey & Company

CloudWorks' enterprise market thrived due to a robust sales and marketing strategy. Despite high barriers to entry, the returns were substantial.

Conversely, the SMB market posed a persistent challenge. The absence of a comprehensive service solution for SMBs frustrated leadership, leading to underinvestment in this vast but complex segment.

Chapter 3

The Million-Dollar Blind Spot: Why Ignoring SMBs Could Sink Your Growth Strategy.



Sustentus - Growth through Service excellence

Pressure in the CloudWorks boardroom grew as their dashboards highlighted churning SMB opportunities. Research by the Head of Product, COO and CMO revealed the SMB market was a goldmine, representing 44% of global tech spend, with 80% partner-transacted. In 2024, SMBs were expected to drive \$2 trillion in IT spending worldwide.

With 138.3 million global SMB businesses, an effective strategy was crucial, especially in LATAM, EMEA, and APAC, where SMBs account for over two-thirds of tech spending* (Canalys*).

Momentum was building, and the pressure was on to find an effective solution.


Enterprise





SMB


Critical Success Factors for SMBs Using the CloudWorks Platform.


CloudWorks began to realise that SMB's struggled with the cost & impact of change just like enterprise customers. They knew they needed to give each SMB customer a tailored service, without bureaucracy & to fit with how their business worked. CloudWorks needed a **'World Class Service Excellence Partner'** that could deliver on 5 key criteria that came back in their research:

 **Ownership & Customisation:** SMBs need tailored solutions, not out-of-the-box products. A technology investment must address their specific business challenges.


 **Integrations:** Effective integration of SaaS solutions is crucial. SMBs use an average of 130 SaaS products which require seamless interconnecting with minimal business disruption.


 **Training & Support:** SMBs require substantial training and support to fully utilise new software features, impacting adoption, CSAT, and expansion rates.


 **Cost-Conscious Services:** High-quality tech services must be affordable. CloudWorks aimed to deliver effective services with skilled personnel and a CSM for governance and high CSAT on a low budget.

 **Scalability & Flexibility:** SMB needs evolve over time, requiring scalable and flexible managed services to maintain consistency and reduce system overhauls.

CloudWorks assessed some standard and typical service options, only to find that they fall short of meeting their specific needs.

 **Freelancers:** Lack of service level continuity, no overall CSM level control/governance. Price point is high, no localisation. No visibility on CloudWorks customers and engagement progress.

 **Communities:** Most of the community members were developers or very deep technical experts with limited customer-facing skills. Other newer communities exist but don't have a SMB pricing point, a Customer Success Layer, or SMB dashboards.

 **Niche Professional Service marketplaces** offer highly skilled and rated professional services for vendors, but they often fall short in key areas such as service delivery consistency, continuity, customer satisfaction measurement, and most critically, actionable data insights for vendors.

All these service options lead to;

✗ No Service Consistency

✗ No Customer Success Management

✗ No CSAT measurement or Dashboards

✗ No KPIs

Which can ultimately erode trust and impact the vendor's brand reputation and increase churn rate.

CloudWorks Discovers Sustentus - A Strategic Growth Partnership.

Referred by their investors, who had heard positive feedback from other similar vendors, CloudWorks discovered Sustentus. Designed specifically to address the SMB 'Service Excellence' market gap that CloudWorks had identified, Sustentus appeared to be the perfect fit.

This discovery sparked considerable interest from both their Venture Capitalists and company leadership.

Through meticulous analysis and working with the Sustentus team they developed a tailored solution that integrated quality, accountability, comprehensive service delivery, and best of all, dashboards and data.

Both the COO and CRO endorsed this solution, recognising that it could be budgeted and implemented similarly to their approach with DWCC. This presented a lower-risk option, guided by a partner that CloudWorks could collaborate with to effectively access and control their markets.

In the next & final chapter we will learn what impact this decision has had on CloudWorks revenue growth & market share.

"In the end, innovation is almost always a function of how leadership manages, engages, and inspires innovation teams."

Reed Hastings, co-founder and CEO
of Netflix

CloudWorks Found a Different SMB Growth Solution...

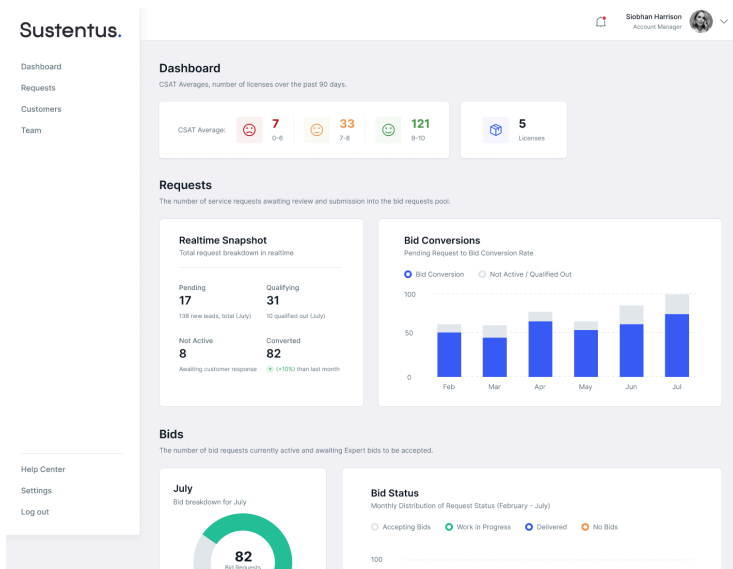
 *Curated & Certified Experts*

 *Tailored SMB Services around products*

 *Customer Success Management*

 *eCommerce, Service & Collaboration platform.*

🗨 Tailored platform & advanced dashboard & Data



The Dashboard that changes everything.

CloudWorks acted decisively to get started in one region to assess the impact on their business. The investment, compared to hiring their own teams, or trying low end services was very attractive. As each region scaled the investment paid for itself in a matter of months.

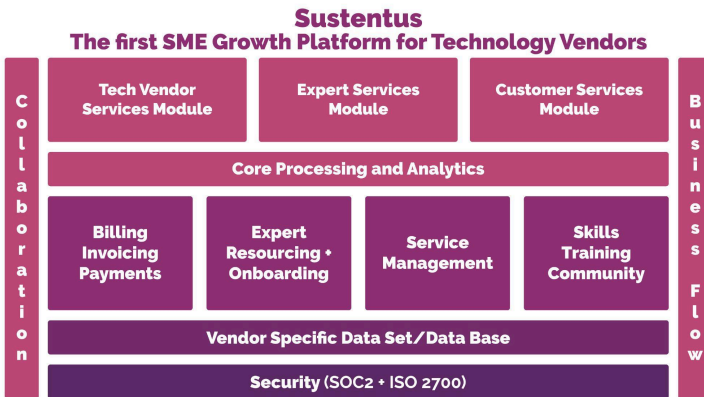
CloudWorks' journey began when they realised that Sustentus met their five key criteria: customisation, integration, enablement, cost-effectiveness, and scalability. Providing top-quality expert services backed up by CSMs on their unique platform & with options to either plug data outcomes into their own business dashboard or use the one that came with the Sustentus platform. This gave CloudWorks a clear & concise picture on the health of their SMB business.

From the start, the fit was evident. The Sustentus platform brought everything to life, offering a compelling and unique service that could be entirely tailored to CloudWorks' evolving market needs.

Gathering the facts

Sustentus diligently invested time in evaluating CloudWorks' existing SMB strategies. Their goal was to identify areas for improvement, including trial conversion rates, retention rates, associated ARR, and customer satisfaction (CSAT) scores. The ultimate goal was to increase overall SMB customer growth by region and industry. Reviewing the previous attempts at developing the SMB market

were also discussed (but not dwelled on) so that lessons could be learned.



The more CloudWorks learned about Sustentus the more it seemed clear that all the issues they'd been dealing with in their quest to maximise the SMB market segment could be resolved by partnering with Sustentus and their innovative service.

Over the months Sustentus consistently delivered the service CloudWorks needed, feeding all relevant data back to CloudWorks business dashboard.

Sustentus executed a PoC that delivered in line with agreed outcome.

The PoC was carefully executed using Sustentus templates. The goals of the PoC were clear: lead source flow, skills, location, experts, APIs, dashboard & vendor branding

CloudWorks focused on the UK region, known for its strong demand for their technology. Critical data were captured at the beginning of the PoC. The dashboard enabled transparency for every level of service delivery: region, product, licence, and customer satisfaction scores.

CloudWorks gained extra confidence by knowing the Sustentus Customer Success Manager looking after their SMB customers in that specific region & was involved in the program from the outset.

 *Easy & Low Risk:* A paid PoC was built to suit our specific requirements.

💬 *High Customer Satisfaction:* Customers responded very positively, translating into their high CSAT scores. CloudWorks can now view the good & bad aspects of the customers and service delivery.

💬 *Service Management Efficiency:* Transparent dashboard enabled effective service adjustment run by CSMs from the partner company.

💬 *Expert Vendor Pool:* A first pool of 25 tech experts was onboarded, preferred freelancers and company techs were identified.

💬 *Actionable SMB Vendor Dashboard:* A dashboard for our team of: NRR, GRR, ERR, LTV, CSAT.

Growth across Markets, Industries, and Oceans

Once operational, CloudWorks experienced a 27% growth in the initial region. Leveraging the key data collected, they decided to extend the SMB service offering into additional regions. In some cases, this expansion enhanced their existing partner strategy. Partner companies and experts

were efficiently streamlined and managed through a dedicated platform module. The dashboards delivered critical insights into the health of the SMB market and revenue streams.

Long-term Vision: The long-term vision consisted of the global roll-out of the service using the successful model from the US region. Once the integrated service model proved successful, CloudWorks saw significant customer impact: CSAT scores increased by 70%, conversions improved by 50%, and the SMB sales team achieved a 27% increase in licence revenue.

Bringing visibility & insights of SMB customers has been transformational & worth tens of millions of dollars for CloudWorks in the first year as it scaled out across a couple of regions. What was once a vision is now a strategic reality, ready to be planned and executed.

Successful implementation of this solution via a PoC demonstrated feasibility, customer acceptance, and high customer satisfaction. The dashboards provide better management and control, ensuring transparency and effective decision-making. The low-risk, high-impact potential of this solution opened global growth opportunities from the partnership

Accelerate Your SMB Growth with Our Proven Approach.

CloudWorks' success in the SMB market demonstrates the power of strategic partnerships and innovative solutions. Here's how we can help you achieve similar outcomes:

Custom SMB Service Solutions Our platform integrates top-tier experts, bespoke global skills,

accreditation of dedicated Customer Success Managers (CSMs), bidding and commerce for SME and advanced vendor dashboards. This transparent approach provides actionable insights into your SMB business health.

Low Risk: CloudWorks initial Proof of Concept (PoC) in the East US region delivered significant results, including a 70% increase in CSAT scores, a 50% rise in conversions, and a 27% boost in licence revenue. This rapid success highlights the scalability and effectiveness of our strategy.

Scalable Growth: Following a 27% growth in the initial region, CloudWorks expanded their SMB service offering into new regions. This success model from the US region is now being replicated globally, turning growth opportunities into strategic realities.

Data-Driven SMB Insights: Our platform's dashboards provide real-time visibility into your SMB market, enabling data-driven decision-making and agile service adjustments.

Take Action: Executive exploratory call

Let's discuss how we can help you achieve your SMB goals. Schedule a call with our executive team to explore strategies for market leadership.

Contact us to schedule your confidential C to C exploratory call:

Email: call@sustentus.com

Website: www.sustentus.com

ABOUT THE AUTHORS

The authors met at school and went to the same Technical College to study Computer Science where they learnt to code in ancient languages called Cobol and Fortran. They built their first 'App' to move stock around a warehouse, order from suppliers and ship to customers as part of their thesis.

Little did they know, they were on the brink of something rather big. If only they'd stuck with it, they might have had their name on it instead of Amazon's. Ah, the glory and riches that could have been for those boys!

PAUL



I like to create innovative IT service businesses that make money. I've been cofounder of four innovative IT service businesses with successful exits.

I worked at the startup Opsware Inc. with Marc Andreessen and Ben Horowitz. It was sold to HPE for \$1.6 billion, Andreessen Horowitz (a16z) was born soon after.

Since then, I've worked in Sales and Operations with various Private Equity portfolio companies, running and scaling software and service firms across Europe.

Outside of business, I play the drums, rocked, toured, and had a hit single. I am still in a pro band—turns out you can't evict rhythm from the soul. I can be reached at xxxxxxxx

CHARLES



I like to help high potential SaaS start-ups & scale-ups gain rapid global market share. I equally love business & technology with a particular interest in go-to-market. Thinking laterally in order to reach & maintain a strong competitive edge.

I've been immersed in the early-stages of growth with vendors such as ServiceNow, Confluent & monday.com doing the hard yards to kick-start and rapidly grow market share.

My life's mantra is intelligence & energy win the day.

Outside of business; I cherish my time with my family & friends. I've recently got into Padel tennis

as it stimulates my competitive nature & have been a long-time yoga-fan for both body & mind. Bizarrely, I also enjoy solving puzzles (numbers & problems) as I like spotting patterns & gaps, I get a kick out of being mentally challenged & breaking through when on the surface it seems impossible.

I can be reached at xxxxxxxx

Appendix

SMB Definition

In this book, an SMB (Small and Medium-sized Business) is defined as follows:

Company Size: 10 to 500 people

Management: Typically owner-managed

Annual Turnover: Up to \$50 million

Industry Focus: All sectors that use technology as their key differentiation and to drive efficiencies in the business

This definition emphasises SMBs that leverage technology to gain a competitive advantage and improve operational efficiency across various industries.

Footnotes.

For detailed insights and evidence supporting these strategies, refer to [McKinsey's article on winning the SMB tech market](#),

Software Advice's analysis of SMB software spending, and [Canalys' comprehensive market analyses](#).

<https://www.accenture.com/us-en/blogs/high-tech/smb-the-next-growth-opportunity-for-high-tech>

<https://www.accenture.com/us-en/insights/software-platforms/winning-small-medium-sized-world>

<https://a16z.com/selling-to-smb-a-founders-playbook/>

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