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How My Start-Up Failed

There was no doubt about it: I had discovered The Next Big Thing. Like Edison and the lightbulb, like Gates and the pc operating system, I would launch a revolution that would transform society while bringing me wealth and fame. I was about to become the first person in America to sell condom key chains.

I first encountered the condom key chain while working in Bangkok. Faced with a warehouse full of soon-to-expire condoms, the ingenious leaders of a Thai community development organization took the aging prophylactics, sealed them in plastic and attached a key ring with a tongue-in-cheek logo: "In Case of Emergency, Break Glass." They couldn't sell them fast enough.

My belief that the condom key chain would quickly eclipse the legendary success of the Pet Rock was confirmed by a simple market survey. I showed one to my mother. "Robert," she said, "these are the funniest things I've ever seen! Get me 50. I'm going to give them to all my friends." Mom loved it. She thought all her friends would love it. America would love it. What more did I need to know?

Plenty, as it happened. Though I had a Stanford MBA and regularly consulted on multimillion-dollar projects, I didn't know the first thing about starting a business. When I asked a successful classmate how to invoice a customer, he suggested I go to one of the large business-supply warehouses. "They sell 'Business in a Box,' " he told me. "It's got everything you need." I didn't realize he was joking until I asked a clerk for one at Office Depot. While there, I bought a copy of *How to Form Your Own California Corporation*. I spent \$30 on a special seal for all the important documents I would have to emboss. I registered a "doing business as" name. Finally, in anticipation of huge sales, I linked my marketing database with the word processor on my personal computer and invested \$10,000 in my venture.

My order of 10,000 key chains was scheduled to arrive from Thailand just in time for the San Francisco International Gift Show. When the shipment came in, I raced to the airport.

"Where are your papers?" the clerk asked.

"What papers?" I asked.

"Customs clearance," he told me.

"Customs clearance?" I said. "I've got 10,000 condom key chains to get to the Gift Show by tomorrow."

"Well, Mr. Strauss, I guess this is where the rubber meets the road," he said, breaking himself up.

Hours later, with papers finally in hand, I backed up to the loading dock. My 10,000 key chains had been shipped in two cardboard boxes. Lifting them from the dock, I noticed that the bottoms of both boxes were discolored with large greasy stains, like the blotches beneath leftover pizza. With the Gift Show starting in less than 24 hours, there was no time to complain about mishandling. Once home, I ripped the boxes open like a kid at Christmas.

I had written a series of clever slogans to supplement the original “In Case of Emergency, Break Glass.” There were 2,000 marked “Slippery When Wet” and 2,000 marked “Merging Traffic Ahead” adorned with little yellow yield signs. For Pac-10 schools, I had 2,000 “Beat the Trojans” key chains. How could this miss?

I reached into the boxes to fondle these jewels of schlock merchandising. My hands came away covered with light, clear oil. The key chains were all stuck together; my entire shipment was covered with goo. It didn't take long to realize what had happened.

The outdated, lubricated condoms had been sealed in plastic, and the change of air pressure during shipment had forced the lubricant out through the seams. With the Gift Show beginning the next day, my elbows deep in slimy key chains and my \$5,000 payment deposited in Bangkok, I began to panic. I filled the bathtub with hot soapy water, dumped in my 10,000 key chains and began scrubbing.

My love affair with my product soon began to fade. The key chains would not come clean. No matter how much I scrubbed, they still felt as though a posse of banana slugs had just oozed over them. Two weeks later, a friend of mine flew to Thailand on vacation. Back with her went my key chains. A single American woman entering Thailand with 10,000 condoms. She said the customs officials were very accommodating.

The replacement shipment was slime-free. I soon began sales calls on buyers ranging from novelty shops and porno stores to gay rights groups and Planned Parenthood clinics—customers conspicuously absent from the cases I had studied at the Graduate School of Business. It became all too apparent that the condom key chain was no Pet Rock. My gross profit margin was tremendous, but overhead had driven me \$13,000 in a hole that was getting deeper and darker. Retailers told me that what the customer really wanted was a key chain with a usable condom. Soon I had new key chains flying in from Thailand, each capable of holding a single condom. All I needed were 10,000 good prophylactics.

But most manufacturers weren't used to getting orders that large from a single individual. After being turned down by every supplier in the country, I began to have nightmares: I was endlessly in line at Walgreen's buying hundreds of Trojan “family packs.” I would wake up wishing that I had followed my classmates into something simple and easy, like investment banking.

Finally, one small-scale manufacturer agreed to sell me the condoms I needed. Fame and fortune were, once again, within reach. Or so I thought.

Then came the fine-print details. According to the Food and Drug Administration, I needed to include a “how to use” guide with each key chain. I realized I needed insurance in case some fool inadvertently Bobbittized himself with my product during a drunken tryst. My conversations with countless insurance agents are among my more forgettable experiences in the business.

“I need product liability insurance,” I would say.

“Sure,” the agent would reply. “What's your product?”

“Condom key chains,” I would answer.

“New market penetration?” the agent would say. This was funny, maybe, the first 10 times.

At long last I had insurance, instruction cards, adhesive logos and 10,000 condoms and key chains. I sat down at the dining room table to put them all together. Two hours later, with my fingers cut and bleeding, fewer than 100 key chains were ready for sale. As I sat there sinking deeper into debt and depression, the only thing I couldn't stop calculating was exactly how big an idiot I was.

Eventually, though, business picked up. People began buying my key chains. Small gift shops in small towns bought dozens and dozens and regularly reordered. I sold thousands to Planned Parenthood clinics—until I received their corporate counsel’s certified letter ordering me to “cease and desist” using their “PP” logo or face immediate legal action. I called my friend.

“Congratulations,” he said.

“Congratulations?” I said. “What are you talking about?”

“Hey!” he said. “You’re not in business until somebody sues you.”

Other customers were satisfied to a fault. There was the account in Houston that bought lots of minimum orders for cash. After several months they increased their order tenfold and asked for 30 days’ credit. I sent the shipment and never heard from them again. I tried to recover my money and ultimately spent more than they owed me without collecting a dime.

A Bay Area gift shop used a similar technique on me just before Christmas. Desperate for sales, I sent the order. On December 26, the owner simply closed up shop and disappeared.

I learned a few other lessons during my two years as the king of condom key chains. One was that it’s tough to get rich quick with a single item. I learned that a markup of 150 percent doesn’t mean much when you’re only making 75 cents per item. It took a lot of key chains bought at 50 cents and sold for \$1.25 just to pay the phone bill. After selling more than 50,000 pieces, I was \$10,000 poorer than when I began. When my inventory dropped below 500, I took the remainder to a local advocacy group for prostitutes.

“Do you think you could use these?” I said to the receptionist, who told me her name was Dark Star.

“Sure, baby,” she said. “These are hilarious. You gonna give these to us? I bet you could sell thousands of them.”

Credit: Robert L. Strauss @ [Stanford Magazine](#)

Published: [September 15, 2008](#)

Filed Under: [Uncategorized](#)

50 Responses to “How My Start-Up Failed”



1. [Marco](#) says:
[March 30, 2009 at 6:57 am](#)

Nice try. What’s your next one ? You know, you have to keep moving now, that’s the process.

As a beginner you were too worried with the product aspect. But business go far ahead than this. (take a look here http://www.entrepreneur.com/i/images/mg/ent/misc/bi_triangle.jpg)

PRODUCT (you did well here)
Legal (you did very bad)
System (very poor too)
Communications (good, i guess)
Cashflow (bad, maybe very bad)

But you get experience, now what you need to do is keep learning from your mistakes. Being rich fast is possible, when you have the right experience.

And you didn't lose 10.000 dollars, you just payed 10.000 dollars to get this amount of experience.

[Reply](#)



2. [Praveen Rajan](#) says:
[March 30, 2009 at 7:04 am](#)

Cheer up! At least you've got a story to tell the world =) Face the brutal facts, and move on to your next venture

[Reply](#)



3. [Felix Middendorf](#) says:
[March 30, 2009 at 9:23 am](#)

“And you didn't lose 10.000 dollars, you just payed 10.000 dollars to get this amount of experience.”

That's an interesting take on the whole story. Just compare these 10.000 dollars of two years real-life business school to the fees of two years in Stanford. 😊

Anyway, a very good read. Best of luck in your future ventures!

[Reply](#)

4. [hey](#) says:
[March 30, 2009 at 10:26 am](#)

You had a Stanford MBA and you didn't do any product testing or evaluation.

You could have had the same experience if you started smaller. I think this comes down to a classic overprojection.

Also you did the manufacturing and selling yourself, effectively so there were no favours there.

This idea is still doable. Hmmm...!

[Reply](#)

5. [Kamal](#) says:
[March 30, 2009 at 10:27 am](#)

The amazing thing is you executed an idea to completion, and I agree with Marco on the 10K spent. I have yet to muster up the courage to even consider funding something I think of! Look forward to hearing about your next, hopefully more successful, venture – I think it'll do much better. Thanks for sharing your story, I think we (you and others reading this) learn from failures a lot more than

successes, bitter as it may be.

[Reply](#)

6. *Tirrell Payton* says:
[March 30, 2009 at 2:09 pm](#)

If you would like to give this another go, contact me. I think it has legs.

[Reply](#)

- o *Barry Peters* says:
[July 12, 2013 at 8:53 pm](#)

I gather you're possibly an (angel / seed stage / start-up stage) investor based upon your offer to Mr. Strauss (Condom Keychain King).

If you're interested in other intriguing, lucrative ventures from a level-headed technical innovator, I would like to discuss any of my product / service concepts with you.

My 21st century bike line would be the easiest venture to start with. I can be reached at 704.728.5923 (mobile) for an initial discussion.

[Reply](#)

7.  *Scott Rogers* says:
[March 30, 2009 at 6:02 pm](#)

This seems a reasonable experience. Most of the things that happened would never have turned up during any due diligence, they are just the little things that you have to learn while going along. I don't see that this failed, I see that it took \$50k more than was expected to get started due to the usual miscellaneous things that any business runs into. People who expect everything to go smoothly are not being realistic, and those who feel you should have known all this before starting are just advocating never getting started.

[Reply](#)

8. [\[root@EGA\]# » Blog Archive » links - 20090330](#) says:
[March 30, 2009 at 11:52 pm](#)

[...] and After they Dropped the Big One [PICS] NO TITLE!! Performance Tuning PostgreSQL What they Used to Teach You at Stanford Business [...]

[Reply](#)

9. [My daily readings 03/31/2009 « Strange Kite](#) says:
[March 31, 2009 at 6:31 am](#)

[...] How My Start-Up Failed | StoryLog: true stories [...]

[Reply](#)



10. [GlennC](#) says:
[March 31, 2009 at 12:03 pm](#)

Pictures please. 😊

[Reply](#)



11. [Destination Infinity](#) says:
[April 1, 2009 at 8:37 am](#)

I think it is a great experience to start with. Practical MBA, as one of the commenter's said above. Work for someone else for some time, make some money and go for the next venture soon!

Destination Infinity

[Reply](#)

12. [Sébastien Willems](#) says:
[April 3, 2009 at 10:39 am](#)

Great story and I totally agree with Marco!

[Reply](#)

13. [IBC-Dude](#) says:
[April 5, 2009 at 9:28 pm](#)

Great story and good luck on your next venture 😊

[Reply](#)

14. [Jeff Weiss](#) says:
[April 19, 2009 at 5:59 pm](#)

YOU SHOULD HAVE BOUGHT THEM FROM ME....

[Reply](#)

15. [Shana Byrd](#) says:
[June 9, 2009 at 9:22 am](#)

The Best thing I have read this year!

8 year run as a restaurant owner and done with that lifestyle, I have been torn with starting a condom business for 1 year now and I think this was just what I needed to Go for It.

[Reply](#)

16. *Dave Martin* says:
[September 26, 2009 at 3:08 pm](#)

I left a secure job and sold my home in the UK in 2003, came to the USA on a business visa and opened a sub shop. Startup cost including franchise fee, buildout etc was over \$150K. I lost nearly 30K a year for the next two and a half years trying to build a useless business until somebody bought it for \$60K so I could get off the rollercoaster ride. I am now back in the UK a much wiser person, but almost broke. I agree with the comments above – you did well to learn as much as you did for just \$10,000. You won't make the same mistakes in your next venture. Good luck in whatever it is!

[Reply](#)

17. [How much does an MBA and multi-million dollar consulting experience help you start a business? | Mementum](#) says:
[December 26, 2009 at 5:25 pm](#)

[...] Then he spent the next 2 years and \$10,000 learning the real thing. [...]

[Reply](#)

18. *Ela* says:
[April 11, 2010 at 2:42 pm](#)

I think this is a great story. you had passion and a dream, the first two elements in creating anything. I see no failure here but great success. The lessons learned was priceless. There are those out there... that only dream and do nothing and go back to the office and do what they probably hate, and then there are the do'er and shaker like you who can move mountains . What mountain will you move next ”)

[Reply](#)



19. *Akshay Arabolu* says:
[June 3, 2010 at 2:29 am](#)

Great story man. Best of luck for the future !

[Reply](#)

20. [25 Best Startup Failure Post-Mortems of All Time | ChubbyBrain Blog](#) says:
[October 3, 2010 at 10:44 pm](#)

[...] Title: How My Startup Failed There was no doubt about it: I had discovered The Next Big Thing. Like Edison and the lightbulb, [...]

[Reply](#)

21. *JZ* says:
[October 4, 2010 at 4:08 pm](#)

Great story, thanks for sharing. I wonder about the free condoms (made in Thailand) here in NYC and selling the keychain with a “free condom included” so as not to present it as if you are selling free condoms.

[Reply](#)

22. *Josh Meta* says:
[October 4, 2010 at 8:09 pm](#)

(a) This is a great story. Takes balls to laugh at yourself.

(b) If all else fails, you surely can become a writer. 😊

(c) MBAs + Consultants – esp. with no practical biz experience – should not try to start businesses. It is best to learn in another small company by doing it even if for free. E.g. invoicing is really 101 – something an MBA doesn’t teach! So much for an MBA

(d) Get rich quick start-ups are a fantasy driven by the media – like a lot of other things. The data* repeatedly suggests it is a sure shot way to lose money. *e.g. 4 in 5 business die in Y1.

(e) Bootstrap at the smallest level. Get the right business model. Right = one that makes money today. Only dictum to go by, at least for starters.

Best of Luck!

PS: Am guilty of all of the above, including the Ivy MBA! 😊

[Reply](#)

23. *Josh Meta* says:
[October 4, 2010 at 8:11 pm](#)

Did you ever find out why the this succeeded in Thailand?

[Reply](#)



24. *mark* says:
[October 7, 2010 at 2:36 am](#)

nice read. .

[Reply](#)

25. *Founders Block » Blog Archive » 25 Best Startup Failure Post-Mortems* says:
[October 7, 2010 at 6:49 pm](#)

[...] Title: How My Startup Failed There was no doubt about it: I had discovered The Next Big Thing. Like Edison and the lightbulb, [...]

[Reply](#)

26. *joe* says:
[October 8, 2010 at 1:26 am](#)

what a story [see this](#)

[Reply](#)

27. [theseedblast](#) says:
[October 12, 2010 at 5:24 am](#)

Very good article. You managed to tell a story about a bad time in your life with humor. It's a good lesson for your next venture that might be a success.

At theseedblast.com we connect Entrepreneurs with Angel Investors, Venture Capitalist, Hard Money Lenders and more.

[Reply](#)

28. [Azharudeen](#) says:
[October 12, 2010 at 8:30 am](#)

yOU ROCK MAN!!!! this story and product is simply great!

[Reply](#)

29. [Beverage Dispenser](#) · says:
[November 14, 2010 at 3:44 pm](#)

we always go on gift shops whenever we want to find something to give on special occasions ~.~

[Reply](#)

30.  [Nic](#) says:
[December 11, 2010 at 3:30 am](#)

My condom failure story wasn't nearly as entertaining. And... fortunately, it didn't cost me a dime.

[Reply](#)

31. [Jay](#) says:
[November 18, 2011 at 7:42 pm](#)

Safeness is the most vital thing at any building. It is critical that each operation is taken to avoid accidents. Like the old saying is heard, safety is no accident.

[Reply](#)

32. [Daniel Dickey](#) says:
[July 22, 2012 at 1:45 pm](#)

Funny stuff. You pulled out at the right time. I'm in the process of starting a condom company.

[Reply](#)

33. *Criselda Vantreese* says:

[January 9, 2013 at 11:39 pm](#)

automatic beverage dispensers are really great, we use them a lot in our office..

Look out for our new blog page too

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34. [33 Startups That Died Reveal Why They Failed | This Is Jah Smith DOT com](#) says:

[June 29, 2013 at 8:22 am](#)

[...] Article: StoryLog, "How My Startup Failed" [...]

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35. [33 Startups That Died Reveal Why They Failed - Daily Small Talk](#) says:

[June 29, 2013 at 8:22 am](#)

[...] Article: StoryLog, "How My Startup Failed" [...]

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36. [HotNewser | 33 Startups That Died Reveal Why They Failed](#) says:

[June 29, 2013 at 8:23 am](#)

[...] Article: StoryLog, "How My Startup Failed" [...]

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37. [33 Startups That Died Reveal Why They Failed | Digital Wealth](#) says:

[June 29, 2013 at 8:27 am](#)

[...] Article: StoryLog, "How My Startup Failed" [...]

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38. [33 Startups That Died Reveal Why They Failed < R2D2's blog](#) says:

[June 29, 2013 at 6:30 pm](#)

[...] Article: StoryLog, "How My Startup Failed" [...]

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39. [33 Startups That Died Reveal Why They Failed | IntelFaces](#) says:

[June 29, 2013 at 8:30 pm](#)

[...] Article: StoryLog, "How My Startup Failed" [...]

[Reply](#)

40. *Dubem Menakaya* says:

[June 30, 2013 at 4:40 am](#)

Thoroughly enjoyable story. You often learn more about yourself and skills through failure and it's good that you got something out of it. I hope your future ventures are more successful with the experience you now have.

[Reply](#)

41. *bob b* says:

[June 30, 2013 at 11:39 am](#)

5 years later... care to share what you've done since?

[Reply](#)

42. *Coral* says:

[July 1, 2013 at 3:04 pm](#)

As I see it, your problems were no different than most start-ups—you simply didn't have enough money to carry you through long enough to get through all the business hurdles: legal matters, manufacturing snaffus, AND marketing and sales. Most start-ups underestimate how long (and how much \$\$\$) it'll take to get a good idea off the ground. That's why the big guys can make it—they have other people's money to get them by, and to cover them when they make the inevitable mistakes. Assuming you have a good idea, you're relatively smart, are committed to do the required work, enough \$\$\$ to get it off the ground is what you (and most small entrepreneurs) needed.

[Reply](#)

43. *Robert Strauss* says:

[July 1, 2013 at 5:42 pm](#)

Very entertaining to read these comments about a business I launched in 1987, folded in 1989 and wrote about more than ten years ago. Readers may also enjoy reading about another failure of mine at

http://alumni.stanford.edu/get/page/magazine/article/?article_id=40244

[Reply](#)

44. [33 Startups That Died Reveal Why They Failed | ВсеЗнают.Ru - We are differentВсеЗнают.Ru —](#)

[We are different](#) says:

[July 2, 2013 at 1:06 am](#)

[...] Article: StoryLog, «How My Startup Failed» [...]

[Reply](#)

45. [33 Startups That Died Reveal Why They Failed « Tony Rocha Official Blog](#) says:

[July 3, 2013 at 10:49 pm](#)

[...] Article: StoryLog, “How My Startup Failed” [...]

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46. *hgow* says:
[July 7, 2013 at 4:26 am](#)

Swedish brand condoms available if interested... in the Chinese market.

[Reply](#)

47. [33 Startups That Died Reveal Why They Failed | Startup Tucson](#) says:
[July 10, 2013 at 10:31 am](#)

[...] Article: StoryLog, “How My Startup Failed” [...]

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48. [HOW MY START-UP FAILED | essays on startups](#) says:
[August 24, 2013 at 8:47 pm](#)

[...] via storylog.com [...]

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49. [Monday Marketing Mash-up: Learning from Business Failures](#) says:
[September 9, 2013 at 6:58 am](#)

[...] This entrepreneur started his business of selling condom key chains: he failed, but it's a great story. [...]

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