

Terry Hsiao

A Series of Accidents

Terry Hsiao rarely, if ever, splurged. His parents had always taught him the importance of frugality, and it wasn't until receiving exit money from the sale of his first company that he ever considered doing something spontaneous with his money. Instead of buying a Porsche like so many of his former colleagues, however, Terry decided to do something completely out of the norm. He decided to buy a hand-signed, limited edition Steinway grand piano—one of only 91 pianos specially made to commemorate Henry Z. Steinway's 91st birthday, who was the last of the Steinway family to make pianos. Terry happened to purchase it on his own birthday, making it all the more meaningful. "I wanted something I could pass onto my kids, and something they could pass on to theirs," he says.

So far, the piano has proven more than just an heirloom. By the age of ten, Terry's son, Ethan, became somewhat of a prodigy, invited to perform both at Carnegie Hall in New York City and at the Kennedy Center in Washington, D.C. to share his gift with the world. It wasn't the first time Terry's spontaneity had proven perfectly on target, and it wouldn't be the last. Now the co-founder, President, and CEO of Hook Mobile, a startup offering a cutting edge user acquisition channel designed for mobile devices, he has lived his life by taking things as they come and making the most of every opportunity. "I think life is a series of accidents," he says. "Somehow I ended up here, and I continue to enjoy every step of the way."

Terry grew up in Taiwan, where children are raised with a heavy emphasis on education. "As a kid, your job is to study," he remarks. "Despite the cultural pressure, I always put a premium on well-roundedness and diversity. I never wanted to be single-minded, even if that meant I could never be the best at something. I put my emphasis on getting exposed to more things as

opposed to spending too much time on any one thing."

His father was an engineer by training who worked for General Electric, and his mother was a teacher. At the time, it was common for young people to remain in Taiwan for college but to travel to the U.S. for graduate school, but his mother and father began considering the possibility of getting Terry overseas earlier. He had an uncle living in New Jersey, so the Hsiao family came to visit the summer before Terry was to

begin high school. When his parents presented him with the option of remaining in the U.S. to attend high school, he decided to stay. "It was a simple decision for me because I was curious to see what it would be like to live a different life," he says. "I knew what life in Taiwan was like, but the U.S. experience would be completely new, and I wanted to try."

Terry was 15 when he moved to the U.S., but it took several years to hit his stride and adjust to life as a teenager. After receiving an honors

degree for electrical and computer engineering at Rutgers University, he entered the working world and happened to land a job at Cellular One, effectively launching him into the brand new industry of mobile cellular phones. "That was the first accident, and it turned out to be a great experience in a fast-paced industry," Terry recalls. "Within three years, I was managing people and leading a team, and I was in high demand because there weren't many engineers that knew about designing cellular systems in the early 1990s. It was nice to have a choice of where to go next."

Terry decided to join a small startup company of less than 100 employees called Nextel, giving him a front row seat to watch the company grow as it built a brand new digital cellular network nationwide. Terry was responsible for the New York metropolitan area, one of Nextel's top markets. A hot stock in the 1990s, they also



sold an array of two-way radio equipment services to financial institutions on Wall Street, which Terry routinely problem-solved for.

Seeing Terry's potential, Nextel sponsored him to attend business school at MIT. When he graduated, they relocated him to their headquarters in Mclean, Virginia, where he hoped for a role that was more strategic and less technical. Nextel was highly leveraged at the time, with no money from public sources available to build the nationwide network they envisioned, so they decided to use a franchise model in which outside sources would pay to have cell towers or systems installed in secondary and tertiary markets that would then plug into the Nextel network. Terry was tasked with pulling together the joint venture between Nextel and the new company, Nextel Partners.

"Essentially, I was in charge of running around Nextel to find out how to build a mini Nextel and the appropriate cost structure for the franchising," he explains. "I found that it was extremely cost effective to run the SMS infrastructure, which transmits short text messages without using voice channels. I found that, when you build a cell site fully loaded with equipment and commission it on air, it costs \$750,000. But to run an SMS service for the entire nation, it costs less than \$250,000. Thus, I could see that SMS would be the most profitable business for the mobile operators."

Terry worked in that capacity for a while, but by early 2000, he felt an entrepreneurial drive to leave Nextel and cofound his first company. At the time, a slew of young entrepreneurs were raising millions of dollars to launch Internet companies, so Terry had spent some time trying to find a promising opportunity at the intersection of SMS and the dot com game. After coming up with the idea to develop a plug-in for websites that could push time sensitive alerts to mobile devices, he leveraged his experience from MIT to write a business plan and launched InphoMatch.

Quitting his comfortable job with Nextel to jump into the entrepreneurial world was a move Terry had never really intended to make. The Nextel stock was flying high, and the company was very generous with option grants. His parents had always taught him to prize security and stability, and while he believed he was making an informed decision, the risk was still considerable. "Going through the process of giving up a regular

income to jump into something completely unknown was life-defining for me," he affirms. "In a way, I didn't feel like I was ready. I had envisioned myself climbing the corporate ladder, but I had to listen to my gut. Did it feel right? If it didn't work out, would I still feel peaceful with myself? I found that the answer was yes, and there were others counting on me to be a leader, so I had to go through with it."

They moved into their first office on May 1st of 2000 and spoke with eBay, Yahoo, eTrade, and other websites where users could benefit from the delivery of time sensitive information alerts, but the idea ultimately never took off. "From that experience, I learned that the first idea you're able to raise money for doesn't necessarily have to be what ends up working for you," Terry recalls. "It's now generally called the 'pivot'. In today's fast-paced environment, it's very common that companies start off thinking one thing will happen, but then acquire more data, see new opportunities, and pivot in another direction. That's what entrepreneurs do. They start somewhere, jump into it, come to understand the challenges differently, find new opportunities, and are able to leverage their assets, connections, and relationships to turn the business in another direction."

Thus, Terry and his team pivoted. In 2001, carriers began to offer two-way SMS services, but only internally. At that time, an AT&T subscriber could only exchange messages with another AT&T subscriber, but not to someone using another network. With hundreds of mobile carriers at the time, Terry saw in this limitation an opportunity to leverage the technology InphoMatch had already built to offer a platform to allow users to send messages between networks. They put together a presentation and took their idea to the carriers, many of whom were extremely resistant at first because they saw it as a disincentive for users to remain in-network. "The lesson I learned from that experience is that it doesn't really matter what people say," Terry reflects. "If you have an insight and you believe you're right, keep at it. There will be plenty of people who say no and have their reasons, but if you believe in your idea and its power to transform an environment, don't give up."

Staying steady despite the initial opposition, Terry and his team decided to build a business model in which InphoMatch assumed all

the risk. Carriers who signed up could use their technology and hosted infrastructure without paying anything unless their users utilized it and actually sent out-of-network messages. Acting as the bridge between the hundreds of mobile carriers simplified life for each individual carrier, making both operational and financial sense. Carriers would sign long-term, transaction-based deals with InphoMatch at almost no initial cost to them, which was instrumental in monetizing the service over time but also meant that the company had to raise substantial amounts of venture capital in its bet on that outcome.

"That bet turned out to be the right one," Terry affirms. After InphoMatch signed its first few carriers, a domino effect ensued, and before long, the company had claimed around 80 percent of the market share. Showing great foresight, they had built the company in a very scalable manner, allowing them to simply add pieces to the network instead of needing to change the entire design when they had to increase their capacity every several months.

Despite the many things Terry and his team did right, he reflects on the many mistakes he made as a naïve young entrepreneur as well. "I didn't realize that you have to be aware of politics even when dealing with a startup," he says. "I was very outspoken and open about decision making, and when InphoMatch came under new leadership, that kind of personality wasn't in the agenda." With that, Terry left, spent a year in Asia, and then spent two years working as the COO of another startup company, Way Systems.

Terry had essentially jumped from a middle manager position at Nextel to a CEO position at InphoMatch, so serving as a COO gave him an invaluable opportunity to fill on some of the essential knowledge and experience gaps he had missed in the leap. "At the time, young CEOs were relatively rare," he remarks. "People had this sense that you needed a gray-haired and experienced veteran to run the show, so as a young CEO, I was always second-guessing myself. Thus, having that chance to run a company without being the CEO really rounded out my perspective and my confidence. It was kind of like my real training for what would come later."

Terry still had his ownership in InphoMatch, however, and when the company was deciding whether to make an initial public offering or to sell in 2006, he was brought back by

the board and venture capitalist firm to help. "I pushed for the company to sell, not only because it was in my interest, but because it also seemed to be in the company's interest to exit the market as soon as possible, as the market dynamic had changed significantly," he observes. "I started that company in my dining room with a couple of guys, and never in my wildest dreams did I think it would be acquired by Sybase for \$425 million in cash."

After the sale, Terry and his cofounder and technology partner got together and decided to have another go at it, taking the things they learned from the InphoMatch ride and starting another company, but this time on their own terms. Thus, Hook Mobile was launched in 2007. "By that time we knew that, when venture capitalists bet on a company in its early stages, they're more betting on the person and the team," Terry says. "Thus, as the President and CEO, it was my job to get the right team in place and to make sure we were moving forward."

Like InphoMatch before it, Hook Mobile went through a series of pivots after realizing they were making a technology and trying to find a market for it, rather than looking at where the market was heading and building a technology in anticipation of that need. MMS, or picture and video messaging, was supposed to be the next big thing after SMS. Facebook had delivered SMS alerts to its users via InphoMatch, and in 2007, it opened its platform so third parties developers could build applications within Facebook. Terry envisioned building a web service interface to allow anyone to grab the rich media content in Facebook or MySpace to their phone over MMS, delivering socially generated content and charging the user for providing that service.

After talking to an array of venture capitalists in Silicon Valley, however, it became clear that mobile would be trending toward apps and smartphones instead. "I realized that, even if there's business to be had at the moment, that business in itself is not right for a venture capital-backed company because VCs would rather bet on something that has a bigger payoff later, versus an execution play," Terry observes. "Companies' resources were trending toward apps, so we trashed that idea, pivoted, and asked ourselves, 'What do we believe in, where is the market going, and what service do we want to provide?'"

Now, Terry and his team are essentially

launching a brand new startup, this time cognizant of consumer data indicating there's a ten to one chance that consumers are engaging with mobile content through an application versus a browser. "For instance, a person is far more likely to check the game score via the ESPN app than by launching a browser," Terry illustrates. "In the gaming industry, the chance that the user is playing the game through an app instead of through a browser is maybe 10,000 to 1. Therefore, all the user acquisition marketing and tracking tools that have been designed for web browsers are becoming obsolete."

Terry believes that user acquisition via mobile devices will be a very different game, and one in which Hook Mobile is poised to be a key player, boasting a business model that banks on cost per install and cost per engagement, rather than the cost per click model used for user acquisition in browsers. "At the end of the day, the trigger is the download of the game," he explains. "The plug-in then allows gaming or app companies to incentivize players to share the game with people in their address book. On average, each user has about 250 contacts, and Hook Mobile will be able to provide intelligence associated with those contacts to enable targeted user acquisition."

As Hook Mobile's prospects continue to brighten, Terry's journey so far is a testament to the daily struggle of the entrepreneurial life. "It's never easy," he readily concedes. "It's very difficult to repeat success and to keep at it, and it's even harder to do that in the face of adversity. It's part skill, part planning, part execution, and part luck, but for me, it's worth it. It's about my team and I working toward something and succeeding together."

Terry and his wife, Liz, take this idea of succeeding together and apply it to their philosophy of giving back, which involves sitting on the boards of non-profit and educational

institutions and the launch of an endowment at Rutgers for needy students. "I hope to lighten the world in some way," Terry explains. "I hope to have a net positive effect on the lives of the people around me."

In advising young people entering the working world today, Terry stresses the importance of opening one's self up to experience. "Broaden your views," he says. "Travel as much as you can. Learn as much as you can about everything, because you don't know now which thing will change your life. And don't be afraid of doing something you're not comfortable with. Take on the world, but at the same time, understand that you need training and education to ultimately get to where you want to go." Building up the knowledge base and skill set to know your limits gives you the power to take successful risks that ultimately expand those limits, spinning seemingly spontaneous accidents into success at each stage in life and preparing you to make the most of the opportunities life presents.

© July 2013 Gordon J. Bernhardt. All rights reserved. Reprinted by permission.

– By **Gordon J. Bernhardt, CPA, PFS, CFP®, AIF®**

About Gordon J. Bernhardt

President and founder of Bernhardt Wealth Management and author of Profiles in Success: Inspiration from Executive Leaders in the Washington D.C. Area, Gordon provides financial planning and wealth management services to affluent individuals, families and business-owners throughout the Washington, DC area. Since establishing his firm in 1994, he and his team have been focused on providing high-quality service and independent financial advice to help clients make informed decisions about their money. For more information, visit www.BernhardtWealth.com and [Gordon's Blog](#).