

Now that Phezzan is closed and I still remember things vividly, it's time to summarize what we did and what we learnt. Please kindly note this only reflects my personal opinion so it may be biased.

In Phezzan I was in charge of community building/marketing/biz dev so I'll focus on those. This essay is long. If you are looking for the juice, **read the sentences in red.**

1. Product

1.1 Phezzan's product history

We started Phezzan early 2022. After 15 months we still don't have a working testnet. Phezzan was a lot of things:

a) AMM perpetual DEX on Terra - no product

We were huge fans of Terra and wanted to contribute to the Terra ecosystem. We were also fans of [Perpetual Protocol](#) so went with AMMs. At that time GMX had not gained so much attention.

b) AMM perpetual DEX on zkSync using \$UST - launched testnet on Rinkeby

We switched from Terra to zkSync because there were already other perps building on Terra and we wanted to expand UST to other ecosystems. The Phezzan team believed that the Ethereum ecosystem has the most TVL and user activity, and zk-rollups would be the future so we chose zkSync due to its EVM compatibility and less competition. Due to technical difficulties, Phezzan launched a testnet on Rinkeby instead.

c) AMM perpetual DEX on zkSync using \$USDC - launched testnet on zkSync testnet

Terra collapsed so we switched to \$USDC. Phezzan was the [first perpetual DEX](#) on zkSync 2.0 testnet and we gained some traction.

d) AMM perpetual DEX on zkSync with limit/stop orders

After testnet, we looked at data and realized LPs were taking huge impermanent losses. No one really cares about PnL on testnet but with real money it's different. So we wanted to add stop/limit orders.

e) Orderbook perpetual DEX on zkSync

Then we realized limit/stop orders cannot solve the IL problem and decided to start from 0. Another reason to transit from AMM to orderbook is that we found VCs were not interested in AMM style perps at all. More on this in "3. Fundraising"

f) Orderbook perpetual DEX on zkSync with retail liquidity - had a barely working product

Orderbook was still not enough to differentiate Phezzan from other orderbook perp DEXs. So we added retail liquidity. A more detailed description of what Phezzan wanted to do can be [found here](#).

1.2 Know your sector, or learn really fast

The founders of Phezzan had no background in perps/trading, no prior full time experience in crypto, and chose one of the most competitive sectors. We chose perpetuals because we thought perp DEXs will beat CEXs in the future. **There were many people thinking the same way and we did not find the right edge. We should have figured it out before heading into this sector, or at the very least much sooner.**

2. Fundraising

Phezzan fundraising efforts lasted more than a year. There were a few VCs and angels who believed us but in general the raise was not successful. A few key lessons:

2.1 Tell a good story

We were not good communicators nor inspirational story tellers. We could not communicate our vision clearly enough to VCs.

I am not saying that VCs do not understand DeFi enough - it's our duty to convey Phezzan's message to VCs regardless. **If a VC cannot get our idea, how can we expect regular users to understand Phezzan?**

2.2 Connections are ultra important

The fact that we did not have full time experiences in crypto set Phezzan back as well. Since we had no connections in crypto, we had to cold DM investors by email, Twitter, LinkedIn, and even Telegram.

The Phezzan team reached out to more than 800 (yes you read that right) investors/angels/FAs to raise funds and I am thankful to each of them, replied or not. Obviously that's not how projects should raise funds. **Raising from people you already know is much better in every way.**

2.3 Focus on a lead/co-lead first

We spent lots of time in the beginning reaching out to all kinds of investors. Later we realized that finding a lead or co-lead was more important. **A good lead or co-lead accelerates the fundraising process by endorsing it.**

2.4 Timing

There is a constant joke that every time Phezzan launches, shit happens. Phezzan launched testnet on Rinkeby then Luna crashed, Phezzan launched testnet on zkSync then FTX crashed.

We waited for testnet on Rinkeby to prove to investors that we can build fast. We waited for testnet on zkSync to show investors that we get traffic. None of them worked and investors did not care. When the words get out that Phezzan is raising and no one is FOMOing, it's a dead end.

If you are a market timing guru or someone who can raise at any time, by all means do it your way. **But if you are a first time founder without much experience like us - raise as early as possible so you'll know what's wrong.**

2.5 VCs know your feelings

If you are not sure about the path you are taking, talk to a few VCs, twist your mechanism if no one likes them, then try again. If no one likes it after 2 or 3 attempts, try something totally different because VCs have seen lots of things and you may have missed something important without knowing it.

If you are very certain about what you are doing, which we are not, then go ahead and prove everyone wrong. This is how the greatest companies came into being. And sometime down the road people will realize your worth and I personally will always be there rooting for you.

Fear, greed, FOMO. No matter what you are thinking or feeling, VCs will know it. The only way out is to change how you think or feel, not trying to hide it.

3. Community

This is where I spent most time except fundraising. **My biggest learning? I shouldn't.**

3.1 Hard to find gold

Community before Product-Market Fit is like building a sand castle, you get lots of fun doing it but it never ends well

Community in crypto is the same as sex in high school: everyone talks about it all the time but only a few truly understand it. In any project's beginning, it's easy to attract "users" and build a "community" as long as some growth hacks are used. Airdrop hints, cash/NFT lotteries, all those web3 growth tools, partnership activities, and even Discord roles can do the trick.

But in return projects get airdrop hunters who [99% won't become real users](#) while projects need numbers to prove (to VCs) that they have traffic/community/PMF ([Qiao's new article](#) is a great read on PMF btw). It's the old Chinese saying “饮鸩止渴”, which translates into “drink poison to quench thirst”.

3.2 Focus on the product

So forget about community in the beginning and focus on the product till you have PMF. Most users don't know what they want anyway if you are trying to build something new.

When you get a testnet or a prototype, send it out, use some growth hacks. Then browse through them, find out the real feedback and take them, find out the real users and show your appreciation, then just ignore the rest totally.

A part of you will want to answer every call, reply to every feedback, and fix every bug because builders are perfectionists. But don't. **It's not worth your time.**

3.3 Exception

Ofc if someone can rally people by ideas then make the best of the talent of his/her followers, by all means do it. Most founders don't have the “reality distortion field” like Steve Jobs so it's best to **spend as little time as possible on community in the early days.** .

3.4 What we did at Phezzan

Phezzan was unique in building its community: we banned airdrop hunters hard and limited access to Phezzan's Discord server. We held lots of events, answered every question from our community, and established a rigorous system to record community members' contribution. **In retrospect, none of that mattered because we were not able to ship a good product.**

Update 2023-5-10: I sent the draft to some Phezzan community members. One of them said it mattered because they found the Phezzan server more comfortable and learnt something about perpetuals. Did not see that coming.

4. Marketing & BD

Phezzan was selective in marketing and business development. Since we did not have deep pockets and cared deeply about our reputation, we turned down lots of partnership/marketing offers. Now I realized that most early users were airdrop hunters anyway, I am glad I did not spend more time there.

Outbound BD was totally different. As a relatively small and unknown project, Phezzan had trouble reaching out to projects in the beginning. Our advantage was being on zkSync early and willingness to help other projects. By the end we can get into a conversation with most of the projects on zkSync.

So be selective with incoming requests and be patient with the projects you want to work with. Simple as that.

5. Team & Remote

We assembled a great team at Phezzan. Not being able to ship a good product is the founders' fault entirely while our engineers executed our ideas perfectly.

The only problem we had was being remote. The communication cost was higher and I sometimes got lazy. It requires a huge amount of self-constraint and superior management skills, neither of which I possess. **If you are not DHH, I would suggest working on-site. At least meet for 1 week each month.**

6. Be nice to yourself

This is especially important for all the founders out there. We think about our mistakes and how we could have done better all the time. We worry about the past, the present, and the future. We feel responsible for all the things that did not go smoothly for our projects. It consumes us, devours us, and sometimes puts so much weight on our mental state that we can't remember the last time we [treat ourselves](#).

So please be nice to yourself as much as to your best friend. Take a break if needed, remember there is a life outside work, and enjoy the startup journey.

Oh by the way don't take too much of a pay cut. During my 4 years building things, I was making 20% - 30% of what I used to make and it was barely enough for me to survive. Now I understand that investors most likely don't care about how much you make as a founder as long as it's not ridiculous.

7. Closing thoughts

This writing is largely inspired by [Jeff](#), the founder of Genki, and his [great reflection](#) about Genki. I did not know him personally before and his article encouraged me to write this down.

I would like to thank our team members who worked tirelessly with us, investors who spent the time to talk to us and trusted us, community members who put in effort to build Phezzan with us, and all the friends we met along the way. Most importantly I would like to thank Jack, my cofounder for the last 4 years, for this amazing journey.

I am deeply sorry that Phezzan failed and feel forever grateful. If you have any feedback, comments, or just feel like reaching out, please shoot me a message on Telegram: <https://t.me/thegrasscrown>. I would love to know you more, learn from you, and provide any help that I can.