

**Theme:** Have you reached out to your customer today?

**Time to Leap:** People don't start business from the college. People may take risk in the company. Factors that are important to you matter.

**Guest Speaker - Gene Lin:** He began working with Aerospace industry and then turned into an entrepreneur. He went out to the market place and focused on the business model, became more methodical, started making friends in highest places. He became Vice-President of Sales. People usually consider them all set once they get the job, but this is not what he did.

20 years ago being an entrepreneur was luxury. He got depressed for wanting to become an entrepreneur. He had the luxury of having a company at the back but it was not truly what he wanted.

He started a company within the company and became an interpreneur. He created a new industry within his own industry, took stuff from the engineering industry and brought out to the world.

➔ There is a class assignment that investigates the "Market Segment grid" which is based on the same idea.

He got clients from one industry to another by doing stuffs like changing bubble wrap into kids' fire cracker.

"Tunis", the company started turning nothing into something, like fuzzy mailer envelope wrap into blanket. He marketed that and provided free stuff for testing. He got great experience. But the company was public and he had no acuity.

He did well in the company. The growth was unto 100 million, but he was working with "Public Traded" company. Whatever you do in the company is company's, so make sure that you document your ideas properly and time stamp them outside the business hours.

Don't try to go from 0 to 100 million at one go. It would raise a lot of questions. The board of directors would question that. VP should not make more than the President. Don't set the tone that ways, think if you can do that on your own.

Emotional part, hold the guts to do it. It is very difficult. When leaving, be honest and tell everything possible. People can go bankrupt, and this can ruin a lot of life. Corporate Politics can occur. Companies can come after you. He asked that Senior HR to check out everything and gave out all the information walking away with a few partners. He did it and was infact depressed that why he didn't do it 15 years ago. You feel confined. People are trying to groom you to the next level. They try to groom you into the certain culture.

**Why didn't he do it before?** He didn't want to put my own money. As soon as he left, clients started calling. He claimed that his was a small company, so asked clients to pay him half up front and half

within 30 days. Customer value and relationship helps. Human connection is important. 95% of clients were retrieved.

Mission statement, core values, corporate logo, and other ideas are required to build it ground-up. You can do things ahead of time but you have to be cautious. It is necessary to understand the process as it gives the courage. Once he had taken the leap, he felt great. Company claimed that he took employees and money from the company but he declined them all.

It is important what you want. Know what you want 5-10 years down the line. It is important to pay back. He is doing it by lecturing and sharing the experience.

[www.mav12.com](http://www.mav12.com): It became a new company, in collaboration with people to help in terms of project. They have low risk, stick with core values and make sure there is everything upfront.

**Challenges:** We want to do business. The biggest problem is to bring a few people over and engage them to do the backend. Do your homework and that of the client as well and build by collaborating. Friends can do business together. Help people have a long term strategy. Get value from whatever you do. Transit from the typical corporation to the collaboration of companies.

**Experience:** 15 years was a necessary journey. Realistically, had he had an EO, it would have been good. If you want to build a very big company you should know how to manage things and understand their business. Make friends and know what to do. Know the danger. Know what you can outsource and what you really need to hire. Know what is your sweet-spot.

**What did you look for in partners?** Expertise in integrated systems. person had to have operational experience. Solid foundation is needed. Know ahead of time, and have an operating agreement. Say goodbye to your partner if required. He gave probation period to one of his partners and even lent money. Once you know the risk, make sure there is no ambiguity. Understand what is the required strategy.

# Break

**Steven Mednick-About Gene:** He does what he wants. He made the best of resources, and used his network. Use the network you make during the curriculum. Gene is typical. Entrepreneurs are risk-managers and not risk-takers.

Gene happened to be more typical than not. Leaving a highly paid job is tough. The idea is to feel comfortable with whatever decision you make. You also have to consider your spouse when making such a decision. All these factors need to be overlooked and it is important to know what you need.

**Fast Pitch:** It was an event held at Orange County. It rated entrepreneurs on their skills and presentations. There were around 75 people who were ruled down to 12. The quality was not good. The pitches are mostly entertainment. People do not get money or are promoted by winning such competitions. The top two were women. They had right background. They knew what they were doing. There setup was really good.

There will be people across the semester with whom we could resonate as the tenure progresses.

**Background:** Entrepreneurship runs in his blood. He is a salesman and attorney, did BA from UCLA and MPA and JD from USC. He spent more than 20 years in IT, finance and health care industries. He joined somebody and left a well-paid job. He was the first to digitize records. A lot of what he did was based on his experiences from the past. He became a Corporate Attorney and Venture Capitalist. He used his legal background to keep moving things. He is a member of Tech Coast Angels Orange County and association of Corporate Growth Board. He is also on Tech Coast Venture Network Executive. He mentors over 30 early stage companies.

**The Entrepreneurial Mind:** It is important to look at the world a little differently. It is important to know that what is important.

Causal thinking is same as managerial thinking. It is best to imagine what others think and change the ideas accordingly. Strategic thinking deals with changing ideas from the customers' prospective. The average cost to launch a product is very high, around \$11.6.

Entrepreneurial thinking is to talk to people and find out about the needs. Know the customers before the launch. Prepare for the gaps and launch a product according to the needs of the customer, as opposed to doing Market Analysis.

Pure entrepreneurial thinking is efficacy. Understand the resources that we can deliver. The USC way of thinking is efficacy.

**The Case Study:** Students found the article to be motivating. Entrepreneurs iterate the model of whatever exists. They are not smarter than anybody else. They don't do think that are stupid. Income can be important for some people. The transition can be trivial but people would not know about it. Most of the people see what is missing. It is important to see things that others don't.

Entrepreneurs are not all alike. You should know what you are selling and it is important to learn sales skills. Preparation is important.

**Lessons to be learned:** The idea is to "Just Do It". It is important to get going. It is important to make mistakes and learn from them. You should embrace the mistakes.

**What to learn:** Entrepreneurial process is personal to the people. Juggling is important. Learn from ground up. It might be difficult to separate the IT from HE or SHE.

There would be a piece on Financial Analysis of the class. You should know if you have experience, education, economic resources, network, skills and desire to work. Networking is important.

**Course Rules:** There are 11 commandments for entrepreneurship:

- 1) Thou shall not "BS" yourself.
- 2) There are no bad ideas.
- 3) If a business fails it's because of poor execution.
- 4) Tell me what you know - *not* what you think.
- 5) Your opinion doesn't count. Contract is the only thing that counts.

**Feasibility Plan vs Business Plan:** The idea is to write a feasibility plan rather than business plan.

**Business Plan:** It is used in Equity markets, debt markets, execution plan, customer document, alliance, distributor, supplier document, hiring document, PR/marketing plan, and research and development plan.

**Feasibility Plan:** It is supposed to be a static document. A business can be easily launched based on the feasibility plan. The feasibility plan is relevant in the corporate setting as well.

**Key Feasibility Points:** Feasibility plan brings down from the bunch of ideas to starting a particular idea. The feasibility plan is written by oneself to oneself. Nobody else may even see the plan over a long period of time. The decision is to be made based on the progress. Feasibility is all about what we can do. There would be factors that can be redone, over time and with availability of resources.

### **Feasibility Funnel:**

**Ideas ->**

Industry Knowledge Concepts -> Market Risks, Distributed Risks and Benefit Risks -> Financial Risks -> People Risks and Location Risks.

**-> Venture**

**Course:** Class begins at 6:00pm. Guest speakers will lead. There are final grades. Class is a No Risk Zone, so people can speak up anything. Students are expected to be not super critical. There are optional one-on-ones/extra sessions. The grade sheets are posted to Blackboard. It is not easy to figure out all the aspects of entrepreneurship. There are sample assignments available. There are sample plans posted. About a third of the plan can be drafted in the next week. All the stuff is done in the assignment. The basic idea is to understand the model. Submit the assignments in Hard Copy and concurrently post to Blackboard. Class participation is a major grade component.

Talk to strangers and keep a log of whom you met and what you learnt. Try reading the mindset. It is important to meet people so as to understand what people are saying and why they are saying it. Think in terms of the market and extract what is the need of the customer. The person can be anybody. Talking to strangers would add value to the ideas.

Turning things late or not submitting materials can affect grades.

### **Major Projects and Final Plan:**

- i) Status of an Industry - due June 16, 2010

- ii) Brochure/web - due July 14, 2010
- iii) Define and Test Your Customers - due July 28, 2010
- iv) Financial Feasibility - due July 28, 2010
- v) Final Plan and Strangers' Log - due August 4, 2010
- vi) 60 Second Pitch Contest - due August 4, 2010

**Words of Advice:** There are 4 major projects and 5 minor projects. There would be development of 3 concepts. Do not change the concepts. Changing the concept for the Final Plan is fine but then all the things that require changes need to be redone.

Stay away from individual services businesses. Plans can be country-specific but then the research has to be done at that place. Follow the gradesheet.

The class will deal with valuable concepts covered in the different industries.

**Financial Feasibility:** This would give an idea of how things work. All the pieces of the assignment go into the final plan.

**Sharing Ideas:** There would not be propriety issues. Anything that is like a Trade Secret or disclosing the idea, would not be disclosed. Any idea that is out of the working hours can be owned by the person.

**Next Week:**

Guest - Bob Aholt, Pasadena Angels

Class Discussion: Bootstrapping Your Business, Patterns of Change, Belkin Case and Vet Select Feasibility Plan

Student Presentations - Area of Interest

**Guest Speaker:** Bob Aholt

**Theme:** The theme of today's idea is to understand that you got to do it all yourself.

**Social Entrepreneurship:** The guest speaker Betsy Densmore will deliver the lecture on June 16, 2010.

**Theme for the Guest Lecture:** So you think your idea will attract the outside world.

**Background:** Bob works with Pasadena Angels. It is a group of 100 angels that invest as individuals. They share among themselves, and co-fund deals. They can invest from \$750,000 to a million of dollars. They can invest from Los Angeles area to the neighboring regions. They can also provide partnerships for the companies.

The cycle includes: Quality -> Analyze -> Invest -> Operate

Quality -> Apply -> Pre-Screen -> Screen

Analyze -> Due Diligence -> Corrective Action -> Deal Sheet

Invest -> Interact -> Subscribe Deal -> Funding

Operate -> Develop Metrics -> Track and Report -> Advise

The companies may fall out from the cycle and come back in. The end of the process includes getting the money back, and probably something more.

**Deal Funnel:** The funding is offered to about 1.5% of companies only.

**Screening:** It is important to know what the money is going to be used for. The type of questions asked by the investors remains the same. Investors have to invest in companies they don't even know about. One of the biggest problem is understanding which ones are going to provide the proper return.

**Entrepreneurship Attributes:** The plans should have passion. Skillset should be well defined. There is should be knowledge about the market and intelligence is important. Leadership is self-evident. The vision should also be realistic.

**Tips and Thoughts:** The farther people can go in validation, the better it is. Investors are there only to exit, not to run or build the business. Also, have an alternative to your own business, in order to make living. Tell stories that are good conversation starters. Know what the audience wants to hear. If you have to do something, do it right. The Investors can get governance through putting their members on board at the companies. The network of Pasadena Angels allows them to get prospective of how each of these companies is performing. Touch the customers and understand what is important. Know how to generate revenues. Add the incremental value.

**Process:** The amount should be scalable, not very huge. Each of the companies are then assigned to each of the angels.

**Organization:** It began in 2000 with a bunch of guys. The organization has 5 chapters in Southern California. It grew overtime. The person has to be a credited investor and then the screening process goes on. Each member has to invest about \$50,000 per year. Each entrepreneur gets a feedback. There is one paid person as screen coordinator. He coordinates the activities but the rest of it is carried out by the investors themselves.

The hard part for the entrepreneur is to answer questions that the investors are going to ask. The company should ask for money, that they are going to use for enhancing the business and not for paying old debts. It may include product development, marketing and buying inventories. There are two important things to get: going to break even and then ramping the business. If somebody else has already put in some money, it provides their name along with the company.

If a company is having a re-pitch, it should know what has changed since the last time they pitched.

**Involvement:** The investors like to invest in deals they can be closer to.

**Mentoring:** The mentoring is free from all these investors. Angels make individual decisions. People may have made their decision long ago.

**Environment:** Southern California is pretty good to raise money. Understand the industry, you want to go in. The customer base is really strong. You can develop contacts through classes. Some of the companies even charge for the pitching. Tacos Angels and Pasadena Angels do not charge for mentoring.

# BREAK



**Takeaways:** It is hard to get the funding. People have to stand out from the crowd to get funding. It is a good idea is to talk to TCA and know the guys before pitching. You can go through the process to understand how the scenario works. It can develop relationships that can go lot further. It is important to get feedback. The networking at Pasadena Angels is very vast.

#### **Student Presentations - Area of Interest:**

**Devil Wears Prada - Retail / Fashion Industry (by Alvin Allan Magpantay):** This industry goes a lot of background process. There is an ability to think that there is a business out there. A lot of the big names started their own line.

Neiman Marens started as a group of people who chose to invest in fashion industry. Fredericks started with the ideas of their own and came up with Push up bra. Guess brought about the revolution by their stone washed jeans.

**Super Commissioners (by Jimmy Karam):** It is a fantasy league based company that works on the idea of organizing fantasy sports, specifically football. The webpage is [www.supercommish.com](http://www.supercommish.com). Internet is coming down to the local level. The industry is looking to the global market and not the local market.

**Electric Vehicle Charging Stations (by Alvin Leung):** There are a very few electric vehicle charging stations. This industry would go big in a little while. The idea is to build a network of charging stations. The operating cost is very minimal. It acts as a network for the existing businesses.

**Patterns of Change:** Changes create opportunities. A very good example is a carrying case for iPads. Entrepreneurs don't need to start with innovative ideas. They can follow on the loopholes.

**Assignment:** The "Industry Status" assignment is due in two weeks. Great entrepreneurs are good at translating opportunities from other industries to their own industries. It is important to understand the changes that are going on and what the future is like. Research shows that markets are cross-linked.

**Steven B Belkin:**

**What is the case about?** He had a great idea. He seemed to have a great business plan, but it didn't really work out for him. He underestimated some of the aspects of the industry he was focusing on.

**Key success factors:** In his business, he had to buy things first and then sell it out.

**Approach:** He wasn't focused. He wasn't direct. He didn't have a clear value proposition.

**Factors to learn:** Entrepreneurship is personal. Financial analysis is very critical. You need to have a candid evaluation of yourself. "Home" is crucial. One should also focus on friends and family. It is stupid to risk everything and take everything down. Everybody's situation is different. The channels are growing and the power of social media is very important.

**Vet-Select:**

**Funnel:** The funnel begins with ideas and ends with starting the right idea.

**Idea:** The idea came from her experience. She had interest in animals.

**Industry Knowledge:** The industry wasn't growing. Distributors and manufacturers were offering volume deals. The industry knowledge, now, shapes over the idea. The knowledge tests the concepts. The concept grip should be well managed. Markets are comprised of similar businesses and customers who buy based upon similar specific needs.

There should be a listing of all possible customers. Cross-markets often exist. The customers could be solo vets or small chains. You get into the comfort zone once you start to change your ideas depending on what the customer requires.

**Concept Statement:** This would deal with why the concept is good. Then it comes to the benefits of the customer channel.

**Market Risks:** Concepts need to be defined. It is important to meet everyone and understand the dynamics.

**Financial Ricks:** It is all about money. What should be the pricing? What premises go into the concept?

**People Risks:** Meet the right people. Be at the right location. Some businesses can take-off anywhere. Entrepreneurs do not act alone. Once there is a model, you can go back and change the defined model. Some of the models can be tweaked to work in the existing scenarios. You cannot force it but you can go back.

**Conclusions:** There will be sectional conclusions and then the final conclusion, whether it is a "go" or a "no go". She made a "no go" decision, but it depends on individuals.

**Bootstrapping:** First day is an early stage of the business. You have to look to your customers, they teach everything, sometimes the hard way. It is to have the right mentality and hair-on fire. You should be constantly moving. The best place to make money is through profitable revenue. Revenues can be generated at costs, but eventually it dies out. Look at the world through the eyes of the customer. One should chase revenues and not money. The best validation is getting the customers. Network defines the net-worth. It is easier to become known with the open social media. Universities can be a great source of expertise. Starting from small scale is important. Then the enhancement can be carried out. People can sell products that haven't even be made. Employees can be paid in stock. Lease rather than buy. Entrepreneurs manage businesses on cash flow. Innovation is important. There is a world of possibilities.

**Entrepreneurial Selling:** You should understand how to get into the customer's mind. You sell to everybody.

**Guerrilla Marketing:** This term was coined by Jay Levinson. The emphasis should be on customer and product. Cross promoting is important. Understand the value addition and alternative channels. It is important to let the customer know that they are important. Sometimes things can be simple, people need to get out. Marketing is a companywide responsibility. Find a link in the industry. Find a way to interact with others that deal with the same stuff. Prepare for the worst. Make certain that there is enough time.

**Agenda:**

- Primary and secondary research
- Guest: Kim Esser
- Status of an Industry assignment
- Area of Interest presentations (4 students)
- Define and Test Customers
- The New Venture Financial Landscape

**Have you reached out to your customer today?** It is very important. Take a step forward into the business and not try to be innovative.

**Status:** We are at the stage of “Industry Knowledge Concepts”.

**Status of the Industry:** Primary research is one-to-one. It is most updated. Also, there can be bias in the primary research. It is most localized and there is incredible value. It can provide local ideas.

Secondary research reaches to a lot more people. There is broader prospective. It would be best to use both the types of research at the same time. To have them work together is very powerful.

Primary research will be mapped to the entrepreneurial model. Great entrepreneurs are fanatics about being updated with the latest trends of their as well as the other industries. Technology trends can have significant impact on the business. See how your company is positioning relative to the change.

**Secondary Research:** The assignment deals with the secondary research. Emphasize on the resources. Remember, Wikipedia is not a source. Get objective, third party information that you may evaluate for a go or no go situation. Talk about how did you do the research and what are your conclusions, based on the research.

**Guest Speaker:** Kim Esser

**Marshall Library Website:** “mymarshall.usc.edu” is accessible to all the students enrolled in any one of the Marshall class. The contents are categorized to enable easy categorization. There are guides to specific industries. There are general items to help with entrepreneurial research.

- ➔ Industries are indexed by number. It makes it a lot easier if the code is known. The source on the Marshall library website gives the code for the industry.

Find out what element governs your industry. At places like Trade Shows, people are there to do networking. The initial focus should be on understanding the industry.

**Go to:**

<http://www.marshall.usc.edu.libproxy.usc.edu/library/electronicresources/electronic-resources-main.htm>

**Standard & Poor's NetAdvantage:** This link gives access to a number of industries, and what is the current status of that industry. Industry Profile actually identifies the top segments and statistical data. Industry trends give an idea of what is picking up. "Industry references" gives trade publications. There is mostly, some magazine or association. Google can be searched using the tags:

"[Industry] Association" or "[Industry]" Magazine"

If the industry is not found there, you can go to:

**IBISWorld:** They have the industry index. The sub-index is specific to this very database. The reports are generated to two to three times an year. The site has an scale of how the industry breaks out its cost. It can also be a good guideline to look up, if you are in the industry.

These two databases give the best report to get a hold on specific industries.

➔ Information on Social Networking can be obtained from: [www.universalmccann.com/wave](http://www.universalmccann.com/wave)

Alumni Association gives access to ProQuest.

"Los Angeles Business Journal" is published weekly. It can be looked at, on the Marshall Library Network.

**MarketResearchAcademic.com:** It has got the industry based research. You can search by industry type, adjectives or the targeted industry. This database can give a much better idea about the market.

**Reference USA:** Custom search gives a group of descriptors. The database is predicated on "Yellow Pages". This database can give access to specific businesses. The data can be downloaded and sorted as desired. You can find people to interview by phone or in person. The typical search indices used are: "Business Type" and "Geography".

➔ If nothing else works out, you can contact the library seeking any required help.

# BREAK

**Assignment:** The feasibility analysis is a document “By You and For You”. Don’t include what you think. It should be third party information. The quality of work is the only important thing. It should mirror the entrepreneurial model. Find your particular niche. You can scale down from the big industry to your specific product. Try can look forward to the niche and not talk about the broader aspect. Look for patterns for change. For example, newspaper subscriptions are dropping at a very large rate. “Vital area” is what separates you from the other. Understand what the big players play for. Entering or exiting the industry could be opportunities. If some of the major players are leaving there would be gaps created. You may have the expertise to fill in the gap. Everything from this assignment goes into the final plan. State what you have learnt and draw conclusions with it. There is an example assignment put on the blackboard.

There would be no comment on “Area of Interest” as the comments are not based on just the mere ideas. The professor would only guide for the process. The “Stranger Log” is to share something. Try to understand pricing, distributors etc. Talk to manufacturers and other people. The log can deal with anybody. The “Go To” should be something impactful. The assignments are to be handed in hardcopy.

**Feasibility:** It starts with an idea. Understand the timeline. The ideal case is to bring customers before even the business starts. One should ensure how quickly one can get to break-even. Business requires a lot of marketing and can take time. Feasibility analysis gives a very good prospective of how to get to break-even. The analysis would deal with why a customer will buy from you.

**Area of interest:**

**Cyndee Ewing - Golf:** It gives a lot of networking opportunities, socializing, entertainment and healthy living. The inspiration was personal needs, national growing interest and unique opportunity to express creativity. She has built websites and have digital marketing experience. She has been a leader in female based organizations.

**Justin Chua - After School Program Network:** There are many after-school programs providing such services. There is very little information about after school. There are many small independent facilities and organizations. There is a gap between people who want these services and the ones who own these services. The idea is to develop network through online communities. The idea is to use the channels to grow the community. There are essentially temporary workers who may need replacement with time.

**Trevor Connon - Education, Tutoring and Technology:** He has a background as a high school teacher. Technology is one part of the solution to educational needs. His several ideas include Test preparation programs, testing software for homeschooling, university distance learning or corporate education. This field has a lot of opportunities.

**Scott Bailey - Internet Technology:** He is looking at websites that are themselves the products. The idea is to develop local communities rather than the global communities. The sources of interest come from: scalability, customer reach, low startup costs, quick product movement and personal enjoyment in the work. His background includes 2 years at Google building webapps, 4 years at Canon R&D, prior sold online site, published researcher and published patents. The joy is in envisioning and building the product.

**Ingvar Kamprad and IKEA:** Ingvar was just selling products, randomly. World War II changed the family dynamics. He looked to alternate sources, when there were problems. He spent on cheaper materials and turned them into brands. He built on the roadblocks that he faced. His overall driving force was to provide his own furniture. He wanted to serve a higher good. These things took a few years to figure out. His attitude towards business was non-hierarchical. Ikea developed a CULTure. Everything had to be perfect. It was important to get the right talent from their own hub to other countries, while focusing on internationalization. It is important aspect to maintain the core values and transfer them to local communities while expanding globally. Stay focused to your customer. It is important to understand when to step down from your post and give your employees, enough power to take decisions.

Think of what the business looks like when you reach out to people. Understand how you want people to view your business. He was out there, doing something. It is not required to be dynamic but to believe in your business. Motivations can differ from person to person.

Once you get to the start line, things look very different.

**Looking Forward:** Scope of customer definition and test -> Define and test your customers

- Develop testing strategies
- Test
- Start early

Launch in a very narrow space and focus your attention. Don't worry about scalability but where to start and how to become successful in a particular market. Understand how the taste of the people has changed. What does the customer want? Ask people if it is something they would want. The primary customer should be known. Position customers and make them craft the product. What is the real value of a product? Who do you buy the services from? What is the channel of purchase? Shipping the product is not important, but knowing who is going to write the check. How is the product going to be different? Also figure out what people are willing to pay for a product.

➔ There would an assignment to figure out the initial price. Record the information, and draw conclusions from it. Reinforce what is important.

**New Venture Financial Landscape:** It is the flyby of where the money comes from. "Customer/suppliers/distributors" are the best source. The ability to borrow from banks is pathetic, as of now.

**Stages:** Early -> Late -> Consolidation

**Seed Stage:** This is where the idea comes. It is the invention stage. The risk is very high. The failure rate is almost 90%. Things can turn from failures to profits with time. Funding varies tremendously. Deployment of cash should not be in your personal funds but in the business alone. It should be structured in such a way that people feel comfortable with it.

**Product Validation Stage:** This is the place where the company has some workers and there are individuals who are willing to write checks because they believe in entrepreneurs. There may also be people looking towards financial return. Not many companies get funded from investment organizations.

**Market Validation Stage:** Here, the business is defined.

**Expansion Stage:** Here, the business is refined. Most of the Venture Capitalists are looking forward to ideas that can be great success.

**Globalization and Consolidation Stage:** Here, the business is diversified. The management is complete.

**Potential Issues:** The investors invest in personal relationship. Angels might not have domain expertise. The amount of money funded can be limited and not even good enough to start the business. It is better to get a big funder than many small funders. Venture Capitalists can be very good.



Venture Capitalists specialize. You should know how much the VC can invest. The timing is very important. Talking about it is important. The key validation points are obtained from customers. Deal flow is everything. VCs restrain from investing in strangers. Understand if you can get to the start point with minimum funding.

**Next Week:**

- Guest: Betsy Densmore, Founder and President, Academies for Social Entrepreneurship
- Student presentations - Industry Status

**Agenda:**

- Guest: Betsy Densmore
- Course Questions
- GoTos
- Industry status presentations
- Working the funnel
- Vital areas and niches
- Customer
- Market Segment Grid
- Concept development
- Working Concept Grid
- Preview of next week

**Brand Name:** It is important to carry the brand the name. The value you create with the brand should be protected.

**Social Entrepreneurship:** Most of the people who start businesses are because they want to contribute.

**Guest:** Betsy Densmore works for Academics for Social Entrepreneurship. Social entrepreneurs are individuals with innovative solutions to society's problems. They support people in solving social problems. The attention is on public benefit and not private benefit.

**Current Charity Model:** The current model divides Business profits into Taxes to government and Charity to organizations. Charities should not take risk or should not make mistakes.

**The Sweet Spot:** Nonprofits need sustainability while corporations and businesses hold social responsibilities. Nonprofits should not compete with businesses. Nonprofit is management style.

**Social Enterprise Venture Types:**

- Education and Training (Council on Aging are continuing education programs for those who work with seniors)
- Retail/Thrift Shop (Habitat for Humanity has opened many stores; OC Contemporary Art has gallery rental and memberships)
- Consulting Services (Healthy Smiles runs dental clinics for young children, created a data management system; Chrysalis is an employment agency; ITN America started ride services for elderly and disabled; Bienvenidos developed court supervised visitation sites; ElderCare provide concierge services for services)
- Food Services/Catering (Project Open Hand/Gourmet Meals)
- Art Venture

**Business Partnership Strategies:** They are businesses developed in partnership. The biggest motivator to get into this arena is the want of doing it.

**Nonprofit/For Profit Alliances:** They are organizations that have developed as nonprofit organization to partner with existing profit organizations.

**Ideal Earned Income Venture:** They respond to genuine need in the market. They build on the assets and competencies of the existing scenario. The idea is to invert the funnel and come to the customers at last. There are cases where customers are not the people who write the checks.

**Business Development:** There should be a balance between social and finance returns. “Focus on Mission” can have expected social returns, while “Cash Cow” gives potential for financial returns.

**Readiness Recap:** It is very important to use the beginner’s mind. Market research and building the roots carefully saves from making a mess. One of the strengths of nonprofits is that they work for the community. It is very important to bring people along. They have a lot of strings attached to it.

**Address:** Academics for Social Entrepreneurship, 2101 E 4<sup>th</sup> St Suite 180B, Santa Ana, CA 92705

**Phone:** 949-500-2381

**Email:** [betsy@academics-se.org](mailto:betsy@academics-se.org)

**URL:** [www.academics-se.org](http://www.academics-se.org)

**Standardization:** Standardization is not important for social entrepreneurship. What draws people is the willingness to work and serve the community.

**Converting Profit Organization into a Nonprofit:** The best idea is to come up with a new Nonprofit organization, and then merging the profit organization into a nonprofit one. It can be critical to turn a profit organization directly into a nonprofit. Certain government grants are not available to profit organizations, but nonprofits only.

# BREAK

**Carrie Xu (GoTo):** Her interest area is Sports and Entertainment, and CSR Consulting. She recommended “Delivering Happiness” by Zappos CEO, Tony Hsieh. The book has ideas about how to work out the business.

**Feasibility Funnel:** We are right now at “Industry Knowledge Concepts”. Even when the company grows into a big one, it should keep a track of its competitors.

## Student Presentations:

**Dustin Bilton - Health Industry:** The industry today, generates \$410 billion in 2010. The patients are faced with factory-like appointments. Some doctors open their own clinics, they may join other doctors or they may join an employed-position model. Competition is getting fierce. He has built relationship with almost 500 physicians over time.

**Andranik Ziyalyan - Innovation:** 70% organizations say that innovation is on their top 3 priorities. “Crowdsourcing” is the idea of outsourcing a project to somebody in the crowd. The crowd can consist of a very large group of people. The idea combines three industries - business, consulting and professional services industries. The total revenue is \$1.6 trillion (contributed by a million firms). Crowdsourcing represents a niche. The competitors are Brainrack and Innocentive. The basic idea is to form collaborations between MBAs and companies. The challenge includes legitimacy issues, awareness and understanding. The content would be the key.

**Paul Gaffner - Real Estate Investment and Management:** The real estate industry is a very fragmented industry. There are 8 companies with 18% revenue and 97% companies do not have any employees. Investors seek local knowledge and contacts. Analytical skills are very important. The basic idea is to carry out portfolio management for small and medium investors. You need to work with people. You make money in Real Estate when you buy a property and not when you sell it. Also, portfolio needs to

be rebalanced as goals change. The industry has been contracting tremendously. There has been a lot of change in the sources of knowledge.

**Jack Lin - US Men's and Boys' Apparel Industry:** Its revenue is \$37.4 billion. The industry lifecycle is declining. The focus is on Chinese industry so as to have low capital investment. The new generation happens to be more fashion conscious than the previous generations. There has been a decline in the number of retailers. Also, there has been a power shift from manufacturers to lecturers. Chinese manufactures are transferring from OEM to ODM (Original Design Manufacturers).

**Opportunity in Declining Industry:** There is always room in a declining industry. The decline shouldn't be scary. The idea is to do things in a way different from how others did it.

**Vital Area:** What separates one company from another is the brand. The vital area is what makes a difference.

**Niche:** It is ridiculous to go out and try out selling everything. Think about your company's niche and vital areas. The validation for the effort is contracts.

**Moving Up:** Meet Expectations - Survival (Creates satisfaction) -> Meet Desires - Success (Creates loyalty) -> Meet Unrecognized needs - Transformation (Create evangelism)

Listen to where the customer is taking you. They can suggest new products and services. There would be new pricing models or new distribution channels. The better you understand the questions, the better you can solve the problems. The customers should be pampered.

**Market Segment Grid:** Industries are not monolithic. They are open to a lot of opportunities. Every industry has top players, middle players and bottom players. Some of the large companies do not buy from startup companies. Middle is the customer base for startup. Market segments, typically are the revenue streams. The customers can be in a totally different segment.

**Idea to Concept:** Idea is the thought of the product. Concept is defining the value of the product. It includes the product/service description, target customer, means of distribution, benefits delivered and revenue model.

**Working concept grid assessment:** Prepare a working concept grid to list alternative customers, distribution channels, benefits and primary competitors. It is a dynamic model. The entrepreneurial model includes market segments and working concept grid.

**Next Week:**

- Guest - Ash Kumra, Co-founder and CEO, DesiYou
- In-class exercise

**Agenda:**

- Guest: Ash Kumra, DesiYou
- Course Questions
- GoTos
- Review - Industry Status Papers
- Market Segment & Working Concept Grids
- Scope of Customer Definition assignment

**E-journey:** Ash Kumra is the Co-founder and CEO of DesiYou. Things just happened with him. He found his goal in the direction opposite what he actually thought.

**Guest Lecture - Ash Kumra:** The presentation would include Team, Market and Business Model:-

**Team:** He graduated from UC Irvine in 2004. He converged technology and entertainment. He has created multi-platform content from the Indian community that can be transformed to various multimedia based websites. He started the company with a co-founder, who complemented him well. The idea was to get the matching content, and not from where it came. “Find very good advisors, if you don’t know an area well”. He found the right financial and operational advisors. “Take constructive critics”.

**Market:** The Company was struggling because of widespread categories. Out of nowhere, they took a video and uploaded, which brought out a number of videos. They added a link to buy the ticket or the DVD to the movie, thereby increasing their revenues widely.

**Business Model:** Things have changed because of the way technology has emerged. He acted like a customer and listened to his customers. He tried to get all kinds of content and thought of becoming a social networking company, but later on realized that his niche was into the movie industry. Advisors should be such that they believe in your dream. Chasing people has helped him get very good advisors. He kept sending his press releases to people he wanted to get involved with. Giving away acuity to the advisors is also very helpful.

# BREAK

**Review:** “Ash” brought on the best in their fields. His business has taken a long time. He has realized his limitations and is incredibly passionate about whatever he does. He was one of the finalists at the Taco’s Angel. He received money from individuals he worked with. The market is like a combination lock that changes everyday.

## GoTo:

**David Galich - Brett Potts:** He is inspired by an individual named “Brett Potts”. He has used the Trojan network to carry out his business. He worked with Brett on a few team projects/training at Cintas. One of his best advises was to know how to use a P&L and income statement. He got some projects through the Trojan network. He used the alumni database.

**Andranik Ziyalyan - Steamboat Ventures and Passenger:** “Steamboat Adventures” has the mission to help young companies successfully face the challenges of becoming leaders in their markets. Their strategic focus is on digital media.

Passenger terms themselves as online focus group. They provide easy-to-use online software so as to focus on various groups. They also provide strategic directions. The Trojan community has an avenue to do a lot of work. The work they have done has been focus on brand and brand awareness. They work with ABC Television.

**Feasibility Funnel:** We are at “Industry Knowledge Concepts”. Entrepreneurs fail because they do not analyze the problems. One resource could be very biased and devoid of what is important in other areas. It is very important to avoid personal colors. Investors try to understand the mindset of businesses. Our own knowledge is not sufficient to take the leap. The entry point for an industry can be very specific and not very wide. The industry stuff is very important.

“Vital Area” is what you live and die with. This is what differentiates you from others. “Niche” is what you are really going after.

**Status of an Industry:** This is a pure research paper with primary and secondary research. It should not include any personal opinion.

**Market Status Grid:** Market comprises of people with similar buying habits. Large retailers do not necessarily provide the opportunity that is needed. If you are in one market segment, you can come up with products to capture new market segments. It can unlock incredible value.

**Working Concept Grid:** The working should go much focused and very deep. There should be a list of alternative customers. Some of the customers might carry different competitors from the existing ones. It is better to reference whatever you put down on the paper.

#### **Student Presentations:**

**Tony Prigor - InA Tech:** They take diverse and expensive portfolio and let the customers see through an implementable solution to an existing problem.

**Bharat Reddy - Mixtape Warriors:** His areas of interest are cartoons, hip hop and smartphones. [www.penny-arcade.com](http://www.penny-arcade.com) is a website that works on similar lines. The idea is to create interactive comics that would navigate content based on user input. There could be value in one market and not the other.

**Alvin Leung - Electric Vehicle Charging in the US:** The market segment for the proposal is significantly distributed. The working concept grid includes corporations, governments, property managers and consumers.

**David Larson - Electronic Flashcard Industry:** Flashcards have been great tool for the industry. About 250 companies work on delivering flashcards. It could be used as content gathering gadgets. The product is direct to consumer and can be bought from the internet.

**Scope of Customer:** There has to be no personal opinion. We need to validate or invalidate our personal opinions. There could be distribution channels that cannot be accessed because they are closed. The best way is to go out and test customers. It is an iterative process. More data is better than less data. It should be done on every single day. The questions should be based on how to design the product and not how to sell it out in the market. The questions vary from one segment to another.

We need to know who our primary customers are and who our secondary customers are. We need to understand the customer benefits. We should understand how much a customer is willing to pay for a product. Is it something that a customer is willing to buy? We want to get as close as possible,



to the customer. A good sales technique is to use another company's scenario, so as to scale it into your own.

- List your target customer base
- Questions to validate the critical elements of your concept
- How you will test the basis of your customer's "buy decision"

**Next Week:**

- Guest - Bart Greenberg, Haynes & Boone
- GoTos
- Class discussion - Crafting a Concept Statement
- Student presentations - Scope of Customer Definition
- People and location risks

**Agenda:**

- Guest: Bart Greenberg
- Scope of Customer Definition
- Scope of Customer Definition Presentations
- People and location risks

**TripTrotting:** She graduated from USC as an undergraduate in 2007. She started thinking about what business idea she could use. Her idea is to connect travelers with locals around the world. After a lot of research, she realized that there was a market for this. It is important to incorporate the business at the right place. She was helped a lot by the Trojan Network.

They charge the travelers per location. The matching is carried out based on what is common between the traveler and the host. Wire marketing is not easy. She got into “Teach for America” program to make money and then came to her business every evening to work on it. It has not been easy, but seeing the relationship build between travelers and hosts has really motivated her. She stayed in touch with people from other universities, and used it to spread the word about her work. There is a certain level of risk involved in every business. The enforceability of legal contracts through internet is much better. In terms of advisor, she focused on getting people from the industry.

**Guest Lecture - Bart Greenberg, Common Entrepreneur Mistakes:** He has been doing business transactions for 21 years. He stayed in the early stage industries. He works with “Haynes Boone”, a firm from Texas. His goal is to place the firm on the map of California. There is a lot of stuff that goes on, and so he is aware of most of the mistakes made by entrepreneurs.

**The Wrong Business:** In case of partnership businesses, the liability is shared equally among the partners. California is shareholder friendly, while Delaware is management friendly. Nevada is not really the best place to start business. There are two entities - taxable and non-taxable. Entity makes its tax return. Keep it simple. Online businesses should also have offices and locations.

**The Wrong Team:** Wrong people on board, cost a lot of time. Don’t hire just because someone will work for free. Avoid urge to hire friends and family. California Labor Laws should not be obeyed. Wages cannot be offset. Get releases from liability on separation (even if some extra payment is required). There are HR companies that help out in hiring.

**Failing to Protect IP:** IP is what gives company their advantage. Employer owns IP unless employee developed entirely on his own time and did not use employer’s equipment. Exception applies if it is not related to the employer’s business. Get employment agreement in place before employee starts work. Check for pre-existing duties of confidentiality to former employer. Ask to see employment agreement from the former employer. The person who creates the IP is always the owner (exception being the employees). Employer should have an upfront agreement that the IP belongs to the company. At places, filing for IP can be very expensive.

**Treating Stock Like Water:** Oral agreements are enforceable. In oral agreements, terms are never well defined. It is difficult for employer to disprove claimed existence of such an agreement.

**Potential Adverse Tax Consequences:** Stock is taxable income (Employees - W2 Income and Contractors - 1099 Income). Section 409A can make people pay more than what they earn if the tax law is not handled properly. There are different websites that give an idea of what should a employee be paid. Security laws should be complied. Also, securities cannot be issued unless the person is registered. Shareholder agreements should allow you to get the stock back. There can be restrictions put on the transfer.

**Failure to Corporate Formalities:** Maintain the company as a separate entity. Get educated and learn the market. Network with appropriate people.

# BREAK

**Pop Quiz:** Customer is someone who pays you for your product. Market is the place of people with similar buying interests. We need to understand who the primary players are. The distribution channel should be known. You need to know if there is a direct sales force that should be taken up for selling out the product. Customers may also belong to different segments.

There should be an emphasis on the current customers which can then be used to scale it on the mass market. You pick and choose what you can test. There might be other market segments

particularly interested in the product. Don't go where everybody is going. The startup companies usually do not have a distribution channel, but they can tie-up with one of the major players in the industry.

**GoTo - Michael Lynn:** He met Chad Sorenson at MAGNET, an entrepreneurial conference. He is the president and co-founder of Sologear. Chad has experience starting a new venture.

His first startup was "Fluent Systems". He launched his business while working on MBA when he was 26 years. Seek experts in the area you have no expertise in. He did not have marketing or general management experience so took advice in that field. Once you have the value, you can reach customers.

**The Feasibility Funnel:** We need to analyze market risks, distribution risks and benefit risks.

**Scope of Customer Definition:** This is an iterative process. Sometimes a "no" is better than a "yes". It is a real world exercise.

#### **Student Presentations:**

**Erin Woods - Good Spaces:** Nonprofit organizations spend too much time searching for donated facilities for meetings, trainings and events. Her idea is to match companies with the organization. The primary customer is the nonprofit service organization. The secondary customer could be nonprofit professional associations.

**Annjanette Isorda - DisneyBaby.com:** The idea is to get Disney involved with Moms right from the pregnancy to the growth of the kid. Also, there is potential for growth when it comes to Dads. The customers would include Expectant Moms, Gift givers etc. Also, there needs to be a confirmation if the customer is willing to pay it.

**Crafting Concept Statements:** Concept statement is a single paragraph that describes each point about selling, specifically. It can change dramatically, with time. It is not the features but why does the customer buy the product.

**Developing your Competitive Strategy:** Sometimes we may not need to think outside the box, but the solution may be right there. The distribution channels may be redefined.

**People:** It is always about the people. You can grow into a larger entity because you are teamed up with others.

**Location:** Location may depend upon what resources are required for the product to sell. There should be proper access to the required talent.

**Next Week:**

- Guests: Deb Rodney and Don Spector, The Next Level Marketing
- GoTos
- Class Discussion
  - ➔ Crafting a brochure/website
  - ➔ Pricing and volume
  - ➔ Building a benefit list
- Student presentations
- Case Study: Scalix Corporation

**Agenda:**

- Guest: Don Spector
- Concept statements and presentations
- Establishing initial price
- Price/margin schedule assignment
- Scalix Corporation

**Guest Lecture - Don Spector, Crafting Your Brochure:** He has created work for all categories of people including Xerox, American Airlines, Yellow Pages etc. Creativity is originality.

Creating a brochure is systematic: what are you going to put in it and how are you going to put it in. Brochures can be used to influence customers, attract investors or even deliver to the retailers or the distributors. Be clear on the product or the service.

**Product / Service:** It has to be determined what is different or special about the particular product. It is important to find something that nobody uses to market their product. Learn lessons from your competitors. Talk about benefits and not features.

**Benefits / Features:** Customers care about what is there for them. It is not important to tell people about features, but it is important to let out the benefits. Also, there are a lot of benefits corresponding to a feature; you need to run tests to find out what is the most important benefit of the product. Concept statements may be tested out or the product may be re-engineered to include the benefits.

**Cover:** People don't care about what we say. Cover is what makes people interested. A good cover may solve a problem. It can tease people conveying more than just one statement. It can make a promise. A cover invoking emotion can also be very effective.

**The Inside Story:** The inside part should have a large shelf-life. Also, it should not be cluttered. The content can have a lot of text but something should speak out. The type should never be less than 12 points. The writing style can be conversational. The idea is to make it readable.

**Content:** There should be contact information and proper look and feel with enough whitespaces. The features should explain the benefits. A coupon or discount can be added to the brochure. It's better to keep this as a slip-sheet. A good tool to create it would be Adobe, InDesign, Publisher, PowerPoint etc.

# BREAK

**GoTo - Dustin Bilton:** Brandon Shamim teaches part-time at USC, UC Riverside and Mt.SAC. He started with what he was good at. The scale up comes when the opportunity is greater than the risk of doing it. Being an influencer gives him a lot of opportunities. A good idea is to talk to existing or past clients for upgrade opportunities and feedback.

**GoTo - Alvin John:** He met Tommy John sometimes back who dealt with undershirts. He got inspired from spanx and magnetic collar stays. His idea was to come up with undershirts that won't bunch up, shrink or turn yellow. He researched for fabric that would not have these disadvantages. An important aspect of his business is the reorder rate. He had to learn everything about the industry. He researched the markets and the customers. He learnt the spending habits. All he did to roll out in the store was to release a personal product to the store owner. He is not advertising at all. All he does is go out to stores and talk to people. His entire business is self-funded. Retailers are also helping out in enhancing a business. He outsources everything.

**Student Presentation - Chris Cheung, Farr Inc:** It is designed to sell diamonds. The idea is to bring together the consumers and the retailers for diamond sales and purchases.

**Student Presentation - Steve Chan:** Reporting is very repetitive so the process should be automated. The idea is to decrease cost instead of trying to increase the profits. The concept statement should include how the customers would be reached.

**Financial Feasibility:** The goal is to establish an initial price for the start. The product and service positioning needs to be known.

"Image" should be guarded very carefully. The "Positioning" should control the customers' flow of mind. "Branding" is earned along the way. The initial price goal is to increase sales, increase market

share, maximize cash flow, maximize profit, entry barriers to competition, define an image and control demand. The best measure is to base the cost on the customer value.

**Developing a price/margin schedule:** The costs to produce are variable costs. This has to be combined with the cost to distribute. The correct initial pricing would include the delivered cost, market and competition. Competitors decide the market value of the product. It is usually delivered with time. There are times when the price is supposed to be increased to develop the value proposition. The premise for cost is the value proposition. This does not include monthly costs of salaries or equipment.

**Scalix Corporation:** They introduced the distribution to the customer. At the time of launch, there price was high. There start was very flawed. It is critical important to understand who is involved and, who are the decision makers and the influencers. They were failing miserably going after the large enterprises. The success came from various calls that were made to them. The economics of telesales model is much different from the direct sales model.

**Next Week:**

- Guest Speaker - Costin Tuculescu, President and CEO CosNet Inc.
- Developing premises, Crafting a timeline, Introduction to Fender Bender
- Student presentations - brochure and price/margin schedule



**Agenda:**

- Guest: Costin Tuculescu
- Brochure presentations
- Price/Margin presentations
- Forecasting sales
- Developing premises
- Introduction to Fender Bender

**Guest Lecture - Costin Tuculescu, President and CEO CosNet, Inc.:** Be passionate about what you are doing. Don't do a thing just to make money. He got recruited by a couple of companies and did a lot of stuff developing webcast softwares. After a while, he was approached by some distributors. The business took off for a while but then had its setbacks. The best way to scale the business is to make things free. They came up with the concept and developed a free webinar. The revenue generation is based on ads.

They talk to customers by the use of surveys. They add features based on customer requests. The best way to reach small scale businesses is by joining chambers of commerce. The software is itself a web service, so there are no downloads and the updates can directly take place. As of now, they don't have budget marketing. They mainly collect people looking for it. Email invites are built in the system. Data is not used from the other websites visited during the course of webinar. "Pandora" generates 95% of its revenue from the ads that it shows. A good idea is to base the ad on geolocation. Feeds for the companies using the webinar can be built up.

# BREAK

**Feedbacks on Costin Tuculescu:** Costin did not have a focus. He did not have a vital area at all. He has been white-labeling his product. He does not understand the basics of marketing and the sales side. His challenge, as of today, is to be receptive. Small companies are critically resource bound. Advertisement model is not bound to generate very good revenues. We need to speak the language of the customer. We should go back at things and redo our model, if required.

#### **GoTos:**

**Alvin Leung - Richard Lowenthal:** He is the founder and CEO of Coulomb Technologies. He is a former mayor so has a very big background in Politics. He is deploying charging stations. He has a very limited number of licensed distributors. He wants to grow at the rate of the market. Most of his funding is government funding. He has a lot of experience in starting new businesses.

**Jimmy Karam - Kelly Perdew, CEO RotoHog:** RotoHog is a major background provider for Fantasy Sports. He wanted to go into other areas apart from Sports. He designed a revenue model and was flexible on his pricing. The best part of his strategy is that he understands the value proposition of his customers. Passion is a huge thing. He understands the importance of integrity.

#### **Student Presentations:**

**Simon Choi - Simple Choice:** His idea is of property management. He developed his own idea based on his frustration. The idea deals with providing new propositions.

**Andranik Ziyalyan - InnoSpurt:** His idea is to form a network of MBA students.

**Matt Wickstrand - Co-Founder of NextClose.com:** NextClose is a website for professionals trying to sell their own property. The brochure is two-fold.

**Atul Sharma - Legumes:** His idea is that of Vegan Food with Organic fusion.

**Price / Margin / Volume:** An initial price has to be established, no matter how hard it is.

**Student Presentations:**

**David Galich - Dri-Kleen:** The idea is of developing a cleaner so as to clean stains, especially the oily ones.

**Forecasting Sales:** Forecasting sales is very difficult. There are two methodologies: Top down and Bottom up. Top down approach is looking at the market margin and trying to project your percentage. This idea is not good. The bottom up approach is to project your sales based on how many products do you expect to sell. Sales forecast are almost never exact.

The bottom up approach involves interpolation from competition, asking prospects and customers, asking the sales force, past year's numbers (if any), statistical sampling, focus groups and asking your distribution channel. Make an educated guesstimate. Attempt to make third party opinion.

**Premises vs Assumptions:** Assumptions are based on false theory. Premises create sales forecasts. Projections include fixed costs, variable costs and start-up costs. They determine the timeline for success and pro forma financial statements.

**Fender Bender:** It was developed by Tom J O'Malia. It covers how to establish financial premises. It defines the time line to successful start. "Entrepreneur's bet" is the amount spent before the entrepreneur makes his first penny.

**Next Week:**

- Guest Speaker - Stacey Feeley, Co-Founder, Silikids, LLC
- GoTos
- Class discussion - Fender Bender, Projected balance sheets, Pricing and volume, Electronic "what if" and Ingredients of financial feasibility
- Student presentations - Financial premises and time line to a successful start

**Agenda:**

- Guest: Stacey Feeley - The mom's e-journey
- Fender Bender Exercise
- Ingredients of Financial Feasibility
- GoTos

**E = f(e):** Entrepreneurship is a function of what an entrepreneur does.

**Guest Lecture - Stacey Feeley, CEO and Co-founder, Silikids LLC:** The idea of Silikids came up through the need of providing products that would replace plastics. The issues they tackled included toxic chemicals in products, bad designs etc. They came up with products that would help the kids and later grew the range to provide products for all the members of the family. The strategy was to get their feet in the market and then go for major retailers.

Building the brand is very important. As they are only a small company, they did their marketing through social networks. They have learned a lot from their advisors and free advice. Every batch is tested and people overseas checkout the labeling. The co-founder had a background in arts, so she created the design for all the products.

When they started the company they invested a total of \$40,000 and then scaled the business by selling their products. They made a lot of profits by visiting the tradeshow. They work on boards with firms that are anti-BPO. What keeps her up at night is the fact that she wants to grow big and not be crushed by the big guys.

# BREAK

**Protecting Rights:** One of the best ways to protect the rights is to make it a trade secret. Intellectual Property acts as an asset from an acquisition point of view. “Patents pending” is one of the ways to get out in the market.

The whole process of getting into the market involves talking to the customer and getting to breakeven. Thereafter anything can be scaled up based on the previous ventures.

**Financial Risks:** The financial risk factors define whether the business would be a go or no go.

#### **GoTos:**

**Esther Wang:** She got connected with “South Bay Sports and Entertainment”. They do sports and entertainment sponsorship. Their relationship is crucial. He developed and maintained good relationship with celebrities and companies, through his previous company.

**David Wagner - Matt Cooper, Founder and Managing Director, Beacon Pointe Advisors:** He is in the business for over 12 years. They wrote detailed business plans for the other companies. Their “Runway” wasn’t conservative enough. He started to run out of cash, but success came from unexpected places.

**Price/Margin Schedule:** Cost to produce + Distribution costs determine the price/margin schedule. “Cost to produce” is the variable cost to produce one item for sale, shipping costs, printing costs, labels etc. Entrepreneurs manage risk.

**Student Presentations - Ilyong Choi:** He is trying to find his business in fashion industry. He intends to buy products through wholesalers and sell them to retailers. He would later extend the business model to allow people send their own product designs.

**Fender Bender:** It is based on a true story. The idea was about starting an auto repair shop. They figured out what their fixed price would be. 20<sup>th</sup> century agreed to give them some overflow. First we need to

understand when will the P&L occur and how much money does the company need to start. We evaluate the losses and then add the startup cost to realize the entrepreneur's bet. All the stuff, is always about the money.

**Next week:**

- GoTos
- Class Discussion - Financial feasibility final questions, crafting your final feasibility plan, the 60 second pitch
- Student presentations

**Agenda:**

- Define and Test Customers Presentations
- Financial Feasibility Presentations
- Financial Feasibility Final Questions
- Crafting the Final Plan
- Class 60 Second Pitch Contest
- GoTos

**Reminders for Startups:** We should be careful with trusting people. At times people put themselves to a lot of risk. There are a lot of resources which people can use these days. Sometimes entrepreneurs do make mistakes. Most of the businesses fail because people just give up. They are not energetic enough.

**GoTos:**

**Dan McMillen - Hamilton Wallace:** He began with being marketing strategic. Web is a big part of any good business. “If you become marketing consultant, hire your own marketing consultant”.

**Cyndee Ewing - Gail Cayetano, Founder and Managing Partner, Starfish Creative Events Inc:** She used her own experience to carry out full service event management agency. They have a strong board of advisors. She has been networking a lot. She having worked for so many companies, used her friends to build her own network. She has brought professionals to nonprofit organizations.

**Jon Minerick - Steve Hougard:** He met Steve Hougard, of Hougard Loans. He switched to contrast processors. He considers packaging of file is everything. His business model is entirely different. People like things that are logical and sensible. He was focused on surveys to extract statistics. The difference can come from the surveys. Customers should be important, because people relate to that. Successful people just do things differently.

**Define Test Customers:** There is a need to understand who the target customers are. A lot of entrepreneurs fail because they are never sure about it. More data is usually better than less data. Sometimes a “no” is better than “yes”. Sometimes there is a need to get to the customers directly.

**Student Presentations:**

**Bethany Grenald:** The business deals with organic food. She distributed food samples to get feedback from potential customers. Most of the customers cared only about taste.

**Holly Zeiler - GoPack:** This consist of a package of products people would want to carry whenever they go somewhere. Most travelers overpack to carry everything. People mostly want information. Airlines

give some basic products if required by the travelers. There could be multiple business channels for this product.

# BREAK

**Financial Feasibility:** One of the best way to start gathering information is by talking to strangers. Paying salary to oneself is a question that always comes up. “It’s always about the money”.

## **Student Presentations:**

**Atul Kumar - Legumes:** His idea is that of opening Organic Vegan Food. One of the breakthroughs of his research was the high cost of the place. The P and L statement was as low as around \$19,000, but with the initial setup cost, the Entrepreneur’s bet shot to \$142,133.1. There is a huge operating leverage. The risk is high but it is very profitable. There is a big initial investment.

**David Galich - Powder Product for Cleaning:** The idea is of building a product to clean stains from concrete.

**The Elevator Pitch:** We never know whom we may meet. We should always be in a position to pitch our business idea. The judge is from Tech Coast Angel.



The pitches would be in 2 rounds. The judge may be a customers, investors, suppliers, etc. The suggested pitch elements include so what?, why you?, why now?, why them? etc. The concept statement is the heart and soul of the business. Practicing is important. Engage your audience.

**Next Week:**

- Submission of Final Plan and Strangers' Log
- Course evaluation
- Final Plan student presentations
- Class 60 second pitch contest
- Course wrap-up

**Agenda:**

- Final Plan presentations
- Final thoughts
- Course evaluation
- 60 Second Pitch round 1
- 60 Second Pitch final round

**Customers:** One of the best ways to grow a business is by talking to the customer.

**Student presentations:**

**Dan Sima - Idea:** When he started things, he was not very sure of his ideas. One of the most important things is to be not afraid of small beginnings. Start should be from a very narrow focus. It took the complete course for him to find out what his idea is.

**Dustin Bilton - Insure Stat:** His idea is to take medicine online. Doctors were willing to pay a lot more in order to get linked online. The business model is not restricted geographically. There is very low variable cost.

**Afterthoughts:** Customers were so much used to their pain that they could not even think of the solution. Be careful of people who are not willing to take the chance. People are not willing to pay for things, unless we really hit their real need.

**Final Thoughts:** The class only sets out as the beginning of the journey. It is never easy. The journey takes many twists and turns. We should always keep our eyes open for new opportunities. Money comes if you build a great company. Your opinion doesn't count; it's the customer's that counts.

**Elevator Pitch:**

**Judge - Don Castle:** He is a retired bank CEO. He ended into the professional management side of things. He proceeded to investment management. Last 10 years, he has been working for Tech Coast Angels. The first pitching competition for Tech Coast Angel was held in Orange County.

**60 Second Pitching:**

1. **Number 24, Customer:** Bio-degradable container
2. **Number 1, Investor:** Wrinkle free clothing
3. **Number 10, Customer:** Women's apparel

4. **Number 27, Supplier:** Electric changing stations
5. **Number 45, Customer:** International trips
6. **Number 36, Customer:** Organic bakery
7. **Absent**
8. **Number 50, Investor and Distributor Channel:** Networking of MBA schools
9. **Number 30, Retailer:** ATM Shirts
10. **Number 3, Investor:** Professional website for Professional people
11. **Number 17, Investor:** Powdered concrete stain remover
12. **Number 32, Customer:** Distribution channel for technology
13. **Number 23, Customer:** Connecting business community with social good
14. **Number 21, Head of Disney Consumer Products:** Baby products
15. **Number 8, Investor:** Diamond auction service
16. **Number 40, Customer:** Legumes - Organic Food
17. **Number 49, Customer:** GoPack - Carry on for travelling
18. **Number 16, Real State Investor:** Gaffner Group - Management for Real State Investors
19. **Number 28, Investor:** Premium men's apparel
20. **Number 12, Investor:** Online referral service for child upbringing
21. **Number 19, Investor:** LiveLine - Online surveillance camera
22. **Number 38, Investor:** MyPed - Headpack for people visiting dentists
23. **Number 42, Customer:** Aloe Vera Yogurt (Food product)
24. **Number 47, Graduate School Business Intern:** GoodSpace - Space for Nonprofit organizations
25. **Number 5, Property Management Company:** AlvinSolutions - Accounting
26. **Number 13, Customer:** Software for Exam preparation
27. **Number 31, Customer:** SafeNet - Safety for vessels
28. **Number 34, Customer:** Solution for American Defense Management
29. **Number 43, Customer:** Management solutions
30. **Number 48, Advisor:** International Sports marketing
31. **Number 4, Customer:** Insurance contacting for Doctors
32. **Number 15, Women Customer aged 18 - 34:** Golfing network for women
33. **Number 29, Starving Customer:** Gourmet peanut butter sandwich
34. **Number 35, Customer:** Website for creating comics
35. **Number 46, Consumer:** NextClose - Selling homes online
36. **Number 39, Customer:** VideoCall - Online service for communication through TV
37. **Number 6, Customer:** Asian fast food restaurant
38. **Number 18, Motorcycle Rider:** MagneticOilSolutions - Improving motorcycle performance
39. **Number 11, Customer:** SimpleChoice - Property manager website
40. **Number 33, Customer:** Website for home loans' processes
41. **Absent**
42. **Number 7, Retailer:** Clothing company for Women's sports apparel
43. **Number 44, Investor:** PowerSol - Solar insulation
44. **Number 20, Customer - Gym Member:** PC (Personal Care) for Men
45. **Number 41, Investor:** ConnectSocialCapital - Connects Entrepreneur with Investors

**Absentees: Number 2, 9, 14, 22, 25, 26 and 37**

# BREAK

## Top 7:

1. **Dustin Bilton, Number 4, Customer:** Insurance contacting for Doctors
2. **Elizabeth Chan, Number 6, Customer:** Asian fast food restaurant
3. **David Galich, Number 17, Investor:** PowerSol - Solar insulation
4. **Dan Sima, Number 29, Still Hungry Customer:** Gourmet peanut butter sandwich
5. **Mike Lynn, Number 41, Investor:** ConnectSocialCapital - Connects Entrepreneur with Investors
6. **Steve Chan, Number 5, Property Management Company:** AlvinSolutions - Accounting
7. **Andranik Ziyalyan, Number 50, Investor and Distributor Channel:** Networking of MBA schools

**Winner: David Galich, Number 17, Investor:** PowerSol - Solar insulation