



Session 5 –Types of Businesses Transcript

“People start different kinds of businesses for different reasons. Maybe they really like surfing and want to be around the beach and other surfers all the time, so they might start a **lifestyle business** like Salsa Brava Surf Shop.

Maybe they just want to make a comfortable living so they start a **small business** like Ben’s Dry Cleaners.

Maybe they want to revolutionize the way people find and use information, so they create a **scalable startup** and work to grow it into something huge like Google.

Or maybe they want to make people's lives a little bit better so they start a **social enterprise** like Thom's shoes and pledge to give away one pair of shoes to someone in need for every pair someone buys."

"Regardless of people's reasons starting a business, it's important to recognize that there are different kinds of businesses that face different kinds of challenges. As a result, business founders face different odds of success and varying payoffs for being successful.

In this video we are going to talk about business feasibility and growth potential, which are key considerations for entrepreneurs and venture investors. Feasibility and growth potential are also the two criteria that will be used to evaluate your written business concepts and pitches for the Diamond Challenge.

“Feasibility refers to whether the concept can actually work as well as the team's ability to execute the concept, as described, and establish a defensible position in the targeted market(s).”

The best way to prove that your business is feasible is by selling your product to actual customers using a repeatable sales process. Absent a strong sales record and process, there are many other factors that influence feasibility as well. Having a founding team with a track record of success and relevant industry experience enhances feasibility. Starting a business that is similar to other successful businesses but promises to deliver something unique, having a lot of financial resources, and focusing on selling products that are easy to produce, understand, and use also make a business more feasible.

Henry Kamau – “My names I Henry, and I’m the CEO of Global Logistics and Transportation both here, in the U.S., and in Kenya. We manage a fleet of 6 trucks, a logistics division, and warehousing up to and including servicing the trucks. The major and core portion of our business is the carrier, which is the trucking side of it. What we do is we transport goods from all points of the US, for various customers up to and including FedEx, J.B.Hunt, Landstar and a lot of other shippers. And what we’ve tried to do going forward is pick up some of the servicing by creating solutions for customers from all points of the US and making it more cost effective by eliminating the broker, that way the customer is directly dealing with us. What is unique about our business is creating the solutions for the customer in a more effective and efficient way and therefore we both make money, and the customer saves money because it’s a marriage. And you have to create a symbiotic association with the people you work with to make them realize a profit on their end while making a profit all the same.”

Lee Mikles – “The Archer group is a digital marketing company, I started it in my basement in February of 2003. It grew up, it started as web design, but grew up as a digital marketing business that did online advertising websites, mobile advertising, Facebook, you name it. And it did it for some major brands such as Wawa, Herr’s potato chips, JPMorgan Chase. The Archer group started with an idea that brands needed better ways to do things that they needed better ways to communicate on the web. The web wasn’t going away, this was 2003, but it was still something that a lot of businesses struggled to do right. They struggled to deal with blogs, they struggled to deal with ways to engage consumers, and we felt there was an opportunity to reach brands through consumers and show them how to do it.”

- “Growth potential refers to the likely ease with which the business can be scaled and the ultimate size that the business may attain.”

Businesses that are difficult to copy because they possess a unique and sustainable competitive advantage, like a patent on a revolutionary technology, tend to have high potential. Manufacturing-based businesses also tend to have high potential because they can ramp up production very quickly to meet growing demand. In contrast, service-based businesses like photography studios, advertising agencies, and hair salons tend to have lower potential because they need to hire and train more people in order to produce more.

Henry Kamau – “In Kenya, what we’re doing is we’re hauling fuel from Kenya to Uganda and Kampala. We started that operations there in January of this year and we’re hoping it will grow to the size we are here in the US. Right now we are adding two trucks and hopefully we can grow it to a portion where we can get into more logistics and help customers deliver goods more effectively, efficiently and fast without spending a whole lot of money.”

Lee Mikles - “I’ll tell you, when the business started it was just me and another guy and we’re banging on doors and trying to get an email project and whatever we could, and to this day it continues to grow up. Its 55-60 people, it’s a big company and one client could go away and it could be a big problem. When we started out there was no Facebook, there was no iPhone, and now we get a significant portion of our revenue from those items; from building Facebook apps and iPhones apps. So you never really know, and you never really can rest and I think that’s one of the things an entrepreneur has to know getting into it; it never gets really easy, it just continues to be fun.”

“One important thing to note is that business feasibility and growth potential tend to be inversely related. Businesses that are more feasible tend to be lower in growth potential. And businesses that are higher in growth potential tend to be lower in feasibility.”

“For example, businesses like food carts and t-shirt printers are likely to have high feasibility because the problems they solve for customers and the keys to business success are largely known in advance and it doesn't take a lot of specialized knowledge or capital to operate such businesses. However, such businesses are low in growth potential because they tend to serve small markets and can be easily copied if they start to realize success.

“In contrast, businesses built around new technologies like conductive polymers or a patented device are likely to have high growth potential because they can address big markets and are difficult to copy. However, such businesses have a lot of unknowns – they have to figure out who the customers are, what problems they have, what their solution has to deliver. These unknowns make the creation of viable businesses much less likely. Therefore, such businesses tend to be low in feasibility.”

“Now that we have talked about different kinds of businesses, and how they differ in terms of feasibility and growth potential, I’d like to encourage you to think about your idea and what type of business it might lead you to found. Once you understand the type of business you are trying to create and what your goals are, it will be easier to find the right resources and connect with the people who will be best able to help.”

“In the words of Roman Philosopher Seneca, ‘If one does not know to which port one is sailing, no wind is favorable.’ Hopefully, these sessions are helping you to determine where you want to go.”