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Business Mind to Business Owner: Finding Startup Success

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Business Mind to Business Owner: Finding Startup Success

Cover Page Footnote
I would like to offer my special thanks to Thaddaeus Hay, Preston Alder, and Yeiri Kim for sharing their experiences and insights during the development of this work.
Every great business idea solves a problem. From a mild inconvenience to a sore pain-point, every problem can be remedied. And when you have found that remedy, you have your business idea.

For Thaddaeus Hay, he found that remedy while working for a Chinese import business in developing and growing its US arm. His friend, Kyle Tarter, was working as an Amazon product consultant at another business. Hay and Tarter learned a lot about e-commerce and product development from their respective industries. One day Hay approached Tarter and said, “we can do something similar to this, and we can do it a lot better!” Hay and Tarter then set to work to develop a model to scale e-commerce businesses. Two became three when Hay and Tarter were introduced to Travis Thorpe, co-founder and former CEO of Boostability. The new team created a process to scale ecommerce businesses and successfully sell products online.

Preston Alder was a student at BYU studying business strategy when he encountered a problem. He was about to embark on a summer internship and started looking for a storage unit in which to keep his belongings while he and his wife were away. Commercial storage units were ridiculously priced, so Alder asked around in hopes of finding a more modest option. He eventually contacted an old neighbor who allowed Alder to store his items in the garage. At this point, Alder realized, “There are empty garages everywhere, there are empty basements everywhere, why couldn’t I have just been using those to begin with? Why should I be forced to use a storage facility?”

According to a study by Bentley University, 66% of millennials have a career goal of starting a business. Small businesses (defined by the Small Business Administration as independent businesses with fewer than 500 employees) represent nearly 99.9% of all businesses in the US (approximately 29.6 million), and are responsible for 63% of all new jobs created each year. Small businesses employ 47.8% of all private sector employees, comprising nearly 58 million people. They also produce 16 times more patents per employee than large firms.

However, in recent years, small business creation in the US has remained stagnant. Since the recession of 2007, new startups in the US have hovered around 400,000 each year (down from its peak of nearly 650,000 in 2004). In 2014, 403,902 businesses opened and 392,000 businesses closed. Only about one-half of new businesses survive 5 years or more, and about one-third live past 10 years. The Small Business Administration estimates that in 2017, approximately two-thirds of all small business exits were the result of firm closures. Eric Ries, entrepreneur and author of The Lean Startup, writes “having worked with hundreds of entrepreneurs, I have seen firsthand how often a promising start leads to failure. The grim reality is that most startups fail. Most new products are not successful. Most new ventures do not live up to their potential.”

Despite these bleak statistics, many business have triumphed through their struggles and have found great success. Every business’ story is different, but the underlying principles are the same.
Yeiri Kim and her husband, Junghun Song, previously owned a restaurant discount-card business. One day Song attended a food convention in Salt Lake City. He saw foods from all over the world, but no Korean foods. He found this disappointing, because people all over the world love Korean food, yet no vendor at the convention was selling it. He came home later that night and said to Kim, "What if we did a food truck? I know a lot of people in Utah will love Korean barbeque!" Because of Song's restaurant discount-card business, he had a lot of exposure to different types of restaurants and food businesses (Kim estimates that Song visited or contacted around 80% of all restaurants in Salt Lake and Utah County). He knew the industry's best practices and the ones to avoid.

The Money Myth

One of the biggest misconceptions of starting a business is that it requires a large amount of upfront capital. Dave Lavinsky, founder of California-based business-planning firm Growthink, stated in an interview that being an "entrepreneur is the art and business of planning." But from his experience, he knew it requires a large amount of upfront capital. Dave Lavinsky, founder of California-based business-planning firm Growthink, stated in an interview that being an "entrepreneur is the art and business of planning." But from his experience, he knew it requires a large amount of upfront capital.

Hay and Tarter each initially invested a few thousand dollars into their business and slowly grew their company. By keeping things small and staying within their means, they did not need any additional funding for a while. When Thorpe joined, he provided Hay and Tarter the additional funding Nozani needed to expand further and further. Hay says, "there are so many opportunities for people who have a good idea to find funding. There are so many opportunities within the community. It takes confidence in what you're doing and a willingness to put yourself out there."

The low-hanging fruit is, [for example,] the universities' competitions. "Alder and his team didn't have any money. However, their market research showed that a lot of potential customers had interest in Neighbor's business concept. At that point Alder wanted to find the "low-hanging fruit." The low-hanging fruit is, [for example,] the universities that provide a great opportunity, great exposure, and experience. We were able to get initial funding, not on equity, but from [the universities'] competitions." Alder also advises to take advantage of the widely available community resources for small businesses, and to put your full effort into your business. "How do you [start your business]? Number one: You start by being scrappy. Number two: you go after the low-hanging fruit."

"Most people say 'I can't start a business because I don't have any money,'" says Alder. When Neighbor first started, Alder and his team didn't have any money. However, their market research showed that a lot of potential customers had interest in Neighbor's business concept. At that point Alder wanted to find the "low-hanging fruit." The low-hanging fruit is, [for example,] the universities that provide a great opportunity, great exposure, and experience. We were able to get initial funding, not on equity, but from [the universities'] competitions." Alder also advises to take advantage of the widely available community resources for small businesses, and to put your full effort into your business. "How do you [start your business]? Number one: You start by being scrappy. Number two: you go after the low-hanging fruit."

"When students think about raising capital, they think about a big amount of money. I don't agree with that. You need to start small," says Kim. Cupbop's initial funding included modest amounts contributed by its owners. All the owners also kept another job to provide for their families. Kim encourages students to think about what they are able to raise, and to start from that point. A smaller amount of capital is easier to manage than a larger amount.

Marketing and Reaching Customers

The customer makes or breaks a business. A business without customers will cease to exist. According to Ford founder, Henry Ford, "It is not the employer who pays the wages. Employers only handle the money. It is the customer who pays the wages." Reaching customers continues to be a struggle for many companies. Former electronics mega-retailer Circuit City was unable to respond to its customers' changing purchasing habits, and eventually went bankrupt in 2009. With so many businesses competing with each other, how do smaller businesses reach their target market?
SURPRISING CHALLENGES

Starting a business is full of challenges. According to legend, Thomas Edison made ten thousand failed attempts at inventing the lightbulb before he finally succeeded. After each initial unsuccessful attempt, he did not become discouraged. Perhaps his most famous quote is “I have not failed. I have just found ten thousand ways that won’t work.”

The biggest surprise for Hay is the amount of money, time, and stress scaling his business took. “Without a lot of money, you can help a couple dozen customers, but to grow a business, it costs a lot of money.” The second biggest surprise is the difficulty of managing 45 employees and how much structure is needed to run his business. However, Hay credits Nozani’s success to his employees, especially his managers who have helped him along Nozani’s path to growth.

For Neighbor, the biggest challenge has been taking on not one, but two businesses. “We’re a marketplace. We have to find people who have space, and people who need storage. It makes it difficult because we have two different types of markets we’re chasing.” Neighbor overcomes this challenge through managers who have helped him along Nozani’s path to growth.

When Cupbop was rapidly expanding in 2017, customers and social media presented an unexpected challenge. Due to its speed of expansion, Cupbop faced a few short-staff or short-service challenges which led to a few unsatisfied customers. “It was difficult to duplicate our unique Cupbop style of service to all of our customers.” Unsatisfied customers would leave poor reviews on social media and Yelp. However, Cupbop always reached out to those customers, listened to them, and made sure to resolve their issues. Cupbop treats customers as family.

HIDDEN BLESSINGS

With the odds stacked against them and with numerous challenges, what makes entrepreneurs eager to get up every day and run their businesses?

“The greatest blessing for me has been the opportunity to help families, to help people, my employees, and my clients to be better and grow. So many people believe that in order to make a difference they need to work in a nonprofit, which is a great thing. But for me, what I’ve found is that I’m able to make a difference in the lives of thousands of people. People are going to make money, because of the help of my business, and they’re going to hire more people, and they will be able to provide for their families.”

“The greatest blessing for me is that I get to come to work each day and work with a team that has the same vision that I do. It sounds cliché, but day after day we’re all working toward that same goal. And these people who are extremely qualified have given up incredible opportunities to be at this opportunity. Knowing that it started from an idea that I had, one day when I had a pain-point, and now it’s turned into a position where we have seven full-time employees and more in the coming months. Just knowing that we all have the same long-term vision for what Neighbor can become is a huge blessing.”

“Customers. We have been expanding very fast. Someone who is already big, like Chick-fil-A, Cafe Rio or Zupas, has a lot of experience. We were nobody. We are very appreciative of our loyal customers. We make a lot of mistakes, and we’re still learning, but our loyal customers still feel very connected with us. We feel very loved by our customers.”

ABOUT THE COMPANIES

NOZANI

Nozani is an e-commerce marketer based in Lindon, Utah. Since starting in 2016, Nozani has grown to serve businesses across the globe, providing services in marketing, market research, photography, and Amazon optimization and management.

https://www.nozani.com/

NEIGHBOR

(FORMERLY NEIYBOR)

Neighbor is a your go-to place for convenient storage. Offering safe peer-to-peer storage solutions for very reasonable prices, it is quickly growing into a nationwide company. Neighbor serves not only students, but anyone needing a place to store belongings.

https://www.storewithneighbor.com/

CUPBOP

Cupbop is the insanely popular “Korean BBQ in a cup.” Since starting from a single food truck in 2014, Cupbop now has several food trucks and physical locations throughout Salt Lake County and Utah County. With its own signature barbecue sauce, Cupbop’s food is one of a kind.

https://www.facebook.com/Cupbop/

Notes

2. https://www.bentley.edu/newsroom/latest-headlines/mind-to-business
7. http://fortune.com/2016/03/02/biggest-retail-bankruptcies/