

**Consider Potential Market Carefully
Business Sense by Bruce Hamilton, The Times Standard
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I had the good fortune to be one of the six judges for the Economic Fuel - Student Driven Entrepreneurship.

The competition concluded last week with \$117,000 in seed money being gifted to eight final teams.

Each team submitted a business plan that embodied their entrepreneurial idea for a new start-up enterprise. The eight finalists were chosen from 32 submitted plans.

Having read all 32 plans, I will make a few comments. First of all, the spirit of the entrepreneur is alive and well in Humboldt County. The passion and drive to create something new confirmed my belief in the health, strength and vitality of our young people.

A couple of comments for what they are worth: First of all, the quality of the plans was excellent and a darn site improved over last year. The analysis of the business environment, the marketplace, the competition, the management structure envisioned and the dreaded financials were all excellent.

The fact that inexperienced fledgling business wannabes don't understand the relationship between revenue, profit and loss and the balance sheet is to be expected and such lack of clarity in the financial landscape was not judged harshly.

It was rewarding to see the level of enthusiasm and creativity as well as intellectual and emotional energy poured into the plans.

Speaking for myself, but I think on behalf of the other five judges, it was difficult to cull the 32 plans down to the eight finalists. There were many good ideas, and many of them were well presented. I believe that each of the six judges had at least one team that he or she ranked in the top eight that did not make it. It was even more difficult to rank the top four, each of whom won the top prize of \$25,000.

The judges had to weigh several factors such as the risk of success of the plan and the economic impact on Humboldt County if the plan did, in fact, succeed. These two are naturally opposed. Generally speaking, a modest service, retail store, restaurant or bar, or personally

handcrafted product may have a good chance of succeeding, but may yield few new jobs. A good new hairdresser, for example, may succeed, but might just take business away from existing hairdressers.

On the other hand, a capital intensive, nationally targeted product or service may have a very small chance of surviving the initial launch and then may encounter major entrenched competition, but if it did make it, the headquarters alone being in our county could produce many high-paying, professional jobs.

These are some of the kinds of tradeoffs and judgments that the panel of six judges considered.

None of the teams that were not winners should feel bad or be too discouraged. After all, I would probably have missed Apple, Yakima Products and Google had their start-up plans been presented to me.

If there was one factor that I weighted heavily in my decisions about the plans, it was the credibility of the revenue assumptions. The sales volume of most of the plans struck me as wishful thinking. While any aspiring entrepreneur needs to be optimistic, reality will soon descend on even the most buoyant spirit.

One's personal enthusiasm for any given activity or product may not be shared by a large enough percent of the population to sustain the cash flow necessary for a business to thrive. Any retail venture contemplated for Humboldt County has to recognize the small population base and the geographic spread of that population.

While it is no doubt true that an individual is passionate about some activity, product or service -- it is a big leap to finding a marketplace in which enough customers are willing to purchase the product or service at a price that allows the business to be profitable.

Therefore, my business sense advice to inspired start-ups is to consider the market carefully. Target a small percent of a big population rather than a big percent of a small population. If for example, one has a product targeted at pet owners, there are a huge number of cat or dog owners, but relatively few boa constrictor owners. The most successful product for large snakes may not yield enough sales to justify a business.

Bruce Hamilton is the former CEO of Wing Inflatables and Yakima.