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→BLOWN AWAY Caroline (*left*) and Isabel Bercaw cofounded Da Bomb Bath, an exploding line of bath bombs. **P.28**

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Photograph / CARA ROBBINS


"I've always loved working in restaurants, and knew from an early age that I wanted to operate my own business.
The great thing about Jersey Mike's Subs is that the business model allows me to own a restaurant *AND* have a life. I can be a small business owner AND a husband, a restaurateur *AND* a dad, an entrepreneur *AND* a Little League baseball coach. Jersey Mike's provides limitless opportunities to support and give back to the local community, which is very fulfilling. Operating a successful, profitable business, and maintaining a high quality of life outside of work, that is the American dream."
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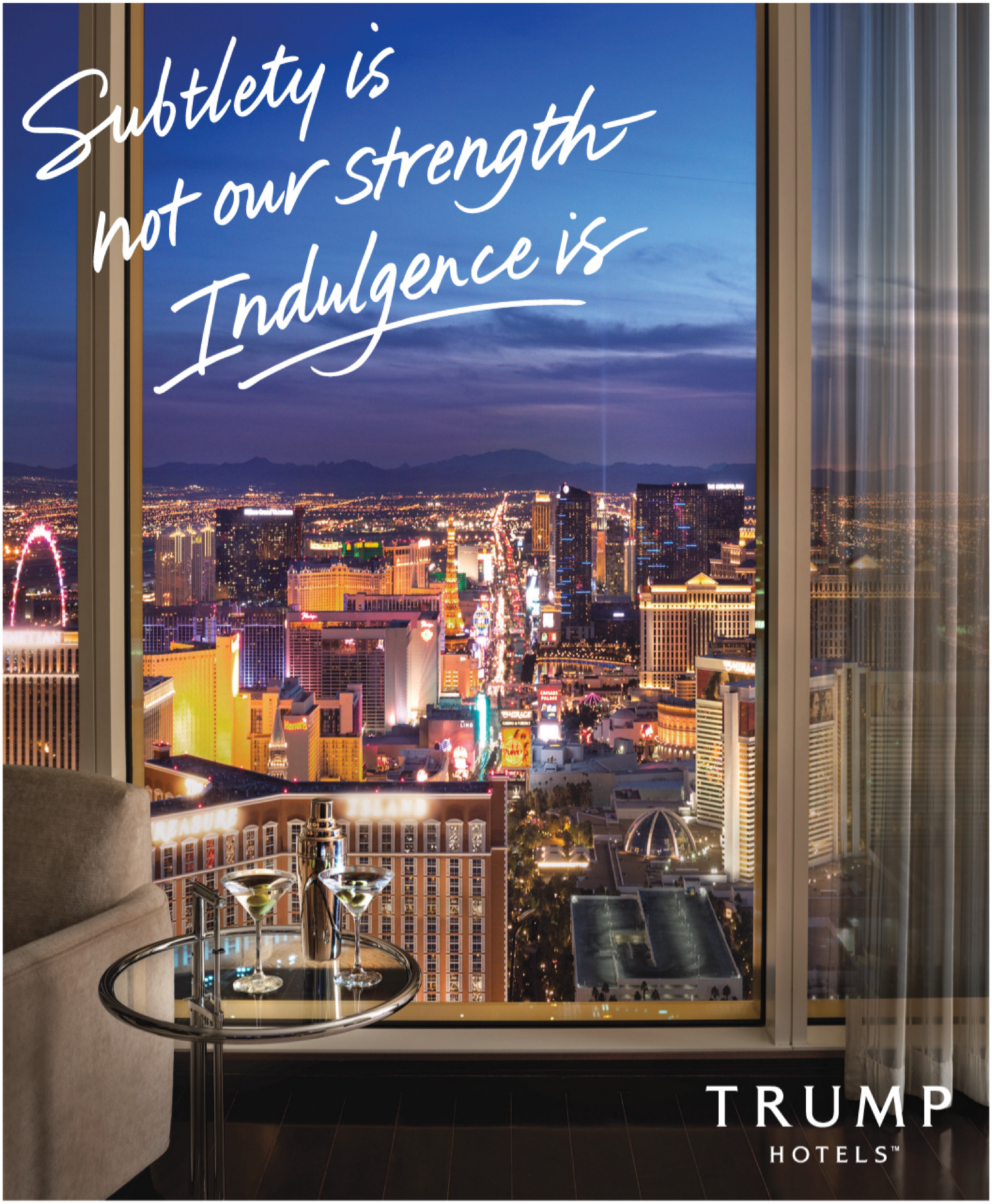
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Act Now, Before It Hurts

Here's the question that'll determine your future: Will you change, or will you be *forced* to change?

WANT TO SEE change coming to a major industry? Just watch a little kid in front of a TV.

I did it earlier this summer. My 4-year-old son and I were on a JetBlue flight, and he started flipping around the in-seat TV channels. This was a foreign experience for him; we cut the cord at home, so he's grown up with apps like PBS Kids. Now he had dozens of live channels at his fingertips, and he landed on Nickelodeon, which was also foreign to him. *SpongeBob SquarePants* was on, and he was hooked. Riveted. Giggly! (Although he thought SpongeBob was made of cheese.)

Then a commercial break began.

"What is this?" he asked. I explained it was a series of ads. "I don't want them," he said. I said that nobody wants them, but if he waits for a few minutes, they'll go away and his show will return. "That's exhausting," he said—and then asked for a phone, so he could watch streaming videos uninterrupted. His interest in SpongeBob was no match for his disinterest in ads.

Imagine it: An entire generation will grow up like him, raised on ad-free environments and with no patience for minutes-long blocks of unwanted interruption. Advertising agencies and TV networks surely know this, but what are they doing about it? Not enough, as far as I can see. Television is still running on a decades-old business model. It's grasping onto what once worked. Know who made that same decision? Blockbuster. Kodak. Hell, so did the magazine industry—which I can assure you is now scrambling to recover.

Change will come to every business, but there's an irony to it: The best time to embrace change is when you see it coming from far away—when you still have time to plan, and when you aren't hurting. But that's also the hardest time to change. Why leave something that's still working? Why invite the pain? Most businesses simply can't find the will to change until it's a necessity. But at that point, it's often too late.

This is why of all the entrepreneurs I meet, I'm most struck by the ones who make change early. It sounds easy, but it is so hard in practice. For example, I think about Andy Monfried, the founder and CEO of Lotame. His company provided an ad buying service to advertising agencies, which earned $30 million in annual revenue. But after a few years, three agencies told Andy they were moving on. "I can't give you any more money," he remembers them saying. "We're building what you're doing at our agency."

Andy realized he was in trouble. His company was still profitable, but change was coming. He'd eventually be outmoded. In response, he planned to shut down his advertising business and pivot to a new one involving data—but one of his investors balked. Why close a profitable business? Why not use it as a cash cow, and let it die a slow death while building the next thing? But Andy disagreed. "Cash cows are the death of a business," he told me, "because you can never starve a cash cow. Needs and resources will always gravitate toward it. So you're better off to amputate."

That's what he did. He laid off half his company, used the remaining team to reinvent Lotame, and then built it back up as a data company that serves a completely different clientele. "It was an emotional experience, and I had doubts all the way through," he admits. But he knew it was his only choice. Today, he's been proven right: Lotame is bringing in far more than the $30 million in revenue he once sacrificed. By acting early, Andy saved his company.

This is what it means to be proactive. We can't wait for change; we have to *be* the change. And yes, we'll create some anguish along the way. We might feel crazy and risky and reckless. But we're ultimately inviting short-term pain for long-term gain—which, frankly, is far better than the alternative. If you want to see what that looks like, just keeping watching the TV.

But my son? I suspect he won't be watching.

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No Meetings. No Planning. Go!

That's **Bobbi Brown**'s business advice. And after transforming the beauty industry and then leaving her namesake company, she's living her advice, too—and building more brands.

by JASON FEIFER

SELLING IT Brown shooting an Instagram video for her new Walmart line of supplements.

What do you do for a second act, when your first act literally changed an industry? That was the question facing makeup powerhouse Bobbi Brown, whose simple line of lipsticks blossomed into the billion-dollar company Bobbi Brown Cosmetics. She left it in 2016 with no plans for what to do next; all she knew was that she was done with corporate life. (The company had been acquired decades earlier by Estée Lauder.) "It wasn't freeing," she says. "It was like, *Oh, shit; now what?*" But she's since found an answer—expanding into new territories with a supplements line for Walmart (Evolution_18), an editorial site (justBOBBI), and a boutique hotel (The George), all of which launched this spring. She also has a new podcast (*Long Story Short*) and a film and photo studio (18Label), and more to come. But the second act isn't really so different from the first act, she says: At its heart, everything an entrepreneur does is just about *doing*.

You made your name in a time before the phrase *personal brand* existed. Did you ever think of yourself as a brand?
Not even a little bit. I didn't know what a brand was back then. I was a makeup artist. I just wanted to make something that was better than what was on the market, and that I got really excited about.

I hear that a lot from famous people—that they weren't strategic about building themselves up. It's such a contrast to now, where people consciously treat themselves like brands.
A lot of them come to me for advice, and the only advice I have is: "OK, go home and just do it. Put your head down, figure out what it takes, and just do it. And if it doesn't work, then do it, but do it a little bit differently." Everyone wants to talk about doing it and planning and strategizing, but people are forgetting you actually have to do it. I'm a doer.

Did anybody give you that advice at your start?
No. The only advice I got at my start was from someone who said, "The world doesn't need another cosmetics company. You don't know what you're doing." So I said, *OK*, and I just kept doing what I was doing, which was making a lipstick that didn't smell bad, that was actually the color of your lips, and that wasn't dry or greasy. I met a chemist at a photo shoot and told him what I wanted, and he made it for me, and I said, "Wow; people are going to love this," and he said, "All right. I'll make it, you sell it for $15—you get $7.50, I get $7.50." I said, "Deal!" And that's how I started.

"The world doesn't need another cosmetics company" sounds dismissive, but I wonder if it's also good advice. Because the world *doesn't* need another cosmetics company, any more than it needs, say, another beverage company. Which means an entrepreneur really needs to make the case for what they're creating.
Right. When times were quiet, I thought, *Well, to make some extra cash, let me go into a salon and do makeup for women*. So I worked with mothers and aunts and sisters, and I would teach them makeup, and they'd be like, "Oh my God—I love this. It's so simple." And as my brand grew and my career grew, it just was common sense. My brand became the teaching brand.

You've said that if you wrote a business book, you'd call it *Duh*. Do you feel like, at its heart, business is actually quite simple?
Yes, and I find people waste time, energy, and money on things that don't matter.

So, I want you to walk into an imaginary business right now and tell people to stop doing things. What should they stop?
Well, first of all, stop putting your head down in your computer. At least once a day, raise your head, get some fresh air, and talk to people. And stop having so many meetings. Honestly, sometimes a discussion just takes two seconds.

You left Bobbi Brown Cosmetics in 2016, after 25 years of building the same company. Now you're doing totally different things—supplements, lodging, content. Is that disorienting?
No. It's honestly no different. Because I'm someone who thinks about a project, thinks about what it is, how it could be better, how to really explain it to people, how to curate it, how to Instagram it, and how to visualize it. Doing Evolution_18 is the same thing I did when I was creating colors for the season or product categories. You know, you just make things up. An entrepreneur really is just someone who likes to make things up and likes to get them done.

Not everything you've tried since leaving Bobbi Brown Cosmetics has worked out, like a stint as a Yahoo beauty editor. Do you worry about failure?
I'm not afraid of failure. If something doesn't work out, I look at it and say, "OK. That was fun. That was interesting. This is why it didn't work." Because I always like to learn from it. I've done things where I say, "I don't want to do it again, but it was interesting to see."

I'd bet that's really freeing. When you're not afraid of failure, you're willing to take more risks.
Totally. Like, I've been given an opportunity to have a podcast. I don't know anything about interviewing people. I don't prep. I'm handed a piece of paper, I go into a room, and I just talk to the person—you know, anyone from Mickey Drexler to Jeff Raider to Joey Fatone. I'm not the smartest in the room, but I'm sure the most curious.

Speaking as someone who interviews people for a living, I can say: That's the right way to do it. If you use prewritten questions, you won't listen to what someone is saying and ask follow-ups. Prewritten questions are the death of conversation.
Well, that's good to know, because I don't look at them anyway!

If podcasting had existed at the very beginning of your career, do you think you would have done it the same way—just walk into a room and go?
No, not at all! I mean, the good thing about being experienced and getting older is that your confidence gets stronger. And honestly, after all these years, people want to know from me: *How do you become confident?* The only thing confidence is, is being comfortable in your skin. I'm comfortable to make mistakes. I'm comfortable to admit what I don't know. I just think it's interesting not knowing things, so long as you're not afraid to ask questions and say, "Wait; what do you mean?"

People would rather you ask the question and learn, rather than pretend you know it and don't.
Right, exactly. And for some reason, people think that to be a successful entrepreneur, you have the fairy dust: *Just sprinkle some on me!* And it's like, guys—what I have is that I just keep going forward.

> "PUT YOUR HEAD DOWN, FIGURE OUT WHAT IT TAKES, AND JUST DO IT. EVERYONE WANTS TO TALK ABOUT DOING IT AND PLANNING AND STRATEGIZING, BUT PEOPLE ARE FORGETTING YOU ACTUALLY HAVE TO DO IT. I'M A DOER."

3 WAYS INNOVATIVE PAPER PACKAGING CAN GIVE YOUR BUSINESS AN EDGE

Packaging design is an opportunity, one that often gets overlooked in the day-to-day crush of running a business. Smart brands understand that beyond protecting the products, exceptional packaging can also create an unboxing experience that can delight customers. “In our age of consumerism and anxiety, any sense of luxury or personal differentiation is a big deal,” says Isis Shiffer, the founder of Spitfire Industry, a New York City-based industrial design consultancy.

Packaging can also communicate your company’s values, whether that’s a commitment to a seamless user experience, sustainability, or a focus on health. Wellness brands, for example, often use undyed simple prints and plain, unvarnished corrugated cardboard, an aesthetic that conveys simplicity and transparency.

Below, Shiffer shares tips for harnessing the innovative applications of paper to create packaging that gives your product an edge over competitors.

1. Play with structure.
Paper is versatile. Capable of creating delicate details, it can also be incredibly sturdy. When smashed “it spreads the impact on a micro-level to fibers in all directions,” Shiffer says, enabling paper packaging to protect even the most fragile of contents.

The key is to strategically harness paper’s strength to protect a package’s contents. Corrugated cardboard triangles are your friend in this regard. When placed in the corner of a package, they will absorb impact, protecting whatever’s inside. Paper honeycomb, while flexible, is also capable of absorbing blows from one direction. In some cases, the packaging can even become part of the product, such as a toy car company in which the packaging doubles as the vehicle’s body.

Furniture companies are experts at the targeted deployment of cardboard to protect their wares. A number of them have gone a step further, manufacturing tables, chairs, even couches from cardboard itself. These pieces, which are assembled via a series of folds, are easy to ship because they pack flat.

2. Make it beautiful.
In addition to its functionality, paper is an ideal medium for printing elaborate, eye-catching, vibrant patterns, as its smooth surface allows for the even distribution of ink. Texture provides another opportunity to stand out, as does the shape and weight of the package itself. Top-shelf and artisanal businesses often map out the unboxing experience so that every detail enforces the brand’s aesthetic. A high-end tech company, for example, can communicate its products’ elegant, seamless design through luxurious soft-touch paper and a lid that slides open with a satisfying swoosh.

3. Consider the environmental impact.
The most common way to recycle paper is to send it to a recycling plant, where it is broken down into pulp and reused. The natural fiber in the box that arrives at your doorstep is a valuable resource that makes more boxes. Brown shipping boxes can contain a significant amount of recycled material.

Whenever possible, avoid expanded polystyrene. While the material can be suitable at protecting fragile objects, “you can’t compost it, recycle it, burn it, or melt it,” Shiffer says. “It just sits there.” Thanks to innovations in packaging, it’s possible to replace expanded polystyrene with more environmentally-friendly options, such as paper.

Shiffer recommends taking cues from companies that have already made sustainability an explicit part of their mission and have implemented strategies—such as using biodegradable plant dyes and waterproofing coating—to keep packaging from ending up in a landfill.

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Charity or Company?

Some nonprofits are getting into the business of making money. So how does that work? by LIZ BRODY

Kenton Lee was traveling through Nairobi when he had, as he says jokingly, "the only idea I've ever had." He saw an orphan girl's shoes that were way too small; someone had cut off the front so her toes could stick through. "Right there, I thought, *Wouldn't it be nice if there were shoes that could grow?*" Then he went home to Boise, Idaho, developed a shoe that expands five sizes, and founded the nonprofit Because International—which today, 12 years later, has distributed more than 250,000 pairs worldwide.

And somewhere along the way, an unexpected thing happened. American parents started asking to buy his expandable shoes for *their* growing kids. He saw the value of it: If he sold shoes, he might not have to do as many fund-raising dinners and golf tournaments. But he wasn't passionate about selling. "That's not what we do," he'd reply. "We're a nonprofit."

Meanwhile, another nonprofit called Grameen Foundation reached a similar juncture. It had built an app to help Colombian farmers improve their productivity, and it worked in places without wi-fi. Other organizations asked if they could use it, which signaled to Grameen that the tool could be more useful as a business. But

Illustration / VIKTOR KOEN

Grameen wasn't set up for that. It's a global nonprofit.

And meanwhile, yet another charity called Speak Your Silence was wrestling with the same quandary. Its platform provides in-person counseling to sexual abuse survivors. Years before the #MeToo movement, founder Matt Pipkin wanted to provide a version of this to companies, to help keep their employees safe from sexual harassment. But his board pushed back—they ran a *nonprofit*. "If you have a business and start a nonprofit, no one thinks twice," Pipkin says. "But if you start a nonprofit and then start a business, people think, *Wait a second.*"

That's beginning to change. All three nonprofits ultimately entered the moneymaking game. It is, they believe, the next phase of social entrepreneurship.

OVER THE PAST 10 to 15 years, business has become obsessed with *mission*. Companies like Toms, Warby Parker, and Feed built it into their brands, often with "one-for-one" models—every purchase triggers a corporate donation. Other companies have spun off entire nonprofit arms; Salesforce, for example, created the Salesforce Foundation. Then impact investing gained buzz, while new vehicles like the B Corp and L3C arrived to give mission-driven ventures a legal structure.

But as for-profit entities embraced the nonprofit world, a movement also started in the opposite direction. "What we've seen in the past four or five years is nonprofits saying, 'How can I adopt some of those entrepreneurial principles to make our impact more sustainable?'" says Thane Kreiner, Ph.D., executive director of the Miller Center for Social Entrepreneurship. Pat Walsh has seen the same as a cofounder of Classy, a social enterprise that creates online fund-raising software for nonprofits. "What's new," she says, "is in how creative they're getting, including introducing innovative businesses."

It's not yet common to see nonprofits spinning off separate for-profit arms, but, says Kreiner, "I think we're going to see more of that."

The twist is not without its challenges. When an entrepreneur mixes mission and moneymaking, it means pursuing two goals that would seem to butt heads: In increasing profits, they're often not focused on distributing those profits (and vice versa). Even when the charity and the company are separate, "you're still at risk of having the businesspeople seeing the world one way and the nonprofit people seeing it the other way," says Marya Besharov, Ph.D., associate professor of organizational behavior at the ILR School at Cornell University. "So you're bringing together these historically separate ways of operating, and that's hard to do."

But not impossible.

LEE, THE CREATOR of the expandable shoes, saw the tension immediately. Some board members balked at launching a for-profit and quit in protest. "They equated anything commercial with greed and thought we were going to have a mission drift," he says. "It was a lot of soul searching and 'Why are we doing this? Is it about the money?'" But Lee and his president, Andrew Kroes, decided no; their hearts were in the right place. So in January 2018, they founded a benefit corporation, GroFive, to sell Expandals.

In doing so, they had to reckon with another big question: *How is this new organization structured?* "Figuring out your role relative to the nonprofit, as the leader of the for-profit, is very challenging," says Besharov, the Cornell professor. How much can you run it like a traditional business? How much do you have to connect with the nonprofit's mission? If you make it too separate, then why are you even tied to the nonprofit?

Lee decided to give his nonprofit the controlling share of this new company. Because International owns 51 percent of GroFive, and he owns the other 49 percent. (Between the nonprofit and Lee, they put in $100,000 of startup money to get it going.) Kroes became the company's CEO. GroFive is now selling its first batch of shoes, with 6.5 percent of total revenue to be funneled back into the nonprofit.

At Grameen, the NGO with the app for farmers, the big question is about money. It created a new company to sell the app, called TaroWorks, which went through a Miller Center accelerator and is now raising capital. Some VCs view it as a regular company and want to see huge growth. Others see it as a nonprofit but don't connect emotionally to its mission. "In research we call it an *identity challenge.* Like, who are you?" says Besharov, the professor. "Most people still want to categorize nonprofits and for-profits as either this or that."

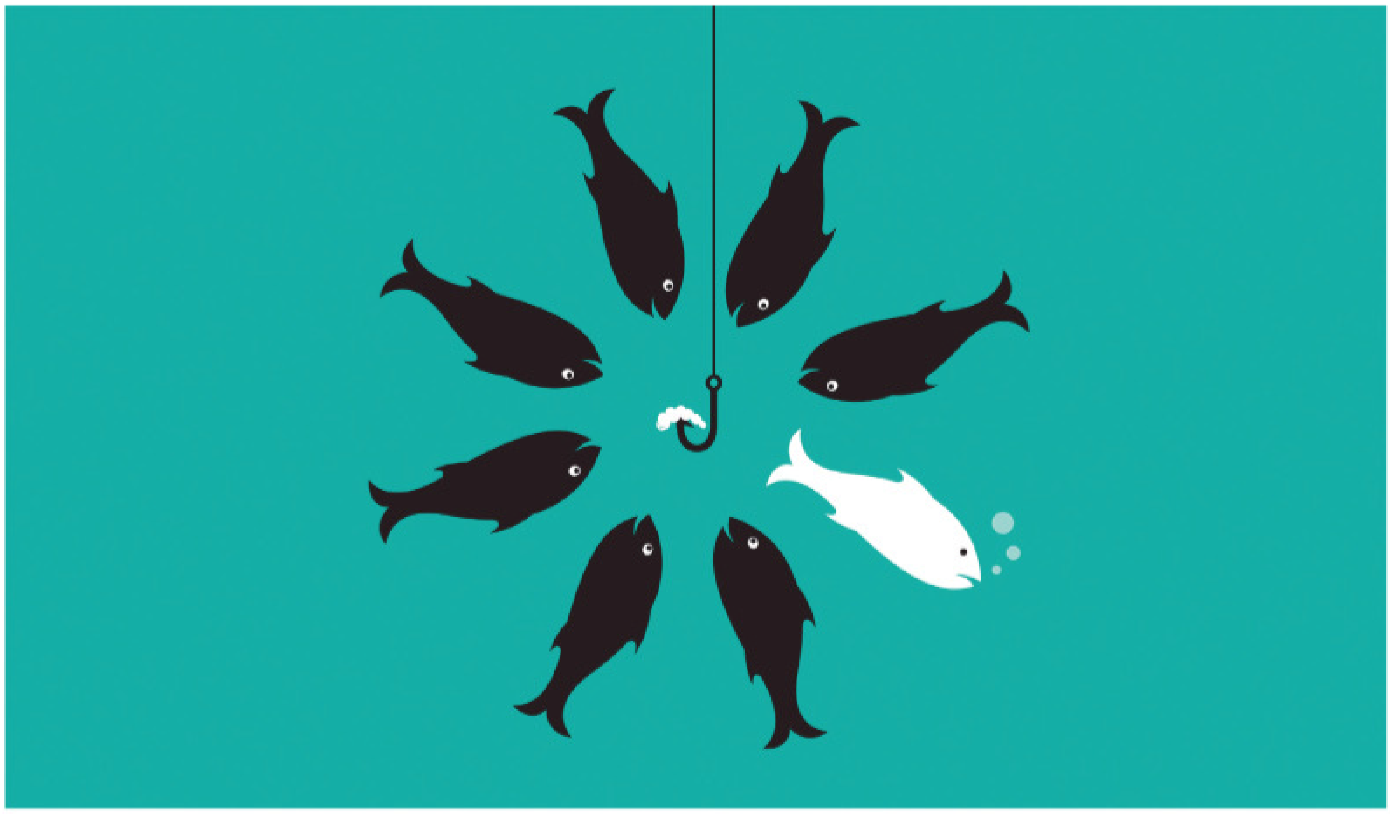
> “ IN RESEARCH WE CALL IT AN *IDENTITY CHALLENGE.* LIKE, WHO ARE YOU? MOST PEOPLE STILL WANT TO CATEGORIZE NONPROFITS AND FOR-PROFITS AS EITHER THIS OR THAT."

Still, TaroWorks' nonprofit origin has benefits. The Grameen connection opened doors to two big donors, who worked out a deal: Their contributions will decrease as TaroWorks' revenue climbs. Already, TaroWorks is serving 60 clients, and its success inspired Grameen to spin off two more companies, including a female mobile money agent network business.

And Pipkin, whose nonprofit Speak Your Silence provides counseling to sexual abuse survivors, found a different way to move forward. He created a separate LLC called WeVow and now runs both endeavors. He hopes that WeVow's eventual profits will enable him to personally donate to his nonprofit. It's a lot to juggle, but he is pleased to have followed this path.

"Had I not been in [the nonprofit] space, I wouldn't have been thinking about sexual harassment," he says. "WeVow just never would have happened."

And by running both, he says, he's able to have more impact.



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Never Be Closing

Sales isn't about pushing. It's about persuasion. **Jason Harris,** CEO of the creative agency Mekanism, says it's time to start thinking differently about making a deal.

ABC. Always be closing." Everyone in sales has heard that line. The rest of the world probably knows it from the 1992 film *Glengarry Glen Ross*, where Alec Baldwin's character treats it as gospel. It's taken as truth in the sales world. But here's the thing: It's completely wrong.

In fact, the "always be closing" approach to sales is the enemy of persuasion. It may have worked in the past, but today's low-trust world demands an entirely different approach.

The basic presumption behind that infamous saying is that everything a person says or does in the course of persuading someone should be aimed purely at getting to yes. It's about aggressively pushing your audience to make the decision you want them to make, whether it's in their interest or not. It's about finding a way to close the deal at all costs.

This is short-term thinking at its crudest. It's manipulative, and it doesn't work. Sure, persuasion is about getting someone to say yes. But people don't want to be forced into a decision; they want to make up their minds for themselves. In order to create the conditions that compel people to side with you, you must be clear that you care about more than just your own immediate gain.

Being an authentic human being in all your interactions is essential to developing a persuasive character. Emphasizing your humanity and forging human relationships is what pays real dividends when your goal is to win someone over.

When we're swayed to a particular decision, we're often evaluating the person delivering the message as much as anything else. We're thinking, *Is this person trustworthy?* or *Is this person someone I can see myself doing business with?* or, more often, *What's in it for her?* or *What's his angle here?* If a person's obvious objective is simply to get us to buy something or sign a contract, it will show through, making that person far harder to trust and much less persuasive.

Persuasion, then, isn't about coercing your audience to do what you want. Rather, it's about attracting them to a particular conclusion, and letting them get there on their own. Being pulled is always preferable to being pushed. And one way to draw someone to your position is by engaging your audience's emotions through that most human of activities—storytelling.

More than any other form of communication, stories have the power to inspire loyalty, to take us out of the present moment and let us consider ideas from a fresh perspective, and to make us understand things on an emotional level. When told well, a great story draws people into the narrative, absorbing them in a world that is separate from their own. And once they're immersed in a story, they're far more willing to let their guard down and loosen their grip on preconceived notions.

To do that, consider that great storytellers are also great truth seekers. If you can't state your message in a single, uncomplicated sentence, you might as well not have a message. I suggest sticking to a classic structure. Identify the goal (who are your characters, and what do they want?), the obstacle (what's in those characters' way?), and the resolution (what's the preferred outcome?). This format works equally well in a 30-second commercial, an in-person sales pitch, or just a conversation with a customer. You know you've got something special when you (or a client or a customer) are excited to repeat it.

Storytelling moves, connects, and creates meaningful bonds between brands and consumers. It holds the greatest power of persuasion—and not just to sell a product. We tell stories to communicate our values and compel others to adopt those same values. Once you've done that (and done it well), you'll have won the customer—and their trust.

FOR MORE HOW-TO STORIES OF WOMEN IN BUSINESS,
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Creating a New Concept

Nicci Levy had a great idea: Create a luxury day spa focused on medical micro treatments like Botox. But how do you actually build something like that? **by STEPHANIE SCHOMER**

Nicci Levy knew that women are willing to pay to look their best. She was a Botox sales rep in Beverly Hills, after all—and business was booming. But then she spotted a bigger opportunity. "People were spending thousands of dollars on these injections, but the experience was like going to the doctor to get a flu shot," she says. Levy envisioned a business that would do for Botox what Drybar did for blowouts, creating an experience that customers crave as much as the service they're paying for. But… how could she build it? It would take her years—but in 2016, she finally opened the doors to what she calls her "aesthetics bar," named Alchemy 43, in Beverly Hills. With investor backing, she's since opened three more Los Angeles locations and one in New York. Here's how.

PHOTOGRAPH COURTESY OF ALCHEMY 43

1/ Get the right experience.
Levy wanted to create a luxe, skin-care-focused medical spa, but she wasn't confident in her level of expertise. "I didn't have enough tenure in the medical industry," she says. So to understand the marketplace she was entering, she took gigs with two separate startups in the medical space, learning about regulatory challenges, customer relationships, and common pitfalls.

2/ Find a like-minded investor.
She was attempting to break into a capital-intensive industry but didn't have the money…or any contacts with investors. Then she attended an event for female entrepreneurs in Santa Monica and was inspired by a speech given by Toni Ko, the founder of Nyx Cosmetics, which had sold to L'Oréal for $500 million. "After the event, I sent her a note with a local news article about what I was trying to build, and just asked her to meet," says Levy. The pair met for breakfast, which eventually led to Levy securing a six-figure investment.

3/ Target your location.
Levy knew where her target customer was—in a particular part of Beverly Hills where women go for workout classes and manicures. But there were no available storefronts. So she started walking into businesses and asking the owners if they wanted to move out. "The owner of a hair salon was getting ready to close up shop, so I took over his lease," she says. The sublet was doubly valuable—instead of locking into a 10-year commitment, she just took over the lease's remaining two and a half years.

4/ Prove the concept.
"We had just opened our doors and were all of a sudden running low on capital." With little advertising budget, she had to rely on grassroots marketing to build her business for nearly a year, until she had proof that people wanted her service and could raise more funds. "It was a tumultuous time, but the predictions we made came true," she says. Then she showed the results to more investors and raised a $2.5 million investment round led by Forerunner Ventures.

How Do I Find Talent?

Recruiting staff is no easy feat. Six entrepreneurs share where they look—and what they look for.

1/ Cultivate it.
"We give first access to internships to members of our brand ambassador program, Dormifam. We'll post roles on The Muse jobs site and then let our Dormifam Facebook group know about them a few days before we post them to other job platforms like LinkedIn. That's helped us fill customer experience associate roles and countless internship positions."
—AMANDA ZUCKERMAN, cofounder, Dormify

2/ Test it.
"We ask every applicant to complete a screening task. We're looking for problem solvers, so we ask how they would tackle a big challenge: How would they get started? How would they measure success? We include a link to the task at the bottom of a job posting. The majority of applicants email us their résumés and fail to do the task. So those who *do* submit the task automatically jump to the top of the pipeline."
—TARA CHKLOVSKI, CEO, Iridescent

3/ Accommodate it.
"As a fitness brand geared toward moms, we love to hire mothers—and with our current stage and size, people working from their own office works for us. We use sites, like the Second Shift, that specifically work to accommodate women who very much value their careers but do not want the traditional 9-to-5 arrangement."
—ALLISON RAPAPORT, CEO, Every Mother

4/ Support it.
"Through our work with Molly Maid's Ms. Molly Foundation, which supports victims of domestic abuse, I was recently elected as a board member to a local women's shelter, Empowerhouse. We've been able to provide jobs to survivors who are getting back on their feet. We get satisfaction from hiring these strong and driven women, and knowing that because of those jobs, they can support their families."
—CHRISHELLE EUGENE, franchise owner, Molly Maid

5/ Poach it.
"When we were just starting out, we kept a list of the founders of other companies we'd met and would want to work with. We'd keep track of how their companies were doing, and if they were winding down, we'd ask those founders to join us on our team. Those first few people helped determine the culture and DNA of our company."
—SAM CHAUDHARY, cofounder and CEO, ClassDojo

6/ Attract it.
"I like people who reach out directly, even when there isn't a job listing. There are so many ways to get in contact with our team, including coming by the Showfields retail space and leaving a résumé. I'm looking for initiative in every new hire, and how they apply and what channel they use says a lot about their level of interest. If they come to an interview and have never been to Showfields? We know right away it's not a fit."
—KATIE HUNT, cofounder and chief revenue officer, Showfields

Illustration / PETE RYAN

BRIJAL PADIA/ VP, customer
"My team oversees all our customer touch points, and we have a Slack channel called Voice of the Community, where we reach out to a cohort of our customers for feedback about ideas we're thinking about implementing. Their passion for our product is one of the things that makes working at DraftKings so special."

GREG KARAMITIS/ Senior vice president, daily fantasy sports product
"To be on our team, you need to be a really passionate sports fan. My team and I go out and watch the Thursday- and Monday-night football games and participate in a private fantasy contest among ourselves. We bond over watching sports, having drinks, and playing with the product."

Inside DraftKings

Interviews by HAYDEN FIELD

DRAFTKINGS REALLY LIKES its odds. Since launching in 2012, the daily fantasy sports site has raised close to $650 million in funding, and has deftly navigated the thin legal line between skills-based games and gambling. Now the company has finally entered the $150 billion sports betting market, thanks to the Supreme Court's 2018 decision that allows states to legalize the practice. As a result, DraftKings is betting on itself, evident in its recent hiring spree (employee count has doubled) as well as its new Boston HQ. Designed by IA Interior Architects, the space includes production studios, custom tickers with real-time fantasy salaries and odds, and sports-themed "huddle" spaces. Employees' time is focused not just on sports but on the community they can help foster among customers. And as staffers themselves regularly link up to watch games or join in-house fantasy contests, they all feel like part of a winning team.

Photograph / ADAM FRIEDBERG

GLORIA D'ITRI / IT operations and logistics manager
"The beauty of our space is that we built our IT area in the middle of the office so people have the opportunity to walk up to our window for support. That way, they're not just getting an email from the help desk—they can put a face to a name and build rapport with our team."

STEPH LAVAYEN/ Paralegal
"My favorite spot is this one corner with a ginormous bean bag. I go there to work on talent agreements or contracts with players and their agents before any big event we have. It's a space where I can think critically about whatever I'm working on."

MACK FREEDMAN/ Senior manager, global real estate
"I plan offices for DraftKings, and this office took about 18 months. We interviewed every department about what they wanted to keep, toss, and create. We expanded workstations and added one-on-one rooms, phone rooms, and huddle areas. There's tremendous value in listening to your customer, and in my position, my customer is the employee."

JACQUELINE QUILL/ Product manager, Sportsbook
"More often than not, everyone is here at night—and not because we're grinding at work, but because we're playing Ping-Pong or DDR or pool, or we have drinks or appetizers or karaoke nights. We may be talking about work, but we're developing friendships beyond office hours. And that makes us more efficient and effective throughout the day."

ANNIE CORBETT/ Lead, user research
"The coolest part of our new office is the UX lab that was built out just for my team. We're able to bring people into this awesome space pretty regularly, and since there's a one-way mirror, employees can see and hear customer feedback firsthand. It's exciting to get people involved."

Did You Hire an Astronaut or an Architect?

If your employee is unhappy, it could be because they're misunderstood. **Caroline Stokes,** founder of the recruiting agency **Forward,** explains the big question you should ask.

When you hire, you often think—or hope!—you've found the perfect person. You sifted through résumés, interviewed diligently, and picked the best of the best. You feel great! But six months later, things change. Your great hire isn't hitting their numbers. They seem unhappy. Maybe they're even heading for the exit.

What do you do? Here's one thing to consider: You may have put your great hire in the wrong role. And it happened because you didn't understand what kind of worker they truly are.

You may balk at this. "How could he be in the wrong role? It's the job we hired him for!" There are all sorts of reasons. A role can be "wrong" if it is unduly stressful and takes too great a toll on their mental well-being. It's "wrong" if it doesn't allow them to do the things that truly light them up. And perhaps most critically, it's "wrong" if the job's demands don't match the employee's ambitions.

I divide great workers into two different camps. One group is hungry for every opportunity you can throw at them, asking about advancement from day one. I call these people "astronauts." Light the fuse, and they'll overshoot the moon. The second group is content to stay in their roles. They value detail and mastery, becoming absolute experts in their area and setting the standard for everyone else. You can't run your organization without them; they build the foundation. I call this group "architects."

Architects are absolutely solid in their role; they have little or no interest in expansion and advancement. This could be because they have a lot going on at home, so they don't want to add more to their plates at work. Or maybe they have outside interests that are important to them—training for a triathlon, for example. For whatever reason (or no reason at all), architects are dedicated to their current role.

By contrast, astronauts are on a steep growth trajectory. If they don't advance quickly after coming aboard, they're likely to grow restless. They are "all in" from the beginning; their manager needs to give them appropriate opportunities to take off.

You need both astronauts and architects. Neither is "better" than the other. Without your architects, where will other team members turn for advice? On whom would you rely to get the job done well? And without astronauts, how will you achieve the levels of success you're hoping to have? Who will move your company forward?

If this classifying system is helpful to you in identifying your team composition and the needs and wants of your employees, I invite you to use it. Ask yourself: *What does this architect want? What incentives and rewards are attractive to her?* She may have little interest in managing. Some companies reward architects by making them the "gurus" of their particular area of expertise. Would this be attractive to your architects? If not, how will you recognize their hard work and competence?

If you've got an astronaut, how will you keep her challenged and engaged? What new responsibilities will cause her to light up? Have conversations with her in which you chart out where she would like to be in six months, one year, and more, and then plot a course with her to achieve these goals.

Really, whether your great hire is an astronaut or an architect, you need to be having these career conversations with her—and with all your team members. When you make it a point to know your employees both professionally and personally, you'll be able to tell if they are unhappy (which isn't something they'll openly volunteer to tell you). Recognize that their happiness is your business. While you can't take responsibility for their emotions, you can get to know them and strive to make work a place where they are challenged, engaged, and enjoying themselves.

Excerpted from Elephants Before Unicorns: Emotionally Intelligent HR Strategies to Save Your Company. *Copyright © 2019 by Entrepreneur Media. Learn more at entm.ag/elephants.*

PHOTOGRAPH BY SHUTTERSTOCK/SUDTAWEE THEPSUPONKUL

Make Your Network Stronger

Here are three lessons on people power delivered during workshops with our Entrepreneur Insider members. *To join us, visit entrepreneur.com/insider.*

Build a Mentor Board of Directors

DORIE CLARK/ Business professor, Duke University

ENTREPRENEURS TALK a lot about mentorship. But Dorie Clark sees a problem. People often imagine "this one perfect person who is older than you, wiser than you, and who will somehow magically advise you and take care of you professionally." That's just not often realistic, she says. Instead, Clark suggests building what she calls a mentor board of directors: "Look for a group of people in which each person, though they may not represent the totality of your aspirations, has a trait or a skill you'd like to learn more." Then focus on learning—spending time observing them, asking them questions, and so on, without forcing some kind of formal mentorship relationship. "That really frees you up," she says. "You can learn a lot more from different people."

Create Value for Everyone

MIKE KOENIGS/ Consultant, serial entrepreneur

HE HAD A PROBLEM/ Koenigs' consulting client needed a job done—but "it was just going to be a pain in my butt and too much work," Koenigs says. He didn't want to do it.

HE FOUND A SOLUTION/ Koenigs realized there was an event coming up, and he was friendly with lots of attendees—people who, together, could help his client in every possible way. "I said, 'Look, let's meet at the event. I'll personally introduce you to everyone, and tell why you need to know each other and why you should work together." For this, he said, he'd charge $25,000. The client agreed, and Koenigs spent five hours making intros. "They got exactly what they wanted, and I got paid up front with a wire transfer," he says. And his friends now had a new client. Everyone wins.

Find the Most Supportive Friends

DANIEL PRIESTLEY/ Cofounder, Dent Global

SUCCESSFUL entrepreneurs have successful friends. That's no coincidence—it's because they're creating a "high-performance environment" for each other, says Daniel Priestley. Do you have the right peers? Here's his test to find out.

THE TEST/ Think about what you want to achieve in three years, then tell it to your friends. Listen to their reactions.

THE RESULT/ "If your friendship group says, 'Wow; that's amazing—that's an incredible goal,' then you're actually in the wrong friendship group," Priestley says. "What you want is for them to say, 'Cool; that's what we're doing, too.'"

THE REASON/ "You need to be surrounded by strategies and best practices," Priestley says. That means you need peers whose road-tested insights help you along your journey. Don't fall for flattery; seek out friends who will push you instead.

PHOTOGRAPH COURTESY OF DORIE CLARK; PHOTOGRAPH COURTESY OF MIKE KOENIGS; PHOTOGRAPH COURTESY OF DENT GLOBAL (PRIESTLY); PHOTOGRAPH BY SHUTTERSTOCK/RAWPIXEL.COM

HAVE A PROBLEM WE CAN SOLVE FOR YOU?
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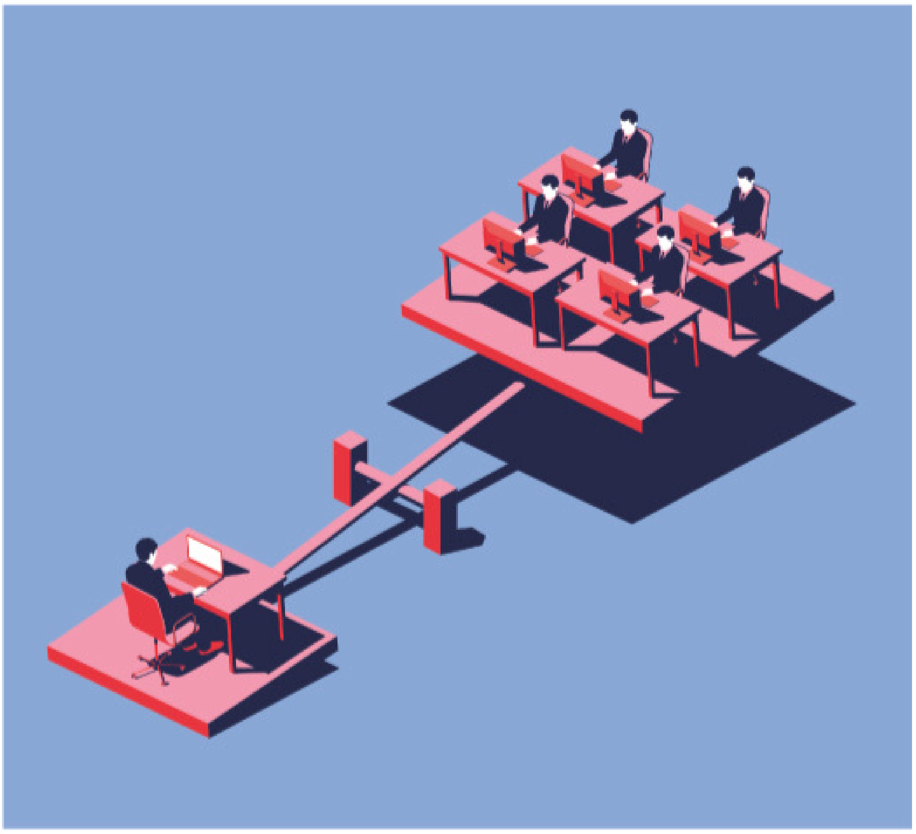
Who Gets Outsourced?

You don't need to hire a big team to make a big impact. But that doesn't mean you can outsource everything.

by ADAM BORNSTEIN



Q I don't have the money to hire a big team. What skills do I need to keep in-house, and what can I just hire contractors for?
—RACHEL Y., MIAMI

GOOD STARTUPS start with good people. That's what Paul Graham, one of the founders of the famed Silicon Valley accelerator Y Combinator, often says. And research backs him up. The Startup Genome project found that compared with companies that have a full team, solopreneurs take 3.6 times longer to outgrow their startup phase. And according to CB Insights research, "not having the right team" is one of the top three reasons startups fail. (The other two are "no market need" and "running out of cash.")

But who cares about that, right? If you don't have the money to hire a full team, then no amount of snappy quotes or studies can change your fortunes. That's why a world of outsourced options are available—everyone from highly skilled freelancers to agencies promising to serve as your outsourced CMO or CTO.

So the question becomes: Given your startup's limited funds, who *definitely* belongs on the payroll?

I come at this question from a unique vantage point, because I've seen it from both sides. I've hired staff and contractors for my businesses, but I'm also a contractor myself. Through my consulting growth agency, other companies bring me in to be their non-staff solution.

After seeing how many teams (including my own) work with contractors, my recommendation is this. Think of your in-house team as your survival crew—and survival means having something that other businesses don't possess or can't offer. Who are the people who can give your company this edge? They're the ones you hire. Everything else can come later.

Here are examples from both sides of my work.

First, as the guy who hires: When I started my fitness business, Born Fitness, I knew that survival depended upon having the best coaches. Without them, we're nothing. So I brought them on staff, and I outsourced almost everything else.

Next, as the guy who's hired as a business consultant: My agency, Pen Name, will identify gaps and opportunities for our clients and provide them with strategy and tactical execution. But we're up front with our clients, too. We say that we're not the fundamental difference-maker in a business—our typical role is to improve or amplify what our client has already built. If they're looking for survival strategies from the outside, we say, it means their business is flawed and at risk.

In general, outsourcing should help *most* with the short game. Anything that can help growth *today* is oftentimes best achieved by outsourcing. That's because you can assemble an entire team to move quickly, building systems to help generate revenue. Maybe that means a freelancer to build your website, or to create email funnels that turn traffic into revenue.

There are also plenty of process-oriented jobs worth outsourcing. For example, for most businesses, customer service and admin work is a necessity, but those skills can be plug-and-play. When you're low on cash, consider outsourcing them.

But you also need to think of the long game. Which jobs require innovation or unique leadership? Hire for those positions, and develop those team members. They're key to survival—and they'll often help you avoid redundancy and a bloated staff later on. For example, in a product-based business, the person who created the product ideally can also manage the sales and assist with marketing. After all, who else knows the product better?

In growth, there is rarely one model that works for everyone. But it can usually boil down to this: Everyone on your team should play a key role in pushing your business forward—and everything on the outside should amplify your efforts.

Adam Bornstein is the founder of Pen Name Consulting, a marketing and branding agency, and the creator of two12, a mentorship experience for entrepreneurs.

Illustration / FEDERICO GASTALDI

Entrepreneur

The Kids Are All Right

The founders of the future are getting a major head start. Meet **16 entrepreneurs** age **20 and under** who are making their mark on today's business world.

TEEN TITANS
Caroline (*left*) and Isabel Bercaw, founders of Da Bomb Bath.

"Being an entrepreneur means doing a little bit of everything."

Caroline Bercaw, 17, and Isabel Bercaw, 18

Cofounders and co–chief creative officers, Da Bomb Bath

Caroline and Isabel Bercaw were once *obsessed* with bath bombs. This was back in their middle school days, when their peers were equally obsessed with the bombs—powdery, fist-size balls that, when dropped in a tub, release an eruption of fragrance and color and fizz. And because the Bercaw sisters were student athletes, they'd spend a lot of time soaking after practice to soothe their sore muscles. Which meant even more time with bath bombs.

And that led to a giant mess.

"A lot of times the bath bombs would stain our tub, or even our skin, which was kind of scary for us," says Caroline, now 17. So she and her older sister started experimenting at home, creating their own bath bomb recipes and adding a surprise in the center, like a small toy or piece of jewelry. They took a batch to a local art fair in Minneapolis to see if people would buy them. "We were definitely aggressive salespeople for 11- and 12-year-olds," says Isabel, now 18. "We sold out that first day and went home to make more until 1 A.M."

The girls spent the next year perfecting their recipe. They returned to the annual art fair the following year, this time armed with twice as much product. They sold out again. When a local salon owner asked if they did wholesale, the sisters started to see their bath bombs as much more than a hobby. "We realized it could become a real business," Isabel says.

They started pitching their product to other local businesses, increasing their sales and learning with each new step. "We never had any formal business education, but our education was really our curiosity," Isabel says. "We'd ask our parents questions, research online, call business owners. We'd just reach out to anyone. And I don't know if it's because we live in Minneapolis, but people were super nice and willing to help."

The young founders enlisted their mom, Kim, to drive them around town with 40 pounds of product samples so they could deliver them to store owners and leave business cards. ("She didn't want us to ride our bikes or take the Metro bus," Caroline says.) By 2015, Da Bomb Bath products were being sold in 30 local shops, and following a successful trip to Atlanta for an international trade show in 2016, they had placement in stores across the country.

The Bercaws' house, meanwhile, had become a nearly unmanageable bath bomb factory. Two full-time and eight part-time employees helped with production and administration. The living room and dining room served as the packaging-and-shipping department. The upstairs became storage. A bathroom was the test kitchen.

"Everywhere we turned, there were boxes of bath bombs," Isabel says. "We were making 20,000 bath bombs a month in our basement."

Then Target called, and everything changed. "Caroline and I had talked about Target as a big dream, and we thought maybe in five years we would be in a place to pitch the company," Isabel says. "But then they came to us! And they wanted us in 1,800 stores. We knew we had to get our act together quickly."

Their mom stepped in as CEO while the sisters focused on product development and marketing. Production and storage moved to a nearby warehouse. They worked to grow their account base, and they implemented software systems to boost operational efficiencies. And the girls enrolled in their school's On the Job program, which let them use a certain amount of school time as work time.

"Our friends and school have been really supportive," Caroline says. "Some people who don't know us will come up to us and be like, 'Hey, you're the bath bomb girls; how much money do you make?' I'd rather have them ask about what we do day to day, or what it's like to sell a product. They don't understand the work we've put into this. It's not about money."

Today, Da Bomb remains self-funded and generates more than $20 million in annual revenue. As the bath bomb market has, well, exploded, Da Bomb has managed to stand out among competitors, largely thanks to its signature toy- or charm-surprise center—something the young founders long ago suspected would be a hit.

"Isabel and I were and are the market for these products," Caroline says. "We knew what was exciting for us, and we also knew that a lot of products on the market focused on the relaxation aspect of bath bombs. And that's great, but we saw the opening for the idea of fun and decided that's what our brand would be about."

In addition to bath bombs, the sisters have introduced a slew of other products, from bath salts to bath shots to body scrubs. Aside from Target, Da Bomb is now sold nationally at Ulta Beauty, Hot Topic, and CVS, among others. A new licensing agreement with Mattel has allowed Da Bomb to launch Barbie-branded items.

It's a time of continued growth—for the company as well as for Caroline, who's now a senior in high school, and Isabel, who just started her freshman year at a local college.

"I want to explore my interests, but entrepreneurship is something I've always been passionate about, and it's what I'm majoring in," Isabel says. "Whatever Caroline and I do in our lives, we'll be able to take what we've learned from this business and apply it to anything." And while Isabel won't be as involved in the day-to-day of the business while she's at school, she knows she'll get constant updates. Da Bomb is, after all, a family affair.

"We talk about bath bombs 24-7," she says. "Sometimes we'll be out to dinner and say, 'We just need to be a family for 20 minutes.' But it's brought us closer. We always have each other's backs."

Well, almost always. "I've been fired five times," jokes CEO and mom Kim.

"Only when you ground me," Isabel replies. **—Stephanie Schomer**

PHOTOGRAPHS BY ELIESA JOHNSON (PREVIOUS AND THIS PAGE)

"Once you have proof of concept and a clear knowledge of your space, people take you seriously."

Sanil Chawla, 19

Founder and executive director, Hack+

WHEN SANIL CHAWLA was a sophomore in high school, he wanted to launch a web development startup as a way to monetize his hobby. "But there's just so much red tape for young founders," he says. "I was under 18, so I couldn't file legal paperwork or get a bank account on my own."

He started researching ways to lower the barrier to entrepreneurship, and zeroed in on fiscal sponsorship, a common practice in which nonprofits extend their legal status and back-end support to small projects with a similar mission.

"I developed software to automate all the paperwork and basically made a really scalable version of fiscal sponsorship," says Chawla, now 19 and a sophomore at the University of Southern California. In 2017, Hack+ was born as a nonprofit that provides free fiscal sponsorship to student-founded charitable organizations. Companies like Google, Microsoft, and Amazon have provided support and B2B resources.

Chawla and his team of 12 have helped 926 students launch their organizations, raising more than $1 million in support. This fall, in partnership with Stripe Atlas, Hack+ will launch a version of the platform focused on supporting for-profit startups.

"If we can manage all the legal and financial stuff for these young founders, they can focus on their mission, their goals," he says. "It will open the door to so much impact."

"My strength is communicating."

Cory Nieves, 15

Founder and CEO, Mr. Cory's Cookies

AT 6, Cory Nieves had an ambitious plan: Sell hot chocolate in his Englewood, N.J., neighborhood, and save enough money to buy his mom a car. "I was tired of taking the bus," he says. "And I wanted to help my mom."

Nieves sold Swiss Miss for $1 a cup. When he sensed an opportunity for more substantial treats, he started searching online for the perfect cookie recipe. After three months of baking with his mom, Nieves bit into what he thought was the perfect chocolate chip cookie. The recipe was a hit. "That's when we knew we had a business—when people started taking our cookies seriously," says Nieves.

He and his mom began taking cookies to local races and festivals, where Nieves would pitch potential customers with irrefutable lines like "Life's too short to not eat a cookie!"

Business (and local press) grew consistently, and in 2015, Nieves was invited to appear on *The Ellen DeGeneres Show*—and the response was overwhelming. More orders came in than Nieves and his mom could possibly fill. "It caused a huge supply-and-demand issue," he says. To scale, they sought outside investment and hit TV gold again: An appearance on CNBC's *The Profit* earned Mr. Cory's Cookies a $100,000 cash infusion. An e-commerce site was launched, "cookie helpers" were hired, and product started shipping across the country.

Today, the company offers 14 flavors, and Nieves has high hopes for expansion—and for his own future. "When I get older and finish college, I want to leave Mr. Cory's Cookies for a little bit," he says. "I'll start somewhere at the bottom and work my way up." He's done it once—no reason he can't do it again.

PHOTOGRAPH BY JAKE CHESSUM (NIEVES); PHOTOGRAPH COURTESY OF HACK+ (CHAWLA)

Reporting / CLINT CARTER, STEPHANIE SCHOMER, and AMY WILKINSON

"My dad taught me that hard work is the only way to get something. Nobody's going to hand it to you."

R.J. Duarte, 19

Founder, GreenWorx Landscaping

LAST YEAR, R.J. Duarte was accepted to Colorado State University. He didn't go.

"College wasn't for me," he says. That's because at the time, his landscaping business was pulling in six figures in annual revenue. "I figured I should stick with this."

Duarte began cutting grass in Golden, Colo., at age 8. Thanks to his tireless work ethic, his income tripled every year, and in middle school, he partnered with a friend to hit more lawns. In high school, they named the company GreenWorx. When the friend left the business for college, Duarte took the reins, and he spotted a chance for growth.

Duarte dropped GreenWorx's small clients and rebranded as a premium landscaping-and-maintenance company. "It's higher margins for more risk," he says. "That comes with headaches, but without headaches, there's no reward."

His instincts were right. GreenWorx now operates with four trucks and a peak-season crew of 12 to 15 people—mostly high school students. "People always ask me, 'How's college going, R.J.?'" he says. "That's the way society is: They want to hear about your degree, not your company."

But he knows he made the right decision. This year, GreenWorx has revenues creeping toward $750,000. "We're hardworking, blue-collar people," Duarte says of himself and his staff. "There's nothing wrong with that."

"My big-picture goal is to be a social entrepreneur."

Kenan Pala, 15

Founder, Kids4Community

KENAN PALA has always wanted to help. Growing up in San Diego, he would eagerly donate his time to soup kitchens and beach cleanups—but was surprised to find himself shut out of a number of causes he wanted to support. "There are a lot of nonprofits doing great things in San Diego, but many don't allow kids under the age of 18 to volunteer," says Pala.

So in 2017, determined to make sure that any kid who wanted to volunteer *could* volunteer, he founded the nonprofit organization Kids4Community. "All our events are open to anybody of any age," says Pala. "If you have the passion, you can come."

Through corporate donations, grants, and charitable events, Pala has raised $1 million to benefit local homelessness causes, while also engaging kids to help out with 5K runs, dinner services, and backpack drives. And when Pala eventually enrolls in college, he hopes to enlist the help of one more youngster—his 10-year-old brother, Arden.

"I would like to hand off the organization to my brother, who is also very passionate about volunteering," he says. "When I graduate high school, he'll be a little older than I was when I started."

PHOTOGRAPH COURTESY OF GREENWORX LANDSCAPING (DUARTE); PHOTOGRAPH BY VIET LE PHOTOGRAPHY (PALA)

"I didn't have a business plan. I just had passion and an idea."

Maya Penn, 19

Founder and CEO, Maya's Ideas

AT THE AGE OF 8, when Maya Penn told her mom she wanted to build a sustainable fashion collection, she got a response that would serve her well throughout her entrepreneurial journey: "Figure out how to do that and what you need to accomplish that goal."

She used old clothing found in her home to create headbands and scarves, and at age 10, taught herself HTML and built a website to sell her goods. Today her Atlanta-based fashion line, Maya's Ideas, has 10 employees, and customers around the world. "That first sale was so crazy to me, and still is," Penn says. "It's an honor when people like what you create. It keeps me moving forward."

Penn is now 19, and she has spent the past 11 years nurturing plenty of other passions. She launched a nonprofit, Maya's Ideas 4 the Planet, which distributes eco-friendly sanitary products to women in developing countries. In 2016, she created an animated digital short that was presented to Congress as part of an effort to get a national women's history museum built in Washington, D.C. ("They have museums for stamps but not women," she says.) She has since launched an animation studio, given three TED Talks, been celebrated by Oprah, and is now working on a second book. Her first covered young entrepreneurship.

Penn's businesses and speaking engagements have earned her a million dollars over the years, and she has raised more than $500,000 from angel investors. And though all her projects are about creating change for others, she has learned that it's good to put yourself first.

"I'm always pushing myself to do more, but that can take a lot out of you, especially when you're still trying to figure out who you are," she says. "You have to find ways to calm yourself. Take a walk. Read a book. Stay grounded. Taking care of yourself makes you a better entrepreneur."

"There's no limit to what we can do."

Brandon Martinez, 13, and Sebastian Martinez, 11

Director of sales, and CEO and head designer, Are You Kidding Socks

"WE ALWAYS have disagreements," says Sebastian Martinez, CEO of Are You Kidding Socks, a Miami-based business he founded with his older brother, Brandon. "We argue about whether we should make this sock or that sock. And the compromise is: Make both socks!"

The company was born five years ago out of Sebastian's obsession with patterned socks. He started designing his own and, with the help of their mom, lined up a manufacturer. Brandon stepped in as director of sales. "I just have a thing for talking to people," he says.

Despite their disagreements, their complementary skill sets make them great business partners. "We're like a puzzle," says Brandon. They've built a company that's sold nearly $1 million worth of socks, moved offices to accommodate growth, appeared on *Good Morning America,* and introduced Charity Socks, a collection that gives a portion of sales back to charitable partners. But they've learned tough lessons along the way.

"We trusted some charitable partners who didn't really do what they said they would," says Brandon. "So: contracts! That's what we learned. *Always* have contracts."

Next up, they're looking for retail partners and exploring expansion. "We want to make T-shirts, hats, shoes," Brandon says. "Socks and shoes are like peanut butter and jelly. And if you don't wear them, you're weird."

PHOTOGRAPH COURTESY OF MAYA'S IDEAS (PENN); PHOTOGRAPH BY RACHEL MARTINEZ (MARTINEZES)

"I've always had the entrepreneurial spirit, and I've learned how to make it on my own."

Langston Whitlock, 17

Cofounder and CIO, SafeTrip

IT SOUNDS LIKE the windup to a punchline: a techy teen and an opera singer walk into a community outreach event and…stumble upon a million-dollar app idea. But that's what happened when Langston Whitlock and Ja'Nese Jean—who met years prior working at these kinds of local gatherings—learned of a problem facing their community.

"A homeless veteran told us that [people across Atlanta] don't have transportation to get to medical appointments," says Whitlock, a longtime coder. "Ja'Nese turned to me and said, 'Can you make an app for that?'"

In 2018, they launched SafeTrip, a ride-sharing app geared to the homeless and elderly that lets patients, caretakers, and healthcare providers book medical transportation; it accepts various forms of insurance. The company has raised $2 million, with $3.4 million in revenue last year.

With Jean as CEO, Whitlock serves as CIO, overseeing a team of 10—all older than he is, of course. "We have a great bond," he says. "They love me cause I'm a kid, I guess."

That youthful perspective has proven valuable, like when Whitlock told his team that plenty of teens today learn defensive driving and CPR. The company created a feeder program, in which high school seniors train to become SafeTrip drivers after graduation.

As for Whitlock, who works at SafeTrip full-time yet will still graduate in 2020, his plans are singular for now. "My mom has worked since I was little, and my goal is for her to have her ultimate happiness," he says. "So whatever it takes, that's what I'm gonna do."

PHOTOGRAPH COURTESY OF SAFETRIP MEDIA (WHITLOCK); PHOTOGRAPH COURTESY OF FACEPRINT (SMITH)

"I've been amazed by how many people are willing to listen."

Erin Smith, 19

Founder, FacePrint

THREE YEARS AGO, Erin Smith was watching a video of Michael J. Fox and made an observation that she couldn't stop thinking about. "Whenever a Parkinson's patient would laugh or smile, it came off as really emotionally distant," she says. The Lenexa, Kansas, teen reached out to clinicians and caregivers, and she learned that they'd noticed similar facial expressions in some of their patients—often years before an official Parkinson's diagnosis would eventually be made.

Smith—a longtime science enthusiast who grew up conducting experiments in her kitchen—got to work building a diagnostic system called FacePrint, a supersmart selfie that captures changes in facial expressions over time to detect disorders like Parkinson's. Until now, diagnoses have been subjective; Smith hopes FacePrint will become an objective tool to diagnose and monitor the disease.

FacePrint's algorithm has an 88 percent accuracy rate (the standard is 81.6 percent), and she's received support and funding from the Michael J. Fox Foundation and pharmaceutical companies. The technology is currently undergoing a clinical trial at Stanford University, where she is enrolled but on leave while she completes her research, funded by a Thiel Fellowship.

"I really want to optimize for my personal learning," she says, "as well as for the best way I can help shape and build the future of neurological and mental healthcare."

“I want to impact a billion people.”

Riya Karumanchi, 16

Founder and CEO, SmartCane

WHEN RIYA Karumanchi saw her friend’s visually impaired grandmother struggling to move around her own home, she knew there had to be a better way. The white cane—that simple tool that helps the blind identify obstacles—hadn’t really changed in nearly 100 years. “I thought that was insane,” says the 16-year-old. “Change in tech wasn’t being distributed equally—not just geographically, but community-wise.”

Karumanchi—who taught herself to code in the fourth grade and has participated in youth innovation programs in Toronto for years—talked with the visually impaired community and heard a common refrain: The white cane was great at identifying obstacles on the ground, but users were still vulnerable to things like errant branches and fallen twigs.

She started building a device dubbed SmartCane, using ultrasonic sensors to identify a wide variety of obstacles and alert the user with vibrations; different levels of intensity and placement on the cane help signal just where the obstacle is. A navigation system plots a safe route, while sensors identify other dangers, like wet, slippery sidewalks.

With the help of four part-time employees, Karumanchi has raised $85,000 in funding and in-kind services from companies like Microsoft, Arrow Electronics, and Inertia Engineering. Next up: user testing.

“When you’re creating a device for people within the accessibility community, there’s a saying that goes, ‘Nothing for us without us,’” she says. “Input from [the visually impaired] has been so important every step along the way.”

Ideally, SmartCane will hit the market by mid-2020—just in time for Karumanchi to finish the 11th grade. And while she’s open to the idea of eventually attending college, her ultimate dream is a little loftier: become what she calls a “unicorn person.”

“Instead of [building] a company that has a valuation of a billion dollars, it’s the person that can impact a billion people,” she explains. “It’s ambitious, but that’s my goal.”

“We dropped out of college so you don’t have to.”

Femi Adebogun, 20

Cofounder and CEO, ScholarMe

FOUR YEARS AGO, at 16, Femi Adebogun was building his first startup. He hired five remote employees—and because he wasn’t sure how they’d react to working for a teenager, he just decided to omit that piece of information. “I was really good at hiding my age,” he says. But the ruse was up a little while later, when his company won an award and he flew his entire team out for the ceremony. “That’s when my employees found out I was underage.”

Today, Adebogun is no longer bashful about his age—or his success. He’s on to his third company, ScholarMe, a platform that lets kids apply for all sources of college financing through one online set of questions. “People are so confused about how to pay for college, and there are 400 students assigned to every one guidance counselor at most schools,” he says. “We tell them how to do it, step by step.”

Since launching in 2018, ScholarMe has racked up more than 40,000 users, just less than $1 million in funding, and an $8 million valuation. Adebogun and his two cofounders, Caleb Cross and Evan Farrell—all of whom, ironically, are college dropouts—are currently in the Y Combinator accelerator in San Francisco, where they’re eager to absorb some much-needed expertise. “There’s so much we don’t know,” he says. “YC is helping us become better leaders, builders, and salesmen.”

Part of that is figuring out how to monetize ScholarMe. “We do not want to harvest student data,” he says. “We’re building trust with our users, and we’re focused on creating long-term relationships. We’ve tested different ideas, like a ScholarMe debit card, and people are into it. We don’t want to help them just pay for college but also find financial health while they’re there.”

PHOTOGRAPH COURTESY OF SMARTCANE (KARUMANCHI); PHOTOGRAPH COURTESY OF FEMI ADEBOGUN

"Keep persevering and moving forward."

Jack Bonneau, 13

Founder and CEO, Jack's Stands & Marketplaces, and Teen Hustl

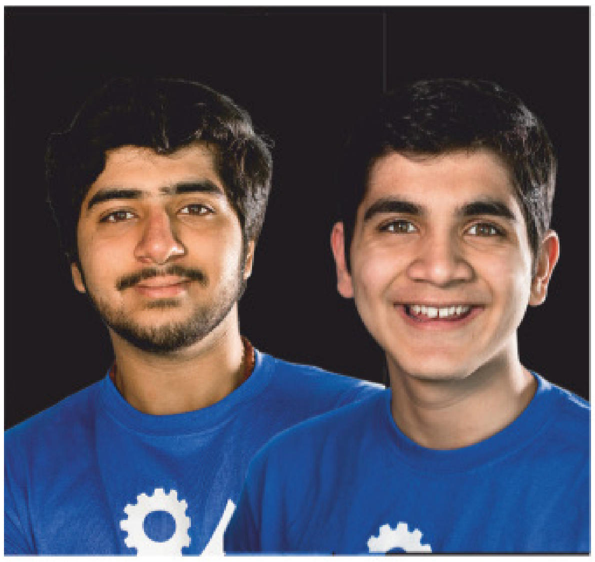
FIVE YEARS AGO, Jack Bonneau desperately wanted the LEGO *Star Wars* Death Star, which cost $400—way more than he had in his wallet at the age of 8. So he set up a lemonade stand at his local farmers' market. "In 12 weeks, I made $900 in profit," he says. "I never knew anything like that was possible."

He wanted to make it possible for other kids, too, and launched a one-stop destination for children's commerce: For a $15 fee, Jack and his dad will help kids in the Denver/Boulder area set up a branded Jack's Stands & Marketplaces stand. They spend 30 minutes helping to get the operation running for the day and then check back several hours later to review a P&L statement. Over four years, hundreds of kids have operated thousands of these stands around the city.

As he starts his freshman year of high school, Bonneau is transitioning Jack's Stands to a nonprofit organization; that way, it can partner with larger organizations and grow beyond Colorado, he says. He's also working on his next big idea: Teen Hustl, an app that gives teens access to the gig economy. "My dad told me that back in the 1980s, millions of teens used to have their own paper routes and babysitting businesses," Bonneau says. "I was like, *Wow!* Now, because of the internet, those jobs are being taken by adults. But teens are the most tech-savvy, so why not plug them in to that?"

Teen Hustl will operate as a sort of hyper-local DoorDash or Postmates, serviced exclusively by neighborhood teens making deliveries on bikes or scooters within two to three miles of a store or restaurant. "The big guys focus on serving cities, but there are 24 million teens across America ready to work these untapped markets," he says. "That's a big opportunity."

PHOTOGRAPH COURTESY OF JACK BONNEAU; PHOTOGRAPHS BY DANIAL YATES (SRINIVASANS)



"You have to offer a unique perspective."

Rohit Srinivasan, 19, and Sidharth Srinivasan, 17

Cofounders, Trashbots

SIDHARTH AND Rohit Srinivasan love solving problems. The brothers frequently participate in robotics competitions and have traveled from their home in Austin, Texas, to India to teach STEM courses at orphanages. In 2015, that's where they discovered their most intriguing problem yet: "The schools didn't have an affordable way to teach robotics," says Sidharth.

Conventional robotics kits typically require wi-fi and fast computers. They're also limiting; extra robot parts cost money, but what if an inventive kid wants to experiment? So the Srinivasans launched Trashbots, a kit that allows young people to build bots using cheap supplies like rubber bands, paper clips, and ice-pop sticks. "We wanted to encourage kids to see the world in terms of tools," says Rohit. "The only thing you're limited by is what you have around you and what's inside your brain."

The hardware kit includes motors, lights, speakers, sensors, gears and axles, and some "trash." It costs $100 and comes with lesson plans that span kindergarten through the 12th grade. The Srinivasans have shipped units all over the world, helping kids build things like temperature-controlled fans and soda-can whales.

As they prepare to fill this school year's demand, they're also thinking about how to turn Trashbots into the category leader for promoting STEM. Their plan: Recruit more problem solvers as they grow. "For every problem that exists, there's one person who can solve it," says Sidharth. "The question is: How do you find that person?"

The Great (REVERSE) Migration

To attract the best investors and employees, startup founders once had to move to the coasts. But now they're turning around and going back home. Are smaller cities becoming the place to grow big?

by Maggie Ginsberg   photographs by Amy Lombard

Nobody really wanted to fund us," recalls Alex Kubicek, a soft-spoken Midwesterner with a shrewd scientific mind.

He's thinking back to 2013. He was 25 and had already banked dual degrees in physics and electrical engineering from the University of Wisconsin–Whitewater, as well as a master's in atmospheric science from top-tier UW–Madison. Then he'd created a hyperlocal weather observation company called Understory and landed it in the first-ever cohort of an accelerator in his hometown of Madison, which in turn sent him off on nearly a year's worth of pitching to Wisconsin-based investors. But nobody put in money.

Was his company the problem…or was it the stock of local investors? He decided it was the latter, and moved to Boston—where his fortunes changed. A local hardware venture firm called Bolt invested first. San Francisco's True Ventures went on to lead a $1.9 million seed round. Understory was on its way.

But back home in Wisconsin, something was changing. That Madison-based accelerator, Gener8tor, helped launch another 42 startups in the region while Kubicek was gone. After a ton of work by a group of local entrepreneurs called StartingBlock Madison, American Family Insurance helped open a $55 million, nine-story building, with space set aside for entrepreneurial groups. Other venture capitalists started popping up around town, including Greg Robinson, a Bay Area investor who launched a Madison-based firm called 4490 Ventures. Then Robinson got the idea to lure one of Madison's homegrown startups back to town.

He asked Kubicek if he'd ever move Understory back to Madison. And Kubicek was intrigued. He

→ **WEATHER MAN** Understory's Alex Kubicek with one of his company's weather sensors.

➔ SKY'S THE LIMIT Understory cofounders Bryan Dow (*left*) and Kubicek are back to help Madison's boom.

was newly wed at the time and hungry for a better work-life balance—or, as he calls it, "tech and babies." There was plenty of talent to hire in Madison, and for far cheaper than he'd get in Boston. And the economics just made sense. "Our rent was going to be one-tenth what we'd get in Boston for a comparable space," he says. "We saw we could dramatically increase our runway, basically increase the life of the company by a year, by moving to Wisconsin."

So in February 2016, Understory came home. And across the nation, many others just like Understory have followed.

There's no place like home. Dorothy knew it. So do entrepreneurs—but for a long time, there was no place to get funded like in California, Massachusetts, and New York, where companies receive 80 percent of the nation's total venture capital. So the great startup migration was born. Founders would move to the coasts, enduring high operating costs in exchange for access to investors and top talent.

But in the past few years, smaller cities across the country have gone through the same transformation that Madison did. "There's typically a small band of really highly influential and dedicated people who push through this groundswell of attention around startups in their community, and it starts to fall like dominoes," says David Hall, partner at Revolution's Rise of the Rest, a seed fund that focuses on startups in smaller markets. It could be a politician, a university, an accelerator, an incubator, a corporation, a private investor, or an influential founder. In each city, some combination of these parties comes together to foster the growth of its own ecosystem—investors, founders, and talented employees interested in the startup world.

And that, Hall says, has begun to reverse the migration. Some startups that left town are coming back home. And the next generation of founders aren't all leaving in the first place. Last year, VC investment rose in 33 states and Washington, D.C.

Hall is a big fan of this change. "If you're going to start a company, and given the strong and harsh demands of entrepreneurship, you want to start it in the easiest, most flexible, and cheapest place possible. And I think going home enables you to do that," he says. When founders move to the Valley or New York, they often think they're going to build a great network—but, Hall says, it's often extremely difficult to connect in these areas, where scores of entrepreneurs are clamoring for access to the same people. Back home, however? Founders are *already* deeply networked. And networks, he says, are one of the most overlooked tools in building a business.

That's why Maxeme "Max" Tuchman kept her company in Miami. She's the cofounder and CEO of Caribu, a video-sharing platform that allows caregivers and kids to read books together remotely. When she began fund-raising, she went to San Francisco to meet investors—and each one of them required her to move to the Bay Area. She was tempted; she really wanted the money. But then she considered what she'd be giving up.

"I knew the woman who was writing about tech at the *Miami Herald*. I knew the woman who was running the Cambridge Innovation Center in Miami," she says. And it went on: She knew the heads of local incubators and conferences; she was connected to local immigrant and female entrepreneur communities with fierce hustle, which she knew she wouldn't find in the notoriously white, male Silicon Valley. "They were all part of my network from growing up," says Tuchman. "And I was like, 'We need to build and grow here. We have so many resources at our fingertips.'"

So she stayed—becoming, as she says in her very South Floridian way, "a big dolphin in a small pond." It's meant getting less investment money, but she sees the trade-off as well worth it. "Why would I give that up to live in cities I can't afford to live in, where the talent is too expensive and leaves me the second a better job comes along, where half the money I raised goes to office space?"

Detroit native Nathan Labenz went through a similar realization. He left town for Harvard in 2002, with no intention of moving back. (Detroit, after all, wasn't looking good back then.) He eventually made his way to San Francisco, where in 2012 he founded Waymark, an online "make your own commercial" video template company, with a quarter million dollars of Silicon Valley legend Tim Draper's money. Four employees later and halfway through a $2 million seed fund-raising goal, Labenz was shocked to read that Twitter was opening an office in, of all places, Detroit. He dug deeper and found that Quicken Loans was also creating an entrepreneurial center in his hometown through its venture arm, Detroit Venture Partners. Labenz had a connection there. He gave the guy a call. "I basically said, 'If you guys are there and you're making an investment, maybe it would make sense for us to make a move.'"

Detroit Venture Partners put together an offer, but when Labenz floated it past his Bay Area investors, most said they wouldn't fund him if he moved. They just didn't feel they could help guide his company from across the country, and they didn't think he'd find top talent to work for him—understandable, says Labenz. He moved home anyway.

At first, he says, "it was kind of like living in the ruins of a fallen civilization. You could see straight through these buildings because the windows were blown out." But soon things took off. Not only did Labenz learn Detroit was rife with top candidates for hire, but his hometown's revitalization efforts are creating the kind of place that people want to be. Quicken Loans continues to support startups and serves as a talent magnet in itself. Of Waymark's now 25 employees, a third relocated from other parts of the country, including a former Squarespace and Apple product designer. Another Detroit native who was working in film production in Los Angeles came home and joined Waymark. The business culture is more open than in his previous big cities, vacant buildings are filled, and the restaurant scene is booming. "It's not the biggest city in the world," he says, "but it has a critical density now that makes it feel alive."

"Great entrepreneurs can start great businesses anywhere," says Hall. It's an encouraging message, but of course, that doesn't mean it'll be easy. Hall's fund, Rise of the Rest, has become famous for its bus tour. It pulls into a city, hosts a pitch competition, and funds the winners as well as others it meets before or after the appearance. Past stops have included Albuquerque, Dallas, Indianapolis, Minneapolis, and dozens of others. But its bus doesn't pull up just *anywhere.* Rise of the Rest conducts six months of groundwork ahead of time, making sure the cities it chooses have reached a certain point in their entrepreneurial evolution. To be frank: Not all cities are there yet.

But there are always exceptions. For example, Morehead, Ky. (population 7,634), is hardly a bustling entrepreneurial hot spot. But after a decade working in New York and Washington D.C. on various sustainable energy projects, University of Kentucky grad Jonathan Webb felt that this place, in the heart of unemployment-ravaged coal country, was uniquely positioned to tackle three whoppers of problems—jobs, food insecurity, and climate change.

In 2017, Webb founded a sustainable indoor farming company called AppHarvest. (That's App as in "Appalachia.") Currently, Webb says, most of us eat produce that's trucked nearly a week. But it's possible to get to 70 percent of the United States in a day's drive from Kentucky, which makes it the perfect place to centralize production and cut costs of distribution. Now his company is building a nearly 3,000,000-square-foot greenhouse that he says will create 285 full-time, permanent jobs and 100 construction jobs.

"I've spoken at Georgetown Law School twice since founding AppHarvest, and I've tried to encourage folks, 'Go back to your communities,'" says Webb. "You're gonna have your mayor, who's reaching out to the governor, who's reaching out to your congressman. If you're starting a company in San Francisco, no one cares what happens to you in one or two years. But if you go back home, people care. They're going to be there, working to solve problems with you."

Webb isn't the only one who came back home to Kentucky. He lured his CFO back home from New York, his COO back home from Beijing, and his VP of development back home from Washington, D.C. Then he lured money: Rise of the Rest provided seed and follow-on funding, as did ValueAct Capital, whose Jeff Ubben joined the AppHarvest board. The biggest boost of all came from Equilibrium Capital this May, in the form of an $82 million, all-cash equity investment to fund construction of the greenhouse.

"I have 15 of the most talented people in this industry from around the world in the other room, and I'm in a rural town in Appalachia," says Webb, phoning in from a stakeholder meeting. "It's absolutely remarkable. It really does almost bring tears to my eyes."

Back in Madison, Understory's Kubicek is feeling a lot of local pride. He's moved his 20 employees to a larger building with four times more space and 100 percent more windows to make way for the 20 additional staff he expects to hire by year's end. He's now officially living the "tech with babies" life, with two children at home. This spring, he closed his $5.25 million Series B round, which included Wisconsin investors (as well as Rise of the Rest, which also invested in his growth round). And Kubicek is looking to mentor other local founders. "The area is so successful because you have people who've had a startup and succeeded, and they can give back," he says.

That last part will be especially important to small cities. Because as many founders move home, a financial irony still remains. "Too often we see this dynamic where Midwest investors are buying the one-way plane tickets that finance our brain drain," says Joe Kirgues, one of the cofounders of Gener8tor, the accelerator that gave Understory its start.

The problem is multilayered. The Midwest is gaining investors, but it's sending lots of its money outside the region—in fact, 47 percent of investment commitments for coastal venture firms come from Midwestern investors, but only 12 percent of their capital is directed back to the Midwest in return. Also, the Midwest still exports most of its work. According to a June 2019 Brookings Institute report, the region produces almost a third of the nation's research and development, new patents, and top talent, but it sees only a tiny fraction of venture capital.

"Investors are buying the one-way plane tickets that finance our brain drain."

If a company *does* stay in the Midwest, it often attracts coastal investors. For example, this year Madison-based Propeller Health was acquired by San Diego's ResMed for $225 million, but it had almost no local angel investments and zero local investors. That meant no Madison-based investors got a big return, which they could invest in the next local startup. The hometown hero hit it big, but its hometown missed out.

This is why Kirgues and his cofounders feel such a mission with their accelerator. They've spread it to 15 regional cities, including Minneapolis, Detroit, Indianapolis, and Cincinnati. And while they're proud to see their founders succeed, it's bittersweet when one of them leaves town, like Understory once did. "We have a real opportunity, and a real challenge, to make sure our communities are giving themselves the best chance to participate in tomorrow's economy," says Kirgues.

In other words, the community needs to build something worth coming home to. E

Maggie Ginsberg is a writer based in Madison, Wis.

The Business of Hype

How did a handful of founders create a $1 billion aftermarket for shoes that no one wears? It's a tale of hoops, hype, head-spinning colorways—and an object lesson in how entrepreneurs can spot opportunity in the chaos.

by Liz Brody

→ LOOKING FOR FAKES Experts at a StockX authentication center make sure the shoes are real.

THE LEGEND GOES LIKE THIS: In 1985, Nike made a pair of red-and-black sneakers for Michael Jordan that it called the Air Jordan 1. Then Jordan tried to wear them during a game, but the NBA said no—uniform violation. So Nike promoted the sneakers as "banned," Jordan wore them during that year's NBA Slam Dunk Contest, and the combined cool factor blew the shoes off retail shelves so fast, they made skid marks.

Is it true? Online sleuths wonder if the whole "banned" thing was a marketing gimmick from the start. But it doesn't really matter. These shoes would effectively become Sneaker Zero, the birth of special limited shoe releases, conceived by brands from the get-go not to sell millions of pairs but to create that invaluable, flammable fuel known as hype. And for a generation of sneakerheads, the Air Jordan 1 lodged in their brains. They needed it. And they needed the next version, too.

Chad Jones was like that. He was a kid in a rough Brooklyn neighborhood when the Jordan 1 came out, and by the time he was a teen he understood the captivating potential of sneakers. He knew they had value, that they were art, and that they could literally and figuratively take you places. So when the lines started forming for sneakers in the early aughts, he stood in them—huddling in the rain, sleet, and subzero temperatures, sometimes for as long as five days, all in order to grab the next cool release from Nike or Adidas or Reebok. "I had a friend," he says. "We pitched actual tents, brought little portable heaters, whatever we had to do to fight to get these shoes." He began calling himself Sneaker Galactus. His collection grew past 1,000 shoes.

And that's why, at 4:30 A.M. on a frigid New York morning in 2012, he was out in line waiting for the new Kobe 7s. Sneakers seemed like

PHOTOGRAPH COURTESY OF STOCKX

big business then. They weren't, really—not compared with what they'd become, an aftermarket worth $1 to $3 billion. Still, even in 2012, there was money to be made. In fact, for most of the people waiting with him on that cold morning, the shoes would never touch their feet; they'd turn around and resell them, fresh in the boxes, to someone they knew or on eBay for twice or three times what they paid.

Mornings like those could be tense. It's a lot of anticipation, a lot of people, a lot of money at risk, and not that many shoes. Jones had been waiting only a few hours when an argument broke out. He remembers how bitterly cold it was. And he remembers looking down at his feet, where blood was pooling and soaking his Nike Air Zoom Tallac Lite boots. Then he realized the blood was pumping out of an artery in his arm, where he'd been stabbed. "I almost died," he says, "over sneakers."

But did it stop his love of them? "Never. Ever," he says. Loyalty like that is rare. It is also opportunity. And a few visionary entrepreneurs were about to take notice and transform this small world of obsessive shoe resellers into a massive, global sneakerhead industry of unicorns and luxury brands, and VC money flying as high and fast as the athlete who inspired it all.

AFTER THE AIR JORDAN 1, collectible sneakers evolved. Brands began dropping exclusive shoes in ever more creative collaborations—with designers, musicians, influencers. Magazines and websites popped up to report the latest news. A secondary market quickly followed, to the surprise of nobody. That's what happens with anything cool and limited, be it Rolling Stones tickets or rare *Magic: The Gathering* cards.

Then he realized the blood was pumping out of an artery in his arm, where he'd been stabbed. "I almost died over sneakers."

How does an entrepreneur begin to harness something like that? The first step was simple: Open a store.

That's what Damany Weir did in 2005; he created a consignment store in New York City dedicated to reselling these preowned, often unworn, sneakers. It was called Flight Club, and Jones describes it as "a tiny little nothing"—a space that appealed mainly to hard-core fans. But this satisfied the needs of the moment. It became a mecca for sneakerheads.

In the decade that followed, the sneaker world became chaotic. Brands were releasing new limited collaborations regularly. Resellers were popping up everywhere. Several incidents of violence erupted, like the one Jones was caught in. And counterfeiters were becoming a serious problem on eBay, which had become the resellers' platform of choice.

But during that same time, a new kind of sneakerhead had also taken interest. They were guys from corporate America who had fallen for sneaker culture—and were now noticing all these pain points in the scene. They wondered if they could solve them.

Two of these sneaker guys were Eddy Lu and Daishin Sugano, roommates and startup cofounders in Los Angeles. They'd met at college in Berkeley and decided to leave high-paying corporate gigs on the same day in 2007 to start…*something*. They weren't exactly sure what. They managed to raise $7 million for an app called GrubWithUs (it helped people meet over food at restaurants), but they struggled to scale it. And then, one day, Sugano paid $300 on eBay for a pair of Air Jordan 5 Grapes that, upon arrival, were clearly fakes. "I was like, *How come in this day and age you spend that much money on something online and still have to worry if it's real?*" Lu says. "That was the lightbulb moment: We can build a marketplace where we authenticate every product, so the buyer never has to get duped."

Flight Club, that store in New York City, had done this from the start. But it was working at a small scale. Lu and Sugano went bigger. They built an app and called it GOAT (Greatest of All Time). Just like on eBay, a seller can post a shoe on GOAT and ask for a price. But when a purchase is made, the seller first ships the sneakers to GOAT headquarters to be authenticated. If they're real, the sale goes through and GOAT takes 9.5 percent plus a $5 seller's fee.

To get off the ground, Lu and Sugano used $1 million of VC money they had left over from GrubWithUs. But after launching in July 2015, it was slow going. "There was one time in late September we didn't sell a shoe that whole entire day," Lu says. "So at 6:00 P.M., I went in and secretly bought a pair just so I could tell the team we sold something." Knowing they had to turn things around fast, the team came up with an idea for Black Friday. They'd find a few hot sneakers that were reselling on the app for $600 or $800 and let customers have them for the original $200-ish retail price. They sent emails about this to the sneaker magazines, which wrote about the event, and suddenly 100,000 people were trying to buy the same few sneakers. "Everything melted," Lu says. "The site crashed, and we got about 4,000 customer service messages saying things like 'I tried accessing the app for six hours; I skipped work; I skipped school.'"

As more messages poured in, Greg Bettinelli, a partner at Upfront Ventures, which was one of their investors, called to see if everything was OK. ▶

"Not really," Lu told him. He was traumatized.

"Honestly," Bettinelli said, "at your stage right now, it's better to be hated than unknown. It means the community cares."

Lu marvels that, looking back, Bettinelli's words could not have been truer. "Even though people had a horrible experience," he says, "they started to understand our value proposition, like, *Oh, I get why I would use a service like this.*" (He apologized to everyone.)

Now the scene had a safer, customized, digital way to resell sneakers. What would come next?

MEANWHILE, across the country in New York City, another pair of founders had entered the sneaker game and were anxiously managing a business with no customers.

John McPheters and Jed Stiller, like the GOAT founders, had also come from the tech startup world. They'd created an analytic tool called Swarm Mobile, which helped companies connect with customers in stores. When they sold it to Groupon in 2014, they first explored a new venture in diamonds—but then started thinking about the sneaker aftermarket.

McPheters had worked at Flight Club for 10 years, and both he and Stiller saw an opportunity to improve on it. Flight Club still catered to insiders—the people with deep roots in the sneaker scene. GOAT was focusing on making the broader world of reselling safer for the masses. McPheters and Stiller decided to aim for a different market: the high-end customers, who would actually wear the sneakers and flaunt them like diamonds.

They imagined a sneaker store for a new era, turning the consignment model into a mega global, luxury brand. "As entrepreneurs," McPheters says, "you can make a decision to go out of your comfort zone and create something in an area you know nothing about. Or you can say, 'Hey, I know this market, and I'm going to make a play.'" And so they chose sneakers over carats. "We knew there was a void to be filled," says Stiller. "It was pretty obvious to us."

The founders felt strongly that a physical presence was key to anchoring a trusted brand. "Back then, people didn't understand: Is it a new product? Is it resale? Is it used?" says Stiller. "So to be able to find us was important." In October 2015, they simultaneously launched an online marketplace and an Apple-esque, boldly spacious store called Stadium Goods in Manhattan's SoHo neighborhood. People would bring their unworn shoes to the back entrance to be authenticated and priced, while shoppers would enter through the front door. Stadium Goods would take 20 percent of the sale (the same as Flight Club). But their location didn't have much foot traffic in 2015; there were days with zero sales.

So they worked their connections, turning the store into a story. They knew the host of Complex TV's *Sneaker Shopping* show, which follows a celebrity buying shoes, and got them to shoot at Stadium Goods a couple times a month. That jump-started a virtuous cycle. Viewers saw Chris Rock, Whoopi Goldberg, Billie Eilish, and 21 Savage score shoes in Stadium Goods. The attention brought more customers, who brought more attention. Traffic on their website picked up. With its retail presence established, Stadium Goods started selling on other sites, too—entering into Alibaba's Tmall, a kind of Amazon for China.

By this point, Flight Club, GOAT, and Stadium Goods had captured the three natural layers of the marketplace—the hard-core fans, the everyday reseller, and the high-end flaunter. What could come next? The answer would involve solving a problem that all these customers faced: They had no real idea what a shoe was worth.

JOSH LUBER HAS long been a sneakerhead, but he was always bothered by the resale prices. They could be arbitrary—there was just no agreement on how valuable any one sneaker was. So in 2012, while he worked at IBM in New York, he built Campless. It was a sort of Kelley Blue Book for preowned sneakers, which used messy eBay data and any other numbers he could grab. From there, he says, the thought process was like dominoes: "If you knew the value of one pair of sneakers, you could look at someone's whole sneaker collection the way you look at a stock portfolio. And the logic was, well, if I understood asset pricing and portfolios, then perhaps I could create an actual stock market for sneakers."

"I had no idea people would pay this much money for sneakers. It's crazy. It's ridiculous."

Word of his idea traveled, and soon it reached the very wealthy ears of Dan Gilbert, founder of Quicken Loans and owner of the Cleveland Cavaliers. Gilbert had been watching his kids buy and sell shoes, and had also gotten to wondering about how to track their prices. So in 2015, he invited Luber to a Cavs game, shared what he was thinking, and eventually acquired Campless. Then the two of them, plus a third cofounder, Greg Schwartz, began to work on a new company, called StockX.

Even though funding wasn't an issue, they decided to raise outside money. Luber had learned a valuable lesson after doing a friends-and-family raise for an earlier venture that failed. "Man, when I have to call up my grandfather or my best friend's father and tell them, 'Your money's not coming back,' that's a tough thing," he says. "It makes you appreciate that this is not Monopoly money, and not to be crazy about how you spend."

In one way, StockX is similar to GOAT: It also serves as a marketplace, processes sales, authenticates shoes, and takes a 9.5 percent commission. But its differentiation comes in data. For every shoe in a specific color and size, a user can see not only the bids and asks but all the sales ever made, the average price and whether it's going up and down, and how many pairs have sold. That gives people insight into the value of whatever they're buying or selling.

Today, StockX's massive authentication center in Detroit looks like a marketplace of fishmongers gutting shoe boxes with their X-Acto knives (slice, slice, slice), then holding up the entrails—pristine Jordans, Yeezys, Instapump Furys—to begin inspection. This is just one of the company's four authentication centers, soon to be five. Revenue has more than doubled in the past year, with gross product sales topping $100 million a month. Counting some 800 employees, the company has raised $160 million and is valued at more than $1 billion.

The whole sneaker resale market has exploded—as average people now use both StockX and GOAT to enormous effect. They're customers like Vernon "Sizzle" Simms, who once bought a pair of new Yeezy Boost 750s in a mall for $350. He clicked a few pictures of the sneakers, uploaded them onto GOAT, and by the time he got down to his car, he'd sold them for $1,500. Profitwise, it was a $1,100 escalator ride, and it "kick-started my brain," he says. He quit his $80,000-a-year music and D.J. career to resell sneakers full-time, first on GOAT and now on StockX, where he says he's on track to make $1 million in sales, about 20 to 35 percent of it profit. "I had no idea people would pay this much for sneakers," he says, shaking his head over a pair of Nike MAG Back to the Future sneakers on sale for $60,000. "It's crazy. It's ridiculous. But don't get me wrong. I'll go and buy it if I know I can sell it for $70K."

THE AFTERMARKET SNEAKER industry may seem new and crazy, but it's following a well-worn pattern. First there's consumer attention. Then startups rise up to solve those consumers' needs. And now the industry enters its more mature phase: mergers and acquisitions.

Stadium Goods was acquired for $250 million by FarFetch, the publicly traded global luxury digital marketplace, in December 2018. "We did not have access to rare sneakers, and we know our customers really want them," says José Neves, founder and CEO of FarFetch.

Meanwhile, GOAT grew to more than 600 employees and 14 facilities around the world, and then in February 2018, it merged with the industry's legendary original store, Flight Club. "They were our competitors," says Steve Luna, director of consignment at Flight Club, "but we realized that we, too, were going to have to evolve our business to adapt to the times." Foot Locker, not wanting to be left out, stepped in with a $100 million investment, driving GOAT's outside funding to almost $200 million.

But even if this is just industry growth as usual, you've got to wonder. We're talking unworn sneakers here. And with all the big money flying around, it's hard not to see tulip bulbs and Beanie Babies and houses of toppling cards. Essentially, you've got this "Row, Row, Row Your Boat" of a musical round going on. The brands are dropping rare product. The GOATs, StockXs, and consignment stores make it easy to resell them. And customers like Simms build independent sneaker businesses that support the other two. But what if the brands stop singing? And how long before these pumped-up shoes lose air—and everyone moves on to hiking boots or loafers?

Matt Powell, vice president and senior industry adviser for the NPD Group, a market research firm, who has been tracking the sneaker phenomenon for decades, sees warning signs. Last year the primary athletic shoe market was $21.2 billion in U.S. retail dollar sales, according to NPD. "But it's been challenged," Powell says. "This year, I'm looking for it to be flattish. What I'm seeing is some brands trying to get greater sales out of these limited edition shoes because they need the business, so instead of making a handful of pairs, they're making millions of pairs." He points to Jordans and Yeezys, where that strategy not only dimmed retail demand for the sneakers but "collapsed the resale market," he says. "Scarcity is really the key. The whole resale industry is based on the fact that there will be limited supply."

Nike and Adidas have stayed pretty silent on the resale industry (and didn't respond to requests for interviews), but Kelly Hibler, who spent 28 years at Nike and now is general manager of Reebok Classics, a subsidiary of Adidas, told *Entrepreneur*, "I love the aftermarket. The fact that the products you create sometimes show up [there] for crazy amounts? It's actually great for the industry." Reebok, for one, continues to cook up creative collaborations like the Instapump Fury Prototype. "We brought back an actual prototype for the original Instapump Fury," says Hibler. "Because it was done in 1996, we released 1,996 pairs. We launched in March in Japan. It's generated all kinds of buzz."

Part of the magic includes where they release the sneaker—whether it's in their own stores or via another retailer, Twitter, or an event. Would they ever consider dropping a new shoe on StockX or GOAT? "Yeah!" says Hibler. "For sure. I think there's all kinds of things you can do creatively today."

Luber of StockX has been pushing for something just like that, though so far without much success. He's also exploring other ways to impact the industry, like having the price of a new shoe decided by customers. He tested the concept recently by holding an IPO—initial "product" offering—where StockX released its own limited edition of 800 sandals, a collaboration with jewelry designer Ben Baller. Customers bid via a Dutch auction, a method used in traditional IPOs, and the sandals, depending on size and color, ended up costing around $210—likely three times the amount they would have sold for at retail, yet less than almost everyone who got a pair bid. Going forward, Luber says, people could buy their new Ben Ballers and resell them immediately on the site, without ever taking possession—in other words, trading pairs of shoes the way you trade shares of stock. "That's the future of the business," he says.

But of course, the next great disruptor could always come along. As big companies dominate an industry, the small upstarts always spot the white space. That's what Chad Jones—a.k.a. Sneaker Galactus, the man once stabbed over a pair of shoes—plans to do. After nearly dying, he went from being a collector to a very focused reseller, building a reputation on his access to the rarest of shoes. Sometimes only 50, 10, or even five pairs are made—"the crazy stuff brands do for celebrities and athletes, their promo departments," he says. They're the kind you pay $650 to get and sell for $9,000. And while GOAT and StockX and Stadium Goods go mainstream, he's working on turning his specialty into a scalable business.

Already, everything that's happened in this industry has validated what he knew to be true as a boy. "I am from one of the worst parts of Brooklyn, and I now own a home on the Hudson River in Fort Lee, N.J.," Jones says. "Sneakers have provided an avenue for me to pull myself out of economic distress." And now, he says, he's ready to make his move. E

Liz Brody is a contributing editor at Entrepreneur *and the former news director of* Glamour.

PHOTOGRAPHS BY NICCI LEVY

The $3.4 Billion Man

Kevin Murphy left Wall Street for cannabis in 2011, grew his company, **Acreage Holdings,** and sold it this spring for billions. And he says there's plenty more room for growth. **by JONATHAN SMALL**

The average cannabis consumer may not have heard of Kevin Murphy, but they've surely seen the headlines he's made as the CEO of Acreage Holdings, the largest vertically integrated, multistate cannabis company in America. Last year, he got former House Speaker John Boehner to join his board of directors—despite Boehner's having claimed to be "unalterably opposed to the legalization of marijuana." Then Murphy's company produced a cannabis Super Bowl ad; when CBS rejected it (to nobody's surprise), Acreage spun the moment into PR gold. And in April, Murphy made headlines again when he sold Acreage to Canopy Growth for $3.4 billion.

It's been a great run for this former Wall Street investor, who first got involved in cannabis in Maine eight years ago. Acreage's portfolio includes cultivation, processing, and dispensaries—but despite now being one of the industry's major players, he believes there's still plenty of room for small businesses with big ideas.

→ **THE BOTANIST** Acreage's Baltimore store opened in September 2018.

You made a good deal of money on Wall Street. Why get into the cannabis business?
One important investment principle I learned early on: Do what everyone else is not doing and be right. In 2011, not many people were involved with cannabis, and to be honest, I was a little cynical at first. I was very comfortable with Chardonnay and Cabernet, but cannabis wasn't my thing. But I learned two things. One, the operating leverage in the business was quite dramatic, and two, there was medicinal value in the plant. I was quite taken by all the different ailments cannabis can deal with. Being a financier on Wall Street was economically prosperous, but there's been no greater joy than being able to help people help themselves with cannabis.

You guessed right about cannabis in 2011. Was that an educated guess, instinct, or a little bit of both?
I thought, *How many cannabis users in this world want to have legal, regulated access to the space?* Couple that with the first state east of the Mississippi that's getting involved [Maine], and I'm thinking, *If this state gets it right, every other state will try to get it right, and that'll give me a first-mover advantage.* I saw that as the macro trend—social buy-in for cannabis. Now, did I ever think 95 percent of the country would believe cannabis should be available for medical use, and 66 percent would believe it should be available for adult use? Never.

There's a lot of fear in the cannabis world that big business is going to come in and squeeze out the little guy. Is that true?
We started as a small business, and we're very fortunate to grow, through timing, good partnership, and loyal employees. Does that mean we're going to exclude everyone else? No. We're going to take that bandwidth and that heft and include more people. I would say to all those people who want to be in the business: Do you feel that you've got a real add and some real input? Come see us, because we're all ears. We embrace that mindset, and we're just looking for a couple thousand more people.

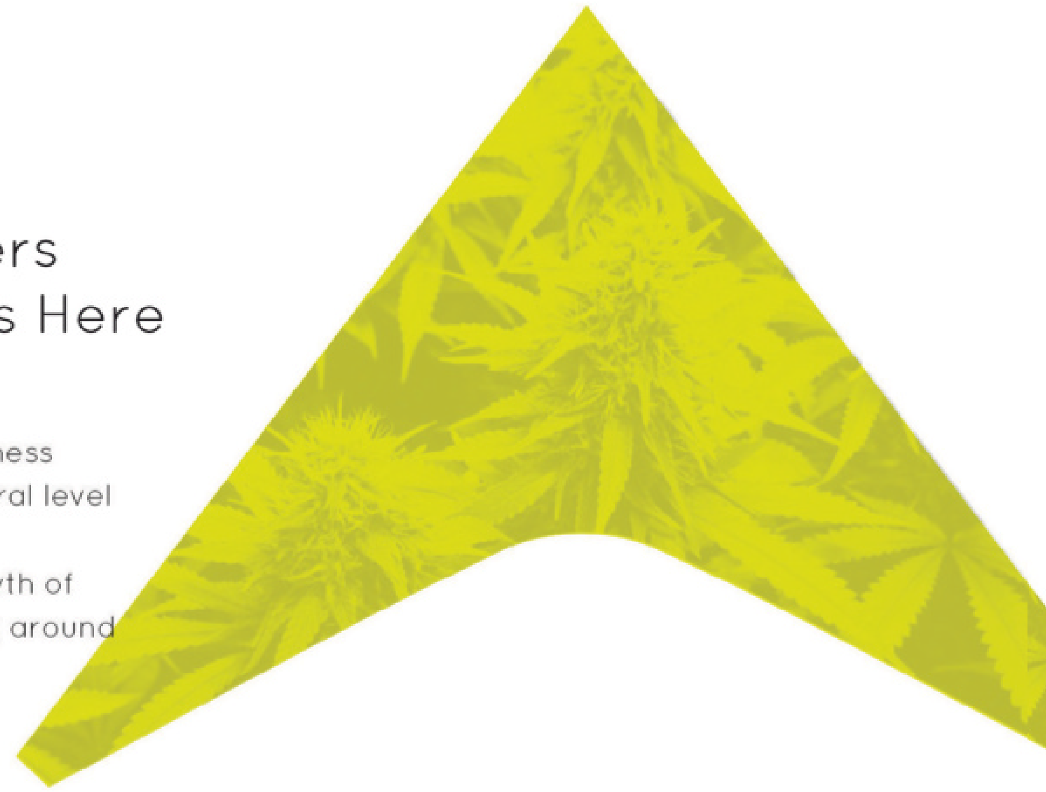
What's the most essential part of running a successful business?
I rank our employees first. If we can't care for them, we're in big trouble. Our customers come second. We want to care for our customers, but if we don't have compassionate employees, we're going to have a really tough time achieving number two. But if we get numbers one and two right, we're going to have some really happy shareholders, which is number three.

What maxim do you live by as a business leader?
Givers win and takers lose. If you can basically be in business and put yourself forward to wanting to give the best you can possibly give and truly have other people's interests in mind, at the end of the day, I believe it comes back in spades.

Your best advice for cannabis entrepreneurs?
Be an excellent team player and know your lane. Don't try to be something you're not. If you need knee surgery, don't call me. I mean, I'll give it a shot, but I'm probably not your best guy. Know exactly what your skill set is, and play to it. A great quarterback can throw, and a great receiver can catch. If you confuse those, you're going to lose a lot of money.

GroStaff

Payroll Processing and Workers Compensation for Cannabis is Here



The cannabis industry is seeing rapid growth and business diversification. However, the plants legality at the federal level has limited the access of cannabis companies to basic resources that are essential business tools for the growth of every company. True industry pioneers are not waiting around for solutions predicated on federal legalization.

Five years ago, founder Clint Armstrong and his partner Steve Vierra took their company SkillsetGroup from a small company inside a garage, to the 5th fastest growing Human Resources company in the nation, as ranked by INC 500. Their dedication and passion for staffing and recruiting has reached a multitude of industries, including the agricultural space. As the cannabis marketplace began to flourish, Clint and Steve formulated a plan to create a similar Human Resources ecosystem for employers solely within the cannabis industry. In 2017 they founded GroStaff, the cannabis industry's first human resources platform.

Why can't cannabis companies use traditional payroll companies to process their payroll & taxes?
Grostaff: *The large payroll companies won't accept cannabis businesses due to it still being federal illegal. These are publicly traded companies that see cannabis as a potential risk to their business model. In some cases, we see cannabis companies trying to mis-classify their operation to process their payroll, taxes, and insurance. It's a huge problem in the industry and in many cases, this jeopardizes the owners cannabis licenses and business as a whole. State or federal regulators will shut you down for being out of compliance. That is why we felt it was necessary for cannabis companies to have an ally that will work with them.*

How can cannabis companies benefit from utilizing the GroStaff *PEO* platform?
GroStaff: *We can help cannabis companies focus on their core business, which is Cannabis. GroStaff can bundle payroll, workers compensation, compliance, HR, and benefits under our umbrella, and help to administer employment-related responsibilities for you. Plus, with our group buying power, you get access to health insurance and other perks at more affordable rates.*

How does Grostaff solve the insurance and banking issues that currently plague cannabis employers?
GroStaff: *One major hurdle within the cannabis industry lies in the difficulty of acquiring workers' compensation insurance. We solve this issue by taking on your employees as our own, thus becoming your workers' compensation insurer under our policy at a much lower rate as compared to using the State Fund workers' compensation program. We solve tax liabilities and payroll issues by taking over the processing of your payroll. Another major hurdle in the cannabis industry is most companies can't bank their cash in a traditional banking system. GroStaff allows you use cash to pay for your payroll which we can pick up and deposit directly into the federal reserve system. In turn, we create a 280-E payroll expense by paying your workers compensation, state, and federal employment taxes. Because we pay your taxes directly to the government, we save cannabis companies an additional 10% tax penalty for not paying taxes in cash.*

How are you innovating the cannabis industry?
GroStaff: *GroStaff's platform provides workers' compensation insurance, claims administration, and loss control; including on-site inspections, safety program development, implementation, and maintenance; as well as federal and state OSHA compliance.*

Stability | Innovation | Growth www.grostaff.com 844.gro.staf | Santa Ana, CA GroStaff

Creating a New Journey

The vape brand **Roam** wanted to appeal to women, so it designed packaging to target their wanderlust.

by NICOLE PAJER

Groovy Singh, the cofounder of Glass House Brands, builds cannabis brands, and when he looks at new markets, he doesn't think just about products—he thinks about who isn't being served, and what message will win them over. As he explored the luxury vape business, he saw an opening. "There were limited options for new, female cannabis users who were looking for a higher-end experience," he says.

Singh imagined the ideal buyer—an independent, successful young woman "whose life revolved around traveling, exploring, and having the spirit of wanderlust." Then he enlisted a team of designers, including creative director Hema Patel, to build Roam, which launched in November 2018. Here's how it came together.

1/ Blend names

Many cannabis brands name their blends after the feelings they intend to create, e.g., Gratitude and Joy. Singh wanted to differentiate his brand, and locked in on travel. "We loved the idea of creating cannabis experiences that could transport people to their favorite destination," he says. A naming convention followed: Each of Roam's four blends is named after a place that evokes its effect—Bali Bliss, Rio Soul, Paris Nights, and NYC Hustle. (And Roam defines each blend on the tube: Bali Bliss, for example, is "for chill.")

2/ Images

If you're naming a product after a city, should you show the city on the package? That was Roam's big question—and at first, the team drafted designs that contained an overhead photo of each location. But Patel saw a problem: Photos focused too much attention on the destination itself, not the abstract feeling they represent. So she zoomed in closer to each city, seeking what she calls their "natural elements"—say, a headdress of a Rio carnival, or the palm leaves of Bali—so a Roam user could "feel close-up to the energy" of the city.

3/ Design

Next question: What to do with those "natural elements"? Patel put together mood boards, searching for "graphic representations to bring the different cities to life in a minimalist way." Eventually, she landed on an artsy *R* logo: The letter would be the same on every bottle, but each city's unique imagery would come bursting through it. To get a feel for what that could look like, she literally took scissors to paper. "The way I cut out the *R* felt like wings of a butterfly to start with," she says. She knew she was onto something.

4/ Packaging

Roam's team wanted to create an unboxing experience that touched multiple senses. They chose a cylindrical container, which Singh says is associated with luxury more than square boxes are. Then they put the vape pen on a pedestal inside and sealed it tight. "As you slide up the top of the packaging, there's this really lovely air lock sound that happens when it pops open, and then you see your pen inside," says Patel. "It's really about that whole user experience."

PHOTOGRAPHS COURTESY OF ROAM

THE GREEN RUSH

Q&A WITH THE LEADERS IN CANNABIS AND HEMP EXTRACTION TECHNOLOGY

In less than five years, founders Marc Beginin and Nick Tennant took Detroit-based Precision Extraction Solutions from a novel idea to the worldwide leader in cannabis and hemp extraction technology.

From its humble beginnings inside a 1,200 sq ft facility, the company initially designed, engineered, and built extraction equipment specialized for cannabis operations. Since then, Precision redeployed its operations to a sprawling 20,000 sq ft warehouse and international headquarters, expanding its offerings to include site planning and design services, primary and post-production extraction equipment, and turnkey solutions for a variety of commercial extraction applications.

With the passage of the 2018 Farm Bill, legalizing hemp and CBD extracts on the federal level, Precision now engineers and manufactures mega-industrial scale hemp processing plants that can scale to process over 100,000 lbs of input biomass per day.

With over 70% of cannabis and hemp retail sales currently coming from extract-derived products, and CBD market alone anticipated to be a $22 billion industry by 2022, Precision is capitalizing on the fastest-growing segments of the burgeoning industry.

We took the time to sit down with these innovators to ask them how they are building their company and contributing to the growth of this fast-growing industry.

Q: What products and services does Precision Extraction Solutions offer?

A: Precision offers cannabis and hemp extraction equipment, technology, site planning, compliance, lab build-out, installation, consulting, and training. From ideation to implementation, Precision helps navigate our customers through a maze of regulation and get their extraction businesses up and running in short order. Speed to market is not only a credo for our business, but that of our customers.

Q: What do you think has contributed the most to Precision Extraction Solutions success?

A: Precision was built on the design and manufacture of the most innovative and highest quality extraction equipment in the industry. The company's continued growth and sustainability have come from providing our customers with the highest level of service and technical support.

Our team's innovative spirit, coupled with our company-wide commitment to our customer's success, has propelled Precision forward. People drive performance, and we genuinely believe that the Precision team of professionals is made up of the best people you will find.

Precision engineers stay ahead of the curve, continually innovating and experimenting with new design methods while predicting future essentials within the industry. As industrial production expands, so does the mindset of our development team, which is focused on overcoming physical and technological obstacles for our customers. Recently introduced, KPD Series of extraction plants and our Multi-Solvent Extractors are stellar examples of Precision's state-of-the-art capabilities that surpass all industry standards.

Q: With more food processing companies entering the space, how does Precision plan to remain the industry leader?

A: Precision extraction systems are world-renowned for quality, safety, and precise operation; hence why more award-winning concentrates are made with Precision than any other brand. Extracting cannabis and hemp is an entirely different and unique process. Our technical expertise of the process and the industry allows us to better position our clients for success. Our company has been recognized as the experts in extraction equipment and technology, and our list of blue-chip clients includes a majority of the world's leading extract brands.

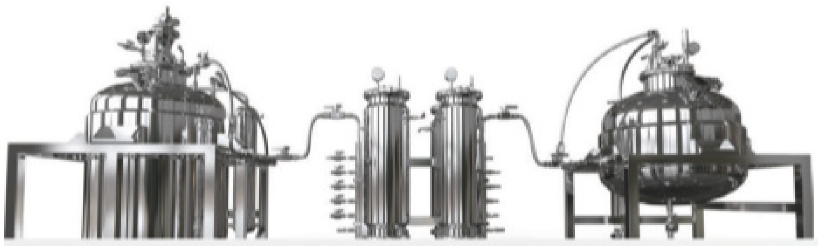
Q: As the industry grows, and more people are investing in the cannabis and hemp industry, has your customer base changed?

A: The customer base has definitely changed. In the past, our customers were highly knowledgeable about the industry, and they were just looking for high-quality extraction equipment to build their business around. Fast forward a few years, with legalization comes more public acceptance, and investors are recognizing the opportunity of entering the highly-lucrative industry. Most of these investors have impressive entrepreneurial backgrounds, but they have limited knowledge of the cannabis industry, which is where Precision can help.

We not only see our job to deliver the highest quality equipment, but also to educate our consumer on the best extraction methods, work flow space design, and the industry in general.

Q: What's next for Precision Extraction Solutions?

A: With the federal legalization of hemp and CBD came the demand for more robust levels of processing and scaling of extraction operations. Precision has met the challenge to engineer and build the largest and most efficient hemp and cannabis extraction facilities the industry has ever seen. Stay tuned for a new age of industrial processing to be revealed by Precision in the coming months.



CBD's Hidden Problem

Feals didn't want to be just another CBD company. So rather than just pushing a product, it sought out its users' biggest pain point. **by JONATHAN SMALL**

In an industry as crowded as CBD, how can any startup stand out? It's a question everyone in the space must answer, as a tsunami of CBD-infused products flood onto store shelves nationwide. So when the cofounders of Feals entered this space, they cooked up a plan to make themselves different. They'd do some customer acquisition research and then create the product people said they wanted.

PHOTOGRAPH COURTESY OF FEALS

For the Feals cofounders—Alex Iwanchuk, Eric Scheibling, and Drew Todd—this was a natural way of thinking. They'd previously built and sold an ad tech company, and they were big believers in data. So their team researched the CBD market and, for a year, tested a variety of products with more than 5,000 customers. By the end, they concluded that the big opportunity was in hemp-based CBD tinctures.

But when they dug deeper, they discovered a problem: People had no idea what dosage to take.

This, they realized, was a true white space in the industry. The opportunity wasn't just in product—it was in *making sense* of the product. "CBD is super personalized. It's unique to the individual," says Todd. "I compare it to a cup of coffee. One person can drink a single cup of coffee to get through their day, but another person needs 12, depending on how their system processes caffeine." And if a customer didn't know what worked for them personally, they'd be reluctant to buy anything at all.

What to do? The Feals team decided to look outside their industry for inspiration. They thought about Warby Parker, the online prescription eyeglass and sunglass retail store, which famously popularized the idea of at-home trials. (The company will mail five frames to a potential customer to try on at home and select the one they like.) Maybe there was a way to do that with CBD.

The Feals cofounders developed a product they called a "flight"—three perfume-bottle-like vials. Each delivers a specific dose, 40 milligrams, 80 milligrams, or 160 milligrams, of CBD oil. They'd charge $20 for the flight, including shipping, and it would arrive with clear instructions for use. (Only one dose a day; let it sit under the tongue for 30 seconds.) Customers would be encouraged to start low and go slow.

Feals launched in March 2019 with the flights and saw almost immediate results. First, people's buying habits shifted toward the most potent products. "People typically need to use more CBD than they initially believed to get their desired effects," says Todd. Feals originally anticipated that its most potent bottle would constitute 2 to 5 percent of sales; now it's close to 20 percent.

But even more intriguingly, Feals noticed that its customer service department was handling a large number of calls that averaged 12 minutes. It wasn't because people were calling to complain. Rather, first-time CBD users were using Feals as an informational hotline; they were calling to learn more about CBD before trying it for the first time. So Feals leaned into its new role: The company developed "conversational commerce"—sending a personalized text message once a flight reaches a new customer's home, so the company can keep the conversation going.

"That's what gets us really excited," Todd says—because it means that Feals is now creating new customers, rather than just fighting for existing users. In a hot market like CBD, that's the kind of difference that matters.

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Going Above the Law

When a new California law made cannabis delivery more difficult, many companies folded. But **Caliva** doubled down on delivery—and is winning. by PETER PAGE

In January, delivering cannabis in California became a lot more complicated. That's when a series of state regulations passed, including a mandate that cannabis companies employ drivers and pay them at least minimum wage—plus benefits. Unlike most other companies, such as pizza parlors or laundry services, contractors would no longer be allowed.

The law quickly killed off a lot of delivery businesses. Many dispensaries couldn't afford to pay drivers more. But at the California company Caliva, a different conversation happened. Caliva grows its own cannabis, makes its own products, wholesales them, and operates its own store—but it defines its mission more simply: "ubiquitous access." That is the brand's North Star, says CEO and president Dennis O'Malley. Everything it does must be aimed at expanding access to cannabis.

So, what about the regulations? Caliva treated them as a business opportunity. If competitors were going to simply meet the regulations, Caliva would exceed them.

"We never considered doing anything other than growing [the delivery service]," says O'Malley. Cannabis retail sales are banned in 390 of California's 481 municipalities, so delivery is often the only way to reach people. Many of Caliva's users are in senior homes or have a handicap and are unable to get to a store. As other companies stopped delivering, Caliva saw an opening.

The company had tried using contractors for deliveries in the past but wasn't happy with the results, so it was already employing its own drivers as well as partnering with a delivery service, Eaze. But now its competitors would also be employing drivers—which, in a tight labor market, means recruitment would become tough. (The San Francisco Bay Area, for example, has a scant 2 percent unemployment rate.) So Caliva upped its offer. It would start drivers at between \$15 and \$17.50 per hour, well above the state's \$12 minimum wage. Full-time drivers receive health insurance, vacation time, a 401K, stock options, and the chance to purchase more stock during the company's investment round. Some of that would be available to part-time employees, too.

The benefits package has helped Caliva hire more than 125 drivers this year, many of them lured away from gig work with Uber, Lyft, and DoorDash. And critically, says O'Malley, it's made for happy drivers who are eager to represent the company. "We rely on the people who are delivering our product to be the face of Caliva," O'Malley says. "That's a very powerful role."

The downside, of course, is that delivery now takes a bigger chunk out of the bottom line—but O'Malley's investors get it. Caliva aspires to reach 70 percent of adults in the state with same-day delivery, and investors appreciate the long-term play.

It appears to be working. This year Caliva saw a more than 300 percent year-over-year revenue increase in the first quarter of 2019, and in January the company closed \$75 million in funding. Investors include former Yahoo and Autodesk CEO Carol Bartz and former pro quarterback Joe Montana. Last July, Jay-Z partnered with the brand to help with strategy.

With that cash on hand, O'Malley says, the company will now amp up the pursuit of its goal of ubiquitous access. "People really flock to the mission of providing a plant-based solution for health-and-wellness needs," he says. "Our drivers meet a lot of people who always love to see them at their door."

PHOTOGRAPH COURTESY OF CALIVA

The Cookies Commitment to Good Flower

Cookies was founded in 2012 by Berner, the prolific Bay Area rapper and entrepreneur, and his partner Jai, Bay Area cultivator and breeder. The combination of new genetics, the internet, music and streetwear has solidified Cookies as a one of a kind brand that's been established during a priceless time that may never come back.

With the music industry backing Cookies and social media and YouTube vlogs documenting its growth and breeding projects, the community was able to take that ride with the brand which built a grassroots cult following.

Today, Cookies is one of the most respected and top-selling cannabis brands in California and is globally recognized, amassing a stable of over 50 cannabis varieties and product lines including indoor, greenhouse and sungrown flower, pre-rolls, gel caps and vape carts. When you're already legendary for GSC – a strain that's become a cultural phenomenon – not to mention legendary strains like Cherry Pie, Sunset Sherbert, and Gelato, what do you do next? Keep grinding, apparently.

Berner let us in on his journey of what it takes to maintain a business that's centered on one seemingly simple element: Good Flower.

"There are so many Cookies, Gelato, and Sherbert crosses on menus from other brands that we truly believe our work has innovated its own flavor profile in the market. For us, that's a major compliment and accomplishment."

HOW DID COOKIES GET ITS START?

I'm a consumer of cannabis first and foremost and have a real, true love for flower. I met my business partner Jai back in the early 2000's and discovered he had just as much passion as I did for the plant. Jai was breeding in a garage in the Sunset District, this was right around the time I was working on my 1st official album, the flavor profile on the herb he was breeding was so unique it would stand out when I would be out and about and in studio / smoke sessions with other artists. The first strain to really catch on was the Cherry Pie, people started organically sharing it on social media and bragged about it on bigger records. When we had tasted, picked and named Cookies, we knew right away we had something that was much needed in the market. This was perfect timing as Grand Daddy Purp, Bubba Kush and OG was just starting to get mass produced and over saturated. People love the new new.

WITH GENETICS AT THE HEART OF THE BRAND, WHAT ARE SOME OF THE MOST INNOVATIVE STRAINS THAT COOKIES BREEDS?

It's actually pretty interesting, Cookies has become more than just a strain, after creating strains like Sunset Sherbert and Gelato. It's safe to say that Cookies genetics is in more than half of all the bigger brands menus. There are so many Cookies, Gelato and Sherbert crosses on menus from other brands that we truly believe our work has innovated its own flavor profile in the market. For us, that's a major compliment and accomplishment. As far as the new menu in house, London Pound Cake, Gary Payton and Cereal Milk are next level in every way.

We love to constantly create new flavors, after the Gelato and all the Gelato crosses started to spread around like crazy, we decided to start breeding with our London Pound Cake, Snowman and Y LIFE genetics. These are completely new flavor profiles and represents the evolution of Cookies properly.

YOU MENTION THAT YOUR CUSTOMERS AND FOLLOWERS LOVE TO INTERACT WITH THE BRAND IN PERSON. WHAT ARE SOME OF THE WAYS COOKIES MAKES THAT HAPPEN FOR THEM?

I think the clothing brand plays a major role in that for us, supporters are able to represent the brand whereever they go. Also the documentation of our breeding projects allows followers to take that journey with us all the way till it's released on the shelf, the visible grow inside our Maywood dispensary is pretty cool for our customers to see as well, they get to see the love we put into the plant. My favorite thing we do is hold taste tests with all of our new genetics, we hand select some of our biggest supporters and allow them to taste all the new strains months before the rest of the world does.

I think as a brand partnering with the best cultivation teams nationwide as new markets come online is extremely important. Providing this style of menu for new and educated smokers is our goal, with marijuana slowly becoming legal in new markets, its only right that they taste the best flower possible. California has always been trend-setters in the marijuana business and Cookies has been curating some of the best menus on the market for a while, we can't wait to share it with the world.

WHAT'S NEXT FOR COOKIES?

Our main focus is new genetics and global expansion. Of course, we have some really cool stuff planned for our hometown (San Francisco). We are also excited to launch our house of brands. We recently acquired and partnered with Powerzzzup, Grandiflora, Runtz and Minntz (by SeedJunky). This is one hell of a lineup, we are ready to spoil your palette.

COOKIESCALIFORNIA.COM

How to Succeed in Weed

Ten top cannabis entrepreneurs share their biggest lesson from the industry.

by NICOLE PAJER

Cannabis is an ever-growing, ever-changing, ever-crazy industry—so anyone who jumps in must be prepared to pivot fast, react faster, and go with the flow. In other words, they must do what all entrepreneurs do...but, at times, more intensely. How do the best manage? That's what we asked—by calling 10 of the companies on our first-annual top 100 cannabis companies list.

The list was produced by our sister publication *Green Entrepreneur,* which evaluated companies based on four *I*'s—influence, innovation, impact, and inspiration. You can read it all at our site GreenEntrepreneur.com. And here, on these pages, executives from 10 companies on that list share their biggest lesson from the journey so far.

Future State Brands

HQ/ Los Angeles

"Focus on delivering a tangible benefit to your target customer. How? Ensure that your brand experience will improve their life—or at the very least, surprise and delight them."

—DRAKE SUTTON-SHEARER, CEO AND FOUNDER, FUTURE STATE BRANDS

Future State Brands is a global consumer goods and marketing company with a mission to lead cannabis from the black market to the supermarket. Its portfolio includes lifestyle and wellness brands across hemp, CBD, and THC, including flagship PRØHBTD, Hempathy, Ceeby Dee's, Hot Nife, The Patch Co., and Heavy Grass. The company also counts several exclusive partnerships—with Licensing Expo, *Advertising Week*, Beanstalk Licensing Agency, All Def Media, Postmedia, and Regulated Solutions, among others—in its arsenal.

Wana Brands

HQ/ Boulder, Colo.

"Expect things to go wrong, and be prepared to pivot and adjust your strategies and tactics. Plan B is your friend! Things move very quickly in this industry, and it's easy to get left behind."

—NANCY WHITEMAN, CEO AND FOUNDER, WANA BRANDS

Wana founder and CEO Nancy Whiteman is generally credited with inventing, or at least popularizing, the now ubiquitous cannabis gummy. The chewy morsel has proved a solid foundation for the company, which has grown into one of the largest cannabis brands in Colorado, offering vaporizing, CBD, and capsule products. Whiteman has plans to expand into other legal states.

PHOTOGRAPH COURTESY OF FUTURE STATE BRANDS; PHOTOGRAPH COURTESY OF WANA BRANDS

Photograph (top) / JOHNNY AUTRY

Who Is Medterra CBD?

An exclusive look inside

What does seed to sale really mean? Introducing Medterra – a Kentucky-based CBD company with a foundation built on quality, consistency and affordability. They are quickly defining the term "seed-to-sale", as they personally oversee the growth of their own hemp, the entire manufacturing process and even the final sale of the CBD products themselves.

> "If you want to build something sustainable, you simply cannot cut corners."
>
> -Jay Hartenbach
> MEDTERRA CEO

Medterra prides themselves on the quality of every single one of their CBD products, because they see people not only as customers, but as members of their own family – and family deserves the best. Medterra is committed to full transparency from seed to sale, from the cultivation of the hemp plant to the CBD product on your shelf, meaning customers always know exactly what they're getting.

Kentucky Proud

Medterra's CBD is grown and extracted under the strict guidelines of Kentucky's Agriculture Department. Why Kentucky? The Bluegrass state was once known as the land of hemp, boasting an optimal climate and soil structure perfect for growing quality crops. Medterra is also one of only 15 CBD brands to receive U.S. Hemp Authority™ Certification, exceeding industry standards of quality and consistency, not only in Kentucky, but entire USA. They are truly a model other companies would be wise to follow.

Medterra Quality

Creating the purest CBD requires Medterra to use a proprietary CO_2 extraction process that removes unwanted cannabinoids, plant matter, additives and impurities, leaving behind only 99%+ pure, potent Cannabidiol (CBD). They do this to remove the risk of unwanted psychoactive effects and prioritize the overall safety of their customers. From there, Medterra's CBD is third-party tested multiple times for purity, to guarantee the effectiveness of every product.

Caring for Others

Beyond creating products fit for family, Medterra offers a helpful, personalized customer service team in-house, available to answer questions and address concerns before, during and after purchase. By providing conscious care during every part of the wellness journey, Medterra is truly defining the term "seed-to-sale".

Our CBD. Your Health.

As the grower, the manufacturer, the producer and the seller, Medterra is able to maintain and advance their own set of standards for producing trustworthy products. Keep an eye on the Kentucky CBD brand as they redefine the CBD space, as well as the health and wellness industry altogether.

Learn more at www.medterracbd.com or contact sales@medterracbd.com for wholesale inquiries.

Planet 13 Holdings
HQ/ Las Vegas

"Let your customer speak to you, without resistance, about their personal experience with your goods and services. You need to welcome honest feedback."

—DAVID FARRIS, DIRECTOR OF SALES AND MARKETING, PLANET 13

Planet 13 might just be the biggest cannabis superstore on the planet, and it's still growing. The company opened a new, 112,000-square-foot site and plans to expand into top-tier markets across the country. Planet 13, which is fully licensed for cultivation and retail distribution in Nevada, sells a variety of brands that include Medizin, TRENDI, and Leaf & Vine.

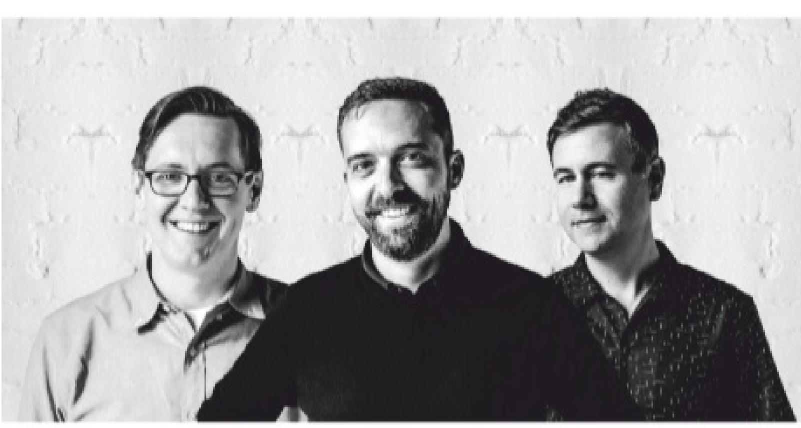
Cresco Capital Partners
HQ/ Dallas

"To survive in this space, you must be able to handle massively complex businesses. No other startup industry has been this hyper-regulated or this limited in capital, banking, advertising, and infrastructure."

—CODIE SANCHEZ , MANAGING DIRECTOR, CRESCO CAPITAL PARTNERS

Cresco Capital was founded in 2014, making it among the very first investment funds specializing in cannabis. It now has more than $50 million invested in every stage of the industry, from cultivation to ancillary services. Among its most notable, if not largest, clients is Harborside Dispensary, the first legal dispensary in the country, which went public in Canada in June. Curiously, Cresco offices are in Texas, a notably cannabis-unfriendly state.

Headset
HQ/ Seattle



"Be data-driven—leveraging analytics in your decision-making—and maintain flexibility. Regulations are changing, new licenses are being issued, and new competitors pop up every day."

—CY SCOTT, CEO, HEADSET

What did consumers do on 4/20? Which store locations are outperforming others? What are this year's seasonal cannabis predictions? These are the types of questions Headset, an all-in-one data analytics platform, can answer for its customers. The company was started in 2015 by Leafly cofounder Cy Scott (*center*) and provides real-time market intelligence on trends, product popularity, forecasting, demographics, and competitor performance.

Kurvana
HQ/ Corona del Mar, Calif.

"Running a cannabis company today consumes your entire life. You have to understand science, finance, distribution, sales, politics, regulations, federal, state and local laws, and much more."

—MEHRAN MOGHADDAM, CEO AND FOUNDER, KURVANA

Led by a team of acclaimed scientists and engineers, this brand seeks to create top-notch, full-spectrum extracts with a unique process that preserves the plant's phytochemical fingerprint. Kurvana offers a variety of product lines, including ASCND THC distillates and KPEN fruit and botanical THC and CBD infusions, and will soon launch a line of hemp-derived CBD vape pens.

PHOTOGRAPH COURTESY OF PLANET 13; PHOTOGRAPH BY GETTY IMAGES/JOE AMON (KURVANA); PHOTOGRAPH COURTESY OF HEADSET; PHOTOGRAPH COURTESY OF CRESCO

19Forty Los Angeles

HQ/ Long Beach, Calif.

"Patience is key. I see a lot of companies rushing to throw anything on the shelf, compromising quality and innovation. Take your time to make sure you're providing excellent products."

—MIKE HANNEGAN, CEO, 19FORTY LOS ANGELES

After Mike Hannegan broke his neck surfing, doctors tried to put him on opioids. But Hannegan wanted an alternative, so he researched CBD, which led to his discovering a whole new way to manage his pain. This year, Hannegan launched 19Forty Los Angeles (19FortyLA for short), originally a CBD marketplace that's now rolling out its own line of THC and CBD products.

MedMen

HQ/ Culver City, Calif.

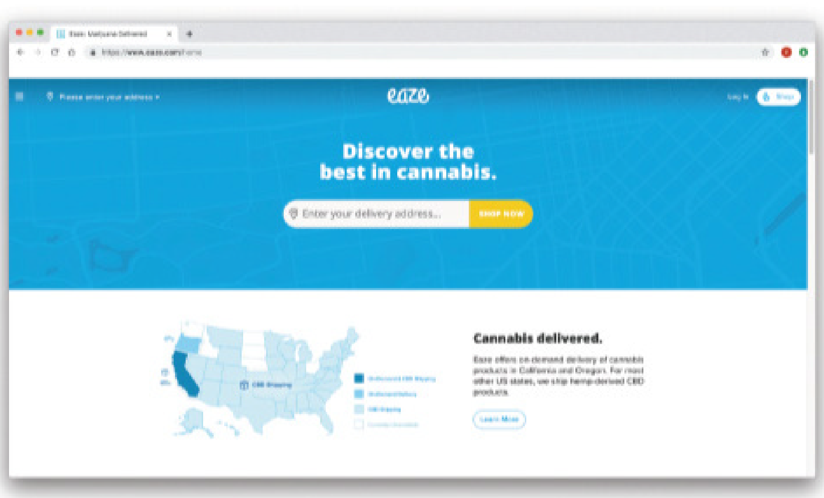
"Many people still feel trepidation entering the cannabis industry, so you have a much smaller subset of the workforce to choose from. It's vital to be innovative in the ways you recruit."

—ADAM BIERMAN, CEO, MEDMEN

"The Starbucks of pot" and "the Barneys of weed" are just two of the many nicknames this leading cannabis dispensary has earned. Operating 19 facilities in six states so far, and employing more than 1,100 cannabis professionals, MedMen is on a mission to redefine the modern cannabis industry. The company manages leading cannabis-oriented retail stores, utilizes cutting-edge techniques at its growing facilities, and is a strong supporter of progressive marijuana laws.

Eaze

HQ/ San Francisco



"Don't ever give up your core focus on giving people a great experience. Just because you've got to comply with a million rules doesn't mean you need to make a boring experience."

—NATASHA PECOR, VP PRODUCT, EAZE

This online cannabis marketplace doesn't just help customers find licensed dispensaries; Eaze also offers on-demand delivery within California and Oregon. The company announced a $65 million Series C round of financing in December 2018 after launching Eaze Wellness, which focuses on hemp-derived CBD products and ships to more than 40 states.

Casa Verde Capital

HQ/ West Hollywood

"Look beyond the cannabis industry for best practices or top talent. We've seen entrepreneurs from consumer technology to investment banking pivot to help establish cannabis ventures."

—KARAN WADHERA, MANAGING PARTNER, CASA VERDE CAPITAL

Casa Verde is a venture capital firm, cofounded by Snoop Dogg, focused on funding businesses in the cannabis industry. The team at Casa Verde is interested in "verticals such as agtech, health and wellness, financial services, technology, media, compliance, and laboratory technology."

PHOTOGRAPH COURTESY OF 19FORTYLA; PHOTOGRAPH COURTESY OF EAZE; PHOTOGRAPH BY STOCK POT IMAGES/STEPHEN SWINTEK (CASA VERDE); PHOTOGRAPH BY GETTY IMAGES/DENISE TRUSCELLO (MEDMEN)

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ANYTIME FITNESS
ANYTIME FITNESS
I'M YOUR COACH
ANYTIME FITNESS

Franchise/ Franchisee

From Indie to Franchise

After running her sign-and-awning business for 18 years, **Nikki Taheri** decided to turn the operation into a FastSigns franchise. by **HAYDEN FIELD**

Nikki Taheri grew up in Tehran during the Iranian Revolution and was raised on tales of her trailblazing grandmother—a six-foot-tall woman who chose to forgo a hijab and dressed as a man in order to pursue a career in trade. Taheri never met her grandmother, but she likes to think she inherited some of her gumption. In 1993, as opportunity and education for women seemed nonexistent in her home country, Taheri fled to the United States, where she earned her bachelor's degree, discovered a passion for design, and eventually opened a sign-and-awning business in Bayonne, N.J. Nearly two decades later, as business was thriving, Taheri made yet another bold decision and converted her business into a franchised location of FastSigns International in 2018. Joining a network of 700 locations may seem like an odd choice for a successful (and independent) business owner, but so far, all signs point to success.

Why did you want to open your own business back in 2000?
Being a first-generation immigrant has really pushed me to accomplish as much as I can. That's how I saw myself when I came to the U.S.: *I have to make it happen for myself.* I realized if I could incorporate the business genes I inherited from my grandmother with my own pinch of creativity, I could succeed in the sign industry. Back then it was a male-dominated field—fabrication, welding, sewing—and people said, "Are you out of your mind? A woman can't operate this." But graphic design was my passion.

After almost 20 years in business, why did you decide to convert your operation into a FastSigns franchise?
My husband and I were exploring ways to expand our business and attended a sign convention, where we met the FastSigns team. They had a lot to offer—name reputation, brand identity, continued training. The beauty is that I now have a support system for every aspect of the job. If we're puzzled by anything, we just call them, explain the situation, and ask, "What do you suggest?"

Was any part of the transition difficult?
Before, I had the luxury of running the business all by myself. I could be selective about projects, and I was a one-woman show. I used to print, design, deal with fabricators. When I became a franchisee, I needed to work with a team because of the additional business that came in, and I had to get out of my shell and collaborate with others. But it's amazing and rewarding. We've hired three young men we work with right now, and it's awesome. I feel like I'm giving back to the community by creating jobs.

Have your vendor partners and operations changed?
As a small-business owner, doing all the research and starting every product from scratch was hard. For example, we're working on an entire package of documents—booklets, fliers, signs, and more—for the College of Staten Island. They called us and gave us the list of items, and it was overwhelming for me to think about tackling all these products. But because I'm part of FastSigns now, I have access to special vendors that provide these services and offer discounts to the company.

How did your existing customers react to the change?
They were shocked. They asked me why I was transitioning: "You spent all these years to make a name for yourself, and then you're just giving it up!" Their reactions made me briefly reconsider. But I feel confident in my decision; being a franchisee has been exactly what I was looking for. We're experiencing strong growth, an increase of somewhere between 40 and 45 percent in terms of both customers and sales revenue.

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It's Not About Carpet

How do you build a great company if you're not interested in what the company does? **Jonathan Barnett,** founder of Oxi Fresh Carpet Cleaning, has an answer: It's about people. by **HAYDEN FIELD**

When Jonathan Barnett launched Oxi Fresh Carpet Cleaning in 2006, at the age of 26, he had one goal in mind: Make enough money to be able to explore his true passions—which, truth be told, did not include carpet cleaning. (He was more of a basketball kind of guy.) Still, he took his new business seriously. He knew he'd entered a crowded marketplace, so to differentiate himself, he enlisted chemists to help him develop a cleaning system with a one-hour drying time that uses just two gallons of water per home. That was a big improvement over the industry standard of 40 to 60 gallons. Customers came calling—and so did franchising. Today he has nearly 400 Oxi Fresh franchisees, and he understands if carpet cleaning isn't their lifelong dream. But he's found a passion in supporting his owners…and in turn, he believes he can help them build a business they're passionate about, too.

PHOTOGRAPH COURTESY OF OXI FRESH CARPET CLEANING

You started this company as a way to fund your *true* passion. What was that?
International outreach through basketball. I'd played in college, and I went on to launch an organization called Crossover International. We'd bring American basketball players to other countries to play against teams of young people and talk about the Bible. For the 10 years Crossover was active, my carpet-cleaning business was a way to fund that passion. And a lot of the basketball players who participated in Crossover ended up as some of my first franchisees.

I bet you felt especially invested in those franchisees' success. How have you continued to support them?
One thing that separates us big-time is our "protected territories." Each franchisee is assigned to 110,000 households, so when a customer calls in, their address tells us which franchisee's territory they live in. The fact that our franchisees aren't competing for the same customers makes them want to share what's working, and that gives us a huge advantage at our annual conference. We put the most successful franchisees onstage to talk about what they're doing, and I get to listen and learn from them. It's like a big family, and this model is one reason we're growing so fast.

What services have you built to help your franchisees?
Imagine you're cleaning carpet and a customer calls your cellphone to book an appointment. You'd have to tell your current customer to hold on, then answer the phone and try to schedule another job while trying to focus on your current one. Our call center is at the heart of the Oxi Fresh business: We answer the phones for all our franchisees across the country so they can prioritize working *on* their businesses. It also allows them to scale, to let go in order to grow.

Back when you first launched, was it challenging to put a new spin on a traditional service?
There were about four different methods of cleaning at the time, and I tried to combine them. But I'm not a chemist. When you mix these methods, it sometimes doesn't work. So I met with a few different chemists who could help me. My grandpa always taught me to operate as if you have the green light until you get the red light; never wait until something's perfect. So I didn't actually have a perfect system when we launched. I had to hear a lot of complaints. But the key was being willing to change and adapt. And now, at this point in the game, my job as the franchisor is to listen to the franchisees.

Still Jazzercising After All These Years

Jazzercise was once the most famous fitness brand in America. Today, that's hardly true—but thanks to a unique franchising arrangement, it's just as beloved as ever.

by **MOLLY CREEDEN**

Photograph / CARA ROBBINS

→ DANCE DANCE REVOLUTION
Judi Sheppard Missett, founder and CEO of Jazzercise. (*Opposite page*) The original instructors with Missett in 1979.

→ **JUST FOR KICKS**
Missett leads a class at the Kennedy Center in 1996.

PHOTOGRAPHS COURTESY OF JAZZERCISE

It is 9:45 A.M. on a Wednesday morning in Oceanside, Calif., and the crown jewel of the Jazzercise class schedule is hitting its stride. It's called Dance Mixx, and it's taught by Shanna Missett Nelson, the daughter of Jazzercise's founder and CEO. Nelson says that Jazzercise prides itself on having "a little sprinkle of everybody in class," and the more than 60 women who gather in this studio next to a Buffalo Wild Wings indeed represent a little bit of everybody. There's one in the front row with hair dyed neon red, another near the windows dancing in her sandals, a lanky 18-year-old in sleek, forest-green leggings, and a group of 40-somethings who call themselves the Mom Squad, who whoop and rib each other throughout the session.

"We try to come Monday through Friday," explains Stephanie Rosenthal, one of the moms, as she cools down after class. "Saturdays are for sports, and Sundays are for church." She first took to Jazzercise three years ago after she had a baby, but her friend Mindy Batt—another Mom Squadder—had been trying to get her to come for 20 years. "You get made fun of at first because they think it's for old ladies," says Batt. Rosenthal rejoins: "But I started coming, and my friends said, 'You look amazing—what are you doing?'"

Such is the challenge and opportunity for Jazzercise, the brand that practically created the fitness class as we know it—but that doesn't always feel like it's kept up with industry changes. The 2019 fitness landscape teems with boutique studios, data tracking technology, and organized feats of strength. Jazzercise, meanwhile, has fallen out of the cultural conversation—enough so that people may be surprised to learn it still exists. But it does, and it attracts millions of fans. The company did $98 million in sales in 2018 and has almost 1,800 locations, represented in every state in the U.S. and 25 countries.

How is that possible? The answer, it seems, can also be found in Nelson's class. Nelson is 50 years old, now the president of Jazzercise, and teaches three days a week—and her class feels local and small-knit. She carries a big, white smile, a high blonde ponytail, a six-pack, and a buoyant, can-do demeanor. She punctuates her choreography with rhetoric that ranges from the instructional ("Right shoulder back!") to the quotidian ("Is anyone going to the Shawn Mendes concert?") to the empathetic ("Are these sit-ups over yet?"). At one point, Nelson calls out a woman in the class who would be teaching her daughter at school in the fall. Later, she brings someone up on stage to dance for her birthday.

All of which is to say: While Jazzercise has been overtaken by faster-growing, polished operations, it has clung tight to the comfort of familiarity. "We try to create an atmosphere that's friendly, nonjudgmental, and noncompetitive: Come on in and do what you can; make it work for yourself," says Judi Sheppard Missett, the company's founder and CEO. "People get a sense of community out of it. They meet each other in that class and become friends. They'll have a big luncheon on a holiday where 50 people will go to the Olive Garden."

It all works for now. The question is, will it work forever?

JAZZERCISE DIDN'T always have a snappy name. It began with a longer one: Jazz Dance for Fun and Fitness.

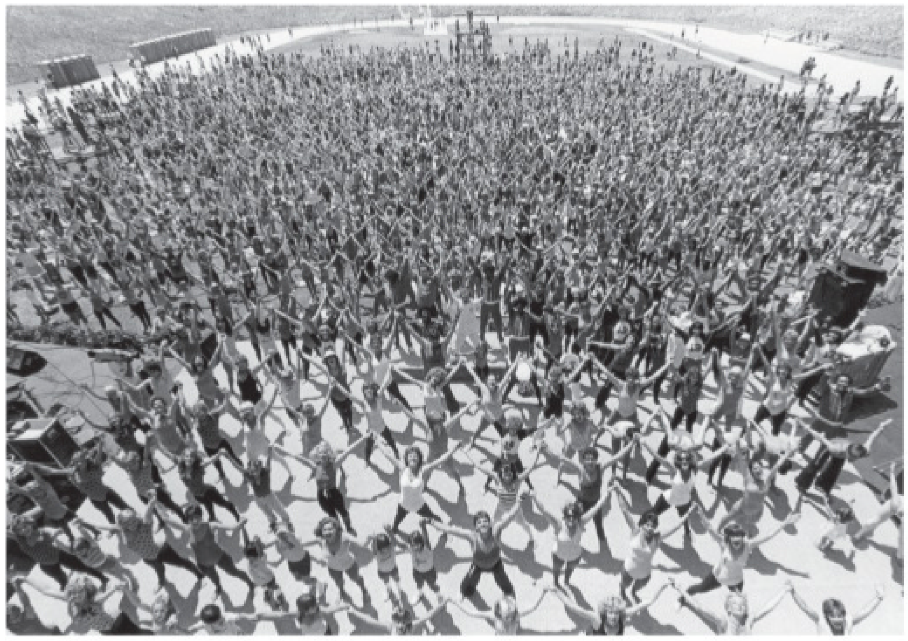
It was 1969, and Missett was teaching dance classes for moms in Chicago. But people kept dropping out. As she sought ways to keep them in class, she came upon the insight that would transform her life: *Women aren't interested in being trained like dancers—they're interested in looking like them, having*

fun, and feeling good. Missett simplified routines, taught facing participants (instead of with her back to them, like a dance instructor), and took an interest in their lives.

Her timing was perfect. The previous year, Kenneth Cooper's book *Aerobics* began to demystify fitness for Americans, explaining what exactly constituted aerobic exercise. "Cooper defines fitness as something that involves your heart, gets you sweaty, and gets you red in the face, and Judi plugs into that moment," says Shelly McKenzie, fitness historian and author of *Getting Physical: The Rise of Physical Fitness in America*. "If you look at what was acceptable for women to do during that time for exercise, it's not weights and jogging."

Missett, her journalist husband, and their 3-year-old daughter, Shanna, soon moved to Oceanside, Calif., and brought Missett's new "Jazz Dance" class with her. She started teaching so often at a Parks and Recreation Center in Carlsbad that the man who cut the checks withheld her pay for four weeks, embarrassed that he was writing such large sums to a woman. Missett threatened to go to the press, but she also saw an opportunity to remove the bureaucratic hitch entirely. She'd sign up and bill participants herself, and cut the rec center a percentage for rent.

This business agility—what Illinois-born Missett calls her Midwestern work ethic—would prove key to the growth of Jazzercise. By 1977, her schedule of 25 classes per week caused her to develop nodules on her vocal cords. She realized she needed to hire instructors but wondered how she'd possibly train enough of them. She turned to a new technology: VHS cameras and players were just arriving in the U.S., so Missett started using them



→ DANCING QUEENS
(*From left*) The first Jazzercise International Instructors' Convention in Carlsbad, Calif., in 1982; a 1982 Jazzercise album cover featuring Missett.

> I NEVER DOUBTED MYSELF, BUT I KNEW I HAD THIS INCREDIBLE GROUP OF PEOPLE AROUND ME. YOU NEED PEOPLE WHO LIFT YOU UP, WHO ARE POSITIVE, SMARTER THAN YOU, AND BELIEVE IN WHAT YOU'RE DOING."

to film her routines. In 1980, still hoarse from teaching, she implemented the first wireless lapel microphones, and then, in the 1990s, the first headset mics, pioneering their use in the fitness industry. Around that time, Jazzercise started integrating weights into the workout. (Today, a class promises a cardio workout that integrates strength training with free weights and resistance bands.)

Jazzercise would become a uniquely female story—one that hinges on interpersonal networks, the realities of child-rearing, and ingrained resourcefulness. "Women are the organizers of life," says Mary Wadsworth, who owns two Jazzercise centers in Houston. "So you put us in business and we just do that." From the beginning, Missett offered free childcare. "I thought if I need it, all these moms need it, too," she says. (The service remains at many centers today.) This helped draw military wives from the nearby Navy base in San Diego; then, when their husbands would be transferred to a new post, the wives would train as Jazzercise instructors and open a studio in their new hometowns.

By 1982, there were more than 1,000 certified instructors teaching classes in almost every state. This raised red flags with tax attorneys who knew the IRS would not look kindly on the fact that Missett treated her far-flung instructors as independent contractors. So Jazzercise made two decisions that would come to determine its future. First, it converted all those instructors into franchisees. Then, to maintain Jazzercise's low barrier to entry, Missett set minuscule startup fees for future franchisees. That kept the door wide open for women of all kinds, and, perhaps as a result, Jazzercise and Missett became widely beloved and world-famous. She led a performance at the 1984 Olympics, danced at the Statue of Liberty rededication ceremony in 1986, and was featured at the 1991 Great American Workout alongside Barbara Bush and Arnold Schwarzenegger.

This low barrier to entry has helped Jazzercise survive in an era of change. Its fee now is only \$1,250—plus whatever costs might be incurred from renting a space, securing liability insurance, buying a microphone and possibly a sound system, and paying for songs. By contrast, building out a Pure Barre studio requires initial costs of between \$198,650 and \$446,250. Anytime Fitness, considered a relatively inexpensive gym brand, will set you back at least \$78,012. For plenty of women who want to run their own fitness business, most brands just aren't available to them. Jazzercise is.

That means Jazzercise franchises are a varied swath of class sizes, prices, locations, and ambitions. Some classes are held in YMCAs or school gyms, and some in dedicated centers with nine classes a day. For many franchisees, Jazzercise is a side hustle. Natalie Feilland,

AN UNPRECEDENTED INVESTMENT OPPORTUNITY FOR FRANCHISEES IN THE U.S.

THE FLEXIBLE WORKSPACE AND COWORKING LEADING PROVIDER IS SEEKING FRANCHISEES TO REAP THE REWARDS OF THE FAST-GROWING SECTOR UNDER ITS REGUS BRAND.

The new U.S. franchise program with Regus is the latest major international expansion strategy for IWG.
The company is seeking committed, driven franchise partners to open up Regus centers across North America that will specifically target California, Florida, Texas, Illinois and the Northeast—including Pennsylvania, New York, Virginia and Washington D.C.

"Since 2010, the flexible workspace sector has grown at an average annual rate of 25 percent, and by 2020 it's estimated that 50 percent of all workers will be remote most of the time," says Darin Harris, CEO of IWG, North America. "To meet the growing demand, we are looking to rapidly expand our network through franchising. This is an unprecedented investment opportunity."

Along with its strong economic growth, low employment costs and proven staying power, Regus brings a range of revenue streams. These include monthly membership program—with a retention rate of around 70 percent—and commission for selling other Regus locations.

To meet its aggressive plans for expansion, Regus is seeking U.S. franchise partners with the means to open at least five locations over a two-to-three-year period—each one no smaller than 10,000 square feet. Franchisees will need a net worth of at least $1 million, and a minimum of $350,000 of liquid assets per location. Initial investments range from $650,000 to $1.7 million per location, with a $50,000 initial franchise fee.

Franchisees should also have at least three years' sales management experience and two years' worth of expertise in community marketing, working with a sales team of at least five people and a commitment to upholding Regus's high operational and reputational standards.

Regus will work closely with franchisees to find and design flexible office spaces. Franchise partners will also have access to marketing, sales and IT support and leading platforms throughout the process.

To learn more, visit ***franchise.iwgplc.com***

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IWG
International Workplace Group

a 34-year-old instructor in Oregon, is a classic case. She teaches two classes a week to supplement her livelihood as a farmer. She likes getting paid to work out, and it's proven a reliable source of income as the circumstances of her life evolve. "I've moved several times," she says, "and with Jazzercise, I knew I could always get a job." Because the company is so flexible, its franchisees' revenue varies widely. Some women do just $4,000 in gross sales in a year, but the top earners—people for whom Jazzercise is a full-time pursuit—are bringing in up to $600,000. The company takes 20 percent of a franchisee's sales.

This arrangement has also created great longevity. Some franchisees have been teaching classes for decades, shrinking their workload as they (and their customers) age. But only one Jazzercise instructor has been teaching since the very beginning: Missett. At age 75, in addition to leading the company, she leads classes three times a week.

"I GUESS I never doubted myself," Missett says, reflecting upon what it took to build Jazzercise. "I knew I had this incredible group of people around me. I always believed you need people who lift you up, who are positive, smarter than you, and believe in what you're doing."

It's late June, and Missett has just wrapped up teaching a low-impact fitness class, where a group of septuagenarians lifted weights to a Billie Eilish song. Now she's sitting in a conference room at her company's headquarters in Carlsbad, just outside San Diego. She's tall and very tan, with striking blue eyes and blonde hair that swoops upward. Her nails are painted glittery pink, and she reaches for a wineglass that's embossed with her initials and filled with cherry Dr. Pepper. Soda, she says, is her only vice, and she has always believed that if you have nice glassware, you should use it.

Missett belongs to several elite organizations for women in business, but so far, she hasn't met another female founder who has maintained complete control of her company for as long as she has. She's still involved in every aspect, right down to choreographing new routines for her instructors, which happens every 10 weeks.

In many ways, Missett represents the enduring charm of Jazzercise. The brand runs on personal relationships, and here she is, still the face of her company all these decades later. But the charm of the personal relationships can also be an Achilles' heel. It prevents longtime owners from charging what they should for classes, for example. Customers who entered at a membership fee 20 years ago may pay outdated fees—and because of how their agreement is structured, Jazzercise can't require owners to charge a minimum.

Two years ago, the company had an internal reckoning. There were instructors who needed to retire and facilities that weren't up to snuff. Jazzercise made owners send in pictures of their facilities and required changes. Some balked and closed down.

For those who remained, the company enacted something called the Promise. "The industry is harder than it's ever been," says Nelson. "We need to be at the top of our game teaching, and with our facilities, so we made a promise to franchisees that we'll ensure consistency from our end, but they'll need to make sure it happens from theirs. We made those changes so that, hopefully, when someone comes to a Jazzercise class, it's on par with all the other programs out there."

The company is also encouraging its franchisees to scale. Some see instruction as a business and some as a hobby, a community, or their own narrative in the gig economy. That's been good for keeping people involved with the brand but not so good for the bottom line. A part-time franchisee, after all, is bringing in part-time money. So Jazzercise has been promoting an incentive program called the President's Club, which gives high earners part of their franchise fee back at the end of the year. The program began decades ago. "In a time when we were losing franchisees and decreasing in sales, it made people feel more committed," says Nelson. "They stayed, and our sales increased."

While the company continues to be profitable, it's aware of its aging demographic and that 20-somethings are much more likely to try different fitness classes than devote decades step-touching in one community center. Missett says they plan to launch an on-demand video service for $19.99 a month before the end of 2019, with the goal of using it as a gateway workout to drive people into studios if one is nearby.

Jazzercise also realizes that its brand may not resonate with the next generation. So it's exploring an offshoot fitness brand aimed at women in their 20s. As Nelson sees it, promoting the name isn't nearly as critical as promoting what the brand represents. "It's really important that there's human contact, and that you go to class, that you're with people," says Nelson. "I feel like that's never going to go away, and I want Jazzercise to continue to be that place for people."

But in the meantime, the Jazzercise legacy goes on, and so does Missett. In June, Jazzercise held an event at the San Diego Convention Center, where 3,000 fans gathered to celebrate its 50th year. Missett stood onstage with her daughter and granddaughters—all dancers—as they watched tributes and choreography. Afterward, in interviews, many instructors broke into tears talking about it.

Missett admits she's starting to think about stepping to the side. She'd like to spend time with her dogs and her husband, and travel. She dances every day, however, whether or not she's working. "It's an absolute joy, to dance," she says at the company headquarters. "When you start to move physically, it gives you the courage to move in different directions in your life." E

Molly Creeden is a writer in Los Angeles. Her work has appeared in The Wall Street Journal, The New York Times, *and the* Los Angeles Times.

Franchise/ Suppliers

114 Top Helpers

From banks to real estate to consultants, here are 2019's top franchise-industry suppliers geared to help franchisees and franchisors succeed.

compiled by TRACY STAPP HEROLD

When we refer to the franchise industry, we usually mean franchisors, and maybe franchisees. But the truth is, there are many other businesses that play a part in the franchise world and in making franchising such a successful business model. That's why we're proud to present our second annual ranking of the top franchise suppliers—companies that provide services to franchisors and franchisees.

To create this ranking, we surveyed more than 500 franchisors, from emerging brands that just got started to established companies that have been franchising for decades. We asked them to tell us which service providers they and their franchisees use, and to rate their satisfaction with the quality, cost, and value of each supplier's services. We scored each supplier based on the results of this survey, and the top-scoring suppliers in each of 10 categories are listed on the following pages.

Please note that this list is not intended as a recommendation of any company. There are a multitude of suppliers in each category for franchisors and franchisees to choose from, and this list can serve as a helpful jumping-off point for your own research in finding the supplier that best fits the needs of your business. For even more options, be sure to check out our new online directory of franchise suppliers at entrepreneur.com/franchises/franchise-suppliers.

Grow Your Franchise Brand in The Digital Age... Before It's Too Late

A Q&A with Charlie Adams of FranSuite about why modernizing your digital marketing strategy is the key to franchise growth.

Working with hundreds of franchise clients to gain a keen understanding of franchise business pain points allowed Charlie Adams and his team at PwC to build a digital-first solution that can help franchises start, run and grow their businesses.

FranSuite is an all-in-one digital platform that harnesses the power of the franchise network to improve brand consistency and implement digital marketing that drives real results. Here, Adams talks about how missing opportunities to leverage digital are putting everything from better sales to increased customer loyalty at risk.

What are franchises doing wrong when it comes to branding?

Managing a clear brand voice across multiple platforms is where many brands fail. Managing consistency in a franchise structure is hard—really hard. Customers make choices about buying products and services based on how they identify and connect with your brand. There's a huge opportunity to use digital channels to cultivate a distinctive voice, and too many franchises are missing the mark.

Can social media really help increase sales?

Social media provides a huge opportunity to connect with customers 24/7. More than a third of the customers we asked said they use social media regularly when determining what to purchase. At the same time, there are more platforms than ever where consumers can get recommendations and reviews their purchases. Again, this is where brands that can manage a consistent voice across multiple platforms will win.

How should franchises think about the marketing funnel?

Digital marketing is often an answer for driving new customers, and it inherently provides a way to monitor success because customer interest and actions are tracked online. Franchises should generate programs that address customer needs, ranging from ones that drive awareness for those that may not yet be familiar with your goods or services, as well as ones that drive very specific actions for customers that are ready to purchase. When customers move down the marketing funnel, franchises find new customers and more revenue.

What's your advice when it comes to investing in new marketing technology?

Focus on technology that helps you take the complexity out of other processes. Anything you pick shouldn't be hard to use. Given the pace of change in automation and web-based platforms, even the most advanced tech can now be accessible from your phone, from anywhere. New solutions are emerging to help turn data from your sales and customers into insights, so you can take action quickly to ensure you're moving customers closer and closer to a sale or a visit to your location.

How do franchises know what's working?

Rich data exists, but many times, it's distributed throughout the network in unusable pockets. Data is being created and collected every day by franchisees, but most of it is lost because it's not captured or shared appropriately. Find a tool or a process that brings data from each location together to derive insights and measure what you're doing. The days of throwing marketing dollars into a program and not tracking results instantaneously are over. Double down on what is working and stop what is not. Tapping into the data and applying that to your actions is how a 10-unit brand will grow into a 1,000-unit brand.

For more information about how FranSuite by PwC can help your franchise, visit ***fransuite.pwc.com***

ACCOUNTING

ACCOUNTING SERVICES ARE VITAL to every business—especially franchises, which must include audited financial statements in their franchise disclosure documents (FDDs) every year. Franchisors have a host of options in this category, from the "Big Four" firms to smaller ones that specialize in serving franchises.

1
BDO USA, LLP
Professional services firm serving franchises worldwide

2
Deloitte
Audit and assurance, tax, legal, risk and financial advisory, and consulting services

3
Grant Thornton
Professional services firm offering audit, tax, and advisory services

4
KPMG LLP
Professional services firm

5
PwC
Audit, assurance, consulting, and tax services

6
Citrin Cooperman
Accounting, tax, and advisory services

7
RSM US LLP
Audit, tax, and business consulting

8
EY
Advisory, assurance, tax, and transaction services

9
Kezos & Dunlavy
Full-service CPA firm specializing in real estate tax and accounting, franchise audits, and related issues

10
The Franchise CPA
Financial statement audits, royalty audits, and part-time CFO services

11
Plante Moran
Audit, tax, wealth management, and business consulting services

12
A&G
Full-service accounting

BDO USA, LLP

Founded in 1910, BDO has more than 60 U.S. offices and more than 1,500 globally in 160-plus countries. It offers specialized services in a number of industries, including franchising, with services in areas such as mergers and acquisitions, tax and audit, digital transformation, royalty audits, operational consultation, and dispute resolution.

PHOTOGRAPH COURTESY OF BDO

BANKING/FINANCING

NEW FRANCHISEES OFTEN need thousands or even millions of dollars to get their businesses up and running, so a reliable financing source is indispensable. Banks remain a popular choice, but in this year's ranking, a funding company specializing in serving franchisees climbed to the top.

1
FranFund
Funding solutions including 401(k) business financing, SBA loans, unsecured business loans, and equipment leasing

2
Guidant Financial
401(k) business financing, SBA loans, unsecured business loans, business valuations and appraisals, and other business services

3
Benetrends Financial
401(k) rollover funding, SBA loans, and equipment leasing

4
Bank of America
Small-business banking, credit, digital investing tools

5
ApplePie Capital
Franchise financing

6
U.S. Bank
Business banking, conventional and SBA financing, credit card and payment solutions, wealth management services

7
Chase for Business
Deposit accounts, loans, credit cards, cash management, and payment processing

8
BMO Financial Group
Banking solutions for franchisees, including financing for acquisitions, development, and remodeling

9
Live Oak Bank
Small-business banking

10
First Financial
SBA financing for franchise startups, working capital, construction, and acquisitions; equipment leasing

11
BB&T
Retail, commercial, and corporate banking, investments, insurance, and wealth management

12
KeyBank
SBA and conventional financing, merchant and treasury solutions, deposits

PHOTOGRAPH COURTESY OF FRANFUND

FranFund

"It has been a great experience working with FranFund over the past 12 years. They always provide great service to our candidates, making the lending process painless. I'm glad to have FranFund to help make my candidates' entrepreneurial dreams come true." **—LISA MONTANIO, senior franchise development manager, CMIT Solutions**


With the right funding partner,
You'll always be a step ahead.
FranFund designs flexible, all-in-one funding plans that fit perfectly, no matter how much your franchise grows. And, we're there for you through every step of the process so you can move forward with confidence.
"FranFund's support throughout the funding process was nothing short of world-class. They provided professional, insightful, and clear guidance and took the stress out of navigating through all of the details."
- Pamela H.
Get started with a free funding assessment & consultation.
bit.ly/entrepreneur-franfund
FRANFUND
Entrepreneur
TOP
FRANCHISE
SUPPLIER
2019

FRANCHISE BROKERS

A NEW CATEGORY in this year's ranking, franchise brokers—who often brand themselves as "franchise consultants"—help prospective franchisees find the right franchise to buy. Their services are typically free to the person seeking to purchase a franchise, and they are instead paid by the franchisor when a sale is successfully made.

1
IFPG
Membership-based franchise broker organization

2
FranNet
Franchise consultants that match clients to business opportunities

3
FCC, The Franchise Consulting Company
Free consulting service to prospective franchise buyers

4
FranChoice
Free consulting service to individuals considering franchise ownership

5
Franchise Brokers Association
Franchise broker training and membership organization

6
BAI Business Alliance Inc.
Brokerage services for franchise companies and prospective franchise buyers

7
FranServe
Consulting services to prospective franchise buyers

8
The Entrepreneur's Source
Alternative career transition coaching

IFPG

"Renue works with many broker groups, and I rate IFPG as top-tier. The quantity and, more important, quality of serious candidates and the professionalism of their team are especially commendable. I cannot say enough good things about IFPG."

—DAVID GROSSMAN, president, Renue Systems

PHOTOGRAPH COURTESY OF IFPG

FRANCHISE CONSULTING/DEVELOPMEMT

OUR SECOND NEW CATEGORY in this year's ranking, these are companies that work with business owners who want to turn their brand into a franchise, or that offer other consulting or development services to established franchisors to make their operations more successful.

1
iFranchise Group
Franchise consulting and development for startup and existing franchisors

2
SMB Franchise Advisors
Franchise consulting services for emerging brands

3
FranWise
Operations and compliance consulting

4
Franchise FastLane
Franchise sales organization

5
Franchise Creator
Franchise development, marketing, and sales

6
Helgerson Franchise Group
Development, management, and consulting services for emerging and established franchisors and suppliers

7
Pinnacle Franchise Development
Franchise development services, including sales, strategy, and consulting

8
DCV Franchise Group
Franchise consulting services and financing

9
Franchise Performance Group
Franchise consulting firm specializing in franchise development

10
Raintree
Full-service franchise design, marketing, and sales

PHOTOGRAPH COURTESY OF IFRANCHISE GROUP

iFranchise Group

"Long after the consulting work has been completed, the amazing people we worked with at iFranchise Group still happily take our calls and answer our emails when we have questions. They don't simply do the job and leave you to it. They ensure that you succeed and are in it for the long haul." **—PAUL MACINNIS, CFO, HaliMac**

LEGAL SERVICES

LEGAL SERVICES IS one of the most competitive categories in our ranking, and one of the most important. Franchisors face unique legal requirements and challenges, and there are multiple law firms specialized in working with them.

1
FisherZucker LLC
Full-service law firm focusing on franchising and licensing matters

2
DLA Piper
Legal services including franchise law compliance, mergers and acquisitions, and dispute resolution

3
Gray Plant Mooty
Full-service corporate law firm with a franchise practice

4
Drumm Law LLC
Full-service franchise law firm

5
Faegre Baker Daniels LLP
International law firm with a full-service franchise practice

6
FranchiseSmith LLC
Nationwide and international practice specializing in franchise law

7
Spadea Lignana LLC
Full-service franchise law firm

8
Plave Koch PLC
Franchise legal services, including dispute resolution, transactions, and trademarks

9
Cheng Cohen LLC
Full-service law firm exclusively representing franchisors

10
Internicola Law Firm
Legal services for emerging franchise brands

11
Carter & Tani
Legal services for franchisors, master franchisees, and Illinois-based franchisees and businesses

12
Mullin Law, PC
Franchise compliance, IP protection, general business, and dispute resolution services

PHOTOGRAPH COURTESY OF FISHERZUCKER LLC

FisherZucker LLC

"We have been a longtime client of FisherZucker, and not once in any of our dealings have I ever doubted their guidance and counsel. They are responsive, knowledgeable, precise, and, most important, human. They understand that we are dealing with people's lives, and their guidance reflects an appropriate balance of empathy, reality check, and humor when it's needed most." **—A. BRIAN SANDERS, president and CEO, i9 Sports**

MARKETING

FRANCHISORS NEED TO MARKET to at least two groups—customers and potential franchisees. Fortunately, they have many options when it comes to marketing services and software, including traditional marketing agencies, digital and social media marketing tools, and more.

1
Scorpion
Digital marketing and technology solutions

2
Hot Dish Advertising
Full-service strategic marketing agency specializing in franchising

3
Wheat Creative
Franchise marketing strategy, development websites, and creative and digital collateral

4
Integrated Digital Strategies
Digital marketing company specializing in franchise development and franchisee marketing

5
ClickTecs
Websites and digital marketing for franchisors and franchisees

6
Rallio
Social media technology and local agency services for franchises

7
SOCi
Social media and reputation management for multi-location brands

8
Qiigo
Digital marketing for multi-location brands

9
MGH Advertising
Full-service marketing, advertising, digital, interactive, creative, and communications agency

10
Curious Jane
Full-service advertising agency offering franchise development and consumer marketing

11
WebPunch
Customer and employee experience platform

12
SeoSamba
Franchise marketing platform

PHOTOGRAPH COURTESY OF SCORPION

Scorpion

"We met Scorpion when we only had six locations. We barely knew what we were doing and certainly didn't represent a large client for them. But our immediate impression was that we were welcome at the table, that we were as important as a large-scale client, and that the team at Scorpion genuinely cared about our success."
—KELSEY STUART, CEO, Bloomin' Blinds

MERCHANT SERVICES

SECURE PAYMENT PROCESSING is critical to just about every franchise business. With many options to choose from, franchisors and franchisees can consider both the reliability of the primary service as well as what additional services are offered, such as analytics, loyalty programs, and consulting.

1
TSYS
Integrated payments and point-of-sale solutions

2
Stripe
Payments infrastructure and business applications

3
Franchise Payments Network
Payment processing and gift and loyalty programs for franchise chains

4
PayPal
Payment technology and software solutions

5
Square
Payment processing, reporting and analytics, POS software, and business services

6
Authorize.net, a Visa Solution
Payment processing and management system for businesses

7
Toast
Cloud-based restaurant point-of-sale and management system

8
Bank of America Merchant Services
Multi-channel payments, e-commerce, and security solutions

9
Wells Fargo Merchant Services
Payment acceptance and processing

10
Worldpay
Payment processing, software solutions, analytics, fraud protection, card solutions, consulting

11
First Data
Payment processing and technology solutions

12
Global Payments Inc.
Payment technology and software solutions

PHOTOGRAPH COURTESY OF TSYS

TSYS

TSYS is a publicly traded global payments provider headquartered in Columbus, Ga., and with local offices across 13 countries. Last year, the company processed more than 32 billion transactions and generated $4 billion in revenue.

OTHER TECHNOLOGY SERVICES

TECHNOLOGY HAS MADE IT easier than ever for franchisors to expand widely and rapidly while monitoring and maintaining consistency across all their locations. Companies in this category offer solutions for CRM, sales, accounting, business management, and more.

1
HubSpot
CRM, marketing, sales, and customer-service platform

2
Salesforce
CRM, cloud computing, sales, service, marketing, commerce, and analytics apps

3
FranConnect
Franchise management software

4
Vonigo
Business management software for mobile service franchises

5
Naranga
Franchise management solutions

6
Zoho
Cloud software suite and SaaS applications for business

7
Microsoft
Intelligent cloud, CRM, and software solutions

8
Intuit Quickbooks Franchise Program
Cloud-based software for accounting, time-tracking, payroll, and payments

9
Infusionsoft by Keap
CRM, sales, and marketing software

10
MINDBODY
Technology platform for the wellness industry

11
FranchiseSoft
SaaS-based franchise management software

12
FRM Solutions
Software solutions for managing relationships between franchisors and existing/prospective franchisees

Service descriptions come from respective suppliers.

HubSpot

"We use HubSpot throughout our organization, and it provides an integrated approach for our marketing and sales efforts. [It's given us] visibility into the data that drives our new client and new franchisee development process. I have become a true HubSpot evangelist and cannot imagine managing my job without this tool."

—STEPHEN SCHULTZ, VP of franchise development, Supporting Strategies

PHOTOGRAPH COURTESY OF HUBSPOT

PUBLIC RELATIONS

FOR A NATIONAL or global brand—or one that aspires to be—a good public relations agency is essential. It can raise positive awareness with customers, potential franchisees, and investors—and help to mitigate the impact of any negative situations that may arise.

1
Fishman PR
PR and content marketing for franchise lead generation and brand awareness

2
All Points Public Relations
PR, social media, content marketing, digital and lead generation strategy

3
Fish Consulting
Full-service national communications firm specializing in franchise PR and marketing

4
Franchise Elevator PR
PR services for emerging franchise brands

5
919 Marketing Company
Brand strategy, PR, social media, and digital marketing programs for franchise brands

6
No Limit Agency
Full-service communications firm specializing in franchise brands

7
Powerhouse Communications
PR, crisis, social media, and influencer relations, specializing in franchise and foodservice businesses

8
Sanderson & Associates
Media placement, media coaching, social media, communications, and consulting for franchisors and franchisees

9
TopFire Media
Full-service PR and digital marketing agency specializing in franchise lead generation

10
Ripley PR
Strategic communication services, including media relations, digital content, social media, and crisis management

11
Konnect Agency
Full-service PR, marketing, and digital agency

12
Champion
Full-service PR, local store marketing, franchise development, and social media agency

PHOTOGRAPH BY BUZZ ORR/FISHMAN PR

Fishman PR

"Fishman PR knows franchising—its strengths, its peculiarities, and, most of all, its people. With their team, you get good counsel, not just public relations. They've been part of our brand from the beginning."

—STEVE SCHILDWACHTER, chief marketing officer, BrightStar Care


fishmanPR
THE VOTE IS IN!
FRANCHISORS RANK FISHMAN PR
THE #1 PR AGENCY...AGAIN
Entrepreneur
TOP
FRANCHISE
SUPPLIER
2019
fishmanpr.com | ceo@fishmanpr.com
fishmanPR

REAL ESTATE SERVICES

LOCATION, LOCATION, LOCATION. It can mean the difference between success and failure for a restaurant or retail franchise. In our third and final new category for this year, these are the companies that franchisors and franchisees rely on to help them find or develop the right site for a new business.

1 Retail Solutions
Analytics and brokerage services for tenants

2 Keyser
Commercial real estate tenant representation

3 RPM
Real estate and project management consulting for franchises

4 CDS Development
Site planning, property development, and construction management

Retail Solutions

"Working with the Retail Solutions team has been nothing less than excellent. Since my wife and I founded Crave Hot Dogs and BBQ [last year], they have been exclusive to our brand. Their attention to detail and lease negotiation skills have been the very best I have seen in my 25-year career."

—SALVATORE RINCIONE, founder and president, Crave Franchising

PHOTOGRAPH BY MARIBEL FORTE/RETAIL SOLUTIONS

Service descriptions come from respective suppliers.

5
Morrow Hill
Real estate technology and services for corporate and franchise organizations

6
Colliers International
Global real estate services and investment management company

7
Catalyst Commercial Group
Retail and restaurant tenant representation

8
Baum Realty Group
Retail brokerage firm

9
Keller Williams
Commercial and residential real estate services and technology

10
Coldwell Banker
Full-service commercial and residential real estate brokerage services

11
Franchise Real Estate
National real estate services for franchisees and franchisors

12
Newmark Knight Frank
Commercial real estate advisory firm

Franchise/ The List

Hello, Good Buy!

The top 50 franchises for less than $100K, $500K, and up.

Compiled by TRACY STAPP HEROLD

PHOTOGRAPH BY SHUTTERSTOCK/ALEXANDER KALINA

The cost of franchise ownership varies widely, from home-based opportunities that can be started for a few thousand dollars to restaurants and hotels that stretch into the millions—and everything in between. One way to narrow down your search for the perfect franchise opportunity is to consider what you're willing and able to spend to get your business off the ground. That's why we've compiled this list of the top 50 franchises in each of three startup-cost tiers: less than $100,000, $100,000 to $500,000, and more than $500,000.

A company's inclusion in one of these tiers means that it is possible for a new franchisee to open their first unit within that cost range, without financing and without converting an existing business. However, it does *not* mean that all the franchisees of that company will be able to launch their business within that cost range. Each company's full initial investment range is listed in order to give a complete picture of what you might spend.

Within each tier, companies are ranked based on the score they received in our 2019 Franchise 500 ranking, which analyzes more than 150 data points in the areas of costs and fees, size and growth, franchisee support, brand strength, and financial strength and stability.

Keep in mind as you read through this list that it is not intended as an endorsement of any particular company. Whatever your budget, you should always do your own careful research before investing in a franchise. Read the company's legal documents, consult with an attorney and an accountant, and talk to as many current and former franchisees as you can.

TOP FRANCHISES FOR Less than $100,000

1
Baskin-Robbins
Ice cream, frozen yogurt, frozen beverages
STARTUP COST $93.6K–$401.8K
TOTAL UNITS (Franchised / Co.-Owned) 8,041/0

2
Kumon Math & Reading Centers
Supplemental education
STARTUP COST $73.4K–$154.8K
TOTAL UNITS (Franchised / Co.-Owned) 25,854/27

3
CPR Cell Phone Repair
Electronics repairs and sales
STARTUP COST $55.7K–$170.5K
TOTAL UNITS (Franchised / Co.-Owned) 507/4

4
HomeVestors of America
Home buying, repair, and selling
STARTUP COST $56K–$426.3K
TOTAL UNITS (Franchised / Co.-Owned) 980/0

5
Matco Tools
Mechanics' tools and equipment
STARTUP COST $91.8K–$269.7K
TOTAL UNITS (Franchised / Co.-Owned) 1,791/2

6
Merry Maids
Residential cleaning
STARTUP COST $86.8K–$123.8K
TOTAL UNITS (Franchised / Co.-Owned) 1,719/5

7
Jan-Pro Franchising International
Commercial cleaning
STARTUP COST $4.2K–$54.7K
TOTAL UNITS (Franchised / Co.-Owned) 8,790/0

8
Stratus Building Solutions
Environmentally friendly commercial cleaning
STARTUP COST $4.4K–$72.9K
TOTAL UNITS (Franchised / Co.-Owned) 1,747/0

9
Mosquito Joe
Outdoor pest control
STARTUP COST $90.6K–$135.5K
TOTAL UNITS (Franchised / Co.-Owned) 286/2

10
Anago Cleaning Systems
Commercial cleaning
STARTUP COST $10.4K–$68.5K
TOTAL UNITS (Franchised / Co.-Owned) 1,559/0

11
911 Restoration
Residential and commercial property restoration
STARTUP COST $70.1K–$226.9K
TOTAL UNITS (Franchised / Co.-Owned) 179/0

12
Weed Man
Lawn care
STARTUP COST $68.5K–$85.5K
TOTAL UNITS (Franchised / Co.-Owned) 309/0

13
Cruise Planners
Travel agencies
STARTUP COST $2.3K–$23.4K
TOTAL UNITS (Franchised / Co.-Owned) 2,570/1

14
The Maids
Residential cleaning
STARTUP COST $63.3K–$141.2K
TOTAL UNITS (Franchised / Co.-Owned) 1,255/142

15
Chem-Dry Carpet & Upholstery Cleaning
Carpet and upholstery cleaning, tile and stone care, granite countertop renewal
STARTUP COST $67.6K–$178.9K
TOTAL UNITS (Franchised / Co.-Owned) 3,553/0

16
Vanguard Cleaning Systems
Commercial cleaning
STARTUP COST $5.5K–$36.6K
TOTAL UNITS (Franchised / Co.-Owned) 3,327/0

17
SafeSplash/ SwimLabs/ Swimtastic
Child and adult swimming lessons, parties, summer camps
STARTUP COST $39.5K–$1.6M
TOTAL UNITS (Franchised / Co.-Owned) 142/11

18
Rooter-Man
Plumbing, drain, and sewer cleaning
STARTUP COST $46.8K–$137.6K
TOTAL UNITS (Franchised / Co.-Owned) 639/46

19
Jazzercise
Group fitness classes, conventions, apparel, and accessories
STARTUP COST $2.4K–$17.2K
TOTAL UNITS (Franchised / Co.-Owned) 8,930/2

PHOTOGRAPH COURTESY OF DREAM VACATIONS

Dream Vacations/ No. 21

HANDS-ON TRAINING TAKES on a whole new meaning when you're in the business of selling travel. In addition to its annual national conference aboard a cruise ship, Dream Vacations offered its franchisees the chance to learn about river cruises earlier this year by taking one through Europe, and it's planning a land vacations summit in Jamaica as well. Bonus: The company is making it easier for new franchisees to afford to attend these events with a $2,000 travel training credit.

20
Pillar To Post Home Inspectors
Home inspections
STARTUP COST
$36.4K–$44.6K
TOTAL UNITS
(Franchised / Co.-Owned)
574/0

21
Dream Vacations
Travel agencies
STARTUP COST
$3.2K–$21.9K
TOTAL UNITS
(Franchised / Co.-Owned)
1,331/0

22
Chester's
Chicken
STARTUP COST
$12.4K–$286.8K
TOTAL UNITS
(Franchised / Co.-Owned)
1,192/0

23
Novus Glass
Auto glass repair and replacement
STARTUP COST
$46.2K–$249.9K
TOTAL UNITS
(Franchised / Co.-Owned)
1,991/32

24
MaidPro
Residential cleaning
STARTUP COST
$57.6K–$207.5K
TOTAL UNITS
(Franchised / Co.-Owned)
251/1

25
Realty One Group
Real estate
STARTUP COST
$54.3K–$227.5K
TOTAL UNITS
(Franchised / Co.-Owned)
130/18

26
Drama Kids International
After-school drama classes and summer camps
STARTUP COST
$33.8K–$43.5K
TOTAL UNITS
(Franchised / Co.-Owned)
237/0

27
Patrice & Associates
Hospitality, retail, and sales recruiting
STARTUP COST
$90.95K–$108K
TOTAL UNITS
(Franchised / Co.-Owned)
141/1

28
My Gym Children's Fitness Center
Early-learning/fitness programs
STARTUP COST
$36.8K–$244.2K
TOTAL UNITS
(Franchised / Co.-Owned)
649/0

29
Restoration 1
Water, fire, smoke, and mold restoration
STARTUP COST
$77.95K–$182.1K
TOTAL UNITS
(Franchised / Co.-Owned)
166/0

MaidPro/ No. 24

RAFTING THE COLORADO RIVER. Climbing Machu Picchu. Sailing around the British Virgin Islands. What do all these adventures have in common? They've all been taken on by MaidPro franchisees and corporate office staff. The residential cleaning company puts together annual adventure trips to give franchisees the chance to connect, share ideas, and of course, have fun. Twenty-five franchisees and 15 home-office staffers took part in this year's trip, yachting around Croatia.

30
Dale Carnegie Training
Workplace training and development
STARTUP COST
$52.2K–$226.5K
TOTAL UNITS
(Franchised / Co.-Owned)
271/2

31
Visiting Angels
Nonmedical home care
STARTUP COST
$83K–$128.9K
TOTAL UNITS
(Franchised / Co.-Owned)
620/0

32
Leadership Management International
Leadership and organization training and development
STARTUP COST
$20K–$27.5K
TOTAL UNITS
(Franchised / Co.-Owned)
462/0

33
Miracle Method Surface Refinishing
Kitchen and bathroom surface refinishing
STARTUP COST
$83.4K–$128.99K
TOTAL UNITS
(Franchised / Co.-Owned)
149/1

34
Skyhawks Sports & Supertots Sports Academy
Sports camps and programs
STARTUP COST
$30.8K–$71.8K
TOTAL UNITS
(Franchised / Co.-Owned)
104/68

35
BirthdayPak
Direct-mail advertising
STARTUP COST
$22K–$140.3K
TOTAL UNITS
(Franchised / Co.-Owned)
25/0

36
BrightStar Care
Medical/nonmedical home care, medical staffing
STARTUP COST
$93K–$154.3K
TOTAL UNITS
(Franchised / Co.-Owned)
331/4

37
Buildingstars International
Commercial cleaning
STARTUP COST
$2.2K–$53.2K
TOTAL UNITS
(Franchised / Co.-Owned)
900/0

38
Window Gang
Window, gutter, and dryer-vent cleaning, pressure washing, chimney sweeping
STARTUP COST
$34.4K–$81.2K
TOTAL UNITS
(Franchised / Co.-Owned)
99/122

39
Fibrenew
Leather, plastic, and vinyl restoration and repair
STARTUP COST
$94.1K–$106.8K
TOTAL UNITS
(Franchised / Co.-Owned)
239/0

40
Pinot's Palette
Paint-and-sip studios
STARTUP COST
$97.5K–$305K
TOTAL UNITS
(Franchised / Co.-Owned)
137/2

41
Right at Home
Home care, medical staffing
STARTUP COST
$79.3K–$137.9K
TOTAL UNITS
(Franchised / Co.-Owned)
579/0

42
Destination Athlete
Youth sports apparel, equipment, and services
STARTUP COST
$31.3K–$117.6K
TOTAL UNITS
(Franchised / Co.-Owned)
94/2

43
H&R Block
Tax preparation, electronic filing
STARTUP COST
$31.6K–$149.4K
TOTAL UNITS
(Franchised / Co.-Owned)
4,068/6,761

PHOTOGRAPH COURTESY OF MAIDPRO

44
Creative Colors International
Upholstery repair and replacement
STARTUP COST
$95.1K–$122.4K
TOTAL UNITS
(Franchised / Co.-Owned)
80/3

45
Color Glo International
Leather, vinyl, fabric, carpet, and surface repair and restoration
STARTUP COST
$56.3K–$61.4K
TOTAL UNITS
(Franchised / Co.-Owned)
143/0

46
Fiesta Auto Insurance and Tax
Insurance and tax-preparation services
STARTUP COST
$67.1K–$120.6K
TOTAL UNITS
(Franchised / Co.-Owned)
196/0

47
GYMGUYZ
Mobile personal training
STARTUP COST
$56.1K–$121.7K
TOTAL UNITS
(Franchised / Co.-Owned)
231/4

48
Furniture Medic
Furniture and wood restoration, repair, and refinishing
STARTUP COST
$80.4K–$90.7K
TOTAL UNITS
(Franchised / Co.-Owned)
349/0

49
N-Hance Wood Refinishing
Wood cabinet and floor refinishing
STARTUP COST
$49.9K–$153.2K
TOTAL UNITS
(Franchised / Co.-Owned)
541/0

50
Orion Food Systems
Fast-food systems for nontraditional markets
STARTUP COST
$59.5K–$140K
TOTAL UNITS
(Franchised / Co.-Owned)
1,006/0

TOP FRANCHISES FOR $100,000 to $500,000

1
Dunkin'
Coffee, doughnuts, baked goods
STARTUP COST
$228.6K–$1.7M
TOTAL UNITS
(Franchised / Co.-Owned)
12,871/0

2
The UPS Store
Postal, business, printing, and communications services
STARTUP COST
$168.9K–$398.3K
TOTAL UNITS
(Franchised / Co.-Owned)
5,071/0

3
Great Clips
Hair salons
STARTUP COST
$136.9K–$258.3K
TOTAL UNITS
(Franchised / Co.-Owned)
4,261/0

4
Jersey Mike's Subs
Subs
STARTUP COST
$237.4K–$766.97K
TOTAL UNITS
(Franchised / Co.-Owned)
1,500/82

5
7-Eleven
Convenience stores
STARTUP COST
$47.1K–$1.2M*
TOTAL UNITS
(Franchised / Co.-Owned)
63,754/2,439

**While 7-Eleven's initial investment range varies widely based on different circumstances, most first-time franchisees' startup costs will be $100,000 and up.*

6
Jimmy John's Gourmet Sandwiches
Sandwiches
STARTUP COST
$313.6K–$556.1K
TOTAL UNITS
(Franchised / Co.-Owned)
2,737/56

7
Ace Hardware
Hardware and home-improvement stores
STARTUP COST
$272.5K–$1.6M
TOTAL UNITS
(Franchised / Co.-Owned)
4,946/122

8
RE/MAX
Real estate
STARTUP COST
$40K–$230.5K*
TOTAL UNITS
(Franchised / Co.-Owned)
7,985/0

**The low end of RE/MAX's initial investment range applies only to the conversion of an existing business. Franchisees starting a new business will invest more than $100,000.*

9
Sport Clips
Men's sports-themed hair salons
STARTUP COST
$224.8K–$373.3K
TOTAL UNITS
(Franchised / Co.-Owned)
1,759/69

10
Snap-on Tools
Professional tools and equipment
STARTUP COST
$172.2K–$375.3K
TOTAL UNITS
(Franchised / Co.-Owned)
4,663/170

11
Anytime Fitness
Fitness centers
STARTUP COST
$78K–$521.4K*
TOTAL UNITS
(Franchised / Co.-Owned)
4,043/38

**The low end of Anytime Fitness's initial investment range applies only in rare cases. Most franchisees will invest more than $100,000.*

12
Smoothie King
Smoothies, healthful snacks, health products
STARTUP COST
$263.6K–$844.5K
TOTAL UNITS
(Franchised / Co.-Owned)
944/28

13
Servpro
Fire and water cleanup and restoration
STARTUP COST
$159.3K–$213.2K
TOTAL UNITS
(Franchised / Co.-Owned)
1,687/0

14
uBreakiFix
Electronics repairs
STARTUP COST
$60.4K–$225.4K*
TOTAL UNITS
(Franchised / Co.-Owned)
393/28

**The low end of uBreakiFix's initial investment range applies only to officers, directors, or employees of uBreakiFix, whose franchise and training fees are waived. Franchisees paying the normal fees will invest more than $100,000.*

PHOTOGRAPH COURTESY OF CORNWELL QUALITY TOOLS

Cornwell Quality Tools/ No. 35

ONE HUNDRED YEARS AGO, blacksmith Eugene Cornwell opened a shop in Cuyahoga Falls, Ohio, and began experimenting with different steels and heat treatments to produce tools that would be stronger and longer-lasting. Today, Cornwell Quality Tools is celebrating its centennial by offering select products with special 100th-anniversary branding, and it also recently became the official tool brand of John Force Racing with the National Hot Rod Association.


SYSTE

15
Supercuts
Hair salons
STARTUP COST
$144.4K–$297K
TOTAL UNITS
(Franchised / Co.-Owned)
1,889/913

16
Keller Williams
Real estate
STARTUP COST
$183.9K–$336.99K
TOTAL UNITS
(Franchised / Co.-Owned)
978/0

17
Budget Blinds
Window coverings, window film, rugs, accessories
STARTUP COST
$110.1K–$235.9K
TOTAL UNITS
(Franchised / Co.-Owned)
1,154/0

18
Mathnasium Learning Centers
Math tutoring
STARTUP COST
$112.8K–$149.1K
TOTAL UNITS
(Franchised / Co.-Owned)
924/13

19
Arby's
Sandwiches, fries, shakes
STARTUP COST
$320.6K–$2M
TOTAL UNITS
(Franchised / Co.-Owned)
2,340/1,132

20
Papa John's International
Pizza
STARTUP COST
$130.1K–$844.4K
TOTAL UNITS
(Franchised / Co.-Owned)
4,691/645

21
Huntington Learning Centers
Tutoring and test prep
STARTUP COST
$119.2K–$270.3K
TOTAL UNITS
(Franchised / Co.-Owned)
255/34

22
Firehouse Subs
Subs
STARTUP COST
$92.3K–$824.8K*
TOTAL UNITS
(Franchised / Co.-Owned)
1,118/37

**While the low end of the investment range in Firehouse Subs' FDD is $92,255, realistically, franchisees' startup costs will exceed that. The typical investment is around $350,000.*

23
Mac Tools
Automotive tools and equipment
STARTUP COST
$129K–$283.2K
TOTAL UNITS
(Franchised / Co.-Owned)
1,266/8

24
Lawn Doctor
Lawn, tree, and shrub care; mosquito and tick control
STARTUP COST
$101.8K–$115.9K
TOTAL UNITS
(Franchised / Co.-Owned)
568/0

25
Miracle-Ear
Hearing aids
STARTUP COST
$119K–$352.5K
TOTAL UNITS
(Franchised / Co.-Owned)
1,417/54

26
Fyzical Therapy & Balance Centers
Physical therapy, balance and vestibular therapy, wellness services
STARTUP COST
$138.8K–$399K
TOTAL UNITS
(Franchised / Co.-Owned)
376/10

27
Tropical Smoothie Cafe
Smoothies, sandwiches, wraps, salads, soups, coffee drinks
STARTUP COST
$222.1K–$569.3K
TOTAL UNITS
(Franchised / Co.-Owned)
737/1

28
Express Employment Professionals
Staffing, HR solutions
STARTUP COST
$140K–$211K
TOTAL UNITS
(Franchised / Co.-Owned)
813/0

29
Kona Ice
Shaved-ice trucks
STARTUP COST
$124.8K–$147.6K
TOTAL UNITS
(Franchised / Co.-Owned)
1,197/16

30
Kilwins Chocolates Franchise
Chocolates, fudge, ice cream
STARTUP COST
$423.3K–$790.2K
TOTAL UNITS
(Franchised / Co.-Owned)
116/2

31
Cinnabon
Cinnamon rolls, baked goods, coffee
STARTUP COST
\$185.2K–\$330.7K
TOTAL UNITS
(Franchised / Co.-Owned)
1,512/1

32
Pearle Vision
Eye care and eyewear
STARTUP COST
\$399.4K–\$603.9K
TOTAL UNITS
(Franchised / Co.-Owned)
416/114

33
Auntie Anne's Hand-Rolled Soft Pretzels
Soft pretzels
STARTUP COST
\$199.5K–\$385.1K
TOTAL UNITS
(Franchised / Co.-Owned)
1,934/13

PHOTOGRAPH COURTESY OF FLEET FEET

Fleet Feet/ No. 48

FOR THE third year in a row, Fleet Feet stores across the country, in partnership with running-shoe company Brooks, celebrated Global Running Day in June with a 5K event dubbed the Big Run. More than 8,600 people participated, ranging in age from 3 all the way up to 99, and they ran a collective 26,853 miles. Prizes were given for the fastest runners nationwide, age group winners, and others.

34
Ben & Jerry's
Ice cream, frozen yogurt, sorbet, smoothies

STARTUP COST
$149.2K–$504.3K

TOTAL UNITS
(Franchised / Co.-Owned)
556/37

35
Cornwell Quality Tools
Automotive tools and equipment

STARTUP COST
$47.5K–$243.8K*

TOTAL UNITS
(Franchised / Co.-Owned)
689/0

**The low end of Cornwell Quality Tools' initial investment range applies only to the conversion of an existing business. Franchisees starting a new business will invest more than $100,000.*

36
Marco's Pizza
Pizza, subs, wings, cheese bread

STARTUP COST
$289.8K–$762.5K

TOTAL UNITS
(Franchised / Co.-Owned)
905/0

37
The Learning Experience Academy of Early Education
Preschool/educational childcare

STARTUP COST
$493.5K–$3.6M

TOTAL UNITS
(Franchised / Co.-Owned)
192/20

38
Palm Beach Tan
Tanning

STARTUP COST
$498.3K–$802.4K

TOTAL UNITS
(Franchised / Co.-Owned)
299/226

39
British Swim School USA
Swimming lessons for ages 3 months and older

STARTUP COST
$92.9K–$239.4K*

TOTAL UNITS
(Franchised / Co.-Owned)
63/0

**Although British Swim School's initial investment range starts at $92,900, the company desires franchisees to have at least $100,000 cash liquidity.*

40
Checkers Drive-In Restaurants
Burgers, fries

STARTUP COST
$96.4K–$1.5M*

TOTAL UNITS
(Franchised / Co.-Owned)
623/256

**The low end of Checkers Drive-In Restaurants' initial investment range applies only to the conversion of an existing business Franchisees starting a new business will invest more than $100,000.*

41
Jiffy Lube International
Oil changes, preventive maintenance

STARTUP COST
$234K–$372.7K

TOTAL UNITS
(Franchised / Co.-Owned)
2,078/0

42
CMIT Solutions
IT and business services for SMBs

STARTUP COST
$127.97K–$175.4K

TOTAL UNITS
(Franchised / Co.-Owned)
233/0

43
FastSigns International
Signs, graphics

STARTUP COST
$197.2K–$313.1K

TOTAL UNITS
(Franchised / Co.-Owned)
699/0

44
Carstar Franchise Systems
Auto collision repair

STARTUP COST
$283.7K–$829.8K

TOTAL UNITS
(Franchised / Co.-Owned)
627/1

45
Spring-Green Lawn Care
Lawn and tree care

STARTUP COST
$109.3K

TOTAL UNITS
(Franchised / Co.-Owned)
117/26

46
Charleys Philly Steaks
Philly cheesesteaks, fries, lemonade

STARTUP COST
$252.1K–$580.5K

TOTAL UNITS
(Franchised / Co.-Owned)
539/56

47
Weichert Real Estate Affiliates
Real estate

STARTUP COST
$62.5K–$324.7K*

TOTAL UNITS
(Franchised / Co.-Owned)
354/131

**The low end of Weichert Real Estate Affiliates' initial investment range applies only to the conversion of an existing business. Franchisees starting a new business will invest more than $100,000.*

48
Fleet Feet
Athletic footwear, apparel, accessories

STARTUP COST
$187K–$413K

TOTAL UNITS
(Franchised / Co.-Owned)
145/31

49
Valvoline Instant Oil Change
Oil changes and preventive maintenance

STARTUP COST
$174.5K–$2.5M

TOTAL UNITS
(Franchised / Co.-Owned)
703/451

50
Edible Arrangements
Sculpted fresh-fruit bouquets

STARTUP COST
$189.8K–$348.95K

TOTAL UNITS
(Franchised / Co.-Owned)
1,215/4

TOP FRANCHISES FOR More than $500,000

1
McDonald's
Burgers, chicken, salads, beverages

STARTUP COST
$1.1M–$2.2M

TOTAL UNITS
(Franchised / Co.-Owned)
34,521/2,885

2
Sonic Drive-In
Burgers, hot dogs, chicken sandwiches, breakfast, ice cream, beverages

STARTUP COST
$865K–$3.6M

TOTAL UNITS
(Franchised / Co.-Owned)
3,365/228

3
Taco Bell
Mexican food

STARTUP COST
$525.1K–$2.6M

TOTAL UNITS
(Franchised / Co.-Owned)
6,299/606

4
Culver's
Frozen custard, specialty burgers

STARTUP COST
$2M–$4.7M

TOTAL UNITS
(Franchised / Co.-Owned)
661/6

5
Planet Fitness
Fitness clubs

STARTUP COST
$969.6K–$4.2M

TOTAL UNITS
(Franchised / Co.-Owned)
1,540/68

6
Pizza Hut
Pizza, pasta, wings

STARTUP COST
$327K–$2.3M*

TOTAL UNITS
(Franchised / Co.-Owned)
15,325/93

**The low end of Pizza Hut's investment range may be possible only when opening an inline/endcap delivery/carryout restaurant model. Startup costs for all other models will exceed $500,000.*

7
Jack in the Box
Burgers

STARTUP COST
$1.5M–$3.3M

TOTAL UNITS
(Franchised / Co.-Owned)
2,085/157

8
Dairy Queen
Ice cream, burgers, chicken

STARTUP COST
$1.1M–$1.8M

TOTAL UNITS
(Franchised / Co.-Owned)
7,066/2

9
KFC US
Chicken

STARTUP COST
$1.4M–$2.8M

TOTAL UNITS
(Franchised / Co.-Owned)
20,775/668

10
Orangetheory Fitness
Group personal training

STARTUP COST
$563.5K–$999.1K

TOTAL UNITS
(Franchised / Co.-Owned)
977/23

About Stratus Building Solutions

Stratus Building Solutions is the nation's leading green cleaning and janitorial services franchise offering exclusive regional master franchises and scalable unit franchise opportunities throughout the US and Canada.

Stratus Building Solutions fun Facts

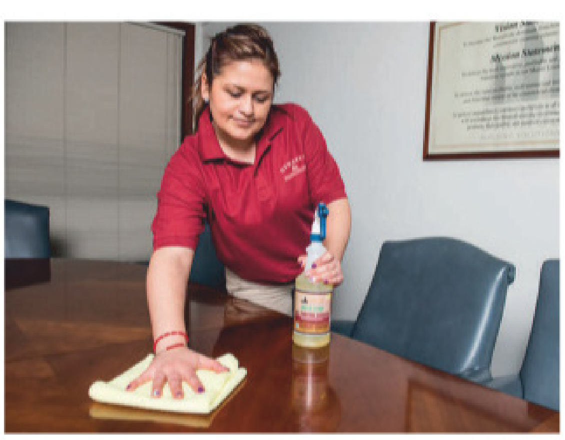
- Exclusive Major Metropolitan Territories Available
- Lowest Investment Costs in Commercial Cleaning Industry
- Multiple Recurring Revenue Streams
- No Experience Necessary

Spark Recurring Revenue Streams with Stratus!

Stratus Building Solutions® provides an environmentally friendly commercial cleaning experience driven by entrepreneurial, small business owners and regional support centers. Since 2006, Stratus Building Solutions® has become a household name as the industry leader in green facilities maintenance. With a proven Stratus Building Solutions® business model and a commitment to customer service, your own commercial janitorial service franchise has unlimited earning potential.

At the Forefront

In an ever-increasing environmentally conscious market, the demand for Green Clean services puts Stratus® at the forefront of the commercial cleaning industry. Offering a range of special services, customizable options, state-of-the-art cleaning equipment with air-quality improvement components, and Green Seal Certified Stratus® Green Clean chemicals, Stratus Building Solutions® is second to none in cleaning for quality AND health.



Success for Today and the Future

The Stratus Building Solutions® business model targets multiple recurring revenue streams in a recession proof industry, assuring a consistent income today AND into the future. Customer contracts, financing payments, and a scalable organizational concept provide a solid base to leverage continuous growth, as proven by many successful existing Stratus® franchises.

The Stratus® Difference

Stratus Building Solutions® offers a turn-key business model with franchise concepts ranging from home-based businesses to exclusive regional Master franchises. With the lowest investment costs in the industry and availabilities in major metropolitan areas, Stratus® provides the nation's premier franchise opportunities in the commercial cleaning industry.

Regional Master Franchises:

- Exclusive Territories Available in Major Metropolitan Areas
- Monthly Recurring Revenue
- Multiple Income Sources Model
- High Margin Earnings Capability
- Training and Continuous Business Development Support
- National Marketing Campaign
- Proprietary Management Software

Unit Franchises:

- Lowest Investment Costs in the Industry, as low as $1000 down
- Guaranteed Sales Accounts
- Multiple Franchise Concepts
- No Experience Necessary; All sales, marketing billing and collections, and services training provided
- State-of-the-Art Equipment and Materials
- Military Discounts Available

STRATUS BUILDING SOLUTIONS

For More Stratus Building Solutions Information:

Mark Johnson
stratusclean.com
inquiries@stratusclean.com
(888) 981-1555

11
Bojangles' Famous Chicken 'n Biscuits
Chicken, biscuits, iced tea

STARTUP COST
$1.5M–$2.4M

TOTAL UNITS (Franchised / Co.-Owned)
441/325

12
Hampton by Hilton
Midprice hotels

STARTUP COST
$6.9M–$17.1M

TOTAL UNITS (Franchised / Co.-Owned)
2,381/0

13
Carl's Jr. Restaurants
Burgers

STARTUP COST
$1.6M–$2.2M

TOTAL UNITS (Franchised / Co.-Owned)
1,589/52

14
Golden Corral Restaurants
Family steakhouses, buffets, and bakeries

STARTUP COST
$2.2M–$6.6M

TOTAL UNITS (Franchised / Co.-Owned)
448/43

15
Holiday Inn and Holiday Inn Express
Hotels

STARTUP COST
$7.8M–$24.8M

TOTAL UNITS (Franchised / Co.-Owned)
3,867/3

16
McAlister's Deli
Sandwiches, salads, baked potatoes

STARTUP COST
$762K–$2M

TOTAL UNITS (Franchised / Co.-Owned)
400/28

17
Hardee's Restaurants
Burgers

STARTUP COST
$1.5M–$1.99M

TOTAL UNITS (Franchised / Co.-Owned)
2,124/118

18
Pet Supplies Plus
Retail pet supplies and services

STARTUP COST
$440.6K–$1.3M*

TOTAL UNITS (Franchised / Co.-Owned)
227/215

**While it may be possible to open a Pet Supplies Plus for less than $500,000, most franchisees invest between $650,000 and $750,000.*

19
Goldfish Swim School Franchising
Infant and child swimming lessons

STARTUP COST
$1.3M–$3M

TOTAL UNITS (Franchised / Co.-Owned)
88/1

20
Freddy's Frozen Custard & Steakburgers
Frozen custard, steakburgers, hot dogs

STARTUP COST
$577.97K–$1.99M

TOTAL UNITS (Franchised / Co.-Owned)
287/24

21
Doubletree by Hilton
Upscale hotels and resorts

STARTUP COST
$22M–$69.3M

TOTAL UNITS (Franchised / Co.-Owned)
418/0

22
Primrose School Franchising
Educational childcare

STARTUP COST
$637.9K–$5.7M

TOTAL UNITS (Franchised / Co.-Owned)
382/0

23
Hilton Hotels and Resorts
Upscale hotels and resorts

STARTUP COST
$29.2M–$111.9M

TOTAL UNITS (Franchised / Co.-Owned)
447/64

24
Blaze Fast-Fire'd Pizza
Assembly-line pizza

STARTUP COST
$454.4K–$1.1M*

TOTAL UNITS
(Franchised / Co.-Owned)
277/6

The low end of Blaze Fast-Fire'd Pizza's initial investment range applies only to nontraditional units, which can be opened only by national concessionaries. Individual franchisees will invest more than $500,000 to open a traditional restaurant.

25
Red Roof Inn
Economy hotels

STARTUP COST
$195.5K–$5.1M*

TOTAL UNITS
(Franchised / Co.-Owned)
432/121

The low end of Red Roof Inn's initial investment range applies only to the conversion of an existing business. Franchisees starting a new business will invest more than $3 million.

26
Homewood Suites by Hilton
Upscale extended-stay hotels

STARTUP COST
$11M–$22.1M

TOTAL UNITS
(Franchised / Co.-Owned)
468/0

27
Potbelly Sandwich Shop
Toasted sandwiches

STARTUP COST
$503.95K–$849K

TOTAL UNITS
(Franchised / Co.-Owned)
56/435

28
Motel 6
Economy hotels

STARTUP COST
$2.6M–$3.9M

TOTAL UNITS
(Franchised / Co.-Owned)
908/395

29
Fuzzy's Taco Shop
Baja-style Mexican food

STARTUP COST
$858.5K–$1.3M

TOTAL UNITS
(Franchised / Co.-Owned)
136/10

30
Hilton Garden Inn
Upscale midprice hotels

STARTUP COST
$12.1M–$23.2M

TOTAL UNITS
(Franchised / Co.-Owned)
788/0

31
Goddard Systems
Preschool/educational childcare

STARTUP COST
$619.9K–$760.6K

TOTAL UNITS
(Franchised / Co.-Owned)
482/0

32
Home2 Suites by Hilton
Midprice extended-stay hotels

STARTUP COST
$8.2M–$14.6M

TOTAL UNITS
(Franchised / Co.-Owned)
237/0

33
Embassy Suites by Hilton
Upscale all-suite hotels

STARTUP COST
$17.4M–$74.96M

TOTAL UNITS
(Franchised / Co.-Owned)
229/0

34
Urban Air Adventure Park
Trampoline parks/ entertainment centers

STARTUP COST
$1.7M–$2.5M

TOTAL UNITS
(Franchised / Co.-Owned)
46/5

35
Express Oil Change & Tire Engineers
Oil changes, tire services, tune-ups, repairs

STARTUP COST
$1.9M–$2.7M

TOTAL UNITS
(Franchised / Co.-Owned)
115/118

36
Taco John's International
Mexican food

STARTUP COST
$942K–$1.4M

TOTAL UNITS
(Franchised / Co.-Owned)
383/10

37
American Family Care
Urgent-care centers

STARTUP COST
$125.8K–$1.3M*

TOTAL UNITS
(Franchised / Co.-Owned)
130/66

The low end of American Family Care's initial investment range applies only to the conversion of an existing business. Franchisees starting a new business will invest more than $800,000.

38
Buffalo Wild Wings
Buffalo wings

STARTUP COST
$1.9M–$3.8M

TOTAL UNITS
(Franchised / Co.-Owned)
653/621

Goldfish Swim School Franchising / No. 19

GOLDFISH SWIM School Franchising has committed to raise $1 million for the USA Swimming Foundation's Make a Splash initiative, a national child-focused water safety campaign. It made its first big step toward that goal this May (National Water Safety Month) with its Float It Forward fund-raising campaign. Franchisees hosted donation-based family swims, raffles, competitions, donation drives, and more, and ultimately raised $163,773 to help more kids across the country learn to swim.

PHOTOGRAPH COURTESY OF GOLDFISH SWIM SCHOOL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Drybar
Hair care

STARTUP COST
$639.2K–$1.4M

TOTAL UNITS
(Franchised / Co.-Owned)
40/86

40
Hand and Stone Massage and Facial Spa
Massage and spa services

STARTUP COST
$500.6K–$604.3K

TOTAL UNITS
(Franchised / Co.-Owned)
379/1

41
Captain D's
Seafood

STARTUP COST
$1M–$1.2M

TOTAL UNITS
(Franchised / Co.-Owned)
243/290

42
Kids 'R' Kids Learning Academies
Childcare centers

STARTUP COST
$4.4M–$5.7M

TOTAL UNITS
(Franchised / Co.-Owned)
168/0

43
Tide Cleaners
Dry cleaning

STARTUP COST
$663.5K–$1.6M

TOTAL UNITS
(Franchised / Co.-Owned)
128/8

44
Lightbridge Academy
Childcare/early learning

STARTUP COST
$549.2K–$5.1M

TOTAL UNITS
(Franchised / Co.-Owned)
27/13

45
Salons by JC
Salon suites

STARTUP COST
$550.6K–$1.1M

TOTAL UNITS
(Franchised / Co.-Owned)
81/10

46
Schlotzsky's
Sandwiches, pizza, salads

STARTUP COST
$503.8K–$787.98K

TOTAL UNITS
(Franchised / Co.-Owned)
347/25

47
Camp Bow Wow
Dog daycare, boarding, training, grooming; in-home pet care

STARTUP COST
$783.5K–$1.5M

TOTAL UNITS
(Franchised / Co.-Owned)
146/10

48
Sky Zone
Trampoline playing courts

STARTUP COST
$1.3M–$2.8M

TOTAL UNITS
(Franchised / Co.-Owned)
193/9

49
Gyu-Kaku Japanese BBQ Restaurant
Japanese barbecue restaurants

STARTUP COST
$1M–$2.1M

TOTAL UNITS
(Franchised / Co.-Owned)
706/21

50
Yogi Bear's Jellystone Park Camp-Resorts
Family camping resorts

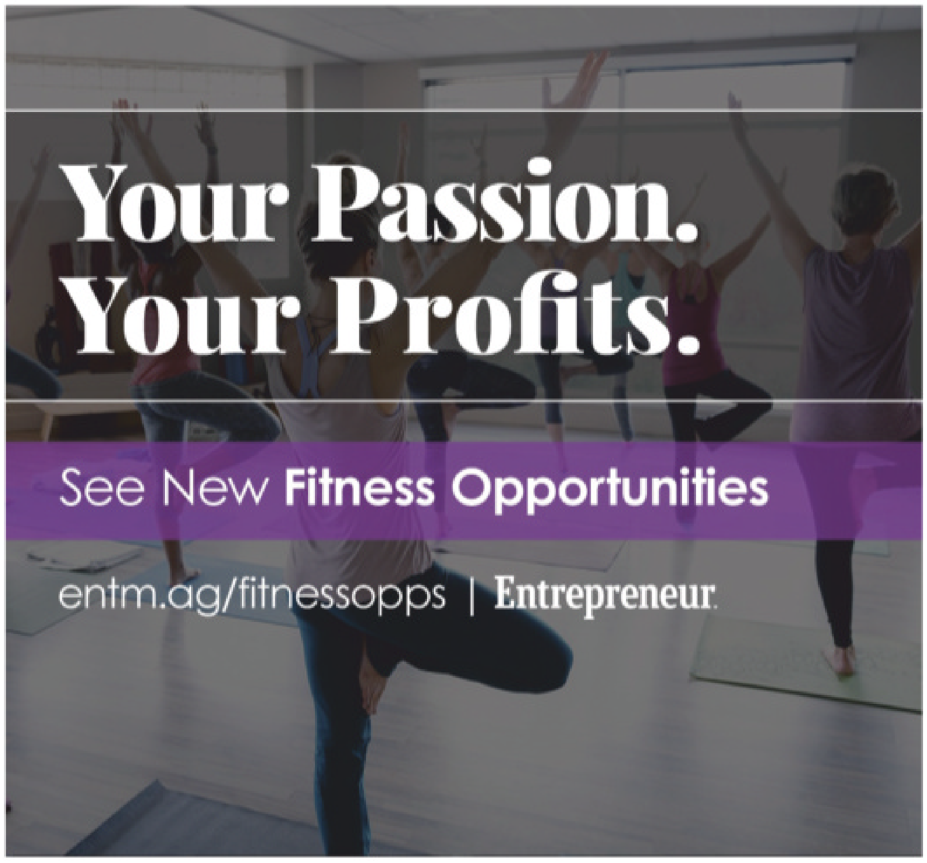
STARTUP COST
$62K–$3M*

TOTAL UNITS
(Franchised / Co.-Owned)
84/0

**The low end of Yogi Bear's Jellystone Camp-Resorts' initial investment range applies only to the conversion of an existing business. Franchisees starting a new business will invest more than $1 million.*

OPPORTUNITY SPOTLIGHT

One of these opportunities could mark the turning point to owning a business of your own, realizing your personal dreams and securing true financial independence. So go ahead, make your first move by considering all that they have to offer in this Opportunity Spotlight. Then make your first call.



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- Green Business
- Import/Export Business
- Medical Claims Billing Service
- Vending Business
- Wholesale Distribution Business
- Staffing Business
- Transportation Service

What Inspires Me/

Building Your Own Solutions

by Patrick Robinson, founder and CEO, Pashko

As the founder of travel-clothing company Pashko, I travel a lot for work. You name the far-flung city, I've been there. I encounter a lot of long, sleepless nights in hotel rooms, but instead of using that extra time to pore over new clothing concepts or designs, I'm online, buying woodworking tools.

My passion for woodworking started when I was young. Growing up in Fullerton, Calif., I liked building those wood-and-glue model airplanes, boats, and homes. I worked really hard to adapt them to make them into whatever my imagination came up with, not just what the instructions told me to do.

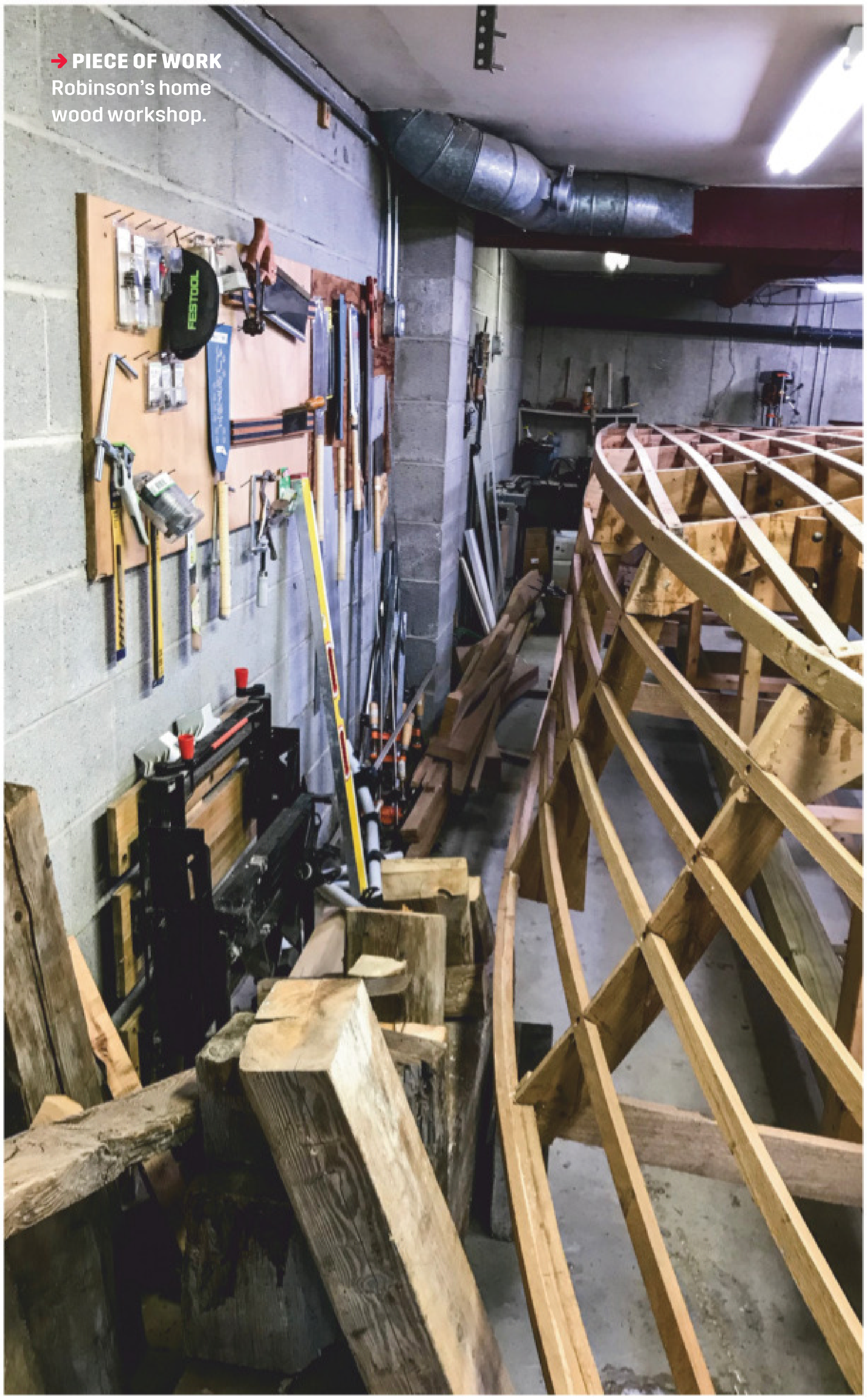
My dad noticed that I had a knack for problem solving and started asking me to help him with renovation projects around the house. From there, I began creating things for myself: surfboards, benches. The scope of the projects kept evolving along with my skills and curiosity.

Today, when I'm not at the Pashko office in Manhattan, I'm at my home in upstate New York. It's an old converted barn with a lower-level space where horses or tractors were kept decades ago. But now, it's my workshop.

When you step inside, you're hit with the smell of sawdust from fresh-cut mahogany I'm using to build a 1930s Runabout Barrel Back Boat. It's surrounded by my cherished collection of handsaws and planes, mostly from a company in Maine called Lie-Nielsen Toolworks.

When I'm working in that space, I always think back to a lesson from my dad: "An opportunity will present itself." It was his way of teaching me that in life and in work, things will never go the way you planned them. But if you keep an open mind, the solution will come to you.

Building something from wood involves an incredible amount of problem solving, and through the years, it's taught me patience, and a willingness to think outside the box. Now that's how I process the world—and it's how I run my company. Whether the task at hand is a boat or a business, I know that if I can envision it, I can build it.



→ **PIECE OF WORK** Robinson's home wood workshop.

PHOTOGRAPH COURTESY OF PATRICK ROBINSON

WHAT INSPIRES YOU?
Tell us about a story, person, object, or something else that pushes you forward, and we may include it in a future issue. And we may make you photograph or illustrate it, too. Email **INSPIRE@ENTREPRENEUR.COM** with the subject line **"WHAT INSPIRES ME."**

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