CITRIX
ShareFile

# Seeking Business Advice? Look No Further Than Your Pizza Box

## Bad advice may yield amazing results for a handful of companies and ends in total failure for almost everyone else

by Jesse Lipson - VP, GM of Data Sharing | Citrix ShareFile

"Most aspiring entrepreneurs make things much harder on themselves than they need to."

While few people would dispute that Facebook has achieved jaw dropping success, in my opinion they chose a high risk / high return approach. This approach yields amazing results for a handful of companies and ends in total failure for almost everyone else. Indeed, this cowboy mentality is glorified by many venture capitalists, blogs and publications that cover entrepreneurship.

The purpose of this article is to present a dissenting opinion. While others are encouraging you to drop out of school and try to become the entrepreneurial equivalent of the next big rock star, I am the practical voice who tells you that "Most musicians barely make minimum wage, spend your time studying instead."

At first this advice may sound kind of depressing (maybe that explains why I have not yet been invited to speak at any graduations). The good news is that it's also liberating. Most aspiring entrepreneurs make things much harder on themselves than they need to. They rack their brains hoping to come up with the next Facebook, a totally new blockbuster idea with a special competitive advantage to keep [insert name of billion dollar tech company here] from duplicating it.

My advice is to do the exact opposite. Pick a business that has established demand and entrenched competitors. Choose something simple that you are passionate about and can do well. Then, focus on execution. Finally, select a business idea that can succeed on a small scale even if it doesn't hit it big.

Before I lay out these rules more formally, I would like to begin with an example of exactly the type of idea I'm talking about: Pizza.

While in college at Ball State, John Schnatter worked at Greek's Pizzeria delivering pizzas in Muncie, Indiana. Shortly after graduating in 1983, Schnatter decided to start his own pizza delivery business. There were no shortage of pizza joints in Indiana (or just about anywhere in the world for that matter), but John felt that the quality of pizza was generally pretty low and figured he could make better tasting pizza by using fresh ingredients. He purchased $1,600 worth of used restaurant equipment and opened a pizza delivery business out of an old broom closet in his father's tavern. His pizza was well liked by customers and a year later he opened his first full restaurant, called Papa John's Pizza.

Today Papa John's has over 3,100 locations. Its stock is publicly traded on NASDAQ (PZZA) with a market capitalization of over 650 million dollars. Schnatter owns 30 percent of the company, making his share of Papa John's worth over $215 million.

Papa John's is one of many great examples of companies that grew successfully by following the two simple rules (and 3 corollaries to those rules) outlined below.

## Rule No. 1: Pick a business idea that can succeed on a small scale

Statistically, we know that very few businesses will reach a valuation above 100 million dollars. You may be the exception, but most likely you're not. To hedge your bets, try to tweak your business idea so that it can succeed on a small scale even if it never reaches its full potential. If you have to pull the safety parachute on your business and you only end up with a ten million dollar or million dollar business, you'll walk away with some great experience. Plus, you'll have a nice financial cushion to allow you to swing for the fences on your next venture if you want to.

Papa John's definitely followed rule No. 1. John Schnatter's business could have been as small as a single location and still could've run profitably and successfully, yet it had the scalability to grow to hundreds or thousands of locations or anywhere in between.

## Corollary to Rule No. 1: Choose a business idea that can launch with minimal funding

If your business idea requires a lot of outside funding to get started, it will be extremely difficult to succeed on a small scale and therefore violates Rule No. 1. Investors (rightfully) want a healthy return on their money, and if you raise a lot of money, you're pretty much taking the possibility of a small exit off the table. Because of the size of their funds, venture capitalists typically need to invest millions of dollars in each deal otherwise they would have hundreds or thousands of companies in their portfolio. This is too cumbersome to manage, so small exits don't really make sense for them.

John Schnatter's first pizza oven only cost him $1,600 and he was able to open his first store by selling his Chevy Camaro (after becoming a multi-millionaire he was able to track down and buy back the exact same Camaro he sold in the early 80s).

This corollary does not imply that a business should never take on outside investment. The key phrase is "can launch with minimal funding." Once your business has launched and succeeded on a small scale, it may become clear that it has the potential for large scale success and needs outside funding to get to the next level. I'm sure at some point it became clear to John Schnatter that his business had the potential to go national or even global.

## Rule No. 2: Enter an Established Business Market

Starting a business is hard enough without having to worry about whether there is even a market for your idea. Every once in a while, a truly new idea hits the market and succeeds. More often than not, though, successful businesses are incremental improvements on existing businesses.

When Papa John's launched, one element of the business plan that they did not need to scrutinize was whether people were willing to pay money for pizza. If Schnatter instead had an idea for being the first provider of pizza-flavored milkshakes delivered right to your door, he could have executed the idea perfectly and still (probably) would have failed. Instead, he just needed to worry about making pizza that tasted really good and was delivered reliably for a good price.

## Corollary to Rule No. 2: Your business should have existing competitors

This corollary is pretty simple. If you enter an established market, by definition there will be at least one direct competitor. It's OK to have your own twist on your product or service offering, but when you launch a business there should be at least one other company doing pretty much what you are doing.

## Second corollary to Rule No. 2: Focus on execution

If you are entering an established market, your competitive advantage is not going to come from a big new idea. Instead, it mostly comes from doing the boring things really well. Papa John's decided to focus on making a great tasting pizza while competitors were focusing on low price and fast delivery instead. To make better tasting pizza, he had to charge a bit more and could not deliver quite as fast. He also needed to offer fewer menu options so that his fresh ingredients could be both affordable and profitable.

Focusing on execution is important for a couple of reasons. First, most competitions in established markets are dogfights where every small advantage is crucial. And even if you violate Rule No. 2 and enter a new market, if it's a good market soon enough you'll have plenty of competitors.

Great execution is much more difficult for competitors to copy than changes in products, prices, or features. In the above example about pizza-flavored milkshakes, if it turned out that people really enjoyed pizza in liquid form, Domino's could add pizza shakes to their menu fairly easily. It's much more difficult for entrenched competitors to quickly change things like company culture, customer service quality, management techniques, and logistics.

The Papa John's story serves a great example of how you can build a $650 million business simply by executing better than the competition.

The next time you are brainstorming potential business ideas, think about pizza and the importance of entering an established market and choosing an idea that can succeed on a small scale with little outside funding. Resist the temptation to try to become the next entrepreneurial rock star. You may not be the subject of the next Aaron Sorkin movie, but if you follow my two rules, the recipe for your entrepreneurial success might be a lot simpler than you originally thought.

CITRIX ShareFile

701 Corporate Center Drive Suite 300
Raleigh, NC 27607
USA +1 800-441-3453
UK toll-free: +44 (0800) 680-0621
Other International callers: + 1-919-745-6111
sales@sharefile.com

ShareFile allows you to securely share, sync and store large files from anywhere. ShareFile was launched in November 2005. In the years following its initial release, ShareFile grew to over 20,000 paying corporate customers and 5 million business users spread across more than 100 countries around the world.

In October 2011, Citrix announced its acquisition of ShareFile. Citrix (NASDAQ:CTXS) transforms how businesses and IT work and people collaborate in the cloud era. With market-leading cloud, collaboration, networking and virtualization technologies, Citrix powers mobile workstyles and cloud services, making complex enterprise IT simpler and more accessible for 260,000 organizations. Citrix products touch 75 percent of Internet users each day and it partners with more than 10,000 companies in 100 countries. Annual revenue in 2011 was $2.21 billion. Learn more at www.citrix.com.