

Additional Case Studies

Chapter 16

Reflections: An Entrepreneur's Story

Written and researched by Dr Haider Ali

There was no real background in business in my family. Everyone else had been a member of a profession, indeed being in business was considered somewhat lowly. My mother's family had been landowners, and being in 'trade' was considered to be something that people from lower social classes did. While at school I had been involved in the school magazine and at university I was involved in the student union newspaper and also ran a small commercial venture, where I invited people from the city to speak to students, (which students also did), but innovated on the formula by inviting guests from the city on a paid basis. This generated a healthy profit for the student society concerned.

As I came to graduation I was drawn more and more to the prospect of starting my own business. The idea I had was for a national magazine for sixth formers, which would have academic articles, but also those on universities and careers. I felt that there was a significant market in terms of potential subscribers and perhaps advertisers as well. At the time I did not really think too deeply about who would advertise and how much people would be willing to pay and why. But given the numbers of sixth formers in the UK, I felt that the market was large enough to generate cash by some means or another.

I discussed the plans with friends at university and also people outside, business owners my family knew and others. Generally the reaction was either one of encouragement, or caution with a number of people suggesting a proper job after graduation would be the way to go. My own evaluation of this suggestion was that it was better to take a risk early on in life, whereas later there would be too many commitments. In addition I really felt strongly about the idea and felt that now would be the best time to go ahead.

Around the time I was thinking about all this I heard about a training programme at the Cranfield School of Management, where they would help assess the business idea, refine it and also help to write the business plan. I did not know what the latter was, but it seemed to

be a useful course offered by a well-known institution. On the course, I met many young people with business ideas. As well as discussing our ideas amongst ourselves we'd also get feedback from the lecturers running the course. I think I became quite adept at writing business plans, making cash-flow forecasts, doing the background research and so on. The course helped me to get better at the technical aspects of planning a business, it also helped me to think about the nuts and bolts financial issues. But I think there were still massive gaps in terms of commercial realities, who would pay and why and, most importantly, how could I get them to part with their cash?

One of the reasons for the emphasis on writing business plans was that a small business would need funding and there were some sources available for young people, some offering grants and others loans. I applied to various organizations, in fact one of the schemes I took advantage of was the provision of a marketing consultant funded by the Department of Trade and Industry. That connection led to someone who had specialist publishing marketing experience and a local enterprise agency that was also willing to lend money. By this stage I had become quite good at writing business plans and was able to secure more funding. There was also research amongst students themselves. I remember visiting schools around the country to gauge student reaction to magazines, their content and so on. One of my initial ports of call for help had been my old school, where the English teacher used to put together the school magazine. She was helpful, but not as keen as the careers master, who identified lots of different types of content that could be offered and also offered to invest in the venture, he became a co-shareholder.

With help from him I was better able to refine my business plan along the lines suited for a publishing business. After many months of research and planning the idea had evolved into one where the publication would be free to students and funded from advertising, principally careers advertising. However at this stage I hit a brick wall. It seemed almost impossible to get advertising revenue. Phone calls would go unanswered, as would letters. The result was the same whether I spoke to advertisers directly or to their advertising agencies.

After many months of trying, I made contact with a larger publishing company that had launched a magazine for graduates. In turn they put me in touch with someone at a large university. He ran their careers department and he immediately saw the potential my

magazine offered. His angle was that there were many university degree courses that were sponsored by industry, but seen as unappealing by students. If we covered these courses, he could get advertising from companies that sponsored them and his university would get more admissions. It seemed to be a win-win proposition. The first issue where we did this focused on the paper industry, the second one on textiles and the third on chemical engineering.

The way advertising came in was fascinating. The retailer, Marks and Spencer, agreed to advertise for the textiles issue, they worked closely with their suppliers and encouraged them to advertise as well. Once these companies were advertising, the magazine was taken more seriously by advertising agencies, who recommended other clients and we had advertising from the police. It seemed as if the credibility gap had been breached.

At the same time, I had recognised that production and distribution costs were too high and if they could be controlled, the magazine would come to profitability much more quickly. As a result of the issue on the paper industry I started speaking to paper suppliers, as to whether they would give us paper in return for promoting their industry. There were also discussions with Royal Mail about possible sponsorship for distribution. Neither of these deals came through unfortunately. I also made use of the alumni network at Cranfield and found someone who worked for Apple's education department and managed to secure an Apple Mac for a few months, free of charge. I had put together the first issue myself, on the Apple Macintoshes at the London School of Economics. But I knew that it would be far better to have someone else do this, so I could concentrate on advertising. It would also be better to have someone else focus on editing the publication.

Some months later I was asked to advise a newspaper aimed at young Asians in the UK. This had been advised by managers from Haymarket, and it was by working with them that I realized that I had missed some obvious tricks. These people were advised from the beginning to get material free of charge. I had paid for the editing from the beginning. I had also paid for content. With hindsight I identifying the opportunity is often recognized as seeing the market potential for something, meeting an unrecognized need, etc. But clearly this is not always enough. In my case it would have been very important to identify ways of controlling costs, getting cash flow generated as soon as possible. This would have allowed the publication to last longer.