Entrepreneurship 5th edition Zacharakis Solutions Manual

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MightyWell™ Teaching Note

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Case Summary

A college entrepreneur named Emily Levy founded MightyWell™ when she faced a personal challenge following her diagnosis with chronic, or more properly called, Post-treatment Lyme disease. Emily identified the need for an improved fabric cover to protect and fashionably hide a Peripherally Inserted Central Catheter (PICC) line that was inserted in her arm to deliver antibiotics to her heart. Over the course of two years, while completing her undergraduate degree, Emily designed, developed, manufactured, and sold her product while bootstrapping[1] her venture. She competed in 17 business competitions and won prizes in 15, before being awarded $250,000 as the 2016 winner of the Babson Breakaway Challenge. Emily is now rebranding and pursuing a product expansion initiative to transform her company from a single product to a brand of wellness wear[2] and products attractive to a larger base of medical patients.

Nature of the Case

All information contained within this case, including names and company financial data, is factual and has not been altered. All data for this case was obtained between October 2016 and March 2017 via first hand interviews with authorized representatives from the subject company, unless otherwise noted.

The nature of this case is Entrepreneurial Decision-Making Case and is appropriate for both undergraduate and graduate entrepreneurship classes.

Teaching Objective

[1] Bootstrap – to build a business with limited outside resources.
[2] Wellness wear – clothing that compliments or facilitates medical well-being.

- Primary Lesson: Opportunity assessment.
- Secondary Lessons: (1) Transforming from a single product company to a brand, (2) Bootstrapping via business competitions, (3) Educating the market/customer about the company's product

LEARNING OBJECTIVES

- Identifying a pain point for a potential customer
- Designing a solution
- Assessing the nature of the opportunity
- Understanding the value of bootstrapping

TEACHING STRATEGY

- Start the case by asking if students are familiar with Lyme disease and its treatment?
  - Point out that some patients need long-term antibiotics via a PICC Line, and may feel uncomfortable wearing a sock to cover the entry point.
  - Ask whether it is important to have a fashionable cover for the PICC line.
    - Students will likely talk about how appearance is critical in their age group.
    - Students will also likely talk about how self-esteem is often tied to one's perception of how others view them.
    - In sum, the class will likely agree with Emily that the PICCPerfect is a great idea.
  - Point out that entrepreneurs often find ideas related to problems they themselves face. However, just because they would be a customer does not mean that there are enough other customers to make this work.

- **Is the PICCPerfect an attractive opportunity?** Take a VOTE. Generally, a strong majority of the class believes it to be an opportunity.
  - Have the class use the Opportunity Checklist (in Zacharakis, Bygrave, Corbett 2017 *Entrepreneurship, 4th Edition;* see **TN Exhibit A**) to assess the strength of the opportunity and see if they still want to hold to their vote. Tell them that this is a quick assessment and they will not necessarily have all the information to evaluate the opportunity on each criteria, but make a best first guess.
  - I typically have the class break into small groups of two to four people and give them 10 minutes to analyze PICCPerfect:

- Have each group identify the three factors on which PICCPerfect is strongest and three factors on which it is weakest.
- The groups usually identify a wide variety of factors, which is okay because this initial analysis is based upon one's perception.
- On occasion, different groups will view the same criteria in opposite directions. For example, one group will view the 3 million PICC lines inserted annually as suggesting the market size is large, making it an attractive opportunity. Another group will use the same statistic to suggest the market is not that big, especially when they factor in men and the elderly, who students believe might be less fashion forward.
- Having such a conflict is great because it shows how different perceptions can lead some people to pursue an opportunity while others see it as a threat. This can lead to a discussion of whether entrepreneurs are overoptimistic and the implications of that exuberance. Ask the class whether it is necessary for entrepreneurs to be overoptimistic?
- Close this section of the case by showing how students can use the checklist as a due diligence agenda to find evidence to confirm or refute one's initial analysis. Basically, they have made assumptions when they check a criteria as attractive or unattractive. That assumption is a hypothesis that they want to test. What kind of data will help them validate their assumption and how will they go about finding it?

- **Would this be a more attractive opportunity if Emily added product lines?** Most people will say yes, but probe deeper. What are the issues with adding product lines? Outline a strategy to do so.
    - Major issues are costs, although she has just raised capital, and focus. While she has experienced initial success with PICCPerfect, it is still early. Has she gained sufficient traction with the entry product to add other products?
    - What types of products should she add? This question comes down to gaining efficiencies. She wants to add products that will enhance her brand, leverage her production capacity or negotiation power with suppliers, and funnel new products through the same channels.
    - Talk about companies that have done this like Crocs and Spanx. What can students learn from them?
    - **[BREAKOUT]** Have the class develop a detailed strategy and timeline to roll out new products keeping the above criteria in mind.
    - Have groups present their plan.

- **If Emily decides to pursue the students' growth plan, what issues will she face? How should she deal with them?**
    - Focus–While the funds MightyWell™ has raised should provide capital to start new products, there is also the issue of bandwidth. As an early-stage startup, the team is lean and doing multiple duties. MightyWell™ may need a hiring strategy. What kinds of people should she hire? What roles should they fill? Related to this, Emily and Yousef will need to delegate more responsibility throughout the organization. It can be hard for founders to trust others to do the job as well as they would.

- Supply Chain and Manufacturing–Ideally, MightyWell™ should be able to leverage its existing supply chain, assuming that new products will be similar medical fashion. Similarly, MightyWell™ ideally will be able to use its same manufacturing partners. The added volume may even improve the company's negotiating power. The key is to keep the operation as simple as possible.
- Distribution–Similar to the discussion of supply chain and manufacturing, if MightyWell™ can put new products through its existing channels, it will likely gain efficiencies and negotiating power.

- **How has Emily raised capital? What else should she be doing here?**
  - $ 11,000 Initial capital – investment from founders Emily and Yousef
  - $ 9,000 Kickstarter
  - $225,000 17 business plan contests (includes services in kind)
  - $250,000 convertible debt from Breakaway
    - Talk about her funding to date. What are the advantages and disadvantages of:

TN Table 1
Advantages and Disadvantages of Different Fund Raising Sources

Self-Financing	
Advantages	**Disadvantages**
Commits the entrepreneur to work hard on venture	May strain the entrepreneur's personal cash flow, especially since you likely won't be able to pay yourself in the early years
Commits co-founders. Less likely to leave for a job or other opportunity	
Send a signal to subsequent investors and stakeholders of the	

entrepreneur's commitment; pretty much expected that entrepreneurs invest in their own business.	
No dilution	
Kickstarter	
Advantages	**Disadvantages**
Visibility in marketplace	Commission to Kickstarter and Amazon Pay
Facilitates friends and family funding	Cost of video and marketing ($2000)
Relatively quick way to raise capital	May not extend much beyond network of people who would invest anyways
No dilution	Cost of fulfillment
Business Plan Competitions	
Advantages	**Disadvantages**
Visibility in marketplace	Time and cost of attending (esp. if the entrepreneur has to fly to competition)
Network to experts (panelist)	The entrepreneur may not win
No dilution	
A good way to test and refine the venture message	
Convertible Debt	
Advantages	**Disadvantages**
Means the entrepreneur doesn't have to set a valuation on the company today. The younger the company, the harder to value	No major disadvantages.
This is also true for investors.	
Breakaway creates lots of visibility and builds brand	
Mentoring provided in addition to the money	

QUESTIONS FOR DISCUSSIONS

1. What are the advantages/disadvantages of adding new product lines?
2. When should Emily go forward with new product lines?
3. If she goes forward, how would students advise Emily to identify these lines?
4. What criteria should Emily use in deciding which products to add?
5. Is there a cost to educating different target end-customer groups for each product line?
6. How can Emily balance expanding her existing base of PICCPerfect customers while educating new markets of customers with other medical needs?
7. Does a hybrid market opportunity exist for MightyWell™'s wellness wear?
8. What are the positive and negatives for the way in which Emily has bootstrapped her company up to this point?
9. What other companies have successfully transitioned from a single product to a brand with multiple product lines (examples: Crocs, Spanx)?

BACKGROUND READING

- An overview of PICC lines and their uses from WebMD.com: www.webmd.com/pain-management/tc/central-venous-catheters-topic-overview#1
- Carlotti, S., Coe, M., & Perrey, J. (2004) Making Brand Portfolios Work. *McKinsey Quarterly,* November (2004), www.mckinsey.com/business-functions/marketing-and-sales/our-insights/making-brand-portfolios-work, accessed June 15, 2017.

KICKSTARTER LINKS TO PICCPERFECT CAMPAIGN

- Kickstarter: www.kickstarter.com/projects/piccperfect/piccperfect-fashion-meets-function-for-picc-line-c
- Kickstarter Marketing Video: ksr-video.imgix.net/projects/1713911/video-515512-h264_high.mp4

What Really Happened

As of May 2017, MightyWell™ is in its early stages of prototyping new products. No new products have yet been introduced.

TN Exhibit A: Opportunity Checklist

Customer	**Better Opportunities**	**Weaker Opportunities**
Identifiable	Defined core customer	Undefined customer
Demographics	Clearly defined and focused	Fuzzy definition and unfocused
Psychographics	Clearly defined and focused	Fuzzy definition and unfocused
Trends		
Macro market	Multiple and converging	Few and disparate
Target market	Multiple and converging	Few and disparate
Window of opportunity	Opening	Closing
Market structure	Emerging/Fragmented	Mature/Decline
Market size		
How many	Large core customer group	Small, unclear customer groups
Demand	Greater than supply	Less than supply
Market growth		
Rate	20% or greater	Less than 20%
Price/Frequency/Value		
Price	Gross Margin > 40%	Gross Margin < 40%
Frequency	Often and repeated	One time
Value	Fully reflected in price	Penetration pricing
Operating expenses	Low and variable	Large and fixed
Net Profit Margin	>10%	<10%
Volume	Very high	moderate
Distribution		
Where are you in value chain?	High margin, high power	Low margin, low power
Competition		
Market structure	Emerging	Mature
Number of direct competitors	Few	Many
Number of indirect competitors	Few	Many
Number of substitutes	Few	Many
Stealth competitors	Unlikely	Likely
Strength of competitors	Weak	Strong
Key Success Factors		
Relative Position	Strong	Weak
Vendors		
Relative power	Weak	Strong
Gross margins they control in value chain	Low	High
Government		
Regulations	Low	High
Taxes	Low	High
Global Environment		
Customers	Interested and accessible	Not interested or accessible
Competition	Nonexistent or weak	Existing and strong
Vendors	Eager	Unavailable

Source: Zacharakis, A., Bygrave, W, & Corbett, A. (2017) *Entrepreneurship, 4th edition.* New York: Wiley. Used with permission.

Zacharakis, A., Corbett, A., & Bygrave, W. (2020) *Entrepreneurship, 5th Edition.* Hoboken, NJ: Wiley.

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