

Getting out of the gate with your startup

Congratulations. You think you have a great business idea; now it's time to vet the concept with others. This is when things get tricky. How much of the "secret sauce" should you share publicly?

Later you may wonder, how finished should the product be before launching? Is it best to release early and update often

EXECUTIVE INSIGHTS



Cheryl Isen

with user feedback, or to stay secret until the product is ready for prime time?

Although there isn't one right answer to these questions, understanding the approaches others have taken can help. At a recent Northwest Entrepreneur Network meeting, two industry veterans, T.A. McCann, founder and CEO of online information management service Gist, and Damon Cortesi, founder of Twitter measurement firm Tweet-Stats, explained the thinking behind their recent business launches.

The case for "developing" in PowerPoint: McCann admits that his views are clearly biased toward talking early and often. When starting Gist he said, "We coded the first product in PowerPoint." Humor aside, McCann believes in opening up broadly and quickly through strategic interviews that provide a forum for asking questions. Walking through a PowerPoint prototype of the business and product concept provides a venue for an interactive show and tell. Sprinkling in questions can drive key decisions.

For example, asking, "If the product did X would you buy it? Or, if it did Y, would you pay more? And, how does it compare with what you currently do?" The answers can lead to a deeper understanding of market needs and wants. Even if a presentation isn't going well, there's opportunity to learn by finding out why someone isn't interested. Asking for introductions to others who may also have strong feelings one way or the other is also advised.

Early discussions can help to create a buyer profile which can be further refined during the testing phase. For example, McCann used a closed beta test for Gist that worked more like a market research study. Participation in the beta required completing a long questionnaire. The lengthy process proved participant interest and furthered their investment in the product, while providing critical knowledge to the development team.

Cortesi also used an open feedback approach in the online launch of Tweet-Stats, explained the thinking behind their recent business launches.

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GREEN GUY: Lawrence Solomon, CEO of Pacific Plumbing Supply, at his company's location on West Marginal Way Southwest in Seattle.

Green wave

Pacific Plumbing Supply weathers the downturn by focusing on energy-efficient products

By GREG LAMM
STAFF WRITER

When you are in the business of selling heating and plumbing products wholesale to a relatively small group of contractors, you can never take your customers for granted.

But Seattle's Pacific Plumbing Supply Co. — which owns stores in Washington, Alaska and Hawaii — had come to depend on a long stretch of increased sales.

"Every year it was like clockwork," said CEO Lawrence Solomon. "We expected annual growth year to year."

But that was before the Great Recession, which has decimated the construction industry in many markets. Like many companies, Pacific Plumbing was forced to cut costs, including reducing its work force. Solomon and his management team also looked for ways to find new sources of revenue.

It was obvious that the company couldn't continue with business as usual, Solomon said, given that development and building had come to a screeching halt.

"You used to sell hundreds and hundreds of cheap, white toilets to fill up apartment buildings," Solomon said. "Gone. What are you going to sell instead?"

For Solomon and Pacific Plumbing, the answer was in an emerging segment of the market: "green" plumbing, hydronic (heating or cooling by circulation through pipes) and radiant products.

Solomon said Pacific Plumbing has about 2,000 square feet of available space at its flagship store on West Marginal Way in Seattle. And to take advantage of increased demand and government support for energy-efficient homes, Pacific Plumbing transformed the space into a showroom selling

solar water heating systems, tankless water heaters, in-floor radiant systems and water-stingy toilets.

Solomon said the focus on the energy-efficient products happened in an authentic way. It stemmed from customer demand and Pacific Plumbing's own knowledge of the technological changes in heating and plumbing products.

"We never sat down as a group and said, 'OK, guys, let's come up with a green room strategy to catch the wave of the green movement,'" Solomon said.

Pacific Plumbing has been in business more than 60 years and is a locally owned private company. The company has 17 stores. Most are in Western Washington, with three in Alaska and three in Hawaii.

Pacific Plumbing is closely tied to the building industry and felt much of the brunt of the recession. About 90 percent of the company's customers are plumbing or heating contractors. And a drop-off in sales forced Pacific Plumbing to cut its work force from about 185 to 150 workers.

Hawaii was hit very hard because of a drop in tourism. Meanwhile, the company's Western Washington stores saw dips in sales. But Alaska has been more resilient to the downturn, and Pacific Plumbing has seen its sales grow there during the recession.

About 70 percent to 75 percent of Pacific Plumbing's sales come from Washington, with about 15 percent from the Alaskan stores and 10 percent from the Hawaiian stores.

Overall, sales were down in 2009, but not as much as in some areas of the East and Midwest, where plumbing and heating wholesalers saw sales drop by 20 percent or more, Solomon said.

Pacific Plumbing had sales of approximately \$75 million in 2009, a decrease of about 11 percent from 2008, Solomon said.

Solomon said the company is optimistic that the economy is improving: This year Pacific Plumbing is projecting 3 percent to 7 percent sales growth in 2010.

"If we could have a 2009 repeat, we'd be happy given the

potential for worse," Solomon said. When Pacific Plumbing had its soft opening for its "green" room a couple of months ago, 85 contractors showed up. Puget Sound Energy made a presentation about the utility's 2010 rebate incentive program for contractors.

The green showroom has a customer will-call counter devoted to the energy-efficient products, where staffers offer help on design specifications and things like heat-

LESSONS LEARNED

Here are a few tips for success from Lawrence Solomon, CEO of Pacific Plumbing Supply Co.

1. Stay true to core values and live them; make sure that everyone in the organization understands your vision.
2. Watch sales per employee on a daily basis to stay on top of how the business is performing.
3. Closely watch your inventory and be prepared to adjust levels and juggle the lineup to match customer demand.

— GREG LAMM

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Seattle company selling 'green'

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cost calculations to help contractors select the best products for their specific jobs.

"There are so many choices," Solomon said. "People will come in and might ask what is the best tankless water heater. It depends. How many people are in your family? Where is the water heater located? What is the temperature outside? Inside?"

Pacific Plumbing's green room also has space for manufacturers to conduct training sessions on new products for the store's

workers and customers.

Twenty years ago, Pacific Plumbing made a similar move to tailor its service to its customers. The company opened a master source distribution and showroom in Kent, designed for other wholesalers and kitchen and bath dealers.

As with the Kent showroom, Solomon said he is confident the green showroom in Seattle will help Pacific Plumbing continue to build long-term relationships with customers.

"Every once in a while in this business you do catch a wave," Solomon said. "And we are riding this one."

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Stats. The team used a development platform that made it fast and easy to make changes to the product. They put a version of the product out to the market in one weekend, even though they knew the idea wasn't perfect. The early launch enable the company to get insightful user feedback that was used to rapidly refine the offering to better meet user needs.

Although early discussions can lead to some risk of exposing intellectual property to potential competitive theft, for many the risk tradeoff is minor. The reality is that most people that you share your idea with won't have the passion or take the initiative to start a competing company. An even more important consideration is this: Most good advisers are really only one step away from a conflict of interest. So these tend to be the people you need to talk to anyway.

Products: Feature rich versus less more often: Once a decision to launch is made, another hurdle is deciding how finished the product should be before shipping. Although this issue is complicated, two important considerations are the role of pricing and the window of market opportunity available.

For example, competitive markets are fierce, and windows of opportunity rapidly close. Getting out of the gate with the first-of-a-kind product, even though it may be imperfect, can provide a huge market edge. Not to mention the advantages of critical market buzz.

Yet it takes guts to release an imperfect product, especially when you know you could do better with just a bit more time. This issue is compounded by the price charged for the product or service. It stands to reason that if clients are paying a premium, more finished features may be expected. However, even without paying a high cost, clients can become frustrated with a less complete product that is updated and released more often.

Regardless of the which direction is chosen, one of the most critical issues to consider is client communication. Your release strategy reflects your corporate vision, so it's important that clients are clear about your vision on the front end. Communicate whether or not your company has been built for agility and speed, or designed to release more slowly but with more complete offerings. With either approach, it's natural to expect that some clients will be frustrated, so it's important to be attentive. Understanding their issues and being highly communicative will enable you to keep more clients happy during the release process.

Not surprisingly, each of the early launch decisions an entrepreneur makes will end up defining the type of company that is created. How the product is sold and the type of buyers it attracts will change with every decision. These choices will also make your company unique compared to the competition. Remember, just as ideas evolve, buyers evolve too. Their feedback is important, but it's only representative of one moment in time.

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**7-8 am: Registration and Breakfast
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**8-9 am: Effective Board/Shareholder
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This panel will comment on effective communications channels to shareholders and the proper role of the Board and board members in communications—including what NOT to do. Panelists will share personal experiences about board decisions and processes that translated to operational excellence.

Moderator: Emory Thomas Jr.

9-10 am: How to be the Board Chair

This panel will discuss the role of the chair and lead directors in the Boardroom. This is must hear information about how the chair sets the agenda, runs the meeting, communicates with management, and leads the Board as an effective and informed team. Panelists will comment on the the need for clear and open communication, the use of new technology and changes in the Boardroom.

Moderator: Scott Greenburg

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