CUTTI

Kid Snips founders Jill Gordon '80 (left) and Kimberly Lee Stolze '80

Jill Gordon '80 and Kimberly Lee Stolze '80 don't consider themselves to be risk takers.

Yet, there they were three years ago, investing their life savings—not to mention their careers and livelihoods—into opening a children's hair salon.

And they were starting the new business despite these major obstacles: No one in the styling industry thought it would work; they had no experience running their own business; and neither had any idea how to cut hair.

"We're not swashbuckling, go-for-it, gambler types," Gordon insists. "We just felt there was a niche in the kids' salon industry, [and] room for someone to do it bigger and better."

The result of such thinking is Kid Snips, an enterprise that in just 18 months has grown to two Chicago-area salons, with the proprietors currently scouting for a third location.

"We're not rich yet, but we're off to a nice start," Gordon says.

How were Gordon and Stolze able to make a promising beginning in an industry they knew nothing about and where everyone predicted they would fail?

They credit much of their success to their alma mater.

"Kellogg gave us the training we needed to start our business," Stolze explains. "We were comfortable with such issues as research, profit and loss statements and business plans. That gave us a great deal of confidence. And Kellogg provided us with support as we were putting together our business plan."

Entrepreneurs across the globe make similar claims about Kellogg.

First, there are the seasoned veterans who left the corporate world to found or

NG LOOSE

Kellogg helps alumni launch businesses of their own ■ By John T. Slania

acquire their own businesses, which range from traditional manufacturing companies to cutting-edge marketing firms. These alumni cite their on-the-job training with giving them the experience and know-how needed to run their own companies. But they also credit Kellogg with providing a strong foundation from which to build their careers and conjure up the guts to strike out on their own.

Then there are the "young turks," the more recent students who studied entrepreneurship over the last eight years at Kellogg and eagerly launched new businesses shortly after graduation. Their interests trend toward service industries, consulting and Internet ventures, and most of their moves are dictated by what they learned in the Kellogg classroom.

Of course, many recent alumni ventures have been the result of new technologies. As has been reported heavily in *Kellogg World* over the last several years, Kellogg graduates have founded a host of software companies, Internet-related businesses and technology consulting firms. Like Gordon and Stolze, however, lots of alumni entrepreneurs have entered less high-tech arenas, with impressive results.

The bottom line is, no matter when they graduated or what kind of ventures they are running, Kellogg entrepreneurs find that the school is poised to provide them with ongoing support, either through continuing education courses, its library of research or the advice and guidance of its faculty and students.

"Kellogg benefits existing students as well as alumni," stresses Steve Rogers, Kellogg's acclaimed entrepreneurship instructor and clinical professor of management and finance. "The education and support do not end once someone graduates."

THE SURVEY SAYS...

As part of his interest in providing support to alumni and fine-tuning his coursework, Rogers developed a survey to gather information about the many entrepreneurs within Kellogg's alumni ranks. The survey questionnaire, published twice last year in *Kellogg World*, asked alumni some basic questions: when they graduated and what their business experience entailed; the type and size of businesses they own or had owned; how they financed the ventures; and whether they took entrepreneurship courses while at Kellogg.

From the valid surveys that were returned, the Kellogg professor gleaned the following information:

- The majority of survey participants, 84 percent, graduated between 1971 and 1994. The survey supports other empirical data showing that most entrepreneurs gain some experience in the corporate world before starting their own businesses.
- Almost 70 percent of the respondents said their businesses were in the service sector, with 24 percent in manufacturing. Among the most popular service industries were consulting, investment banking and marketing.
- Eighty percent of the businesses were new start-ups, while 17 percent were acquired. Some 68 percent of the ventures were started within the last 10 years, while 23 percent of the businesses have been around for nearly two decades.
- Forty percent of the businesses earned less than $1 million in sales, while 33 percent logged between $1 million and $10 million in sales. Some 8 percent had sales of $10 million to $25 million and 15 percent reported sales of $25 million to $100 million. About 75 percent of the companies reported having one to 10 employees; 13 percent were operated solely by the founder.
- Financing for the businesses came from a variety of sources and combinations: 84 percent used personal savings, 36 percent took a bank loan, 14 percent attracted venture capital and 24 percent borrowed money from family and friends.

"We're not swashbuckling, go-for-it, gambler types. We just felt there was a niche in the kids' salon industry, [and] room for someone to do it bigger and better." —Jill Gordon '80

Rogers knows there are many more entrepreneurs within the Kellogg community who didn't answer the survey. But from this humble beginning, he hopes to build a database that will help the school keep track of its entrepreneurs and gauge the effectiveness of its eight-year-old entrepreneurship program. [To participate in Rogers' entrepreneurship survey, see page 32.]

"We can use this information as we go forward to see the correlation between the classes alumni took here and their entrepreneurial success," explains Rogers, who plans to build

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In 1998, John Servatius '95 (left) and Michael Borkowski '97 launched the Press This! franchise, which they believe is going to revolutionize the dry cleaning industry by "providing a quality product, quality customer service and quality convenience," Servatius says.

upon the database each year. "I want to use the information to develop case studies, and find out what works and what doesn't so we can better focus the coursework."

Above all, Rogers sees the survey as a way for Kellogg to keep in touch with its alumni, learning from their experiences while also offering assistance where needed.

"Both students and alumni can benefit from this type of relationship," Rogers says. "Alumni have access to our resources, including the students who can help them develop a business plan. And for the students, it offers great experience in creating a business plan and arranging financing. It is like a living laboratory."

FILLING A VOID

A recent example of this symbiotic relationship took place between Kellogg and the founders of Kid Snips.

Gordon, 42, had spent almost 20 years as an advertising account executive, full time at first, then part time following the birth of her two children. Stolze, 41, had worked the same amount of time as a retail executive. The two women, who have been friends since they were classmates at Kellogg, were eager to leave their respective corporate careers and establish a business of their own. All they needed was a good idea.

So the partners spent many afternoons discussing business possibilities over coffee at Stolze's Chicago apartment. They began examining the children's hair-styling industry, which they felt was ready for a new approach.

The partners set out to design a salon through the eyes of a child, where each styling station would be like a play area. Instead of chairs, customers would sit in kiddie trucks, boats, Jeeps, even a tiny Batmobile. Each station would have a television so children could watch the latest Teletubbies video or play Nintendo. Because the Kellogg alums wanted to extend their revenues beyond the money earned on haircuts, they would devote the remaining floor space in the salon to a dizzying display of toys, games and puzzles—all for sale, of course.

They had a concept, but Gordon and Stolze didn't cash in their life savings just yet. Remembering their Kellogg training, they went out and conducted research, including studying demographics, reading industry reports and business plans, and interviewing salon operators and suppliers.

Perhaps their most enterprising fieldwork, however, took place on playgrounds throughout Chicago and the suburbs. There, Gordon and Stolze shared their salon idea with the most important people—their potential customers.

"We must have gone to 10 playgrounds and talked with a couple hundred mothers," Gordon recalls. "We followed them asking questions while they were chasing toddlers all around the playground."

These interviews convinced the partners to move forward.

"Everyone in the industry hated the idea. They said we'd never make any money cutting kids' hair. But the mothers loved it. They were looking for a friendly environment where their kids could relax and be themselves," Stolze says. "We said, 'Here's a void: The industry hates it. Consumers love it. Let's fill it.'"

And even though they had no experience in the hair-styling industry, neither was intimidated because Kellogg had taught them that thorough research is the foundation of success, Gordon says.

"We knew that if we did our research and developed a good business plan, we could make it work," she adds. "We looked at every angle and tried to come up with every reason why it wouldn't work. But we never found the kiss of death."

As a final check, Gordon and Stolze attended an executive education course at Kellogg, where they listened to Rogers discuss the ins and outs of entrepreneurship. After class, they chatted with him about their idea, and he offered to have two of his full-time students—Danny Rosenberg '97 and Tim Kierstead '97—look over their business plan. The two students also helped Gordon and Stolze develop a financial plan and secure additional financing from South Shore bank in Chicago. (Leslie Davis, vice president of community lending for South Shore bank, is a frequent speaker in Rogers' class. To date, the bank has financed four Kellogg alumni ventures).

"It was wonderful to have other sets of intelligent eyes looking at your plan and asking tough questions," Gordon says. The students' help "was just another way for us to eliminate mistakes."

The first Kid Snips store opened in August 1997 in suburban Highland Park, followed a year later by a salon in Wilmette. Experienced managers were hired to run the shops, and licensed stylists to cut the hair. The partners try to spend as much time as they can on finances, marketing and planning, but they also can be seen working the cash register and taking appointments over the telephone.

Gordon and Stolze eventually would like to make Kid Snips a chain, opening some 20 units in the Chicago area before expanding into other states.

"Somebody's going to grab the niche and become the Starbucks of kids' hair," Gordon says. "We want it to be us."

"We did not wake up one day and say, 'Let's be dry cleaners.' We wanted to build a company and we looked for an industry where there was opportunity." —Michael Borkowski '97

A PRESSING OPPORTUNITY

Michael Borkowski '97 and John Servatius '95 used Starbucks, Blockbuster Video and Nordstrom's department stores for inspiration when they started their chain of Chicago-area dry cleaning stores called Press This!

Like the proprietors of Kid Snips, Borkowski and Servatius took a clinical approach to entrepreneurship, searching for the best opportunity rather than falling in love with one idea. Tea shops and women's athletic clothing stores were among the businesses under consideration before they settled on dry cleaning.

"We did not wake up one day and say, 'Let's be dry cleaners.' We wanted to build a company and we looked for an industry where there was opportunity," Borkowski says. "How many times does someone open a baseball card store to live out a dream, only to be bankrupt a year later?"

Unlike the Kid Snips founders, however, Borkowski and Servatius were thinking about opening their own businesses while at Kellogg, and the school's entrepreneurship curriculum provided the necessary foundation to help them turn their dream into reality.

In fact, Borkowski, 30, says it was during Rogers' Entrepreneurial Finance course that he was bitten by the entrepreneurial bug.

"Steve Rogers has been an invaluable resource for us," Borkowski says. "He inspired me to start my own business when I took his course. He has continued to help us through his personal advice and by having his students study our business plan and survey work."

Borkowski's Press This! partner also studied under Rogers as well as under Barry Merkin, clinical professor of entrepreneurship. Servatius, 36, says he particularly benefited from the lessons he learned in Merkin's Entrepreneurship and New Venture Formulation class, during which students prepare business plans for proposed start-ups and then have them reviewed by a panel of venture capitalists.

"When we sat down to write a business plan for Press This!, the things I learned in Barry's class were invaluable," Servatius says.

Press This! opened in March 1998 with a single dry cleaning store in suburban Morton Grove. A year later, the alums launched two more Press This! locations in Park Ridge and in the East Bank Club in Chicago. In its first year, the company recorded sales of $500,000.

Upon conducting their research, Borkowski and Servatius liked dry cleaning because it was a fragmented industry with very few regional chains. And among the 37,000 dry cleaning stores nationwide, they found that many were operated by longtime owners looking to sell out.

"The vast majority were moms and pops who wanted to retire, and their kids had no interest in taking over the business," Borkowski explains.

The pair also found inconsistent quality and customer service. "We felt that our chain could bring some consistency to dry cleaning by providing a quality product, quality customer service and quality convenience," Servatius adds.

To stand out from the competition, Press This! offers such features as uniform pricing, an unconditional money-back guarantee, full compensation for damaged garments and laundry bags called "dirty duffels," which customers use to drop off dirty clothes in a 24-hour chute. The Press This! stores are also distinguishable by their bright yellow and blue awnings and sparkling, contemporary interiors.

Like many Kellogg entrepreneurs, Borkowski and Servatius have Herculean plans for their business. Their goal is to open 500 stores in five years, with total sales of $130 million. They don't plan on achieving this by opening one dry cleaner at a time, but rather through aggressive acquisitions of single stores and regional chains.

"We had a vision. But without preparation, it wouldn't have been a success,"