How to Find Your People: Crash Course Entrepreneurship #9

Crash Course: Business - Entrepreneurship
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I don't know about you, but my first instinct is to try to do EVERYTHING myself.

Let's see, I'll edit my video Monday morning, then memorize lines while I write a new song… and I can't forget to screen print my latest t-shirt design. It takes me about 20 minutes a shirt, so I should be able to print 10 by tonight, but if I could print more I could sell more.

Which reminds me, I need to update my budget spreadsheet, that thing is a mess. I'll do that after I design the cover art for my new album. Oh!

I forgot lunch! I'll have lunch on Thursday… Maybe you should outsource some of this? Or even hire one of those AI assistants or something for a bit for some help?

Help? HELP?! I don't NEED help!!

That sounded so fun and efficient, didn't it? Entrepreneurs do have to wear a lot of hats, but we need to understand where we fall short and where other people or products could help get the job done. We can't be an expert in everything or have time to do everything.

But some people or some software can help! It's time to figure out where we could use some help and find our people. I'm Anna Akana and this is Crash Course Business: Entrepreneurship. [Theme Music Plays] Last episode we outlined all the key activities and resources we need to keep our competitive advantage -- the reasons why customers should choose us over the competition.

And now we'll dive into the people outside our company that help us do our key activities, also known as our key partners. These aren't employees, to be clear. When you're just starting out, employees are a human resource you might not have the money for.

So instead of hiring someone long-term and full-time, it might be wiser to contract with individual people or another small business to do specific activities for just a few hours a week. And some tasks are really specialized. Even if you have employees, it might not be worth it to keep someone on staff if you don't use their expertise often, so you might contract with someone for a specific project.

Here at Crash Course, we make fun educational content, but we can't keep experts in philosophy and mythology on staff at all times. So for each course we contract with an expert consultant and writer as key partners. They get to teach subjects they're passionate about, and we get to make sure our content is accurate.

Now in general, lowering costs is a great reason to forge a key partnership. If you have a growing business bottling your grandfather's famous ketchup recipe [the secret is apple cider vinegar, shh!], you might partner with a glass bottle company who will give you discounts if you place big orders. So you get a discount, and your bottle supplier gets a giant -- and hopefully repeat -- order.

This advantage is called economies of scale. As your production becomes more efficient and sales increase, your business will order more ingredients in bulk (like glass bottles, stoppers, tomatoes, spices, all that stuff), which lowers the cost per item you produce. Besides costs, working with key partners might reduce risk -- or exposing our business to factors that would lower profit or even cause failure.

As entrepreneurs, we're willing to take financial risks to start a business. But it would be silly to not use strategies to minimize risk. We want to keep our business open and profitable!

So we might consider a strategic partnership for any key activities we're unsure about. Say you're a food entrepreneur with a recipe blog where you've amassed a following. Your specialty is American southern-style food, and you're known for zesty hushpuppies.

Now, you've got your eye on creating a line of seasoning and breading mixes for grocery stores. You know a few bloggers who have made the leap from side-hustle to business owner, but creating a product is extremely risky. There's a lot of hoops to jump through -- from government health and safety requirements, to finding suppliers, to finding people to buy and sell your mixes in stores, to probably getting a loan.

You might want to consult with a blogger friend, or even partner with a company with experience in product launching. You'll get invaluable guidance, and your partners get an opportunity to launch a high-potential product that could bring all of you lots of revenue. In this case, more cooks in the kitchen is a good thing!

It's also pretty likely -- and pretty standard -- that entrepreneurs form key partnerships to get something they need, like knowledge, licenses, or certain customers. Even the mighty Starbucks went looking for help to sell their coffee and paraphernalia outside their coffee shops. Enter Nestlé, the largest food and beverage company in the world with factories, distribution channels, and connections literally everywhere.

When the deal was made in 2018, Starbucks was especially interested in leveraging Nestlé's vast and established influence in China to spread their brand. And Nestlé admitted they were late to the coffee game, so with this deal, they catch up and get a powerful brand-name product to sell. Both sides are hoping to caffeinate the world.

So the point of all this is: we don't have to go it alone. There are lots of good reasons to contract with key partners. And there are some basic types of partners we might consider working with.

The Laws of Physics unfortunately say we can't make something from nothing. So if we're trying to make a product, suppliers may help. They might get us raw materials -- the ingredients our product is made of, like the wool to make yarn, the lemons for lemonade, or the wood for furniture.

Or they might help with supplemental products -- basically the finishing touches our product requires. Maybe we need boxes for shipping or silverware for a restaurant. Customers don't really want to eat soup with their fingers.

Tacos -- completely different story. To find a supplier for what we need, we have to consider price and personality. Ideally, we want low cost, high quality materials, and someone who will cut us some deals!

It's important to maintain a good relationship once we find a key partner, but never stop researching. If I was paying a dollar a lemon but the market down the block sells lemons for 30 cents each, there'd be a sour taste in my mouth, and I'd need to switch suppliers. Now.

Or we might decide that product creation is where we need help. So we'd find a manufacturer -- someone with the equipment, expertise, and sometimes even developed supplier relationships to create products. When looking for the right manufacturer, we want someone who will adhere to our high standards and maybe even someone who will do small test batches to try out materials before going all-in.

Now a distributor can help us handle the process of getting a

product into the world. We might know to talk to Neil, our local grocer, if we want to sell in town. But maybe we eventually want to get into a big box store or even another country.

We love Neil, but he's probably not going to be super helpful anymore, and there are professionals that have wider reach as distributors. We might look for an expert consultant to guide us, or we might look for larger companies who already have vast distribution networks that want to acquire our business. Marketing and branding are so important yet so easy to do badly, no matter the business size.

So we might look for a key partner to get our design and messaging ideas out into the universe, develop our trademark symbols, logos, and even colors, and help cultivate customer relationships. We could hire someone full-time if we have the budget and enough work to keep them busy. But if we're just starting out, a local, trustworthy consultant who we meet at a networking group would be an excellent choice.

Also, I hate to tell you this, but you'll probably need an attorney or law firm. Legal services can help us make sure we're abiding by the law, and help us draft contracts, policies, patents, trademarks, investor deals, and more. If money is an object -- which it is for most startups -- we can check our local city government for low-income legal services, or even ask an attorney if they ever do pro-bono work.

It never hurts to ask! At some point we might want to hire legal counsel full-time, but unusual situations can still pop-up that require special experience. And fortunately, there's not a lot of cutthroat corporate espionage in entrepreneurship, as we learned in our video about competition.

So it's possible to find a complementary business to partner with for a special campaign or sales incentive that will add value to our customers. We might look for someone doing something completely different with the same set of customers, or a customer base we're looking to break into. So overall, to pick key partners, we need to ask 3 questions based on our key activities and resources.

One, what key activities are we good at? If we don't know how to do something or we're worried about doing it well, we may want to look for a partner to help. Two, who supplies our key resources?

If our business can't begin without stuff, whoever has that stuff is a key partner. And three, is the partnership sustainable and helpful to both parties? For a partnership to be healthy and long-lasting, it needs to be a win-win!

There are definitely lots of ways to fill your dance card, so let's practice choosing partnerships in the Thought Bubble. Paola lives in Ecuador and wants to bring Ecuador's flavorful cacao beans to the world through handmade chocolates. After selling at some of the local mercados, she's built up enough funds to think bigger.

As Pao plans her business, she comes up with key activities. There's growing or sourcing ingredients like cacao beans, making the chocolate in a commercial kitchen that follows health and safety standards, becoming Fair-Trade certified, packaging chocolates, selling products online, building brand awareness… the list goes on. She could try to do all of this alone.

But even though she might be an amazing chocolatier, buying all the equipment to grow cacao and produce chocolate is expensive. And the specialty, international agriculture industry has a lot of regulations. Not to mention, she's never been great at graphic design.

Going it alone probably means Pao's business would grow slowly and have a lot of hurdles to overcome, which increases her risk of failure. She could hire employees, but she doesn't want to make those long-term commitments right now. So she decides to focus her efforts on making chocolate, and look for partners for the rest.

She looks for suppliers for cacao beans and other raw ingredients. And she wants to sell across the Americas, starting with Ecuador, so she looks for distributors with channels there. She knows chocolate, but not the ins-and-outs of social media branding, so she looks for marketers, too.

And she looks for legal partners. To compete at the highest levels she'll need a Fair-Trade certification -- which isn't easy to get -- and there will be lots of contracts to negotiate as she builds her chocolate empire. It might take a village, but the rewards will be sweet!

Thanks, Thought Bubble! This hypothetical example needed at least four key partnerships, but there's not a golden number that all entrepreneurs should have. Every business is different.

The bottom line is: ask for help. "Can somebody help me with this?" By thinking strategically and partnering with experts, businesses can provide the most value for their customers and lower risk. Next time, we'll think even more about our customers and how to build relationships with them as our business grows. Thanks for watching Crash Course Business, which is sponsored by Google.

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