Shared value for entrepreneur and corporate

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I have the unique privilege of badging myself both a serial and a cereal entrepreneur.

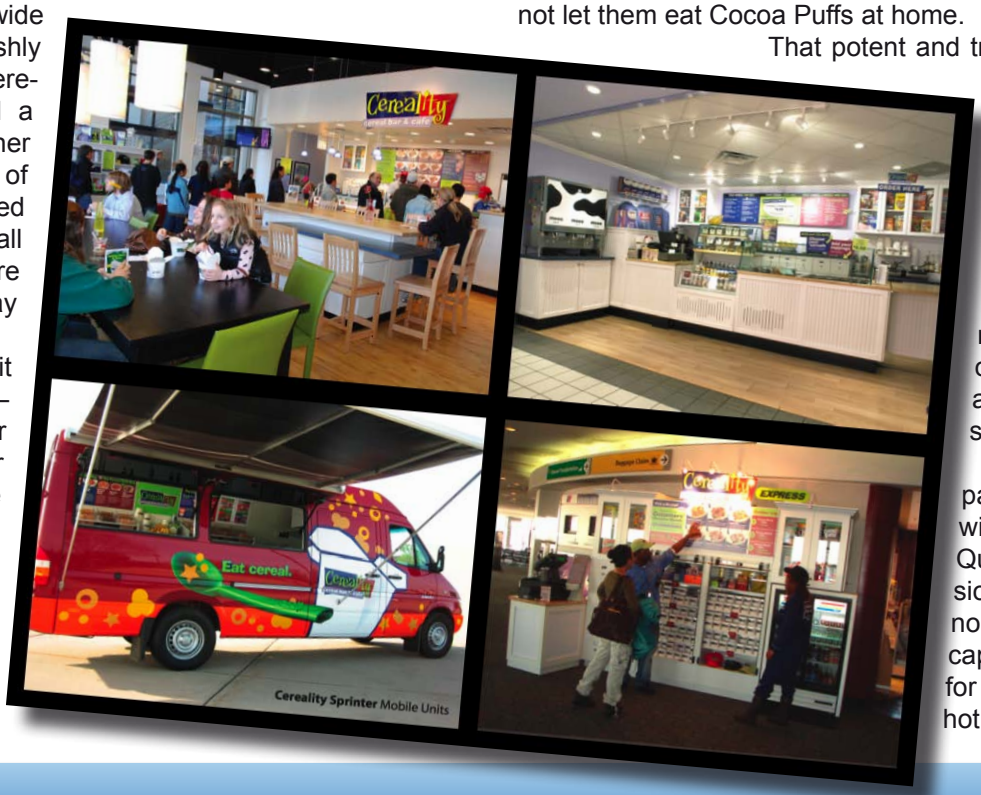
Aside from a few executive roles I have held in the corporate world, I have essentially spent most of my career as an entrepreneur and made one of my more public marks as the co-founder of the first all-cereal restaurant chain – Cereality Cereal Bar & Café. That venture was initially backed by PepsiCo's Quaker Foods division and is now owned and operated by the multi-brand franchisor Kahala Corp. I have had no involvement with the company since its acquisition in 2007.

I am drawn to creating or supporting new ventures, especially those marrying entrepreneurial alacrity with large-scale corporate assets. These are relationships where all parties can benefit in unexpected yet meaningful ways.

This is particularly the case when their underlying brand promises are aligned so that they bolster and sustain loyalty among their respective and, often, shared customers to provide incremental revenue. There are four principles to help this alignment.

- Define and own a unique value proposition at the outset.
- Execute that value proposition in a memorable way.
- Talk to the market repeatedly about the venture in order to secure new partners.
- Ensure that "idea stewards" on both sides of the relationship are visible and vigilant.

For example, Cereality was a start-up chain of cafes and kiosks that featured 40 types of familiar brand-name cereals, 40 types of toppings or mix-ins, up to seven types of milk, and a wide variety of freshly prepared hot cereals. It also had a number of other offerings, all of which included cereal and all of which were geared to all-day dining.



At the time it was acquired – four years after we opened our first unit – we had seven company-owned units in operation in various cities and settings, 26 franchise units under contract, and more than 8,000 franchise applications on file. Those were the tangible assets.

But the company's intangible assets were what helped it secure significant relationships with leading corporations, from a variety of industries, which in turn, generated significant brand value for all parties.

In Cereality's case, that value proposition was captured in the phrase "Where it's always Saturday morning". We realised early on that what we were really selling was the opportunity to have five minutes (or two hours for that matter) of that universally shared, yet unarticulated Saturday morning feeling of personal freedom and choice.

We offered it any time of day, any day of the week (complete with nostalgic cartoons on flat-screen monitors and pajama-clad servers called "cereologists"), and it was especially appealing to businessmen whose wives would not let them eat Cocoa Puffs at home.

That potent and trademarked promise was the key to myriad and powerful strategic corporate partnerships that involved an investment, a licensing arrangement or some other type of mutually beneficial deal structure.

The first of those partnerships was with PepsiCo's Quaker Foods division, which provided non-equity start-up capital in exchange for exclusivity on the hot cereal and cold ▶

beverage categories of our menu.

Equally valuable in that deal was the right I provided them, as the only cereal manufacturer, to gain access to our proprietary data on how our customers were enjoying their favourite meals. They got to learn which brands and toppings were most popular, what time of day they were being ordered, how much and which type of milk (or other liquids) were being poured into our iconic Chinese buckets of cereal.

It was back in 2002 when I struck that deal with Quaker, which provided them with far more than just standard product placement. Real-time, quantifiable consumer data was and still is king, and given my rights to feature their competitors' brands in other menu categories, they were able to glean a very robust baseline of data. Moreover, Quaker had confidence that I could generate enough interest in its brands – especially its oatmeal – through the unique experience I was determined to create.

Sensing just how breakthrough that experience was at the prototype unit we opened in 2003 on a college campus in Arizona, we kept everything under wraps for as long as we could in order to test and refine the concept, play with the menu, and fine-tune the branding.

Cereal thrillers: some of Quaker's products

Nearly eight months after we opened, we went to the wider public, with Y&R's Burson-Marsteller public relations division's first press release touting the headline: "95% of Americans like cereal. 57% like sex. We've got cereal."

That, and the subsequent steady stream of follow-on press releases they issued, landed us on the front page of the New York Times and in myriad magazine articles, television appearances and radio interviews throughout the US and abroad. All that media exposure generated sustained discussions about our brand, our proprietary value proposition, and our entrepreneurial sensibilities. It also produced hundreds of millions of media impressions for our corporate partners.

Those partnerships always involved an exchange of capital, in one form or another. They were never just cross-promotional. They ranged from retailer Old Navy – two years in a row – paying us to create more than a million customised and co-branded cereal bars for them to give away to customers in every store in North America on the biggest shopping day of the year, Black Friday, to automobile maker Dodge giving us two state-of-the-art Sprinter vans to outfit for a mobile version of our brand (again, along with customised and co-branded cereal bars) for them to drive around the country on a national zoo tour to showcase their fleet to families.

Additionally, as a result of some very unexpected marketing partnerships we were able to strike with companies like DreamWorks, we were often able to get free cereal from various manufacturers who wanted the visibility from those campaigns but often also wanted to debut (or test) their latest products, prior to broad-scale market introductions.

The last corporate deal I inked while serving as chief executive occurred only three years after we launched Cereality. A global consumer products group company not in the cereal category believed so strongly in consumers' buy-in to our "Saturday morning" value proposition that it entered into a multi-year, royalty-based licensing deal to use our brand name and our trademarked positioning for an innovative line of cereal-based snack foods that they would create, manufacture and distribute in all their channels.

In their business plan, they projected $80 million to $100 million in annualised revenues by the third year. Those are the types of metrics they needed to see from any major new product launch. Yet, in this scenario, the front-end cost to achieve those revenues was significantly minimised by their leveraging our muscle to build brand awareness and reinforce that key value proposition, on which everything was riding.

In the end, given the pace and types of non-traditional relationships today's corporate venturing executives are striking with entrepreneurs, the irony is not lost that a cereal concept provided the runway to test such out-of-the-box scenarios.

If nothing else, it proves that an intangible asset such as a bold, widely promoted and easily embraced value proposition can be a lynchpin for win-win relationships, with even the most everyday offering.

Ultimately, the tangible results still rest on the ability of the "idea stewards" to remain visible and vigilant at all stages of the venture's trajectory. ■