

## **Projects.**

*Summaries of business ideas currently in the hopper*

Pete Raho  
pete@gowanusfurniture.com  
718 GO-CANAL

v0.94 - 24 Oct 13

## Introduction

Since 2010, I've been working on a number of ideas for businesses that will allow me to realize my own ideas for consumer products, as well build additional businesses around that primary business.

This document is a quick and evolving summary of those ideas, showing the big picture, how the different streams are related, expected profit, and what's needed.

My goal is to own a number of businesses that are profitable, allow me to "make stuff" day to day, and support the artisan/maker community with the services they need. Ideally, if I can help them do well and establish my businesses as a hub of sorts, that will benefit everyone.

\*\*The thread running through all of these ideas is leveraging both horizontal and vertical differentiation to create new products. Cutting boards at a higher price point that are more than just cutting boards. A premium woodshop that helps the creators create and sell their wares, and has unique classes, it's more than just a woodshop, it's an engine that realizes ideas. Services for small-scale manufacturers that help them sell more than just their product - how can they increase margin and drive that wedge between price and cost. A job board of sorts that not only connects consumers to woodworkers, but to the best woodworkers who have a story to tell so that customers will gladly pay a premium price. All of these ideas are about making money by getting the consumer closer to the maker.

From 2002 to 2010 I worked at Christie's, the fine art auction house, in a variety of capacities, but always straddling the line between art and business. In 2010 I received my MBA from NYU Stern School of Business, and have been developing Gowanus Furniture full time since then, fully on my own with no outside investment, and now have a handful of employees who handle production, shipping, sales, and other jobs.

While in business school the plan was to do more on the business side of art, but I soon realized the art world was interesting, but not for me, and would much rather be making stuff. From there, learned that creating a design/manufacturing business with little relevant experience is much easier said than done, to be sure - it's been tough few years - but it's getting there.

At Stern, I specialized in Strategy, and that's still what I find most interesting. I like making the product, but the production isn't what excites me, it's developing a design that allows me to sell a product with much greater margin than my competitors. Differentiating both horizontally and vertically. Building a web of businesses around these ideas is what I really want to do. [PUT HOR/VERT BIT HERE?]

In five years, I hope to have all of these businesses operational, and profitable. By that point \$1MM in sales is reasonable, and it should be higher, and all of these companies do not have large labor requirements.... ADD MORE, change date.

## Gowanus Furniture Co. (Conceived 2010, Founded 2011)

- Focuses on products that are easy to produce with relatively inexpensive labor (or made locally by others, and sold by GFC), primarily a “gift business” (“If you want to give something made of wood and made in Brooklyn, we have you covered, one-stop shop...” and do very well at top holiday markets), but also occasional larger showpieces that build the brand.
- It’s not “serious” furniture - it’s “smart design for compact spaces” - we make simple but clever products that solve problems endemic to small apartment living (i.e. for folks who don’t have a lot of money), at a price point a few notches above IKEA (our avg online ticket is around \$175). This is a large market at this price point. The market for \$3,000 chairs is considerably smaller.
- Every single product has our stamped metal tag (unless made by another artisan - e.g. wooden bowls), and we rarely sell something we make without the tag.
- Biggest sources of revenue are custom cutting boards, often given as wedding/housewarming gifts, and small products sold at holiday markets. Also sell through a small number of select wholesale accounts, and make custom products for restaurants that can afford it (so long as our tag is on it - the brand makes money, not our manufacturing prowess). The goal is to sell directly to the consumer (online - need to focus more on AdWords & conversion rates, outdoor markets), and keep margins 65-75%.
- The business also exists to tap into the Brooklyn woodworker community and sell their goods (esp. small gift-y items - e.g. bowls, spoons, picture frames, etc) - one stop shop for locally made wooden goods, and push custom work their way. (“Know anyone who can make me a table?” “Do we ever!”) GFC doesn’t get a cut on custom referrals, but this further cements its position as a hub, and gives credibility to the the company as part of the maker community.

### **PER Role - President and Creative Director**

The production can run on its own. I want to be the face of the company, and keep my role to product development, marketing, and strategy. I don’t want to run a factory, but want to develop products. This is my day to day and why this exists - playing with new ideas and being the face of this business.

### **Expectations:**

Next step is with our own space, two workers working production full time, with some part time administrative help. Each worker can produce about \$250K of product/year if full time, gross margin 65-75% retail. AdWords is tuned so we have a steady supply of orders custom boards, and unload most of the small board production at holiday markets. Wholesale / Fab.com takes care of the rest. Perhaps increase capacity, but I’m happy keeping it small and manageable until the time is right. Maybe up to four full time production workers, but I don’t think I want to run a factory, but \$1MM in sales is reasonable at that size.

### **Requirements:**

It’s established, cash flow positive, and consumers know and love the brand. Now it’s a matter of scaling up. With about \$50K could invest in production and marketing, and clear off some credit card debt and finance holiday production much more effectively, allowing us to sell at the largest holiday markets.

## Gowanus Consulting Co. (Conceived in part 2010, Founded 2013)

- Focuses on services for small-scale manufacturers and outdoor-market vendors.
- Professional services include Excel instruction “for creatives”, bookkeeping services, social media expertise, and setting up online stores / credit card processing.
- For outdoor vendors, it sells equipment like tables, tents, and bins (“We’ll be there anyway, we’ll drop it off for you...”). It also provides qualified, reliable, temporary vendors when needed (big demand!) for sellers at markets.
- Some parts are more profitable than others, but as a whole, these functions cement the position of the company as a hub, and it can scale (e.g. GCC can always add another bookkeeper).
- Most revenue initially comes from classes like Excel for the Excel-phobic, as well as a TED-ish roundtable type talks discussing the tribulations we’ve all gone through starting a business ourselves, with a small fee. \$500-750 profit per class, depending on the space, less for talks.
- As it grows, more revenue will come from subscription-based membership and a-la-carte services (see [www.faretradenyc.com](http://www.faretradenyc.com) - not modeled after that, shown to me after I conceived this - great minds...).
- Target market is “makers” (less so small-batch foods) where they do most of their own production, want to scale, but not really sure how. Fellow woodworkers are another good market, as they are often in the same position (e.g. could use shared bookkeeping and social media services), as well as help with sales and marketing.
- Help drive business to others “in the network” and make that connection (e.g. “Talk to our friend the graphic designer...”), and could eventually also provide staffing services for all sorts of maker-jobs too (“Need someone to cut the leather for your handbags? We know a bunch of folks...”). Creating strategic partnerships is essential for the business to become a force in the maker community, and a profitable “job board” could spring from that.
- This company serves Gowanus Furniture, and they are very closely related. Gowanus Furniture gets what it needs, and then the excess capacity is sold to other makers.
- Eventually could use relationships with makers to identify those with the best businesses, and can help by providing capital for holiday production (assuming no regulatory issues), and profit from that lending as well.

### **PER Role - President**

Someone else can keep track of what worker needs to go where and bookkeeping, but I want to teach the Excel classes, for a time, and spread the good word.

### **Expectations:**

At least one bookkeeper, social media person, etc. In the beginning, < \$50K profit, but that can grow, still keeping it small, unless really able to make it more than a small, regional company. More a way to stay plugged in to what’s happening, meet people, be a hub, not much capital tied up, pays for itself.

### **Requirements:**

For inventory and marketing, looking for about \$10K, but it can be run on a shoestring.

## ShopSpace (Conceived 2013)

- Shared woodshop / office space, roughly 2,000sq ft, located near Gowanus / Sunset Park, serving professionals and hobbyists, with pros access during the workday, hobbyists evenings and weekends.
- Serves as office and production space for Gowanus Furniture Co. and Gowanus Consulting.
- Differentiates itself by offering greater amenities and services for hobbyists, with a higher price point (~\$400/month for ~ 15 hobbyists, \$650/month for ~5 pros), catering to the more affluent community who just want to come in and get to work (“We’ll source the materials for you, don’t worry about it!” “Beer in the fridge!”). The price point keeps the membership low, making management easier.
- Clubby and collegial. Events and socializing, also a channel through which members can display / sell what they make via the website and gallery/office space (possible source of revenue, too). Use the space to sell your stuff.
- It’s a pro shop, but not top-of-the-line, but still very good. It’s not geared toward top-tier fine furniture with everything for everyone. It’s initial purpose is to serve the production needs of Gowanus Furniture Co.
- Revenue generated through monthly Pro and Hobbyist fees, as well as classes (cutting board class, DIY tube amp, furniture making, GCC Excel classes, etc.), and CNC/laser cutter jobs.
- CNC and laser cutters are available to Pro and Hobbyist members (within reason - can’t get a membership just to use the laser cutter every day), and the membership price reflects that.
- Not looking at a 3D printer - tech moving too fast and makes more sense to outsource, but for a fee can help you conceive the idea and prep the files to submit - one stop shop.
- Goal is to run CNC/laser around the clock doing fabrication jobs (found via marketing and sites like made2spec.com).
- Cost about \$200K to start depending on CNC/laser (less if omitted), \$150-250K annual revenue (not quite sure re CNC/laser, may be higher depending on the jobs, as well as classes), \$10-\$15K month expenses (\$120-180K yearly). 1.5 - 2 full-time employees to run it - tool maintenance, member services, running the fabrication machines.

### **PER Role - Owner**

This exists to give me a base of operations that pays for itself and throws off cash (as well as further establishes the brand in the maker community).

### **Expectations:**

Revenue is limited by the size of the shop, but if the model works, a la TechShop, could open up more of these “premium” shops, or find a larger space in the neighborhood (or other cities). This too serves the needs of Gowanus Furniture Co., and while it can be profitable, will likely stay small (one location, even if grows, < 5,000 sq ft). It’s not New 3rd Ward.

### **Requirements:**

Assuming the space wouldn’t need too much modification, this can be realized with about \$200K.

## WoodBook (Conceived 2012)

- Great woodworkers would often rather make the stuff than deal with sales/marketing/running a business, and in that there's an opportunity.
- Gowanus Furniture Co. has the marketing prowess and has established the connections to bring in customers looking for custom work and connect them with woodworkers.
- Woodworking is different from other trades. There's a familiarity. It's a guy on TV with a white beard, and the barriers to entry are low. Lots of folks out there at all skill levels, so lots of options for consumers if need something. There's also a large market for these services, but no way to find / sort through suppliers and separate the amateurs from the pros. (Anecdotally, was talking the truck driver from the lumber yard, and he proved my point - said unprompted that he delivers to all sorts of crazy places. Woodshops where you'd never guess - backyards, garages, etc - and they're doing good business. The woodworkers are there.)
- Woodworkers need tools to allow them to get jobs, but not something giving the customer the upper hand so they can beat them down on price (c.f. CustomMade.com).
- It would be a combination of Facebook/LinkedIn/Craigslist for woodworkers.
- Like Craigslist, customers pay to post ads. They detail the job and budget, and then woodworkers get back to them within a specified timeframe, and customers can then view profiles (perhaps some refund if no/few replies?) Buyers should receive multiple offers.
- Like LinkedIn, customers can see the woodworkers' credentials, and woodworkers' subscriptions get them connected to other woodworkers nearby (like Facebook) - who can help with something, who has a big tool they need, or labor. ("Crap, I need a big drum sander, who around me has one?" "I need some help this Fri with a large desk...") In that way, needs to be rolled out regionally, strategically, and bringing together nearby users who often work alone.
- It fills a specific niche - it's not everything for everyone - it's just for woodworking jobs, with Yelp-like reviews, and the key is very local - can do it online, but goal is to meet in person.
- Revenue comes from consumers placing ads, subscription fees from woodworkers, and eventually advertising partnerships. (There's value in in the network effects that come from being connected to every serious woodworker. Gmail of woodworking.)
- NOTE THAT I would pay \$50/yr just to see who owns what / source tools / help for me or for clients - e.g. drum sander for me, engraver for highland park, or esp!! for ShopSpace when we have our laser cutter and CNC - a way to find jobs in the trade...

### **PER Role - Owner**

Others can run this better than I can, but it's a killer idea.

### **Expectations:**

Sky's the limit. Roll it out across the country. Big. Scale it up and make a ton of money, but under the radar. Old-skool Rust-Belt manufacturing is gone for good, but this small scale stuff will always be around. The market will always be there. Someone needs to serve it, but with a high-touch personal feel. (C.f. made2spec.com - for small fabrication businessessers - not about community / people)

**Requirements:**

Most of the tech can be off the shelf, I think. No need to reinvent the wheel. Marketing/sales is the hard part. Launch wrong and it fizzles, you're out of luck. This has been done before and there's a right way.

GFC STORE!

Wood based gifts, custom cutting boards, all over different areas, synergies with woodbook. talk to by brooklyn, stealing their model, sort of, but nichey. local showrooms, comprehensive online store of all the unique items, all the makers in one place. This grows very easily out of the GFC site. or is the GFC site? But if the GFC Store makes money, easy to leverage woodbook to open up stores in other woodworker-phillic areas. Elevate the craft. Enough old men with beards. Have it sold by knowledgeable and cool art school kids. I don't know retail. No experience. How does this work? How much do I need to sell? And regional variations make it tricky. \$350 bowl in BK works, maybe not in Paducah. is there a way to fix that? reconcile the online component?

## Long-ish Term - 2018

There are symbiotic relationships between these ventures, and all build off of one another.

All of these are up and running, and I spend my time working with other makers and making new products, playing with ideas and working on interesting collaborations. These businesses are all pretty self-sufficient, but I spend the most time with Gowanus Furniture, because it's fun.

Want a handmade wooden gift from Brooklyn, like a really sweet bowl turned from Brooklyn wood? Head to Gowanus Furniture. We got you covered. From there, we open the retail location, and at that point find someone who knows retail to launch and run that. Maybe the gift business really takes off... More stores showcasing more locally made work.

As far as profit, \$500K from GFC with 4 workers running production and most product sold at retail prices, \$75K from GCC with two full time workers and some admin support, \$80K from ShopSpace, and not that sure about WoodBook, but with 20 ads / day, and 50 woodworkers, \$100K in revenue, it may just break even, but it is easy to scale. Eventually, WoodBook could become the top earner - just a matter of how it grows.