



Photos by Kristen Angelo photography



Entrepreneurship in the Weeds

When the state of Washington legalized recreational marijuana in 2012, there was a lot of debate and controversy. Though it remains illegal at the federal level, Initiative 502 sparked the interest of so-called “cannapreneurs” to start manufacturing, distribution and retail operations. As the cannabis-law landscape continues to evolve in the U.S., several EO members are leveraging their knowledge to make a mark in the industry. One of them is EO Seattle’s **Kevin Sullivan**, who in this interview shares the challenges, stigmas and market potential of cannabis.

HOW DID YOU GET INVOLVED WITH THE CANNABIS INDUSTRY?

KS/ “When Washington legalized recreational marijuana, my sister, who is now my business partner, had an energy-conservation firm selling energy-efficient LED lamps. One of her LED manufacturers sold lamps used for indoor agriculture originally designed by NASA for growing lettuce on the space station, and they suggested selling them to the cannabis industry for marijuana horticulture. At first, my sister wasn’t interested because she disagreed with legalization. But then we analyzed the numbers: The lamps sell for nearly US\$2,000 each, and an average grower uses more than 1,000 lamps. The total market potential was huge! We incorporated within a week, and I began my new career in plant biology and light engineering with absolutely no prior experience in either.”

HOW DO LED LAMPS IMPACT THIS BURGEONING SECTOR?

KS/ “For starters, they reduce growers’ costs without sacrificing quality or yield. Also, the energy consumed by marijuana growers using traditional high-intensity sodium lamps is enormous. Sodium lamps get extremely hot and require up to four times the electricity for air conditioning versus low-temperature LED lamps. According to a *New York Times* article, ‘When air-conditioning and ventilation are included, the energy used to grow a single marijuana plant would run seven refrigerators for the same period.’”

“While LED lamps represent a bigger up-front investment—nearly US\$2,000 each, as opposed to US\$350 for sodium lamps—lower electricity usage saves growers money in the long run. LED lamps also help lower demand on the electricity grid, which has struggled to keep up with the industry’s meteoric energy demands. My partner’s experience in the energy-conservation industry allowed us to get a fast start working with power companies to offer energy-efficiency upgrade grants for our grow lamps.”

WHAT WOULD PEOPLE BE SURPRISED TO LEARN ABOUT THE CANNABIS INDUSTRY?

KS/ “I would say the high level of sophistication in the top 20% of marijuana-growing companies. These are not ‘stoners’ growing pot in their garage. These entrepreneurs are focused on the science of plant health and the business of manufacturing. They’re well-financed, well-organized and well-managed, and

they experience all of the same issues every entrepreneur does. Sitting and talking with an owner is no different than talking with any EOer about the daily joys and struggles of entrepreneurship.”

ARE THERE ANY INTERESTING “SIDE EFFECTS” IN THIS GROWING MARKET?

KS/ “There is a certain stigma associated with being involved, even tangentially, with the marijuana industry. Out of EO Seattle’s more than 150 members, only four have businesses associated with the industry. Yet, the state of Washington will tax more than US\$1 billion of marijuana sales in 2016. One reason more entrepreneurs aren’t entering the market is overcoming the stigma with family, friends and the business community. It took over a year for the people close to me to believe that our startup was a serious business with real ambitions. Six of us from EO Seattle and EO Portland formed the Northwest Cannabis Forum, where we discuss the unique challenges of operating in this industry. We meet regularly to support each other and share solutions; it’s been incredibly helpful.”

WHAT CHALLENGES HAVE YOU FACED WHILE BUILDING YOUR BUSINESS?

KS/ “At first, our LED lamp technology was not accepted by the marijuana-cultivation industry, primarily because they had poor results with LED lamps from China that weren’t optimized for growing. We taught ourselves plant biology and the science of light. We conducted extensive testing on

various light spectrums with growers, which provided reliable scientific outcomes. We also partnered with local utilities to accept our lamps as energy-efficient alternatives to traditional grow lamps. We write grants, which result in the end-user customer paying a fraction of the retail cost for the lamps, all while saving 50% or more on their energy bill. Upon founding the company, we had little experience in these areas, but as scientific tests proved the technology worked, our confidence grew.”

IN YOUR OPINION, WHERE IS THE INDUSTRY HEADED IN THE NEXT FEW YEARS?

KS/ “Twenty-nine states and the District of Columbia currently have laws legalizing marijuana in some form. California by itself has the sixth-largest GDP in the world. The ArcView Group, which does industry research, estimates legalized marijuana will account for US\$11 billion in the U.S. alone by 2019. The industry is still very young, and because it’s not legal at the federal level, there are clear risks associated. Prospective entrepreneurs will want to be careful about their choices and whether they want to concentrate just on this market. Fortune 50 firms won’t have much interest in the industry until the federal government fully adopts a legalized approach to cannabis.

“With legalization, multiple industry segments will move into cannabis farming and distribution. We anticipate major players entering the space— from big AG like Monsanto, to big tobacco like Phillip Morris, or even big pharma like Merck and Pfizer. When that happens, we expect industry mergers and consolidation to drive up the sales value of well-positioned firms in the industry. In our case, we might find interest from General Electric or Philips, companies with large footprints in the lighting industry. So, while we focus on making money today, we’re also positioning the business for a strategic sale down the road.”

Kevin Sullivan (pictured) is an EO Seattle member and CEO of Forever Green Indoors, Inc. Contact Kevin at Kevin.Sullivan@forevergreenindoors.com.

Challenges of the Cannabis Industry

Jeff Anderson

Co-Founder of The Evergreen Market

Life has a funny way of surprising us, doesn’t it? Here’s something I never saw coming: I met my cannabis-industry business partner at my daughter’s Girl Scout troop meeting! Eric Gaston, an EO Seattle member, was an attorney dissatisfied in his profession. When Washington’s Initiative 502 passed, he asked me and our other partner, Arne Nelson, to consider exploring the marijuana business.

After months of due diligence, we decided our biggest opportunity was in the retail space. We were lucky enough to secure two retail licenses through a state lottery process. It has certainly been an interesting journey so far. Here are some of the biggest hurdles we’ve faced entering this burgeoning industry together:

- **Initial funding.** We couldn’t take outside money due to the federal precedence, so my wife and I cashed in our retirement to fund the venture.
- **Banking.** Most financial institutions won’t bank with retail marijuana stores. We were one of the first to secure a banking relationship, business debit cards, and armored car pickup to mitigate financial and security risks.
- **Locations.** Finding viable retail locations that met restrictive buffer-zone requirements was difficult. Vacant space and willing landlords were few and far between.
- **Branding/build-out/partnership.** We hired a branding company to help us create our vision, mission and brand. This was paramount for our business, as not only was our concept new, but our partnership was, as well.
- **Lack of industry-insider knowledge.** As founders, we have unique skill sets. Knowing the product and culture was not one of them. We aligned ourselves with experts to fill our blind spot— one of our best moves.
- **Communication issues.** We are open late, seven days a week. This causes communication challenges as regular employee meetings and team-building exercises are hard to schedule.
- **Millennial employees.** Each store has approximately 25 employees, mostly millennials. While they are enthusiastic and fun to work with, challenges persist; scheduling demands, calling in “sick” at the last minute and entitlement issues are difficult for managers to deal with.
- **Having “the talk.”** Telling people what I do—including even my family at first—is an eye-opening experience. The most difficult thing has been the reaction of my children’s friends and their families. Not everyone is on the recreational cannabis bandwagon, and it definitely throws a wrench in my kids’ lives.

We currently own two retail stores and have several scheduled to open in 2017. I owe a huge amount of credit to EO for my success. In my 10 years as a member, I’ve gained invaluable knowledge and insight through my Forum and the Entrepreneurial Master’s Program. We wouldn’t be here today without EO!

Jeff Anderson is EO Seattle’s incoming Learning Chair and a co-founder of The Evergreen Market, an award-winning cannabis retail business with the mantra: “Educate. Elevate. Celebrate.” Contact Jeff at jeff@theevergreenmarket.com.