

'Startup studio' helps entrepreneurs find a path to profitability

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Mike Jones hunts for small companies with "fantastically large" ambitions.

Jones is chief executive and co-founder of Science Inc., a mash-up of venture capitalism, angel investing and business incubation.

He calls his firm, founded in 2011 and based in this city outside Los Angeles, a "startup studio" that distinguishes itself by investing more than money in young companies. Science Inc. fields fleets of experts in every aspect of operations - fundraising, marketing, app development, advertising, accounting - to hand-hold promising endeavors to profitability.

"Our perspective was if we could build an incredibly supportive core team, we should be able to build strong, breakout companies," Jones said.

The most successful startup so far: Dollar Shave Club, an online retailer of men's grooming products that received \$100,000 from Science in 2012, had \$65 million in sales in 2014. Others include DogVacay - a dog-sitting app that's processed millions of overnight stays in three years - and FameBit, a social media marketing company that works with more than 3,000 advertisers.

Science also supports entrepreneurs selling underwear and candles online, and businesses peddling smartphone-controlled locks and

horoscopes delivered daily through mobile video.

At a time when startup studios are multiplying, Science's early record hints at the potential for the model if all goes well.

Jones contends Science does better than the average venture capitalist at failure rates, with 25 of the 37 companies it has been involved in still doing well. Nearly all generate revenue, to the tune of \$150 million last year, and many, he said, are profitable. There's validation from scores of other investors, who've contributed a sum of \$300 million to the bank accounts of nine startups Science has groomed.

"The companies they've created have turbocharged the entire startup scene in Los Angeles," said George Kliavkoff, who invested in Science for media giant Hearst Corp.'s venture arm. They feel "like multi-decade, profit-making companies," not "features or one-hit wonders."

Hearst Ventures invested half of the roughly \$60 million Science has raised to back ideas. Hearst wanted to learn more about selling products online. Venture firms Rustic Canyon Partners, CrossCut Ventures and Wavemaker Partners have also cut checks. Silver Lake Waterman provided \$20 million in financing in February.

Unlike other startup incubators, Science focuses on businesses that can use their revenue to expand, rather than endeavors dependent on fresh injections of venture capital to survive. Science quickly gives up on ideas that falter, but deploys its all-star lineup of advisors to perfect the rest.

The coaching addresses several challenges, including writing marketing emails and pitching to investors. In-house legal and accounting services mean entrepreneurs don't have to do as much hiring. The disciplined approach aims to improve upon the more haphazard style of some less

successful incubators.

"Studios like ours - if they dedicate the amount of talent we have, and have immense capital - can build great businesses," Jones said.

Eleven companies and 120 workers reside inside Science's headquarters.

Nancy Lyczkowski, a 58-year-old who had mostly worked in the fashion industry, is among them. Until recently working at a casino spa, she now runs Prize Candle.

The idea for the company came to her at work, surrounded by candles: What if the wax melted to reveal buried treasure?

A friend pointed her to Science for help with online retailing, and she met with Jones in September 2012.

"Women love candles, and everybody loves to win," Lyczkowski told Jones. "Why can't I have a sweepstakes in a candle?"

She had the savvy to recognize a gigantic global market: Gambling is a \$340 billion-a-year industry, and candles and jewelry combine for more than \$20 billion. But she needed money, people and expertise, which Science could provide.

"Everything was here," Lyczkowski said. "There isn't a weak link in the building."

Most of the candles, which she sells for \$25 to \$30, have an inexpensive ring packed inside. But some candles lead to a ring worth about \$5,000. With Science advising her on name, packaging and advertising, among other issues, she has sold more than 600,000 Prize Candles in two years, and sales are rising on average 25 percent month after month.

Science's brain trust brings insights from long careers and continuing relationships in online shopping, entertainment and the Silicon Valley. Jones brought over several executives from Myspace, where he pored futile business efforts as CEO from 2009 to 2011 to stabilize the company enough for News Corp. to sell it.

After leaving Myspace, Jones partnered with entrepreneur Peter Pham to start Science. Years earlier, Pham had suggested to Jones that they open a beach-side version of Idealab, a nearly 20-year-old LA-area incubator. But it wasn't until they ran into each other at a conference in 2011 that they both wanted new jobs.

Rustic Canyon Partners managing partner Nate Redmond wrote one of the first checks because he figured that Science would attract smart people that don't have the contacts in tech to start thriving projects alone. It has worked out.

For instance, a conversation with Jones led Kyle Hill to form HomeHero, a search engine for finding in-home care for the elderly. Last month, HomeHero received \$20 million from investors.

"Within two days of meeting him, we had visited seven home-care agencies and put together an entire market analysis," Hill said. "We moved fast, and so did they."

Jones' measuring stick is the combined value of Science companies, a portfolio that includes the two dozen companies, 16 apps and the proceeds from selling an advertising technology startup in May. He won't disclose the figure but notes that investors "think it's great."

Some companies will stay fully owned by Science, others will be sold and the rest will retain Science as just one of many investors.

There are other opportunities too. A team within Science developing ways to maximize usage and revenue from smartphone apps, including internal creations, has taken on paying outside clients. The mobile group could make "everything else we've done look tiny," Jones said.

He and Pham see no end to Science's help.

"There's a sense of I can't ever imagine letting go," Pham said, before explaining that he'd spoken by phone that May morning to help DogVacay with recruiting and Dollar Shave Club with fundraising. A month later, DogVacay introduced a chief operating officer and Dollar Shave Club announced \$75 million in new funding.

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