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## ENTREPRENEUR ENDEAVORS

Terri Somers  
Evaluating the potential your business has as a franchise

Less than three years ago, Felena Hanson, a veteran marketing pro, opened Hera Hub, a co-working space in Sorrento Mesa that caters to female entrepreneurs. A year later, she opened a second Hera Hub location in Mission Valley. Last year she opened a third location in Carlsbad.

Hera Hub is just one of several co-working spaces that have sprouted up around the county in the past several years, catering to the 30 percent of U.S. knowledge-based workers who are independent, meaning either freelancers, consultants or entrepreneurs. And the number of independent workers is expected to continue growing to 60 percent by 2020, according to a study by MBO Partners.

Hera Hub stands out from the pack because of its target market and its growth strategy. It is the only local co-working space that caters specifically to the female entrepreneur.

### Place for serious business

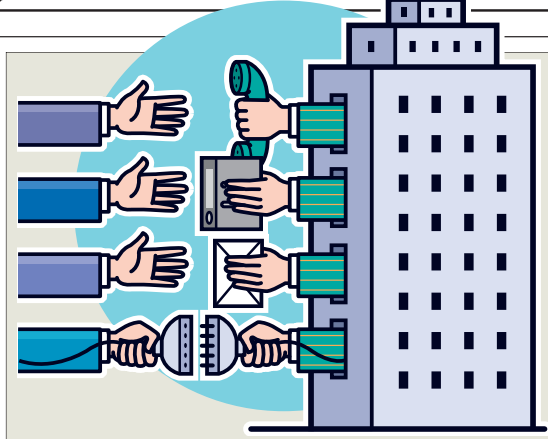
Don't let the scented candles, running water features, and refrigerators stocked with cucumber-lemon water deceive you. There is serious business going down in Hera Hub. Law firms, retail businesses, patient advocacy groups, accountants and financial consultants, biotech and public relations firms (including my own) are just a sampling of the businesses that have joined one of Hera Hub's three San Diego County locations.

Hanson has successfully identified a community in need of a specific service and figured out how to provide that: An affordable work environment and a supportive community for female small-business owners who otherwise would be working from home to control overhead. And her "big, fat, hairy, audacious goal," she said, is to open up an additional 200 locations nationwide in the next five years, to support another 20,000 women.

"I started to see amazing stories of connections and community within our membership, and what a difference having a physical space to work had on our members," Hanson said. "I began to want to share this platform with other people."

"To grow the way I wanted to grow, to keep the brand integrity and experience for members consistent, whether it is in Washington, D.C., or Dallas or San Francisco - or the level of service, the cleanliness, the environment - to be our brand it has to be beautiful, productive, clean and a welcoming environment. If I don't have that, it will tarnish the brand."

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THINKSTOCK

## OUTSOURCING

# OUTSIDE HELP

Outsourcing can help businesses minimize costs, take advantage of expertise

### DANIEL BROWNSTEIN SPECIAL TO U-T SAN DIEGO

On her way back into San Diego, in a car loaded down with high-end sunglasses, Jenny Amaraneni reflected on a three-year process of bringing her product to market that included some hard lessons about outsourcing.

"It's been quite a roller-coaster ride," said the 29-year-old CEO of SOLO Eyewear, a company that designs and sells sunglasses made with re-purposed bamboo flooring scraps. She founded the company after grad school with a \$1,000 loan from her younger brother. "I knew absolutely nothing about manufacturing, so I did what I assume most everyone does: I Googled it. That's where my journey began."

Unable to find an American manufacturer, she ventured into the world market, sourcing products from Southeast Asia via Alibaba, an online portal to Chinese factories.

Since launching in 2011, Amaraneni is on her third sunglasses supplier. "They looked great, but when people started wearing them, they were falling apart," Amaraneni said. "They wouldn't withstand the normal wear and tear, which was

unacceptable."

So she went back to the drawing board, embarking on a fact-finding mission to perfect the design and find a reputable company to outsource to. She met with industry experts, including plastics engi-

"For most resource-constrained companies, outsourcing manufacturing and not having to invest in infrastructure is what enables the business model."

Alex DeNoble • Professor and executive director, SDSU's Levin Entrepreneurship Center

neers and eyewear designers.

The result is a one-of-a-kind product worthy of its price tag, she said.

"That was huge," Amaraneni said. "To talk to experts and let them guide my process."

### Case for outsourcing

There are several reasons a small business might consider outsourcing. Chief among them are minimizing fixed costs as well as utilizing the expertise that specialized firms bring to the table.

To improve the bottom line, businesses often use outsourcing to make fixed costs variable. Fixed costs are those that will occur regardless of sales volume. For instance, the costs associated with an office, equipment, full-time employees and administrative functions are often relatively fixed. They form the foundation of the company's cost structure. On top of that foundation is the variable cost of a good or service that increases in concert with sales volume.

Had Amaraneni not outsourced the manufacturing of her sunglasses, she would have had to build a production facility (a fixed cost). Instead, she pays by the unit (a variable cost) to use an existing factory that presumably manufactures for many other companies throughout the world. Thus, the plant's overhead costs are spread among many users.

"For most resource-constrained businesses, outsourcing is a key strategy to reduce fixed costs and increase flexibility." SEE OUTSOURCE • C5

## CUSTOMER SERVICE

# Round-the-clock access has become a must for businesses

Call centers, email options increase costs, but can also up sales

### ERINN HUTKIN SPECIAL TO U-T SAN DIEGO

At a time when technology has opened the door to instant gratification, it has become more essential than ever for B2B companies to provide 24/7 access to their services.

For many B2Bs, this access can take the form of around-the-clock, agent-assisted call centers. For some industries - namely financial sectors, emergency services, tech support and travel - offering a call center is considered

essential. But for those in other industries and for smaller companies that may not have the wherewithal to have a 24-hour call center, there are other options. The key, experts say, is that in today's ever-changing world, some form of access should be available at all times of day or night.

"I can think of very few examples of when you shouldn't have something 24/7," said Brad Cleveland, founding partner of International Customer Management Institute, a featured company at the Contact Center Expo & Conference held in May at the San Diego Convention Center. "We've come so far in the last five years ...



Customers now expect 24/7 contact. THINKSTOCK

The phone is the last thing you check at night and the first thing you check in the morning. Those are the times we live in."

In some cases, he said extended hours, a self-

service call center and a website that makes business hours known - and explains what clients can do on their own outside business hours - may be enough.

The key, he said, is to ask yourself, "What are your customers asking for?" he said. "It can give you clues on what you might need and the importance of being there."

Christopher Youngen, CEO of Digital MKTG, a San Diego-based digital marketing company, said smaller companies have some cost-effective options, such as live chat services, often referred to as "telephony," with software that translates sound into electrical signals, transmitting them and then converting them back to sound. It's basically a software-controlled answering service.

Another option for troubleshooting 24/7 is self-service. SEE ACCESS • C5

## Q&A

### PARTNERING PATENTS, SCIENCE

SD•B2B connects with Karen Dow, a partner at Sughrue Mion PLLC, where she specializes in life sciences patent counseling and prosecution and patent-related agreements.



KAREN DOW  
PARTNER  
SUGHRUE  
MION PLLC

As a partner at Sughrue Mion PLLC in San Diego, Karen Dow is a tough, no-nonsense biotech and chemical patent attorney.

But in her spare time, she enjoys attending a wide variety of musical and artistic events, and loves to shop.

As a partner in the law firm, she specializes in life sciences patent counseling and prosecution and patent-related agreements. Prior to joining Sughrue Mion, she was a partner at Townsend and Townsend and Crew LLP.

In November 2013, she was selected as a winner of the Women Who Mean Business Awards by the San Diego Business Journal. Dow was included in Patent Buddy's 2011 Top Patent Prosecutors Survey and was selected as one of the Top 10 Intellectual Property Lawyers by the San Diego Daily Transcript 2005-07. She has been nominated for the Athena Pinnacle Award, Individual in Technology, in 2004 and 2006. And she was recognized as one of the 2012 Top Attorneys "Transcript 10" in San Diego County and San Diego.

Dow took some time recently to talk about the law and life.

Q: How did you get interested in the law?

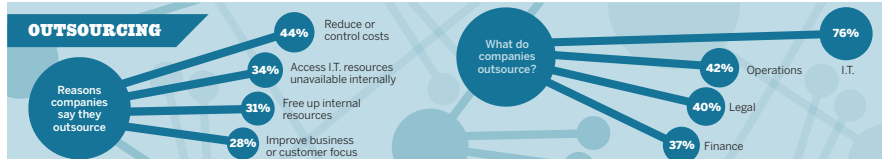
A: As I progressed in my technical studies, I discovered that I enjoyed science but didn't enjoy the laboratory work, so I became interested in combining science and law.

SEE SUGHRUE • C5

# U-T San Diego

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Brian Cragin Infographics

**OUTSOURCE**  
FROM C4

companies, outsourcing manufacturing and not having to invest in infrastructure is what enables the business model," said Alex DeNoble, professor and executive director of San Diego State University's Levin Entrepreneurship Center.

The second major reason for outsourcing is the recognition that a particular process or function is outside of the business' expertise. A common example is the outsourcing of payroll processing, certain human resources functions and legal counsel. Outsourcing these administrative tasks can also have the side benefit of reducing risk, whether it is the risk

of inadvertently violating a law or hiring the wrong employee.

**'Try before you buy'**  
At Outsource Technical, a San Diego IT recruitment firm, managing partner Natalie Fay Viani offers a combination of services and tasks that can reduce fixed costs and minimize the risk of either bringing on an employee who doesn't pan out on a project basis and offer a "try before you buy" option for new hires. In the latter approach, the prospective employee remains on Outsource Technical's payroll for a period of time before the customer makes the decision of whether or not

to hire him or her. "It's hard to judge someone in a job interview or even in the first 30, 60 or 90 days," said Viani. "This allows a client to bring someone on without immediately putting them on payroll."

But perhaps most of all, the services provided by firms like Outsource Technical and those performing other administrative tasks such as hiring, payroll and bookkeeping save business owners one of the most precious resources – time.

"It's amazing how buried with work you can get just by trying to fill an open position," said Viani. "It takes a lot of time to find someone with the right fit in terms of skills, company culture and pay requirements."

**How to outsource**  
Small-business owners have to wear a lot of hats. The simple reality is that a business usually has too many critical activities for its owners to effectively manage without sacrificing those functions that truly provide value to both the customer and the business. That's where outsourcing comes into play.

"I typically have people make a list of all of the key activities necessary to running a business and delivering a product or service to consumers," said DeNoble. "As you develop the list, I recommend that you pick three or four at most that you can do that are core to your business. The others are what you want to outsource."

Anything that touches the customer is something

you typically want to handle in-house.

"You never want to be detached from the end-user or put in any sort of barrier or separation between the information flow between your company and the consumer," DeNoble warns.

There are two clear rules to follow when outsourcing: tap into existing networks to find the right firm and clearly state your expectations.

"The beauty of San Diego is the power of our business ecosystem," said DeNoble. "You are able to find experts who can guide you."

Two networks with a plethora of people willing to help are the San Diego Venture Group and the MIT Enterprise Forum of San Diego.

One of the hardest lessons learned by SOLO

franchising their business, Hanson stresses that you must love people. "Whether you're a franchisor selling burgers or janitorial services, you are mentoring others to start and grow their own business, their version of what you're doing," she said. Every day now she's mentoring her new franchisee through email or telephone, she said.

**For those considering** franchising their business, Hanson stresses that you must love people. "Whether you're a franchisor selling burgers or janitorial services, you are mentoring others to start and grow their own business, their version of what you're doing," she said. Every day now she's mentoring her new franchisee through email or telephone, she said.

**Terri Somers, principal in Somers Media, a startup PR company,** was a beat and business reporter for 25 years. Send suggestions or ideas to [senders@somersmedia.com](mailto:senders@somersmedia.com) or follow on Twitter @terrisomers

**FRANCHISE**  
FROM C4

brand," Hanson said.

**'A million mistakes'**  
The only way to ensure that was through franchising, she said. It's also a model by which she could afford to scale-up her business.

Opening three San Diego locations was a good proof of concept. It was also a great education. Each location taught new lessons: From software systems, to marketing management systems, furniture, and Internet set-up, Hanson said she made "a million mistakes and tens of thousands of dollars and team hours spent finding the right systems, model pricing plans, what works

and why that is."

And that was important to ensure she was creating a model that would work for other people.

Hanson, like every entrepreneur interviewed for this column, said that from the beginning, guidance and counsel of others, including local businesswomen who have franchised their businesses.

She also hired Orange County-based franchise consultant Mary Ann O'Connell, who was instrumental in helping her find a Washington, D.C., lawyer who specializes in franchising.

In early 2013, that

lawyer gave Hanson a 27-page questionnaire that outlined the 800 decisions she'd make over the next year on systems, training, ongoing support, software, etc. "I guess I didn't understand the magnitude of the process, but going through it made us a better company," Hanson said.

**Not for the faint of heart**  
She has practical advice for entrepreneurs who may be considering franchising their business, or just wondering whether it's an option.

First, ask yourself if your business model is replicable. Can someone else do it in another city? To teach someone how to do what you do, you have to think systematically about how to operate and create systems and models

that you can teach other people, Hanson said.

Because Hera Hub is such a young company – it will be three years old in August – many systems have not been worked out, she said. "It took over a year to get through that process of creating systems, in addition to all the contracts and legal agreements around the franchise process," she said.

Franchising is not for the faint of pocket book, she said. Expect the franchise process to take a year, Hanson said. And expect it to cost about \$100,000, not including all of the time you'll have to spend on the process, she said.

To do business in other states, the franchise has to receive one of three different types of certification available nationwide. In California, companies are required to go through the most rigorous "registration" process, which means a state-level auditor reviews the company's financials and its franchise documents. It also charges higher fees than other

states for this process, but offers some assurances to franchisees that an expert third party has reviewed the books. Hera Hub received a California registration, which gives it a green light to operate in 32 other states.

**First franchising agreement**  
When it came to pricing the franchise, Hanson said she had an idea of the market she wanted to reach: female entrepreneurs who were interested in creating a space that would foster a supportive community of female entrepreneurs. But she didn't want to make it too cheap, to ensure that franchisees were serious about their business. Ultimately, Hera Hub wound up positioning itself to potential franchisees as a business that could be replicated for about \$100,000 total, including fees, furniture and systems.

In early May, Hanson signed her first franchising agreement with a woman in the Washington, D.C., area. And she currently has about 15 other interested people around the country going through the lengthy due diligence process.

**SUGHRUE**  
FROM C4

technology with another type of career.

**Q:** How did you get involved in patent law?  
**A:** While I was in law school, there was an ad placed by a company for a summer patent clerk with a chemistry degree. I was fortunate to get the position, and discovered I enjoyed patent work.

**Q:** What is the hardest part of being a woman in a man's world? How have you overcome it?  
**A:** In some instances, there have been assumptions that women don't necessarily understand the complexity of technical issues. Therefore, I've tried to be very knowledgeable, view the situation from the client's perspective and deliver quality and timely work product.

**A:** Being named by my peers as one of the best patent attorneys in the country.

**Q:** What have you learned about yourself by becoming a partner in a law firm?  
**A:** That I could successfully navigate the unique challenges of a law firm partnership.

**Q:** What is something about you that people would be surprised to know?  
**A:** I enjoy watching professional football, and, in an alternative universe, I would like to be a television commentator on the sport.

**ACCESS**  
FROM C4

ting up an automatic email response with a ticket number that assures them that their issues are being looked into, said Young.

In addition, said Vassilis Dalakascq, an associate professor of marketing at Cal State San Marcos, social media is another way B2Bs can make themselves available. He said having an active Facebook page and Twitter account enables communication at any time.

"Of course, in order for this to work, the keyword is "active," he said. "Having a social media presence but failing to post on those accounts and, even worse, to not respond when customers post there, is going to do more harm than good."

For those businesses that want a call center, staffing is one of the main roadblocks, said Young. Finding quality customer service professionals to work late at night can be a challenge. There can also be language barriers for businesses that attempt to save money by outsourcing calls and support to other countries.

However, he said many B2Bs firms and small businesses are using technology that redirects communication so that if someone sends a message through a company's website, it can be directed to business manager's cell phone so they can text or call back immediately.

The benefit of 24/7 access, Young said, is that while it can increase overhead, it can also increase sales.

"The way to benefit financially is to work smarter and not harder by leveraging technology to assist in communication," he said.

**Q:** What are three words that best describe you?  
**A:** Tenacious, focused and perceptive.

**Q:** What do you consider your greatest professional achievement?  
**A:** Being named by my peers as one of the best patent attorneys in the country.

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Marcus A. Di Fiore has been hired by Torrey Pines Bank as senior vice president, corporate banking. Di Fiore will help mid- and large-sized companies with services that address their deposit, growth, merger and acquisition, partnership, buyout and other needs. Di Fiore draws on 12 years of experience in the financial services industry. He is currently chairman of the board of the Tariq Khanna Foundation, which focuses mentoring and supporting youth violence. Torrey Pines Bank is a division of Western Alliance Bank. For more information, visit [www.torreypinestbank.com](http://www.torreypinestbank.com).

**INSURANCE**  
Johnson and Wood Insurance's Corie Gist has been named California's 2014 Outstanding Customer Service Representative of the year by the National Alliance of Insurance Education and Research. The Outstanding CSR of the Year Award is one of the greatest professional honors an insurance customer service representative can receive. It confers recognition of the highest order and is a tangible acknowledgment of the recipient's dedication, ability, commitment and outstanding achievement. Gist obtained her CSR designation in February and currently works with her team to service accounts for producer Beth Bilstein.

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