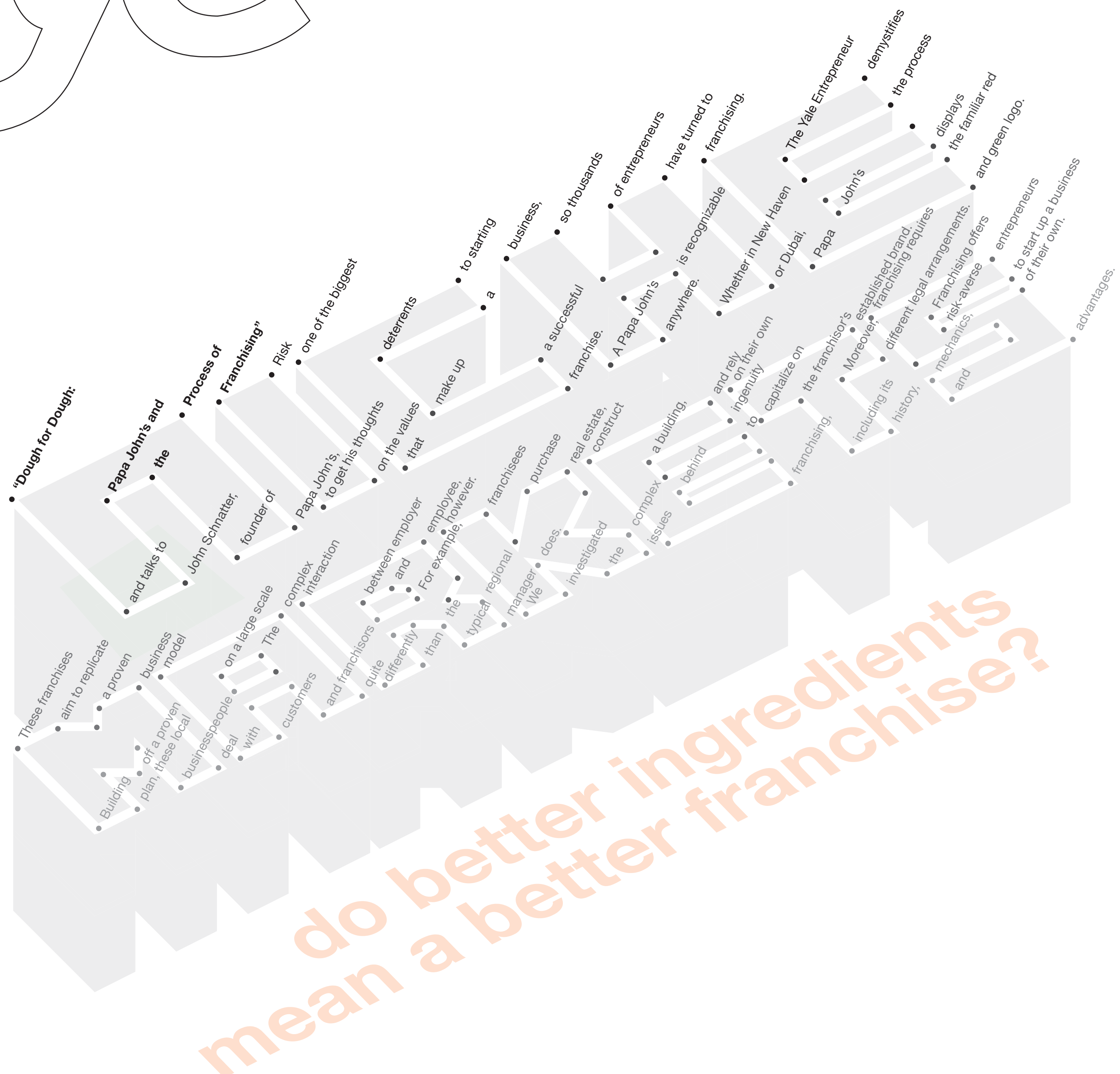
ye



INNOVATIVE TOURISM

Cooking, wine, and plastic surgery—these are tailored tours for cultured customers. YE explores the new frontiers of tourism.

MARKETING TO WOMEN

Lowe's is gaining ground over Home Depot by marketing to women - and others are watching.

ROGUE STATES

“Axis of evil” isn't just politics. Policies of rogue states like North Korea can upset the economic stability of the United States.

SUMMER 2008 ISSUE 05 **A YALE ENTREPRENEURIAL SOCIETY PUBLICATION**

THE YALE ENTREPRENEUR SUMMER 2008, NO. 005

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THE YALE ENTREPRENEUR/ SUMMER 2008 ISSUE NO 5 TABLE OF CONTENTS

EDITORS' LETTER/ SUMMER 2008

Dear Reader:

In 2007, many economists looked back at the steady growth of the US economy since the 1980s and argued that our economy is experiencing "the Great Moderation." Their reasoning: output and inflation have stabilized, leading to improved market efficiency and less economic uncertainty. However, as the dollar declines, corporate earnings shrink and markets deteriorate, we asked ourselves: what does this environment mean for entrepreneurs?

In this issue of the *YE*, we examine corporate strategies that have focused on niche markets and performed extraordinarily well. Among other topics, we examine alternative energy companies, which have also performed well in the retreating economy. Depleting resources and government grants have helped profits grow, and analysts expect strong continued growth from these companies. As some policymakers focus on combating global warming through grants for these green companies, others have focused on the dangers of sovereign funds and ways in which they might be regulated.

Finally, our feature story, in which we interview the John Schnatter, the founder of Papa John's, shows that some business values are strong enough to weather any economic climate. Franchises are entrepreneurial ventures that take the guesswork out of starting a new business and yet are still flexible enough to allow for creativity on the owner's part. It is no wonder that many of America's oldest and most respected brands are franchises.

Whether or not 2008 marks the end of the Great Moderation, it will undoubtedly prove to be an interesting one to study. As the examples in this issue suggest, companies that focus on niche markets will win investors over. We hope this issue helps you think about the possibilities of growth in a challenging environment.

Sincerely,

Janet Xu '08
Editor-in-Chief

Danny Friedman '08
Editor-in-Chief

Courtesy of Charles Chocolates

GOOD EATS

Quality, and nothing less

CHARLES CHOCOLATES STICKS TO WHAT WHAT'S GOOD AND NOTHING LESS

Chuck Siegel is on a one-man mission to change the world of chocolate. That seems to be the consensus amongst chocoholics, bloggers, and even technology fanatics, and they are right. Siegel founded the Emeryville, Calif.-based **Charles Chocolates** in 2004, and ever since then has been redefining premium chocolate in the Bay Area.

While many other confectioners have more security around their methods than Fort Knox, Siegel throws the whole process open via a sixty-feet-long viewing area where visitors can watch the making of chocolates from start to finish. On the website, Siegel likens the radical idea to the "open kitchen" that has revolutionized the restaurant business. The only thing that is under wraps is the measuring process, which would allow competitors to filch recipes. It is no wonder that Siegel is most often compared to Roald Dahl's Willy Wonka.

Charles Chocolates is Siegel's second premium chocolate business. His first, Attivo Confections, was started in 1987, when Siegel was 25. In 1994, a falling out with a business partner led Siegel to change course—starting an Internet business—but he still served as a consultant to other chocolate makers on the side. Ten years later, he went back to the confectionary world and founded Charles Chocolates. The chocolate world has been talking about him ever since.

According to a recent article in *Fortune*, seventy-percent of Charles Chocolates' sales go to retailers like Whole Foods; in addition, it is the official chocolatier of Google. It is projected to gross $3 million in 2008.

How did all this happen in a fierce retail market, where Hershey, Nestle, Mars and Cadbury have all been seen upgrading their lines to include finer chocolate products? The answer is simple: Charles Chocolates sticks to what it's good at, and it refuses to settle for less. Its offerings are simple—largely boxed chocolates, bars, nuts and pate de fruit. It pays about $4 to $7 per pound for raw chocolate, often Criollo beans grown in Venezuela. Over the last three years, it has also built up a strong brand identity, with the signature brown box with loopy writing.

However, with the expansion of Charles Chocolates also comes a very typical dilemma. Siegel's ganache-based products typically have a shelf life of one month, which is extremely short for wholesale chocolate. Nevertheless, he has refused to use preservatives out of concern for the quality. A year ago, Siegel was rewarded for his tenacity by raising $1.3 million in first-round financing from the Keiretsu Forum angel group.

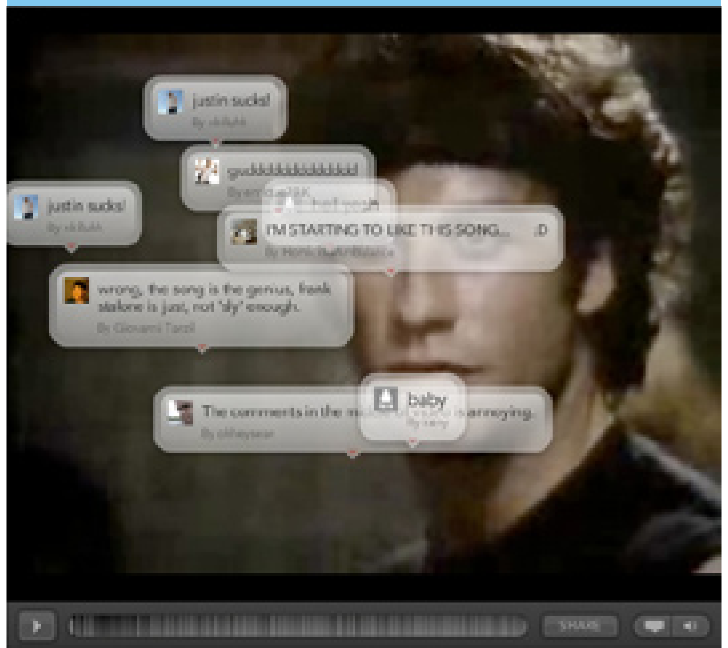
- JANET XU

EXPLORE

Find out what makes Charles Chocolate different. Visit the website at **charleschocolates.com.**

Or even better, free guided factory tours are offered twice daily at 11.30 am and 2.30pm every Wednesday, Friday, Saturdday and Sunday. Visit **charleschocolates.com/store** for more information.

[BETA]



Courtesy of Iminlikewithyou.com

I think Iminlikewithyou

"I'm in Like with You" is a social interaction/dating website that allows people to meet online through games. Users can create games that might be as simple as "What's your favorite color?" They are then allocated a certain number of points with which they can "bid" on other people's games. The game creator then selects the winner based on the level of interest in the game. Those two members can then talk in person through the site. For those who are more comfortable communicating through their computers than in person, this is the site for you.

- MATT BOZIK, GARRETT SPITZER, JONATHAN THOMPSON

Courtesy of Alliance Leicester

MONEY IN THE BANK

GETTING MORE FOR YOUR MONEY

For a profitable place to put your money abroad, look no further than British bank **Alliance Leicester**. First-time depositors receive 12% interest on savings accounts for the first year, in addition to twelve months of an interest-free overdraft option. Account stipulations include a minimum deposit of £10 and maximum of £3,000. Furthermore, money cannot be withdrawn from the account; the account is closed if any withdrawal becomes necessary. A similar account at rival banks yields far less interest. For example, HSBC's savings account pays a mere 3.55% and Barclays gives 4.49%. Interest is paid on maturity and Alliance Leicester makes it simple to switch from other banks to their savings accounts. After the twelve-month term, the account is closed and funds are transferred to a current account.

- MATT BOZIK, GARRETT SPITZER, JONATHAN THOMPSON

TECHNOLOGY

Apple Human Interface Guidelines

Apple recently released an updated version of their **Human Interface Guidelines (HIG)**, a series of documents that help software developers design better products and applications for the Apple Operating system, Mac OS X. The Apple HIG helps developers keep their designs in line with the overall operating system so that users have an easier time navigating through the system. It also offers instruction in color theory, designing useful icons and effective dialogue boxes, and properly schematizing a menu. With the help of HIG, software designers can produce applications that don't get in the user's way and allow the user to learn more easily and accomplish his or her tasks more efficiently.

- MATT BOZIK, GARRETT SPITZER, JONATHAN THOMPSON

Read the interface guideline. Go to http://developer.apple.com/documentation/UserExperience

DESIGN **JUSTIN WOO**

DESIGN

Smart dorm

CASUAL FURNISHINGS FOR YOUR LIVING SPACE

Umbra is a groundbreaking way to find casual, classy and artistic furnishings for the home. The company sells its products at over 25,000 retailers in more than 75 countries. Products range from picture frames to garbage cans, although the main business is in decorative hardware and furniture. Umbra was created in 1979 when two boyhood friends, Paul Rowan and Les Mandelbaum, started making unique products that significantly altered the overall aesthetic of a home. Their first product was a printed window shade that was unlike anything in the market. Hence, the name "Umbra" came from its Latin definition for shade. For those looking to spice up their dorm room and avoid conformity, Umbra has the products to help you achieve an alternative look.

- MATT BOZIK, GARRETT SPITZER, JONATHAN THOMPSON

ON LOCATION

To see how you can makeover your dorm room in person, visit the **Umbra** concept store in Toronto.

Located at 165 John Street (north of Queen Street West), in Toronto, the 7000 square foot showroom will surely inspire.

1

2

3

TOP LEFT, Pisa book shelf (U+ Collection) $525
1, Conceal book shelf, $10.50
2, Fotofalls desktop, $21
3, Magtable coffee table (U+ Collection) $158

DESIGN **JUSTIN WOO, JENNIFER DING**

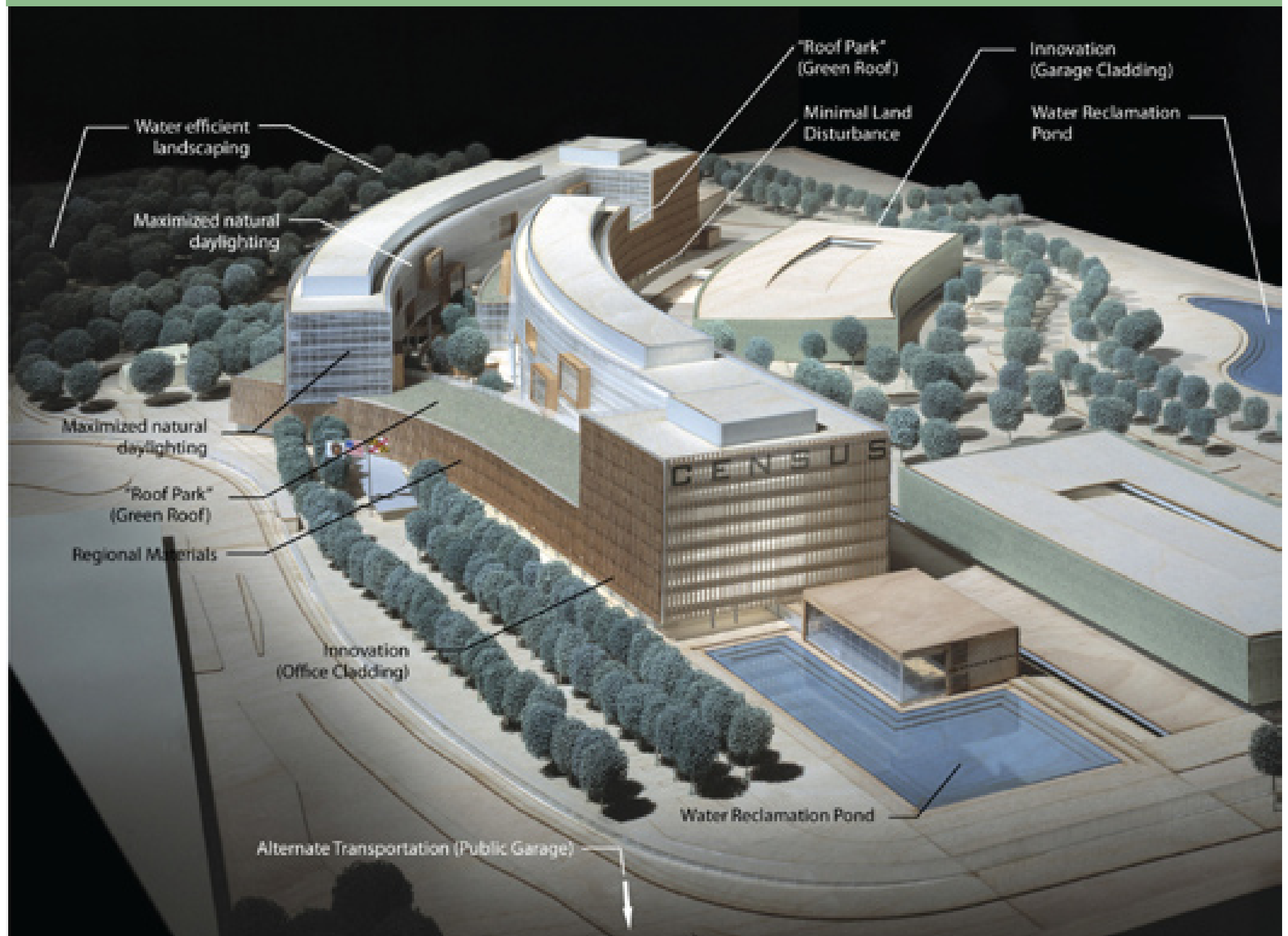
GOING GREEN

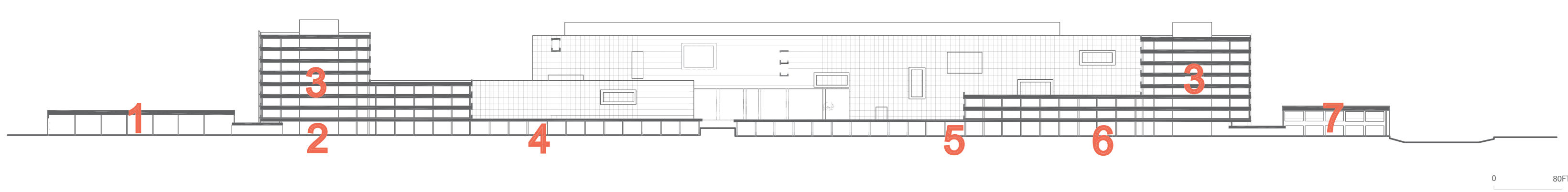
The new headquarters of the U.S. Census Bureau has earned praise not only for its iconic architecture but also for its sustainable design and construction. Renowned architecture firm **Skidmore, Owings and Merrill LLP (SOM)** designed the 2.5-million-square-foot building in Suitland, Maryland, and expertly incorporated sustainability into the project. Recycled-content carpeting spans the interior of the main building while a unique green wire mesh with additional foliage surround the parking structure exterior, decreasing the heat island effect and creating a pleasant garden atmosphere.

- MATT BOZIK, GARRETT SPITZER, JONATHAN THOMPSON

MORE

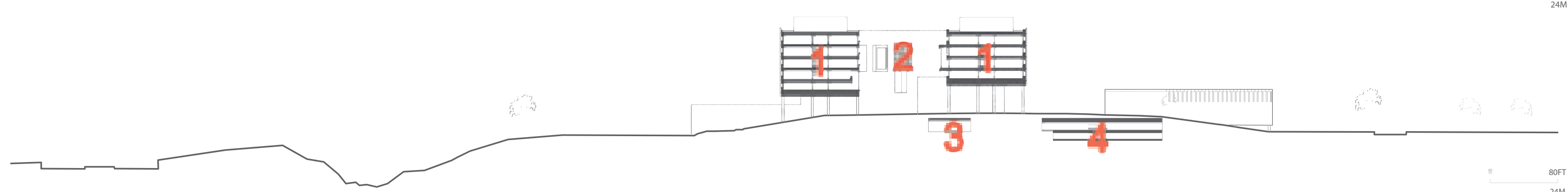
For more information about the how the U.S. Census Bureau achieved a silver rating The Leadership in Energy and Environmental Design (LEED), visit **www.usgbc.org/LEED/**





Section A

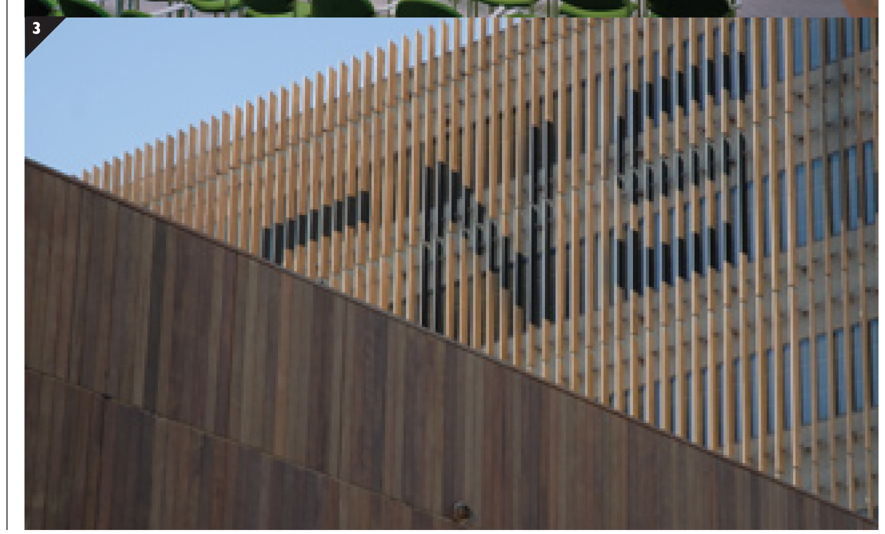
1. Remote delivery facility
2. Cafeteria
3. Office
4. Training center
5. Fitness center
6. Health unit
7. Library



Section B

1. Office
2. Courtyard
3. Center spine
4. Below grade parking

1. Dining area **2.** Auditorium **3.** South facade



DESIGN **JUSTIN WOO**

SMART TRAVEL

Allard van der Hoek/Lloyd Hotel

Not your average dorm

DESIGNED BY LEADING DUTCH ARCHITECTS, INTERIOR DESIGNERS AND ARTISTS, THE HOTEL LLOYD IS A TRUE LANDMARK IN AMSTERDAM.

The **Lloyd Hotel** is a Dutch hotel located in the heart of Amsterdam's Eastern Docklands Area. The hotel offers 117 rooms, ranging from one to five stars. Depending on the design and surface area, the room prices vary from €95 - €450. In 2004, leading Dutch architects, designers, and artists rehabilitated this former WWII prison into the cultural and historical icon it is today in Amsterdam. Often viewed as a wacky design hotel that offers several fun and cultural extracurricular activities, it is the antithesis of traditional accommodation practices.

- MATT BOZIK, GARRETT SPITZER, JONATHAN THOMPSON

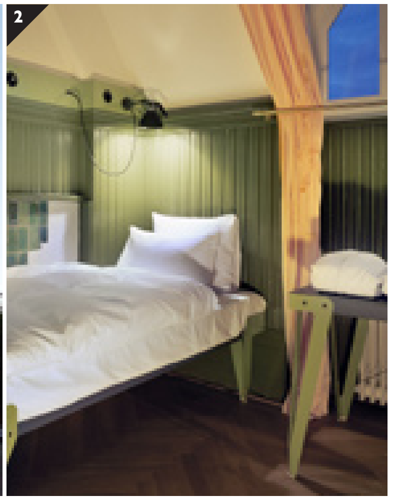
RESERVE NOW

Lloyd Hotel
Oostelijke Handelskade 34
1019 BN AMSTERDAM
+31 (0) 20 561 36 36
post@lloydhotel.com

or go to **www.lloydhotel.com**

Above, a five-star room typically goes for around €350 a night in June. **[1]** The Lloyd Hotel **[2]** Great for students on a budget, a one-star room with a shared bathroom typically goes for around €110 a night in June.

Allard van der Hoek/Lloyd Hotel



Allard van der Hoek/Lloyd Hotel

DESIGN **JUSTIN WOO**

FEATURES
FINDING NICHE MARKETS

dough for dough
papa john's and the process of franchsing

by nadav night and thomas powers

A Papa John's Pizza is recognizable anywhere. Whether in New Haven or Dubai, Papa John's displays the familiar red and green logo. These franchises aim to replicate a proven business model on a large scale. The complex interaction between franchisor and franchisee generally differs from the usual relationship between employer and employee, however. For example, franchisees purchase real estate, construct a building, and rely on their own ingenuity to capitalize on the franchisor's established brand. Moreover, franchising requires different legal arrangements. We investigated the complex issues behind franchising, including its history, mechanics, and advantages for this semester's *YE*.

a brief history

While some authors trace franchising to the rental of rickshaw routes in Ancient China, most agree that it is a modern phenomenon. Isaac Singer, the inventor who significantly improved the design of the early sewing machine, is credited with making the first serious attempt at franchising in the industrialized world. Having developed and patented a new version of the sewing machine in the mid-19th century, Singer hoped to increase his company's market share. His revolutionary idea, a precursor to the modern franchise structure, was to allow private manufacturers to build sewing machines according to his designs and under the "Singer" brand.

Many businesses quickly copied Singer's model. In 1919, Roy Allen and Frank Wright combined the first initials of their last names to form A&W, which originally began as a root beer producer but later turned into a restaurant. Two years later, Allen bought out Wright's share and began franchising by letting others open restaurants under the A&W brand and selling them A&W formula root beer concentrate. To develop its brand image, the company also standardized various "gimmicks" such as waitresses in roller skates. Even at this early stage, A&W already understood several key components of franchising, such as standardized recipes and business practices.

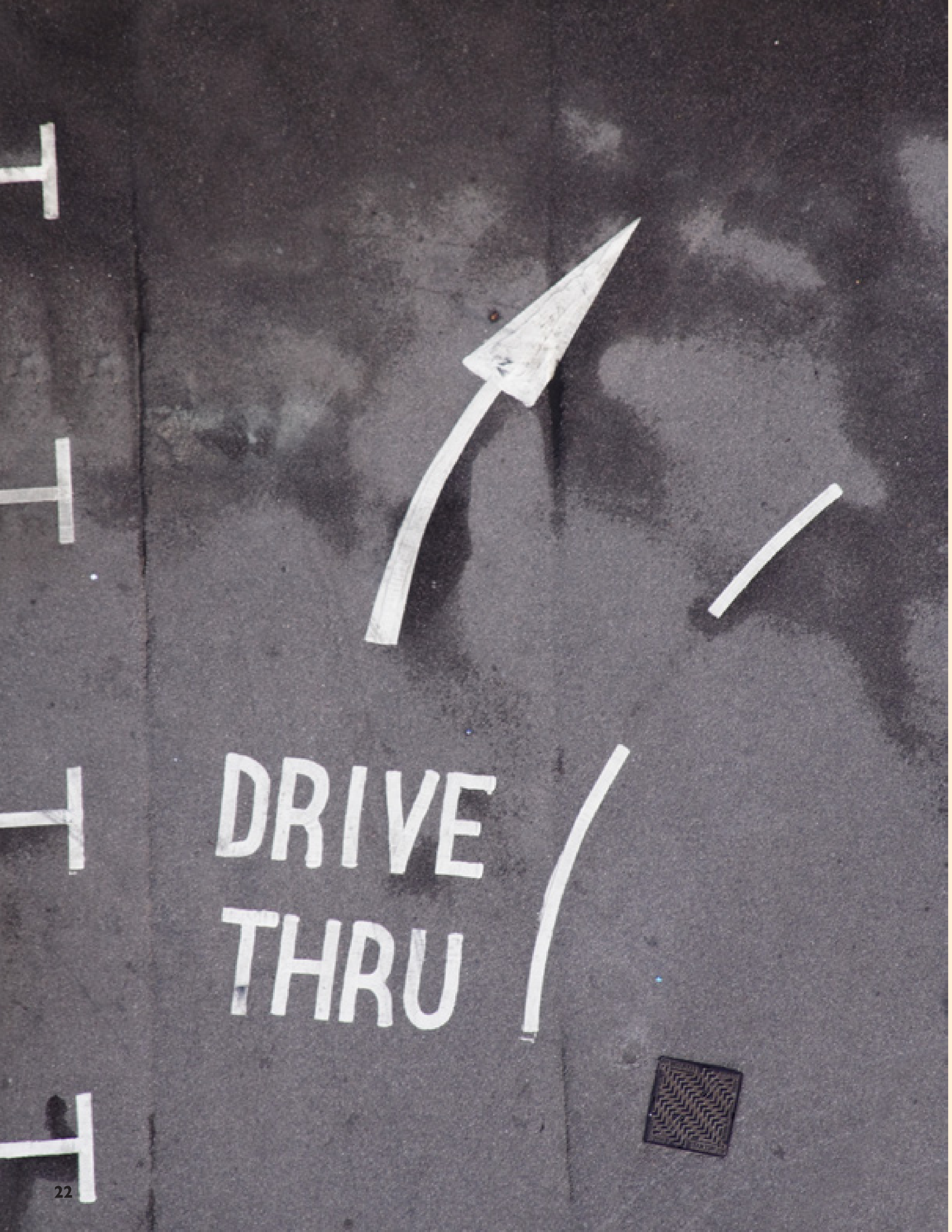
Franchising restaurants, therefore, was a concept alive long before McDonald's founder Ray Kroc stepped onto the scene. McDonald's became a global phenomenon as Kroc took franchising to new heights. But franchising extends far beyond food services: entrepreneurs have employed this strategy in industries such as convenience stores, gas stations, auto repair shops, and even beauty product distributors. The challenge is to build a relationship that makes both the franchisor and the franchisee winners in the business.

the mechanics of franchising

In order to understand the process through which one acquires a franchise, we must first describe the agents involved in the exchange. The person or company leasing the rights to the business name, marketing approach, and operating strategies is known as the "franchisor," while the "franchisee" is the one to whom the franchise is granted. In essence, the franchisee is establishing a relationship with a successful business in order to benefit from its existing brand recognition, hoping to realize a quicker return on his or her initial investment and, at the same time, mitigate some of the risk involved with starting a company from scratch.

Yet, how do you decide which franchise has a strong business model, fits your financial objectives, and complements your skill set? One way to answer this question is to think about the work environment in which you are interested and how the requirements of running businesses will differ in various sectors. Another way to help focus your franchise choices is with the help of a franchising consultant, who brings serious sellers and buyers together, essentially streamlining the "matchmaking" process.

After the potential franchisee selects a certain industry, he or she must contact a franchisor for company-specific information. Brochures and other materials generally emphasize that the franchisee could become a part of a team and share in its unique traditions that have fueled past success.



One prominent fast food company's brochure reports the following on the first page to court future investors:

> *"Become part of the BURGER KING® team, and we'll provide everything you need to succeed morning, noon and night. It starts with the BURGER KING® brand, one of the strongest and most recognized in the world. It's a brand that celebrates individuality and choice, so much so that HAVE IT YOUR WAY® isn't just a slogan. It's part of our heritage, and it drives our culture."*

After both the buyer and seller agree that they are a good fit for one another, the franchisor sends the prospective franchisee the company's Uniform Franchise Offering Circular, or UFOC, which contains extensive information about the franchisor's legal and financial history. Aside from evaluating the UFOC, it is important that the potential franchisee visit several of the franchise's locations, meeting directly with the ownership and discussing some of the difficulties and problems that they have had to endure. Moreover, it is paramount that the investor asks the owners about the support and assistance they receive from corporate management. In addition, the investor should review the franchisor's business plan and operations manuals, and conduct due diligence to see if the local market can handle the presence of more franchises or if it is already saturated.

If the franchisee decides to go ahead with the process, he must buy the right to the franchise for an initial sum of money. These fees allow only the franchisee to use the franchisor's name and business practices, and sometimes cover training and assistance in selecting sites. Additionally, the franchisee must also pay the franchisor royalty fees, which are usually calculated as a percentage of sales. Although the exact terms of these fees vary among franchisors, the payments cover the continual services and support the franchisor provides. Furthermore, franchisors might also ask their franchisees to periodically contribute to advertising funds, which are then put into a general account and used for national and regional promotion of the entire chain.

The success of most franchises is based on their unique operating systems, methods, and products produced. For this reason, franchisors adamantly protect their proprietary information and trade marks by instituting restrictive covenants for their franchisees. These contracts delineate what a franchisee can and cannot do.

In short, franchising offers opportunities that provide a business kit with clear guidelines for selling a basic product or service. But can it really be easy to use an existing business model to create profit for oneself? Franchising may not always be all it's cracked up to be and it certainly provides no guarantee of success. Like any business model, it comes with its own share of pros and cons.

benefits of franchising

Why would anyone franchise? The answer may lie in risk-aversion: franchising is a mutually beneficial trade in which the franchisee pays the franchisor to assume the risk of starting a business. Therefore, when discussing the benefits of franchising, it makes sense to describe how this trade provides the franchisee security and increases the franchisor's profits.

Often, a franchisor's most valuable asset is his proven business plan, which directly reduces risks to the franchisee. Executives like the founder of Papa John's, John Schnatter (see interview below), have already tried many ideas, saving the franchisee the time and expense of re-discovering the better ones. The franchisor has two further structural advantages when it comes to business planning: he gets to try different things in different franchises to see what works, and he may observe new initiatives of particular franchisees and spread these practices to the rest of the company. A small business founder enjoys none of these advantages and therefore must spend more time and money developing business plans—or risk bankruptcy.

On other occasions, a franchisor's most important asset is his brand, which is especially true in the case of well-known franchises. A Dunkin' Donuts franchise might succeed simply because it is a Dunkin' Donuts, whereas the same shop without the brand name might fail. Just like proven business plans, brands can improve a franchisee's chances of success, so the investor would be willing to pay for a top brand name for the same reasons.

Finally, franchisors can provide "in-kind" support to franchisees. For example, Domino's Pizza promises to send an expert to assist new franchisees for up to the first six weeks of operation. Many franchisors help select sites for franchises and furnish them with extensive demographic information. Most franchisors also demand that new franchisees attend training sessions, which cover both the hands-on and behind-the-scenes aspects of management.

Franchising offers risk-averse entrepreneurs the opportunity to start up a business of their own. Building off a proven plan, these local businesspeople deal with customers and franchisors quite differently than the typical regional manager does. Franchisees must contract into complex legal arrangements and enjoy a great deal of autonomy while minimizing their venture's chance of failure. In between starting up a company and working for a massive blue chip, this hybrid business model holds promise for many would-be entrepreneurs with specific needs (for example, dependent family members). While the benefits of franchising can be overstated, those who consider themselves future managers ought to give it due consideration. While owning a chain of gas stations may not be as glamorous as starting up the next Google, franchising is safe, pays well, and allows true management skills to take precedent over the risk inherent in the marketplace. *ye*

interview with john schnatter, founder of papa john's

Did you start Papa John's thinking it was always going to be a small business?
My original goal was to make $50,000 a year and have $50,000 in the bank so I could get a date.

When you opened your first restaurant, what was your biggest challenge?
I have been making pizzas since I was fifteen. By twenty-one, I was ready to start Papa John's on the premonition that if Little Caesars is cheap, Domino's is fast, Pizza Hut has variety and the market is still 50% independent, just think what you can do if you build a chain with great quality! Then you could have a point of differentiation.

I believed early on that if you had the best products you would win, but that's not always necessarily true—there are a lot of other supporting elements, a cast of things that have to come in on the peripheral to support that concept of a better pizza. I underestimated that going in.

In the first year, the best week I had in business was $900. I remember getting $200 out of that broom closet and we were jumping up and down because we thought we were rich. Now we do $6 million a day and we can't pay our bills.

When did you figure out that you wanted to expand?
For store number one, we had a UFOC [Uniform Franchise Offering Circular]. We already called it Papa John's International because at the time if you go back and take it from Papa John's to Papa John's International it would cost you $50,000 to change the name. So early on we were way ahead legally and franchising-wise, because of my connection with my brother, who's a lawyer.

At that time, Jim Patterson started Long John Silver's in Lexington and he franchised and he sold out for $20 million. John Y. Brown bought KFC from the Colonel and he sold out for $20 million. So I knew early on that if you can figure out how to franchise, you can make a lot of money.

Franchising is also part of the culture in Kentucky. If you take one of those roads from Ohio down to Lexington and then Louisville, look at the chains you have—Wendy's, White Castle, Donatos, Papa John's, Texas Roadhouse, Jerry's, Long John Silver's, KFC, Yum! [the owners of Pizza Hut and Taco Bell], Chi-Chi's, Rally's, etc. This corridor is like Silicon Valley for restaurant concepts and franchises. It's just there—you can't explain it. If you got something that works, people will jump in. There are a lot of folks in this region that don't want to be the franchisor because they don't have the creative side, but they want to latch on to the franchisor and have somebody else run the train and be part of it.

You talked about how you prided yourself on making a quality pizza. How much did you have to change when the restaurant became a franchise?
Well, you don't change—you don't let the financial geniuses touch that aspect of your business. The key to quality is measuring. What gets measured gets done, and what gets rewarded gets repeated. We measure everything. We measure the torque on the mixer to make sure that the ingredients are right. We measure the temperature of the dough in the mixer, we measure the weight of the dough coming out of the mixer. We measure the temperature of the dough coming out of the walkin [a box used for cooling], we measure the temperature of the dough going into the walkin. We know the temperature of the dough when the pizza is being made, we know the temperature of the dough when it comes out of the oven.

We also do a lot of secret shoppers. I've got a photo on my shelf right now of a pizza that's supposed to be eight inches but it's only six. That'll get a phone call.

We put nine-and-a-half ounces of cheese on our pizza; Domino's puts five-and-a-half. They use paste, which is fine—I just think it tastes bad. We use fresh-pack. We purify the water to make our dough; they use the cheapest flour they can find and they use tap water. I just don't think you can fool people. People don't know why our pizza's a little different; they just know it's different.

Unfortunately, you can't make a silk purse out of a sow's ear, and quality costs money. So when I have a three-dollar pie, I'm probably spending 40-60% per pizza more than they are, so I've got to be leaner and meaner in other aspects of my business to make up that food cost difference. In other words, they're probably running 25 or 26 booths, and I have to run 28 or 29. I've got to find a way to buy in, leverage my technology, etc. to the point where I can compete because it costs more to make our pizza.

When you're expanding a franchise, sometimes you have to tweak certain aspects of your business needs. With Papa John's restaurants in places as diverse as Nicaragua and China, how do you meet the demands of the international expansion?
Well, you've got to be careful here—US is not the same as international. In Dallas, Texas, they like ranch dressing with their wings and their pizza. I don't know why they like ranch; they also like Dr Pepper. In Tennessee and Alabama they like barbecue pizza and in the Northeast they like a thin pizza and in Chicago they like a pan. There are different taste preferences even throughout the country but they're not quite as distinguishable as international.

Iceland loves their sausage ground up real thin. Folks in Korea love shrimp. Folks in Japan love squid. Folks in China want a salad with their pizza. Folks in Saudi Arabia want a sit-down restaurant with a salad bar two stories tall. So what you've got to do both internationally and US-wise is to decide what is the sacred cow. Since we're talking more internationally, our sacred cows are: you can't screw with the crust, or the sauce, or the box, or the butter. Those are the four things that you can't touch. You ask, why don't you have the same cheese? Well, because the cheese in Canada tastes different than the cheese in the UK, which tastes different than the cheese in the US. They have a different process. You're never going to get cheese that taste the same, so you might as well just understand that they're used to certain cheese flavor profiles and in that country, that's the way it's going to taste. You have to accept the idiosyncrasies of the market. So to answer your question, you've got to be somewhat flexible.

Do most innovations come in your company from the top down or do individual franchises try things and then get their ideas applied nationwide?
You don't get creative ideas from a bureaucracy. You get some creative ideas from professional management, but most of your ideas come from the entrepreneurial spirit. Most of the ideas come from the store level. If you really want to know what's going on, you've got to go in there. I remember last time I was out, just two or three weeks ago, and one of the franchises had a little tray at the bottom of the cheese bin. I said, "What is this?" and they told me that it keeps the cheese from falling off the tray. You know, some Friday nights we get so busy that cheese falls on the ground and at a few dollars a pound, cheese is like gold. We had the tray there, but we didn't have this extra little backstop that the guy had. It was a hundred bucks, so I ordered three thousand of them. I would have never come up with the idea if it weren't for the franchisee who said, "I'm going to save three-tenths of one percent off my food costs by putting this little tray in."

The idea is that you've got to get out into the field. We have a great R&D department, a great marketing department, but at the end of the day we need the customer to eat it and we need the field to execute it.

Which businesspeople and entrepreneurs do you admire?
Colin Powell, Abe Lincoln . . . for these kinds of folks integrity is not negotiable, clean business is good business, and they make sure that the people in the bottom win as much as the people in the top win. It's self-serving honesty versus corporate America today, which is self-serving dishonesty . . . What you need to be successful today, you don't want to be normal. The Colin Powells in the world—they're not normal. And abnormal people who are going to be really successful and they're going to be the ones that the next generation gravitates towards because of the integrity and honesty and the way that they conduct business.

What is your biggest challenge in terms of being a franchisor?
I have a company that is by nature big and with that definition comes a lot of organizational hierarchy. My biggest challenge is to get the organizational hierarchy to stop thinking normal and start thinking abnormal. I hear this all the time in my company—"Everybody else is doing it. That's average." But we've never done things that way.

Was there any point in which you felt like you failed, and how did you overcome that?
I fail everyday. You miss things, you just do. I mean, take the Internet. Six months after blowing eight million dollars on it, online sales are less than one percent. You could have felt like a failure. But it wasn't a failure—it just wasn't a success yet. So somehow you've got to hang in there, learn how to text message, learn how to drive the business, and let the demographics come to you and form a pattern, like the Internet versus the phone.

Have you ever had to let a franchisee go because his vision didn't match yours?
Oh yes, lots of times. You've got to have people around you that can play at your level. We got rid of ten franchisees this year, so it's an ongoing thing. People just don't want to live up to their end of the deal, so you've just got to cut the cord. For me to believe that everybody's going to think the way I think, that's abnormal. That's the grind. You want people around who have some kind of foresight, some kind of vision, but are still willing to challenge it.

With the current trend in restaurants towards offering healthy alternatives, did that affect Papa John's?
We're all over it—from our ingredients to our portions to looking at new items. We're not ignoring this. You know what company has done a great job? McDonald's. They've just done an outstanding job with reinventing themselves with the perceived healthy menu—I'm not sure if it's really healthy, but it's perceived as being healthy. Our R&D department is probably spending thirty percent of its time to health-conscious alternatives.

Do you ever eat at your own restaurants?
Yeah, I eat at Papa John's once or twice a week. The problem isn't eating a slice or two, the problem is eating six. If you eat a piece of vegetarian pizza a day, you won't be hurting yourself; if you eat six slices of sausage and pepperoni, that's when the caloric intake sets you back. I've weighed 180 pounds for the past twenty years, so it hasn't done anything to me.

ye

Sex Appeal: CORPORATE STRATEGY AND GENDER-BASED MARKETING

BY NICOLE KIM DC '10

What do women want? The book *Men are from Mars, Women are from Venus* and the movie *What Women Want* were both inspired by the inability of men to answer this question. In the film, Mel Gibson gains insight into women's thoughts in a way that men in the real world can only dream about. Businesses, on the other hand, are discovering that it's not that difficult to figure out what women want from them: all they have to do is ask.

As more and more women have flooded into the workplace and started generating new household income, businesses have discovered that women are not only spending their money on clothes and purses; rather, they want home improvements, gadgets, cars, and more. Businesses looking to the future can no longer avoid the importance of gender marketing in the evolving world of high-speed information and increasing gender equality.

In a traditionally male-dominated culture, there is a notable history of problems in product crossover from men to women. An example is the automobile market. When airbags were first installed, they were dangerous for both women and children because the male developers took themselves to be the standard, forgetting that over half of the population's bodies are not sized like a man's. The first voice recognition systems did not recognize women's voices because female speech patterns were not taken into account during product development.

When companies did try to market towards women, however, the ideas came purely from a man's point of view on what a woman would want. Therefore, walls were painted pink and products were ultra-feminized for female consumption. In 1955, Chrysler decided to unleash a feminine car upon the world. Tastefully but unsubtly named Dodge La Femme, it was supposedly specially designed for the modern woman, featuring "Heather Rose" exterior, upholstery, and trim. It also was accompanied by accessories that the clearly male designers of the model thought all women would want, including a raincoat, umbrella, purse, and lipstick.

Dorren Menaker, National Manager of Corporate and Marketing Research for Sears Canada Inc., stated to *CMA Marketing* that above all in gender-based marketing, it is important to understand what the customer wants and to avoid generalizing by using customer research. Dodge La Femme's pink exterior and complimentary accessories were not what the 1950s modern women wanted; it lasted in the market for only a few years.

"Gender marketing is not about male versus female," Menaker said to CMA Marketing. "What it's about is understanding how your customer wants to use your product, how they shop your store, the level of service they expect, the style they want, and the price level they're comfortable with."

In short, to lure in the women, businesses shouldn't depend on the gender stereotypes—such as the power of pink. What women genuinely want is usually what men want but never think to ask for. Companies have begun to move away from targeting a single gender, aiming instead to be accessible to different markets and the inexperienced consumer. Best Buy, for example, has retrained its floor staff to cut back on technical jargon. Businesses have also gone directly to the source and asked women what they want through various surveys and focus groups.

Businesses are discovering that while men will shop at a store even if customer service is lacking, a little bit of service goes a long way with their female counterparts. He will buy the screwdriver regardless; she may buy the product, and may even come back if the store was clean, organized, not cluttered, and provided enough room for her to look around and think. Extra personal attention and practical advice will also save her some time and give her some relief in her shopping experience.

Home improvement retailers in particular have been polishing their image in order to attract more women into a market that has always previously targeted men. The two companies known for their attempt to reach out to women are the two largest in the industry: Lowe's and Home Depot.

Lowe's was the first to try to appeal to women. In order to catch up to its main competitor, the new Home Depot, in the 1990's, Lowe's underwent a substantial overhaul in how it practiced customer relations and presented itself. It began a research study to find out what customers—and women especially—wanted in a store. The research resulted in wider aisles, brighter lighting, and clearer displays.

Lowe's success has led to a reversal from a decade ago. Now Home Deport is attempting to learn how to meet Lowe's level of service. Several years ago under its former chief executive, Robert Nardelli, the company performed an 18-month study of all its shoppers, particularly women. As a result, Home Depot is spending more than $1 billion to renovate many of its 1700 stores in a bid to update its classic image. Although surveys had indicated it already drew as many female customers as Lowe's, Home Depot's brash orange and industrial centers did not create an inviting environment for women.

Instead of its characteristic orange, Home Depot is now filled with more earthy and beige toned shelves, designed specifically to not compete or clash with the products they feature. Shelves are slightly lowered for easier access and less intimidation, while concrete floors are polished to reflect the light in order to look less industrial. The aisles are now marked like grocery stores and customers are offered maps that show where items are located so that it is easier to navigate throughout the store.

In order to avoid offending their traditional male customers, Home Depot stores don't carry tools designed specifically for women or use more feminine décor; rather, they are teaching women about tools instead. Do-it-herself workshops were launched in May 2003 and are now held once per quarter nationwide in participating stores. Some 200,000 women have attended these workshops, which are designed to demystify the power-tool. While originally designed for women, these workshops have even begun to draw men's interest, further demonstrating how true gender marketing is simply good customer service with universal appeal.

Home Depot has incorporated a number of additional innovations in recent years. As customers' focus has shifted from individual products to whole projects, a new paint-matching computer has been introduced in stores. Both the catalog and the web site have been overhauled as well, now offering decorating ideas and images of the tools needed to get the job done. Design showrooms have been installed to present room vignettes, allowing curious women to see the final result of an anticipated project.

While Home Depot has made one of the most dramatic efforts toward gender marketing, it is not alone; other companies are adjusting the way they present themselves and are researching what women actually want in order to improve their customer service. From guns to iPods and from home improvement to cars, the consumer market is edging towards a world without the condescending pink-ification of all things female. At the end of the day, realizing that what meets women's high standards actually works for everyone. *ye*

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Tailored Tours for the Cultured Consumer

MY KHANH NGO DC '10 EXPLAINS HOW TRAVEL AGENCIES ARE RETHINKING WHAT TOURISM REALLY MEANS

Ben Thanh Market
One of the most recognizable symbols of Ho Chi Minh City, the market is a haven for tourists and locals alike.

By My Khanh Ngo DC '10
Forget sunscreen and your *Lonely World* guide—the days of traditional tourism are numbered. As tourists lose interest in the conventional hotel and sightseeing deals, their shifting preferences have pushed services into a modern age of "post-tourism." Innovative firms have created niches in response to a growing demand for more experience-based and personalized getaways, in effect revamping the image of the tourism industry.

This shift away from traditional tourism is not unexpected. As part of the service sector, the tourism industry is based on information. Travel agencies have contacts in the destination sites, information on local customs, and logistics expertise. To avoid the inconvenience of planning their own trip, sightseers rely on tourist operators to prepare a "package" trip, centered on conventional activities like the "4Ss", i.e. sea, sun, sand, and sex. Since the advent of the Internet, however, travelers have ready access to more information and are no longer confined to mass tourism deals. They now demand attractions and activities personalized to their tastes. In order to maintain business and guard the authority of their expert status, travel agencies have been forced to differentiate themselves by developing customer-focused content—hence the rise of fields like "adventure tourism," and "team-building tourism."

For example, instead of fighting through crowds in Rome, food connoisseurs can skip Michelin-recommended restaurants and head straight to the countryside to create the foods themselves. For $1,550, vacation-

World

Jaroslav Machacek/Shutterstock.com

Robyn Mackenzie/Shutterstock.com

Endless choices
The edVentures Frederiction program offers a cultural learning experience that includes courses in pottery and jewelry making. Vacation Vocations lets you "test-drive your dream job" - perfect for aspiring alpaca ranchers.

ers can book a "Cooking and Walking" tour of Tuscany: three days of exploring the rustic countryside and three nights taking private cooking lessons with an Italian chef. "Cooking with Giulietta" is one of ninety programs and classes offered by The International Kitchen, the first agency to create the concept of "cooking school vacations." The idea has been wildly successful since its introduction and has expanded beyond Europe. Cooking tours come in many forms but they all aim to instill a sense of culture and tradition through interaction with native chefs and the cooking of traditional dishes. Absolute Travel offers a unique "Culinary Tour of Vietnam": 11 days of flying between private cooking classes and touring of local markets and street stalls in Ho Chi Minh City, Danang, Hoi An, and Hue. This intensive survey of the country's cultural and culinary highlights, which can be customized to each person's schedule, budget and interests, easily costs up to $7,500 with airfare.

Since companies like The International Kitchen offer such exclusive and highly tailored services, they can justify charging these lofty prices. Culinary tourism is just one example of the creative ways the industry is successfully adapting to the new century and making large profits. According to the United Nations World Tourism Organization (UNWTO) World Tourism Barometer, in 2007, international tourism arrivals increased by 6% up to 898 million and international tourism revenue rose from $525 billion in 2003 to $735 billion in 2006. While Europe still attracts the most visitors each year, previously remote countries in Southeast Asia and North Africa such as Cambodia and Egypt have recorded growth rates in tourist arrivals as high as 20%. Despite threats such as SARS and terrorism, the UNWTO's *Tourism 2020 Vision* predicts that international arrivals will reach up to 1.6 billion by 2020.

The driving force behind this growth comes not only from rising income levels but high levels of demand for interregional travel. The key to differentiation—specialization in this industry—comes down to agencies being able to abandon more traditional forms of tourism and create unique experiences for vacationers to enjoy. In order to succeed, companies must convince their customers that they provide a comprehensive, living, breathing adventure. While conventional tourist activities do not offer many possibilities for differentiation, there are limitless options available when creating a unique travel experience. This experience gets designed, staged, organized, and priced as a separate commodity in tourism.

In Southern France, tourists can skip hotels and opt instead for *chambers d'hotes*—picturesque French versions of bed-and-breakfasts, perfect for those searching for "authenticity, hospitality, friendship, and the chance to experience the joys and pleasures of the French way of life firsthand." Meanwhile in Tokaj, the northern region of Hungary, wine connoisseurs can challenge themselves on Special Tours' wine-and-backpacking tour. On its website, the agency advertises Tokaj wine as "very popular in the 12th century", loved by "King Louis XIV, Cromwell, Tsar Alexander the Great, and Tsarina Catherine."

In an even more radical move, tourism has also invaded the operating room. Through "medical tourism," patients travel abroad looking for both fast, cheap treatment and a relaxing vacation. These medical procedures can range from voluntary cosmetic surgeries to complex joint replacements and heart surgeries. Despite its slightly morbid nature, medical tourism is still considered tourism because it relies on the same allure of adventure coupled with convenience.

In fact, the advertising on these program websites emphasizes the beauty of the exotic location, friendliness of the local staff, and accessibility to neighboring attractions—just like any other tourist operator. Josef Woodman, author of Patients Beyond Borders, explains that 14% of Costa Rica visitors head straight to the private clinics of San Jose, where patients can get cosmetic and dental work done while enjoying hotel-style guesthouses equipped for a luxurious recovery. In South Africa, the Surgeon & Safari Company advertises a tour nicknamed "Beauty and the Beast": $4,500 for liposuction/safari packages. More and more Americans will continue to flock to countries such as Thailand and India, so long as they can continue saving up to $150,000 on medical expenses and enjoying some R&R, in one all-inclusive trip. It is estimated that international medical tourism will generate up to $2.2 billion in revenue by 2010.

From inside the kitchen to under the knife, tourism has evolved in shape and complexity. While many of these services are still generally limited to the upper class, tourist operators cannot deny the changing trends in demand. Development of these niche markets is part of the natural progression of the industry. Firms specialize in order to counter diffusion of information and these niches reduce competition while maintaining general growth of the sector. Advertising, particularly the emphasis on uniqueness of experience unites these different niches. It is ultimately the customer who drives the phenomenon of innovative tourism; people will travel independently unless lured by a distinctive, custom-made product. So whether you are looking for nudist cruises, opera tours, or a simple nose job, the tourism industry has an agent for you. *ye*

event-centric economics

Pigskins and Oscars statuettes: iconic American images and big money makers. Mega-events like the Super Bowl attract tens of thousands of visitors every year. A look at tourism centered on such events reveals the significant role they play for the economies of host cities.

The Beijing 2008 Olympics exemplifies how tour operators can combine sports spectatorship with the heritage and culture of an exotic location. In 2001, China National Tourism Administration declared China Sports Tours as the theme of its annual tourism campaign. Since then, Chinese inbound operators have been encouraged to develop sports-related tour packages, including activities like rock climbing and martial arts.

Anticipating about 555,000 international and 2.58 million domestic visitors this summer, Beijing Municipal Government has recruited 400,000 English speakers, invested in shopping facilities, and even translated traditional famous brand names into foreign languages. Because the Olympics brought nearly 300,000 new jobs to Seoul in 1998 and 150,000 to Sydney in 2002, Olympic planners expect the country will reap substantial benefits from the games. In anticipation, China is projected to have invested about 40 percent of the nation's $2.4 trillion GDP in the Games.

On a smaller scale, the economics of the Super Bowl and the Oscars illustrate the tourism business often centered on annual "mega-events." The Greater Phoenix Convention and Visitors Bureau and the Arizona Tourism Office shelled out nearly $1.9 million to help lure and host the Super Bowl this year. Such investment reflects high confidence in the estimate that the Super Bowl XL II would inject more than $400 million into Arizona's economy. Between 1970 and 2001, Super Bowls created an average of $92 million in income gains in host cities. This "multiplier" effect derives not only from the "new dollars" that spectators bring, but also the contributions of advertisements, construction projects, and consumer spending on team paraphernalia and home electronics. Even snack food and drinks industries benefit; according to a Frito-Lay spokesperson, "the Super Bowl is the No. 1 snack food consumption day of the year." In the week leading up to the event in 2007, 73 popular categories of food and beverage saw a $261 million boost in sales.

Just a few weeks following Super Sunday, the Oscar ceremony rakes in about $130 million for the Los Angeles economy annually. Its commercials are the second most valued advertising slot of the year, and it also has immeasurable effects through the celebrity service industry including designers, stylists, and caterers. In 2002, a group of New York entertainment executives, celebrities and government officials tried to persuade the Academy of Motion Picture Arts and Sciences to move part of the ceremony to NYC. Tourism officials had hoped that hosting Oscar events could inject tens of millions of dollars into the city to help it recover from the 9/11 attacks.

The Los Angeles Economic Development Corp. estimated losses of about $80 million after the cancellation of the Golden Globes this year due to the WGA strikes, and feared worse would happen for the Academy Awards. The ties between the event and the city's economy and identity highlight just how valuable "mega-events" are to host cities. If this year saw an Oscar-less season, "the WGA strike [would have become] the Grinch who stole the red carpet" from the American public and L.A. economy. **-by My Khanh Ngo DC'10**

DESIGN **JENNIFER DING**

Warming Up to Iceland's Economy

ICELAND IS ONE OF THE BEST PLACES TO START AND DEVELOP A BUSINESS IN THE WORLD - BUT IT DOESN'T SEEM LIKE IT

By Lynn Wang TD '11

With a population of only 300,000 people and a name that evokes images of frigid barrenness, Iceland hardly seems like a prime location for business development. A famous Icelandic joke reflects this impression: "What do you do when you get lost in a forest in Iceland?"

"You stand up."

But appearances can be deceiving. Iceland is actually one of the world's best places to start and develop a business, especially for Americans interested in foreign investment. The prosperous trade and business opportunities in Iceland emerge largely from the country's government policies, which welcome foreign investment and facilitate business development. Iceland is a member of the European Free Trade Association (EFTA) and the European Economic Area (EEA), and because its government imposes few trade restrictions, the country serves as a perfect tariff-free access point to the larger European market, whose countries may not be as friendly to foreign investors. Although Iceland is not a member of the EU, the government is adopting policies that greatly facilitate trade with EU members. This includes Iceland's future project to build an underwater wire to mainland Europe—an initiative that opens a realm of possibilities for Iceland's economic expansion.

Aside from open governmental policies, Iceland offers a competitive skilled labor force. Not only does the country rank at number two in the world for freedom from corruption, its people have a very high education rate and a culture of innovation, change, and adaptation. Most Icelanders speak English because until a few years ago, nearly all students would study abroad in the U.K, the U.S., or Scandinavian countries, having had access to only one university in the entire country. Coupled with a strong educational background is their strong work ethic. "Our work habits are more similar to Americans than Europeans," said Economics Teaching Assistant and Icelandic native, Siggridir Benediktsdottir. "We work long hours, so it's probably easier for Americans to do business with us. Of course, it is difficult to fly back and forth between America and Iceland. Most people only know that we're somewhere in the middle of the North Atlantic."

A few hours in time difference have hardly impeded U.S.-Iceland relations. Its domestic banks have had long working relationships with foreign investors. American investment in Iceland has recently approached $2 billion, with aluminum as the leading industry, and the United States has been one of Iceland's most important trading partners, taking up to 10.8% of its total exports in 2006. Also, many U.S. agencies, such as the National Science Foundation, are currently seeking opportunities for cooperative geoscience research in Iceland because its location in the Mid-Atlantic Ridge makes it the ideal place for studying geological forces.

In fact, Iceland's location and geology provides it with some of the world's cleanest and cheapest energy sources. Contrary to its name, Iceland is actually full of volcanoes that continually build and reshape the landscape, forming hot rocks through frequent eruptions. These hot rocks power lights in homes and restaurants, and heat water for about 95% of Iceland's homes. The capital city Reykjavik took a dangerous risk in the 1960s by drilling wells to obtain hot underground water, but since then, Icelanders have developed a world-class geothermal energy business. Electricity in the country costs a fraction of U.S. prices; the use of geothermal sources to heat homes makes the process five times cheaper than with oil.

American aluminum smelting firms such as Alcoa, the world's leading producer and manager of primary and fabricated aluminum, have been quick to take advantage of Iceland's cheap electricity. According to Benediktsdottir, Alcoa's entry into the Iceland market was a "huge investment for the economy." For instance, Iceland's national energy company completed work on an enormous hydroelectric dam, about the size of the Empire State Building, in July 2006 meant to support Alcoa's smelter in Iceland.

Iceland's geographic isolation and small size also make it suitable for epidemiology and biotechnology studies. One of the country's biopharmaceutical companies, deCODE, capitalizes on Iceland's small population to isolate key genes contributing to major public health problems.

Some traditional aspects of its economy have not changed much. The dominant industry in Iceland is still fishing, generating 70% of its export earnings. "Our fisheries are doing very well," explained Benediktsdottir. "We have factories in India, the U.S., and many other countries. It's an industry with huge possibilities—I'm not talking about just trawlers [fishing vessels that use nets] but also plastic containers and things that you wouldn't typically associate with fishing."

Iceland is also branching out into new sectors, especially the film industry. From 2000 to 2006, the government offered a 12% rebate to all film and television production cost. Additional production grants are available from the EU thanks to Iceland's membership in the EEA. Moreover, film producers belong to one of the few business sectors that are allowed to use International Trading Companies (ITC) to acquire their distribution rights. These ITCs pay only a 5% corporate income tax and no net-worth tax or stamp duty on business-related documents. Such favorable conditions for the film industry arise from the Icelandic government's focus on promoting Icelandic culture through a creative sector.

While these markets look optimistic, some experts predict that the Icelandic economy is overheating and fear that a crisis will come soon, causing foreign investors to withdraw all investments from the country. One of Iceland's main economic problems is its large account deficit, which amounted to 15% of its GDP in 2005. Account deficits occur when a country sells its assets to foreigners. Thus, the income generated by these assets end up in foreign countries. In Iceland, the account deficit is an especially severe problem for its banks.

At a glance Iceland in 2007

GDP per capita	39,400 USD
Population	301, 931
Unemployment	1%
No. of days to obtain necessary licenses and permits in Iceland	76 days (avg: 153)
Corporate tax	18%
US Corporate tax	35%

Data: Doing Business Project

"Icelanders are very pessimistic about the future right now," said Benediktsdottir. "When Alcoa came in, we knew we were going into a bubble. With such a huge investment, we had a huge trade deficit, so interest rates made a big surge. This coincided with low interest rates in other industrialized countries, so lots of people began to invest in Iceland."

This boom happened about five years ago, and while its effects are still reverberating, many are uncertain about when it will end. Iceland's stock market has seen a 450% increase since 2003, but so far this year it has declined by 15%. "A collapse is highly predictable," said Benediktsdottir. "It's totally foreseeable given the size of our investment."

Still, many authorities discount these meltdown predictions because Iceland has such a stable social structure. The country's current average age is only 35, and even though it is expected to rise to 41 by 2030, stabilizing policies are guaranteed. The government offers high pension funds that would support an aging population, and an equally useful universal health care system. Icelanders who see private specialists for medical issues are all eligible for up to 75% reimbursement from the government. People who are on the wait-list for surgery for more than six months are eligible to undergo operations abroad, all expenses paid by the government. Indeed, this wealthy, stable nation hardly seems liable to an economic breakdown. As Benediktsdottir said, "I'm not too worried. We do have a very high education rate." Meltdown or not, for now Iceland is serving as a vehicle for American investment. ye

DESIGN **FLORENCE DETHY**

It Takes More than One Axis to Make an Evil/ Connecting Politics and Economics in Rogue States

By John Hannon SM '09

Not every presidential administration enjoys the distinction of being associated with one particular phrase, but by calling Iran, Iraq, and North Korea the "axis of evil" in his first State of the Union address, President Bush may have secured himself this dubious honor. However, Washington's problem with Iran and North Korea is not simply about politics or nuclear weapons. Rather, the key to Washington's tense relationship with Iran and North Korea has to do with these states' business environments. The structures of the Iranian and North Korean economies enable, and in no small measure dictate, dangerous and erratic foreign policies.

The salient feature of Iran's economy is that oil receipts constitute more than 80% of the government's revenue. According to the CIA Factbook, the country sits on a pool of petroleum—roughly 130 billion barrels, or half of Saudi Arabia's reserves. As a result, the Iranian government has little incentive to reform its clumsy commercial and entrepreneurship laws, which then discourages domestic investment. A comparison with the relatively poorer states of Egypt and Pakistan shows exactly how prohibitive the laws are. Starting a business took an average of 47 days in Iran in 2005, twice as long as it would have in Egypt or Pakistan. Furthermore, Iran's market capitalization (the aggregate value of all market shares as a percent of GDP) was 20% in 2005, compared to 40% in Pakistan and 88% in Egypt.

The Iranian government's dependency on oil is, in fact, at least part of the reason it has looked to nuclear power. Iran has long used its wealth to subsidize consumer goods, especially energy. This is a wise short-term policy for a country that suffers from 11% unemployment, 17% inflation, and cold winters, but recently Iran's oil extraction infrastructure is beginning to decay. Iran continues to fulfill contracts to deliver oil to neighbors, such as Turkey and Pakistan, but cannot always deliver subsidized oil to its disgruntled citizens. The government's failure to do so during cold snaps this winter has resulted in rioting. At this point, only foreign investment or nuclear energy can alleviate Iran's oil extraction woes. Unfortunately, the American government threatens (but does not always enforce) financial sanctions on the American assets of any company doing business in Iran; this has also recently put a break on foreign investment among European firms.

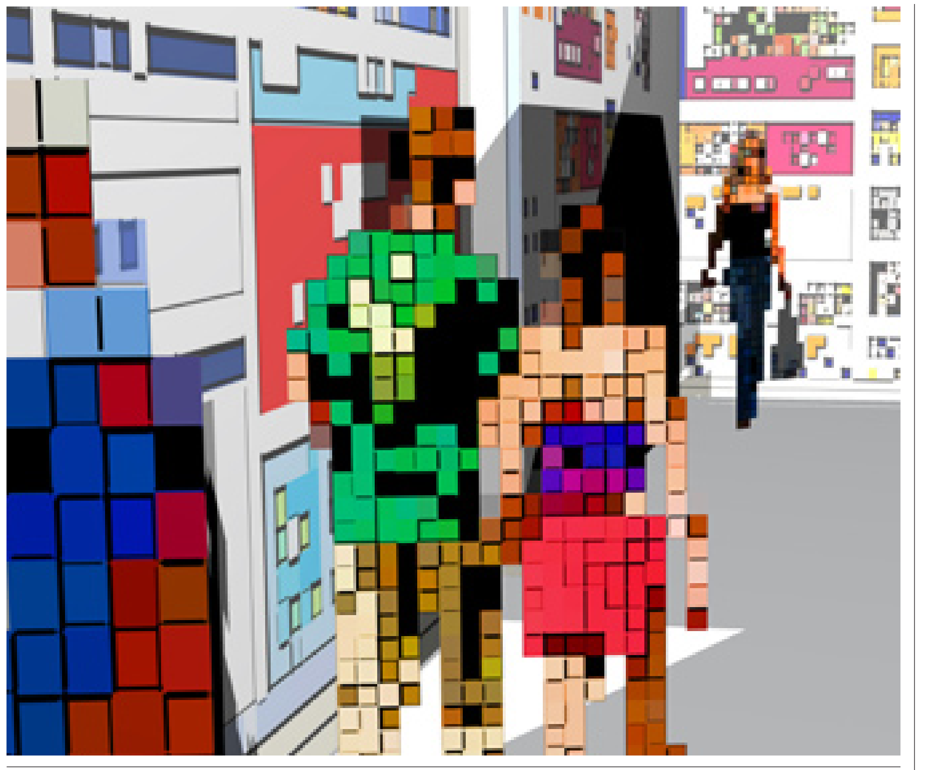
It is impossible to perform the same sort of analysis on the North Korean economy. Unsupervised foreign investment is forbidden, and it is nearly impossible for foreign agencies to collect domestic data. One can say certainly that North Korea's regime has made *juche*, or economic self-sufficiency, its first priority since the 1950s. However, Kim Jong-Il's insistence that funding a million-man army should also be a "first priority" in a country of 23 million resulted in widespread famine in the 1990s. The UN's World Food Programme (WFP) estimates North Korea can currently only produce about 85% of the food it needs domestically. Aid shipments from China, South Korea, and the WFP help prevent famine, and allow the government to continue spending somewhere between 15-25% of the GDP on the military.

While North Korea's government officially aspires to be self-sufficient, it has never been hermetic. It has always needed to import oil and luxury goods for its elite. Moreover, there is a serious discrepancy between its imports and overtly traded exports—namely, fish, timber, and minerals. As the World Bank does not even rate North Korean bonds, however, it is unlikely that the government raises its foreign exchange by borrowing. Instead, it probably meets this disparity by covert trade in narcotics and arms technology—the two resources it does have in spades. Iran, among other Arab countries, has made extensive purchases of North Korean missiles. Following Kim's 2006 visit to China, however, North Korea is increasingly imitating the Chinese reform-era practice of establishing free trade zones, where South Korean manufacturers trade resources for cheap labor.

Native Iranian and North Korean commercial practices have prodded each regime towards nuclear research and the arms trade. As mentioned before, Washington might be able to countenance the development of domestic-use nuclear technology. But in the case of North Korea, the need to raise foreign exchange has left the government with few options but to trade its one real asset—conventional and nuclear weapons technology—for cash. At present, economic structures determine Washington's dispute with Iran to a lesser extent. Iranian structural problems encourage civilian nuclear research; but the ruling regime in Tehran seems to be pursuing nuclear weapons research and an anti-American foreign policy for ideological reasons as well.

There is no telling how posterity will remember Bush's "axis of evil" speech. It could seem heartbreakingly naïve or symptomatic of a dualistic conception of the world. But we must nevertheless bear one thing in mind: the North Korean and Iranian governments cannot materially provide for their own citizens and endanger the citizens of other countries. They may not be "evil," and they are certainly not bound together in an axis; but Washington's current concern with each extends beyond caprice. *ye*

DESIGN **FLORENCE DETHY**



The Virtual Line Between Real and Imaginary

By James Jiang JE '10

The specter of capitalism is haunting Azeroth, a planet in the Warcraft universe. Players of the massive multiplayer online role-playing game (MMORPG) World of Warcraft, or WoW to aficionados, frequently resort to buying in-game gold with real-world money. If you log on to IGE.com, a prominent service provider dealing in virtual assets and currency, you too can purchase 500 pieces of gold for $34.99.

Although the game intends players to accumulate gold and power by completing tasks, markets have emerged that allow players to buy and sell virtual goods. In a generation where games such as WoW have a base of more than 10 million subscribers, these virtual playgrounds have increasingly become, in the words of Wharton professor Dan Hunter, "virtual workspaces." EBay, for example, has listings of loot cards for $700 and weaponry for $10.

Blizzard, the developer of WoW, officially labels such trading as a form of cheating, and the company claims that over 100,000 accounts have been banned since the game's inception for illicit activity. This has not prevented a sizeable service industry from flourishing, however. Only recently, BBC News ran a story on a Chinese company that paid workers to complete the more mundane missions or help players advance past difficult levels.

As ludicrous as this may sound, the exchange is founded on sound economic principles. Demand for these services comes from regions with strong real-world economies, where higher wage rates translate to significant opportunity costs for keeping up with such time-intensive games. Supply, on the other hand, comes almost entirely from Asia, where workers earn wages below this opportunity cost and can profit from this differential.

Even more remarkable is how these virtual economies have spawned their own high society. On November 28, 2006, Anshe Chung announced that she had amassed assets worth in excess of US $1 million in the world of the real-life simulator, Second Life—and so became the world's first virtual millionaire. Chung is in fact the fictional sobriquet of Ailin Graef, a former Chinese schoolteacher now residing near Frankfurt, Germany. Known as "the Rockefeller of Second Life," her in-game wealth was attained through real-estate – she bought it wholesale from the game's developers Linden Lab, developed it, and then re-sold it.

Linden Lab's attitude towards exchanging real for virtual currency is markedly different from Blizzard's: not only does it support such activity, but it advertises to consumers the ability to profit from their game. It candidly flouts the potential to make real money in order to attract members to its community, which now numbers in the tens of thousands. Much of this can be attributed to the sincerity of Linden Lab's vision for Second Life—they, and most of their subscribers, believe that it is more than 'just a computer game.' No other game takes its commitment to user-created content so seriously that it affords the full gamut of property rights—both physical and intellectual—to users.

Indeed, such is the extent to which the economics of Second Life have begun to emulate real world market dynamics that Reuters has devoted an entire News Center to the simulator. It comes replete with charts of the exchange rate and the amount of USD spent in the last 24 hours.

Escapism might be the by-word of virtual reality, but some things, like crime and taxes, are simply inescapable. In spite of the $1.5 million USD that flows through Second Life on a daily basis, there is minimal regulation and no law enforcement. Reports of content piracy, in which designs for virtual clothes or custom skins are copied and sold at a lower price, abound. In one case, it has resulted in litigation before an actual court. Additionally, online transactions are rife with opportunities for fraud. The imperative for regulation, however, has been answered to some extent by Sony, the creators of Everquest 2, an MMORPG in the fantasy mould of WoW. Having institutionalized a secondary market 'Station Exchange,' Sony can authenticate items being exchanged.

The virtual economies of simulators like Second Life have truly traversed the boundary delimiting the realms of fiction and fact. As they take their first steps into the economic wilderness of the real world, these economies will be subject to real economic forces and ailments. Some have already predicted a recession looming on the horizon for the fictive world of Second Life, where the unconstrained expansion of money supply has resulted in a burgeoning deficit. In the meantime, users like Khannea Suntzu will continue to participate in this alternative universe where they feel they "can burn … brighter and a lot more often." *ye*

DESIGN **CAMILA GARCIA**

Naturally Resourceful

EVALUATING ALTERNATIVE ENERGY

By Edward White SY '09

We are currently at the dawn of a new economy in alternative energy. Almost every consumer recognizes that the world's main sources of fuel—coal and petroleum—are not going to last forever. Investors are spending billions to start and develop enterprises in the alternative energy space.

Alternative energy initiatives aim to provide cleaner, more efficient and sustainable energy. Two major issues drive the need for new energy options: the limited supply of petroleum-based gasoline supplies and the negative effects of carbon dioxide emissions. Countries not only face supply shocks and soaring import prices, but also the threat of global warming. Examining the development of markets for fuel and power alternatives is essential to understanding the potential benefits and dangers that economies may face in the near future.

Solar Power

Solar energy converts the radiation from the sun into heat and electricity, thus eliminating the use of fossil fuels and the emission of harmful greenhouse gases. Unlike more recent "cutting-edge" alternatives like hydrogen power, solar power is already relatively well-established. Many new private homes and industrials are built with solar power generating systems. In addition, many states have begun offering tax credits and rebates as incentives for households to use this more environmentally friendly way of powering their homes.

Nanosolar, a major solar energy company, recently won the U.S. Department of Energy's contract for the Solar America Initiative, which seeks to develop grid-parity solar electricity and accelerate widespread commercialization of competitive solar energy products by 2015. Owner of the biggest solar energy plants in California and Germany, Nanosolar will be the main company behind research and development and eventually the installation of these systems.

Several smaller solar energy companies are emerging as well. Akeena Solar has shown great growth recently, expanding its services to California, New York, New Jersey and Connecticut. Akeena argues that customers can regain the investment they make in a solar power system within 5 to 10 years through reduced heat and electricity bills and tax rebates.

Solar energy companies must still overcome a few obstacles in order to compete effectively with the larger petroleum-based companies. Solar electricity is still more expensive than grid electricity, and companies need to develop a system to provide energy during the night and unfavorable weather conditions. Furthermore, solar panels require high maintenance and are limited in how much energy they can store. Still, the extensive list of energy producers investing heavily in research and development and the concerted political effort to reduce our reliance on oil promises much for the future of the industry.

Wind Power

Wind power has also garnered national attention as a viable form of alternative energy; individual turbines can provide electricity to isolated locations, and wind farms producing energy on a large scale can power towns and communities. Though wind turbines were previously overlooked because of their imposing appearance, major energy companies are currently making large investments in wind power. One prevalent innovator in the field is Siemens. The company is the world market leader in offshore wind turbines and currently operates in locations off the coasts of Denmark, the United Kingdom and New Zealand.

Another notable firm is SouthWest Wind Energy, the world's largest producer of small wind energy generators. This twenty-year-old firm has completed several innovative projects, including powering a school system in Kyoto, Japan and transporting wind energy into Sri Lanka from a nearby island. It appears that despite the unpredictable nature of wind, companies are recognizing the potential demand for this energy source.

Nuclear Power

Nuclear power harnesses the energy generated by nuclear fission of uranium-235 through chain reactions inside a nuclear reactor. While companies have developed the technology necessary to safely manage this process as well as transport and dispose of commercial nuclear waste, several political issues continue to surround nuclear power. Though a country like France relies on nuclear energy to supply 80% of its electricity needs, there are fears concerning the safety of nuclear technology and the possibility of it being used for weaponry in poorly governed states.

Critics point out that not only could knowledge of how to build nuclear reactors be used to create nuclear weapons, but nuclear facilities could also become targets in warfare. In response, proponents point at nuclear power plants in the U.S. that guard the nuclear reactors inside a reinforced containment building, making them relatively impervious to attack. The passionate political debate over nuclear energy plays a key role in its viability for future development.

As solar and wind energy systems become increasingly cost-competitive, their chances at expanding exponentially in the coming years have become much more viable. The current use of nuclear energy in 31 countries also means that this option should not be discounted. The term "alternative energy" grows more ubiquitous each year as companies have high incentives to take entrepreneurial positions in the industry. More importantly, information about these developments has disseminated to American consumers. Bringing what were once unfamiliar technologies into mainstream discussion may be the key to alternative energy's acceptance and success. *ye*

 DESIGN **JUSTIN WOO**

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Rise and Power of the King of All Funds

By James Zhang BK'11

In the ever-changing world of finance, private equity and hedge funds have recently lost the luster that once made them the talk of the town. The economic downturn is partially to blame, but another factor is the opportune arrival of sovereign wealth funds on the forefront of news headlines.

In the past year, the governments of developing countries infused the world's major investment banks with nearly $69 billion. Rather than indulging in immediate domestic expenditures, many countries and even states like Alaska have pooled surplus savings generated by booming economies and high oil prices into sovereign wealth funds which can invest abroad. Most recently, investment bank behemoths Morgan Stanley, Merrill Lynch, UBS and Citigroup received an additional $5 billion, $6.6 billion, $11.5 billion and $14.5 billion respectively in recapitalization funding in the last year from the investment vehicles of governments throughout the Middle East and Asia.

From one perspective, the sudden influx of cash seems convenient at a time when banks are facing massive losses due to the sub-prime crisis. Yet the arrival of substantial foreign government investment has also caused tremors in the media and reverberations in the West's political chambers and living rooms alike. Fears have arisen that too much foreign involvement in American companies could compromise national security.

Courtesy of UBS

In need of help
UBS, pictured above, is one of many investment banks that had recieved an influx of recapitalization from governments in the Middle East and Asia.

The first sovereign wealth fund, the Kuwait Investment Office, was established in 1953 to put the Persian Gulf country's oil money to work. Since then, high prices for natural resources and cheap manufactured exports have led to the current growth in the number and scale of sovereign wealth funds. The United Arab Emirates has built the largest fund to date; its Abu Dhabi Investment Authority currently manages $875 billion in assets. During the last half-century, governments around the world have placed about $2.9 trillion into sovereign wealth funds to sustain economic growth in the future after oil resources run dry and the production of cheap manufactured goods moves to still less-developed economies. According to analysts at Morgan Stanley, this number is projected to reach $10 trillion by 2010—meaning that five decades' worth of asset accumulation in sovereign wealth funds will triple in the next two years alone due to continued economic expansion and additional capital infusion.

From an economic standpoint, this unprecedented influx of foreign capital is proof that a global system of capitalism works. The surpluses of foreign nations are flowing to those who need cash at a time when domestic capital is more difficult to come by. The executives of companies receiving multi-billion-dollar investments are not complaining either: their companies are being bailed out by long-term investors who have no desire to install a new board or even occupy a seat at the board table.

Although sovereign wealth funds hold only 2% of the $165 trillion worth of equities traded around the world, their influence is substantial. Managing greater assets than hedge funds and private equity firms, sovereign wealth funds wield a disproportionate amount of financial power. This influence also lacks transparency because the majority of sovereign wealth funds do not reveal their investment strategy. When questioned, government investment officials point to either maximizing profit or pursuing "strategic" goals such as stimulating regional development. Yet, it is not difficult to imagine these immense assets being utilized as political ammunition. Despite claims to the contrary, every investment made by a sovereign wealth fund is a function of its parent government.

Western politicians have become uncomfortable with the purchase of large shares of their domestic banks by foreign governments. This sentiment is shared by Senator Charles Schumer D-NY. "Foreign investment, in general, strengthens our economy and creates jobs," he said after Merrill Lynch raised a total of $6.6 billion from investors including the Korean Investment Corporation and the Kuwaiti Investment Authority. "Because sovereign wealth funds, by definition are potentially susceptible to non-economic interest, the closer they come to exercising control and influence, the greater concerns we have." The current laissez-faire treatment of sovereign wealth funds by the government is bound to be scrutinized once the market turns.

Recently, the Congressional Joint Economic Committee, led by Senator Schumer, pushed the International Monetary Fund to design a voluntary code of conduct for the sovereign funds. The Senator has made clear his intentions to consider legislation to ensure transparency in the operations and intentions of sovereign wealth funds. This sentiment seemed to be an echo of 1987, when the British government went as far as forcing the Kuwait Investment Office to sell more than half of its investment in then recently privatized British Petroleum. The French and German governments have also assumed a financial protectionist stance, issuing stern warnings against sovereign wealth fund investment at the G7 meeting last October. Nicolas Sarkozy, the French president, has sworn to defend French assets from "extremely aggressive" foreign investment, although none have shown much interest in his country.

For all the characterizations of sovereign wealth funds as the next villains of international finance, there is little evidence of actual abuse of power. Most fears arise from a mixture of foreign governmental secrecy and unfounded suspicion. Although there will always be concerns regarding national security and financial stability, all developed countries have already installed protocols for defense and bank security. In addition, many of these sovereign funds are advised by brand-name advisors in the United States. Furthermore, the hypocrisy of demanding open access to developing markets while restricting investment from these markets is clearly apparent.

There is no foreseeable end to the growth of sovereign wealth funds in size and influence. Their positive effect on the financial markets is undeniable, but as with any foreign entity growing in power, sovereign wealth funds will come under greater scrutiny in the future. The source of financial relief on Wall Street today will likely lead to a backlash in Washington tomorrow. ye

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Giovanni Troll/noahcharney.com

ARTFUL CRIME/ PIONEERING THE FIELD OF ART THEFT

AN INTERVIEW WITH NOAH CHARNEY **BY JANET NOH SY'09**

Noah Charney started off as a "straight-up art historian," but an encounter with the literary world led him to blaze a different path. Now one of the most prominent scholars of art crime, Charney sits down with the YE to talk about his academic journey, his field, and turning an interest into an entrepreneurial venture.

How did you first get started in studying art history?

I got interested in art when I lived abroad in Paris when I was sixteen. Every afternoon, we would go with our art history teacher on a field trip within the city to museums. It was such a great experience to be in front of the art, and that's what

DESIGN **JUSTIN WOO, JULIE McCOMISH**

made me fall for it.

I did straight-up art history for my first two master's degrees, both in England. Then I had to decide whether or not I wanted to do an art history PhD, which only five people, including my mother, would have read.

So how did that turn into art crime?

I developed that interest during my first master's in art history, because I had written this novel—which is the one that is out now—called *The Art Thief*. I was used to doing research before writing things, and I have written plays before, but I'd never written a full length work of fiction before. I decided to try it because I wanted to show the "behind the scenes" in the art world, which I think intrigues people but it's the kind of community that enjoys its own exclusivity. I thought that it might be good to set a crime there.

I started to research art crime and realized that there was almost nothing written on the subject. There's a ton of newspaper articles, but no academic articles or books. The books that do exist are generally retellings of famous art crimes. I became obsessed and decided to try to do the PhD in the history of art theft. That was very difficult because there wasn't anyone who studies it. There is very good stuff on the World War II looting of art and antiquities, but there isn't even enough of an authority in any field to take on PhD candidates. I wound up going to someone who said, "I don't know anything about this, but it sounds interesting."

What makes art thieves particularly different from just regular thieves? Is there anything defining in a person's temperament, past, or interests that would turn them towards art thievery?

The most popular misconception is that there are professional full-time art thieves. All we know is that there are thieves who stole art, sometimes more than once, and a few others who were stealing art compulsively, but they were suffering from kleptomania (an inability to resist stealing). Another popular misconception is the idea of the criminal collector, someone who says, "I can't own this, but I'm going to pay you for it and then I'm going to keep it and not let anyone else see it." There are almost no instances of that which we know of in history.

Studying the criminal world is like studying the espionage world; if someone was doing the job well, then we won't know about it. What happens more often is that there's a sense of wishful thinking on the part of collectors who are so excited about a potential purchase that they overlook the fact that it may have a questionable background. So there's the ultimate owner of the object and the thieves. The thieves mostly have been mercenary, hired to steal a car or a TV or a person on one occasion. There are only a handful of people who have—it's hard to say "make a career out of it"—who have done it frequently.

The turning point was 1961. Since then, most art crime has been perpetrated by or on behalf of organized art syndicates.

From a collector's standpoint, there are some museums that have purchased stolen art, like at the Getty. More often these days, art crimes are organized by a criminal administrator, people who design the theft, hire the thieves, and tell them what to steal. But they're not doing it for ownership; they see art as a commodity, a portable high-value object. They use them as collateral, or in a barter system, or as a political thank-you gift, which is what the Italian mafia used to do.

What inspired you to create your non-profit think tank, ARCA?

I got the idea after a conference in Cambridge, which brought together art police with academics interested in studying various aspects of art crime. I became good friends with a lot of people related to the field and suggested continuing what the conference started. I see it as an independent education project, but taught by professors.

The projects I like best are traveling to churches and finding cost-effective ways to preserve art, and developing a database with all art crime related to terrorism. We can get governments to take us seriously by giving them dossiers with all information. That's another project that would be high priority.

What kind of legacy would you like to leave in the world of business and entrepreneurship?

The best way to achieve a really quick and easy success is to get someone to write something about you. And as for starting a non-profit, it's tricky because it is expensive to start a charity. The legal fees are not terrible, but pretty nasty for something that's trying to do some good. The trick is to get one or two people who are really excited about the project because they will get their friends excited. The good thing is that there are a lot of people interested in art crime—it helps to be in a sexy field. *ye*

LEARN MORE

Art isn't the only thing that interests Charney. Check out his music at: **noahcharney.com/music.htm**

For more information about the Association for Research into Crimes against Art (ARCA), please visit: **www.artcrime.info**

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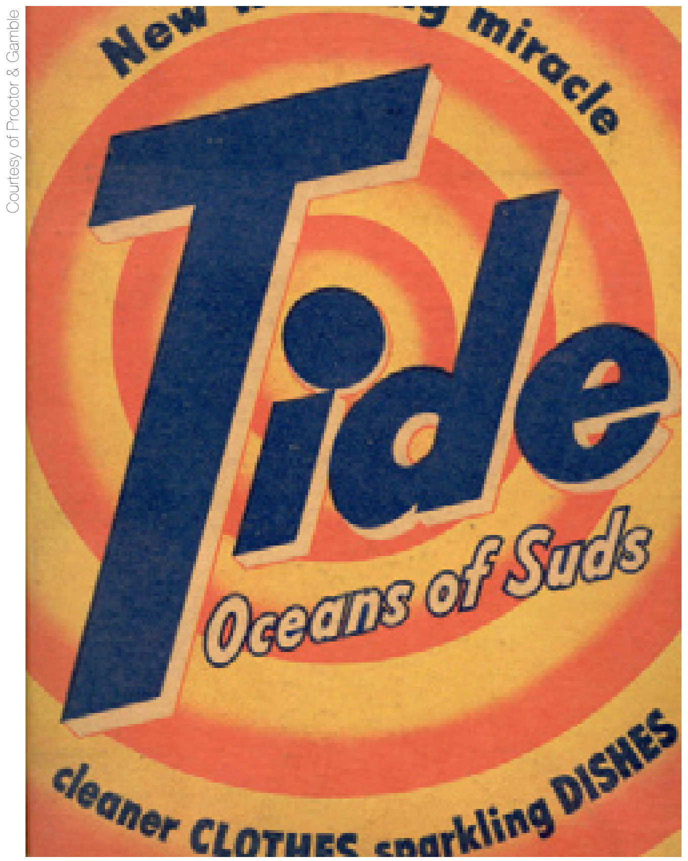
BUILDING BRANDS/ STRONG BRANDS, BIG BUCKS



Courtesy of Proctor & Gamble

Getting the colors right
The yellow, orange and blue scheme was based off research that the colors suggested both strength and friendliness.

By Marissa Grunes SY'10

To today's consumer, branding is nothing new—in fact, it is hard for us to imagine purchasing anything, even water, that does not have a label stuck on it. However, for most of history, brands did not exist as we know them today. It took nearly one century for Nabisco to develop a following based on the confidence and "good will" forged between the manufacturer and the customers; this is now its brand identity.

Nowadays, branding is just as likely to be about social or cultural recognition as it is about product quality. Many who work in brand design emphasize the importance of a logo's appeal to the subconscious. Take Tide, the Proctor & Gamble detergent that first donned its glaring orange and yellow circles in 1947. The firm had hired a psychologist specializing in "sophisticated color research" who recommended a color scheme to suggest both strength (yellow and orange) and friendliness (blue). It evidently worked—sixty years later, Tide is still known for its logo and in 2005, *Advertising Age* cited the company as an exemplar of "brand endurance."

Smaller companies have also been found it worthwhile to capitalize on the subtle power of good brand design. In the late 1990s, White Mountain Footwear had no brand recognition and was failing to project itself as a high-end manufacturer. Then it made the fateful decision to pay nearly $100,000 to BrandEquity International for a logo makeover and was richly rewarded by a 20% sales growth in 2000 and 2001 despite an overall industry slowdown in return.

Larger companies with established brand images, such as Xerox, benefit from recognition, but must also stay fresh. Lagging behind competitors, Xerox decided that its logo needed an update. In January 2008, Xerox unveiled a new logo that still retained the red color strongly associated by its customers, but with lower-case letters and rounded curves, infusing the old logo with a sense of youth. It also includes a red sphere crossed by white bands meant to emphasize global connection, which can be rotated on web-based platforms.

Not all things new are adopted with unequivocal enthusiasm, however. The logo for the London 2012 Olympics sought to reflect newer technologies and updated media platforms, but its message got lost in a firestorm of media controversy. Wolff Olins, a brand consulting firm, designed a jagged cluster of flashy figures to follow the "Web 2.0" principle of user interaction. Anyone can download the logo's design template from the Olympic organizers' website and create their own version, which may then be published on the site. The shapes are intended to shift and change to allow for the design to slowly "evolve over time." As Chairman Brian Boylan explained to *BusinessWeek*, "the brand is no longer a single neat and tidy logo . . . Our thinking of brand has moved on. The brand is a platform, the brand is flexible, the brand is a place of exchange."

Boylan dismisses the idea that branding is inherently logical: "All rational will get you is rational," he says, "because if you only followed a logical process you'd inevitably arrive at a dry answer." Boylan emphasizes that abstract or unusual figures as logos engage the viewer's imagination to fill out the picture or in some way assimilate it, forging a "two-way" relationship with the corporation.

However different Boylan's vision may be from that of the rest of the industry, it is important to note that when it comes to brand design, part of the logo's power is that it does not require lots of fancy tools or an oversized budget to be an effective representative of a company. Enthusiasm, openness to the creative process, a strong sense of market identity, and a drop of good taste can go a long way. *ye*

DESIGN **JULIE McCOMISH**

Parenting and Profits

HOW KID NATION IS BLURRING THE LINE BETWEEN CHILDREN AND ADULTS

By Patrick Vergara SM'11

Reality television is one of the newest and most popular genres of programming today, with shows ranging from the ever-popular *American Idol* to those dealing with more serious subjects, such as pregnancy. It has become a home for former celebrities looking to extend their fifteen minutes of fame, or even a place where contestants hope to "find love." However, there is a particular subgenre of reality television whose subjects haven't hit the big time yet. That's because they are only children.

Having exhausted potential ratings-grabbing subjects from aspiring singers to drunken party animals, some producers have settled on the naivety of children as a new way to capture television audiences. The most recent example of children in reality television also happens to be the most controversial to date. *Kid Nation* features forty children ranging in age from eight to fifteen who try to create a functioning society on a set modeled after the ruins of an abandoned western town.

The concept may sound interesting, but the ages of the children involved raise serious ethical questions. While the children were each paid $5,000 for participating and were given the opportunity to win more prize money throughout the show, they were exposed to decidedly rough conditions. Throughout their time in "Bonanza City", the participants were not allowed to speak with their parents (unless they chose to leave or won the right to do so), were deprived of common luxuries, and had to deal with issues ranging from whether or not to kill chickens for meat to discussing religion. Some children suffered minor injuries on set, including Divad Miles, an eleven year old who was burned with grease while cooking. Questions even arose concerning child-labor laws. Some parents argued that their children were being treated more like actors than reality television participants, and that CBS was therefore in violation of labor laws.

While a show like *Kid Nation* is certainly interesting because it depicts children in outrageous, adult situations, there is an interesting counterpart to this subgenre of reality television. Programs based on subduing rowdy and out of control children have also experienced a growth in popularity, creating an interesting duality in this niche of the television market. One such show is *Supernanny*, which has been so successful it is now featured in eight different languages. The topic is extremely straightforward: parents call for help with an uncontrollable child and the "Supernanny" comes to discipline the troublemaker. What is interesting, however, is that this show—which undoubtedly exploits the mental and emotional state of children—has hardly been met with any criticism.

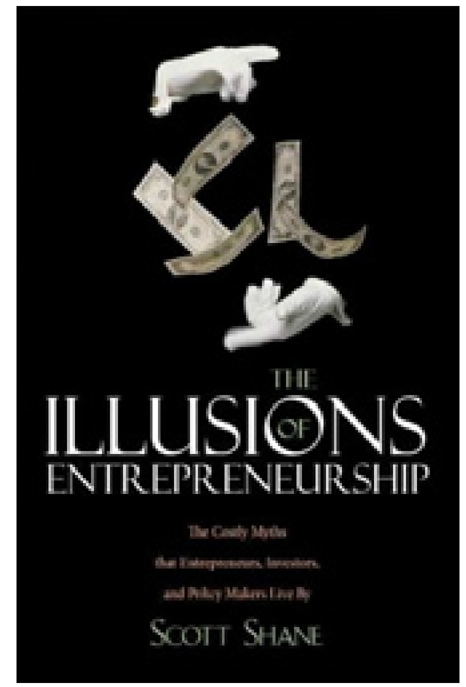
According to Dr. Alan Kazdin, John M. Musser Professor of Psychology and chair of the Yale Institute for Child Studies, reality television shows that include children have the potential to inflict psychological damage on their subjects. In an interview with the *Yale Entrepreneur,* he acknowledged the fact that the only reason for the existence of child-based programming is that network executives are constantly seeking to "push the limits." When one considers some of the negative effects these shows can have on participants, it is easy to see that they are putting money over the welfare of children. He cited the extreme situations as potentially "huge stressors" on young minds, saying that "exposure to situations where limits are pushed in a family is good, but outside of that it is risky." Likewise, when asked what he thought of children who incurred actual physical harm, Dr. Kazdin noted that it is important to realize that, "the only difference between a burn and psychological damage is that we can see the burn." Even shows such as *Supernanny*, which ostensibly could be beneficial, are dubious because, as he was quick to point out, "reality TV is never reality." In addition, the miracle transformations on these programs are probably the result of some careful editing.

Therefore, how are we to view this new subcategory of a subcategory in the television market? While it is true that reality television featuring children is a fascinating and fresh concept that presents a completely new look at human behavior, it is also potentially harmful to their subjects. Anyone who has ever seen a Japanese game show can attest to the fact that television can be damaging to adult participants. However, when shows involve vulnerable children, the issue becomes ever more sensitive. It seems, though, that until leaders in the television industry come forward and speak out against these shows, they will continue to capture the interest of viewers nationwide. *ye*

DESIGN **JUSTIN WOO**

BOOK REVIEW

'Myths and Money: The Illusions of Entrepreneurship'



'Myths and Money'
Scott A. Shane,
The Ilusions of Entrepreneurship,
Yale University Press:
New Haven, 2008

By Janet Xu BR'08

Scott Shane does not mince his words. Within the first paragraph of his new book, *The Illusions of Entrepreneurship*, he shows that entrepreneurship was more popular than sex—on Google, at least. Then, with astounding alacrity, he sets out the main agenda of his book: to debunk almost every preconception you have about entrepreneurship.

"We are surrounded by myths about entrepreneurship," he writes. "When I say myths, you probably know what I mean: there's the story about the penniless high school dropout who comes to America with $10 in his pocket and starts a construction company that makes him a multimillionaire." These myths appeal to our sense of the heroic, but the facts laid out by Shane make entrepreneurship almost mundane: 11.3% of American households own a business; each year, more people in the U.S. start a business than get married or have children; and 40 percent of the U.S. population will be self-employed for some period of their life.

Entrepreneurship touches more of us than we realize, but it is different from how we perceive it. Many consider the United States the cradle of entrepreneurship, but we are actually behind nations such as Turkey (30% self-employment), Mexico (29%) and Korea (28%). The typical American entrepreneur is a married white man in his forties who started a business because "he didn't want to work for someone else." Immigrants are not more likely than native born Americans to start their own businesses, and young people actually have the lowest rate of entrepreneurship. The average start-up in the United States takes less than $25,000 in initial capital, most of which comes from the founder's earnings. In short, the average entrepreneur is a lot less glamorous than we think.

These facts rapidly escalate into an avalanche of more or less disheartening statistics. Women and African-Americans are much less likely to start—and to succeed—in their own businesses and the average self-employed entrepreneur earns much less than he would have working for someone else. According to Shane, "Doing what most entrepreneurs do is a mistake; the majority of entrepreneurs are wrong about how to run a new company." Lastly, while current public policy encourages entrepreneurship, more start-ups do not cause economic growth.

Shane is not unaware of his gloomy message. "I realize that much of this is depressing," he states. "But someone has to reveal what the data say." He reaffirms that entrepreneurship is not a bad idea in general, but advises that "we need to recognize that all entrepreneurs are not created equal."

For the amount of information Shane presents, the book is surprisingly short—only 164 pages. Clearly oriented toward the busy reader, the book provides a sensible amount of data, which is neatly summarized in a box at the end of every chapter. Lastly, Shane's ironic sense of humor comes through at the right moments, like when he reveals that people who dealt drugs as teenagers are between 11 to 21 percent more likely to start a business in adulthood. Whether he's a myth debunker or a pessimistic data cruncher, Shane is enjoying it every step of the way. *ye*

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last word how to market to your constituents by gabor debreczeni

Dear President Hopeful:

Tired of the same old sound bite? Is your $2 million strategist not delivering the states you need? C'mon, let's be honest. This election cycle has been rough on just about everything—pantsuits, "inspiration," crying, NAFTA, Washington, pollsters—but when it comes to strategy, you're in luck. Here at the Yale Entrepreneurial Consultancy, we have a whole new way of helping you gain the votes you need. Forget "change," "experience," and the whole schmorgesbord of fun jargon that you learned sipping gin and tonics on Martha's Vineyard. Let's break it down into two words: Niche markets.

What are niche markets? Simply put, they are core groups of people within your larger audience who have similar occupational or lifestyle characteristics that you can target. Our specialty here at YEC is targeting the Small Business Owner. This is a small group of voters who are largely white men with an average net worth that amounts to half your house's monthly gas bill and the ability to have failed at everything else before "working for themselves." Studies of this lucrative group have shown that the following policies work best for them:

1) Deregulation. But if their competitors are making more profits, then regulation.

2) More skilled workers graduating from colleges and more unskilled workers willing to work for minimal wage. Or, better yet, skilled workers willing to work for minimal wage.

3) Increased enforcement of intellectual property rights abroad, coupled with lowered barriers to free trade, increased legal immigration in the US, increased competitiveness abroad, protected American jobs, and the second coming.

4) Tax credits for health care and R&D. Permanent tax cuts. Permanent tax incentives. Responsible tax cuts. No tax increases! Tax cuts.

5) Funding to convince investors to invest in farms, disadvantaged communities, small businesses, the middle class, change, and subprime mortgages.

6) A President who will, personally, "make it easier for American companies to compete in the global economy" or "help small companies thrive."

And, lastly:
7) Regional summits!

Don't wait! For a low, low price of $200,800, YEC can offer you our tested strategies in targeting these prominent voters. Your opponent, Mr. Hike McBama, is already using our services to gain an advantage in entrepreneurial hotbeds such as Silicon Valley; he is even receiving campaign donations from entrepreneurs in places as diverse as Dubai and the Cayman Islands. Don't be left out!

Sincerely,

Lobby Ist
President, Yale Entrepreneurial Consultancy