

Chasing the entrepreneurial dream: The case of the Poke-A-Dot Organizer

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ABSTRACT

This teaching case study examines the development and launch of a new consumer product by a solo entrepreneur and the challenges of achieving sales growth in a small, bootstrapped startup with limited resources. The case follows Jane Lee, founder and CEO of Poke-A-Dot, LLC, as she considers her next steps in pursuing her company launch. The narrative discusses the company's history and challenges to achieve sustainable growth. Some major themes presented in the case include market validation, startup marketing strategy, and entrepreneurial passion and resilience.

Keywords: entrepreneurial growth, entrepreneurial passion, entrepreneurial resilience, market validation, entrepreneurial marketing, escalation of commitment



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INTRODUCTION

Jane Lee's entrepreneurial dream was struggling to move forward, and frustration was starting to dominate her thoughts. As she pondered the details of a proposed new marketing campaign, she thought to herself, "When is it time to say enough?" As the founder and creator of the Poke-A-Dot organizer, she had seen many false starts in the sales patterns of her start-up company during the first three years of operations, and during the fourth year, the company had to face a global pandemic. Jane had made substantial personal financial investments in the company since she first conceived of the idea of an adjustable, flexible, portable, and stackable cosmetic organizer designed for the busy professional woman traveler. Many different sales channels had been pursued with limited results, and now it seemed as if she was being forced to put more capital into her dream in a continuous effort to prove the concept and viability of the product. The latest proposal from a new marketing firm called for \$2000 per month in management fees on top of a minimum of \$5000 per month budget for digital advertising expenditures. These figures did not include the cost of developing new digital content, which was also a substantial upfront expenditure. The cumulative price tag recommended in the proposal to jump-start the Poke-A-Dot branding effort was significant for Jane's small, bootstrapped organization. The questions Jane had to decide were, "Will this marketing plan be any different than the previous efforts?" and "Is this product really scalable?" This startup had been Jane's entrepreneurial dream and passion, but, at times, it seemed more like a nightmare.

THE POKE-A-DOT ORGANIZER

Background

In 2014, Jane Lee was employed as a medical sales professional, which required a heavy travel schedule, when she first conceived the idea for the Poke-A-Dot organizer. One problem she experienced as a female business traveler was dealing with broken and spilled cosmetics while on the road. "I would open my makeup bag and my eye shadow or blush powder would have spilled all over...or I would have a broken bottle of liquid foundation. It was a constant mess." Jane added, "My cosmetic bag was always gross. I began to wonder why someone had not come up with a solution to this problem." At that point, Jane, who had previous entrepreneurial experience launching and running her own bakery, began to envision a new entrepreneurial solution for this complication. "I just decided I needed to develop a product to address this problem. If I have this issue, there must be others dealing with the same challenges," she commented. At that stage, the ideation process for the Poke-A-Dot organizer began in earnest.

Product Development

Jane spent three years working on the product design and receiving a utility patent for the Poke-A-Dot organizer. Jane commented, "I just wanted to get it right.... We did a lot of concept testing, put it in front of women, and tried really hard to validate the need." The results of early field-testing and prototyping confirmed that the problem of traveling with cosmetics was indeed real and valid for professional women. The discovery process also seemed to validate the product as a potential solution to this problem. She added, "I went through four engineer designers and multiple prototypes to get to the final version of the organizer.... We tested size, shape, color, and ultimately came down to two versions: one that was clear plastic and another that was solid metallic black plastic" (Exhibit 1).

The final prototype design received approval for a 20-year utility patent based on an eight-star flexible design. The most unique feature of the organizer design is the adjustable dividers that allow users to shape the storage area in a flexible manner to meet their specific individual needs. As Jane likes to say, the organizer is “a puzzle only you can solve.” The product also is stackable, dishwasher safe, and comes with a lifetime warranty. “We wanted the value proposition to be portable, flexible, high-quality, and convenient,” Jane said. The feedback from early adopters of the organizer seemed to confirm that the value proposition had been realized. With a patented product ready for mass production and distribution, Jane created Poke-A-Dot, LLC in early 2017.

Production Supply Chain

Determining where to produce the Poke-A-Dot organizer was another key step in the business launch. “Our first manufacturer was in Florida, and it was not a good company to work with...so we transitioned to a company in Knoxville, Tennessee that has worked much better,” Jane said. However, manufacturing a product of this magnitude in the United States does mean higher product costs. Jane addressed this issue by saying, “I just didn’t want to deal with a Chinese supplier, especially when we are offering a lifetime warranty and our patent is only good in the United States.” The Poke-A-Dot organizer is produced through an injection molding process. Minimal orders of 5000 units are required. Unfortunately, the sales volume needed to achieve significant volume discounts have not yet occurred. However, the current minimal order quantities are high enough to require a significant investment in carried inventory. “We order in bulk as much as we can, but we can’t really capture large quantity discounts without getting really extended into our inventory,” Jane said. Achieving higher sales volume would alleviate inventory costs and also reduce the unit purchase price.

Developing packaging was also a challenge in the early production stage. “Our initial packaging development was a disaster,” Jane commented. “It has been a real learning curve; we now have the belly band with a picture of the product in use, but I think we could do more,” she added. Jane believes that better packaging could be a part of the answer to improving sales, but the package development has been complicated by the company’s omni channel approach to sales, which has made a one-size-fits-all packaging strategy difficult. “Our packaging process has mostly been a disaster from day one.... When we get packaging that works for one sales outlet, it has deficiencies for other outlets. This makes bulk purchasing more costly and difficult to manage,” Jane commented. To date, packaging has continued to be an evolving issue.

Sales Channels

Finding the best sales channels to launch the Poke-A-Dot organizer has been a constant challenge. Jane took her initial prototype to The Cosmetic Market, a niche Tennessee-based cosmetics retailer with four stores; they loved it and immediately placed an order. Jane said, “It was like wow, we are off to the races.... Now we just need to go find some more retailers.” Unfortunately, other retailers were not easy to access. Jane added, “I have tried to reach out to so many big retailers and it is just so tough to get access to pitch your product.” The company has had some retail opportunities in a few regional chain department stores such as Von Maur, but in general the brick-and-mortar retail segment has been difficult to penetrate.

Despite these challenges, Jane was able to use new ecommerce retail options such as The Grommet. “We got into the Grommet in year two and it was great for over a year...but [sales]

really began to decline when the pandemic hit and has been slow ever since,” Jane commented. In late 2018, the business began to sell through Amazon Marketplace. Sales through this outlet have been slow but steady since entering that channel. The same was true of Urban Outfitter Online, QVC, Wayfair, Nordstrom’s Online, and Walmart.com. Each of these ecommerce channels have produced some sales, but they also require substantial time commitments to manage the company’s presence on the platform. So far, evaluating whether the sales levels in these channels justify the cost of channels participation has been difficult.

In addition to the online retailers, Poke-A-Dot also has its own ecommerce business-to-consumer (B2C) website channel. The company website was not initially designed to take orders directly from customers and shipments are still fulfilled locally in Nashville by Jane and a part-time employee. Although direct business-to-customer ecommerce sales have continued to be a small portion of the overall sales. Plans to upgrade the quality of the ecommerce platform have been developed as since the current website was initially designed with the primary purpose of simply providing product information. “We have been told by our marketing advisors that we need to have a true ecommerce website, rather than just an informative company website that takes orders as an afterthought.... Of course, that is another upfront cash intensive investment,” Jane commented.

The challenges in achieving sales growth have been particularly frustrating for Jane. “I am a salesperson professionally; I am not an inventor. So, I know how to sell...but it has been really difficult trying to get access to these retailers,” Jane commented. “Every time I have had an opportunity to talk directly to the buyer, we have gotten an order. I don’t take ‘no’ for an answer,” she added. Overall, since the company’s inception, Jane has utilized direct sales online, trade and craft shows, small retailers, and major online retailers as sale channels. In general, the results have been disappointing as sales have remained relatively flat over the first four years.

Product Demonstration Problem

As the product launch of Poke-A-Dot organizer proceeded, one clear challenge in the marketing of the product emerged: the product needed to be demonstrated for the customer to understand the value proposition and how the organizer works. Specifically, the product’s value proposition was not obvious to a consumer when sitting on a retail store shelf or being pictured online. However, when demonstrated to potential customers during “pop-up” experiences, the product consistently received high marks and increased sales. This led to the development of an infographic to help customers visualize how to use the product (Exhibit 2). Jane commented on this challenge: “One thing I have learned through this whole experience is that people look at this product and say, ‘I don’t get it’...but when it is demonstrated they become really interested.” Additional focus group research conducted on the Poke-a-Dot organizer has confirmed that consumers need to see it demonstrated to understand fully the value proposition. But without significant advertising, product demonstration is a difficult hurdle to achieve in most modern retail channels.

One approach Jane took to address the demonstration problem within brick-and-mortar retail locations was to develop high quality point of purchase (POP) displays. Unfortunately, one of the challenges she encountered during the launch was dispassionate retailers who failed to display her product well. Jane commented, “We developed really elaborate and expensive acrylic stands that displayed the product as it should be used, and the retailers just tossed them out.... I was furious...but what can you do?” There was also a plan to use a QR code to allow customers to be able to scan and watch a demonstration video. However, many retailers did not want the

product to have a QR code as they believe that particular technology is going out of style. Throughout the short history of Jane's business, the product demonstration problem has been a nagging challenge and still unresolved.

Promotional Strategy

Determining how to best promote this product has been another continuing challenge. Jane has attended many trade shows to raise awareness of the product and attempt to gain access to new retailers. Much of the company's sales success has come from trade and craft shows where Jane worked a booth with a heavy focus on product demonstration. One of her best sales outlets has been Christmas Village, a large seasonal craft show located inside the old Nashville Fairgrounds. "When I do Christmas Village, people just come up into the booth and say 'Oh—I just love this product.' They get to touch it and arrange it. They are drawn like a moth to light." Unfortunately, since the pandemic hit in March 2019, many trade and craft shows have been closed, which has severely damaged that sales channel.

Social media marketing has been another struggle for the company. Jane reflected on her feedback from social media marketing experts: "It was always the same message: You have 60 million likes but no click through!" Marketing advisors want Jane to be more active in the social media space. "They say we need you to be super consistent with your organic social media presentation. You need to be active every day on these platforms, leveraging micro-influencers with fresh stories of how users are benefiting from the product," Jane commented. However, from Jane's perspective this has been a difficult ask. She commented, "I am not sure how to find micro-influencers and how to get them to push my product."

The challenges of managing social media marketing have also caused Jane a great deal of stress as she feels underqualified to work in that arena. Jane admitted that she is not comfortable in the social media world. "Being older...social media to me is like another language that I don't really understand and don't really want to learn." She added, "For Jane Lee to get out there and pitch my product I have no lack of confidence...I am a people person...but to navigate this social media world I feel so out of touch."

Unfortunately, some traditional marketing approaches have also failed to deliver for Poke-A-Dot. "I spent \$1600 to be in *Better Homes and Gardens* and I didn't get one order," Jane lamented. She added, "The marketing of this product has been so difficult. I feel like I am spinning seven plates at once and as soon as I get one plate going, I have to go hustle over and keep another one spinning.... It is exhausting." Since promoting the product in an efficient manner has remained a major challenge for the business, her marketing advisors have concluded that ensuring that the cost of customer acquisition declines over time is critical to make this product viable in the long run. That outcome requires higher product awareness with lower direct marketing expenses, a mix the company has not yet found.

Finally, Poke-A-Dot has had some success in implementing a social responsibility initiative working with the WYCA domestic violence shelter program. Jane proudly describes the program: "They give each family one of our organizers, and they can put it in the safe in their room with their valuables...pictures, money, jewelry, keys, whatever...and then when they go to a new place, they can take their organizer with them." She added, "Our message to these women and often teenage girls is that through this small product gift we can help turn chaos into calm." Jane has been quick to add that the support of this program is not merely a way to promote the business, but rather a unique opportunity for her company to help provide a product that uniquely matches a social need. She added, "We aren't doing this to increase sales. We are doing it

because we can help.” In fact, there has been no marketing or publicity of this social initiative by the company, although the marketing advisors would like to use the story to support the brand.

Other Potential Markets?

Although the product was initially designed for the cosmetics market, an ongoing question for Jane has been, “Are there other potentially superior markets for this product and its unique design?” The answer to that question has remained unclear. “We have been approached by a leading developer of quilting supplies who thinks our product fits their customer needs well,” Jane says. She added, “We have had people say this is perfect for small tools, drill bits, computer parts, and art supplies, but really it could be used for anything small that needs organizing.” Unfortunately, that is an extremely broad market to segment. For this reason, the challenge for Poke-A-Dot has been determining which new customer uses would be most attractive to pursue. As Jane expressed, “It would take a lot of marketing research to determine where the best opportunities lie.” Jane has remained open to the possibilities of new customer groups, but with limited resources exploring these potential markets is difficult.

In addition to determining the best new market opportunities for the Poke-A-Dot organizer, a nagging question concerning the need for rebranding remains. “If we decided that small tools are the best alternative use, as Ace Hardware has suggested, then do we need a new more masculine name? I don’t know,” Jane commented. Any rebranding strategies would require even more marketing investments for an already cash-strapped business. The possibilities of divergent use markets have made the already challenging startup marketing strategy more difficult to define.

Other Potential Business Options

Throughout this entrepreneurial journey Jane has resisted looking for outside investors and has not yet seriously considered any exit strategies. “We were approached by a European container company that wanted to put us in their catalog and make an investment in the company, but there were concerns about our intellectual property rights as we do not currently have an international patent...and I am not sure it has proven itself well enough in the United States to spend the money on an international patent,” Jane commented. She later added, “I’ve had people say: ‘You should go on Shark Tank’ or whatever...I just don’t know that I am comfortable with bringing in an investor at this stage.” Jane acknowledges that she would consider selling the business if she could come out of it with some cash and future opportunities to share in the profits if the business were to scale. “Sure, I would absolutely consider selling it if I could get some residuals from the ongoing sales. I had hoped to make this my retirement job and I will later this year be doing this exclusively, but it has to be feasible to continue long-term,” Jane said. She has also considered using crowdfunding to attempt to provide additional capital to help scale the company. Basically, with so many unanswered questions, Jane has not ruled out any future business options regarding Poke-a-Dot.

CONCLUSION—WHAT NOW?

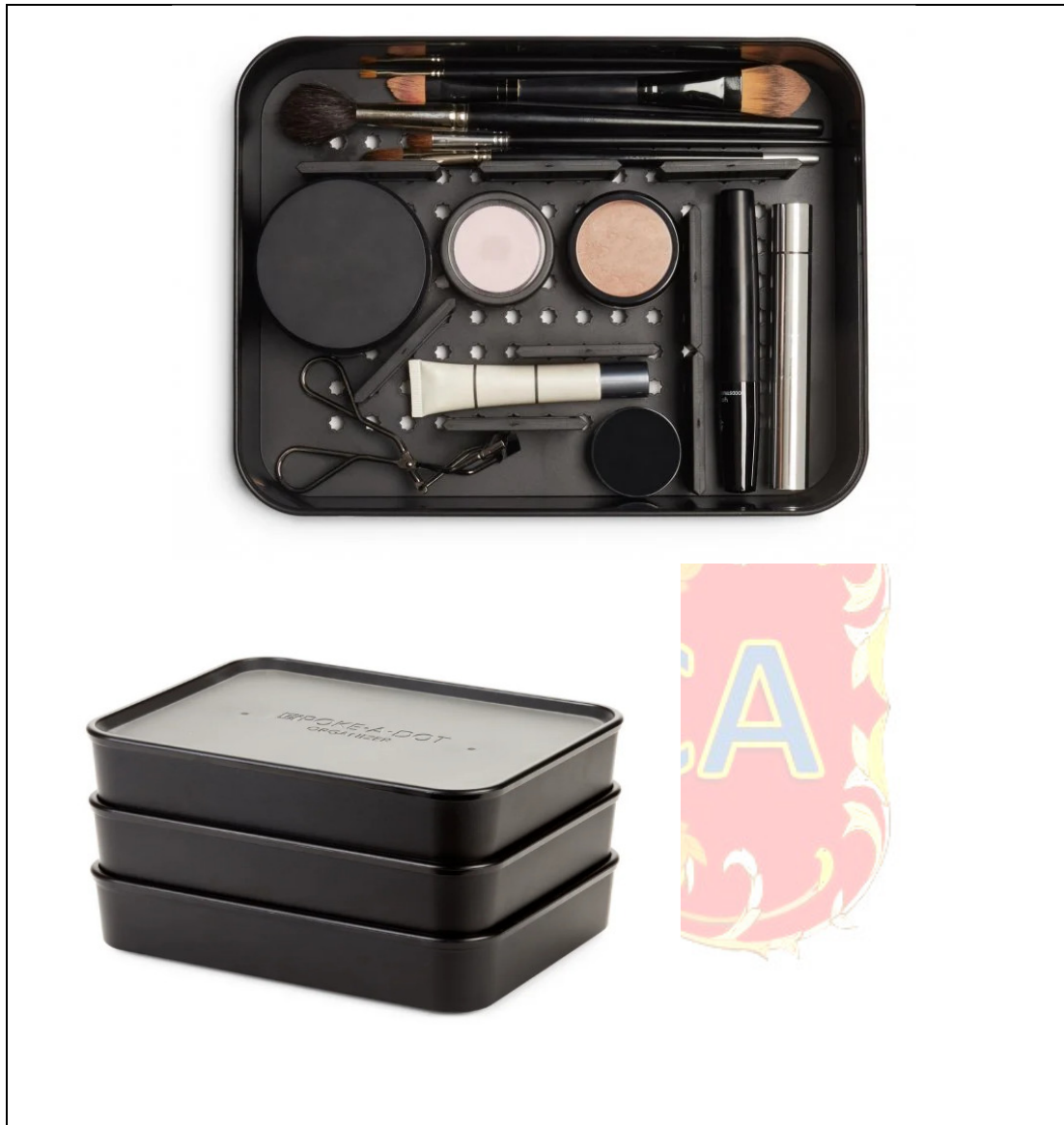
Sipping her morning coffee with the latest marketing plan proposal in hand, Jane now faced a big decision. Should she invest more of her personal capital into trying to scale her entrepreneurial dream or accept a smaller business model with less scale? Jane’s entrepreneurial drive, passion, and resilience have remained high, but many doubts about the future of the

company and the product's viability have persisted. "Have we proved the concept yet? I just don't know," Jane asks rhetorically. Still the challenges have left her frustrated. "If we invested \$1 million in promoting the product, would it sell? I don't know...but I just feel in my gut that this is a valid product." Taking another sip of her coffee, Jane concludes, "I know I have to do something. Maybe this proposal is it?"



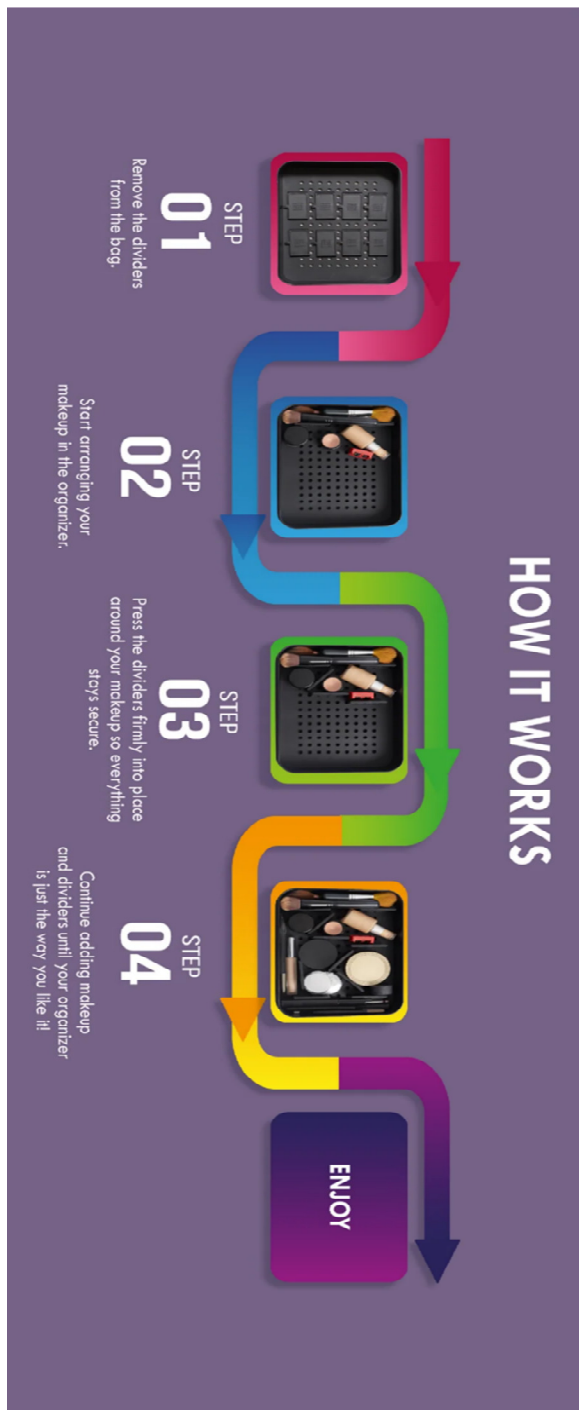
APPENDIX

Exhibit 1: The Poke-A-Dot Organizer



Source: Poke-A-Dot, LLC.

Exhibit 2: The Product Demo Informatic



Source: Poke-A-Dot, LLC.

TEACHING NOTES

Case Summary

This case study follows the early stage launch path of a new company and product called Poke-a-Dot organizer and its founder Jane Lee. The case is both descriptive and decisional in format. It is description because there are many lessons learned in the narrative of the founding story, but the case also contains a decisional element regarding the next steps for the launch of the business. Students can reflect on the process of launching a new product and the difficulty in scaling a bootstrapped startup. The case also presents themes related to choosing the best marketing strategy and potential rebranding opportunities. Market validation challenges and escalation of commitment are also potential themes to discuss in the class setting.

Research Methods

This case was developed based on extensive field study with the company, including in-depth interviews and document analysis. This is a real case scenario and names have not been disguised.

Key Topics/Learning Objectives

In completing this assignment, students should be able to:

1. Evaluate the process of market validation for a new product launch.
2. Assess potential decision-making traps including fallacy of sunk costs and escalation of commitment.
3. Create a proposed marketing strategy for a new product including channel selection and promotional tactics.
4. Evaluate potential alternative options for growing a start-up business.
5. Analyze the role of entrepreneurial passion and resilience in launching a new business.

Discussion Questions

1. Evaluate the level of market validation the Poke-A-Dot organizer has received in the launch process. What other signs would you look for to validate the market for this product?
2. What role does the amount of financial and emotional investment Jane has spent in launching this business play in any decisions concerning further investment in this business?
3. How would you market the Poke-A-Dot organizer? How does the demonstration problem impact your proposed marketing strategy?
4. What are some potential alternative options for Poke-a-Dot to grow the business? Which of these potential options would you pursue? Why?
5. Evaluate the role of Jane's entrepreneurial passion and resilience in the launch process. Is this a strength or a weakness?

Answers to Discussion Questions

1. **Evaluate the level of market validation the Poke-A-Dot organizer has received in the launch process. What other signs would you look for to valid the market for this product?**

Market validation is one of the biggest challenges facing any startup business, especially when introducing a new product (Aulet, 2013; Bortolini et al., 2021). The problem in this case is that the Poke-a-Dot organizer has produced mixed results in the market validation process. The product has performed well with end users in settings where it can be demonstrated effectively to showcase the value proposition. Many retailers, both traditional and online, have also been attracted to the product. However, the retail buyers have also had access to a demonstration of how the product works. At this point it would be premature to say the product has proven market validation, although it could be argued that it has shown potential and that limited proof of concept has been achieved. It also would be accurate to say that the product has likely not had enough advertising and promotional resources applied to a launch of a product in a segment as dense and competitive as the consumer goods sector in which the company competes. At this point you could effectively argue the product has shown some organic ability to grow, but not enough to ensure sustainability. Ultimately, for a startup it would be beneficial to see steady signs of product demand in the various channels where the product is accessible. Additional signs which any startup with similar products would consider desirable would include metrics such as rising click-to-purchase (conversion) ratio, as well as more evidence of increased product awareness within the target market.

2. What role does the amount of financial and emotional investment Jane has spent in launching this business play in the decisions concerning further investment in this business?

Ideally, the amount of capital Jane has previously invested in the Poke-a-Dot business launch would have no influence on the decision whether to invest in additional marketing efforts. Prior capital investments should be considered sunk costs and any influence they would hold would be considered a sunk cost fallacy (Corporate Finance Institute, 2021). Unfortunately, it is difficult to mentally remove the sunk cost from evaluation processes as there is often a psychological yearning to recover those previous investments. Additionally, business leaders are often subject to the decision-making bias of escalation of commitment which also can cause future investments to be made due to high levels of emotional investment in the successful desired outcome (Tversky & Kahneman, 1974). Jane should focus her analysis of any new proposed expenditures on the merits of the desired returns on this investment alone and remove the memory of previous investments from her evaluation. Trying to avoid sunk cost fallacy or escalation of commitment is very difficult in the launch process of a new product because this stage is usually characterized by high uncertainty and constant investment needs.

3. How would you market the Poke-A-Dot organizer? How does the demonstration problem impact your proposed marketing strategy?

There are many possible answers to this question and student responses will vary. Ideally, a proposed marketing strategy for the Poke-a-Dot product will increase both awareness and accessibility. Each of these variables are generally a function of sales channels and promotional strategy. The demonstration problem complicates this equation. Most

students will agree with the proposed plan to increase social media marketing presence and the use of micro influencers as suggested by the marketing advisors in the case. Other more specific options may include using infomercials to attempt to address the demonstration problem. The challenge with that approach is that getting consumers to watch an infomercial through an online social media platform may prove challenging. Jane has had trouble getting point-of-purchase (POP) displays placed in brick-and-mortar retail establishments, but that option also has potential. Additionally, QR codes could help provide demonstration options for both traditional and online retail sales channels. An argument could be made for reassessing the omni channel sales approach to see if increased channel selectivity would strengthen the brand attractiveness. However, most startups are reluctant to give up revenue streams by reducing channel accessibility. Awareness of the need to demonstrate the product must be an important element in any marketing strategy for this business.

4. What are some potential alternative options for Poke-a-Dot to grow the business? Which of these potential options would you pursue? Why?

There are many alternative options in the Poke-a-Dot narrative which could potentially grow the business and student responses will vary. First, the company could invest more in the promotional strategy of the product as proposed by the new marketing advisors. This investment could lead to increased sales by motivating more consumer demand. This approach probably would require increased investments in social media marketing and bringing more expertise in that area to help with Jane's apprehension in the space. The risks with this approach would include the possibility that the product doesn't really have a broad market appeal and is not really validated. A second option is to determine some new market segments to push the product outside of the cosmetics market. This would also require more resources to properly identify the most promising new uses and to rebrand the organizer for these new markets. Ultimately, Jane could take on outside investment to acquire the capital to pursue any new options rather than continuing with a bootstrapped financing model.

5. Evaluate the role of Jane's entrepreneurial passion and resilience in the launch process. Is this a strength or a weakness?

Entrepreneurial passion and resilience are both major strengths for leaders involved in a new venture launch. Passion for the product and the value proposition presented to customers is considered a key success factor in entrepreneurship as it directly influences motivation (Fisher et al., 2017; Thorgren & Wincent, 2015). Entrepreneurial resilience is also highly important for survival and adaptability of new business launches (Branicki et al., 2018; Lee & Wang, 2017; Santoro et al., 2020). Jane has repeatedly demonstrated high levels of both passion and resilience throughout the Poke-a-Dot launch process. This trait should be beneficial and increase the chances of business success. The only potential weakness is that, at times, entrepreneurial passion and resilience can lead to the previously discussed problems of sunk cost fallacy and escalation of commitment. However, since Jane is outwardly asking the question, "When is it time to say enough?",

it is unlikely that she would not fall into that trap. In general, entrepreneurial passion and resilience are strengths associated with new business success.



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