

# Entrepreneur magazine - December 2002 By Joshua Kurlantzick

## What's Hot: Searching high and low for the next Bill Gates



In today's lackluster economy, even corporate giants like GE are getting trashed by investors, consumers and the press. A bad time to launch a company? Hardly. Some of America's most prominent entrepreneurs, from Bill Gates to Starbucks' Howard Schultz, got their start during weak economies, when they were forced to build well-run companies without having wads of cash thrown at them.

We asked some of today's savviest investors and insiders who they're betting on to be the next Gates or Schultz. One contender is serial entrepreneur Mark Galvin, 42, who co-founded his third company, Derry, New Hampshire-based Cedar Point Communications, in 2000. Cedar Point now has 74 employees and, with its revolutionary voice equipment allowing cable operators to provide telephone services, is being touted by investors as a legend in the making. According to Todd Dages, a general partner at leading VC firm

Battery Ventures, Cedar Point's technology has a potential market of more than \$2 billion.

This technology, combined with Galvin's personnel skills, has helped the company raise a massive amount of capital this year--about \$19 million from Battery Ventures and another fund--despite the horrific tech environment. (Thirty VC funds shut down in the second quarter of 2002 alone.) "We had not made an investment in a year, but if you can find a tremendous team like Cedar Point that has an entrée into an extremely attractive field, you have to back them," says Dages. "Galvin has been smart. He realizes that in this environment, only the strongest teams will survive."

Though technology firms still dominate the start-up field, savvy entrepreneur organizations and financiers also are looking outside IT for potential success stories. John May, co-founder of the Washington Dinner Club, an exclusive group of investors that meets every month in an upscale eatery and decides which young companies to sponsor, likes Seth Goldman, 37, co-founder and "TEAEO" of Bethesda, Maryland-based Honest Tea. Several members of the club liked Goldman and his young company so much, they became key investors in Honest Tea.

After graduating from Yale School of Management in the mid-1990s, Goldman realized that America lacked a beverage that bridged the ground between flavorless bottled waters and sugary juices, iced teas and soft drinks. After a visit to tea-producing regions of India by company co-founder Barry Nalebuff, the two came up with Honest Tea, a slightly sweetened cold tea beverage made from organic tea leaves. The partners based Honest Tea's flavors on recipes discovered in countries as diverse as Indonesia and Morocco. The company also has adopted a Ben and Jerry's-esque formula of using the product to promote social responsibility, a notion that goes over well in natural foods stores, the first retailers to put Honest Tea on their shelves.

Goldman appears to have found a niche, and Honest could do for tea what Starbucks did for java-tweaking an ordinary product enough to make it slightly upscale yet attractive to massive numbers of consumers. "Tea is 10 years behind coffee in terms of average Americans' knowledge of the product, but people are starting to appreciate fine teas," says Goldman. Since its inception in 1998, Honest has become the fastest-expanding bottled brand of tea in the natural foods sector (natural foods are the only growing segment of the American food industry). The company will top \$5 million in sales this year, and it has begun to break into supermarkets and other mainstream outlets. "Honest Tea has a huge future, potentially on the level of Stonyfield Farm Yogurt or Starbucks," says May.

**And then there's Michael Biddle, the founder of Richmond, California-based MBA Polymers, one of the first companies to recognize the massive potential in recycling computers and other hard plastics. "People in YEO [Young Entrepreneurs Organization] have been buzzing about MBA Polymers, because they think Mike Biddle is going to be a star," says Matt Mladenka of YEO, an international organization for entrepreneurs under 40.**

**Just how big a market does it take to make a star? Automobile manufacturers, just one segment of the market, will probably demand 1 billion pounds of recycled hard plastic per year--and only Biddle's 21-employee company possesses the technology to produce it. "Even though we're small, we're the world leader in what we do," says Biddle, 46. "And ultimately we'll be the ones providing that recycled plastic to companies like GM."**