Diversification and Its Role in Entrepreneurial Success



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If you are a serial entrepreneur, you've undoubtedly been here before – You have a great business, selling one thing. Maybe its growing oranges and selling them to a processor of orange juice. Maybe you own an eBike franchise and you rent eBikes. Or maybe you sell legal newsletters. You are very good at selling these products and services, leading to what many would classify as an entrepreneurial success. Let me share an experience I had during the pandemic and how diversification shielded me from potentially disastrous consequences.

Prior to the pandemic, in the winter of 2019-20, I was pursuing two interesting businesses. The first was the concept of luxury group homes or the idea that it would be easier to admit someone who was accustomed to a certain lifestyle in a

luxury group home rather than a traditional group home. The step down from living in their own house to being placed in a single room in a traditional group home could be life-altering and hasten their demise. Combine the concept with the idea that there was a plethora of luxury homes in the Phoenix area, where I had significant real estate and construction connections, and the die was cast. By February of 2020, I had purchased several luxury homes and was in the process of retrofitting them. Then the pandemic hit, and group homes were bearing the brunt of it. I was left with inventory that I had to make mortgage payments on, while maintaining their upkeep.

The second centered on the concept of cannabis churches in California. Legal precedent in that state had established that cannabis could be considered a sacrament, much like wine is considered a sacrament in the Catholic church. So, I purchased a cannabis church in Los Angeles in the winter of 2020. Parishioners would visit the church, listen and participate in a sermon while partaking of the sacrament. Then the pandemic hit, and restrictions were placed on gatherings in California. We briefly explored delivering sacrament to the homes of parishioners, but local law enforcement frowned upon this concept. Timing is everything. Today, in South Florida, those who partake in cannabis can literally order delivery of cannabis through WhatsApp, and it will be delivered to their door, not as a sacrament, but as a recreational drug.

Regardless, two business ideas were destroyed, and I was left with a significant financial responsibility. Fortunately, I embraced diversification. My company, Burns Funding, which provides alternative funding resources to existing and would-be entrepreneurs, was thriving. I was able to absorb the financial blows and start other businesses. So, how do you embrace diversification as an entrepreneur? Here are three very simple ways:

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1. Become a channel

Taking the example I gave above regarding the owner of orange groves, explore making your place of business a destination that sells other people's products. There's an operation near the tiny town of Arcadia, Florida called Joshua Citrus. Since it was started 33 years ago with a retail store front and grove stand right in the middle of the old family grove and homestead, the family/entrepreneurs expanded their retail store front to sell other companies' products, like jams, jellies and honey. This helps protect their revenue stream if a freeze should affect their crop.

2. Take advantage of a trend

Perhaps you own, or are thinking about buying, an eBike franchise. Owning and operating one of these can be very profitable. The only flag on the field that I can foresee would be oversaturation. eBike franchises are popping up left and right, meaning that the entrepreneur could experience diminished market share. Consumers are also buying eBikes, especially in retirement markets like Florida, Arizona and California. You can take advantage of this trend and diversify your revenues streams by repairing eBikes.

Here's another example: Decades ago, I started a moped rental business in the Northeast. I was among the first to do so. As other entrepreneurs came into the space, I realized that there was something missing in the industry – insurance for these budding operators. I worked with an insurance carrier to create a product I could sell to my competition, solving a problem they were having, while diversifying my revenue stream.

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3. Parlay your skill into another area

I have a friend whose passion is journalism. Back in 2001, he was working as a corporate communicator for a large technology, publicly traded company. When the company had a reorganization and offered a lucrative severance package, he took the money and started a legal newsletter publishing business. The problem was, he had limited existing revenue, so it would take a few years to build the business. He understood that while his passion was journalism, his best hope for sustaining the business was to diversify. The logical direction was to parlay a skill he had (writing) into another area. He started a public relations firm, which enabled him to build his journalism business. While he could have moved on from PR, he understood that diversification would protect his journalism business from threats, like competition. Thus, he maintains the PR firm to this day.

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As you can see, diversification is extremely beneficial, and now you have three simple ways to facilitate it. Diversification can protect the entrepreneur and help us all achieve our dreams.

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