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Mentoring Assignment Two

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“By submitting this reflection, the members of our mentoring team affirm that we all participated in the meeting/call with our assigned mentor and we all participated in the creation of this reflection document.”
David Garfinkle started his professional career as an entertainment lawyer dealing with copyright and sweepstakes law before creating his own production company, Hello Entertainment, producing Broadway plays across the globe. Each of his two ventures were started similarly, but were different in the ways they were maintained. Garfinkle heavily stressed budgeting and legitimacy throughout his call with us.

When starting his law firm, Garfinkle began working from home to conserve costs, and caught a break by bartering his legal services for an office space with the Chicago Sun Times overlooking the Chicago River. It was an ideal space for a newly established firm, and gave him legitimacy to garner new clients. As his own sole investor in the firm, this free space allowed him to spend his money on advertising, office supplies, and employees. 

When getting investors for Hello Entertainment, Garfinkle established his validity as a producer by his many years working as an entertainment lawyer and buying the rights to Broadway plays like Spider Man and Ghost. If investors were not willing to invest in his company, he would persuade them to invest in one Broadway play, so that they could reap the benefits on certain plays without being liable for the company potentially failing. However, due to his lack of financial savvy, he hired financial advisors to budget his money and hire new talent. When speaking about investment rounds, Garfinkle mentioned an episode of Silicon Valley where two young entrepreneurs became so caught up in investor’s money that they lost their majority stake in the company. He was getting the point across that success is based on pennies, and that a company must be started frugally.

At his law firm, clients from his former firm followed him to his new firm, making his go-to-market strategy start by the quality of his previous work. These high-profile clients would recommend Garfinkle to their friends, giving him new clients and investors. For Hello Entertainment, Garfinkle hired separate advertisement agencies to market his Broadway plays, spending $1-$1.5M in advertising on each production. These agencies maintained his social media accounts, and offered ticket promotions to celebrities and critics with the hope that they would blog about their experience.
Ticket pricing is more complex for each Broadway play. Competition pricing and demographics of the specific audience must be taken into account to meet the average salary of the audience. For *Spider Man*, Sony gave Garfinkle the demographics of the audience for *Spider Man* the movie, which Garfinkle used to adjust pricing to fit a lower-average income crowd. Garfinkle also adopted the market strategy of lowering ticket pricing on weekdays, and raising them on weekends. He constantly adjusts prices to meet his approximately 500-person potential ticket sale per night.

When raising capital, Garfinkle stressed the importance of developing an item by item breakdown of what the money will be used for before starting a funding round. Without a meticulous plan for what the company will be investing in, it is hard to explain to investors why the company is worth $10M. It is essential to project the benefit of each investment, forecasting how long each will take to return profit. For example, if an incorrect projection model is built and production profits don’t meet investment assumptions, the company will blow through 60% of the funding. This would require the company to raise a second round of capital, selling more shares at a lower price, ultimately diluting the value of previous shareholders’ investments. Garfinkle was savvy when it came to raising capital and emphasized his obsession with keeping an eye on the bottom line to ensure he stayed in business.

Throughout our interview with Garfinkle about finance and go-to-market strategy, he stressed three challenges. The first is that *success is in the pennies*. Every cost has to be essential, and if there is a cheaper way around obtaining the same item, take that route. Garfinkle obeyed this rule with his law firm by buying secondhand office supplies from out-of-business firms. The second point is that you cannot expect to know everything. Garfinkle’s expertise is in obtaining rights to plays and communicating with and convincing investors. He lacked advertising and Broadway set knowledge, so he hired separate advertising firms and a production manager. The final takeaway is that you must remain true to your values. When you have a great idea, investors will throw a lot of money at you in hopes of making a profit, but you must always know your worth.