

# Start Me Up

Brad Keywell, BBA '91/JD '93: "Inefficiency is Another Word for Opportunity"

By Amy Spooner // Illustration by Sarah Hanson

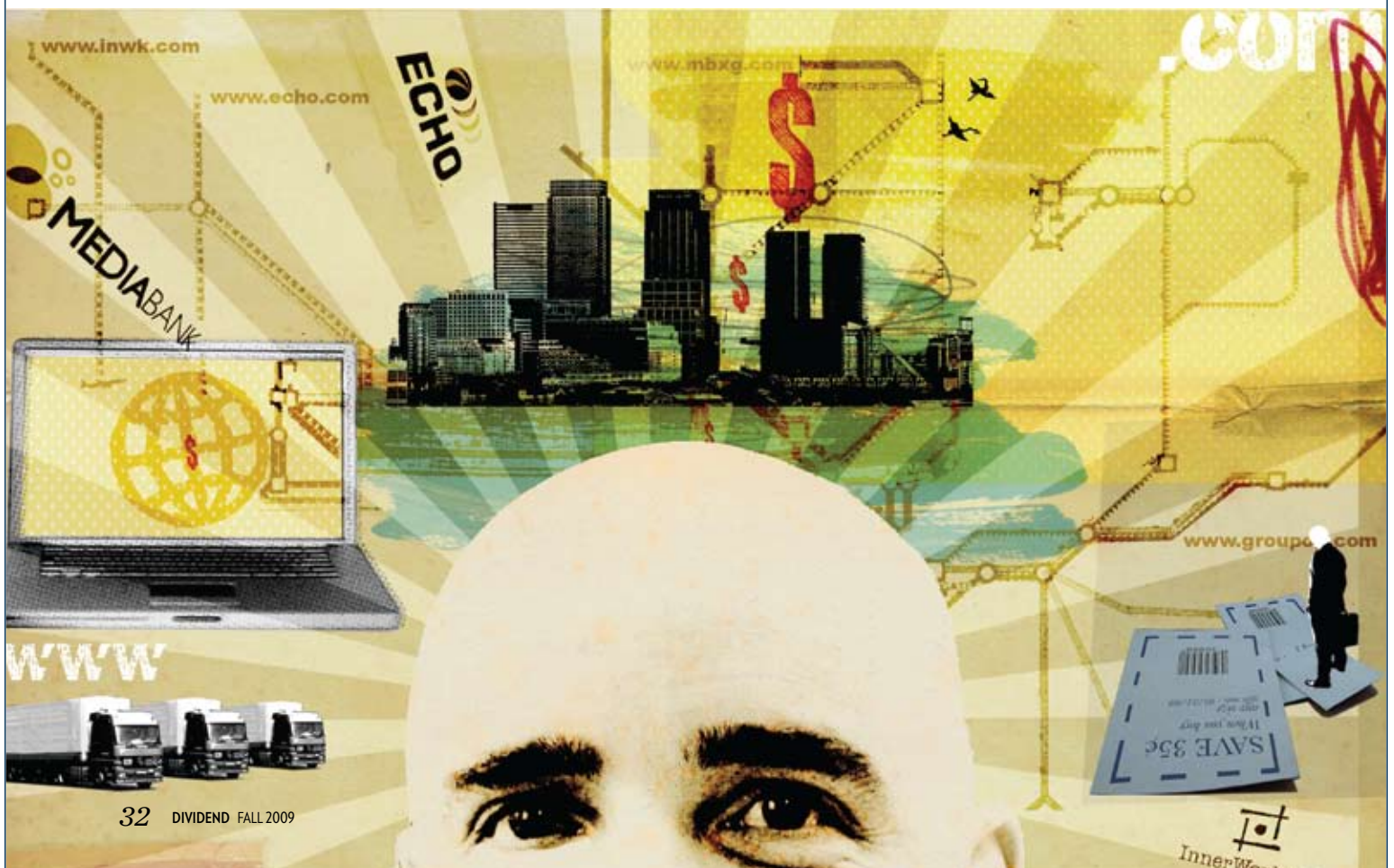
**B**rad Keywell, BBA '91/JD '93, has a history of being the odd man out.

He entered law school with no intention of being a lawyer. While his undergrad classmates studied business fundamentals he founded three ventures and still managed to graduate with honors. And as a sophomore without a declared major he wangled his way into an MBA course on entrepreneurship.

By the end of the class he'd earned top marks, an offer to co-author a book with the professor, and the respect of Sam Zell, the billionaire entrepreneur who endowed the course.

"At the end of my initial conversation with Sam he said, 'I don't care what you were thinking about doing during your summers in college – you need to come spend time with me,'" Keywell says. It was an offer he could not refuse. "An opportunity to learn from one of the great entrepreneurs of our time is one you don't pass up."

It was Zell's encouragement, along with advice from Keywell's father, that convinced the fledgling entrepreneur to enter law school. "Legal education creates a rigor of thought that's not presented in other areas," he says. "To have that discipline as you assess different risk/reward equations is a great asset in business."



I had to put my business ambition temporarily on hold, but it was an investment that was well worth it.”

While law school classmates competed for resume-enhancing opportunities on the *Michigan Law Review* and vied for prime clerkships, Keywell researched businesses to acquire or start. He spent part of each summer working with Zell, and in his third year of law school he scheduled his classes on Monday and Tuesday so he could work the rest of the week for Zell’s mergers and acquisitions group in Chicago. Along with Eric Lefkofsky, AB ’91/JD ’93, he acquired his first post-law school business, in the licensed sportswear industry. The two have been business partners ever since.

In 1999, Keywell founded Starbelly, an online promotional product supply chain management firm. It was partially a case of being in the right place at the right time. “Businesses were growing so fast,” he says. “We went from startup to 210 employees in 10 months. It was a period of time that probably will not be repeated.” At 29, Keywell sold Starbelly for \$240 million and became president of its parent, NYSE company HA-LO Industries.

The ensuing euphoria was short-lived. “We walked into a company that was much more troubled than we’d thought,” he says. Keywell stayed with HA-LO for a year; the company filed for Chapter 11 nine months after he left. “We believed we could effect change, but we learned a company with \$800 million in revenue and 7,000 employees moves like an ocean liner, not a speedboat. We were used to speedboat situations.”

Keywell walked away from the experience with a keen understanding of his own capacity. “Now I spend time focusing on my strengths instead of areas where I’m not as comfortable or proficient,” he says.

At the core of his strategy: the business plan. “Business plans are the best way to challenge yourself in an unemotional, brutally honest way, forcing you to articulate the risks and rewards of the idea,” he says. “It asks, ‘What does this business look like? What would it feel like to try to get it off the ground, and what are the barriers?’ In looking at the barriers, I look for reasons why I shouldn’t do this rather than the reasons I should. Every once in awhile an idea survives that pretty tough filter and you say, ‘I can’t not do this — I must do it.’”

Four of those ideas are now businesses started by Keywell and Lefkofsky. They employ more than 1,500 people and garner nearly a billion dollars annually in combined revenue. “Each business plays on our strengths: building great technology, finding and exploiting supply-and-demand imbalance and arbitrage, and creating models where we can succeed by helping others save money,” Keywell says. “We prefer situations where our capital is spent to create technology and informational advantage, capturing data that is otherwise unavailable in the market. We avoid situations where we are the manufacturer or are buying equipment and building inventory.”

Accordingly none of the four businesses has any inventory. Instead they use technology to identify and solve inefficiencies. Each firm is independent with separate capital structures and boards of directors. Keywell likens them to individual children. “They’re each

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separated by two or three years and they’re all at different stages with different needs, responsibilities, personalities, and challenges.”

Their mission, however, binds them together. “All four do the same thing in different spaces,” says Keywell. InnerWorkings focuses on the effective procurement, management, and delivery of print and promotional products. It is a public company listed on NASDAQ. Echo Global Logistics optimizes procurement and management in the transportation industry and has an S-1 on file with the SEC. MediaBank provides integrated procurement systems, advanced analytics platforms, and trading functionality to the advertising and media-buying industries.

The fourth company, Groupon, utilizes social networking to enable group purchasing. The business initially was called The Point, and it provided a platform for people to organize in groups to promote social change. “What evolved was the recognition that groups are the primary source of buying leverage, but they had no effective way of getting together to buy stuff,” Keywell says. “We’ve solved the problem and enabled merchants to use the Internet to reach consumers with fantastic offers on a daily basis.”

Groupon is a daily Internet coupon offering substantial discounts on goods and services ranging from trendy restaurants to Zipcars. But it’s only valid if the daily quota of people participates. One Groupon per day is offered in each city, and at the end of the day the deal is gone. The concept is completely viral with consumers opting to receive the daily Groupon announcement. Currently about 250,000 people nationwide receive a Groupon email each day. Launched in November 2008, Groupons are offered in Chicago, New York, Boston, San Francisco, Washington, D.C., Atlanta, Los Angeles, and other cities.

While some may perceive entrepreneurship as too risky in a volatile economy, Keywell sees no compelling alternatives. “An entrepreneur is somebody who can’t not be an entrepreneur,” he says. “If you ask artists why they’re artists, they’ll say, ‘Because I’m an artist. That’s who I am; I wouldn’t know how not to be an artist.’ That’s how I feel about creating businesses — it’s what I do and who I am.”

For Keywell today’s economy presents a blank canvas. “This is a time when inefficiencies are magnified and solving them creates exponential benefit,” he says. “Inefficiency is another word for opportunity. We’ve created a series of businesses that address inefficiencies. The need for even more businesses and more solutions to inefficiencies is greater today than ever.” ✖