

Ep #250: Unscalable Business: The Mom-and-Pop Shop Business Model

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With Your Host

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I Am Your Korean Mom with Simone Grace Seol

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Hey, I'm Simone Seol, and *I Am Your Korean Mom* that you never knew you needed. This is an uncensored business podcast where we howl at the capitalist patriarchy, and rediscover our own wild way.

Hey, guys, I wanted to share with you something that's been on my mind a lot. Something that I've been thinking about. It's about a whole new kind of business model. Which is not actually new, it's actually very old. It might even be ancient. But I think it's kind of new, in the sense that I haven't seen a lot of talk of this in the wider online business world.

Again, that's not to say that people haven't talked about it or practiced it, I am sure that they do. But I think a lot of it is kind of overpowered by all the loudest noise that's coming from all the people who are like, grow, grow, grow, hustle, hustle, hustle, bro marketing and all that stuff, right?

So, when I say it's new, I put a giant asterisk on that. So, it's not actually new. I do acknowledge that a lot of people are quietly practicing this. And I know that, because many of my clients are. But I kind of want to put a name to it and introduce it to you as a framework. It may be even too early to call it a framework. But anyway, I want to present it to you in the way that I'm thinking about it right now.

It's still in the middle of being formed, fully formed, in my brain, but I want to share with you my work in progress. That is, how to think about a business whose aim is not to grow to infinity, whose aim is not to scale. I'm going to call this "The Unscaled Business" and "The Unscalable Business". The way that I want to call it, to make it stick to your ears, to make it kind of fun, is to invite you to think of it as a mom-and-pop shop model of business. As opposed to the giant corporate model of business.

But it's not just any mom-and-pop shop, but the kind of mom-and-pop shop that is a neighborhood treasure and a pillar of community. Now, I don't know if you know of these businesses, if you have known of them in your

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life growing up, or maybe you know them in real life right now in your community. But I was lucky enough to have seen quite a few of these businesses when I was young. And still, where I live in Korea.

There are a lot of big corporations in Korea, and multinationals that have a presence in Korea, but I feel very lucky that I still live in a time where a lot of small businesses have a strong presence in the community. And these are mom-and-pop shops. They're not literally always run by mom-and-pop, but it's a manner of speaking and trying to connote a certain kind of vibe.

Again, not just any mom-and-pop shop, but the kind that is considered a neighborhood treasure. The kind of shop, restaurant, whatever it is, where people say, "Oh, my God, you have to visit this place, if you come to our neighborhood. It's a treasure." The kind that serves as a pillar of community somehow. As if the community would be less, it wouldn't be quiet itself, it wouldn't be fully vibrant without this establishment, without this business.

So, it's kind of clunky, but I'm going to call it "the mom-and-pop shop business model that is a neighborhood treasure and pillar of community". I've been thinking about what are the common characteristics of the mom-and-pop shop business model? And what do they stand for? What do they all have in common?

I've been reading, over the years, I've been kind of reading books about these kinds of businesses, because they fascinate me. I've been studying them in real life and reading whatever books I can find about specific businesses that have become like a case study for this kind of way of doing business. I was able to draw some broad patterns.

I want to tell you that these patterns don't apply 100% to every single one of these businesses. And in some ways, I'm kind of talking about an idealized version. But what I'm about to offer you is an amalgamation of what I understand to be some of the common patterns of these businesses.

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So, I want to lay out a few characteristics, a few things that really make these businesses what they are. And enable them to be so strong and have such a powerful and impactful presence in their communities. And make them resilient and sustainable and so treasured, so valued, by the communities they serve beyond the immediate transactions that take place.

The first characteristics of these businesses is that they prioritize relationships over profit. So, an example of prioritizing relationship over profit. Let's say you are a restaurant. I'm going to keep going back to, probably, restaurant examples. Because mom-and-pop shops, as far as they go, a lot of the examples that I know are of restaurants.

Let's say there's a small restaurant like that in the neighborhood. There are a few servers that work in that restaurant. Let's say one of the servers get sick, or one of the server's has a family crisis or a family emergency, and can't work for a while. In these kinds of establishments, it's not like, "Oh, you can't pull your weight? You can't do the chef's... Oh, well, I guess you're fired because the restaurant really needs you. We're going to replace you with somebody who can work."

No, they prioritize the relationship they have with that server, as a human being, over expediency, over "efficiency", and over immediate bottom line. So, what restaurant like that might do is have the other servers maybe volunteer to pitch in, do a little extra shifts here and there, work a little bit longer hours. The owner will step in and maybe go into the kitchen and do stuff that they normally wouldn't do, to cover for that employee. So, that that employee doesn't have to be fired. Whenever they can come back they can come back, and resume their role.

That's just one example of prioritizing relationship. Maybe in such a restaurant, if a customer has been loyal for a really long time... maybe if somebody has fallen on hard times, it's not like, "Oh, you can't eat here anymore." Maybe they get discounted meals. Or if there's, I don't know, a big party in the community, or a death in the community, they're there for those relationships. They might serve food for free or at discount.

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It's all about nurturing the relationships over what's going to give us the biggest bottom line in the short term. So, that's one: Prioritizing relationship over profit. And as I'm talking about it, even though I'm giving examples of restaurants, because I think it's a really neat analogy, I invite you to think about how this applies to your business, whether it's product based or service based.

Because the only reason I'm talking about this, obviously, is because I think there's a lot for us to learn from this model, and from the examples that we personally know of in our lives and our communities. And so, think about it, "Okay, so what would that mean for me in my business..." Which is maybe a very different form than a neighborhood coffee shop, or neighborhood restaurant. But nonetheless, "... if I can take that principle and incorporate that into my business? What would that look like?" So, I want to give you that invitation.

Secondly, the mom-and-pop shop business model, they are value driven and quality driven. They have a set of values. Like, "We value these things. We will accept a minimum quality of this. We're going to choose our values. We're going to choose quality, even when it cuts into profit."

So, an example that I want to give here is the fast-food burger chain In-N-Out. And In-N-Out is not a perfect example, because it has scaled up a lot. I'm from California, where In-N-Out was born, but I've been away from California for so long, I don't know the ins and outs of what's actually happening. Ins and outs of In-N-Out. Again, I'm saying this is not a perfect example, but this is something that they stood for, for a long time. They didn't want to scale big because they had a minimum acceptable standard of quality.

So, for example, their French fries would never be frozen. They would freshly cut potatoes every single day in their restaurants, and they have to be fried from fresh. That is the kind of thing that other, let's say, fast food joints, companies, would give up. That's one of the things that they would

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have to compromise on in order to scale. It's less efficient, right? It's easier on the bottom line if you can just use frozen.

But In-N-Out was like, "We're going to put our foot down and we are going to use fresh potatoes every single day." I think there are other things, again, I'm not an expert on In-N-Out, but I think there are other things that they do to ensure what they deem is a minimum acceptable standard of quality. Which is a very different standard than the normal, like the McDonald's of the world.

I think it has to do with like freshness of vegetables and buying from local growers, stuff like that. Again, I'm not positive on the details, but that's at least has been the case for a good while. And In-N-Out, again, is driven by certain values. And while not everybody might agree with it, it's what they're known for.

For example, if you look at the bottom of the little paper thingy that they serve fries on, there's a Bible verse. I think maybe on their beverage cups, as well. I don't remember exactly. But there's always a Bible verse. And I would always look at it and just think it was cool that they had... Not that I'm a Bible-thumping person, at all. But they are like, "We are a Christian. We love the Bible. And it's going to be one of the things that are going to be reflected in our business whether that's good for our bottom line, or not."

It's one of those things that will be customer-facing; that we are driven by, let's say, Christian values. Again, not to say that everybody has to agree with Christianity, but it's an example of how you can be value forward, and quality forward. Even if that means you don't have as big of a bottom line. Even if it means you grow slower, because you've got to figure out a way to source fresh potatoes every day, for example, right?

That's the second thing: Being value driven and quality driven, and really making good on those commitments to values and quality, even when it cuts into profits. So, I want to ask you, what are your values, that maybe you're hiding because you're like, "Well, that's not relevant to business."

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Maybe it'll turn some people off." Well, what if it does? What if it's worth it anyways? What's your equivalent of, In-N-Out being like 'potatoes have to be cut from fresh potatoes every single day, we're not going to use frozen,' right?

And, to be honest, I'm a giant fan of In-N-Out, but I also love McDonald's fries. So, this is not something where I'm like, "Fresh cut fries are better than frozen fries. And the frozen fries are evil." I'm not saying that. But it's an example of where the business puts its foot down and says, "This is what we stand for. This is the minimum acceptable quality."

What is your equivalent of, "we insist on fresh potatoes, even if everybody else is cutting corners, and everybody else is using frozen. That's the standard. But we're going to rise above the standard because when it comes to this thing, it matters. And we're going to hold to it." So, what's your version of that? It's worth thinking about, right?

The third thing is that these neighborhood treasure mom-and-pop shops, is that they attempt to inspire loyalty from customers that goes beyond the scope of the transactions. It's the kind of loyalty that makes people want to protect these businesses and make sure they survive. And almost go as far as they want to take care of the owners, so they can stay around and keep doing the business that the community loves so much.

There's an example of a really famous bakery in Korea, that became like a whole institution in this city. Where it's super famous, and it's been around for decades. In Korea, because we've had a history of so much turmoil and war and etc., it's hard to see businesses that are very, very old. A lot of businesses are new, because that's what happens when the economy gets totally nuked over the course of a century, due to a lot of really terrible stuff happening.

But this store in particular is, I think, something like almost five decades old, which by South Korean standards is ancient. And what I read about this bakery is that it's been around forever, and people wanted to protect

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this bakery. I think I read about when there's a natural disaster, when there was a flood or a tornado, or something like that, that kind of destroyed the building or something, right?

People in the community would come and help to build the bakery, even though they weren't being paid for it. It wasn't transactional. It was like, "No, we have to save her bakery." People would rally to keep this institution going. That's what I mean, when I say inspiring loyalty that goes beyond the transactions.

So, that, to me, is so touching. It's so deeply moving to me, to think about being able to create something like that. And it makes me wonder how we, as online communities, I mean, online businesses, that serve particular communities... And just because we're not in one geographic place for most online businesses, the beauty of an online business is that you can serve people anywhere, right? But that doesn't mean there isn't a community. That doesn't mean you don't get to have a loyal community of people who follow you, love your work, love buying from you, get value out of your existence, etc.

What kind of presence do I have to be, to inspire the kind of loyalty that makes people want to step up and help out in times of difficulty, even totally outside of transactions? What makes people treasure and value your presence so much that it doesn't feel like somebody else's business? They want to come and be part of the rebuilding, or whatever it is. That really makes me think a lot.

Because it makes me think about what happens when you invest in relationships, and you invest in people, and you invest in a community. Because people are naturally reciprocal, it makes people want to give back. So, how much am I creating that versus all my business is transactions. And once people buy something, they peace out. And I just always have to go through the cycles of churn and burn, always have to get new customers, because once they buy something then they're just gone, right?

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So, how do you build this loyal community? What kind of business owner? What kind of actions? What kind of commitments? What kind of relationships, built over time, enable that? I think that's such a beautiful thing to think about, and really, really worth problem solving for.

Now, the fourth characteristic of the neighborhood treasure mom-and-pop shop, is that they share burdens with the community during hard times. And they share the wealth during prosperous times with the community. Because they recognize that there is no business without the community that feeds it and supports it.

So again, I can think of the example of that bakery. Even though there are so many other examples. It's just the one baker that I happened to read a whole book about, in Korea. When times were tough, when the economy was in a really bad recession, whatever, they would go and feed, donate their baked goods to hungry kids. They would donate to homeless shelters.

And if times are lean, that means that even for the bakery business is not great. They're not swimming in extra cash. But they would do these things, because they saw it as part of their... Oh, my God, I'm getting teary eyed because it's so moving to me. They saw it as part of their responsibility to take care of people who have been hit hardest by rough times.

And when there's, let's say an economic boom, or something, this bakery got national highlight. It was on TV or something, and everybody's rushing to buy from the bakery and it makes a lot more money than usual. A lot of people were afraid that they were just going to hike up their prices, or sell out or something, and get bought into a larger corporation. But none of that happened.

They made sure that their profits went back into the community; that they would share. If we're making a lot of money, it's because of the community that has supported us all these years. And we're going to make sure that it really feels like the wealth is being shared. And not just feels like it, the

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wealth is being shared. So, sharing the burdens, and sharing the wealth. Because the business is one with the community. Again, so beautiful.

So, I want to ask you, and I'm asking myself, what does it mean to really take care of people during hard times, and be willing to do more, to give more of ourselves even if we're not swimming in extra cash either? What does it mean, when we are in a flush period and making more money than usual, what does it mean, again, to share the wealth? What would that look like for you? Questions to brainstorm on.

The other thing that I noticed, number... what number is it? I have to go back and recount. I think it's number four, maybe it might be five, I don't know. The other characteristic of these businesses is that they don't need to overspend or spend at all on ads. Because the customer base is already built on a network of strong relationships.

If you look at these neighborhood institutions, they don't necessarily do ads. They might. I'm not saying ads are bad. Ads might be strategically used, but it doesn't depend on ads, because there's a core base of customers who love this business and keep supporting it. So, that's another thing that I noticed. Is that ads, while they can be helpful, it's so much more robust to have a core customer base, client base, that is locally sort of rooted, that keeps the business afloat.

Once again, I'm talking about brick-and-mortar examples. But the same applies online right? Just because you're not physically in the same place, it doesn't mean that there can't be a real committed community that rallies around a particular business, right? I think I see examples of that in my own business. And so, that's worth thinking about, right? How do I create such a strong, rich, beautiful ecosystem of relationships, that while I might invest in ads, it's not the main thing? It's not the biggest thing I have to spend money on.

So, the second last characteristic that I observed, is that these institutions are relatively immune to fads and trends. A lot of the sort of hustley, churn

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and burn, extractive cycles of capitalism have a lot of businesses cropping up when there's a trend. It says, "Something is profitable. People want to buy something." And then, everybody rushes to that thing. And as soon as the trend is over, as soon as a fad is over, then everybody abandons it and goes to do something else.

I see a lot of that in local businesses where I live in Korea, as well. However, these neighborhood institutions, these treasured mom-and-pop shops, they don't really jump on trend bandwagons. They just kind of do their own thing, sometimes in ways that almost feel anachronistic. Sometimes it may even feel a little bit backward, like a relic of older times.

But a lot of times, in ways that are charming. A lot of times, in ways that really add richness and depth and character and dimension to the community. I just think about how dangerous it is for there to be an over reliance on fads and trends, because they're always going to change. So, what goes deeper than fads and trends? What is more sustainable than fads and trends?

I think, again, it goes back to core, consistent quality, relationships, right? And the kind of investment that we have in taking up presence within a community that makes people loyal, so that it doesn't get shaken by things that come and go. I can think of restaurants in my neighborhood who've been doing the same thing for 30, 40 years. And I think, from what I've seen, they come under a lot of pressure from the outside to say, "Oh, you've been doing that thing forever. Nobody even likes that kind of food anymore. You should update and start selling what the young people like." I'm sure there's a cost.

I don't mean to overly romanticize this, but I'm sure there's a cost to not giving into trends and fads. I'm sure there are times when, if they did make that more of a priority, they might make more money, but they don't always. And again, this is not to say that you can never play with fads and trends, right? That bakery that I was referring to, they have seasonal specials. There are things that are current to the times. It's not a total binary, it's not

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either/or. But do you have something that stands the test of time? Do you have something that isn't going to be killed when the next trend dies?

And the last characteristic of the neighborhood treasure mom-and-pop shop business model... Maybe it's not a business model, it's more of a business approach... is that for all of the reasons that I just said, this kind of business is resilient and it is sustainable. If a natural disaster happens, the building catches on fire, and the store is wrecked, they're not just done. They're not done because the community comes and helps to rebuild.

When they fall on lean times and economy's not that great, they keep afloat because the community relies on them. And there's this beautiful reciprocal sharing of burdens that I was talking about. They're so closely interconnected with this with the community, that it's so much more sustainable. It's so much more resilient.

I've been thinking so much in the past year or two, about how there are a lot of flashy, loud, successful, glittery, glamorous examples of success in the online business world. But then I asked myself, how many of these are going to be around in five years? How many are going to be around in 10, 20? What's going to become of these businesses? Are they a flash-in-the-pan? Am I a flash-in-the-pan? How do I not be a flash-in-the-pan? Right?

I think we, as a culture, can be really short sighted. And if today somebody said, "Oh, I made a million dollars in six months," or whatever it is, then everybody rushes and goes, "Wow, how did you do that?" And that's great, I'm not saying that those accomplishments are meaningless. But also, let's look at the business that has just been steadily going. That has been steadily serving their community, has been doing really good work, and is consistently profitable year after year. There are leaner years, there's better years, but is fundamentally resilient.

You're so much more likely to see them still operating, still serving their community in 5, 10, 20 years, even if they don't have the glitz and glam and flash of some of the other businesses. I think one of the things that makes

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people really treasure these certain mom-and-pop operations the most is because of their staying power in a world where so much is changing. “Wow, that pizzeria has been open for like three generations. That noodle shop has been in that same place for 70 years. Whoa, what's their secret?”

And when you step into those spaces, you feel like you're entering into a different world. It feels like a different dimension. If that store were to be bought up by a 7-11, or a McDonald's, or a Kinkos, how sad would that be? What a loss to the community. Not just a loss to the owners, but what a loss to the community.

It's a little bit morbid to put it this way, but I'm asking myself a lot, how do I do my business so that if, God forbid, my business were to go up in flames, people would really miss it? That my community would feel like something really important has been lost because I'm not around anymore? How do I build that? An importance, a value add; a relational importance is that goes beyond the transactions; “Here's what I'm here to hustle today.”

How do we do more than that? How do we go deeper than that? How do we last longer than that?

So, as you can tell, this episode has been a lot more about questions than answers. And I'm really, really committed to having answers, exploring the answers, with my community; that's you. And being able to create more of these relationship-based, value-based, resilient businesses that become a treasure and a pillar of the particular online neighborhood, particular online community that you are part of.

I hope that was really interesting and moving to think about for you, as it was for me. And if you have thoughts about it, please share with me on social media. Tag me, I would love to know. All right, my friends, I'll talk to you next week.

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