

Uncle Bill, Inc.

Uncle Bill grew up in a suburban neighborhood in the 1950s, a time when it was not uncommon for families to have gardens in their backyards. When he was 12, Uncle Bill was given a small plot of his family's garden to tend. He started selling the fruits and vegetables that he produced to neighbors in his town. Uncle Bill liked earning his own money, but there was only so much that his neighbors could buy. Uncle Bill decided that, if he wanted to make more money, he needed more clients. So he began advertising his garden fruit and vegetables to individuals and businesses outside his neighborhood.

His advertising worked ... too well. Uncle Bill's business grew so quickly that he couldn't keep up with demand. His family's garden simply didn't have the capacity to produce the quantity of fruits and vegetables he needed to supply his clients, so he decided to purchase additional produce in order to fill his orders. Uncle Bill's father, who worked as a truck driver, helped his son find small farmers in more rural areas from whom he could purchase the fruits and vegetables he needed to keep his customers satisfied.

For the next several years, Uncle Bill slowly expanded his business re-selling the produce he purchased from local farms. By the time he was 25, he had acquired a number of grocery stores as clients, developed relationships with several farmers, and even purchased his own truck, which allowed him to pick up and deliver the produce from the farms to his clients.

However, Uncle Bill realized that too much of his money was going to pay for others to grow the produce-his family garden had been small, but at least he had kept more of the profits. He decided to buy one of the farms he used as a supplier and invest in additional land and equipment to build the farm's capacity for fruit and vegetable production. After a few years and a lot of hard work developing the farm he'd purchased, Uncle Bill was able to supply almost all of the produce he needed for his customers.

Through the process of purchasing and taking over a farm, Uncle Bill learned that he could cut some of the costs of running the farm if he produced his plants, instead of buying them from outside vendors. By taking the sprouts common to existing plants and developing his own plants, Uncle Bill was able to diversify his plant offerings to the point where he could cut out plant suppliers all together. He began growing all of his own plants.

Once again, Uncle Bill saw opportunity. He realized that people were willing to buy the seedlings and plants that his farm was now producing. It wasn't long before Uncle Bill had a lively nursery business of his own, and he developed this side of his business further when he bought out a local nursery competitor who was ready to retire.

During his time developing his produce and nursery operations, Uncle Bill had the opportunity to purchase some land with timber on it. He originally thought that he'd cut down the timber and make a profit by selling it to a lumber yard. However, Uncle Bill never turned down an opportunity to think creatively, and he decided to keep the timber, develop his own lumber yard, and use the wood to pursue a personal passion: designing and building outdoor furniture.

Uncle Bill already had retail outlets in place through his grocery store clients and nurseries. However, he realized that he could capture a greater share of the outdoor furniture market if he purchased a storefront. Uncle Bill leased a building and began selling his furniture direct to customers.

1. What were the businesses that Uncle Bill started?
2. How did Uncle Bill engage with the supply chain as an entrepreneur?
3. How does Uncle Bill's story demonstrate the concept of vertical integration?
4. What were the benefits of vertical integration to Uncle Bill's business?
5. Although the story focuses on Uncle Bill's success, what might be some of the risks of vertical integration? How might these risks have affected Uncle Bill negatively?