When we were young married students in the late 1980's we had some friends who had come to Vancouver to pursue their west coast dreams and start their family. They arrived from another province, where their father had sold a small acreage just outside a growing city, and cashed in handsomely on a wonderful price gain. A real estate boom had impacted their extended family's lives in ways that we could only dream of.

With an injection of startup capital from his parents, and a bundle of venture capitalists who believed in him, our friend's brother, who was also just starting out on the west coast, started a business on the frontier of the internet's retail market. There was a sort of gold-rush mentality in the 90's over internet businesses. We all sensed that a sea change was imminent, but speculation was also rampant, and more than a few start-ups took advantage of the fever. Picking winners from losers was mostly a guess, and some people were getting very wealthy as the excitement seemed to raise the entire tide for a while. Google was an obscure little company, Apple had yet to be fully reborn, and Amazon was all prospect and no gold. And so our friend's brother – who I am happy to say was not a close associate of ours in retrospect - gathered some venture capital to begin an on-line grocery delivery business in Vancouver, targeting the seniors market primarily, and early adapters secondarily.

Their press release dated mid-1999 described the operation as: "…a pioneer in online grocery shopping service developed through a proprietary network… a unique ordering and distribution system for grocery products using multiple mediums including the Internet… a more convenient method for customers to shop-at-home for groceries."

I won't pretend to know the intimate details of the operation, although I do recall being graced with a copy of one of their flyers, and a floppy disk for investors in the early launch of the service. I kept the disk for a while, and wondered if I had missed out getting in on the ground floor.

I suppose a ground floor is better than a ditch. The idea was, on the surface great, but one whose time had not yet come. Their target markets were all wrong: Seniors were not inclined to use computers so much, and early adapters not inclined to pay a fee to have groceries delivered. Food suppliers, along with most retailers, had also not yet really figured out the internet thing, and many of us were antsy about giving credit card information out to the great unknown world out there. The business was all buff and no beef.

Furthermore, it turned out that these Vancouver entrepreneurs were more interested in running amok with the start-up venture capital than actually digesting the idea long enough to get it to work. They were accused of taking the investor's funds and living lavishly, while the start-up sputtered and failed. Their name was heaped on to the endless pile of Vancouver hucksters we have seen in the last century. A recent online search of their names revealed that they are still up to no good, having been accused of another unsavory scam not many months ago. Scallywags.

Not that the concept was a bad one, but the proving period was and still is difficult to predict. Even in 2017, less than 1% of online purchases was for groceries. This business is only just now expected to take off with Amazon (now a mainstream retailer in its own right) folding the food market in to its immediate vision, and other online food services showing real promise and legitimacy.

Whether it's ordering food online, investing in marijuana stocks, or speculating on pharmaceuticals, the risk-return relationship is undeniable in an efficient marketplace. If there is potential for huge gains, then investors will be studying the idea. Thousands of them. Maybe millions. But if the business has not even begun to produce revenue yet, the idea is mostly speculative, and your investment will wildly fluctuate in value based on rumours and innuendo, never mind hard news. So consider the following before you deploy your hard-earned cash toward someone else's project:

1) Has the company generated any profit yet?
2) Has the company even generated any sales yet?

3) If not, who feels the pain more if the business fails, the owner-operator, or the arms-length investor?
4) How much debt is the company carrying? Since creditors have priority over shareholders during insolvency, how likely is it that the company can maintain their upcoming debt payments?
5) What evidence do you have that the current management team can take a good idea and translate it in to operational success. By evidence I mean, a track record of success at other start-ups.
6) How many shares do you own in comparison to the number of shares which typically trade on a given day? Would trying to unload your position negatively impact the price?

I'm not suggesting that we eliminate every risk, but strive to understand them. If you feel compelled to build these sorts of ideas in to your portfolio, do so in a measured way. It's just expensive tuition otherwise.

Mark Ryan is an Investment Advisor with RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund), and these are Mark's views, and not those of RBC Dominion Securities. This article is for information purposes only. Please consult with a professional advisor before taking any action based on information in this article. Mark can be reached at mark.ryan@rbc.com.