

By Mr. Marketing™ / Stephen L. Bainton

Starting a business in a downturn is never easy. Just ask Wally Amos, who founded the “Famous Amos” cookie brand during the recession in the mid ‘70s. Though difficult, he managed to pull it off with a superior product, and one that was, quite frankly, an affordable luxury.

Nonetheless, you can’t ignore the present circumstances. The credit markets are tight, especially for small business. Venture capitalists are fleeing to more established businesses with proven business models and positive cash flow. And the once standby start-up method—of using credit cards—to fund an initial venture has gone by the wayside, given the tight credit card restrictions now in place.

So what’s an entrepreneur to do?

Get Creative!

First, this is the moment to get creative. You need to have the guts to approach family and friends, and, if they can’t help, then at least get them to give you referrals to others who may. For example, most people have a lawyer and an accountant; they are excellent sources for finding angel investors, as they deal on a daily basis with people with money, and you should use them as a network to build a base of other attorneys and accountants as well.

Also, you need to attend your local Chamber of Commerce meetings and network accordingly.

Bootstrap!

Second, you need to bootstrap. Forget about getting stuck in the minutiae of setting up the

perfect office with the perfect chair, etc. You can literally set up office at your local library—with free internet—with a decent laptop and a cell phone. When the library's closed, go to Fedex Kinkos™, and pay the \$6 an hour, if you need internet access...many are open 24/7. Or simply setup your business at home, with a laptop and cell phone.

(For great bootstrapping tips, pick up Kimberly Stansell's classic book, "Bootstrapper's Success Secrets: 151 Tactics for Building Your Business on a Shoestring Budget.")

Start Small!

Third, start small. That means you may have to keep your day job to keep the cash flowing. You don't want to bet the farm just yet. You need to test your business model, to see if it can actually generate positive cash flow within a short period of time. Hopefully, you've drawn up a business plan (doesn't need to be fancy), and this "start small" mindset will allow you to tweak your plan, and will help you to determine where the real nuggets of cash are to be found.

A great article written several years ago pointed to a man who would start his venture before even incorporating. With an idea (and he was in the technology services arena), he would simply pick up the phone and start calling prospective customers to see if they had a real need for his proposed services. If he found enough customers, then he would incorporate and begin his venture. Talk about a brilliant way to save time, money and effort.

Revisit Your Business Model!

Fourth, take a hard look at your business model. Is it one that's appropriate for a down economy? Are you riding unstoppable trends like the boom in health care and wellness (due to the retiring Baby Boomers), or the surge in "green"—from organic foods to the development and implementation of alternative fuel sources, or the growth of the Hispanic market to the desire for affordable luxuries and experiences.

Remember, you want to build you business model on a sustainable platform or 'wave'—and the above-mentioned trends will be viable for at least the next 25 years.

Consider a Franchise!

Lastly, if you want to start a business but have no clue as to what kind, then you may want to consider a proven franchise...and pay the upfront fee and set-up costs to become a franchisee. The benefits include (for established franchises) a proven business model, proper training, and positive cash flow—especially if you chose the right location (critical for food establishments).

Three franchises I like right now—given our economic situation—include Subway™, Jamba Juice™, and a growing chain that has great (but affordable) Mexican food, Tijuana Flats™. (If it's healthy, tastes good, then you might have a winner--which is why Subway™ is now the number one franchise in America now, recently beating out McDonald's™.)

Regardless of the venture, here are some key points to remember:

- Sales is everything; without growing sales, you have nothing, and most businesses fail for this very reason.
- Gross margins are critical. For example, the cosmetics industry has huge gross margins compared to manufacturing. Translation: Go into a business with big margins, as tight margins can kill you even if you make just one mistake. Great gross margins should result in excellent Cash Flow (the lifeblood of any business). If you cannot pay your monthly bills, it's over.
- Know your numbers thoroughly; know your gross and net margins, net profit per product or service, and don't hesitate to dump those products and services that take up a lot of time but deliver little to the bottom line. (Focus all of your efforts on that area of the business that is driving 70-80% of your sales.)
- Hire carefully; you want to bring on people who complement your talents, not replicate them. If you're a natural salesperson, you should consider bringing on a good operations person, and focus your energies solely on what you do best—sales!
- Know your market and do the research. For a client I actually spent an entire day at a location counting cars. And here's a hint: follow the big boys like McDonalds™, as they spend a ton of money researching locations.

- Provide unbeatable customer service; the key is to under-promise and over-deliver. In this way, you will remain most memorable in the customer's mind.

The Bottom Line:

We are definitely in a down market. However, believe it or not, now's the time to start a business. In Florida, for instance, the commercial real estate market is hurting badly. With a good broker and lawyer, you can negotiate amazing deals. There are always opportunities for success--even with all of these doom-and-gloom predictions.

Even if your first attempts fail, keep trying. Eventually, you'll tap into a real need and succeed. For most of us, entrepreneurship is the only true path to a secure, worry-free retirement, through down markets and up markets.

MOST IMPORTANT: You MUST have a burning passion for the business you are entering. Without it, you will either fail or, worse, linger in a constant state of frustration.

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