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Getting on the Radar of an Industry's Top Bloggers --- Online Tools Help Firms Identify Sites To Pitch Products

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By Raymund Flandez
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Small businesses looking to pitch their products or services to influential blogs have some help these days.

A host of Web sites and free tools are allowing companies to find out who the top bloggers in their industry are, what they are writing, and how readers are responding. Being informed about what is being said can help a small business craft a pitch that will garner the attention of both the bloggers and readers.

Getting a mention in an influential blog can be a marketing coup for a small company. Some bloggers have a loyal following of readers who trust their opinions. So if those bloggers write positively about a product or service, chances are some of those readers will give it a try.

"A lot of companies are now taking the time to build relationships with the right influential bloggers," says Greg Verdino, who is chief strategy officer at marketing firm Crayon LLC of New York and writes a blog about trends in social media and marketing. "Over time, they hope to convince those bloggers to write about those products and services and even more importantly, to use those products and services."

But Mr. Verdino cautions that it's not always best to approach the top bloggers on the Web right away because it may be difficult to get their attention. He says sometimes it's better for small-business owners to first spend time cultivating interest from less-influential bloggers who have built a loyal community in a specific niche.

The first step is to find out who the bloggers are in your specific industry. You want to focus your time and attention on blogs that will be the most receptive to talking about the kinds of products or services you offer.

Alltop.com, operated by Nononina Inc., a Web technology firm based in Palo Alto, Calif., is a blog aggregator that collects headlines from news Web sites and blogs in several categories. It categorizes about 60 different topics and subtopics. For instance, the Living category includes topics like beauty, health, food, travel and wine. Clicking on those topics will bring up a page listing relevant blogs.

Some Web sites list the most influential blogs in a specific industry. For example, AdAge Power150 (http://www.adage.com/power150), run by Advertising Age magazine, shows the top media and marketing blogs, while eDrugSearch.com's HealthCare100 (http://www.edrugsearch.com/edsblog/healthcare100) ranks the top English-language health-care blogs.

It's also important to find out whether your company already has been written about in a blog. If there's a favorable post, it gives your business a foundation to establish a relationship with that blogger. If the mention is negative, you have the opportunity to post a comment disputing a claim or telling your side of the story.

You can use Technorati Inc.'s site, technorati.com, which tracks about about 112.8 million blogs, Google Inc.'s Google Blogs and ask.com to easily search a blog for a mention of a specific company name or Web site.

Google also has an alert feature that sends an email each time a specific name is mentioned in any blog or online news item. You sign up at Google.com/alerts using an email address and can stipulate how often you want the alerts sent.

BlogPulse.com, a text-analysis tool from Nielsen BuzzMetrics Inc., part of information and media firm Nielsen Co., allows you to track how much chatter there is on the Web about a given company or topic. Click on the "trend this search" icon on the site's search-results page to create a BlogPulse Trend graph, which tracks mentions of a specific name on blogs over a specific period of time.

Once bloggers have been identified, it's important to familiarize yourself with the blogs' content.

Read a dozen or so posts and comments to gauge a blog's readership and a blogger's personality. That way you can tailor your approach, like whether to go casual or formal, when making a pitch. You also can mention some posts that you found interesting. Some bloggers may need to see that you are a regular reader in order to take your pitch seriously.

There are tools that can help keep track of new posts on the blogs you frequent most. These include Bloglines, operated by IAC Search & Media, a subsidiary of San Francisco-based IAC/InterActiveCorp; FeedDemon, operated by NewsGator Technologies Inc. of Denver; Google Reader; and AideRSS, operated by AideRSS Inc. of Ontario, Canada. AideRSS, for instance, also can give you a list of the top 10 most-read posts.

You can even get instant updates about what bloggers are musing about or planning to do via Twitter, a social-networking service from San Francisco start-up Twitter Inc. Essentially a mini-blogging tool, Twitter lets registered users send brief updates -- 140 characters or less -- to groups of fellow Twitter users simultaneously, via text messages, instant messages, email or Twitter's home page.

It's also useful to read blogs that the bloggers themselves read. It can give you a ready list of other people to approach. Look at the blogger's Blog Roll, a list of links to other blogs that a particular blogger finds interesting and noteworthy. It's usually located on a sidebar or column on the right side of a home page.

Small Business Link: Topic of the Month: Closing the Sale / Small companies' creative approaches to sealing a deal

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Three Strategies to Get Customers to Say 'Yes'

What Small Businesses Lack in Resources, They Make Up for in Flexibility

Sales teams at small companies often are outmanned and outspent by larger competitors. Whether it's perks like box seats at a professional sporting event or simply more staff and newer technology, big businesses seem to have an advantage when it comes to wooing potential clients to sign on the dotted line.

But small companies often find creative ways to level the playing field. Here's a look at how three companies get customers to say "yes."

Company: Riten Industries Inc., a Washington Court House, Ohio, company that makes machine tools for manufacturers.

Problem: Custom tooling -- where products are manufactured one at a time to a customer's specifications -- has taken on increased importance for the business, as standard products are increasingly being made abroad. But the 55-employee company lacked resources to follow up on every sales lead it received on its Web site.

The site contained just basic information about products. And Travis T. Horton, Riten's co-owner and executive vice president, says the firm needed to be able to quickly and easily show prospective clients online what the company was capable of building. That information also needed to be accessible to people overseas, without multiple translations.

Solution: About three years ago, Riten -- working with Thomas Publishing Co.'s ThomasNet, a New York-based information provider and Web-site developer for industrial companies -- completed a Web site overhaul that included a new design tool that allows people to go on the Riten site and create a custom drawing of the product they want built. Potential customers then contact Riten after their drawings are complete for a price quote.

"It's broken the translation barrier," Mr. Horton says, "because everyone [in the engineering field] understands computer-aided design," regardless of what language they speak.

Setup took about three months and cost a little less than $40,000, including fees to ThomasNet.

Mr. Horton says the close rate for orders that begin with a customer viewing a drawing of a product on Riten's Web site has jumped to 80%, from 50% since the Web site was enhanced. Revenues are up about 20% year-over-year since, though he declines to cite overall revenue figures. Mr. Horton adds that 80% of visitors who create a custom design end up purchasing the tool.

Company: dbaDIRECT Inc., a provider of database-administration services in Florence, Ky.

Problem: The company's sales staff sometimes had trouble closing a deal -- a problem that executives attributed to customers' lack of trust in a new system from a new company. Many potential corporate clients were accustomed to using local contractors or in-house employees to manage their databases.

John Bostick, dbaDIRECT's co-founder and chief executive officer, says trust is a key part of the sale because clients put their information in dbaDIRECT's hands and pay a lot of money to do so. Annual fees start at $25,000 and go into the millions, depending on the number of databases and the level of service.

That means the sales team needs to build relationships with potential clients -- usually involving pricey outings like dinners and sporting events. But bigger competitors could always outspend dbaDIRECT, which has 130 employees and less than $20 million in annual revenue.

"I can only buy so many Super Bowl and Final Four tickets," Mr. Bostick says.

Solution: A few years ago, Mr. Bostick, who is trained in culinary arts, invited a potential client to a class he taught at a local cooking school. The client ended up signing on with dbaDIRECT.

Afterward, Mr. Bostick realized the classes could help other potential clients feel comfortable and trust him in a nonwork environment -- key ingredients for a long-term relationship.

They showed "another dimension of our company," he says.

So these days, Mr. Bostick often invites prospects and their spouses to his classes, which he now teaches in a large world-food emporium once a month. One popular choice: a "wild meats" class, featuring a rack of wild boar. The $50 to $60 fee he pays the school for a seat in a class is less costly than a professional ball game or even a fancy dinner.

Sometimes, he even invites potential clients home for a private cooking lesson.

"For me, to have a chief information officer stop by my house and eat some of my food, that's a personal relationship," Mr. Bostick says. "I know if they come to my class, they'll see a different side of the CEO."

That was the case for Tom Hagen. He attended one of Mr. Bostick's classes when he was searching for a database administrator for ICG Commerce, a procurement company in King of Prussia, Pa.

Mr. Hagen says he wouldn't have signed on with dbaDIRECT if he didn't already like its services. But "if things go wrong and your databases are down, you have to trust that people are going to respond to your needs. That dinner helped win that trust," he says. "We knew if we had a problem, we could call John directly."

The tactic hasn't won over everyone, however. Mr. Bostick recalls a Thai cooking class when a prospective client sneezed and squirmed in the front row. It turned out he was allergic to peanuts. He didn't sign on with dbaDIRECT.

Company: Real Content Group LLC, of Los Angeles, a digital distribution and marketing service firm in the entertainment industry. It works with artists, producers, photographers and directors to sell ringtones, image and music downloads and videos. Founded in 2005, the firm posted $2 million in revenue last year.

Problem: Contracts were sent to clients by email in word-processing documents or another file format. But when clients downloaded them, they often lost or misplaced them. Multiple faxing from different parties took a long time. And when contracts needed multiple signatures from different cities, signatures often were missing.

"I don't like time being in the middle of getting contracts signed because things can happen," says chief executive John Huffman IV. "People change their minds."

Solution: The company began using an electronic-signature and document-management service about two years ago. The service, from EchoSign Inc., a Palo Alto, Calif.-based e-signature company, helped cut processing time to two days from three weeks.

With its use, the company is now signing 300 agreements per year, up from 75 per year two years ago. Mr. Huffman attributes an estimated 40% of his company's contract work to the system.

How it works: Mr. Huffman readies a contract, signs on to his EchoSign account, writes in the emails of clients and their representatives, uploads the document, then clicks to send. He'll get back emails when all signatures are signed, or when signatures are missing. When all signatures are in, everyone gets a legally binding copy at the same time.

The service ranges from free for the occasional user -- those who work with up to five electronic signatures a month -- to $299 per month, which includes 10 user accounts.

Not all clients have warmed up to the system, however. Mr. Huffman says some attorneys still insist on sending contracts via postal mail. Even so, he requires that they use the new system as well, in the hope they'll grow comfortable with it.

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Tackling the Energy Monster: As small firms get socked by higher costs, some are finding creative ways to bring their bills down

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By Raymund Flandez and Kelly K. Spors
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As energy costs soar, small businesses are heading back to the drawing board.

With oil well over $100 a barrel and gas hurtling past $4 a gallon, small-business owners are firing up their entrepreneurial spirit and finding low-cost, creative solutions to save energy. Some are using software that maps out shorter delivery routes to save on gas. Others are switching to energy-efficient hardware, such as new light bulbs. Others hold meetings on the Web instead of flying far-flung employees to conferences. And a handful are making even more drastic changes, such as installing solar panels to power their equipment.

Of course, lots of large companies are also using these measures. But they have some advantages small firms don't. It's easier for them to shift some of their higher energy costs to customers, for instance. And they can use their size to get leverage on energy costs. A recent study by the Small Business Administration's Office of Advocacy found that small businesses in the commercial sector, for instance, paid 30% more for electricity and 20% more for natural gas than the bigger guys.

What can small businesses do to save energy? We spoke with a bunch of them, in search of some of the most innovative strategies that might inspire small firms everywhere. Here's a look at what we found.

DRIVING DOWN COSTS

Transportation can be one of the biggest energy expenses for small businesses. So, many small companies are trying to rein in fuel costs when employees are on the road.

Wil Fischer Cos., a wholesale delivery company in Springfield, Mo., uses mapping technology to make its 175 deliveries a day more efficiently. The technology, developed by a division of United Parcel Service Inc., uses global-positioning-system software to find the shortest routes for the company's 18 trucks. The system also helps drivers avoid left turns and traffic jams, where idling wastes gas.

The system's hardware and software cost Wil Fischer $80,000. In addition, there's a monthly charge of $15 for a gadget in each truck that broadcasts the GPS signals.

Last year, the system cut the company's miles driven by 25,000, saving a bundle on gas: Wil Fischer's total fuel costs rose less than 1% for the year, or about $1,700, to $250,000. In comparison, last year diesel prices jumped an average of 27.5% across the U.S. and regular unleaded gas rose 31.2%, according to AAA.

Roff Logistics Inc., a Brampton, Ontario, distributor for Wal-Mart Stores Inc., is trying to cut out another source of wasted fuel -- trips to the gas station.

The delivery company, which has a fleet of 133 trucks and 18 off-road yard cabs, uses an on-site refueling service from 4Refuel Inc. of Langley, British Columbia. Between midnight and 2 a.m., a 4Refuel tanker comes into Roff's lots and pumps diesel to each of its trucks. 4Refuel charges a premium of about 10% to 15% on the per-gallon cost of fuel. But 4Refuel says clients end up with a net savings of 10% to 20% on their total fuel costs, since their drivers aren't constantly going out of their way to get to gas stations.

Hugh Sanders, Roff's vice president, says the service saves on more than fuel costs. "We pay our drivers by the hour, so they're not tied up in car lots waiting to get fuel," he says.

Other companies are trying to save on gas by buying hybrids. Rana Creek Habitat Restoration, a Carmel Valley, Calif., landscape-architecture and ecological-design firm with 32 employees, traded in four of its 10-auto fleet for various hybrids. They altogether cost about $130,000, but each uses only about $25 a week in fuel, compared with $100 for the traditional autos -- an annual savings of about $3,900 per hybrid.

Owner Paul Kephart estimates the most fuel-efficient of the hybrids will pay for themselves in about five years. He figures each auto clocks about 35,000 miles a year because employees frequently drive to client sites. "Because we live out in the country, out in the mountains, the transition to the hybrid cars made a lot of sense for us," he says.

NEW TWISTS ON TECH

Some small companies are tackling soaring bills by stocking their workplaces with energy-saving equipment and systems. Arctic Wire Rope & Supply Inc., of Anchorage, Alaska, last year spent about $15,000 replacing all of the light bulbs and fixtures in its 22,000-square-foot warehouse and office building with more energy-efficient ones.

The new light bulbs use about 58% less electricity, reducing annual power costs to $10,000 from $14,000, owner Eric McCallum estimates. He expects to recoup the full cost of the bulbs in about 3 1/2 years -- well below the five-year return on investment he usually shoots for. Not to mention that the bulbs offer a better quality of lighting than the ones he replaced.

But some of Arctic's power-saving experiments have been slower to pay off. The 14-employee industrial distributor and manufacturer installed a device that blasts a thin layer of air whenever the warehouse loading door opens. The system traps warm or cool air inside, reducing heating and air-conditioning costs.

Mr. McCallum used a calculator on the manufacturer's Web site to see how much he'd save by using the curtain. The estimate: 25% less natural gas, based on his assumption that the door is opened about 10 times a day for 10 minutes each time. "We've only seen a 10% to 15% drop in gas usage" from the curtain, Mr. McCallum says.

He thinks he may have overestimated how much the door gets used, especially now that employees are opening the door less frequently to help save energy. He figures the curtain, made by Berner International Corp. of New Castle, Pa., will take at least five years to recoup the $12,000 it cost to buy, ship and install.

Companies have even more energy-saving options when designing a new building, since they can install more-efficient equipment without going through the hassles and expense of a renovation. LaCrosse Footwear Inc., a Portland, Ore., shoe manufacturer with about 300 employees, partnered with a developer to put up a new building in 2006. The 146,000-square-foot office and warehouse includes skylights to provide more natural light to save on lighting. In the warehouse space, radiant heaters warm only the small areas where people actually work, and motion detectors turn lights on only when someone is using a particular section.

The improvements cost an extra $149,140. But an audit by Energy Trust of Oregon Inc., a government-funded organization that provides money to businesses that improve their efficiency, found that the company would save $32,000 annually. What's more, LaCrosse will receive a total of about $52,000 in state tax credits. So, the company expects to recoup the entire investment in about three years.

GETTING GREENER POWER

Alternative energies can save companies money -- depending on where they're located. States such as California and New Jersey offer big incentives to businesses that install solar panels or windmills, allowing some companies to recoup the steep investment costs in three to five years.

Prout Funeral Home Inc., a family-owned business in Verona, N.J., was one of the first small businesses in the state to install solar panels to reduce energy use and overhead costs.

Bob Prout, whose grandfather founded the funeral home in 1924, says he started looking at solar panels 25 years ago, but found they weren't economically feasible for his business. But about five years ago, New Jersey's Clean Energy Program started providing rebates to first-time adopters of alternative energy -- more than half off the installation cost. Businesses could also sell surplus power they produced to a utility.

Mr. Prout decided to take the plunge. Out-of-pocket costs for his 114 solar panels ran $43,400, after $82,000 in state rebates and an $18,600 tax credit. Now his monthly electricity bills are $200 to $700 a month; he estimates they would run $1,500 to $1,800 without solar panels. He expects to recoup his investment in the panels within five to six years.

"It certainly helps that New Jersey is very supportive and progressive as far as sustainable energy," says Mr. Prout. "This is probably cutting my overhead easily by $10,000 to $12,000 a year, with no effects with the way we do business."

Some businesses are finding solar power makes sense even on a smaller scale. Andy McCoy, owner of a Creative Colors International Inc. franchise in Phoenix, spent about $15,000 outfitting his 10 vans with solar panels to power their air compressors, heat guns and driers. The company, which repairs and refurbishes furniture and carpeting, used to spend about $500 a year replacing the gas-powered generators in each van and about $15 to $20 a week on fuel to power them. Now, he pays just $20 a year to maintain the power systems for the whole fleet. "It's a lot less maintenance and pretty much a trouble-free system," Mr. McCoy says. The panels pay for themselves within a year and a half, he says.

TRAVELING BY WEB

Some cost-saving techniques involve how employees interact. Sherwood Design Engineers Ltd., a San Francisco civil- and environmental-engineering firm with 40 employees, last year began using Web conferencing in place of some staff meetings. The technology allows its New York and San Francisco offices to meet using a Web camera and a projector that displays an image of each conference room on a white wall. Sherwood employees travel about 70% less than before, says design engineer Duanne Gilmore.

The Web camera and projector cost $80 and $850, respectively, while monthly Web-hosting service charges run $375, Mr. Gilmore says. He estimates Sherwood saves about $30,000 to $40,000 annually on transportation costs. "The cost of getting taxis to the airport and air fares is very expensive now," he says. "So we're finding the savings is adding up very fast."

GETTING HELP FROM UTILITIES

With some states looking to cut power usage and ease pressure on the grid, some power companies are offering deals to small businesses to cut their energy use, such as rebates and low-cost loans. And they don't have to involve large-scale alternative-energy investments.

Certain small-business customers of CPS Energy of San Antonio, for example, can opt for flat-rate bills for a year to protect against surges in future fuel costs.

"It's a hedge against the fuel price," says Sylvia Arnold, CPS Energy's director of customer service. With seasonal businesses, she adds, "the ability to budget is an enormous convenience for them. It really helps them in managing their costs."

Southern California Gas Co. and San Diego Gas & Electric Co., both units of Sempra Energy Corp. of San Diego, provide five-year interest-free loans of up to $50,000 to small-business customers when they buy energy-efficient equipment and upgrades. And utilities will typically provide a free energy audit.

The new Temple nightclub in San Francisco's trendy SoMa (or South of Market) section called the local power company, Pacific Gas & Electric Co., a subsidiary of PG&E Corp., for an audit before opening last fall. The findings: If the owners replaced 150 light bulbs across the first two floors of the nightclub and restaurant building with energy-efficient CFLs and LEDs, the club would save about $3,000 annually on its electric bill. The club soon replaced all the bulbs. Although each new one costs about $40, the club expects to recoup the extra cost in "less than four years," says Mike Zuckerman, director of sustainability for the club's parent company, Zen Compound LLC.

As part of PG&E's energy-efficiency program, Temple will be eligible to get a $17,000 rebate from the utility after it replaces all the light bulbs in the four-story building.

About four blocks away, the Supperclub, a restaurant, bar and performance space, got an energy audit in March. The auditor told the club it would save $5,000 a year by switching to PG&E's off-peak rate from its basic fee plan, since the club mostly needs power at night. The company estimates it will save $5,000 a year because of the switch.

"So, right away we started saving without even doing anything," says Laurie Brown, event and marketing manager for the club, which is owned by IQ Creative LLC of Amsterdam.

PG&E immediately installed a new meter free. A more thorough audit found more energy-sapping trouble spots: inefficient lighting and worn appliances that needed to be replaced. In the end, PG&E gave a 75% rebate for a $1,000 special fan for a walk-in fridge, and awarded 100% rebates to buy energy-efficient light bulbs and repair gaskets.

THE LITTLE THINGS

Of course, saving energy isn't always about big investments or utility deals. Companies can cut their bills by taking everyday steps to reduce power use.

Sherwood Design, the company that holds its meetings on the Web, has also started a campaign to get employees to do simple things. Last December, it put up signs around the office reminding them to turn off the printer each night -- noting it saves the equivalent of making 1,500 photocopies -- and to turn off their computers at the power strip rather than just using the power button, a move that saves "enough energy to microwave six dinners."

Matthew Gennuso, chef-owner of Chez Pascal in Providence, R.I., turns off the pilot lights in his five stoves when his restaurant is closed on Sundays and Mondays. Savings: $5 a day.

Meanwhile, to avoid paying his suppliers' fuel surcharges, he makes sure to order carefully so he gets only one delivery a week of dry goods instead of the usual three. And he and other area restaurateurs chip in to help each other save on gas. Before making a trip to a local farm, they'll often call around to see if anyone else needs supplies. "Honestly, the best way to save cost is try to get involved in solar energy," Mr. Gennuso says. "But that stuff is a huge expense."

(See related letter: "Letters to the Editor: Saving Energy As Taxpayers Pay" -- WSJ June 25, 2008)

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Managing Technology --- Stop That Thief: Losses from theft and fraud can sink a small business; Technology offers welcome relief

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For small businesses, preventing theft and fraud by employees can be an uphill struggle.

Unlike their big counterparts, small companies usually can't afford a large security staff or big-ticket monitoring technology to keep an eye on things. And they often don't generate enough sales volume to make up for the losses from pilfering.

Now a new generation of security technology aims to give small businesses an inexpensive defense against unscrupulous employees. Some of these systems let business owners who are on the road check their security cameras over the Internet and get email alerts if something unusual happens, such as employees closing up shop early.

Restaurants, meanwhile, can use tableside credit-card readers to prevent cashiers from stealing customers' card numbers or inflating the tips written on bills. And grocery stores can use a combination of security cameras and software to automatically spot cashiers who try to slip free products to their friends and family.

These new products are arriving as stores face mounting losses from theft. According to the latest National Retail Security Survey, losses from "shrinkage" -- which includes theft, fraud and error -- reached a new high of about $40.5 billion in 2006. About half of that -- $19 billion -- came from employee theft. Shoplifting, in contrast, accounted for about a third. (The study, conducted by the University of Florida and the National Retail Federation, was funded in part by grants from makers of security systems.)

Here's a look at some of the most innovative new security systems out there.

WATCHING FROM AFAR

For a small-business owner worried about employee theft, leaving the shop in someone else's hands can be nerve-wracking. Now a host of security providers let bosses check in on things from the road.

For instance, Alarm.com Inc., of McLean, Va., sells a system that allows owners to travel to a Web portal and get remote feeds from security cameras, change entry codes and trigger sensors that monitor systems such as lighting and climate control. If a problem arises with those systems -- such as a power outage -- you can get an alert via a text message or email.

Recently, Kevin Donahue, owner of a Planet Beach Franchising Corp. location in McLean, was in Amsterdam on business when he received a text message from Alarm.com: The spa's alarm system had been armed at 3 p.m., before the usual closing time. He checked the security cameras online and saw the facility was dark.

So he called his manager and got the explanation: The spa had closed early because of a snowstorm.

"The greatest thing is that it gives me the ability to travel and do the things that I do," says the 34-year-old Mr. Donahue, who's also a full-time salesperson for a tech company and often travels outside the country on sales trips. "It gives me the ability to manage my staff remotely. I can call and say, 'What's going on?'"

Mr. Donahue bought the system for under $100 and pays a monthly fee of $39. Alarm.com says the base price for the system is usually $500, with a monthly fee of $29 to $50, although those numbers can vary by reseller and area, as well as the features customers choose.

SAFEGUARDING CARDS

Another new technology helps small businesses -- particularly restaurants -- protect against "skimming." In this scam, cashiers steal customers' credit-card information for use in identity theft.

About 70% of credit-card-fraud cases involve skimming, according to Trustwave Holdings Inc., a data-security and compliance-management company based in Chicago. In many cases, business owners are ultimately held responsible for their cashiers' crimes -- costing them money and damaging their reputation.

For some businesses, the solution is to let customers become their own cashiers. At Southeast Grille House in Brewster, N.Y., servers bring a wireless gadget called On the Spot to their customers' tables. Patrons can swipe their credit cards on the device -- which is about the size of a brick -- punch in the tip amount and print out a receipt to sign, all from their seat.

Since the customer enters all the information, cashiers can't inflate the tip -- and the receipts don't contain much personal data that could be stolen and used for identity theft.

The device, from VeriFone Holdings Inc. of San Jose, Calif., runs about $1,000. Southeast Grille House owner Domenic Chiera says it was worth the investment. "It's fast, and the receipt has little information, so no names or numbers," says the 57-year-old restaurateur. "I like the system. It works well for us."

CHECKING OUT FRAUD

At grocery stores, thieving employees are almost as much of a problem as shoplifters. About 40% of grocery-store thefts were attributed to employees in 2006, according to the Food Marketing Institute's Supermarket Security and Loss Prevention 2007 report. One of the biggest problems is "sweethearting," in which cashiers give friends and family freebies by pretending to scan items at the register.

Many stores use closed-circuit television to watch checkout lines. But the stores often don't have the time or manpower to review the tapes, so the cameras aren't a strong deterrent. StopLift Inc. of Bedford, Mass., has devised a system that combines cameras with advanced software to spot sweethearting automatically. The technology can recognize when cashiers make unusual movements when handling items -- such as placing a hand over a bar code -- and determine whether the items were properly scanned.

When the system identifies sweethearting, it places blinking squares over the video to show exactly where the theft occurred. Then it gathers the incriminating clips together for owners to review.

Stores "have the cameras but they don't have the manpower to watch it," says Malay Kundu, chief executive of StopLift. "What we've done is sort of automate that."

Three Big Y Foods Inc. stores in Massachusetts and Connecticut have been testing StopLift's Checkout Vision Systems for the past five weeks. Mark Gaudette, director of loss prevention at the Springfield, Mass., grocery-store chain, suspects that employee theft accounts for about 38% to 40% of its total losses.

"We've got pretty much a zero-tolerance policy for any folks that steal," Mr. Gaudette says. "What we're hoping is that all these technologies will help us in loss prevention and educate all of our staff."

The stores had already been using closed-circuit television and software that scrutinizes sales data for abnormal behavior or inconsistencies at the cash register, such as excessive voids or refunds. But those measures weren't enough to stem the losses.

StopLift's system works with those tools to ferret out sweethearting. For instance, if the sales-data software shows that somebody rang up too many coupons on one order, the StopLift system can analyze video from the exact moment this happened.

Big Y is still analyzing the results. So far, Mr. Gaudette says, he has spotted some sweethearting incidents, but he has seen far more cashier errors, such as giving up on hard-to-scan items instead of calling the manager for help.

Pricing for the technology is done on a case-by-case basis, says StopLift's Mr. Kundu. He says that for a typical medium-volume store, monthly subscriptions currently run about $2,000.

Of course, buying these systems isn't the only option available for small stores. Experts suggest that stores could hire fewer part-timers -- who have less attachment to the business and are more inclined to steal -- and conduct more-rigorous pre-employment screenings to weed out potential thieves.

Employers must also hammer home a code of conduct, experts advise. For instance, give new hires talks on integrity and loss prevention and offer anonymous hotlines where employees can notify managers about fellow workers who may be stealing.

The bottom line is that employees must recognize they have a part to play in stopping theft, says Joseph LaRocca, vice president of loss prevention for the National Retail Federation. "Loss prevention is really everybody's responsibility," he says.

Firms Tackle Government Chores --- Businesses Take Cut For Collecting Fines, Running Auctions

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English

Small companies are making a business out of helping local government agencies.

Many municipalities are overburdened by time-consuming and complicated tasks like auctioning off unclaimed stolen goods, unloading unwanted supplies and collecting unpaid traffic fines.

So companies have stepped in to take over parts or all of the process -- for a price. Typically, the firms shoulder many or all of the upfront costs and then give the agencies a cut of the sales or collections.

Tapping an unserviced need of local government is a way for entrepreneurs to bring in new revenue or even create a new business model. And the agencies benefit by not having to dip into tax-dollar coffers to fund and conduct the tasks on their own.

"The businesses have to have the capability and the resources to be able to execute whatever the requirement is either at the same level of quality and for less price or for the same price but much more efficiently," says Rick Norment, executive director of the National Council for Public-Private Partnerships, an Arlington, Va., nonprofit educational institute with members from the public and private sectors. "Sometimes, you can get both."

By law, police departments must auction off unclaimed stolen goods, among them cars, computers, jewelry, bikes and paintings. But for Yoli Brennan, evidence unit supervisor at the Broward County Sheriff's Office in Fort Lauderdale, Fla., live auctions were just too much work for little gain.

Preparing the stolen goods for live auction -- including recording inventory, tagging items and getting them appraised -- would take weeks. The auction itself would last six to eight hours, with only 50 to 60 bargain hunters showing up. Furthermore, the auctions were only held twice a year, so merchandise had to be stored in limited space.

So in 2002, Ms. Brennan turned to PropertyRoom.com, a site that runs auctions for police departments across the country.

The Mission Viejo, Calif., company, which launched its site in 2000, was started by Tom Lane, a former New York detective. It has contracts with about 1,100 law-enforcement agencies across the country. Items are picked up from police storage and taken to one of the company's three warehouses, where employees check to make sure things are in working condition and catalog and photograph them.

The merchandise is then put up for auction on PropertyRoom.com. Most bids start at $1 -- except for cars and certain unique items -- unless the police agency requests a specific opening price. The firm packs and ships items to the winning bidder. The buyer pays for shipping.

Townships typically receive 50% of what an item sells for up to $1,000 and 75% if an item sells for a price of more than $1,000. Ms. Brennan says the sheriff's office received $24,000 last year from online auctions, and $47,000 in 2006.

They have "definitely saved us money," she says. And time. Ms. Brennan says her staff just spends two hours preparing the items for pick up from PropertyRoom.

PropertyRoom.com, which has about 75 employees, conducts auctions round-the-clock and has three million registered users on its site. The company says revenue is growing at 30% per year. It estimates revenue for 2008 to be $25 million to $30 million.

Other government entities also are turning to the private sector for help.

Last fall, Nancy Reichman, purchasing officer for the Buncombe County Schools based in Asheville, N.C., started using auction site GovDeals.com to get rid of the district's old and unneeded merchandise, including trucks, vans, washers and dryers, air conditioners and stoves.

Unlike PropertyRoom, GovDeals, started in 1999, doesn't collect the goods and prepare them for auction; it simply provides clients with a venue and potential buyers. Clients must take their own pictures and post them on the site. GovDeals does help them decide on an opening bid. The firm receives 7.5% of a client's total monthly sales. The winning bidders are responsible for picking up the items from the seller.

Ms. Reichman says the site is a much more convenient way to unload surplus supplies than doing a live auction.

Terry Bazzoon, marketing director for GovDeals, which was recently acquired by Liquidity Services Inc., estimates that clients get 25% to 40% more for their assets than they could get through a live auction. GovDeals declined to disclose revenue numbers since it's now part of a larger company.

One city turned to a small firm to help it track down traffic offenders.

Two years ago, the city of Columbus, Ohio, came up with a plan to decrease traffic accidents caused by people running red lights: Use an automatic camera and video system that captures images of the offending vehicles, including a license plate number and a driver's face.

Knowing there were private companies that operated these so-called photo-red light systems, city officials put out a bidding process for the job. The work eventually went to Redflex Traffic Systems Inc. of Scottsdale, Ariz., a unit of Australian firm Redflex Holdings Ltd.

The firm takes care of the entire process, including capturing the visuals of the violator, cross-checking with databases from motor-vehicle departments, verifying that a violation was committed -- a police officer of the city views each violation -- mailing out the citation and collecting the fine.

Redflex has set up 20 cameras systems in Columbus at a cost of $85,000 to $100,000 per system. The firm shoulders that cost and receives about 40% to 50% of the actual fines collected. Last year, the city of Columbus received $375,158 in fines, from the payments of 14,090 citations.

"The ability to enter into a new initiative with zero public dollars upfront was simply wonderful," says George Speaks, the city's deputy safety director.

http://www.djreprints.com/link/DJRFactiva.html?FACTIVA=wjco20080617000009

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Programmers Jockey for iPhone Users at Apple Site --- Store Offers Access To Captive Buyers, But Field Is Packed

J000000020080805e4850002v
Small Business
Enterprise
By Raymund Flandez
945 Words
05 August 2008
The Wall Street Journal
B7
English

Modality Inc.'s big break came calling via mobile phone.

Right after Apple Inc. announced in March that it would allow software developers to build applications for its new iPhone 3G, Modality, of Durham, N.C., got busy.

And on July 11, when Apple launched the phone and the Apple App Store to hawk those applications, Modality's product -- digital medical terminology flashcards -- was among the available downloads.

One taker was Jeff Midgley, a physician assistant at the Yale New Haven Hospital in New Haven, Conn. He says he wanted something in his pocket that he could show to patients when they ask him about a simple sprain or fracture. Rather than showing them an X-ray, he can just call up the cards on his iPhone and zoom in on the bone in the correct anatomical position.

"It's a little expensive," says Mr. Midgley, referring to the $39.99 he paid to download the application, called Netter's Anatomy. "But I'm going to give it a shot, instead of lugging 1,200 flash cards around."

Apple says about 25,000 software developers have tried their hands at creating applications that can be downloaded onto both the iPhone and iPod -- all trying to jump on the bandwagon of the tech gadget of the moment.

It's too soon to gauge whether any of these applications will prove successful. On the one hand, the Apple App Store, which can be accessed through iTunes, provides a captive consumer group -- many of whom already are inclined to purchase an Apple-approved application. But software developers don't have a say in where their applications are displayed in the App Store. So products can easily get lost in the myriad of other applications if they don't offer features and functions that catch consumers' attention.

So far, applications that are showing promise are those that provide mobile consumers with entertainment, useful searches and handy tools like a tip calculator. Among the top paid applications: a measurement conversion tool, a Texas Hold'em card game, and a sound recorder for memos, discussions and interviews. The top free ones include games like Sudoku. Apple says there have been 25 million downloads of applications from the App Store so far.

"It's "a powerful business model," says Allen Kupetz, executive in residence at the Crummer Graduate School of Business at Rollins College in Winter Park, Fla. "Very low cost of doing business, and very high margins. That's kind of the sweet spot for any business."

A software-development kit is available free from Apple's Web site. There also is a $99 version, which includes technical support from Apple.

Greg Joswiak, vice president of world-wide iPod and iPhone product marketing at Apple, says developers are responsible for quality assurance but Apple does review the application before putting it on the App Store. "We don't want any misbehaving applications," he says, such as ones containing viruses or pornography.

There are about 900 applications available on the App Store, according to Apple, with 20% of them free. Among the paid applications, about 90% go for less than $10. Software developers receive 70% of the cost of every paid download. Apple keeps the rest.

Modality, a 12-employee company, has been turning print titles into digital reference guides since 2006, selling the programs on its own site, Raybook.com. Titles include CliffsNotes, Betty Crocker cookbooks, Brain Quest and Mr. Boston: Official Bartender's and Party Guide.

Modality declined to give sales figures for its digital guides. But the company is now betting it will get a big boost in sales from the Apple App Store.

"We were clearly interested in extending our business model to this device and were excited about the opportunities for further interactivity," says S. Mark Williams, Modality's chief executive. He says he has yet to receive any download and sales numbers from Apple.

The Netter's Anatomy reference cards are based on the Atlas of Human Anatomy, which is published by Elsevier, a publisher of science and health information, owned by Anglo-Dutch publisher Reed Elsevier PLC.

Sebastian Vos, vice president of e-Education Health Science for Elsevier, says mobile learning is a growing trend, especially for medical students and professionals who want a handy reference right on the spot. And he adds that Modality has the expertise to adjust the publisher's popular brands into one that technologically savvy students and professionals could embrace.

"I think we're reaching customers that we would never have had access to," he says.

When the iPhone opportunity popped up, Mr. Vos adds, he quickly saw the potential of such a device, which could offer a much more interactive functionality than the click-wheel versions of the iPod, where many of Elsevier's contents had previously resided.

Modality says its revenue-sharing agreements with publishers are developed specifically for each title the software firm creates for the iPhone, with the percentages based on the size and scope of the application.

While the Apple App Store could expand Modality's reach, the software firm will have to work hard to differentiate itself from the multitude of applications vying for consumers' attention. The $39.99 price could also turn off some potential buyers.

But Mr. Williams isn't worried. The initial response has been strong, he says, adding that customers recognize the value of such premium educational and professional content.

"We're categorically different than games," he says.

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Small Business Looks at Where Candidates Fall on Its Issues --- McCain Seems to Be Favorite, but the Picture Isn't Quite That Simple

J000000020080902e49200006
Small Business
Enterprise
By Simona Covel and Raymund Flandez
913 Words
02 September 2008
The Wall Street Journal
B11
English

With the presidential campaign in full swing, the candidates will no doubt set their sights on the huge group of voters who own their own businesses. But winning their support will be a daunting task for Barack Obama and John McCain.

Rather than a monolithic voting bloc, the small-business community covers a vast swath of geography and ideology. At the same time, lobbyists and business owners are frustrated at the scarcity of details from the candidates on many small-business policies.

"We'd like to see more specificity on almost everything. A lack of specificity breeds worries," says Todd Stottlemyer, president and chief executive of the National Federation of Independent Business, a lobbying group.

One area where nearly all small-business owners agree is health care: Three small-business lobbies -- the National Federation of Independent Business, the National Association for the Self Employed and the National Small Business Administration -- oppose a mandate that requires employers to cover their workers' health-insurance costs.

This is the one area where Sen. McCain would seem to have an edge. While Sen.

Obama hasn't said he supports a mandate, he has said he plans to require all companies to offer a health-insurance plan or contribute to employee coverage. Under the plan, small businesses will not have to provide coverage; they will be offered a tax credit to encourage them to do so. But so far Sen. Obama hasn't specified just how small a company would have to be to qualify -- a key stipulation that small-business owners and lobbyists are waiting for. (Jason Furman, economic-policy director for Obama campaign, says, "We would work with the Treasury to design the appropriate threshold for defining a small business.")

Sen. Obama also says he'll initiate a national "exchange" -- a pooling system where small companies can spread risk across the pool like big businesses do among their employee base. Pooling, says Mr. Stottlemyer, would be an important step toward affordability.

Still, the lobbying groups aren't unified when it comes to the question of individual insurance mandates, which Sen. McCain opposes. Sen. Obama has said he would require parents to insure their children and would move to expand government coverage for the poor -- though he has stopped shy of calling for an individual mandate.

The National Small Business Administration supports an individual mandate, the National Association for the Self Employed opposes the idea, and the National Federation of Independent Business says it is studying the issue to try to see whether its members are in favor.

Sen. McCain has said he would allow for greater flexibility for individuals to buy health insurance from anywhere -- a proposal, like pooling, that the small-business community tends to support.

Another key issue: taxes. All three lobbying groups agree that the tax cuts initiated by President George W. Bush should be made permanent, a position largely shared by Sen. McCain. Sen. Obama plans to extend the cuts for households earning less than $250,000.

Sen. McCain also plans to cut the top corporate tax rate to 25% from its current 35%, while Sen. Obama has said he plans to leave that rate at its current level. The small-business lobbies generally haven't taken a position on that issue, though National Association for the Self Employed Executive Director Kristie Darien points out that many of the group's members are sole proprietors and more affected by individual rates.

Sen. McCain has charged that Sen. Obama's plans to raise taxes on the wealthy -- households earning more than $250,000 annually -- would result in a burden on small-business owners. And he claims that Sen. Obama's tax proposal will stave off job growth, since increasing taxes would leave less money for other purposes that small businesses need, such as investing in technology or hiring.

But only a small percentage of small-business owners take home $250,000 per year, experts say. Only 1.4% of small-business owners would be affected, according to the Tax Policy Center, a joint venture of the Urban Institute and Brookings Institution.

Even so, while only a small percentage of small businesses may be affected by the increase, those that are affected are likely higher-growth companies, says Todd McCracken, president of the National Small Business Administration. "Those are the companies that fuel employment growth," he says. "Is it a small number? Yes. Is it therefore insignificant? The answer's no."

Other disagree. As a middle-class American, "I'm not getting the tax breaks

[President] Bush has implemented," says Brandan Spradling, a Gilbert, Ariz., restaurant owner and Obama supporter. Even if her business were to take off and she earned much more money, "I feel like I should still pay taxes," she says.

Meanwhile, some small-business owners are simply listening for a commitment to their needs. "More important than any particular platform element is feeling that the candidate really understands small business and is committed to advancing it," says Keith Ashmus, a partner at Cleveland law firm Frantz Ward LLP and a board member at the National Small Business Administration. "I don't pick that up from either candidate."

Mr. Ashmus, a registered Democrat, hasn't decided whom he'll vote for.

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Looking Abroad for a Bigger Boost in Business --- Weak Economy, Dollar Prompt Firms to Chase Foreign Consumers

J000000020080909e49900008
Small Business
Enterprise
By Raymund Flandez
1291 Words
09 September 2008
The Wall Street Journal
B4
English

For three years, David Rosenberg, co-founder and chief executive of a concrete-product maker, had thought about doing business overseas. But the timing just wasn't right.

Until now.

With slowing domestic commercial and residential construction, Hycrete Inc. is putting a bet on growth abroad this year. And it seems to be paying off.

"The U.S. market is an established market," Mr. Rosenberg says. "If you look at India, Europe and the Middle East, you see decades of underdevelopment and underinvestment there. The construction boom that's taking hold in those markets is tremendous. . . . We're also going where the money is."

The Carlstadt, N.J.-based company says its products are being used in the construction of the tallest residential tower in India and mall projects in Eastern Europe. The company also is getting in on the Middle East's green building boom. Hycrete's product is a water-based chemical mixture called Hycrete Elite that is mixed into concrete to make it water- and corrosion-proof.

With a shaky U.S. economy hurting domestic sales and a weak dollar making U.S.-made goods more attractive to foreign buyers, a rising number of small companies are shelving domestic growth, for now at least, and are seeking bigger opportunities abroad. For some, it is an initial foray. Others already have dipped their toes in foreign markets but are now diving in. Some others are forming partnerships or affiliate deals to facilitate their entry into an unproven market.

"There is so much focus on foreign markets at this time . . . because of the state of the U.S. economy, which adversely affects sales volume and prices," says Raphael Amit, a professor of entrepreneurship at the Wharton School of Business at the University of Pennsylvania. "Yet in overseas markets, U.S. manufacturers and service providers can compete effectively and realize substantial profits due to favorable exchange rates." He adds that "expenses are in dollars and revenues are in currencies that are stronger."

Although the dollar has surged over the past few months, since 2006 the U.S. currency has lost 11.5% of its value against the currencies of major trading partners, according to Federal Reserve data.

Small businesses are "struggling in their own market, so they have to be creative and innovative and find new approaches to grow their business," says Laurel Delaney, president and founder of Globetrade.com, a consulting and marketing solutions company for entrepreneurs seeking international expansion. Ms. Delaney says her business has quadrupled to about two dozen clients in the past year.

ProMark Associates Inc. had dabbled in projects overseas over the past few years -- in Chile, Mexico and Middle Eastern countries including Kuwait and Qatar. But in recent months, the Skokie, Ill., maker of commercial air purifiers has ramped up its overseas business, while scaling back work at home.

Company co-founder Jeff Roseberry says he saw domestic development slowing. And going abroad gave ProMark access to the type of big projects the company didn't get back in the U.S. because they no longer exist. For instance, it is currently installing about 120 systems in a new airport in India.

"We would much rather be here," Mr. Roseberry says, "but the opportunities seem to be brighter over there. . . . It was a no-brainer."

He says a former client recommended ProMark for the airport project, which is valued at $500,000 initially. The company also is planning to install its systems in a new thoroughbred racetrack in Dubai.

"It will be a significant increase in sales for us," says Mr. Roseberry, who declines to disclose any numbers.

Another firm boosting its overseas presence is Folbot Inc., a Charleston, S.C.-based maker of kayaks and folding boats. The 75-year-old company, which was recently taken over by new owners, has had flat or slightly declining sales for the past few years. So it decided to take advantage of the weak dollar and work more aggressively to sign exclusive distribution deals in countries with a strong market, such as Sweden and Norway.

Folbot's sales have increased about 10% since last year. Traditionally, international sales have made up about 20% of the company's revenue. But over the past three months, the percentage of international sales has doubled to 40%.

David AvRutick, Folbot's owner, says he fields a lot of cold calls from prospective dealers overseas. So the company has had to vigorously vet potential partners, verifying marketing plans and making dealers adhere to certain performance standards, such as selling a certain number of products within a given time frame.

In addition, with shipping costs dramatically rising over the past year, Folbot has had to come up with options to accommodate its growing roster of international clients. It has added air-freight and surface shipping by boat and has negotiated a new agreement with UPS, its main deliverer. Shipping costs, which the dealers pay, can run from a few hundred dollars to well over $1,000, Mr. AvRutick says.

"We have to do the best we can," he says. "Our customers pay for it. The more expensive it is for them, the less attractive the purchase is."

Some companies recognize that they are too small to venture abroad alone, so they are setting up partnerships or affiliations with foreign sellers.

Take eDressMe.com Inc., a 12-employee online retailer of women's dresses. "About six months ago, when we realized the impact of the weakening dollar was going to have on our business, we established an outreach program to affiliates overseas," says Joanne Stoner, the company's chief executive.

Affiliates are online retailing sites around the world that feature and promote an eDressMe link or banner ad or actual eDressMe dresses. If a customer purchases an eDressMe dress, the affiliate gets a commission. New York-based eDressMe.com pays a site a commission of 5% to 10% of sales depending on how much traffic it generates.

Ms. Stoner signed up with Commission Junction Inc., an affiliate marketing manager in Santa Barbara, Calif., which helped her connect with more than 3,000 affiliates world-wide.

As of Aug. 31, eDressMe.com has generated sales of $6.8 million this year, double that of the same period a year earlier. Among the company's strongest overseas markets are Belarus, Bulgaria, Canada, Ireland and the U.K.

One customer in the U.K. is Andrew Cox, a 41-year-old stylist and costume designer for film and television. Mr. Cox was running out of dresses for a talent show earlier this year, so he looked online and came across eDressMe.com. Seeing the site's wide selection of dresses and their low cost compared with European suppliers, he started to place an online order for five dresses for $1,000. But he soon realized that it would be cheaper and quicker for him to grab a flight to New York and browse through the company's Manhattan store in person than having the dresses shipped. He ended up spending an additional $1,000 on dresses during the visit. Since May, he has taken three trips to shop at eDressMe and has spent between $1,000 and $2,000 each time.

"What made eDressMe a great deal for me was the amazing variety of styles and colors," he says. "They're not available in the U.K. and the prices were extremely competitive with the exchange rates. And all the dresses that I had seen that were similar in the U.K. were twice the price."

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The Financial Crisis: Small Firms See Financing Harder to Get
J000000020080916e49g0003f
By Simona Covel, Kelly K. Spors and Raymund Flandez

698 Words
16 September 2008
The Wall Street Journal
A8
English

As Wall Street quaked Monday, small and midsize businesses prepared to feel the aftershocks in the form of tighter credit and tougher borrowing standards.

The financial crisis is the latest blow to small businesses, which have suffered through a tough year. As consumers pulled back on spending, these companies have faced more-stringent requirements from bankers, higher rates on credit cards and other loans, and the loss of funding sources from real estate, such as home-equity loans.

Now, the environment looks grimmer. Small and midsize companies are likely to see tougher requirements from their bankers in coming months.

"If you're seeking a new line of credit, [the effect] will be instantaneous," says Andrew Zacharakis, professor of entrepreneurship at Babson College in Wellesley, Mass. Interest rates will move higher and the bank-loan approval process will be more rigorous, he predicts.

Some businesses with solid credit histories and long track records will probably be only slightly affected, predicts Scott Shane, an entrepreneurship professor at Case Western Reserve University in Cleveland. But many start-ups with no financial track record and those with less-than-stellar credit histories will have trouble borrowing money to run and expand their operations.

The crisis may also affect companies' plans. Already, some small businesses are delaying big purchases and putting big projects on hold because of the uncertainty in the economy, says Raymond Keating, chief economist with the Small Business and Entrepreneurship Council, a small-business association. Tom Markel, chief executive of iBank.com, an Irvine, Calif., company whose Web site helps match small businesses with lenders, is seeing the effects of the crunch firsthand. In mid-March -- before the Bear Stearns Cos. collapse -- potential lenders were viewing about 65% to 75% of the postings on iBank.com. That has dropped to a low of about 22%, says Mr. Markel.

He predicts that more small businesses will approach credit unions and community banks, which many borrowers may not have considered before. Already, some small businesses are turning to alternative nonbank lenders, pledging assets or accounts receivable as collateral.

In the past three to four weeks, Shelly Karras, president of Fordham Financial Services Inc., a nonbank lender in Northbrook, Ill., has fielded more calls from bankers looking to unload credits that they consider risky -- primarily those that belong to debt-laden small businesses.

A year ago, Mr. Karras says, he would have considered seven to eight referrals from banks in a month's time to be "outstanding." In the past couple of months, bankers have passed along between 10 and 15 referrals each month -- and the companies tend to be more stable businesses than in the past, such as a furniture importer that has been profitable for four straight years.

Chuck Doyle, managing director of Business Capital, which offers restructuring services and lending to small businesses, thinks many more entrepreneurs will be facing that harsh reality.

"Lots of people believe they're bankable. They've always been able to get financing," says Mr. Doyle, who is based in San Francisco. "But when those credit lines come up for review, they're going to find they're not wanted and they've got to find another source."

Sterling Energy Resources Inc., a small oil-and-gas producer based in Overland Park, Kan., lost about $2 million in uninsured deposits when its local bank -- Columbian Bank & Trust Co. -- went under in late August. Under Federal Deposit Insurance Corp. rules, the company can offset those losses against a $6 million loan that Sterling had at Columbian.

But in order to realize that offset, Sterling has to find another bank willing to take on the loan-which in this environment is very difficult. "I'm having to go out in the worst credit crisis in the world to find a bank to take that $6 million loan," says Chief Executive Reid Scofield.

In the meantime, the company had to lay off four of its 15 employees, and is trying to manage on the $100,000 that the FDIC insured.

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Franchisers Sweeten Pot to Woo Buyers

J000000020080930e49u0001e
Small Business
By Raymund Flandez
1042 Words
30 September 2008
The Wall Street Journal
B1
English

Corrections & Amplifications

People who buy an 800- to 900-square-foot Emerald City Smoothie franchise for $165,000 to $290,000 will get a free kiosk franchise. An article about franchise deals on Tuesday's Marketplace page incorrectly said franchisees can purchase an 800,000-square-foot store for $20,000.

(WSJ Oct. 1, 2008)

(END)

Franchise companies, facing what many say is the toughest economic environment they've seen, are offering two-for-one deals, reduced fees and financing help to woo new buyers. They are also paying existing franchisees to help spread the word.

The economy has made many would-be franchisees wary of taking big financial risks, while others simply can't get the necessary loans. Meanwhile, competition among franchisers is growing, giving investors a lot more choices. There are now about 3,000 different franchise concepts, according to the International Franchise Association.

In a survey released last week of some 150 franchise companies, respondents said their franchise sales were about 72% below their 2008 goals, with inquiries from prospective franchisees down about 48%, according to Franchise Update Media Group, San Jose, Calif.

But even as "closing deals is becoming more of a challenge," says Harold Kestenbaum, a franchise attorney in Uniondale, N.Y., franchise companies have to be careful not to alienate existing franchisees when they offer discounts and other incentives to new buyers. "How does it look for the guys who pay the higher price when they see the price is getting lowered?" he asks. Making the situation more sensitive, existing franchisees, especially in the retail and home-service sectors, are being hit by cutbacks in consumer spending.

Doug Disney, president and founder of tile franchiser Tile Outlet Always In Stock Inc., argues that "in a slower economy, you need to be creative with initiatives and ways to increase awareness." As part of that effort, the Rancho Cordova, Calif., company hopes to make it easier for franchisees to qualify for loans. Tile Outlet paid a $2,500 fee and submitted its franchise agreement for review so that it could be added to the Small Business Administration's preapproved vendor list. Potential franchisees still have to qualify for loans from banks and other lenders based on their credit, assets and other financial metrics, but joining a franchise that has already been reviewed by the SBA gives them a boost. Since Tile Outlet joined the SBA list, three potential franchisees have begun the loan-application process, the company says.

Last month, Tile Outlet also began offering a $2,500 bonus to existing owners who refer potential buyers. As a result, Mr. Disney says, in the past three weeks the franchiser has received two referrals that have begun the application process. Franchisees are "our best advocates because they already have successful stores," he says.

Earlier this month, Seattle-based Emerald City Smoothie launched a "Buy One, Get One Free" initiative. Franchisees can purchase an 800,000-square-foot Emerald City Smoothie store for $20,000 and get a free kiosk in a gym, airport or small retail space. For franchisees, "it's a lot less money in terms of development and build-out," says Rich Folk, the company's chief executive.

With many banks tightening their lending requirements, Gold's Gym Franchising LLC of Irving, Texas, is giving prospective franchisees more time to get financing by expanding its development cycle to three years from two. "If we're happy with the guy as a franchisee and the only thing between him and the Gold's Gym is that he needs more time to line up the financing, then I think it's in my interest to do that," says Keith Albright, senior vice president of franchising.

Another part of Gold's recruitment effort is enticing independent gyms to switch to the Gold's brand. "The softening economy makes it more difficult to go out and build brand-new beautiful Gold's Gyms from the ground up," Mr. Albright says. "So the thought becomes, 'What if we tried to go recruit the competition and get them to change flags.'" Since last year, about six conversions have been added, bringing the total number of U.S. Gold's Gym franchises to 475.

In August, Chip Ikerd, the 29-year-old owner of a gym in Somerset, Ky., signed an agreement to convert his facility to a Gold's. He is spending about $75,000 for some physical improvements, sign changes and a $25,000 franchise fee and will reopen the gym next month.

Mr. Ikerd is counting on the Gold's brand to boost membership. He now has about 850 members, down from a high of 1,500 in 2004. He hopes to increase that to 2,000 in the next two years, and he is expecting to gain improved customer service, brand loyalty and quality-control systems, as well as the ability to tap into the franchiser's pool of qualified health-club workers.

Interiors by Decorating Den of Easton, Md., says it has seen a 33% decline so far this year in the number of leads it has received compared with last year, including inquiries from interested franchisees and requests for information. In response, among other incentives, it is offering to finance up to 50% of the franchise fee (or up to $15,000) for qualified individuals with a minimum of $55,000 in liquid capital. People may have the skills but not the capital to launch a franchise, says Kevin Atkinson, Decorating Den's vice president of program development.

The company has also set up an entry-level decorator program. Potential owners can join Decorating Den as commissioned decorators working for existing franchise owners. They get to see how the business works and attend special training sessions featuring sales, marketing and decorating techniques -- and, the franchiser hopes, eventually open up a franchise of their own.

Decorating Den hopes to sign up 180 new franchisees in the next year. "By being creative," Mr. Atkinson says, "these measures will not only help us weather the current economic storm but will actually make us stronger as the pendulum swings up once again."

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Entrepreneurs Scramble for Financing

J000000020081002e4a20001p
By Kelly K. Spors and Raymund Flandez
492 Words
02 October 2008
The Wall Street Journal
B1
English

Small businesses are turning to angel investors, suppliers and personal credit cards as the financial crisis spreads to Main Street and access to commercial bank loans becomes more restricted.

After being rejected last month at two commercial banks, Education 4 Kids Inc. owner J.M. Ivler is back to financing his 5-year-old online retailer with personal credit cards. "I can't get the banks to give me a loan," complains Mr. Ivler, whose Las Vegas company is profitable and produced $350,000 in sales last year.

Brian Moran, president of magazine publisher Moran Media Group LLC, decided to sell $125,000 in accounts receivables and incur a 3%, 30-day rate on outstanding balances to finance his Paramus, N.J. company after a bank credit line wasn't renewed. The bank told him it was cutting back on small business lending to minimize risk.

It is unclear how many commercial banks aren't writing new small business loans. But reports from across the U.S. suggest that small businesses are chasing alternative financing more vigorously than a few weeks ago.

What money is available can carry high interest rates. Harold Bradley, chief investment officer for the Ewing Marion Kauffman Foundation, an entrepreneurial-research organization, says small businesses with variable-rate loans are "shell-shocked" by the jumping rates on those loans.

Shelly Karras, president of Fordham Financial Services Inc., an alternative financing company in Northbrook, Ill., says he now receives six to seven inquiries a day from banks trying to help customers line up alternative financing, up from just a handful a month last summer.

Mr. Moran had to dip into cash reserves to pay off an $80,000 balance when his local bank declined to renew a $350,000 credit line. Another regional bank turned him down for a $200,000 credit line, citing his personal credit score and the fact that his company didn't have enough assets to secure the line.

Some businesses, meanwhile, are finding sympathetic suppliers will help get them over the financing hump. Jorge Marinez and his two partners went this route after getting turned down by seven banks over eight months.

"No one wanted to qualify us for a business loan," says the 39-year-old Mr. Marinez, who with partners sought a $250,000 loan to open a steak and seafood restaurant in Burr Ridge, Ill. "They kind of complained to us that the way the economy is going right now, the banks don't want to take a risk in the restaurant business."

Mr. Marinez approached the property's landlord, who agreed to finance the endeavor last month. The landlord was also getting hit hard by the economy and wasn't finding any other renters for the site, Mr. Marinez says.

He hopes to open the restaurant, called Porterhouse, in late November.

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and Found: New online marketplaces make it easier for small businesses to find the free-lance technology assistance they need

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Small Business (A Special Report)
Help Wanted
By Raymund Flandez
1664 Words
13 October 2008
The Wall Street Journal
R10
English

Small-business owners are increasingly finding help for their high-tech needs in online markets where free-lance tech specialists compete to provide their services.

While hundreds of thousands of providers are sometimes listed, these online markets aren't just bulletin boards of people looking for work. In addition to rich details about workers' histories and qualifications, some of the sites feature tools that let the businesses monitor the work they're paying for. Some sites also handle the payroll for the businesses and offer arbitration services in the event of disputes. Web developers, software coders and other IT specialists who live overseas can be available to bid on projects at a moment's notice and often charge much less for their services than local workers do.

There are close to 100 such marketplaces for work outsourcing, says Alok Aggarwal, co-founder and chairman of Evalueserve.com, a market-research and analytics firm in Saratoga, Calif. Among the better-known sites: Elance.com, RentACoder.com, oDesk.com, Guru.com, GetAFreelancer.com and Sologig.com. Mr. Aggarwal says this market is expected to grow 20% to $300 million in sales this year, with transactions between employers and the free-lancers totaling about $1.8 billion.

Reliability isn't guaranteed. Small businesses using these sites have to guard against communication breakdowns, project delays and poorly executed work. Many of the sites try to minimize risk by featuring extensive rating systems, resumes and work-project dossiers on the free-lancers. Some also offer their business customers the use of escrow accounts, where money to be paid to the workers is held until the project is completed to the company's satisfaction.

What follows is a description of some of these services and the experiences of customers who have used them.

Elance.com

Elance.com is a popular marketplace for all kinds of free-lance work, but particularly tech help. The site helps companies find specialists in such areas as information technology, software issues, online marketing and Web design. President and Chief Executive Fabio Rosati says the site offers access to about 120,000 free-lance specialists around the world.

Companies that are new to the site fill out a simple application and provide a verifiable method of payment. Then they post a request for proposal, including specifics about the project for which workers are being hired and deadlines.

Workers searching the site for potential jobs read through the requests for proposals, deciding whether to make bids. Interviews are then conducted using instant messaging, video or phone. When both parties agree to a price and deadline for the project, a contract is signed. The site uses an escrow-account payment method.

Danielle Godefroy, principal and co-founder of Lingolook Publishing LLC of Princeton, N.J., wanted to hire a software developer to make language-pronunciation flashcards for travelers to use on their iPhones. Six months ago, she looked on Elance.com for an iPhone application developer and found prospects in India and in the U.S. In the end, she went with a developer based in Colorado, whom she paid about $5,000.

Now she has a product sold through Apple Inc.'s App Store on iTunes that competes with applications from much bigger companies, like the Australian travel-guide company Lonely Planet Publications Pty. Ltd. Ms. Godefroy says her iPhone application is the fastest-growing segment of her business.

Elance.com now has helped Ms. Godefroy assign work for a dozen projects, including a videographer in Japan who created a YouTube video for Lingolook Japan and a Beijing-based audio studio that produced the voice for a Mandarin Chinese version of the product.

At first, she says, she didn't give enough details in her requests for bids to get the results she wanted. But she eventually got a handle on it. "The more clear you are, the more the service provider will have an understanding," she says. There has to be a dialogue.

"We've been able to [out]source all these developments at a very competitive cost," Ms. Godefroy adds, "with no overhead, and extremely fast."

Elance.com is owned by Elance Inc., of Mountain View, Calif. Transactions typically range between $500 and $1,000. The service charges its customers a commission of 4% to 6% on each transaction. The site expects to book $60 million in transactions this year.

oDesk.com

A lot of businesses that use these services haven't used outsourcing before and are nervous about the loss of control. ODesk.com addresses such concerns by, in effect, letting the businesses look over the shoulders of the contract workers. Using the site's management platform, a business can see intermittent screen shots of the workers' desktops as they work on the project -- they do so while logged into the same platform. The business can also track the number of hours workers spend on the job.

At oDesk, a business can pay for work two ways: fixed price or by the hour. For hourly contracts, oDesk itself pays the workers each week and bills the company by credit card. Businesses can use the site's management platform to make sure the work is actually being done. With fixed-price jobs, the business pays the workers directly at the end of the assignment.

ODesk puts those parties that bid for work contracts through a rigorous screening. All have to pass a test on how oDesk works. ODesk also independently verifies work histories and certifications on oDesk. It doesn't vet resumes or past work done elsewhere.

Robert Einspruch, co-founder of Ziizoo.com, an online marketplace for peer-to-peer tutoring, used oDesk to hire Web developers after initially looking for talent in Austin, Texas, where his company was first based. It was difficult finding skilled workers and convincing them to stay, Mr. Einspruch says.

At oDesk, he says, he was able to thoroughly vet potential workers, even reading feedback about them from other companies that had used them on oDesk. He says he now has worked with a 23-year-old Web-site developer in Sophia, Bulgaria, since October 2007, paying him about $35 an hour.

Gary Swart, oDesk's chief executive, says his company fills several needs. "Small businesses need access to talent that's not available in their geography, and they need a flexible work force," he says.

Says Mr. Einspruch, "If you're a start-up, you have to go outside the area" for tech help, otherwise you are putting "all your eggs in one basket."

ODesk, owned by oDesk Corp., Menlo Park, Calif., features more than 110,000 providers on its site. During September, the company had more than 9,700 posted jobs. Pay for the average job is about $5,000. Odesk charges the companies looking to hire workers a commission of 10% on each transaction.

RentACoder.com

RentACoder.com features about 225,000 specialists in customized coding work, IT help and Web-site development. Contracts for some 8,000 to 9,000 projects a month are arranged through the site.

Like other sites, RentACoder displays resumes, certifications and work histories, as well as comments from previous customers. It also has an escrow-type payment system, and helps with arbitration if there's a dispute. The company says it plans to add project-management tools to help companies oversee and manage their projects. The site charges from 8.5% to 15% of each transaction. If a company knows the work of the provider and agrees to pay a bonus, for example, the commission is 10%. If the buyer pays with a wire transfer or check, instead of a credit card, it's 8.5%.

Darren Gates, a Los Angeles entrepreneur who sells software programs and widgets for business Web sites, says he first used RentACoder in 2002 when he realized he couldn't finish some projects on time and on budget by himself. Using code writers in Los Angeles was too costly for him, he says, because they generally ran about $100 to $150 an hour. RentACoder was the less expensive option. Workers he hires through the site cost him about 80% to 90% less than what he would spend locally, he says.

When Mr. Gates has a big job with a short deadline, he will sometimes hire two or three teams to work on the same job. Recently, to code a live-chat software program, he hired a team in Ukraine and a team in India. The Ukrainian contractor was late, he says, but came through with quality work. The Indian developer, however, failed to deliver.

Mr. Gates paid $3,000 for the Ukrainian, and $1,600 for the Indian. But since the latter didn't deliver, Mr. Gates got that money back.

The 33-year-old cautions there is always a risk that workers won't deliver, but he adds that he now has a dozen or so workers on RentACoder whom he consistently relies on. There are programmers overseas who work for a few dollars an hour, he says, many of them students trying to get experience. Says Mr. Gates: "I feel a little guilty taking advantage of those."

He shouldn't, says Ian Ippolito, chief executive of RentACoder's parent company, Exhedra Solutions Inc. of Tampa, Fla. "RentACoder is an open market, so both parties have to voluntarily enter the transaction," he explains. Sometimes workers with less experience charge less at first, he adds. To establish themselves on the site, he says, they often bid on projects below cost to establish a history, then raise rates in the long term.

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SBA-Backed Loans Dry Up at Crucial Time for Businesses --- Lenders Cite Toughened Standards and Declining Creditworthiness of Borrowers as Some Critics Blame Government Inaction

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Small Business
Enterprise
By Kelly K. Spors, Raymund Flandez and Phred Dvorak
1003 Words
04 November 2008
The Wall Street Journal
B7
English

When entrepreneurs can't get conventional loans, they traditionally turn to loans backed by the Small Business Administration. But in recent months -- as many banks turned away businesses and slashed credit lines -- SBA lending also has dried up substantially. The retrenchment has become especially pronounced in the past couple of weeks.

The big decline in SBA lending is fueling new criticism that the federal government isn't doing enough to help businesses when they are in most dire need of cash.

"SBA volume is significantly down, and one might argue that [it's happening] at a time when small business needs access to capital more than ever," says Chris Reilly, president of CIT Small Business Lending Corp. of Livingston, N.J., which ranks among the top SBA lenders nationwide.

The SBA reported last week that loan volumes made under its flagship 7(a) loan program fell 30% in the fiscal year ended Sept. 30. And in October, overall SBA loan volumes were 50% lower than in October 2007, due mainly to sharp drops in the SBA Express loan program that makes smaller loans, says Eric Zarnikow, head of the SBA's Office of Capital Access.

SBA lenders as well as officials including Mr. Zarnikow blame the decline on a number of converging factors, including lower demand for loans overall, tightened lending standards and declining creditworthiness among applicants. Some lenders say they're pulling back to avoid increased losses in their SBA portfolio. Others are warier of making loans because of declining collateral value -- particularly the value of homes in regions like California, where prices have fallen sharply.

In recent weeks, however, lenders are reporting yet another problem with their SBA lending programs. Banks and lenders can't sell SBA-backed loans to other institutions on the secondary market, which many lenders rely on to free up capital to issue new loans.

The reason: Returns on SBA-backed loans are pegged to the prime lending rate, which has fallen in line with Federal Reserve cuts in key interest-rate targets. Yet for most potential investors, the cost of obtaining capital to buy those loans -- determined by the London interbank offered rate, or Libor -- has soared as the Wall Street financial crisis hit credit markets. That has made the SBA loans a much less attractive investment for buyers.

The two rates recently began reverting to normal spreads. But it's unclear how long it will take for SBA lending to recover.

Meantime, many SBA lenders are upset with the SBA for not taking more action to improve the situation. Tony Wilkinson, president of the National Association of Government Guaranteed Lenders in Stillwater, Okla., says problems selling the SBA loans on the secondary market are prompting some lenders to eliminate or shrink their loan-origination side of the business, waiting until the business model works again.

"We're getting frequent announcements from our members that they are exiting the program or significantly cutting staff back," he says. Last week, the group held its annual convention in Palm Springs, Calif., where many members expressed anger with the SBA for not doing more to make its lending program more appealing to lenders and accessible to borrowers.

"I left there believing that we are in a crisis situation," Mr. Wilkinson says, "that we're going to have more lenders closing up shop if we don't address these issues quickly."

Other critics of the SBA say the administration hasn't done enough to ensure that business owners who sorely need access to credit right now can get it and are urging for some quick changes.

Sens. John Kerry (D., Mass.) and Charles Schumer (D., N.Y.) sent a letter Monday to Sandy Baruah, the SBA's acting administrator, urging the agency to make a raft of changes to its lending programs to give temporary relief to small businesses seeking financing right now. Among the changes they recommend: granting bridge loans to small businesses through the SBA's disaster-loan program and readjusting the rate cap on 7(a) loans to make them more financially appealing to lenders.

They argue that the bailout package passed by Congress will take too long to trickle down to small companies. "Small businesses can't wait any longer for a lifeboat to arrive," Sen. Kerry says in a statement. "They need help now and the SBA has the power."

Mr. Zarnikow, responding to the criticism, says the SBA has taken some steps to remedy the slowdown in SBA lending, such as proposing a rule to the Office of Management and Budget that would allow lenders to peg SBA loans to Libor instead of the prime rate. It also is encouraging its lenders to continue lending through the SBA program and pointing borrowers to tools that can help them. But by the same token, he says it's natural that SBA lending would fall as demand and creditworthiness decline.

"We're not trying to replace conventional lending," he says. "We're trying to make loans to creditworthy borrowers, not to lose money on the programs."

Some small-business owners feel the SBA's loan programs have become no more accessible to them than conventional loans.

In the past four months, Patrick McNaught, president of Greystone Financial Group LLC in Henderson, Nev., says he has talked to about four banks locally to get a $250,000 to $375,000 SBA loan for his 45-employee mortgage-financing company. He's been denied every time.

"It's frustrating because a lot of these guys two years ago would have given me a half a million dollars on a handshake because of my longtime relationship with them," Mr. McNaught says, "Now, the market is such that these guys can't make those calls."

Restaurant Chains Look for Creative Ways to Cut Costs --- As Same-Store Sales Falter, Franchisers Consolidate Vendors and Deliveries, Trim Portions and Play Up Cheaper Menu Items

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Small Business
Enterprise
By Raymund Flandez
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18 November 2008
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B7
English

Corrections & Amplifications

Same-store sales rose in the third quarter at the Church's Chicken, IHOP and Marco's Pizza chains. An Enterprise article and headline Tuesday about cost-cutting strategies at franchise restaurants suggested that the chains' same-store sales were falling.

(WSJ November 21, 2008)

(END)

Franchise restaurants, hit by higher commodities prices and a cutback in consumer spending, are aggressively searching for ways to slash costs.

Many of these businesses can't pass on the higher costs to customers without losing even more business. So, they're trying to find alternative ways to save -- including changing vendors and packaging, altering delivery schedules, cutting serving portions and even prolonging the life of fryer oil.

Restaurants feel they have no choice, as some chains are posting some of their worst monthly sales declines. Ruth's Hospitality Group Inc.'s same-store sales at its company-owned Ruth's Chris Steak House locations fell 15% in October. Ruby Tuesday Inc. experienced a 10.8% drop in same-store sales; California Pizza Kitchen Inc. had a decline of 7.3%; and Red Robin Gourmet Burger Inc. posted an 8% drop.

"These restaurant operators are really operating under a perfect storm, dealing with record [high] commodity prices, higher labor costs with the minimum wage increasing and falling consumer demand," says Robert Marzo, senior analyst of food service for F&D Reports, a retail consulting firm in Great Neck, N.Y. "Many of [them] can no longer offer the same quality ingredients that they have in years past, so they're downgrading in any way that they can."

They're getting "creative with their recipes, using cheaper ingredients and offering smaller portions in an effort to stay afloat," he adds.

Here's a look at a few efforts by chains and their franchisees to save money and draw in customers:

Ruth's Chris Steak House

Big Steaks Management LLC, a franchisee in Pikesville, Md., operates several Ruth's Chris Steak Houses in Maryland, North Carolina and New Jersey, and has seen 5% to 10% declines in revenue for the past six months.

So the company recently looked to reduce freight costs for the first time by buying meat from one vendor -- and getting just one delivery per week from that vendor -- instead of using multiple vendors with various deliveries throughout the week.

In North Carolina alone, Big Steaks' three Ruth's Chris Steak House locations will save $22,000 a year on its weekly purchase of 3,500 pounds of meat, says David Sadeghi, chief operating officer of Big Steaks Management.

Meantime, the franchisee hopes to get more business by offering fixed-price holiday-party packages for the first time. "We need to have the holiday parties to keep our employees employed," Mr. Sadeghi says. Customers "had an open check last year or the year before, [but now] they can't afford to go up a couple thousand dollars. They need to keep in the budgeted numbers." He says holiday bookings are up 10% so far from the same period last year.

Church's Chicken

Church's Chicken, owned by Cajun Operating Co., is looking to squeeze out savings from the ingredients and other products it uses. For instance, the Atlanta-based franchiser is testing the idea of filtering the shortening for frying in order to stretch a batch's use to 14 days from the current 10 days. That would save the company $1 million next year. It also is shrinking the scoop size of its biscuits to 2 2/3 tablespoons from 3 1/3 tablespoons, for a saving of $1.8 million a year.

Another cost-cutting move: It has eliminated the chicken diaper, which is used to absorb some of the liquid in raw-chicken cases -- for a savings of $800,000 a year. The company also plans to change its french-fry packaging from cardboard sleeve to paper, which will generate $700,000 in annual savings.

The franchiser says there have been minimal customer complaints about the changes.

IHOP and Applebee's

DineEquity Inc., the Glendale, Calif., parent company of IHOP and Applebee's restaurants, is consolidating the vendors the two restaurant chains use -- and, in the process, is getting a discount by buying more from the vendors it does keep. DineEquity purchased Applebee's a year ago and found that there was 75% overlap among IHOP's and Applebee's vendors.

The company says the new purchasing plan, which it hopes to have in place by January, would save the company millions of dollars each year. "That's the biggest opportunity to assist [franchisees] in the cost of goods," a DineEquity spokesman says.

Marco's Pizza

At Marco's Pizza, owned by Marco's Franchising LLC of Toledo, Ohio, restaurants are looking to save money on their purchasing process.

They are ordering larger amounts less frequently, are working with vendors to lock in transportation costs and are choosing manufacturers that are closer to distribution centers to help reduce freight costs. Marco's expects these and other changes to save the company a total of $2 million a year.

For example, scaling down to once-a-week deliveries will save a Marco's franchisee with five stores more than $3,500 per year overall.

The company also is trimming packaging costs. It has eliminated its small pizza boxes at more than 170 stores in 14 states. Instead, it's now using the box for CheezyBread for both products. That will result in a saving of $164,000 a year.

Tumbleweed Restaurants

Tumbleweed Restaurants Inc., a grill chain based in Louisville, Ky., is showcasing its lower-priced fare. The company has moved higher-priced food, such as red-meat grilled items, to the back of its four-panel menu, while putting lower-cost, more-profitable items, like tacos and burritos, front and center.

The result: Less-expensive items are being ordered more often. So food costs as a percentage of total operating costs have fallen to 33.2% from 34.2% since January at 44 full-service restaurants -- a savings of $500,000.

http://www.djreprints.com/link/DJRFactiva.html?FACTIVA=wjco20081118000079

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SBA Loan Cap Sharply Limits Funds For Women and Minority Owners

J000000020081209e4c90002b
By Raymund Flandez
1023 Words
09 December 2008
The Wall Street Journal
B1
English

In August, Jacquelyn M. Payne of Powder Springs, Ga., applied to her bank for a $5,000 Small Business Administration Community Express loan to buy technology equipment for her company.

But Ms. Payne quickly discovered that instead of the 250 loans a month her lender was providing earlier in the year, only 10 such loans were available in August -- and she wasn't getting one.

"We just need that extra little money to help us get to the next level," says Ms. Payne, whose NMP Information Services provides an online directory for the African-American community in eastern Tennessee and Georgia.

Changes to the Small Business Administration loan program are hitting women and minority small-business owners like Ms. Payne particularly hard. The credit crunch has triggered an obscure congressional cap on some loans in the SBA's flagship lending program, sharply reducing the number of those loans.

In addition, since Oct. 1 the pool of people eligible for the loans has gotten much bigger.

Originally, Community Express loans were aimed at minority-, women- and veteran-owned small businesses in low- and middle-income areas. But they now target all small-business owners who are seeking less than $25,000, and owners needing more than that who are in business zones defined as "historically underutilized" or covered by the Community Reinvestment Act.

"It's changed the program from a demographic-based program to a geographic-based program," says Eric Zarnikow, associate administrator at the SBA's Office of Capital Access.

He adds that he doesn't know if minorities and women will still get the bulk of Community Express loans since the changes have only been in effect for two months.

In fiscal 2008, the Community Express loan program accounted for about 1% of the total dollar amount that the SBA guaranteed and 9% of all SBA loans, up from only 1% in 2002. Seventy percent of the loans went to minorities, and 47% went to women.

Community Express loans fall under the SBA's 7(a) program, and they previously were one of the easiest and fastest ways for eligible small-business owners to get government-guaranteed loans. For example, business owners seeking to borrow $5,000 to $25,000 don't have to put up collateral.

In addition, loans for as much as $250,000 carry an 85% government guarantee -- much better than the 50% guarantee for a standard SBA Express loan, which is a 7(a) loan for small businesses that are borrowing less than $350,000.

But when the Community Express program began in 1999, Congress specified that the total number of these loans couldn't exceed 10% of all 7(a) loans. So in early April, with more people seeking Community Express loans as credit dried up elsewhere, the SBA told lenders they would have to reduce the number of Community Express loans they approved each month.

The SBA says the limitations vary depending on the volume approved by each lender. Since October, the largest lenders have a cap of 100 loans a month, while others are limited to 10 a month, although these lenders can ask for an exception.

Superior Financial Group LLC of Walnut Creek, Calif., was instructed to make only 75 Community Express loans a month in May, and then, in July, it was told to cut that to 10 a month, down from its previous average of 175 loans a month.

"They've basically thrown the underserved to the back of the bus," says Tim Jochner, chairman of Superior Financial, which has turned away about 570 small businesses this year because of the loan ration. "They're doing the opposite of what their mission is. It's mind-boggling."

In February, the SBA told Innovative Bank of Oakland, Calif., to observe a cap of 175 loans a month, and then, several months later, it said the bank could make just 10 such loans in the months of August and September. Before the rationing, the bank had funded about 350 to 400 loans a month.

And Borrego Springs Bank of La Mesa, Calif., was asked to cut its 40 to 50 loans a month to 10.

Sue Malone, a Community Express loan provider at Strategies for Small Business LLC in Danville, Calif., says that in just one week last month the company had to turn down 175 small businesses inquiring about the Community Express program.

The SBA says it has no immediate plans to increase the monthly limit on Community Express lending and notes that the program, which started in 1999, is still considered a pilot that "continues to need testing and refinement."

It adds that Community Express has had high default rates and high overall expenses, and that fewer than 160 of some 4,500 lenders use the program, with the top five lenders accounting for more than 90% of the loans.

It has also begun requiring applicants to provide a business plan and says it is strictly enforcing the requirement that applicants attend technical and financial-assistance classes.

The cutbacks have angered small-business owners. Shanalee Sharboneau recently opened Spa Firenze LLC, a high-end spa and salon located in a vineyard in Florence, Texas. Three months ago, she was approved for a $10,000 community express loan that she planned to use for marketing, advertising, inventory and hiring.

But the funds never came through. She called her banker and was told that because of the rationing, the SBA loan had been cut to $7,500, and then, a few weeks later, to $5,000.

She has yet to see the money. "I've been hearing that SBA loans have been shut down," she says. "Obviously that's extremely upsetting."

Ms. Sharboneau has pulled money from her personal savings and checking accounts, used credit cards, negotiated over her rent with her landlord and encouraged her three employees to bring their own equipment to the spa.

"It's frustrating for something so nominal," she says. "This is not a $250,000 loan."

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Small Businesses Cut Costs by Renegotiation
J000000020090120e51k00011
By Raymund Flandez
1166 Words
20 January 2009
The Wall Street Journal
B1
English

Small companies are finding that almost everything is renegotiable these days.

The economic downturn is prompting business owners -- by necessity or by opportunity -- to re-examine contracts with suppliers, vendors or landlords and come up with creative deals. And in many cases, they are saving a substantial sum of money.

"Most of us grew up knowing that once you agree to something, you don't back out of it," says small-business consultant Bill Bartmann of Bill Bartmann Enterprises in Tulsa, Okla. "That rule doesn't apply anymore."

In a survey released in September of more than 1,000 small-business owners and managers, about 15% had recently renegotiated long-term fixed-cost supply contracts, according to the Small Business Research Board, a Buffalo Grove, Ill., publisher of the Small Business Confidence Index, which tracks overall business confidence and issues of small-business owners and managers.

One thing that certainly helps is having the cash to pay your bills on time. "If you're a fast payer, you can negotiate lower rates with your vendors to help the other company, the company you're paying to, with their cash position," says Carl Gould, president of CMT International LLC, a small-business consulting and advising firm in Riverdale, N.J.

Tom Long, an Oak Park, Ill., small-business consultant, said 10 of his dozen or so clients have negotiated discounts of 1% to 5% with at least one vendor for paying with cash or personal check, and usually within 10 days of a product or service's delivery. Most have negotiated these deals in the past 30 days, he says.

"Conversely," says Mr. Gould, "if you're an extremely slow payer, sometimes you can get your monthly obligation lowered because of the financial position you find yourself in. The vendor will often accept that because they're getting paid as opposed to writing off the entire obligation."

Mr. Bartmann adds that "sadly, there are not many small-business owners flushed with excess cash right now."

1800Diapers Inc.'s Diapers.com, which sells baby products, was able to use the fact that it had available capital to secure a better deal when it negotiated new leases for two of its warehouses. The Montclair, N.J.-based company was able to shorten the term of the new leases to two years from five, received more space and got conditions on flexibility that would allow it to lease more space if needed. The company wouldn't disclose how much it saved in operating costs.

Sid Jaridly, chief executive of The Original Mr. Cabinet Care, an Anaheim, Calif., kitchen-remodeling company, saw the market contracting last year and decided to trim supply costs across the board.

Mr. Jaridly talked to about 40 or 50 vendors with the goal of getting a 10% to 15% price reduction from each. He said he got about 25 to 30 to agree to a discount or new deal, saving the company about 15% of total operating costs, or about $400,000 to $500,000, last year.

"We've been loyal with some of these vendors for decades and obviously, during an up cycle, we agreed to certain price increases," Mr. Jaridly says. "During a down cycle, we expected them to also lower their costs."

Thinknicity Inc., a San Francisco recruiting firm for the technology industry, in May set out to renegotiate its lease as part of an effort to slash overhead costs. In July, it worked out a new three-year lease with its landlord, reducing the space it leased to 3,000 square feet from 4,000 square feet.

But in the third quarter, Thinknicity had to cut back some more, so management decided to go back to the landlord for another round of renegotiations. Helga Grayson, chief financial and operations officer, says she told the building manager that her company's revenue was down by 50% and it was prepared to walk away and find a smaller space.

A few weeks later, Thinknicity secured a new three-year lease for 1,700 square feet with rent of $3,500 a month, compared to the $5,100 per month it was paying for the 3,000 square feet.

Some small businesses are even negotiating on behalf of employees, as was the case with family-owned Atlanta Refrigeration Service Co. Dave Brautigan, chief operating officer, in November approached a major supplier, Heritage Food Service Equipment Inc., asking it to take on four Atlanta Refrigeration employees whose job it was to acquire parts for the commercial refrigeration and air-conditioning company. In return, Heritage would become the only supplier for Atlanta Refrigeration, which also would be willing to pay more for parts like thermostats and motors.

The result: Atlanta Refrigeration was able to save more than $250,000 in payroll and benefits costs. And Heritage, of Fort Wayne, Ind., was now poised to gain $1 million in business from Atlanta Refrigeration.

"It has made our relationship with that contractor better," says Mr. Brautigan. "Because these people used to be employed by me, they know the unique urgency and the systems that we have in place."

At first, Dave Morris, vice president of Heritage, wasn't sold on Mr. Brautigan's presentation, but was convinced when the talk turned to how much more business Heritage could get. "As they grow their core business, as their supplier, our volume goes up with them," Mr. Morris says. Atlanta Refrigeration generates $12 million a year in revenue and has about 100 employees.

Some companies have found that negotiating better terms sometimes isn't enough, however. Take New York-based Proximo Consulting Services Inc., an information-technology consulting company in New York that has been feeling the cutbacks from its large clients.

"Being a small company, there's a lot less fat to cut when you're looking at making cost cuts," says David Ricciardi, president of the 25-employee company. "It's not like I can lay off 1,000 people."

In April, Proximo was set to stop outsourcing hardware and network support and bring the work in-house. But the vendor, New York-based Perry Technology Group Inc., a technology consulting-services company that monitored servers for Proximo for about four years, came back with another suggestion: Keep us on until the end of the year, but for monitoring of only half of Promixo's 32 servers. That would lower the contract's cost to $1,400 per month from $4,000.

Proximo agreed and internal staff began monitoring the other servers. Perry "understood the situation and were very willing to work with us to do that," Mr. Ricciardi says.

Still, in December Proximo ended the provisionary contract altogether because the company couldn't afford it anymore. Mr. Ricciardi says when business swings up again, he'll definitely consider bringing back Perry as a vendor.

Kelly K. Spors contributed to this article.

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Barter Fits the Bill for Strapped Firms
J000000020090217e52h0000l
Enterprise
By Raymund Flandez

1199 Words
17 February 2009
The Wall Street Journal
B1
English

Corrections & Amplifications

FloridaBarter.com, which provides barter networking services to small businesses, saw membership rise 33%, or 400, to 1,600 clients in 2008. A Feb. 17 Marketplace article about bartering incorrectly gave the percentage change as 25%.

(WSJ February 24, 2009)

(END)

Small businesses, squeezed for cash and unable to get loans, are turning to an ancient payment system: barter.

Daniel Blank, creative director at Bureau Blank Inc., a New York graphic-design and brand-identity company, first used bartering when he started the company in 2004, because it was hard to get capital for a start-up. But he hadn't had to barter since then, until now.

For the past couple of months, Mr. Blank has been getting advice on running his business from Joe Hunt, a former ad-agency owner who has started Workforce Enterprises LLC, a document-solutions company in New York. For about two hours each week, Mr. Hunt helps Bureau Blank with its accounting and finance operations, among other things.

In return, Bureau Blank is helping Mr. Hunt shape his company's communications strategy, as well as designing the company's logo and Web site.

"It's a result of the economy being a lot tougher now," says Mr. Blank, who estimates the traded work amounts to about $10,000 worth of services.

He adds: "I wouldn't have done the project if I had to pay the cash."

As small businesses find it impossible to borrow money and customers are slower to pay bills, the barter economy is becoming a crucial way for many companies to find the cash they need to keep operating.

"It's really of value to small businesses because it helps them to survive through the recession," says Carmen Bianchi, director of the Entrepreneurial Management Center Business Forum and adjunct professor of family business management at San Diego State University.

Atlanta Refrigeration Service Co. worked out a deal with a local sandwich shop that was 90 days overdue on a $1,500 bill: The sandwich shop paid $500 and agreed to cater lunch to Atlanta Refrigeration's office five times over the next six months.

Bartering is "critical to us in this recession," says Dave Brautigan, chief operating officer of the Atlanta-based refrigeration company. "As more and more of our clients find themselves in positions where they cannot pay the bill in full, it becomes our responsibility to figure out how to get that money in."

Although companies do bartering one on one, many deals are conducted via membership networks in barter companies, where technology and tracking software have modernized the centuries-old system.

Typically, a small business sets up an account at a barter company, similar to a checking account at a bank, for a one-time fee. "Trade dollars" earned for services rendered are deposited into the account and can be spent on any product or service in the network. Companies regularly find others willing to barter via the barter site's online directory of services, email newsletters, referrals or by contacting a firm's account manager.

On top of the setup fee, both parties pay the barter company a transaction fee of about 5% to 6% on each deal.

In 2008, about 250,000 North American companies conducted barter transactions worth more than $16 billion, according to the International Reciprocal Trade Association, a nonprofit based in Portsmouth, Va., that regulates and provides standards for modern trade and barter-service companies. The amount for small businesses climbed to an estimated $11 billion last year from $10 billion in 2007. David Wallach, the association's president, says if the trend continues he expects a 15% gain this year to about $12.7 billion.

NuBarter.com, a barter company in Savannah, Ga., has seen its sales grow -- from $285,000 in transactions in the first quarter of last year to $464,000 in the fourth quarter. In addition, the number of transactions has doubled in the past six months, to 650 per month from 310 a month. NuBarter has 800 members, up from 400 a year ago.

"Companies that had turned us down a few years ago are joining now," says Gary Field, NuBarter's president.

Similarly, Seattle-based BizXChange Inc. saw a 40% increase in new members to 1,300 last year. Its transactions were up 55% to $5.5 million.

FloridaBarter.com of Orlando, Fla., saw membership rise 25%, or 400, to 1,600 clients in 2008 and finished the year with $16 million in transactions, up 8% from 2007. Scott Whitmer, FloridaBarter's president, says members in the construction and real-estate industries were new to the network.

Bartering has been helpful to new start-ups. Viscape Ltd., an Arlington, Va., company whose online listings site for vacation properties went live in July, would be hard-pressed to find the cash to send its executives to places to promote the company. So it has given clients free ads on its site -- in return for discounted or free hotel rooms.

"It's all good for everybody," says Dan Engfer, Viscape's founder and chief executive. "They get an ad for more business. We get cheaper accommodations to do onsite PR stints."

Mr. Engfer, who says he has saved about $10,000 by bartering, would obviously prefer to sell the ads. But he didn't feel like he had much choice.

In addition, Mr. Engfer has used the bartering strategy to hire staff, who were all willing to take a pay cut to be able to potentially stay at the vacation properties that they sell. The 10 employees just have to pay their own way to get there, he says.

Other small-business owners who have done bartering in the past have seen their bartering activity increase, as their businesses take a hit. Eddie Bolch, owner of Specialty Moving & Delivery in Savannah, Ga., says he conducted about $10,000 worth of bartering last year, about 30% more than in 2007. Among other things, he was able to trade moving services for business cards, as well as to rent monthly storage units.

Saving the cash was important, since the housing market's woes cut his revenue to $140,000 in 2008, from $200,000 in 2007.

Companies whose services aren't widely used must be prepared to spend a lot of effort finding another business that wants its services in a barter deal.

"It takes work," says Matthew Weiss, president of Weiss & Associates PC, which fights traffic tickets on behalf of clients. "Sometimes, you call three painters . . . and they're not interested." Recently he wanted to hire a caterer for an event in downtown New York, but couldn't find one wanting to barter for his services, so he had to hire someone out of pocket.

"It doesn't always work," says Mr. Weiss, who is a member of two barter companies and saved his company $10,000 worth of barter transactions in 2008, including flower purchases and theater tickets. "And even if it does work, you must be willing to invest the time."

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Filling in the Gaps: Local chambers of commerce are helping small businesses stay abreast of the latest technologies

J000000020090223e52n0001e
Small Business (A Special Report)
By Raymund Flandez
1036 Words
23 February 2009
The Wall Street Journal
R6
English

As the economic storm builds, local chambers of commerce have geared up to help small businesses in a key area: technology.

From Webcasts explaining how to use social-networking sites like Facebook and LinkedIn to find job candidates to Web sites where firms can solicit work proposals and network with peers, these initiatives are enabling small-business owners with limited resources to market their services more effectively, find clients and employees and shares ideas, among other things.

The assistance comes at a critical time: Hurt by the credit crunch and pullback in consumer spending, many business owners are more focused on cutting costs and conserving resources than they are on finding technologies that might give them an edge.

Here's a look at the types of initiatives being offered by chambers of commerce across the country:

In November, the local chamber of commerce in Nashville, Tenn., launched an

Internet portal called BusinessConnect, where chamber members can seek bids from suppliers and offer discounts on goods and services.

A Servpro franchise in Nashville, part of Servpro Industries Inc., a cleanup and restoration company based in Gallatin, Tenn., scored three carpet-cleaning jobs and one air-duct cleaning job from various chamber members after posting a 15% discount offer on the site, says owner Rob Dixon.

"Anything like this for a small business with a limited marketing budget is terrific," says Mr. Dixon.

Among the other tools the chamber is offering: a daily e-newsletter that alerts small-business owners to public-policy issues and news that might affect them, and a series of 30-minute Webcasts in which panels of experts from local industries give advice on marketing and human resources.

"The panelists are really talking about how to get through tough economic times," says Judy Fabling, regional vice president for USr Healthcare, a company that does recruiting for hospitals and and other health-care facilities. She says she has viewed all of the chamber's Webcasts, including one that convinced her more of her recruiters should be exploring social-networking sites such as LinkedIn and Facebook to find candidates for clients. That tactic needs to be employed "more universally" across the organization, she says.

In Columbus, Ohio, an organization spun off from the local chamber of commerce is launching a job-networking site in March to help connect technology start-ups with potential employees, many of whom may have lost their jobs in the economic downturn.

This comes at an opportune time, because talent is more readily available, says Ted Ford, president and chief executive of TechColumbus, the nonprofit that is creating the site as part of its mission to help local tech start-ups establish themselves -- by putting them in touch with potential investors, finding them skilled employees and recommending board members, among other things.

InsightETE Corp., a designer of software that monitors the performance of corporate information-technology systems, says it recently repackaged and rebranded a new version of its product at the urging of two board members, both of whom were referred to it last year by TechColumbus.

"Now, it looks a lot more attractive to potential clients and existing clients," says R.C. Wheeless, InsightETE's president and chief executive officer. "Because of our association with TechColumbus, the company is better prepared today to withstand the economic crisis. Not only to survive it, but become a successfully growing company over the next couple of years."

In New York, the Manhattan Chamber of Commerce in mid-December held an event at the Time Warner building that drew about 80 to 90 members. The topic: "Web Prospecting: Low/No Cost Practical Tools to Grow Your Business."

A panel of experts gave tips on how to design a Web site that will rank high in search-engine results, market a business through email and reach out to potential clients through sites like Facebook, LinkedIn, YouTube and Flickr.

Greg Barber, president of Greg Barber Co., a printing company in Secaucus, N.J., that uses environmentally friendly ink and paper, says the presentation on Web-site design was right on the mark. "I reached No. 1 stature in Google by following the tips," he says.

Executive and professional coach Joan Katz, of KatzTech in New York, says she attended the event, even though she considered herself well-versed in technology. "Because of the economy, I was more motivated to go and learn new things," she says.

One of the tips she received involved using email-marketing software called Constant Contact to inform previous clients about new workshops she was offering. "I had heard of it, but had never used it," Ms. Katz says.

In Salem, Ore., meanwhile, the local chamber launched an online social-networking site last month, partly because some 80% of its 1,350 members don't attend the organization's face-to-face networking events.

"Businesses are suffering from time poverty like never before," says Kyle Sexton, the chamber's director of member services. "Now you can network without showing up."

Chamber member Tim Fahndrich, president of Third River Inc., a consulting firm that specializes in helping local businesses with Internet marketing, was the driving force behind the site.

"We are in a relationship economy, and people want to do business with those that they know, like and trust," Mr. Fahndrich says in an email. "With online social networking, businesses get a chance to connect with others during the week and build a much deeper relationship. This turns into referrals and more business."

Mr. Fahndrich says his business has gotten consulting contracts, found speakers and attendees for company events, sold products and found vendors based on recommendations from others.

"We are a social people, and this fits very well with what chambers try to do for their members -- to connect them and to help them stop doing business just out of the phone book," he says.

Mr. Flandez is a staff reporter of The Wall Street Journal in New York. He can be reached at raymund.flandez@wsj.com.

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Building Your Business: Today's Topic: Avoiding Job Cuts During a Recession --- Keeping Workers Despite Tough Economic Times

J000000020090305e5350001l
By Raymund Flandez
1315 Words
05 March 2009
The Wall Street Journal
B5
English

Small Businesses Work Hard to Prevent Layoffs

Companies Try Several Tactics to Avoid Cuts Such as Asking Workers to a Take Day Off Without Pay, Trimming Hours

At a time when the news is filled with large companies announcing major layoffs, some small businesses are determined to buck the trend.

For some companies, it's a matter of pride: They've never had a layoff and they don't want to start now.

But it's also a matter of necessity. For one thing, unlike big companies, small businesses rely on each individual employee much more to keep their companies running. In addition, many small companies use their history of never firing people as an essential tool to attract and retain workers.

This recession, however, is testing the no-layoff policy.

"Many companies previously known for avoiding layoffs during past downturns are forced to make extreme sacrifices to resist pink slips now," says Mel Fugate, assistant professor of management and organizations at the Cox School of Business at Southern Methodist University in Dallas.

Mr. Fugate adds that "how these concessions are identified and executed can make a significant difference in how well a company emerges when economic conditions improve." He says that, in general, "it is important for management -- and particularly executives and owners -- to share in the pain and the gain."

Management should be the first or at least among the first to sacrifice and make concessions, he says. Conversely, when the economy improves, management should reward those employees who were forced to make concessions. "Doing so will preserve employee commitment and performance not only in the new good times but also in future downturns."

Here's a closer look at how some companies have tried to avoid layoffs:

Mandatory Days Off

"We've never laid anyone off in our company's history," says Matthew Zurn, general manager of Zurn Plumbing Service Inc., a family-owned Chamblee, Ga.-based business that has been in operation since 1985. And Mr. Zurn would like to keep it that way.

But sales in the last four months of 2008 were down 24%, to an average of $124,000 in sales per month from a $163,500-per-month-average a year earlier. So the plumbing company, which has 15 full-time workers, has had to take extreme steps.

Field employees must take a mandatory day off each week without pay, with hours down to 30 or 32 per week from 40 hours. They can opt to use vacation time for that day off. Office workers and management must take a day off every other week. Zurn has saved close to $7,000 a month in labor expense with this strategy since mid-September.

Meanwhile, Zurn's parents, the company's owners, have taken a 25% to 30% pay cut. The business also isn't purchasing as much inventory.

"Our business is our people," Mr. Zurn says. "Trying to keep them in the company is our top priority. When the economy bounces back, we're going to need everybody."

Turning to Employees

Even small companies making a profit during this recession are preparing for the worst.

Take Samovar Tea Lounge of San Francisco. While sales are up, the company is short on cash these days, due to loans and spending related to a new-store opening. So Jesse Jacobs, the company's founder and owner, took some pre-emptive measures in October. He reduced payroll -- the company's largest expense, 7%, or $100,000 -- by tightening up workers' schedules.

Samovar no longer allows its 60 employees to clock in early, not even five minutes ahead of time, and encourages them to clock out early. People who clock out on time and don't go into overtime get a reward: a free massage valued at about $100 to $200. Mr. Jacobs says such rewards are much less costly than having to consistently pay overtime.

"I need to proactively address the economic climate," Mr. Jacobs says, "and I didn't want to lay off anyone."

In addition, the company welcomes input from employees about other ways to cut costs. Mr. Jacobs says he told workers: "Help me come up with creative solutions. I'm trying to keep your jobs. . . . This is a team process."

A dishwasher suggested purchasing stainless-steel drinking glasses because they don't break. The move saves the company $3,000 a year since it no longer has to replace broken glasses.

In all, Mr. Jacobs says, Samovar's efforts should result in about $200,000 in savings this year. He projects $3 million in sales for 2009, up 36% from $2.2 million last year. "Business has increased, costs have decreased and morale has gotten stronger and more positive," he says.

Doing Good, Doing Well

For one company, finding volunteer work was key to preserving a legacy of looking after loyal workers.

Last fall, Matt Legg, the owner and chief executive of Infinite Care Home Health Inc., began to notice that he didn't have enough work for his 38 full-time employees. The number of clients had dropped to 130 from 100 at the Duncanville, Texas-based provider of medical-care services to the elderly in their homes.

So, in late October, he instructed employees to volunteer at local clinics when they had down time -- and they would be paid for that volunteer time.

It was altruism, with an economic benefit. That's because Mr. Legg says the doctors in the clinics, who have grown familiar with the nurses and practitioners from Infinite Care, have begun to send new patients his way -- about four so far.

"It looks good for our company," Mr. Legg says, and "it helps us grow in tough times."

A Last Resort

Ted Bratsos, president of All Steel Structures Inc. of South Holland, Ill., which makes and installs billboard signs, says his business has been in operation since 1987 and he considers his employees his biggest asset. So, the reduction of nine of his 26 workers last month was a hard decision.

"We waited until what we would consider as a last choice," he says.

Before then, changes were made to do everything to keep those nine workers on the payroll.

Freebies such as winter clothes for field workers, cellphone usage allowance for management, second shifts and wage increases were cut or pared. The company also instructed its field foremen not to take work trucks home to save on gasoline as well as wear and tear on the trucks. Extra phone lines were reduced from six to four.

For the first time, the company closed the day after Thanksgiving, the day after Christmas and the day after New Year's -- and nobody got paid for those days.

All office workers, including executives, took a 10% pay cut, while increasing their hours to 45 per week from 40. The reasoning: The salespeople would bring in more business. In addition, by October, Mr. Bratsos himself stopped taking a salary, except for during the holidays.

"Right now, I'm in a position where I can do that," he says. "I believe that it's my job to make this company survive and give the employees a place to work and to be here after the recession is over so that they have a place so that they can support their families."

Mr. Bratsos is hoping that he won't have to cut the company's health-insurance program that fully covers its workers and their families.

"We have always enjoyed a reputation for being a high-quality business," he says. "It's so important to keep your employees who know your business and who have contributed to who you are. . . . It's a reciprocal relationship."

Previous

Small-Business Credit Sees Thaw --- Lenders Ease Purse Strings as More Loans Sell on Secondary Market

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Small Business
Enterprise
By Raymund Flandez
789 Words
05 May 2009
The Wall Street Journal
B8
English

Many small-business lenders are seeing signs of a thaw in the secondary market for loans backed by the Small Business Administration.

That is spurring more lenders to originate new loans -- and more small companies to apply for them.

In February, the latest month for which figures are available, 35% of newly approved 7(a) loans, the most popular SBA loan program, sold on the secondary market, according to the Government Accounting Office. That was up from 24% in January.

From September 2007 to September 2008, before the credit crunch, 45% of approved 7(a) loans sold on the secondary market.

Movement was noticeable at GovGex.com, a secondary-market exchange where bundled SBA-backed loans are bought and sold. The number of bids per loan for sale at GovGex.com has more than doubled to about 6.7 since mid-March, after President Barack Obama gave a speech about using $15 billion of federal funds to unfreeze the secondary market.

The amount of total loans for sale on the exchange has surged since mid-March to about $67.5 million from $7.8 million.

Meanwhile, the volume of new SBA-backed loans has risen more than 20% since mid-March, with more than $1.3 billion in new loans approved, according to Karen Gordon Mills, the new SBA administrator.

Specifically, the weekly average number of 7(a) loans approved has risen 28% to 796, or $145.8 million in loans, from a weekly average of 622 loans, or $117.9 million, from January to mid-March. In the 504 loan program, which lends money for the purchase of real estate and equipment, the average weekly number of loans has increased by a third.

The increase is mainly the result of two rule changes in March that temporarily cut fees for small-business borrowers and increased the maximum guarantee put up by the federal government on some small-business loans to 90% from 85%.

"We're looking at that as certainly not conclusive that everything is fixed, but we may be turning a corner," says Mike Stamler, an SBA spokesman.

Among the lenders issuing more SBA-backed loans are CDC Small Business Finance, a San Diego, Calif., lender of 504 loans. It approved $20.3 million in loans in April, up from $11.6 million in March. "It's a bit of progress," says Kurt Chilcott, CDC's president. "Is it going to be sustainable? I don't know. The key is whether or not you can convince small businesses that now is the time to invest given the historic low interest rates and fee reductions available through SBA financing."

Excel National Bank of Beverly Hills, Calif., resumed taking loan applications in late February -- it has approved 28 loans so far, valued at $32.7 million -- after halting lending in December. It had made $35 million of SBA-backed loans in September, before the credit markets froze.

"We're back to lending full-speed again," says Brian Carlson, Excel's president and chief executive.

At Small Business Loan Exchange, an online marketplace where small businesses can find lenders, loan applications have more than tripled to 41 since mid-March, from the month before Mr. Obama's speech, according to Edgeware Analytics Inc., the San Diego company that runs the site.

The increased activity comes despite the fact that the SBA has been slow to implement some measures aimed at stimulating lending and loan sales on the secondary market. The agency missed a March 4 deadline to create a secondary market specifically for 504 loans, capped at $3 billion. The government hopes this will facilitate the buying of bundled 504 loans.

Also, regulations on lending to broker-dealers in the secondary market for SBA-backed loans haven't materialized, despite a March 19 due date. The goal is to help dealers get old packaged loans off their books and purchase new ones from lenders.

The SBA had said it plans to finalize the regulations by June, but an announcement may come this month. The agency says the delay is the result of sophisticated financial modeling and complicated legal-documentation changes that need to be made in order for these new programs to work.

Tim Jochner, co-founder of Superior Financial Group, a Walnut Creek, Calif., lender that offers SBA-backed loans, says, "Everybody's encouraged about the proposed programs. . . . But if [the government doesn't] come out with those programs in a timely fashion, the secondary market will freeze up again and will potentially be worse than it was before."

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