



Defying the downturn

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By Deborah L. Cohen

CHICAGO (Reuters.com) -- Look at the headlines and it's mostly doom and gloom for companies as the economy limps along in recession. Look a little closer, though, and you'll see pockets of resistance - small businesses that are riding out the downturn with profits in tow. Catering entrepreneurs Tiffanie Campbell and fiancé Mike Robinson are among those bucking the trend. In fact, they're having a banner year.

The twenty-something Chattanooga, Tennessee couple has carved out a niche serving natural and organic foods and expects 2008 profits to exceed \$100,000 at a time when many established small businesses are throwing in the towel due to slower sales and rising costs.

"The business is definitely growing," says Campbell, who oversees the company's marketing and administrative tasks. "We've done really well our first year."

Catering and other specialty food services are among the several private-sector areas expected to see comparable sales end higher in 2008, according to Sageworks Inc., a Raleigh, North Carolina market research firm specializing in small companies. On average, year-to-date specialty food service companies it polled are showing healthy growth of 9.75 percent.

Among some of the other somewhat recession-proof areas operated by small companies are direct selling; tax, accounting and business management services; software publishers; waste collectors; home health-care services; computer systems designers and cattle ranchers, all with sales running at 10 percent or above year-ago levels, according to Sageworks, which analyzed proprietary data of closely held businesses with less than \$10 million in yearly sales.

Business owners in these areas admit that staying in the black in the difficult economy is no cakewalk. Campbell's Festa Catering, for instance, is working to keep costs low so that its pricing remains attractive for the local corporations and non-profit groups it is targeting.

"Catering doesn't need to be an outrageous amount of money," says Campbell, who is determined to keep her business's profit margins around 20 percent or less, below those of some local competitors.

It certainly helps if your business meets consumers' desire to reward themselves in small ways when they can't afford pricier luxuries or helps them ease the burden of hectic daily life.

New York City's Christopher Norman Chocolates, which produces hand-painted artisan chocolates for wholesale customers such as Dean & DeLuca and Williams-Sonoma, and runs a small retail store in lower Manhattan, expects 2008 sales to break even or be slightly higher than last year's.

"I think we're having a pretty good season," says President and Co-founder Joe Guiliano. The company's annual revenue hovers in the million-dollar range. "(Customers) can't afford to go France or Belgium and buy chocolates but they can come here."

BUILDING UP SALES

Pam's Pantry, a home-based business in Grand Ledge, Michigan that makes a line of gourmet dips, dressings and spreads, is also experiencing strong growth. Owner Pam Redman expects sales of up to \$400,000 this year, nearly double 2007. She does little traditional marketing but spends the bulk of her promotional time building up direct sales at trade shows, where she has picked up most of her retail customers.

"We have a very good consumable," says Redman. "Our mixes are very versatile. They help people get back to putting a hot meal on the table in a matter of minutes."

Other top performers have tapped directly into customers' quest for bargains in the weak economy. Boston-based Swaptree.com, an online business that facilitates Web-based trades for second-hand books, CDs, DVDs and video games, has seen growth average 20 to 25 percent per month since it launched in July 2007.

"It's really just booming," says President and Co-founder Greg Boesel. "With the downturn in the economy, it's a great way to save money."

The business, which currently charges no fee to customers who agree to swap their goods using the site, plans to make its profit from selling advertising space. It recently raised its second round of venture capital financing.

eCoupons.com, a website that aggregates discount offers from thousands of retailers, is experiencing more than 200 percent growth in traffic this year. On Black Friday, the day after the Thanksgiving holiday, more than 32,000 visitors trolled eCoupons for deals, nearly triple last year's number.

"As consumers pull back, stores have offered more aggressive coupons to move merchandise and clear inventory," says founder Matthew Cheng, who operates the home-based business along with his wife in West New York, New Jersey. eCoupons gets a commission whenever merchandise is purchased through a promotion found at the site. Cheng expects sales to exceed \$500,000 in 2008.

Financial services and accounting professionals are meeting their customers' desire to run their small businesses on a tight budget throughout the downturn. According to Sageworks, on average their sales are up about 12 percent this year.

"This year everyone's so money conscious," says Kristi Huntington, an accountant in Mesa, Arizona who serves a variety of small businesses. She says her customers have been less apt to delay accounting and book-keeping services this year.

Those who help small companies manage their finances are also benefiting, with revenues running about 10 percent higher.

Says Carol L. Coughlin, principal of a Towson, Maryland company that places temporary CFOs at small companies: "We offer professional CFOs with significant experience for a fraction of the cost of a full-time CFO. This has been a successful model in this economy."