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Slow-down startups hot

Economy goes cold, entrepreneurs heat up

Austin Business Journal - by [Sandra Zaragoza](#) ABJ Staff

Despite the uncertain economy, business owner Fred White moved forward with plans to open ProntoWash, a car washing service at The Domain aimed at well-heeled shoppers.

“I weighed whether to wait because of the economy versus getting in right now,” White says. “I thought it was better for us to get started.”

He launched the franchise business, which he financed through loans and personal savings, in June. And four months into the venture, he says ProntoWash is paying the bills and doing well.

White is among a number of Austinites who have started small businesses or are considering hanging a shingle despite, and in some cases because of, the struggling economy, according to local business support organizations.

And before they start businesses, many are getting help with everything from business plans to financing from local nonprofits or city organizations.

White, who holds an MBA, sought assistance from Big Austin, a business center focused on supporting minority, women and low-income entrepreneurs through capital, counseling and training.

Big Austin President and CEO Jeannette Peten isn't surprised to see a bump in the number of people coming through that organization's doors with dreams of starting a business. Big Austin — which is providing about 20 percent more services this year than last year, Peten says — experienced a similar increase in demand for business education and other services during 2001.

“Every time there is a downturn in the economy we see an increase,” Peten says. “We see people that are laid off applying to the program, and even those that have jobs are interested in getting more training.”

Big Austin typically has a waiting list for its business courses, and Peten expects its “Start Smart Business Start Up” course, beginning Oct. 6, will attract even more applicants than normal.

Michelle Frith, outreach and marketing coordinator for the City of Austin's Small Business Development Program, says that she's continuing to see strong startup business activity. The program, which offers low-cost or free business and technology training to Austin residents, is experiencing about a 50 percent increase in demand for its services this year over last year.

“We are seeing an increase in the size of our classes,” Frith says, adding that 50 percent of the people visiting the small business center are seeking help with startups. “Where we used to have 10, we are up to 40 people.”

Frith attributes the program’s growth to the sluggish economy stirring people’s entrepreneurial spirit and the eight-year-old program becoming better known.

On the other hand, one indicator of startup activity — Doing-Business-As filings, or DBAs — are down slightly from the same time last year, Frith says. With one month left in fiscal 2008, the city has registered 13,206 DBAs compared with 14,564 DBAs registered in fiscal 2007.

And not all business support organizations are experiencing greater demand for their services.

Jaime Noyola, director of lending for nonprofit PeopleFund, says demand for its business loans and services is steady.

Eight of the last 15 business loans that PeopleFund closed were for startups, Noyola says.

“Most people either have a lifelong dream to own a business, or the other half are usually motivated by a loss of a job or lack of compensation,” he says.

If the economy continues to stall, Noyola believes the number of new businesses will rise.

“What will be interesting is to see what happens in the next year and a half. We may see medium- and high-income employees not getting raises,” Noyola says. “I wouldn’t be surprised to see engineers and technical professionals starting their own business, if the market doesn’t increase wages.”

The city and Big Austin say they are seeing more technology-focused business plans.

According to Peten, more people are coming to Big Austin with hopes of opening a Web-based or high-tech business.

And Frith says the city is seeing greater diversity in business proposals than it was a year ago.

“We are seeing more people interested in technology and green building,” Frith says.

While the economy may spur more enterprises, finding financing in today’s tightened credit market has become more challenging, Peten says.

The number of loan applications at Big Austin, an SBA micro lender, has increased in the last 12 months. It loaned more than \$300,000 to business owners last year, and it’s on pace to meet or exceed that sum this year.

Nevertheless, starting a business in a soft economy can offer advantages, Peten says.

“It’s a higher opportunity for business owners to get employees who they otherwise wouldn’t be able to afford,” she says.

Frith says getting counseling before starting a business is key.

“If a person loses a job, they might think that starting a business is one option, but it is not always a wise choice,” she says.

Peten adds: “The opportunity is there, but you definitely have to work and plan and be strategic.”

For White, who retains a full-time job, starting a business made sense.

“For quite a while,” he says, “I’ve wanted something that would be my own, something I could leave my family.”



Nick Simonite

Fred White says starting a company during a downed economy has worked out well for him. He owns a car wash service at The Domain.

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