

CRITICAL SURVIVAL LESSONS FOR SMALL BUSINESSES

What Kahnawake Based Entrepreneurs Have Learned

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The basis for this article is the experience of a number of entrepreneurs at Kahnawake, Quebec. They originally reported what they did in a series of videotaped interviews conducted by Ron Abraira and initiated by Tom O'Connell. These tapes were developed for and are being used as part of an ongoing training program to help those interested in starting or expanding a business in Kahnawake.

A range of businesses have been selected, all of which have been operating for at least three years. Morgan's Lobster is a wholesaler of lobsters. Favors is a retailer of party supplies. Johnny's Coffee Cup is a coffee shop. Old Malone's is a restaurant. Tentsations rents tents and related supplies. Digital Dreamcatchers creates Web sites and provides related support services.

Favors

Iris Deer was a partner in the business start-up of a party store in Kahnawake. As with many

new ventures, sales were slower than expected, at first. This led to tension in the partnership and the need to re-position the business model to survive. Successful entrepreneurs become energized by adversity, not defeated, and through determination and perseverance they struggled to establish a successful business model.

To increase sales they tried a number of strategies. They sent out mass mailings to the community and they put up signs outside their store, but neither of these approaches resulted in much business. It was time to rethink who their customers could be and they decided to go after the business market. The reasoning was that different businesses hold events and they could help them with their parties. They sent out faxes to businesses announcing specials, including services they could provide. This worked!

As things improved, they advertised in the local newspaper, *The Eastern Door*, and on the local radio station. They saw their market as the local community and these media reached the people they were trying to contact. The business

model evolved to be more of a value-added service business than just a retailer of party supplies. Their willingness to keep working together, to persevere and try different things has enabled them to continue to stay in business.

Moral of the story

Start-ups often do not go as planned. You need to do contingency planning prior to beginning the business. Anticipate that costs and strategies may not work and develop some "what if ..." plans in order to be better prepared for situations. Iris Deer initially perceived the business as a retailer of party supplies to consumers. In order to succeed she needed to reposition the business as party consultants and decorators, for the business events in the community. Another important lesson is that it is important to manage the stress that occurs in partnerships. In order to change, survive and move forward, it is often necessary to go through a period of tension and disagreement. Commitment to the partnership, not personalizing the disagreements and maintaining open lines of communication are ways to ensure that partnerships (and businesses) survive.

Johnny's Coffee Cup

Johnny Montour, while running a taxi service, started Johnny's Coffee Cup, a coffee shop. He was confident that he could run both businesses as he hired someone who would work as the cook for the shop. However, as Johnny soon discovered, things do not always work out as expected. The person he hired was not doing the job that Johnny felt needed to be done. He therefore decided to replace him. Unfortunately, the new person he hired also failed to do an acceptable job.

Johnny was now six months into his business and he needed to decide what to do. The two people he had hired were unable to perform to his expectations. His choices appeared to be to hire someone else, close the business or go into it himself. He considered his options and his priorities and decided to step in and manage the business himself. In reflecting back, Johnny indicated that it is critical to be clear on one's priorities and to have a contingency plan and if you do not have one, to be able to create one quickly.

After entering the business on a full-time basis he realized he needed to take action to cut

costs and increase the amount of customer traffic. He reduced his costs wherever he thought he could. To attract more customers he gave away coupons for free coffee. He thought that people who came in for the coffee would buy something else while they were there. He also felt that if they came once, they would keep coming back.

Johnny also told everyone he could about his coffee shop and encouraged them to try it out. He was going to use the local radio station to advertise, but decided against it because he could not get the time slots he wanted.

Moral of the story

Employees will never be as devoted as the entrepreneur and will seldom meet the high expectations that entrepreneurs will put on them. If you will use employees, training may be necessary and if they are very good, you may want to give them a profit sharing program or a stake in the business. In addition to increasing motivation it helps to lock them in and prevent another business from stealing them away.

Morgan's Lobster

Morgan Phillips runs Morgan's Lobster, which buys lobsters from native fishermen, transports them back to Montreal and resells them locally. A key business partner is Fred Moore, who has been involved in the fishing industry since he was a young boy. Fred is an excellent advisor, teaching Morgan the industry from first hand experience.

Early on in her business she did not have the proper equipment and because of financial limitations needed to rent. This resulted in a loss of 500 out of 2,000 pounds of lobster on one trip. This incident could have resulted in the collapse of the business. However, Morgan decided not to quit.

She recognized that she needed better equipment and worked at getting the financing. The process of getting financing can be tiring and you need perseverance to get the information that proves the concept to be financed. Morgan has obtained financing (a grant) to purchase much needed computer equipment and for advertising. She continues to persevere in her business and plans to obtain additional financing to further upgrade her capital equipment.

A critical aspect of any business is sales. To accomplish this she met face-to-face with many storeowners in the greater Montreal area. They

were quite open to meeting with her and after listening to her describe the freshness and quality of her lobsters, they were willing to place small orders with her.

By going around to many potential buyers and obtaining orders, even for a limited amount, Morgan's Lobster was able to start out on a small scale with a number of different customers. From the beginning she focused on the freshness and quality of her product and combined this to catering her customers' needs to ensure their satisfaction. The combination of starting small, focusing on the customers' needs and satisfaction and persevering in the face of adversity are key factors, which Morgan attributes to her success.

Moral of the story

Mistakes are going to occur as a business begins and the entrepreneur learns the industry. Knowledge of the industry is essential for success and it helps to have partners, advisors and others who can provide advice and keep mistakes to a minimum.

Tentsations

Laurie Deer is the founder and owner of Tentsations, which rents tents and related supplies. The winter of 1998 was particularly devastating, because that was the year of the ice storm in Quebec. Power was lost for a month and there was no business and of course, no income. This could have been enough of a setback to cause the business to fold, but Laurie refused to close it down; she simply refused to quit.

Laurie attributes her success to not only persevering, but also to marketing. She believes it is critical that potential customers know who you are, where you are and what you have to offer. To support this she put up a large number of tents in her backyard and put up signs with her name and telephone number. To attract customers she initially competed on price, but now that she has a number of established clients, she competes on the basis of quality and service.

Tentsations also realized that they must identify their market niche, the segment of the market they would go after. They decided to go after the wedding business, that is, those who rent tents for weddings. To do this they have attended the trade shows for weddings and advertised in the magazines directed toward that market.

Laurie also recognized another potential niche, the corporate customer, those who rent tents for business functions. She has directed her marketing efforts to these two segments and has been successful in selling to both. Laurie also has learned from her mistakes. She advertised in the *Montreal Gazette*, the only English language daily newspaper of the greater Montreal area and considered it a mistake. This is because, as she later realized, it was too broadly based and she needed her marketing to be focused.

Another important contributor to the success of Tentsations is the people working there. Laurie hires those who are interested in doing a good job and treats her employees with respect. She also makes sure that everyone knows what they are expected to do and if they have any doubts, that they feel comfortable in asking her or others.

Moral of the story

Native entrepreneurs can compete with non-native businesses in non-native communities; Laurie is a successful entrepreneur providing services to a highly demanding clientele (corporations in Montreal). The quality of her service and her commitment has given Tentsations the credibility to compete for the tent rental business against large non-native competitors.

Digital Dreamcatchers

<http://www.digitaldreamcatchers.com>

Sharon Cross is the founder and owner of Digital Dreamcatchers, which creates Web sites, develops CD-ROM educational, organizational and business presentations and provides related support services.

The major difficulty that Sharon faced was the lack of business. Not having even one contract is very scary to someone trying to have her business survive. However, Sharon was convinced that if she could get enough people to know what she did and the benefits she could provide, then she would be able to get the customers needed to not only survive, but to succeed.

Sharon decided to talk to as many people as she could and made presentations to any organization that would listen and that could possibly use her services. In addition she would trade services. Sharon created a Web site in exchange for advertising on the back of the Mohawk Directory, which is distributed to all of the Mohawk

communities. It was this exposure and the follow-up work that Sharon did that helped her to generate the business needed to get her business going.

In the process of starting up her business, Sharon was careful to control her costs. This is demonstrated by her trading of services, such as creating Web sites in exchange for advertising space, rather than paying for it. Further, the hiring she did was on an when-needed and part-time basis. In addition, Sharon created alliances and subcontracted out work when the workload required, rather than hiring people on a full-time basis. Sharon attributes her success to her competence in her field, her persistence in her marketing efforts and her cost control strategies.

Moral of the story

Begin on a shoestring until you generate enough sales to expand. Sharon is in a business where the demand is only beginning to develop. Web-based services to Native businesses is an opportunity that is in its infancy. Until demand begins to increase, Sharon is keeping her costs in line with sales. So, if sales are low, costs are low. This is an excellent strategy until demand increases. At the same time she is benefiting by being a "first mover" in this industry and will be perceived as a pioneer for Web development services to local Native businesses.

Old Malone's

Chad Rice is the founder and owner of Old Malone's, an upscale restaurant in Kahnawake. Chad had previously owned a much smaller restaurant, The Shack, from which he learned many valuable lessons. Starting small and building up proved to be extremely helpful. Mistakes made while operating on a small scale may be more easily corrected.

Chad carefully planned his new restaurant and followed one of the cardinal rules of small business owners, which is "conserve cash." Nonetheless, cash became very tight. Fortunately, he succeeded by closely monitoring expenses, managing his cash flow and being able to borrow from Kahnawake Economic Development. His previous experience and demonstrated competence in the restaurant business were important considerations in the decision by Kahnawake Economic Development to provide the funding that was needed.

Chad takes a positive attitude towards things, such as his saying, "tomorrow will be better." He believes this helps him to persevere and to succeed. Another general principle that Chad follows is that when he has problems, he tries to solve them quickly and before they get too big.

Marketing is always an issue. Chad's primary method of advertising is by word of mouth, which many would argue is a passive approach to marketing. However, Chad invested considerable effort in making certain that the people of the community knew about his restaurant. This was particularly the case with his customers from his previous restaurant. Chad also emphasized the importance of being able to deliver a quality product at a competitive price. It is one thing for people to know about you, but if they are not satisfied with the product or the service they receive, they are unlikely to come back.

Moral of the story

It is very important to "prove the concept" before launching a full-scale business. Rather than invest heavily in a start-up business you first need to determine if you will like the lifestyle and if the business can succeed. A small-scale operation can be used to begin and, if successful, expansion can take place. Chad started with "The Shack," a seasonal hamburger stand with a "spicy" menu. The success of "The Shack" encouraged him to launch "Old Malone's," a full-service, upscale restaurant. Prove the concept before you invest heavily in an idea.

Conclusion

There are many important lessons that may be taken from these six entrepreneurs. The one message repeated by all six of the business owners is that is critical to persevere. In all instances they experienced difficulties that would lead non-entrepreneurs to quit. In many cases they had to re-position the business model from the original plan. This is because there will always be hard times for the small business owner and if one is not willing to work to overcome adversity or unable to stick with it, then the business will not succeed.

From a marketing perspective, it is clear that the small business owner must identify the market segment or niche they are going after. The advertising needs to be directed at that niche. Word-of-mouth advertising is an effective

and efficient method of advertising, which may be encouraged through friends, relatives and existing customers. Further, the product/service quality and pricing should be at least consistent with the customers' expectations, if not better than that, from the customers' perspective. The owners of Favors, Johnny's Coffee Shop, Tentsations and Old Malone's express these marketing principles.

From a financial perspective, watch your costs and conserve cash. Small businesses usually do not have a lot of money behind them and if they run out of cash and deplete their credit they are often out of business. The entrepreneurs in our profiles remain successful because they started small, proved the concept and conserved cash.

Start small so that it is possible to make mistakes, learn from them and survive. Starting small enables one to develop needed experience and expertise. It is also in many ways easier to recover from a mistake when a business is small than when it is large. All six of these businesses have started small, but the learning from this has been particularly relevant for Old Malone's and Morgan's Lobster.

When working with others be certain that everyone shares the same goals and that everyone understands and accepts who is responsible for what. It is also important to treat everyone with respect. This is the message that Tentsations clearly communicated. This principle also applies to partners, which would be the case for Favors, who incidentally would have benefited from a partnership agreement which clarifies expectations.

Summary

The 10 key learning points derived from these six entrepreneurs and which may be generalized to almost all small businesses are as follows.

- Persevere (You cannot fail if you don't quit)
- Identify your market niche (Who will need your product/service, and why will they buy it?)
- Focus your advertising directly toward your market niche (Look for the best impact on your target niche for the least price).
- Meet or exceed your customers' expectations (Customer service breeds loyalty which is critical for small businesses).
- Price it right (Based on competition, customer expectations, and quality — and your need to make a profit).
- Conserve cash and limit your expenses (You can survive longer, with lower fixed expenses, even if your variable expenses are higher, until you finally break-even).
- Start small (Prove the concept).
- When hiring, get people with the needed competencies (Once they prove themselves give them a "piece of the action" such as a share of the profits, to motivate and retain them).
- Clarify goals and expectations and if working with a partner, have a partnership agreement (Be prepared to deal with stress, conflict and uncertainty — expect it).
- Treat others with respect (Customers, employees, suppliers and even partners can really hurt your business through negative word-of-mouth comments).