

## Editor's Note

Here they come, ready or not.

"They" are the entrepreneurs by necessity—the ones who start a business because they've been laid off, or fear they will be soon. Rather than take their chances finding a job in today's less-than-hospitable corporate environment, they figure they may as well put their fate in the hands of the one person they trust these days: themselves.

But as Kelly Spors and Raymund Flandez report in their cover story, these entrepreneurs face more than the usual hurdles. For one thing, starting a business at a time when buyers aren't buying and lenders aren't lending would challenge any new venture. At the same time, many of these entrepreneurs haven't spent years thinking, planning, preparing, dreaming. They haven't lined up financing, or fine-tuned a detailed business plan, or thought about all the details of work and life as an entrepreneur.

So, how are they faring? Kelly and Raymund talked to five of them, and provide a report card on their ups and downs, their prospects and risks. Ready or not, they are definitely here. And trying to make the most of it.

—LAWRENCE ROUT

The Journal Report welcomes your comments—by mail, fax or electronic mail. Letters should be addressed to Lawrence Rout, The Wall Street Journal, 4300 Rt. 1 North, South Brunswick, N.J. 08852. The fax number is 609-520-7767, and the email address is reports@wsj.com.

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### SMALL TALK

## Kelly Spors answers questions about LLCs, gauging ideas and company names

**Q:** Is it advisable to put more than one business in a limited liability company, or should you set up separate LLCs for each? I am a freelance personal chef but also have other outside ventures that are not in the culinary category.

—Jane Ridolfi, New York

**A:** Even though it's cheaper and sometimes easier to just administer one LLC, it's generally better to set up a separate LLC for each business you own.

The biggest reason: You don't want all your businesses exposed to the liability risks of the others by lumping them together. If one business gets sued—and all businesses are grouped together under one LLC—they all are vulnerable to any financial repercussions.

"Generally, you want to shield businesses from each other by keeping them separate," says Judy Gedge, a Simsbury, Conn., small-business attorney.

It also helps to keep them separate for administrative purposes. It's much easier to sell a business or bring on a partner to one business when that business is its own legal entity, so that the financials and tax records of that business are separate from the rest.

What's more, there can be more flexibility keeping them apart, says Billy Ellyson, a Richmond, Va., small-business attorney. Workers' compensation or health-insurance rates may be high because one business's employees work with dangerous equipment or have health risks. All businesses under that same corporate entity may face higher rates as a result. If you keep the businesses separate, you can buy different insurance plans for the employees.

Only in rare circumstances would it make sense to keep multiple businesses under one LLC. The costs of setting up and administering more than one LLC for multiple businesses might seem too high if, say, the businesses generate only a few thousand dollars in annual income.

It might also be more complicated than it's worth to administer more than one LLC if the businesses are very connected to each other

and share employees or expenses.

**Q:** I have three new product ideas. How can I determine the feasibility of my ideas without worrying they will be disclosed?

—Mary Ann Keyser, Boston

**A:** Like you, aspiring entrepreneurs often worry about having ideas stolen as they solicit input from prospective investors and conduct market research.

But those fears are often overstated and can stifle the innovation process. Sure, there's always the chance somebody could take your idea and run with it. But few people have the wherewithal and stamina to pull that off.

"Ninety percent of getting a business done is just doing it," says Julian Lange, an entrepreneurship professor at Babson College in Wellesley, Mass. "You have to remember the world is a real big place and there are probably 1,000 other people with the same idea as you, but the vast majority aren't doing anything about it."

Prof. Lange says an essential part of evaluating the feasibility of a business or product idea is showing or explaining it to potential customers to get feedback. And that means revealing at least the gist of the idea.

In some cases, you might be able to get intellectual-property protection such as a patent or copyright on part or all of your concept. But many ideas aren't original enough to qualify for protection.

You might try to get people you share the idea with to sign a nondisclosure agreement, but many people refuse, because they know that they're doing you a favor and don't want the legal liability. So, you're left either dropping your idea for fear it will be stolen or taking the risk of revealing it.

Your best hope is pursuing the idea, getting ample input from potential customers—and then moving forward.

"The best protection you have is doing it quickly," Prof. Lange adds.

**Q:** I want to start a music booking agency that will be based in New Jersey but booking

shows all over the U.S. and eventually overseas. I don't want to invest time and money in a business name and then find out someone else already uses it. Is there an easy-to-understand explanation of who can use business names and when it's all right to use a name already being used somewhere else?

—H.H., N.J.

**A:** Under federal trademark law, a business selling a particular category of goods and services has rights to a particular name if it is first to use it commercially in connection with those goods and services in a geographic area—even if it hasn't officially registered it. So, you are typically safe using a business name locally, assuming no other similarly named businesses in your industry are using it there.

If you plan to expand beyond your local area, or onto the Web, make sure that there are no other businesses selling the same goods or services in the U.S. using your chosen name or one that's similar enough to be confused with it, says Rich Stim, a San Francisco intellectual-property attorney and an editor with Nolo Press. "You'll just want to see if somebody is providing similar services under a similar name," Mr. Stim says. "If you have similar names but different services, you'll probably be OK."

It's pretty easy to do a thorough name search using Google, the trademark search engine on the U.S. Patent and Trademark Office's Web site (www.uspto.gov) and a domain-research site, such as WhoIs.net. Companies such as Thomson CompuMark and name-search firms can do a comprehensive search that includes domain names and state and federal business registers for around \$300 to \$600, Mr. Stim says.

He recommends not worrying about an international trademark search until you expand beyond the U.S. Until then, a thorough search on Google should typically turn up international companies that are already using the name.

Send your questions about starting or managing a small business to smalltalk@wsj.com.

### INSIGHT EXCHANGE

## Top entrepreneurs talk about how to keep your customers, and find opportunities, in tough economic times

What's the secret of being an entrepreneur in these hard economic times?

That was one of the issues that five experts talked about in a panel discussion in March—part of a series of Insight Exchange breakfasts hosted by The Wall Street Journal and moderated by the Journal's Gwendolyn Bounds.

The panelists were:

■ **Seth Godin**, an entrepreneur, blogger and author.

■ **Matthew I. Growney**, founder and chief executive officer of **Isabella Products Inc.**, a consumer-electronics company.

■ **Danny Meyer**, a restaurateur and CEO of **Union Square Hospitality Group**, which includes **Union Square Cafe** in New York.

■ **Lida Orzeck**, CEO of **Hanky Panky Ltd.**, a lingerie company and seller of a popular luxury thong.

■ **Robert C. Raciti**, senior vice president with **General Electric Co.'s commercial-finance business**.

Here are edited excerpts from the discussion.

**WENDY BOUNDS:** Danny, can you tell us about a couple of things you're doing to deal with the economic slowdown and to keep business coming in the doors.

**DANNY MEYER:** We're doing a lot of different marketing ideas that have nothing to do with price and everything to do with trying to stand out from the crowd. I think the best one we did, which we launched when it was about six degrees outside, was a marketing campaign that says, what this town could really use right now is a good bowl of chicken soup.

Chicken soup is one of the great comfort foods in every single culture, and we think that we need to be selling comfort right now. And chicken soup also is a way to define the restaurant. I challenged each one of our chefs to come up with a chicken-soup recipe that defined that restaurant. So Blue Smoke was smoked chicken soup with wild rice and a restaurant like 11 Madison Park, which is more refined, was chicken veloute with black truffles.

Furthermore, we're giving \$2 of every bowl of soup we serve, which equates to seven pounds of food delivered, to City Harvest [a nonprofit that feeds the hungry]. And [in the first two weeks] we sold something like 5,000

bowls of chicken soup.

**MS. BOUNDS:** Seth, from your standpoint on the marketing level, are you seeing more entrepreneurs looking for novel ways, like how do I market, how do I get people coming back?

**SETH GODIN:** I think it's important to understand that when people buy stuff, they're not buying anything they need. People in this country, people in this room, we have everything we need, unless you're in the business of selling heating oil or roofing materials. So what we're selling is what people want. And when someone goes out to buy something they want, there are competing stories. The story that's winning a lot now is, "I can't afford to buy something" or "I might lose my job" or "I am in too much debt."

But people are always looking for joy. They're always looking to be connected. They're always looking to feel generous. So Danny's insight, which is so brilliant, is for the cost of a bowl of chicken soup, you get to feel generous. You get to feel connected. You get to feel part of the community. That story is easy to tell because we all have a memory of chicken soup growing up.

What we're seeing is that the guys in the private-jet industry are a little stuck, because they don't know how to tell a story that says taking a private jet matches the fact that your company is laying people off. You can't do that.

**MS. BOUNDS:** Could they do it?

**MR. GODIN:** I don't think they can. Marketing is not this blank check that lets you sell whatever you want. The challenge that we're facing, as we enter this serious recession, is not how do we stop doing everything. It's how do we create experiences and stories, interactions, that don't necessarily cost a lot of money, but create value for everyone concerned.

**MS. BOUNDS:** Lida, within the lingerie business, have you had to come up with a new story to help sell your product, or is your lingerie recession-proof?

**LIDA ORZECK:** It is not recession-proof. It's really getting back to the basics for us, reconnecting with the customer in a big way. The other very unfortunate part of what's happening now is that we, we have to have promotion and offer value, but this may be something that we're in for the long haul, if not

forever. You know 70% off is the new black, and it may never go away. We have to protect the brand, so we can't do everything promotionally. We have to be very clever with the stores, make sure they get better margin and are also able to pass something on to the consumer, without the brand getting battered. It is a tremendous challenge.

**MS. BOUNDS:** And have you had to lower your prices?

**MS. ORZECK:** What we did was not raise our prices. And we actually made quite a big deal about that. Our world-famous thong retails for \$18, and it has been at that price point since June 1, 2004. But that price was about to go up this year. In fact, we had announced it to all of our retailers, and when everything went sour, we took it back.

**MS. BOUNDS:** Have your costs of materials gone up?

**MS. ORZECK:** Everything has gone up.

**MS. BOUNDS:** So you're just having to swallow that?

**MS. ORZECK:** We're swallowing.

**MS. BOUNDS:** Matthew, you just started this company, **Isabella Products**, and the first thing that came to my mind was, is he crazy to start a company right now? But tell me why you see opportunity.

**MATTHEW I. GROWNNEY:** I think that for an entrepreneur who is interested and passionate about creating something in the technology space, whether it's a device or a service or a platform, this is an extraordinary time, because there's an enormous lull in the Fortune 1000 with respect to innovation and new ideation. So right off the bat, for those of you sitting here with an idea, like we did 10 months ago, you have an 18-month lead on some of the greatest technology companies in the world. And that's how we look at it. We have 10 months to show AT&T and Sprint and Apple Computer and Phillips and some of the great technology places that we have an extraordinary technology and extraordinary consumer experience.

And because of the marketplace having this lull, we're able to go to the Consumer Electronics Show and pull in 80 journalists and share why we think we're an extraordinary little company. Whereas, during the summer when Apple launches its 3G iPhone or someone launches this great big new widget, you're totally irrelevant. The chances of you getting attention and getting a connection built with the consumer is very, very hard.

And that's why we sort of double down during these dark times, because we know that there are few of us that can double down. And we're going to double down a lot quicker than, let's say, a Motorola or a Nokia or others who are kind of reeling and pulling back. And that creates opportunity for us.

**MS. BOUNDS:** I think that's interesting, that there are real opportunities now, when things seem so troubled, that there might not be in good times. Robert, where are you seeing this? You have these deep pockets that everybody wants to tap into if they have a small business. Who are the people out there seizing these opportunities that you are going to want to invest in?

**ROBERT C. RACITI:** In general, when we look at underwriting, not much has changed. We always had rigorous underwriting requirements. With the downturn in the economy, very similar to Lida, where your costs are going up, the cost of money is going up. So in general, things haven't changed: large, mature companies that have liquidity to get through the downturn, a management team that has been there and done that, long-term contracts with credit quality customers.

However, on the equity side, where they don't have these types of opportunities, we look for innovative companies that actually create a disruption. The simple thing is, if you can offer the environment where we can lower your costs and improve quality, it's a no-brainer.

But in general, we have to make certain that these entrepreneurs really know the industry, they know the customers, they know the competition and most importantly, they know thyself, they know what they can and cannot do.

So it's interesting when you play across the capital structure, how you bifurcate this, and I think it all has to do with innovation and creating something that doesn't exist, that fits a pent-up need.

**MS. BOUNDS:** And you're a big fan of the business plan. We've had people who were very pro the business plan and then people who say it's a complete waste of time.

**DR. RACITI:** I think it depends on almost



Matthew I. Grownney



Seth Godin



Danny Meyer



Lida Orzeck