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HUMBERTO CRUZ

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**44%**

PORTION OF ONLINE
TRANSACTIONS IN 2012 DONE
BY CREDIT CARD.

JAVELIN STRATEGY AND RESEARCH

Most start modestly in O.C.



FILE PHOTO: THE REGISTER

COTTAGE COMPANY: Janet Cronick started Ultimate Gifts in her Fountain Valley home.

Review of Register's My Business features finds majority begin with less than \$50,000 and also use their own money.

By **JAN NORMAN**
THE ORANGE COUNTY REGISTER

Jason Smith tapped his savings and asked his family for help.

Youngsong Martin received credit from suppliers.

Janet Cronick used a credit card.

Tim Telles "begged and borrowed from clients, friends and family."

These are just four of the ways people have obtained the

money they needed to start businesses in Orange County.

These four and about 246 others have been featured in The Orange County Register's My Business feature (formerly called Small Business Spotlight) in the past five years. The feature, which has run regularly in Business Monday for 15 years, requires that the business be in Orange County and have started within four years of being featured.

If nothing else, the feature il-

lustrates the variety of entrepreneurial aspirations of Orange County residents and the ways they manage to finance their dream businesses.

The data are only as accurate as the business owners were honest about the amount and source of startup capital. Some weren't deliberately dishonest, but imprecise, like the owner who didn't include the cost of computers needed in

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STARTUP SALON: Treeny and Tim Telles opened Tribeca Salon in Aliso Viejo on Jan. 31 after working at other salons since 1973.



FANCY SETTING: SCORE counselor Terri Carr sits with Youngsong Martin before one of Youngsong's table settings.

STARTUPS: Plenty of capital and contacts are essential

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the business "because I already owned them."

The majority, like Smith, used personal savings. And like Smith, the majority started their enterprises with less than \$50,000.

Many, like Smith and Telles, drew upon more than one source for the money they needed.

Smith was 22 when he started **GoSMG.com** in Brea in 2002 to supply products for fundraisers by schools, youth sports leagues and other organizations.

He used his own savings and help from his parents. They didn't expect to be repaid, which eased the capital needs of the fledgling business.

Since being featured in 2004, Smith has changed the name of the business to **Ocfundraising.com**, which is more descriptive and easier to remember. He moved the company to Newport Beach.

"Have plenty of capital in place," Smith advises other prospective business owners. "The main reason a lot of businesses fail is that they don't have sufficient cash in place."

Telles had been planning his own hair salon for years and was able to tell potential investors how much it would cost to lease and build the interior of **Tribeca Salon**, which opened in January in Aliso Viejo.

"What we didn't realize was the need for operating capital" until he could rent out the chairs to independent hairdressers and generate enough capital from his own clients, Telles says.

The ongoing costs are about \$10,000 a month."

"I don't like to ask people for anything," he says, "but I believed so much in this salon. I worked out the numbers ahead of time; I just miscalculated on how much time it would take."

Family, friends and family signed two- to three-year notes, so Telles has time to build the business. Still, he said, if he had the chance to do it over, "I would want more startup capital."

Cronick is part of a small-business trend toward solo-lifestyle businesses that don't require fancy shops or employees. She had been the human resources manager for a company that moved out of state. She chose to stay here and open a business rather than look for another job.

She started **Ultimate Gifts** as a one-woman enterprise in her Fountain Valley home in 2001 to provide custom logo merchandise for companies to give away. She put her first order on a personal credit card.

"If I had to start again, I would apply for a line of credit or have a business credit card from day one," she says. "But I still use credit cards for cash flow purposes."

Ultimate Gifts might have to pay its vendors before a client pays for delivered merchandise. Her vendors typically



FILE PHOTOS: THE ORANGE COUNTY REGISTER

YOUNG ENTREPRENEUR: Jason Smith has found success helping schools and nonprofits organizations doing fundraisers. His first and most successful product is the Yo Yo Balloon.

Amount and source of startup capital

Data from 250 businesses that appeared in the Register's Small Business Spotlight/My Business between Oct. 15, 2002, and Oct. 14, 2007

Amount of startup capital	
0 - \$5,000	25%
\$5,001 - \$50,000	41%
\$50,001 - \$100,000	12%
\$100,001 - \$1 million	20%
\$1 million+	3%

Source of startup capital

Owners could give more than one source; rounded percentages are of total sources named:

Personal savings	
Personal savings	60%
Loan, line of credit	13%
Home equity	9%
Friends/investors	5%
Family	4%
Credit cards	4%
Partners	3%
Sale of a possession	3%

Source: Owners of businesses featured in Register's Small Business Spotlight/My Business

give her 30 days to pay. On the 29th day she can call up and pay by credit card and gain a few weeks before parting with her own cash.

"Besides, I earn airline miles, which I use for vacations," she adds.

Still, she advises others who use her technique to pay off the credit card bills each month to avoid extra expenses in the form of interest.

Youngsong Martin exempli-

fies another small-business trend: people who start multiple businesses. Her clothing design business had not been very profitable, so she closed it and in 2001 started **Wildflower Linens** in her garage to rent high-fashion tablecloths and other linens for corporate events.

"I already had established credit with many vendors," she says. "I could order fabrics and repay within 60 to 90 days

from revenues from the business."

She estimates that she initially spent \$300,000 to \$400,000 to start **Wildflower Linens**, but without vendor credit, she would have had to make do with \$100,000.

Her experience also exemplifies why many small-business counselors advise people to start businesses in industries they already know.

"My vendors had known me for a long time, even services like sewing companies," Martin says. "Even my banking relationships, I was already familiar with several bankers."

And Martin does recommend building a banking relationship from the start of business, even if the business doesn't need a loan or line of credit immediately.

Martin has moved the fast-growing **Wildflower Linens** several times and now owns a warehouse headquarters building in Buena Park. She recently opened a show room in San Francisco.

Her strongest advice to people starting businesses now? "Whatever amount of money you think you need to start, double it."

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