

Firms growing close to home

Minorities lean toward familiar clients, locations

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By Meta L. Levin

When minority small business owners branch out of their neighborhoods, they don't travel far.

Most who open additional locations in new areas exhibit significant sophistication and business knowledge, but often, they are serving the same kinds of customers as at the original site.

"When they open a second location, they need to feel comfortable," says Stephen Maduli-Williams, executive director of Chicago Community Ventures, which provides financial, consulting and information technology services for small firms and entrepreneurs in Chicago's minority markets. "They do a lot of market research and have a pretty good idea of what's there."

Chicago Community Ventures started loan programs for minority-owned small business about six months ago. Mr. Maduli-Williams estimates that 25% of the estimated \$1 million distributed has been for expansion.

Consider Greg Godwin, who owns several Jackson Hewitt tax preparation franchise territories generating more than \$1.5 million annually. A former IRS agent, he was running a collection agency for another company when he decided to do something about his "entrepreneurial itch." Using a small loan from his father-in-law, combined with money he and his wife had saved to buy a new house, he bought a Jackson Hewitt territory and found a storefront in the West Chatham neighborhood where he grew up.

"I always dreamed of doing something for the community," he says.

The South Side business took off, and within the first year he decided to buy a second territory, then a third.

It wasn't until he opened a fourth office in South Chicago that Mr. Godwin risked leaving his comfort zone and entered a partly Hispanic neighborhood.

"I had to search long and hard for Spanish-speaking employees," he says. "We were slow to catch on with that community, because the Hispanics don't come in if they don't know you."

A couple of years ago, he bought the downtown Chicago territory from another franchisee, bringing a more diverse customer base with more complex tax preparation needs. It's a challenge that he welcomes.

But his first year downtown was a struggle. Rents are higher, and he couldn't find a first-floor location. Landing first on the ninth floor at 20 E. Jackson Blvd. with no outside signage, he used flyers and phone calls to get business.

"Nobody knew we were there," he said.

Last November, he moved to a second-floor office at 18 W. Jackson Blvd. This building allows outside signage, and walk-in business has increased.

Angelina Miljus of UPE Travel caters to a largely Hispanic clientele with locations in Little Village, Pilsen, Cicero, Aurora and Redwood City, Calif. She began UPE Travel in downtown Chicago 25 years ago, serving corporate clients. The airlines required that she hire someone with travel experience, adding to the financial burden of her high-rent location. To generate more business, the Mexican native began contacting people with Hispanic-sounding names, offering to help them

with airplane tickets. Several times a month she would travel to Little Village, a stack of plane tickets in hand, to meet clients in a restaurant.

"I was desperate to get enough business to pay my rent," she says.

Many Mexican immigrants were happy to hear from someone who knew and understood their needs, Ms. Miljus says. Her Mexican customers often encouraged her to open an office in Little Village, but it wasn't until her corporate business slowed in 1981 that she closed her downtown site and made the move.

Little Village offered a fresh start. From that base, each additional office has opened in an area with a large Hispanic population. She estimates 75% to 80% of her clients come from the neighborhood.

Third Coast to West Coast

When a former employee moved to California, Ms. Miljus and her husband, Veljko Miljus, a Yugoslavian native, went to visit. Smitten with the area, she wanted to move there, so they launched a branch of their travel agency in Redwood City.

"It was a big step, but I wanted to move to California, so I pushed my husband," she said. "But by the time we had an established business in California, we had a very good business here in Chicago."

By 2001, UPE Travel was generating \$8 million in sales, but travel cutbacks and fallout from Sept. 11 have bruised the business and illustrated the risks of expansion.

After posting a loss of \$150,000 last year, the company dropped employee health insurance and profit sharing, mortgaged buildings and cut salaries.

"That hurt, because we had worked very hard and had sacrificed trying to run this business," Ms. Miljus says. "But you do what you have to do."

Now she's looking for ways to reinvent the business. Ms. Miljus plans to reach beyond her Hispanic base to sell Mexico as a tourist attraction, promoting its colonial cities and historic sites as well as its beaches.

Ms. Miljus was lucky enough to have access to \$20,000; a severance payment her husband had received; when she opened her first office.

Not all minority entrepreneurs are lucky enough to have their own expansion capital.

Helen Lee and her husband, Allen, took over her brother-in-law's successful Chinatown restaurant, King Wah, in 1984. They had little formal training in the business; Mrs. Lee owned a Chinatown garment factory and Mr. Lee was an architect; but they had frequently helped out at the eatery.

In 1985, borrowing \$50,000 from the business and her own savings, Ms. Lee secured a spot at Taste of Chicago. By 1988, the economy was booming, and so was the restaurant. The King Wah name was known outside the Chinese community: 95% of its weekdays customers are non-Chinese.

Armed with that success and her new contacts, she successfully bid in 1995 to become one of the vendors at Navy Pier. It took \$250,000 to \$300,000 to open at that location, and Ms. Lee borrowed the entire amount from the New Asia Bank, with which she had a relationship and on whose board of directors her husband had served.

Three years ago, she borrowed another \$500,000 to open at Midway Airport. The three locations take in about \$2.5 million annually.

Alternate sources of funding

In some ways, the Lees are anomalies. Often, members of Asian communities tap colleagues, friends and relatives for cash infusions, says Christine Takada, executive director of the Asian-American Alliance.

The alliance has provided \$3.6 million in small business loans during the last year. "We have to ask for financial statements and they are not comfortable sharing that information," she says.

Second-generation immigrants who take over family businesses are more apt to approach agencies, such as the Asian-American Alliance or the U.S. Small Business Administration, for expansion loans, she adds.

Approaching a bank or other outside funding source may also be a function of increased awareness gained through experience running a small business, says Mollie Cole, managing director of the Chicagoland Entrepreneurial Center.

"They start small, using bootstrap financing from friends and family," she explains. "As they build capacity and success, they become more aware of financial opportunities."

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