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Making Lemonade: Small Businesses Get Innovative

By THE ASSOCIATED PRESS
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Some small businesses are not just surviving but thriving -- even benefiting -- from the economic weakness that has battered so many other smaller firms.

Some have carved a niche few rivals can match. Others are capitalizing on a fallen dollar to boost their exports. Or they're providing a service that defies a pullback in consumer spending.

And if they haven't piled up too much debt, some small businesses can still get loans, despite tougher lending standards since the financial crisis erupted.

Success stories include:

- Equinox Chemicals, a company in Albany, Ga., that's thrived by mixing a broad domestic customer base with overseas business. Equinox has capitalized on a fallen dollar to expand overseas markets for its products, which include chemicals for fragrances, food flavoring and electronics equipment.
- ECP Commercial Real Estate, a San Diego firm that fixes up foreclosed or abandoned properties to sell them and helps property owners avoid foreclosure.
- Inwindow Outdoor, a New York company that converts vacant storefronts into temporary, street-level advertising billboards.

These companies are resisting the economic pressures that have left many small businesses starved for credit and squeezed by the still-struggling economy.

"There's always those innovative entrepreneurs out there that have businesses that are flexible enough to do this type of thing," said Lydia Jones, director of the Small Business Development Center at Kennesaw State University in Georgia.


In some cases, the weak economy has even been good for business. Customers have streamed into Joseph's Jewelry and Loan, an Indianapolis pawn shop, looking for quick cash or help covering mortgage payments. The store pays cash for valuables or provides loans that come with a 20 percent finance charge -- a benefit to people who otherwise

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can't get credit.

Sales rose about 60 percent last year compared with 2008, store manager Kevin Parrish said.

Small businesses that export can do well in today's economy because a still-weak dollar means U.S. exports are cheaper for many foreigners to buy. Equinox, for instance, does business in 10 countries, including Germany, France, Spain, India, China and South Korea. In 2008, international sales become the fastest-growing part of its business.

Equinox and its owner Mark Grimaldi got a big break last year with a contract to make chemicals for a South Korean drug company, said Dimitris Kloussiadis, an international trade consultant at the [University of Georgia](#) who has worked with Equinox.

The chemical maker received a \$500,000 bank line of credit guaranteed by the [Small Business Administration](#) to start work and paid it off in less than a year. Kloussiadis said Equinox more than doubled its total export sales in 2008 in the first nine months of last year.

"Mark is in a very niche market, and very few companies can produce the substances he produces," he said.

The same might be said of Inwindow, which started placing advertising in vacant retail storefronts in 2002, creating instant billboards at city street level.

"We're very busy," CEO Steve Birnhak said.

The Scottsdale (Ariz.) Convention & Visitors Bureau used Inwindow to set up an ad in early 2008 in downtown Chicago to attract tourists looking to escape winter. The display, which covered several storefronts, showed alternating pictures of people trudging through a heavy Chicago winter and sitting poolside or golfing in Arizona.

The display ran for two months, advertising a contest to win a trip to Scottsdale. More than 10,000 people entered.

"At the time, it was the largest response we had ever had to a promotional campaign like that," said Lauren Simons, marketing vice president for the visitors bureau.

Inwindow's rising sales have led Birnhak to consider expanding to Europe. The company already operates in 18 U.S. cities. An ample supply of empty storefronts -- "inventory," Birnhak calls it -- is helping.

Landlords have become more accustomed to the ads as a way to make money until their next tenant fills the space. William Walther was concerned at first about the ads Inwindow would place in a Manhattan development that includes condos and a hotel.

Walther, president of Granite Companies Asset Management, hired Birnhak's firm as work wrapped up on the complex south of Times Square. He needed something to cover vacant windows for storefronts the building contractors were using as offices. Inwindow gave him a [BMW](#) ad, and he's been sold on the concept since.

"I think that when you're in the hotel business, you want activity around the lobby of your hotel," he said. "If you don't have retail ... you certainly don't want windows that are filled with brown paper."

Joe Bonin's San Diego real estate company used to focus mostly on managing and leasing retail strip malls and industrial and office parks. Once the [recession](#) hit, revenue tumbled as tenants moved, stopped paying or switched to shorter, less-profitable leases.

"I was really wondering if the business was going to survive," Bonin said.

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That's when he decided to focus on work more suited for a slumping economy. His company now fixes up foreclosed or abandoned properties to sell.

ECP found tenants to live in a foreclosed condo complex in Spring Valley, Calif., owned by Pacific Western Bank. Besides leasing the property as apartments, Bonin's company took over landscaping and cleaned up the units, said Dave Jensen, Pacific Western's credit administrative officer.

That made the complex more marketable, Jensen said, because banks would be reluctant to extend a loan for a property that doesn't generate any income.

Bonin's company also started acquiring distressed commercial real estate, breaking it into pieces and then selling it. Revenue surged about 75 percent last year compared with 2008.

"It's not about turtling down and then saying, 'Well, I'm going to survive until we get to the other side of this thing,'" Bonin said. "We have to make fundamental changes."

While these companies succeed, many small businesses are suffering. Falling sales and rising health care costs have hit hard. So have the stricter standards for bank loans, which now come with higher rates, tougher terms or demands for more collateral.

The National Federation of Independent Business' small business optimism index has reached lows not seen since the early 1980s. The monthly gauge tracks companies' job creation and capital expenditure plans, among other variables.

"It's harder to get the financing you need," NFIB Chief Economist William Dunkelberg said.

The small businesses now finding success generally weren't swamped with debt when the recession started, said Sanford Ehrlich of San Diego State University's Entrepreneurial Management Center. And if their core business declined, they've been able to adapt to a sluggish economy.

"It's sort of looking at an engine and having a lot of dials in front of you, and they watch all those dials simultaneously," Ehrlich said. "And they know which levers to push to move those dials."

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