

Business 101: Savvy startup strategies

Whether you're reinventing your business or adding on, getting the money you need isn't easy. You have to be resourceful, smart and persistent

By GEORGE WITTERSCHEIN

If you're building a fledgling landscape service, or adding a new one, you probably have more than your share of problems finding financing. Entry-level lawn maintenance contractors often represent the "new" people who see a business they can get into quickly, if only they can finance the equipment, say the experts.

"In fact," says Brian Burley, vice president of Sheffield Financial Corp. in Clemmons, NC, "a typical scenario might be this: A man gets laid off from his job. His landscape contractor friend says, 'I've got a lot of work on my plate right now. You're welcome to take some of the mowing — and keep it if you want.'"

This is an ideal scenario — a successful market economy providing opportunity for those who need it — except for that financing issue.

"Entry-level contractors are often people who may lack business experience and credit histories," says Burley. "The ones who are established in business can go to a local bank and get a loan. But otherwise, many find it difficult to borrow money for that \$10,000 riding mower. The work is out there for them. If only they can get that mower, they'd have a good cash flow and pay the loan back while staying in business."

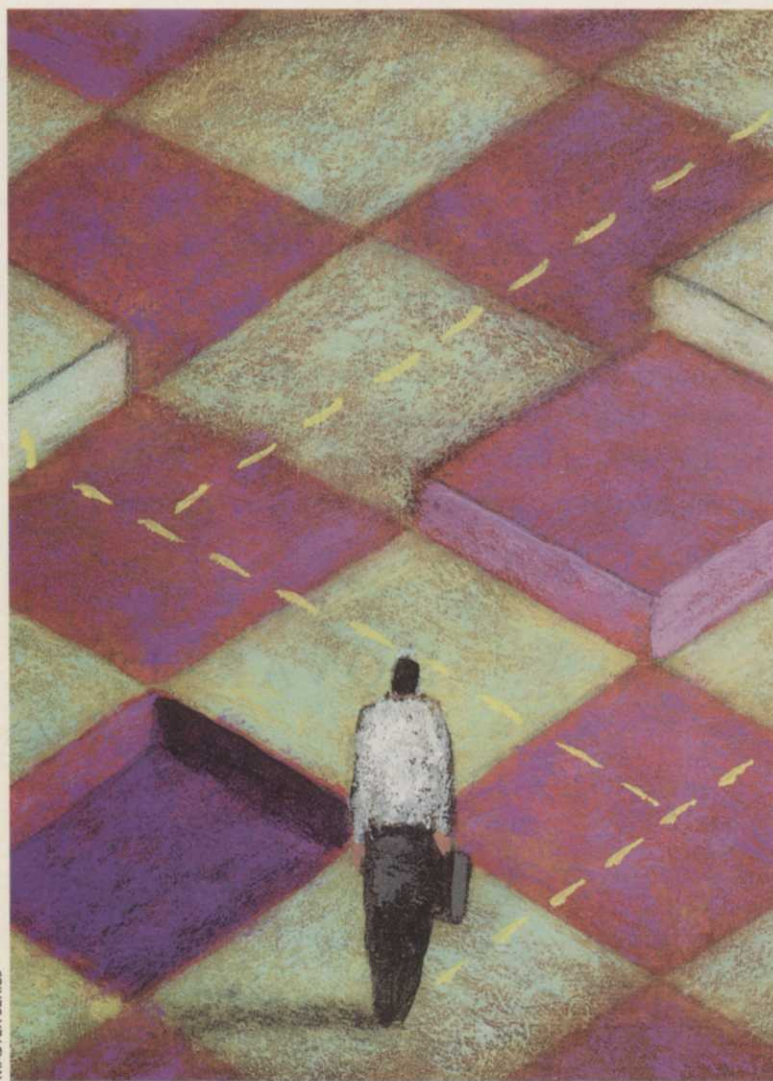
Finding the money

Where can the start-up owner turn for money?

1. *Equipment companies.* Today's marketplace is so competitive that equipment makers and dealers have become like auto dealers. They compete with each other to offer low-interest, extended-payment financing. They may also take a chance on someone without a lot of business experience or credit history, especially if that person is a long-term resident of the area and is otherwise stable.

2. *Credit cards.* It's a scary prospect to start a business with your personal credit card. It's also the classic American way — countless people have done it. Burley says a credit card may work for you. "It's definitely an option, if you can find a credit card with a *fixed* low rate."

The low-rate introductory APRs can balloon into high-rate nightmares after an introductory period. Be



Counting on credit: Should you use your card?

Using your personal credit card to finance your business — it sounds like a very, very bad idea. Yet many people in the green industry do it, and some seem to get away with it. It's dicey, but our sources indicate there are some circumstances when it *might* be OK.

Rod Bailey of Evergreen Services Corp. in Bellevue, WA, says: "It's very common, but it's very high-interest-rate financing. On the other hand, I know some people who will do a lot of their financing off their credit cards because there are so many giveaways these days. One guy runs everything he buys through his credit card — and it's always the latest one with the low APR, free miles and vacation stuff. I would not recommend this — but I have to admit, when a business is small and you don't have any established credit, it can be a way to develop credit. You start climbing up the ladder, establishing a good payment record with your credit card debt. But because that is high-interest debt, as soon as you start to have some credit reputability, go talk with a bank!"

Sheffield Financial's Brian Burley is leery: "Some people use a succession of those 8.9% credit card offers in the mail to finance their business. I see a lot of loan applicants with \$10,000 and \$15,000 credit card limits — a tip-off that they're heavy into their cards. If you can't get credit otherwise, the credit card is definitely an option — provided you can find one with a fixed low rate. But be careful of introductory teaser offers. The rates may be good for the short term, but they pop back up to bite you at some point. Some of the teasers require you to maintain a certain balance for a certain time — and if you don't, they charge you hefty fees."

—George Witterschein

Financing basics made easy

Frank H. Ross of Ross-Payne Associates, Inc. in Barrington, IL, is a well known industry consultant and the author of *Financing Your Business*, a book that may just be the ideal starting-off point on your journey to financial knowledgability.

Financing Your Business aims directly at the green industry — the publisher is the American Nursery and Landscape Association, 1250 I Street NW, Suite 500, Washington DC 20005; 202/789-2900; www.anla.org. Its 90 pages explain such issues as:

wants. Everybody in America wants the biggest and best equipment, which is great — but if you're buying with someone else's money, stick to what you really and truly need. And if you ask for a loan to purchase cost-effective equipment, it makes you look like someone with business savvy. In fact, it may mean that you *are* someone with business savvy!"

"Second, stay in one place. Stability counts for a lot when a lender is looking at someone without a credit history. They think, 'At least I know where to find him!'" **LM**

— The author is a contributing editor based in Mendham, NJ.

careful of the fine print! If you go the credit card route, remember that as you pay back your debt, you're building a credit rating. At some point, you'll be able to go to a bank or lending company and get a better interest rate.

3. *Family and friends.* When you're talking relatively small amounts of money, you may be able to raise it from these sources. For more money, they might be willing to cosign a bank loan. Burley notes, "Young people especially need a co-applicant. This can be a good thing for a young businessperson. It helps him or her establish credit. And they're going to more than mowing equipment — like a thermos and a radio!"

Burley's advice to those seeking credit without much business experience or credit history: "Assess what you really need. Narrow that down to needs, not

- ▶ How to understand a balance sheet;
- ▶ Determining your borrowing power;
- ▶ What are the sources of capital — from public offerings to banks to venture capitalists to the Small Business Administration;
- ▶ How to deal with banks (and why they're so conservative);
- ▶ How to formulate a business plan;
- ▶ How to negotiate for the best terms;
- ▶ What to do if your loan application gets rejected.
- ▶ There is even a brief section on "sharks" — loan sharks, that is!

At \$49 for ANLA members and \$89 for nonmembers, *Financing Your Business* may look expensive. But if you lack financial expertise, you may find it a bargain.