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SMALL BUSINESS AND THE ECONOMIC DOWNTURN



Small Business and the Economic Downturn

(Cont. from Page 5)

"Because they'll want to get a gift, but they'll wait to see what's going on," she said. On the other hand, she admits this situation has led to some sleepless nights. "It's very, very frightening from a cash-flow perspective."

Retail is an industry where significant capital is needed to order new stock and prepare for the next season. Stephanie said they are currently trying to renegotiate terms with creditors – whether it's adjusting 30-day payments into 60-day payments, or working some other things out – but even that is scary when they can't be sure how the holiday numbers will end up. Making matters worse, she said, is that everyone expects the downturn to continue through the spring and into summer, and additional slow months will lead to the store falling even further behind.

Stephanie said an antiques dealer in town, who has sold high-end antiques for decades, says this is the worst economic condition he's seen since the mid-1980s. She said the general mood is pretty bleak among other small business owners in the area.

And now, the real scary question: What happens next?

"The fear is, if this lasts 18 months, how can you possibly ride it out and come back? The fear is that this is going to last longer," she said. "This time – the tremendous drop off – it was so quick, such a precipitous drop in shopping. That seems to be what's different this time. We'll know after Christmas how different. If Christmas sales stay as low as they've been, that will show how truly different this is."

Jeremy Litchfield

Chief Pace Setter, Atayne

Passion and optimism seem to be key ingredients in a successful entrepreneurial venture. With the current economic downturn, however, even a great idea combined with those ingredients doesn't guarantee success. But don't count out one BGS member, who is trying to change the way runners think about the shirts on their backs.

Webster defines an entrepreneur as "one who organizes, manages, and assumes the risks of a business or enterprise." While that definition describes Jeremy Litchfield (BGS 2005, American University), it also falls significantly short. He is busy navigating his company, Atayne, through a hostile economic environment while trying to make the world a better place and make some money at the same time.

Since college, he knew he wanted to start his own socially responsible company, but he worked eight years in marketing and brand development in the corporate world first. As an athlete and dedicated runner, he found his calling through the routine purchase and use of what he thought was a quality running top. Instead, after a bit of investigation, he found the shirt was made from virgin materials, would undoubtedly wind up in a landfill, and was colored with a red dye made from many known carcinogens. This didn't sit well with his view of himself as an "eco-runner."

So he created a line of performance apparel made from recycled polyester (from plastic bottles) and Cocona (activated carbon from coconut shells). "Our competitors might call that trash," says the company's website (www.atayne.com). "We call it a treasure."

Everything was going very well since the first product launch in August of this year, including a great deal of positive media attention. Sales "have been extremely positive," Litchfield said, and all looked rosy. "We are getting a lot of unsolicited email of people raving about, not only the product

and the performance of it, but also what we're doing; trying to create a better model for the industry."

However, apparel is an industry where a great deal of cash is needed up front to pay suppliers and manufacturers, and much of Litchfield's available cash has dried up. He says his initial group of investors is still interested, but they're waiting for other deals to take place before investing more money in Atayne. It's another case where the faltering economy has knocked a good business plan off track.

Currently, Atayne has only a couple options in its product line – a short-sleeve shirt and long-sleeve shirt for both men and women. Although he has plans in place for much more, those may be put on hold because of a lack of funding for any new product launches.

"If we can't get the financing, we won't be able to grow the line," Litchfield said. "That is the harsh reality." He said the company would continue selling its current shirts online until the economic situation improves, then restart the process of growth. They are finishing up a "spring design" for an expanded line of men's and women's tops and bottoms, but those may not be produced for 2009.

"Unless we get a significant amount of money in the next three to four weeks, we're going to have to delay that line," he said. "That brings a lot of other challenges." He said the company was getting mentioned in many niche publications – including a profile in *Trail Runner* magazine – and while that was a great thing, it also meant that they should be taking advantage of the momentum. Without cash that can't happen.

"How do we keep that momentum going? It's a huge frustration for us internally to say, 'Okay, we're getting a great response from consumers; we're getting great media hits.' Now we need to be able to follow up with a more substantial line or we get pegged as a t-shirt company. But we can't do that without funding, and obviously everyone is very tight with their wallets right now."

While Litchfield is confident he will raise the money necessary, he's not sure it can be done on time to set the needed production schedule. He said his strategy for raising capital often changes by the day or the week, and the current economy has made flexibility a necessity.

"This is absolutely a work in progress, a fluid type thing," he said. "I'm in the middle of this, and when I start to see that things aren't going well in certain areas I need to find other things to fall back on. We need to raise that money to ensure that we keep moving forward, or we're looking at delaying our expanded line until fall. And who knows what will happen between now and then and whether we will be able to continue on with the momentum we've got now."

