CHUCK SCHEER PHOTO

Fitting In

Small businesses find purpose in growing economy

By Chris Bouneff

ighteen months ago, Touch the Moon opened its doors as one of the only specialty baby clothes stores in Boise. At about the same time, a similar shop opened across the street.

Owner Jil Sevy expected tight competi-

tion, and she got it. In addition to the immediate threat a block away, Boise's mall area continues to grow with national chains offering baby items, giving Sevy more rivals to monitor for selection, price and service.

But nearly two years later, Touch the Moon, which called on BSU's Idaho Small Business Development Center for marketing help, and its nearby competition are still in business. Sevy's clientele continues to grow steadily, and the store's sales figures meet her business plan's projections.

That two stores offering similar services can survive across the street from each other, and in the shadow of the mall, has to be a good sign for the economy. But *how* good

Small businesses such as Eagle Drug Store (formerly Orville Jackson's) operated by people like Wayne Crosby, left, can still compete with the big-business big boys.





is it for the economy?

Small businesses comprise the vast majority of businesses in Idaho, according to statistics from the state Department of Labor.

More than half of all businesses in Idaho employ four or fewer people, and 90 percent have 19 or fewer employees.

But in terms of economic growth, small firms often reflect Idaho's health more than contribute to it.

For a better understanding, we need an economics 101 refresher from Boise State University professor Charles Skoro. Don't worry, though, this time around you don't need to take a midterm.

Economists classify businesses under two categories: primary and secondary industries, Skoro says. Primary industries top the economic ladder because they

sell goods and services outside of Idaho, bringing money into the state. That revenue passes on in wages or when the company purchases goods and services from local busi-

Secondary industries, which form the majority of small businesses, support primary industries directly or indirectly, such as a local contractor that supplies a service or product to a primary industry like Hewlett-Packard Co. Retail and other service industries also give employees of primary industries places to spend their money.

Yes, secondary industries often create jobs, especially in a growing economy. And they generate tax revenue for state and local governments. But stagnant or down times highlight the down side of secondary industries—they also take business and jobs away

RMC, with 35 employees,

from each other, having little net effect on the economy.

"Generally, it's incorrect to think about these secondary industries as driving the economy," Skoro says.

When the Boise mall area opened, for example, people looked forward to the new jobs and shopping. But the economic impact wasn't as extensive as expected because the mall retailers took away shoppers and employees from downtown stores, leading to a decline in the downtown area's economic health

And rather than generate money for Idaho companies, the large national and regional retailers took their profits out of state, limiting overall economic growth in Idaho.

HP, Micron Technology, the Idaho National Engineering and Environmental Labo-

ratory and many other household Idaho names are prime examples of primary industries.

Michael Lukes.

once was the three-

person team of Jimenez

right, and Pattie and

HP and Micron sell products internationally, bringing money into Idaho. INEEL attracts money from the federal government, which in turn supports the economy of eastern Idaho.

Such businesses clearly drive Idaho's economy. Although firms with more than 250 employees comprise barely 1 percent of all Idaho businesses, they employ about 38 percent of the work force and distribute 43 percent of all wages paid to Idaho residents.

CLUB BOOSTS BUDDING ENTREPRENEURS

If getting a head start in the working world really does depend on who you know, then members of the Boise State College Entrepreneurs Organization will have no problem reaching the top rung of the proverbial corporate ladder.

The motivated group reached out to the local business community for advice and funds during 1997-98.

"We wanted the students to operate the club like a business," says adviser Kevin Learned, who helped reorganize the club that had become inactive.
"Anything they do should have a profit motive."

So the group sponsored a breakfast speaker series featuring chief executives and human resource officers from Idaho's top businesses. The students also brought in national speaker Michael Gerber for a workshop. Gerber is the author of the underground best seller The E Myth: Why Most Small Businesses Don't Work and What to do About it. Students in the club

planned, promoted and produced each event.

The experience was priceless, says club president John LeVering. "From a student's perspective, working with local business leaders and learning from them outside the classroom is a golden opportunity.

"Our goal was to have a club that helped entrepreneurs in Boise and in doing so geared students to become entrepreneurs themselves," he says. These firms deservedly get the headlines, but the big guys aren't the only ones that entice money to Idaho.

Look outside the media spotlight, and you might be surprised to find small businesses in the primary sector that make valuable, albeit smaller, contributions.

Their exact impact is hard to measure because of high turnover among small businesses, says economist John Church, a BSU adjunct professor and expert on Idaho's economy. Most small businesses fold before a year is out.

And "over time small businesses don't remain small businesses," Church says. "They usually become big businesses if they're successful."

Such is the path that Rocky Mountain Communications is on. In 1995, the Internet provider

occupied the bedroom floor of co-founder Shane Jimenez, then a Boise State business student. At the time, RMC was one of only three Internet providers in Boise, a market ripe for picking.

The business steadily grew in the Treasure Valley and throughout Idaho. Then it licensed its services outside Idaho and now has a presence in five states, pulling money into Idaho. A separate pay phone business also operates 2,000 phones in eight

states.

RMC, which once was the threeperson team of Jimenez and cofounders Michael and Pattie Lukes, employs 32 people in Boise and occupies about 4,000 square feet of office space with plans for expansion.

"We've grown large enough that we have to manage people and resources," Michael Lukes says.

The traditional model starts with a small company growing, such as with RMC. But in entrepreneurial Idaho, even one person who never forms a permanent company can contribute.

Susan Berube started in business by marketing a new fuel that her brother-in-law invented. After several years and help from Boise State's TechHelp program and local engineers, she evolved from selling the fuel to developing an innovative backpacking stove that Coleman, the outdoor recreation company, snapped up.

Coleman's initial payment, and future royalties if the stove is built, benefit a small number of people in Berube's company — four to be exact. But Berube plans to reinvest her wealth in a new venture, which will inject new capital into Idaho.



"I'd love to hook up with another start-up that's interested in going beyond the small business image," Berube says.

Although primary industries control Idaho's economy, don't overlook secondary industries.

The bulge of such businesses, whether a small mom-and-pop operation or a national retail chain, signals that all is well in Idaho—we've got money to spend.

'Small businesses ... we really help define the community, at least the downtown area.'

"We're a magnet for firms that want to sell a product," Church says. Which is why Touch the Moon is no fly-by-

Which is why Touch the Moon is no fly-bynight business. While big retailers fill our needfor mass-produced shopping, small businesses fill the niches that chains can't. True, the economy might not notice if Touch the Moon closes tomorrow; the store only employs three people on a part-time basis. But you might notice.

Want a cute baby outfit that you can't find anywhere else? You can try the large chains, but their clothing is easily found anywhere. For the unique, you have to try Touch the Moon or another specialty small business. And there you have what small business truly adds to Idaho — consumer choice and a better quality of life.

Restaurants, retail, wine bars and coffee shops where you sip alfresco and watch the world walk by all enhance the quality of life, and they increase the state's livability,

attracting more businesses to Idaho.

They also help build community. Micron is a good corporate citizen, sponsoring many community events and contributing to educational and charitable causes, but you can't walk into Micron and talk to CEO Steve Appleton about putting a poster in the window for your fundraiser. Micron is too large and impersonal.

But you can reach Jimenez, if he isn't too busy that day. And you can always find Sevy at her store and talk with her about your event. Such

businesses form a personal identity and contribute to the feel of your neighborhood and city.

"Small businesses ... we really help define the community, at least the downtown area," Sevy says.

Community-building is just one of the many facets of small business in Idaho. They do add fuel to the economy; after all, Micron Technology once qualified as a small business. They cradle innovation, as Berube's backpacking stove shows.

They also flavor our lives, helping us enjoy life in Idaho a little more. And that's not a bad niche to fill. \square