

MICRO

out of the box



Wunderkinder:

Women and minority-owned businesses have gotten a lot of press, but young entrepreneurs are also players in the small-business market.

Brandweek's consumer magazine for marketers: Insights into what consumers are thinking, how they're acting and why.

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► THE GOODS

The most common types of products and services young entrepreneurs solicit:

- **Financial assistance:** loans, credit cards, credit accounts
- **Supplies and materials:** office equipment, stationery
- **Technology:** computers, software, Internet access, electronic organizers
- **Resources:** books, magazines, classes, seminars
- **Telecommunications:** phone service, voice mail, cell phones, pagers
- **Image builders:** clothing, accessories
- **Transportation:** cars, air travel
- **Other services:** insurance, legal, accounting, consulting

► SLACKERS NO MORE

A Yankelovich poll revealed that a huge chunk of Gen Xers—87%—would like to own a business. Defined by Yankelovich as age 18 to 35, that adds up to 79 million CEO hopefuls.

Percent of Gen Xers who want to own their own business



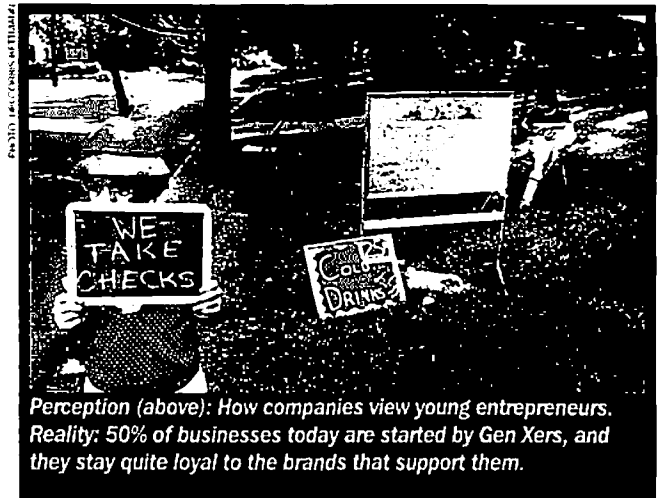
Minding Their Own Business

By Jennifer Kushell

Who would have guessed that amid all the hype over the rapidly growing business market that the age-35-and-under crowd would be a significant driving force? Today, Americans age 14-34 are creating almost half of the new businesses in the country, and in many cases, faster-growing enterprises than their predecessors.

According to Yankelovich Partners, 87% of Gen Xers want to own a business, and they feel they have nothing to lose in doing so: Since many start their first businesses from dorm rooms or while living at home, their overhead is virtually nonexistent. In most cases, there is no bankruptcy to declare if the venture fails, there are few, if any, employees to lay off, and recouping one's life savings is not such a tragic feat for someone so young. Like video games taught this generation, failure means dusting yourself off, starting over and doing better next time. It really is that simple.

This generation is not interested in the corporate life. They've witnessed the effects of the downsizing and restructuring that have done little to encourage loyalty. They realize that the 30-year corporate career has gone the way of the typewriter and carbon paper. In these minds, working for a large company is often viewed as just as risky—and nowhere near as rewarding—as starting one's own. Microsoft, Dell Computers, Netscape, Yahoo, Subway, Pizza Hut, Benetton, Virgin Atlantic, Nantucket Nectars—all companies started by teenagers and twentysomethings, and this generation has certainly taken notice. Why strive for the



Perception (above): How companies view young entrepreneurs. Reality: 50% of businesses today are started by Gen Xers, and they stay quite loyal to the brands that support them.

morn-and-pop shops their parents and grandparents started when they could be building multi-million dollar enterprises?

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Last year, The Young Entrepreneurs Network and The International Franchise Association surveyed 200 business owners age 35 and under throughout the U.S. and Canada. The average entrepreneur was a 25-year-old male on his third business venture. He started his current business 3.5 years ago (suggesting a greater longevity than the average U.S. start up, which has an 80% chance of failing in the first two years). His first business was started in his teens or early 20s, while in college. The business was funded with money loaned by friends and family, personal savings and, of course, credit cards. Where is he today? Well, the average young entrepreneur now employs approximately 18 people (including independent contractors), and his company is nearing sales of \$1 million annually.

out of the box

HE GOT CARDED

Paul Tedeschi founded Collegiate Advantage when he was a student at Boston University. Though he only spent about \$150 per month on his business expenses back then, Tedeschi clearly remembers that American Express was the first to offer him a Corporate Card when few others would even entertain the idea. As head of the leading college marketing company in the country today, Tedeschi is quick to profess his ongoing loyalty to AmEx, in addition to giving the company up to \$100,000 per month in business. See, Tedeschi's little college start up now employs more than 100 people (most of whom carry a company AmEx card) and generates \$7 million in annual sales. And each month, all bills are paid in full by an entrepreneur who is today only 30 years old.

John McGinnis, age 16, is now a very loyal customer of Office Max—not because he's been particularly thrilled with their service, but because he has vowed never to shop at Staples again. Did someone treat him poorly while he was looking for school supplies? No, not exactly. Last year John spent more than \$30,000 on office equipment, mostly on the six computers he purchased for his Web site development company, Internet Exposer, which reported sales of more than \$250,000 in 1997.

"I was always the last to be waited on in the computer department," McGinnis said. "Paying was always really embarrassing, too. The cashiers would endlessly question me about whether I was really allowed to use what they assumed was my father's credit card. They never believed it was for my company. 'Are you sure that this is what your parents wanted?' they'd pry." The only time McGinnis was truly helped was when he put on his good leather jacket and khakis and walked in with a wad of cash. Then, "They were all over me," he said. "I had three salespeople running all over the place."

McGinnis is still a good sport about it, probably because he has gotten used to being treated like this. So, when will he be successful enough for companies like Staples to treat him with respect? Maybe when he makes his first million.

But that still could be before he's 18.

Young entrepreneurs solicit companies, among them, credit cards, high technology, telecommunications, airlines and office products, to name a few. They also spend respectable sums of money and stay quite loyal to the brands that support them. But many companies reward them by showing them that they don't matter. They aren't old enough, or big enough customers, so they don't bother marketing to them.

There's another reason why these self starters don't show up on the marketer's radar: By traditional standards, they seem like a risk. Think about the terms that banks pose on entrepreneurs: Since young entrepreneurs probably bootstrapped to get started, they're likely already a bit overextended on their credit. And as for assets or collateral, a futon, CD player and cat—worldly goods exhumed from college life of only a few years ago—are about all that could be listed on most personal financial statements. Oh, and some debt, which is to be expected.

There is virtually no data on their spending habits, but we can extrapolate a little from what we do know. Let's say that of the 1.9 million new businesses started by those under 35 last year, each spent a minimum of \$500 (a modest estimate) on start-up costs. That would equal \$950 million alone. Now, of the 69 million others under 35 who say they want to own a business, what if we estimate that each spends \$50 per year researching opportunities? That's enough for one hard cover book, a few magazines, a couple of long-distance calls, and maybe some files to hold research. That comes to \$3.5 billion in annual spending.

There are plenty we haven't accounted for, those who have been in business longer than a year, who live in other countries, or spend much more than we hypothesized. Think about the amounts of money they will need to spend on services and products to succeed. One of these young entrepreneurs could be the next Bill Gates—who wouldn't want that business opportunity?

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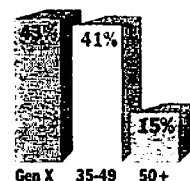


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► BUSINESS BREAKDOWN

Entrepreneurs age 34 and under are creating almost half the new businesses in the country, reports the National Federation of Independent Businesses. 35-to 49-year-olds came in a close second, while self-starters 50 and older trailed.

At what age do people start businesses?



► CONSUMER WATCH

Do you have an eye on people? Send story ideas, research findings and comments to Becky Ebenkamp at bebenkamp@brandweek.com. Or fax to (212) 536-1416.