

Starting a New Business

By Raymond P. Kolak

I occasionally have people come to my law office interested in starting a new business. They're excited about becoming entrepreneurs, being their own boss. And they've decided they need a lawyer to get organized and off on the right foot.

And I'm excited and enthusiastic, too, for them. There's nothing more enheartening than people with a dream they want to see fulfilled, who have the energy and the nerve to try to pull it off. When I listen to their stories, I think of the experiences my firm has had with businesses that started in someone's garage 20 years ago, which now are substantial enterprises, employing hundreds of people and contributing to the economy and the community.

Will these people be among the few who make it that far? My clients expect me to give legal advice, but I also think they can benefit from my practical experience in seeing what works and what doesn't. One of the things I think is necessary for success in a new business is experience with the industry or the profession.

Here's an example of what I sometimes see. A cousin of mine wants to start a business – a bookstore. She's an elementary schoolteacher, and a very good one. She likes to read a great deal, and knows most the current bestsellers and their authors. She also loves bookstores – she can spend hours in them, browsing through. She loves the look and smell of books, and the pleasure and increase in knowledge that they stand for. Running a bookstore would relieve her from the drudgery and monotony of her 6th grade classroom – grading papers, dealing with uncooperative parents, conflicts between teachers and staff.

So I ask – have you run a bookstore before? No. Have you run another type of retail store? No. Have you worked at a bookstore? No. Have you worked at any kind of retail store? Well, I was a stock clerk at a clothing store in college, years ago, but what does that have to do with anything? I know books, I know what people want to read, I know how a bookstore should look and feel to make people want to come in and buy. Besides, I'd be *happy* doing that, no matter what the money turned out to be.

My cousin's happiness, I think, wouldn't last the first month. As anyone operating them knows, bookstores are incredibly competitive businesses. The opportunities for the small independent bookstore are limited. People want to shop at chains like Borders and Barnes and Noble, which carry inventories far larger than my cousin could ever finance, and include coffee and snack bars as a reason to go to them. Amazon.com offers, as far as I can determine, just about every book in print, with the convenience of ordering from your home computer with delivery in days. My cousin can't compete with a website like that.

Moreover, bookstores are not about reading - they're about selling books. Purchasing the right books for your audience at the right cost, and selling them at ever-decreasing margins. Finding dependable store managers, clerks, and cashiers. Filling in on nights and weekends when they don't show up or quit. Promoting your store with advertising, community events, frequent-buyer programs. Disposing of the inventory you thought would sell but still lingers. Bookstores are merely stores that happen to be stocked with books.

Now, my cousin hasn't mentioned any of these challenges, and may not even be aware of what it takes to run a bookstore. So I, the attorney, pour the cold water all over her plans. She begins to tense her eyebrows and looks crossly at me. It's a look that I am used to when I give a client advice they don't want to hear. Yet, I don't want her to waste thousands of dollars and months of effort on a change of life that will be abandoned.

But I also respect her right to dream. Maybe it would work out, and maybe she has the people skills, marketing savvy, and sheer determination needed to succeed even in this crowded field. And the industry numbers indicate that people are buying more and more books, so the demand is there for someone to fulfill.

Here's where I give my advice. Despite your lack of experience in bookstore operation, I know of a training program for prospective bookstore owners. You will learn firsthand how a bookstore is operated on a daily basis, from the orders to the book distributors, to stocking, pricing, customer relations, marketing, personnel, virtually everything. Incredibly enough, you don't have to pay to get this training – they pay you instead. It's called getting a job in a bookstore (even if only as an entry-level clerk), and working your way up to a manager or assistant manager.

You will learn quickly whether you like this environment or not. It's different being a worker, as opposed to a customer, in any store. You will learn about purchasing, promotions, personnel. Even if you never make it to a supervisory position, you will be able to observe management and the owners. Are they happy with their lot? Do they believe there is a future in the community bookstore? Would they choose this path again if given the chance? You will learn a great deal about the business of bookstores, and most importantly, if you belong in one.

This is brilliant advice, but often ignored. My cousin says, you really don't understand at all. I don't want to be an employee anymore; I want to start and run a bookstore my way from the beginning. I don't have a year or two to invest in your plan. Besides, how hard can all this business operations stuff be to someone with a Masters degree (in education)?

So, like any good attorney, I recognize the boundaries of my role. I expect that my legal advice will be respected, but acceptance of business advice like this (no matter how sound) is at the discretion of the client. I will incorporate her business, give initial

tax advice, suggest an accountant, review the lease, and help her find bank financing. I will hope and pray for her success, or just survival.

Raymond P. Kolak is a principal at the Chicago law firm of Eckhart Kolak LLC. The examples in this article represent an aggregate of experiences from several persons. See a lawyer before you take any action involving a legal matter. Ray can be reached at rkolak@eckhart.com.