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# The economy is brutal, but their business booms

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By **Marilyn Adams, USA TODAY**



Enlarge | By Chris Machian for USA TODAY

At Skinner Baking in Omaha, Andres Orellana spreads some flour over rolls of dough.

Amid the worst economic conditions in 70 years, sales of sweet, fluffy pastries made by James Skinner Baking of Omaha are hot, hot, hot.

Family-owned Skinner Baking saw its 2008 sales revenue rise 18% from 2007's. In December, sales jumped a record 25%. The firm, founded in 1911, bakes coffeecakes, fruit-filled Danish, cinnamon buns and other time-honored goodies sold at supermarkets nationwide. Skinner's ovens are working six days a week and the firm is hiring to keep up with demand.

"This is comfort food," says Audie Keaton, Skinner's vice president. "Instead of going out to breakfast, I think families are staying home and eating Danish."

Skinner is among several types of businesses that are bucking the economy's downward spiral: flourishing not just in spite of the recession, but because of it.

Even as the nation's automakers, big banks, retailers and others are laying off hundreds of thousands of workers and fighting for survival, some companies large and small quietly are setting sales records and even expanding because they provide products or services that worried, cost-obsessed consumers are willing to pay for.

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A few of the recession's beneficiaries are big public companies with household names: Wal-Mart, (WMT) McDonald's, (MCD) Family Dollar. (FDO)

They earned profits last year, and their stock prices soared because they kept doing what they do well: selling stuff that everyone needs, cheaply.

But many businesses that are thriving during the recession are not big or famous.

"They are small or midsize companies with few levels of management that can make changes quickly," says Mark Perry, an economics professor at the University of Michigan-Flint.

"The role of entrepreneurs might be even more important during a recession," he says. "Their ability to be nimble and innovative and adapt to change become key advantages."

History seems to bear that out: Many long-standing businesses and jobs have been created during and right after a downturn.

*Monopoly*, which owner Hasbro (HAS) says is the world's most popular board game, was patented during the Great Depression. Microsoft, (MSFT) which made co-founder Bill Gates the world's richest man, was launched in 1975, after the 1970s recession.

### Losses and gains

During the last recession, in 2001-02, the U.S. economy lost nearly 2.7 million jobs overall, the Small Business Administration (SBA) reports. But new and existing businesses with fewer than 20 employees gained 853,074 jobs during that period.

Hard times also seem to spawn many one-person businesses, more so than good times.

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SBA figures indicate that about 269,000 more individuals started their own businesses in 1998 than 1997, a 1.7% increase during the height of the 1990s economic boom.

But as the United States began to emerge from a downturn early this decade, 1 million more people launched businesses in 2003 than in 2002, a 5.7% rise.

"The bulk of those are home-based businesses, such as consultants, people selling on eBay, independent contractors," says Brian Headd, economist for the SBA's Office of Advocacy.

Such businesses can be born out of necessity by men and women who lose their jobs or just need to boost their household income.

Even amid all the gloom and doom today, business success stories are popping up, often reflecting Americans' growing frugality.

Among them:

#### **Making the old new**

Many housing-related businesses, from builders to bathroom renovators, are suffering or even closing. But tiny Bathroom Magic of Fairfax, Va., is "coming off the best year we've ever had," says owner Jeff Miller.

Miller says his 2008 revenue jumped about 75% compared with the previous year. That's because Miller, who works alone or with a few helpers, can make a bathroom look nearly new for a fraction of what it costs to remodel.

"When the economy goes down, my business takes off," Miller says.

He uses a porcelainlike spray to reglaze old but functional bathtubs, sinks, toilets and tile. That way, homeowners don't have to buy new ones and pay contractors to install them.

His fee for reglazing a standard 5-foot-long, cast-iron bathtub in white or bone color is \$425. Miller has reglazed bathtubs and toilets that were black, pink, yellow and silver. Hiring a contractor to break up an old bathtub, haul away the pieces, install a new tub, then tile around it, can cost thousands of dollars.

#### **Getting a charge**

Dallas-based Interstate Batteries, with 125 retail stores nationwide, seems to have little in common with Bathroom Magic. But Interstate is benefiting from the same do-it-yourself, cost-cutting fever sweeping consumers.

The 56-year-old, private company sells batteries not only for cars and trucks, but also for power tools, hearing aids, cellphones, cameras, laptop computers, toys and other devices. Interstate's retail stores, called All Battery Centers, sell batteries that people can install on their own, or customers can pay to have them installed.

"October and December were the best months for revenues and profits in our company's history," says Mickey Elam, vice president at Interstate Batteries.

The company opened 43 new stores last year. It now has 125 stores in 41 states, Canada, Puerto Rico and the Dominican Republic. Elam says sales in October, November and December combined were up 12% year-over-year.

In December, Interstate began airing ads on cable TV featuring its top-selling auto battery, the green and white Mega-Tron.

"With the recession, people are not upgrading to new products, whether it's cars or laptops," Elam says. "Instead, they are trying to extend the life of their products."

#### **Finding the loot**

Internet site PropertyRoom.com auctions off — eBay style — valuables seized by law enforcement agents from criminals. Among the typical loot: precious jewelry, fancy watches, designer handbags, cars, computers and rare coins.

In 2008, the company sold \$34 million worth of merchandise, up 38% from 2007, says CEO P.J. Bellomo. In 2008, 68% more people visited the company's website than in 2007. Last year was the eighth and best year for the business, which is based in Mission Viejo, Calif.

Founded by a former New York City police detective, PropertyRoom lists as clients 1,300 law enforcement agencies and several large cities such as Atlanta, Baltimore, Las Vegas and Milwaukee.

Some proceeds of every PropertyRoom sale go back to the police department or city that seized the merchandise.

One item to be auctioned soon: a man's 9-carat diamond ring in 18-karat gold, size 11, seized from a Texas drug dealer. Retail value: at least \$47,000.

"It's huge," says Bellomo. "That thing fits my thumb."

In December, the site auctioned seven diamond rings and five Rolex watches.

Bellomo figures many customers used the site for holiday shopping.

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"That tells me that in a bad economy, people are looking for a bargain," he says.

#### Bargain furniture

At a time when traditional furniture stores are struggling or closing because of the housing crisis, an unconventional furnishings store called Home Decor Liquidators is growing.

Founder Hilbert Margol says sales last year were up 12%. In addition, the company opened five new stores last year in Virginia, Pennsylvania, Maryland and Upstate New York, for a total of 12 stores across the country.

The family-owned company sells furniture, lighting, beds and other furnishings that factories can't unload right now. Home Decor advertises three rooms of furniture — a dining room set, living room set and a bedroom set — for \$999.

Home Decor, which advertises on TV, in newspapers and on the Internet, also sells mattresses, flooring, lamps and carpets in its showrooms.

"We definitely plan to continue expanding," Margol says.

#### A small-business helper

New York City-based Rosalind Resnick, a former journalist, is CEO of Axxess Business Consulting, a consultant to small businesses. She and her team help entrepreneurs with good ideas write business plans, find investors and successfully launch businesses.

In the fall, as investment money for new businesses was drying up and her consulting business slowed, she started writing *Beating the Bailout Blues: How to Stay Sane When the Markets Are Driving You Crazy*. The newly published book tells businesses in 10 steps how to survive a recession. Among Resnick's advice: Don't stop advertising or talking to your customers.

"It's important for entrepreneurs to keep their wits about them when the marketplace is going down in flames," she says. "Businesses that are lean, mean and flexible will survive this."

#### Comfort food

Skinner Baking, which does no advertising, attributes its success to old-fashioned values, quality control and its ability to make decisions and changes quickly.

Its plant in downtown Omaha, which employs about 300 people, produces pastries sold in supermarkets nationwide, including Kroger, Winn-Dixie, Price Chopper and Hy-Vee.

The company can profitably sell a \$3.50 coffeeecake or a \$3.99 Danish ring at a supermarket because Skinner is a family-owned firm that controls its production, prices and quality without having to answer to corporate executives or Wall Street.

The recipe seems to be working. In December, Skinner sold nearly 16 million pastries, up from 13 million in December 2007.

That wasn't easy. Last year, the cost of everything that goes into a coffeeecake went up, just as food prices at supermarkets were rising. Nevertheless, "Our ingredients were not touched," says Andrew Greenberg, Skinner's marketing director. "Instead, we found ways to reduce our processing costs."

After a few meetings among managers and bakery workers, the company decided to cut costs by grouping pastry orders to maximize the use of ovens and reduce the time the equipment sits idle.

Plant manager Tom Urzendowski, 54, who has worked there 40 years, says Skinner insists on Old World ingredients and techniques employed by generations of mothers and grandmothers in their own kitchens. The 100-layer, yeasty dough is allowed to ferment and rise overnight — not just an hour or so — to make it extra fluffy and tasty.

"Times are tough," Skinner Vice President Keaton says. "But we don't skimp."

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