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Tough Times Call For New Ideas

By [KELLY K. SPORS](#)

It's a scary time to own a business, and the knee-jerk reaction may be to just keep chugging along and wait out the financial storm. But that's a risky decision.

This recession is expected to be longer, deeper and deadlier for businesses than any this nation has seen in decades.

The savviest entrepreneurs right now aren't hunkering down. They're rethinking their business models and hunting for new strategies based on the assumption that consumer spending won't be rebounding to prerecession levels and that the types of products and services people want will be much different from before.

For a business owner, this can mean finding new sales channels, trying new marketing tactics and promotions, forming strategic partnerships and introducing new products that appeal to frugal shoppers.

"Unfortunately, bad news has this huge ability to paralyze people," says Victor Cheng, a San Francisco business consultant. "I think it is very important for a small-business owner to be fast and nimble" right now. He suggests businesses do a hard evaluation of all segments of their businesses and focus in only on the ones that seem to be faring well in this economy.

New Outlets

Many businesses have already started making changes big and small, sometimes with benefits they didn't expect.

Stone Hearth Pizza, an organic-pizza chain with three small restaurants in the Boston suburbs, considered opening a fourth restaurant last fall. But founders Chris Robbins and Jonathan Schwarz were then approached by natural-foods grocery chain Whole Foods Market about selling prepackaged pizzas in the stores' refrigerated-foods section.

After evaluating the idea, the founders decided that starting a wholesale channel would diversify their business at a time when consumers are dining at home more because of the weak economy. Sales at Stone Hearth's restaurants have fallen about 6% to 7% since early December, but grocery-store sales nationwide are increasing, Mr. Robbins says.

Later this month, Stone Hearth will begin selling its pizzas in 26 Whole Foods stores across New England. The company is also reaching out to other grocery-store chains and major commercial food-services providers in hopes of expanding its wholesale channel.

What's more, the founders stumbled across another benefit to selling wholesale: It's much cheaper to prepare and package pizzas from a commissary kitchen than it is to run a full restaurant, hiring wait staff and leasing the space. "We'll be able to do significant volumes with one shift, 9 to 5, Monday through Friday," says Mr. Robbins.

Expanding Services

For other entrepreneurs, now is a good time to focus on better serving loyal customers and offering new services to

make them even more loyal.

Heather Becker, owner of the Chicago Conservation Center, which restores artwork and antique furniture for private collectors, corporations and small museums, recently launched a free email newsletter with tips and information about conserving artwork. She sends it to about 20,000 previous customers every other month.

She is also promoting free in-home consultations for area residents with questions about conserving their collections, and will provide advice to collectors who email photos. She recently leased a 20,000-square-foot building so she can rent out storage space to art collectors -- something several collectors have inquired about in the past.

Ms. Becker hopes that expanding consulting and educational services will garner more trust and appreciation among her customers, leading to new revenue streams as she shows how passionate and knowledgeable she is about art preservation. She has also been giving lectures on art preservation.

"If clients really perceive you as a resource for knowledge, I think they can more rely on you when they really need help with something," she says.

Hitting a Wider Audience

Some small businesses are coming up with lower-priced options and forming strategic partnerships with other businesses that can help their own.

Parties That Cook, a San Francisco company that hosts cooking parties as corporate team-building events, typically sells packages for \$75 to \$115 per person -- ranging from appetizer cooking classes to an "Iron Chef" type of competition where employee teams are judged on concoctions they prepare. But more companies are slashing their events budgets this year, and sales fell 50% in January from the previous year.

Chief Executive Bibby Gignilliat and her team recently introduced a new offering: For \$45 per person, companies can bring employees for a cooking demonstration rather than having employees fix dishes themselves.

The company also began partnering with other food businesses in the Bay Area, including an urban winery and a sustainable-agriculture organization, and in coming weeks is hosting an array of cooking classes for the general public. Though these don't generate as much money as corporate events, Ms. Gignilliat feels they're more marketable right now. "We're trying to get into budgets that aren't going to be eliminated in this economy."

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