
Breaking out of the niche

By Erica Schlaikjer
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James Cabrera had a choice to make.

"There were only two ways to go in my business," says the president of United Building Maintenance Inc., which started as a small carpet-cleaning company in 1979. "Stay small or grow through volume."

On the former path, Mr. Cabrera, 57, says, he would probably end up with a minority-focused storefront operation on the West Side, working from his predominantly Hispanic neighborhood. He could be hands-on. Referrals would be good. Customers would be loyal.

But he opted for the latter, and went mainstream.

"If I chose to stay small, I felt like I was operating in a box," he says. "You'd run out of clients and the cycle of getting work starts to close. I wanted to go after larger jobs."

Thirty years later, UBM is the largest Hispanic-owned facility-maintenance company in the Midwest, employing 900 and counting AT&T Inc., Commonwealth Edison Co. and United Airlines Inc. as clients. Revenue totaled \$21.5 million last year at the private company, which Mr. Cabrera says is profitable.

Like Mr. Cabrera, most small-business owners eventually hit a plateau. But for minority entrepreneurs, the question of how, or whether, to rise higher can be tricky. How do you reach beyond your traditional niche into the mainstream market? And if you revamp your product or service to reach a broader audience, do you risk losing your base clientele?

"The reasons to grow always outnumber the reasons to remain a small, niche operation," says Dave Thomas, executive director of the Chicago Minority Business Opportunity Center, an advocacy organization for minority businesses funded by the U.S. Department of Commerce.

For starters, minority businesses that seek a broader marketplace are more likely to survive than those that stick to a neighborhood niche.

Timothy Bates, a professor of economics at Wayne State University in Detroit, published a study last year that said firms in minority neighborhoods serving minority clients were 37% more likely to fail than those in predominantly white neighborhoods catering to white clients.

The minority companies, on average, were smaller and began with less start-up capital. Those weaknesses — coupled with the overall decline in purchasing power in urban neighborhoods as more affluent residents move out and the intense competition in the few remaining niches such as corner convenience stores — further decrease the viability of local merchants.

"The breadth and depth of the business has shrunk," Mr. Bates says. "It doesn't mean there are no opportunities, but the whole community-oriented business sector is in long-term decline."

Such lessons were not lost on Raymond Lee, who knew he couldn't stay in Chinatown forever. The Chinese-

American founder of Golden Country Oriental Food LLC, a wholesale distributor, started in 1978 selling Asian products primarily to Asian-owned grocery stores and restaurants in Chicago and later expanded to the wider Midwest. But business leveled out.

"It was becoming increasingly competitive just selling in the Asian market because a lot of other people were also getting into that type of business," says Sidney Lee, 46, who joined his father's company as vice-president in 1994. "We realized that we were going to have to look at other avenues of growth."

Mr. Lee's first mission was to sell to non-Asian-owned grocery stores, especially in the suburbs. Golden Country's first foray into the mainstream market came with 12 feet of shelf space at Franklin Foods in Libertyville in 1995. Within nine months, its products took up an entire aisle.



Sidney Lee of Golden Country Oriental Food supplies mainstream grocers.

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GOING MAINSTREAM

Fifteen years later, Asian-owned grocery stores remain the "bread and butter" of Golden Country's business. But the wholesaler also sells to Jewel and Treasure Island and to restaurant operators such as Lettuce Entertain You Enterprises Inc., as well as to non-Asian, independent grocers Joe Caputo & Sons and Butera Market.

One challenge of going mainstream can be getting buyers to recognize certain products' appeal. "We have to convince them, yes, honestly, despite its appearance or smell, it truly is a popular product," says Mr. Lee, referring to items such as shrimp paste and alcohol-fermented bean curd.

The key to success is researching consumer preferences, which vary depending on location, Mr. Lee says. One Golden Country client insisted on selling exotic items, like specialty fish sauce, in a predominantly black neighborhood. The store, which ignored Mr. Lee's recommendations to sell more "crossover" items like noodles and baby corn, went out of business.

In the five years to 2007, Golden Country's revenue increased 30% to about \$45 million. It now has 70 full-time employees operating out of a 210,000-square-foot warehouse in Pilsen. It offers 5,000 products, not only from China, Hong Kong and Taiwan — its original base — but also from Singapore, the Philippines, Indonesia, Korea, Thailand, Vietnam, Jamaica and West Africa.

"If we didn't branch out, we would probably be a very small company," Mr. Lee says, "and we would struggle."

Some minority firms hesitate to move into the mainstream market for fear of alienating their original customers, says Eric Dobyne, regional director of the Washington, D.C.-based Minority Business Development Agency, which helped

minority businesses obtain \$1.6 billion in contracts and financing in 2006 through its outreach programs.

"It's almost always worth it to sell to a bigger market," he says, "even if it lessens the appeal of your product in your original community."

Nancy Andrade, 40, president of Chicago-based Mexifeast Foods Inc., knew she might turn off some Hispanic consumers when she sold her tamales — steamed cornhusks filled with seasoned meat and *masa*, cooked corn dough — to big-box retailers.

Mexifeast products are pre-cooked, mass-produced and, for the most part, pre-packaged. They are made with vegetable oil instead of lard and, unlike traditional tamales, come in chicken chipotle and other more Americanized flavors.

"There were some Latino-owned grocery stores that would not embrace the product," Ms. Andrade says. "People said, 'they're going to see your product as too *gringo*.' "

Mexifeast's newest line of "natural" hormone-free vegan and vegetarian tamales, which for the most part don't exist in Mexico, was recently picked up by Whole Foods Markets Inc. and is now sold at 34 stores in the Midwest.

The company's "classic" line of frozen meat tamales can be found at Jewel, Wal-Mart and certified grocers like Treasure Island and Potash Bros. Market, plus other stores in Indiana, Wisconsin, Nebraska and Michigan. Last year's revenue totaled about \$100,000, but profitability is still "a work in progress," she says.

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