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Some Small U.S. Companies Thrive Despite Recession

Niche companies attract customers and business



Thomas Johnson, a Ghana native, says his Virginia furniture company is unaffected by the recession because it has diversified.

By Judi Hasson
Special Correspondent

Washington — Thomas Johnson, a native of Ghana, owns a thriving manufacturing company in Virginia that has not been touched by the recession.

Like the owners of many small businesses, he finds customers are still coming through his doors at the Thomas A. Johnson Furniture Company. Despite the tough economy, his company, with fewer than 10 employees, has revenues of \$400,000 a year with profits of \$56,000 a year.

"We're doing great. We have orders coming in because we are diverse. We are able to survive the shock," said

Johnson, 46, who came to the United States in 1993 with \$20 in his pocket.

He started his company in Lynchburg, Virginia, in 1996, and has expanded from selling furniture to marketing kitchen cabinets and decorative molding. He has won contracts with a variety of businesses: He supplies a boutique hotel and is turning a 100-year-old warehouse into lofts.

"My customers don't owe me money. They pay me [on time]," Johnson said.

Johnson's is a success story that runs counter to the tough times faced by many large financial companies, retailers and car manufacturers in the United States.

Analysts report that there are other niche businesses like Johnson's that are doing well in this gloomy climate. They have some things in common. They didn't overextend themselves. They provide good service. And they make sure they are in a market with customers who really need their goods or services.

"Most businesses do OK most of the time. In a recession, we sort out the people who do a good job and are financially strong," said William Dunkelberg, the chief economist for the National Federation of Independent Businesses.

Take Austin Generator Company in Austin, Texas, which is owned by Kurt Summers and has \$3.8 million in yearly sales, a figure that has grown in each of the past two years.

While the company's recent success is partly due to demand for generators after hurricanes hit the Gulf Coast region, Summers has kept the company growing for 30 years. Like Johnson, he has diversified his products and services. Not long ago, he began renting equipment that detects weaknesses in large electrical systems. His customers include utilities, residential complexes and large businesses. That rental business is national.

"We're growing. We're hiring people," said Summers, who has 20 employees. "If you live within your means and buy what you need when you need it, you really are going to be in better shape."

Some service businesses are thriving too. The Van Dyke Technology Group Inc., of Columbia, Maryland, is a thriving company with \$14 million in annual revenues that provides information-sharing solutions to the U.S. government's intelligence agencies.

Gary Van Dyke, the chief executive, said the company has a few advantages. The federal government has not been hit as severely as other parts of the economy, and many of his company's 100 employees have hard-to-come-by credentials: security

clearances and expertise in information assurance.

Peter Morici, a professor at the University of Maryland School Of Business, said companies with a niche market that provide a hard-to-find service do well, even in a down market. It is the "unique customer base" that keeps them afloat. But if the recession deepens, he said, even some of these companies will be affected.

Small business is the engine that drives the U.S. economy. In 2005, the most recent year for which data are available, small businesses (defined as those with fewer than 500 employees) created nearly 1 million jobs — or nearly 80 percent of all new jobs — according to the Small Business Administration. In 2007, there were 27 million businesses in the United States, and 99 percent of them were small businesses, the SBA said.

SBA studies show that two-thirds of new, small businesses survive at least two years; roughly one-third survive at least seven years.

While many small businesses are holding their own, there is uncertainty among many owners.

Billy Knorpp who owns RVP Business Systems, which sells computerized cash registers in Boise, Idaho, said his company has \$2 million in yearly receipts and 15 employees, and is doing quite well now because Boise remains a diversified market that includes company headquarters, a thriving agricultural economy and three major ski resorts.

But while generally optimistic, Knorpp acknowledges that there is a reason to be cautious. "In this economy, you wonder what will happen next month," he said.

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