



Patrick Boulay, President of New Business Minnesota Publishing

Business startups contribute to Minnesota's economy

A Civic Caucus Focus on Competitiveness Interview

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Present

Patrick Boulay, Dave Broden (vice chair), Pat Davies, Paul Gilje (coordinator), Randy Johnson, Sallie Kemper, Dan Loritz (chair), Paul Ostrow, Dana Schroeder, Clarence Shallbetter. By phone: Janis Clay.

Summary

One of the biggest reasons new businesses fail is that they don't have the right advice at the right time, according to Patrick Boulay, publisher and president of New Business Minnesota Publishing. In the Twin Cities area alone, there are about 2,000 new businesses formed every month and Boulay says those 24,000 new startups invest more than \$200 million annually, just trying to get up and running. He sends the Twin Cities startups a series of four consecutive issues of *New Business Minnesota*, his monthly resource guide. Boulay's clients are the people who pay to be featured on the cover of the newspaper and in an informational column inside. His clients are bankers, lawyers, CPAs and others interested in serving new startup small businesses.

According to Boulay, in 2013 there were 58,000 new startup businesses statewide. These new businesses create jobs and deserve support. He says government agencies can help startup small businesses, but lack funding to promote and provide their programs to a wide audience. He says that collecting more information about the startups would make the state more receptive to new businesses. He notes that many new startups are self-employed independent contractors, since businesses are using more contract employees. He asserts that the biggest challenge facing small, startup businesses is the dismissiveness they encounter in the marketplace.

Background

Patrick Boulay is president and publisher of New Business Minnesota Publishing, which he founded in 2007. *New Business Minnesota* is a monthly resource guide that includes information about starting a business and is delivered to all new businesses in the Twin Cities area for the four months immediately after they register with the state of Minnesota. In addition to publishing *New Business Minnesota*, Boulay conducts monthly networking events that bring together startup businesses and business resources that can help them succeed. Each spring, he puts on the Small Business Resource Expo.

Previously, Boulay spent 21 years with *Finance and Commerce*, where he launched the newspaper's first news department and helped create *Minnesota Lawyer* and the *St. Paul Legal Ledger Capitol Report*. Prior to that, he was editor of the *Minnesota Real Estate Journal* for two years, the *Shakopee Valley News* for three years, Southwest Suburban Publishing for three years and a reporter for the *San Antonio Light* for two years.

Boulay attended St. John's University and the University of Minnesota, where he earned a B.A. degree, majoring in music theory and composition.

Issues to address:

Prior to the discussion with the Civic Caucus, Boulay was asked to be prepared to address the following issues: why we should care about new startups; the role of business incentives; what difference clusters of similar businesses make to startups; how big a factor Minnesota's workforce is to entrepreneurs starting new businesses here; whether physical access is important to any of the new businesses; how the rapid change in technology is driving change in startups; where new startups are found; whether there are success stories to tell; and who the advertisers and sponsors for his business are.

Discussion

One of the biggest reasons new businesses fail is that they don't have the right advice at the right time. Patrick Boulay said one reason he started his business is that he'd seen a need for information among new small businesses. His model is to contact new businesses right after they launch and introduce them to the things they need to know.

Boulay said some people say the biggest reason new businesses fail is because they don't have enough capital. "I would argue that the main reason is that they didn't get the right advice at the right time," he said. "They probably wouldn't have borrowed money in the first place and gotten in over their heads, if they'd had a CPA telling them, 'You should probably just buy a used truck and get by on the cheap for now. Don't sign a long-term lease. Have an office at your house.' Someone needs to tell people, 'Rein it in a little bit.' Someone has to challenge them."

Boulay came up with the idea of *New Business Minnesota*, a newspaper aimed at new businesses. "There's no way to talk to these new businesses electronically," he said. "The state does not sell e-mails or phone numbers." The state can supply mailing addresses of new businesses, so Boulay mails his newspaper directly to the new businesses.

There are about 2,000 new businesses formed every month in the Twin Cities area. Each registers as a business entity with the Minnesota Secretary of State's office. Using that list, Boulay sends a series of four consecutive monthly issues of *New Business Minnesota* to every new business in the Twin Cities area. "A lot of startups don't have a resource," he said. "They don't know what they don't know."

Boulay said he drops the new businesses from his mailing list after four months. "I change my readers, not my content," he said. When he drops the businesses, he invites them to join his networking group, which has 3,500 members, and puts on themed workshops with presenters featured in a recent issue on that theme. "It's really, really important that people connect," he said.

The photos of people on the front page of the newspaper and an inside featured write-up about those people do change, however. The people featured in those photos and write-ups are new-business resources like attorneys, CPAs and other advisors. They are paid sponsors of the newspaper and are interested in engaging new businesses. The marketing package they buy includes their photo on the cover, a column on the inside, an opportunity to present at a workshop and other marketing benefits. Boulay said those people and others who advertise in his newspaper are actually his clients, while his audience is Minnesota people starting Minnesota businesses.

"My clients are those who value new businesses," he said. The clients pay him and he said he helps them present their information in an "informational column" in the newspaper. He said he looks for people who need help with marketing and helps market them to new businesses. "I do a lot of ghostwriting for my clients," he said.

Government agencies offer help to startup small businesses, but lack funding to make their programs widely available. Boulay said the Small Business Administration (SBA), SCORE, the Small Business Development Centers and the Minnesota Department of Employment and Economic Development (DEED) could serve many more startups and struggling small businesses, if they had the funding to do so.

Studies show that startups are hiring fewer people early on than they used to. Boulay said they might start with two employees, instead of six, because they can buy, for example, bookkeeping services, rather than hire a bookkeeper.

Collaborative work environments where a variety of small businesses, many of them one-person businesses, work in the same space can be helpful to new startups. There may be people in that same location who can help them with graphic design, legal services or other needs.

The federal government does not count new businesses until they have at least one employee. So, if you are a sole proprietor without an employee, Boulay said, the federal government does not count you as a business. "You don't exist," he said. And he noted that the SBA considers any business with fewer than 500 employees a small business.

The 58,000 new startup businesses in Minnesota in 2013 are creating jobs and deserve support. An interviewer asked if there is an argument for investing more in new startup businesses than in trying to get companies like Shutterfly to move to Minnesota. Boulay said new businesses are

creating jobs. "You can spend a lot of resources trying to bring in someone who will hire 1,000 people," he said. But there were 55,000 new business filings in Minnesota in 2010, 60,000 in 2012 and 58,000 in 2013, he said.

"We know that about half of the startups will be around in five years," he said. "What can we do to make that figure become 53 percent? How hard can it be to get another 1,000 businesses doing better, especially when some of them just need a little professional guidance?"

More information would help make Minnesota more receptive to startup businesses. An interviewer asked what should be done to make Minnesota more receptive to new businesses. Boulay responded that we need information. There are no local numbers on the breakdown in new businesses according to whether their owners are women or African American or Hispanic or veterans. About 50 percent of all the new businesses probably fit in those categories, he said. "Each one of them is eligible for special training and for certification to get contracts from the government," he said. "They're not being told all that."

Boulay said it would be much easier if, when new businesses register with the Secretary of State, they could indicate if they are retail businesses, in-home businesses, working out of an office, planning to hire any employees in the next year, etc. "Now you start getting an idea of what you're dealing with," he said.

An interviewer asked what the local impediments are and to what extent cities, especially larger cities, can make it easier for new businesses. Boulay said cities will never have contact with 95 percent of the businesses that start up in their communities. "They're not getting a permit," he said. "They're working out of their home or renting space from someone else. Cities are limited in how much they can do," he said.

Each month, Boulay selects 2,000 new businesses in the seven-county metro area to start receiving his resource guide. In December 2013, for example, the mailing list included 586 filings in Minneapolis, 352 in St. Paul, 81 in Bloomington, 69 in Eden Prairie and 60 in Edina. *New Business Minnesota*'s "curriculum" is mailed to 8,000 businesses each month. For 2,000, it will be their first issue. For the balance, it will be their second, third or final issue.

New startups in the Twin Cities area invest more than \$200 million each year trying to get started. "The number of venture capital and angel investor deals are just a tiny, small sliver of everything," Boulay said. "Every year, 24,000 people are trying to start new businesses in the Twin Cities area. That \$200 million is not ongoing expense; it's their investment. That's a huge sum of money."

He likened the new businesses to newly hatched turtles scrambling across a tropical beach, trying to avoid being picked off by predators, as they struggle to reach the water, where they will find the resources they need to survive. "If they can't get off the beach, they won't survive," he said.

Boulay said no one else is reaching so many new businesses with the kind of information he provides. He has reached more than 150,000 new businesses since he started his business in 2007.

An interviewer asked about DEED's small business office. "I don't bump into DEED at all in the networking circles I move in," Boulay responded. He said he doesn't think the state is geared to working with a large number of businesses. "At this point, that's not their mission," he said.

A lot of new small businesses are self-employed independent contractors, since businesses are using more contract employees. He said someone who is laid off at age 55 has some advantages over young people in starting a new business, such as possible equity in a house, a healthy 401k and a lifetime of experiences. "What they don't know is how to market themselves," he said.

The biggest challenge facing small, startup businesses is the dismissiveness they encounter in the marketplace. Boulay said they encounter accounting or law firms that don't want to work with them because they are new or too small, a government that barely acknowledges they exist, potential clients who don't want to give them a chance or banks that have little interest in lending to them.

"Through *New Business Minnesota*, I introduce them to the resources that are committed to working with them and open to discussing their business plans and meeting with them face to face," he said. Business start-ups contribute to Minnesota's competitive economy and should not be overlooked when assessing the strengths of the state's business community.