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# Small Business

## BLACK ENTERPRISE - YEAR 2000 FEBRUARY ISSUE

### FEATURE

#### BUSINESS OPPORTUNITIES

Turn Your Passion Into Profit

**Making a living doing what you love doesn't have to be a pipe dream. Here are some tips on turning your hobby or favorite pastime into a profitable business.**

*Karen Gutloff*

Friends shook their heads when Patrick Sincere Thompson made a dramatic career change 12 years ago. He was pulling in \$80,000 as an investment broker for Morgan Stanley in New York when he cashed it all in to work as an intern at a recording studio for \$5 a day.

"My mom and others thought I was crazy," says Thompson, "but it wasn't about the money. It was about the experience and the opportunity to do something I loved.

I dipped into my savings and just did it. Being successful meant more than having money. [Being] happy meant doing what I enjoyed, and I enjoyed being around the music and entertainment business."

Today, the 31-year-old runs Frontline Marketing & Promotions, based in Harlem, New York, where his clients include artists such as Chico DeBarge, and his current billings are about \$1 million. His first promotional project was developing a series of events in New York, Atlanta and Los Angeles to promote R&B singer Erykah Badu's album Baduizm. More recently, he's developed promotional events for HBO, AT&T, Rock Star Games and Sony PlayStation. Not bad for someone so passionate about music he built a makeshift recording studio in his home at age 19.

Thompson is living proof you can turn your passion into profits. Many people dream of getting paid to do what they love. While some dream, others make it happen.

Eight out of 10 small business start-ups are the outgrowth of hobbies or long-term interests, according to Max Fallek, director of the American Institute of Small Business in Minneapolis. Though many small businesses fail, those started from hobbies tend to be quite successful. "When entrepreneurs love what they do, they work harder at it," Fallek notes. "And they convey a positive attitude about their product that gets others excited."

Of course mere passion isn't enough. Before you ditch your 9 to 5 and take your product or service to the marketplace, you have to learn all you can about the business you're planning to start. Will the thrill of your hobby dissipate once it's a daily task? What price should you charge for your product or service? How will you market the business? And how do you weather the pitfalls that are likely to occur along the way? With strategies from business experts and entrepreneurs who have done it, we'll show you how to turn your hobby into a successful business.

KNOWLEDGE IS POWER

How do you know if your hobby or interest will make a viable venture? Entrepreneurs who've made the leap say they do extensive research that goes well beyond the library walls. Attend industry conferences, trade shows and seminars to talk with people in the field and find out what it takes to start the business you're interested in.

"Stop people you know and ask if they'd be interested in buying your product or service," suggests Susan Brandt, a spokesperson for the Hobby Industry Association in Elmwood Park, New Jersey. "Or ask a shop if they would sell your crafts on a consignment basis so you can test the market."

Learning the nuts and bolts of an industry before you hang out your shingle is key. An excellent way to do this is by going to work for a company where you can be trained, and where you can decide if it's truly your calling. It's also a way to make mistakes with no personal financial loss. "I encourage people to get a job in their field of interest," says Fallek. "Many people say they want to sell their product, but they know nothing about sales. Even a one-day sales training seminar at a department store during the holiday season can give you some experience."

As a little girl, Kimberly Lee Minor of Columbus, Ohio, began designing and sewing dresses on her mom's sewing machine. She even designed and sewed her own prom dress. Today, her clothing label, MSL Collection, is sold in boutiques, featured in fashion magazines and earns this 34-year-old \$100,000 in sales annually.

But Minor first learned her industry. Before launching MSL Collection in 1998, she worked as a junior executive for Macy's before being recruited by the Limited Corp., where she worked in the planning and allocation and fashion and merchandising departments. As a regional distributor for the company's Express division, Minor was responsible for 200 stores. "I got to [choose] fabrics, styles, colors, lengths, and I got the opportunity to meet with vendors," says Minor. "It was a tremendous learning experience."

A challenge from her mom to "live out her dreams" prompted her to leave the company and design her own clothing line. "As a buyer for the knit tops division, I was pretty much running a \$350 million enterprise for the company. I was responsible for product, sales, staff and financial plans. I thought, 'Why am I running someone else's business? I can put this experience to work for me.' So I did!"

Joscelyn Wainwright also had exposure to his industry before cutting his entrepreneurial teeth. Wainwright, 58, transformed his passion for African American art into the National Black Fine Art Show: a massive exhibition of African American artists' work attended by thousands of art lovers each winter in New York City. After retiring from the New York City police force after 21 years, Wainwright went to work for Sanford Smith & Associates, a small firm sponsoring antique shows, where he learned the business side of art.

"I started doing security for their art shows, then eventually I became operations director," says Wainwright. "I had a chance to experience the ins and outs of getting shows up and running, from hiring security to interfacing with dealers."

Getting a job or internship in your hobby industry is also a great way to build a customer base. Although Thompson's internship at the recording studio didn't earn him much money, it brought him in -- to contact with artists and executives in the music business. "Back in those days, guys like R. Kelly, Rakim or KRS One would come record there," Thompson explains.

"I also got to attend seminars and conferences where I met record company executives."

By working those contacts, Thompson landed jobs at a number of record companies, including one at Polygram

Records. "This business is all about relationships," says Thompson. "By the time I started Frontline Marketing, I had enough contacts to use to begin representing artists."

Robin Petgrave didn't intend to start a business. Growing up outside Boston, a young Petgrave would sneak away to Logan Airport to watch helicopters take off and land. While working as a flight instructor for a small company at the Torrance, California, airport, he gained a strong reputation for his flying skills. His services were in such demand that he had a large clientele when he left that job. "I had no planes, but I had a number of people who wanted me to teach them how to fly," says Petgrave, who opened up shop next door to his former employer.

Now 36, Petgrave teaches others the joy of flying and offers aerial tours of California through his Torrance, California-based company, Bravo Helicopters & Wing, which grossed \$3.2 million last year.

#### THE PRICE IS RIGHT

For all the effort that you put into your product or service, you should establish pricing that is competitive and that will earn you a profit. Brandt says novice entrepreneurs often make the mistake of underpricing their product-especially when it comes to crafts such as jewelry, gift baskets or baked goods.

"Think about how much you want to earn per hour for your labor," says Brandt. "The joy of your hobby can quickly turn to resentment if you realize you're only getting the equivalent of \$1 an hour for your product. You have to figure out exactly how much it costs you to actually create the product."

Minor did just that when setting prices for her clothing line. "Everything that goes into a garment has a price. I created a worksheet listing everything from the cost of the fabric to the thread and trim. From that, I get a figure of what it actually costs to make the outfit. Then I add my profit to get the wholesale price."

If you're not sure your price is a fair one, test it on the open market. Shirley Frazier, author of *How to Start a Home-Based Gift Basket Business*, has been making and selling gift baskets for 10 years through her company, Sweet Survival, based in Paterson, New Jersey.

"I had no idea what to charge when I began making my gift packages," says Frazier. "I introduced them at a craft show to test the buying crowd and myself. During the show, I got to talk with the customers and find out if they thought the price was fair. The show only cost me \$60 to exhibit, so it was a good investment to get that kind of feedback on pricing."

#### MARKETING KNOW-HOW

When it comes to marketing your business, you have to be savvy.

"Try to get as much free coverage as you can," says Brandt. "Newspapers are always looking for stories about local people doing unique things. Ask the paper to do an article on the service or product you offer."

When Petgrave began teaching a young boy how to fly helicopters, he turned it into an opportunity to grab free media coverage. "I called the TV station and told them I had a young boy who was learning to fly solo. They came out and covered the story on the local news and we got a lot of mention in the piece."

For her first major New York City fashion show to launch MSL Collection, Minor mailed press releases to newspapers in major cities and to fashion magazine editors. Not only did she get a standing-room-only crowd of friends and media, *Woman's Day* later featured her designs in the publication.

"You can't just send the press releases and expect something to happen," notes Minor. "I followed up all those

mailings with phone calls."

When it comes to paid advertising, Frazier warns, "You have to know what vehicle sells your service best. If you don't know, your ad dollars will be wasted."

For example, she says the Internet is a huge mover of gift baskets. "The people who buy gift baskets most are out-of-towners buying for someone local."

Wainwright found that direct-mail brochures and radio ads are best for art shows. "We have 10,000 names on our mailing list. It's the list for anyone interested in African art and galleries," he says.

#### GROWTH POTENTIAL

Once your hobby is up and running as a business, be on the lookout for opportunities to expand and grow. Adding services and branching into new areas can help keep your passion from getting buried under mounds of financial statements and paperwork.

Thompson has broadened his entertainment promotion services beyond entertainers to include corporate promotion, taking on clients that include HBO, AT&T and Seagram. To promote Seagram's Martell line of cognac, he called on his entertainment business contacts and sponsored a major album release party for Puff Daddy's newest album, Puff Daddy Forever. Celebrities turned out en masse to hear the album and sample Martell, and walked away with T-shirts, gift bags and glasses engraved with the Martell name.

Petgrave now offers tourists and would-be pilots the red carpet treatment when they sign up for his services. "I bought a limo at an auction," says Petgrave. "Our clients don't have to worry about how they'll get to the airport for tours and flying lessons; we pick them up and bring them here. People love it."

Wainwright has joined forces with Stedman Graham and Associates to develop sponsors for future black art shows around the country.

#### DON'T TAKE IT PERSONALLY

It's tough not to take business rejections or failures personally when your business is, well, personal. "When things don't work out, you can't get too emotional or too subjective," says Fallek. "You have to detach a bit and look at what you're doing as a business."

And when the inevitable troubles and hardships pop up along the way, you have to persevere. In *The New Color of Success: Twenty Young Black Millionaires Tell You How They're Making It* (Prima Publishing, \$22), author Niki Butler Mitchell profiles dozens of successful young African Americans who've started their own businesses. She says those who've become successful aren't afraid to risk failure.

"Consistently, I see there's a definite fear of failure when it comes to facing the problems that come with creating a business," says Mitchell. "These business owners have doubts and insecurities like everyone else, but they have the ability to look at the solution rather than focus on the problem. They have tremendous belief in their abilities."

Thompson definitely relied on faith the day he walked away from the world of high finance. "It was definitely a risk, but one worth taking," he says. "I make a living doing what I love, and at the end of the day, whether I sink or swim is based on what I put into it. I can live with that!"

#### Resources for Hobbyists

Thinking of turning your hobby or favorite pastime into a business? Here are some resources to get you started:

##### Books

*The Best Home Businesses for the 21st Century: The Inside Information You Need to Know to Select a Home-Based Business That's Right for You* (Putnam, \$15.95) by Paul and Sarah Edwards, the gurus of

home-based business, explores the best opportunities for self-employment in the next century, including personal chef, elder services, fitness training, Web merchant, computer design and much more.

**The New Color of Success: Twenty Young Black Millionaires Tell You How They're Making It** (Prima Publishing, \$22.00) by Niki Butler Mitchell profiles scores of young African American entrepreneurs who have turned their ideas and passions into profitable business ventures.

**Black Enterprise Guide to Starting Your Own Business** by Wendy Beech (John Wiley & Sons Inc., \$19.95) offers a one-stop definitive resource for everything today's entrepreneur needs to know to launch and run a solid business.

**Nobody's Business But Your Own** by Carolyn M. Brown (Hyperion, \$14.95) is a great mix of case studies, resources and practical suggestions for starting and maintaining a business from scratch.

#### Organizations

American Association of Minority Businesses Inc., P.O. Box 35432,

Charlotte, NC 28235; 704-376-2262;

www.website1.com/aamb. Assists minority business owners in building their managerial and technical skills. Sponsors motivational business development seminars and programs throughout the year.

American Institute of Small Business (AISB), 7515 Wayzata Blvd., Suite 201, Minneapolis, MN 55426; 800-328-2906; www.aisbofmn.com. The Institute has a number of publications for the small business owner and the self-employed, including **Business Plan Example** (\$24.95) and **How to Set Up Your Own Small Business** (\$98.95).

Hobby Industry Association, 319 East 54th St., Elmwood Park, NJ 07407; 800-822-0494. Conducts market research and sponsors trade shows for manufacturers and companies in the craft and hobby industries.

U.S. Small Business Administration, 409 3rd St. SW, Washington, DC 20416; 202-606-4000 or 800-827-5722; www.sba.gov. A source for information on industry research, financial resources, business plan writing and technology trends.

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