

# THE WALL STREET JOURNAL

## THE JOURNAL REPORT: SMALL BUSINESS

### Family Business

## Beyond the Lemonade Stand

Being a CEO isn't child's play. Even if you are a child.

By LAUREN ETTER

When 15-year-old Jasmine Lawrence comes home from school, she throws down her books, contemplates her homework, and then heads to the basement -- her corporate headquarters.

Ms. Lawrence is chief executive officer of Eden Bodyworks LLC, a maker of all-natural beauty supplies. She founded the company at age 13. Now halfway through high school, she is turning a profit and is close to a distribution deal with Wal-Mart Stores Inc., the ultimate goal of entrepreneurs everywhere.

Ms. Lawrence is in the vanguard of a rising new class of kid entrepreneurs whose business acumen far surpasses that of an ordinary lemonade-stand operator. The most gifted among them, while few in number, are driven leaders armed with sophisticated business plans, corporate attorneys and financial advisers. They skip school to attend business meetings; they don spiffy suits; and they're fluent in the language of commerce.

"When I'm explaining [the business] to my friends, and I'm using all this business lingo, they're like, 'Huh, what?' " says Ms. Lawrence, of Williamstown, N.J. "I think it's pretty cool to be a CEO at age 15."

### In Training

Young entrepreneurs, some of whom can count their age on two hands, are multiplying partly because of the arrival of programs that teach kids M.B.A.-like concepts. CampCEO, for example, is a summer getaway in Carbondale, Ill., that teaches children about negotiations, sales, customer service and leadership. After one week at the camp, which is sponsored by the state-run Southern Illinois Entrepreneurship Center, kids walk away with a briefcase, a business plan and business cards. For African-American youths, Black Enterprise Magazine holds an annual Kidpreneur/Teenpreneur Konference that teaches kids 7 to 17 about entrepreneurship, investing money and developing a business plan.

On a broader scale, there is the National Foundation for Teaching Entrepreneurship, or NFTE, a nationwide nonprofit based in New York that teaches kids in schools and community-based organizations how to breathe life into a business idea. Last month, the NFTE and investment bank Smith Barney sponsored a competition in which kids vied for the coveted title of best business plan. The grand prize: \$10,000 to help launch the winning idea.

The thought of becoming a real entrepreneur can be thrilling for kids accustomed to play money and only mimicking the ways of entrepreneurial parents. When it comes to actually launching their

business or licensing their product, however, kids are forced to confront and master a whole set of obstacles, rules and responsibilities, including buying insurance and, yes, paying taxes.

### Harsh Treatment

Ms. Lawrence started out making hair oils for herself at age 11, after harsh products used at a salon caused her hair to fall out. Rather than risk a repeat of that experience, she began using natural ingredients like jojoba oil, sweet almond oil and lavender on her hair. She knew a little about natural products because her family uses them at home.

That same year, she got involved in the NFTE at her school, learning how to write a business plan, meeting advisers from Merrill Lynch & Co., and learning how "to haggle," she says. The program inspired her to start selling her products.



**YOUNG CHIEFS** Jasmine Lawrence, Spencer Whale (top) and Nathan Vanderloo

She got a \$2,000 loan from her mother as start-up capital, to buy oils, plastic bottles and other materials. At first, she made just one product -- Jojoba All Natural Hair Oil, which she sold to friends. But eventually, friends of friends were asking for the product, and local stores, too.

Ms. Lawrence expanded her "factory" from her bedroom to the basement and garage. Now she makes seven

products, including aromatherapeutic bath salts, and has the manufacturing down to a science -- lowering her production costs to 95 cents a bottle from \$5. She made \$10,000 in profit last year on \$15,000 in revenue.

Now she is getting ready to contract out production to a manufacturer, in preparation for selling her goods at Wal-Mart and other "large retailers," she says.

A Wal-Mart spokesman confirmed that the company is in talks with Ms. Lawrence, but said there is no agreement yet. The Bentonville, Ark., company said it could begin working with Ms. Lawrence as early as next year.

On a smaller scale, at least for now, meet Nathan Vanderloo, a 14-year-old who lives on a farm in Bartleso, Ill. Nathan, who says his role model is Donald Trump, got the idea for his handcrafted lawn-games business, Games to Go, from products he saw at a farmers market. He mowed lawns to earn the seed money and received the raw materials he needed, like wood and tools, for Christmas. Then,

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last summer, he attended CampCEO, where he refined his business plan. Now he sells his products -- most notably, the Portable Washer Set, a game similar to horseshoes -- for \$30, and makes a profit of \$18 to \$20 apiece. Last year, Nathan sold 50 games.

This year Nathan is trying to boost business by distributing fliers at local gas stations and selling his products at a variety shop. He says he is considering registering his business and dreams of getting his product patented and selling it "in Wal-Mart and places like that."

Not all kids see launching a business as the only road to entrepreneurship. Spencer Whale, 14, of Pittsburgh, went for a patent and a licensing deal. At the ripe age of 6, he invented a toy for use in hospitals: a colorful car that serves as a rolling base for intravenous-drip stands.

He came up with the idea after visiting his mother, who has a heart condition, in the hospital. He noticed nurses and parents running behind children with intravenous stands on wheels, and occasionally accidentally pulling the needle out of the children's arms. Spencer asked himself: Why hasn't anybody thought of attaching the stand to a toy car and letting the child pull it along?

He entered his idea into a contest and won \$100. He started making a product, the KidKare Riding Car, by himself for a few years, with the help of Boy Scouts who welded the stands to the cars. He donated the finished products to children's hospitals on the East Coast.

More than a decade later, after juggling homework, playing videogames and editing his school newspaper, he secured a licensing deal with Little Tikes Co., of Hudson, Ohio. His product is now sold internationally, and he has a patent pending. Spencer won't disclose precise figures, but he says he has sold hundreds of his products to hospitals for \$195 each.

## Hard Parts

Most aspiring kid entrepreneurs hit a big roadblock if they don't have the financial backing of their parents. Banks typically won't lend to minors, and credit-card companies won't accept them as clients. Ms. Lawrence was fortunate in that respect. In addition to the seed money from her mother, her parents and grandparents agreed to give her a line of credit up to \$200,000 until she turns 18.

Spencer, on the other hand, didn't have to put up any money to get his product in front of Little Tikes. Nor did he have to worry about a bank account. He turned to By Kids For Kids, a privately held company in Stamford, Conn., that helps children bring their products to market. The company invests up to \$40,000 in a child's product, and provides the boy or girl with, among other things, patent attorneys and people to promote and market the product. The group has a partnership with toy maker Mattel Inc. In exchange, the children have a perpetual contractual relationship with By Kids For Kids for as long as the product is generating sales. Royalties are typically split 50-50.

Beyond the practical challenges for young entrepreneurs, there are also psychological tests, too. Ms. Lawrence says she feels frustrated when adults judge her and her business because of her

age. "When I talk to these big corporations I don't really want to tell them I'm 15 because they won't take me seriously," she says.

Also, some kids have to deal with pressure from parents. Inventor Doug Hall, an innovation consultant and judge on the reality TV show "American Inventor," says kids should only go into business or launch a product because it's their personal goal -- not their parents' goal. Mr. Hall says he misses the days when kids would run light-hearted businesses, like hot-dog stands, for fun.

"Everybody takes this stuff so darn seriously today," says Mr. Hall. "That is sad for kids." He notes, though, that running a business can be a rewarding experience for kids if they receive positive support.

At the end of the day, some children decide being a kid is more fun after all.

Rich Stachowski, 21, of Santa Cruz, Calif., was 10 when he founded a toy company called Short Stack LLC, named after his favorite food, pancakes. He invented an underwater walkie-talkie, which was sold in Toys "R" Us stores world-wide. But after three years, he grew tired of being a businessman, so he sold his company in 1999 to San Francisco-based Wild Planet Toys Inc. for an undisclosed amount.

"I just started growing," says Mr. Stachowski, who plans to return to college after taking a year off to learn how to build race cars, hot rods and classic-car replicas. "It was a great experience and I learned a lot," he says of starting his own business. "But I wanted to go back and play football."

**--Ms. Etter is a staff reporter for The Wall Street Journal in New York.**