

best friend. The regulatory processes here are so complicated, and it's an advantage to have someone like that in your corner to make calls for you. But it's also another layer of bureaucracy," says Elizabeth Milnikel, director of the Clinic on Entrepreneurship at the University of Chicago Law School. "It's a stage in the system that's typical Chicago—you can't get anything done unless you have approval of your alderman. And whether or not the alderman expects it, a lot of people believe the only way to ensure approval is to make a campaign contribution, which might not even be an option for a cash-strapped small business."

► **The long arm of the law.** Entrepreneurs and experts appreciate local and state government's overtures to encourage small-business activity, ranging from a recent panel of tech business experts that Mayor Richard M. Daley convened in Chicago, to the state sales tax holiday in August.

"I'm not sure if small businesses saw more than a blip in revenues (from the sales tax holiday), but they were pleased that it happened," says Raman Chadha, executive director of DePaul University's Coleman Entrepreneurship Center. The holiday was an indication that government "recognized that businesses need consumers to spend money, and that we have to create incentives to get consumers to increase their spending."

There are plenty of ways in which local entrepreneurs would like to see Chicago improve, but there also is plenty to like. Besides, there are some advantages to working in a market that's not overrun by startups: "I would love to get to the point where we have so many startups that it's a liability because every good idea and every resource has been taken," Lightbank's Mr. Keywell says. "But we can handle more, which means that those who take risks well will be rewarded."

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ks and other financial incentives, but Chicago is one sses on the merits of the area's resources: elite uni-workforce, its status as a major transportation hub

sider adopting one of the innovative small-business

g to reach the next th. The program FL ([medium-sized business's marketing, research and strategic implementation efforts.](http://www.grow-</p>
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na has a similar program, Biz Boost. Also include free counseling and development, in addition to small and

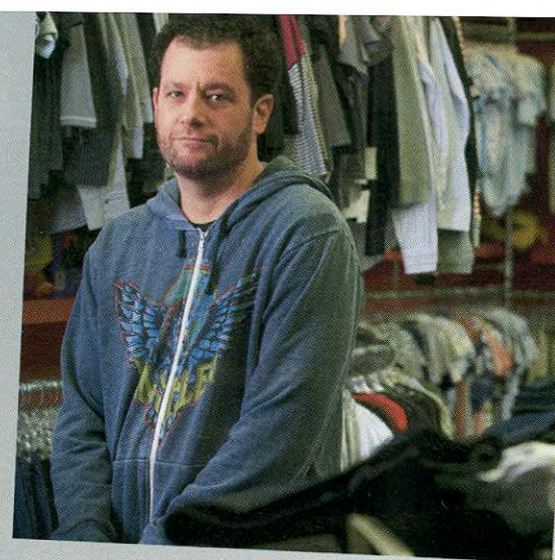
► In Austin, Texas, the Small Business Development Program offers free classes on subjects ranging from video marketing to loan procurement to contract law.

Steve Hendershot

sample sale or warehouse sale to get rid of overstocks and end-of-season merchandise. Now they're selling it off to designer discount web companies like Mini Social and Rue La La, which have millions of people in their database and sell some of the same brands we carry at a 60% or 70% discount. In the kids' business it's killing us, and in the denim business it's killing us. Customers used to shop retail on my website. In 2008, we had at least 10 web sales a day. Now if we have four web sales a day, we're pretty happy. In 2008, it was under 20% of our business. Now it's less than 10%. ”

WHAT ABOUT CUSTOMER LOYALTY?

“ We have a handful of loyal customers, but people are very price-driven and everyone wants a deal. Loyalty to specialty retailers—those days are gone. We need to go back to the way we started the business, by having smaller lines and more exclusive lines. ”



DAVID SHELIST, owner, Madison & Friends, Denim Lounge, Chicago

ERIK UNGER

QUOTE-WORTHY: WHAT'S THE STATE OF YOUR SMALL BUSINESS?

“ In the second quarter, we landed two new-construction projects. We used to get about two new-construction projects a quarter. These are the first two we've had in a very long time. I'm feeling very optimistic that the worst is behind us and that people are feeling safer. But the momentum that we were building toward in 2008—I don't know if we will recapture that. ”

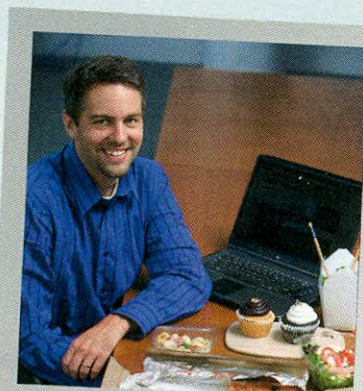


SUSAN FREDMAN, owner, Susan Fredman Design Group, Chicago

ERIK UNGER

QUOTE-WORTHY: WHAT ARE CHICAGO'S GREATEST STRENGTHS AS A SMALL-BUSINESS CENTER?

“ Starting a business here is about selling a product that works and that people love. People in Chicago are very receptive to new technology and products. We were able to start GrubHub as a Chicago neighborhood delivery guide, and the people using our site told us right off the bat what they liked and how to improve our service. That feedback was essential as we worked to improve the business. ”



MIKE EVANS, co-founder, GrubHub.com, Chicago

ERIK UNGER

HOW HAS CHICAGO'S ENTREPRENEURIAL CLIMATE CHANGED IN RECENT YEARS?

“ I've really enjoyed seeing more widespread recognition of up-and-coming entrepreneurs. Historically, the local business community focused their attention more toward companies that had a proven record. In the last six or seven years, that focus has shifted. The Chicago entrepreneurial community really extends support and mentorship to budding entrepreneurs. ”