

CHANGE – Financing Strategies for Growth

Beyond Zebra (www.beyondzebra.net), a promotions company based in Burbank, began five years ago as a home-based business . . . in three separate homes!



But NAWBO-LA members Terri Yamate-Ottengheime, Kim Burling and Stacy Burleson used imaginative financing mechanisms to grow into a 2,000-square-foot office with six workers, including themselves.

Now, they are thinking about buying their own building to house their business. Below, Yamate and Burling outline the innovative financing strategies they used to grow.

Working for the Mouse

The three women previously created promotional products at the Walt Disney Co., for Disney as well as Disney-owned entities that included ABC Inc., Disney Channel, Mammoth Records and the Mighty Ducks.

“We called ourselves the Queens of Trash and Trinkets,” joked Yamate.

Turning a Pink Slip into an Order Slip

When Disney downsized in 2000, they were suddenly adrift. They formed their own company and, ever cautious, queried the Disney legal department about possible conflict of interest. No problem, they were told. In fact, Disney officials asked to use their services.

The trio operated out of their individual homes. Without flyers, printed materials or even a website, they relied on their contacts and word-of-mouth referrals.

Moving Ahead with an Invisible Backer

Operating initially without a formal structure, they had a key backer, a manufacturing and importing company that agreed to provide limited financial backing in return for a percentage of their profits.

Beyond Zebra became a division of the larger company. But the relationship was invisible to Zebra clients. Thus, they obtained needed modern computers, faxes, phones and a DSL line and freed them from their own five-year-old home computers, incompatible Macs and PCs, and dial-up modems.

Negotiating for Lines of Credit

Previously at Disney, the trio worked with vendors across the United States, in Europe and Asia. Now, they had to persuade those same vendors that their small start up was worthy of a credit line to obtain materials before payment.

In promotions work, promotional companies secure customized products from vendors and sell them to the final client, who is billed

“When you don’t have a credit history, a lot of these firms want to work on a cash basis,” Burling said. “But a lot of them came through for us. They had faith in us.”

Growing Into Independence

As they grew, they soon found that the relationship with the backer began to feel more like restraint than support.

Financing Strategies: Continued

The three women also discovered that the creative nature of their business required them to have a physical office where they could brainstorm face-to-face. So, they leased a 700-square foot office in Burbank, turned down their backer's signature on the lease and took responsibility for the space themselves.



From left: Burlison, Yamate-Ottengheime and Burling

Using Asset-based Lenders

They also sought different financial options to expand their business, opting for an asset-based lender.

Under asset-based lending, a business receives a line of credit to help it operate. The interest rate on the line of credit can be quite high. Yamate recalled that Beyond Zebra paid around 18.5% at the time. The lender sends invoices directly to the client, receives payment and subtracts the fees and interests owed by the business for money loaned.

Persuading for an Advance Payment

To establish themselves on firmer financial footing, the trio also asked their backer to pay them their share of net profit in advance, rather than receiving it after the order had shipped and gone through the lender.

Armed with the \$24,000 advance payment, Beyond Zebra took control of their own finances. They soon moved to their present, 2,000-square-foot office. A year later, they hired their first employee. The company now has six workers, including themselves.

Obtaining Lines of Credit

They also used lines of credit to grow, securing a bank line of credit. As they grew, their banker closely monitored them, upping their line of credit, plus provided payroll service and paid state and federal income taxes.

Beyond Zebra went on to secure an even larger, Small Business Administration line of credit, guaranteed through their bank, enabling them to place larger orders, serve bigger clients and grow their company.

The Future

Now the three are thinking about buying their own building as a way to build the assets of their company through appreciation and replace a lease payment with a mortgage payment. ●