

By the Seat Of Their Pants

Does a down economy mean bad times for start-up businesses? Actually, quite the opposite, as two trouser-making entrepreneurs have discovered.

THE BONOBO IS ONE PROMISCUOUS monkey. Bonobos have sex to say hi, to work out disagreements, prior to eating and, occasionally, to procreate. Which is to say, in the mind of a bonobo, there's no bad time to have sex.

And in the minds of the founders of Bonobos Inc., a New York maker of men's pants, there's no bad time to start a business. That's true even when the economy has a headache. It helps that Bonobos is run by two MBAs who look like gods, work in an airy Greenwich Village loft and reek of cool. But the point could be the same for someone making a superior extruder.

Founders Andy Dunn, 29, and Brian Spaly, 31, wanted to solve a couple of sartorial problems common to men: "diaper butt," the unbecoming pouch of material under the derriere; and clown shoes, an unflattering optical illusion brought on by tapered-leg slacks. Bonobos sells pants it claims fit better than those of competitors like Banana Republic and targets men who don't like to shop at stores, which, last we checked, is most of them.

Unhappy with how his own pants fit his football-playing physique, Spaly, a Stanford business-school student at the time, borrowed a girlfriend's sewing machine to fix them. "I was learning to sew the seat of my pants by the seat of my pants," says a smiling Spaly. Soon he was buying bolts of material, making pants and selling them out of his trunk to classmates. His 12-page market research report—which proved that men

weren't happy with their pants—scored him two course credits and two professors as investors.

There was, however, the matter of timing. Spaly and classmate Dunn launched their online business in October 2007, joining a crowded field just as the retail industry went on life support. It hadn't occurred to them that it was a lousy time to start. "Guys are going to need pants, not Ferraris," says Spaly. Apparently so: Benefiting from word of mouth and some fashion press, they sold \$11,000 worth of trousers the first month. They say they're now grossing \$150,000 a month, with customers as far away as Dubai and New Zealand.

Turns out that even in a downturn, the number of business start-ups is pretty constant, hovering at around 640,000 a year. Economic slumps typically last six months, so they don't tend to affect entrepreneurial plans that have been years in the making. Nor is the start-up success rate hurt by the vagaries of the business cycle, says John Headd, economist at the Small Business Administration.

There are actually advantages to starting up in tough times. You get a year or two to iron out kinks before the buying climate picks up, notes Bob Goodson, president of YouNoodle, a San

In tough times, overhead costs like rent can be lower for small businesses, and there's less competition for talent.

Francisco-based entrepreneurial networking site. Start-up costs such as rent are lower, and competition for talent is easier. Bonobos, for example, was able to save up to 15 percent on salaries and found management candidates willing to work 30-day trial periods without permanent job offers—which would have been impossible in a hot economy.

And who says money isn't available in a credit crunch? Loans may be harder to come by, but investments from venture-capital funds have stayed constant at around \$30 billion a year. Bonobos' execs are arranging their second round of financing and say they're oversubscribed for the \$1 million they seek. Sure, not everyone has the advantage of a top-flight MBA. But then again, these guys came up with *pants*. A monkey could do that. **S**

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