TAKING CARE OF BUSINESS

SMALL, CREATIVE NORTHWEST FIRMS APPLY PRINCIPLES THAT WILL PRODUCE STABLE GROWTH INTO THE NEXT CENTURY

Sporting-goods salesman Larry "Buck" Howerton noticed Idaho high-school football players shivering in the rain on the sidelines—and envisioned a new product that launched his business. Thirteen years later, Buck's Bags of Boise, Idaho, has sold equipment to teams participating in the Super Bowl, NCAA Final Four and World Series.

Howerton and other small-business leaders in the Pacific Northwest are proof that what matters in business isn't where you start but how you run the race. Flexible, creative small firms from this region are selling to national and international markets and earning recognition in their respective industries. What they lack in size, they gain by being in tune with the changing needs of their customers and adapting to fulfill new market demands. Like Eastern philosophers, they understand that the journey itself—not the destination—holds the secrets to success.

BY RICHARD MARTIN

BUCK'S BAGS
Boise, Idaho

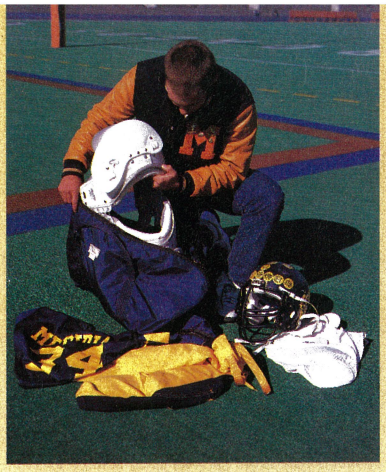
Buck Howerton was forced to start his business when he couldn't find anybody who would make his invention—a football equipment bag that switched into a sideline cape. "I was a sporting-goods salesman for 18 years, calling on high schools and colleges in Oregon and Idaho," Howerton says. "The small high schools couldn't afford to buy both equipment bags and sideline capes. I'd see kids put all their gear in their jerseys, so when it rained or snowed, they had to grab something else to try and stay dry."

Howerton designed the reversible equipment bag/sideline cape and "when I first secured a patent for it, I couldn't find anybody to build it, so I said, 'Let's just make them ourselves.' That's when the sewing machine went into the front living room."

That was 1979. Now, he and his wife, Dara Lee, run a company with 48 employees that will register $2 million in sales this year after growing 15 percent to 18 percent annually. "We've consciously tried to grow at a manageable rate, to not put us under too much financial stress," Howerton says.

Along the way, Indiana University basketball coach Bobby Knight provided a key assist to Buck's Bags. Howerton was introduced to Knight by a mutual friend at a coaches clinic during the Final Four in the early 1980s. Knight soon purchased Howerton's gear for the basketball team. "That opened the door for sales to other big schools, and from there we were able to expand to the pros," Howerton says. Buck's Bags supplies athletic and garment bags to five NFL teams, 12 NBA teams and 10 major-league baseball teams, including the Seattle Seahawks and Seattle Super-

ILLUSTRATION: TIM JONKE/THE IMAGE BANK



The reversible equipment bag/sideline cape [left] helped launch Buck's Bags. Munson Manufacturing builds custom aluminum boats for diverse Maritime jobs [below left]. Spectrum Signal Processing's DSP boards [below right] convert analog signals into digital signals.

Sonics. The company supplies varied equipment to every Pac-10 school; its next targeted markets are the rodeo circuit and the golf and hockey industries.

MUNSON MANUFACTURING
Edmonds, Washington

When Bill Munson served on aluminum patrol boats for the Navy in Vietnam he realized how good aluminum was in regard to strength, durability, longevity and light weight. It was a lesson he did not forget. Munson Manufacturing now builds custom-made aluminum boats to handle the toughest maritime jobs. For example, the company recently sold a 42-foot,

triple-engine special to the U.S. Geological Survey for charting newly formed islands and water channels along the Florida coastline left in the wake of Hurricane Andrew. "They needed a tough, shallow-draft hot rod to chart all the changes quickly," Munson says.

Other uses of the company's craft include: exploring for oil in the Middle East; tending Coast Guard buoys on the Mississippi, Missouri and Ohio rivers; patrolling for fish and game in Washington and California; whale watching in Hawaii; laying booms to clean up oil spills; and conducting scientific research in Antarctica.

Munson was general manager of a small aluminum boat-building company with just 10 employees when he purchased it in 1981. Munson Manufacturing now has 50 employees and expects to post $7 million in sales for 1993.

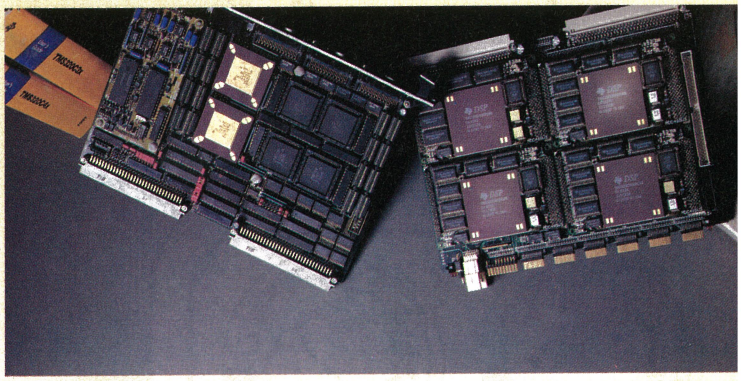
With an estimated 100 small aluminum boat builders competing for business in the United States, "the national market might see a slight increase on a year-to-year basis," Munson says, "so we're moving more into the international market." Recently returned from a business trip to the Orient, Munson is targeting markets in the Mediterranean and Pacific Rim. "We can build here in Seattle and supply the Pacific Rim in a cost-competitive manner," he says. "China has good potential for us. It looks like the Vietnamese market might open up soon; I think we can sell there."

Sending its aluminum-cutting operations to precision machine shops helps the Edmonds company reduce costs. First, Munson Manufacturing designs the boats on computer, then sends the patterns to machine shops, where the aluminum is custom-cut. Munson welds together the cut pieces. The company also differentiates itself from the competition by providing service for its clients all over the world. "We have more than 1,000 boats out in the field," Munson says. "So we never know where our next service call is coming from—Saudi Arabia, Antarctica, the South Pacific."

SPECTRUM SIGNAL PROCESSING
Vancouver, British Columbia

While Munson Manufacturing outsources some of its operations to reduce costs, Spectrum Signal Processing thrives by shipping out all manufacturing processes. President and CEO Barry Jinks calls it the key to Spectrum's success. When he was hired by venture capitalists in 1989, Spectrum was a struggling nine-employee firm about to focus on the emerging digital signal processing (DSP) market. Since then, the company has grown to 55 employees, gone public, and expects to post sales of $14 million in 1993.

DSP boards are used to convert electronic and electrical analog signals into the ones and zeroes of digital signals. Math is then used to process the signal—to improve it, change it, or perhaps con-



vert it back to analog. One popular use of DSP boards is to create clean versions of old recordings by filtering out unwanted analog noise.

Spectrum sells to both industrial and consumer markets. On the industrial side, DSP boards are sold to Nicolet for use in medical imaging systems; Schlumberger for use in oil field equipment; Hewlett-Packard in Spokane for use in cellular radio test instruments; Motorola; AT&T; and IBM. On the consumer side of the business, DSP boards are used in Computer Telephony Integration (CTI), which allows personal computers to interface with a user's telephone.

The one constant for the company is its commitment to outsource all manufacturing operations except final product testing. Outsourcing "gives us more flexibility and the ability to grow with minimum pain," Jinks says.

A typical manufacturing cycle works like this: Spectrum designs a new product, puts together a complete description of how to make it, and solicits manufacturing bids from assembly board subcontractors. Spectrum chooses the best bid, which isn't necessarily the lowest one.

"We have five or six employees who manage the subcontractors," Jinks says. "The rest are in engineering, marketing and sales administration." He says the reliance on outsourcing "frees you from a lot. Companies with manufacturing plants spend so much time trying to fill

Georesearch's GeoLink allows users to chart field observations.

the slack capacity—they start becoming defocused from whatever business they're supposed to be in."

Jinks adds that the company's $10 million cash reserves "aren't tied up in whiz-bang production plans. We use our capital to buy new technologies and companies. We don't worry about building new manufacturing plants. We worry about what new products we're going to develop, or what new markets we're going to go after."

GEORESEARCH INC.
Billings, Montana

Founded in Washington, D.C., in 1980 as an environmental consulting firm, Georesearch is now a resounding success—as a Montana software manufacturer with a product that links together two rising technologies.

In 1988, Georesearch introduced a new digital cartography software product called GeoLink. The software allows users to accurately chart field observations by using both Global Positioning Systems (GPS) and Geographic Information Systems (GIS) technologies. GPS technology became widely known during the Persian Gulf war, when American troops used it to determine their exact location amid desert sands. GPS receives a signal from orbiting satellites and translates that signal into coordinates that figure the user's position. GPS tells you where you are on the planet.

By comparison, GIS is essentially database technology for recording and mapping data about a given area. School systems use GIS to determine student assignment areas and bus routes; states use GIS to reconfigure legislative boundaries; companies use GIS to track income levels of households on a city block basis so they can determine the best location for building a bank branch or restaurant. GIS allows the user to access and map certain facts about a geographic area.

But until the Montana firm developed GeoLink, there was no way to correlate GPS and GIS. Now with the new software, GPS and GIS are being used in diverse ways. GeoLink tracks migration patterns of elk in Wyoming, caribou in Alaska and elephants in South Africa. It maps noise pollution levels in neighborhoods around Wright Patterson Air Force Base in Dayton, Ohio, as aircraft take off and land. The software charts water well conditions throughout Minnesota and radiation levels at the Hanford Nuclear Reservation cleanup site. A special version of GeoLink was recently created when Motorola licensed GeoLink to be included in its GPS satellite receiver. "We basically took the GeoLink mapping system and redeveloped it so it would fit into a microprocessor on the receiver," says Darrell Peterson, GeoLink's marketing director.

The $4 million company has 45 employees and has been growing at a steady rate of 15 percent to 25 percent per year. The original environmental consulting business now accounts for just 30 percent to 40 percent of total revenues. The company recruits recent grads from Montana State and the University of Montana, and Peterson says it attracts employees from across the country drawn to Montana's lifestyle.

TRILOBYTE, INC.
Medford, Oregon

Just as Georesearch has no trouble attracting quality workers to Montana, Trilobyte, Inc. co-founders Rob Landeros and Graeme Devine moved from Los Angeles in 1991 and decided to locate their start-up company in Southern Oregon. Since then, Trilobyte has developed the country's best-selling interactive CD-ROM multimedia game, "The 7th Guest," which has sold more than 400,000 copies.

"They were attracted by the high quality of life here," says Trilobyte's Kellyn Beeck. "The weather is great, the cost of living is reasonable, and there's beautiful scenery."

Upon arrival, Trilobyte's management used one of the area's best-known attractions—the actors and actresses of Ashland's regional Shakespeare Festival, located just 15 miles down Interstate 5. The acting troupe's video performances are part of the mystery game.

Why has the game been such a big seller? Landeros says he had grown tired of the high levels of gratuitous violence found in too many CD-ROM computer games. "There was a general dislike, a frustration, with existing games," Landeros says. "We realized that the demographics of the CD-ROM market [consisted of] adults with money to spend, so we decided to focus our game design to that market. Besides, it appealed to us as well."

Trilobyte hired a novelist, Matthew Costello, to write the script and plot for the game, which can take as long as 50 hours to play. In order to move the plot forward, the user must decipher puzzles and clues related to the spooky happenings at Stauf Mansion. Mysterious drifter Henry Stauf is responsible for a tragedy that has befallen a small town and invites six of its residents to a party at his old mansion. The player must discover Stauf's dark secrets to solve the mystery.

TIRED OF GRATUITOUS VIOLENCE FOUND IN MANY CD-ROM GAMES, TRILOBYTE DESIGNED ITS SOFTWARE TO APPEAL TO A NEW MARKET.

An editor who follows the games industry says Trilobyte's "7th Guest" is a breakthrough product. "The CD-ROM entertainment market is in its infancy. There's been a lot of talk about it, but there's been a dearth of good products out there," says Chris Lombardi, associate editor of *Computer Gaming World*. "This ["7th Guest"] is one of the first good, successful products out there." What makes it a good product? "The story. The sights and sounds that they use. And they've come up with ways of presenting live actors against static backgrounds. Others have tried it and it looks hokey, but they've overcome that," he says.

Trilobyte's 12 employees are busy putting the finishing touches on its next product, called "The XIth Hour: The 7th Guest Part II," which is scheduled for release in early 1994.

CREAM OF THE WEST
Billings, Montana

Six years ago, Montana wheat farmer John "Bud" Lethold Jr. and a partner bought a small, floundering, 72-year-old company that not so coincidentally made his wife's favorite breakfast cereal. In

1993, Lethold expects Cream of the West cereals to reach $750,000 in sales as they reach supermarket shelves in Southern California, the Midwest and New England.

Lethold first visited the headquarters of Cream of the West when he was making rounds as president of the National Association of Wheat Growers. Lethold knew his wife was fond of the cereal, having eaten it all her life. When he asked the owner about making a private-label version of the cereal, the owner said he'd think about it. On his next visit six months later, Lethold was surprised when the owner offered to sell the company to him. Lethold talked about the idea with his attorney, David Veeder, who then surprised him even more by asking to be his partner in the venture.

To grab consumer attention, Cream of the West designed a new logo.

With the reborn company lacking the multimillion-dollar development budgets of the major food companies, Lethold did research the old-fashioned way. He arose early on weekends and went to the store to watch people buy cereal. "I'd watch at the end of the aisle and learn a lot about what they pick out and why," Lethold says. "The kids seem to pick out the hot cereals."

Lethold and Veeder knew they had a good wheat cereal, but needed something to grab attention on the supermarket shelves. They hired a local artist to design a new logo—a young man on a horse holding a cup of coffee. Momentum started to build: the local paper did a story on the reborn cereal; the national trade magazine *Food Business* ran a piece about the regional cereal company; and a New York food broker called, wanting to put the cereals on East Coast shelves.

Next Lethold became aware that "people were buying multigrain breads and flours," so he concocted a new cereal, Cream of the West Seven Grains, and offered it to local restaurants on a trial basis. "It didn't take too long before people were buying the Seven Grains—it outsold everything else three to one at the restaurants," Lethold says.

Lethold pays attention to his mailbag. "I get letters from all over the country, particularly during the winter. We get 30, 40, 50 a day," Lethold says. "People tell us they're using the Seven Grains cereal to make bread on their home bread-makers, and they're using the oats (Roasted Ranch Oats) to make cookies."

In addition to supermarket sales, the company aggressively pushes its cereals in shrink-wrapped gift packages available via mail order and at tourist draws throughout Montana and Wyoming.

Cream of the West has a bright future, according to the company's food broker, Fred Javid, president and CEO of Montana Food Brokers. "In blind taste tests with consumers, Cream of the West qualitywise has always been one of the best there is," Javid says. "It outsells every other hot cereal company in Montana and Wyoming, by far. And the packaging is outstanding—it jumps off the shelf at you. The word 'Montana' on the package—and the cowboys—bring a certain amount of excitement to it."

IN ADDITION TO SUPERMARKET SALES, CREAM OF THE WEST PUSHES ITS CEREALS IN GIFT PACKAGES AVAILABLE VIA MAIL ORDER.

These small Northwest businesses aren't successful by accident. In their own intuitive way they apply business principles that will produce sound, healthy, stable growth into the next century. They stay close to their markets, understand their customers and research their markets with the resources they have. They explore new opportunities, focusing on the most profitable core of what they do as a business. Ultimately, each is dedicated to quality—in the raw materials they use, the workers they recruit and keep, the service they provide, and the products they make.

Freelance writer Richard Martin lives in Seattle, Washington.