

Lessons from a lemonade stand

His name was Mike, an 8 year-old entrepreneur determined to make the most of a beautiful day on the Illinois Prairie Path. He had a little folding table with a pitcher of lemonade, some plastic cups, a bag of ice in a cooler on his wagon and an empty cigar box strategically placed in the middle of the table to collect his earnings.

As my dog, Mak, and I walked past, I asked Mike how business was and he said, "Not so good."

It was about 10:00 a.m. and he had set up for business at 8 o'clock so he'd already been at it for two hours. As I stood over his little stand, I glanced into his bank and saw that he had collected almost no money for his efforts. He asked if I wanted some lemonade. Since we had just started our walk, I declined, but promised I'd buy on the way back.

We walked about two miles before turning back. It was a busy day on the trail with runners, bikers, hikers, joggers and even a few people on horseback and I figured with all the heavy traffic, Mike would probably be out of lemonade. Not so.

As we approached I could tell he was discouraged. His jug was still almost full. The ice had melted and a squadron of flies had taken complete control of the table and its contents. True to my word, I bought a lemonade but I felt Mak needed it more than I did.

I felt sorry for Mike. It was probably his first stab at business and what a disappointment! But why couldn't he make sales? After all, it was a beautiful sunny day with a steady stream of prospects passing right by his place of business. I'm almost sure he started the day thinking that hot, sweaty joggers and bikers would be happy to stop for refreshment so I'll take my lemonade stand out there and rake in the dough! But there were a number of things Mike failed to consider.



First of all, a large percentage of his prospects didn't need his service. In fact, many of them were carrying their own water bottles and almost all the bikers I saw had water bottles attached to their bike frames.

Second. Almost everyone on the path was wearing running apparel such as sweats and shorts that have no pockets. Most people carry no money when they run so how can they buy?

Third. With the exception of a few walkers like Mak and me, most people were out to make time. Ever tried to stop a jogger? They don't even stop when they come to a railroad crossing... they just jog in place. Fat chance you'll ever get someone like that to check out your lemonade stand!

Fourth. His location was not good. Sure, he seemed to have good traffic but compared to what? A lemonade stand on a deserted island? Often there would be 2-minute gaps between runners. That's not good traffic. He would have done much better if he had packed up his wagon and gone about a hundred yards to Main Street.

Fifth. Assuming some of his prospects did have money and were able to buy, he could have used a few signs. Nothing elaborate. Maybe some “Burma Shave” type signs to catch people’s attention and let them know he was up ahead.

Sixth. His product was not attractive at all, especially as the day wore on and the flies took over. Besides, he was charging \$1.00 a serving for his product and the convenient store at the corner was selling ice-cold, capped bottles of a variety of drinks and juices for 79 cents. If given a choice, what would you buy?

What was Mike’s biggest problem? He was fishing in the wrong place. He was destined to catch little, if anything. On the positive side, he had no competition but then it really didn’t matter.

So, what’s to be learned from a lemonade stand?

In the past 16 years, I have done almost 5,000 demographic studies for drycleaners. Believe me, one of the worst things a cleaner wants to hear is how he or she should not start a drycleaning plant at a site they really have their eye on. Sometimes all they want is your approval and when it doesn’t come, they’re extremely unhappy.

If you are looking to start a “lemonade stand,” here are just a few things to consider:

Do your potential prospects need and want your service? Drive the neighborhood. If you see cars up on blocks in the driveways, you probably don’t want to start a drycleaning business there. (Like the joggers on the prairie path, they have no money to spend.)

Is the area dense enough to support your business? Little Mike had some traffic, but not enough to make for a viable business. Generally, you want a prime market of at least 2,000 households.

Do the residents in this area wear suits, shirts and ties? Are they primarily professional, or are they primarily employed in the service industries? Obviously, you’d like to have a higher mix of professional people.

When you open, will you be convenient and easy to get to? People don’t want to venture out of their way. They don’t want to cross busy streets and go against the flow of traffic. Is there any way to borrow the popularity of another business... one that gets frequent traffic like a supermarket or a video store?

What’s the average age of the prospects in your market and what percentage of your prospective market is 65 or older? You won’t get a lot of business from retired people.

Is there a natural or man-made boundary such as a river, a mountain or a railroad track close to your site? At certain times of the day a railroad track can kill business!

What is the Purchase Potential Index (PPI) of the residents in your target zip code? In just a few seconds, you can get a pretty good thumbnail of what your potential business will be like just by viewing how your future prospects tend to spend their money.

How many cleaners are there already in your proposed market? Why open a plant in a market that’s already saturated with cleaners? Seems straightforward... but it happens all the time!

These are only a few considerations. There are many more. But a good test is to drive the area and see how other cleaners are doing. Are their racks full? Do they seem to have good traffic? Park out front and observe your future prime competitor for an hour or two.

Remember, ***where*** you decide to open your next “lemonade stand” is all-important. After all... it’s the location that counts most.

