

A CLOSER LOOK

A Closer Look takes topics from previous and current issues of *Bridges* and examines them from a local perspective.

...AT THE MEMPHIS REGION

Urban Incubator Molds Business Fledglings into Industry Eagles

Taking the entrepreneurial plunge is not so scary when you have support. Ask Bently Goodwin, president of RemitDATA. Since joining EmergeMemphis, a business support facility or “incubator” in Memphis, Tenn., his health-care payment data and analysis firm doubled its profits and grew from one to 12 employees in four years. Goodwin, who previously worked in the health-care industry, decided EmergeMemphis was the best place to expand his idea.

“I had friends who were previous tenants, and I started with about four clients in the incubator. It is a place where businesses thrive off each other with new ideas,” Goodwin says. He adds: “My biggest challenge is managing our growth.” RemitDATA is now represented in five cities.

Since 1999, EmergeMemphis has helped numerous businesses grow. With four floors and 30,000 finished square feet, the incubator houses 20 companies in its renovated headquarters in downtown Memphis. It recruits entrepreneurs with creative, innovative business plans leading to high growth, and focuses on general purpose and technology companies.

EmergeMemphis not only offers space, but is a “partner,” ready to assist startups

in removing obstacles and strengthening their financial base. It is one of about 1,000 incubators in the country, according to the National Business Incubation Association. And, during a company’s fledgling years, it is an attractive alternative to traditional office settings. The average incubation period, during which startups grow and pre-

digital communications service.

“There’s lots of good karma and teamwork here, and that’s important to business success,” says current tenant Reuben Brunson, president of Rocket Science Design, a web site and multimedia design firm. Rocket Science Design doubled its profits since joining the incubator a year ago, and four EmergeMemphis ten-

South Main Historic District, which boasts shops, restaurants, art galleries and housing. It lies within the city’s central business district.

The incubator receives some corporate donations, but largely operates on monthly fees, set at \$10 to \$15 per square foot. Memphis Incubator Systems, a not-for-profit organization founded in 1999 to cultivate growth of new business ventures, provided the initial financing. The organization collected nearly \$4 million in public and private funds from the Tennessee Valley Authority, the Economic Development Administration, the city of Memphis, the Department of Housing & Urban Development, the Tennessee Technology Infrastructure Program, Memphis 2005 and corporate supporters, such as AutoZone and FedEx Corp.

According to Gwin Scott, EmergeMemphis’ president, the incubator is seeking an “anchor” tenant, one that would take a larger portion of the building’s space, providing more visibility for the incubator and a model for the other tenants.

“Our goal is to take the incubator to the next level,” Scott says. The “next level” includes finishing the third and fourth floors; doubling the number of tenants; expand-

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EmergeMemphis houses 20 companies and offers easy access to other business and entertainment areas of downtown Memphis, such as the South Main Historic District.

pare to enter mainstream business environments, is three to five years.

The incubator has helped double and even triple profits for some tenants. Since its inception, nine have graduated. They include Destination King, a social planning firm; The Diabetes Store, a supply store for diabetics; Geobot, a software development firm; and Point2Point Innovations, a

ants are Brunson’s clients.

Brunson recognizes the incubator’s location as another benefit. It is surrounded by urban renewal, which he says sets the tone for progress. “This provides a certain synergy and is inspiring to us,” Brunson says. The view outside his window is of new condominium construction. EmergeMemphis is on the trolley line and is next to the

Rural Incubator Urges Businesses to Think Globally

The North East Mississippi Business Incubator System (NEMBIS) started developing small business success stories in 1993 by offering entrepreneurs a comfortable operating environment, affordable leases, business guidance, and shared services and equipment. "The ultimate benefit is the creation of jobs," says Ray McClellan, director of NEMBIS.

The rural business incubator has helped create about 500 jobs in the last 12 years. It encourages its entrepreneurs to move from providing traditional goods and services for the local economy to providing them for a global economy.

"The rural nature of our market has been focused on manufacturing, which has, to say the least, become extinct," McClellan says. "Our mission includes transitioning businesses to meet the needs of new markets and new technology."

This idea was embraced by NEMBIS graduate Masterpiece Engineering. The company specializes in circuit test programs and fixtures in the electronic manufacturing industry. After two years at the incubator, it grew into a multinational company with a

location in Mississippi and one in Mexico. It employs a total of 20 people.

After five years of incubator guidance, graduate Innovative Circuits moved out and into 20,000 square feet of space in what was once a hosiery mill. To prove its desire for new markets, the company went from only manufacturing electronic products to also

respected agencies, gets NEMBIS noticed when seeking grant funds. While funding has been a major challenge, these innovative ideas allowed NEMBIS to obtain renewable grants from the Department of Agriculture, the Department of Labor, the Department of Education and other grantor institutions.

The initial system investment was \$1.5 million from

Incubators, NEMBIS finds that it must be self-sustaining. With a \$150,000 annual budget, it operates from grants, tenant leases and administrative services income. Standard rent for manufacturing space is 14 cents per square foot. Office rents are about 75 percent of market rate.

Tenants have access to a wide range of services that otherwise might not be affordable at the startup level. The incubator offers shared services, such as fax usage, metered postage, in-house shipping, copying and printing services. Other services include a computer lab, break area, conference room, small business resource library and business software packages.

NEMBIS was one of the first incubators developed in the country and covers a three-site area in Mississippi. The lead incubator in Corinth has nine tenants. The two extension sites, in Ripley and Iuka, house one tenant each. Incubator tenants fall into four business sectors: services, technology, light manufacturing and distribution.

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Designing electronic products is the focus at Innovative Circuits in Corinth, Miss., which grew from one to 21 employees.

designing them. It is also diversifying its client base by acquiring government contracts in addition to its corporate clientele and has grown from one to 21 employees.

The new markets concept, coupled with partnerships with

Community Development Block Grant funds, the Tennessee Valley Authority, the state of Mississippi, the Appalachian Regional Commission, the city of Corinth, and the counties of Alcorn, Tippah and Tishomingo. But like most incu-

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ing the number of corporate mentors for tenants; providing practical educational programs; and advancing tenant support to include a discounted, third-party, health-care plan and a 401(k) retirement plan. Scott also has the top priority challenge common to most incubators—that of increasing corporate donations.

The incubator offers counseling on a variety of business issues related to sales, legal,

financial, business development and human resources concerns. In addition, clients reap the savings of shared phone systems, conference rooms, printers, copiers, fax machines, utilities, administrative services and high-speed Internet access. Members also enjoy discounted office supplies and printing services, 24-hour access to a secured building; free, on-street parking; and garage parking privileges for a nominal fee.

Businesses in the incubator

provide services such as software and e-business development, cultural development, information technology consulting and staffing services, data management, strategic

consulting, interactive media development, public relations services, investment banking and managed hosting services.

For more information, visit www.emergememphis.org.



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