



By Jamie Herzlich Newsday BUSINESS•COLUMNISTS

John Robertson hopes that opening a second business while still running his first will help him benefit from economies of scale and increase profits.

He hasn't raised prices at his original Hauppauge eatery, The Sexy Salad, in about a decade despite eroding margins due to increased costs for food, rent and electricity.

He hopes his new endeavor, Build A Burger, which he recently opened next door to The Sexy Salad, will allow him to increase volume and also give him greater efficiencies and purchasing power in the marketplace.

"If I could sell more product and become more efficient, I could avoid raising prices and still make a living," says Robertson, 53.

Prior to opening The Sexy Salad in 2003, he worked as a chef and later as a sales rep for large food services firms, receiving what he called "a world class education from my customers both successful and not."

With the new business, Robertson says he's already seen some savings by negotiating a better rate per square foot with his landlord by taking on additional space. He also hopes to get better pricing on food and other expenditures by purchasing for two establishments.

While opening a second business can help entrepreneurs like Robertson maximize efficiencies, it also comes with many risks.

One of the biggest issues for business owners "is staying focused on what's really important and not getting distracted by shiny objects," says Steve Davies, president of the Nassau Chapter of The Alternative Board, a membership organization that provides mentoring to business owners. "You have to make sure your second business isn't a shiny object."

Just because you're successful at one business doesn't mean you'll be successful at another, he says.

It could be a costly failure, but on the other hand many businesses need to diversify for various reasons; perhaps long-term demand for their primary product has declined, Davies says.

In general, it's typically easier to start a business that's homogeneous or compatible with your first business, says Jim Blasingame, host of the nationally syndicated radio talk show "The

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Small Business Advocate Show” and author of “The Age of the Customer” (SBN Books; \$25).

Conversely, if you go into a completely different business, “that’s where you compound the degree of difficulty,” he says.

Keep in mind you must do the same due diligence you did when starting the first business, he says. Ask yourself if you have the capital, industry knowledge, market demand and executive skills to pull off a second operation, Blasingame says.

Also consider why you’re launching a second business, he says. Is it because of a fundamental business opportunity? Because of your ego? Or because you’ve fallen out of love with the first business?

“Don’t take on a second business as a mistress,” says Blasingame, noting you could risk cannibalizing the first business.

Sosh Andriano, owner of The Whales Tale in Northport, says he understands this and did his due diligence before recently launching a craft brewery, Harbor Head Brewing Co.

“I compare it to a method actor preparing for a role,” he says. “I entrench myself into the concept on paper 12 hours a day, seven days a week for months and months.”

By opening the year-round brewery next door to his restaurant, he hopes to extend The Whales Tale season, which generally runs from March to around Halloween, through at least Thanksgiving this year. That would help with staff retention.

“Every year I search for new managers,” says Andriano, 39, a partner in the new brewery, noting it’s hard to retain key staff with only a six- to seven-month operating season.

There can certainly be benefits to opening a second business, but keep in mind that generally it’s going to take longer and cost more than you initially plan, says Alice Bredin, a Somerville, Massachusetts-based small-business adviser to American Express OPEN, the small-business arm of American Express.

“I think it’s a couple of years in many cases before you get your feet under you,” she says.

She advises entrepreneurs to treat the second company as a separate entity and avoid co-mingling accounting.

“You have to always have your eye on what’s the real financial status of this entity,” she says.

Davies recommends doing three financial forecasts — optimistic, flat and pessimistic.

Being unrealistically optimistic can hurt you later on, he says.

Robertson agrees.

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“You always want to keep risk to a minimum,” he says.

Fast Fact:

Growth is tops

For the first time since 2011, business owners say growth is their top priority, ahead of maintaining their current business and finding sources of revenue.

Source: 2017 American Express Small Business Monitor