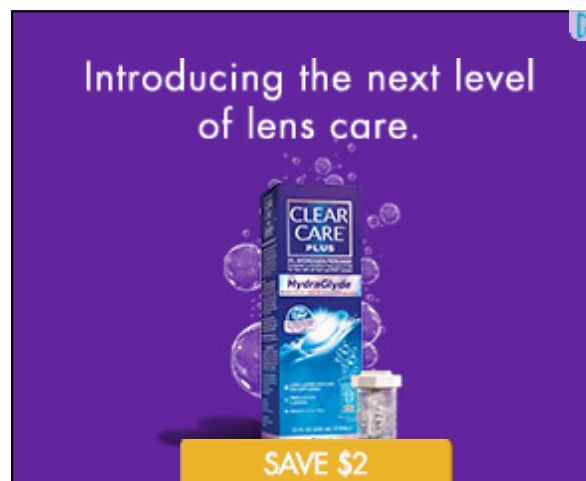




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SMALL BUSINESS | LEARNING CURVE: Business Lessons From Southern California Entrepreneurs

Clients' Loyalty Crucial to Survival

January 07, 1998 | KAREN E. KLEIN



Guatemala-born Miguel DeLeon, 41, was given a grim task in 1994--to oversee the forced closure of the defense manufacturing firm where he was quality control manager. Instead of leaving, DeLeon contracted to buy the company's assets and within four days had his new company up and running. He quickly turned away from defense contracts, which he saw as a dead end, and began diversifying his manufacturing line. With help from a nonprofit business development agency, DeLeon has turned his firm around. He was interviewed by freelance writer Karen E. Klein.

*

The bankers gave me 30 days to come up with the money to buy the assets. I scraped it together anywhere I could find it and reopened with a new vision--to start looking into new markets.

My concept was to start on a smaller scale and not be heavily dependent on the government or the aerospace industry, where 85% of our contracts had been before. In order to start over, we had to retrain ourselves and do some internal shuffling.

Eight of the original employees stayed with me. Everyone took a cut in pay. I didn't have a paycheck anymore at all.

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The odds of me making it were slim. My competitors were putting bugs in my clients' ears, saying I was going to go out of business in three months. That rumor almost cost me my best customer, but I told him, "Everything that I have--including my shirt--is invested in this company, and I'm not going out of business."

I told all my clients that I was putting the company back together and that I wanted to support them in every way possible. I said it was to their advantage to help me stay alive and not go belly up.

A lot of my customers were skeptical and I couldn't blame them. I said, "Give me a try until you find another supplier," and they did. Many of my longtime customers were loyal to me and they helped out by paying on a 15-day schedule so I could meet my payroll. That's why it is so important to fulfill your commitments to your customers. If I have to open 24 hours a day or work on Sundays to meet a contract, I'll do it. They've been good to me, and it's a two-way street.

The longtime employees who stayed with me were used to doing things one way. I talked to them and said, "Look, we are getting close to the year 2000 and we have to take a different approach." Some of them got shuffled. The supervisor in charge of our military department became our salesman and buyer--this was survival time. I told him, "I think you have some potential, so get on the phone and start selling." I'm so proud of the work he's doing now. He and I do all the sales and we have generated a lot of new customers and brought 95% of our old, non-defense customers back. We have 55 to 60 active clients now.

The first year we made \$135,000, the second year over \$500,000, the third year \$1.2 million and now, in our fourth year, I'm hoping to push \$2 million.

It hasn't been easy. In the beginning, I went to bank after bank looking for a loan, but they would not help me stay in business or grow. I even went to the bank where I'd been banking for 25 years and they slammed the door in my face.

Finally, I just forgot about the bankers and went to the Valley Economic Development Center, a nonprofit agency that helps entrepreneurs with training, consulting and the whole works. They helped me do my business plan and they helped me secure a loan for \$205,000 through the U.S. Department of Commerce in 1995.

That money allowed me to buy the equipment I needed to diversify, and that opened the door for our new customers.

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(BEGIN TEXT OF INFOBOX / INFOGRAPHIC)

At a Glance

* Company: DeLeon Enterprises Inc.

* Owner: Miguel DeLeon

* Nature of business: Manufactures custom electronics

* Location: 12878 Pierce St., Pacoima

* Year founded: 1994

* Number of employees: 28

* Annual sales: \$1.9 million

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