**Lemonade and lessons flow forth**

**COMMENTARY**

By Loren Steffy | May 11, 2008

Page 1 of 1

The spark of capitalism is a fickle flame.

She entices with the promise of profit, and she disappoints with the risk of loss.

Just ask my 12-year-old daughter. She and two of her friends got some firsthand business experience last week when they participated in Lemonade Day, which teaches children about starting their own businesses.

Kids around Houston set up some 10,000 stands, more than three times as many as last year. The event shows kids that free enterprise is important and teaches them about starting a business — finding investors, picking the right location and managing profits.

"For the first time, they're understanding the basic economics that you'd never learn in the classroom," said [Michael Holthouse](http://www.chron.com/?controllerName=search&action=search&channel=business%2Fsteffy&search=1&inlineLink=1&query=%22Michael+Holthouse%22), the Houston entrepreneur and philanthropist whose nonprofit Prepared 4 Life is behind the event.

**A teaching opportunity**

Holthouse got the idea for Lemonade Day, which made its debut last year, after his daughter set up a stand that flopped. In helping her analyze what went wrong, he realized he could apply the lesson he was teaching her to other kids.

The event dovetails with Holthouse's work with at-risk kids by showing them the principles of building their own businesses as a way to break the cycle of poverty.

"There are upward spirals and downward spirals," he said.

Lemonade Day inspires entrepreneurship, teaching kids of all income levels about setting goals, about how capitalism drives our society and about how businesses benefit the community, Holthouse said. Participants are supposed to give a percentage of the proceeds to charity.

It was the profit motive, though, that caught my daughter's attention. When I first suggested doing a stand, she asked who would get the money.

"You," I said.

"You mean I get to *keep* it?" she asked, the spark of capitalism igniting like an acetylene torch.

**Setting it all up**

She and two friends planned the design of the stand and the kinds of lemonade they'd sell, settling on two varieties — pink and yellow. They decided to donate part of their profit to the local animal shelter.

They made a sign, planned their prices — 50 cents a glass — projected the amount of profit they'd need to cover their costs and went to the store to buy supplies.

In the interest of full disclosure, I agreed to be their venture capitalist, though I commanded only a 3 percent return. They negotiated me down from 5 percent. I have no future on Wall Street.

I must admit, I wasn't sure how things would go. I've invested in several failed lemonade ventures in the past. I even reminded my daughter that most small businesses fail so she wouldn't be disappointed if things went badly.

**Watch out for advice**

On my advice, they set up their stand at the entrance to [The Woodlands Country Club](http://www.chron.com/?controllerName=search&action=search&channel=business%2Fsteffy&search=1&inlineLink=1&query=%22The+Woodlands+Country+Club%22). I thought they'd get a profitable combination of golfers, car traffic and pedestrians.

Instead, they learned an important lesson of business: Sometimes investors have more money than brains.

After a half hour, they'd only sold a few glasses. People leaving the parking lot weren't stopping, the golfers were taking a shortcut back to the clubhouse, and the foot traffic was mostly joggers who didn't have their wallets.

Fortunately, the business was flexible enough to respond quickly to market conditions. With little invested in our location, we packed up the stand and moved near a par-3 hole on the front nine.

In the new locale, they had a steady stream of golfers eager to support young capitalists. Drivers pulled over, too.

Although the girls charged 50 cents, I pointed out that most customers were paying a dollar and telling them to keep the change. The market thought their product was underpriced. The girls discussed it but worried that charging a dollar would scare away business. They compromised, raising their price to 75 cents.

It was a shrewd move — a 50 percent price hike with no noticeable effect on demand. They'd found the sweet spot of the market.

**Their take**

After four hours, they'd taken in more than $57. They paid off their investor, covered their expenses, set aside the money for charity and divided their profit — about $14 apiece.

The top-selling stand in the event brought in almost $245, but my daughter and her friends had no complaints. Their enterprise was a success, and they're already fine-tuning their business plan for next year.

Holthouse said he's had interest from about 20 other cities that want to stage similar events, and he's hoping someday to take Lemonade Day national.

In other words, Holthouse is becoming the [Johnny Appleseed](http://www.chron.com/?controllerName=search&action=search&channel=business%2Fsteffy&search=1&inlineLink=1&query=%22Johnny+Appleseed%22) of entrepreneurship, spreading the spark of capitalism one glass of lemonade at a time.

http://www.chron.com/business/steffy/article/Lemonade-and-lessons-flow-forth-1756587.php