

In April, Counselor detailed how Scott Mollahan began his business, Insight Resource Group (asi/231569), and quickly racked up \$2 million in revenues in the company's first eight months. It helped, of course, that Mollahan left a job as a salesperson for a large business forms and promotional products company and 80% of his clients agreed to go with him when he opened up shop. Counselor caught up with Mollahan recently to see how his 2008 is going and to find out how he's overcoming the challenges of running a fast-growing business.

SMART MARKETING

In this month's installment of our ongoing Open For Business series on three start-up distributors, Scott Mollahan details how a creative marketing plan helped him overcome a slump.



By Andy Cohen

What's the best remedy for a business slump? Creative and aggressive marketing techniques.

It's a strategy that Scott Mollahan is now employing. After a banner first eight months in business – a six-figure deal the first week he was open certainly helped – Mollahan found himself in an unusual position a few months ago. His company hit a soft patch in sales during the first quarter of 2008. “We were going great initially, but then the beginning of this year was a little slow,” says Mollahan, whose client base is centered around the wine and spirits sector. “It's somewhat of a traditional slow time for the wine industry and the economy in the Napa Valley has been a little slower this year.”



It was that kind of atmosphere that motivated Mollahan to do something different, to push the marketing envelope so he could get in front of more prospects and clients. “I knew we needed to take action in marketing and sales and not just sit around hoping that things would turn around,” he says. “We had to create something that was new.”

And so the Insight Resource Group's Green Roadshow was born. The plan was to create a marketing pitch to current clients and new prospects that was focused on using eco-friendly promotional products within their marketing campaigns. Of course, it helped that the “green” marketing effort was pitched to companies in the environment-friendly culture of Northern California, where Mollahan's business is



based. “From previous conversations with clients in this area, I knew that they’re trying to promote themselves as caring about the environment,” he says. “It seemed like a natural fit.”

Mollahan sent a personal letter to about 20 clients introducing his company’s Green Roadshow. The pitch? Let me come to your office and show you the wealth of eco-friendly promotional products that can be used in your marketing plans this year. Clients were quite receptive. Mollahan and his staff made eight presentations within a month of launching the program and he had another four appointments scheduled in the second month. “I see the whole Roadshow as a way to introduce clients to green products,” he says. “I’m not trying to close business during these meetings.”

However, one meeting in particular has turned into big business for Mollahan’s



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company. He met with a minor league baseball team’s marketing department and the timing was perfect. The team, he learned during the meeting, has made a commitment to make its whole stadium green by

2009 – everything sold and used in the stadium (think cups, plates, everything) will be eco-friendly. So, green promotions are a natural fit for this organization.

Mollahan has now sold them an eco-friendly bag that the team gave away to fans on Shopping Bag Day in April, as well as stadium cups that are made of biodegradable plastic. “We also ordered them an organic cotton apron that they’re giving away for a Father’s Day promotion,” Mollahan says. “We’re discussing all sorts of stuff with them and I’m sure we’ll continue to get orders for green items from them.”

Ultimately, Mollahan believes that the marketing effort of his Green Roadshow has opened new doors for his company. “Clients have been really responsive,” he says. “They appreciate hearing about this information and thank us for providing it, because it’s something they know they

Overcoming A Sales Slump



It happens in every entrepreneur’s lifetime. At some point, the sales slow down, clients don’t call as much and revenues begin to slide. It’s the business slump.

Scott Mollahan experienced a brief slump at the beginning of this year, and he quickly dug his company out of it with a creative marketing strategy. How can other distributor entrepreneurs find their way out of a sales downturn? Get aggressive, experts say. “I see far too many people cut back during a slump and find ways to cut costs as opposed to finding ways to increase their sales,” says Jan Alexander, founder and principal with New York management consulting firm The JAX Group. “A downturn is the time to get out there even more, meet with as many people as possible,

and prove that you belong.”

Alexander suggests increasing your call volume in times of a sales slump, and if you have employees, make sure they’re doing the same. Now is the time, she says, to get aggressive with your sales calls and give clients a reason to speak to you. “Either cut prices or offer something that they can’t get elsewhere,” Alexander says. “The key is to catch people’s attention and get in front of as many buyers as possible.”

A slump certainly isn’t the time for the meek. As Alexander points out, you have to get in the face of potential clients where they are. So, increase your networking, she says. “And as a seller of promotional products, you can find buyers anywhere, you always have a sales opportunity if you’re willing to take it,” Alexander says. “In the supermarket, at

the bank, where you buy coffee in the morning. These are all potential buyers of promotional products. Don’t let an opportunity go by without talking about what you do.”

Alexander also advises entrepreneurs to firm up their client relationships during a downturn in business. While you have to increase your new business, you can’t ignore the clients that are the backbone of your top line revenue. “Take somebody to lunch once a week or send a birthday card to an important client,” she says. “You should stay front and center with these people so they don’t forget about you when it’s time for them to order new promotional products. Also, listen to their marketing challenges during your conversations. That’s where your biggest sales opportunities will come from.”



When To Take On A New Employee

While Scott Mollahan has a big enough business that he's hired five employees in his first year in business – including his most recent addition two months ago – most entrepreneurs struggle with how and when to bring on an employee. In fact, moving from a one-person shop to a company that has to hire, train, manage and retain employees is a huge step that most entrepreneurs aren't sure how to tackle.

The key? Making sure your overhead can sustain having an employee. “I talk to entrepreneurs all the time who are guilty of hiring an employee before they really need the person and before they can really afford the person,” says Howard Lefebvre, president of HLA Associates, a consulting firm based in Nashua, NH. “They figure they can just cover the salary and they're good to go.”



WILL YOU HAVE ENOUGH CASH IF REVENUE DROPS

25%

FOR A COUPLE OF QUARTERS?

What they often tend to forget about, Lefebvre says, is other expenses like taxes, health care costs, insurance, computers, lost productivity due to sick days, etc. “An entrepreneur has to be sure that he can really cover the costs for that first employee,” he says. “Most end up overlooking something and then regretting it.”

Lefebvre suggests waiting one quarter to two quarters before actually making the leap and taking on a new employee. In other words, once you've decided that you need help, wait another three to six months before actually hiring somebody. “You need to know that your bottom line and cash flow are flush enough to sustain having an employee,” he says. “And you should take worst-case scenarios into account. Will you have enough cash if revenue drops 25% for a couple of quarters? Are you taking on this person because you're anticipating higher revenues? That's not a good reason to bring somebody on. You should absolutely need somebody on staff to help with current projects that you're overloaded with.”

Once you've determined that you have the resources to hire a new employee, the key is to find the right one. Lefebvre believes the best first employee for an entrepreneur is somebody who's not like them – somebody who brings new skills to the company. “Many managers gravitate to people like them who have the same work style, but that's not what you want in a first employee,” he says. “Bring on somebody who can do things that you can't do. You'll be a two-person operation, and the last thing you want is to have both people with identical skill sets.”

Ultimately, Lefebvre believes, an entrepreneur's first hire should have entrepreneurial aspirations themselves, and should show an ability to solve problems quickly. During interviews, he suggests asking questions about previous businesses or departments that the candidate has overseen and make the person offer anecdotes about how they got the department out of a problem.

“You want to determine if they have good decision-making abilities, because you won't be able to make every decision yourself,” Lefebvre says. “You need a partner – somebody who can manage a business but isn't exactly like you.”

need to look into but maybe haven't had the time yet. We want to position ourselves as more of a marketing firm, and this is helping us do that. It gives us a way to provide marketing ideas to our clients. That's our pitch right now.”

Confident that his sales slump is over, Mollahan took the step to hire another full-time employee, bringing his roster to five employees. When hiring, Mollahan likes to get referrals from friends, business acquaintances, anybody that he knows and trusts. This hire came through a referral from his accountant and the match was perfect. “She's strong with data analysis and is well versed in Quickbooks, so we didn't need to train her on order entry or anything like that,” Mollahan says. “She basically closely watched our other employees for a week and then was up and running.”

Indeed, like all small businesses, Mollahan's company doesn't have time for a full training period. This newest hire was managing a large order for hats in her second week on the job. “Things move quickly around here,” he says. “There are a lot of projects happening at one time, so we can't afford a long ramp-up time. Any new hires have to be chipping in immediately, and we've been lucky to identify people who want to do that.” ○

Coming Next Month

In the next installment of our “Open For Business” series, Christine Cersosimo of Flow Business Solutions LLC figures out how to run her small business successfully on limited financial resources. Plus, experts offer strategies for how new companies can overcome cash flow problems.