



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. In our last installment with Mollahan in the June issue, he discussed how some creative marketing strategies helped his company overcome a slump. Now, just after crossing the one-year mark with his business, he's got expansion on the mind.

Expansion Plans

In this month's installment of our ongoing Open For Business series on three start-up distributors, Scott Mollahan discusses his decision to hire a new salesperson and how he's trying to diversify his business.

By *Andy Cohen*



Sometimes it takes a little slap in the face for an entrepreneur to realize his company's weaknesses. That's how it happened for Scott Mollahan, when he was on a recent sales call. ○ Visiting one of his best clients – a company he's worked with for years now – he heard some great news. “They told me that they had named me one of their

preferred promotional vendors,” Mollahan says.

It was a proud moment for Mollahan. This was a big company with large budgets to spend on their promotional programs, and Mollahan saw this as a chance to solidify a base of revenues. Of course, every good instance for a budding entrepreneurial star has to be dampened by a reality check, though.

“They then said that my company was one of three companies that were being named as preferred promotional vendors,” he says. “They were honest with me and said what they felt I did well and that they'd be buying those things from me, but they also said that my company has a weakness in apparel. So they're giving that substantial business to another company.”

Ouch. Yet, that was exactly the kind of

wake-up call Mollahan knew he needed. His company had just celebrated its one-year anniversary in the beginning of June, and he reached all of his revenue goals in that fiscal year – raking in about \$4 million in revenues. But he knew there was a hole in his offerings.

“I come from the print world, especially in the wine industry, where we've done a lot of packaging, gifts-with-purchase pro-



motions, and those kinds of things. But I haven't done much work with apparel," Mollahan says. "It's an area that I knew we needed to focus on and figure out how to break into, but hearing it directly from one of my top clients was the push I needed to make it happen. Clients that I'm already working with use a lot of apparel in their promotions, and right now they're giving that business to other companies. I don't want to miss out on it."

So, Mollahan decided to do something he hadn't yet planned on doing. He hired a new salesperson specifically to break into the promotional wearables market. As of presstime, this rep had agreed to work at Insight Resource Group, but hadn't started yet. The key for Mollahan, though: She has a history – and a book of business – with

wearables. "She knows everything there is to know about selling apparel into promotional programs," he says. "It's exactly what we need to expand and grow our business to another level."

The strategy was an about-face from Mollahan's original plan. He had been the sole salesperson at the six-person company. And he wanted to keep it that way. "I don't think we're at the stage where we're ready to put sales on the payroll," he said when *Counselor* first met with him in February. "Really, I only trust myself to do the sales for now."

But that was then. Now, Mollahan says his outlook has changed. The conversation with his client helped push him that way, but he knew he had to make the move sometime soon. "I was the only one sell-

ing," he says. "There's just so much one person can do."

And Mollahan believes the risk of bringing a new person onto the payroll is worth it. The compensation plan he's set up has a mix of salary and commission, but more of the fixed cost is on the front-end. "There's an initial three-to-six months risk, but she's coming with a book of business, so we should begin to realize new business quickly," he says. "It's a bit of a financial risk but I think it's worth it right now. Her strengths are where our weaknesses are."

The Need to Diversify

The new salesperson will certainly help Mollahan achieve one of his main goals from earlier this year: business diversification. Before starting his company, Molla-

Diverse Directions

Lack of diversity. It's a common problem among startup distributors, as entrepreneurs naturally gravitate to the sectors they're most familiar with. Scott Mollahan, for one, had a history of experience with providing print and promotional products to wine industry companies, so when he started his business a year ago, he called on the clients he knew best. What this has done, though, is create a situation where he gets most of his overall revenues from that one market, and he and other startup business owners shouldn't be comfortable in that situation.

"You have to make an effort to diversify your client base," says Christine Flickinger, president of Flash Consulting LLC, a management consulting and coaching firm based in Reno, NV. "It's normal to go where you're comfortable for new business, but successful entrepreneurs figure out how to branch out and reach sectors they haven't done business in before."

Flickinger says the key is to find a comfort zone within target markets that you wouldn't otherwise be comfortable in. She says that entrepreneurs should be building up as many contacts as possible, and then using those contacts to expand business into connected sectors. "Say you sell to schools because you have contacts at your kids' schools," she says. "That's fine, but those

contacts should be able to put you in touch with PTA programs, sports teams, book publishers and even cafeteria vendors. You have to approach clients in a broad way."

And you have to be willing to ask for referrals. So many new business owners, Flickinger believes, miss out on revenue opportunities because they don't ask for referrals. "Make it part of your routine," she says. "At the end of every sales call, say, 'Do you know anybody else who could benefit from my services?' They can say no or they can say they'll get back to you or they can give you somebody off the top of their head. No matter what, it gives you an opening to follow up with them about it. You can't let a meeting or phone call go without planting the referral seed into a client's head."

Flickinger believes that referrals are, in fact, the best way for entrepreneurs to build and diversify their businesses. But she also says that distributors should be focused on their networking efforts to ensure client diversity. Get to a Chamber of Commerce event or a PTA meeting or a local bowling league. "You have to be meeting new people constantly," she says. "Make it part of your business strategy to make at least five new acquaintances every week. You'll see your business grow quickly and evenly that way." – AC

"You can't let a meeting or phone call go without planting the referral seed into a client's head!"

– CHRISTINE FLICKINGER, FLASH CONSULTING



han had become a promotional and printing expert in the wine industry. In fact, most of his clients today are in the wine market. But with that sector succumbing to some economic pressures and going through consolidation, Mollahan knows he has to broaden his customer base.

“We’ve achieved a high level of success in one market, but we need to branch out more,” Mollahan says. “We’ve found it

easier said than done, but we’re working on it.”

While Insight Resource Group has certainly found new business outside of the wine industry – the company is outfitting a local minor league baseball team with a host of promotional products as the organization focused on offering eco-friendly giveaways to its customers this season – Mollahan has actually tried to leverage his

wine industry contacts to broaden his company’s market reach. He has been working closely with the ad agencies that represent his wine industry clients to approach their clients in other markets.

“That effort has been pretty good,” Mollahan says. “It helps that I’ve worked with these agencies for a while, so they feel good about referring me to their other customers. It’s opened up some doors for us with a couple of new retail clients we’ve begun to do some projects for. Any referrals we can get are great and really help us spread our wings. It’s hard to diversify when you’re only a one-person sales force. I can only do so much myself as the only salesperson.”

Yet, Mollahan has been acting as a highly successful sales team all on his own so far. His company reached all of its financial goals for its first year in business – bringing in about \$4 million in revenues – and he says he’s shooting for 30% growth in his second year in business. Ultimately, he knows he’ll need his current crop of clients to help him to achieve future benchmarks.

So when Insight Resource Group crossed its first anniversary in early June, he and his staff sent personal thank-you notes and gifts to all of their clients. Each person the company currently works with received a note thanking them for their business and for supporting the company in its first-year of existence. Each client also received a rose plant that they could place on their desk and watch grow (of course, remembering Insight along the way), just like they’d help Mollahan and his company to grow too.

“It can be a tough market right now, so we know that we need to stay in front of our clients as much as possible,” Mollahan says. “There’s a lot of competition and we’re a new company, so we need to do everything we can to remind our clients that we’re here and ready to help them with their marketing plans and promotional programs. They were thankful for the gifts and we’ll continue to do more things like that.” ○

Andy Coben is editor of Counselor

Reversal Of Fortune

Scott Mollahan, the head of Insight Resource Group (asi/231569), was forced to make a strategic about-face recently when he decided to move forward with hiring a sales rep for his company. He had planned on being the sole salesperson for the company, but soon realized that he couldn’t overcome a weakness in apparel and spread out to different types of clients by himself.

“You can’t be so rigid that you miss out on good opportunities.”

—HOWARD KLIMES, POWER PLAY GROUP

“Entrepreneurs have to be as flexible as possible, especially in their first couple of years of business,” says Howard Klimes, principal with Power Play Group, a business management consulting company based in Detroit, MI. “Yes, you have a business plan that you want to follow, and I don’t

recommend veering from that too much. But company strategy has to be open to change in its beginning years. You can’t be so rigid that you miss out on good opportunities.”

Klimes suggests that new business owners review their go-to-market strategy every month, or at least quarterly, to ensure that they’re capitalizing on every possible path to new revenues. “It doesn’t have to be a formal or in-depth review, but you need to ensure that you’re recognizing your strengths and weaknesses on a regular basis,” he says. “It’s ok to have weaknesses, everybody does. But good entrepreneurs embrace those weaknesses and figure out ways to overcome them.”

Where Klimes believe so many companies go wrong is that the founders of these organizations shy away from their weaknesses and create strategies that ignore them. “It’s a matter of self-awareness and flexibility,” he says. “Do you have the wherewithal to notice your shortcomings? And are you prepared to change course to overcome those weaknesses? Those are questions that entrepreneurs have to be asking themselves regularly. You have to have an open-minded and flexible enough approach to change on the fly when opportunity knocks. Otherwise, you’ll miss the best ways to expand your business.” — AC