

Business Management

COUNSELOR



Triple Threat

By Betsy Cummings

With marketing dollars increasingly moving away from traditional media, ad specialty distributors have a unique opportunity right now to gain a bigger piece of the advertising pie. Here are five steps distributors can take to lure dollars away from the big ad agencies.

It's hard to believe Chris Bouzounis built his \$5 million distributorship from a single \$100 order of tear-off, sticky-note calendars. Or that he did so knocking door to door with only a middling grasp of the English language. Forty-two years since that day Bouzounis, now 71, is rummaging around his office talking about his determination to launch Olympic Press, which is now known as Artina Promotional Products LLC (asi/125290).

Promotional products are much more creative and require much less capital investing" in the beginning, he says.

When he came to Ohio in 1966 Bouzounis had one suitcase, \$2,000 and the sole intention of giving his sister away in her wedding to the American she planned to marry. Two months later he was married himself. By February 1967 he had given up on returning to Greece, where he was from and, instead, poured himself into knocking on doors on the east side of Columbus, managing orders out of his home.

He spent nearly four years there before moving into downtown offices and a building he eventually bought. Business had been good to Chris then. In less than five years he was selling \$1 million a year. "Then it was much easier to make cold calls. If prospects had a little bit of problem understand my English, they ask me again, and I was willing to repeat it," Chris says, displaying some of his broken English. "They were very supportive because they saw the sincerity and that I'm there to help them."

The business grew steadily until the company saw a strong growth surge in the late 1970s and early 1980s when sales jumped from \$1 million to \$2 million a year. By the 1990s the company's revenues were more than \$4 million annually.

Chris slowly added staff until the company has reached 21 employees (including Chris and his children) today. Art Bouzounis, 37, director of marketing and business development, and Matina Zenios, vice president, have long been with the company. "I remember being 10 years old and putting stickers on the catalogs," Art says. "We would eat dinner and stick catalogs as we watched The Carol Burnett Show."

Now that they've joined the company full time, they are geared up to help their father move the business into its next stage of growth. What that means exactly seems a little murky. When pushed on the company's size, none of the three will commit to exactly how big the organization should be. Instead, they are focused on boosting its inner workings – the Web site, sales team and its already strong presence within the industry.

Here our experts offer six strategies for how this family business can reach its goals and overcome its challenges.

STEP ONE:

Work The Web

As the company moves into its new digs in upscale Powell, a suburb of Columbus, they're updating more than just their office space. The family has poured tens of thousands of dollars into a new and improved

Web site they hope will drive a high volume of orders from new customers – and existing ones as well – over the Internet. “We’re finalizing the new Web site this year and will go much more aggressively for new business online,” says Art, who is overseeing the company’s new Web site, which is expected to go live this summer.

The new site – more than \$50,000 in the making – will include a more robust product search mechanism and allow visitors to customize products online by clicking on different color palettes, for example, to see garments in different hues or adding their logo onto the products they peruse over the Web. “Our site now is very friendly and easy to navigate. It talks about Artina and tells our story and shows neat things about us as a company,” Art says. “That’s not the right tool for sales.”

Instead, Art says, he envisions an end-user visiting the site who is focused more on the fact that she needs “to find a red ball cap with black trim.” For end-users looking for specific items, a site that is friendly, but focused on Artina as it is now will do little to draw in the corporate client eager to order and move on with her day.

As the company prepares to launch its site, Carey Ransom, vice president of sales and marketing for WebVisible, an internet marketing consultancy in Irvine, CA, suggests that Artina run test pages of its new Web site online while the old one is still functional. That way they can track which items visitors gravitate towards and focus on those when the site goes live. Buying Google Adwords, for example, with items on one or two pages at a time allows for more specific tracking initially, he says. It’s like having an impromptu market research group without the big expense and production of putting one together manually. That shouldn’t be a problem, since Artina is used to tracking regular orders. For existing customers, Artina may want to offer an incentive for orders online if they are interested in shifting behaviors and buying habits to a more intensive online model, Ransom says.

STEP TWO:

Get The Word Out

A new and improved Web site is only worth the number of visits it attracts. The company, which already has an aggressive e-mail and e-newsletter campaign with current clients, is looking to attack the online market with a huge Web optimization push.

The company already pops up on the first few – and often the first – page on a Google search for ad specialty or promotional products in Columbus. But take out Columbus and the company is nowhere to be found.

In addition to investing in services like Google AdWords covering specific products the company sees high margins on, they would be smart to conduct a testing cycle on each word they buy, says Bob Regnerus, president of TheLeadsKing.com, an online marketing consultancy in Chicago. That way the company could focus on dozens of niche markets and products, as well as areas of increased profit margins, such as customized work – an offering that Artina’s owners say sets them apart in customer service levels within the industry as well as bringing in higher margins. The company plans on utilizing both generic search and pay-per-click advertising methods, Art says.

The Web site may feature 1,000 products that end users can order through Artina’s new site, but, Regnerus says, “In most cases the 80/20 rule usually will apply.” Making sure to rotate the top 20 sellers through the site at any given time is a smart way to balance out the other products that, while smart to highlight, may not bring in the most dollars.

“One of the challenges of the industry is that you’re competing with China directly now and it’s very hard to compete,” says Dave Lakhani, president of Bold Approach, a business consultancy in Boise, ID. “If you can be seen as an expert in an area where no one else is serving or very few people are serving the marketplace, you’ll make a lot more money online that way.”

It’s the equivalent, he says, of putting up a food cart and hoping people will come or finding a starving crowd and driving the food cart right up to them. That may include targeting industries as obscure as dog shows,

Lakhani says, where participants may not be buying in bulk but they are buying consistently and want a fast, easy – i.e., online – method of renewing their orders.

In addition, the company will soon face online visitors who aren't sure of what they want to buy or what quantity they need. Artina should come up with Web sales strategies to keep those people on the site longer, as well as how to upsell, cross sell and "what to do with people who abandon the shopping cart" altogether after they've dropped a few items of interest into it, Lakhani says.

The point of the site is to encourage new customers to order online. But Regnerus stresses the strength of the Web/phone connection. Orders are often doubled or tripled, he says, when prospects or clients who start to place an order over the Web end up picking up the phone to complete the transaction. Art agrees, and expects that many orders won't be finalized until a customer has a final conversation via phone with an Artina sales rep.

Artina's current listing of its 800 number, local number and e-mail on the contact page of its Web site is smart, but passive, Regnerus says. He suggests they make the connection more active by either playing up that number with, say a photo of an operator on the home and product pages standing by ready to answer questions, or by offering live chat online where customers could talk in real time through the Web site without even having to go to the trouble of dialing a number.

Either way, the perception of fast, easily accessible customer service with eager reps at a client's beck and call is the key to compelling customers to make the effort. And that results in more and larger sales, he says.

STEP THREE:

Address Sales Structures

Artina's owners have already hired someone to handle Web orders and they plan on hiring more customer service and sales reps as needed, depending upon how quickly internet transactions pick up. That's a good idea. But they should also take a look at how they might enhance the structure of their phone and field sales forces as well, Lakhani says.

Currently the company's sales team is split into two categories: account managers and national account managers. Those focusing on Ohio have loosely enforced territories, but the national sellers, Matina says, "can cover [and sell] anywhere." And that's exactly what they do.

Those two categories are fine, says Lakhani, as long as the company has strong sales quotas and revenue goals. "Sales quotas are mandatory, especially when you get to their size to create predictable revenue streams moving forward," he says.

But their lack of territories within that national sales team worries him. Lakhani says he would encourage the company to add territories, "because that forces salespeople to get hungry and look inside the areas they're in, instead of at the low hanging fruit everywhere."

With territories carving up the country, however, will come other problems. Sellers who once had free reign over any area would now have to cede a referral they got to a deal in Arizona if their territory is the southeast, for example. "There can be hunting awards," Lakhani says, to counteract the disincentives of giving up new business. In that case, a seller who brought in an account but had to hand it off to another sales team member could still get a commission percentage on the first sale or even the first six months.

Having sellers at the company for more than 10 years may mean setting up territories will be a very tough sell for Artina's management, Lakhani says. One way to ease the transition may be to build a consensus among sellers before any policy changes, asking for their input on how they could adopt a system of territories and still remain fair with commissions and seller recognition.

To that end, Lakhani says the company might consider stepping up its incentive program as well. Right now they do a good job of giving consistent small rewards on a regular basis. But one of their travel rewards in the past has included a trip to a Las Vegas tradeshow for the top seller. A trip to Vegas? That's a reward.

Time on a trade show floor? Not so much, he says. And small \$25 gift cards given out here or there tend to lose their value if they become too regular – they eventually feel like the status quo, Lakhani says, and they don't seem so special when they represent something staff could afford themselves.

Small rewards are fine here and there, but Lakhani says that big pay off items are crucial every once in awhile – a \$1,000 vacation, for example, which is something sellers may not pay for on their own. “Little bonuses and rewards are great,” he says, “and I wouldn't remove those incentives, but I would associate quotas and higher goals with bigger and bigger rewards.”

Doing so, he says, will drive more aggressive sales growth, which is something they need. “At \$5 million,” Lakhani says, “they need to figure out how to achieve major account acquisitions.”

STEP FOUR:

Define The Family Vision

Chris, Art and Matina certainly see eye to eye on a daily basis in the office. But that doesn't mean disagreements or differences in their vision for the company don't color their working relationship sometimes. Take selling, for example. While Chris thinks they should still focus 80% of their selling efforts offline, Art seems more inclined to lessen that percentage and move more new business development online. “These are the challenges of running a family business,” Chris says.

And there are the other challenges of moving a business from generation to generation. Right now Chris has no plans to leave the firm. And his children are delighted at that fact. But eventually they'll need to figure out a plan for moving forward as the next generation takes over the company completely. Lakhani suggests that they might consider upping their stake in the company in the next year or two from 10% each to something more substantial.

At the same time, he thinks they should align their vision of what the company's performance will look like five, 10, 20 years down the road. A \$5 million company is usually on the cusp of really taking off. But that isn't necessarily the impression this family gives, particularly since they aren't sure how quickly they want it to grow. Growth is on the agenda, definitely, but at what rate? “For a \$5 million company to grow 5% a year, that's okay but it's not great,” Lakhani says. “I would be falling on the side of seeing 10% growth a year. To achieve that they'll have to add new salespeople.”

They will also need to understand just how much risk they are willing to take as their company grows. Just two years ago the company lost one of its biggest clients – a \$750,000 account – when a contract came up for renewal and was put out to bid. That's one of very few major clients Artina has lost in the last 10 years, Matina says. But it was a heavy hit and the company couldn't afford multiple losses like that.

To grow more quickly would mean putting the company at greater risk. Whether their plan of growth is “5% or 50% they need a plan to get there,” Lakhani says. That plan, he says, should not only include a specific strategy on how to maintain that growth but also tactics for dealing with the loss of major accounts, staff departures, cash flow issues and other concerns they may run up against as they increase in size.

STEP FIVE:

Bring In An Outsider

Since growth has never been the company's shortcoming, the three owners are understandably concerned more about how quickly to grow rather than whether or not to grow at all. With \$5 million a year in sales on average, and annual growth from 5% to 10% prior to losing its biggest client, the company is on a track to steady, regular growth.

That's a good thing until their size outwits their own management talents. That may never happen, but companies that transform from \$5 million to \$8 million or \$10 million firms “look different from an infrastructure, financial, capital standpoint,” says **Bob Fesnak, managing partner of Fesnak and**

Associates LLP, a business advisory and accounting firm in Blue Bell, PA. “It becomes a different animal.”

And often one that needs to be tamed by an executive accustomed to running companies of that size. With such gradual growth, Art and Matina may find they don't need to look outside for additional leadership. Or, as they've done in the past, they may find that they can promote a manager from within to help run the company at a higher level.

But most experts agree that companies start to become unwieldy for small business entrepreneurs somewhere around the \$10 million mark. Finding the right C-level executive to oversee operations can be tricky. Ideally a distributor would find one within the industry through a client or vendor contact – someone who already knows the marketplace and has worked in a top tier position previously.

STEP SIX:

Look To Acquire

Another way to grow, which the family has already considered, is through acquisitions. That can be a smart, but tricky move, our experts warn. On the one hand, Artina could acquire a rich customer list, additional capital, and greater revenue. On the other they could take on a customer base that flees as soon as it hears of new ownership. “In 60% to 70% of transactions the buyer doesn't reap the benefits they expected,” **Fesnak** says. The reasons? “Two things,” **Fesnak** says. “One is post transaction integrating the two companies. The other is cultural chemistry.”

Fesnak suggests looking for companies that have \$1 million to \$2 million in sales with a different client base and, ideally, a firm of only a few employees where the management may be looking to retire. That opens the door for Artina's team to absorb the company and not have to worry about managers with possibly conflicting personalities and management styles clashing with their company.

Lakhani agrees. “Acquisition sounds like a fast growth strategy for them,” he says. But, Lakhani suggests that they “look at acquiring businesses with people like” Chris Bouzounis. That way they're tapping into markets where a small company has a loyal following and a client base that will be unserved should the owner retire.

One other thing to watch for, Lakhani says: “Often times it's more expensive to buy a customer base through an acquisition than it is to compete for one.”

Unless the company's clients are ingrained in that firm and loyal to its offerings, they might abandon ship under new ownership, which is something Artina should safeguard against before they make a purchase.

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