

SALES BOOST

By Sara Lavenduski

Target New Revenue Streams

Looking to add new services to your offerings in addition to promo products? Here are expert tips for doing just that.

INSIDE THE SECTION

6 Distributor Revenue Breakdown

8 Moving Beyond Promo Products

10 Implementation Strategies

12 Determining Client Needs

14 In Focus: Print Services

SALES BOOST

STATISTICS

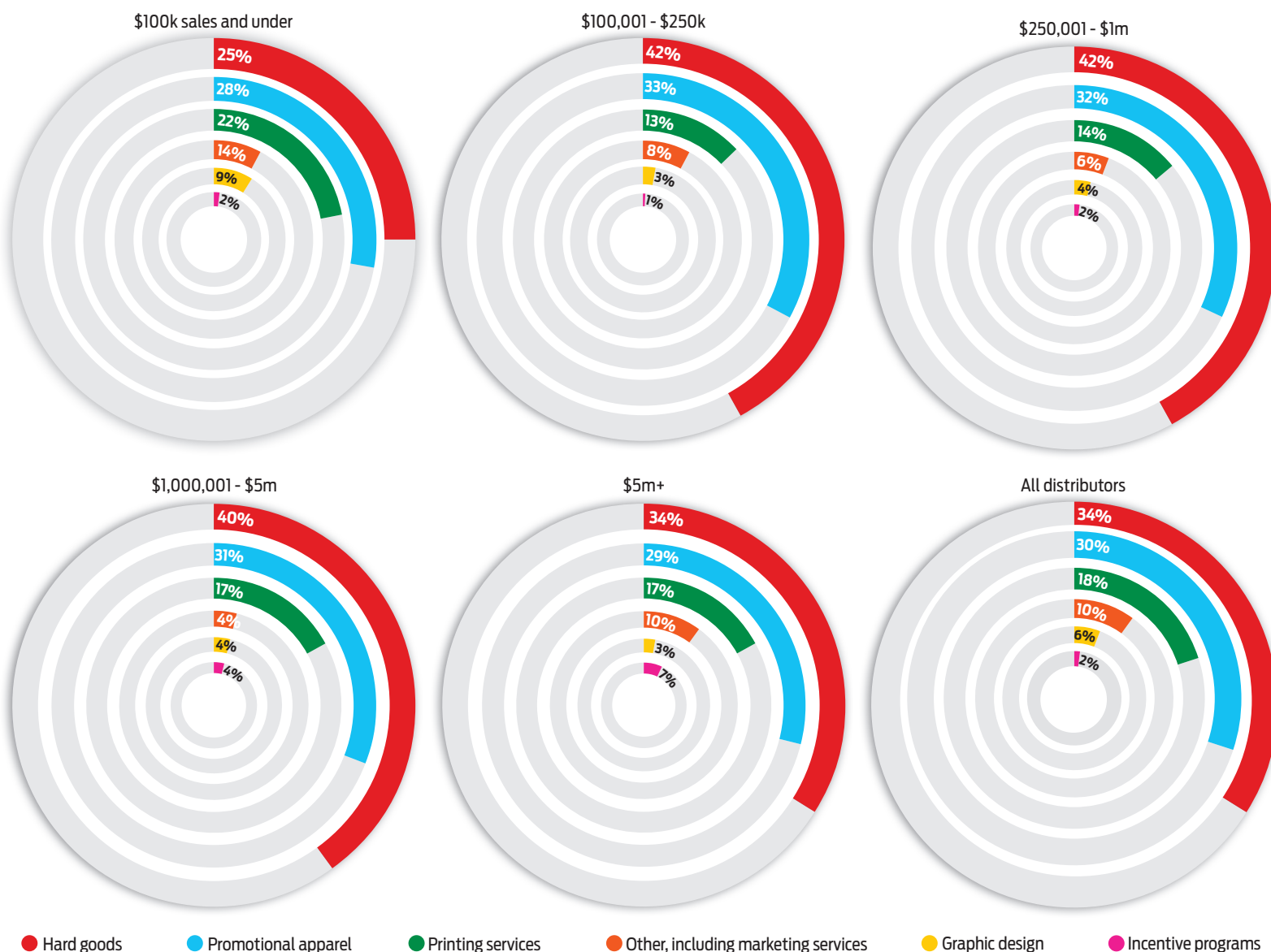
Branch Out

Distributors generate over a third of their revenue from categories that don't include promotional products.

Types of Revenue Streams

In 2017, distributors generated an average of 36% of their sales from categories other than promotional products.

% of distributor sales by category & company size



Source: 2018 Counselor State of the Industry

Three Obstacles to Finding New Revenue Streams

1. Companies Are Stuck in Their Ways

ONLY **58%** OF B2B COMPANIES ARE WILLING TO MAKE ADJUSTMENTS.

(CORPORATE VISIONS)

2. Companies Don't Prioritize Customer Needs

JUST **43%** OF MID-SIZE B2B FIRMS COUNT "CUSTOMER SATISFACTION" AS A KEY GOAL.

(KO MARKETING)

3. Companies Don't Know What Streams to Add

54% OF COMPANIES STRUGGLE TO ALIGN INNOVATION AND STRATEGY.

(PWC)

TRENDS

Era of Diversification

More distributors are benefitting from thinking beyond promo products.

BY JEAN ERICKSON

Data from Counselor's State of the Industry report shows that many industry distributors are expanding their sales focus beyond traditional promotional products, and their efforts are paying off. In 2017, distributors generated an average of 64% of sales from logoed items, but also supplemented their income by providing graphic design services, company stores, warehousing and fulfillment, among other offerings.

"Customers want to work with one shop to handle their marketing and branding efforts," says Identity Marketing Group (asi/229993) co-owner Mark McCormack. "Having the biggest set of tools to go to market with is a great advantage to our business."

Brandinc's (asi/145212) business has expanded and evolved because clients demanded it, according to the firm's president and COO Tad Webster. "It's become increasingly important to provide a one-stop solution," he says. "We've added staff to our design team to develop art for clients, to create custom proposals and respond to RFPs. These assets are really important to our business."

The distributor's online stores and fulfillment services are "continually growing," and Brandinc can now offer on-demand print production, deliverable within three to five days, eliminating the need for inventory, says Webster.

At Identity Marketing, "from early on, we took the model that the best creative and best overall



service provider will usually win the business," says McCormack. The Omaha-based distributor has added a number of services over the years, and "has a lot of innovations coming in the technology and web services side of the business," he says. "So far, they've been well received and are generating a significant source of income."

When Crackerjack Shack expanded into company stores, "it totally changed the direction of our business and created a stream of income we thought we had lost to big companies like Amazon and Custom Ink," says CEO Sandy Higgins. After investing some time in research and planning, it launched Spirit Stores two years

ago. "The first year we booked \$150,000 in online sales and knew we were onto something," Higgins says. In addition, Crackerjack Shack added a fundraising element to its Spirit Stores, "so the customer gets a 'kickback' check and the sponsors/coaches don't have to do anything."

While most of Image Source's (asi/230121) business still comes from promo, the company is tapping into a growing segment – experiential events – to drive opportunity, says president Tom Goos. "We're doing more custom packaging and kitting, centered on 'purpose' clients that want more than a product. They want to add value to a campaign and create a story around it," he says.

Taking Stock

Before diving into a new revenue stream, ask yourself these very important questions to make sure you and your team are ready.

1. How can we think outside the box to offer new services?
2. Would a new service complement our current offerings?
3. Does it build on our current differentiators and value-adds?
4. Have customers asked for it?
5. Have we asked clients what they want and how we can improve?
6. Is there enough demand?
7. How much would they be willing to pay?
8. How much additional revenue are we expecting from this new stream?
9. What do my employees think?
10. Do we have a detailed implementation plan?
11. Will we need to make capital investments in new hires and/or improved infrastructure and systems?
12. Will we be able to serve customers effectively and in a way that's consistent with our brand?



LISTEN TO THIS!

In this podcast, "Creating Multiple Streams of Revenue in Your Business," host Amy Porterfield

speaks with business-building expert Jennifer Allwood (pictured). Listen to it at bit.ly/MultipleRevStreamsPodcastASI.



DISTRIBUTOR STRATEGIES

Have a Plan

The secret to adding new revenue streams: Implement the services gradually and with focus.



The Pro: Scott Shippam
Title: President
Company: Shippam & Associates (asi/325850), Winnipeg, MB

Shippam & Associates, which celebrated 40 years of business in 2018, focused mainly on promotional products since its inception. Now, to keep up with a very competitive industry, they've added to their menu of services to continue helping clients with a

variety of needs. "We're seeing that if it makes sense for a client's marketing mix, they're going to narrow down the number of vendors they're using and streamline," says President Scott Shippam. "We're diversifying to compete."

In addition to promotional products, the company offers creative services in-house, such as logo design, along with kitting and fulfillment. They also offer service award programs, company stores, workwear programs and signage/trade show collateral services, and print services are in the works.

"The most important thing to remember as a company looking to add revenue streams is that you now have to do everything well or you'll lose all the business, not just from that new stream," says Shippam. "You have to deliver, and if you do everything really well, it will help you grow."

To do it strategically, it's better to implement slowly rather than

Room to Grow

Looking to offer more services to fill client needs? Here are two potentially underserved categories to consider, according to ASI research.

% of Distributors Offering Service



all at once. Shippam says his team develops a business plan and maps out how they'll go about offering the new service. Then they open it up to a few clients at a time to iron out any kinks. "A lot of it is trial and error," he says. "We work with loyal clients first, so if there's any drop in service, they'll continue to work with us and they know there will be a timely fix. But it can be a fine line to walk."

Sometimes a new service requires an increase in infrastruc-

TAKEAWAYS

1

Have a plan in place.

2

Focus on implementing one service at a time.

3

Maintain customer service levels.

ture and employees. Company stores, says Shippam, can be complicated and require appropriate planning and staffing. "You need people to build the site, manage the site and coordinate the orders," he says. "With all the new services, we added employees over time. Company stores require more staff to do the same number of sales as the usual promotional products orders. While it may be a quantity of 500 pens, now they're divided into 15 different orders and getting shipped to several different locations."

'We Hit a Wall'



Ten years after she was appointed president and CEO of API Source (asi/147450), a sign still hangs on Cindy Brown's door that reads: "I refuse to participate in the recession." The sign went up in the midst of the 2008 financial crisis, giving Brown motivation to help API weather the storm.

Yet even as the Lanham, MD-based distributor survived the rough stretch, Brown realized API had to make changes.

"We hit a wall – we kept hitting the same revenue marks," she says.

So API brought in outside consultants to examine its business and form a strategic plan. The advice: instead of haphazardly saying 'yes' to every request, focus on one segment of the business at a time, and build added services from there. "It was a little bit of a slap in the face because it wasn't what we were used to doing," Brown says.

Taking the criticism to heart, Brown and API first concentrated on its screen printing and embroidery business. "We did a lot of R&D, hired digitizers and managers, and looked for ways to be more creative in this space," Brown says.

Next, API went through a rebranding, with a goal of planned evolution. "Each year, we pick an area to focus on and improve," Brown says. For example, 2018 was its information technology year. "One of the biggest requests we get from our clients is for stronger and more robust fulfillment and e-commerce solutions," says Brown. The distributor overhauled its software systems and upgraded its technology and automation, and explored options to add programmers to its staff.

In 2019, it's API's facilities year, when the company will combine its two locations into one larger site, says Brown.

So far, API's rebranding efforts have proved quite fruitful, and could be a model for other distributors to follow. "When we started focusing financially and strategically, our revenues jumped each year. In 2009, our sales roared back by 40%, followed by average annual gains of 15%-25% since then," says Brown. In 2017, API again recorded a 40% revenue surge over the prior year.

"You can never rest on your laurels – remembering what got you here won't get you there," Brown says. – JE

EXPERT Q&A

Put Goals Before Solutions

Add revenue streams with clients' needs in mind.



The Pro: Urko Wood
Title: Founder/President
Company: Reveal Growth Consultants Inc.

Q: Why is it important for a B2B firm to add new revenue streams?

UW: "It's innovating to drive growth. It's a risk-mitigation move. You create value to drive growth, and you create value with new revenue streams. It's especially important when it's a mature market and the product becomes a commodity. Break out of that trap by adding truly new service lines."

Q: How do you figure out what a client needs?

UW: "Most companies get hung up on offering new services, but that's treating the patient before diagnosing them. You don't want to launch services without know-

ing what clients are trying to get done. Find needs that are unsatisfied. Clients are only interested in getting their job done. How can you help with that? Determine what the demand would be. A good market is where many clients need the service, they want to execute it frequently and there's a gap between what they want and what they're currently doing. Also, what are they willing to pay?"

Q: How can a company know when they're ready to add a service?

UW: "It's when you find yourself competing on price more than you want to, because you're perceived as not having a differentiated product. Start by offering a product that's valued and unique. Then hire new salespeople and tap into new markets and territories, and your story will resonate. Also, do an existing job better than anyone else. Tapping into an existing market can also lower risk."

Q: How do you find market opportunities to pursue?

UW: "Ask clients why they came to you, what they want to accomplish and what results they're looking for. This has nothing to do with offerings. Again, implementing new services before client research is like prescribing medicine before

asking what's wrong. Customers can't always tell you what solutions they need, but they can tell you their goals. It's up to you to come up with the solution. Run it by them to see what they think. Begin the relationship by asking what they want to accomplish, and you can add new value with great precision. Be disciplined in asking about accomplishments and objectives."

Q: What should a company be thinking about when it comes to investments in equipment, infrastructure and hiring?

UW: "Take small steps, then stop and test at 'decision gates.' Establish an unmet need, come up with a conceptual solution, talk to maybe 10 customers and ask 'Is this accurate? Does this solution make sense to you?' Make incremental investments with client feedback, not one big \$1 million investment. Our company actually does these 'accomplishment' interviews with an interview guide, but it has to be disciplined. It's tricky. We put statements in an online survey and then deploy it to a representative sample of clients. We can find with statistical validity what needs aren't being met. It gives us a metric, because

TAKEAWAYS

1

Mitigate product commodification by offering valuable services.

2

Ask clients about their goals and base new services around that.

3

Implement new streams slowly and pause to re-evaluate as needed.

companies are potentially making big investments to add services."

Urko Wood helps companies find and capitalize on the best opportunities for innovation and growth in their markets. He's an expert practitioner in the "jobs-to-be-done" innovation approach that's enabled over 400 of the Fortune 1000 to generate billions of dollars in new revenue and achieve new product success rates of over 80%. Some of his clients include Cintas, General Motors, Microsoft and Morgan Stanley.

WATCH THIS!



In this video from Dallas-based business strategy firm SBI, CEO and host Matt Sharrers speaks with guest Brendan Cournoyer, vice president of marketing for Brainshark, on developing an inspiring brand that offers value to clients through strategies and services, and subsequently drives more revenue. Watch it at bit.ly/DrivingB2BRevenueVidASI

ONLY **23%** OF B2B MARKETERS STATE THEY HAVE A CUSTOMER-CENTRIC ORGANIZATIONAL STRUCTURE, VERSUS PRODUCT-CENTRIC. (FORRESTER)

SALES BOOST

IN FOCUS

Printing Money

Of all the added services distributors are offering, one in particular is providing a breakthrough with sales: print.

Print is not dead – in fact, it's giving additional life to promo industry sales. Distributors that offer printing services to clients are much more likely to post annual revenues of over \$1 million, according to Counselor State of the Industry data. Also of note, distributors offering printing services are getting nearly 30% of their overall company revenues from that segment.

"Print is a great solution to add to your sales process," says Mark McCormack of Identity Marketing Group. "If you can automate the print process, you make some good money. Just don't put an antiquated process in place to handle it." He recommends using online ordering and solutions that make it easy to implement for both the distributor and



the customer. "Your client will appreciate it and think of you as a solution provider."

At Brandinc, "print is a growing part of our business, and continues to increase as a percentage of our total annual sales volume," says President and COO Tad Webster. "Print is an

important component of custom packaging and gift wrapping, and we offer full-service packaging solutions."

Bob Chester, senior sales consultant at American Solutions for Business (asi/120075), attributes some of the increased interest in printing to the emergence of dig-

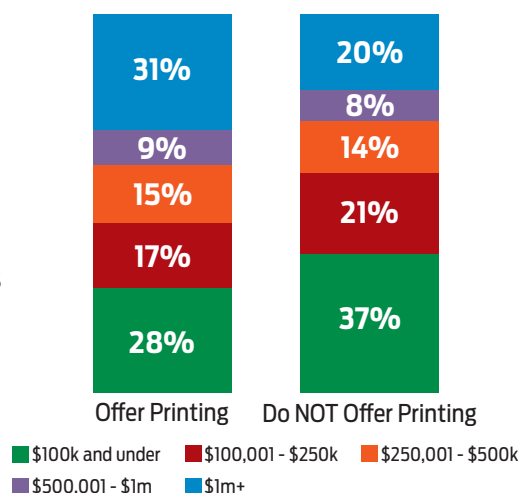
ital offerings. "A lot of traditional print shops are going digital to offer postcards, brochures and flyers that can be done quickly and in small lots," he says. They're also adding large-format printers for banners and posters, which are used for signage, trade shows and canopies, he says.

Demand for labels is on the rise as well, with government regulations requiring more warning and UPIC labeling, says Chester. "I've become well-versed in the label industry, and as technology has picked up, I'm selling more labels," he says.

With print gaining steam, Chester suggests distributors educate themselves in areas like postal codes and regulations, which can aid with direct mailers. "My knowledge of printing boosts sales and gives me credibility with my clients," he says. "By knowing my clients' coverage area, I can help them use their Bulk Mail Center to gain discounts for their various printed pieces." – Jean Erickson

Better Returns

Distributors that offer printing services tend to generate more overall sales. In fact, nearly one-third of distributors that offer print produce annual revenues of at least \$1 million.



COMPANIES THAT OFFER PRINTING SERVICES DERIVE **29%** OF THEIR SALES FROM THAT SEGMENT.

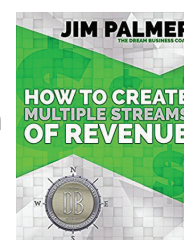
78% OF DISTRIBUTOR FIRMS THAT ACHIEVE MORE THAN **\$5 MILLION** IN ANNUAL SALES OFFER PRINTING SERVICES, THE HIGHEST OF ANY REVENUE GROUP.

ONLY **52%** OF DISTRIBUTOR COMPANIES THAT GENERATE BETWEEN **\$100,001 AND \$250K** IN SALES OFFER PRINTING, THE LOWEST OF ANY REVENUE CLASS.

Source: 2018 Counselor State of the Industry

READ THIS!

This handbook by marketing and business-building expert Jim Palmer discusses developing different revenue sources, those that



supplement your current services and target new clients, which is the path to sustainable wealth. It will also allow you to scale more quickly and strategically. Find it at bit.ly/MultipleRevenueStreamsBookASI