

Tactics for  
boosting  
your top line

# Sales+Marketing

## Waxing Sales

Mei Xu forecasts that her candle company will grow 15 percent this year, in part because she is launching a new line of products.



## FORECASTING

# NEW YEAR'S RESOLUTIONS HOW THREE COMPANIES CAME UP WITH THEIR 2008 GROWTH STRATEGIES

PREDICTING THE FUTURE is no small feat, but that's what business owners have to do when they sit down to figure out their sales forecasts for the coming year. And that one number can have a profound effect on a company. All manner of decisions, from staffing to sales quotas to expanding capacity, flow from it. And whether or not you make your goal depends on a variety of factors, including the strength of new markets, the resiliency of old ones, the skills of your sales team, and the health of the overall economy. The following three companies are growing, and all of them plan to pursue big new opportunities in the coming year. But their forecasts vary: One's cautious, one's moderate, and one's ambitious. Here, the entrepreneurs tell us what they glimpsed in their crystal balls and how they ultimately set their sales quotas for the year.

## A Cautious Forecast

*Pacific Trade International  
Rockville, Maryland*

*Designs and sells candles*

2007 SALES: \$60 million

2008 FORECAST: \$69 million

PROJECTED INCREASE: 15 percent  
THE GROWTH STRATEGY: Introducing  
a new line of aromatic products

WITH ANNUAL SALES of \$60 million  
and retail distribution in Kohl's, Tar-  
get, and Pier 1 Imports, Pacific Trade

is a pretty big player in the candle business. "The nesting trend in the '90s made people want to entertain at home and surround themselves with things that make them feel good," says founder Mei Xu. "We were very lucky to be riding that wave."

Now, however, the wave appears to have crested, and growth in the consumer candle market is flattening. To keep Pacific Trade on an upward trajectory in 2008 and beyond, Xu decided to focus on the next burgeoning trend: home fragrance items in the form of potpourri, aromatic knick-knacks, and plug-in scent diffusers. The market for home-fragrance products is estimated to grow as much as 8 percent annually, compared with only 2 percent for candles. But interestingly, although Xu's line extension will hit the market in April, and although she is projecting that Pacific Trade's sales will increase \$9 million, or 15 percent, in 2008, she completely excluded revenue from the new plug-in line from her forecast.

Why play it safe? Xu believes the category has great potential, especially plug-ins. But she also thinks it's too new to bank on. Because the bulk of Pacific Trade's business comes from

sales through big retailers, its 15-person sales team needs to persuade retail buyers to stock the additional merchandise. Xu knows that process will take time. And launching the product isn't only a matter of pushing product through the retail pipeline. There's also red

tape to worry about. Like all flammable products, Pacific Trade's must undergo third-party safety testing, and the plug-in scent diffusers have to be certified by Underwriters Laboratories. Xu has started these processes, but there could always be a snafu.

Finally, there's the overall economy. The 2007 holiday season got a late start

**"Our objective is to spend less time selling and more time marketing, by letting clients self-close online."**

*SmartReply president Eric Holmen*

because of an unusually warm autumn, meaning that retailers could have excess inventory through the first quarter, which may make them reluctant to devote shelf space to new, unproven products. "Restocking has always been a big challenge," says Xu. "With a later shopping season, we face the biggest challenge of retailers not taking enough inventory out." If the plug-ins post strong sales in the spring, she figures, she can always revise her numbers up for the later quarters of 2008.

#### **A Moderate Forecast**

*SmartReply, Irvine, California  
Creates voice mail and text message marketing campaigns*

**2007 SALES:** \$11.3 million

**2008 FORECAST:** \$15.5 million

**PROJECTED INCREASE:** 37 percent

**THE GROWTH STRATEGY:** Adding small businesses to an account list made up of blue-chip companies

SMARTREPLY creates voice mail and mobile phone marketing campaigns for big retailers like Kohl's, Lane Bryant, the Sports Authority, and Blockbuster. With companies spending an estimated \$3 billion on mobile phone marketing campaigns in 2007, business is booming. And retail is a great market. Big chains can spend hundreds of thousands of dollars on individual campaigns. Problem is, the projects are laborious and can take two years or more to complete. A lot of handholding is involved.

So, in addition to going after big accounts in 2008, president Eric Holmen is promoting a feature on SmartReply's website that lets customers create one-time-only voice mail campaigns for around \$250. It's designed to be attractive to small businesses. "Our objective," Holmen says, "is to spend less time sell-

ing and more time marketing by letting clients self-close online."

Many tech companies have tried to tailor enterprise offerings for the small-business market, with mixed success. To see if small companies would even be interested in voice mail marketing, Holmen set up a pilot program with two dozen clients. One lesson learned: SmartReply's initial menu of options was too complex. "We overbuilt most of it," Holmen says. "The user interface was more complicated than it needed to be."

Having streamlined the product, SmartReply is ready to launch. All but three of the 24 businesses that took part in the pilot remain customers, which Holmen takes as a good sign. For the launch, he has hired three new salespeople, with the expectation that they will bring in a few hundred new clients a month. Small customers, he figures, will cost less to acquire—a couple hundred dollars each, compared with the \$3,500 it costs SmartReply to bring a major retailer into the fold. And they will be easier to serve because of the system's self-service feature, which Holmen hopes will lead to higher margins.

Holmen thinks the new line of business could bring in \$2 million in annual sales, but his optimism is tempered by the fact that he's been burned in the past. In 2006, SmartReply was on track to meet its goal of \$10 million in sales, up from \$6.8 million in 2005. Then the Federal Trade Commission proposed requiring voice mail phone marketers to get permission from consumers prior to every sales call—a rule that would effectively kill 40 percent of SmartReply's campaigns. The FTC took no action at that time, but the damage was done. Customers pulled back on voice mail marketing, and SmartReply finished the year \$1.5 million below its projections. With a new

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"Hard to say it, but there's a good chance that right now you're creating a majority of the problems you'll be dealing with next year. How? By putting together an annual sales forecast based on gut feelings and wishful thinking." So writes CEO Jack Stack in a classic column that you can read at [www.ink.com/keyword/jan08](http://www.ink.com/keyword/jan08).

offering in the works, Holmen is hoping history won't repeat itself.

### An Ambitious Forecast

Luxus International, Kapolei, Hawaii  
Supplies hotels with shampoo and soap

2007 SALES: \$1.5 million

2008 FORECAST: \$2.5 million

PROJECTED INCREASE: 66 percent

THE GROWTH STRATEGY: Targeting the consumer market

GUESTS IN 120 hotels across Hawaii use Luxus's products, which include soap, shampoo, and conditioner. But until recently, John and Patty Fulton thought of themselves as manufacturers. When individual consumers called to buy shampoo, the Fultons were surprised. "We told them they would have to buy it in a large bottle with no label, and they still wanted it," Patty says, "so we thought

this was something really good."

Very quickly, consumer sales came to account for from 5 percent to 10 percent of sales and a big chunk of profits. "In the amenity business we do, we go for literally pennies on the dollar, making shampoo for maybe 15 cents and trying to sell it to the hotel for 20 cents," John says. "In the retail sector, it's two or three times better margins."

So the Fultons decided it was time to launch a line of consumer products. They came up with a brand name, Personal Paradise, and then spent about \$100,000 developing attractive packaging and more than 50 variations on the original products. Rather than hiring in-house salespeople, they signed on with a local distributor called the Islander Group. The company supplies Kmart, Wal-Mart, Costco, and a host of other retailers in Hawaii and has successfully launched local products in the past. Personal Para-

dise will probably be Islander's biggest launch to date, however. Initially, the line will be sold in gift shops, drugstores, and military PX outlets. "We see huge potential in this," says Islander's Steve Holmberg. "We think it has legs beyond Hawaii and into Southern California."

How much potential? For 2008, the Fultons decided to forecast an increase in sales of 66 percent, or \$990,000, all of which will come from consumer sales. They have a lot riding on meeting that goal. Recently, they invested \$2 million to build a new facility, which will allow them to do as much as quintuple production. The upgrade was planned before the Fultons decided to jump into the consumer market, but they have since bought special equipment specifically to produce the consumer line. Hitting their forecast will go a long way toward paying off that investment.

—*Martha C. White*

## GLOBAL BUSINESS

# RIDING THE EXPORT WAVE HOW TO FIND A GOOD DISTRIBUTOR OVERSEAS

WITH THE DOLLAR'S plunge in value, U.S. goods are much in demand overseas. In the month of September alone, exports hit a record \$140 billion, and demand will probably grow until the dollar rebounds. A lot of small companies are looking to get in on this bonanza, but pursuing new business abroad can be intimidating. Working with a distributor that knows the territory is typically the best bet, but how do you find one you can trust?

First, try calling the U.S. embassy in the country you're eyeing. The U.S. Commercial Service's Gold Key program is designed to work with small and midsize exporters. Michael Cole, a distribution manager for Wallace/Old Mother Hubbard, a Tewksbury, Massachusetts, company that makes pet food, still can't believe how much the agency helped him when he decided to export to Singapore.

Cole requested some basic market research. Officials responded with that plus a list of 11 potential distributors. They offered to set up a videoconference call, though Cole passed on it because he preferred to visit Singapore instead. When Cole arrived, the embassy set him up in a conference room, replete with refreshments. The staff even created a display of his products. The embassy's aim of officialdom also worked in his favor, Cole says. "Because we were using the embassy as our central place, there was a sense of respect among the distributors I interviewed. I got the sense there wasn't going to be any




**Foreign Agents**  
Exporting to Singapore? The embassy is happy to help out.

funny business." Cole's total bill: \$700. Some other tips:

**Talk to your customers.** Besides the obvious benefit of a referral, using a distributor that a customer likes could increase your chances of picking up additional sales from that customer in your new market. Russell P. Reeder, president of NxTV, a hotel entertainment company in Woodland Hills, California, was recently looking for a rep in London. "I went to one of my customers, a large hotel group there, and asked what they thought of the guy I was considering and if they'd continue to talk to him," he says. The hotel gave the thumbs-up, so Reeder hired the rep.

**Work the trade-show circuit.** "We just did a show in Chicago, and a Brazilian distributor approached us for a \$150,000 deal," says Rob Auerbach of Candy-Rite, a Louisville candy company that exports to more than 40 countries. "That paid for the trade show and then some."

**Talk to your existing foreign distributors.** Who covers their other product lines in the countries you want to crack? "Your distributor in Canada might say, 'Hey, there's this guy I've been working with in Mexico, and he's fabulous,'" says Auerbach. —*Sarah Goldstein*

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