

Josh Frey & On Sale Promos - Abstract

Josh enjoyed a cigar while walking his dog, Foxy. These were the times, Josh found, that he could really think and reflect. He looked around at his neighborhood and appreciated how beautiful it was. Appreciation of the good things in his life was never a problem for Josh, until it came to business. Even though Josh had taken his company from his parents' basement to seven figures in revenue, he still found himself wanting more. He was never satisfied. Yet he felt completely the opposite as he looked at his wife, their son, their daughter on the way, and their great home and lifestyle. How was it that he could be so satisfied with one area of his life and feel continual unrest with another?

Josh's company, On Sale Promos (OSP), sold promotional products, which meant that the company coordinated the application of a company's logo onto one or more of millions of products ranging from pens, mugs, and bags to high end gift sets, apparel, and awards. Whenever Josh felt a sense of unease about his business, it was usually due to one of two things: sales or cash flow. Cash was his biggest source of an anxiety for many years. "We just need to sell more," Josh would say in an effort to solve the company's cash flow problems. However, as Josh later realized, that was not the answer:

We had to give a 50 percent deposit to manufacturers on merchandise that went in the packages. We still had not received one dollar from the client at that point. Then we had to make the remainder of the payment when the product was delivered. We really needed to get on top of our accounts payable and accounts receivables policies – not just our sales. To be honest, some of the problem was just the way the industry worked. We couldn't come in and say, 'You know how everyone gives you 50 percent? We're not going to.'

To help, Josh took on an operational partner: Kaeser and Blair (K&B). In exchange for a percentage of each sale, K&B paid OSP's manufacturers and billed its clients. Josh completely reversed his cash flow cycle as K&B paid OSP at the time an order was placed. Josh breathed a sigh of relief as K&B took over the company's back office and financing functions. OSP quickly became one of K&B's top partners in the nation.

When OSP did accrue more cash, it was plowed in to growth, primarily in the form of new salespeople. Josh's sales process was very methodical. It had to be in order to have a replicable system that Josh could teach to staffers, most of whom were top students or recent graduates from a nearby university. Josh trained the salespeople how to network and find leads. "There is an equation... phone calls, meetings, and e-mails leads to prospects leads to proposals leads to sales," Josh would tell his sales team. "At each step, the number is getting smaller, so you have to cast a wide net." Josh also mapped out the OSP client base: First, there were strategic partners such as a large events promotion company using OSP exclusively for promotional products. Second there were large customers planning a specific event. The last group of clients was comprised of smaller – but more consistent – orders, some of which were submitted through their company's OSP online stores. OSP focused on a handful of key industries in which staff attended tradeshow. The rest of the company's clients were referrals in a variety of industries and geographies.

Case in case: Dave Burnett is founder and owner of Canadian-based An Opportunity Knocks, a promotional products company like On Sale Promos. Dave noted, "Cash flow is one of the biggest challenges we've had to face... When I was in business school, I wasn't taught the importance of cash flow... If the \$3,000,000 manufacturer A/P is due tomorrow and the \$5,000,000 A/R from your customers isn't coming in 30 days you have a MAJOR problem."

Katherine Korman Frey prepared this as the basis for discussion rather than to illustrate either effective or ineffective handling of an administrative or personal situation.

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