

## Redesigning Your Mission: A Business Model for the Next Generation By Liese Gardner

*if* this past year has taught us anything, it's that the old business models don't work. Look at banking, auto manufacturing and insurance – industries that you never thought would falter and yet, they obviously have been in need of a shake up for a long time.

And although a small business like catering will never be in that category of "too big to fail," its size is actually an asset. Small businesses can be quick to move or change with the times to survive. Yet to do so, one has to be aware; to know that it's time to change and to look within, no matter how painful. And there is no better month than January – the time of resolutions – to see if your business is sluggish because of the economy, or excess fat. If you are making sales and not making profit, there is no bailout awaiting you.

This fact was not lost on Jen Delaye owner of The JDK Group who one year ago began to see a slight drop in business. "This is an unusual area," she says. JDK is located in Harrisburg, Pennsylvania, a smaller market but one with a bustling economy as home to the state's government offices. "We are insulated here," she continues, "And usually see the effects of things like a financial crisis lesser and later. But I was shocked by what's happening here. People are pulling back. I've been in this business here for 20 years and haven't seen anything like this."

She quickly put her business on a two-phase diet. The first order of business was to get rid of fat. "We reduced costs and streamlined," Delaye says. Second – generate profit. "It became no longer acceptable to just generate sales. It had to be profitable sales," she explains.

Like a forensics expert, Delaye dusted for clues of where the money was going and in consulting the books found that design, rentals and floral were three line items she was



For this look, JDK turned the Ice Magic dance floors on their heads, literally, using them as walls. Removable patterns were added to enhance the design.

giving to other companies. To keep those dollars on her books, rather than someone else's, Delaye created a new division, Imagine Event Design + Production. "We won't see double-digit growth with this," she says, "But we won't see a revenue decrease, either."

At the same time she was creating new ventures, she was eliminating old ones. She did what some might deem unthinkable – she eliminated the company's \$1-million drop-off business. "I did it because I was watching my profitability decrease. I was doing 150 events a week but as sales grew, profits fell. Maybe it was mismanagement, but I couldn't get deep enough to see. I ran the best numbers I could and made an educated guess."

Educated guess was right. It was a smart move, one that made the company actually more profitable. "Theoretically, I should now be down \$1 million," she says. "But I'm only down \$200,000 because I made up that loss with my other division. In addition, I also lost \$100,000 in holiday sales this year, but still my profitability has increased."



## vertical integration

But it wasn't just Imagine Event Design that helped the JDK Group make those numbers. Delaye had also made other calculated moves to vertically integrate her business. "Going into floral and design was the first step in our vertical integration," she explains. "We looked across the line to see where the pieces of pie were going and then found a way to keep those pieces in-house." Another piece of that pie was rental.

Two years ago, JDK began Essential Party Rentals in part to hold onto that revenue, but also because the company was unable to get some of the items and service it wanted within its small community. The \$50,000 investment into tables, chairs, china, glassware and linens, rentals have paid off. In the first six months, JDK recouped that and this year, Essential's first full year, rentals have added \$375,000 to the company's bottom line. "That was a calculated investment with fast ROI," Delaye says.



JDK Group, under its division Essential Party Rentals, supplied this event with Ice Magic's "Kryptonite" lamps (solid acrylic lighted with an LED box), its Aqua Lamps filled with various floral and lighted with an LED box and the glowing table lighting.

Next on JDK's vertically integrated ladder was a deal that brought lighting and special effects under the company's ever-widening umbrella. "One year ago, we began a strategic distributorship with Bill Widen Design," Delaye says. "He has clear acrylic product, remote LED lights, benches, stage walls and a lot of cool stuff, very niche marketed. Our investment was larger than the rental investment and this venture is on track to have an ROI in one and a half years."

Ice Magic, as the product is called, is offered through Essential Party Rentals and has enabled JDK to be the prime vendor of this product for larger cities and larger event budgets. "These are markets I would never try to enter as a caterer as they already are home to the best-of-the-best caterers," Delaye says. In addition to offering JDK access to new, larger markets, the new venture is a cleaner "pass-through" for JDK. "We don't have to deal with the end user as we are subbed out from a party planner or rental dealer," Delaye says.

She admits that going this route requires a little some special from the business owner. "All this requires letting go of the catering ego," Delaye says. "But if we aren't in the business to make money, then what are we doing?" And with that, she recommends the book *The E-Myth*, a must for the catering owner ready to truly address that question and act upon the answer.

**JDK Catering, [www.thejdkgroup.com](http://www.thejdkgroup.com)**



This lounge look was achieved through the use of ICE Magics' lighted acrylic cubes