Bobby Dodd Industries

**PROFILE:
BARBARA MASSEY**

Barbara Massey has been at Bobby Dodd Industries (BDI) for 21 years, but admits her previous experience "had no correlation at all to my current job"! She earned her undergraduate degree in education and music from Belhaven College in Jackson, Mississippi, then received a Master's degree in education from Jackson State University. After that, she taught performing arts for 13 years at a Jackson high school. She came to BDI in 1980 as a marketing representative and today has over-all responsibility for the organization's earned income ventures, which include contract packaging and fulfillment, janitorial and grounds maintenance, E3 Technologies and several federal and state set-aside contracts. Massey has been a member of the Board for the Affirmative Business Alliance of North America since 1999 and has previously served on the Georgia State Use Committee. She and her husband Jerome live in Alpharetta, an Atlanta suburb.

BUYER BEWARE

Seven years ago, the people at Bobby Dodd Industries in Atlanta did some due diligence, took a deep breath and bought a franchise.

It didn't work out.

Five years later the organization escaped . . . regrouped . . . and converted the experience into a $992,000 business with annual profits of $96,000.

How?

By forming a partnership with a for-profit company from another state.

ORIGINS

To people in Georgia, the name Bobby Dodd means something. A legendary football coach at Georgia Tech, he won 165 games from 1945 to 1965, captured the national title in 1952 and went to 13 major Bowl games, winning nine of them. He served as athletic director from 1950 to 1976.

In the early 1960s, it was common to name work centers after football coaches and other sports figures — government funding usually followed. In most cases the title was strictly honorary, but not in Dodd's. "He was very, very motivated," says Barbara Massey, vice president of operations and marketing for Bobby Dodd Industries (BDI). "He had a soft spot in his heart for people with disabilities and became very committed to us."

Founded in 1963, BDI began life as one of Georgia's first vocational training facilities for adults with disabilities. It was a small project operated by the Atlanta Alliance on Developmental Disabilities, but by 1989 had long outgrown its parent and become an independent nonprofit.

Today the organization has an annual operating budget of $3.5 million, serves about 300 people per year and operates a variety of programs designed "to empower individuals with disabilities to maximize their potential while securing their economic self-sufficiency, independence and integration into society." BDI offers vocational training and evaluation, competitive placements, supported employment, computer training and a welfare-to-work program.

And in 1994 the organization took the plunge into a business venture of its own.

It wasn't a happy experience . . .

THE LURE OF THE FRANCHISE

For years, BDI had been operating a sub-contracting business that evolved eventually into contract packaging, warehousing and fulfillment services. That business still exists, employing 50 people and operating at a break-even level with annual revenues of approximately $1 million. More recently, BDI started a janitorial and grounds maintenance business which employs 30 people and has been profitable since day one, generating $380,000 in revenue and a net profit of more than $75,000 during the most recent fiscal year.

But in the early 1990s, Massey and her colleagues realized "it's hard to be significantly profitable when the only thing you're selling is labor," so they began searching for a manufacturing business – with an eye toward the state and federal set-aside laws that require public sector agencies to purchase all their supplies and services from qualified rehab centers (those that employ a certain percentage of disadvantaged workers and are able to deliver a quality product at a fair market price). The set-aside laws give nonprofits such as BDI an impregnable advantage over any for-profit competitors.

Massey started by attending a national NISH conference (NISH administers more than $30 billion in federal set-aside contracts each year), where she learned about a franchise that manufactured toner cartridges for laser printers, FAX machines and copiers (the cartridge contains a very fine, electrostatically charged powder). "The franchisor had quite a few franchises already up and running," she remembers, "so we went to visit a couple. On the surface everything looked good. The jobs were touted to be very, very entry level, none of the other franchisees had any negatives to tell me and it was cheap to buy. Our initial investment was only $13,000.

"Or so we thought . . . "

Then came the surprises.

"We assumed the franchisor was on our side," she says today. "Wrong!"

"IT TOOK US A COUPLE OF YEARS TO FIGURE IT OUT . . . "

The first thing BDI had to do was abandon any hope of using the "entry level" jobs as a way to train people for permanent jobs. "We discovered the jobs required a lot more technical skill than we'd been told," says Massey. "Not high tech skills, but certainly more technical than we could assign to entry level employees moving through a training program and still have us create quality products."

Barbara Massey talks about . . .

- The difficulty of making significant profits when the only thing you're selling is labor
- The mistake of assuming your partner is on your side
- Finding a loophole to escape from a dicey contract
- Allowing somebody else to put the finishing touches on your product
- The most important part of a *successful* partnership
- Why making money is a very good thing . . . but not the *only* thing
- Why some buyers refuse to obey the law

Once Massey made the decision to extricate herself from the franchise contract, "it started out being very contentious . . . but it turned out to be very simple" because BDI found a loophole

In and of itself that might not have been fatal, but then "we found out there was a lot more to the business than we'd been led to believe . . . "

For example, "we were only taught how to do four types of cartridges – so we thought that's all there were. Turns out there are 20 or 30 types and as soon as we started approaching customers they told us they wanted to buy all their cartridges from the same supplier. We weren't able to do that. We didn't even know the other types existed!"

When glitches occurred, technical support was all but non-existent: "We were given three days of training and then we were on our own," says Massey. "If we had a problem, they'd send us a video and tell us to figure it out for ourselves."

On top of that, "the price the franchise holder told us was a fair market price for the cartridges wasn't at all, especially in the Atlanta market. It was way too high. And we couldn't get the price down to a competitive level because *we were forced to buy our parts from the franchise holder!* He was way overcharging us — but it took us a couple of years to figure it out."

What it all netted down to was that "our franchisor was taking all our profits and offering little in return." BDI barely broke even in its final year as a franchisee.

ESCAPE

Once Massey made the decision to extricate herself from the franchise contract, "it started out being very contentious . . . but it turned out to be very simple" because BDI found a loophole.

The contract mandated that any franchisee departing the fold could not compete with the master franchisor for at least three years. But "we had a little hook that helped us escape," says Massey. "Our contract stipulated that we would manufacture and sell re-manufactured cartridges," (which meant refilling them with toner and re-using the housing and all the undamaged moving parts) "but our customers kept telling us they wanted to buy *new* ones. So we decided to go that route.

"In other words," she says, "the product we make now is no longer the product we were making for the master franchisor. We didn't want to waste the five years we'd spent learning the business, and we figured if we knew how to make a decent re-manufactured cartridge, why couldn't we make a decent new one?"

THE NEW PARTNER

Realizing BDI didn't have the expertise or the equipment to go it alone in the cartridge business, Massey began searching for a partner. She started by interviewing a number of companies in Georgia . . . but then she heard about a partnership in Florida between the nonprofit Lighthouse for the Blind and a for-profit company called Optima.

Florida officials had been searching for a work center to produce all the toner cartridges needed by state offices. It approached the Lighthouse, but the people there had never done that kind of work . . . so they looked around for a teacher. The resulting partnership called for the Lighthouse to do part of the labor and Optima to do the final assembly and marketing.

BDI was searching for a partner that could bring it technical expertise and marketing clout. And Optima needed a nonprofit partner in Georgia so it could gain access to the public sector market.

Massey liked what she heard from the people at the Lighthouse, so she traveled to Florida. Then the Optima people came to Atlanta . . . and negotiations went on for a few months until the two organizations hammered out the details and decided they had a good fit. BDI was searching for a partner that could bring it technical expertise and marketing clout. And Optima needed a nonprofit partner in Georgia so it could gain access to the public sector market.

It was a perfect marriage, and the partnership began in January 2000 under a new name: E3 Technologies (the "E3" stands for "Employ, Enable and Empower"). "Ultimately," says Massey, "Optima would have become our competitor in the Georgia market if we hadn't formed an alliance. They would have found another nonprofit partner."

The relationship between the two partners is similar to the one in Florida. "We don't assemble the final cartridge in our facility," says Massey. "Optima is ISO 9002 compliant, so both of us felt the final assembly and inspection of each cartridge could best be handled in their plant." Optima sends BDI a shipment of used cartridges; BDI disassembles them, sells the moving parts to somebody else, cleans the housings in a state-of-the-art blow-out room and inserts some of the new moving parts; then the partially finished cartridges are shipped back to Optima for final assembly and delivery to customers. The resulting product is guaranteed to be 100 per cent compatible with the equipment offered by major manufacturers such as Hewlett Packard, Lexmark, IBM and others.

Massey expects E3 Technologies to quadruple its annual sales from the toner cartridge business to $4 million within the next two years while maintaining its 12 to 15 per cent net margin. She's also thinking about manufacturing additional peripheral products such as ink-jet cartridges.

"IT WAS JUST A GUT FEELING . . . "

Massey has some fundamental advice for nonprofits thinking about forming a partnership with a for-profit company. "Make sure your partner fully understands and supports your mission," she says.

"I just didn't have good vibes with the businesses we interviewed in the Atlanta area," she says. "It was just a gut feeling. I don't know how to describe it any other way. There didn't seem to be a good meeting of the minds or a good fit — I didn't feel they had a capacity to plug into our mission orientation even though they made a very good product and had a high profile in the community.

> ***"I felt as if they were the right people for us to work with. They understood that making money is a very good thing, and we all want to do that, but there's another equally important mission that has to be accomplished at the same time and they were very eager to help us accomplish that mission."***

"But when I first spoke to the people at Optima, even before I met them personally, I felt differently. Part of it was because they were already hooked up with the Lighthouse and had about eight months of marketing experience with state officials in Florida. They already knew some of the lingo and how things worked. And when I *did* meet them, I was impressed with the people, top to bottom, felt as if they understood the whole concept of doing well by doing good."

Massey met all the principals at Optima before agreeing to the partnership, including the owner, the vice president and the key marketing people. "To a person," she says, "I felt as if they were the right people for us to work with. They understood that making money is a very good thing, and we all want to do that, but there's another equally important mission that has to be accomplished at the same time and they were very eager to help us accomplish that mission.

"For example, when we told them we wanted to do as much of the work as possible in order to employ more people, rather than having them do the bulk of the work, they understood and encouraged us. They even helped in unexpected ways: We're currently processing 2,500 or more cartridges a month, but we're not actually selling that many here in Georgia — Optima lets us work on some of the cartridges they sell in Florida."

CRITICAL SUCCESS FACTORS

Massey has identified seven factors that have been critical to the success of her business.

Overcoming the reluctance of public sector buyers (part one) — getting buy-in from the state: Massey had some concern early in her negotiations with Optima that the Georgia office responsible for the state set-aside programs would object to her partnering with a for-profit company. "So we asked them for a meeting and brought along some people from Optima. We took the position that we really shouldn't have to get approval for this type of partnership, but that we wanted to keep them informed of what we were doing. We didn't want to give them the impression they had the right to tell us how to run our business, but we wanted to emphasize that our disabled employees would be doing a significant part of the labor. Well, they bought into it and put the stamp of approval on it right then and there."

Overcoming the reluctance of public sector buyers (part two) — convincing purchasers to follow the law: According to Massey, the set-aside laws are both the biggest opportunity and biggest obstacle for her business. Even though public sector agencies in Georgia are required to buy their toner cartridge from BDI, she says "most don't do it. They either don't know about the law or don't comply. You'd think that if you had the law behind you and just went and told people you were ready to take their order, they'd say, 'Okay, here goes," but it doesn't work that way. They may have a previous relationship with another supplier that they like or they may say 'I've never heard of this law, I don't believe it, prove it.' So we have to go door to door to call on every state person who has a credit card and is responsible for buying toner cartridges . . . it's laborious, and it's hard to break down the walls . . . our sales will approach $1 million this year, but they should be over $2 million – and there's as much as $10 million of set-aside business available throughout the state."

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Meeting a complex marketing challenge: Neither BDI nor Optima actually holds the state-use contract, which complicates the marketing challenge (part of the reason BDI happily relinquished responsibility to Optima). The contract is held by Georgia Enterprises for Products and Services (GEPS), the state version of NISH. GEPS administers all Georgia's state-use contracts and takes a seven per cent commission for its trouble. What usually happens is that GEPS acquires a contract, then searches for a work center capable of doing the job. In this case it went the other direction: BDI developed a business and then asked GEPS to set it aside. "But GEPS doesn't get involved with the marketing," says Massey, "so it's up to us." Optima has actually situated a full-time general manager in BDI headquarters to supervise all sales and marketing. When he sells to a public sector agency, he uses GEPS stationery and business cards. When he sells to the private sector, he uses BDI materials. None of the sales in Georgia take place under the Optima name.

Minimizing inventory: "Because we no longer produce the final cartridge," says Massey, "we don't have to hold or build inventory the way we did when we were a franchisee. Optima ships the orders, not us. The cartridges retail for anywhere from $79 to $200 each, so trying to anticipate what customers will need and have the right inventory when they order can become real pricey."

Technical support: "One of our biggest problems with the franchise holder," says Massey, "was that we didn't have the type of support we have with Optima. Now, when something goes wrong, our partner is right there with us to fix it."

Fending off the big guys: According to Massey, the large manufacturers such as Hewlett Packard, Lexmark and IBM "consistently change their cartridges in order to prevent others from recycling them or making cartridges that are compatible. So keeping up with the changing technology is always challenging." So is fending off competition for commercial sales from what Massey calls the "big box" stores such as Office Depot and Staples, not to mention a plethora of small local manufacturers.

Ancillary services: Manufacturing cartridges is the core business, but BDI also provides additional services that are meant to enhance the company's appeal. "Our technicians are at multiple locations daily to install cartridges," says Massey, "and we also do printer maintenance, repair and servicing. It provides a good training opportunity for our people — and having that regular contact with customers makes it easier to sell them more cartridges." As part of its service, BDI also helps coordinate and implement an extensive recycling system that helps customers comply with federal and state requirements concerning the return of used cartridges.

FINAL WORDS OF ADVICE

Having learned the hard way, Massey recommends other nonprofits "do lots of research and have much more money than you think you need." She also suggests they "be flexible . . . your ultimate product might not be the one you started with!"

And she's succinct in her final advice.

"Three things," she says.

"Number one . . . never give up!

"Number two . . . if it's not working, try something else!

"And number three . . . never give up!"

E3 Technologies

TYPE OF BUSINESS:
Manufacturing of toner cartridges for laser printers, FAX machines and copiers; also provides printer maintenance, repairs and servicing

Mission: To provide jobs for disabled individuals in a viable business

Year founded: Cartridge manufacturing (1994); new partner and new name (2000)

Structure: A nonprofit subsidiary of another nonprofit

Headquarters city: Atlanta

Geographic market: Primarily Greater Atlanta *(some customers elsewhere in Georgia)*

CURRENT FINANCIAL PERFORMANCE
(fiscal year ending June 30, 2001)

Annual sales:	$926,213
Net profit:	$ 96,000 *(10.4 per cent)*

SOCIAL RETURN ON INVESTMENT

Number of permanent employees:	6
Number of employees who are disabled or disadvantaged:	3

INITIAL INVESTMENT

Planning time required before operations began:
Six months

Dollars required before operations began:
$13,000 (to purchase franchise)

Sources of planning dollars:
Grant from the city of Atlanta

Time until the business generated positive cash flow:
Approximately 18 to 24 months

Additional working capital required before generating positive cash flow: Unknown

Source of working capital:
Income generated by other BDI businesses

Time required to recover planning dollars and working capital: Unknown

PARENT ORGANIZATION:
Bobby Dodd Industries *(founded 1963)*

Mission: To empower individuals with disabilities to maximize their potential while securing their economic self-sufficiency, independence and integration into society

Programs: In addition to E3 Technologies and its other business ventures, BDI provides vocational training and evaluation, competitive placements, supported employment, computer training, a job club, and a welfare-to-work program

Annual operating budget:	$3.5 million
Number of employees (FTE):	25
Number of people (unduplicated) served per year:	300

SENIOR MANAGEMENT TEAM

Chief Executive Officer:	Wayne McMillan
Vice President, Operations and Marketing:	Barbara Massey
General Manager, E3 Technologies:	Doug Williamson

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