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Laboring to Grow: Temporary work firm AAA Labor seeks expansion plans

Minneapolis / St. Paul Business Journal - by [Chris Newmarker](#) Staff writer

Scott Zimmer's efforts to grow **AAA Labor** haven't worked out yet. But experts say radically changing the business might not be the way to go.

Zimmer, a longtime information-technology worker, spent \$1 million out of his own pocket and an SBA loan to buy the half-century-old firm in 2007.

Minneapolis-based AAA — which provides temporary, low-skilled workers who perform manual labor ranging from sorting boxes at a factory to raking leaves at a cemetery — had been a steady, profitable company for its longtime founder and owner Irwin Baker.

The business had a good foundation of longtime clients and longtime employees, and Zimmer figured he could grow the company simply by bringing some new energy to it.

“They ... never had a sales person — no marketing, no advertising,” he said. “Had all that stuff been in place I would not have bought it, because I don't know if I could have done something to take it to the next level.”

Zimmer is trying to do just that, but it hasn't happened yet. Revenue this year is expected to be about the same as it was last year: about \$2.4 million. Zimmer has only been able to maintain profits because he let go of a few longtime employees and cut other expenses.

Zimmer thought his businesses needed a major strategy shift — maybe by starting to provide higher skilled workers such as forklift drivers or office clerks — and a marketing campaign.

But when Zimmer visited the Minneapolis/St. Paul Business Journal in late July to get advice from a panel of experts, they told him there were plenty of ways to grow what is already there.

Do the research

Zimmer is in the middle of a painstaking process of transitioning his business' computer system from ancient DOS-based software to something more up-to-date.

To avoid problems with W-2s for his workers, he's stuck having to run both platforms until the end of the year. He said he sorely needs the new computer system to work because that's the only way he'll be able to properly research his business: who exactly are his top customers, who he's actually making money from.

Maliha Husain, director of microenterprise development at St. Paul-based WomenVenture, told Zimmer not to wait. She suggested he bring in a financial consultant to crunch the numbers.

“Whatever data you have, bring in somebody to help you figure out where are you losing money. And cut down on those activities. Where are you making money? And move ahead with those,” Husain said.

The experts also suggested Zimmer turn to his own long-term workers for information. Zimmer mentioned an employee who's been around for decades and knows many of AAA Labor's customers.



Nancy Kuehn | Minneapolis/St. Paul Business Journal

Day-labor workers file into a waiting van in the early-morning hours at AAA Labor. The company's new owner is looking to grow, but isn't sure whether to expand into new sectors or how best to communicate its comparative advantages to customers.

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“That’s where I would be in an hour. Spend the rest of the day with him,” said Scott Webb, managing director of Minneapolis-based senior staffing firm **Salo**.

Know your customers

AAA Labor’s staff has communicated for years with the firm’s clients. Zimmer has been holding off on talking to them himself.

“I purposely stayed in the background so that there was no change. I did not want it to come out that it was under new ownership,” he said. In 2008, minimum wage went up, and Zimmer didn’t want clients to blame price increases on the change in ownership.

Corky Hall, CEO of Minneapolis-based **Stellus Consulting**, told him he needed to speak with his customers right away.

Hall said there were important questions Zimmer needed answered: “Who are these customers? Why do they use us? Is there more opportunity for them to take more from us?”

Surveying customers would help Zimmer figure out where he could grow.

“Unless you go to them and ask them what they want, you really don’t know,” Hall said.

Zimmer mentioned that he had retained an advertising firm — Williamsville, N.Y.-based Haley Marketing Group — and was planning to run a radio spot.

Panelists warned him off that approach. “I wouldn’t do it. I wouldn’t spend a dime on it,” Hall said. “Who do you want as a customer? They’re not the general public.”

Figure out what you do well

Hall should especially find out from his customers what sets AAA Labor apart, Webb said.

“What makes you unique?” he said.

Zimmer mentioned how AAA Labor is open every day of the year, even Christmas, how phones are always answered after two rings and how the firm makes sure there’s a worker arriving at a work site.

“The office has never been closed, not one day. So [our customers] know that. The staff is just the best. So I think they like the service,” he said.

Webb latched onto that and said Zimmer already had something he could tout about his business. Competitors had similar claims about availability. Webb said Zimmer should get potential customers to challenge them on that.

“You could say, ‘It’s advertised. Go ahead and call them on it. Go ahead. Call them on a Saturday and call me back then,’” Webb said.

Grow the business

Zimmer had a sales person for a few weeks. That employee was only with the company for a short time, but was able to get two or three former customers to start using the firm again.

Once Zimmer decides where his business should grow, he should hire another sales person, or find time to do sales himself, said Brian Carlson, owner and founder of Bloomington-based accounting and staffing firm **Ambrion**.

“In this market, we don’t have a lot of people calling us. We’ve got to solicit new business,” he said.

Carlson and other experts also saw value in Zimmer putting some of his workforce under managers and sending them out as labor crews to shovel snow, work on landscaping, or perform other tasks.

“Actually competing in the snow removal business — that’s a pretty dramatic shift from what you’re doing right now,” Carlson said.

He had one caution: "One other question that comes up is that if you go into the landscaping business you're a competitor with your customers."

Hall thought Zimmer might be able to get around the issue by partnering with contractors already doing the work.

"You're really good at managing that in-and-out indigent worker thing. You really become a subcontracting pool to these people who already have the business."

AAA Labor

CEO: Scott Zimmer

Location: Minneapolis

Description: Provides temporary low-skilled workers

2008 Revenue: \$2.4 million

Employees: 8

Temp workers (2008): More than 1,500

Founded: 1956

Web: www.aaalabor.com

Lessons learned

Do the research. Bring in a financial consultant to find out where you're making money. Tap into the institutional memory of the workers, too.

Know your customers. Start contacting customers and find out why they use the firm.

Figure out what you do well. Find out what your firm does better than your competitors and make sure potential customers know that.

Grow the business. Hire someone to drum up sales. Find natural areas to expand the business into.

Panelists

Maliha Husain

Director of microenterprise development, WomenVenture; womenventure.org

Corky Hall

CEO, Stellus Consulting, which offers strategic and branding advice to businesses.

www.stellusconsulting.com

Brian Carlson

Owner and founder, Ambrion, a consulting and staffing specialist.

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Scott Webb

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