

Small Business

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SMALL BUSINESS LINK

Tapping a New Source of Revenue When a Standby Falters

By SIMONA COVEL

Detroit isn't the next Hollywood, but the film industry is helping a small Michigan company revive its fortunes.

Hudson & Muma Inc., 50-year-old business insurer based in the Detroit suburb of Royal Oak, found a new source of revenue growth in film-production insurance.

The 25-employee family-owned firm had seen business dry up in recent years as the auto industry struggled. Rather than remain tied to the auto sector, they worked to expand into other areas – including film and television-commercial insurance.

While much of the country has been recently forced to adjust to a slowing economy, the Midwest has more practice. Successful businesses have learned to branch out from the industries that defined the region for so long. It's a lesson for other small companies that may need to look for new sources of revenue as the U.S. economy sputters.

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The Wall Street Journal Online spoke with David Muma, Hudson & Muma's vice president, about how the company maneuvered the shift.

WSJ: What has been going on in the insurance industry in Michigan?

Mr. Muma: As the auto industry goes, so does everything else, like employment. Business overall is down. It was a lot easier to sell insurance when people were working. [In March, Michigan's unemployment rate was 7.2%, the highest in the U.S.]

People were less inclined to shop around for a small difference – that \$500 difference in price didn't mean as much before. Even if they've been with you for 20 years, everyone's shopping around now.

WSJ: How did you start offering insurance for film production?

Mr. Muma: Auto companies used to do commercials and make industrial films here. As the business dried up [starting about 15 years ago], the film-production teams [that worked for them] left. Now only a small amount is produced locally. They don't film the commercials here anymore.

WSJ: So how did you manage to grow that part of the business?

Mr. Muma: Having a Web presence helped. There aren't a whole lot of small agents that have Web presence. We got some referrals [from past clients] – it's a pretty small community. We gathered a list of prospects and would do newsletters, mailing, emailings. We do a lot of

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industrial film production – small independent producers who are doing subcontracted work for producers who might be making training films or corporate promotions. Now, production insurance is 20% to 25% of our total business.

WSJ: Michigan recently passed a series of tax incentives to lure more film producers to the state. Are you taking advantage of that?

Mr. Muma: When the bills were pending, we did write to the legislature and tell them we thought it was a good idea. The tax credits make our customers happy. We're working on ratcheting up a free seminar program designed for production assistants and producers – Insurance 101.

WSJ: What are some of the challenges in drumming up new business?

Mr. Muma: It's hard to sell someone insurance when you're not face-to-face. You can't have events. You can't invite them to an evening with speakers and hors d'oeuvres – we used to do cocktail parties when local people had a screening. We used to be much more visible [in the community]. Out-of-town clients can't see your name on the side of the building when they drive by.

WSJ: What new products haven't worked so well?

Mr. Muma: We tried offering insurance for leasing companies [that lease cars]. The bottom dropped out on that business a few years ago when interest rates were so low [and lease rates declined as a result].

Also, we're starting to shift our business from general business insurance to more program-focused offerings – like restaurants or lodging. That allows us to target the market more tightly. We can better pre-qualify – we know that if an establishment gets more than a certain amount of its revenue from liquor, it's not eligible [for a certain product]. We're trying to steer more tightly and be a lot more disciplined.

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