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How I attracted high-profile clients

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To Washingtonians, Shelly's Back Room is synonymous with cigars, Scotch and comfort. And it's that appeal that draws a high-end clientele, including Michael Jordan and Arnold Schwarzenegger, to the downtown D.C. mainstay, just steps from the White House. We spoke with owner Bob Materazzi about his strategy for luring customers with millions of dollars at their disposal — and how he has continually kept them coming through the door.

How did you come to buy Shelly's in 2000?

I had just come back from overseas with Marriott, which I was with for many years. This was my hometown. My parents were elderly — I was an only child — so I came back to look after them. I was looking for something to do and decided to do what every middle-aged guy wants to do, which is to buy a bar. I would get a very good price if I bought both Shelly's Back Rooms — one was in D.C., the other in Chicago. So I bought them both, immediately spun the one in Chicago and sold it to concentrate on this one.



Why keep Shelly's name?

Well, he was a character, and he had an established name in D.C. And I was in this for money and not for the ego — it sounds better than Bob's Back Room. Now after 13 years, Shelly's has become an iconic, trademarked name for cigar smoking in D.C. I go to the hospital and see a doctor: "Shelly's! Oh yeah! We go there." Evidently, it was a good decision.

What were some of your early challenges?

Staying afloat after the smoking ban was probably our biggest challenge. We lobbied pretty hard for the exemption. We testified, we had a lot of our customers testify for us — congressmen and people influential in D.C. We pitched our ventilation system pretty hard, and we prevailed. We were able to meet the standards for the exemption, which was 10 percent of your sales being tobacco, and we're at almost 20 percent.

What was your best business decision?

Shelly operated this place more as a monument to his own ego as opposed to as a business. What works is what the customer wants. I'm not saying I'm a genius at that. But I do listen to customers, and I do watch numbers carefully. We see from what we sell what works. This place, before we had the new room, only had four tables. People would come in, plop down, park themselves there and stay there all day. We initiated what we call "table management." We put signs on the tables that said, "Reserved for 3-4 [people] only." Putting furniture in the parlor — Shelly didn't like that. He wanted the front parlor to be a place where people could stand around, talk and smoke. That's not a good business decision. That front parlor has 25, 30 seats in there and it generates money. He bought things that weren't smart. There are chairs that must have cost him \$1,000 apiece that lasted about a year. I have a tendency to buy stuff that's nice but doesn't belong in a showroom or a museum.

What was your initial marketing strategy?

To be honest, I didn't really do a lot of marketing. I would throw an ad in every now and then in some sort of local publication, but it wasn't until two to three years ago that I made an effort to do marketing.

So how did you get the word out?

Just through my customers, word of mouth. Our locker holders help. We have 200 lockers, and we lease them annually. And the guys who lease them bring in business. If you're going to spend \$1,000 on a locker, you bring people in and you show off that you have one.

I also do a lot of work with visitors and the D.C. convention bureau. I'm in their guide, and they send me their referral list. The convention center is what puts us over the top. You get guys looking for a place to smoke cigars. We have kind of profiled ourselves as a place where you come to discuss politics. Matter of fact, there's a radio show here once a week — it's called "Back Room Politics." We have it here every Tuesday from 4 to 6 p.m.

How did "Back Room Politics" come about?

They came to me with it. We always had politicians, staffers, young people who work for Congress, lobbyists. They would always sit around and talk politics. Finally, Justin, one of the moderators of the show, said, "Why don't we do a radio show?" So I said, "Sure." I gave him that little space in the back and bought him a separate Internet connection. Giuliani has sat in on the show. I think they're trying to get [House] Speaker [John] Boehner to sit on the show. Now they've got close to 3,000 listeners.

How did word of mouth work for you?

Four to five years ago, Gov. Schwarzenegger had a big party here. Mayor Giuliani came, and he loved the place so he had a party after that when he was running for president. He invited all of the Republican senators. It's this piggybacking effect that has gotten us in the eye of the political illuminati, so to speak. Given the fact that there's only a handful of places that you can smoke, we, by default, become a place to go.

Do you treat high-profile clients differently?

No, not at all. We treat everybody the same. That's our motto — we don't treat anybody like a celebrity. As a matter of fact, one of the reasons Mayor Giuliani likes it here is we leave him alone. The waitresses protect him. They're coming in here to relax; they're not coming in here to be in the media. If they want to be in the media, they know how to be in the media. I won't even talk about a lot of the people that come here because I'm not so sure that they want it known. Especially if they're in a political race, because you know how that could be spun: "Oh so-and-so is hanging out in a tobacco bar!"

Who are regulars you can talk about?

Tom DeLay had a locker here for a long time. There are others — Trent Lott and Tom Boggs — who are now lobbyists. I've heard that Speaker John Boehner has come in here, but I've never seen him. And Bush's daughter came here late at night to the bar three to four times a long time ago. Michael Jordan had a box here when he was involved with the Wizards. We knew his lawyer, Fred Whitfield, who was a regular customer of ours. We said, "Why don't you bring in MJ?" And he said, "Sure, but if he can get box No. 23." That was MJ's number. So we gave him box 23. It said "Wizards" on it; it didn't say MJ. He would come in here often, and he was a really good guy. He did not expect to be treated special.

We don't try to go out and attract celebrities. Celebrities find us. Michael Jordan was the only one we ever targeted. We also have had a lot of sports people come in here — Byron Leftwich and Champ Bailey.

What's next for Shelly's?

We added the outdoor cafe last year. D.C. limited us to 12 seats out there. It's not really much of a revenue producer, but it is eye-catching. In terms of business, retail is an opportunity to increase my sales. We want to start doing a whole line of logo stuff. And maybe going into e-commerce.

The basics

Company: Shelly's Back Room

What it does: Cigar lounge

Leadership: Owner Bob Materazzi

Location: 1331 F St. NW

Employees: 30

Clients: Names such as Michael Jordan, Rudy Giuliani, Champ Bailey and Tom DeLay

Revenue: \$2.1 million in 2010; \$2.3 million in 2011; \$2.8 million in 2012; projected \$3 million in 2013

Website: www.shellysbackroom.com