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Climbing the Ladder

There's more than one way to turn a regional hit into a national retail brand. How do you know which is right for you?

The company: For Rocky Mountain Soap, small is beautiful. Its products spring forth from the imagination of its founders and their loyal customers, not from product labs. The company doesn't do preservatives, additives, artificial colours — or mass-market retailing. Sales are handled exclusively by its three Alberta retail outlets in Canmore, Banff and Edmonton, and through its website.

The situation: The company's modest retail footprint is generating a not so modest \$3.5 million in annual sales. That impressive total has the owners contemplating a national retail expansion. But with one failed growth experiment behind them, they're wondering what's the best approach to take — and whether consumers across the country will have the same appetite for their soaps as buyers in the West.

IT WAS MEANT TO be a *coup de grâce*. Cam Baty and Karina Birch, owners of Canmore-based Rocky Mountain Soap, were offered an opportunity at a national trade show to create a new packaged-goods brand and were given space to sell it on retail shelves in supermarkets nationwide. They jumped at the chance, buoyed by the success of their own thriving trio of retail shops. After all, they reasoned, in the decade since they first founded their company, Rocky Mountain's all-natural soaps and skin-care products had inspired near-fanatical devotion in their customers and created a vibrant, highly profitable regional brand.

The new packaged-goods line was called Glacier, in a nod to the glacier water used in all of Rocky Mountain's soaps, and it was distributed to large-scale retailers across the country. Based on their initial assumptions, Baty and Birch projected at

least \$800,000 in annual sales for their new line.

But what began as a victory march onto retail shelves ended in bloody trench warfare. The distribution and logistics involved in serving hundreds of retail locations were challenging. Glacier's packaging and branding, though far more sophisticated than Rocky Mountain's previous products, were nonetheless lost in the visual clutter of crowded re-



This case study was jointly prepared by the Centre for Business Venturing at Queen's School of Business and *Financial Post Business*. Case studies are an important element in the transformational learning method used at Queen's School of Business

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FP Case #2 22546 (02-2007)

tail shelves. And, most importantly, supermarket retailers weren't prepared to engage in the loyalty-building customer-education campaigns that were the daily norm at Rocky Mountain's own stores.

Consumers, unfamiliar with the Glacier brand and unmoved by its presentation, reacted tepidly. Annual sales for the Glacier line fizzled, finishing just shy of \$100,000 for the year.

THE FAILED PROJECT left Rocky Mountain's owners with a dilemma. In early 2006, after winding down the Glacier brand and returning their focus to their three stores, they had to reconcile their ambitions for the brand with the dissatisfying results of their growth experiment. Baty still longed to build a national brand, and looked with a degree of envy at their competitors in the natural skin-care market. Burt's Bees of Durham, North Carolina, for instance, had grown from a small honey bottler to a \$250-million hyper-growth consumer brand, while the U.K.'s Lush Handmade had expanded internationally, ratcheting its annual sales well beyond \$100 million. While Baty's and Birch's aspirations for Rocky Mountain weren't quite on that scale, they nonetheless hoped to build their company into a national presence – and add to their sales by an order of magnitude.

They had reason for their enthusiasm. Since the start of 2000, Rocky Mountain's same-store sales had grown at a healthy clip, and per-square-foot sales in its stores (the touchstone metric for all retailers) ranged from an enviable \$900 to a staggering \$1,700. But the brand's impact on its consumers was even more evident in their correspondence than in their cash-register receipts. Gushing, evangelical testimonials arrived at the company's headquarters almost daily. One eczema sufferer tried their soap once, and then described

returning to the store for four more bars the same day. A chemotherapy patient weighed in on the relief afforded by Rocky Mountain's foot butter, and noted that they frequently gave the cream as a gift to others.

Rocky Mountain had also developed a successful brand imprint in Alberta. Their logo was a stylized depiction of the Three Sisters mountain range outside Canmore – Baty's mountain-bike stomping grounds and the company's birthplace. Their slogan, "Be Kind, Be Real, Be Natural," was as much a personal mantra as a corporate motto. Since the company's inception, it had eschewed the usual lineup of chemical cleansers, preservatives and colouring agents. Instead, Rocky Mountain's soaps deployed a range of essential oils, grains and berries. As natural products moved from a niche market in the 1990s to mainstream consciousness in this decade, enthusiasm picked up for the company's high-priced but all-natural offerings. Once converted, customers would frequently spread the word: "Customers are often our best salespeople," Baty noted with a laugh.

WASTING LITTLE TIME after mothballing Glacier, Rocky Mountain's owners started to ruminate about the potential for another type of expansion. Rather than turning their products over to another retailer, Baty and Birch began to consider the prospect of expanding their own retail chain. After all, they figured, the failing of their Glacier-brand, packaged-goods venture was primarily the result of their lack of control over the retail environment. What they recognized was that a customer visit to one of their stores wasn't mere shopping – it was a well-rounded body and mind experience.

It started with the smells of the company's 27 different soaps. Upon entering a store, you might first catch a whiff, say, of pumpkin patch

soap, whose pumpkin pulp was designed to soothe rough, sore skin – or of Citrus Smoother, a soap whose sweet orange essential oils were a panacea for acne-prone faces.

But equally important was the embrace of its service. Rocky Mountain didn't owe its success just to its products; it owed it to the company's staff, its intimate, personal marketing efforts and its unique approach to product development. The small chain's employees were remarkably knowledgeable and conscientious. They could readily match customers' skin conditions to the right product. Their capability wasn't an accident – nor was it easy to achieve. Throughout this decade, Rocky Mountain had worked hard to build employee talent. It recognized the contributions of individual staffers on their website, was in the midst of launching a daycare program, had instituted open-book management and a profit-sharing plan, and had worked out a sales incentive scheme that rewarded teams for sales achievement without encouraging overzealous commission-chasing.

Employees were also intimately involved with the products. For the dozens of items, staffers could recite ingredients and explain how specific oils, extracts and grains each affected the skin. The staff were also a conduit for customer knowledge, relaying feedback, suggestions and requests to the owners. Such customer requests were still at the heart of the company's product-development process. Where a competitor like The Body Shop had access to the R&D resources of French parent firm L'Oréal, Rocky Mountain's products sprang forth from small-scale experiments conducted by Birch in the company's Canmore factory. Product ideas came from (and were often tested by) customers and staff. Some, like a salt scrub, went through 17 iterations before the founders settled on the final

INNOVATIVE IDEAS.
RELEVANT EXPERTISE.

formulation. Others came about more quickly. Their strong-selling Summer Lemonade Soap, for instance, was the result of a suggestion from a local eighth-grade student.

THESE TIGHT-KNIT CUSTOMER relationships had been reinforced in the decade since Rocky Mountain's inception through its marketing efforts. Customer newsletters read like personal notes from Birch, sharing internal goings-on (their Wednesday morning staff yoga sessions, for instance) and describing new products. As the company grew, it began experimenting

The owners had also leveraged the tourist economies of Banff and Canmore to grow their brand. Many local hotels in these tourist hubs offered Rocky Mountain soaps in their guest suites, providing customers with an all-important first trial. And from experience, the owners knew that much of the company's sales came from tourists eager for mountain-themed Canadiana. Their retail locations and branding catered to these distinctly local dynamics.

Traditional marketing at Rocky Mountain wasn't quite an afterthought – but it came close. Print advertising was limited and exclu-

wanted to grow nationally. As Baty and Birch discussed their experiences – both their successes with retailing and setbacks with wholesaling – their aims began to crystallize. They decided they should open 30, perhaps 40 stores, with a rollout schedule of four to seven new company-owned outlets per year.

Envisioning growth was easy – getting there, the owners knew, would be an entirely different story. After the failed Glacier launch, Baty and Birch felt a natural trepidation about entering new markets without answers to a range of questions. Among them: How could

Envisioning growth was easy — getting there would be an entirely different story. After the failed launch of their packaged goods brand, Baty and Birch felt a natural trepidation about entering new markets

with more sophisticated marketing techniques, including opt-in e-mail marketing and custom-tailored mailings offering premiums such as a free bar of soap on customers' birthdays. The company's marketing also served to help educate consumers, deepening their clients' commitment to natural products. Alongside product updates and contests, Rocky Mountain's newsletters often contained information about natural products and aromatherapy trends. This type of communication was critical, because consumer education took time, particularly when clients had to adjust to things like unorthodox packaging – the stores' body butters, for instance, were packaged in plastic containers more commonly used for men's deodorant.

sively local. The company took out small ads in low-circulation local newspapers and often left rack cards in hotel lobbies. In Banff and Canmore, whose small populations were served by a single newspaper each, such advertising was relatively inexpensive. In Edmonton, they had tried to scale up their efforts by purchasing billboards, mall posters and space in the **Edmonton Journal** – all with limited success. On reflection, Baty and Birch realized that they weren't as comfortable managing high-gloss campaigns as they were building deep relationships with customers, one at a time.

WITH WHOLESALING all but ruled out, Rocky Mountain needed a unique strategy if it truly

they translate their personal marketing techniques to a much larger chain? Would the Rockies-themed brand resonate outside the Canadian West? Could they keep their intuitive and organic approach to product development as they entered the turf of larger competitors like The Body Shop? Could they replicate the personal service provided by their long-serving staff members as the chain grew?

Burt's Bees and Lush had both transformed themselves from tiny start-ups to retailing juggernauts on the strength of their organic and natural product niches. Baty hoped to follow in their footsteps but, as a final question, wondered how much space was left in this already crowded market – particularly for a small company with a limited marketing arsenal. As he

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and Birch surveyed their factory floor and watched employees carve out blocks of soap, they wondered: Did they have what it takes to build a national retail brand?

The Expert View

By Rob Sobey

President and CEO,
Lawtons Drugs



I CAN CERTAINLY UNDERSTAND the impulse to grow a company by expanding nationally. But in this case, I'd give the owners one piece of advice: For Rocky Mountain Soap, the West has yet to be won.

What Rocky Mountain has is an exemplary regional brand. It enjoys strong awareness in the communities it serves. Of equal importance, it is highly relevant to its customers. This healthy interplay – creating high customer expectations and meeting them with top-notch delivery – is how great brands are born.

This type of experience requires a serious investment in staffing and training. It's not surprising that Rocky Mountain Soap's retail presence, characterized by expert staff, personalized service and deeply involved customers, has taken a decade to incubate. Geographic distance adds another hurdle to an already challenging process of replicating hiring, management, training and monitoring in new locales. Starting expansion closer to home – Calgary, perhaps, or even Vancouver – would allow for more manageable logistics as the company experiments with retail growth.

The second reason I would avoid too quick an incursion into Central Canada is because it would rob Rocky Mountain Soap of a chance to benefit from clustering. Too many companies feel the need to leave a footprint on as many major metropolitan areas as possible: Montreal! Toronto! Halifax! The logic behind this impulse is that national brands need national profiles. But companies that disperse themselves lose the natural advantages of clustering. When locations are close enough together, there is a natural spillover of marketing resources: When you market in Toronto, for instance, you'll also be heard in Mississauga. And these spillovers among adjacent markets don't end with traditional marketing. Word of mouth spreads more quickly. Monitoring costs are lower. Distribution and logistics are simpler. Spread out your stores, and you lose these natural advantages.

Rocky Mountain Soap's owners are asking

The Outcome

IN THE END, Rocky Mountain Soap's founders decided to start their growth in the West. In January, they launched their first new retail outlet in Calgary. To help ensure that the customer experience was left in capable hands, the owners decided to experiment with a franchise concept, turning over the store to long-time friends who joined as franchisees. The company also created three new positions: a product education staffer, to help educate staff and franchisees through training sessions, manuals and product support; a merchandising director to help build a predictable, high-quality in-store experience for shoppers; and a director of retail management. The latter appointment was conceived in part to allow Baty and Birch to remain focussed on manufacturing, financing and operations.

Before turning eastward, Rocky Mountain planned to open three more shops in 2007, consisting of two corporate-owned stores and one franchise. The latter would be governed by strict franchise agreements, of course, but the quality of the experience would be left in trusted hands: Their plan was to put the franchise, which would be located in Victoria, in the hands of a person who had previously managed the company's Banff store. The company's new corporate outlets would be in Edmonton and West Vancouver. "We definitely have an expansion plan," Baty explained, "but we're only expanding when we find the right spots for growth."

Reflected in this measured course is the owners' unwavering commitment to their tried-and-true formula for product development. To that end, Rocky Mountain's new skincare line, natural perfumes and candles were all vetted by the company's demanding retail store staff. "We developed a foamer – a foaming soap," Baty said with a laugh. "But it didn't meet our staff's expectations, and it won't hit the shelves until they're happy with it."

Note: The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The views represented here are solely those of the case authors and are based on their own professional judgment. Certain names, scenarios or identifying information may have been disguised to protect confidentiality.

“Rocky Mountain Soap should test itself by first expanding in the West, then look toward the East”

That said, there are two primary reasons why Rocky Mountain should resist the impulse to charge into Central and Eastern Canada. The first is specific to this type of company. The second applies to almost any organization considering its first retail expansion campaign.

The first reason is that Rocky Mountain's success has been due to deeply personal relationships forged with its customers – something marketers like to call “high-touch” retail.

smart questions about their brand. They want to know two things: whether it scales, and whether it travels. They should experiment with each question in succession by first expanding within the West, then looking eastward. With a brand like theirs, they'll have only one chance to get it right. They'll need to enter into national expansion with the wisdom gleaned from local and regional growth.



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