



# THE MONIESON CENTRE

TRANSFORMING BUSINESS IN THE KNOWLEDGE ECONOMY

## Community Success Stories

### Fifth Town Artisan Cheese

[www.fifthtown.ca](http://www.fifthtown.ca)

Prince Edward County, ON

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March 2009

### INTRODUCTION

*This community success story case study is part of The Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit [www.easternontarioknowledge.ca](http://www.easternontarioknowledge.ca).*

In addition to evaluating the key factors that have enabled Fifth Town Artisan Cheese to achieve positive performance in such a short term, this paper will also look at which factors will give rise to sustainable profitability and competitive advantage going forward. This will lend to the development of key takeaways, which can be applied to other rural small businesses seeking tips on how to achieve success.

### INDUSTRY OVERVIEW

The cheese industry is broken down into two categories, industrial cheeses and artisan cheeses. In Canada, the industrial cheese category is dominated by Saputo Inc., Kraft Canada Inc., Agropur Cooperative Ltd. and Parmalat Canada Ltd. These companies mass produce industrial cheese products and distribute them internationally and use large grocers as their competing platform. The industrial cheese category is growing at 1-3% annually.

The artisan specialty cheese industry, on the other hand, is composed of 200 different producers across Canada, with the majority based in Quebec. Producers compete to communicate their existence and are sought after by wholesalers, fine food grocery stores, wineries and hotel chains. In the past few years, demand for artisan specialty cheeses has been on the rise achieving a growth rate of approximately 20%. Customers are beginning to recognize and appreciate the quality and added value of artisan cheese. In addition, the trend towards locally produced products with organic inputs is growing in demand, as indicated by the rise in local producers distributing to organic and gourmet grocers.

### COMPANY OVERVIEW

Fifth Town Artisan Cheese Company is an environmentally and socially responsible rural business competing in the artisan cheese category. This company is located in Picton, Prince Edward County. Fifth Town is positioned as a niche producer of quality handmade cheeses that are made using locally produced goat and sheep milk. Since its recent opening in July 2008, Fifth Town has formed valuable partnerships, achieved impressively high levels of sales, and is on

route to being one of Canada's first companies to be accredited under the Leadership in Energy and Environmental Design (LEED) program.

While Fifth Town's core product line consists of sixteen cheeses, it should also be noted that Fifth Town sells relevant books and cheese making kits intended to compliment its main product offerings.

Fifth Town's first year sales are forecasted to be \$1,000,000 with break-even being \$1,200,000. Its second and third year sales are forecasted at over \$1,500,000 for each year respectively. Retail sales are biggest in the summer; this August, after only being open for one month, Fifth Town generated \$70,000 in sales. Its biggest month is expected to be December due to the increased consumer demand in the winter months.

## SUCCESS FACTORS

The success of Fifth Town has been spear-headed by its Founder and President, Petra Cooper. After interviewing Andrew Laliberte, Head of Customer Development, at an onsite visit, three factors have been identified as the key drivers for Fifth Town's success and development of a sustainable advantage.

### 1) *High Quality*

Fifth Town has defined and engrained quality throughout its entire organization through its product, its people, its processes and its plant.

Fifth Town only purchases raw milk inputs from local Prince Edward County farmers, in order for its cheeses to truly take on the taste of the land in that region. Thus, the taste of Fifth Town cheese is unique to the area and will always be distinguished as such.

There are three certified cheese-makers within the seven-person operation who bring excellence and expertise to the cheese making process. Due to the complexity of the business model, employee turn-over must be limited, and as a result Fifth Town is devoted to training and engaging its employees in all levels of the business. The people at Fifth Town represent a mix of relevant industry backgrounds. Petra Cooper levers her background as a publishing executive, promoting book sales through Fifth Town's retail outlet. Andrew Laliberte, Head of Customer Development, draws on his background as a professional sommelier and hotel manager, in order to build relationships with distributors and further promote product quality.

Fifth Town continuously adheres to the safety and cleanliness standards required for raw milk producing factories, which is important to the business as these standards are more stringent than those required for industrial cheese production. While additional investment and time is required to maintain these standards, Fifth Town benefits from having the highest quality and most sanitary production methods.

Finally, the equipment and state of the art facility constructed on the Fifth Town property exude quality. An experienced and dedicated team of engineers and architects collaborated to create the sustainable operation, as discussed below. In particular, the man-made aging cave allows the cheeses at Fifth Town to age naturally in a constantly humid environment. Also, the indoor cheese facility was made to be seamless, to prevent the growth of moulds and bacteria in the cheese-making area.

These factors combine to produce the high quality products offered by Fifth Town. Fifth Town's exceptional cheeses are popular among the growing consumer group who value locally-produced products. Fifth Town products appear in

gourmet grocery stores in Toronto and Ottawa, high-end restaurants and hotel chains, as well as at partner retail outlets at wineries and cheese companies within Prince Edward County. Its high quality products justify a higher price, and thus Fifth Town is able to make a profitable business from the sale of artisan cheeses and complementary products.

## 2) *Green Sustainability Model*

Fifth Town's commitment to a green business model builds customer loyalty and allows for future operational cost savings. Petra Cooper has strived to meet the highest commitment in creating a sustainable business model. As of Fall 2008, Fifth Town is awaiting confirmation of LEED (Leadership in Energy and Environmental Design) Platinum certification for its facilities, which is the industry leading standard for commitment to sustainable construction.

A bio-digestive waste system sits behind the facilities, where harmful byproducts are converted into harmless biomass. Fifth Town also pays a premium for biodegradable packaging, which encourages consumers to compost leftover materials. The company strives to operate with little to no waste.

Eighty percent of Fifth Town's building is made of recycled materials, such as Durisol block concrete and wood byproducts. An on-site wind mill and built in solar panels provide renewable energy. Forty miles of geothermal pipeline is also installed horizontally underground. The natural aging cave is regulated by the geothermal system rather than traditional energy intensive refrigeration units. Fifth Town is also included in Bullfrog Power's carbon-free electricity network, paying a premium for its additional energy requirements. The uniquely designed facility operates at 30% energy levels of the baseline construction requirements. Cooper estimates that in 7-8 years the additional investment in green technology will begin to pay off as energy prices increase.

## 3) *Strategic Partnerships*

Another essential building block of Fifth Town's success is its ability to lever strategic partnerships. Working together with suppliers, other local cheese producers, wineries, and government organizations enables Fifth Town to capitalize on cost reductions, marketing synergies, and expansion opportunities.

Cooper worked directly with Fifth Town's six suppliers to convert to Local Food Plus standards. Local Food Plus is the Ontario standard for sustainable food, which is the forefront of changing consumer preferences towards sustainable, local agriculture.

The other artisan cheese producer in Prince Edward County, Black River Cheese, markets and sells Fifth Town's products. Fifth Town is also considering a future partnership with Black River to produce goat cheddar. Cooper believes that both firms would benefit from acting as partners rather than competitors based on the size of the Ontario market and each firm's specialized products. Co-marketing with wineries also contributes to higher sales and further drives the perceived product quality.

Two local organizations, "Taste the County" and Prince Edward Lennox and Addington County Community Futures Development Corporation (PELA CFDC), support Fifth Town by marketing the region as a tourist destination, and coordinating marketing efforts among firms in the county. Fifth Town also received start-up financing from PELA CFDC. The CFDC purchases space at trade fairs such as the coveted annual Winter Fair in Toronto, and the Ontario Food & Wine Show, an excellent opportunity for Fifth Town to highlight its products in its largest market.

## KEY TAKEAWAYS FOR SUCCESS

Fifth Town's success has been driven by the three key factors discussed above. However, on a broader scale, Fifth Town has also capitalized on its core competencies to drive success through the implementation of additional key strategies in relation to planning, development, management, and operational aspects of the business. These strategies can be applied to other Rural Eastern Ontario businesses, in order to help it further its path towards success. Overall, five strategies have been identified that can be applied to small to mid-sized rural businesses.

First, business owners need to ensure that they have a strong management team. This group needs to be committed, and most importantly, they need to have a strong passion for the business. The leadership team at Fifth Town instills their passion for artisan cheese, which in turn is reflected in their day-to-day actions. Additionally, this passion has trickled down to all employees; thus, creating a positive workplace culture.

Second, businesses need to be able to find a niche product and develop a theme. Fifth Town has developed a theme bound by its commitment towards being "green". Everything from the inputs, to the manufacturing process and final product encompasses the "green" theme. Not only does this give Fifth Town a unique product, but it also provides it with enormous marketability and access to a specific target market.

Third, business owners should leverage the advantages offered to them by their surroundings. Fifth Town found that its whole business model was associated with the Prince Edward County Region. The business model as a whole is locally focused and certainly uses the resources provided in this region.

Fourth, firms need to build strong partnerships. For Fifth Town, the strong partnerships that it has built with its suppliers as well as local food organizations have made it much easier to do business. Good partnerships are essential for sustainable success going forward.

Finally, businesses should take advantage of government grants and financing opportunities that are available to them. The enacted Eastern Ontario Development Program, which was recently renewed for \$10M in February 2008, gives CFDCs the authority to grant small businesses up to \$150,000 in repayable loans with favorable terms. Businesses need to take advantage of these opportunities when available. Fifth Town financed itself through equity investments, loans, and using regional financing programs as offered by PELA CFDC; however, other options do exist and should be capitalized on.

## CONCLUSIONS

It is evident that Fifth Town Artisan Cheese Company has developed a competitive niche in the artisan specialty cheese category by utilizing its key pillars for success to create a platform for sustainable competitive advantage in the future. Fifth Town has established a business model founded upon its core competencies: high quality, sustainable initiatives and strategic partnerships. These have already shown short-term pay-off, and will continue to benefit Fifth Town in the long-run.

Fifth Town has provided a thorough analysis of the key success factors that other small businesses operating in rural areas should consider when building their own business models for success. Fifth Town's approach to business "means preserving the environment while striving to delight and surprise the discerning palate." This simple motto captures the essence of Fifth Town's differentiated business strategy, which has led the company to great success only six months into its business plan.