



Community Success Stories

The Green Beaver Company

www.greenbeaver.com

Hawkesbury, Ontario

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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

This paper will examine the key industry trends and company factors that have enabled the Green Beaver Company to achieve success in an upcoming, high-growth industry. In doing so, key takeaways will be identified in order to ensure Green Beaver's long-term profitability and success, as well as guide other growing rural businesses.

INDUSTRY OVERVIEW

The organic natural health product market originated in France, spread quickly throughout the European Union, and is now making a small mark in North America. With research shedding more light on the disadvantages of chemical ingredients, the awareness and need for organic products has increased. As such, prior to the economic recession, the market growth for organic natural health products was between 15% and 20%.

In order to truly distinguish organic natural health products in the market, ECOCERT is a private company in France that audits and provides accreditation to organic producers. They conduct one scheduled audit and one unscheduled audit each year to check the ingredients going into each participating manufacturer's products. Currently, 25% of the natural health products market demands ECOCERT, but this demand is expected to grow. There are only 2 ECO-certified organic producers in Canada, one of which is Green Beaver. Thus, this is a rather new concept in Canada that is growing at a rapid rate.

Organic natural health products are usually sold in specialty health food stores. In terms of distribution, the industry is very much a pull market: instead of marketing directly to the customer, manufacturers wait for the health food stores to demand the product in order to provide it to their consumers. However, because of the small number of distribution outlets here in Canada, Green Beaver is

concerned about the limited opportunities for growth in the country, and therefore believes that penetrating the United States market would promote more long-term sustainable growth for the company.

COMPANY OVERVIEW

Green Beaver was founded in 2003 by Alain Menard and Karen Clark with the aim of creating healthy, natural products without the use of chemicals. This idea was generated from the discovery of how many household and personal care products were made with chemical preservatives, fragrances, dyes, and other potentially harmful ingredients. Consequently, Alain and Karen started formulating their own personal care products without the use of chemicals. Their product line includes, among others, shampoos, conditioners, body washes and lotions, whose ingredients are natural, vegan and gluten-free, and 95% of which are organically grown or ecologically wild-crafted in Canada. Green Beaver is a member of the Canadian Health Foods Association (CHFA), an organic trade association started in 2008, and is one of only two ECO-certified organic producers in Canada.

Green Beaver's operations started out utilizing subcontractors to manufacture their products while the business handled marketing, distribution, and research and development. However, in 2008, Green Beaver purchased 10,000 square feet of production space for the purposes of margin control, quality control and lead time control. This included a laboratory to develop samples (whose research is funded by government grants); inventory space to hold raw materials and finished products; a batch room used to mix products; and a filling room which packages each bottle, labels products, and packs them into boxes.

Green Beaver's main target customers are new mothers who are concerned about the possible harmful effects of chemicals on their babies and subsequently, on themselves. They shop at natural health food stores, of which 3,000 retail locations across Canada carry the Green Beaver brand. There is strong brand loyalty for Green beaver products, as customers who use their products use them religiously.

In terms of company performance, Green Beaver has estimated that they own approximately 2% of the organic natural health products market. The market is dominated by American companies such as *Kiss my Face*, *Tom's of Main*, *Jason*, *Burt's Bees*, and *Nature's Gate*. In Canada, Green Beaver's primary competitor is Montreal-based *Druide*. Despite its small market share, Green Beaver has several differentiating factors over its competitors. First, it is 100% organic, unlike its North American competitors who use a small portion of organic ingredients and a larger portion of synthetic ingredients, but still claim to be organic. Second, within the Canadian market, it has a significant advantage over its main competitor, *Druide*, as it has better retailer relationships. Green Beaver is also the cheapest true organic producer in the Canadian market; although it is more expensive than US competitors, its premium price point is justified by its ECO-CERT accreditation and its claim of being truly organic.

KEY SUCCESS FACTORS

Unique strategic mission

Green Beaver aims to improve its customers' well-being by reducing the amount of chemical exposure in their products to zero. The company focuses its efforts on being 100% organic as it differentiates them

from other companies in the industry. Meanwhile, Green Beaver is determined to remain a small and personal company that distributes its products primarily to specialty health food stores and avoids large chains to maintain a strong consumer shopping experience. Consumer education is also at the forefront of their operations, hence their participation in only specialty health stores.

Reputation

Green Beaver is a member of the Canadian Health Foods Association and one of the two Canadian companies certified by ECOCERT. Although this certification is not yet widely recognized in North America, it is likely to become Green Beaver's competitive advantage in the future. The company predicts that new regulations for the cosmetics industry will be established following the trend from Europe and the company will become more reputable since it is already certified.

Product

Green Beaver products are effective and safe for customers and the environment. Their ingredients and methods used are 100% organic, which makes them unique in the industry, as most of the other personal care products in the market labeled as "organic" can contain up to 5% synthetic ingredients. Products are also competitive in terms of price, being the cheapest in the 100% organic cosmetics segment in Canada.

Customer relationships

Green Beaver establishes strong relationships with their customers by providing them with natural and safe products, which also prove to be as effective as the synthetic ones. The company has built a base of loyal customers, who use their products repeatedly. Customer loyalty is significant for Green Beaver as it offers a favourable word of mouth on which the company primarily relies for marketing the brand.

Retailer relationships

The small size of the company has proved to be beneficial when creating and strengthening the relationships with retailers. It allows Green Beaver to make quick and flexible responses to the demand of their product. By maintaining direct and close contact with its retailers, Green Beaver gets favourable terms, such as better shelf location, not to mention store employees who push the products.

KEY TAKEAWAYS FOR SUCCESS

Green Beaver's key success factors can be used as a formula for an efficient strategy in any niche market, not only in the organic personal care products industry. Having identified their core competencies, the company can strengthen its position in the industry by working on their reputation, distributor relationships, customer base and leveraging market opportunities in a similar way to their current approach.

A key priority for any company would be the development of a good brand image, similar to that of Green Beaver. While differentiating and leveraging their competitive advantages, companies should remain devoted to their vision and mission. Green Beaver has exploited its core competency of being 100% organic by obtaining the ECOCERT accreditation and consequently gaining a favourable reputation within the organic personal care products industry. It remains strict about the consistency of its ingredients, and their alignment with its unique strategic mission.

Developing strong relationships with distributors is particularly important within pull markets, where the demand for products comes from retailers. Small businesses have to rely on good partnerships with distributors as they have a significant influence over the company's presence and position in the market. Green Beaver depends strongly on their partnerships with health food stores as the demand for their products is driven by their relationships with retailers.

In the niche industry, it is essential to build a loyal customer base by providing consumers with high quality and differentiated products. Increased product quality influences the consumer's willingness to pay higher prices. Therefore, in order to succeed in the business, it is important to enhance repeated purchases among customers and maintain a high retention ratio in a small market segment. Green Beaver's group of loyal customers, who use their products repeatedly, has contributed greatly to their success.

Lastly, companies should be aware of existing and arising market opportunities in order to leverage them fully. Green Beaver has observed that their brand image is strengthened due to the fact that they are a Canadian company, which allows their products to be perceived as more natural. Therefore, not only do they emphasize their 100% organic nature, but they also emphasize the origin of their products and their ingredients. Another opportunity to strengthen Green Beaver's brand image lies in its ECOCERT certification. Thanks to its ECOCERT accreditation, Green Beaver has built its credibility, allowing it to gain a significant advantage over its competitors.

CONCLUSION

It is evident that Green Beaver has built a sustainable competitive advantage within the organic natural health products industry by leveraging its core competencies of its unique company strategy, great corporate reputation, high quality products and favourable customer and retailer relationships. With growth potential present within such a specialized industry, Green Beaver seems to be in a leading position to capitalize on this growth by continuing to leverage its core competencies.