Case

Roxanne Quimby

Preparation Questions

1. Who can be an entrepreneur?
2. What are the risks, rewards, and trade-offs of a lifestyle business versus a high-potential business—one that will exceed $5 million in sales and grow substantially?
3. What is the difference between an idea and an opportunity? For whom? What can be learned from Exhibits C and D?
4. Why has the company succeeded so far?
5. What should Roxanne and Burt do, and why?

> *Our goal for the first year was $10,000 in total sales. I figured if I could take home half of that, it would be more money than I'd ever seen.*
>
> Roxanne Quimby

Introduction

Roxanne Quimby sat in the president's office of Burt's Bees' newly relocated manufacturing facility in Raleigh, North Carolina. She missed Maine, the company's previous home. Quimby had founded and built Burt's Bees, a manufacturer of beeswax-based personal care products and handmade crafts, in central Maine and wondered if she should move it back there. She explained,

> When we got to North Carolina, we were totally alone. I realized how much of the business existed in the minds of the Maine employees. There, everyone had their mark on the process. That was all lost when we left Maine in 1994. I just kept thinking, "Why did I move Burt's Bees?" I thought I would pick the company up and move it and everything would be the same. Nothing was the same except that I was still working 20-hour days.

Quimby needed to make a decision quickly because Burt's Bees was hiring employees and purchasing equipment. If she pulled out now, she could minimize her losses and rehire the 44 employees she had left back in Maine, since none had new jobs yet. On the other hand, she couldn't ignore the reasons she had decided to leave Maine. In Maine, Burt's Bees would probably never grow over $3 million in sales, and Quimby felt it had potential for much more.

Roxanne Quimby

The Black Sheep

"I was a real black sheep in my family," Quimby said. One sister worked for AMEX, another worked for Charles Schwab, and her father worked for Merrill Lynch, but she was not interested in business. Quimby attended the San Francisco Art Institute in the late 1960s and "got radicalized out there," she explained. "I studied, oil painted, and graduated without any job prospects. I basically dropped out of life. I moved to central Maine where land was really cheap—$100 an acre—and I could live removed from society."

While Quimby was in college, her father discovered she was living with her boyfriend and disowned her. Her father, a Harvard Business School graduate and failed entrepreneur, did give her one gift—an early entrepreneurial education. At the age of five, he told her he wouldn't give her a cent for college but would match every dollar she earned herself. By her high school graduation Quimby had banked $5,000 by working on her father's entrepreneurial projects and selling handmade crafts.

In 1975, Quimby and her boyfriend married and moved to Guilford, Maine—an hour northwest of Bangor. They bought 30 acres at $100 an acre and built a two room house with no electricity, running water, or phone. In 1977, Quimby had twins, and her lifestyle became a burden. She washed diapers in pots of boiling water on a wood-burning stove and struggled to make ends meet with minimum wage jobs. Her marriage broke apart when the twins were four. Quimby put her belongings on a toboggan and pulled it across the snow to a friend's house.

The money-making skills her father forced her to develop allowed Quimby to survive. She and her children lived in a small tent, and Quimby made almost $150 a week by working local flea markets, buying low and selling high. She also held jobs waitressing. Quimby said, "I always felt I had an entrepreneurial spirit. Even as a waitress I felt entrepreneurial because I had control. I couldn't stand it when other people controlled my destiny or performance. Other jobs didn't inspire me to do my best, but waitressing did because I was accountable to myself. Eventually I got fired from these jobs because I didn't hesitate to tell the owners what I thought."

In 1984, Quimby began to question her lifestyle: "I decided I had to make a real income. I started to feel the responsibility of having kids. I had waitressing jobs but there were only three restaurants in town and I had been fired from all three. That's when I hooked up with Burt."

A Kindred Spirit

Like Quimby, Burt Shavitz had dropped out in the early 1970s. A New York native and ex-photographer for *Life* and *New York* magazines, Shavitz livedin an 8-foot by 8-foot former turkey coop on a 20 acre farm in Dexter, Maine. A beekeeper with 30 hives, he earned maybe $3,000 a year selling honey during hunting season, which allowed him to pay property taxes and buy gas for his pickup truck.

When Roxanne first saw Burt, whom she described as a "good-looker," she knew she had to meet him. In an article in *Lear's* magazine Quimby said, "I pretended I was interested in the bees, but I was really interested in Burt. Here was this lone beekeeper. I wanted to fix him, to tame the wild man."[1] When they met in 1984, the bond was immediate. Quimby talked about Shavitz's role at Burt's Bees:

> I convinced Burt into this enterprise. He has always believed in my vision, but unlike me he's emotionally detached and uninvolved. Therefore, he has some great ideas and is more likely to take risks. He's my main sounding board and gives me a lot of moral and psychological support. I never could have done this without him. In all this time, there's never been a conflict between us. The chemistry has always been there. We're just really on the same wavelength. We've been through a lot together that would have broken other relationships. I've always been the motivator and the one involved in day-to-day operations, but very rarely does he disagree with me. He's kind of my guru.
>
> Shavitz taught Quimby about beekeeping and Quimby discovered Shavitz's large stockpile of beeswax. She made candles with the beeswax, took them to a local crafts fair and brought home $200. She remembers, "I had never held that much money in my hand." Burt's Bees was born.

Quimby and Shavitz pooled $400 to launch a honey and beeswax business. They purchased some kitchen appliances for mixing, pouring, and dipping. A friend rented them an abandoned one-room schoolhouse with no heat, running water, windows, or electricity for $150 a year—the cost of the fire insurance. Neither had a phone, so they convinced the local health food store to take messages for Burt's Bees. Quimby traveled to fair after fair, sleeping in the back of a pickup truck and making a few hundred dollars a day. She set what seemed like an impossible goal for the first year's sales—$10,000. That year, 1987, sales were $81,000.

[1] J. Bentham, "Enterprise," *Lear's*, March 1994, pp. 20–21.

Burt's Bees' Early Success

Burt's Bees' big break came in 1989 at a wholesale show in Springfield, Massachusetts. The owner of an upscale Manhattan boutique bought a teddy bear candle and put it in his store's window. The candle was a hit, and the boutique owner barraged the health food store with messages asking for new shipments. Quimby began hiring employees to help with production and expanded the product line to include other handmade crafts and beeswax-based products like lip balm. In 1993, Burt's Bees employed 44.

Quimby explained her transformation into a businessperson:

> After a while, I realized I just liked it. I liked buying and selling things well, adding value. I had no security issues because I'd been living at the bottom for so many years. I knew if worse came to worse and the business failed, I could survive. I'd seen the worst and knew I could handle it. I'd never been trapped by the need for security or a regular paycheck. I loved the freedom of starting a business, of not knowing how it would turn out. It was this big experiment and whether it succeeded or failed totally depended on me. I realized the goal was not the most interesting part; the problems along the way were. I found business was the most incredibly liberating thing. I never would have thought that before. The only rule is that you have to make a little bit more than you spend. As long as you can do that, anything else you do is OK. There are no other opportunities that have as few rules.

Quimby not only liked business, she was good at it. Burt's Bees had been profitable and seen its profits increase (Exhibit A) every year since its founding. National retailers that stocked its products included L.L. Bean, Macy's, and Whole Foods, and it had sales representatives across the country and sold its

EXHIBIT A

Burt's Bees Sales, 1987–1993

Year	Sales
1987	$ 81,000
1988	$ 137,779
1989	$ 180,000
1990	$ 500,000
1991	$ 1,500,000
1992	$2,500,000
1993	$3,000,000

products in every state. Quimby explained its products' appeal:

> We sell really well in urban areas. People in urban areas need us more because they can't step out the front door and get freshness or simplicity. Our products aren't sophisticated or sleek. They're down-home and basic. Everyone has an unconscious desire for more simplicity and our products speak to that need.

The company was debt-free and had never taken out a loan. Quimby didn't even have a credit card. When she applied for one in 1993, by then a millionaire, her sister had to cosign because she had no credit history. She explained:

> I've never taken on debt because I don't ever want to feel like I can't walk away from it this afternoon. That's important to me. A monthly payment would trap me into having to explain my actions. I love being on the edge with no predictability, no one to report to.

Quimby was so debt-averse and cash-aware, she refused to sell products to any retailer that didn't pay its bill within 30 days. That meant refusing orders from retailing powerhouses like I. Magnin and Dean & Deluca. In 1993, with about $3 million in sales, the company wrote off only $2,500 in uncollected debts. That year, Burt's Bees had $800,000 in the bank, and pretax profits of 35 percent of sales.

The Move

The Costs of Doing Business in Maine

Despite its success, Burt's Bees faced three problems due to its northern Maine location:

1. *High transport costs:* Since it wasn't near any metropolitan areas, Burt's Bees paid a fortune to ship products and receive materials.
2. *High payroll taxes:* Burt's Bees was being taxed about 10 percent of its payroll by the state of Maine.
3. *Lack of expertise:* In 1993 Burt's Bees had 44 employees, who Quimby said "brought a set of hands and a good attitude to work, but no skills." As a result, the company made everything by hand. "When we received a shipment of containers or labels, we had to break down the pallets inside the truck because no one knew how to operate a forklift," Quimby said. "There weren't any people with expertise in Maine."

Additionally, Burt's Bees had struggled to keep up with demand since its start. Quimby couldn't focus on broad management issues because she spent most of her time pouring beeswax alongside Burt's Bees' other workers. She explained,

> The business had developed a life of its own and it was telling me it wanted to grow. But it was growing beyond me, my expertise, my goals, and definitely beyond Maine. If I kept it in northern Maine, I would have stunted its growth. But the business was my child in a way, and as its mother I wanted to enable it to grow. The business provided a great income and I could have gone on like that for a while. But I knew it had a lot more potential than $3 million. At the same time, I knew $3 million was the most I could do on my own. I was working all of the time and there was no one to lean on or delegate to.

Why North Carolina?

Quimby felt she had to move the company away from Maine. But to where? She didn't want to live in a big city, but the new location had to be central. Quimby explained how she finally chose North Carolina:

> I had a map of the United States in my office with pins where all of our sales reps were. I used to always look at that map—when I was on the phone, doing paperwork, or just sitting at my desk—until one day I noticed North Carolina. It just seemed central, well placed. And, it turned out, a large percentage of the country's population lives within a 12-hour drive of North Carolina. One of my biggest worries about moving was telling Burt. I said to Burt one day, "We need to move and it looks like North Carolina is the place to go." Burt said, "OK, Roxy," and I thought to myself, "Thank God Burt is always on my wavelength."

Shavitz called the North Carolina Department of Commerce and told him about Burt's Bees. North Carolina was aggressively recruiting companies and was eager to attract Burt's Bees, even though it was much smaller than other companies locating in the "Triangle."[2] The North Carolina Department of Commerce sent Burt's Bees a software program that Quimby used to calculate the taxes Burt's Bees would pay in North Carolina. They were significantly less than the taxes it paid in Maine.

Even better was the large supply of skilled labor in North Carolina. If Burt's Bees moved, it could hire an ex-Revlon plant engineer to establish and operate its manufacturing facility. Quimby also had a lead on a marketing manager in North Carolina with experience at Lancome, Vogue, and Victoria's Secret's personal care products division.

The North Carolina Department of Commerce invited Quimby and Shavitz to tour the Triangle area and available manufacturing facilities. A representative "took us around the whole area for 3 days,"

[2] The "Triangle" area in North Carolina includes Chapel Hill, Raleigh, and Durham and is the home of Research Triangle Park, a large high-tech business park similar to Silicon Valley in California or Route 128 in Massachusetts.

Quimby said. "He showed us tons of plants and real estate. He made us a great offer and we were impressed."

When they got back to Maine, Quimby called the Maine Department of Commerce to give it a chance to keep Burt's Bees in the state. "If they had offered us half the deal North Carolina did," Quimby said, "I would have taken it." The Maine Department of Commerce asked her to call back in a couple of months because the person in charge of business recruiting was out on maternity leave. Quimby marveled, "We were the second largest employer in the town and they didn't respond to us at all. We finally heard from the governor of Maine when he read an article about us in *Forbes*[3] that mentioned we were leaving the state. By then it was too late."

Trimming the Azalea Bush: The Economics of the Move

Roxanne Quimby likened Burt's Bees' move to transplanting an azalea bush in full bloom. She said, "I realized I had to trim and prune radically to allow it to survive."

In Maine, Burt's Bees biggest resource was cheap labor—production line workers earned $5 an hour. Therefore, most of its products were very labor-intensive and all were handmade.

In North Carolina, the company's biggest resource was skilled labor. But skilled labor is expensive, so Burt's Bees wouldn't be able to keep making labor-intensive items. It would have to automate everything and change its product line to skin care products (see Exhibit B for industry employment statistics).

EXHIBIT B

Occupations Employed by Standard Industrial Classification (SIC) 284: Soap, Cleaners, and Toilet Goods

Occupation	% of Industry Total, 1994	% Change to 2005 (Projected)
Packaging and filling machine operators	8.5	−30.1
Hand packers and packagers	6.3	−20.1
Assemblers, fabricators, and hand workers	5.7	16.5
Sales and related workers	4.9	16.5
Freight, stock and material movers, hand	3.6	−6.8
Secretaries, executive, legal and medical	3.5	6.0
Chemical equipment controllers, operators	3.0	4.8
Industrial machinery mechanics	2.7	28.1
Machine operators	2.6	2.6
Industrial truck and tractor operators	2.6	16.5
Chemists	2.5	28.1
Crushing and mixing machine operators	2.5	16.4
General managers and top executives	2.5	10.5
Traffic, shipping, and receiving clerks	2.2	12.1
Marketing, advertising, and PR managers	2.0	16.5
Science and mathematics technicians	1.8	16.5
Bookkeeping, accounting, and auditing clerks	1.8	16.5
Maintenance repairers, general utility	1.7	4.8
Inspectors, testers and graders, precision	1.6	16.5
General office clerks	1.6	−.7
Order clerks, materials, merchandise and service	1.5	13.9
Machine feeders and offbearers	1.5	4.8
Clerical supervisors and managers	1.5	19.1
Professional workers	1.4	39.7
Industrial production managers	1.4	16.4
Stock clerks	1.4	−5.3
Managers and administrators	1.3	16.4
Adjustment clerks	1.2	39.8
Accountants and auditors	1.2	16.5
Management support workers	1.1	16.4
Engineering, mathematical, and science managers	1.1	32.2
Truck drivers, light and heavy	1.0	20.1

Source: *Manufacturing USA: Industry Analyses, Statistics, and Leading Companies,* 5th ed., vol. I, ed. A. J. Darnay, Gale Research Inc. (1996), p. 837.

[3] D.W. Linder, "Dear Dad," *Forbes,* December 6, 1993, pp. 98–99.

Skin care products (for general industry statistics, see Exhibits C and D) require only blending and filling, almost all of which can be done by machinery. "To justify the move to North Carolina from a cost and manufacturing perspective, we would have to make more 'goop,'" Quimby stated. "I looked at my list of prospective new products, and there wasn't anything on the list that we made in 1988."

EXHIBIT C

General Industry Statistics for SIC 2844: Toilet Preparations[a]

	Establishments		Employment			Compensation		Production ($million)			
Year	Total	With ≤ 20 Employees	Total (00s)	Production Workers (00s)	Production Hours (mil)	Payroll ($mil)	Wages ($/hour)	Cost of Materials	Value Added by Manufacture	Value of Shipments	Capital Investment
1988	687	277	64.9	40.5	78.1	1,551.3	9.08	4,445.1	12,053.2	16,293.6	292.6
1989	676	282	63.6	39.4	75.4	1,615.5	9.69	4,758.2	11,979.2	16,641.9	313.7
1990	682	284	63.6	38.1	74.3	1,620.6	10.14	4,904.6	12,104.2	17,048.4	280.4
1991	674	271	57.4	35.6	69.8	1,616.3	10.81	5,046.3	12,047.4	18,753.5	299.5
1992	756	305	60.1	37.2	75.6	1,783.3	10.82	5,611.3	13,167.2	19,706.4	507.3
1993	778	299	61.7	38.6	79.7	1,857.8	10.59	6,152.6	13,588.8	19,736.0	472.6

[a]*Manufacturing USA: Industry Analyses, Statistics, and Leading Companies,* 5th ed., vol. I, ed. A. J. Darnay, Gale Research Inc. (1996), p. 833.

Sources: 1982, 1987, 1992 *Economic Census; Annual Survey of Manufactures,* pp. 83–86, 88–91, 93–94. Establishment counts for noncensus years are from *County Business Patterns.*

EXHIBIT D

Comparison of Toilet Preparations Industry (SIC 2844) to the Average of All U.S. Manufacturing Sectors, 1994[a]

Selected Measurement	All Manufacturing Sectors Average	SIC 2844 Average	Index
Employees per establishment	49	77	157
Payroll per establishment	$ 1,500,273	$ 2,397,065	160
Payroll per employee	$ 30,620	$ 31,191	102
Production workers per establishment	34	47	137
Wages per establishment	$ 853,319	$ 1,061,646	124
Wages per production worker	$ 24,861	$ 22,541	91
Hours per production worker	2,056	2,062	100
Wages per hour	$ 12.09	$ 10.93	90
Value added per establishment	$4,602,255	$17,781,454	386
Value added per employee	$ 93,930	$ 231,375	246
Value added per production worker	$ 134,084	$ 377,541	282
Cost per establishment	$ 5,045,178	$ 8,648,566	171
Cost per employee	$ 102,970	$ 112,536	109
Cost per production worker	$ 146,988	$ 183,629	125
Shipments per establishment	9,576,895	26,332,221	275
Shipments per employee	195,460	342,639	175
Shipments per production worker	279,017	559,093	200
Investment per establishment	$ 321,011	$ 654,570	204
Investment per employee	$ 6,552	$ 8,517	130
Investment per production worker	$ 9,352	$ 13,898	149

[a]*Manufacturing USA: Industry Analyses, Statistics, and Leading Companies*, 5th ed., vol. I, ed. A. J. Darnay, Gale Research Inc. (1996), p. 833.

Quimby planned on retaining Burt's Bees environmental ethic by using primarily natural ingredients—and no chemical preservatives—in its skin care products. Still, though, Burt's Bees would have to become an entirely new company and abandon the product line responsible for its success.

Quimby also realized she and Shavitz couldn't remain the sole owners of the company if she wanted it to grow. Since the inception of Burt's Bees, Roxanne and Burt had held 70 percent and 30 percent of its stock, respectively. Quimby knew the employees she hoped to attract would be highly motivated by stock grants. She also knew sharing ownership would mean feeling accountable to others and having to justify her sometimes unorthodox decisions. Quimby had fought her whole life to avoid accountability and her autonomy was a reason for Burt's Bees' success.

Conclusion

Quimby walked around the empty North Carolina factory. She tried to imagine the empty space filled with machinery and workers, but her mind kept going back to the old schoolhouse in Maine. As she saw it, Quimby had three choices:

1. *Stay in North Carolina:* Quimby could commit to North Carolina and try to get over her doubts. Burt's Bees had promising leads on a plant manager from Revlon and a sales and marketing manager with experience at Lancome, Vogue, and Victoria's Secret. The two would largely fill Quimby's expertise deficit.
2. *Move back to Maine:* Quimby could halt all purchasing and hiring and move back to Maine. She could minimize the sunk costs by acting quickly. Additionally, Burt's Bees could keep its original product line. Maine's governor had told her to call if she changed her mind. She could pursue a deal Maine to mitigate the company's tax, transport, and employment costs.
3. *Sell the company:* Although having only $3 million in sales might be an obstacle, Burt's Bees had received a lot of attention and would be enticing to many prospective buyers. Quimby knew she didn't want to be at Burt's Bees forever and said, "I feel like at some point, this business isn't going to need me anymore. My child will grow up and want to move away from its mother. There are other things I want to do."