

Case 3

True Body Products

Should a Small Company Extend Its Product Line to Satisfy a Key Customer?

In 2007, after spending 15 years in product development and brand management with large companies such as Procter and Gamble, Welch's, and Seventh Generation, Janice Shade decided to start True Body Products, a company in Richmond, Vermont, that markets all-natural, unscented, affordable soaps. True Body's line of soaps is manufactured to strict quality standards by a New England contract manufacturer and sold in 45 Whole Foods stores in the Northeast, Fred Meyer stores in the Northwest, and several independent natural food stores across the United States and online at alice.com, an online household products marketplace. In its first full year of operation, True Body generated sales of \$45,000. Shade was operating the company using the \$100,000 that she and private investors had invested in the company at start-up.

The buyer from Whole Foods with whom Shade works recently approached her with an idea for increasing sales of True Body products. "Why not introduce a line of scented soaps?" the buyer asked Shade. Scented soaps would be a natural extension of the small company's product line, would increase its shelf presence in stores, and would lead to more sales. Shade wanted to avoid alienating or confusing existing customers, many of whom suffered from allergies and purchased True Body products *because* the soaps were unscented. "The most ardent and positive consumer feedback I get is from people who are happy to have found an unscented bar soap," she says. However, Shade thought that the idea of adding a scented line was worth considering. "I want my business to grow to a scale where it makes an impression on the world," she says.

Shade began to research scented soaps and consider the options for her company with her advisory board. She asked the company that manufactures her soaps to create samples of soaps scented with fragrances such as lavender and grapefruit. "Then we started costing them out," says Shade. "That's when the red flags came up." Because True Body's soaps are made with all-natural ingredients, the manufacturer would have to use costly pure essential oils rather than cheaper synthetic fragrances to create the line of scented soaps. The result would be higher prices

for the scented soaps. Shade estimated that True Body soaps would have to retail for \$6.19 for a package of three bars, compared to just \$5.49 for a package of three unscented bars. The higher pricing concerned Shade because she built her company on the premise of marketing soaps that are all-natural *and* affordable. In conversations with the buyer, she learned that if she introduced scented soaps, the retailer planned to set the price of both the unscented and the scented soaps at \$6.19 for a package of three bars.

Concerned that customers would balk at the price increase, Shade considered selling the scented soap in two-bar packages, a pricing tactic that would allow her to offer a lower price point. She agreed with the Whole Foods buyer that True Body needed more in-store shelf exposure and began to consider other ways to expand her company's product line that would be more consistent with her commitment to all-natural, unscented soaps, including liquid hand soap, shampoos, face soap, and others. "I have every intention of growing," says Shade, "but I want to be intentional about it."

Questions

1. Should Shade introduce scented soaps to True Body's product line? Explain.
2. What steps should Shade take to increase the in-store shelf space of True Body's products?
3. Given Shade's vision for her company (soaps that are all-natural, unscented, and affordable), do you think that her concerns over the proposed higher prices that Whole Foods would charge for her unscented soaps are justified? Explain.
4. Write a one-page memo to Janice Shade outlining the key components of a marketing strategy that will increase her company's in-store shelf space and its sales.

Sources: Adapted from Adriana Gardella, "Can a Small Company Say No to Whole Foods?" *New York Times*, June 1, 2010, <http://boss.blogs.nytimes.com/2010/06/01/can-a-small-company-say-no-to-whole-foods/>; Adriana Gardella, "Yes, You Can Say No to Whole Foods," *New York Times*, June 4, 2010, <http://boss.blogs.nytimes.com/2010/06/04/yes-you-can-say-no-to-whole-foods/>; and Adriana Gardella, "A Start-Up Soap Maker Starts to Get Traction," *New York Times*, January 7, 2011, <http://boss.blogs.nytimes.com/2011/01/07/more-of-everything-for-a-start-up-soap-maker/>.