Roxanne Quimby Case

Introduction

Roxanne Quimby sat in the president’s office of Burt’s Bees’ newly relocated manufacturing facility in Raleigh, North Carolina. She was surrounded by unpacked boxes and silence from the moving machines with no one there to operate them. Quimby looked around and asked herself, “Why did I do this?” She felt lonely and missed Maine, Burt’s Bees’ 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 was not convinced she shouldn’t 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 had profound doubts about this move to North Carolina and was seriously considering moving back to Maine. She needed to make a decision quickly because Burt’s Bees was in the process of hiring new employees and purchasing a great deal of manufacturing equipment. If she pulled out now, losses could be minimized and she could hire back each of the 44 employees she had left back in Maine, since none of them had found new jobs yet. On the other hand, it would be hard to ignore all the reasons she had decided to leave Maine in the first place. If she moved Burt’s Bees back, she would face the same problems that inspired this move. In Maine, Burt’s Bees would probably never grow over $3 million in sales, and Quimby felt it had potential for much more.

The Black Sheep

“I was a real black sheep in my family,” Quimby said. She had one sister who worked for AMEX, another sister who worked for Charles Schwab, and her father worked for Merrill Lynch. She was not interested in business at all, though, and considered it dull. 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.”

Personal politics wasn’t the only thing that pushed Quimby below the poverty line. While in college, Roxanne’s father discovered she was living with her boyfriend and disowned her, severing all financial and familial ties. Her father, a Harvard Business School graduate and failed entrepreneur, did give her one gift—an early entrepreneurial education. At the age of five, Roxanne Quimby’s father 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 numerous entrepreneurial projects and selling her own handmade crafts.

In 1975 Quimby and her boyfriend married and moved to Guilford, Maine—an hour northwest of Bangor. They bought 30 acres of land 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 constantly to make ends meet with minimum wage jobs. Her marriage broke apart when the twins were four. Quimby packed up everything she owned on a toboggan and pulled the load 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 described, “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 forced from these jobs because I didn’t hesitate to tell the owners what I thought. I had a bit of an attitude.”

In 1984 Quimby began to question her lifestyle and realized she had to make a change. She explained, “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 Roxanne Quimby, Burt Shavitz had also dropped out of life in the early 70s. A New York native and exphotographer for Life and New York magazines, Shavitz lived in an 8’ by 8’ house (previously a turkey coop) on a 20-acre farm in Dexter, Maine, which he purchased in 1973. Shavitz, a beekeeper with 30 hives, sold honey off the back of his truck during hunting season. He earned maybe $3,000 a year, which was exactly enough to pay property taxes and buy gas for his pickup truck.

When Roxanne first saw Burt, who 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.” When Quimby and Shavitz 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.

In the beginning of their fast friendship, Burt taught Roxanne about beekeeping and Roxanne discovered Burt's large stockpile of beeswax. Quimby suggested making candles with the beeswax. She took her hand-dipped and sculpted candles to a crafts fair at a local high school 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 from their savings to launch a honey and beeswax business. They purchased some household 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 of them had a phone so they convinced the local health food store to take messages for Burt's Bees. Quimby traveled to fair after fair around the region, 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, Burt's Bees made $81,000 in sales.

**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 boutique in Manhattan bought a teddy bear candle and put it in the window of his store. 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 had 44 employees.

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.
Not only did Roxanne Quimby have a passion for business, but she also had a talent. Since the beginning of Burt’s Bees in 1987, the company had never once dipped into the red, had always turned a profit, and its profits had always increased [see Exhibit A]. A number of large national retailers stocked Burt’s Bees’ products including L.L. Bean, Macy’s, and Whole Foods Market Company. By 1993, Burt’s Bees had sales representatives across the country and sold its products in every state. By all accounts, Burt’s Bees’ products were a success. Quimby explained their 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.

**EXHIBIT A**

**Burt’s Bees Sales, 1987-1993**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
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<tbody>
<tr>
<td>1987</td>
<td>$81,000</td>
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<tr>
<td>1988</td>
<td>$137,779</td>
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<tr>
<td>1989</td>
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<td>1991</td>
<td>$1,500,000</td>
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<td>1992</td>
<td>$2,500,000</td>
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<td>1993</td>
<td>$3,000,000</td>
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The company was not only profitable, it was totally debt-free. Burt’s Bees 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, she had to get her sister to co-sign because she had no credit history. She was strongly averse to going into debt. Quimby 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. Anyway, there was no way a bank would have given me the money to start Burt’s Bees. I could just see myself with some banker trying to explain, “I’ve never had a job or anything but could you give me some money because I have this idea about beeswax.”

Quimby was so debt-averse and cash-aware, she refused to sell products to any retailer that didn’t pay its bill within the required 30 days. This meant turning down 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. In the same year, Burt’s Bees had $800,000 in the bank, and pretax profits were 35 percent of sales.
The Move

The Costs of Doing Business in Maine

The main impetus for the move was the excessive costs associated with Burt’s Bees’ location in northern Maine. These costs were:

1. **High transport costs:** “Our transport costs were ridiculously high,” said Quimby. Because of its vast distance from any metropolitan areas, shipping products to distributors and receiving materials were astronomically expensive. Burt’s Bees was almost always the last stop on truckers’ routes.

2. **High payroll taxes:** Burt’s Bees was being taxed about 10 percent of its payroll by the state of Maine. Payroll taxes were so high because unemployment in Maine hovered around 20 percent.

3. **Lack of expertise:** In 1993, Burt’s Bees had 44 employees who were all “welfare moms.” Quimby said, “They brought a set of hands and a good attitude to work. Burt’s Bees’ most popular product, lip balm, was mixed with a household blender then poured from teapots into metal tins. “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. Everything was inefficient and costly. There weren’t any people with expertise in Maine,” Quimby explained. For a while, Quimby aggressively recruited managers from around New England. When they came up to Guilford to interview and realized how isolated the town was, though, they would turn down any offer Quimby made.

Roxanne Quimby moved the company to free Burt’s Bees from these constraints and liberate it to grow. Since beginning operations in 1987, Burt’s Bees struggled to keep up with demand. Quimby had no time to focus on broad management issues since she spent most of her time pouring beeswax along with the other 44 employees in order to fill distributors’ unceasing orders. 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. My lack of formal business training really began to bite me. I didn’t even know about payroll taxes. We would get fined for missing tax deadlines we didn’t even know existed.
Why North Carolina?

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

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.”

Burt got on the phone with a representative at the North Carolina Department of Commerce and told him about Burt’s Bees. Burt and Roxanne were pleasantly surprised to learn North Carolina was extremely aggressive about recruiting new companies to the state and was eager to attract Burt’s Bees, even though it was quite a bit smaller than other companies locating in the “Triangle.” The North Carolina Department of Commerce sent Burt’s Bees a software program which Quimby used to plug in financial information and calculate the estimated taxes Burt’s Bees would pay in North Carolina. The estimated taxes were significantly less than those they were paying in Maine.

Perhaps more compelling, though, was the large supply of skilled labor in North Carolina. If Burt’s Bees moved, it would be able to hire an ex-Revlon plant engineer to establish and operate its manufacturing processes. 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.

As a next step, the North Carolina department of Commerce invited Roxanne and Burt to visit North Carolina for a three day tour of the Triangle area and available manufacturing facilities. “You should have seen the look on the representative’s faces when he picked us up from the airport,” Quimby laughed. “Burt has this deep, gruff voice, so he must have sounded very different on the phone than he looks. Burt is 62, had crazy white hair to his shoulders and a long white beard, is really tall, and pretty much looks like he just walked out of the woods of Maine.” She continued to say, “The representative recovered really well, though and took us around the whole area for three days. 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 Roxanne 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 which mentioned we were leaving the state. By then it was too late. The move was only a few days away and we had already signed lease on the new manufacturing facility.”

**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 the cheap labor—people on the production line were paid $5 an hour. Therefore, most of Burt’s Bees products were very labor-intensive and production was totally unautomated. All of its products, from birdhouses to candles to baby clothes, were handmade.

In North Caroline, though, the company’s biggest resource was skilled labor. But skilled labor is expensive and Burt’s Bees wouldn’t be able to keep making its labor-intensive handmade items. Quimby would have to automate everything and change Burt’s Bees’ whole production line to focus on skincare products. She explained, “Our products in Maine were totally unrelated production-wise, but they were related in the sense that each product communicated down-home values and simplicity. In North Carolina, though, we would have to get rid of all the handmade products and that was pretty much everything. We had to automate.”

When Quimby arrived in North Carolina she sat down to evaluate the product line and decided to focus on skincare. Skincare products require only blending and filling, which is very straightforward, and machinery can do almost everything. “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.”

Quimby planned on retaining Burt’s Bees environmental ethic by excluding any chemical preservatives and using primarily all-natural ingredients in its skincare products. Still, though, Burt’s Bees would have to become an entirely new company and abandon the product line responsible for the company’s early success.

Not only would the product line have to be overhauled, but Roxanne realized she and Burt 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 held 70 percent and 30 percent of its stock, respectively. The truly talented employees Quimby hoped to attract would want shared ownership of the company and would be highly motivated by stock rewards. Quimby knew sharing ownership would mean feeling accountable to others and having to justify her sometimes unorthodox decisions. Accountability was exactly what she had fought so hard to avoid her whole life, and Quimby’s autonomy was partly a cause of her success.
Conclusion

Quimby walked around the empty North Carolina factory. She tried to imagine the empty space filled with machinery and workers, humming with activity and production. Her mind kept reflecting back to the old school house in Maine, though. Was her ambiguity about this move merely a temporary sentimentality or should she listen to her instinct, which hadn’t failed her to date? She had to make a decision soon. As she saw it, Quimby had three choices:

1. Stay in North Carolina: Quimby could mentally and financially commit to the North Carolina move and try to get over her doubts. Burt’s Bees had promising leads in North Carolina on a plant manager from Revlon and a sales and marketing manager with experience at Lancome, Vogue, and Victoria’s Secret. Quimby’s expertise deficit could largely be solved with these two experts.

2. Move back to Maine: Quimby could halt all purchasing and hiring and move back to Maine where most of her ex-employees could be hired back. There would be some sunk costs involved, but they could be minimized if she acted quickly. Additionally, Burt’s Bees could keep its original product line that made the company so successful in the first place. The governor of Maine said to call him if she changed her mind about North Carolina. She could pursue a deal with the state of Maine to mitigate Burt’s Bees’ tax, transport, and employment costs.

3. Sell the Company: Although it might be difficult to attract a buyer at only $3 million in sales, Burt’s Bees had received quite a bit of attention in the industry and would be an enticing purchase 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 which are next on my list.” Quimby dreamed about living in India and working with rural women on product design, production, and marketing of their handmade crafts. If she sold Burt’s Bees, this dream could become an immediate reality.