

MABEL'S LABELS: MOVING FROM ONLINE TO WALMART

Case prepared by David Rose, Conrad Business, Entrepreneurship & Technology Centre, University of Waterloo

While many bricks-and-mortar retailers are developing multichannel marketing systems by adding online options to their distribution strategies, one Canadian online retailer is moving in the other direction. Mabel's Labels, a Hamilton, Ontario, company that manufactures and markets personalized labels for children's clothing, lunch boxes, and other items, has started selling its products through Walmart Canada.

Mabel's Labels began when four moms—Julie Cole, Julie Ellis, Tricia Mumby, and Cynthia Esp—grew tired of their kids coming home from daycare, school, or camp without all their belongings and decided to come up with a solution to the problem. They created a line of personalized labels that can be affixed to clothes, lunch boxes, backpacks, water bottles, and anything else kids tote around and often leave behind. Ten years later, the business had sold more than 50 million labels in 97 countries through its website, and they have registered the trademark for the slogan, "Labels for the stuff kids lose!" They have mastered social media, hired public relations companies to generate attention in mom-oriented media, won plenty of business awards, and built an incredibly loyal customer base. Many celebrity moms have used Mabel's Labels, including Jennifer Garner, Rachel Weisz, Reese Witherspoon, Gwyneth Paltrow, and Victoria Beckham.

Despite the devoted online following, the move to sell products through retailers was in response to the needs of the market, particularly the calls from customers needing labels quickly. As Julie Cole explains, "We all know that feeling—you've procrastinated ordering and your child leaves for camp TOMORROW. Now when you're having a last-minute panic, you'll have the convenience of being able to pick something up in a nearby retail location."

The move to Walmart also provides a convenient way for parents to experience and access the products. The labels are now more widely available to busy moms on the go, who can grab the labels along with other essentials ahead of sending kids off to camp or back to school. People who don't feel comfortable shopping online can now get their hands on Mabel's Labels, too. The partners worried about cannibalizing their own online business by going the retail route, but after conducting market research and focus groups they determined that the two channels served different markets.

A NEW PRODUCT FOR A NEW CHANNEL

Mabel's Labels come in a variety of styles, including sticky labels, clothing labels, shoe tags, and bag tags. All labels can be personalized by choosing the label style and a colourful design and adding the child's name. This highly individualized approach works well in an online environment but created a major challenge when the partners decided to make their labels available in a retail setting. One approach they considered was to stock the most popular names in spinning racks at the stores, the way some other personalized products are displayed, but they were concerned about the potential challenges of managing that system. Cole says, "How do you keep track? Oh, the Jennifers are sold out there and the Alexes are all gone there. It was too overwhelming."

Mabel's Labels' solution was to create a new line of products for the retail channel. After two years of development, they created Write Away!, a new line of peel-and-stick labels that are written on with marker and a clear overlay that is pressed over top as a lamination, making the labels dishwasher and microwave proof. They sell at Walmart for \$10.47 for a package of 30.

WORKING WITH WALMART

The partners were intimidated at the thought of approaching such a big retailer, but they had an incredible experience. From the outset, Walmart Canada was extremely open to learning about an offering from a small Canadian manufacturer, especially one with a strong online presence but no retail presence. The partners discovered that, for Walmart buyers, it's important to stay in touch with what Canadian moms are buying online and what brands they care about. Businesses owned by women are also a big focus for Walmart. Cole describes their reception by Walmart: "Here's little Mabel and big, old Walmart. But they responded really warmly to us. They recognized the value of the product and knew their customers would love it."

DEVELOPING NEW CAPABILITIES

Retail was a whole new territory for the partners, and so it was hard for them to even know where to start. Walmart could move vast quantities of their Write Away! Labels, but what they didn't realize at first was how thoroughly a

Walmart listing would transform their business—and how quickly. From establishing a new supply chain from China to decoding the world of third-party logistics, Mabel's Labels had just four months to reinvent the way it did business to meet Walmart's deadline for the 2012 back-to-school season. "It was as if we were starting a second company," says Cole.

The firm approached this task systematically, doing intensive preparations under the guidance of a key adviser with experience dealing with Walmart and carefully executing the sweeping changes needed to become a Walmart supplier. The Mabel's Labels team's copious preparations helped it overcome the "be careful what you wish for" moment many Walmart suppliers experience when they realize how much they'll have to do to meet the retailer's exacting standards. They first needed to develop realistic sales projections. From there, they determined the production volumes and capital they'd need and mapped out how they'd pick an overseas manufacturer to produce enough labels for 275 Walmart Canada stores. A month after the pitch meeting with Walmart, the two parties struck a deal that met Walmart's two key requests. One request was that Mabel's Labels charge \$12 a pack for the labels on its website, 15 percent more than the \$10.47 Walmart would sell them for. ("They need their everyday low prices," says Cole.) The other was that Walmart would have exclusivity on the Write Away! line among big box stores for one year.

With the deal done, two of the Mabel's Labels partners flew to China to tour three factories recommended by manufacturers they respected. The partners had each plant manufacture a limited run of the labels and then went through a round of quality testing before making a selection. Next, they hired a China-based company recommended by the Canadian consulate in Hong Kong to conduct continuous quality control. As well, they hired a third-party firm in Canada to handle electronic data interchange, the paperless system that Walmart uses to issue purchase orders, receive invoices, process credit memos, and handle other administrative tasks. Finally, they hired a third-party logistics firm to manage shipping the labels from China, taking them through customs, unloading the container, packing smaller shipments, and trucking them to Walmart warehouses across Canada.

They also had to come up with the financing to make all of this happen months before the products hit Walmart's shelves and long before the label maker saw a cent. Cole says that the upfront preparatory work they'd done for the

Walmart pitch prepared the partners for how much credit their firm would need. They were careful to have this financing in place before even pitching to Walmart.

Cole says that the Walmart deal is a huge step for the company, and will mean some hiring. "I can hardly believe it. The labels are on the shelves as of last week. I have never been to Walmart so many times in my life," she jokes. "It was a huge investment, but the outlay of time and money is already paying off."

The strong performance of the Write Away! line in the first few months of sales in Canada helped persuade Walmart to carry the labels in some of its U.S. stores for the 2013 back-to-school season. Plans are also underway for Mabel's Labels products to soon be available in Target.

Sources: Company website, www.mabelslabels.com; Mabel's Labels press releases published on *Market Wire*, December 8, 2009, and June 25, 2012; Eleanor Beaton, "Wowing Wal-Mart (W100 Profile)," *PROFITGuide.com*, October 1, 2012; Francine Kopun, "Mabel's Labels at Wal-Mart Canada," *Moneyville.ca*, June 25, 2012; Julie Cole, "Big News for Mabel's Labels and Other Local Mompreneurs," *YummyMummyClub.ca*, June 20, 2012; Meredith MacLeod, "Mabel Sticking to Walmart," *HamiltonBusiness.com*, June 26, 2012; and Julie Cole, "The Mabel's Labels Story," *RaiseTheHammer.org*, June 6, 2012.

QUESTIONS FOR DISCUSSION

1. Why has Mabel's Labels been so successful selling exclusively online?
2. Can Mabel's Labels maintain its competitive advantage when selling through retail stores? How can it reduce the threat of other competitors entering the write-on label market?
3. Should Mabel's Labels be concerned about Write Away! labels cannibalizing its online products? Should it continue to sell a different product in stores and online?
4. Channel conflict does not appear to be an issue yet, provided Walmart is able to sell at a retail price lower than Mabel's online prices. What steps does Mabel's Labels need to take to prevent channel conflict once it starts to sell through other retail chains?
5. Mabel's Labels' website was very focused on moms, its target market. Now that products are available in retail stores, should it consider targeting other segments that might have different uses for write-on labels?