**EARTHENS – GO GREENER OR GO IT ALONE?**

In August 2009, Alex Casawa, Founder and CEO of Vancouver based Earthens Trading Company Incorporated, faced a critical strategic decision. He had two weeks to decide if he should sign an exclusive distribution agreement with Green Parties Inc.. His alternative was to pursue his strategic plan for establishing his own marketing and sales program for the fully biodegradable Earthens’ plates he had founded.

**Alex Casawa and Earthens Trading Company (ETCI)**

Alex, an international student graduate from Vancouver Island University (VIU), founded Earthen Trading Company Inc. (ETCI)[[1]](#footnote-1) in 2007 as a result of encouragement from his professors. He applied to the canadian federal government for a work visa based on his strategic business plan (See Exhibit 1). The future of his company and his ability to stay in Canada hinged upon Earthens’ success.

Alex needed to achieve his sales and profit targets before his work visa expired in 2011. Following his strategic plan, he quickly learned that there were challenges with both the product and the marketing. Alex worked with his source manufacturer in India to repackage and re-label the product for two market segments in the food services industry. Namely, the retail customer, primarily women aged 30-55, and specialty wholesale distributors such as Green Planet Parties Inc..

**Strategic Plan**

The key focus of Alex’s strategic plan (see Exhibit 1) suggested an approach that positioned ETCI as the primary marketing force to secure major wholesalers in the food services industry. However, Alex struggled to implement his strategy and by July of 2009 was faced with a dilemma: continue to follow the slowly developing strategic plan or change direction and develop a solid distribution channel first.

**Enviro Food Service Industry**

There were several competing types of disposable plates in the industry that ranged from recyclable paper plates and starch based plates, through to non-recyclable Styrofoam plates and plastic plates. There were issues with each type. Soiled paper plates could not always be composted because of the bleaching used to make them. Starch plates looked so much like plastic plates that recycling centers were refusing to accept them due to the sorting challenges. Only Alex’s new Areca Palm based plates were 100% biodegradable when soiled. In addition, the input resources came from a fallen waste product of the palm tree and thus was not as intrusively harvested as was corn, removed from the food chain, and paper produced from killed trees. During environmentally sensitive times Alex believed his cradle-to-grave-green-product biodegradable plates could truly be a winner in the hearts of consumers.

**Competition**

After several visits home to India where similar products had been produced by local farmers for years, Alex found the best manufacturing facility to develop his packaging and product. Alex saw great potential for the North American green conscious market and secured exclusive distribution rights for North America and agreed that the manufacturer could sell the product anywhere else in the world in return for a share opportunity in the manufacturing of similar future goods. As a result, by July of 2009 there were then two additional distributors in other regions of the world for the same manufacturer.

Of primary concern was an impending competitor based in the United States within close proximity to the Eastern Canadian market. This importer had secured a relationship with a large manufacturer in India who by the summer of 2009 had retooled his plant to manufacture a similar plate from similar material. However, Alex still felt that his manufacturer had superior capabilities being co-located within the Areca Palm belt and having had solid ongoing relationships with the local farmers. To mitigate Alex’s superior position, the US company had started to improve their packaging.

**Marketing**

Alex had his pricing and benefit strategy in place (see Exhibit 2). He believed his product was now well established to meet market demands. His real challenge was in developing a solid distribution channel. Alex decided to shift his emphasis from building more market awareness to securing a solid distribution channel such that he could support demand

**Recent Events**

**The Wholesale Challenge**

Having been unsuccessful in placing his product within SYSCO or Neptune, major wholesale distributors in the Canadian food service industry Alex started to focus on the retail environment. Until volumes and demand for his product increased significantly, large wholesalers would not stock his product unless Alex assumed all the risk (i.e. paid for the unsold inventory). These wholesalers tended to rely on market demand strategies.

**Retail Niche Efforts**

First, Alex secured placement with Thrifty Foods and IGA marketplace grocery chains on Vancouver Island and in Vancouver. ETCI also had a few placements with specialty green stores throughout the Greater Vancouver Metropolitan Area. The challenge was in proper support and positioning. Alex could not yet afford to hire someone to manage the placement and market positioning of the product on the shelves. As such, sales were slow to escalate. Although Advent, a wholesaler of green products, did not agree to carry his product, the Advent CEO’s wife had an established company called Green Planet Parties Inc. and expressed interest in using Alex’s product for her green consumer house parties. In so doing, Green Planet Parties Inc. provided major exposure and news articles for Earthens™ and ETCI with their local contact network and marketing skills. As a result, corporate clients in Vancouver started calling Green Planet Parties Inc. to use these fully biodegradable plates to help lessen the carbon footprint for their events and exhibitions.

**Impending Market Exposure**

Shortly thereafter, Alex was invited to participate on CTV’s “Dragon’s Den”, a high profile inventor’s TV program, that was going to be aired the following spring of 2010. To prepare for the expected market exposure from the TV program Alex knew that he quickly needed to build a direct distribution channel for his product as it was too costly for ETCI to distribute a one product item direct to his retail stores. It was more cost effective for someone like Green Planet Parties Inc. who already sold complementary products such as cutlery, other plates, table cloths, and food stuffs to support such a distribution channel with their established infrastructure.

**Distribution Channels**

Green Planet Parties Inc. approached Alex to change their relationship to that of a wholesaler. An offer had been presented to distribute his retail food services market product exclusively in British Columbia at a discount allowing Green Planet Parties Inc. to obtain 30% margins. As Alex had also been approached from across Canada by other interested dealers, he wondered if there was a risk in providing exclusivity. The relationship with Green Planet Parties Inc. had escalated his market exposure and provided an established distribution channel. Alex was not sure whether to funnel all his future sales to the retail sector through Green Parties Inc. in exchange for the distribution channel support and a joint marketing program.

**Conclusion**

Alex had to decide whether or not to change his strategic direction. If so, ETCI and Green Parties Inc. would need to develop a distribution channel contract to solidify their joint marketing and distribution agreement.

**EXHIBIT 1**

**EARTHENS-GO GREENER OR GO IT ALONE?**

**STRATEGIC PLAN (Excerpts)**

Executive Summary

* 1. **Executive Summary**

Earthen Trading Company Inc. or ETCI imports bio-degradable disposable plates called “earthens” made from palm leaves made in India. It is a young sustainable company with a mission to cater to the growing demand for eco-friendly products and a vision of a greener Victoria.

ETCI's product is new and unique to the Canadian market, with no other disposable dinnerware that could match the features of earthens. In other words, ETCI will enjoy a first-mover advantage in its category. It will target both small and medium-sized mature businesses/organizations in BC that have high regard for the environment and/or those that seek to benefit from adopting more environmental practices and portraying a sustainable image. Many of these target groups include school and college cafeterias, bakeries, food courts in public malls, children’s (and other) camp sites, special events, fairs and festivals, and “green” retail outlets. Their objective may be to gain loyalty of conscientious consumers which will help them achieve an edge over their competitors. BC boasts of 9300 retail establishments in a $4.5 billion food service industry which is dynamic in nature in terms of new products and practices.

The 1996 federal Human Activity and the Environment (HAE) survey1 showed that 71% of Canadians realize that the capacity of the planet to provide supply materials and absorb waste is limited. Currently, environmental protection has become a priority of our era, and governments, businesses, and consumers are now working together to fight the potential damage to the environment. The total environmental protection expenditure was estimated at $6.8 billion by Canadian businesses in 2002.

Funding of the company will be done through $100,000 of share capital + $63,000 commercial loan/supplier’s credit. ETCI will start by importing 300,000 earthens and selling 150,000 in the 1st quarter maintaining inventories of at least 300,000 units thereon. It will start covering variable costs by the third quarter of year 1; however will make taxable profit of $58,000 in year 2 and the average gross margin will be maintained at 34.5% annually.

B2B sales will be carried out directly by ETCI, and initial promotional activities will include a product brochure and an informational website ([www.earthentrading.ca](http://www.earthentrading.ca/)). Subsequent marketing done after the first year will include print ads in newspapers and magazines, local radio ads, and educational seminars. For the first year, ETCI’s business will be carried out solely in the CRD of Victoria and to other parts of BC in the 2nd.

ETCI will not be restricted to only importing earthens. It will be importing other eco-friendly goods, such as cups, pen stands, cell phone holders, and soap dishes, etc. made out of coconut shells with an aim to reduce demand for plastic products. However, these products will not be imported before the fourth or fifth year of operations.

* 1. **Keys to Success**
* Product quality
* Customer Service
* Access to distribution channels and suppliers
* Controlling the fixed and variable cost
	1. **Research Methodology**

The idea of marketing disposable plates made out of leaves in Canada was a result of a ‘Sustainable Development’ under-graduate school project. With inspiration and guidance from his professor, Mrinal Casewa (CEO) started research about the Areca leaf plates when he visited India in the summer of 2006. He traveled to Karnataka – South India, visited manufacturing plants, and gathered information about raw material and finished product.

Over the last one year, research has continued through online sources, journals and newspapers, telephone conversations, e-mail correspondences, and formal and informal meetings. Various internet sites have been helpful in understanding the market trends, policies, and getting other information, whereas phone conversations, and meetings have been helpful in making useful contacts, and estimating administrative expenses. Local newspapers and journals were helpful in staying informed about the local community, and reports such as the CRD solid waste report were helpful in gaining insight of what difference could be made by the use of earthens.

1 Human Activity and the Environment – 2000, <http://www.library.mcgill.ca/edrs/data/dli/statcan/hae/haemain.html>. [Accessed on June 18th, 2007].

2 Definition of Triple Bottom Line (TBL) <http://en.wikipedia.org/wiki/Triple_bottom_line>, [Accessed on June 6th, 2007].

* 1. **Company SWOT Analysis**

| Strengths* Unique product.
* Financing available.
* Strong relationship with supplier.
* Well-integrated distribution system.
* Trade-mark protection.
 | Weaknesses* Limited experience.
 |
| --- | --- |
| Opportunities* Become part of sustainable development movement in BC.
* Environmental agencies.
* 2010 Vancouver Olympics
* Increased demand for eco-friendly-products.
 | ***Threats**** New entrants.
* Switching costs for customers.
* Seasonal variation in sales.
* Currency fluctuations.
 |

* 1. **Market Segmentation**

ETCI will target three broad segments for the first 3 years:

* Businesses and institutions including:
1. Limited-service eating places or LSEP’s which are places where patrons order food over a counter or a bar, pay before eating, and wait in line ups like in cafeterias and food courts. ETCI will also target relatively ‘independent’ franchise joints.
2. Special food service providers which includes establishments which provide food services at locations designated by customers like caterers and mobile food retailers.
* Special events organized by government bodies, and grass-roots organizations. These include events such as the FIFA u-20 soccer world cup, Victoria reggae festival, jazz festival, and many more events.
* Food service contractors who supply food materials and kitchen equipment to retailers. These are generally large companies with wide distribution networks such as Sysco Corp. and Neptune Foods Inc.

**EXHIBIT 2**

**EARTHENS-GO GREENER OR GO IT ALONE?**

**PRICING MATRICIES**

**ECO-VALUE PRICE MATRIX (2A)**

ECO-VALUE

PRICE PER PLATE

$0

$0.80

$0.40

0

400

C/G

Pla

CS

Pap

PL

See Definitions Scales below for Abbreviation codes.

**ECO-FRIENDLY BENEFIT MATRIX (2B)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Product | Intrusive | Energy/CF | Recyclable | Biodegradable | Summative Eco Value |
| Ceramic/Glass (C/G) | 6 | ? | 2 | 0 | 8+? |
| Plastic (Pla) | 4 | 4 | 1 | 0 | 9 |
| Corn Starch (CS) | 2 | 2 | 3 | 8 | 15 |
| Paper (Pap) | 2 | 8 | 5 | 5 | 20 |
| Palm Leaves(PL) | 9 | 9 | 10 | 10 | 38 |

**DEFINITIONS/SCALES (2C):** (these are perceived values only – not scientifically deduced)

**Intrusive:**

10 = non environmental intrusion: like the areca palm plates the core product comes from natural waste of the areca palm and is harvested from fallen husks

0=highly intrusive: requires destruction of the living environment to harvest product…harvesting has cross environmental impacts (e.g. corn starch removes food stock from the food chain, paper necessitates the harvesting of trees and impacts the ozone layer)

**Energy/CF (carbon footprint):**

10=no energy is required and the impact on the carbon footprint is perceived to be neutral

0=large amounts of energy are needed to either produce or recycle the product and the impact on the carbon footprint is perceived to be negative (high)

**Recyclable:**

10=fully recyclable

0=not recyclable

**Biodegrable:**

Refers to the compost ability and/or the willingness of BC communities to accept into their public composting program

0=fully biodegradable

10=not at all

1. See website: [www.earthens.ca](http://www.earthens.ca) [↑](#footnote-ref-1)