
Section 22

**AND NOW
FOR SOMETHING
COMPLETELY DIFFERENT**

There are also licenses around the world: Jones first went global in 1995 with Japan, where a distributor had shown interest very early on, but nobody was sure how the Dots would fare on the voyage. So in 1994, Jones brought a shipping container into the parking lot, filled it with dry ice and Dippin' Dots and waited to see how long it took to melt. It lasted 15 days—just long enough to make the ocean crossing.

In 2004, Dippin' Dots had revenue of \$40 million. It has a sister factory in South Korea, and sends its Dots worldwide in refrigerated containers, approximately 50,000 dots to the gallon. Jones, who likes golf and ballroom dancing and has five pets, hopes to grow the business to \$100 million, and then see how he feels about it. “I’m still having fun with it,” he says.

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Build-A-Bear Workshop

It’s never too late to rethink a timeless product

BY THE END OF THE TWENTIETH CENTURY, THE COMMERCIAL potential of the humble teddy bear had been pretty well exhausted. Available everywhere from your local service station to FAO Schwartz, in any color, price, size, and even species you could think of, it seemed there was little room for a new “concept” in bears.

So when Maxine Clark, a recently retired retail executive from St. Louis, Missouri, started pitching her idea for a teddy bear shop to

venture capitalists, it's not surprising she received a polite "thanks, but no thanks." So Clark invested \$750,000 of her own cash, went ahead anyway and now, eight years later, is a majority shareholder in a public company with annual sales (in fiscal 2004) of some \$302 million.

Clark's idea was Build-A-Bear Workshop, a chain of stores where instead of choosing and paying for a teddy bear, you build your own. Her stores are set up like mini versions of Santa's workshop. Assisted by staff, customers choose an unstuffed animal skin (anything from a teddy bear to a frog), then make a wish on a little satin heart, which goes inside, then they stuff the creature with as much filling as they want—loose and baggy or tight and plump. For an extra fee they can then dress their bear in a range of cute outfits. Build-A-Bear capitalized on two trends: customization and "retail-tainment," where you go to the mall to do something fun.

Clark opened her first store in October 1997. Meanwhile a local angel investor had read about her idea in a local paper and called up to offer her \$4.3 million in growth capital. By Christmas so many investors were calling up, Clark didn't have time to return all their calls. "The day it opened we knew right away we had a winner," she says.

Build-A-Bear Workshop expanded rapidly to some two hundred company-owned stores across the country by the end of 2005, with franchises taking the concept overseas. Clark took the company public in October 2004, but remained the majority shareholder with some 18 percent of the stock. Why go public and endure the scrutiny and whims of shareholders?

"I had always eventually planned to be a public company as I had it in my original business plan," Clark says, adding, "I did have investors who would eventually need to exit. Buying out my partners to stay private would have been very costly and probably due to the debt involved, would have slowed our growth potential."

Clark says she had the idea when a ten-year-old friend was having trouble finding a particular Beanie Baby during the height of

that craze and came up with a solution. “She said, ‘I think we can make these,’” Clark recalls.

Clark was then age forty-seven and had recently retired from her position as head of Payless ShoeSource, the country’s largest shoe retailer. She had grown tired of commuting from her home and husband in St. Louis to Payless’s head office in Kansas—“That was no great way to live”—and was, she says, looking for a more creative outlet for her experience.

Born the daughter of a Coral Gables lighting store owner father and a social worker mother, Clark briefly flirted with becoming a journalist while studying at the University of Georgia, but majored in advertising and marketing and discovered she loved it. She spent the next twenty-five years of her career learning the ins and outs of retail, from marketing to manufacturing in factories in China, holding down executive roles at Venture Stores in St. Louis, Famous-Barr, and then Payless.

Clark had no children, and she and her husband had paid off their mortgage when she resigned from Payless, so she was under less financial pressure than many start-up entrepreneurs; nevertheless, she approached her germ of an idea cautiously. She checked out stuffed-animal factories, and, using the Internet, she first investigated whether there were any do-it-yourself bear businesses already in operation; there turned out to be several, all small. She says she approached a few to see if one might be worth buying; one, San Francisco’s Basic Brown Bear Factory later filed suit against her, claiming in part her company had breached the terms of a nondisclosure agreement. It was later settled out of court with a confidentiality clause.

Wherever the idea really came from, it was Clark’s execution that was the key, particularly little touches such as a barcode that allowed your lost bear to find its way home, via a scanner at the store—just like a real missing pet. She also built a database that sent out greetings on both the customer’s and the stuffed animal’s birthday, along

with suggestions they might like to pop into the store for a celebratory new outfit, which helps to generate year-round business. Oprah Winfrey, for one, was taken with the feelgood factor idea, inviting Clark onto the show in February 2004 to build a bear for her. Sales exploded.

Clark drew heavily on her experience and contacts, using suppliers she knew already in China for the raw materials and, most importantly, she says, she had a detailed 10-year business plan that allowed for reinvesting profits in store improvements and new concepts. Build-A-Bear has also fiercely defended its brand against copycats, threatening legal action through cease-and-desist letters, though Clark herself doesn't seem too troubled by imitators. "People can only copy what they see in the stores now and in six months time we'll be way ahead," she says, adding, she says, "in addition, Build-A-Bear Workshop is as much about the experience as the product." And there's the bottom line, too: "You need a lot of capital to start a retail business."

Build-A-Bear is already expanding cautiously into another line called Friends2Bmade, in which girls can construct their own dolls. Dolls were at first part of a freestanding display in about sixty Build-A-Bear Workshop stores and based on the success, Build-A-Bear Workshop opened five Friends2Bmade stores in 2005.

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