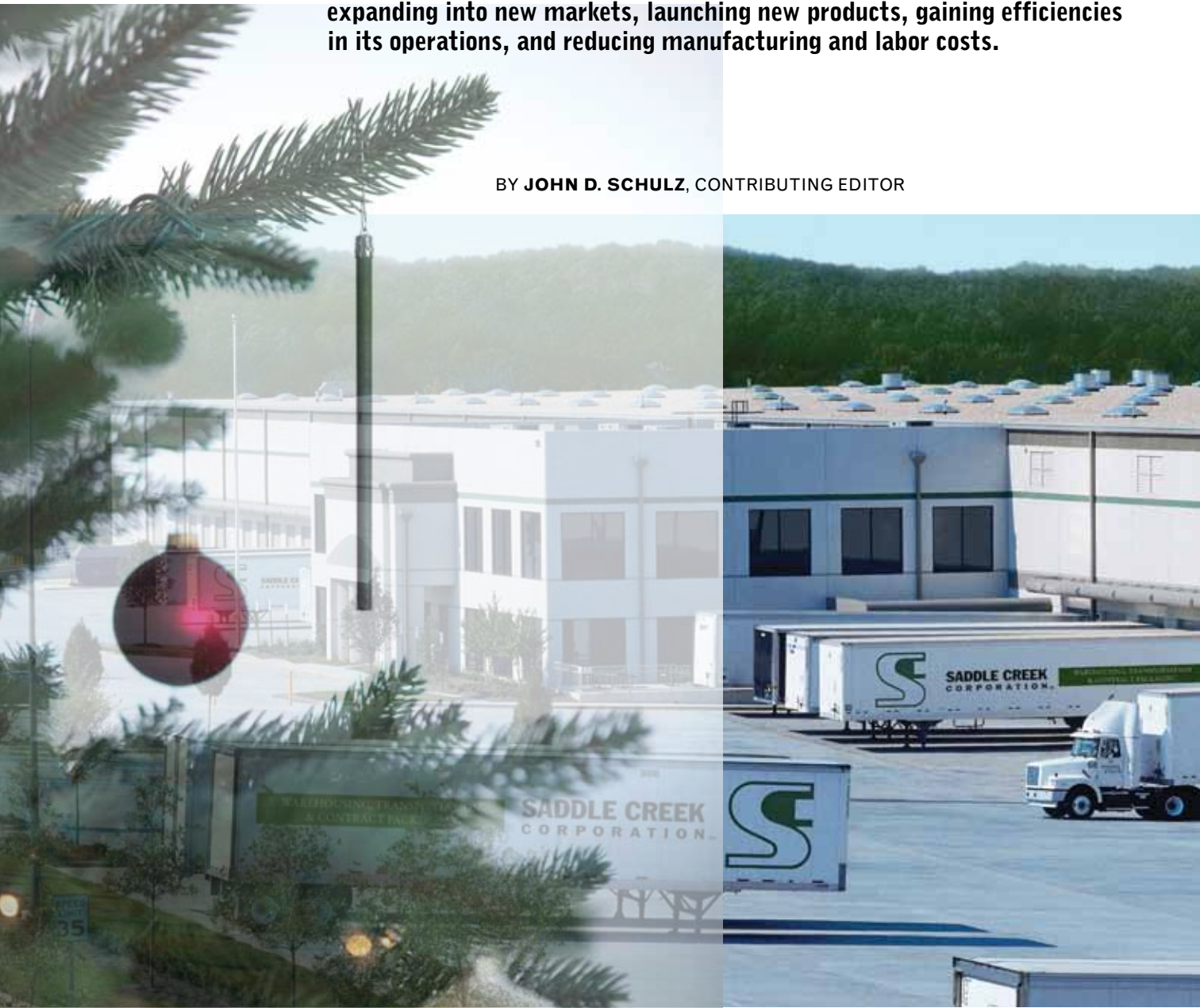


EnviroScent concentrates on

By continually working to expand its 3PL relationship, this fast-growing manufacturer has been able to concentrate on the bigger picture—expanding into new markets, launching new products, gaining efficiencies in its operations, and reducing manufacturing and labor costs.

BY JOHN D. SCHULZ, CONTRIBUTING EDITOR



STRENGTHS



Sometimes the key to a successful enterprise is realizing one's strengths—and weaknesses. Just ask Nick McKay, chief executive officer of EnviroScent, a fast-growing, Atlanta-based marketer of home fragrance products. In fact, McKay now oversees an enter-

prise that expanded revenue by 400 percent last year and is on pace for similar growth over the course of 2011.

However, according to McKay, meteoric growth for this unique company was not always a sure bet. Three years ago, a big-box retailer wanted to increase its business with EnviroScent in a major way. That's usually a good thing; however, McKay quickly realized that his company couldn't provide the manufacturing, production, and distribution of its products in-house—with a staff of 20 employees in Atlanta—that could match the level of the retailer's demands.

McKay says that in the past the choice was always to be the best developer of home fragrances and, at the same time, be the best manufacturer of their own products—but the growth was making this double-duty too overwhelming.

"With any company, you can do anything, but you can't do everything," says McKay. "It was at that point when we made the strategic decision to focus on certain things that we're good at doing. For everything else we decided to choose to partner with companies that are best-in-class in functional areas where we simply couldn't be world class."

EnviroScent made the decision to focus on its own core business and

leverage the strengths of a third-party logistics provider (3PL), Saddle Creek Corp., in packaging, distribution, transportation, and logistics. According to McKay, Saddle Creek also went beyond traditional 3PL services to provide contract-manufacturing capabilities.

By expanding its 3PL relationship, EnviroScent has been able to concentrate on the bigger picture—expanding into new markets as it launched new products, gaining efficiencies in its operations, and reducing manufacturing and labor costs.

And the results have been nothing less than spectacular. Privately held EnviroScent doesn't release profitability, however McKay says his company is in the black, growing revenue four times year-over-year, while concentrating its expertise on development of new innovations to make inroads in the \$7 billion North American home fragrance market.

GROWING PAINS

EnviroScent is a classic American start-up story. In 2001, Jeff Sherwood, a former NASA primate zoologist and self-described "serial entrepreneur," and his wife Sharon, decided the world could smell a little better. They began a start-up company providing fragrance-based solutions.

Among its products are ScentStems, a new bouquet enhancer product; ScentSicles that bring trees, wreaths, and garland to life with the authentic smell of fresh-cut Douglas fir, white pine, and blue spruce; and ScentSticks, that freshen homes and are infused with pure fragrance oil for



According to EnviroScent's Nick McKay, Saddle Creek went beyond traditional 3PL services to provide contract manufacturing capabilities, all of which are based in the provider's 1+ million-square-foot facility in Atlanta.

longevity. EnviroScent's products have been featured in national events such as the Rockefeller Center Tree Lighting and other seasonal celebrations.

But a couple years ago, because of the seasonality of some of its products, EnviroScent was nearly overwhelmed by demand from a major retailer. At that time, it realized it had to engage a 3PL to take some of the manufacturing load off its hands. In the spring of 2010, it conducted interviews with about a dozen 3PLs before settling on Saddle Creek.

"The market place doesn't have a pure play manufacturer and 3PL under one roof, so we evaluated the companies' ability to stretch their expertise," says McKay, adding that he believed Saddle Creek had competencies around process, ISO compliance particularly in co-packing, and the ability to expand those competencies into manufacturing.

"We saw an emerging opportunity for them to be a turnkey supply chain manager for companies like ours," says McKay. And by the time EnviroScent engaged Saddle Creek in mid-May 2010, the scent-maker had a highly seasonal business keyed to the fall and Christmas holiday season.

"We live by three tenets as we serve

our retail partners—on time, error-free, and complete," McKay says. "Quality and zero defects are must-haves as well. Our focus was to deliver those three objectives throughout the season."

And how has the 3PL relationship delivered? Over the past three years since the start, McKay says flatly: "We've had zero missed deadlines, zero missed orders, zero errors."

FINE TUNING THE 3PL PARTNERSHIP

After Saddle Creek took over in mid-May 2010, it relocated what had been EnviroScent's manufacturing operation to a Saddle Creek-operated facility in Atlanta. It began shipping products from that location in mid-July, just before the peak.

The first order of business was the refinement of EnviroScent's supply chain. Saddle Creek was introduced to the company's vendors to allow an optimization of manufacturing process. And as peak production season was getting under way, EnviroScent moved its manufacturing operations. It then worked with Saddle Creek to identify and implement Lean process improvements necessary to meet the aggressive

90-day target for new manufacturing processes under its 3PL.

According to McKay, the 3PL provided a comprehensive solution, including material sourcing, light manufacturing, order fulfillment, warehousing, and distribution. With these integrated capabilities, the 3PL met EnviroScent's exacting specifications—which finally allowed the company to focus on its core competency.

Scott Trahan, general manager of Saddle Creek's Atlanta operations, says his company's core businesses are warehousing, transportation, and packaging. But because EnviroScent's proposal was so well thought-out and analytical, it allowed Saddle Creek to expand in non-traditional areas, such as manufacturing.

"It was a little bit of natural progression into the manufacturing side," says Trahan. "But there was a short-term and long-term plan."

The biggest hurdle, Trahan explains, was getting used to EnviroScent's operations. Accustomed to dealing with larger organizations, Saddle Creek had to adjust to a smaller, very entrepreneurial company. "We had to work with them on rapidly changing requirements and directions," he says. "A lot of products were new. There were lots of changes in material procurement, and we had to be very quick and responsive."

In 2011, EnviroScent's business is not nearly as seasonally oriented as it was just last year when its products were geared to the holiday season. With Saddle Creek's assistance, it has evened out demand over 12 months and it has launched new products not geared to the holidays. "And we make sure they are manufactured at competitive prices," McKay says.

Asked if he was surprised by his 3PL's efficiencies, McKay responded: "We have high expectations of ourselves and our partners, and we're not often surprised. I'd say we were clearly pleased with the performance, and it validated the process we undertook to find the right partner."

According to McKay, a strong emphasis on processes and communications were the keys to making it work. There are standing weekly meetings on site with Saddle Creek person-

Going green while still smelling sweet

EnviroScent's successful 3PL partnership has allowed it to focus on three major corporate goals:

1. Development of distinct fragrances that are authentic, pure, and inspired by the best of nature.
2. Innovation based on deep consumer insights, enabling it to offer truly unique products that no other company in the industry can offer.
3. Take a greener approach to home fragrance.

Through its supply chain, the company has been able to source as local as possible to ensure that all packaging, shipping, and display materials are recyclable, placing it in a unique category in the industry. That environmental stewardship is extremely important to EnviroScent CEO Nick McKay.

"Our core products are from natural biodegradable fibers sources from sustainability resources and infused

with pure fragrances—locally, if possible," McKay says. "Our packaging and shipping materials are recyclable from cradle to grave."

McKay calls his environmental approach "exceptionally different" from his competitors. "In fact, it's a key point of differentiation for us. We believe it's right. Each fragrance is a unique animal and poses different challenges from a packaging point of view. The easiest road is virgin nonrecyclable plastic. But to find a solution that honors the environment required an incredible amount of research and development to get it right."

EnviroScent's supply chain is 95 percent U.S.-based, and it has chosen vendors, wherever possible, who are local to the Atlanta area, or within a short driving distance. "This reduces our freight considerably, which has obvious environmental benefits," McKay says.

nel where new product development efforts are discussed in detail.

“There has to be proper visibility well before decisions are made in order for products to be optimized for manufacturing,” he says. “Our discussions rarely center on what we’re delivering this week, although that’s a must-have with any supply chain partner. Instead, our discussions are often on research and development and management of products in our pipeline.”

McKay’s advice to potential outsourcers of manufacturing and distribution is to make sure “you are placing a square peg in a square hole.” He recommends thinking three to five years ahead, identifying what challenges are down the road. “It’s not just product and manufacturing, but the core values have to be right from the first day,” he says. “Otherwise it’s destined to fail.”

MUTUAL BENEFITS ABOUND

McKay says that the Saddle Creek arrangement works because of both

companies’ core values. “Both have long-term visions for success, with short-term goals to guide them there. Both are well-financed operations. Both have very detail-focused employees who very good thinkers and experts at what they do,” says McKay.

It has allowed EnviroScent to keep manufacturing products onshore and remain one of the few “Made-in-USA” companies in its field. According to McKay, its 3PL partner not only helped EnviroScent meet its critical customer deadline, but it provided creative ideas for saving money, streamlining processes, and improving distribution along the way.

For example, through the outsourcing of manufacturing to the control of the 3PL, EnviroScent was able to reduce its labor requirements by 20 to 30 percent. This success has prompted EnviroScent to partner with Saddle Creek for other processes, including design and product development.

For Saddle Creek, the biggest ben-

efit has been the ability to market itself to other customers seeking manufacturing help. Or as Trahan puts it: “We get the ‘wow’ factor with potential customers saying, ‘I didn’t realize you guys were able to do this.’”

For McKay, his goals are clearly set on “continued excellence.” Specifically, he says he’s looking for scalability improvements, continually improving processes, and the ability to deliver better performance against key metrics.

The company wants to continue producing products in the U.S. and bring process improvements to begin marketing products globally. “Speed is our currency in the world we play in,” McKay says. “When an opportunity presents itself, we evaluate and deploy resources against it. We want to deliver great products and we have a supply chain that can run alongside that.” □

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