

HOPE BLOOMS: MARKETING A SOCIAL ENTERPRISE AFTER DRAGONS' DEN

Margaret McKee, Ethan Pancer, and Chantal Hervieux wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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A day before her last board of directors' meeting for 2015, Jessie Jollymore, executive director and founder of Hope Blooms (HB), reflected on the past year. An appearance on the CBC show *Dragons' Den* two years earlier had significantly increased the profile of HB and helped attract new customers and social investors. The organization had recently moved into a permanent home in a newly renovated retail and manufacturing space in the heart of Halifax, Nova Scotia. It had signed a new distribution deal with a major grocery store chain that would sell HB's dressings in a few selected pilot stores and return 100 per cent of the sales to the organization. HB had also become a registered charity, which had its own unique opportunities and challenges.

By making the business a registered charity, Jollymore aimed to protect and grow it for the youth involved in HB's programs. Yet, being a registered charity brought constraints and did not solve two of the organization's fundamental problems: how could the retail operations provide stable employment for its youth members, and how could HB increase its profits to continue to expand its activities? The retail business really had just one product category: fresh herb dressings. The dressings were popular and consistently sold out at local markets and grocery stores, which constrained certain growth opportunities based on production and capacity issues. As Jollymore prepared for her upcoming board of directors' meeting, she had an eye on the future beyond securing charitable donations and grants. She was thinking of ways to successfully grow the business while creating sustainable funding for youth-driven projects in a community that had been marginalized for generations.

THE GERMINATION OF AN IDEA

Jollymore launched HB in 2007 while she was working as a registered dietitian at the North End Community Health Centre. She had been with the health centre for eight years, helping to educate people about healthy eating, food security issues, and dealing with food-related chronic illness such as diabetes. Jollymore had come to realize that simply telling people about the importance of a healthy diet was not enough. She realized that if people could not afford to buy healthy food, they felt disempowered. In getting to know the youth and families through her time in the North End community, Jollymore had developed a

love for their rich culture and heritage. She was fond of saying that “beauty and brilliance are not defined by a postal code,” and she meant it. She had spent much of 2006 looking for a way to help the youth in the North End become change makers who would actively build brighter futures for themselves while contributing to the health and well-being of their home community.

Six months later, with these ideas still in the back of her mind, Jollymore was walking past an abandoned garden next to Uniacke Square and Murray Warrington Park, in the heart of Halifax’s inner city. Jollymore thought back to a magazine photo she had recently seen on a flight back to Nova Scotia, which showed two African American teenagers from New York City’s Bronx district receiving a “Presidential Award” for starting their own social business with coffee beans. In a flash, the inspiration came to her. She could connect the teens in her community with the abandoned lot. The idea for HB was born: to create a business venture spearheaded by youth from the inner city, who would learn to grow organic food for their families and community, and develop as future business people and community leaders.

LAUNCHING HOPE BLOOMS

Jollymore contacted community members, local organizations and schools, and Halifax Regional Municipality (HRM) staff to see who might be interested in partnering with her on this venture. Four months later, after working through many meetings and speaking to elementary school classes, she managed to secure permission to use the land as a community garden. She was warned that the garden would be vandalized, and she was shrugged off as being too idealistic, but Jollymore did not get discouraged.

In the first year of operation, Jollymore recruited nine youths between six and nine years of age to take part in the program. They had a launch party with a small barbecue, taking buckets of water to the garden in a kid-sized wagon. The city donated over 100 tomato transplants, so the youths learned how to grow tomatoes. They added some hot peppers and, after applying to the Black Business Initiative to have a summer business school, they decided to start a salsa business. They named it “Salsamania.” They made over 150 bottles of salsa and donated all of their profits to a shelter for women and children needing short-term housing. Jollymore recounted that they walked away from the experience with two key learnings: they never wanted to make another bottle of salsa again, and they needed to diversify what they were growing. However, a love of entrepreneurship had also been born. The impact of this first year was so great that the youth who started in HB in 2007 were still with HB in 2015.

The second year, they branched out and started planting seedlings themselves. They also expanded the garden and attracted seven more youths. They grew over 130 kilograms of vegetables that summer and held their own farmers’ market on-site at the garden, calling the business “Super Sonic Veggies.” Jollymore recalled the key learnings from that year:

We learned a lot about the Four Ps of marketing. We learned that selling vegetables in a community that faces food insecurity on a daily basis is not a viable business. We charged people \$2¹ for a bag of vegetables that they selected. They were happy, and so we were happy. But at the end of the harvest, it was not a sustainable enterprise.

Over the next few months, Jollymore and the youths talked about their mistakes and performed market research. Jollymore’s daughter, a trained chef and recent competitor on *Top Chef Canada*, suggested salad dressing as a possible product. Some additional research showed there was strong consumer interest in healthy alternatives to rich, creamy dressings. The herb dressings they considered had the advantages of

¹ All currency amounts are in Canadian dollars (CA\$); CA\$1.00 = US\$0.94 on September 30, 2008.

being relatively easy to make without a full industrial kitchen and of having a one-year shelf life, assuming pH levels were maintained. Having grown to include 26 youths and expanded from three garden plots to 15, the group felt this was doable and would allow them to stay true to their roots. They could continue to grow food, give much of it away to their community, and still have enough produce to create a product that would generate profits for community investment, including a scholarship fund for post-secondary studies.

That next summer, in 2010, Jollymore and the youths grew over 360 kilograms of vegetables for their community. They also grew herbs and garlic for their dressings and sold over 500 bottles at the Saturday farmers' market, generating \$500² for their scholarship fund.

PITCHING ON DRAGONS' DEN

The momentum continued over the next two years, and in 2013, Jollymore and the kids rocketed to national attention. They were invited to appear on the hit CBC show, *Dragons' Den*. Seven of the older youths between the ages of 10 and 14 were picked to represent HB on the show. They prepared and rehearsed for two months. They downloaded almost every episode of the program, and each person was assigned to be a specialist in some aspect of HB's operations. Their pitch to the "dragons" was for funding to make a new greenhouse in return for a 5 per cent royalty until the initial loan could be repaid. They came home with a \$40,000³ contribution from the dragons; however, it was a straight donation, with no stipulations regarding how monies were to be allocated. That year, viewers across Canada voted HB as the top story on "Only in Canada," a news segment on CBC's *The National*.

Eight years since its conception, backed with a lot of perseverance and community support, HB was thriving. Over 50 youths and their families were changing their community for the better. As Jollymore said, "They're demonstrating that, when you change the way you look at things, the things you look at change."

COMMUNITY OUTREACH PROGRAMS

The stated mission of HB was "to empower at-risk youth to be actively engaged in building environments that directly impact the social determinants of health in their communities." It worked to achieve this mission through a number of initiatives—some commercially focused and others more community and socially focused.

Community Garden and Greenhouse

The central activity of HB was operating a small, one-acre, urban community garden and greenhouse. Between April and October each year, the garden yielded over 1,000 kilograms of produce. The garden was subdivided into 30 plots, and 20 of these were made available free to local families. HB supported all the gardeners with training, seeds, transplants, tools, and biweekly support. The greenhouse was used to grow herbs for the dressings, and, with its aquaponics system and vertical farm, it also functioned as an innovative, hands-on, outdoor classroom for schools and the community.

² CA\$1.00 = US\$0.97 on October 3, 2010.

³ CA\$1.00 = US\$0.95 on November 14, 2013.

Fresh Herb Dressing Program

The herb dressing program provided a much needed revenue source for HB and, at the same time, contributed to the attainment of its broader social mission. The program helped develop the entrepreneurial and leadership skills of youth members. Participating youth received training and instruction in all aspects of the dressing operation. They attended sessions put on by HB's staff and local volunteer experts on such topics as organic and sustainable farming; the health components of the dressing; safe food handling; dressing production; and public relations, marketing, and sales. Youth members who were interested in taking on a youth leadership role could take advantage of additional management skills training and mentorship.

Junior Leadership Development Program

HB's mentorship program ran year-round, with meetings three times a week. Participating youth were matched with leaders in their fields of interest. They had opportunities to develop their skills in organic gardening, and four youth members completed a six-month master organic gardeners' course. Members could also take other courses on training and innovation.

Community Suppers and Soups for Seniors

Youth members used produce from their gardens to host free community suppers, and they provided seniors facing food insecurity with homemade soup that HB members delivered to them free of charge.

Post-secondary Scholarship Program

A scholarship program was established for HB's members. One dollar from every bottle of dressing sold was invested in the scholarship fund. To be eligible to receive scholarship support, youths needed to volunteer with HB for a minimum of four years and live in the catchment area.

Community Investment

A separate community investment fund was created. Again, one dollar from every bottle of dressing sold was invested in the fund, and, in this case, HB members decided how the funds would be distributed in the local community. Examples of contributions included: (1) a donation of funds to a shelter for women and children experiencing or at risk of homelessness; (2) a \$500 scholarship for an individual youth in the community who was not involved in the program but was planning to attend college; (3) provision of lunches to a local school lunch program; and (4) preparation of a three-course meal for an organization for homeless and street-involved youth.

HOPE BLOOMS IN 2015

Jollymore had recently established HB as a registered charity. This allowed HB to generate non-taxable income that kept pricing low and still presented adequate margins. HB also received direct donations and gifts that provided tax exemptions for donors.

The organization also established a board of directors. The board consisted of 10 people recruited from local businesses and the community. This step allowed Jollymore to establish the older youths as official members of HB and secure their position as the driving force and “owners” of the organization. It also helped ensure that HB’s business operations remained aligned with its original mission and values.

Finally, Jollymore hoped the new charitable status would help ensure the sustainability of HB and position it to realize a new, longer-term goal with an educational focus. Jollymore wanted to build on HB’s successful track record of building a strong, impactful, child-to-adult mentorship program, to create a multi-year and multi-faceted educational program, and ultimately to lead HB participants to post-secondary education.

Staffing

HB had two full-time staff members, four part-time staff members, and over 50 volunteers. Jollymore was now the full-time executive director. She was responsible for operational management, fundraising, financials, public relations, social media, outreach, and speaking engagements. Alvero Wiggins was the program coordinator. He had been working with the organization since 2010. He had a background in youth and recreation and was a native of the area. Wiggins was responsible for working with Jollymore to create, implement, and oversee all programming. He was the lead on youth mentorship and program delivery. The part-time staff included Peter Wilkinson, the urban greenhouse coordinator; Tara Downey, the community garden coordinator; Ashley Cheverie, the bookkeeper; and Mamadou Wade, who was responsible for marketing. HB was fortunate to have a lean but dedicated staff who made compensation compromises to help achieve the HB vision. The total wages and benefits for all staff cost just \$91,519 in the last fiscal year.

There were 14 youth leaders, aged 13 to 16, involved in running the social enterprise. They were each given an honorarium up to a maximum of \$100⁴ per month for four hours of work each week producing products, marketing and selling the dressings, or helping with finances and administration. The remaining 38 members of HB were responsible for greenhouse and garden operations.

Facilities

After being housed for six years in the North End Community Centre, HB moved into its own dedicated location on Cornwallis Street on December 5, 2014. The 93-square-metre space served as a production facility, retail outlet, and gathering place for the youth and community at large. Its state-of-the-art, stainless steel, commercial kitchen was built with the support of community members and donations from local businesses—especially the restaurant sector—and was designed for dressing production, cooking demonstrations, and community suppers. While the space met current needs, there was limited storage space for the bottles and other supplies.

HB initially operated a small, cold-frame greenhouse and used that to start plants for six small garden plots that it operated for the dressing business. Thanks to generous support from the community, a new 139-square-metre, year-round greenhouse was constructed adjacent to the garden on Brunswick Street. It officially opened on May 1, 2015. Built with generous contributions from Bullfrog Power and significant volunteer assistance from a host of tradespeople from Build Right Nova Scotia, this new greenhouse, built on HRM property, was a fully “off-grid” facility designed by a 14-year-old HB member involved with the

⁴ CA\$1.00 = US\$0.75 on December 1, 2015.

project. The new facility made it possible for HB to grow as much as 900 kilograms of additional herbs and vegetables year-round for its retail products and educational programs.

Marketing

HB's primary retail product was a line of five fresh herb dressings. The dressings were made with herbs from HB's own garden and greenhouse and high-quality ingredients sourced from a variety of suppliers (see Exhibit 1). The flavours consisted of Fresh Basil Pesto, Fire Roasted Oregano, Maple Sage Balsamic, Orange Rosemary Dijon, and—the latest addition—Peppered Cranberry Chive, which was introduced in 2014. While the dressings were traditionally associated with vegetable or pasta salads, they also functioned effectively as marinades for meat and fish or other dishes looking for flavour and spice.

The dressings were sold in 250 millilitre glass bottles with a black plastic tamper-proof cap. Each variety featured a common label with a black and white photo of Barbara and Rylee, two of the youths participating in the program, a green HB logo, and the tag line "Plant a Seed—Harvest a Dream." Different accent colours were used to distinguish the various flavours. One of the side labels featured a list of ingredients and nutrition facts, and the other side label told the story of HB. This side label also prominently stated, "All proceeds go back into community food security and access to education."

HB produced 6,000 bottles of dressing in 2013, and by 2015, that number had grown to over 10,000 bottles. Current production consistently sold out, so meeting demand presented a capacity challenge, and the greenhouse offered a potential solution. Once the new greenhouse was producing at full capacity, production was expected to increase to 15,000–20,000 bottles a year.

The group had experimented with a few small-scale retail ventures. For Christmas, HB offered "dressing gift packs" in special bags the youth made from burlap. The bags were very labour intensive, so they only provided a limited number. The gift packs were popular, and the inventory sold out very quickly with little effort or publicity. The previous summer, a small team of HB members created a fresh vegetable juice business as a mini-venture and sold their product at the farmers' market. They were able to generate \$1,000 in profits that they used to host a community Christmas event.

They considered other ideas, such as supplying high-end businesses in downtown Halifax with made-to-order salads using their own fresh greens paired with HB's dressings. The new greenhouse needed to be in full production before such a venture could be launched.

Jollymore described their typical dressing customer as someone who was socially conscious. They were interested in a high-quality product and liked to buy local. As Jollymore explained, "People tell me all the time they like supporting a socially responsible organization that has local impact. They see Hope Blooms as helping youth take control of their future, and they hope by supporting us they are making a difference." Customers were willing to pay a premium price for the product. Individual dressing bottles retailed for \$8.00, with the wholesale price being \$6.00 per unit. This broke down as \$0.95 for the bottle with cap, \$1.80 for the extra-virgin olive oil, \$0.25 for the label, \$1.00 for vinegar and spices, and \$2.00 for labour.

Since 2010, HB had been selling its dressings on most weekends from September to December at the Halifax Seaport Farmers' Market. Anywhere from two to four teens, who were members of HB, worked at the market every Saturday from 7:00 a.m. until 1:00 p.m., because they sold out each Saturday before the market closed at 3:00 p.m. They had a group of loyal customers and typically sold 20 cases of 12 bottles at the market every weekend.

HB's dressings were also sold through a small number of retail outlets, including Local Jo, Local Source, Fred's Café, and Nature's Cove; there were some reports that the product sold out and deliveries of replacement product were somewhat unpredictable. In November 2015, HB signed a distribution deal with Atlantic Superstore, the regional brand of the Loblaws chain, which was now selling HB's dressings in four metro store locations. Sales were an average of 15 cases per week across these stores. Under the terms of the deal, 100 per cent of the profits from these sales of the dressings were returned to HB to be invested in the youth scholarship fund.

Customers could also go to the HB website and place orders for pickup. With two-day advance notice, they could stop by the HB retail location on Cornwallis Street and pick up their product weekdays between 3:30 p.m. and 7:00 p.m. Jollymore knew she could grow this side of the business if she had product that she could sell online and easily ship across Canada.

HB promoted its products through social media and its website,⁵ but Jollymore acknowledged challenges with keeping this up-to-date. The group relied primarily on Facebook⁶ and Twitter⁷ to promote its products and activities. Total expenditures on advertising, promotion, and marketing amounted to \$1,800 in 2014. Reruns of the group's appearance on *Dragons' Den* also helped to raise HB's profile nationally and drove traffic to the website.

Finances

HB's financial situation in 2014 was reasonably good, with revenues of \$231,870 and expenses of \$132,070 (see Exhibits 2 and 3). A year-end profit of \$99,800 allowed HB to set aside \$30,000 for its scholarship fund.

The organization's statement of earnings and net assets detailed its revenue sources: grant revenue from various government sources contributed 43 per cent, and 24 per cent came from 2014 sales of HB products. Donations and gifts accounted for almost 6 per cent of revenues. This did not include significant contributions from Build Right Nova Scotia, a partnership between the Mainland Nova Scotia Building Trades Council and the Nova Scotia Construction Labour Relations Association, who donated the materials and labour to build the new greenhouse. Given that the greenhouse was on HRM property, the dollar value of these contributions was recorded on HRM's financial statements. Other revenue consisted of a one-time transfer of monies from HB's pre-charitable-status operations; this consisted of profits from dressing sales and \$40,000 from the *Dragons' Den* appearance.

On the expense side of the equation, wages and benefits for staff, comprising 69 per cent, clearly represented the single biggest expense. The honorarium paid to youth leaders was captured under "youth mentorship/sustainability." The second-largest item was rent and utilities, which accounted for 6.7 per cent of expenses.

THE FUTURE

Looking forward, Jollymore knew that she, her board, and the youth members had some exciting opportunities. With the new greenhouse coming on stream in 2016 and the deal signed with Atlantic

⁵ "Hope Blooms," Hope Blooms, accessed August 15, 2016, www.hopeblooms.ca.

⁶ Hope Blooms's Facebook page, accessed August 15, 2016, www.facebook.com/hopebloomshfx.

⁷ Hope Blooms's Twitter page, accessed August 15, 2016, www.twitter.com/hopebloomshfx.

Superstore, there was potential to continue to expand HB's operations, increase retail sales, and ultimately generate more profit to fund social programs. Sales from the new Superstore arrangement were strong, but there was potential to grow even more. Superstore initially offered HB shelf space in 11 of its stores, but Jollymore did not know if branching into additional retail outlets was the right approach to take. She had concerns about ongoing supply, production, and capacity issues, especially in light of product extension opportunities and a limited marketing budget. Increased efforts in any of these areas would make HB's reliance on grant funding less critical, and that would help ensure longer-term stability for the organization. However, Jollymore knew that she and Wiggins already had a lot of work to do, and the board members were busy people, too. The youth members had big dreams and lots of passion and energy, but school was their main focus—as it should have been—and they only had so much free time to devote to HB. Jollymore knew they were in a good position relative to many social enterprises, but with so many growth opportunities paired with unique organizational challenges, the situation was not easy.

EXHIBIT 1: HERB DRESSING PRODUCT DESCRIPTIONS**NEW! Peppered Cranberry Chive:**

- Ingredients: extra-virgin kalamata olive oil, apple cider vinegar, grainy Dijon mustard, fresh garlic, dried local cranberries, local honey, fresh cracked pepper, and sea salt

Fresh Basil Pesto:

- Ingredients: extra-virgin kalamata olive oil, fresh basil, fresh garlic, fresh parmesan, red wine vinegar, fresh cracked pepper, honey, and sea salt

Fire Roasted Oregano:

- Ingredients: extra-virgin kalamata olive oil, white balsamic vinegar, fresh oregano, red peppers, fresh garlic, honey, cracked pepper, and sea salt

Maple Sage Balsamic:

- Ingredients: extra-virgin kalamata olive oil, balsamic vinegar, maple syrup, fresh sage, fresh garlic, cracked pepper, and sea salt

Orange Rosemary Dijon:

- Ingredients: extra-virgin kalamata olive oil, fresh rosemary, fresh garlic, apple cider vinegar, orange juice, grainy Dijon mustard, honey, fresh cracked pepper, and sea salt

Source: Company files.

**EXHIBIT 2: HOPE BLOOMS YOUTH AND SOCIAL ENTREPRENEURIAL VENTURES INC.,
BALANCE SHEET AS AT MARCH 31, 2015 (\$)**

<i>ASSETS</i>	
CURRENT ASSETS	
Cash	2,031
Accounts receivable	94,205
Receiver general receivable	2,690
	98,926
PROPERTY AND EQUIPMENT	
INTELLECTUAL PROPERTY	2
	111,668
<i>LIABILITIES</i>	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	9,163
Receiver general payable	2,705
Deferred revenue	-
	11,868
<i>NET ASSETS</i>	
Restricted net assets	30,823
Unrestricted net assets	68,977
TOTAL NET ASSETS	99,800
	111,668

Source: Company files.

**EXHIBIT 3: HOPE BLOOMS YOUTH AND SOCIAL ENTREPRENEURIAL VENTURES INC.,
STATEMENT OF EARNINGS FOR THE PERIOD JANUARY 1, 2014 TO MARCH 31, 2015 (\$)**

REVENUES	
Grant revenue	98,984
Sales	55,434
Fundraising revenue	-
Donations and gifts	13,665
Other revenue	63,788
	231,870
EXPENDITURES	
Wages and benefits	91,519
Cost of sales	6,921
Advertising, promotion, and marketing	1,800
Bank charges, credit card fees, and interest	145
Community events	498
Dues, fees, and licences	503
Farm tours and transportation	1,142
Fundraising costs	620
Insurance	1,818
Office and general	141
Operating - greenhouse	2,878
Operating - community garden	2,381
Program - youth mentorship/sustainability	4,797
Professional fees	4,364
Rent and utilities	8,854
Telecommunications	1,857
Training and workshops	327
Travel	90
Amortization	1,415
	132,070
EXCESS OF REVENUES OVER EXPENDITURES	
Expenditures over Revenues	99,800
UNRESTRICTED NET ASSETS (beginning of period)	
	99,800
Allocation to Restricted Net Assets (Scholarship Fund)	(30,823)
UNRESTRICTED NET ASSETS (end of period)	
	68,977

Source: Company files.