

HAWAI'I SBDC SUCCESS STORY

Indigenous Soap

Love Chance has been manufacturing a line of essential oil, high quality soaps for more than 10 years. During that time, she has built a loyal local following and has also been able to sell through luxury oriented retail locations in malls and hotels, which mostly focus on tourists.

After performing an analysis, the Hawaii Small Business Development Center (SBDC) found that the company was underperforming, in that the amount of fixed cost overhead was high relative to top line revenue. Stated another way, the amount of fixed costs needed to run the business was high in terms of the revenue that was being generated. Since the client could not reduce fixed costs without harming the ability of the business to function, the SBDC suggested increasing sales revenue by focusing on new markets and new customers.

But the challenge was that the client was already selling through many local channels, with deep market penetration. Our solution was to encourage the client to pursue an export market—this would allow her to increase sales without appreciably increasing fixed costs. We helped the client to create an export plan for Japan, which is acknowledged as a difficult market to enter.

Part of this effort was creating a distributor agreement, which protected the client, her products, and brand equity, while spelling out the rights and responsibilities of both parties. The products are now being exported and sold in Japan, leading to increased sales revenue and net profit. We are working on export plans to add two more countries in the near future.

