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What Works

Baked Goods: Dancing Deer Bakery helps most when it keeps its eye on the bottom line.

By Abby Fung

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Baked Goods

Dancing Deer Bakery helps most when it keeps its eye on the bottom line *by Abby Fung*

In 1994, Patricia “Trish” Karter and two partners founded Dancing Deer Baking Company as an all-natural Boston bakery that sold cakes to upscale local restaurants and cafes. Today, the company sells more than half a million units of cookies, cakes, brownies, and mixes through national supermarkets, retail stores, and the Internet. Dancing Deer will generate \$15 million in revenue for the fiscal year ending June 2008 and hopes to pass \$50 million in sales by 2012.

Increasing sales means increasing social impact for this double bottom line business. Dancing Deer is located in and



At Dancing Deer Bakery in Roxbury, a low-income part of Boston, CEO Patricia Karter (right) and employees ice cookies. The company hires heavily from the neighborhood.

hires many of its 85 employees from Roxbury, a low-income Boston neighborhood. Many of its employees are low-to-moderate income, minority, and female. Because Dancing Deer believes in motivating its employees and cultivating female business ownership, employees own a 10 percent equity stake in the business. In addition, Dancing Deer donates a portion of its proceeds to One Family Inc., an organization created by the Paul and Phyllis Fireman Charitable Foundation to end family homelessness in Massachusetts. Since the philanthropic partnership began in 2001, Dancing Deer has contributed \$200,000, says Toni Wiley, One Family’s executive director. “We look forward to seeing our work grow as Dancing Deer grows.”

Social enterprises can often have problems balancing business and mission as they scale up. But Chris Gabrieli, managing director of Ironwood Capital, a minority stakeholder in Dancing Deer, says, “They never use the mission as an excuse not to do well on the core business.” Instead, by concentrating on its business strategy, the company has been able to serve its beneficiaries better.

Business First

For Dancing Deer, the integrity of its products lies at the core of its business. “First and foremost, we are a natural foods company, and we haven’t changed that,” says Karter. “People trust that we are who we say we are and people can experience that firsthand by eating our cookies.”

Consistency for Dancing Deer means “pure food, no preservatives, [and] nothing artificial,” says Karter. A multi-year winner of the National Association of Specialty Food Trade Award – the specialty food industry’s equivalent of the Oscars – Dancing Deer refuses to compromise on the quality and purity of its products. This principle was put to the test in 1999 when Williams-Sonoma approached Dancing Deer about selling the company’s molasses clove cookies in its retail stores during the holiday season. “They wondered if there was a way we could make it hold up for a four-to-five-month period, and there was no way we could do that without compromising the product because it would not be chewy or fresh or natural,” says Karter. So she turned down a lucrative sales opportunity that would have doubled the company’s revenues at the time.

But Dancing Deer quickly heard back from the kitchenwares giant. “Williams-Sonoma respected our decision and understood the value of a quality product. They came back and had us make a shelf-stable gingerbread mix for them, and we’ve had a very fruitful relationship with them [ever since],” says Karter. Williams-Sonoma became Dancing Deer’s first



reseller. Sales through resellers have since grown to make up 19 percent of the company's revenues.

Since that time, Dancing Deer has cultivated many other distribution channels. The company first sold its products in local specialty stores but eagerly tried new and different markets to expand regionally and nationally over time. "We broke into Bread and Circus [a supermarket chain in Massachusetts and Rhode Island that was acquired by Whole Foods Market] in 1996 and got distribution in Whole Foods in California in 1997," says Karter. "Whole Foods was our first national wholesaler. We also got a toll-free number in 1997, and that eventually grew into a Web business. And [then] the corporate [sales] program came through people asking for that." Through a combination of serendipity and savvy, Dancing Deer now enjoys a robust multichannel sales strategy that generates \$15 million a year, with 36 percent of sales coming from wholesalers, 31 percent from the direct-to-consumer Web business, 19 percent from resellers, and 14 percent from corporations.

For all its success, Dancing Deer is not afraid to assess its strategy and shift tactics if necessary. In 1998, the company had already become profitable as an unbranded bakery business. But an internal analysis revealed that many of its products were going to the small bakery and specialty store accounts that required the most customer service. Discontinuing sales of those products would increase operational efficiency but result in a 30 percent loss of revenue.

"I initially fought the decision," Karter says. "But when I took a look at the hard numbers, I realized that the growth potential was in having a branded product in the CPG [consumer packaged goods] area, and many of the products we [were going to] cut out did not have the potential to become a branded product because they had only a one-to-two-day shelf life." Karter and her partners ultimately halted production of the rapidly perishable items, accepted a temporary decline in sales, and refocused the company's resources on growing the branded consumer packaged goods business instead. Profitability improved immediately, says Karter.

Recently, Dancing Deer changed its strategy once again to increase both its profits and its social impact. Over the past

year, the company has invested heavily in Web technology and restructured its management organization to emphasize its direct-to-consumer Web and wholesale businesses. Strong growth in those two channels, as well as continued growth in resale and corporate accounts, will help Dancing Deer reach its aggressive revenue goal of \$50 million by 2012, says Gabrieli. And Dancing Deer is likely to revise its business strategy again as necessary between now and then. "We're always reexamining how we operate," says Karter. "Nothing's ever quite good enough. That's part of who we are."

Like-Minded Money

Dancing Deer's emphasis on perfection and purity even extends to raising investment capital. To maintain control of its destiny, the company had always used income from its own operations to fund growth. But in 2005, Ironwood Capital's Ironwood Equity Fund – a double bottom line fund with a particular interest in businesses located in low-to-moderate-income areas – became a minority stakeholder in Dancing Deer. The company had been growing "in the teens and twenties," says Karter. "But last year, we grew at 38 percent!"

Maintaining that growth rate would require even more outside capital. Still dedicated to its mission and vision, Dancing Deer remained selective about when and where to obtain additional outside capital. "Dancing Deer is a women-owned and women-run company," says Karter. "I wanted to make a visible point that women could and should be more active in investments and management of assets." So Dancing Deer partnered with Generation Equity Investors to bring in a group of female angel investors.

Gabrieli believes that, in addition to maintaining the company's core identity, "Trish's focus on women's leadership and ownership makes those employees loyal." It also keeps the investors committed and focused on the long term.

For Dancing Deer, balancing business and mission has fueled strong company growth and increased social impact over the past 14 years. As the company prepares to build a new plant to meet growing demand, it will hire more employees from the local area and make larger donations to a One Family scholarship program that helps homeless and formerly homeless women pursue higher education. It will also continue to spread the gospel of all-natural ingredients – one cookie at a time.

"We've done a lot of little things that are principled and high-minded in our corporate structure and in how we involve ourselves with the community," says Karter, "[but] Dancing Deer shouldn't be more notable than anyone else. Everyone can be rigorous and real and progressive." □

BALANCING TWO BOTTOM LINES

- Never skimp on product quality
- Pursue profit by increasing efficiencies
- Hire from and support local communities
- Court investors who share your company's values