-- Speaker 0 00:04 Make it right. The manufacturing podcast,
Speaker 1 00:10 24 years ago, the British brand lush came to Canada thanks to a small group of keen Canadians who saw an opportunity in this brand new company. Since that time, lush has grown to a $700 million company with 8,000 employees in North America and manufacturing facilities in Vancouver and Toronto that supply the continent. The company in Canada has a unique structure and high employee engagement and it's thanks to that corporate culture that lush has been named among the top 10 best places to work by best company and among the best places to work in British Columbia, Canada this week on make it right. We're going to find out the lush recipe for success from Graham Brown, who became employee number one. Shortly after the company launched in Canada, Graham Brown is now the director of <inaudible> product at lush cosmetics North America and he joins me from Vancouver. Graham, really great to talk to you. Thanks so much for joining us.
Speaker 2 01:08 Oh, thank you so much for having me. It's a really honor to be asked to tell some of the story.
Speaker 1 01:14 I think. Oh, it's our pleasure. You have, um, been on a really interesting journey with lush. And I know I gave a bit of a brief overview just to get started, but expand on how lush actually came to North America.
Speaker 2 01:29 Sure. I'd love to. You know, it's funny that, you know, we're a, we're a global brand now and in a 46 odd countries and 950 stores worldwide. But it certainly when that was never a done by design that way, it was humble beginnings. Um, in the UK, there was three shops in the UK when we started, and it was evident that it was connecting with the public. And so, you know, what we did is we saw that there could be an opportunity to bring the brand to Vancouver, so West coast lifestyle, and we just thought it would really connect. So my, my business partners hustle over the UK and negotiated the license agreement for the territory of Canada to start. And that was to retail and to manufacturer the idea of being fresh, handmade, cosmetics close to source. And so you need to be manufacturing as well as retelling.
Speaker 2 02:23 And, uh, that, that is where I got involved because I came from the West coast of Vancouver Island, had a production experience and his background in the sawmill industry. And I also was doing chemistry at university chemistry, biology, biochemistry, and they needed someone to run the, the factory and that we had to get that going before the store was open, our first store in Canada. So that's sort of where my story began because I said, look, are you interested in helping us get this, this business set up in Canada? And I actually dropped out all my courses in the university. I think my friends and family thought I was a bit, what are you doing? You're leaving your degree to do some soap soap company. And uh, I was, it was amazing. And you know, I've been so close to it for so long, it's hard for me to know what parts of the story to tell, tell everyone that's listening.
Speaker 2 03:13 But it's, it's an amazing story and it seems in hindsight, while it's been successful and look at the marketing, but it was never a marketing strategy. It was just something that resonated with the public and we really ran with it since then. We later opened up the U S market as well. Um, so the whole journey goes from 1996, um, setting up the factory in Vancouver later adding the factory in Toronto and then we opened stores across Canada. And then we started the U S business in 2002 in San Francisco. That's where the bulk of our stores are now is in the U S we have 250 in the U S and we have 50 shops in Canada and we have a big web web presence as well.
Speaker 1 03:56 Yeah. So tell me about those early days. Like you say you came in to to do the manufacturing, I mean just paint a picture here. So you say you've got this license to, to bring lush to Canada. All of a sudden you have to start making product and also setting up a retail. I would let, did you start with like a couple of products that you were selling or did you, you know, they told you here's the ingredients, go make everything. How did that work?
Speaker 2 04:26 Oh, good. Good question. Here's what actually happened. We did buy three months. It's worth of sales for one shop opening up in Vancouver from the UK. So it arrived. If you giv --

-- es, you can imagine it arrived in pallets and some, some arrived. Well, some didn't arrive so well, like we talking about bath bombs as an example. I'm getting rained on from a supply point of view and so we had some damage, but it was really a magical thing to open up these pallets of stuff in boxes. And it's like, and it's like Willy Wonka, you know, I said, wow, how did they make this stuff? So that was like in, in February of the year that we opened up. So we had February, March, April, learn how to make the products. Um, and so we did start sort of a range at a time in the bath bombs and the fresh, uh, face masks were the first ranges that we learned.

Speaker 2 05:15 And then we did over time get trained on up how to make the full range. And so it was a phased approach so that we didn't have to hit the ground running with a full full setup from day one. Um, but it was after that three month period, we were on our own for supply. Uh, there was some, uh, what I call, what we call dairy product bottle products, shampoos and conditioners, things like that that we did continue to purchase from the UK up until about the early two thousands and then, and then we took on the full product line up by 2002 so we, that's a good question. Know very sued questions. It was phased in practice over over the first months anyways for the most, the range and then all of the full range up to the end of 2001 2002.

Speaker 1 06:02 That's an amazing undertaking. What do you think about it really? Like I can't imagine the whole thought of, okay, we have a license and now we've got to start doing something with it. So that's a, that is a very big adventure. Can you give me an overview of how the North American business is set up? So people can understand the structure now. It's been 24 years on from those early beginnings. Um, you're big now. Explain how it's all set up.

Speaker 2 06:32 Sure. I'll give a, I'll give my best crack of that from a structure perspective. From an entity perspective, we have two companies, a Canadian company and a us company. The currently, they all have the, the both entities have the rights to manufacture and retail. We chose suggest retail are, sorry, excuse me, just manufacturer in Canada up to this point. But we are just in the early stages of looking at what our options are to potentially get us manufacturing and distribution going as well. So the way it's structured is the retail business, um, buys product from the manufacturing entity, uh, at a transfer price. And that's done that way because in the early, early days of, of the founders of lush in their prior businesses, they were actually contract manufacturers for the body shop and for other brands as they, as they grew. And so, um, it's a, it's a Coca Cola model in a way in terms of you have to buy the secret sauce, secret fragrance secret formula from the U K as an ingredient and it's marked up and that's how they get their expansion, expansion money.

Speaker 2 07:42 And so we buy all the fragrances, they're called central component for each of the products we make. The rest of the ingredients are all sourced worldwide. So we buy their ingredients from the UK, import it into Canada, and then we make the product as per the formula and specifications from the UK, from our UK partners, and then we ship it out to our retail stores and to our digital fulfillment center. So, um, what we've done is a structure wise to is we've really, since day one, and we haven't always got it right, but we've really tried to have the frontline folks run the business. And what I mean by that is we've run it like when you're running your retail location, that is your business and all the rest of us here are here to support you and what you're trying to achieve. And then we borrowed the same model in manufacturing really, but instead of being a shop, we've taken a product category and said that is a production room.

Speaker 2 08:37 So for example, the bath bomb production room is, is responsible for their business. They have their own P and, L, their own, um, plan that they put together and present. And then we have seven different production rooms that make up the whole factory. And we have one per coast, one in Vancouver, one in Toronto, like earlier mentioned. And then we have various support structures in the business. It's a very vertically integrated business. We actually, believe it or not, we have a wood shop that builds and m --

-- akes all our own furniture and fixtures for our retail locations. We pretty much do everything we, you know, we do of course outsource aspects of our business. Like we have a payroll department, but we don't, we have a payroll administrator company as an example. So we do outsource parts of parts of the functions of our business. But we're structured in such a way that it's very vertically integrated and we pretty much control the whole thing from, from front to back.

Speaker 2 09:34 Not sure if that's answers the question structure well enough, but it sort of gives an overview of of how we're, how we're organized and maybe just quickly the couple of the other things that we, that I didn't mention is we have departments that we call streams now. So we have a finance stream, we have brand communications, we have a people and culture team, we have factory streams, we have internal communications, you know, is that, that gives sort of a bit of a flavor of the types of ways we're structured to support, as I said, to support those retail locations and to support the manufacturing business units, the manufacturing rooms. That's how we're structured.

Speaker 1 10:09 Yeah, so Y and I've never worked for a huge company, so perhaps this isn't foolish question, but I'm going to ask it anyway. Why did you set it up that way? When you talk about your, your manufacturing and then there are separate rooms and you are responsible for the business of that room, why did you go that route?

Speaker 2 10:29 That's interesting. And we can't take all the credit in North America. There is a part of the, part of the vision of our UK partners was so some of it's practical, like you cannot in Poole endorse it in the South coast of England, get a building, one particular building that's large enough to house everything, you know, from administration to distribution to manufacturing. So they started off, um, having multiple locations and so by necessity, you know, the is a bit sectioned off that way. So, Oh, we're going to set up this particular building as the bath bomb production facility as an example. And we'll do this one. And always, always. It wasn't always that way, but as we grew we had to do that. The other part of it was simply, uh, a cultural stance in a way that look, running a business is challenging and there's loads of opportunity for everybody.

Speaker 2 11:22 We need everybody to contribute and we'll share our successes. Everybody as we go about on this, this adventure, so we need your help. So tell us what you regard. Here's what we're trying to achieve. Tell us what your, what you need to do that and we'll, we'll work together as best we can to get that, get that happening versus the, actually literally, I remember my one of my former business partners in manufacturing, that's what, that's what he was told. They literally took a piece of paper and said, look, and his name was Sean at the time, Sean Bowers. Look, traditionally an organizational chart is a bit of a pyramid and the essentially the strategic strategy and the direction gets handed down from top of the pyramid down to the down to the quote unquote bottom, and he literally took the page and turn it upside down.

Speaker 2 12:08 He said, you're stressed out about how am I right now? Here you look at it this way, look at all the allies you have in the business. When you turn the pyramid upside down, you have all these managers, route managers, sharp managers that are there to help you run the business. That sort of takes the burden off of the any one individual or a series of a leadership group to have to do everything in a way or to be, so you still be accountable, but it's sort of like, let's share the, let's share the burden is probably the wrong word. Let's share the responsibility together to get this done. And I think, so that was very strategic. I don't know where that came from exactly. Probably a business book that a lot of the, a lot of the founders do a lot of reading on and get different ideas. They're always trying to learn and grow. And I think it would just, it was a practical thing and it was also a bit of a culture intention really.

Speaker 1 13:00 So what has this inverted pyramid done done for your, um, employee engagement? I would guess now that they're not looking up, but they're looking down for the support that they need. How's that? How's that help them with the engagement?

Speaker 2 13:18 --

-- I think it's been really key as, as you mentioned, we've had, um, some success, you know, we're, we're always striving to improve, but we've had quite a bit of success with employee engagement for various reasons. The structure piece of it, I think I'll give you a quick story. You know, people, people always doing the best that they can with the perspective they have. So we had an individual, for example, that was supporting capex, capital expenditures in the, in one of the factories. And no matter what you do, things can get bogged down and somebody will invariably say, well, I can't get the things that I need because somebody said there was no budget for it. Or, uh, I've asked for this particular piece of equipment, uh, over and over again, and I'm not getting any success even though we're all trying to work together. So what we actually did is said, okay, well let's strip away that kind of structure.
Speaker 2 14:06 Let's get each production room to present their business plan. We call it four months plans. So it's not quite a quarterly plan. They do a, because the quarter's come come fast and furious. So we break it into four month plans and literally they go top to bottom in their business and say, based on the information we have right now and then four months out. But they also look further out for long lead items and projects and say, based on the information we have now on what we're producing and here's our staff plan, here's our equipment plan, and they presented everything they need. And then we did our best to sort through all the iterations of that and really have them get what they were, are required to have to produce that plan. What that sum for engagement is, it's made everybody realize that they can influence and they do have an influence and we need them to be understanding and contributing to their business unit.

Speaker 2 14:57 The other way it can go, which is where I think you get lower engagement, is people go, well, you know what, I just, I don't get given the tools that I need to do my job. So we've just turned it around and said, you tell us what tools you need to do your job and we'll support you with getting it. And that's just that one example of capex. So we, we, we put that one pretty much to bed where people no longer have that ability to say, well, somebody said I don't have the budget for that particular thing. That doesn't mean that there is unlimited budget. It just means there's a process that we've put in place that really puts the ownership on the, on the, the teams and they have to do that within their room as well so that they have to socialize all their plans with the whole staff base. So the idea there is, is the same thing. Otherwise you'll just be creating little mini pyramids everywhere where the <inaudible> or the room manager would have the say. It doesn't work that way either. They're responsible for their room, but they're socializing their four month plans through the whole team. And I think it just makes everybody feel like they're a part of it versus inheriting someone else's decisions.
Speaker 1 15:59 Yeah. And how has your business changed since you implemented this structure? Like if you look at the before and after, how has it changed?
Speaker 2 16:07 I think how it's changes, um, everything other than retail used to be called money manufacturing. And as we've grown and gotten more sophisticated and larger, not just larger for larger sake, but try to improve our processes, we've really started to parse, parse out or specialize in certain areas. So instead of everything being under the manufacturing umbrella, we have a distribution and digital fulfillment team. We have a creative ethical buying team, we have a procurement team, we have factories, we have a people and culture team within the factory to support the people there. So we've, we've kind of specialized. So in the early days everyone was genderless. It's sort of how I'm, how I'm thinking to answer your question, we all had to be generous, which is okay when you're smaller and sort of more entrepreneurial feeling that comes to a point where you can't be all things to all people and you have to get a little more specialized and both, both for your internal skillset and sometimes bringing some outside expertise in.
Speaker 2 17:06 But we've always tried to grow our talent from within the business as best we can. And then, and then augment that with, with bringing p --

-- eople in from the outside. I think that's how an answer is, has gotten more and more specialized and we've created more departments and streams still at the same philosophy of how we structure ourselves and presenting plans and sharing it. We've, we've called that streams and stakeholders, so the stream owners now have to present their plans to the stakeholders, um, and then get feedback to challenge and support and feedback that way. So that's, that's how it's changed. I'm trying to think if there's anything else I've missed with that structure change. I think while we've, we've just changed the structure as needed as is probably how I would add to it. So sometimes it's a vocabulary change. Sometimes it's literally, okay, we're going to move this function from this department to this, this department instead to better support it, reorganize ourselves, call it something else. So the structure has changed over the years quite a lot. Um, that's probably the message I would say is it's constantly changing, not in an organized fashion, but in a very deliberate, um, continuous improvement sort of idea.

Speaker 1 18:12 Yeah. Sort of an evolution.

Speaker 2 18:15 Exactly.

Speaker 1 18:16 Yeah. So when you decided to do this structure or you've, you're, you've talked about how the structure is set up and how it's changed, et cetera, um, financially though, did you see a huge uptake in, in what was happening with your business and the success of the business? Uh, was it a costly thing to go through? Because I know that people are probably sitting there going, this sounds great, but what's it going to cost? And am I gonna see, you know, the financial gain at the end of it? Did you,

Speaker 2 18:49 yeah, that's a good question. So we've, one of our, we believe statements, which is, which is sort of our value mission statement. I don't know, mission statement is the wrong language, but we believe in the right to make a profit. And so we've, we've meant, we've always tried to be profitable from day one regardless of what structure we have. Um, and so we've always been quite, quite aware of putting structures in place that aren't growing faster than the sales are growing. Um, what we have found though is it's very difficult to cost cut your way to prosperity that you really need to, um, grow the business versus trying to clamp down on costs. That doesn't mean we're not aware of costs, but we really have tried to face, I don't know if that's the right word, it's really had to have belief that we're building something that in line with the revenue growth.

Speaker 2 19:42 That makes sense. So we've, we've tried to be careful with not putting too much overhead in place. Um, I would say it's more difficult to do it the way we've done it and you could make an argument. It's, it's in the short run, less expensive to run a different type of structure where you have a more of a traditional factory or plant manager and then you're operated that way. We still have those structures in place. It's just more of the cultural way that we go about, um, choosing and presenting our plans and choosing what are, what our resources are going to go to together as a group. That's the other thing I say is we've always been very, as far as just <inaudible> and everything else, we've been very transparent. It takes a lot of effort as well. But we've done always an open book with our financials.

Speaker 2 20:27 So we share with everybody exactly what our position is from a revenue and profit before tax. Mmm. Cashew goes as well. So you can, you can generate a profit with your on as far as your income statement and then, but what do you do with, what's the cash that you generate as well? Hopefully you generating cash, you know, so we're very with, with this much goes to income tax, this much goes to, uh, um, capital projects for the, for the new year to, to grow the business, opening new stores, buying factory equipment or, or buildings, that kind of stuff. So yeah, I think, I think we've always tried to be aware of the costs and sometimes we've been growingly the infrastructure before the revenue comes in, but we're always watching it and always course correcting then we, so I hope that answers that well enough. One quick, I do need to share a story about, about change in structure.

Speaker 2 21:24 Um, there was a time it was called our 30 day sales challenge and we were getting to a point and this was --

-- around 2008 when the, um, last or financial crisis hit, we had to make a decision, the weather we were, I'm going to sit and watch the impacts of that on our business or so who were we being in the face of all that adversity. And we, we, we actually pull, we dismantled our former retail structure, which was a bit of a retail, a regional structure. And we said, no, we're gonna reinforce what we believe in, which is each shop is its own business and we're going to put all our support staff to go work in the retail stores for 30 days and, and, and just really support and sell in the, in the business. And, and it's an amazing, it was a turning point in our business where we had a good real estate portfolio shops.

Speaker 2 22:17 We had, um, great products, great engagement with the, the, the um, public. The staff were doing well. But we weren't operating at a level that we thought. And what we realized is that we didn't have a real estate problem. We didn't have a cash problem, we had a sales problem. So we, we just really mobilized and got all our staff in the shops from a support perspective. We dismantled the regional structure and said, no, we're going to fly all the retail managers into, um, a central location three times a year to present their business plans. And we turned our business around in that 30 days and we've never looked back. And I think that back to my earlier point, you can't cost cut your way out of a, of a challenge in my opinion. You have to really believe in your, in your business and your brand and grow the revenue. Um, and that's really the way you're going to do it versus I'm only thinking of cost control. Of course you have to, you have to keep the cost basis in mind. It's always important.

Speaker 2 23:25 Companies were probably in panic mode. Yeah, we really did. We said, here's an opportunity to double down on what we already had. Noah's is a good thing and just have faith that we can get our way out of it that way versus saying, well, it'd be economy's tough and things that can't control. We just really focus on the things that we could control and it's amazing what a difference it did not. That was really tough on everybody as well to go up route from where they live and go work in a shop for 30 days. But it really unified us around what the purpose of our brand was, which was to delight customers and get product on their skin and not, you know, and do demos. And we just really re-engaged and from a manufacturing perspective, because there's a lot of your listeners that are come from manufacturing perspective, what it did for a manufacturing business was an outstanding because all of a sudden there is energy and the orders should come streaming in and instead of us worrying about our days on hand and cutting things down and all that kind of stuff, it really turned it around.

Speaker 2 24:25 So it's just, I dunno what, what nugget is in there apart from really knowing what your customers are at and where their needs are and how to support them. So we completely change our structure in manufacturing as well to a service based model for our shops. And we created a customer service team. So anytime a retail store needed something, instead of being hard to get ahold of somebody and get product, we just turn it around to we're all inside to support this 30 day challenge in it and sort of reset this service expectation going forward for for distribution and manufacturing as well. It was just a really great exercise and yeah, as I said, we haven't looked back since.

Speaker 1 25:00 Hmm. So I'm curious to know how you set up a structure like this. Do you have some lessons learned for our listeners who might want to consider it? Like I know there's, there's charitable giving in here, there's personal growth for employees, there's leadership and employee autonomy. Like how do you go about setting this up? Give us some lessons learned.

Speaker 2 25:21 Okay. Well, my, my view on that is that yeah, make a copy, just choice that you value what I would call, what I would call that, that challenge, that difficult work. It can't be a temporary tactic. It's gotta be, we believe in this. We're going to be transparent. We're going to work hard to communicate what the success of the business and the challenge of the business. Um, you kind of have to choose, we're going to go all in with this in terms of, yeah, we're going to, we're going to open our, our books in the, ex --

-- plain everybody where we're at financially. Um, we are going to be transparent and open up the dialogue with the employees and, and really commit to their growth. So we, you know, I just think the magic of it is when you can describe to people what you're trying to achieve as a business and then try to overlay what they're trying to personally achieve in their own life as well.

Speaker 2 26:18 I really think that's the secret sauce. I really think you have to believe that that's the way to get there versus think of it like a tactic. Um, to get an engagement or a tactic to be transparent, it's gotta be a, a value that the whole team understands is how you're going to operate. Um, cause the law is that as soon as you get away from that authenticity and um, you know there's always going to be folks that are skeptical and so keep at it. The best thing I'll share is that our, our president CEO, Mark Wolverton has always said you have to tell people the same thing sometimes again and again and again and again. Meaning consistency of messaging and also just, yeah, like you have to communicate and communicate and communicate and communicate. And so he would often say, we are going to describe this four month plan process and it's going to be a process.

Speaker 2 27:13 You know, it's going to take a couple of years until the people understand that we're committed to it, that we're, it doesn't mean you're not course correcting, but we're not. The key is to really have some grip behind it and some persistence behind it and say we are sticking with this. We'll make some course corrections. But fundamentally we value this process. And we're going to stay behind it regardless of whether it's popular or not in the short term. So I think you have to have a longterm you play, have to play the long game on these types of structure and cultural commitments and and just have faith that if you stick with it then and, and, and again do it with feedback along the way as well. So you can, you can find out when it is landing or not landing with, with your team.

Speaker 1 27:55 That's Graham Brown, director of product at lush cosmetics North America and we'll continue our conversation next week as a company with a unique structure and high employee engagement. Graham will share how he sees his role as a leader and what other unique approaches lushes planning as they approach their 25th year in business in North America. I hope you'll join us then. That's our show this week. Please check out our Twitter and LinkedIn feeds that are on our podcast page and subscribe and share this podcast with your friends and colleagues through iTunes, Google play, Stitcher, Spotify and YouTube. The mega right podcast is brought to you by Kevin's Snoop leadership advisor and author of the bestselling book, make it right, five steps to align your manufacturing business from the front line to bottom line. I'm Janet Eastman, and as always, thanks for listening to the MakerBot podcast.

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