The Next Tom’s of Maine

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Tom’s Story

The history of the natural personal care products industry in America is capsulated in the history of one company -- Tom’s of Maine. Quoting from their Website:

In 1968, Tom and Kate Chappell left Philadelphia and corporate America to move to rural Kennebunk, Maine. As part of their goal to "move back to the land," they used natural, unprocessed foods and simple, unadulterated products. Unable to find natural personal care products for themselves and their children, they decided to create and sell their own.

With a $5,000 loan from a friend, Tom and Kate began making products for home use that would not harm the environment. Our initial product, Clearlake, was the country's first non-phosphate liquid laundry detergent.

During our first five years the company's product line graduated from non-phosphate laundry detergent to natural personal care products. In 1975, we premiered the first natural toothpaste on the market. Shortly after, Kate gave birth to Eliza we developed the first natural baby shampoo. Natural deodorant, mouthwash and shaving cream soon followed.

By 1983, Tom’s of Maine was well established in the health food channel with annual sales fast approaching $2 million. In order to grow, however, Tom realized we would need to distribute through supermarket and drug store chains. Progressive Distributors and CVS were the first to agree to stock Tom’s of Maine next to the "big name brands," and today many additional drug and food chains show strong support for the company's vision.

In 2002, their product line included over 100 different SKU’s sold in over 35,000 locations including most major drug chains such as Longs, Walgreen’s, CVS, and Eckerd’s. Their total sales in 2001 were reported to be $ 36 Million with a compound growth rate of over 10% for the past five years.

Tom’s sales growth has been achieved mostly by publicity generated through word of mouth. There have been some print and radio spots recently, but no TV ads. With nationwide distribution by major drug chains firmly established, and the possibility of larger advertising budgets, their growth in the next several years could even accelerate. Since Tom’s of Maine is still private, one
can only speculate on what its gross and net margins are, but they are surely eye-popping, given their relatively low advertising rates.

**Crossing the Chasm**

The question is who will be the next Tom’s of Maine? What will it take for the next Tom’s to “cross the chasm” between early adopters who frequent health food stores and the majority of consumers who frequent drug and grocery chains? Geoffrey Moore has devoted an excellent, well-received book to the difficulties of “Crossing the Chasm” for high tech companies. Moore focused on the significantly different characteristics between “early adopters” and the “majority” and what changes high tech companies needed to make in its product specifications, its customer support, and its marketing strategy to win over the “majority”.

To become the next Tom’s, a company still has to “cross the chasm” between early adopters and the majority. But, the obstacle for the next Tom’s is not radically different characteristics of the two customer groups. In the natural personal care business, it is a company’s “story” and its timing that sets up its potential to “cross the chasm”. For, in this industry, free publicity fuels a brand’s growth. It starts with word of mouth conversations in cities like Santa Cruz and Berkeley. There are articles in obscure health magazines. The free publicity reaches it zenith with TV segments by Dr. Dean Edell and unsolicited endorsements by Sharon Stone in Vogue or Tom Hanks in Esquire. The appeal of the “story” to mass media explains why more health foods and supplements have “crossed the chasm” than personal care products. The important of the “story” also explains the lack of success (and effort) of natural care companies with products targeted at men. It is because men just don’t talk about health and wellness like women.

In addition to a good “story”, the next Tom’s must have a company culture aligned with the mission to go mainstream. One cannot assume that profit and growth maximization are goals for all natural care companies because some of the best “stories” have been about how opposed a company is to mainstream values. And finally, one has to consider the receptiveness of the
distribution channel on the other side of the chasm --- drugstore chains. Are they less receptive to natural products than grocery stores? Does timing make a difference? Does whom you know play an important role in gaining mainstream distribution?

Tom’s of Maine has been a market leader. In 1968, it was non-phosphate liquid laundry detergent. In 1975, it was saccharin free toothpaste. It was first to “cross the chasm” and get distributed by mainstream drug chains. Being first has its benefits and its costs. Followers face a different set of circumstances. To become the next Tom’s of Maine, a company has to evaluate what worked for Tom’s, and whether or not it will work again. It is actually more important to know what won’t work again, because the biggest failure of market followers is a “me-too” strategy. This is especially true in assessing Tom’s success because it occurred 10-15 years ago.

The Next Tom’s Story

Of overwhelming importance to the creation of a brand in the natural personal care segment is its “story”. For this segment, it is especially true that “the birth of a brand is achieved by publicity and not by advertising.” (quoted from Al. Ries) And the overwhelming form of publicity is word of mouth where the better the “story”, the more likely people will want to share this in conversations about health and wellness. There has been a progression of 3 types of stories in this segment over the last 30 years in America. First, there was the “environmental” story, then the “herbalist” story, and now the “scientific” story is in vogue.

The next Tom’s of Maine can’t simply use the same type of story that Tom’s did 30 years ago. For Tom’s of Maine and others pioneering natural brands in the 70s, it was the absence of an ingredient that created the buzz—no phosphate, no saccharin, no alcohol. This was the “environmental” story. By the 90s, choosing products after carefully assessing their ingredients was no longer novel. It became matter of fact for a lot of folks and so it wasn’t something to note.
in conversation with friends. It is absolutely clear that the next Tom’s of Maine won’t be a company winning over customers with an “environmental” story.

This leads to the following question: if Tom’s “environmental” story is no longer compelling in the 00-decade, why are its sales still growing, even accelerating? This has to do with stage of its growth. The first customers of natural personal care products are early adopters who are most interested in the product’s story. They are passionate about health and wellness, keep well informed, and achieve status among their friends by sharing their information. Later, customers switch to a particular brand, not because of its story, but because it is popular. They see their friends buy it. They see it in medicine cabinets of friends they respect. They equate popularity with being good. Tom’s current growth is not fueled by word of mouth conversations about its ‘environmental” story, but simply because new customers view it as popular and good.

The “environmental” story has not endured past the 70s. Companies that continue to feature this story today look stagnant. Consider Dr. Bonner’s, a brand that predates Tom’s. Its unique labels preaching “respect for God and Spaceship Earth” seem horribly out of touch today. Or Aveda, with its message of social and environmental responsibility targeted at narcissistic salon patrons is reminiscent of Tom Wolfe’s devastating essays on “radical chic”.

The “Herbalist” Story

The “environmental” story has been eclipsed by the “herbalist” story. Here, a buzz is generated about a product infused with a natural herb or mineral that produces miraculous results. This story is an old one for Europeans with their history of homeopathic medicine and apocatheries dispensing herbal remedies. Over the past 20 years, the stars in this story have been calendula, aloe, jojoba, and now tea tree oil.

Consider, for example, the story of Aubrey’s Organics, as quoted from their Website:

Aubrey’s Firsts
* To list ingredients — 1967  
* To develop a grapefruit seed extract and antioxidant preservative — 1974  
* To formulate products with...

- essential fatty acids in a natural absorption base — 1967  
- Sulfur-containing amino acids — 1967  
- lactalbumin (milk protein) — 1967  
- quillaya bark — 1968  
- jojoba oil — 1972  
- evening primrose oil — 1982  
- Rosa Mosqueta® Rose Hip Seed Oil — 1986  
- blue camomile oil — 1987  
- herbal gums and vitamin B-5 to style hair without PVP/VA copolymer — 1988  
- natural fruit acids — 1990  
- wild white camellia — 1993  
* FIRST to be certified organic — 1994

There are two branches to the “herbalist” story. One, like Aubrey’s is “agnostic” in that it touts the capabilities of natural ingredients without hinting that the power might come from a “higher” source. The other branch is European in origin and, to varying degrees, talks about the “mystical” or “primeval” powers embodied in various herbs and minerals. The story is religious, but it is pre-Christian and pagan. European brands like Weleda (the name of pre-Christian Celtic women healers) and Speickwerk are based on botanicals with long histories of healing powers like calendula and anika (for Weleda) and valeriana celtica (for Speickwerk).

Consider the story of Speick (from their Website):

Small but naturally effective, the speick plant grows in the treeless, peak regions of the Alps where the intensive light and clear air of this mountainous environment gives it primeval powers and fervent freshness. For more than 2000 years, the precious essence derived from the roots of this unique plant has been used for effective skin care. Because these valuable extracts constitute a harmonious blend of both stimulating and calming substances, speick products have always had a beneficial and harmonizing effect on the skin.

Also, consider the story of how Weleda harvests its plants: (from their Website):

What does this mean? In the course of the day, the earth breathes out in the morning, and in the afternoon it breathes in. For Weleda this daily rhythm means that the healing plants are harvested in the morning, the time when the sap rises up in the plant. … Harvesting by hand gives us a much higher quality than machine harvesting, because a human being makes the selection. Also, the love that the gardener brings to the plant is important for its growth and development, and contributes to the special quality of Weleda products.
The “herbalist” story is a compelling word of mouth story. This is especially true for the “European” branch of this story because people still want to believe in miracles cures, in the “fountains of youth”, in the supernatural. There is an irony about the “herbalist” story, though. The more “mystical” and “primeval” the story, the faster it propagates word of mouth, but the less likely it will be picked up by a mass media which is capable of carrying it “cross the chasm”.

While the “agnostic” story is a good one, it is not enduring. History has shown that it is easily co-opted. Aubrey’s might have been the first to use jojoba oil in its products in 1972, but lots of natural and mainstream companies now advertise jojoba on their labels. Clairol, seeing favorable responses by consumers to herbal shampoos by companies like Aubrey’s, launched in 1995 its Herbal Essences brand featuring natural herbs like jojoba and aloe. Seven years later, Clairol’s Herbal Essences shampoos and conditioners are the third most popular brand of hair care products in the U.S. Even more remarkable is the meteoric rise of Herbal Essences body wash products. Introduced less than ten months ago, this product line has become the third most popular brand of body wash in the U.S. Recently Bristol Meyer Squibb sold the Clairol line to Proctor & Gamble for $5 Billion. This is clear evidence of the power of the “herbal” story when coupled with a large advertising budget and mainstream distribution.

To become the next Tom’s, and not be overwhelmed by a free spending Fortune 500 company, a company will have to make its “agnostic” story proprietary. This means developing a process that is patentable, which is not easily achieved in this sector. Another strategy would be to copy the wine industry which has convinced consumers that there are very special qualities of “varietals” over “generics”. This distinction can get very specific. Simply “Napa” Chardonnay might not be proprietary enough. It might have to be on the order of “Moonlit Ridge” Napa Chardonnay.

For example, featuring tea tree oil in a product is no longer compelling. Lots of companies feature this, including mainstream companies with big advertising budgets. To distinguish itself from other
brands, a company must tout the special qualities of a “varietal” tea tree oil, of which it alone is
the exclusive provider.

For example, consider this story of one particular Tea Tree Oil Provider (from their Website):

Australia is the home of Tea Tree Oil (Melaleuca alternifolia). Specifically in New South
Wales and Queensland. Our farm is located in the hilly countryside of the Nambucca
Valley which is between Sydney and Brisbane. The valley of Nambucca has the best
conditions for the Tea Tree Oil Tree (Melaleuca alternifolia), therefore the Tea Tree Oil
Tree grows wild in this region. The climate and the location of the farm guarantee a high
quality and very special oil. The place and the natural environment guarantee that the
Tea Tree and, consequently the oil, is in a balanced relationship with nature.

Instead of relying on a generic story like “shampoo with tea tree oil”, the next Tom’s would have
to pitch a varietal story like “Shampoo with Nambucca Valley tea tree oil ”.

It is a lot easier turning the European branch of the “herbalist” story into a proprietary one. No
mainstream company could (or would) possibly co-op the Weleda story. Or, the Speickwerk story
about using the speick plant could be made proprietary by making very specific the location of
their harvest and then talk about how this specific location produces plants with special qualities.
Alternatively, they could make specific the location of their harvest and talk about evidence
indicating that healers harvested this same location 2000 years ago to obtain their plants.

Note that today most of these stories are Euro-centric stories. These are stories about ancient
Celtic women healers and remote mountaintops in the Swiss Alps. The door is wide open for
companies to bring out natural product lines based on “third-world” herbal stories and targeted at
ethnic groups.

The “Scientific” Story

The third story developed by natural personal care companies to fuel word of mouth publicity is
the “scientific story”. Terms like “anti-oxidants” and “alpha hydroxy” simply were not used much
by companies to describe their products 10 years ago. The major strength of this story is that
there is great potential for free publicity by mass media. A “scientific” story is legitimate enough to be picked up TV commentator Dr. Dean Edell and Newsweek magazine. This would not occur for a story about a botanical with “primeval” properties first discovered by Celtic healers 1000 years ago. As a result, the “scientific” story doesn’t have to rely on slow moving word of mouth publicity that might take years to migrate across the country. A “scientific” story broadcast by the mass media can create instant success.

Consider the latest “scientific” story to receive considerable attention. It is about a natural ingredient called CoQ-10, touted as a “cure-all”:

Webster’s Ninth New Collegiate Dictionary defines coenzyme Q as ubiquinone (suggesting its widespread occurrence in nature) and describes it as "a quinone that functions as an electron transfer agent between cytochromes in the Krebs cycle."

Today, in a version known as coenzyme Q-10 (CoQ-10) or ubiquinol, this nutrient has become a popular seller and a product that is synonymous with increasing users’ cellular energy. …

In the early 1970s, there were discoveries that people with gum disease and heart disease were deficient in CoQ-10. The momentum began to build and, by the early 1980’s, CoQ-10 had reached a level of consumption in Japan that rivaled that country’s five top medications. In fact, all along, it has been the Japanese and the Europeans who have conducted the majority of clinical trials using CoQ-10.

While a “scientific” story is preferable to a “herbalist” story because of its potential for free publicity by mass media, it is easily co-opted by mainstream companies. It is unlikely that the story could be made proprietary by patenting some manufacturing process. In sum, the next Tom’s of Maine is most likely to have enduring success with a “herbalist” story that is made proprietary by featuring “varietal” or “mystical” properties of its botanicals.

The best of both worlds would be to supplement the “herbalist” story with a scientific study that verifies the special qualities of the ingredients used. I envision something along the lines of a classic Margaret Mead anthropological study comparing two isolated tribes in the Indonesian jungle. One tribe has blemish-free skin and the other has horrible skin. They have similar dietary and cleanliness habits, with one exception. The tribe with the blemish-free skin uses “XYZ” oil.
The Company Name

The next Tom’s should strive for a company name that is both distinguished and tied in to its “story”. When you are a pioneer in a new category and you are successful, like Tom’s of Maine, your name will get remembered no matter what it is because there are no other competitors. The fact that the name is not related to the “story” doesn’t matter. Today, the name Tom’s of Maine seems unrelated to its story, although 30 years ago, the name probably did give the impression that it was an alternative company with ties to the “back to nature” movement. It is a lot harder for Tom’s followers to create a name that both distinguished on the one hand, but suggestive of its “story” on the other hand. Choosing the founder’s name as the company name is a good choice because the “story” can be about the founder and his/her values. Two of my choices for the next Tom’s made that choice: Burt’s Bees and Aubrey’s Organics.

A lot of the followers in the natural personal care industry felt that they needed an earthy or natural sounding name. The problem is the segment is now overrun with earthy-named products. Consider companies whose name includes “Botanical” (Alba Botanica, Ecco Bella Botanicals, Avalon Organic Botanicals, Equinox Botanicals, etc.), “Essence” (Essence Soaps, Flower Essence Services, Herbal Essence, etc), “Earth” (Earth Essentials, Earth Mists, Earth Solutions, Earth Therapeutics). A product line called Desert Essence is on my “next Tom’s” list. However, its name is not memorable and is a deterrent to its growth potential.

The Product Line

After a good “story”, the next Tom’s should strive to develop a personal care line that isn’t likely to be matched down the road by mainstream companies. A factor that may be particular to the Tom’s of Maine story has been the response, or lack there of, by mainstream competitors. Tom’s flagship product has been its saccharin free toothpaste, first introduced in 1975. Its core has been a natural oral care line -- floss, fluoride toothpaste for kids, alcohol-free mouthwash. It has almost completely avoided skin and hair care products. Natural skin and hair care companies with
established brand names have shunned expansion into oral care. This could be because oral care products are much more regulated by the Federal government than skin and hair care products. Mainstream competitors like P&G and Colgate have not responded to Tom's. Other than the original Crest emphasis on fluoride, their strategies have not focused on ingredients. Instead, the strategy is to create new problems—plaque, gingivitis, and discoloration—and then provide solutions without focusing on ingredients used.

The rapid introduction and phenomenal success of Clairol’s “Herbal Essence” demonstrates that it is a lot harder for the next Tom’s if it core is natural hair care than some other personal care category. Areas that show more promise are oral care and men’s personal care like after-shave and deodorant. Also, the Bert’s Bee’s product line seems unique and not likely to be copied. And finally, natural products that address niche problems like earwax build-up, menopausal dryness, and body hair show promise.

The Company Culture

The root culture of all natural personal care products is being in opposition to the mainstream. It includes a conscious choice to sacrifice profits by selecting more costly natural ingredients and testing procedures. It includes a deep respect for the alternative health food channel that gave the company the opportunity to grow in the first place. The choice to try to “cross the chasm” is a fundamental one. It is full of dilemma and potential negative consequences. Tom’s of Maine seemed to have no trepidation about wanting to “cross the chasm”. Again quoting from their Website:

By 1983, Tom’s of Maine was well established in the health food channel with annual sales fast approaching $2 million. In order to grow, however, Tom realized we would need to distribute through supermarket and drug store chains. Progressive Distributors and CVS were the first to agree to stock Tom’s of Maine next to the "big name brands," and today many additional drug and food chains show strong support for the company’s vision.

Tom wanted to grow period. There is no missionary statement like “in order to expose mainstream customer to healthy alternatives”. One wonders if there was any internal debate
within Tom’s about the potential for drug and food chains to take business away from their loyal supporters in the health food channel. The next Tom’s does not have to be cold as the original Tom’s. It can alter its cultural values to where “crossing the chasm” is a necessary step in a mission to spread the word to all about the healthy or “primeval” powers of its products.

More difficult is the question about potential damage to its loyal supporters in the health food channel. How does one put a positive spin on this? Maybe, one could argue that drug store chains help to “legitimize” health food stores by carry natural products. This causes more mainstream customers to shop in health food stores. The net impact of “crossing the chasm” is actually positive for health food store business because they gain more customers than they lose. In any case, the next Tom’s must align its company culture with the goal of going mainstream.

The Next Tom’s of Maine

To recap, the next Tom’s of Maine should have most of the following characteristics:

(1) A proprietary “herbalist” story supplemented by scientific evidence.

(2) A long enough history to allow word of mouth publicity to propel the company the edge of the “chasm” in the first place.

(3) A non-earthly and unique company name.

(4) A core product line other than skin or hair care.

(5) A company culture that is aligned (or realigned) with the goal of going mainstream.

Based on the above criteria, this is my candidate list for the Next Tom’s of Maine:

(1) **Weleda**--- Swiss company founded in 1921 by disciples of Rudolf Steiner. Company’s cultivation and harvesting techniques based on “anthroposophy”; innovative use of ingredients; first to use calendula, chamomile in skin lotion, rosemary in shampoos, arnica massage oils; Weleda named for ancient Celtic women healers; mainstream in Europe, some
presence in American drug stores. Is packaging too European? Does Weleda even want to associate itself with companies like Walgreens?

(2) **Burt’s Bees** – founded by Burt Shavitz in 1984 to produce beeswax candles; his bearded, wild man image is still featured on company labels; innovative Beeswax lip balm in 1990; expanded to a whole range of skin care products based on beeswax; no real competition featuring beeswax; unique, memorable name; addresses problems no one else does -- cracked feet, dry cuticles; truly explosive growth rate of 50% a year for the past two years and expected to meet its 2002 target of $50M; could be the first natural personal care company to do an IPO.

(3) **Aubrey’s Organics**——started in 1974, long history of being first to use various natural ingredients; stresses high quality of botanicals; well respected by users of natural products; unique name.

(4) **Kiss My Face** ——started in the 80’s by two vegetarian farmers in the Hudson River Valley, broad product line in skin and hair care; unique name; but, its pop-sounding name and low brow graphics suggests it lacks standards and that its slogan “Obsessively Natural” rings hollow. Company is in danger of becoming stuck in the middle of the “chasm” with its pop marketing approach turning off its purist early adopters.

(5) **Desert Essence** ——parent company been around for 25 years, first to popularize Australian tea tree oil; broad product in skin and hair care; undistinguished name.