

After viewing the video featuring Harley-Davidson, answer the following questions about managing profitable customer relationships:

1. How does Harley-Davidson build long-term customer relationships?
2. What is Harley-Davidson's value proposition?
3. Relate the concept of customer equity to Harley-Davidson. How does Harley-Davidson's strategy focus on the right relationships with the right customers?

COMPANY Case

Build-A-Bear: Build-A-Memory

In the late 1990s, it was all about the dot-com. While venture capital poured into the high-tech sector and the stock prices of dot-com start-ups rose rapidly, the performance of traditional companies paled in comparison. That era seemed like a bad time to start a chain of brick-and-mortar mall stores selling stuffed animals. Indeed, when Maxine Clark founded Build-A-Bear Workshop in 1996, many critics thought that she was making a poor business decision.

But with its first decade of doing business behind it, the U.S.-based specialist in customizable teddy bears now has more cheerleaders than naysayers. In the last few years, it has won numerous awards, including being named one of the five hottest retailers by one retail consultancy. The company hit number 25 on *BusinessWeek's* Hot Growth list of fast-expanding small companies. And founder and CEO Maxine Clark won Fast Company's Customer-Centered Leader Award. How does a small start-up company achieve such accolades?

THE PRODUCT

On paper, it all looks simple. Maxine Clark opened the first company store in 1996. Since then, the company has opened more than 370 stores and has custom-made tens of millions of teddy bears and other stuffed animals. Annual revenues reached \$474 million for 2007 and are growing at a steady and predictable 15 percent annually. After going public in November of 2004, the company's stock price soared 56 percent in just two years. Annual sales per square foot are \$600, roughly double the average for U.S. mall stores. In fact, Build-A-Bear Workshops typically earns back almost all of its investment in a new store within the first year, a feat unheard of in retailing. On top of all this, the company's Internet sales are exploding.

But what all these numbers don't illustrate is *how* the company is achieving such success. That success comes not from the tangible object that children clutch as they leave a store. It comes from what Build-A-Bear is really selling: the experience of participating in the creation of personalized entertainment.

When children enter a Build-A-Bear store, they step into a cartoon land, a genuine fantasy world organized around a child-friendly assembly line comprised of clearly labeled work stations. The process begins at the "Choose Me" station where customers select an unstuffed animal from a bin. At the "Stuff Me" station, the animal literally comes to life as the child operates a foot pedal that blows in the amount of "fluff" that she or he (25 percent of Build-A-Bear customers are boys) chooses. Other stations include "Hear Me" (where customers decide whether or not to include a "voice box"), "Stitch Me" (where the child stitches the animal shut), "Fluff Me" (where the child can give the animal a blow-dry spa treatment),

"Dress Me" (filled with accessories galore), and "Name Me" (where a birth certificate is created with the child-selected name).

Unlike most retail stores, waiting in line behind other customers is not an unpleasant activity. In fact, because the process is much of the fun, waiting actually enhances the experience. By the time children leave the store, they have a product unlike any they've ever bought or received. They have a product that they have created. More than just a stuffed animal that they can have and hold, it's imbued with the memory created on their visit to the store. And because of the high price-to-delight ratio (bears start as low as \$10 and average \$25), parents love Build-A-Bear as much as the kids.

WHY THE CONCEPT WORKS

The outside observer might assume that Build-A-Bear is competing with other toy companies or with other makers of stuffed animals, such as the Vermont Teddy Bear Company. Touting its product as the only bear made in America and guaranteed for life, Vermont Teddy Bear hand-makes all of its bears at a central factory in Vermont. Customers choose their bears through a catalogue or Web site, receiving their bear in the mail without the experience of having taken part in the creation of the bear. Quality is the key selling point (reinforced by its price of \$50–\$100).

Although Vermont Teddy Bear has achieved great success since it sold its first bear in 1981, Maxine Clark does not consider it to be a serious Build-A-Bear competitor. "Our concept is based on customization," says Clark. "Most things today are high-tech and hard-touch. We are soft-touch. We don't think of ourselves as a toy store—we think of ourselves as an experience." It is widely recognized in many industries that the personalization feature builds fiercely loyal customers. As evidence, Clark points out that unlike the rest of the toy industry, Build-A-Bear sales do not peak during the holiday season, but are evenly distributed throughout the year.

Although not very common in the toy industry, Maxine Clark asserts that personalization is emerging because it lets customers be creative and express themselves. It provides far more value for the customer than they receive from mass-produced products. "It's empowerment—it lets the customer do something in their control," she adds. Build-A-Bear has capitalized on this concept by not just allowing for customization, but by making it a key driver of customer value. The extensive customer involvement in the personalization process is more of the "product" than the resulting item.

Although Build-A-Bear has performed impressively, some analysts question whether or not it is just another toy industry fad, comparing the brand to Beanie Babies and Cabbage Patch Kids. Although Maxine Clark has considered this, she is confident that the Build-A-Bear product and experience will evolve as quickly as

the fickle tastes of children. Whereas some outfits and accessories might be trendy (the company added Spiderman costumes to the bear-size clothing line at the peak of the movie's popularity), accessories assortments are changed 11 times each year.

KNOWING THE CUSTOMER

Maxine Clark has been viewed as the strategic visionary—and even the genius—who has made the Build-A-Bear concept work. But her success as CEO derives from more than just business skills relating to strategy development and implementation. Clark attributes her success to “never forgetting what it’s like to be a customer.” Given that Clark has no children of her own, this is an amazing feat indeed. Although understanding customers is certainly not a new concept, Clark has employed both low-tech and high-tech methods for making Build-A-Bear a truly customer-centric organization.

To put herself in the customer’s shoes, Clark walks where they walk. Every week, she visits two or three of the more than 370 Build-A-Bear stores. She doesn’t do this just to see how the stores are running operationally. She takes the opportunity to interact with her customer base by chatting with preteens and parents. She actually puts herself on the front line, assisting employees in serving customers. She even hands out business cards.

As a result, Clark receives thousands of e-mails each week, and she’s added to the buddy lists of preteens all over the world. Clark doesn’t take this honor lightly, and tries to respond to as many of those messages as possible via her BlackBerry. Also, to capitalize on these customer communications, she has created what she calls the “Virtual Cub Advisory Council,” a panel of children on her e-mail list. And what does Clark get in return from all this high-tech communication? “Ideas,” she says. “I used to feel like I had to come up with all the ideas myself but it’s so much easier relying on my customers for help.”

From the location of stores to accessories that could be added to the Build-A-Bear line, Build-A-Bear actually puts customer ideas into practice. As the ideas come in, Clark polls the Cub Council to get real-time feedback from customers throughout the areas where the company does business. Mini-scooters, Hello Kitty bears, mascot bears at professional sports venues, and sequined purses are all ideas generated by customers that have become very successful additions.

Clark sees accessories as a tool for building the child/bear relationship. Build-A-Bear Workshops house in-store galleries of bear-sized furniture designed by kids for kids. An exclusive partnership with Skechers shoes makes Build-A-Bear Workshop the seller of more bear shoes, sandals, boots, and slippers than any other company worldwide. And with the sports licensing agreements that it has with the NBA, WNBA, MLB, NHL, NFL, and NASCAR, Build-A-Bear’s offspring can become part of a child’s affinity for a sports team. Clark’s research efforts have also lead to a media campaign focusing on the tween segment by playing up ideas of fashion and imagination.

As a means of further expanding the Build-A-Bear experience beyond the retail store, the company has created a Web site that

connects real-world toys with the online world. Dubbed “BuildABearVille.com,” the interactive site contains games and activities that feature the same themes as the brick-and-mortar stores. “The new virtual world was carefully created so that it reflects the core values of Build-A-Bear Workshop,” Clark said. “It allows children to have fun as they grow their friendships and learn about being an active participant in the community.” Although any child can register, the premium content is only accessible via a code that comes with the purchase of a bear from one of the chain’s retail stores.

But growth for Build-A-Bear will come from more than just these improvements to same-store sales. Clark’s expansion efforts include building a base of at least 350 stores in the United States, 120 stores in Europe, and franchising an additional 300 stores in other parts of the world. And Clark is taking action on the flood of “build-your-own” concepts that have come across her desk since the first Build-A-Bear Workshop opened. She will give much more attention to a new line of stores called “Friends 2B Made,” a concept built around the personalization of dolls rather than stuffed animals. She’s opened up the first “Build-A-Dino” stores. And Build-A-Bear has a 25 percent ownership stake in the start-up “Ridemakerz,” a make-and-outfit your own toy car shop.

Although Maxine Clark may communicate with only a fraction of her customers, she sees her efforts as the basis for a personal connection with all customers. “With each child that enters our store, we have an opportunity to build a lasting memory,” she says. “Any business can think that way, whether you’re selling a screw, a bar of soap, or a bear.”

Questions for Discussion

1. Give examples of needs, wants, and demands that Build-A-Bear customers demonstrate, differentiating each of these three concepts. What are the implications of each on Build-A-Bear’s actions?
2. In detail, describe all facets of Build-A-Bear’s product. What is being exchanged in a Build-A-Bear transaction?
3. Which of the five marketing management concepts best describes Build-A-Bear Workshop?
4. Discuss in detail the value that Build-A-Bear creates for its customers.
5. Is Build-A-Bear likely to be successful in continuing to build customer relationships? Why or why not?

Sources: James Bickers, “Virtual Friends,” *Retail Customer Experience*, April 2008, p. 20; Joanne Kaufman, “After Build-A-Bear, Build-A-Toy-Car,” *New York Times*, May 29, 2007, p. C3; “Build-A-Bear Brings Out the Bulls,” *BusinessWeek*, June 28, 2007, accessed at www.businessweek.com; Lucas Conley, “Customer-Centered Leader: Maxine Clark,” *Fast Company*, October 2005, p. 54; Staff writer, “This Bear Doesn’t Hibernate,” *BusinessWeek*, June 6, 2005, accessed at www.businessweek.com; and Roger Crockett, “Build-A-Bear Workshop: Retailing Gets Interactive with Toys Designed by Tots,” *BusinessWeek*, June 6, 2005, p. 77.