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POPPY BARLEY: WEIGHING THE COSTS AND BENEFITS

OF SUSTAINABILITY CERTIFICATION

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In November 2016, the co-founders of Poppy Barley Inc. (Poppy Barley), sisters Justine and Kendall Barber, had just emerged from their office boardroom in Edmonton, Alberta, Canada. The topic of conversation that morning had focused on the company’s fiscal projections and sustainability goals for the upcoming 2017 year. Poppy Barley, a made-to-measure footwear retailer, had grown rapidly, and the sisters wanted to further both their product line and their commitment to corporate sustainability. Could they be doing more in their efforts to be a socially responsible company?

The sisters had many entrepreneurial friends with whom they discussed the benefits of third-party sustainable business certification. These conversations left them struggling with two main questions: Which certification(s) should they pursue? Also, when was the right time to certify? Although Poppy Barley had doubled its sales every year since opening in 2012, it was still a small company with less than 30 employees and had only just achieved a profit the previous year. A sustainability certification required significant time and resources that could otherwise be focused on increasing market share. If Poppy Barley’s practices already aligned closely with the practices laid out by the certifications, was it really necessary, or beneficial, to pursue certification at this moment? Could third-party recognition (i.e., certification) wait until Poppy Barley became more established and successful? Put succinctly, the sisters needed to answer this question: Would certification provide new insights and a larger network that would benefit Poppy Barley, or would shifting resources toward a designation ultimately hinder the company’s growth?

As Justine turned to close the boardroom door, she took another look at the brainstorming session scribbles covering the whiteboard. The list of possible 2017 sustainability goals caught her eye. She stared at it in deep contemplation, knowing she and her sister needed to make a decision.

**POPPY BARLEY HISTORY**

Justine and Kendall founded Poppy Barley in Edmonton in 2012. The company began as a pure e-commerce operation. It gave customers the opportunity to take their own measurements, place an order online, and receive perfectly fitted designer shoes in the mail. Justine was inspired to start Poppy Barley after she bought a pair of custom-made boots in Bali, Indonesia. She loved the experience of having the pair of boots made just for her and began thinking about the potential market for this service in an e‑commerce setting. After Justine enlisted Kendall’s help, the sisters quickly began developing their business. The company’s name paid homage to ancestral, artisan shoemaking practices. Traditional units of measurement in shoemaking were poppy seeds and barleycorn: four poppy seeds made one barleycorn, and three barleycorns made an inch.[[1]](#footnote-1)

Poppy Barley enjoyed initial business success by focusing on quality and comfort, while leveraging small-batch productions to provide customers with flexibility in sizing and fit. Justine attributed much of Poppy Barley’s early gains to the quality of their products and the strength of their brand:

Since we are a product-based company, I always think that people have to love our product. . . . Our quality is very high, and our shoes are incredibly comfortable. That makes a high repeat rate for us and gives us positive word of mouth, which I think is really important.

In the early years of the company, the Barber sisters worked tirelessly to build Poppy Barley’s identity and continually look for ways to improve its products and operations. Their hard work led to immediate success, showed by year-after-year revenue growth and expanded operations, including brick-and-mortar stores in both permanent and seasonal locations across Canada.[[2]](#footnote-2) Although Poppy Barley’s early success was in the niche market of made-to-measure footwear, the sisters later repositioned the company by exploring growth opportunities connected to the mainstream market.[[3]](#footnote-3) In 2017, company sales reflected this shift with about 25 per cent of gross revenue coming from accessories and small leather goods like handbags. The majority of the remaining 75 per cent of revenue came from in-stock footwear in standard sizes. Based on its success through 2017, Poppy Barley’s goal was to become the next national Canadian footwear brand.

RETAIL INDUSTRY OVERVIEW

Between 2013 and 2017, Canadian retail sales steadily increased from CA$39.9 billion to $50.2 billion,[[4]](#footnote-4) and the marketplace continued to evolve along with consumers purchasing habits. By the time Poppy Barley was founded, online shopping was well established and showed no signs of slowing down in growth.[[5]](#footnote-5)

Online shopping provided speciality product merchants with access to a much wider reach of customers. Prior to the online marketplace, these businesses could only survive within large metropolitan areas.[[6]](#footnote-6) Given these trends, the Barber sisters decided that the online, direct-to-consumer model was the perfect fit for launching their made-to-measure shoe business.

**Competitive Advantage**

Retail footwear had long been a competition-dense industry. However, because Poppy Barley initially positioned itself in a niche market—women’s made-to-measure shoes online—it was relatively alone in an untapped market.[[7]](#footnote-7) The co-founders viewed their business as hard to replicate, as Kendall explained: “It’s a simple idea, but to find a manufacturer who can do it, plus to make it work as a business model, and then to develop the brand—it’s a pretty new concept among North Americans.”[[8]](#footnote-8) The sisters also saw ethical sourcing as a key business aspect that set Poppy Barley apart from its competitors.

When you open up a Poppy Barley shoe box for the first time, or zip up your made to measure boots, or slip your feet into a perfect pair of leather shoes, we want you to think about where they came from, the history behind them, and the people who made them—and feel good about the answers.[[9]](#footnote-9)

SUSTAINABLE BUSINESS PRACTICES

Having left a career in the non-profit sector, Justine saw Poppy Barley as an opportunity for a business to contribute to positive social change. Toward this aim, the sisters set sustainability goals each year (see Exhibit 1). From the beginning, they decided to source only from factories that provided employees with a living wage, reasonable work hours, and safe working conditions. After shortlisting factories through online searches, the sisters flew to León, a small city in central Mexico referred to as “The Shoe Capital of the World.”[[10]](#footnote-10) They wanted to hand-select their first vendor, one that would meet their criteria of providing high-quality craftsmanship and treating employees fairly. To their dismay, however, it was challenging to find a factory that would provide small-batch, custom-made work, let alone one that met their criteria. Since the industrial revolution, the vast majority of shoes were made in large, assembly-line production facilities.[[11]](#footnote-11) Eventually, the sisters located a factory that met their criteria and that was willing to work with them on small-batch production. Continued sales growth later enabled Poppy Barley to expand production relationships to additional factories in León.

Poppy Barley’s focus on sustainable sourcing was initially an internal consideration. In 2013, however, with the Bangladesh Rana Plaza collapse, the unethical labour practices that plagued the retail industry were suddenly launched into the global spotlight. The building collapse took the lives of 1,134 people and injured hundreds of others.[[12]](#footnote-12) Highly-publicized images of the horrific incident sparked a focus on ethical consumerism, particularly related to employee safety and rights.[[13]](#footnote-13) Long benefitting from cheap labour, retail brands were suddenly under public scrutiny and had to respond quickly with statements, along with resources, to aid the disaster.

The sisters responded to this tragedy by publishing a Factory Transparency Report that disclosed information on wages, working hours, and vacation benefits for employees at the factories that produced Poppy Barley footwear. Publicizing the report effectively announced Poppy Barley’s commitment to responsible business practices and to incorporating a social mission into the brand’s public persona. Also, the sisters hired a full-time employee, based in Mexico, to represent Poppy Barley and communicate with factory employees, ensuring worker safety and product quality.

The sisters’ sustainability initiatives made a clear difference with the workers who made Poppy Barley’s footwear:

We have a shoe maker that makes shoes for five different brands and [we] are the only one he has ever met from the brand of the shoe he is manufacturing. [We] know his name, his family . . . and once a year [we] come down and give him a bonus for his work. After we paid him the bonus for the first time, there was a change in attitude towards Poppy Barley. For one of the factories we partner with, we are the biggest brand, and for the other factory, we are the smallest brand, so we have one person in every area that does our shoes. [We are] experiencing that now everyone wants to be part of the Poppy Barley team.

The sisters also implemented unique benefits for Canadian staff members. In addition to providing annual bonuses, a volunteer policy encouraged full-time employees to donate time, with paid leave, to an organization of their choice. The resulting positivity was remarkable. Justine commented that “policies like this help us keep our employees engaged and provide meaning to the work that they do.” Evidence of this came from several employee comments that volunteer work and having sustainability goals were the main reasons they enjoyed working at Poppy Barley.

The sisters also began thinking about the environmental aspects of Poppy Barley and switched to all recycled packaging. They also ensured that the companies they worked with implemented sustainability practices. By making an effort to understand the detailed manufacturing process of Poppy Barley shoes, the sisters gained new insights into how the company could do even better for the planet by reducing its carbon footprint. In fact, one of the reasons for opening a permanent brick-and-mortar location was to reduce the environmental impact of shipping product.

**SUSTAINABLE BUSINESS CERTIFICATION**

As the sisters continued to improve Poppy Barley’s sustainability efforts, they also considered a sustainability certification. Three different third-party certifications were relevant for Poppy Barley: B Corporation (B Corp), Fairtrade, and Leather Working Group (LWG). Each certification represented a different aspect of Poppy Barley’s business strategy: the brand, the factory, and the product. Also, each certification had merits and drawbacks, and required both time and money—resources that could otherwise be directed toward company growth. The sisters struggled not only with which of the three certifications to pursue, but also deciding if this was the best time to dedicate finite resources to pursuing certification at all, given that Poppy Barley was still in its growth phase. At a minimum, the sisters were clear that each certification warranted careful evaluation.

**B Corporation**

Status as a certified B Corp was assessed and verified by B Lab, a U.S. based non-profit corporation. B Corp certification recognized for-profit companies that conduct business in a socially and environmentally sustainable way. To become certified, companies were required to achieve 80 out of a possible 200 points related to various sustainable business standards. Certification also required a public report of a company’s social and environmental performance.[[14]](#footnote-14) B Lab’s mission resonated with the sisters: to help companies improve their triple bottom line and “compete not only to be the best in the world, but the Best for the World.”[[15]](#footnote-15)

There were numerous benefits to obtaining B Corp certification (see Exhibit 2). Internally, it would provide Poppy Barley with a clear framework for continuous improvement, and it was flexible in terms of which 80 points a company elected to achieve. B Corp certification would also provide Poppy Barley with a growing network of B Corp certified companies around the world. Externally, B Corp certification clearly communicated to consumers that Poppy Barley was a socially conscious and environmentally sustainable business. The cost of certification was on a sliding scale so that it was reasonable (see Exhibit 3).

On the other hand, there were several potential drawbacks to B Corp certification. The application required a detailed assessment of the company, including sensitive employee information (such as the previous year’s average employee raise) that could not be delegated. Also, Poppy Barley would not meet the 80-point minimum without making changes. While the company welcomed new sustainability practices, the practices it would need to adopt would realistically take time and money to implement. Furthermore, while many of the changes would result in meaningful improvements for the company and were thus welcomed by the sisters, other changes meant simply checking off another box on the survey.

**Fairtrade**

Fairtrade, a relatively well-known global certification, had a strong brand presence, making it a popular choice with companies seeking third-party certification (see Exhibit 4).[[16]](#footnote-16) Where B Corp certification focused on Poppy Barley’s overall brand, Fairtrade certification focused on its factories, ensuring fair pay for workers. Fairtrade set international targets aimed at ending poverty by fighting inequality and injustice. It supported and challenged businesses to source products ethically while inspiring shoppers to consider the impact of their purchases.

As Poppy Barley had manufacturing operations in Mexico, Fairtrade certification would help the company assure existing customers that their shoemakers were paid a fair wage and had good working conditions. Fairtrade certification provided additional advantages such as attracting new customers with the well-known label and inspiring trust that a purchase of Poppy Barley shoes with the Fairtrade mark “improves the lives of people and communities in developing countries.”[[17]](#footnote-17) Like B Corp certification, selling products with the highly-recognized and trusted Fairtrade certification would enable Poppy Barley to clearly communicate a commitment to social and environmental values.[[18]](#footnote-18)

Again, as with B Corp certification, there were drawbacks to Fairtrade certification. One of the main concerns was certification ownership. Although both Poppy Barley and the factories worked together on sustainability efforts, it would be the factories, and not Poppy Barley, that would ultimately get certified. This meant that although Poppy Barley would commit the time and resources to complete the application, the certification audit would be on each factory and the sisters had little control to implement required changes. Fairtrade certification would also require Poppy Barley to pay four per cent of the annual cost of goods per factory to be certified. The total costs, both in financial terms and time, would be significant, particularly in terms of the stage of growth that Poppy Barley was in. An alternative would be to certify only some of the factories, but deciding which ones to certify would be difficult.

**Leather Working Group**

Tanneries (businesses that turned animal hides into leather) had a unique certification regarding sustainable business practices. LWG certification involved an audit and comprehensive evaluation of each manufacturer, assessing the environmental compliance and performance capabilities along with efforts toward promoting “sustainable and appropriate environmental business practices within the leather industry.”[[19]](#footnote-19) As a multi-stakeholder group, LWG offered benefits to stakeholders throughout the value chain (see Exhibit 5). Once an audit was completed, the leather manufacturer could earn bronze, silver, or gold level certification, depending on the results.

Poppy Barley wanted its tanneries to have LWG gold status as a way to publicly echo its commitment to environmental sustainability. The sisters appreciated the quality, performance, and sustainable practices of the tannery they had been working with since near the beginning, which had even made improvements based on feedback from the sisters. A major issue, however, was that gold status certification required certain sustainability practices to have been in place for a minimum period of five years. Unfortunately, the tannery that Poppy Barley had partnered with had only been in existence for three years. In order to do business with gold status tanneries, Poppy Barley would have to source from another leather manufacturer, preferably one that was already certified by LWG. Poppy Barley knew very well the challenges of finding a company that it could work with.

**DECISION TIME**

The sisters contemplated how far they had come over the past five years with Poppy Barley. They were proud to have made it past the survivor phase as a start-up company and excited to be growing Poppy Barley into the company they had envisioned. As they pondered the company’s future sustainability strategy, several questions came to mind. Would a third-party certification be worth the resources they would have to dedicate toward obtaining it? Would certification pay off in terms of increased customer satisfaction regarding their sustainability standards? Would it pay off in terms of increased sales or gain the company a stronger competitive advantage? Was this the right time to pursue this certification, considering the limited time and resources they both had to commit to the project? Or was their time better focused on growing Poppy Barley, so it could increase its market share?

The sisters felt passionately about corporate social responsibility, which had always been a core part of Poppy Barley’s identity. Kendall noticed Justine pause as she went to close the boardroom door after their meeting. They looked at each other and knew they were both thinking the same thing: were their current 2017 sustainability goals enough?

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EXHIBIT 1: POPPY BARLEY 2017 SUSTAINABILITY GOALS

|  |  |
| --- | --- |
| Ship 75% of all goods via **ground transport** to reduce the environmental impact of air freight. | |
| **Donate** 1% of sales to our communities. | Ensure that 100% of packaging is **reusable** or made from **recycled material,** and is **recyclable**. |
| Ensure that 100% of our factories meet or exceed our **Code of Conduct** for working conditions. | Activate a **staff commuter policy** that encourages walking, biking, carpooling, or the use of public transit at least 25% of the time. |
| Ensure that 100% of our leather **tanneries** clean the **water** used in the tanning process and dispose of hazardous waste. | Activate a **volunteer policy** that supports 20 hours of paid volunteer time at an organization of their choosing. |

Source: Company documents.

EXHIBIT 2: WHY BECOME A B CORPoration?

|  |  |
| --- | --- |
| Lead a movement | Differentiate from pretenders |
| Pass legislation | Attract investors |
| Benchmark performance | Generate press |
| Save money and access services | Attract and engage talent |
| Protect mission | Participate in ad campaign |
| Partner with peers |  |

Source: “Why Become a B Corp,” B Lab, accessed December 8, 2017, https://www.bcorporation.net/become-a-b-corp/why-become-a-b-corp.

EXHIBIT 3: ANNUAL CERTIFICATION COSTS FOR B CORPorations

|  |  |  |  |
| --- | --- | --- | --- |
| **Annual Sales** | **Annual Fee** | **Annual Sales** | **Annual Fee** |
| $0–$149,000 | $500 | $75,000,000–$99,999,999 | $20,000 |
| $150,000–$1,999,999 | $1,000 | $100,000,000–$249,999,999 | $25,000 |
| $2,000,000–$4,999,999 | $1,500 | $250,000,000–$499,999,999 | $30,000 |
| $5,000,000–$9,999,999 | $2,500 | $500,000,000–$749,999,999 | $37,500 |
| $10,000,000–$19,999,999 | $5,000 | $750,000,000–$999,999,999 | $45,000 |
| $20,000,000–$49,999,999 | $10,000 | $1 billion + | $50,000 + |
| $50,000,000–$74,999,999 | $15,000 |  | |

Source: “Make It Official,” B Lab, accessed December 6, 2017, www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp/make-it-official.

EXHIBIT 4: FAIRTRADE FACTS AND FIGURES

|  |  |  |
| --- | --- | --- |
| * There are more than 1.66 million farmers and workers in Fairtrade certified producer organizations. | * The average size of plot cultivated by a Fairtrade farmer is 1.4 hectares. | * There are 1,240 Fairtrade certified producer organizations. |
| * In 2014­-15, CA$174 million in Fairtrade premium was paid to producers. | * Fairtrade sales generated more than CA$1.6 billion in producer revenues in 2014–15. | * Of all farmers and workers in Fairtrade, 25% are women; 49% on plantations. |

Source: “Facts and Figures,” Fairtrade Canada, accessed December 8, 2017, http://fairtrade.ca/en-CA/What-is-Fairtrade/Facts-and-Figures.

EXHIBIT 5: BENEFITS OF MEMBERSHIP in THE LEATHER WORKING GROUP

|  |  |  |
| --- | --- | --- |
| **For Suppliers**   * An opportunity to understand directly the environmental objectives set by the brands and the pressures on the leather sectors through third parties * Input and representation for suppliers during the process * Involvement in a forum that supports the promotion of continual improvement in environmental performance * The opportunity to network and effect positive change in conjunction with industry peers | **For Leather Manufacturers**   * Reduced manpower requirements to manage and supervise during environmental audits * Input and representation for leather manufacturers during the process * Reduced costs when preparing for numerous audits from different brands * Audits conducted by industry experts, and hence, realistic expectations and measures set * A mechanism that supports the promotion of continual improvement in environmental performance | **For Brands and Retailers**   * Immediate access to an environmental auditing system that has been collaboratively developed by leading experts in the leather industry across the value chain and peer reviewed by non-governmental organizations and academic stakeholders * Reduced manpower and cost requirements to conduct environmental audits * In-depth assessment and measurement of the leather manufacturer’s technical/ environmental process and the ability to define improvement * A mechanism that supports the promotion of continual improvement in environmental performance * Support and advice for the implementation of the Leather Working Group process |

Source: Created by the authors with information from Leather Working Group Ltd., *Leather Working Group Membership Proposal: April 2017 to March 2018,* accessed December 8, 2017, https://www.leatherworkinggroup.com/contentfiles/LWG-56.pdf.

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