

## For These Artisan Founders, Cute Small-Batch Goods Were Just the Beginning



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Morton's sells a perfectly suitable box of kosher salt. It's \$2.49 for three pounds. Then along comes Ben Jacobsen from Oregon, whose salt's price is 650 percent higher. But his isn't just any ole salt: It is pulled from a handpicked spot in the Pacific Ocean and run through a complex process of purification. It is not salt to just *salt things*. His is a highlight -- a "finishing salt," the flaky crystals that chefs sprinkle on food right before serving to give it a pop of flavor.

Jacobsen launched his company in 2011 and called it Jacobsen Salt Co. He knew his price would make some scoff -- but that plenty of others would be willing to be impressed. "The challenge was to keep the product quality at the highest level possible and continuously improve quality over time," he says, "and to convey the story of how our salt is made and why it is so special."

You already know the precious word for businesses like Jacobsen's: *artisan*. As their businesses cross the threshold from hometown maker to national internet fodder, those who make handcrafted, high-quality goods -- the kind of pursuit we're seemingly losing in this digital, high-yield manufacturing age -- are an inspiration to many: They're living the dream! Following their passion! Sometimes it seems as if everyone stuck in the rut of a corporate job is ditching it for an artisan pursuit, like bottling soul-cleansing kombucha, hand-making organic mayonnaise or concocting another lowbrow-meets-upscale-meets-esoteric riff on an everyday item like beet horseradish.

But rarely do you hear the other side of the story, about what happens after the burst of publicity fades and a business must stand on its own. Half of these ventures -- classified as "microenterprises," having fewer than five employees -- fail within five years, and 90 percent fail within 10 years. (That's according to the International Economic Development Council.) The truth is, it's really hard to make a sustainable living selling artisanal wares. Production costs are high, and profit margins tend to be small because the product isn't being mass-produced. The products are, by their very nature, something consumers *want* a lot more than they *need*.

But there are success stories -- many of them, in fact. And although their wares are different, the top artisan entrepreneurs all share a common drive: They weren't satisfied selling at their local market and reaching their 4,250 Instagram followers. Instead, they knew when to set aside their passion-filled creator's cup and guide their business like, well, a business.

That salt? Jacobsen is now harvesting 18,000 pounds of the stuff a month. He's still selling it at \$5.50 a pound. And he employs 30 people. That's not just an artisan business -- it's the real thing.

The artisan movement took shape amid the Great Recession in the late aughts, thanks to an unemployment number that spiked to 10 percent. Many people had lost their jobs and realized they'd have to create their own. The farm-to-table movement coincided with this, with more people prizing local and simple food, and that elevated the value of all things homemade. A generation of young professionals began viewing artisan jobs not as blue-collar service work but as credible and hip. Etsy, Instagram and Pinterest fueled it all, allowing the makers to easily tell their stories and connect directly with consumers.



But not all these new artisans were prepared for the task ahead. Patricia Greene, a professor of entrepreneurship at Babson College, repeatedly saw the same problem. Greene, who is also the national academic director for Goldman Sachs' 10,000 Small Businesses program, which helps startups with access to capital and support, would regularly hear from artisans looking for funding. "So often when I hear pitches," she says, "all I'm hearing about is the product for sale, not the business. They need to say, 'This is what my business can do and how I will make that happen.'"

Put another way: These people are taken with how cool their product is but can't describe how they will actually sell it. Greene says every artisan should ask themselves an important question: Do I have an idea, or do I have an opportunity? Funders want to hear about that opportunity.

Here's how Joe Heron talks about his: "We would never do bourbon," he says, even though he lives in bourbon-soaked Louisville, Ky. "It's a space that is well served, and served well." And so, his new Copper & Kings distillery stands out by making brandy.



Heron is keen at reading the field. In his previous venture, he developed Crispin Hard Cider at a time when very few people were making hard cider. He sold it to MillerCoors in 2012 for an undisclosed (although reportedly large) sum. Now he's filling another void in the American spirits landscape by selling an after-dinner beverage last consumed by your grandfather's grandfather. Over its two-year lifetime, Copper & Kings sales jumped from 10,000 bottles in 2014 to an anticipated 60,000-plus this year.

Heron credits the uptick to how he's selling the spirit as much as to what's in it. He could wax poetic all day long about his brandy being matured in bourbon barrels, without sugar or caramel coloring, but he knows that will only get him so far. "The product story is the start, but it is not the finish," he says. Once a distributor is hooked on the story, and can understand what makes a business so special, they need to see a hardened sales strategy. "Otherwise," he says, "you just have ornamental art, not a consumer product."

At Copper & Kings, Heron pitches distributors a 12-month outlook highlighted by what drinks could be made with his brandy during the different seasons and possible promotions pegged to high-traffic sales periods, like the holidays. He has also perfected the art of making his distributor an ally. "Always remember that distributor management sees your company as an opportunity, and the distributor sales reps see you as more work," says Heron. "Your job is to bridge that gap." How? By making their job easier, from providing all point-of-sales tools to product training. The more a salesperson thinks they can sell of your product -- and therefore the higher commission they're excited to reap -- the more effort they'll put into you. "Distributors support and work for companies that work for them," Heron says. "It's a two-way street."

But as an artisan prepares for that growth, they also need to do some hard math. "To succeed in selling an artisanal product, the owner must figure out how to make production runs, costs, etc., fit the business model," Greene says. Small-batch, high-quality products are expensive -- and that's OK, to a point. Consumers will certainly pay more for better products, but they also may see that purchase as a one-off luxury. "The art," Heron says, "is to get quality and price in balance so people buy more than once. That is how you grow."

Andreea Ayers learned this at a pivotal time. In 2006, when she was pregnant, she and her husband moved from New York City to Boulder, Colo. She wanted a change from a career in marketing and became an entrepreneur -- launching a T-shirt business and a consulting business. In 2013, she was thinking about how flower-scented soap made her happy, so she decided to enter the soap business. She found a manufacturer to produce organic, handmade soaps and called her company Soaps to Live By. Each bar was stamped with an inspirational word such as *hope* or *shine*, giving someone a shot of morning motivation as they scrubbed their toes.



She sold 6,000 bars -- retailing for \$8 each -- through her website in the first nine months. A local real estate agent bought 900 to gift to clients. And with a production cost of \$2 per bar, she made a 300 percent profit on each sold directly to consumers, and 100 percent margins on bars sold wholesale to retailers. Those were great numbers, she thought. But to truly grow, she knew she'd need to get her soaps into stores. So she sent about 150 soaps to every Whole Foods buyer in every region, and then followed up until she got her first 'yes.' That's when trouble began.

Whole Foods asked Ayers to bring her price down to \$6.50 a bar. It also wanted her to ship the soap for free. Ayers tried to negotiate a new deal with her manufacturer, asking for a lower cost in exchange for a higher order. But the manufacturer said no: Ayers was already ordering 2,880 bars each order, which put her at its lowest cost. "So even if I increased my order, my price would stay the same," says Ayers. "I got locked in with a manufacturer who wasn't very flexible."

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Were she to do it again, she says, she'd have found a partner whose terms fit her immediate needs and projected future needs. But now she was stuck. She couldn't find a new manufacturer to make soaps that were both organic and handmade -- two of her selling points -- and couldn't lower her price and still earn enough money. So she said no to Whole Foods, and, three months later, she closed the business entirely.

Her story has a rare happy postscript: Earlier this year, an investor asked to buy Soaps to Live By. According to Ayers, he has access to friendlier manufacturing costs and is making Whole Foods' needs a priority. "If the new owner can negotiate a price that works for both of them," says Ayers, "I would love to see the soaps there." The brand relaunches this summer.

So, back to the salt. How did Jacobsen sell a mass commodity for such a high price? The answer: His artisan product was never designed to be a small operation.

In 2011, he had just closed his mobile app company, MobSpot; the platform recommended apps to users. He was looking for a new venture and, inspired by Oregon's local food culture, realized that nobody made local salt. It was there for the taking -- freely pulled from the Pacific Ocean.

Jacobsen, then 35, spent two and a half years learning the trade. He tested 25 spots by himself along the Pacific Northwest coast, seeking the best source of saltwater. Then he began the formidable challenge of actually making salt. Harvesting equipment -- which runs saltwater through a 10-day process -- wasn't available in the States. "We had to custom fabricate all our equipment, including 600-gallon stockpots that no one else makes," he says. To fund this, he raised \$28,000 on Kickstarter (all donors received samples) and another \$100,000 from family and friends.

He knew the average foodie wasn't going to pay \$11 for a two-pound bag of his unknown salt, so he courted big-name chefs. One of the first to bite was Portland chef Gregory Gourdet (a popular 'Top Chef' competitor), whom Jacobsen connected with through a mutual friend. "The first time we met, I provided him a small bag of salt out of the back of my Subaru in the parking lot of the commissary kitchen I was using," says Jacobsen. Other chefs caught wind of this Oregon salt seller, right at the time Portland was becoming a national sensation for its foodstuffs.

That's what led to his big break. In July 2013, celebrity chef April Bloomfield was on 'The Tonight Show,' and host Jimmy Fallon asked her to name her favorite salt (because, you know, Jimmy Fallon). She said it was Jacobsen's, and the next day, the salt-maker's website crashed for a few hours due to high demand. Today Jacobsen has 500 direct chef accounts, including three-Michelin-star chef David Kinch at Manresa in California and Jean-Georges in New York. And where the chefs are, the retailers follow: He's now in Williams-Sonoma and has added lower-cost products like salted caramels and spicy honey. Just like that, a pricey, precious little company has transformed itself into something lasting.