



Case Study

Blue Smoke Salsa

Ansted, West Virginia
Robin Hildebrand, Proprietor

This case study demonstrates the use of e-commerce to tap broader geographic markets as part of the growth strategy for this homegrown business. E-commerce is providing a means to reach a larger market while maintaining high product quality and personal connections to the customer that the entrepreneur feels are the keys to her success.

Profile

Blue Smoke Salsa is the creation of Robin Hildebrand, a spirited, energetic entrepreneur, who nurtured the company from hobby to startup to a very successful small business operating in the coal mining town of Ansted, West Virginia. Blue Smoke Salsa began as a home-canning hobby with salsa doled out in one-pint canning jars sporting hand-printed labels. The Blue Smoke brand has evolved over time with the addition of new Blue Smoke products, the development of new marketing and promotion materials, and with the decision to carry complementary products from other producers both in-store and online. Blue Smoke's line of products is expanding regularly to include a peach salsa and the recent introduction of a line of products, under the JusKiddin'© brand, that are void of hot spices and chunks, to appeal to younger salsa gourmands.

At Blue Smoke's retail store in Ansted one can find a wide variety of primarily West Virginia-produced products that serve to increase the market appeal of the brick-and-mortar store. Many of these products are available on their Web site but only in gourmet food gift baskets alongside Blue Smoke products. One of the ideas being considered is to expand the online catalog to allow customers to peruse and order the entire inventory that is available in the brick-and-mortar store, increasing online customer traffic to the Blue Salsa Web site.

History

Hildebrand was on maternity leave from her position with a large energy utility, tending her sizable vegetable garden, canning much of her produce and sharing it with friends and family. She had the idea then to turn her hobby into

a business that would allow her to work from home and continue to serve as the primary caregiver for her children until they were old enough to begin school. Hildebrand decided early on that she wanted to produce a high-quality specialty product that would appeal to high-end consumers. Given her remote location in the New River Gorge area of West Virginia, where the consumer base for such products is limited within the indigenous population and seasonal in the tourist population, she knew that she would have to develop channels to move her product to where it would attract the kind of customers she desired.

In order to break into national markets, she attended international specialty food shows in Chicago and New York City where the quality of her product apparently met with the approval of the critics. More recently she has developed distribution agreements with several large grocery store chains including Kroger and Harris Teeter. She indicated that, though she has been encouraged to do so, she will not allow the largest grocery retail chain in the world (Wal-Mart) to carry her products fearing they would possibly sell her products at prices that would undercut existing retailers' prices and erode her image of quality.

Blue Smoke Salsa was first produced for three years in the only state-approved commercial kitchen located in a residential basement, in her home. The company grew, her children entered school, and she relocated production to a vacant facility in downtown Ansted. Prior to her purchase and refurbishment of this facility, the entire downtown business district was completely boarded up. Memories of downtown Ansted as a vibrant

Year online: **2005**

Area Population: **1,576**

Web site:

www.bluesmokesalsa.com



commercial district were held by only the oldest residents. As often happens in stories of downtown or neighborhood revitalization, the Blue Smoke Salsa “spark” apparently lit a fire and other nearby buildings have been restored and contain active businesses. Blue Smoke stayed in this first downtown building for about five years before moving to yet another formerly vacant building across the street in downtown Ansted. The City Hall and a regional museum took up residence in the former Blue Smoke building as the little salsa-producing company contributed to a revival of the business district of this tiny little hamlet in the Appalachian Mountains of West Virginia.

Business Location

Ansted, West Virginia (2000 population 1,576) was established in 1891 because of the rich coal seams running through this Appalachian mountain town. While the coal companies that built the town have come and gone, tourism is now its economic driver. Both Hawk’s Nest State Park and Ansted’s location along the New River Gorge serve as major draws for the recreational tourism industry. Located in nonmetropolitan Fayette County (2000 population 47,579), Ansted is located 49 miles from Charleston, West Virginia, 140 miles from Roanoke, Virginia, and 210 miles from Columbus, Ohio.

Role of e-Commerce

Blue Smoke, former hobby business, now makes production runs four days a week during the peak summer months and two days a week in winter, seasonally employing three part-time and seven full-time workers.¹ The raw ingredients it uses (primarily tomatoes, peppers, and onions) are locally sourced, augmenting again the regional impact of this entrepreneur’s achievement.

As the enterprise grew from a hobby to a legitimate profit-seeking business capable of providing not only for its proprietor but for the material needs of a small workforce, the drive to reach a larger geographic specialty food market guided Hildebrand’s next steps. In order to reach this market, traditional distribution channels (i.e., middlemen) were used. Although the profit margins on these sales were slimmer than those of the direct sales through the retail shop in downtown Ansted, Blue Smoke Salsa gained exposure from this arrangement and sales volume steadily increased.

In 2005, Hildebrand developed her first e-commerce-enabled Web site complete with a shopping cart feature. She has overhauled the Web site once since then. Recognizing both her need for such a site and her own (and her staff’s) lack of

¹ A short video is available on their Web site that tours both their store and their in-store production facilities.

advanced computer skills, she chose not to develop the Web site herself or with Blue Smoke staff. Instead, she contracted with a regional service provider to design and host her site. She pays between \$3,000 and \$3,500 per year for Web site development, hosting and domain names. Since her Web site is hosted on the service provider’s server, located where better bandwidth is available, she is able to easily overcome the need for typically expensive high bandwidth connectivity in her rural setting. She is now able to receive orders through this Web site and have them processed and in transit within two business days.

A savvy businessperson will quickly recognize that this efficient processing of orders saves time and money. But a businessperson that also recognizes and values the opportunity to truly connect with their customers will want to find other ways to reach out and communicate, fulfilling both personal needs to be connected while simultaneously discovering opportunities to boost profits. Thus, orders that are received via the e-commerce Web site are typically followed up by a phone call to insure the accuracy of the orders, to answer questions, and to subtly develop a repeat customer base. Hildebrand considers this focus on quality over quantity an essential ingredient to the success of small business operations.

According to the proprietor, approximately 5 percent of overall sales come from Blue Smoke’s e-commerce strategy. However, due to the higher profit margins of this direct-to-consumer strategy, it produces about 10 percent of overall profits. In order to boost profits in the future, she plans to focus business strategies on increasing the volume of sales through this lucrative marketing channel.

Challenges and Lessons for Rural Entrepreneurs

Blue Smoke’s experience offers several lessons for other entrepreneurs:

- The primary e-commerce challenge facing Blue Smoke is to develop ways to drive traffic to their Web site. Those who first sample and enjoy the product are the customers most likely to seek out and order from the site. Thus, a multi-tiered strategy of pushing the product out to where it can be sampled using traditional approaches of middlemen distributors, providing incentives for customers to visit the Web site as repeat customers, and making this transaction preferable to what the consumer can rely upon elsewhere has been identified.
- Hildebrand’s advice for other small businesses considering e-commerce business strategies is

rather straight-forward. She recommends that all small businesses, whether they are B2C, B2B, or some combination, need to develop a robust Web presence, e-commerce enabled or not. Those that do not figure out how to do this and do this well will be missing out on huge opportunities and will likely find it difficult to survive in today's marketplace. Beyond good Web presence, the enhanced profit margins and the possibility of developing a repeat customer base should serve as the primary motivators for getting small and medium-sized businesses to adopt e-commerce strategies.

- To facilitate the development of Web presence and e-commerce know-how for small businesses like hers, Hildebrand suggests that access to capital, programs to subsidize the start-up costs associated with the development of Web presence and e-commerce, identification of good Web designers and hosting services, and the availability of high quality photography and marketing assistance are of paramount importance.

From e-Commerce as a Strategy for Improving Business

Vitality: Lessons Learned from Small Businesses by Deborah M. Markley, David L. Barkley, and R. David Lamie

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