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# FROGBOX



On Friday, October 5, 2012, at 7:45 a.m. Doug Burgoyne, co-founder and president of the environmentally friendly moving supply company, FROGBOX Incorporated (FROGBOX), proceeded to navigate his bike through busy morning traffic in downtown Vancouver, British Columbia. Once a month, Burgoyne met a group of Vancouver area entrepreneurs for breakfast to discuss topics surrounding business sustainability. As he waited at a red light, out of the corner of his eye, Burgoyne noticed a FROGBOX truck parked strategically near the high-traffic intersection (see Exhibit 1). As the light turned green, Burgoyne proceeded to make his way across the city to the restaurant.

FROGBOX branded itself as providing a convenient, affordable and eco-friendly alternative to cardboard moving boxes.[1] Established in 2008, with one pilot location in Vancouver, FROGBOX had since experienced rapid growth, expanding to 22 locations in major cities across North America, including 17 locations in Canada and five in the United States. Overall, 21 of the FROGBOX locations were operated under franchise agreements.

Although the company had achieved significant success in just a few short years, Burgoyne was faced with the challenge of how to proceed with the expansion of the FROGBOX brand moving forward. With plans to aggressively pursue new locations in the United States, the FROGBOX expansion could be achieved by establishing of corporate stores or by selling individual franchises. In addition to expanding geographically, Burgoyne also contemplated the option of focusing his efforts on dominating and revolutionizing the Canadian moving industry with the types of products and services the company offered to customers. In the early stages of business operations, FROGBOX had maintained a simple product offering to focus on perfecting operational efficiency. Products included reusable plastic boxes with interlocking lids, reusable plastic wardrobe boxes, recyclable packing paper and moving dollies (see Exhibit 2). However, over time, Burgoyne had realized the potential of adding additional items to better ensure that customers were able to acquire all the moving supplies they needed for a typical move, thus potentially capturing more of each mover's expenditure. In considering the different options available, Burgoyne wanted to sustain the integrity and success of the FROGBOX brand he had worked so hard to

[1] *FROGBOX, http://frogbox.com/about-us, accessed January 27, 2013.*

build, ensuring that any future expansion in location or services maintained his commitment to providing consumers with value, high quality and superior customer service.

## FROGBOX HISTORY

The creation of the FROGBOX business model first began in 2007, when company co-founders Doug Burgoyne and Trevor McCaw met weekly at a Vancouver café to brainstorm business startup ideas. During the initial stages, the pair had set some rules about the kind of company they desired to create, thinking of existing successful companies they admired. They looked at how the company PODS was able to create a new service in the moving business and how lululemon had transformed unique brand awareness into strong global sales. Moving their business development process forward, Burgoyne and McCaw identified the key components as a cash-based operation, scalability and customer service. Also important was the notion of sustainable prosperity, the ability to make a profit and the provision of a service that exceeded the current standard for the environment. However, instead of trying to create an idea to offer the consumer marketplace, the pair looked at the marketplace for existing problems for which they could potentially provide a solution.

Burgoyne recognized one particular problem that was based on his own personal experience. Recently, he and his wife had moved to Vancouver from Ohio and, in the process, had spent hundreds of dollars to acquire a multitude of cardboard boxes. After they had arrived in Vancouver and unpacked their belongings, the cardboard boxes quickly became a pile of unwanted materials, collecting dirt and moisture in their garage. Upon further investigation through market research, Burgoyne and McCaw discovered just how much of a negative reputation the moving industry held with public consumers. Overall, the moving industry ranked the third highest on both the U.S. and Canadian 2007 negative inquiries report of the Better Business Bureau, finishing behind roofing contractors and mortgage brokers.[2] Their research also revealed that the moving industry had not experienced any significant innovation in years, with consumers relying on the traditional cardboard box method to pack and transport their belongings. Consumers were vocal about their dislike of the cardboard moving box. Cardboard boxes were labour-intensive, as consumers had to purchase them, pick them up, construct and tape them prior to use, then break them back down again and dispose of them after unpacking. Some consumers were not willing to pay for new cardboard boxes, often scouring retail stores or “dumpster diving” to obtain free used boxes. Such methods resulted in consumers using cardboard boxes that had weak structural integrity. The odd sizes made the boxes awkward to stack, and some reused boxes emitted bad odours that suggested sanitation issues. Quite often, cardboard boxes were susceptible to damage during a move, placing the owner’s belongings at risk.

On average, a cardboard moving box was used only once before it was recycled or thrown away. Although recycling represented a better environmental alternative than disposal in a landfill, a significant amount of energy and water were consumed in the recycling process. For example, manufacturing one ton of new paper used for various cardboard products required 246 cubic feet of wood, 208,000 litres of water and 112 kilowatt hours of electricity.[3] While the process of recycling paper used up to 58 per cent less water and 64 per cent less electricity than manufacturing new paper, significant disadvantages remained.[4]

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[2] *US and Canada BBB, “Sorted by Complaint 2007,” http://www.bbb.org/canada/storage/0/Shared%20Documents/ComplaintStats/stat2007/US_Canada_by_Complaint_2007.pdf, accessed January 27, 2013.*
[3] *Greenvo, “How Much Wood Is Used to Make a Ton of Paper and How Much We Consume Each Year,” October 19, 2011, http://www.greenvo.com.my/2011/10/how-much-wood-is-used-to-make-a-ton-of-paper-how-much-we-consume-every-year/, accessed January 27, 2013.*
[4] *Redco Recycling, “More Fun Facts,” 2008, http://www.redcorecycling.com/facts3.html, accessed January 27, 2013.*

On average, paper products could be recycled only five to seven times before their cellulose fibres turned into sludge and could no longer be made into paper materials.[5] To maintain the strength of the fibres, virgin pulp was added during the recycling process. After the sludge was placed into a landfill, its decomposition produced methane, a harmful greenhouse gas.[6] Various chemicals were often required to process recycled paper pulp; thus, discarded sludge placed into landfills still contained inks, coatings and fillers, which could seep into the ground, harming delicate ecosystems.[7] Thus, considering all the negative associations surrounding the use of cardboard boxes, Burgoyne and McCaw realized an opportunity to offer consumers a simple, practical and environmental alternative — reusable plastic box rentals.

Over the next six months, Burgoyne and McCaw broke down the moving process to identify additional customer inconveniences and, more importantly, how to systematically eliminate them. An area of significant importance was the opportunity to make customer service a top priority in their strategic approach. As Burgoyne stated:

> Moving is an extremely stressful time for customers. They have so many different transactions with so many businesses and a lot of them are typically not favourable. If we can be the one service in that time that actually makes them happy and a little less stressed, then this one customer will be worth five customers in the future.[8]

In addition to customer service, Burgoyne and McCaw also realized the risk of competing in a non-proprietary market. Therefore, to differentiate their business from any existing or potential competition, the pair knew they needed to develop a strong brand.

In particular, Burgoyne and McCaw were meticulous in creating a unique and memorable company name. Connecting their green alternative to moving, along with the term *pad*, which was often used to denote where someone lived, they selected the name FROGBOX and the tag line "from one pad to another." With a limited environmental impact as a key component to the business operations, Burgoyne and McCaw strived to ensure that they delivered a service to consumers with minimal stress on the environment. This approach included optimizing delivery routes to minimize the distance travelled and fuelling delivery trucks with bio-diesel. Further extending the branding potential of the FROGBOX name, Burgoyne and McCaw also decided that the company would donate one per cent of its total annual revenue to frog habit restoration. The pair believed that the contribution to this cause was both a symbolic and strategic fit with the company's branding efforts.

With Burgoyne and McCaw contributing a $74,000 capital investment from their personal savings in 2008, FROGBOX operations officially commenced with one pilot location in Vancouver, British Columbia, providing environmentally friendly, plastic moving boxes and moving supplies for home owners and business to rent. The capital was used to purchase a delivery truck, 300 plastic FROGBOXES and moving supplies, with initial operations located in the garage of McCaw's own home. From the very first day of operations, the company emphasized convenience in its value proposition (see Exhibit 3).

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[5] *Empty Boxes, "Research," 2012, http://www.emptyboxes.com/research/research2.html, accessed January 27, 2013.*
[6] *Ibid.*
[7] *Ibid.*
[8] *Sandy Huang, "Frogbox Entrepreneur Doug Burgoyne Leaps from One Business Success to Another," The Vancouver Observer, September 10, 2011, http://www.vancouverobserver.com/taxonomy/term/18206/2011/09/10/frogbox-entrepreneur-doug-burgoyne-leaps-one-business-success-another, accessed January 27, 2013.*

## DOUG BURGOYNE

Burgoyne was a first-generation Canadian, born of Scottish heritage, and grew up in Rexdale, a neighbourhood in northwest Toronto. His father supported the family by working as a plumber and taught Burgoyne early in life the value of a strong work ethic. He ran a paper route at the age of eight and had his first full-time summer job when he was 13. Growing up, Burgoyne had a keen interest in sports, which later influenced the path of his post-secondary education. Upon completing his undergraduate degree in Physiotherapy from the University of Western Ontario in 1997, Burgoyne joined PMRC, a large U.S. rehabilitation provider in Texas. Although he started in clinical practice, Burgoyne soon entered into management as the company expanded, progressing to the position of sales director. Realizing that he desired to further expand his business knowledge and skill set, particularly around the area of finance, Burgoyne returned to school in 2000, to pursue an MBA degree at the Richard Ivey School of Business. Following his graduation, he moved to Columbus, Ohio, to join Avaya, a leader in the Internet protocol (IP) telephone market in a sales and marketing role. He viewed the role as an opportunity to develop his sales experience, with a goal of eventually running his own business. Applying his business skills, Burgoyne experienced significant success, as he was promoted to manage the company's top-tier global customers. In 2006, Burgoyne and his family moved to Vancouver, when his wife accepted a position with lululemon, the athletic clothing company. He then seized the opportunity to partner with Trevor McCaw, a long-time friend he had originally met through a university classmate; together, they decided to start developing a business startup venture. However, still desiring to maintain a stable income, Burgoyne accepted a position at Telus in strategy consulting, while he continued to develop the FROGBOX business plan and set up the business's first pilot location.

## TREVOR MCCAW

After graduating from Queen's University in 1997, with a degree in electrical and computer engineering, McCaw started his career with the Boston Consulting Group, where he was involved in numerous projects, spanning operational strategies through end-to-end merger support. Eventually, McCaw left consulting and founded an enterprise software company. Experiencing significant success, he grew the company from the initial startup phase though to an initial public offering (IPO). Still desiring to expand his education, McCaw returned to school and received his MBA from the Harvard Business School in 2002. Upon graduation, he accepted a management position in a global medical device company. Soon after, however, McCaw realized that the corporate culture wasn't the best long-term fit. As a result, he joined a small medical devices company as the chief operating officer, quickly taking charge of operations. Recognizing a major opportunity in the healthcare industry, McCaw founded his own medical device company, where he worked on the development of leading-edge cardiovascular technologies.

## THE MOVING INDUSTRY

On average, an estimated 20 per cent of all North American residents moved each year, resulting in more than 75 million people changing the location they called home. In total, the consumer demand for moving services in North America was represented by a market valued at more than $75 billion. Thus, geographic locations with a high population represented a significant business opportunity. For example, in the area of Lower Mainland, British Columbia, where the first FROGBOX pilot location was situated, more than 450,000 residents moved each year. If the average person were to spend a conservative estimate of $100 on moving supplies (for cardboard boxes, packing materials and furniture protection), the total market would be represented by a value of $45 million. Hence, even the successful capture of just five per cent of the potential Lower Mainland, British Columbia market would provide a significant $2.25 million in annual revenue. A typical metropolitan area with one million residents would represent a potential market of more than $20 million. North America had more than 100 viable FROGBOX locations.

Within the moving industry, two main customer segments existed: residential and commercial. The residential segment could be further sub-divided into three categories: those who did not buy boxes, do-it-yourself (DIY) residential movers and affluent movers. The low end of the residential segment included those that did not buy boxes. They scoured retail stores or dumpsters to obtain free boxes. The middle of the residential segment included those who bought their own boxes, packed their own belongings, moved themselves or hired movers, and then unpacked their belongings in their new location. This group represented the majority of residential moves. Finally, the high end of the residential segment included affluent movers, representing consumers who paid full service for materials, packing and unpacking, and for assistance from professional organizers or moving managers. The commercial segment included a variety of businesses and organizations that required moving services when changing locations. Although the residential DIY segment represented the primary market for the FROGBOX business model, full-service moving companies in both the residential and commercial segments represented a major business opportunity. Plastic box rentals provided a viable alternative to moving companies that didn’t want to deal with the logistical and time-consuming task of dropping off boxes to a customer before an actual move date, and then picking up boxes and cleaning them after the customer had finished unpacking. Hence, FROGBOX represented an alternative to moving companies that did not want to make a significant investment in boxes but wanted to offer their customers an environmental solution.

## COMPETITION

The moving industry included many different types of competitors that could be classified into three broad categories. The first group comprised small “mom and pop” operations that rented boxes and moving equipment in their local area. The second group of competitors included moving supply companies and large retailers, including Public Storage and Home Depot. The third group consisted of moving companies, truck rental companies and other moving-related industries. Primarily, FROGBOX competed with companies that sold new or used cardboard boxes. Renting reusable plastic boxes in the residential moving market was still considered an industry in its infancy, with no single company yet to establish a well-developed, large-scale, national business plan to gain dominance across either the United States or Canada. However, the existing competition comprised a few options that offered reusable plastic boxes, included the following.

### Rentacrate

Rentacrate was a British company that had expanded into the United States and rented reusable orange plastic boxes. Its primary customers included commercial moving companies or large corporations that were handling their own move.[9] With very little involvement in the residential market, the company had given no indication it intended to deviate from its core base of customers. However, Rentacrate did have 15 locations established throughout the United States and, thus, represented a significant threat.[10]

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[9] *Rentacrate, http://www.rentacrate.com/, accessed January 27, 2013.*
[10] *Ibid.*

### Rent-A-Green Box

A startup company located in Orange County, California, Rent-A-Green Box rented reusable plastic boxes and numerous moving supplies that were environmentally friendly.[11] The company positioned itself as servicing customers who primarily valued the environmental components of using reusable plastic bins during the moving process. The company offered three sizes of plastic bins that were made from reclaimed plastic extracted from landfills and waste streams.[12] Rent-A-Green Box serviced the areas of Orange County and Los Angles and was exploring franchise opportunities across the United States.[13]

### Say No To Boxes

Located in the Lower Mainland and Fraser Valley area of British Columbia, Say No To Boxes offered consumers black plastic moving crates as a substitute to cardboard boxes.[14] In addition to offering a service that delivered plastic crates, customers could save 25 per cent if they were willing to pick up and drop off their empty creates.[15] With one location, Say No To Boxes had not spent any time creating a defensible brand and showed no indication of having the desire or capability to pursue aggressive expansion.

### Retail Stores

In addition to renting plastic boxes, consumers also had the option of purchasing plastic storage containers from big-box retailers and department stores. However, the cost could quickly add up, making this option financially unrealistic. In addition, consumers were also left with the task of storing or finding practical uses for a multitude of plastic containers afterwards.

## FROGBOX OPERATIONS

In addition to providing convenience, FROGBOX provided consumers with a product and service offering that was not only environmentally friendly but also competitive on many other attributes. Typically, environmentally friendly alternatives often required certain sacrifices. For example, hybrid or electric vehicles represented an environmentally friendly mode of transportation, yet were far more expensive than traditional gasoline-powered vehicles. Consumers often needed to make a conscious trade-off between purchasing the most environmentally friendly product and paying a premium price. Furthermore, many products that were better for the environment often did not perform as well as their substitutes. FROGBOX did not require consumers to make a trade-off: It provided moving supplies that performed better than existing traditional cardboard options while also minimizing their environmental impact. The FROGBOX value proposition contained three key attributes: convenience, affordability and environmental friendliness.

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[11] *Rent-A-Green Box, "Products," 2013, http://www.rentagreenbox.com/products.html, accessed January 27, 2013.*
[12] *Ibid.*
[13] *Rent-A-Green Box, "Dealership," 2013, http://www.rentagreenbox.com/dealership.html, accessed January 27, 2013.*
[14] *Say No To Boxes, http://saynotoboxes.com/moving_cardboard_boxes, accessed January 27, 2013.*
[15] *Say No To Boxes, "Create Depot," http://saynotoboxes.com/crate_depot, accessed January 27, 2013.*

### Convenience

FROGBOX delivered rented plastic boxes to a customer's home and then later picked them up again at the customer's new location. Customers didn't need to buy cardboard boxes and spend time and effort building them before they moved, only to break them down and dispose of them after. FROGBOX containers were designed to make a customer's move easier. They stacked quickly and easily whether they were full or empty. In addition, the sturdy design allowed customers to pack more into them and know that their belongings would be safe.

### Affordability

Compared with traditional moving supplies, FROGBOX containers represented a viable and affordable alternative. Movers could pack and move FROGBOXES considerably faster than cardboard boxes. For example, the average household required approximately two hours less to load and unload packed FROGBOXES for transportation. Thus, overall, FROGBOX was comparable in price and often cheaper than using traditional cardboard boxes (see Exhibit 4).

### Environmental Friendliness

Each FROGBOX could be reused hundreds of times, saving trees and preventing tons of cardboard waste from entering landfills. FROGBOXES were made from high-density polyethylene (HDPE) #2 plastic, and retired FROGBOXES were sent to local recycling plants to be made into numerous new HDPE items. That being said, Burgoyne was aware of the limitations of focusing exclusively on the environmental friendliness of the FROGBOX boxes: "If you are doing what's best for the environment, but out of business in a year or two, you're not really doing any good."

A customer could conveniently book the delivery of FROGBOX products either online at www.FROGBOX.com or by phone. The FROGBOX website required a customer to enter the postal codes of the drop off and pickup locations. The customer could then select the type and number of products they wanted to order and the number of weeks they needed to use them. FROGBOX pricing was based on how many boxes a customer needed and how long the boxes were needed, with bundled packages offering the best value (see Exhibit 5). Customers could also arrange for special long-term pricing. Once customers selected their products and usage time, all that remained was to select the suitable delivery and pickup times that fit their schedule. Upon successfully completing their order, the customer received an email confirmation and a confirmation call in the days preceding the specified delivery date. A FROGBOX customer experience manager would then arrive with the requested products at the specified customer location and collect payment upon delivery. The one-time payment covered both the pickup and delivery of the plastic moving boxes and any other requested moving supplies.

## SALES AND MARKETING TACTICS

The success of the FROGBOX business model depended on building an easily recognizable and strong brand associated with professionalism, convenience and sustainability. Hence, the ultimate goal for Burgoyne and McCaw was for the FROGBOX brand to be synonymous with sustainable residential moving. Direct referrals from previously satisfied FROGBOX customers represented an important customer acquisition tool. Considering that moving was a significant event in people's lives, friends and family often attempted to help by referring products and services that would make an upcoming move easier. Moving was an event that often dominated conversations and represented a prime opportunity for previous customers to discuss and recommend services such as FROGBOX. Therefore, it was important to ensure that customers felt confident in referring FROGBOX to their family and friends. Anticipating the possibility of previous customers discussing FROGBOX products and services, the company provided quarterly newsletters and other touch points of communication to stay connected.

Being consistent in its message was critical for FROGBOX, especially when the message related to its environmental positioning. The last thing Burgoyne wanted was a tarnished reputation stemming from accusations that FROGBOX was compromising on its environmental values. Therefore, Burgoyne needed to carefully understand the life cycle analysis of any environmental alternatives the company considered. For instance, after careful analysis, he learned that 97 per cent of FROGBOX's carbon footprint would come from delivering plastic boxes to customers. Therefore, utilizing biodiesel for FROGBOX delivery trucks, where available, made a significant difference. Burgoyne explained his life cycle analysis philosophy:

> If I can make moving 20 per cent less of an impact on the environment in Vancouver and 100 other cities in North America, I have a much higher impact than if I make moving 50 per cent less of an impact in Vancouver alone.

Similarly, when sourcing plastic boxes, the options included virgin plastic boxes and recycled plastic boxes. On the surface, the recycled product seemed like the obvious choice, but in reality the recycled boxes didn't have the same structural integrity as the virgin plastic boxes and had approximately one half the lifespan. Virgin plastic boxes, therefore, had a lower carbon footprint for FROGBOX'S particular use. FROGBOXES were made from HDPE (#2 plastic), which made them easy to recycle into other plastic products. From both an economic and environmental standpoint, the decision was made to use virgin plastic boxes and to carefully specify that FROGBOX used *recyclable* plastic boxes, not boxes made from recycled plastic.

To help increase FROGBOX brand awareness with potential customers, Burgoyne and McCaw recognized the opportunity to build a significant amount of business through the strategic use of a method referred to as "parketing," originally coined by College Pro Painting, another franchise system. The term parketing was used to denote a method for increasing brand awareness in a community through the strategic parking of branded company vehicles in high-visibility locations. After having identified parketing as a form of low-cost advertising and a smart use of company resources, Burgoyne and McCaw invested in covering FROGBOX delivery trucks with unique graphic designs to make them highly visible and memorable (see Exhibit 1). When not in use, FROGBOX delivery trucks were parked in key locations throughout target markets, which were identified by cross-referencing traffic data and available parking locations. Another form of low-cost advertising was attainable by attending events in the local community that drew large crowds and provided an opportunity to park a FROGBOX delivery truck for maximum visibility. Various events provided an opportunity to park a FROGBOX delivery truck that would be seen by hundreds of potential customers, including festivals, music shows, fairs, markets, conferences and sports events.

Because a large percentage of target customers were web-enabled, Internet promotion represented a priority for increasing the awareness of FROGBOX products and services. Minimizing the cost of advertising online, Burgoyne and McCaw aggressively made use of free classified systems, including Craigslist and Kijiji. Social networking media, including Twitter, Facebook and LinkedIn, also represented free channels through which the FROGBOX brand could be promoted, not necessarily as a sales tool, but to help build community awareness around moving and sustainability. Social media also represented a method to track ongoing customer experiences, with any negative experiences being quickly identified and followed up with appropriate actions to rectify solutions and fully satisfy customers. A series of online blogs and details of positive customer experiences were also shared, with the goal of making FROGBOX the best source for information surrounding sustainable moving supplies. Additional online advertising was obtainable at no cost through environmental websites and blogs that were open to promoting sustainable alternatives to their environmentally conscious audiences. In an attempt to help connect to potential customers looking for moving supplies online, Burgoyne and McCaw initiated a Search Engine Optimization (SEO) project with a third-party firm. The results on all major search engines were tremendous: Entering the search term "moving boxes" in Vancouver displayed the FROGBOX name and website on the first page of results, ahead of many larger and long-established companies. Over time, Burgoyne and McCaw anticipated increasing their online advertising through methods such as Google AdWords, which would help to increase the number of overall search results that led FROGBOX. In maintaining a key component of business operations, FROGBOX minimized its environmental impact by using a limited amount of print advertising. Appropriately, FROGBOX used only print materials that adhered to the Forest Stewardship Council's (FSC) strict environmental and social standards.

FROGBOX also set out to form numerous strategic relationships with companies that provided moving-related products and services but didn't compete within FROGBOX's own core competencies. Potential partners included moving companies, home inspectors, cleaners, junk removers, self-storage businesses, realtors and property managers. Entering into strategic relationships was considered mutually beneficial for both companies through the referral of complementary services. For example, FROGBOX had formed a strong partnership with three reputable moving companies in Vancouver. Through the partnership, FROGBOX would recommend the moving companies to customers that required moving trucks and labour, and, in turn, the moving companies would recommend FROGBOX to its customers as a viable alternative to cardboard boxes. Hence, each partnering company would cross-promote the other company. Carefully selecting strategic partners represented a significant opportunity for FROGBOX to both further enhance its sales and operational effectiveness and deliver a world-class customer experience.

## EXPANDING OPERATIONS[16]

After having successfully established the first pilot FROGBOX location in 2008, Burgoyne knew he could repeat the business model outside of the Vancouver market and set his sights on expansion. Moving forward, Burgoyne became the face of the business and maintained oversight of day-to-day operations, as McCaw became more of a silent partner, yet remained closely involved in FROGBOX as its second largest shareholder and business advisor. In 2009, recognizing the opportunity to form strategic partnerships, Burgoyne approached Jeff Hill, the Seattle franchise owner of the junk removal service 1-800-GOT-JUNK? Burgoyne recalled, "It was a matter of thinking big and not being intimidated to present my company to one that is 10 or even 100 times bigger. . . . After all, big corporations look for added benefits as well." Burgoyne had seen the success that Hill had experienced in developing the 1-800-GOT-JUNK? brand in the Greater Seattle market, and wanted Hill to invest in FROGBOX, which would help the company grow in the region.

In the first five years of operating his 1-800-GOT-JUNK? franchise, Hill had grown his revenue from \$200,000 to \$1.4 million.[17] However, as a result of the economic downturn in 2008, company sales declined 40 per cent over the following 18-month period. Although the company typically needed 10 and

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*[16] Jeff Hill, "Saved My Business by Investing in a Startup," CBS News, March 16, 2011, http://www.cbsnews.com/8301-505143_162-40243975/i-saved-my-business-by-investing-in-a-startup/, accessed January 27, 2012.*
*[17] Represented in U.S. dollars.*

20 employees depending on the season, Hill thought he might need to permanently lay off some of his team members and commented:

> Business was so slow that year that I was only using four or five of the nine trucks I'd purchased . . . the last thing we needed was a bunch of layoffs. But I didn't think I had a choice, our expenses were beginning to outstrip our revenue.

Forming a partnership with Burgoyne and investing in FROGBOX represented an opportunity for Hill to diversify his business portfolio and better utilize his assets. Although Hill couldn't offer Burgoyne a significant amount of startup cash, he was able to share valuable operational resources. Upon finalizing the deal, Hill immediately converted one of his unused 1-800-GOT-JUNK? trucks into a FROGBOX truck. Other resources, such as warehousing, office space and insurance costs, were shared, resulting in greater efficiency and less waste. The partnership prevented Hill from having to lay off any of his employees: If there was not enough work at 1-800-GOT-JUNK?, he could have employees to help out with the FROGBOX operations. The formation of a partnership also allowed both companies to successfully obtain large contracts that neither could have obtained separately. Hill commented on the synergy:

> Moving is the number one generator for junk, so often customers come to FROGBOX first for help with their move, and then ask for a recommendation for a junk removal service. So what's good for FROGBOX is good for 1-800-GOT-JUNK? and vice-versa.

With FROGBOX locations established in Vancouver and Seattle, Burgoyne next expanded operations to a third location in 2010, by launching FROGBOX in Toronto. The move represented a significant opportunity to test the FROGBOX business model in a large metropolitan city that was not as environmentally friendly as west-coast cities, but more representative of a major North American city. Operations were initiated by sending an employee to Seattle to purchase a truck and borrow FROGBOX moving supplies, before driving them across the country. Toronto's operations and sales ramped up substantially faster than previous operations in both Vancouver and Seattle. Overall, FROGBOX sales during the second year of business operations in Toronto represented more than 300 per cent of sales that Seattle had previously achieved during its second year of business operations. This result assured Burgoyne that the FROGBOX business model wasn't only an option for west-coast cities, but, in fact, was feasible in major North American cities.

In addition to expanding FROGBOX geographically, Burgoyne also explored the idea of offering extended services related to the moving industry, or services that could further utilize the company's existing resources of plastic moving boxes and delivery trucks. One additional service was paper shredding. Although Burgoyne recognized that large organizations often had their own internal capabilities for disposing of sensitive documents, many small businesses and residential consumers did not. For a fee of $15 per FROGBOX, customers could fill a plastic bin with sensitive paper documents. When each bin was filled and ready for shredding, it was secured closed with a security tag and picked up by FROGBOX for disposal. FROGBOX had obtained partnerships with large shredding companies that desired paper materials as a commodity. In some instances, the shredding companies paid FROGBOX for providing them with paper materials. Upon shredding and proper disposal, each customer was provided with a certificate of destruction.

## DRAGONS' DEN

As part of his effort to creatively explore all opportunities to grow FROGBOX, in 2010, Burgoyne appeared on the popular Canadian reality television show, *Dragons' Den*. The show provided aspiring entrepreneurs with the opportunity to pitch their business proposals to a panel of angel investors. Successful presentations had an opportunity to negotiate a financial investment and access to the Dragons' in-depth business experience to help grow their product or service.[18] However, in return for their investment, the Dragons often requested a significant stake in the venture or other specific terms of agreement. Before appearing on the show, Burgoyne prepared by watching every single pitch from previous episodes and had friends grill him ruthlessly for hours about the FROGBOX business model.

Burgoyne's preparation paid off. The panel of Dragons were impressed not only with the FROGBOX business concept but with Burgoyne's business knowledge and his ability to articulate answers to their various questions regarding the FROGBOX business model and its current operations. Two of the Dragons, Jim Treliving, chairman and owner of Boston Pizza International, and Brett Wilson, chairman of Canoe Financial LP, offered Burgoyne a $200,000 investment in return for a 25 per cent stake in FROGBOX. As part of the agreement and as a show of good faith in the FROGBOX business, the Dragons requested that Burgoyne obtain an additional investment from one of his advisors. Burgoyne was able to meet the requirement by securing a $50,000 investment from business advisor Mike Tattersfield, president and chief executive officer (CEO) of Caribou Coffee and previous chief operating officer (COO) of lululemon Athletica. In addition to the financial investment, Treliving's vice president of Strategy at Boston Pizza International, Jordon Holm, also became a member of the FROGBOX board of advisors, representing a major source of knowledge regarding franchising opportunities. FROGBOX also benefited from the publicity of appearing on *Dragons' Den*, as Burgoyne soon received more than 1,500 applications for FROGBOX franchises in Canada. The investment allowed Burgoyne to expand FROGBOX operations to 16 new cities in just two months. Through both corporate and franchise locations, FROGBOX had expanded to almost every major city across Canada.

## CORPORATE STORES VERSUS FRANCHISE STORES

With a desire to aggressively grow FROGBOX operations to 100 U.S. cities over the next four years, Burgoyne contemplated the best way to expand: through individual franchises or corporate stores. Franchising represented a business relationship, where a franchisor (a company or individual who owned a franchise system) granted a licence to a franchisee (a company or person contracted to use the franchise system), permitting the use of the franchisor's brand, trademarks and operating systems for an initial fee.[19] A franchise agreement specified numerous obligations for both the franchisor and franchisee. A franchisor was often required to provide ongoing assistance to the franchisee in the form of training, goods and services, research and development, methods of operation, building design, advertising and promotion, business or marketing plans, and quality standards.[20] In return, the franchisee was required to follow operating standards and systems and to provide a percentage of operating income to the franchisor in the form of a royalty.[21] The franchisee paid the royalty on a monthly or annual basis and kept the remaining residual profits after covering operating expenses. A franchise agreement was contractual and was usually specified for a fixed period of time. Each franchise agreement contained specific policies and procedures to help ensure the brand's consistency from one franchise location to another. Failure to

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[18] *Dragons' Den, "About the Show," 2013, http://www.cbc.ca/dragonsden/about.html, accessed January 27, 2013.*
[19] *Canadian Franchise Association, "Franchise Tutorial 1: What is a Franchise?," January, 2011, http://www.cfa.ca/Publications_Research/Tutorials/tutorial1.aspx, accessed January 27, 2013.*
[20] *Ibid.*
[21] *Ibid.*

uphold the obligations of the franchise agreement was enforceable by the franchisor or franchisee through legal action and was subject to the termination of the agreement or monetary compensation. In contrast, corporate stores were owned and operated by a parent company. The company provided the financial investment to set up new stores, managed the day-to-day operations and, in turn, incurred both the profits and losses of each location.

A major concern for Burgoyne was maintaining the integrity of the FROGBOX brand. “The U.S. is such a huge market, we want to pick the right strategy before we go in there” he stated, realizing the financial consequences of both options. Burgoyne estimated that corporate stores would be more lucrative, with profit margins at about 20 per cent, compared with franchise agreements where FROGBOX would receive only seven percent of each location’s revenue. However, the decision to expand was not based solely on profit margins. Burgoyne believed that because franchise owners had a direct financial investment in their business, they would be more likely than a corporate location’s general manager to deliver excellent quality and reliable customer service. This was one of the reasons why he had chosen to franchise in Canada. Expressing his concerns, Burgoyne stated:

> You can mandate things like quality and customer service in a franchise agreement, but it’s very hard to enforce that . . . . Once someone is in the system as a franchise owner, it’s hard to get them out. A corporate store is easier to police because if you find breaches in service, you can just fire the manager.

Exploring the option of franchising would also require careful compliance with U.S. franchise laws, which were far more onerous and expensive than Canadian laws. Compared with Canada, the United States was a far more litigious society: Any breach of franchise laws by the franchisee or franchisor opened the risk of costly legal liability.

## CHALLENGES

Although FROGBOX had experienced significant growth and success in just a few short years of business operations, the company also had its fair share of challenges. When selecting franchisees, Burgoyne had opted for business-savvy people who were already successfully established with careers in various industries and well capitalized. These franchisees represented a great opportunity to utilize a wide range of business knowledge and experiences. Unfortunately, growing FROGBOX operations to full capacity in each location was not always a priority for the franchisees. Performance gaps existed between some locations, as, at times, it proved challenging for some franchisees to focus additional time and effort on maximizing FROGBOX business operations, especially when they had other ongoing business involvements. Some franchisees were satisfied with a certain level of sales and market share, while, from a corporate perspective, Burgoyne recognized the further potential to grow operations and continue working to refine the business formula to replicate success in new locations. Another ongoing challenge was the seasonality of the moving industry, with busy periods occurring in the summer months, peaking around June, and reaching the slowest periods in the winter months, with the lowest sales in December, resulting in some franchisees struggling at times with cash flow. However, from a corporate standpoint, the seasonality represented a challenge in optimizing cash flow. Logistical challenges could occur when a significant number of customers moved between two different cities, involving two separate FROGBOX locations. For example, a customer living in Vancouver and moving to Toronto would have boxes delivered to the current Vancouver residence for packing, and, after the move, the boxes would be picked up from the new Toronto destination. As a result, an uneven distribution of boxes and other moving supplies occurred throughout the year, with ongoing efforts required to organize and transfer inventory to help ensure that each location had sufficient supplies to meet their business demands.

## DECISION

Arriving at the restaurant in downtown Vancouver for the monthly breakfast meeting, Burgoyne removed his helmet, locked his bike and proceeded inside to meet with the group of local entrepreneurs. He thought back to the growth and success FROGBOX had experienced in just a few short years and to the important decisions that lay ahead. With the group discussing topics surrounding business sustainability, Burgoyne was curious to receive input on how he should proceed with the expansion of the FROGBOX brand. More specifically, Burgoyne contemplated whether FROGBOX should concentrate on offering more products and services into existing locations, with a major focus on dominating and revolutionizing the Canadian moving industry, or whether the company should expand the current business model across the United States. Furthermore, if major expansion in the United States was pursued, should the strategy focus on corporate stores or individual franchises, and what range of products and services could the company successfully offer? Thinking ahead long term, Burgoyne focused on customers and the goal of simplifying their moving experience and eliminating the stress involved in moving. Although he was passionate about the company, its brand and its mission, Burgoyne remained open to the possibility of eventually selling FROGBOX to a larger organization, as he believed the FROGBOX brand offered both significant value and a loyal customer base. But, before he could consider the sale of FROGBOX, an alignment would be needed between the operations of his company and those of the purchasing organization. FROGBOX needed to be quickly established as the dominant environmentally friendly moving supplies company, as it competed in a non-proprietary market. However, in any expansion efforts, Burgoyne needed to ensure that he was able to maintain a commitment to value, high quality and customer service, which would help FROGBOX make a successful leap forward.

**Exhibit 1**

**FROGBOX DELIVERY TRUCK**


*Source: FROGBOX, http://frogbox.com/blog/2010/09/frogbox-twitter-contest-enter-to-win-an-awesome-moving-package-of-your-choice, accessed January 27, 2013.*

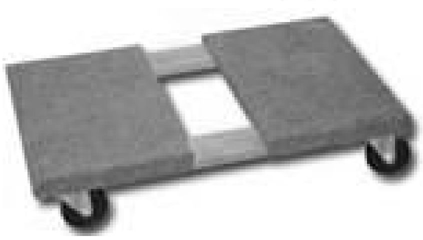
**Exhibit 2**

**FROGBOX PRODUCT INFORMATION**


**FROGBOX Moving Boxes**
Industrial strength eco-friendly moving boxes
Dimensions: 24″ × 20″ × 12″
Volume: 70 litres (2.4 cubic feet)

**FROGBOX Wardrobes**
A great way to move your clothes. Sturdy design and velcro enclosures make these plastic wardrobe boxes better than cardboard.
Dimensions: 21″ × 24″ × 48″

**Recycled Packing Paper**
Protect your valuables with environmentally friendly, recycled paper.



**FROGBOX Moving Dolly**
Perfect for moving FROGBOXES

*Source: FROGBOX, "Products," 2013, http://FROGBOX.com/products, accessed January 27, 2013.*

## Exhibit 3

## FROGBOX VALUE PROPOSITION


1. **We Drop Off Your FROGBOX Moving Boxes**
   No need to drive to pick up expensive cardboard moving boxes. FROGBOXES are dropped off where you want them by our environmentally friendly diesel trucks.
2. **You Pack Your Stuff in FROGBOX Moving Boxes and Move to Your New Pad**
   Our eco-friendly plastic moving boxes make packing quicker and easier. No more building and taping cardboard moving boxes. FROGBOXES are roomy and don't collapse. FROGBOXES are much easier to handle than cardboard. They stack perfectly, protect your valuables, and are waterproof and have ergonomic handles. FROGBOX also offers dollies to make your move even easier.
3. **We Pick Up Your FROGBOX Moving Boxes**
   Once you are moved in and unpacked, one of our FROGBOX trucks picks up the plastic moving boxes at your new place. This means you can spend your time enjoying your new house, not breaking down cardboard boxes and figuring out what to do with them.

*Source: FROGBOX, "What We Do," 2013, http://FROGBOX.com/what-we-do, accessed January 27, 2013.*

## Exhibit 4

## MOVING BOX PRICE COMPARISION

| Company Name | Box Size (cubic feet) | Price Per Box (Cdn$) |
|---|---|---|
| U-Haul[1] | 3.0 | $2.35 |
| Home Depot[2] | 3.0 | $2.97 |
| Best Box[3] | 3.0 | $2.99 |
| ULINE[4] | 3.0 | $2.59 |
| City Star Moving[5] | 3.1 | $2.75 |
| FROGBOX[6] | 2.4 | $2.98* |

***Based on a FROGBOX 3-bedroom bundle package***

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[1] *UHAUL, "Medium Moving Box," 2013, http://www.uhaul.com/MovingSupplies/Boxes/Standard-sized-moving-boxes/Medium-Moving-Box?id=2793, accessed January 27, 2013.*
[2] *The Home Depot, "Pratt Retail Specialties, LLC Heavy Duty Medium Box 18 Inch x 16 Inch x 16 Inch," 2013, http://www.homedepot.ca/product/heavy-duty-medium-box-18-inch-x-16-inch-x-16-inch/993599, accessed January 27, 2013.*
[3] *Best Box, "New Boxes," http://www.bestbox.ca/newboxes.html, accessed January 27, 2013.*
[4] *ULINE, "18 x 18 x 16" Deluxe Moving Corrugated Boxes," http://www.uline.ca/Product/Detail/S-4831/Moving-Boxes/18-x-18-x-16-Deluxe-Moving-Corrugated-Boxes?pricode=DK750&gadtype=pla&gclid=COqbguvZkLQCFelFMgodUBsAcA, accessed January 27, 2013.*
[5] *City Star Moving, "Supplies," 2012, http://www.moverz.ca/supplies.php, accessed January 27, 2013.*
[6] *FROGBOX, "Welcome to FROGBOX London," http://FROGBOX.com/london, accessed January 27, 2013.*

**Exhibit 5**

**FROGBOX PRICING**
**(Represented in Canadian Dollars)**

| FROGBOX Moving Boxes | FROGBOX Wardrobes | FROGBOX Moving Dolly | Recycled Packing Paper |
|---|---|---|---|
| 1 Week: $3.50<br>2 Weeks: $5<br>3 Weeks: $6<br>Additional Weeks: $1 | 1 Week: $5<br>2 Weeks: $8<br>3 Weeks: $10<br>Additional Weeks: $2 | 1 Week: $5<br>2 Weeks: $8<br>3 Weeks: $10<br>Additional Weeks: $1 | 10 lbs/175 sheets: $16 |

| 1 Bedroom Bundle | | | | |
|---|---|---|---|---|
| What you get | 1 Week | 2 Weeks | 3 Weeks | Additional Weeks |
| 25 FROGBOX Moving Boxes<br>1 Moving Dolly | $79 | $109 | $129 | $20 |

| 2 Bedroom Bundle | | | | |
|---|---|---|---|---|
| What you get | 1 Week | 2 Weeks | 3 Weeks | Additional Weeks |
| 35 FROGBOX Moving Boxes<br>1 Moving Dolly | $109 | $139 | $159 | $25 |

| 3 Bedroom Bundle | | | | |
|---|---|---|---|---|
| What you get | 1 Week | 2 Weeks | 3 Weeks | Additional Weeks |
| 50 FROGBOX Moving Boxes<br>1 Moving Dolly | $149 | $189 | $219 | $30 |

| 4 Bedroom Bundle | | | | |
|---|---|---|---|---|
| What you get | 1 Week | 2 Weeks | 3 Weeks | Additional Weeks |
| 70 FROGBOX Moving Boxes<br>1 Moving Dolly | $199 | $249 | $299 | $35 |

All orders have a flat-rate delivery charge that includes delivery and pickup starting from $30 which is dependent on your location within our service area.

*Source: FROGBOX, "Welcome to FROGBOX London," http://FROGBOX.com/london, accessed January 27, 2013.*