A Magical Mix

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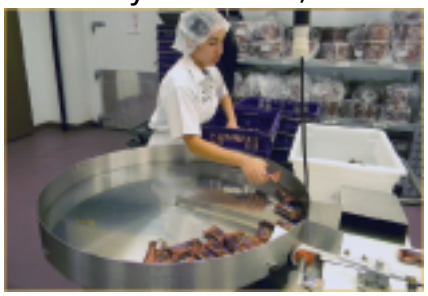

Childhood friends Eileen Spitalny and David Kravetz founded Fairytale Brownies in 1992 in a friend's Old Town Scottsdale, AZ, catering kitchen. Using Kravetz's mother's 55-year-old secret family brownie recipe, the business started out selling to friends, farmers markets, and festivals.

"But in the process of doing that, people would ask us to ship product for them," says Kim Silva, Operations Team Leader for Fairytale. "That's how it evolved into a mail order catalog business."

Brownies were originally made completely by hand, Silva says. "We used a pizza oven to bake the brownies; we were constantly rotating the trays. There were five of us on staff at the time."

From Kitchen To Corporation

Today Fairytale Brownies is a far cry from its modest beginnings. The company has developed into a full-blown mail order and wholesale business, selling approximately 4 million total product units annually. Anywhere from 40 to 150 employees work at Fairytale throughout the year, depending on seasonal demand.

Silva says business started to pick up as quickly as the company's second year, and its handmade processes were no longer enough to meet the growing demand. Fairytale began adding basic machinery — wrappers, mixers, cutters, and new ovens — into its operations.

In October 2006, Fairytale moved into its current building — a 26,000 square-foot facility in Phoenix, AZ. The company has invested about $400,000 in equipment throughout its history, with nearly $150,000 of that occurring in the last few years since the move. The combination of a larger building and more equipment has resulted in a 75 percent increase in baking capacity.

As fast as the company's facility expanded, so did its customer base. Fairytale ships worldwide, with 90 percent of its business coming from online and catalog orders.

About two years ago, the company began pushing into the wholesale arena, with that area now comprising the remaining 10 per cent of its business. Fairytale's wholesale business mainly focuses on "finer gourmet markets," with its products

being offered in local groceries, as well as British Airlines, Whole Foods, QVC, Amazon, and Costco.com.

Santiago Armstrong, Baking Team Leader for Fairytale, says the wholesale portion of the business is growing rapidly, even as the company is still getting a grasp on its market. But so far Fairytale has succeeded by ensuring it is prepared for the unexpected.

“We got slammed with 800 or 900 orders in two days that we didn’t anticipate [after debuting on Costco.com],” says Armstrong. “Fortunately, we keep our inventory a little higher than we should have it, so it worked out perfectly.”

Despite its transformation from a small, locally-based company to a worldwide corporation, Fairytale still performs some of its processes by hand, including topping and batter spreading. “We have great consistency,” says Silva. “But I think, as we get higher volume, it’s going to get difficult to maintain doing things by hand.”

Sweet Innovations

Fairytale must continually focus on adding automated equipment, mainly because of its ever-expanding product lines. Since the business began selling its original brownie recipe, it has added 11 brownie flavors, including cream cheese, raspberry swirl, and toffee crunch. In addition, within the last few years the company has introduced its truffle line – chocolate-covered versions of its gourmet brownies.

The newest Fairytale products are cookies, which launched over the 2010 holiday season. The cookies are currently offered in four flavors, and the company is planning more flavors this fall.

Part of Fairytale’s success has been its ongoing development of new products. The business utilizes a new products team, consisting of members from marketing as well as Silva. “We’re always trying to introduce something new every year,” she says.

When crafting a new recipe, Fairytale sometimes enlists the help of an R&D chef, while other times Armstrong will begin with an initial list of potential recipes, narrowing down the field from there.

Fairytale is currently working on expanding its product line even further with a new project targeted specifically for its wholesale market. According to Silva, team members are developing a second brand with the intent of increasing product shelf life. “When we deal a lot with the wholesale, the first questions they ask us are, ‘What is your shelf life and what is the cost?’”

Fairytale’s wholesale customers expect a 45- to 60-day shelf life, according to Silva, and currently product has a 7- to 10-day shelf life. Refrigerated items may last up to 30 days, or up to 6 months if frozen.

The company's regular product lines are crafted with premium ingredients such as real butter and high-end Belgian chocolate. While these gourmet ingredients play a large role in the confections' quality and popularity, they are also expensive and result in a short shelf life. To improve the shelf life and decrease the production cost of its wholesale products, Fairytale hopes to create a second brand with less expensive — though still high quality — ingredients.

Silva says the goal is to create a product with a longer shelf life, while keeping the taste and quality the same as the original product, meaning no artificial ingredients or chemicals. "We're really kind of fine tuning [the ingredients] because we want the product to taste really good. We don't want to compromise."

Ahead Of The Curve

Fairytale's ability to adapt to change has helped the company weather challenges. During the recession, the business did more than just survive — it still made a profit. "We were able to really cut costs," Silva says. "Our teams were awesome. Everybody was on board with whatever we had to do to cut costs."

Every Fairytale employee took pay cuts, and hours were cut for regular staff members. Once the worst was over, wages and hours returned to normal. "We were actually able to bounce back the following year, which worked out pretty well," Armstrong says.

The rising costs of materials have also affected the way Fairytale conducts its business. Silva says costs have increased across the board, including packaging, ingredients, and distribution. Because of such increases, the base brownie product has seen a 27 percent rise in production cost.

To remedy escalating expenses, Fairytale has begun renegotiating all of its business contracts. "It's really changed the methodology of our purchasing," Armstrong says. "In the past, we've purchased based on preparing for a season and when we needed it, and now we have to really change that whole philosophy and take a look

at when we purchase and how we purchase. It's becoming a whole science."

The recent passage of the Food Safety Modernization Act (FSMA) is poised to affect the entire food industry, and Fairytale is no exception. As with other challenges, the business takes a proactive approach to the new food safety requirements.

While the company is not currently HACCP certified, it does have its own HACCP program in place. Fairytale conducts frequent, extensive quality and safety checks, with annual audits for Good Manufacturing Practices. Fairytale has also undergone two FDA inspections during its history, both of which the company has passed with flying colors.

"We pride ourselves on our food safety and quality," Armstrong says.

Fairytale feels its current HACCP program and audit regime will ensure the business is more than prepared for the new FDA rules. "Fortunately, for us, we're sort of ahead of the curve as far as [FSMA] is concerned," Armstrong says. "We've always taken food safety and quality very seriously. So the new requirements that are starting to hit now, we've either touched base on them already, or we are fully prepared to implement them without an issue."

While the company already engages in many food safety best practices, it also has done its own research on the new regulations. After attending a seminar on FSMA, Silva says the best option for food companies may be the wait-and-see approach. "It's still changing. The whole [regulatory process] is still in limbo, and [FDA] is still addressing things. So I kind of wait until it comes to the end, and then we'll see where it all falls out."

A Tasty Balance

The company has been careful to maintain a balance between its ever-increasing production and consistent product quality. "There's a very fine line which we're straddling right now," Armstrong says. "How far do we want to go from an efficiency standpoint without sacrificing the quality we were founded on?"

Fairytale Brownies has come a long way since the creation of its first handmade brownie, thanks to an ongoing refinement of products, innovation, and preparedness. Even as the business continues to expand, in many ways Fairytale still operates as a small business. Armstrong says it is important for Fairytale to remember the "TLC" on which it was originally established. "It's like making brownies at home, just on a much larger scale."

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