

MARKET HUNT EP12 - ANDRÉ FOREST TRANSCRIPT

Thierry Harris: Entrepreneurs have been disrupting traditional retail channels for a few years now. It used to be that you would open a store, sell your goods to clients in a certain geographic location. Retailers would buy from a wholesaler, who would in turn buy from a producer of the goods. Each time goods exchanged hands, a cut would be taken for each party until it reached the final retail outlet or was bought by the end-user.

Today, retailers are seeking to undercut this old system by producing and selling their own goods. They start online, create a website, and ship goods to consumers all around the world. Key differentiators for brands to stand out include the customer buying experience and the price-quality ratio paid for goods bought online. Instead of traditional advertising channels, brands rely on reviews in order to seduce new customers to purchase what they are selling.

On this episode of *Market Hunt*, we feature a company who started in this new online sales model and is now shifting towards traditional retail outlets. Stay tuned.

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Nick Quain: Entrepreneurship's hard. You need to have support there.

André Forest: The reality is when there's a market, there's competitors. Ultimately, the value of a company like this one is the value of the brand.

Haseeb Awan: Obviously Facebook has too much money.

Thierry: We're coming up with some pretty interesting ideas here.

Andrew Casey: We've solved it. Solved everything.

Thierry: We've solved it all.

[music]

Thierry: Hi, everyone. I'm Thierry Harris, and you're listening to *Market Hunt*. On this episode, we sit down with Andre Forest, former chairman of the board of Bonlook, a prescription eyewear company. Bonlook designs its own eyewear and sells it directly to the consumer. Its frames are produced for the most part in China and its lenses in Brooklyn, New York.

Bonlook's co-founder and CEO is Sophie Boulanger. Her and her brother, CTO Louis-Felix Boulanger, have been growing the company since 2011. In this interview, we explore the growth of a company who went from international sales online to rolling out brick and mortar stores in Canada. We'll discuss branding and positioning for Bonlook, a company competing in a global retail eyewear market. We'll learn how Bonlook obtained financing to grow their company from scratch to tens of millions of

dollars in sales. I interviewed Andre in December of 2019, and to start us off, asked him to describe what the eyewear industry looked like in a pre-Bonlook world.

Andre Forest: It hadn't changed for decades, I would say, if not centuries, but at least decades. Well, the model is quite simple. The optometrists are entrepreneurs. They have a shop where they make very little money on exams and make a lot of money on selling prescription glasses. Once you get into those beautiful shops, usually they will obviously start with an exam, and then they will prescribe you lenses that fit your requirements.

Then they will try to sell you as expensive as possible a pair of glasses that over the years went up to close to \$2,000 per pair of glasses. That's basically the model that the industry have been operating on since I was young, anyways. I don't know what was happening before that. I'm going to be 65 in a few months. I guess it's been like this for a while.

Thierry: Due to their high cost, the frequency of purchases for prescription eyewear was fairly low, with people replacing their glasses once every two to five years, depending on their needs. Bonlook saw an opportunity to pursue this market. Sophie was not an optometrist but she realized that if she could get a high quality, low cost, fashionable product into the hands of consumers, she could solve the problem they had of wanting fashionable eyewear, while not having to break the bank.

The company started with some seed funding from family and friends and has since grown from there. We first interviewed Bonlook for a case study back in 2015. You can check out that case at the ie-knowledgehub.ca website. I asked Andre how the company had grown since then.

Andre: Over tenfold. I don't remember exactly how we were set up when we initially stocked but I think we had one pop up store in Montreal. I think that was basically where we experimented on the multi-channel brick and mortar/web model where people were able to touch and feel the product and try them and were able to talk with an optician when they had specific questions or requirements for taking precise measures and stuff like that. We experimented on that model and we were very, very successful doing that. That basically drove us to determining that that was the way to go.

The way to go meant that we were going to establish many more physical stores and physical stores mean that you required capital. This capital requirement led to looking for additional investors that were ready to put money into the company and that were believing that this model was the way to go and believing not only the model but in the team. That's where we ended up talking to a lot of people including Walter Capital, which is a VC firm, privately owned, based in Montreal, owned by Pierre Somers Family who made a fortune in a very different industry.

Those people were ready to invest but really believed in the team and the model, but more than that, there was very good chemistry between them and the founders of the company, and all that led to them investing initially a few million dollars. They wanted to

really control the development of the company. They were really, really adamant in terms of wanting to be the major controlling investor in the company.

They not only added a lot of capital into the company, they also offered all the initial angel investors to repurchase their shares. Some of them, maybe two-thirds of them decided that they liked the profit they were making at the time and they decided that they would resell, and few of them stuck as investors and shareholders of the company. I am one of them. That was probably three, three and a half years ago, that all of this happened.

That led to creating a lot more physical stores, initially in Quebec, and then we went to, they say, "Go west, young man," that's what we did, and we went to Ontario, and then expanded throughout Canada up to BC. Currently, we have 37 physical stores. The model is still multi-channel. People can still purchase their glasses throughout a purely virtual model but the vast majority really wants to touch and feel the product.

They go into stores, they make their choices, and then they will either receive by mail or go to the store to pick up their glasses. When they do that, obviously they have the additional benefit of the end optician making the final adjustments for them.

Thierry: Both Sophie and Louis-Felix were able to remain with the company during this growth period. Andre explains.

Andre: They really matured over that period of time. I've known them for, I don't know, five, six years, and one of the most important things is that they're able to evolve with the company because managing a half a million, one million dollar startup operation and managing and growing a company that's now in the tens of millions of dollars of revenues and growing so fast is not the same thing.

They were able to really keep up all that time and they're still, as you know, just a brother and sister. They're still the right people to drive the growth of the company and there's absolutely no doubt, in terms of all the board members, in terms of having the right people heading the company.

Thierry: In addition to having their frames made in China, Bonlook has begun manufacturing their own frames in Canada. Andre elaborates.

Andre: Today the frames, a large portion is still coming from China but now we're adding a local brand. Those frames are made in Canada. We're I guess like the food industry, going partially local as much as we can. That's something that is significant. The other thing in terms of production is initially, as you said, we were dealing with a US New York-based laboratory. Today, the production is shared between this laboratory in the US, another one in Canada, but we also insourced part of the production for simpler types of glasses.

Now, we have the machinery required to produce some of the glasses internally at Bonlook offices in Montreal. Obviously, that has a large impact on the kind of profit

margins that we can make, and not only around the turnaround time because there's less overheads in terms of the product being shipped from one place to the other, but at the same time, make sure that we have a very high-quality standard and we're able to produce at a lower cost as well, so better margins.

Thierry: Initially, Bonlook's eyewear was sold all at one price. All of their products are original Bonlook designs. They have recently begun to segment their price offerings with tiered pricing for different product lines. Bonlook has collaborations with brand evangelists such as journalist Liz Plank, music star Mitsou, and Olympic figure skating champion, Tessa Virtue. They have recently begun to segment their price offerings with tiered pricing for different product lines.

Andre: A large part of the value, ultimately, of a company like this one is the value of the brand. If you want to give really a meaning to your brand, that means that you have something that's really original that you're only one to own, and doing your own design gives that capacity to build a recognizable brand that creates a lot of value over time. That's one of the key factors that explain why we want to keep doing our own design in house and certainly we're going to keep doing this for as long as we can see.

Thierry: Bonlook operates in a crowded environment. Brands are fighting for a foothold in a billion-dollar market in Canada alone. What is Bonlook's positioning in all of this?

Andre: I mentioned the original designs. That's a key factor. The other one is the experience when people go into the store. We have I think the most advanced technology, I would even say in the world, in terms of having the customer- a very seamless and very rich experience throughout all the buying process, that even is something that we might over time want to transform as its own business, as much as we believe that that creates a very large advantage in terms of wanting to be competitors.

Thierry: By focusing relentlessly on improving the sales process, Bonlook is producing value that its competitors cannot easily replicate.

Andre: In connection with that, initially the target customers were women, 18 to 30. That was the core target clientele of Bonlook. The more we're established, the better we're getting known. This is broadening quite a bit. Now we have people in their 40s, 50s, 60s who need progressive type of glass or the more complex product, who are not that familiar with technology, who also get into the stores, and we've got to make sure that those people are just as comfortable as the 18 to 30 people, with the approach and the technology. That's why we're so focused on making the experience easy even for people that are not tech-savvy at all, or even comfortable with a PC or a phone or whatever.

Thierry: How does Bonlook determine which product lines to produce? Is this based on the segmentation that it sees that it can make a profit off of, or are you, again, focusing on the customer needs in terms of what they need to have solved with their eyewear issues?

Andre: I would answer yes. That's what we're trying to do, obviously, to do both. One thing is similar with the traditional players in the sense that the more complex the glass requirements are usually the better margin you're going to make. Just like in the auto industry, or whatever other industry, where you have options and additional features that you can sell, usually your margin are going to get better on those options and on the base product, and it's true for glasses. It's even true for Bonlook. We're certainly interested in meeting more complex requirements, but at the same time, those are another differential.

When someone comes in with more complex requirements for glasses, we're trying just to make sure that we're able to follow, and at the same time, be able to really deal with one of the most often heard objection of older people. "Well, Bonlook model's interesting and all that, but my specific requirements are so complex. I must go to the traditional players because-- It's a good solution for others with simpler requirements but my own requirements are so complex. There's no way Bonlook is going to be able to meet them," which is not the case, but that is certainly a perception that we're trying to work against.

Thierry: The digital to brick and mortar strategy, it was twofold. It's important to underscore here that Bonlook started as an online retail sales company. You were selling strictly online for the first few years of the company. You started off with the kiosk at the Promenades Cathédrale in Montreal on St. Catherine Street in a very high foot traffic area, close to metro stations and such. You've expanded to 37 stores. What would the Andre now tell the Andre five years ago about expanding from digital to brick and mortar?

Andre: When you believe in something, just keep trying. At the time, the company, we were going through a cash crunch period, and quite a few of the initial angel investors were very skeptical about the brick and mortar because they said going retail is going to kill us and it's going to be so expensive in terms of capital and all that. There was very hard discussions between two groups of people that believed in the model and the ones that were more skeptical to the extent.

Sophie never gave up trying to convince the investor that that was the way to go. At the end, they were persistent and convincing enough to get just the additional investment at the time to be able to stay alive and experiment and demonstrate that that was the way to go. Obviously, today, all the remaining investors are very happy that they finally ended up supporting the management. I guess the key here is once you believe in something, just keep pushing until you get to your end.

Thierry: Yes, and rightly so. With hindsight, you really were solving a job there, which the client needed, which is they want to touch and feel the glasses, and if they want some more complex products, you couldn't necessarily predict that back then, but you were perfectly aligning yourself up in order to be able to deliver that solution for a whole new segment of our audience, if you will, of customers and clients for Bonlook products

that you would have maybe never been able to attain had you remained a pure digital play.

Warby Parker, one of your big competitors, which is a very well funded company in the United States, was also doing the same thing. Was your brick and mortar strategy inspired by them, or did that legitimize the fact that Sophie and Felix wanted to push that? Did that help appease the worries of the investors initially or was that even a discussion in the room?

Andre: Not really. That's really a bottom-up thing. So all those discussions and reflections, it came from the realization that people, when they buy glasses, they want to touch and feel. That wasn't inspired by anybody else than our own experience and just talking to people and seeing people interact and behave and see and hear and understand what kind of concerns or objection they have, not to go with the purely virtual model. We were not really inspired.

The Warby Parker decision didn't have anything to do with ours, but obviously they went through the same kind of questioning and made similar adjustment. That's just because that's the reality of things. People want to touch and feel the glasses before purchasing them.

Thierry: The foresight of the management team led by Sophie and Louis-Felix has paid off. Bonlook is now able to serve a wider range of customers, including those requiring a more sophisticated eyewear. Sales have gone up tenfold. What other success factors does the company measure?

Andre: For example, the percentage of redos has been reduced quite a bit. That means that the quality control is improved quite a bit. It's really expensive to do a redo, understand that you ship the product, that the person will send it back, you paid for shipping. You have to destroy most of the time what you're getting back, you have to reproduce and reship. That's extremely expensive and they will burn the profit out of probably 10 other pairs that you are going to be selling.

Reducing number of redos is really important. The shipping period also has been decreased. Now we're much more streamlined and people receive-- Obviously, you cannot apply the Amazon model where you're going to have same-day shipping, but at the same time in terms of comparing a turnaround time to the other traditional industries, our lead time to ship out the product has really been improving over the years. I guess, all those translate into customer satisfaction and the recurring sales to the same people, because they're happy with their purchase.

Thierry: By focusing on customer experience, the decision to hire opticians in certain stores also made sense. Andre explains.

Andre: Initially, we wouldn't have opticians in all the stores and neither all the time. More and more we're trying to be a hundred percent coverage of a having an optician in the store and that really raises the level of confidence that people feel when they come

to the store and talk to an eyesight professional, and that improves their comfort level and their confidence, and at the same time on our side it certainly improves the sales ratio. Everybody's getting happier.

Thierry: In addition to adding opticians to stores, Bonlook is also modifying where its stores are located. The company is experimenting with standalone stores in order to complement its other locations located in malls. Andre elaborates.

Andre: If you want to create value, you'd rather be the biggest player in a specific geography than for the same revenue level being spread out across North America or the world. The most dense you are the better the value creation will be.

Thierry: Why is that? Maybe you can explain that to us. That's not an obvious point for everybody. Maybe you can go a little bit deeper into that.

Andre: Well, I will give you the point of view of an investor. Investors are usually not there for the eternity, they're there for an eventual exit. An exit is usually because the company does an IPO is sold to a third party and the value that we will be given by a potential buyer will be higher if you are very strong into the geography where you are. It's really in the perspective of a potential exit for investors.

Thierry: In order to support their brick and mortar expansion, Bonlook is planning to roll out a national advertising campaign in the next year or so.

Andre: The thing is that we're currently very, very well known in Quebec, a little less in Ontario, and certainly not as much as we would like when you go more to the West. We're going to put a lot of energy into making sure that the brand is just as well known in Western Canada and Ontario as it is in Quebec today. The brand awareness is certainly one of the key priorities for the company.

Thierry: Before embarking on this campaign, Andre explains the steps towards making this decision.

Andre: Well, the first thing we had to do is we measured and we had it measured in the last few months. We have hard numbers now that does confirm what we felt and we're currently developing a program to expand the brand awareness across Canada and that will, for the first time certainly, involve media campaign that so far has been limited to basically, online to more I would say traditional ways of getting known through traditional media, for example. We're really currently into the process of designing the campaign and then making sure also that we were able to support the funding required to go with it.

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