

## Mud Bay's Good Jobs Journey

Mud Bay is a family-owned chain of pet food and supply stores in the Pacific Northwest. Mud Bay's co-CEOs, Lars and Marisa Wulff, are deeply committed to advancing the company's tripartite mission: (i) contributing to the health of dogs and cats, (ii) contributing to the happiness of people who care for animals, and (iii) building a strong company we're proud of. The company began with a single general store in Olympia, Washington. By 2013, Mud Bay had become a successful specialty retailer with 27 stores, 261 employees, and \$38.4m in annual sales.

Mud Bay prided itself on the knowledge and friendliness of its employees, who were expected to do whatever they could to solve customer problems – even if it meant sending a customer to a competitor. Employees—known internally as “Muddies”—took their responsibility to pets and owners seriously; in some cases, customers would come to Mud Bay for advice before going to a vet. The company only stocked the highest-quality products, and offered them at everyday low prices.

Comparable-store sales grew by 13% in 2013, yet Marisa and Lars were not satisfied. They felt the company was falling short of its aspirations. Employee turnover was 48%, relatively low for retail, but high for a company whose service model relied so heavily on employee expertise.

Like most retailers, Mud Bay operated on thin profit margins, making it hard to justify an increase in wages. Lars found that justification in early 2014, when he read about how the Good Jobs Strategy is built on higher investment in people *and* operational choices that both require and reward that investment. Mud Bay's leadership team decided to embark on a good jobs journey.

In part, this entailed investing more in their workers. Over the next three years, Mud Bay increased starting and average wages by nearly one-third. The portion of benefits-eligible workers rose from 65% to 82%, and the company expanded the range of benefits. Mud Bay also significantly increased the amount of training for new hires, moving from orientation-based training to a 'first year journey'.

In addition, the company made a set of operational changes to compliment this people investment. Mud Bay focused and simplified its product offerings, using newly-created employee product advisory teams to help decrease SKU count by 10%. Store employees worked with vendors to standardize delivery windows and processes across stores and suppliers. Mud Bay also smoothed workload: while the company had previously had two employees come in early to put away the previous night's deliveries, they switched to a model in employees were expected to help shelf inventory during slow periods.

By 2017, these changes were bearing fruit. Employee turnover fell to 31%—a decline of over one third. Mud Bay increased sales per square foot from \$317 to \$394, sales per employee hour from \$133 to \$149, and inventory turnover from 6.8X to 7.5X. From 2011 to 2013—before the good jobs effort—annual average same-store sales growth was 6.5%, and from 2015 to 2017, it was 9.3%.

Further, the changes left the company in a stronger competitive position. Competing pet store chains have lost traffic to e-commerce, but Mud Bay's sales remain strong and customers are almost fanatically loyal – as evidenced by their Yelp reviews and the love letters they send the company. Further, due to improved operational systems and motivated and capable employees, Mud Bay can adapt more quickly to customer needs.

Lars and Marisa are committed to continuing this journey; neither thinks that their work is done. Nonetheless, the company is proud of how far it's come. [Read the full case.](#)