

Quick Pivots

Situation

**"Culture eats strategy
for breakfast."
Peter Drucker**

When Scentsy Consultants launched the Monthly Movement, beginning with Active in April, to keep Scentsy strong and growing during the global pandemic and ensuing stay-at-home mandates of 2020, our entire staff rallied to meet the challenge and enable Consultant success.

Authenticity is a core Scentsy value, so it's central to our culture and defines how we interact with Scentsy Consultants, customers and our communities. We have always been upfront and honest, in good and challenging times.

In March 2020, as the world reacted to a spreading COVID-19 pandemic by shutting down borders and issuing stay-at-home mandates to keep people safe, our executive team began considering many questions:

*Would Scentsy be declared an essential business?
Would we need to furlough employees?
Could Consultants still generate sales without in-person parties?
How would our suppliers and shipping be affected?*

As these and even more concerns began mounting, Scentsy Co-CEOs Heidi and Orville Thompson did what they always had before — they shared their concerns with Scentsy Consultants, maintaining their commitment to authenticity even in an uncertain time.

Following a leadership call where Heidi and Orville were very transparent about the challenges we were facing, and in hearing them say we were going to do everything possible not to furlough our employees, a group of SuperStar Directors — Scentsy's top Consultant leaders — took matters into their own hands.

They created the **Monthly Movement**, a Consultant-led campaign to serve three main objectives: 1) Help others by sharing the Scentsy business opportunity; 2) Keep existing independent Scentsy businesses going strong and; 3) Keep every Scentsy employee working.

Consultants declared their goals, Heidi and Orville believed and invested deeply in them, and the entire Scentsy home office team quickly pivoted to implement new programs and tools, to dramatically increase manufacturing and internal orders to meet demand and to deftly maneuver through each new obstacle to ensure the Consultant-led Monthly Movement could succeed.

Strategy & Tactics

The Monthly Movement

Active in April — Slay in May — Join in June

Consultant leaders sparked powerful momentum to keep the entire Scentsy community strong, and we accepted that call to action with quick agility, thanks to the strength of our company culture and the capability of our workforce. We had four major objectives to support the goals Consultants set with the Monthly Movement:

Scentsy objective No. 1: Secure Scentsy as an essential business.

As national and local governments ordered the shutdown of "non-essential" businesses, our legal team began analyzing regulations and working with local authorities to ensure that our operations were well understood and properly categorized. We persevered through a few "make-or-break" situations because of our legal team's early efforts, including working with the Kentucky Labor Cabinet to quickly reverse the closure of our Kentucky distribution center, which serves the entire east coast of the United States and eastern Canada.

We were also able to maintain limited operations in New Zealand by working within the framework provided by New Zealand's emergency orders. By quickly removing "non-essential" products from our sales and delivery, we were able to maintain business operations in New Zealand.

Scentsy objective No. 2: Overcome stay-at-home challenges by implementing virtual Consultant support, training and events with a remote workforce.

Once the work-from-home guidelines were set, all Scentsy employees who could do their jobs from home began doing so within a matter of days. We supplied hundreds of Chromebooks to our Consultant Support staff so they could continue their work seamlessly. We also hosted seven virtual job fairs to add 103 new employees to the Consultant Support team.

**"You cannot limit
an independent
person's work."
Heidi Thompson**

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Beginning with our annual World Tour training events in March 2020, we responded to growing health and safety concerns by cancelling our remaining events and quickly converting in-person Consultant and home-office presentations into virtual training videos. Consultants were grateful not to miss out on the seasonal training and motivation they needed, and that decisive action laid the foundation for our largest annual event and an even bigger virtual undertaking: Scentsy Family Reunion in July 2020.

Scentsy objective No. 3: Increase home office manufacturing and internal orders to suppliers to ensure we could meet the demand generated by the Monthly Movement.

An essential department that could not work from home was our Operations team. It became clear that we needed to increase support of this team with safety procedures following state and CDC guidance, extra shifts and hundreds of new team members in shipping, manufacturing and the warehouse — plus volunteer shifts by employees from other departments.

In 2020, we held two in-person job fairs that resulted in 200 offers to new hires for our Operations team. Typically, we hold new hire orientation every two weeks, but in 2020 we held 4-5 orientations every week to onboard new employees!

Thanks to the strong relationships we had built over the years with our suppliers, we were able to exponentially ramp up our orders for inventory, requesting as much as they could possibly make, and in some cases even investing in the raw materials needed to help increase their manufacturing capacity and ultimately stock our shelves.

We also began construction on a new 42,000 square-foot building to store raw materials needed to make Clean, Laundry, Pets and Body products; a 24,000 square-foot addition to house the fragrance oils needed to manufacture products like Scentsy Bars; a new 211,000 square-foot warehouse to store raw materials and finished products; and a new 460,000 square-foot distribution center in Rock Hill, South Carolina.

As a result of increased staffing, we were able to dramatically increase manufacturing of our consumable fragrance products, like Scentsy Bars, Hand Soap and Scentsy Pods, and increase our order fulfillment and shipping capacities.

And in expanding the size of the Scentsy campus, we prepared for continued growth.

Scentsy objective No. 4: Bolster Consultant recruiting with a join promotion in May.

To increase recruiting in May and boost new Consultant activity and engagement, we offered a Value Starter Kit for \$20 USD, instead of our typical enrollment fee of \$99 USD. We drove traffic to the Join page on our corporate website through social media ads and posts, marketing assets for existing Consultants and easy links from Consultants' Personal Websites, our monthly newsletter and the corporate website.



Results

Thanks to the strength of Scentsy culture, the Consultant-led momentum started by the Monthly Movement and our response as a Scentsy family, global 2020 **revenue increased 87%** over our 2019 revenue (from \$470 million to \$893 million YOY) — even with major challenges that impacted everything from manufacturing and shipping to our Consultants' ability to sell products from their homes.

Scentsy objective No. 1: Secure Scentsy as an essential business.

- Thanks to our Legal team's quick action to ensure Scentsy complied with local health mandates, and our Operations team's application and documentation of necessary safety and social-distancing protocols, Scentsy remained open and operational all year long.
- In reversing the Kentucky distribution center closure within just 30 hours, we were able to continue serving the entire east coast of the U.S. and eastern Canada, which accounted for approximately **31%** of our overall distribution.
- In keeping business going in New Zealand, we were able to continue serving our 1,600 Consultants there, contributing more than **\$5 million in 2020 revenue**.

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"Loved the virtual option! If we could do this every year, I think it would be amazing and allow for more Consultants to attend SFR." — Scentsy Consultant

- As an essential business, we nearly doubled year-over-year global revenue, and between April 2020 and March 2021, we achieved a **\$1 billion year**.

Scentsy objective No. 2: Overcome stay-at-home challenges with virtual support, training and events.

- The daily support and training we offer Consultants continued seamlessly, even as our entire Consultant Support, Consultant Development and Training teams worked remotely. We added dozens of new support team members to meet the needs of Consultants.
- Our first-ever virtual Scentsy Family Reunion (SFR) in 2020 had the highest attendance of any SFR to date: more than **40,000** Consultants registered, including 18,000 first-time attendees.
- **More than 95%** of SFR attendees surveyed said they were likely or extremely likely to recommend this event to another Consultant.

"It was fabulous! I was worried I wouldn't feel connected, but I cried as many happy tears as I would have in person! BRAVO!" — Scentsy Consultant

Scentsy objective No. 3: Increase home office manufacturing and internal orders to suppliers to meet demand.

Scentsy Co-CEO Orville Thompson directed executives to lean into the demand driven by the Monthly Movement, and their response — including a substantial investment in new resources — resulted in:

- Actual orders **quadrupled** our initial projections between March and June 2020.
- In a single two-week stretch, more than 100 employees volunteered over **1,400** hours in kitting and shipping to ensure the massive increase in orders could be fulfilled.
- Scentsy Bar production **doubled** to fulfill the tidal wave of new orders in 2020.
- The week of June 22 was a record-breaking week, with almost **262,000** packages shipped.
- We hired over **1,300 permanent and temporary employees in 2020** (more than doubling our workforce) to increase our capabilities and meet demand.

Scentsy objective No. 4: Bolster Consultant effort with recruiting promotions.

- Historically, May is our slowest sales month of the year. But because of the Monthly Movement and the Value Starter Kit we offered as a Join promotion to boost Consultant effort, May 2020 was our best sales and recruiting month to date, with 39,328 Consultant enrollments — a month-over-month increase of **387%** — plus a **31%** month-over-month increase in sales.
- Consultant leadership promotions and the number of earned monthly and annual awards — all indicators of Consultant engagement and projected retention — **increased dramatically** year over year. In 2020:
 - ◊ Over 2,000 Consultants promoted to Director (400% increase)!
 - ◊ Over 300 Consultants promoted to Star Director (400% increase)!
 - ◊ Over 100 Consultants promoted to SuperStar Director (600% increase)!
 - ◊ We also saw quadruple growth for Scentsational Start Award achievers, which Consultants can earn in their first 70 days and is a strong indicator of future success.

The Scentsy family sticks together!

Heidi and Orville matched the faith and determination of Scentsy Consultants with their own investments early on, enabling incredible, company-wide success. Thanks to the strength of our culture, our commitment to authenticity and the actions taken by Scentsy Consultants, Heidi and Orville, and the entire home office team, Scentsy didn't just stay afloat in 2020 — we exceeded every sales and recruiting forecast, nearly doubling both our year-over-year revenue and our Consultant salesforce.

And the Monthly Movement lives on.