

## Sutton Bacon: CEO, Nantahala Outdoor Center

Nantahala Outdoor Center (NOC) began in 1972 as a fledgling whitewater outpost with little more than a gas station, a restaurant, and a small lodge. But its founders quickly transformed NOC into one of the country's premier whitewater rafting destinations. And for decades, it has been home to some of the best rafting guides in the world. The center advertises itself as the "Harvard of Whitewater Paddling," offering a rafting guide school and several certification courses, including a master guide course. What's more, Olympic and national team paddlers routinely head to NOC for recreation.

About 10 years ago, however, success stalled, and the company came to a crossroads. Interest in rafting was declining, its founder was retiring as CEO at age 74, and economic issues after the recession meant its leaders needed to think about the company's future. So, in 2007, they brought on a new CEO to spearhead a NOC reinvention: Sutton Bacon, 26 years old at the time. Bacon was thrilled to grab the reins of the business—nearly a decade older than him—that taught him to enjoy the river as a child. He jumped right in, taking a hard look at the market and ways to effectively paddle NOC forward.

### When a Changing Market Threatens Your Core Business

"On a macro level, fewer people are rafting than 20 years ago," Bacon shares of the harsh reality NOC has faced since he took over in 2007. "As people are changing, they want different activities. There are more kinds of outdoor activities for them to do, and there's significantly more competition for people's time." He adds, "Rafting as an industry may continue to decline slowly but surely, since people are risk averse and don't have time to raft."

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Today, NOC is well-positioned to continue facing this trend. But when Bacon started as CEO, rafting made up about 50 percent of the company's business. His thought? "We can't have 50 percent of our business based in a slowly declining market." Rather than reducing prices in an attempt to recapture the market share, the forward-thinking CEO looked at diversification. "We didn't want to be the best typewriter in the typewriter

industry and say, ‘Hey! We have the most awesome typewriter!’ We wanted to get ahead of the curve,” he says. He recognized that the business was “real estate rich and cash poor,” and used the existing brand of excellence in outdoor adventure to reframe who NOC is—as well as who it wanted to be and what it could offer.

Now, he says, NOC is an enigma of a company. “A lot of people don’t realize the scope and breadth of what we do,” Bacon shares, stressing that the company is no longer solely dependent on the rafting experiences it has long been known for. Instead of 50 percent of NOC’s focus, those experiences now account for about 20 percent. The company uses its premier outdoor land holdings to offer 120 additional recreational activities, including mountain biking, kayak instruction, and educational programs like wilderness medicine. NOC operates 10 restaurants and retail stores. Its resorts, conference centers, and camps accommodate more than 800 guests; the company also owns and operates a summer camp in Tennessee. Altogether, NOC hosts more than a million guests per year. In other words, although the adventure resort calls the banks of the Nantahala home, it’s expanding tremendously on its 500 acres by setting up zip lines and adding more offerings—expansion is extending to other areas, such as Gatlinburg, too. “We’re not just a rafting business anymore, folks!” Bacon says with a laugh.

To support this growth, NOC employs 250 full-time people. Technically, it’s considered a small business, but that number increases dramatically during peak season. “We hire about 800 to 1,000 people for three months every year, making us a medium-sized business, but the rest of the year we are a big small business.”

## **Spring Cleaning**

When you have a staff comprised of the best in the business, but in an industry that’s slowly declining, how do you convince them to get on board with significant change? That’s a key challenge Bacon faced when he sought to steer the company toward this diversification of services. Before he could expand operations, he had to deal head-on with shifting and reigniting company culture.

NOC’s co-founders, Horace Holden and Aurelia and Payson Kennedy, were all passionate about the river when they established NOC. They quickly grew their tiny river spot into a multi-million dollar operation and set out on what Bacon calls a sort of “overt social experiment.”

“In 1974, Payson Kennedy, who is the amazing visionary founder of the business—and also a world explorer—came back with different business philosophies. He basically gave the company away to his employees,” Bacon shares. Kennedy and the other founders decided to make the company employee-owned, and they started an employee stock ownership plan (ESOP). The company experimented with multiple forms of ESOPs before ultimately ending up with a KSOP, a retirement plan that combines an employee’s ESOP with a 401(k). This model worked well when it was first implemented in the 1970s.

Bacon explains that Payson adopted the approach because he wanted to build up employee pride in the business. He hypothesizes that the model worked in this way for 25 years but eventually ran its course. “With the advent of post-Enron regulations around retirement plans, compliance and administrative costs made it unsustainable. That directly impacted the level of investment that could be made into the business, and I walked into the tail end of that,” Bacon says. “For the first 30 years of the business, there had only been two CEOs, then there were four CEO changes in a row. Payson came back in when he was 70 to ‘stabilize it’ in 2004, a few years before I came on board.”

When Bacon began, he initiated a process to shift employee culture. Many employees had their NOC jobs because they loved the river and had made it their life’s mission to spend as much time on it as possible. NOC had become their home, which created a conundrum for the service-based enterprise. In some respects, the staff prioritized the internal community at NOC rather than viewing NOC as a customer-driven business. This sometimes made the company seem more staff-centric than guest-focused. “At some points in our past, our employees would have conversations about wanting to confine growth and restrict business,” Bacon admits. “We wanted to sharpen the focus on our guests, service culture, and changing consumer sensibilities while maintaining the core values and staff community that had created the place.”

“Without much of NOC’s original leadership left at the company when I arrived, there was limited investment, modest vision, and waning enthusiasm. It was an interesting culture for sure,” Bacon continues. But, he says, “I was able to successfully change over the leadership of the business. We now have probably 30 or 40 people I would consider manager-level, and of those, there are maybe three who are doing the same jobs as when I came. The company is 40 years old, and a lot of people have been working here a long time. Many of those were promoted from within and others we were able to source from the outside.”

Bacon adds, “We’ve worked through the 90-hour weeks and the headaches and difficult transition. Restructuring a business is not fun. We’re done with 90 percent of that, and now we’re in a good spot. We get to look at new opportunities, in places like Asheville and Atlanta, and I get to work full-time looking for ‘now’ opportunities.”

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### **Right Leader, Right Moment**

It’s a tough proposition to come into a company as the new guy and lead employees who have spent their lives working there. When those same employees are actually owners, it’s even tougher.

“I’ve been an entrepreneur my whole life,” Bacon says. “I told my mom I wanted to be a tycoon when I grew up. I’ve always had the entrepreneurial spirit, and started and sold other businesses. It’s easy to start a business; it’s really hard to make it successful. It’s even harder to take it to the next level.” Just how difficult? “It’s like a musician with a hit song—making the second one is even harder.”

He credits many summers spent at Camp Carolina in Brevard as a young person as a life-changing experience. An avid kayaker himself, running NOC fuses Bacon's passion for business and the outdoors. "I want to share that passion with others," he says. "I want to get young people out there. I tell the staff all the time that summer camps are growing our greatest customers. And that you better be nice to those campers who are on your raft because they might be your boss one day!" (That's why NOC recently acquired the summer camp in Tennessee).

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Bacon brought with him, and continues to draw upon, his lifelong entrepreneurial spirit as well as experience as a national advocate for outdoor recreation on public lands. He has more than doubled the size of NOC since he took over. His background as a management consultant specializing in innovation and brand development for large companies like Coca-Cola, Intercontinental Hotels Group, and Georgia Pacific—coupled with his personal experiences as a kayaker and president and board member of American Whitewater, a nonprofit protecting American whitewater rivers—made him the perfect choice for the position. But he never *just* wanted to be CEO.

## The Buyout

"I knew right away I wanted to invest in the company," he says about moving into the position in 2007. Despite making an offer for purchase then, it took five years of due diligence, research, and talking with the employee-owners before a deal was finally brokered. "There was quite a bit of relationship building to get the deal done," Bacon recalls. "But we were able to convince everybody that it was the right thing to do and that the Employee Ownership [model] was actually holding the business back. We had a lot of trapped shareholders who had no options for liquidity."

To raise money for the deal, Bacon brought together private capital from investments out of family offices and individuals, including himself. "It was literally a group of friends. There was no pitching or capital process," he says. The group that invested in NOC is made up of six equal partners, and Bacon describes it as a lifestyle investment. "NOC is cool to be associated with. It was an equity raise of like-minded individuals who have all experienced success in the corporate worlds but who are as passionate about NOC and our mission as our founders and employees are. Collectively, we all share a long-term focus."

Bacon's investment group bought out the ESOP in 2012, and the founders and a number of former employees remained shareholders as well. After the buyout went through, the investors were excited to really get underway. And then "2013 was a train wreck because of the weather," Bacon says. "At the end of the day, we can have all the best players in the world, but a significant impact can be made by the weather. Mid-summer floods completely shut us down. That was a once-every-40-

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year-hiccup—July fourth was completely closed down.” Like it does for so many businesses, life threw NOC a curveball. But it recovered, and Bacon confidently asserts that “things have never been better.”

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After dedicating himself to the major culture shift within the company and addressing any negativity, he was able to really start interfacing with customers and focus on growth and expansion. Bacon attributes a successful transition in part to his ability to relate to kayakers and younger staff. He admits it was tough for him as a “young guy” to lead employees who had been there for so long. But at the end of the day, he connected with the crew, and his enthusiasm for the company sustained them.

It’s clear the self-taught entrepreneur has a passion for business. “I actually majored in music in college,” Bacon says. “Some people are averse to numbers, but you have to be a numbers person if you’re going to grow. Most importantly, you have to understand a balance sheet, because you can’t gauge your cash flow without knowing the balance sheet.”

### **Finding Your Best Customers**

Another key driver of NOC’s renewed success has been a savvy identification of its top customer segments—and the ability to market effectively to the right audience. It’s not surprising that kayakers and outdoor enthusiasts flock to NOC for its many activities. But the company’s main customer profile is actually affluent active families with kids between the ages of eight and twelve years old. “That is our bread and butter—people who choose value over price,” Bacon says.

The core demographic for NOC is made up of professionals, doctors, lawyers, and two-income homes all with one big thing in common: They’re active. “Their kids are in triathlons or camping on the weekends. They’re not just sitting around playing video games,” he notes. “They want to go outside, and that active lifestyle is the core underpin of our entire business. Whether it’s a day trip or week with us, doing activities and spending \$2,000 on a vacation with us pales in comparison to spending \$10,000 with Disney. A lot of rafting businesses and companies in the outdoor space are price sensitive, but we have a different demographic in the market because we are both a price leader and a volume leader. We’ve been able to maintain that tricky position.”

NOC thinks of the entire picture when a family wants a getaway. “By and large, we are a vacation-planning market; we try to reach people while they are planning for their vacations versus letting them figure it out when they get there,” he says, explaining, “We use digital marketing tactics like web, pay-per-click, and social media. We have 250,000 Facebook fans. There’s never a silver bullet; you just have to do a lot of different things and track it well to see what works. We’re probably going to do TV for the first time, most likely in B markets like Greenville, for example, instead of Atlanta.”

He adds, “We do a lot of things and it depends upon the market.” Geographically, NOC draws its business primarily from the Southeast, with North Carolina in first place. Florida is second, then Atlanta; much of the rest of their business comes from South Carolina, Tennessee, and Georgia and then is geographically disbursed nationally.

## Looking Ahead

The long-term vision is to continue growing the brand and to look at other geographic areas to keep NOC relevant. “We really want to get the Nantahala adventure resort model right and then look at different geographies. First the outdoor adventure, retail, dining, shopping, lodging approach—and now we have the capital and expertise,” Bacon says.

When speaking about all NOC has had to change and embrace, Bacon says, “The culture shift was the biggest piece, but it was probably the easiest because we’d laid the groundwork.” To some degree, NOC is still dealing with changing staff mentality from not just having a love for the river but having a love for serving guests at the same time. But now, Bacon notes, “There’s a youthful spirit and engagement and it sharpens our focus relative to families.” The diversification and growth of the business is getting the staff excited again.

“I was NOC’s first external-facing CEO,” Bacon says. “The others were inward-facing, all about culture and getting people to work their best.” Bacon does what you’d expect from the owner of an outdoor center: He gets outdoors as much as he can and makes friends with competitors in different markets. He also goes overseas to stay current with global trends.

Business owners and leaders may agree with Bacon’s observation that many CEOs get so caught up in the daily operations of running the business that they don’t have the time to follow trends and see what’s headed their way for the future. Attending networking events and trade shows stop being the primary concern.

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“The first step is the hard self-actualization that some founders and CEOs are often not always good COOs, which was a really good lesson for me,” Bacon says. “The CEO is not always the COO. It’s important to separate the tasks of dealing with everything on a daily basis. It’s hard for people to realize that they may not be the best person to run the business. Emotionally, this is difficult because the business is your baby. You live it every day; the staff is your family. It’s an emotional process and there isn’t an easy recipe for people working through that. Raising money means losing control, always. Unless it’s a really rare situation, you may not give up all of the control but you will then have stakeholders telling you what to do, when before you didn’t.”

Bacon sees focusing solely on operations as a real liability, which is why he continues to keep himself active outside the confines of the center. “I intentionally try to get out as much as I can and see the world outside of the Nantahala Gorge. It’s important to see what’s out there, because if not you could miss out on the opportunities.” Staying connected to the bigger picture keeps him on track, and he notes that by doing so, “you can learn more about your trends or meet someone who could change the entire course of your business.”

Although, he certainly recognizes the importance Asheville plays in driving Western North Carolina’s outdoor tourism industry. “It’s awesome what the Outdoor Gear Builders group has done; they are good folks and they give us great props. WNC can’t move forward without Asheville. It wouldn’t surprise me at all if Patagonia would put a distribution center here,” he opines around the area’s booming outdoor industry.

The Pisgah National Forest in Brevard is also on the drawing board for NOC. “Pisgah is a huge untapped opportunity: It’s the third-most-visited national forest in the country,” Bacon says. “The Smokies get all the attention, but the Nantahala-Pisgah National Forest has huge opportunity. I love Brevard, I’ve always loved Brevard. People are coming. There isn’t any kind of lack when it comes to outdoor activity. The big question is how do we monetize it. The economics are really clear; we do economic impact studies, and there is a strong economic impact.”

At the end of the day, Sutton Bacon relies on his well-developed business instincts that have shaped NOC into a thriving, growing company. “I’m bold and have big ideas,” he says. “It’s worked so far.”

Indeed it has.

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