

## **2x TREND WATCH**

*News, notes and nuggets from the desktop of:*

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**Big Three.** The *National Restaurant Association (NRA)*, *International Dairy, Deli & Bakery Association (IDDBA)* and *Summer Fancy Food Show (FFS)* shows were some of the most interesting industry events held over the past 60 days. These shows were particularly enlightening as each showcased a growth channel, section of the store or product type as follows (data courtesy of NRA, IDDBA, NASFT and Nielsen):



1. Channel: Food Away From Home (FAFH) represents 4% of U.S. GDP and will grow another 5% in 2007. FAFH represents greater than 55% of total food dollars, even though only half of meal occasions.
2. Store Section: Bakery and deli are growth departments (e.g. deli growing +4.7% in 52 weeks ending 6/16/07, almost twice rate of total store +2.6%).
3. Product Type: Specialty foods and beverages at retail were \$38.5 billion in 2006, representing 10.1% of all food/beverage sales and growing at 4.7 times the rate of mainstream products (+22.1% between 2004 and 2006 versus +4.7%).

**Grand Slam.** With the bases loaded from big hitter channels, store sections and products types as above, it's not a shock to see throngs of people wanting to come to the plate. For example, the recent *Fancy Food Show* held at the Javits Center in NYC was busier than I've ever seen it before. At some times of day, you had to move sideways down the aisles just to get past the other attendees! With 5% more exhibitors than last year (which I did not think could possibly happen but they managed to fit them in), the exhibitors included pavilions from 82 countries, regions and states showing their wares to over 25,000 attending buyers (and then people just eating ... like little 'ol me!). Seems show host *National Association for the Specialty Food Trade* hit the ball out of the park.

\* \* \*

Looking across the shows, there are interesting developments that will likely come further into the mainstream in the next new years, including:

- Delivering on consumer desires in food service and at home
- Pushing the envelope on freshness
- Intersection of medicine and foods/beverages

The following pages illustrate these themes ...

**Wow with Ease.** There are few things better than a good, freshly-made milkshake. But, if you're a food service operator, it's a time commitment that leads more people than not to offer a processed ice-cream substitute.



Maybe that will change, thanks to Cecilware's *Revolver* system where the employee (can't call them "soda jerks" even though it's a great term!) can prepare fresh milk shakes without active attention to every step. Similar to blenders used at smoothie shops, you can put the yet-to-be-mixed shake upside down into the machine with the special blender-lid on the fast-food cup and temporarily work on preparing something else. Great

improvement – except the ice cream headaches remain! Eeeek.

[www.cecilware.com/revolver.htm](http://www.cecilware.com/revolver.htm)

**Mini Me.** We've been seeing miniaturization and portion control come to life from the retail food companies in terms of 100 Calorie Packs. Now that's coming to restaurants in a way that solves issues for consumers and restaurant operators! Dining patrons often want a nibble of something sweet but few order dessert (only 6% according to one recent study). So, *McCain's Sweet Classics* is a great way to have assorted nibbles on the table while not ordering giant desserts. This brilliant entry is perfectly on-trend with portion



control and miniaturization ... and quite tasty too! If you're a food service operator, there are many advantageous for the front- and back-of-house ... including highly incremental sales and profits, 100% yield, long hold time, no equipment needs and low labor among others. While they're fried, they don't really taste or more importantly look like fried food. Available in 5 varieties, I am partial to the filled goods, especially the Chocolate Crème Truffle Bites. A magical idea ... so I made them disappear. ☺ Then, unfortunately, there's no Mini Me here, but worth it.

[www.mccainsweetclassics.com](http://www.mccainsweetclassics.com)



**Smokin' Now.** Restaurateurs have been using smokers to enhance flavor for years. Now, *Fire and Flavor* has taken almost paper-thin shaved slices of wood to replicate this for food service or at home! Just soak the wood slices in water for 10 minutes and they become soft enough to wrap around the food for cooking. Great on the grill or the oven. Trust me – I almost ate the wood.

[www.fireandflavor.com](http://www.fireandflavor.com)



**Fresh. Fresher. Freshest.** While considerably below some other European countries, consumer demand for freshness appears at an all-time high in the US. (In the context of produce, see "Fresh to Your Table" in 2x *TREND WATCH* – May 2007, available in the *NEWS* section of [www.2xManagement.com](http://www.2xManagement.com)).



With technology and packaging advancements, the number and quality of fresh, refrigerated (chilled) entries is increasing rapidly. Think the imminent opening of UK-based *Tesco* stores in Southern California and Southwest had anything to do with it? Maybe just a bit.

*Reser's Fine Foods* and *Huxtable's Kitchen* are two fairly well-established companies that are clearly positioned to benefit from the freshness trend. Both were well ahead of their times when launching their products, but the time is now right for them. They've freshened (all puns intended) their offerings and packaging to be ready now that consumers and retailers are interested. Both manufacturers had very large presences at *IDDBA* and their booths were quite busy. Products lines include fresh entrees, side dishes, vegetables and even seasonal Holiday items. Make sure to try the *Huxtable's Italian Style Turkey Meatloaf*. I did.



Twice actually. Mmmmm.

[www.resers.com](http://www.resers.com) and [www.huxtables.com](http://www.huxtables.com)

**Rx in a Glass.** For years, the food and beverage companies have been trying to develop functional foods. Unfortunately, in many cases the health benefits were too abstract to understand or the ingredients that made the products healthy made them inedible. There have been only a few very successful functional foods, including *Viactiv* (started as chocolate-covered calcium chews for women) and *Activia* by Dannon (probiotic yogurt for digestive health).



Dr. Andrew Weil is out to change that. He has been an endorser as “your trusted health advisor” for natural food businesses in many categories including seafood, supplements and cookware. Unveiled recently and in full glory at *Fancy Food Show* in NYC was *Dr. Weil for Tea*, a full line developed and distributed in partnership with Japanese giant *Ito En* but bearing *Dr. Weil* as the

primary branding. What’s most interesting is how far they push the Rx messaging quoting Tenshin Okakura (who authored *The Book of Tea* long before his death in 1913) with lines like “Tea began as a medicine and grew into a beverage.” While the product is good (above average even), this appears to be the single most interesting functional food marketing approach I’ve ever seen! Great marketing.

[www.itoen.com/weil](http://www.itoen.com/weil)



### Important follow-up ...

**The Swiss Are Coming.** And, I can’t wait! Finally. Almost two years ago after visiting the *Anuga Show* in Cologne, we profiled new ready-to-drink coffee and chocolate drinks from dairy company *Emmi* of Switzerland. See “*Caffe 4 Me*” in *2x TREND WATCH – October 2005*, available in the NEWS section of [www.2xManagement.com](http://www.2xManagement.com)). After toying with me for almost two years, the first of the products are now available in the US. Unfortunately, the *Emmi Choco Latte* product is yet to come in the US. People ... you’re killing me. Stop holding out on us. Send the chocolate drink already!



\* \* \*

Hope these thoughts are helpful. If I can add perspective, please feel free to contact me at 312.337.9085 or [asw@2xManagement.com](mailto:asw@2xManagement.com). Notes from prior food shows, natural product shows, ethnic products shows and other consumer products industry shows are available in the NEWS section of [www.2xManagement.com](http://www.2xManagement.com).

As you can see on the following page, we’re partnering and investing in emerging consumer products capable of explosive growth ... have ideas?



partnering with management in emerging consumer products businesses for exponential growth

### OVERVIEW

2x Management partners with founders and management of emerging consumer products businesses capable of growing exponentially via an infusion of capital and management expertise. Focus areas include food, beverage, personal care, home care and pet care – particularly in the organic/natural, specialty/gourmet and ethnic sectors. Businesses are primarily within the \$1 million - \$15 million revenue range and meet the following criteria:

- ✓ Founders/management team seeking a partner, not just an investor
- ✓ Powerful consumer-driven positioning with exceptional product fulfillment
- ✓ Strong sense of “proven-ness” based on in-market performance
- ✓ Exponential growth potential to at least \$30+ million in revenue within 3 – 5 years
- ✓ Categories that immediately leverage our expertise
- ✓ Attractive go-to-market approach leading to sound long-term financial proposition

A minority ownership stake as part of a partnership is most common, but a majority interest or complete buyout is not atypical.

### FORMULA FOR SUCCESS



### VALUE-ADDED RESOURCES

2x Management brings extensive consumer products industry experience in building established businesses, transforming under-performing entities and creating new ventures. Seasoned *Industry Insiders* add immediate value via their expertise, contacts and connections. 2x Management partners with founders and management as appropriate for the needs of the business, including sales, marketing, operations, finance, strategy, IT, R&D or others as required for success.

### CONTACT INFORMATION

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