

2x TREND WATCH

News, notes and nuggets from the desktop of:

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So Big. So Energizing. WOW! *Natural Products ExpoWest*, the “Super Bowl” of the industry, clearly highlights the immense breadth, depth and growth of the \$75.3 billion U.S. industry (according to *Nutrition Business Journal*). The largest show ever was held this week with record participation from over 47,000 attendees (up 10% from last year). The Anaheim, CA show was so big that, for the first time, a lower level hall was also used to accommodate the 3,162 exhibitors of natural and organic personal care, pet care, healthy home and baby products, as well as clothing, wine/spirits and, of course, food and beverage. While the statistics speak for themselves, the energy on the show floor was unparalleled for first time exhibitors, first time attendees and returning veterans alike!



PREVENTION STARTS HERE. In addition, EXPO is an annual event when the industry comes together to support key causes. A special screening of the Sixth Annual *LUNAFEST*, a national film festival of short films by, for and about women, benefited the *Breast Cancer Fund*, the leading national organization focused on identifying the causes of breast cancer and preventing the disease. In addition, there was a fundraiser on behalf of *Vitamin Angels*, a non-profit, non-sectarian organization created in 1994 to fight malnutrition and childhood blindness around the world. Anyone wishing to learn more about or contribute to *Breast Cancer Fund* or *Vitamin Angels Alliance* can visit them online at www.breastcancerfund.org or www.vitaminangels.org.



With all this energy and positive momentum, was anything new? Absolutely. The following captures a key theme and highlights some noteworthy new product introductions.

Better (Healthier) Offerings ... For Kids

F As in Fat! That was the title of a 2006 report from *Trust for America's Health* indicating that almost two-thirds of Americans are either overweight or obese. While 32% of adults are classified as obese, it is flat-out horrifying that childhood obesity levels more than doubled since 1980 to 17%. If this is not concern enough, environmental impacts are attributable to a significant portion of ailments including children's allergies and adult onset diseases. For example, when all known risk factors and characteristics are added together including genetics and family history, as much as 50 percent of breast cancer cases remain unexplained (per study published in the *Journal of the National Cancer Institute*). Although environmental exposures are not generally cited as risk factors for the disease (except for diet, pharmaceuticals and radiation), a substantial and growing body of evidence indicates that exposures to certain toxic chemicals and hormone-mimicking compounds contribute to the development of breast cancer.

As we learned in the phrase made popular in politics “it’s the economy, stupid,” the most evident theme among EXPO exhibitors was simple: it’s good for America’s children, stupid! Companies were out in full force to assist in all areas – including food, beverage, personal care and household cleaning.

In Foods: As we strive to bring options to the mainstream, a leader in adult snacking is at the forefront of kid snacking. Clif Bar & Co. is well known for the *Clif* and *Luna* lines. But EXPO was the coming-out party for *CLIF KID*, a three brand platform entry into kid snacking! Under the umbrella *CLIF KID* brand, they've extended the existing *Z Bar* with new flavors while a new offering includes a 3 flavor line of *Splashers* powdered drink mixes – in an amazingly cool, wave shaped, die-cut pouch. Finally, the most interesting innovation is a new form of kid snacks. Made primarily from organic apple puree, each piece of *CLIF KID Twisted Fruit* is “real fruit rope” ... soft-enough to enjoy (no broken teeth like with some fruit leathers), equal to one serving of fruit and containing no added sugars, preservatives, artificial colors or flavors. Kids (like me) will be all twisted up over this!



clifbar.com



anticipated *Honest Kids* line of organic ready-to-drink juice drinks. Available in 3 flavors like Berry Berry Good Lemonade, each pouch is only 40 calories (50% less than most juice drinks) and is sweetened with organic sugar cane and contains no high fructose corn syrup, artificial colors or flavors. Just delicious and refreshing!

honesttea.com and honest-kids.com



Pure fruit juices are often too sweet or too sugary for kids. So, parents (or Uncle Andy as the case may be) have been watering them down. These juice-water combos have spawned a whole number of products – some start by adding water to fruit juices while others start by adding fruit flavorings to water. EXPO brought forward many new entrants, several launched by beverage industry veterans. *Wateroos* are naturally flavored, unsweetened water – just filtered water and natural flavors – in a drink box. *Wild Waters* is an all-natural, vitamin powered water beverage available in 10 oz. bottles with a sports top. Only 63 calories per bottle! Perfect refreshment for active kids. Last but not least, *Crayons* is a line of all-natural, refreshing beverages made with the innovative *SugarGuard* protection system (an all-natural, scientifically proven, specialized blend of ingredients formulated to lower the overall sugar levels of beverage products and moderate the rate of sugar absorption within the body). Available in 12 oz. bottles and 8 oz. cans, *Crayons* contains no high fructose corn syrup and only 90 calories per can. Ahhhhh.



drinkcrayons.com, drinkwildwaters.com and wateroos.com

In Personal Care and Home Care: What goes on our kids and is used around them is just as important as what goes in them. *California Baby* was one of the early companies to provide specific all-natural personal care for kids. More recently, however, many others have done an outstanding job of developing kid friendly skin care and hair care products – including *Love Me Baby Me* and *Baby Avalon Organics* among others.



californiababy.com, lovemebabyme.com and avalonorganics.com/baby



For the home, the most interesting new entrant is *Mother Natural* all-natural cleaning products. We all know that kids put everything in their mouths so making sure cleaning products are put away is important. But, given what we're learning about environmental impacts from chemicals, why have toxic cleaning products around the house at all? For a small company, they really cleaned up at the show!

mothenaturalclean.com

Big idea in the making ...

Pop goes the ... chip? Tucked away nicely in the back corner was a booth that often had people stacked five deep trying to taste the *Pop Chips*. Well, these tasty snacks were the most interesting mix of consumer insight and product development at the show! First, they are lighter and lower in fat/calories than a traditional chip – so I can eat more! Plus, instead of baking or frying them, these chips are popped and then seasoned. The net result is a light, tasty chip that will be a hit in the marketplace. Awesome. The whole bag was just barely more than some of the 100 calorie packs from other snacks. Too bad they're gone ... or I could tell you more. Oh well ... so much for sharing. Guess you'll have to wait for them to come to your local supermarket.

**all the flavor.
half the fat.**

never fried.
never baked.

**all natural.
nothing fake or phony.**

- no trans fat
- no saturated fat
- no cholesterol
- no preservatives



popchips.com

Other noteworthy finds include ...

Hidden in the center. For years people (women in particular) were told to get more calcium and take calcium pills if needed. No one did. Then McNeil Nutritionals developed calcium chews ... and chocolate covered them. Voila. *Viactiv* was born. Now Flora, the US subsidiary of a German company, has a solution for people not interested in taking things like fish oil pills. *BIJA Omega Truffles* ... the gourmet way to get your essential fatty acids like omega-3 and omega-6. What's not to like when chocolate coated!



florahealth.com



Too logical not too happen. If you're The Coca-Cola Company and own the largest fresh juice brand (*Odwalla*) and second largest bottled water business (*Dasani*) ... it was bound to happen ... *H2Odwalla*. Glad it did.

odwalla.com

Similarly, if you own *Rachel's* yogurts in the UK, you'd quickly bring them into the US. Right? Right. So, says the *WhiteWave* unit of Dean Foods. And, they're right. Available in the 5 SKU *Essence* line (e.g. Calm – featuring Plum Honey Lavender) and the 5 SKU *Exotic* line (e.g. Kiwi Passion Fruit Lime). *Wickedly Delicious* is more than just a tag line!

rachelsdairy.com





Finally, the best business card award goes to the folks at Burt's Bees. Nothing like the CEO handing out his contact information on the side of their hallmark product. It's the "bee's knees." ☺

Hope these thoughts are helpful. If I can add perspective, please feel free to contact me at 312.337.9085 or asw@2xManagement.com. Notes from prior food shows, natural product shows, ethnic products shows and other consumer products industry shows are available at www.2xManagement.com/news.html.

Andy



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.

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